

Market Monitor – Chinese Mainland

Growth moderated in July, new service policies introduced



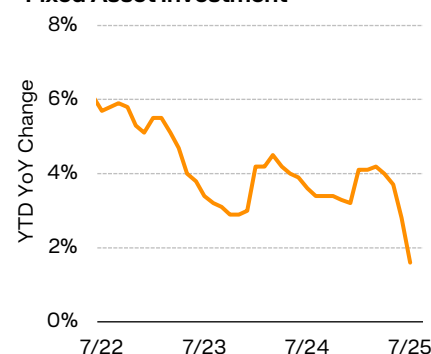
- Economic growth moderated in July amid adverse weather, with slower retail sales and investment, while industrial production remaining solid.
- Leading indicators pointed to a pickup in growth momentum in August. The authorities introduced interest subsidies to support the services industry.
- China and the US extended their tariff truce, with trade negotiations expected to continue.

Growth momentum moderated in July

Economic growth moderated in July amid adverse weather, with extreme heat and heavy rainfall disrupting activity across several sectors. Fixed asset investment grew by 1.6% (year-on-year) YoY in January-July 2025, down from 2.8% in 1H 2025. Meanwhile, total retail sales growth slowed to 3.7% YoY in July, compared to 4.8% in June. In contrast, industrial and services activity maintained solid growth, rising by 5.7% and 5.8% YoY, respectively, in July. Industrial production was driven by strong export performance and a rapid expansion in high-tech manufacturing. Industrial profitability declined by 1.5% YoY in July, a narrower drop compared to 4.3% in June, led by a rebound in high-tech manufacturing profits (from a 0.9% YoY drop in June to a 18.9% surge in July). Meanwhile, services benefited from robust summer travel and leisure demand.

The property market remained under pressure. Residential property sales declined by 6.2% YoY in January-July 2025. However, a new round of policy easing may help support the market. Since August 2025, tier-1 cities, such as Beijing, Shanghai and Shenzhen, announced the relaxation of home purchase restrictions in their non-core areas. In addition, there are reports that state-owned enterprises and asset managers may become involved in reducing housing inventories.

Fixed Asset Investment



Source: National Bureau of Statistics

Economic Research

Monetary conditions remained accommodative. M2 money supply growth accelerated to 8.8% YoY in July from 8.3% in June. New total social financing rose by RMB 1.2 trillion in July, with government bonds being the major driver, helping offset the seasonal softening in new bank loans. Notably, new RMB loans dropped by RMB 50 billion in July, the first such decline since 2005, largely attributed to front-loaded lending activity in June.

Leading indicators pointed to a pickup in growth momentum in August. Manufacturing activity showed signs of stabilisation in August, with both the official and S&P's RatingDog (formerly Caixin) manufacturing PMI improving. The former inched up from 49.3 in July to 49.4 in August, while the latter rose from 49.5 to 50.5. Services activity experienced faster growth in August, with the official PMI reaching an 8-month high of 50.5 and the S&P PMI hitting a 15-month high of 53.0. Details of the PMI surveys highlighted improvements in new orders and new exports business, indicating steady demand conditions. In August, merchandise exports rose by 4.4% YoY. Furthermore, the China Passenger Car Association reported a 12% YoY increase in passenger car wholesale sales for August. Overall, these figures point to an improving growth trajectory in August.

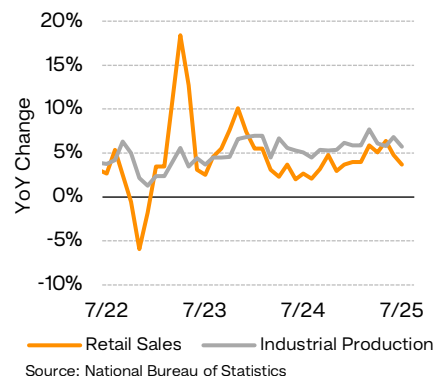
New policies to boost the services industry and AI development

The Mainland authorities have introduced new measures to support the services industry. Effective from 1 September, two loan interest subsidy policies have been implemented to stimulate consumption and support services companies. Under these schemes, households receive a 1 percentage point interest subsidy on eligible personal consumption loans, capped at RMB 3,000 per lending institution. Services companies in eight categories, namely catering, accommodation, healthcare, elderly & childcare, housekeeping, culture & entertainment, tourism, and sports are eligible for similar interest subsidies, capped at RMB 10,000. By reducing financing costs, these schemes are expected to boost service-related consumption and support the development of quality services providers. As of June 2025, personal consumption loans (excluding property loans) and services-related corporate loans together amounted to RMB 15.3 trillion (around 6% of total loans).

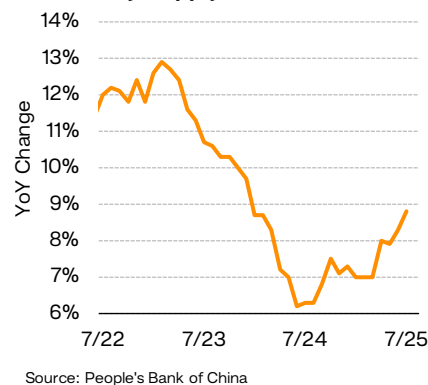
The State Council issued a guideline to accelerate "AI Plus" integration across key sectors. In late August, the State Council introduced a guideline, outlining the "Artificial Intelligence (AI) Plus" initiative. The document aims to achieve significant progress in deeply integrating AI into six key sectors: science & technology, industrial development, consumption upgrades, people's well-being, governance and global cooperation. There are also specific targets to increase the penetration rate of new-generation intelligent terminals and AI agents to over 70% by 2027 and over 90% by 2030. This initiative underscores the government's commitment to fostering high-quality growth by promoting extensive and deep adoption of AI technologies across the economy.

September 2025

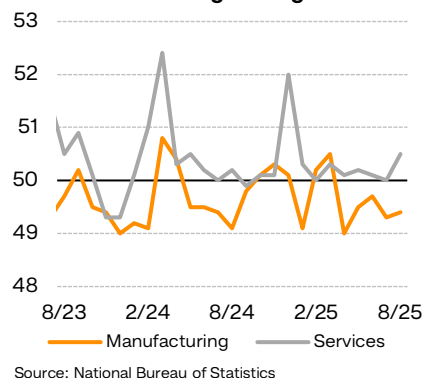
Retail Sales & Industrial Production



M2 Money Supply



Official Purchasing Managers' Index



Economic Research

September 2025

Trade uncertainty persists despite tariff truce

Despite an extended tariff truce, trade uncertainty persists. China and the US extended the tariff truce by another 90 days, pushing the tariff deadline to 10 November. Meanwhile, trade negotiations are expected to continue. US Treasury Secretary Scott Bessent has indicated that he would meet with China's Vice Premier He Lifeng in late October or early November.

Equity market hit a 10-year high in August

Investor optimism drove a strong financial market rally in August. The extension of the China-US tariff truce, coupled with new policies to support the services industry, boosted risk appetite among investors. The Shanghai Composite Index hit a 10-year high, surpassing 3,880 with an 8.0% surge in August. Meanwhile, rising rate cut expectations by the US Fed weakened the US dollar. As a result, the onshore CNY and offshore CNH appreciated by 1.0% and 1.2% against the US dollar in August, closing at 7.1308 and 7.1223, respectively.

USD/CNY Exchange Rate



Source: Bloomberg, data as of 31/8/2025

Disclaimer

This material is prepared by The Bank of East Asia, Limited ("BEA") for customers' reference only. The content is based on information available to the public and reasonably believed to be reliable, but has not been independently verified. Any projections and opinions contained herein are expressed solely as general market commentary, and do not constitute an offer of securities or investment, nor a solicitation, suggestion, investment advice, or guaranteed return in respect of such an offer. The information, forecasts, and opinions contained herein are as of the date hereof and are subject to change without prior notification, and should not be regarded as any investment product or market recommendations. This material has not been reviewed by the Securities and Futures Commission of Hong Kong, Hong Kong Monetary Authority, or any regulatory authority in Hong Kong.

BEA will update the published research as needed. In addition to certain reports published on a periodic basis, other reports may be published at irregular intervals as appropriate without prior notice.

No representation or warranty, express or implied, is given by or on behalf of BEA, as to the accuracy or completeness of the information and stated returns contained in this material, and no liability is accepted for any loss arising, directly or indirectly, from any use of such information (whether due to infringements or contracts or other aspects). Investment involves risks. The price of investment products may go up or down, and may become valueless. Past performance is not indicative of future performance. The investments mentioned in this material may not be suitable for all investors, and the specific investment objectives or experience, financial situation, or other needs of each recipient are not considered. Therefore, you should not make any investment decisions based solely on this material. You should make investment decisions based on your own investment objectives, investment experience, financial situation, and specific needs; if necessary, you should seek independent professional advice before making any investment.

This material is the property of BEA and is protected by relevant intellectual property laws. Without the prior written consent of BEA, the information herein is not allowed to be copied, transferred, sold, distributed, published, broadcast, circulated, modified, or developed commercially, in either electronic or printed forms, nor through any media platforms that exist now or are developed later.

For more information, please visit our webpage at <https://www.hkbea.com/html/en/bea-about-bea-economic-research.html>. For any enquiries, please contact the Economic Research Department of BEA (email: lerd@hkbea.com/telephone number: (852) 3609-1504/postal address: GPO Box 31, Hong Kong).