

Market Views: Is China's 5% GDP growth target a bold ambition or an economic illusion?

Heather Ng

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As Beijing pledges targeted stimulus to meet its economy growth goal of about 5%, investors weigh whether current measures can revive momentum.



China's factory output and retail sales growth slowed in July, undershooting expectations and highlighting the mounting challenge of sustaining economic momentum amid soft domestic demand and persistent global headwinds.

Industrial output rose 5.7% year-on-year, down from June's 6.8% and marking the weakest pace since November 2024, while retail sales growth eased to 3.7% from 4.8%, both trailing forecasts.

With pressure intensifying from US trade policies, Beijing has pledged targeted stimulus to boost consumption and curb excess competition, aiming to stay on track for an annual growth target of about 5%.

AsianInvestor asked industry experts whether current policy measures are sufficient to stabilise growth and support asset prices, or if investors should brace for extended underperformance.

Chi Lo, senior market strategist, Asia Pacific

BNP Paribas Asset Management

China's growth momentum still shows broad based weakness. Of the three major demand indicators, retail sales, investment and industrial output, the first two both contracted in July while the growth rate of industrial output slowed. Although total



Chi Lo

credit growth edged up to 9.0% YoY from 8.9% in June, new bank loans contracted, indicating waning private credit demand.

Meanwhile, deflationary pressures have persisted, with CPI still hovering at 0% and PPI remaining deeply negative. With tariff headwinds rising, the pressure on policymakers to ease more aggressively is rising.

Beijing seems to be responding with policy hints and actions, and this has kept the Chinese stock market in a positive mood and pushed it up to a decade high recently. High beta sectors like telecoms, electronics and machinery are leading the gains. These and other domestic-oriented sectors should deliver strong performance in a tough external environment going forward.

Market indicators like rising daily turnover and marginal financing and increasing number of new investor accounts suggest that short-term market momentum would remain positive. If Beijing can implement more assertive easing measures, as it has pledged, we could see a sustained recovery of Chinese stocks into 2026.

Kevin You, portfolio manager

AllianzGI

There is a clear disconnect at the moment between the weakening macro situation in China and the strong equity market. While we would not be surprised by some near-term consolidation in China equities given the pace of the recent rally, nonetheless we believe the market should continue to be well supported.

The key factors behind the equity recovery over the last year remain firmly in place. These include more supportive government policy, the realisation that China is technologically more advanced than was previously understood and a significant improvement in liquidity.



Kevin You

With interest rates being structurally lower in China, this is encouraging an asset allocation shift across both institutional and retail investors. As such we expect higher yielding equities should continue to see support from fund flows.

While there are many unknowns, including how the geopolitical situation will evolve, China's push for enhanced self-reliance should also see continuing capital investment in key growth industries. News flow in areas related to technology, advanced manufacturing and biotech, for example, is expected to remain positive.

Finally, we do expect some modest and incremental policy support in the final months of the year in order to achieve the GDP growth target.

Vivian Lin Thurston, partner and portfolio manager

William Blair

The recent weak economic data across consumption, manufacturing, infrastructure and property markets reflected the ongoing deflationary pressure of the Chinese economy and softening of policy support related to certain consumer product



Vivian Lin Thurston

subsidies. We believe that poor weather and US-China tariff uncertainties have also contributed to the weakness.

It is evident that the Chinese economy needs meaningful and material fiscal support in order to end the deflationary cycle and repair consumer and business confidence. Until then, we think it could be difficult to see economic growth stabilize. We also believe that the government's anti-involution measures in recent times may lead to reduced supply and price competition for industries such as steel, cement, solar and lithium, therefore helping the profitability of these industries in the near term.

However, the broad-based oversupply issues of the economy due to weak demand remain. It remains to be seen whether the government may announce increased policy support in the coming quarters in light of the weak economic trends, but I think large scale stimulus could be unlikely if China follows the same policy play book as it has in the past couple of years.

Rebecca Jiang, Greater China equities portfolio manager

JP Morgan Asset Management

Recent Chinese data releases have been mixed. Second quarter GDP growth of 5.2% exceeded expectations, with industrial production and exports showing strong performance. However, subsequent factory output data has been lacklustre and retail sales remained subdued, highlighting underlying weaknesses. Despite these challenges, year-to-date Chinese equities have risen by over 20%, outperforming the broader Asian region. Recent market gains have been driven by easing US-China trade tensions, the "anti-involution" campaign aimed at reducing competitive intensity in sectors like e-commerce and automotives and a robust IPO market in Hong Kong.



Rebecca Jiang

Certain sectors may be better positioned in the current environment, including technology, especially companies with use cases for Chinese AI capex post-DeepSeek and those which benefit from the technology self-sufficiency drive. Additionally, the industrial and solar sectors, supported by anti-involution policies, offer select attractive investment opportunities. We also favour contrarian China consumption names, which may benefit from moderating industry competition.

Looking ahead, trade negotiations and the tariff landscape will be crucial for China, as for other countries. These dynamics will influence Beijing's concerns about domestic overcapacity in several industries, as reflected in its anti-involution policies. The government's belief that it can achieve its full year growth target of "around 5%" was signalled by the 30 July Politburo meeting, which did not mention incremental stimulus. That said, the balance between supporting growth and pursuing structural rebalancing will remain data-dependent. Given this backdrop, active stock selection will be essential to identify opportunities in sectors poised to benefit from ongoing structural changes and policy shifts.

Bush Chu, investment manager, Asian equities

Aberdeen Investments

While July's data showed some weakness, which can be partially attributed to extreme weather, China remains on track to meet its full-year GDP target of around 5%. We do not think the recent macro readout would dampen investor sentiment or derail the ongoing bull market. Therefore, a substantial correction or prolonged underperformance in the Chinese market is unlikely.



Bush Chu

Overall, Chinese equities continue to look attractive, supported by abundant liquidity and a favourable policy backdrop. We anticipate further gains in sectors that are aligned with structural growth and innovation, such as artificial intelligence, biotechnology, and entertainment consumption.

Having said that, some headwinds persist. While the trade truce with the US thus far has had a positive impact on market sentiment, economic recovery remains fragile as domestic demand is still subdued. Sustained policy support is essential to keep growth on track.

Luo Jing, CFA, investment director, equities

Value Partners



Luo Jing

We maintain a constructive outlook on both China's macroeconomy and equity market, supported by the following factors: 1) manageable downside risks; 2) a stabilising external environment and sustained pro-growth policy orientation; 3) ongoing structural improvements; and 4) relatively attractive valuations accompanied by incremental capital inflows.

The economic slowdown observed in July is primarily attributed to three factors: 1) seasonal patterns; 2) a temporary pause in subsidies under the "trade-in" initiative; and 3) weather-related disruptions to outdoor consumption and construction activities.

We recognise that low inflation is likely to persist, driven by: 1) decelerated urbanisation; 2) constrained globalisation; and 3) demographic aging. Nevertheless, we remain optimistic about the long-term prospects.

First, stimulus measures in the property sector are helping to stem the downward trajectory of home prices, while the debt-swap program is alleviating local government debt risks. Second, Sino-US trade relations are expected to stay bumpy but within reasonable bounds, as the US has acknowledged the significance of China's supply chain—particularly in areas like rare earths. Third, we believe top policymakers are steering in the right direction, albeit through incremental steps, such as efforts to mitigate involution.

Steve Alain Lawrence

CIO, Balfour Capital Group

China's July slowdown in factory output and retail sales rattled markets, but beneath the headlines, the structural story remains intact. Beijing is determined to defend its ~5% 2025 growth target and is prepared to roll out targeted measures to achieve it.

For investors, this is less a signal of prolonged weakness and more an entry point into sectors aligned with China's strategic priorities.

July data undershot expectations, but policymakers have already signalled stronger action. Beyond incremental PBoC rate cuts, Beijing is preparing to expand infrastructure spending, offer tax breaks on big-ticket consumption such as autos and appliances, and curb destructive price competition in industries like EVs. Crucially, the government's emphasis on "high-quality growth" suggests sustained policy support for semiconductors, renewables, and advanced manufacturing—areas central to China's push for global leadership.



Steve Alain Lawrence

Rather than bracing for broad underperformance, investors should focus on firms benefiting from industrial policy tailwinds. In EVs, BYD and Li Auto continue to gain share, underpinned by strong domestic demand and global expansion. In renewables, LONGi Green Energy and CATL remain national champions with export momentum. Healthcare is another resilient growth area: WuXi AppTec and BeiGene are poised to capture both domestic upgrading in healthcare demand and international biotech flows. Premium consumer names like Kweichow Moutai and Anta Sports also stand out, supported by rising incomes and the shift toward higher-quality domestic brands.

On the defensive side, China's sovereign and policy bank bonds remain attractive, offering diversification and yield pickup versus developed markets. Meanwhile, state-driven infrastructure spending should sustain demand for copper and rare earths—benefiting suppliers such as Glencore and China Northern Rare Earth Group.

Today's policy mix is about structural upgrading, not unsustainable credit expansion. That creates targeted, long-duration opportunities. With sentiment overly bearish and valuations compressed, the current backdrop looks more like a selective buying opportunity than a warning sign.

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