China: July data weakened further, revising down 2026 growth forecast to 4.5%

- **Domestic activity indicators disappointed across the board in July, weighed down by abnormal weather, lagging fiscal support and rising external uncertainties, while domestic demand remained weak.**
- **Growth will likely modestly improve in H2, as policy easing picks up, weather disruptions fade and favourable YoY base effects kick in, but a strong growth rebound is unlikely without major demand stimulus.**
- **Acknowledging incremental policy easing, demand challenges and weak data, we lower our 2026 GDP growth forecast to 4.5% from 4.7% previously. We maintain our 2027 growth forecast at 4.5%.**

Xiaojia Zhi
Chief China Economist and Head of Research Asia, ex-Japan
+852 2826 5725
xiaojia.zhi@ca-cib.com

Jeffrey Zhang
EM Strategist
+852 2826 5749
jeffrey.zhang@ca-cib.com

with assistance from Olivia Liu and Jasper Lan

July activity indicators weakened across the board

July domestic activity indicators weakened across the board, surprising on the downside and reflecting a continued softening of overall economic growth momentum. Unfavourable weather conditions (higher temperatures and more storms/typhoons than usual) likely weighed on business operations and construction activities in July. Externally, renewed Middle East tensions and rebounded oil prices may have dampened corporate investment demand concerning business outlooks and cost pressures. Domestically, fiscal support has continued to lag, despite sluggish domestic demand amidst the prolonged property drag. Furthermore, the equity market correction in July likely exerted a negative wealth effect on urban household consumption.

In July, growth divergence has remained apparent, as global AI capex demand strength continued driving rapid trade growth and supporting related manufacturing & service activities, with limited spillover to non-tech sectors or consumer spending. IP growth softened more than anticipated but remained decent. Retail sales growth eased again with a muted expansion. FAI deepened its YTD decline, with property sector a key drag and infrastructure FAI further contracted. The labour market also came under pressure, as the unemployment rate ticked up amidst the graduation season. Growth in the service production index slowed significantly. Trade growth moderated from a particularly strong June but remained rapid. Both PPI and CPI inflation were softer than expected. Credit demand remained sluggish.

Expect a modest improvement in H2 on incremental easing

Looking ahead, we anticipate a modest sequential improvement in growth, driven by an expected acceleration of fiscal support following the commitments of the late-July Politburo meeting. Concurrently, economic activity growth will likely see a post-summer rebound as adverse weather disruptions fade. Additionally, lower YoY base effects in H2 could provide some support to YoY growth metrics.

The Politburo meeting held on 30 July pledged to strengthen countercyclical policies, acknowledging near-term economic headwinds while remaining committed to fostering high-quality growth over the medium-to-long term through its supply-side strategies. It urged to implement existing policies effectively and roll out additional practical and efficient measures if needed to promote healthy growth.

On the fiscal front, policymakers urged a full utilisation of planned fiscal and quasi-fiscal supportive measures, and to accelerate funding allocations to strategic infrastructure and investment projects. It will likely help stabilise investment over the remainder of the year. So far in 2026, the pace of government bond issuance has been slower than in 2025, and LGB issuance has heavily prioritised debt swaps, resulting in a net fiscal tightening rather than expansion. However, with the annual LG refinancing bond issuance 87% complete as of July, the issuance of general LGBs and LGSBs for projects (55% completed) is set to accelerate. Under the annual fiscal budget, we estimate that approximately RMB5.76trn in new

Recent publications

12-Aug – Emerging Market Focus: US-China: stable ties or more tensions to come?

10-Aug – China Weekly Dynamics: July inflation miss pointed to continued demand weakness after fuel inflation faded

05-Aug – Emerging Market Focus: China: July macro data preview – continued trade strength; limited domestic improvement

30-Jul – Emerging Market Focus: China: July Politburo, strategic patience on growth; priority on supply-side upgrades

24-Jul – Emerging Market Focus: Asia: into the weeds of new Trump tariffs

government bonds remains to be issued in during the August-December period (an increase of RMB947bn compared to the same period in 2025). Meanwhile, the government also pledged to front-load quasi-fiscal spending via policy financial instruments in Q3, targeting a total of RMB800bn in 2026 (up from RMB500bn in 2025).

Regarding monetary policy, PBoC pledged to make use of multiple policy tools with timely adjustments to bolster domestic demand, enhance supply efficiency and support high-quality development. The central bank committed to maintaining ample liquidity, sustaining strong financial support for the real economy and ensuring that credit and money supply growth remain aligned with GDP and inflation targets. It signalled little urgency to conduct broad-based easing, supportive to our baseline expectation of no policy rate or RRR cuts for the rest of 2026, though there is still moderate policy room for major easing if needed.

Revising down 2026 GDP growth forecast to 4.5%

Factoring in those incremental policy easing efforts, we think it could still be quite challenging to see a notable growth rebound in H2, with a lack of meaningful demand stimulus. It is important to note that, while Beijing likely remains committed to its annual GDP growth target of 4.5-5.0%, a full-year outcome at the lower bound of 4.5% could be acceptable to top policymakers, if the structural transition toward high-quality growth is deemed to be on track.

Reflecting the slow pace of policy easing alongside lingering domestic demand weakness, rising external uncertainties, as well as data disappointment since Q2, we lower our 2026 full-year GDP growth forecast to 4.5% from 4.7% previously (with growth slowing to 4.4% YoY from 4.7% recorded in H1 but modestly higher than 4.3% in Q2). We maintain our 2027 GDP growth forecast at 4.5%, anticipating a turnaround in infrastructure investment, easing energy headwinds, and sustained tailwinds from the global AI capital expenditure boom, where China remains an important player along the global supply chain.

Macro data heatmap – July data showed a mix of sluggish domestic demand but resilient tech demand

		Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
NBS PMI, mfg	%	49.3	49.4	49.8	49.0	49.2	50.1	49.3	49.0	50.4	50.3	50.0	50.3	49.2
IP	% YoY	5.7	5.2	6.5	4.9	4.8	5.2	6.3	6.3	5.7	4.1	4.5	5.3	4.5
Retail sales	% YoY	3.7	3.4	3.0	2.9	1.3	0.9	2.8	2.8	1.7	0.2	-0.6	1.0	0.6
FAI YTD	% YoY	1.6	0.5	-0.5	-1.7	-2.6	-3.8	1.8	1.8	1.7	-1.6	-4.1	-5.7	-6.7
Export	% YoY	7.2	4.4	8.3	-1.1	5.9	6.6	19.8	19.8	2.5	14.1	19.4	27.0	23.9
Import	% YoY	4.1	1.3	7.4	1.0	1.9	5.7	6.9	6.9	27.8	25.3	27.4	36.0	27.5
Trade balance	USD bn	98.2	102.3	90.5	90.1	111.7	114.1	122.6	91.0	51.1	84.8	105.4	125.6	112.5
Urban surveyed unemployment	%	5.2	5.3	5.2	5.1	5.1	5.1	5.2	5.3	5.4	5.2	5.1	5.0	5.2
Service production index	% YoY	5.8	5.6	5.6	4.6	4.2	5.0	5.2	5.2	5.0	4.3	4.4	4.7	4.3
Outstanding AF	% YoY	9.0	8.8	8.7	8.5	8.5	8.3	8.2	8.2	7.9	7.8	7.7	7.4	7.4
Outstanding loan	% YoY	6.9	6.8	6.6	6.5	6.4	6.4	6.1	6.0	5.7	5.6	5.5	5.3	5.2
M2	% YoY	8.8	8.8	8.4	8.2	8.0	8.5	9.0	9.0	8.5	8.6	8.6	8.0	7.7
CPI	% YoY	0.0	-0.4	-0.3	0.2	0.7	0.8	0.2	1.3	1.0	1.2	1.2	1.0	0.5
PPI	% YoY	-3.6	-2.9	-2.3	-2.1	-2.2	-1.9	-1.4	-0.9	0.5	2.8	3.9	4.1	3.5
Property FAI	% YoY	-17.0	-19.5	-21.3	-23.0	-30.3	-38.6	-10.3	-10.3	-11.7	-20.1	-24.9	-26.0	-28.7
Property developers' funding	% YoY	-15.8	-11.9	-11.5	-21.9	-32.5	-27.6	-16.2	-16.2	-18.3	-21.5	-20.7	-25.0	-22.2
New property sales volume	% YoY	-7.8	-10.6	-10.5	-18.8	-17.3	-21.8	-13.5	-13.5	-8.0	-10.3	-14.1	-16.3	-14.5
New home price	% YoY	-3.4	-3.0	-2.7	-2.6	-2.8	-3.0	-3.3	-3.5	-3.6	-3.7	-3.6	-3.5	-3.4

Source: Bloomberg, Crédit Agricole CIB

IP growth eased, albeit with resilient growth in the tech sector

Industrial production (IP) growth (real) decreased to 4.5% YoY in July from 5.3% YoY in June, below both the market consensus and our expectation of 5.0% YoY. By sector breakdown, IP growth in mining, manufacturing and utilities decelerated to -4.2%, 5.5% and 5.0%, respectively, in July from -2.2%, 6.0% and 7.4% in June.

General equipment manufacturing growth slightly decreased but remained resilient, decreasing slightly to 9.5% from 9.9%, while special equipment manufacturing growth increased to 12.6% from 10.0%. Technology-related sectors continued to show resilience. High-tech manufacturing growth increased to 16.9% from 14.1%. IP growth in electrical machinery & equipment manufacturing and electronic equipment manufacturing (computer, communications and others) accelerated to 8.8% and 19.1%, respectively, from 7.0% and 15.7%. Production of semiconductors and integrated circuits increased to 20.7% YoY from 18.8%, supported by strong global demand of AI. EV production growth also strengthened to 29.9% from 29.4%.

In contrast, production of end products, including microcomputers and smartphones, contracted further to -23.0% and -22.9%, respectively, from -13.8% and -13.6%, reflecting softer end-user demand. Within robotics, industrial-robot production growth increased to 30.2% from 28.1%, while service-robot production growth decelerated to 5.7% from 17.0%.

Transportation-related IP remained resilient. Automobile manufacturing growth remained unchanged at 8.7%. Meanwhile, growth in other transportation-equipment manufacturing (railways, ships, aircraft, spacecraft and related equipment) decreased to 13.6% from 18.2%.

Energy sector showed a mixed picture. Coal-mining growth contracted further to -10.8% from -5.9%, while petroleum and natural-gas mining growth increased to 6.1% from 1.0%. This may indicate an expansion in domestic petroleum and natural-gas production in response to concerns about external supply disruptions related to the Middle East conflict. By contrast, production growth in power-generating equipment and solar cells decreased to -13.9% and -9.4%, respectively, from 2.4% and -8.4%.

Muted retail sales growth showed weak consumer demand

Retail sales disappointed in July with growth (nominal) decreasing to 0.6% YoY in July from 1.0% YoY in June, much lower than the market consensus of 1.5% and our expectation of 1.6%. By category, goods sales growth decelerated to 0.5% from 0.9%, while catering sales growth slightly improved to 1.4% in July from 1.2% in June.

Sales growth for products covered by the consumer trade-in programme (excluding autos) increased to 2.2% in July from -0.1%, marking the first positive reading in four months. The improvement was driven mainly by smartphone sales, which accelerated to 20.4% from 16.5%. We think that the increase in smartphone sales may have been driven partly by price inflation in tech-related electronics rather than stronger real demand. At the same time, the decline in household-appliance sales narrowed to -1.9% from -8.7%.

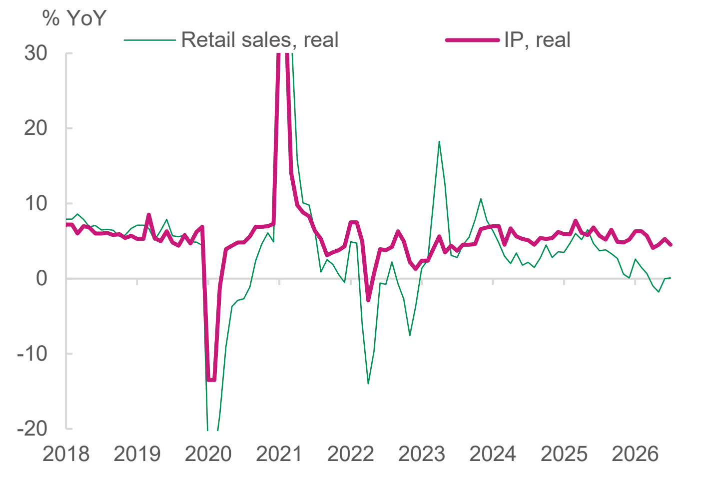
Sales growth for high-ticket and real-estate-related durables, including furniture, construction materials and autos, declined further to -8.8%, -17.0% and -14.2%, respectively, from -6.6%, -16.1% and -10.5%. Sports and recreational goods sales growth decreased to -10.6% from -2.2%, while office-goods sales growth decelerated to 7.4% from 12.7%.

Petroleum-product sales growth decreased to -7.6% YoY in July from -5.1% YoY in June, while EV production growth increased to 29.9% YoY from 29.4% YoY. Clothing and garment sales growth turned negative, decreasing to -0.1% from 3.9%. Jewellery sales growth declined further to -10.1% YoY in July from -3.4% YoY in June, potentially indicating weaker discretionary demand despite gold prices remaining near recent lows.

Retail sales growth reflected subdued domestic demand

Source: CEIC, Crédit Agricole CIB

Both IP and retail sales growth softened



Source: CEIC, Crédit Agricole CIB

FAI further contracted

FAI YTD (year-to-date, nominal) growth undershot expectations, slowing to -6.7% YoY in July from -5.7% in June. This reading fell significantly below the market consensus of -6.2% and our forecast of -5.9%. The deceleration was broad-based across most sectors, with high-tech industries remaining an exception.

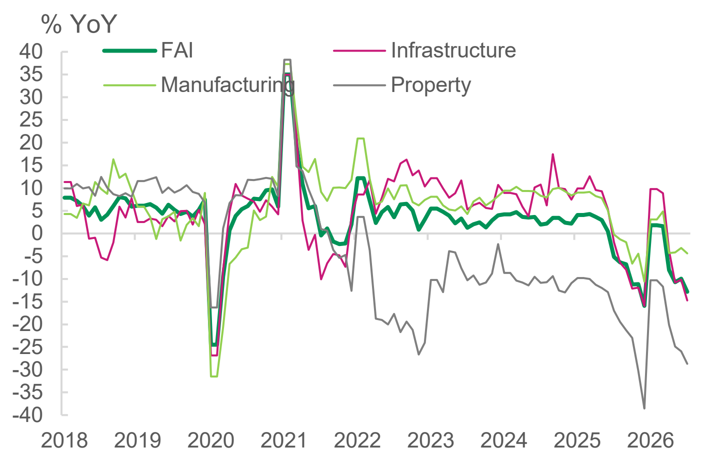
Property FAI continued to act as the primary drag, deteriorating further to -19.2% YoY YTD from -18.0% in June, as tentative housing sales stabilisation in Tier-1 cities has yet to translate into a recovery in new construction starts. Meanwhile, our calculated infrastructure FAI contracted by 4.1% YoY YTD, deepening from a 2.4% decline in H126. This marks the second consecutive contraction since June, driven partly by extreme weather conditions which disrupted project implementation and delayed new investment. Manufacturing FAI growth also edged down to -1.7% YoY YTD from -1.2% in June.

High-tech manufacturing FAI grew by a solid 5.0% YoY YTD (up from 4.6% in H126), contributing 0.5ppt to headline FAI. Specifically, investment in electronic circuit manufacturing, integrated circuit manufacturing, lithium-ion battery manufacturing, and electronic specialised materials manufacturing expanded by 57.7%, 11.5%, 23.0% and 9.4% YTD, respectively. On the other hand, contractions in food, raw chemical materials, pharmaceuticals, and metal products manufacturing all deepened further in July.

By component, YTD FAI growth in equipment purchases remained robust, accelerating to 9.0% YoY in July from 8.1% in June. Conversely, contractions in construction and installation investment, as well as other expenses, deepened to -9.2% and -10.9% YoY YTD, respectively (compared to -8.0% and -8.9% in H126).

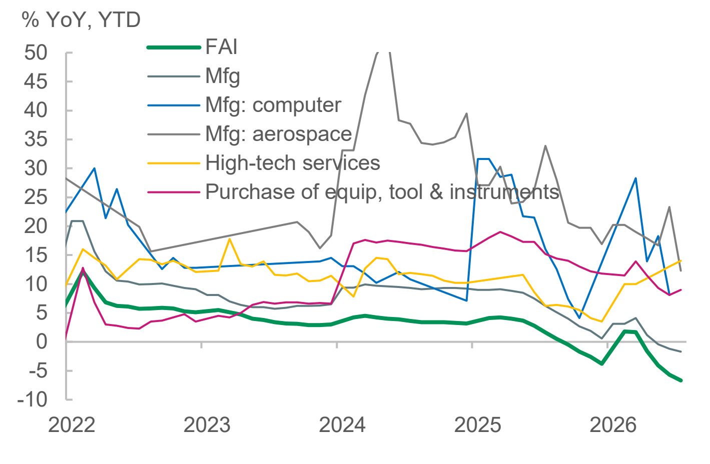
On a monthly basis, our calculations indicate that July FAI growth fell sharply to -12.8% YoY in July from -10.0% in June. By sector, infrastructure and manufacturing FAI growth dropped further to -14.7% and -4.4% YoY, respectively (down from -10.2% and -3.2% in June), while the contraction in property FAI widened to -28.7% YoY from -26.0% in the previous month.

Weakness persisted in July



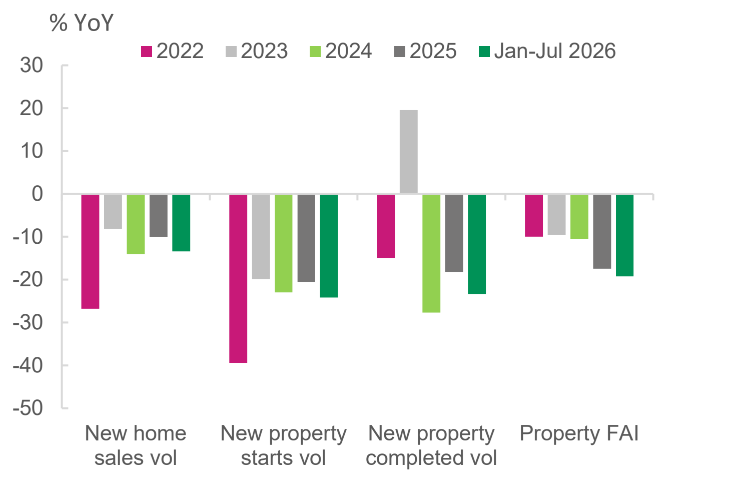
Source: CEIC, Crédit Agricole CIB

High-tech service and aerospace showed resilience



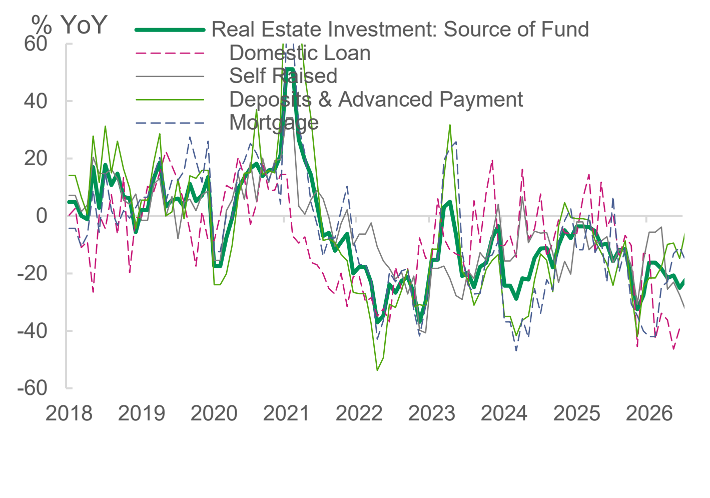
Source: CEIC, Crédit Agricole CIB

Major property indicators remained in contraction



Source: CEIC, Crédit Agricole CIB

Decline of funding sources widened



Source: CEIC, Crédit Agricole CIB

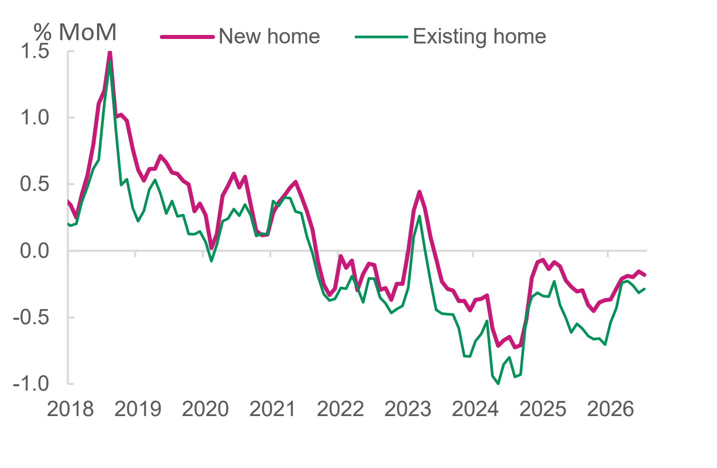
Property market remained a primary drag

New home sales in the first seven months in 2026 contracted by 13.2% YoY in value terms (compared to -13.7% in June) and by 12.7% in volume terms (vs -12.4% in June). Meanwhile, the YTD decline in property FAI deepened to -19.2% from -18.0% in June, while developers' funding sources plunged by 20.3% YoY YTD (vs -20.2% previously). Property construction activity remained depressed; YTD contractions in completions, space under construction and new starts all widened slightly to -25.5%, -13.0% and -24.6% YoY, respectively, compared to -25.3%, -12.9%, and -24.1% in the prior period.

On a monthly basis, the contraction in new property sales value narrowed to -9.9% YoY in July from -14.2% in June, whereas sales volume contraction widened slightly to -15.5% YoY from -15.3% previously. July property investment fell by 28.7% YoY (deepening from -26.0% in June). Concurrently, the monthly decline in space under construction narrowed to -32.8% YoY from -38.4%, whereas contractions in new starts and completions both widened further to -27.9% and -28.1% YoY, respectively, down from -26.6% for both indicators in June.

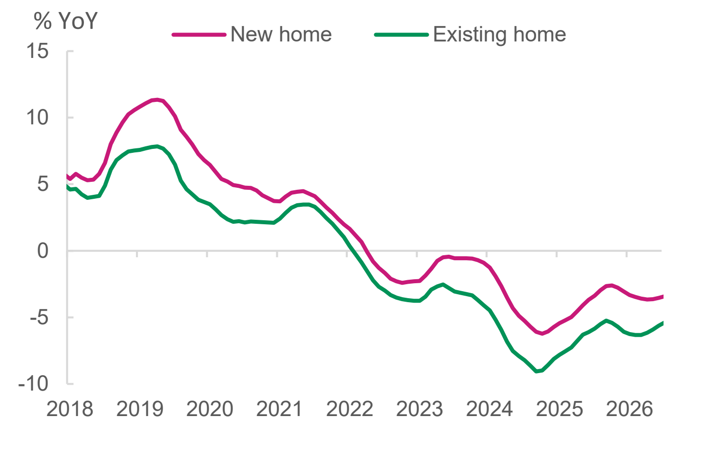
On the price front, new home prices across 70 major cities continued to soften in July, marking a fifth consecutive monthly decline of 0.2% MoM. While average price growth in Tier-1 cities remained flat at 0.1% MoM, Guangzhou, Shenzhen, and Shanghai all experienced a slight moderation in their respective growth rates. In YoY terms, new home prices showed marginal improvement, with the contraction narrowing to -3.4% from -3.5% in June. For existing homes, MoM prices declined by 0.3%, same pace of decline for the third consecutive month, while the YoY contraction narrowed to -5.4% from -5.6%.

Fifth consecutive monthly decline of 0.2%



Source: CEIC, Crédit Agricole CIB

YoY decline slightly moderated in July



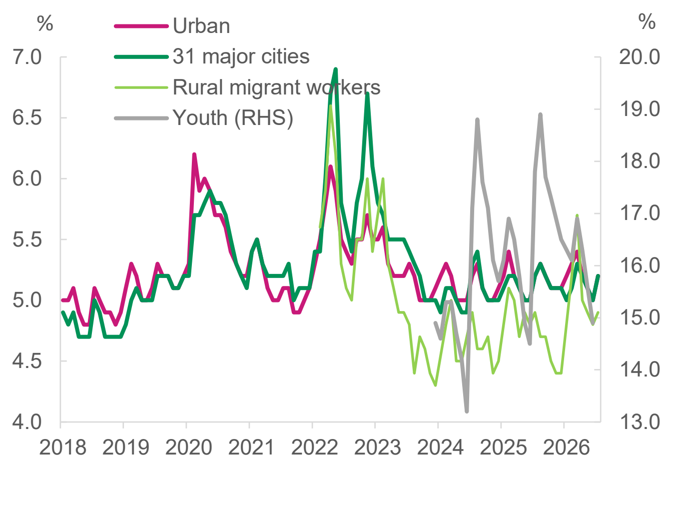
Source: CEIC, Crédit Agricole CIB

Survey unemployment rate ticked up

The surveyed unemployment rate for urban areas saw a seasonal uptick to 5.2% in July from 5.0% in June. The surveyed unemployment rate for 31 major cities and the unemployment rate for rural migrant workers both increased to 5.2% and 4.9% in July, from June's 5.0% and 4.8%, respectively.

On the services front, growth of services production declined to 4.3% YoY in July from 4.7% in June.

Urban unemployment rate ticked up in July



Source: CEIC, Crédit Agricole CIB

Service production index edged down

Source: CEIC, Crédit Agricole CIB

Trade growth remained rapid in July on tech demand

China's July export growth edged down to 23.9% YoY from 27.0% YoY in June, which is in line with our forecast at 24.0% and higher than the market consensus at 23.0%. Import growth also moderated to 27.5% YoY in July from the June reading at 36.0% YoY, which was lower than the market consensus and our forecast at 32.0% and 29.7%, respectively. This resulted in a trade surplus of USD112.5bn in July, narrowed from USD125.6 bn in June.

Export growth continued to be led by tech, while the rest showed a mixed picture by product. Hi-tech export growth continued to accelerate to 52.7% in July from 52.2% in June. ADP export growth rose to 67.4% from 53.1%, while that for integrated circuit (IC) remained robust at 116.6% compared to 121.9%. IC and ADP continue to be the top individual product contributors to overall export growth, accounting for 6.5% and 3.5%, respectively, of the total 23.9% growth in July, compared to 6.5% and 2.9% of the 27.0% growth in June.

However, it is notable that export growth for this tech hardware was primarily driven by price inflation rather than export volume expansion. Given that currently disclosed export volume data are limited to IC and mobile phones, results show that price inflation-driven growth remained extremely high at 112.9% and 58.1% (vs 123.0% and 46.5% in June), while volume growth stayed very low for IC and declined for mobile phones, at 1.7% and -19.9% (vs -0.5% and -12.9% in June).

Within oil-related products, growth for refined petroleum products moderated but remained elevated, decelerating to 21.0% from 30.9%. Petrochemical by-products also experienced a slowdown: plastics growth eased slightly to 16.4% from 17.4%, while the contraction in fertiliser exports deepened significantly, falling to -75.7% from -54.8%. Conversely, the transportation sector maintained robust upward momentum. Automotive export growth remained strong, softening slightly to 60.4% from 69.6%, while ship exports accelerated sharply, surging to 92.4% from 42.3%. Meanwhile, the traditional manufacturing sector presented a divergent picture. Exports for clothing & garments and furniture strengthened, rising to 8.5% from 3.2% and to 11.2% from 9.0% respectively, whereas household appliance export growth decelerated to 6.6% from 15.3%.

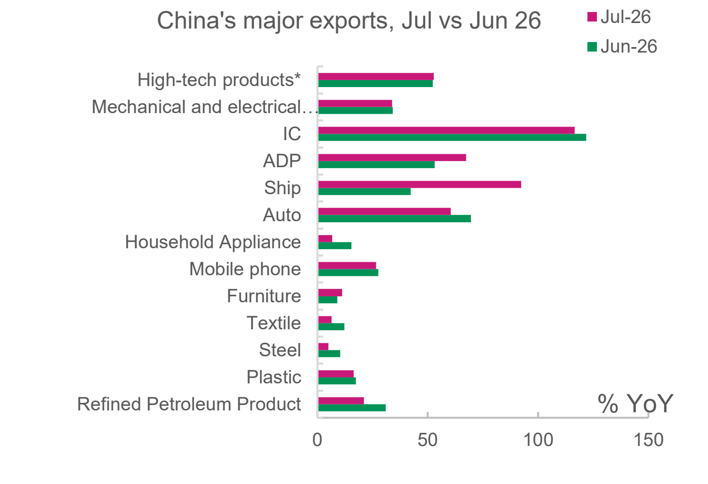
China’s export performance by destination highlighted widespread resilience in July, sustained by stabilised diplomatic relations and robust demand from major technology hubs. Growth accelerated sharply across key tech-centric supply chains, as exports to South Korea and Japan climbed to 46.6% and 14.0% from 42.6% and 6.9%, respectively, while those to Singapore jumped significantly to 69.1% from 32.8%. In contrast, export expansion to Taiwan slowed to 25.1% from 43.7% but remained strong. Supported by a stable bilateral relationship and remaining base effects, export growth to the US remained strong, moderating slightly to 23.9% in July from 27.0% in June. Similarly, demand from the EU stayed robust, with export growth easing marginally to 16.0% from 18.5% in the previous month.

Import growth was similarly driven by tech-related hardware, with IC and ADP imports expanding by 71.1% and 193.8% in July, compared to 72.3% and 156.7% in June. These components contributed 11.9% and 6.1% to the overall import growth of 27.5% in July, compared to respective contributions of 11.9% and 5.5% toward the 36.0% overall growth in June. Similar to the export trends, the impact of price inflation was also highly pronounced on the import side. Specifically, for ICs, inflation-driven import growth declined to 57.8% from 61.6%, while import volume growth rose to 8.5% from 6.6%. Although the IC trade deficit remained large at USD25.1bn in July compared to USD21.4bn in June, the unit profit for China’s IC exports further climbed to USD132.0 per unit from USD96.3 per unit. Consequently, persistent global inflation for AI-related technology hardware may present a headwind for China going forward if total import values of these items continue to outpace their exports.

On the energy front, imports for crude oil and refined petroleum products remained in decline but were slightly better, changing to -4.6% and -20.5% from -7.4% and -26.3%, respectively. Natural gas and coal import growth edged up to 20.2% and 83.8% from 18.1% and 60.7%, respectively. Fertilizer import growth stayed strong at 114.2% from 116.5%. Import growth for meat and soybeans normalized to 1.0% and 7.3% from 26.4% and 18.8% as the base effect on US-China trade became less significant compared to previous months.

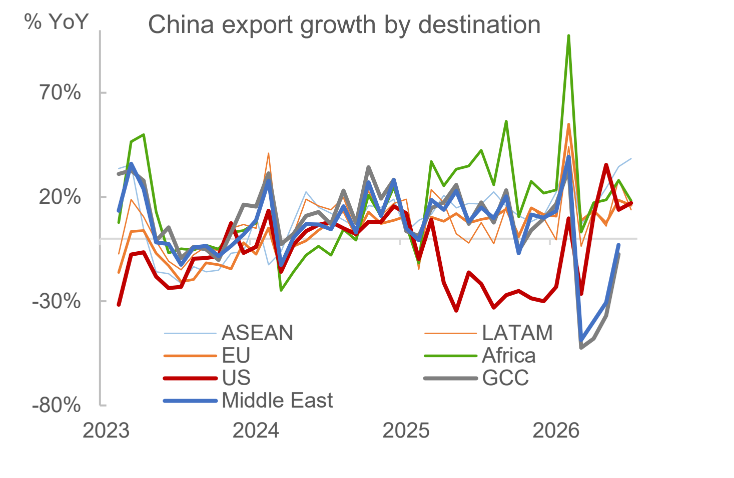
Import growth by origin showed a broad normalisation across most regions. Specifically, import growth from the US, Latin America and Africa edged lower to 15.3%, 20.8% and 25.0% from 25.9%, 37.9% and 65.8%, respectively. Import growth from the EU turned negative to -1.4% from 9.2%. Conversely, imports from major technology supply chain hubs remained exceptionally robust: growth from South Korea accelerated to 97.8% from 85.0%, while imports from Taiwan (36.6% from 41.1%), Japan (29.3% from 33.9%) and Singapore (33.4% from 35.5%) moderated slightly but maintained their strong momentum, reinforcing the ongoing strength of global tech demand.

Tech still the main driver for China's export growth



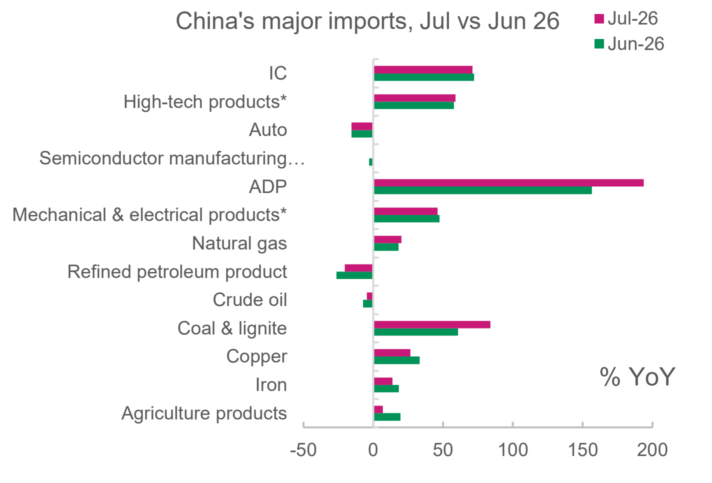
Source: CEIC, Crédit Agricole CIB

Export growth to US normalised



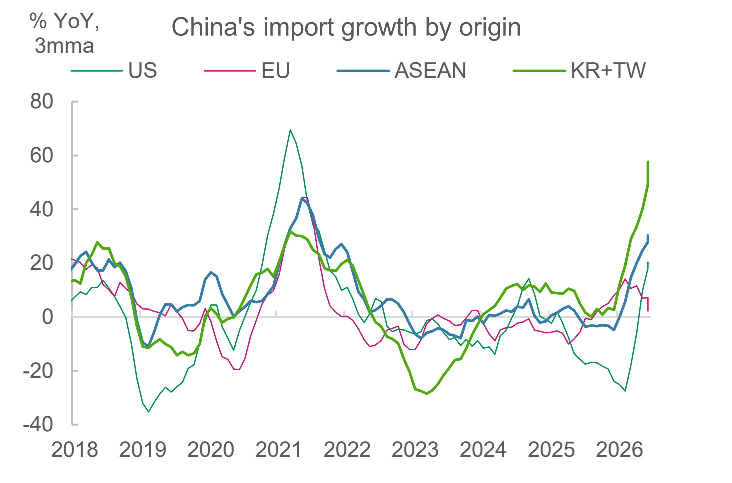
Source: CEIC, Crédit Agricole CIB

Import growth driven by tech demand and inflation



Source: CEIC, Crédit Agricole CIB

Import growth from Taiwan and South Korea increased



Source: CEIC, Crédit Agricole CIB

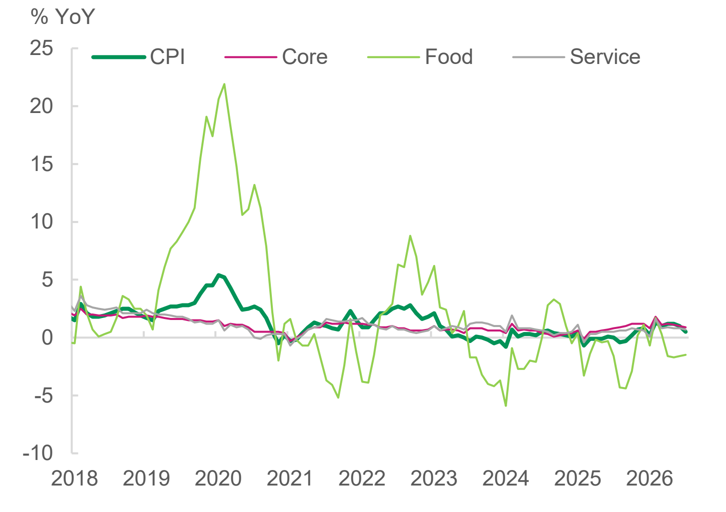
Lowering CPI and PPI suggested ease of imported inflation

CPI inflation lowered to 0.5% YoY in July from 1.0% in June, on a notable fall in fuel inflation, while core CPI inflation edged down to 0.9% from 1.0%, indicating still muted domestic reflationary pressure. In addition to lower energy inflation, PPI was dragged by construction materials (on weather disruptions on top of weak demand), though inflation of AI-related raw materials remained firm. Going forward, we think energy inflation remains a key inflation driver, and it may ease at as rapid a pace as in July, given continued Middle East uncertainties. Meanwhile, there is likely continued reflation of consumer electronics and tech products due to upstream price hikes. Likely quickening fiscal spending could provide some price supports to related materials in the coming months. Overall, we expect a mild rebound in CPI inflation while PPI inflation would gradually ease with energy-led fluctuations.

China's July CPI inflation decelerated to 0.5% YoY from 1.0% in June, marking the slowest growth since January 2026 and falling short of both market and our expectations. Core inflation also moderated, easing to 0.9% YoY from 1.0% in June. In line with our forecasts, food deflation narrowed slightly, with the YoY decline contracting to -1.5% from -1.6% previously. Pork prices saw a smaller decline of -13.3% YoY compared to the previous -15.9%, largely driven by higher transportation costs due to extreme weather condition, dragging the headline CPI down by 0.25ppt. Conversely, non-food inflation missed our expectation, dropping to 0.9% YoY from 1.5% in June. This indicates that sluggish domestic demand continues to prevent manufacturers from passing rising production costs downstream to consumers. Within the non-food sector, consumer goods inflation weakened significantly to 0.2% YoY from 1.1% in the prior month. Specifically, gasoline prices rose by just 1.0% YoY in July from June's 17.0%, which reduced its CPI contribution by 0.45ppt compared to June. Meanwhile, gold jewellery, personal care products and household appliances recorded YoY price growth of 24.6%, 1.7% and 0.2% respectively, each reflecting a marginal YoY decline compared to June. The bright spot was communication equipment (smartphones and personal computers), where price growth accelerated to 8.3% YoY from 7.6% in June, as AI is driving the iterative upgrading of consumer electronics and boosting demand for related products. Services inflation edged down to 0.7% YoY from 0.8% in June, where medical services rose to 4.3% YoY from 3.4%, contributing 0.28ppt to the overall CPI. In sequential terms, CPI declined by 0.1% MoM, with a drop in gasoline prices dragging it down by 0.35ppt, while travel-related consumption lifted it by 0.10ppt due to rising service demand during the summer holiday period.

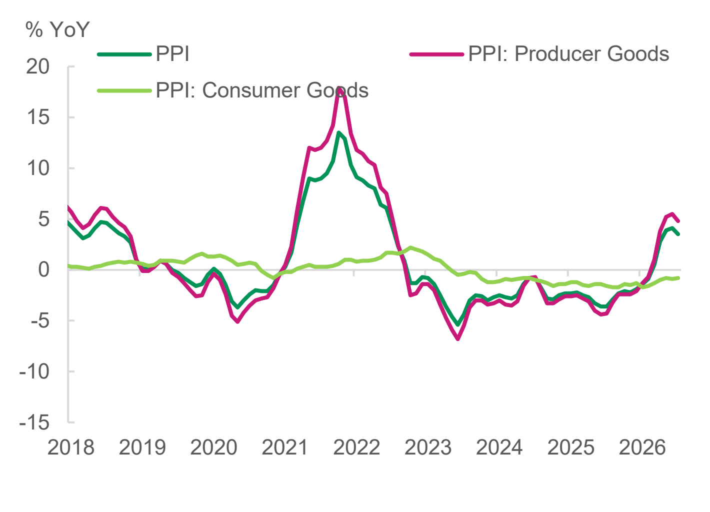
On the producer front, PPI inflation moderated to 3.5% YoY in July from 4.1% in June, while the MoM decline widened to -0.7% from -0.3%. Producer goods PPI slowed to 4.8% YoY from 5.5%. Within this sector, upstream raw material PPI edged down to 6.1% from 8.6%, while mining and manufacturing remained roughly unchanged at 16.4% and 3.1%, respectively. Specifically, YoY growth in non-ferrous and ferrous metal smelting and pressing moderated to 20.2% and 2.7% in July (down from 23.4% and 3.1% in June). Meanwhile, the top five industries with the greatest downward influences on PPI are electricity & heat production, auto manufacturing, non-metallic mineral products, pharmaceutical manufacturing and wine & beverages manufacturing, with declines ranging between -2.3% and -5.7%.Conversely, coal mining, electrical machinery & equipment and computer & communication equipment rose by 27.1%, 5.7% and 4.4%, respectively, collectively contributed 1.53ppt to July's PPI. On the other hand, consumer goods deflation eased to -0.8% YoY from -0.9%, driven by durable goods PPI, which improved to 0.4% from 0.1%.

Easing CPI on the back of falling fuel inflation



Source: CEIC, Crédit Agricole CIB

PPI inflation moderated with MoM decline widened



Source: CEIC, Crédit Agricole CIB

Money and credit growth stayed low

China July new AF data came in a bit better than market expected, while new bank loan and M2 growth disappointed. New AF was RMB1,406bn in July (RMB276bn higher than July 2025), led by higher new government bond (at RMB1,320bn) and corporate bond (RMB452bn) issuance, while banker's acceptance also dropped less (-RMB53bn), partially offset by a larger contraction in new bank loans (at -RMB591bn).

The YoY growth of outstanding AF remained unchanged at 7.4%, a record low level since the data began in 2003. The growth of government bond issuance remained the main driver for AF growth, at 14.1% YoY (vs 14.2% in June), which is the lowest level since October 2023. Meanwhile, that of corporate bond issuance quickened to 9.4% from 8.9%.

New bank loans disappointed, at -RMB340bn (vs -RMB50bn in July 2025). It was mainly led by a notable decline in new corporate bill financing (at RMB376bn, vs RMB871bn in July 2025), as the banks could be less pressured to fill up the loan quota as the PBoC pledged to put less emphasis on headline loan numbers given the structural shift in financing (towards more to direct financing vs indirect financing via the banks).

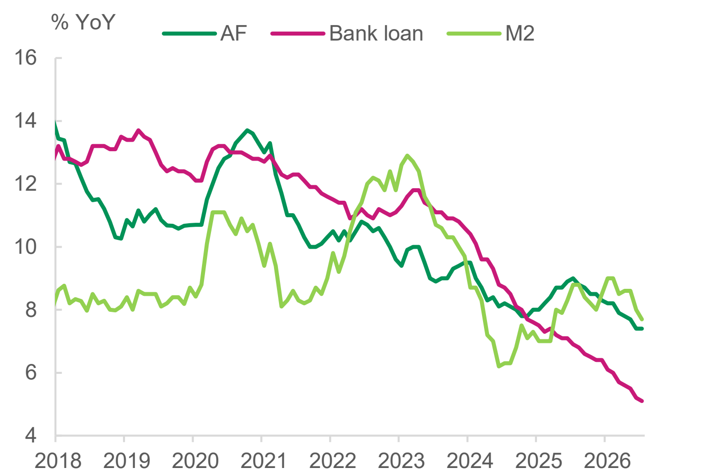
Nonetheless, new loans remained poor, with both new household and corporate loans remaining in contraction, showing continued deleveraging amidst the property contraction as well as government debt refinancing. New household loans was -RMB460bn in July (vs -RMB489bn in July 2025), and new corporate loans (of short-term and medium- to long-term loans) was -RMB580bn (vs -RMB810bn).

Despite the sluggish credit and M2 data, the PBoC in its recent Q2 monetary policy report sent little signal of any imminent needs to conduct broad-based major easing measures, even though there is still moderate policy room if needed, and we maintain our baseline assumption of no policy rate nor RRR cuts in 2026.

The PBoC in its report suggested to pay less attention to loan growth but to monitor the combined growth of loan and bond financing. Financial support to the real economy would be more reflected in better support in quality instead of scale and structure of credit growth would be more important. It shows that the PBoC would continue focusing on its structural credit support to targeted areas, but would not ease aggressively in order to boost the growth of overall credit.

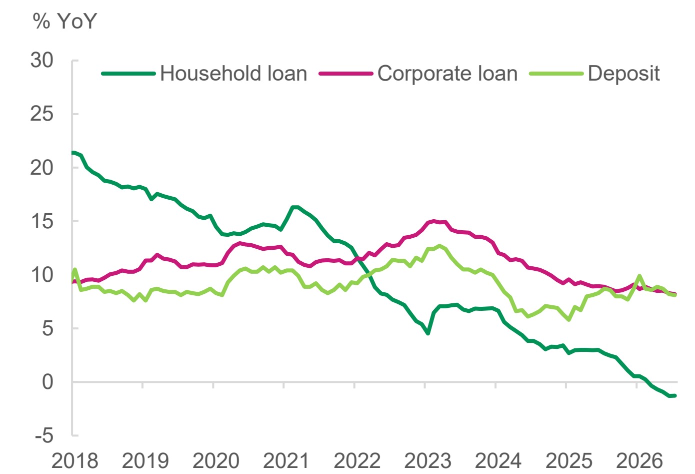
Looking ahead, we think there could be some modest rebound in AF growth, led by a likely pick-up in government bond issuance which has been falling behind budget plan so far this year.

New RMB loan and M2 growth both edged lower in July



Source: CEIC, Crédit Agricole CIB

Household loan remained depressed in July



Source: CEIC, Crédit Agricole CIB

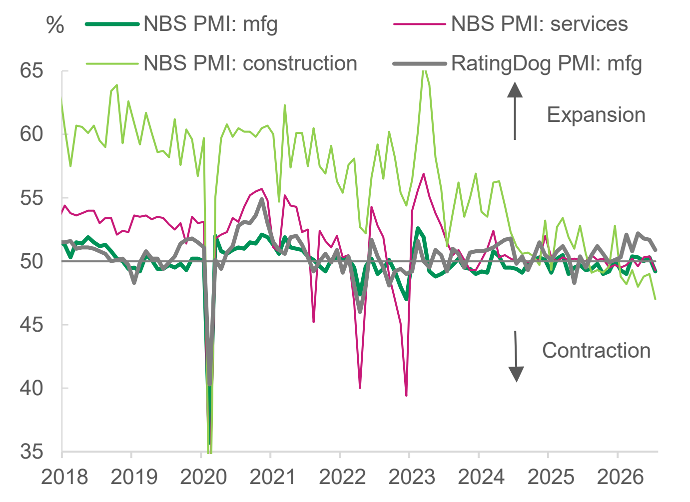
July NBS PMIs disappointed to the downside

China July NBS PMI readings surprised on the downside by a wide margin. The manufacturing PMI declined to 49.2 from 50.3 in June, and non-manufacturing PMI also dropped to 49.0 from 50.2. The MoM decline in manufacturing PMI was much larger than what seasonal factors could explain.

The decline in headline manufacturing PMI in July was led by a 2.7ppt decline in new orders (to 48.5 from 51.2 in June) and 1.5ppt decline in production (to 49.9 from 51.4). The new order decline could be more driven by domestic order decline, while new export order fell by 0.5ppt to 49.6 from 50.1. Purchase price index continued moderating to 53.2 from 54.2 showing less severe sequential rise of upstream cost pressures though producer price declined to 47.8 from 48.2, suggesting the challenges of price pass-through for downstream sectors. The NBS suggests that PMI for equipment and high-tech manufacturing remained in the lead (at 51.4 and 53.3 respectively in July) though consumer goods and energy intensive sectors further contracted (to 47.8 and 47.0).

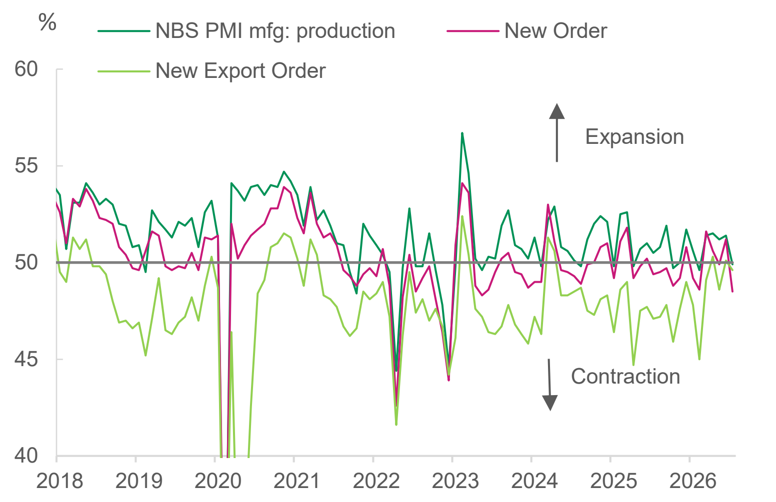
Services PMI dropped to 49.3 in July from 50.4, as financial services and wholesale PMIs fell notably and capital market and property remained in contraction despite a seasonal pick-up in air transportation, accommodation and culture & entertainment services. Construction PMI dropped to 47.0 from 49.0 amidst abnormally poor weather while fiscal spending continued lagging.

July manufacturing PMI surprised on the downside



Source: CEIC, Crédit Agricole CIB

Contractionary new order and new export order PMIs



Source: CEIC, Crédit Agricole CIB

Emerging Markets Research advanced tools

With Red Mount Analytics, we are setting a new standard for market intelligence

FIVE MAIN ANGLES:

1. Fundamentals.

Our convictions on the main markets. Specific focuses on individual countries and currencies. Transversal dashboards that allow us to profile specific markets and compare them to their peers.

2. Forecasts and recommendations.

Fast-track access to our main EM macroeconomic forecasts and FX projections.

3. Market monitor.

Check the market action. Seize EM opportunities.

4. Flows and supply.

Data on targeted markets, including volume on the secondary market, liquidity, APAs and maturity.

5. Relative value.

Providing cheap/expensive metrics for EM currencies and models on exchange rates. Our models will show you how we express our view in an EM FX Portfolio, or what's hot in Asian FX markets, among other metrics.

Source: RMA by Crédit Agricole CIB

Red Mount Analytics

Complex markets require the most advanced and powerful tools…

Source: RMA by Crédit Agricole CIB

Our new interactive data website features:

- 25bn data points
- over 4,500 interactive charts
- over 1,000 proprietary models
- over 250 use cases
- over 150 thematic reports
- 9 product classes (eg, EM, FX, Sustainable, Credit)
- 6 categories (eg, flows, fundamentals, RV)
- 90% exclusive content
- AI modelling

Global Markets Research contact details

Jean-François Paren Head of Global Markets Research +33 1 41 89 33 95

	Asia (Hong Kong, Singapore & Tokyo)		Europe (London & Paris)		Americas (New York)
Macro Strategy	Takuji Aida Chief Economist Japan +81 3 4580 5360	Ken Matsumoto Macro Strategist Japan +81 3 4580 5337	**Louis Harreau** **Head of Developed Markets Macro & Strategy** **+33 1 41 89 98 95**	Valentin Giust Global Macro Strategist +33 1 41 89 30 01	Nicholas Van Ness ** Chief US Economist +1 212 261 7601
Interest Rates			**Jean-François Perrin** **Head of Rates and Inflation Research & Strategy** **+33 1 41 89 73 49** Matthias Loise Inflation Strategist +33 1 41 89 20 06	Guillaume Martin Interest Rates Strategist +33 1 41 89 37 66 Riccardo Lamia Interest Rates Strategist +33 1 41 89 63 83 Monna Dimitrova Interest Rates Strategist +33 1 41 89 05 61	Alex Li ** Head of US Rates Strategy +1 212 261 3950
Emerging Markets	Xiaojia Zhi Chief China Economist Head of Research, Asia ex-Japan +852 2826 5725 Eddie Cheung CFA Senior Emerging Market Strategist +852 2826 1553	Jeffrey Zhang Emerging Market Strategist +852 2826 5749 Yeon Jin Kim Emerging Market Analyst +852 2826 5756	**Sébastien Barbé** **Head of Emerging Market Research & Strategy** **+33 1 41 89 15 97**		Olga Yangol ** Head of Emerging Market Research & Strategy, Americas +1 212 261 3953
Foreign Exchange	David Forrester Senior FX Strategist +65 6439 9826		**Valentin Marinov** **Head of G10 FX Research & Strategy** **+44 20 7214 5289**	Alexandre Dolci FX Strategist +44 20 7214 5064	
Quant Research			Alexandre Borel Data Scientist +33 1 57 87 34 27		

*** employee(s) of Crédit Agricole Securities (USA), Inc.*

Certification

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s). In addition, the undersigned analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report.

Xiaojia Zhi, Jeffrey Zhang

Important: Please note that in the United States, this fixed income research report is considered to be fixed income commentary and not fixed income research. Notwithstanding this, the Crédit Agricole CIB Research Disclaimer that can be found at the end of this report applies to this report in the United States as if references to research report were to fixed income commentary. Products and services are provided in the United States through Crédit Agricole Securities (USA), Inc.

Foreign exchange disclosure statement to clients of CACIB

https://www.ca-cib.com/sites/default/files/2017-02/2016-05-04-cacib-fx-disclosure-april-2016_0.pdf

Additional recommendation obligations – available from analyst(s) upon request:

- A list of all the recommendation changes on any financial instrument or issuer disseminated within the last 12 months.
- Where Crédit Agricole CIB is a market-maker or liquidity provider in the financial instruments of the issuer.

Valuation and methodology

Based on their expertise, each analyst defines the information that is relevant to produce their recommendations. This information may change over time. All recommendations focus on FX and fixed income instruments, either spot, cash or derivate markets. Crédit Agricole CIB is currently disclosing investment recommendations either at the issuer level, at the financial instrument level or at the country level. Credit Agricole CIB investment recommendations are based on a risk and reward analysis:

- Risk analysis may be conducted at the financial instruments level. Among the information normally used to define the risks, are (1) publications produced by other research teams within Crédit Agricole CIB (Economics, FX, Credit Research, Interest rate), (2) country analysis, (3) regulatory filings; (4) regular discussions with relevant stakeholders such as experts or regulatory bodies or (5) any other publicly available sources.
- Reward analysis is usually based on valuation models. Valuation may be based on proprietary models or external models provided by sources considered as reliable (eg, Bloomberg). Among other factors, valuation models may be based on relative value models, quantitative models, cross-asset models.
- Investment recommendations may also be based on other technical aspects, including positioning flows and observing the market and underlying movements in particular instruments or issuers. This analysis will take into account key criteria such as market liquidity of the financial instrument at the time of production of the recommendation.

Any change in recommendation is disclosed via specific documents indicating both the new and the previous recommendation and the rationale backing the change.

Credit Agricole CIB expressly disclaims any responsibility for: (i) the accuracy of the models or estimates used in deriving the recommendations; (ii) any errors or omissions in computing or disseminating the valuations: and (iii) any uses to which the recommendations are put. Any valuation provided may be different from the valuation of the same product that Credit Agricole CIB may use for its own purposes, including those prepared in its own financial records.

MiFID II Research contact details

Andrew Taylor MiFID II Research contact andrew.taylor@ca-cib.com	Please send your questions on MiFID II to: research.mifid2@ca-cib.com

Disclaimer

This research report or summary has been prepared by Crédit Agricole Corporate and Investment Bank or one of its affiliates (collectively “Crédit Agricole CIB”) from information believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness.

This report is provided for information purposes only. Nothing in this report should be considered to constitute investment, legal, accounting or taxation advice and you are advised to contact independent advisors in order to evaluate this report. It is not intended, and should not be considered, as an offer, invitation, solicitation or personal recommendation to buy, subscribe for or sell any of the financial instruments described herein, nor is it intended to form the basis for any credit, advice, personal recommendation or other evaluation with respect to such financial instruments and is intended for use only by those professional investors to whom it is made available by Crédit Agricole CIB. Crédit Agricole CIB does not act in a fiduciary capacity to you in respect of this report.

Crédit Agricole CIB may at any time stop producing or updating this report. Not all strategies are appropriate at all times. Past performance is not necessarily a guide to future performance. The price, value of and income from any of the financial instruments mentioned in this report can fall as well as rise and you may make losses if you invest in them. Independent advice should be sought. In any case, investors are invited to make their own independent decision as to whether a financial instrument or whether investment in the financial instruments described herein is proper, suitable or appropriate based on their own judgement and upon the advice of any relevant advisors they have consulted. Crédit Agricole CIB has not taken any steps to ensure that any financial instruments referred to in this report are suitable for any investor. Crédit Agricole CIB will not treat recipients of this report as its customers by virtue of their receiving this report.

Crédit Agricole CIB, its directors, officers and employees may have financial interests or may effect transactions (whether long or short) in the financial instruments described herein for their own accounts or for the account of others, may have positions relating to other financial instruments of the issuer thereof, or any of its affiliates, or may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates, within the regulatory framework set by Article 37 of Delegated Regulation (EU) 2017/565. Crédit Agricole CIB may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Without prejudice to the requirements arising from Article 4 of Delegated Regulation (EU) 2016/958, Crédit Agricole CIB is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. Crédit Agricole CIB has established a “Policy for Managing Conflicts of Interest” which is available upon request. A summary of this policy is published on the Crédit Agricole CIB website conflict of interest | Crédit Agricole CIB. This policy also applies to the investment research activity.

None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior express written permission of Crédit Agricole CIB. To the extent permitted by applicable securities laws and regulations, Crédit Agricole CIB accepts no liability whatsoever for any direct or consequential loss arising from the use of this document or its contents.

France: Crédit Agricole Corporate and Investment Bank is authorized and regulated by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”) and supervised by the European Central Bank (“ECB”), the ACPR and the Autorité des Marchés Financiers (“AMF”). Crédit Agricole Corporate and Investment Bank is incorporated in France with limited liability. Registered office: 12, Place des Etats-Unis, CS 70052, 92 547 Montrouge Cedex (France). Companies Register: SIREN 304 187 701 with Registre du Commerce et des Sociétés de Nanterre. United Kingdom: Crédit Agricole CIB is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”) and supervised by the European Central Bank (the “ECB”), the ACPR and the Autorité des Marchés Financiers (the “AMF”) in France. Crédit Agricole CIB London Branch is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Crédit Agricole CIB London on request. Crédit Agricole Corporate and Investment Bank is a public limited company (“société anonyme”) under French law, incorporated in France under SIREN number 304187701 at the Nanterre Trade and Companies Registry, with limited liability and its head office address at 12, Place des États-Unis, CS 70052, 92547 Montrouge Cedex, France. It is registered in England and Wales as an overseas company at Companies House under company number FC008194, with a UK establishment at Broadwalk House, 5 Appold Street, London, EC2A 2DA, United Kingdom (UK establishment number BR001975). United States of America: This research report is prepared by Crédit Agricole Corporate and Investment Bank and is distributed in the United States solely to persons who qualify as “Major U.S. Institutional Investors” as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with Crédit Agricole Corporate and Investment Bank. This report does not carry all of the independence and disclosure standards of a retail debt research report or a research report prepared by a U.S. broker-dealer. Recipients of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Crédit Agricole Securities (USA), Inc. (a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”). The delivery of this research report to any person in the United States shall not be deemed a recommendation of Crédit Agricole Securities (USA) Inc. to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. This report shall not be re-distributed in the United States without the consent of Crédit Agricole Securities (USA) Inc. Italy: Crédit Agricole Corporate and Investment Bank is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”) and supervised by the European Central Bank (the “ECB”), the ACPR and the Autorité des Marchés Financiers (the “AMF”) in France. Crédit Agricole Corporate and Investment Bank Milan Branch is subject to supervision by the Bank of Italy and by the Commissione nazionale per le società e la borsa (“CONSOB”). This report is not intended, and should not be considered, as an offer, invitation, solicitation or recommendation to buy or sell any of the financial instruments described herein. This report is not intended, and should not be considered, as advice on investments in securities under the Consolidated Financial Law (Legislative Decree No. 50 of 24 February 1998) and can only be distributed to, and circulated among, professional investors (controparti qualificate), as defined by the relevant Italian securities legislation. Spain: This report may only be distributed to professional investors (as defined in Article 194 of Law 6/2023, of 17 March, of the Securities Markets and the Investment Services, and Article 112 of Royal Decree 813/2023, of 8 November, on the legal regime for investment services firms and other entities providing investment services) and cannot be distributed to other investors that do not fall within the category of professional investors. Hong Kong: Distributed by Crédit Agricole Corporate and Investment Bank, Hong Kong branch, an authorized financial institution registered with the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities with Central Entity Number AAK816. This research report has not been reviewed or authorised by any regulatory authority in Hong Kong and is available only for professional investors within the meaning of the Securities and Futures Ordinance (Cap.571) and its subsidiary legislations. Japan: Distributed by Crédit Agricole Securities Asia B.V. which is registered for financial instruments business in Japan pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948), and is not intended, and should not be considered, as an offer, invitation, solicitation or recommendation to buy or sell any of the financial instruments described herein. This report is not intended, and should not be considered, as advice on investments in securities which is subject to the Financial Instruments and Exchange Act (Act No. 25 of 1948). Singapore: Crédit Agricole Corporate and Investment Bank, Singapore branch (“CACIB SG”) may distribute information/research produced by its head office Crédit Agricole Corporate and Investment Bank incorporated in France, pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Credit Agricole Corporate and Investment Bank only distributes to accredited, expert, or institutional investors (in each case, as defined in the Securities and Futures Act 2001).

Switzerland: This report is provided only to institutional clients and/or professional clients within the meaning of the Swiss Financial Services Act and in strict compliance with applicable Swiss law. This document is not a prospectus within the meaning of Swiss Financial Services Act. The products mentioned in this document may not be suitable for all types of investors. Germany: This report may only be distributed to institutional investors. Australia: Distributed to wholesale investors only. This research, and any access to it, is intended only for “wholesale clients” within the meaning of the Australian Corporations Act.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING.

09/12/25

16/08/21