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Economic Indicators Analysis

15 September 2026

Divergence of Major Economic Sectors of the Chinese Mainland Deepened in August

Summary:

- Industrial production remained the primary growth anchor in August, led by high-tech manufacturing, with external demand for technology products providing key support.
- While services spending remained resilient, goods consumption and investment weakened.
- Softening momentum in the first two months of Q3 may bolster the case for further policy support.

The Chinese Mainland maintained industrial-led growth in August, with domestic demand continuing to moderate. Industrial production beat market expectations, while goods consumption and investment came in weaker-than-expected. This divergence underscores a pronounced imbalance between strong supply and soft demand in the economy. Against this backdrop, expectations of further demand-supporting policies have increased to sustain growth momentum.

Export and industrial production continued to anchor the economy. Industrial production growth accelerated from 4.5% year-on-year (YoY) in July to 5.2% in August, with equipment manufacturing (+12.1%) and high-tech manufacturing (+16.7%) growing well above the headline rate. Meanwhile, export growth accelerated to 25.0% YoY in USD terms in August, from 23.9% in July. The composition of industrial strength is consistent with the artificial intelligence (AI)-related investment cycle and the green transition, supported by the Chinese Mainland's broad manufacturing base and cost-competitive technology. Solid growth in manufacturing activity also boosted industrial profits, which increased by 17.6% YoY in the first seven months in 2026.

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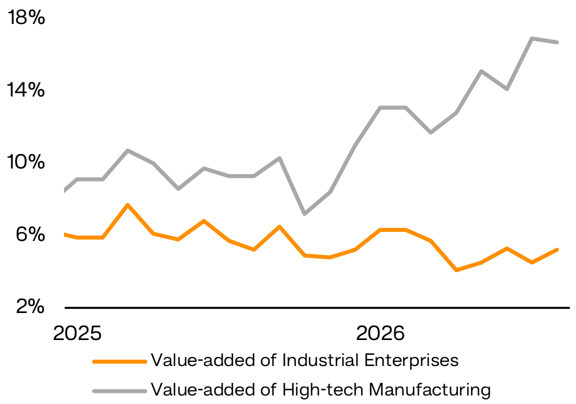
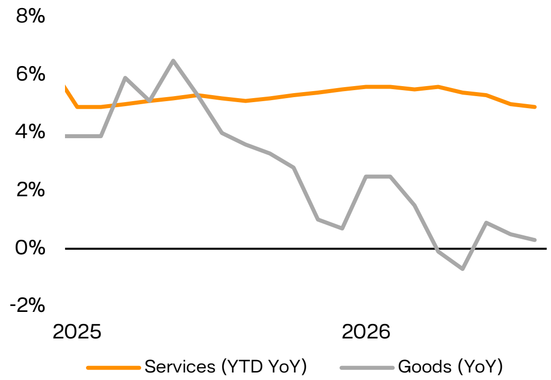
Total retail sales pointed to divergent spending trends. Total retail sales of goods and services grew by 2.5% YoY in January-August, down from 2.6% YoY in January-July. Growth was mainly concentrated in services rather than goods. Retail sales of services posted a robust increase of 4.9% YoY in January-August, while retail sales of goods rose by only 1.0%. In August, retail sales of goods slowed to a 0.3% YoY growth, from 0.5% in July, mainly dragged by automobile sales (from -17.0% YoY in July to -18.5% in August). On the bright side, improvements were recorded within certain categories such as telecommunication equipment (from 20.4% YoY in July to 27.3% in August) and household appliances & audio/video equipment sales (from -1.9% YoY in July to 2.3% in August). Separately, the Ministry of Finance expanded its interest subsidy scheme in August to cover credit-card instalments for automobiles and home renovations, which may support big-ticket consumption.

Industrial Production (YoY)



Source: National Bureau of Statistics

Retail Sales

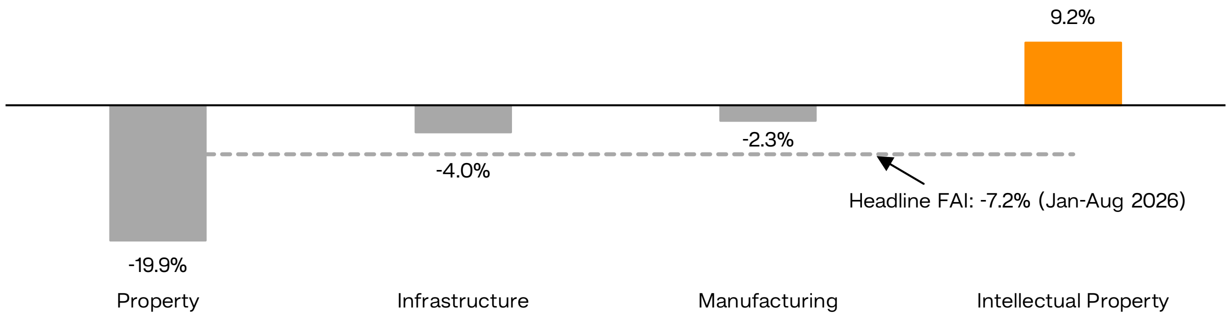


Source: National Bureau of Statistics

Investment extended its declines. Fixed asset investment (FAI) contracted by 7.2% YoY in January-August, steeper than the 6.7% decline in January-July. The National Bureau of Statistics attributed the FAI weakness to construction delays caused by adverse weather conditions as well as cautious corporate investment sentiment. Declines in FAI were recorded across manufacturing (-2.3% YoY), infrastructure (-4.0%) and property development (-19.9%). In contrast, investment in intellectual property and high-tech industries rose by 9.2% YoY and 5.2% in January-August, respectively, consistent with the nation's strategic transformation toward high-quality development. While these emerging segments are set to maintain solid expansion, their current scale is not sufficient to offset the drag from the contraction in property development. Thus, headline FAI is likely to remain in contraction for 2026.

The new home market's correction continued, though the pace of decline moderated. Sales of newly built residential buildings fell 13.1% YoY in January-August, compared to a 13.2% contraction in January-July. New home prices increased 0.1% month-on-month (MoM) in tier-1 cities in August, while tier-2 and tier-3 prices dropped 0.1% and 0.2%, respectively. In late-August, new property market reforms were announced, including tighter rules on the presale conditions for housing and a requirement that mortgage loans for presale homes will be issued only after project completion. These measures mark a step toward a new development model centred on completed-home sales.

Fixed Asset Investment (Jan-Aug YoY)



Source: National Bureau of Statistics

While base effects should become more favourable in 2H 2026, recent softening in goods consumption and investment suggests a potential moderation in Q3 GDP growth. These trends are poised to reinforce the case for intensified policy support. Indeed, fiscal support has been intensifying. In early September, the Ministry of Finance announced the issuance of special treasury bonds worth RMB 300 billion to support eight state-owned commercial banks, policy banks and insurers in replenishing their core tier-1 capital. The move is expected to bolster banks' lending capabilities and insurers' capacity for equity investment. To bolster growth, policymakers may accelerate the deployment of fiscal proceeds towards major investment projects and pro-consumption measures.

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