

Economic QuickView



Chinese Mainland: A Broad-based Economic Rebound in Early 2026

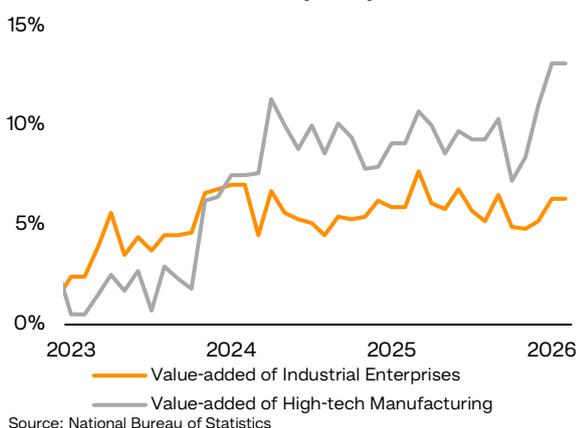
- Major economic indicators exceeded market expectations in January-February 2026, signalling a solid start to the year.
- Chinese Mainland's high-tech sector drove robust growth in industrial production and exports, while retail sales gathered pace and investment returned to growth.
- A notable uptick in GDP growth is anticipated for Q1, establishing a strong foundation to achieve the 4.5%-5.0% growth target for 2026.

The Chinese Mainland's economy staged a broad-based rebound in early 2026. Major economic indicators for January-February 2026 exceeded market expectations. Bolstered by the Chinese Mainland's globally leading high-tech competitiveness, both external trade and industrial production delivered outsized performances. Concurrently, retail sales growth accelerated, and fixed asset investment (FAI) returned to growth following a notable contraction in 2025. The widening trade surplus, coupled with improved domestic demand, points to a faster pace of GDP growth in Q1 2026. Nevertheless, the property sector continued to be a major drag, indicating that a meaningful recovery will require more time and sustained policy support. Meanwhile, escalated geopolitical tensions in the Middle East have materially disrupted global supply chains and induced significant volatility into international energy markets. Navigating this increasingly complex external landscape, the authorities have ranked building a strong domestic market as the top policy priority for 2026 to stabilise underlying growth momentum.

High-tech competitiveness drove robust growth in exports and industrial production. Industrial production (IP) growth accelerated to 6.3% year-on-year (YoY) in January-February 2026, up from 5.2% in December 2025. The continuous evolution of artificial intelligence (AI) and its broadening

adoption have unleashed massive demand for advanced technology components and equipment across both international and domestic markets. Specifically, IP growth in high-tech and equipment manufacturing rose to 13.1% and 9.3% YoY, respectively, led by the computers, communication and electronic equipment sectors. In addition, the Chinese Mainland's exports surged by 21.8% YoY in January-February, driven by a 26.9% surge in high-tech products including semiconductors, computers and medical instruments. These figures underscored how the Chinese Mainland's technological competitive edge has established high-tech industries as the primary growth engine, validating the policy pivot toward developing new quality productive forces.

Retail sales gathered pace amid festive sentiment and front-loaded policy support. Total retail sales growth picked up to 2.8% YoY in January-February 2026, a marked improvement from 0.9% in December 2025. Consumer sentiment was boosted by a longer-than-usual 9-day Chinese New Year holiday and front-loaded pro-consumption incentives introduced in January. Notably, the trade-in subsidy programme for 2026 was recalibrated to intensify incentives for digital and smart products (expanding from 3 eligible categories in 2025 to 4) and reduce the subsidy scope for household appliances (reducing from 12 eligible categories to 6). Meanwhile, the new energy vehicle purchase tax exemptions have been scaled back for 2026. These policy adjustments resulted in a divergence in sectoral performance. Telecommunication equipment sales increased by 17.8% YoY for January-February 2026, outperforming household appliances & audio/video equipment sales at 3.3%, while automobile sales declined by 7.3%. Retail sales of services remained resilient, growing by 5.6% YoY in January-February 2026, up slightly from 5.5% in 2025. In particular, retail sales of tourism, cultural and leisure services registered double-digit expansions. Looking ahead, the Ministry of Finance's recent enhancement of interest subsidies for personal consumer loans, such as including credit card bill instalment and extending the scheme through the end of this year, should provide continued support for domestic consumption.

Industrial Production (YoY)

Retail Sales and Fixed Asset Investment


Investment returned to growth. Nominal FAI grew by 1.8% YoY in January-February 2026, reversing the 3.8% full-year contraction in 2025. Infrastructure FAI growth accelerated sharply to 11.4% YoY for January-February 2026, representing a 10.8-percentage-point surge from 2025, as the authorities expedited the launch of major national projects aligned with the 15th Five-Year Plan. Manufacturing FAI also expanded steadily by 3.1% YoY, driven by targeted policy measures aimed at encouraging enterprises to enhance productivity, such as equipment renewal subsidies and structural relending programmes for technological innovation and technical transformation.

Underscoring this industrial upgrading, purchases of equipment and instruments sustained a double-digit growth rate of 11.5% YoY in January-February 2026. While property development FAI remained in deep contraction of 11.1% YoY, the pace of decline has moderated from the 17.2% drop recorded for the full year of 2025. Given the Government's commitment to stabilising investment, additional policy measures are likely to be rolled out in the near term.

The property sector remained in contraction. Major real estate indicators continued to hover at low levels. In January-February 2026, the sales value of newly-built residential buildings and the funds for real estate developers fell by 21.8% and 16.5% YoY, respectively. To shore up the housing market, tier-1 cities have stepped up their policy efforts to unlock housing demand. Following Beijing's property policy easing in late 2025, Shanghai introduced its own measures in February 2026, including the relaxation of home purchase qualifications for non-locally registered residents and expanding the housing provident fund loan quotas. Going forward, the Mainland authorities are expected to maintain a supportive stance by controlling the new project pipelines, accelerating inventory destocking and elevating the overall quality of the housing stock.

A notable uptick in GDP growth is anticipated for Q1, establishing a strong foundation to achieve the 4.5%-5.0% growth target for 2026. For 2026, the authorities are poised to continue a proactive fiscal policy and an appropriately accommodative monetary policy. In accordance with the Government Work Report 2026, the authorities approved a slightly lower GDP growth target at a range of 4.5%-5.0%. This reflects a departure from the "around 5%" target of the past three years, providing the government with the necessary buffer to execute economic transformations. On the fiscal side, fiscal intensity is set to mirror the previous year, which maintains the fiscal deficit-to-GDP ratio at 4%, an issuance quota of local government special bonds at RMB 4.4 trillion and an issuance quota for ultra-long special treasury bonds at RMB 1.3 trillion. Regarding the monetary policy outlook, the People's Bank of China retains room for further reductions in the required reserve ratio (RRR) and interest rates to ensure adequate liquidity in the financial system. Based on the momentum in January-February 2026, GDP growth for Q1 2026 is likely to approach the upper bound of the 4.5%-5.0% target range. Ultimately, policy orientation is anticipated to focus on boosting consumption and investment as well as fostering technological innovation, thereby cementing the Chinese Mainland's transition toward a domestic demand- and technology-driven economy.

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).