

Chartbook

26 April 2026

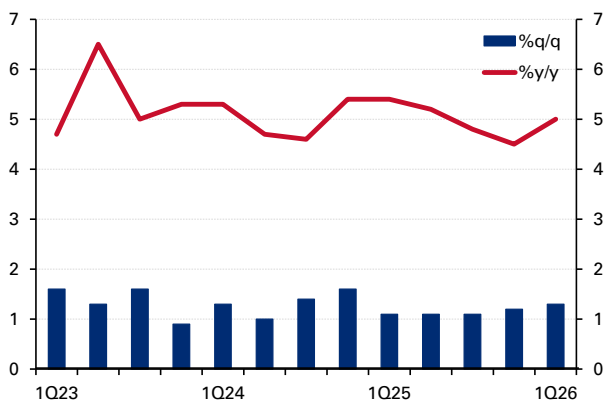


China: Solid growth in Q1, but the outlook is fragile given fallout from the Middle East war

China's economy kicked off 2026 on a solid footing with GDP expanding by 5.0% y/y in Q1, accelerating from 4.5% in Q4 and exceeding market expectations. Growth was supported by manufacturing and exports rather than a broad-based pickup in domestic demand. Official messaging continues to highlight an imbalance between strong supply and weak demand, as household consumption and private investment remain subdued. Policy support has remained measured and targeted, with authorities keeping benchmark lending rates (1Y and 5Y LPRs at 3.0% and 3.5%, respectively) unchanged. Meanwhile, financial indicators suggest broadly muted confidence in a self-sustaining recovery, with loan growth continuing to soften (latest at 5.7% y/y) and government bond yields remaining near multi-year lows. At the same time, the external backdrop has deteriorated. Tensions stemming from the Middle East war have rocked energy markets and added uncertainty to global demand. For now, China has avoided meaningful economic disruption, helped by ample oil reserves, diversified energy supplies, and some measures that limited the increase in domestic fuel prices.

Looking ahead, the durability of the recent growth will hinge on external demand conditions and the effectiveness of any new fiscal or monetary policy measures, noting that the property sector remains a structural drag on activity and confidence with real estate investments as well as home prices still falling. Risks to exports could intensify if the Middle East war drags further or widens, extending the energy price shock and the disruption to supply chains. Against this backdrop, China has quietly stepped-up its diplomatic engagement with the warring parties in an effort to reach a breakthrough, capitalizing on the country's good relations with Iran and reflecting its interest in safeguarding global geopolitical stability. Overall, the solid growth in Q1 puts the country in a good spot towards achieving the 4.5-5% growth target for 2026, but the outlook remains fragile.

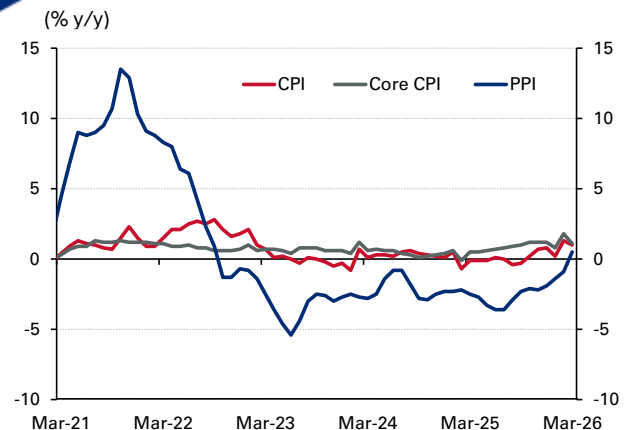
Chart 1: Real GDP growth



GDP expanded 5.0% y/y in Q1, accelerating from 4.5% in Q4, supported by manufacturing and exports amid weak domestic demand.

Source: Haver Analytics

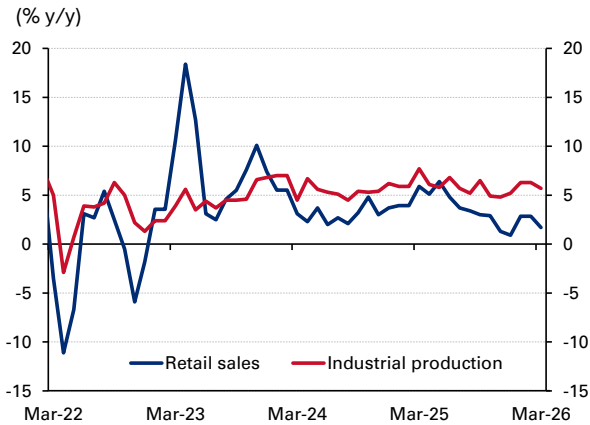
Chart 2: CPI and PPI inflation



CPI inflation eased to 1% y/y in March from a three-year high of 1.3% in February while PPI inflation turned positive for the first time in more than three years on higher energy prices.

Source: Haver Analytics.

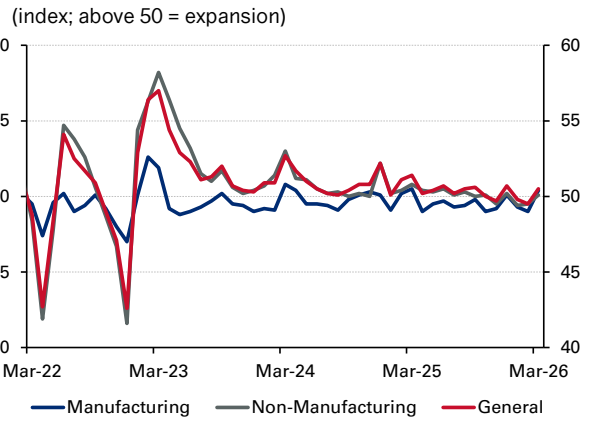
Chart 3: Industrial production and retail sales



Industrial production increased by 5.7% y/y in March while retail sales rose just 1.7%, highlighting resilient supply but weak household consumption.

Source: Haver Analytics

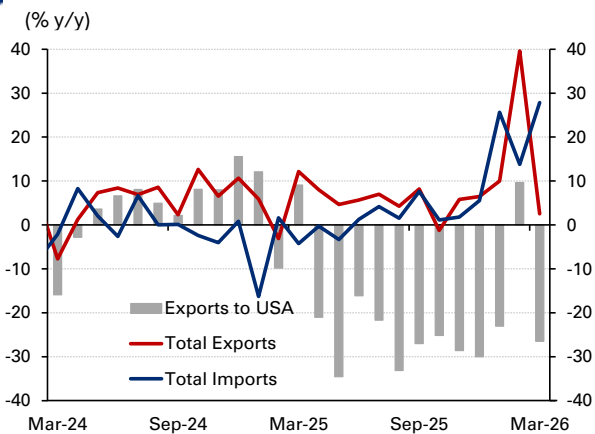
Chart 4: Purchasing Managers' Index surveys



The official manufacturing and non-manufacturing PMIs returned to expansion in March, at 50.4 and 50.1 respectively, reflecting a post-holiday rebound.

Source: Haver Analytics

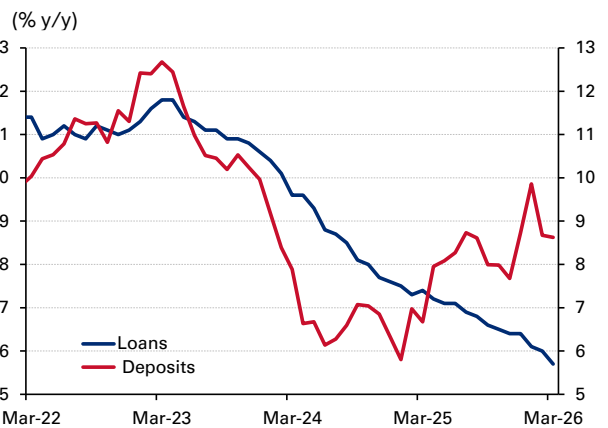
Chart 5: International trade



Growth in exports remained solid in Q1 (15% y/y) despite exports to the US continuing to fall by double-digits as was the case in 2025.

Source: Haver Analytics

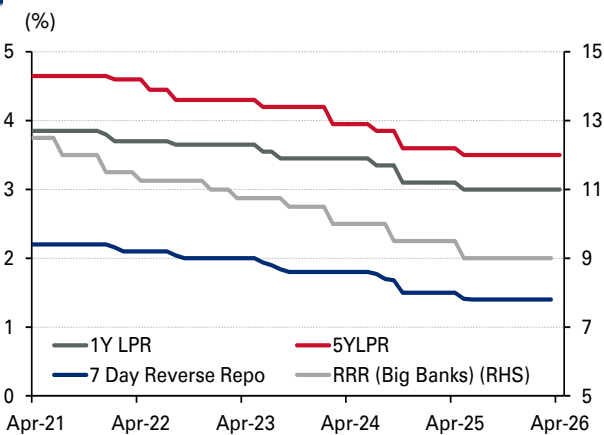
Chart 6: Growth in loans and deposits



Loan growth continued to soften, down to 5.7% y/y in March, indicating cautious credit demand while deposit growth was stronger.

Source: Haver Analytics

Chart 7: Policy rates



The PBoC kept the 1Y LPR at 3.0% and 5Y LPR at 3.5% unchanged for the 11th straight month in April, maintaining accommodative policy via targeted tools.

Source: Haver Analytics.

Chart 8: China and US government bond yields

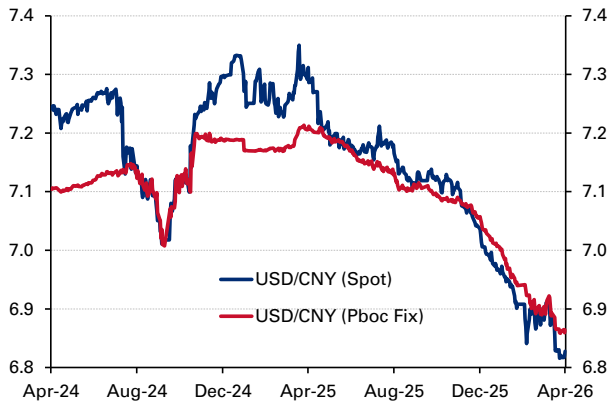


China's 10-year yield stayed near historic lows, while the U.S. 10-year yield remains much higher than its level just before the Middle East war.

Source: Haver Analytics. Data as of April 22.

Chart 9: Dollar-yuan exchange rate

(CNY per USD)

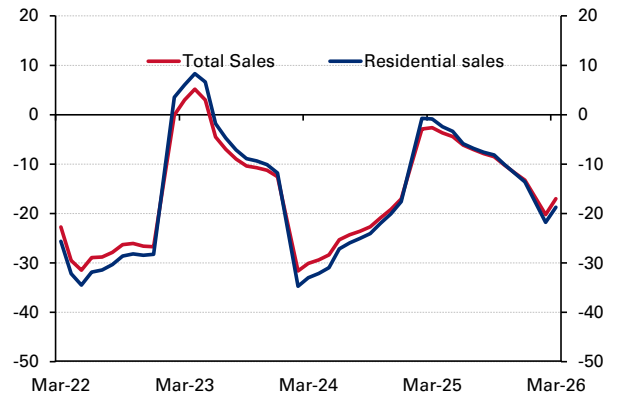


YTD, the Yuan has appreciated against the USD despite a widening in interest rates differentials between the two countries.

Source: Haver Analytics. Data as of April 22.

Chart 10: Real estate sales

(% y/y, Cumulative YTD)

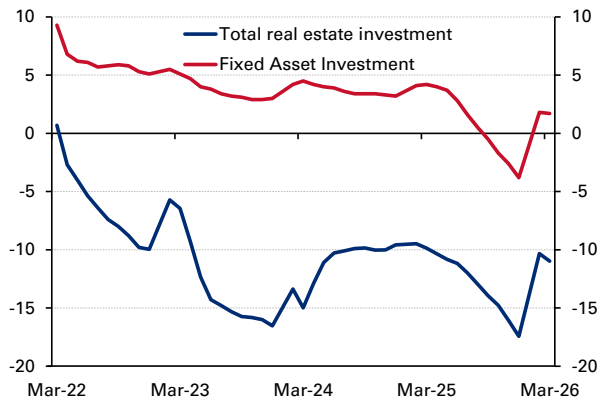


Property sales remained on a downtrend in early 2026 amid still restrained household demand, though data through March showed a slight improvement from February.

Source: Haver Analytics

Chart 11: Total and real estate investments

(% y/y, Cumulative YTD)

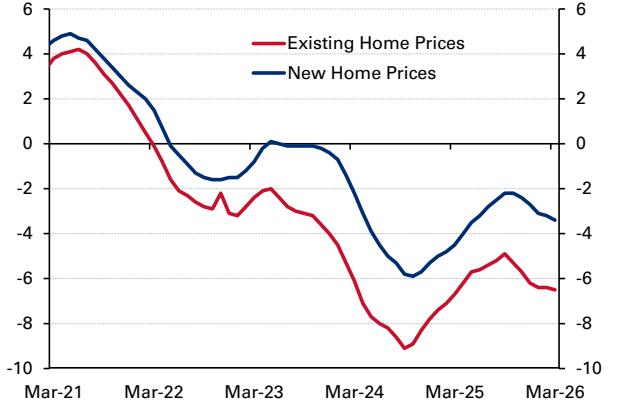


After falling in 2025, total investment increased in Q1 despite real estate investment still contracting by double digits.

Source: Haver Analytics

Chart 12: House price indices

(% y/y)



New house prices remain under pressure with the y/y rate of decline widening again since November (-3.4% in March) after a period of narrowing for most of 2025.

Source: LSEG

Chart 13: Stock markets

(Rebased; 30 December 2022 = 100)

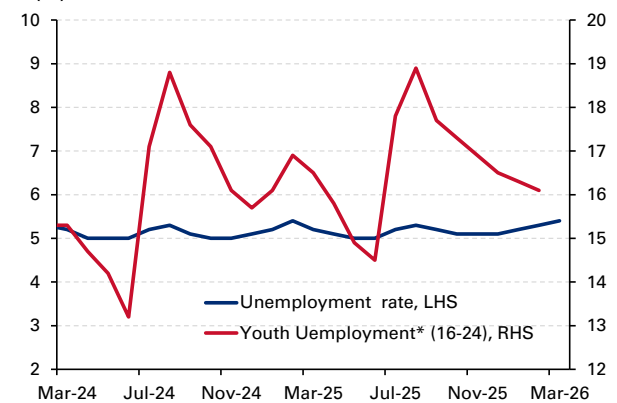


Stock markets have rebounded from the recent lows recorded in March, but remain soft on a YTD basis with the CSI 300 up 3.7% and the HSI up 2.1%.

Source: Haver Analytics. Data as of April 22.

Chart 14: Unemployment rate

(%)



The unemployment rate rose to 5.4% in March, while youth unemployment remained much higher, pointing to difficulties in finding jobs by fresh graduates.

Source: Haver Analytics *Excluding students.

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