

## Greater China — Week in Review

15 September 2025

### Highlights: August data reaffirmed a familiar theme

August's data release last week so far reaffirmed a familiar theme: reflation is still proving to be a tough nut to crack. That said, the trade figures validated our earlier view that ASEAN supply chains are becoming increasingly intertwined with China's, forging linkages that even U.S. tariffs will find hard to sever. On the domestic side, there are early hints of shifting asset allocation behavior among households, a trend that could lend further support to the recent bout of optimism in China's equity market—call it a “cautious re-risking” moment.

China's producer price index (PPI) finally broke its nine-month losing streak in August, holding flat MoM. partly reflecting the impact of the government's recent “anti-involution” push. Coal and steel prices continued to rebound, providing a meaningful lift to PPI, although the drag from softer oil prices offset part of those gains. That said, this rebound is facing new headwinds. Unlike in 2016, when upstream price gains flowed smoothly downstream, today's excess supply in mid- and downstream industries is constraining the transmission of higher upstream costs.

Looking ahead, while commodity prices may see further upside, weak demand and low capacity utilization in mid- and downstream industries will likely limit the pass-through effect. The softness in international oil prices adds another layer of downside risk. Taken together, I expect inflation to stay subdued for the remainder of the year.

On trade, China's exports in U.S. dollar terms rose 4.4% YoY in August, a touch softer than market expectations. The weakness was concentrated in shipments to the U.S. and Latin America, while demand from the EU and ASEAN showed resilience. Notably, despite the rollout of re-export tariffs in Vietnam and Indonesia, China's exports to ASEAN gained further traction, with ASEAN's share climbing 5.9ppt to 22.6%. To me, this underscores a structural shift: as ASEAN's industrialization gathers pace, its supply chains are becoming more deeply intertwined with China's—linkages that U.S. tariffs alone will struggle to sever.

On credit data, China's aggregate social financing (ASF) rose by CNY 2.57 trillion, CNY 462.3 billion less YoY, with the outstanding ASF growth rate easing by 0.2ppt to 8.8%. The slowdown was largely due to the fading effect of frontloaded fiscal financing. Government bond issuance came in at CNY 1.37 trillion, down CNY 247.7 billion YoY, not enough to offset the drag from weaker CNY loan growth.

On the deposit front, household deposits increased by only CNY 110 billion in August, CNY 600 billion less YoY, marking a second straight month of negative YoY growth. In contrast, non-bank deposits surged by CNY 1.18 trillion — a record high for the month. This “seesaw” between household and non-bank deposits for two consecutive months, combined with market moves, suggests early signs of asset allocation shifts by households. This could underpin recent optimism in the equity market.

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China's money supply data in August showed a notable divergence in trends. M1 growth accelerated to 6.0% YoY, the fastest pace in over two and a half years, while M2 growth held steady at 8.8% YoY. As a result, the M2–M1 gap narrowed further to 2.8%, the lowest in more than four years. This likely reflects a higher appetite for capital market allocation. Historically, faster M1 growth has also coincided with stronger corporate investment activity. However, given still-weak loan growth, there is little evidence of a broad-based recovery in corporate investment confidence. Even so, the rebound in M1 suggests a gradual return of confidence at the margin.

On September 13, the Ministry of Industry and Information Technology (MIIT), together with seven other government departments, unveiled the Work Plan for Stabilizing Growth in the Automobile Industry (2025–2026). The plan sets a clear roadmap for 2025: total auto sales are targeted at 32.3 million units (+3% YoY), with new energy vehicles (NEVs) expected to reach 15.5 million (+20% YoY). Auto exports are projected to continue their steady climb, while the value-added of automobile manufacturing is set to expand by about 6% YoY—not exactly “pedal-to-the-metal” growth, but steady enough to keep the engine humming.

Looking beyond autos, similar playbooks are in the works for sectors such as steel, non-ferrous metals, petrochemicals, building materials, chemicals, machinery, and light industry. The common theme: deliver qualitative upgrades with a side of reasonable quantitative growth—policy-speak for “grow smarter, not just bigger.”

## Key Development

Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>On September 13, the Ministry of Industry and Information Technology (MIIT), together with seven other government departments, unveiled the Work Plan for Stabilizing Growth in the Automobile Industry (2025–2026).</li> </ul>	<ul style="list-style-type: none"> <li>The plan sets a clear roadmap for 2025: total auto sales are targeted at 32.3 million units (+3% YoY), with new energy vehicles (NEVs) expected to reach 15.5 million (+20% YoY). Auto exports are projected to continue their steady climb, while the value-added of automobile manufacturing is set to expand by about 6% YoY—not exactly “pedal-to-the-metal” growth, but steady enough to keep the engine humming.</li> <li>Looking beyond autos, similar playbooks are in the works for sectors such as steel, non-ferrous metals, petrochemicals, building materials, chemicals, machinery, and light industry. The common theme: deliver qualitative upgrades with a side of reasonable quantitative growth—policy-speak for “grow smarter, not just bigger.”</li> </ul>

## Key Economic News

Facts	OCBC Opinions
<ul style="list-style-type: none"> <li>China’s CPI fell by 0.4% YoY in August while the contraction of PPI improved to -2.9% from -3.6%.</li> </ul>	<ul style="list-style-type: none"> <li>China’s producer price index (PPI) finally broke its nine-month losing streak in August, holding flat MoM. partly reflecting the impact of the government’s recent “anti-involution” push. Coal and steel prices continued to rebound, providing a meaningful lift to PPI, although the drag from softer oil prices offset part of those gains. That said, this rebound is facing new headwinds. Unlike in 2016, when upstream price gains flowed smoothly downstream, today’s excess supply in mid- and downstream industries is constraining the transmission of higher upstream costs.</li> <li>On the CPI side, headline inflation was also flat MoM in August, but a high base and weaker food prices drove a sharper YoY drop. Core CPI, however, continued to edge higher. Strong gold prices and trade-in programs supported core goods inflation, with YoY growth picking up 0.1ppt to 0.9%. Structurally, gold and platinum jewelry prices surged 36.7% and 29.8% YoY, respectively, together contributing about 0.22ppt to headline CPI. In addition, consumer stimulus programs helped sustain household appliance and durable recreational goods inflation, which rose to 4.6% and 2.4% YoY, respectively.</li> <li>Looking ahead, while commodity prices may see further upside, weak demand and low capacity utilization in mid- and downstream industries will likely limit the pass-through effect. The softness in international oil prices adds another layer of downside risk. Taken together, I expect inflation to stay subdued for the remainder of the year.</li> </ul>
<ul style="list-style-type: none"> <li>In August, China’s exports in U.S. dollar terms rose 4.4% YoY, a touch softer than market expectations.</li> </ul>	<ul style="list-style-type: none"> <li>The weakness was concentrated in shipments to the U.S. and Latin America, while demand from the EU and ASEAN showed resilience. Notably, despite the rollout of re-export tariffs in Vietnam and Indonesia, China’s exports to ASEAN gained further traction, with ASEAN’s share climbing 5.9ppt to 22.6%. To me, this underscores a structural shift: as ASEAN’s industrialization gathers pace, its supply chains are becoming more deeply intertwined with China’s—linkages that U.S. tariffs alone will struggle to sever.</li> <li>On the import front, growth eased in August, weighed down by weaker commodity inflows. In volume terms, copper (-10.6ppt to 7.4%), soybeans (-17.3ppt to 1.1%), and crude oil (-10.7ppt to</li> </ul>

<ul style="list-style-type: none"> <li>▪ In August, aggregate social financing (ASF) rose by CNY 2.57 trillion, CNY 462.3 billion less YoY, with the outstanding ASF growth rate easing by 0.2ppt to 8.8%.</li> </ul>	<p>0.8%) all slipped, likely reflecting a cooling in domestic investment appetite.</p> <ul style="list-style-type: none"> <li>▪ The slowdown was largely due to the fading effect of frontloaded fiscal financing. Government bond issuance came in at CNY 1.37 trillion, down CNY 247.7 billion YoY, not enough to offset the drag from weaker CNY loan growth. Household loan demand stayed soft, with new household loans at just CNY 30.3 billion (down CNY 159.7 billion YoY), consistent with still-depressed consumer confidence and lingering labor market uncertainty. On the corporate side, medium- to long-term loans rose CNY 470 billion, but this was still CNY 20 billion lower YoY, suggesting corporates remain cautious.</li> <li>▪ On the deposit front, household deposits increased by only CNY 110 billion in August, CNY 600 billion less YoY, marking a second straight month of negative YoY growth. In contrast, non-bank deposits surged by CNY 1.18 trillion — a record high for the month. This “seesaw” between household and non-bank deposits for two consecutive months, combined with market moves, suggests early signs of asset allocation shifts by households. This could underpin recent optimism in the equity market.</li> <li>▪ China’s money supply data in August showed a notable divergence in trends. M1 growth accelerated to 6.0% YoY, the fastest pace in over two and a half years, while M2 growth held steady at 8.8% YoY. As a result, the M2–M1 gap narrowed further to 2.8%, the lowest in more than four years. This likely reflects a higher appetite for capital market allocation. Historically, faster M1 growth has also coincided with stronger corporate investment activity. However, given still-weak loan growth, there is little evidence of a broad-based recovery in corporate investment confidence. Even so, the rebound in M1 suggests a gradual return of confidence at the margin.</li> </ul>
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