China



							Forecast	
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	2.3	8.6	3.1	5.4	5.0	5.0	4.5	4.0
CPI inflation (%)	2.5	0.9	2.0	0.2	0.2	0.0	1.0	1.5
Fiscal balance (% of GDP)	-9.6	-5.9	-7.3	-6.7	-7.1	-7.9	-8.2	-8.4
Primary fiscal balance (% of GDP)	-8.7	-5.0	-6.4	-5.8	-6.3	-6.9	-6.9	-7.1
Public debt (% of GDP)	70.1	72.1	77.3	84.1	90.4	99.2	106.9	112.5
Reference rate (%)	4.7	4.7	4.3	4.2	3.6	3.5	3.4	3.4
Exchange rate (CNY/EUR)	7.9	7.6	7.1	7.7	7.8	8.1	7.8	6.8
Current balance (% of GDP)	1.6	1.9	2.4	1.4	2.2	3.7	3.5	3.3
External debt (% of GDP)	12.8	13.1	13.1	12.4	11.7	11.7	11.2	11.5

Notes: Annual averages used for all variables. CaixaBank Research forecast for GDP and CPI. Forecasts for all other variables from the IMF (WEO, October 2026).
Source: CaixaBank Research, using data from Thomson Reuters Datastream.

Outlook

The Chinese economy is expected to narrowly meet its 2026 growth target. After growing by 5.0% in 2025, year-to-date GDP growth in China stood at 4.7% in Q3, within the mid-range of this year's official target (between 4.5% and 5.0%). The figures so far this year continue to point to a two-speed economy: private consumption and investment are sluggish, whilst foreign demand continues to support strong industrial production. In light of signs of slowing growth, the Chinese authorities have reaffirmed their commitment to accelerating public expenditure in the second half of the year, although the limited fiscal space available – particularly in local government finances – will continue to constrain the scope of any fiscal policy measures. Meanwhile, whilst the trade truce with the US has averted a «hard decoupling» between the two powers and recent summits have managed to stabilise bilateral relations, the geopolitical balance remains fragile. Against this backdrop, progress in key areas, such as cooperation on AI regulation, will remain limited.

Economic policies

Deflationary pressures, a sign of an economic model that is under scrutiny. Headline inflation has stood at around 0.0% since the start of 2023 and, despite the current global energy crisis, has averaged just 0.9% in the year to Q3, with producer prices having barely recovered this year, following almost uninterrupted periods of negative inflation since October 2022. These deflationary pressures reflect a structural imbalance between consumption and investment, which has led to chronic problems of manufacturing overcapacity and a record trade surplus. Furthermore, a failure to implement more ambitious reforms to boost demand will keep deflationary pressures high in the coming years.

Fiscal policy has fairly limited room for manoeuvre. Fiscal support remains moderate and is focused on investment, particularly in sectors that are regarded as priorities. With public debt at high levels (exceeding 100% of GDP this year and potentially reaching 120% by 2030) and against the backdrop of a prolonged correction in the real estate sector, the rebalancing of public finances, particularly at the local level (which has traditionally been heavily reliant on revenue from land sales), will continue to limit the state's ability to introduce more ambitious reforms.

Closing date of this edition: 11 November 2026

Monetary policy remains constrained by structural factors. The People's Bank of China (PBoC) acknowledges that the weakness in credit is largely driven by demand-side factors, while also highlighting pressure on the banking sector's margins. Consequently, the Chinese authorities remain sceptical about the effectiveness of a more expansionary monetary policy and have stressed the importance of stabilising the yuan. The PBoC is likely to continue to exercise caution in the way it manages its monetary policy, and interest rates are expected to remain stable.

Risks

The risks to the outlook are predominantly on the downside, given the loss of momentum in the main engines of growth in the Chinese economy, limited fiscal space and an increasingly fragmented geopolitical landscape.

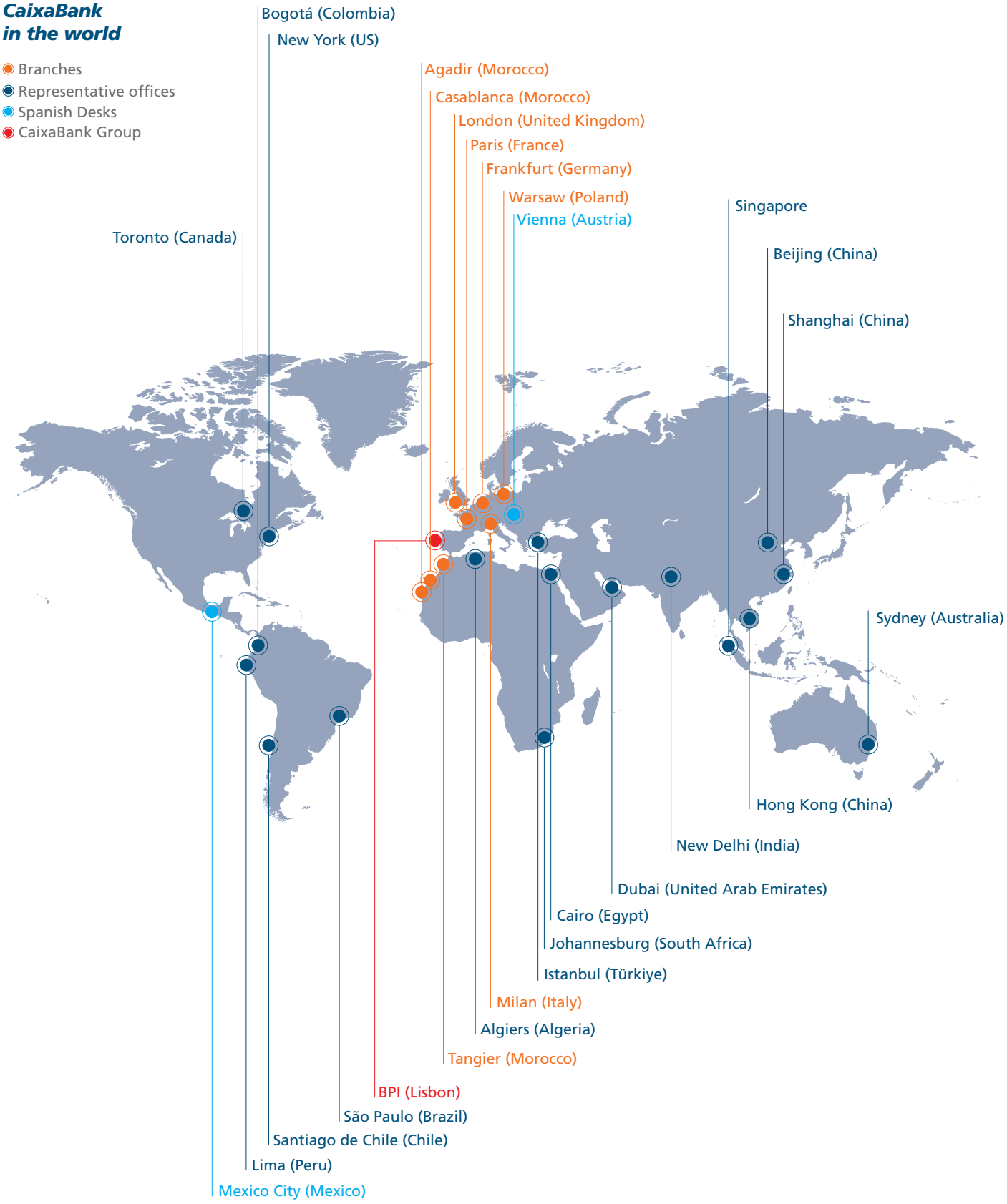
- **An economic model in need of reform**. The prolonged real estate market correction, falling investment and weak household confidence have eroded the traditional drivers of growth, exacerbating deflationary pressures and increasing dependence on foreign demand in recent years. Rebalancing requires a structural reduction in the high propensity to save, by strengthening social protection and increasing households' disposable income. At the same time, high levels of public debt limit room for manoeuvre and require more efficient resource allocation. In this context, the Chinese authorities continue to seek to combine greater domestic demand with the maintenance of a strong industrial base, whilst prioritising technological self-sufficiency. However, a rapidly ageing population and growing trade tensions are making it increasingly necessary to undertake major structural reforms that will enable a shift towards a more balanced growth model.
- **The real estate market correction enters a new phase**. Far from stabilising, the sector has continued to decline over the past year: residential investment has fallen by nearly 20% year-on-year, sales continue to contract and prices are still falling in most cities. In response, the authorities have stepped up their support for the sector and, above all, have taken steps to change the real estate model: reducing developers' reliance on pre-sales, strengthening buyer protection and encouraging the absorption of the housing surplus. These reforms are intended to correct the imbalances that built up during the *boom* in the sector, which, after five years of correction, is now facing a very gradual recovery and a structural shift that will minimise the role of the real estate sector as a driver of growth.
- **From escalating trade tensions to a fragile truce**. Following a year of strained relations, China and the US appear to have entered a phase of détente, with greater dialogue and stability on the trade front, although their strategic rivalry remains unchanged, particularly in the areas of technology and critical commodities. At the same time, China's export momentum and growing trade surplus have increased friction with other partners, most notably the EU. In this increasingly fragmented landscape, China is seeking to strengthen its strategic autonomy and expand its international influence by forging closer ties with major emerging economies and adopting a more active diplomatic role, leveraging its importance in global supply chains to strengthen its negotiating power. Furthermore, whilst the likelihood of an immediate breakdown in relations has decreased, broader geopolitical competition persists globally, with technology, international trade and Taiwan as the main areas of risk.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD &POOR'S	A+	21/09/18	Stable	21/09/18
MOODY'S	A1	24/05/17	Stable	27/04/26
FitchRatings	A	15/06/26	Stable	15/06/26

Note: *A shaded cell indicates «investment grade» and an unshaded cell indicates «speculative grade».

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