

*Market Monitor – Chinese Mainland*

## Growth on track to meet 5% annual target following a solid 1H



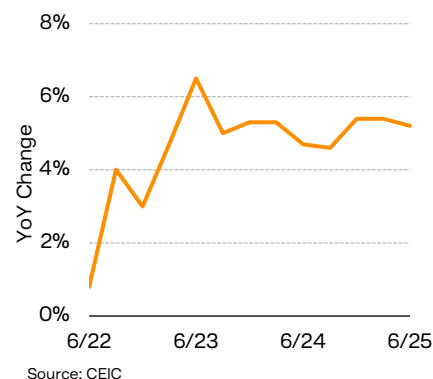
- The Mainland economy expanded by 5.3% YoY in 1H 2025, supported by robust policy stimulus and foreign trade.
- While China-US trade negotiations remain highly unpredictable, the worst-case scenario of escalating tit-for-tat retaliations has been averted.
- The July Politburo meeting pledged ongoing macro-policy support aimed at stabilising the growth momentum in 2H 2025.

### Solid 1H performance raised confidence in meeting the 5% target

**The Chinese Mainland's GDP grew by 5.3% year-on-year (YoY) in 1H 2025.** This strong performance keeps the economy on track to meet the government's growth target of around 5.0% for 2025. Growth continued to be driven by ongoing policy support aimed at stimulating domestic demand, as well as continued resilience in foreign trade. In Q2, final domestic consumption remained the primary engine of growth, contributing 52.3% to GDP growth, followed by gross capital formation at 24.7% and net exports at 23.0%. On a quarterly basis, GDP growth was sustained at 5.2% YoY in Q2 following 5.4% in Q1.

**Industrial activity has advanced further.** Monthly data showcased a notable growth in the industrial sector, with industrial production growth accelerating to 6.8% YoY in June, up from 5.8% in May. This momentum was underpinned by strong equipment and high-tech manufacturing, given the government's policy focus on industrial upgrades. Industrial profitability also improved, as the YoY decline in profits narrowed from 9.1% YoY in May to 4.3% in June. Meanwhile, retail sales growth moderated to 4.8% YoY in June, following a strong 6.4% in May, likely reflecting a reversal from the front-loading of purchases during May's "618" shopping festival. Additionally, fixed asset investment growth slowed to 2.8% YoY in 1H 2025 due to lower prices, particularly for building materials.

**Chinese Mainland GDP Growth**



## Economic Research

**Leading indicators showed largely stable economic activity in July.** Both the official and Caixin manufacturing purchasing managers' index (PMI) edged down from 49.7 and 50.4 in June to 49.3 and 49.5 in July, respectively. Survey feedback cited several headwinds facing manufacturers, including extreme weather disruptions and a softening of new export orders. Nonetheless, momentum in the services sector held up, with the official services PMI steady at 50.0 and the Caixin services PMI soaring to 52.6 in July. Furthermore, the China Passenger Car Association reported that passenger car sales grew by 9.0% YoY in the first 27 days of July. On balance, these data points suggest stable performance in July.

### China and the US agreed to pursue an extension of the tariff truce

**China and the US agreed to pursue an extension of the tariff truce.** Following the trade talks in Stockholm in July, Chinese and US officials agreed to pursue an extension of the existing 90-day tariff truce, which was due to expire on 12<sup>th</sup> August. Although the extension is subject to final approval by the leaders of both nations, the talks managed to avoid a worsening of trade tensions. While the overall outlook for China-US trade negotiations remains unpredictable, the worst-case scenario has likely been averted.

### The authorities reaffirmed a proactive macro-policy stance

**The July Politburo meeting pledged ongoing policy stimulus.** Following the meeting, the authorities reiterated their commitment to maintaining a more proactive fiscal policy and a moderately loose monetary policy in 2H 2025. Specifically, the meeting called for accelerated government bond issuance and use of funds, lower social financing costs and the further deployment of targeted structural monetary tools. Policy priorities include unlocking domestic demand and fostering growth through services consumption. In addition, the meeting announced that the Fourth Plenum of the 20<sup>th</sup> Central Committee is scheduled for October, with discussions to focus on national economic development for the 15<sup>th</sup> Five-Year Plan (2026–2030).

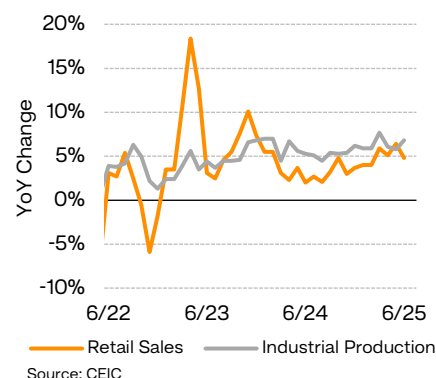
**The authorities introduced nationwide childcare subsidies.** From 2025 onwards, a nationwide childcare subsidy program offers families RMB 3,600 per year for each child under the age of three. The policy aims to ease financial burdens and encourage higher birth rates by promoting a more child-friendly environment.

### Financial markets rose further

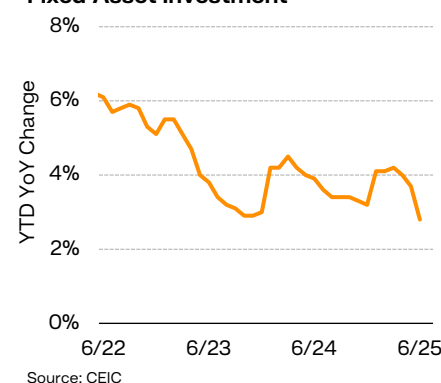
**Financial markets responded positively to recent economic and policy developments.** Investor confidence strengthened in July, buoyed by strong 1H GDP readings, the authorities' commitment to maintaining policy support and a potential extension of the China-US trade truce. By the end of July, the Shanghai Stock Exchange A-share index increased by 3.7% in the month. The onshore CNY and offshore CNH slightly depreciated by 0.5% and 0.7% against the US dollar in July, closing at 7.2000 and 7.2091, respectively.

**August 2025**

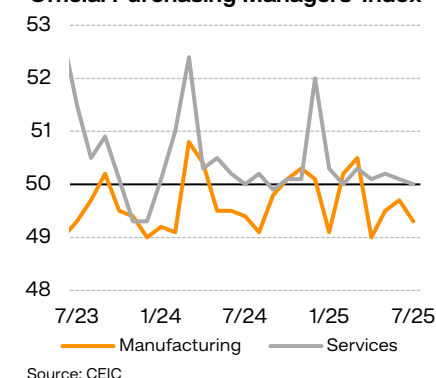
**Retail Sales & Industrial Production**



**Fixed Asset Investment**



**Official Purchasing Managers' Index**



**USD/CNY Exchange Rate**



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