Goldman Sachs Research

GS China Economic Outlook

Stability Premium

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Global GDP Forecasts: GS vs Consensus

Real GDP Growth:	Annual Average					Q4/Q4	
	2025	2026		2027		2026	
	Actual*	GS	Consensus	GS	Consensus	GS	Consensus
DMs							
US	2.1	2.3	2.2	2.0	2.0	2.1	2.0
Euro Area	1.5	0.7	0.9	1.0	1.3	0.6	0.9
Germany	0.4	0.5	0.7	1.1	1.3	0.6	0.8
France	0.9	0.8	0.9	0.7	1.0	0.4	0.7
Italy	0.7	0.5	0.6	0.6	0.8	0.2	0.4
Spain	2.8	2.1	2.2	1.5	1.9	1.4	1.8
Japan	1.2	0.3	0.7	1.0	0.9	0.4	0.9
UK	1.4	0.9	0.8	1.3	1.2	1.0	0.8
Canada	1.7	1.5	1.2	2.0	1.7	2.0	1.6
Australia	2.0	1.8	2.0	2.2	2.0	1.3	1.5
EMs							
China	5.0	4.7	4.6	4.7	4.4	4.6	4.5
India	7.5	6.2	6.5	7.1	6.4	5.8	6.4
Brazil	2.3	1.9	1.8	1.8	1.8	3.0	2.0
South Korea	1.0	2.5	2.0	1.7	1.9	2.1	1.9
Mexico	0.6	1.5	1.4	1.9	1.8	1.5	1.3
World	2.8	2.4	2.6	2.7	2.6	2.2	2.5

*GS estimate where actual full-year data is not yet available.
Note: Global GDP growth rates aggregated using market exchange rates. IMF forecast used for India 2027 consensus value.

Source: Bloomberg, Goldman Sachs Global Investment Research

Key China Macro Views

- **Growth:**
  - We expect 2026 real GDP to grow 4.7%, in line with the government's "4.5-5%" target, despite the energy-supply shock due to the Middle East conflict.
  - The property market has not bottomed, but the drag to GDP growth should lessen.
  - Although household consumption may stay weak in 2026, we expect government consumption growth to increase to offset such weakness.
  - We anticipate investment to rebound from 2025 to 2026.
  - Despite higher energy prices, our forecast for the 2026 current account surplus remains above consensus (3.4% of GDP vs. 2.7% Bloomberg consensus).
- **Inflation:**
  - China's reflation process will be driven by cost-push inflation (higher energy prices) and the government's "anti-involution" efforts to curb excessive price-cutting, which should help lift PPI inflation from -2.6% in 2025 to +1.2% in 2026.
  - We expect headline CPI inflation to increase from 0% in 2025 to 1.0% in 2026.
- **Policy:**
  - We expect policy rate remains unchanged, the augmented fiscal deficit to widen by 1.0pp of GDP, and USDCNY to be 6.70 in 12 months.
  - China's 15th FYP continues to prioritize manufacturing, technology, and security.

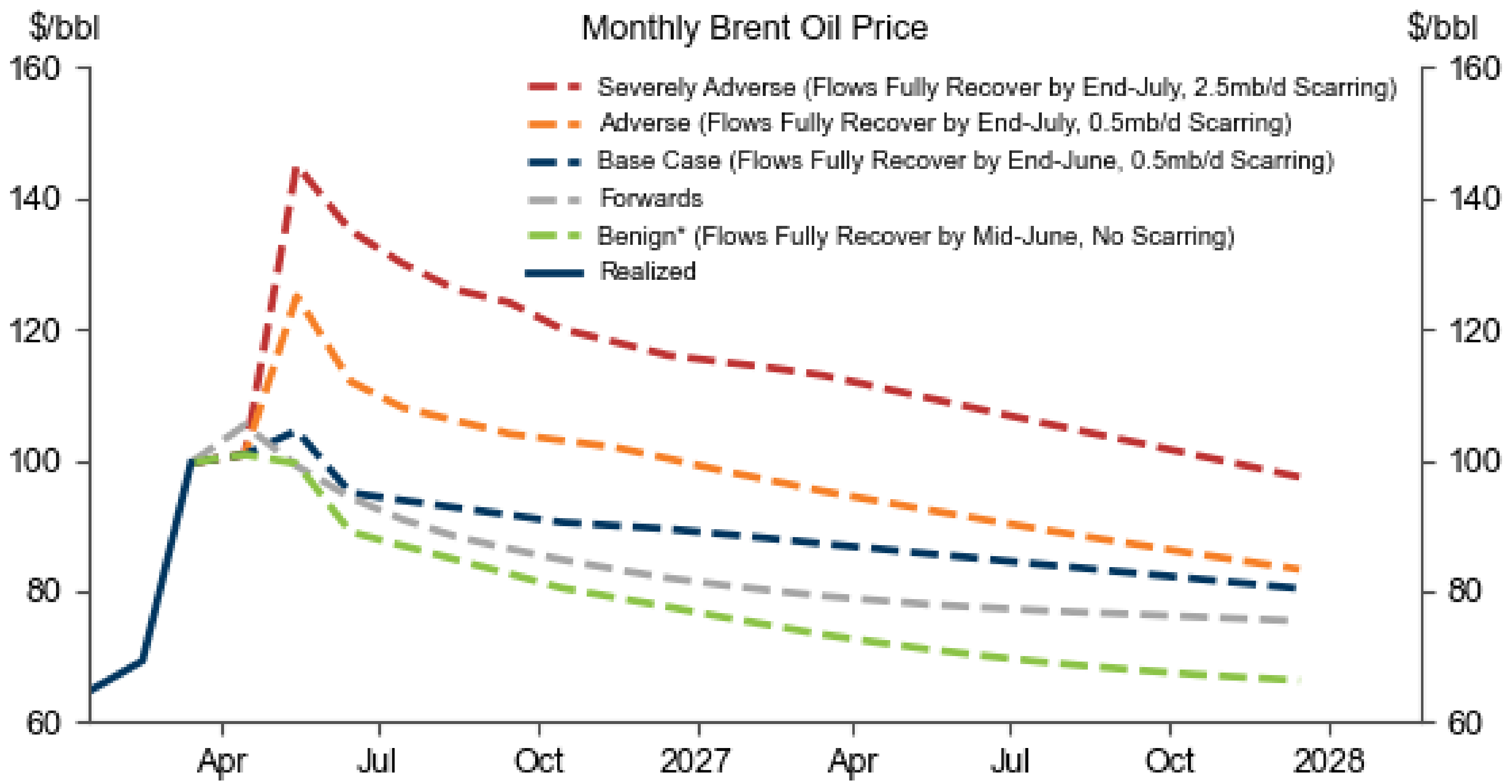
Source: Goldman Sachs Global Investment Research

GS China Forecasts for 2026

		2019	2020	2021	2022	2023	2024	2025	2026F
GDP	**% yoy**	**6.1**	**2.3**	**8.6**	**3.1**	**5.4**	**5.0**	**5.0**	**4.7**
Domestic Demand	pp	5.4	1.7	6.9	2.5	6.0	3.4	3.4	4.1
Consumption	% yoy	6.3	-0.2	9.4	2.7	8.3	4.0	4.6	4.6
Household Consumption	% yoy	6.1	-1.9	12.1	1.7	8.8	5.2	4.8	4.5
Government Consumption	% yoy	6.9	3.8	3.5	5.2	7.2	1.2	4.0	5.0
Gross Fixed Capital Formation	% yoy	5.5	3.6	2.5	3.5	4.5	2.3	1.5	3.5
Net Exports	pp	0.7	0.7	1.7	0.5	-0.6	1.5	1.6	0.6
Exports of Goods (nominal USD)	% yoy	0.5	3.6	29.6	5.6	-4.7	5.8	5.4	10.5
Imports of Goods (nominal USD)	% yoy	-2.7	-1.0	30.6	0.7	-5.5	1.0	0.0	14.9
Inflation									
CPI	% yoy	2.9	2.5	0.9	2.0	0.2	0.2	0.0	1.0
Core CPI	% yoy	1.6	0.8	0.8	0.9	0.7	0.5	0.7	1.0
PPI	% yoy	-0.3	-1.8	8.0	4.1	-3.0	-2.2	-2.6	1.2
Other									
Current Account Balance	% GDP	0.6	1.5	1.6	2.2	1.4	2.4	3.7	3.4
USDCNY (eop)	level	6.97	6.54	6.37	6.95	7.09	7.30	7.00	6.70
OMO 7-Day Repo Rate (eop)	%	2.50	2.20	2.20	2.00	1.80	1.50	1.40	1.40
TSF Stock Growth (eop)	%	10.7	13.3	10.3	9.6	9.5	8.0	8.3	8.5
Augmented Fiscal Deficit	% GDP	11.7	16.6	11.2	12.3	11.3	10.6	11.0	12.0

Source: Haver Analytics, Wind, Goldman Sachs Global Investment Research

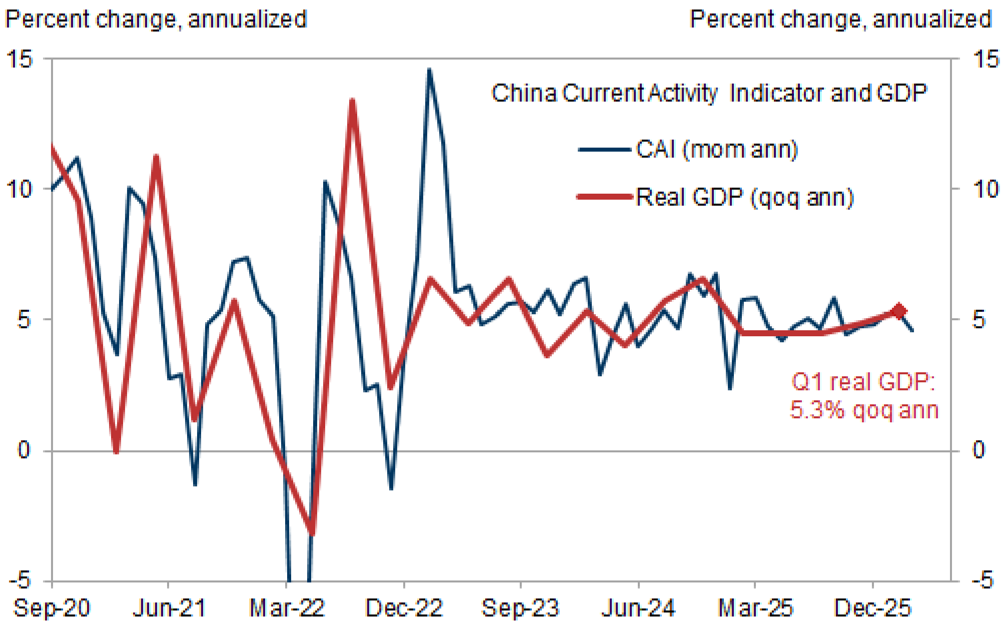
Higher Crude Oil Prices and Net Upside Risks For Even Longer

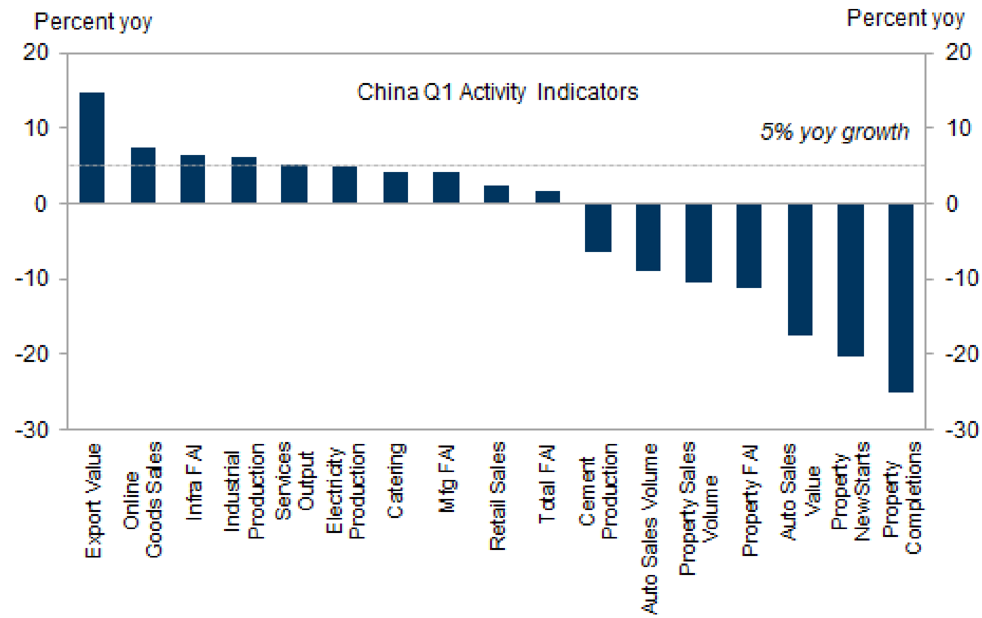


*Benign scenario includes higher US and core OPEC production.

Source: ICE, Goldman Sachs Global Investment Research

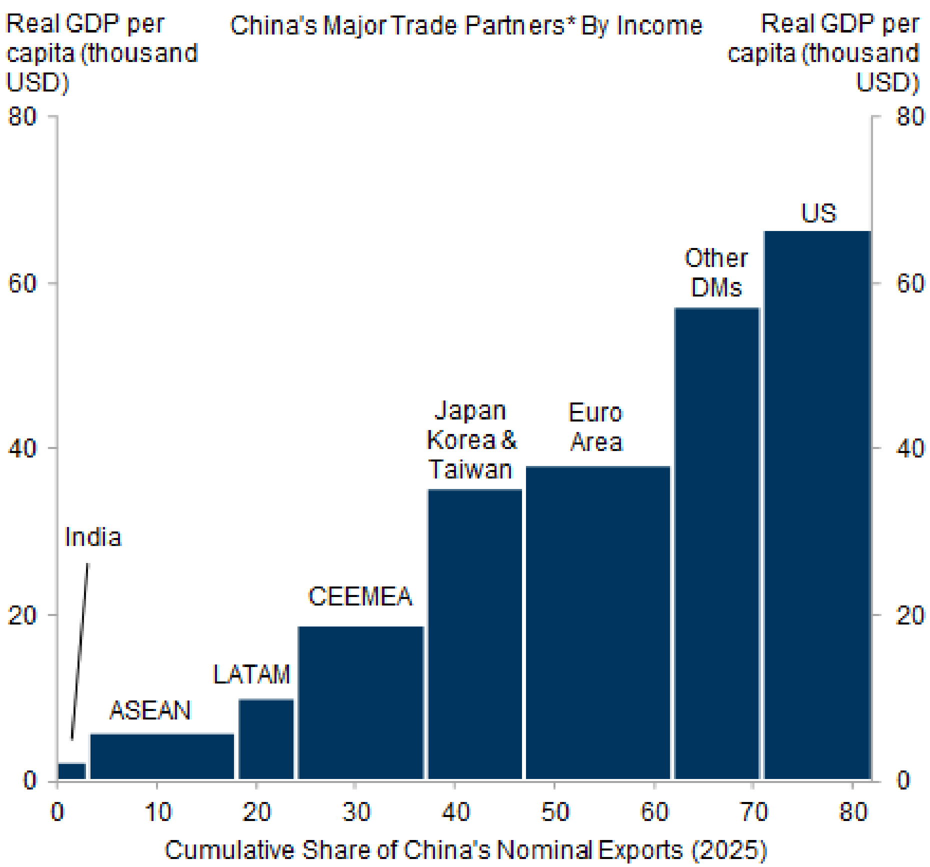
Stable Growth and Bifurcated Economy

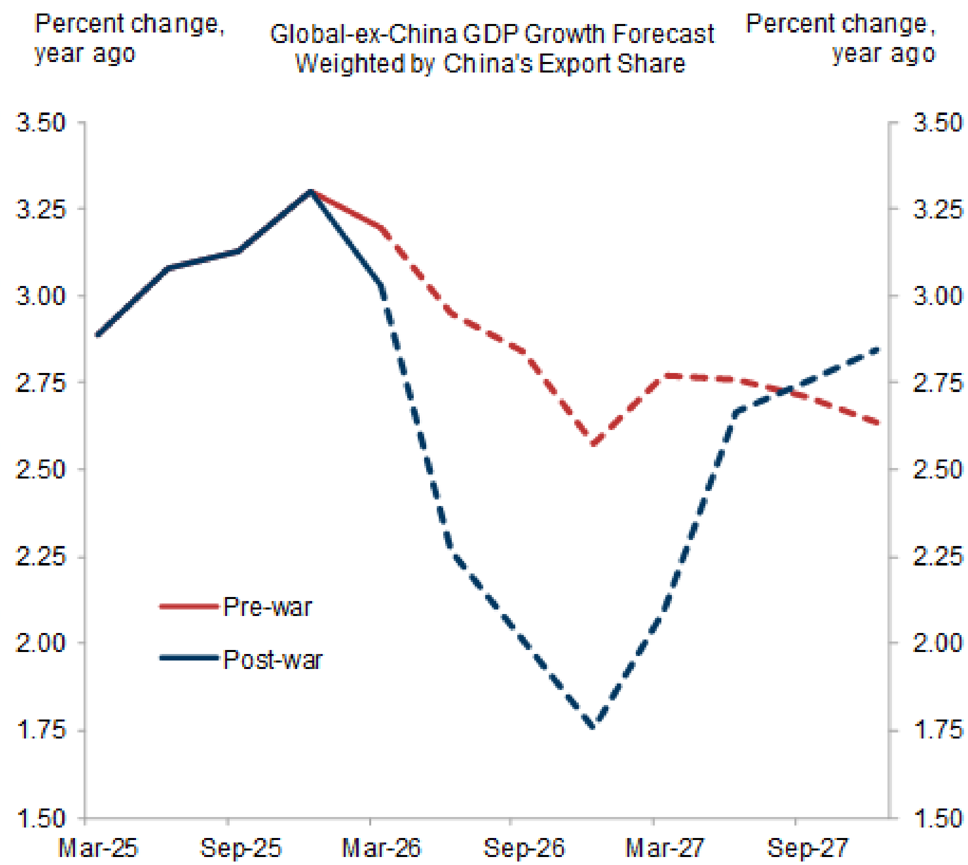




Source: CEIC, Goldman Sachs Global Investment Research

Near-Term Risks to China's Export Outlook…

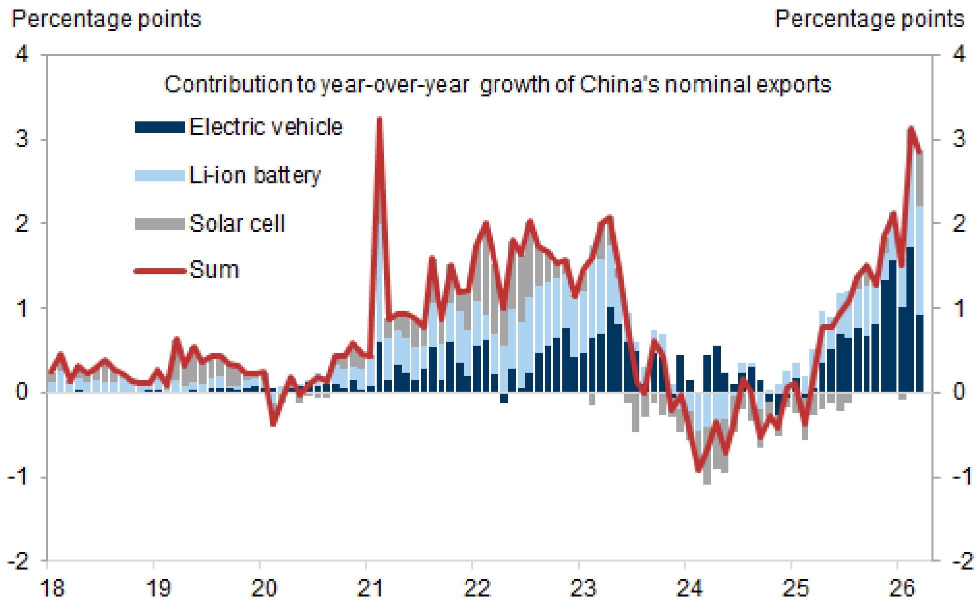


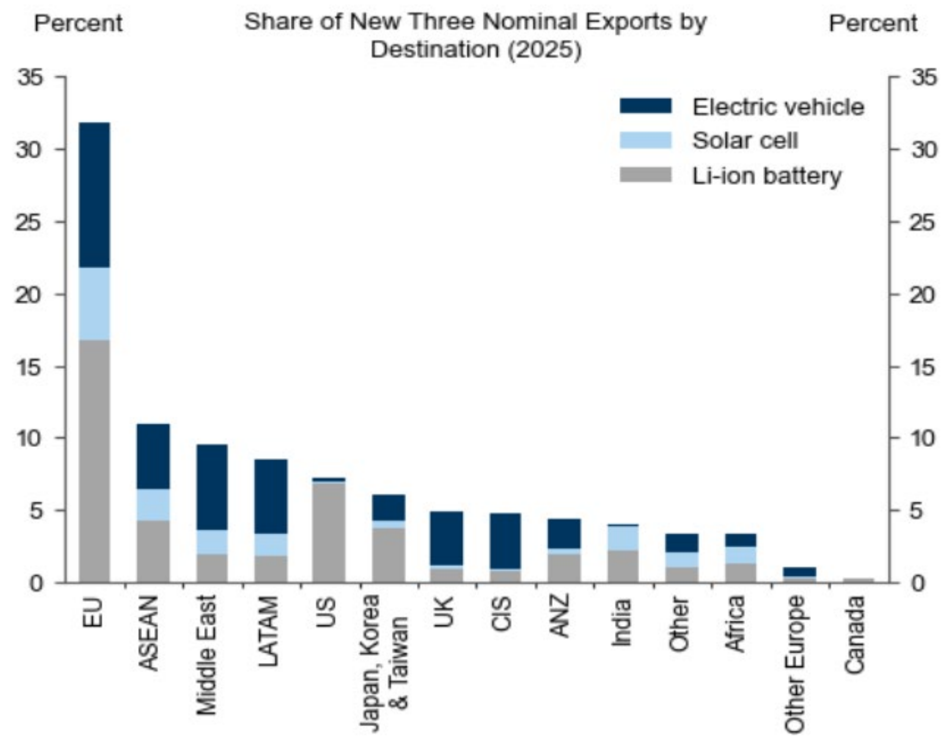


*Note: *Our sample only includes GS covered economies. EM economies accounted for around 60% of total nominal exports in 2025.*

Source: Haver Analytics, Goldman Sachs Global Investment Research

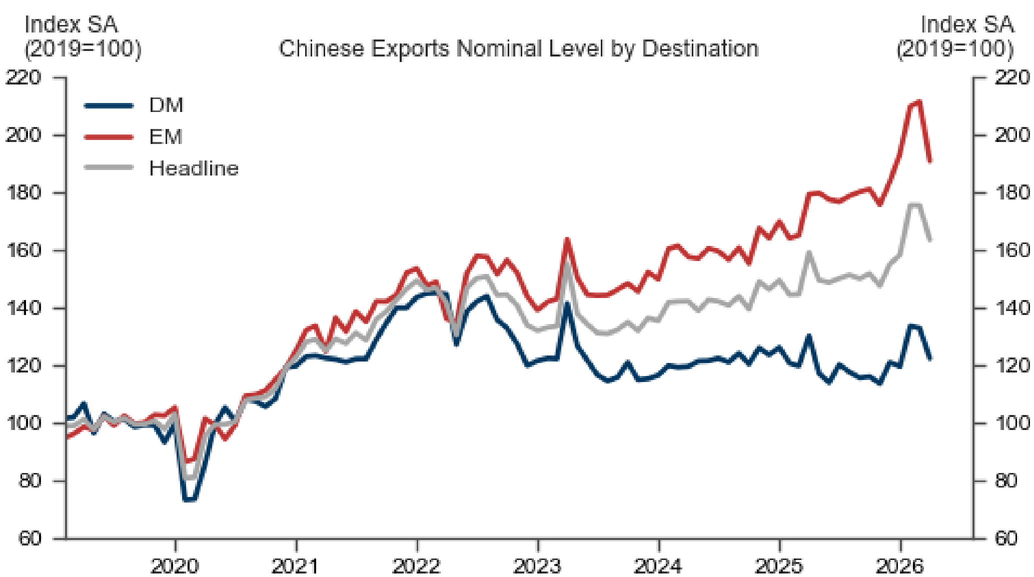
… and Medium- to Long-Term Opportunities

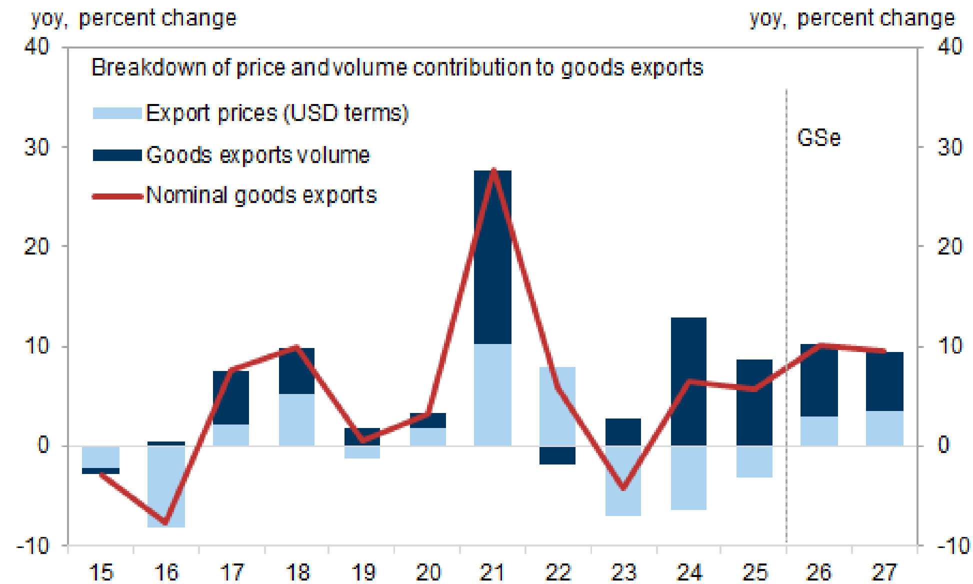




Source: *Haver Analytics, Goldman Sachs Global Investment Research*

Chinese Exports to EM Economies Continue to Outperform, And We Expect Export Growth to Remain Solid in the Coming Years





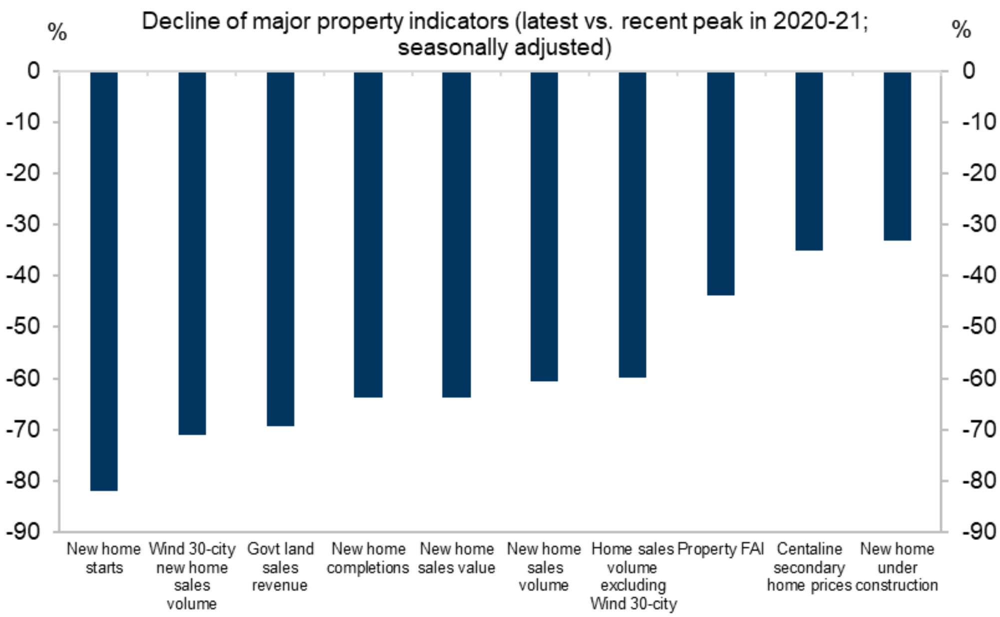
Source: CEIC, Haver Analytics, Goldman Sachs Global Investment Research

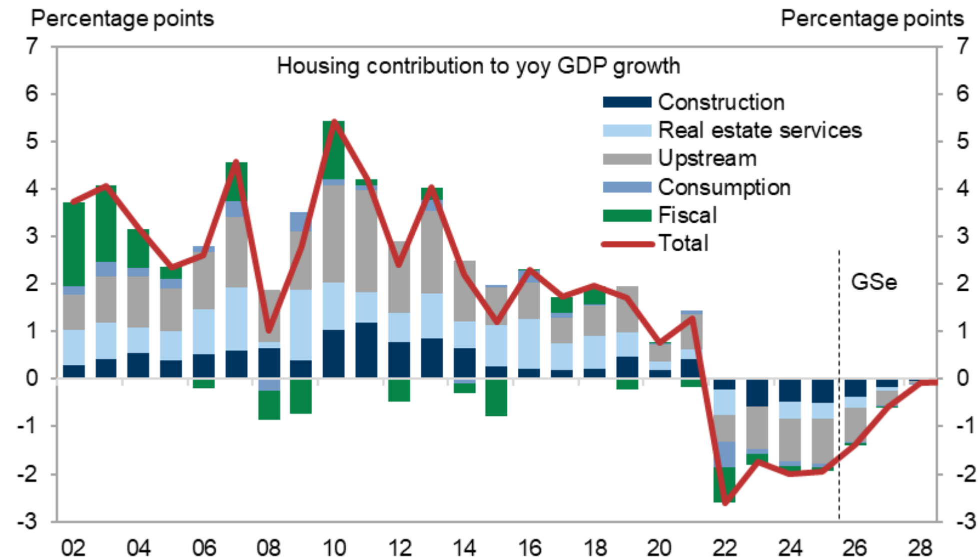
We Revised Down China's Current Account Surplus to 3.4% GDP in 2026, Still Above Consensus (3.0%)

Note: Dashed lines indicate GS forecasts.

Source: Haver Analytics, Goldman Sachs Global Investment Research

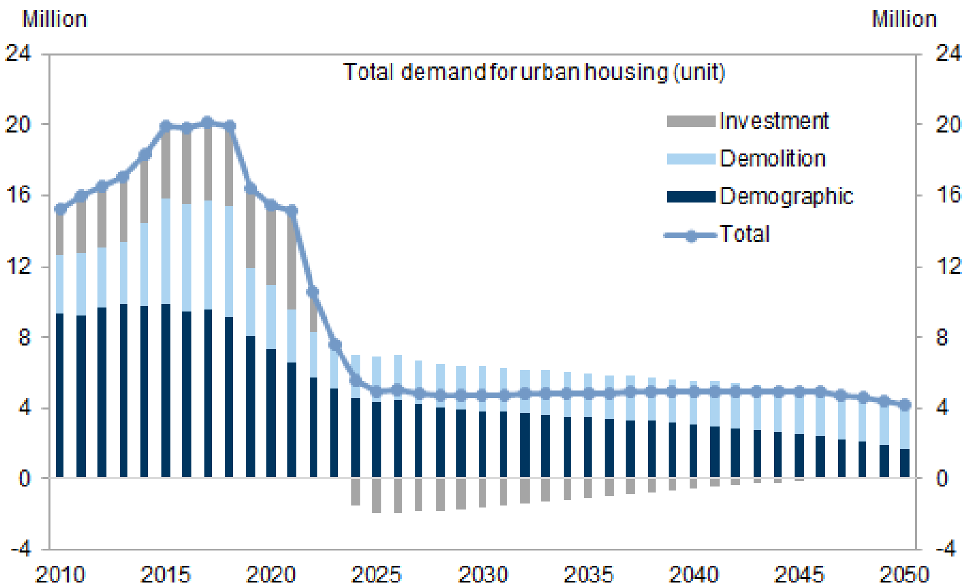
Property Sector Not Bottoming Yet, But Its Growth Drag May Shrink

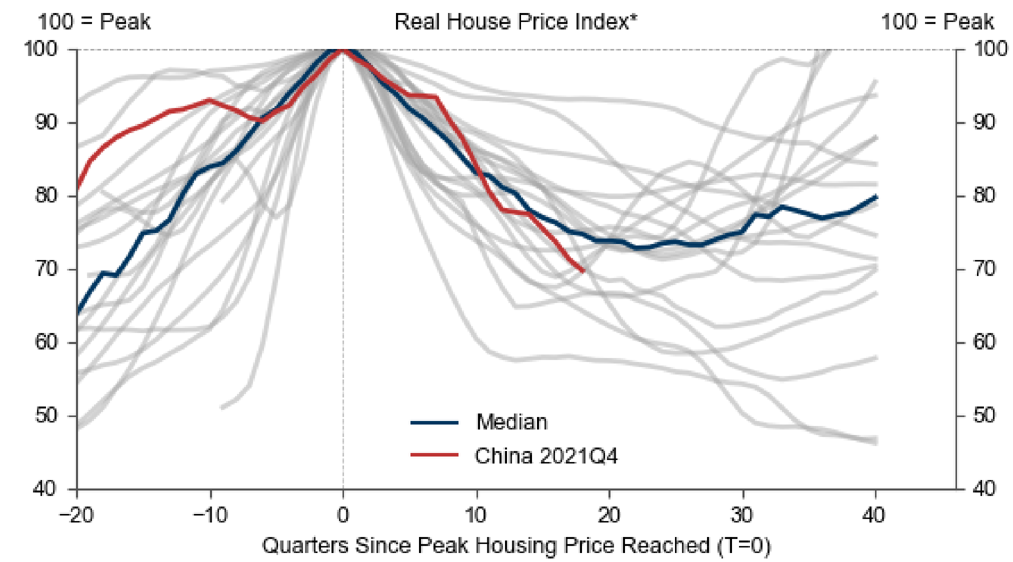




Source: Haver Analytics, Wind, Goldman Sachs Global Investment Research

China's Demand for New Homes May Stay Low and Prices Likely Take 1-2 More Years to Bottom Out

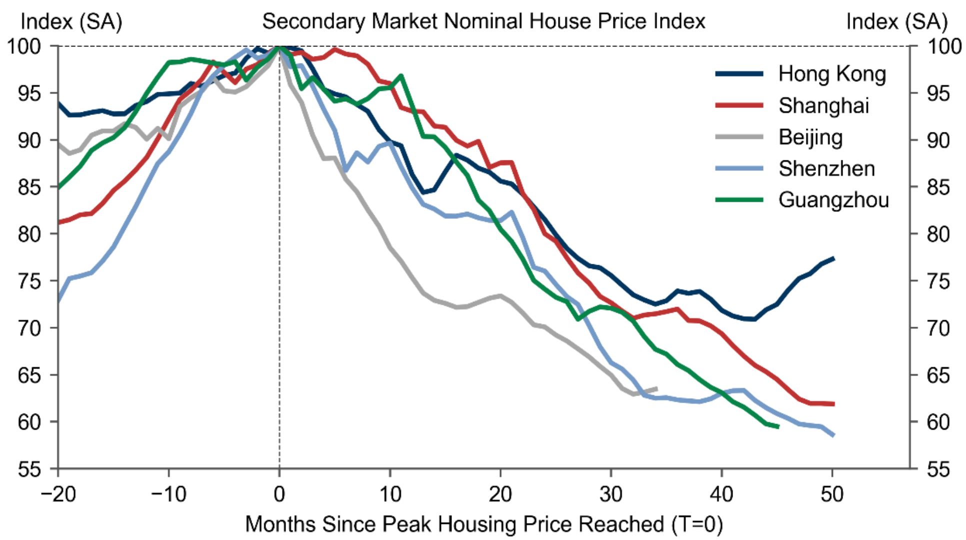


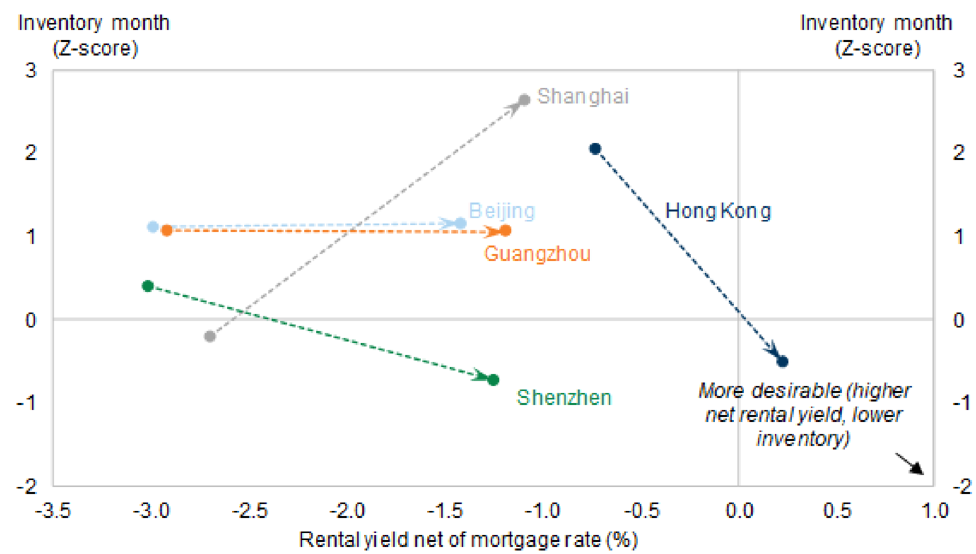


Note: The benchmark illustrates 21 large housing booms/busts across 15 economies around the world since the 1960s.

Source: Haver Analytics, Goldman Sachs Global Investment Research

Lessons of Hong Kong's Property Market Stabilization for Mainland Tier-1 Cities: Shenzhen and Shanghai Likely to Lead the Price Stabilization

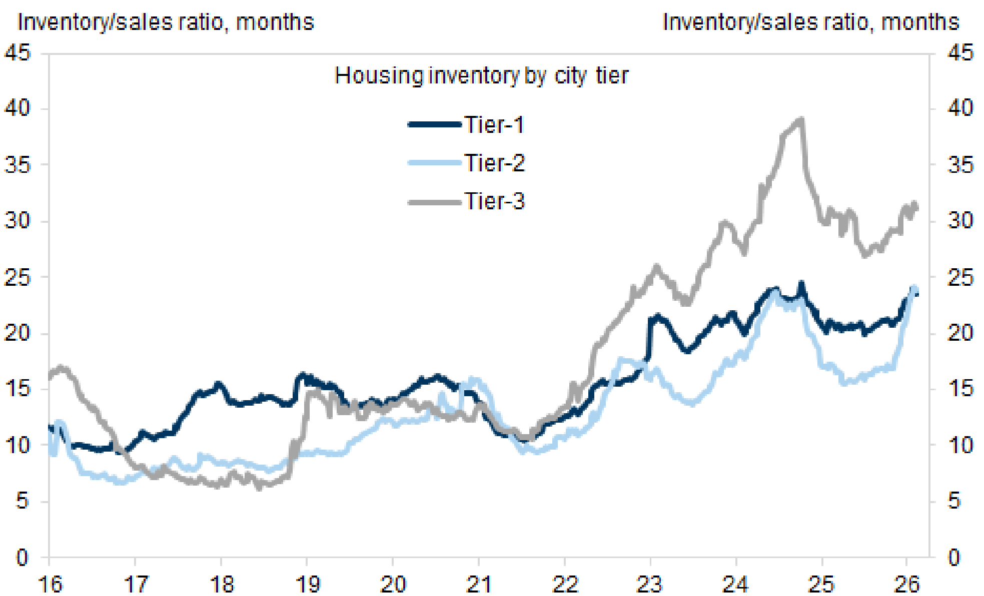


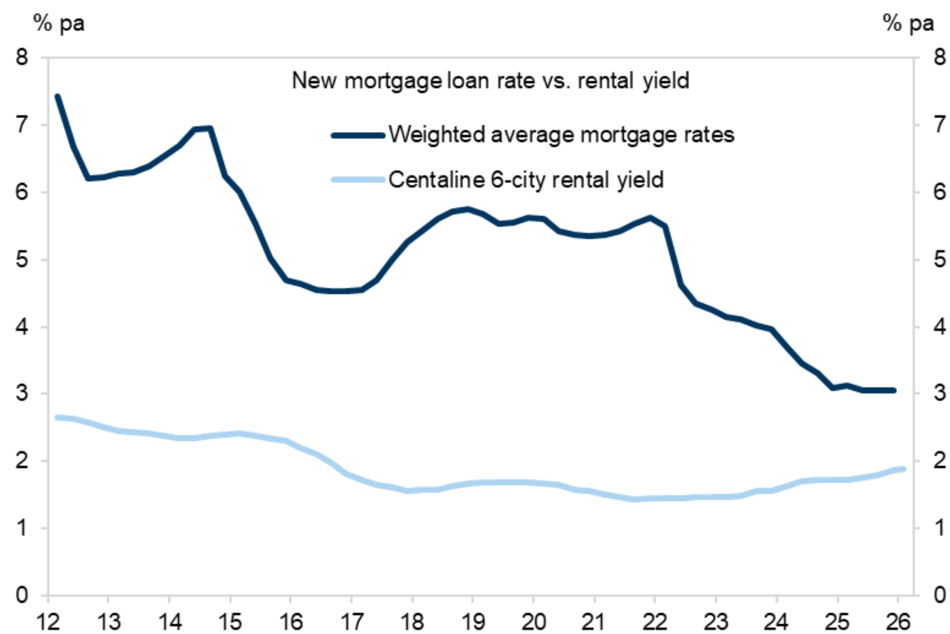


Note: Peak month refers to November 2021 for Hong Kong, May 2023 for Beijing, January 2022 for Shanghai, June 2022 for Guangzhou and August 2021 for Shenzhen, based on Centaline secondary home price data. Our housing inventory measures for Mainland China and Hong Kong differ due to data availability and definitions. For Mainland China, inventory is based on the CREIS database and includes completed unsold units and uncompleted units with presales permits, measured in months of new home sales. Hong Kong inventory data are from the Housing Bureau and cover unsold units that are both completed and under construction. As of end-2025, average inventory stands at 24 months in mainland China's Tier-1 cities versus 49 months in Hong Kong, reflecting these definitional differences. We use Z-scores to gauge inventory levels relative to local historical averages.

Source: Wind, Goldman Sachs Global Investment Research, Centaline

Further Housing Easing Efforts Needed to Stabilize Home Prices in Large Cities



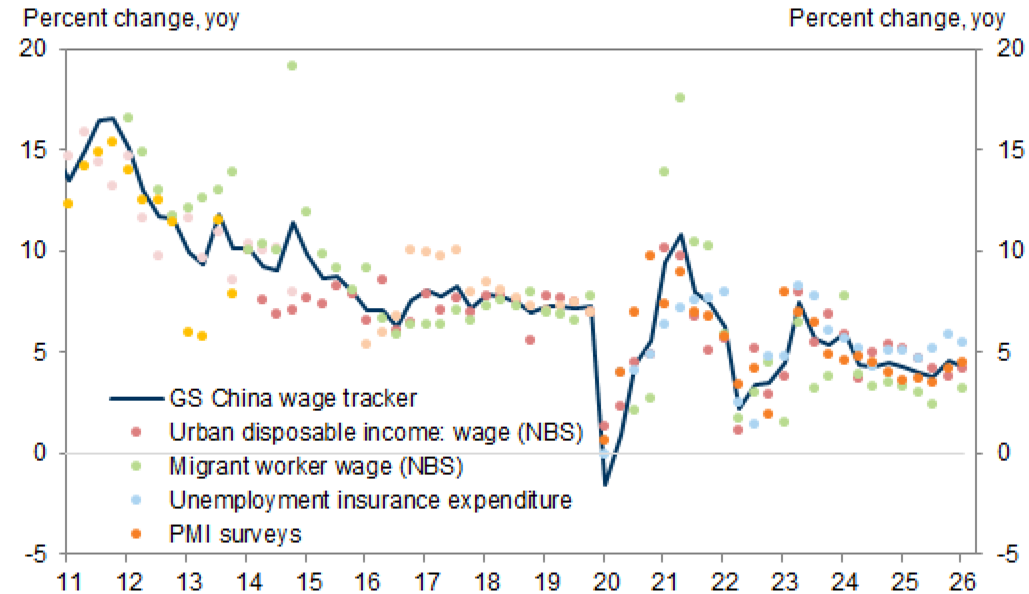


Note: Housing inventory is estimated as housing inventory levels divided by the number of 12-month moving average new home sales.

Source: CREIS, Wind, Goldman Sachs Global Investment Research

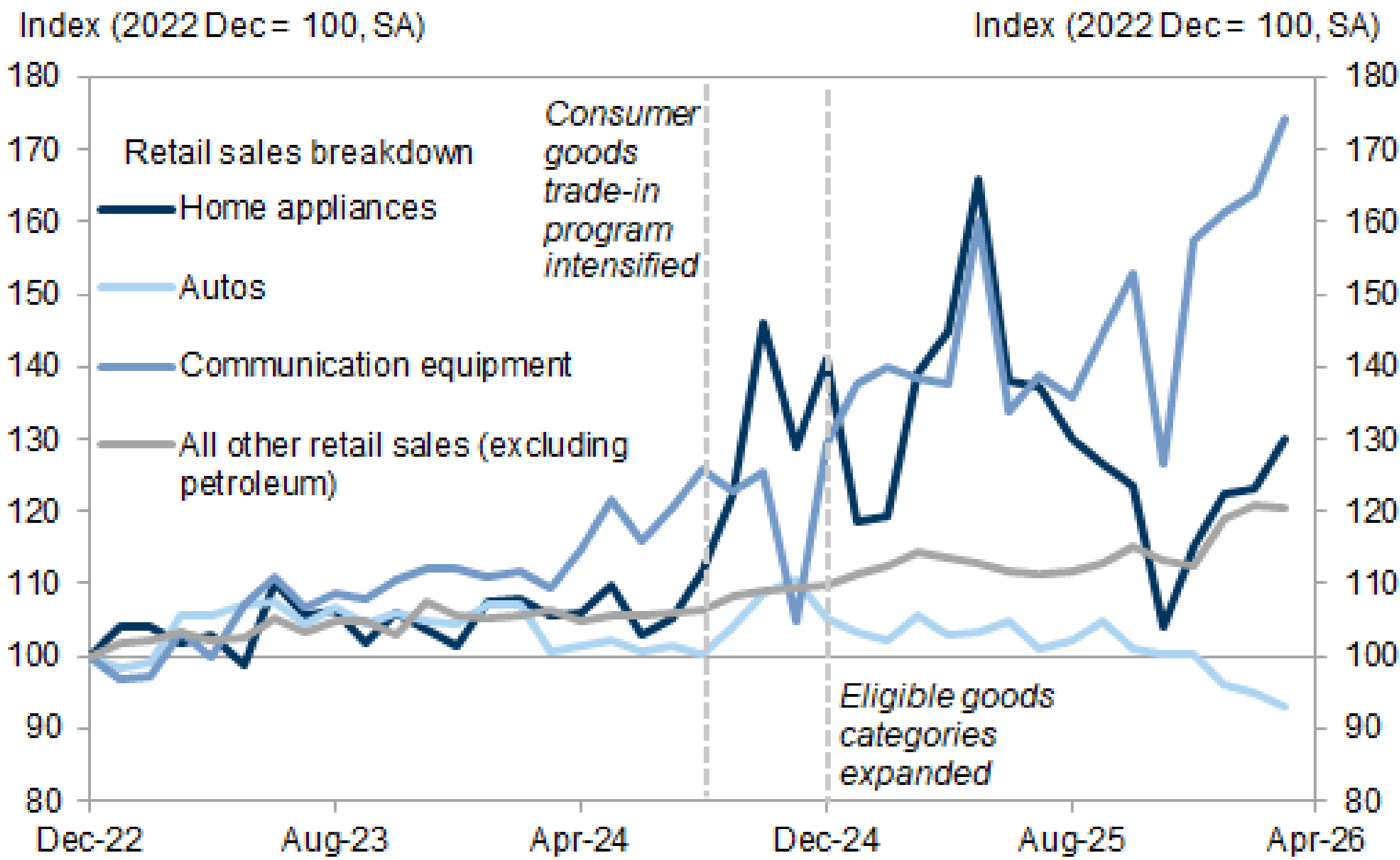
A Weak Labor Market Has Constrained Households' Ability to Spend

We include employment sub-index under NBS manufacturing PMI, construction PMI, and services PMI, Caixin manufacturing PMI and services PMI, CKGSB recruitment index, and emerging industries PMI.



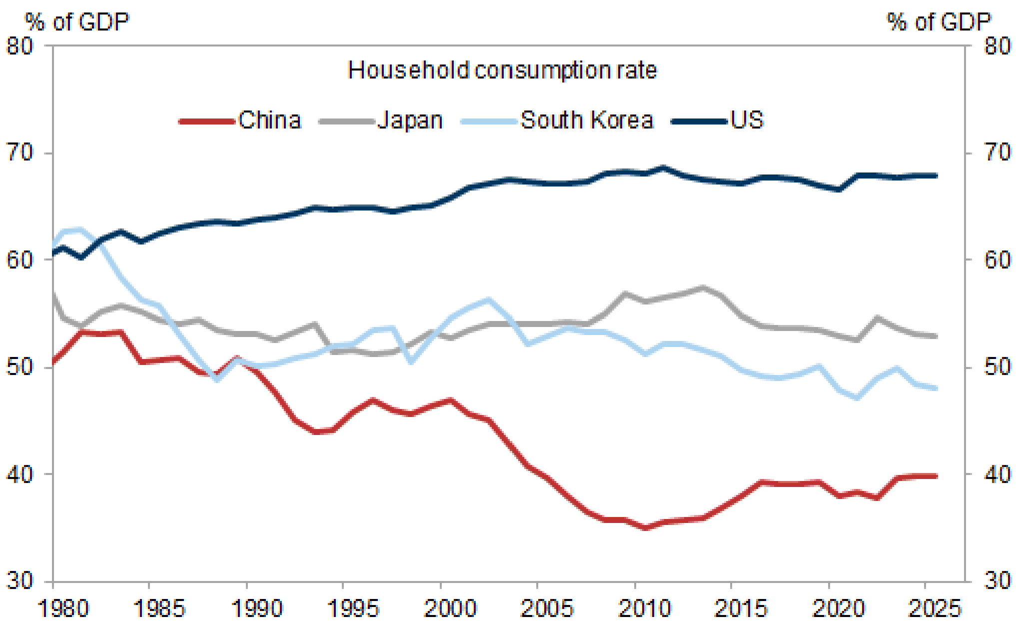
Source: NBS, Caixin, Haver Analytics, Data compiled by Goldman Sachs Global Investment Research

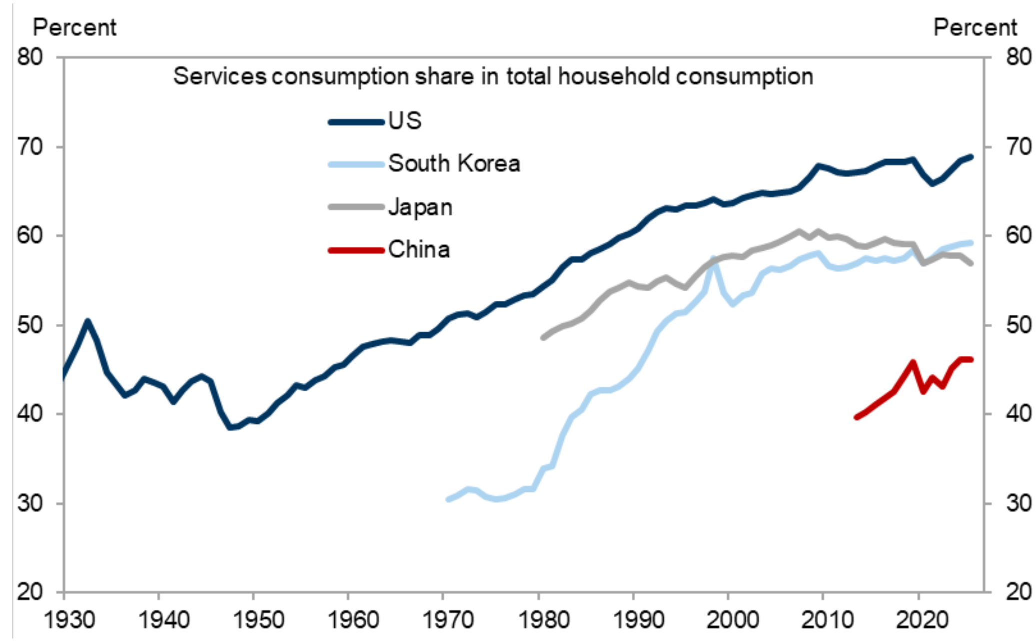
The Boost from the Consumer Goods Trade-in Program Diverged Across Products



Source: Wind, Haver Analytics, Goldman Sachs Global Investment Research

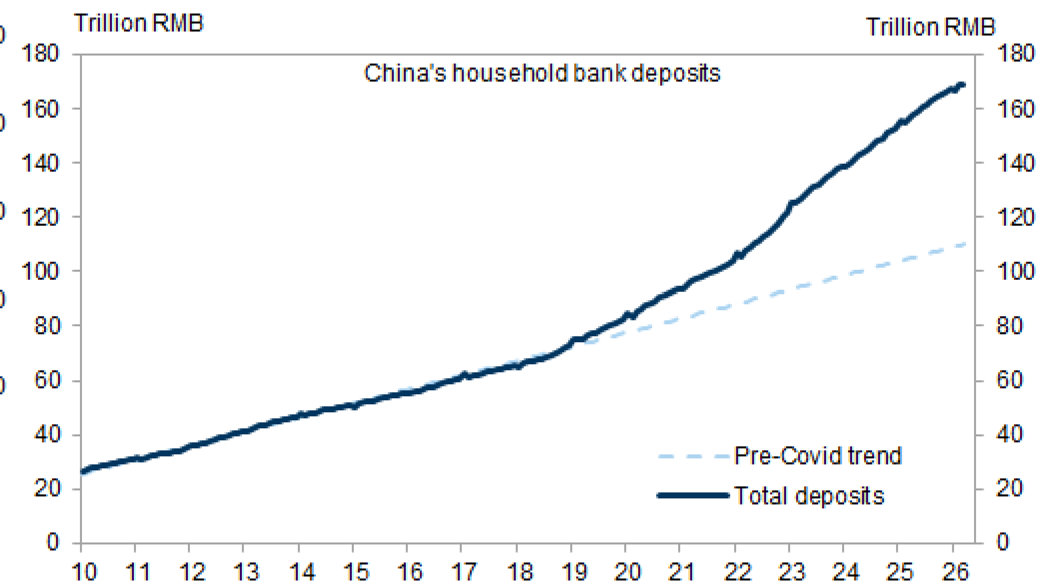
Policymakers Have Intensified Their Focus on Boosting Services Consumption





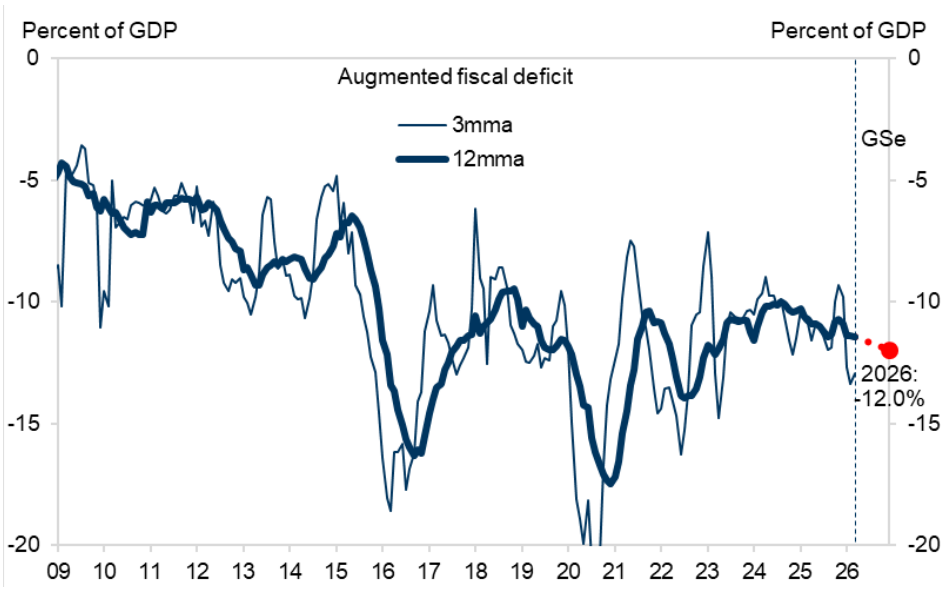
Source: Haver Analytics, Goldman Sachs Global Investment Research

Consumer Sentiment Stays Weak and Household Bank Deposits Remain Elevated



Source: Haver Analytics, Goldman Sachs Global Investment Research

We Expect Augmented Fiscal Deficit to Widen Further by 1pp of GDP to 12% in 2026



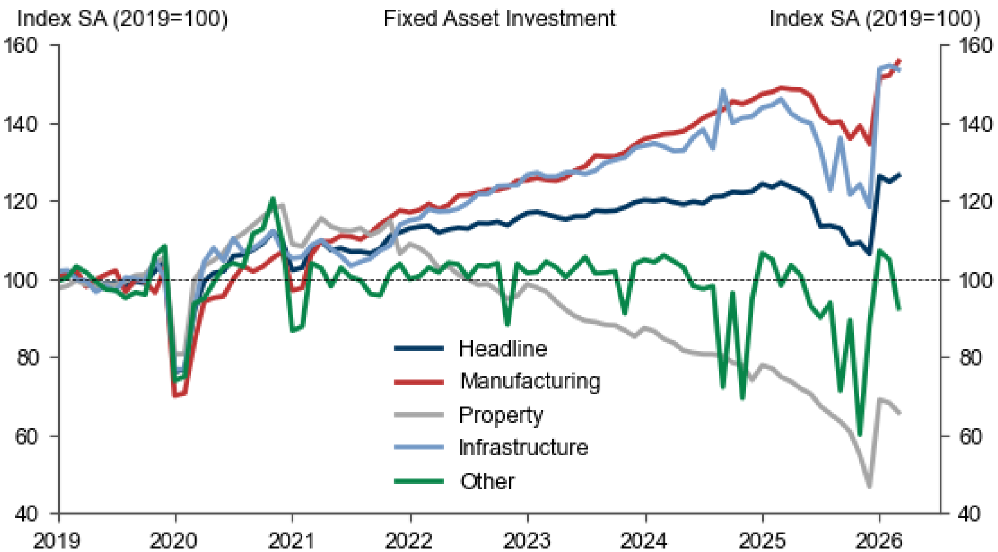
Source: Wind, CEIC, Goldman Sachs Global Investment Research

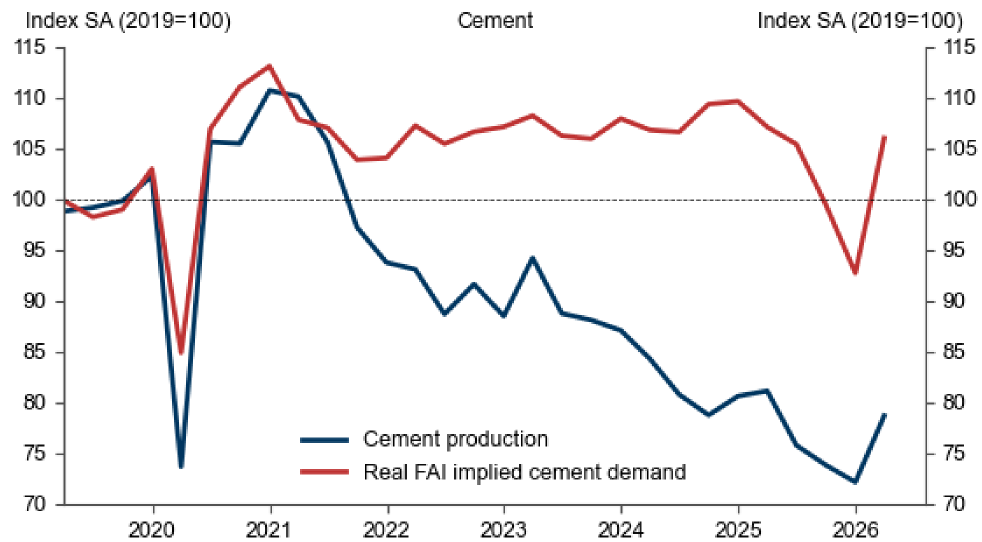
Breakdown of Our Augmented Fiscal Deficit Metric

		Percent of GDP	2019	2020	2021	2022	2023	2024	2025	*2026F*	*Change in 2026F*
1	**=3-(2+4)**	**Official on-budget deficit**	**2.8**	**3.6**	**3.2**	**2.8**	**3.8**	**3.0**	**4.0**	**4.0**	***0.0***
2		Budget revenue	18.9	17.7	17.3	16.5	16.8	16.3	15.4	14.9	*-0.5*
3		Budget expenditure	23.7	23.7	20.9	21.1	21.2	21.1	20.5	20.2	*-0.3*
4		Net drawdown of fiscal deposit and transfer from other fiscal accounts	2.0	2.5	0.5	1.8	0.7	1.8	1.1	1.3	*0.3*
5	**=3-2**	**Effective on-budget deficit**	**4.8**	**6.1**	**3.7**	**4.6**	**4.5**	**4.8**	**5.1**	**5.3**	***0.3***
6		Local government special bond (LGSB)	2.1	3.5	2.8	3.6	3.0	3.0	3.1	3.1	*0.0*
7	=8+9	LGFV bond and railway construction bond net issuance	1.3	2.2	2.1	1.0	1.0	-0.1	0.0	0.0	*0.0*
8		LGFV bond net issuance	1.2	2.2	2.0	1.0	1.0	0.0	0.0	0.0	*0.0*
9		Railway construction bond net issuance	0.0	0.1	0.1	0.0	-0.1	-0.1	0.0	0.0	*0.0*
10	=11+12	Policy bank support (including PSL)	1.3	2.0	1.0	1.7	1.1	0.2	0.2	1.1	*1.0*
11		Policy bank bond issuance	1.2	2.3	1.4	1.4	1.0	0.8	1.1	1.1	*0.0*
12		PSL	0.2	-0.3	-0.4	0.3	0.1	-0.7	-1.0	0.0	*1.0*
13		Trust loans	-0.2	-0.5	-0.9	-0.2	0.1	0.1	0.1	0.1	*0.0*
14		Net financing via land sales	2.2	2.4	2.2	1.6	1.3	1.1	0.9	0.8	*-0.1*
15		Central government special bond (CGSB)	0.0	1.0	0.0	0.0	0.0	0.7	1.3	1.1	*-0.2*
16		Local government debt resolution (swap / refinancing / special-purpose refinancing bond)	0.1	0.0	0.2	0.1	0.4	0.7	0.5	0.5	*0.0*
17	**=5+6+7+10 +13+14+15 +16**	**Augmented fiscal deficit (AFD)**	**11.7**	**16.6**	**11.2**	**12.3**	**11.3**	**10.6**	**11.0**	**12.0**	***1.0***

Source: Haver Analytics, Wind, CEIC, Goldman Sachs Global Investment Research

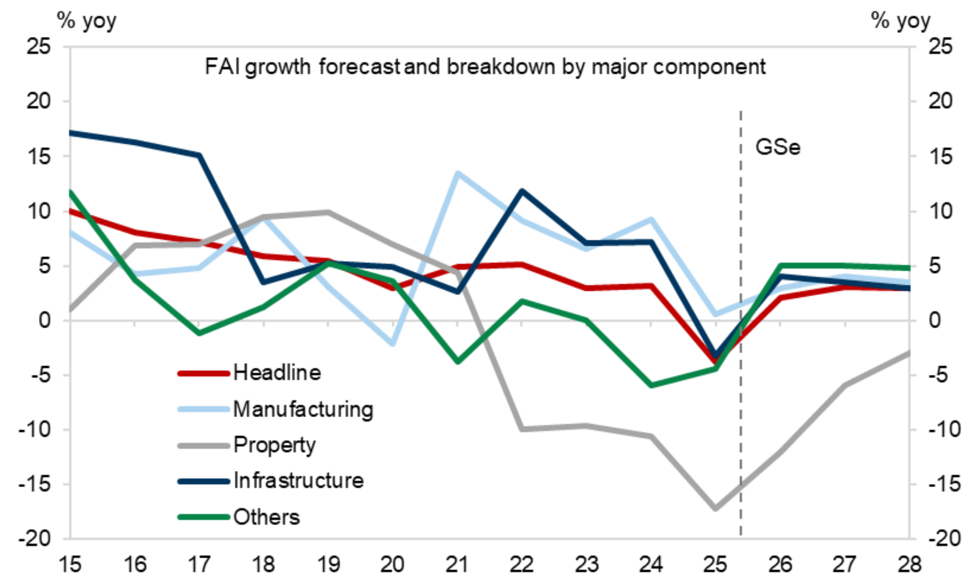
Fixed Asset Investment Data Exhibited Significant Volatility in Recent Quarters, Partly Due to NBS Statistical Corrections





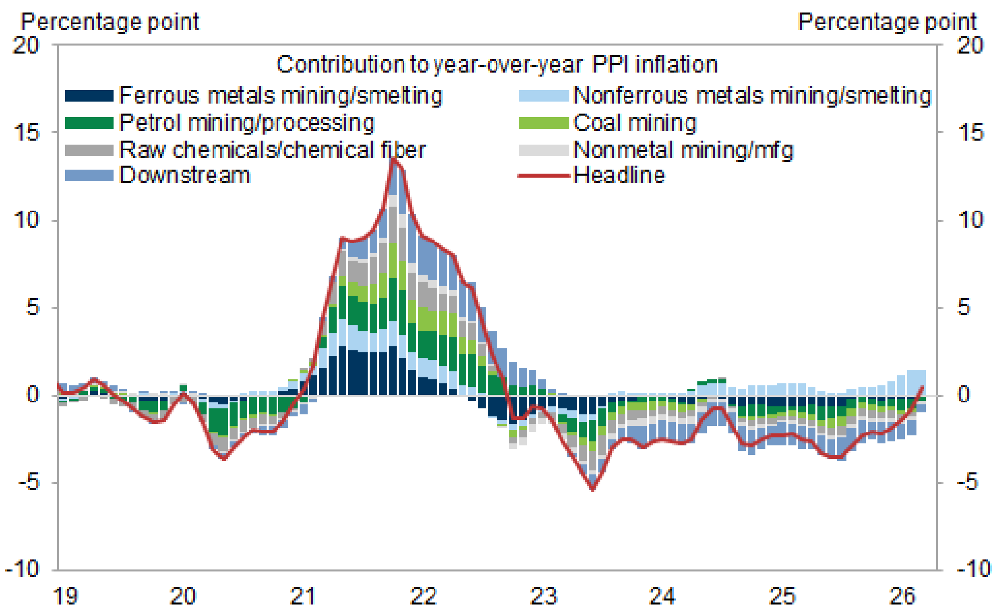
Source: CEIC, Wind, Goldman Sachs Global Investment Research

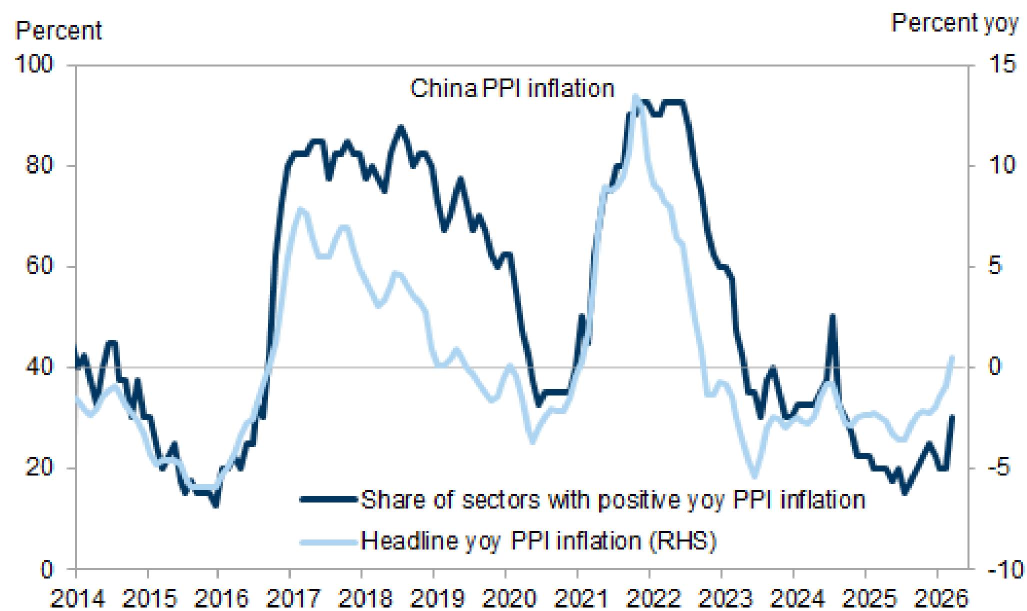
We Expect Investment Growth to Rebound in 2026 On Policy Support and a Low Base, Despite Still-Wide Divergence



Source: CEIC, Goldman Sachs Global Investment Research

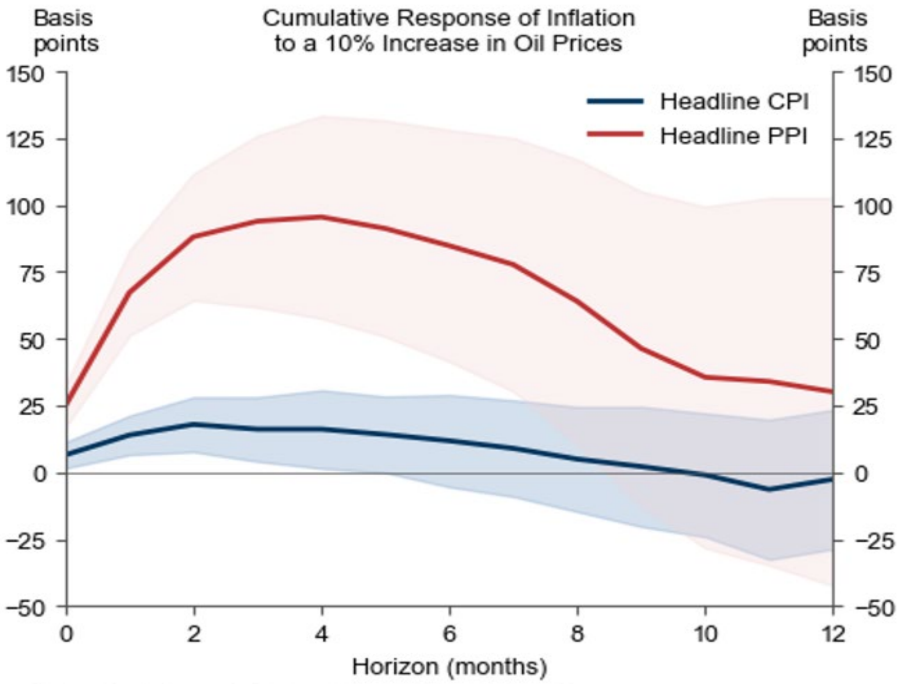
Higher-for-Longer Energy Prices Mainly Lift PPI Inflation in 2026



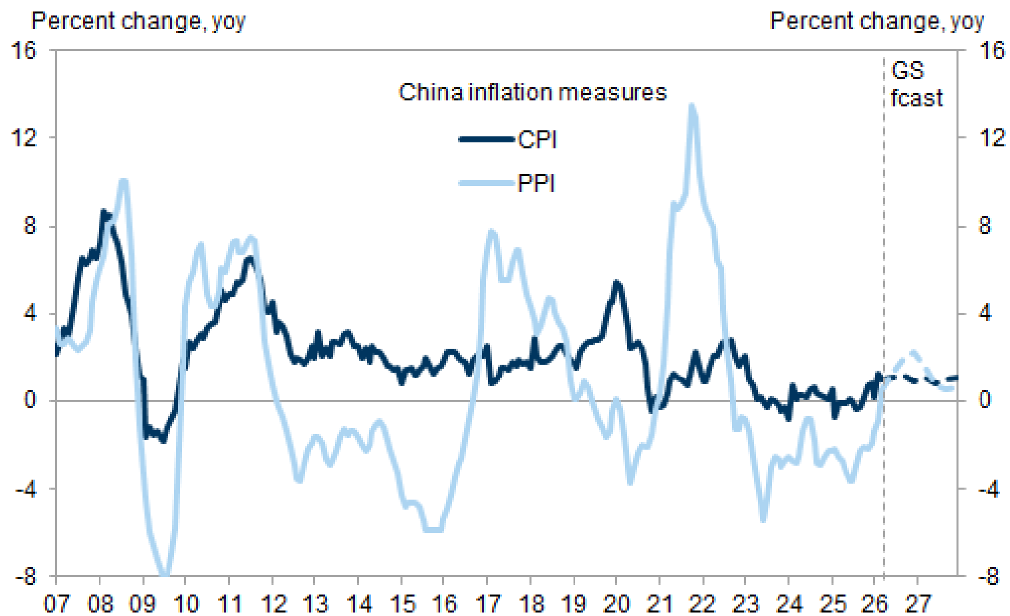


Source: CEIC, Haver Analytics, Goldman Sachs Global Investment Research

We Revised Up Our Headline CPI/PPI Inflation Forecast to 1%/1.2% in 2026



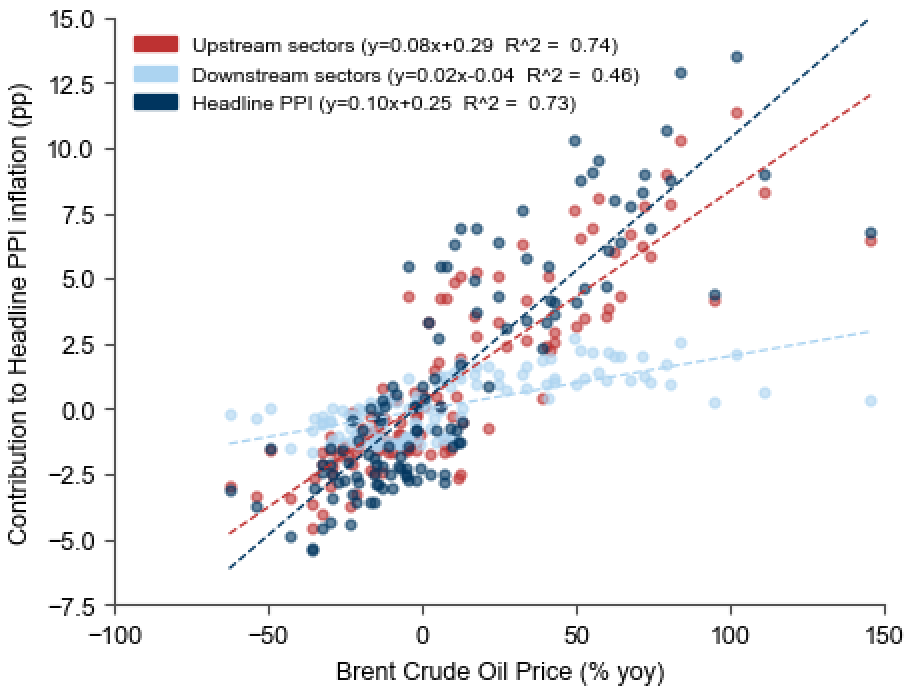
Note: Shaded area indicates 90% confidence interval.

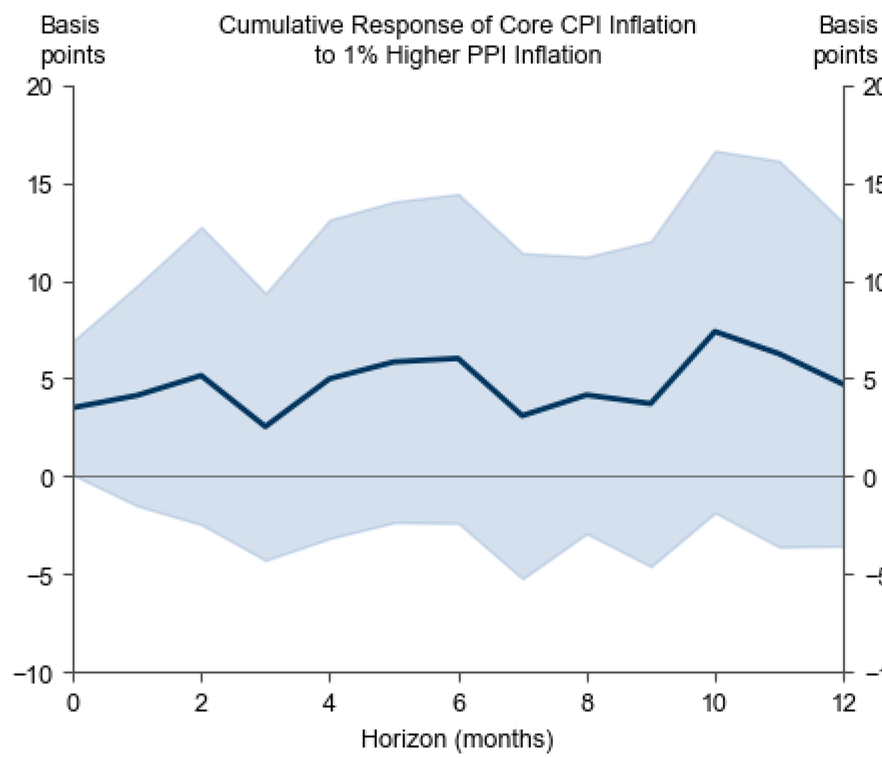


Note: We use 2006-2025 monthly data for our local projections with an instrument variable, i.e., oil supply shock from Känzig (2021).

Source: CEIC, Goldman Sachs Global Investment Research

Oil Shock Reflation in China Likely Confined to Upstream Sectors



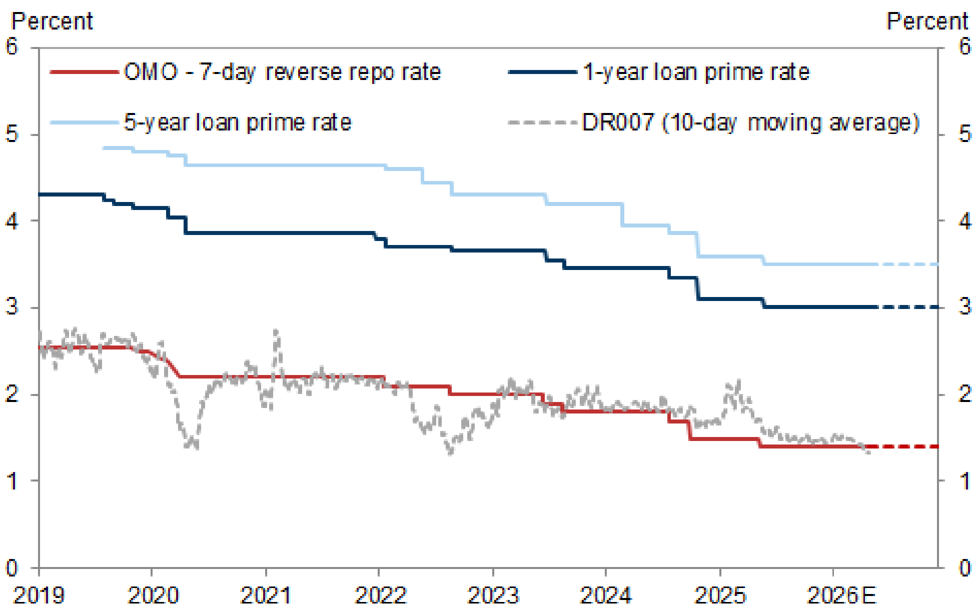


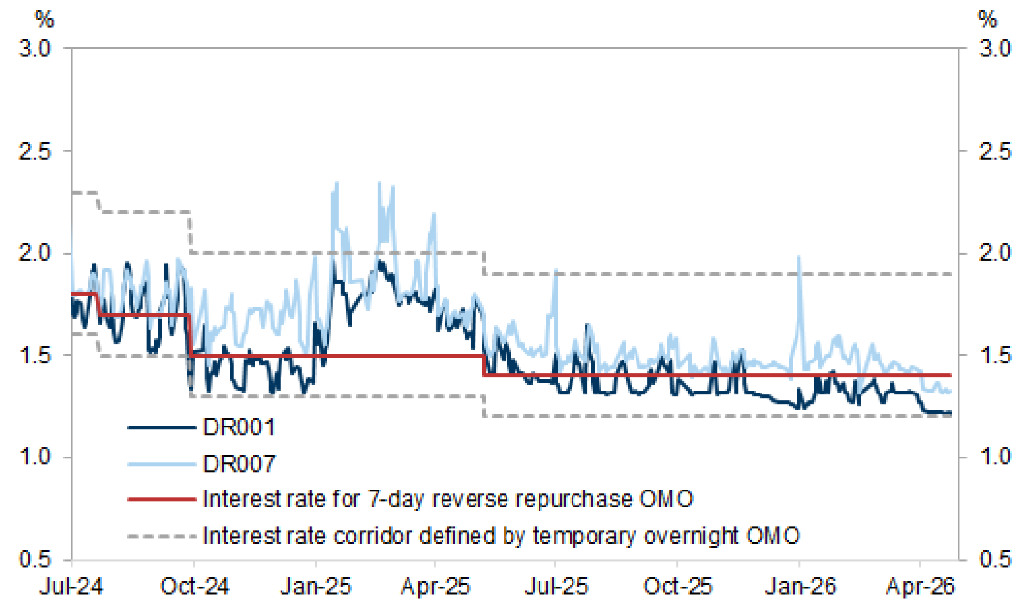
Note: Shaded area indicates 90% confidence interval.

Note: China's PPI covers only industrial sectors, unlike US PPI, which also includes services sector. We use 2016-2025 monthly data, as the PPI-CPI transmission appears to have changed after 2015.

Source: CEIC, Goldman Sachs Global Investment Research

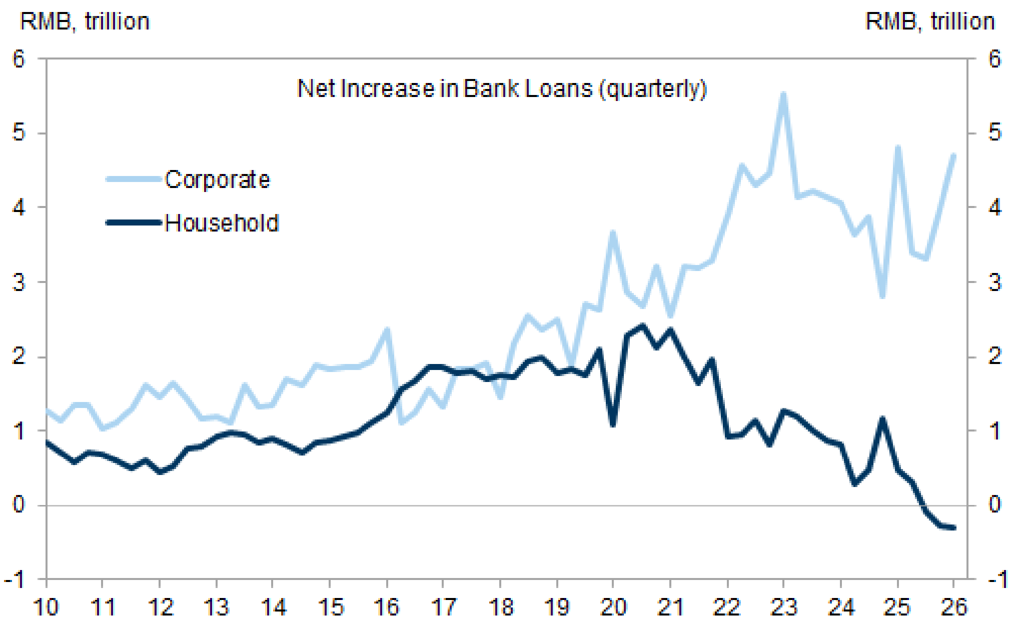
We Do Not Expect PBOC to Cut Policy Rate This Year, But Interbank Liquidity Is Likely to Remain Ample in the Near Term





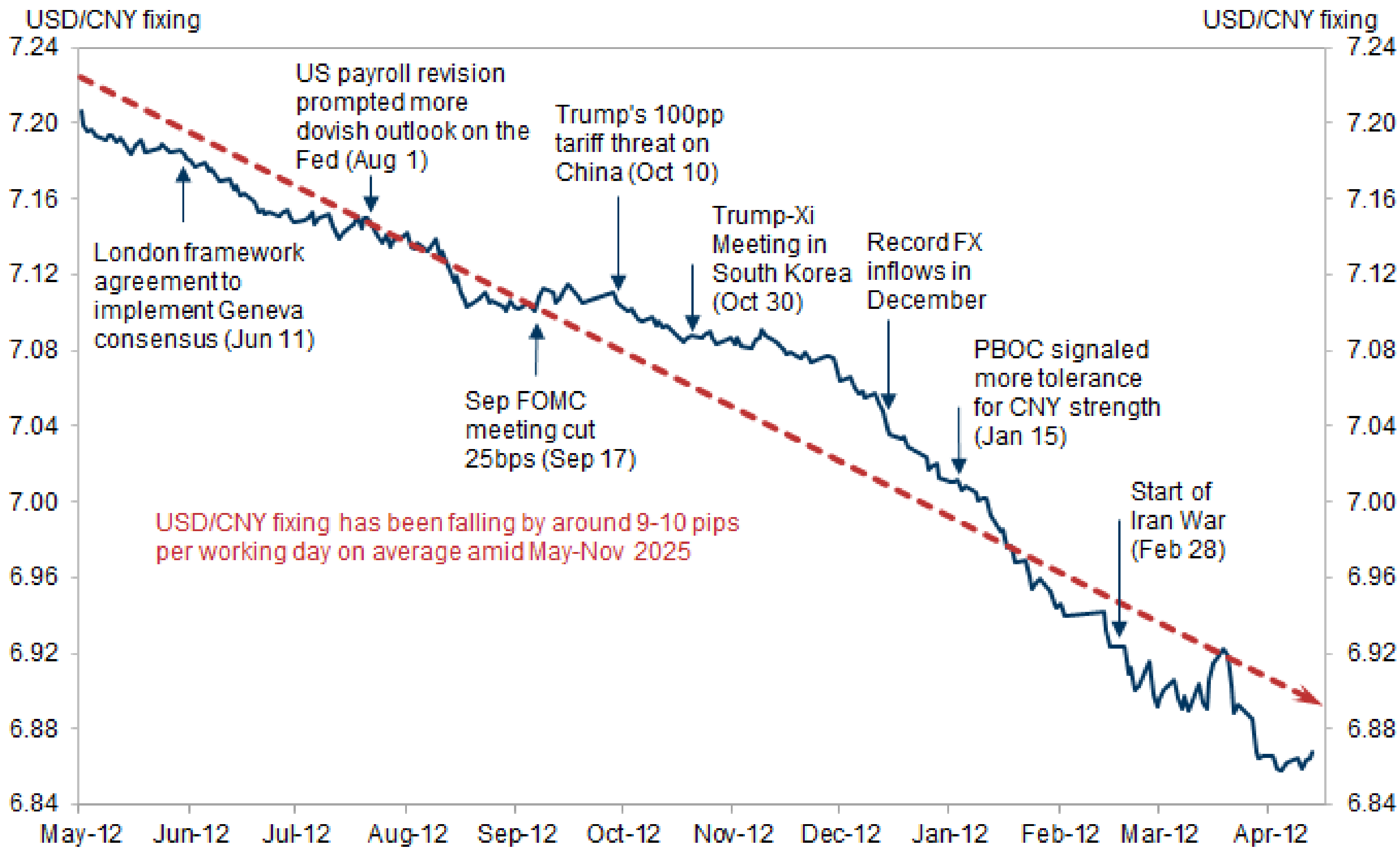
Source: PBOC, Wind, Goldman Sachs Global Investment Research

Household Loans Remained in Contraction While Corporate Loans Expanded; Targeted Credit Easing Redirected Credit From Property to High-Tech Sectors



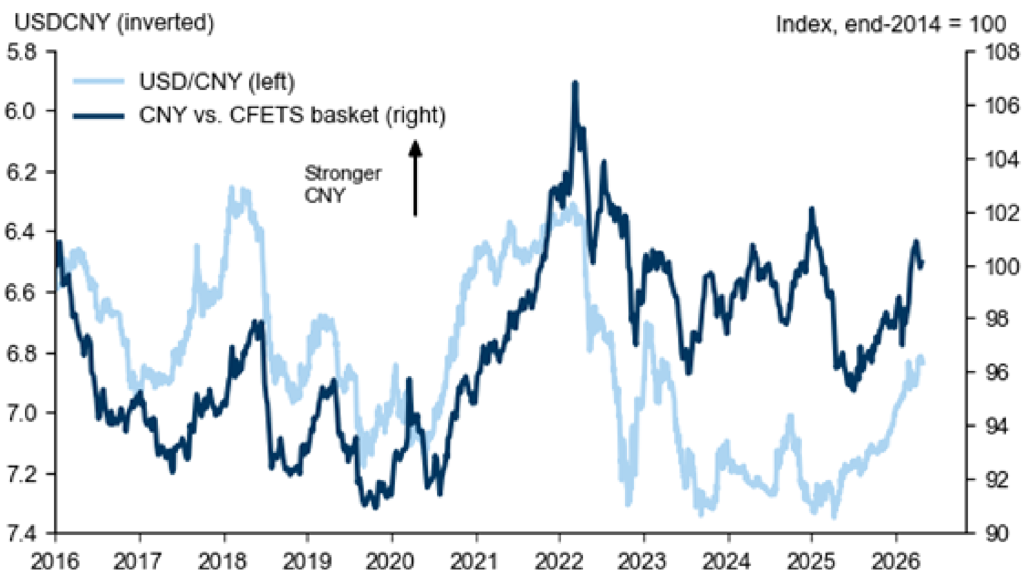
Source: Haver Analytics, Goldman Sachs Global Investment Research

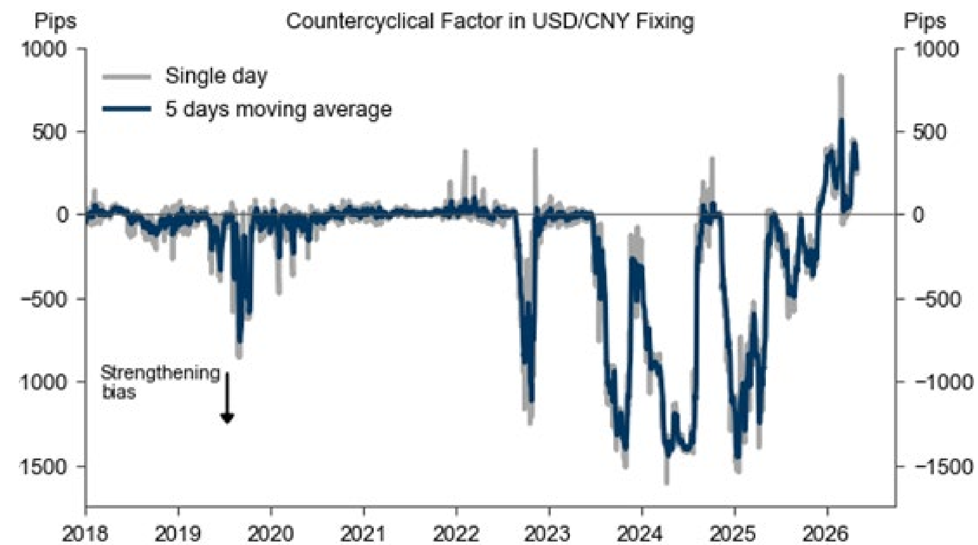
USD/CNY Fixing Decline Resumed in Early April



Source: Bloomberg, Goldman Sachs Global Investment Research

We Expect a Gradual but Sustained RMB Appreciation Against USD Ahead

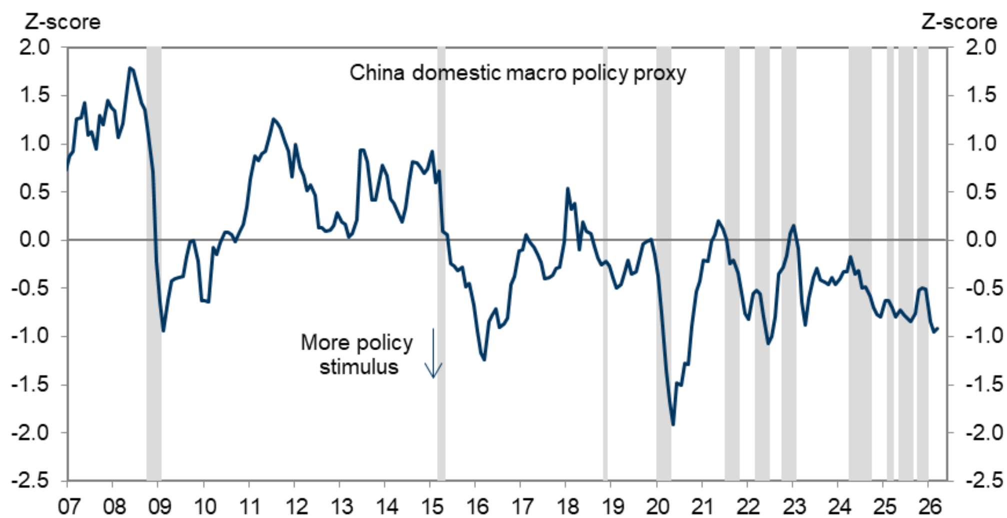




Source: Bloomberg, Wind, Goldman Sachs Global Investment Research

We Expect Policy Easing to Continue in 2026

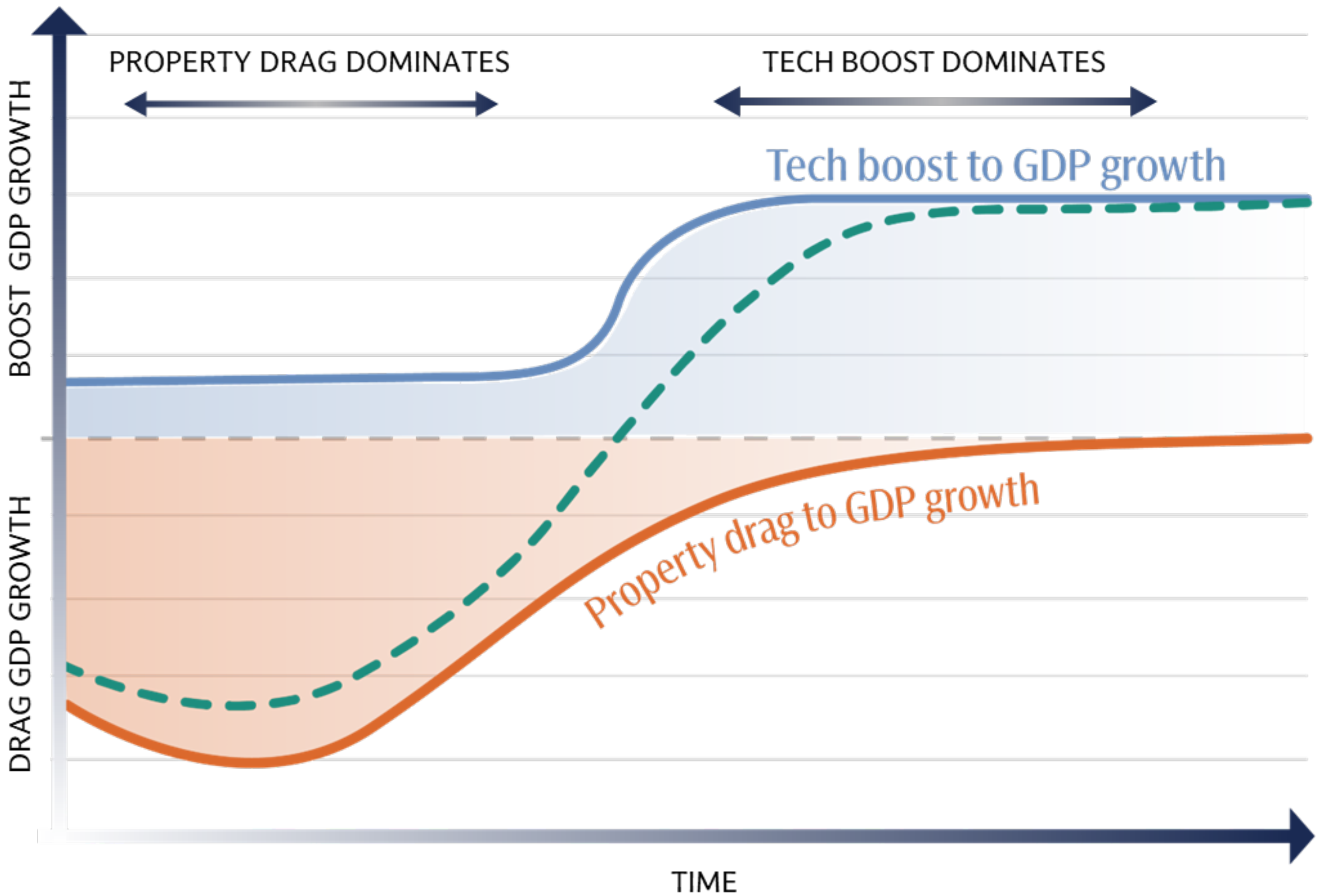
Type	Instrument	2025	2026F
Monetary (eop)	RRR	Large banks: 7.5% Medium-sized banks: 5.5% Small banks: 5.0%	Large banks: 7.5% Medium-sized banks: 5.5% Small banks: 5.0%
	7-Day OMO	1.40%	1.40%
Fiscal (full year)	Effective on-budget deficit (% of GDP)	5.1%	5.3%
	Augmented fiscal deficit (% of GDP)	11.0%	12.0%
Credit (eop yoy)	TSF stock	8.3%	8.5%
Housing	Housing policy	Further reductions to mortgage rates; further relaxation on home purchase restrictions in Tier-1 cities; more bank lending for "whitelist" projects; cash-backed settlement of urban village renovation; continued policy support to destock existing housing inventories	Further reduction to mortgage rates; further relaxation on home purchase restrictions in Tier-1 cities; cash-backed settlement of urban village renovation; government programs to help destock existing inventories
FX (eop)	USDCNY	7.00	6.70



Note: Shaded areas refer to periods when China CAI 3mma growth was below 5%.

Source: Goldman Sachs Global Investment Research, Wind, Haver Analytics, CEIC

A Structural Transformation Underway



Source: Goldman Sachs Global Investment Research

Three Stages of Labor Market Adaption to AI Adoption

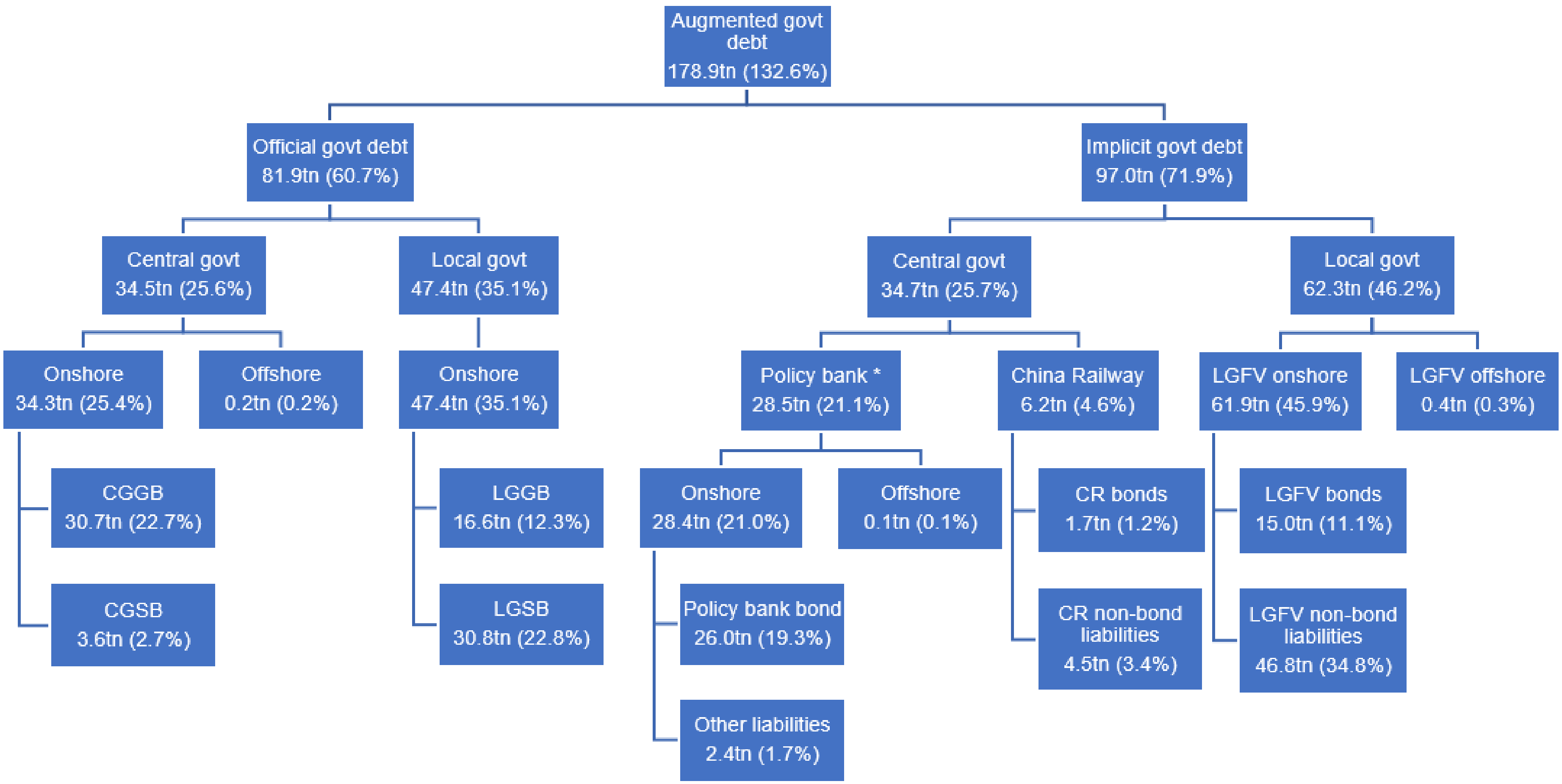
Source: Goldman Sachs Global Investment Research

RMB Internationalization Has Room to Grow

Note: Currency internationalization index is a weighted average of each currency's share of globally disclosed FX reserves (25 percent weight), FX transaction volume (25 percent), foreign currency debt issuance (25 percent), foreign currency and international banking claims (12.5 percent), and foreign currency and international banking liabilities (12.5 percent). Data on foreign currency debt issuance before 2005 was filled back to previous years due to data limitation.

Source: Haver Analytics, Goldman Sachs Global Investment Research

China's Augmented Government Debt Reached RMB 179tn in 2024 (133% of GDP)



Note: Percent in parenthesis indicates % of GDP.

Source: MOF, Wind, Bloomberg, CEIC, Goldman Sachs Global Investment Research

Upcoming Key Macro Catalysts for China Markets

Date	Events
Mid-May 2026 (likely)	US President Trump's planned visit to China
15 Jul 2026	Q2 2026 GDP release
End-Jul 2026	Politburo meeting on economic policies
19 Oct 2026	Q3 2026 GDP release
Fall 2026 (likely)	The 5th Plenum of the 20th CCP Central Committee
11 Nov 2026	Expiration of tariff/rare earth control pause agreed at Trump-Xi meeting in South Korea
18-19 Nov 2026	APEC 2026 China (in Shenzhen)
Early to mid-Dec 2026	Politburo meeting on economic policies
Mid-Dec 2026	Central Economic Work Conference
14-15 Dec 2026	G20 Summit in Miami

Source: Government websites, Data compiled by Goldman Sachs Global Investment Research