PANTHEON CHINA+ DATA WRAP 16 APR 25

In one line: China's Q1 GDP growth was boosted by demand stimulus and export front-loading pre-tariff turmoil

- China: GDP rose 5.4% y/y in Q1 unchanged from Q4. Consensus was 5.2%.
-- Retail sales climbed 5.9% y/y in March after 4.0% in January-to-February. Consensus was 4.3%.

-- Industrial production increased 7.7% y/y in March after 5.9% in January-to-February. Consensus was 5.9%.

-- Fixed asset investment gained 4.2% ytd y/y in March, after 4.1% in February. Consensus was 4.1%.

-- Property investment sank 9.9% ytd y/y in March, after diving 9.8% in February. Consensus was -9.9%.

- New home prices fell 0.08% m/m in March, after dropping 0.14% in February. Bloomberg reports no market consensus.

China's Q1 GDP beats market expectations thanks to strong finish

Real GDP rose 5.4% y/y, unchanged from the previous quarter and beating market expectations, 5.2%, thanks to base effects and a strong finish in March evident in the exports, industrial production and retail sales. But in q/q terms, growth slowed - as the Q4 stimulus impact tapered - to 1.2% q/q, from 1.6%, and below market expectations, 1.4%. Moreover, deflation continued, with nominal

GDP growth unchanged at 4.6%, implying the GDP deflator dropped 0.6% y/y, unchanged from the previous quarter. Property investment continued to plunge, with the sales pick-up in select cities yet to filter through into construction activity.

Retail sales steamed ahead, on the back of policy support, gaining 5.9% y/y in March, after rising 4.0% in January-to-February, and the highest since December 2023. In m/m SA terms, sales rose 0.58% in

March, barely slowing from 0.62% in February. The impact of consumer subsidies was evident in sales growth for household appliance sales (+35.1%), cultural & office goods (+21.7%) and communication appliances (+26.9%). Auto sales - the other supported category - were slower to respond this year, falling 0.8% in March, after dropping 4.4% in January-to-February. The end-year sales surge and the slow rollout of local implementation policies are likely to blame; sales are likely to pick up, notably for EVs. Turning to goods outside the consumer goods scheme, sports & recreational goods surged 25.4% in March, likely on the back of the winter sports trend taking off this winter; sales growth last year averaged only 11.8%.

Industrial output powered ahead, growing 0.44% m/m SA in March, down slightly from 0.51% in February. Manufacturing output vaulted 7.1% y/y in March, slightly up from 6.9% in January-to-February likely partly driven by front loading effects ahead of the looming tariff war. Hence IT equipment output jumped 13.1%, as device makers sped up shipments ahead of tariff risks. Auto output increased 11.5%, as manufacturers anticipated a coming seasonal rise in sales. General equipment production rose 9.3%, supported by the industrial equipment replacement programme. Non-ferrous metals processing climbed 6.5%, thanks to demand for copper and other metals used in EVs, renewable energy and electronics;

this is partly due to higher prices as volume of 10 kinds of non-ferrous metals rose 3.7%. Iron & steel output gained 7.7% in value terms and steel production 8.3%; front-loading played a role with steel export volume posting a whopping 30.7% y/y growth in Q1.

Overall fixed asset investment growth slowed to 0.15% m/m SA in March - the weakest since July - from 0.55% in February. This is a warning signal that local government investment isn't picking up as quickly as policymakers hope, despite China's shift to prioritise growth and domestic demand since late September, and the rapid local government debt-swap. The latter is probably playing a role, as local governments issued RMB1.6T in refinancing bonds in the year-to-April 4, compared with RMB1.24T in newly issued bonds, according to the local media. Some 70% of the annual refinancing bond quota has already been used up, leaving space for a pick up in newly issued bonds to fund demand stimulus.

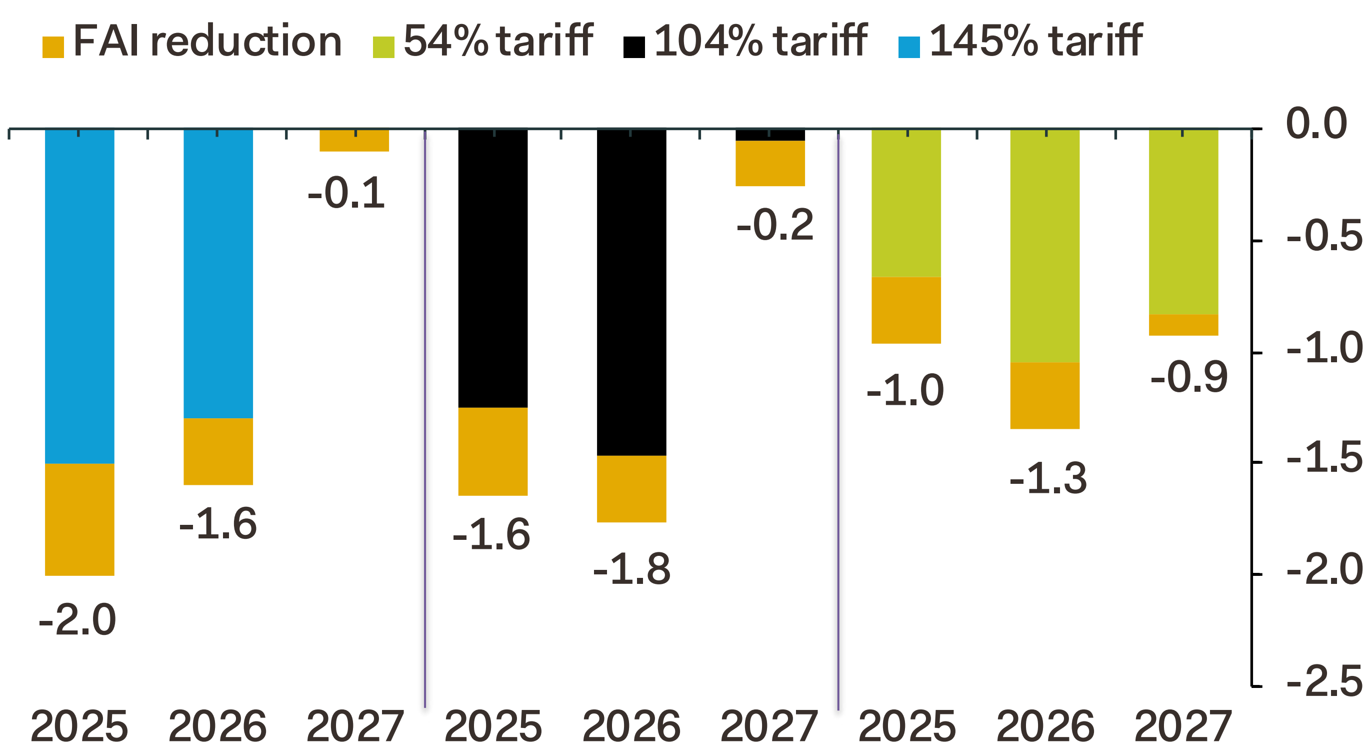
Elsewhere manufacturing investment surged 9.1% in Q1, largely thanks to the industrial upgrade programme, though also capacity expansion in growth sectors. Property investment continued to tank, dropping 9.9% in Q1. Infrastructure investment grew 5.8% in Q1, up from 5.6% in January-to-February.

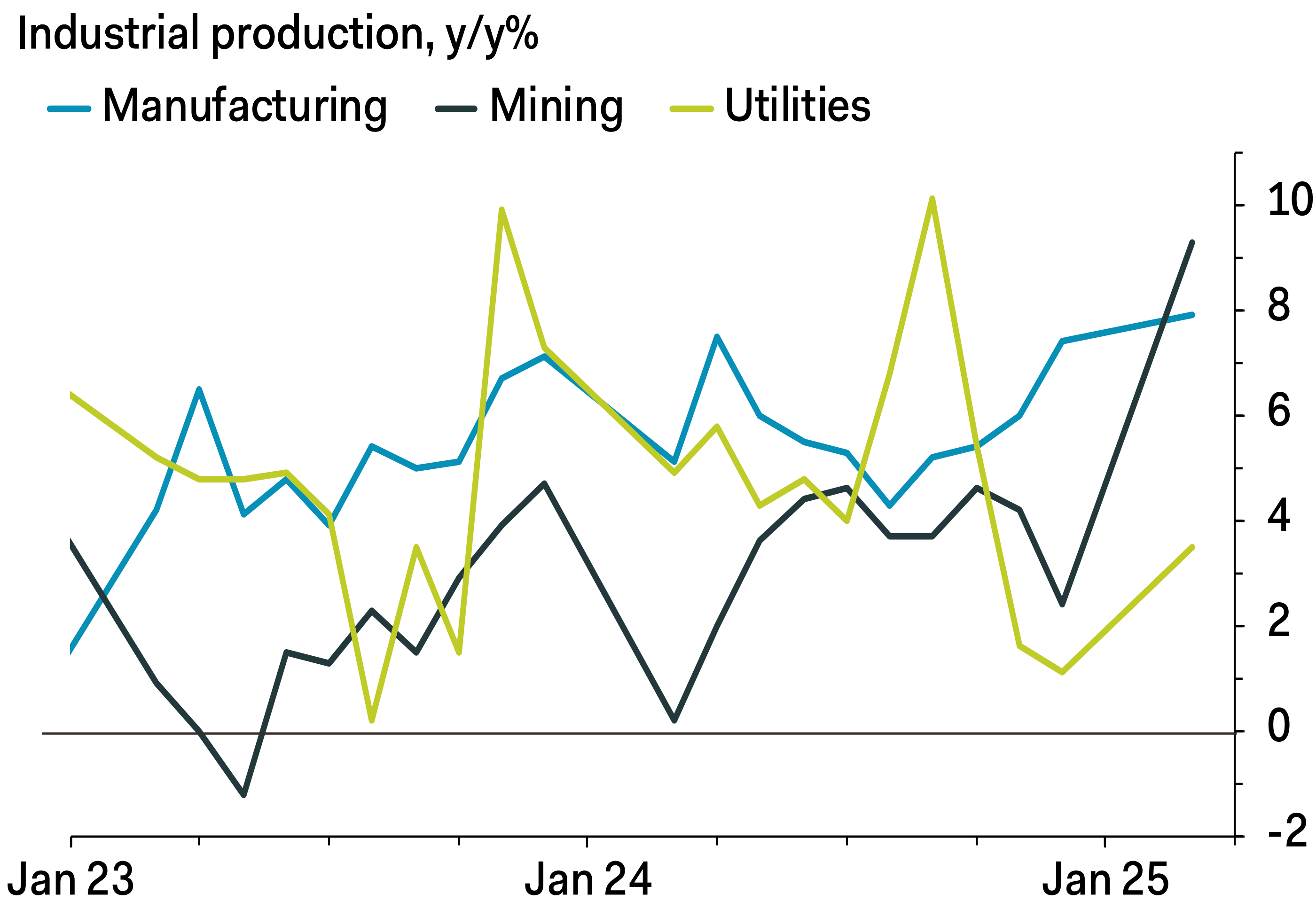
New home price growth improved to -0.08% m/m in March from -0.14% in February. Pre-owned home prices also improved to -0.23%, from -0.34%.

Tier-one city new home price growth was unchanged at 0.1%, but pre-owned prices rebounded to 0.2% from -0.1%. But pre-owned home prices are still falling in tier-two and tier-three cities, by 0.2% and 0.3%, respectively, with a slight worsening in tier-three cites. This points to the divergent prospects, with tier-one and leading tier-two cities set for a gradual recovery in sales and prices, but lower-tier cities still lumbered by huge amounts of supply of unsold housing and the construction pipeline.

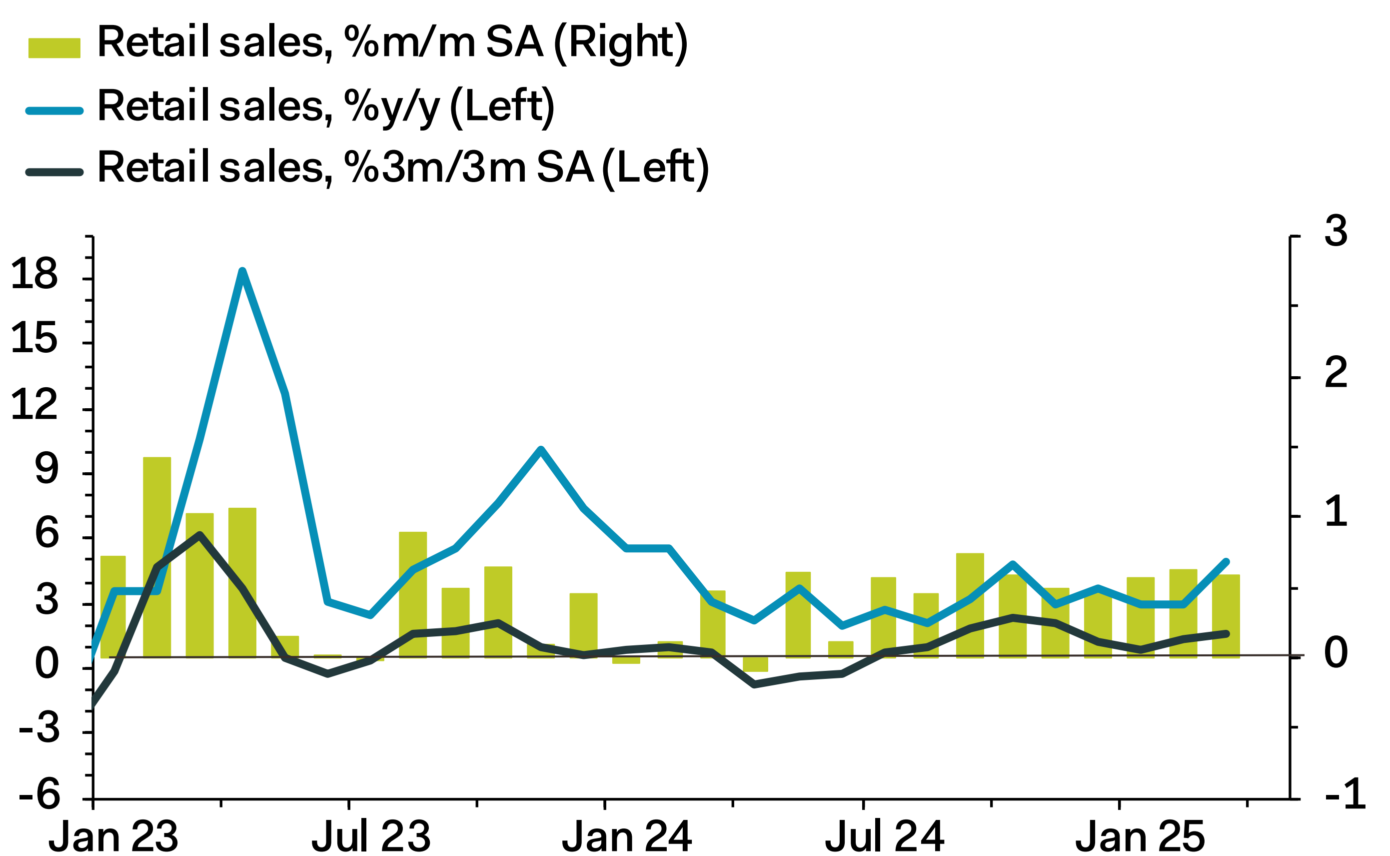
China faces the risk of exports to the US - equivalent to almost 3% of GDP - collapsing over the coming quarters, if the 145% US tariff remains in place. Neither side appears ready to back down soon; though this is highly uncertain given the day-to-day shifts in Trump administration policy. The NBS spokesperson today acknowledged that the tariffs will bring “some pressure” on China’s trade and economy. Both sides are only willing to talk if the other approaches them - which likely means a waiting period of several months until enough economic pain is felt by both sides; note China appointed a new trade official today. Still, China's will probably hunker down for now and focus on bolstering domestic demand, including with a likely RRR cut and by speeding up the issuance of government bonds to fund fiscal stimulus. Policymakers are likely to expand the consumer subsidy scheme to include more goods and potential some services and policymakers are likely to indicate the room to add further government bond quota later this year, after the existing quota is used up, at the end-month Politburo meeting.

Tariff impacts on GDP growth, pp





Industrial production, y/y%
Manufacturing
Mining
Utilities
10
8
6
4
2
0
-2
Jan 23
Jan 24
Jan 25



Retail sales, %m/m SA (Right)
Retail sales, %y/y (Left)
Retail sales, %3m/3m SA (Left)
18
15
12
9
6
3
0
-3
-6
3
2
1
0
-1
Jan 23
Jul 23
Jan 24
Jul 24
Jan 25