China monthly: July data preview

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With real GDP growth in *Q2* the lowest post-Covid reading, June activity data continued to show a large divide between strong exports and weak domestic demand. We expect such a trend to continue in July. High-frequency data point to a modest rebound in crude oil imports in July, which could ease some supply disruptions to the oil-related sectors. However, such stabilization might prove short-lived, owing to the re-escalation of the Middle East conflict in mid-July. The sharp deterioration in domestic demand in Q2 prompted the *Politburo* meeting to emphasize the need to step up pro-growth policy measures and speed up fiscal spending, while we believe the scale of such measures might be limited, due to Beijing's concerns of diminishing returns on investment and unmanageable fiscal deficits. Moreover, as the fruits of AI-driven growth are mainly reaped by a few "*smart*" cities and the AI boom has led to *a geographic K-shape*, the K-shaped economy naturally reduces the urgency for an aggressive, sweeping stimulus.

We expect mixed PMIs and activity data

As favourable seasonal factors have subsided, we expect the official manufacturing PMI to drop to 49.9 in July from 50.3 in June, while the official non-manufacturing PMI might also fall in July to 49.9 from 50.2 in June on lackluster domestic demand. By contrast, thanks to the export boom, the RatingDog manufacturing PMI, which surveys more SMEs and exporters in the eastern coastal region of China, is likely to remain elevated at 51.5 in July, little changed from 51.7 in June.

On major activity data, we expect IP growth to moderate to 5.0% y-o-y in July from 5.3% in June, due to disruptions caused by a string of severe typhoons in coastal southern China and the absence of a favourable working-day effect. Although imports of oil started to rebound in July, the magnitude looks moderate, with a limited boost to production activity in the oil and chemical industries. Amid the AI supercycle and rising demand for renewable goods, we expect export growth to remain elevated at 22.9% y-o-y in July, albeit moderating from a robust pace of 27.0% in June. By contrast, amid weak domestic demand, we forecast growth in retail sales and FAI at 1.5% y-o-y and -8.2%, respectively, little improved from 1.0% and -10.0% in June.

We expect inflation to remain steady on external forces, with steady credit growth

We expect CPI inflation to drop to 0.8% y-o-y in July from 1.0% in June, dragged down by food prices, with less of a boost from energy and core prices. In sequential terms, we expect CPI inflation to seasonally rebound to 0.2% m-o-m in July from -0.3% in June, but slower than the 0.4% in July 2025. We expect PPI inflation of 4.1% y-o-y in July, unchanged from June, owing to the resurgence of oil prices due to a re-escalation of the Middle East conflict. On a sequential basis, PPI inflation is likely to edge up to -0.2% m-o-m in July from -0.3% June, the same as last year. We expect credit growth, which is measured as year-on-year growth in outstanding aggregate financing (AF), to remain at 7.4% y-o-y in July, unchanged from June, as the weakness in bond financing could be largely offset by slightly faster bank loan issuance on an extremely low base.

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July data preview

Official manufacturing PMI in July: 49.9 (June: 50.3)

Official non-manufacturing PMI in July: 49.9 (June: 50.2)

RatingDog manufacturing PMI in July: 51.5 (June: 51.7)

We expect official manufacturing PMI to drop to 49.9 in July from 50.3 in June, in view of sustained weakness in domestic demand, supply chain disruptions to upstream sectors and the falling EPMI. China's EPMI (Emerging Industries PMI), a non-seasonally adjusted leading indicator of the official PMI, came in at 47.8 in July, below the historical July average of 48.5. In sequential terms, it dropped by 2.6pp to 47.8 in July from 50.4 in June, with the decline smaller than the historical June-to-July average decrease of 3.9pp.

We expect the official non-manufacturing PMI to fall to 49.9 in July from 50.2 in June, as suggested by lackluster tourism spending during this summer holiday. We believe household catering and entertainment demand could be further weighed down by ongoing *K-shaped property market* and stock market rally amid the *AI boom* .

We expect the RatingDog manufacturing PMI (formerly the Caixin manufacturing PMI), which surveys more SMEs and exporters in the eastern coastal region of China, to remain elevated at 51.5 in July from 51.7 in June, supported *by robust exports driven by the AI supercycle* . Growth in imports from Korea climbed further to 94.1% in 1-20 July from 92.0% in June, while growth in exports to Korea eased to 21.8% from 42.8% over the same period.

Industrial production growth in July: 5.0% y-o-y (June: 5.3%)

We expect industrial production (IP) growth to moderate to 5.0% y-o-y in July from 5.3% in June, due to disruptions caused by a string of severe typhoons in coastal southern China and the absence of favourable working-day effect. The rebound in June was partly due to one extra working day, while the number of working days in July is 23, the same as last July. Although imports of oil started to rebound in July, the magnitude looks moderate, with a limited boost to production activity of oil and chemical industries.

According to *Bloomberg* citing data from Kpler, China's monthly seaborne oil imports rebounded for the first time since the Iran war in late February, edging up to 7.8mn bpd in July from 6.2mn bpd in June. Although the oil import level is still 34% below the pre-war levels in February, the resumption of oil imports should modestly ease the supply disruptions, as evidenced by improved production activity in oil-related sectors.

High-frequency data related to the oil and chemical industries

- The operating rate of Shandong oil teapot refineries rebounded to 54.2% at end-July from 46.9% at end-June and 53.6% at end-May, but is still below 59.9% reading from end-April. Its monthly average operating rate rose to 3.2pp above last year's July levels from 1.4pp above in June, but still below 6.2pp above in May, 7.0pp above in April and 9.7% above in March.
- The operating rate of purified terephthalic acid (PTA) factories rebounded further to 61.1% at end-July from 55.6% at end-June and 55.5% at end-May, while its monthly average operating rate dropped to 23.2pp below last year's July levels from 15.5pp below in June.
- The operating rate of polyester filament yarns (PFY) factories in Jiangsu and Zhejiang provinces edged up to 74.4% at end-July from 73.8% at end-June, and its monthly average operating rate dropped to 18.0pp below last year's July levels from 16.7pp below in June.

Other high-frequency data

- The weekly operating rate of cement factories moderated to 2.4pp above last year's July levels from 2.7pp above in June.
- The weekly cement shipment-to-output ratio moderated to 0.3pp above last year's July levels from 0.6pp above in June.
- Growth in weekly steel rebar output at major steel mills fell to -5.1% y-o-y in July from 0.2% in June, while output growth of crude steel also fell to -4.7% from -3.6%.
- Growth in the daily average volume of coal burned at power plants in eight provinces in South China dropped to -10.8% y-o-y in July from 0.6% in June.

Export growth in July: 22.9% y-o-y (June: 27.0%)

Import growth in July: 31.5% y-o-y (June: 36.0%)

Trade balance in July: USD100bn (June: USD126bn)

We expect export growth to remain elevated at 22.9% y-o-y in July, slowing moderately from the strong reading of 27.0% in June, as we forecast persistently strong export momentum in the near term.

We expect import growth to edge down modestly to 31.5% y-o-y in July from 36.0% in June, driven by a slightly higher base and strong price effects. We also expect the crude oil price declines taking place in late June and early July start to feed into in China's import data in July, given the approximate 20-day shipping window from the Persian Gulf to China. That said, we expect China's imports of crude in volume terms to remain depressed in July. Additionally, ongoing price increases across a range of semiconductor products – particularly memory chips – are adding further upward pressure to import values.

As a result, we expect the trade surplus to narrow to USD100.4bn in July from USD125.6bn in June.

Higher-frequency trade-related data

According to the Ministry of Transport, growth in weekly container throughput at major ports edged up marginally to -1.7% y-o-y on a month-to-date basis (as of 26 July) from 5.1% in June.

On imports, the year-over-year change in the China Import Dry Bulk Freight Index (CDFI), which reflects freight rates for dry bulk cargo (including iron ore, coal, grain and nickel ore) imported into China, moderated to 39.6% y-o-y on a month-to-date basis in July from 46.6% in June. Brent crude oil price growth moderated to 15.6% y-o-y on a month-to-date basis in July from 19.8% in June but remains somewhat elevated.

CPI inflation in July: 0.8% y-o-y (June: 1.0%)

We expect CPI inflation to drop to 0.8% y-o-y in July from 1.0% in June, dragged by food prices, with less of a boost from energy and core prices. In sequential terms, we expect CPI inflation to seasonally rebound to 0.2% m-o-m in July from -0.3% in June, but slower than the 0.4% m-o-m growth from July 2025.

We expect food price inflation to drop to -1.7% y-o-y in July from -1.6% in June. In sequential terms, it is likely to seasonally improve to -0.3% m-o-m in July from -0.4% in June, below the -0.2% m-o-m recorded a year ago. According to high-frequency data from the MARA, the Agricultural Product Wholesale 200 Price Index dropped to -1.1% y-o-y in July from -0.4% in June. Egg price inflation eased to 35.3% y-o-y in July from 40.6% in June, while pork price inflation remained muted at -24.4% y-o-y July, though it improved from -28.3% in June.

For energy prices, due to the U-turn in Middle East tensions and the resurgence in oil prices, the NDRC hiked retail petrol prices by RMB300/tone on 18 July after cutting by RMB950/tonne on 4 July. The NDRC raised petrol prices by RMB105/tonne last July. We expect domestic retail fuel price inflation to drop to 0.2% y-o-y in July from 18.6% in June, which could provide a limited boost to headline CPI inflation.

We expect core inflation to drop to 0.9% y-o-y in July from 1.0% in June, driven by weak domestic demand as suggested by lackluster tourism activity during the summer holiday, as well easing global gold price inflation. These dragging forces should more than offset supporting forces from the recent rise in consumer electronics prices driven by surging chip prices amid the AI supercycle.

PPI inflation in July: 4.1% y-o-y (June: 4.1%)

We expect PPI inflation to remain at 4.1% y-o-y in July, unchanged from June, supported by the resurgence of oil prices due to the end of the Middle East ceasefire. Support from prices of non-ferrous metals, AI-related products and new energy products is likely to remain intact. On a sequential basis, PPI inflation is likely to edge up to -0.2% m-o-m in July from -0.3% June, the same as last year.

Brent oil price inflation eased only slightly to 15.3% y-o-y in July from 19.8% in June, due to the resurgence of oil prices following the end of ceasefire. In sequential terms, Brent oil price inflation turned less negative, rising to -4.4% m-o-m in July from -20.8% in June. The easing of oil price inflation should ease PPI inflation in oil-related sectors, which together take up 14.1% of the PPI basket, according to our estimates.

Despite easing global oil prices, we see sustained drivers that support PPI inflation from non-ferrous metal prices and rising chip prices amid the AI boom. Global LME price inflation remained elevated at 37.9% y-o-y in month-to-date July from 38.0% in June, which should continue to support price inflation in non-ferrous related industries that take up 7.3% of the PPI basket. Also, surging global chip prices should continue to push up PPI inflation in the computer, communication and other electronic equipment manufacturing sector, which accounts for 12.8% of the PPI basket.

Amid rising global demand for new energy products, prices of raw materials for solar panels and EV batteries remained elevated, which should provide support for PPI inflation in the electrical machinery and equipment manufacturing sectors that account for 8.4% of the PPI basket.

Retail sales growth in July: 1.5% y-o-y (June: 1.0%)

We expect retail sales growth to tick up to 1.5% y-o-y in July from 1.0% in June, thanks to a low base from last year. Underlying momentum of consumption is still weighed down by payback effects of the scaled-back trade-in program, subdued consumer confidence, as well as negative price effects from domestic fuel and consumer electronics, driven by imported inflation. By components, we expect retail sales growth in autos, catering and merchandise excluding autos of -16.0% y-o-y, 1.1% and 3.7%, respectively, in July versus -16.1%, 1.2% and 5.8% in June.

On auto sales, according to early estimates from the CPCA, volume growth in passenger car retail sales is likely to remain subdued at -16.8% y-o-y in July, rising from -23.2% in June. We expect auto sales to be a main drag for headline retail sales due to the scaled-back trade-in program and the increase in EV purchase tax from 0% to 5%.

For other components, growth in the catering sector is likely to remain soft, given the lackluster tourism spending during summer holiday, despite a low base from last year due to the *new austerity rule* . Growth in merchandise sales excluding autos is likely to continue to fall back across major durable goods categories on the payback effect from the trade-in program. Households are also likely to cut spending on petroleum products and consumer electronics, given rising prices led by imported inflation.

FAI growth in July: -8.2% y-o-y (June: -10.0%)

FAI growth in July: year-to-date: -6.1% y-o-y (June: -5.7%)

We expect fixed asset investment (FAI) growth to improve slightly to -8.2% y-o-y in July from -10.0% in June, which implies cumulative year-to-date growth of -6.1% for July. Despite this modest monthly improvement, we see no material recovery in FAI growth in July. The persistent weakness reflects subdued fiscal support, with net issuance of government bonds again falling below year-earlier levels in July. This continued shortfall in bond issuance has constrained public investment spending, limiting the scope for a meaningful rebound in overall FAI activity.

Property investment growth in July (single-month): -23.0% y-o-y (June: -24.1%)

Property investment growth in July (year-to-date): -18.6% y-o-y (June: -18.0%)

We expect the steep decline in property investment to persist in July, dropping by 23.0% y-o-y, little changed from the 24.1% decline in June. On high-frequency data, growth in new home sales by floor space in the Wind survey of 20 major cities increased to 2.1% y-o-y in July from -6.7% in June, due mainly to a low base. Growth in existing home sales volumes in a sample of 18 cities slowed further to 9.1% y-o-y in July from 12.3% in June.

As the fruits of AI-driven growth are mainly reaped by a few "smart" cities, especially large top-tier cities, we see a striking geographic divide in housing markets, especially for new home markets. Among the Wind 20 city sample, growth in new home sales by floor space in tier-1 cities increased markedly to 18.0% y-o-y in July from -2.2% in June. For the rest of the sample, sales growth in tier-2 cities also turned slightly positive in July, rising to 0.3% y-o-y from -8.7% in June, while in lower-tier cities, sales decline widened to -12.4%

from -8.2%. In the past, a recovery in housing markets of top-tier cities could be read as a leading indicator for lower-tier cities. However, this time around could be different. By siphoning resources from legacy cities to smart cities, the AI boom could worsen a geographical imbalance already in place, making a broader recovery of the national property market even more difficult. Indeed, the Iceberg index, a leading indicator based on the lowest listing housing prices, recorded a 0.5% m-o-m decline in July, widening from the 0.4% and 0.3% declines in June in May, respectively.

Aggregate financing (AF) in July: RMB1,242bn (June: RMB3,365bn)

New RMB loans in July: RMB139bn (June: RMB1,610bn)

Outstanding AF growth in July: 7.4% y-o-y (June: 7.4%)

Outstanding RMB loan growth in July: 5.3% y-o-y (June: 5.2%)

M2 growth in July: 7.8% y-o-y (June: 8.0%)

We expect credit growth – measured as the year-on-year growth in outstanding aggregate financing (AF) – to remain at 7.4% y-o-y in July, unchanged from June, as relatively strong corporate bond issuance was once again largely offset by soft government bond issuance. Growth in outstanding RMB loans is also likely to rebound marginally to 5.3% y-o-y in July from 5.2% in June, mainly due to an extremely low base. In July 2025, new RMB loans recorded a net contraction of RMB50bn for the first time in 20 years.

In absolute terms, we forecast new AF and new RMB loans of RMB1,242bn and RMB139bn, respectively, in July, up from year-earlier levels of RMB1,131bn and -RMB50bn.

On bond issuance, according to Wind's estimates using deal-level bond data, net government bond financing – for both central and local governments – was RMB1,113bn in July (as of 29 July), below its year-earlier level of RMB1,254bn.

For other major bond categories (as of 29 July), net corporate bond financing totalled RMB392bn, slightly above its year-earlier level of RMB376bn. Net bond financing for LGFVs was -RMB28bn, above its year-earlier level of -RMB44bn. Property developers' net bond financing was -RMB4bn, below its year-earlier level of RMB6bn.

Short-term liquidity conditions eased marginally in July. The average DR007 edged down to 1.415% on a month-to-date basis from 1.438% in June but remain above the PBoC's 7-day OMO reverse repo rate of 1.40%, while the monthly average of 10-year CGB yields edged up to 1.739% from 1.729%.

Fig. 1: Forecast for July economic indicators

Indicators	Unit	Forecast Jul 26	Jun 26	Q2 26	Q1 26	2025	2024	Release date
Economic survey								
Official mfg PMI	Index	**49.9**	50.3	50.2	49.6	49.6	49.8	31-Jul
Official non-mfg PMI	Index	**49.9**	50.2	49.9	49.7	50.2	50.9	31-Jul
RatingDog mfg PMI	Index	**51.5**	51.7	51.9	51.1	50.3	50.8	3-Aug
Activity								
Industrial production (IP)	% y-o-y	**5.0**	5.3	4.6	6.1	5.9	5.8	17-Aug
Retail sales	% y-o-y	**1.5**	1.0	0.2	2.4	3.7	3.5	17-Aug
Fixed asset investment (FAI) ytd	% y-o-y	**-6.1**	-5.7	-5.7	1.7	-3.8	3.2	17-Aug
FAI	% y-o-y	**-8.2**	-10.0	-9.7	1.7	-3.8	3.2	17-Aug
Inflation								
CPI	% y-o-y	**0.8**	1.0	1.1	0.9	0.0	0.2	9-Aug
PPI	% y-o-y	**4.1**	4.1	3.6	-0.6	-2.6	-2.2	9-Aug
Trade								
Exports (USD)	% y-o-y	**22.9**	27.0	20.2	14.7	5.4	5.8	7-Aug
Imports (USD)	% y-o-y	**31.5**	36.0	29.5	23.4	0.3	1.0	7-Aug
Trade balance	% y-o-y	**100**	126	315	261	1180	993	7-Aug
Money and credit								
Outstanding aggregate financing	% y-o-y	**7.4**	7.4	7.4	7.9	8.3	8.0	9-15 Aug
Outstanding RMB loan	% y-o-y	**5.3**	5.2	5.2	5.7	6.4	7.6	9-15 Aug
M2	% y-o-y	**7.8**	8.0	8.0	8.5	8.5	7.3	9-15 Aug
New aggregate financing	RMB bn	**1,242**	3,365	6,018	14,826	35,603	32,259	9-15 Aug
New RMB loan	RMB bn	**139**	1,610	2,120	8,600	16,270	18,090	9-15 Aug
Corporate bond	RMB bn		401	1,021	1,047	2,392	1,909	9-15 Aug
Government bond	RMB bn		768	2,896	3,544	13,837	11,295	9-15 Aug
Entrusted loan	RMB bn		24	-13	-66	120	-58	9-15 Aug
Trust loan	RMB bn		-50	-58	13	368	398	9-15 Aug
Property market								
Property investment ytd	% y-o-y	**-18.6**	-18.0	-18.0	-11.2	-17.2	-10.6	17-Aug
Property investment	% y-o-y	**-23.0**	-24.1	-23.0	-11.2	-17.2	-10.6	17-Aug
Property sales (value)	% y-o-y		-13.9	-10.9	-16.7	-12.6	-17.1	17-Aug
Floor space sold	% y-o-y		-14.2	-12.7	-10.4	-8.7	-12.9	17-Aug
Floor space started	% y-o-y		-26.0	-25.7	-20.3	-20.4	-23.0	17-Aug
Funds for property development	% y-o-y		-25.1	-23.0	-17.3	-13.4	-17.0	17-Aug
New home completion	% y-o-y		-25.0	-21.9	-25.0	-18.1	-27.7	17-Aug
Homes under construction	% y-o-y		-12.5	-12.5	-11.7	-10.0	-12.7	17-Aug

Note: For real GDP growth, June data forecast refers to Q2 forecast.
Source: Wind, Nomura Global Economics.

Key events in coming months

Date	Events
Mid-Aug	PBoC monetary policy report for Q2 2026
24 Sep	President Xi's state visit to the US
Late Sep	PBoC monetary policy committee meeting
1-7 Oct	National Day Golden Week holiday
Mid-Nov	PBoC monetary policy report for Q3 2026
18-19 Nov	APAC Shenzhen
Mid Dec	Central Economic Work Conference
14-15 Dec	G20 Summit
Late Dec	PBoC monetary policy committee meeting
Late Dec	Politburo meeting

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