BEA 東亞銀行

Economic Research Department

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Market Monitor – Chinese Mainland

2025 growth target met with new stimulus for 2026

- Chinese Mainland achieved its 5.0% GDP growth target for 2025, underpinned by solid export performance.
- The industrial sector maintained robust expansion in December 2025, while retail sales and fixed asset investment weakened.
- The authorities enacted a coordinated monetary-fiscal policy mix for 2026, characterised by front-loaded fiscal resources and targeted monetary tools.

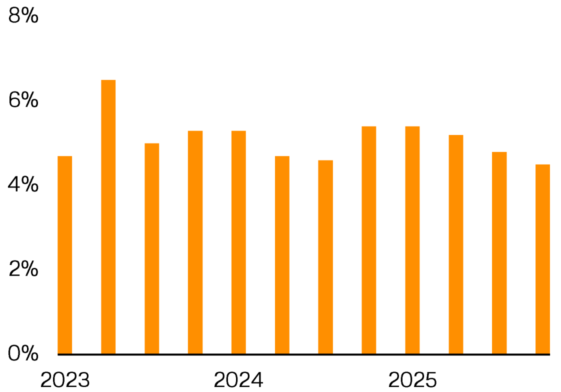
Export resilience supported the economy to achieve the 5% growth target

The Chinese Mainland economy met the Government's 5% growth target for 2025. The economy maintained a 5.0% growth pace in 2025, with GDP reaching RMB 140.2 trillion, up from RMB 134.9 trillion in 2024. The quarterly growth trajectory reflected a gradual softening trend amid external uncertainties, moderating from 5.4% year-on-year (YoY) in Q1 to 5.2% in Q2, 4.8% in Q3, and 4.5% in Q4. That said, quarter-on-quarter (QoQ) growth picked up to 1.2% in Q4 from 1.1% in Q3, indicating some signs of stabilizing momentum. The labour market also improved further, with the surveyed urban unemployment rate ticking down to 5.1% in December 2025, below the market consensus of 5.2%. Improving labour market conditions provided robust economic fundamentals to transit to a consumption-led growth model in 2026.

Export resilience served as a notable growth anchor. Chinese Mainland's total import and export value grew by 3.8% in 2025, reflecting 6.1% growth in exports and 0.5% growth in imports. This resilient export performance led to a trade surplus of RMB 8.5 trillion and solid FX reserves of USD 3.4 trillion. Crucially, net exports acted as a critical buffer, contributing 32.7% of the headline GDP growth for 2025 (up from 30.3% in 2024). While global trade uncertainties have remained elevated during the year, Chinese Mainland managed to sustain export growth through its manufacturing prowess and market diversification strategy. Notably, exports from the "New Three" sectors (electric vehicles, lithium-ion batteries, and solar cells), collectively rose by 28% in 2025, reaching RMB 1.28 trillion. This growth underscored the global competitiveness of Chinese manufacturers in high-tech and green industries.

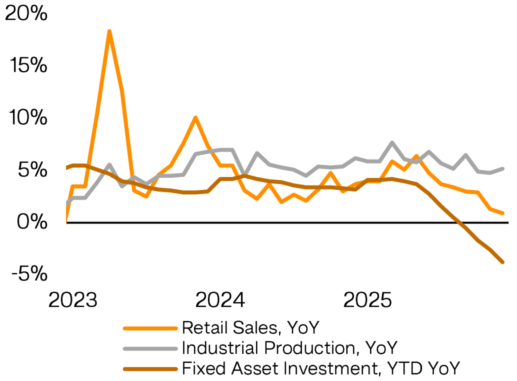
A visible divergence persisted between robust industrial activity and subdued domestic demand. Industrial production expanded by 5.2% YoY in December, driven by high-tech manufacturing. In the meantime, industrial profits grew by 5.3% YoY in December, pulling the full-year performance to a 0.6% growth, the first increase since 2021. Equipment manufacturing proved to be a primary driver in 2025, accounting for nearly 40% of overall earnings. In contrast, domestic demand indicators continued to weaken, as retail sales growth slowed to 0.9% YoY in December, while fixed asset investment contracted by 3.8% for the year. Furthermore, the property sector remained in consolidation, with major housing market indicators declining further towards the end of the year.

Chinese Mainland GDP Growth (YoY)



Source: National Bureau of Statistics

Retail Sales, Industrial Production and Fixed Asset Investment



Source: National Bureau of Statistics

Inflation gradually picked up on both consumer and producer levels. December data revealed a synchronised recovery in price indices, suggesting that deflationary pressures have abated. Headline Consumer Price Index (CPI) rose by 0.8% YoY, the strongest growth since March 2023, while core CPI held up above 1.0% for four consecutive months. Meanwhile, the Producer Price Index (PPI) improved further, with its YoY decline narrowing to -1.9% YoY in December from -2.2% in November. On monthly basis, PPI registered the third MoM gain, with a 0.2% increase in December. These readings indicated that policies in rationalising the supply-side dynamics and curbing disorderly price competition have been taking effect. The National Bureau of Statistics anticipated that as capacity controls in strategic industries take hold in 2026, the economy will gradually re-anchor inflation expectations, fostering a more sustainable price-growth cycle.

Credit expansion remained steady amid abundant liquidity conditions. In 2025, total social financing (TSF) maintained steady growth while exhibiting structural shifts with a rising role of public financing. Full year TSF rose by RMB 35.6 trillion in 2025, lifting the outstanding TSF to RMB 442.1 trillion (+8.3%). The increase was driven by government bond issuance, which reached RMB 13.8 trillion and accounted for 21.5% of new credit formation. Conversely, RMB loans trailed 2024 levels, indicating mute credit demand from the private sector. In terms of market liquidity, money supply maintained relative fast expansion, with M2 rising by 8.5% in 2025. However, M1 merely posted a modest 3.8% growth. A widening gap between M1-M2 growth would signal a strong preference among corporates and households to hold time deposits rather than allocate their capital for spending, investment or other operational purposes.

A coordinated monetary-fiscal policy mix for 2026

Fiscal resources are front-loaded for infrastructure investment. To mitigate the downward trend in investment, fiscal resources are being deployed to shore up growth in Q1 2026. In late December 2025, the National Development and Reform Commission announced an early batch of major projects and the central budget investment plan for 2026, together with funding of about RMB 295 billion to speed up implementation of public investment. In mid-January 2026, the Ministry of Finance released a package of measures to spur private investment and consumption, including a RMB 500 billion special guarantee program for corporate lending and an extension of interest subsidies for personal consumption loans and services businesses to the end of 2026. These measures are expected to provide new impetus to domestic spending.

Targeted monetary easing is intensified to support strategic sectors. In mid-January 2026, the People's Bank of China (PBoC) cut the interest rates on its structural monetary policy tools by 0.25 percentage points, reducing the one-year rate for various relending facilities to 1.25% from 1.5%; increased quotas for relending tools; and lowered the commercial property mortgage down-payment ratio to 30%. The deployment of structural policy tools instead of a broad-based easing revealed a measured approach in extending monetary support to the strategic sectors. The PBoC stated that there is room to cut interest rates and banks' required reserve ratios in 2026, reflecting a continuation of its moderately loose monetary policy going forward.

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