

## China Weekly Outlook

### Solid consumer sentiment

China reported solid tourism spending and retail sales during the Lunar New Year holiday, supported by the extended break, milder weather, and renewed government trade-in subsidies. Tourism expenditures improved notably during the nine-day break, with the total and daily average rising 18.7% and 5.5%, respectively, from the 2025 holiday. Furthermore, outbound travel reached 9.5 million trips, with the daily average up 10.1% YoY. Besides Hong Kong, top destinations were Thailand, Malaysia, and South Korea.

Retail and dining activity was similarly resilient. Daily sales at major retail and catering enterprises increased 5.7% YoY, while Hainan's duty-free sales surged nearly one third to RMB 2.7 billion. However, it remains uncertain whether this holiday-driven momentum will carry through amid ongoing weakness in the property market (Fig 9&10).

### NPC meetings

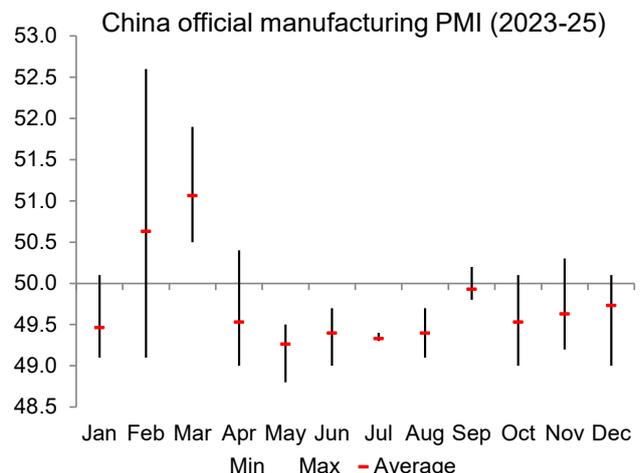
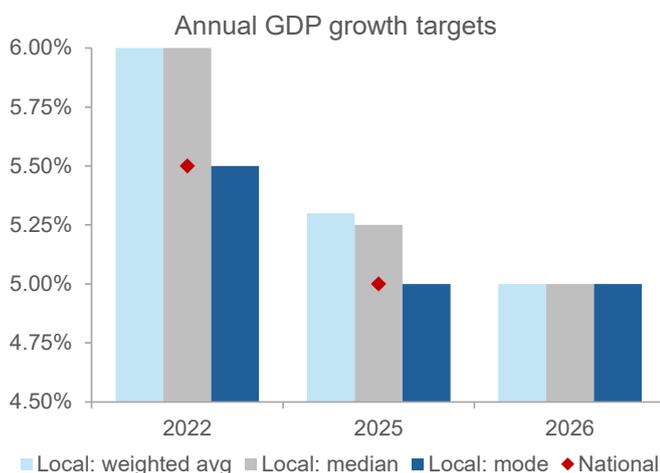
Looking ahead, the fourth plenum of the National People's Congress begins this Thursday (5 March). The meeting is expected to outline Beijing's policy priorities for the year, including economic targets and the fiscal budget plan. While market views differ on whether the GDP growth target will be set at "around 5%" or the range of "4.5%–5%," there is broad consensus that aggressive fiscal stimulus is unlikely. Instead, Beijing is expected to emphasize initiatives to advance cutting-edge technology, reduce involution, and promote the development of a unified national market. The fiscal deficit is likely to remain at 4% of GDP, with a slightly higher quota for special local government bond issuance compared with 2025's RMB 4.4 trillion. Policymakers may also encourage additional city-level property measures as part of efforts to stabilize the housing market.

### Likely PMI pickup

On the data front, we expect the official manufacturing PMI for February to edge up to 49.4 from January's 49.3. Although higher oil prices and disruptions in the Strait of Hormuz following the Iran strikes are expected to weigh on local manufacturing sentiment, these effects are unlikely to be reflected in PMI readings due this Wednesday (4 March). Notably, the weekly PMI for thermal coal rebounded quickly after the holiday, suggesting a positive backdrop for February manufacturing activity (Fig 1). That said, this year's later-than-usual Lunar New Year is expected to distort economic activity patterns beyond February and into March.

<Some local government targets were lowered for 2026>

<February typically sees the most volatile PMI readings>



Source: CEIC, Mizuho

## CNH Outlook

Weekly Price Change#	Week Open	Week High	Week Low	Week Close	Weekly Change*
USD/CNH	6.8983	6.9009	6.8267	6.8625	-353
USD/CNY	6.9035	6.9136	6.8316	6.8624	-425
CNY PBoC Fixing	6.9398	6.9414	6.9228	6.9228	-170
Shanghai Composite Index	4115.92	4167.84	4079.77	4162.88	80.81

#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)	-1339	-26	CNH HIBOR (3mth)	1.669
CNH Currency Swap (3yr)	1.440	-0.075	CNH Implied yield (1Y)	1.432

### Recap

It was unusual to see the onshore market take the lead in driving yuan appreciation last week, with CNY and CNH strengthening by 0.62% and 0.51% respectively. The move was not fueled by any meaningful domestic data releases or new policy signals. Instead, the key driver appears to have been rising demand for USD settlement from Chinese exporters, who stepped up USD settlement amid growing expectations of renminbi appreciation.

Both onshore and offshore rates briefly broke below the 6.84 level midweek, before reversing course after the PBoC announced it would cut the forward FX risk reserve ratio to 0% from 20% on 2 March. At the same time, the central bank has been leaning more visibly against rapid yuan appreciation, setting the daily fixing 0.78% weaker than the CFETS model implied on average last week and as much as 1.2% weaker on Friday (Fig 27).

Entering this week, the yuan slipped alongside most Asian currencies as geopolitical tensions following the Iran strikes boosted the US dollar.

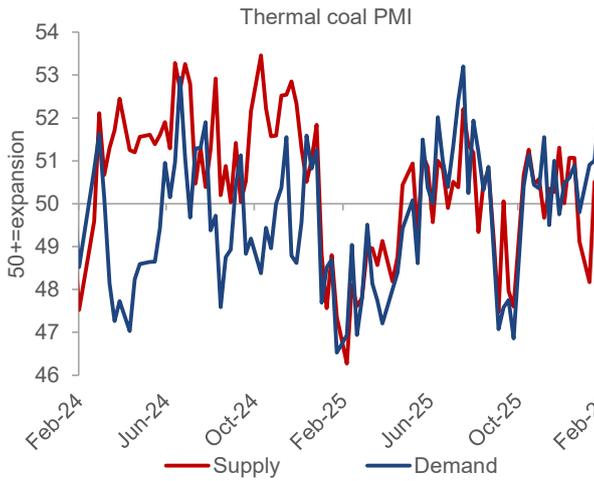
### Outlook

Looking ahead, if China's post-Lunar New Year economic rebound fails to meet market expectations, softer sentiment could inject renewed volatility into the CNH. This risk may be amplified by the PBoC's continued efforts to dampen one-way appreciation expectations, using tools such as the counter-cyclical factor in the daily fixing as well as adjustments in offshore central bank bill issuance to moderate the pace of yuan gains.

<FX Charts on Page 8>

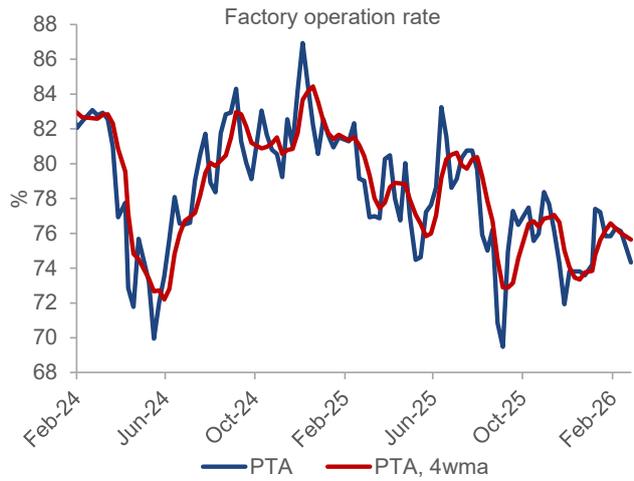
# Activity monitor (1/2)

**Fig 1 Thermal coal: PMI rebounded quickly after the break**

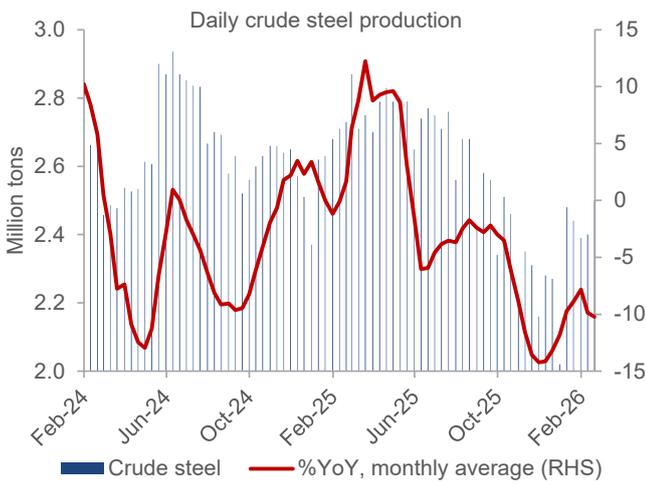


Source: Wind, Mizuho

**Fig 2 PTA production stayed relatively subdued**



**Fig 3 Steel production continued its YoY decline**

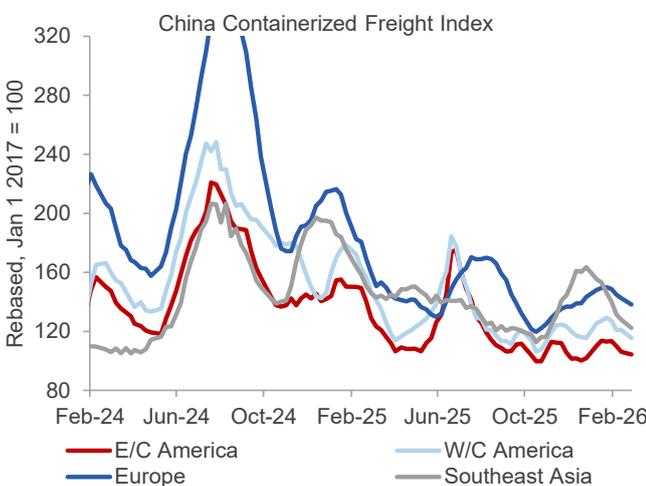


Source: Wind, Mizuho

**Fig 4 Steel tire production dropped ahead of the holiday**

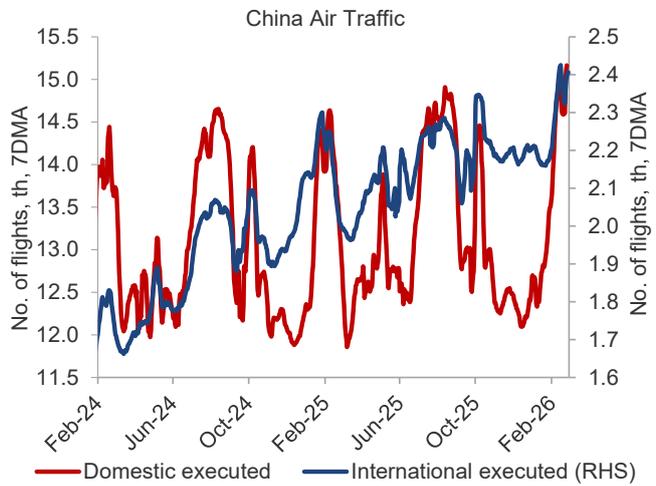


**Fig 5 CCFI: prices for shipments to the ASEAN declined**



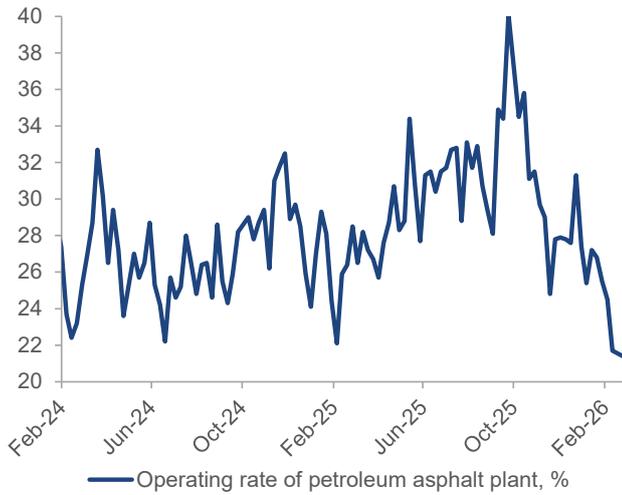
Source: Wind, Mizuho

**Fig 6 Air traffic picked up notably around the holiday**



# Activity monitor (2/2)

**Fig 7 Road construction activity continued to slow**

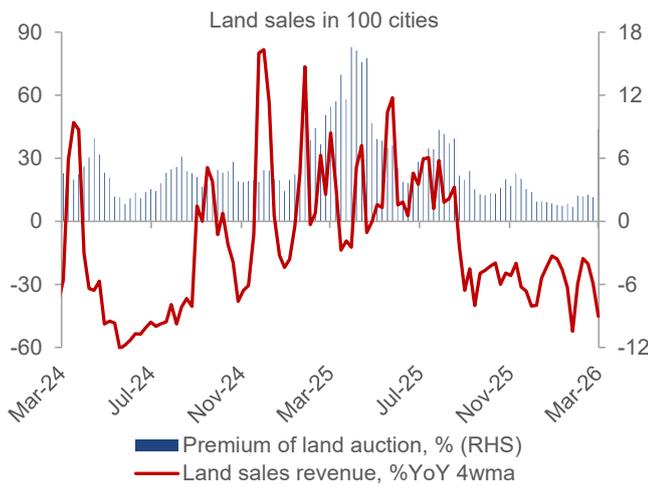


Source: Wind, Mizuho

**Fig 8 Construction material prices: cement prices dropped further**



**Fig 9 Land sales continued to see YoY decline**

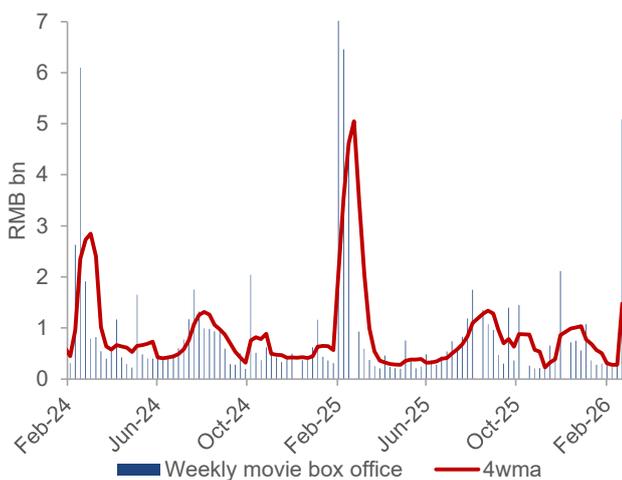


Source: Wind, Mizuho

**Fig 10 New home sales significantly declined during the holiday**

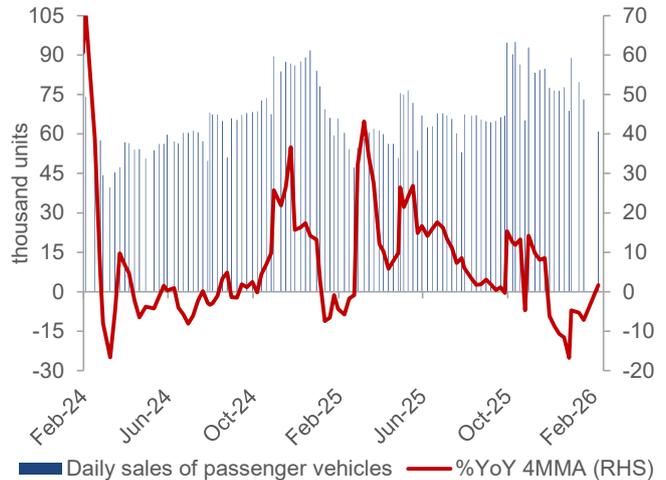


**Fig 11 Movie box office revenue saw a limited pickup in holiday**



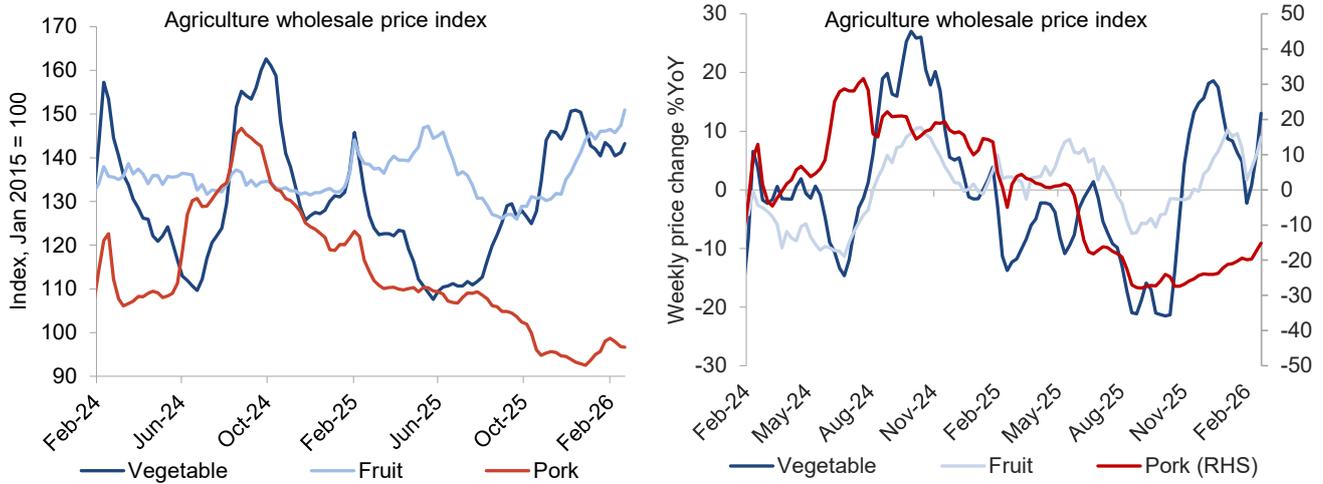
Source: Wind, Mizuho

**Fig 12 PV sales saw a mild increase in February**



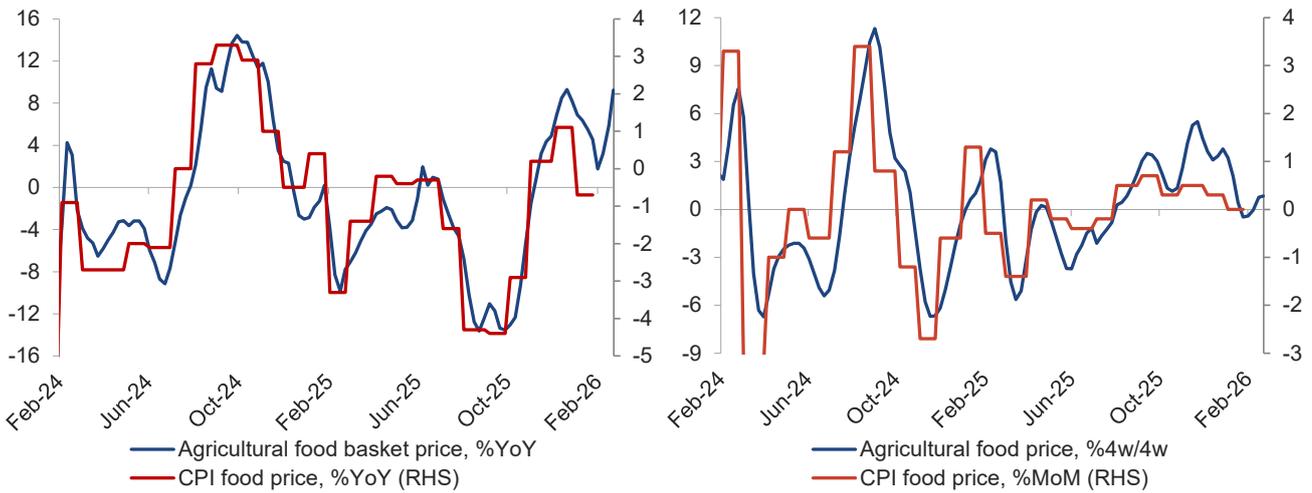
# Price monitor

**Fig 13 Major food items:** holiday demand pushed up prices for fruits and vegetables



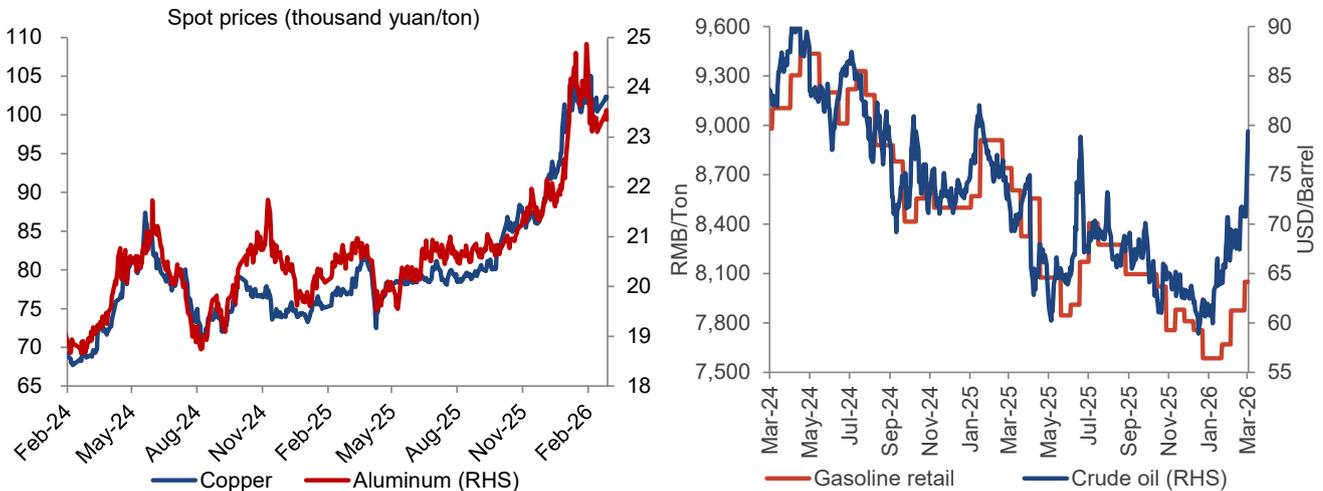
Source: Wind, Mizuho

**Fig 14 Wholesale food prices:** YoY growth picked up during the Lunar New Year holiday



Source: CEIC, Mizuho

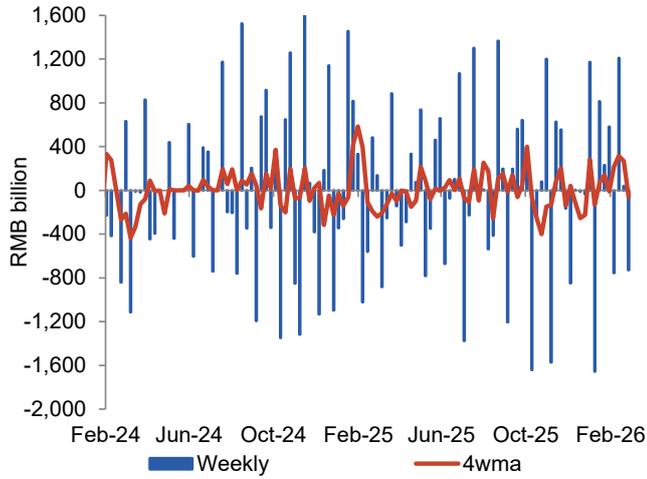
**Fig 15 Non-ferrous metal prices** dropped along lower gold prices **Fig 16 Oil prices** soared post the Iran strikes



Source: CEIC, Wind, Mizuho

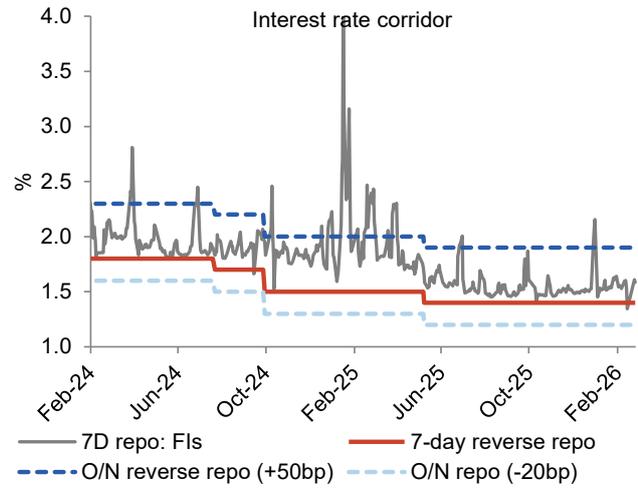
# Liquidity monitor

**Fig 17 OMOs: net withdrawal of RMB727.4b during 23 - 27 Feb**

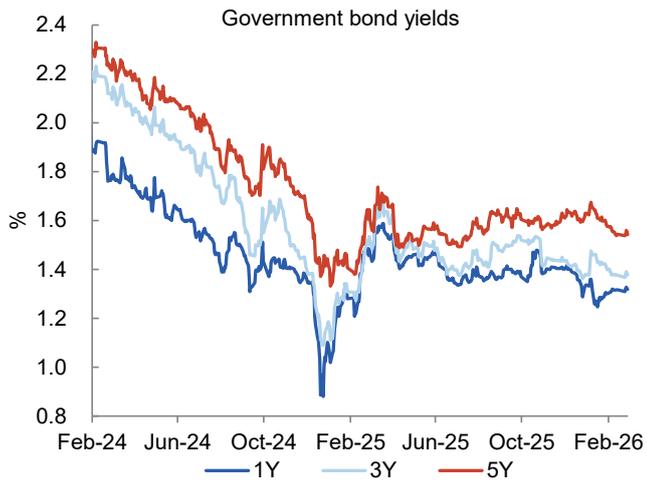


Source: CEIC, Wind, Mizuho

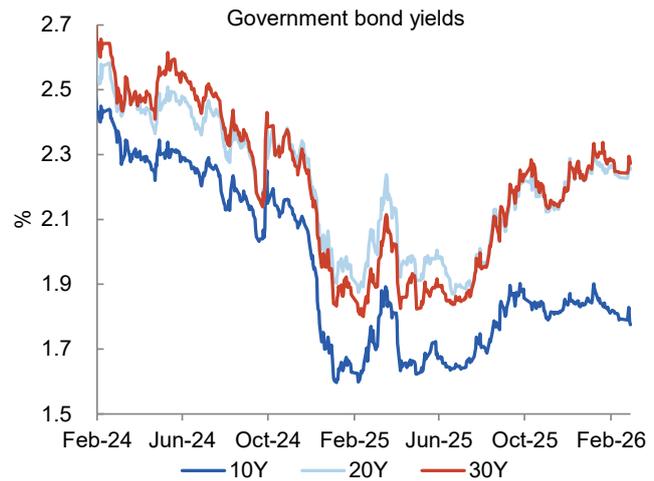
**Fig 18 7D repo for FIs rebounded after the holiday**



**Fig 19 Short-end CGB yields were much unchanged after holiday**

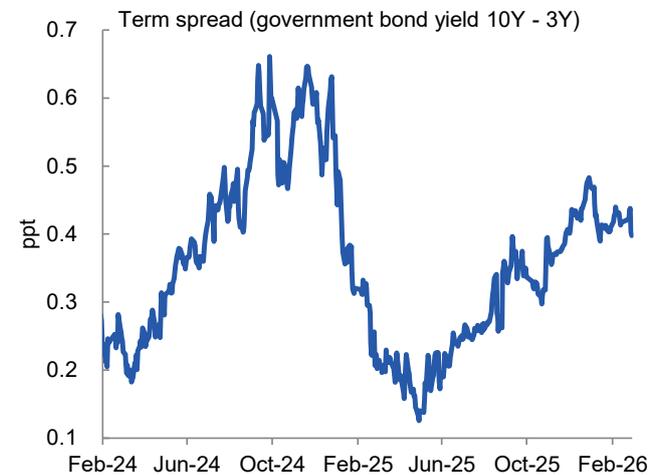
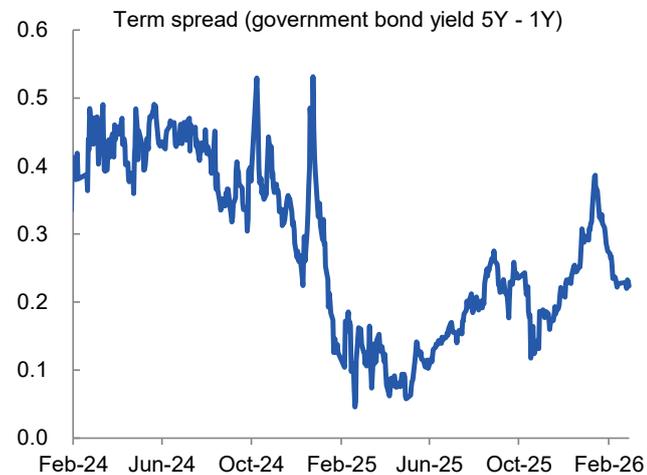


**Fig 20 Long-end CGB yields: 10Y yields continued to trend down**



Source: Wind, CEIC, Mizuho

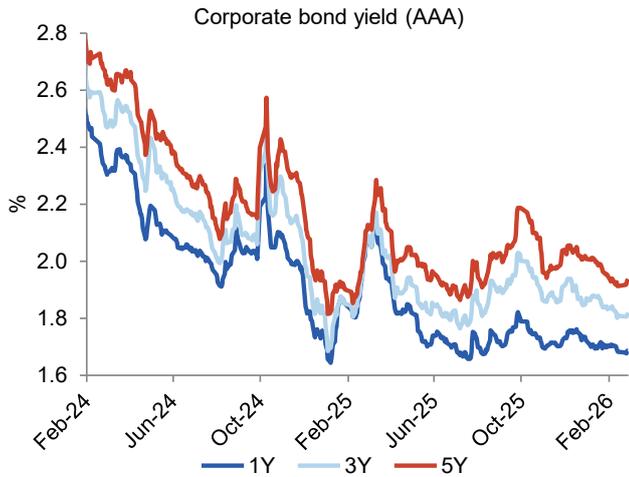
**Fig 21 CGB term spreads tightened notably at the front part for the curve during the past few weeks**



Source: CEIC, Mizuho

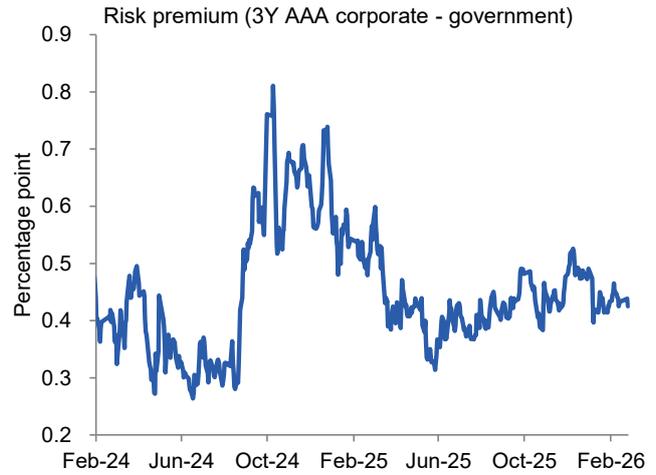
# Credit monitor

**Fig 22 Onshore IG credit yields** edged lower at the longer end

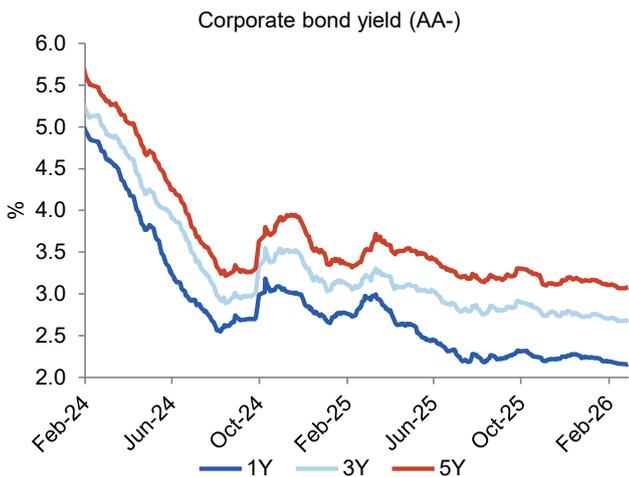


Source: Wind, Mizuho

**Fig 23 IG corporate risk premium** remains relatively subdued



**Fig 24 Onshore HY credit yields** stayed much flat



Source: Wind, Mizuho

**Fig 25 HY corporate risk premium** remained relatively tight



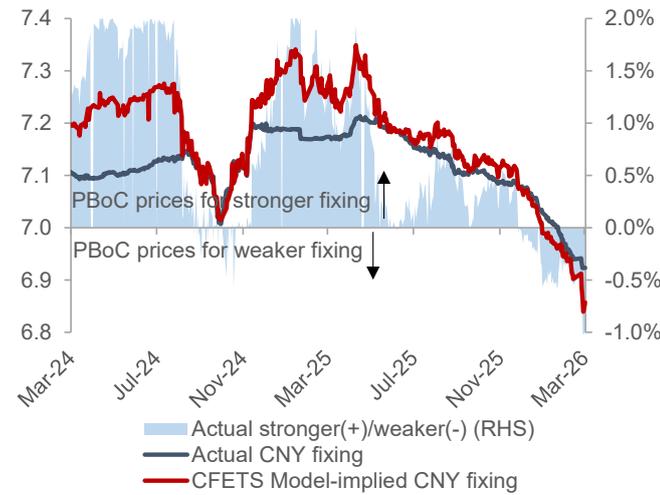
**Fig 26 China USD credit spreads** went along for the ride as global credit spreads pushed wider last week amid the treasury rally



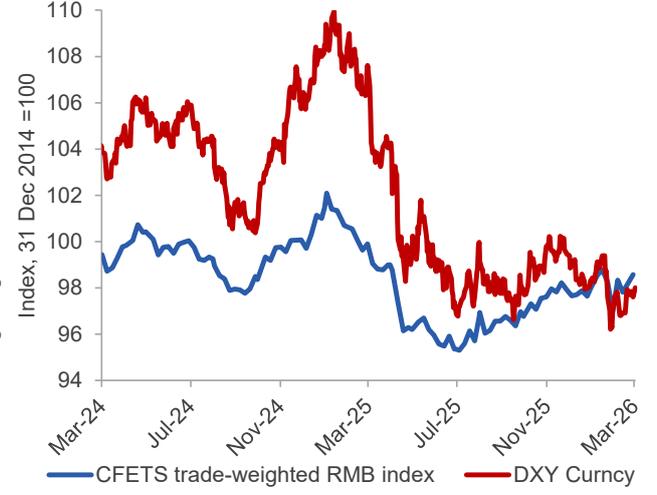
Source: IHS Markit, Mizuho

# FX monitor

**Fig 27 RMB fixing rate:** a notably weaker bias imposed by PBoC

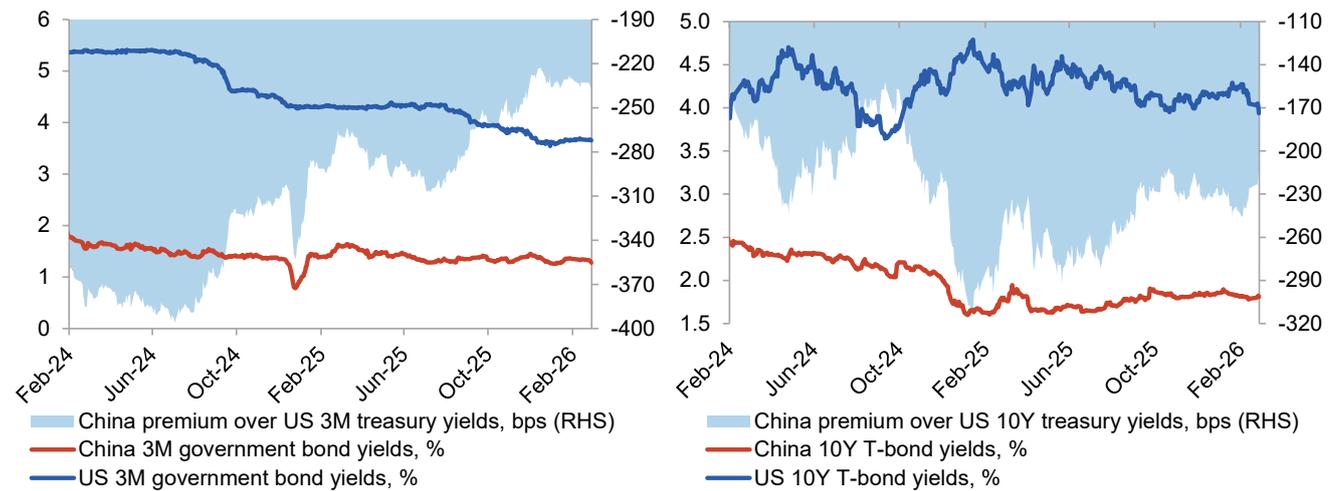


**Fig 28 RMB trade-weighted index** picked up more than the DXY



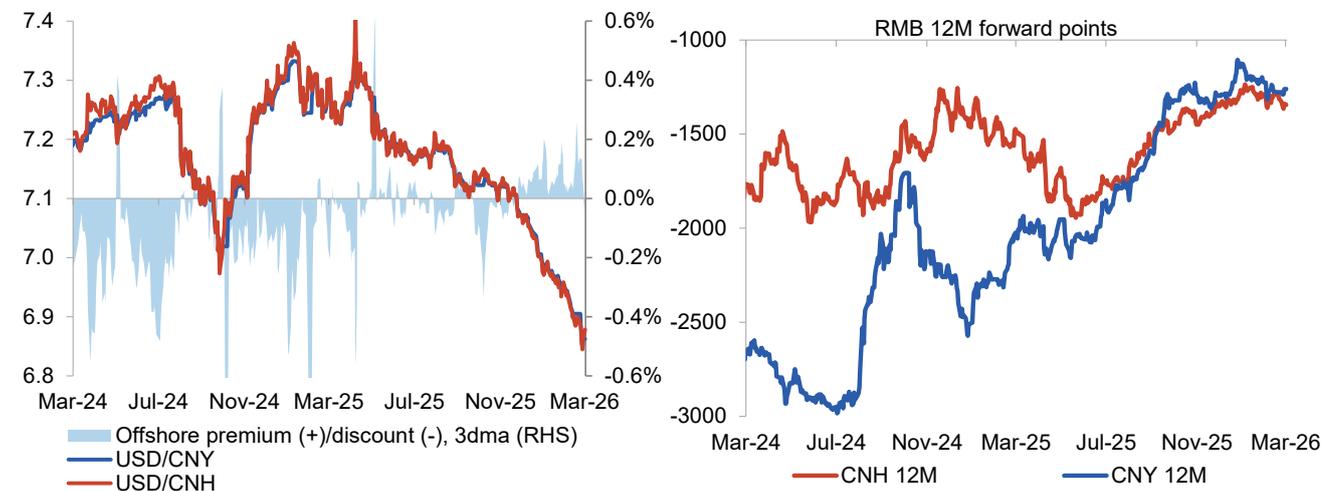
Source: CEIC, Bloomberg, Mizuho

**Fig 29 China-US interest rate spreads** remained much unchanged at the front end, but moved slightly tighter at the back end



Source: CEIC, Bloomberg, Mizuho

**Fig 30 Offshore RMB (CNH)** continued to trade at a premium to onshore rates



Source: Bloomberg, Mizuho

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