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China monthly: October data preview

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We expect growth to rise further in October, due mainly to a low base for a broad range of activity data and some *targeted* policy support. Excluding base effects, underlying growth momentum may remain soft, as we expect sequential growth indicators to show domestic weakness. Export growth is likely to remain strong, but a large part of the strength is likely to have been driven by price effects. With backloaded government bond issuance and the deployment of policy bank lending, government spending may start to pick up, while the fiscal multiplier might be largely muted on an impaired credit system. Following the release of Q3 GDP data, we *raised* our Q4 and 2026 full-year growth forecasts to 4.8% y-o-y and 4.7%, respectively, from 4.5% and 4.5%. However, we believe markets may look past a higher Q4 GDP growth number and focus more on the growth outlook for next year, for which we maintain our below-consensus GDP growth forecast of 4.0% for 2027 (Consensus: 4.4%).

We expect the PMIs to reflect domestic weakness

The official manufacturing and non-manufacturing PMIs are likely to moderate to 49.8 and 50.0, respectively, in October from 50.1 and 50.2 in September, as the improvement in September was mainly seasonal. The Rating Dog manufacturing PMI, which surveys more SMEs and exporters, is likely to remain robust in October at 52.0, which compares with 52.1 in September, due to the strong momentum in exports.

Growth in major activity data may rise on favourable base effects

On major activity data, due to a low bases, we expect growth in industrial production and fixed asset investment to increase to 5.8% y-o-y and -2.3%, respectively, in October from 5.5% and -7.2% in September. Retail sales growth is likely to remain muted at 1.2% y-o-y in October, little improved from 1.1% in September. Amid the global AI supercycle, export growth in USD may advance to 38.0% y-o-y in October from 36.3% in September.

We expect stable headline inflation amid rising oil prices

We expect CPI inflation to edge down to 0.8% y-o-y in October from 0.9% in September, as lower food and gold prices more than offset higher oil and chip prices. Sequential CPI inflation is likely to moderate to 0.1% m-o-m in October from 0.2% in September, slightly below 0.2% in October 2025. We expect PPI inflation to ease to 4.9% y-o-y in October, after hitting a new high of 5.0% in September, due mainly to lower prices of non-oil raw materials, including coal and chemicals, despite higher oil prices. On a sequential basis, we project flat PPI inflation in October, down from 1.2% m-o-m in September and 0.1% in October 2025.

A rebound in credit growth on strong government bond issuance

We expect credit growth, measured as y-o-y growth in outstanding aggregate financing (AF), to rebound to 7.3% in October from a record low of 7.1% in September. Corporate bond issuance remains a drag, but a very strong month of government bond issuance should more than offset it. Growth in outstanding RMB loans is likely to stay at its record low of 4.8% y-o-y in October, unchanged from September.

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

October data preview

Official manufacturing PMI in October: 49.8 (September: 50.1)

Official non-manufacturing PMI in October: 50.0 (September: 50.2)

RatingDog manufacturing PMI in October: 52.0 (September: 52.1)

We expect the official manufacturing PMI to moderate to 49.8 in October, reflecting a pullback following a seasonal rebound to 50.1 in September from 49.8 in August. October is a seasonally weak month, with its m-o-m change in October averaging -0.5pp over the past five years. The high-frequency data also bode poorly for October. The Emerging Industries PMI (EPMI) rose to 58.0 in October from 52.3 in September. The rise was mainly seasonal. The 5.7pp m-o-m gain in October was less than the 7.3pp increase a year earlier.

The official non-manufacturing PMI is likely to soften to 50.0 in October from 50.2 in September, owing to tepid travel demand during the National Day Golden Week holiday. Amid rising fuel prices, overall holiday passenger trips rose by just 0.6% y-o-y during the holiday, well below the 3.5% gain recorded during the Labour Day holiday in May. The softness was mainly driven by weaker road and air travel demand, which more than offset the resilience of rail travel. Falling stock markets might also weigh on consumer sentiment.

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 robust in October, at 52.0, little changed from 52.1 in September. Growth in weekly container throughput remained solid at 10.3% y-o-y on 1-25 October and compared with 10.5% in September. Amid the global AI uptrend, growth in imports from Korea advanced to 154.4% y-o-y on 1-20 October from 123.1% in September, while growth in exports to Korea quickened to 71.1% from 42.8%.

Industrial production growth in October: 5.8% y-o-y (September: 5.5%)

We expect industrial production (IP) growth to rise to 5.8% y-o-y in October from 5.5% in September, due mainly to a low base. Month-on-month growth in IP was -6.3% in October 2025, well below the average of -4.5% in 2020-24.

On high frequency data, oil-related industrial activity remained subdued. The operating rate of Shandong oil teapot refineries in October was 0.9pp above last October's levels, down from 1.7pp above in September. The operating rate of purified terephthalic acid (PTA) factories was 2.6pp below last October's levels, slightly below 2.4pp below in September. The operating rate of polyester filament yarn (PFY) factories in Jiangsu and Zhejiang provinces was 19.1pp below last October's levels, slightly below 18.0pp below in September.

For the construction-related sector, the weekly operating rate of cement factories increased to 3.3pp above last October's levels from 2.0pp above in September. The weekly cement shipment-to-output ratio increased to 4.9pp above last October's levels from 1.2pp above in September. Growth in weekly steel rebar output at major steel mills increased to -15.1% y-o-y in October from -19.0% in September, while output growth of crude steel was unchanged at -5.3% y-o-y. Growth in the daily average volume of coal burned at power plants in eight provinces in South China moderated to -0.4% y-o-y in October from 2.1% in September.

Export growth in October: 38.0% y-o-y (September: 36.3%)

Import growth in October: 35.9% y-o-y (September: 31.0%)

Trade balance in October: USD126.1bn (September: USD133.5bn)

We expect export growth to rise to 38.0% y-o-y in October from 36.3% in September. Export momentum should stay strong in the near term, helped further by a very low base: last year, export growth fell to -1.1% y-o-y in October from 8.3% in September.

We expect import growth to stay strong and climb to 35.9% y-o-y in October from 31.0% in September, also helped by a much lower base. Higher crude oil prices should keep feeding into China's import values in October, owing to the 20-day-plus shipping window from the Persian Gulf to China. That said, we expect China's crude oil import volumes to stay firmly in negative growth territory in October. Rising prices across a range of semiconductor products, especially memory chips, should also push import values higher.

As a result, we expect the trade surplus to narrow modestly to USD126.1bn in October from USD133.5bn in September.

Higher-frequency trade-related data

According to the Ministry of Transport, container throughput at major ports grew a strong 10.1% y-o-y month-to-date in October (weekly data as of 27 October). That is slightly below September's 10.5%.

On imports, the China Import Dry Bulk Freight Index (CDFI) tracks freight rates for dry bulk cargo shipped into China, including iron ore, coal, grain and nickel ore. It is up 36.5% y-o-y month-to-date in October, down from 51.5% in September. Growth in Brent crude oil prices jumped again, to 93.5% y-o-y month-to-date in October from 71.7% in September.

CPI inflation in October: 0.8% y-o-y (September: 0.9%)

We expect CPI inflation to edge down to 0.8% y-o-y in October from 0.9% in September, as lower food and gold prices more than offset higher oil and chip prices. Sequential CPI inflation is likely to moderate to 0.1% m-o-m in October from 0.2% in September, slightly below 0.2% in October 2025.

On food prices, according to high-frequency data from the MARA, the agricultural product wholesale price index fell by 2.7% m-o-m in October, following a 1.5% rise in September, with its year-on-year change at -5.7%, down from -1.4% in September. By food category, vegetables and fruit were major drags, with their inflation falling to -18.9% y-o-y and -5.7%, respectively, in October from -8.9% and -3.9% in September. Egg prices fell markedly by 12.1% m-o-m in October, with inflation dropping to 27.9% y-o-y from 34.7% in September. Amid a low base, pork inflation rose to -12.4% y-o-y in October from -16.9% in September.

For energy prices, retail gasoline prices were raised by RMB385/tonne on 25 September and by RMB435/tonne on 30 October, leading to a sequential gain of 4.3% m-o-m in October and a 0.13pp boost to headline month-on-month CPI inflation.

For gold, its average spot price fell by 4.6% m-o-m in October, with its year-on-year change at 1.8%, down from 18.0% in September. We estimate gold could shave headline year-on-year CPI inflation by 0.08pp in October.

PPI inflation in October: 4.9% y-o-y (September: 5.0%)

We expect PPI inflation to ease to 4.9% y-o-y in October, after hitting a new high of 5.0% in September, due mainly to lower prices of non-oil raw materials, including coal and chemicals, despite higher oil prices. On a sequential basis, we project a flat PPI inflation in October, down from 1.2% m-o-m in September and 0.1% in October 2025.

For raw material-related indices, the month-on-month change in prices of Nanhua industrial raw materials fell to -1.4% in October from 7.0% in September. The month-on-month change in prices of raw materials tracked by the NBS dropped to 0.4% in October from 6.1% in September. Amid the standoff in the Middle East, average Brent prices increased by another 8.0% m-o-m in October, following a 28.5% jump in September, with its year-on-year change rising to 80.3% from 71.7%. The price of coking coal fell by 12.1% m-o-m in October, following a 20.5% gain in September, with its year-on-year rate dropping to 46.9% from 76.2% in September. For precious metals, due to a high base, global LME metal price inflation fell to 26.3% y-o-y in October from 36.6% in September.

Retail sales growth in October: 1.2% y-o-y (September: 1.1%)

We expect retail sales growth to edge up to 1.2% y-o-y in October from 1.1% in September. Underlying consumption momentum is still weighed down by payback effects from the scaled-back trade-in programme, subdued consumer confidence and weaker demand for domestic fuel and consumer electronics as imported inflation pushes prices higher.

By component, we expect retail sales growth in autos, catering and merchandise excluding autos of -20.8% y-o-y, 1.7% and 3.5%, respectively, in October versus September readings of -21.2%, 2.1% and 3.5%.

On auto sales, the China Passenger Car Association (CPCA) has not yet released its advance estimate for October. CPCA data for 1-26 October show passenger car retail sales down 26% y-o-y in volume terms. Based on that, we expect volume growth to stay deeply negative, at around -25% y-o-y (September: -28.0%). Autos should remain the

main drag on headline retail sales, reflecting the scaled-back trade-in programme and the increase in the EV purchase tax from zero to 5%, effective January 2026.

Elsewhere, catering growth is likely to stay soft. Spending over the National Day Golden Week holiday was lacklustre, and the base from last year is high. Growth in merchandise excluding autos should stay subdued, with the major durable goods categories still affected by the payback from the trade-in programme. Households are also likely to cut back on fuel and consumer electronics, as imported inflation pushes prices up.

FAI growth in October: -2.3% y-o-y (September: -7.2%)

FAI growth in October: year-to-date: -6.7% y-o-y (September: -7.2%)

Fixed asset investment (FAI) growth increased to -7.2% y-o-y in September from -10.6% in August, and we expect its growth to increase further to -2.3% in October, thanks to a low base and policy support, with its year-to-date growth rising to -6.7% y-o-y in October from -7.2% in September. On the base effect, FAI growth was -12.6% m-o-m in October 2025, well below the October average of -7.9% in 2022-24. On policy support, the uptick in government bond issuance and the deployment of RMB800bn in new policy financing tools (NPFT) might channel state capital to fund major projects and stabilize investment. As of 28 October, three policy banks have fully disbursed their annual NPFT quotas, including RMB365bn for China Development Bank, RMB315bn for Agricultural Development Bank of China and RMB120bn for Export-Import Bank of China.

Property investment growth in October (single-month): -26.0% y-o-y (September: -26.2%)

Property investment growth in October (year-to-date): -21.0% y-o-y (September: -20.6%)

We expect property investment to continue to contract sharply, at -26.0% y-o-y in October, little changed from -26.2% in September. On high-frequency data, growth in new home sales by floor space in the Wind survey of 20 major cities fell further to -16.9% y-o-y in October from -10.7% in September. By city tier, the weakness was broad-based across city tiers, as sales growth in tier-1, tier-2 and lower-tier cities was 0.9% y-o-y, -28.6% and -15.7%, respectively, in October, and compares with September readings of 6.9%, -19.4% and -16.3%. Growth in existing home sales volumes in a sample of 18 cities quickened to 21.9% y-o-y in October from 6.7% in September. On home prices, the Iceberg index, a leading indicator based on the lowest listing housing prices, recorded a 0.7% m-o-m decline in October, little changed from in September.

Aggregate financing (AF) in October: RMB1,339bn (September: RMB3,548bn)

New RMB loans in October: RMB292bn (September: RMB1,080bn)

Outstanding AF growth in October: 7.3% y-o-y (September: 7.1%)

Outstanding RMB loan growth in October: 4.8% y-o-y (September: 4.8%)

M2 growth in October: 7.5% y-o-y (September: 7.2%)

We expect credit growth, measured as y-o-y growth in outstanding aggregate financing (AF), to rebound to 7.3% in October from a record low of 7.1% in September. Corporate bond issuance remains a drag, but a very strong month of government bond issuance should more than offset it. Growth in outstanding RMB loans is likely to stay at its record low of 4.8% y-o-y in October, unchanged from September.

In absolute terms, we forecast new AF of RMB1,339bn and new RMB loans of RMB292bn in October. Both are above year-earlier levels of RMB818bn and RMB220bn, respectively.

On bond issuance, deal-level data from Wind show that net government bond financing – for both central and local governments – reached RMB1,140bn month-to-date in October (as of 29 October), notably above its year-earlier level of RMB528bn.

Among other major bond categories (as of 29 October), net corporate bond financing totalled RMB291bn, below its year-earlier level of RMB369bn. Net bond financing for LGFVs was RMB7.7bn, above its year-earlier level of -RMB58bn. Property developers' net bond financing was RMB24bn, above its year-earlier level of RMB10bn.

Short-term liquidity conditions were broadly stable in October. The average DR007 edged down to 1.338% on a month-to-date basis (September:1.398%), lower than the PBoC's 7-

day OMO reverse repo rate of 1.40%. Further out on the curve, the monthly average 10-year CGB yield fell to 1.649% from 1.682%.

Fig. 1: Forecast for economic indicators

Indicators	Unit	Forecast Oct 26	Sep 26	Aug 26	Q3 26	Q2 26	2025	Release date
Economic survey								
Official mfg PMI	Index	**49.8**	50.1	49.8	49.7	50.2	49.6	31-Oct
Official non-mfg PMI	Index	**50.0**	50.2	49.0	49.4	49.9	50.2	31-Oct
RatingDog mfg PMI	Index	**52.0**	52.1	51.5	51.5	51.9	50.3	2-Nov
Activity								
Industrial production (IP)	% y-o-y	**5.8**	5.5	5.2	5.1	4.6	5.9	16-Nov
Retail sales	% y-o-y	**1.2**	1.1	0.4	0.7	0.2	3.7	16-Nov
Fixed asset investment (FAI) ytd	% y-o-y	**-6.7**	-7.2	-7.2	-7.2	-5.7	-3.8	16-Nov
FAI	% y-o-y	**-2.3**	-7.2	-10.6	-10.0	-9.7	-3.8	16-Nov
Inflation								
CPI	% y-o-y	**0.8**	0.9	0.8	0.7	1.1	0.0	9-Nov
PPI	% y-o-y	**4.9**	5.0	3.8	4.1	3.6	-2.6	9-Nov
Trade								
Exports (USD)	% y-o-y	**38.0**	36.3	24.9	28.4	20.1	5.4	10-Nov
Imports (USD)	% y-o-y	**35.9**	31.0	28.3	29.0	29.4	0.3	10-Nov
Trade balance	USD bn	**126**	134	119	365	315	1180	10-Nov
Money and credit								
Outstanding aggregate financing	% y-o-y	**7.3**	7.1	7.2	7.1	7.4	8.3	9-15 Nov
Outstanding RMB loan	% y-o-y	**4.8**	4.8	4.9	4.8	5.2	6.4	9-15 Nov
M2	% y-o-y	**7.5**	7.2	7.5	7.2	8.0	8.5	9-15 Nov
New aggregate financing	RMB bn	**1,339**	3,548	1,658	6,613	6,020	35,603	9-15 Nov
New RMB loan	RMB bn	**292**	1,080	60	800	2,120	16,270	9-15 Nov
Property market								
Property investment ytd	% y-o-y	**-21.0**	-20.6	-19.9	-20.6	-18.0	-17.2	16-Nov
Property investment	% y-o-y	**-26.0**	-26.2	-25.4	-26.4	-23.0	-17.2	16-Nov
Property sales (value)	% y-o-y		-20.0	-12.1	-14.6	-10.9	-12.6	16-Nov
Floor space sold	% y-o-y		-20.4	-14.7	-16.8	-12.7	-8.7	16-Nov
Floor space started	% y-o-y		-25.6	-31.0	-27.9	-25.7	-20.4	16-Nov
Funds for property development	% y-o-y		-26.4	-26.7	-24.8	-23.0	-13.4	16-Nov
New home completion	% y-o-y		-36.3	-28.4	-28.8	-21.9	-18.1	16-Nov
Homes under construction	% y-o-y		-12.8	-12.8	-12.8	-12.5	-10.0	16-Nov

Source: Wind, Nomura Global Economics.

Key events in coming months

Date	Events
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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