

# MASHREQ GLOBAL DIGEST

## China

May 4 – May 10



This edition of Market Digest focuses on China's key macroeconomic indicators, recent financial and tech news, and major deals, offering valuable insights into current economic trends.

### Macroeconomic News

#### IMF Pushes China to Reform Economy

At the Milken Institute Global Conference 2025, IMF Managing Director Kristalina Georgieva emphasized that the IMF has consistently urged China to shift away from its export-driven growth model. She outlined four key reforms China needs: boosting domestic consumption, fixing the property sector, growing the services sector, and reducing the state's role in the economy—though she admitted the latter is unlikely soon. Georgieva also warned of deflationary pressures in China due to reduced U.S. and European demand, partially driven by Trump-era tariffs.



Reference: [Reuters](#)

#### China Faces Deepening Deflation

China's economy is facing deepening deflationary pressures, with factory-gate prices dropping 2.7% in April and the Consumer Price Index (CPI) falling 0.1% year-on-year. While core CPI rose 0.5%, suggesting stable underlying demand, overall CPI showed mild deflation, averaging a 0.1% decline from January to April. The trade war with the U.S., high household debt, and a weak housing market are contributing to subdued investment and consumer spending. The government is implementing stimulus measures, but experts believe more proactive fiscal policies are needed to boost domestic demand and address the deflation problem.



Reference: [Yahoo Finance](#), [China Daily](#)

#### China's April Exports Soar 8.1%

China's exports surged 8.1% year-on-year in April 2025, far exceeding expectations, driven by strong demand from Southeast Asia. Exports to ASEAN countries jumped over 20%, with notable increases to Indonesia and Thailand. This growth offset a sharp 21% drop in exports to the U.S., where newly imposed tariffs—145% by the U.S. and 125% by China—severely disrupted trade. Imports overall fell slightly by 0.2%. Analysts warn the export boost may be temporary, aided by pre-tariff contracts and rerouted shipments.



Reference: [CNBC](#)

#### U.S.-China Trade Talks Begin in Geneva

U.S. and China concluded their first day of high-level economic talks in Geneva on May 10, 2025, to address the ongoing trade war. Both sides have expressed a desire for a constructive resolution, but expectations for significant progress are low. The discussions aim to ease the tariffs that have severely impacted global trade, with the U.S. suggesting a reduction to 80% on Chinese imports. However, the outcome remains uncertain, as both countries face significant economic challenges from the ongoing trade conflict. The talks have raised hopes for de-escalation, but the road ahead remains complex.



Reference: [New York Times](#)

#### China Unveils £1.6 Trillion Stimulus Ahead of US Trade Talks

Ahead of crucial US-China trade talks, China has announced a £1.6 trillion (\$2.1 trillion) stimulus package to bolster its economy amid the ongoing trade war. Key measures include a 10 basis point cut to the seven-day reverse repo rate and a 50 basis point reduction in the reserve requirement ratio (RRR). The move is designed to stabilize sectors hit hardest by US tariffs, particularly in manufacturing and semiconductors, and to ease economic pressures on consumers. Despite a boost in Chinese stocks, analysts caution that these measures may not be enough to counteract the long-term impacts of high tariffs. With global markets on edge, the upcoming trade talks will be crucial in determining the future direction of US-China relations and the stability of the global economy.



Reference: [MSN](#), [Reuters](#)

#### China's Car Sales Climb for Third Straight Month

China's car market is picking up speed, with April passenger car sales rising 14.8% year-on-year — the third consecutive monthly increase. Thanks to government subsidies that favor trading in older cars, especially for new energy vehicles (NEVs), electric and hybrid models made up over 50% of April's 1.78 million units sold. But while domestic demand stays strong, exports fell for a second straight month. Meanwhile, excitement around self-driving features is fading fast after a fatal Xiaomi crash sparked a government clampdown on how "smart" cars are marketed.

Reference: [Reuters](#)

#### China's Holiday Spending Rises, Trade War Impact on Services

China's May Day holiday saw an 8% year-on-year increase in spending to 180.27 billion yuan, though it remained below pre-pandemic levels. The services sector showed slower growth, with the Caixin PMI dropping to 50.7 from 51.9 in March. Business sentiment in services grew at the slowest pace since February 2020, and companies cited concerns over U.S. tariffs.

Reference: [Reuters](#)

*Rise every day*

## Financial/Tech News



### China's April Bank Loans Expected to Drop Sharply

In April, China's new yuan loans were estimated to have dropped significantly to 700 billion yuan, compared to 3.64 trillion yuan in March, primarily due to the traditionally quiet period and the ongoing U.S.-China trade tensions. Analysts attribute the decline to weak demand for credit, as cautious consumer and business spending persists amidst economic challenges. Despite efforts by the Chinese government to stimulate the economy, credit demand remains subdued.

Reference: [Reuters](#)

### Nvidia CEO Says China’s AI market will reach \$50B

Nvidia CEO, Jensen Huang, stated that China's artificial intelligence market is expected to reach \$50 billion within the next two to three years. He emphasized that missing out on this market would be a "tremendous loss." Huang's comments come amid challenges posed by U.S. government restrictions on Nvidia's H20 chips being shipped to China. Despite these export controls, Huang has highlighted China's strong position in AI development, noting that the country is not "behind" the U.S. in this race.

Reference: [Global Times](#)

## Deals

### Russia's VEB to Fund \$43B in China Projects

Russia's state development bank VEB plans to allocate 3.5 trillion roubles (\$42.74 billion) to fund joint projects with Chinese companies, focusing on sectors like gas, metallurgy, timber processing, and shipbuilding. The announcement came during talks between Presidents Putin and Xi Jinping in Moscow, where both leaders emphasized deepening industrial and technological cooperation. The initiative reflects growing economic ties between the two nations amid Western sanctions on Russia.

Reference: [Reuters](#)

### Brazil, China Discuss Railway Linking Chancay Port to Brazil

Brazil is in talks with China to build a railway connecting China's Chancay port in Peru to Brazilian regions, aiming to improve trade routes. The \$1.3 billion Chancay port, part of China's broader push in South America, would shorten maritime trade distance to China by over 10,000 kilometers. The original plan to pass through the Amazon was rejected due to environmental concerns, and a new southern route through Acre, Tocantins, and Bahia is being considered. The project, which could take five to eight years to complete, is seen as transformative for Brazil's interior regions.

Reference: [Reuters](#)

## Markets

### Market Dashboard

- For the week, the S&P 500 fell by 0.47%, while the Nasdaq declined by 0.27% and the Dow dropped by 0.16%. Wall Street's main indexes ended the week slightly lower, reflecting uncertainty over U.S.-China trade talks, particularly President Trump's remarks suggesting the imposition of 80% tariffs on Chinese goods. Despite this, markets had been volatile but were bolstered by solid corporate earnings, with 76% of S&P 500 companies exceeding analyst expectations. However, many companies also revised or withdrew forecasts due to ongoing trade tensions.
- Bitcoin closed the week at \$102,970.85, up 6.25%, driven by optimism from a U.S.-U.K. trade deal and easing global trade tensions. The cryptocurrency topped \$100,000 for the first time since February, rebounding from a low of \$74,000 last month. Institutional inflows, particularly into Bitcoin ETFs, and China's economic policy shifts aimed at boosting growth further fueled the rally. These factors brought Bitcoin closer to its January peak of \$109,000, though it remains just below that level.
- Gold rose for the week, driven by a relatively weak U.S. dollar and ongoing trade tensions between the U.S. and China. Spot gold gained 1.1% on May 9, reaching \$3,324.63 an ounce. Geopolitical uncertainties, such as military clashes between India and Pakistan, further supported gold's appeal as a safe-haven asset. Gold's performance was also influenced by concerns over U.S. tariffs and their potential impact on inflation and economic growth.
- Oil prices saw their first weekly gains since mid-April, with both Brent crude and U.S. West Texas Intermediate crude rising by over 4% week-over-week. The gains were driven by optimism surrounding U.S.-China trade talks after a U.S.-UK deal, where President Trump suggested an 80% tariff on Chinese goods, sparking hopes of similar agreements between the U.S. and China. Additionally, rising tensions in the Middle East and a slight dip in OPEC oil output in April further supported oil prices. However, the outlook remains uncertain, influenced by U.S. economic policies, trade relations, and sanctions on Iran and Russia.
- The U.S. dollar ended the week with a mixed performance. While it dipped slightly on Friday due to cautious optimism ahead of high-level U.S.-China trade talks, it still logged a weekly gain against major currencies like the Swiss franc, Japanese yen, and euro. The dollar's strength was driven by three main factors: a new U.S.-UK trade deal that boosted market confidence, the Federal Reserve holding interest rates steady but maintaining a hawkish tone due to inflation and labor market concerns, and renewed hope for progress in upcoming U.S.-China negotiations.

Indicators	2-May-25	9-May-25	% Change
S&P 500	5,686.67	5,659.91	-0.47%
Bitcoin	96,910.07	102,970.85	6.25%
Gold	3,240.88	3,324.63	2.58%
Crude Oil	61.29	63.92	4.29%
EUR/USD	1.1296	1.1250	-0.41%