China Economic Perspectives

3Q and September data preview: steady GDP, higher PPI

Economics

China

Yu Song
Economist
yu-za.song@ubs.com
+86-10-5832 8508

Jennifer Zhong
Economist
S1460516050002
jennifer-a.zhong@ubs.com
+86-105-832 8324

William Deng
Economist
william-w.deng@ubs.com
+852-2971 6765

We expect 3Q GDP to be largely stable on a yoy basis.

This forecast assumes we see a rebound in industrial and service activity growth in September.

From late August the government started stating its intention to accelerate its spending which was well below the planned pace on existing projects.

Modest incremental policies were introduced in late September, but we do not expect them to provide a meaningful boost to September activity given their timing and scale.

Retail sales growth is likely dragged by weak auto sales. Consumption subsidies have been on a downward trend.

We expect underlying FAI growth to recover from an exceptionally low level, but it is not clear if data will reflect the change.

Trade growth showed some weakening from high levels in July and August but some of these were weather related. Trade activity is likely to see some sequential recovery in September as these disruptions disappeared.

PPI inflation is likely to rise on the back of high oil prices.

But CPI is likely to be largely stable as food price fell which offsets the oil price rise.

Monetary variables are likely to remain largely steady.

An extra policy push is still needed to get the 4.5% GDP for the whole year. But GDP yoy only needs to accelerate a bit (10-20 bps) in 4Q which could explain why incremental policy supports have been highly measured.

This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 4.**

Figure 1: September macro data forecasts

		Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Sep 26E
CPI	% YoY	(0.4)	(0.3)	0.2	0.7	0.8	0.2	1.3	1.0	1.2	1.2	1.0	0.5	0.8	0.9
	% MoM Saar	(2.5)	(0.3)	4.1	3.8	0.9	(7.4)	8.7	2.1	2.4	0.4	(1.2)	(4.0)	0.9	0.9
PPI	% YoY	(2.9)	(2.3)	(2.1)	(2.2)	(1.9)	(1.4)	(0.9)	0.5	2.8	3.9	4.1	3.5	3.8	4.5
	% MoM Saar	0.1	(1.1)	1.0	(0.6)	2.2	3.7	5.0	12.5	20.1	8.0	0.2	(6.2)	3.2	6.7
Industrial production	% YoY	5.2	6.5	4.9	4.8	5.2	6.3	6.3	5.7	4.1	4.5	5.3	4.5	5.2	5.6
	% MoM Saar	1.3	12.4	(2.5)	6.1	11.8	14.0	4.5	3.3	(9.9)	6.2	13.3	(1.9)	10.3	12.4
Service production	% YoY	5.6	5.6	4.6	4.2	5.0	5.2	5.2	5.0	4.3	4.4	4.7	4.3	4.1	4.4
	% MoM Saar	5.3	5.5	3.2	3.1	12.5	3.4	2.9	2.8	(1.3)	6.0	7.3	2.4	3.5	7.2
FAI	% YoY	(6.3)	(6.8)	(11.2)	(11.1)	(16.0)	1.8	1.8	1.6	(8.0)	(10.7)	(10.0)	(12.8)	(10.6)	(7.5)
FAI, YTD	% YoY	0.5	(0.5)	(1.7)	(2.6)	(3.8)	1.8	1.8	1.7	(1.6)	(4.1)	(5.7)	(6.7)	(7.2)	(7.2)
Retail sales	% YoY	3.4	3.0	2.9	1.3	0.9	2.8	2.8	1.7	0.2	(0.6)	1.0	0.6	0.4	0.0
	% MoM Saar	0.3	3.7	7.2	(10.5)	1.9	17.6	1.8	(1.8)	(10.1)	(1.7)	8.9	(4.8)	(1.4)	(2.9)
Export	% YoY	4.2	8.1	(1.3)	5.8	6.5	21.8	21.8	2.5	14.0	19.2	26.9	23.9	25.0	25.0
	% MoM Saar	(0.6)	14.2	(39.9)	98.8	41.9	232.1	5.1	(60.6)	72.5	55.8	102.5	(6.2)	6.9	20.9
Import	% YoY	1.6	8.0	1.7	2.5	6.3	20.8	20.8	28.4	25.3	27.4	35.8	27.5	28.2	25.0
	% MoM Saar	(11.9)	67.4	(35.7)	(16.1)	140.2	87.3	10.8	124.8	30.5	(3.3)	122.4	(27.2)	(2.4)	19.8
M2	% YoY	8.8	8.4	8.2	8.0	8.5	9.0	9.0	8.5	8.6	8.6	8.0	7.7	7.5	7.4
	% MoM Saar	8.6	7.2	11.0	3.8	12.4	10.1	8.3	3.5	11.4	6.4	2.8	7.7	6.1	5.8
TSF	% YoY	8.8	8.7	8.5	8.5	8.3	8.2	8.2	7.9	7.8	7.7	7.4	7.4	7.2	7.0
	% MoM Saar	7.3	7.1	6.3	8.4	8.1	7.2	8.7	6.5	7.9	7.4	5.8	8.7	4.4	4.9

Source: CEIC, UBS estimates

Figure 2: 3Q GDP growth forecasts

		3Q25	4Q25	1Q26	2Q26	3Q26E
GDP	% YoY	4.8	4.5	5.0	4.3	4.3
	% QoQ Saar	3.6	4.7	5.2	3.1	3.1

Source: CEIC, UBS estimates

We would like to thank Yutong Yang for her assistance in preparing this research report.

Valuation Method and Risk Statement

N/A

