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China's March Home Prices May Signal Slow Recovery

China's new home prices in March grew at their slowest annual pace since June 2018, but a pick-up in momentum could point to a tentative recovery after economic activity ground to a halt from the coronavirus epidemic.

Home prices in March grew 5.3%, also the 10th consecutive month of weaker growth, data from the National Bureau of Statistics (NBS) showed on Thursday. Prices grew 5.8% in February.

New home prices in China returned to growth in March on a monthly basis, however, after stalling for the first time in five years in February, suggesting some pent-up demand as the impact from the coronavirus outbreak on the property market gradually fades.

China has in recent weeks lifted transport curbs and city lockdowns which had crippled business operations for developers and reduced customer visits to property showrooms. The government's stimulus measures to boost credit and cut interest rates have also seen a rebound in mortgages and consumer loans.

The authorities have gradually brought the outbreak under control, although travel and social distancing measures remain in place in some cities such as the capital Beijing. The flu-like respiratory illness has killed more than 3,300 people and infected over 82,000 in mainland China.

Analysts warned the modest gain in March could be due to a lag in pre-Lunar New Year holiday transactions being registered as operations resumed. The coronavirus' impact on jobs and consumer confidence may continue to crimp sales in the property market for months, they said.

"Property sales offices across the country opened in March, but sales remained sluggish," said Zhang Dawei, a Beijing-based analyst with property agency Centaline, who estimates they recovered to 40% of pre-virus levels after a plunge in February.

Chinese banks extended a record amount of loans in March, as various government support measures kicked in. Household loans, mostly mortgages, rebounded sharply to 989.1 billion yuan (\$139.70 billion) in March from a net decline of 413.3 billion yuan in February, Reuters calculated from central bank data.

SIGNS OF RECOVERY

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The majority of the 70 cities surveyed by the NBS reported monthly price increases for new homes, with the number rising to 38 from 21 in February.

More robust price gains were recorded across all city-tiers. Xining, the capital of Qinghai province in central China by the Tibetan Plateau, was the top price performer in March, with a monthly price increase of 1.4%.

It was closely followed by the coastal city of Hangzhou in Zhejiang province, where prices grew 1.3%.

Prices were unchanged in Wuhan, the epicentre of the outbreak, as it did not sell any properties in March due to the pandemic, NBS said in a statement alongside the data.

China's major property developers, such as Evergrande, have been launching discounts and promotions to spur sales, while the government has relaxed some rules over pre-investment in projects to help quicken sales. Latest data from researcher CRIC shows sales of the top 100 developers surged 136.2% last month from February. <https://bit.ly/3ejteFD>

Developers said they expected sales to normalise in April, following an 80%-90% recovery in March. But some analysts noted that consumers remain cautious amid lingering fears of a global recession from the pandemic that will hit demand for China's goods and services.

Nomura analysts said in a report on Thursday another round of massive stimulus to boost nationwide property demand remains unlikely.

Others called for more help from local governments.

"Local governments should roll out more market support measures to encourage first time buyers and upgraders, provided that they do not violate the principle of 'houses are not for speculation'," Centaline's Zhang said, referring to Beijing's warnings to speculators.

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