MASHREQ GLOBAL DIGEST
China
March 09 – March 15

This edition of Market Digest focuses on China's key macroeconomic indicators, along with updates on its financial and technological sectors, offering insights into current economic trends.

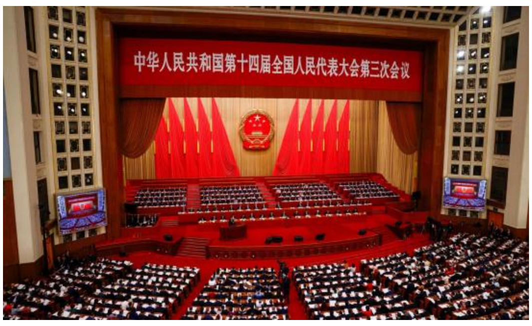
Macroeconomic News

China Targets 5% Growth for 2025

China has set a GDP growth target of around 5% for 2025 and introduced stimulus measures to support the economy amid growing trade tensions with the U.S. The government has raised its budget deficit target to 4% of GDP, the highest since 2010, and plans to issue 1.3 trillion yuan in ultra-long-term special treasury bonds. Additionally, efforts to address sluggish consumer demand include job creation initiatives, tax cuts, and support for the real estate sector. Despite these measures, the 5% growth target is seen as ambitious given ongoing challenges like weak consumer confidence and a prolonged real estate slump.

Reference: CNBC

China Plans to Boost Tech and Tackle Economic Challenges



China's leaders have unveiled a plan to address its economic challenges and transform the country into a technological powerhouse, focusing on AI, quantum tech, biomanufacturing, and 6G technology. China's economic officials announced a state-backed fund to support these innovations, estimating it will attract nearly 1 trillion yuan ($138 billion) in capital over 20 years from local governments and the private sector. The government is also addressing weak consumer demand by pushing for job creation, wage increases, expanded social benefits, and the promotion of consumption through programs like trading old appliances. Additionally, measures to help local governments buy back unsold homes are part of efforts to stabilize the real estate sector.

Reference: CNN

China's Consumer Prices Drop For The First Time in Over a Year

China's consumer prices dropped 0.7% in February, marking the first decline in 13 months and signaling ongoing deflationary pressures. Lower food costs, especially a 12.6% drop in fresh vegetable prices, and weakening demand contributed to the fall. Producer prices also shrank for the 29th straight month. Core inflation, excluding food and energy, declined for the first time since 2021, reflecting broader pricing pressures, especially in the electric vehicle sector, where prices dropped 6%. To address this, Beijing set its lowest inflation target in two decades at 2% and rolled out stimulus measures, including a RMB 300 billion ($40 billion) subsidy program and major government bond issuances to boost spending and investment.

Reference: Financial Times

Impact of Trump's Tariffs on China

According to analysts, China is better prepared for Trump's new tariffs compared to 2018, thanks to economic decoupling, fiscal stimulus, and tariff exemptions for key exporters like Shein and Temu. Exemptions on shipments below $800 help Chinese companies maintain their competitiveness. While Beijing seeks to avoid escalation, analysts predict China may actually benefit from the situation as global trade partners, including the EU, explore alternatives like China and India. Trump's unpredictable tariff approach may push U.S. allies toward multilateral trade deals, potentially reducing reliance on U.S. markets, while his aggressive stance could risk domestic economic fallout, forcing him to retreat.

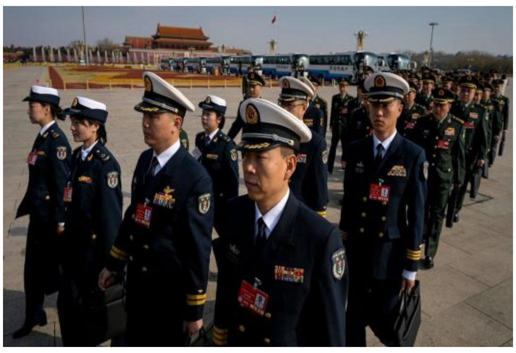
Reference: Aljazeera, CNBC

China's Property Sector Shows Early Signs of Recovery

According to China's housing minister, the property sector is showing signs of recovery, with improved market confidence after years of decline. Property investment slumped significantly last year, and home prices have dropped by 20-30% since August 2021. However, early 2025 data shows better-than-expected performance in major cities. Real estate, which makes up 70% of household wealth, remains under pressure as consumers are cautious about spending amid economic uncertainty. The government is boosting financial support for developers and expanding urban village renovations, with one million units renovated in 2024. Analysts predict a market recovery won't occur until 2026.

Reference: Reuters

China Boosts Defense Budget by 7.2%



China has raised its defense budget by 7.2% for 2025, totaling $245 billion, as part of its effort to strengthen its economic and strategic position amid global defense spending trends. The increase, in line with global defense expenditure growth, is aimed at advancing China's military capabilities and securing its interests. Despite a slowing economy, this budget boost underscores China's commitment to enhancing its military strength, which is seen as integral to its broader economic strategy.

Reference: Euronews

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Financial News

China Urges Banks to Boost Lending and Credit Card Use

China's financial regulator has instructed banks to increase consumer lending, promote credit card usage, and support borrowers facing financial difficulties. The goal is to boost consumer spending and confidence, as many have been hesitant to spend due to concerns over jobs and the economy. Additionally, banks are encouraged to offer more financing options to stimulate demand, helping to counter the trend of saving over spending. These measures are part of broader efforts to stabilize the economy and sustain growth following the impact of the COVID-19 pandemic.

Reference: AP News

China Stocks Attract $11.2B in February Inflows

According to a report from the Institute of International Finance (IIF), in February 2025, foreign investors added nearly $16 billion to their emerging market portfolios, with $11.2 billion directed towards Chinese stocks. This marked the second largest monthly inflow for China in over two years. Emerging market debt, on the other hand, attracted a net inflow of $33.2 billion, while Chinese bonds saw a $15.1 billion outflow. The demand for Chinese stocks was driven by advancements in AI and electric vehicles, although concerns over regulatory risks and geopolitical uncertainty remained.

Reference: Reuters

Citi Upgrades China to 'Overweight'

Citi analysts upgraded their outlook on China, raising their GDP growth forecast for 2025 to 4.7% from 4.5%, driven in part by increased investment in artificial intelligence. Citi sees China's tech sector as undervalued compared to global peers, making it an attractive investment opportunity. Analysts also highlighted the possibility of improved trade relations with China, which could have a positive impact on the market. As a result, Citi's analysts shifted their view on China to "overweight," reflecting growing confidence in the country's economic prospects.

Reference: Reuters

Tech News

Baidu Unveils New AI Models to Challenge Global Competition

Baidu has launched two new AI models, ERNIE X1 and ERNIE 4.5, to compete globally in the AI race. ERNIE X1 offers similar performance to DeepSeek's R1 at half the price, with improved reasoning and planning, while ERNIE 4.5 excels in language, understanding, and memory, even interpreting memes. Baidu also released its AI chatbot, Ernie Bot, for free ahead of schedule and plans to make its models open-source by June 30. Despite these efforts, Baidu faces challenges in gaining widespread adoption, competing with major players like OpenAI.

Reference: Reuters, Yahoo Finance

Trump Confirms Talks with Four Groups Over TikTok's Sale

U.S. President Donald Trump confirmed that his administration is in talks with four different groups regarding the sale of the Chinese-owned social media platform TikTok. The discussions come after a law was passed in January requiring TikTok's owner, ByteDance, to sell the app on national security grounds or face a ban. Several potential buyers, including former Los Angeles Dodgers owner Frank McCourt, have shown interest in TikTok, which could be valued at up to $50 billion.

Reference: Reuters

Markets

Market Dashboard

- On Friday, the US stock market saw a strong rally, with the S&P 500 rising 2.1%, the Nasdaq up 2.6%, and the Dow gaining 1.6%. This surge followed a correction confirmation and a technical rebound. However, despite Friday's gains, the week ended with losses of over 2% for all three indices, mainly due to concerns about tariffs and the possibility of a government shutdown.
- Bitcoin traded between $77,000 and $84,000 last week amid market volatility due to tariff concerns and economic slowdown fears. Despite this, investor sentiment improved, suggesting Bitcoin could see better prospects as clarity on trade policies emerges.
- Gold surged to $3,000 on Friday for the first time, fueled by rising economic uncertainty and the escalating trade war. The metal saw a second consecutive week of gains, with concerns over inflation, tariffs, and geopolitical tensions driving demand for this safe-haven asset. Analysts suggest that $3,000 could be a psychological milestone, with further increases possible if the trade conflict intensifies.
- The oil market remained steady for the week as traders weighed tariff uncertainty and ongoing efforts to end the Ukraine war. While a potential peace deal could bring more Russian oil to the market, analysts are cautious, noting that tariffs and US storage levels are also influencing price movements.
- The euro gained this week, supported by a German fiscal deal aimed at boosting defense and growth. With expectations of fiscal reforms and steady ECB rates, the euro is set for its second straight week of gains against major currencies.

Indicators	7-Mar-25	14-Mar-25	% Change
S&P 500	5,770.20	5,638.94	-2.27%
Bitcoin	86,742.67	83,969.10	-3.20%
Gold	2,910.79	2,984.42	2.53%
Crude Oil	70.36	70.58	0.31%
EUR/USD	1.0788	1.0856	0.63%

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