BEA 東亞銀行

Economic Research Department **October 2025**

Market Monitor – Chinese Mainland

Annual growth on course to meet 5% target

- The Chinese Mainland's GDP growth for Q1-Q3 2025 reached 5.2% YoY, keeping the economy on track to achieve the 2025 growth target of around 5%.
- Industrial production and exports accelerated, while retail sales slowed and investment fell.
- The Fourth Plenum of the 20th Central Committee held on 20th to 23rd October is set to shed light on major economic policy orientation under the 15th Five-Year Plan.

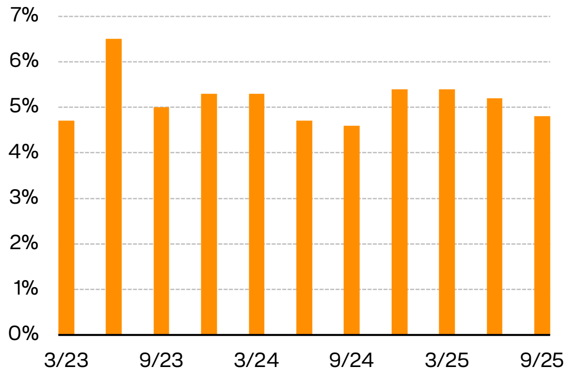
Q3 growth moderated, while industrial production and exports remained strong

The Chinese Mainland economic momentum eased in Q3. Real gross domestic product (GDP) increased by 5.2% year-on-year (YoY) in the first three quarters of 2025. In Q3, GDP growth slowed from 5.2% YoY in Q2 to 4.8%, better than the consensus estimate of 4.7%. On a sequential basis, quarter-on-quarter GDP growth picked up from 1.0% in Q2 to 1.1% in Q3. Among the major expenditure components, final consumption remained the largest contributor to GDP growth in Q3 (56.6% of GDP growth), followed by net exports (24.5%) and gross capital formation (18.9%). Supported by a favourable policy backdrop aimed at stimulating domestic demand and solid growth in the first three quarters, the economy is positioned to achieve the government's 2025 GDP growth target of around 5%.

Industrial production growth remained solid. In September, industrial production growth accelerated to 6.5% YoY, up from 5.2% in August. Policies fostering industrial upgrades continued to drive robust growth in high-tech manufacturing output, which rose by 9.6% YoY in the first three quarters, with double-digit growth in various high-tech products such as power generation equipment (51.1% YoY), new-energy vehicles (29.7%), and industrial robots (29.8%).

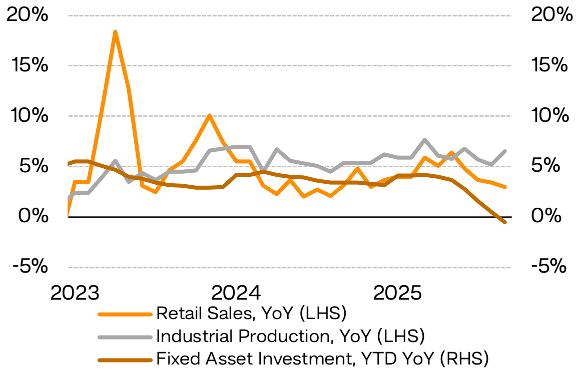
Export growth rose to a 6-month high. The Chinese Mainland's merchandise export growth accelerated from 4.4% YoY in August to 8.3% in September. The sustained market diversification strategy has notably reinforced export resilience, with exports to ASEAN growing by 15.6%, the EU rising 14.2% and African economies surging 56.4% in September. Meanwhile, exports to the US declined by 27.0% YoY in September.

Chinese Mainland GDP Growth (YoY)



Source: National Bureau of Statistics

Retail Sales, Industrial Production and Fixed Asset Investment



Source: National Bureau of Statistics

Consumption during the National Day and Mid-Autumn holidays recorded modest growth in early Q4. The Ministry of Commerce reported that sales of key retail and catering enterprises rose by 2.7% YoY during the festive season this year. In particular, green, smart and China-chic products gained significant traction, as sales of green organic food, smart home appliances and China-chic clothing rose by 27.9%, 14.3% and 14.1% YoY, respectively. These figures suggest steady consumption momentum in early Q4.

CPI and PPI inflation posted narrower YoY declines. The headline consumer price index (CPI) edged down by 0.3% YoY in September after a 0.4% drop in August. A headline deflation was mainly attributable to continued price declines in food (-4.4% YoY) and energy (-2.7%). Nonetheless, the core CPI inflation, which excludes food and energy prices, accelerated for the fifth month to 1.0% YoY in September, suggesting stabilisation in underlying inflation trends. Notably, certain industrial consumer goods, such as gold and platinum jewellery prices, surged by 42.1% YoY and 33.6% in September, respectively, on the back of soaring gold prices. Meanwhile, the YoY decline in the producer price index (PPI) narrowed further from 2.9% in August to 2.3% in September. This improvement likely reflected the emerging impacts of industrial capacity management policies, which contributed to narrower YoY price declines in the processing of coal, ferrous metal and non-metal ores sectors.

Further monetary policy easing remains likely to support the economy. In September, new total social financing (TSF) rose by RMB 3.5 trillion, below the RMB 3.8 trillion increase a year ago. This led to outstanding TSF growth slowing slightly from 8.8% YoY to 8.7%. This moderation could be linked to a gradual slowdown in government financing (from 21.1% YoY to 20.2%), as the issuance of local government special bonds approached the annual quota. Moving forward, the People's Bank of China is expected to maintain moderately loose monetary policy. Further interest rate cuts and reductions of the required reserve ratio (RRR) remain as possible policy tools to lower financing costs and ensure ample liquidity within the financial system.

China-US trade tensions flared up again

Trade tensions re-escalated recently. Since reaching a trade truce that would continue until 10th November, China and the US have been working to resolve their trade disputes through negotiations in recent months. However, the Trump administration suddenly threatened to impose a new 100% tariff on all imports from China starting on 1st November and implemented new fees on Chinese ships entering US ports. On the other hand, the Chinese Mainland expanded export controls on rare earth elements and charged special port fees on US ships. Although sudden escalations in trade tensions led to heightened trade policy uncertainty, both sides have since softened their rhetoric and expressed a willingness to continue negotiations. These events suggest that the proposed measures were more likely negotiation tactics to demand concessions, rather than a real intention to raise tariffs to extreme levels.

The new Five-Year economic plans are set to be released

The 15th Five-Year Plan is set to shed light on major economic policy orientation. The Fourth Plenum of the 20th Central Committee of the Communist Party of China, from 20th to 23rd October 2025, is expected to delineate core strategies for the 15th Five-Year Plan (2026-2030), with an emphasis on high-quality development. Capitalizing on the 14th Plan's accomplishments, including steady GDP growth, a notable increased in R&D investment, and breakthroughs in high-tech manufacturing, the forthcoming plan is likely to focus on innovation-centric sectors, like artificial intelligence, advanced semiconductors, quantum technology, robotics, aerospace and healthcare. These priorities are projected to maintain steady economic traction amid a highly uncertain external environment.

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