

Market Monitor – Chinese Mainland

Steady growth momentum sustained in early Q2



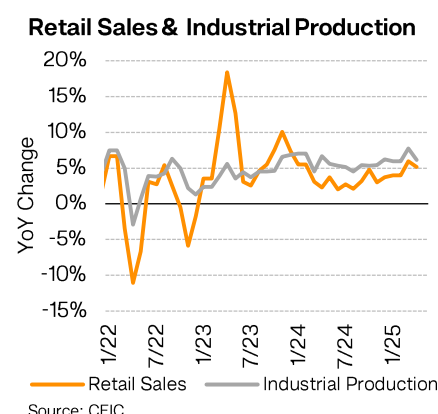
- Monthly economic indicators revealed a steady economic expansion in April.
- Leaders of China and the US recently held a phone call to initiate new trade talks, even after both sides accused the other of violating existing trade deals.
- The authorities intensified monetary and financial policy support to boost domestic demand.

The economy maintained a steady pace of growth in early Q2

The Chinese Mainland's economy sustained steady growth in early Q2.

Industrial production remained the leading growth driver, expanding by 6.1% YoY in April, driven by equipment and high-tech manufacturing. Industrial enterprises also showed further improvements in profitability, with their profits rising by 3.0% YoY in April, up from 2.6% in March. Retail sales growth moderated from 5.9% YoY in March to 5.1% in April. A further expansion in consumption was recorded in May, driven by the enhanced trade-in subsidy programs as well as an earlier 618 Shopping Festival this year. Fixed asset investment grew steadily by 4.0% YoY in January-April 2025, supported by policy support for equipment renewals.

Business surveys indicated that growth momentum is set to hold up. The official manufacturing purchasing managers' index (PMI), which focuses on large & medium-sized firms, increased from 49.0 in April to 49.5 in May, with broad-based improvements seen in its sub-indices. The Caixin manufacturing PMI declined from 50.4 to 48.3 in May, possibly reflecting larger tariff shocks for smaller & export-oriented firms. Meanwhile, the official services PMI edged up from 50.1 in April to 50.2 in May, driven by buoyant tourism-related activity amid the Labour Day holiday. Similarly, the Caixin services PMI rose from 50.7 in April to 51.1 in May. Overall, these figures signalled a continued recovery trend in Q2.



Economic Research

June 2025

The property market stabilised at low levels. A rebalancing of supply-demand dynamics continues to make progress, fostering a stable foundation for healthy development in the property sector. In January – April 2025, sales of residential buildings at the national level declined by 1.9% YoY, while the corresponding sales in 40 key cities recorded a growth of 2.0%. New home prices in tier-1 & 2 cities were little changed in April, while those in tier-3 cities dropped slightly. Besides, the inventory of residential buildings declined for two consecutive months in April. With a supportive policy backdrop, the property market is likely to bottom out gradually ahead.

Rising government bond issuances have been a major driver in social financing.

Since the beginning of 2025, the growth of aggregate social financing stock has been accelerating, reaching 8.7% YoY in April, up from 8.4% in March. While bank loans rose at a stable pace of around 7%, the government bonds surged at a double-digit rate, with its stock up by 20.9% YoY in April. Faster issuance of government bonds is set to gather more fiscal resources to support infrastructure investment and other stimulus measures.

Trade outlook remains highly unpredictable

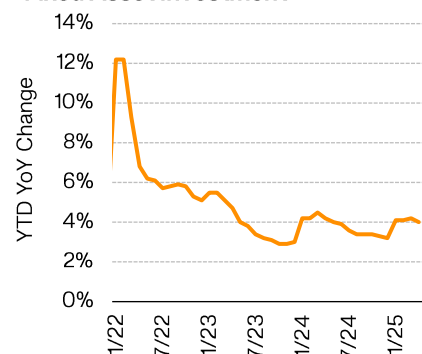
China-US trade relations remain highly uncertain. In early May, trade talks between the two nations yielded substantial progress, culminating in a joint statement that declared a 90-day truce until 12th August. The US reduced additional tariffs on Chinese imports from 145% to 30%, while China's retaliation tariffs on US imports fell from 125% to 10%. The retreat of tariffs eased market worries. That said, both sides accused each other of violating their recent trade deal in late May. Subsequently, President Xi and US President Trump had a phone conversation in early June, agreeing to hold further trade talks to resolve disputes over tariffs and export controls. This underscores the inherent unpredictability of bilateral trade relations.

Tariff impacts on China's trade remained muted in recent data. Front-loading and the rapid escalation and de-escalation of tariffs likely distorted trade flows, leading to significant difficulties in accounting for the true impact of US tariff measures. Merchandise exports sustained solid growth of 8.1% YoY in April, compared to 12.3% in March. After the trade truce in mid-May, there were signs of reviving trade flows between China and the US, as indicated by the increase in freight rates from Shanghai to Los Angeles by 37.8% from 8th May to 29th May as well as higher export volumes at China's ports. These suggested that the near-term trade performance is likely to hold up.

Intensified policy support to boost domestic demand

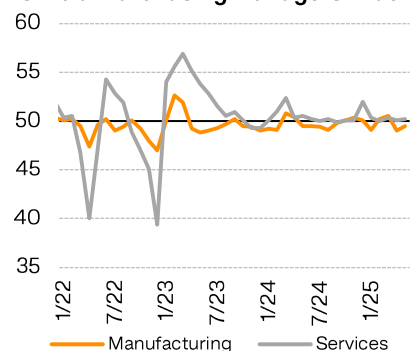
The Mainland authorities intensified monetary and financial measures to boost the domestic sectors. In early May, the People's Bank of China (PBoC) and financial regulators announced a policy easing package aimed at shoring up the economy, stabilising the property market and bolstering capital markets. The measures included cutting the 7-day reverse repo rate by 10 basis points (bps),

Fixed Asset Investment



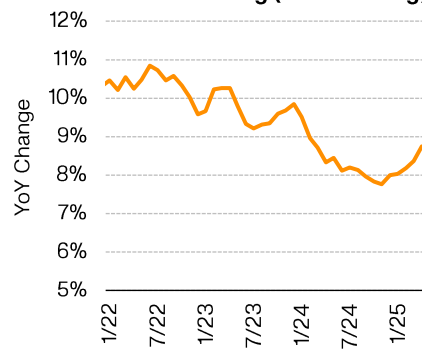
Source: CEIC

Official Purchasing Managers' Index



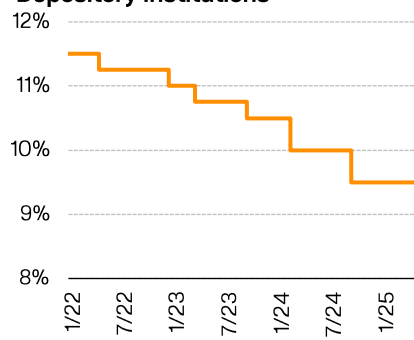
Source: CEIC

Total Social Financing (Outstanding)



Source: CEIC

Reserve Requirement Ratio - Large Depository Institutions



Source: CEIC

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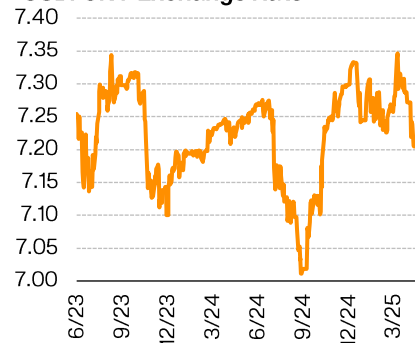
reducing the required reserve ratio by 50 bps, lowering the personal housing provident fund loan rate by 25 bps and facilitating long-term capital into the stock market. The package is expected to benefit the economy as a whole with lower funding costs and greater liquidity.

In mid-May, 15-point financial measures were introduced to promote sci-tech innovation, thereby advancing the nation's goal of achieving technology self-sufficiency. The package guides 7 major directions for sci-tech development, including venture investment, credit supply, capital market, insurance support, targeted fiscal policies, coordination between central and local governments, and opening up of sci-tech sectors. These measures are expected to expand funding channels and encourage greater capital investment into high-tech sectors.

Market sentiment improved further

Financial markets rose further amid improved market sentiment. In early May, China and the US agreed to a 90-day trade truce and rolled back certain tariff measures. Meanwhile, the Mainland authorities' monetary and fiscal stimulus have improved the overall economic outlook. These actions helped bolster market confidence. By the end of May, the Shanghai Stock Exchange A-share index increased by 2.1% in the month. The onshore CNY and offshore CNH appreciated by 1.0% and 0.9% against the US dollar in May, closing at 7.1989 and 7.2051, respectively.

USD/CNY Exchange Rate



Source: Bloomberg, data as of 31/5/2025

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