

# China: The Macro Case

JP Morgan ETFs (Ireland) ICAV

China A Research Enhanced Index Equity (ESG) UCITS ETF\*

## Macro policy remains supportive

A key difference between China and elsewhere is its policy bias, which is currently towards easing rather than tightening. With inflation below target – unlike in the West – the People’s Bank of China has been able to commit to maintaining monetary support through 2023. This easing is helping boost credit growth, which should support both household and corporate spending. Fiscal stimulus is also set to continue. Local government bond issuance has already accelerated, with a focus on infrastructure investments, and further spending has also been announced. This policy support, which is likely to boost both consumption and corporate spending, suggests China’s economy could prove a countercyclical bright spot in an otherwise slowing world economy.

Source: Bloomberg, MSCI, People’s Bank of China, J.P. Morgan Asset Management. Credit growth is the 12-month change in the credit stock to the real economy as a percent of nominal GDP. Data as of 31 March 2023.

Exhibit 1: China credit growth

% of nominal GDP



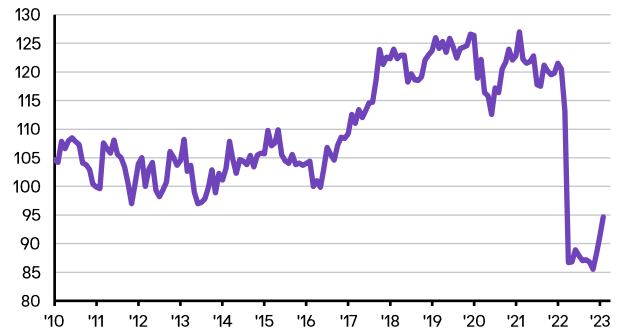
## The growth outlook is positive

The loosening of ‘zero-Covid’ restrictions at the start of 2023 should continue to bolster Chinese consumer confidence and domestic consumption through the rest of this year. Pent-up demand from consumers whose spending was restricted led to a substantial build-up in household savings over the past three years: 2022 alone saw an increase of USD 2.5trn in consumer deposits. Now that restrictions have largely been removed, ‘revenge spending’ and the run-down of these excess savings will support consumption. A less constrained economy also increases the effectiveness of ongoing monetary and fiscal stimulus. Taken together, the near-term growth picture for the Chinese economy looks positive.

Source: National Bureau of Statistics of China, Refinitiv Datastream, J.P. Morgan Asset Management. Data as of 31 March 2023.

Exhibit 2: China consumer confidence

Index level

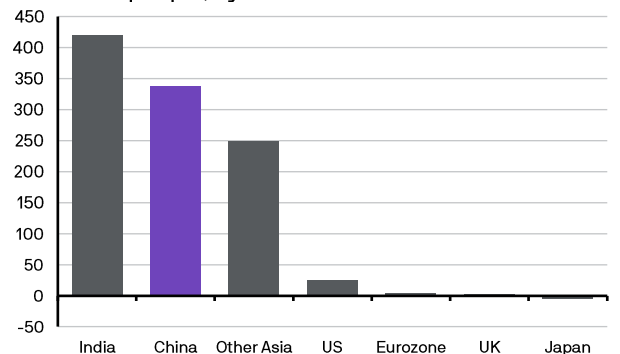


## Structural trends create major opportunities

Cyclical tailwinds align with several positive structural trends underpinning investment opportunities in China. A growing middle class will support consumption in the medium term, providing a longer-term boost for domestic companies. Any renewed push to reduce income inequality could bring another round of middle-class income growth, strengthening the spending power of the average citizen and further aiding demand for consumer goods and services. Industrial policy to substitute tech imports is already attracting fresh investment. Alongside this, decarbonisation (both in China and globally) should contribute to growth in renewable energy, electric vehicles and industrial transformation over the coming decade, areas in which China already has an advantage.

Source: Brookings Institute, J.P. Morgan Asset Management. Change in “consumer class” is the change in the number of people from 2020 to 2030 living in a household and spending at least USD 11 per day per person. Other Asia includes Bangladesh, Indonesia, Pakistan, Philippines and Vietnam. Eurozone includes France, Germany, Italy and Spain. Data as of 31 March 2023.

Exhibit 3: Estimated change in “consumer class”  
Millions of people, by 2030



\*For France only: Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, JREC presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final investment decisions.

**For Professional Clients / Qualified Investors only – not for Retail use or distribution.**

**\*For Belgium only:** Please note this ETF(\*) is not registered in Belgium and can only be accessible for professional clients. Please contact your J.P. Morgan Asset Management representative for further information. The offering of Shares has not been and will not be notified to the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers) nor has this document been, nor will it be, approved by the Financial Services and Markets Authority. The Shares may be offered in Belgium only to a maximum of 149 investors or to investors investing a minimum of EUR 250,000 or to professional or institutional investors, in reliance on Article 5 of the Law of August 3, 2012. This document may be distributed in Belgium only to such investors for their personal use and exclusively for the purposes of this offering of Shares. Accordingly, this document may not be used for any other purpose nor passed on to any other investor in Belgium.

*This is a marketing communication and as such the views contained herein do not form part of an offer, nor are they to be taken as advice or a recommendation, to buy or sell any investment or interest thereto. Reliance upon information in this material is at the sole discretion of the reader. Any research in this document has been obtained and may have been acted upon by J.P. Morgan Asset Management for its own purpose. The results of such research are being made available as additional information and do not necessarily reflect the views of J.P. Morgan Asset Management. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, J.P. Morgan Asset Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you. It should be noted that the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Changes in exchange rates may have an adverse effect on the value, price or income of the products or underlying overseas investments. Past performance and yield are not a reliable indicator of current and future results. There is no guarantee that any forecast made will come to pass. Furthermore, whilst it is the intention to achieve the investment objective of the investment products, there can be no assurance that those objectives will be met. J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our EMEA Privacy Policy [www.jpmorgan.com/emea-privacy-policy](http://www.jpmorgan.com/emea-privacy-policy). As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every reader to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory and tax advice on the consequences of an investment in the products. Shares or other interests may not be offered to or purchased directly or indirectly by US persons. All transactions should be based on the latest available Prospectus, the Key Investor Information Document (KIID) and any applicable local offering document. These documents together with the annual report, semi-annual report, instrument of incorporation and sustainability-related disclosures, are available free of charge in English from JPMorgan Asset Management (Europe) S.à r.l., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, your financial adviser or your J.P. Morgan Asset Management regional contact or at [www.jpmorganassetmanagement.ie](http://www.jpmorganassetmanagement.ie). A summary of investor rights is available in English at <https://am.jpmorgan.com/lu/investor-rights>. J.P. Morgan Asset Management may decide to terminate the arrangements made for the marketing of its collective investment undertakings. Units in Undertakings for Collective Investment in Transferable Securities ("UCITS") Exchange Traded Funds ("ETF") purchased on the secondary market cannot usually be sold directly back to UCITS ETF. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them. In Switzerland, JPMorgan Asset Management (Switzerland) LLC, Dreikönigstrasse 37, 8002 Zurich, acts as Swiss representative of the funds and J.P. Morgan (Suisse) SA, 8 Rue de la Confédération, 1204 Geneva, as paying agent of the funds. JPMorgan Asset Management (Switzerland) LLC herewith informs investors that with respect to its distribution activities in and from Switzerland it receives commissions pursuant to Art. 34 para. 2bis of the Swiss Collective Investment Schemes Ordinance dated 22 November 2006. These commissions are paid out of the management fee as defined in the fund documentation. Further information regarding these commissions, including their calculation method, may be obtained upon written request from JPMorgan Asset Management (Switzerland) LLC. This communication is issued in Europe (excluding UK) by JPMorgan Asset Management (Europe) S.à r.l., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, R.C.S. Luxembourg B27900, corporate capital EUR 10,000,000. This communication is issued in the UK by JPMorgan Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered in England No. 01161446. Registered address: 25 Bank Street, Canary Wharf, London E14 5JP.*

09cf221002162025