

Quick Reaction Asia

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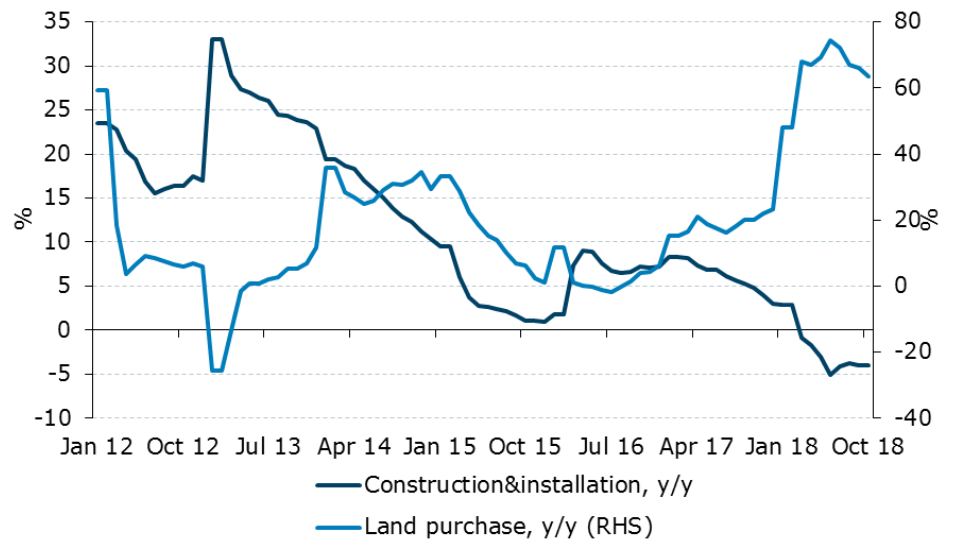
China's property data indicate downside risks are limited

Event	Current	Previous	ANZ	Market
Retail sales, y/y	8.1%	8.6%	9.1%	8.8%
IP, y/y	5.4%	5.9%	5.7%	5.9%
FAI ytd, y/y	5.9%	5.7%	5.9%	5.8%
Property investment ytd, y/y	9.7%	9.7%	-	-

- China's property investment remained solid in November, reinforcing our view that the downside risks for the sector are relatively limited in 2019.** Growth of property investment was steady at 9.7% ytd y/y in November, indicating a faster pace of growth at 9.7% on a sequential basis vs 8.1% in October. Land purchases, which are part of land investment, slowed in November. This may indicate a continuous recovery in construction and installation investment. The solid retail sales figures for construction and decoration materials in the month (+9.8% y/y) are also in line with such a trend. All these reinforce our view that China's property market faces limited downside risks in 2019.
- As expected, momentum in infrastructure continued in November and may last until next year.** Fixed asset investment (FAI) into infrastructure and FAI led by state-owned enterprises (SOE), a [key driver of infrastructure projects](#), increased 3.7% ytd and 2.3% ytd y/y in November, respectively, compared with 3.7% and 1.8% in October. The National Development and Reform Commission (NDRC) recently announced it would support direct financing of SoEs, especially for those operating in infrastructure and emerging sectors. We expect such a measure to provide further funding support for relevant sectors and help drive FAI growth in the near future.
- China's monthly retail sales weakened unexpectedly in November amid lower inflation.** Even with the support of robust sales from the 11 November Singles' Day event, retail sales growth fell to a new low of 8.1% y/y. Reduced retail prices on the back of lower inflation and import tariff cuts could be one reason behind the slowdown. For example, the sales of petroleum products slowed to 8.5% y/y in November from double-digits in the past seven months. In addition, weak demand for automobiles (-10%) and communication appliances (-5.9%) may indicate further cyclical downturns for China's retail sales in the future.

(see chart on next page)

Property investment from land purchases and construction & installation



Source: CEIC, ANZ Research



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