GS China Econ Proprietary Indicators: September

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Please find an update on our proprietary economic indicators below. The data behind our proprietary economic indicators can be downloaded here (methodology notes available in the appendix).

GS Proprietary Economic Indicators

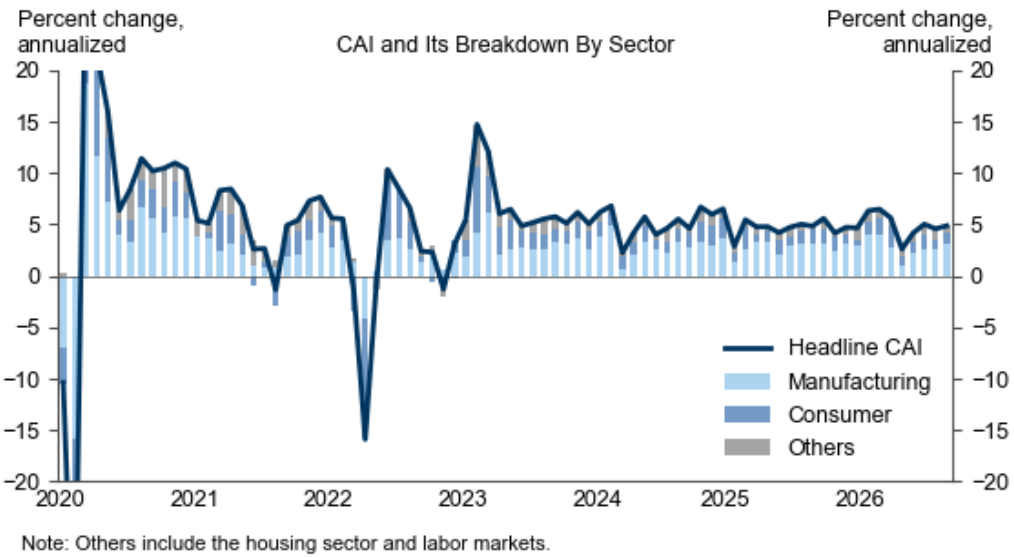
Exhibit 1: Our China Current Activity Indicator (CAI) rose to +4.9% mom annualized sa in August, vs. +4.6% in July



Source: Goldman Sachs Global Investment Research, NBS, CEIC

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.

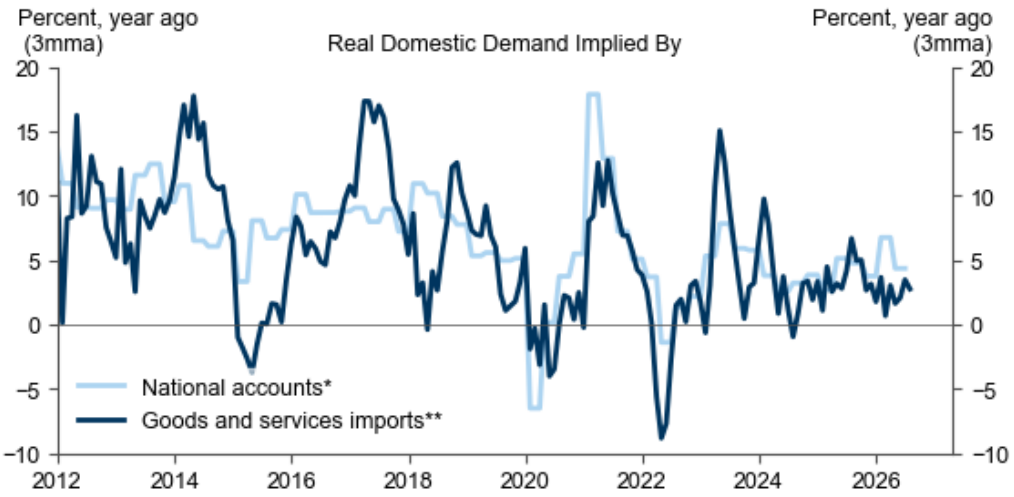
Exhibit 2: August's acceleration in the CAI was driven by manufacturing sector



Note: Others include the housing sector and labor markets.

Source: Goldman Sachs Global Investment Research, NBS, CEIC

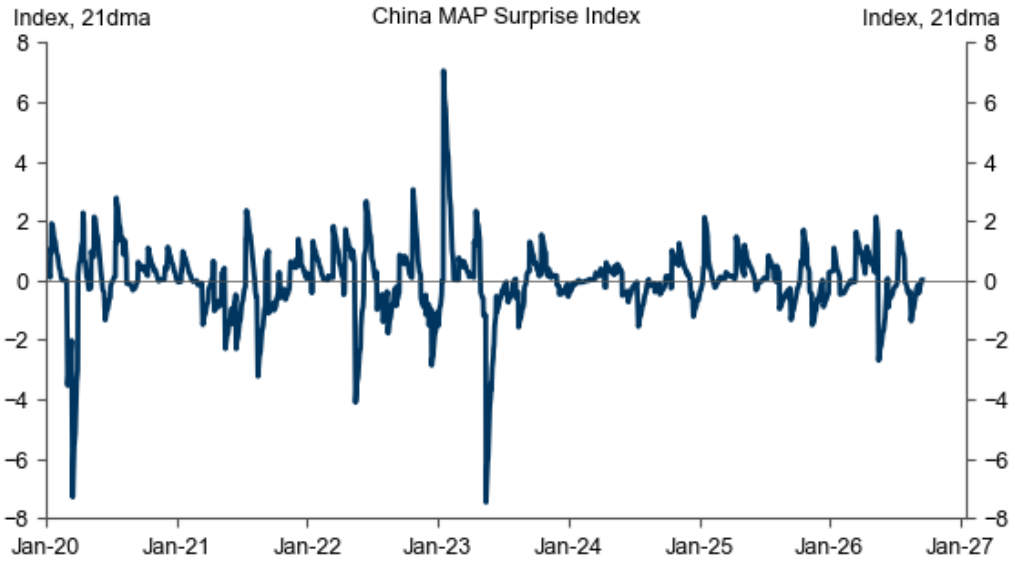
Exhibit 3: Our proprietary import-implied domestic demand proxy suggests weaker domestic demand growth in July



*GDP - (Exports - Imports), deflated by a 60:40 mix of CPI and PPI in US$ terms.
**Latest data until July 2026.

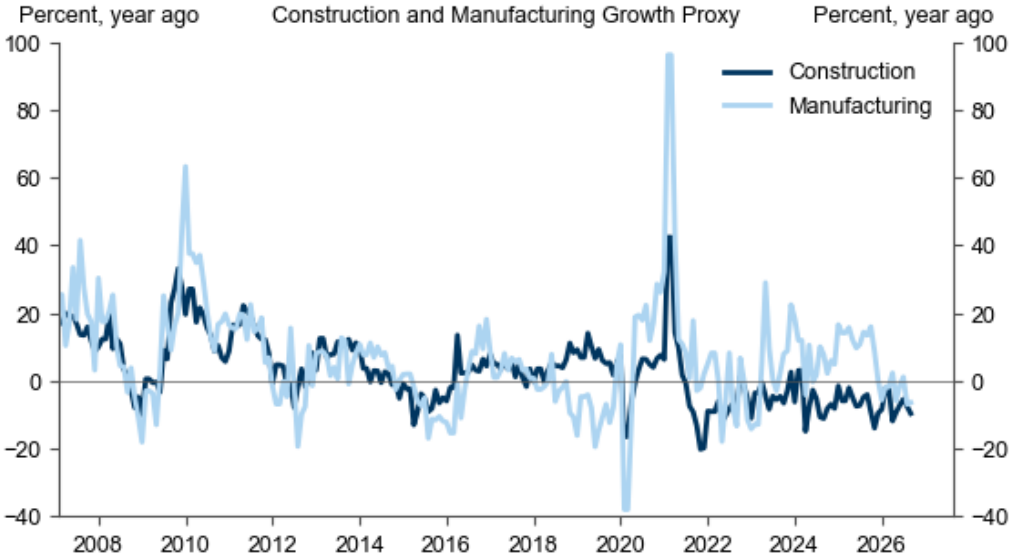
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 4: Our MAP surprise index (21-day moving average) shows that recent macro data have been, on average, in line with market expectations



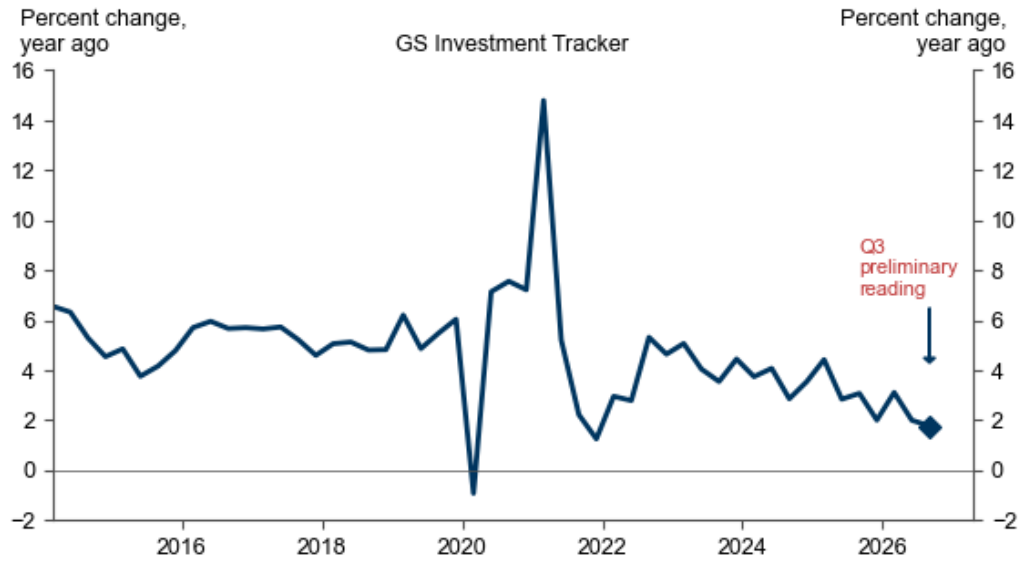
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 5: Our construction growth proxy edged down in August, whereas manufacturing growth proxy stayed roughly flat



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 6: Our preliminary investment tracker (on a real value-added basis) points to weaker growth in Q3



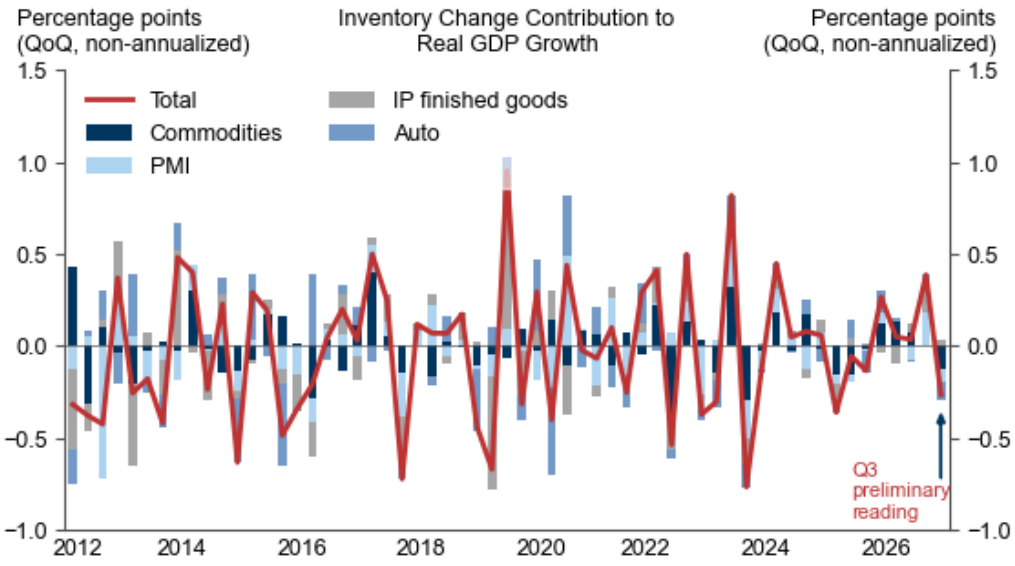
Source: Goldman Sachs Global Investment Research

Exhibit 7: Our China inventory tracker suggests that inventory levels may have decreased in Q3 2026



Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 8: The boost from inventory changes to sequential GDP growth likely decreased in Q3 2026



Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC, Bloomberg

Exhibit 9: Our China outside-in export tracker was generally in line with the official export growth data in July



Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

Exhibit 10: Our China outside-in import tracker underperformed the official import growth data in July



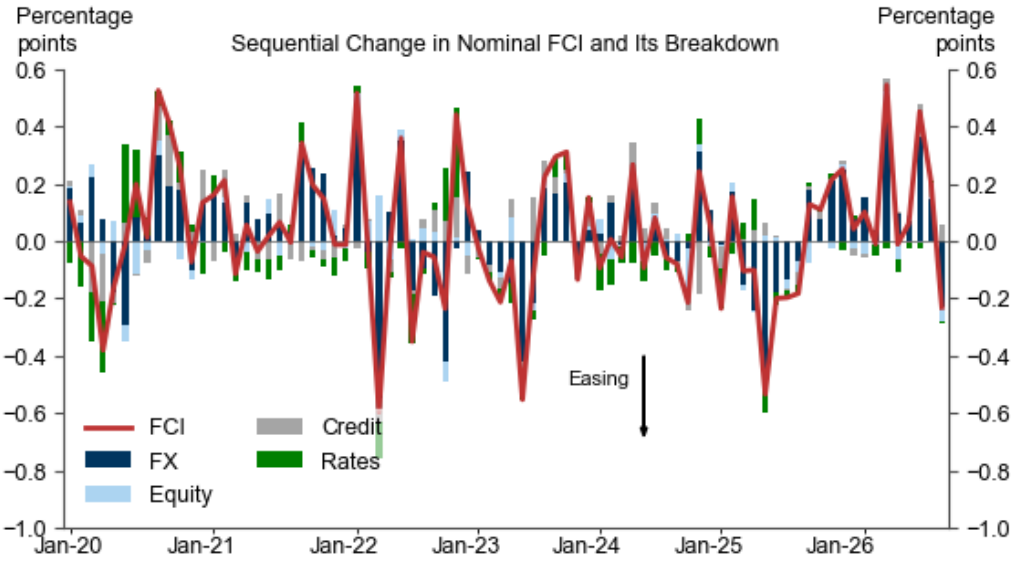
Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

Exhibit 11: China Financial Conditions Index (FCI, including credit quantities) eased in August



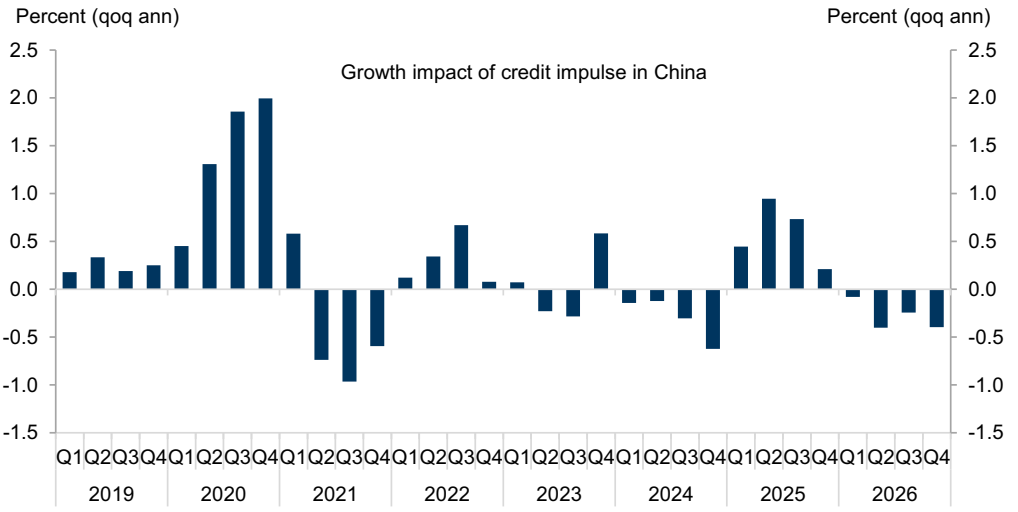
Source: Goldman Sachs Global Investment Research, CEIC, Bloomberg

Exhibit 12: August's easing in the FCI was mainly driven by FX depreciation against the trade-weighted basket



Source: Goldman Sachs Global Investment Research, CEIC, Bloomberg

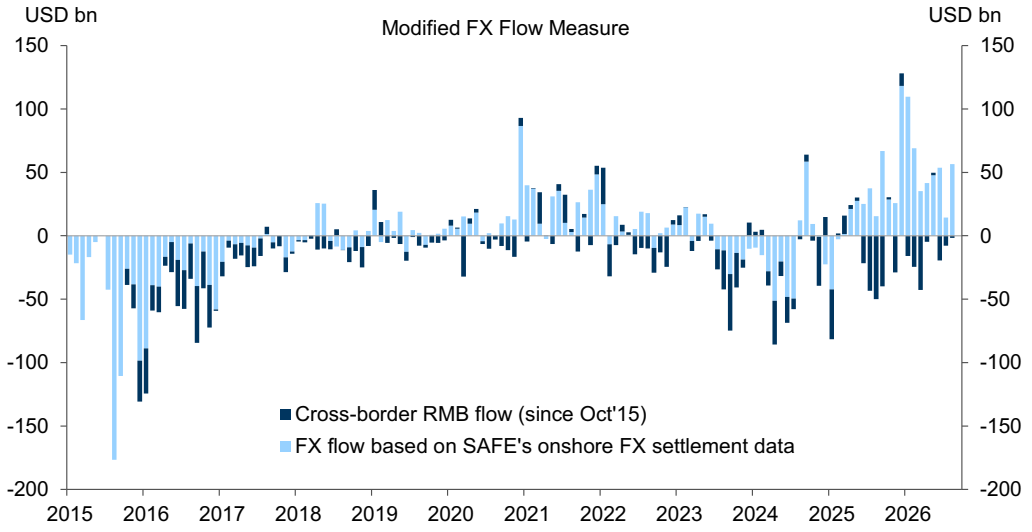
Exhibit 13: We estimate the credit impulse has turned negative this year due to weak credit growth



The impulses assume that credit extension stays flat through the remainder of this year.

Source: Goldman Sachs Global Investment Research

Exhibit 14: Our preferred gauge suggests increased FX inflows in August



Source: Goldman Sachs Global Investment Research, SAFE

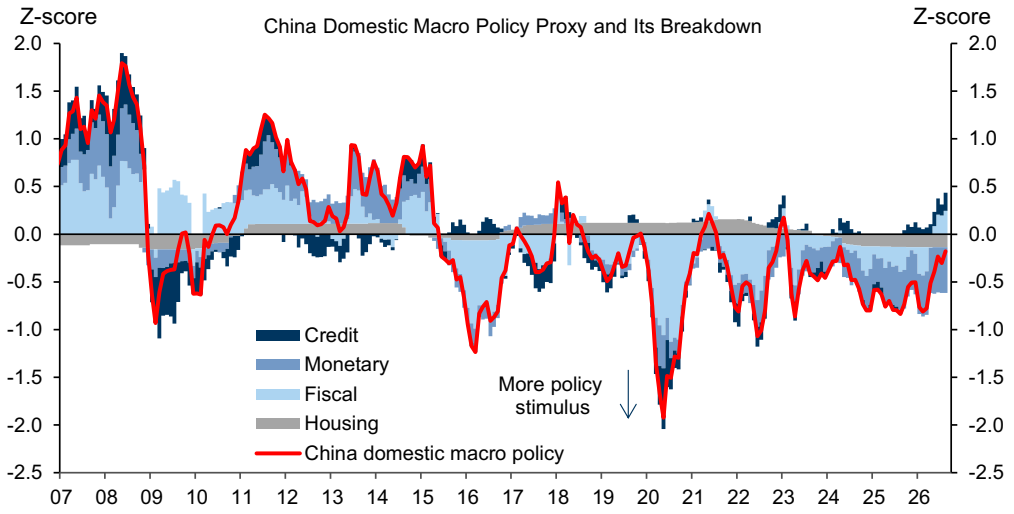
Exhibit 15: Our China domestic macro policy proxy tightened in August



Note: Shaded areas refer to periods when China CAI 3mma growth was below 5%.

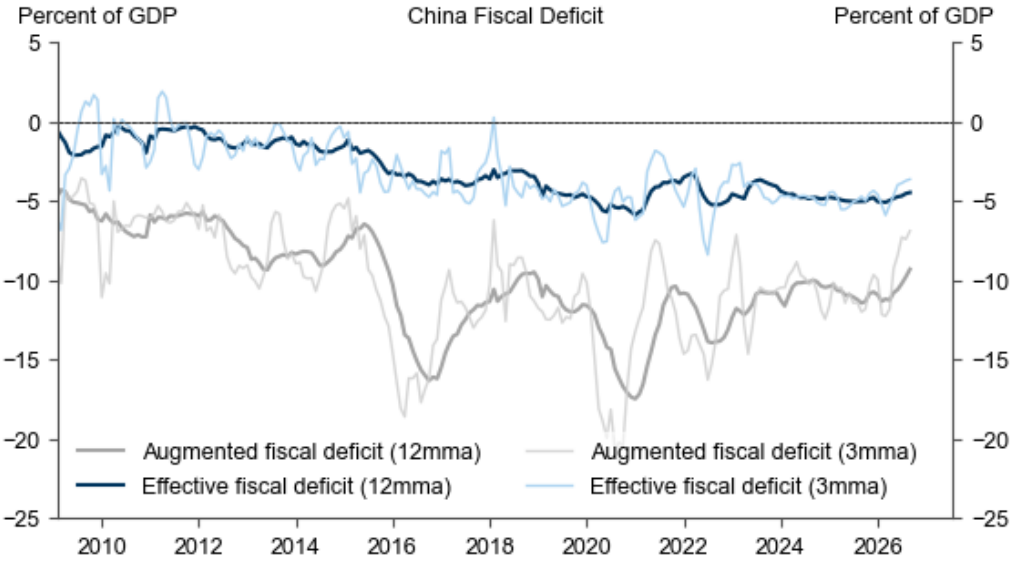
Source: Goldman Sachs Global Investment Research, Wind, Haver Analytics, CEIC

Exhibit 16: August's tightening in the GS China macro policy proxy was driven by slower fiscal spending and weak credit growth



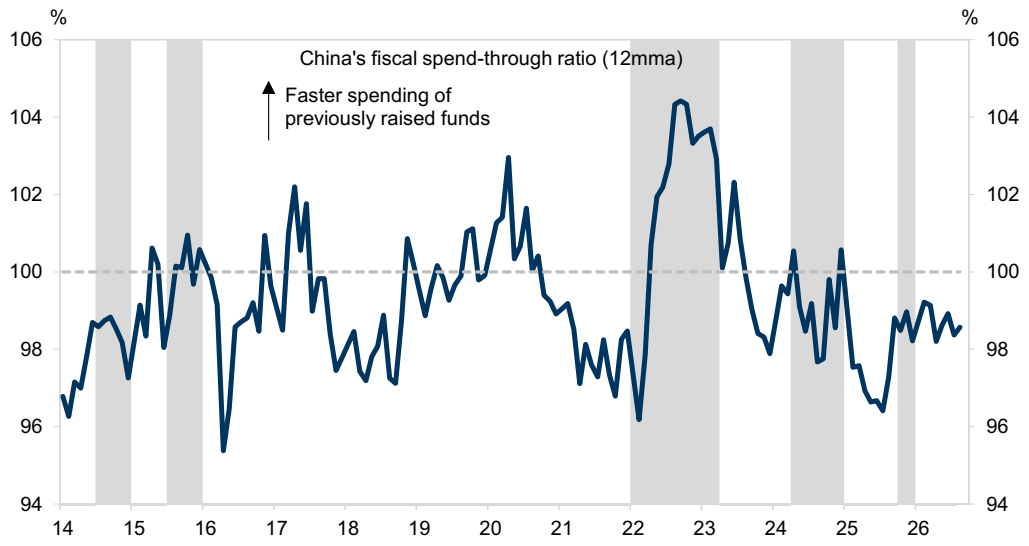
Source: Goldman Sachs Global Investment Research, Wind, Haver Analytics, CEIC

Exhibit 17: Our augmented fiscal deficit (AFD) metric narrowed further on a 12-month moving average basis in July



Source: Goldman Sachs Global Investment Research, CEIC, Wind

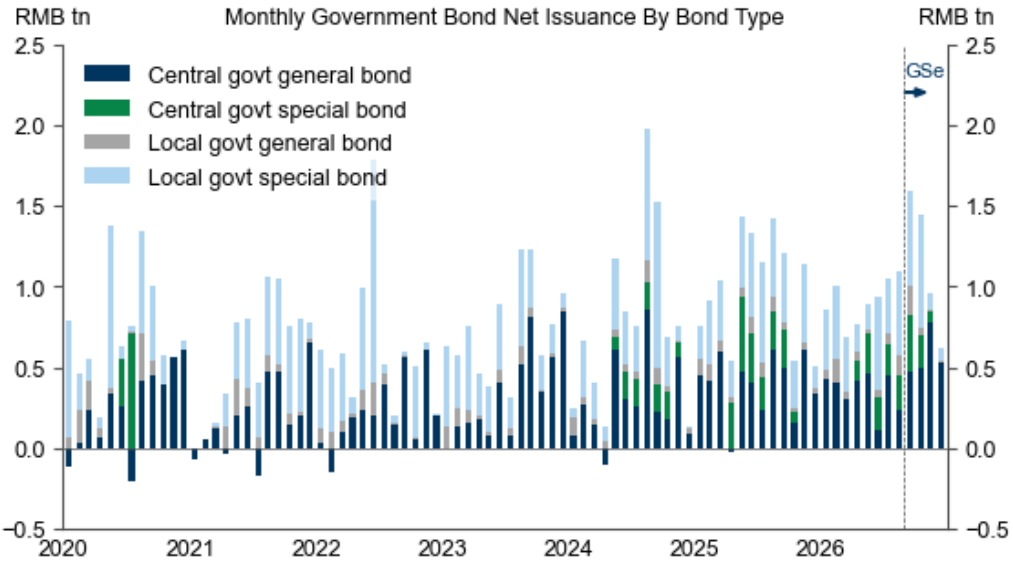
Exhibit 18: China's fiscal "spend-through" ratio ticked up slightly in August



Shaded areas refer to periods when China's year-to-date real GDP growth was equal to or below the full-year growth target. Note that the Chinese government did not set a national growth target for 2020.

Source: MOF, Wind, CEIC, Goldman Sachs Global Investment Research

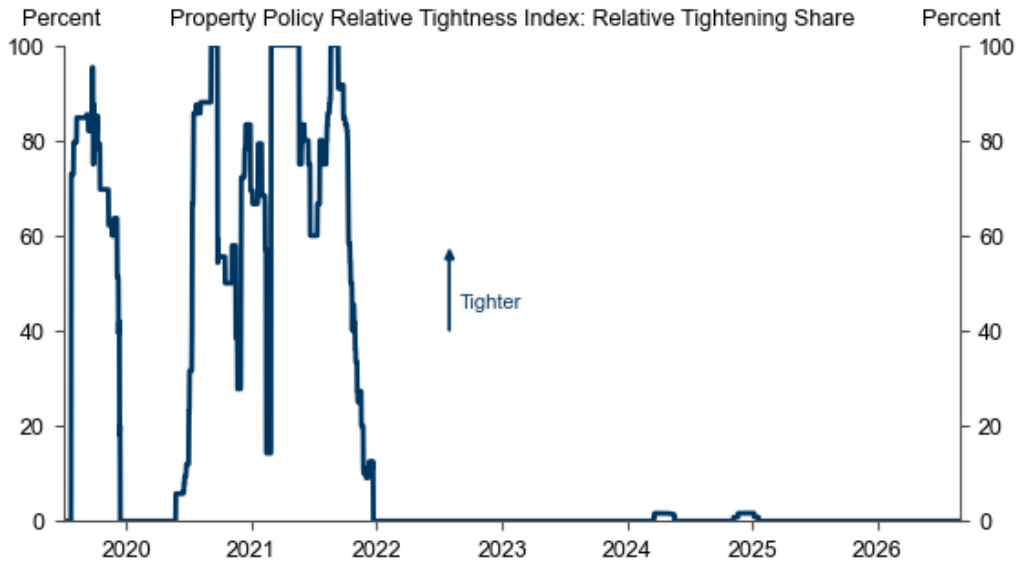
Exhibit 19: Government bond net issuance is set to accelerate



Local government refinancing bond issuance for debt resolution is not included.

Source: Wind, CEIC, Goldman Sachs Global Investment Research

Exhibit 20: Our city-level property relative tightness index suggests continued housing easing



Source: Goldman Sachs Global Investment Research, local governments, Sofang.com

Methodology notes for GS proprietary economic indicators

1. Exhibit 1 and Exhibit 2: The China Current Activity Indicator (Bloomberg ticker: GSCNCAI) is the "first principal component" of several real activity indicators, including industrial production, electricity consumption, and PMIs, etc., expressed in GDP-equivalent units. (See the latest GS CAI methodology note here and the revamped methodology for China CAI here.) These indicators can be recategorized to measure sequential momentum in different areas of the economy — manufacturing, consumption, and others (i.e., housing and the labor markets).
2. Exhibit 3: Our import-implied real domestic demand infers China's domestic demand by assigning all Chinese imports by sector to an ultimate source of final demand using China's input-output tables. (See a brief summary of the methodology here.) The real domestic demand implied by the national accounts is estimated from national accounts data (GDP – (Exports – Imports)), as a cross-check for the validity of the sectoral imports-based domestic demand.
3. Exhibit 4: Our China MAP surprise index summarizes the importance and strength (relative to consensus expectations) of economic indicators for the country. Aggregating the MAP over time allows us to examine whether economic data are outperforming or underperforming consensus expectations over a certain period.
4. Exhibit 5: Our construction growth proxy is the median year-on-year growth in housing starts, production of steel, cement and glass. Our manufacturing growth proxy is the median year-on-year growth in production of metal cutting machines, autos, power generating equipment, and microcomputers. (See our explanations here.)
5. Exhibit 6: Our revamped investment tracker is based on seven underlying investment indicators, including commodity demand and output, equipment sales, construction output, and new construction contracts. After data cleaning, we derive the first principal component, which explains 62% of the total variation across the seven series, and then map it to Gross Fixed Capital Formation (GFCF) to measure investment on a real value-added basis.
6. Exhibit 7 and Exhibit 8: Our revised inventory tracker is based on six underlying inventory indicators, including commodities, PMI sub-indices, industrial enterprises' finished goods inventory, and auto inventory. After data cleaning, we derive the first principal component, which explains 25% of the total variation across the six series, and then map it into percentage of GDP terms as our tracker for inventory changes.
7. Exhibit 9 and Exhibit 10: Our revised "outside-in" trade measures estimate China's export growth and import growth using "mirror" statistics reported by its major trading partners, based on the country-specific lead-lag relationship, as a cross-check for the validity of China Customs trade data.
8. Exhibit 11 and Exhibit 12: Our revised GS China Financial Conditions Index (GSFCI) tracks liquidity conditions through 1) a funding index: AA MTN yield, 3m SHIBOR, M2, and TSF flows; 2) the equity market P/E ratio; and 3) the RMB on a trade-weighted basis. Accordingly, the sequential change in the FCI can be attributed to factors through four major channels, i.e., FX, equity, credit, and rates.
9. Exhibit 13: Our estimated growth impact of FCI impulse measures the impact of the FCI changes on GDP growth (see related studies on the China FCI and credit impulse here, here, and here).
10. Exhibit 14: Our preferred gauge of FX flows tracks SAFE monthly net FX sales/settlement as well as the net cross-border flows of the RMB.

11. Exhibit 15 and Exhibit 16: Our China domestic macro policy proxy summarizes China domestic macro policy stance from four aspects: 1) fiscal policy; 2) monetary policy; 3) credit policy; and 4) housing policy.
12. Exhibit 17: Our measure of augmented fiscal deficit is the sum of the effective on-budget fiscal deficit and the off-budget fiscal deficit. We estimate the off-budget spending by major channels that finance quasi-fiscal activities, which include new local government special bonds (LGSB), land sales revenue, local government financing vehicle (LGFV) bonds, policy bank support, and shadow banking loans, etc.
13. Exhibit 18: We define the fiscal spend-through ratio as a function of government revenue, government bond net issuance, and the sequential change in fiscal deposits, among others, to measure the degree to which policymakers are deploying the funds raised from government revenue and bond issuance.
14. Exhibit 19: Our government bond financing tracker measures the pace of government bond net issuance on a monthly basis and its breakdown by bond type, including central government general bond (CGGB), central government special bond (CGSB), local government general bond (LGGB) and LGSB. We also provide our projections for their monthly net issuance schedule through the remainder of the year, based on annual government bond issuance quotas, fiscal policy stance and seasonal patterns, but these may be subject to further changes as more data/policy signals come in.
15. Exhibit 20: Our property policy relative tightness index tracks the relative tightness of property policies in over 100 cities from the following aspects: 1) demand: purchase restrictions (household registration, social welfare contribution, etc.), credit restrictions (mortgage rate, down payment), sales restrictions; 2) supply: caps on selling prices, presales restrictions, and land transaction tax, etc. and; 3) others: property speculation, and land supply.

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