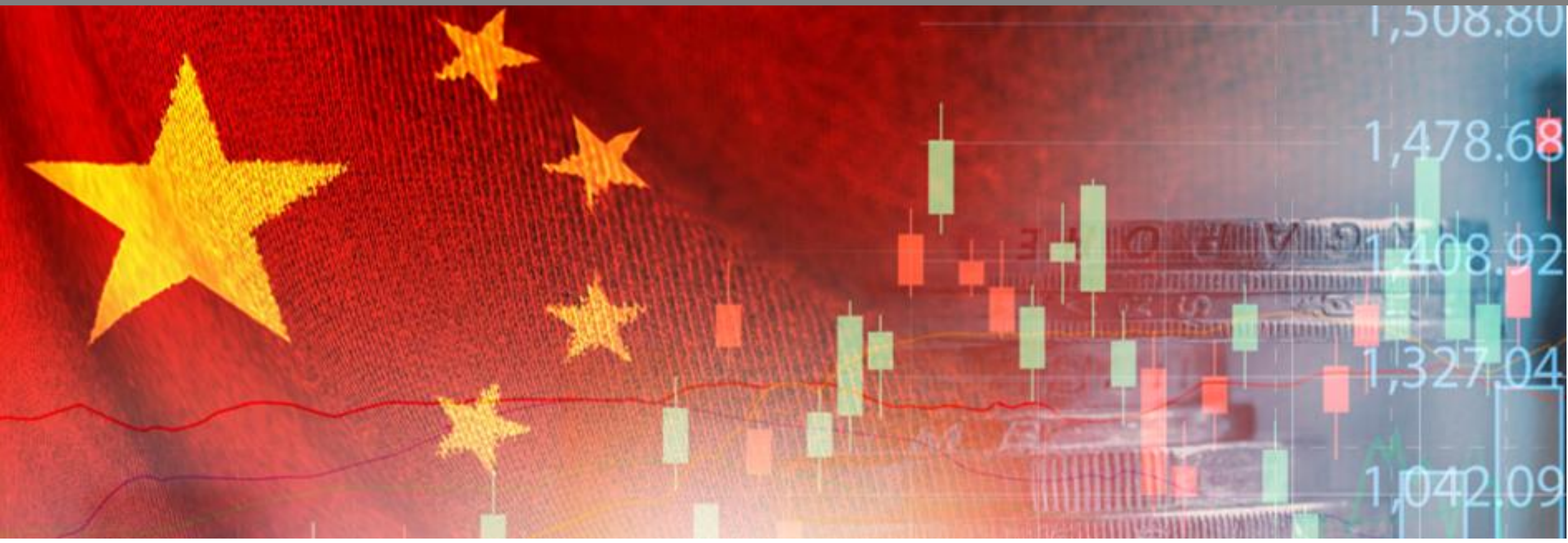
Economic Research Department

16 April 2026

Economic QuickView



Chinese Mainland: A Robust Start in Q1 Paves the Way to Reach 2026 Target

- The economy grew by 5.0% year-on-year in Q1 2026, providing a solid foundation to achieve the Government's 4.5-5.0% growth target and underpinning our full-year forecast of 4.8%.
- Direct energy shocks from Middle East tensions remain contained thanks to a diversified energy mix, though second-order effects on global export demand warrant close attention.
- Investment held up alongside early signs of property market stabilisation, setting the stage for a broader rebound in domestic demand.

The Chinese Mainland's economy accelerated in Q1 2026, driven by external trade and industrial production. GDP growth in Q1 2026 reached 5.0% year-on-year (YoY) and 1.3% quarter-on-quarter (QoQ), despite a high base of comparison. Both readings were faster than the preceding quarter and exceeded market expectations. This robust growth was bolstered by the nation's steadfast policy support and high-tech manufacturing competitiveness. Notably, industrial production expanded by 6.1% YoY in Q1, propelled by strong growth in equipment manufacturing (+8.9%) and high-tech manufacturing (+12.5%). This strength enabled Chinese producers to further expand, even amid a challenging external environment, with goods exports rising sharply by 11.9% YoY in Q1 2026. This widening trade surplus and solid industrial output served as crucial engines for the economy. Taken together, this solid start establishes a firm foundation to achieve the Government's 4.5-5.0% GDP growth target for 2026. While heightened uncertainties from global energy shocks and restrictive monetary conditions will hinder the global economic outlook, the Chinese Mainland's robust growth momentum is likely to continue.

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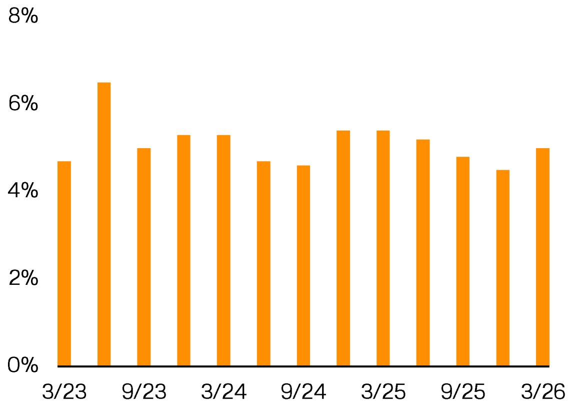
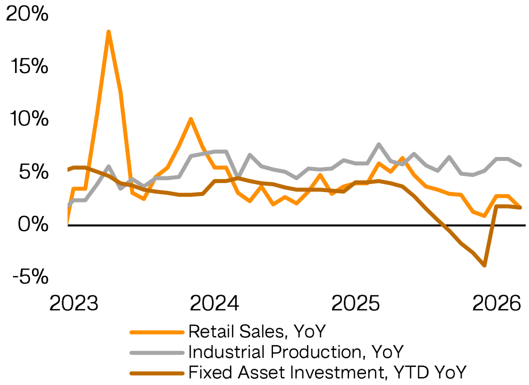
Domestic consumption maintained a steady recovery, driven by resilient services spending. Total retail sales of consumer goods increased by 2.4% YoY in Q1 2026. While goods consumption saw modest gains, services retail sales outperformed with a 5.5% YoY expansion, with brisk growth seen in telecommunications, tourism, leisure and sports activities. Furthermore, real per capita disposable income grew by 4.0% YoY in Q1 2026, ensuring stable support for household purchasing power. As targeted policy initiatives shift toward fostering a modernised services sector, particularly in digital, tourism, leisure, and the silver economy, the broader recovery in consumer spending is expected to gather further momentum ahead.

Chinese Mainland GDP Growth (YoY)



Source: National Bureau of Statistics

Retail Sales, Industrial Production and Fixed Asset Investment



Source: National Bureau of Statistics

Despite escalating geopolitical tensions in the Middle East, direct energy shocks to the Chinese Mainland remain contained. Unlike many advanced economies that are highly sensitive to global oil volatility, the Chinese Mainland has benefited from the strategic initiatives to build a deeply diversified energy architecture. Oil accounts for less than 20% of total primary energy consumption. Led by investments in the green transition, the share of renewables and nuclear has risen steadily, up from 16.0% in 2020 to 21.7% in 2025, replacing oil as the second-largest source. Moreover, domestically supplied coal is serving as the bedrock (over 50%) of the energy mix. Furthermore, the nation has broadened its crude import base across the globe, with deepening energy ties with Russia, Brazil, Malaysia and Africa, and built substantial strategic petroleum reserves to buffer against sudden energy supply disruptions. Overall, a robust energy architecture is poised to allow the Chinese Mainland to generate stable energy supply despite the Middle East tensions.

However, the second-order effects pose a greater macroeconomic threat. A protracted Middle East conflict could lead oil prices to stay elevated and cause persistent global supply chain disruptions. In this scenario, global inflation will move higher, and the global economy will stall, thereby weighing on external demand for Chinese exports. In this connection, external demand will present a significant uncertainty for the Chinese Mainland economy in the near term.

Investment held up alongside early signs of property market stabilisation. Fixed asset investment (FAI) grew by 1.7% YoY in Q1 2026, extending a stable recovery from the 3.8% full-year contraction recorded in 2025. Specifically, front-loading policy support boosted infrastructure FAI to surge by 8.9% YoY in Q1 2026, and manufacturing FAI was up by 4.1%. While property FAI continued to contract, down by 11.2% YoY, its pace of decline appeared to be stabilising. It is also worth noting that an increasing number of major cities reported house price growth in March, pointing to improved sentiment in the property market. As the authorities continue to step up policies to bring a healthier balance in demand and supply, the property market is likely to see further signs of stabilisation, which will be highly conducive to restoring broader consumer confidence.

The Chinese Mainland is well-positioned to navigate an increasingly complex external landscape. Robust GDP growth for Q1 2026 underscored the Chinese Mainland's rising economic resilience through its strategic pivot toward fostering new quality productive forces. While it remains highly uncertain if the Middle East tensions will lead to a meaningful drag to external demand and thus cause a slowdown in exports, the Chinese Mainland economy is expected to be supported by a confluence of positive domestic trends. These include substantial growth potential in the services sector, the turnaround of inflation into positive territory, a strong rebound in industrial corporate profits, and improved sentiment within the property sector. Furthermore, the authorities' commitment to proactive fiscal policies and an accommodative monetary stance will provide a firm footing to counter external shocks. Taking the latest economic trends into consideration, we continue to forecast the Chinese Mainland's 2026 full-year GDP growth to reach 4.8%.

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