

Market Monitor – Chinese Mainland

A Solid Rebound in Q1 Growth Signals Sustained Economic Momentum



- Q1 2026 GDP growth accelerated to 5.0% YoY, surpassing market expectations and bolstered by robust policy measures as well as high-tech manufacturing competitiveness.
- Inflation remained modest, with PPI returning to growth in March.
- Credit growth moderated in March, while structural monetary tools played a larger role in injecting liquidity support into targeted areas.

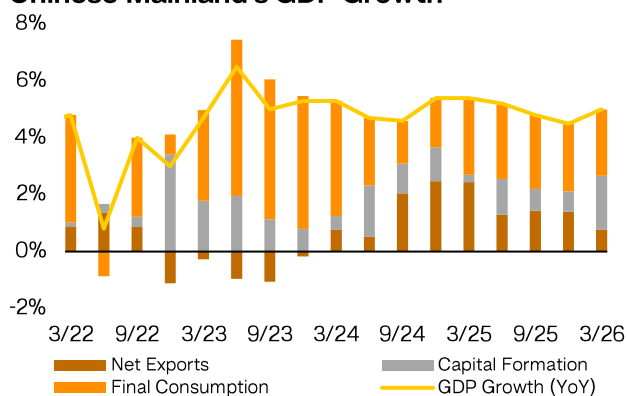
China's Mainland Q1 Growth: A Robust Start Across Key Indicators

The Chinese Mainland economy accelerated in Q1 2026, providing a solid foundation to achieve the Government's 4.5-5.0% growth target. GDP growth in Q1 2026 rose to 5.0% year-on-year (YoY) and 1.3% quarter-on-quarter (QoQ). 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. Meanwhile, nominal GDP growth increased to 4.9% YoY in Q1 2026, up from 3.9% in Q4, as GDP deflator narrowed to -0.1% from -0.6% YoY, suggesting further signs of price stabilisation.

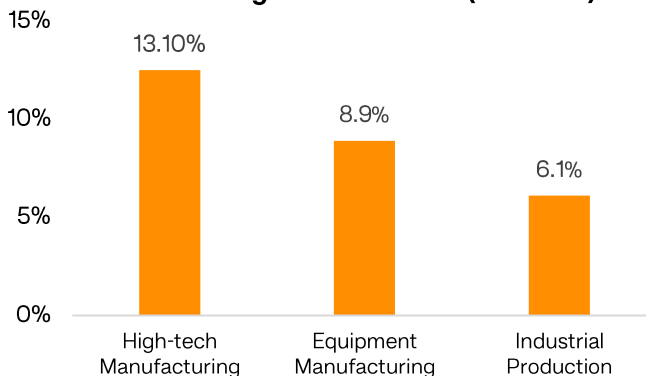
Industrial activity and trade have remained solid. Industrial production expanded by 5.7% YoY in Q1 2026, driven by strong growth in high-tech manufacturing (+12.5% YoY) and equipment manufacturing (+8.9%). This strength enabled Chinese producers to further expand even amid a challenging external environment, with goods exports rising sharply by 11.9% YoY in Q1 2026. Concurrently, goods imports jumped by 19.6% YoY in Q1 2026, driven by robust purchases of high-

tech products such as semiconductors, electronic parts, and precision equipment.

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-loaded policy support boosted infrastructure FAI, which surged by 8.9% YoY, while manufacturing FAI rose by 4.1%. Although property FAI remained in contraction, declining by 11.2% YoY, its pace of decline appeared to be stabilising. Notably, new house prices in major cities recorded a modest month-on-month (MoM) growth of 0.2% in March, suggesting improved market sentiment. Secondary market house prices in tier-1 cities also rebounded, flipping from a 0.1% decline to a 0.4% MoM gain. Should the housing market demonstrate firmer signs of stabilisation, consumer confidence will likely be strengthened to underpin a broader recovery in household spending.

Chinese Mainland's GDP Growth


Source: CEIC

Production for High-End Sectors (2026 Q1)


Source: CEIC

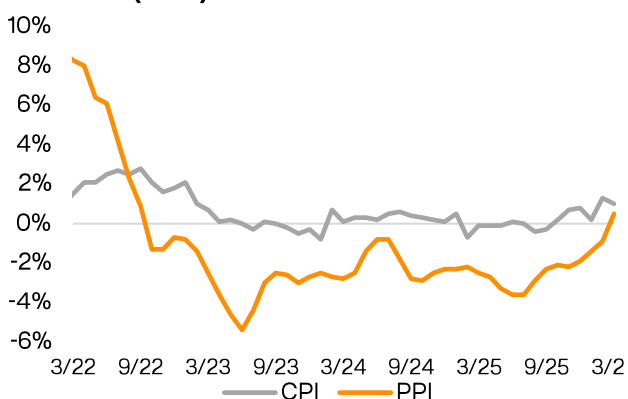
Domestic consumption continued its modest recovery, driven by resilient spending on services.

Total retail sales of consumer goods rose by 2.4% YoY in Q1 2026. While goods consumption posted modest gains, services retail sales outperformed, growing by 5.5% YoY, with notable increases in telecommunications, tourism, and leisure and sports activities. As targeted policy initiatives continue to stimulate the services sector, particularly in digital industries, tourism, leisure, and the rapidly growing silver economy, the recovery in consumer spending is expected to gather further momentum in the coming quarters.

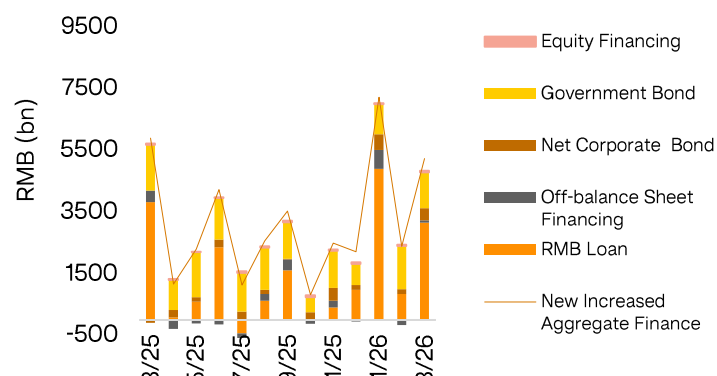
Inflation remained modest, with PPI returning to growth in March.

In Q1 2026, the headline CPI and core CPI inflation reached 0.9% and 1.2% respectively. Major core CPI components showed modest price gains in Q1 2026 compared to their readings in 2025. Price gains for services and non-energy industrial consumer goods increased from 0.5% in 2025 to 0.8% YoY in Q1 2026 and from 1.1% to 2.5%, respectively. Regarding producer prices, the PPI recorded a contraction of 0.6% YoY in Q1 2026, though its March reading rose notably to a growth of 0.5% YoY, up from -0.9% in February. While this increase in PPI was partly caused by higher fuel prices, several advanced sectors began to record stabilising prices, including photovoltaic equipment & components, lithium-ion batteries, and optical fibres. Thanks to solid demand and a stabilising PPI, industrial profits surged by 15.5% in Q1 2026. Thus, stronger profitability is poised to bolster corporate balance sheets.

Credit growth moderated in March, while structural monetary tools played a larger role in injecting liquidity support for targeted areas. On the liquidity front, M2 growth slowed slightly to 8.5% YoY in March, down from 9.0% in February, while M1 growth also eased to 5.1% from 5.9%. In terms of credit flows for the economy, growth in total social financing (TSF) also moderated, with outstanding TSF expanding 7.9% YoY in March compared to 8.2% in February. The cooling was due to a slower expansion in government bonds and corporate loans. That said, financing support for key sectors maintained solid growth, with loans to micro and small enterprises and to the services sector (excluding the property industry) increasing by 10.3% and 9.9% YoY in Q1 2026, respectively.

Inflation (YoY)


Source: CEIC

Aggregate Financing (Flow) and Major Components


Source: CEIC

Monetary Policy Outlook

Economic resilience and a solid energy architecture enable the authorities to preserve policy room and adopt a wait-and-see approach. The global economic landscape has grown increasingly complex amid protracted geopolitical tensions in the Middle East. At present, oil prices hover significantly above the pre-crisis levels, and the Strait of Hormuz remains in a standstill. However, the Chinese Mainland is relatively insulated given its rebounding domestic economic momentum and diversified sources of oil imports. With Q1 GDP growth attaining the upper bound of the 4.5 - 5.0% target range, there is reduced urgency to step up broad-based monetary easing. Consequently, the People's Bank of China (PBoC) is expected to maintain an accommodative stance and proceed with its monetary easing at a measured pace, ensuring sufficient market liquidity while placing a greater emphasis on the application of structural tools. Looking ahead, we continue to expect further targeted easing measures from the PBoC, though the timing of interest rate cuts is likely to be postponed until the second half of 2026.

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