

Economic QuickView



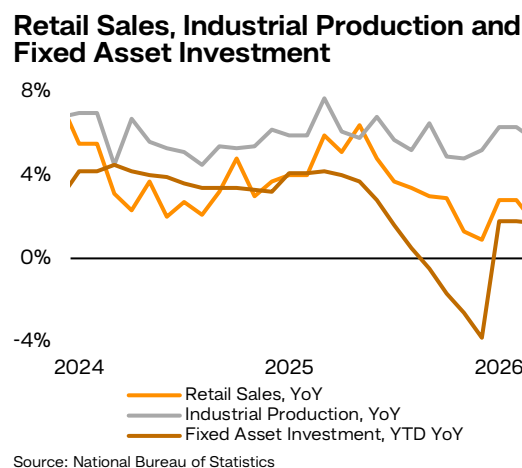
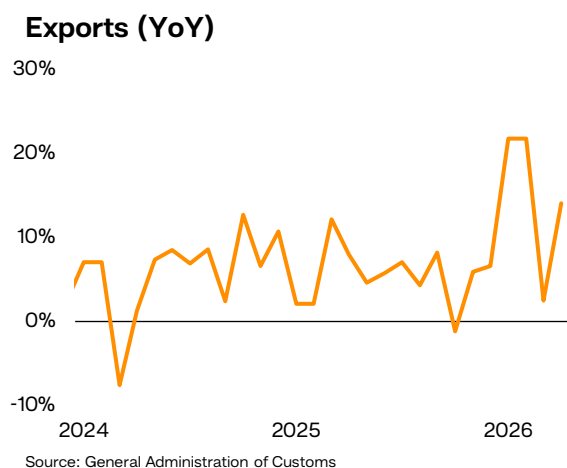
Chinese Mainland: Growth Decelerated amid Deepening Divergence of Economic Drivers

- Monthly economic indicators for April reported a macroeconomic slowdown across the board.
- Exports posted strong gains, remaining a primary growth driver.
- Industrial and services production maintained solid paces of expansion, while retail sales stalled and investment fell into contraction.

Exports have proven resilient despite elevated geopolitical uncertainties. Despite stalled progress in resolving the tensions in the Middle East and the intensifying impacts of the standstill in the Strait of Hormuz, the Chinese Mainland's exports continued to show strength. Merchandise export growth accelerated to 14.1% year-on-year (YoY) in April, up sharply from 2.5% in March. Strong growth was underpinned by the global competitiveness of the Chinese high-tech manufacturing sector and stellar demand for artificial intelligence (AI) related products. Specifically, exports of high-tech products surged by 31.4% YoY in April, led by an 83.7% YoY spike in semiconductors. Growth broadly accelerated across major destinations, with exports to the US returning to positive growth of 11.3% YoY. Meanwhile, merchandise imports sustained rapid growth at 25.3% YoY in April. On balance, robust exports continued to be a primary growth driver for the economy.

Industrial and services production maintained solid expansion. Industrial production grew by 4.1% YoY in April, down from 5.7% in March. Delving into the details, high-tech manufacturing growth accelerated from 11.7% YoY in March to 12.8% in April, led by products such as industrial robots (15.1%) and service robots (12.3%). Equipment manufacturing also soared by 8.7% YoY. Meanwhile, the growth of services production moderated from 5.0% in March to 4.3% in April. Despite slowing

headline growth, the industrial sector and various services activities (such as information & technology, business support, logistics, and tourism) continue to be vital bright spots for the broader economy.



Retail sales stalled in April. Total retail sales growth slowed sharply from 1.7% YoY in March to just 0.2% in April. This performance remained heavily influenced by the expiration of trade-in policies, which led to significant declines for certain consumer segments after subsidies ended. That said, service retail sales held up, with a 5.6% YoY growth in January-April, up from 5.5% in Q1. Consumer demand for telecommunications, tourism and culture & leisure services remained solid. In late April, the State Council issued a 20-point guideline on expanding capacity and upgrading the quality of the services sector, highlighting its aim to increase the scale of the service industry from about RMB 80 trillion in 2025 to RMB 100 trillion by 2030. This underscores the authorities' commitment to elevating services consumption as a structural growth engine.

Investment fell into contraction in January-April. Fixed asset investment (FAI) unexpectedly declined by 1.6% in January-April, compared to a 1.7% growth in Q1. Specifically, the growth of infrastructure and manufacturing FAI moderated to 4.3% YoY (from 8.9%) and 1.2% (from 4.1%), respectively, while the decline in property FAI deepened to 13.7% from 11.2% in Q1. Excluding property FAI, overall FAI registered a mild growth of 1.3%. The Politburo meeting in April pledged to prioritise the development of major infrastructure projects to anchor domestic demand. Moving forward, public capital expenditure is projected to remain at elevated levels, encompassing projects ranging from water supply networks, modernised power grids, computing infrastructure, next-generation communications, underground conduit systems to advanced logistics

The property market showed mild signs of stabilisation. While overall property development edged further lower, the sales value of newly built residential buildings showed a narrower decline of 15.7% YoY in January-April (compared to an 18.5% drop in Q1), reflecting tentative signs of stabilisation in housing demand. The house price index for new homes also improved slightly, led by tier-1 cities. In April, Shenzhen eased home purchase restrictions in core districts and raised the housing provident fund (HPF) loan limits. Concurrently, Guangzhou issued an 8-point package of property measures, including higher HPF loan limits and trade-in subsidies for home purchases.

A deepening economic divergence is raising the odds of policy stimulus. While robust external demand has provided a crucial stabilising force for Chinese Mainland exports, it remains highly uncertain whether the global expansion cycle can withstand the headwinds of prolonged Middle East tensions. Given the broad-based slowdown in April's macroeconomic activity, the likelihood for policy stimulus, such as monetary easing and targeted fiscal support, has increased significantly. Notably, measures aimed at lifting domestic demand are anticipated in the coming months to ensure a steady economic trajectory ahead.

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