China: Macro CIO Tour Takeaways

Hui Shan
+852-2978-6634 | hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

On November 3, we hosted our China macro CIO tour in Beijing. As 2026 draws to a close and our participating investors zero in on the 2027 outlook, the invited speakers shared their views on China's fiscal conditions, the property market and household consumption, whether export strength will continue, next year's growth target, China's AI/tech policies, and US-China relations after the US midterms and four Trump-Xi meetings in 2026. We summarize six key takeaways in this note.

Fiscal tightness to persist: The most important driver of domestic weakness this year has been fiscal tightening. According to our speakers, this is a persistent trend rather than a one-off aberration. China's tax revenue to GDP ratio declined from 18.4% in 2012 to 12.6% in 2025 following several rounds of tax cuts. Going forward, non-tax government revenues, of which land sales revenue is the most important, are unlikely to rise. Net government debt issuance has already been significant and may not rise much given the top leadership's concerns over leverage. At the same time, population aging implies rising government expenditures on pensions and healthcare. Hence, tax increases are inevitable and structural in the coming years.

Low expectations on property or consumption policies: According to our speakers, property and consumption-related policies are likely to be limited for three reasons. First, language in Politburo meetings this year continues to show that the top leadership has no desire to see the property market rebound sharply. The goal is simply to control the speed of property market declines and manage financial contagion. Second, there is no consensus on what measures would be effective and sustainable in boosting consumption. Last, reforming the fiscal system to strengthen the social safety net and improve income distribution is difficult to implement given complicated central-local government relations and diverging interest groups.

Export growth to slow somewhat: Chinese export value (in USD terms) increased by over 20% yoy in the first nine months of 2026. Our speakers think export growth will decelerate to around 10% yoy in 2027. After last year's US-China trade war and the recent EU-China trade consultations, China's trade relationships with the US and EU should be relatively stable. That said, our speakers suggested that China will need to manage its large and rising trade surplus. For example, goods that see export growth exceeding 50% yoy may be subject to reduced VAT export rebates. On the RMB, our speakers believe policymakers do not have a pre-determined plan for future levels of USDCNY and will calibrate the pace of RMB appreciation against export strength.

2027 outlook: Our speakers believe that the "doubling income between 2020 and 2035" long-term objective is still important to the top leadership, and therefore the 2027 growth target is unlikely to be notably below 4.5%. Given weak domestic

Investors should consider this report as only a single factor in making their investment decision. Fo
certification and other important disclosures, see the Disclosure Appendix, or go to
www.gs.com/research/hedge.html.



private demand, government-driven investment is likely to fill the gap to maintain steady growth from 2026 to 2027. In fact, recent fiscal easing such as the RMB800bn new policy-based financing instrument (NPBFI) disbursed in September/October and the RMB550bn additional local government bond quota announced in October will probably boost next Q1's real GDP. On monetary policy, our speakers think this year's policy framework transition may have held the PBOC back from broad-based easing. Now that the policy rate has changed from the 7-day to the overnight reverse repo rate, a conventional policy rate cut is possible next year, especially if the Fed stops hiking and/or starts cutting.

China's AI/tech policies: High-tech, including AI, accounts for around 20% of China's GDP and contributes 40% of China's GDP growth. Our speakers believe its contribution may increase to 50-60% in the coming years. While the government is determined to promote AI and high-tech as the new growth engine, policymakers' mindset has tilted somewhat toward risk management, including uncoordinated and wasteful local government investment in the same high-tech areas, the potential damage of AI to the financial system and infrastructure, and the risk of AI-induced job displacement. Our speakers referred to "*Opinions of the CPC Central Committee and the State Council on Developing New Quality Productive Forces*" as an important document on the leadership's thinking.

US-China uneasy stability: Although our speakers believe that the two Trump-Xi meetings so far this year in Beijing and Washington DC have established a floor for US-China relations and that structural forces should prevent major escalations, they also believe tensions may increase in 2027 and 2028 for the following reasons. First, anti-China measures may be introduced by the US Congress after the midterm elections. Second, the two presidents will not be able to meet as many times next year as they did this year. Third, the Taiwan presidential election in January 2028 could trigger changes in US-China dynamics. That said, our speakers also believe that Chinese policymakers have become more confident in managing US-China relations, and a more confident Beijing is likely to keep tensions under control instead of escalating.

The China Economics Team

Andrew Tilton
+852-2978-1802
andrew.tilton@gs.com
Goldman Sachs (Asia) L.L.C.

Hui Shan
+852-2978-6634
hui.shan@gs.com
Goldman Sachs (Asia) L.L.C.

Lisheng Wang
+852-3966-4004
lisheng.wang@gs.com
Goldman Sachs (Asia) L.L.C.

Yuting Yang
+852-2978-7283
yuting.y.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Chelsea Song
+852-2978-0106
chelsea.song@gs.com
Goldman Sachs (Asia) L.L.C.