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Chinese Economic Stimulus

China's economic stimulus measures in 2025, aimed at countering domestic weaknesses and external trade pressures, have significantly influenced its market performance, though results remain mixed as of March 31. Facing a prolonged property slump, deflationary pressures, and escalating U.S. tariffs under President Trump's administration, Beijing has unleashed a series of aggressive policies since late 2024. These include monetary easing, fiscal expansion, and targeted consumption boosts, with a focus on stabilizing equity and real estate markets while fostering long-term self-sufficiency. The CSI 300 Index, a key benchmark, reflects both the initial enthusiasm and subsequent volatility, closing Q1 2025 up 4.8% year-to-date (YTD) after a late-2024 rally spurred by stimulus announcements (Reuters, 2025a).

In September 2024, the People's Bank of China (PBOC) launched its boldest monetary stimulus since the pandemic, cutting interest rates, lowering reserve requirements, and injecting 1 trillion yuan ($140 billion) into the financial system, alongside tools like a 500 billion yuan swap program to support stock purchases (Reuters, 2025b). Fiscal measures followed, with a 10 trillion yuan ($1.36 trillion) debt package in November to ease local government strains and a budget deficit raised to 4% of GDP in March 2025—the highest since 2010—coupled with 1.3 trillion yuan in ultra-long treasury bonds (CNBC, 2025a). Premier Li Qiang's March 5 work report emphasized consumption as the top priority, targeting "around 5%" GDP growth, with subsidies for big-ticket items and incentives to raise birth rates (CNBC, 2025b). These steps aim to offset a projected 0.7% GDP hit from a 20% U.S. tariff hike, though Goldman Sachs forecasts a modest 4.5% growth for 2025, down from 4.9% in 2024 (Goldman Sachs, 2024).

Market reactions have been volatile. The CSI 300 surged 25% in late September 2024 after initial stimulus news, but gains eroded as details lagged, with a 7% drop by October 9 reflecting investor skepticism (X Post, @GlobalMktObserv, 2024). By March 31, 2025, the index stabilized, buoyed by state-driven stock stabilization efforts and a tech rally led by firms like DeepSeek, though it remains below October peaks (Reuters, 2025a). The Hang Seng Index, more exposed to offshore dynamics, gained 6.2% YTD, underperforming onshore peers (KraneShares, 2025). Analysts note that while stimulus has lifted sentiment—evidenced by a 14.5% CSI 300 rally post-March Politburo pledges—structural challenges like weak household demand (consumption grew just 3.5% in 2024) and a property sector down 60-70% from 2020-21 peaks temper optimism (Goldman Sachs, 2024; CNBC, 2025a). Posts on X suggest diversification from U.S. stocks and AI leadership could drive further gains, yet deflation (February CPI below zero) and export slowdowns cloud the outlook (X Post, @Speculator_io, 2025; CNBC, 2025a).

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