

# China in Focus

Economics  
China

## Five key China macro themes for 2026

- ◆ An investment rebound is around the corner, supported by the new wave of government funding and projects
- ◆ “DeepSeek moments” likely to emerge in other sectors, thanks to China’s continued focus on innovation
- ◆ Reflation and housing market expectations, on the other hand, depend on policy intensity and implementation

### China data review (December, Q4 & full year 2025)<sup>1</sup>

- **China’s GDP** grew 5.0% in 2025, meeting the government’s target of “around 5%”. However, GDP growth ended the year softer, rising 4.5% y-o-y in Q4, affected, in part, by a high base. The underlying data showed pressures have grown on the domestic economy with investment spending falling 3.8% for 2025 while ongoing resilience in trade helped keep industry production buoyant.
- **Fixed asset investment (FAI)** contracted by 3.8% in 2025, marking the sharpest decline in decades. The weakness remained broad-based, with significant falls in December across property (-36% y-o-y), manufacturing (-11%) and infrastructure (-10%). Insufficient “seed capital” likely hit infrastructure, while tariff uncertainties and weak business confidence weighed on manufacturing.
- **Retail sales** grew by 3.7% in 2025, slightly above the 3.5% recorded in 2024. However, growth softened to 0.9% y-o-y in December, due in part to a high base from trade-in subsidies in certain products. The breakdown for December shows positive impact of these consumer goods trade-in subsidies, with communications equipment sales rising by 21% y-o-y.
- **Exports** closed the year on a strong note, rising by 6.6% y-o-y in December. The trend of trade restructuring continued as exports to the US fell faster, while those to other markets like EU and ASEAN sustained double digit growth. Meanwhile, **imports** grew 5.7% y-o-y in December supported mostly by high-tech products (+13.5%) and infrastructure-linked commodities, e.g., copper.
- **CPI** was up 0.8% y-o-y in December amidst stable core CPI (+1.2% y-o-y) and rising food prices (+1.1%), particular for vegetables (+18.2% y-o-y). On the producer front, **PPI** recorded a narrower y-o-y decline of 1.9% supported by rising prices of non-ferrous metals manufacturing (+10.8% y-o-y), especially copper, which hit a new record high in December.

<sup>1</sup> Source: Wind, HSBC

## Five key China macro themes for 2026

China's 15th Five-Year Plan launches this year, setting the strategic direction for the country through to 2030. The main framework was shared after the Fourth Plenum on 23 October 2025, with further details expected at the annual policy meetings in March. We detail our top five macro themes to watch out for in the year of the horse.

### 1. We expect a rebound in fixed asset investment

Entering 2026, new government funding and project approvals should **boost infrastructure and manufacturing investment**. Faster government payments of overdue obligations will ease liquidity pressures and support business confidence, while a more stable US-China trade relationship may further encourage capital expenditure.

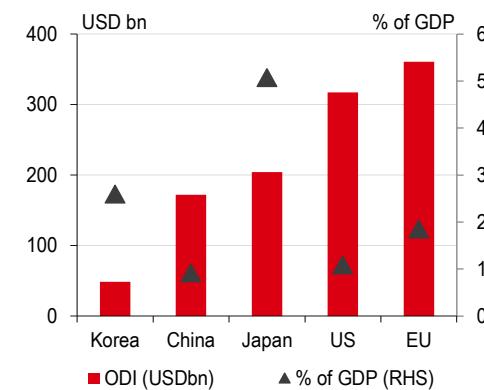
### 2. Innovation to drive growth

Following China's DeepSeek moments in Generative AI and biotech, further breakthroughs are likely. The government's latest Five-Year Plan puts strong emphasis on **modernising the industrial system and driving innovation**, building on years of investment and talent development. Multinationals are also increasing investment to leverage China's expanding role as an innovation hub.

### 3. From exporting goods to exporting production capacity

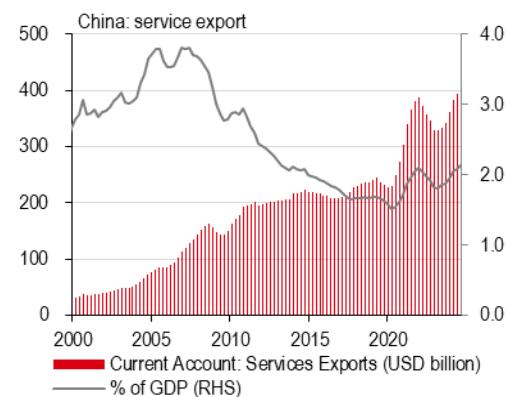
China's exports have shown unexpected resilience, with the goods trade surplus climbing to a record high of USD1.2trn in 2025, driven by competitive pricing, strong performance, and reliability. However, Chinese manufacturers are **increasingly pursuing overseas direct investment** (ODI) to optimise supply chains and manage trade uncertainties. This trend is in its early stages. While outbound direct investment may partially substitute goods exports, it is likely to boost service exports.

#### 1. China's ODI has room for growth...



Source: CEIC, OECD, HSBC

#### 2. ...which will drive service exports



Source: CEIC, HSBC

### 4. Reflation hopes

While some remain sceptical about the impact of the anti-involution campaign, it is a key element of China's push for a **unified national market**. New regulations targeting local protectionism and promoting fair competition are being introduced, and their effectiveness will influence the pace of industry consolidation.

### 5. Housing stabilisation

The ball is in the government's court. Now in its fifth year, the housing correction faces renewed pressures. Recent calls for action in official channels have raised **expectations of stronger intervention**. One feasible approach is an asset management company model, which could safeguard financial stability, while using the acquired homes for social housing to support urbanisation.

**Key upcoming China economic data**

Date	Indicator	Prior
31 Jan	NBS Manufacturing PMI	50.1
2 Feb	RatingDog Manufacturing PMI Final	50.1
4 Feb	RatingDog Services PMI	52.0
11 Feb	Producer Price Index (PPI) y-o-y	-1.9%
11 Feb	Consumer Price Index (CPI) y-o-y	0.8%
20 Feb	Loan Prime Rate 1Y	-
20 Feb	Loan Prime Rate 5Y	-
10 Mar	Exports y-o-y	6.6%
10 Mar	Imports y-o-y	5.7%
16 Mar	Retail Sales y-o-y	0.9%

Source: LSEG Eikon

**Performance of key A-share indexes\***

	Current	Year-to-Date	Last 1yr
Shanghai Composite	2,700	6.68%	40.91%
Shenzhen Composite	14,294	5.69%	40.67%
CSI 300	4,734	2.26%	24.19%

\* Past performance is not an indication of future returns  
Source: LSEG Eikon. As of 19 Jan 2026, market close

# Disclosure appendix

## Important disclosures

- 1 This report is dated as at 20 January 2026.
- 2 All market data included in this report are dated as at close 19 January 2026, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

# Disclaimer

This document is prepared by The Hongkong and Shanghai Banking Corporation Limited ('HBAP'), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document is distributed by HSBC Continental Europe, HBAP, HSBC Bank (Singapore) Limited, HSBC Bank (Taiwan) Limited, HSBC Bank Malaysia Berhad (198401015221 (127776-V))HSBC Amanah Malaysia Berhad (200801006421 (807705-X)), The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), HSBC Bank Middle East Limited, HSBC UK Bank plc, HSBC Bank plc, Jersey Branch, and HSBC Bank plc, Guernsey Branch, HSBC Private Bank (Suisse) SA, HSBC Private Bank (Suisse) SA DIFC Branch, HSBC Private Bank Suisse SA, South Africa Representative Office, HSBC Financial Services (Lebanon) SAL, HSBC Private banking (Luxembourg) SA and The Hongkong and Shanghai Banking Corporation Limited (collectively, the "Distributors") to their respective clients. This document is for general circulation and information purposes only. This document is not prepared with any particular customers or purposes in mind and does not take into account any investment objectives, financial situation or personal circumstances or needs of any particular customer. HBAP has prepared this document based on publicly available information at the time of preparation from sources it believes to be reliable but it has not independently verified such information. The contents of this document are subject to change without notice. HBAP and the Distributors are not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HBAP and the Distributors give no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document. This document is not investment advice or recommendation nor is it intended to sell investments or services or solicit purchases or subscriptions for them. You should not use or rely on this document in making any investment decision. HBAP and the Distributors are not responsible for such use or reliance by you. You should consult your professional advisor in your jurisdiction if you have any questions regarding the contents of this document. You should not reproduce or further distribute the contents of this document to any person or entity, whether in whole or in part, for any purpose. This document may not be distributed to any jurisdiction where its distribution is unlawful.

The following statement is only applicable to HSBC Bank (Taiwan) Limited with regard to how the publication is distributed to its customers: HSBC Bank (Taiwan) Limited ("the Bank") shall fulfill the fiduciary duty act as a reasonable person once in exercising offering/conducting ordinary care in offering trust services/business. However, the Bank disclaims any guaranty on the management or operation performance of the trust business.

The following statement is only applicable to by HSBC Bank Australia with regard to how the publication is distributed to its customers: This document is distributed by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL/ACL 232595 (HBAU). HBAP has a Sydney Branch ARBN 117 925 970 AFSL 301737. The statements contained in this document are general in nature and do not constitute investment research or a recommendation, or a statement of opinion (financial product advice) to buy or sell investments. This document has not taken into account your personal objectives, financial situation and needs. Because of that, before acting on the document you should consider its appropriateness to you, with regard to your objectives, financial situation, and needs.

Important Information about the Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India")

HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. Incorporated in Hong Kong SAR with limited liability. HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. HSBC India does not distribute or refer investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution or referral would be contrary to law or regulation.

HSBC India will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest

For more information related to investments in the securities market, please visit the SEBI Investor Website: <https://investor.sebi.gov.in/> and the SEBI SaaRthi++ Mobile App. Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Issued by The Hongkong and Shanghai Banking Corporation Limited, India. Incorporated in Hong Kong SAR with limited liability. HSBC Bank ARN - 0022 with validity from 19-Feb-2024 to 18-Feb-2027. Date of initial registration: 19-Feb-2002.

Mainland China

In mainland China, this document is distributed by HSBC Bank (China) Company Limited ("HBCN") and HSBC FinTech Services (Shanghai) Company Limited to its customers for general reference only. This document is not, and is not intended to be, for the purpose of providing securities and futures investment advisory services or financial information services, or promoting or selling any wealth management product. This document provides all content and information solely on an "as-is/as-available" basis. You SHOULD consult your own professional adviser if you have any questions regarding this document.

The material contained in this document is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. HSBC India does not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investments are subject to market risk, read all investment related documents carefully.

© Copyright 2026. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED.

No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

Important information on sustainable investing

"Sustainable investments" include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors (collectively, "sustainability") to varying degrees. Certain instruments we include within this category may be in the process of changing to deliver sustainability outcomes.

There is no guarantee that sustainable investments will produce returns similar to those which don't consider these factors. Sustainable investments may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for sustainable investments, or the impact of sustainable investments ("sustainability impact"). Sustainable investment and sustainability impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and/or reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of sustainability impact will be achieved.

Sustainable investing is an evolving area and new regulations may come into effect which may affect how an investment is categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

[1271957]