China: What do local clients think about the economy? Local marketing takeaways, June 2026

Yuting Yang

Over the past week, we met with onshore clients in Beijing and Shanghai, including mutual funds, private equity firms, and asset managers from banks and insurers. Compared with two months ago, local clients appeared more cautious on China's near-term growth momentum, reflecting weaker April-May activity data and a more bifurcated growth mix. Policy easing expectations also remain subdued, with investors generally expecting support to stay reactive rather than proactive unless downside risks intensify. Beyond growth, discussions focused on fragile consumer confidence amid labor-market pressures and the negative wealth effect from the ongoing property downturn; mixed local government incentives to expand investment despite ample fiscal funding; implementation risks around the new cross-border investment rules; and the AI capex outlook.

Key Takeaways:

1. More cautious on near-term growth momentum

Following strong growth in Q1, weaker April-May activity data have left onshore investors more cautious on China's near-term macro outlook. Growth has become more uneven: exports continue to support headline activity, but domestic demand has softened notably. Moreover, the boost from exports has not translated into a stronger labor market or meaningful profit improvement, limiting the pass-through from external demand to domestic growth. Some investors noted that real export growth slowed to 4.5% yoy in April-May from 15.2% yoy in Q1; absent more visible policy easing, they worry GDP growth could slow to below 4.5% yoy in coming quarters. That said, lower oil prices—helped by rising market hopes for a reopening of the Strait of Hormuz amid intensive US-Iran negotiations, notwithstanding tit-for-tat strikes—could provide some near-term support to exports and industrial production.

2. Policy easing expectations remain muted despite softer domestic demand

Onshore investors have relatively low expectations for incremental easing in the near term. The shift from an "around 5%" real GDP growth target to a 4.5–5.0% range this year appears to give policymakers more room to respond only if downside risks intensify. Local clients therefore expect policy support to remain reactive rather than proactive. A key concern among investors is that, with exports still supporting headline growth, policymakers may feel less urgency to deliver stronger domestic demand support. Investors also noted that recent policy messaging has focused more on medium- to long-term strategic priorities than near-term stimulus, suggesting limited upside from the July Politburo meeting beyond a potential acceleration of existing policy tools.

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

3. Consumption recovery concerns rise amid weak labor market

Nominal retail sales growth slowed to -0.6% yoy in May, the weakest print since December 2022, reinforcing local concerns about the timing of a consumption recovery. Clients also highlighted rising labor market pressures, including AI-related headwinds. They noted that several internet companies have started to reduce headcount, while college graduates face greater pressure as AI adoption weighs on entry-level white-collar jobs. Against this backdrop, a recent *Qiushi* article drew clients' attention by calling for faster household balance-sheet repair and warning of a negative feedback loop between falling asset prices and consumer confidence. Local clients saw this as evidence that policymakers increasingly recognize the wealth-effect channel of the property market behind cautious household behavior, but not as a signal of imminent broad-based stimulus. Its signaling value may also be more limited because the article appeared on the *Qiushi* website rather than in the print journal, implying a lower level of formal endorsement.

4. Investment growth: ample funding capacity met with local implementation constraints

After January-February activity data beat expectations, fiscal spending slowed, with limited evidence so far of a pickup in government expenditure. Some clients expect spending to accelerate in H2 given ample funding capacity, including RMB7.7tn of unspent government bond quota as of end-May, the RMB800bn policy bank new financing tool available this year, and a RMB536bn year-on-year increase in outstanding fiscal deposits. However, others noted that local officials may have limited incentives to expand investment aggressively amid still-strained local government finances, the emphasis on the "correct view of performance" (正确政绩观), and the ongoing local government leadership reshuffle cycle (地方政府换届). This could keep project approval and execution cautious, leaving investment growth more dependent on local implementation incentives than headline financing capacity.

5. Capital flows: cross-border investment rule changes raise implementation questions

On capital flows, China's recent cross-border investment rules were among the most discussed topics in our meetings. Clients focused on the timing, policy signal and implementation risk, especially whether conservative local enforcement could slow approvals and create short-term over-tightening in legitimate outbound activity. They are also closely watching detailed implementation rules for individuals, including how outbound investment channels and overseas asset allocation will be treated. Most clients did not view the measures as broad capital-control tightening, but rather as a sign of closer policy scrutiny on cross-border flows amid persistent overseas allocation demand and corporate globalization plans.

6. AI remains the key focus of investors

Driven by robust enthusiasm and evolving views on AI, clients are heavil
operational impact within the AI ecosystem and adoption across both t
new economy sectors. Crucially, the key metric to watch remains the up
hyperscaler capex plans, which serve as a pivotal driver of global marke
directly dictate earnings growth and cash flow outlooks for Chinese cor
Conversely, there are virtually no expectations for substantial demand-



Beijing to drive near-term growth, making a turnaround for the broader H-share market challenging based on our strategy team's views.

Yuting Yang

The China Economics Team

Andrew Tilton
+852-2978-1892
andrew.tilton@gs.com
Goldman Sachs (Asia) L.L.C.

Hui Shan
+852-2978-6634
hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

Lisheng Wang
+852-2966-4004
lisheng.wang@gs.com
Goldman Sachs (Asia) L.L.C.

Xinquan Chen
+852-2978-2418
xinquan.chen@gs.com
Goldman Sachs (Asia) L.L.C.

Yuting Yang
+852-2978-7283
yuting.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Chelsea Song
+852-2978-6706
chelsea.song@gs.com
Goldman Sachs (Asia) L.L.C.