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CHINA

China sees a quiet month ahead with 2025 targets done and dusted

With 2025's growth target reached, we expect a relatively quiet month ahead for China as we enter the Year of the Horse. Markets are awaiting the Two Sessions in March, when a new year of targets and policy action will be unveiled



We anticipate a relatively quiet month ahead for China as we enter the Year of the Horse

China accomplishes its 2025 growth target despite 2H25 slowdown

China managed another year of stable growth in 2025, reaching its targeted 5% GDP growth rate, exactly in line with our forecasts and unchanged from 2024. Its 2025 story was one of unexpectedly resilient external demand despite the trade war, clocking a record \$1.19tr trade surplus on the year. This led to much stronger-than-expected first-half growth, which was enough to hit the year's growth target despite a clear slowdown in the second half. Growth slowed to 4.5% year-on-year in the fourth quarter, the slowest since the pandemic.

The key questions for this year are: Can China's export resilience continue amid rising external pressure from trading partners? And, if not, can China's domestic demand pick up the slack?

Stimulus should be geared toward boosting domestic demand and addressing imbalances

While external demand provided an unexpected boost, the slowdown in domestic activity was worse than most expected this time last year. Fixed-asset investments ended the year in negative growth at -3.8% year-on-year, year-to-date. It was the worst full-year FAI growth on record. Retail sales ended the year up 3.7% YoY, only a little higher than 2024's pace despite support from the trade-in policy.

One glaring weakness is the ongoing malaise in the property sector, which remains a headwind for both investment and consumption. This year's focus may be on reducing inventory to help address supply-demand imbalances. We saw moves in January to cut minimum down payments for commercial real estate from 50% to 30%. More will be needed to address the downturn.

This year, policy guidance from high-profile meetings suggests the policy stance will remain supportive and that efforts will be orientated towards boosting domestic demand. The first tranche of this year's trade-in policy has been underwhelming. As such, we are awaiting new policy directions to boost consumption.

A quiet February heading into the Lunar New Year

As usual, most of China's January economic activity data will not be published in February. The government prefers to release the data in one single batch due to Lunar New Year-related volatility in the YoY numbers. Outside a few data points – such as the PMI, CPI, and housing prices – most other releases will be on hold. This means the market focus will likely be on breaking news events rather than macro data in February.

China's markets and large portions of the economy will be closed between 15-23 February for the Lunar New Year holiday.

On the policy front, things are expected to be relatively quiet leading up to China's Two Sessions in March. This is when we'll know this year's key targets, the policy direction, and the finalised 15th Five-Year Plan.

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