BEA 東亞銀行

Economic Research Department

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Economic QuickView

Chinese Mainland: Uneven recovery persisted as trade offset domestic softness

- Industrial production and services activities held steady, underpinned by robust growth in high-tech manufacturing and resilient services consumption.
- Trade provided a crucial buffer in November, while domestic demand remained mixed.
- The Central Economic Work Conference set boosting consumption and enhancing innovation-driven development as the top economic priorities for 2026.

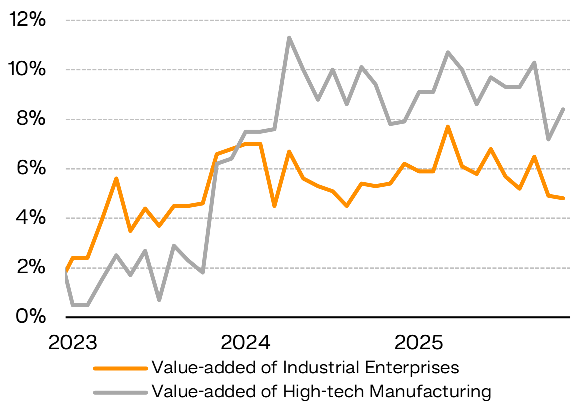
The Chinese Mainland's economic data for November highlighted a "two-speed" economy. Monthly economic indicators broadly moderated in November, suggesting a slower growth pace in Q4 2025. That said, the government's 2025 growth target of around 5.0% remains within reach, given the rapid expansion in Q1-Q3 2025. The primary drivers stabilising the growth trajectory in November were the high-tech industrial sector and the resilient service economy, along with a solid pickup in external demand. Together, these positive factors helped counterbalance the drag from contraction in investment and softness in household consumption. The data also underscored that structural transitions continued to gather steam, despite a softening trend in economic momentum.

Structural upgrading continued to dominate industrial production. Industrial production grew by 4.8% year-on-year (YoY) in November, down slightly from 4.9% in October. Solid external demand supported manufacturing activity, as the Chinese Mainland's merchandise exports rebounded sharply to grow by 5.9% YoY in November, recovering from a 1.1% contraction in October. Strong export performance was driven by high-value-added products such as semiconductors, electronics, transport equipment, and automobiles. Notably, industrial upgrading made significant progress. High-tech manufacturing and equipment manufacturing outperformed the overall sector, registering growth of 8.4% and 7.7% YoY in November, respectively. This momentum affirms the policy-driven shift in developing new productive forces, thereby attaining high-quality development.

Services consumption proved resilient, while retail sales of goods slowed. Total retail sales growth decelerated further from 2.9% YoY in October to 1.3% in November, mainly dragged by a slower growth in goods (from 2.8% YoY to 1.0%). The slowdown was partially associated with a higher base of comparison due to the launch of trade-in subsidies last year, as the sales of some policy-favoured categories reported deeper declines in November this year like automobiles (from -6.6% to -8.3%) and household appliances & audio/video equipment (from -14.6% to -19.4%). Conversely, retail sales of services growth edged up from 5.3% YoY in January-October to 5.4% YoY in January-November, led by leisure, telecommunication, tourism and transport services. Services production also sustained steady growth at 4.2% YoY in November. Starting from 1st September 2025, two new loan interest subsidy policies are in force to stimulate personal consumption and support services companies in targeted areas such as healthcare, elderly, childcare, culture and entertainment. These measures are set to inject a stronger impetus to services consumption ahead.

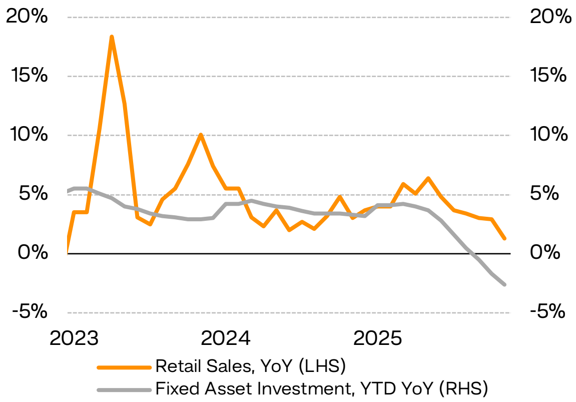
Contraction in investment deepened. Nominal fixed asset investment (FAI) contracted by 2.6% YoY in January-November, widening from a 1.7% decline in January-October. The property and infrastructure segments were the primary drag, with their FAIs declining by 15.9% YoY and 1.1%, respectively. In the meantime, manufacturing FAI growth moderated to 1.9% YoY. To shore up business sentiment and contain the downward pressure on investment, the Central Government has recently stepped up financial support, including a policy-based financing tool, an additional quota of special bonds collectively worth RMB 700 billion as well as a 13-point plan to revitalise private investment.

Industrial Production (YoY)



Source: National Bureau of Statistics

Retail Sales and Fixed Asset Investment



Source: National Bureau of Statistics

The downward pressure on the property market persisted. Major property market indicators declined further, suggesting tepid housing demand and ongoing stress on developers. In January-November, the YoY decline in sales value of newly-built residential buildings and the funds for real estate developers deepened to 11.2% and 11.9% YoY, respectively. New home prices in tier-1 & 2 cities also dropped by 0.4% and 0.3% month-on-month in November, respectively. Moving forward, the Mainland authorities are expected to maintain a supportive stance on housing policies, aimed at curbing new supply, reducing excess inventory and offering affordable housing as a transition to a new property development model.

The Central Economic Work Conference (CEWC) set boosting consumption and enhancing innovation-driven development as priorities in 2026. The CEWC, held on 10-11 December, outlined eight major economic tasks for 2026, of which boosting consumption and enhancing innovation-driven development were prioritised as the top policy orientations. Specifically, unlocking the potential of service spending, stabilising investment from further declines, and the "artificial intelligence+" (AI+) initiative were highlighted. The Mainland authorities also pledged to implement proactive fiscal policy, with elevated fiscal stimulus next year. On the monetary front, the policy stance remained unchanged as "moderately loose". The People's Bank of China is expected to support the economy and ensure ample market liquidity by adjusting the required reserve ratios and interest rates in a flexible and efficient manner. Looking into 2026, strengthening the domestic market will be a key policy objective in a bid to stabilise growth momentum.

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