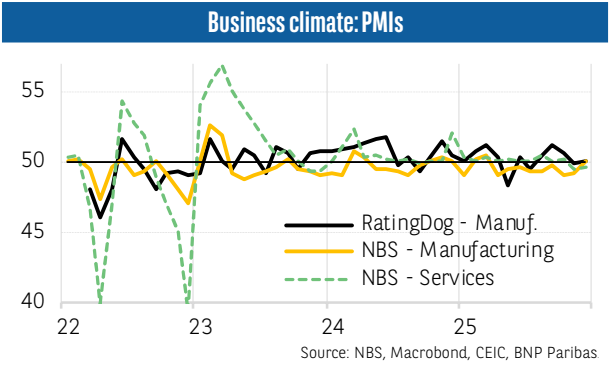
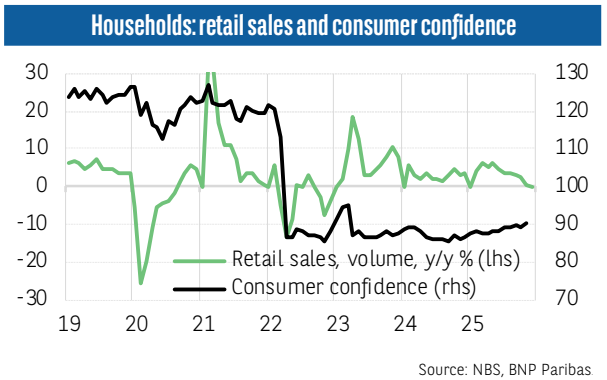


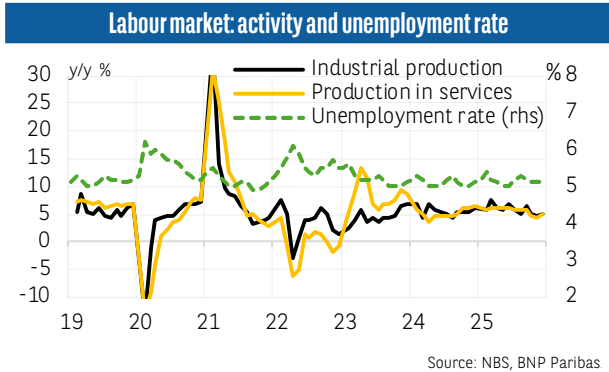
# China: Optimism among exporters at the year-end, but caution among households



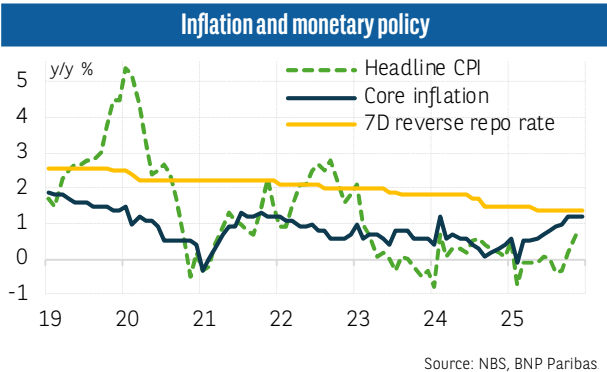
**PMIs improved slightly at the end of 2025.** In December, the official manufacturing PMI stood at 50.1 after eight consecutive months of contraction, and the PMI published by RatingDog recovered slightly (also standing at 50.1). The rise in the official PMI is largely due to the “production” and “new orders” sub-components, against a backdrop of easing trade tensions between China and the US and continued strong export performance.



**Household sentiment is recovering slowly, but demand is still weak.** The consumer confidence index improved very gradually in 2025. However, it remains very low (90.3 in November) and household demand is depressed. The effects of government subsidies for replacing consumer goods have run out of steam: after rebounding in the first few months of 2025, retail sales growth slowed to +1.1% y/y in real terms in Q4, vs. +5.5% in Q2. Housing sales fell by a further 19.6% y/y in Q4.



**Sluggishness in the labour market.** In Q4 2025, the urban unemployment rate stabilised at 5.1%, but the average number of hours worked did not increase, and growth in real disposable income per capita slowed; it reached +5.0% in 2025, compared to an annual average of +6.7% in 2015–2019. Labour market conditions remain weaker than in the pre-COVID years, due, in particular, to more moderate growth in services production (+5.5% in real terms in 2025, vs. +7.8% on average in 2015–2019). The recovery in services remains fragile, and growth in this sector slowed again in Q4 (+4.6% y/y, after +5.7% in Q3).



**Slight reduction in deflationary pressures.** CPI inflation rose from -0.2% y/y in Q3 to +0.6% in Q4, driven by core inflation (+1.2% y/y in Q4) and higher food prices (after nine months of decline). The fall in producer prices slowed slightly (-2.1% y/y in Q4, vs. -2.9% in Q3). Deflationary pressures could continue to ease slightly in the short term, particularly as a result of anti-involution measures.

GDP growth (%): actual, carry-over and forecasts										
Carry-over	Actual (q/q)				Forecast (q/q)		Annual growth		Annual forecasts	
Q4 2025	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	2024	2025	2026	2027
1.7	1.2	1.0	1.1	1.2	1.3	1.0	5.0	5.0	4.7	4.5

Source: Refinitiv, BNP Paribas

**Slowdown expected in 2026.** Unsurprisingly, economic growth reached the official target of 5% in 2025. In Q4 2025, it stood at +4.5% y/y (after +4.8% in Q3) and +1.2% q/q (after +1.1% in Q3), with particularly fragile domestic demand growth (the contraction in investment worsened) and solid foreign trade performance. In 2026, economic growth is expected to slow to 4.7% according to our forecasts. The export outlook is uncertain. Meanwhile, domestic demand is likely to remain subdued over the coming months due to the property crisis, difficult labour market conditions and prudence among consumers and private investors. The authorities will maintain monetary and fiscal policies that provide moderate support for domestic demand.

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