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China's Economy Shows Fragility

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SINGAPORE—Signs of weakness in China's economy stretched into August, adding pressure on Beijing to step up efforts to stimulate near-term growth.

Note

Momentum in retail sales, industrial production and investment all slowed, while unemployment ticked up and the housing market continued to struggle, according to data released on Monday by the National Bureau of Statistics. China also recently reported slowing export growth and persistent deflation for August.

Taken together, the data suggest the world's secondlargest economy is showing some fatigue after expectationdefying growth this year. They also signal that China's socalled anti-involution campaign to rein in extreme competition may be starting to curb excess production and overinvestment.

With China's reliance on exports and investments to drive growth increasingly challenged by global trade tensions and slowing productivity gains, economists and policy advisers have been calling for Beijing to rebalance the economy to be driven more by consumption. Note

The fate of one of China's most important trade relationships remains unclear, with U.S. and Chinese negotiators meeting in Madrid for the latest round of trade talks.

Still, some analysts believe Beijing may hold off on major initiatives to stimulate household spending as long as it remains on track for its target of around 5% economic growth this year.

China's economy expanded an annual 5.3% in the first half of the year, driven by surprisingly strong exports, according to government data. But economists expect growth to slow the rest of the year as U.S. tariffs hit global trade and the boost from inventory stockpiling runs out.

The main effort to increase consumer spending has been a trade-in program offering subsidies for purchases of items such as household appliances and electric vehicles. That has helped drive retail sales since the program was rolled out last year, but the effect could be running out, as consumers buy big-ticket items only so often.

Retail sales in August were up 3.4% from a year earlier, according to the government data, slowing from July's 3.7% pace and short of economists' 4% forecast.

Household demand has been weak in recent years as a prolonged property-market downturn and worries about the economic outlook have pushed consumers to save money and watch their spending. Meanwhile, many industries are dealing with hypercompetition and price wars, especially in industries championed by China's leaders, such as solar energy and EVs. Note

Beijing's recent drive to curb excess capacity in key industries combined with adverse summer weather—high temperatures, heavy rain and flooding—to weigh on factory activity and cut into industrial production, economists say.

China's industrial production rose 5.2% in August, compared with 5.7% in July and a 5.8% projection by economists. Fixed asset investment increased 0.5% in the first eight months of the year, compared with a 1.6% year-over-year rise in the January-July period and expectations for 1.3% growth.

The yearslong property slump is another factor denting investment, some analysts said.

China's urban surveyed unemployment rate came in at 5.3%, edging up from July's 5.2%, as millions of fresh college graduates entered the job market. Earlier, China reported its export growth slowed in August to 4.4% year-over-year, the slowest pace in six months.

Meanwhile, factory-gate prices have been in contraction for nearly three years, with producer prices in August down 2.9% from a year earlier. Consumer prices have hovered around the flatline.