Economics

Economic Activity

3Q26 Growth Edges Up To 4.5% yoy; September Data Mixed

- China's 3Q26 real GDP growth edged up to 4.5% yoy (+0.2ppt qoq), slightly above consensus of 4.4% yoy, bringing 9M26 growth to 4.6% yoy. The secondary sector led the improvement, with quarterly IP growth rising to 5.1% yoy from 4.7% yoy, while the quarterly FAI contraction narrowed to 10.2% yoy from 13.1% yoy.
- September data was mixed. Retail sales growth rebounded to 1.1% yoy (+0.7ppt mom), above consensus of 0.5% yoy, and industrial production growth rose to 5.5% yoy (+0.3ppt mom). However, FAI fell 7.2% ytd yoy as property FAI ytd deepened to -20.6% yoy, worse than expected. The unemployment rate improved to 5.2%.
- With 9M26 growth at 4.6% yoy and a low 4Q25 base for comparison, we raise our 2026 real GDP forecast to 4.5% yoy from 4.2% yoy. The changes are supported by stronger-than-expected contribution from external demand.

What's New

Economic Activity Data (Monthly)

(yoy % chg)	Sep-26	Consensus	Aug-26
FAI YTD	-7.2	-7.3	-7.2
FAI*	-7.2	-	-10.7
Property FAI YTD	-20.6	-20.0	-19.9
Industrial Production	5.5	5.5	5.2
Surveyed Unemployment Rate (%)	5.2	5.3	5.3
Retail Sales	1.1	0.5	0.4

** UOB Kay Hian estimates*
Source: NBS, CEIC, UOB Kay Hian

Economic Activity Data (Quarterly)

(yoy % chg)	3Q26	2Q26	1Q26	4Q25	3Q25
GDP	4.5	4.3	5.0	4.5	4.8
FAI*	-10.2	-13.1^	1.7	-13.7	-10.4
IP*	5.1	4.7	6.1	5	5.6
Retail Sales*	0.7	0.2	2.4	1.3	3.0

** UOB Kay Hian estimates*
^ Revised from -9.7% previously published
Source: NBS, CEIC, UOB Kay Hian

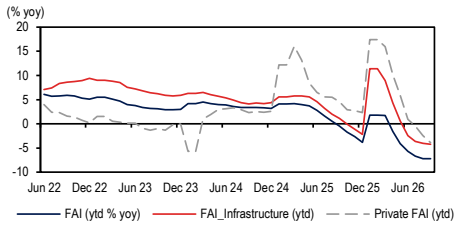
- **China's 3Q26 real GDP growth edged up to 4.5% yoy,** up from 2Q26's 4.3% yoy but below 3Q25's 4.8% yoy, bringing 9M26 growth to 4.6% yoy. On a qoq basis, GDP grew 1.2% in 3Q26, above Bloomberg's consensus estimate of 1.0% and up from 0.9% in 2Q26. By industry, the tertiary sector posted 5.2% yoy (+0.1ppt qoq) growth, while the secondary sector led the improvement by growing 3.4% yoy (+0.4ppt qoq) and the primary sector rose 3.6% yoy (-0.1ppt qoq). Quarterly IP growth improved to 5.1% yoy (+0.4ppt qoq) and quarterly retail sales growth to 0.7% yoy (+0.5ppt qoq), while the quarterly FAI contraction narrowed to 10.2% yoy (+2.9ppt qoq). Quarterly retail sales growth also picked up to 0.7% yoy (+0.5ppt qoq) from 2Q26's 0.2% yoy, but remained well below 1Q26's 2.4% yoy. With consumption growth still below 1% yoy against IP growth of 5.1% yoy, the recovery remains led by production rather than consumption.
- **Industrial production growth rose to 5.5% yoy in September (+0.3ppt mom),** in line with Bloomberg's consensus estimate of 5.5% yoy. In September, 31 of 41 major industries maintained yoy growth in output value (vs 29 in August). High-tech manufacturing continued to stand out (15.3% yoy, -1.4ppt mom), led by industrial robots (18.9% yoy), integrated circuits (18.4% yoy) and NEVs (16.9% yoy), even as overall automobile output fell

Analyst(s)

Tham Mun Hon, CFA
+852 2236 6799
munhon.tham@uobkh.com

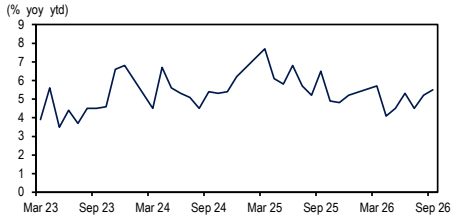
Claire Wang
+852 2236 6761
claire.wang@uobkh.com

Fixed Asset Investment Growth



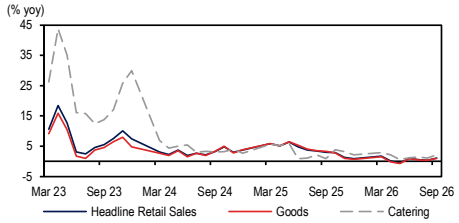
Source: NBS, CEIC, UOB Kay Hian

Industrial Production Growth



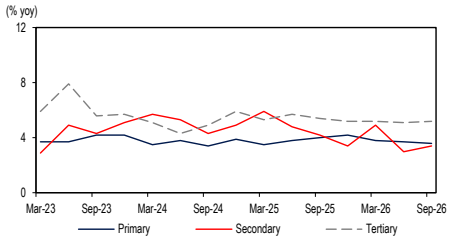
Source: NBS, CEIC, UOB Kay Hian

Retail Sales By Merchandise



Source: NBS, CEIC, UOB Kay Hian

GDP By Industry



Source: NBS, CEIC, UOB Kay Hian

5.7% yoy, whereas mobile phones posted the steepest decline (-26.9% yoy). In contrast, commodity-related output remained weak, with crude oil processing volume down 8.4% yoy, cement down 5.3% yoy and steel products down 3.8% yoy. External demand remained a key driver, with export delivery value rising 17.0% yoy (August: 11.1% yoy). Overall, 3Q26 IP growth of 5.1% yoy improved from 2Q26's 4.7% yoy.

- **September's retail sales growth rebounded to 1.1% yoy (+0.7ppt mom),** above Bloomberg's consensus estimate of 0.5% yoy and the strongest reading since March. By consumption type, catering revenue grew 2.1% yoy (+1.0ppt mom), while retail sales of goods rose 1.0% yoy (+0.7ppt mom). Communication equipment (31.1% yoy, +3.8ppt mom) and tobacco and alcohol (13.8% yoy, +1.3ppt mom) were the main positives, whereas automobiles (-21.2% yoy, -2.7ppt mom), gold, silver and jewellery (-9.6% yoy) and building and decoration materials (-9.2% yoy, +2.6ppt mom) remained the key drags. Excluding automobiles, retail sales grew 3.9% yoy. Despite the beat, retail sales growth has stayed below 2% yoy for seven consecutive months, suggesting the rebound has yet to signal a durable recovery in consumption.
- **FAI ytd growth held at -7.2% yoy in September,** unchanged from August and marginally above Bloomberg's consensus estimate of -7.3% yoy. Property FAI ytd deepened to -20.6% yoy (-0.7ppt mom), worse than consensus estimate of -20.0% yoy and hitting fresh multi-year lows, while residential property sales ytd fell 13.7% yoy (-0.6ppt mom). Infrastructure FAI contracted 4.2% yoy ytd (-0.2ppt mom) and manufacturing FAI contracted 2.1% yoy ytd (+0.2ppt mom), while private investment fell 10.4% yoy ytd. On a positive note, our estimated single-month FAI contraction narrowed to -7.2% yoy in September from -10.7% yoy in August, the fourth consecutive month of narrowing, consistent with the push to accelerate project implementation.
- **The surveyed unemployment rate improved to 5.2% in September (-0.1ppt mom),** below Bloomberg's consensus estimate of 5.3%. Overall, September's data was mixed and slightly market positive. Retail sales beat consensus estimates, and the single-month FAI contraction continued to narrow, though the property sector deteriorated further. The 3Q26 GDP print points to tentative stabilisation from 2Q26's slowdown.
- **We raise our 2026 real GDP forecast to 4.5% yoy** from 4.2% yoy, given the stronger-than-expected ytd growth and low base for comparison in 4Q25. The better growth number is supported by bigger contribution from external demand, where the full-year exports growth has been raised to 16.0% yoy. At the same time, we did have to cut the FAI growth forecast to -7.0% yoy and retail sales growth forecast to 1.3% yoy.

Economic Forecast

	2025	---------- 2026 Forecast ----------		---------- 2027 Forecast ----------	
	Actual	UOBKH	UOBKH	UOBKH	UOBKH
Real GDP(% yoy)	5.0	4.5	4.6	4.2	4.4
Fixed Asset Investment (% yoy)	(1.4)	(7.0)	(4.0)	3.0	3.5
Industrial Production (% yoy)	5.9	5.5	5.3	5.0	4.6
Retail Sales (% yoy)	3.8	1.3	1.4	3.0	3.0
Fiscal Balance (% of GDP)*	(5.1)	(5.0)	(5.4)	(5.5)	(5.5)
M2 (% yoy)*	8.0	7.0	7.8	6.0	7.5
Outstanding Bank Loans (% yoy)	6.4	4.6	n.a.	5.5	n.a.
Total Social Financing (% yoy)	8.3	7.0	n.a.	6.5	n.a.
10-Yr Treasury Bond Yield (%)	1.85	1.65	1.77	1.65	1.76
CPI (% yoy)	0.1	1.0	1.0	1.0	1.1
PPI (% yoy)	(2.6)	2.8	2.5	3.0	1.2
Export (US$, % yoy)	5.2	16.0	18.3	8.0	6.2
Import (US$, % yoy)	(0.1)	18.5	23.9	6.0	6.9
Exchange Rate (Rmb/US$)	6.99	6.65	6.69	6.50	6.56

** UOB Kay Hian estimates*
Note: Using Bloomberg consensus
Source: Bloomberg, CEIC, UOB Kay Hian

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at this link or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."