China: Three things in China

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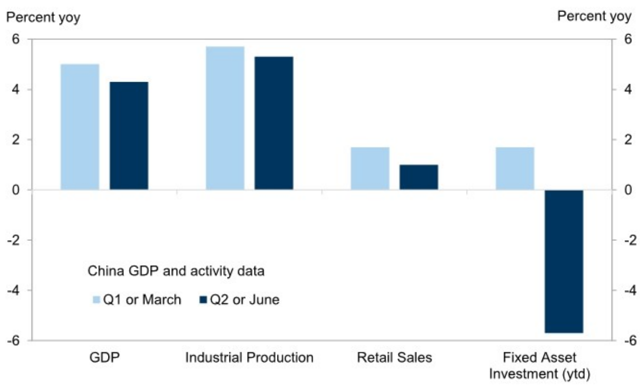
Three quick highlights from China:

- **GDP missed expectations:** China's real GDP growth slowed from 5.0% yoy in Q1 to 4.3% yoy in Q2, below the consensus expectation of 4.5% yoy. The divergence in the economy continued to widen in June: industrial production growth rose to 5.3% yoy, retail sales growth remained anemic at 1.0% yoy, and year-to-date fixed asset investment growth slid further to -5.7% yoy. With GDP growth now below the lower bound of the government's full-year target range of 4.5-5%, we expect policymakers to accelerate fiscal spending in Q3 to prevent a further loss of growth momentum.

China growth slowed from Q1 to Q2

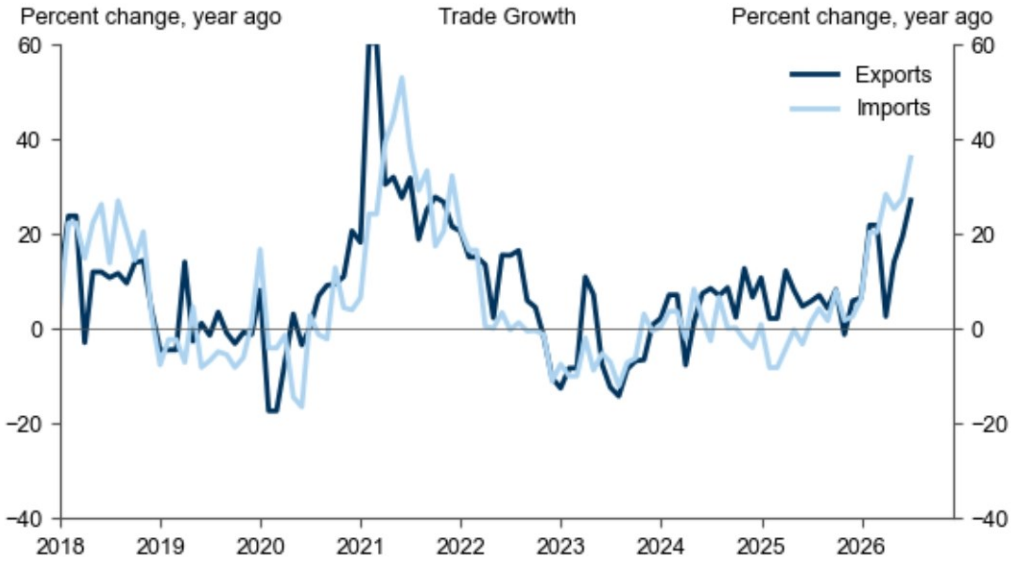


Numbers for GDP growth comparison are Q1 vs. Q2, while those for activity growth are for March vs. June

Source: NBS

- **Trade data surprised to the upside again:** China's June imports and exports jumped 36% yoy and 27% yoy, respectively, in nominal USD terms, both well above consensus expectations. The AI capex boom played an important role: semiconductor imports and exports surged 72% yoy and 122% yoy, respectively. But most of the increases were price-driven, as semiconductor import and export volumes grew only 6.6% yoy and -0.5% yoy, respectively. The monthly trade surplus reached a record high of US$125.6bn in June.

Trade growth accelerated in June



Source: China Customs

- **July Politburo meeting preview:** China's top leadership is expected to convene the July Politburo meeting before month-end—usually in the final week of July based on past practice—to set the H2 macro policy stance. After weaker-than-expected Q2 GDP, we expect policymakers to strengthen easing rhetoric and accelerate the implementation of already-planned demand-side measures, including the RMB800bn new policy-based financial instrument, which we estimate could boost GDP by 0.5pp. That said, we expect policymakers to maintain their strategic focus on high-tech development amid the US-China AI race.

Recent GS China macro research

Thematic research and local marketing takeaways:

Asia in Focus: A New Funding Source for China's High-Tech Ambitions, 12 July 2026

China: What do local clients think about the economy? Local marketing takeaways, June 2026, 30 June 2026

Data comments and trackers:

AEJ Week Ahead: China July Politburo meeting, Korea GDP, and BI meeting, 17 July 2026

China: SAFE data suggest some FX inflows in June, 17 July 2026

China Economic Activity and Policy Tracker: July 17, 17 July 2026

China: July Politburo meeting preview: Stronger easing rhetoric likely, but demand-side stimulus remains key, 16 July 2026

China: Weaker-than-expected money and credit data in June; PBOC press conference suggests broad easing remains conditional, 15 July 2026

China: 70-city average primary property price decline narrowed further in June, with Tier-1 cities posting sequential gains, 15 July 2026

China: Real GDP growth slowed meaningfully in Q2 amid mixed June activity data, 15 July 2026

China: Trade growth accelerated further in June, 14 July 2026

China: China's 15th FYP for Expanding Consumption — Supply-Side Push, Demand-Side Constraints, 14 July 2026

China: CPI inflation softened from May to June, and PPI inflation likely peaked, 9 July 2026

China: PBOC reiterated its measured easing stance at Q2 MPC meeting; Governor Pan unveiled package to support CNH market in Hong Kong, 9 July 2026

Team presentation materials and webinar replays:

Macro & Strategy | Global Macro, China FX & Rates, Market Views (In Mandarin), 13 July 2026

China: GS China Economic Outlook: July 2026 [Presentation], 3 July 2026

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