BEA 東亞銀行

Economic Indicators Analysis **16 June 2026**

The Chinese Mainland's Downbeat Macro Data Portend a Q2 Slowdown

Summary:

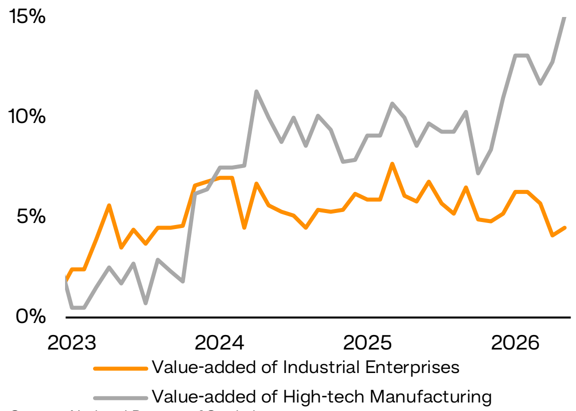
- Monthly economic indicators for May pointed to a moderation in growth, reflecting an imbalance in which supply outpaced domestic demand.
- Industrial and services production expanded at a solid pace, while retail sales and fixed asset investment both contracted.
- The property market remained in consolidation, alongside modest stabilisation in sales and Tier 1 city prices.

Industrial and services production expanded steadily. Industrial production exceeded market consensus and accelerated by 4.5% year-over-year (YoY) in May, up from 4.1% in April. Specifically, high-tech manufacturing growth accelerated 15.1% YoY, led by products such as 3D printing (+54.4%), lithium-ion batteries (+40.0%) and industrial robots (+27.9%). Meanwhile, the growth of services production edged up by 0.1 percentage points to 4.4% YoY in May, driven by information and technology, leasing and business services, and financial services. Solid growth in production data signals that the Chinese Mainland's supply side remained resilient in May.

Retail sales unexpectedly contracted in May. Total retail sales fell to a 0.6% YoY decline in May, down from a 0.2% growth in April, marking the first negative print since December 2022. While the retail sales indicated muted consumer spending during the month, this partly reflected a high base effect from last year's trade-in incentives and earlier 618 promotions. The reduction of purchase tax exemptions for new energy vehicles also weighed on sales growth. In May, retail sales of vehicles and home appliances plunged by 16.1% YoY and 15.6%. That said, consumer staples such as beverages and clothing remained resilient. Concurrently, service retail sales also slowed slightly, from 5.6% YoY in January-April to 5.4% in January-May. On a positive note, the labour market demonstrated a steady expansion, with the unemployment rate easing to a five-month low of 5.1% in May, compared to 5.2% in April.

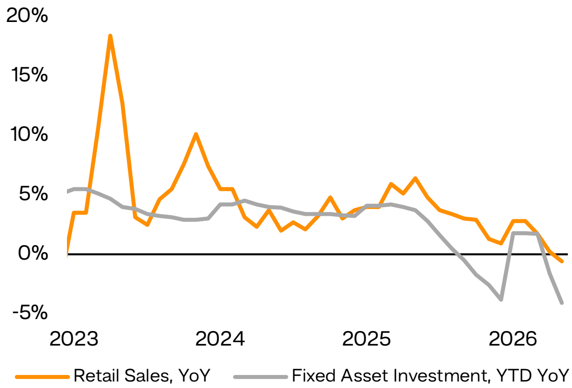
Investment experienced a broad-based deceleration. Fixed asset investment (FAI) recorded a deeper contraction of 4.1% in January-May, from 1.6% in January-April. The downturn was widespread across sectors, with YoY growth in manufacturing, infrastructure and property FAI worsening to -0.4% (from 1.2%), 0.6% (from 4.3%), and -16.2% (from -13.7%), respectively. Excluding property FAI, overall FAI also contracted by 1.2% in January-May. Adverse weather, notably heat waves and heavy rains, was cited as the factor behind the subdued FAI performance.

Industrial Production (YoY)



Source: National Bureau of Statistics

Retail Sales and Fixed Asset Investment



Source: National Bureau of Statistics

The property market remained in consolidation, alongside modest stabilisation in sales and Tier 1 city prices. While the downtrend of property development persisted, the sales value of newly built residential buildings reported a narrowed contraction, improving from -15.7% YoY in January-April to -12.1% YoY in January-May. The improvement points to signs of a levelling off in housing demand. Meanwhile, although house price indices generally continued to fall, the recovery in Tier-1 cities held up, with both their new and existing home prices rising by 0.2% and 0.4%, respectively.

More policy stimulus is expected in order to boost growth. May's economic indicators highlighted an uneven recovery in the Chinese Mainland, with domestic demand remaining soft despite robust export growth. With ample policy space available, stronger fiscal spending, coupled with targeted monetary easing, is likely to be deployed to ensure a steady economic trajectory ahead.

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