Goldman Sachs Research

GS China Economic Outlook

Path of Least Resistance

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Global GDP Forecasts: GS vs Consensus

Real GDP Growth:	Annual Average					
	2025	2026		2027		Potential
	Actual*	GS	Consensus	GS	Consensus	GS
DMs						
US	2.1	2.2	2.2	2.2	2.1	2.3
Euro Area	1.3	0.9	0.9	1.1	1.3	1.0
Germany	0.3	0.9	1.0	1.0	1.1	0.5
France	0.9	0.4	0.5	0.7	0.9	1.0
Italy	0.7	0.9	0.9	0.7	0.8	0.8
Spain	2.8	2.6	2.6	1.9	2.0	1.9
Japan	1.2	0.9	0.8	1.2	0.8	0.6
UK	1.3	1.4	1.2	1.4	1.2	1.4
Canada	1.9	0.9	1.0	1.9	1.7	1.5
Australia	2.0	1.9	1.9	1.8	1.7	2.4
EMs						
China	4.9	4.5	4.6	4.6	4.4	4.5
India	7.3	7.6	7.3	7.3	6.9	6.6
Brazil	2.3	2.0	2.0	1.2	1.7	2.1
South Korea	1.1	3.2	3.4	2.5	2.5	2.4
Mexico	0.5	1.4	1.4	1.8	1.8	2.2
World	2.8	2.6	2.6	2.7	2.7	2.7

*GS estimate where actual full-year data is not yet available.
Note: Global GDP growth rates aggregated using market exchange rates.

Source: Bloomberg, Goldman Sachs Global Investment Research

Key China Macro Views

- **Growth:**
  - We expect real GDP to grow 4.5% in 2026, at the lower bound of the government's 4.5-5.0% target range.
  - 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.
  - Our forecast for the 2026 current account surplus is 3.5% of GDP, and we expect it to continue to rise in 2027 and 2028.
- **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 +2.0% in 2026.
  - We expect headline CPI inflation to increase from 0% in 2025 to 1.0% in 2026.
- **Policy:**
  - We expect policy rate to remain unchanged, and USDCNY to reach 6.40 in 12 months (6.70 by end-2026). We see a downside risk to our 2026 augmented fiscal deficit forecast of 11.5% of GDP, given delayed easing this year.
  - China's 15th FYP continues to prioritize manufacturing, technology, and security.

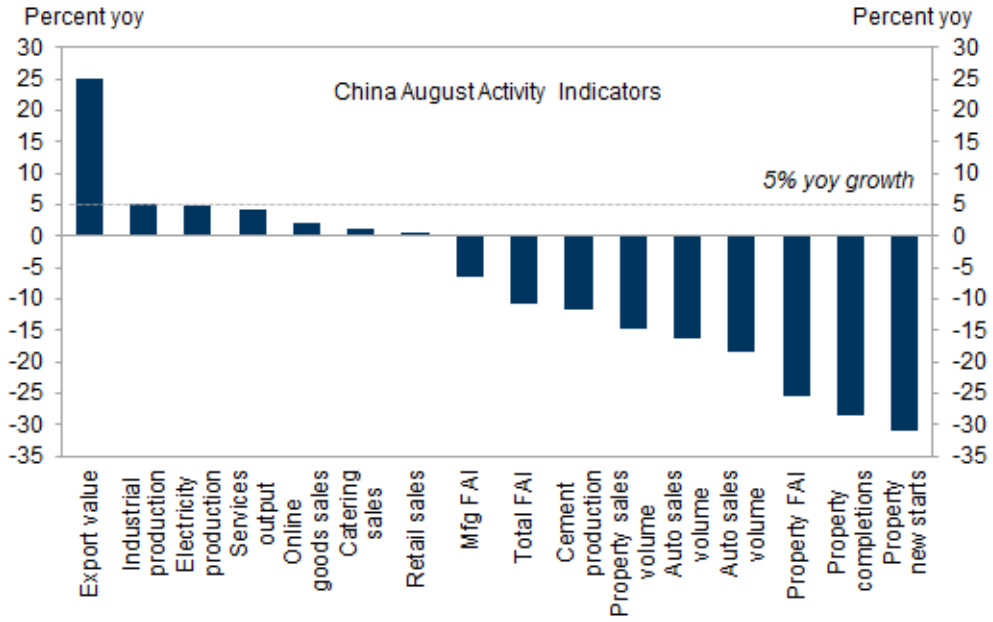
Source: Goldman Sachs Global Investment Research

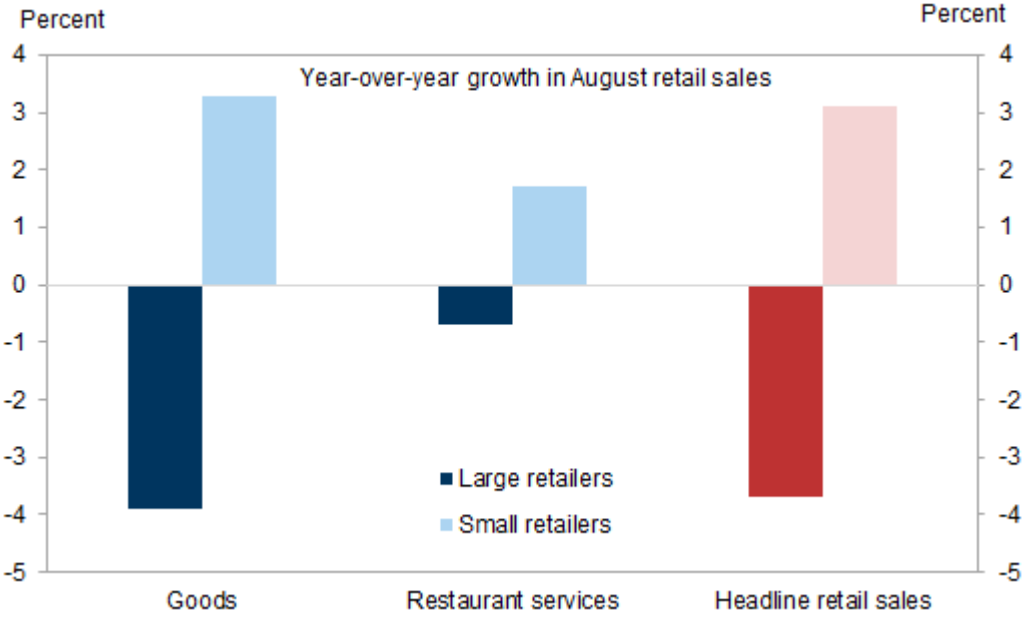
GS China Forecasts for 2026

		2019	2020	2021	2022	2023	2024	2025	2026F
GDP	**% yoy**	**6.1**	**2.3**	**8.6**	**3.1**	**5.4**	**5.0**	**5.0**	**4.5**
Domestic Demand	pp	5.4	1.7	6.9	2.5	6.0	3.4	3.4	3.3
Consumption	% yoy	6.3	-0.2	9.4	2.7	8.2	4.0	4.6	4.4
Household Consumption	% yoy	6.1	-1.9	12.1	1.6	8.7	5.2	4.3	4.0
Government Consumption	% yoy	6.9	3.8	3.5	5.2	7.1	1.3	5.2	5.5
Gross Fixed Capital Formation	% yoy	5.5	3.6	2.5	3.5	4.5	2.3	1.2	2.0
Net Exports	pp	0.7	0.7	1.7	0.5	-0.6	1.5	1.6	1.2
Exports of Goods (nominal USD)	% yoy	0.5	3.6	29.6	5.6	-4.7	5.8	5.4	19.4
Imports of Goods (nominal USD)	% yoy	-2.7	-1.0	30.6	0.7	-5.5	1.0	0.3	27.1
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	0.8	1.1
PPI	% yoy	-0.3	-1.8	8.0	4.1	-3.0	-2.2	-2.6	2.0
Other									
Current Account Balance	% GDP	0.6	1.5	1.6	2.2	1.4	2.4	3.7	3.5
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	7.2
Augmented Fiscal Deficit	% GDP	11.7	16.6	11.2	12.3	11.3	10.6	11.0	11.5

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

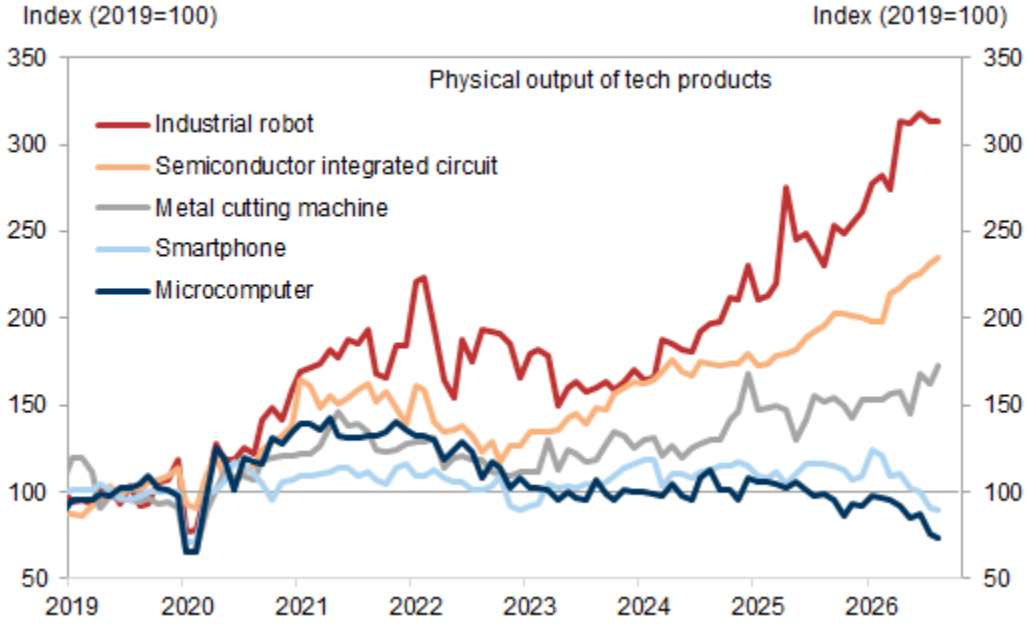
The Production-Consumption Gap is Widening

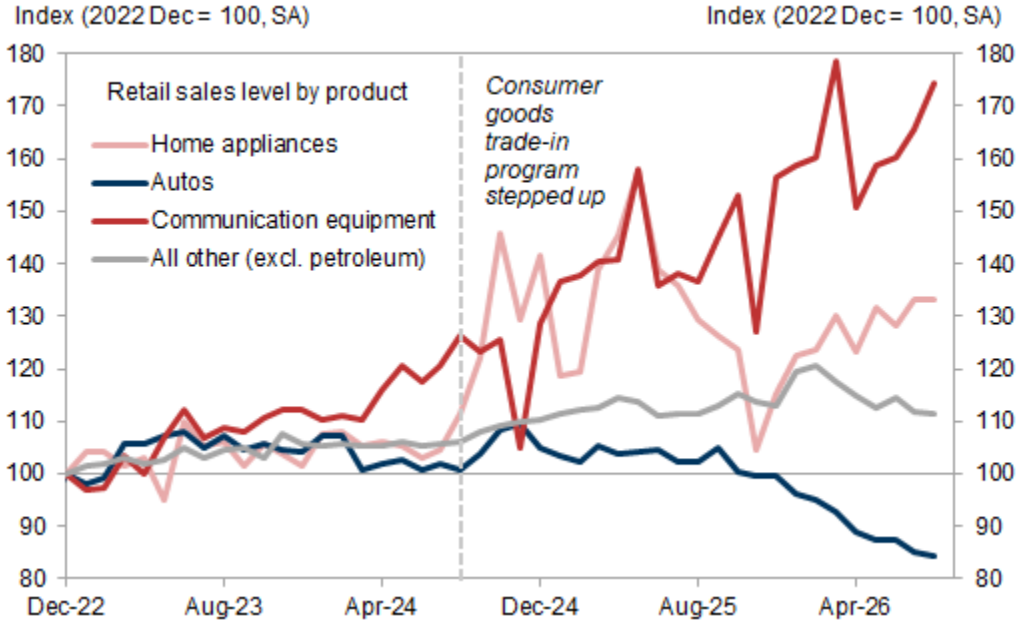




Source: CEIC, Goldman Sachs Global Investment Research

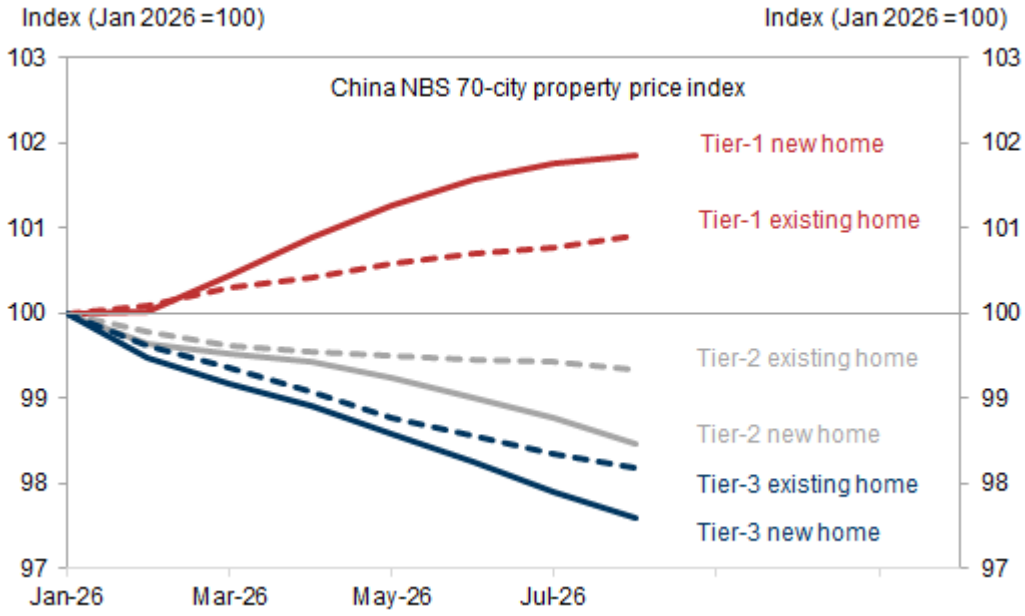
This Divergence is also Evident within Industrial Production and Retail Sales

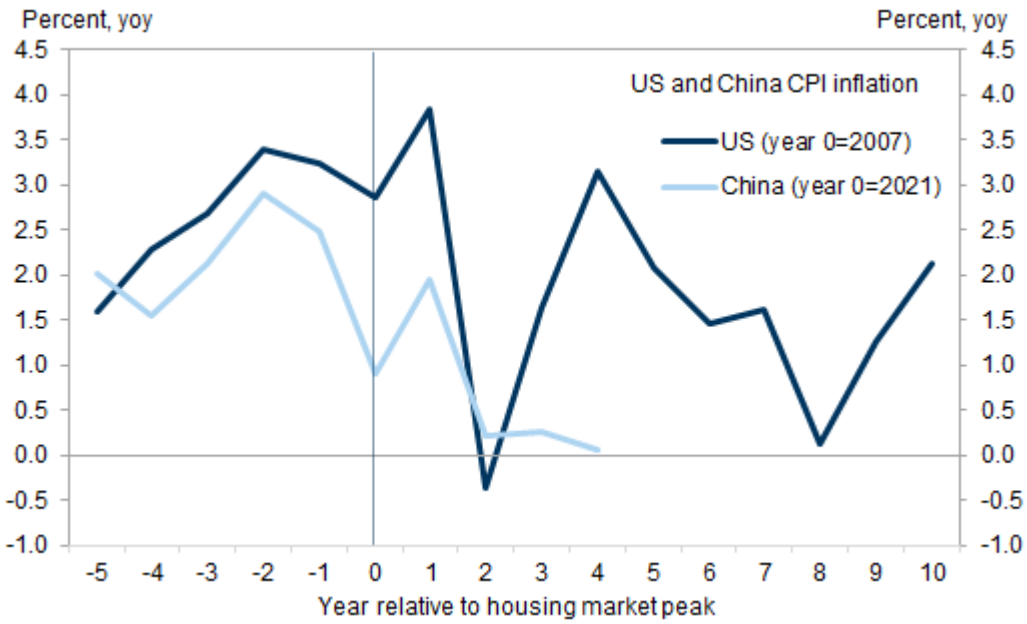




Source: NBS, CEIC, Goldman Sachs Global Investment Research

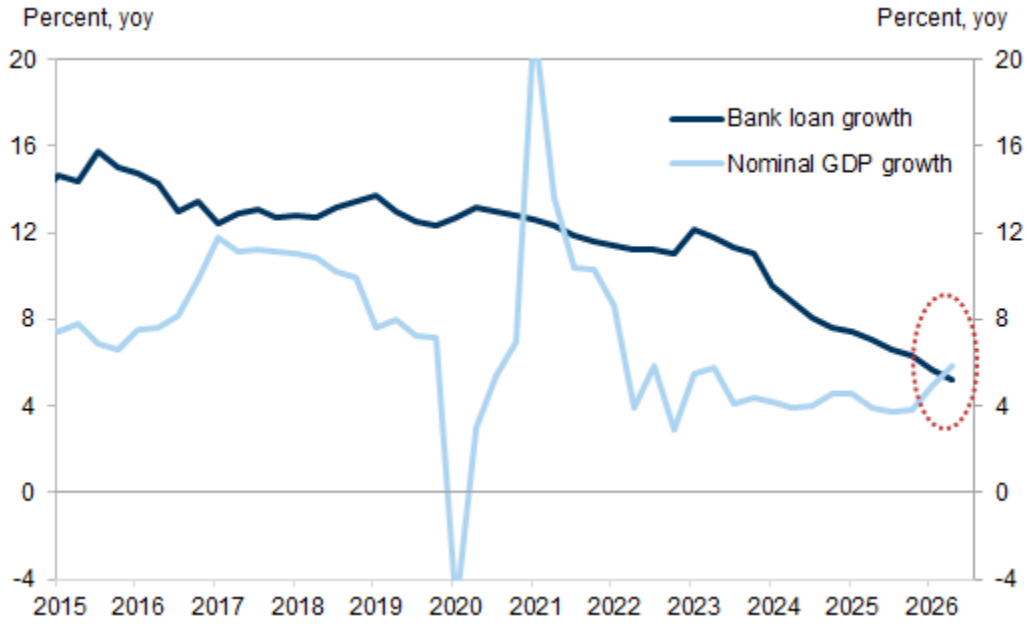
Property Markets: Where to Go Now?

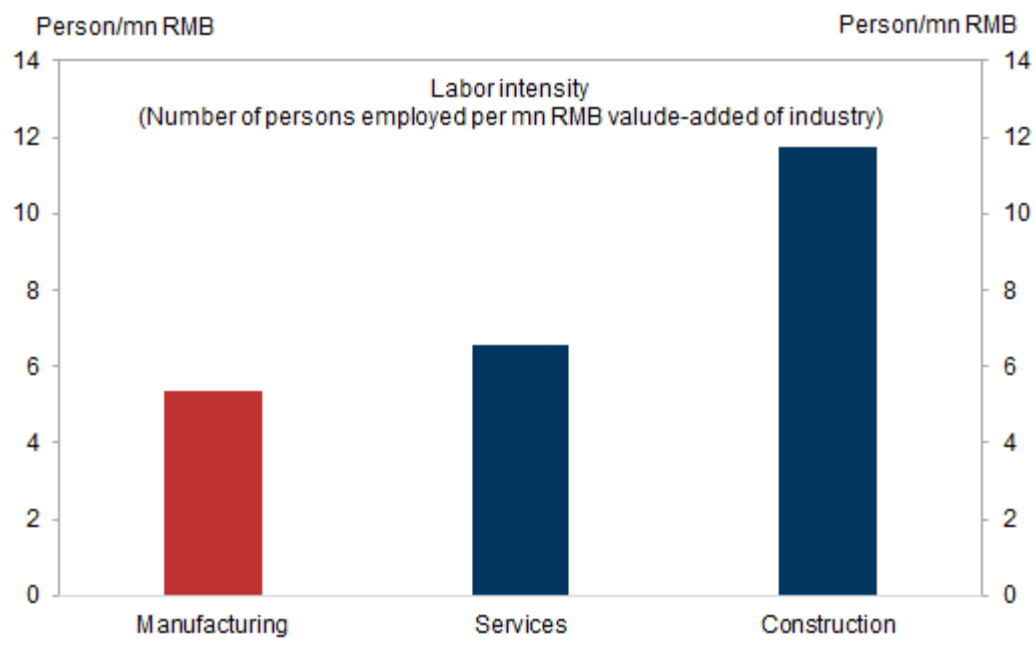




Source: Haver Analytics, Goldman Sachs Global Investment Research

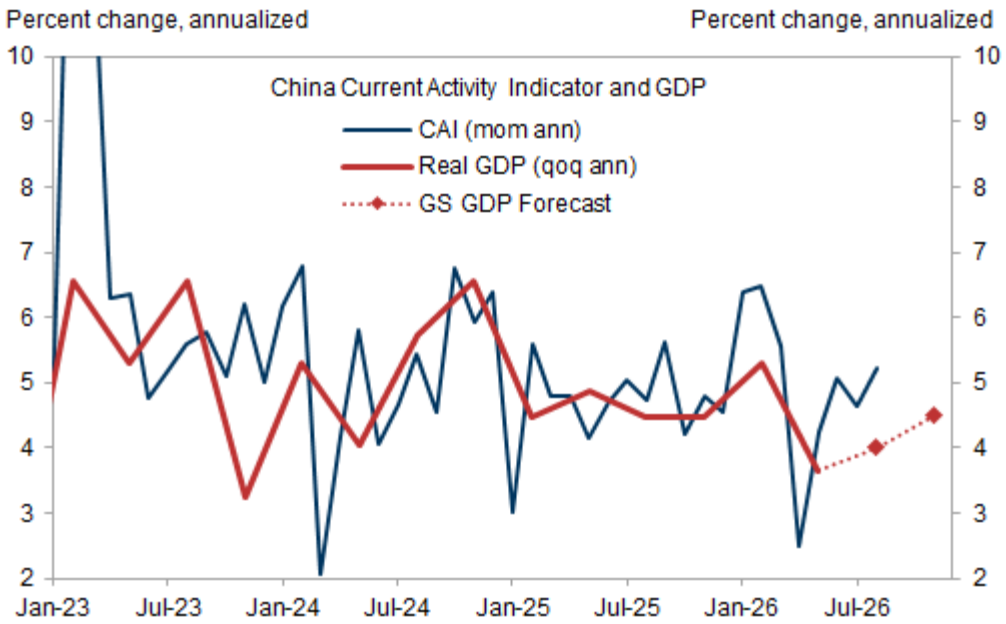
Implications of China's Economic Transformation

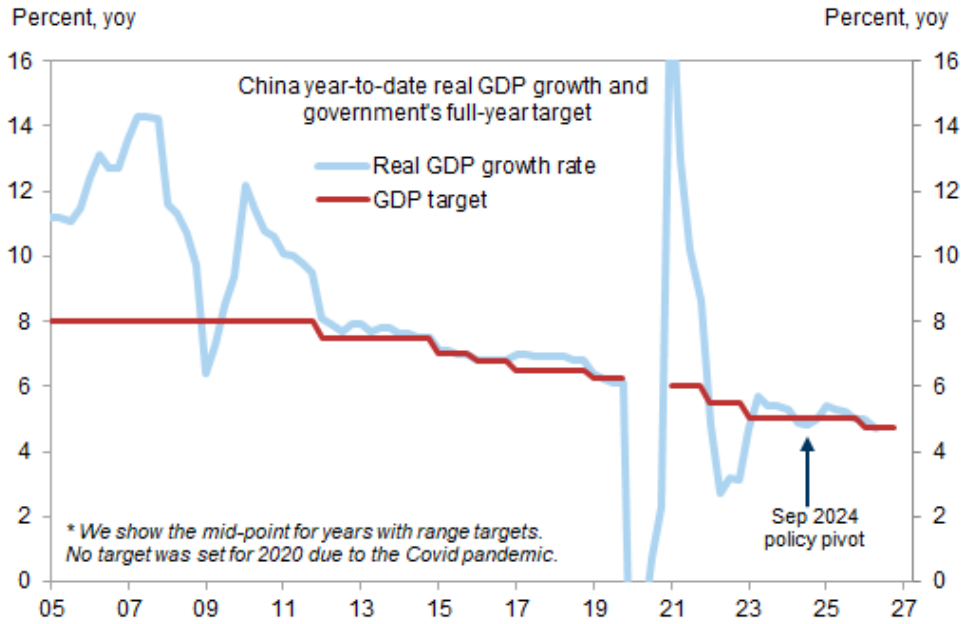




Source: NBS, Haver Analytics, Goldman Sachs Global Investment Research

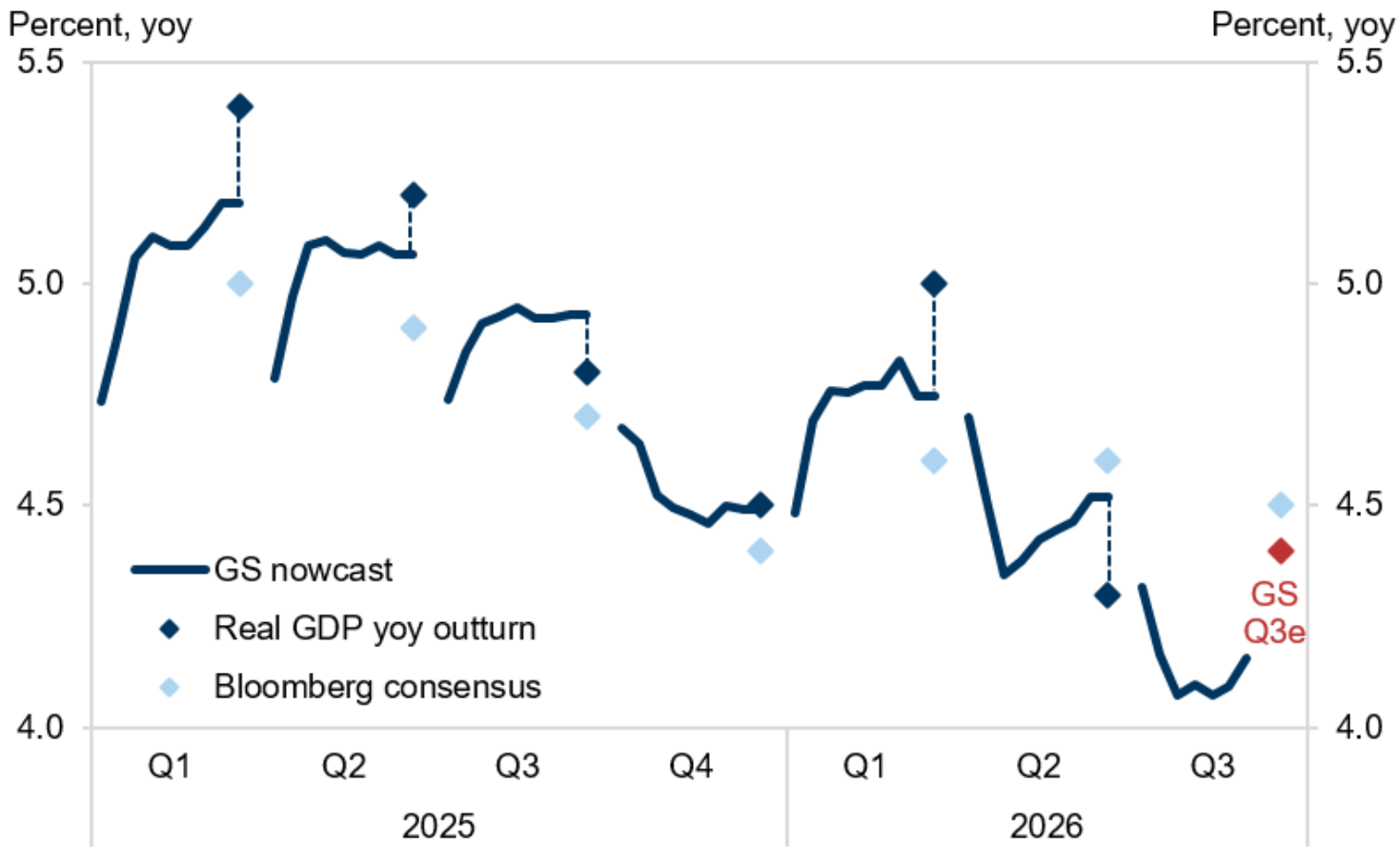
Growth Target Dilemma





Source: Haver Analytics, Goldman Sachs Global Investment Research

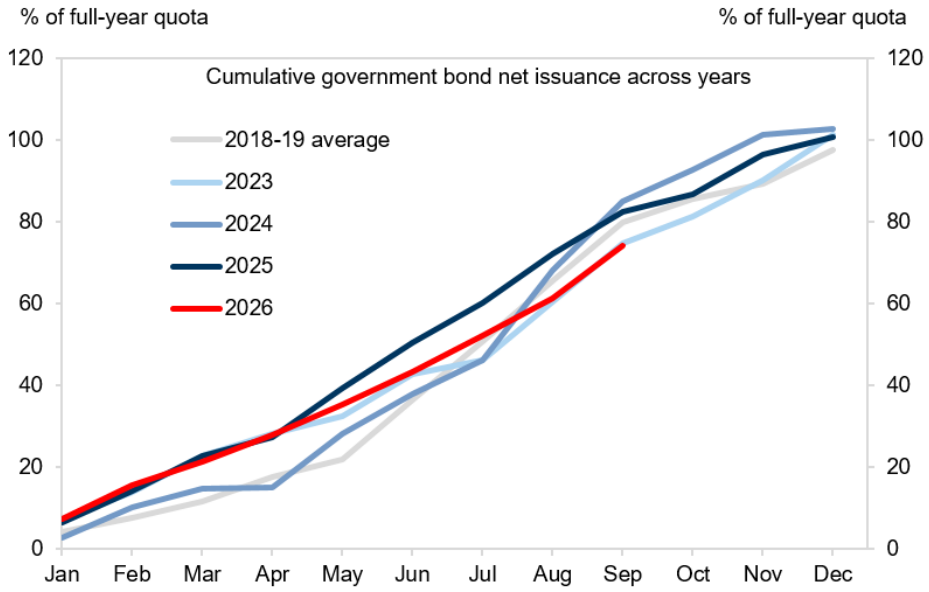
Our China GDP Nowcasting Model Shows 4.2% yoy Q3 Real GDP Growth as of First Week of October



Note: Bloomberg consensus (ECFC) for 2026Q3 GDP is as of September 30, 2026; for other quarters, the ECFC consensus is as of the 10th calendar day after quarter-end.

Source: Bloomberg, NBS, Goldman Sachs Global Investment Research

Recent Policy Signals Point to Modest, Incremental Easing to Secure the Full-Year Growth Target



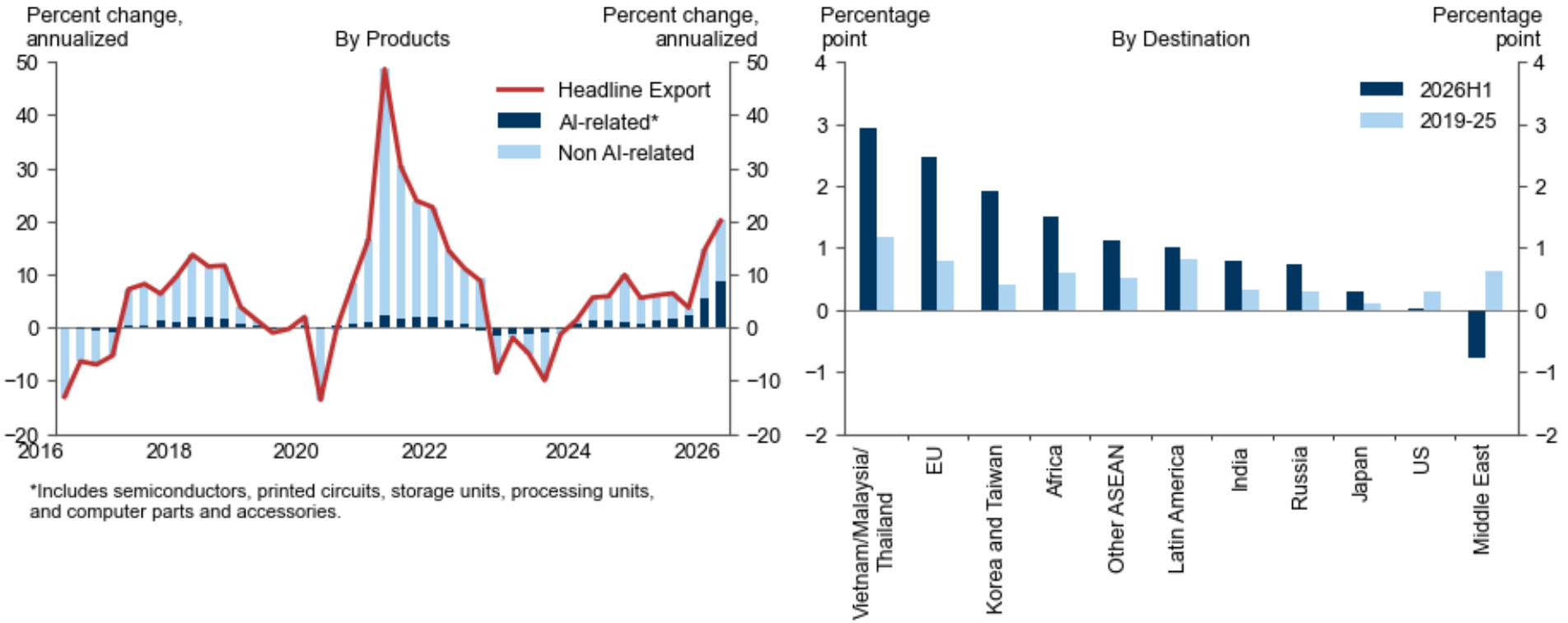
China real GDP growth forecast					
		New YoY%	Previous YoY%	**New QoQ%, SAAR**	Previous QoQ%, SAAR
2023		**5.4**	5.4		
2024		**5.0**	5.0		
2025		**5.0**	5.0		
2026		**4.5**	4.6		
2027		**4.6**	4.7		
2025	Q1	**5.4**	5.4	**4.5**	4.5
	Q2	**5.2**	5.2	**4.9**	4.9
	Q3	**4.8**	4.8	**4.5**	4.5
	Q4	**4.5**	4.5	**4.5**	4.5
2026	Q1	**5.0**	5.0	**5.3**	5.3
	Q2	**4.3**	4.3	**3.6**	3.6
	Q3	**4.4**	4.6	**4.0**	5.0
	Q4	**4.4**	4.6	**4.5**	4.5

Note: Government bond net issuance includes central and local government bonds. Local government refinancing bond issuance for debt resolution is not included.

Source: Wind, CEIC, Goldman Sachs Global Investment Research

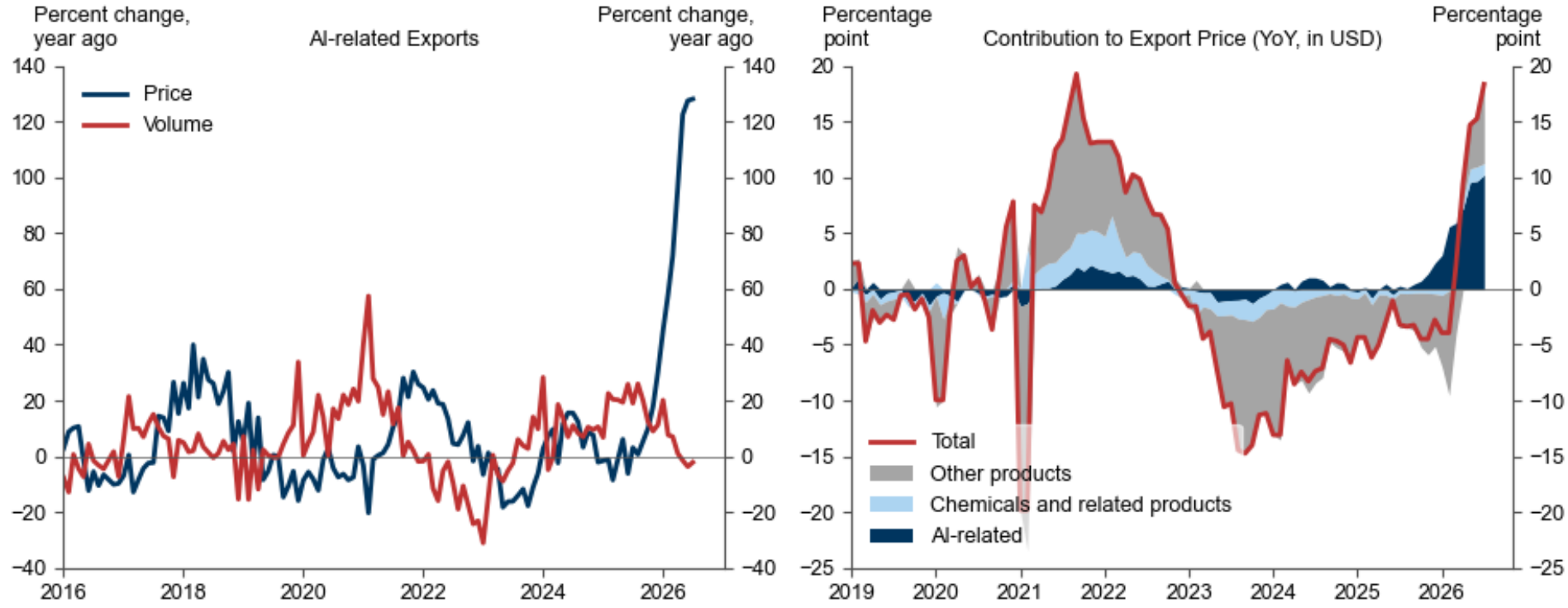
AI-Related Products Have Driven Much of the Recent Nominal Export Strength, Alongside Rising Shipments to AI-Hardware Producers

Contribution to China Nominal Export Growth (YoY)



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

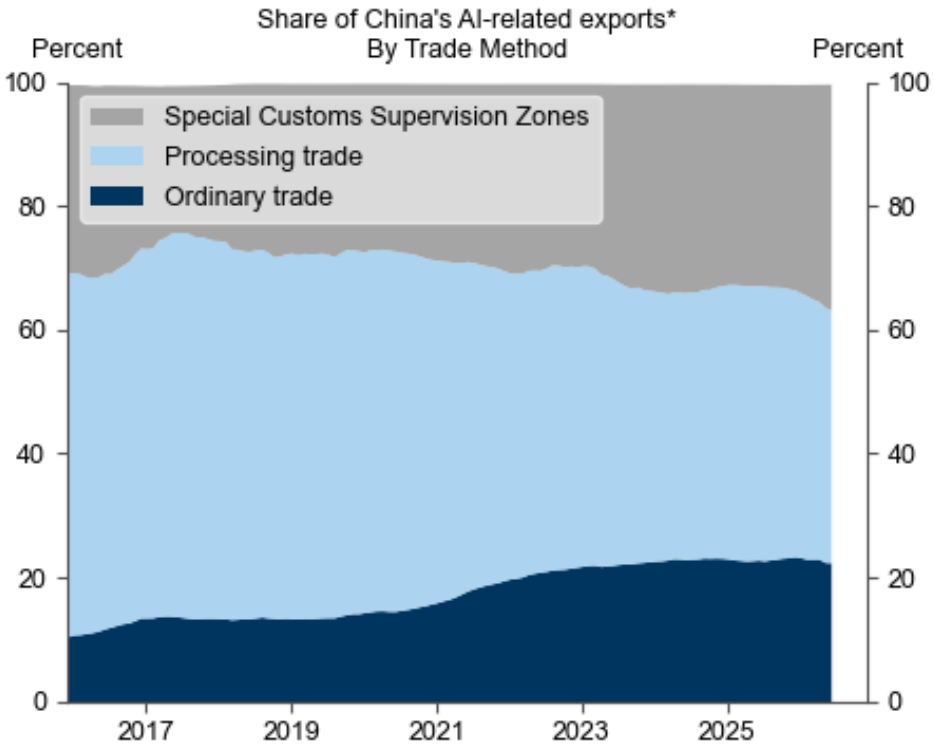
But AI's Boost Has Come Through Prices, Not Volumes — Driving Two-thirds of Recent Export Price Growth



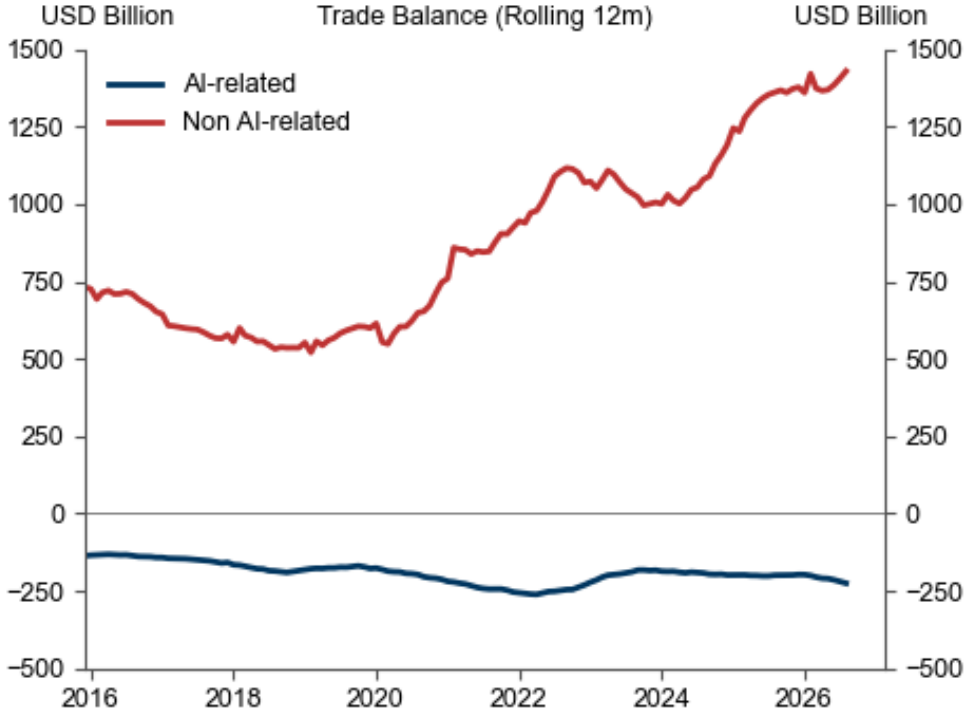
Note: Volume refers to unit counts and is not quality-adjusted.
Prices are in USD terms.

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

AI-Related Nominal Exports Are Mostly Non-Ordinary Trade, With Limited Value Added and Trade-Balance Impact

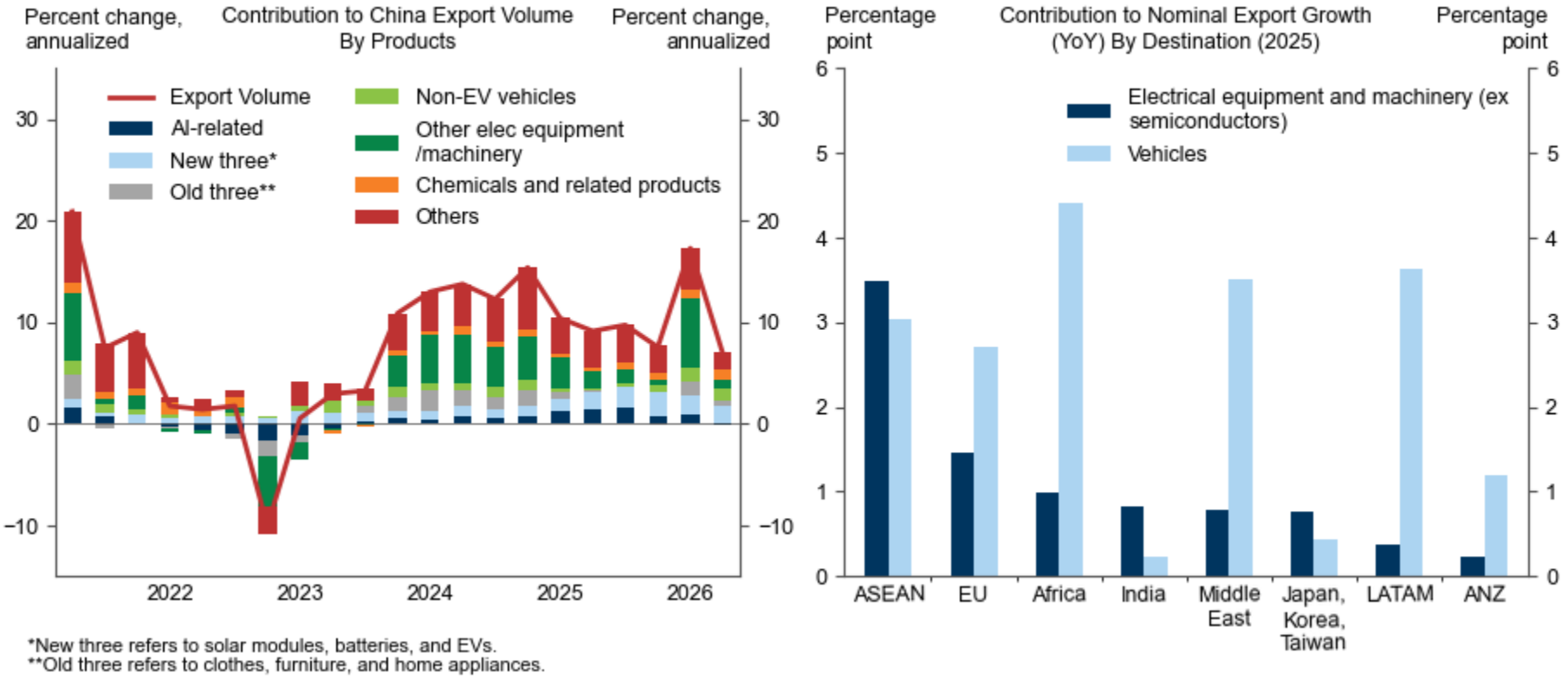


*AI-related exports include semiconductors, printed circuits, storage and processing units, and computer parts.



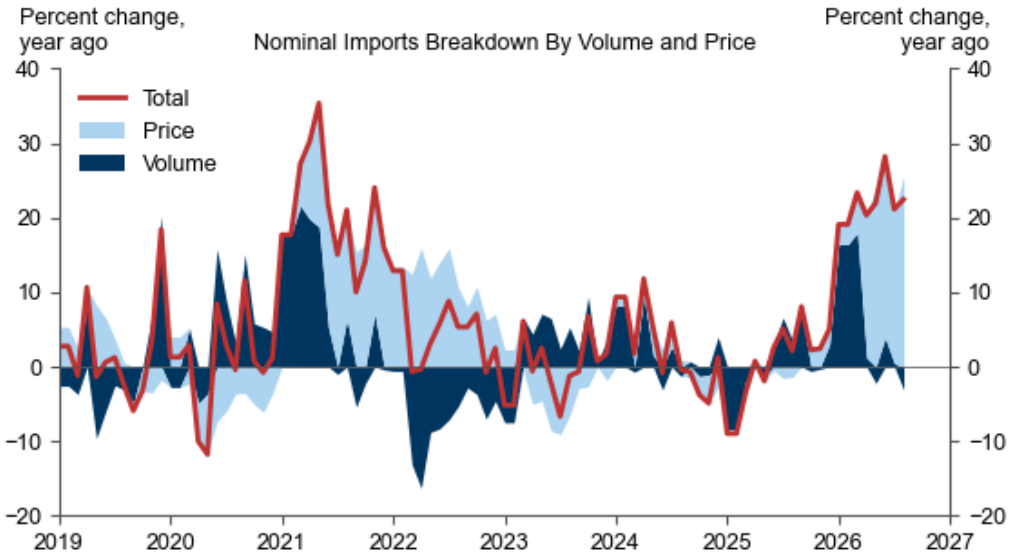
Source: China Customs, Haver Analytics, Goldman Sachs Global Investment Research

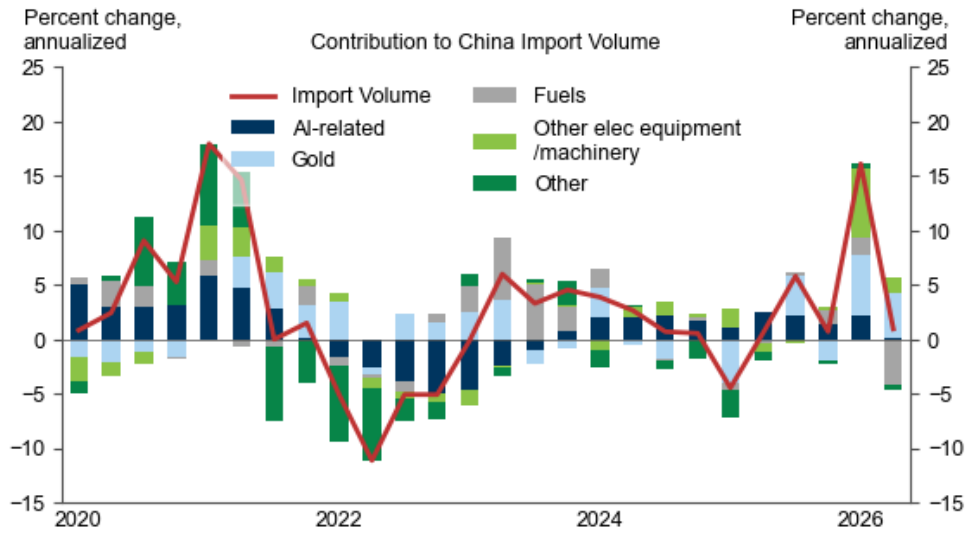
Real Export Growth Remains Concentrated in High-tech Manufacturing Products, Not AI, with Most Shipments Going to ASEAN and the EU



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

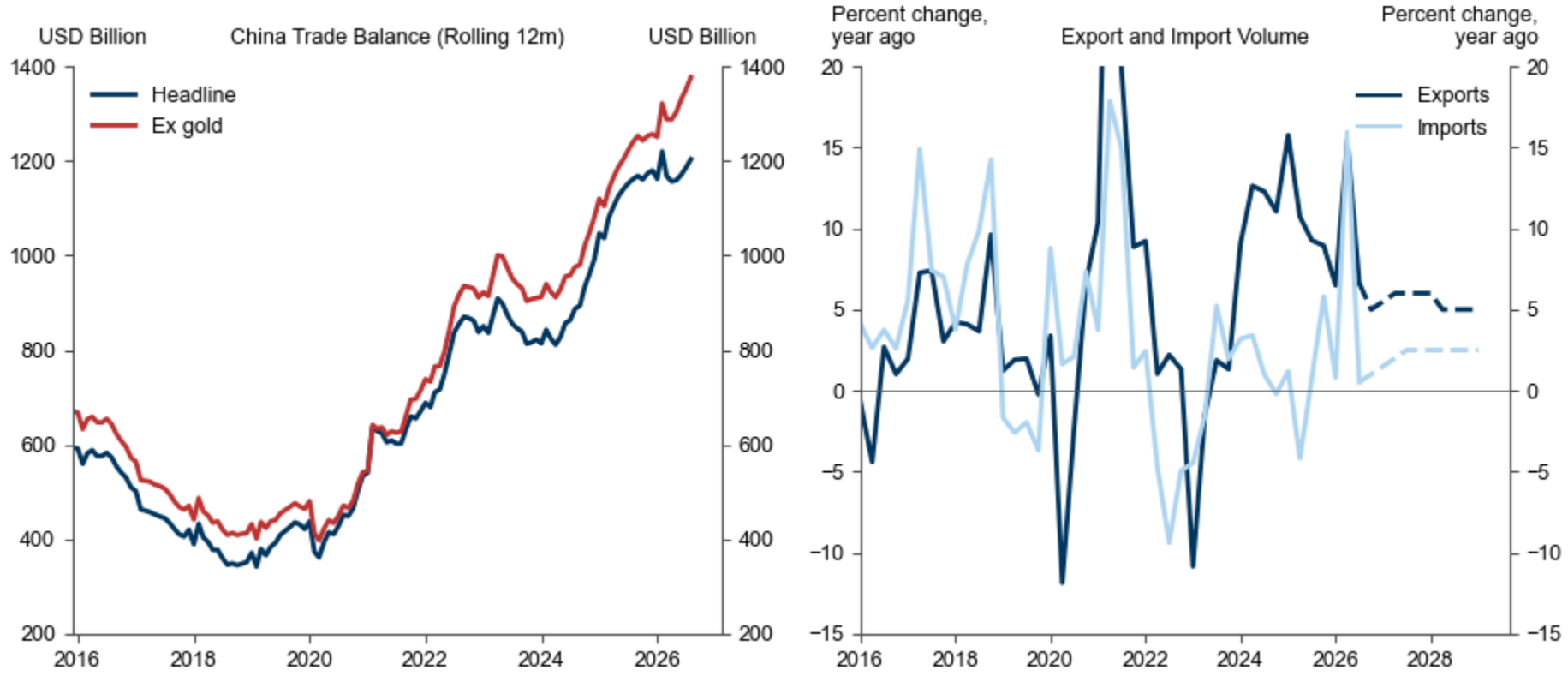
Prices Drove Most of the Rise in Nominal Imports; Import Volume Was Lifted by Gold But Dragged Down by Energy





Source: Haver Analytics, Goldman Sachs Global Investment Research

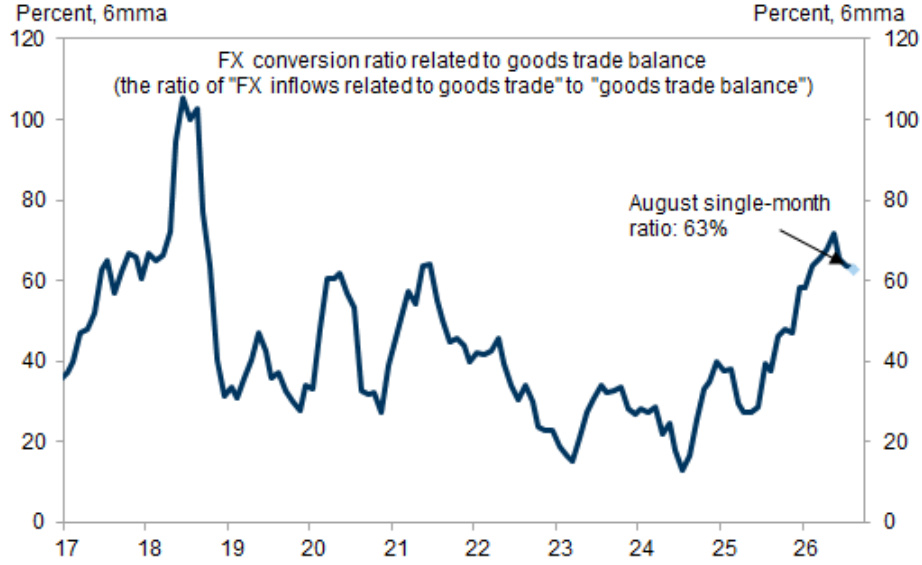
Ex-Gold Trade Balance Continued to Grow; Our Real Export Growth Forecast Remains Constructive



Source: Haver Analytics, Goldman Sachs Global Investment Research

China's Current Account Surplus Is Set to Rise Further; Exporters' FX Conversion Ratio Increased in Recent Months

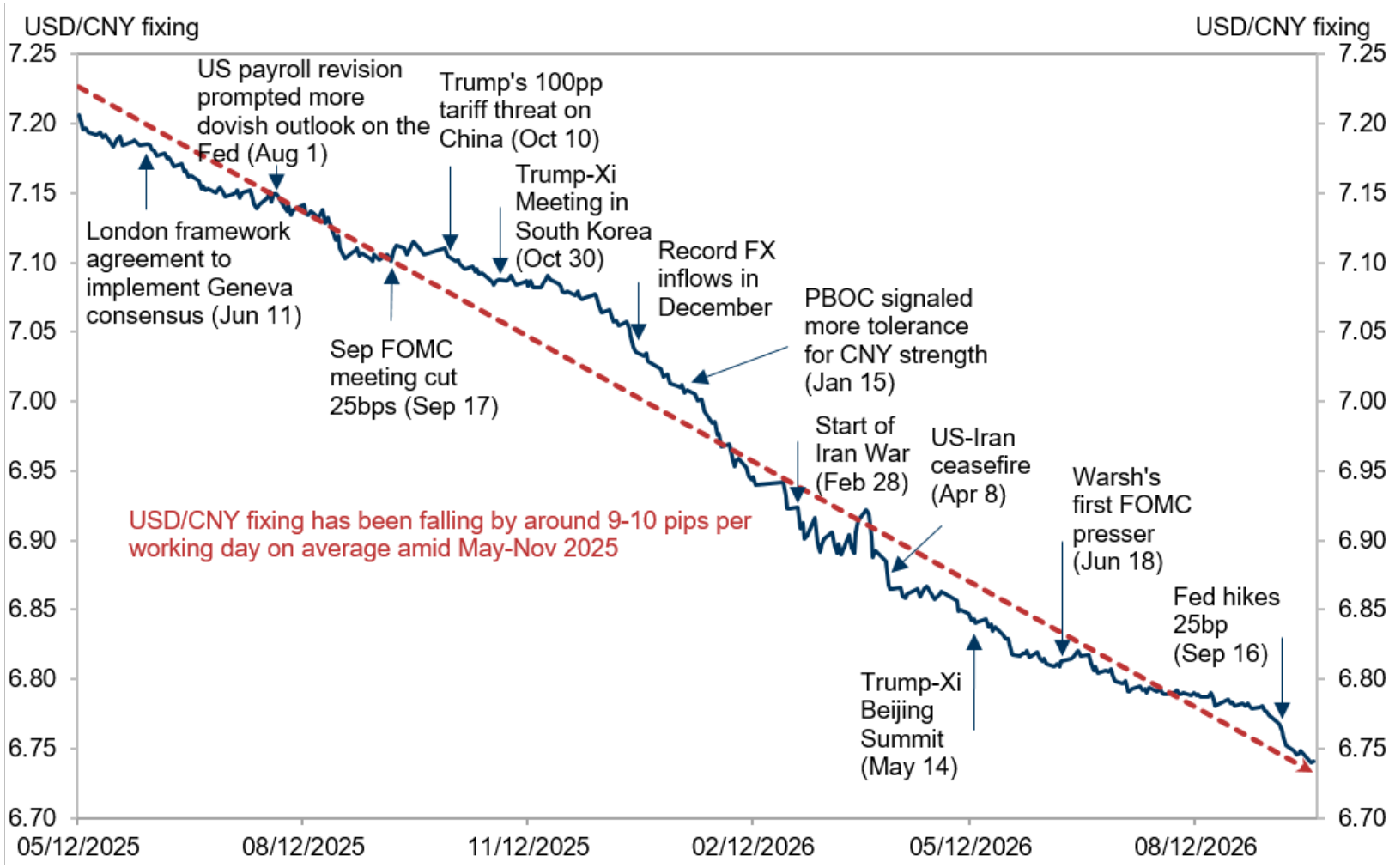




Note: The line in the RHS chart shows a six-month moving average of FX conversion ratio.

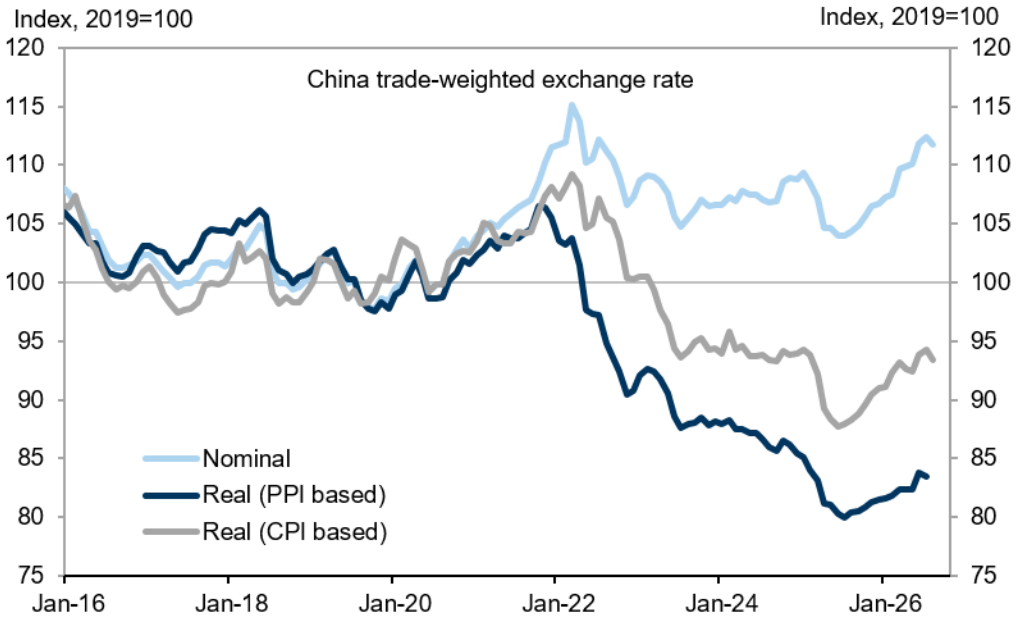
Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

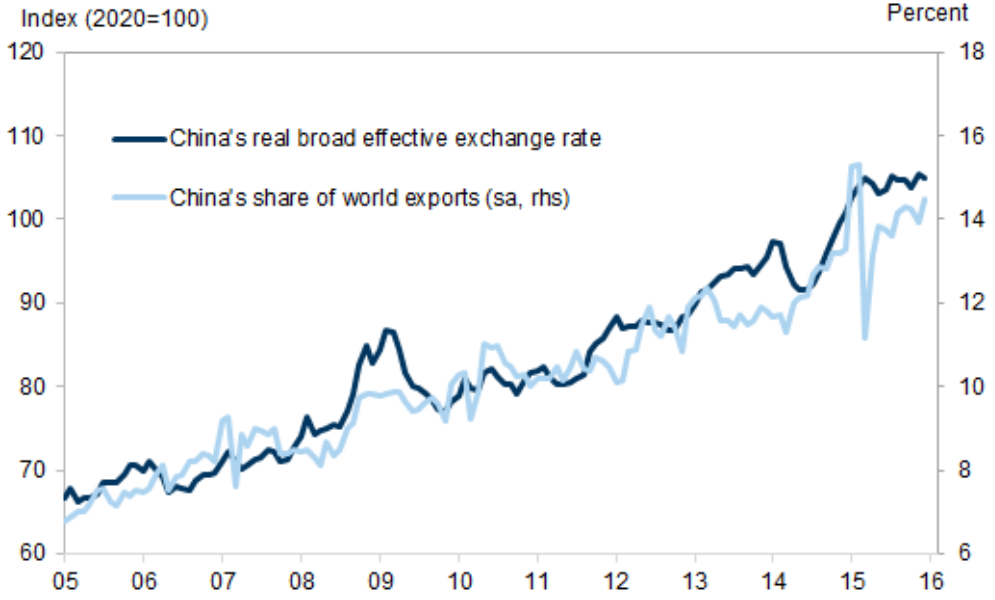
USD/CNY Fixing Continued to Decline



Source: Bloomberg, Goldman Sachs Global Investment Research

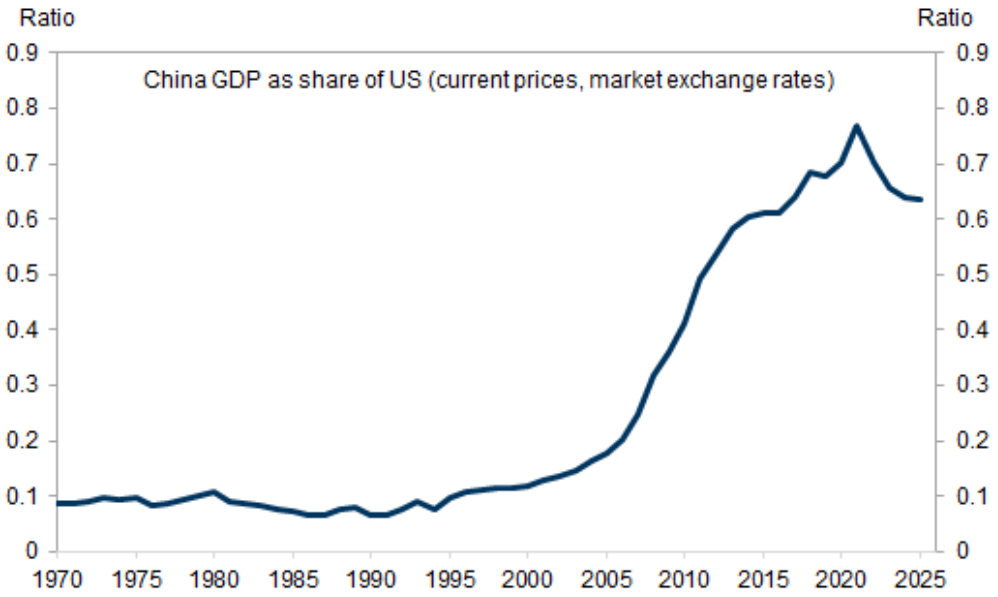
RMB Appreciation Has Occurred Alongside Export Market Share Gains When Initial Competitiveness Has Been Strong





Source: Haver Analytics, Goldman Sachs Global Investment Research

For China to "Catch Up" to US Market-Value GDP in the Coming Few Decades, CNY Appreciation Will Likely Be Required



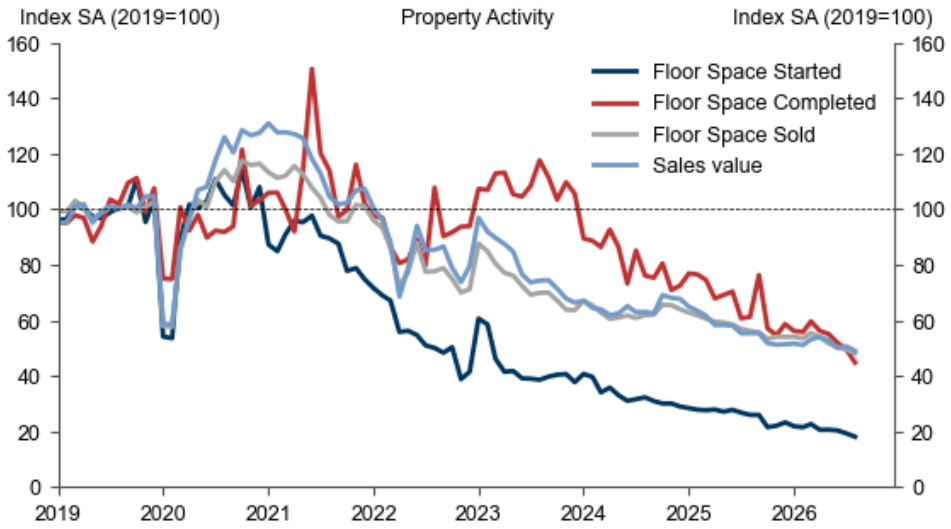
Sensitivity Analysis of China-US GDP "catch-up"

Ann. CNY appreciation vs USD (percent)	China annual nominal growth rate (percent)					
	2	3	4	5	6	7
0	never	never	never	2120	2057	2045
1	never	never	2120	2057	2045	2039
2	never	2120	2057	2045	2039	2036
3	2120	2057	2045	2039	2036	2034
4	2057	2045	2039	2036	2034	2033
5	2045	2039	2036	2034	2033	2032
6	2039	2036	2034	2033	2032	2031

Uses official GDP data for both countries; US nominal growth is assumed to be 4.5%/year.

Source: Haver Analytics, Goldman Sachs Global Investment Research

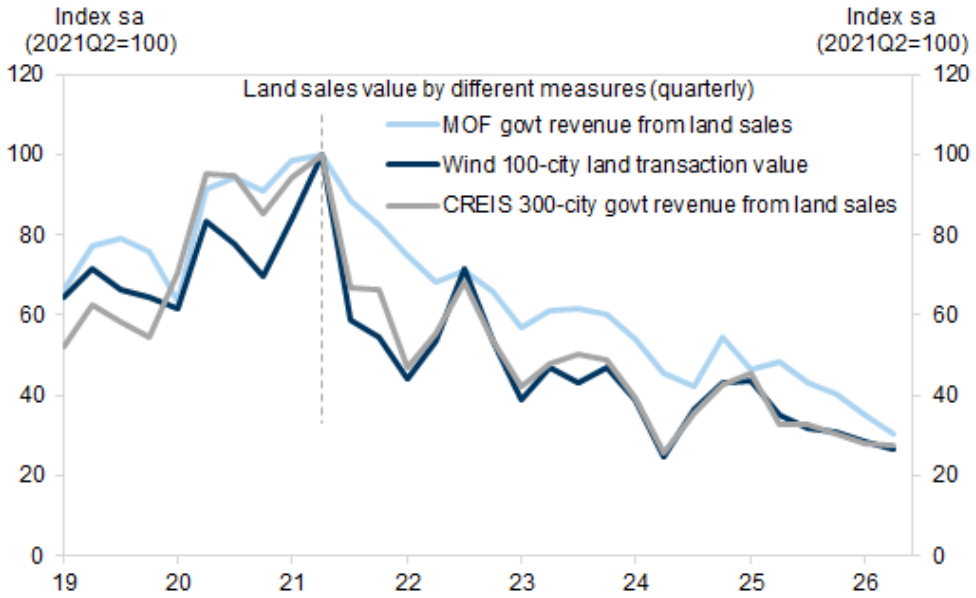
Property Sector Not Bottoming Yet

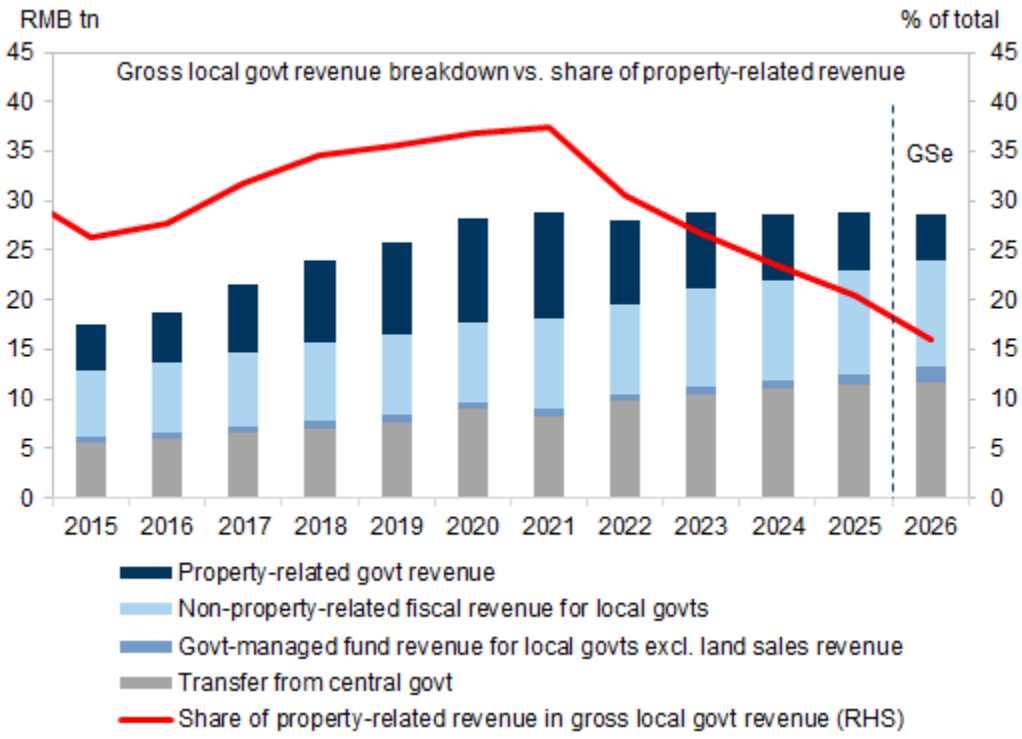




Source: NBS, Haver Analytics, CEIC, Goldman Sachs Global Investment Research

Property Downturn Keeps Straining Local Government Finances



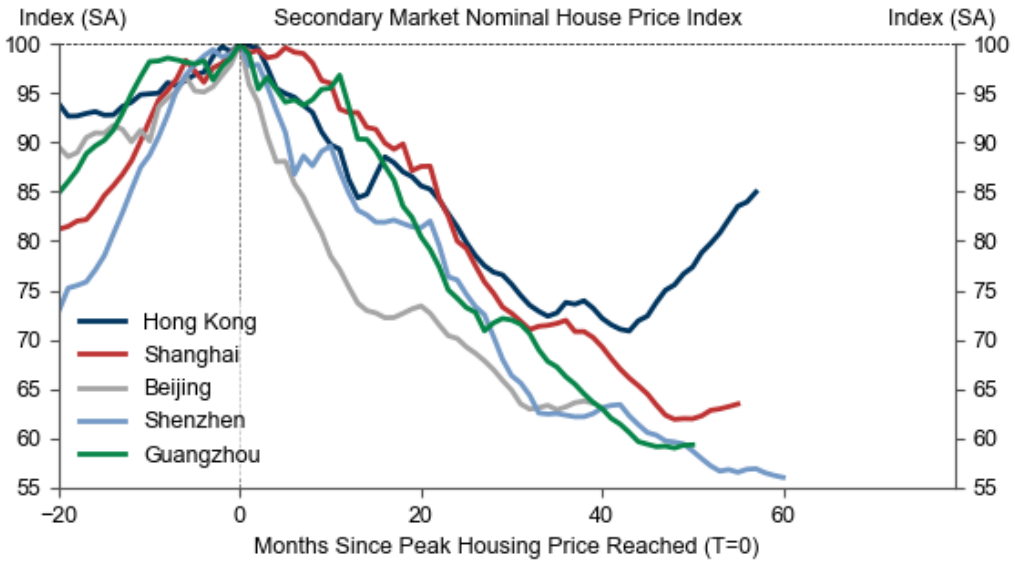


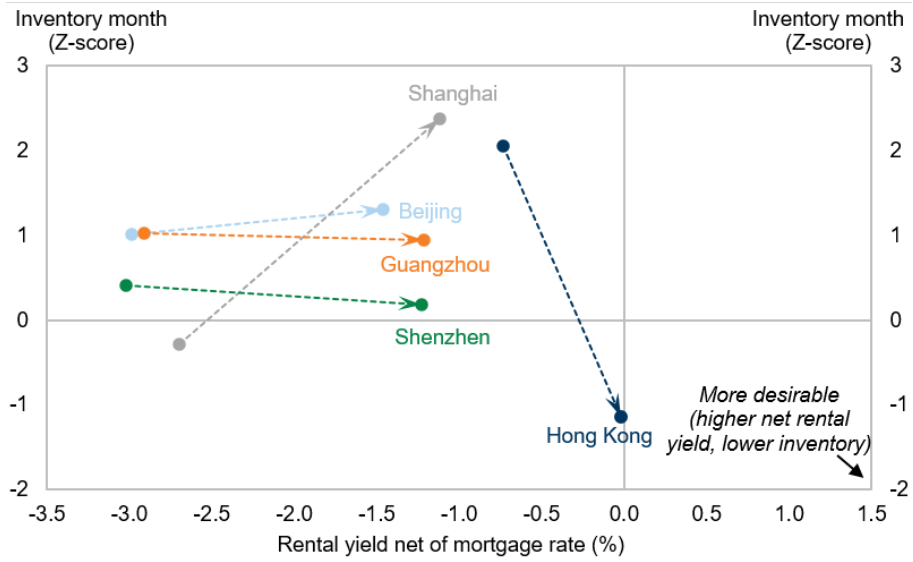
Note: Property-related local government revenue includes on-budget property-related tax revenue and off-budget revenue from land sales for local governments. 2026 prints refer to GS projection after onboarding year-to-date outturns.

Source: MOF, Wind, CREIS, Goldman Sachs Global Investment Research

Goldman Sachs Research

HK Property Prices Have Rebounded Meaningfully Since Mid-2025, While Home Prices in Mainland Tier-1 cities Showed Early Signs of Stabilization

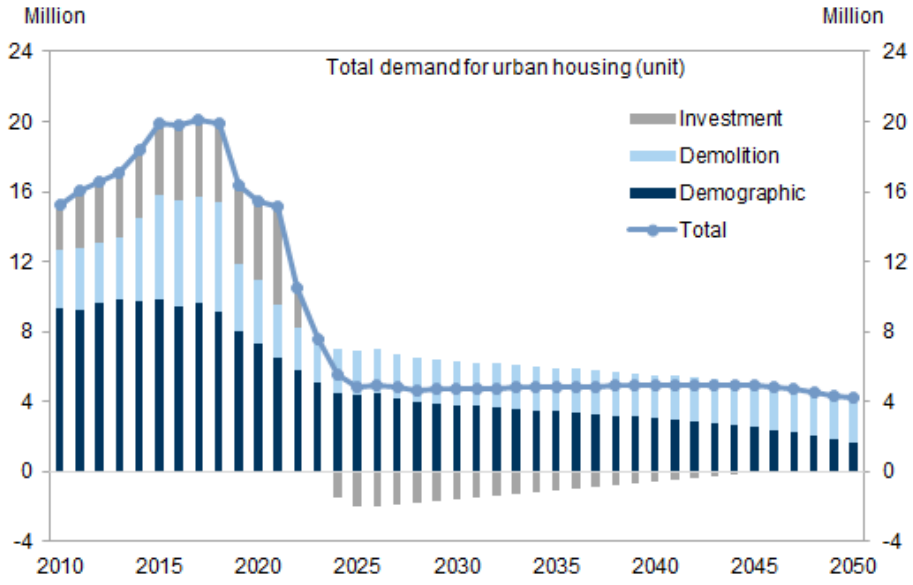


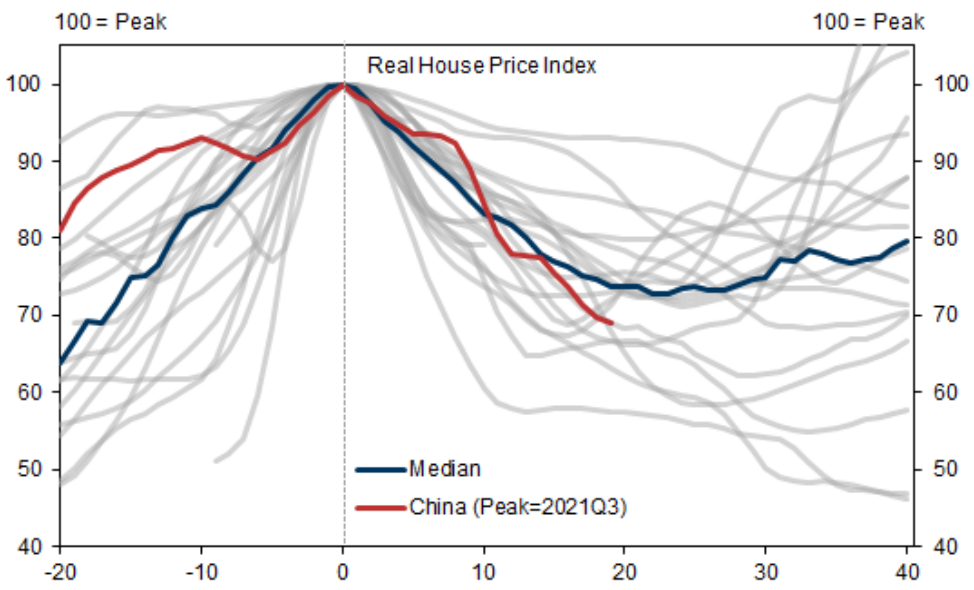


Note: Peak month refers to November 2021 for Hong Kong, May 2023 for Beijing, January 2022 for Shanghai, June 2022 for Guangzhou and August 2021 for Shenzhen, based on Centaline secondary home price data. Our housing inventory measures for Mainland China and Hong Kong differ due to data availability 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

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

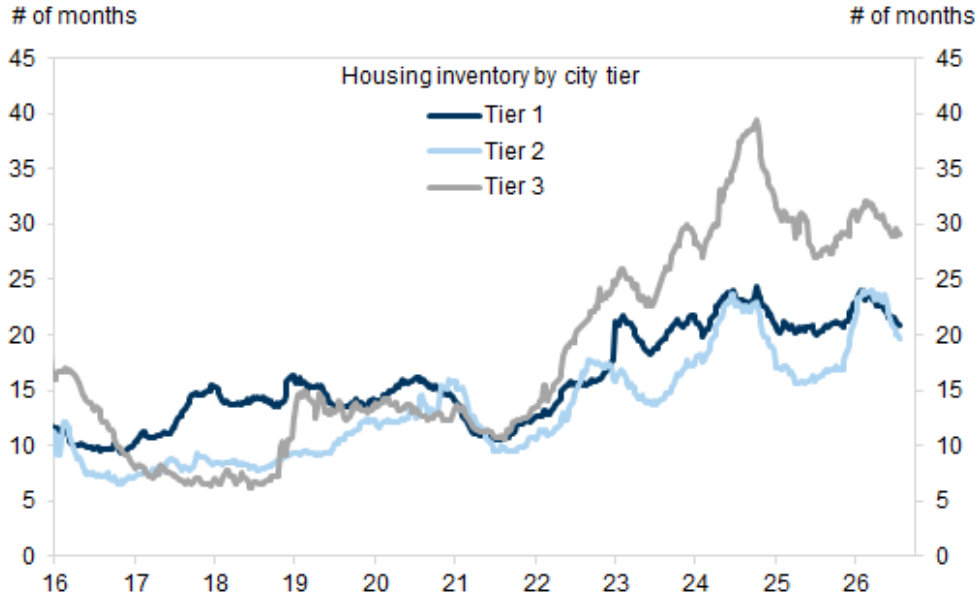


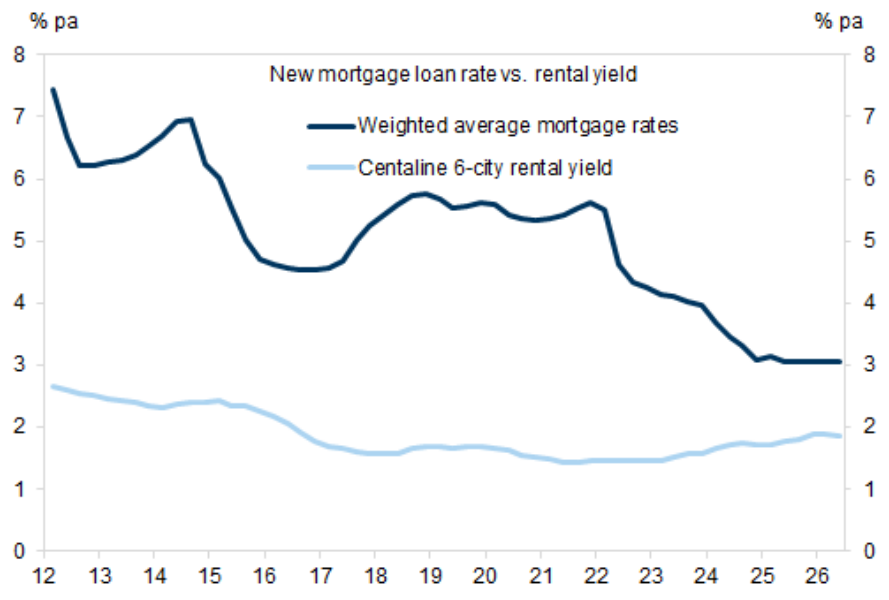


Note: The benchmark illustrates 21 large housing booms/busts across 15 economies around the world since the 1960s.

Source: Haver Analytics, Goldman Sachs Global Investment Research

Further Housing Easing Efforts Needed to Stabilize Nationwide Home Prices



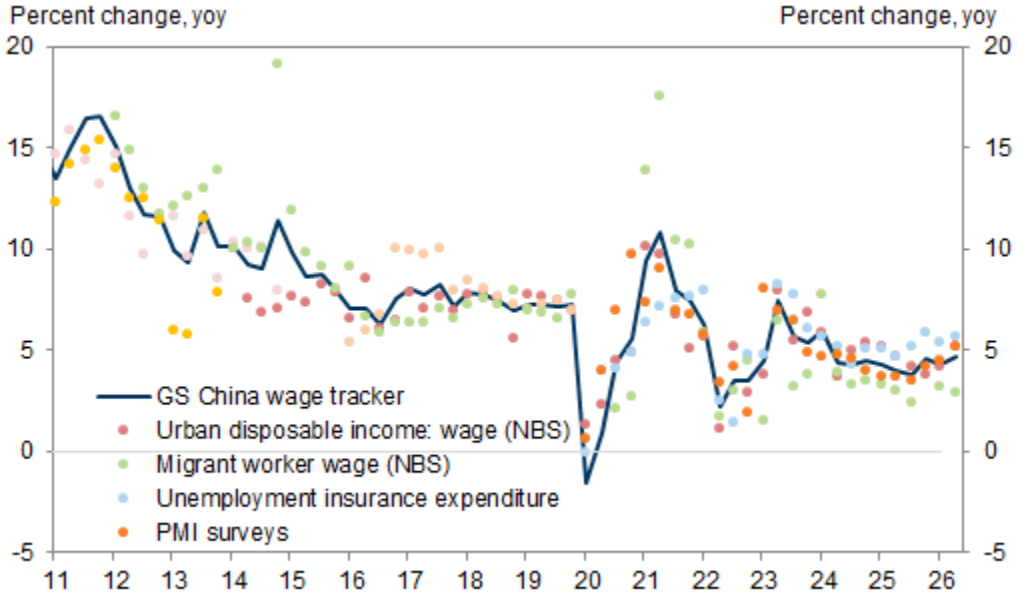


Note: Housing inventory is estimated as housing inventory levels divided by the number of 12-month moving average new home sales.

Source: CREIS, Wind, Goldman Sachs Global Investment Research

A Weak Labor Market Has Constrained Households' Ability to Spend

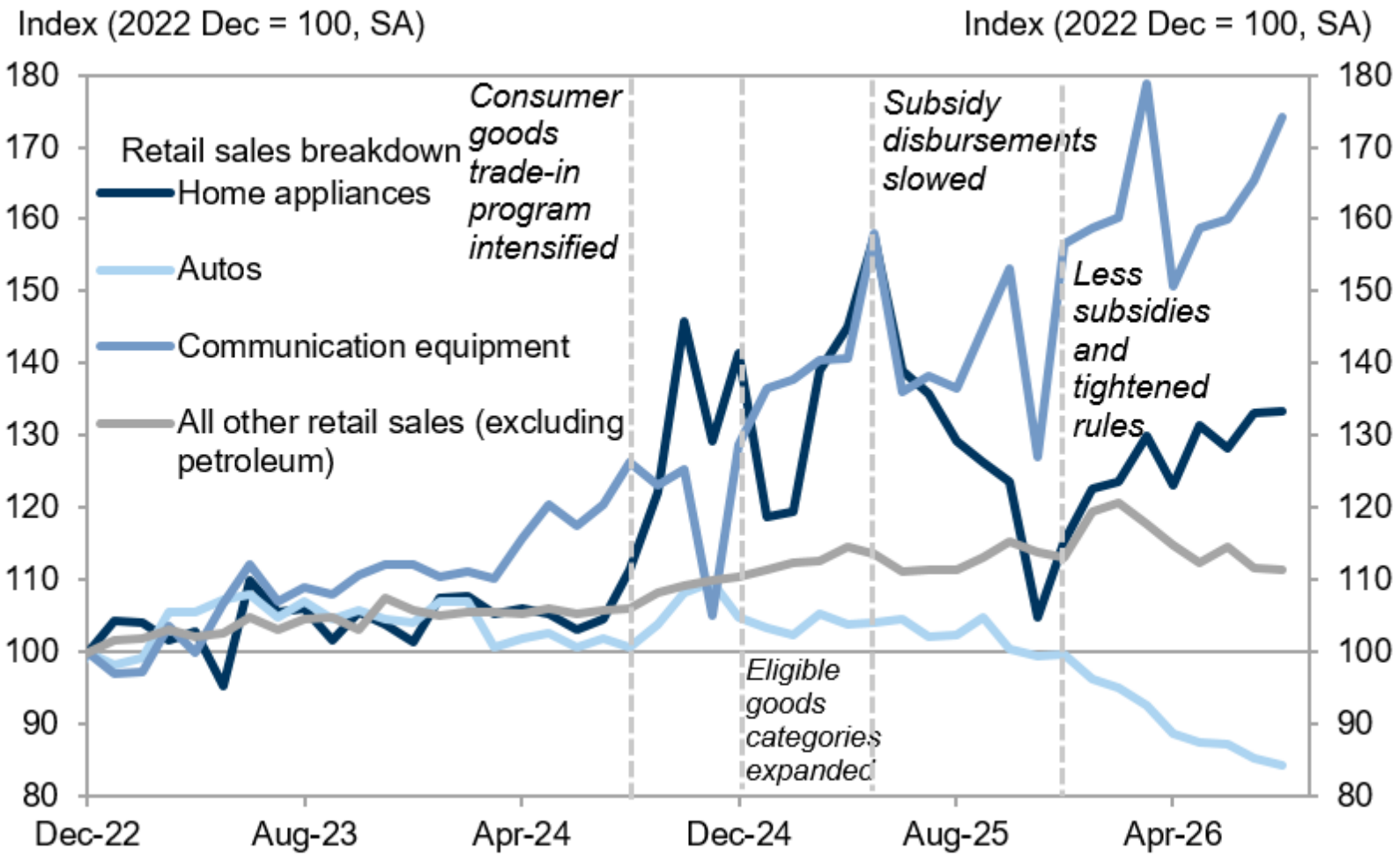




We include employment sub-index under NBS manufacturing PMI, construction PMI, and services PMI, Ratingdog manufacturing PMI and services PMI, CKGSB recruitment index, and emerging industries PMI.

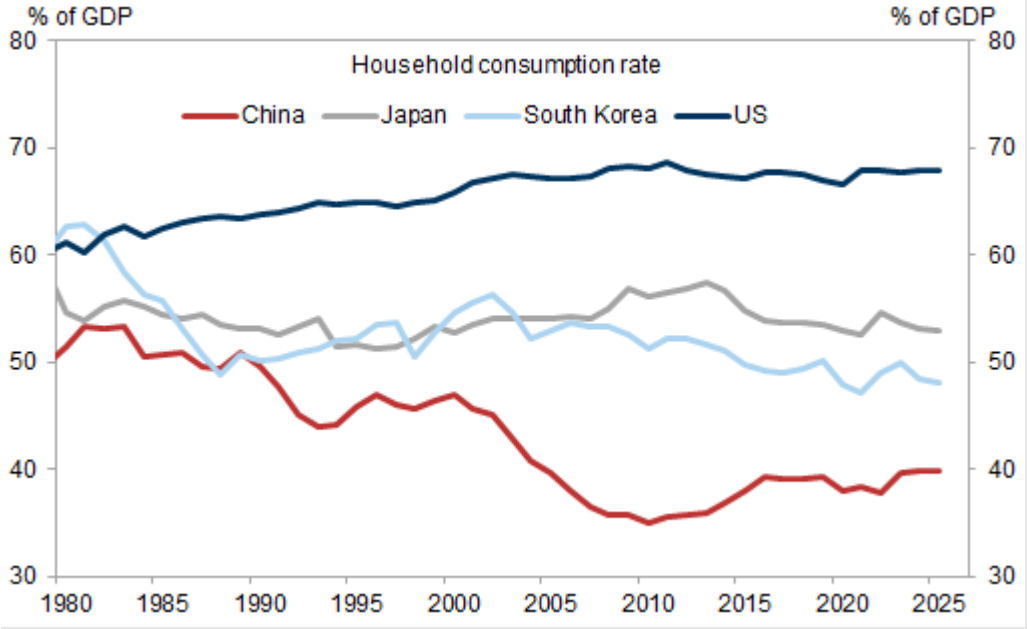
Source: NBS, Caixin, Haver Analytics, Data compiled by Goldman Sachs Global Investment Research

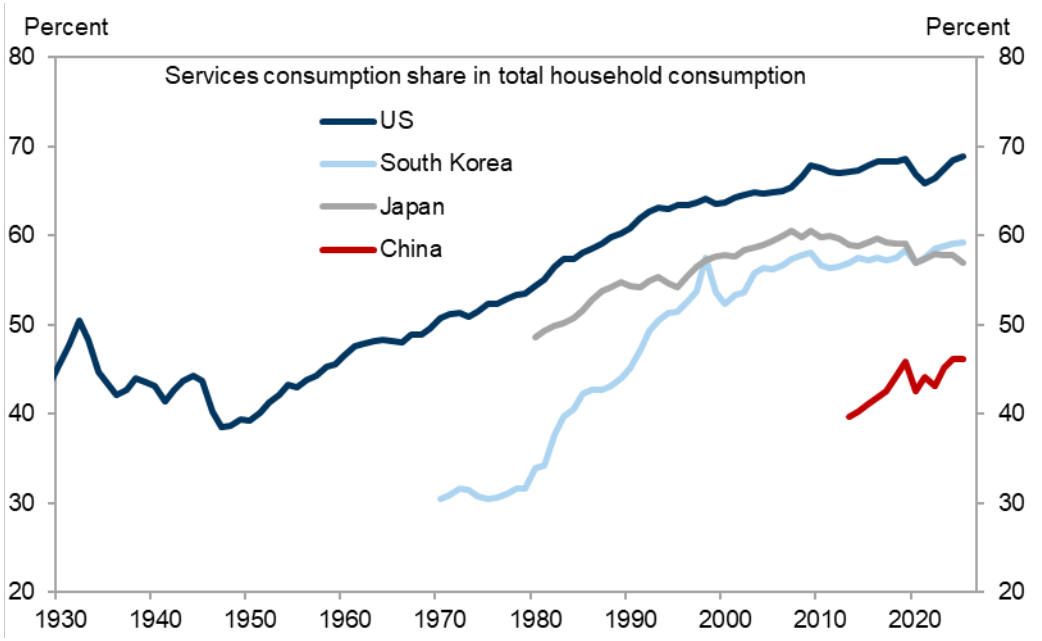
Effect of Government-subsidized Consumer Goods Trade-in Program Should Fade Over Time



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

Policymakers Have Started to Focus on Boosting Services Consumption

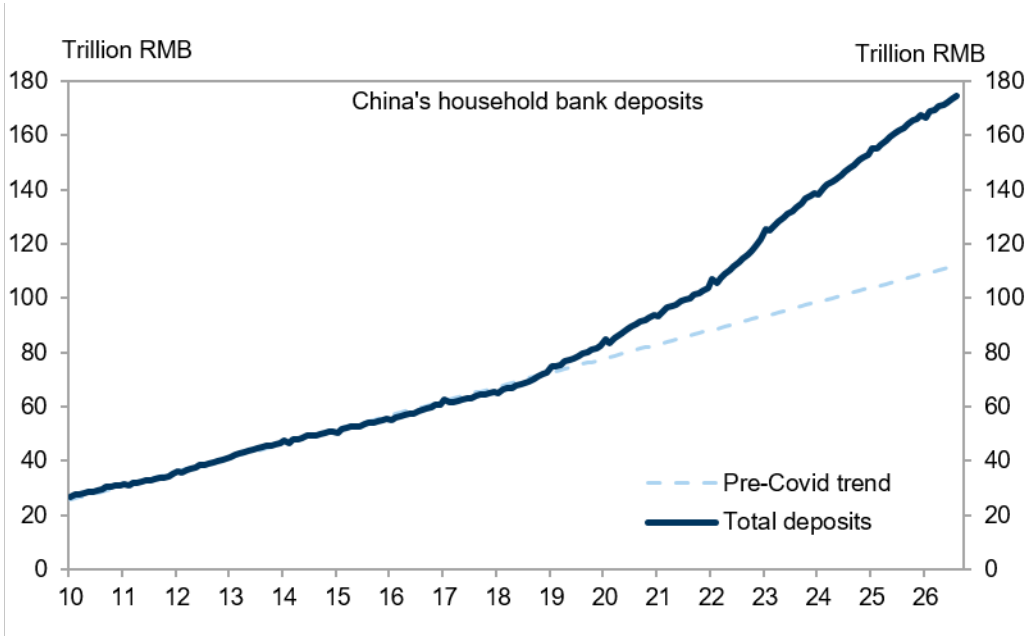




Source: Haver Analytics, Goldman Sachs Global Investment Research

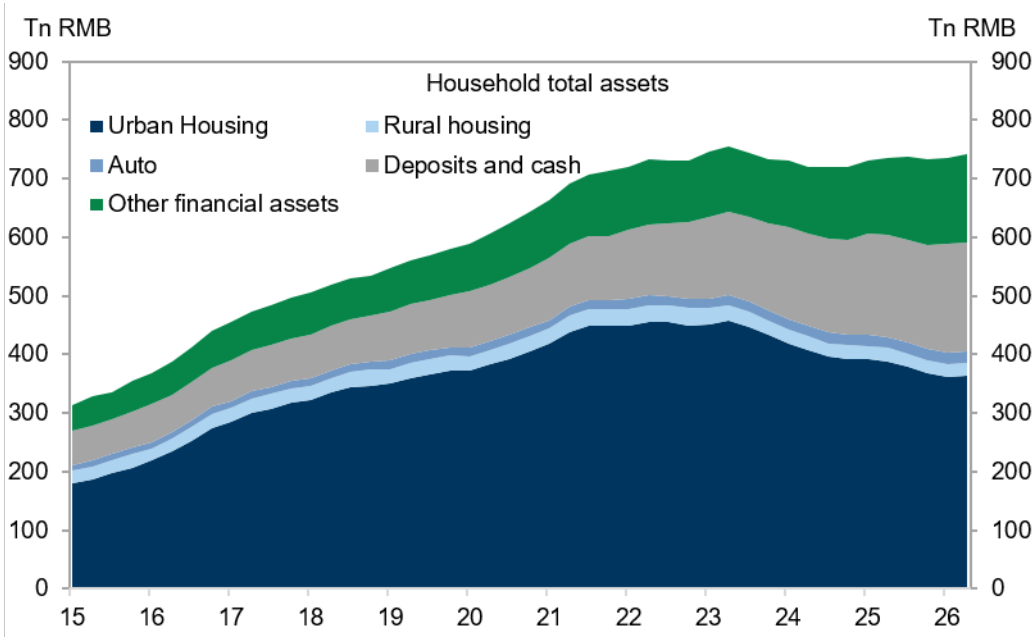
Consumer Sentiment Stays Weak and Household Bank Deposits Remain Elevated

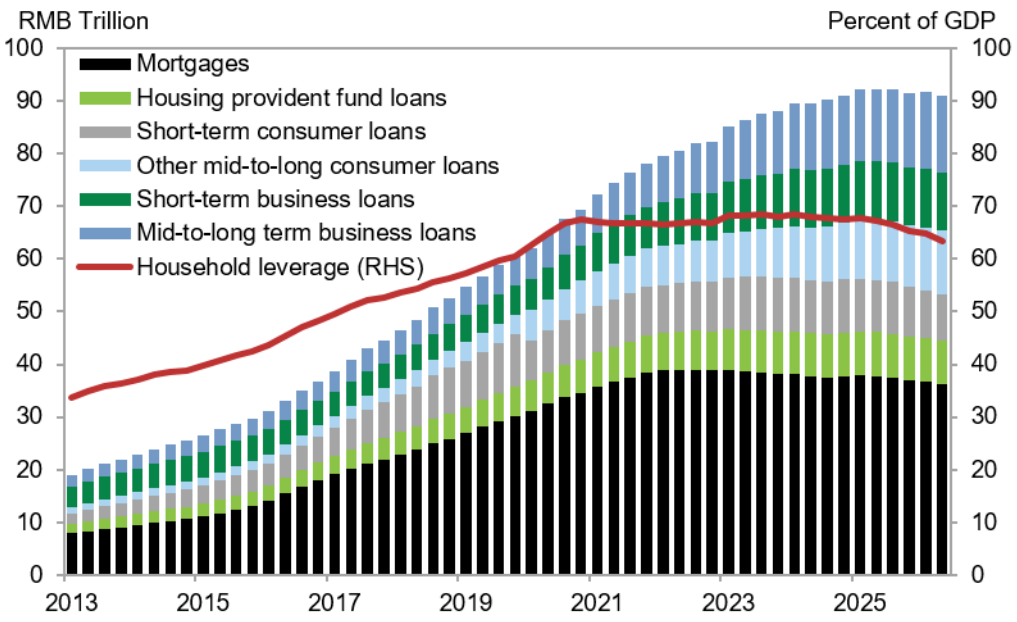




Source: Haver Analytics, Goldman Sachs Global Investment Research

Household Balance Sheet: Structural Shift from Property to Financial Assets Amid Ongoing Deleveraging

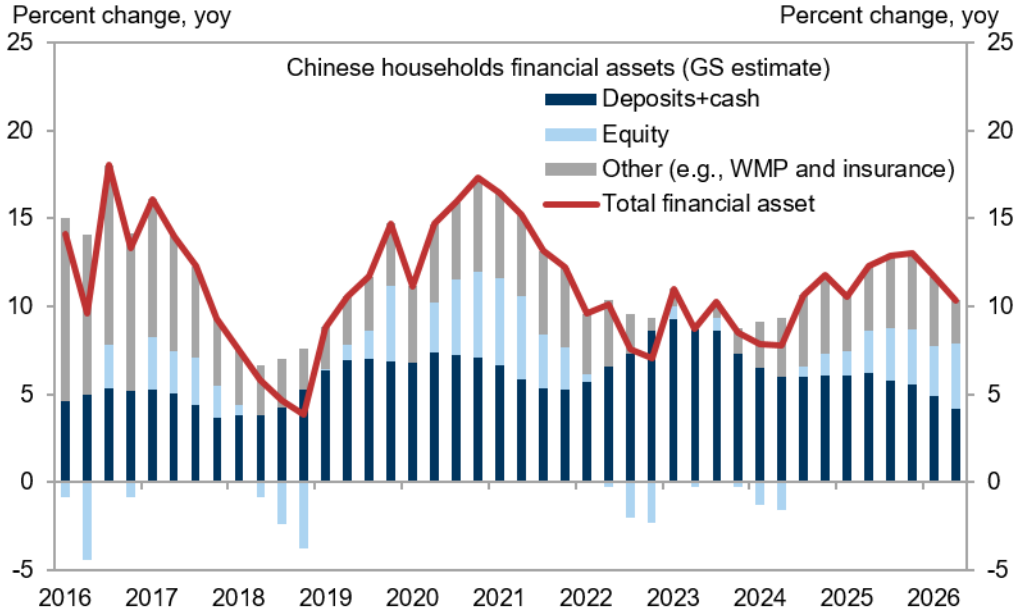


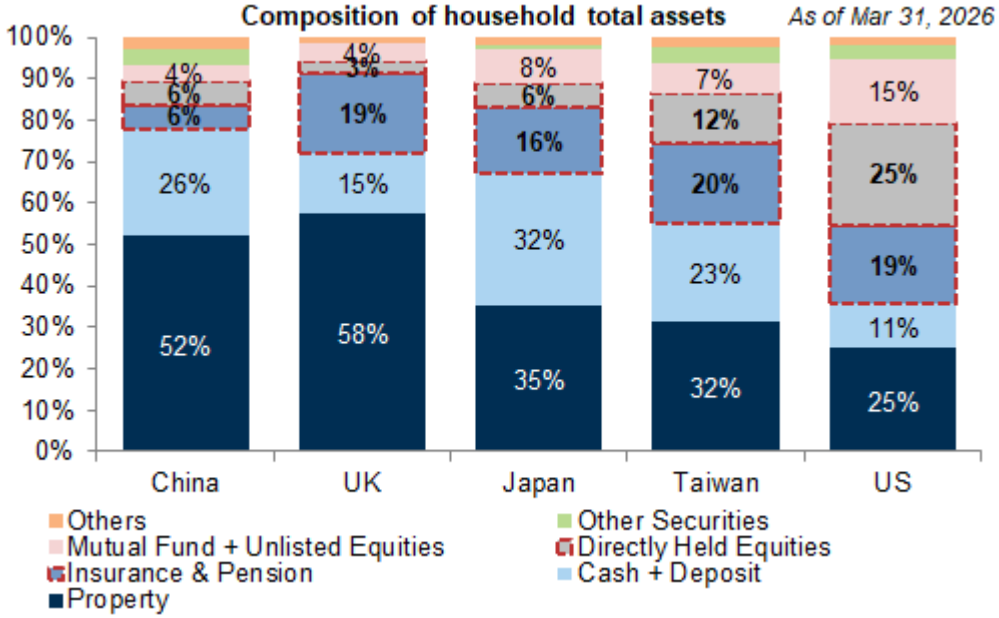


Note: 2026 Q2 is the latest data available.

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

Since the September 2024 Policy Pivot, Equities Have Contributed More to Financial Asset Growth



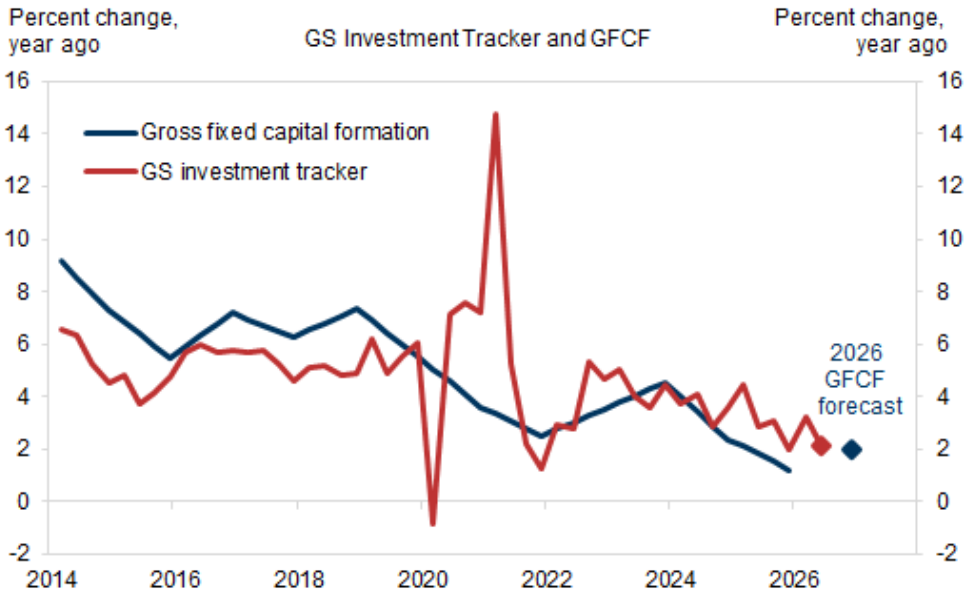


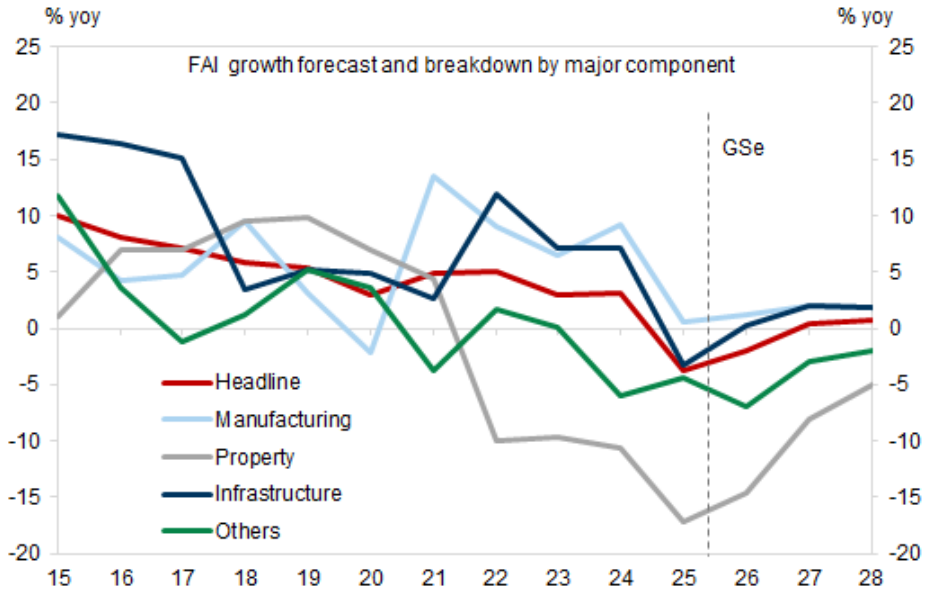
Here, "unlisted equities" refer to privately held ov es that are not listed or traded on public exchanges visibility into household unlisted equity holdings, by the household sector as a proxy.

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

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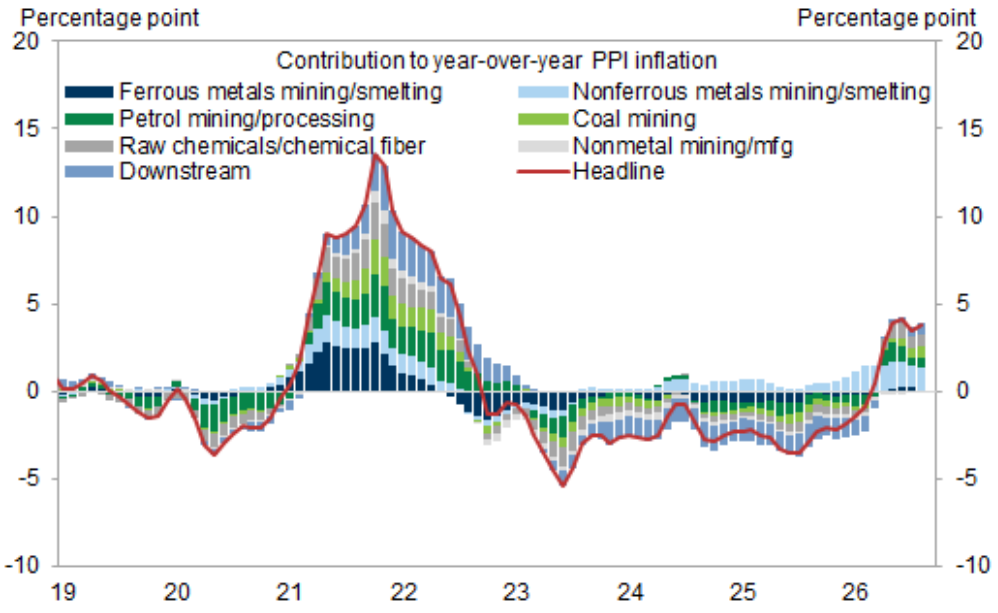
We Expect Investment Growth to Rebound Modestly in 2026 on Policy Support and a Low Base, Despite Still-Wide Gap Across Sectors

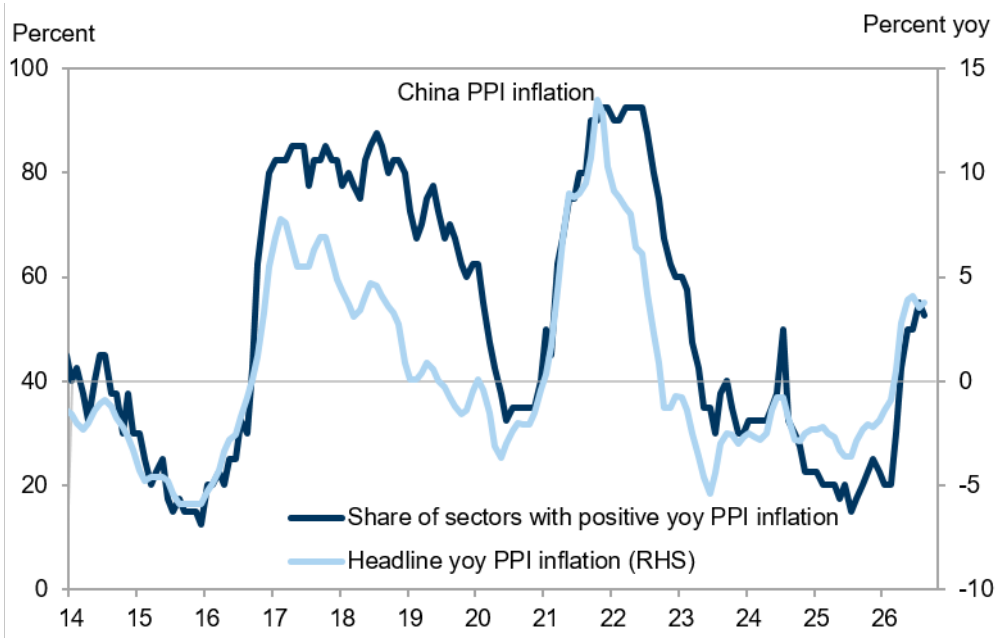




Source: NBS, CEIC, Goldman Sachs Global Investment Research

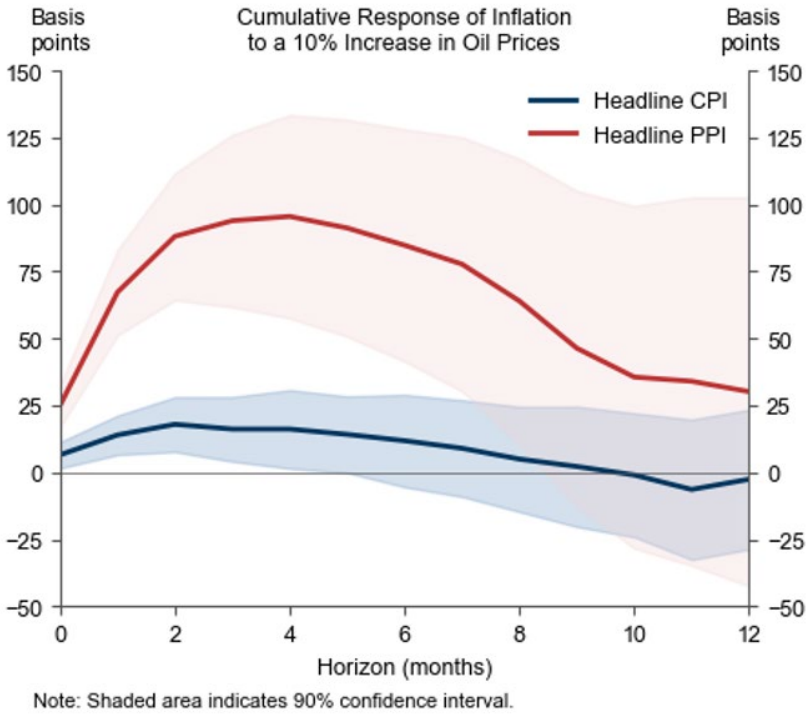
Higher Energy Prices Lift PPI Inflation in 2026





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

We Expect Headline CPI/PPI Inflation to be 1%/2% in 2026



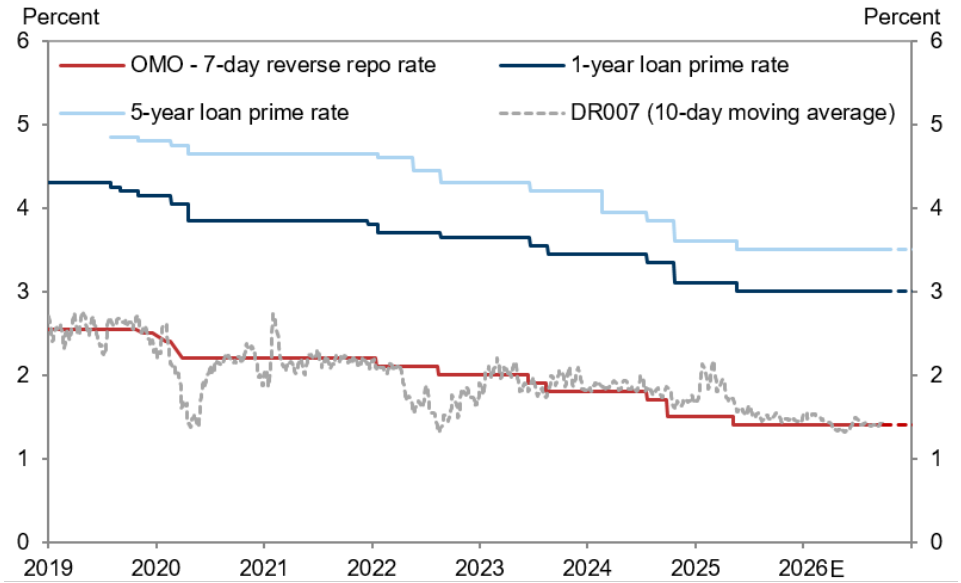
Note: Shaded area indicates 90% confidence interval.

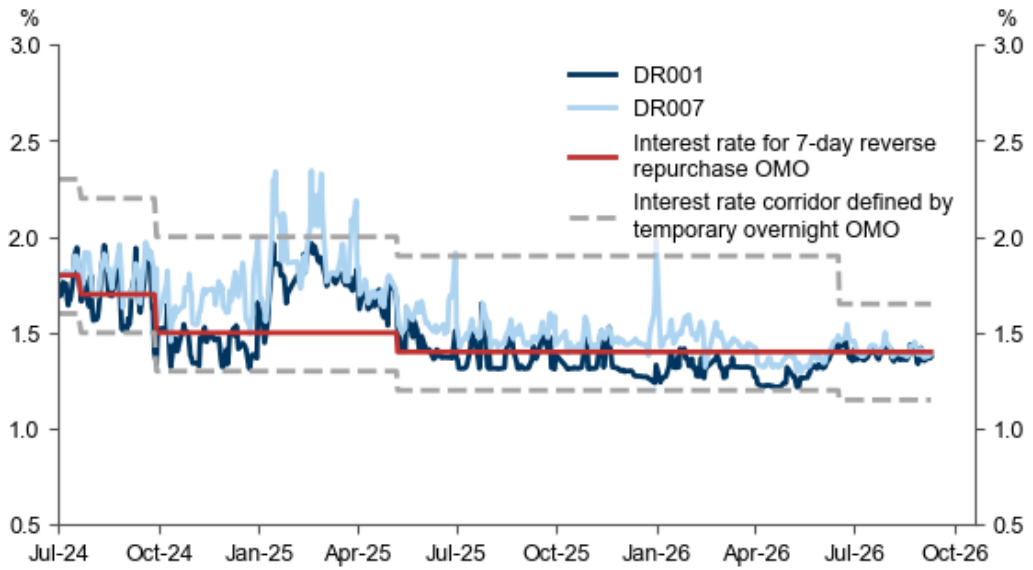


Note: We use 2006-2025 monthly data for our local projections with an instrument variable, i.e., oil supply shock from Känzig (2021).

Source: CEIC, Goldman Sachs Global Investment Research

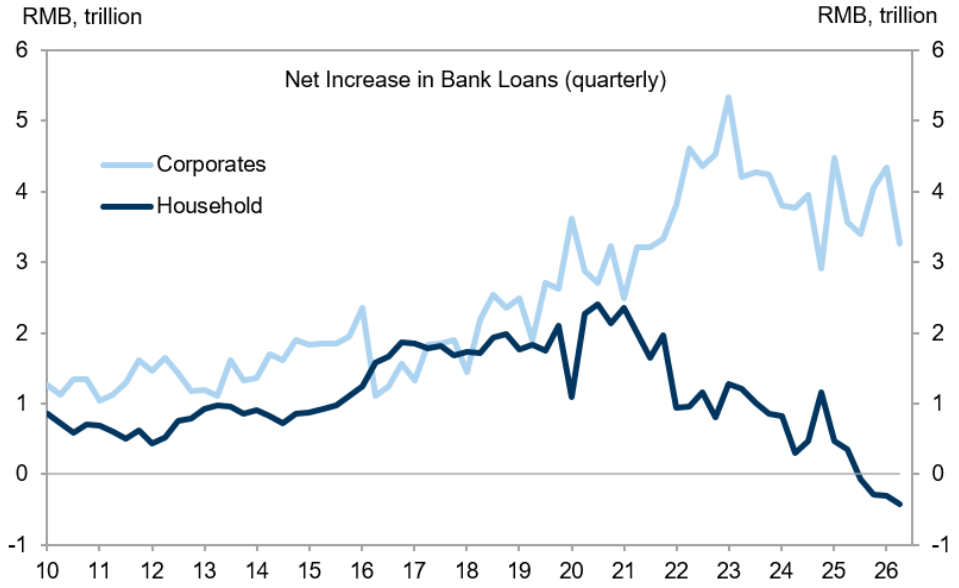
We Do Not Expect PBOC to Cut Policy Rate This Year; PBOC Narrowed Interest Rate Corridor and Started Overnight Reverse Repo Operation

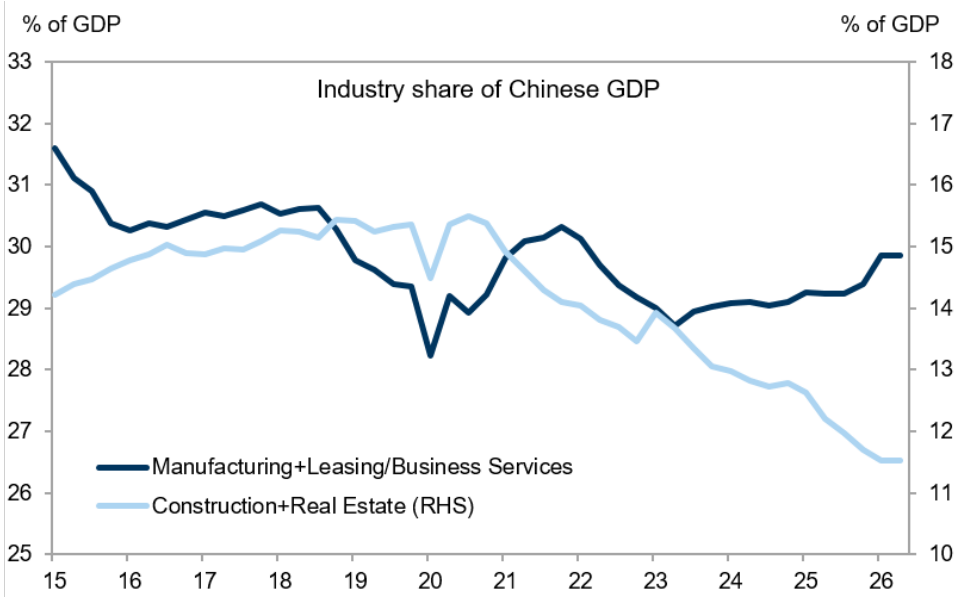




Source: PBOC, Wind, Goldman Sachs Global Investment Research

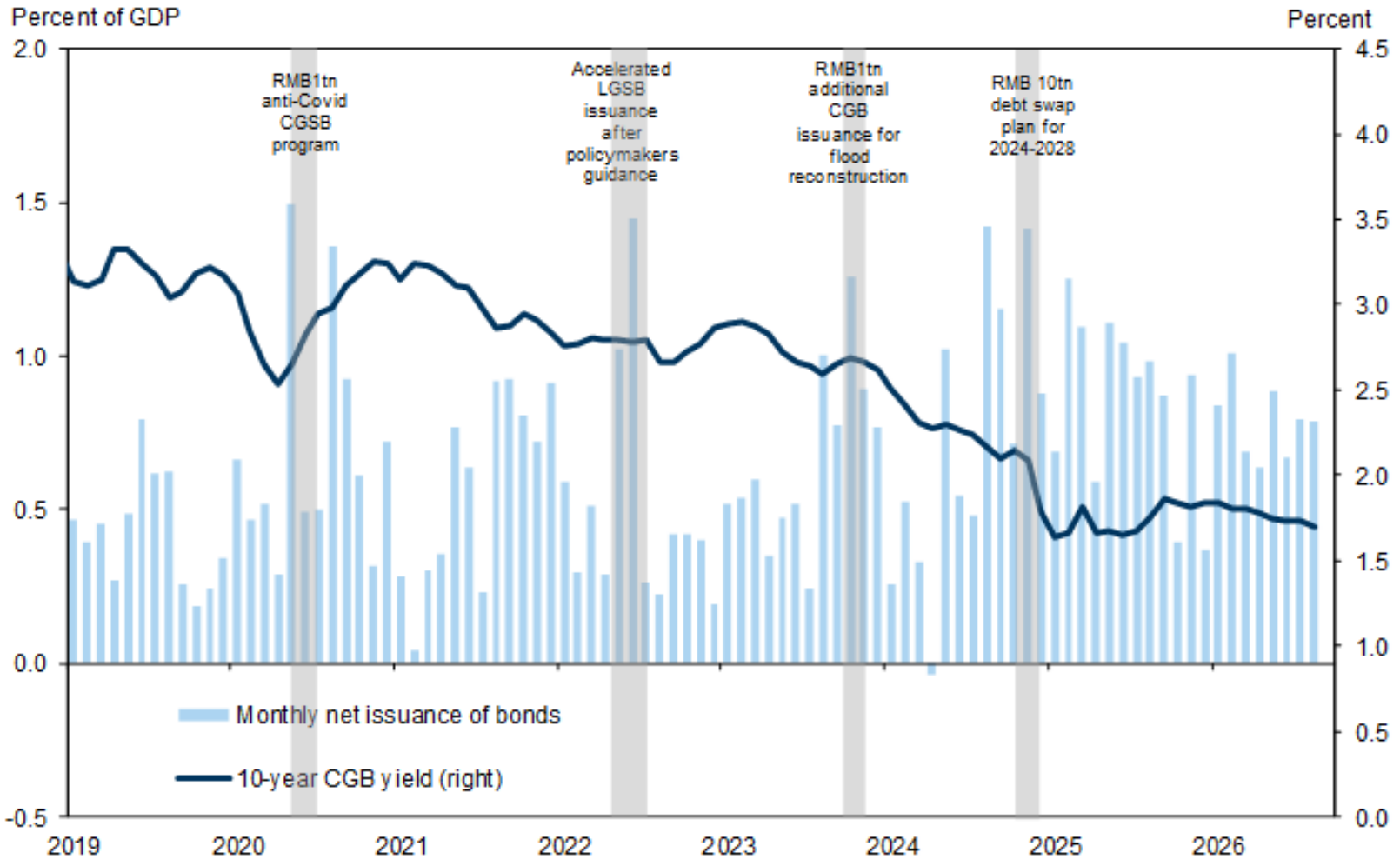
Household Loans Contracted While Corporate Loans Moved Sideways; Credit Redirected From Property to High-Tech Sectors





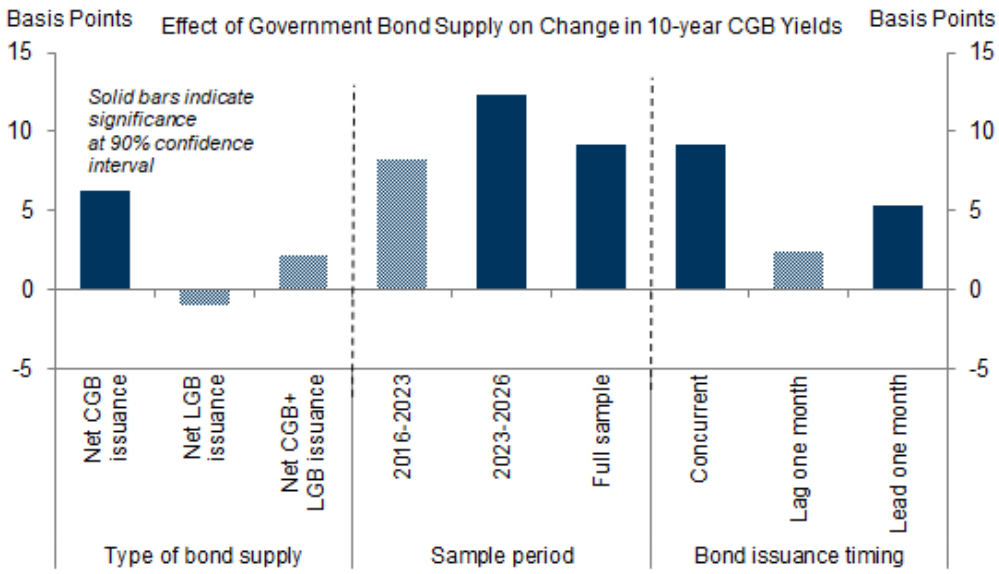
Source: Haver Analytics, Goldman Sachs Global Investment Research

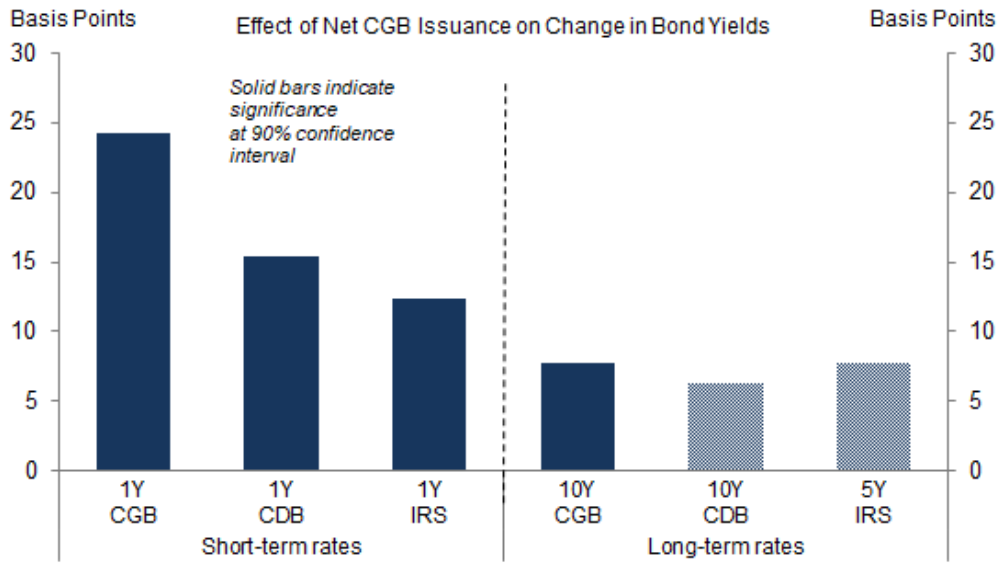
Higher Government Bond Supply Issuance Has Not Consistently Led to Higher 10-Year CGB Yields



Source: Goldman Sachs Global Investment Research, CEIC

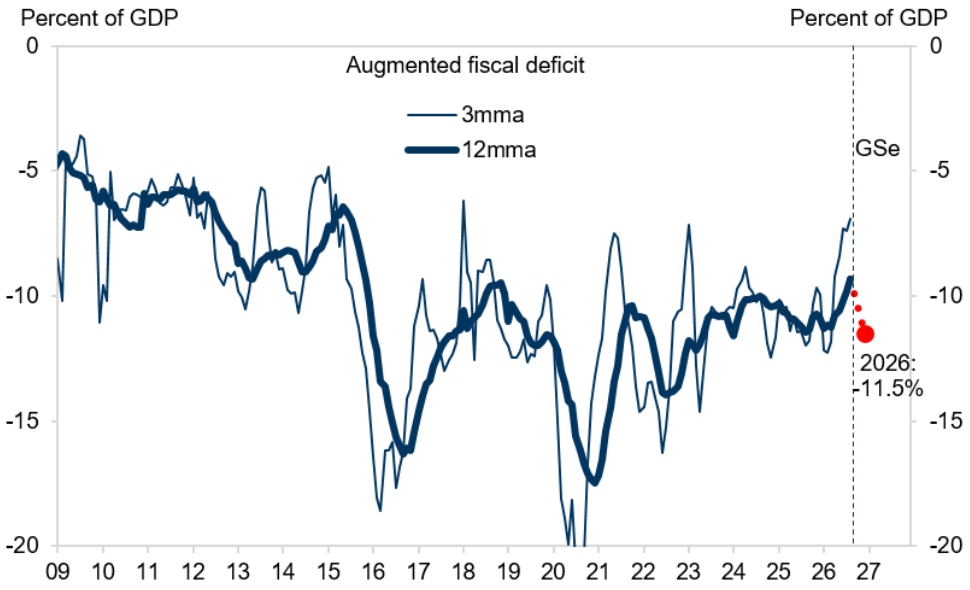
10-Year CGB Yields Are More Closely Related to CGB Supply; Net CGB Issuance Matters Most at the Short End

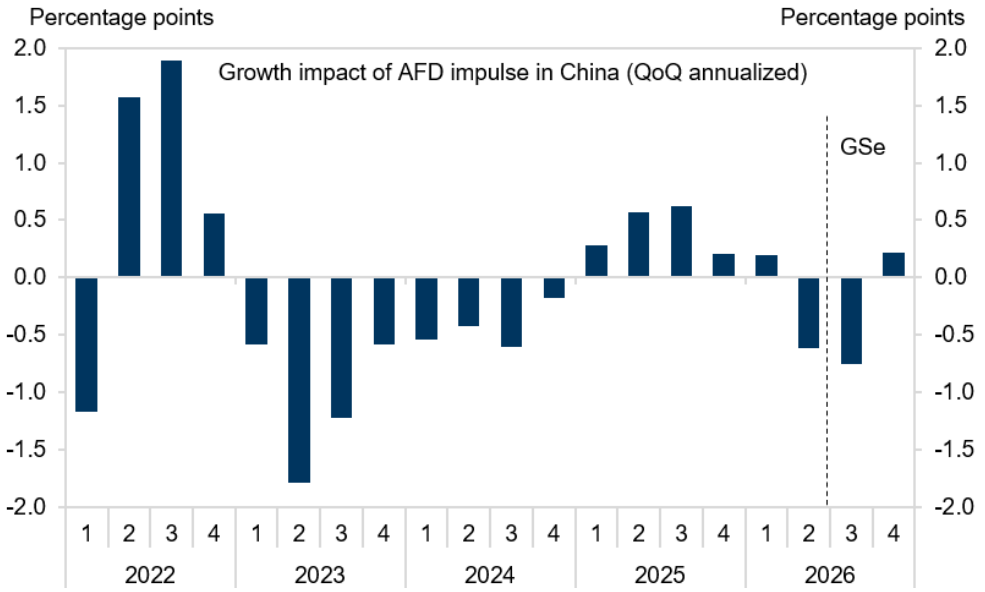




Source: Goldman Sachs Global Investment Research

Fiscal Policy Has Tightened Meaningfully Since Q2, Though We Expect It to Resume Modest Easing in the Coming Months





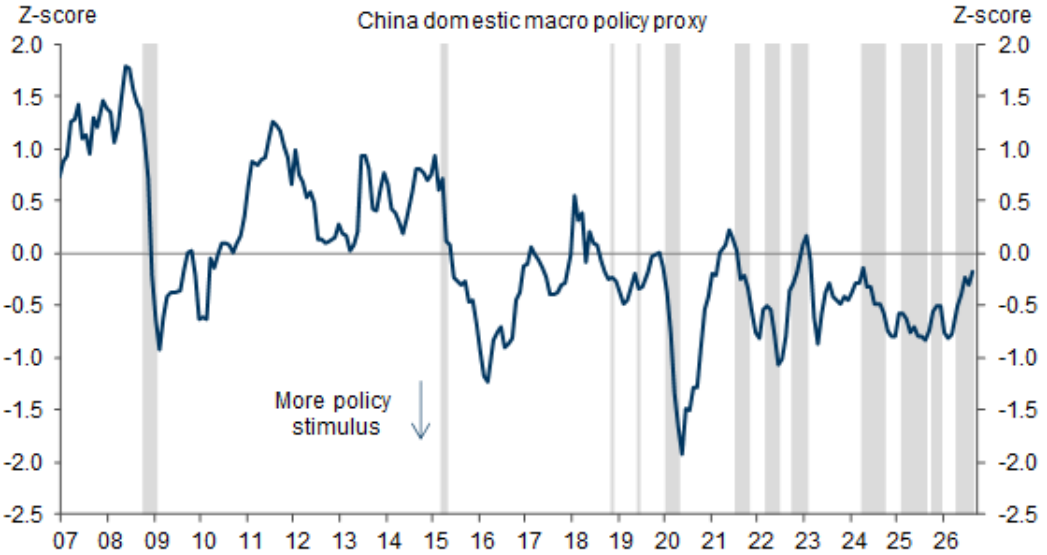
Source: Wind, CEIC, Goldman Sachs Global Investment Research

Despite Incremental Easing Ahead, We See A Downside Risk to Our 2026 AFD Forecast of 11.5% of GDP

		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	15.0	*-0.4*
3		Budget expenditure	23.7	23.7	20.9	21.1	21.2	21.1	20.5	20.1	*-0.4*
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	1.1	*0.0*
5	**=3-2**	**Effective on-budget deficit**	**4.8**	**6.1**	**3.7**	**4.6**	**4.5**	**4.8**	**5.1**	**5.1**	***0.0***
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	0.4	*0.4*
8		LGFV bond net issuance	1.2	2.2	2.0	1.0	1.0	0.0	0.0	0.3	*0.3*
9		Railway construction bond net issuance	0.0	0.1	0.1	0.0	-0.1	-0.1	0.0	0.1	*0.1*
10	=11+12	Policy bank support (including PSL)	1.3	2.0	1.0	1.7	1.1	0.2	0.2	0.6	*0.5*
11		Policy bank bond issuance	1.2	2.3	1.4	1.4	1.0	0.8	1.1	0.6	*-0.5*
12		PSL	0.2	-0.3	-0.4	0.3	0.1	-0.7	-1.0	0.1	*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	0.7	*-0.2*
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**	**11.5**	***0.5***

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

We Expect Macro Policy to Resume Easing in Q4, After the Q2-Q3 Tightening, Though the Magnitude of Easing Should be Moderate

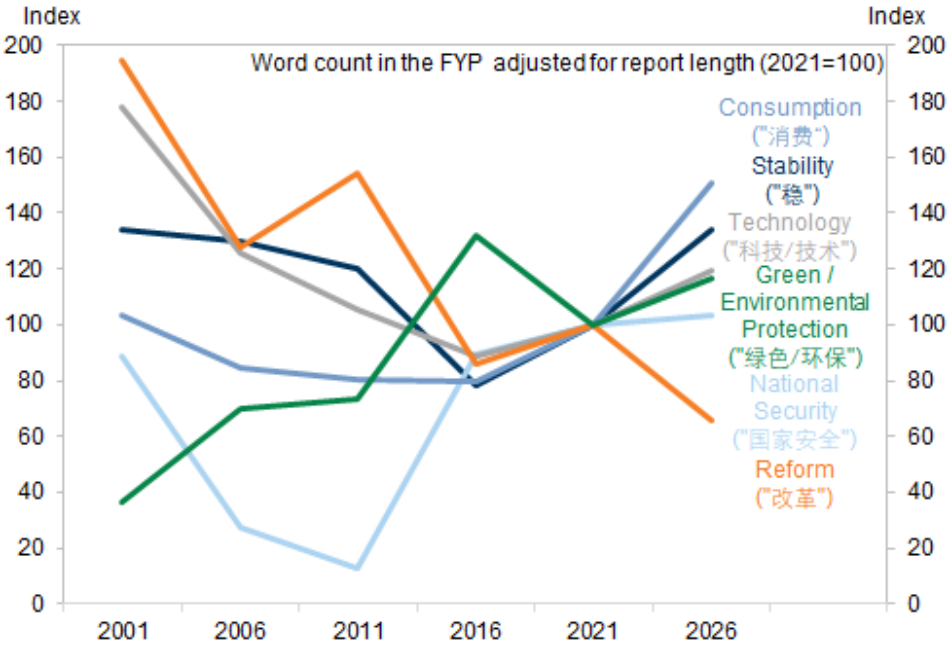


Note: Shaded areas refer to periods when China CAI 3mma growth was below 5%.

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%	5.1%
	Augmented fiscal deficit (% of GDP)	11.0%	11.5%
Credit (eop yoy)	TSF stock	8.3%	7.2%
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 (by expanding the use of housing provident funds); 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

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

China's "Barbell Strategy" for High-Quality Growth in the 15th FYP



Categories	Major Projects
Cultivate and Develop New Industries	Advanced IC, Embodied Intelligence, Biomanufacturing, Next-generation Batteries, Commercial Aerospace, Domestically Produced Large Aircrafts, Low-Altitude Aviation Equipment, Green Hydrogen, Brain–Computer Interfaces, High-End Medical Devices
Development of New Infrastructure	National Integrated Computing Power Network, Satellite Internet, ICT Networks, Data Infrastructure, Low-Altitude Infrastructure
AI+ Initiative	AI+ Science & Technology, AI+ Industrial Development, AI+ Consumption Upgrade, AI+ People's Livelihood, AI+ Governance, AI+ Global Cooperation
Promoting Employment and Upgrading Employment Services	Strengthening Employment Support for Key Groups, The "Skills Illuminate the Future" Training Initiative, Improving the Quality of Public Employment Services, Enhancing the Effectiveness of Entrepreneurship-Driven Employment
Peaking Carbon Emissions and Achieving Carbon Neutrality	Energy Conservation and Carbon Reduction in Key Industries, Clean Substitution for Coal Consumption, Developing Zero-Carbon Industrial Parks and Zero-Carbon Transport Corridors, Leveraging the Circular Economy to Support Carbon Reduction, Reducing Non-CO2 Greenhouse Gas Emissions, Enhancing Foundational Capacity for Carbon Peaking and Carbon Neutrality

Note: In the RHS table, highlights in orange refer to tech-related new projects in the 15th FYP compared to the 14th FYP, and highlights in blue refer to other new projects.

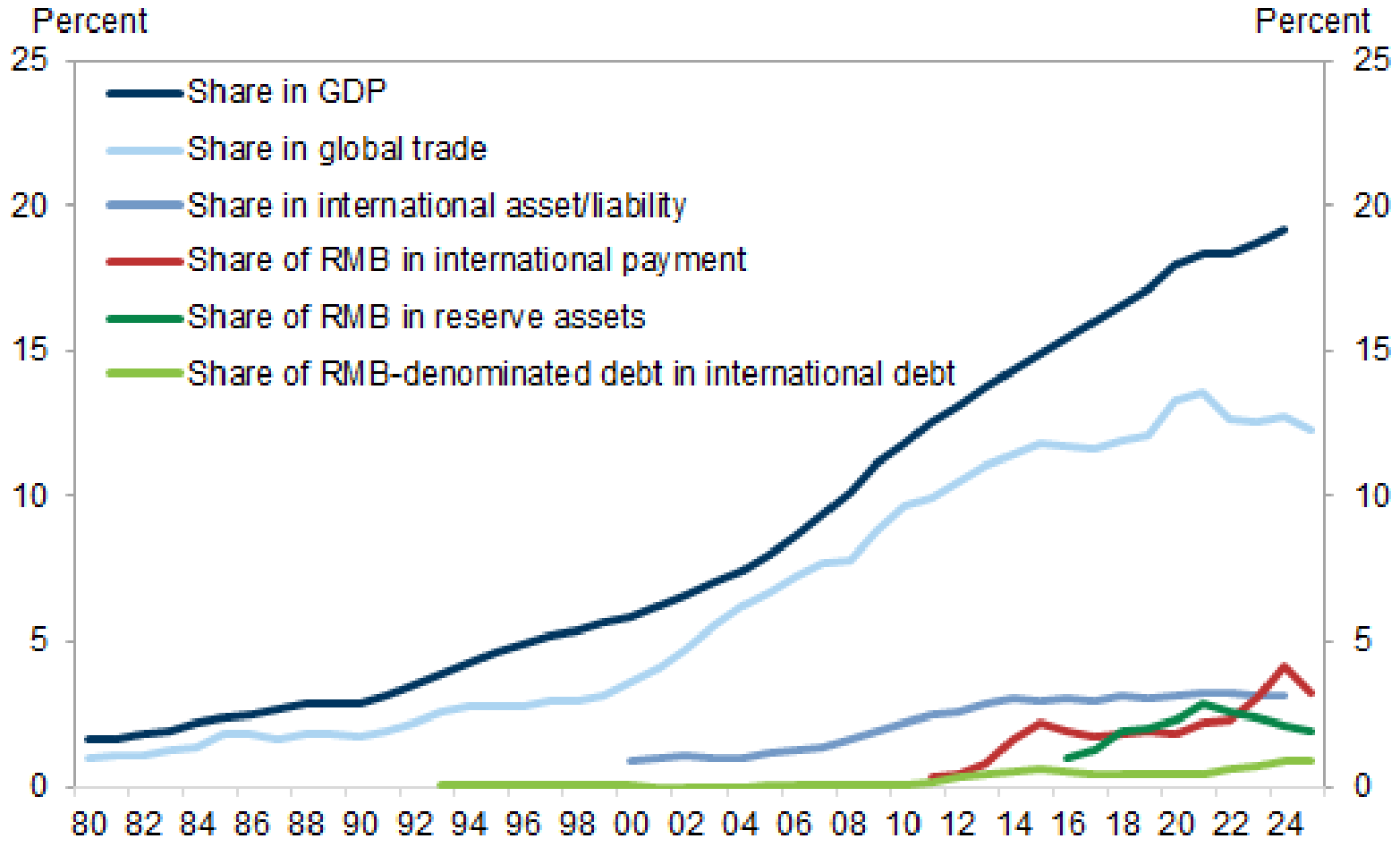
Source: Government websites, Goldman Sachs Global Investment Research

Three Stages of Labor Market Adaption to AI Adoption



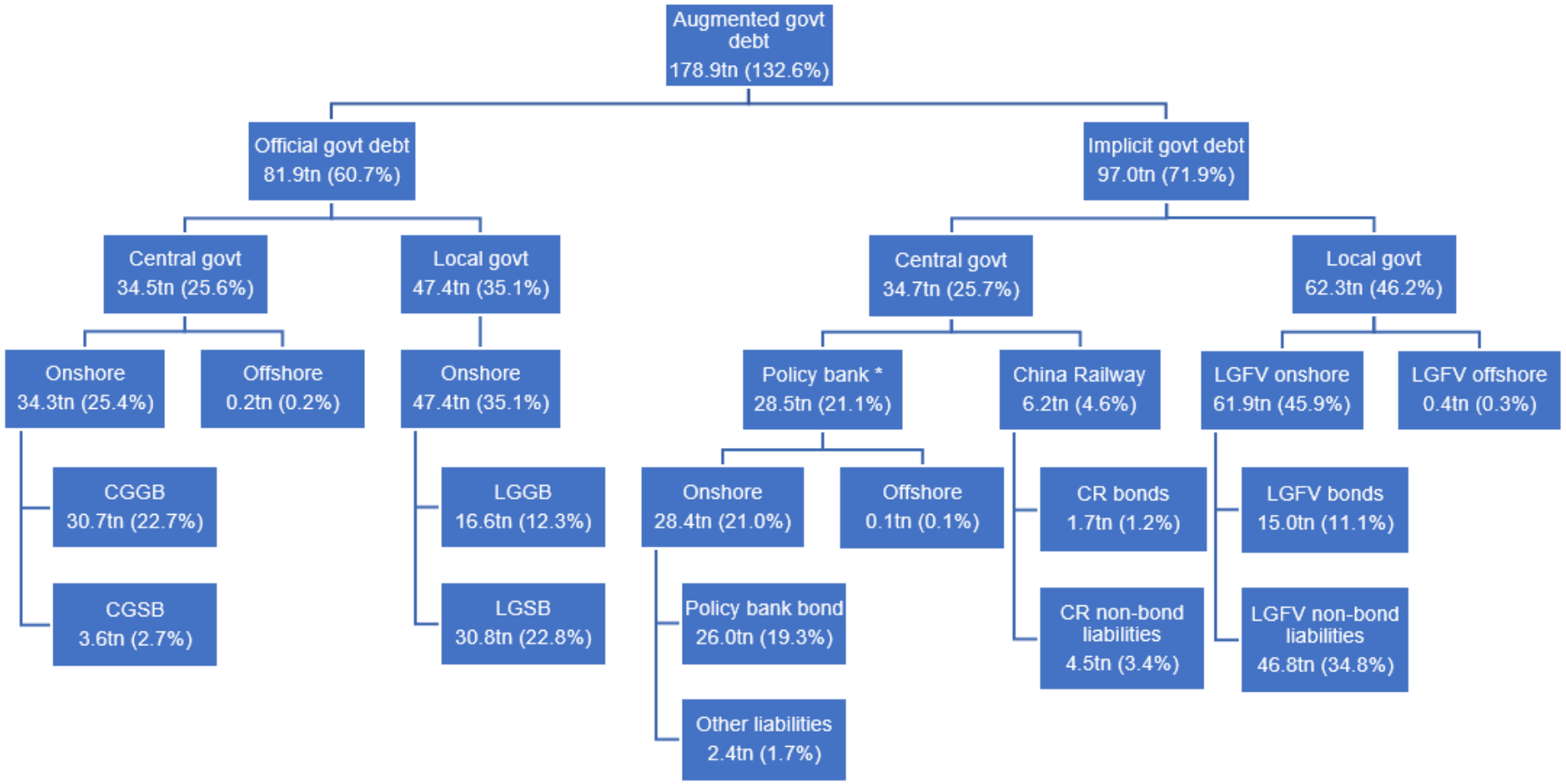
Source: Goldman Sachs Global Investment Research

RMB International Use Has Improved, But Still Trails China's Global GDP and Trade Shares



Source: BIS, Lane & Milesi-Ferretti (2018), Haver Analytics, Wind, 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

Local Officials' Incentive Also Matters for the Effectiveness of Policy Implementation



Note: The proxy represents the number of government officials announced as under investigation each quarter. National level is deputy ministerial level and above; local level is any level but in practice mostly deputy bureau level and above.

Source: China Central Commission for Discipline Inspection, Data compiled by Goldman Sachs Global Investment Research

Upcoming Key Macro Catalysts for China Markets

Date	Events
19 Oct 2026	Q3 2026 GDP release
19-22 Oct 2026	Financial Street Forum (with PBOC, NFRA, CSRC and SAFE sessions)
26-29 Oct 2026	The 5th Plenum of the 20th CCP Central Committee
3 Nov 2026	US Midterm Elections
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
10 Jan 2027	Expiration of extended tariff/rare earth control pause agreed at Trump-Xi meeting in Washington D.C.

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