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China Equity Strategy | Asia Pacific

China Five-factor Consumer Activity Z-Score vs. MSCI China

MORGAN STANLEY ASIA LIMITED+

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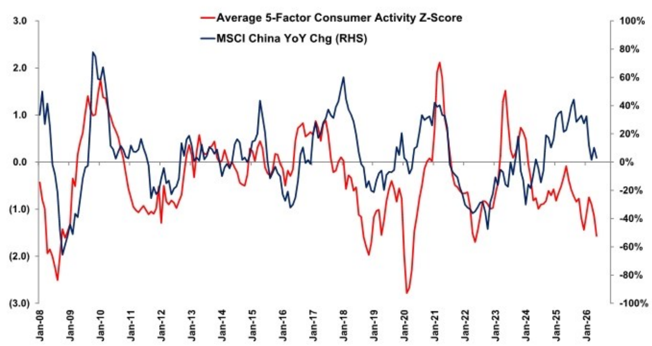
Key Takeaways

- Consumer Z-score declined further in May as air passenger traffic, catering, and commodity retail sales all softened.
- Household loans and passenger car sales improved slightly.
- May retail sales YoY growth turned negative for the first time since 2022 (-0.6%) , due to faded trade-in effectiveness and continued job market weakness.
- Looking ahead, consumption may slow further, given waning policy support, soft labour conditions, and limited spillover from exports.

Exhibit 1: China Five-factor Consumer Activity Z-Score vs. MSCI China YoY change – Consumer activity declined further in May



Source: MSCI, CEIC, Morgan Stanley Research. Data as of end-May 2026. Five factors: 1) household loan yoy change; 2) NBS retail sales in catering yoy change; 3) NBS retail sales in commodity (excl. autos) yoy change; 4) CPCA / CAAM passenger car retail sales yoy 3mma; 5) air passenger traffic yoy 3mma.

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Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	551	15%	86	9%	16%	201	12%
Total	3,667		920			1632	

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