

BEIJING: China's economy picked up speed early in 2026 on strong exports and policy support, but cooling retail sales add urgency to Beijing's efforts to revive sluggish domestic consumption as the Iran war raises fresh risks to global demand and growth.

The conflict in the Middle East has exposed a key fault line: as the world's biggest energy importer and a heavily export-reliant economy, China is vulnerable to an oil shock already slowing trade, lifting factory costs and darkening the outlook for the year.

China's gross domestic product rose 5.0 per cent over the first quarter from the year earlier, National Bureau of Statistics data showed on Thursday (Apr 16), beating analysts' expectations in a Reuters poll for growth of 4.8 per cent and compared with a 3-year low of 4.5 per cent in the fourth quarter.

Industrial output in the world's second-largest economy rose 5.7 per cent in March from a year earlier, slowing from 6.3 per cent growth in January-February, while retail sales, a gauge of consumption, grew 1.7 per cent last month, down from the 2.8 per cent gain in January-February. Analysts had forecast a 2.3 per cent rise.

"The manufacturing side of the economy remains resilient and is still a key near-term growth anchor," said Zhou Hao, an analyst at Guotai Haitong Securities. "Looking ahead, China's macro agenda is likely to centre on two intertwined priorities: reflation and boosting domestic demand."

China's exports grew just 2.5 per cent in March year-on-year, slowing sharply from 21.8 per cent in January-February as the conflict drove up energy and transportation costs and weighed on global demand, though analysts cautioned the figure was also distorted by seasonal factors.

For the January-March period, exports still rose 14.7 per cent from a year earlier, well above the full-year growth of 5.5 per cent in 2025.