

Strictly Private & Confidential

Stable Relations Amidst Global Energy Disruption

May 2026

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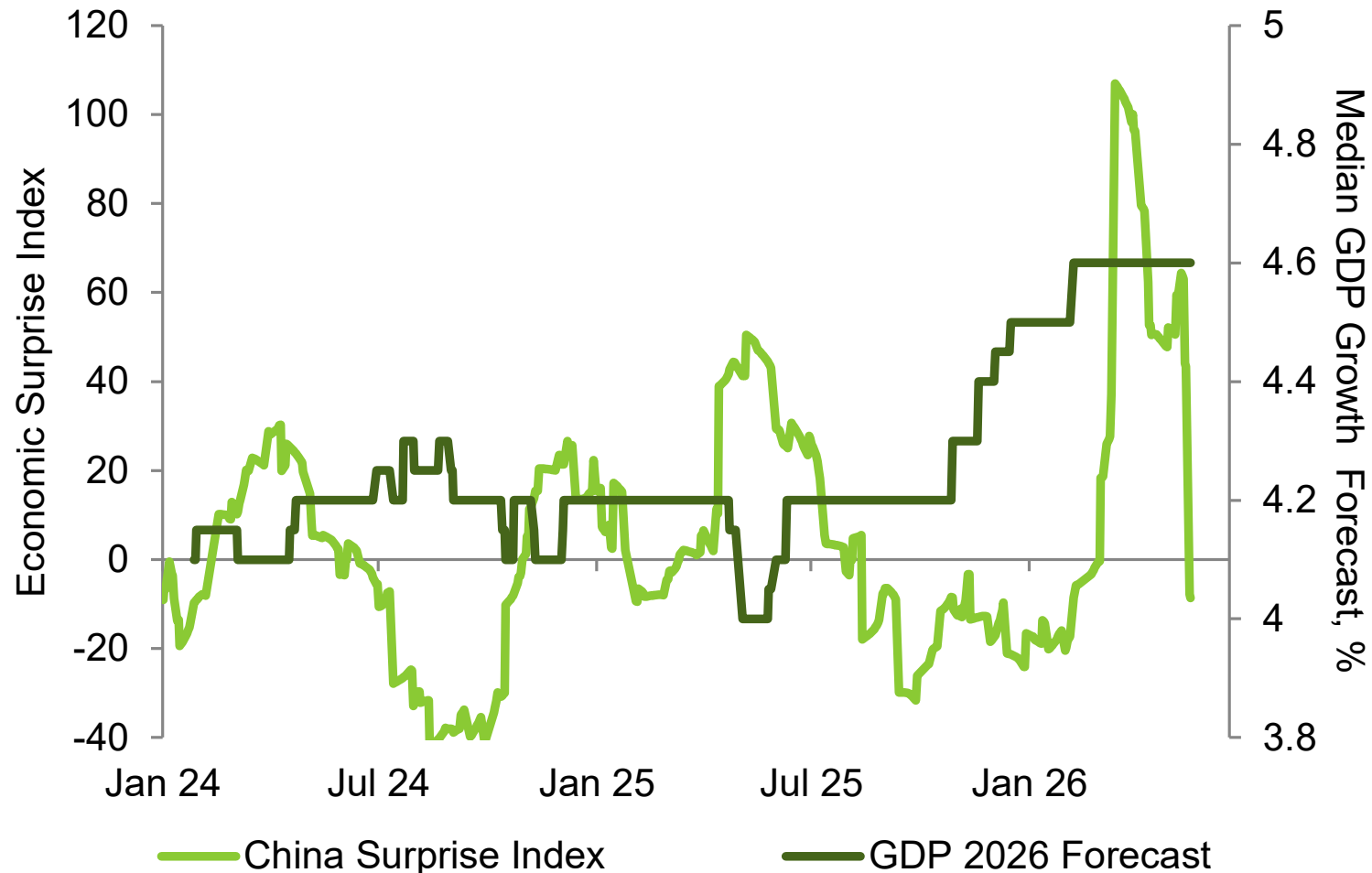
Conclusions

- China's 4.5-5.0% growth target is in reach for now with exports and investment. Beijing has room to wait before intensifying policy support.
- China is in good position to manage impact of Iran conflict. But impact on growth is inevitable.
- CNY appreciation will be limited to 6.78 by end-2026 to support exports against challenging environment.

China's 4.5-5.0% growth target in reach for now

Iran war impact on growth is inevitable but challenges are well-known

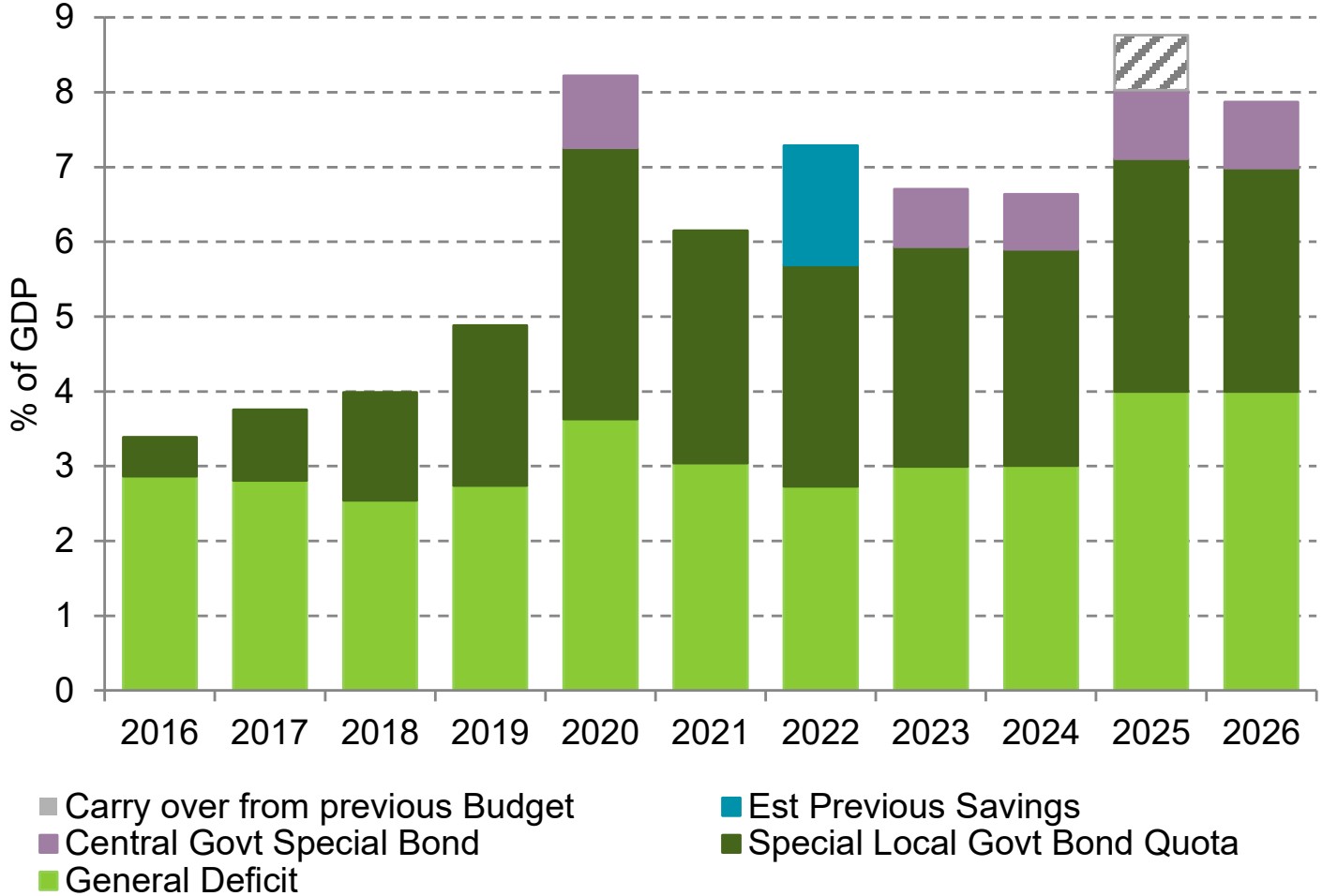
China GDP Forecast vs. China Surprise Index



Modest planned fiscal support has space to intensify

April data show restrained reaction to conflict so far

Government Budget



Source: CEIC, SEB Research

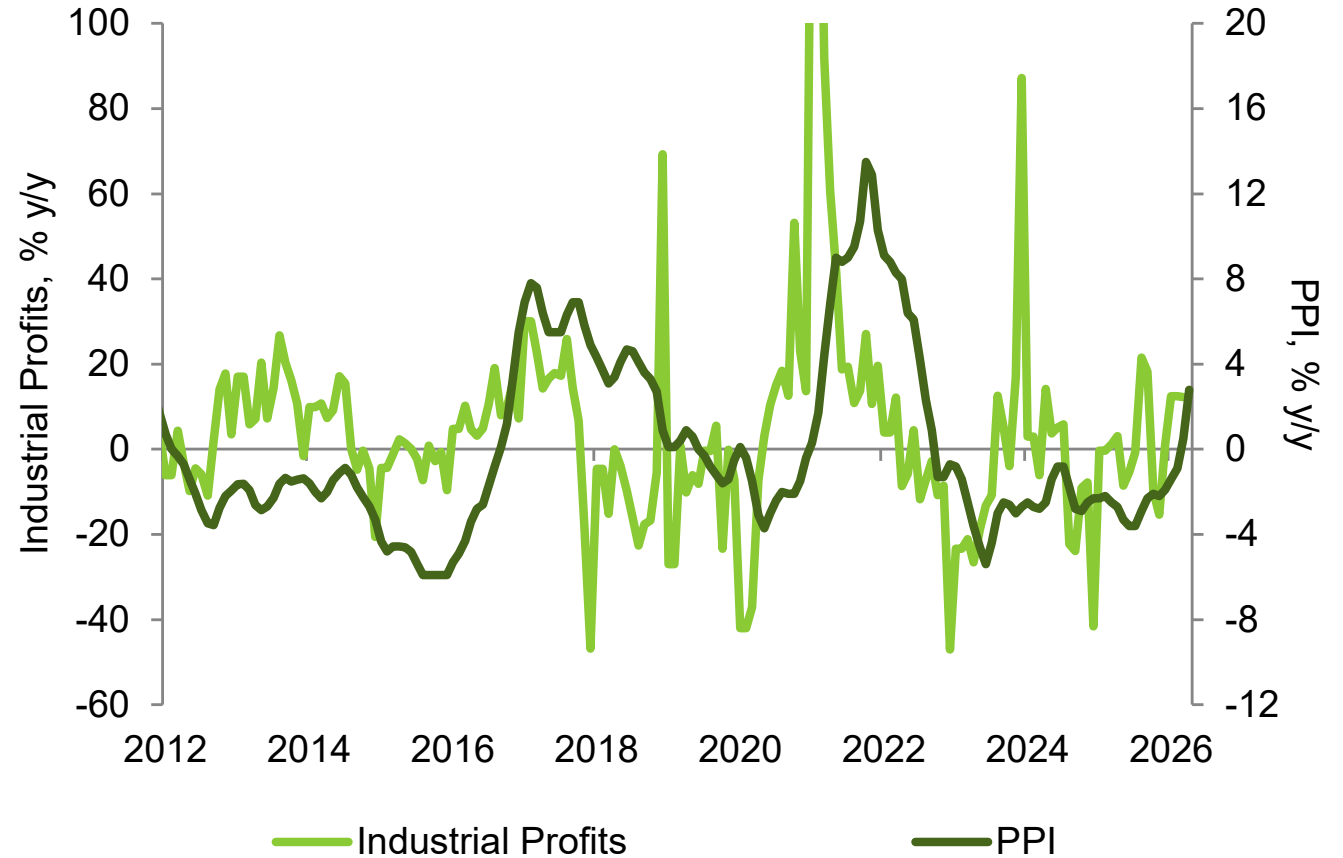
Early exit from deflation thanks to Iran conflict

But profitability may not necessarily get a big boost

Selected Sectors, PPI, % y/y

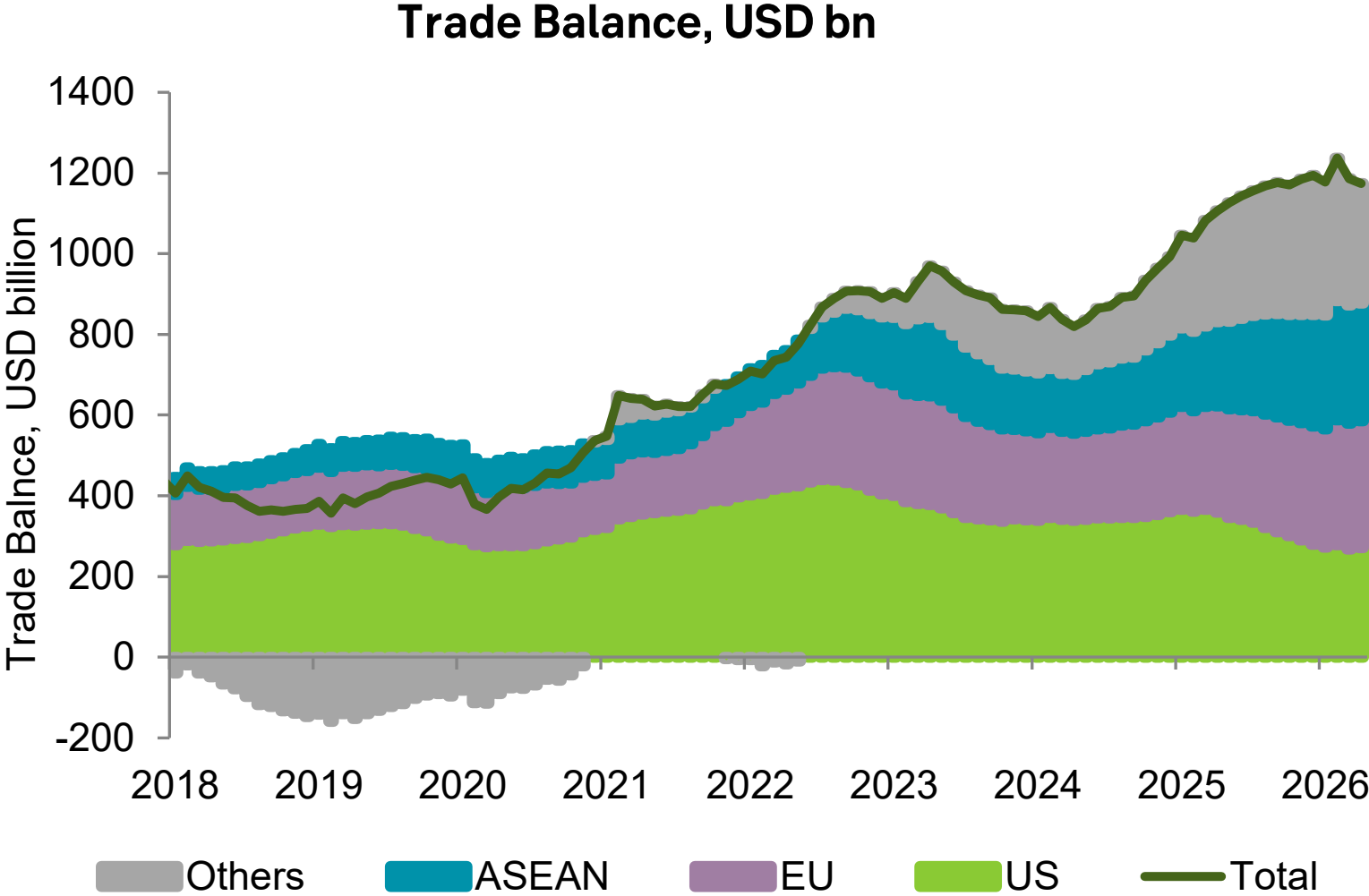
	Apr 26	Dec 24
Petroleum	13.8	-5.4
Others	12	1.7
Mining	10.9	-1.4
Metallurgical	9.5	-1
Chemical	4.3	-3.3
Coal	3.2	-11.6
Textile	0.3	-1.7
Machinery	0	-2.1
Rail, Shipping, Other Tr	-0.3	0.1
Leather	-0.5	-0.2
Paper	-1.2	-3.1
Food	-1.3	-2.5
Sewing	-1.3	0.0
Timber	-1.7	-0.7
Automobiles	-2.0	-3.8
Cultural, Education etc	-2.1	-0.8
Power	-4.2	-0.7

PPI vs Industrial Profits



Source: CEIC, SEB Research

Trade surplus may decline in 2026, but only temporarily

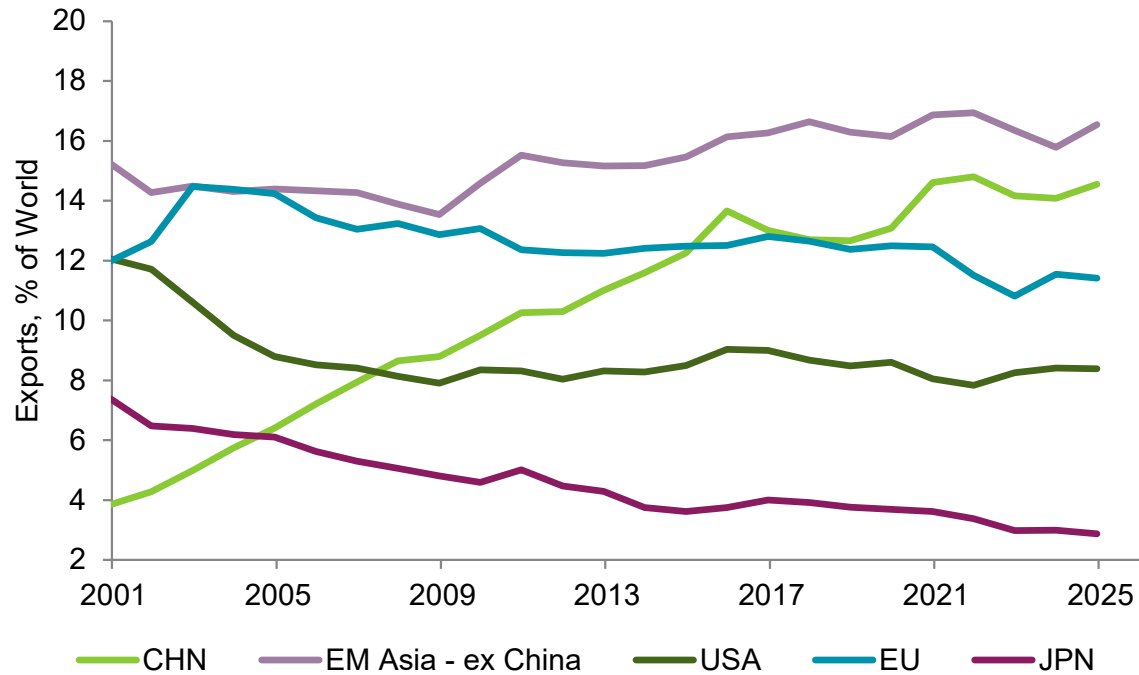


Source: CEIC, SEB Research

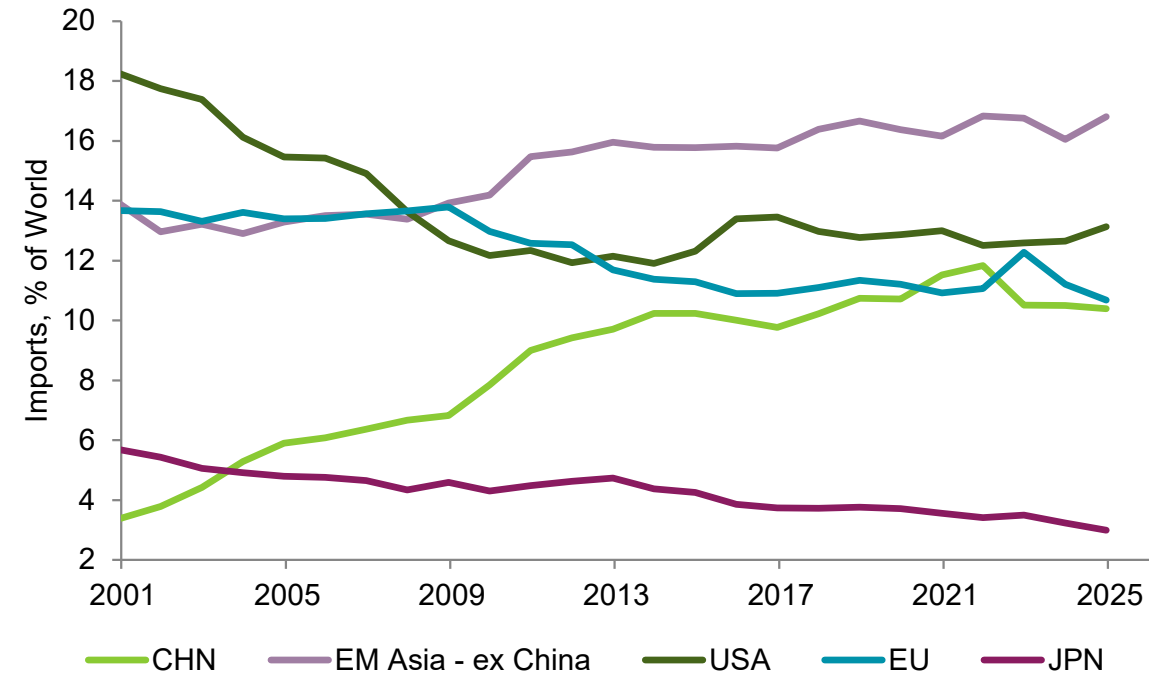
Rising market share supports exports

Yet, China's dependence on imports has also peaked

% of Global Exports

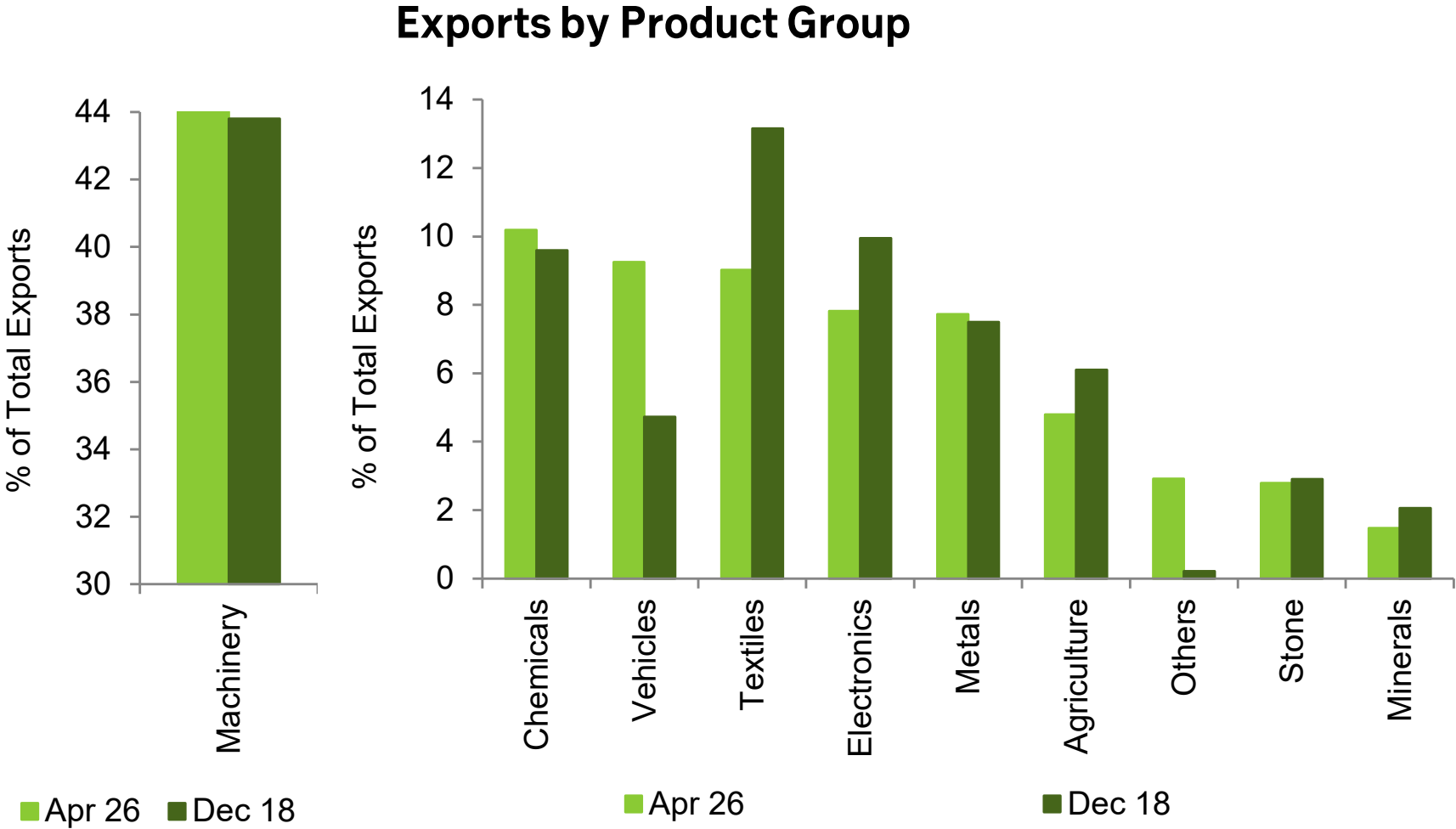


% of Global Imports



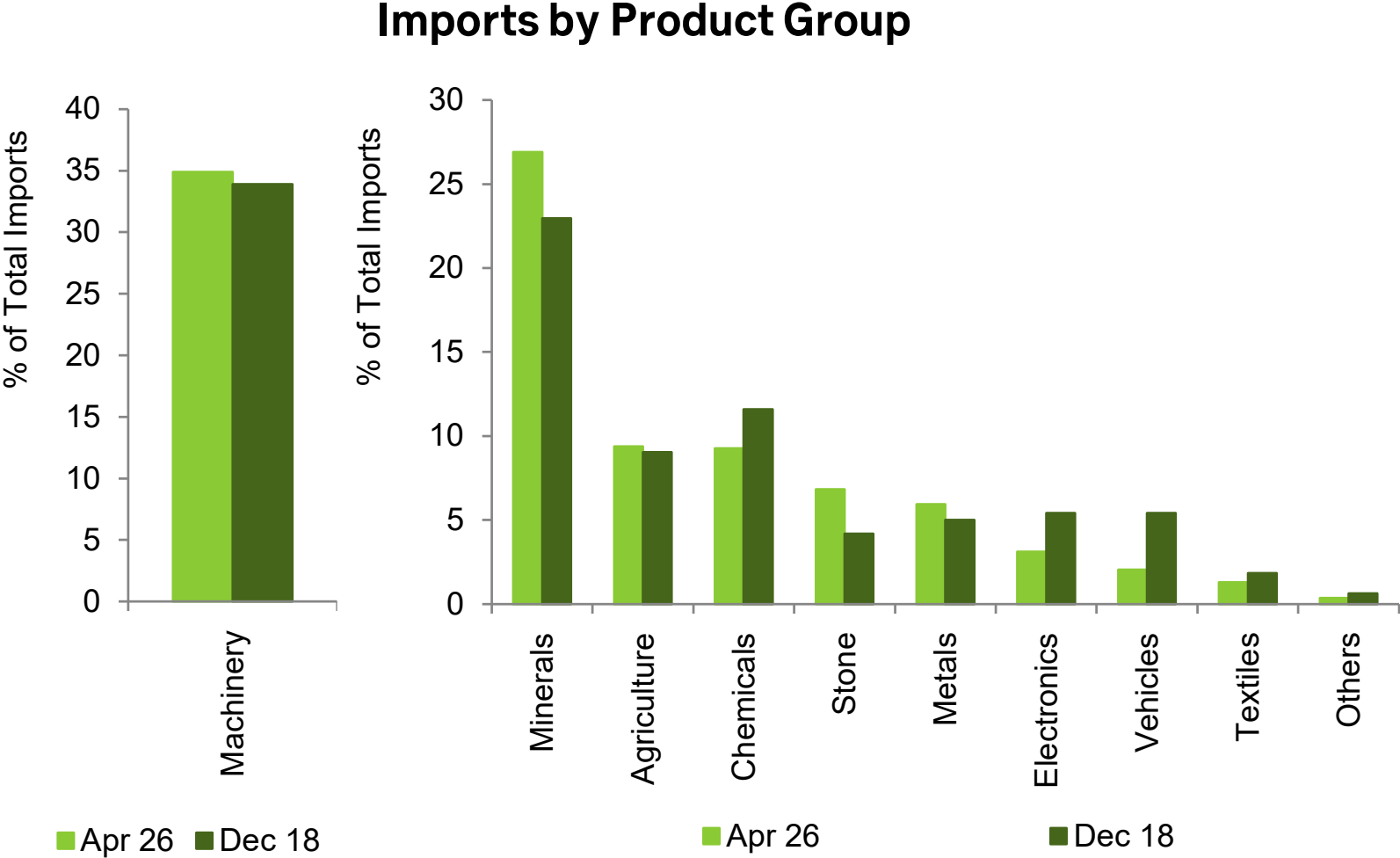
Diversified export basket provides cushion

While keeping a hold on low value add production too



Source: CEIC, SEB Research

Localization policies are boosting demand for raw materials

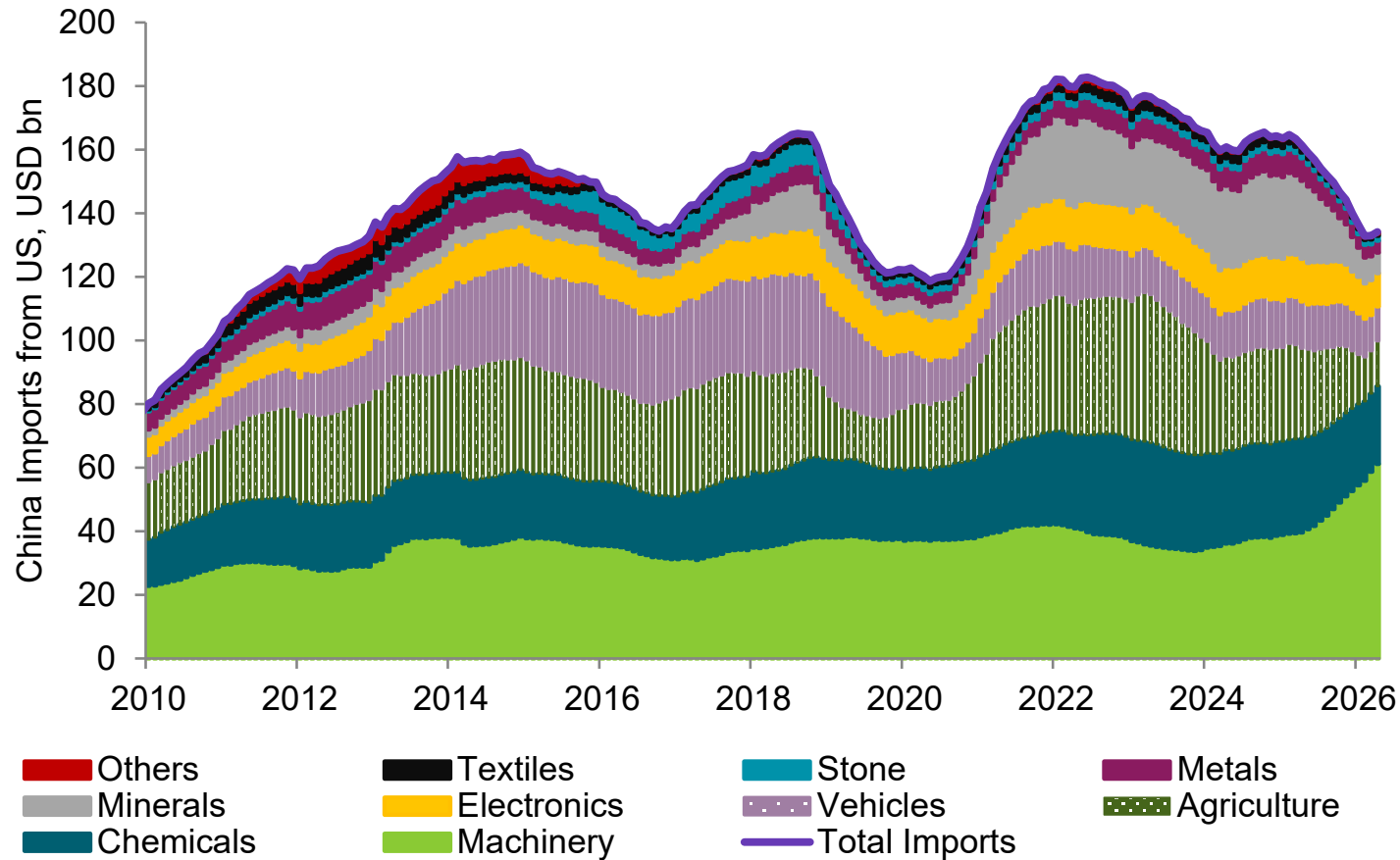


Source: CEIC, SEB Research

Xi-Trump summit focussed on stability

Commercial deliverables disappointed

Imports from US, USD bn

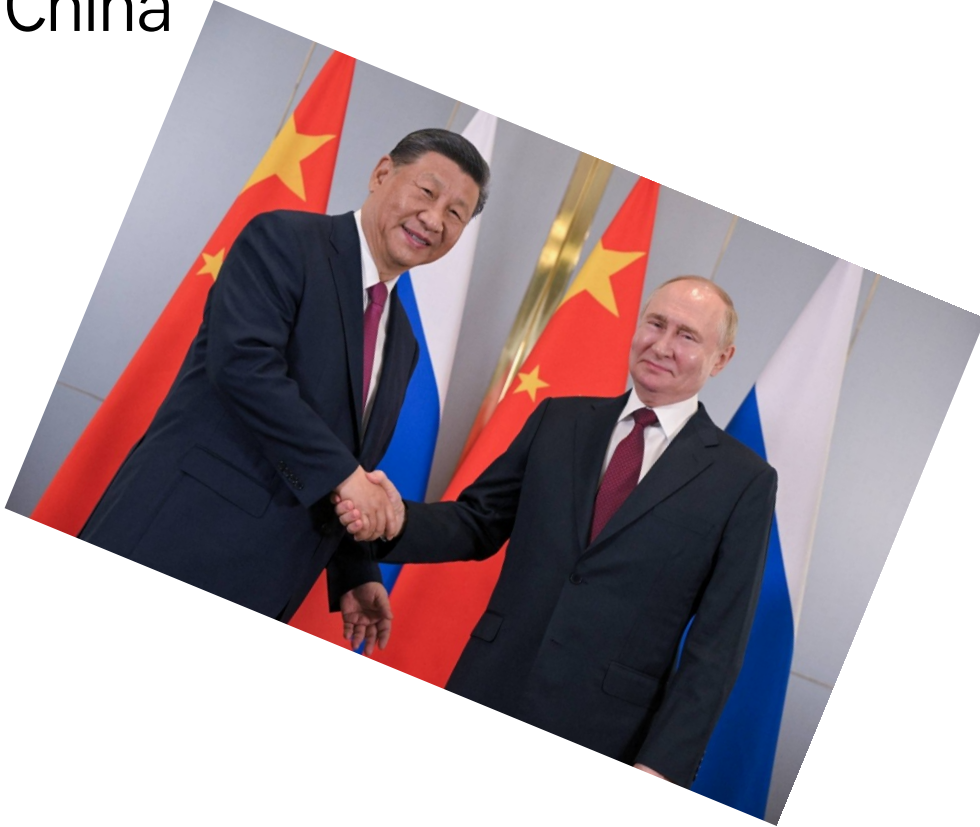
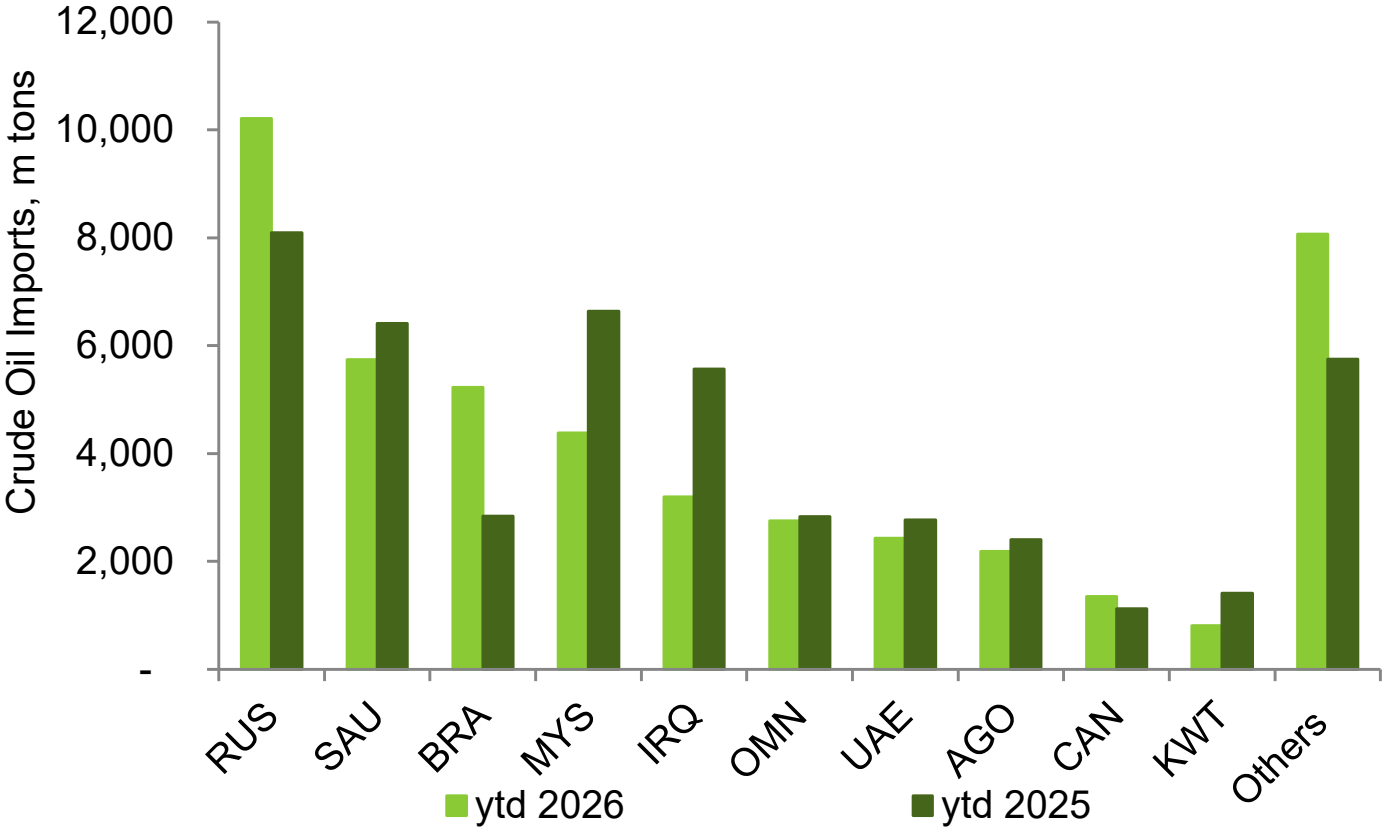


Putin's 25th visit to China shows high level of relations

Russia is likely the most reliable energy partner of China

Crude Oil Imports, by volume

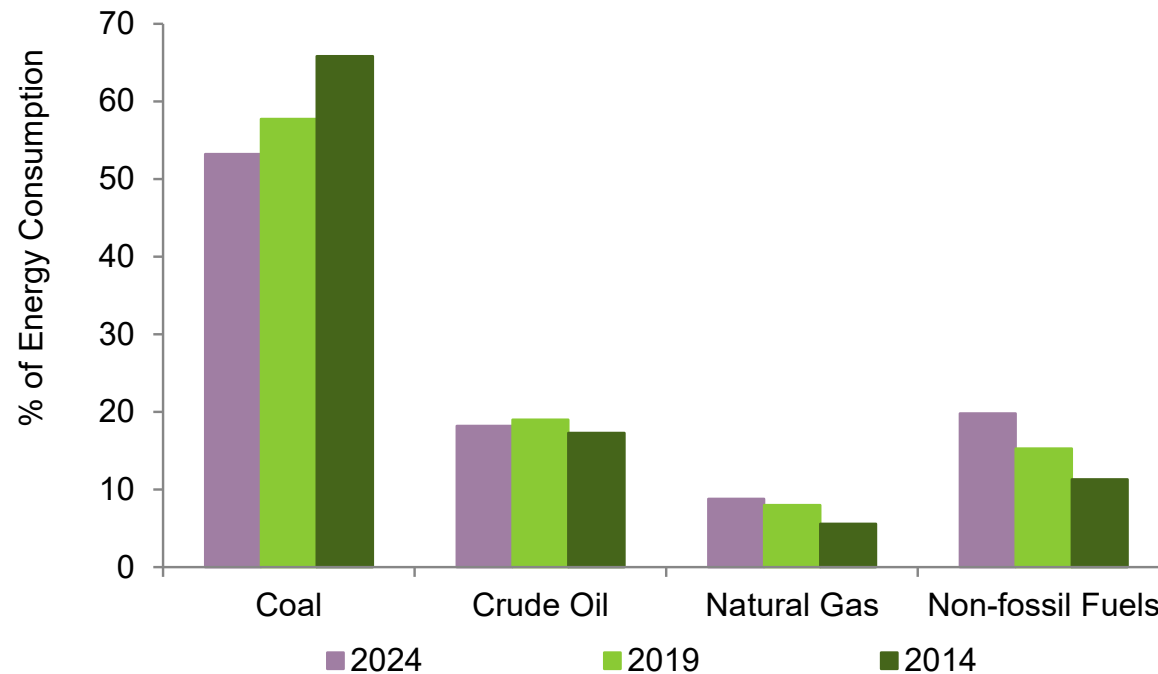
As of April 2026



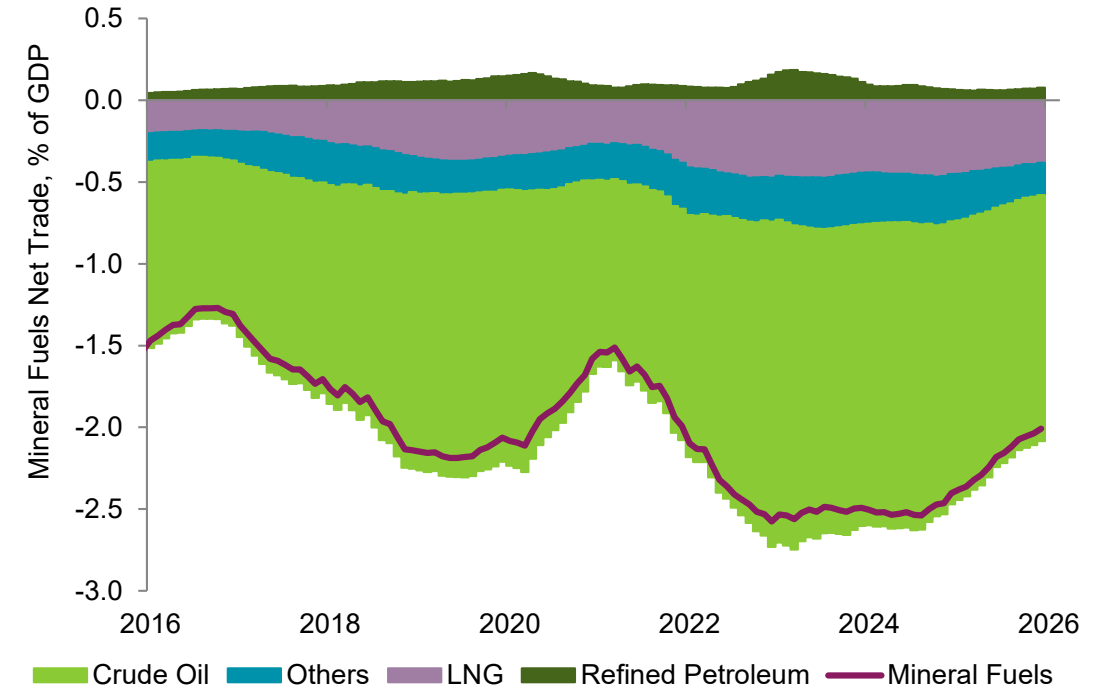
China is in a good position to manage the Iran conflict

Locally-sourced coal dominates as transition to sustainable energy continues

Energy Consumption



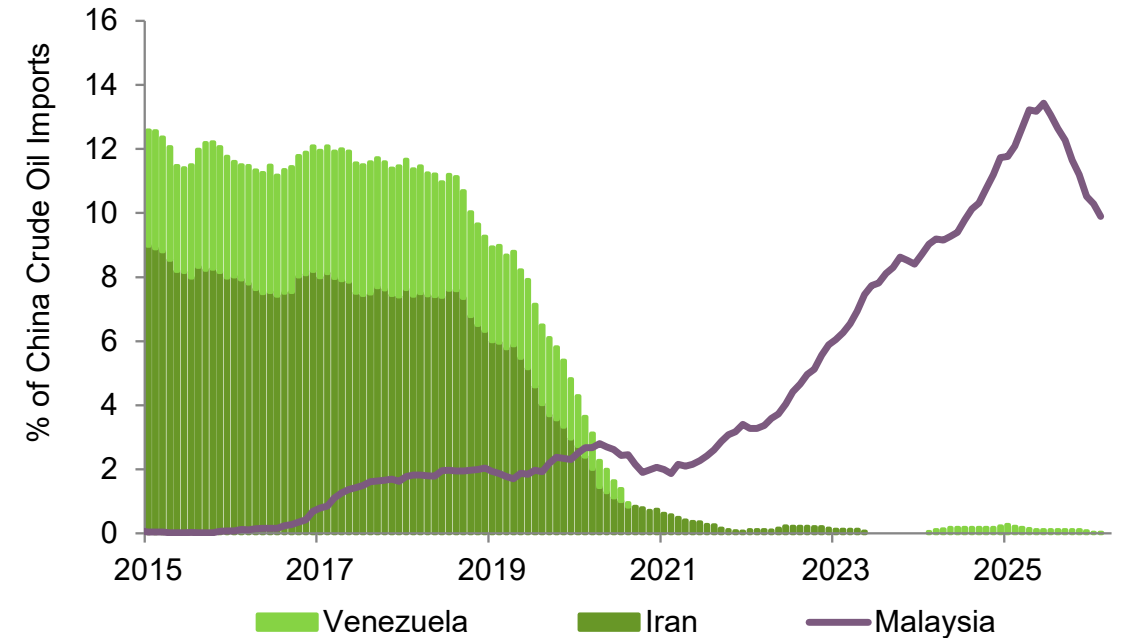
China Net Energy Trade, % GDP



China has diversified sources of crude oil imports

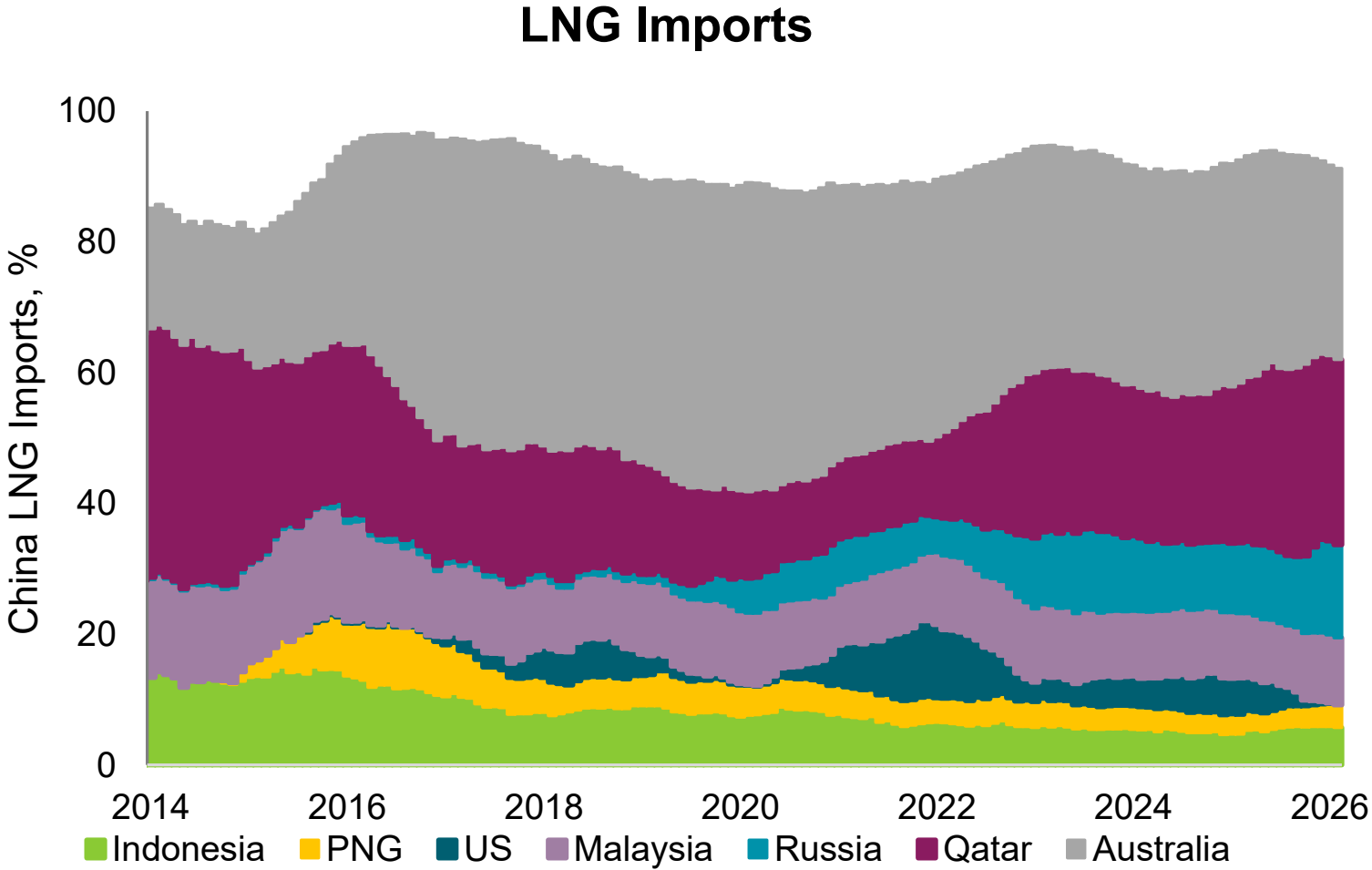
Precautionary purchases of crude oil rose even before the conflict started

Sources of Crude Oil Imports



LNG imports are diversifying too

Imports from Qatar are at risk. Power of Siberia 2 to boost Russian imports

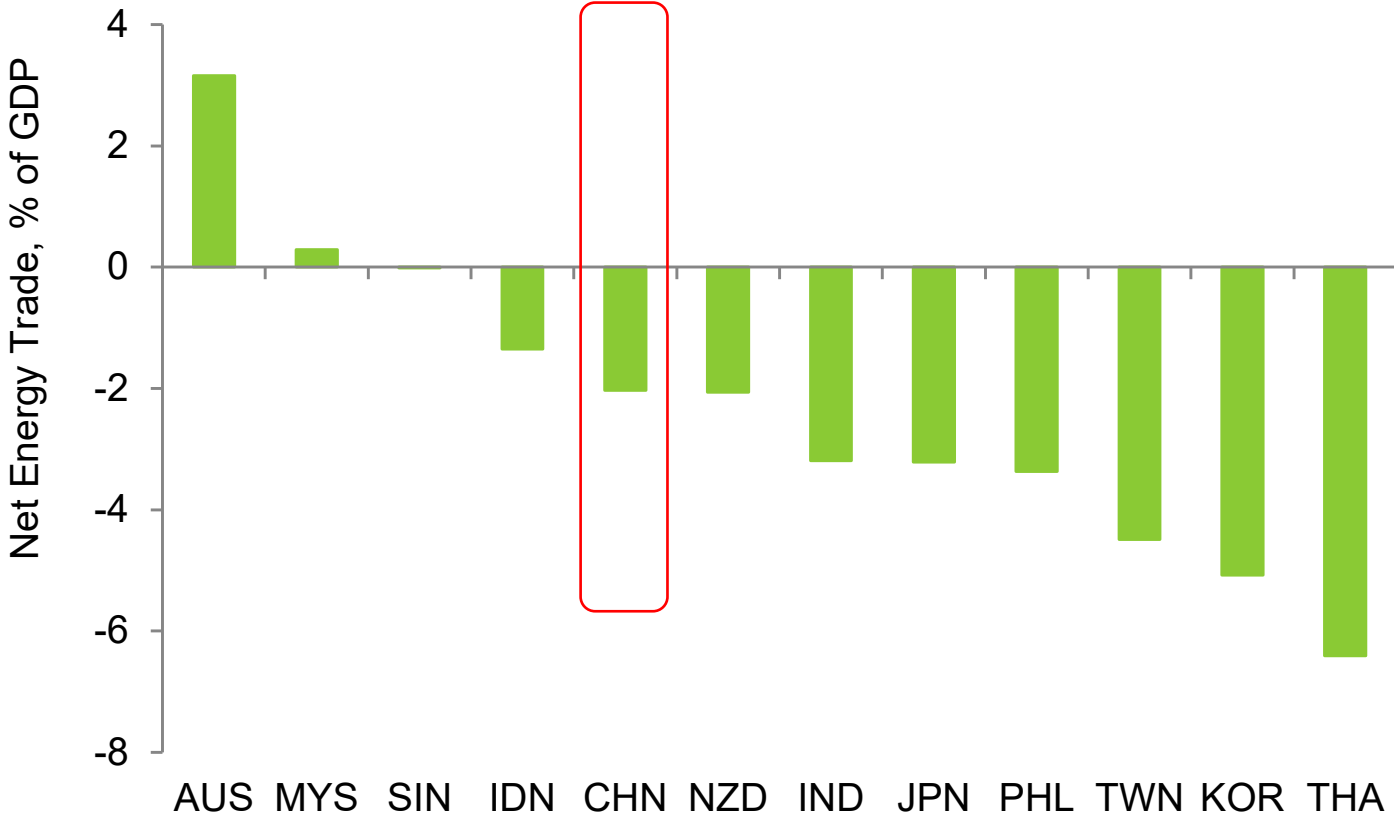


Source: CEIC, SEB Research

Most of Asia Pacific are big net energy importers

Australia and Malaysia are net energy exporters

APAC Net Energy Trade, % GDP

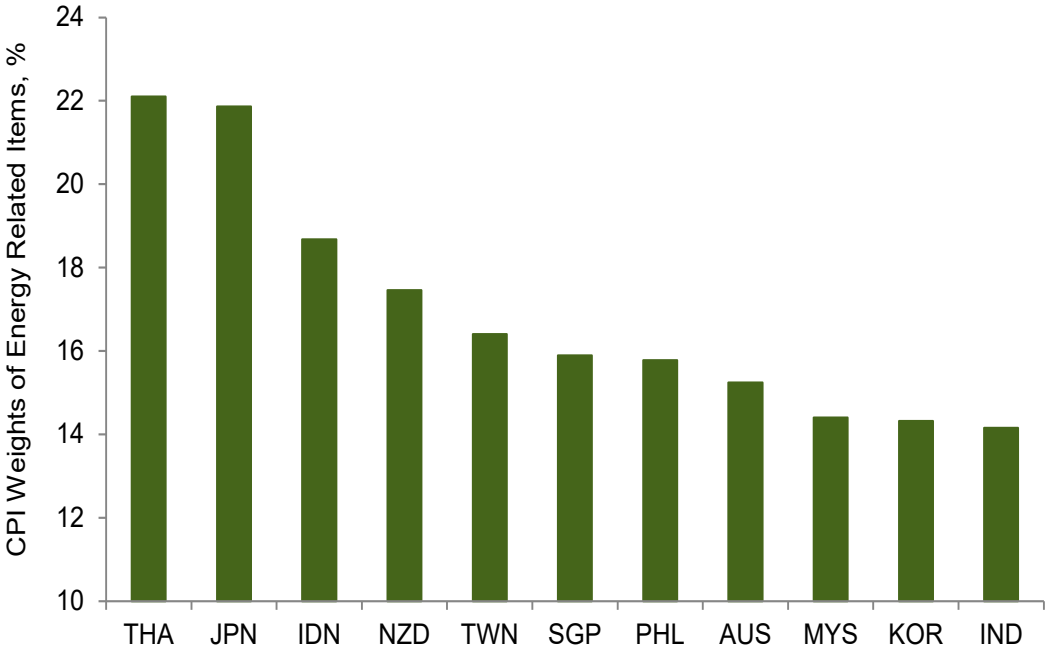


Source: CEIC, SEB Research

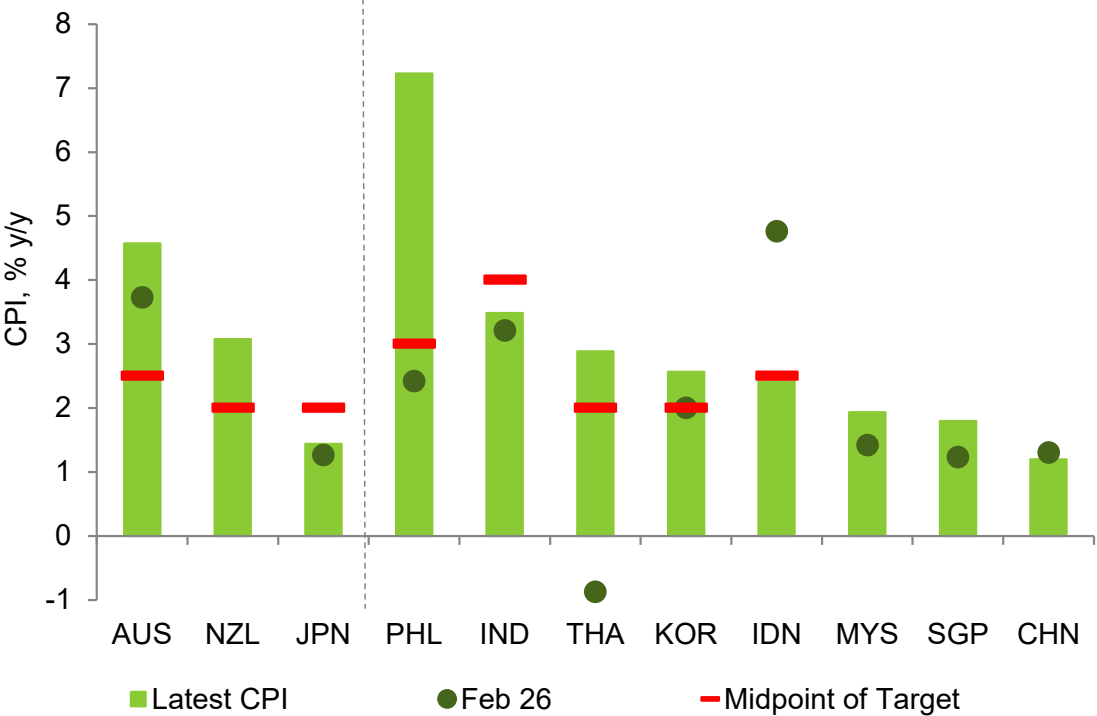
Inflation is mostly starting at low rates

Central banks in AUS, PHL may tighten more

CPI Weights of Energy-related Items



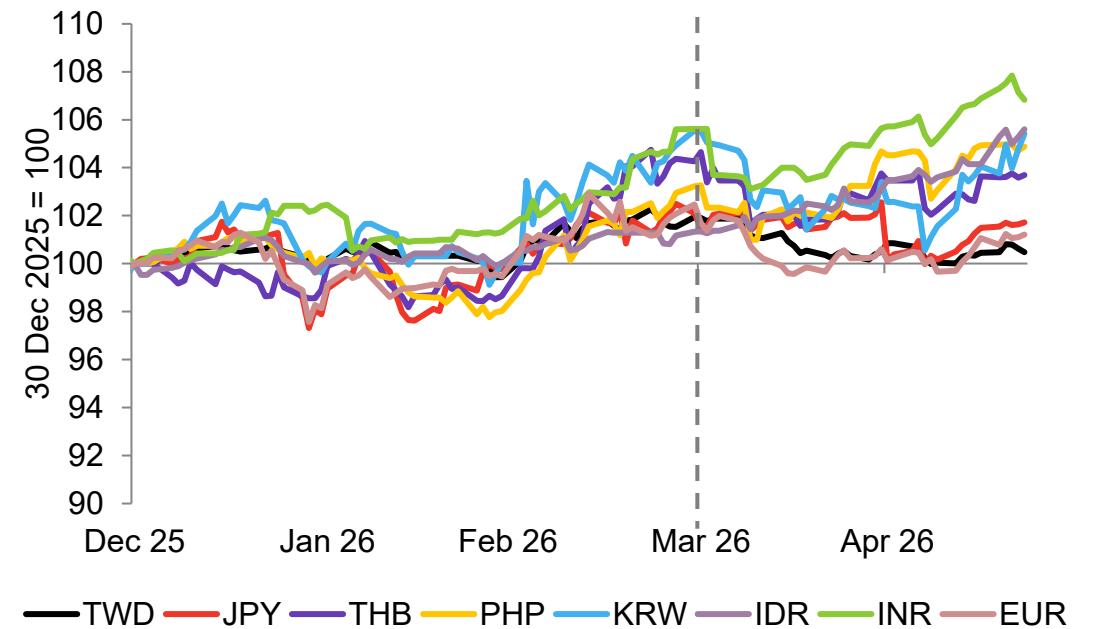
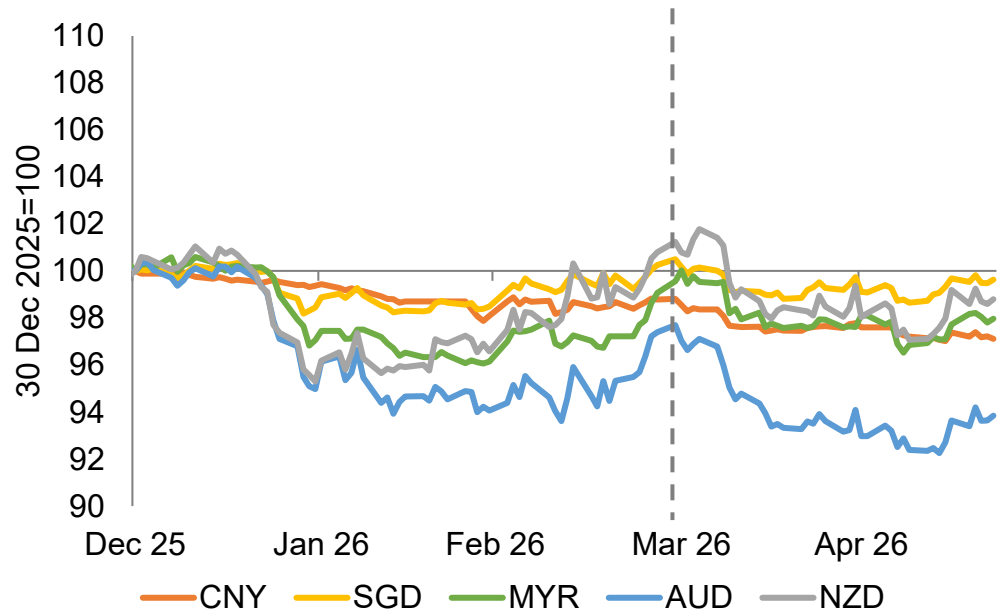
CPI, % y/y vs Midpoint of Target Range



Source: CEIC, SEB Research

Asia FX shows the impact of energy disruption

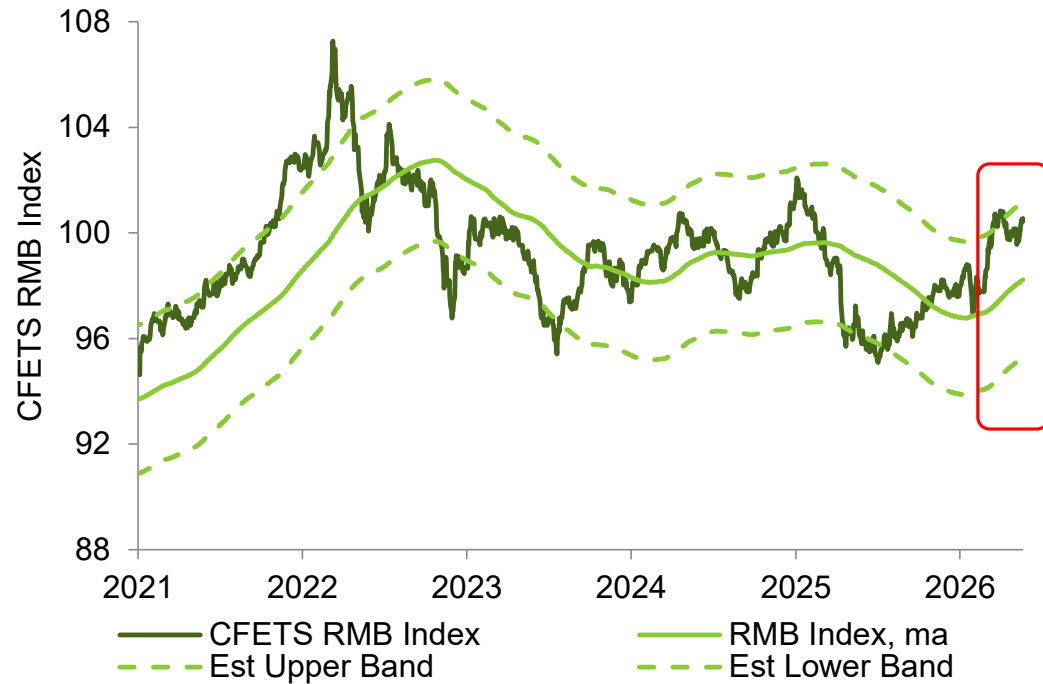
USD/Asia
As of 22 May 2026



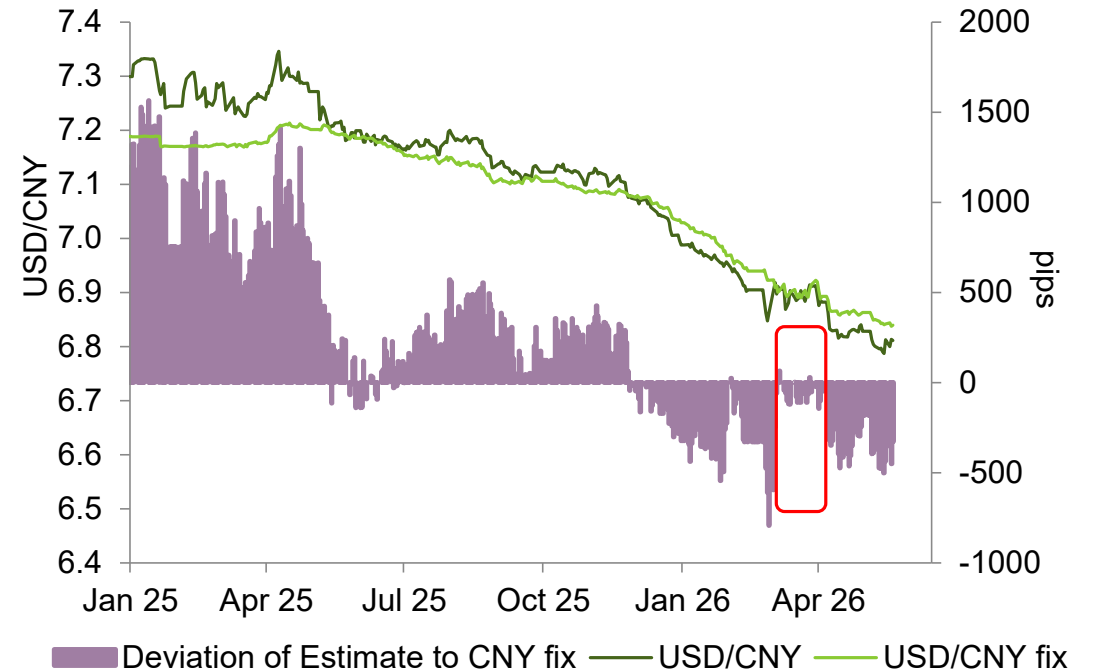
CNY appreciation will be limited to 6.78 by end-2026

Daily fixing shows change of official bias

CFETS RMB Index



CNY Fixing vs Spot USD/CNY



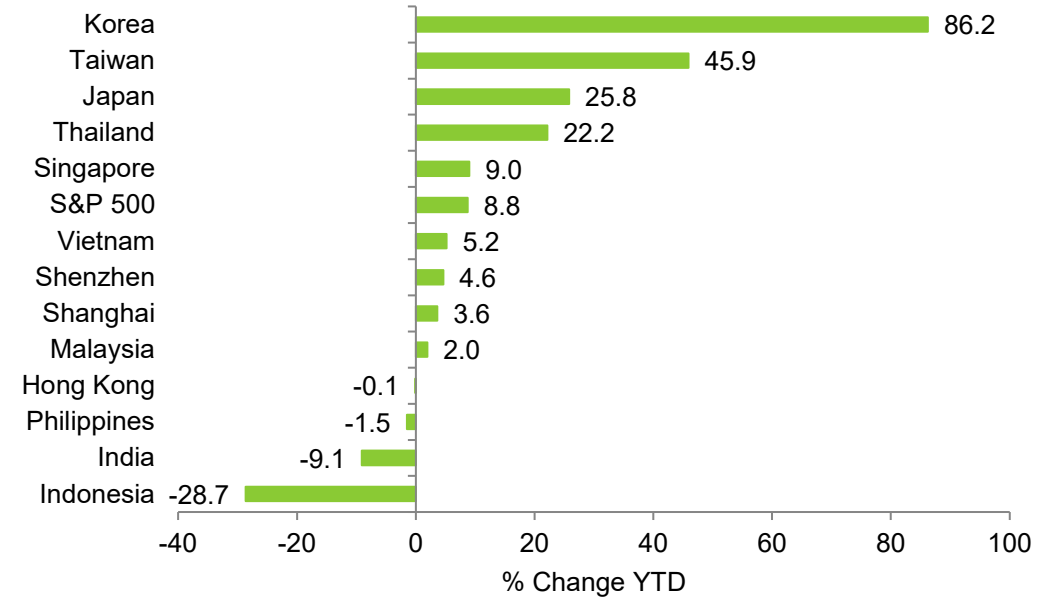
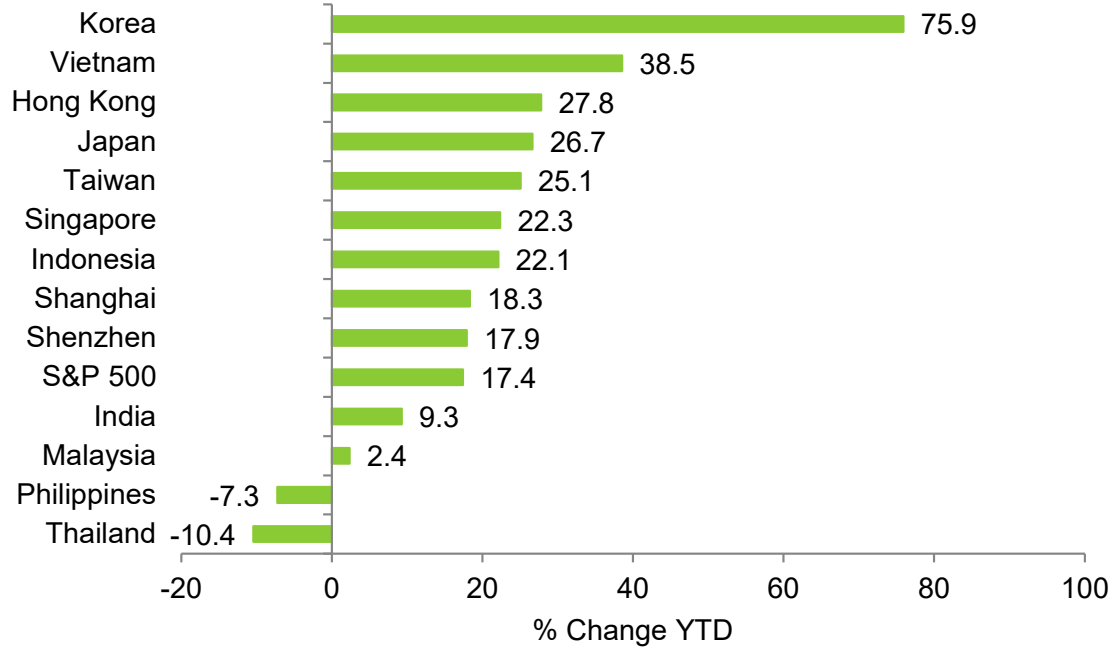
AI favours North Asian equities

South and South East Asia are not benefitting from AI narrative

Equity Performance

2025

Ytd as of 22 May 2026



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Thank you

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