Pulse of China

2025 H1 Economic Review

The first six months of 2025 show encouraging signs of growth in the China economy and consumer spending

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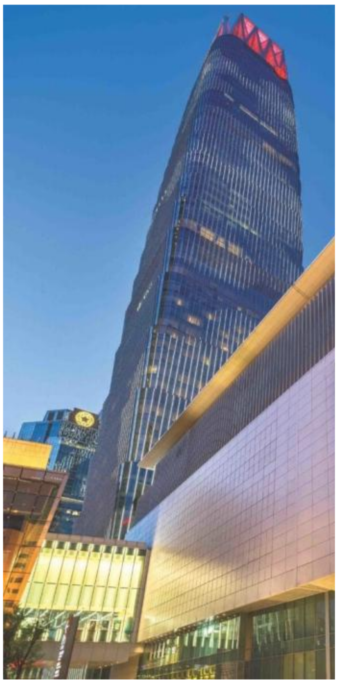
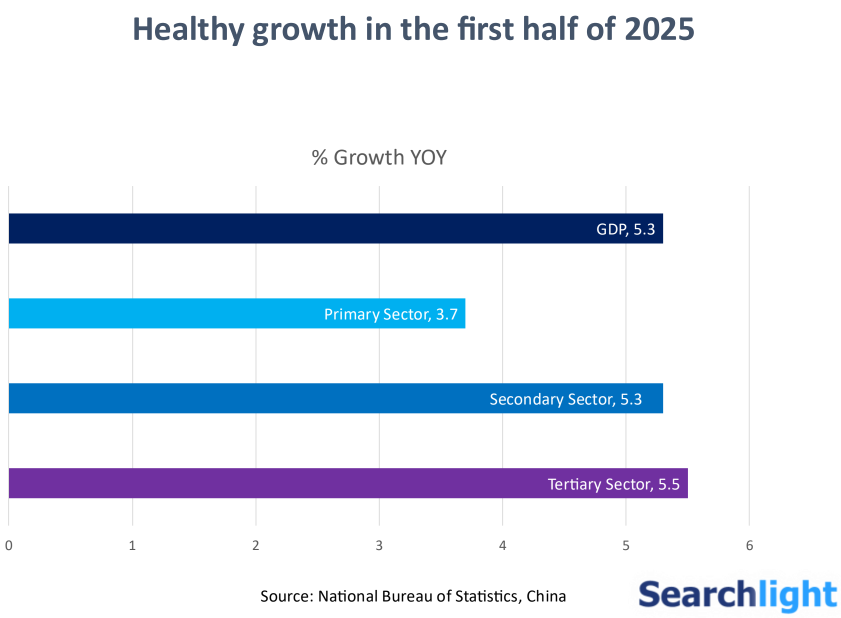
China economy 2025 First Half review – steady growth despite tariffs chaos

The National Bureau of Statistics recently released data on the China economy for Jan-Jun 2025. The picture that report paints is of a steadily growing economy.





Of course, growth rates of 5% are not as exciting as the heady days of the late '90s and early noughts when it was much higher, but there is still steady growth happening. However, it is worth noting that Q2 was slightly slower than Q1. Even the NBS report has a cautionary note – well, it often does – on an unstable external environment and, more to the point, insufficient "effective domestic demand".

Given the uncertainties of tariffs imposed by the US (and retaliatory tariffs by China) since April, it's also interesting to see that overall, exports have increased by 7.2% and imports decreased by 2.7% when compared to the corresponding period in 2024. Of course, those are figures for the half-year, and after the initial flurry of announcements of ever-higher tariffs on both sides, they have gone back down to more normal levels, so the long-term impact of any long-term tariffs (if there are any) remains to be seen.

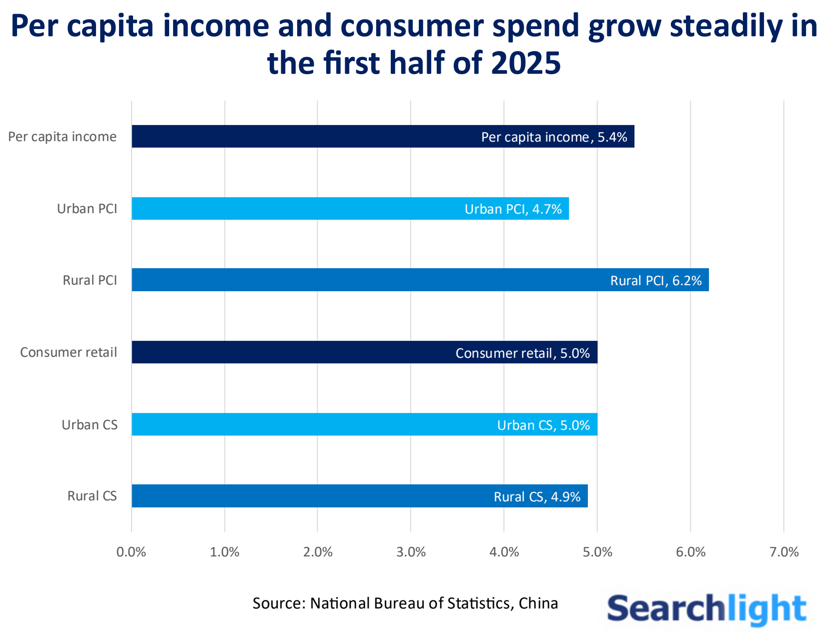
Consumer retail spending in the first half of 2025

The risk in looking only at overall GDP data is, of course, that it can sometimes move on a different trajectory than consumer spending. We took a look at consumer spending across Jan-Jun 2025 to see where that was heading.

Some of the interesting findings from doing that are:

1. Consumer spending in 2025 H1 is around 5% greater than in 2024. For perspective, over 2024, that spend grew only 3.2% over 2023, so the growth rate is improving. Given that 2023 was a pretty "normal" year – in the sense that COVID restrictions had been lifted and the people were free to travel, commute, eat out and so forth – it is encouraging that this year looks poised to improve from a consumer spending perspective.

2. Rural per capita incomes are growing faster than urban – this is an interesting datapoint, even if the growth is from a smaller base of population AND a lower level of per capita income. (Rural per capita income is slightly less than half that of urban). However, when we went back and looked at disposable household income growth over a longer period of time, it was clear that urban incomes have generally been growing at the same rate as rural, off a much larger income base. At least for now, there isn't anything happening here that promises a reversal of that trend.



Reverse migration?

Something that's been in the news over the last few years though, is the growing number of young people who are moving out of the cities (or from bigger to smaller cities) and pursuing small businesses in hospitality or travel. While it's too early for that to show up in any macroeconomic data, and while those people would probably stlll be classified as urban residents based on their "hukou" (household registration), it does point to younger generation Chinese pursuing a different life than their parents. This CNBC story covers the topic in some detail and highlights that young people in China are finding it harder to get a job that meets their criteria.

About Searchlight Consulting

Set up in early 2020, Searchlight is a boutique management consulting firm headquartered in Shanghai. We focus on helping brands understand and prioritize their opportunities and overcome their barriers to growth. We do this by working closely with our client teams over an extended period, facilitating their process of decision-making, building capability by guiding and training their teams, and also helping with organization redesign if necessary.

Our team of 14 associates covers a wide range of specialist areas – business management, brand management, marketing, communication, media, HR, CRM, sales management, technology. Each of us has at least 20 years of work experience, a large part of that in China

We coach and assist client teams to make quality decisions for the business. We also assist in the design of organizational processes and financial models, especially building internal and external capabilities for strategy implementation.

We've worked with both international and local brands, startups, and public listed companies - J&J, Hollister Medical and Pandora as well as SUNNER Foods (a listed food processing company that has become one of the fastest growing B2C brands now) and startups like Little Ondine, LeBunna and Youxin coffee. For more about us visit www.searchlightchina.com