China: Three things in China

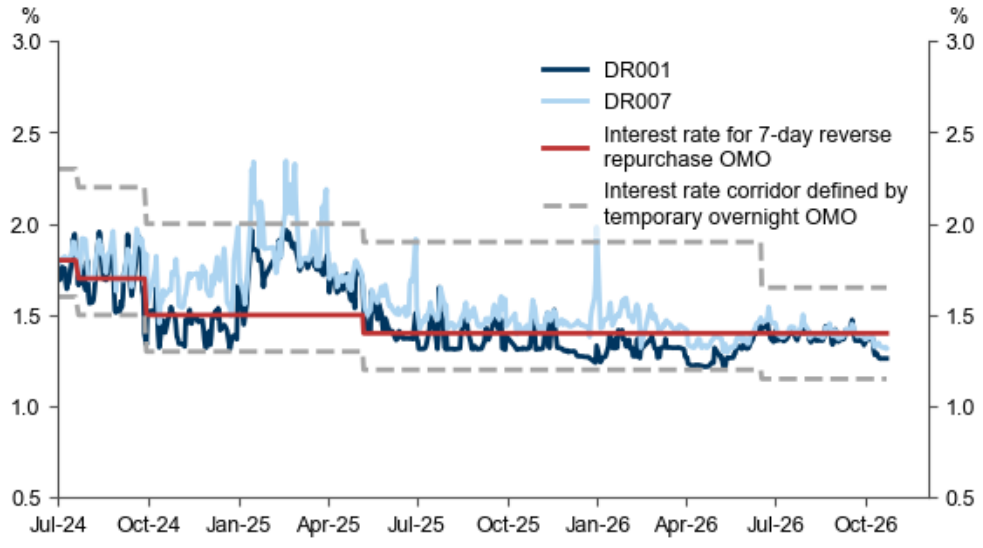
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Three quick highlights from China:

- **Q3 GDP small beat:** China's Q3 real GDP grew 4.5% yoy, slightly above the consensus expectation of 4.4%. September activity data were also firmer, with industrial production growth accelerating to 5.5% yoy, and retail sales and fixed asset investment coming in somewhat better than expected. Overall, the pattern of notably stronger activity data in quarter-end months (March, June, September and December) continues to hold, and this year's real GDP growth target of "4.5-5%" appears on track.

- **PBOC's new policy rate:** At this year's Financial Street Forum, PBOC Governor Pan Gongsheng discussed the central bank's plan to formally shift its monetary policy rate from the 7-day reverse repo rate to the overnight reverse repo rate at some point. This continues the PBOC's efforts to modernize China's monetary policy framework, following the narrowing of the interest rate corridor and the introduction of regular overnight reverse repos to better accommodate seasonal interbank liquidity demand. We expect this switch to take place next year, which could effectively reduce the policy rate by 15bp, from the current 7-day reverse repo rate of 1.4% to the reported overnight reverse repo rate of 1.25%.

China's evolving monetary policy framework



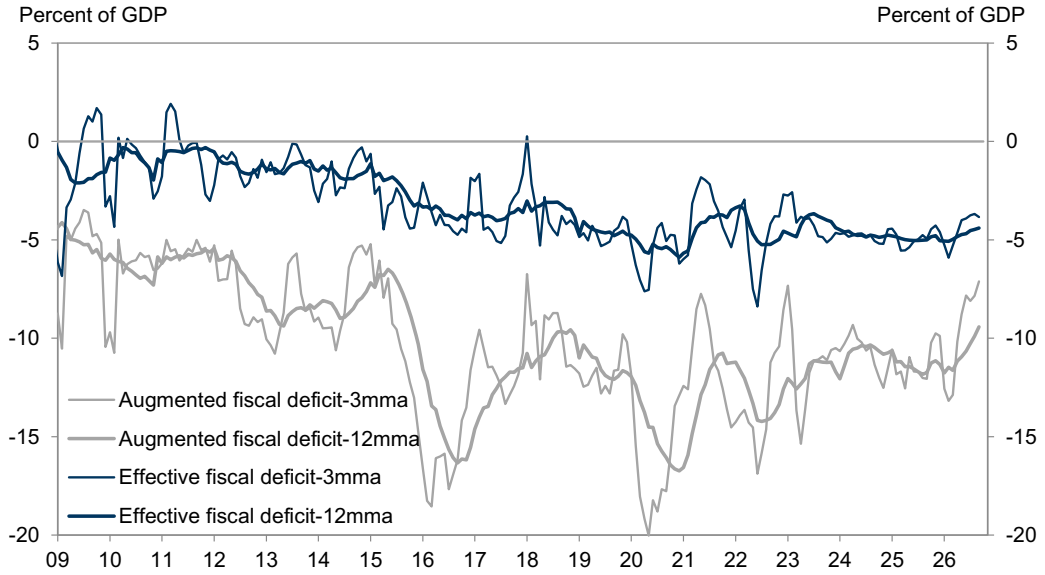
Source: CEIC, Wind, Goldman Sachs Global Investment Research

- **Fiscal tightening:** Contrary to our expectation of moderate fiscal loosening at

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the beginning of the year, fiscal data have shown effective tightening. In the first nine months of this year, combined revenues from the general public budget and government managed funds increased by 1.4% yoy, whereas expenditures fell by 3.5% yoy. Our estimated augmented fiscal deficit (AFD) narrowed from 11.0% of GDP in December 2025 to 9.4% in September 2026 on a 12-month moving average basis. Although we expect a notably looser fiscal stance in Q4 given the recent policy announcements, we have lowered our 2026 full-year AFD estimate to 10.0% of GDP (vs. 11.5% previously). Fiscal tightening is the key reason behind this year's domestic economic weakness.

China's fiscal policy has effectively tightened this year



Source: Wind, CEIC, Goldman Sachs Global Investment Research

Recent GS China macro research

Thematic research, marketing takeaways, and Trump-Xi meeting:

Asia Economics Analyst: How Much More Can China's Exports Grow?, 7 October 2026

EM Asia FX/Rates Views: UK trip notes – US rates, Energy and AI Shaping the Macro Landscape, 28 September 2026

Trump-Xi Washington Summit – Comity on the Surface, but Tensions Unresolved, 27 September 2026

China Data Insights: China GDP Tracking: A Real-Time Nowcasting Framework, 27 September 2026

Data comments and trackers:

China: Fiscal revenue growth slowed in September, while spending remained subdued; lowering our 2026 full-year AFD forecast, 23 October 2026

China Economic Activity and Policy Tracker: Oct 23, 23 October 2026

China Consumer Dashboard: 2026Q3: Consumption and income growth slowed, 21

October 2026

China: SAFE data suggest continued FX inflows in September, 20 October 2026

China: PBOC Signals Shift to Overnight Policy Rate and Broader Interest Rate Benchmark Reforms, 19 October 2026

China: Q3 GDP slightly beat expectations on broad-based improvement in September activity, 19 October 2026

China: 70-city average primary property price edged up sequentially in September, 19 October 2026

China: Stronger-than-expected credit extension in September mainly from higher government bond issuance, 14 October 2026

China: PPI inflation reached a new high in September, driven mainly by higher energy prices; raising our PPI inflation forecasts while cutting our CPI inflation forecasts, 14 October 2026

China: September trade growth accelerated significantly, lifting surplus to a record high, 14 October 2026

Team presentation materials and webinar replays:

Macro & Strategy | Global Macro, Exports Outlook, Market Views (in Mandarin), 12 October 2026

China: GS China Economic Outlook: October 2026 [Presentation], 2 October 2026

Thesis in Charts: China GDP Tracking: A Real-Time Nowcasting Framework [Video], 30 September 2026

China in the Long Run: Introducing a New Research Series [Video], 3 September 2026

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