

China: Brief Profile

2025

Domestic Economy

- ❖ China's real GDP growth was estimated at 5% in 2024, moderating from 5.4% in 2023 driven by public investment, which is funded increasingly by central government borrowing.
- ❖ In absolute terms, GDP of China is estimated at US\$ 18.7 trillion in 2024, with a per capita GDP of US\$ 13,312.7(est).
- ❖ The average consumer price inflation stood at an estimated 0.2% in 2024, as in 2023.
- ❖ Services sector dominated the economy, accounting for 54% of China's GDP in 2023, followed by industry (38.5% of GDP) and agriculture sector (7.5%).

BASIC FACTS

Land area: 9,326,410 sq km

Population: 1.4 bn (2024; est)

Language: Chinese

Currency: Renminbi

GDP: US\$ 18.7 trn (2024, est.)

Exports: US\$ 3.6 trn (2024, est.)

Imports: US\$ 2.6 trn (2024, est.)

Sovereign Rating: A+ (S&P's)

Trade and External Sector

- ❖ China's exports increased to an estimated US\$ 3.6 trillion in 2024 from US\$ 3.4 trillion in 2023.
- ❖ China's imports marginally increased to an estimated US\$ 2.59 trillion in 2024, from US\$ 2.55 trillion in 2023.
- ❖ Accordingly, China's trade surplus increased to an estimated US\$ 991.7 billion in 2024, as compared to US\$ 822.1 billion recorded a year ago.
- ❖ Electrical machinery and electronic equipment accounted for 26% of China's total exports in 2024. Other principal exports in the same year were machinery and mechanical appliances (15.9% of total exports), vehicles other than railway or tramway (6%), plastics and its articles (4%), furniture, bedding and stuffed furnishing (3.5%), and article of iron and steel (2.8%).
- ❖ Major imports of China in 2024 included components of electrical and electronic equipment, accounting for 22.6% of China's total imports in the year. Other principal

imports in the same year were mineral fuels, oils and products of their distillation (19.7% of total imports), ores, slag and ash (9.7%), machinery and mechanical appliances (8.9%), and pearls, precious stones and metals (4.6%).

- ❖ In 2024, USA accounted for 14.7% of China's exports followed by Hong Kong (8.1%), Vietnam (4.5%), Japan (4.3%), South Korea (4.1%), and India (3.4%).
- ❖ Taiwan is the leading source of China's imports, accounting for 8.4% of total imports in 2024. Other main sources of imports are South Korea (7%), USA (6.4%), Japan (6%), and Australia (5.5%).
- ❖ China's current account surplus widened to an estimated US\$ 423.9 billion (2.3% of GDP) in 2024, from US\$ 263.4 billion (1.4% of GDP) in 2023.

Foreign Direct Investment, Exchange rate and Reserves

- ❖ According to UNCTAD's *World Investment Report 2024*, foreign direct investment (FDI) inflows to China decreased to US\$ 163.3 billion in 2023 from US\$ 189.1 billion in 2022.
- ❖ As regards FDI outflows from China, it also witnessed a moderation from US\$ 163.1 billion in 2022 to US\$ 147.9 billion in 2023.
- ❖ The currency of China is Renminbi (Rmb). The renminbi depreciated to Rmb 7.19: US\$ 1 in 2024 from Rmb 7.08: US\$ 1 in 2023.
- ❖ China's foreign exchange reserves increased to an estimated US\$ 3.5 trillion in 2024 from US\$ 3.4 trillion in 2023. Reserves reflected an import cover of over 12.7 months.

Country Risk Rating

- ❖ *Standard & Poor's Sovereign Ratings* rated China as A+ (the obligor's capacity to meet its financial commitment on the obligation is strong, however, the obligations are susceptible to the adverse effects of changes in circumstances and economic conditions) with a 'stable' outlook.

- ❖ *Moody's Investor services*¹ rated China as **A1** (obligations are judged to be upper-medium grade and are subject to low credit risk.) with negative outlook.
- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator*², April 2025 rated China as DB4a (slight risk, which implies – significant uncertainty associated with expected returns, risk-averse customers are advised to protect against potential losses) with a 'deteriorating' outlook.
- ❖ According to *Organization for Economic Co-operation and Development (OECD)*³ country risk classifications of January 2025, China was placed at category '2'.

Macroeconomic Outlook

- ❖ China's economic prospects are likely to face headwinds in 2025, although the government's stimulus measures are expected to offset some of the pressure. US tariffs on imports from China and other trade-related punitive measures are likely to rise gradually over the next few years. The government's policies to stimulate demand among households and businesses is expected to keep private consumption growth broadly stable. Growth in public investment and government consumption, such as public-sector wages and social services provision, is expected to also accelerate in 2025. Technology and software services are likely to be prioritised as part of the policy drive for digitisation, which spurs research and development.
- ❖ Consumer price inflation is likely to remain very weak. Aware of the deflationary pressures gripping the country, China is expected to attempt to reflate the economy via public spending and monetary easing; however, the impact is likely to be limited. Housing costs, an important component of the inflation basket, could continue to act as a drag (albeit diminishing). Overcapacity and higher trade barriers for exports

¹ Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

² The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

³ The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

could weigh on producer prices, while weak household and business confidence are likely to encourage value-for-money purchases, putting further pressure on core inflation.

- ❖ The renminbi is likely to be under considerable pressure over 2025-26, reflecting a stronger dollar as well as persistent tariff (and other) threats from the US. The government is likely to prioritise currency stability over offsetting the impact of trade tariffs and other punitive trade measures with currency depreciation. The renminbi is projected to trade at Rmb7.26:US\$1 in 2026. The renminbi is projected to appreciate mildly in 2027-29 amid improved trade performance and investment inflows. Its valuation against a basket of non-dollar currencies is likely to be solid, reflecting the general weakness of non-dollar currencies but also the government's intention to preserve the renminbi's broad stability—as a currency widely accepted in global payment and central banks' reserves.
- ❖ Exports growth is expected to slow over 2025-26—following strong growth in 2024—owing to the US's tariffs and non-tariff measures on China, as well as by their second-order impact on global growth. Growth of exports to emerging economies, facilitated by closer diplomatic and economic ties is likely to soften such an impact. Incremental exports could consist of demand from these markets, especially in tandem with Chinese direct investment, as well as rerouting via these third markets aimed at circumventing US measures that target China. Meanwhile, domestic substitution efforts could reduce China's reliance on imported capital goods, including machinery, semiconductors and cars. China might instead import more low-value-added goods, given the decline in related domestic production in areas such as textiles.

China: Economic Structure

Economic Indicators	2020	2021 ^e	2022	2023	2024 ^e	2025 ^f	2026 ^f
Nominal GDP (US\$ bn)	15103.4	18190.8	18307.8	18270.4	18748.0	19231.7	20375.9
Real GDP growth (%)	2.3	8.6	3.1	5.4	5.0	4.0	4.0
Consumer price inflation (av., %)	2.5	0.9	2.0	0.2	0.2	0.0	0.6
Population (bn)	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Merchandise exports fob (US\$ bn)*	2,590.0	3,357.1	3,544.4	3,379.0	3,576.9	3,549.5	3,549.9
Merchandise imports fob (US\$ bn)*	2,056.7	2,686.7	2,706.5	2,556.9	2,585.2	2,627.4	2,656.4
Current account balance (US\$ bn)	248.8	352.9	443.4	263.4	423.9	362.6	343.2
Total international reserves (US\$ bn)*	3,356.5	3,426.9 ^a	3,306.5	3,449.7	3,455.6	3,214.8	3,002.0
Average exchange rate (Rmb: US\$)* Local currency is Renminbi	6.90	6.44	6.73	7.08	7.19	7.37	7.26

Note: * Sourced from EIU, ^a- Actual ^e- Estimate; ^f- Forecast

Source: WEO, IMF (April 2025) & EIU Country Report.