



A solid start to China's 2025 economy: Unpacking key indicators

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In a firm rebuttal to skeptics, China kicked off 2025 with a solid economic trajectory, offering compelling evidence of the efficacy of its well-calibrated stimulus measures and the enduring strength of the world's second-largest economy.

The latest figures for the first two months of the year have revealed an economy that is gaining momentum, underpinned by improved demand, expanding industrial strength and innovative breakthroughs, signaling that China's proactive policies are beginning to kick in.

POLICY-BACKED RECOVERY

Over the past two months, key indicators -- industrial production, consumer spending and investment -- have shown faster year-on-year growth than the full-year expansion in 2024, according to the National Bureau of Statistics (NBS).

"This reflects an ongoing economic recovery trajectory," said Wen Bin, chief economist at China Minsheng Bank.

Central to this robust performance is a rise in consumer vitality -- a priority for China's 2025 economic agenda. From January to February, retail sales of consumer goods grew 4 percent year on year, outpacing last year by 0.5 percentage points.

The uptick stemmed largely from vibrant holiday spending alongside impactful government efforts to stimulate domestic demand.

China will make domestic demand "the main engine and anchor of economic growth," according to this year's government work report, which pledged measures including doubling the issuance of ultra-long special treasury bonds to back its consumer goods trade-in program from the scale last year.

In an extended push to encourage spending, China in early January broadened the scope of its consumer goods trade-in program, adding more items to its list of subsidized products including mobile phones and dishwashers.

Driven by such incentives, sales of communication equipment, furniture and household appliances all posted double-digit growth in the first two months.

The country has also placed increased focus on encouraging willingness and confidence to spend among its people. It unveiled a pro-consumption plan over the weekend that pledges measures to promote wage growth, create a childcare subsidy system, and enforce paid annual leave systems.

In terms of investment, another pillar of domestic demand, fixed-asset investment increased 4.1 percent year on year in the January-February period. Manufacturing investment increased 9 percent, while investment in infrastructure rose 5.6 percent year on year.

Fu Linghui, a spokesperson for the NBS, credited investment expansion to government efforts to promote large-scale equipment upgrades and bolster the development of infrastructure that enhances public well-being.

Great demand for investment persists in areas such as new industrialization, new urbanization and carbon reduction, as well as public services and affordable housing to meet the people's livelihood needs, Fu told press earlier this week.

SMARTER, GREENER INDUSTRIES

Industrial production also saw steady expansion as it began the year, with technological breakthroughs providing a strengthening engine for industrial advancement.

The value-added output of China's high-tech manufacturing sector rose 9.1 percent year on year in the first two months, outpacing overall industrial output growth, which came in at 5.9 percent, NBS data shows.

The new energy industries also experienced strong gains: new energy vehicle production soared 47.7 percent year on year, and large-scale industrial wind and solar power generation surged 10.4 percent and 27.4 percent, respectively.

Breakthroughs in artificial intelligence (AI), led by tech startup DeepSeek's global shock waves at the start of the year, have unlocked new avenues for industrial upgrading, reshaping production methods and accelerating high-end manufacturing development.

Large AI models are now broadly applied in key sectors such as the electronics, automotive and chemical industries, sparking a sharp rise in demand for computing power and boosting orders of smart products, according to the NBS.

This surge drove the added value of digital product manufacturing up by 9.1 percent, the NBS said. The output of service and industrial robots registered year-on-year increases of 35.7 percent and 27 percent.

RISING CONFIDENCE

The first two months of 2025 have brought more than just strong indicators -- they have also sparked a surge in market confidence and optimism about China's economic future, unleashed by the tech boom and expectations for bolder stimulus measures.

Capital markets are always the first to feel the pulse of economic recovery. Since February, leading Chinese tech companies like Alibaba, SMIC, Xiaomi and BYD have seen notable stock price increases.

"Investors' optimism about the growth and benefits of the AI economy has driven significant gains in the Hang Seng Tech Index and the MSCI China Index, which surged by 27 percent and 19 percent, respectively, from late January to late February," Liu Jinjin, chief China equity strategist at Goldman Sachs, said in a recent report.

Luo Zhiheng, chief economist at Yuekai Securities, said that investors are taking note of the potential of China's new quality productive forces, the resilience of its entrepreneurs, and the innovative vitality of its private economy.

The breakout success of globally trending startups like DeepSeek and Unitree Robotics has also highlighted the pivotal role a well-functioning government plays in nurturing industrial strength, Luo wrote in a research note earlier this month.

He expects solid GDP growth for the first quarter of 2025, which would lay a firm foundation for China to achieve its full-year growth target of around 5 percent.

The Organization for Economic Cooperation and Development (OECD), while revising its 2025 global GDP growth forecast downward to 3.1 percent this week, raised its 2025 growth forecast for China from its previous projection of 4.7 percent to 4.8 percent.

Analysts are anticipating further policy stimulus to build on the year's early momentum and solidify recovery.

In pursuit of longer-term economic policy impacts, China on Tuesday announced new measures to enhance the implementation of its fair competition review regulations, aiming to foster a favorable business environment and build a unified national market.

Wang Qing, chief macro analyst at Golden Credit Rating, said that future policies to stabilize growth and mitigate risks might be rolled out sooner than expected.

"Looking forward, policies to expand domestic demand and modernize the industrial system will bolster both the recovery of consumption and the rise of new productive forces, providing a robust boost for industrial output," Wang said.

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