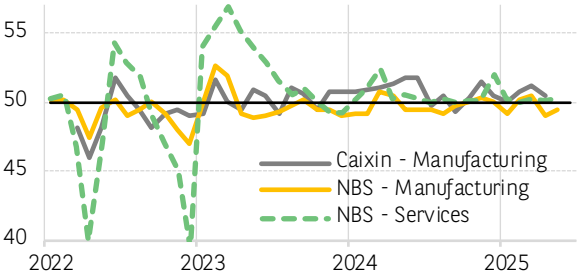
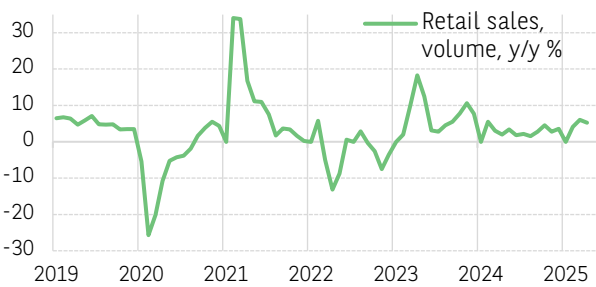


Business climate: PMIs



Source: NBS, BNP Paribas

Households: retail sales

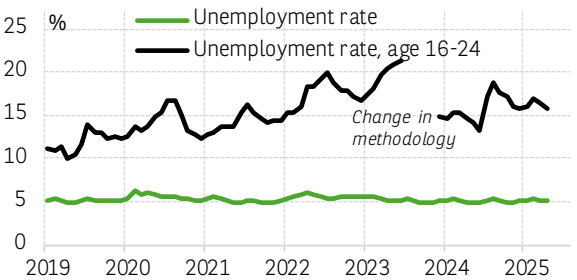


Source: NBS, BNP Paribas

Fragility of the manufacturing sector. The official manufacturing PMI improved slightly in May (to 49.5 from 49 in April) but remained in contraction territory. The Caixin manufacturing PMI fell sharply from 50.4 in April to 48.3 in May, its lowest level since September 2022. Caixin covers a smaller sample of companies than the NBS but includes more private-sector SMEs. These are particularly vulnerable to US tariff policy and the deterioration in export prospects.

Consumers are worried. The strengthening of private consumption observed in March did not continue in April. Retail sales growth slowed (+5.2% yoy in volume terms vs. +6.0% in March). The contraction in housing sales continued (-2.9% yoy in April).

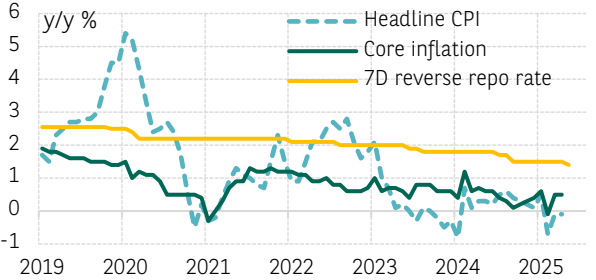
Labour market: unemployment rate



Source: NBS, BNP Paribas

Unemployment fell in April but is expected to rise again by the summer. The average unemployment rate fell slightly in April for the second consecutive month (to 5.1%), and the unemployment rate for 16-24-year-olds improved to 15.8% (vs. 16.5% in March). However, labor market conditions are expected to deteriorate rapidly given the expected slowdown in exports and weak domestic consumption.

Inflation and monetary policy



Source: NBS, BNP Paribas

Deflation and continued monetary policy easing. The CPI index continued to fall in April (-0.1% yoy, as in March), and core inflation remained at +0.5%. Fuel prices were the CPI sub-component that recorded the sharpest decline (-10.2% yoy). The decline in producer prices accelerated (-2.7% vs. -2.5% in March). In early May, the PBOC announced a series of easing measures (cutting policy rates and reserve requirement ratios and enhancing bank refinancing facilities).

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

Actual				Carry-over	Actual	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
1,3	1,0	1,4	1,6	0,3	1,2	0,8	1,1	5,0	4,8	4,5

Source: Refinitiv, BNP Paribas

Economic slowdown expected in the short term. Real GDP growth stood at +1.6% q/q in Q4 2024 and +1.2% q/q in Q1 2025 (remaining stable at +5.4% y/y). It is forecast at +0.8% q/q in Q2. The expected slowdown will be driven by weaker exports (which held up well in April, rising by +8% y/y in current USD). The authorities hope to contain negative effects on other sectors by continuing monetary and fiscal policy easing.

Christine Peltier (completed on June 3, 2025)

