PUBLIC

Chartbook

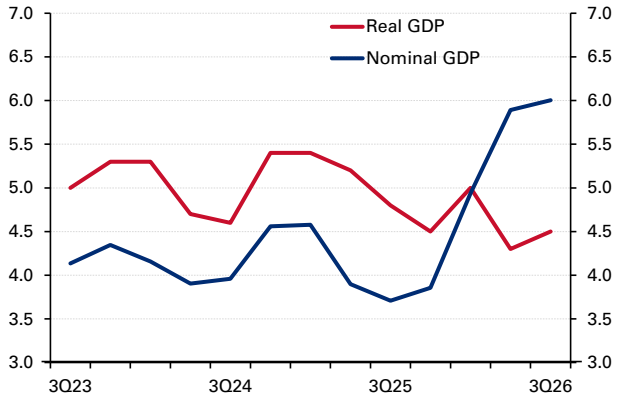
28 October 2026

China: 2026 growth target within reach; rebalancing the economy is the real challenge

China's economy (+4.6% y/y in 9M2026) remains on track to meet the government's 4.5–5.0% growth target for this year, supported by resilient exports, strength in advanced manufacturing, a modest improvement in activity following the summer slowdown, and new stimulus measures announced last month. However, the focus is increasingly shifting from whether China can achieve its growth targets to whether policymakers can engineer a more balanced growth model. While external demand continues to provide an important source of support, domestic demand remains weak, with CPI inflation at a mere 0.9% y/y, investment activity subdued (-7.2% y/y in 9M2026), and the property sector (new house prices down 2.8% y/y in September) continuing to weigh on confidence and spending decisions. However, September activity data showed some improvement, with industrial production rising 5.5% y/y and retail sales increasing 1.1% y/y, both stronger than August and above expectations. The strength of exports has been impressive, surging by 36% y/y in September and driving growth in 9M2026 to more than 20%. The trade balance swelled to $938 billion in 9M2026, and is set to hit another annual record high in 2026. The recovery in exports to the US has been particularly remarkable, hitting levels in September that are in-line with pre-2025 trade-war levels.

Looking ahead, it is key to monitor the effectiveness of the stimulus measures introduced in recent weeks, including targeted fiscal and credit support, as well as efforts to stabilize the housing market. These policies should support growth in the remainder of 2026 and in 2027, reducing near-term downside risks. However, a sustained improvement in household consumption, private-sector confidence, and investment is needed for a more durable growth model. Without a stronger domestic growth engine, China's economy is bound to remain heavily reliant on exports, leaving it overly exposed to changes in global demand.

Chart 1: GDP growth

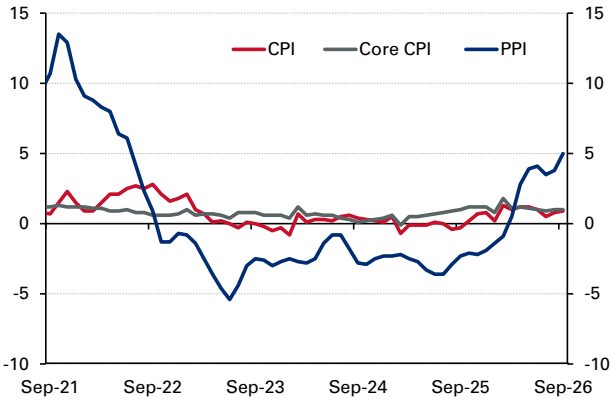


Third quarter GDP growth accelerated to 4.5% y/y, supported by exports and manufacturing, while domestic demand and the property sector remained weak.

Source: Haver Analytics

Chart 2: CPI and PPI inflation

(% y/y)



Consumer price inflation remains subdued standing at 0.9% y/y in September while PPI inflation accelerated to 5.0%, driven largely by rising energy and raw material costs.

Source: Haver Analytics.

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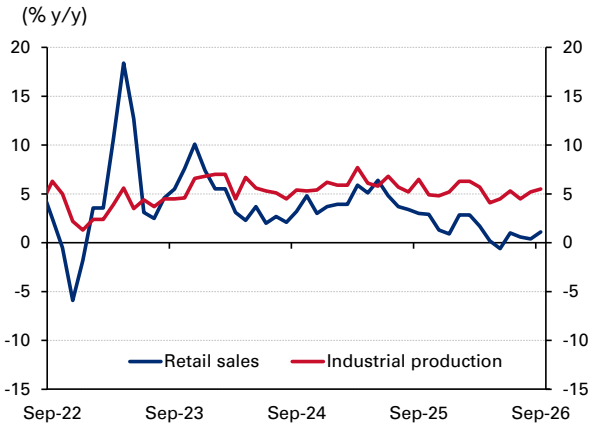
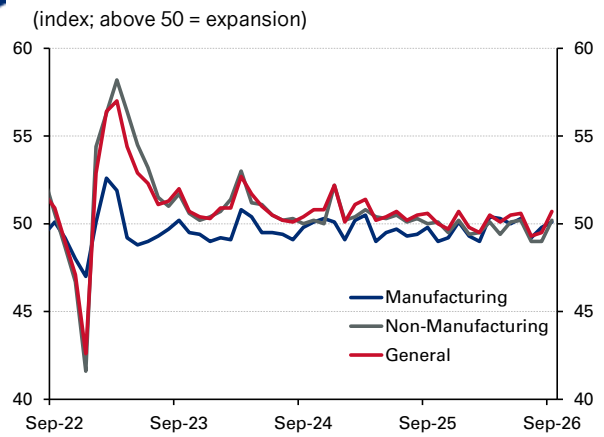
Chart 3: Industrial production and retail sales



September industrial production grew 5.5% y/y, while retail sales increased 1.1%, highlighting the uneven demand conditions.

Source: Haver Analytics

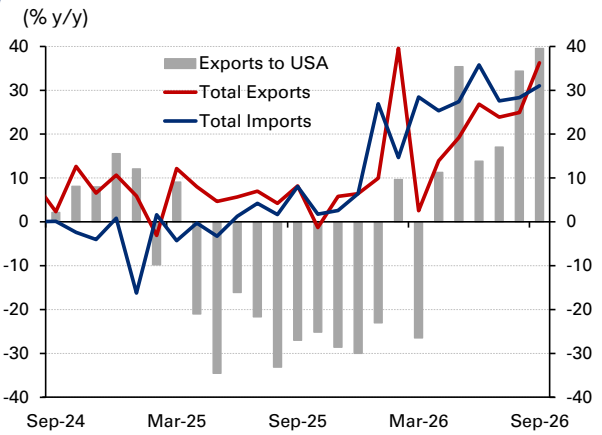
Chart 4: Purchasing Managers' Index surveys



PMIs signaled an improvement in economic conditions in September, with both manufacturing and non-manufacturing returning to expansionary territory.

Source: Haver Analytics

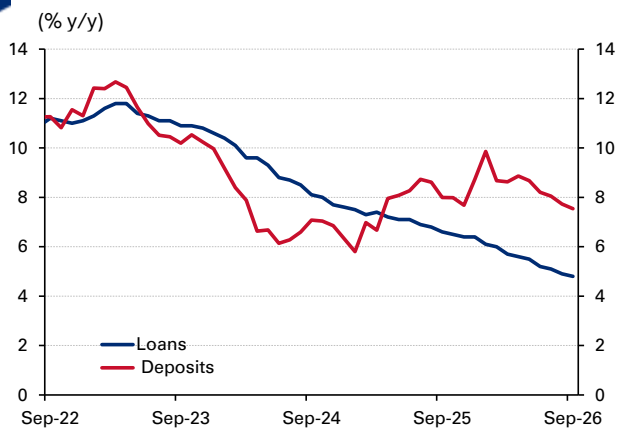
Chart 5: International trade



Exports and imports rose 28% and 29% y/y, respectively, in Q3, underscoring the continued importance of external demand for growth.

Source: Haver Analytics

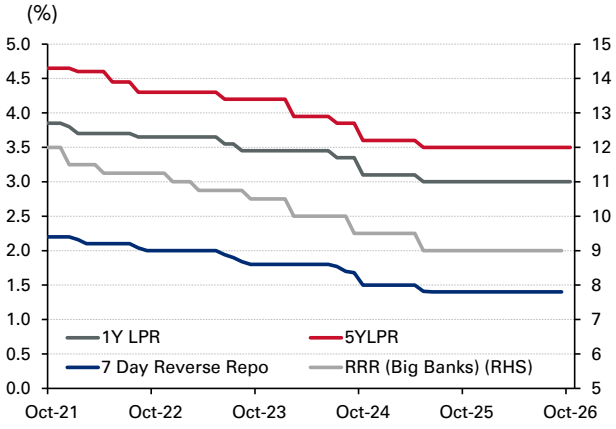
Chart 6: Growth in loans and deposits



Deposits increased by 7.5% y/y in September, while loan growth slowed to a multi-year low of 4.8% y/y highlighting subdued credit demand and weak confidence.

Source: Haver Analytics

Chart 7: Policy rates



The PBoC maintained its current policy stance during Q3, prioritizing liquidity support and targeted measures as domestic demand remained soft.

Source: Haver Analytics.

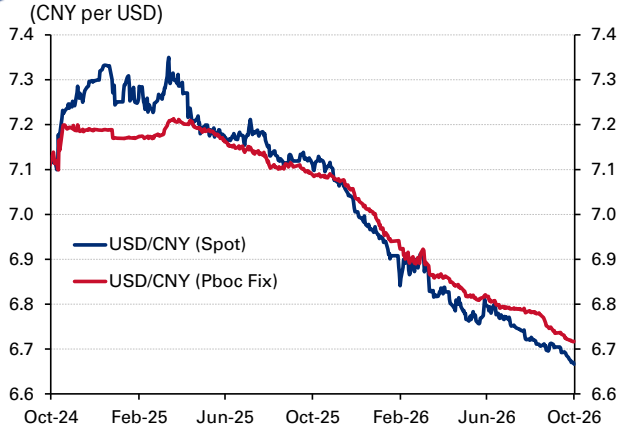
Chart 8: China and US government bond yields

Chinese 10-year government bond yields remain subdued even though yields in US/Europe/Japan are touching multi-year highs.

Source: Haver Analytics. Data as of Oct 27.

Chart 9: Dollar-yuan exchange rate

(CNY per USD)

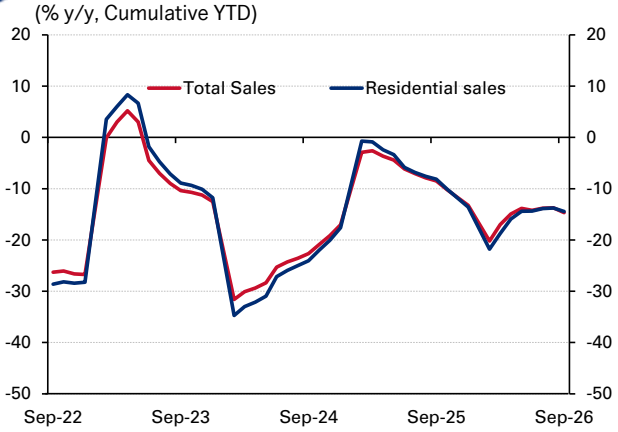


The yuan continued to gradually appreciate against the USD, gaining around 4.7% YTD despite a wide differential in US-China government bond yields.

Source: Haver Analytics. Data as of Oct 27.

Chart 10: Real estate sales

(% y/y, Cumulative YTD)

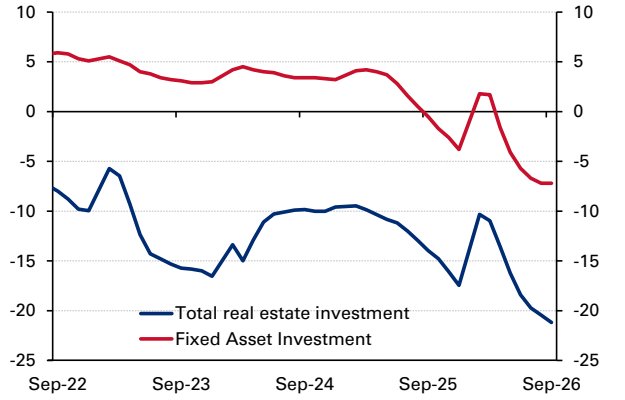


Property sales remain weak (down by 14.7% y/y in 9M2026) as household confidence stayed fragile despite ongoing policy efforts to support the housing sector.

Source: Haver Analytics

Chart 11: Total and real estate investment

(% y/y, Cumulative YTD)

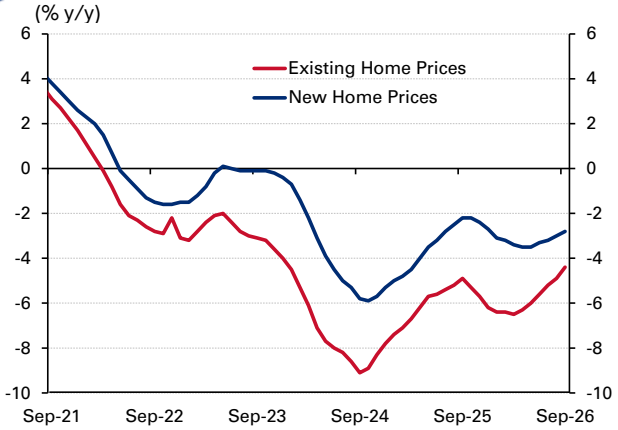


The contraction in real estate investment deepened, falling 21.2% y/y in 9M2026 and continued to weigh on fixed asset investment, which declined 7.2% y/y in 9M2026.

Source: Haver Analytics

Chart 12: House price indices

(% y/y)



New home prices continued to decline, down 2.8% y/y in September, with the slower pace of contraction suggesting only tentative signs of stabilization.

Source: LSEG

Chart 13: Stock markets

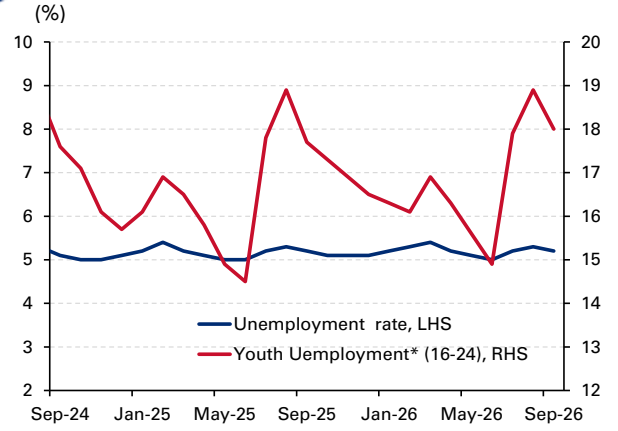
(Rebased; 30 December 2022 = 100)

The CSI 300 index has come under significant pressure, tumbling by 20% since a recent high in June, taking its YTD decrease to around 13%.

Source: Haver Analytics. Data as of Oct 27.

Chart 14: Unemployment and youth unemployment

(%)



Unemployment remained in a tight range, latest at 5.2% in September, while youth unemployment is much higher, averaging nearly 17% YTD.

Source: Haver Analytics. *Youth unemployment: as of latest data available.

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