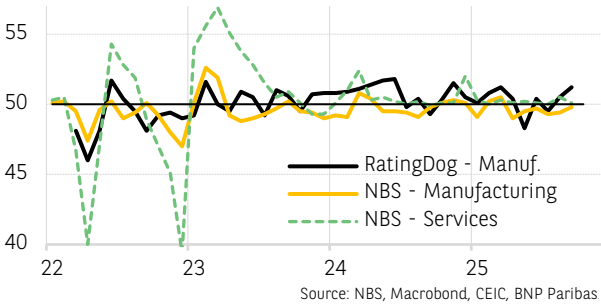


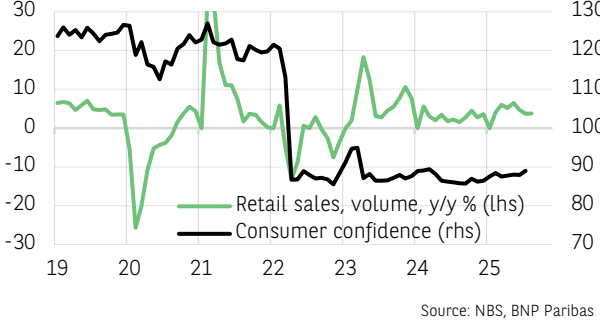
China: Gloomy mood during the summer

Business climate: PMIs



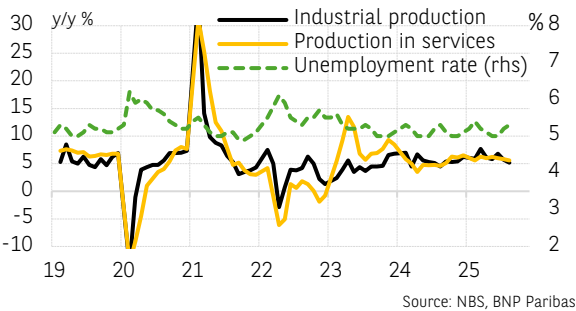
Slight improvement at the end of Q3. In the manufacturing sector, the official PMI has remained in contraction territory since April, but it improved to 49.8 in September. The PMI published by RatingDog (formerly Caixin) also improved (to 51.2 from 50.5 in August and 49.5 in July). This slight recovery is notably due to the “new export orders” sub-component, which reached 47.8 in the official index – a level that, while still in contraction territory, is at its highest since March. The export sector continues to withstand the rise in US tariffs.

Households: retail sales and consumer confidence



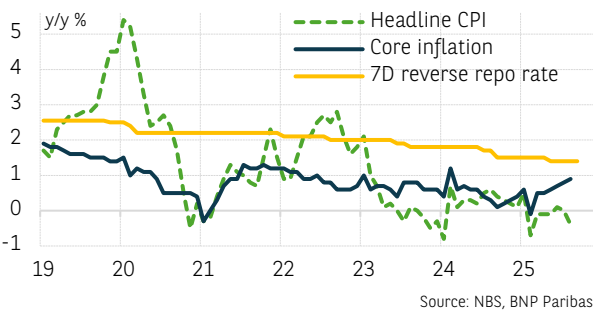
Gloom. After accelerating in H1 thanks to government-subsidized consumer goods trade-in programs, household demand growth has slowed down. Retail sales rose 3.7% y/y in volume terms in July-August, compared with more than 5% in H1. In the real estate market, the contraction in transaction volumes worsened (-11% y/y in August). Household confidence remains low.

Labour market: activity and unemployment rate



New rise in the unemployment rate. The urban unemployment rate rose from 5% in June to 5.3% in August. The deterioration accompanied the slowdown in activity observed in July-August in both industry and services. Among 16-24-year-olds, the rise in the unemployment rate was more pronounced (from 14.5% in June to 18.9% in August), which can be explained in part by seasonal factors.

Inflation and monetary policy



Uncertain success of “anti-involution” measures. The consumer price index fell again in August (-0.4% y/y vs. 0% in July), but this decline was mainly due to the fall in food prices. Core inflation continued to accelerate slightly (+0.8%) and producer price deflation narrowed to -2.9%. Deflationary pressure will only ease in the short term if private consumption strengthens, and if the authorities step up their anti-involution measures, which aim to combat overcapacity and falling prices.

GDP growth q/q: actual, carry-over and forecasts

Actual			Carry-over	Actual		Forecast		Annual forecasts (y/y)		
Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024 (observed)	2025	2026
1.0	1.3	1.6	0.3	1.2	1.1	0.9	1.2	5.0	5.0	4.5

Source: Refinitiv, BNP Paribas

Economic slowdown underway. Despite a possible improvement in activity in September after two months of slowdown, real GDP growth is projected to decelerate to +0.9% q/q in Q3 2025, compared with +1.1% q/q in Q2 and +1.2% q/q in Q1. It is expected to reach 5% in 2025, in line with the official target set last March.

Christine Peltier (completed on October 2, 2025)



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