

China in Focus

Economics China

China consumption – Pulse check

- ◆ China's Golden Week showed muted spending: per-capita trip spend down 0.6% y-o-y and down 2.6% relative to 2019
- ◆ Underlying pressures remain in the labour market and property sector
- ◆ We expect policy support for consumption-driven growth to feature prominently in China's 15th Five-Year Plan

China data review (September 2025 & Q3)¹

- **GDP** growth eased to 4.8% y-o-y in Q3 amidst trade headwinds and ongoing domestic challenges. September activity data showed a mixed performance in key categories, including Industrial Production, Fixed Asset Investment and retail sales. The strong H1 growth helped round out the first three quarters at 5.2%, suggesting that this year's growth target of "around 5%" is in reach.
- **Retail sales** continued to grow at a more modest pace, up 3.0% y-o-y in September, dragged by tepid consumer confidence. The recent campaign to curb excessive spending by government officials on banquets likely continued to impact catering sales, which declined 1.6% y-o-y. Meanwhile, goods consumption may have been weighed down by a high base following the allocation of RMB150bn in subsidies for the trade-in programme initiated in August 2024.
- **Fixed Asset Investment** contracted by 7.1% y-o-y for the second consecutive month. Manufacturing investment was down 1.9% y-o-y as trade uncertainty weighed on investments in electrical machinery and computing. Property investment remained the primary drag, falling 21.3% y-o-y, while infrastructure investment dropped 4% on a lack of funding at the local government level.
- **Industrial Production** growth improved to 6.5% y-o-y in September, given better-than-expected exports growth, though we remain cautious that this outperformance can be sustained, given lingering US tariff impacts and potential trade payback. On a brighter note, key drivers will likely continue to stem from equipment and high-tech related manufacturing.
- **CPI** fell 0.3% y-o-y in September, dragged down by weaker pork and vegetable prices, while oil prices moved sideways, staying at a relatively low level. **Core CPI** rose 1.0% y-o-y, supported by ongoing consumption policies and tourism prices. **PPI** dropped by 2.3% y-o-y, narrowing its year-on-year losses, largely helped by base effects. Meanwhile, its m-o-m reading was flat at 0%.
- **Exports** accelerated to 8.3% y-o-y in September, continuing to benefit from trade restructuring. Even as exports to the US remain under pressure (-27% y-o-y in September), those to other markets have seen double-digit growth, e.g., EU +14.2%, ASEAN +15.6% and Africa +56.4%. Meanwhile, **imports** rose by 7.4%, helped largely by an increase in high-tech goods, which lifted 14.1% y-o-y.

¹ Source: Wind, HSBC

China consumption – Pulse check

Muted Golden Week

Trips and spending grew, but pace of growth more muted

With the Golden Week (1-8 October) behind us, it is a fitting time to take stock of the latest trends in Chinese consumer behaviour. **The data shows a mixed bag:** domestic trips hit a record 888 million and tourism spending reached RMB809bn (Ministry of Culture and Tourism, 9 October), but we estimate the average daily growth was up only 1.6% y-o-y and 1% y-o-y, respectively. On a per-capita trip basis, spending slightly decreased by 0.6% y-o-y, or 2.6% relative to 2019.

Tax revenue data showed that the **services sector outperformed**, helped in part by government support, although movie sales disappointed. Meanwhile, overseas travel picked up, with inbound foreign travel up 20% y-o-y, boosted by China's visa-free entry programmes, while mainland Chinese residents saw increased international travel of 10% y-o-y.

Consumption pressures have increased...

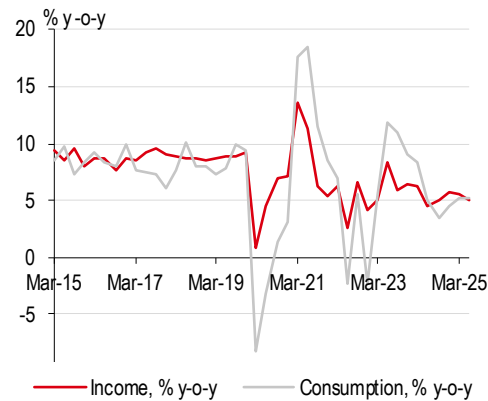
Consumption data has been soft in recent months

The muted Golden Week performance carries on some of the **recent trends as seen in softer consumption data**. Retail sales, growing under 4% y-o-y in recent months, have faced some headwinds due to lingering labour market and property sector pressures. Wage growth is running below the pre-pandemic level at c5% y-o-y versus c9% in 2019. Consumer confidence has yet to pick up, while the youth unemployment rate reached 18.9% in August.

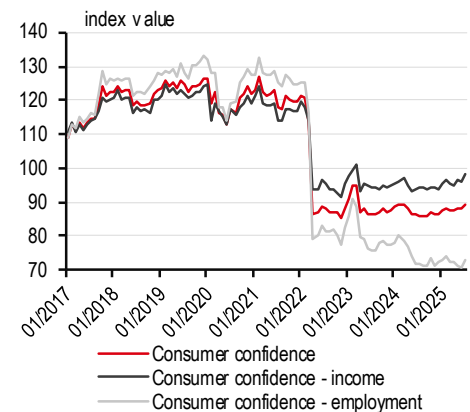
Subsidies to support goods trade-ins were issued in September

On a brighter note, the government recently announced that **the last batch of subsidies for goods trade-ins** had been issued as of 29 September (NDRC, 29 September), involving RMB69bn of central government funds and c7bn of local government funds. This likely contributed to the outperformance in the Golden Week data in certain goods, such as consumer electronics, and means **we should see some continued support** in the rest of the year.

1. Consumption and income growth slowed to c5% y-o-y



2. Consumer confidence remains muted



...leading to more policy support for services

Structural reforms could enhance social safety nets

The push for more **services consumption has been clear in recent government policies**, most recently with plans for services and sports consumption issued in September. Based on the retail sales breakdown, the increased focus on services consumption seems to be helping sectors, such as cultural goods, and sports and entertainment goods.

The next steps are set to bring **structural reforms aimed at enhancing social safety nets** and urbanisation efforts. Recent policies to boost basic care subsidies, like childcare and elderly care, show a shift towards supporting a broader range of services. Additionally, there is a focus on providing social benefits tied to permanent residence and advancing new urbanisation plans.

China's 15th Five-Year Plan

Consumption will likely be a focus in the Five-Year Plan

At the time of writing, China's policymakers are convening for the Forth Plenum (20-23 October) where they will review the 15th Five-Year Plan, setting priorities from 2026 to 2030. We expect a strong emphasis on **consumption-driven growth**, supported by services consumption and structural reforms to expand social safety net coverage. Other key areas of focus may include fostering innovation, green development and opening-up reforms.

Key upcoming China economic data

Date	Indicator	Prior
31 Oct	NBS Manufacturing PMI	49.8
3 Nov	RatingDog Manufacturing PMI	51.2
	Final	
5 Nov	RatingDog Services PMI	52.9
7 Nov	Exports y-o-y	8.3%
7 Nov	Imports y-o-y	7.4%
9 Nov	Producer Price Index (PPI) y-o-y	-2.3%
9 Nov	Consumer Price Index (CPI) y-o-y	-0.3%
14 Nov	Retail Sales y-o-y	3.0%
20 Nov	Loan Prime Rate 1Y	3.00%
20 Nov	Loan Prime Rate 5Y	3.50%

Source: LSEG Eikon

Performance of key A-share indexes*

	Current	Year-to-Date	Last 1yr
Shanghai Composite	2,420	23.65%	26.93%
Shenzhen Composite	12,813	23.03%	23.71%
CSI 300	4,538	15.33%	15.62%

*Past performance is not an indication of future returns
 Source: LSEG Eikon. As of 20 October 2025, market close

Disclosure appendix

Important disclosures

Additional disclosures

- 1 This report is dated as at 21 October 2025.
- 2 All market data included in this report are dated as at close 20 October 2025, 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 Saaṛthi 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 2025. 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.

[1267410]