Mizuho China Weekly

Economics & Strategy | Asia ex-Japan

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China Weekly Outlook

Full-year GDP Target Achievable?

China's September/Q3 economic performance delivered a mixed bag of results. GDP grew by 4.8% YoY, slightly beating market expectations. However, this marks a slowdown from Q2's 5.2% and falls short of Beijing's 5% annual growth target. Despite the softer momentum, we believe the government is unlikely to introduce major stimulus measures in response. With YTD growth at 5.2%, China only needs Q4 growth to be over 4.4% in order to meet its full-year goal—technically achievable, but increasingly challenging. In fact, we expect Q4 GDP growth to ease to 4.0% YoY, weighed down by sluggish government-led investment and a high base from last Q4's proactive policy support.

Mixed September Data

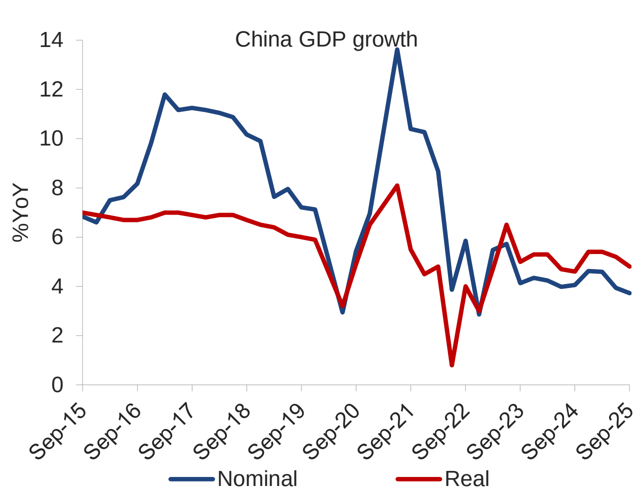
Our estimates suggest that fixed asset investment in September declined by 7.1% YoY, with non-private investment contracting at its sharpest pace since the pandemic-induced national shutdown in early 2020. Real estate investment plunged 21.3% YoY in September, while new home sales continued to post double-digit declines. Retail sales also lost steam, rising just 3.0% YoY, the slowest pace in ten months. Notably, sales of home appliances rose merely 3.3% YoY, reflecting last year's high base when the government's trade-in subsidies were first rolled out.

On a brighter note, industrial value-added surprised to the upside, climbing 6.5% YoY, the strongest in three months. The improvement was broad-based across sectors, though it may have been partly driven by calendar effects. September had 23 working days this year, up 9.5% from last year due to the late Mid-Autumn Festival.

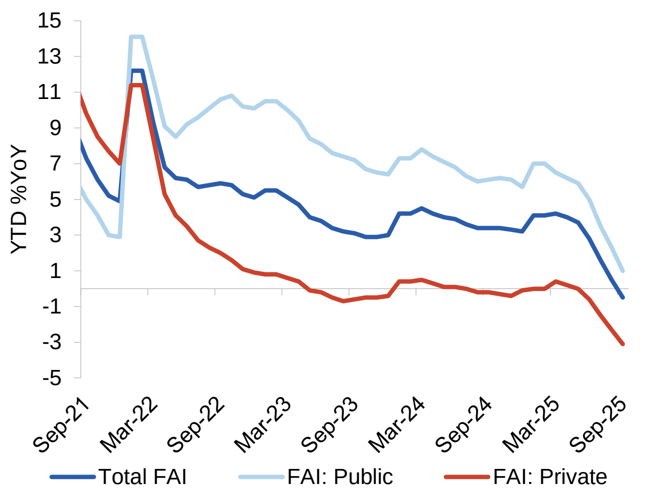
Fourth Plenum on Midterm Goals

Looking ahead, all eyes are on the Fourth Plenum of the 20th CPC Central Committee this week (20–23 Oct). The meeting is expected to outline China's development blueprint for the next five years. Key topics likely include setting medium-term growth targets, advancing RMB internationalization, building a unified national market to enhance productivity and curb excessive competition, and strengthening the resilience of domestic supply chains.

<Nominal GDP growth at a new low in almost three years>



<Lackluster government-led fixed asset investment>



Source: CEIC, Mizuho

CNH Outlook

Forex – CNH gained on eased concerns over higher US tariffs

Rates – Offshore rates ended mixed last week

Equities – SHCOMP failed to repair its losses amid mixed headlines

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	7.1423	7.1495	7.1168	7.1268	-185
USD/CNY	7.1315	7.1431	7.1183	7.1270	-83
CNY PBoC Fixing	7.1007	7.1021	7.0949	7.0949	-99
Shanghai Composite Index	3800.11	3931.05	3800.11	3839.76	-57.27

#Last week, from Monday to Friday
*pips in USD/CNY,USD/CNH row

Weekly Price Change#	HK Close	Weekly Change		HK Close	Weekly Change
CNH Forward (1yr)	-1364	37	CNH HIBOR (3mth)	1.769	0.019
CNH Currency Swap (3yr)	1.490	-0.055	CNH Implied yield (1Y)	1.511	-0.007

Recap

The CNH posted a notable gain last week, buoyed by shifting dynamics in US-China relations. The Trump administration appeared to employ a “good cop, bad cop” strategy: President Trump declared that the US is already deep in a trade war with China and threatened a 100% tariff hike, while Treasury Secretary Bessent struck a more conciliatory tone, suggesting a prolonged truce—conditional on China shelving its proposed export controls on rare-earth minerals.

Meanwhile, the USD softened slightly as markets priced in deeper rate cuts—26bp each in October and December—amid growing trade uncertainty.

Against this backdrop, the CNH broke through the 7.13 mark, ending the week 0.3% stronger. While its performance trailed behind the INR (+0.8%) and JPY (+0.4%), it outpaced other regional currencies including the KRW (+0.2%), SGD (+0.1%), and TWD (-0.4%). The INR saw its biggest gain in four months, driven by optimism over a potential US trade deal and supported by the RBI’s USD selling.

Outlook

In the short term, headlines surrounding US-China trade negotiations and the anticipated Trump-Xi meeting are likely to steer CNH movements, injecting volatility into the currency. We see a heightened probability of the CNH testing either the 7.15 or 7.10 levels in the coming weeks.

Looking further ahead, the PBoC is expected to introduce more accommodative monetary measures, though not immediately, as fixed asset investment continues to decline and retail sales growth slows heading into Q4. We project GDP growth to ease to 4.0% YoY, down from 4.8% in Q3. This deceleration may dampen investor sentiment toward Chinese assets and exert mild downward pressure on the CNH, potentially pushing it toward the 7.2 level in the months ahead.

< FX Charts on Page 8>

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Activity monitor (1/2)

Fig 1 Thermal coal: both demand and supply continue to improve

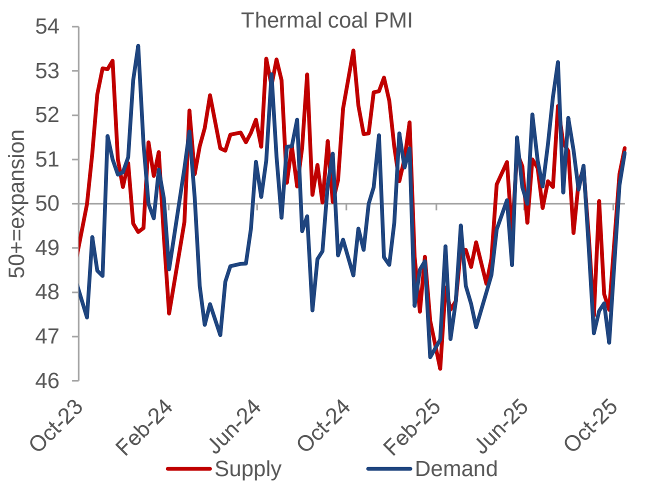
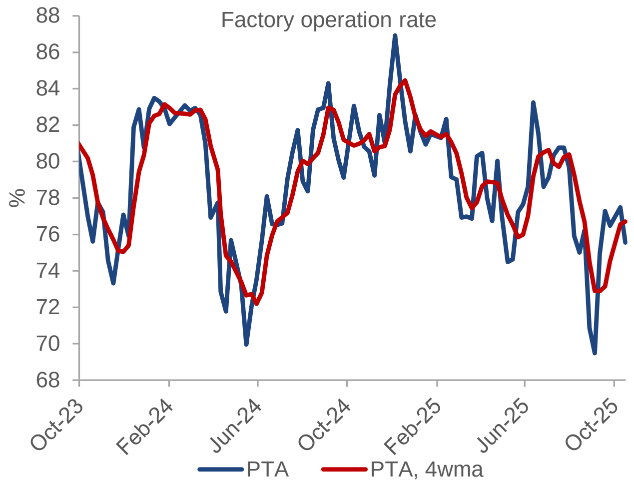


Fig 2 PTA production slightly fell last week



Source: Wind, Mizuho

Fig 3 Steel production continued to see a moderate decline

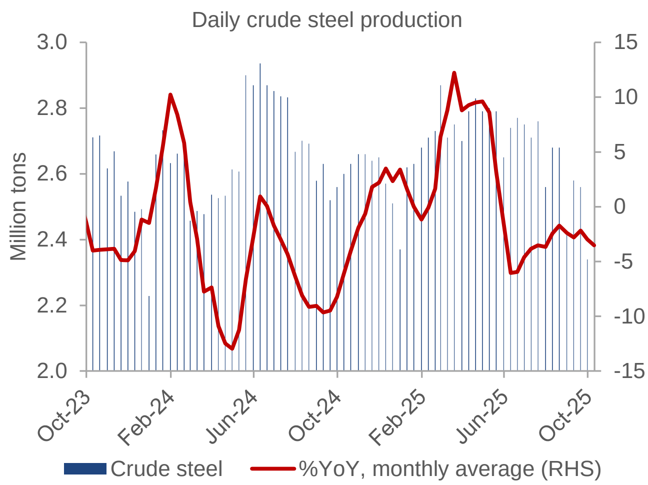
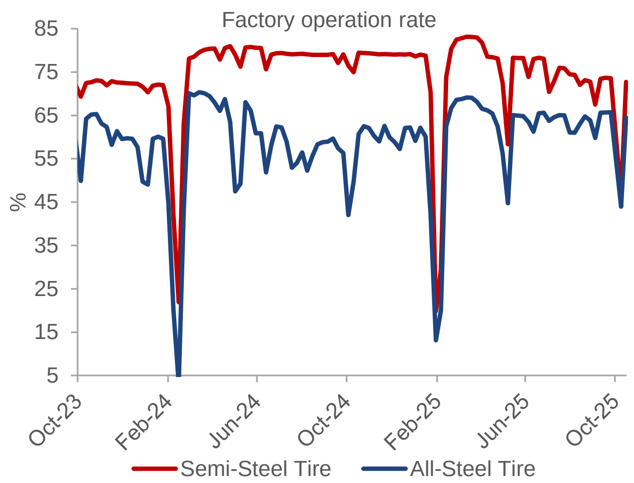


Fig 4 Steel tire production weakened during the national holiday



Source: Wind, Mizuho

Fig 5 CCFI: shipping prices continued to decline

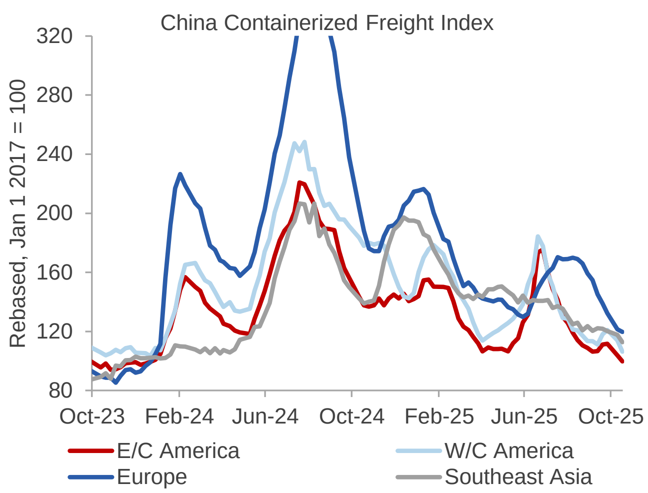
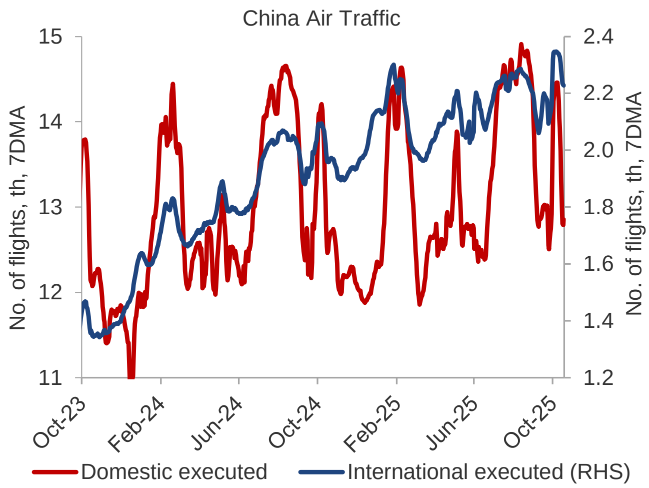


Fig 6 Air traffic: demand for travelling declined after the national holiday



Source: Wind, Mizuho

Activity monitor (2/2)

Fig 7 Road construction activity slightly improved in early Oct

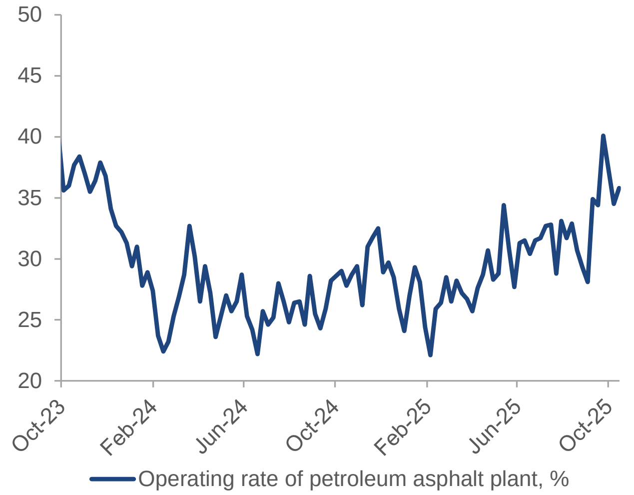
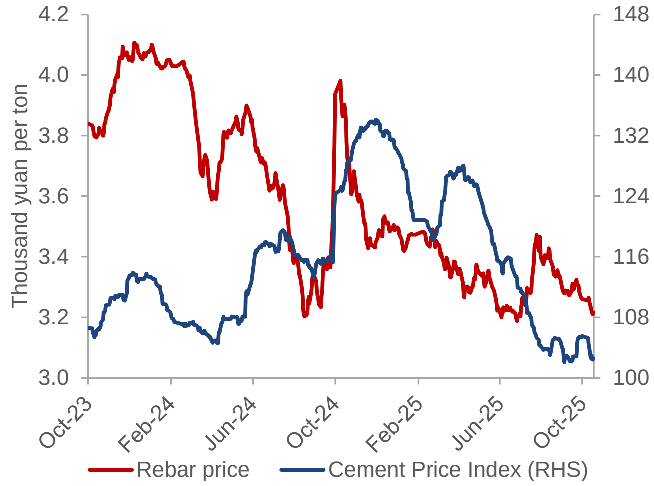


Fig 8 Construction material prices continued to trend lower



Source: Wind, Mizuho

Fig 9 Land sales weakened notably since August

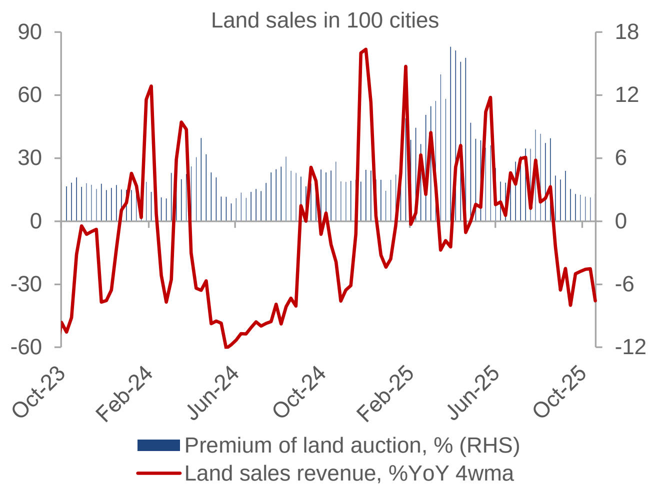
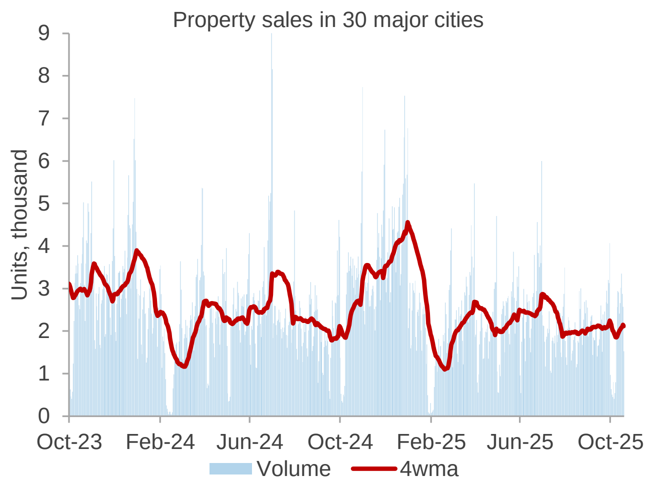


Fig 10 New home sales stayed tepid



Source: Wind, Mizuho

Fig 11 Movie box office revenue ticked up during the holiday

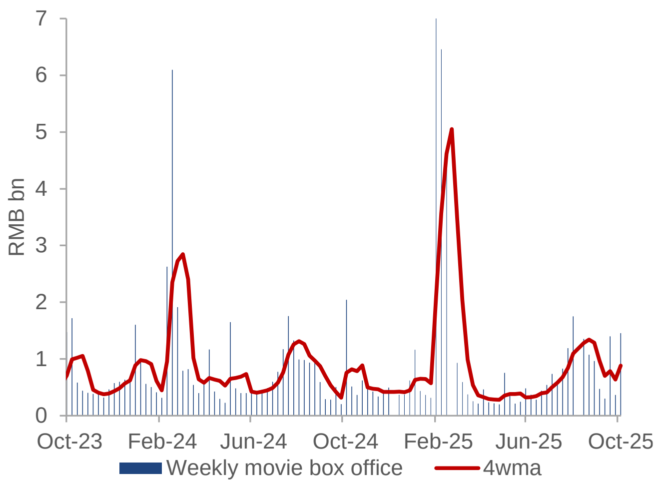
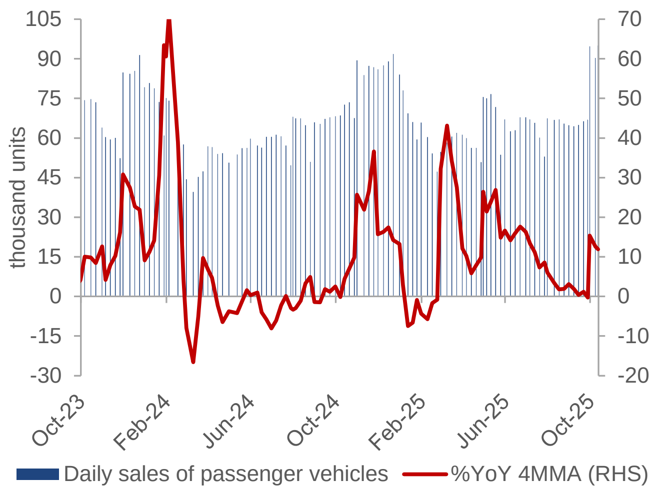


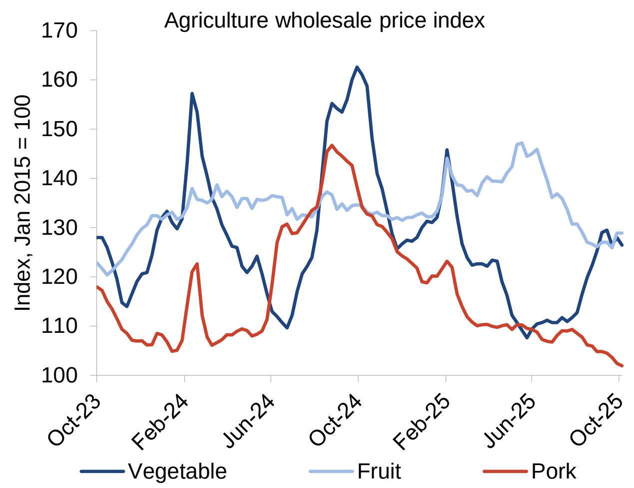
Fig 12 PV sales improved in recent weeks

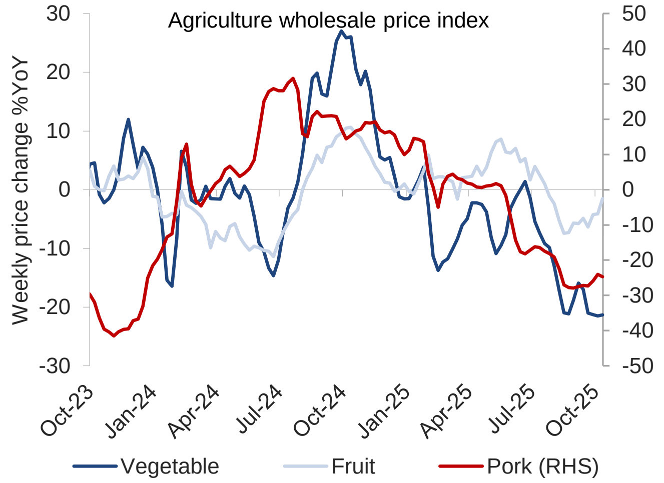


Source: Wind, Mizuho

Price monitor

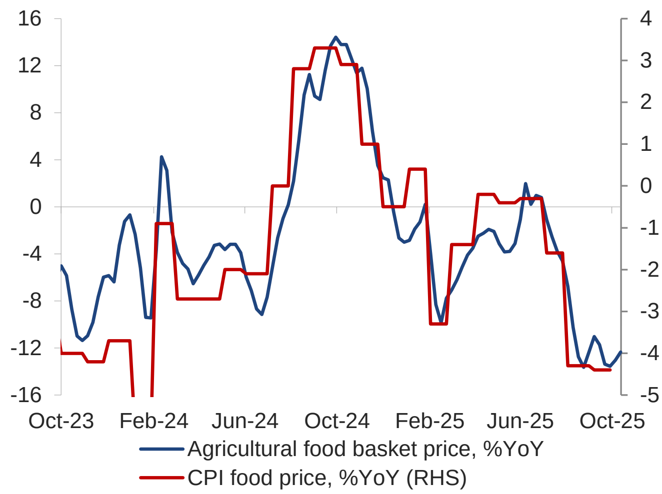
Fig 13 Major food items: pork prices saw further declines in early October

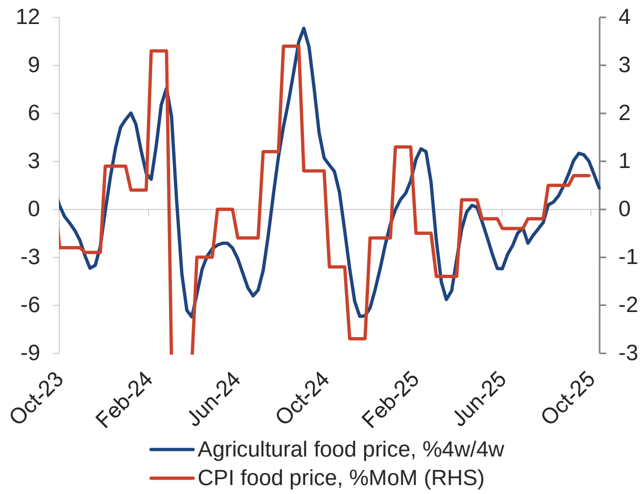




Source: Wind, Mizuho

Fig 14 Wholesale food prices continued their YoY declines in early October





Source: CEIC, Mizuho

Fig 15 Non-ferrous metal prices saw a notable pickup

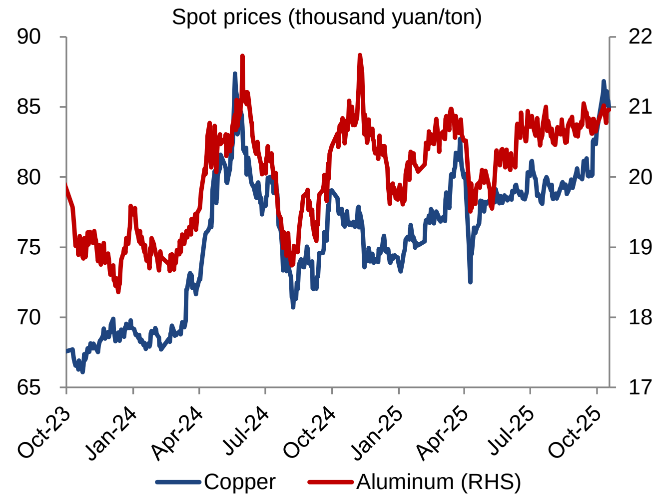
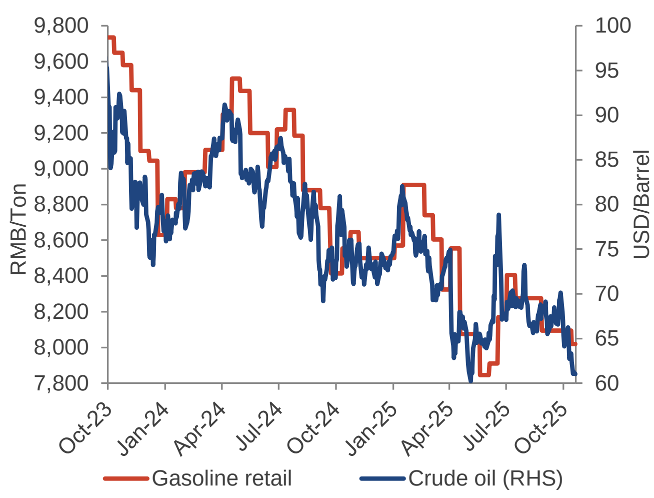


Fig 16 Oil prices edged lower in recent weeks



Source: CEIC, Wind, Mizuho

Liquidity monitor

Fig 17 OMOs: net withdrawal of RMB259b during 13 - 17 Oct

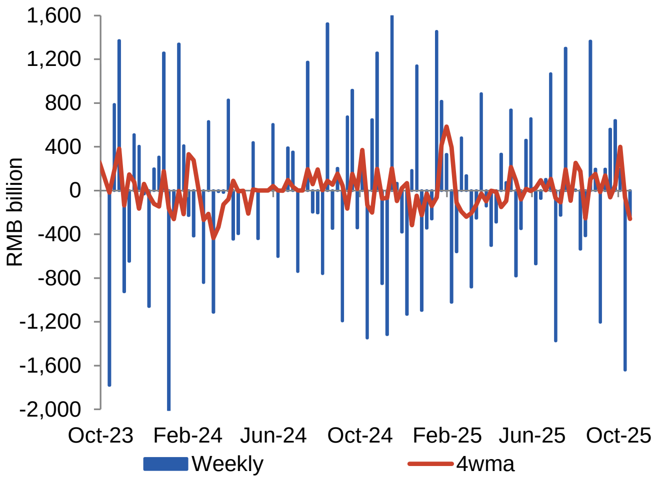
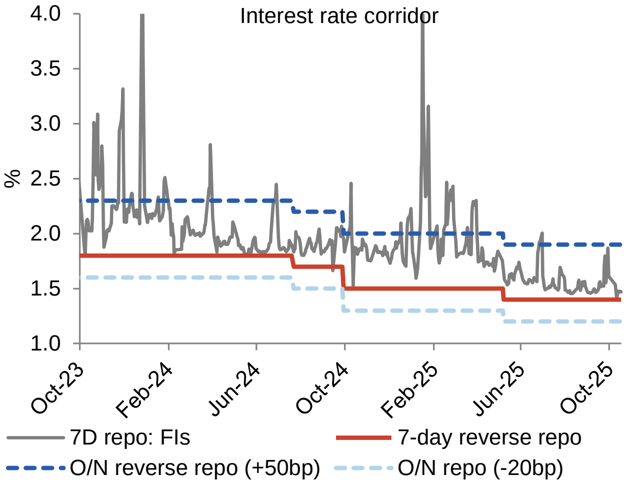


Fig 18 7D repo for FIs back to their benchmark levels in early Oct



Source: CEIC, Wind, Mizuho

Fig 19 Short-end CGB yields: 1Y yields picked up notably

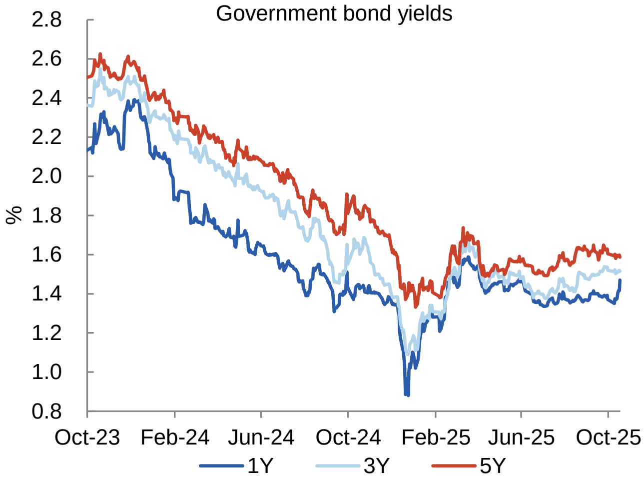
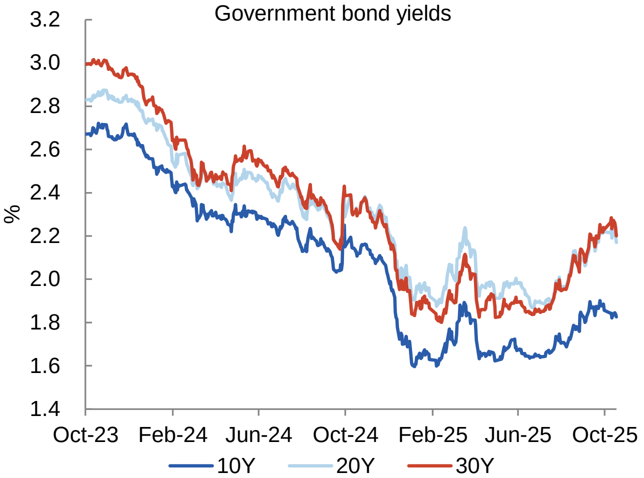
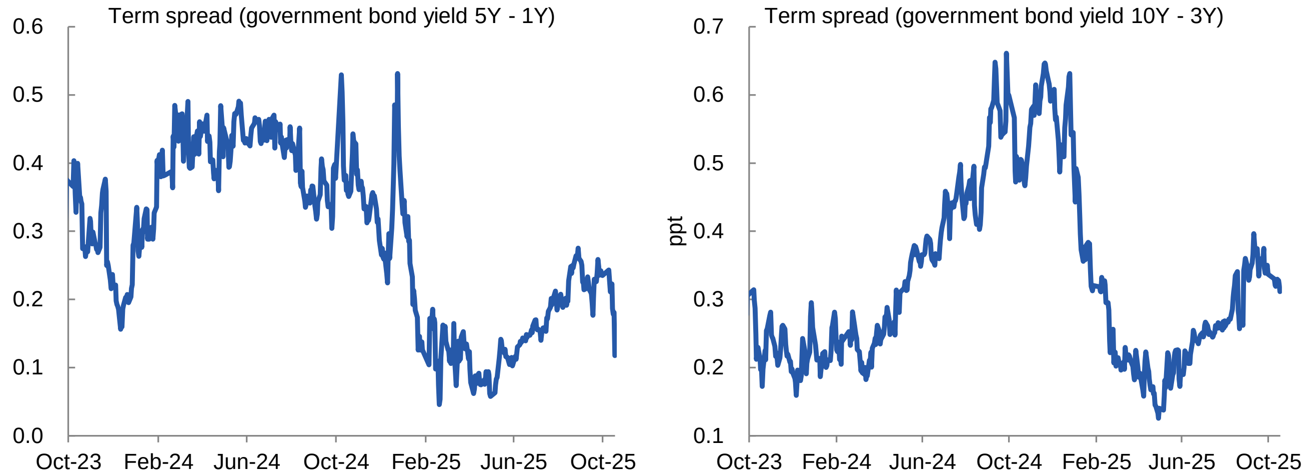


Fig 20 Long-end CGB yields edged lower at the super-long end



Source: Wind, CEIC, Mizuho

Fig 21 CGB term spreads squeezed tighter across the curve last week



Source: CEIC, Mizuho

Credit monitor

Fig 22 IG Corporate bond yields fell across the curve last week

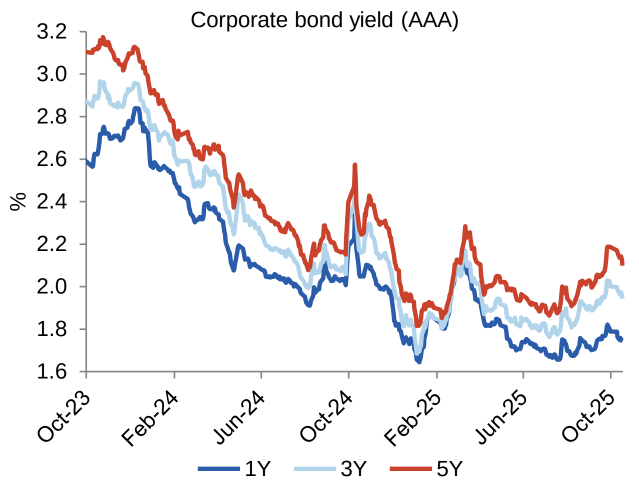
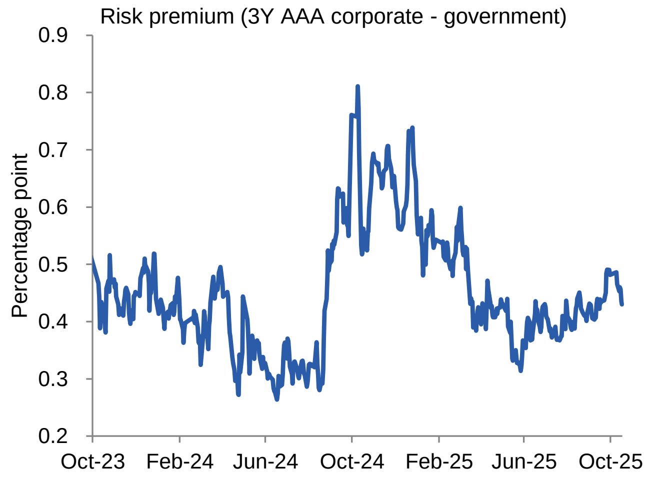


Fig 23 IG corporate risk premium narrowed significantly



Source: Wind, Mizuho

Fig 24 HY Corporate bond yields also edged lower

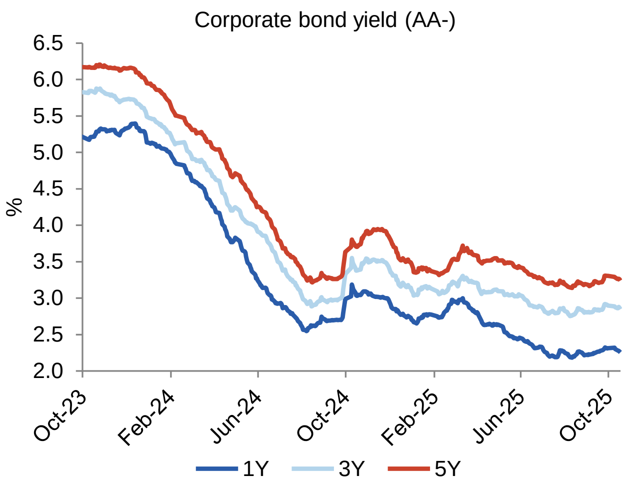
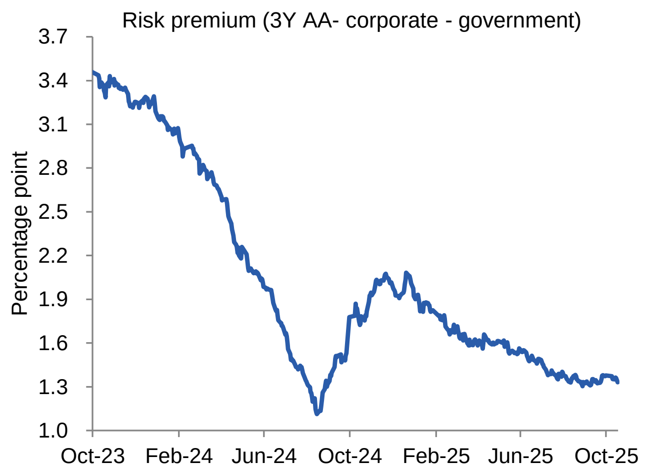


Fig 25 HY corporate risk premium remained relatively tight



Source: Wind, Mizuho

Fig 26 China USD credit spreads were mixed last week amid mixed signals on China-US trade relations

Source: IHS Markit, Mizuho

FX monitor

Fig 27 RMB fixing rate: PBoC increased its intervention lately

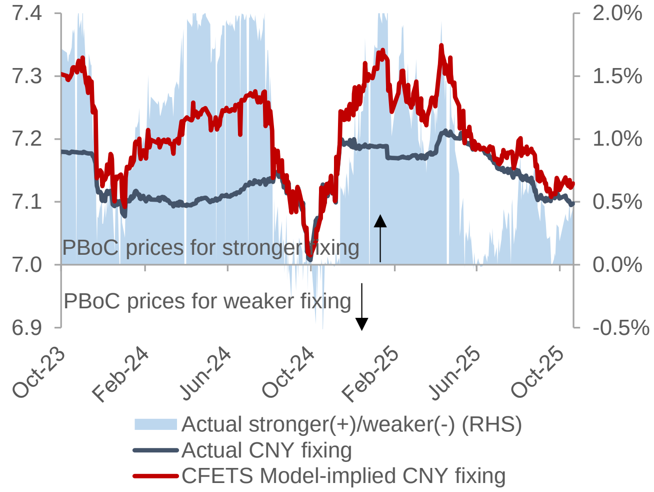
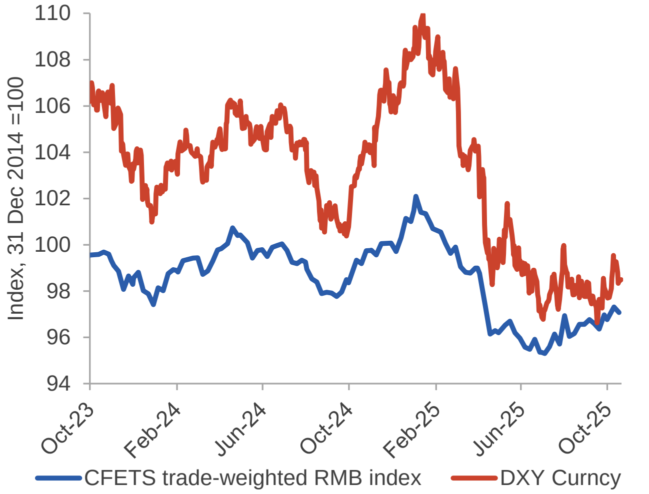
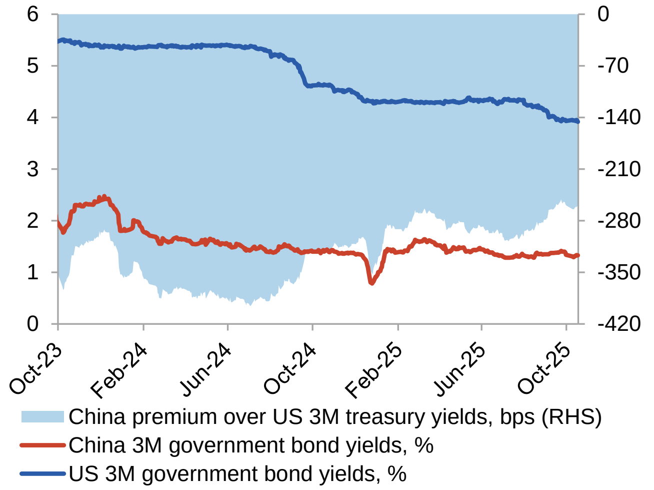


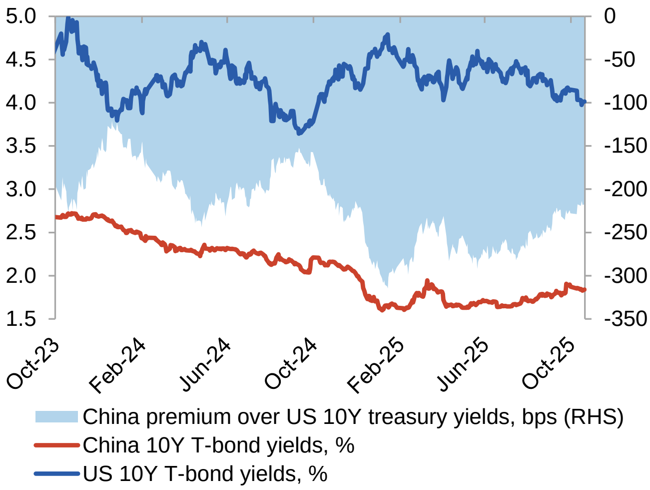
Fig 28 RMB trade-weighted index picked up alongside stronger dollar



Source: CEIC, Bloomberg, Mizuho

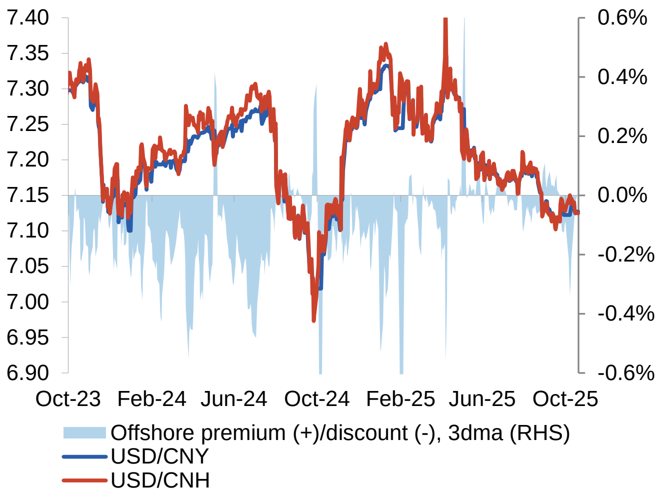
Fig 29 China-US interest rate spreads tightened at the back end but slightly widened at the front end

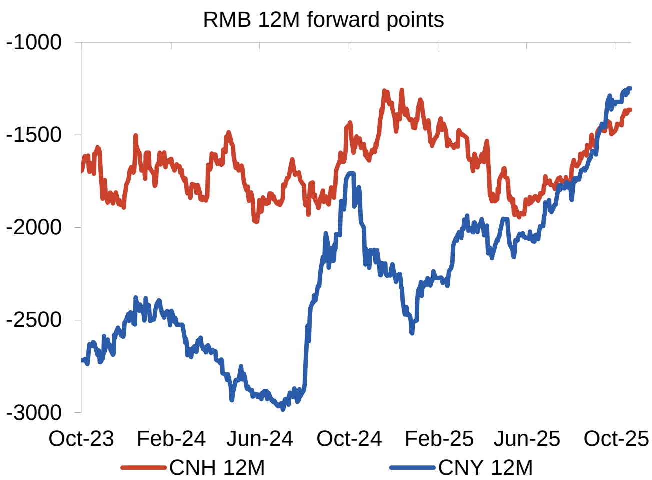




Source: CEIC, Bloomberg, Mizuho

Fig 30 Offshore RMB (CNH) is trading on par with the CNY recently





Source: Bloomberg, Mizuho

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