

Chinese Mainland's Economy Ended 3Q on a Firmer Note



Summary:

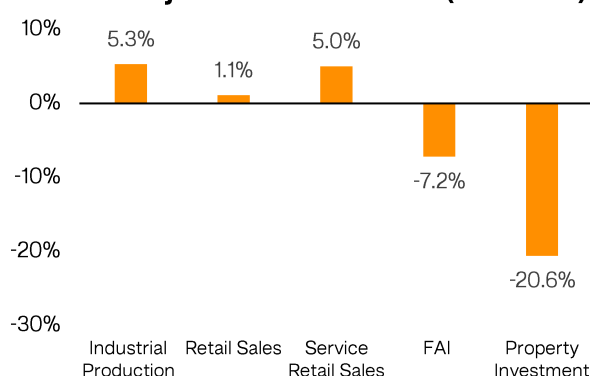
- Chinese Mainland's GDP growth picked up modestly to 4.5% YoY in Q3 from 4.3% in Q2, bringing year-to-date growth to 4.6%.
- Industrial production, exports and services remained the key growth drivers, while retail sales improved and investment continued to contract.
- Despite persistent sectoral divergence, firmer September momentum and recent policy support should keep the full-year growth target of 4.5%-5.0% within reach.

The Chinese Mainland's Q3 GDP data delivered a firmer note. GDP growth accelerated to 4.5% year-on-year (YoY) in Q3, up from 4.3% in Q2, above market expectations of 4.4%. On a seasonally adjusted basis, GDP growth also picked up to 1.2% quarter-on-quarter (QoQ), up from 0.9% in Q2. For the first three quarters of 2026, GDP expanded 4.6% YoY, lifting the year-to-date output to RMB 107.1 trillion. By sector, tertiary industry grew 5.2% YoY in Q1-Q3, ahead of secondary industry at 3.8% and primary industry at 3.7%. Growth was mainly underpinned by industrial production, exports and services, while retail spending recorded a modest uptick, fixed-asset investment remained in contraction, and the property sector was still in an adjustment phase. While the readings continue to reflect notable sectoral divergence, the data pointed to a firmer momentum in September's activity.

Economic Indicators Analysis

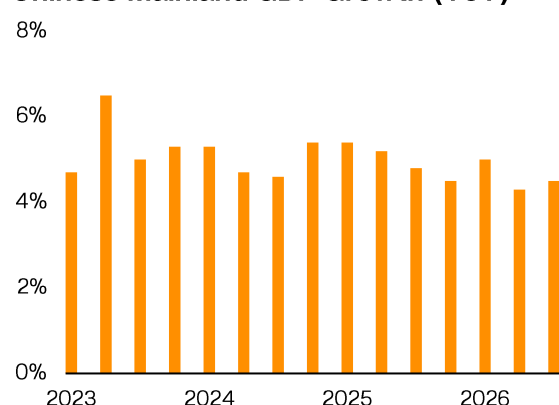
20 Oct 2026

3Q 2026 Major Macro Indicators (YTD YoY)



Source: CEIC

Chinese Mainland GDP Growth (YoY)



Source: National Bureau of Statistics

Industrial production remained the clearest bright spot, underpinned by robust growth in high-tech manufacturing and exports. Industrial production rose 5.5% YoY in September, up from 5.2% in August. Sequential growth also accelerated to 0.6% MoM in September from 0.5% August. For January-September, industrial production expanded by 5.3% YoY. Advanced manufacturing and equipment manufacturing continued to make important contribution to industrial growth. Notably, output of 3D printing equipment, lithium-ion batteries and industrial robots increased 62.5%, 39.5% and 29.1% YoY, respectively, in January-September. External demand was another solid support. Merchandise exports increased 16.4% YoY in RMB terms in January-September.

Retail sales recorded a modest lift. Retail sales of goods increased 1.1% YoY in September, up from 0.4% in August and above the 0.5% consensus. On a MoM basis, retail sales rose 0.4% in September, reversing a 0.2% decline in August. The still-moderate readings were parted due to subdued automobile sales (-21.2% YoY in September) amid payback effects from earlier subsidy-driven demand. Communications equipment retail continued to grow briskly at 31.1% YoY in September, consistent with relevant trade-in policy support. The broader consumption picture was somewhat better than the goods retail figures alone. Total retail sales of goods and services rose 2.6% YoY in January-September, with services retail growing 5.0%, faster than goods retail at 1.0%. In the meantime, services production growth accelerated to 4.8% YoY in September from 4.1% in August. It underscored the role of services consumption as a steady support to the economy, led by tourism, cultural and leisure activities, events and experience-based spending.

Investment remained in contraction. Fixed asset investment (FAI) remained sluggish, contracting by 7.2% YoY in January-September, unchanged from January-August pace. The monthly reading offered a small stabilising signal, with September's FAI edging up 0.1% MoM. Across major segments, manufacturing FAI fell 2.1% YoY in January-September, infrastructure FAI declined 4.2%, and property development FAI dropped 20.6%. Meanwhile, investment was not uniformly weak. Knowledge-intensive and upgrading-related areas held up better, with intellectual property and high-tech industry FAI rising 9.3% and 4.9%, respectively.

Adjustment in the property sector continued, but there were some signs of stabilisation. Policy focus remains on controlling new additions, digesting existing inventory and improving housing supply. In January-September, new starts and completions fell by 24.9% and 25.1% YoY, respectively, while new-home sales by floor area declined by 13.2%. Officials from the National Bureau of Statistics noted that transaction activity also warranted attention. Second-hand housing online transaction area increased 10.7% YoY in January-September, and second-hand transactions accounted for more than half of total commercial housing transactions in recent months. Besides, price data showed some stabilisation in tier-1 cities. In September, new home prices in tier-1 cities rose 0.1% MoM for a second consecutive month, and second-hand home prices in tier-1 cities rose 0.2%. Tier-2 new home prices were flat, while tier-3 city prices declined 0.2%.

Firmer momentum should support the economy in achieving its growth target of 4.5%-5.0%. Overall, most indicators improved in September compared with July and August, pointing to a firmer end to the quarter. Policy support has also stepped up recently. Measures include a 25-basis-point cut of Pledged Supplementary Lending (PSL) rate, expanded PSL coverage for "Six Networks" projects, enhanced structural monetary tools, allocation of RMB 550 billion in unused local-government debt quotas, faster infrastructure project execution and mortgage interest subsidy arrangements. While sectoral divergence is likely to persist, firmer September momentum and well-calibrated policy support should help consolidate the recovery and keep the full-year growth of 4.5%-5.0% within reach.

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