Daily Dose of Macro & Markets 5th August 2025: "Chinese Housing: Any Signs of Life?"

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

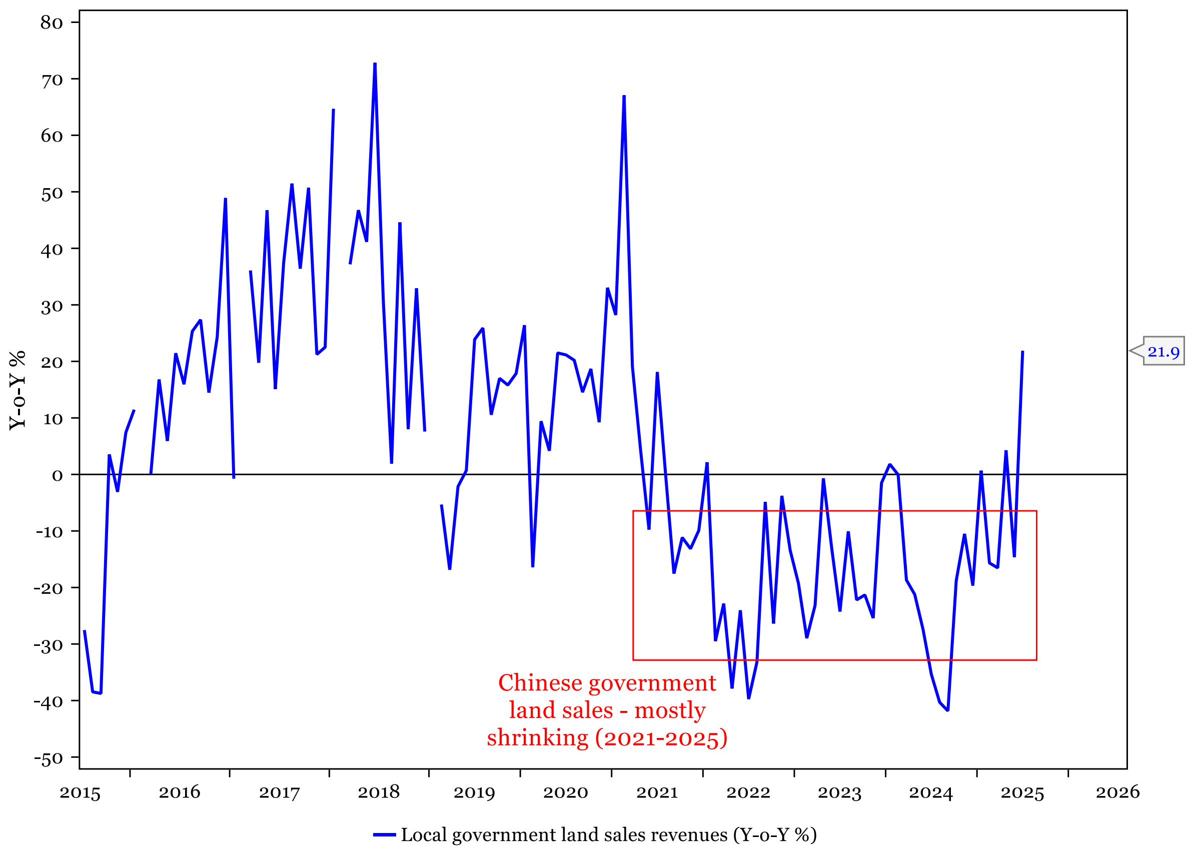
Chinese Housing: Any Signs of Life?

"China has had the biggest asset price bubble in modern history. At its peak, real estate accounted for 30% of GDP (including both direct and indirect links to the economy). That bubble burst in 2021. Since then property prices have fallen rapidly, private sector balance sheets have contracted and, with that, **China is in the throes of a balance sheet recession**."

Source: Extract from Quarterly Asset Allocation No. 60, 17th December 2024: "China: Lost Decade Ahead"

China's real estate bubble burst in 2021. That year marked the start of the downturn in activity, the rolling over of house prices, and a wave of defaults among major developers. Much of that has persisted in recent years, and sits at the heart of China's balance sheet recession. *Structurally*, those dynamics probably have further to run (on a 10 year+ time frame), as we've noted in prior research.

Chart 1: Chinese government land sales (Y-o-Y %)



Source: Longview Economics, Macrobond

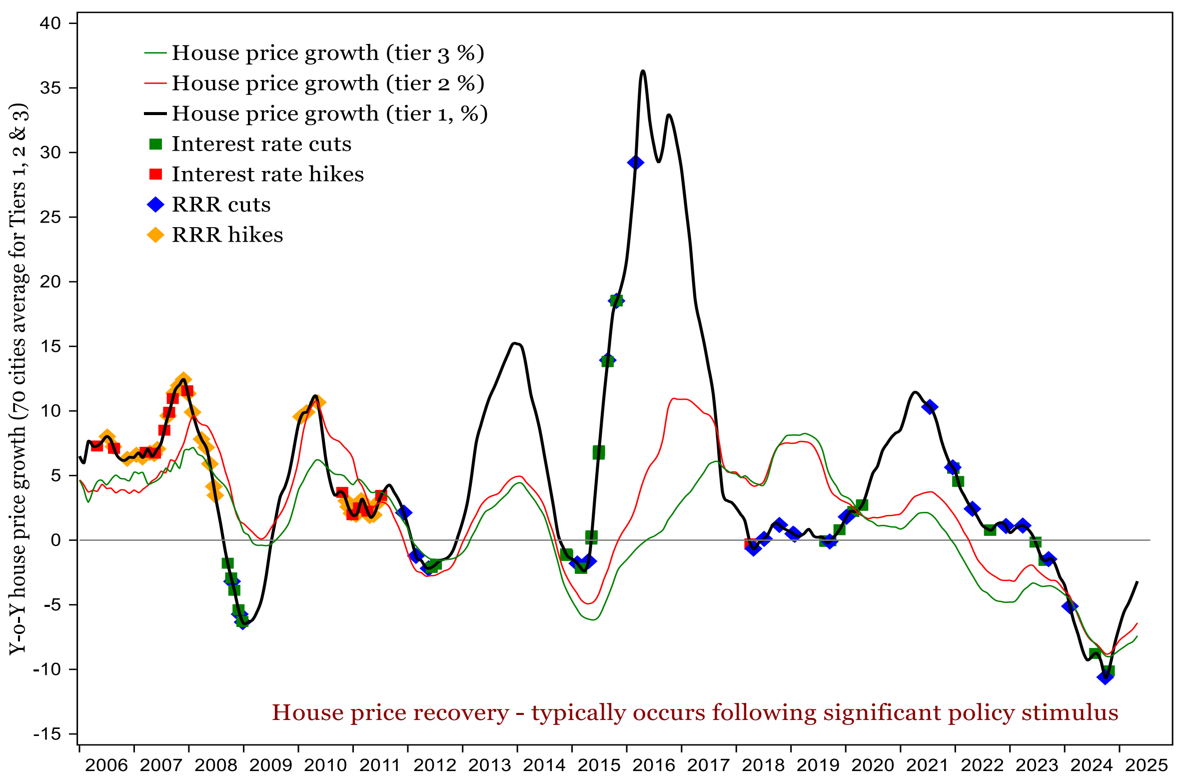
Cyclically, though, the case for a temporary (1 – 2 year) **upswing in China's housing cycle is building**. In particular, the authorities have rapidly loosened policy in their fight against deflation, falling house prices, tariffs, shrinking manufacturing activity, and so on. That loosening is *starting* to generate (i) stronger credit activity (for detail see Daily Dose of Macro & Markets 22nd July 2025: "China's Monetary Momentum Builds – Markets Sniff a Sugar Rush"); and, linked to that (ii) a pick up in the 'early moving' links/segments of the housing chain (the key types of activity that typically move first when China's housing cycle turns).

Land sales is one of those 'early links' (from local governments to developers). Usually they pick up when animal spirits return and developers see improving opportunities (rising property demand). On latest data, they're up 22% Y-o-Y (Chart 1).

With that, according to Huatai Securities (a Chinese broker): "at least 26 land sales in Beijing, Shanghai, Shenzhen, Hangzhou and Chengdu shattered local price records that had stood for nearly a decade, producing a wave of "land kings" in the first quarter" (see HERE).

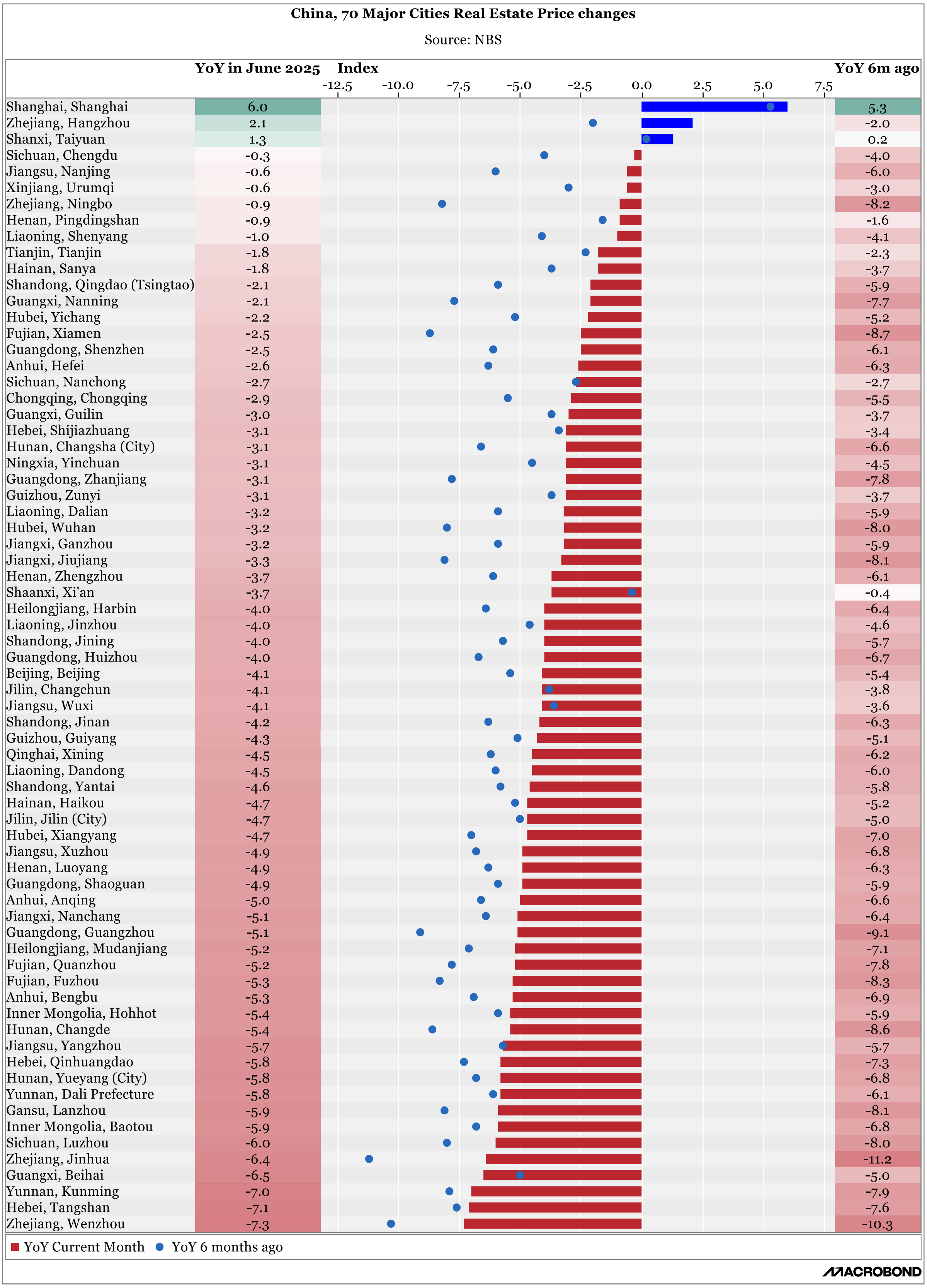
Consistent with that, the contraction in Tier I house price growth has eased (Chart 2). As is often the case, upturns in China's housing cycle start in Tier I (triggered by significant policy easing, see chart below). The recovery then spreads/broadens to Tier II & III cities. In that sense, the recovery has started – with almost all of the 70 cities tracked by the NBS reporting an improvement in the trend in house price growth in the past 6 months (see Chart 3).

Chart 2: Chinese house price growth (Tier I, II, & III cities, Y-o-Y %), shown with RRR & interest rate hikes/cuts, including (more recently) the PLR



Source: Longview Economics, Macrobond

Chart 3: Chinese house price growth (Y-o-Y, by major city, NBS data)*



*This table shows latest house price growth in the 70 key cities tracked by the NBS (left hand column & bars), compared to growth rates 6 months ago (right hand column and blue dots).