

Economic QuickView



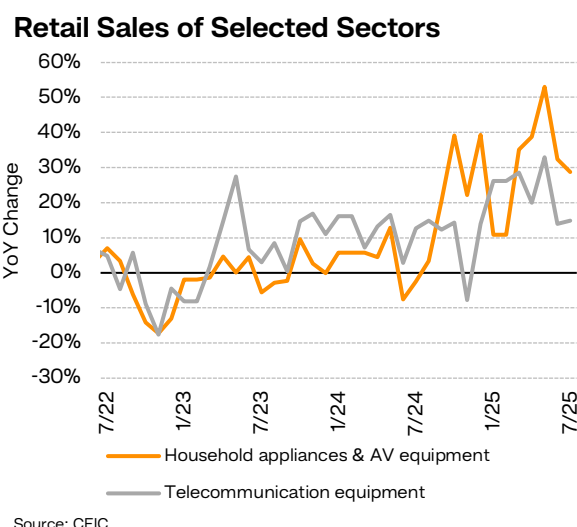
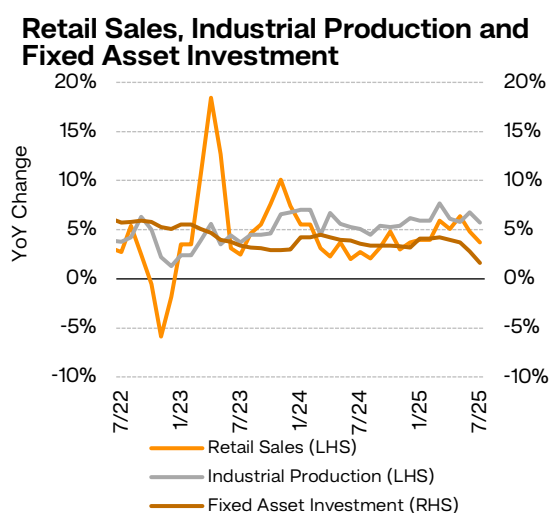
Chinese Mainland: July's indicators softened due to seasonal disruption

- Major monthly indicators moderated in July due to adverse weather, while foreign trade supported industrial production growth, outperforming retail sales and investment.
- China-US trade tensions eased further with an extension of the tariff truce through 10 November, but numerous complex issues remain unresolved.
- The Mainland authorities unveiled new fiscal measures to support domestic consumption and services businesses.

Chinese Mainland's economic expansion remained on track despite July's volatility. Monthly indicators pointed to moderating growth in July, as extreme heat and heavy rainfall affected activity, but strong exports and rapid development in high-tech manufacturing continued to underpin industrial output. In late July, the International Monetary Fund raised its 2025 growth forecast for Chinese Mainland to 4.8%, notably up from 4.0% previously, reflecting stronger market confidence amid enhanced policy support. Taken together, economic momentum is expected to pick up, given a highly supportive policy backdrop to elevate consumption in 2H 2025.

Industrial production maintained solid growth. Industrial production grew by 5.7% year-on-year (YoY) in July after 6.8% in June, underscoring steady factory activity. Merchandise exports in USD terms accelerated to 7.2% YoY growth in July from 5.9% in June, with stronger shipments to ASEAN and Africa helping offset shrinking demand from the US. This provided solid support for Mainland's industrial sector. Furthermore, technological advancement has fostered rapid expansion in various emerging industries. High-tech and equipment manufacturing continued to outpace the broader sector, expanding 9.3% YoY and 8.4% in July, respectively. Notably, output of smart products rose markedly, with 3D printing equipment up 24.2% YoY, industrial robots up 24.0%, and service robots up 12.8% in July.

Retail sales kept stable expansion. Retail sales grew by 3.7% YoY in July, down from 4.8% in June. The slowdown was primary due to a 1.5% YoY decline in automobile sales. The trade-in subsidies continued to support spending on durable goods, with household appliances & AV equipment surging 28.7% YoY and telecommunication equipment rising 14.9% in July. Services consumption remained a bright spot, with retail sales of services up 5.2% YoY in January-July on the back of robust summer travel and leisure demand for telecommunication, tourism and transport services. On the supply side, services production also maintained solid growth at 5.8% YoY in July. Equity market gains since April (the Shanghai Composite Index has rebounded by 18.4% from April's low) have also provided a constructive backdrop for confidence. Together with the launch of childcare subsidy, Mainland's consumption potential is poised to be further unleashed ahead.



Fixed asset investment (FAI) faced disruptions from extreme weather. FAI growth slowed to 1.6% YoY in January-July 2025 from 2.8% in 1H, reflecting construction delays amid adverse weather conditions. Besides, an uncertain external environment, intense domestic competition and lower investment returns were mentioned as some factors leading to slower FAI momentum. Across sectors, property investment remained the major drag, declining by 12.0% YoY in January – July. Even so, ongoing policy incentives for equipment renewals continued to bolster purchases of machinery and instruments, which grew 15.2% YoY in January–July. Meanwhile, declining prices were another cause for slower headline FAI, as real FAI growth was estimated at around 4%-5% in January-July. Going forward, the authorities retain ample fiscal resources, which would be tapped to boost infrastructure investment and major investment projects. As of June, the issuance of local government special bonds and ultra-long special treasury bonds accounting for about 49.1% and 42.7% of annual quota, respectively, meaning further room to step up issuance if needed.

The property market declined further. Key indicators showed wider YoY declines for January-July, including the sales value of residential buildings (-6.2%) and funds for real estate investment (-7.5%). Home prices also extended declines in July. Overall, policy backdrop remains supportive with a focus on stabilisation. For stance, Beijing relaxed home purchase restrictions in suburban areas in August. Reportedly, there are ongoing discussions for state-owned enterprises and bad debt managers to buy unsold homes from distressed developers, as renewed policy effort to reduce excess housing inventory.

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Extended China-US tariff truce provided breathing room. Following talks in Stockholm, both sides extended the tariff truce by another 90 days to 10 November from the initial 12 August deadline. This alleviates near-term concerns over renewed tariff escalation. Meanwhile, trade negotiations are expected to continue, but numerous complex issues remain unresolved, ranging from semiconductors, critical minerals, and agricultural purchases.

The Mainland authorities unveiled new measures to support consumption and services sector. Following the July Politburo emphasis on unlocking domestic demand, the Ministry of Finance and other agencies on 12 August jointly announced issued two action plans to support consumption and the services sector with interest subsidies. Under the new schemes, households will enjoy 1 percentage point interest subsidies for eligible personal consumption loans, subject to a total quota of RMB 3,000 per lending institution; and services businesses across eight categories including catering, accommodation, healthcare, elderly and childcare, housekeeping, culture and entertainment, tourism, and sports will enjoy similar interest subsidies, subject to a total quota of RMB 10,000. The schemes aim to lower borrowing costs for big-ticket purchases and major services expenditure, while encouraging services businesses to expand supply capacity and improve consumption-related infrastructure, reinforcing the recovery in services spending. These initiatives would complement existing trade-in programs for durable goods, strengthening the policy mix to boost consumption.

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