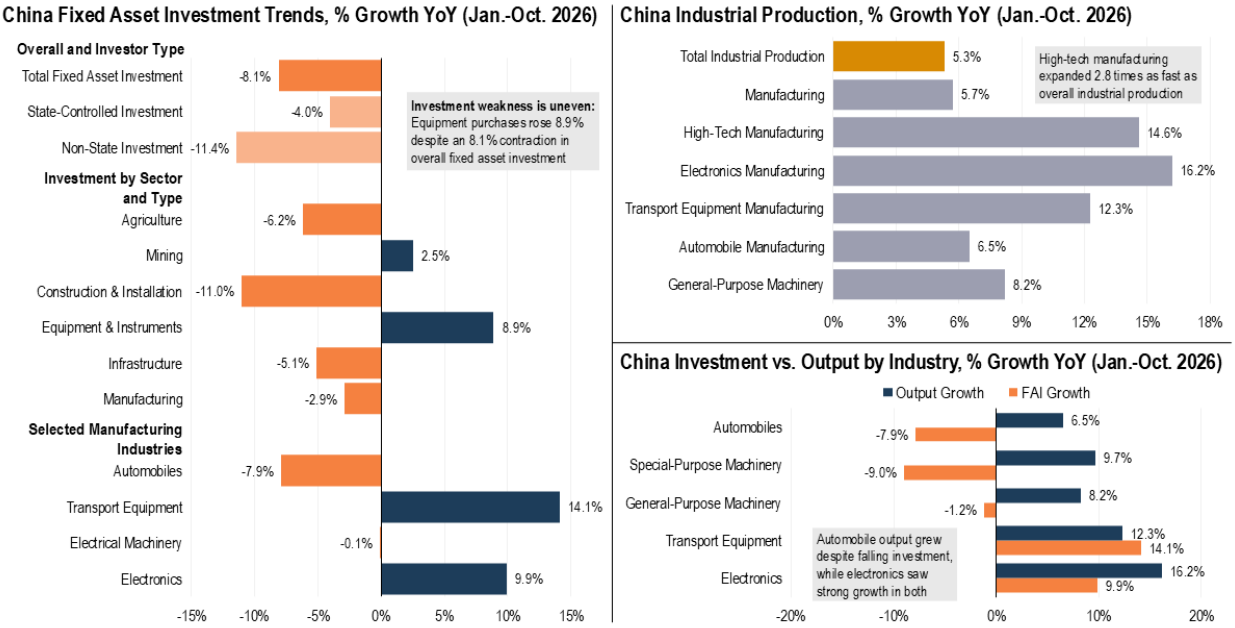
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China's Industrial Output Expands Despite a Sharp Contraction in Investment

Factories are producing more in 2026, particularly in advanced industries, even as businesses scale back investment in future capacity



Note: FAI growth is nominal and calculated on a comparable basis. Industrial production growth is in real terms and covers enterprises above designated size. The indicators measure different aspects of economic activity.
Source: China National Bureau of Statistics, ANDAMAN PARTNERS Analysis

China's factories are producing more, but investment in future growth is weakening. In January–October 2026, China's industrial production expanded 5.3% year-on-year, even as fixed asset investment contracted 8.1%. The contrast reveals that businesses are maintaining and expanding production while becoming more selective about committing capital to new projects.

The weakness in investment is broad. Non-state investment fell 11.4%, construction and installation spending declined 11% and manufacturing investment contracted 2.9%. Yet equipment purchases rose 8.9%, suggesting investment in machinery and upgrades to existing operations remains a relative strength.

The picture within manufacturing production is equally varied. High-tech manufacturing output surged 14.6%, with electronics production rising 16.2%. Automobile output increased 6.5% despite a 7.9% decline in investment, while transport equipment recorded strong growth in both production and investment.

For global businesses, China's industrial capacity and technological capabilities continue to advance, even as investment conditions become more challenging. The question is how long production growth can maintain its momentum amid weaker capital spending.

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