

China Outlook

Resilience holds firm

The expansionary manufacturing PMIs – driven by exports – alongside contraction readings for services and construction reinforce a two-speed growth outlook. Ongoing energy shocks have supported China's green-tech exports, while robust global AI capex underpins demand for China's AI-related exports.

PMIs point to a resilient economy

China's NBS manufacturing PMI remained in expansion territory for the second time this year, edging down to 50.3 in April from 50.4 in March. The print was slightly stronger than both consensus and our forecast (Bloomberg consensus: 50.1; Barclays: 50.2). We think the resilient April headline PMI – alongside continued improvement in new export orders and solid production readings – suggests that China's economy remained relatively resilient despite the ongoing Middle East conflict and disruption risks around the Strait of Hormuz. In addition, both input and output prices began to stabilise in April following a sharp rise in March. The private RatingDog manufacturing PMI, which has greater exposure to exporters, surprised positively, rising to a multi-year high of 52.2 in April.

In our view, it is encouraging that the NBS PMI new export orders index rose to a two-year high of 50.3 in April, reinforcing our view that exports will remain a key driver of GDP growth this year. We expect export momentum to be underpinned by high-tech products, particularly green-tech and AI-related goods. Q1 trade data showed strong, double-digit growth in these segments, including EVs (+78% y/y), lithium batteries (+50%), wind turbines (+45%) and semiconductors (+78%). Importantly, high-frequency indicators, such as regional trade data (Korea and Vietnam) and port cargo throughput, suggest that export strength has extended into Q2.

We expect net exports to continue to contribute about 30% of GDP growth this year (2025: 32%), adding 1.4pp to our full-year 2026 GDP growth forecast of 4.6%. By contrast, the contribution from consumption is likely to fall below 50% amid a deteriorating labour market and reduced pro-consumption subsidies. The services PMI, a gauge of demand for domestic services, and high-frequency consumption indicators (eg, auto sales) weakened visibly in April, suggesting consumption will remain a drag on growth in Q2. Overall, we expect the two-speed economy – strong exports versus weak domestic demand – to persist this year.

While the Middle East conflict could weigh on global growth and disrupt trade logistics, the marked improvement in the PMI new export orders component after the start of the conflict and evidence of rising green-tech export orders, suggests that the near-term negative impact has been limited. If anything, a prolonged period of geopolitical tension could accelerate the global green transition, which would ultimately benefit China as the world's leading green-technology powerhouse (see [Economics / Sustainable Investing: China's green transition: gains and opportunities](#), 8 April 2026).

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That said, the Middle East conflict is likely to have uneven effects on profitability across supply chains, with upstream sectors (energy and petrochemicals) emerging as relative winners, while downstream sectors (eg, autos and white goods) face greater pressure. The April NBS manufacturing PMI survey shows that although input prices have risen sharply across manufacturing, pass-through to output prices has remained relatively muted. Notably, the gap between output and input prices widened to a four-year high in April, suggesting mounting margin compression in downstream sectors. We estimate that a 10% increase in oil prices could lift PPI inflation by 0.3–0.4pp via cost-push channels, while the impact on CPI inflation would be more limited, at around 0.1pp.

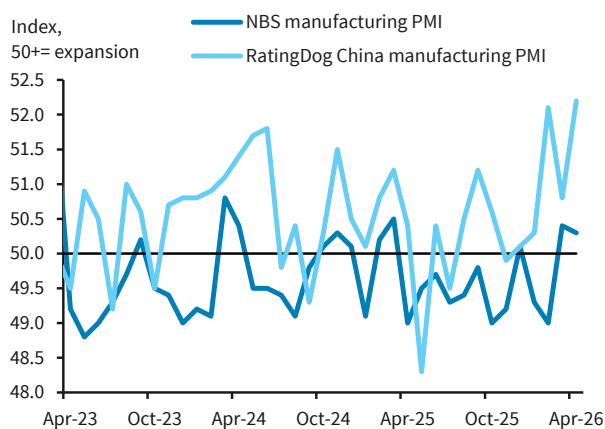
Politburo meeting refrains from introducing new stimulus

China's Politburo concluded its quarterly meeting on 28 April, with an assessment of current economic situation. The top leaders highlighted a better-than expected start to the year while stressing ongoing challenges. It is interesting to note that the Politburo meeting removed the language of "increasing the intensity of counter-cyclical policy adjustment", while emphasized the "targeted and effective" implementation of fiscal and monetary policy. Such changes suggested that the authorities are not in a rush to roll out fresh stimulus, given the strong start of 2026, in our view. While weak links of property and labour market were mentioned, the Politburo didn't deliver any concrete measures.

Moreover, we highlight some key messages from the Politburo meeting.

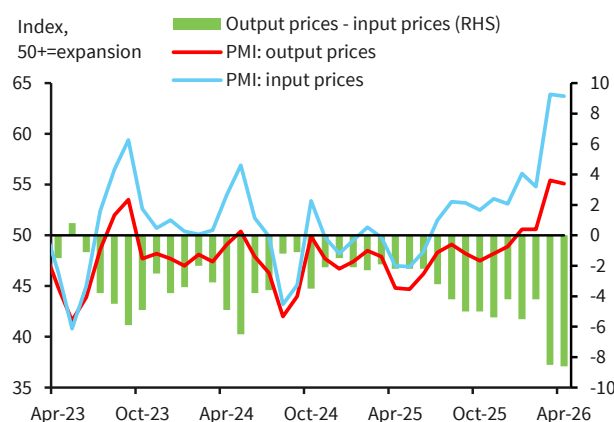
- On monetary policy, the Politburo dropped the references to lowering rates and RRR, which was mentioned in the March NPC meeting and the Politburo's April meetings in 2024 and 2025.
- On infrastructure policy, the Politburo meeting called for advancing the commencement of major projects. In particular, they highlighted "six new networks" projects, including water networks, new-type power grids, computing-power networks, next-generation communications networks, urban underground pipeline networks, and logistics networks.
- On exchange rate policy, the meeting minutes vowed to maintain the basic stability of the RMB exchange rate at a reasonable and balanced level. This came against the backdrop that USDCNY fixing rates stabilised at 6.86 since 8 April.

FIGURE 1. NBS manufacturing PMI stayed resilient



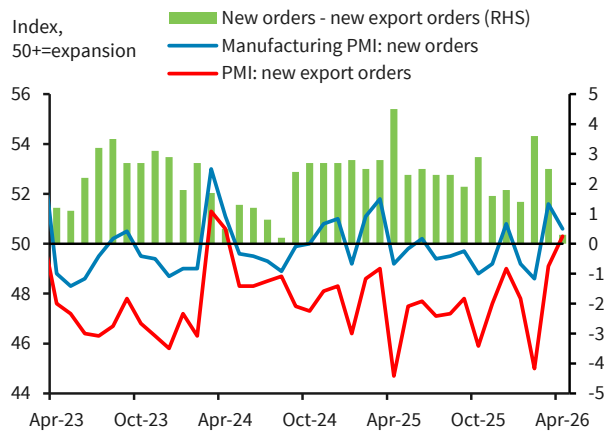
Source: Wind, Barclays Research

FIGURE 2. Both input and output prices began to stabilise



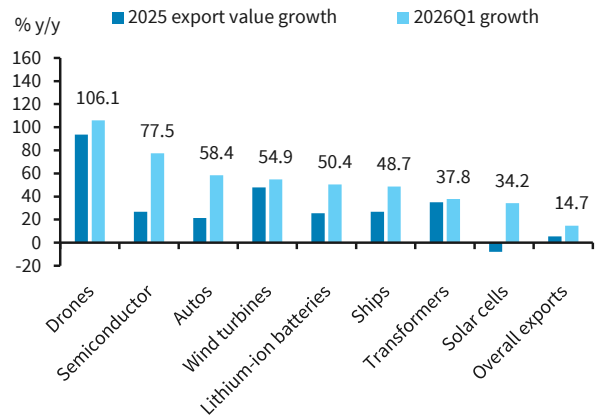
Source: Wind, Barclays Research

FIGURE 3. The NBS new export orders index rose to a two-year high



Source: Wind, Barclays Research

FIGURE 4. AI- and green-tech-related export orders have been strong



Source: Wind, Barclays Research

CHINA DATA REVIEW & PREVIEW

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Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
China: NBS manufacturing PMI, index	Apr	50.4	50.2	50.3	PMIs point to a resilient economy
China: NBS non-manufacturing PMI, index	Apr	50.1	50.0	49.4	
China: RatingDog manufacturing PMI, index	Apr	50.8	51.2	52.2	

Preview of upcoming data

Thursday, 07 May	Period	Prev 2	Prev 1	Latest	Forecast	Consensus
- China: Foreign reserves, USD bn	Apr	3399.1	3427.8	3342.1	3370.0	-

China: We expect China's foreign reserves to pick up, to USD3370bn in April, given gains in the EUR and GBP against the US dollar.

Note: Bloomberg consensus forecasts and release dates are subject to change.
Source: Bloomberg, Barclays Research

CHINA SNAPSHOT

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% change y/y	2025				2026				2027				Calendar year average		
	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2025	2026E	2027E
Real GDP (% y/y)	5.4	5.2	4.8	4.5	5.0	4.7	4.4	4.3	3.7	3.9	4.1	4.2	5.0	4.6	4.0
Real GDP (% q/q saar)	5.6	4.3	3.6	4.4	6.8	3.2	3.2	4.0	4.5	4.1	4.1	4.1	...	...	...
Real GDP (% y/y YTD)	5.4	5.3	5.2	5.0	5.0	4.8	4.7	4.6	3.7	3.8	3.9	4.0	...	...	...
Consumption (pp)	2.8	2.8	2.8	2.6	2.4	2.0	2.0	2.0	1.9	1.8	2.0	2.0	2.6	2.0	2.0
Investment (pp)	0.5	1.0	0.9	0.8	1.9	1.4	1.3	1.2	1.1	1.0	1.0	1.0	0.8	1.2	1.0
Net exports (pp)	2.1	1.5	1.5	1.6	0.8	1.4	1.4	1.4	0.7	1.0	1.0	1.0	1.6	1.4	1.0
Industrial production (% y/y)	6.5	6.2	5.8	5.0	6.1	5.2	4.9	4.8	4.2	4.4	4.6	4.7	5.9	5.2	4.5
Nominal GDP (% y/y)	4.6	3.9	3.7	3.9	4.9	5.0	5.0	4.9	4.3	4.5	4.7	4.7	4.0	5.2	4.6
CPI inflation (% y/y)	-0.1	0.0	-0.2	0.5	0.8	0.5	0.7	0.9	1.3	1.2	0.8	0.0	0.1	0.7	0.8
Surveyed unemployment rate (%)	5.2	5.0	5.2	5.1	5.4	5.1	5.1	5.1	5.2	5.1	5.2	5.1	5.1	5.1	5.1
Current account (% GDP)	3.7	2.7	4.0	4.4	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.7	4.0	4.0
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-4.0	-4.0	-4.0
Central government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	29.1	32.8	36.5
7d OMO rate (%)	1.50	1.40	1.40	1.40	1.40	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.40	1.30	1.30

Note: All numbers are expressed in y/y % change unless otherwise specified. Contributions by GDP expenditure components are all reported as "year to date" numbers officially.

Source: Barclays Research

