

China Navigator

China's Economy in Transition

www.andamanpartners.com

Q4 2026

About ANDAMAN PARTNERS

ANDAMAN PARTNERS supports international business ventures and growth. We help launch global initiatives and accelerate successful expansion across borders. We work across selected industries in our chosen markets – and we get involved in three ways:

We Invest



ANDAMAN Investment

Providing seed and growth capital
to early-stage companies

We Advise



ANDAMAN Advisory

Transaction origination & execution support.
Strategy formulation & implementation support

We Trade



ANDAMAN Trade

We make complex international
value chains work

Agenda

1. Prelude

2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. China in the World
6. Conclusions, Implications and Recommendations



China Navigator is a knowledge tool by ANDAMAN PARTNERS for triangulating China's position and trajectory in the global economic landscape. It includes a brief introduction, followed by a deeper examination of key issues and trends and finally an overview of China's role in an international context.

China's economy grew by 5.2% in 2023, 5.0% in 2024 and 5.0% again in 2025, below the 6-10% rates recorded through much of the 2010s but broadly in line with government targets. Growth is gradually moderating but remains above the global average of 3.5% in 2025. China's economy is forecast to expand by 4.5% in 2026 and 4.0% in 2027. As growth slows to more manageable levels, the focus is shifting to higher-quality growth rather than rapid expansion. The economy is in a transitional phase, during which domestic consumption and services will increasingly drive growth rather than capital formation, heavy industry and exports. This transition, however, is ongoing and far from complete. Household consumption still accounts for only 40% of GDP, partly because of a legacy of export- and investment-led growth policy and significant government spending in key sectors, and partly because of structural issues and weak consumer confidence.

Consumer confidence remains fragile, with China experiencing deflationary episodes in 2023-2025. Nevertheless, China remains a massive and rapidly growing retail and industrial market, with the world's largest e-commerce market and the second-largest total retail market after the U.S. Trade has remained resilient, with exports reaching a new record of USD 3.8 trillion in 2025, while imports stood at USD 2.6 trillion. Amid ongoing structural adjustments, the economy faces risks of a prolonged real estate slowdown, high debt levels (especially among SOEs and local governments), weak domestic demand, overcapacity in many industries, elevated youth unemployment and far-reaching demographic shifts. Successfully managing these risks over the next two to three years will be key to China's long-term outlook.

The global geopolitical environment remains highly volatile, ranging from trade disputes and technological rivalry to military conflicts. China faces an increasingly adversarial landscape amid the geopolitical competition over trade, critical resources and political influence. But China's role and importance in the unfolding world remains undisputed.

This edition of *China Navigator* features a special section on Digital China and AI, examining China's rapid emergence as a major force in artificial intelligence (AI). China's enormous digital population, expanding AI adoption, vast electricity infrastructure and industrial capabilities provide a distinctive foundation for AI development. At the same time, advances like DeepSeek have challenged assumptions about the costs and resources required to build competitive AI models. The feature examines China's AI landscape from multiple perspectives, including digital connectivity, talent resources, infrastructure, semiconductors, investment, research and industrial deployment. It also compares China's capabilities with those of the U.S., revealing substantial differences in their respective strengths. While China leads on several measures of scale and industrial capacity, the U.S. still has a commanding advantage in investment capital and corporate valuations. These developments create important opportunities and challenges as China emerges not only as an AI competitor, but also as a technology supplier, market and benchmark for cost and efficiency.

Getting China right matters more than ever for businesses worldwide and across industries. Businesses must understand China and be clear-eyed and strategic about how to integrate it into inbound or outbound supply chains, sell to Chinese consumers, draw on its technology, raise capital and attract investment. In *China Navigator*, ANDAMAN PARTNERS outlines and unpacks broad shifts and finer intricacies in China's economic development and transition, as well as the challenges its economy faces in 2026 and beyond. We hope this overview provides navigation support and insights into the most consequential economy for global business in the 21st century.

Kobus van der Wath & Rachel Wu
Co-Founders, ANDAMAN PARTNERS
connect@andamanpartners.com

Agenda

1. Prelude

2. Feature: Digital China and AI

3. China in Brief

4. China in Depth

5. China in the World

6. Conclusions, Implications and Recommendations



Executive Summary: Digital China and AI

China has emerged as one of the world's leading AI markets, supported by a large digital population, extensive infrastructure and a rapidly expanding technology ecosystem. With 1.3 billion internet users and 602 million generative AI users by the end of 2025, China has established the world's largest digital population and generative AI user base. Government policy, domestic technology companies and growing commercial applications are together shaping an increasingly sophisticated AI landscape.

China's AI development rests on substantial structural advantages. The country produces approximately one-third of the world's electricity, with generation reaching 10,575 TWh in 2025, more than twice that of the U.S. China produces millions of science, technology, engineering and mathematics (STEM) graduates annually and has established a vast industrial automation ecosystem. In 2024, it accounted for 54% of global industrial robot installations, while domestic manufacturers captured 57% of its own industrial robot market. These capabilities provide a strong foundation for developing and eventually deploying AI across manufacturing, logistics and other industries.

China's technological progress has attracted international attention. The emergence of DeepSeek in late 2024 and early 2025 demonstrated the potential to develop competitive AI models with substantially lower reported training costs, challenging assumptions about the financial and computing resources required for advanced AI. Chinese developers, including Alibaba, ByteDance, Moonshot AI and MiniMax, are expanding the country's AI model and application ecosystem. China's AI research base has grown considerably: it produced approximately 645,000 AI publications and filed nearly 867,000 AI patent applications during 2016-2026 YTD, exceeding U.S. volumes on both measures. Nevertheless, U.S. AI publications continue to receive substantially more citations per article on average, highlighting the distinction between research volume and research impact.

Despite these strengths, China faces a significant financial and corporate-scale gap with the U.S. Chinese AI companies attracted USD 118.6 billion in disclosed investment during 2016-2026 YTD, compared with USD 1.26 trillion in the U.S. Similarly, Alibaba, Tencent and Baidu recorded combined capital expenditure of approximately USD 31 billion in 2025, against USD 410 billion for four leading U.S. technology companies. Chinese semiconductor companies also account for a relatively small share of global listed-industry market value, although this should not be confused with China's share of global chip production. At the same time, China's AI investment ecosystem remains predominantly domestically financed, with private investment recovering strongly in 2025 and Chinese AI companies increasingly accessing public capital markets.

Taken together, these developments reveal two different patterns of AI development. The U.S. retains a commanding advantage in investment capital, corporate valuations and average research citation impact, while China demonstrates considerable strengths in market scale, electricity infrastructure, research output and industrial automation. These advantages are not interchangeable, nor do they establish a single overall leader across every dimension of AI. Instead, they suggest that China is developing a distinctive position within the global AI ecosystem, combining mass adoption and industrial capabilities with an increasing emphasis on efficient, commercially accessible AI technologies.

For international businesses, China is becoming an increasingly important market for AI applications, a potential source of technology and solutions and a benchmark for cost and efficiency. Its manufacturing ecosystem offers considerable scope for applying AI in production and supply chains. Businesses should assess China not only as an emerging AI competitor, but also as a potential technology partner, supplier and market, while remaining attentive to technological dependencies, regulatory requirements and geopolitical risks.

China is building a different kind of AI advantage through scale, infrastructure and industrial deployment

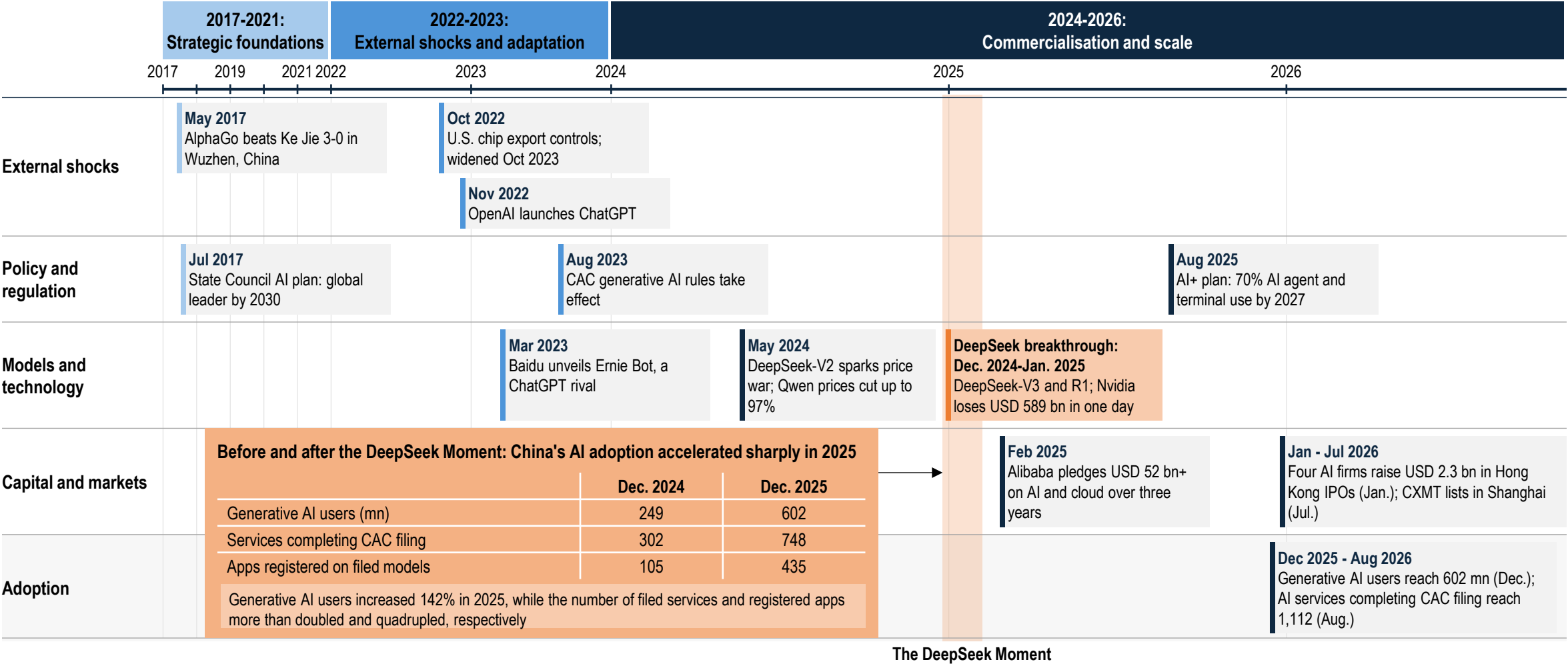
China's AI ecosystem combines mass adoption, extensive infrastructure, and industrial capabilities, even as the U.S. maintains a commanding lead in AI investment

- **Adoption at unprecedented scale:** China had 602 million generative AI users by December 2025, while the number of generative AI services completing regulatory filings more than tripled between March 2025 and August 2026
- **Infrastructure and industrial capacity:** China generates one-third of the world's electricity and accounts for 54% of global industrial robot installations, providing an extensive foundation for AI deployment
- **Research scale and technological progress:** China leads the U.S. in AI publication and patent application volumes, while DeepSeek demonstrated the potential of more compute-efficient AI development
- **A substantial capital gap remains:** China's disclosed AI investment reached USD 119 billion over 2016-2026 YTD, compared with USD 1.26 trillion in the U.S., while its major cloud providers invest far less in infrastructure than their U.S. counterparts

Dimension	Indicator	China	Comparison / Context
Scale and talent: Internet users, generative AI users, STEM graduates	Internet users (2025)	1,300 mn	4.0x the U.S. (324 mn)
	Generative AI users (Dec. 2025)	602 mn	42.8% of the population; 230 mn in Jun. 2024
	STEM graduates (2020)	3.57 mn	4.4x the U.S. (0.82 mn)
Infrastructure: Electricity generation, hyperscaler capex	Electricity generation (2025)	10,575 TWh	33% of the world; 2.3x the U.S.
	Hyperscaler capex (2025)	USD 31 bn	0.08x the four U.S. peers (USD 410 bn)
Capital and markets: Disclosed AI investment, listed tech market value	Disclosed AI investment (2016-2026 YTD)	USD 119 bn	2nd globally; 0.09x the U.S. (USD 1,264 bn)
	Share of listed tech market value (Oct. 2026)	4.5%	Against 10.8% of revenue; U.S.: 75.4%
R&D: AI publications, AI patent applications	AI publications (2016-2026 YTD)	644,908	1.7× U.S.
	AI patent applications (2016-2026 YTD)	866,702	8.1× U.S.
Industrial deployment: Industrial robot installations	Industrial robot installations (2024)	295,000	54% of the world; 8.6x the U.S.

China's AI rise reflects a decade of state strategy, external shocks and accelerating adoption

From the 2017 national AI strategy to DeepSeek's breakthrough and the 2026 wave of public listings, China's AI ecosystem has evolved through three distinct phases



Note: Time axis not to scale (2017-2021 compressed); Dec. 2024 filing and registration counts are Dec. 2025 totals less 2025 additions.
Source: State Council, CAC, CNNIC, U.S. Department of Commerce, DeepMind, OpenAI, Baidu, DeepSeek, Alibaba Group, HKEX, Reuters, ANDAMAN PARTNERS Analysis

DeepSeek changed global perceptions of China's AI capabilities overnight

The release of DeepSeek-V3 and R1 demonstrated competitive AI performance at reportedly much lower training costs, triggering a sharp market reaction and accelerating open-weight competition

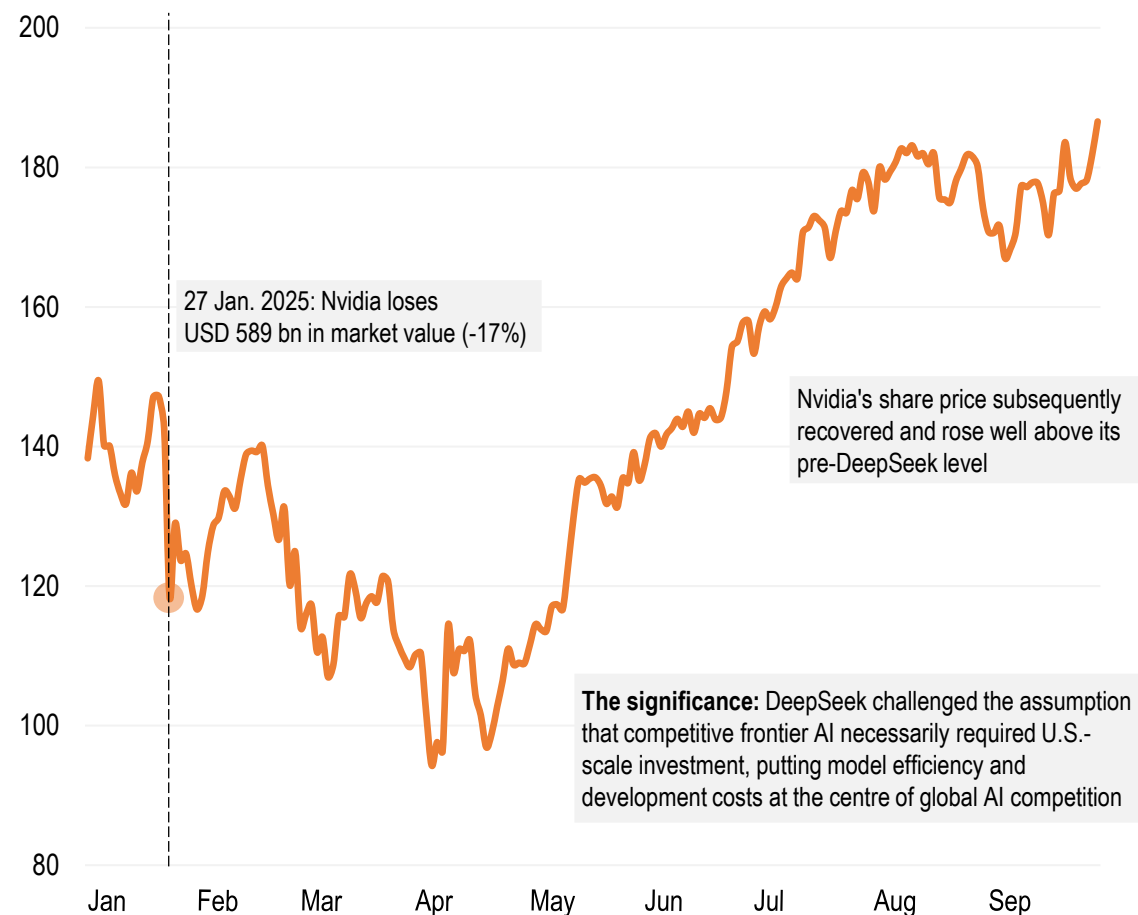
What DeepSeek Is and Why It Mattered

- **Origins:** Founded in 2023 in Hangzhou by Liang Wenfeng, DeepSeek emerged from the quantitative hedge fund High-Flyer
- **DeepSeek-V3 (Dec. 2024):** A 671-billion-parameter mixture-of-experts model, activating 37 billion parameters per token, trained on 14.8 trillion tokens
- **DeepSeek-R1 (Jan. 2025):** An open-weight reasoning model that reported performance comparable to OpenAI's o1 on key benchmarks, challenging assumptions about the resources needed for frontier AI
- **Training efficiency:** DeepSeek reported approximately USD 5.6 million for V3's final training run, excluding earlier research, personnel, hardware acquisition and other development costs

What It Set in Motion

- **Open-weight competition intensified:** Alibaba's Qwen, Moonshot AI's Kimi, MiniMax and other Chinese developers accelerated model releases, challenging established international competitors
- **A new focus on efficiency:** DeepSeek demonstrated that model architecture and training optimisation could partly compensate for constraints on access to advanced computing hardware
- **Commercial implications:** Lower-cost and increasingly capable models expanded the options available to companies seeking to develop and deploy AI applications

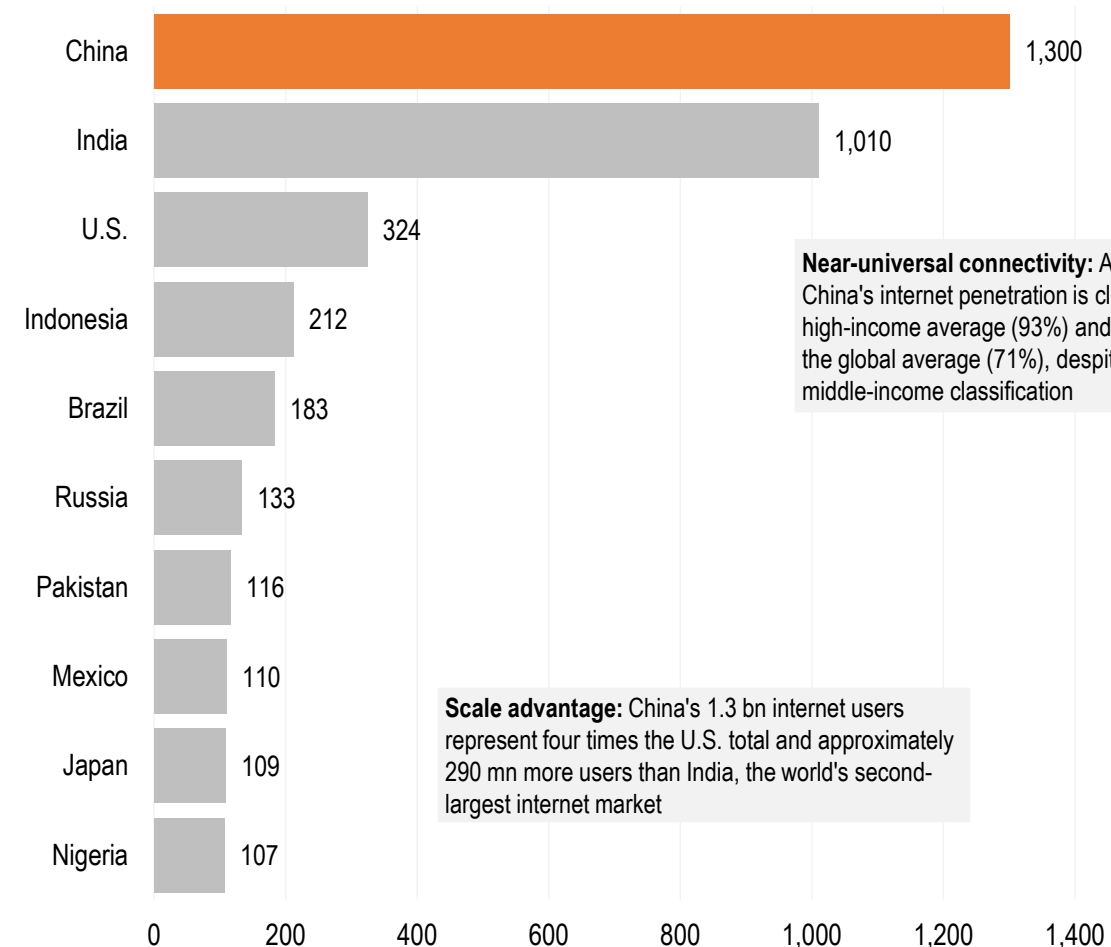
Nvidia Daily Stock Closing Price, USD (Jan.-Oct. 2025)



1.3 billion internet users provide an enormous foundation for AI adoption

China has four times as many internet users as the U.S., while internet penetration has reached 92%, putting its digital reach close to that of high-income economies

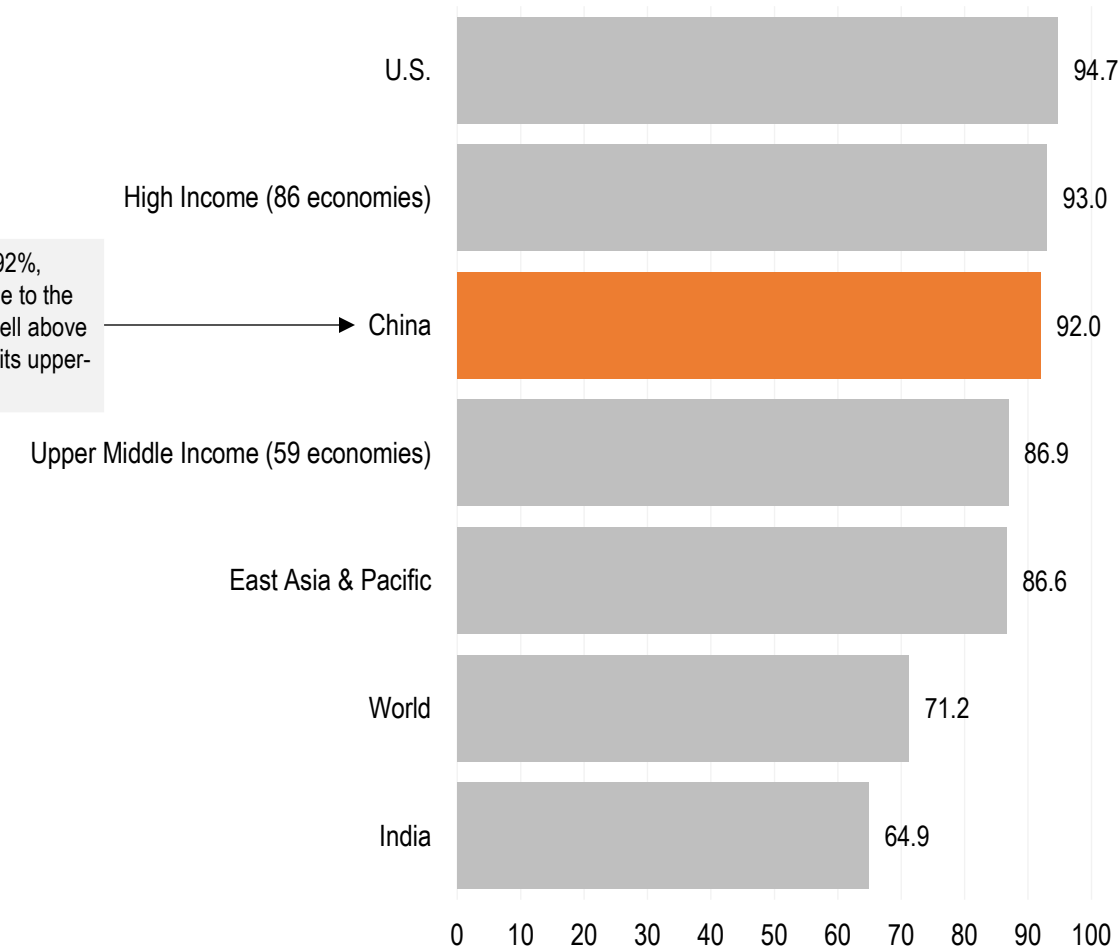
Top 10 Largest Internet Populations, Users mn (2025)



Near-universal connectivity: At 92%, China's internet penetration is close to the high-income average (93%) and well above the global average (71%), despite its upper-middle-income classification

Scale advantage: China's 1.3 bn internet users represent four times the U.S. total and approximately 290 mn more users than India, the world's second-largest internet market

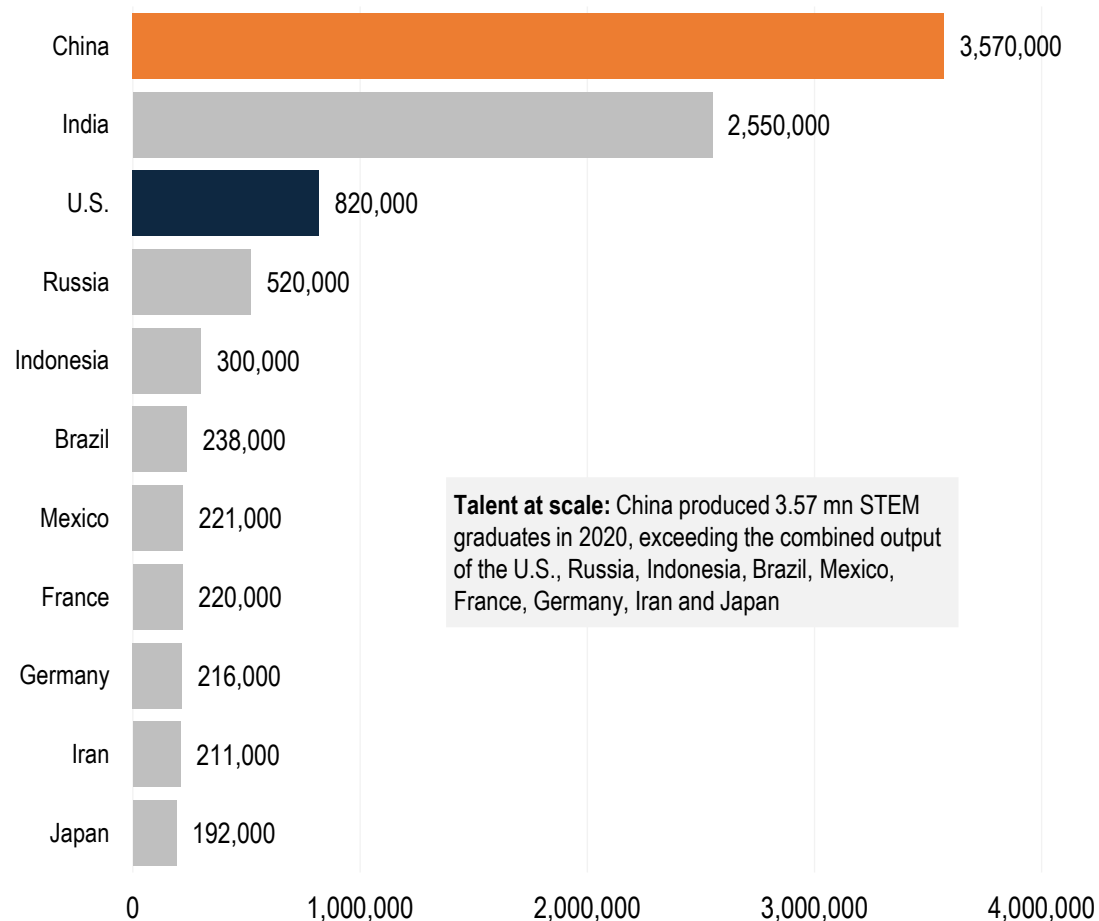
China vs World: Internet Use, % of Population (2024)



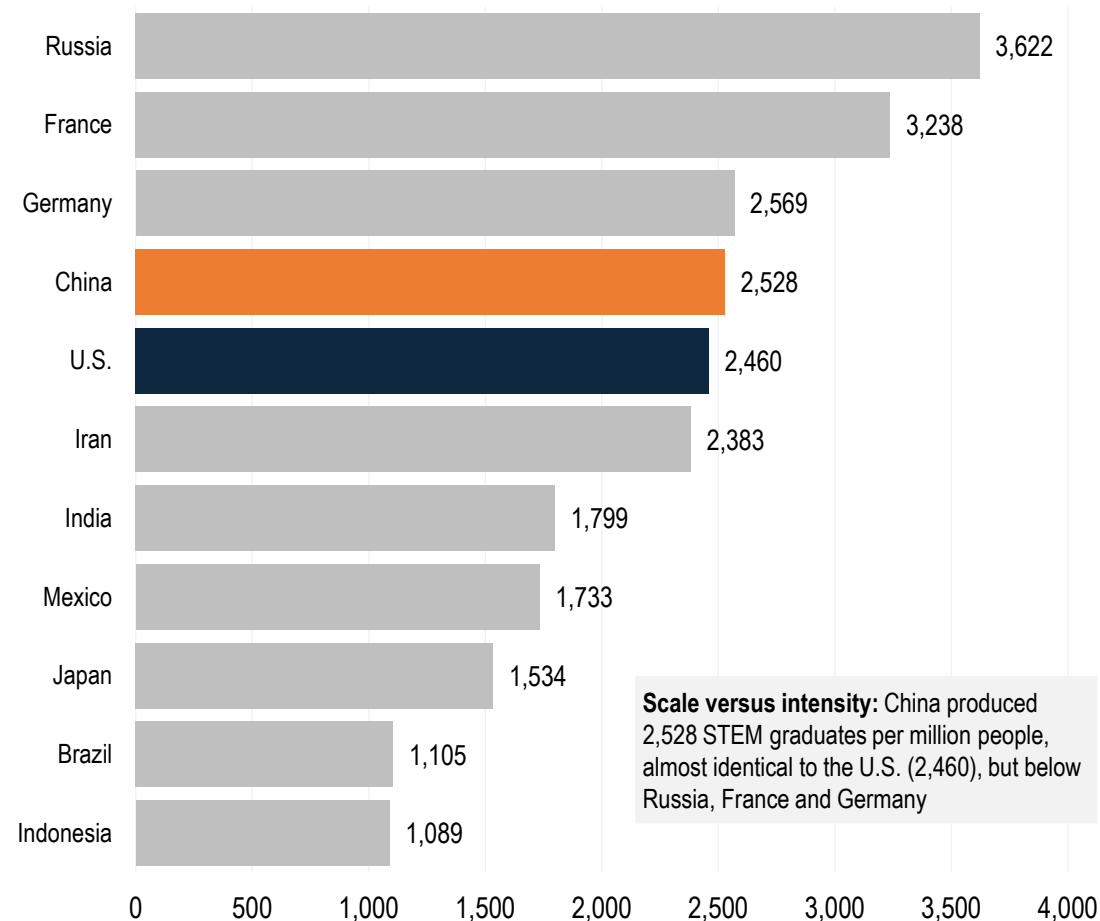
China's STEM talent advantage lies in its enormous scale, not its per-capita output

China produced 3.57 million STEM graduates in 2020, more than four times the U.S. total, but its graduate output per capita was broadly comparable to that of the U.S. and below several European economies

STEM Graduates by Country (2020)



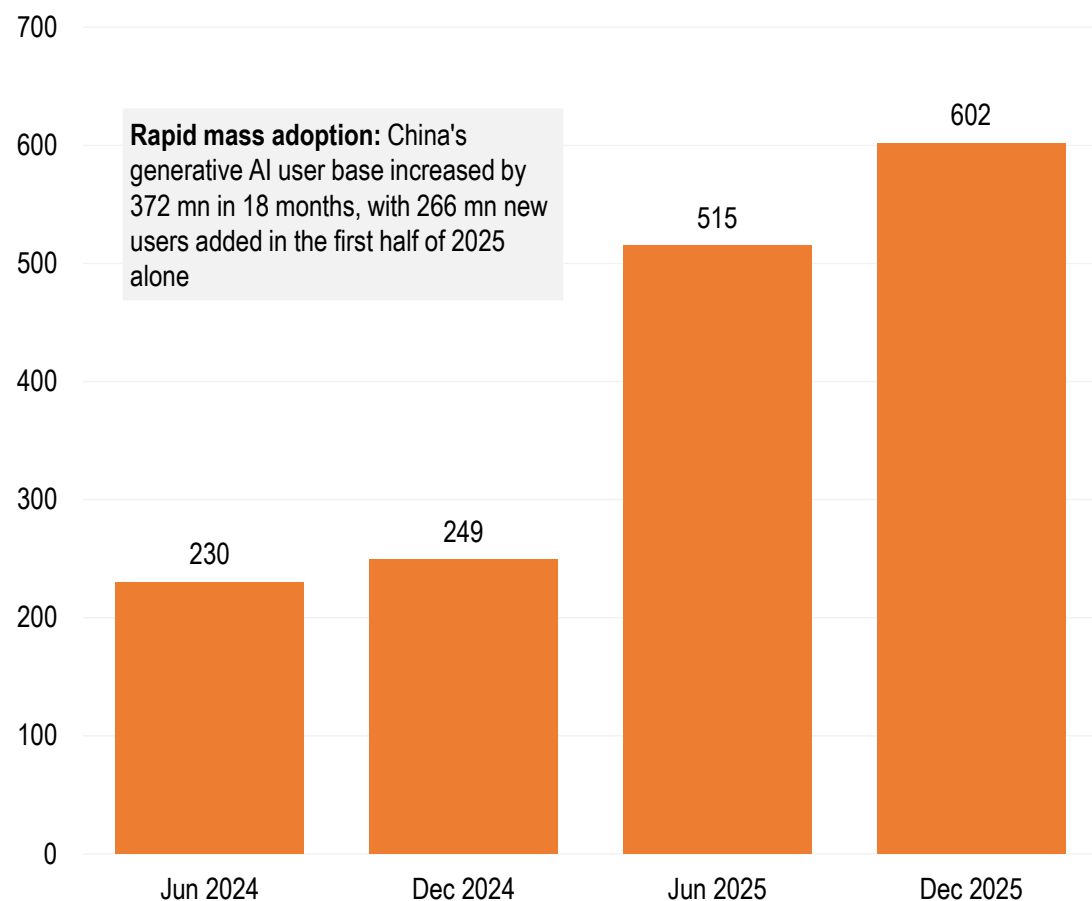
STEM Graduates per Million People (based on 2022 population data)



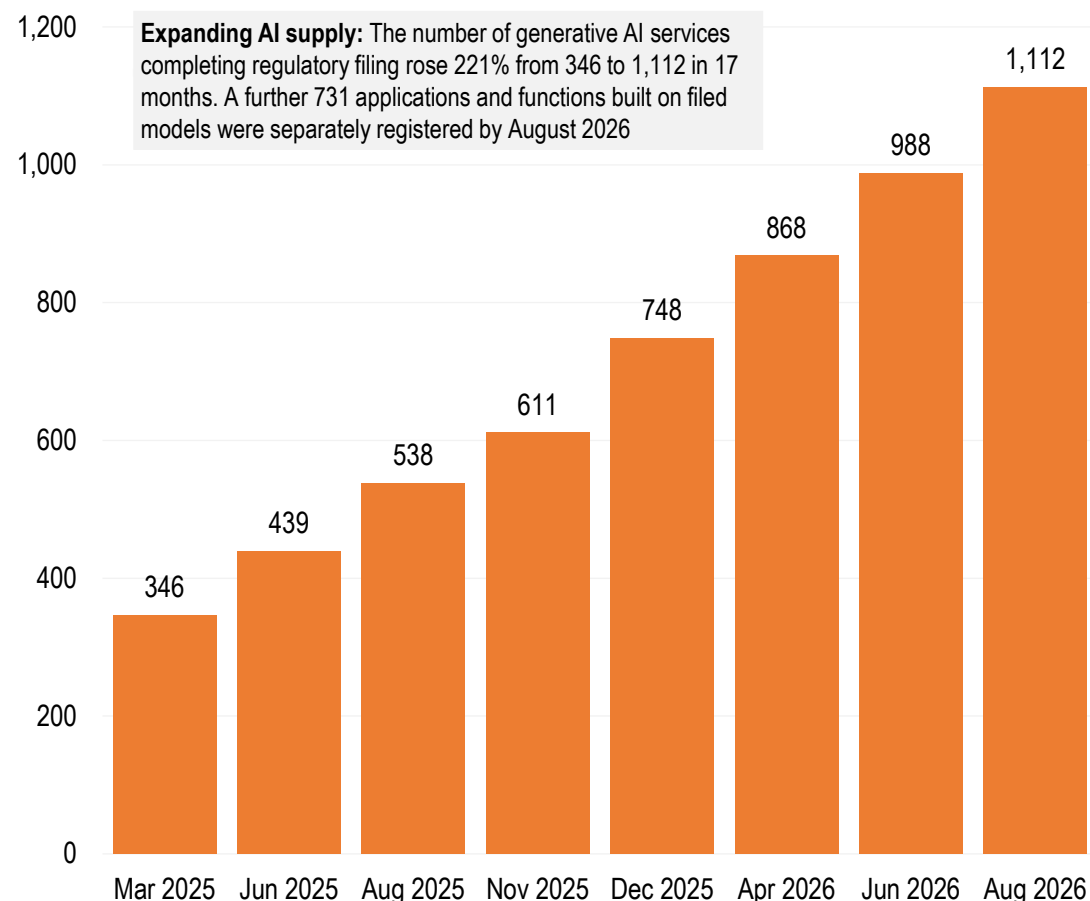
Generative AI adoption is accelerating, with more than 600 million users

China's generative AI users increased from 230 million to 602 million in just 18 months, while the number of AI services completing regulatory filings more than tripled between March 2025 and August 2026

China Generative AI Users, mn (Jun. 2024-Dec. 2025)



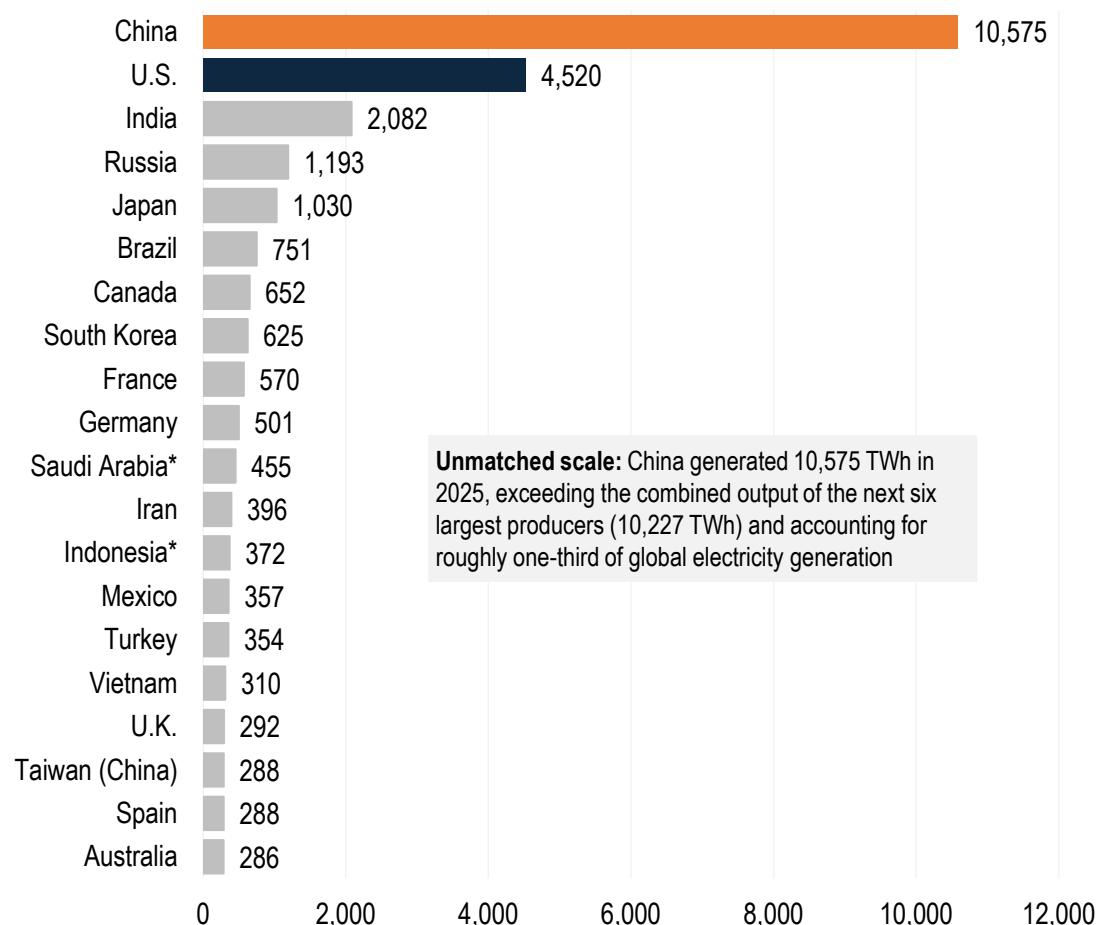
China Generative AI Services Completing CAC Filings (Mar. 2025-Aug. 2026)



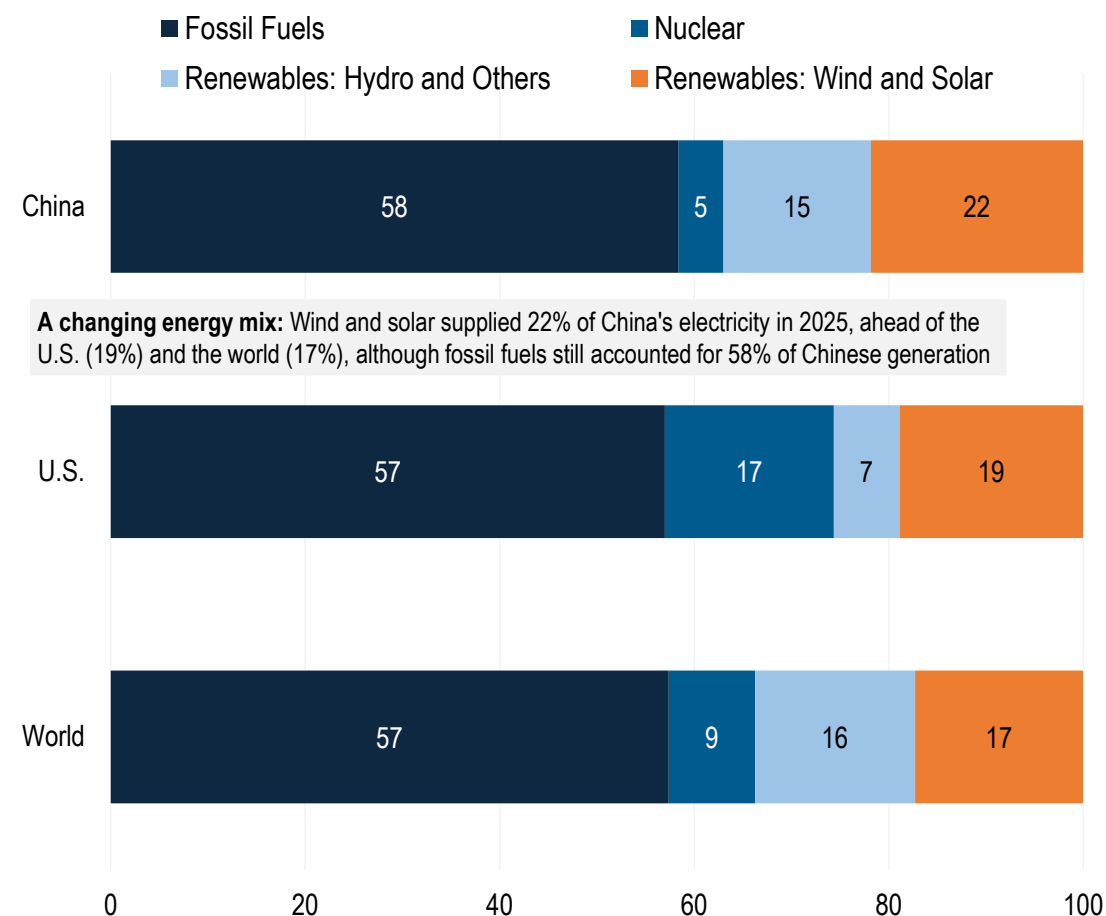
Enormous electricity supply provides a structural advantage for AI expansion

China generated 10,575 TWh of electricity in 2025, more than the next six countries combined, while wind and solar supplied 22% of output, slightly ahead of the U.S.

Top 20 Electricity Producers, TWh (2025)*



Electricity Generation Mix: China, U.S. and World, % (2025)



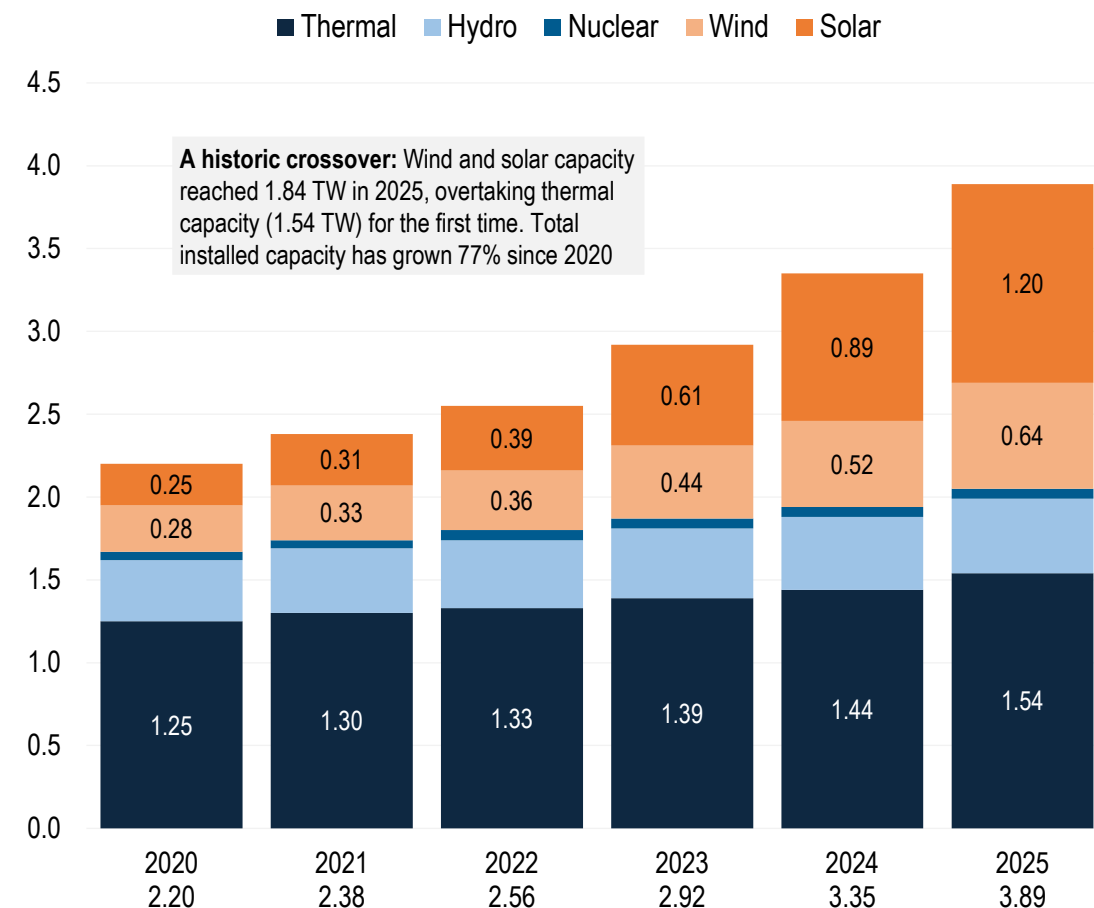
Note: *Latest available year per country (Saudi Arabia and Indonesia: 2024); fossil includes coal, gas and other fossil; renewables include hydro, wind, solar, bioenergy and other renewables.

Source: China Customs via Ember, ANDAMAN PARTNERS Analysis

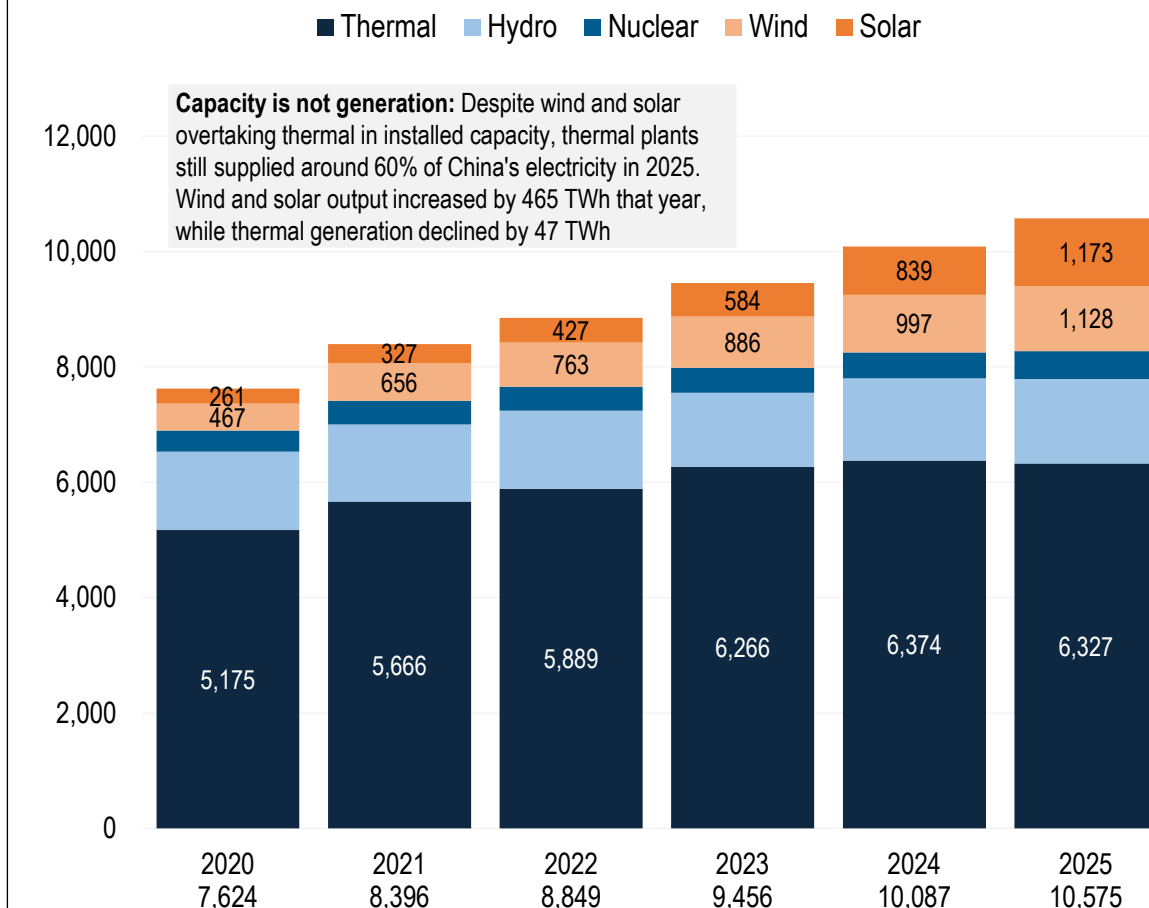
Power capacity is expanding rapidly, with wind and solar overtaking thermal

China's installed electricity capacity reached 3.89 TW in 2025, up 77% since 2020, with wind and solar now exceeding thermal capacity, although thermal generation still supplies most electricity

China Installed Power Capacity by Source, TW (2020-2025)



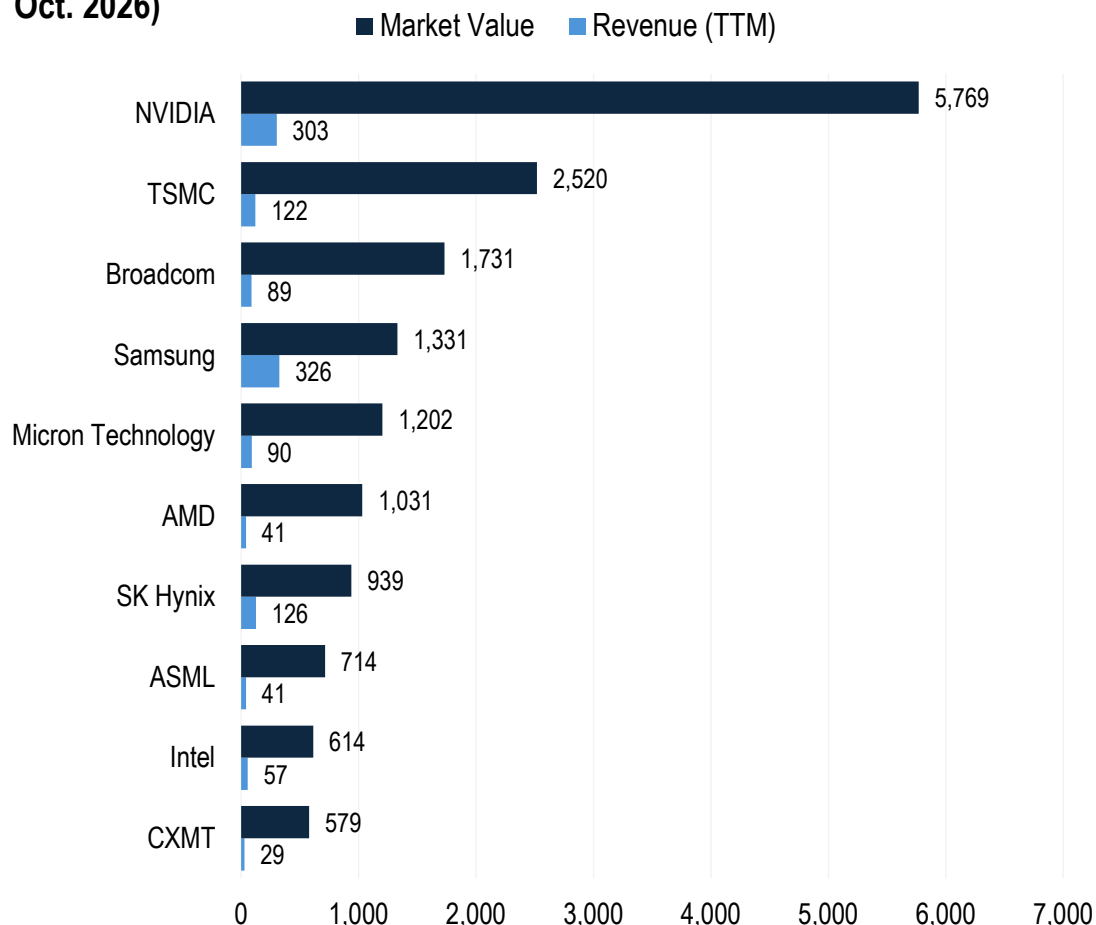
China Electricity Generation by Source, TWh (2020-2025)



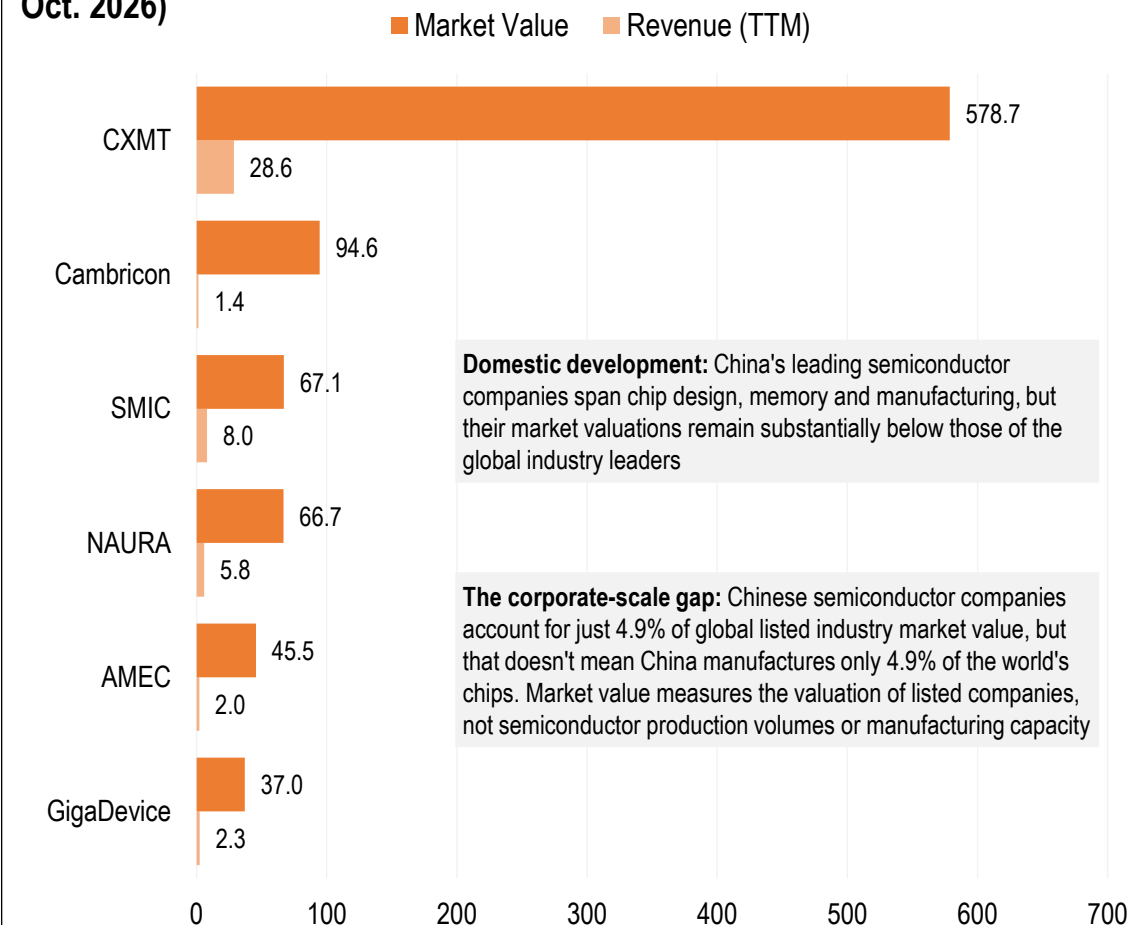
China's semiconductor companies remain small compared with the world's industry leaders

Chinese companies account for just 4.9% of global listed industry market value and 4.0% of revenue, despite China's considerable ambitions to develop its domestic chip industry

Top 10 Largest Semiconductor Companies by Market Value, USD bn (as of Oct. 2026)



Leading Chinese Semiconductor Companies by Market Value, USD bn (as of Oct. 2026)



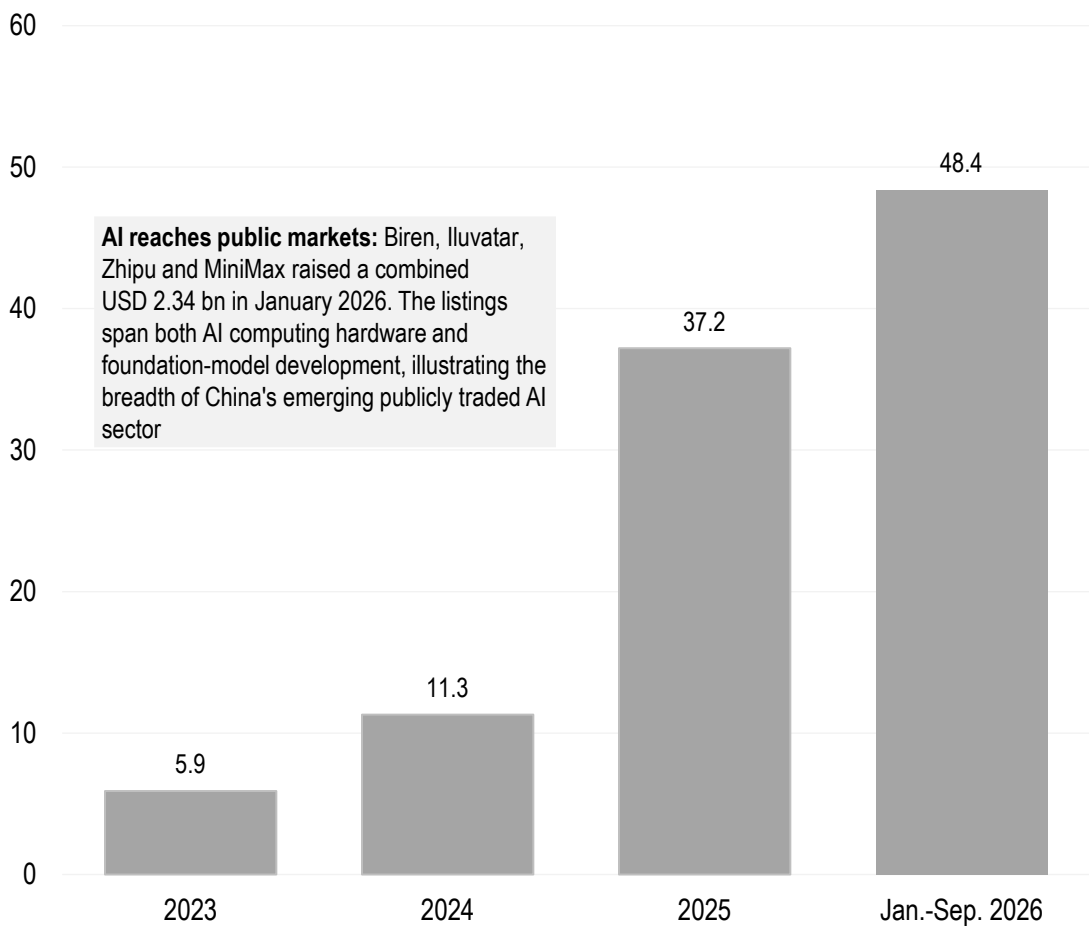
Domestic development: China's leading semiconductor companies span chip design, memory and manufacturing, but their market valuations remain substantially below those of the global industry leaders

The corporate-scale gap: Chinese semiconductor companies account for just 4.9% of global listed industry market value, but that doesn't mean China manufactures only 4.9% of the world's chips. Market value measures the valuation of listed companies, not semiconductor production volumes or manufacturing capacity

Chinese AI companies are entering public markets, raising USD 2.3 billion in January 2026

Four Chinese AI companies listed in Hong Kong in January 2026, spanning AI models and computing hardware, as the city continues to attract substantial IPO activity

Hong Kong IPO Fundraising, USD bn (2023-Sep. 2026)



Chinese AI IPOs in Hong Kong, USD mn (Jan. 2026)

Company	Listed	Business Focus	Proceeds, USD mn
Biren Technology	2 Jan. 2026	AI computing chips	715
Iluvatar CoreX	8 Jan. 2026	AI computing chips	474
Zhipu AI*	8 Jan. 2026	Large language models (GLM)	535
MiniMax*	9 Jan. 2026	Generative AI models and apps	618
Total			2,342

*Zhipu AI and MiniMax became the first listed foundation-model companies in the world, on consecutive days

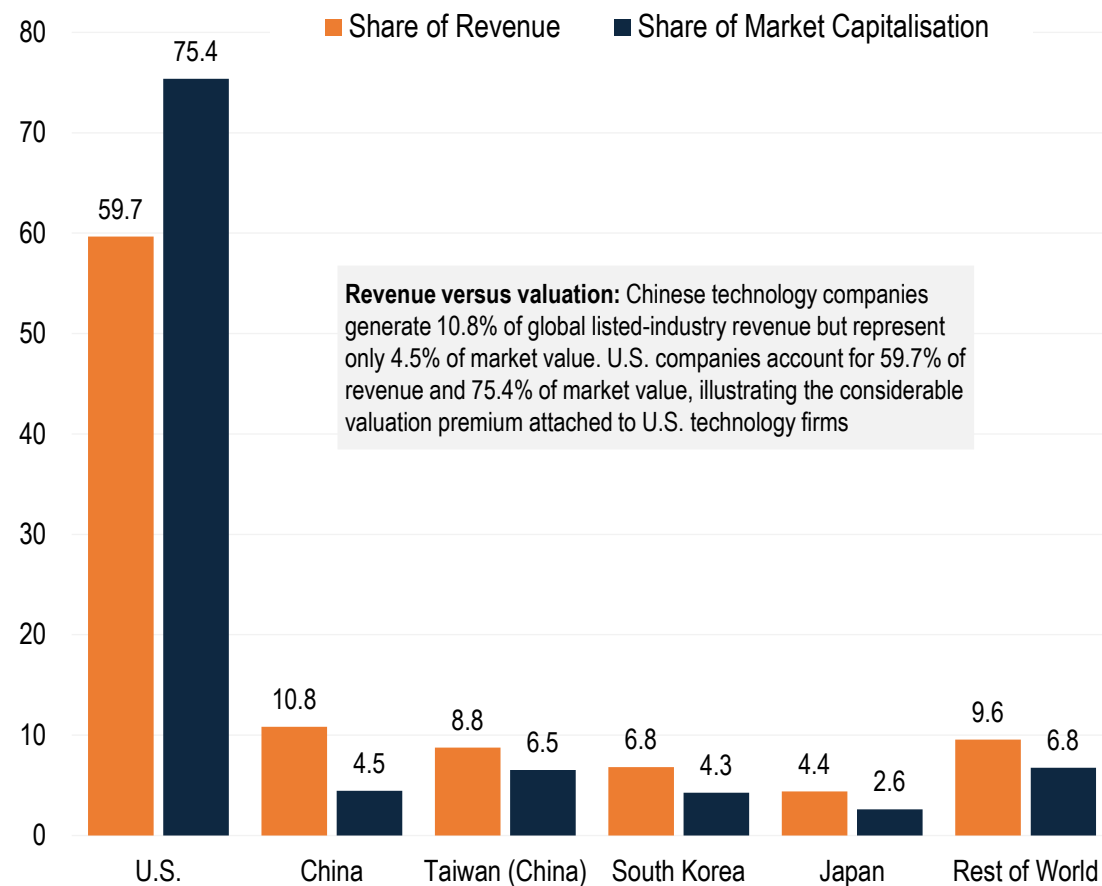
A larger capital-market revival: Hong Kong raised USD 48.4 bn through IPOs in the first nine months of 2026. The four January AI listings were part of this broader fundraising activity, rather than its principal driver

Why it matters: Public listings provide Chinese AI companies with access to new sources of capital and establish market valuations for businesses previously funded largely through private investment. They also offer investors a clearer view of China's emerging AI corporate ecosystem

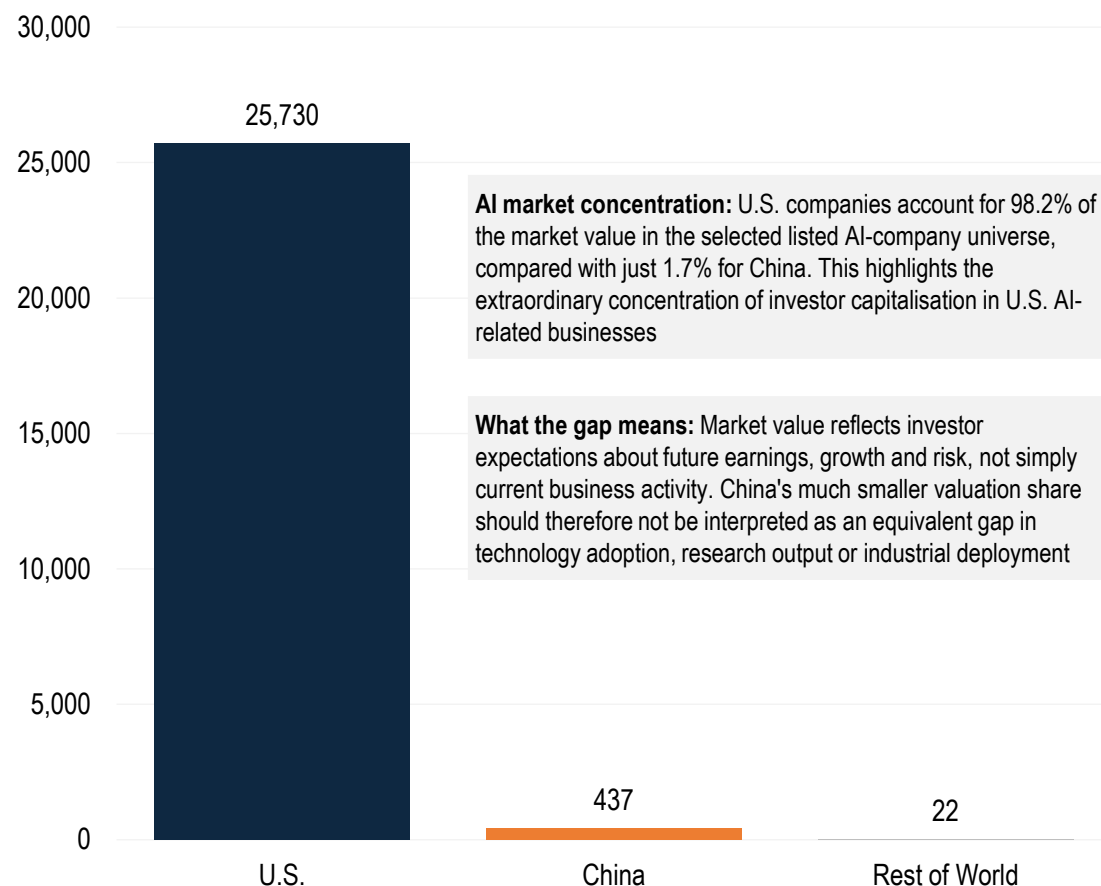
Note: HKEX main-board IPO fundraising data from LSEG; 2026 covers January-September. The four AI IPOs are selected listings, not the full AI IPO market. Zhipu AI proceeds are net; MiniMax, Biren and Iluvatar figures are gross (MiniMax excludes over-allotment). HKD converted at 7.80. Chapter 18C covers specialist technology listings. IPO proceeds are funds raised, not market valuations.
Source: LSEG, KPMG, Reuters, Bloomberg, RTHK, Kirkland & Ellis, NetEase, PwC Hong Kong, ANDAMAN PARTNERS Analysis

China's tech firms generate substantial revenue but hold a much smaller share of global market value
Chinese listed technology companies account for 10.8% of global industry revenue but just 4.5% of market value, while U.S. companies dominate both measures, particularly among AI-related firms

Global Listed Technology Companies: Revenue vs. Market Value, %
(as of Oct. 2026)

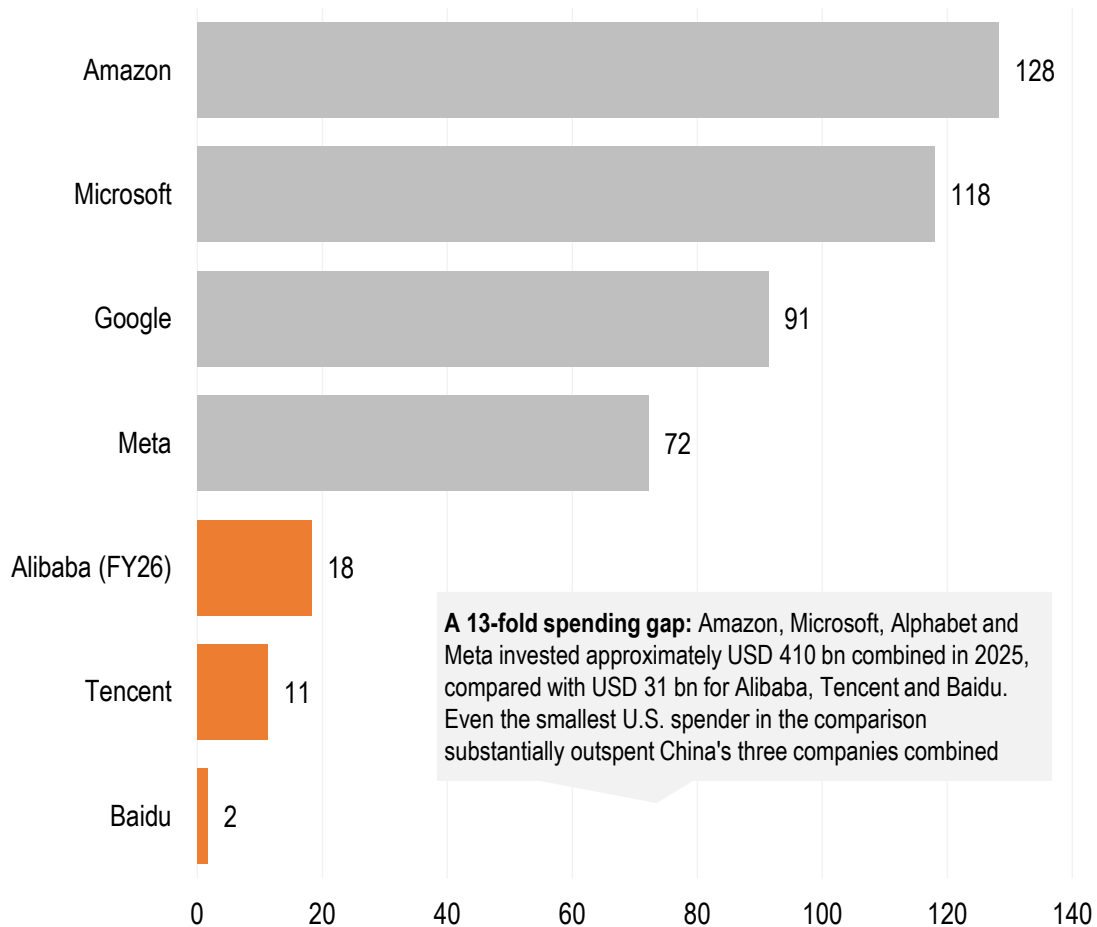


Listed AI Companies' Market Value: China vs. U.S., USD bn (as of Oct. 2026)

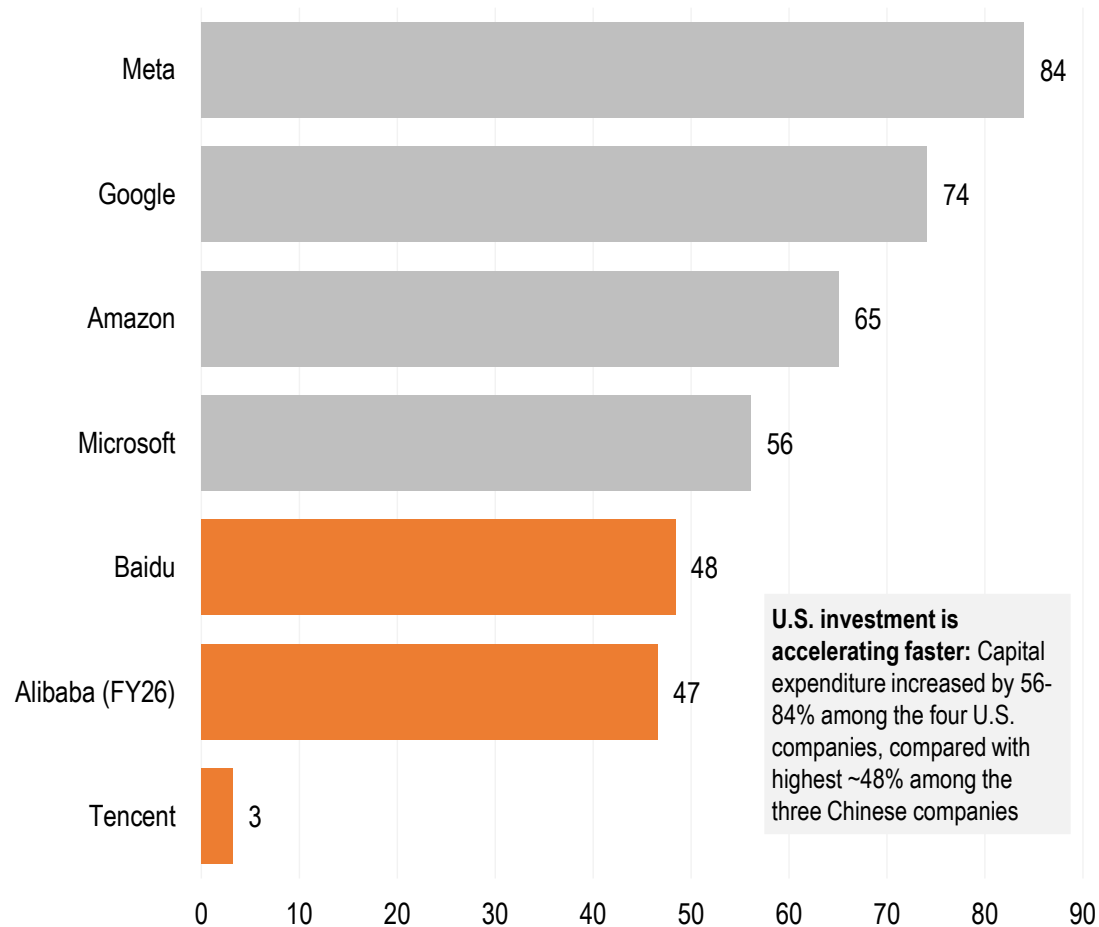


China's technology giants are investing heavily, but U.S. capital expenditure is considerably larger
Alibaba, Tencent and Baidu reported combined capital expenditure of approximately USD 31 billion in 2025, against USD 410 billion for Amazon, Microsoft, Alphabet and Meta, reflecting the enormous difference in investment scale

China vs U.S. Tech Firms Capital Expenditure, USD bn (2025)



China vs U.S. Tech Firms Capital Expenditure Growth, % (2024-2025)

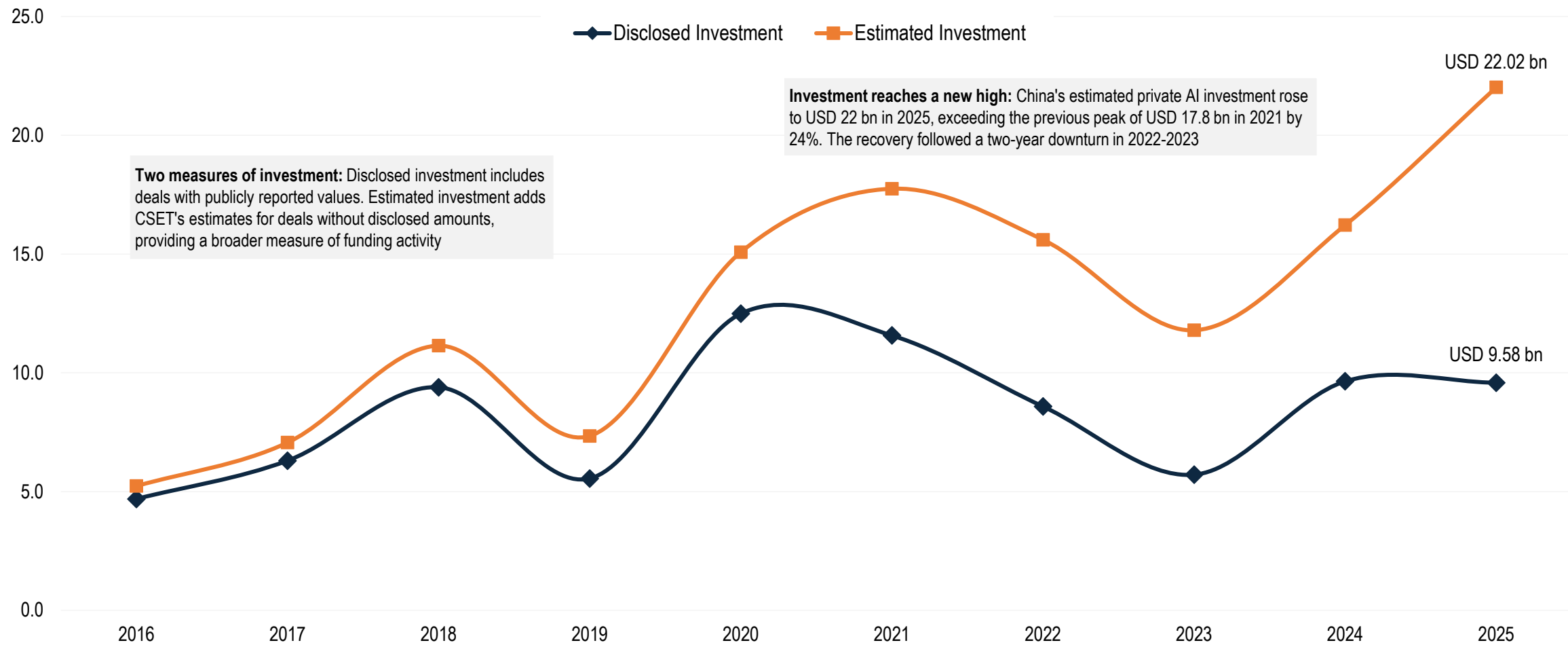


Note: Capital expenditure includes spending on infrastructure such as data centres, servers, chips and networks, but is not exclusively AI-related. Calendar 2025 except Alibaba (FY ending March 2026) and Microsoft (four calendar quarters, including finance leases). Company capex definitions vary. Growth is measured in constant currency; Alibaba growth compares FY2026 with FY2025.
Source: Alibaba Group, Baidu, Tencent, Amazon, Alphabet, Meta, Microsoft, ANDAMAN PARTNERS Analysis

Private AI investment rebounded to a new high in 2025 after a two-year downturn

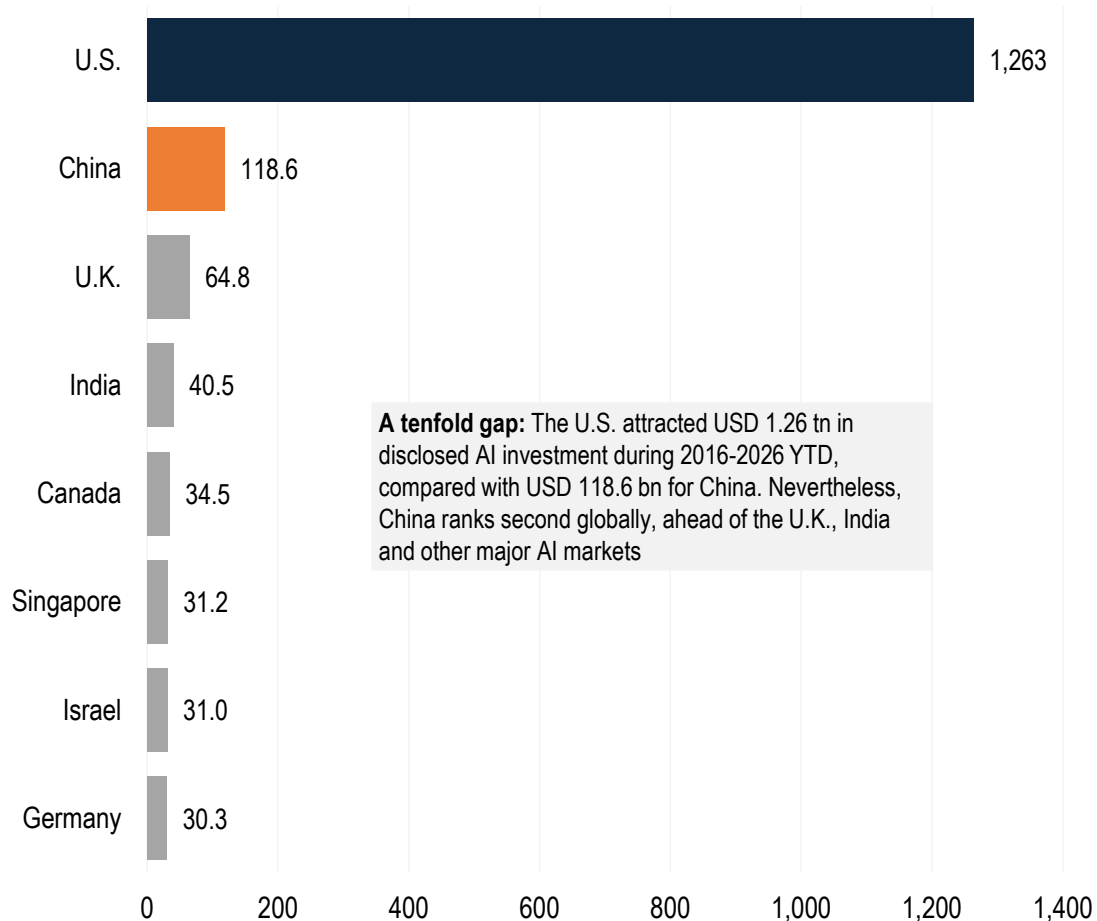
Estimated private AI investment in China reached USD 22 billion in 2025, 24% above its previous 2021 peak, following a contraction in 2022-2023 and a subsequent recovery

China Disclosed and Estimated Private AI Investment, USD bn (2016-2025)

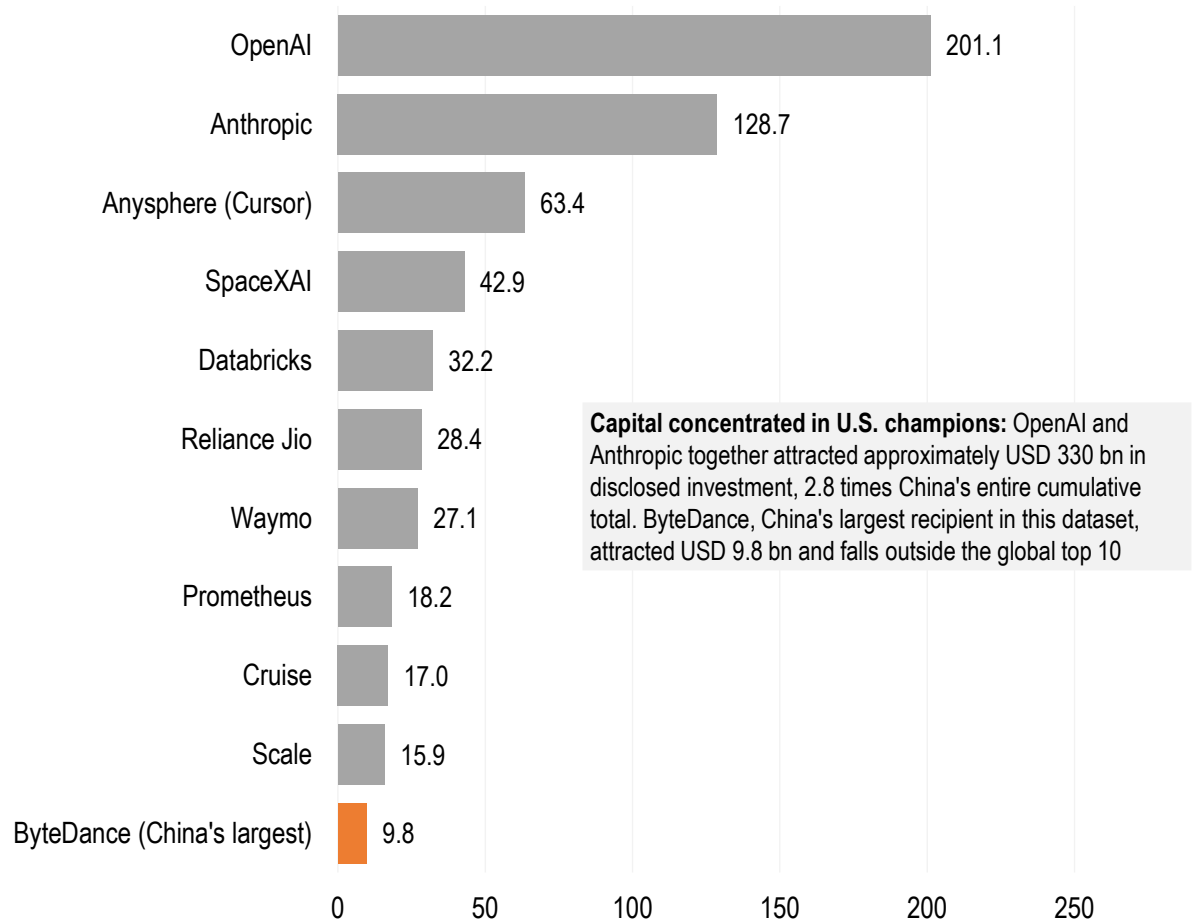


China ranks second globally in AI investment, but the U.S. has attracted more than ten times as much
China attracted USD 118.6 billion in disclosed AI investment during 2016-2026 YTD, compared with USD 1.26 trillion in the U.S., while no Chinese company features among the world's 10 largest recipients

Leading AI Investment Destinations, USD bn (Cumulative 2016-2026 YTD)



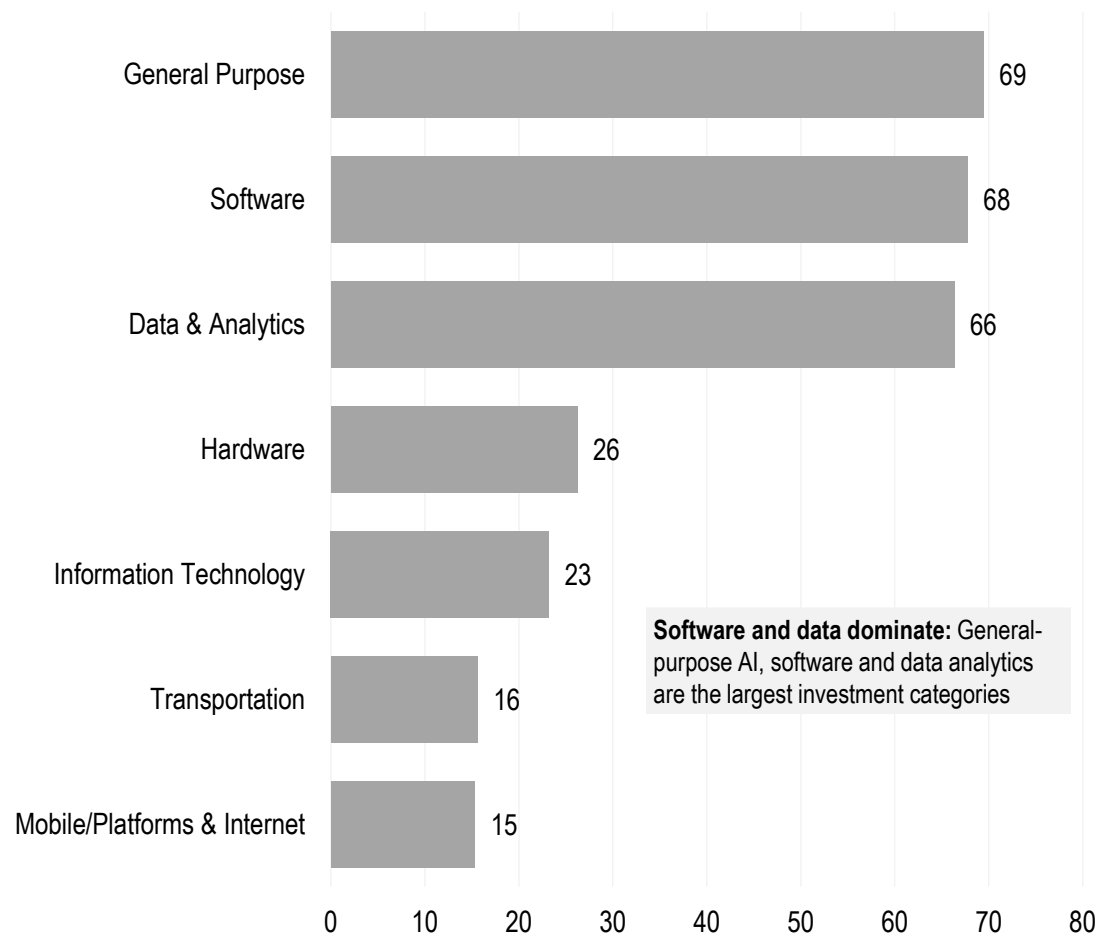
Largest AI Investment Recipient Companies, USD bn (Cumulative 2016-2026 YTD)



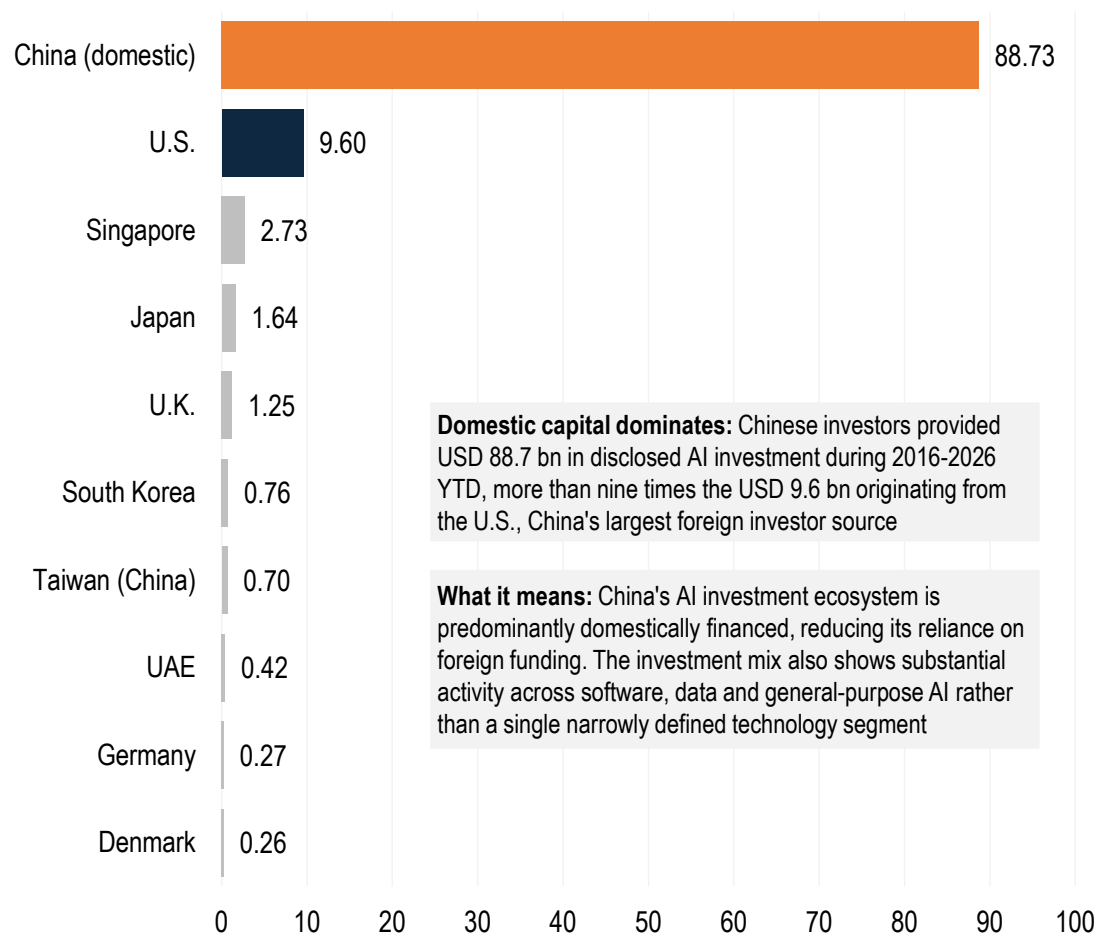
Note: Figures represent cumulative disclosed investment received by AI companies during 2016-2026 YTD, not total national AI spending. ByteDance (USD 9.8 bn), the dataset's largest recipient, is shown separately for comparison and is not among the global top 10. Undisclosed investment amounts are excluded. YTD is 23 Sep. 2026. Source: CSET Emerging Technology Observatory, ANDAMAN PARTNERS Analysis

China's AI investment focuses on software & data, with domestic investors providing most of the funding
General-purpose AI, software and data analytics are the largest investment categories, while Chinese investors account for approximately three-quarters of disclosed funding during 2016-2026 YTD

China AI Investment by Sector, USD bn (Cumulative 2016-2026 YTD)



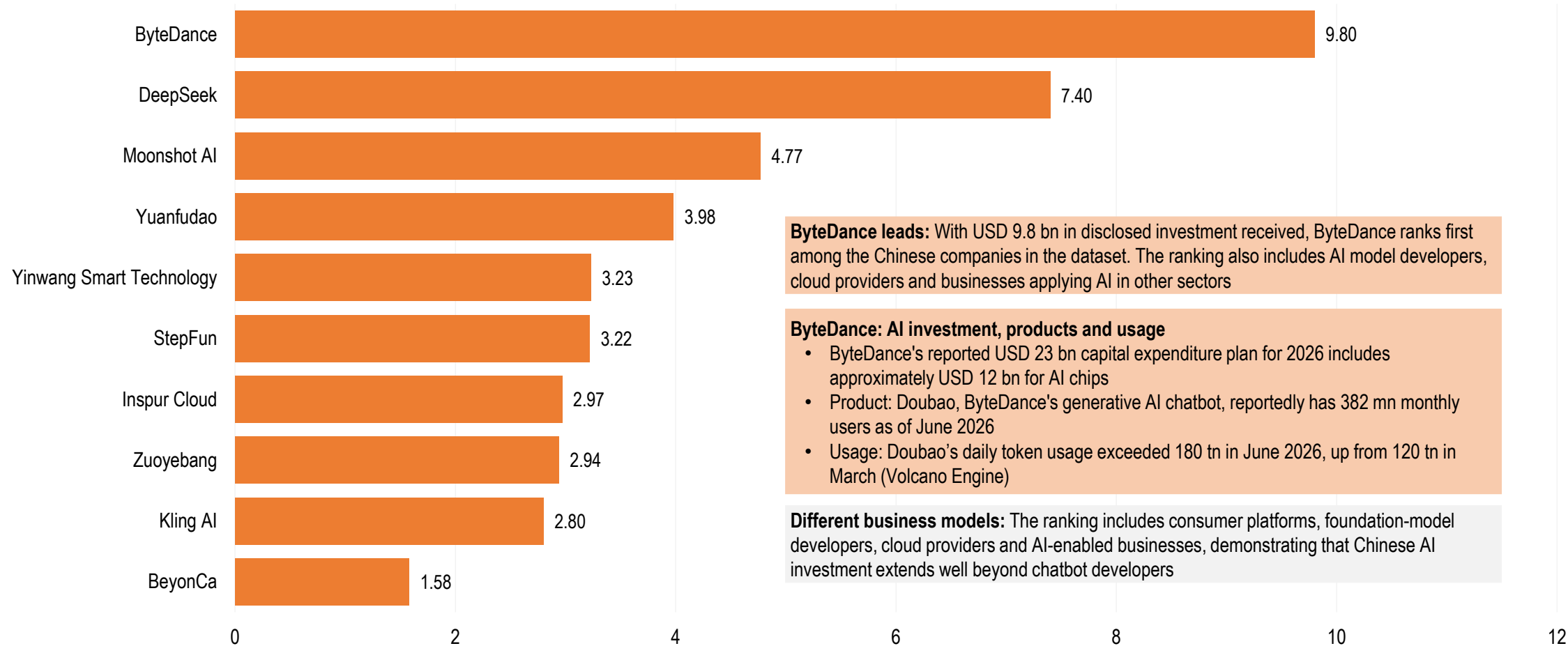
China AI Investment by Investor Origin,* USD bn (Cumulative 2016-2026 YTD)



ByteDance leads China's AI investment recipients as competition expands across the sector

ByteDance leads Chinese AI companies with USD 9.8 billion in disclosed investment received during 2016-2026 YTD, while its Doubao platform illustrates the growing commercial scale of China's AI ecosystem

Leading Chinese AI Companies by Disclosed Investment Received, USD bn (Accumulated 2016-2026 YTD)

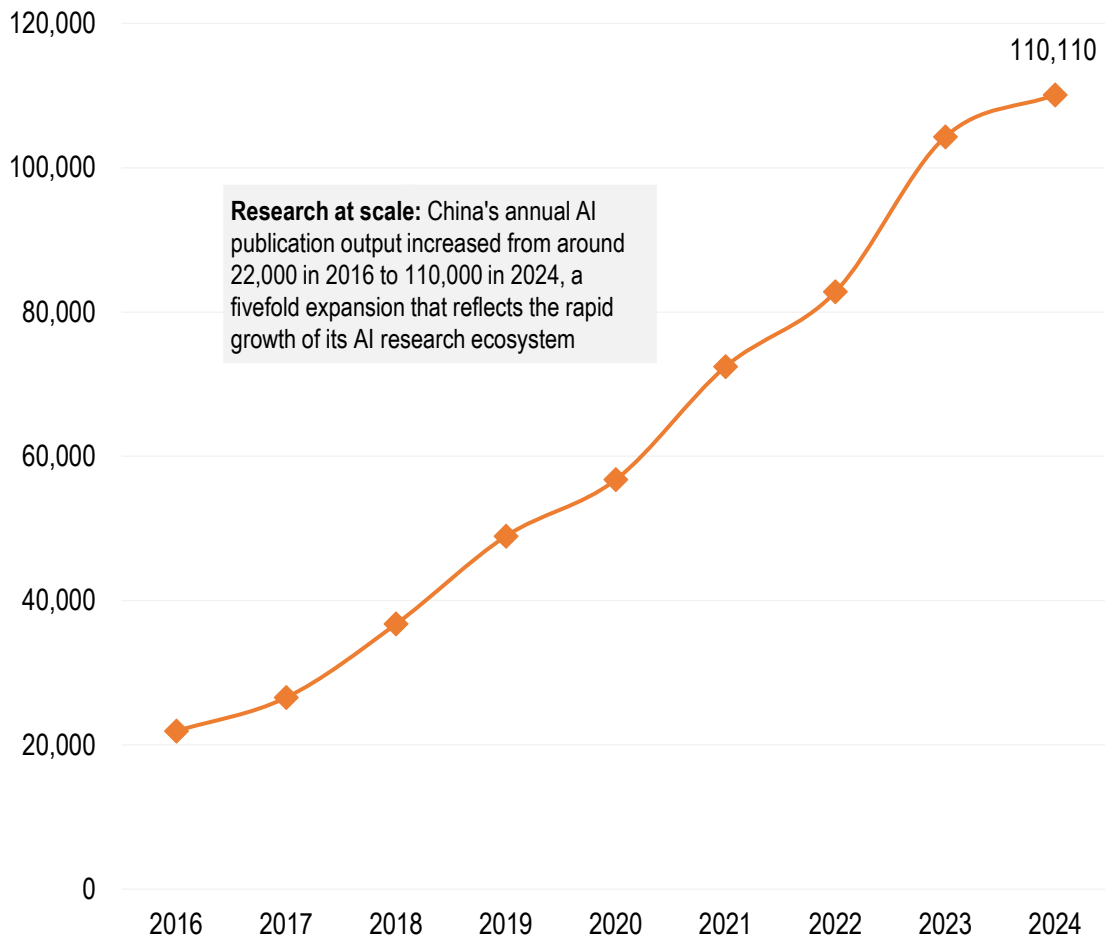


Note: Cumulative disclosed investment received during 2016-2026 YTD, based on CSET/Crunchbase data. Investment totals are distinct from corporate capital expenditure. YTD is 23 Sep. 2026. ByteDance's 2026 spending plans, Doubao user figures and model usage are separately reported estimates or company statements.
Source: Financial Times, Caixin, Volcano Engine, China Daily, SCMP, CSET Emerging Technology Observatory, ANDAMAN PARTNERS Analysis

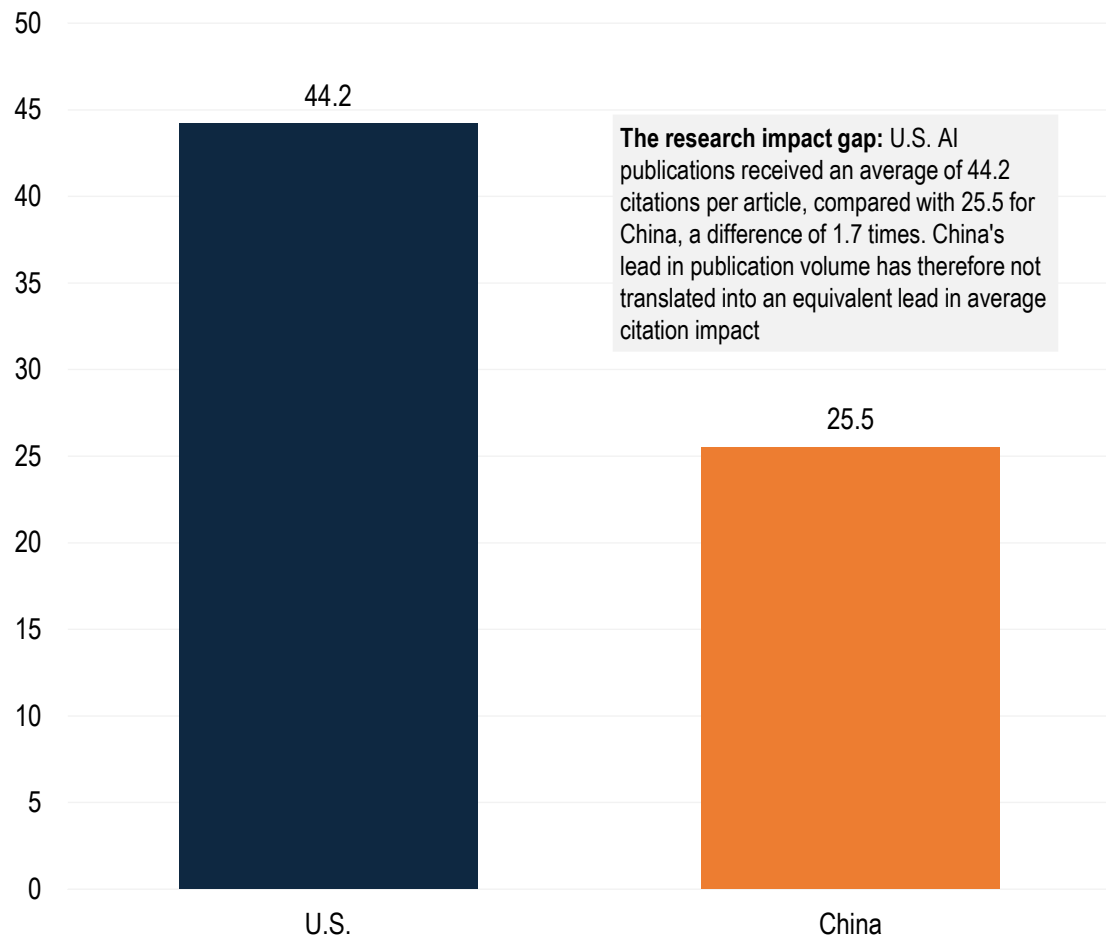
China leads in AI research volume, but U.S. publications attract more citations

China's annual AI publications increased fivefold between 2016 and 2024, while U.S. research received nearly twice as many citations per article over the period

China: Number of AI Research Publications (2016-2024)



AI Research Citations per Article: China vs. U.S. (Cumulative 2016-2024)

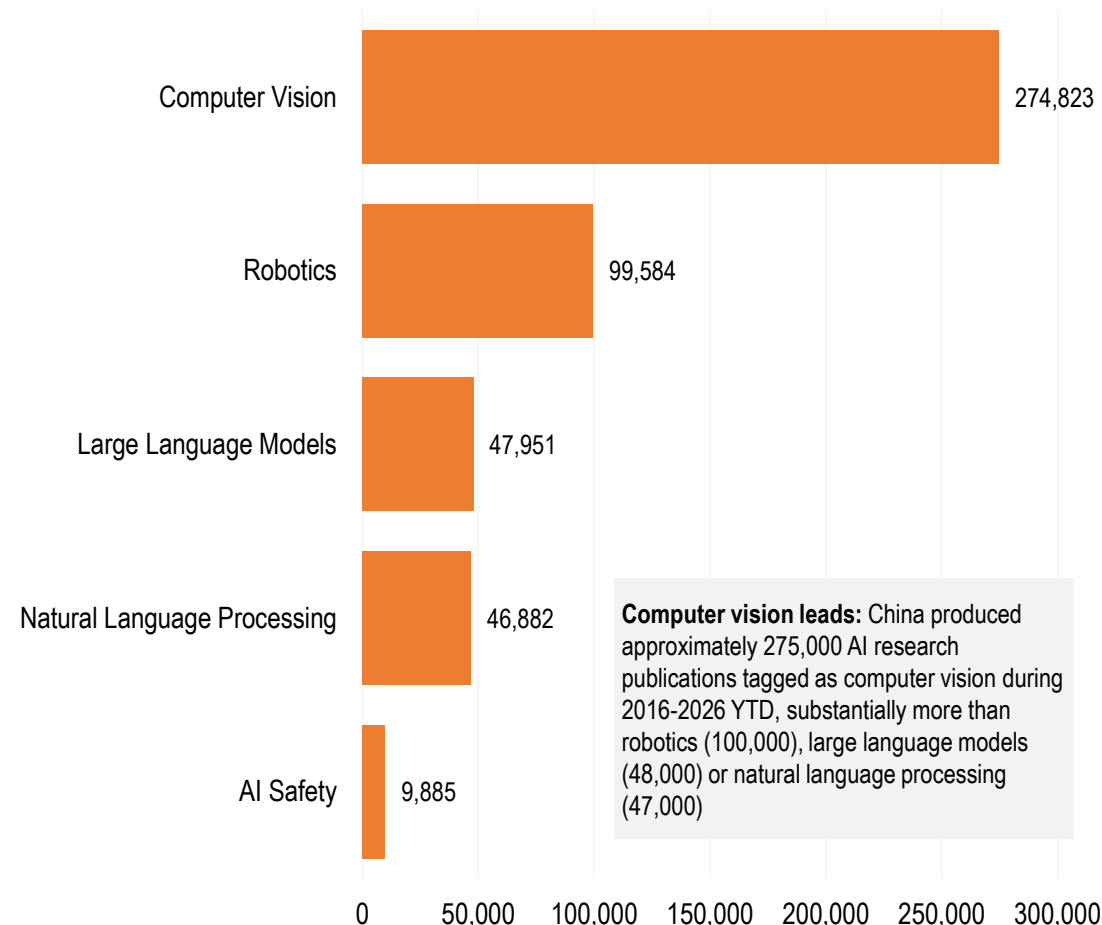


Note: AI articles include journal papers, conference papers, preprints and other AI-related scholarly documents in CSET's Merged Academic Corpus, not exclusively peer-reviewed publications. Citations per article are cumulative through 2024 and are not adjusted for publication age or research field. More recent articles have had less time to accumulate citations. Source: CSET Emerging Technology Observatory, ANDAMAN PARTNERS Analysis

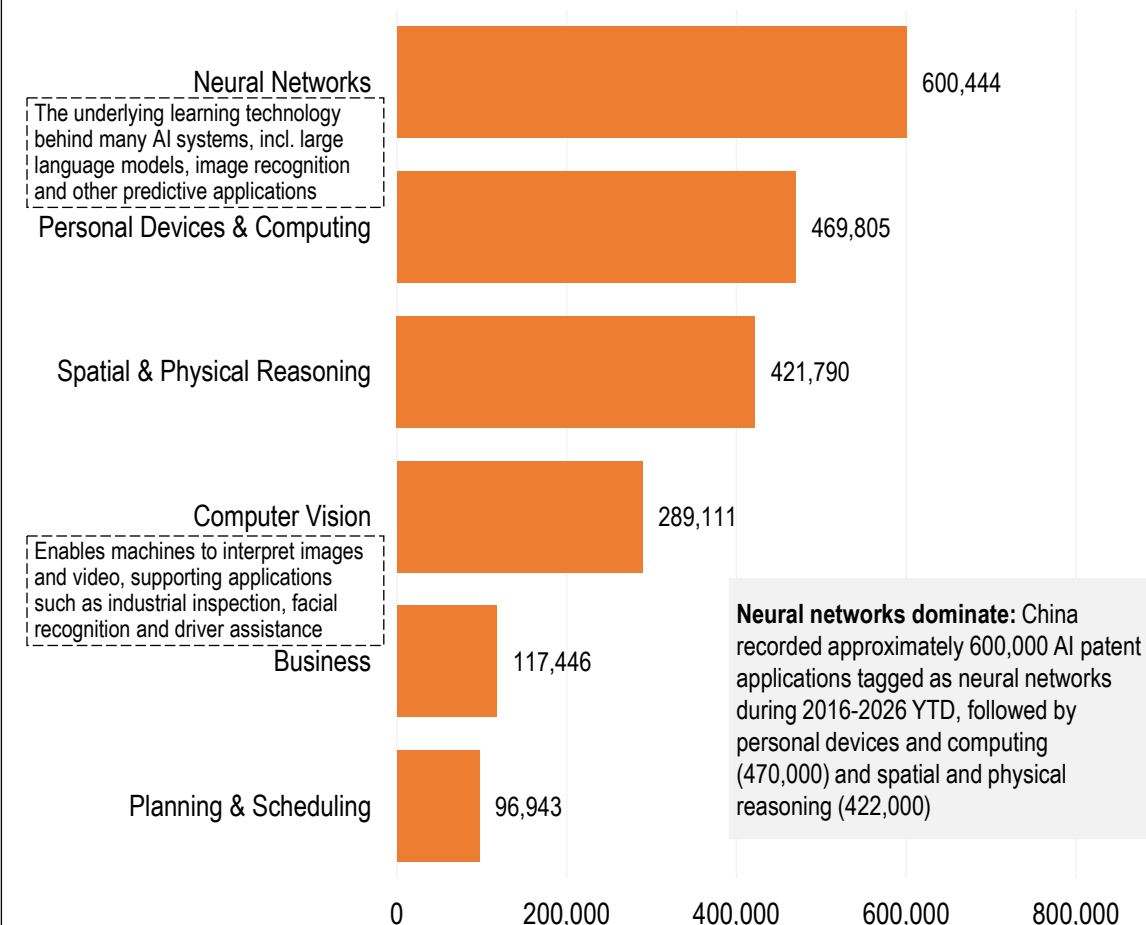
AI research and patenting are concentrated in computer vision, neural networks and robotics

Computer vision leads China's AI research publications, while neural networks feature prominently in patent applications, reflecting activity across both foundational AI technologies and practical applications

China: Number of AI Research Publications by Field (2016-2026 YTD)



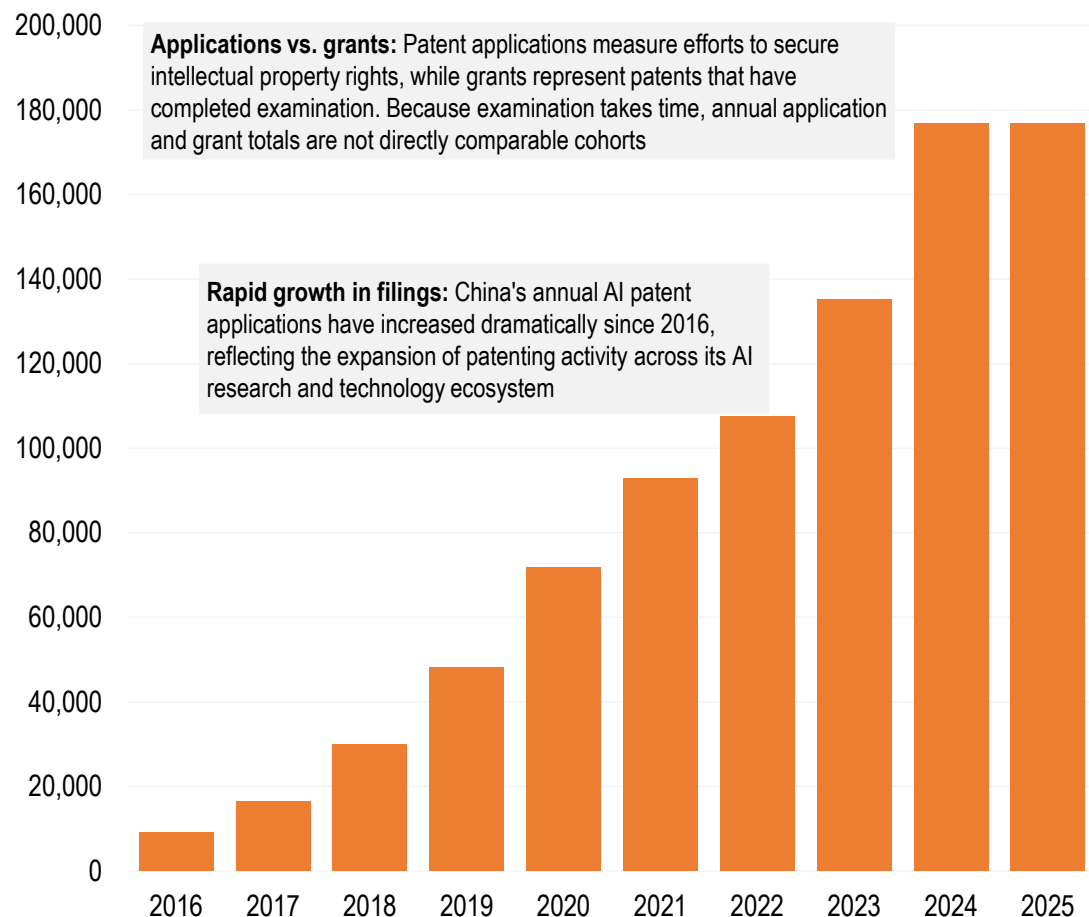
China: Number of AI Patent Applications by Technology Area (2016-2026 YTD)



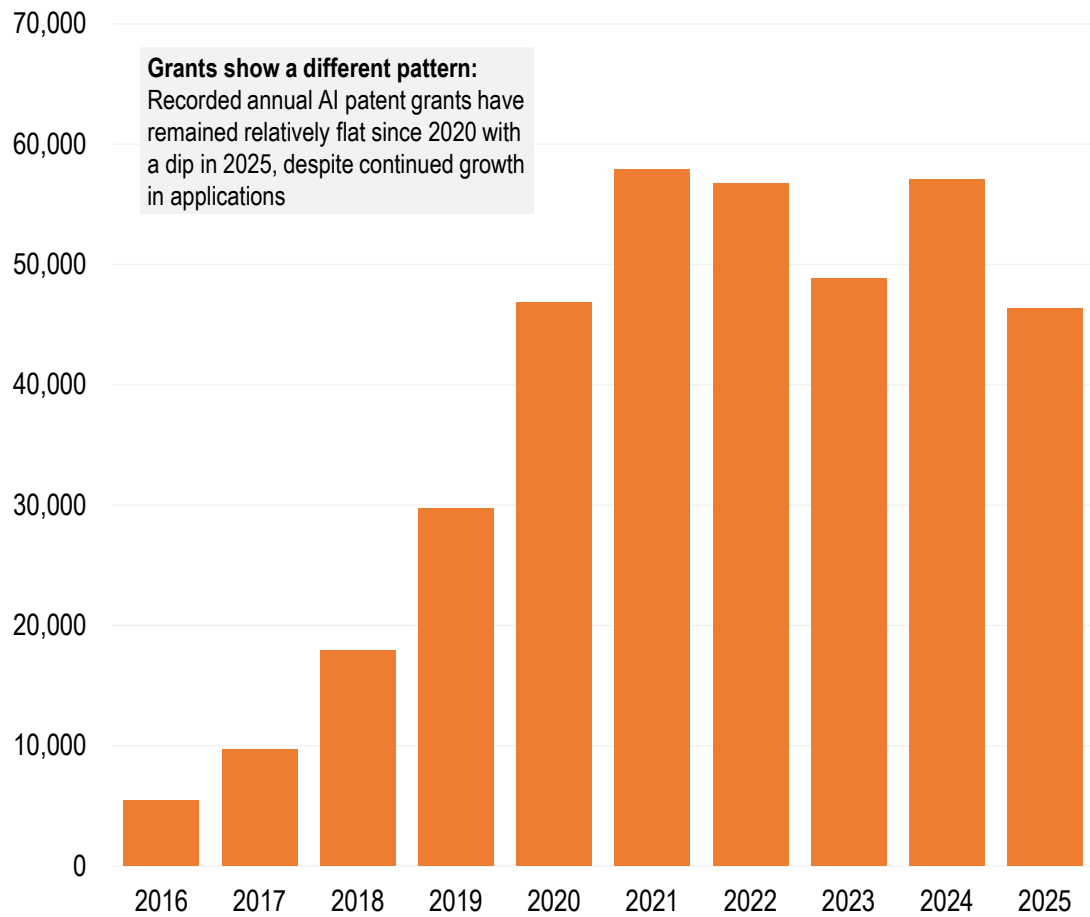
AI patent applications have surged, while recorded grants have grown more slowly

Annual AI patent applications in China rose sharply between 2016 and 2025, while recorded grants have remained relatively flat since 2020 and decreased in 2025

China: Number of AI Patent Applications (2016-2025)



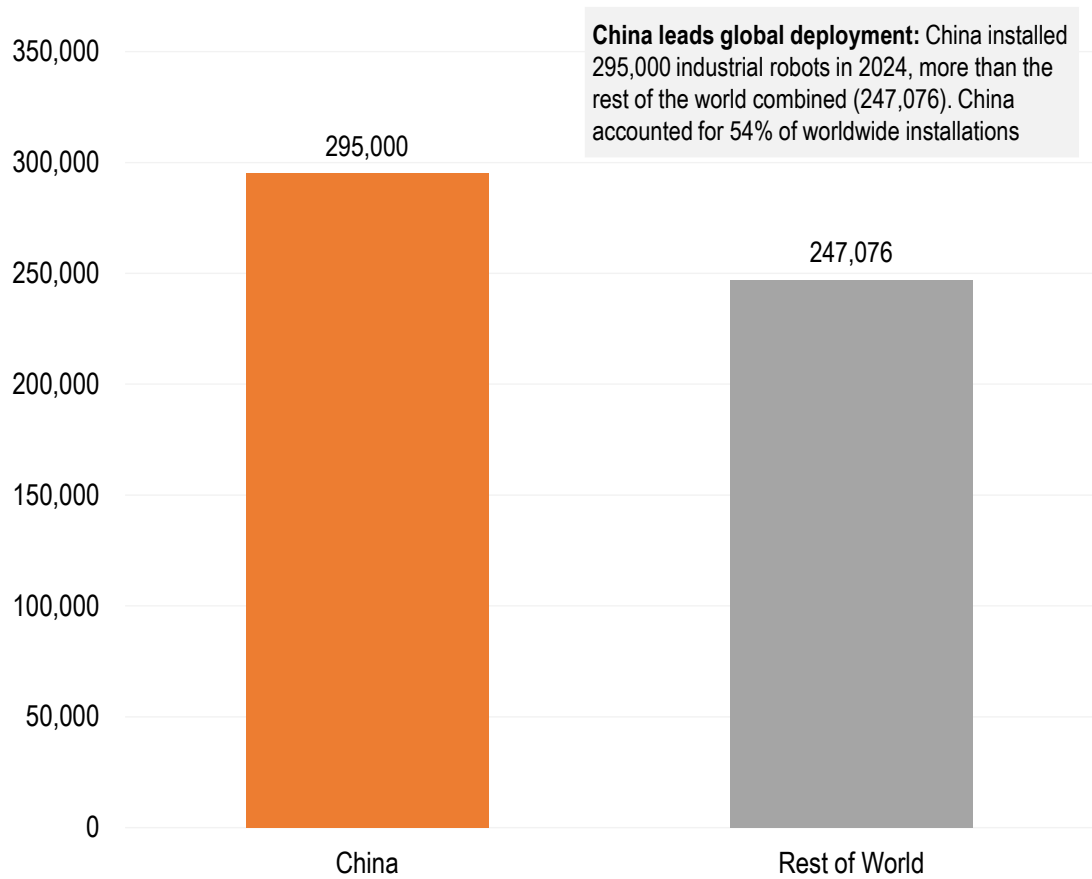
China: Number of AI Patents Granted (2016-2025)



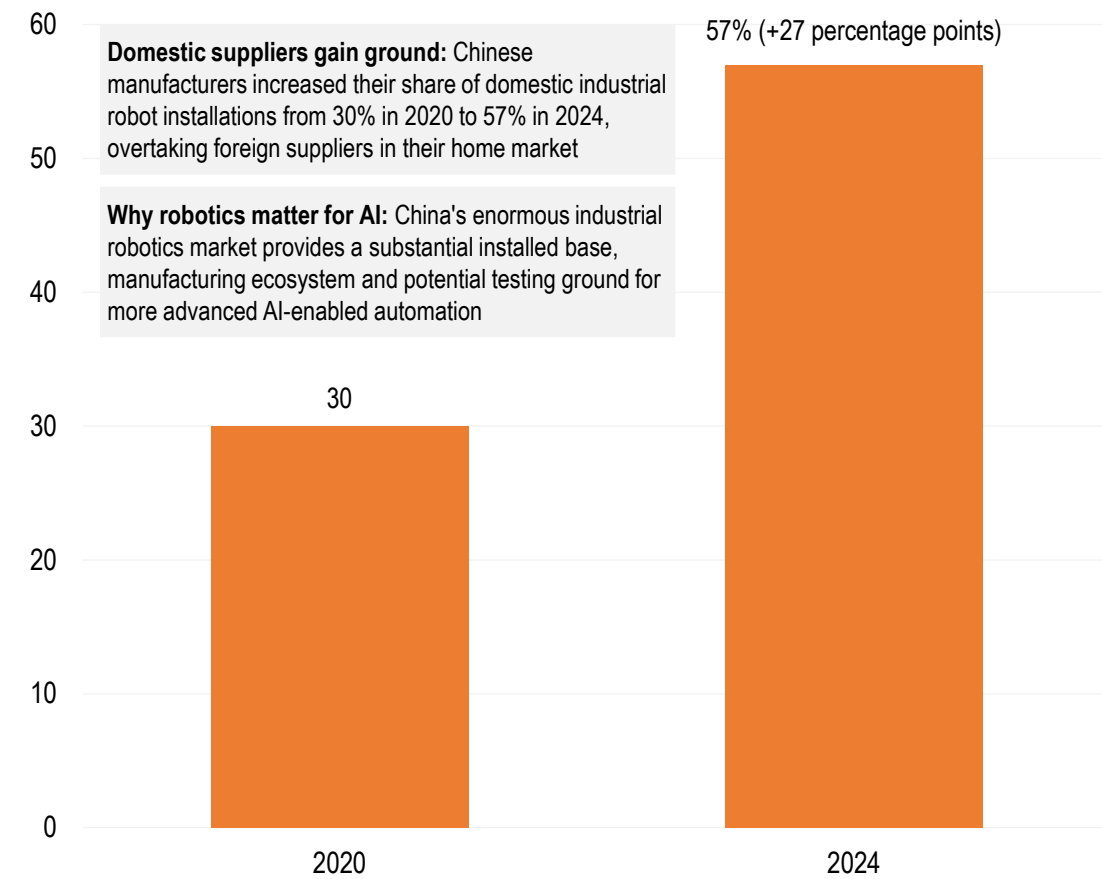
Note: Annual AI patent application and grant counts from CSET. Grants typically occur after the application year, so differences between annual counts should not be interpreted as examination backlogs or approval rates. Recent-year records are incomplete, particularly grants for 2020-2025 and applications for 2022-2025, and may be revised upward. Source: CSET Emerging Technology Observatory, ANDAMAN PARTNERS Analysis

China installs more than half the world's industrial robots as domestic suppliers gain ground
 China installed approximately 295,000 industrial robots in 2024, accounting for 54% of global installations, while domestic manufacturers increased their share of the Chinese market from 30% in 2020 to 57% in 2024

Industrial Robot Installations: China vs. Rest of World (2024)



Domestic Suppliers' Share of China's Industrial Robot Market, % (2020-2024)



Note: Figures refer to industrial robot installations, not the total installed stock of robots. Domestic supplier share refers to the Chinese industrial robot market. Industrial robots are not necessarily AI-enabled, so installation figures do not directly measure AI deployment. Source: International Federation of Robotics (IFR), ANDAMAN PARTNERS Analysis

China leads the U.S. on scale and deployment, but trails on capital and research impact

Across 12 selected indicators, China leads on six, matches the U.S. on one and trails on five, reflecting strengths in population scale, electricity, research volume and robotics alongside substantial financial gaps

Layer	Indicator	China	U.S.	China / U.S.	China Rating vs U.S.
Size	Internet users (2025, mn)	1,300	324	4.0x	Leads
	Internet use, % of population (2024)	92.0	94.7	0.97x	Parity
	STEM graduates (2020, thousand)	3,570	820	4.4x	Leads
Infrastructure	Electricity generation (2025, TWh)	10,575	4,520	2.3x	Leads
	Share of global listed semiconductor market value (%)	4.9	60.7	0.08x	Trails
Capital and Markets	Hyperscaler capex (2025, USD bn)	31	410	0.08x	Trails
	Disclosed AI investment (to 2026 YTD, USD bn)	119	1,264	0.09x	Trails
	Share of listed tech market value (%)	4.5	75.4	0.06x	Trails
R&D	AI publications (to 2026 YTD)	644,908	376,956	1.7x	Leads
	AI patent applications (to 2026 YTD)	866,702	107,187	8.1x	Leads
	Citations per article (to 2024)	25.5	44.2	0.58x	Trails
Robotics	Annual industrial robot installations (2024)	295,000	34,200	8.6x	Leads

Note: Ratings compare China with the U.S. across 12 selected indicators: leads (China/U.S. $\geq 1.25\times$), parity (0.8-1.25 $\times$) and trails (below 0.8 $\times$). Indicators measure different aspects of the AI ecosystem and do not constitute a composite AI competitiveness ranking. Listed-company market value does not measure manufacturing output; industrial robot installations do not necessarily represent AI-enabled robotics. Computing capacity and frontier-model performance are excluded due to insufficient comparable data. YTD is 23 Sep. 2026. Source: CSET, ITU, World Bank, Ember, Companiesmarketcap.com, IFR, Company filings, ANDAMAN PARTNERS Analysis

China's AI advantage is taking shape through scale, infrastructure and industrial application
China's AI development is following a different path from the U.S., combining mass adoption, extensive infrastructure and industrial capabilities with significantly lower levels of investment capital

Five Business Implications of China's Rise in AI

- **China's AI market has reached mass scale:** With 602 million generative AI users, China offers an enormous market for AI products and services, though adoption has not yet translated uniformly into commercial returns
- **Infrastructure provides a substantial foundation:** China's electricity generation, expanding power capacity and engineering workforce support AI development and deployment, even as advanced computing hardware remains a constraint
- **China is an increasingly important source of AI technology:** DeepSeek demonstrated the potential of efficient, lower-cost models, while Chinese developers are expanding the range of AI products and technologies available to businesses
- **Industrial deployment may be China's most distinctive opportunity:** The world's largest industrial robotics market and extensive manufacturing ecosystem provide a substantial base for applying AI to production, automation and operations
- **The U.S. retains a commanding financial advantage:** U.S. technology companies invest far more in infrastructure and attract substantially more AI capital. China's scale and deployment strengths do not close this gap

The business takeaway

- View China not only as an AI competitor, but also as an emerging technology supplier, a benchmark for cost and efficiency and a major market for industrial AI deployment
- China's strengths in scale, infrastructure and research are already evident, even as the U.S. retains a substantial capital advantage

Agenda

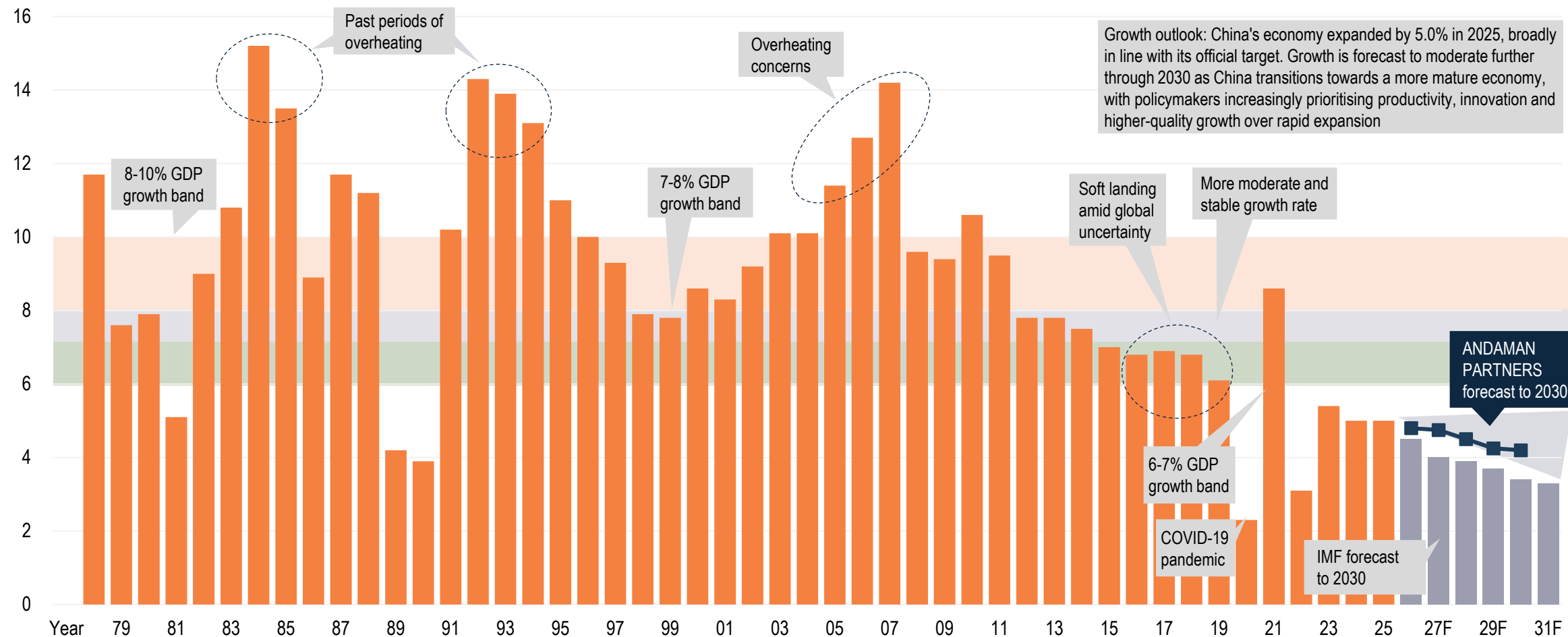
1. Prelude
2. Feature: Digital China and AI
- 3. China in Brief**
4. China in Depth
5. China in the World
6. Conclusions, Implications and Recommendations



China's GDP grew by 5% in 2025, hitting the government target

Up to 2030, growth is expected to moderate towards the 3-4% range as policymakers increasingly emphasise quality, sustainability and resilience over rapid expansion

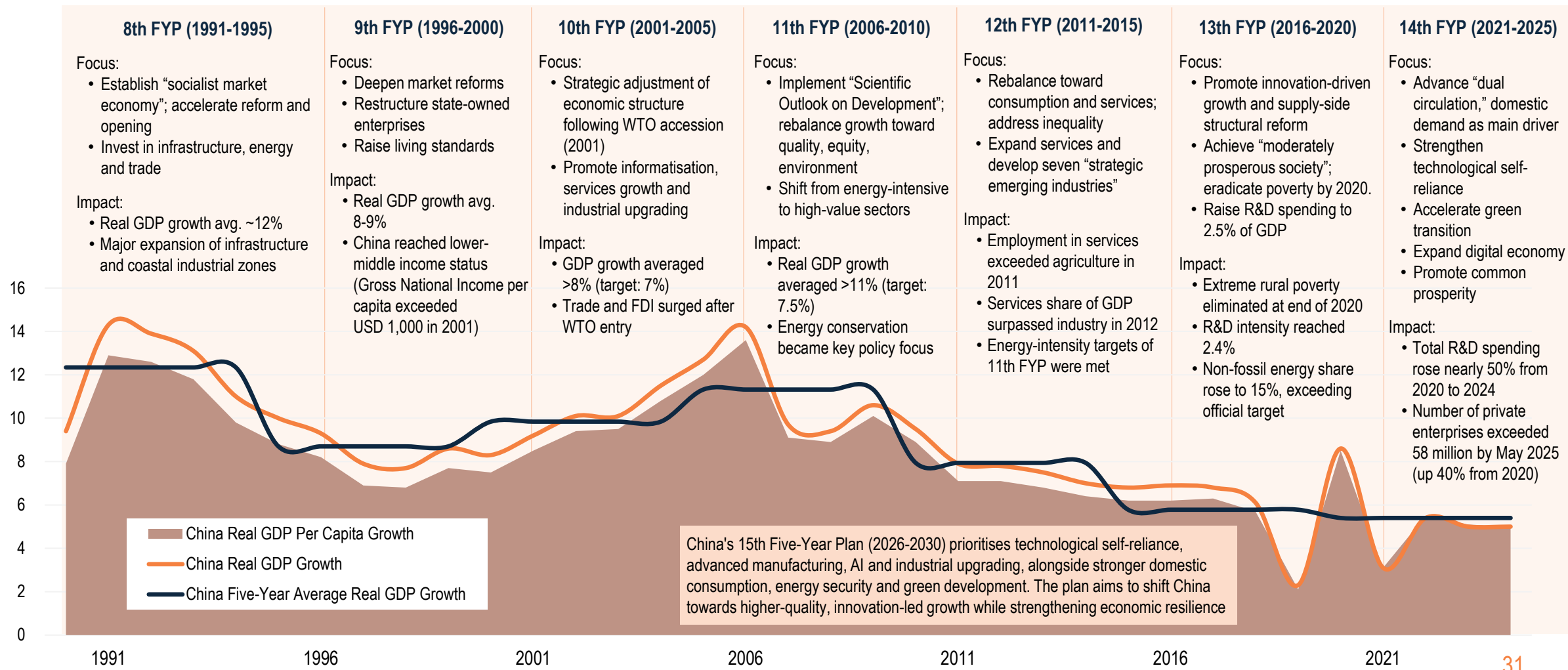
China Real GDP Growth Rate, YoY % (1978-2031F)



China's Five-Year Plans chart a transition from rapid industrial expansion to innovation-led growth

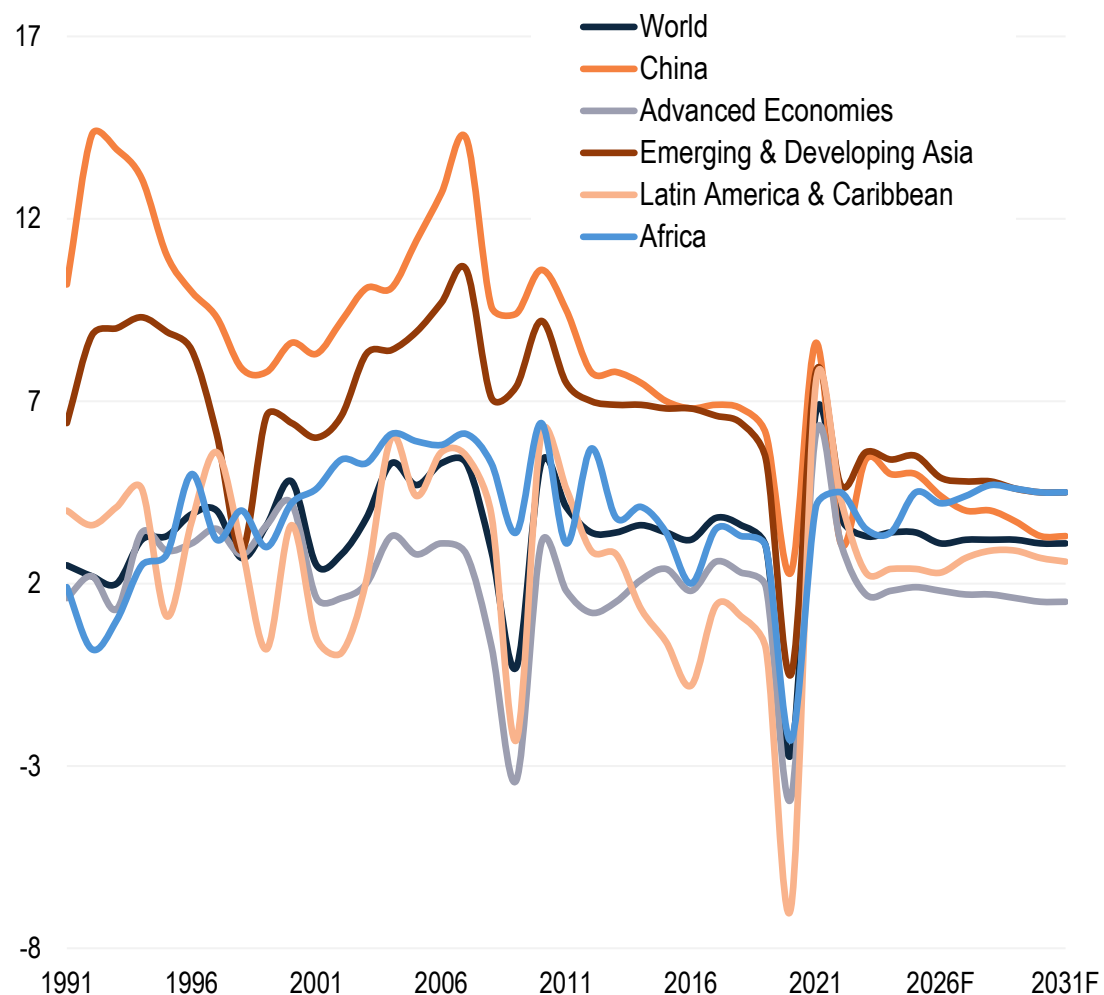
From investment- and export-led expansion in the 1990s toward more balanced, high-quality growth and domestic consumption from the 2000s onwards

China Five-Year Plans, Real GDP and GDP Per Capita, YoY Growth, % (1991-2025)



China's economic growth has moderated, but remains substantial for an economy of its size
After decades of exceptional expansion, China's growth has converged towards more mature rates, but remains above the global average. As its economy grows larger, the scale and quality of growth matter increasingly alongside its pace

Real GDP Growth, % (1991-2031F)

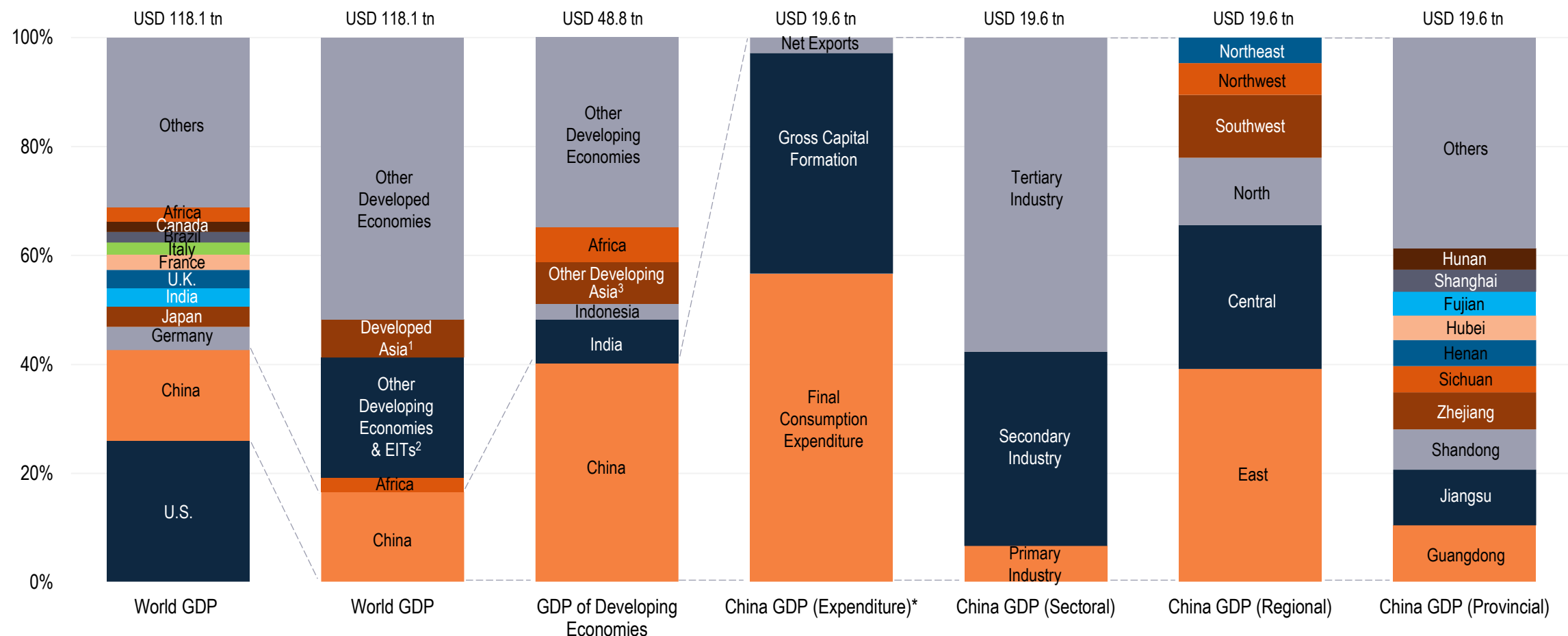


Global GDP Shares by Region and Economy, % Share (1995-2025)

	1995	2000	2005	2010	2015	2020	2021	2022	2023	2024	2025
World GDP, USD tn	31.35	34.26	48.09	67.03	75.83	86.05	98.22	102.40	106.93	111.60	118.18
World GDP, %	100	100	100	100	100	100	100	100	100	100	100
Advanced Economies, %	81	79	76	65	60	60	59	58	58	58	59
U.S., %	24	30	27	22	24	25	24	25	26	26	26
Euro Area, %	24	19	22	19	16	15	15	14	15	15	15
Japan, %	18	15	10	9	6	6	5	4	4	4	4
Other Advanced Economies, %	9	8	9	9	9	9	9	9	8	8	8
Emerging Market & Developing Economies, %	19	21	24	35	40	40	41	42	42	42	41
China, %	2	4	5	9	15	18	19	18	17	17	17
Latin America & the Caribbean, %	6	7	6	8	7	5	5	6	6	6	6
Africa, %	2	2	3	3	4	3	3	3	3	3	3
Other EM&Ds, %	8	9	11	15	14	14	15	16	15	16	15

China accounts for 17% of global GDP, with services and eastern provinces dominating domestic activity
China generates approximately 40% of developing economies' combined output, while its domestic economy is increasingly service-oriented and economic activity remains heavily concentrated in the eastern coastal provinces

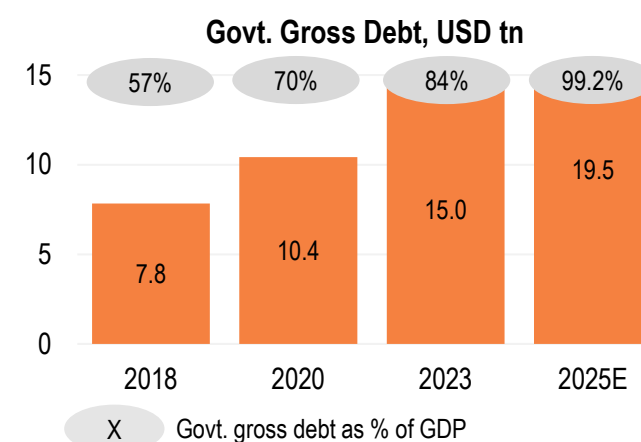
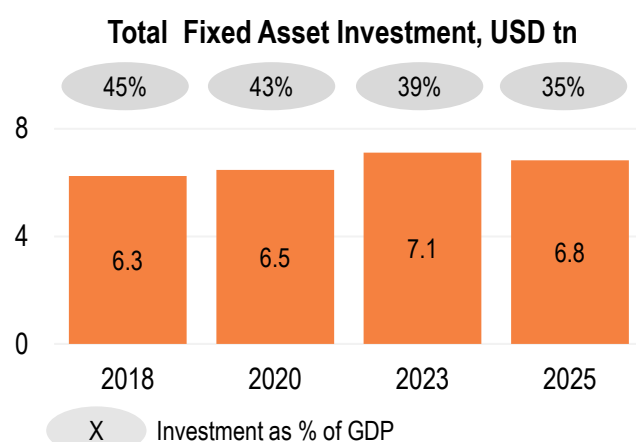
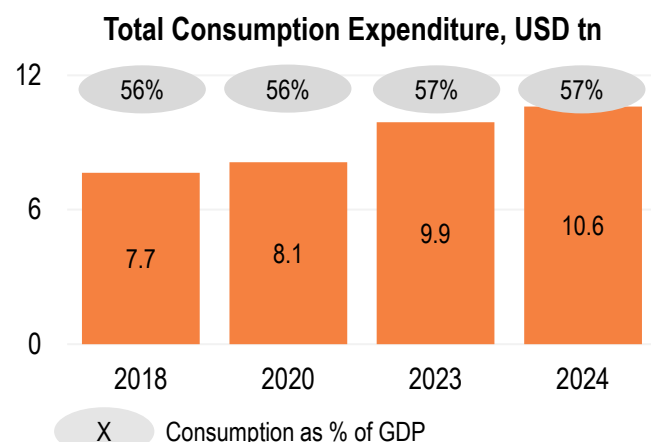
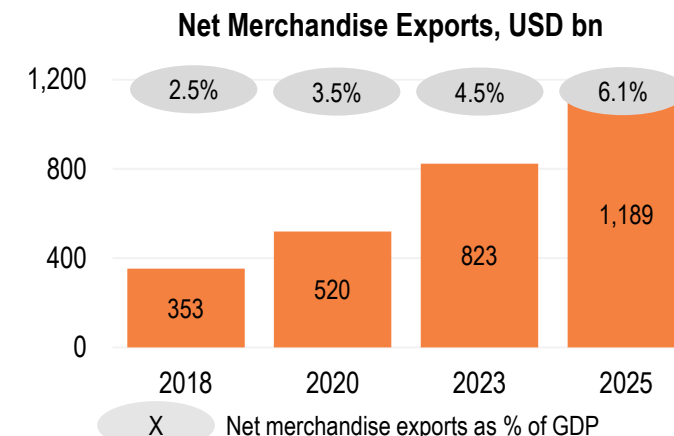
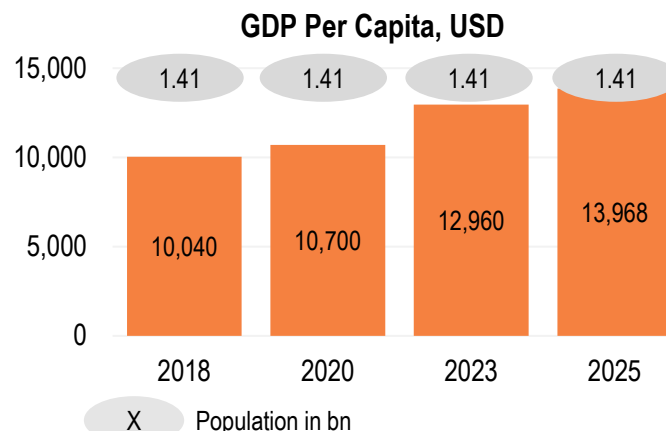
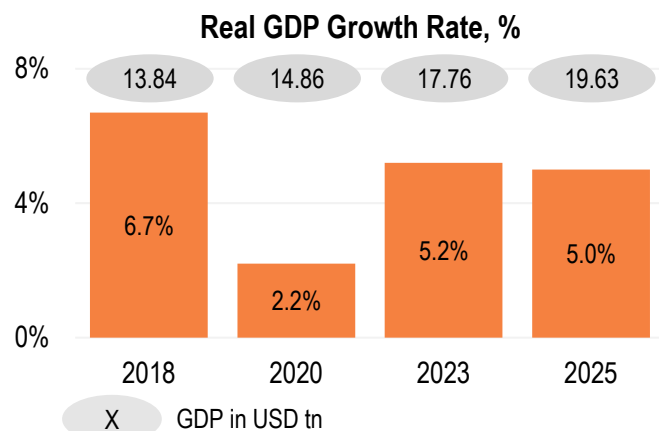
China's Place in the Global Economy and the Composition of Its GDP (2025)



Notes: 1. Developed Asia includes Japan, South Korea, Singapore, Taiwan (China), Macao SAR (China) and Hong Kong SAR (China). 2. EITs are economies referred to by the UN as "Economies in Transition" and include Russian Federation, among other former Soviet states. 3. Other Developing Asia includes Türkiye, Saudi Arabia, Thailand, Iran, UAE, Israel, Malaysia, Philippines, Pakistan, Bangladesh, Vietnam, Iraq, Qatar, Kuwait, Sri Lanka, Oman, Myanmar, Lebanon, Bahrain, Nepal, Cambodia, Afghanistan, Lao PDR, Yemen, Brunei, Mongolia, Fiji, Maldives and Bhutan. *2024 data used for the expenditure breakdown as no 2025 data available.
Source: IMF, National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China's growth has stabilised near 5%, but debt and investment trends reveal an economy in transition. Consumption has gained a modest share of GDP as investment intensity has moderated, while government debt has risen sharply since 2018. Together, these indicators illustrate structural adjustments accompanying China's slower growth.

China Major Economic Indicators (2018-2025)



China's slower growth calls for a more selective, strategic approach to business engagement

China's economic transition, industrial capabilities and global trade position continue to create opportunities for international businesses, but success increasingly depends on understanding sector-specific conditions, managing risks and adapting to a more mature economy

China Now: How Should Global Businesses Approach China in 2026-2027?

- China's growth is slowing, but the country is changing and evolving; it is not shrinking or retreating from the world economy; and neither should global businesses retreat from China. Instead, they should adjust and expand their engagement
- China's economy is facing several structural and cyclical pressures. The world is watching, and the country is undertaking several reforms to address these challenges, while also implementing policy measures to strengthen the real estate sector, domestic manufacturing and consumption. These measures will take time, but China's economy has proven highly resilient over several decades, and the same resilience is expected to continue in the coming years and decades
- Far from jettisoning China as a business prospect, businesses need to reassess the various opportunities with and within China, and this is true for inbound as well as outbound supply chains and capital choices
- As the world's largest exporter, accounting for around 15% of all global exports, China's position as a trade leader and its favourable trade surplus provide it with the necessary economic clout to make valuable overseas investments. This remains as relevant today as it did in previous years and decades. Even as China's domestic growth slows, its role as the world's trade anchor and source of capital remains intact
- The COVID-19 pandemic and ongoing geopolitical conflicts in Europe and the Middle East have had global implications, affecting supply chains and highlighting the vulnerabilities inherent in the interconnected world in which we live today. China remains as relevant to global supply chains in 2026 as it was in previous years, but its role is shifting and expanding within a broader supply ecosystem. This presents new and promising opportunities for astute trade managers who can effectively integrate Chinese supply chains with those in other countries and regions
- The world faces several geopolitical challenges in 2026-2027, and China is at or near the centre of all these geopolitical tussles. These challenges need to be acknowledged and understood, but although global businesses must reassess their engagement, they cannot avoid China altogether
- China is evolving, but not retreating or going away. Now is the time for global businesses to engage it more strategically. Exporters can still sell to China, buyers can still purchase from China, those seeking investment can still raise capital in China and supply chain managers can still look to China for opportunities
- **Global businesses MUST still view China in the appropriate context. China's economy is that of a maturing superpower; slowing growth is not a sign of weakness or decay; restructuring is not an uncomfortable byproduct but a necessary step to a new stage of economic development**
- **Now is not the time to be intimidated by China's slowing growth or economic challenges; instead, it is the time to seize the opportunity to engage with the right strategy and with the right teams in place to win in China**

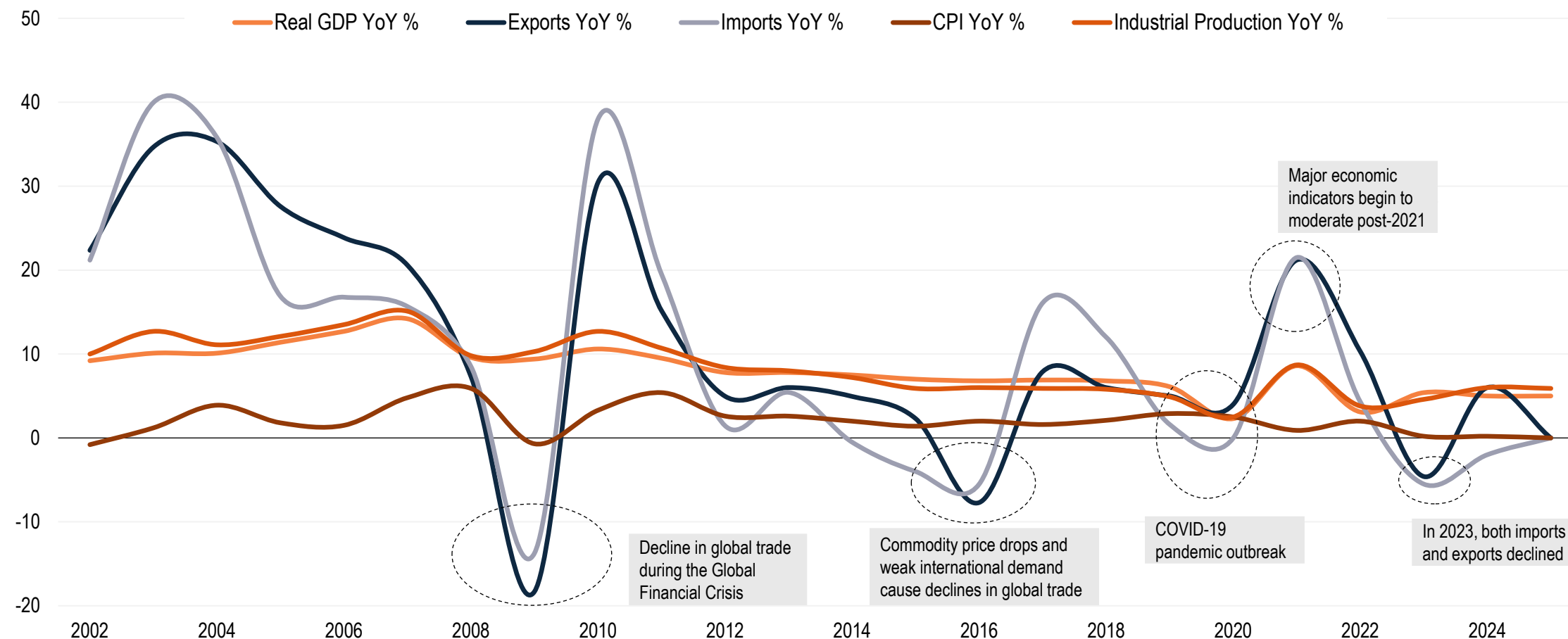
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
 - Growth Indicators
 - Consumption
 - Investment
 - Government Expenditure
 - Trade
 - Financial Indicators
 - Social Indicators
5. China in the World
6. Conclusions, Implications and Recommendations



China's industrial production growth has been steadier than trade, while inflation remains subdued. GDP and industrial production growth have moderated since the pandemic, while exports and imports have experienced sharper fluctuations and consumer price inflation has remained weak.

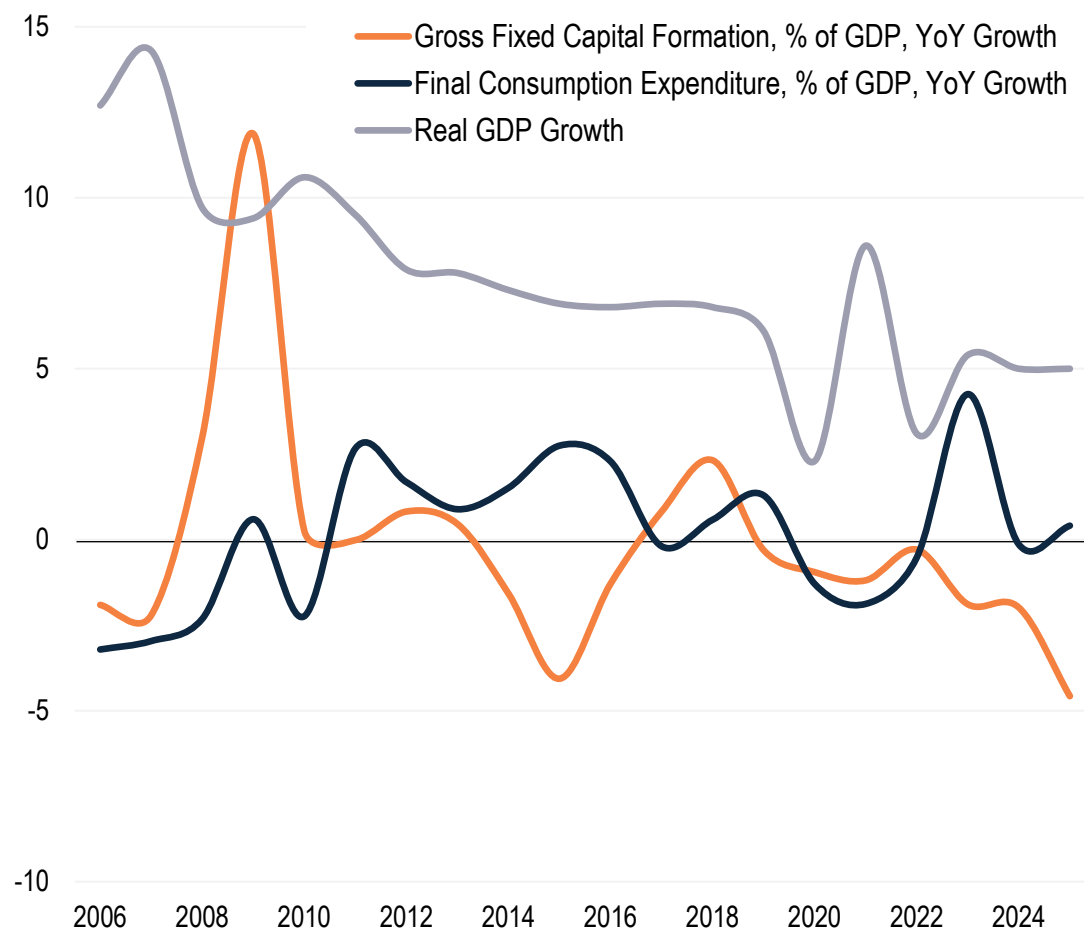
China GDP, Industrial Production, Trade and Inflation, Annual Change, % (2002-2025)



China's investment share of GDP has declined as economic rebalancing continues

Investment's contribution to GDP has weakened from earlier highs, while consumption has gained ground more gradually. The latest figures point to continued adjustment rather than a completed transition to consumption-led growth

China GFCF vs FCE vs Real GDP Growth, YoY Change, % (2006-2025)

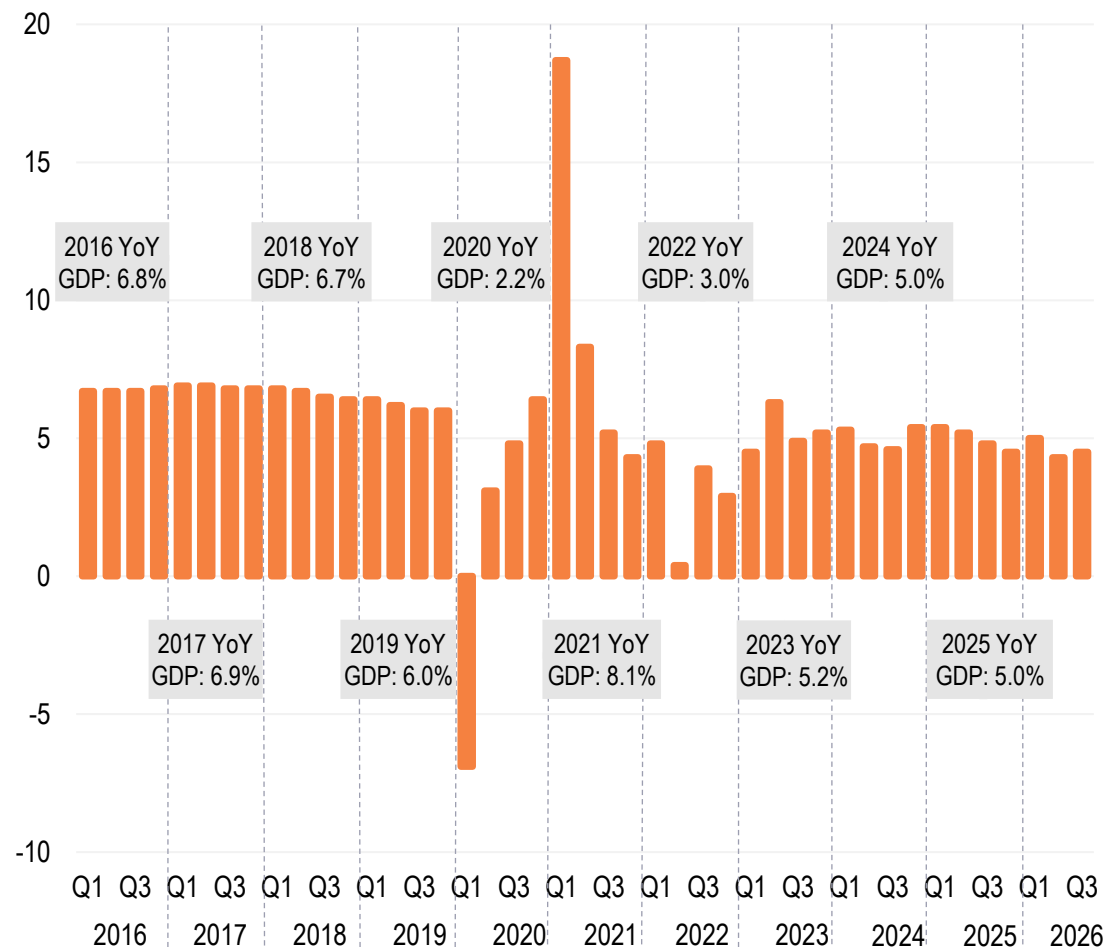


Timeline of Key Developments in China's Economic Growth (2006-2025)

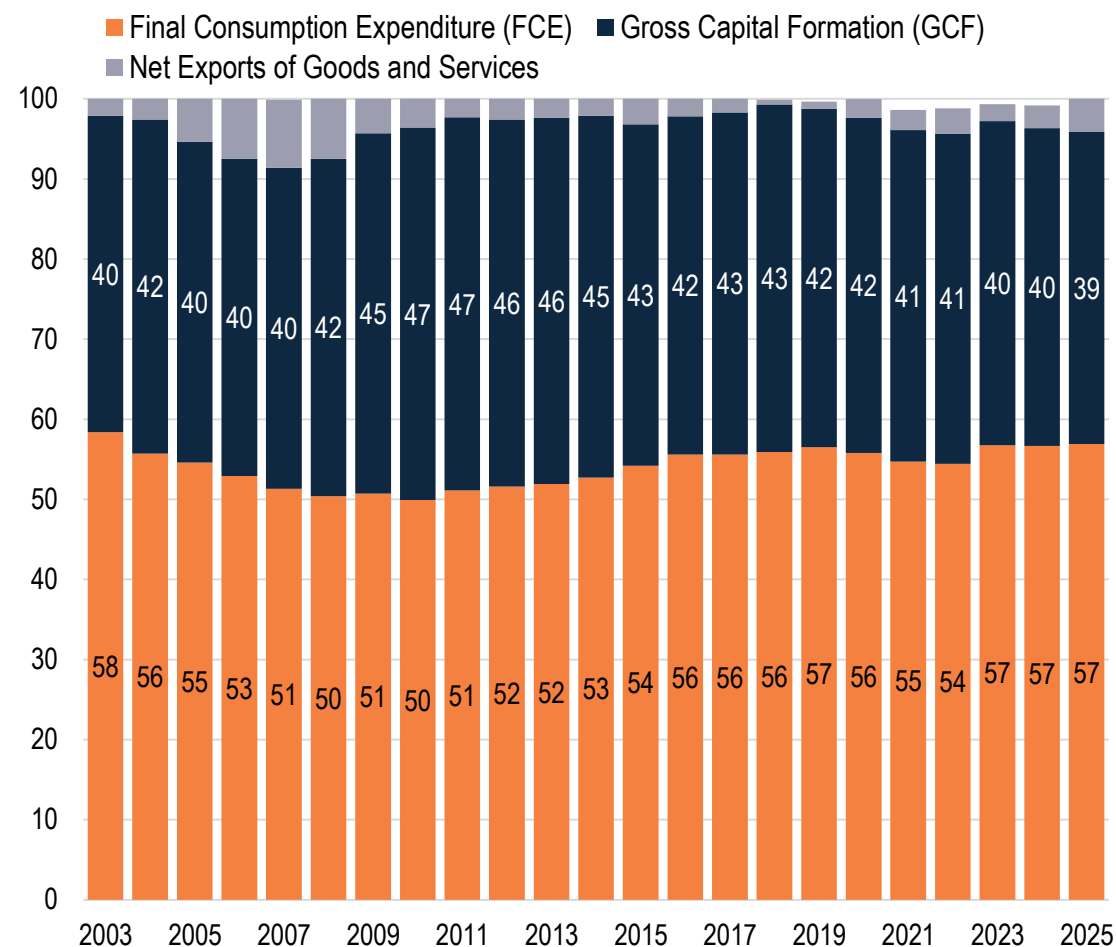
- 2006-2010: Investment-dominated growth, peaking post-Global Financial Crisis with a 12% surge in GFCF as a share of GDP in 2009
- 2011-2014: Consumption share began a slow, steady climb, while investment plateaued at historically high levels
- 2015: An inflexion point, with the GFCF share contracting 4%, reflecting early structural shifts away from heavy industry
- 2016-2019: Final Consumption consistently gained share, while GFCF momentum faded, mirroring rebalancing efforts
- 2020: COVID-19 disrupted both consumption and investment, but the initial recovery leaned back on infrastructure-led stimulus
- 2021-2022: Recovery was uneven; investment stabilised, but consumption remained constrained by mobility restrictions and uncertainty
- 2023: A pivotal year, with Final Consumption Expenditure jumping 6.8%, driving the bulk of GDP growth for the first time in two decades
- 2024-2025: Rebalancing became more uneven as consumption momentum faded and investment weakened further; by 2025, FCE growth had slowed to 0.4% while GFCF contracted 4.6%

China's GDP growth has stabilised near 5% as consumption gains ground over investment
Quarterly growth has settled into a narrower range following the pandemic, while consumption's share of GDP has risen to 57%, compared with 39% for capital formation in 2025

China Quarterly YoY GDP Growth Rate, % (Q1 2017-Q3 2026)

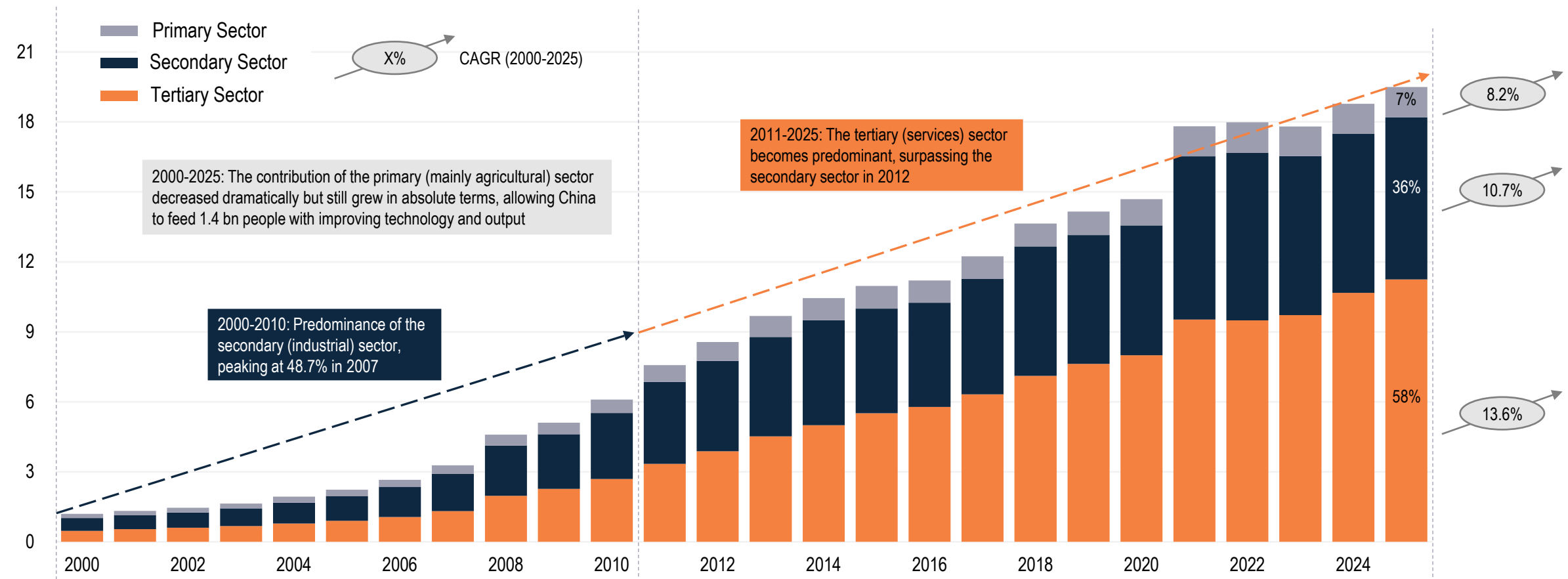


China GDP by Component, % of GDP (2003-2025)



Services now dominate China's economy, although industry remains a major source of output
The tertiary sector has expanded to approximately 58% of GDP, overtaking the secondary sector in 2012 and continuing to grow alongside China's substantial manufacturing base

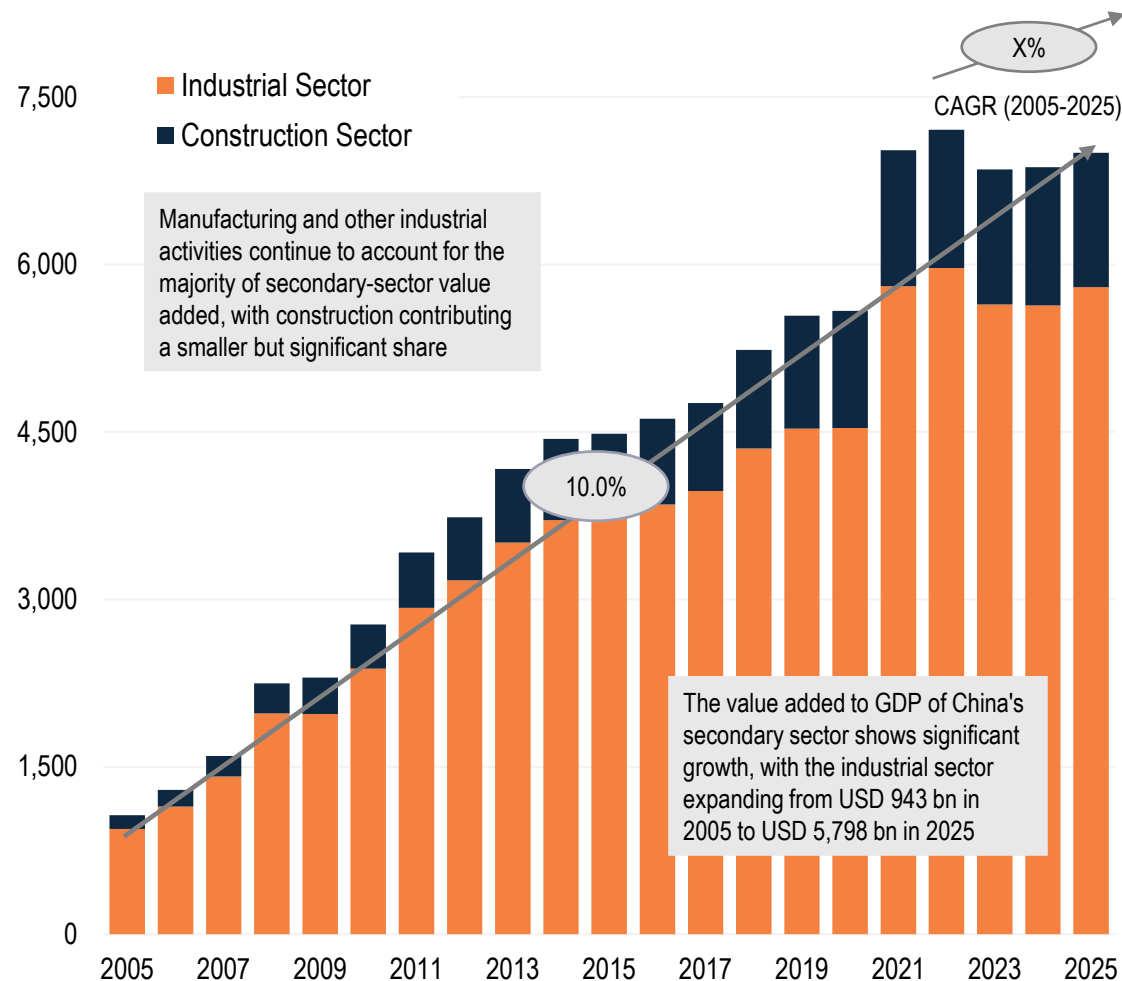
China GDP Composition by Sector, USD tn (2000-2025)



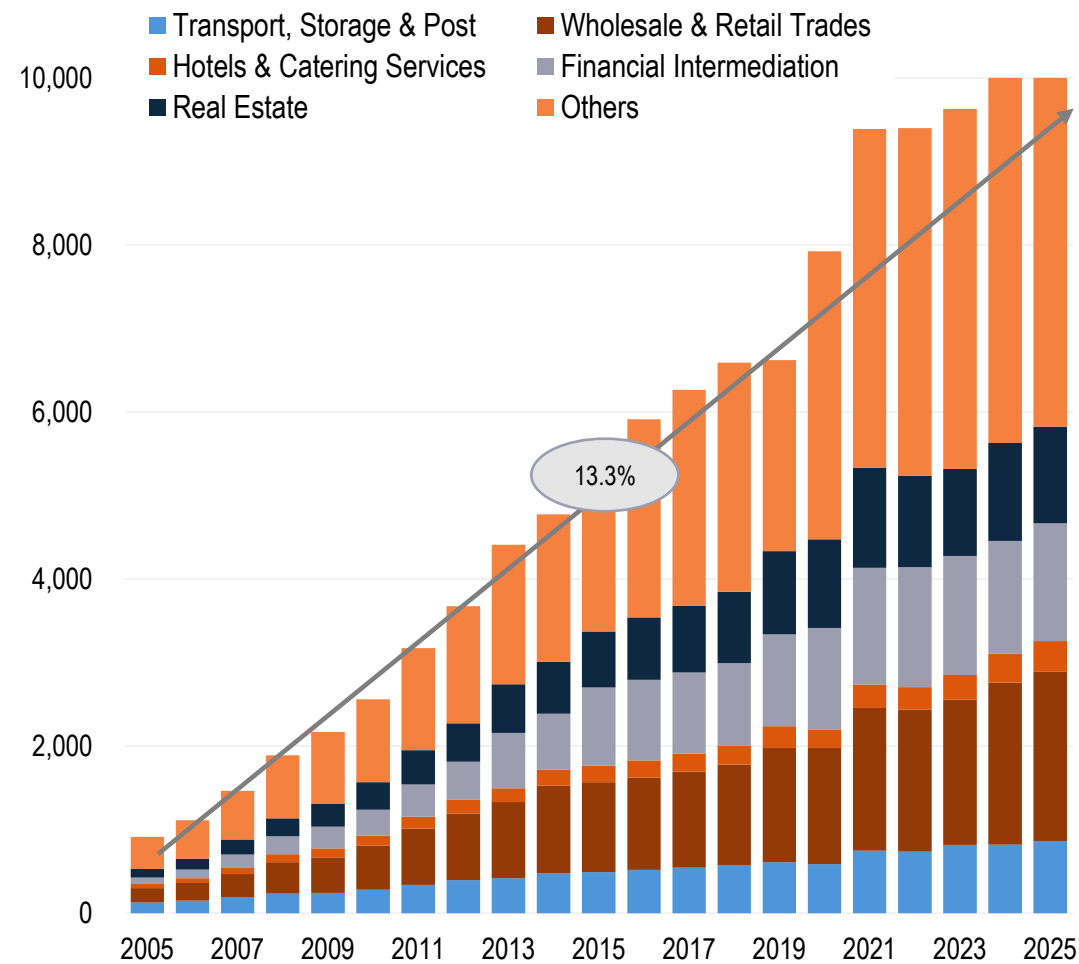
China's economy has shifted towards services without losing its industrial foundations

The tertiary sector has grown faster than the secondary sector since 2005, reflecting the expansion of consumer, business and financial services alongside China's established industrial base

China Secondary-Sector Value Added by Industry, USD bn (2005-2025)

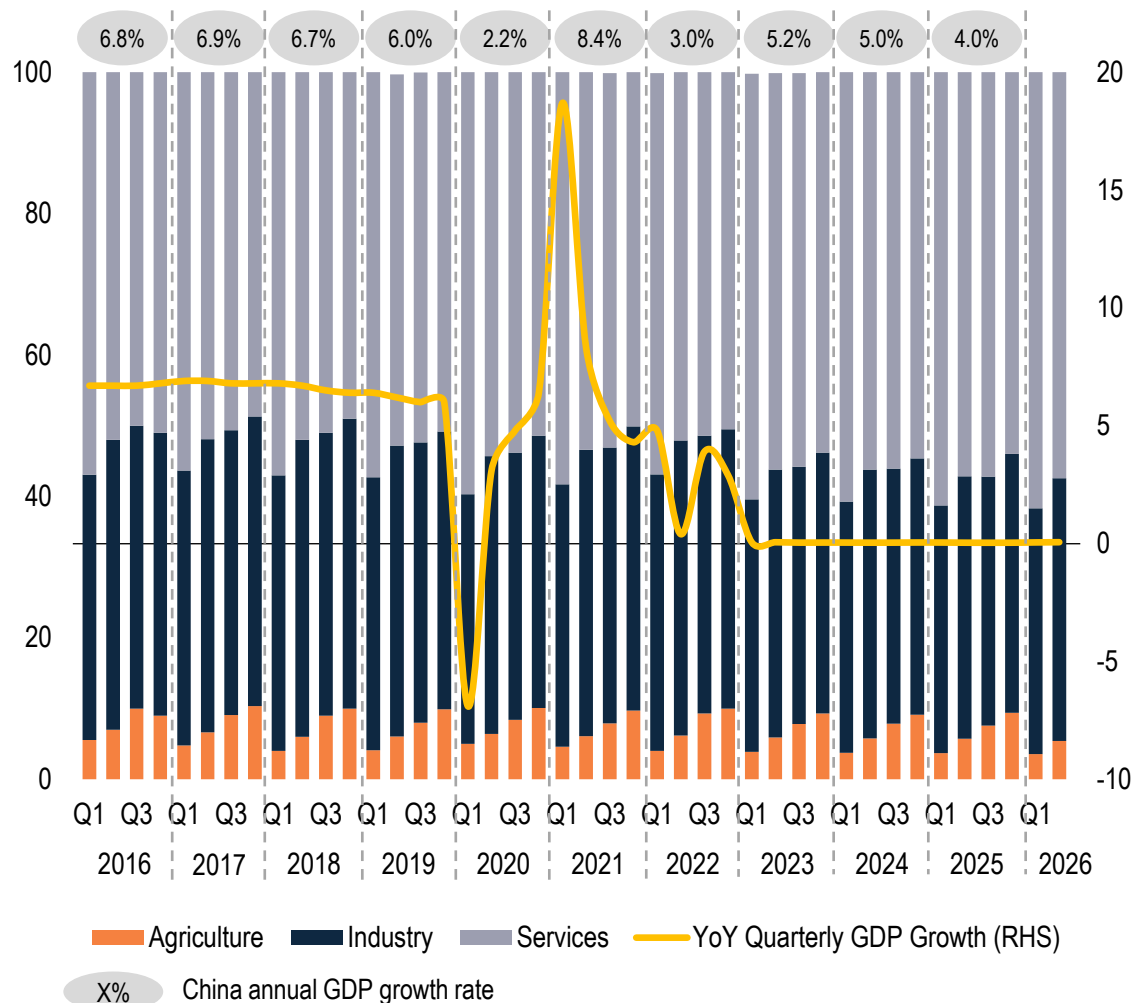


China Tertiary-Sector Value Added by Industry, USD bn (2005-2025)

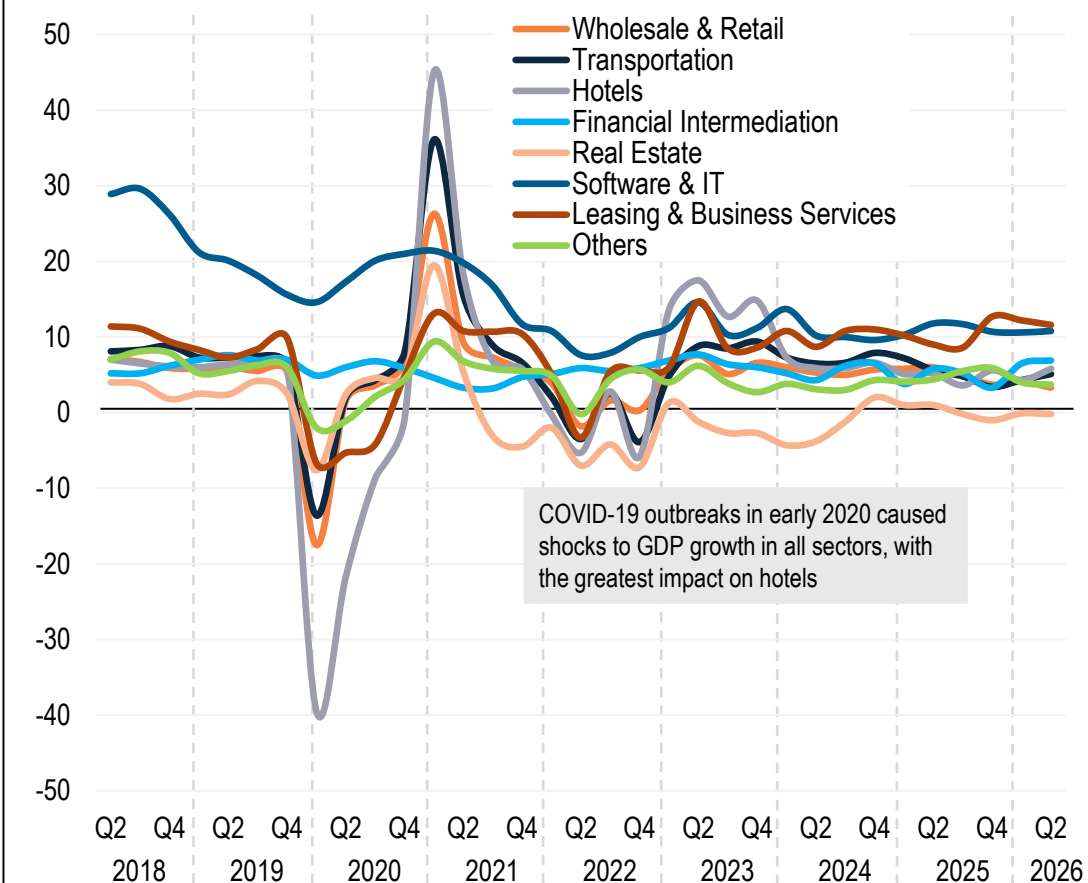


Services account for 57% of China's GDP, with growth varying considerably across industries
Software & IT, business services, transportation and financial activities have supported the expansion of China's services economy, although individual segments have experienced markedly different growth trajectories since the pandemic

China GDP by Sector and Growth Rate, % (Q1 2016-Q2 2026)

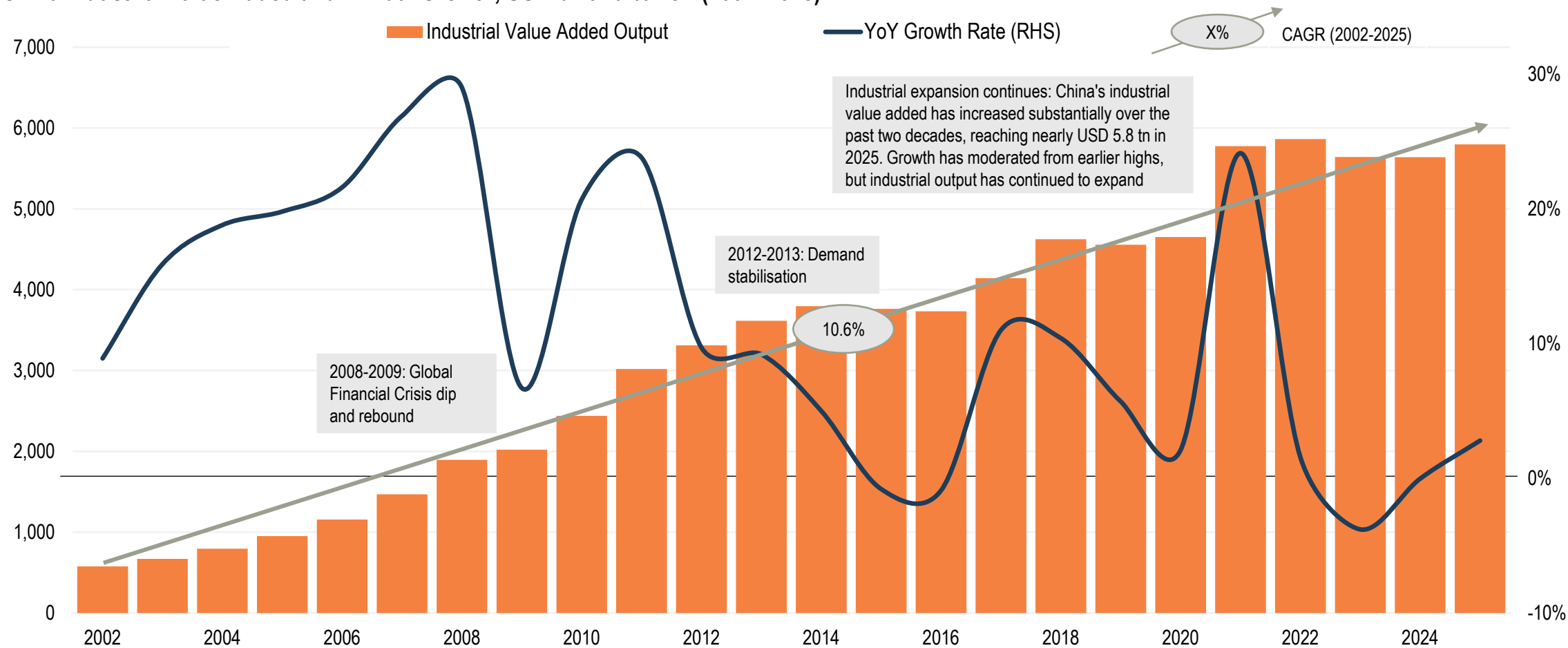


China Service Sector Segments GDP Growth Rates, YoY % (Q1 2018-Q2 2026)



China's industrial base has expanded dramatically, even as growth momentum has moderated
Industrial value added has risen from around USD 600 bn in 2002 to nearly USD 5.8 tn in 2025, although annual growth has become more volatile and generally slower than during China's earlier industrial expansion

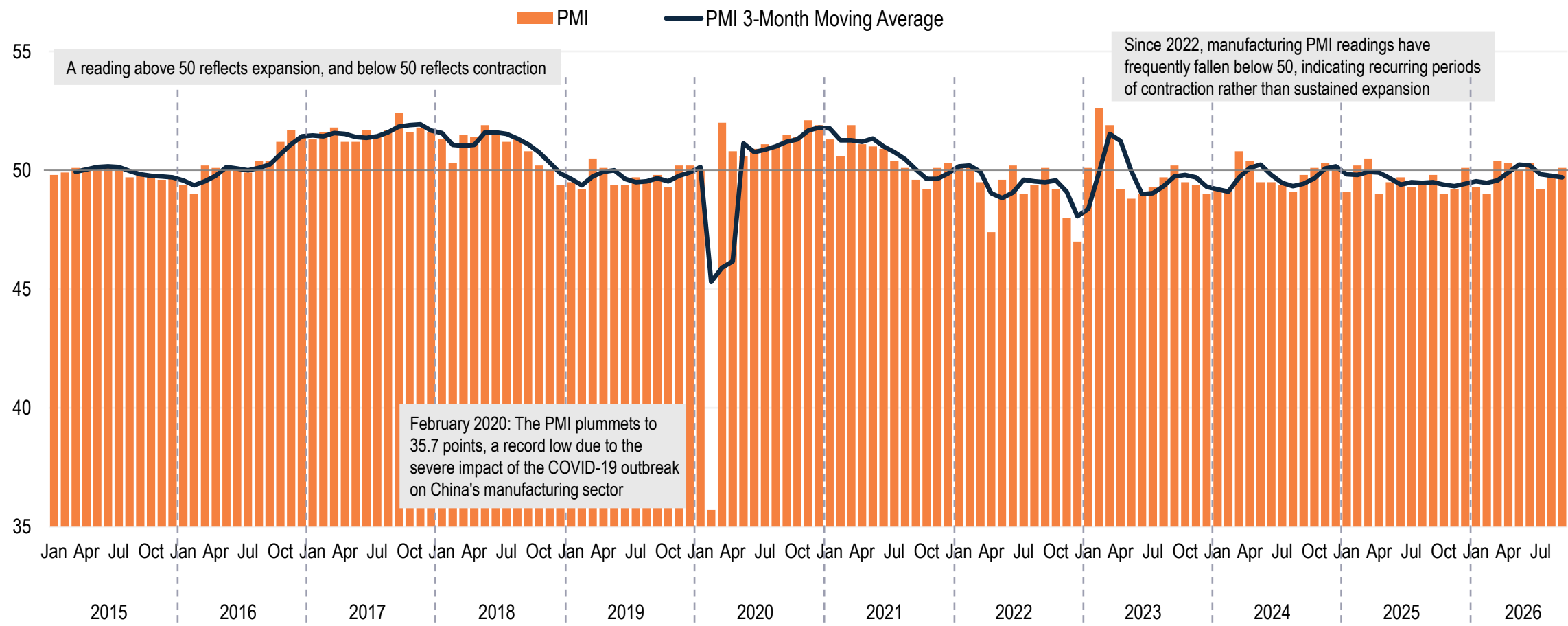
China Industrial Value Added and Annual Growth, USD bn and % YoY (2002–2025)



China's manufacturing PMI has struggled to sustain expansion since 2022

Manufacturing activity has fluctuated around the 50-point threshold in recent years, with repeated periods of contraction highlighting uneven momentum despite continued growth in industrial output

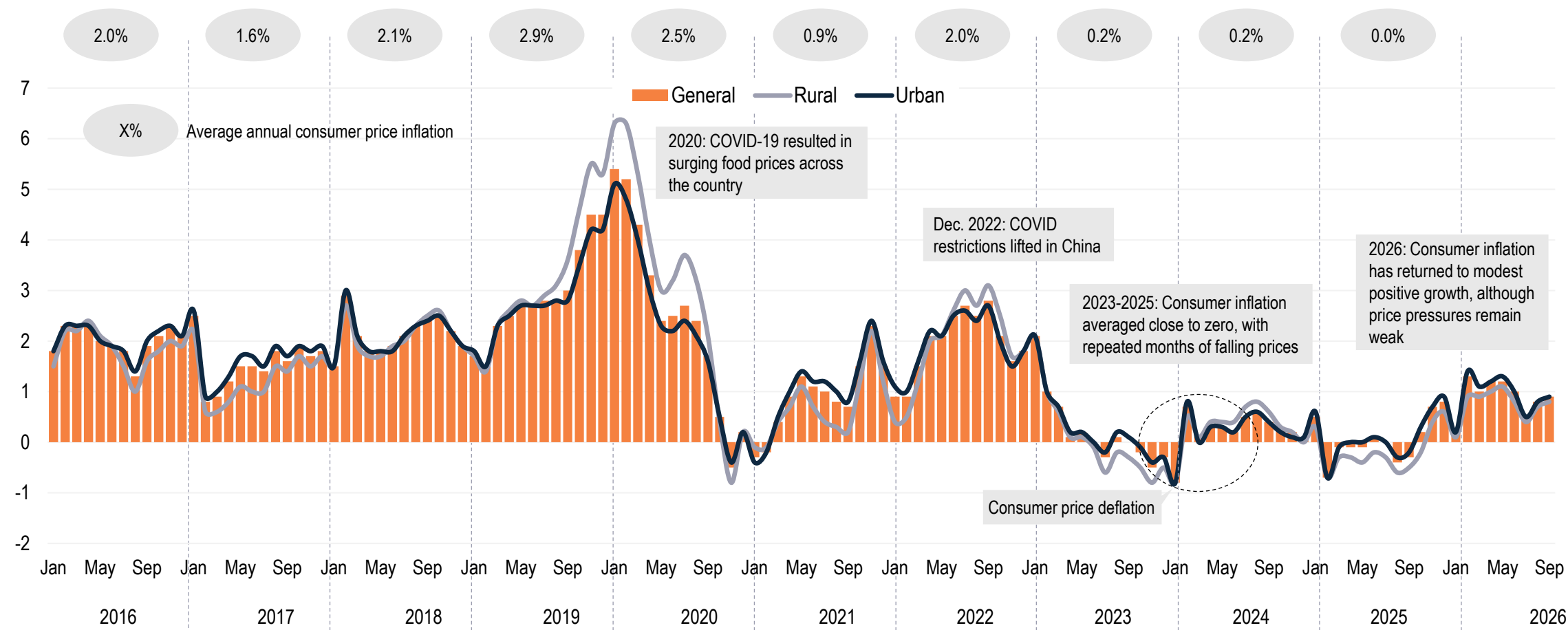
China Manufacturing Purchasing Managers' Index (Jan. 2015-Sep. 2026)



China's consumer inflation remains subdued despite a modest recovery in 2026

After three years of near-zero inflation and intermittent price declines, consumer prices have begun rising again, although inflation remains well below the levels recorded before the pandemic

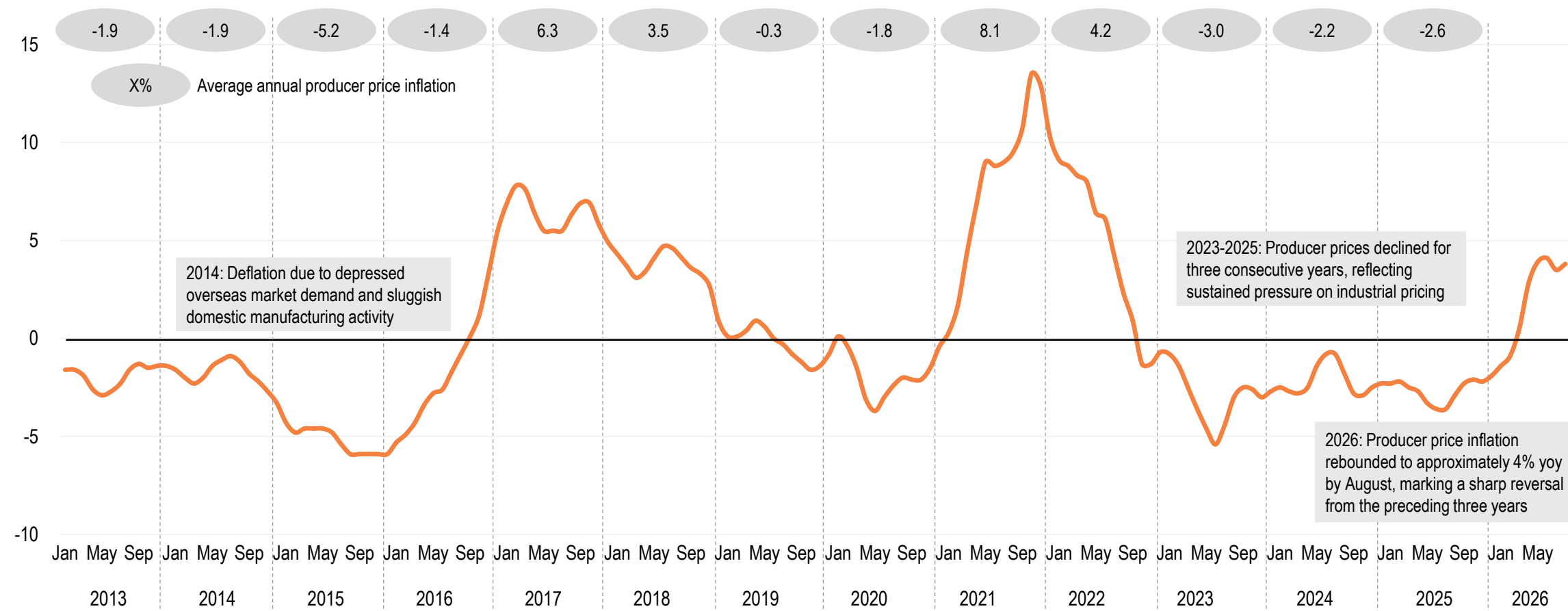
China Consumer Price Inflation, % YoY (Jan. 2016-Sep. 2026)



China's industrial deflation has given way to a producer price recovery in 2026

After three years of falling factory-gate prices, the PPI has moved decisively into positive territory, contrasting with the more subdued recovery in consumer inflation

China Producer Price Index, % YoY (Jan. 2013-Aug. 2026)



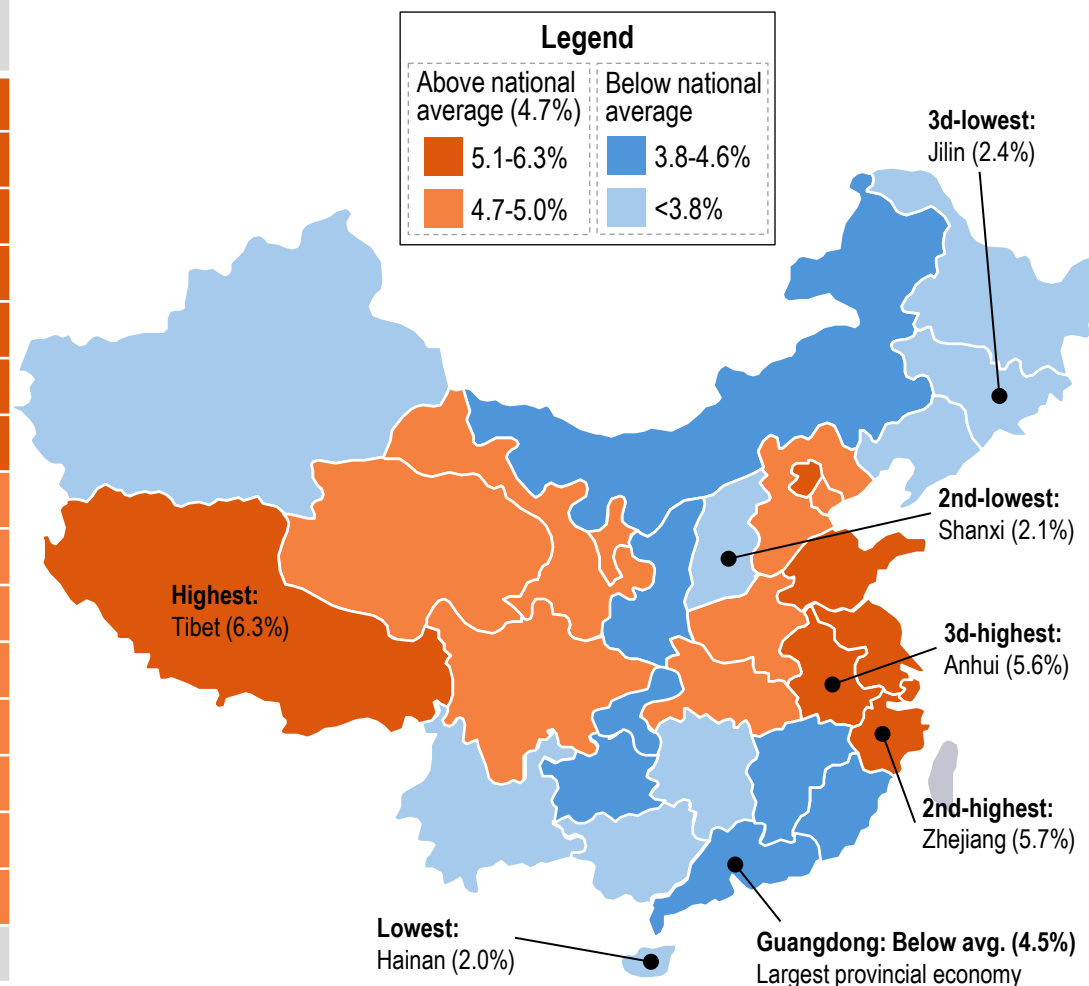
The chart displays the annual percentage change in the U.S. Producer Price Index (PPI) for seven sectors from February 2016 to June 2026. The Y-axis represents the percentage change, ranging from -25% to 80% in increments of 15%. The X-axis shows time in quarters, with labels for February, June, and October for each year from 2016 to 2026. The sectors are: Mining & Quarrying (orange), Raw Materials (dark blue), Processing (grey), Food (brown), Clothing (light orange), Articles for Daily Use (dark blue), and Durable Consumer Goods (light blue). The Mining & Quarrying sector shows the most volatility, with a sharp peak of approximately 65% in late 2021 and a sharp decline to about -15% in early 2023. The Raw Materials sector also shows significant volatility, with a peak of about 25% in late 2021 and a decline to about -10% in early 2023. The other sectors show relatively stable growth, generally between 0% and 5%.

H2 2021: Global commodity inflation severely impacted PPI in mining sector

China's provincial growth map shows an East-West growth corridor from Tibet to Zhejiang
Tibet recorded the fastest growth at 6.3%, followed by Zhejiang, Anhui, Shandong and Shanghai, while several northeastern and southern provinces lagged the national average of 4.7%

China GDP by Province/Administrative Unit, YoY Growth % and USD bn (H1 2026)

Province / Admin. Unit	GDP, USD bn (H1 2026)	YoY Growth, % (H1 2026)
Tibet	23	6.3
Zhejiang	698	5.7
Anhui	399	5.6
Shandong	775	5.6
Shanghai	406	5.6
Beijing	384	5.4
Jiangsu	1,025	5.2
Henan	488	5.0
Hubei	457	5.0
Qinghai	30	5.0
Gansu	101	4.9
Ningxia	41	4.9
Hebei	352	4.8
Sichuan	490	4.8
Tianjin	133	4.8
National avg.	10,009	4.7

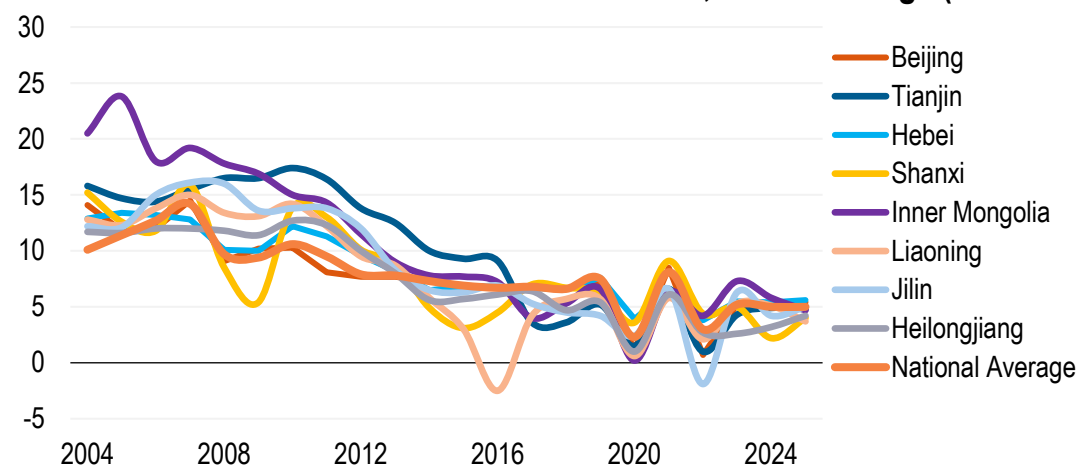


Province / Admin. Unit	GDP, USD bn (H1 2026)	YoY Growth, % (H1 2026)
Guangdong	1,053	4.5
Inner Mongolia	187	4.5
Chongqing	243	4.2
Fujian	427	4.0
Guizhou	175	4.0
Jiangxi	263	4.0
Shaanxi	255	3.8
Xinjiang	150	3.7
Guangxi	211	3.5
Heilongjiang	108	3.5
Hunan	394	2.7
Liaoning	236	2.5
Yunnan	236	2.5
Jilin	102	2.4
Shanxi	171	2.1
Hainan	56	2.0

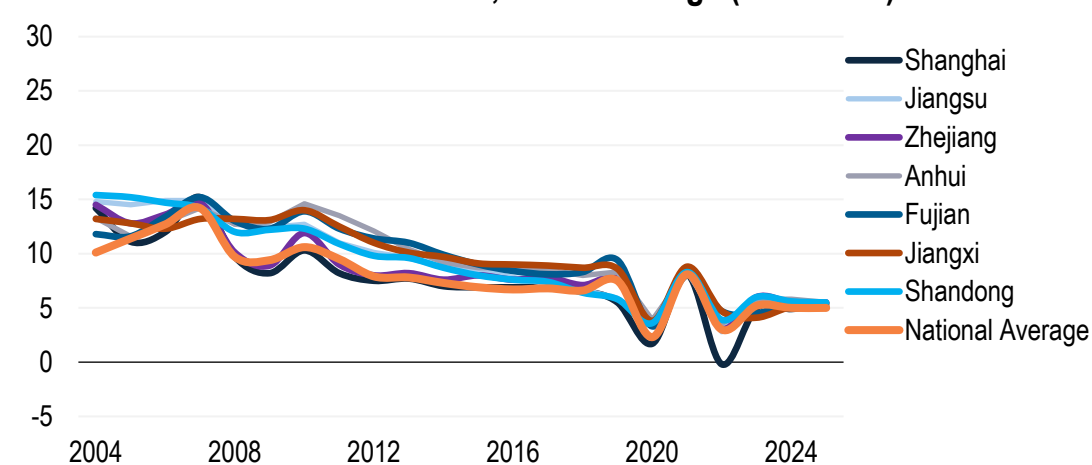
Provincial growth has converged towards more moderate rates across China

Growth rates that frequently exceeded 9% in the mid-2000s have generally settled closer to 5%, although differences between provinces remain significant

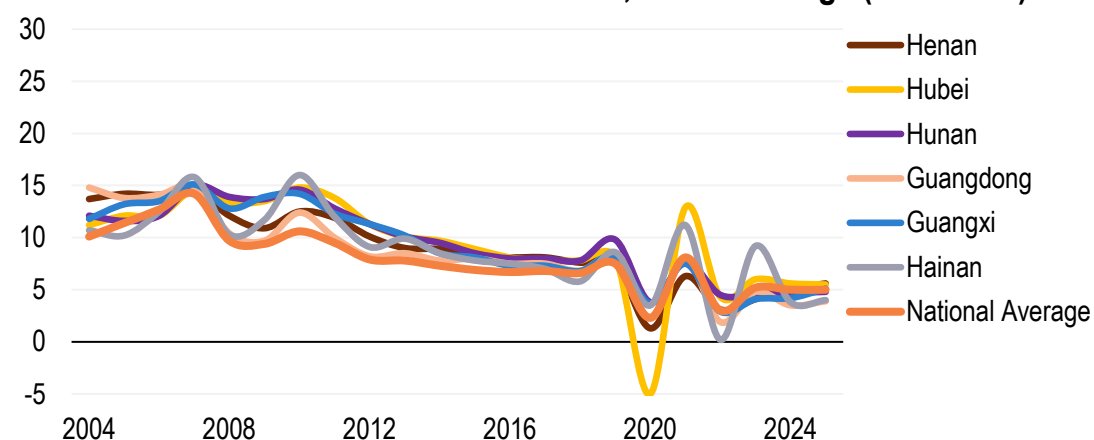
GDP of China Northern/Northeastern Provinces, YoY % Change (2004-2025)



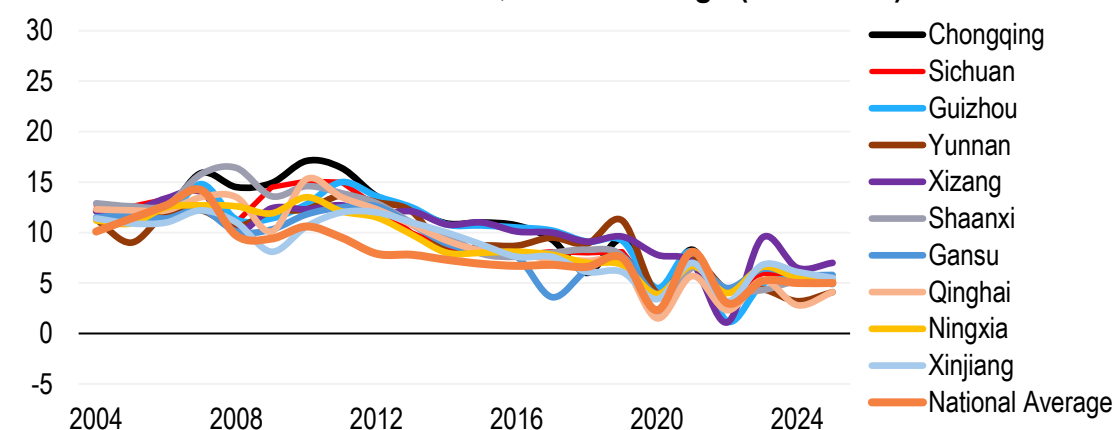
GDP of China Eastern Provinces, YoY % Change (2004-2025)



GDP of China Central/Southern Provinces, YoY % Change (2004-2025)



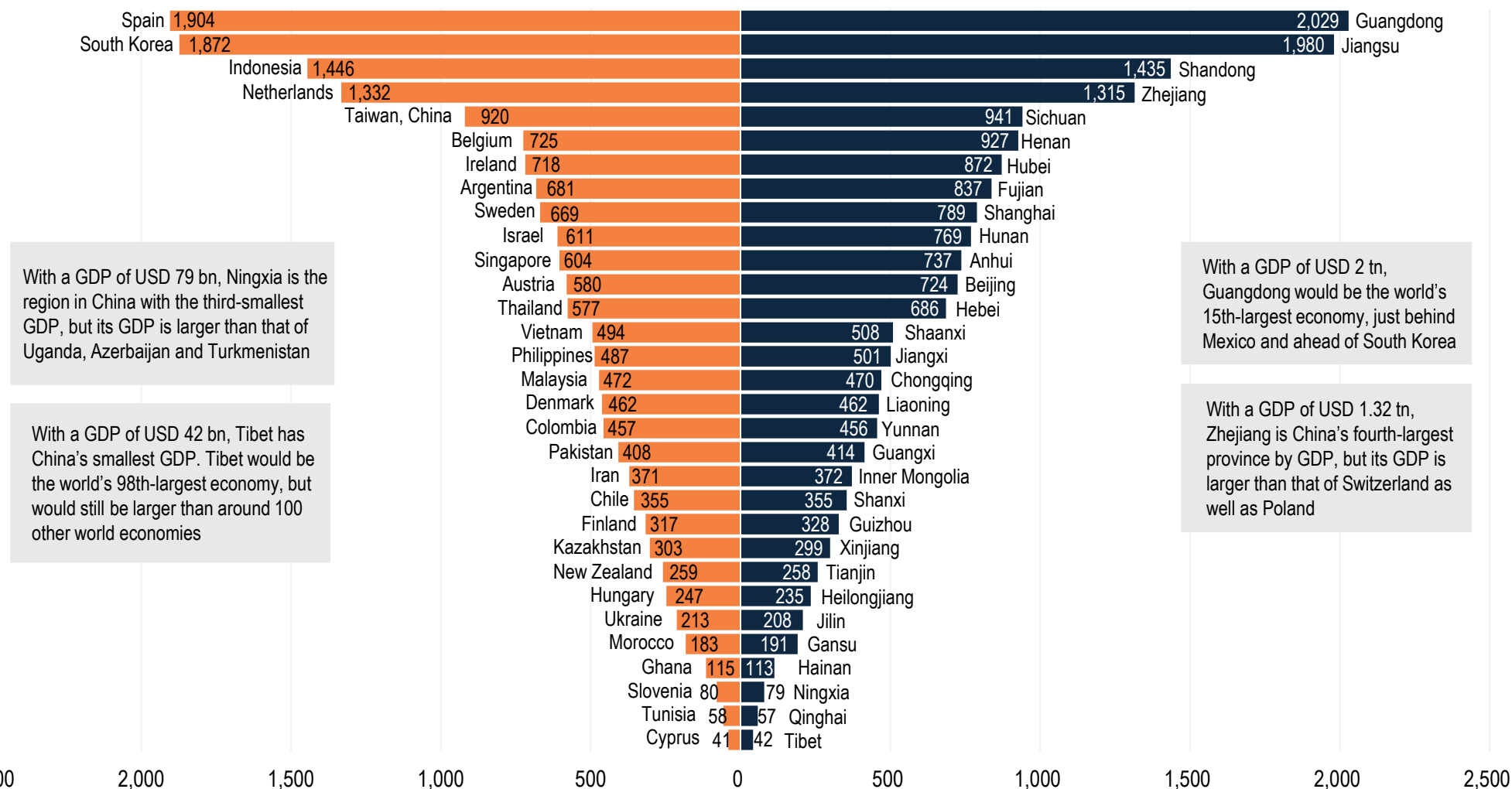
GDP of China Western Provinces, YoY % Change (2004-2025)



China's provinces have become economic titans in their own right

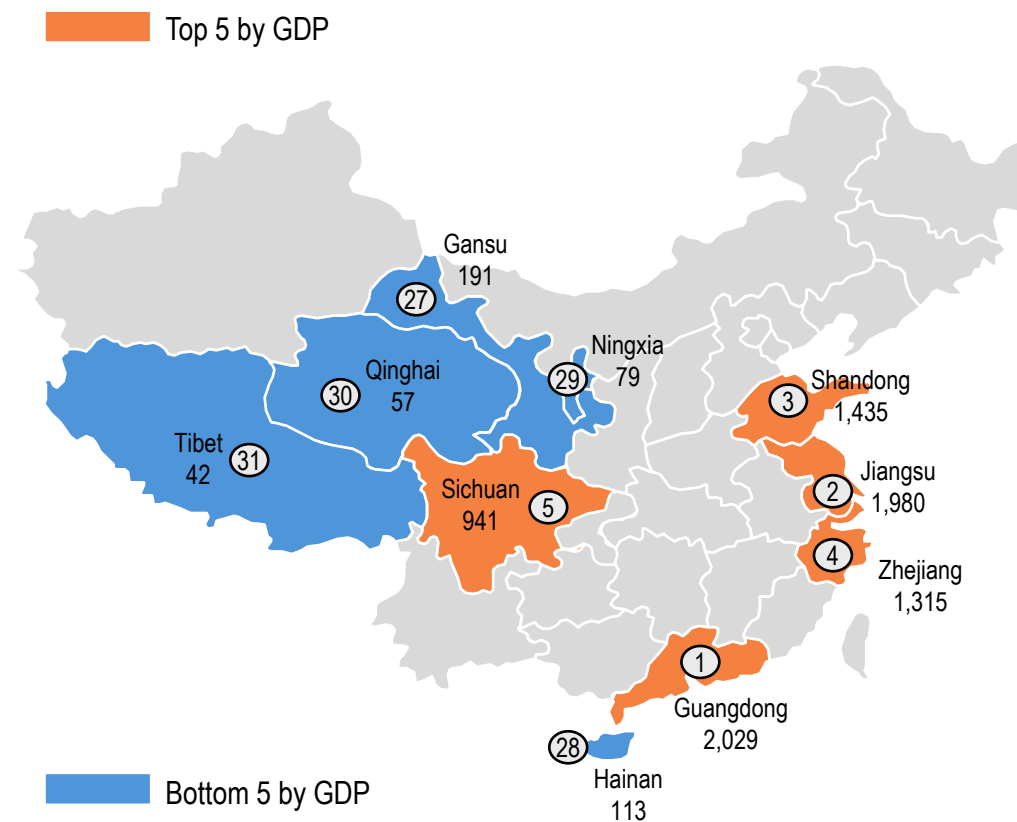
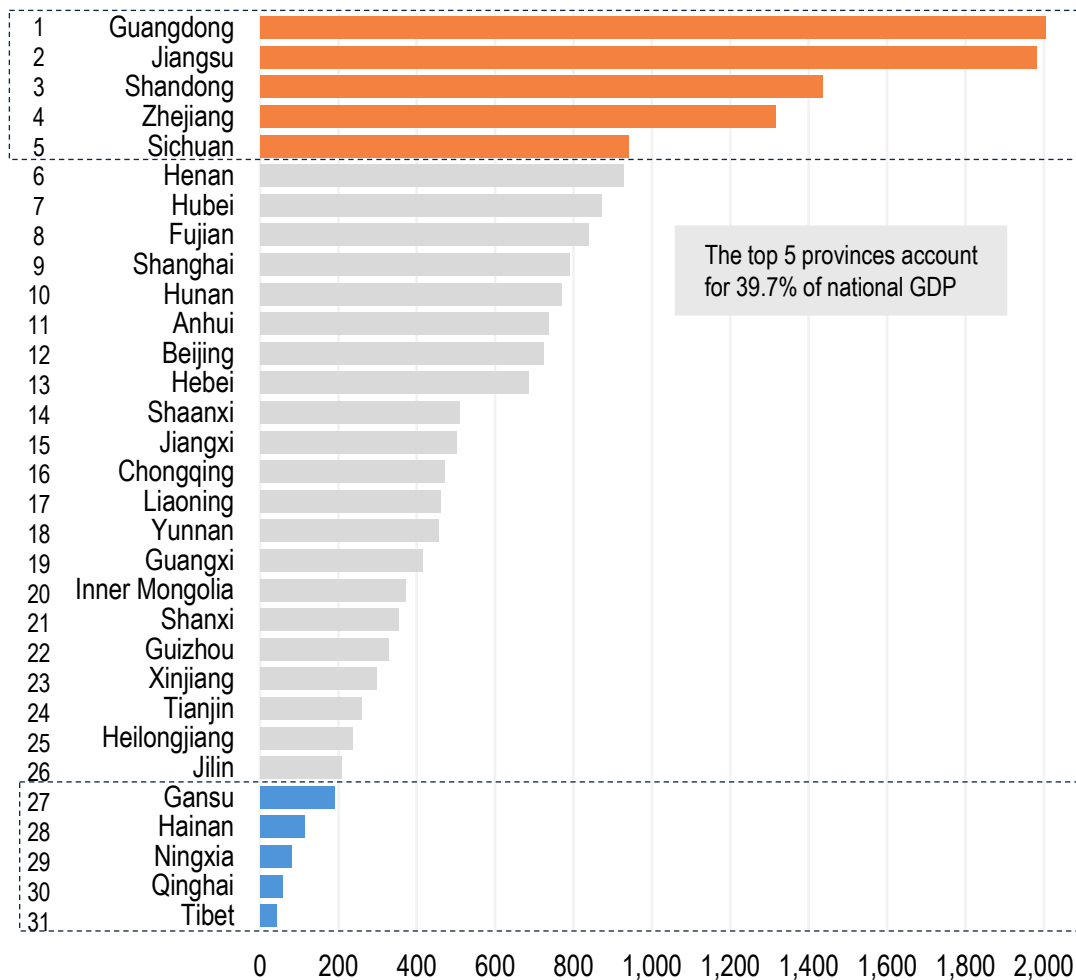
They have economic outputs comparable to those of entire countries: Guangdong's GDP is comparable to that of Spain, for example; Jiangsu is comparable to South Korea and Shandong to Indonesia

GDP Comparison of China's Provinces, Autonomous Regions and Municipalities vs Global Economies, USD bn (2025)



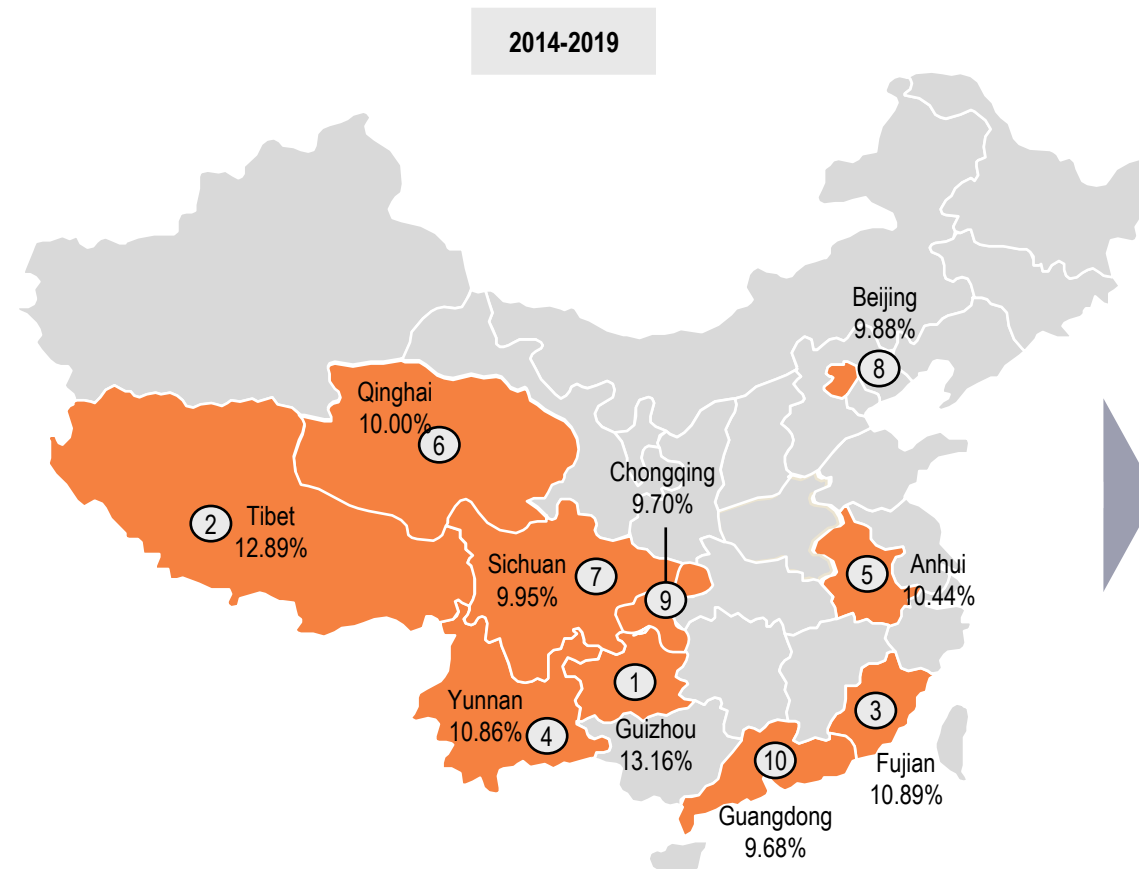
China's top five provinces (all in coastal regions except Sichuan) account for 40% of national GDP. The bottom five provinces, all in the western regions (except Hainan), only contribute 2%, starkly illustrating unequal stages of development, investment and infrastructure development.

China GDP by Province, Autonomous Region and Municipality, USD bn (2025)

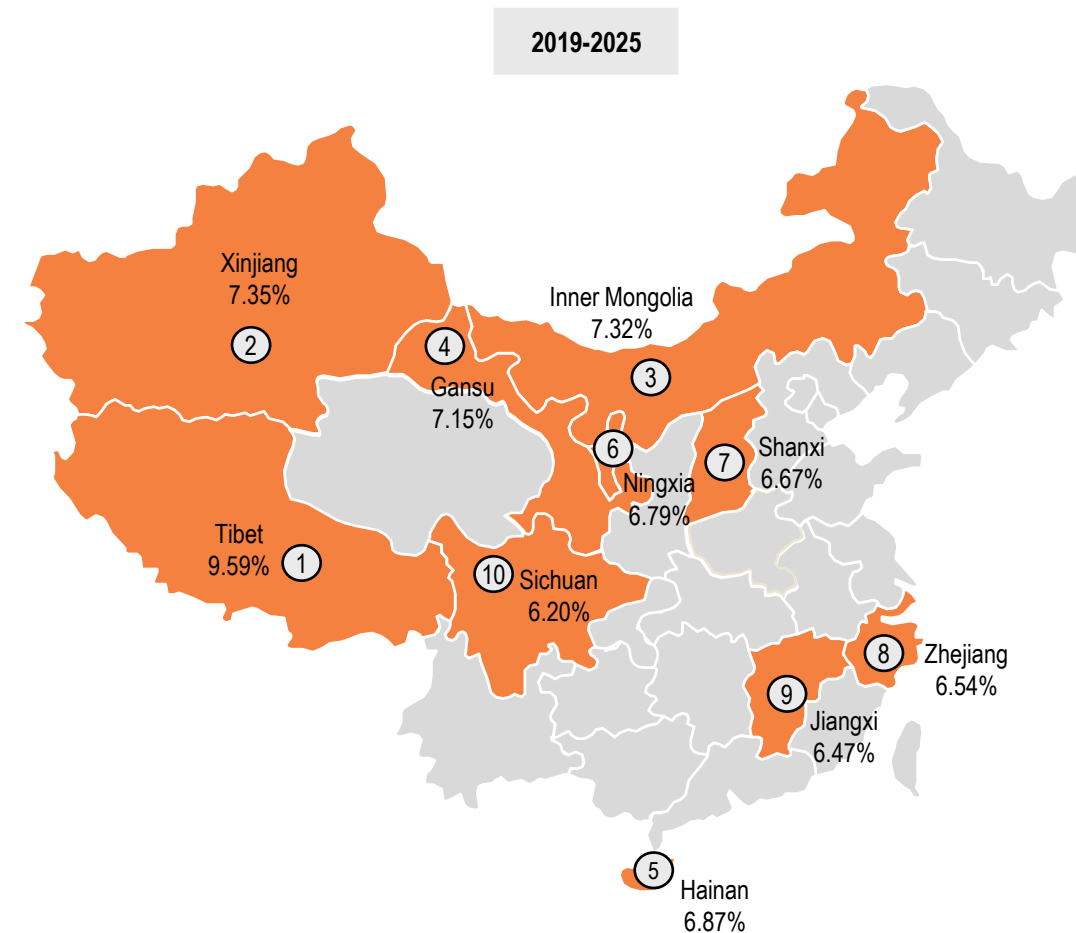


China's fastest-growing provincial economies have shifted between regions over the past decade
Tibet remained among the leading performers, while Xinjiang, Inner Mongolia and Gansu featured prominently during 2019-2025, illustrating a changing geographic pattern of economic expansion

China Fastest-Growing Provinces, Autonomous Regions and Municipalities
Nominal GDP CAGR (2014-2019)

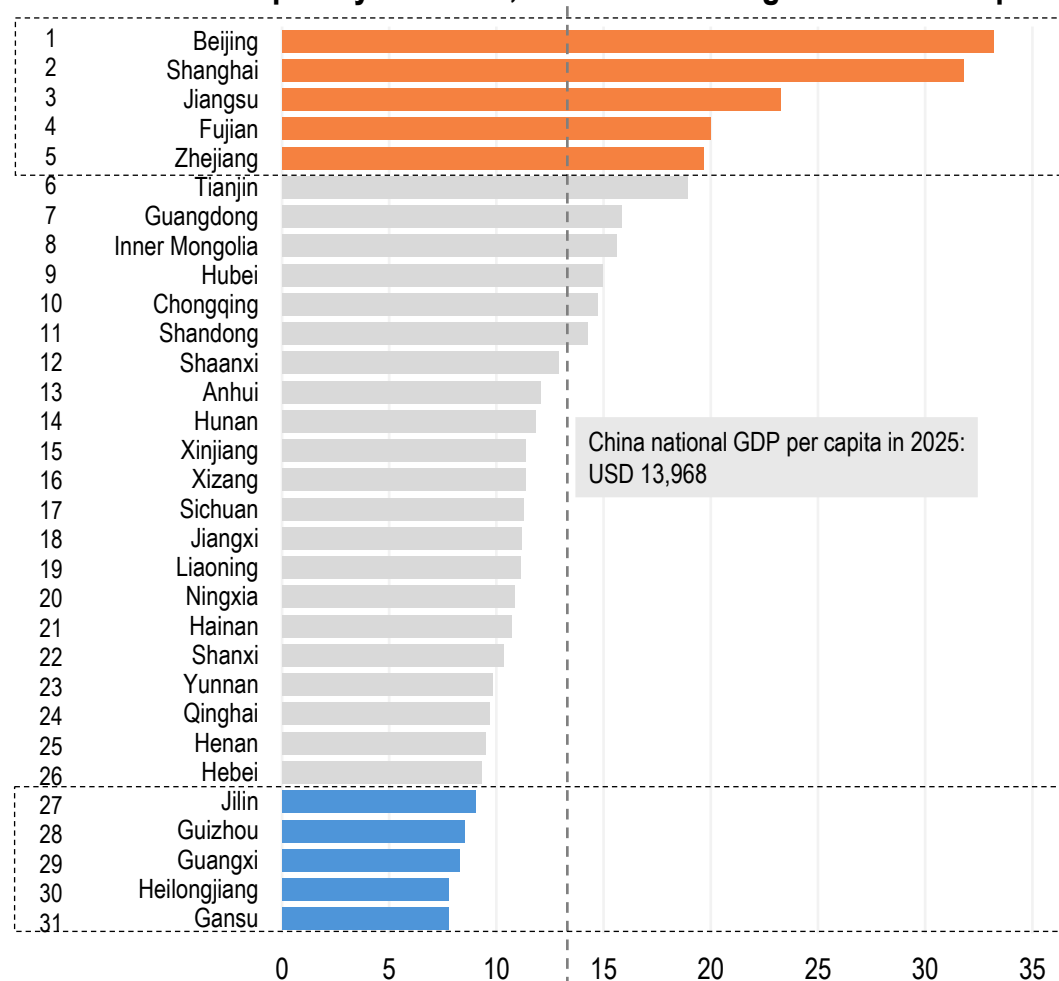


China Fastest-Growing Provinces, Autonomous Regions and Municipalities
Nominal GDP CAGR (2019-2025)



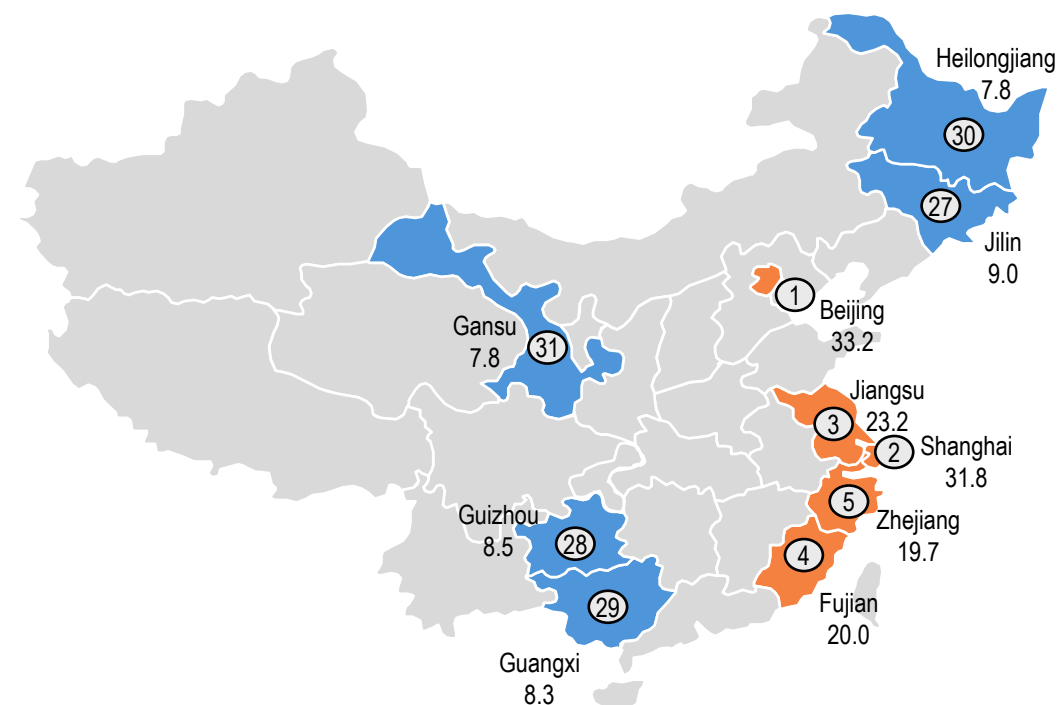
The highest GDP per capita in China remains concentrated in Beijing & Shanghai (>USD 30,000)
Followed by the eastern coastal provinces; western, southwestern and northern regions remain substantially below the leading eastern municipalities and provinces

China GDP Per Capita by Province, Autonomous Region and Municipality, USD '000 (2025)



Top 5 by GDP Per Capita

Bottom 5 by GDP Per Capita



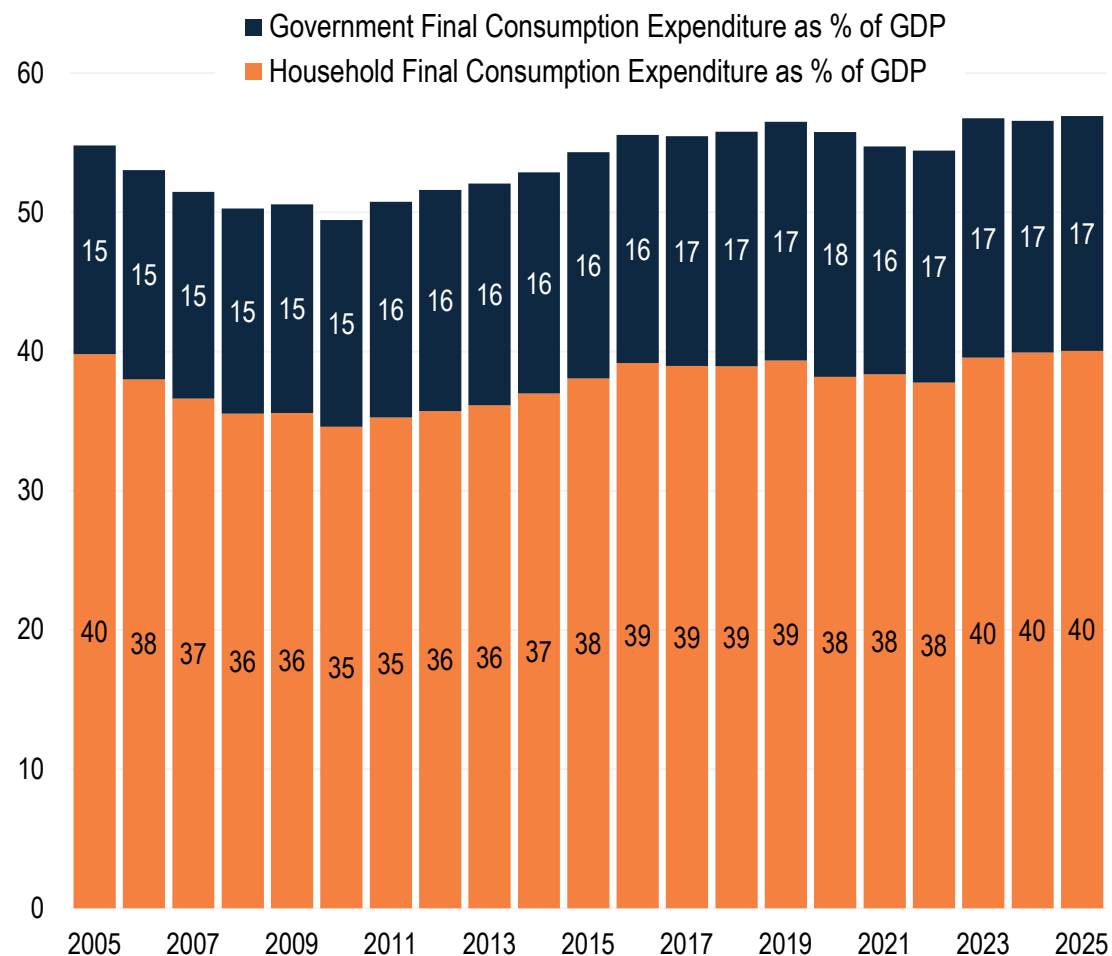
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. **China in Depth**
 - Growth Indicators
 - **Consumption**
 - Investment
 - Government Expenditure
 - Trade
 - Financial Indicators
 - Social Indicators
5. China in the World
6. Conclusions, Implications and Recommendations



China's household consumption remains low relative to GDP, limiting the shift towards domestic demand. Household consumption accounted for approximately 40% of China's GDP in 2025, compared with 17% for government consumption. Despite modest gains since the 2010s, the household share remains low by international standards.

China Final Consumption Expenditure as % of GDP (2005-2025)

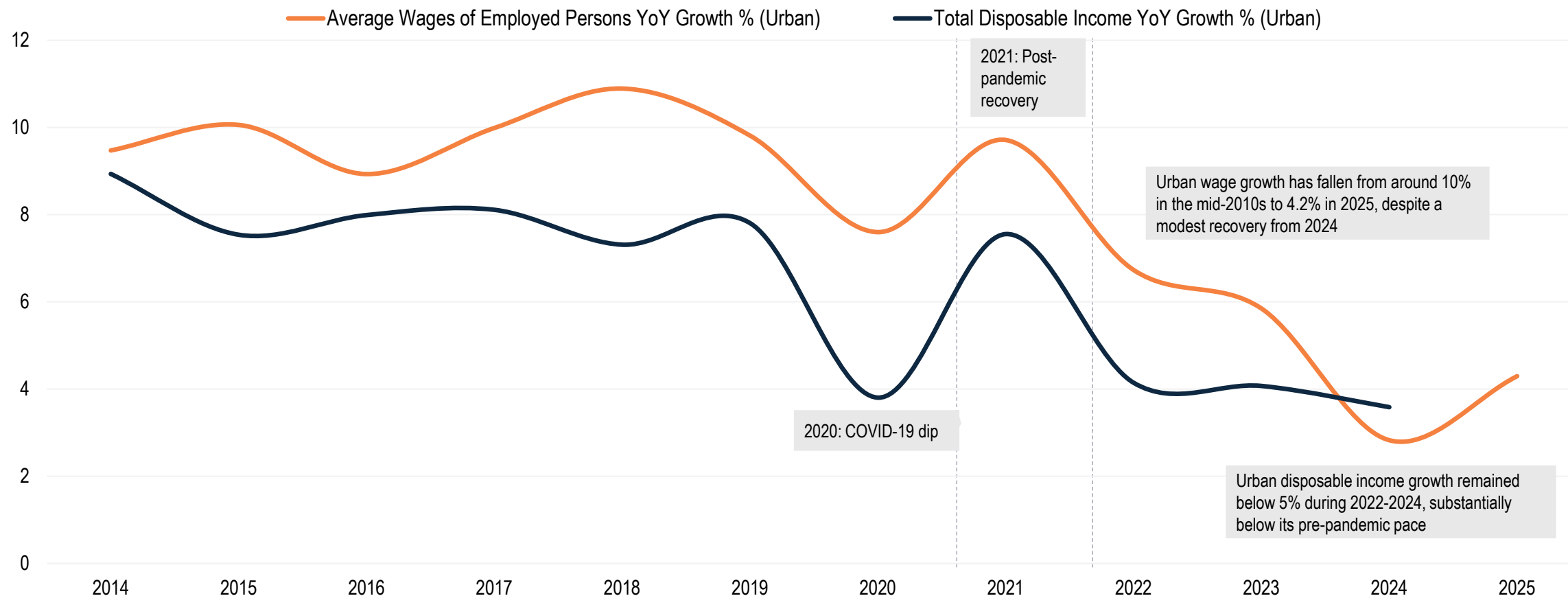


China's Consumption Imbalance

- One of the characteristics of China's economy is the underdeveloped contribution of household consumption to GDP growth compared to government consumption.
- In 2024, household consumption accounted for approximately 40% of GDP and government consumption for 17% of GDP, a ratio of about 2.3:1. In the U.S., by contrast, the ratio is around 4:1.
- The deficient role of household expenditure in China's economy is partly due to a legacy of export- and investment-led growth policy and significant government spending in key sectors of the economy, and partly a reflection of structural issues (such as high precautionary saving) and weak consumer confidence.
- China's government considers low household consumption a structural weakness and is pursuing a policy of rebalancing the economy to shift the focus towards domestic demand.
- China doubled the subsidies on the consumer trade-in programme to RMB 300 billion (USD 41.5 billion) in 2025 to boost domestic consumption.
- Some of China's Asian neighbours have developed economies built on domestic consumption
 - In the Philippines, for example, which has a relatively large and growing population, household consumption accounts for more than 70% of the country's GDP.
 - In Indonesia, household consumption accounts for approximately 56% of GDP, which is still considerably higher than in China.

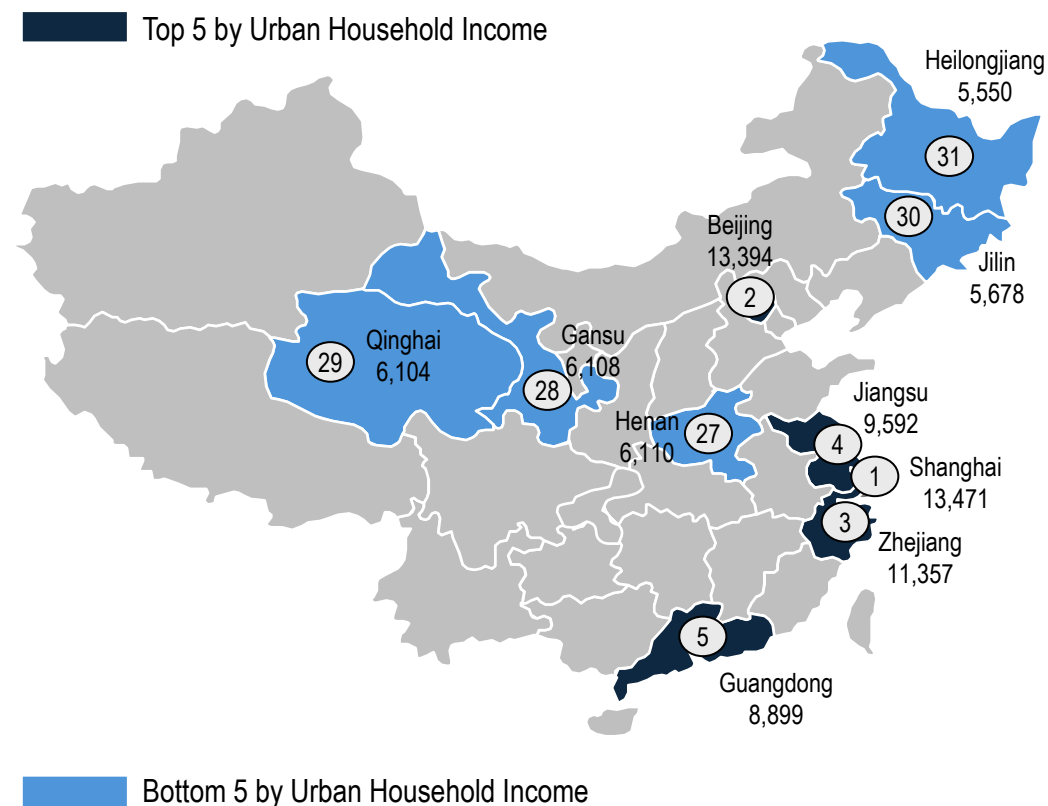
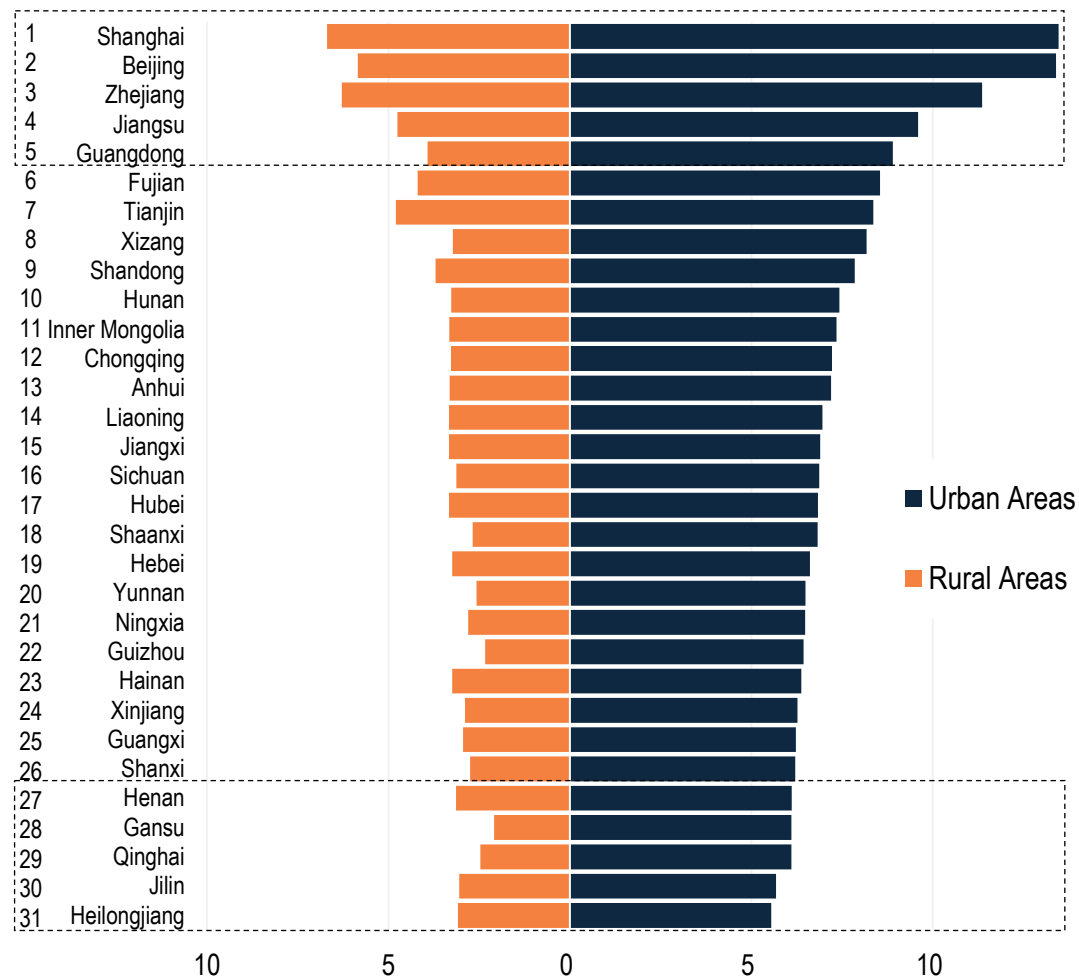
China's urban wage and income growth has slowed, weighing on household spending potential
Urban wage growth fell from around 10% in the mid-2010s to 4.2% in 2025, while disposable income growth remained below 5% during 2022-2024, highlighting persistent constraints on household purchasing power

China Urban Wage and Disposable Income Growth, % YoY (2014-2025)



Beijing and Shanghai lead China in disposable income, highlighting persistent regional disparities
Urban disposable income is highest in Beijing, Shanghai and the more developed eastern provinces, while northern, western and southwestern regions generally record substantially lower income levels

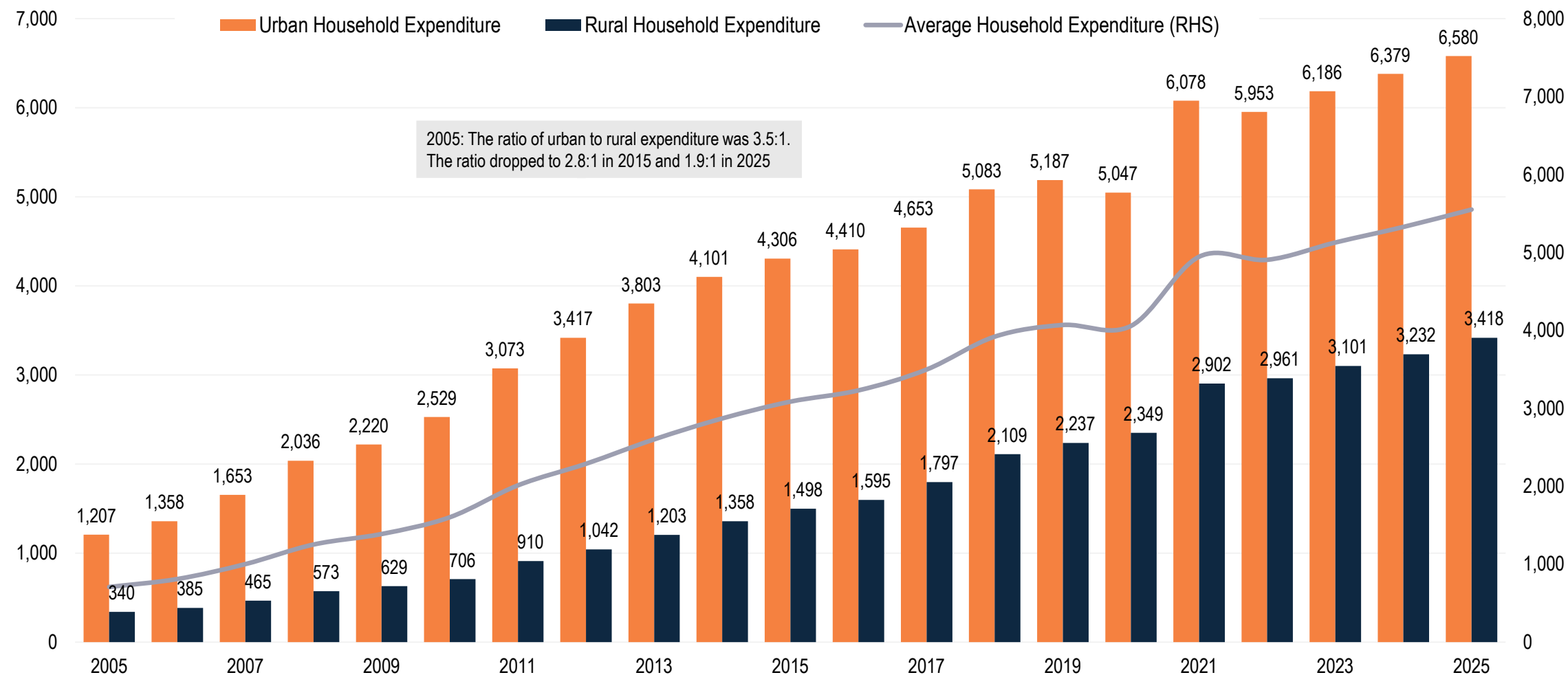
China Urban and Rural Disposable Income per Capita by Province, Autonomous Region and Municipality, USD '000 (2025)



Urban household expenditure is still twice the value of rural household expenditure

The gap has narrowed since 2005, but still reflects the persistent urban-rural divide, with better services and opportunities available in the cities and lower prices prevailing in the countryside

China Household Consumption Expenditure Per Capita, USD (2005-2025)



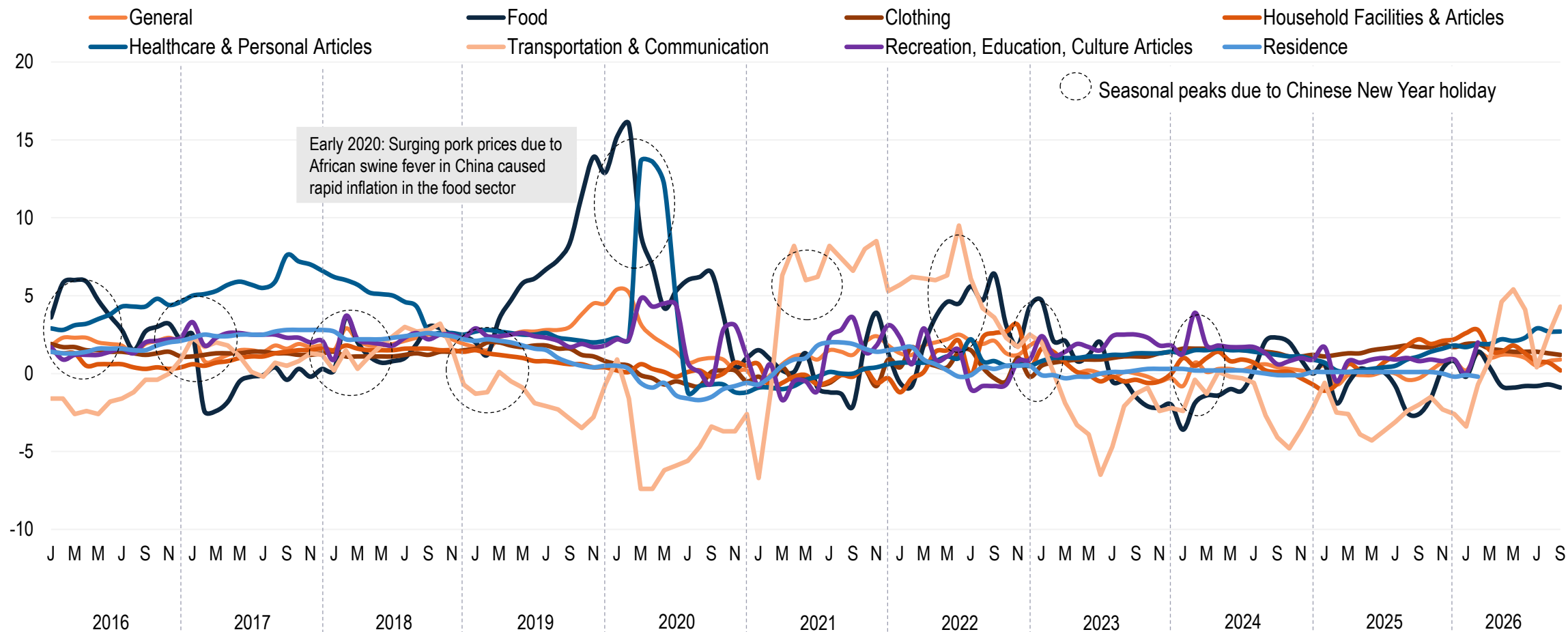
Food & housing dominate household spending; discretionary categories recorded faster growth in 2025
Food, tobacco and liquor accounted for USD 1,201 per capita, followed by housing at USD 890. Miscellaneous goods & services, education & recreation, and transportation & telecommunications recorded the strongest expenditure growth

China Household Consumption Expenditure Per Capita by Category, USD (2025)

	Urban		Rural		National Average	
Category	USD Per Capita	YoY Growth, %	USD Per Capita	YoY Growth, %	USD Per Capita	YoY Growth, %
Food, Tobacco & Liquor	1,412	2.0	895	5.3	1,201	2.6
Clothing	270	1.5	139	3.2	216	2.2
Residence	1,126	1.1	549	3.9	890	2.1
Household Facilities, Articles & Services	283	6.8	159	9.2	232	7.7
Transportation & Telecommunication	730	7.7	410	8.9	599	8.3
Education, Culture & Recreation	598	9.4	323	8.3	485	9.4
Health Care & Medical Services	408	0.2	286	2.0	358	1.0
Miscellaneous Goods & Services	162	11.1	58	9.0	119	11.2

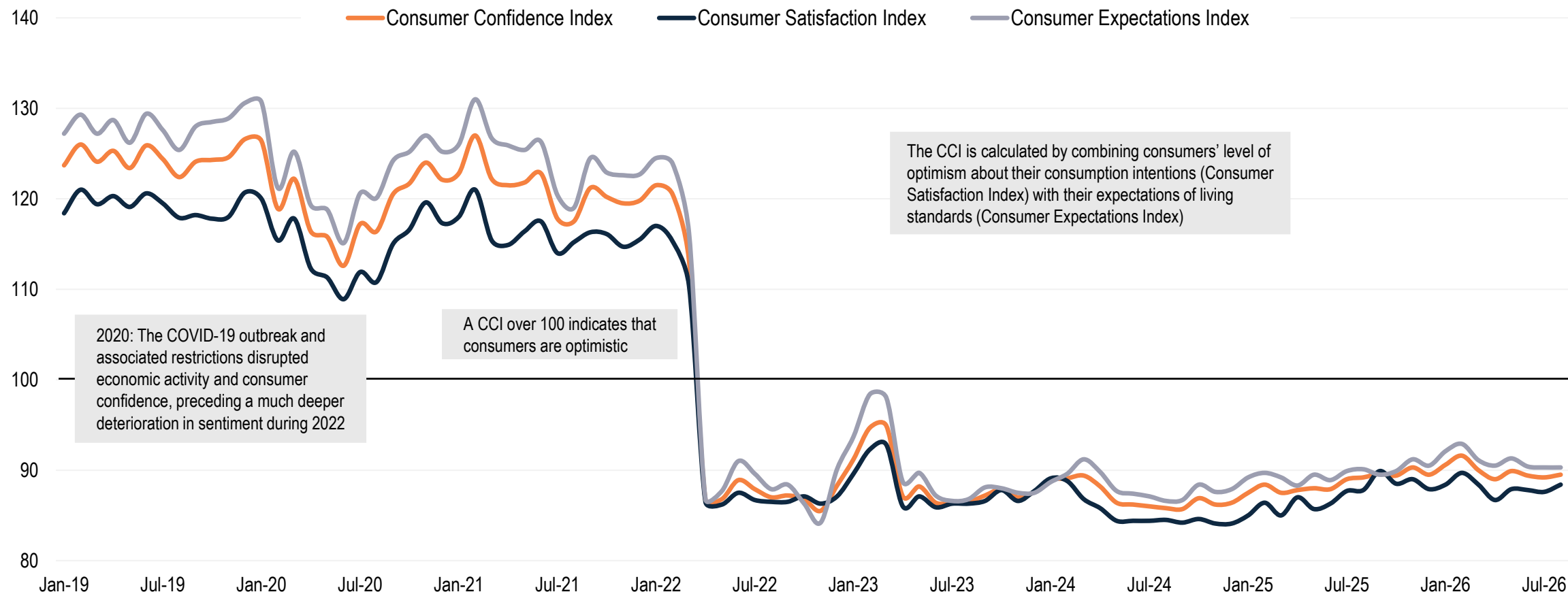
China's consumer price pressures remain uneven, with food & transport prices driving much of the volatility
Food inflation has moderated substantially from its earlier peaks, while transportation and communication prices declined for an extended period before recovering in 2026

China Consumer Price Inflation by Category, % YoY (Jan. 2016-Sep. 2026)



China's consumer confidence remains well below pre-pandemic levels despite a gradual recovery
Consumer confidence fell sharply during the 2022 lockdowns and has remained subdued amid property market weakness and economic uncertainty, highlighting the continuing challenge of restoring household spending confidence

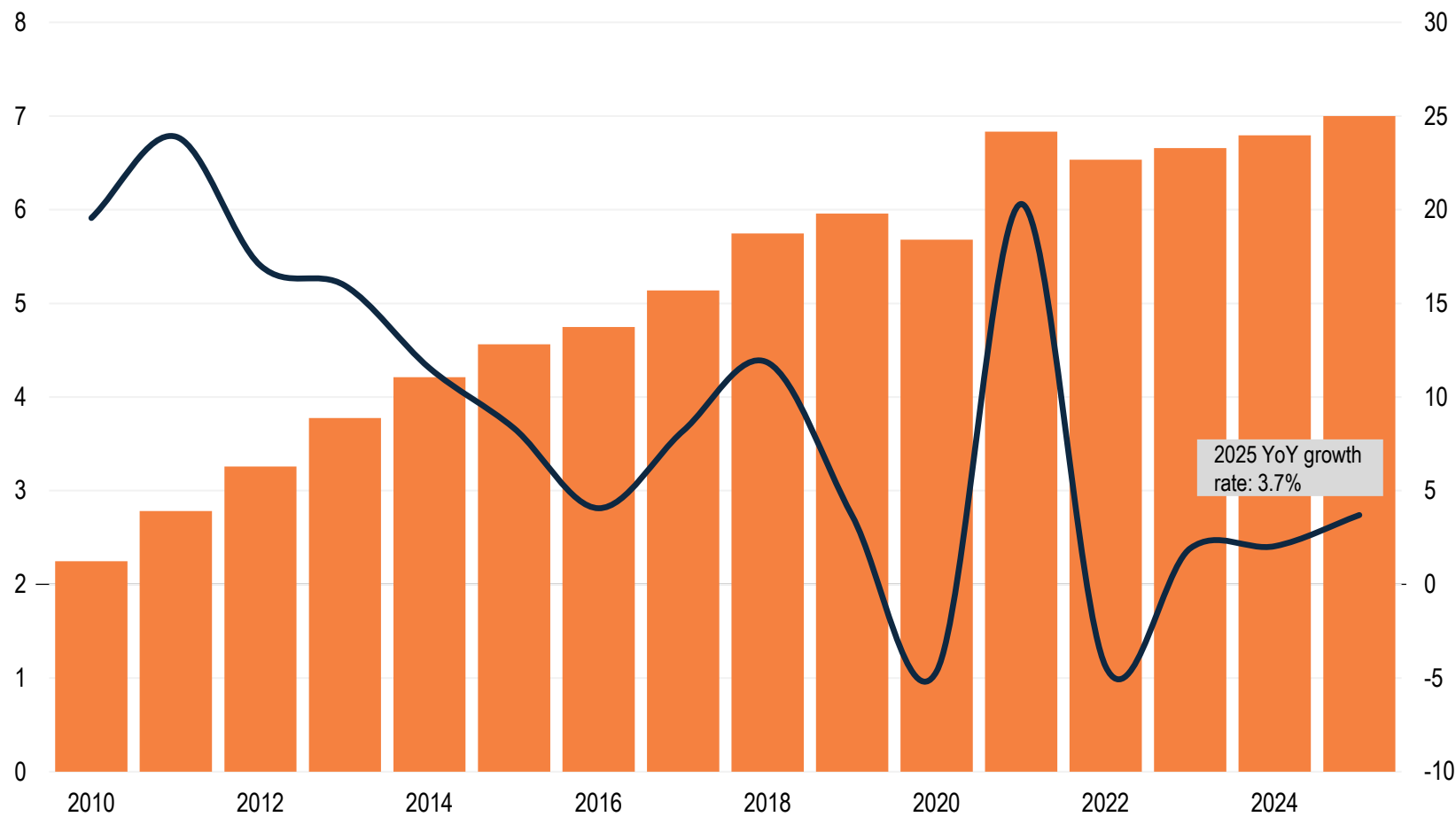
China Consumer Confidence Index (Jan. 2019-Aug. 2026)



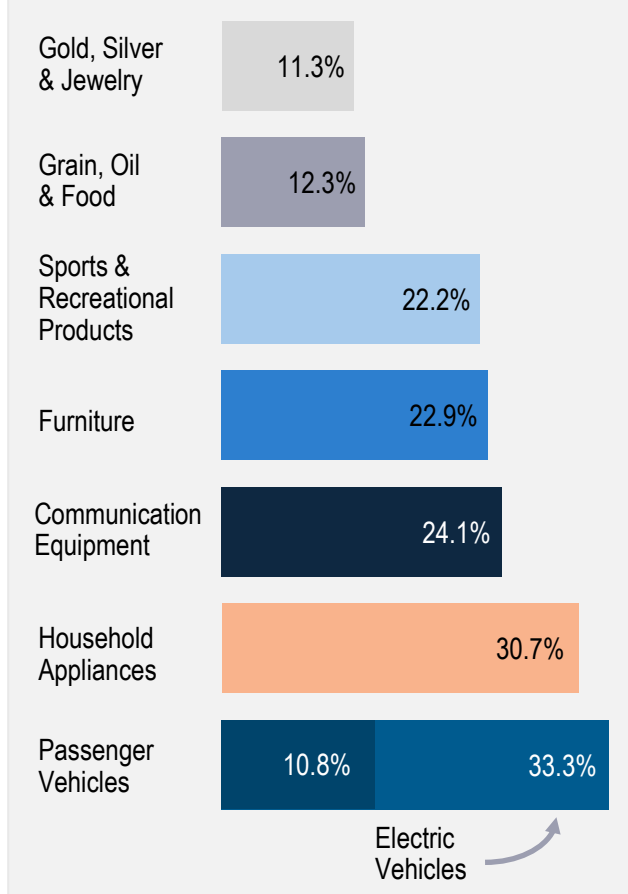
China's retail sales rose 3.7% in 2025, marking a steady recovery from the contraction in 2022

Consumer confidence remains subdued, but spending patterns show a gradual increase, led by vehicles and household appliances

China Retail Sales, USD tn (LHS) & YoY Growth Rate, % (RHS) (2010-2025)

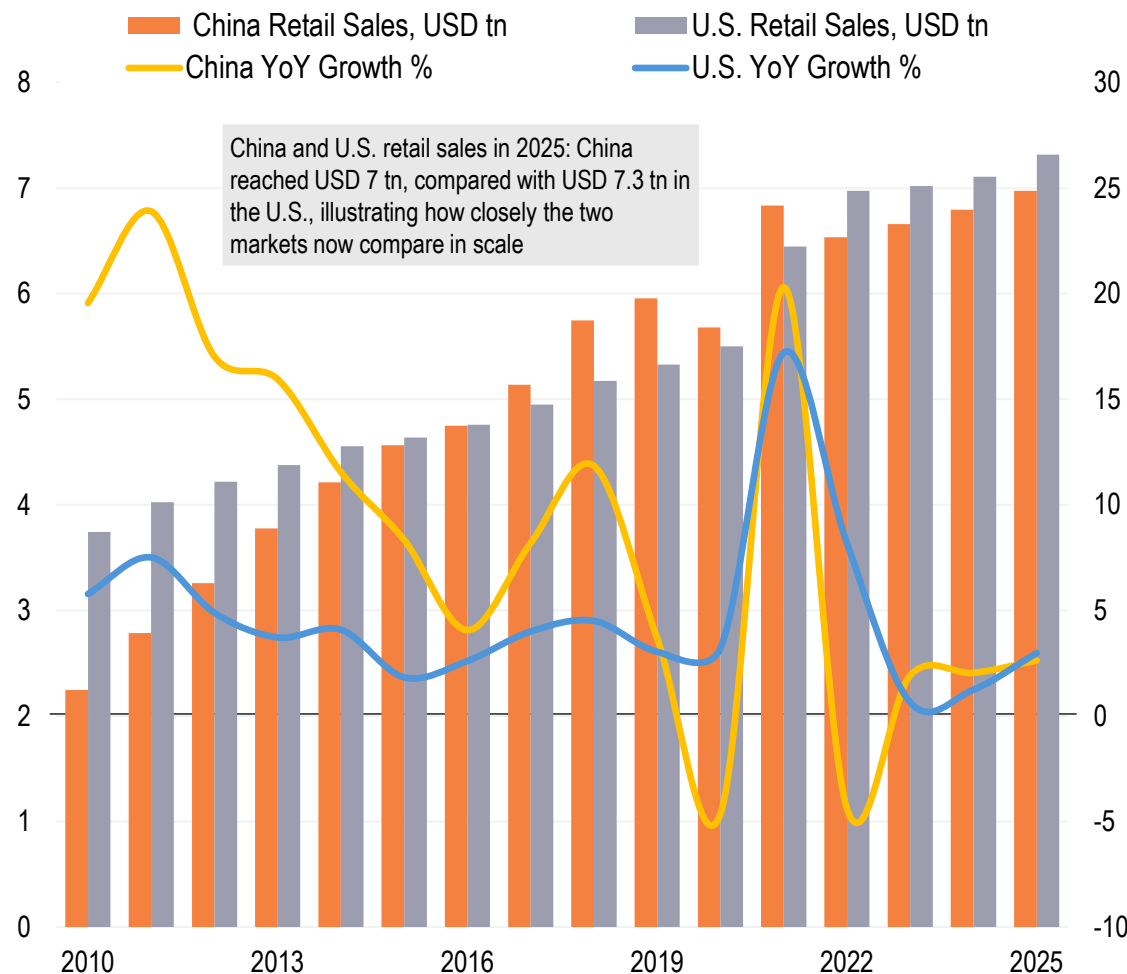


High-Growth Retail Categories, % YoY (H1 2025)

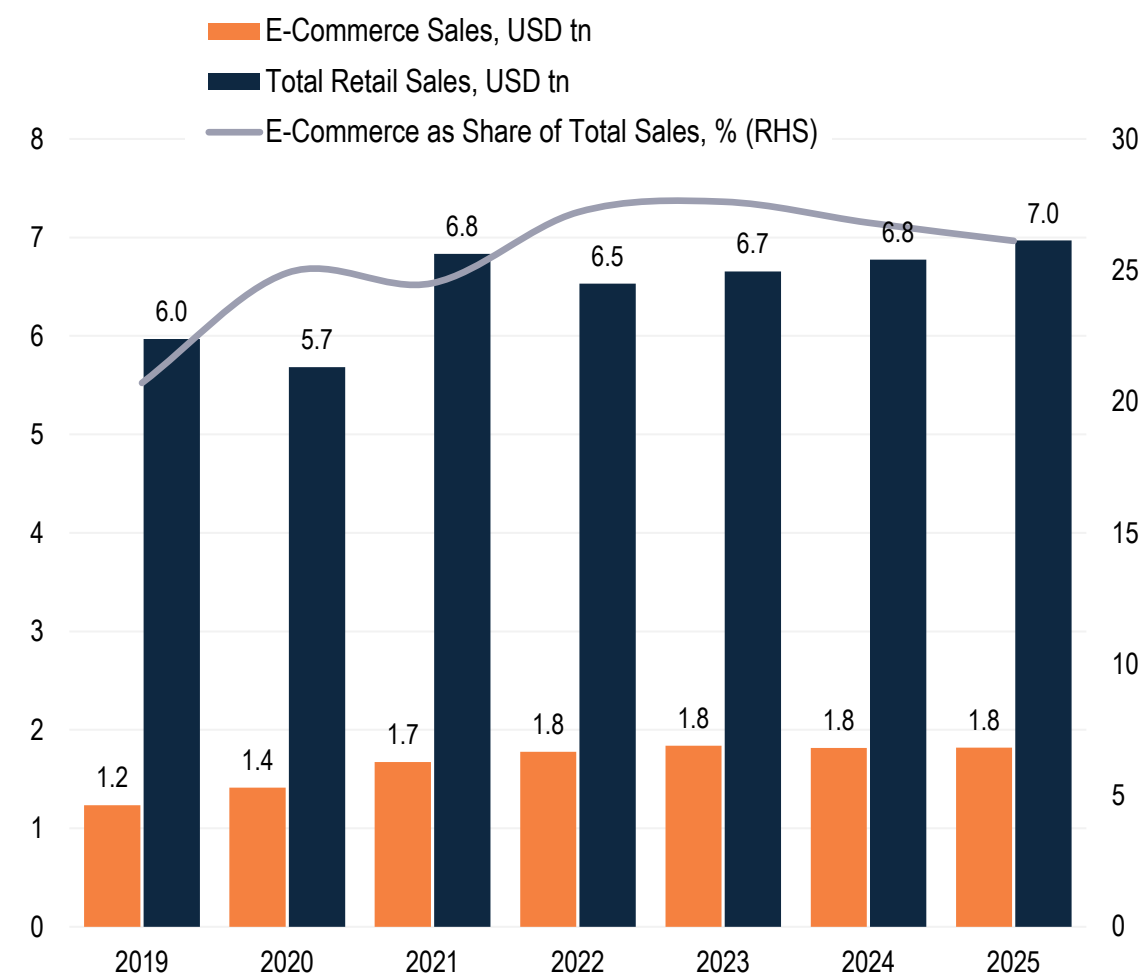


China's retail market has grown to rival the U.S., while online sales reshape consumption
China's retail sales approached USD 7 trillion in 2025, while online sales of physical goods reached USD 1.8 trillion, accounting for 26% of total retail sales and highlighting the scale of its digital consumer market

China vs U.S. Total Retail Sales, USD tn (2010-2025)

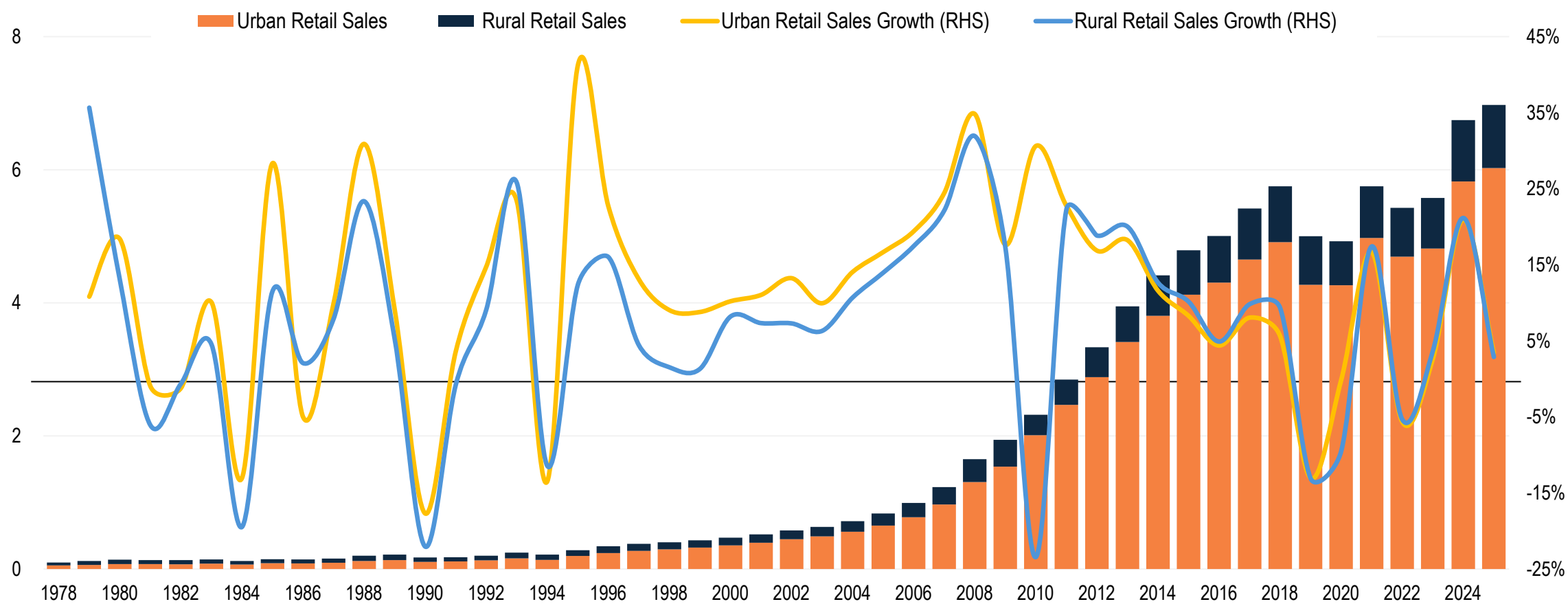


China E-commerce Sales and Total Retail Sales, USD tn (2019-2025)



Rural retail sales have frequently grown faster than urban sales, but cities still dominate spending
 Urban areas accounted for USD 6 trillion in retail sales in 2025, compared with USD 0.9 trillion in rural areas. Although rural retail growth has often outpaced urban growth, the gap reflects differences in population, income and development

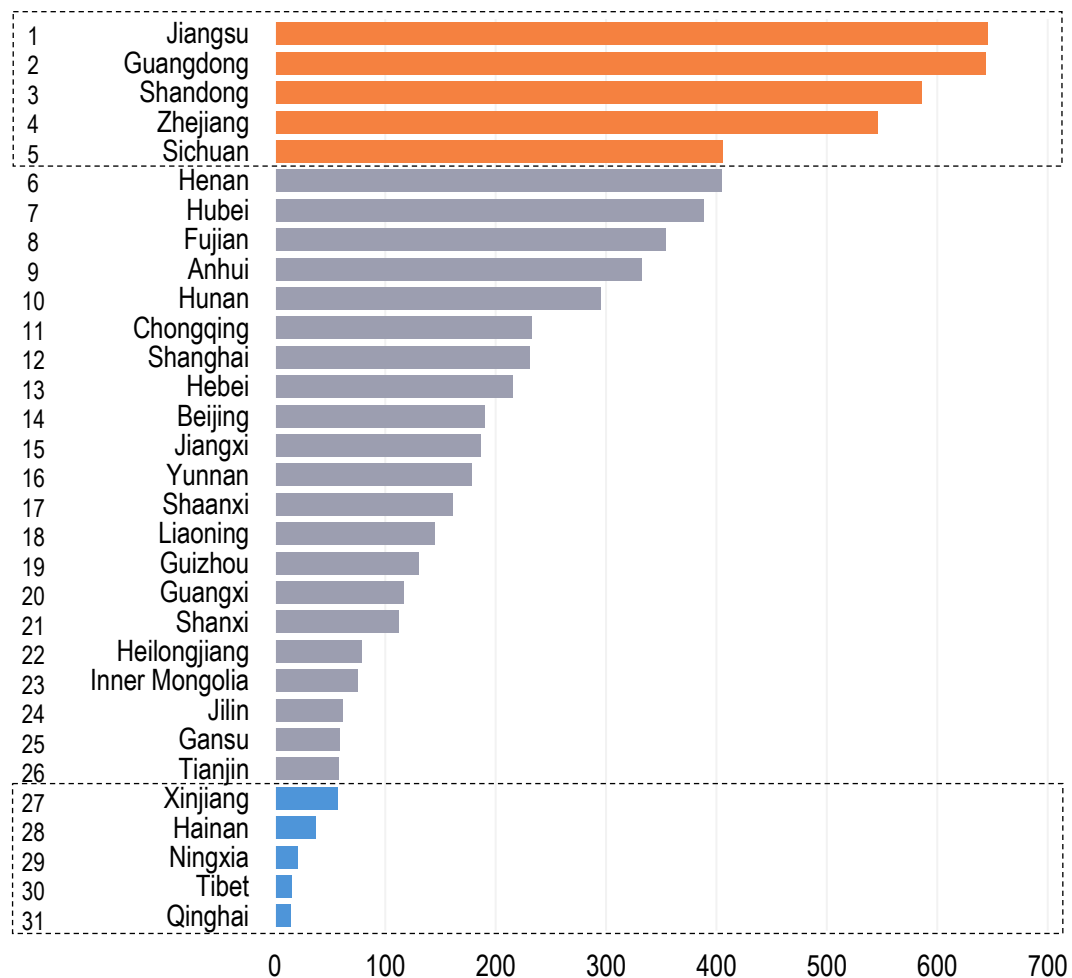
China Annual Retail Sales and Growth Rate by Administrative Level, USD tn (1978-2025)



Notes: 1. The Ministry of Commerce compiles and releases annual retail sales at the administrative level. The data differs from the total annual retail sales figure published by the National Bureau of Statistics of China. 2. Figures converted from RMB to USD using the average exchange rate for the respective years. The growth rate does not factor in exchange rate fluctuations. Source: China Ministry of Commerce, ANDAMAN PARTNERS Analysis

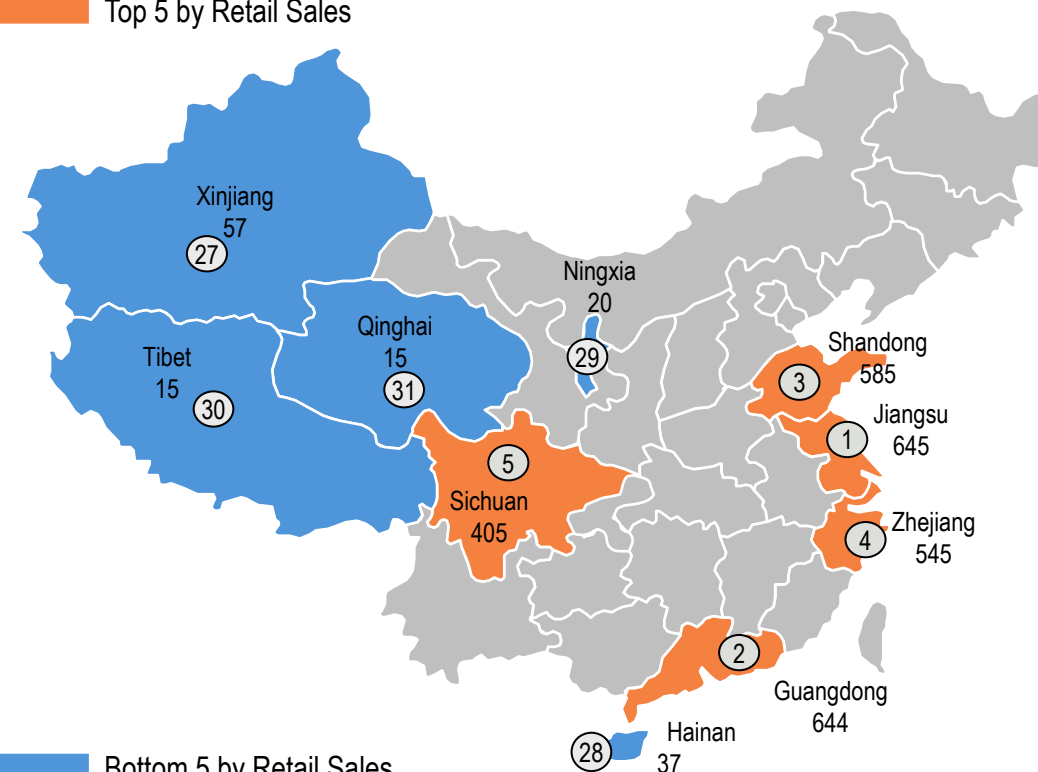
The more developed & populated eastern & coastal regions account for most of China's retail sales
With much smaller populations, the western regions have the lowest retail sales, e.g., Qinghai in the west (USD 15 billion) vs Jiangsu on the eastern coast (USD 645 billion) in 2025

China Retail Sales by Province, Autonomous Region and Municipality, USD bn (2025)



Top 5 by Retail Sales

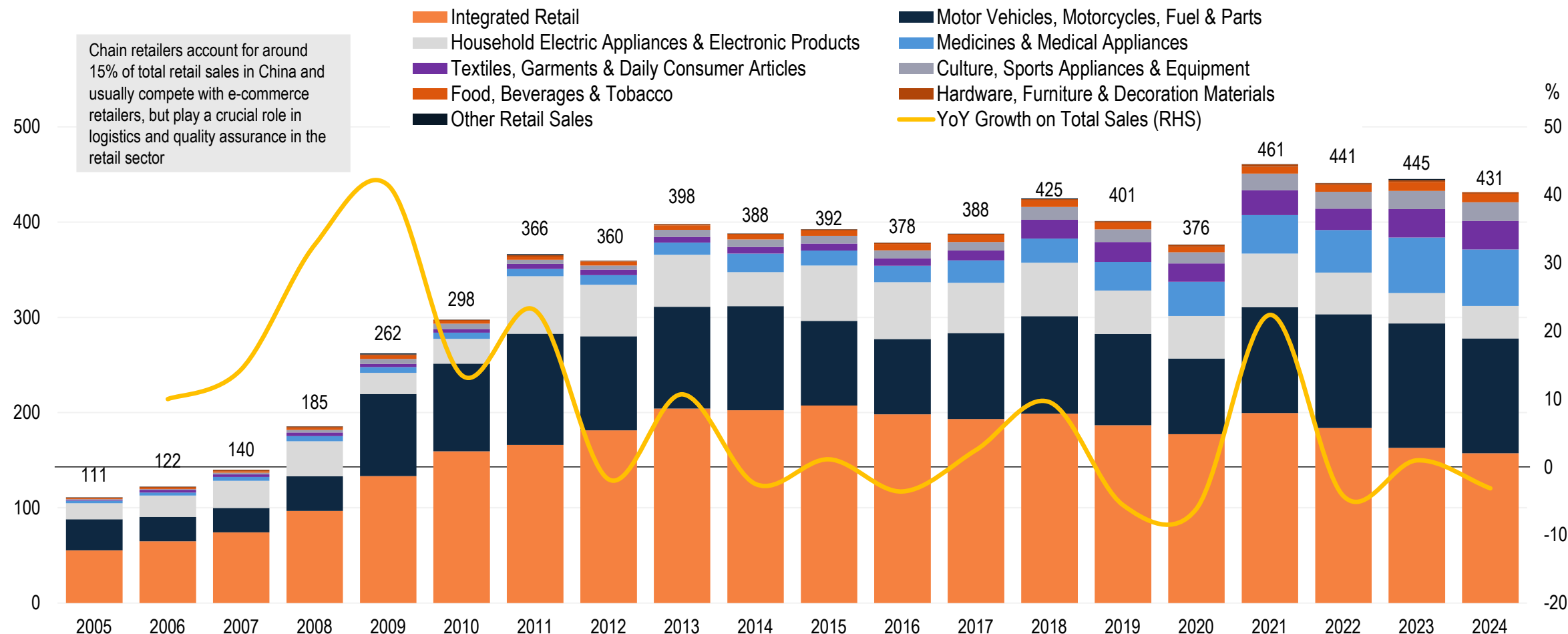
Bottom 5 by Retail Sales



China's chain retail sales have plateaued after two decades of expansion

After reaching a peak of USD 461 billion in 2021, sales stood at USD 431 billion in 2024, with motor vehicles remaining the largest product category alongside significant sales of household appliances and electronics

China Retail Sales at Chain Retail Enterprises by Sector, USD bn, and YoY Growth, % (2005-2024)



Agenda

1. Prelude

2. Feature: Digital China and AI

3. China in Brief

4. China in Depth

- Growth Indicators
- Consumption
- **Investment**
- Government Expenditure
- Trade
- Financial Indicators
- Social Indicators

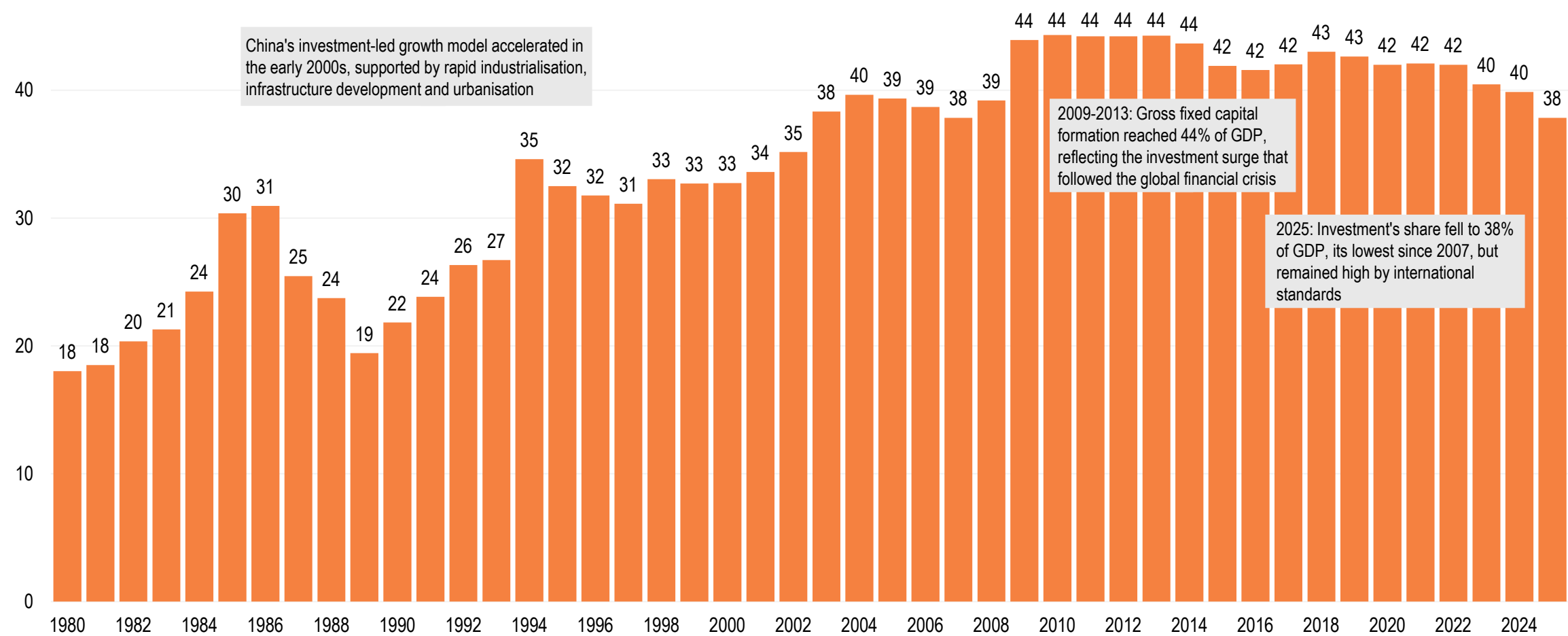
5. China in the World

6. Conclusions, Implications and Recommendations



China's investment share of GDP has declined substantially from its post-financial-crisis peak
Gross fixed capital formation fell to approximately 38% of GDP in 2025, compared with around 44% during 2009-2013. Despite this moderation, investment remains an unusually large component of China's economy

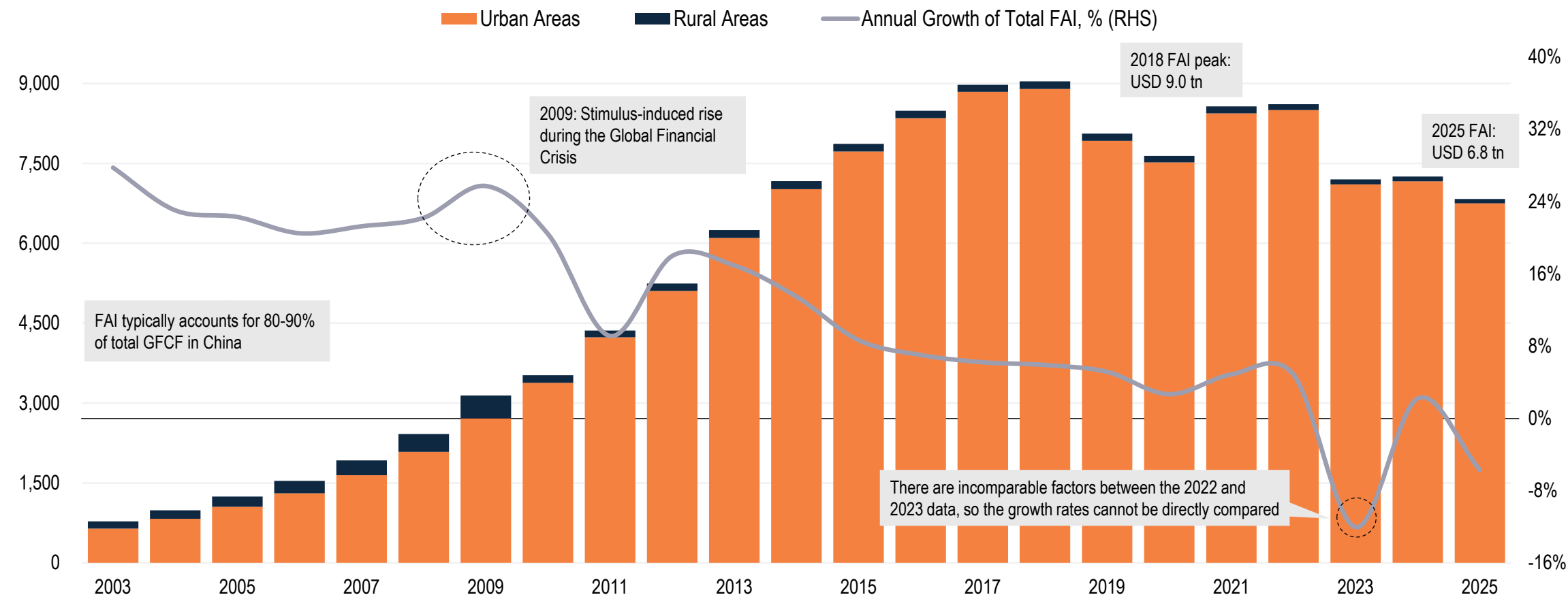
China Gross Fixed Capital Formation (GFCF), % Share of GDP (1980-2025)



China's fixed asset investment has lost momentum after decades of rapid expansion

FAI expanded dramatically during the 2000s and 2010s, supported by infrastructure, industrial development and real estate. More recently, growth has weakened considerably as China adjusts its investment-intensive economic model

China Annual Fixed Asset Investment (FAI) in Urban and Rural Areas, USD bn (2003-2025)

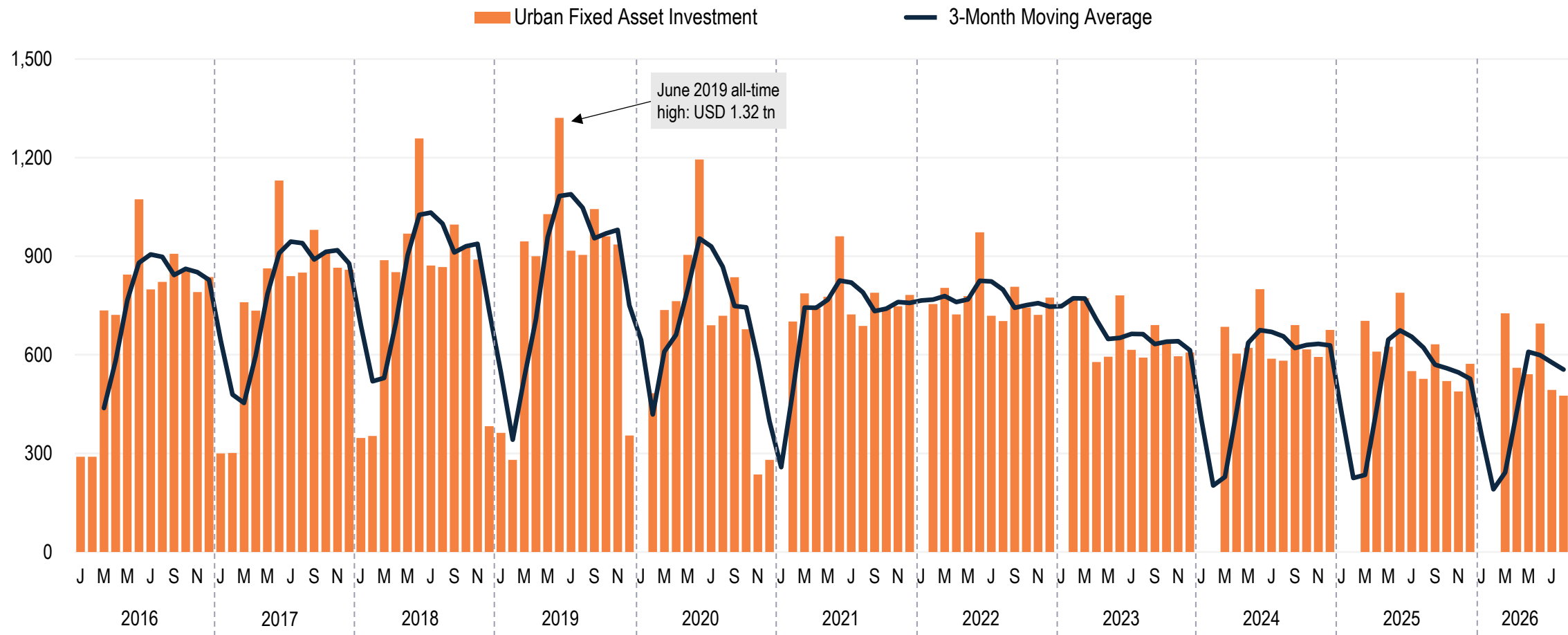


Note: Local governments often overstate their Fixed Asset Investment figures, with some reported FAI figures even exceeding GDP in certain provinces. In June 2013, the National Bureau of Statistics of China announced a pilot reform of data collection related to Fixed Asset Investment to enhance the reliability of local economic statistics. Source: National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China's monthly fixed asset investment remains below earlier peaks as investment momentum weakens

Monthly fixed asset investment has moderated from the highs recorded in 2019, reflecting a changing investment landscape as real estate development contracts and investment priorities shift towards manufacturing and infrastructure

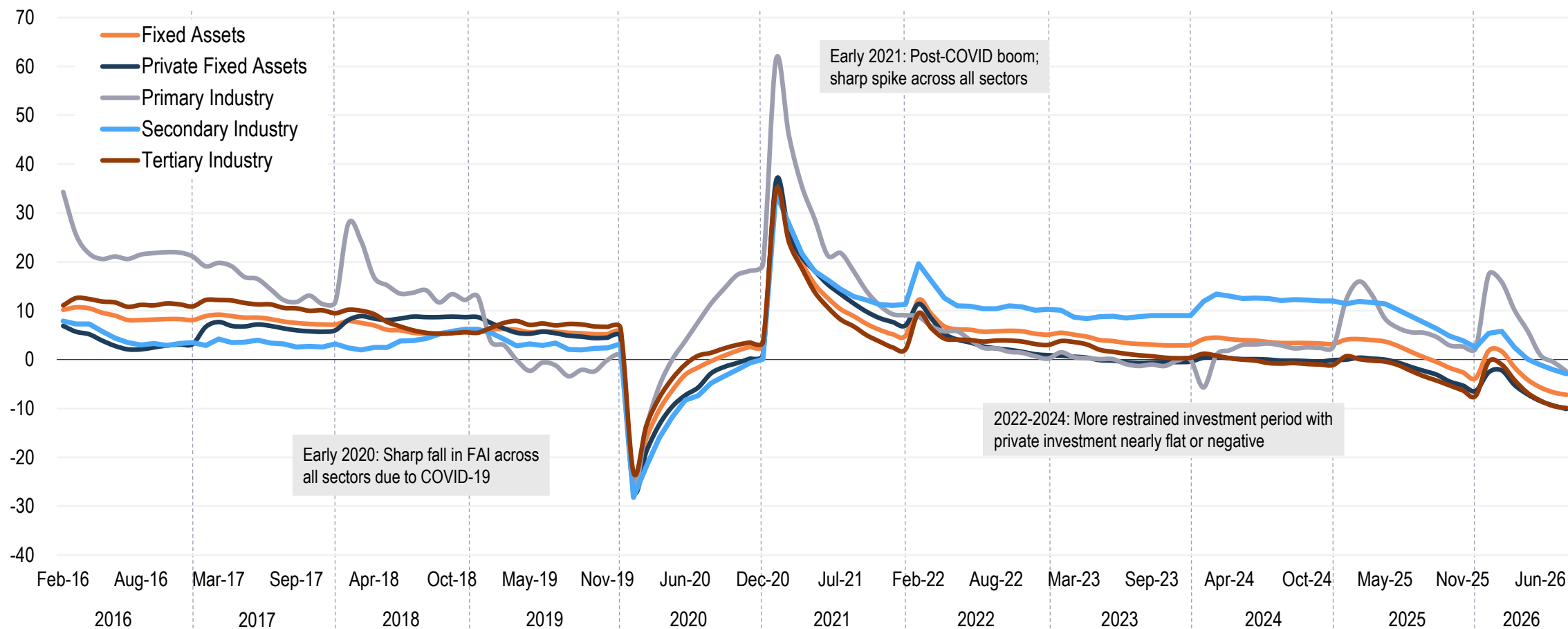
China Monthly Urban Fixed Asset Investment (FAI), USD bn (Jan. 2016-Aug. 2026)



Note: In 2011, the National Bureau of Statistics of China expanded the statistical scope of monthly Fixed Asset Investment to encompass both urban areas and rural enterprises, defining it as investment in fixed assets (excluding investments by rural households). The RMB's depreciation against the USD distorts the USD value when converting from RMB. Source: National Bureau of Statistics of China, Eastmoney.com, ANDAMAN PARTNERS Analysis

China's private investment has struggled to recover amid weaker overall investment growth
Following the sharp pandemic contraction and subsequent rebound, fixed asset investment growth has moderated, with private investment particularly weak during 2022-2026

China Fixed Asset Investment by Sector, Cumulative YoY Growth, % (Feb. 2016-Aug. 2026)



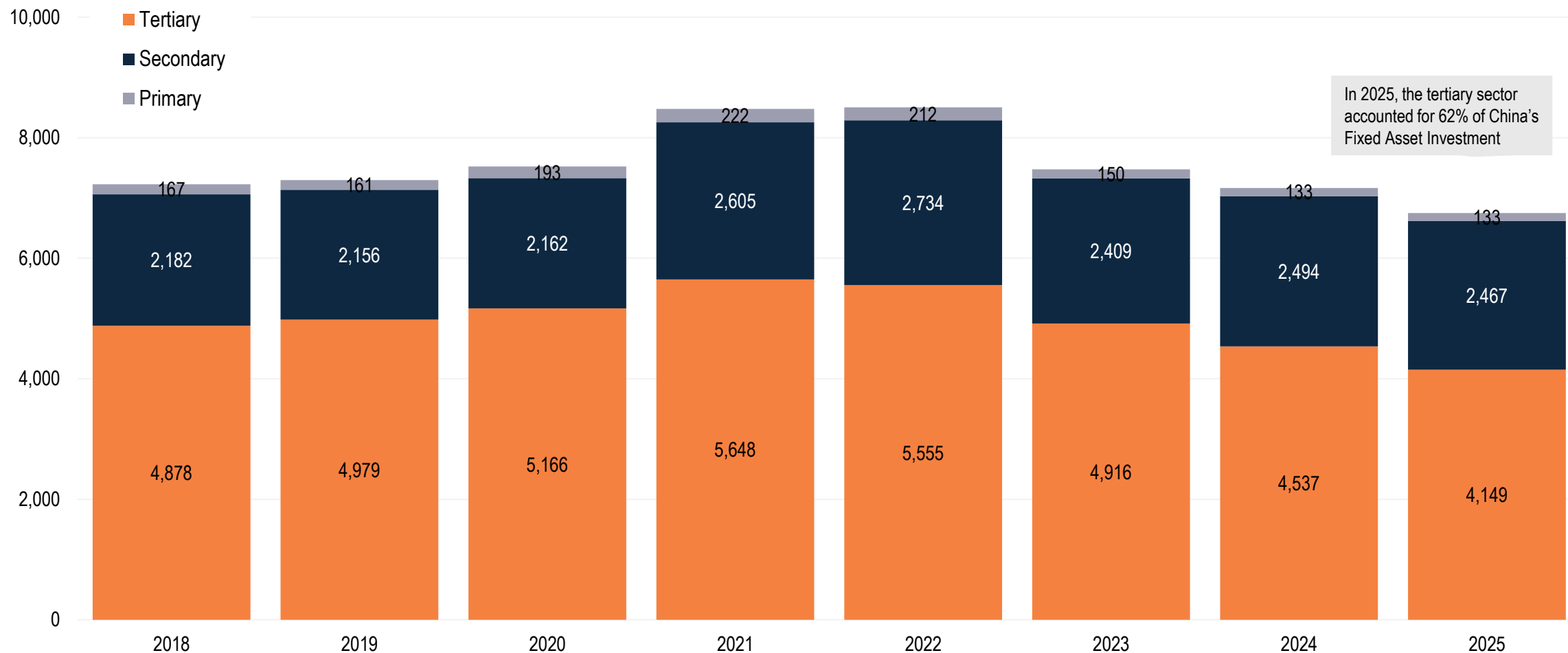
Note: In 2011, the National Bureau of Statistics of China expanded the statistical scope of monthly Fixed Asset Investment to encompass both urban areas and rural enterprises, defining it as investment in fixed assets (excluding investments by rural households). Source: National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

Services account for most of China's fixed asset investment, despite recent declines

The tertiary sector represented 61% of total fixed asset investment in 2025, followed by the secondary sector.

Investment in both sectors has moderated from earlier peaks, reflecting broader changes in China's investment landscape

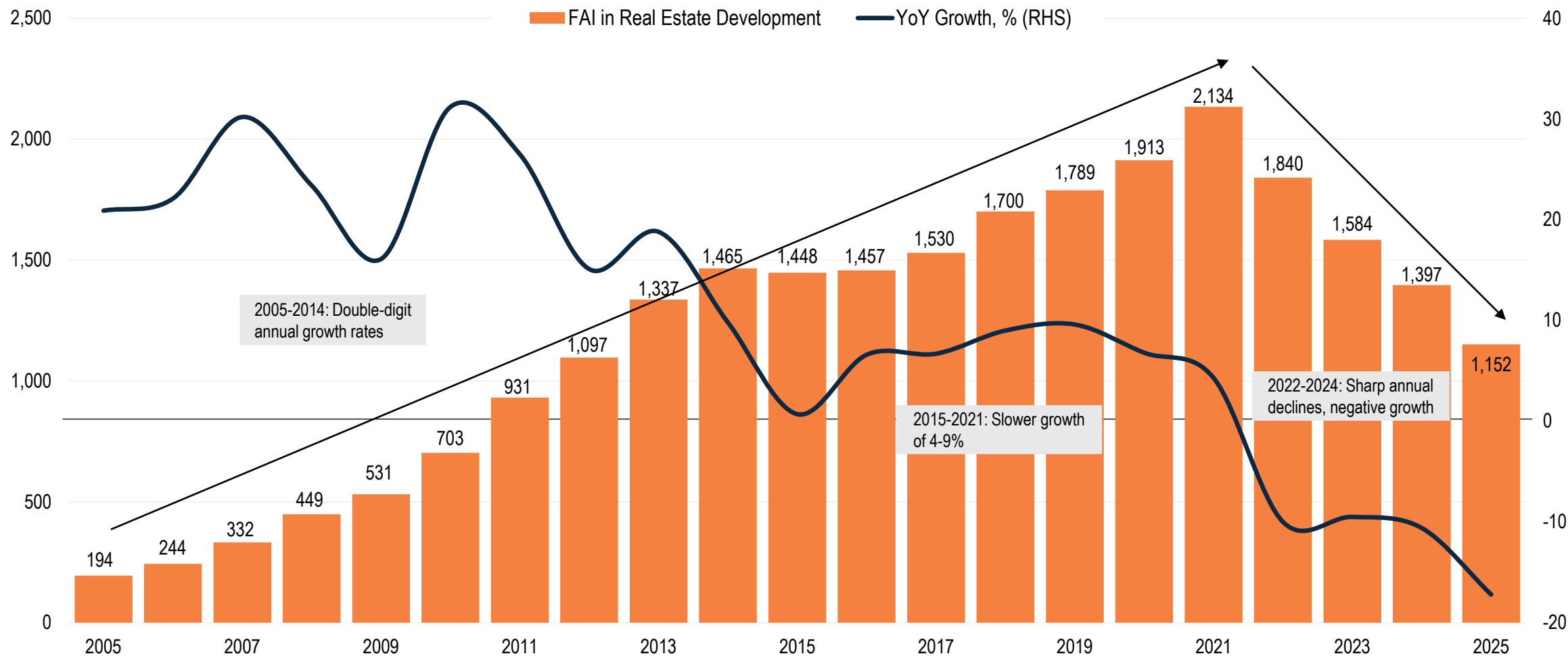
China Fixed Asset Investment (FAI) by Sector, USD bn (2018-2025)



China's real estate investment has contracted sharply since its 2021 peak

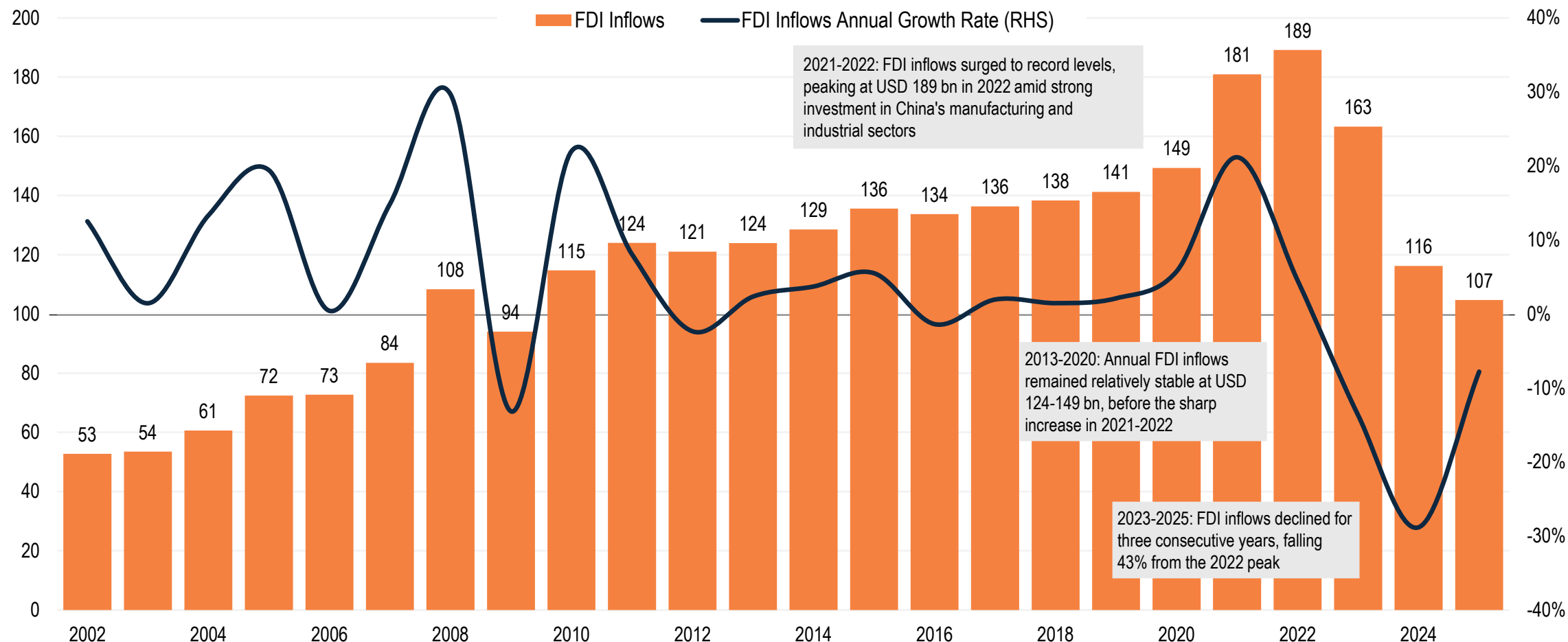
Investment in property development fell from approximately USD 2.13 trillion in 2021 to USD 1.15 trillion in 2025, highlighting the prolonged adjustment in a sector that previously drove much of China's investment growth

China Fixed Asset Investment in Real Estate Development, USD bn (2005-2025)



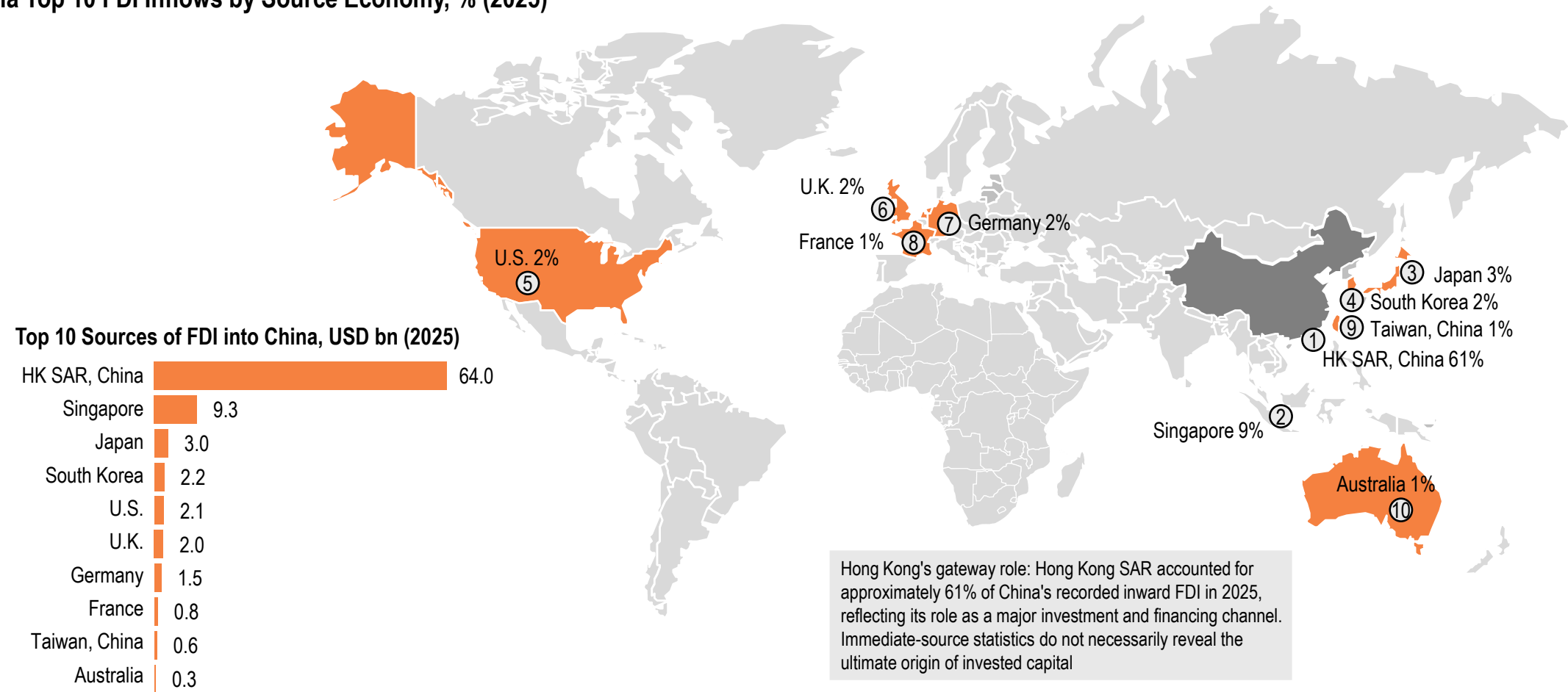
China's inward FDI has fallen for three consecutive years, retreating sharply from its 2022 peak
Foreign direct investment declined to approximately USD 107 billion in 2025, down 43% from its 2022 peak of USD 189 billion, although inflows remain above levels recorded during much of the 2000s

China FDI Inflows, USD bn (2002-2025)



In 2025, over 80% of China's FDI came from just ten economies, but mostly from Hong Kong (61%)
Hong Kong SAR acts as a gateway for FDI from Chinese firms headquartered in the city as well as from economies abroad

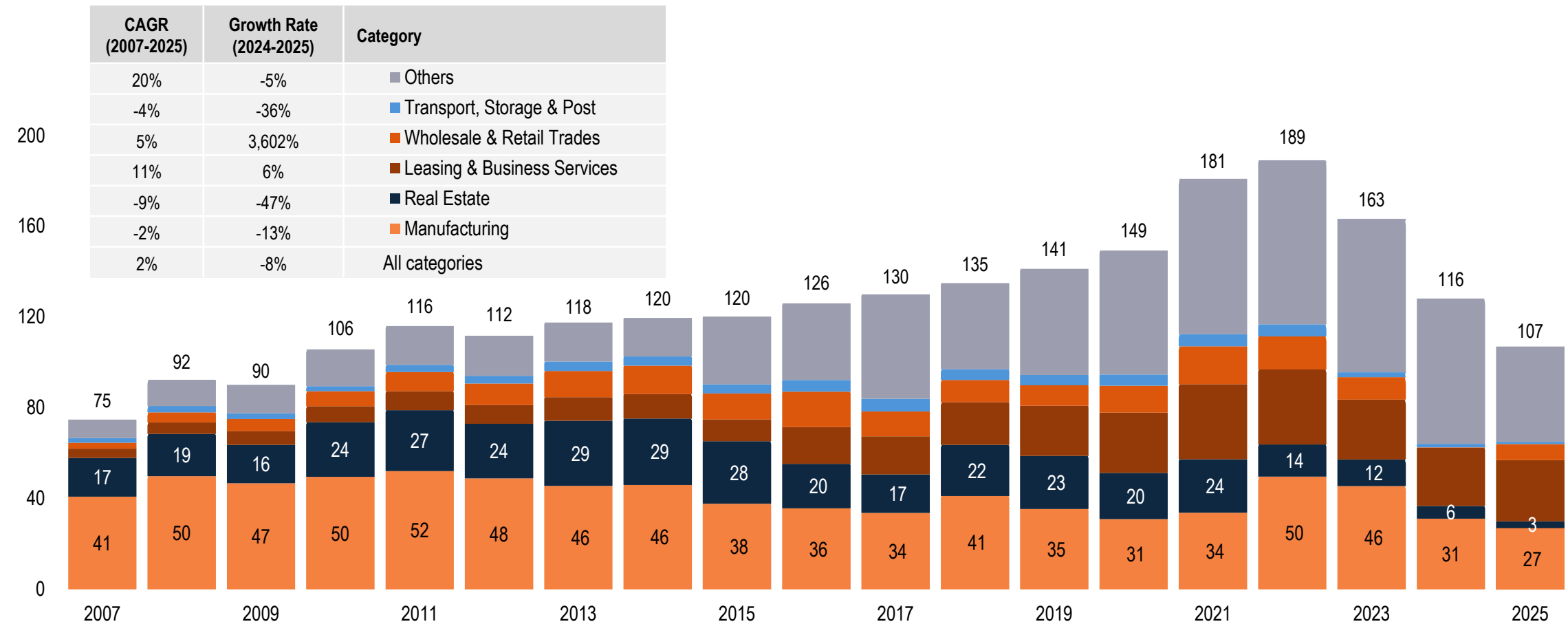
China Top 10 FDI Inflows by Source Economy, % (2025)



China's inward FDI continues to decline as business services overtake manufacturing

Foreign investment fell to USD 107 billion in 2025, down 7.8% yoy and well below the 2022 peak. Leasing & business services is the largest recipient sector, ahead of manufacturing, as China's inward investment mix continued to shift

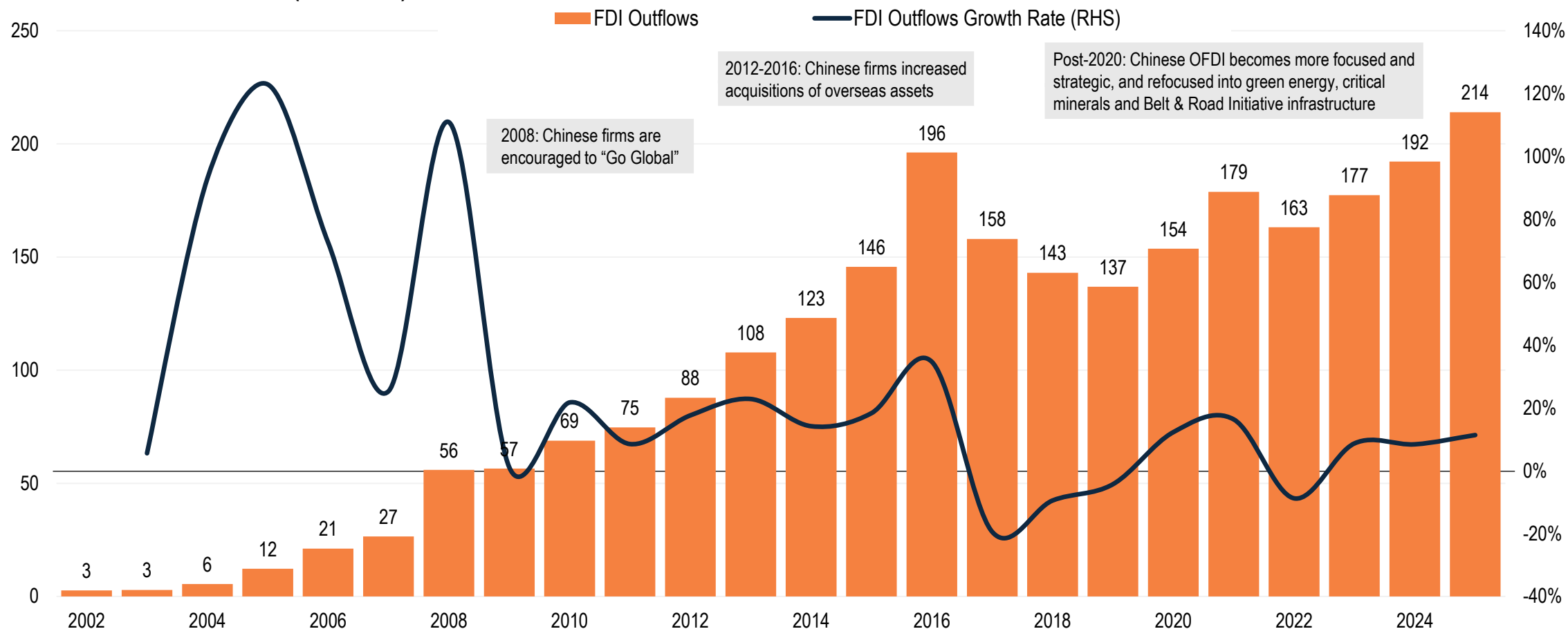
China FDI Inflows by Sector, USD bn (2007-2025)



Note: The 3,602% wholesale & retail growth reflects an exceptionally low 2024 base. Source: China Ministry of Commerce, ANDAMAN PARTNERS Analysis

China's outward FDI reached a record USD 214 billion in 2025, surpassing its previous 2016 peak. Outward investment rose approximately 11% in 2025, signalling renewed momentum after several years of fluctuations and reinforcing China's growing role as a source of international capital.

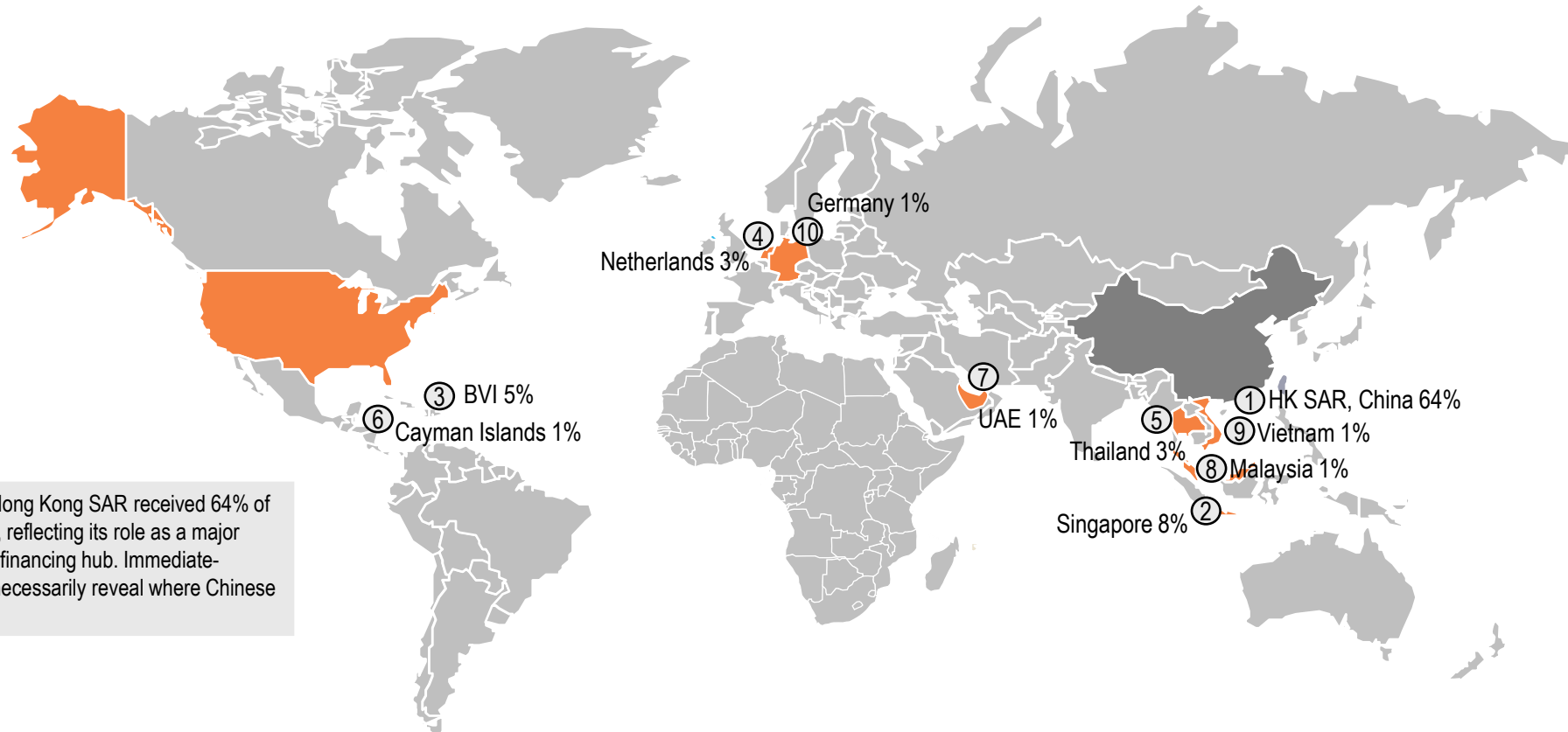
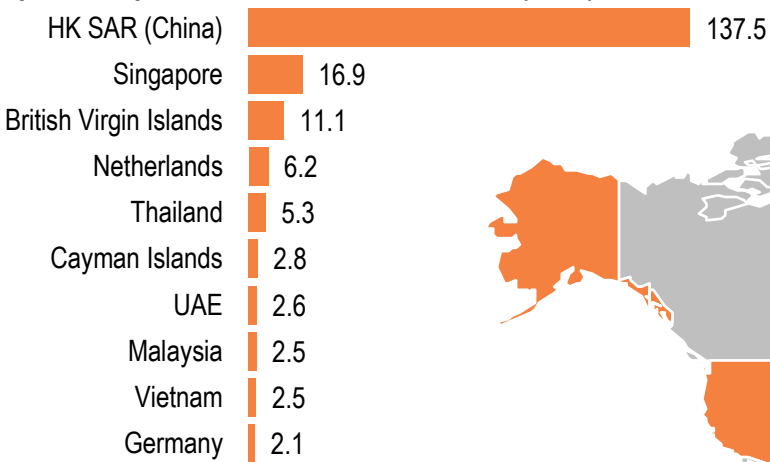
China FDI Outflows, USD bn (2002-2025)



China's outward FDI remains concentrated in Hong Kong and international financial centres
 Hong Kong SAR received 64% of China's outward FDI in 2025, followed by Singapore and the British Virgin Islands, while the Netherlands, Thailand and the Cayman Islands rounded out the top six

Top 10 Destination Economies for Chinese FDI, % (2025)

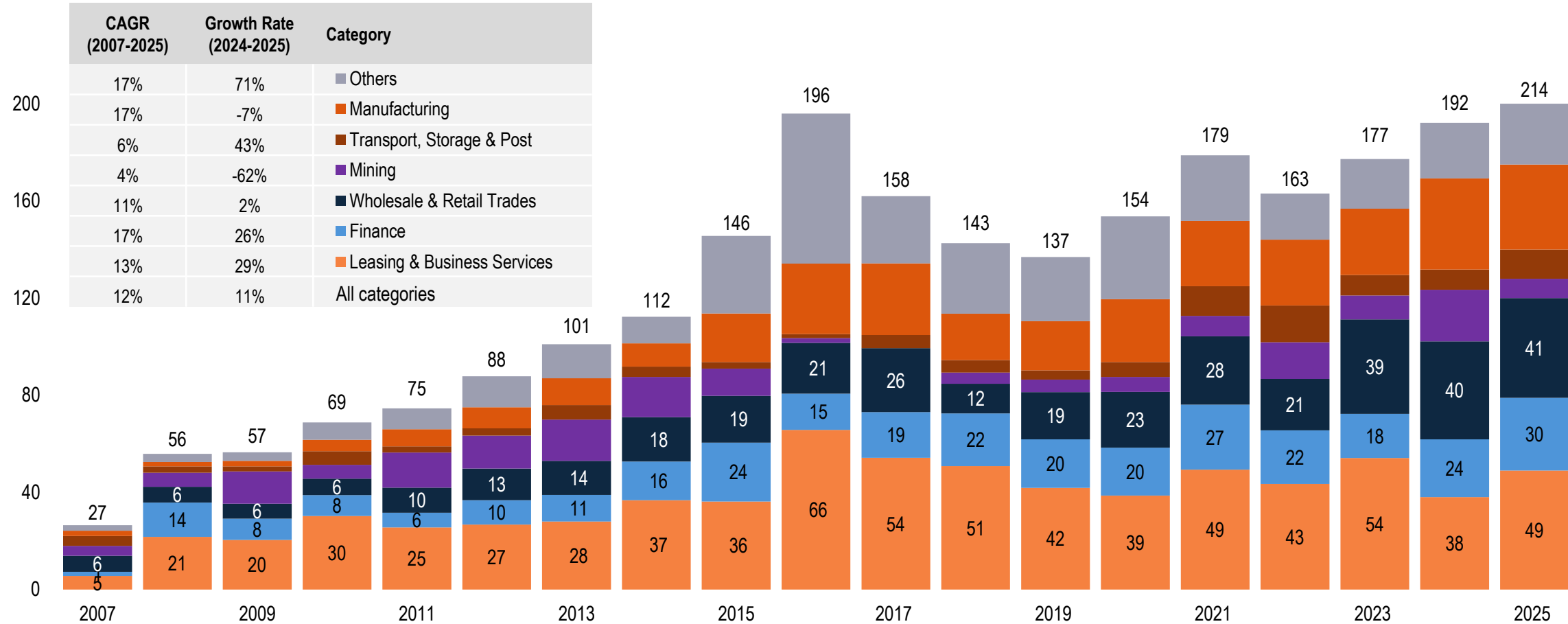
Top 10 Recipients of Chinese FDI, USD bn (2025)



Hong Kong's gateway role: Hong Kong SAR received 64% of China's outward FDI in 2025, reflecting its role as a major international investment and financing hub. Immediate-destination statistics do not necessarily reveal where Chinese capital is ultimately invested

China's outward investment is increasingly concentrated in services, finance and trade
Leasing & Business Services remained the largest sector in 2025, followed by Wholesale & Retail Trades and Finance, underscoring the importance of commercial networks and financial services in China's overseas investment

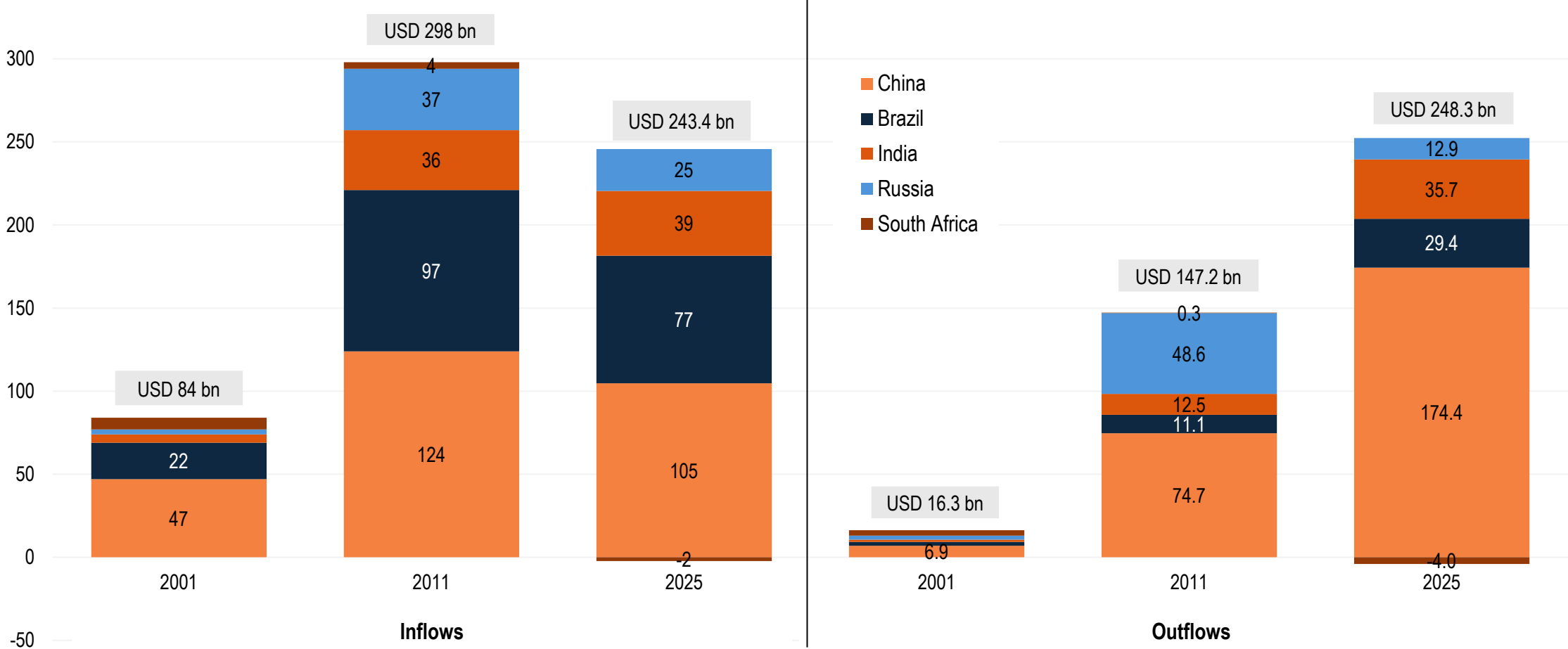
China Outward FDI Flows by Sector, USD bn (2007-2025)



Notes: 1. In 2017, the outward investment flow in mining decreased to -USD 3.7 billion and is therefore not included in the CAGR calculation. 2. Business services include investment in holding companies, regional headquarters and Special Purpose Vehicles (SPVs), often established in offshore financial centres from where investments are made in other countries and sectors. 3. Finance encompasses investments in the banking industry, including bank branch offices, bank-affiliated institutions, bank representative offices and insurance institutions. 4. Wholesale and retailing, transportation, warehousing and postal services are closely linked with China's export and import activities.
Source: China Ministry of Commerce, National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China remains the largest FDI recipient and investor among the original BRICS economies in 2025
 China leads the original BRICS group in both inward and outward FDI flows, although investment patterns across the five economies have evolved considerably since 2001

BRICS FDI Flows, USD bn (2001, 2011, 2025)



Note: The comparison covers the five original BRICS members. Figures use UNCTAD's internationally comparable FDI series. China's 2025 outward FDI differs from the USD 213.6 billion reported by MOFCOM due to differences in statistical compilation and methodology. Source: UNCTAD, ANDAMAN PARTNERS Analysis

Agenda

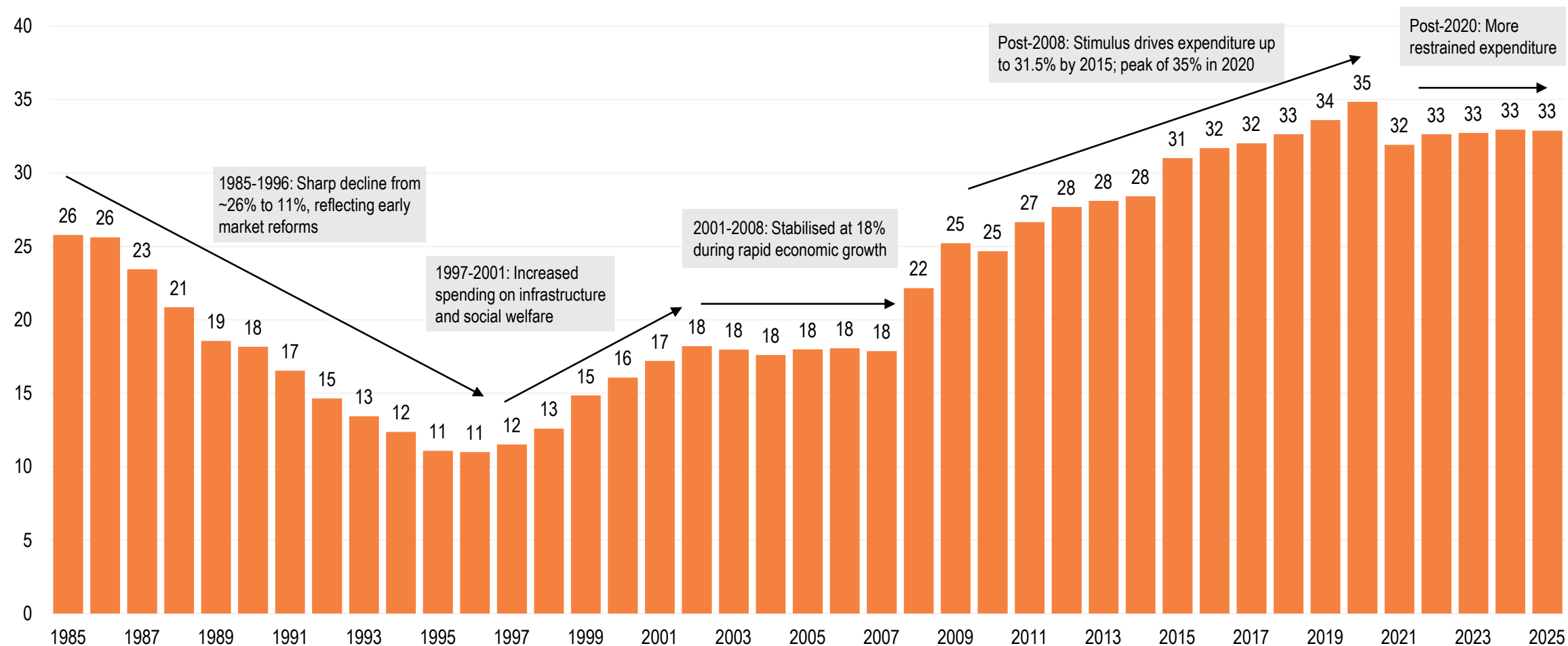
1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
 - Growth Indicators
 - Consumption
 - Investment
 - **Government Expenditure**
 - Trade
 - Financial Indicators
 - Social Indicators
5. China in the World
6. Conclusions, Implications and Recommendations



China's government expenditure has stabilised at around one-third of GDP since 2021

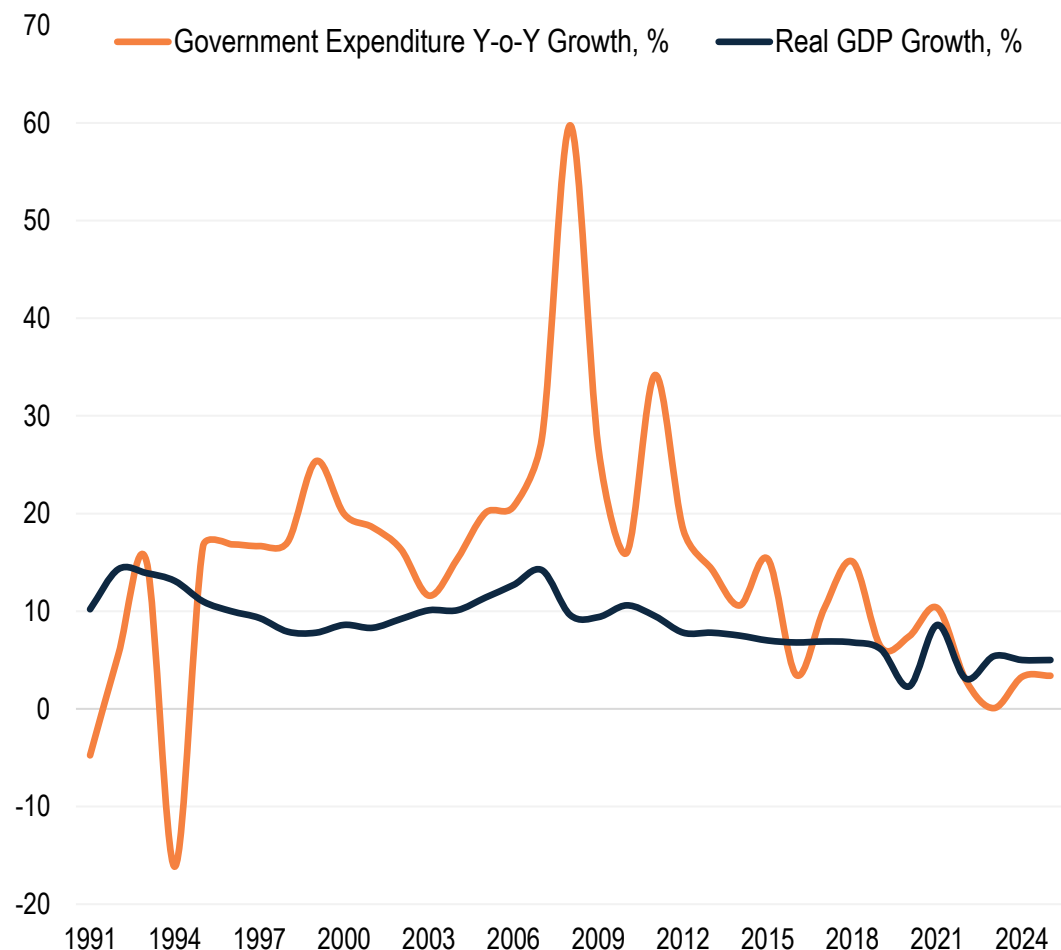
After rising steadily from 18% of GDP in 2007 to a peak of 35% in 2020, government expenditure has remained broadly stable at 32-33% since 2021, marking a shift from decades of expansion in the state's relative spending footprint

China Government Expenditure, % of GDP (1985-2025)



Government spending growth has moderated sharply, converging with GDP growth in recent years. After decades of volatile fiscal expansion, government expenditure growth has slowed to low single digits since 2022, reflecting a more restrained spending trajectory even as economic growth remains subdued.

China Government Expenditure YoY Growth and Real GDP Growth, % (1991-2025)



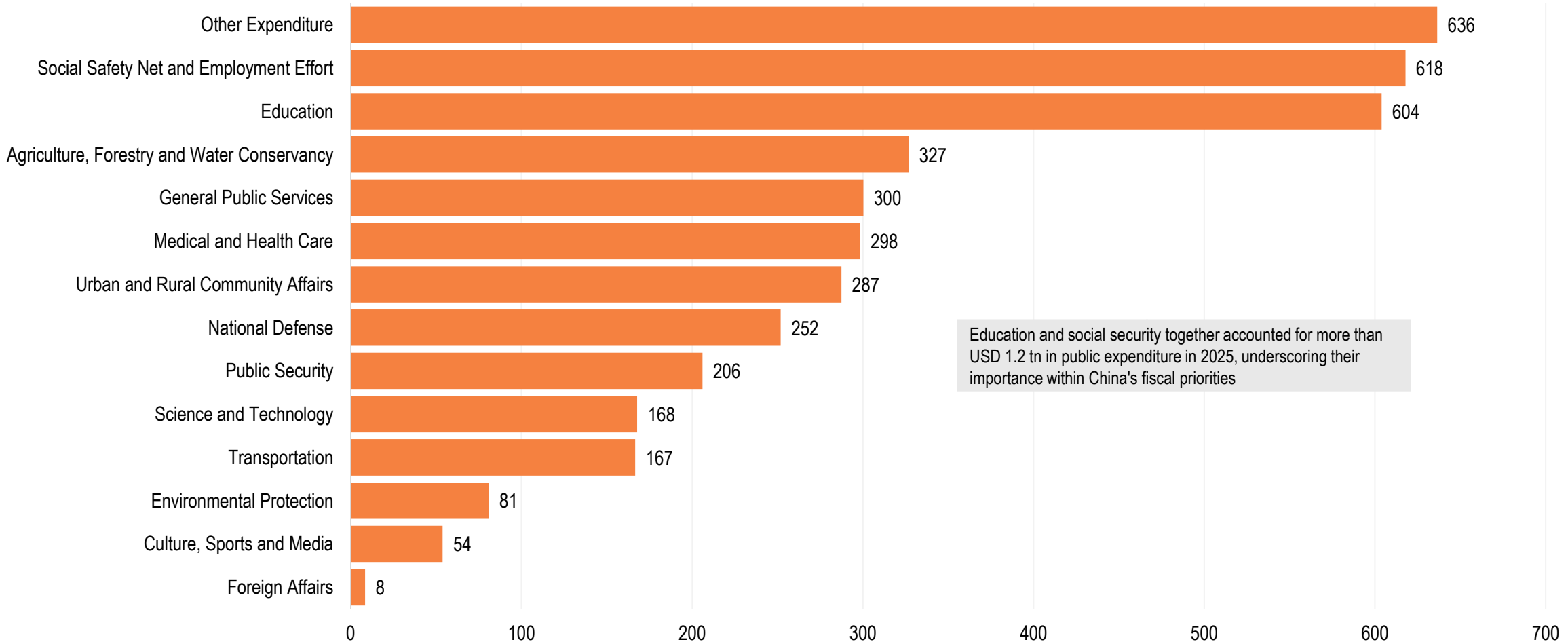
Overview of China Government Expenditure

- China's government expenditure growth has moderated substantially since the rapid fiscal expansion of earlier decades, broadly converging with GDP growth in recent years
- Government spending has played an important role in supporting economic activity during major downturns, particularly the global financial crisis and the COVID-19 pandemic
- Since 2022, expenditure growth has generally remained in the low single digits, even as the economy faces weaker domestic demand and continued property sector adjustment
- Rising government debt and local government financing pressures have complicated fiscal policy, increasing the importance of targeted spending and debt restructuring
- Fiscal policy increasingly combines infrastructure investment with support for consumption, technological development and strategic industries
- Looking ahead, the effectiveness of government spending will depend not only on its scale but also on how efficiently resources are allocated and whether fiscal measures strengthen domestic demand

Social welfare and education are among China's largest public expenditure priorities

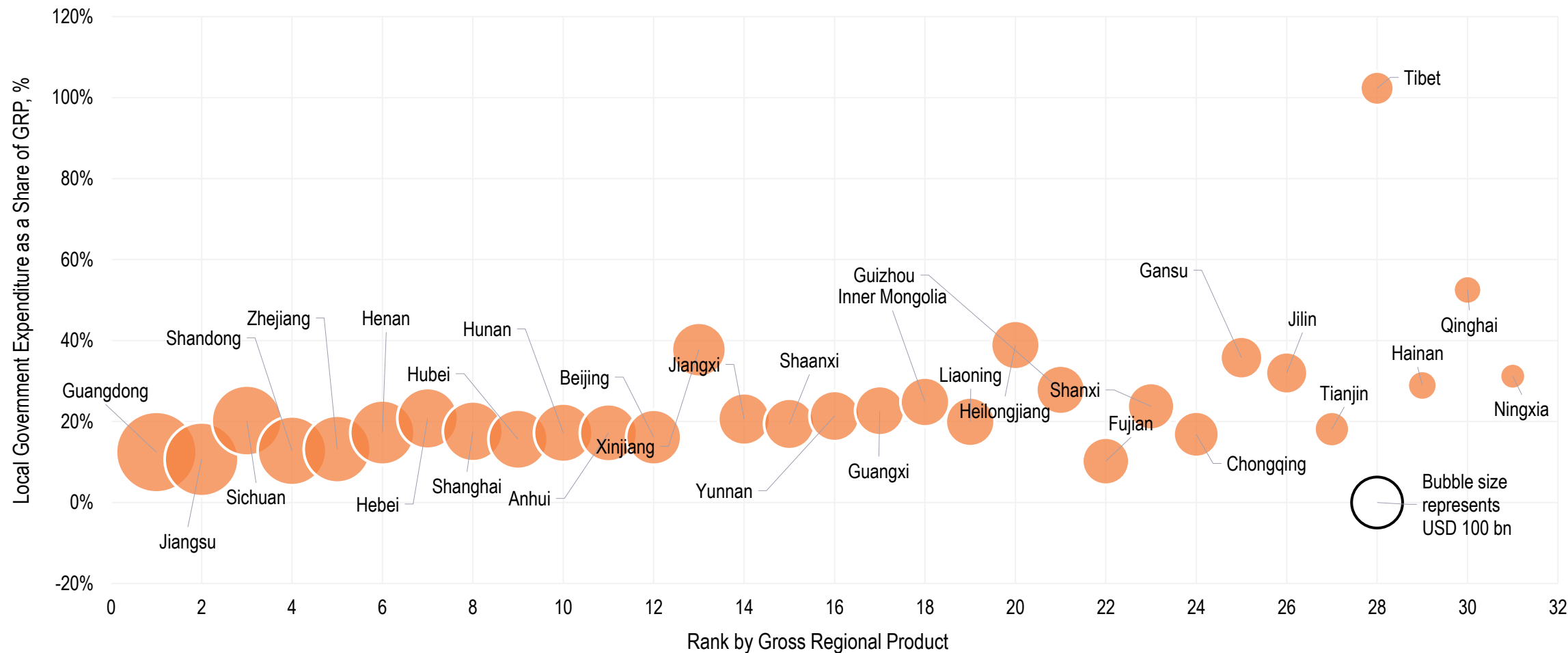
Spending on social security and employment reached USD 618 billion in 2025, followed by education at USD 604 billion, with agriculture, public services and healthcare also accounting for substantial expenditure

China Public Expenditure by Sector, USD bn (2025)



China's local government spending varies substantially relative to provincial economic output
Provincial expenditure-to-GRP ratios differ widely. Several smaller provincial economies record relatively high spending ratios, while larger economic centres generally show lower ratios

China Local Government Expenditure by Province, Autonomous Region and Municipality, USD bn (2025)



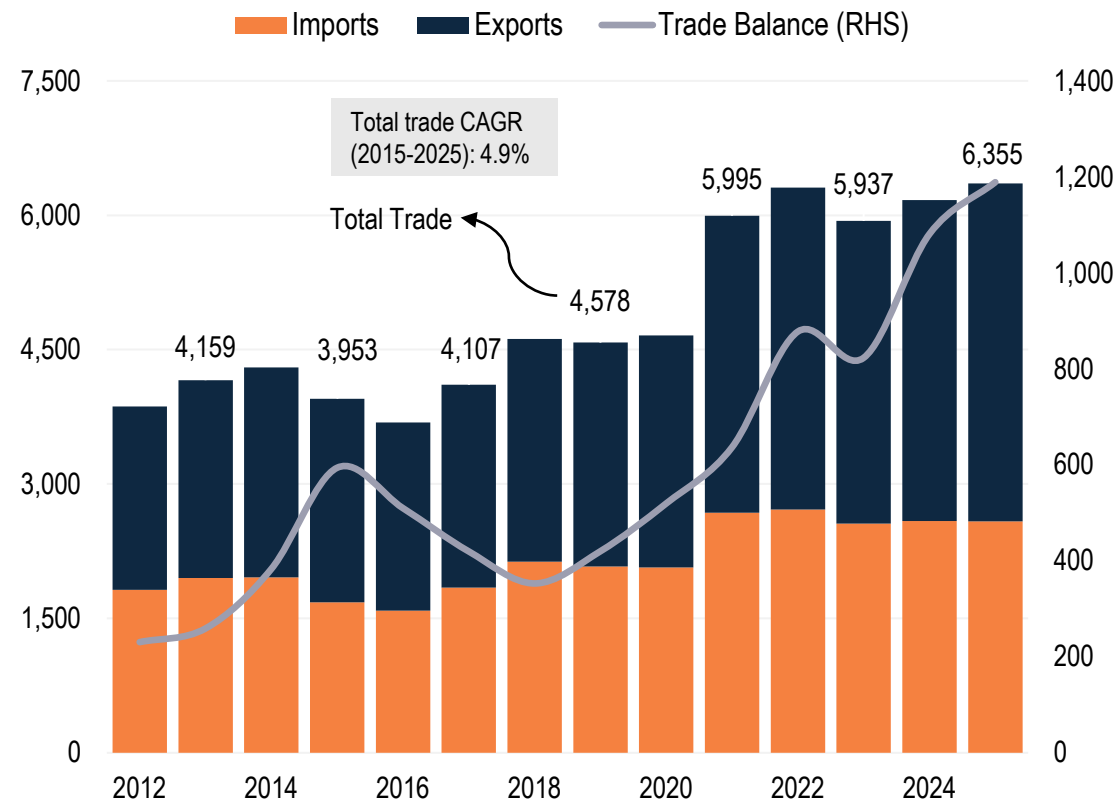
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
- 4. China in Depth**
 - Growth Indicators
 - Consumption
 - Investment
 - Government Expenditure
 - **Trade**
 - Financial Indicators
 - Social Indicators
5. China in the World
6. Conclusions, Implications and Recommendations



China is the largest exporter and second-largest importer, with trade exceeding USD 6 trillion
China's merchandise trade reached USD 6.35 trillion in 2025, accounting for 12% of global trade. Machinery & Electronics dominate exports, while imports are concentrated in machinery, electronics, minerals and fuels

China Trade with the World, USD bn (2012-2025)



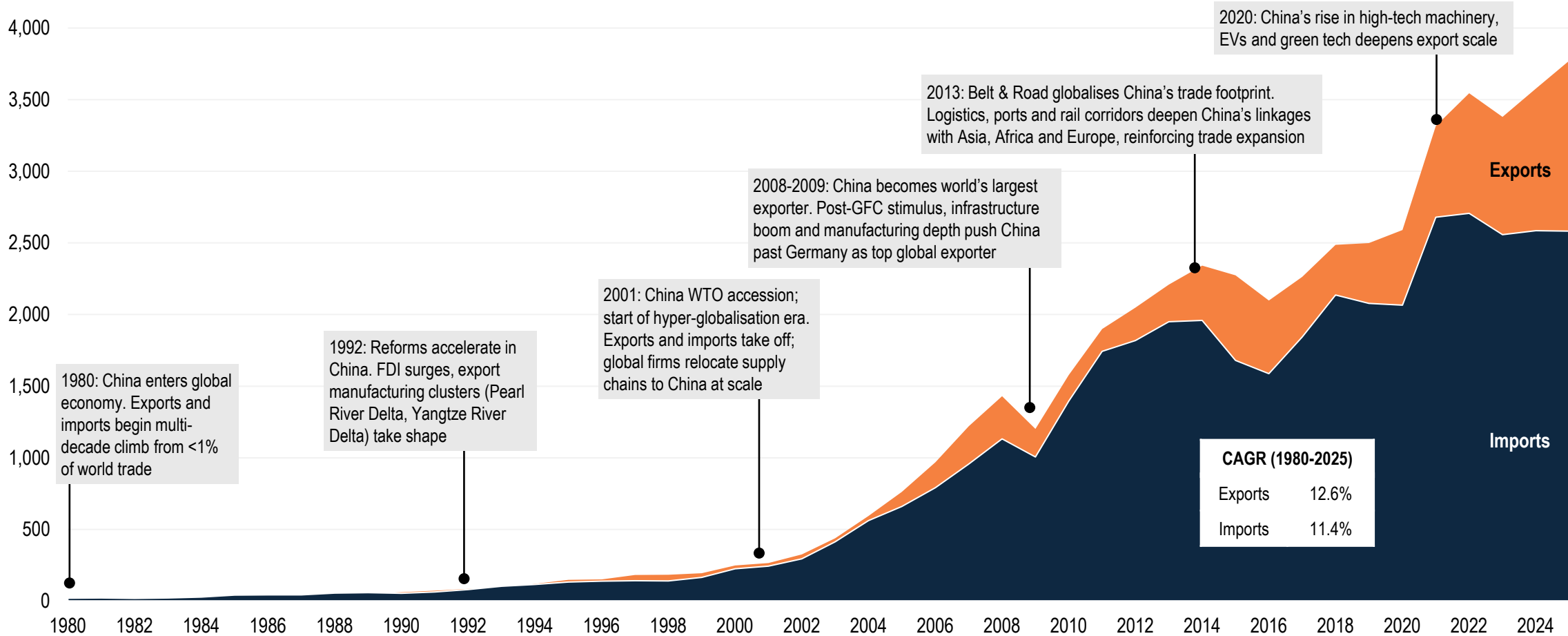
China Trade by Sector, % Share (2025)

Sr. No.	Category	Imports % Share	Exports % Share
1	Agriculture & Forestry	6.3	1.7
2	Automotive & Transport	2.4	8.9
3	Food Products	2.1	1.4
4	Industrial Chemicals	6.8	5.4
5	Industrial Inputs	6.0	7.9
6	Light Manufacturing	4.5	20.1
7	Machinery & Electronics	37.0	45.0
8	Metals	5.0	2.8
9	Minerals & Fuels	28.0	1.5
10	Textiles, Hides & Skins	0.3	0.9
11	Others	1.7	4.2
Total	Exports (USD bn)	3,772	
	Imports (USD bn)	2,583	

Global Imports % Share	10.1	10.5	10.6	10.3	10.0	10.5	11.1	11.1	11.9	12.2	11.1	11.6	11.5	9.7
Global Exports % Share	11.5	11.9	12.7	14.1	13.4	13.1	13.1	13.6	15.1	15.3	15.6	15.7	15.9	14.4
Global Trade % Share	10.8	11.2	11.6	12.2	11.7	11.8	12.1	12.3	13.5	13.7	13.3	13.7	13.5	12.0

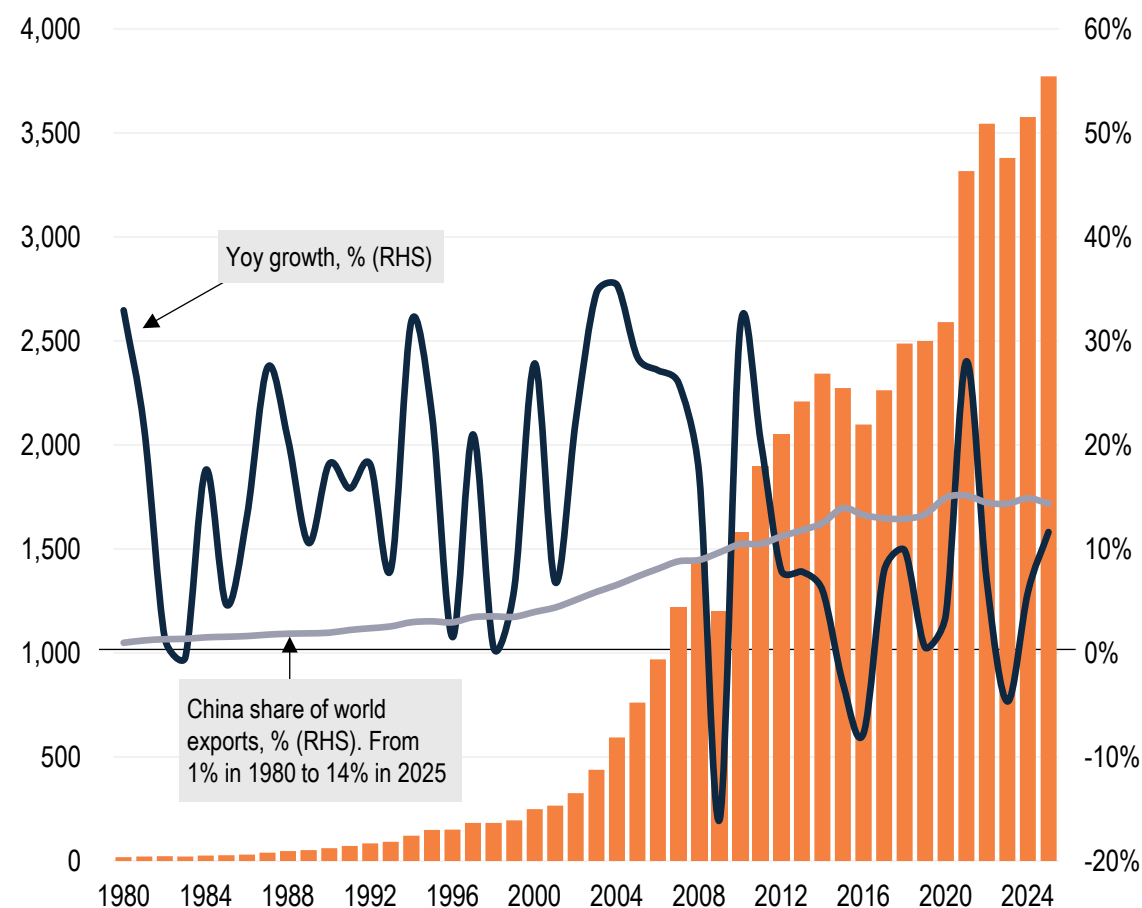
China has moved from the margins of global trade to become its largest merchandise exporter
 Since the 1980s, China's integration into global manufacturing and supply chains has transformed international trade, with exports growing at an average annual rate of 12.6% through 2025

China Trade with the World, USD bn (1980-2025)

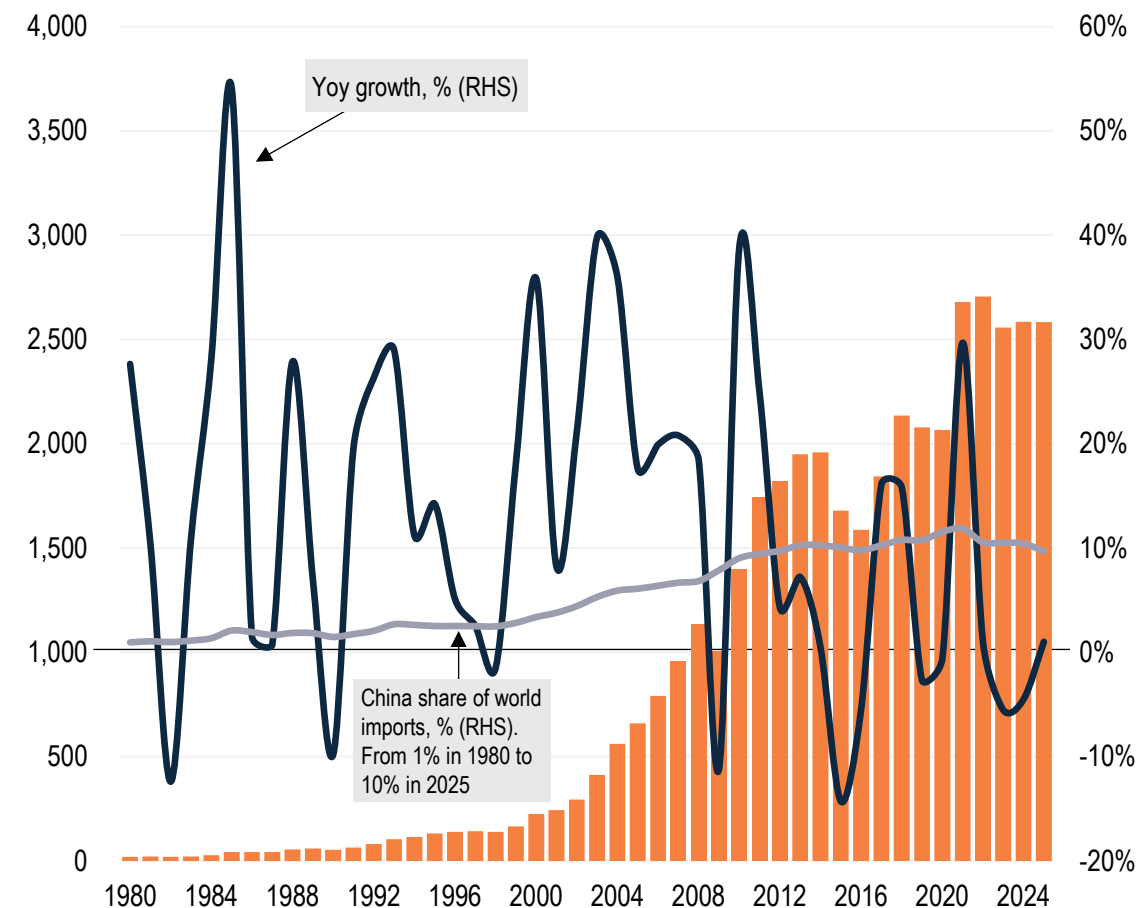


China's share of global exports has risen to 14%, while its import share has reached 10%
China's exports and imports have expanded dramatically since 1980, reflecting its emergence as both a global manufacturing centre and a major market for commodities, intermediate goods and manufactured products

China Exports to the World, USD bn, YoY Growth (RHS), and Share of World Exports, % (RHS) (1980-2025)

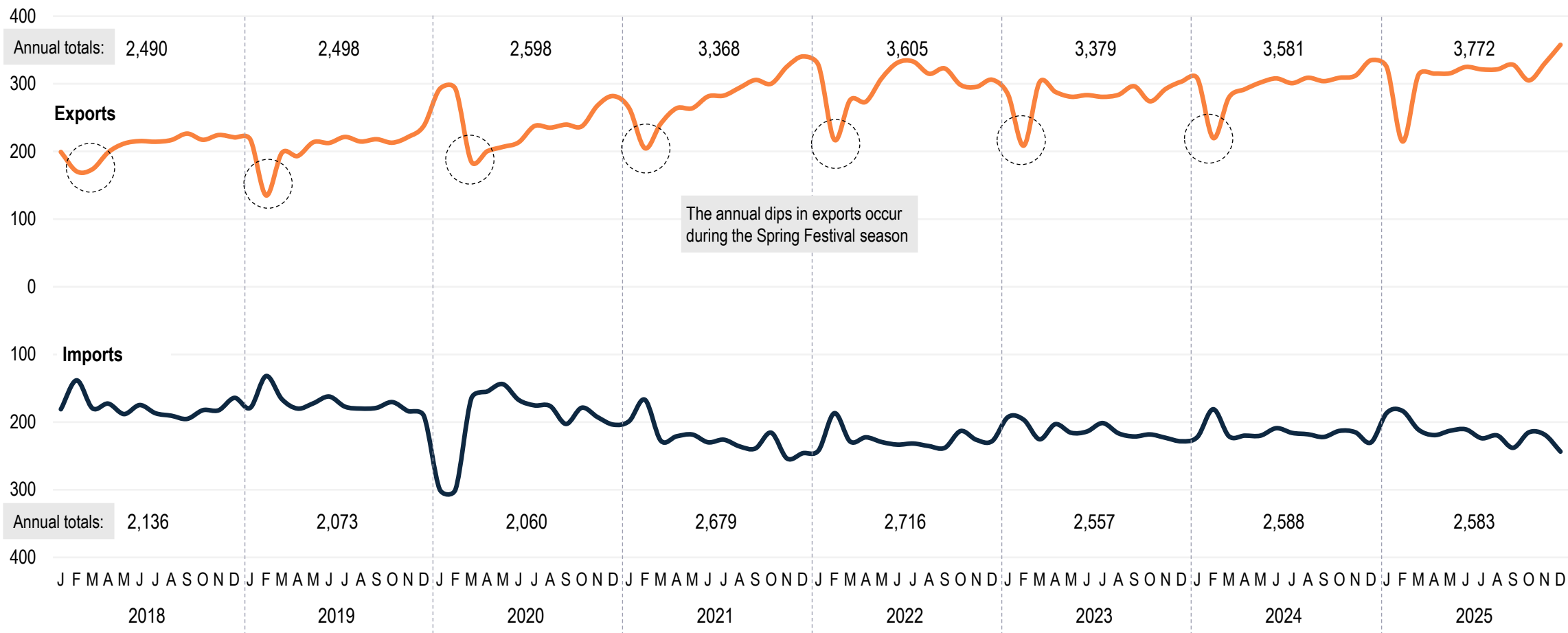


China Imports from the World, USD bn, YoY Growth (RHS), and Share of World Imports, % (RHS) (1980-2025)



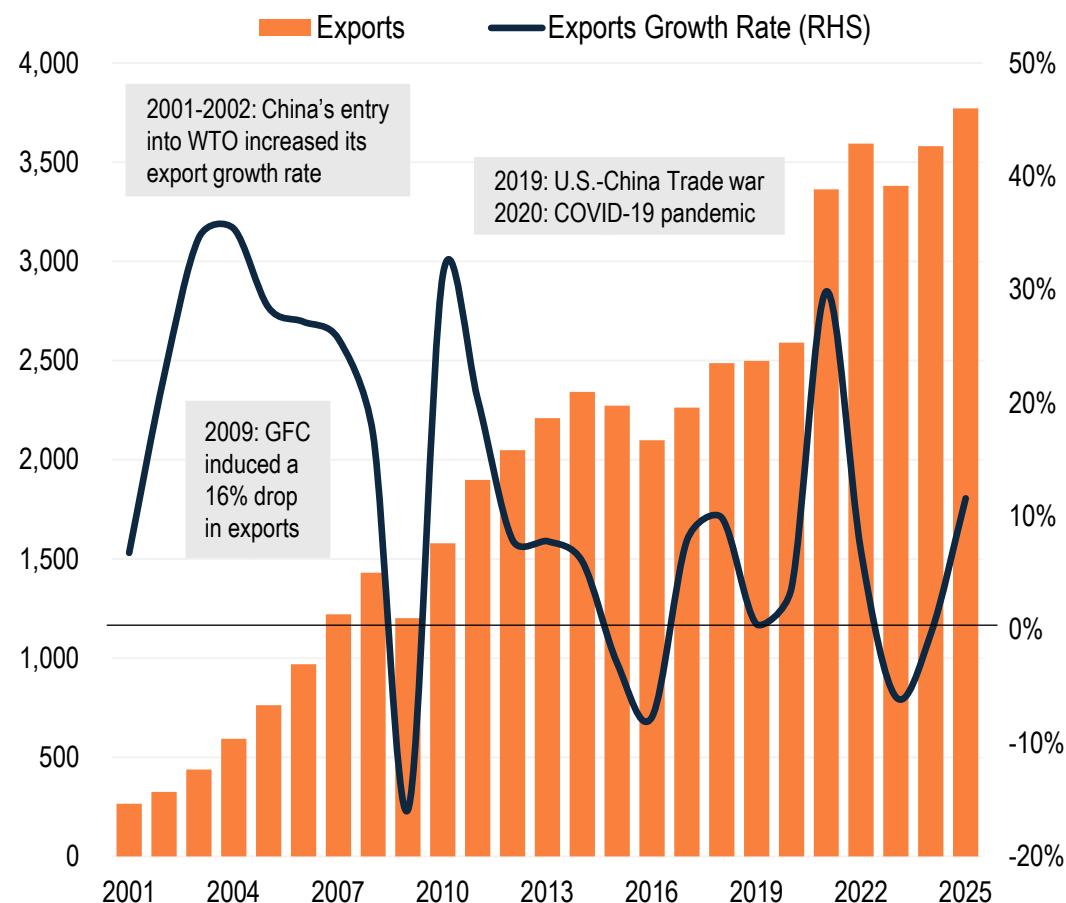
China's exports have expanded substantially since 2018, while imports have grown more slowly. Monthly export values have shifted to a substantially higher level, regularly exceeding USD 300 billion in 2025 compared with around USD 200 billion in 2018. Imports have fluctuated largely within the USD 180-250 billion range.

China Monthly Exports and Imports, USD bn (2018-2025)

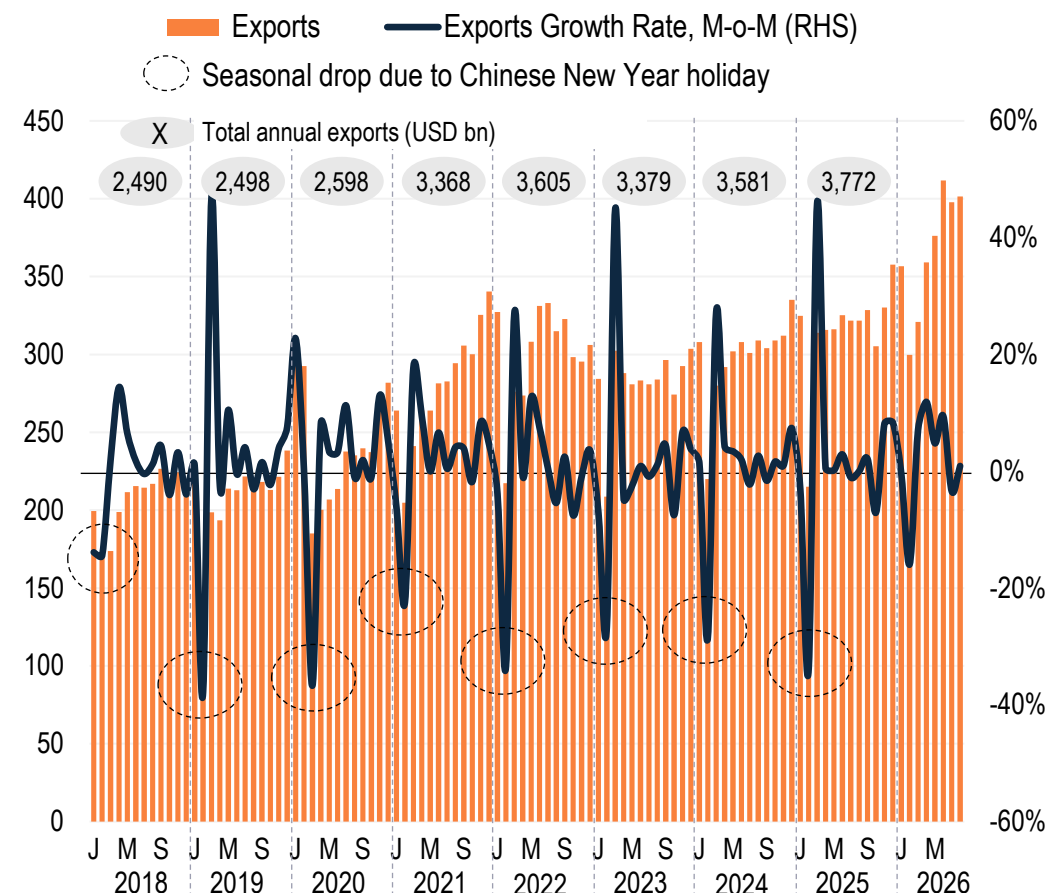


China's exports reached a record USD 3.77 trillion in 2025, with shipments remaining elevated in 2026. Annual exports increased 5.3% in 2025, extending the recovery from 2023. Monthly shipments have remained substantially above pre-pandemic levels, despite seasonal fluctuations and changing international trade conditions.

China Annual Exports, USD bn (2001-2025)



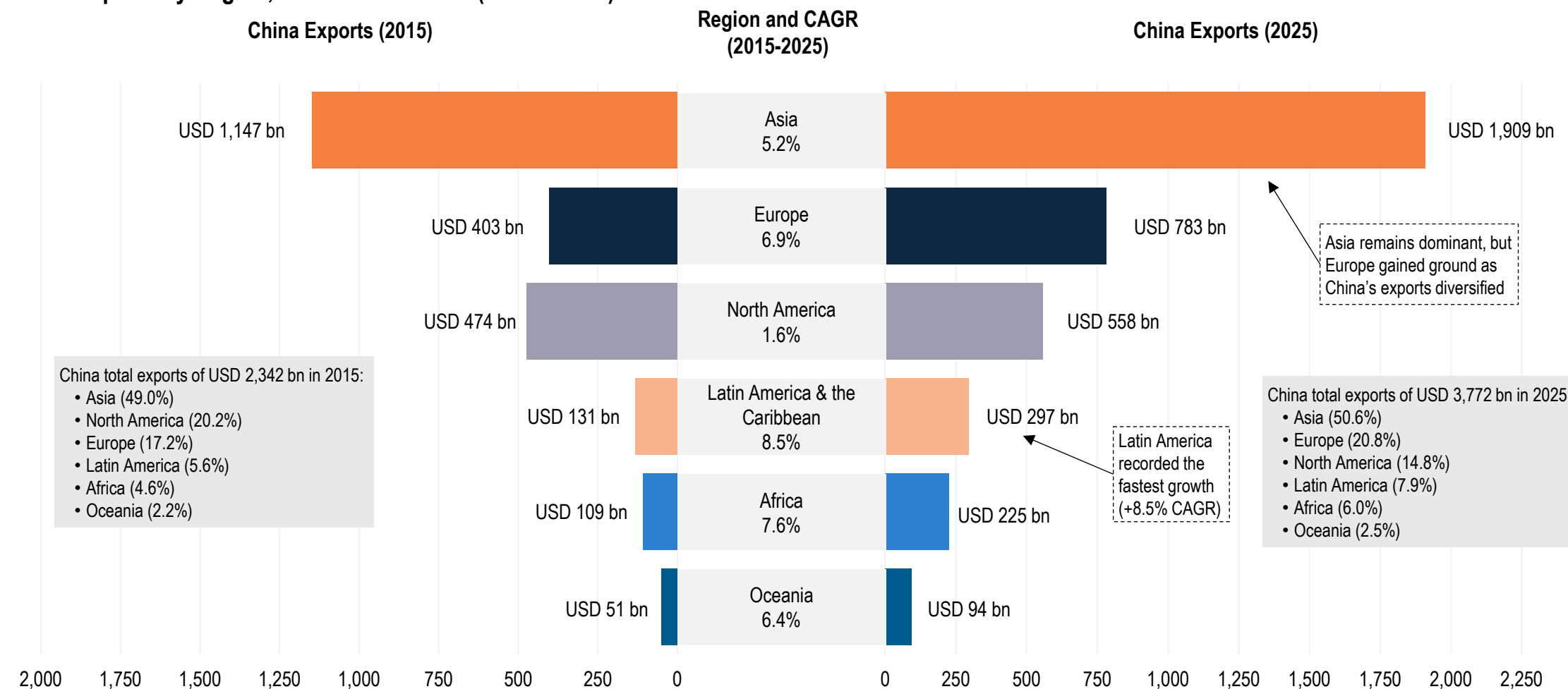
China Monthly Exports, USD bn (Jan. 2018-Aug. 2026)



China's exports to Asia have remained resilient as regional trade patterns shift

Export growth has varied considerably across regions since 2023, with Asia remaining China's largest destination market. 2025-2026 trends also reveal changing momentum in trade with North America, Europe and emerging markets

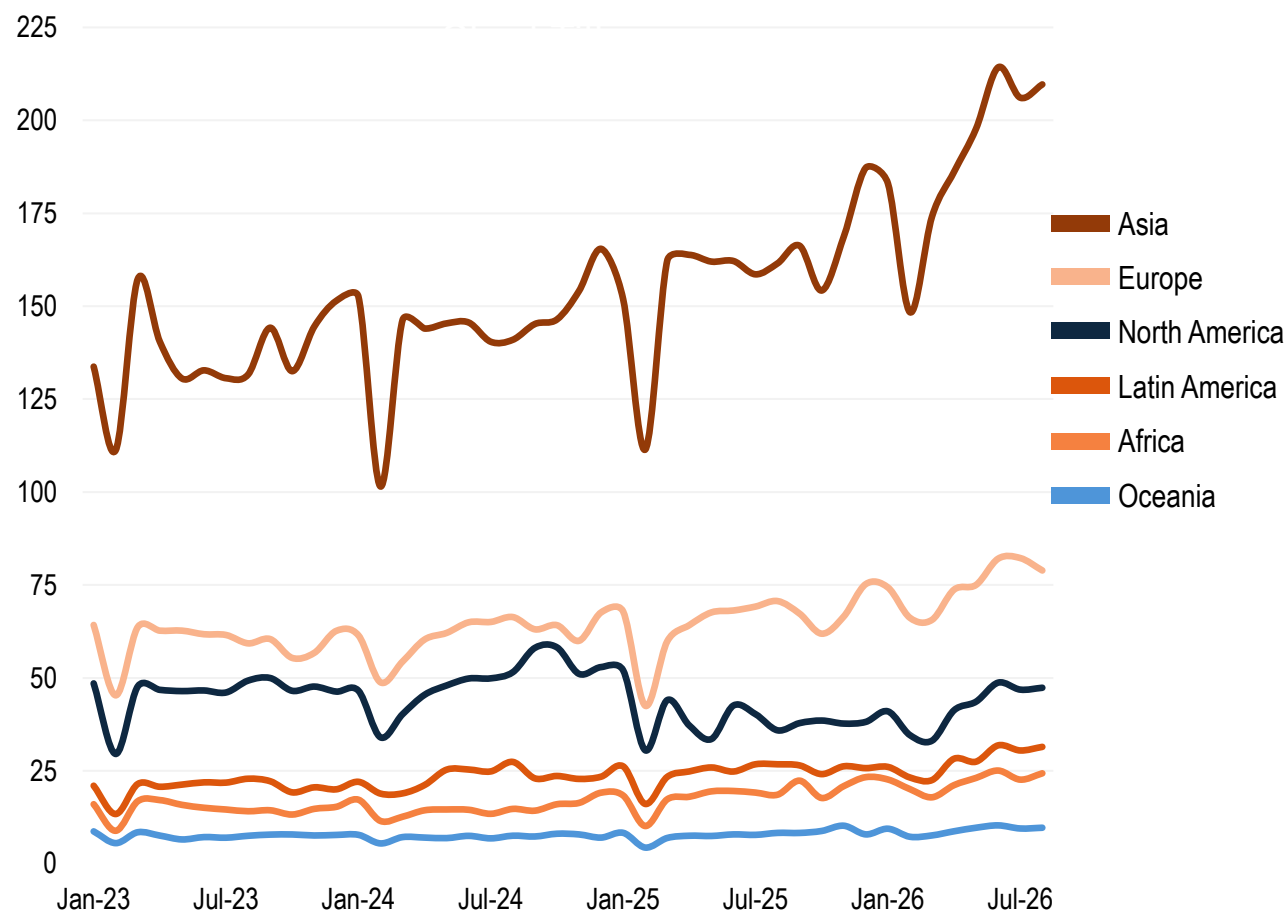
China Exports by Region, USD bn and CAGR (2015 & 2025)



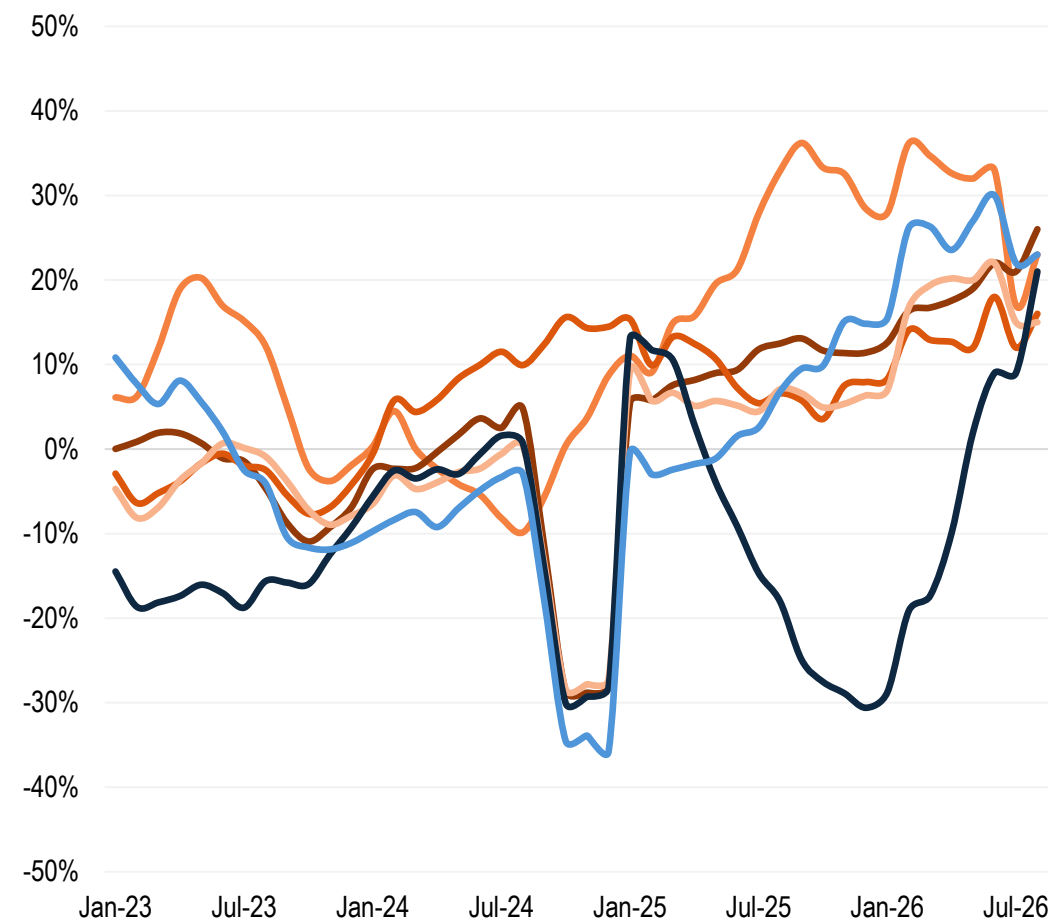
China-Asia trade remained resilient in 2023-2025 as regional supply chains deepened

China had strong double-digit export growth to Vietnam, Malaysia, Thailand, the Philippines and Indonesia. China's exports to the U.S. experienced a precipitous decline in 2025, before recovering in 2026

China Monthly Exports by Destination Region, USD bn (Jan. 2023-Aug. 2026)

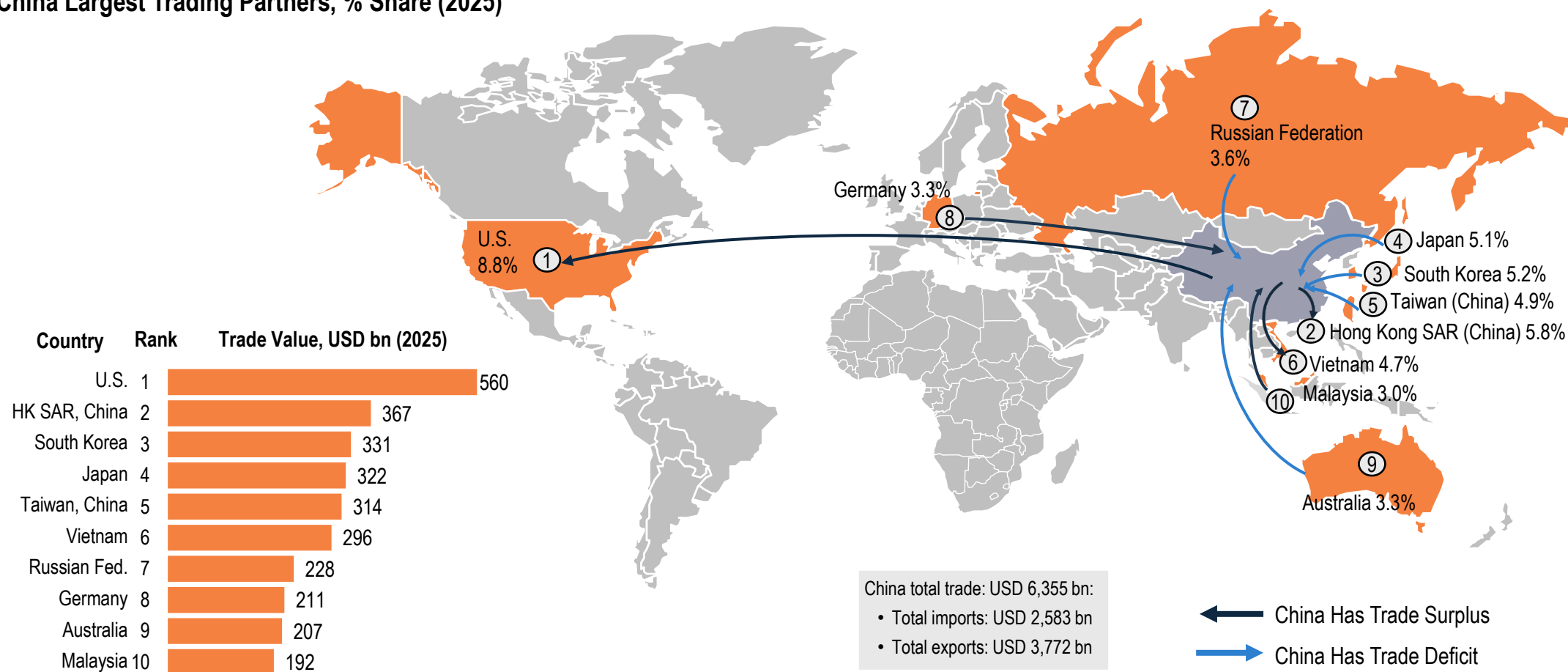


China Exports by Destination Region, YoY Growth, 6-Month Moving Average, % (2023-Aug. 2026)



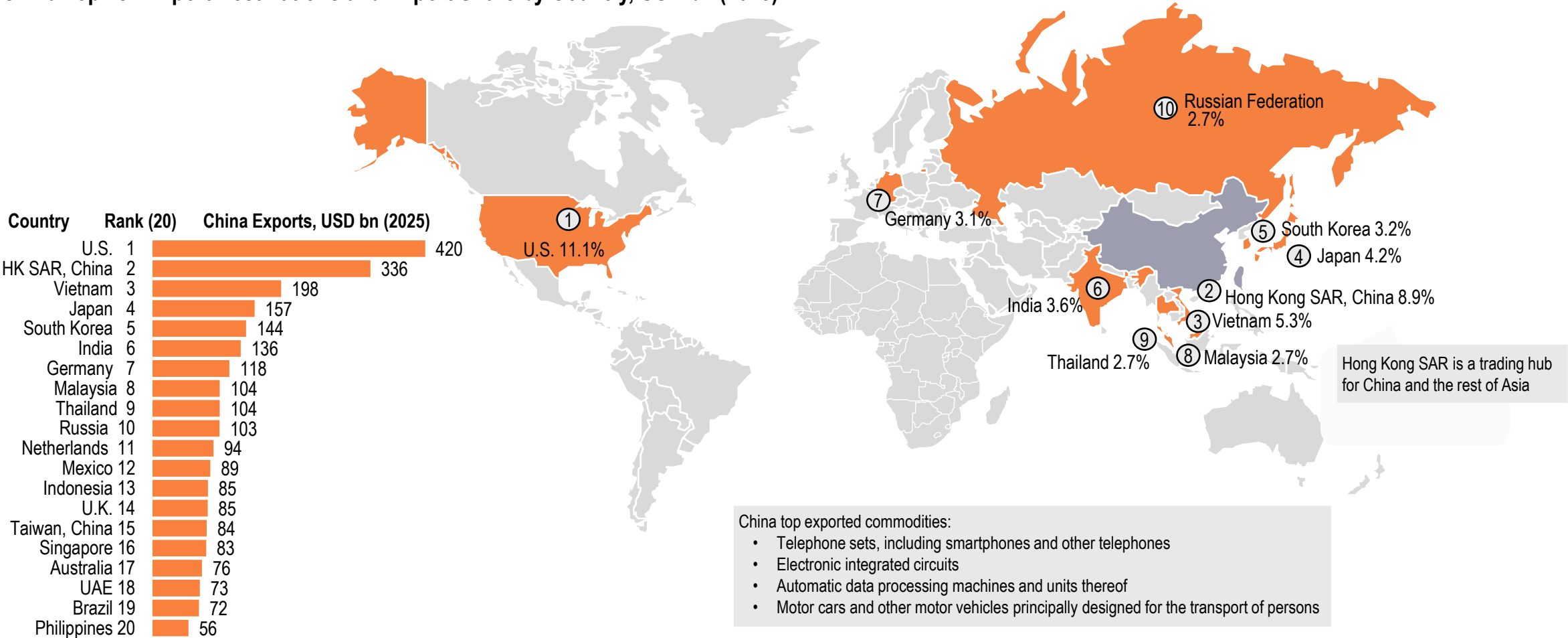
In 2025, China's total trade amounted to USD 6.35 trillion, 30% of which was with five economies. The U.S., China's largest trading partner, accounted for USD 560 billion or 8.8% of China's total trade in 2025, followed by Hong Kong SAR, South Korea, Japan and Taiwan (China).

China Largest Trading Partners, % Share (2025)



In 2025, China's total exports amounted to USD 3.77 trillion, 33% of which went to 5 partners
The U.S., Hong Kong SAR, Vietnam, Japan and South Korea took 32.7% of China's exports; the top 20 partners took 69%

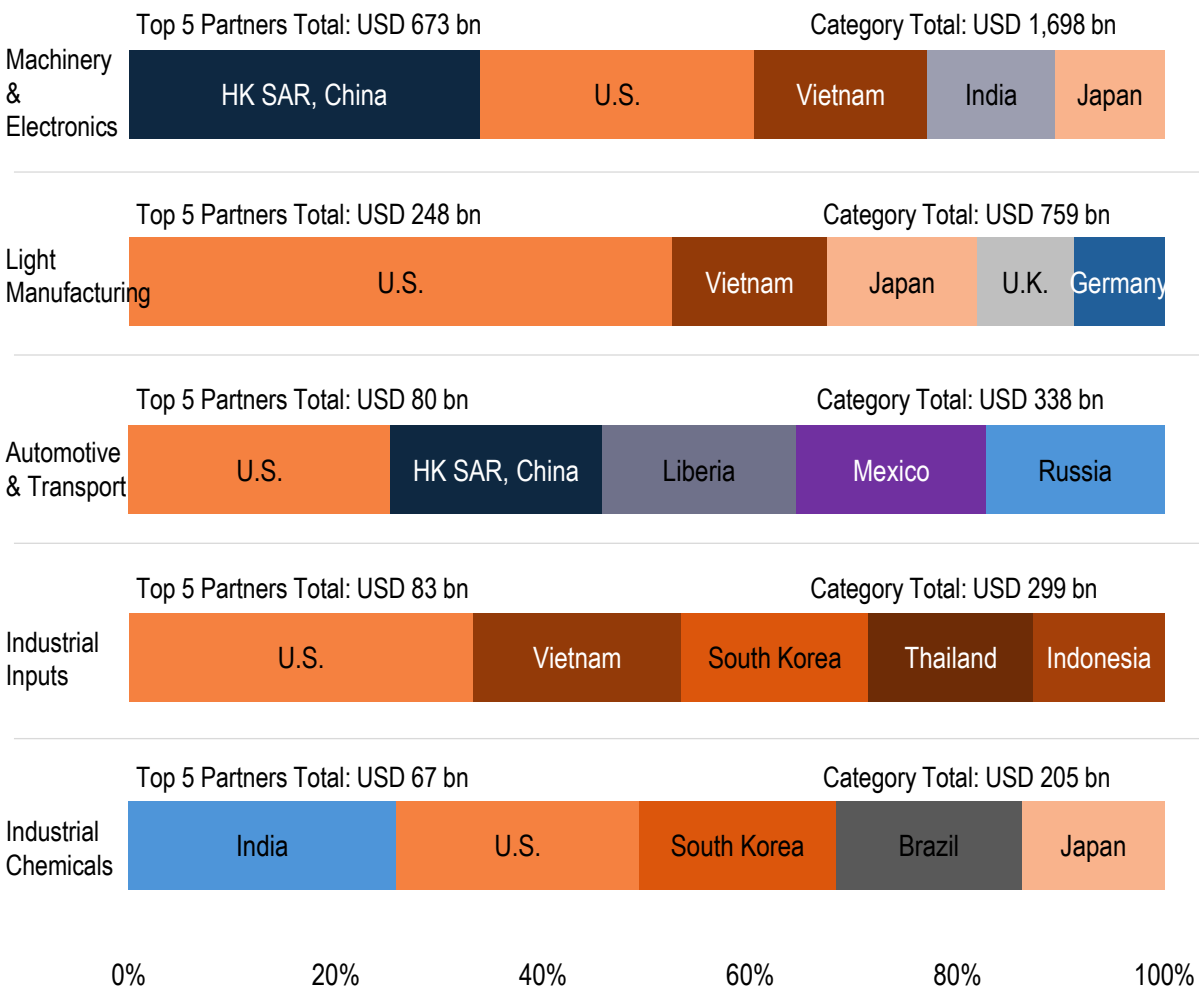
China Top Ten Export Destinations and Export Share by Country, USD bn (2025)



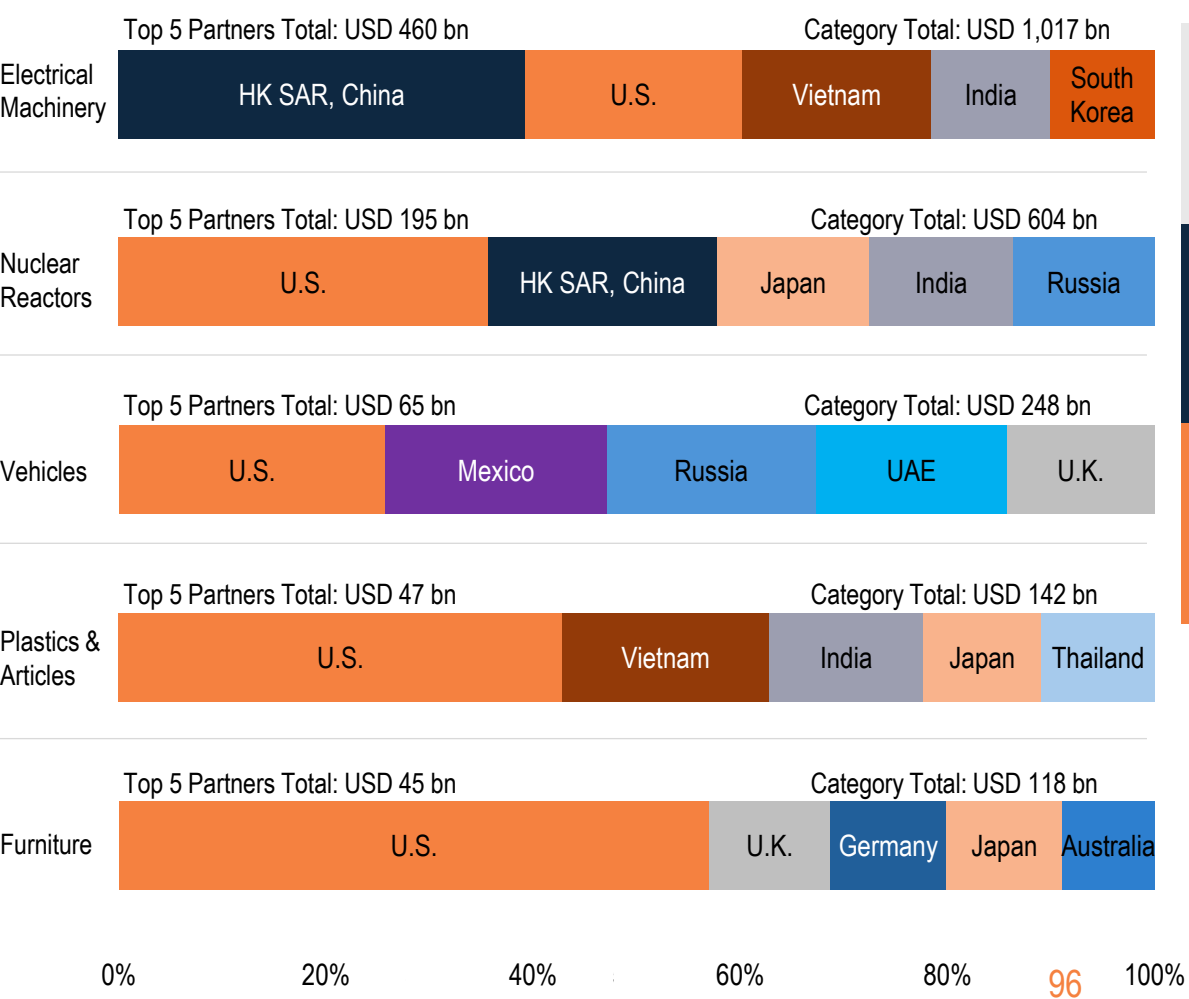
The U.S. remains a leading buyer of Chinese manufactured goods across major export categories

The U.S. was the largest destination for several major product groups in 2025, including light manufacturing, vehicles and plastics, while Hong Kong led in electrical machinery and broader machinery and electronics exports

China Top 5 Export Categories by Trade Partner, % Share (2025)



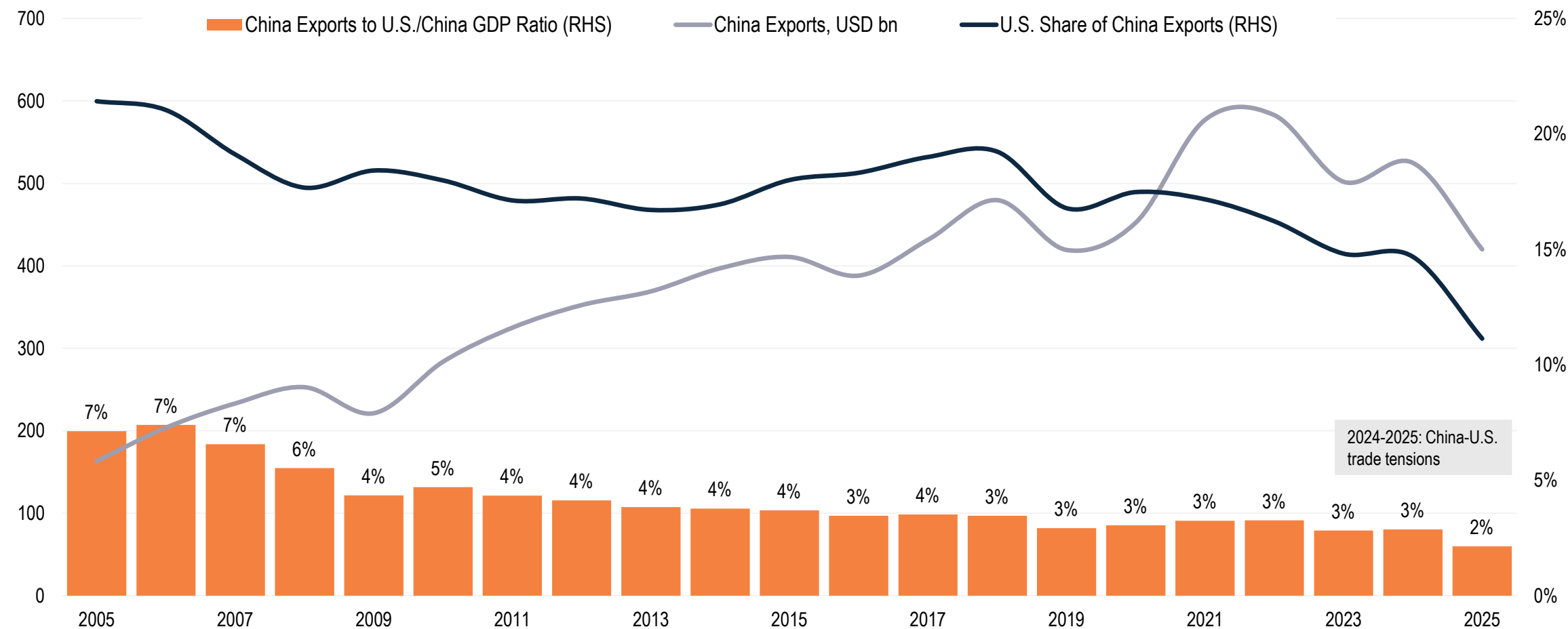
China Top 5 Export Products by Trade Partner, % Share (2025)



China's exports to the U.S. have fallen sharply relative to the size of its economy

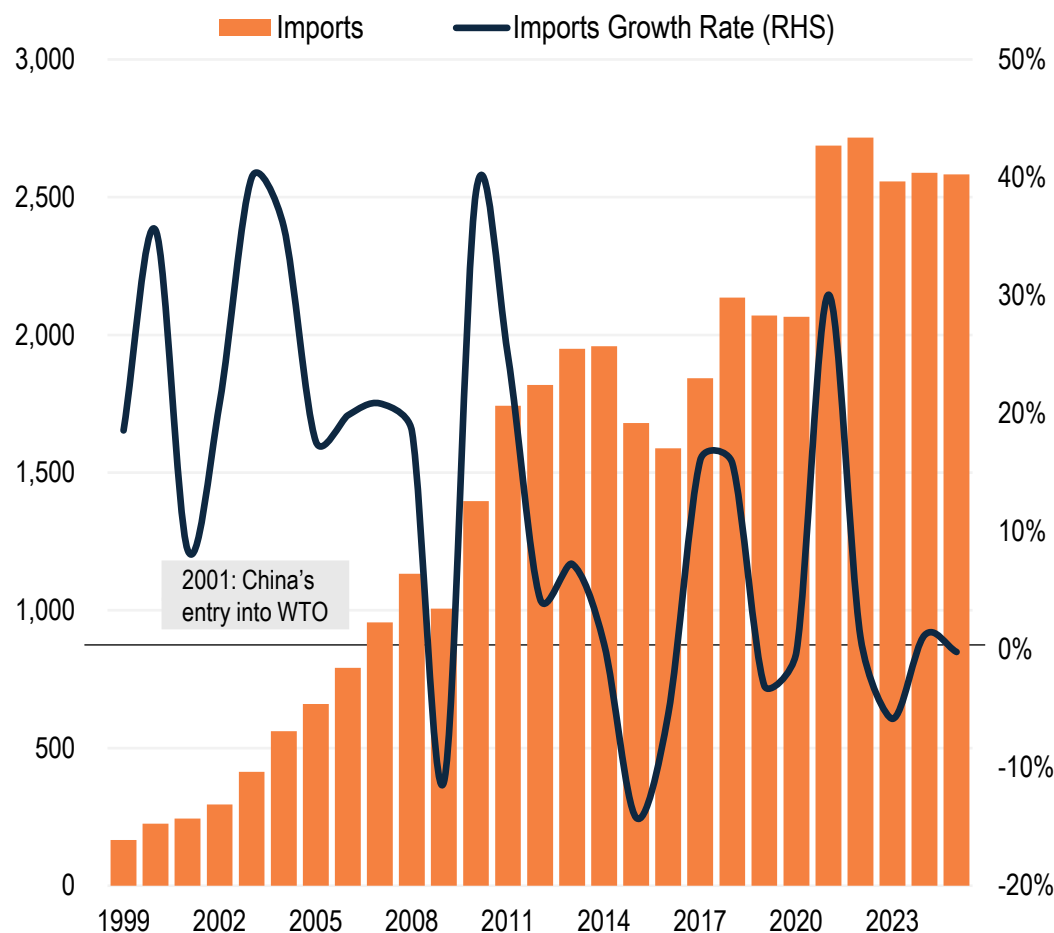
Exports to the U.S. declined from 7% of China's GDP in 2007 to 2% in 2025, reflecting the expansion of China's domestic economy and changing export markets. The U.S. nevertheless remains an important destination for Chinese goods

China Exports to the U.S., USD bn and Ratio of China GDP, %, U.S. Share of China Exports, % (2005-2025)

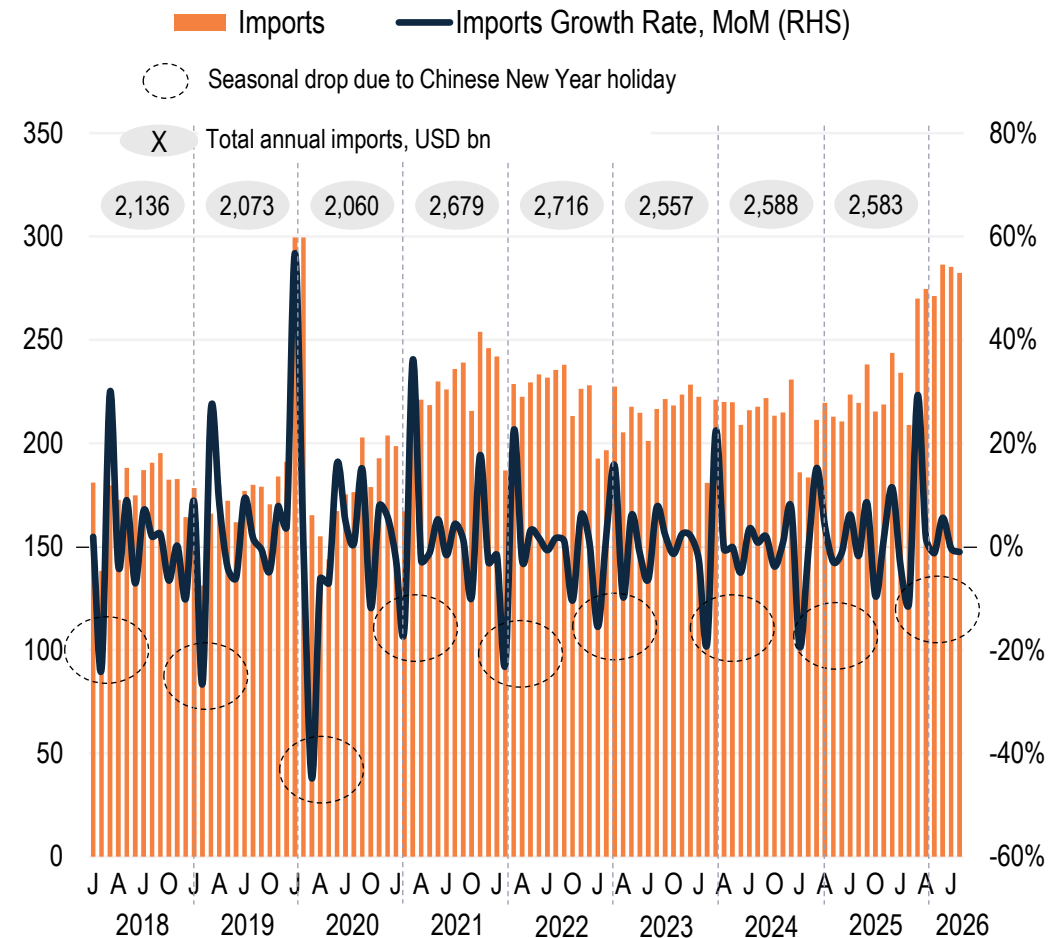


WTO accession in 2001 marked a turning point, leading to rapid growth in China's imports
Imports reached a record high of over USD 2.7 trillion in 2022, although the import growth rate has fluctuated over the years. In 2025, total imports reached USD 2.58 trillion

China Annual Imports, USD bn (1999-2025)



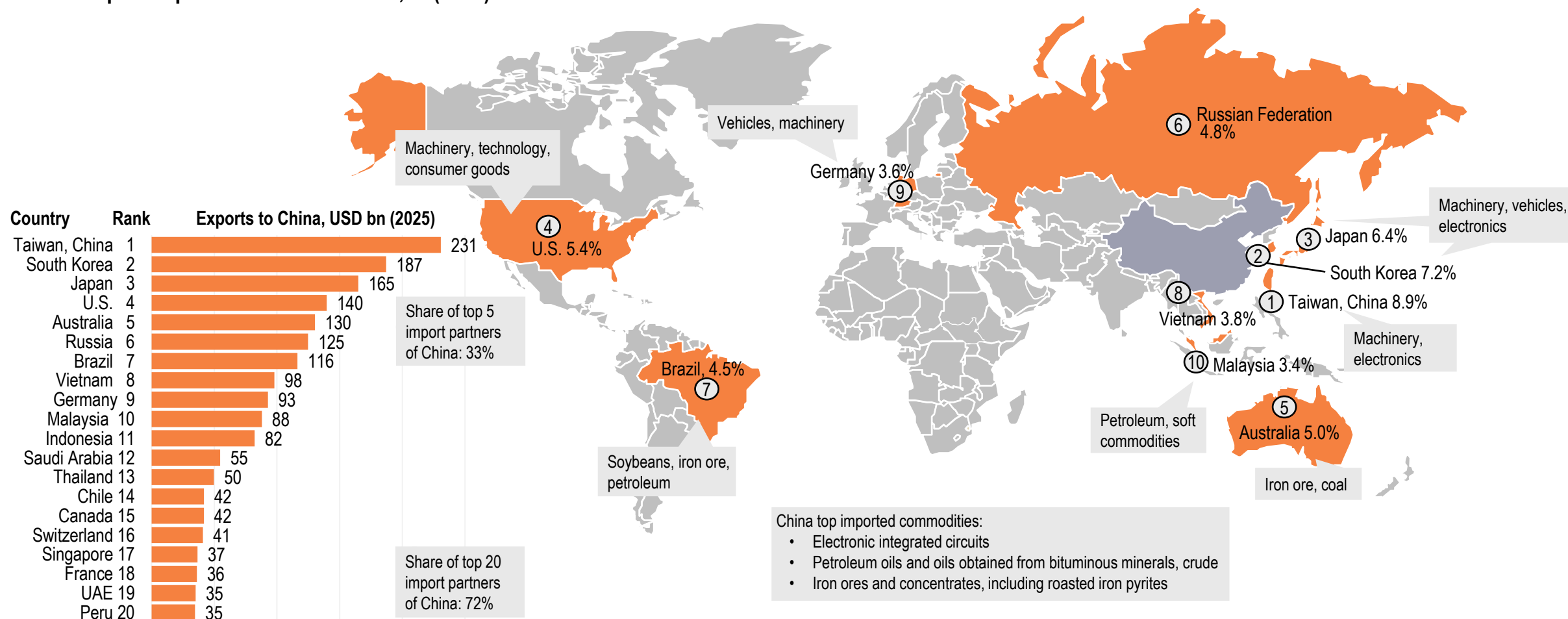
China Monthly Imports, USD bn (Jan. 2018-Aug. 2026)



In 2025, China's total imports amounted to USD 2.58 trillion

Taiwan (China), South Korea, Japan, the U.S. and Australia are China's top sources of imports, accounting for over 33% of total imports; the top 20 partners provided 72%

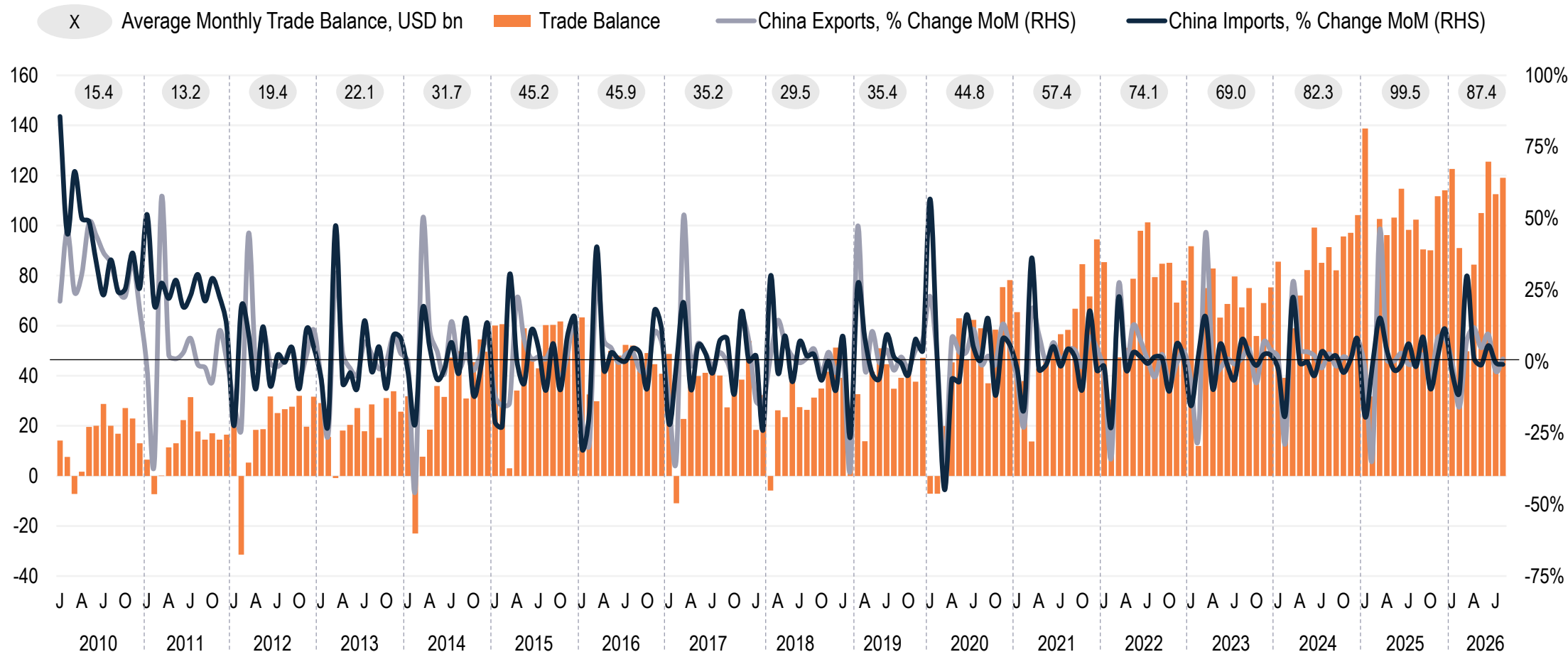
China Top 20 Import Source Economies, % (2025)



China's monthly trade surpluses have expanded substantially, reaching new highs in 2025

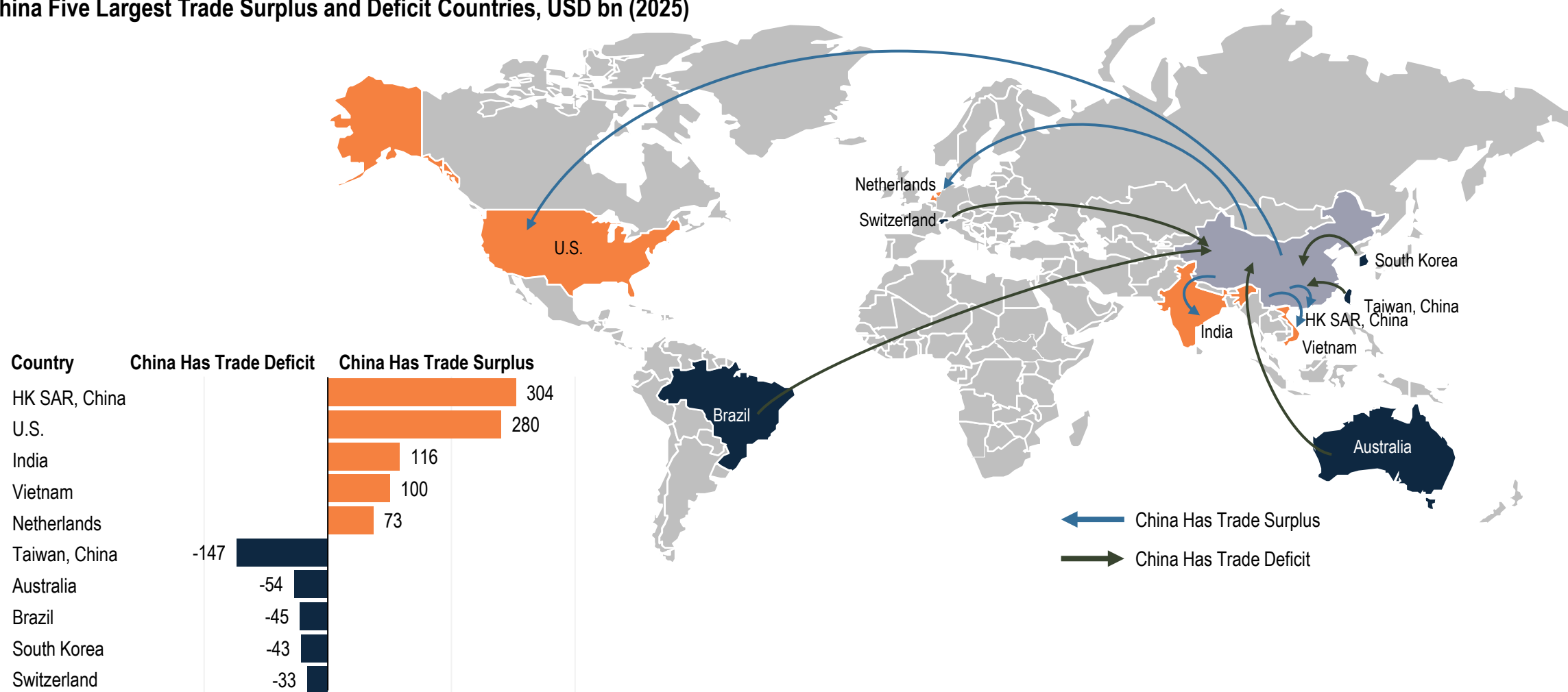
China's merchandise trade balance has remained overwhelmingly positive since 2010, with average monthly surpluses approaching USD 100 billion in 2025. Seasonal fluctuations continue, but the underlying surplus has grown considerably

China Monthly Trade Balance, USD bn (Jan. 2010-Aug. 2026)



In 2025, China had a trade surplus of USD 1.2 trillion, led by Hong Kong SAR and the U.S.
China had large trade deficits with Taiwan (China), Australia, Switzerland and Brazil, from which it imports high-value goods such as semiconductors and luxury products

China Five Largest Trade Surplus and Deficit Countries, USD bn (2025)



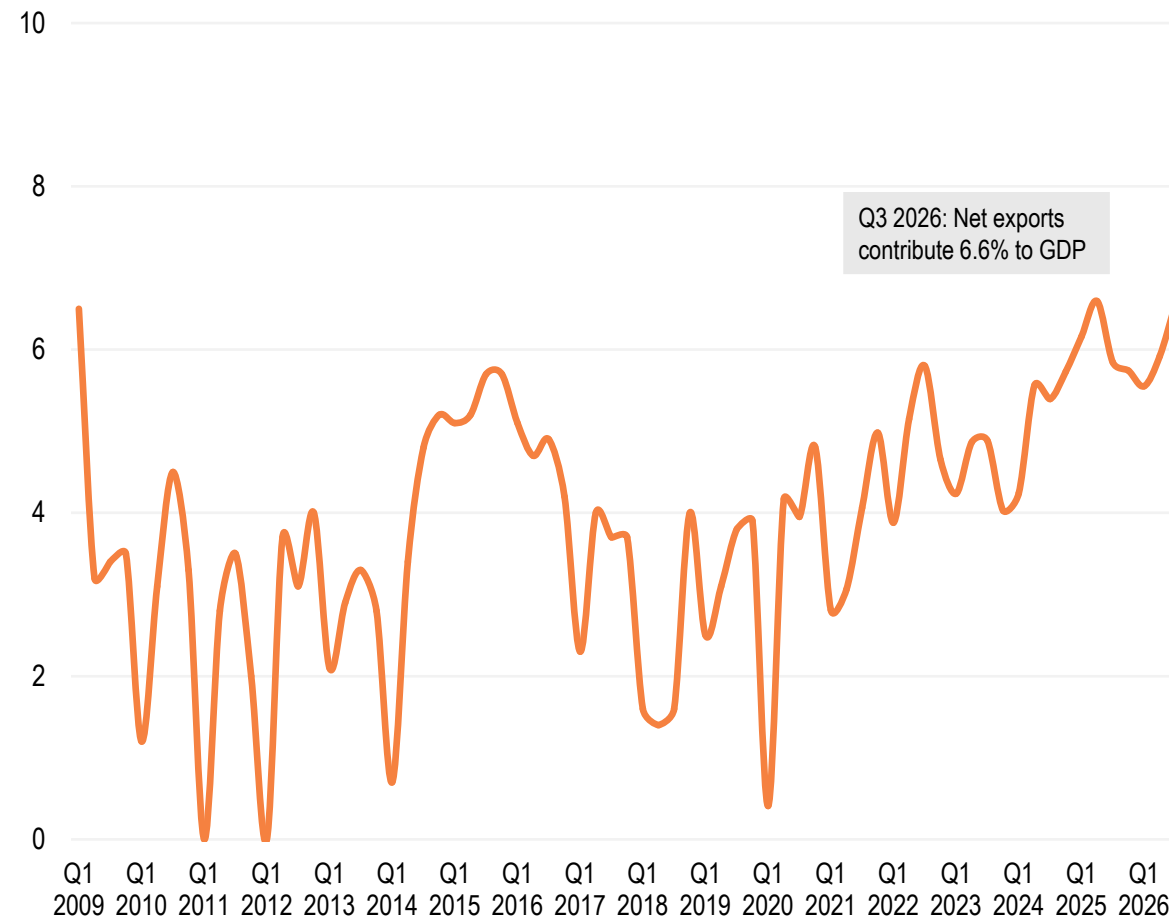
Net exports account for a relatively modest but growing share of China's GDP

Net exports accounted for 6.1% of GDP in 2025, up from much lower shares during much of the 2010s. Their rising importance highlights the continued role of external demand alongside domestic consumption and investment

Share of Net Exports in China's Annual GDP, % (2000-2025)

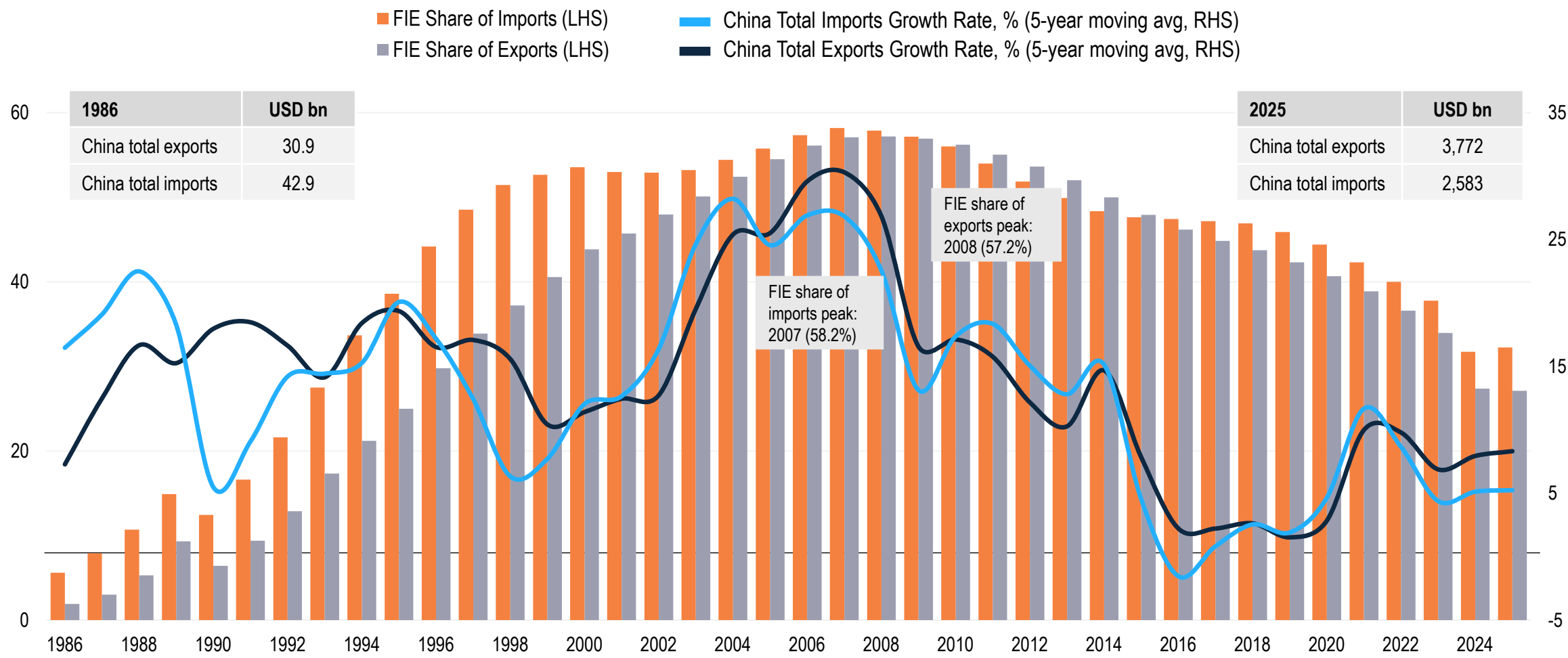


Share of Net Exports in China's Quarterly GDP, % (Q1 2009-Q3 2026)



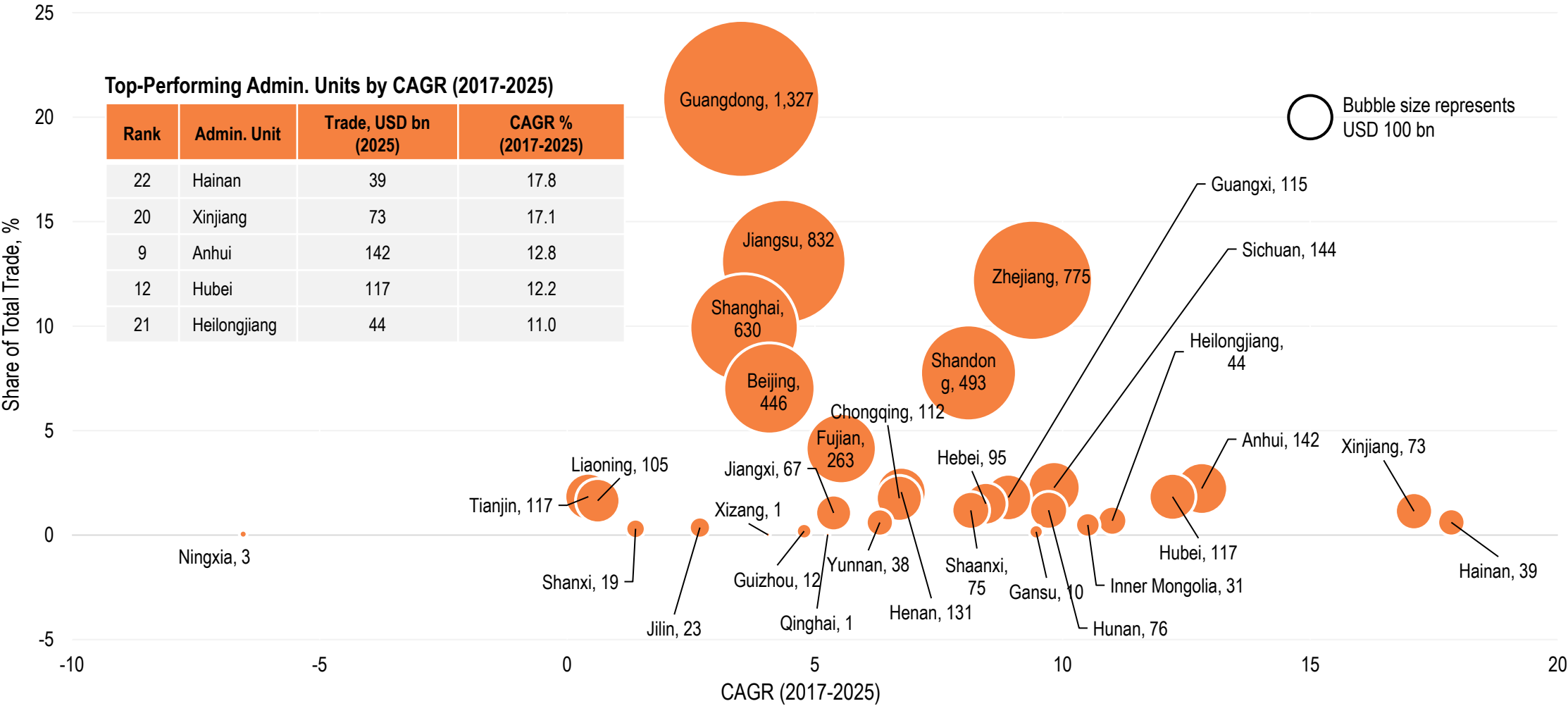
The share of Foreign-Invested Enterprises (FIEs) in China's trade has declined progressively
After peaking in 2007 for imports (58%) and in 2008 for exports (57%), in 2025, levels reached 32% for imports and 27% for exports

Share of Foreign-Invested Enterprises (FIE) in China's Goods Trade in USD, % (1986-2025)



The richer and more populated coastal provinces dominate China's trade, led by Guangdong
 The top 5 provinces accounted for 64% of China's total trade in 2025. Outlying provinces recorded the fastest trade growth in the last eight years, led by Hainan (18%) and Xinjiang (17%)

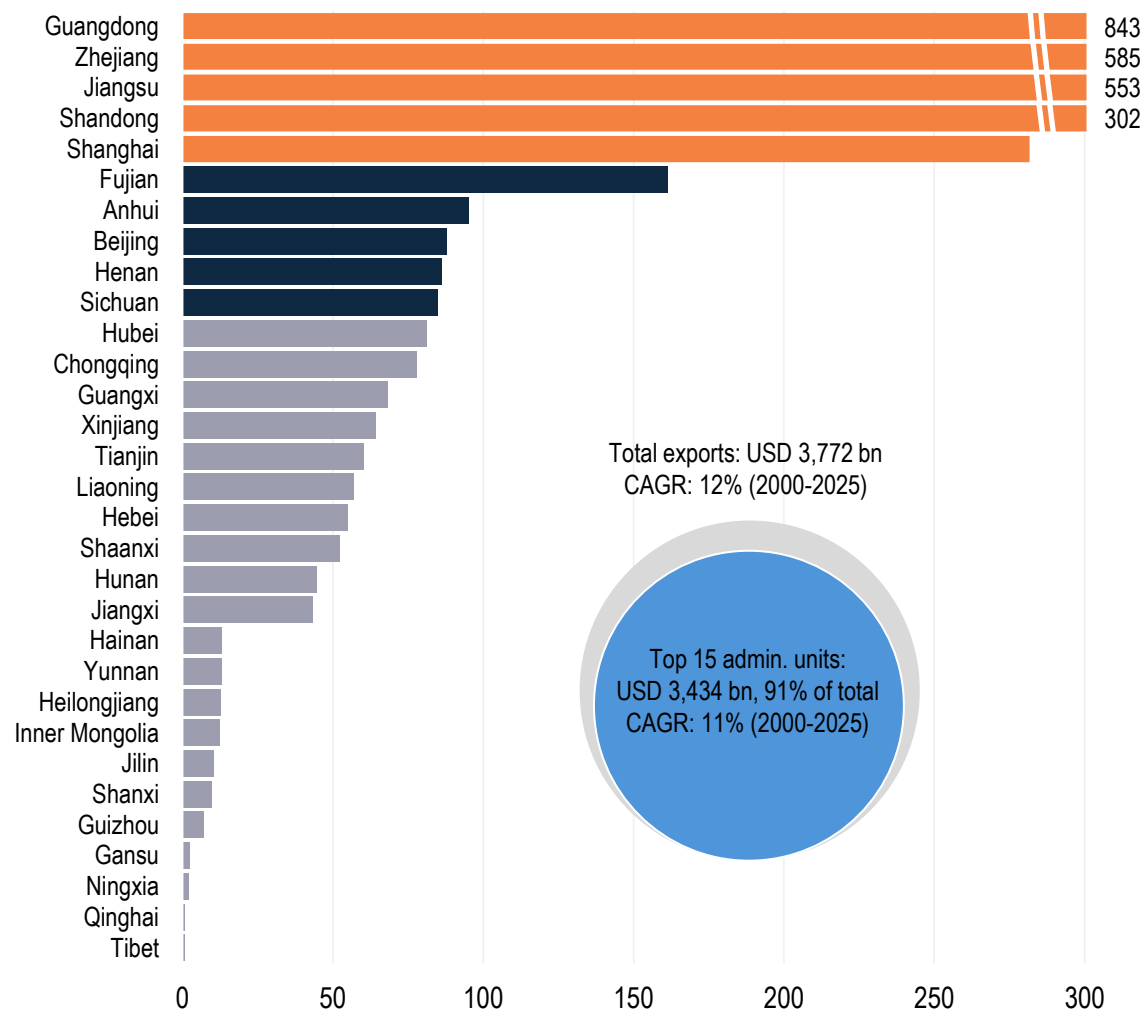
Trade by China Province, Autonomous Region and Municipality, USD bn, Share of Total Trade, % (2025), and CAGR (2017-2025)



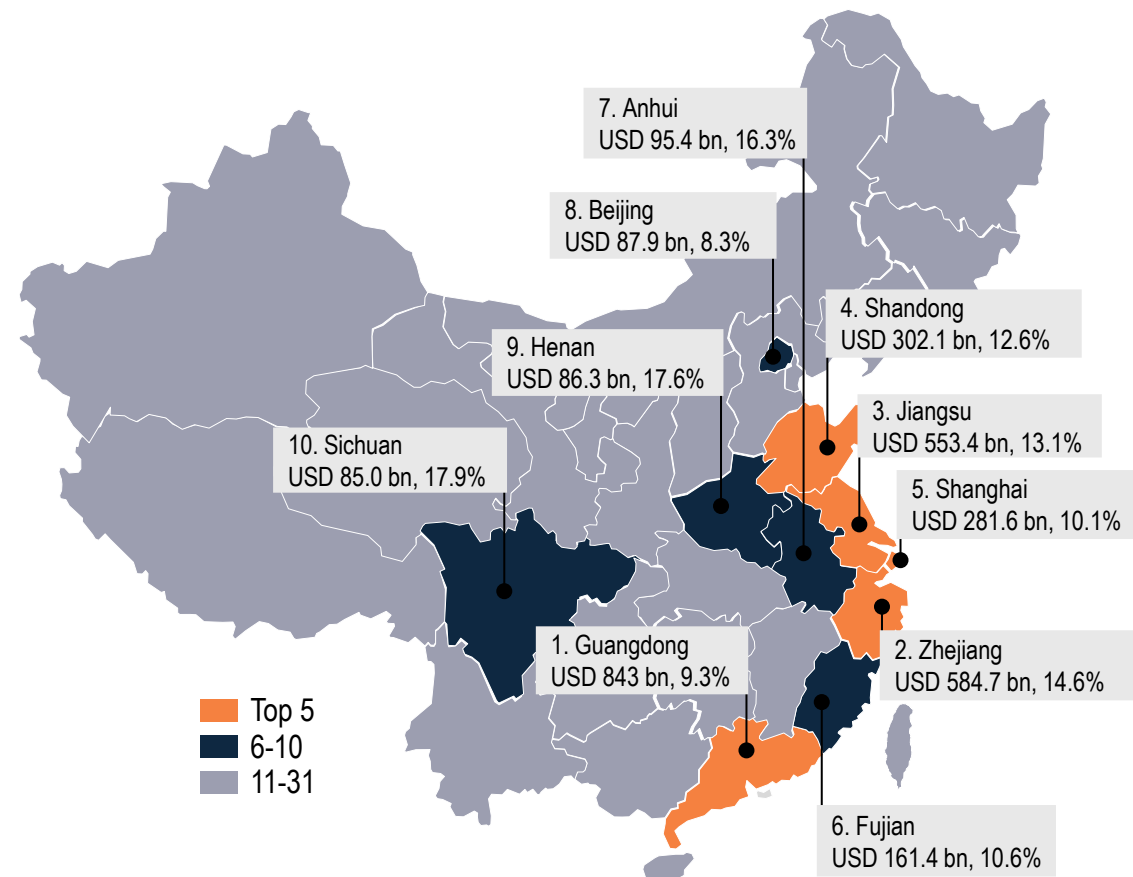
Each province plays to its strengths in China's export ecosystem

From heavy industry in Hebei & Shanxi to textiles in Zhejiang & Fujian and tech and automotive goods in Guangdong & Anhui, all shaping China's diversified export system

China Exports by Administrative Unit, USD bn (2025)



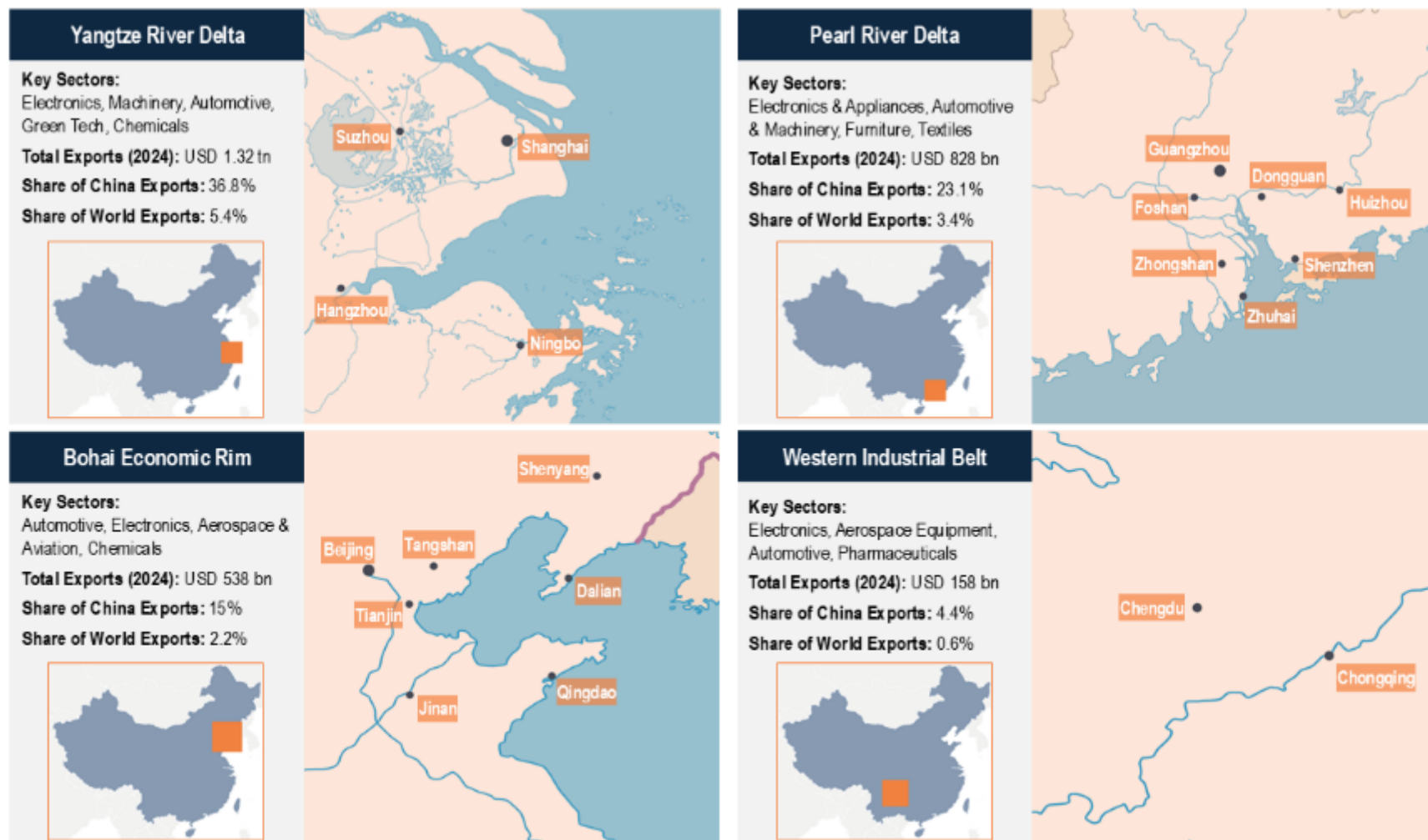
Top 10 Admin. Units by Exports, USD bn (2025) and CAGR, % (2000-2025)



China's export structure is remarkably concentrated

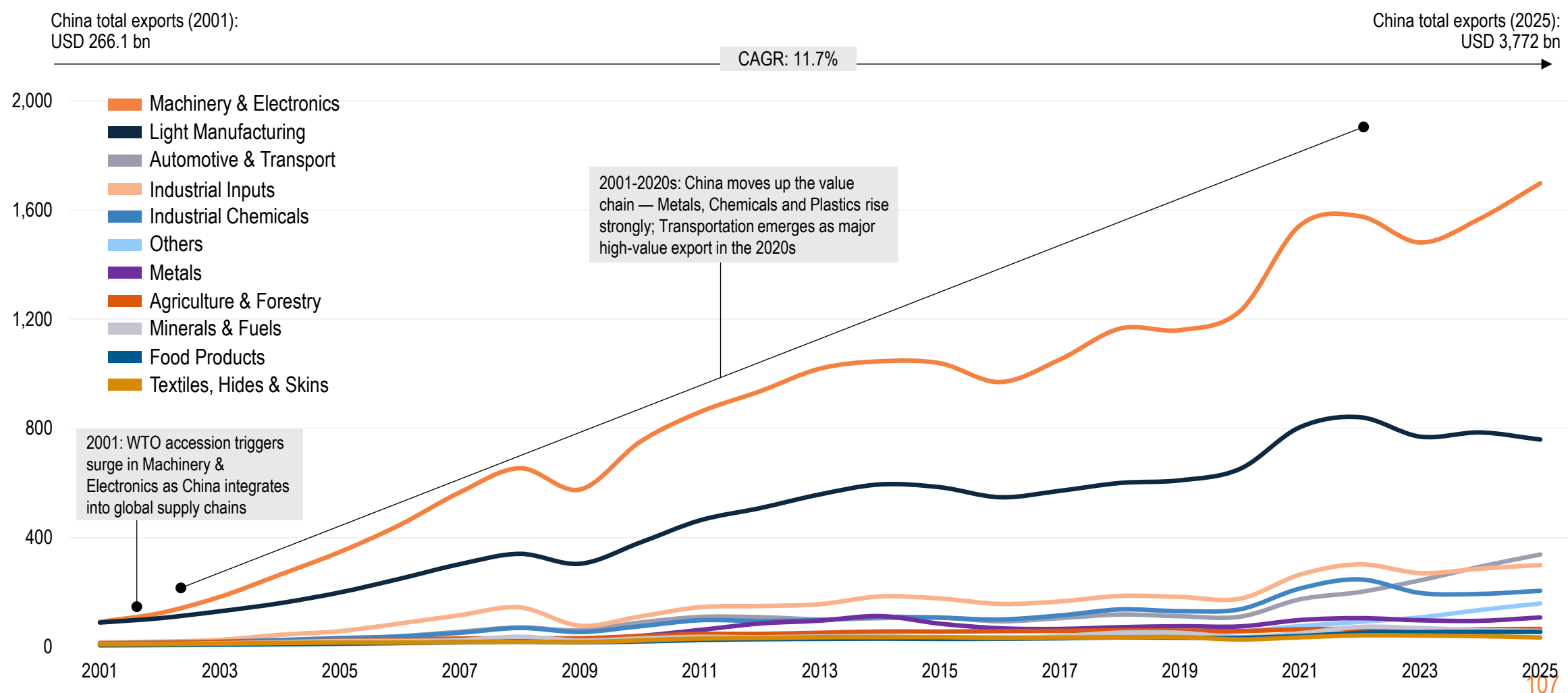
Four industrial clusters, the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and Western Industrial Belt, collectively generate about 80% of China's exports and roughly 12% of global exports

China Four Export Clusters: Key Sectors and Exports, USD bn (2024)



China's export mix has shifted towards machinery, electronics and higher-value manufactured goods
 Since 2001, Machinery & Electronics have become the largest export category, while automotive products, industrial inputs and chemicals have expanded rapidly, reflecting China's increasingly diversified manufacturing capabilities

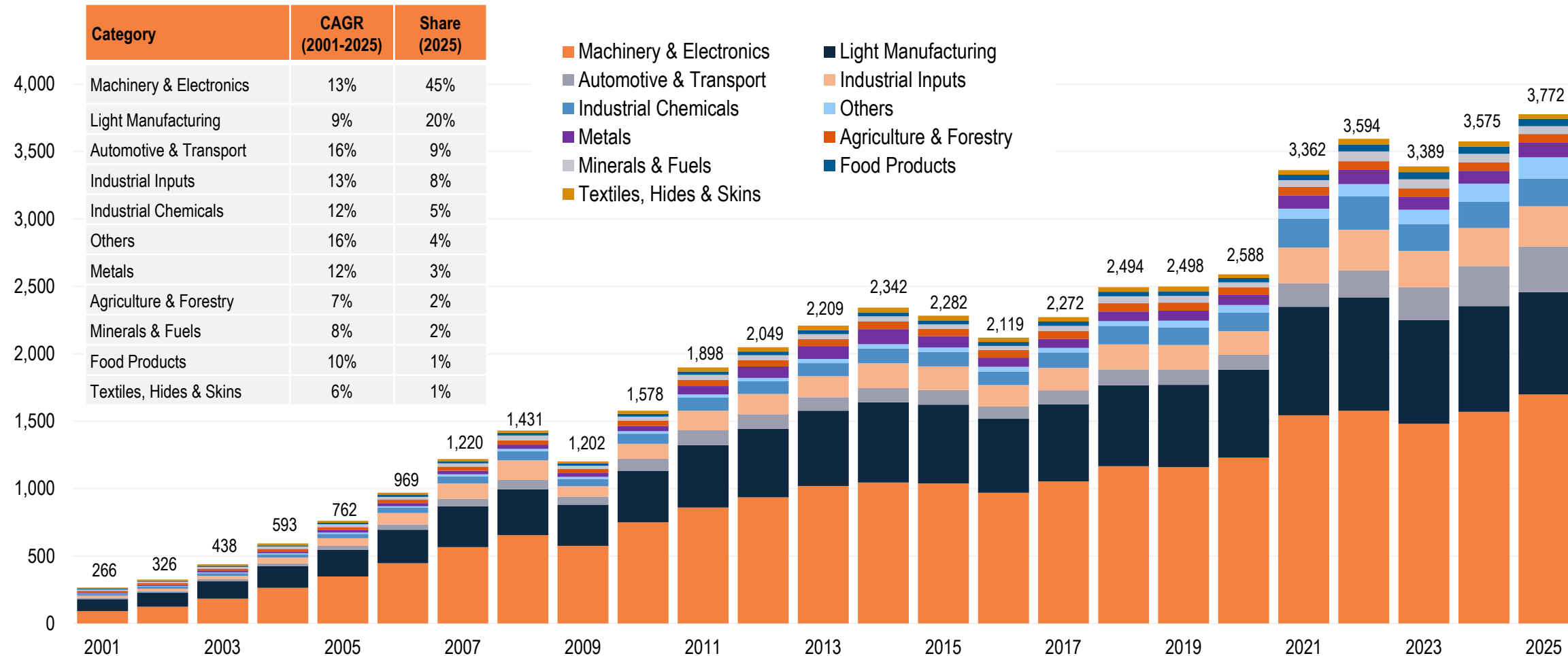
China Exports to the World by Category, USD bn (2001-2025)



Machinery & Electronics dominate China's exports, while vehicles have emerged as a major growth category

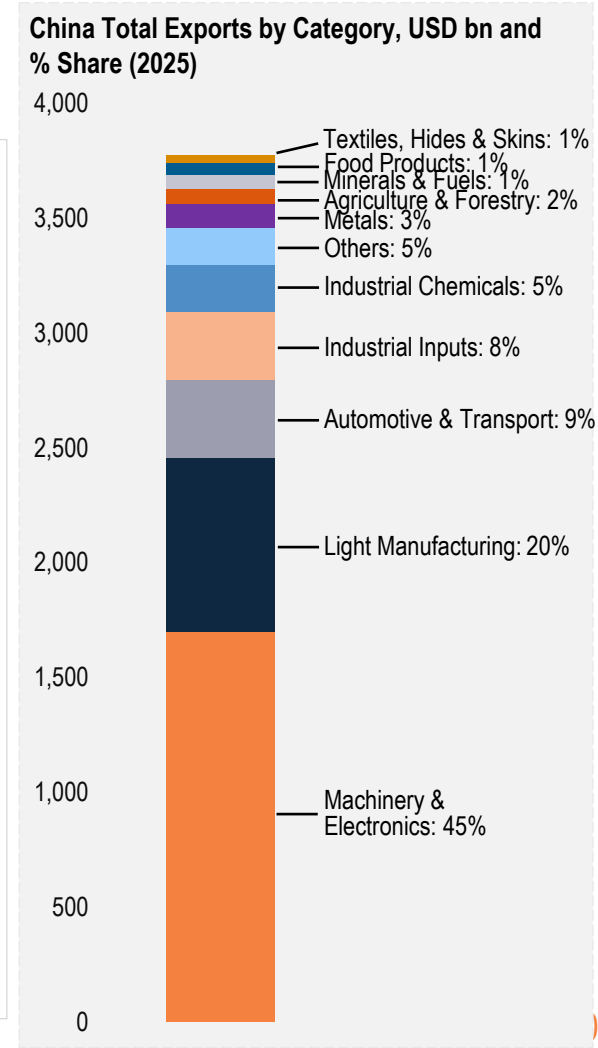
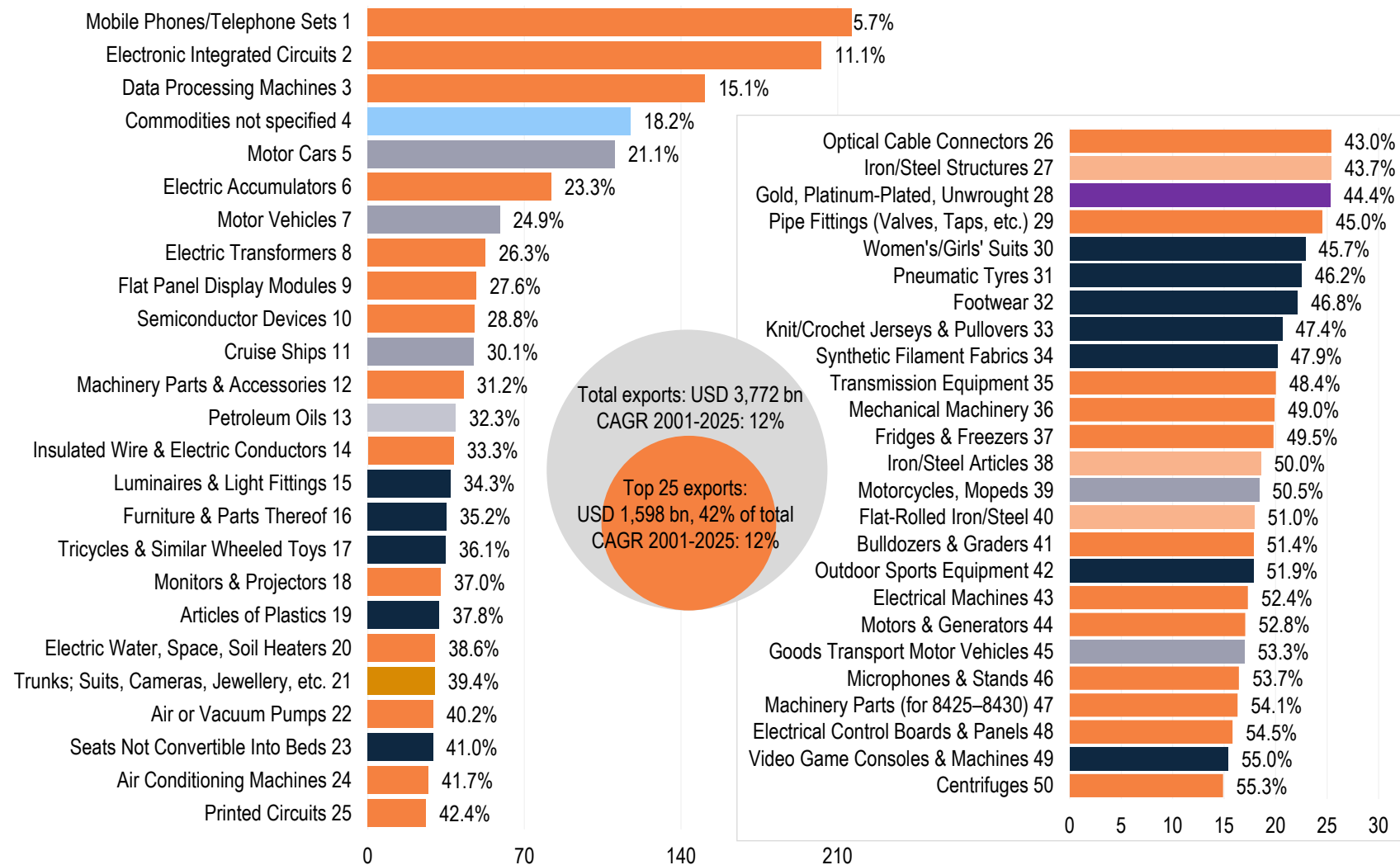
Machinery & Electronics accounted for 45% of China's USD 3.77 trillion exports in 2025, followed by light manufacturing at 20%. Automotive and transport products have expanded rapidly

China Exports by Category, USD bn (2001-2025)



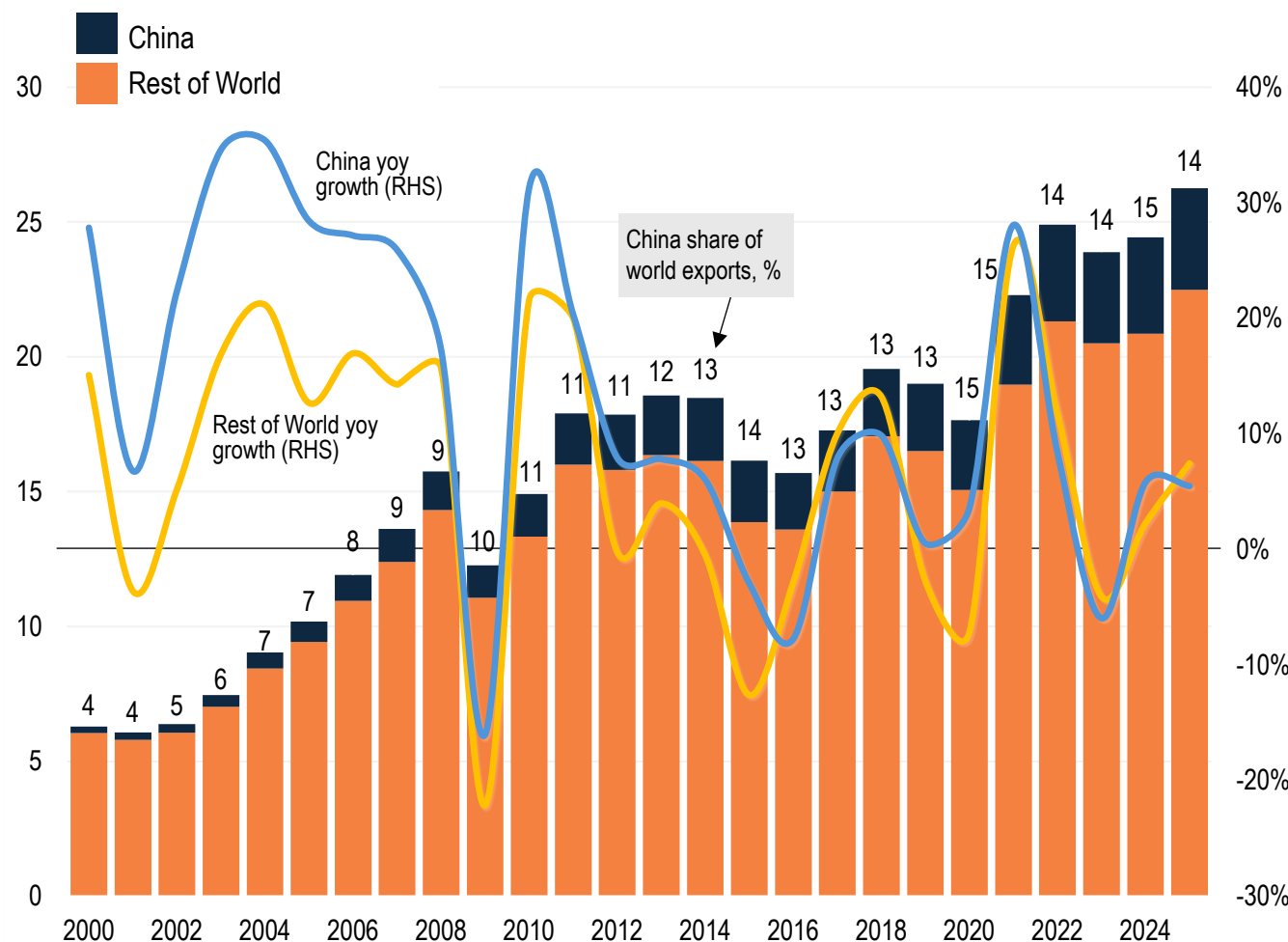
Mobile phones were China's largest export product group in 2025, worth USD 216 billion
Electronic integrated circuits followed at USD 203 billion, with data processing machines at USD 151 billion. Together, these three product groups accounted for approximately 15% of China's merchandise exports

China Top 50 Export Products, USD bn, and Cumulative Share of Total Exports, % (2025)

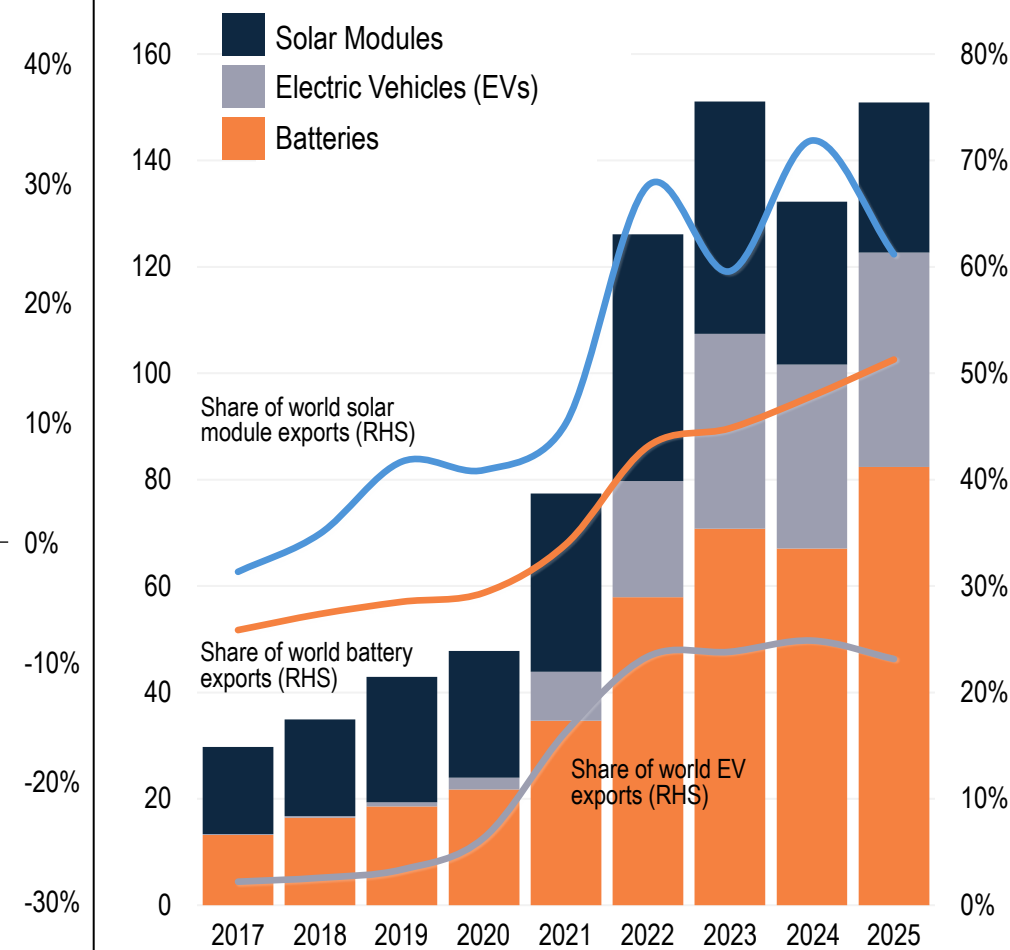


China accounts for 15% of world exports, encompassing three core elements of new energy tech
In 2025, China accounted for 23% of the world's electric vehicle exports, 51% of battery exports and 61% of solar module exports

China and World Exports, USD tn and Share of World Exports, % (RHS) (2000-2025)

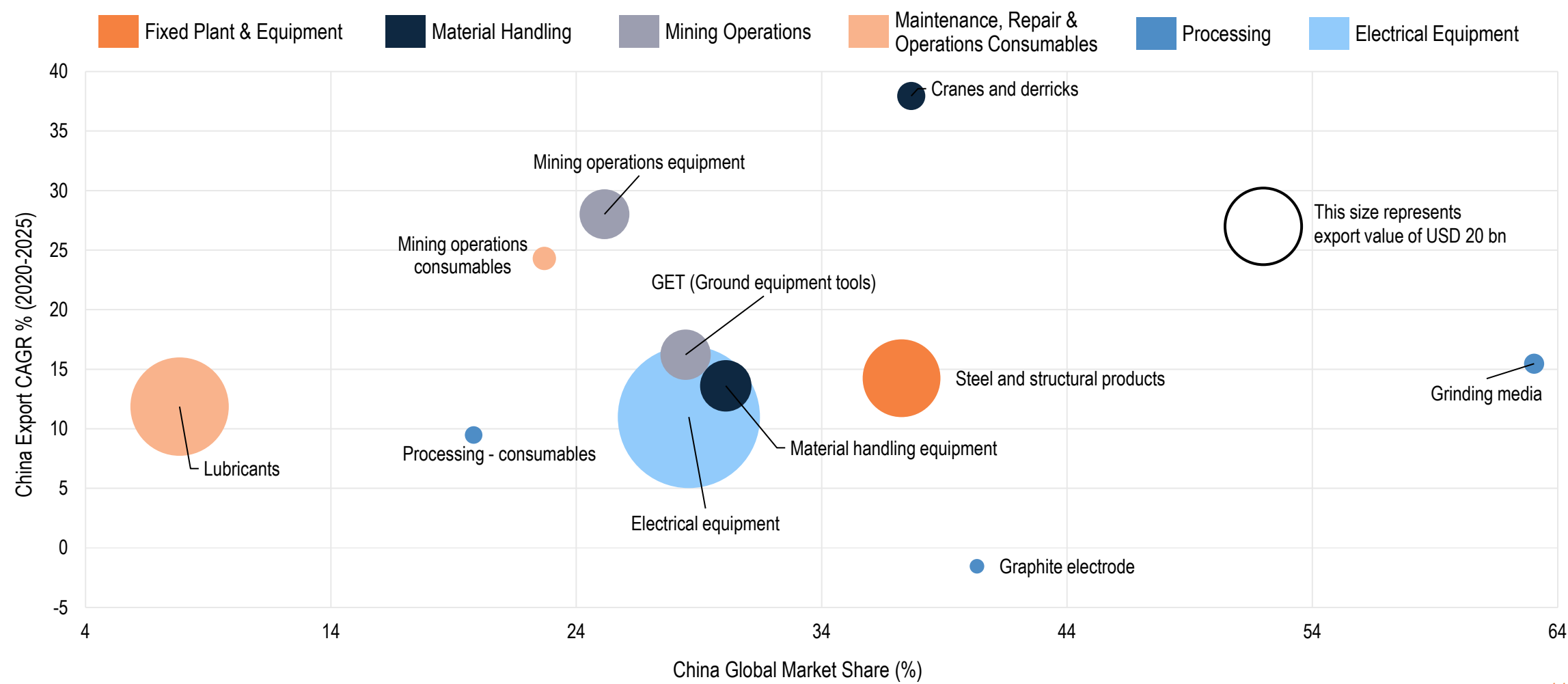


China New Energy Tech Exports, USD bn and Share of World Exports, % (RHS) (2017-2025)



China now controls close to 30% of the global market for electrical mining equipment
 Reinforcing China's dominance in industrial machinery and critical supply chains. In 2025, China exported electrical mining equipment worth USD 70 billion, accounting for 29% global market share

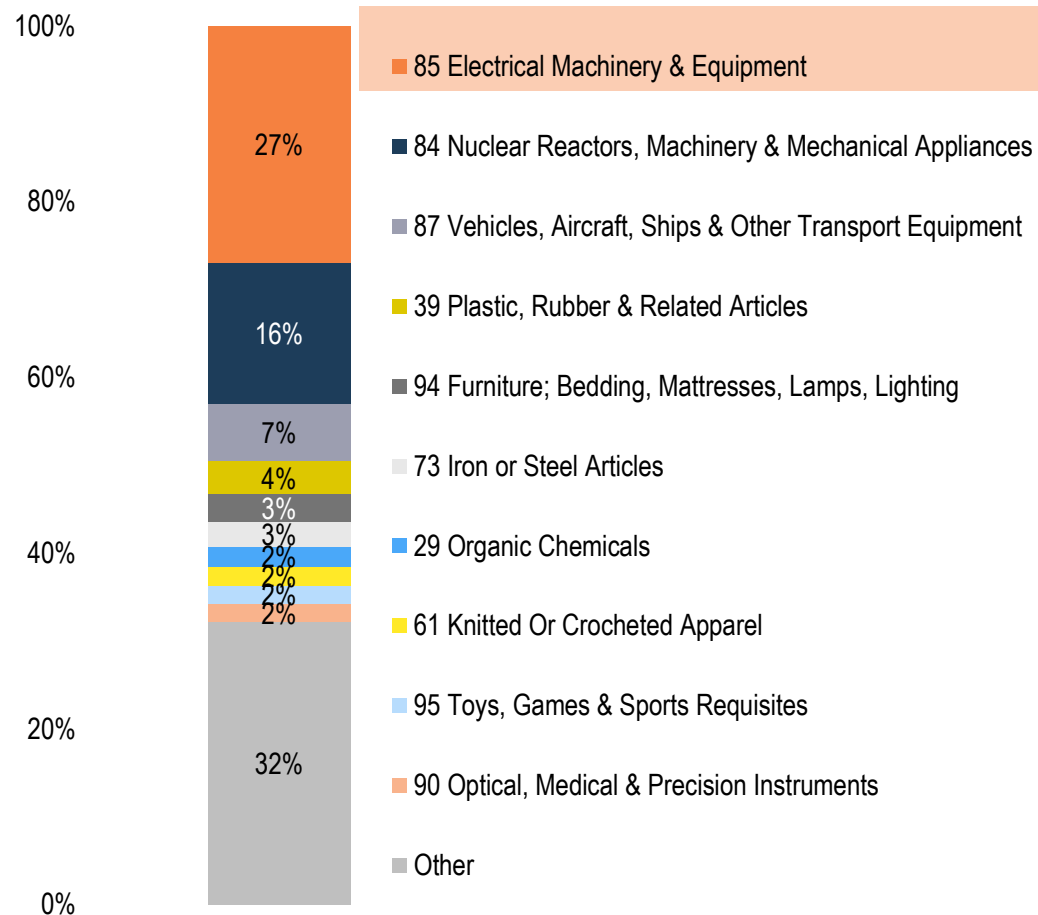
China Exports of Selected Mining Products and Equipment, USD bn (2025), Market Share, % (2025) and Export CAGR, % (2020-2025)



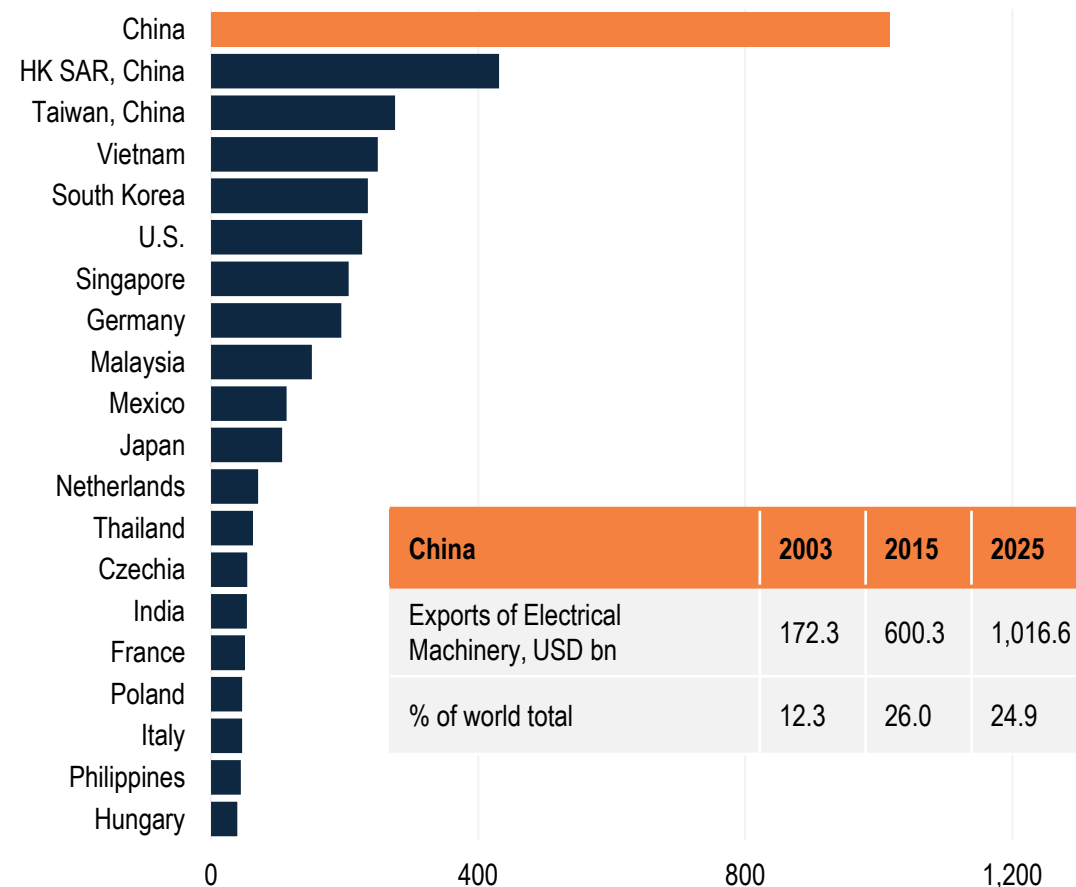
China is the world's largest exporter of Electrical Machinery & Equipment

China exports totalled USD 1,017 billion in 2025, accounting for a market share of 25%, up from 12% in 2005

China Top 10 Export Commodities (2025)



Top 20 Exporters of Electrical Machinery, USD bn (2025)

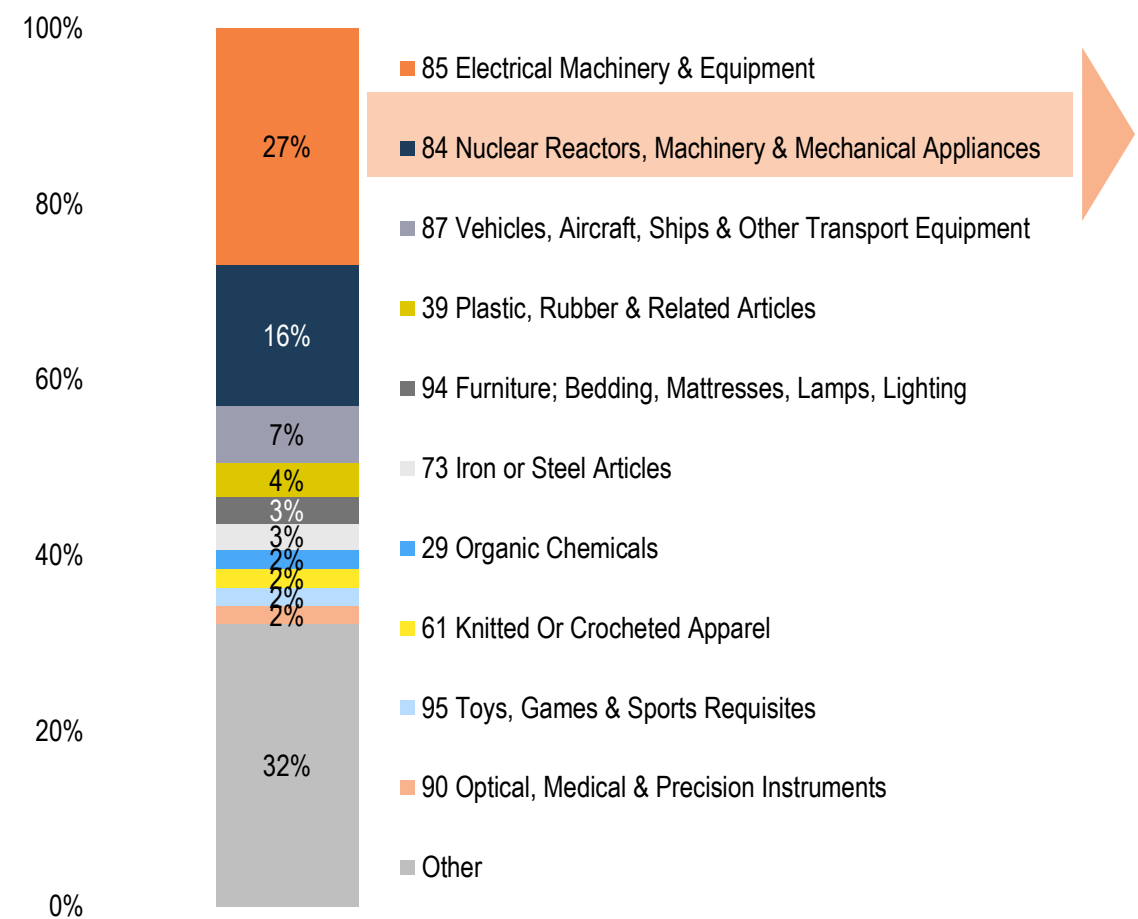


China	2003	2015	2025
Exports of Electrical Machinery, USD bn	172.3	600.3	1,016.6
% of world total	12.3	26.0	24.9

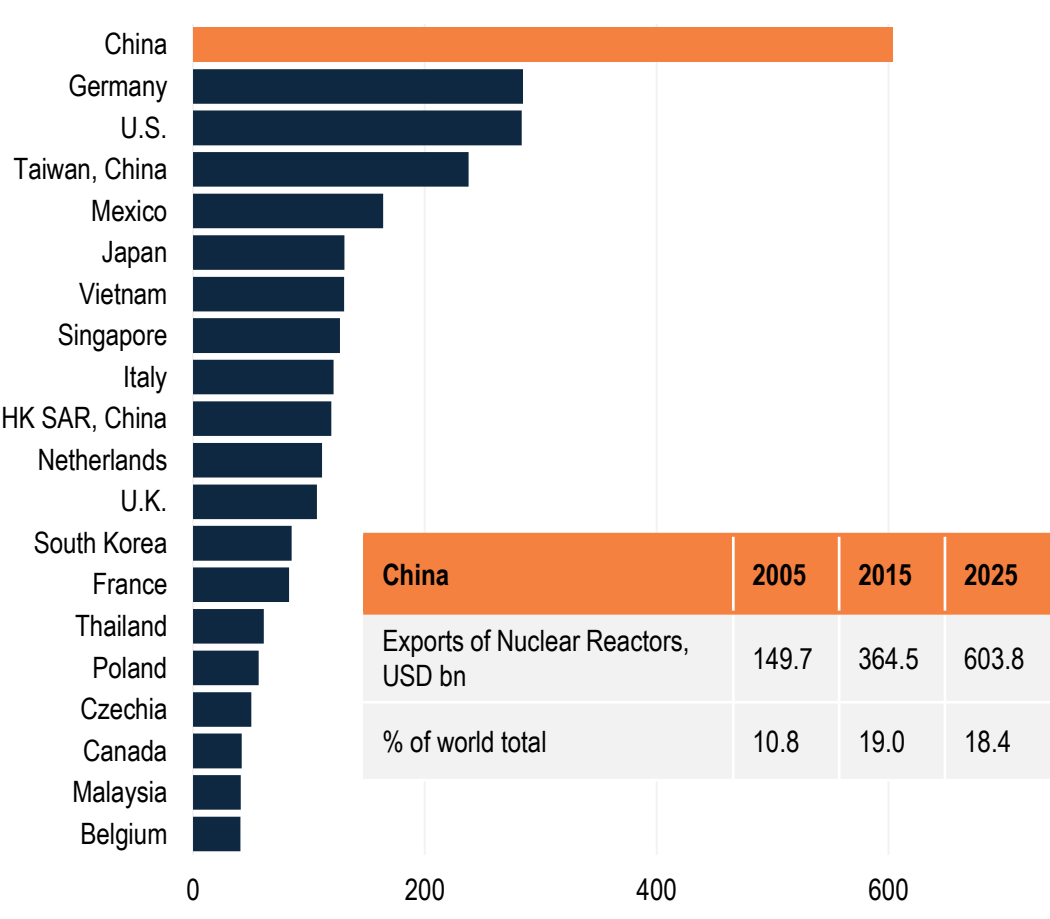
China is the world's largest exporter of Nuclear Reactors, Machinery & Mechanical Appliances

China exports totalled USD 604 billion in 2025, accounting for a market share of 18%, up from 11% in 2005

China Top 10 Export Commodities (2025)



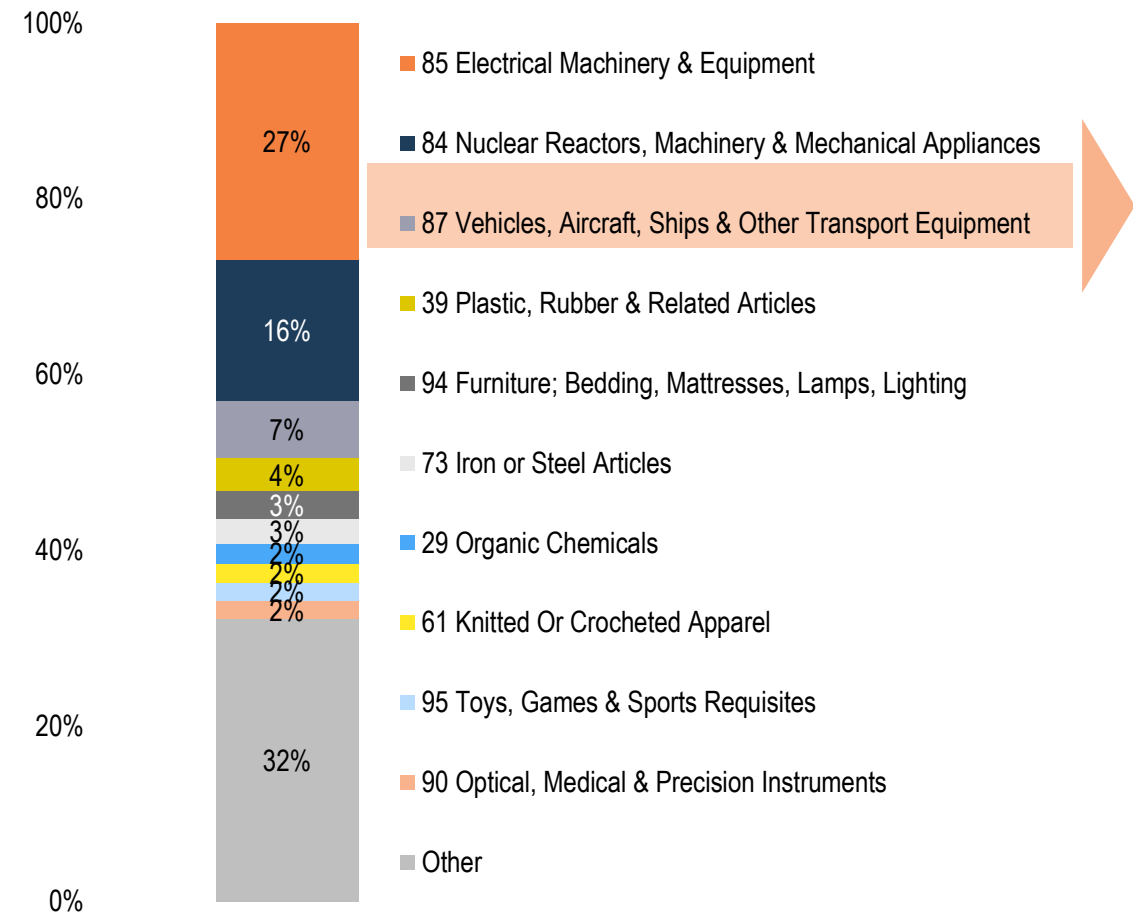
Top 20 Exporters of Nuclear Reactors, USD bn (2025)



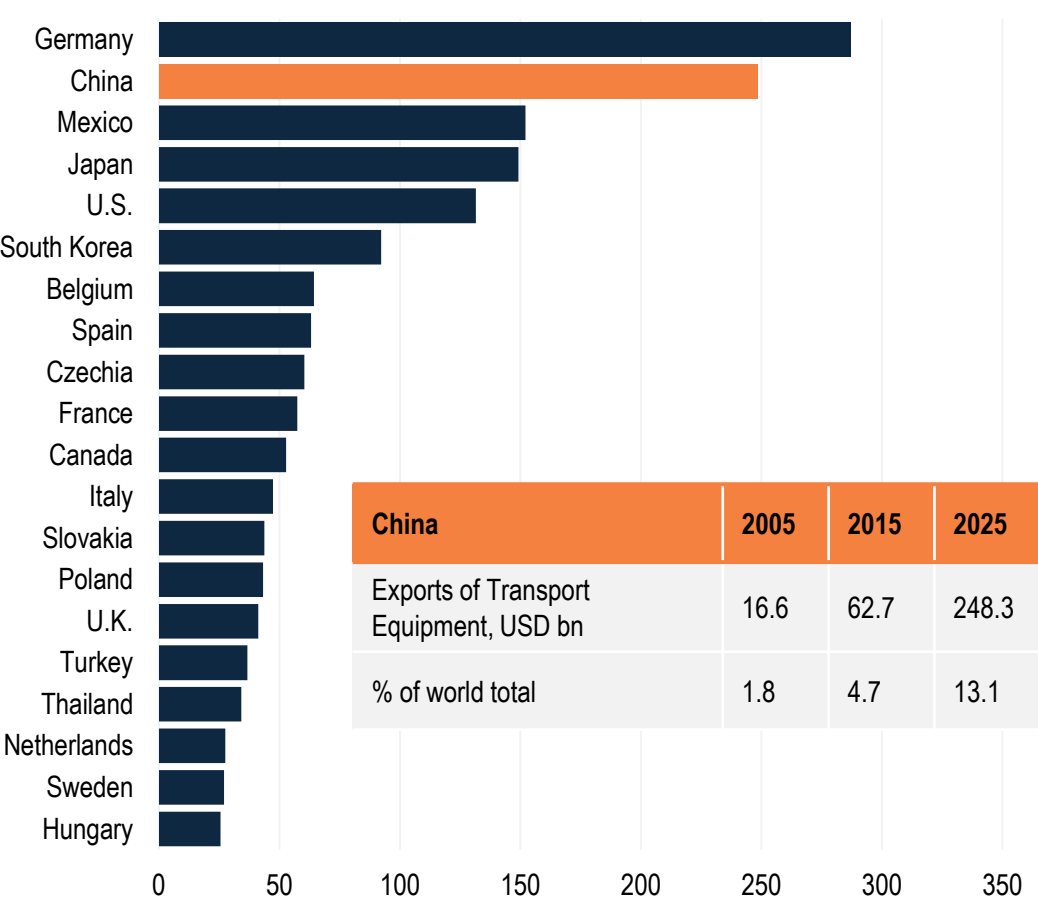
China is the world's second-largest exporter of vehicles and other Transport Equipment

China exports totalled USD 248 billion in 2025, accounting for 13% of the global total, up from 2% in 2005

China Top 10 Export Commodities (2025)



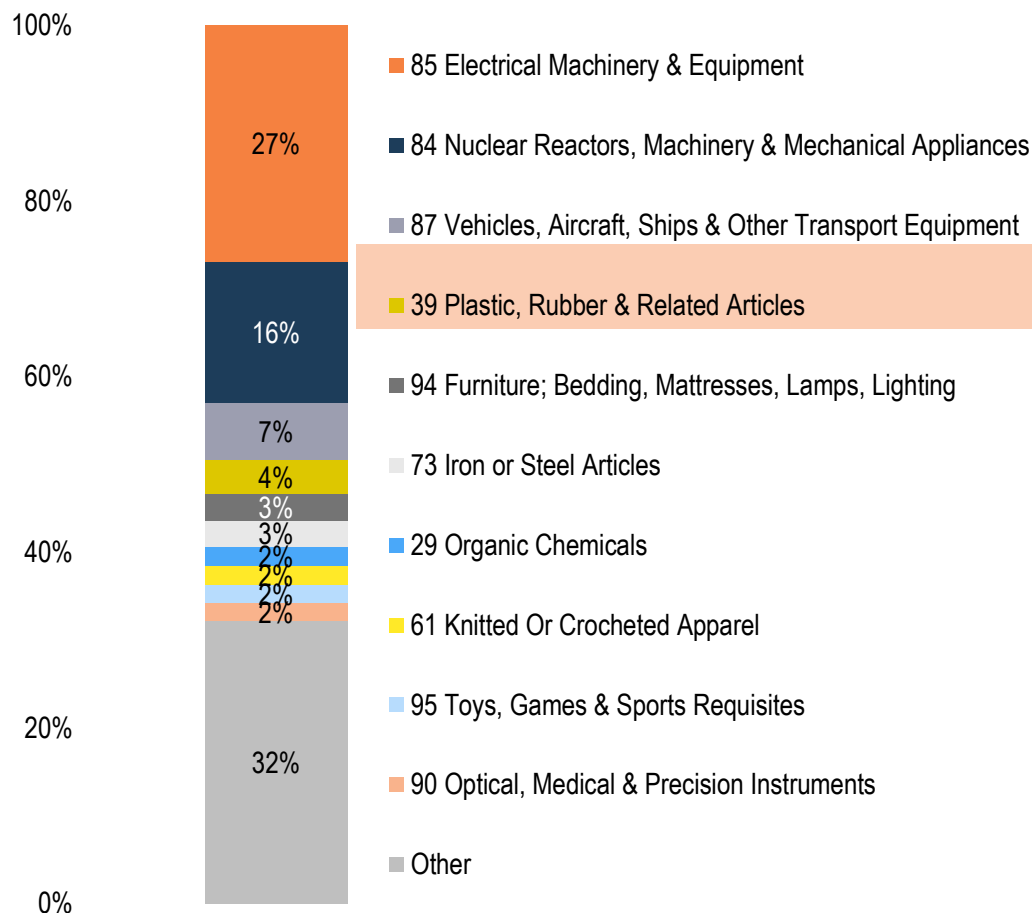
Top 20 Exporters of Transport Equipment, USD bn (2025)



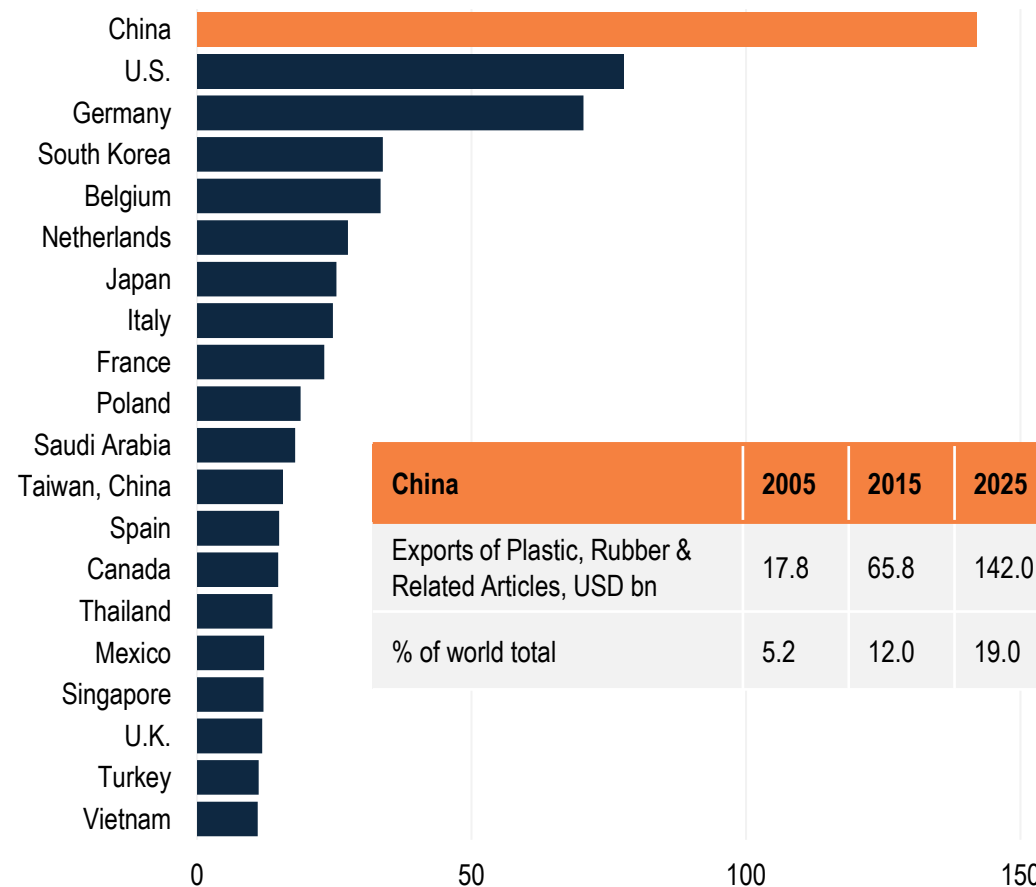
China is the world's largest exporter of Plastics, Rubber & Related Articles

China exports totalled USD 142 billion in 2025, accounting for a market share of 19%, up from 5% in 2003

China Top 10 Export Commodities (2025)



Top 20 Exporters of Plastic, Rubber & Related Articles, USD bn (2025)

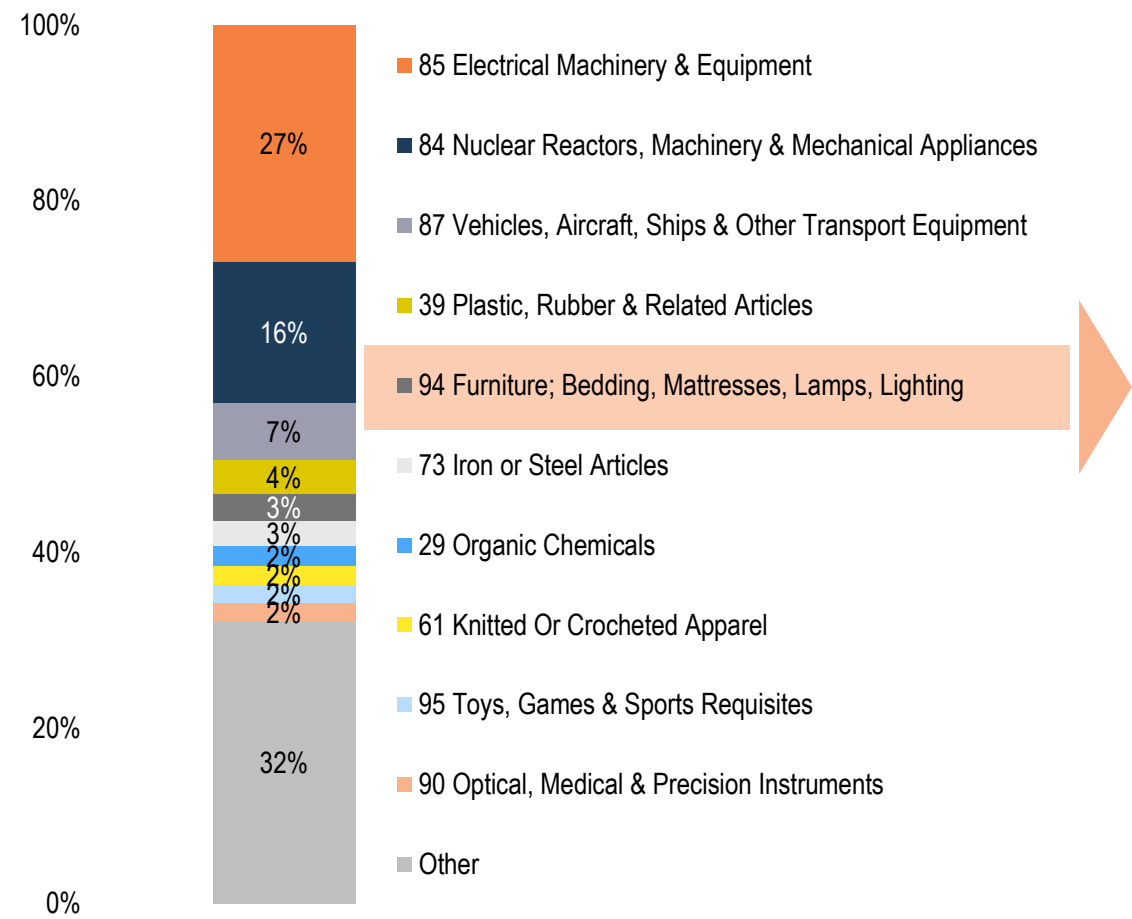


China	2005	2015	2025
Exports of Plastic, Rubber & Related Articles, USD bn	17.8	65.8	142.0
% of world total	5.2	12.0	19.0

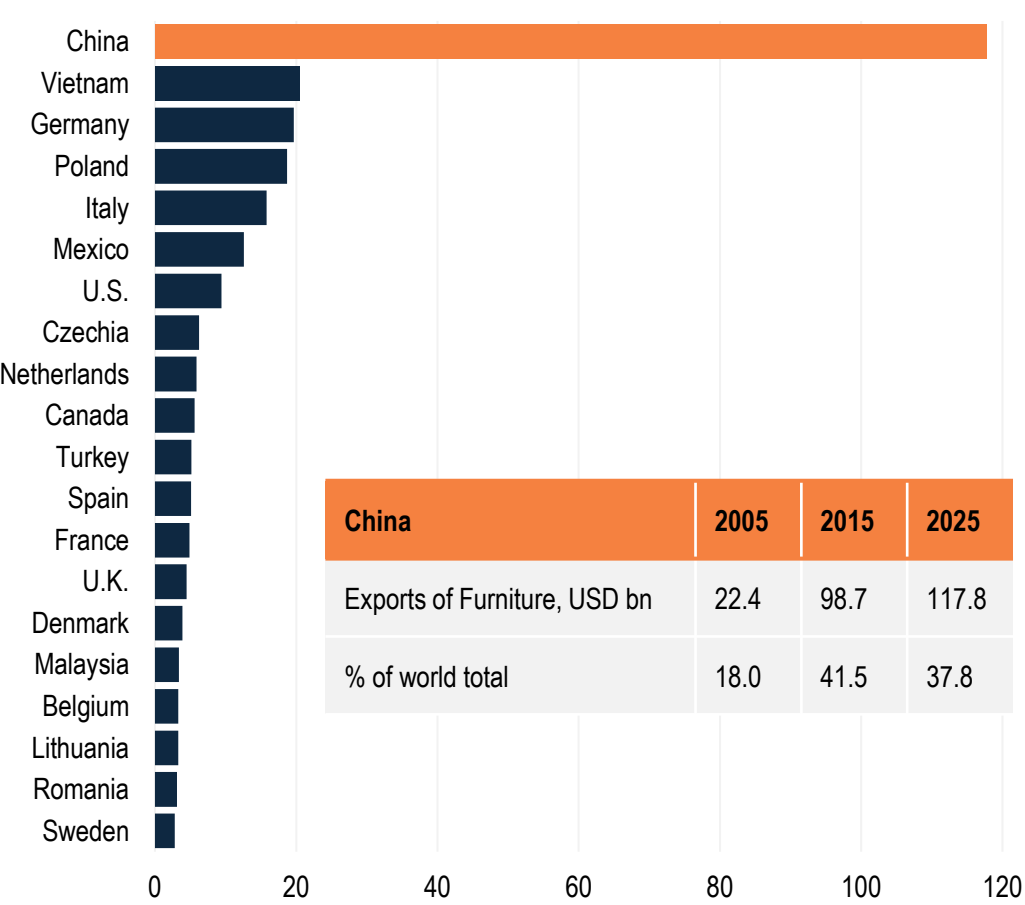
China is the world's largest exporter of Miscellaneous Goods (e.g., paper, furniture & instruments)

China exports totalled USD 118 billion in 2025, accounting for a market share of 38%, up from 18% in 2003

China Top 10 Export Commodities (2025)



Top 20 Exporters of Furniture, USD bn (2025)

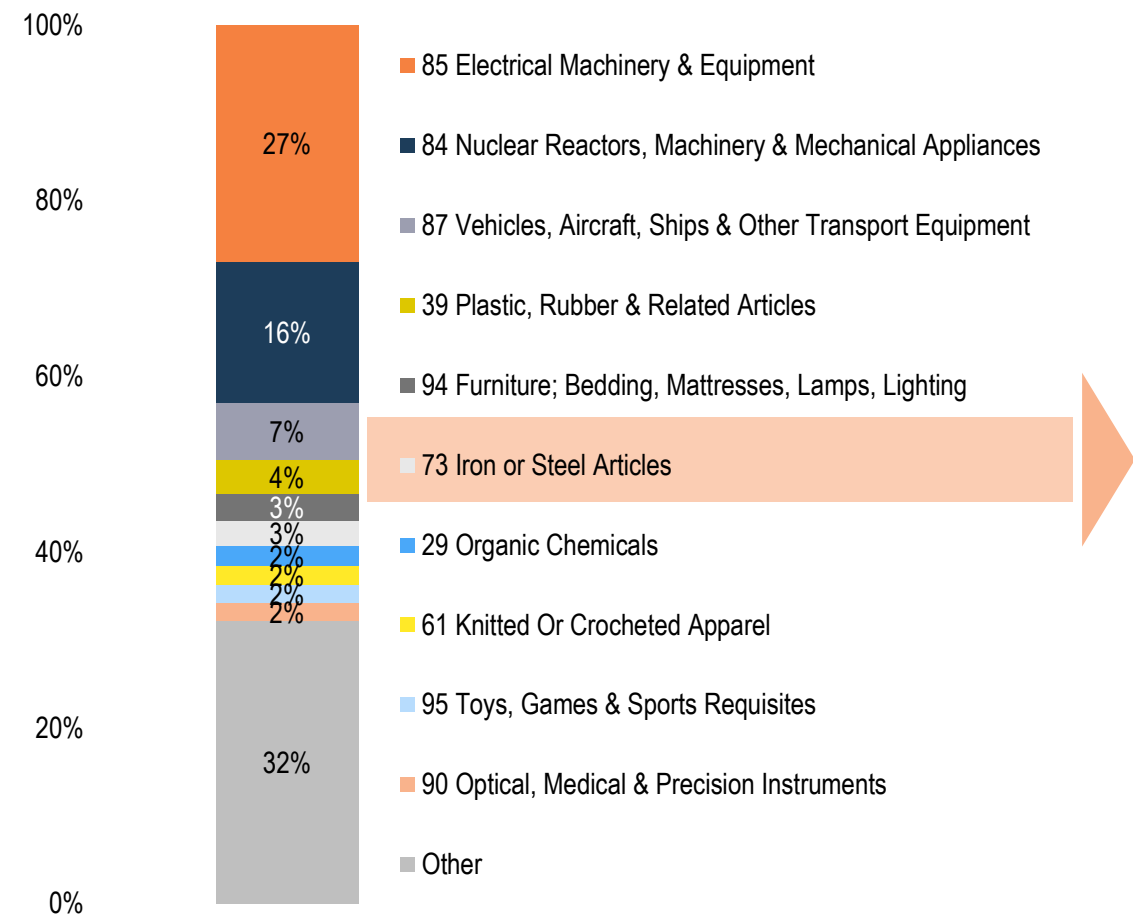


China	2005	2015	2025
Exports of Furniture, USD bn	22.4	98.7	117.8
% of world total	18.0	41.5	37.8

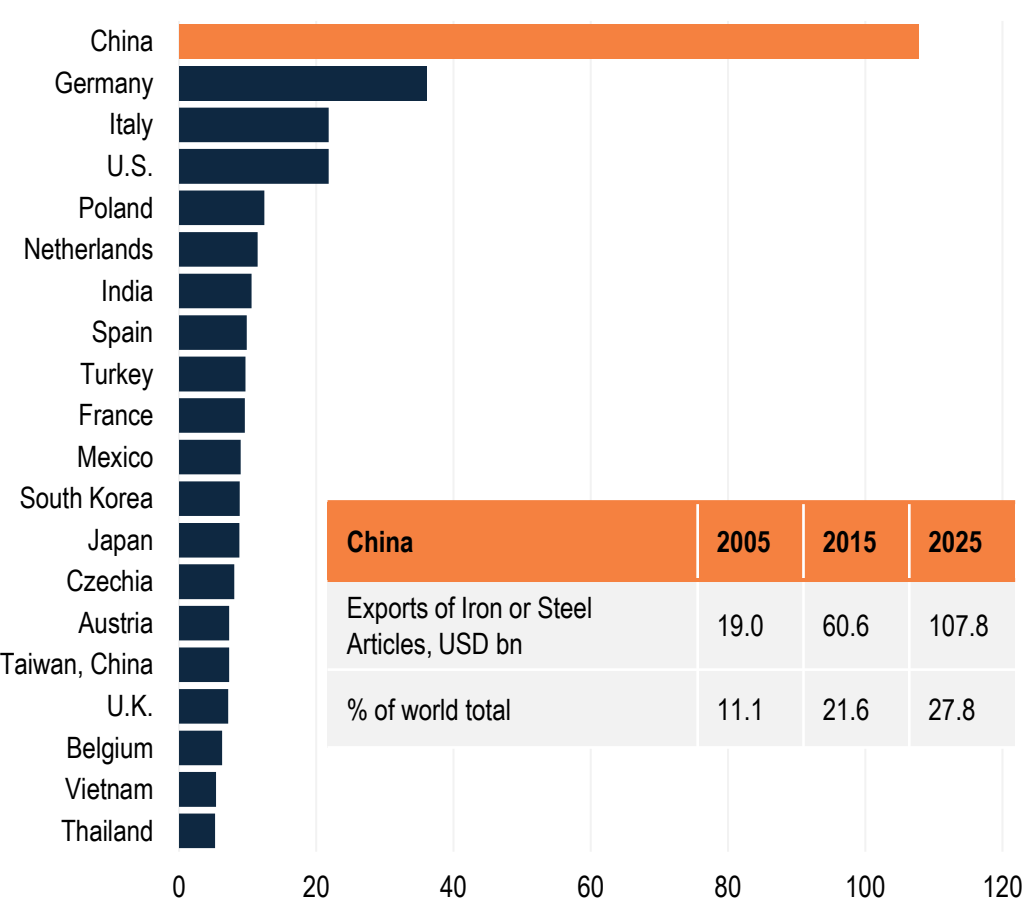
China is the world's largest exporter of Iron or Steel Articles

China exports totalled USD 108 billion in 2025, accounting for a market share of 28%, up from 11% in 2005

China Top 10 Export Commodities (2025)



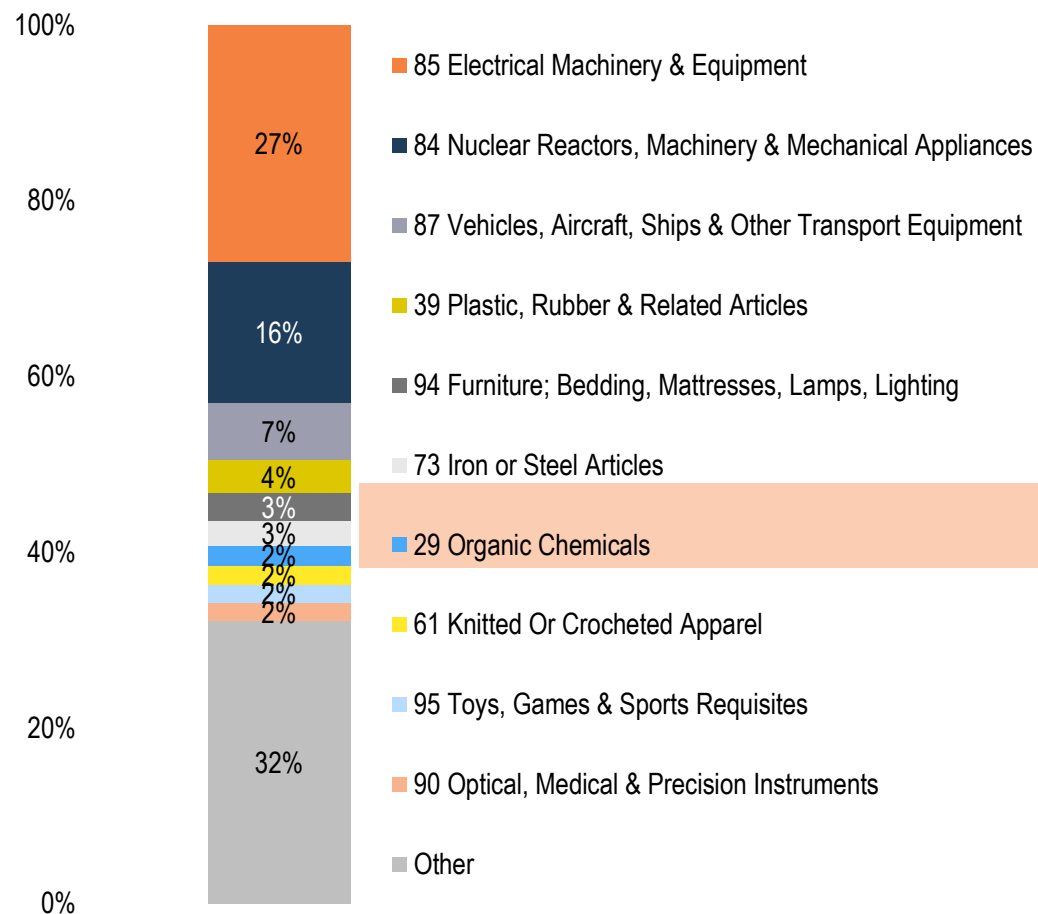
Top 20 Exporters of Iron or Steel Articles, USD bn (2025)



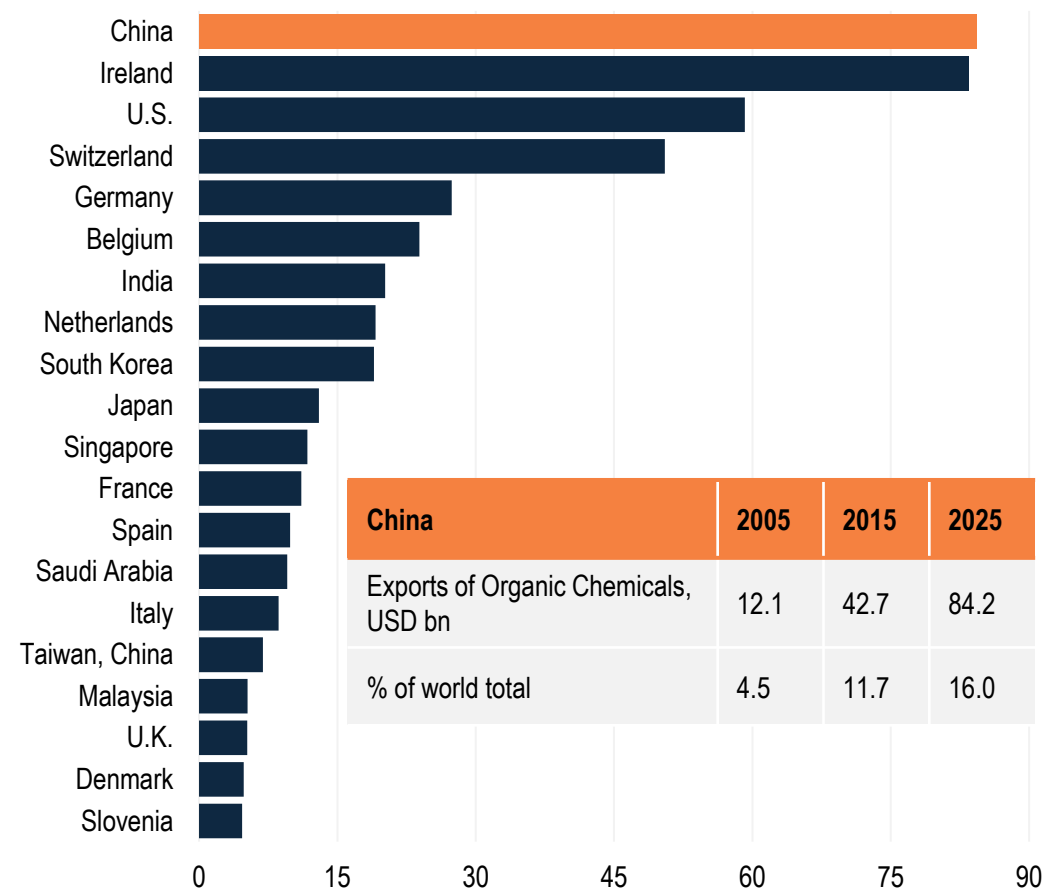
China is the world's largest exporter of Organic Chemicals

China exports totalled USD 84 billion in 2025, accounting for a market share of 16%, up from 5% in 2003

China Top 10 Export Commodities (2025)



Top 20 Exporters of Organic Chemicals, USD bn (2025)

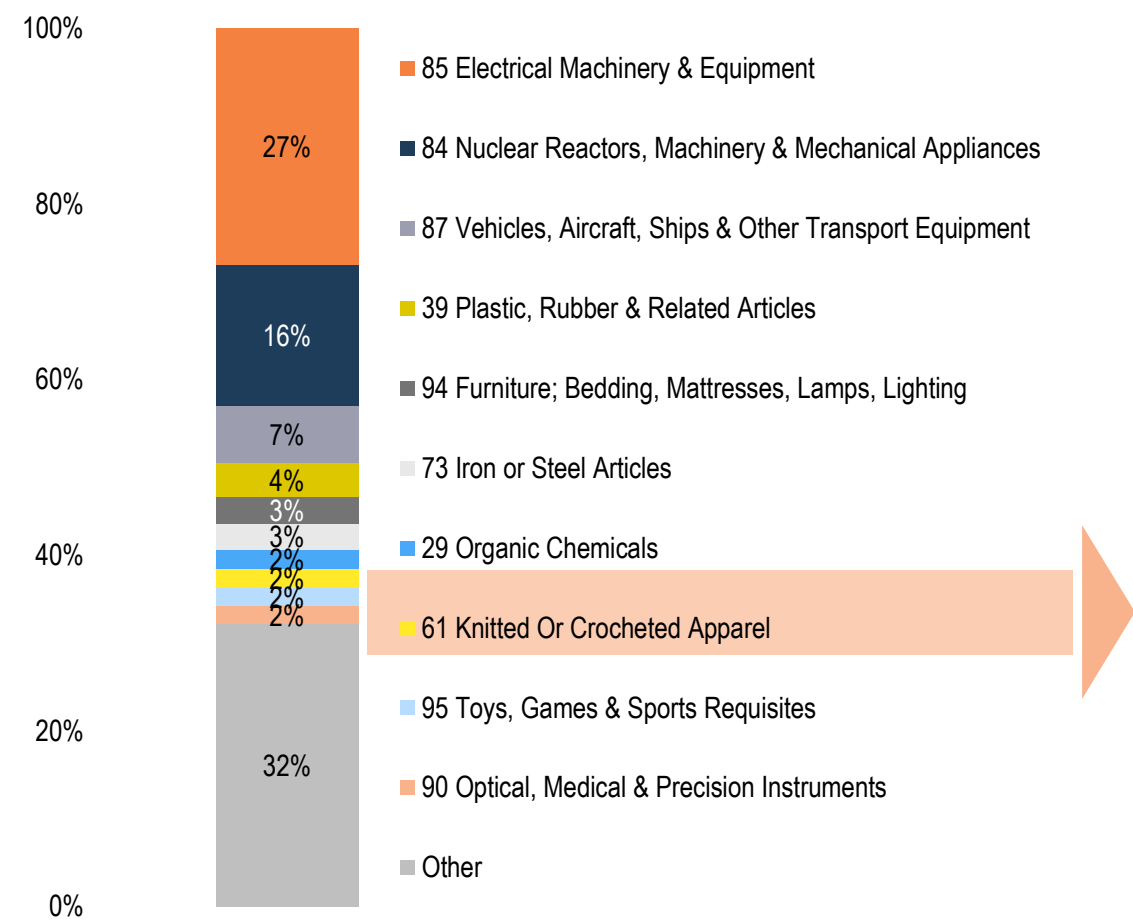


China	2005	2015	2025
Exports of Organic Chemicals, USD bn	12.1	42.7	84.2
% of world total	4.5	11.7	16.0

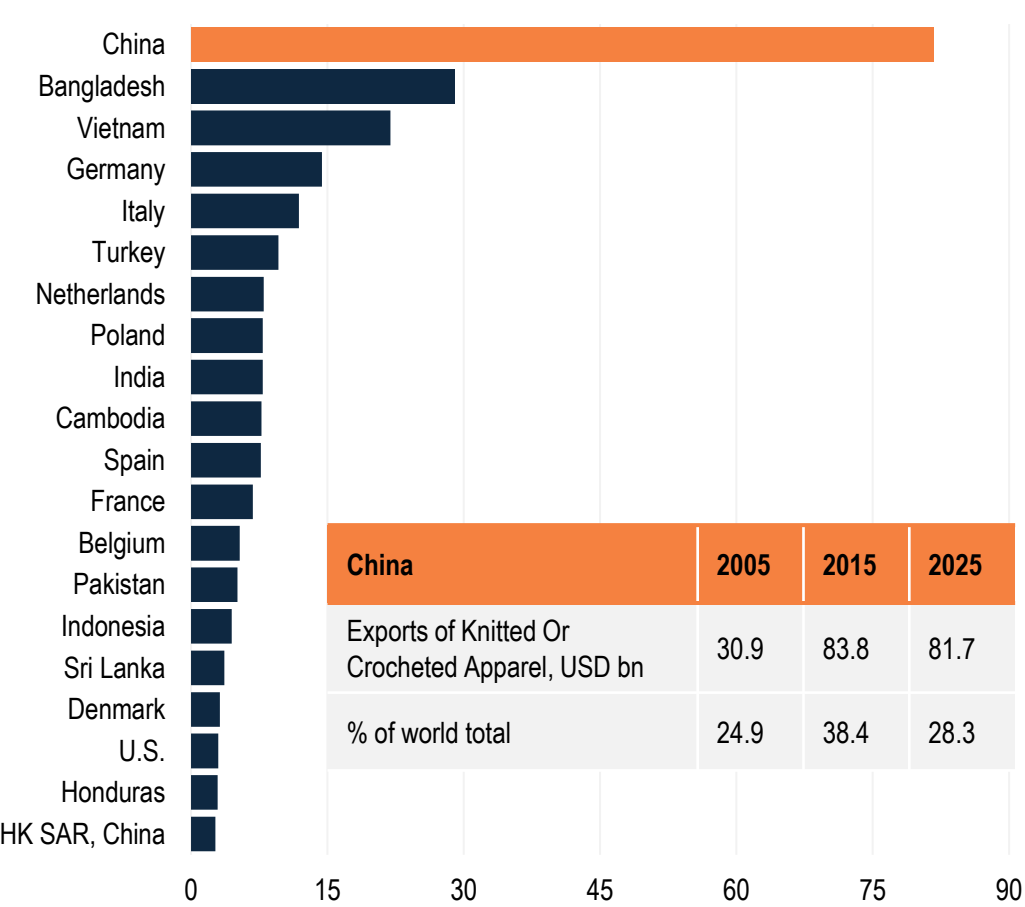
China is the world's largest exporter of Knitted or Crocheted Apparel

China exports totalled USD 82 billion in 2025, accounting for a market share of 28%, up from 25% in 2005

China Top 10 Export Commodities (2025)



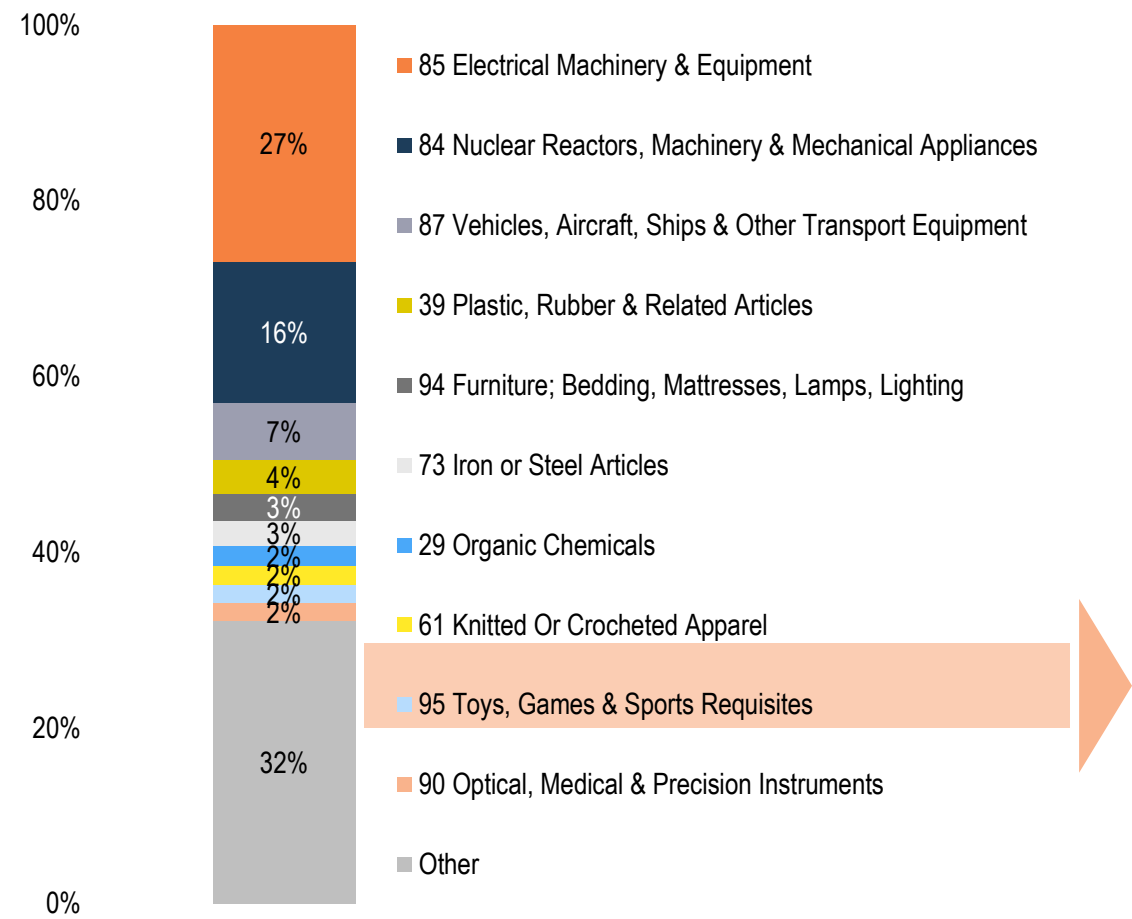
Top 20 Exporters of Knitted Or Crocheted Apparel, USD bn (2025)



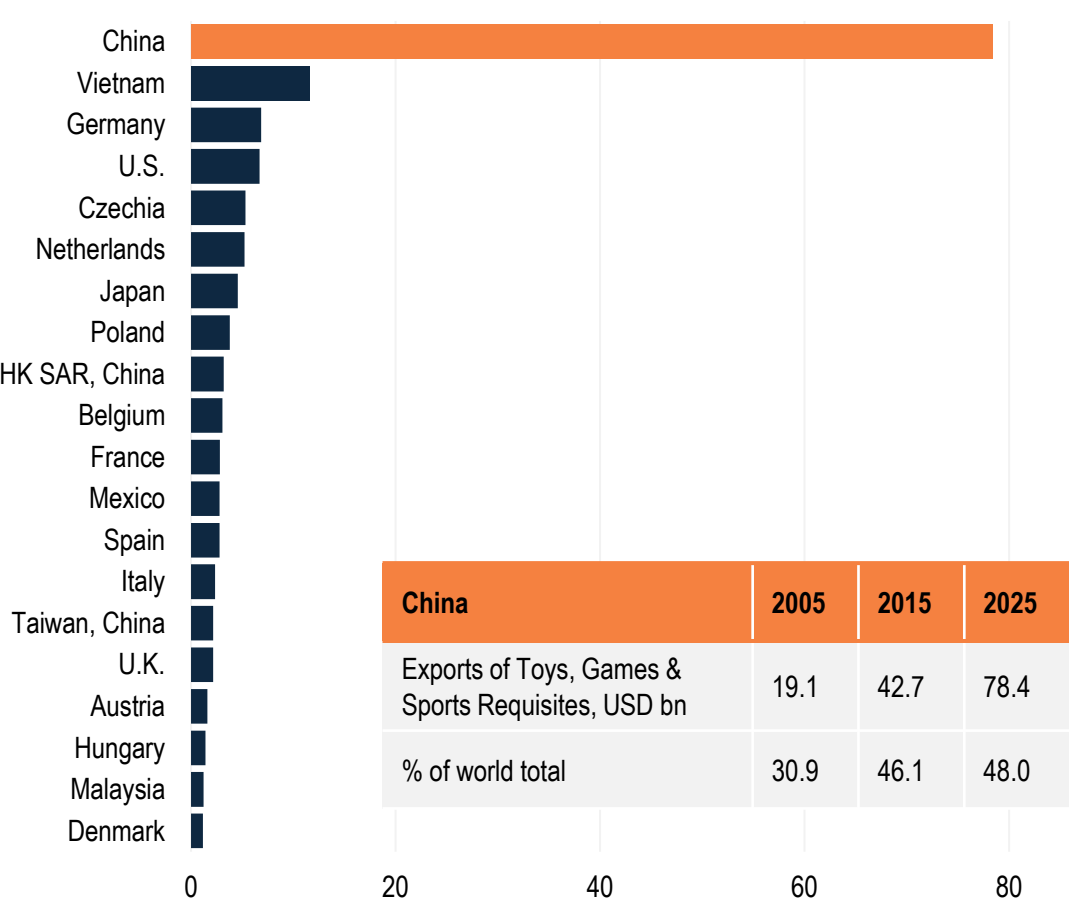
China is the world's largest exporter of Toys, Games & Sports Requisites

China exports totalled USD 78 billion in 2023, accounting for a market share of 48%, up from 31% in 2003

China Top 10 Export Commodities (2025)



Top 20 Exporters of Toys, Games & Sports Requisites, USD bn (2025)

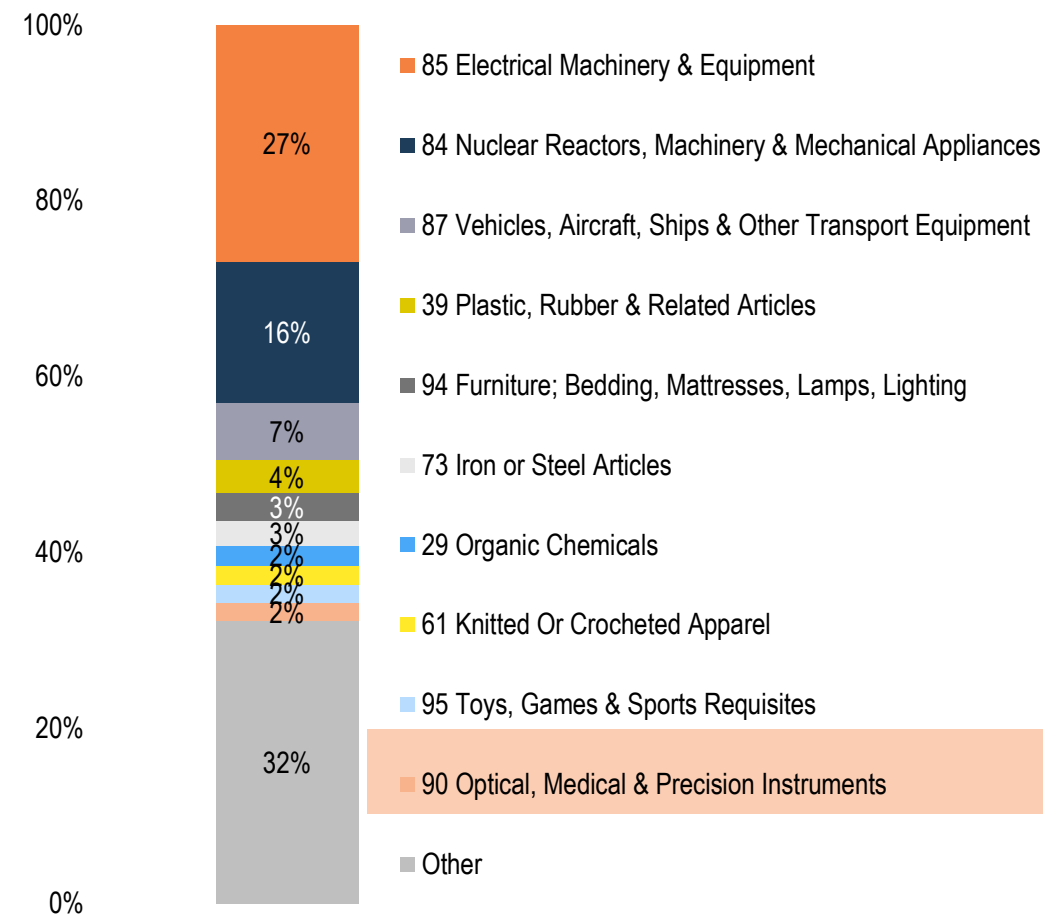


China	2005	2015	2025
Exports of Toys, Games & Sports Requisites, USD bn	19.1	42.7	78.4
% of world total	30.9	46.1	48.0

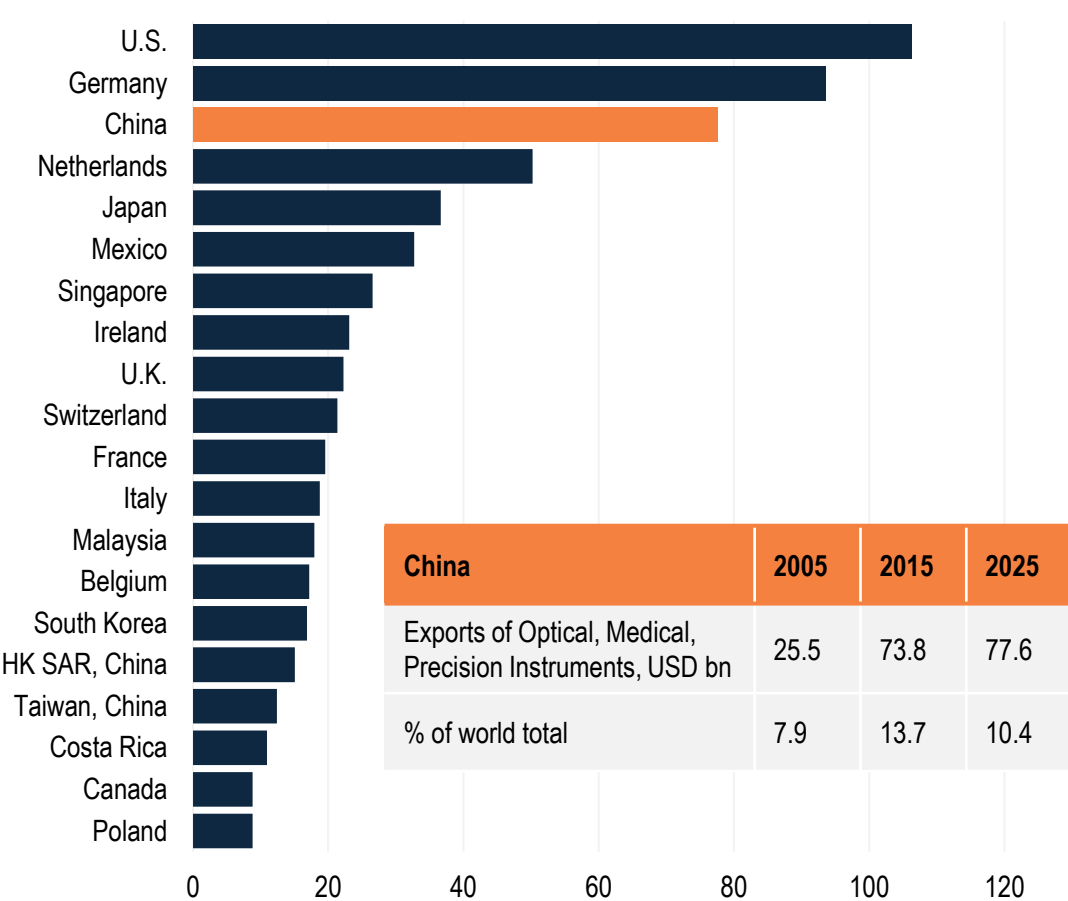
China is the world's third-largest exporter of Optical, Medical & Precision Instruments

China exports totalled USD 78 billion in 2025, accounting for a market share of 10%, up from 8% in 2005

China Top 10 Export Commodities (2025)



Top 20 Exporters of Optical, Medical & Precision Instruments, USD bn (2025)

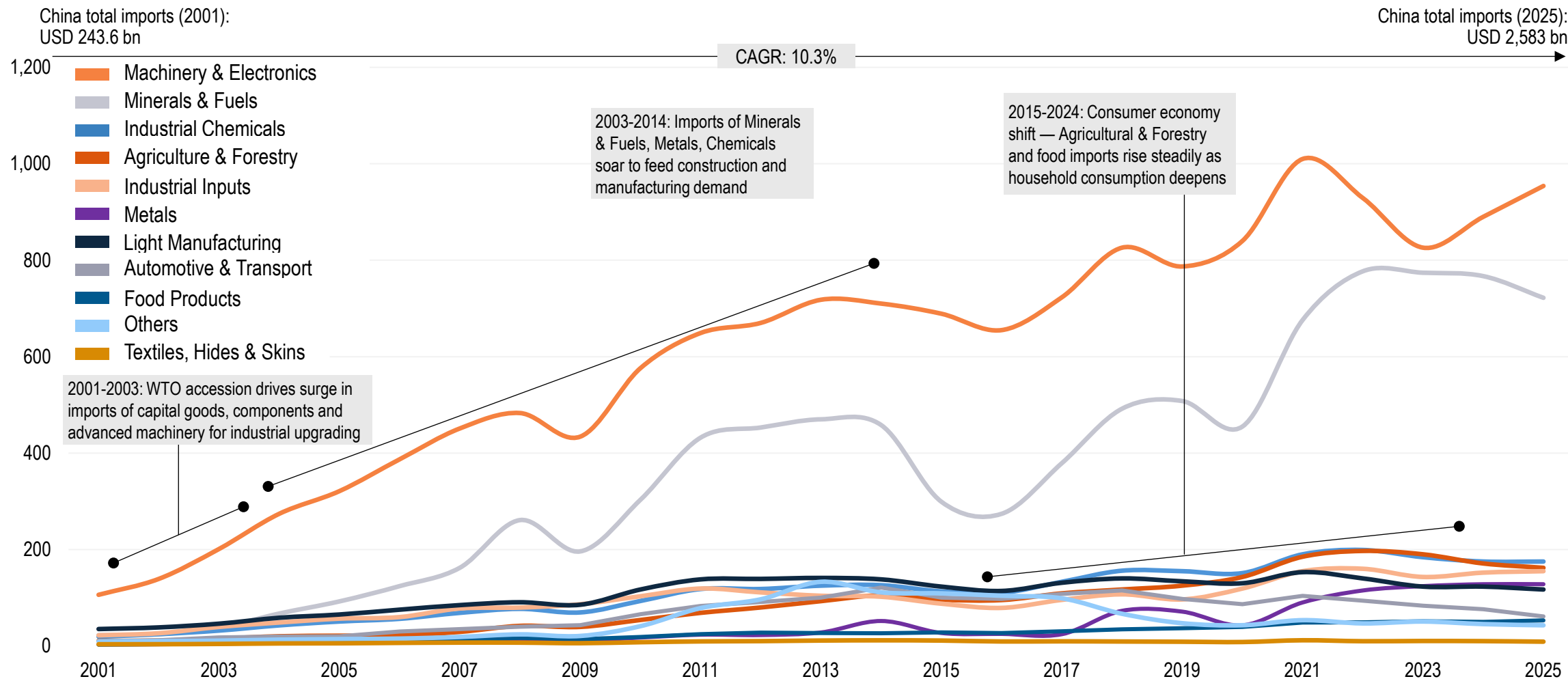


China	2005	2015	2025
Exports of Optical, Medical, Precision Instruments, USD bn	25.5	73.8	77.6
% of world total	7.9	13.7	10.4

Machinery, electronics and energy resources dominate China's imports

China's imports reached USD 2.58 trillion in 2025, with Machinery & Electronics accounting for 37% and Minerals & Fuels, 28%. The composition reflects China's dual role as a manufacturing centre and consumer of industrial resources

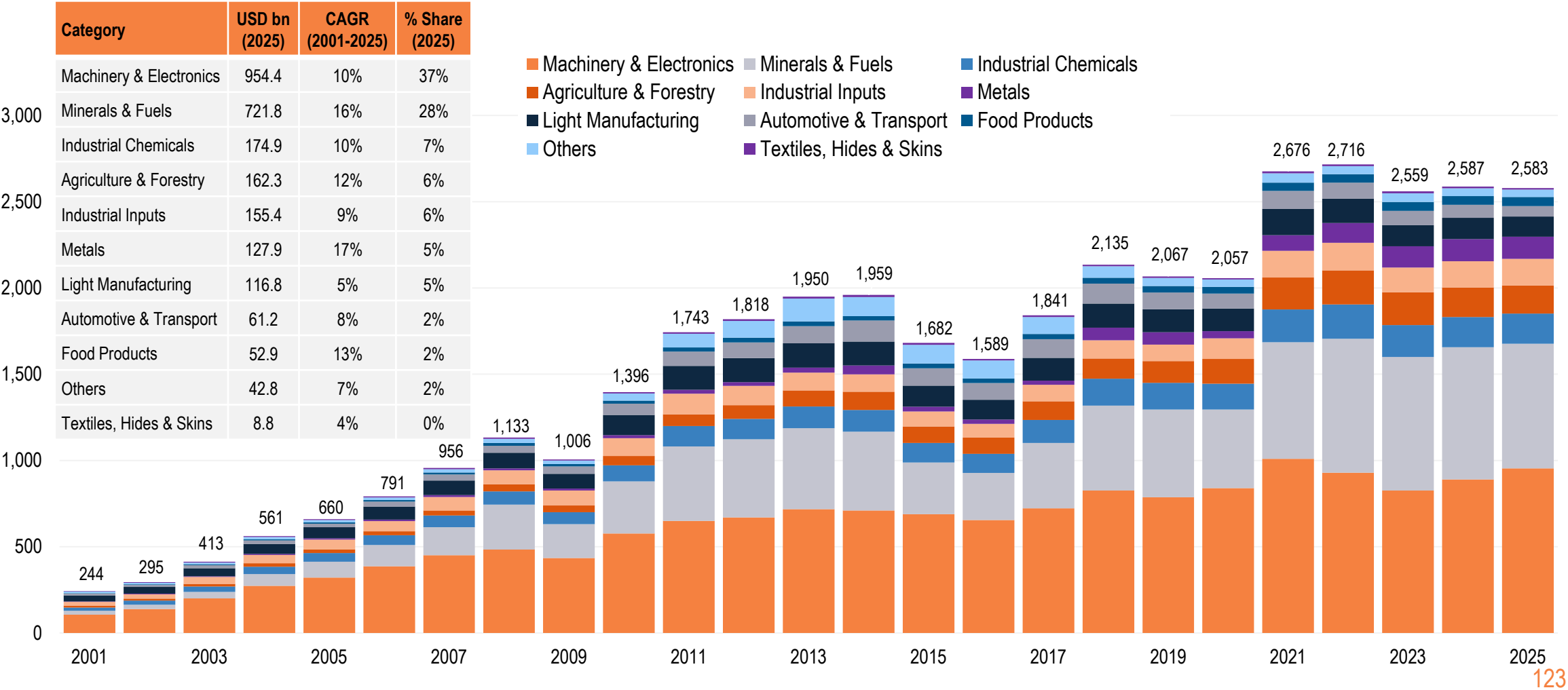
China Imports from the World by Category, USD bn (2001-2025)



China's 2025 imports were led by Machinery & Electronics and Minerals & Fuels

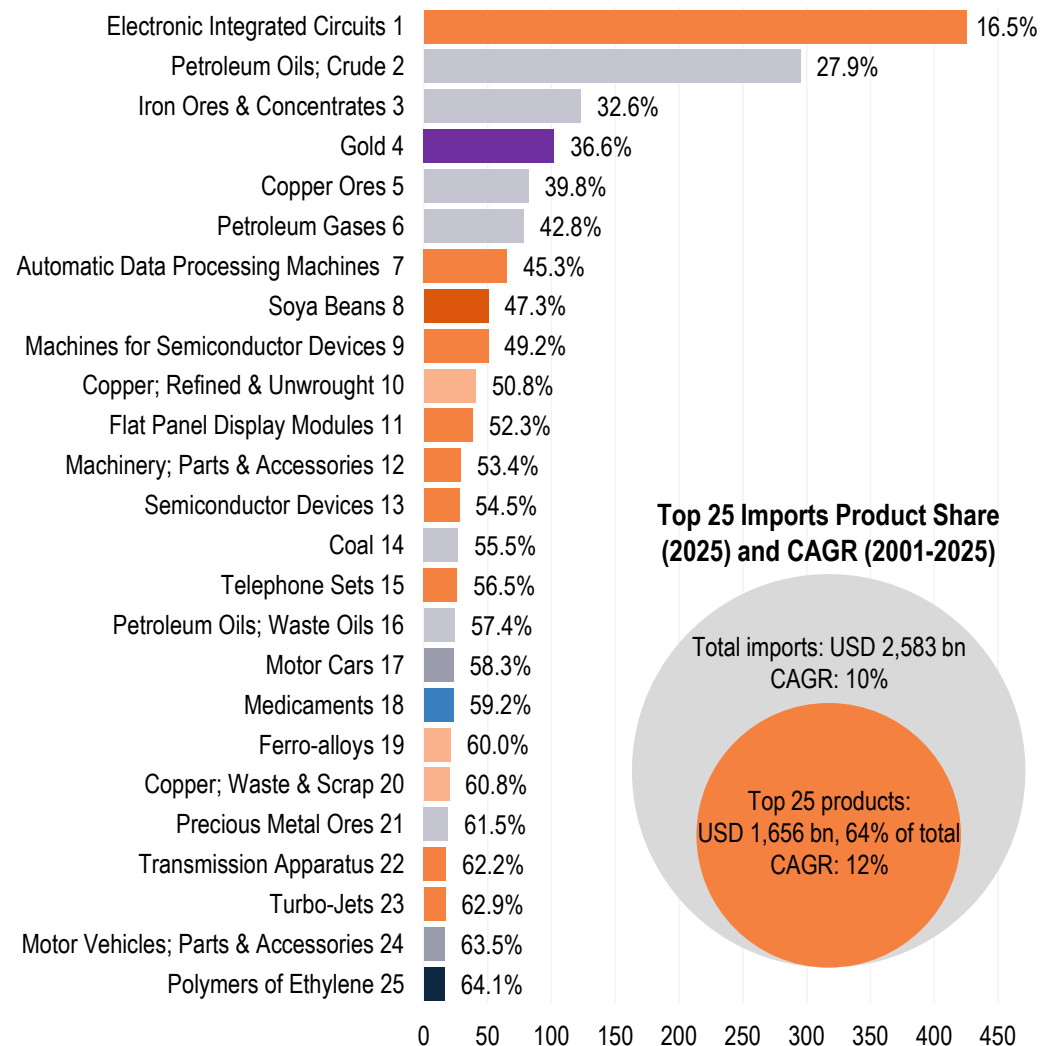
These two categories made up 65% of total imports, underscoring China's reliance on advanced equipment and energy resources

China Imports by Category, USD bn (2001-2025)

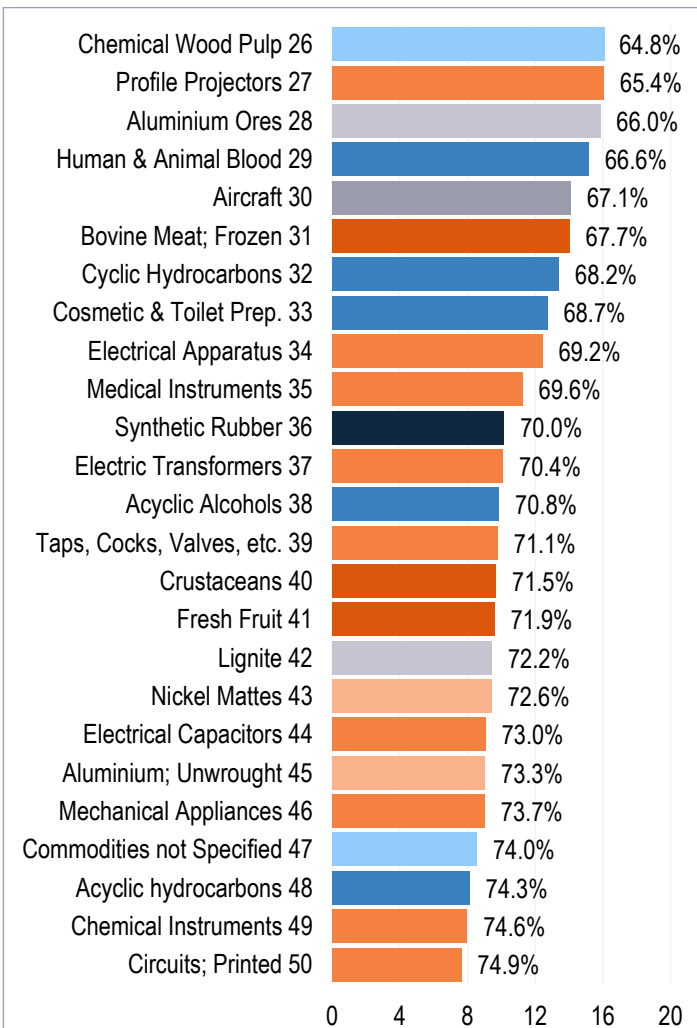
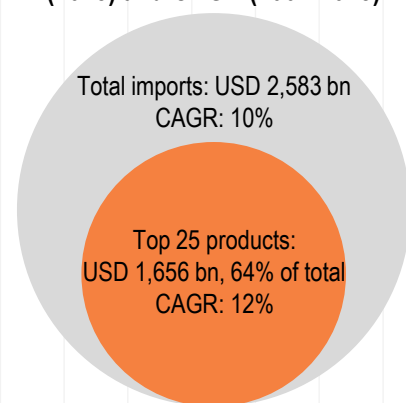


Electronic Integrated Circuits were China's top import product in 2025 (USD 425 billion, 17% of total) Followed by petroleum oils (USD 295 billion) and iron ore (USD 123 billion)

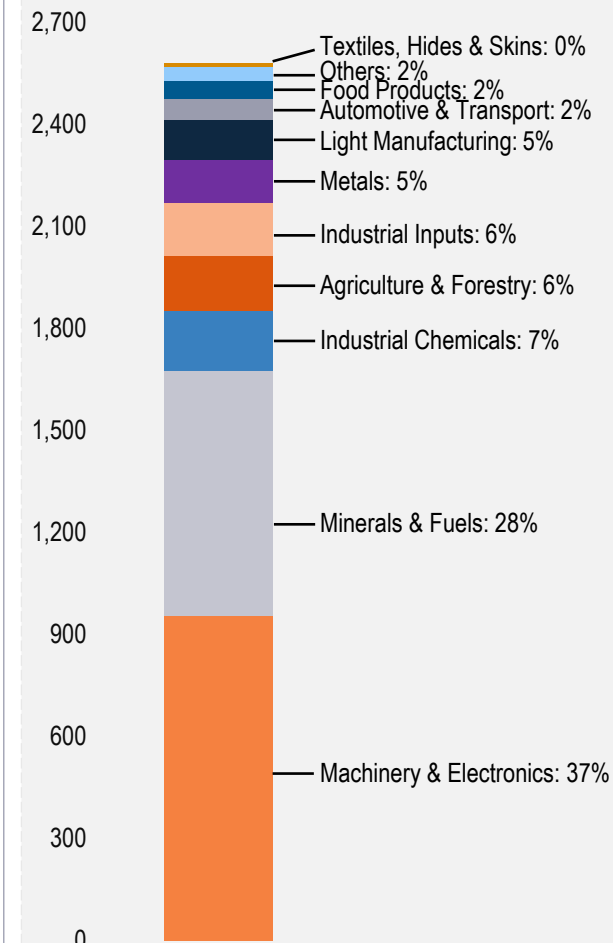
China Top 50 Import Products, USD bn, and Cumulative Share of Total Imports, % (2025)



Top 25 Imports Product Share (2025) and CAGR (2001-2025)

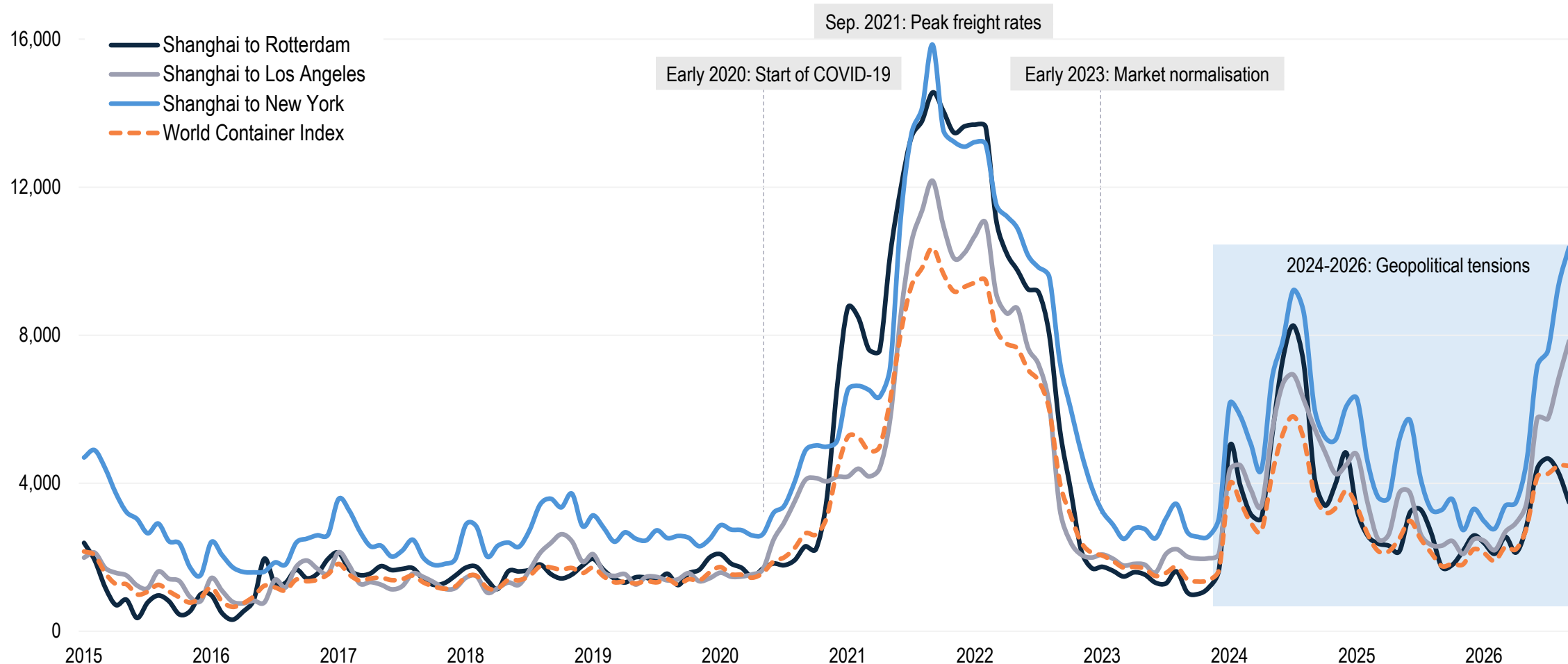


China Imports by Category, USD bn and % Share (2025)



China's shipping costs remain volatile after the extraordinary freight-rate surges of 2020-2022
Container freight rates fell sharply after their 2021 peaks but have experienced renewed fluctuations since 2024, reflecting geopolitical disruptions, changing shipping routes and shifts in global trade demand

Container Freight Rates on Major China Trade Routes, USD per 40-ft Container (Jan. 2015-Sep. 2026)



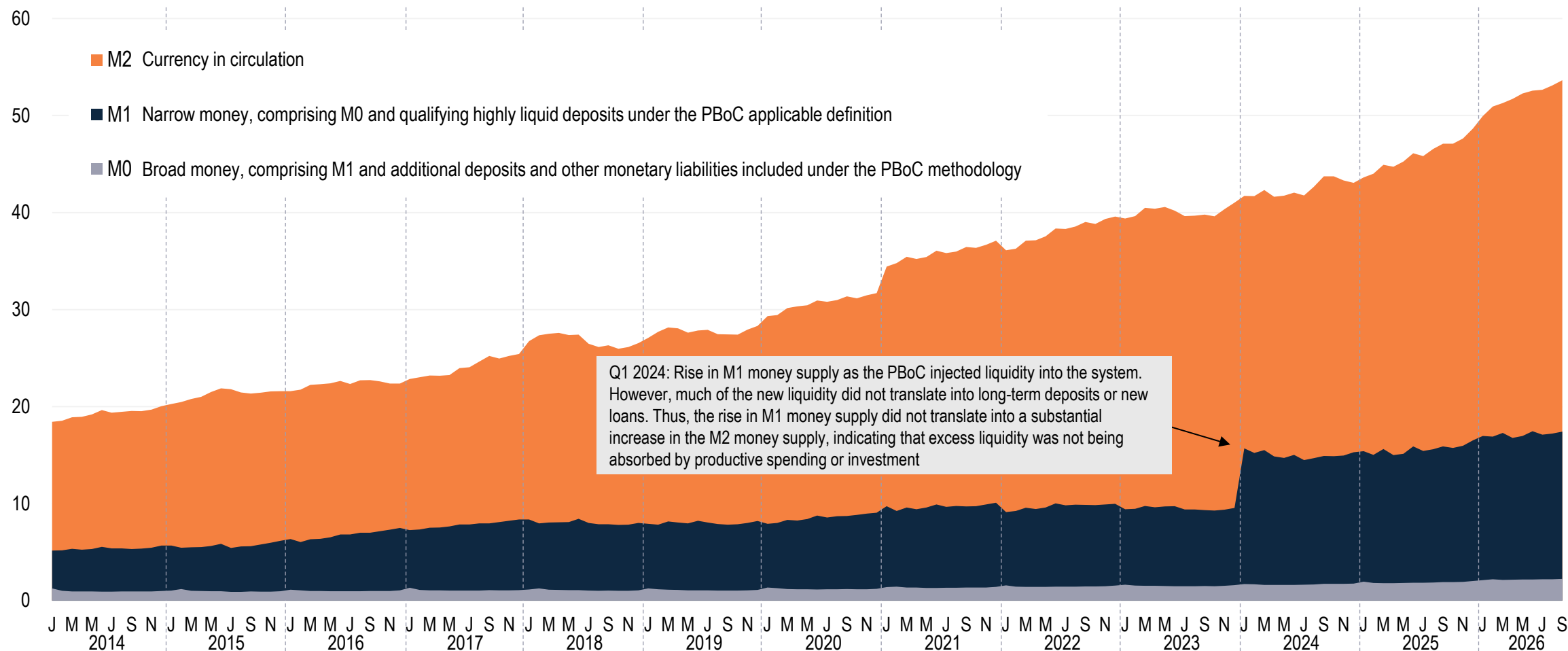
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
 - Growth Indicators
 - Consumption
 - Investment
 - Government Expenditure
 - Trade
 - **Financial Indicators**
 - Social Indicators
5. China in the World
6. Conclusions, Implications and Recommendations



China's broad money supply has expanded rapidly, while economic momentum remains subdued. M2 increased from USD 17 trillion in 2014 to more than USD 50 trillion in 2026, illustrating the scale of China's monetary expansion. However, abundant liquidity has not translated into a sustained recovery in private borrowing.

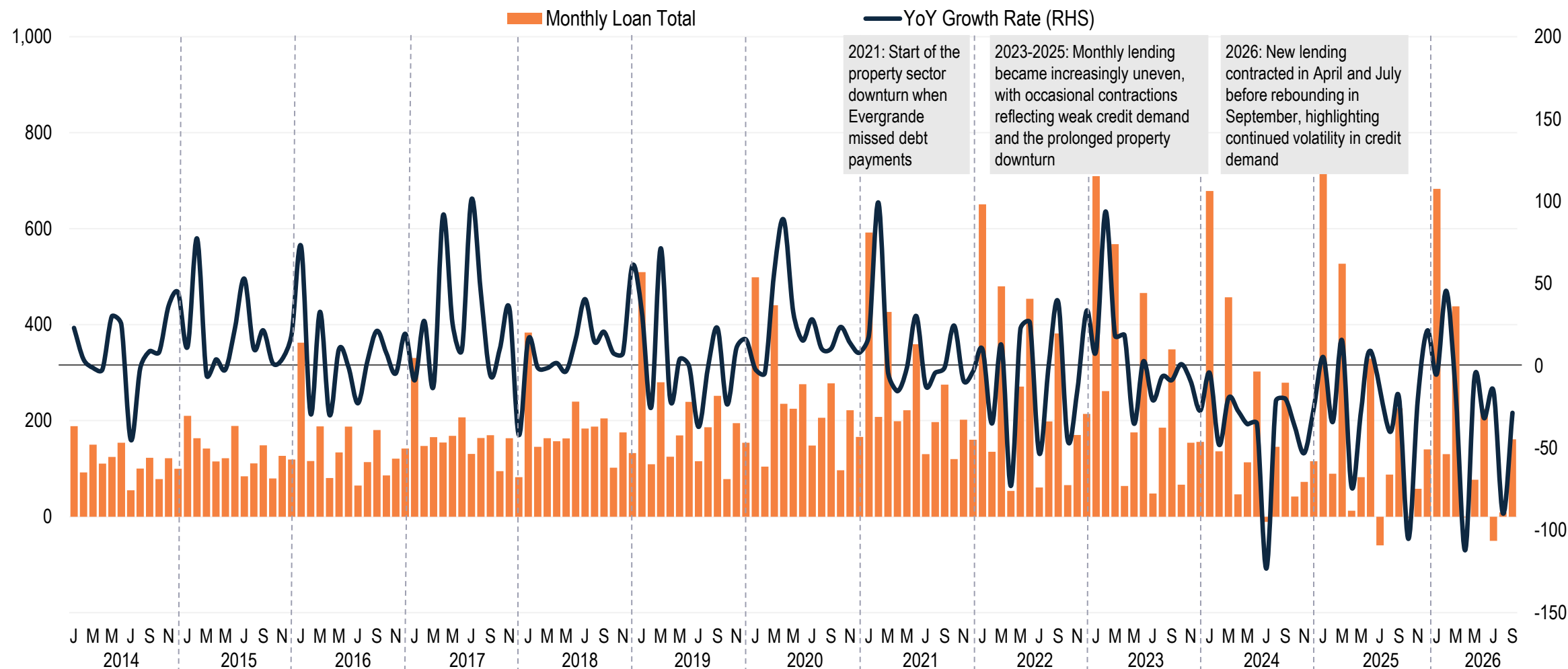
China Money Supply, USD tn (Jan. 2014-Sep. 2026)



China's new lending remains volatile in 2026 as credit demand struggles to recover

Monthly lending has become increasingly uneven since 2023, with contractions in April and July 2026 followed by a rebound in September, highlighting continued weakness and uncertainty in credit demand

China Monthly New Yuan Loans, USD bn, and YoY Growth, % (Jan. 2014-Sep. 2026)

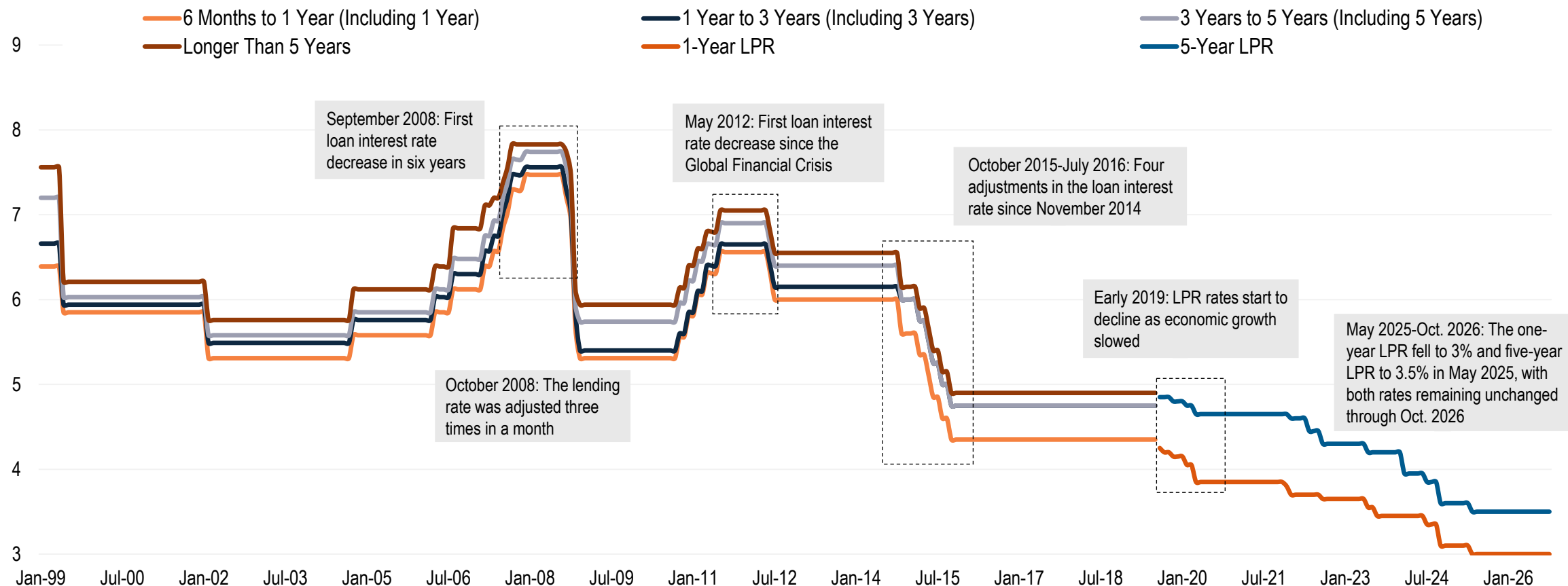


128

Note: Yoy growth rates are omitted for months involving negative net lending, as percentage comparisons can be misleading. Source: East Money, ANDAMAN PARTNERS Analysis

China's lending rates have fallen to historic lows as monetary policy has continued to ease. Successive reductions in Loan Prime Rates have brought the one-year rate to 3% and the five-year rate to 3.5% by 2026, extending a prolonged easing cycle aimed at supporting borrowing, investment and economic activity.

China Benchmark Lending Rates, % (1999-Oct. 2026)

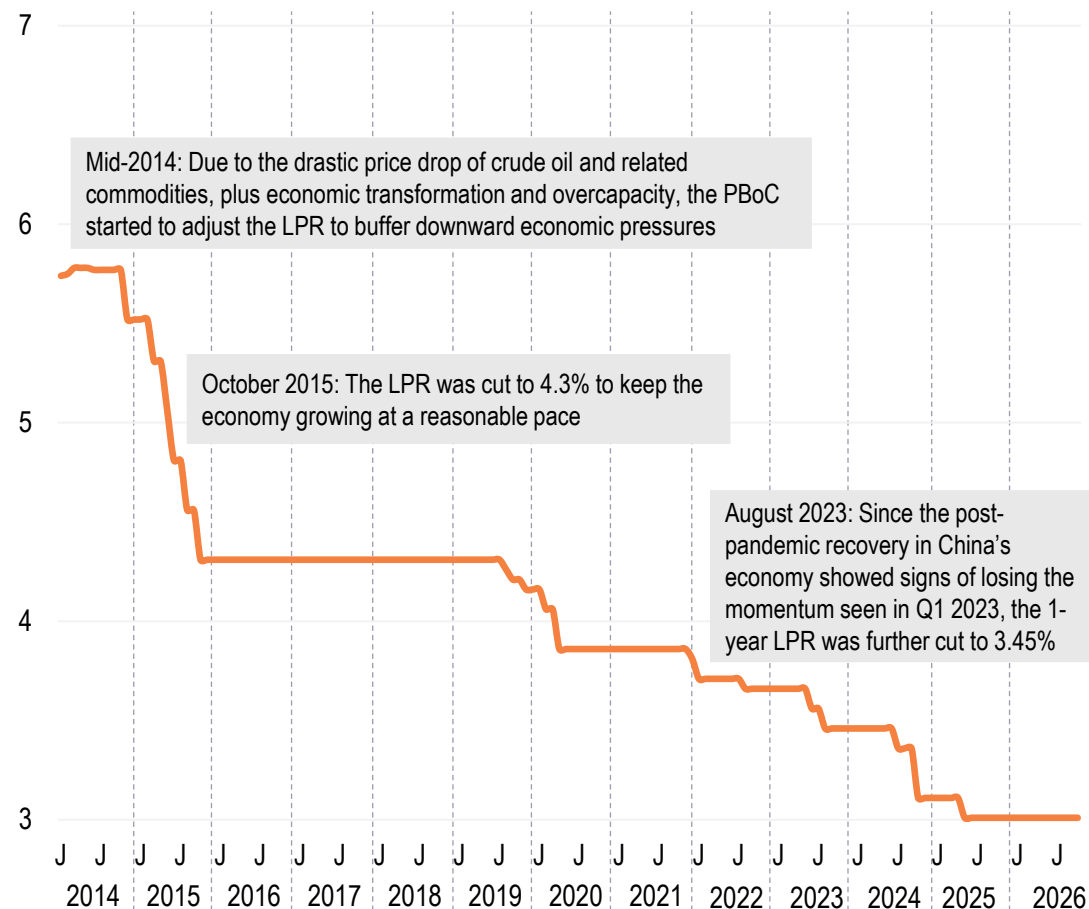


Note: The LPR is calculated by the National Interbank Funding Centre (NIFC) and serves as the pricing reference for bank lending. The LPR consists of rates with two maturities: one year and five years. There are 18 LPR-quoting banks; they submit their quotes on the 20th day of every month. Most new and outstanding loans in China are based on the one-year LPR, while the five-year rate influences mortgage pricing.

Source: The People's Bank of China, Foreign Exchange Trade System, Hexun, ANDAMAN PARTNERS Analysis

China has repeatedly cut lending rates since 2019, but the impact on growth has been limited
Despite the one-year Loan Prime Rate falling to a historic low of 3% in May 2025, subdued borrowing demand among businesses and households has limited the effectiveness of monetary easing

China 1-Year LPR, % (Jan. 2014-Oct. 2026)



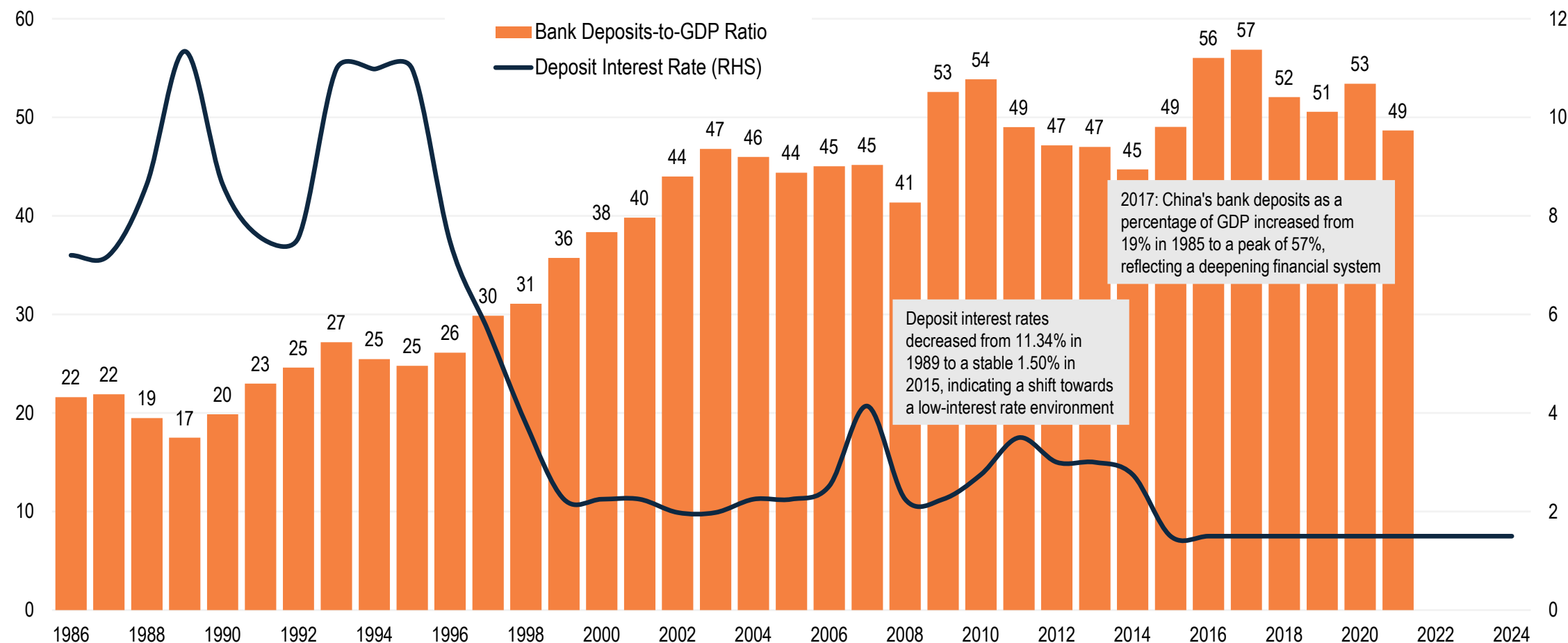
Implications of China's Interest Rate Liberalisation

- The 2019 LPR reform strengthened the link between market-based lending benchmarks and the interest rates charged by commercial banks
- The one-year LPR serves as a key reference for corporate and household lending, while the five-year LPR is particularly important for mortgage pricing
- Successive rate reductions have lowered financing costs, with the one-year LPR reaching 3.0% in May 2025
- The one-year LPR remained unchanged at 3.0% through October 2026, despite continued weakness in domestic demand and property investment
- Lower interest rates alone have not generated a sustained recovery in borrowing, highlighting the importance of business confidence, household expectations and balance-sheet conditions
- Monetary policy therefore faces the challenge of supporting economic activity while maintaining financial stability and addressing weak credit demand

China's bank deposits-to-GDP ratio rose substantially as its financial system deepened

The ratio rose from 20% in the late 1980s to a peak of 57% in 2017, then eased to 49% in 2021. This increase reflects the expansion of China's banking system, although deposit ratios alone do not establish household saving or spending behaviour

China Bank Deposits-to-GDP Ratio and Deposit Interest Rate, % (1986-2024)

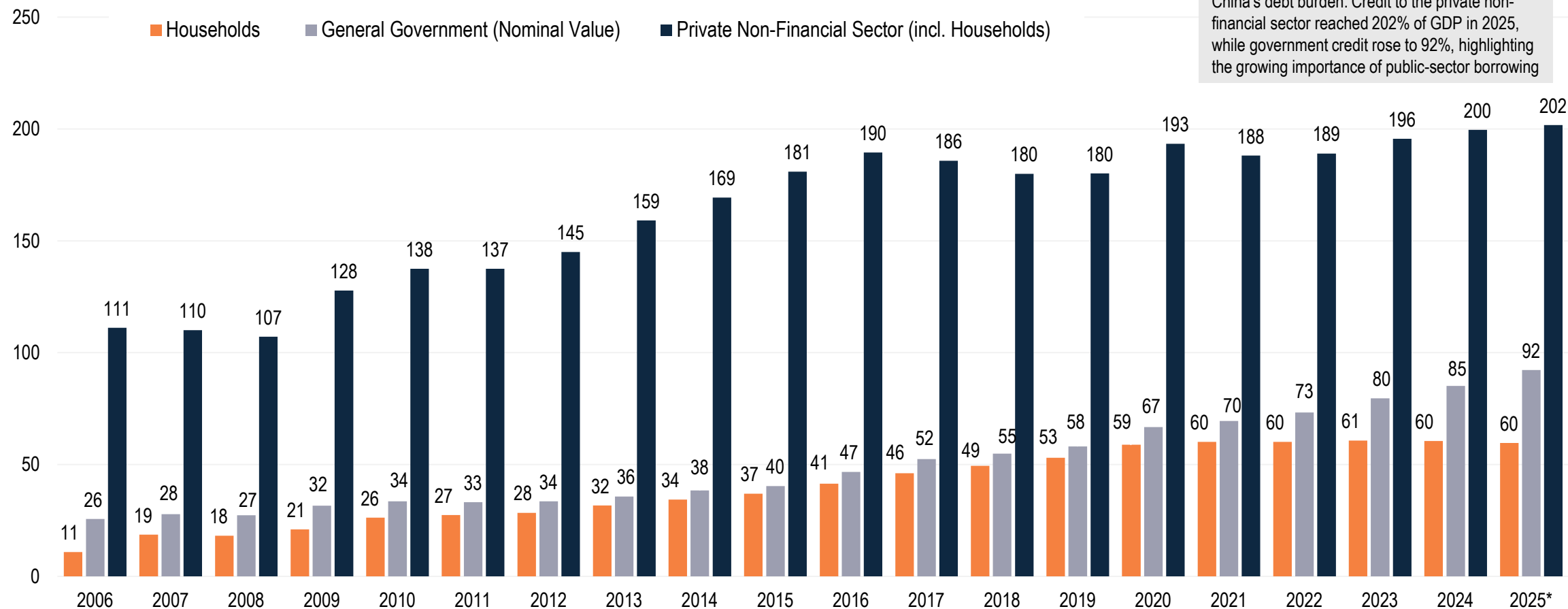


China's private-sector and government debt burdens have risen substantially since 2006

Credit to the private non-financial sector reached 202% of GDP in 2025, including household credit of around 60%.

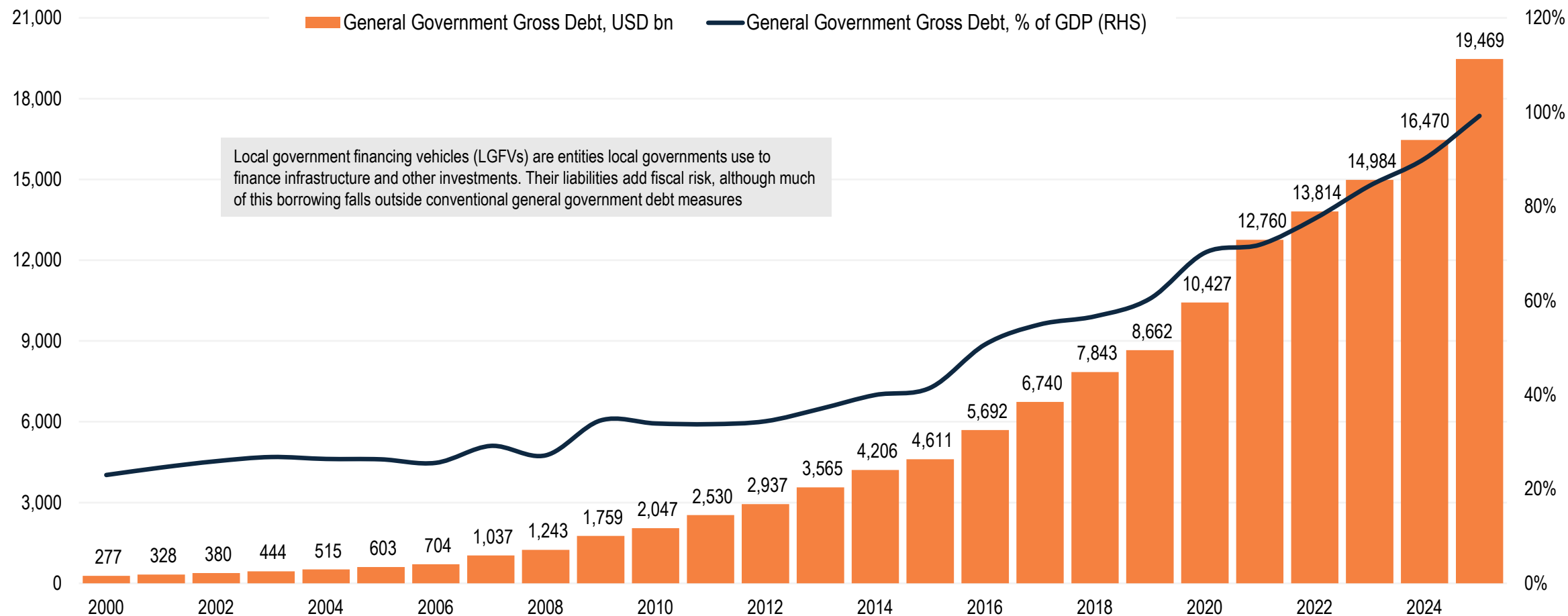
Credit to general government rose to 92% of GDP, highlighting the growing importance of public borrowing

Credit to All Sectors in China by Borrower, Annual Average, % of GDP (2006-2025*)



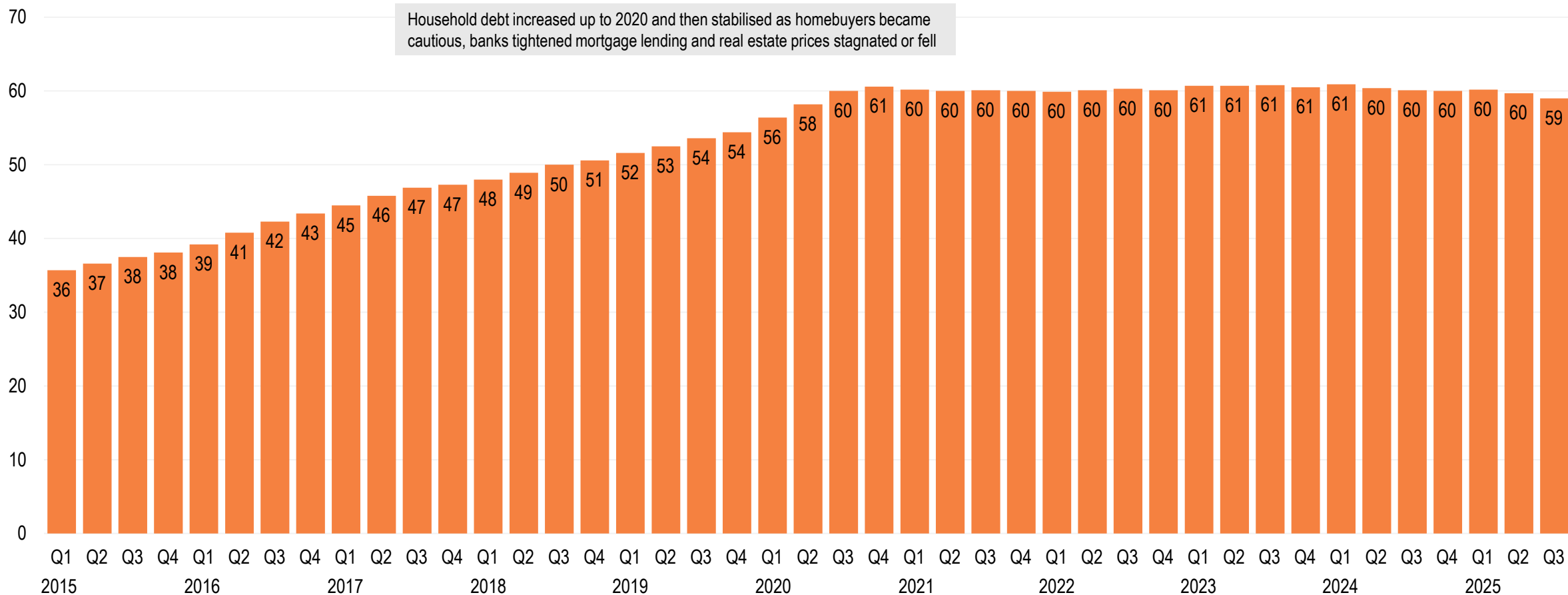
China's government debt has surged to nearly 100% of GDP, with borrowing accelerating since 2020. General gov. gross debt reached USD 19.5 trillion in 2025 as fiscal pressures and borrowing requirements increased. Local gov. financing vehicles add another layer of debt-related risk beyond the conventional government debt figures.

China General Government Gross Debt, USD bn, and % of GDP (2000-2025)



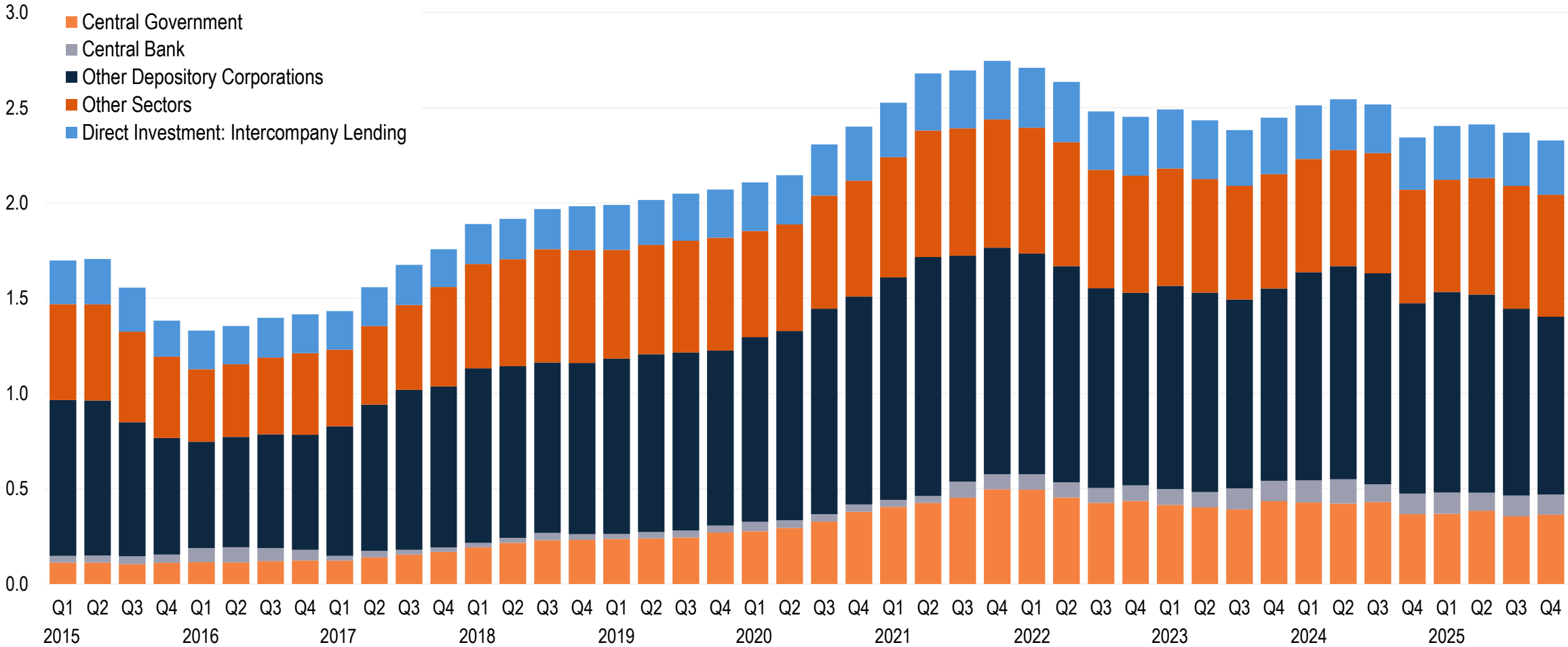
China's household debt has stabilised near 60% of GDP following a decade of rapid growth
Household debt rose from approximately 36% of GDP in early 2015 to around 61% in 2020-2022, before easing modestly to approximately 59% by Q3 2025 as the property market adjusted and borrowing demand weakened

China Household Debt-to-GDP, % (Q1 2015-Q3 2025)



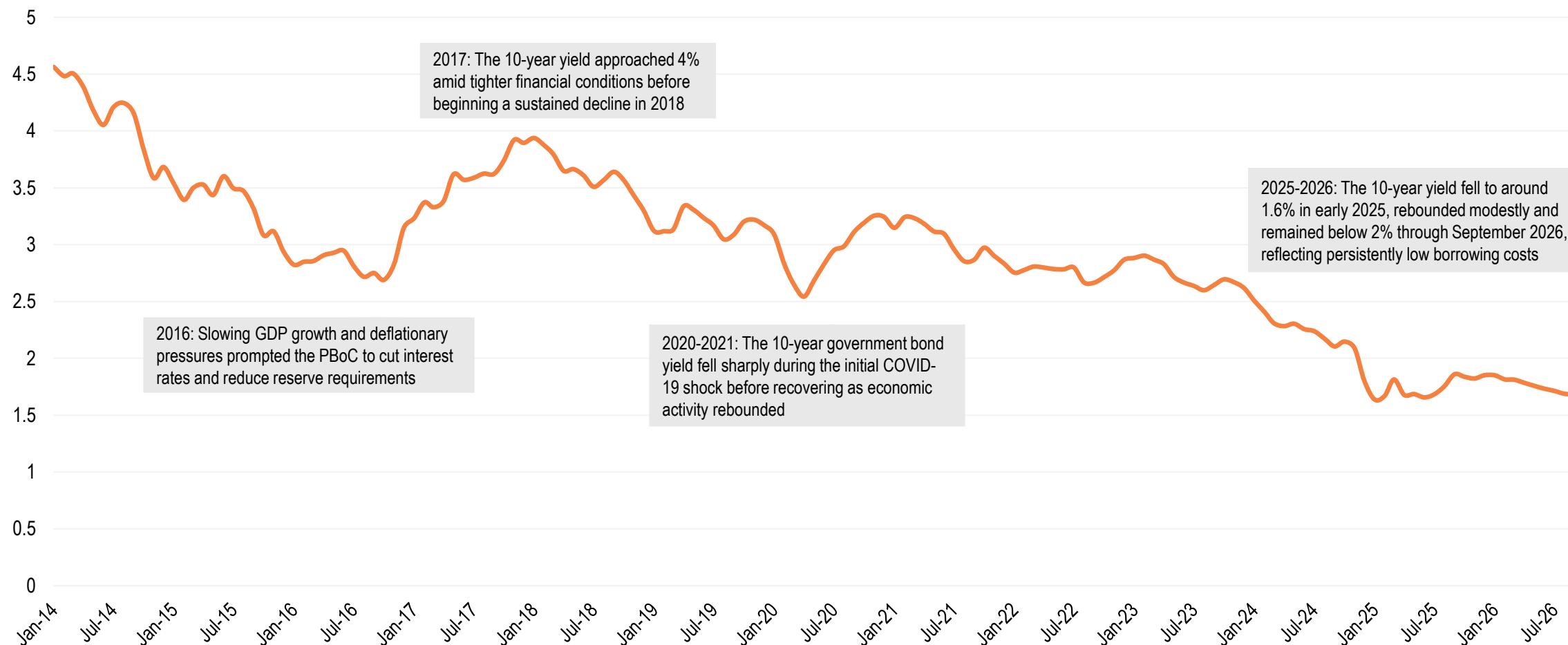
China's external debt has declined from its 2021 peak, with banks still the largest borrowers
 External debt peaked at USD 2.7 trillion in 2021 before easing to USD 2.3 trillion by 2025. Borrowing by deposit-taking corporations accounts for the largest share, while China's overall external debt remains relatively modest

China External Debt by Debtor Sector, USD tn (Q1 2015-Q4 2025)



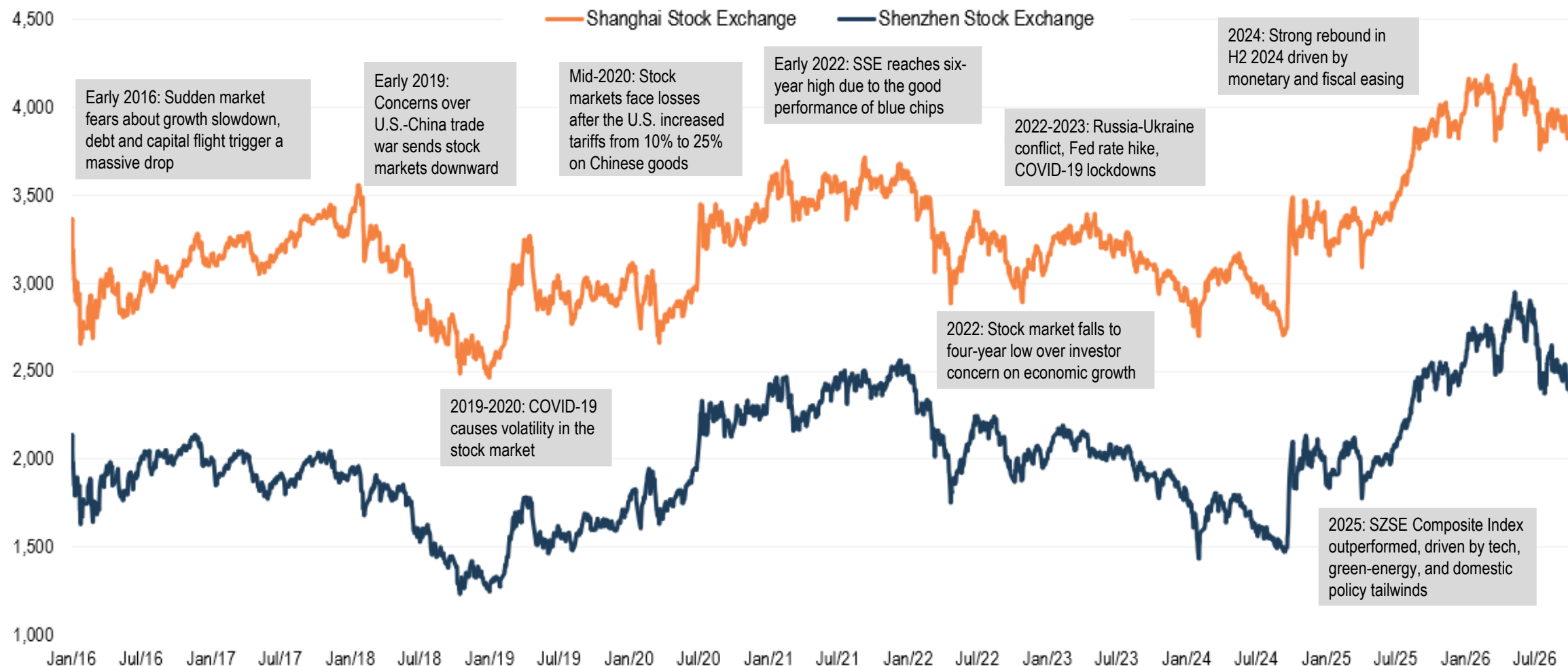
China's 10-year government bond yields have fallen to historic lows, reflecting weaker growth
After approaching 4% in 2018, China's 10-year government bond yield fell to 1.6% in early 2025 and stayed below 2% through Sep. 2026. Slower growth, subdued inflation and monetary easing have contributed to a decline in borrowing costs

China 10-Year Government Bond Yield, % (Jan. 2014-Sep. 2026)



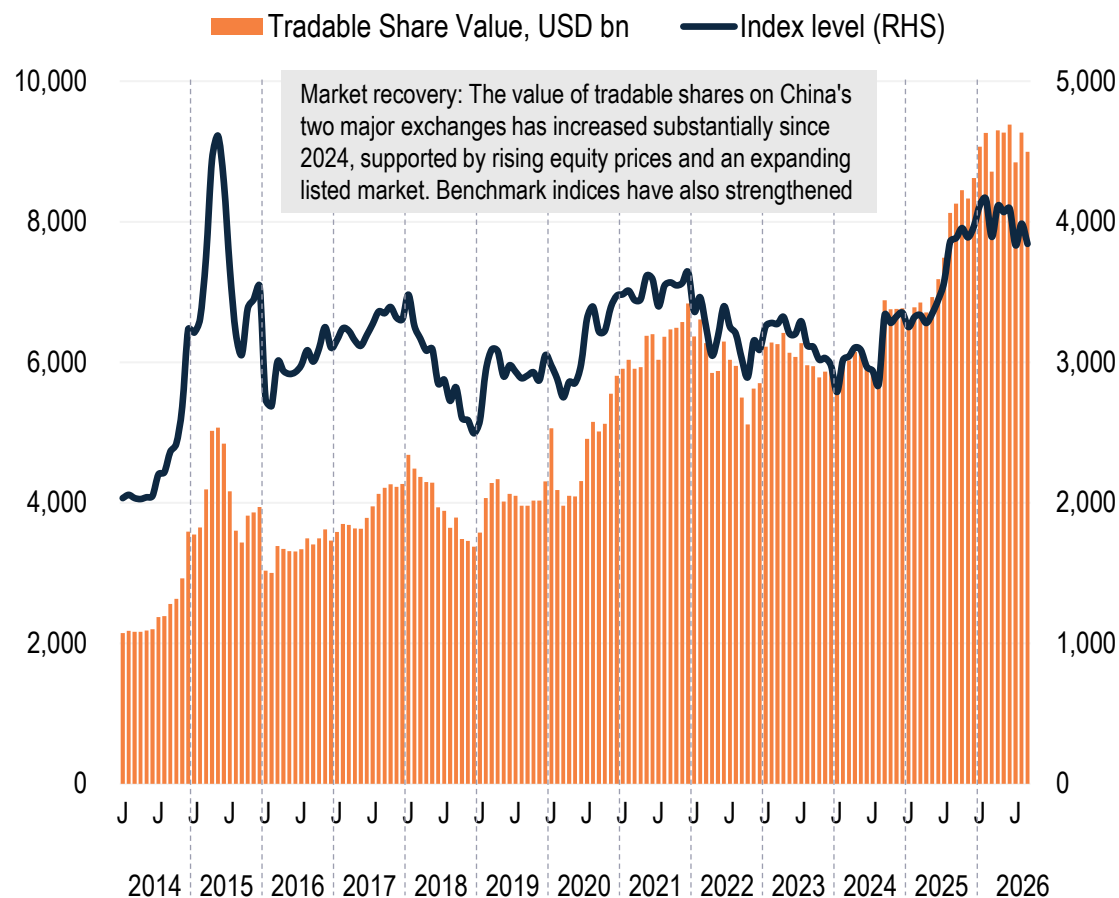
China's stock markets have rebounded strongly since 2024, but performance remains volatile. After prolonged weakness linked to the property downturn, economic uncertainty and changing investor sentiment, Shanghai and Shenzhen equities rallied in 2024-2025. Both markets have since retreated from their 2026 highs.

China Stock Market Indices, Index Value (2016-Oct. 2026)

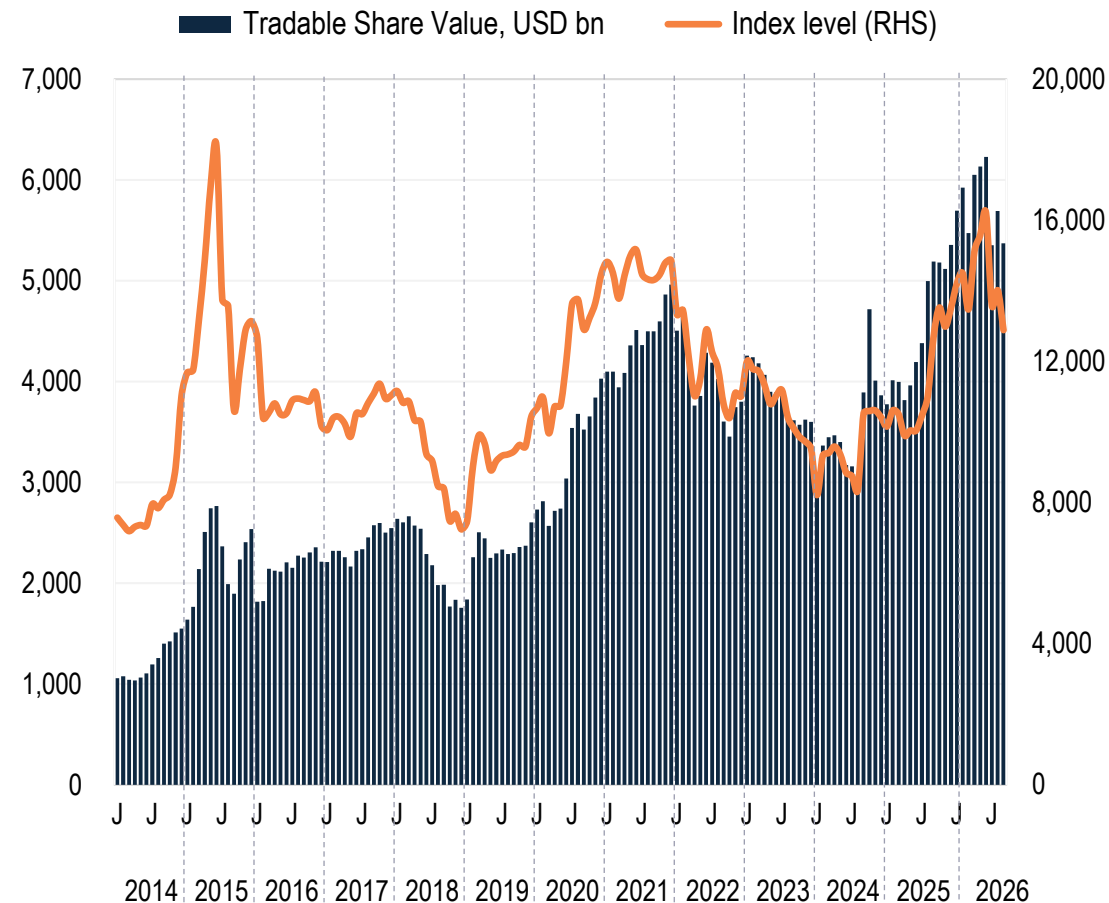


China's stock market valuations have recovered, with tradable share values reaching new highs. The value of tradable shares on both exchanges has expanded substantially since 2014, supported by a growing listed equity base. Benchmark indices have also strengthened, although they remain below their 2015 peaks.

Shanghai Stock Exchange: Tradable Share Value and Composite Index (Jan. 2014-Sep. 2026)

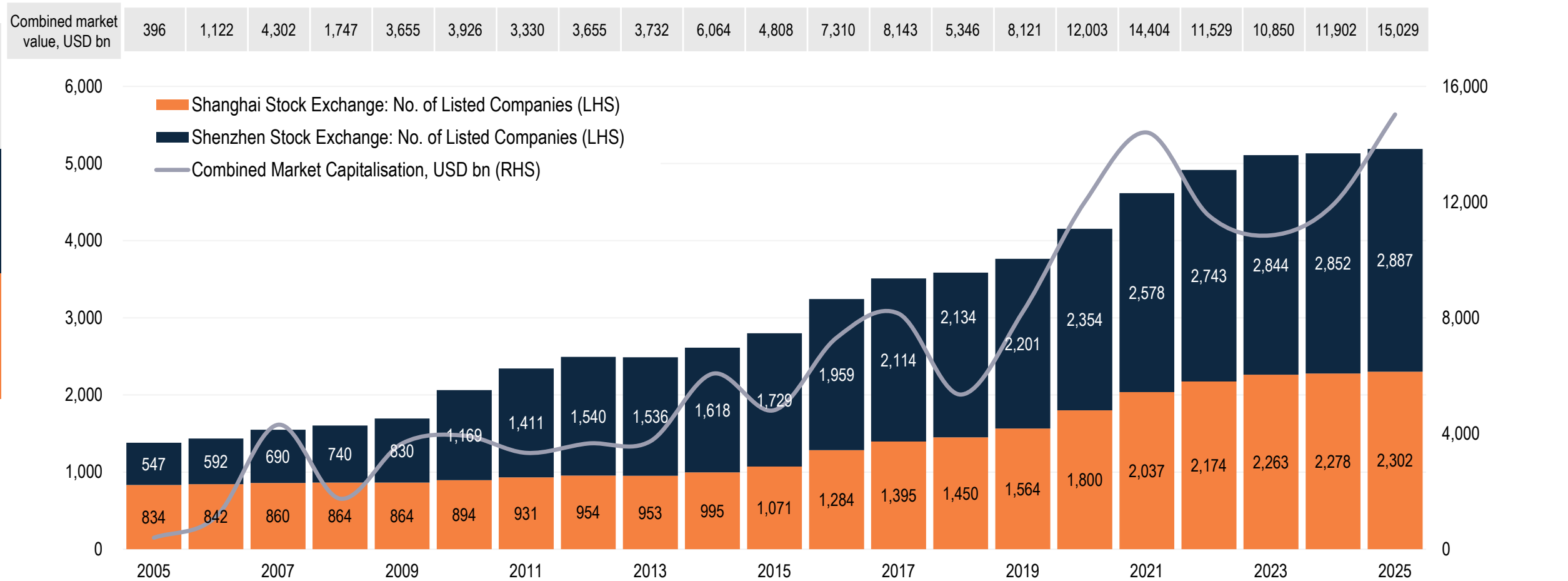


Shenzhen Stock Exchange: Tradable Share Value and Composite Index (Jan. 2014-Sep. 2026)



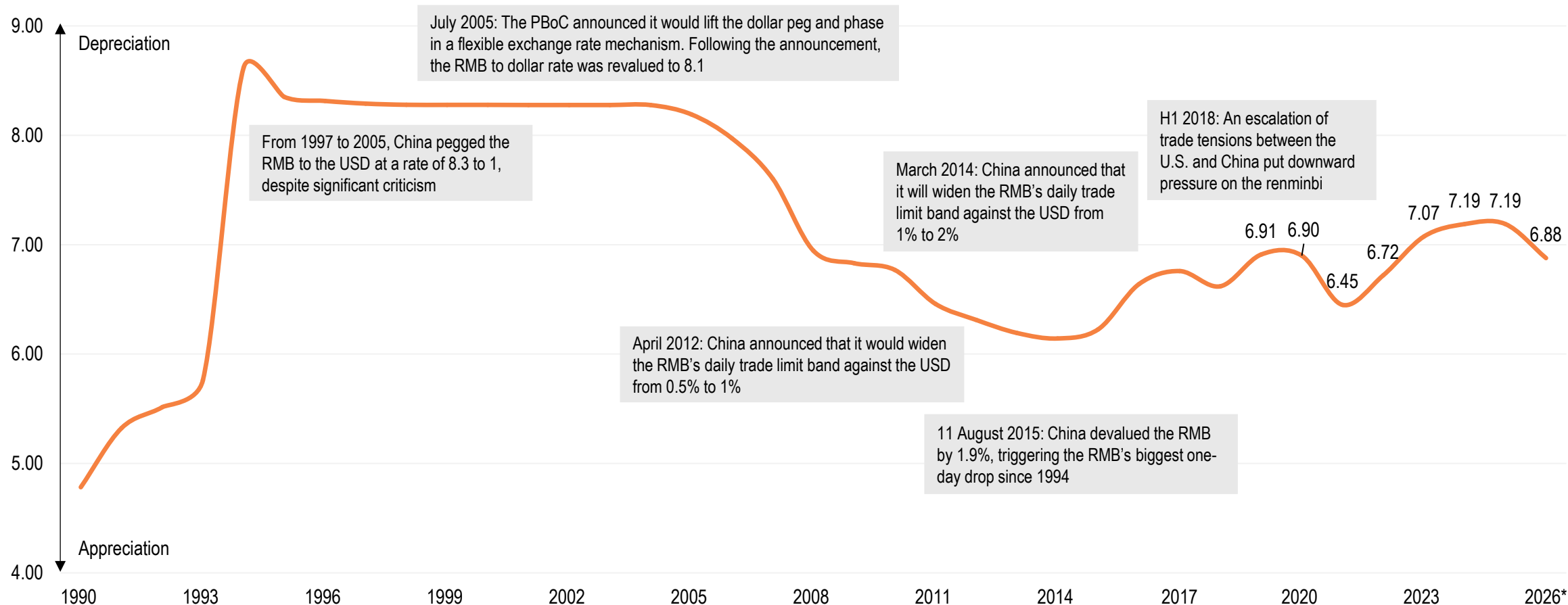
China's equity market reached a record USD 15 trillion in 2025 as listed companies increased
Combined market capitalisation recovered to USD 15 trillion in 2025, while the number of listed companies reached 5,189, reflecting both the growth of China's listed corporate sector and a recovery in market valuations

Mainland China Stock Exchanges: Number of Listed Companies and Total Market Value (2005-2025)



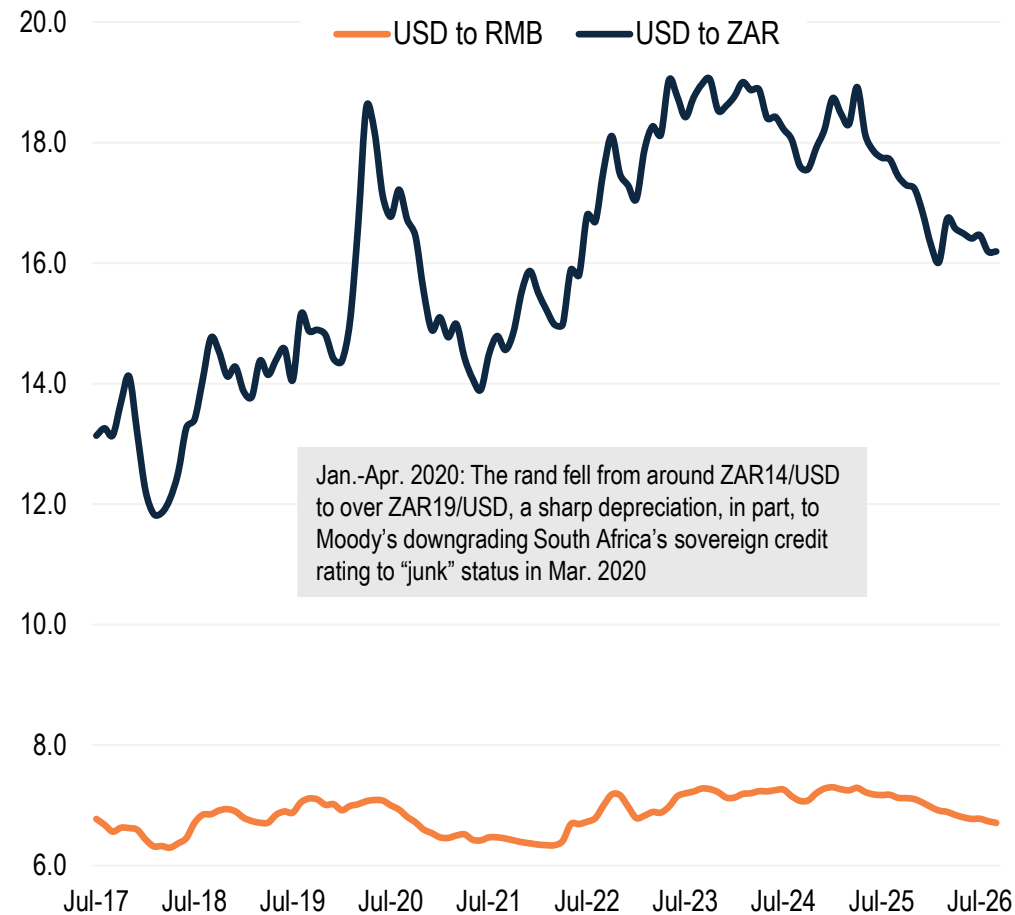
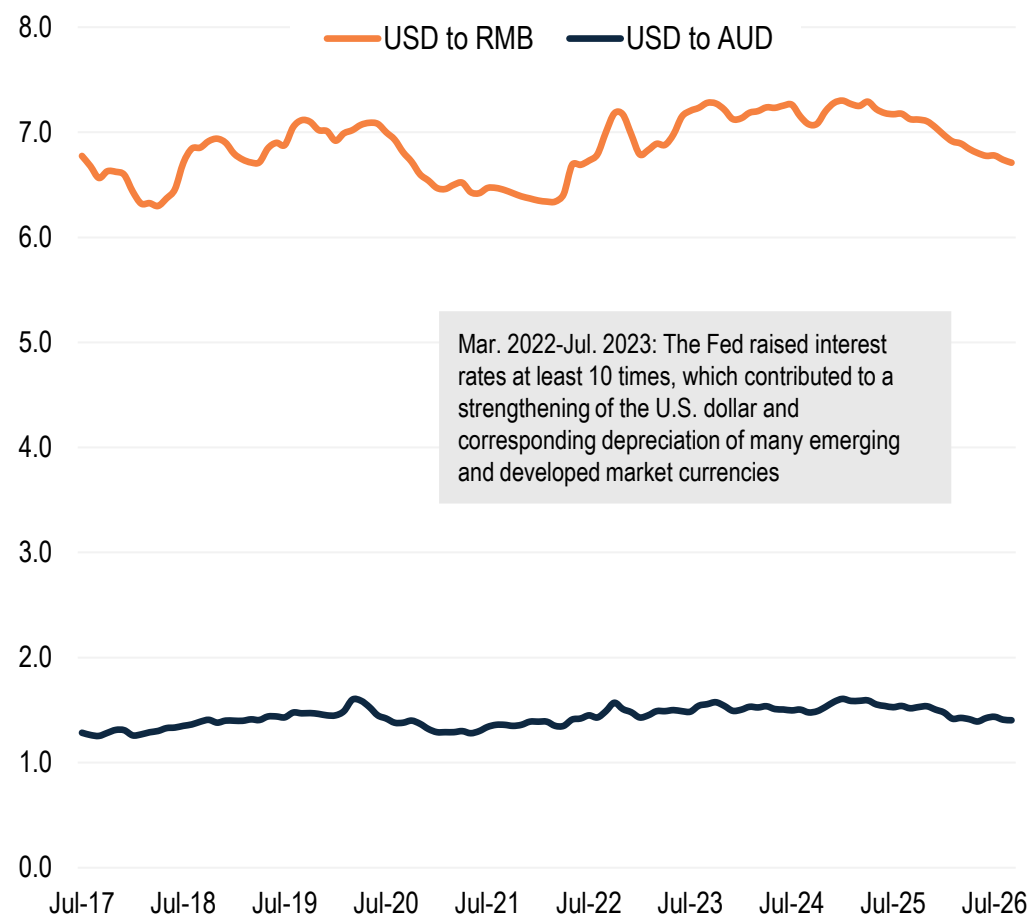
The renminbi weakened against the U.S. dollar through 2025 before recovering in early 2026
The exchange rate averaged RMB 7.2 per USD in 2024-2025, compared with RMB 6.88 in available 2026 data. The longer-term trend reflects shifts in economic conditions, monetary policy and the management of China's exchange rate

USD to RMB Nominal Exchange Rate (1990-2026*)



The RMB, Australian dollar and South African rand have strengthened against the U.S. dollar in 2026. All three currencies have appreciated since the start of 2026, extending a broader reversal from earlier lows, with the rand showing the strongest recovery and the RMB gaining more gradually.

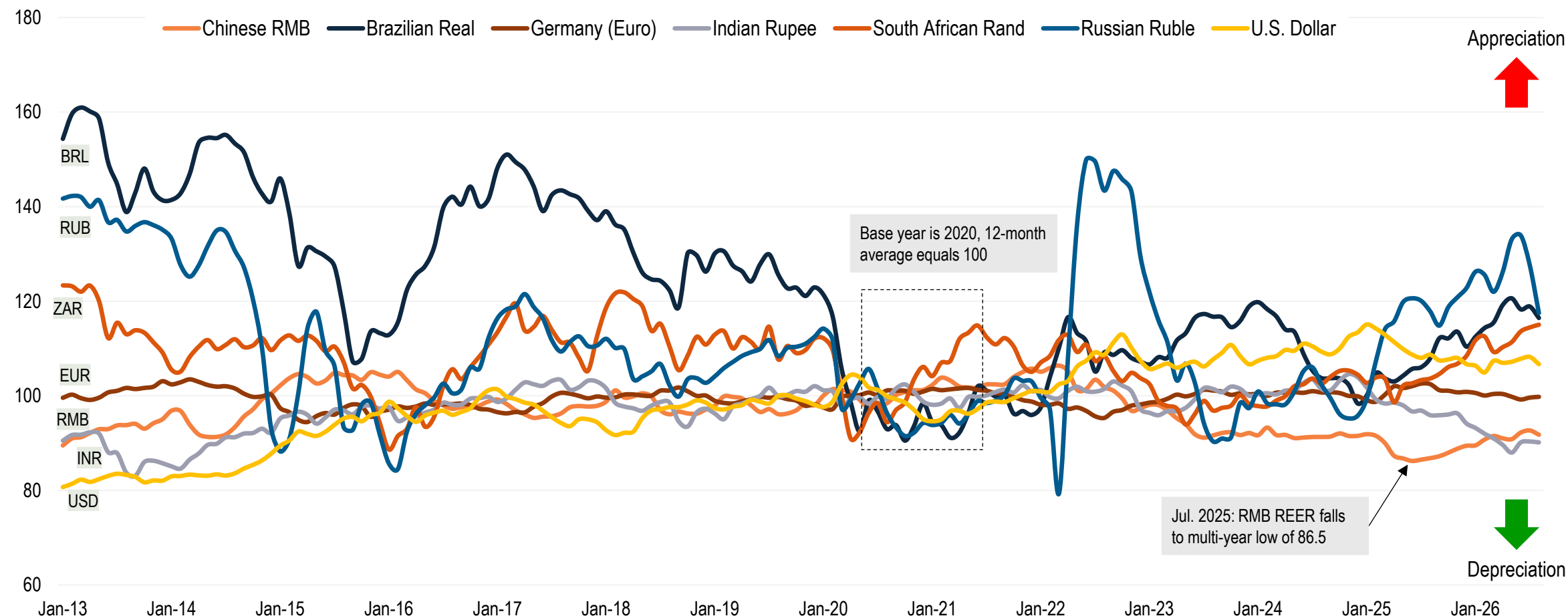
Nominal Exchange Rate Comparison: USD, RMB, AUD, ZAR (Jul. 2017-Sep. 2026)



China's real effective exchange rate remains near multi-year lows, supporting its price competitiveness

The renminbi's trade-weighted, inflation-adjusted exchange rate declined substantially after 2022 before recovering modestly in 2026. The shift indicates an improvement in China's relative price competitiveness

Real Effective Exchange Rates, CPI-based, Monthly Averages (2013-Aug. 2026)



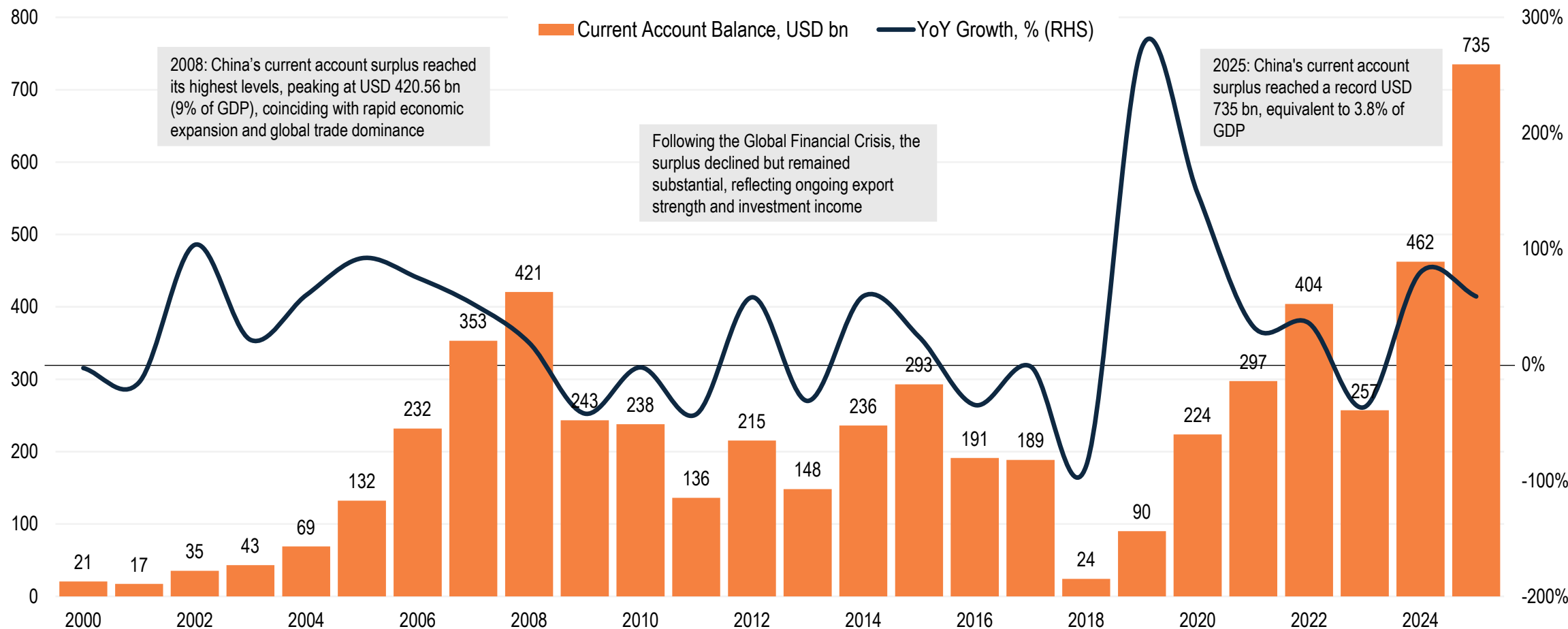
Note: Real effective exchange rates (REER) are the geometric weighted averages of bilateral exchange rates, adjusted by relative consumer prices. The BIS EER indices cover 64 economies, including the U.S., Australia, China, individual euro area countries, and, separately, the euro area as an entity. The indices' base year is updated to 2020, i.e., 2020=100. An increase indicates an appreciation of the economy's currency against a broad basket of currencies.

Source: Bank for International Settlements (BIS), Yahoo Finance, ANDAMAN PARTNERS Analysis

China's current account surplus surged to a record USD 735 billion in 2025

After peaking at USD 421 billion in 2008 and moderating over the following decade, China's current account surplus has expanded sharply again, reaching a new nominal high

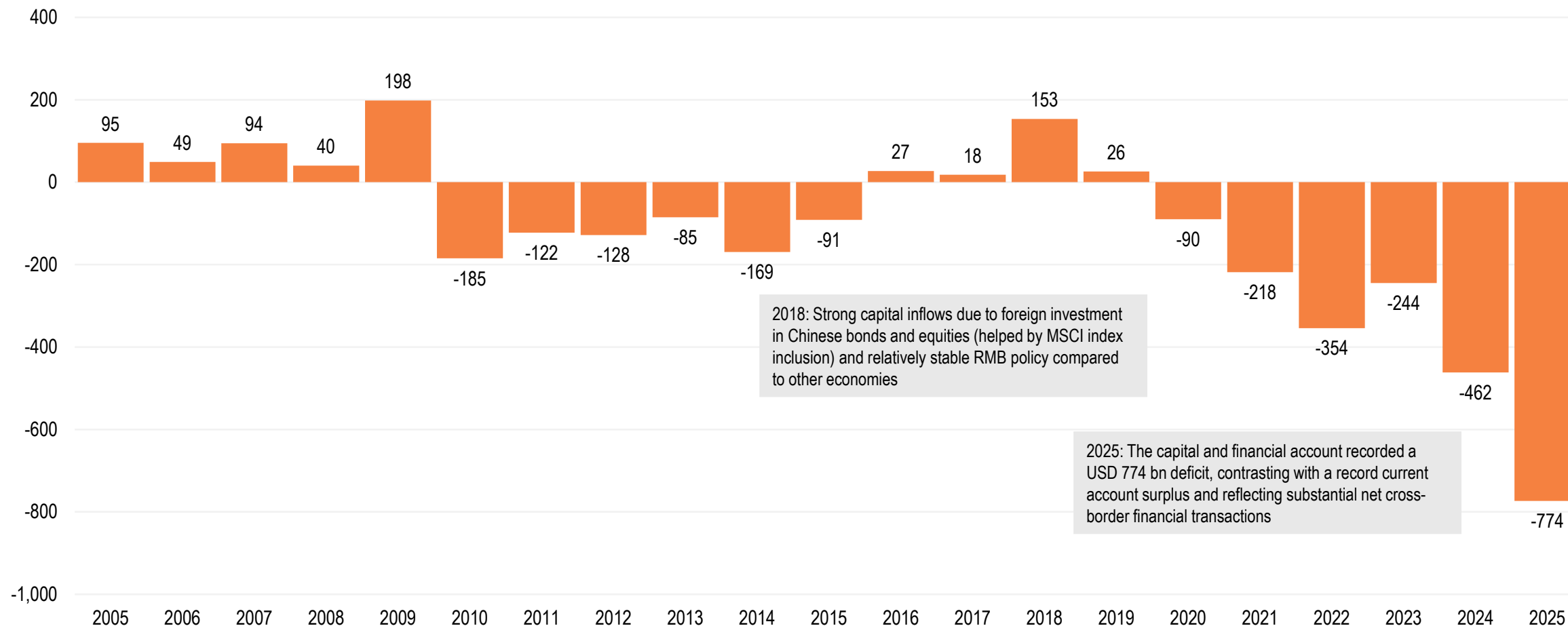
China Current Account Balance, USD bn, and YoY Growth Rate, % (2000-2025)



China's capital and financial account deficit widened sharply to USD 774 billion in 2025

The widening deficit contrasts with China's record current account surplus, highlighting the scale of its cross-border financial transactions and the importance of distinguishing financial-account movements from trade balances

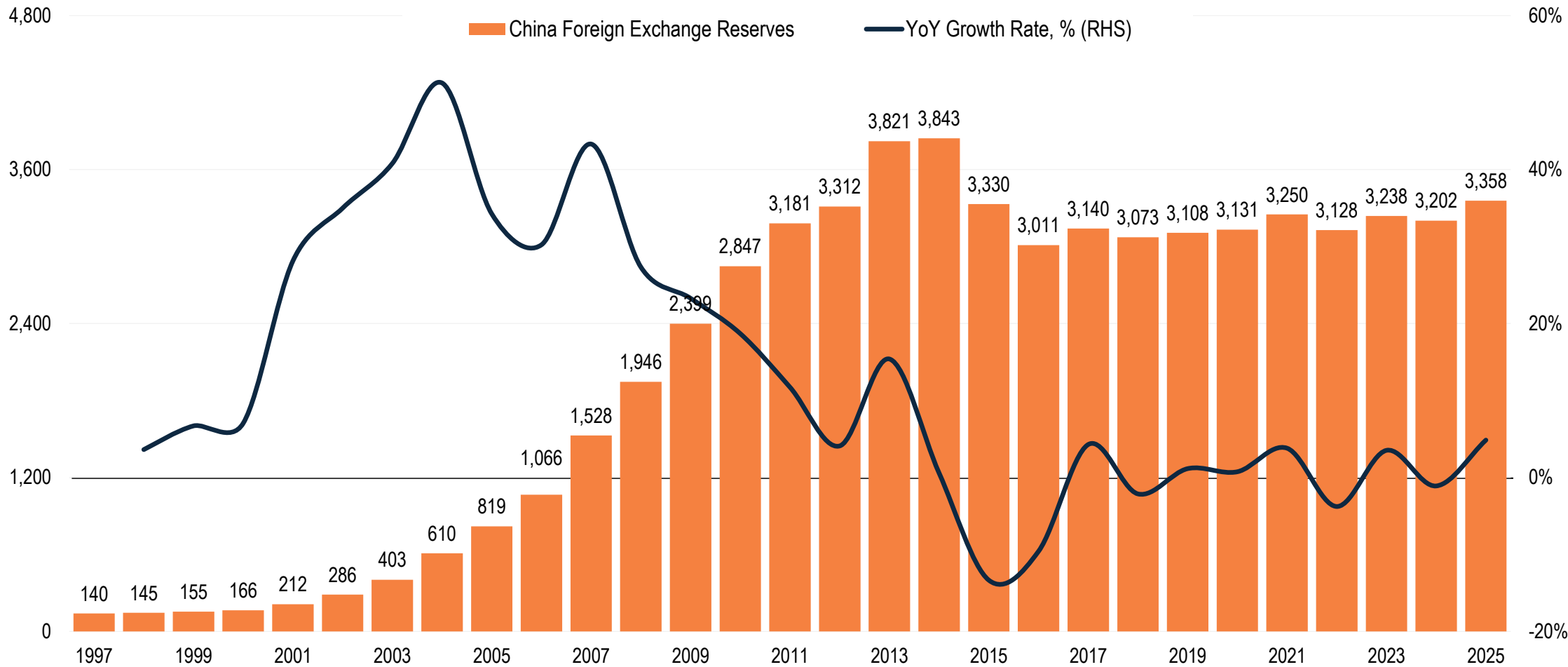
China Capital & Finance Account Balance, USD bn (2005-2025)



China holds the world's largest foreign exchange reserves

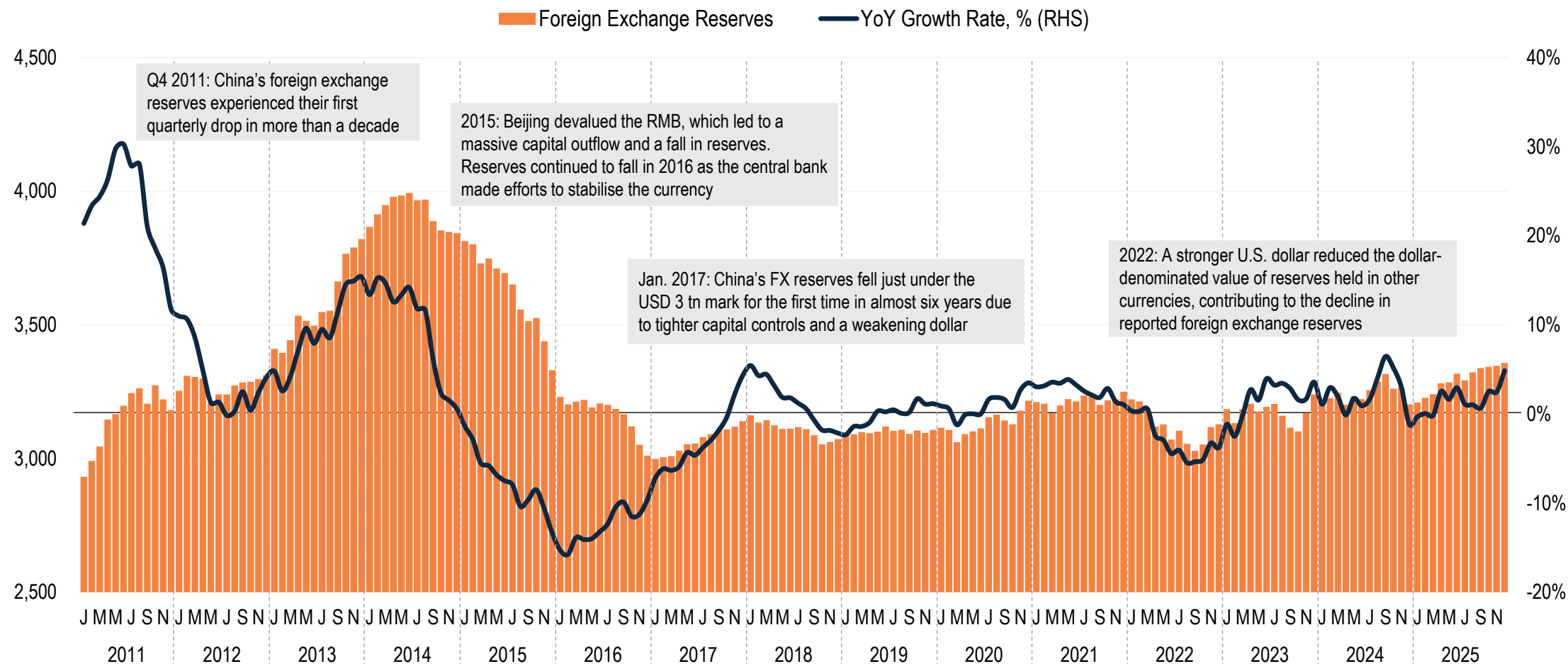
China's annual holdings have remained remarkably resilient, hovering above USD 3 trillion from 2017 to 2025, although since 2014, the annual growth rate has been low or negative

China Annual Foreign Exchange Reserves, USD bn (1997-2025)



China's monthly foreign exchange reserves peaked at almost USD 4 trillion in June 2014
Followed by a period of decline to around USD 3 trillion in December 2016. While no longer expanding substantially, these reserves provide a buffer against external shocks and a tool for currency management

China Monthly Foreign Exchange Reserves, USD bn (2011-2025)



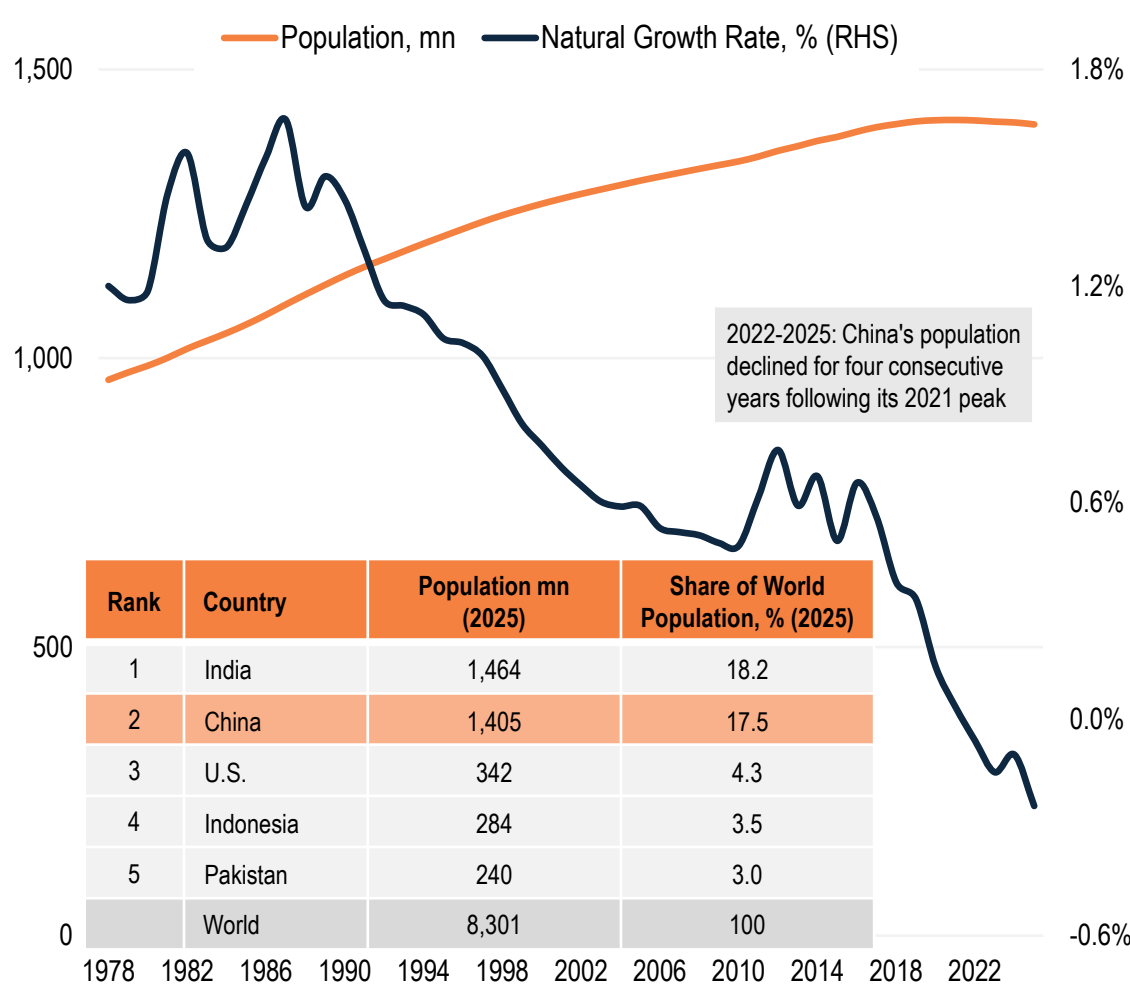
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
- 4. China in Depth**
 - Growth Indicators
 - Consumption
 - Investment
 - Government Expenditure
 - Trade
 - Financial Indicators
 - **Social Indicators**
5. China in the World
6. Conclusions, Implications and Recommendations

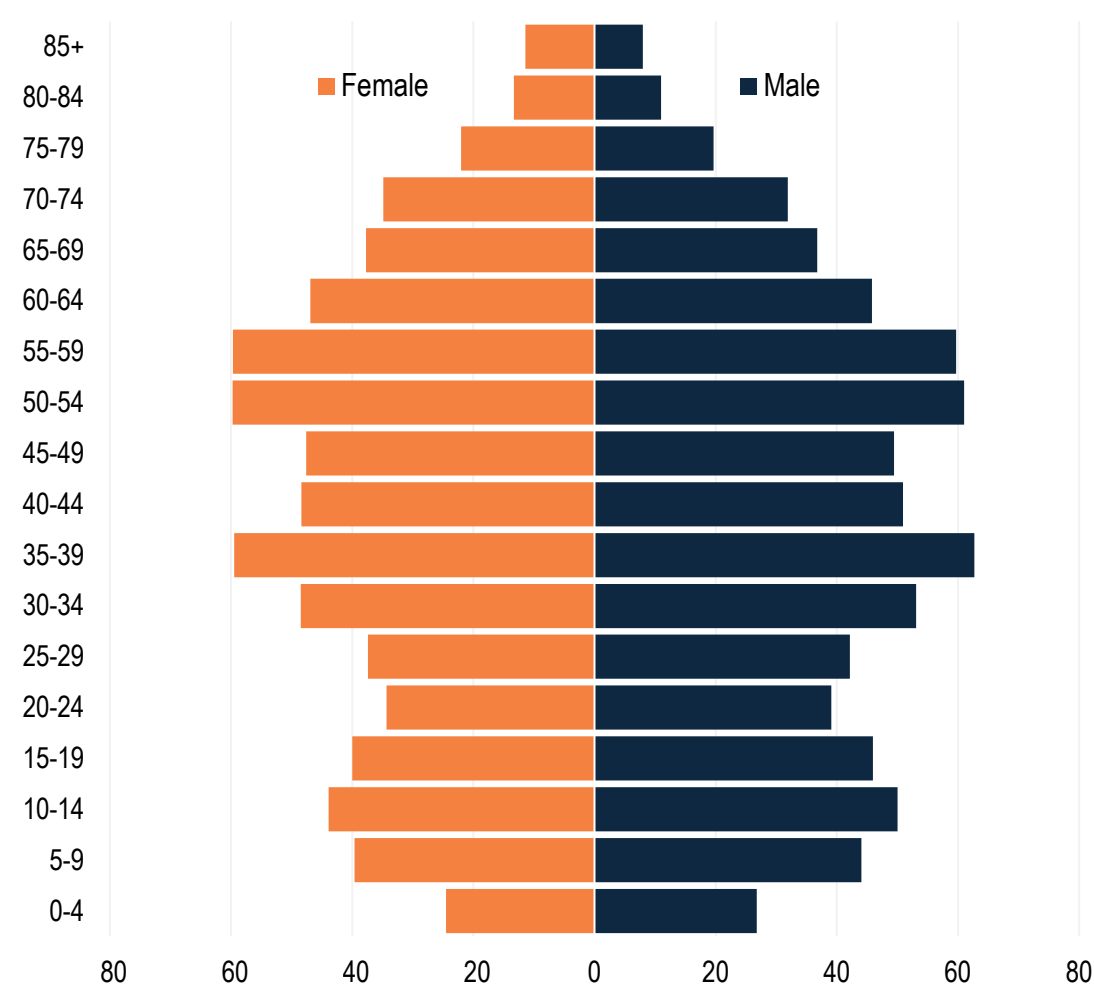


China's population has declined for four consecutive years as demographic pressures intensify
China's population fell from its 2021 peak to approximately 1.4 billion in 2025, leaving it the world's second-most populous country after India. The decline reflects persistently low birth rates and a growing imbalance between births and deaths

China Population, mn and Natural Population Growth Rate, % (1978-2025)



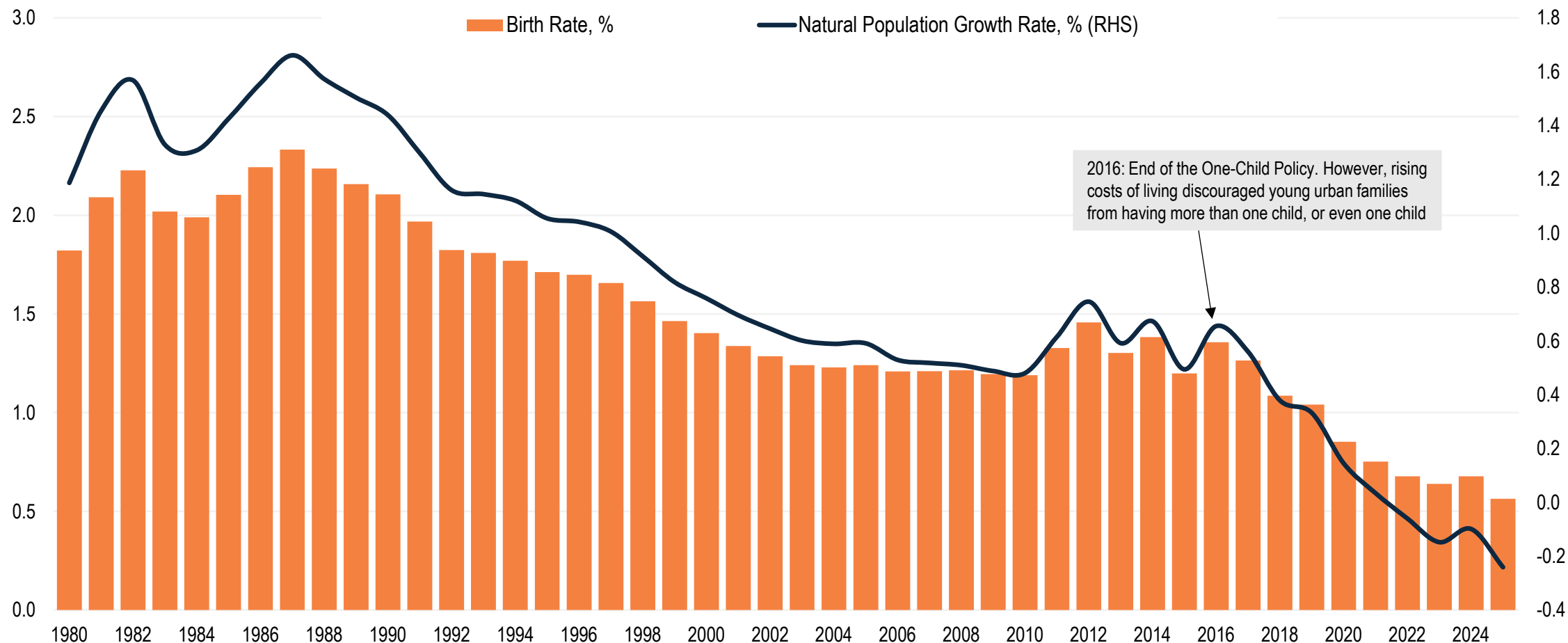
China Population by Age Group, '000 (2024)



China's birth rate remains near historic lows despite the end of the One-Child Policy

Birth rates have declined sharply since the late 1980s, and ending the One-Child Policy in 2016 did not produce a sustained recovery. China's natural population growth rate has remained negative since 2022

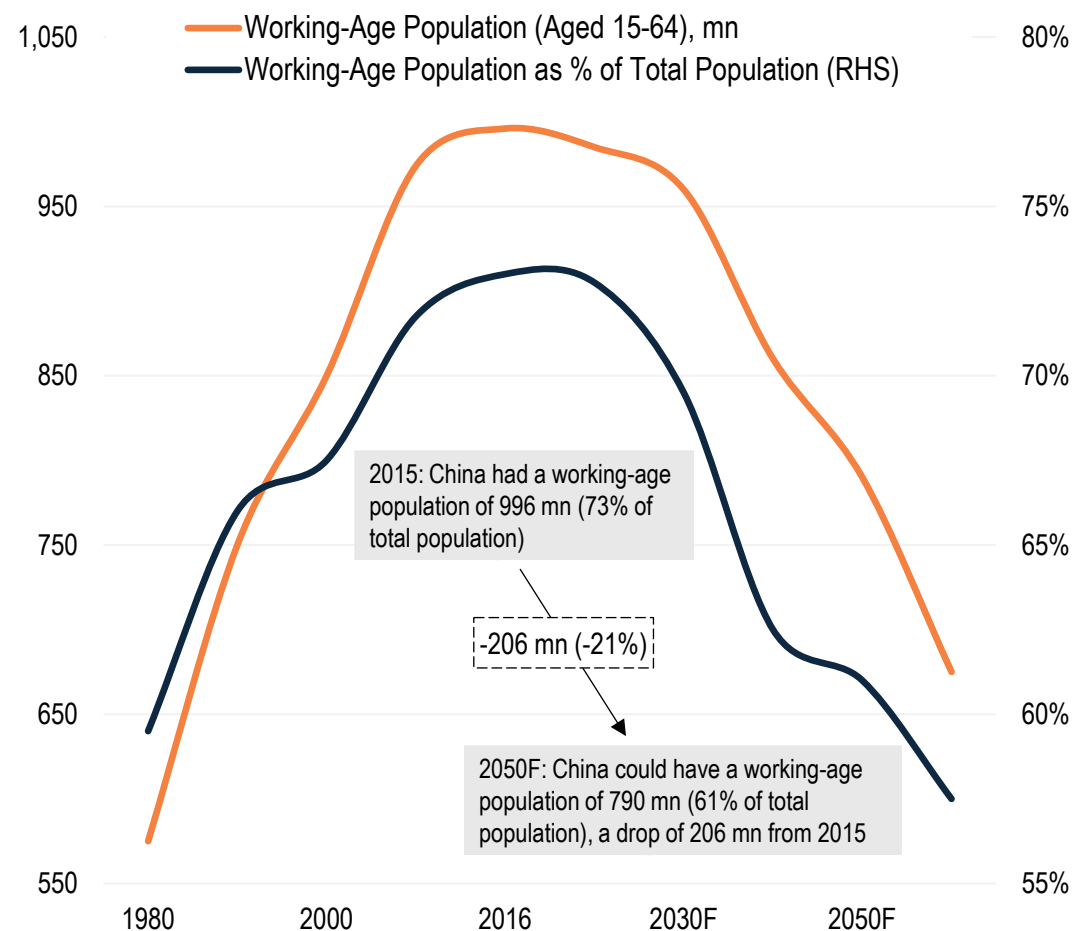
China Birth Rate and Natural Population Growth Rate, % (1980-2025)



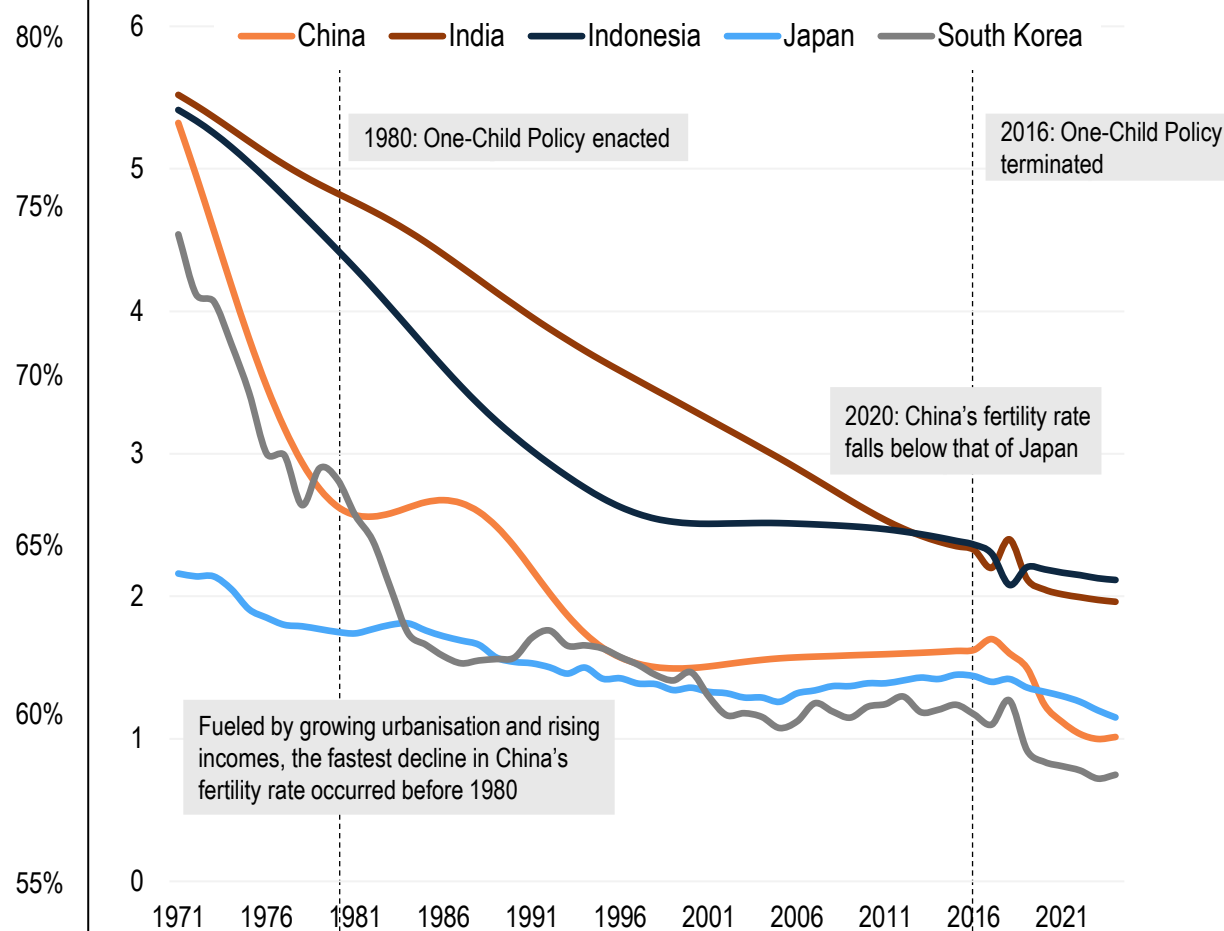
China's working-age population is shrinking as fertility remains exceptionally low

China's working-age population peaked at 996 million in 2015 and is projected to fall to around 790 million by 2050. This demographic shift will place increasing pressure on productivity growth, labour supply and age-related public spending

China Working-Age Population and Forecast, mn (1980-2060F)



Fertility Rates, Births per Woman: China, India, Indonesia, Japan and South Korea (1971-2024)



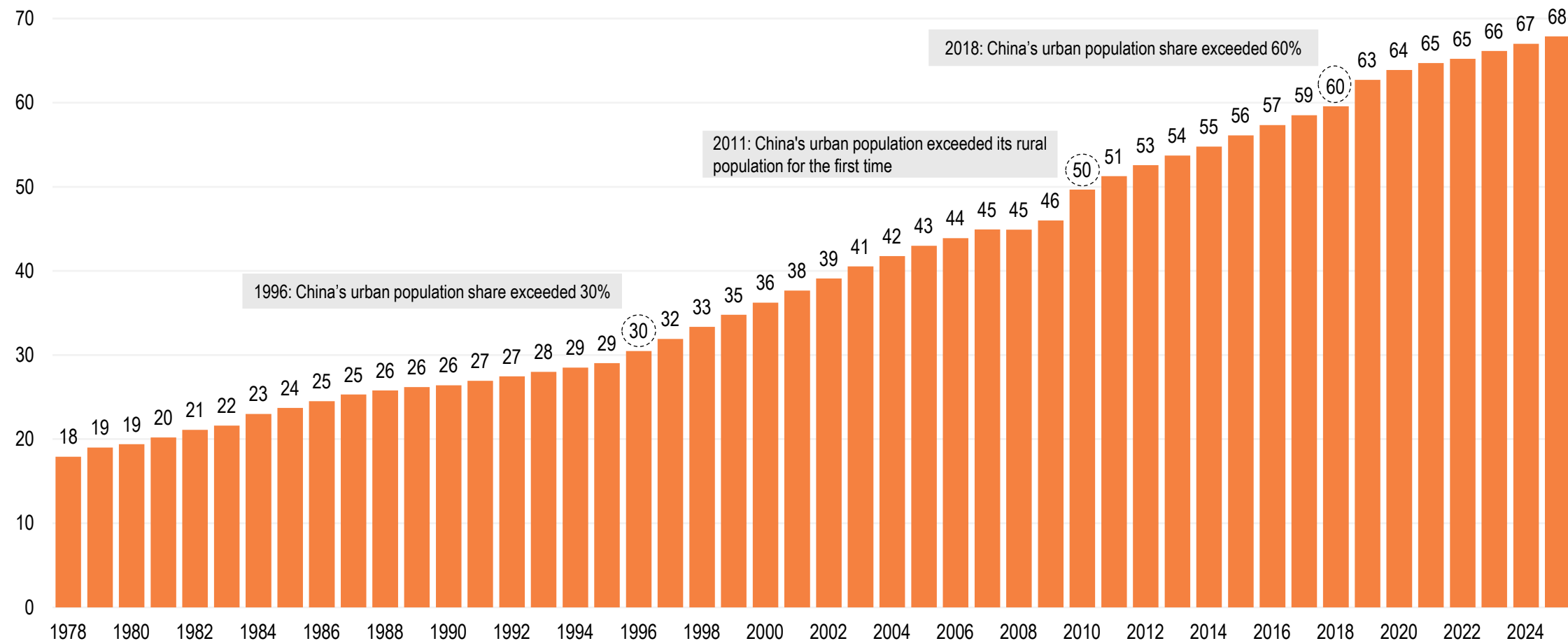
Note: According to the OECD, the fertility rate is the total number of children a woman would have if she lived to the end of her childbearing years and had children according to prevailing age-specific fertility rates.

Source: UN World Population Prospects, World Bank, CIA Factbook, ANDAMAN PARTNERS Analysis

China's urban population now accounts for more than two-thirds of its total population

China's urbanisation rate rose from 18% in 1978 to 68% in 2025, reflecting decades of migration and structural transformation. Despite this expansion, urbanisation remains below the levels recorded in Japan, South Korea and the U.S.

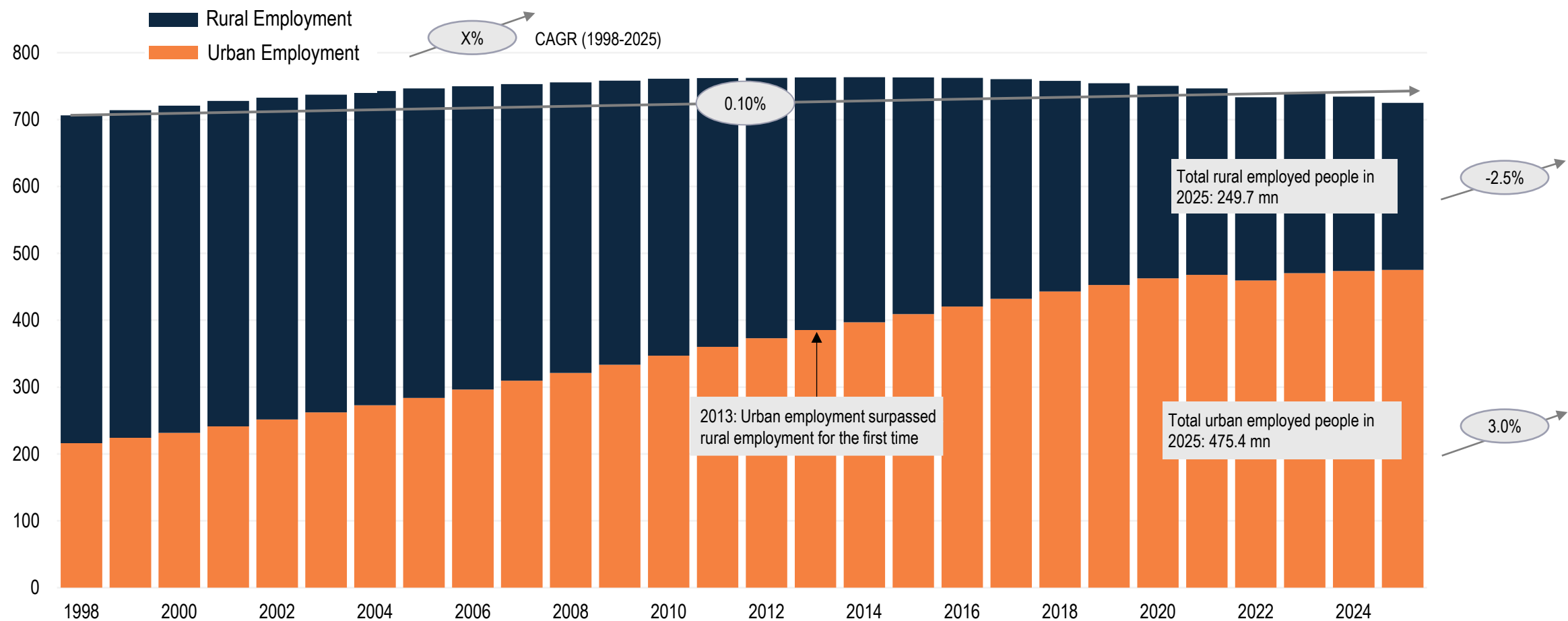
China Urban Population Ratio, % Share (1978-2025)



China's total number of urban employed surpassed rural employment in 2013

In 2022, urban employment declined for the first time in over 60 years, but rebounded in 2023 to 470 million. In 2025, China had 475 million people employed in urban areas and 250 million in rural areas

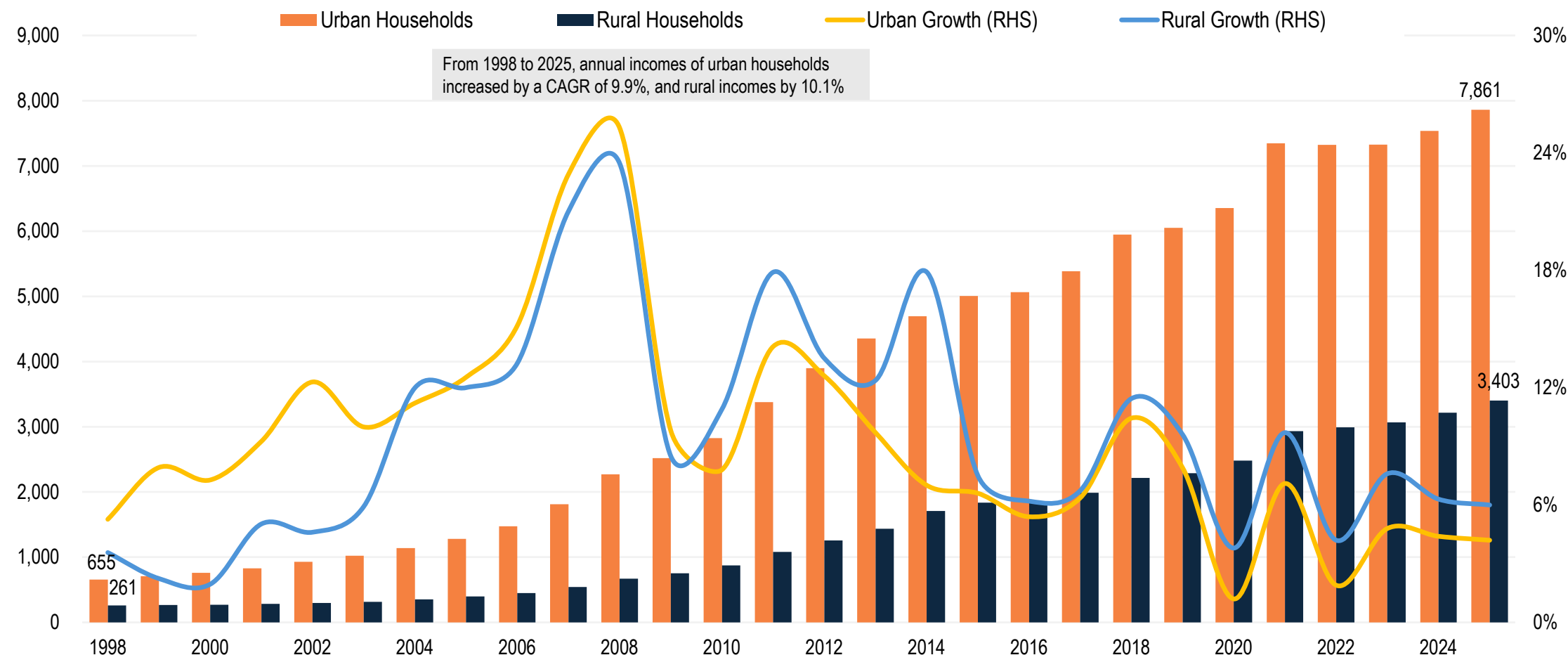
China Number of Urban and Rural Employed Persons, mn (1998-2025)



Urban household incomes remain more than twice rural levels despite gradual convergence

Urban per capita income reached approximately USD 7,861 in 2025, compared with USD 3,403 in rural areas. Rural incomes have generally grown slightly faster over the longer term, but the absolute income gap remains substantial

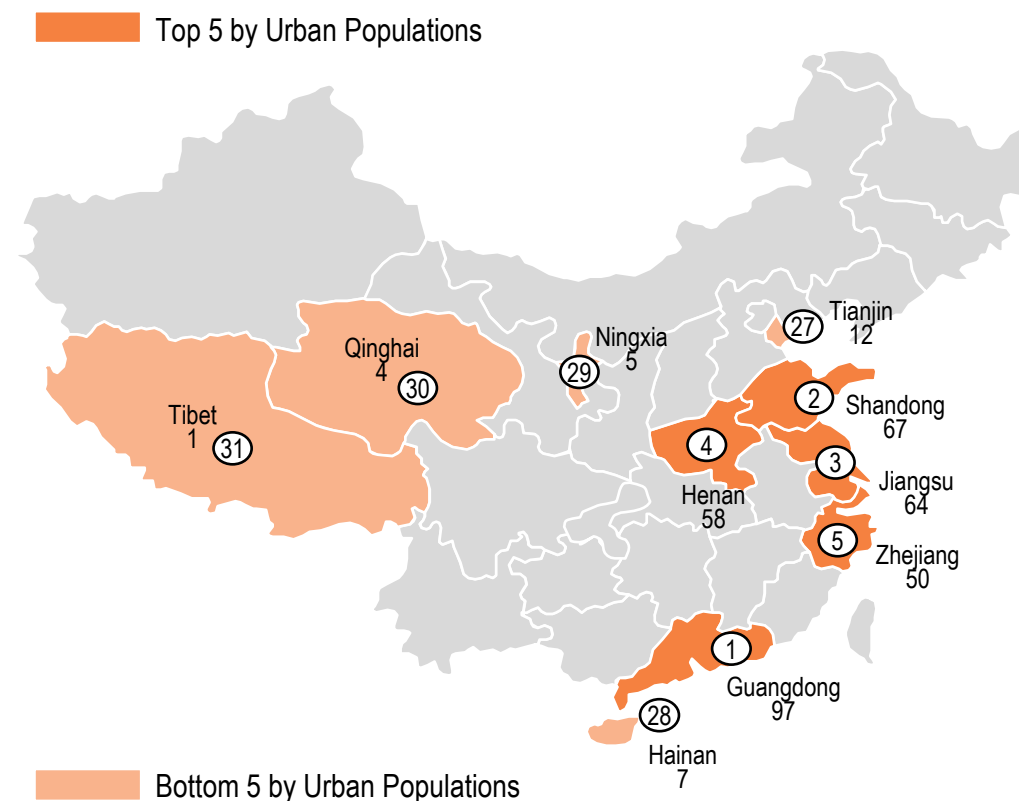
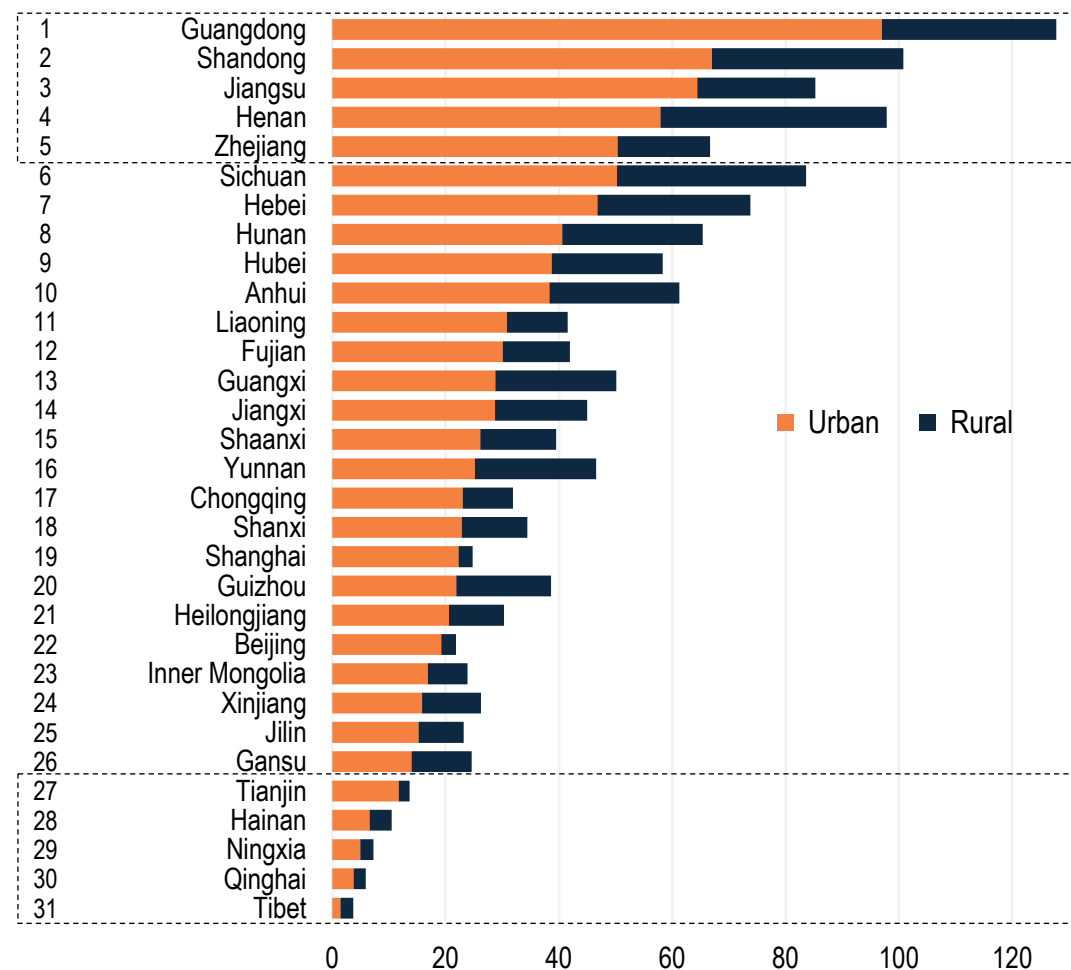
Annual Income of Urban and Rural Households in China, USD (1998-2025)



Note: Data refers to annual disposable income of urban households and net income of rural households per capita. Growth rates are calculated at current prices. Due to the appreciation of the USD against the RMB, 2023 incomes in USD are almost equal to 2022 levels, but increased by 4.8-7.6% in RMB terms. Source: National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China's largest urban populations are concentrated in coastal provinces and major inland economies Guangdong, Shandong and Jiangsu lead in urban population, while Henan and Sichuan also have large urban centres. Western provinces such as Qinghai and Tibet have considerably smaller urban populations

China Urban and Rural Populations by Province, Autonomous Region and Municipality, mn (2024)



China has 16 major cities with administrative populations exceeding 10 million

Large population centres are concentrated in the Yangtze River Delta, Pearl River Delta and Beijing-Tianjin-Hebei region, alongside major inland cities such as Chongqing, Chengdu and Wuhan

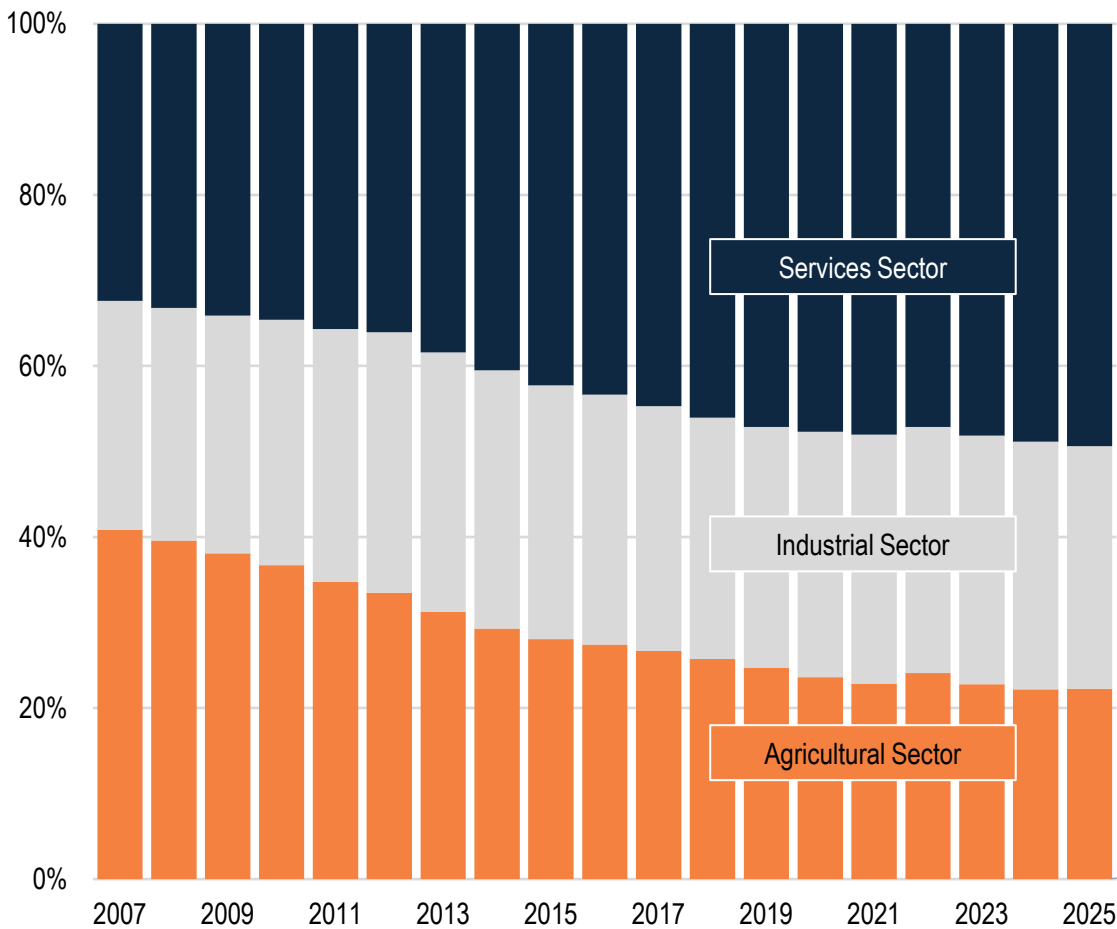
China Most Populous Cities, mn People (2023)

China's Megacities (16)	
City and Administrative Unit/Province	Population mn
1. Chongqing (Chongqing)	31.9
2. Shanghai (Shanghai)	24.9
3. Beijing (Beijing)	21.9
4. Chengdu (Sichuan)	21.4
5. Guangzhou (Guangdong)	18.8
6. Shenzhen (Guangdong)	17.8
7. Wuhan (Hubei)	13.8
8. Tianjin (Tianjin)	13.6
9. Xi'an (Shaanxi)	13.1
10. Zhengzhou (Henan)	13.0
11. Suzhou* (Jiangsu)	13.0
12. Hangzhou* (Zhejiang)	12.5
13. Shijiazhuang* (Hebei)	11.2
14. Changsha* (Hunan)	10.5
15. Dongguan* (Guangdong)	10.5
16. Qingdao* (Shandong)	10.4

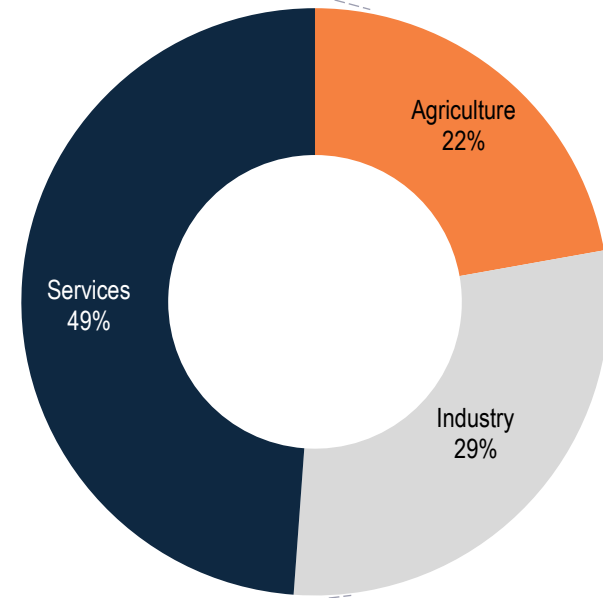


Services now employ nearly half of China's workforce, reflecting a profound economic transformation
 Services overtook agriculture as China's largest employment sector in 2011 and accounted for 49% of employment in 2025, compared with 29% in industry and 22% in agriculture

China Total Employed Persons by Sector, % of Total (2007-2025)



China Employment by Sector, % of Total (2025)



Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. China in the World
 - Macro-Economic Overview
 - Consumption
 - Investment
 - Trade
 - Financial Indicators
 - Social Indicators
 - Other Indicators
6. Conclusions, Implications and Recommendations



Global growth is becoming more uneven as emerging economies gain ground

India and China remain among the fastest-growing major economies, with India projected to become the world's third-largest economy by 2031, as growth across many advanced markets remains subdued

Global Economic Forecast to 2031

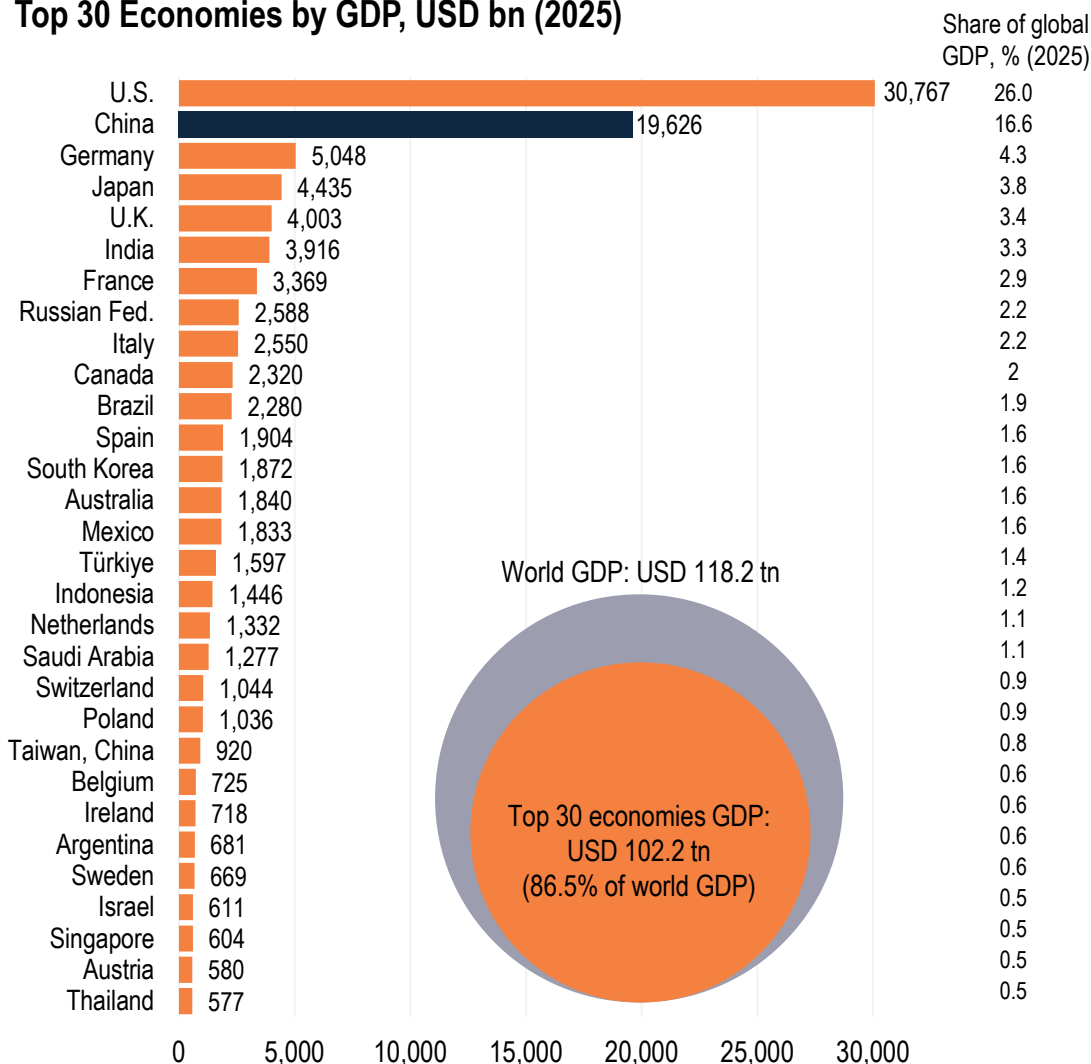
- Global growth is projected to moderate from 3.5% in 2025 to 3.1% in 2026 before recovering to 3.4% in 2027
- Growth remains uneven, with emerging economies generally expanding faster than advanced markets
- India is projected to grow by 7.0% in 2026, compared with 4.5% for China, reinforcing the divergence in growth rates between the two largest emerging economies
- The global technology investment cycle continues to support selected economies, particularly those integrated into AI and semiconductor supply chains
- Geopolitical tensions, energy prices, trade fragmentation and fiscal vulnerabilities remain important downside risks
- Over the medium term, the balance of global economic activity will continue to shift towards emerging Asia, although the U.S. and China will remain the two largest economies in nominal GDP

Top 20 Economies by GDP, USD bn (2000, 2025, 2031F)

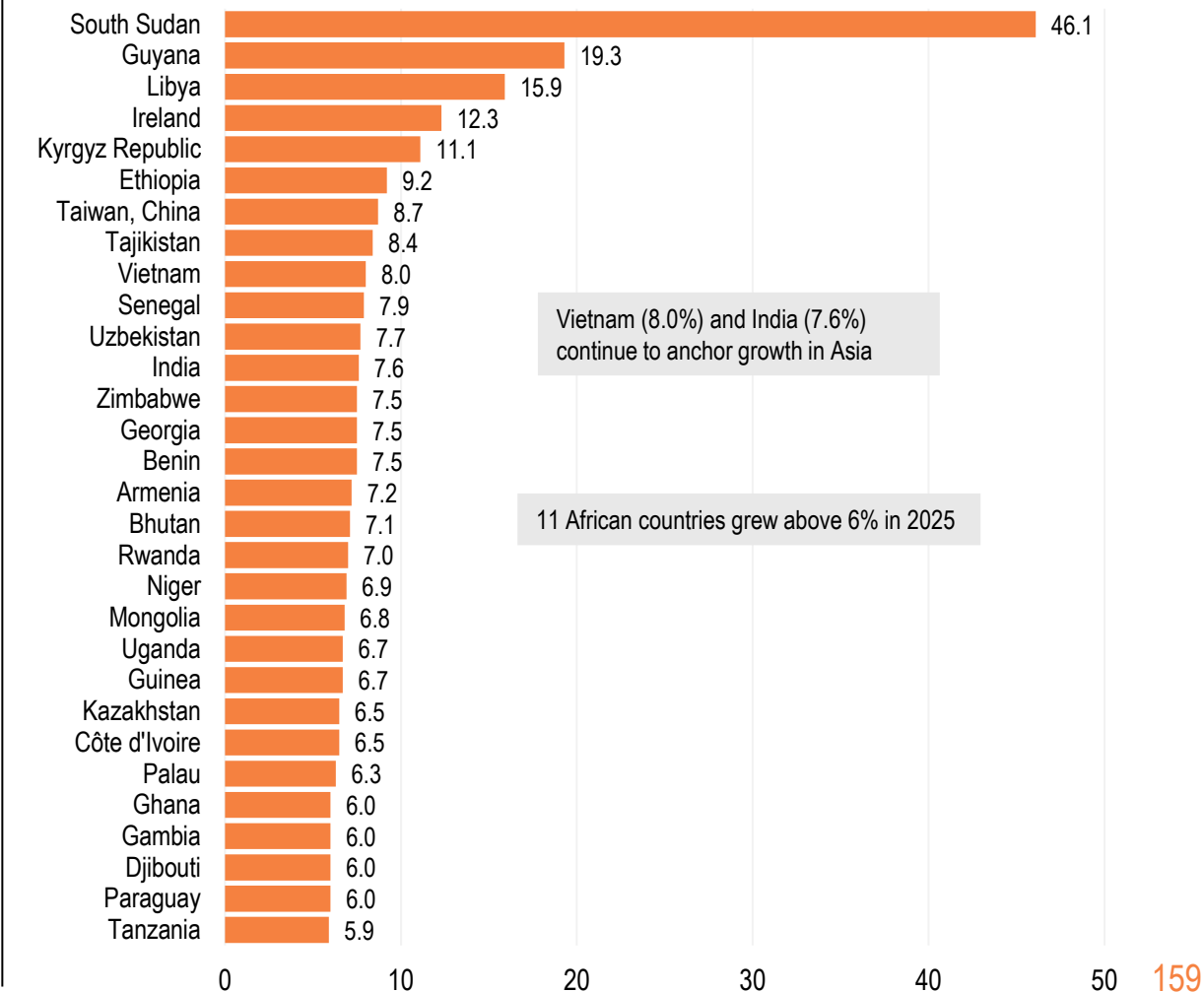
Rank (2000)		Rank (2025)		Rank (2031F)		USD bn (2031F)	Share of Global GDP (2031F)	Nominal GDP CAGR, % (2025–2031)
1	U.S.	→ 1	U.S.	→ 1	U.S.	39,031	25%	4.0%
2	Japan	→ 2	China	→ 2	China	27,497	17%	5.8%
3	Germany	→ 3	Germany	→ 3	India	6,792	4%	9.6%
4	U.K.	→ 4	Japan	→ 4	Germany	6,352	4%	3.9%
5	France	→ 5	U.K.	→ 5	U.K.	5,403	3%	5.1%
6	China	→ 6	India	→ 6	Japan	5,128	3%	2.4%
7	Italy	→ 7	France	→ 7	France	4,117	3%	3.4%
8	Canada	→ 8	Russian Fed.	→ 8	Brazil	3,379	2%	6.8%
9	Mexico	→ 9	Italy	→ 9	Canada	3,139	2%	5.2%
10	Brazil	→ 10	Canada	→ 10	Italy	3,128	2%	3.5%
11	Spain	→ 11	Brazil	→ 11	Mexico	2,667	2%	6.5%
12	South Korea	→ 12	Spain	→ 12	Russian Fed.	2,615	2%	0.2%
13	India	→ 13	South Korea	→ 13	Australia	2,590	2%	5.9%
14	Netherlands	→ 14	Australia	→ 14	Spain	2,572	2%	5.1%
15	Australia	→ 15	Mexico	→ 15	South Korea	2,357	1%	3.9%
16	Iran	→ 16	Türkiye	→ 16	Indonesia	2,246	1%	7.6%
17	Taiwan, China	→ 17	Indonesia	→ 17	Türkiye	2,028	1%	4.1%
18	Argentina	→ 18	Netherlands	→ 18	Saudi Arabia	1,730	1%	5.2%
19	Switzerland	→ 19	Saudi Arabia	→ 19	Netherlands	1,708	1%	4.2%
20	Russian Fed.	→ 20	Switzerland	→ 20	Poland	1,461	1%	5.9%
					World	158,392	100%	5.0%

In 2025, global real GDP growth was 3.5%, with significant variations across regions
Emerging and developing economies, particularly in Asia and Sub-Saharan Africa, experienced considerably higher growth rates

Top 30 Economies by GDP, USD bn (2025)

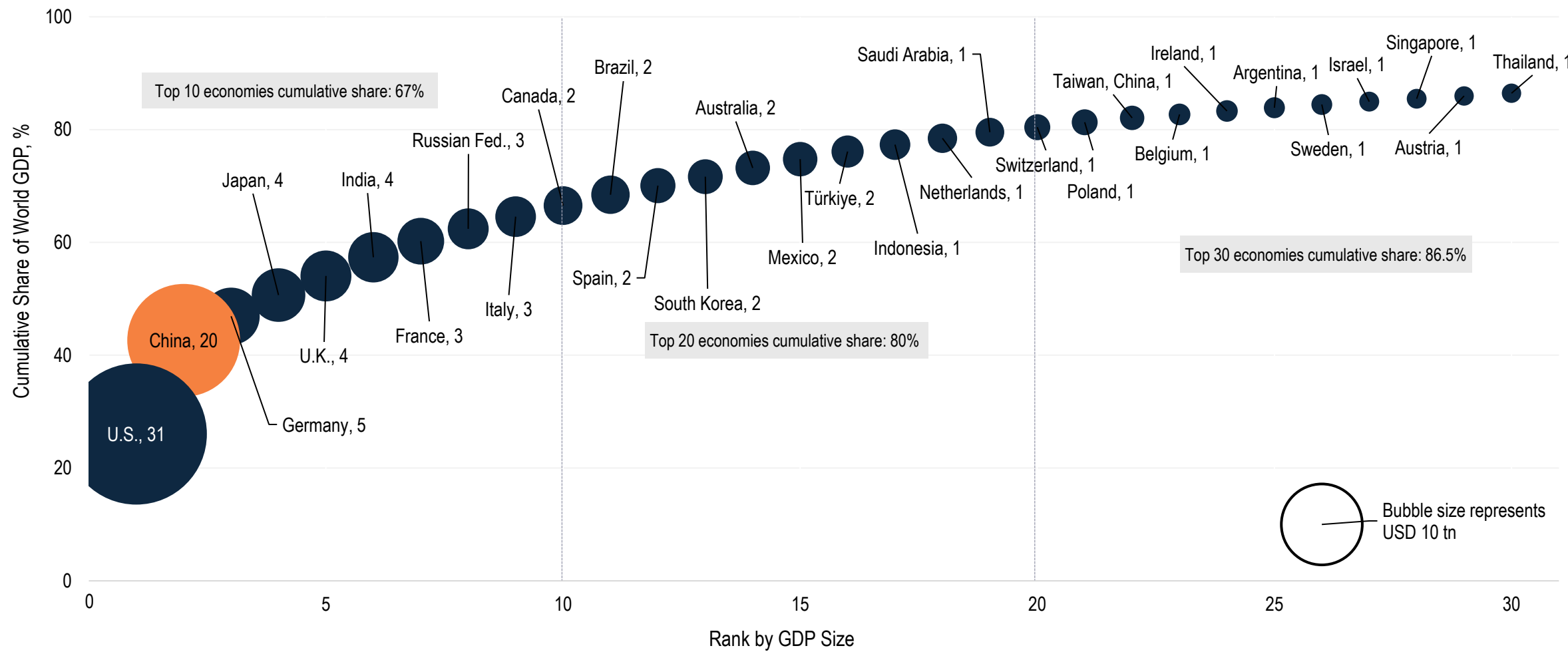


Top 30 Economies by Real GDP Growth, % (2025)



The world's top 10 economies accounted for 67% of world GDP in 2025, and the top 20 for 80%
 The U.S. (USD 31 trillion) and China (USD 20 trillion) are the largest economies by a substantial margin, followed by Germany (USD 5 trillion), Japan (USD 4 trillion), the U.K. (USD 4 trillion) and India (USD 4 trillion)

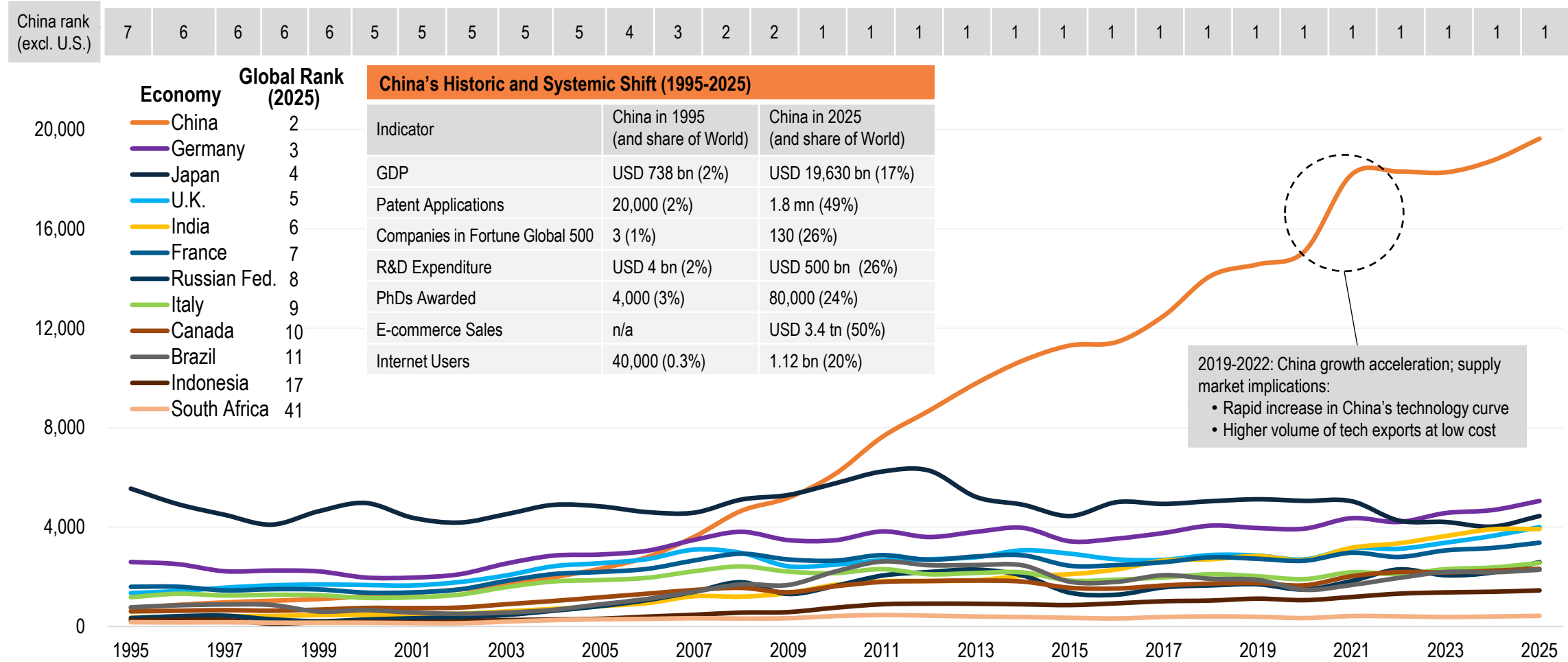
Top 30 Economies by GDP, USD tn (2025)



China's rise has transformed the global economic hierarchy, establishing it as the 2nd-largest economy

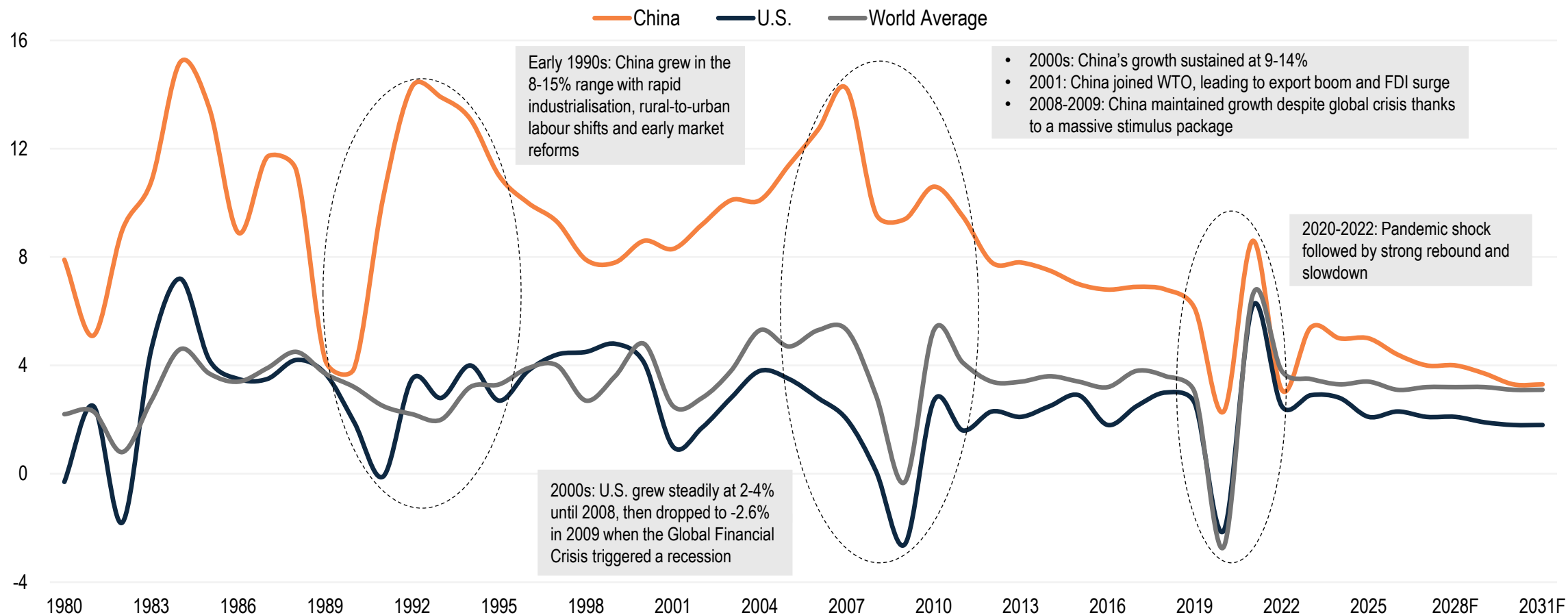
China's GDP expanded from USD 738 billion in 1995 to USD 19.6 trillion in 2025, overtaking Japan and the major European economies. The U.S. remains substantially larger in nominal GDP, with the gap projected to persist through 2031

GDP of Largest Economies by GDP, excl. U.S., USD bn (1995-2025)



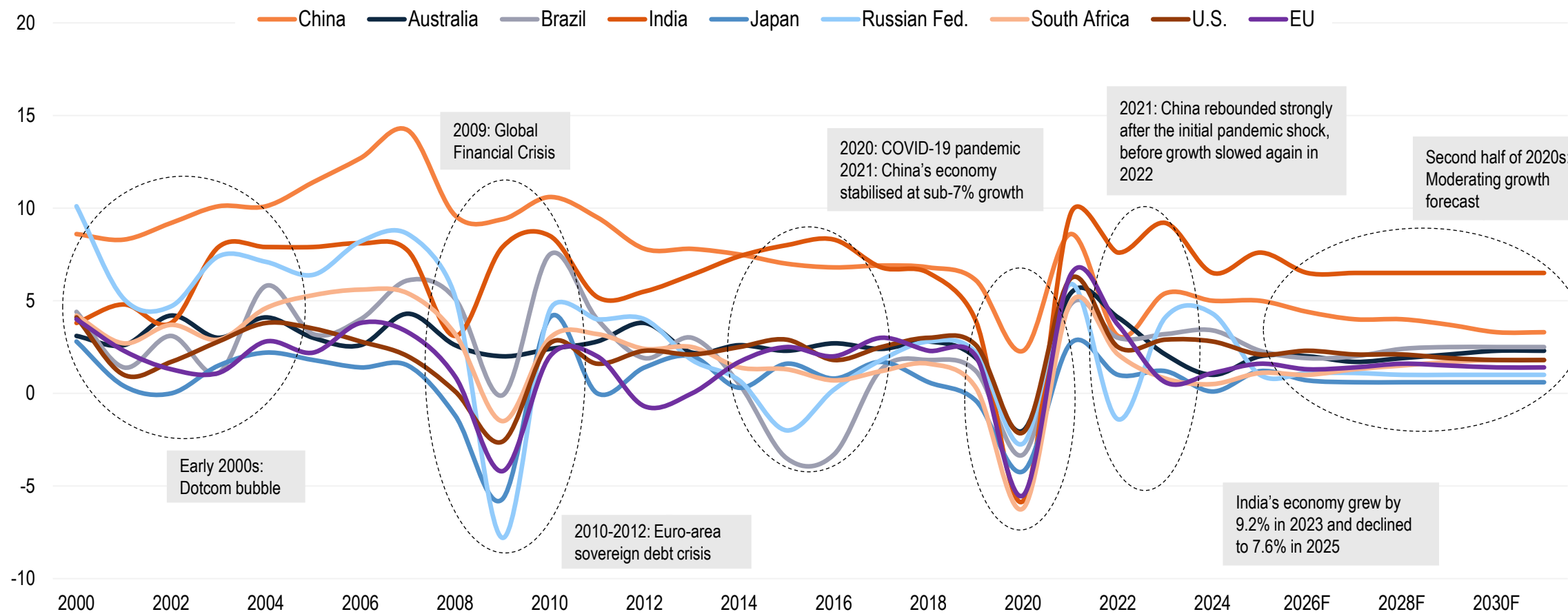
China's growth advantage over the global economy is narrowing as its economy matures
China has outpaced average world growth for most of the period since 1980, but its growth rate has moderated substantially compared with earlier decades. IMF forecasts point to a smaller growth premium through 2031

Average Real GDP Growth: China, U.S. and World, YoY % (1980-2031F)



China's growth has remained resilient, but the gap with other major economies is narrowing
China recovered more quickly than many major economies after the Global Financial Crisis and the initial COVID-19 shock. Its growth has since moderated, while India's expansion remains comparatively strong

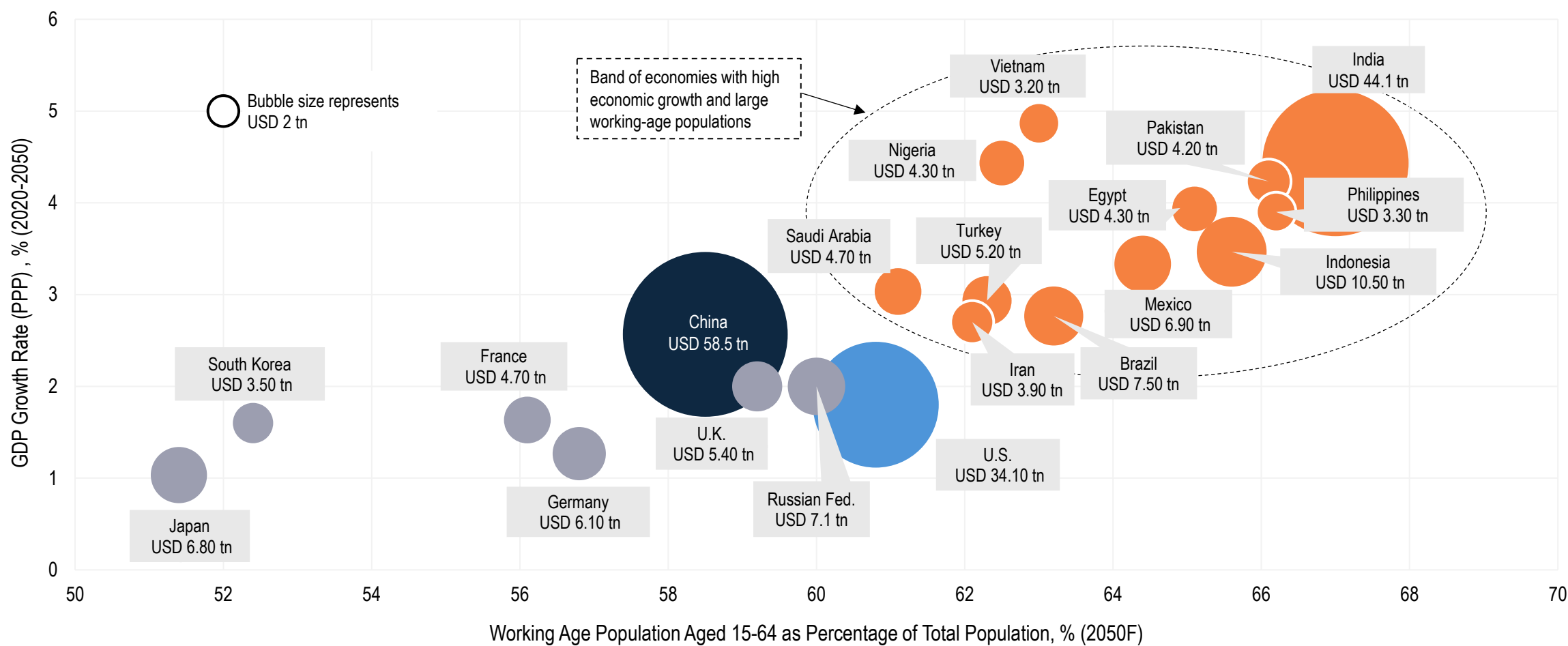
Real GDP Growth Comparison: Selected Economies, YoY % (2000-2031F)



Emerging economies could reshape the global economic hierarchy by 2050

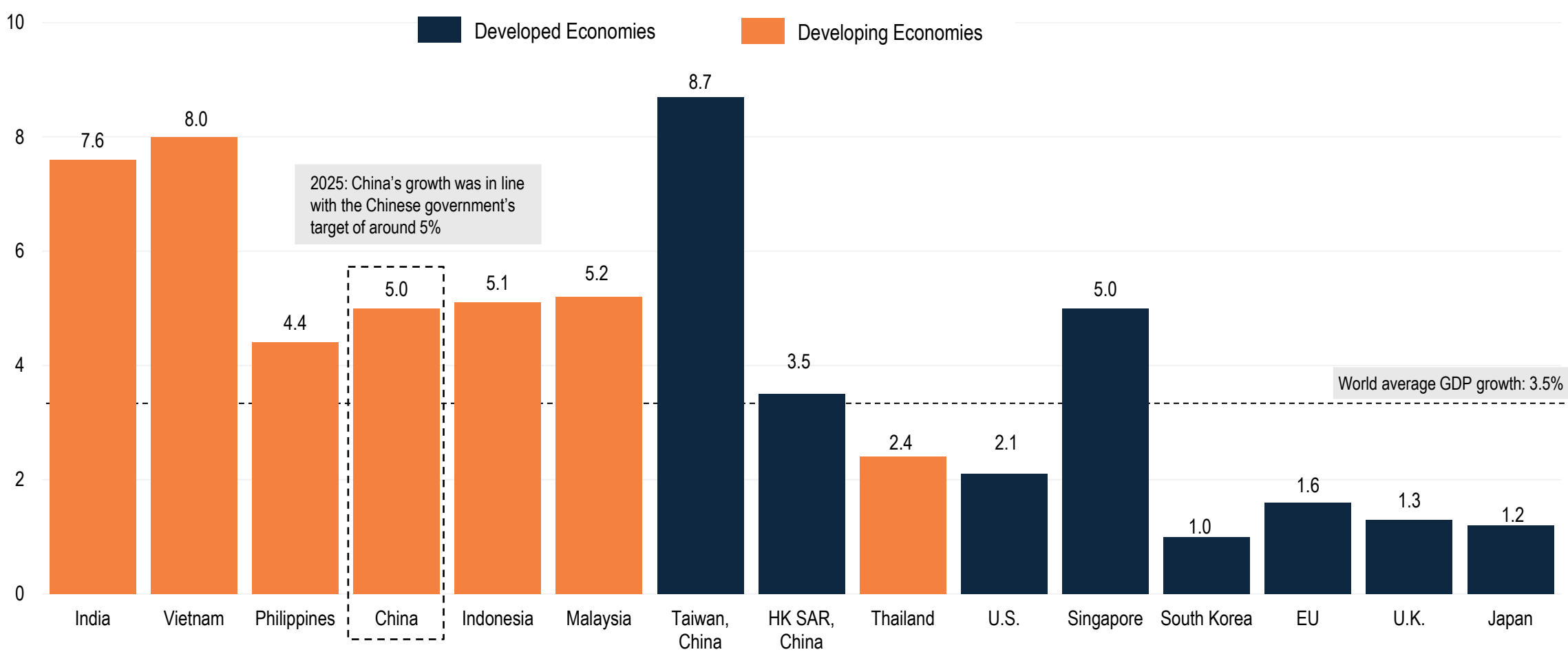
Long-term projections suggest that India, Indonesia and several other emerging markets could gain economic weight, supported by productivity growth and demographic trends

The Global Economy Up to 2050F: GDP PPP, USD tn (2050F), GDP PPP Growth Rate, % (2020-2050) and Working Age Population Share, % (2050F)



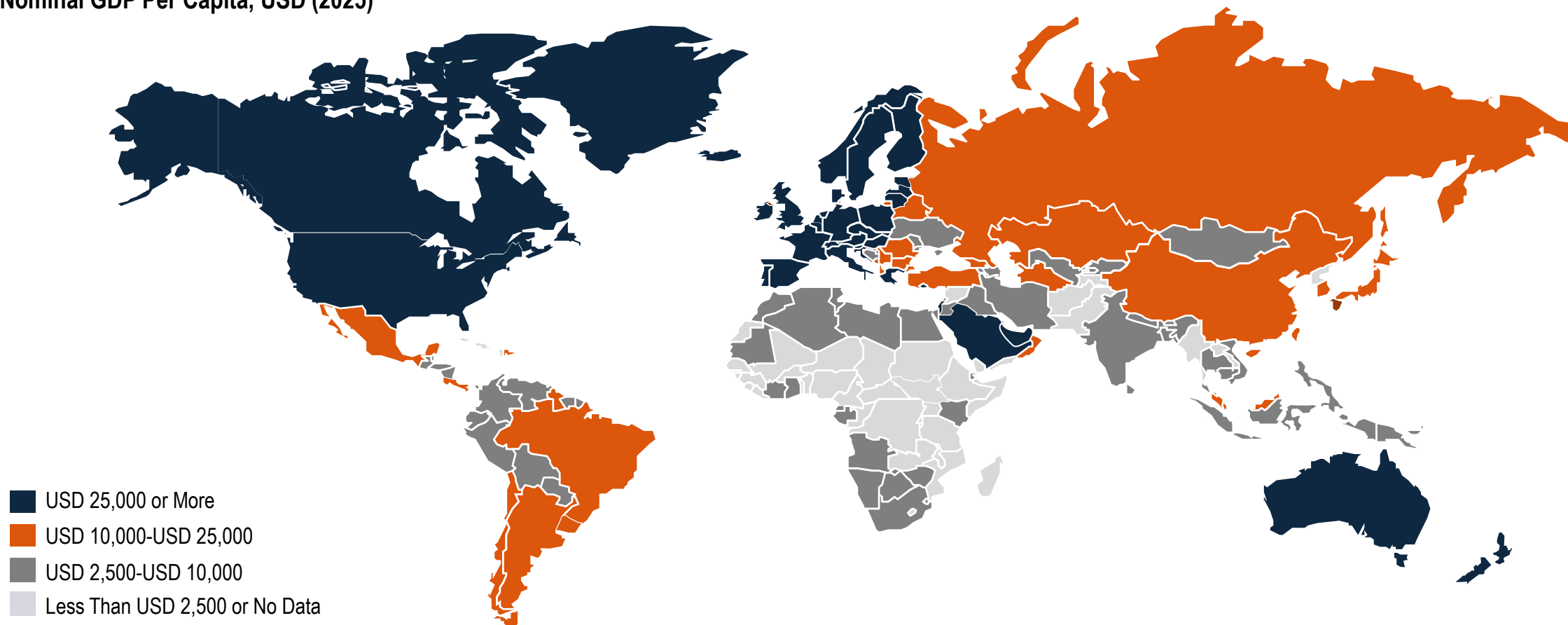
China grew faster than the global economy in 2025, but several Asian economies expanded more rapidly
 China's economy grew by 5.0% in 2025, compared with global growth of 3.5%. India, Vietnam and Taiwan (China) recorded substantially faster expansion, illustrating the increasingly diverse growth performance across Asia

Real GDP Growth of Selected Major Developed & Developing Economies, % (2025)



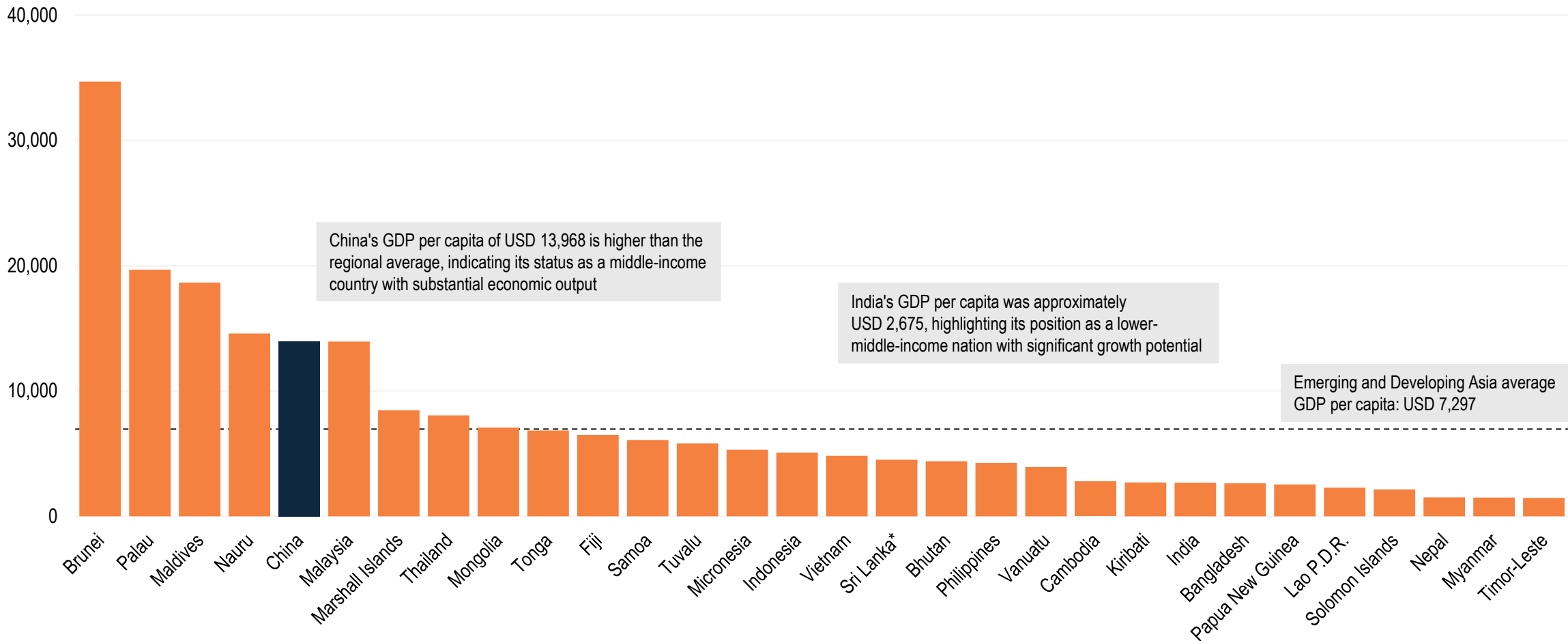
At around USD 14,000, China's GDP per capita remains well below advanced economy levels. China sits in the same broad income bracket as emerging economies in Latin America, Eastern Europe and Asia, highlighting the gap in living standards between the world's second-largest economy and high-income markets.

Nominal GDP Per Capita, USD (2025)



China's GDP per capita stands well above the emerging Asian average
 China's nominal GDP per capita reached USD 13,968 in 2025, compared with the region's average of USD 7,297.
 India remained substantially lower at approximately USD 2,675

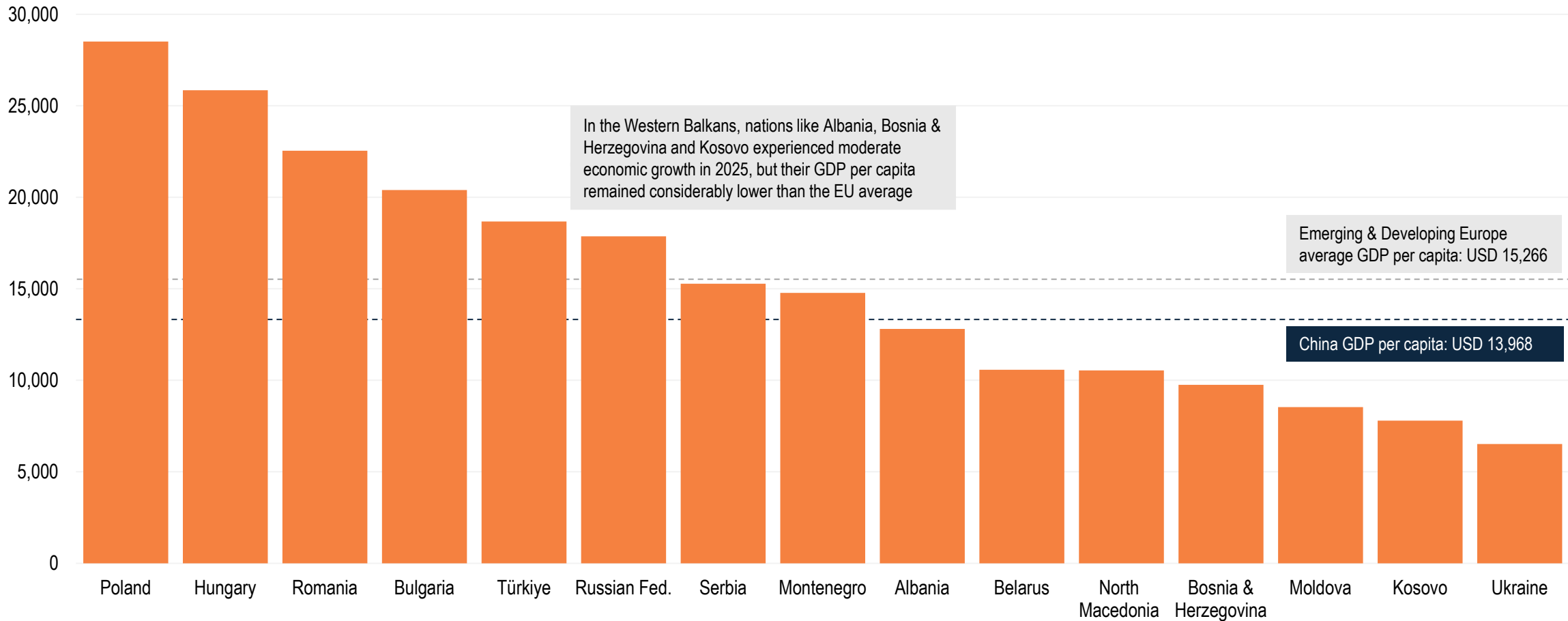
GDP Per Capita: Emerging & Developing Asia, USD (2025)



Note: *Data for Sri Lanka is for 2024. Source: IMF, ANDAMAN PARTNERS Analysis

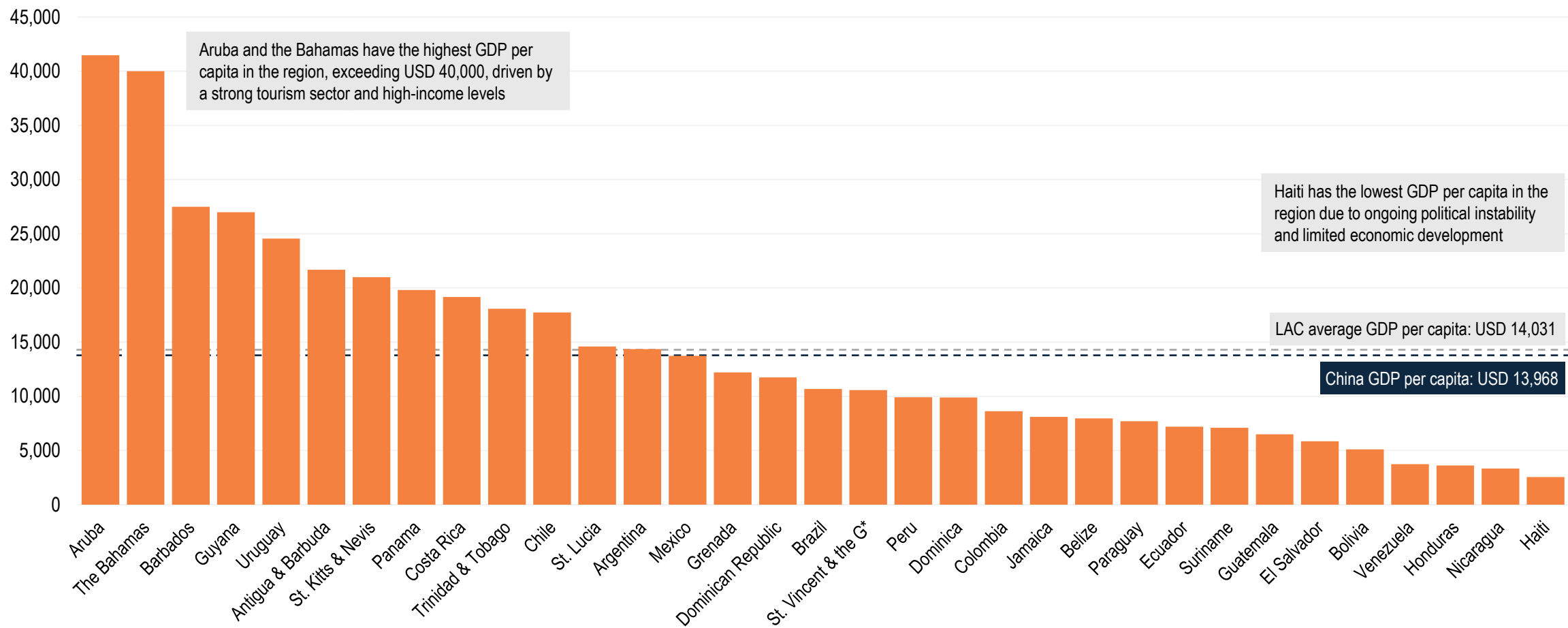
China's GDP per capita is approaching the average of emerging and developing Europe
 China's GDP per capita (USD 13,968) is slightly below the USD 15,363 across the Emerging & Developing Europe.
 Significant disparities remain between the region's higher-income and lower-income markets

GDP Per Capita: Emerging & Developing Europe, USD (2025)



China's GDP per capita is broadly comparable to the Latin American & the Caribbean average
China's nominal GDP per capita in 2025 is close to the USD 14,031 average for Latin America & the Caribbean,
although income levels vary considerably across individual economies

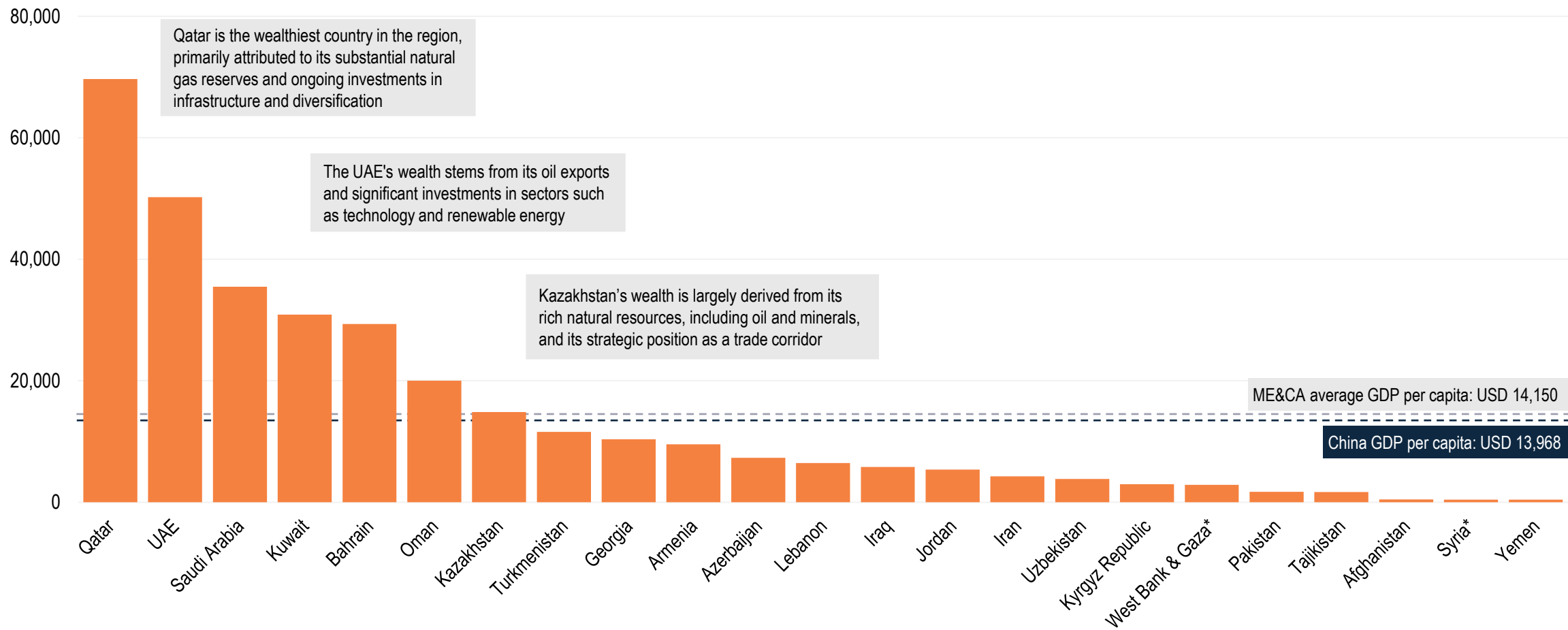
GDP Per Capita: Latin America & the Caribbean, USD (2025)



Note: *St. Vincent and the Grenadines. Source: IMF, ANDAMAN PARTNERS Analysis

High-income Gulf economies contrast with lower-income markets across the Middle East & Central Asia
 Qatar and the UAE rank among the region's highest-income economies, while many others have substantially lower GDP per capita. The region's average, USD 14,150, is close to China's USD 13,968

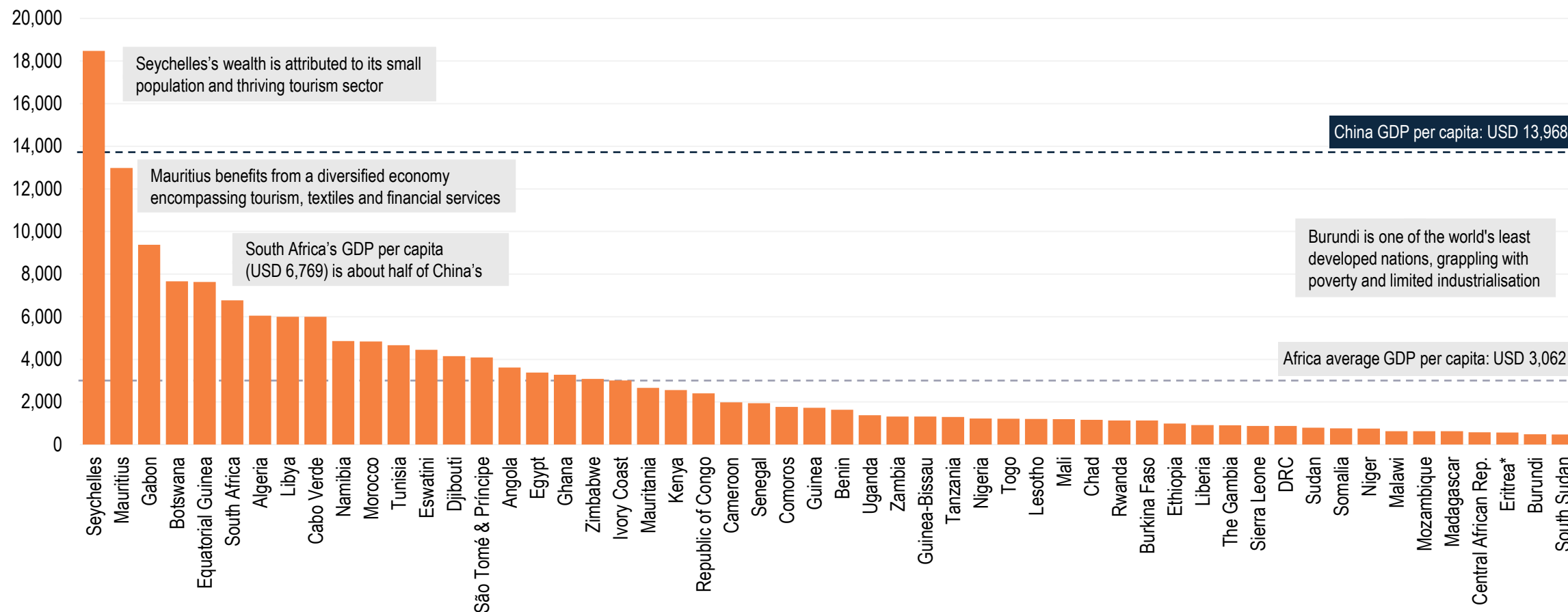
GDP Per Capita: Middle East & Central Asia, USD (2025)



Note: *Syria data is for 2021; West Bank & Gaza data is for 2024. Source: IMF, ANDAMAN PARTNERS Analysis

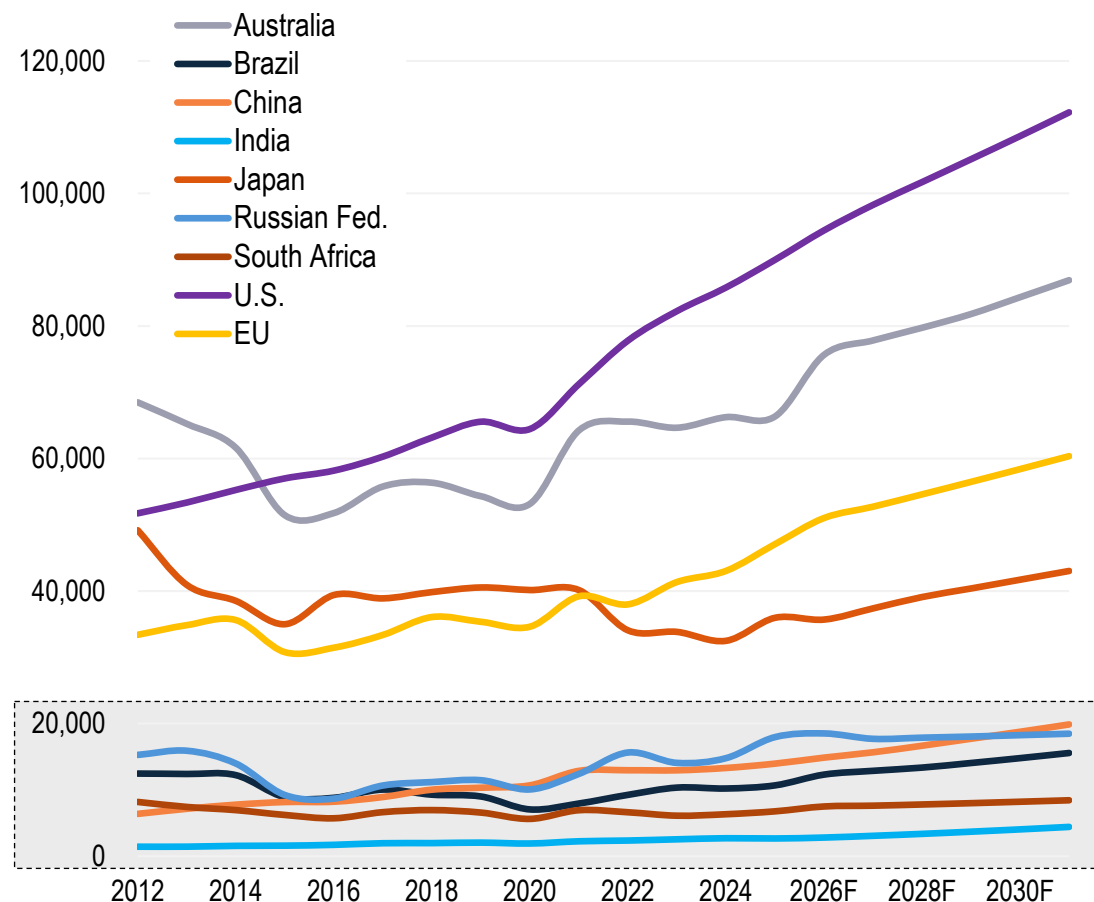
Africa's GDP per capita remains far below China's, with substantial differences across countries
The African average, USD 3,062 in 2025, is well below China's USD 13,968. Seychelles and Mauritius stand well above many continental economies, illustrating the region's considerable diversity

GDP Per Capita: Africa, USD (2025)

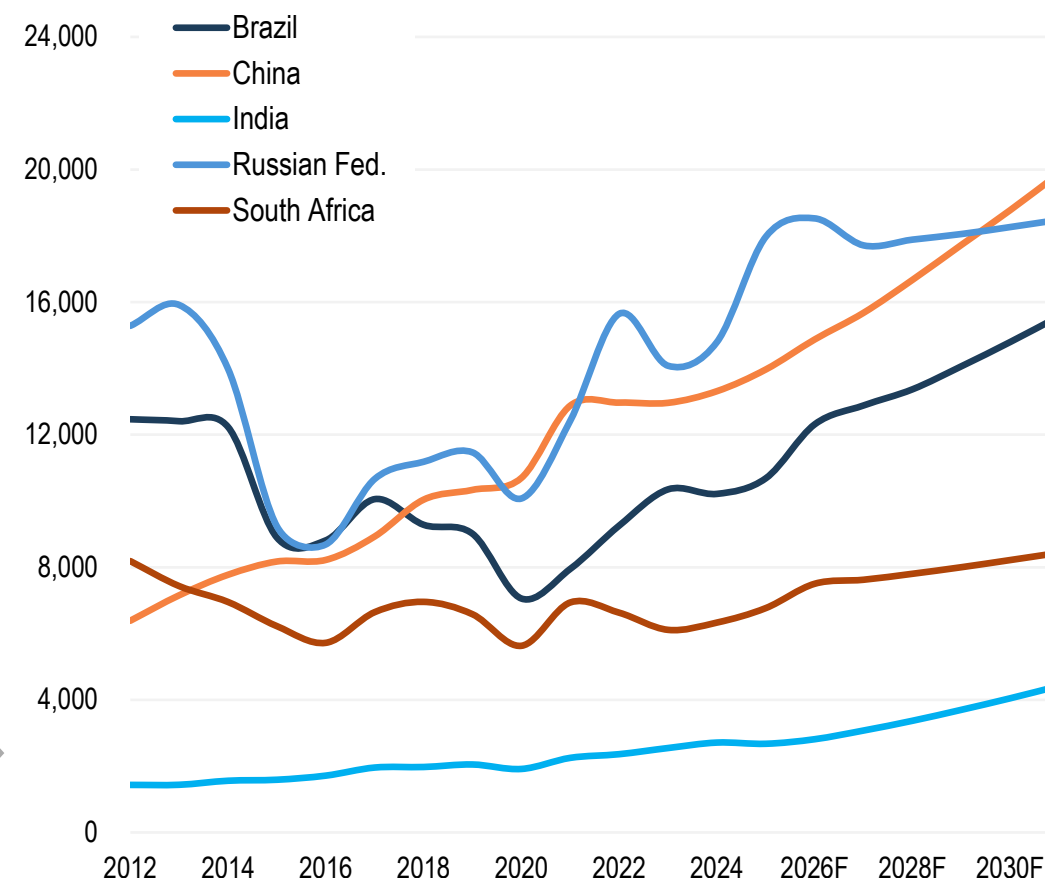


China's GDP per capita is projected to exceed that of the original BRICS economies by 2030
IMF projections indicate China's nominal GDP per capita could surpass USD 18,600 by 2030, placing it ahead of Brazil, Russia, India and South Africa, while remaining substantially below Japan and other advanced economies

GDP Per Capita: BRICS and Selected Economies, USD (2012-2031F)

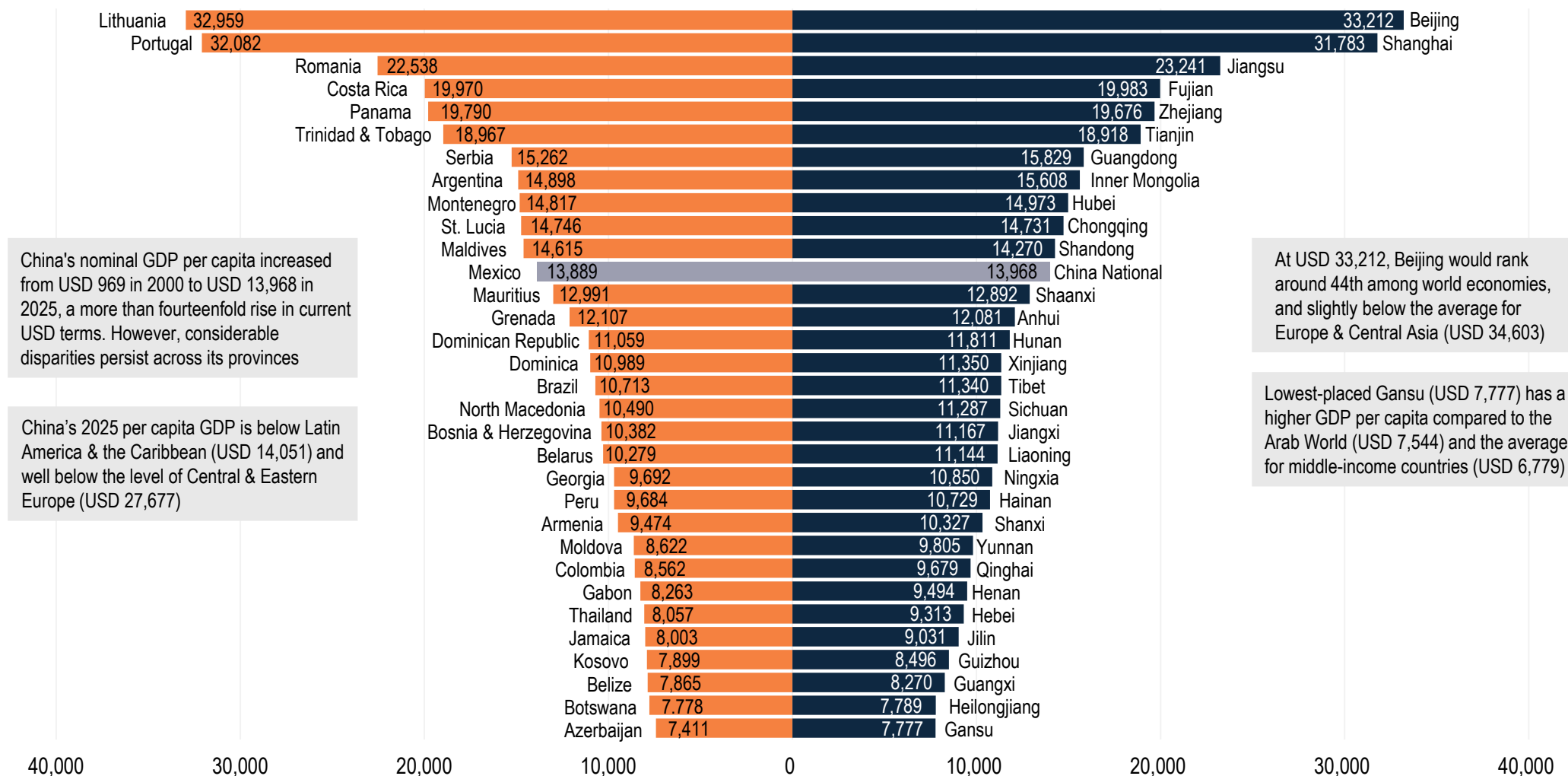


GDP Per Capita: BRICS, USD (2012-2031F)



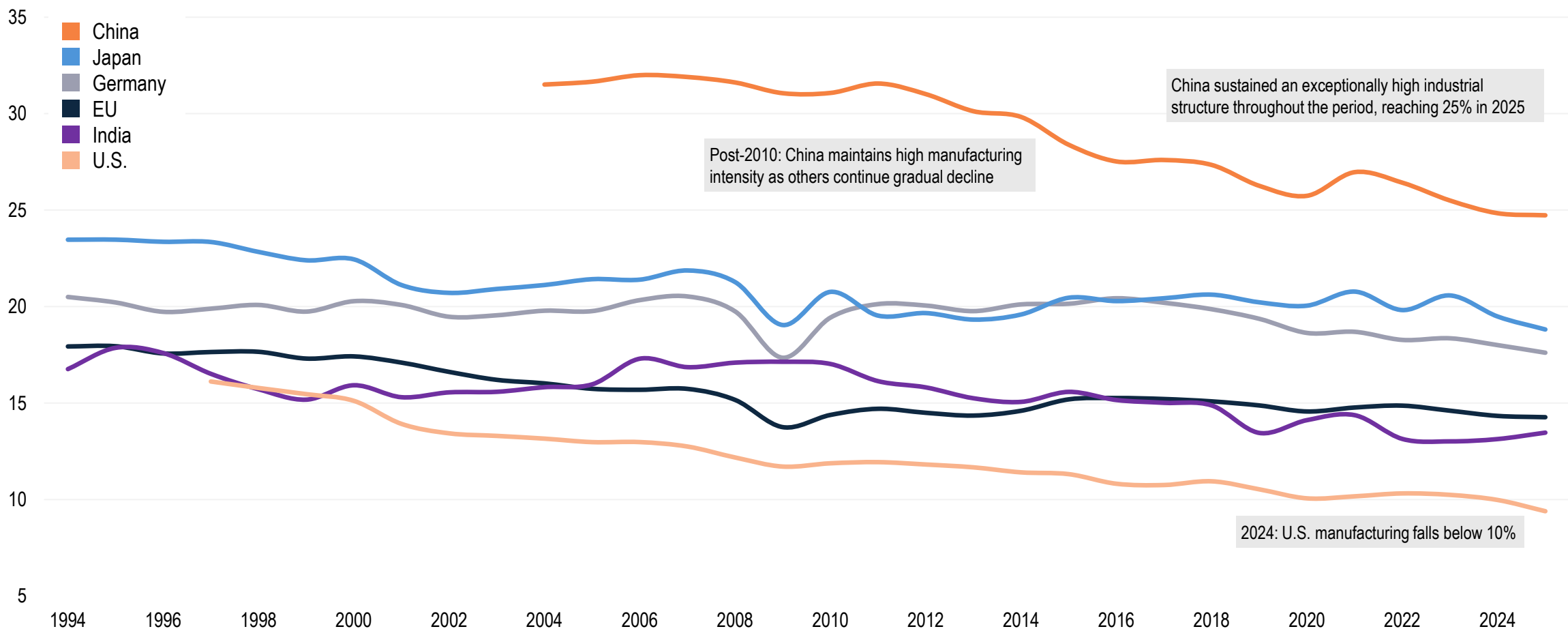
Comparing GDP per capita of China's 31 provinces to world economies reveals a full spectrum Ranging from advanced nation levels in coastal hubs to developing country levels in interior regions. With the highest GDP per capita in China, Beijing is comparable to Lithuania, and Shanghai to Portugal

GDP Per Capita: Mainland China's 31 Provinces/Regions and Comparable World Economies, USD (2025)



Manufacturing has declined in the U.S. and EU, but China has sustained it at a relatively high level
China's manufacturing value-added share (nearly 25% in 2025) has continued to anchor its central role in global production and supply chain networks

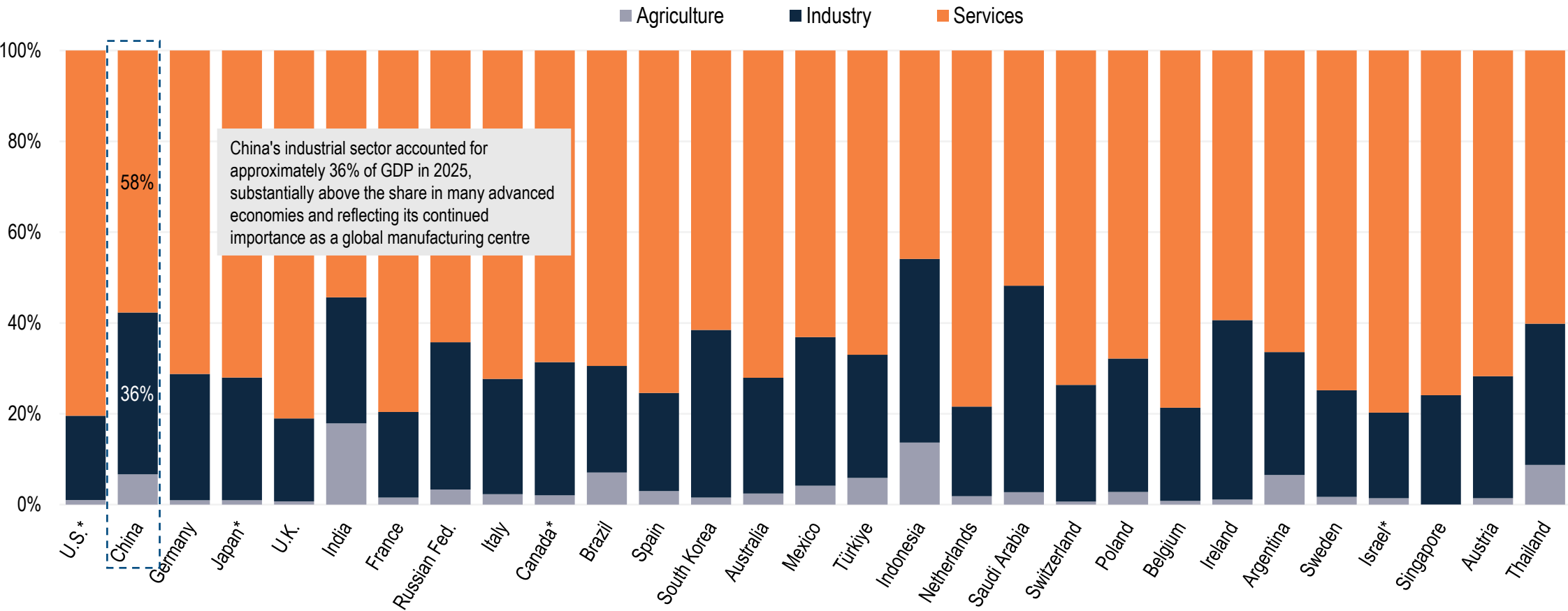
Manufacturing, Value Added, % of GDP: China, EU, Germany, India, Japan and the U.S. (1994-2025)



Note: China data only available from 2004; no 2024 data for Japan; no U.S. data for 1994-1996. Source: World Bank, World Development Indicators, ANDAMAN PARTNERS Analysis

China's industrial sector remains exceptionally large compared with other major economies
 Industry accounted for 36% of China's GDP in 2025, considerably above the shares recorded in many advanced economies. This reflects China's manufacturing depth while leaving scope for continued services expansion

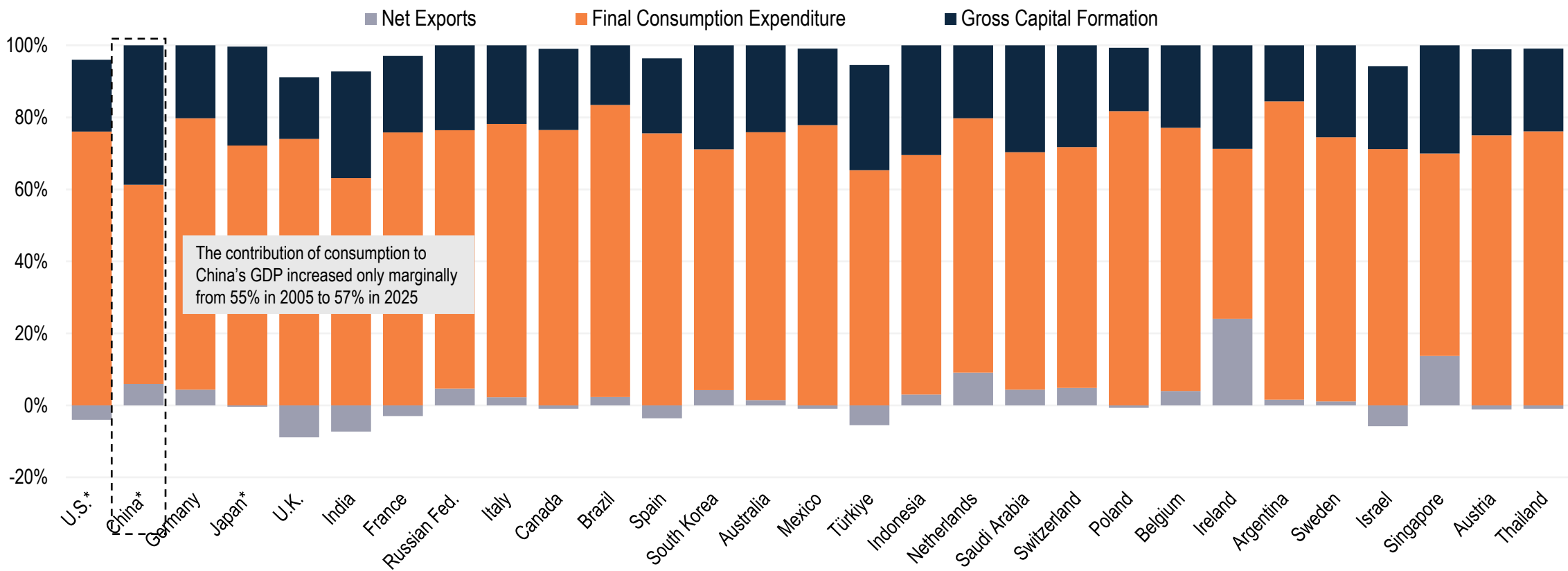
Share of GDP by Sector: Top 30 Global Economies, % Share (2025)



Note: *Data for the U.S. is for 2021; Canada is for 2022; Japan and Israel is for 2024. Source: World Bank, ANDAMAN PARTNERS Analysis

Consumption accounts for a smaller share of China's GDP than in most other major economies
Final consumption expenditure represents 57% of China's GDP, compared with substantially higher shares in many developed economies. China's comparatively large capital formation share highlights its continued reliance on investment

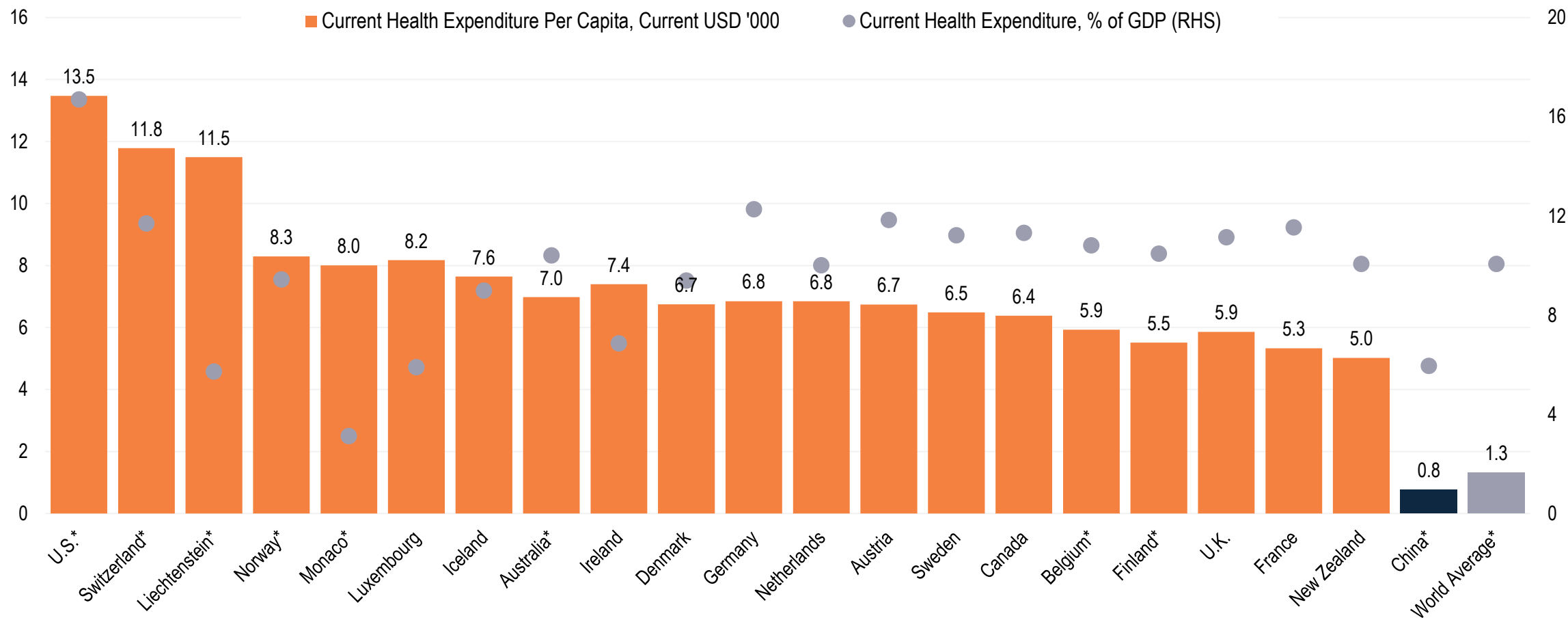
Composition of GDP, Expenditure Approach: Top 30 Global Economies by GDP, % Share (2025)



Note: Final Consumption Expenditure is the sum of Household Final Consumption Expenditure (private consumption) and Government Final Consumption Expenditure (general government consumption). Gross Capital Formation consists of outlays on additions to the economy's fixed assets plus net changes in the level of inventories. Net exports are equal to the difference between exports of goods and services and imports of goods and services. *The U.S., China and Japan's Final Consumption Expenditure and Gross Capital Formation data are for 2024. Source: World Bank, IMF World Economic Outlook April 2026, ANDAMAN PARTNERS Analysis

China's healthcare spending per capita remains far below that of major advanced economies
 China's current health expenditure was USD 800 per person in 2024, compared with around USD 1,300 globally and USD 13,500 in the U.S., illustrating substantial differences in healthcare spending levels

Current Health Expenditure per Capita and Share of GDP: Selected Major Economies (2024)

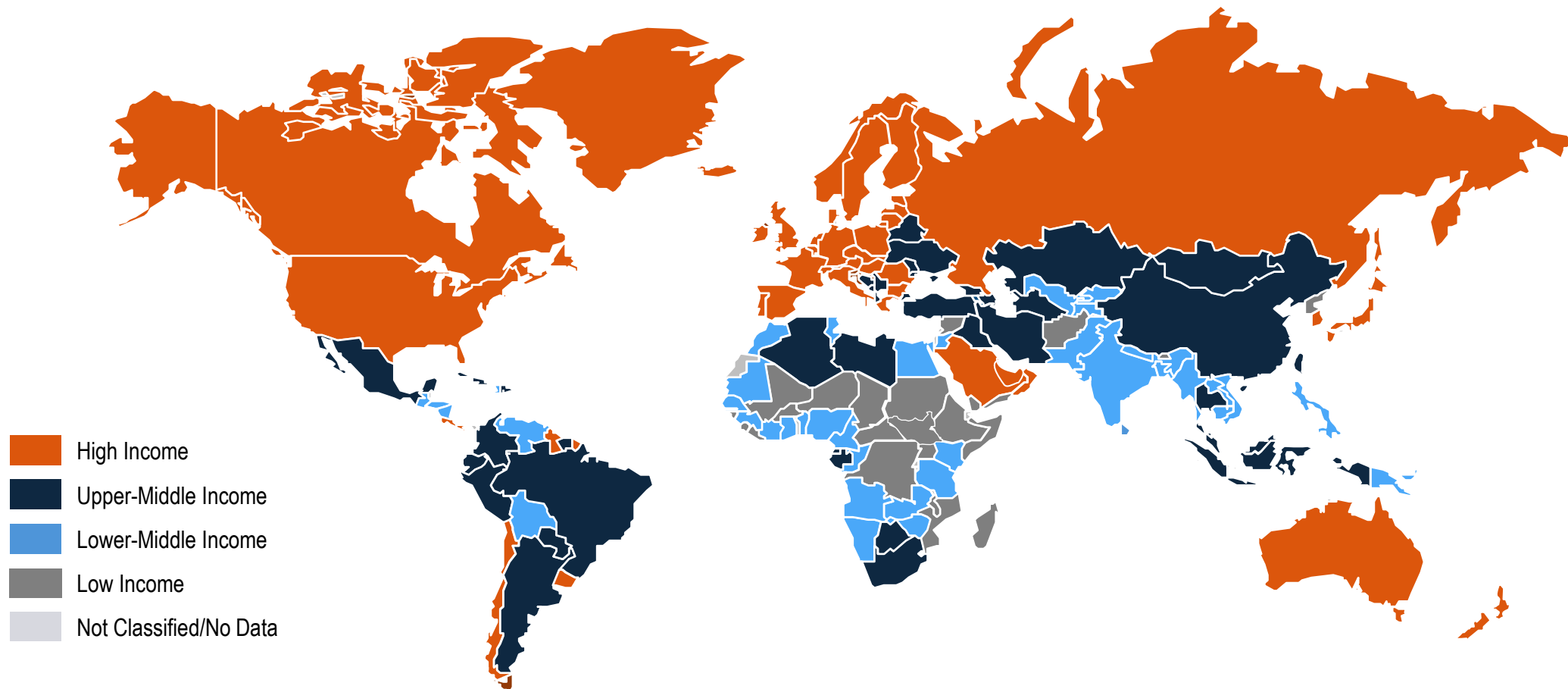


Note: *denotes 2023 data. Source: World Bank, ANDAMAN PARTNERS Analysis

China officially became an upper-middle-income economy in 2010

China has been classified as an upper-middle-income economy since 2010, reflecting a substantial rise in Gross National Income (GNI) per capita. Its eventual transition to high-income status will depend on continued income growth

Country Classification by Income Level (2025)



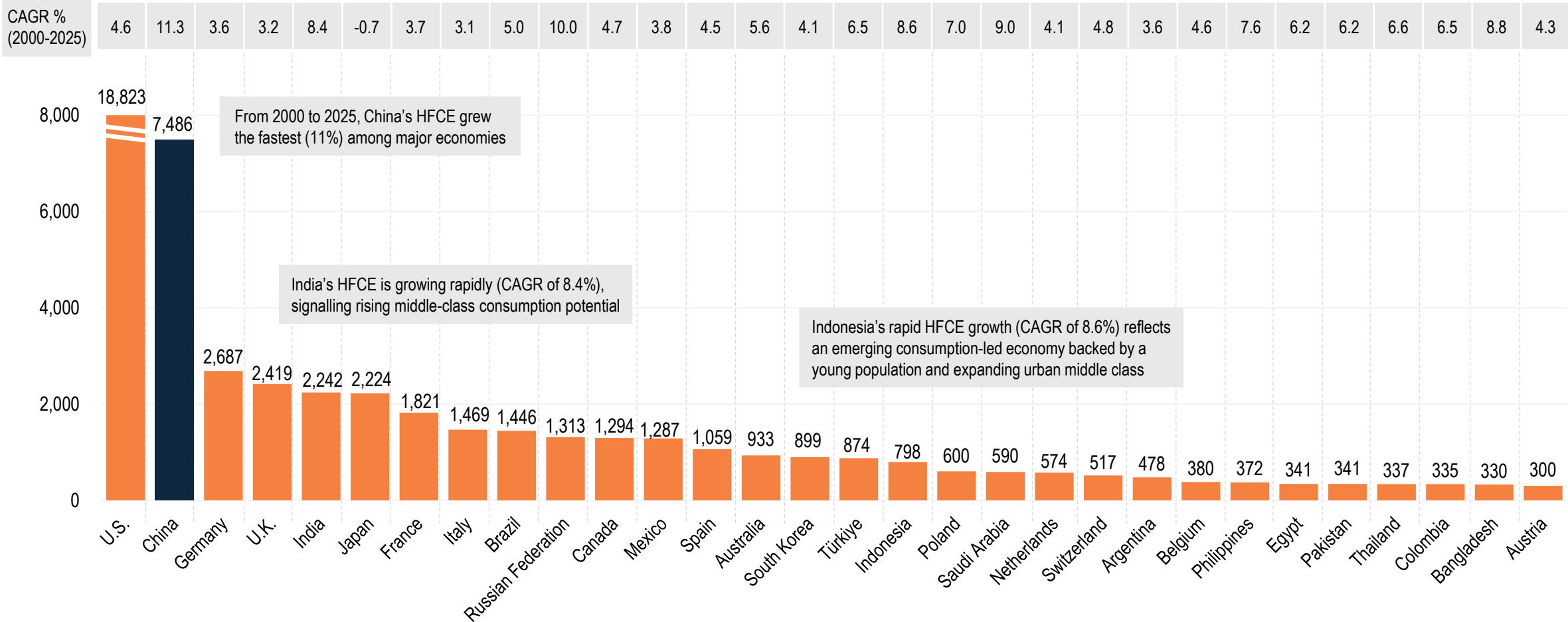
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. China in the World
 - Macro-Economic Overview
 - **Consumption**
 - Investment
 - Trade
 - Financial Indicators
 - Social Indicators
 - Other Indicators
6. Conclusions, Implications and Recommendations



China's household consumption expenditure has grown rapidly, but remains well below the U.S. China's household final consumption expenditure grew at an average annual rate of 11% between 2000 and 2025, reaching around USD 7.5 trillion. The U.S. remains substantially larger at approximately USD 18.8 trillion

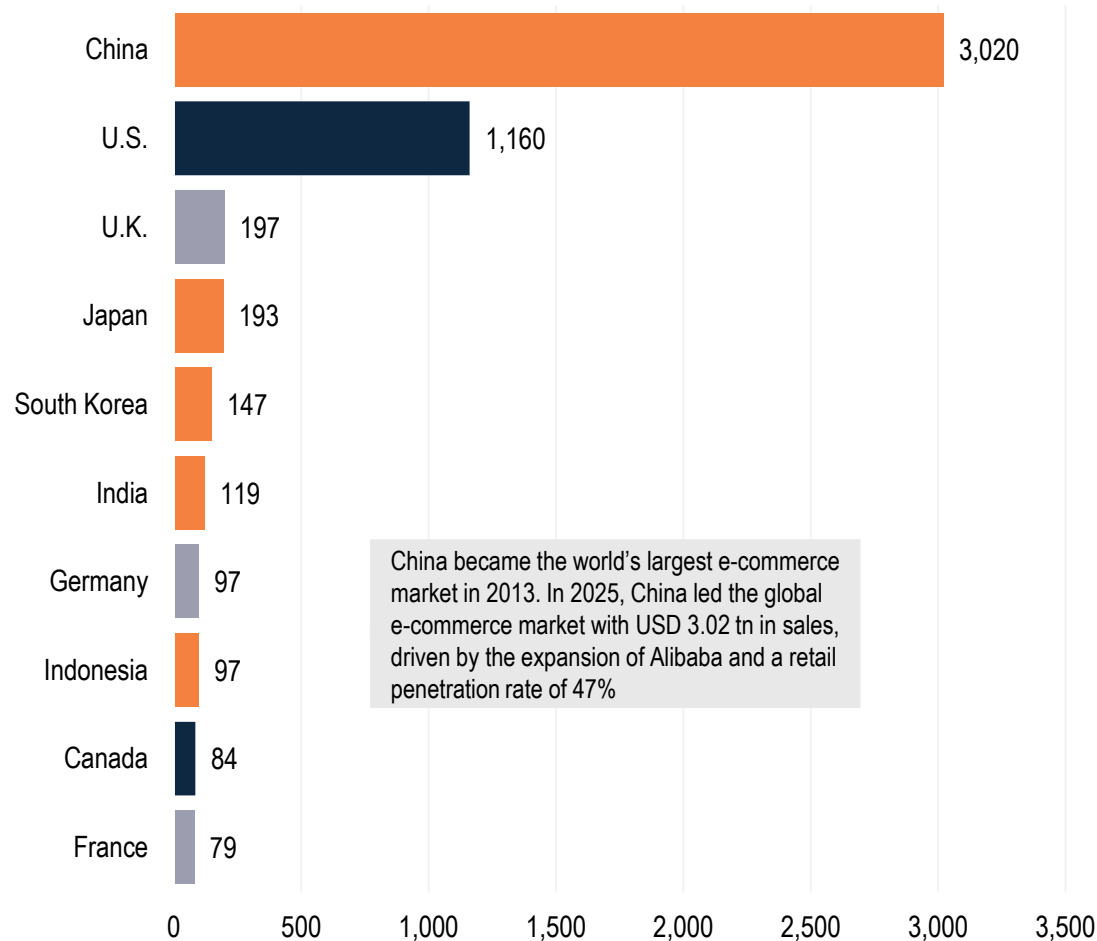
Household Final Consumption Expenditure (HFCE) in Selected Major Economies, USD bn (2025)



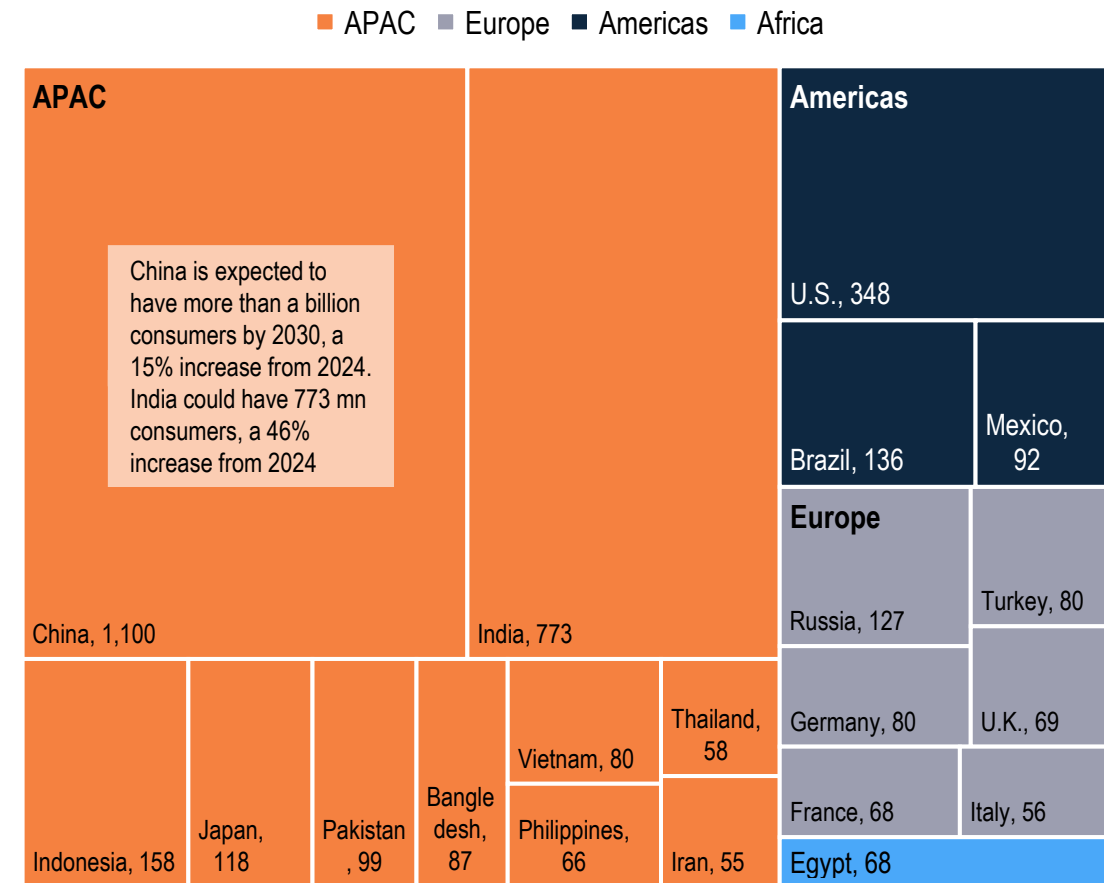
Note: The U.S., China and Japan's Household Final Consumption Expenditure data is for 2024. Source: World Bank, ANDAMAN PARTNERS Analysis

China is the world's largest e-commerce market and is projected to have 1.1 billion consumers by 2030. China's e-commerce sales reached USD 3 trillion in 2025, USD 1.86 trillion more than the U.S. The number of Chinese consumers spending more than USD 12 per day is projected to reach 1.1 billion by 2030.

Top 10 Countries by E-Commerce Sales, USD bn (2025)



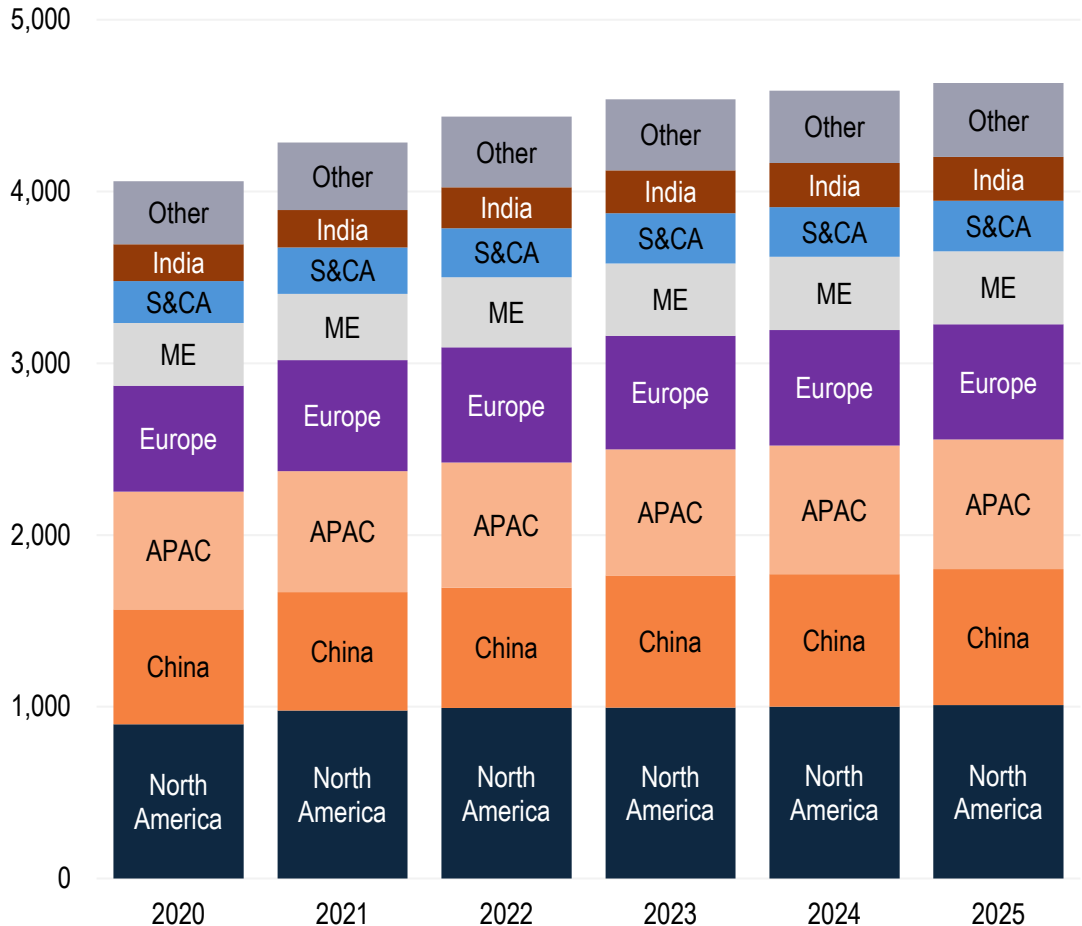
Largest Consumer Markets, Consumers mn (2030F)



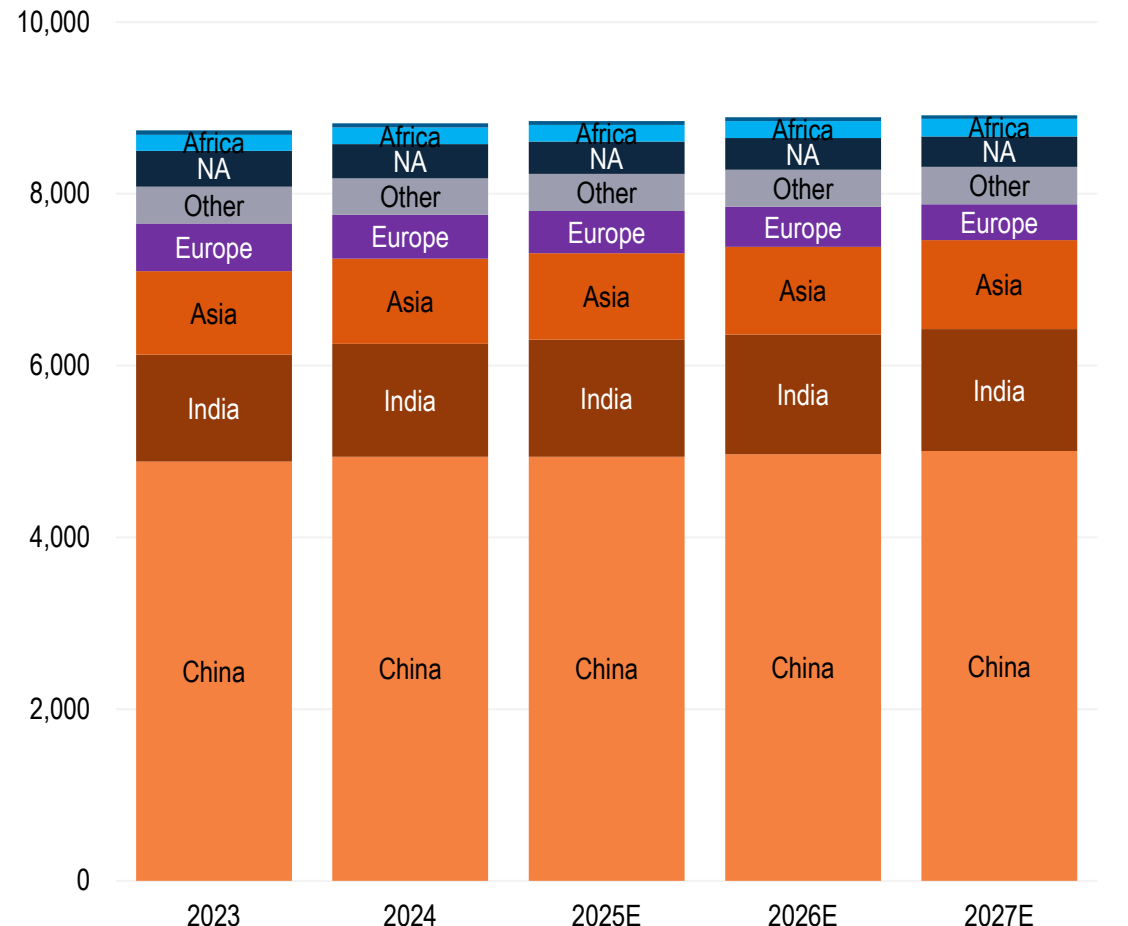
China dominates global coal consumption and remains one of the largest oil consumers

China accounts for half of global coal consumption and ranks among the world's largest oil consumers. Although fossil fuels remain central to its energy system, renewable energy is gradually changing the country's energy mix

World Oil Consumption by Major Regions and Economies, MT (2020-2025)



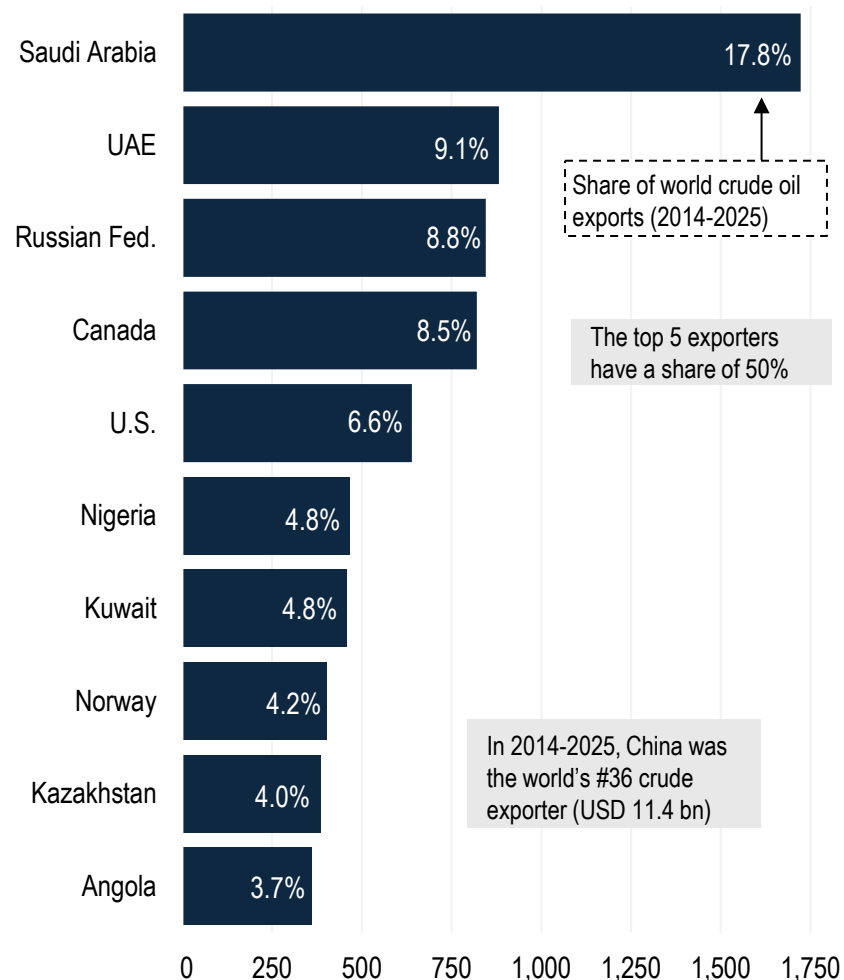
World Coal Consumption by Major Regions and Economies, MT (2023-2027E)



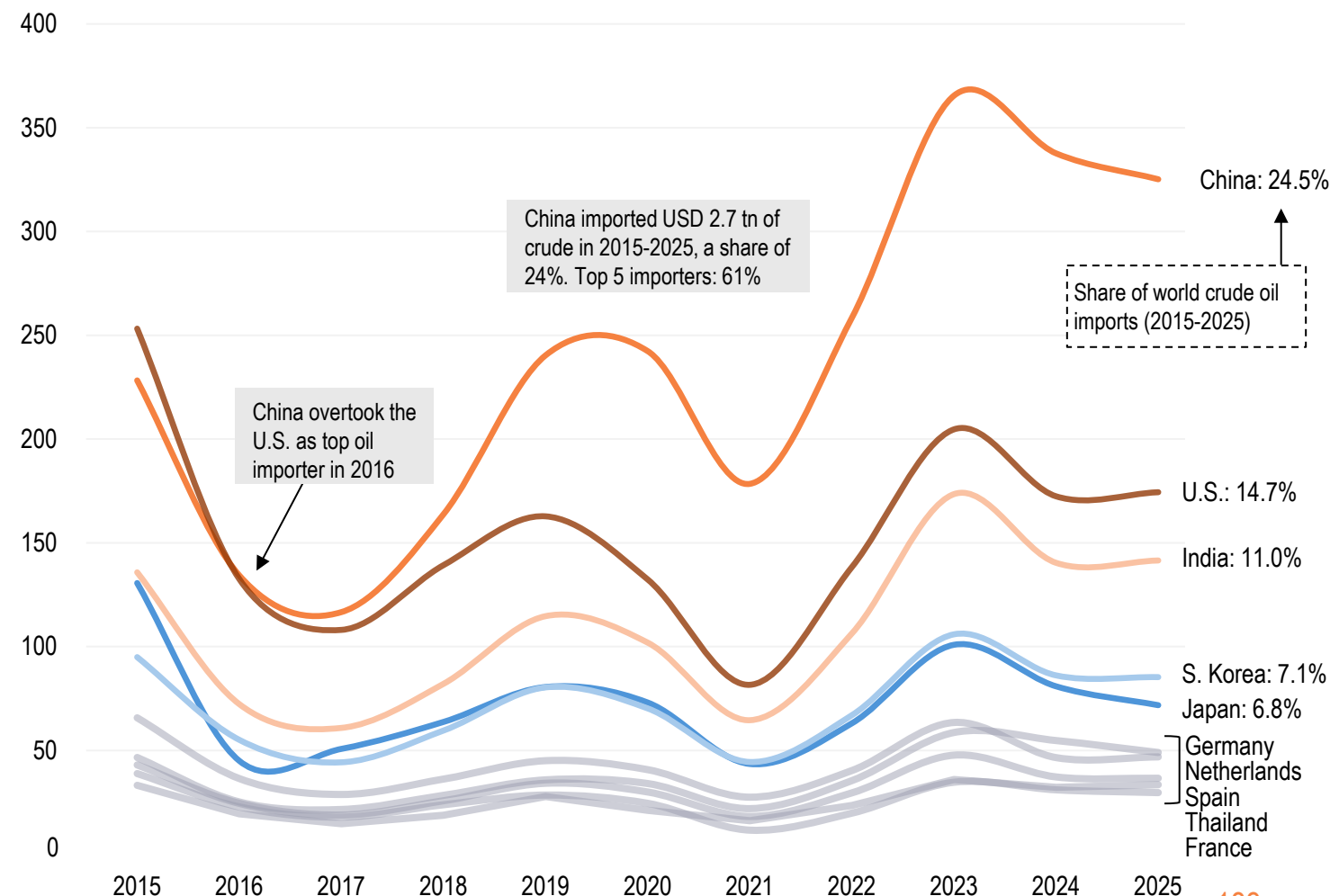
Note: MT – million tonnes. S&CA – South & Central America, APAC – Asia Pacific (excl. China and India), ME – Middle East, NA – North America.
Source: Statistical Review of World Energy, World Population Review, ANDAMAN PARTNERS Analysis

China accounts for nearly a quarter of global crude oil imports, while exports remain concentrated. China represented 24.5% of global crude oil imports over 2015-2025, making it the largest importing market. Saudi Arabia led the exporter ranking, with the five largest exporters accounting for approximately half of global exports.

Top Ten Crude Oil Exporters, USD bn (Cumulative 2015-2025)



Top Ten Crude Oil Importers, USD bn (2015-2025)



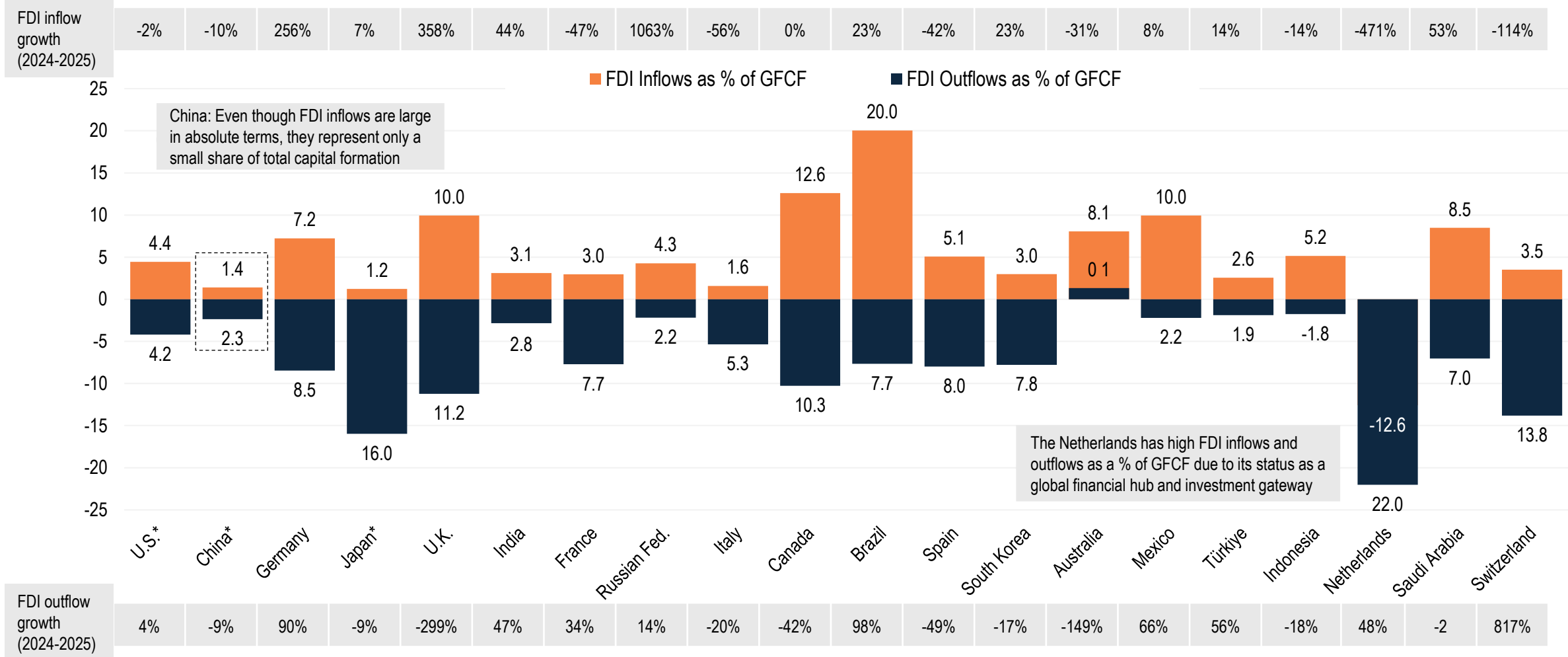
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. **China in the World**
 - Macro-Economic Overview
 - Consumption
 - **Investment**
 - Trade
 - Financial Indicators
 - Social Indicators
 - Other Indicators
6. Conclusions, Implications and Recommendations



Foreign direct investment represents a relatively small share of China's total capital formation
China's large domestic investment base means inward FDI accounts for only a modest proportion of gross fixed capital formation. The comparison illustrates the relative scale of cross-border investment flows

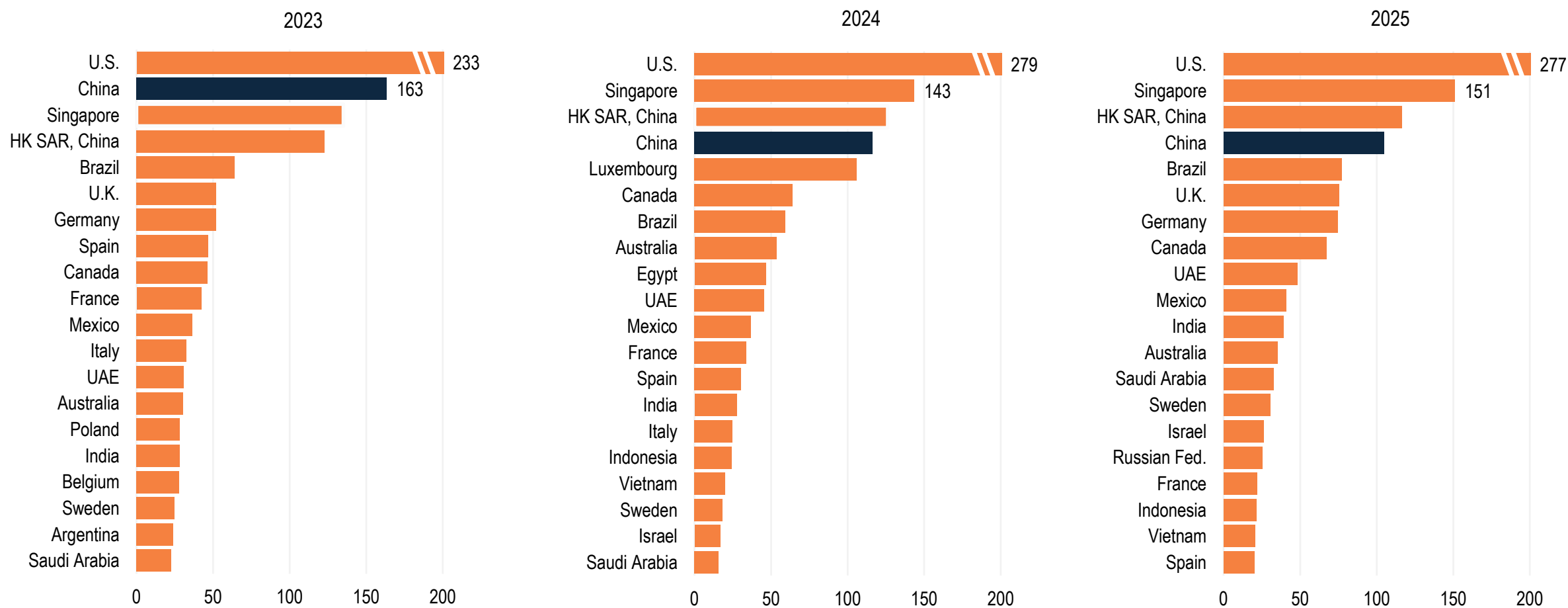
FDI Inflow/Outflow as a Percentage of Gross Fixed Capital Formation (GFCF) among Top 20 Economies by GDP, % (2025)



Note: FDI flows as a percentage of GFCF compare the scale of cross-border direct investment with domestic fixed capital formation. The measures are not directly equivalent, and the ratio should be interpreted cautiously. *The U.S., China and Japan's FDI inflows and outflows as % of GFCF are for 2024. Source: National Bureau of Statistics of China, UNCTAD, IMF, ANDAMAN PARTNERS Analysis

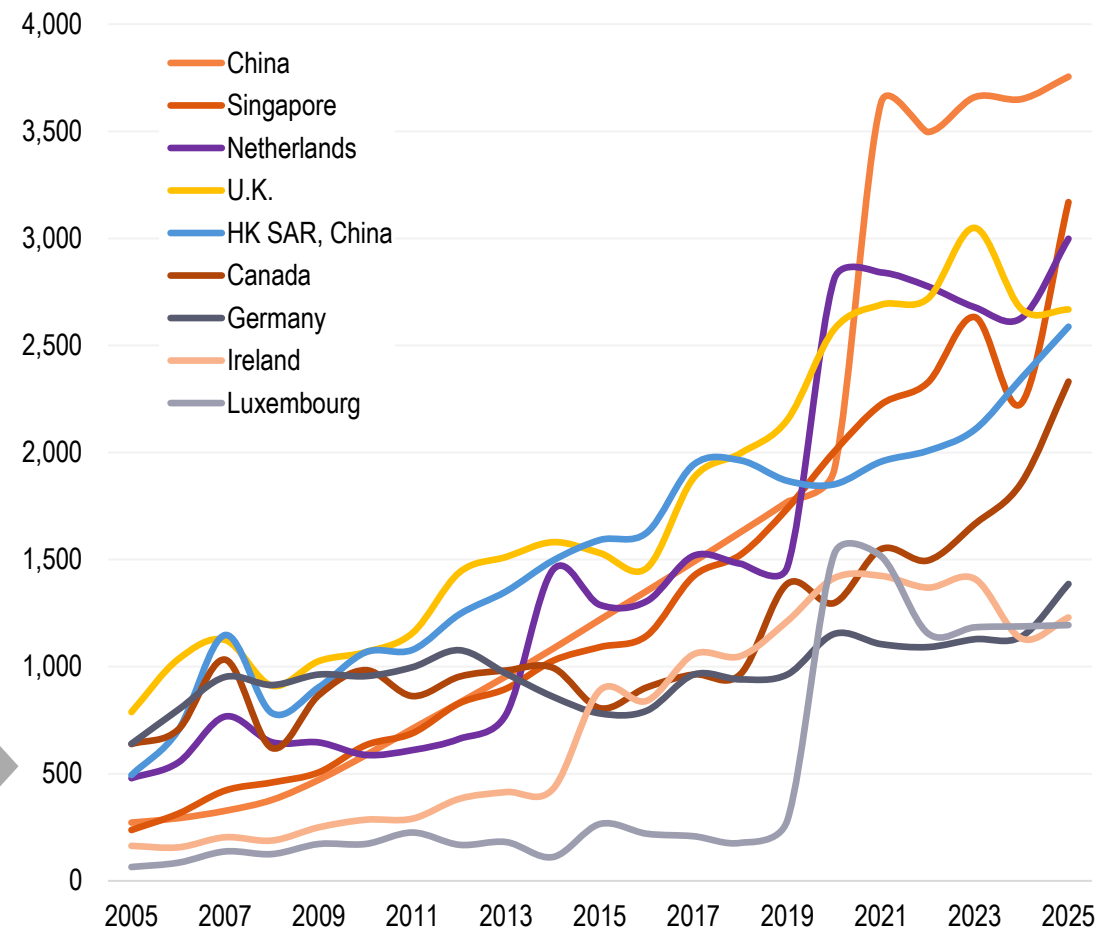
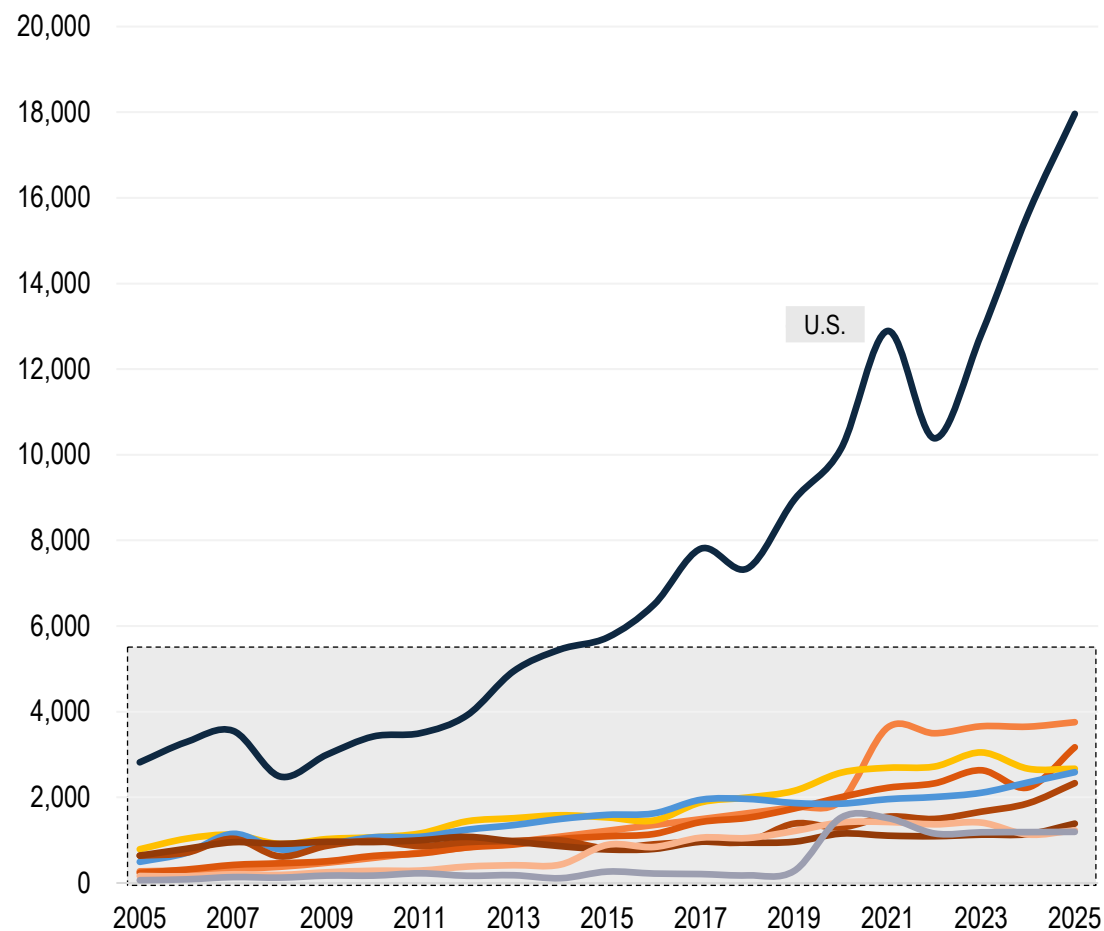
In 2025, China was the world's fourth-largest recipient of FDI
Singapore and Hong Kong surpassed China in 2024. The U.S. is the largest recipient by far for several reasons, including the size of its economy and its prominent capital markets

Top 20 Countries by Foreign Direct Investment (FDI) Inflows, USD bn (2023-2025)



China remains the world's second-largest destination for inward FDI stock, behind the U.S.
China's accumulated inward FDI reached USD 3.66 trillion in 2025, compared with USD 17.96 trillion in the U.S., highlighting the considerable gap between the two economies

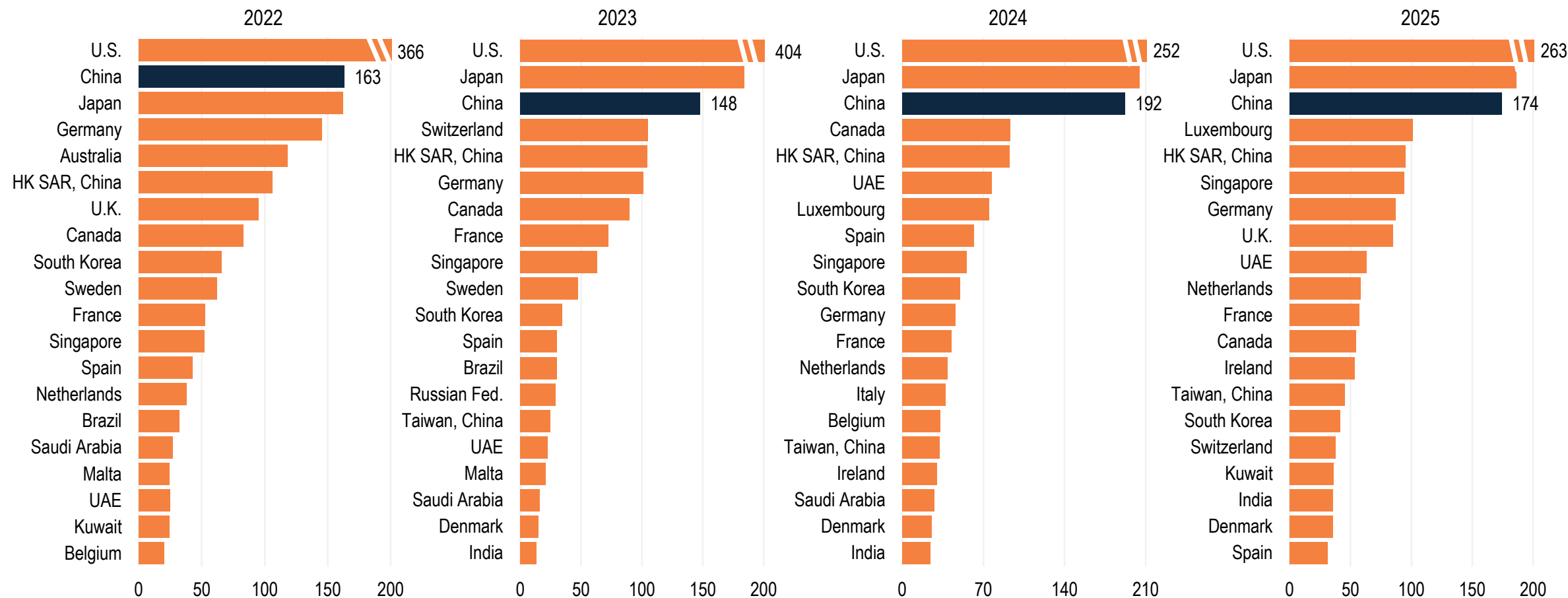
Top 10 Countries by FDI Inward Stock, USD bn (2005-2025)



China remains one of the world's three largest sources of outward FDI flows

China recorded USD 174 billion in outward FDI in 2025, compared with USD 263 billion for the U.S. Investment routed through financial centres such as Hong Kong complicates the identification of final destinations

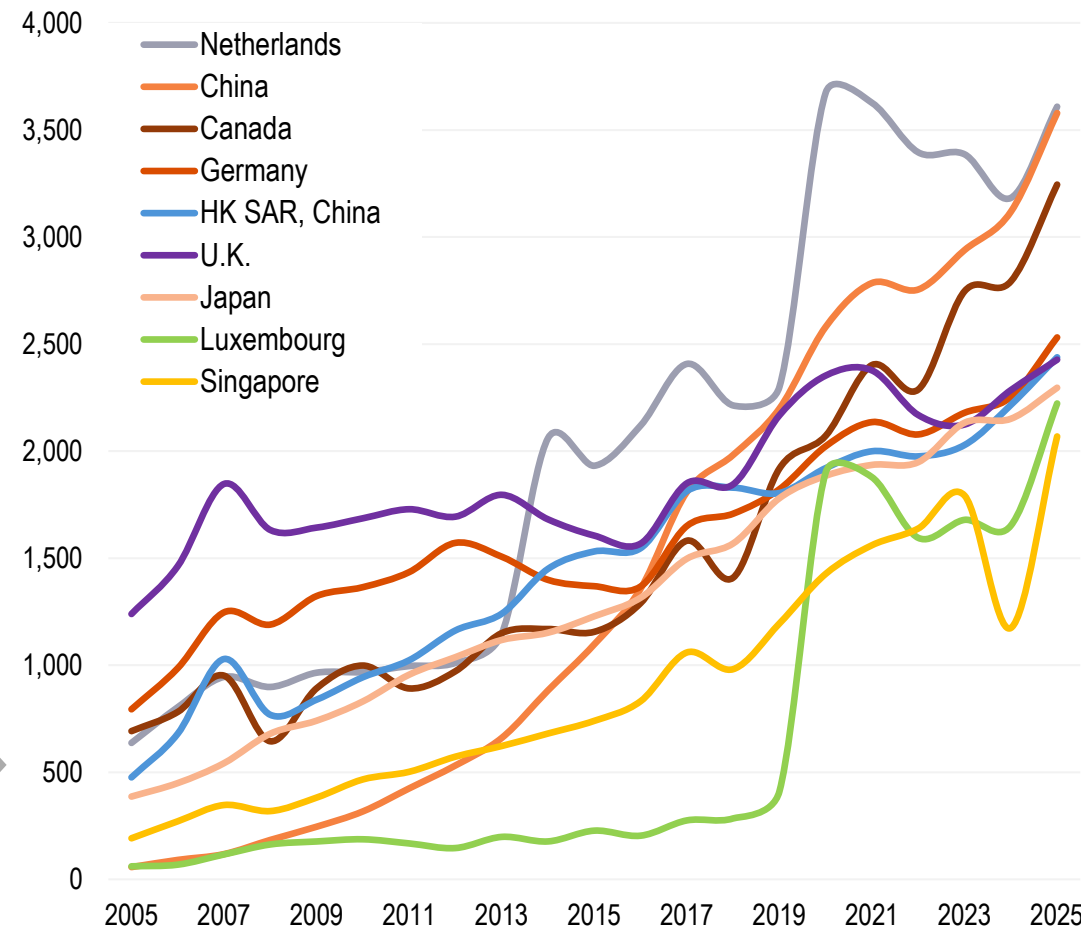
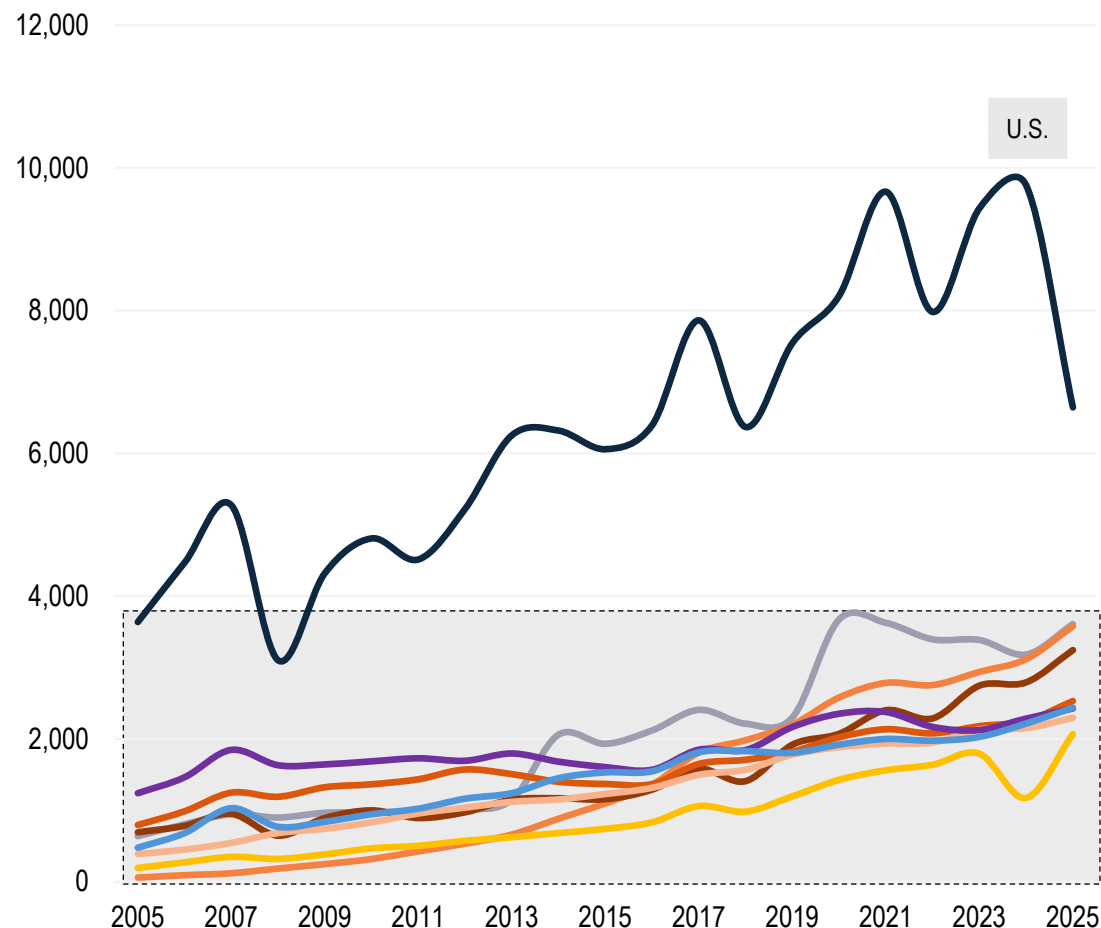
Top 20 Countries by FDI Outflows, USD bn (2022-2025)



China's outward FDI stock is now the world's third-largest, with a global investment footprint

China's outward FDI stock reached USD 3.6 trillion in 2025, behind the U.S. and the Netherlands, but ahead of other major investors including Canada, Germany and the U.K., reflecting its growing role as a source of investment

Top 10 Countries by FDI Outward Stock, USD bn (2005-2025)

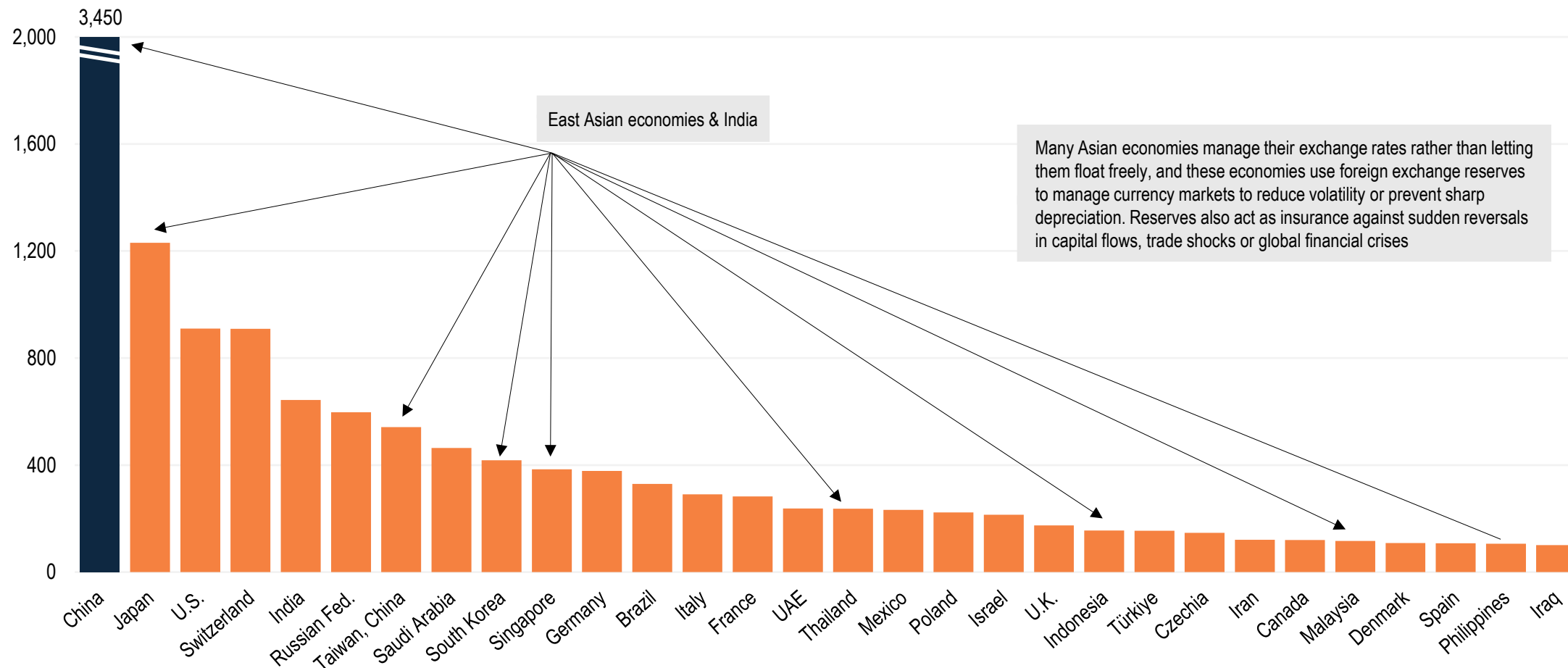


China holds the world's largest combined foreign exchange and gold reserves

China's combined reserves reached USD 3.45 trillion in 2025, substantially exceeding those of other major economies.

Asian economies feature prominently among the largest reserve holders

Top 30 Largest Holders of Foreign Exchange and Gold Reserves, USD bn (2025)



China has two of the world's three largest sovereign investment funds by reported assets
The largest fund is Norway's Government Pension Fund; many of the largest funds are commodity-based funds in the Middle East, particularly in oil-exporting nations

Top 20 Sovereign Wealth Funds, USD bn (2025)

Rank	Country/Region	Fund	Type	Assets Under Management (USD bn)
1	Norway	Government Pension Fund	Oil	2049.0
3	China	SAFE Investment Company	Non-Commodity	1,952.0
2	China	China Investment Corporation	Non-Commodity	1,567.3
4	UAE (Abu Dhabi)	Abu Dhabi Investment Authority	Oil	1,128.8
5	Kuwait	Kuwait Investment Authority	Oil	1,072.0
6	Singapore	GIC Private Limited	Non-Commodity	936.0
7	Indonesia	Badan Pengelola Investasi Daya Anagata Nusantara	Commodity	900.0
8	Saudi Arabia	Public Investment Fund	Oil	900.0
9	Qatar	Qatar Investment Authority	Oil & Gas	600.0
10	China (Hong Kong)	Hong Kong Monetary Authority Investment Portfolio	Non-Commodity	533.6
11	Singapore	Temasek Holdings	Non-Commodity	521.0
12	China	National Council for Social Security Fund	Non-Commodity	455.1
13	UAE (Dubai)	Investment Corporation of Dubai	Non-Commodity	429.1
14	UAE (Abu Dhabi)	Mubadala Investment Company	Oil	384.9
15	Türkiye	Türkiye Wealth Fund	Non-Commodity	360.0
16	UAE (Abu Dhabi)	Abu Dhabi Developmental Holding Company	Non-Commodity	263.4
17	South Korea	Korea Investment Corporation	Non-Commodity	206.5
18	Australia	Australia Future Fund	Non-Commodity	179.2
19	Iran	National Development Fund of Iran	Oil	161.0
20	Canada	Alberta Investment Management Corporation	Oil	133.7

Agenda

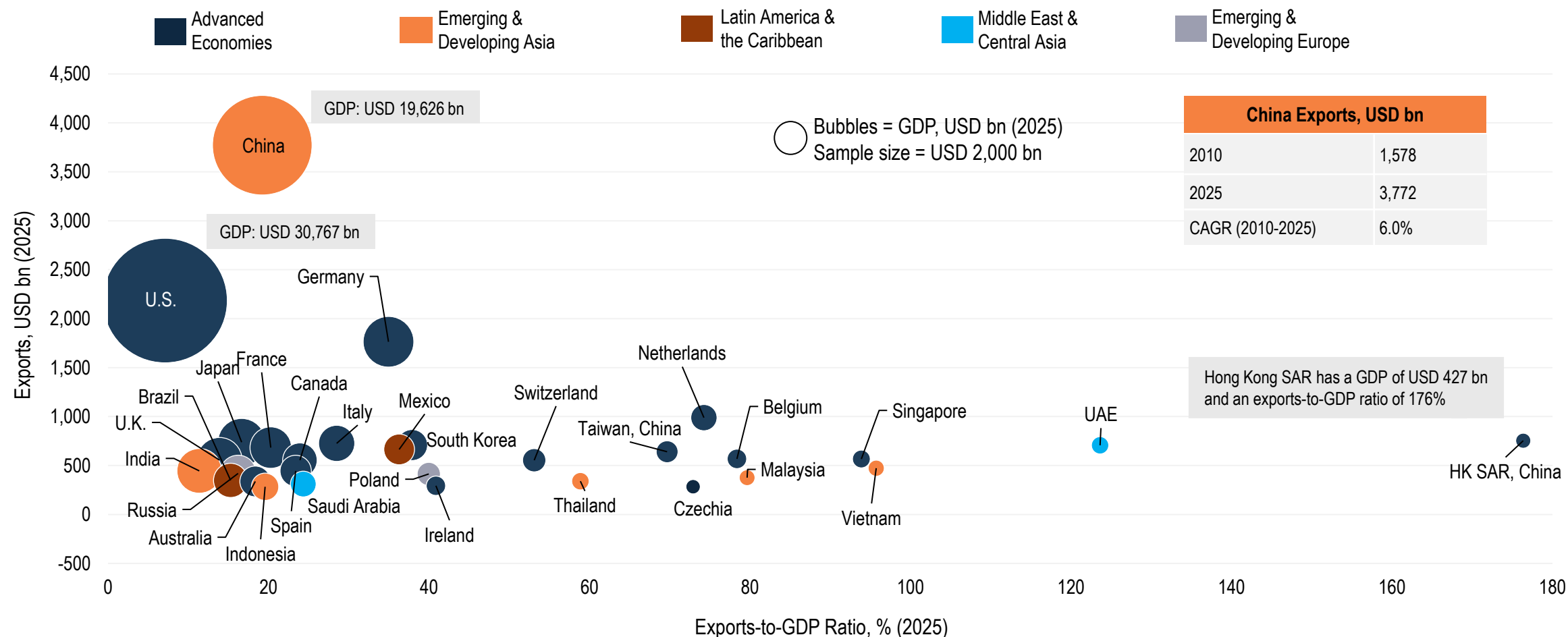
1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. **China in the World**
 - Macro-Economic Overview
 - Consumption
 - Investment
 - **Trade**
 - Financial Indicators
 - Social Indicators
 - Other Indicators
6. Conclusions, Implications and Recommendations



China is the largest exporter in the world, with total exports of USD 3.77 trillion in 2025

China's exports have more than doubled since 2010, growing at an average annual rate of 6%. At approximately 19% of GDP in 2025, merchandise exports remain a major pillar of its economy

Major Global Exporters, USD bn, Exports-to-GDP Ratio, % and GDP, USD bn (2025)



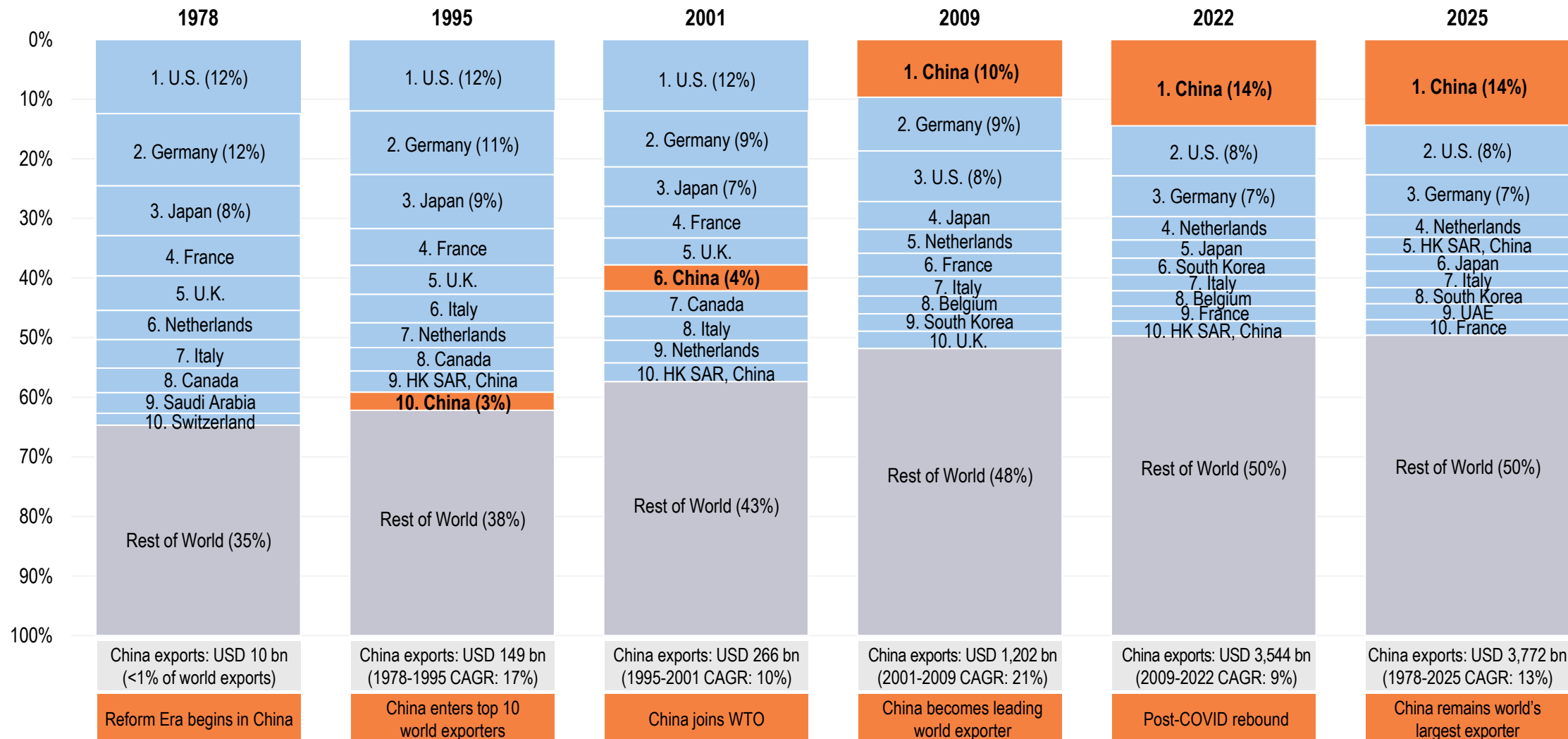
China, the U.S. and Germany continue to lead global exports as emerging markets gain ground
China accounted for 14.4% of global merchandise exports in 2025, followed by the U.S. and Germany. Vietnam, the UAE and Mexico have climbed the rankings, reflecting the growing role of emerging markets in global trade

Top 20 Global Exporters (2005, 2015, 2025)

Rank (2005)		Rank (2015)		Rank (2025)		Exports, USD bn (2025)	Global Share (2025)	CAGR (2015-2025)
1	Germany	1	China	1	China	3,772	14.4%	5.2%
2	U.S.	2	U.S.	2	U.S.	2,185	8.3%	3.8%
3	China	3	Germany	3	Germany	1,764	6.7%	2.9%
4	Japan	4	Japan	4	Netherlands	989	3.8%	4.7%
5	France	5	Netherlands	5	HK, China	754	2.9%	2.8%
6	Netherlands	6	South Korea	6	Japan	738	2.8%	3.4%
7	U.K.	7	HK, China	7	Italy	726	2.8%	3.6%
8	Italy	8	France	8	South Korea	709	2.7%	3.4%
9	Canada	9	U.K.	9	UAE	707	2.7%	4.3%
10	Belgium	10	Italy	10	France	683	2.6%	4.1%
11	HK, China	11	Canada	11	Mexico	665	2.5%	5.0%
12	South Korea	12	Belgium	12	Taiwan, China	641	2.4%	4.9%
13	Russian Fed.	13	Mexico	13	Belgium	568	2.2%	4.1%
14	Singapore	14	Singapore	14	Singapore	567	2.2%	4.9%
15	Mexico	15	Russian Fed.	15	U.K.	556	2.1%	5.0%
16	Taiwan, China	16	UAE	16	Canada	555	2.1%	6.3%
17	Spain	17	Switzerland	17	Switzerland	554	2.1%	6.7%
18	Saudi Arabia	18	Taiwan, China	18	Vietnam	473	1.8%	5.2%
19	Switzerland	19	Spain	19	India	445	1.7%	4.7%
20	Malaysia	20	India	20	Spain	445	1.7%	5.2%
Top 20 Total						18,497	70.4%	4.4%
Rest of World						7,760	29.6%	5.6%
World						26,257	100.0%	4.7%

China rose from 27th-largest exporter in 1978 to become the world's leading exporter in 2009
China has increased its lead in the years since, reflecting its rapid and ongoing ascent in global trade, and now accounts for 14% of the world's exports

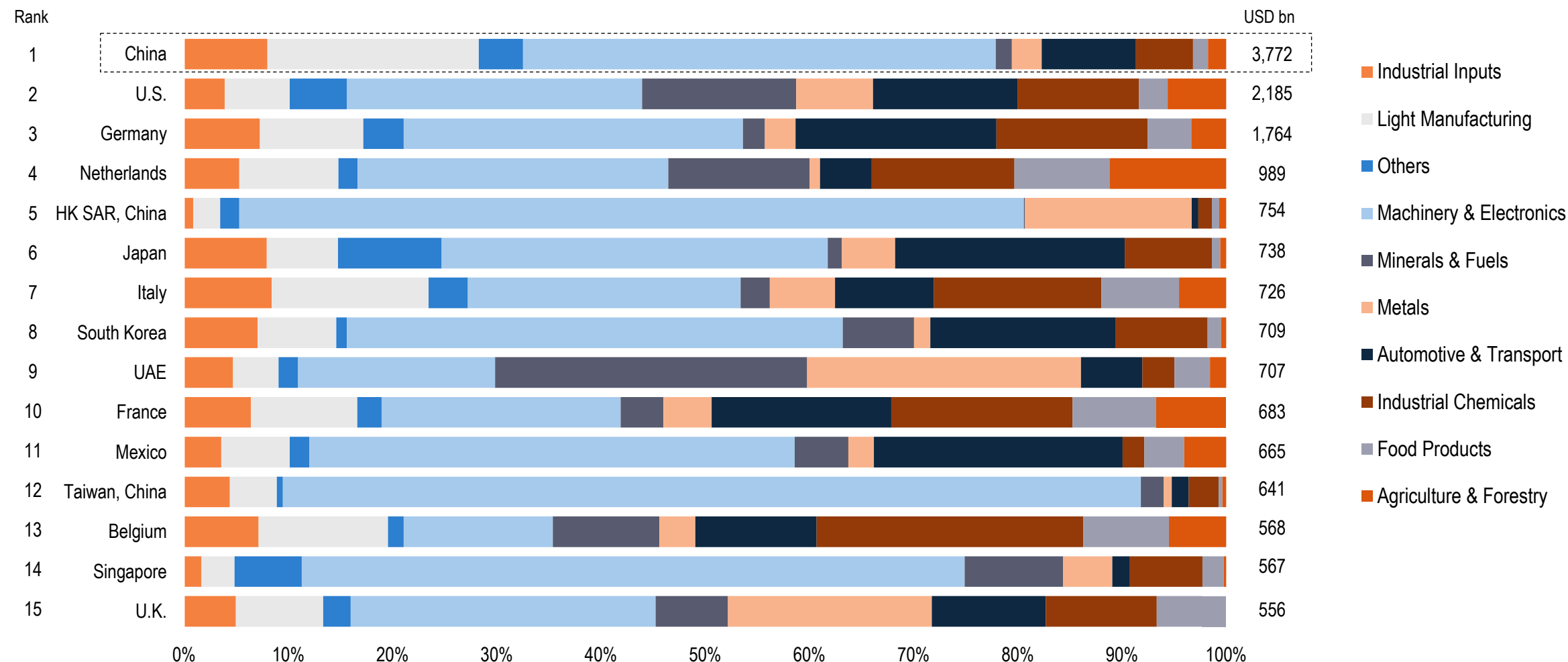
Rankings of Top 10 Global Exporters (% Share, 1978, 1995, 2001, 2009, 2022, 2025)



Machinery & Electronics anchor global exports, but leading exporters have different specialisations

Machinery & Electronics account for a substantial share of exports across China, Germany, Japan and other major trading economies, while automotive products, chemicals, metals and fuels shape distinct national export profiles

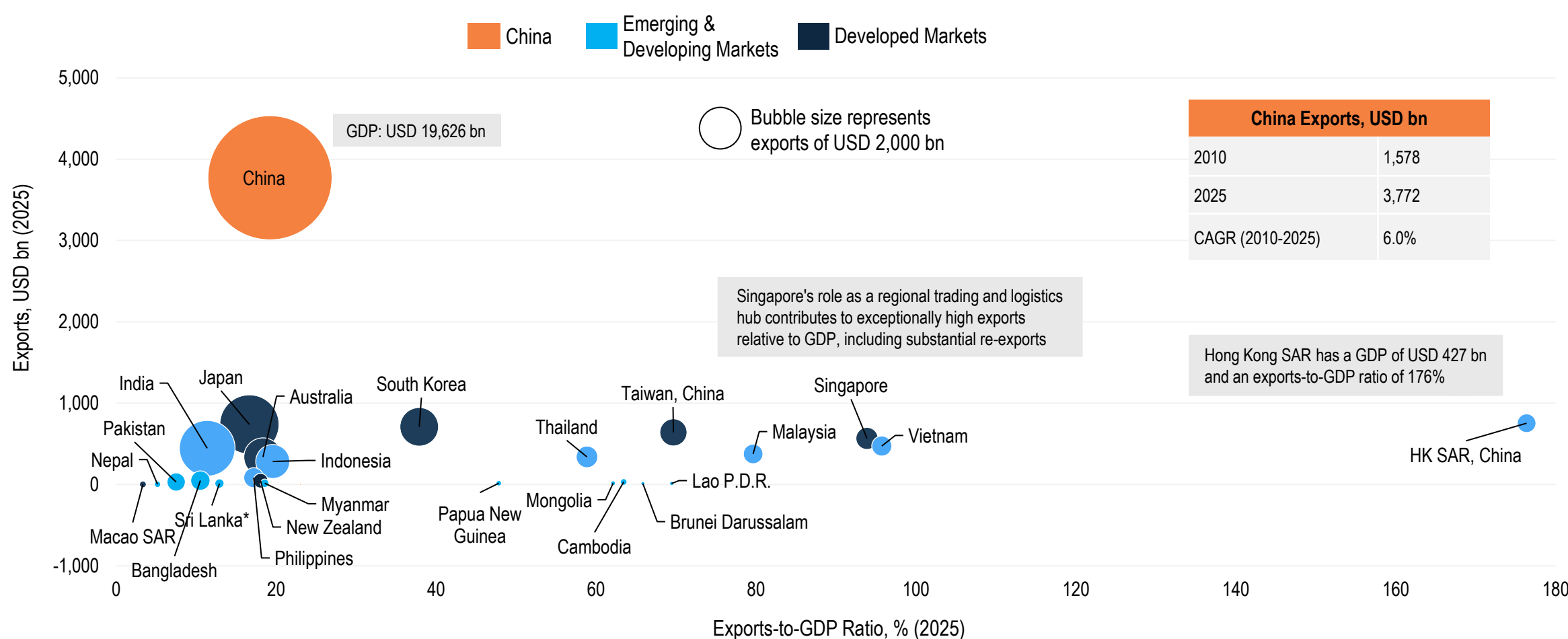
Top 15 Global Exporters by Sector, % Composition and Value, USD bn (2025)



China dominates Asia-Pacific exports, while smaller economies are more trade-dependent

China's exports reached USD 3.77 trillion in 2025. However, merchandise exports represented approximately 19% of China's GDP, compared with much higher ratios in economies such as Singapore, Vietnam and Malaysia

Major Asia-Pacific Exporters: Exports, USD bn, Exports-to-GDP Ratio, % and GDP, USD bn (2025)

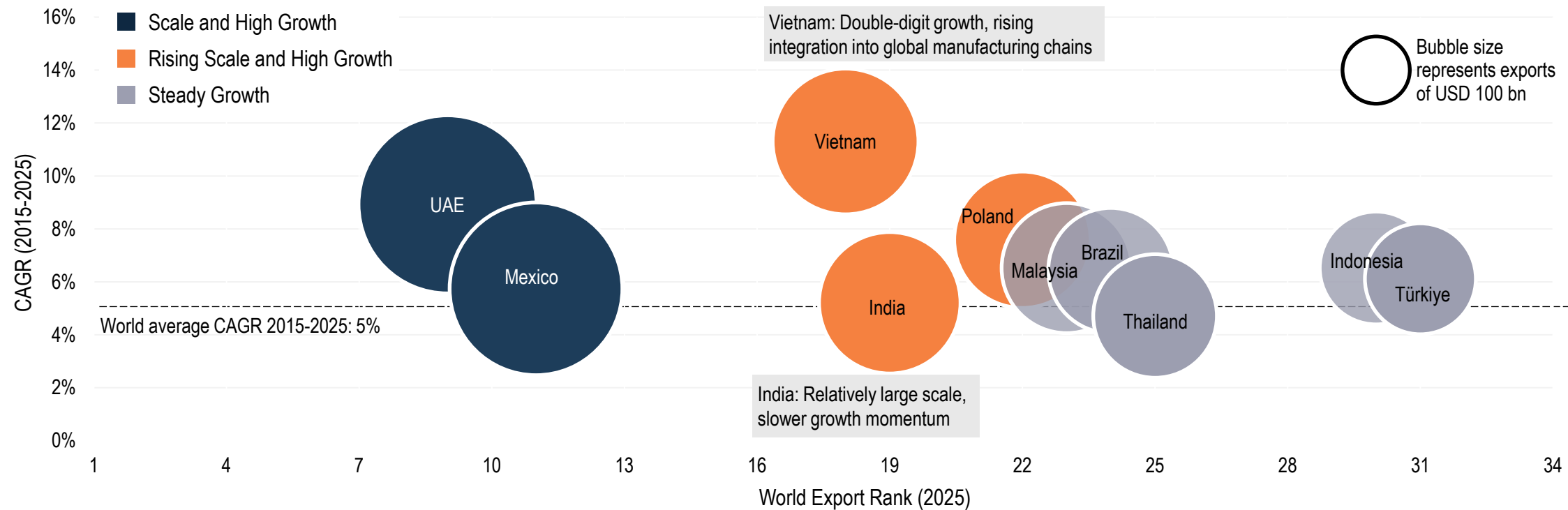


Note: *Data for Sri Lanka is for 2024. Bubbles represent GDP, USD bn (2025). Source: IMF, UN Comtrade, ANDAMAN PARTNERS Analysis

Beyond China, export growth in emerging markets is centred on a group of mid-scale exporters

These exporters are outpacing global trade growth, led by Vietnam, the UAE, Mexico and Poland. From 2015 to 2025, Vietnam's exports grew at the fastest rate, increasing by a CAGR of 11%

Top 10 Emerging Market Exporters (excl. China), USD bn (2025) and CAGR (2015-2025)

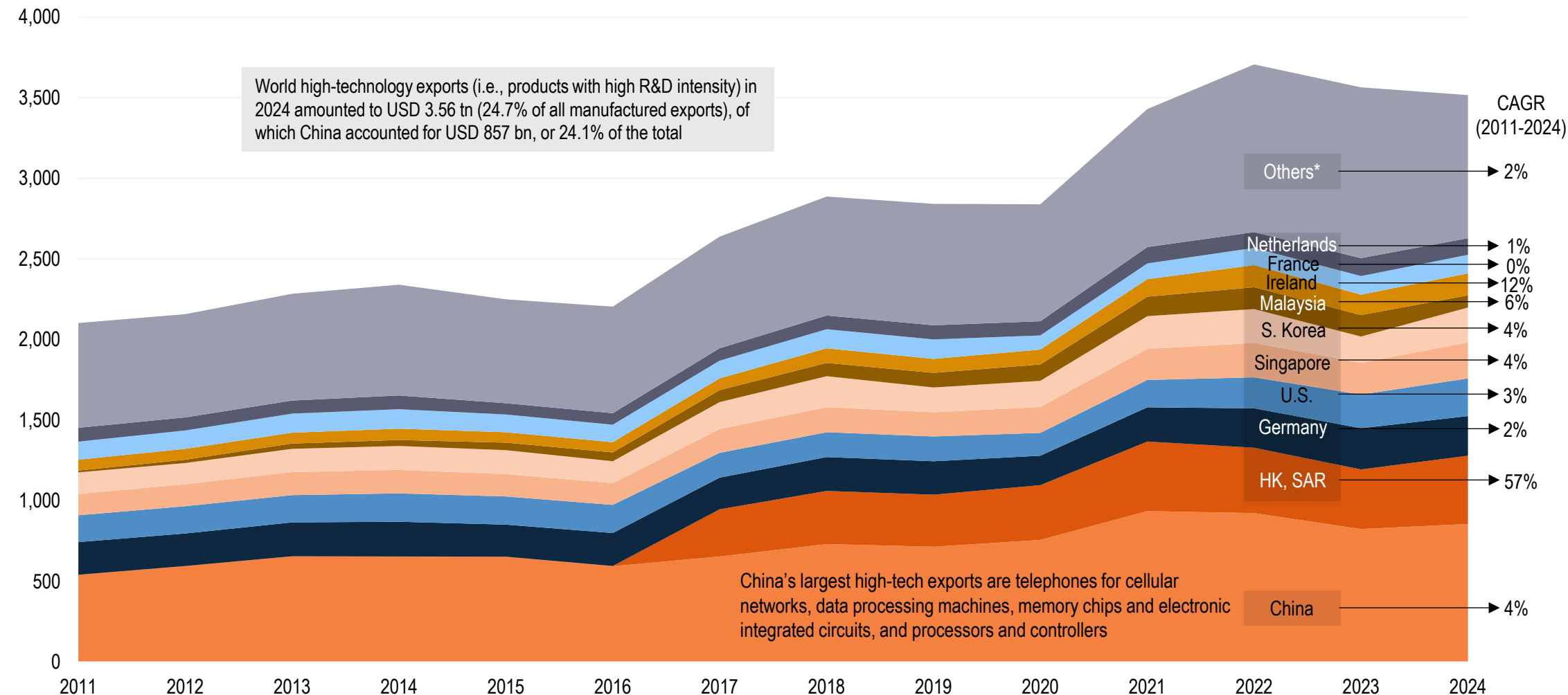


Country & Global Export Ranking (2025)	UAE (#9)	Mexico (#11)	Vietnam (#18)	India (#19)	Poland (#22)	Malaysia (#23)	Brazil (#24)	Thailand (#25)	Indonesia (#30)	Türkiye (#31)
Exports, USD bn (2025)	707	665	473	445	414	376	348	340	283	273
Exports Share of World, % (2025)	3%	3%	2%	2%	2%	1%	1%	1%	1%	1%
CAGR % (2015-2025)	9%	6%	11%	5%	8%	7%	6%	5%	7%	6%

China accounts for nearly a quarter of global high-technology exports

China's high-technology exports reached USD 825 billion in 2023, accounting for 24% of the global total. Other Asian economies, including Singapore, Malaysia and South Korea, also play prominent roles in high-technology trade

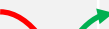
Top 10 High-Tech Exporters, USD bn (2011-2024)



The world's 20 largest importers account for more than 70% of global merchandise imports

The U.S. and China remained the two largest import markets in 2025. Among major emerging economies, Vietnam, India, Mexico and the UAE recorded particularly strong import growth over the preceding decade.

Top 20 Global Importers (2005, 2015, 2025)

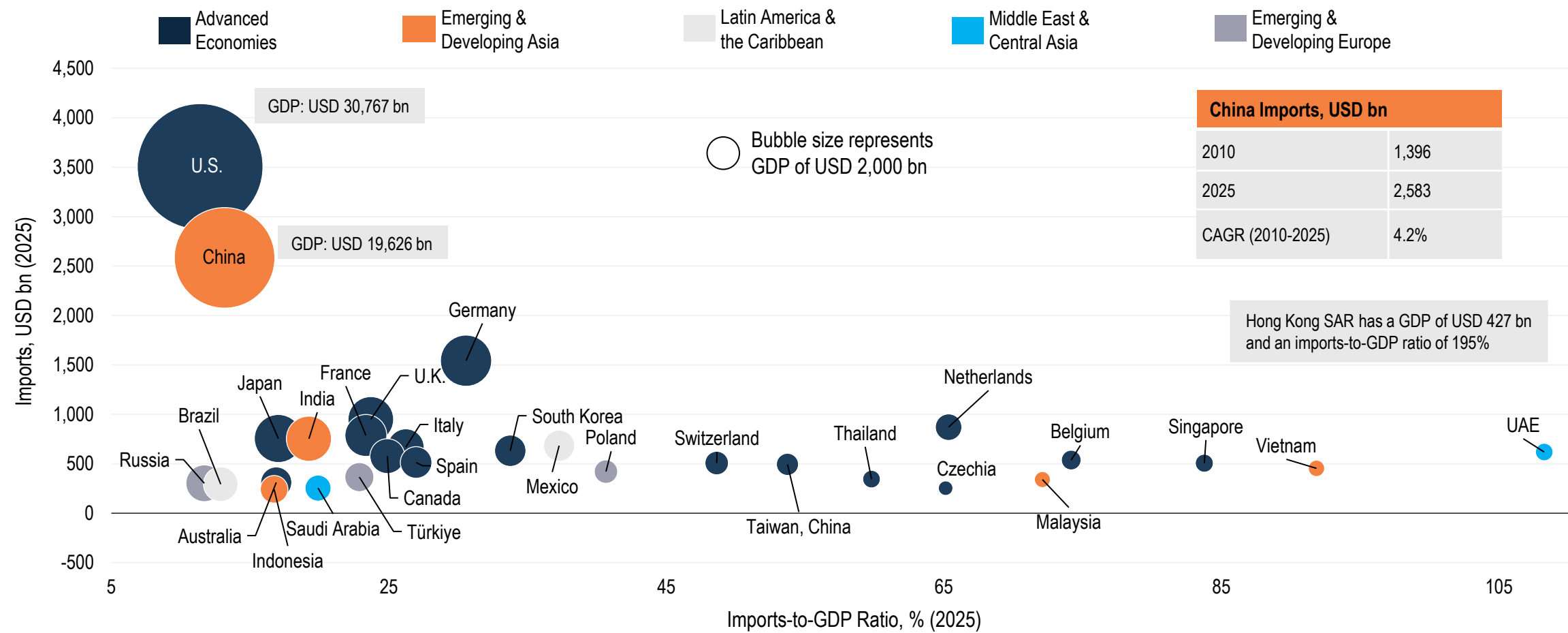
Rank (2005)				Rank (2015)				Rank (2025)			Imports, USD bn (2025)	Global Share (2025)	CAGR (2015-2025)
1	U.S.			1	U.S.			1	U.S.		3,507	13.2%	4.2%
2	Germany			2	China			2	China		2,583	9.7%	4.4%
3	China			3	Germany			3	Germany		1,543	5.8%	3.9%
4	U.K.			4	Japan			4	U.K.		949	3.6%	3.9%
5	Japan			5	U.K.			5	Netherlands		870	3.3%	3.3%
6	France			6	France			6	HK, China		832	3.1%	3.8%
7	Italy			7	HK, China			7	France		786	3.0%	3.5%
8	Netherlands			8	Netherlands			8	Japan		756	2.8%	4.0%
9	Canada			9	South Korea			9	India		753	2.8%	5.6%
10	Belgium			10	Canada			10	Mexico		683	2.6%	4.7%
11	HK, China			11	Italy			11	Italy		669	2.5%	5.0%
12	Spain			12	Mexico			12	South Korea		632	2.4%	4.5%
13	South Korea			13	India			13	UAE		619	2.3%	4.6%
14	Mexico			14	Belgium			14	Canada		577	2.2%	4.4%
15	Singapore			15	Spain			15	Belgium		538	2.0%	5.6%
16	Taiwan, China			16	Singapore			16	Spain		513	1.9%	5.6%
17	Switzerland			17	UAE			17	Switzerland		507	1.9%	6.8%
18	India			18	Switzerland			18	Singapore		506	1.9%	7.2%
19	Austria			19	Taiwan, China			19	Taiwan, China		494	1.9%	7.6%
20	Russian Fed.			20	Turkiye			20	Vietnam		454	1.7%	7.8%
										Top 20 Total	18,771	70.5%	4.6%
										Rest of World	7,837	29.5%	5.2%
										World	26,608	100.0%	4.8%

Various, ANDAMAN PARTNERS Analysis

The U.S. remains the world's largest merchandise importer, while China ranks second

While these two economies dominate imports by value, Vietnam, Singapore and Malaysia import goods equivalent to more than 70% of GDP, reflecting their deep integration into international production and trade networks

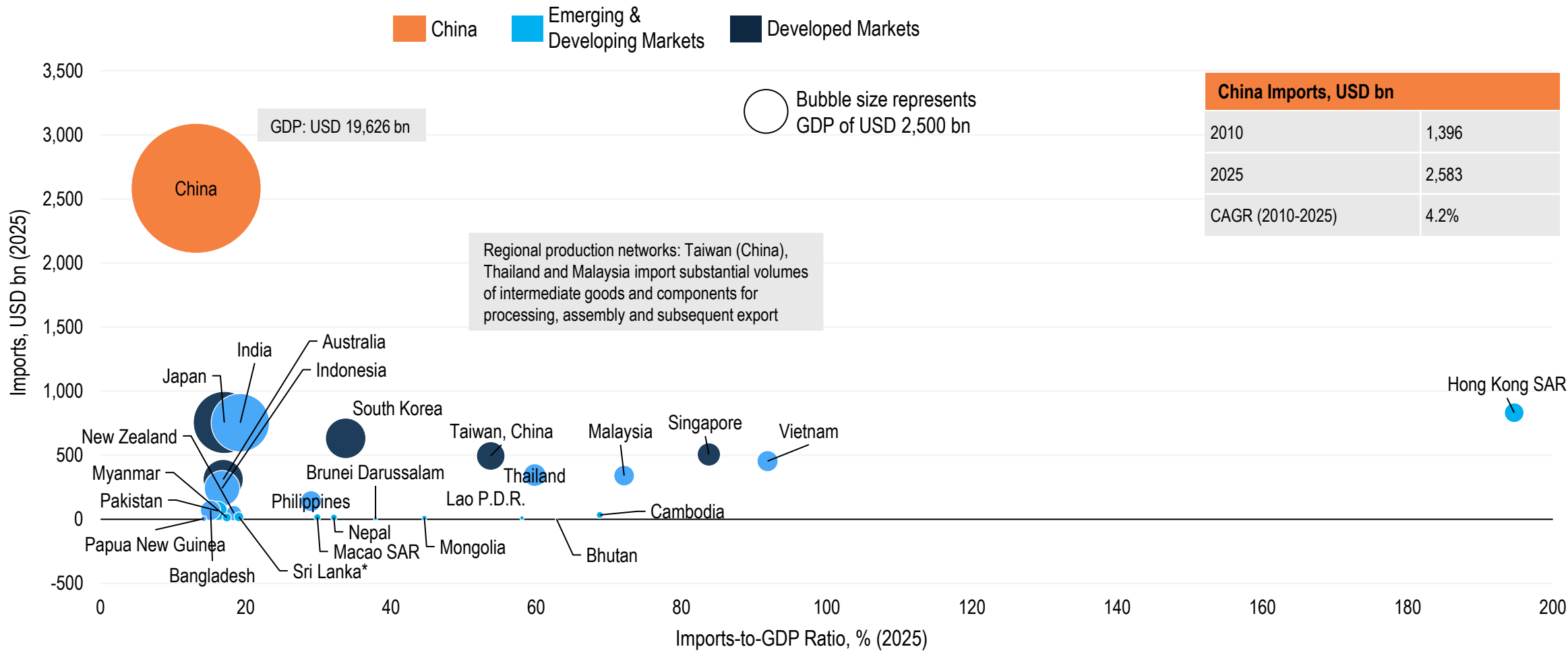
Major Global Importers: Imports, USD bn, Imports-to-GDP Ratio, % and GDP, USD bn (2025)



Note: Bubbles represent GDP, USD bn (2025). Source: IMF, Trade Map, ANDAMAN PARTNERS Analysis

China dominates Asia-Pacific imports by value, while regional trading hubs rely heavily on imported goods
China's merchandise imports reached USD 2.58 trillion in 2025, far exceeding those of other regional economies. Hong Kong, Vietnam and Singapore recorded exceptionally high import-to-GDP ratios

Major Asia Pacific Importers: Imports, USD bn, Imports-to-GDP Ratio, % and GDP, USD bn (2025)

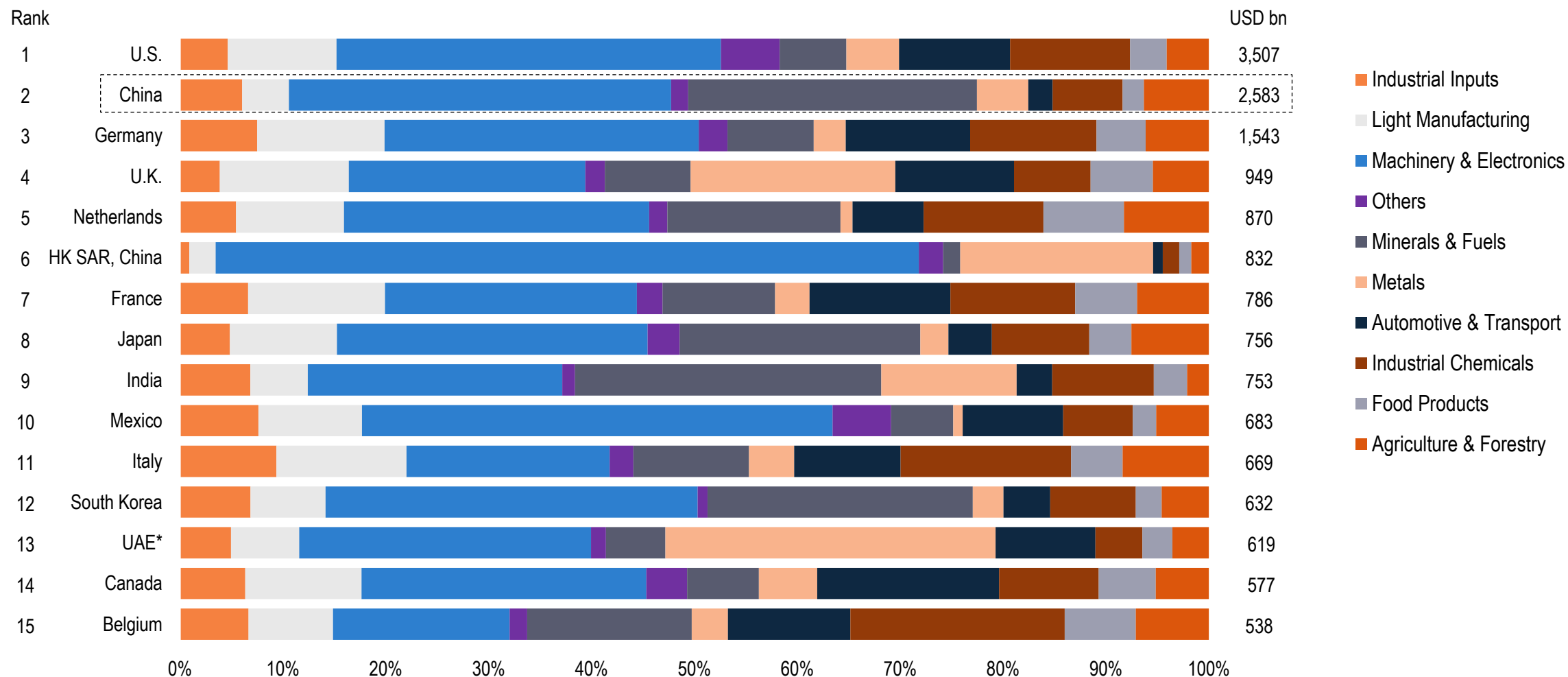


Note: 2024 data was used for Sri Lanka. Source: IMF, UN Comtrade, ANDAMAN PARTNERS Analysis

Machinery, electronics and industrial inputs dominate global import demand

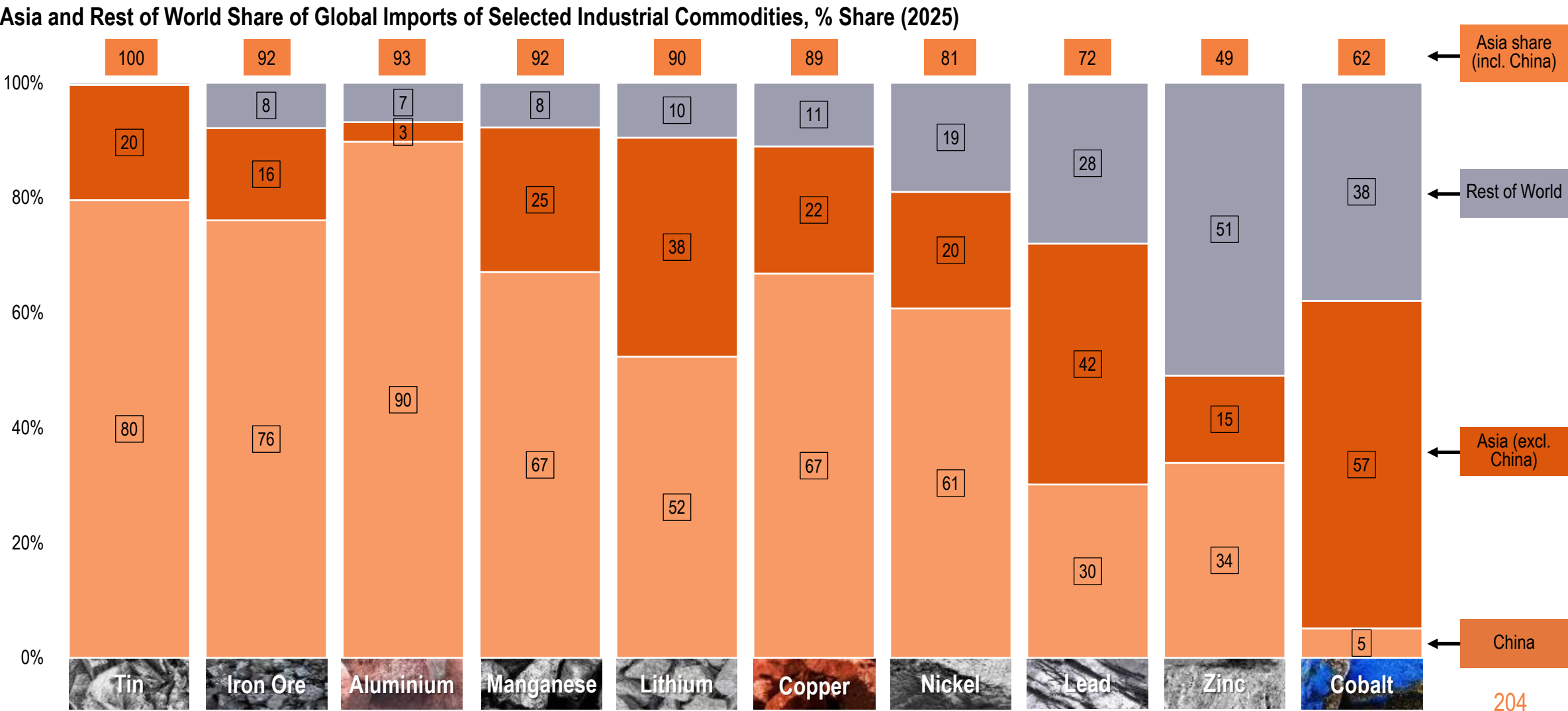
Machinery & Electronics account for a large share of imports across leading economies, particularly Hong Kong, Taiwan (China), Mexico and the U.S., while Minerals & Fuels remain especially important for China, India and Japan

Top 15 Global Importers by Sector, % Composition and Value, USD bn (2025)



Asia dominates imports of key industrial commodities, with China's role varying across materials

Asian economies accounted for more than 80% of global imports of tin, iron ore, aluminium, manganese, lithium, copper and nickel in 2025. China's role is particularly prominent in some materials



Global commercial services exports approached USD 9.6 trillion in 2025

The U.S. remained the world's largest services exporter, followed by the U.K. and Ireland. China ranked fifth in exports at USD 506 billion and second in imports at USD 621 billion, reflecting its growing role in international services trade

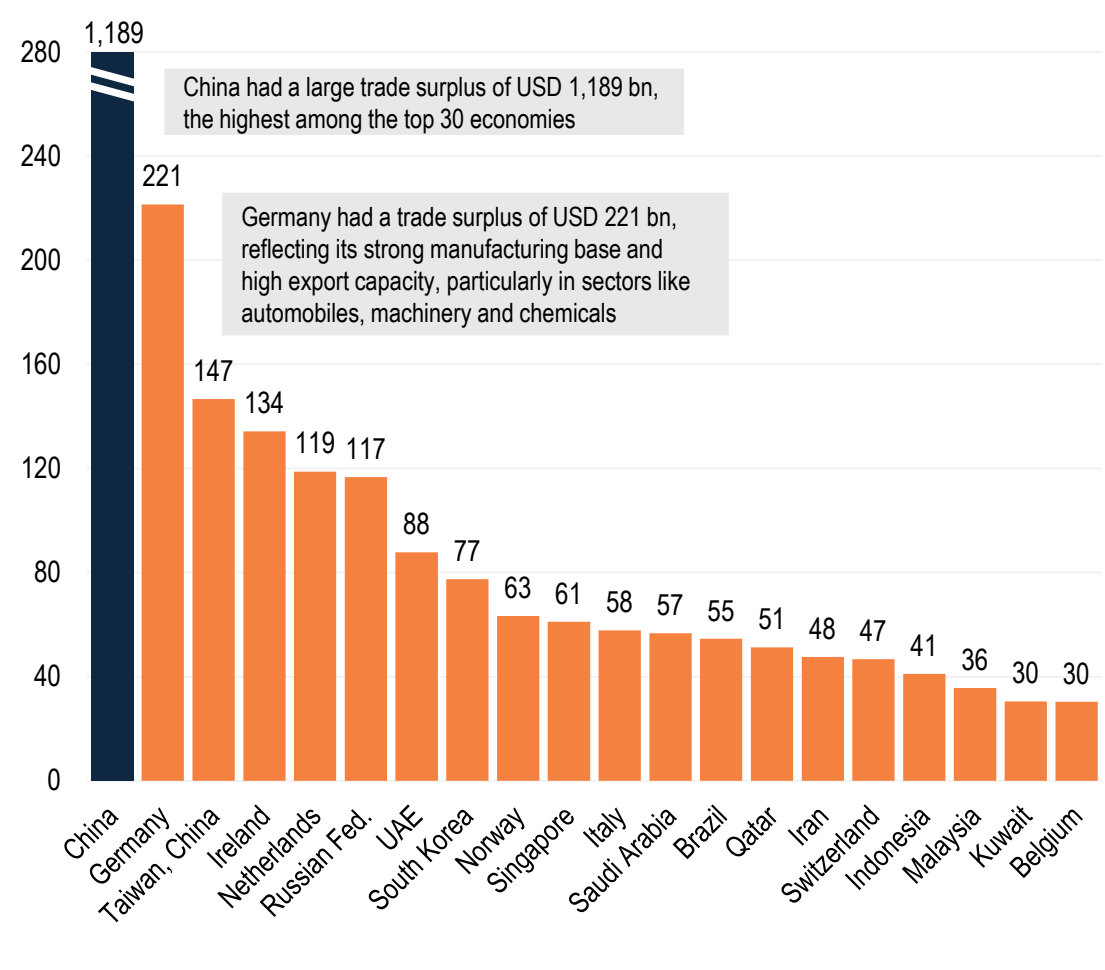
Top 20 Traders of Commercial Services, USD bn and % Share (2025)

Exporters						Importers					
Rank	Country		Exports, USD bn	Share of World, %	YoY Growth, %	Rank	Country		Imports, USD bn	Share of World, %	YoY Growth, %
1	U.S.		1,212	12.6	7.7	1	U.S.		885	10.2	10.1
2	U.K.		713	7.4	11.0	2	China		621	7.1	2.1
3	Ireland		565	5.9	8.1	3	Germany		597	6.8	6.6
4	Germany		512	5.3	6.8	4	Ireland		535	6.1	16.9
5	China		506	5.3	13.9	5	U.K.		445	5.1	8.8
6	France		427	4.4	6.4	6	Singapore		384	4.4	5.4
7	Singapore		422	4.4	5.7	7	France		370	4.2	8.4
8	India		412	4.3	10.0	8	Netherlands		341	3.9	9.7
9	Netherlands		380	4.0	9.5	9	India		277	3.2	3.5
10	Spain		255	2.7	16.3	10	Japan		266	3.1	7.4
11	Japan		243	2.5	7.2	11	Switzerland		213	2.4	4.9
12	Switzerland		195	2.0	4.7	12	South Korea		183	2.1	7.7
13	UAE		191	2.0	6.4	13	Italy		176	2.0	10.7
14	Canada		171	1.8	1.7	14	Belgium		175	2.0	6.4
15	Italy		168	1.8	9.2	15	Canada		169	1.9	1.2
16	Luxembourg		166	1.7	10.8	16	Sweden		146	1.7	15.9
17	Belgium		157	1.6	6.1	17	Luxembourg		132	1.5	13.6
18	South Korea		149	1.6	5.8	18	Denmark		129	1.5	2.7
19	Denmark		132	1.4	2.8	19	Spain		126	1.4	13.8
20	Poland		130	1.4	10.2	20	Saudi Arabia		122	1.4	4.3
Top 20			7,106	74.1		Top 20			6,293	72.2	
World			9,594	100%	8.4	World			8,716	100%	7.9

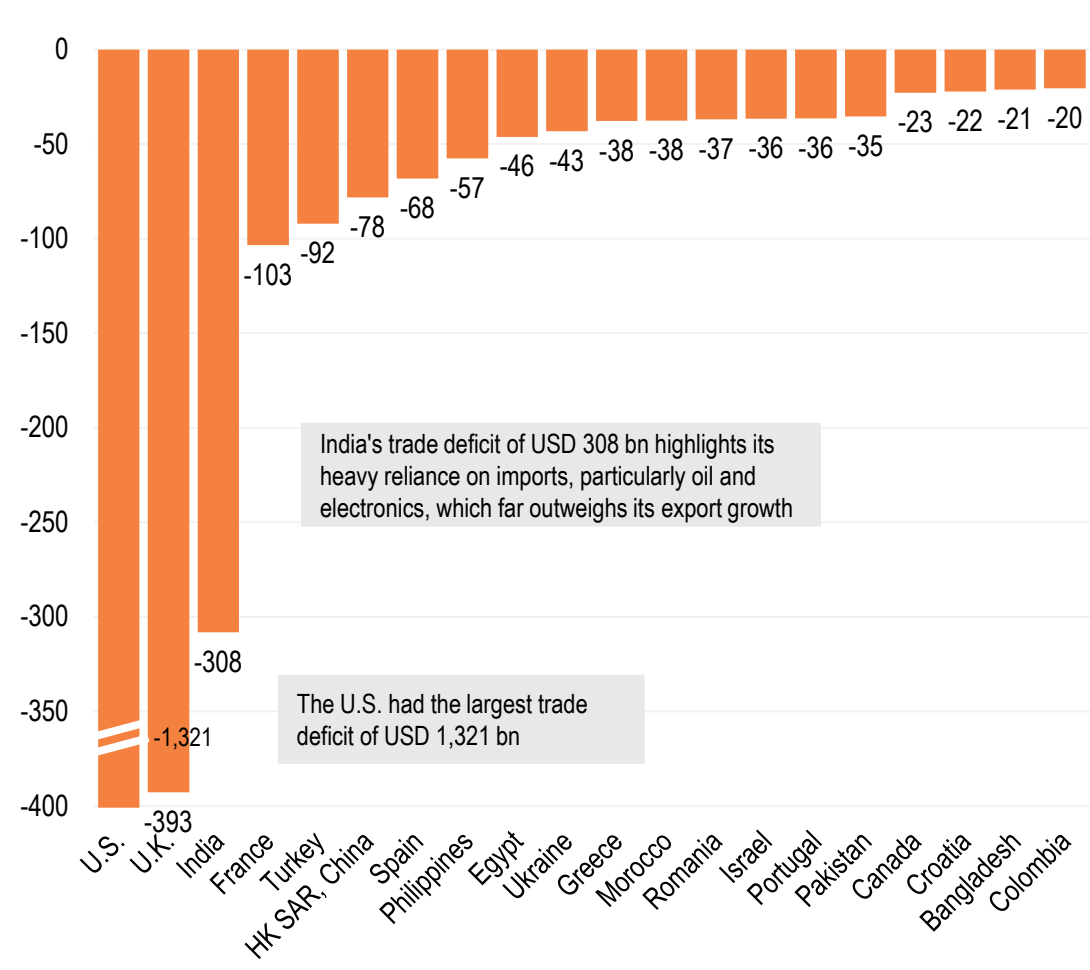
Note: Commercial services represent roughly 95% of globally traded services and exclude Government Goods & Services n.i.e. Source: WTO, ANDAMAN PARTNERS Analysis

In 2025, trade balances exhibited significant disparities, with some economies recording large surpluses. China had the highest trade surplus, followed by Germany, Taiwan (China) and Ireland, while the U.S. had the largest trade deficit, followed by the U.K., India and France.

Top 20 Economies by Largest Trade Surpluses, USD bn (2025)



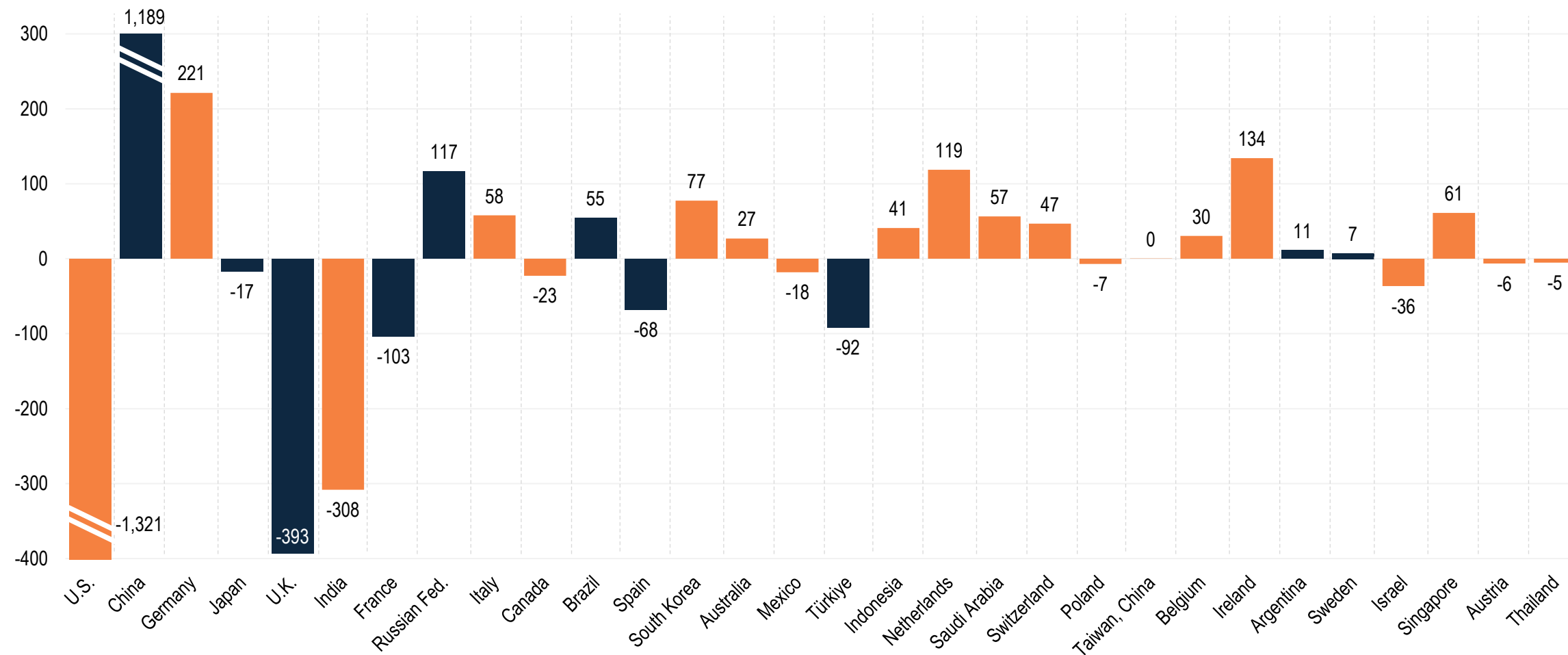
Top 20 Economies by Largest Trade Deficits, USD bn (2025)



Major economies show sharply contrasting merchandise trade balances

China and Germany recorded substantial trade surpluses in 2025, while the U.S., U.K. and India ran large deficits. The differences reflect varying economic structures, domestic demand and positions in global trade networks

Trade Balances of Top 30 Economies by GDP, USD bn (2025)



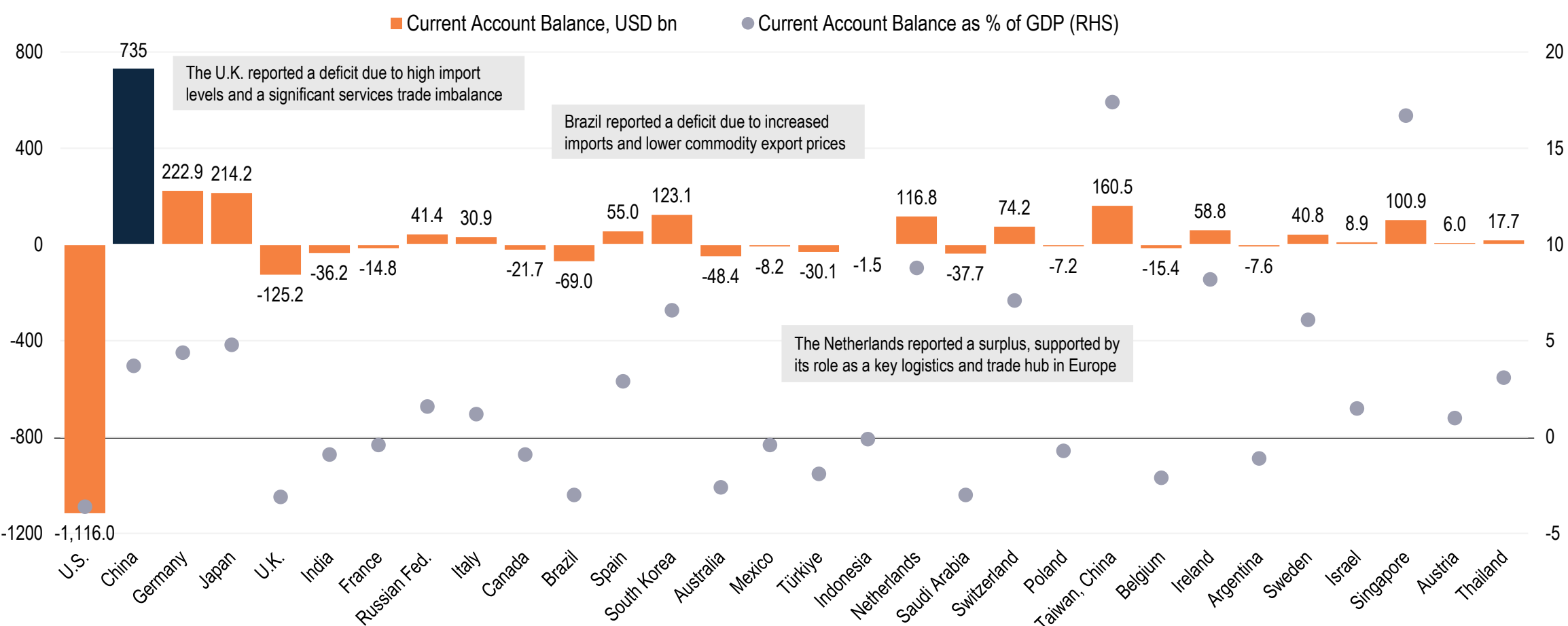
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. **China in the World**
 - Macro-Economic Overview
 - Consumption
 - Investment
 - Trade
 - **Financial Indicators**
 - Social Indicators
 - Other Indicators
6. Conclusions, Implications and Recommendations



China recorded a large current account surplus in 2025, while the U.S. ran the world's largest deficit
China's current account surplus reached about USD 729 billion, supported by strong merchandise trade. The U.S. recorded a deficit of approximately USD 1.12 trillion

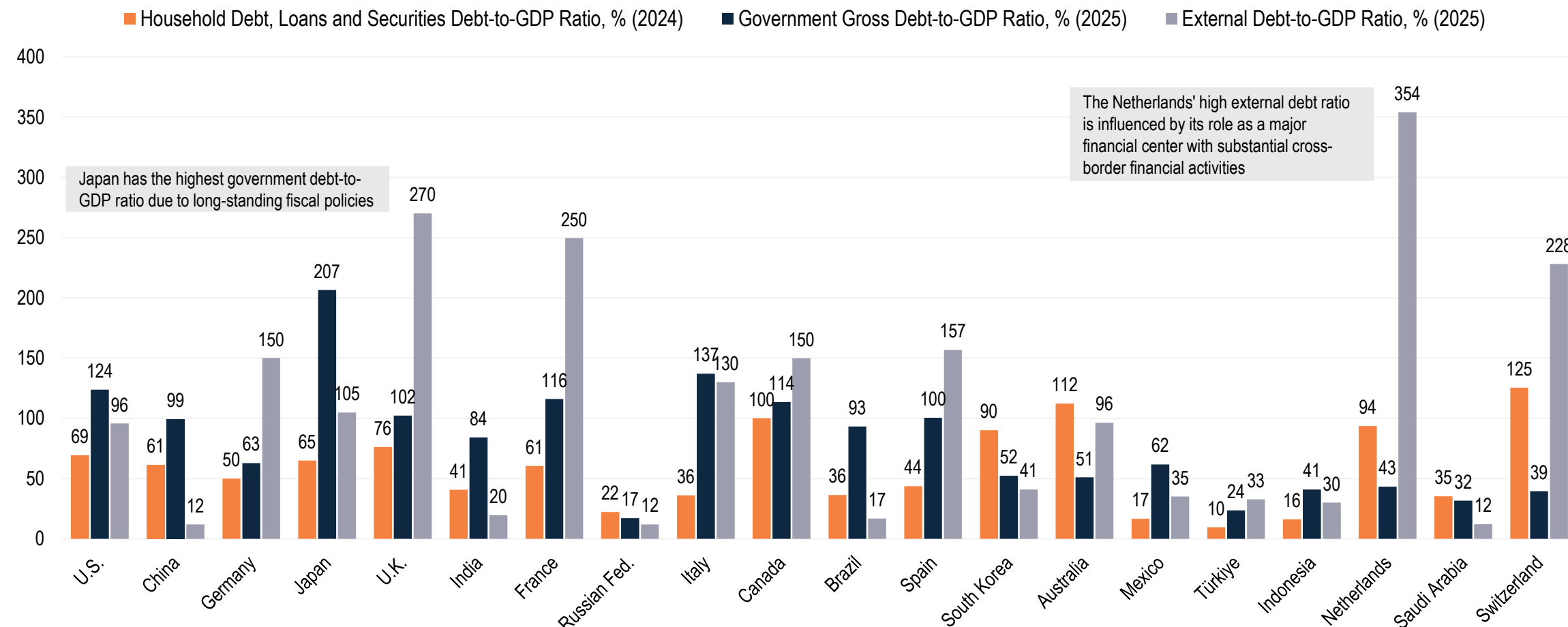
Current Account Balances of Top 30 Economies by GDP, USD bn and Current Account Balance as % of GDP (2025)



China's external debt remains relatively low compared with major advanced economies

China's external debt was 12% of GDP in 2025, compared with 96% in the U.S. and 150% in Germany. Household and government debt present a more complex picture, reflecting different domestic financing structures

Debt of Top 20 Economies by GDP, % (2024 & 2025)

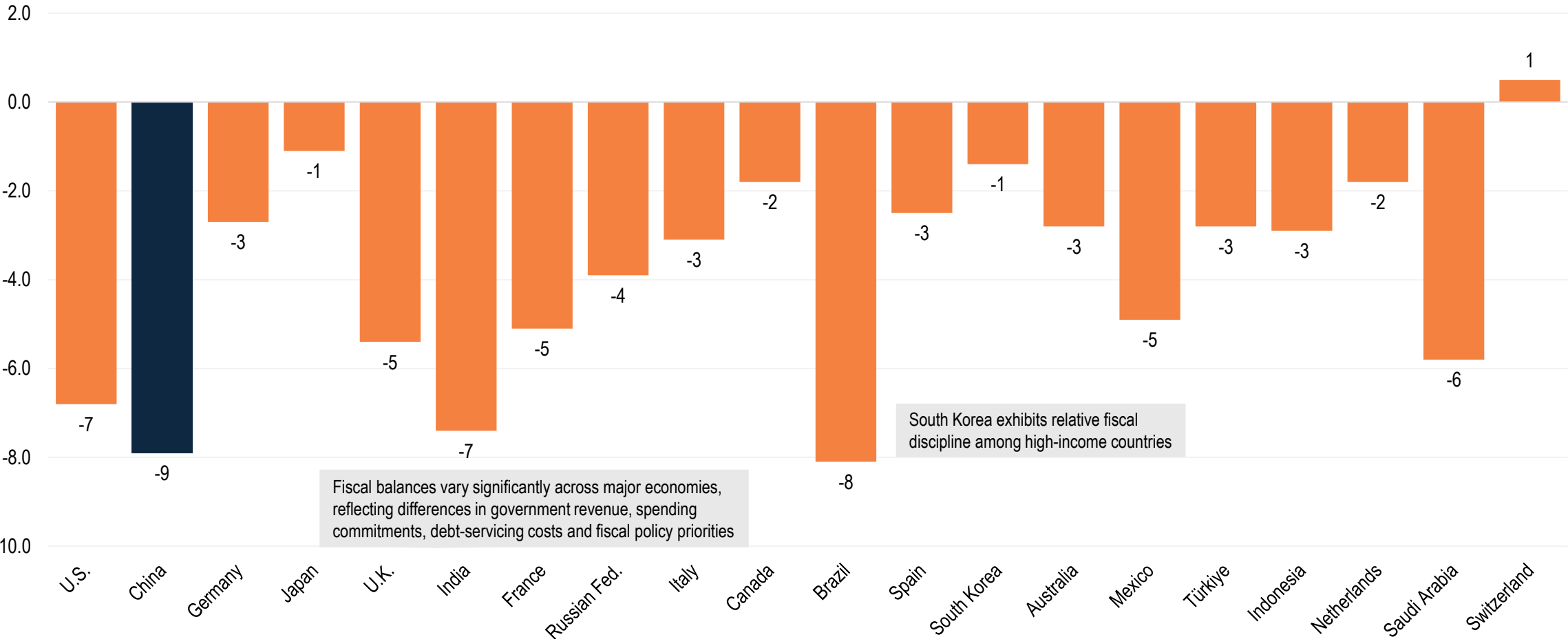


Note: 2024 data for external debt is up to September except for China (2024), Mexico (Jul. 2023), Saudi Arabia (2022), Brazil (Apr. 2023), Indonesia (Nov. 2024) and Russian Federation (2024).

Source: World Bank, IMF, ANDAMAN PARTNERS Analysis

China's general government fiscal deficit was among the largest of major economies in 2025
 The IMF estimates China's general government deficit at approximately 8.7% of GDP in 2025, reflecting elevated fiscal support and a broader measure of public finances than the official headline budget deficit

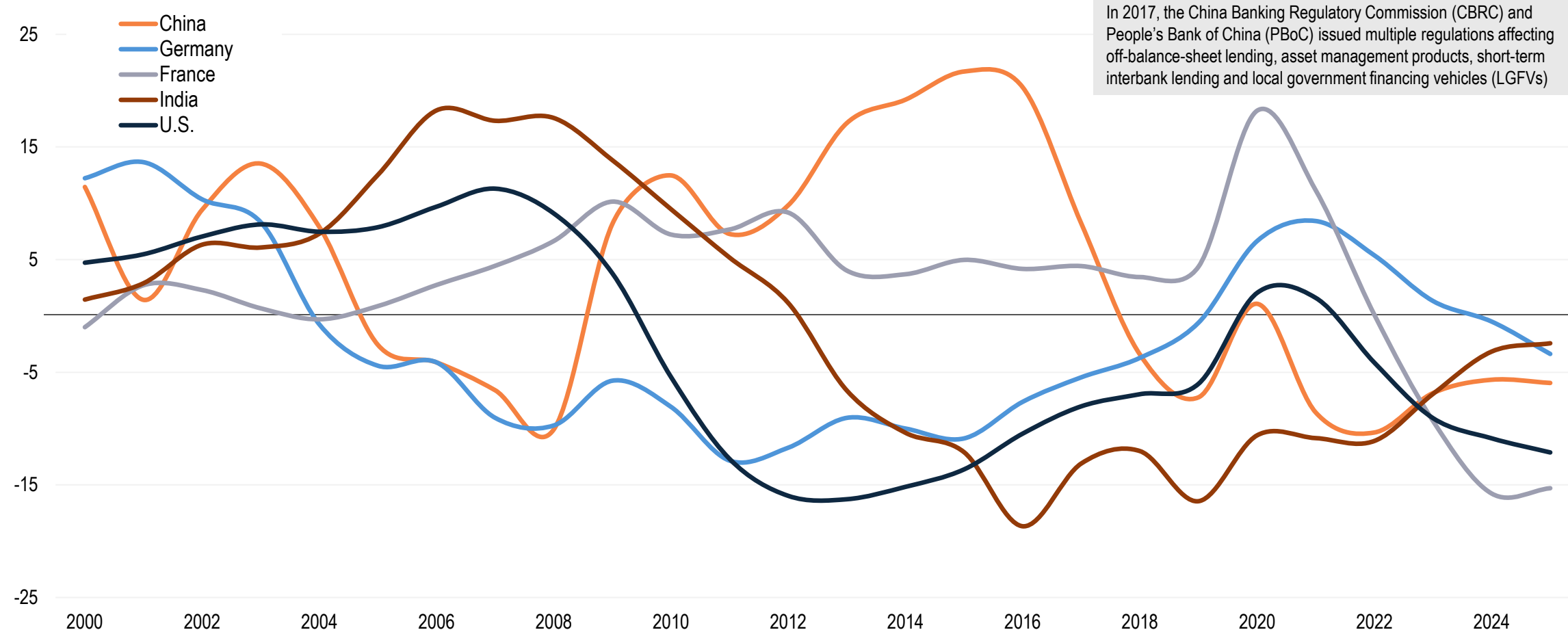
General Government Net Lending/Borrowing, % of GDP: Top 20 Economies by GDP (2025)



China's credit-to-GDP gap has moved from elevated levels to below its long-term trend

China's credit-to-GDP gap remained elevated during 2012–2017, a period of rapid credit expansion that prompted financial tightening. By 2025, the gap had fallen to approximately six percentage points below its long-term trend

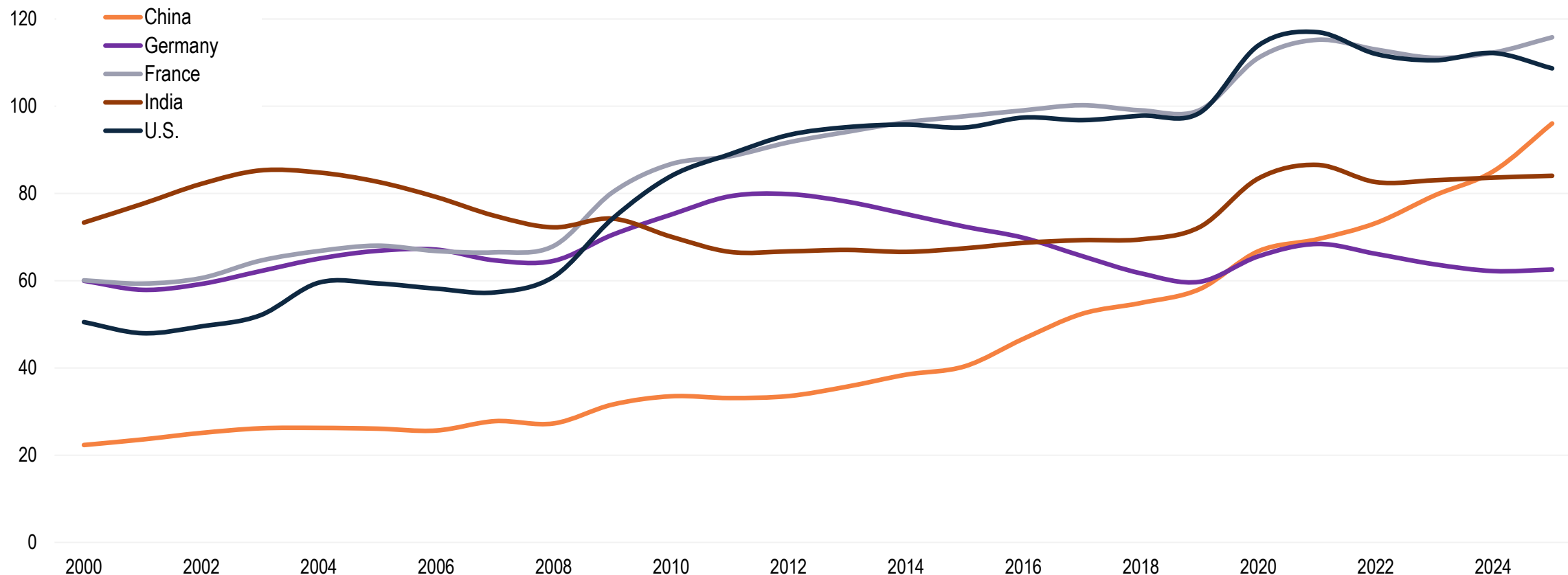
Credit-to-GDP Gaps (Actual-Trend) of Selected Economies, % of GDP (2000-2025)



Credit to China's general government has risen sharply relative to GDP

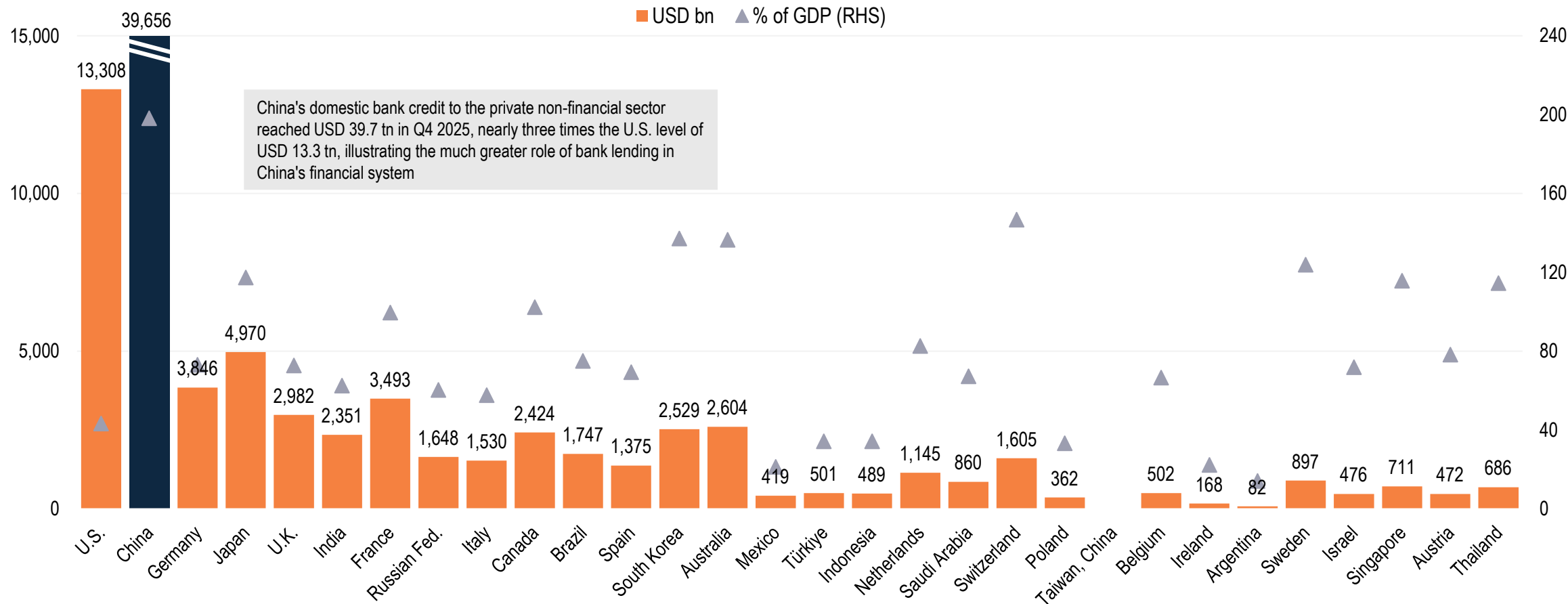
China's general government credit rose from about 22% of GDP in 2000 to 96% in 2025, narrowing the gap with the U.S. The acceleration since 2019 highlights the growing scale of public-sector borrowing

Credit From All Sectors to General Government of Selected Economies, % of GDP (2000-2025)



China's financial system remains exceptionally reliant on bank credit
Bank credit to the private non-financial sector reached USD 39.7 trillion in Q4 2025, by far the largest stock among major economies and equivalent to around 200% of GDP

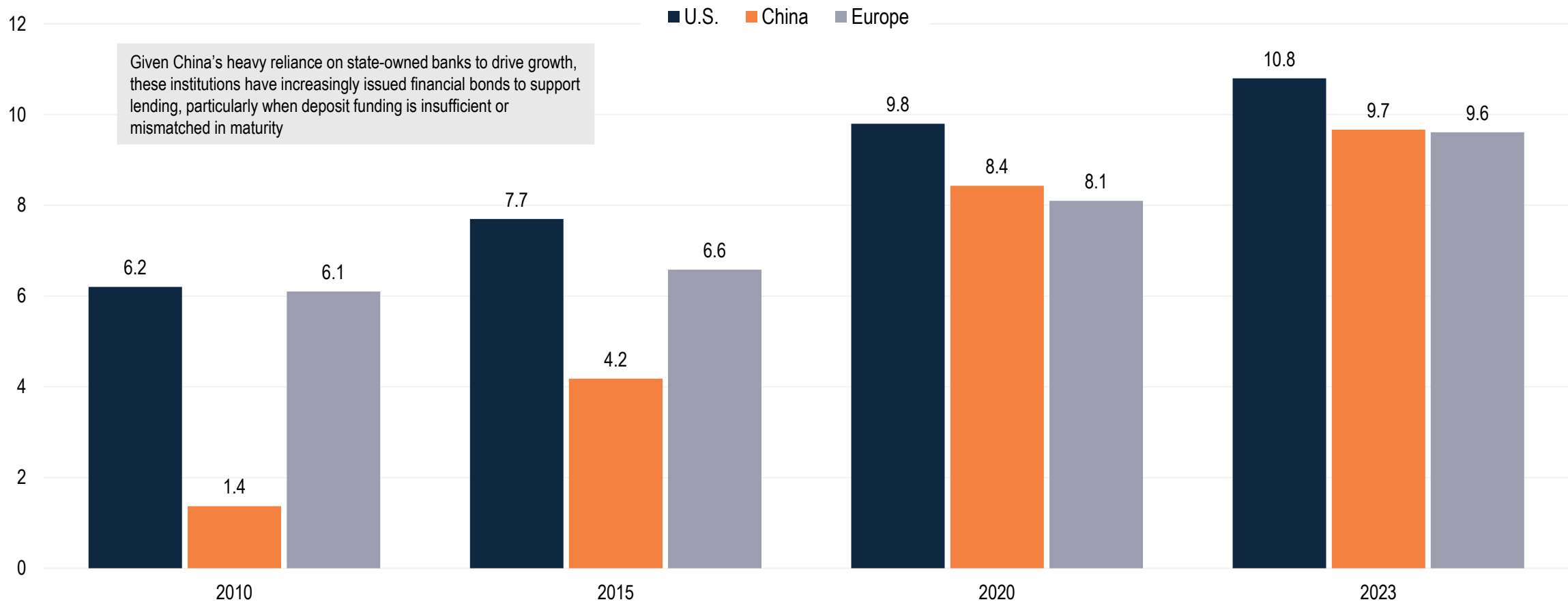
Domestic Bank Credit to the Private Non-Financial Sector at Market Value of Top 30 Economies by GDP, USD bn (Q4 2025)



Note: No data available for Taiwan (China). Bank credit includes only loans from deposit-taking institutions, excluding bonds, shadow finance and credit from non-bank entities. Source: BIS, ANDAMAN PARTNERS Analysis

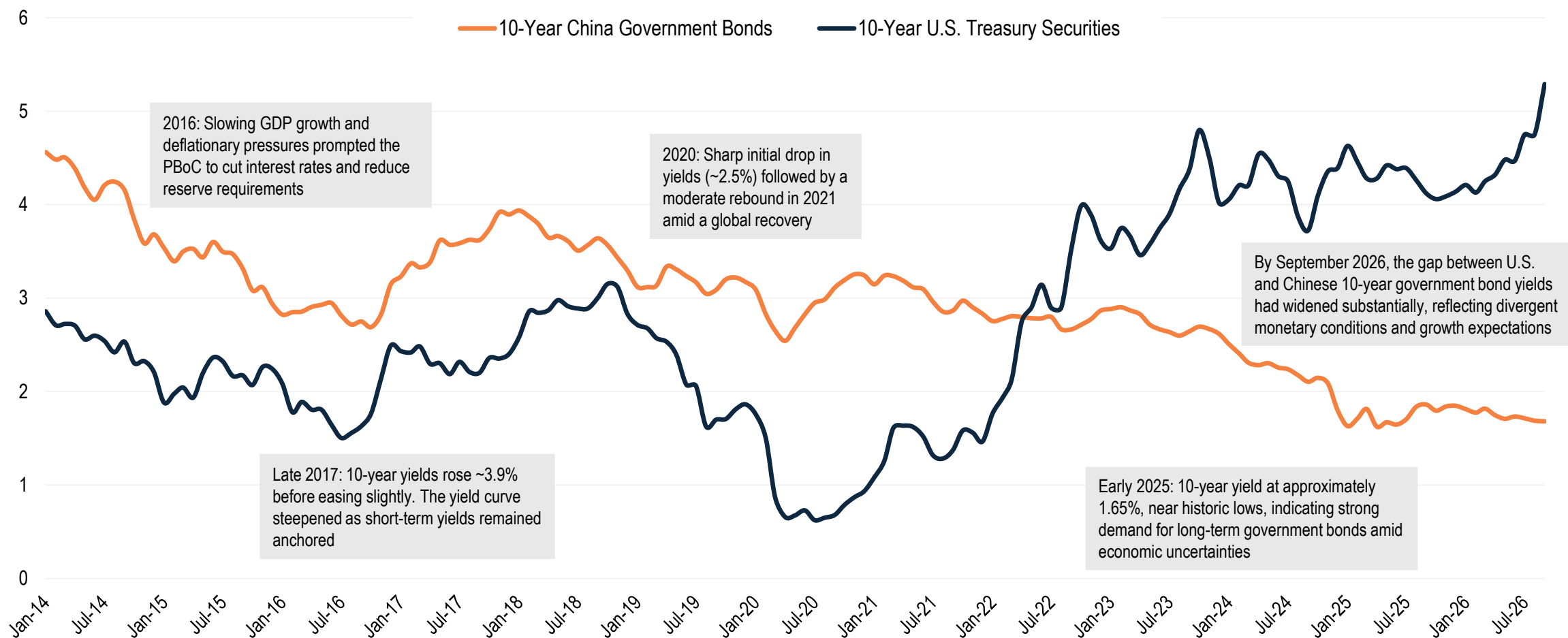
China's financial and corporate bond markets have expanded substantially since 2010
 Outstanding domestic financial and non-financial bonds increased markedly between 2010 and 2023, reflecting the expansion of China's bond-financing system. Financial institutions have played an important role in this growth

Domestic Financial and Non-Financial Bonds Outstanding: U.S., China and Europe, USD tn (2010, 2015, 2020, 2023)



China's government bond yields have fallen below U.S. Treasuries, with the gap widening since 2022. Diverging economic conditions and monetary policies have pushed China's 10-year yield below 2%, while U.S. Treasury yields have remained above 4% for much of 2025-2026, creating an unusually wide interest rate differential.

China vs. U.S. 10-Year Government Bond Yields, % (Jan. 2014-Sep. 2026)



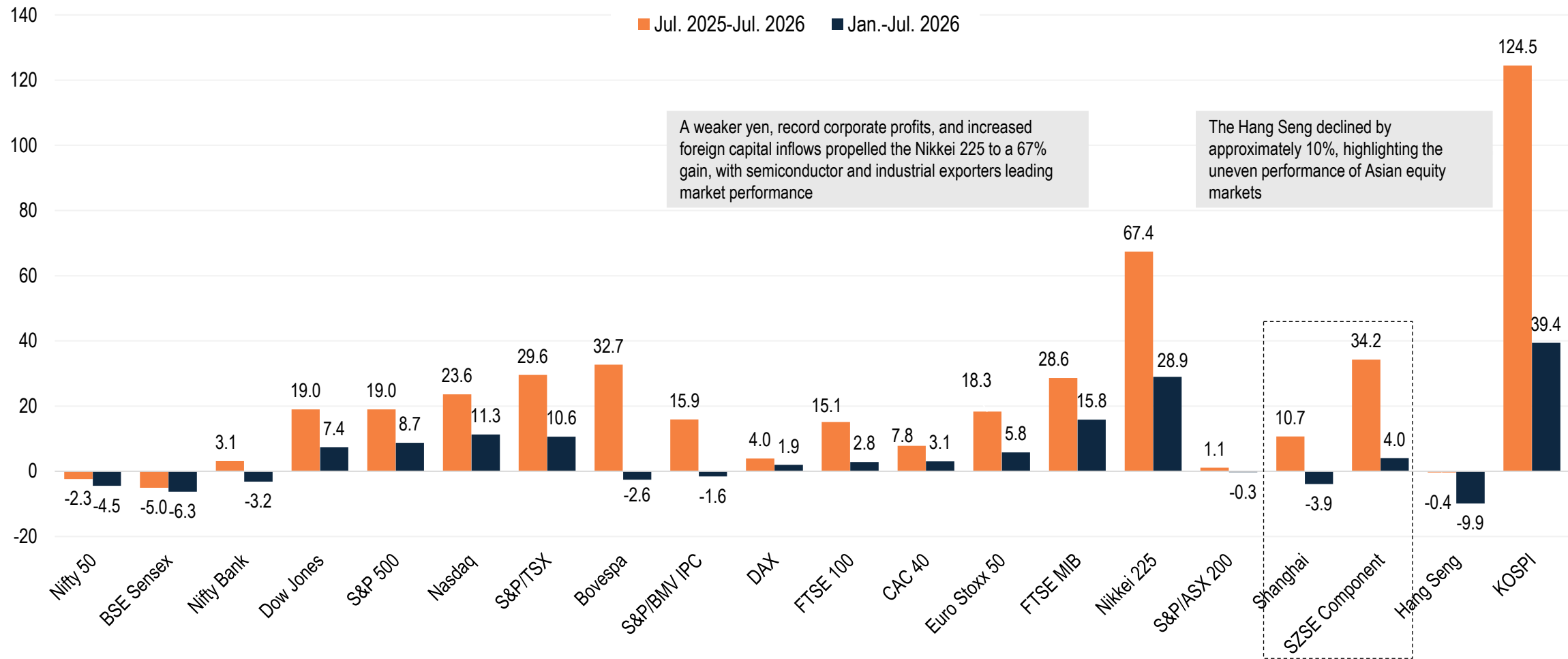
Shanghai and Shenzhen rank among the world's largest stock exchanges by market capitalisation
Shanghai ranked third globally in 2025, with market capitalisation of approximately USD 9.3 trillion, while Shenzhen ranked sixth at USD 6.2 trillion. Both exchanges have expanded considerably since 2010

Top 10 Stock Exchanges by Market Capitalisation, USD mn (2010 & 2025)

Rank	Stock Exchange	Country/Region	Market Capitalisation, USD mn (2010)	Market Capitalisation, USD mn (2025)	CAGR (2010-2025)
1	NASDAQ	U.S.	3,889,370	37,536,206	16.3%
2	New York Stock Exchange (NYSE)	U.S.	13,394,082	31,401,660	5.8%
3	Shanghai Stock Exchange (SSE)	China	2,716,470	9,269,763	8.5%
4	Euronext	Pan-European	2,930,072	7,880,216	6.8%
5	Japan Exchange Group (Tokyo Stock Exchange)	Japan	3,827,774	7,610,544	4.7%
6	Shenzhen Stock Exchange (SZSE)	China	1,311,370	6,187,870	10.9%
7	Hong Kong Exchanges and Clearing (HKEX)	Hong Kong	2,711,316	6,089,227	5.5%
8	BSE India Limited	India	1,631,830	5,289,687	8.2%
9	National Stock Exchange of India (NSE)	India	1,596,625	5,269,894	8.3%
10	TSX (Toronto Stock Exchange)	Canada	2,170,433	4,606,445	5.1%

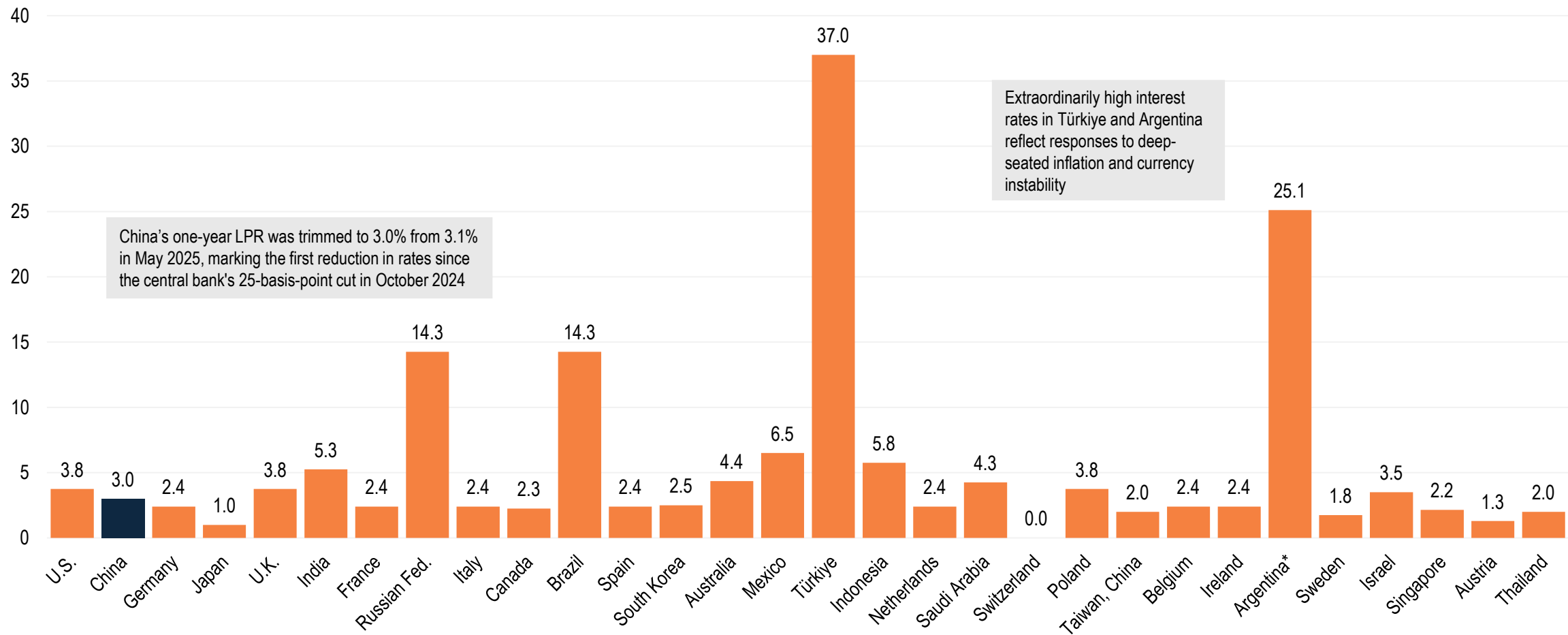
China's equity markets underperformed several major Asian markets in the first 7 months of 2026
South Korea's KOSPI gained 39.4% and Japan's Nikkei 28.9% from January to July 2026, compared with a 4.0% rise in Shenzhen and a 3.9% decline in Shanghai

Global Selected Stock Indices Returns, % (Jul. 2025-Jul. 2026 and Jan.-Jul. 2026)



At 3.00%, China's one-year Loan Prime Rate (LPR) is among the lowest among top 30 economies. China's one-year LPR was reduced to 3% in May 2025 and has remained unchanged through 2026, reflecting efforts to lower borrowing costs and support economic activity amid subdued domestic demand and weakness in the property sector.

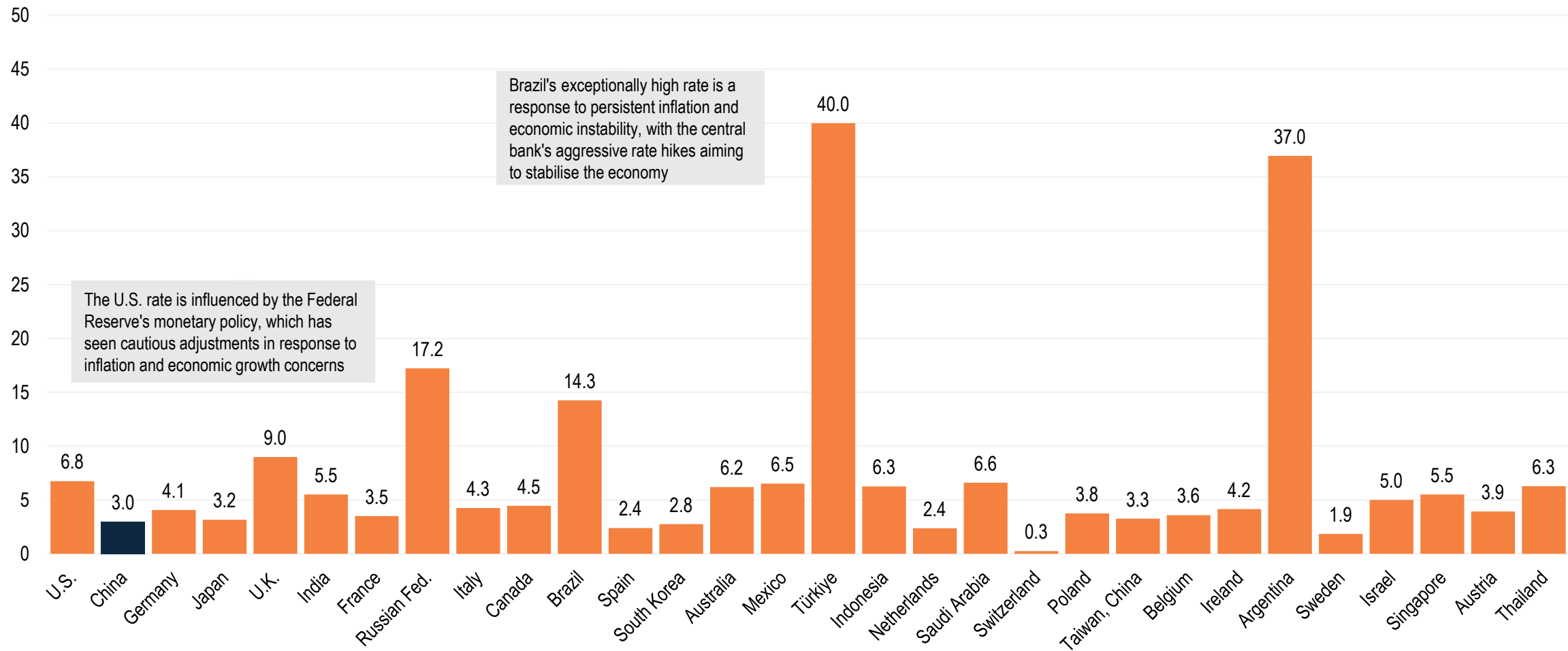
Central Bank Interest Rates of Top 30 Economies by GDP, % (2026)



Note: Data as of July 2026. Since Argentina changed its monetary policy framework, the traditional policy rate has been replaced. The TAMAR (average wholesale fixed-term deposit rate) serves as the key monetary reference rate published by the Central Bank of Argentina. Source: CB Rates, ANDAMAN PARTNERS Analysis

Sweden and Switzerland maintain the lowest prime lending rates among major economies
Reflecting subdued inflation and stable macroeconomic conditions. Argentina and Türkiye have the highest rates, driven by persistent inflation pressures, currency volatility and economic uncertainty

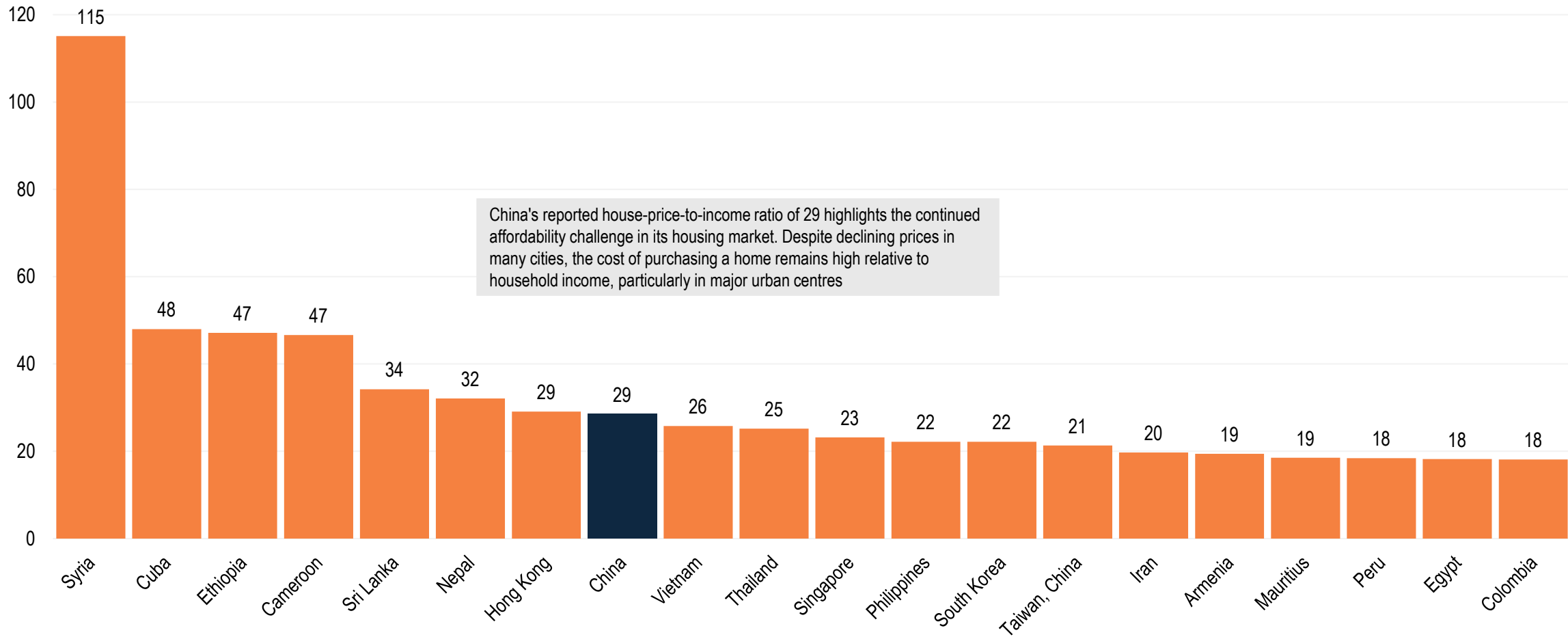
Prime Lending Rate of Top 30 Economies by GDP, % (Jul. 2026)



Housing remains relatively unaffordable in China despite the property market correction

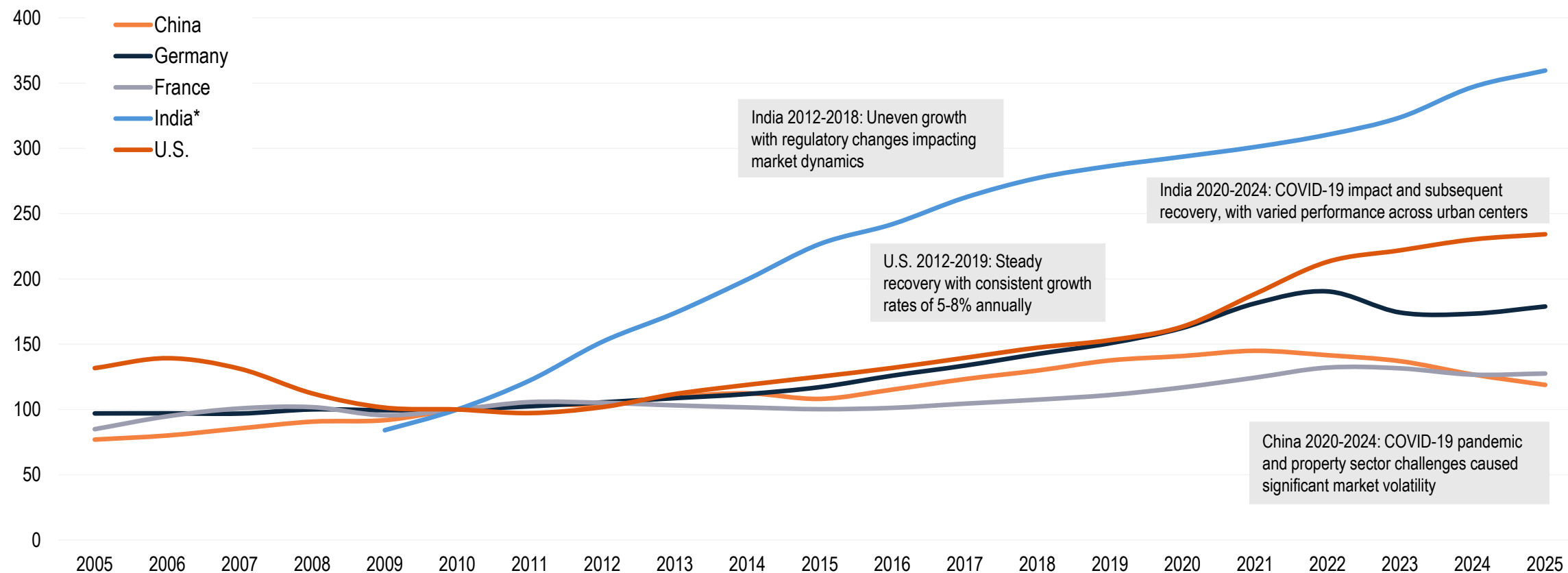
China's reported house-price-to-income ratio remained elevated in 2025, reflecting the continued disparity between property prices and household incomes, particularly in major cities

House Price-to-Income Ratios: 20 Least Affordable Countries (2025)



China's housing market has diverged sharply from the post-pandemic recovery in major economies
Residential property markets in several advanced economies experienced strong price growth following the pandemic, while China's housing sector entered a prolonged correction amid tighter developer financing conditions and structural imbalances

Residential Property Price Indices (2010 = 100): China, Germany, France, India and the U.S. (2005-2025)



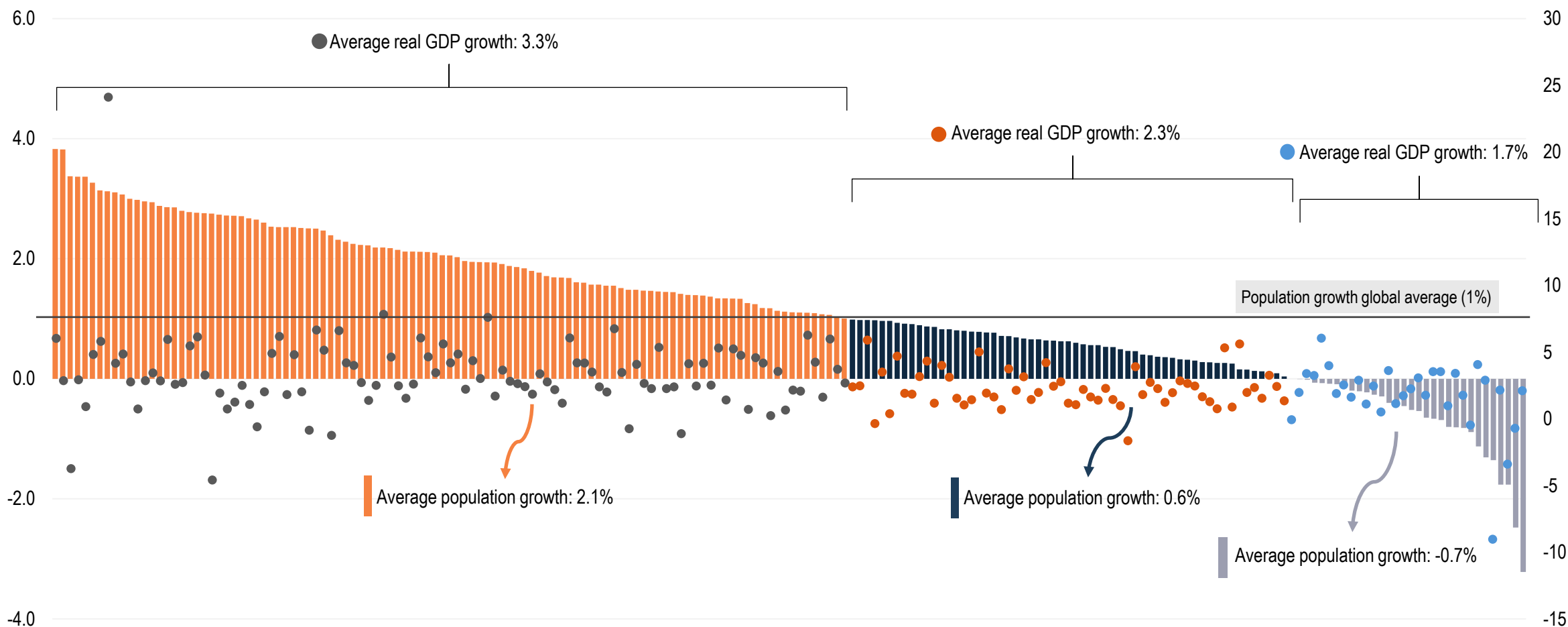
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. China in the World
 - Macro-Economic Overview
 - Consumption
 - Investment
 - Trade
 - Financial Indicators
 - **Social Indicators**
 - Other Indicators
6. Conclusions, Implications and Recommendations



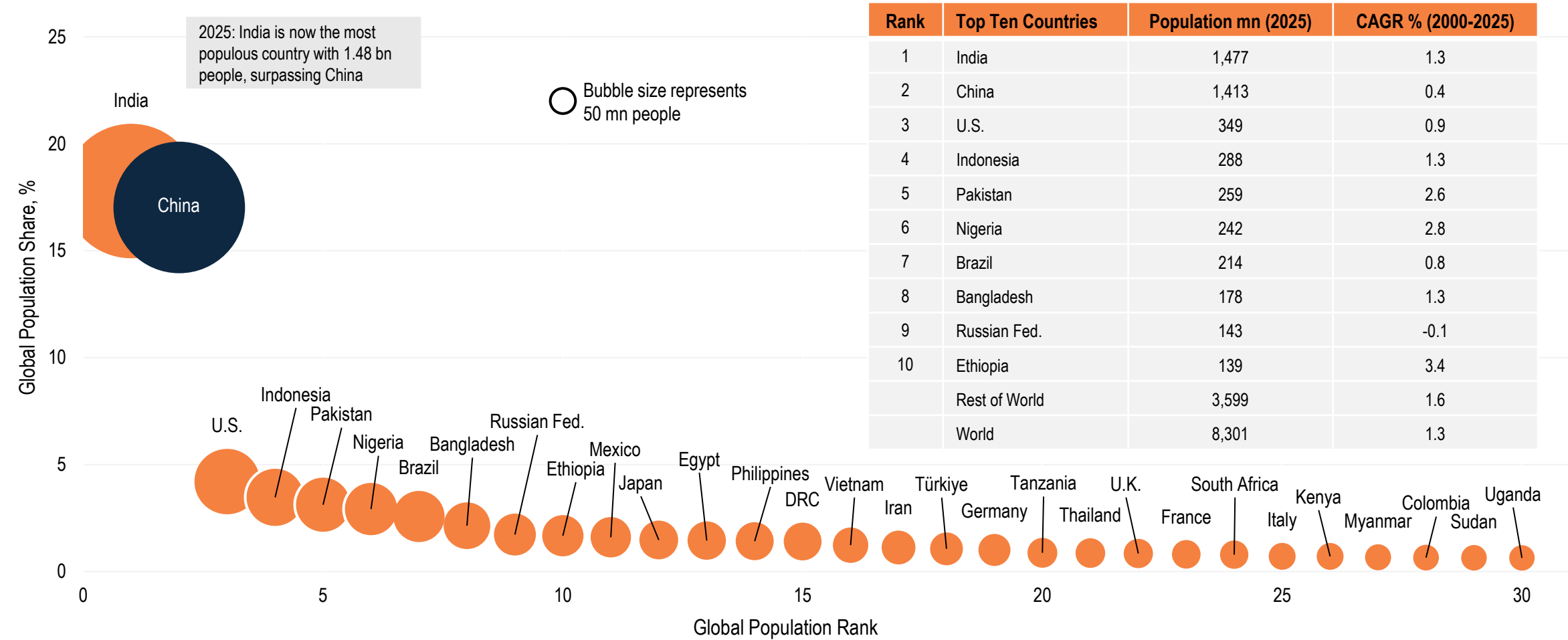
Countries with faster population growth have generally recorded stronger aggregate GDP growth
Higher average population growth during 2016-2025 coincided with higher average real GDP growth. The relationship is not necessarily causal, but population dynamics are an important consideration for long-term economic performance

All Countries Average Population Growth (LHS) and Average Real GDP Growth (RHS), % (2016-2025)



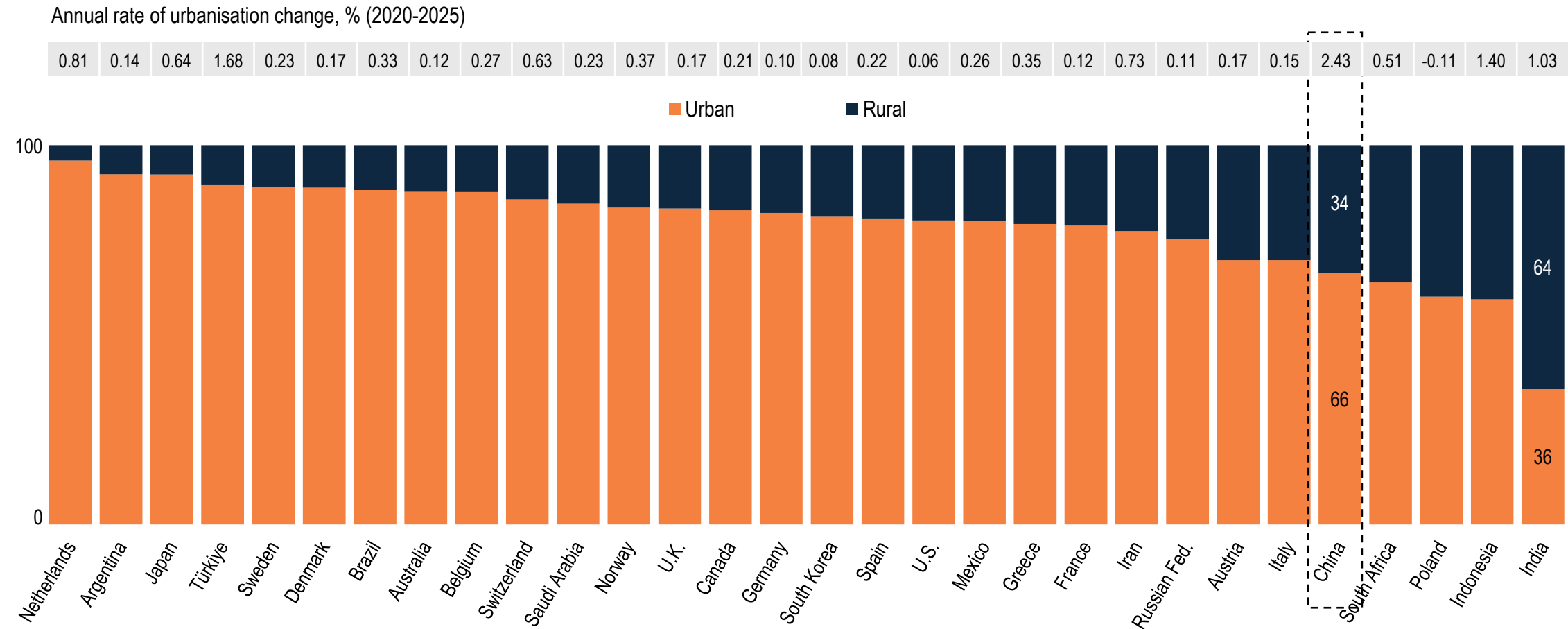
China's population is now declining after decades of slow growth
 China's population grew at an average annual rate of 0.4% between 2000 and 2025, but has declined in recent years.
 This demographic shift is likely to place increasing pressure on labour supply, productivity and long-term economic growth

Top 30 Countries by Population, mn (2025)



China's urbanisation remains below advanced-economy levels despite decades of rapid growth
Two-thirds of China's population lived in urban areas in 2025, compared with substantially higher shares in many advanced economies. Continued urbanisation offers opportunities for productivity growth and domestic consumption

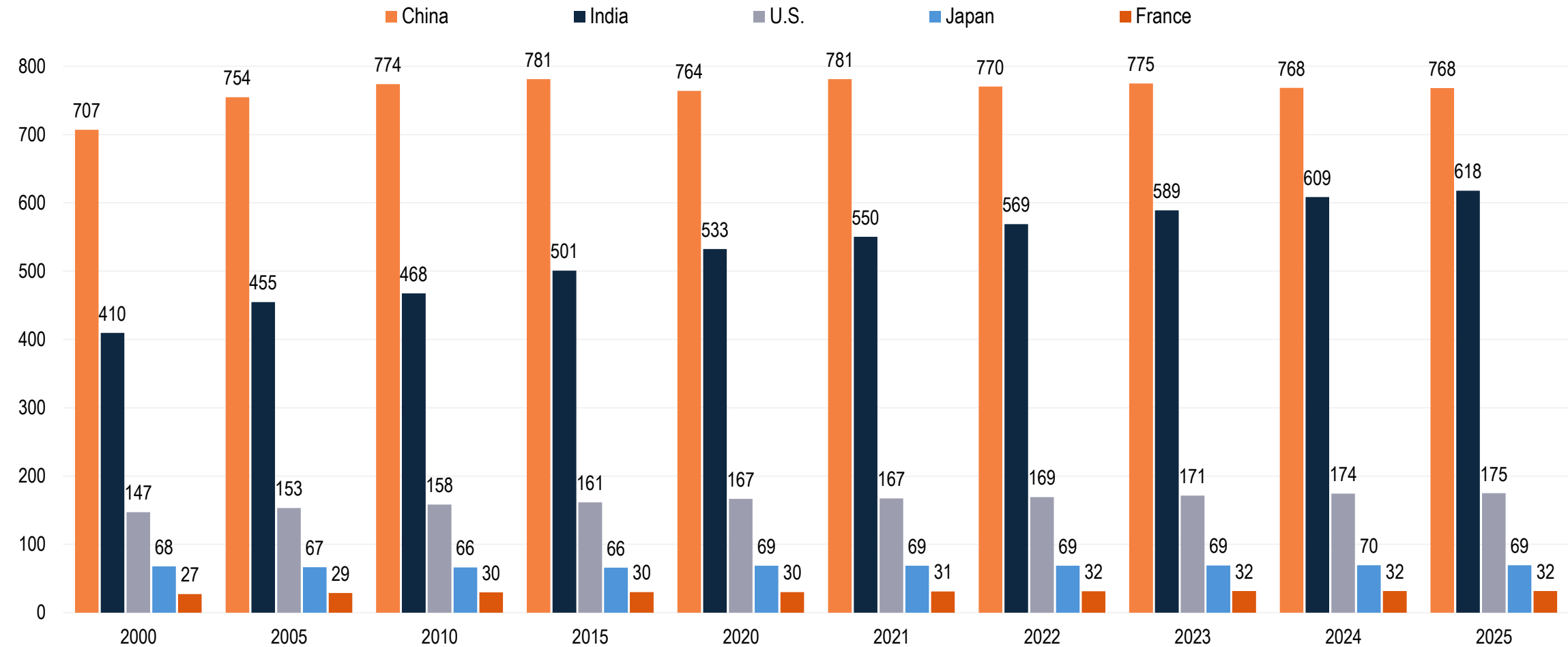
Ratio of Urban and Rural Populations of Selected Economies, % (2025)



Note: Annual urbanisation growth refers to the rate of increase in the urban population, not the annual percentage-point change in the share of people living in urban areas. Source: CIA World Factbook, World Bank, ANDAMAN PARTNERS Analysis

China retains one of the world's largest labour forces, although India is rapidly closing the gap
 China's labour force remained about 768 million in 2025, compared with India's 618 million. India's expanding workforce contrasts with China's ageing population and increasingly constrained labour supply

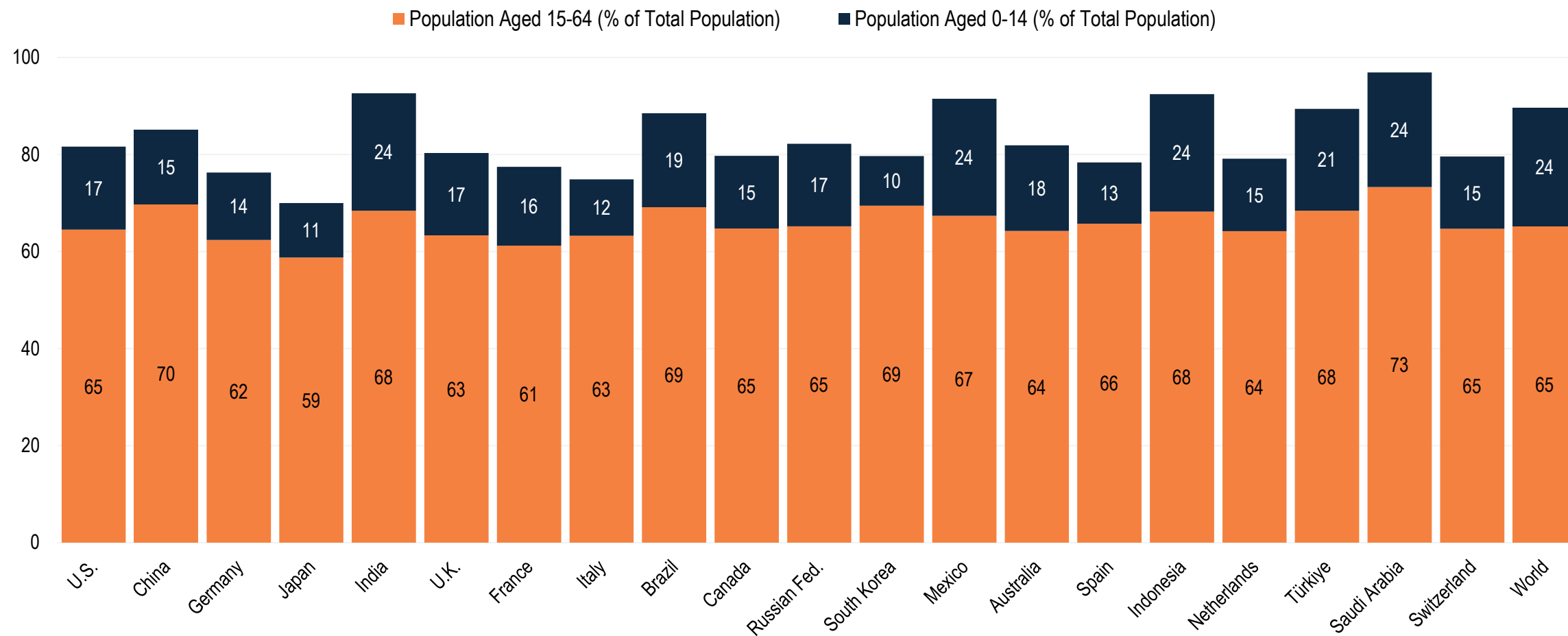
Total Labour Force: China, India, the U.S., Japan and France, mn (2000, 2005, 2010, 2015, 2020-2025)



China's ageing population is reshaping its long-term labour supply outlook

China's working-age population has been declining since the 2010s, reflecting lower birth rates and demographic ageing. These trends will place increasing pressure on labour supply and raise the importance of productivity improvements

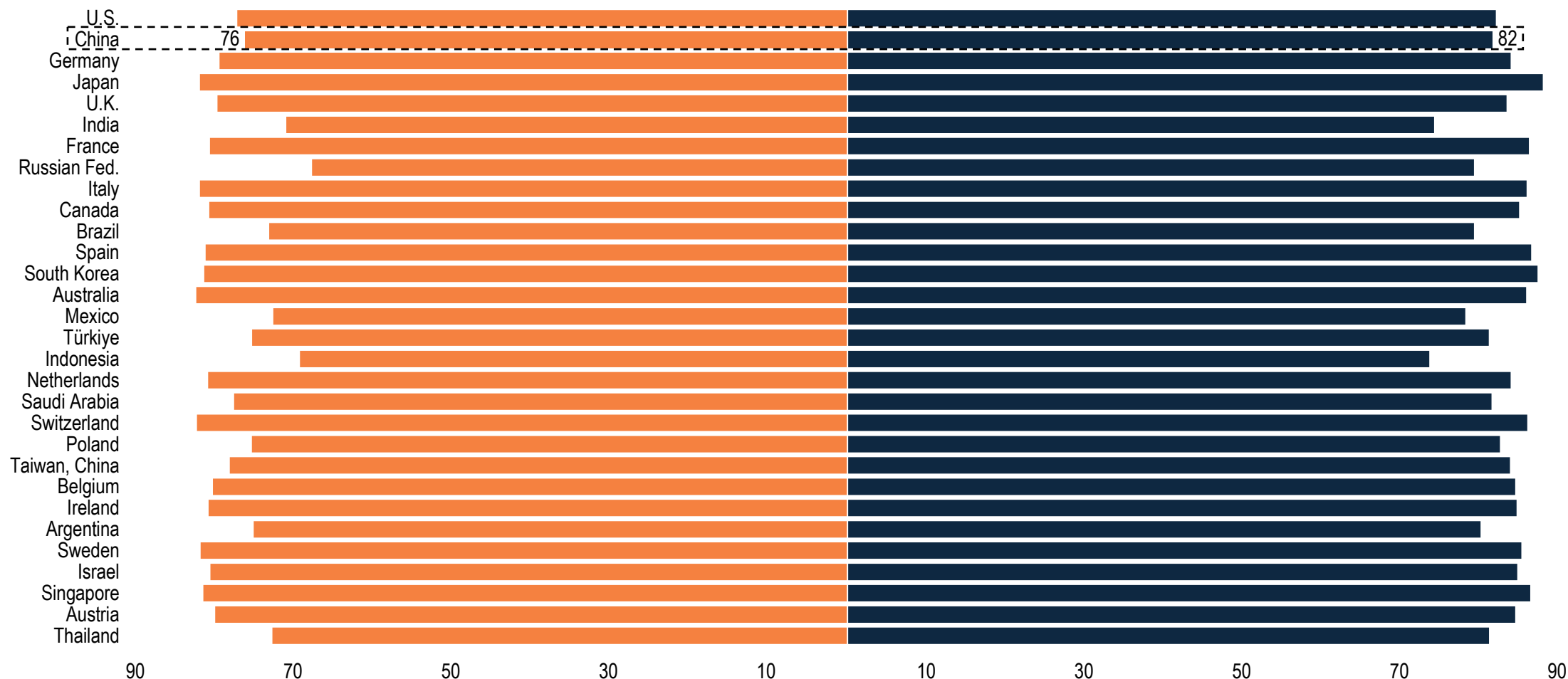
Populations Aged 0-14 and 15-64, % of Total Population in Selected Countries (2025)



The average life expectancy in China is higher than in other large developing economies
China's average for both males and females (79) generally still lags behind developed economies, although it is considerably higher than the global average of 73.5 years

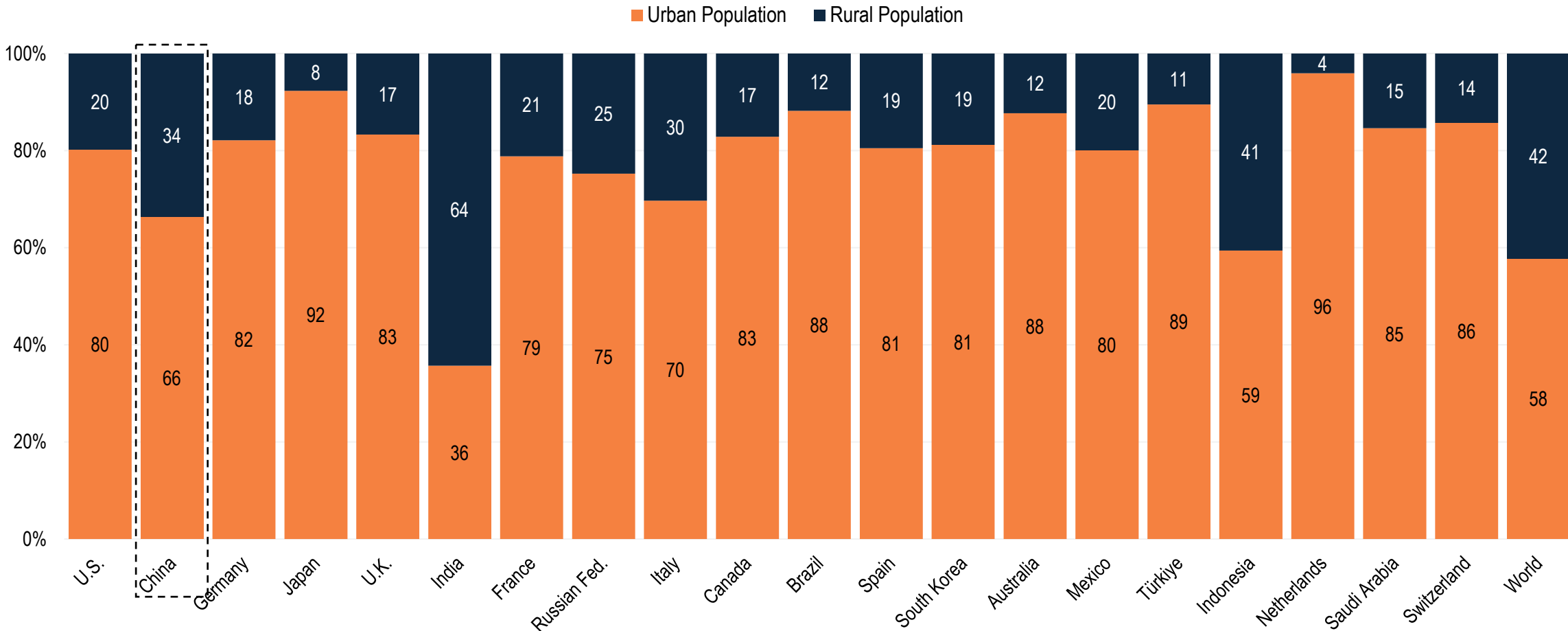
Life Expectancy of Top 30 Largest Economies Ranked by GDP, Age (2025)

Male Female



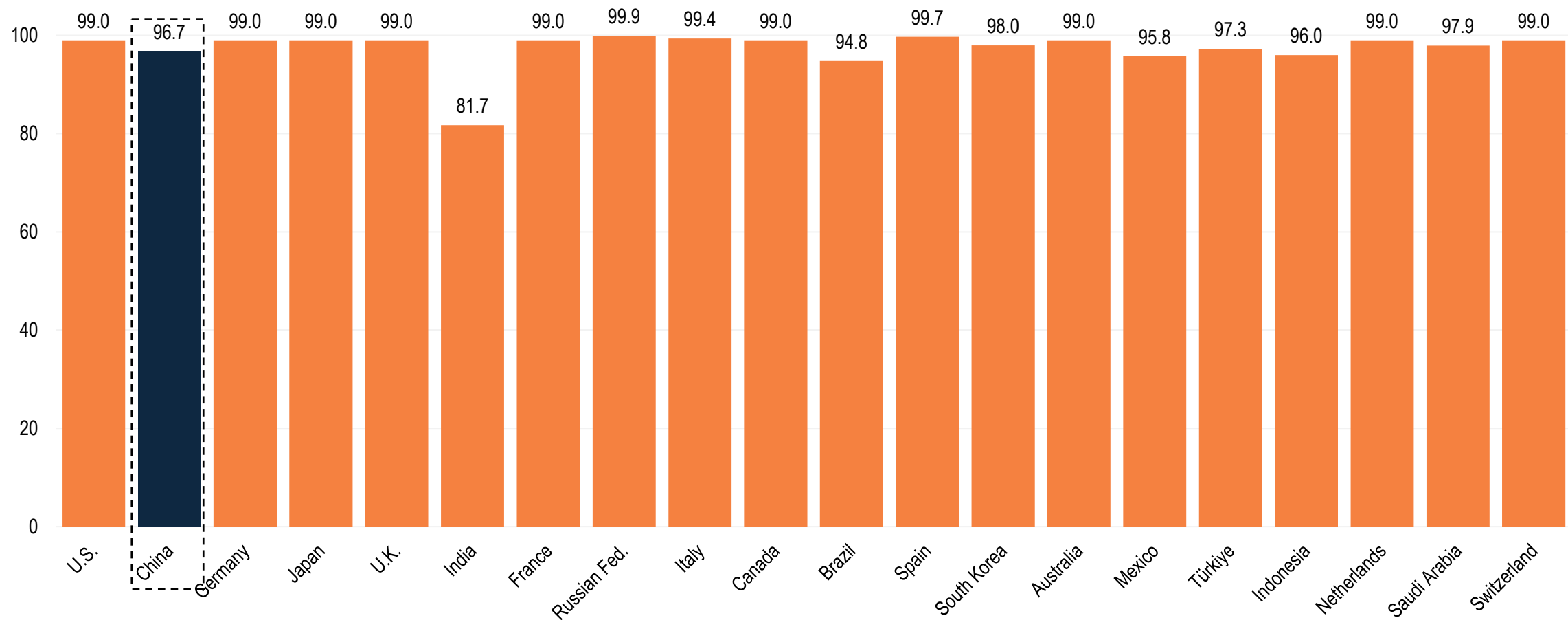
China's urban population exceeds the global average but remains below advanced-economy levels
66% of China's population lived in urban areas in 2025, compared with a global average of around 58%. China remains considerably less urbanised than most advanced economies

Ratio of Urban and Rural Populations of Top 20 Economies by GDP, % of Total Population (2025)



China's literacy rate stands at 97%, reflecting the country's substantial investment in education. Particularly during the 1980s and 1990s, the literacy rate in China increased from 65% in 1982 to 91% in 2000, a 26-percentage-point increase in under two decades.

Literacy Rates of the Top 20 Economies by GDP, % (2025)



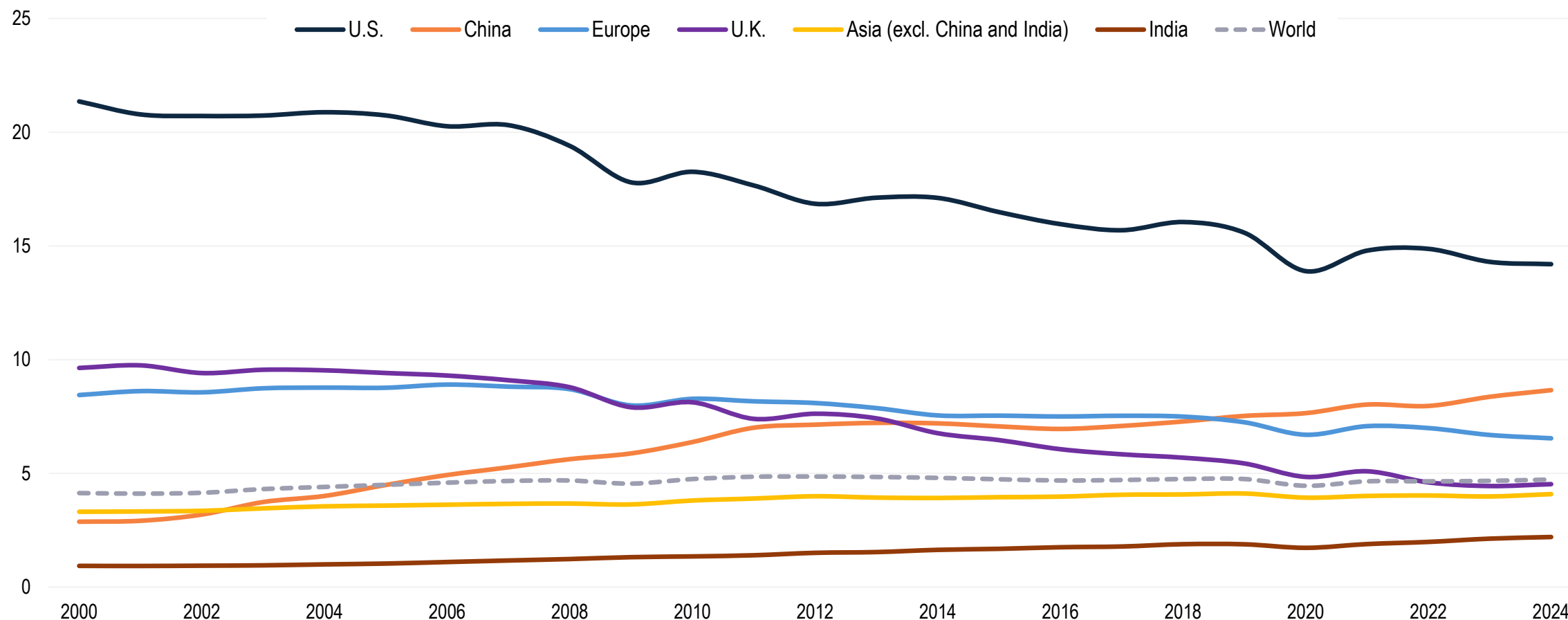
Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. **China in the World**
 - Macro-Economic Overview
 - Consumption
 - Investment
 - Trade
 - Financial Indicators
 - Social Indicators
 - **Other Indicators**
6. Conclusions, Implications and Recommendations



China's per capita CO₂ emissions have risen above the global average but remain below U.S. levels
China's per capita emissions reached 8.66 tonnes in 2024, approximately 87% above the global average but below the U.S. level of 14.20 tonnes, reflecting the scale and industrial intensity of China's economy

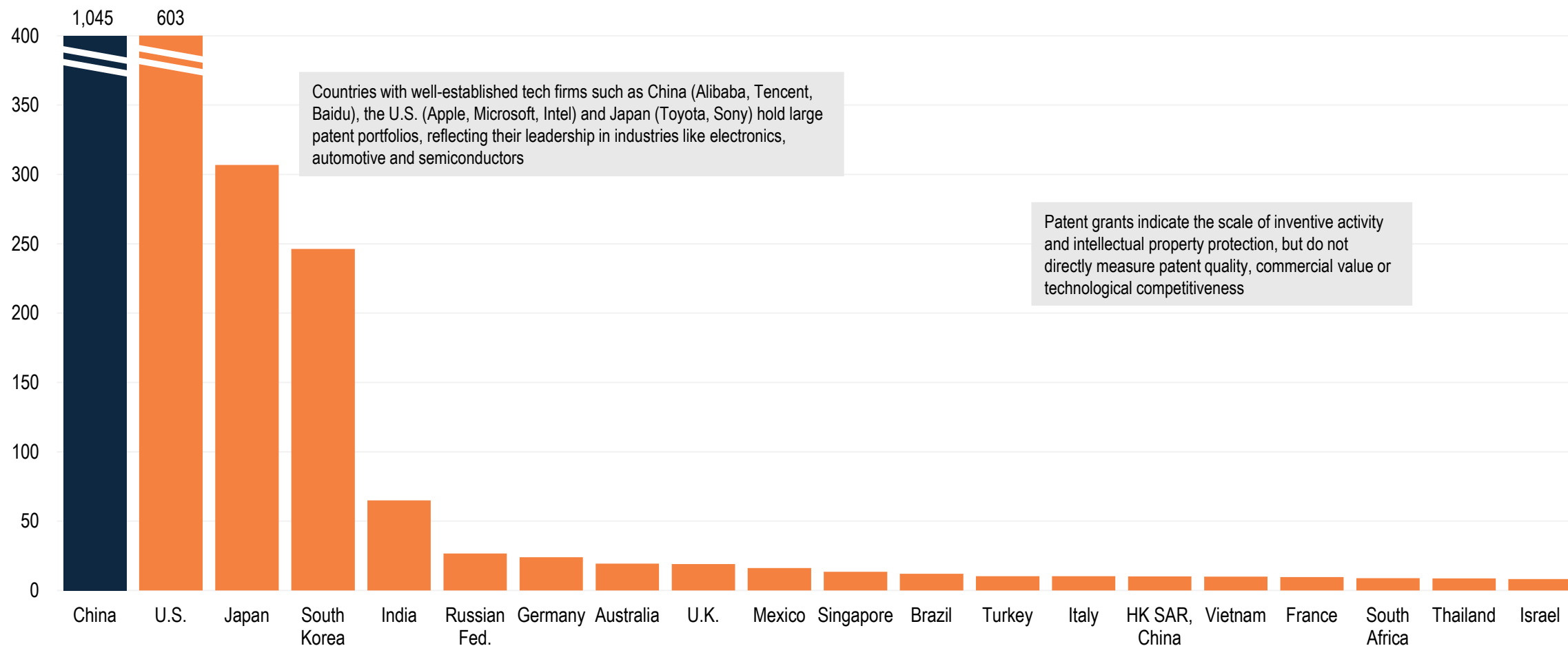
CO₂ Emissions Per Capita from Fossil Fuels & Industry: Selected Economies, tons (2000-2024)



China's patent office grants more patents than any other national office

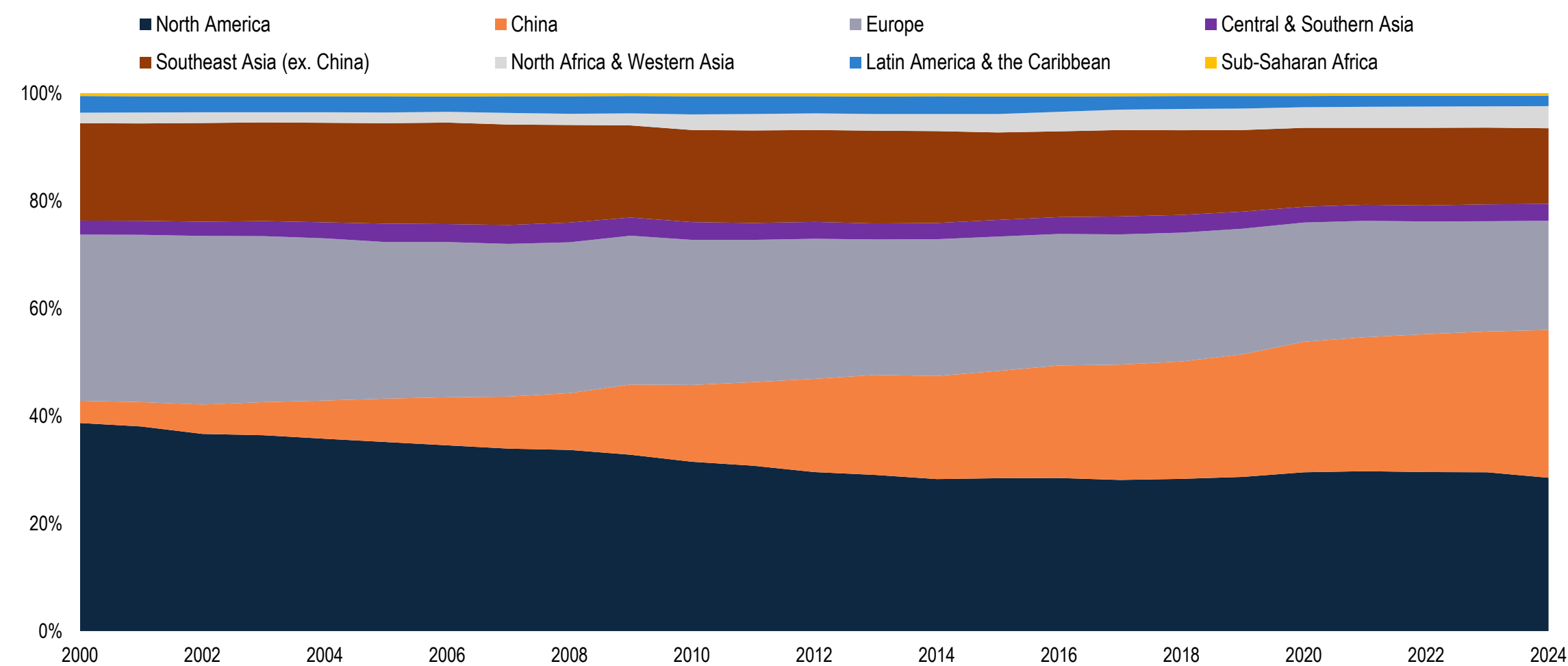
China's patent office granted 1.05 million patents in 2024, compared with 603,194 in the U.S. Patent volumes demonstrate the scale of intellectual property activity but do not directly measure technological quality

Top 20 Patent Offices by Number of Patents Granted, '000 (2024)



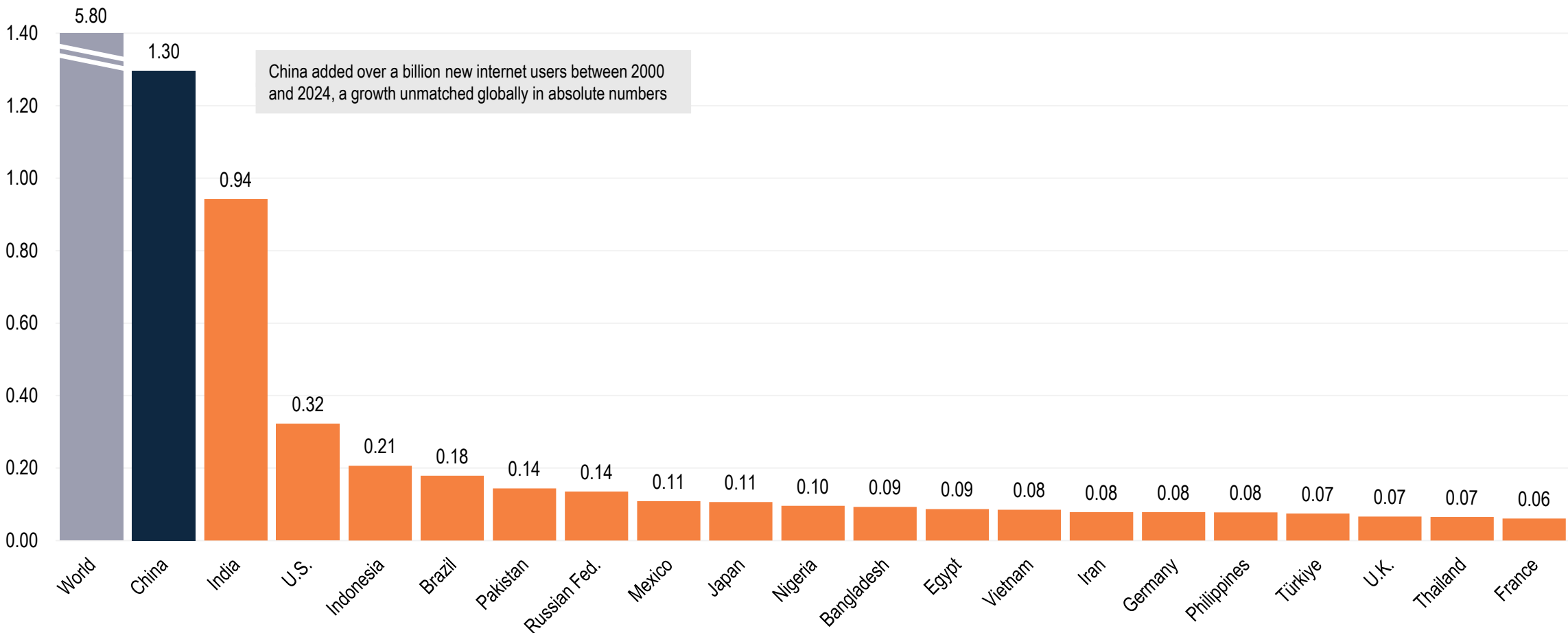
China's share of global R&D spending increased from 4% in 2000 to 27% in 2024
 China has become a major player in global research & development (R&D) spending with an increased focus on industries such as AI, telecommunications and renewable energy

Regional Shares of Global R&D Spending, % (2000-2024)



China has the world's largest internet population, with more than 1.3 billion users
Internet penetration reached 92% in 2025, demonstrating continued digital adoption despite China's already enormous online population

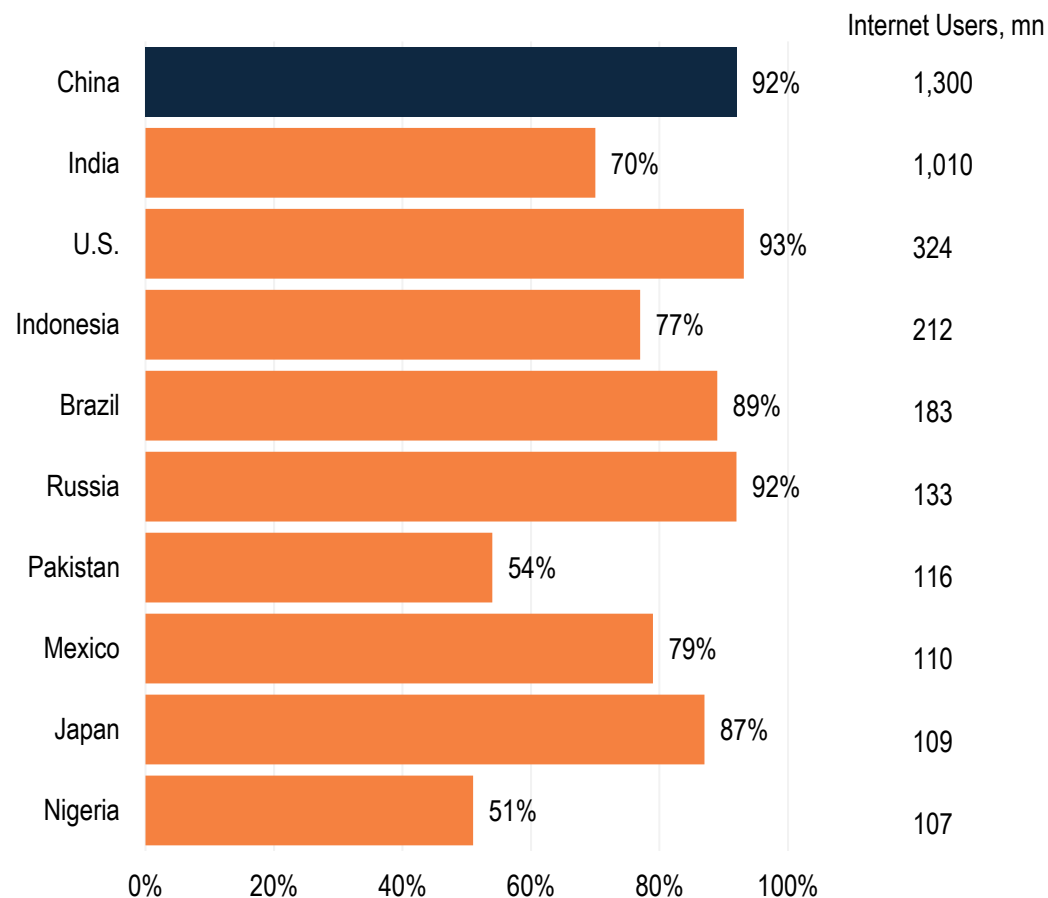
Top 20 Countries by Number of Internet Users, bn (2025)



China's fintech sector has achieved exceptional scale in digital payments

China has developed one of the world's largest digital payments ecosystems, led by Alipay and WeChat Pay, with major financial technology operations also spanning digital banking, lending, insurance and wealth management

Internet Penetration in Top 10 Largest Internet Markets, % (2025)

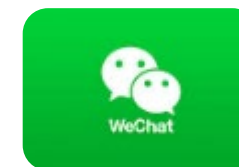


Major Players in China's Fintech Sector (2026)



Alipay, Ant's flagship product, still serves over 1.3 billion users globally, making it the largest mobile payment platform globally

Focus: Digital payments, wealth management, insurance, lending



Tencent's fintech operations, anchored by WeChat Pay, constitutes China's mobile payment duopoly alongside Alipay

Focus: Digital payments and social finance



JD Technology, formerly JD Digits, operates as the financial services arm of JD.com, one of China's largest e-commerce platforms

Focus: Payment processing, loans and financial management



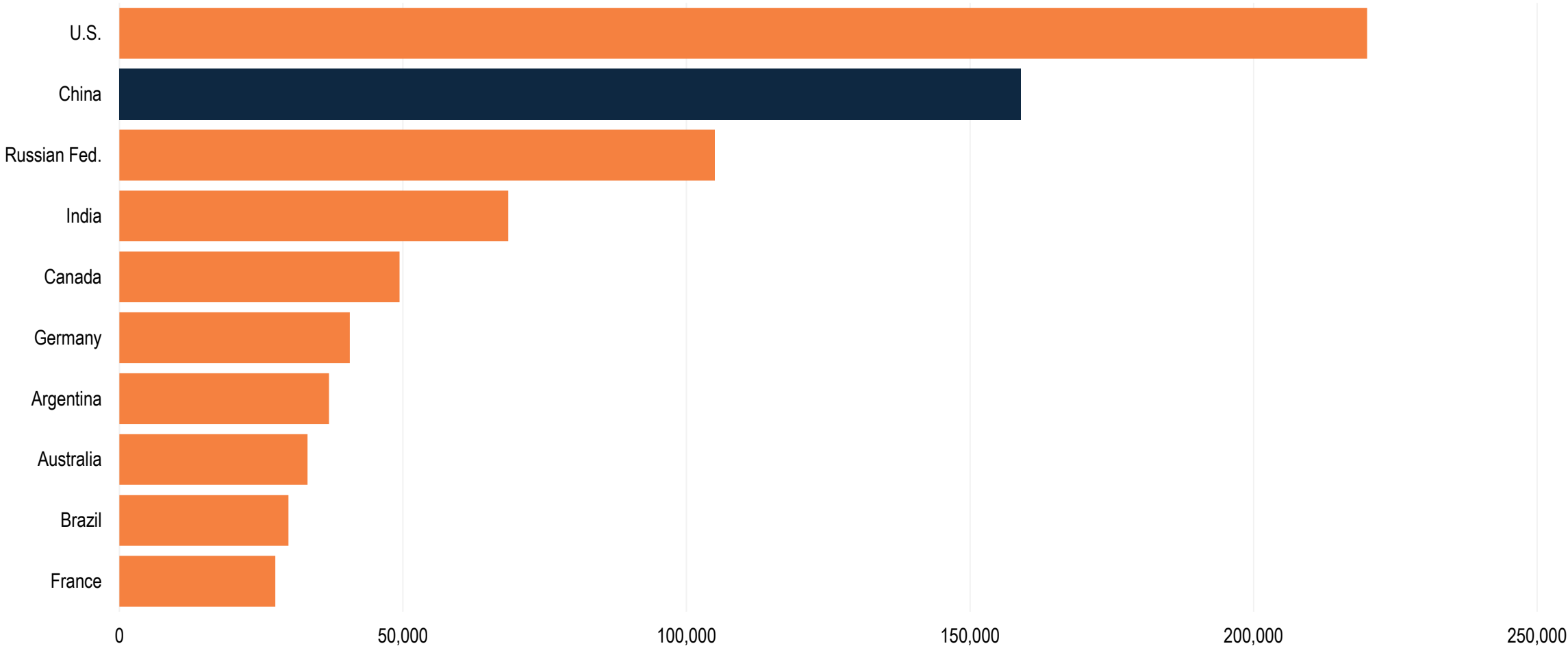
WeBank, backed by Tencent, was China's first digital-only bank, serving over 300 million individual customers through its mobile app

Focus: Wealth management and personal loans, payment solutions and banking business

Only the U.S. now has a larger rail network than China

China has emphasised high-speed rail development in recent years with massive government-driven infrastructure investments and a rapid increase in total network length

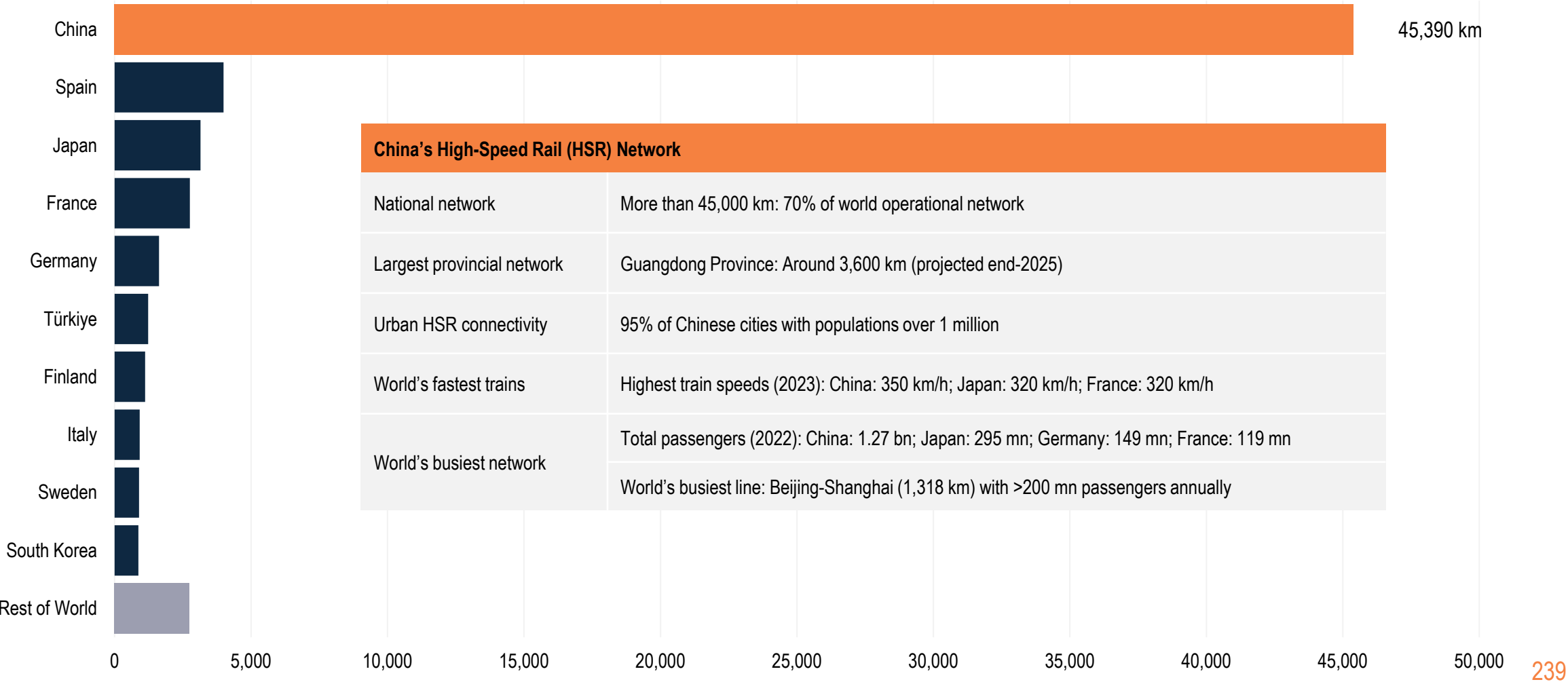
Top 10 Countries With Longest Rail Networks, km (2025)



China operates by far the world's largest high-speed rail network

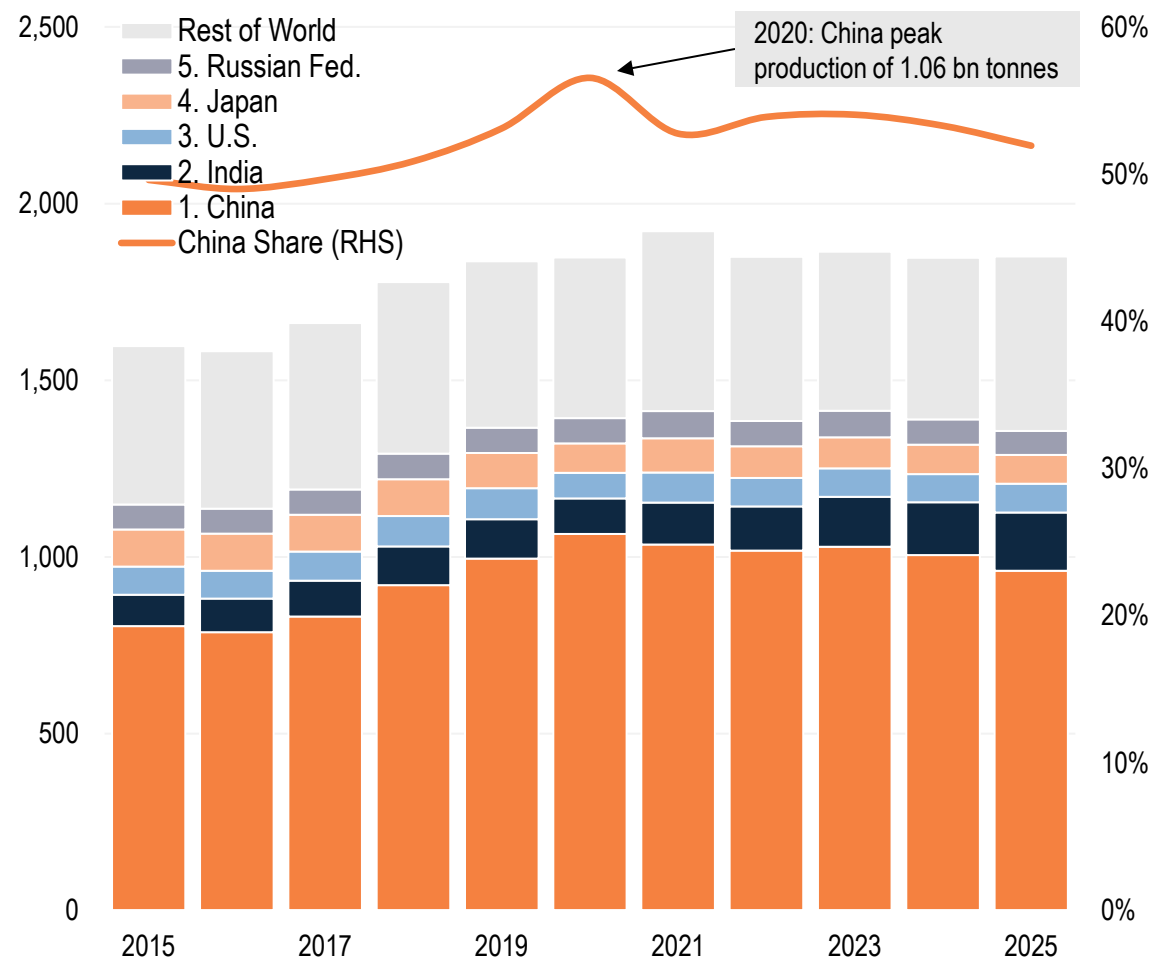
China's operational high-speed rail network exceeded 45,000 kilometres in 2024, representing a substantial share of global high-speed rail infrastructure and connecting major cities across the country

Length of High-Speed Rail Network in Commercial Operation by Country, km (2024)

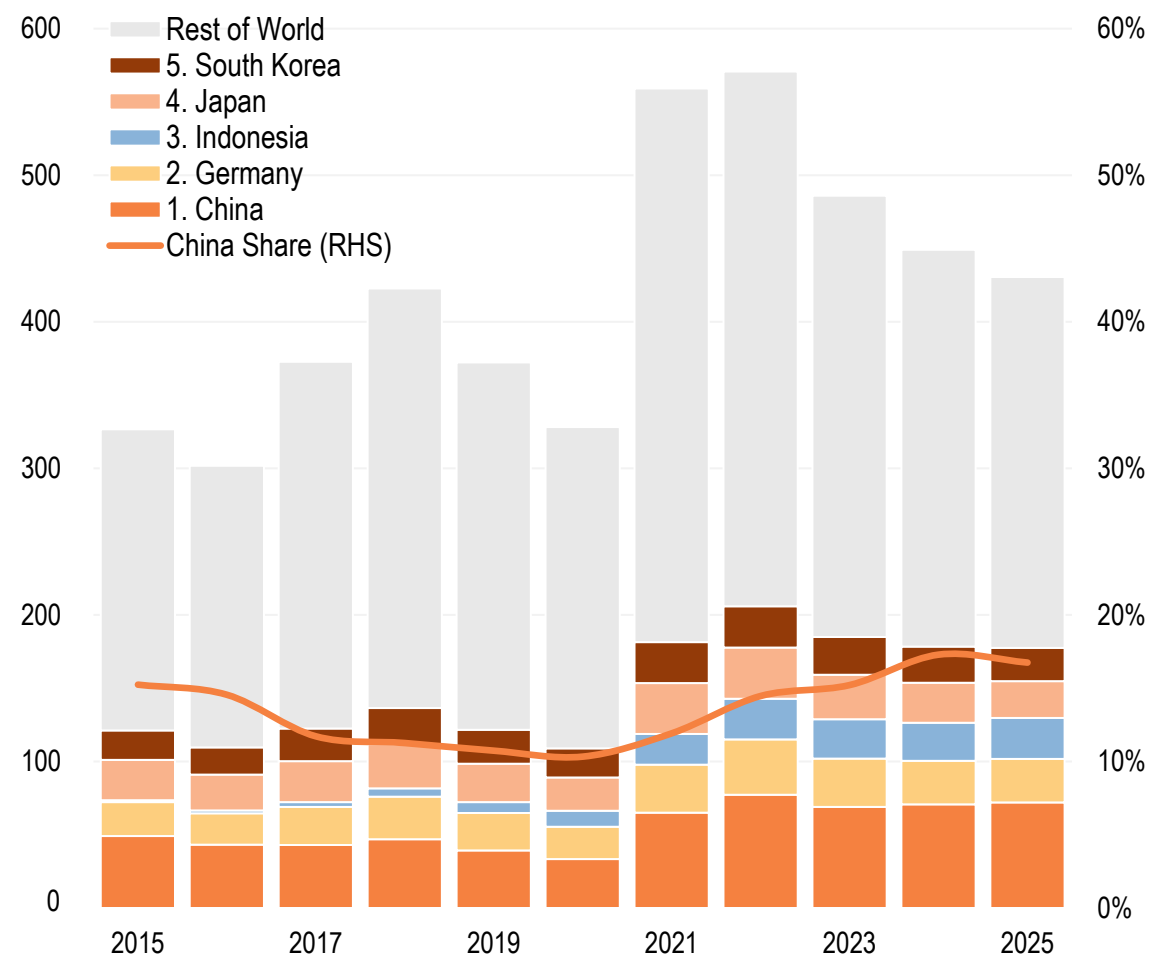


China produces more than half the world's steel and has expanded its share of global steel exports
China accounted for approximately 53% of global crude steel production in 2025, while its share of global HS72 iron and steel exports by value reached around 17%, underlining its central role in both production and international trade

Global Crude Steel Production: China vs Top 2-5 Producers and Rest of World, Mn Metric Tonnes (2015-2025)



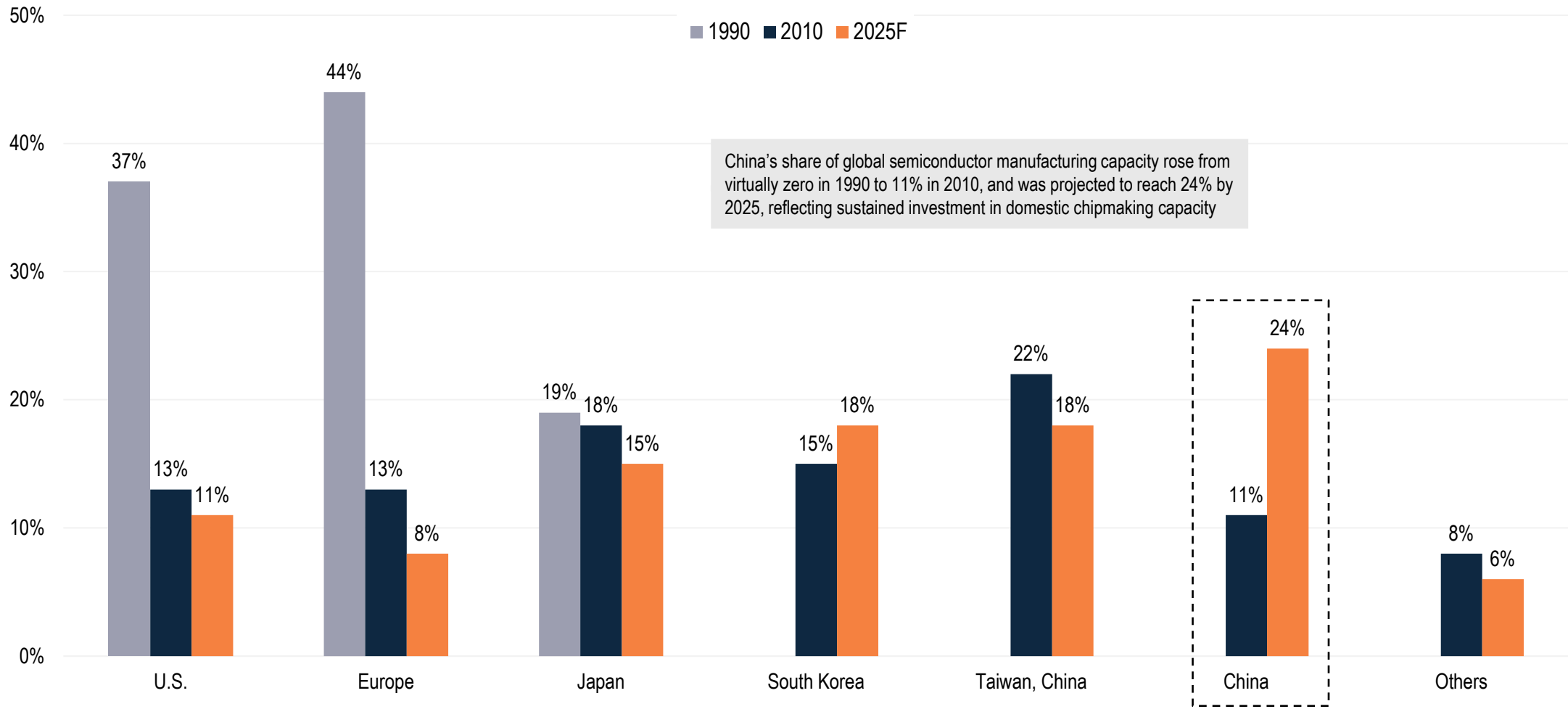
Global Steel* Trade: China vs Top 2-5 Exporters and Rest of World, USD bn (2015-2025)



Note: Top five producers and exporters based on cumulative data 2015-2024. *Steel trade refers to UN Comtrade HS72 (Iron & Steel), measured in USD (FOB), encompassing a wide range of materials from primary forms to finished products, e.g., pig iron, ferro-alloys, ferrous waste and scrap, and various semi-finished and finished steel products. Source: UN Comtrade, World Steel Association, ANDAMAN PARTNERS Analysis

China has emerged as the world's largest semiconductor manufacturing base by capacity
 China's share of global semiconductor manufacturing capacity was projected to reach 24% in 2025, up from 11% in 2010 and virtually zero in 1990, reflecting decades of investment in domestic chip production

Semiconductor Manufacturing Capacity by Region, Share of World, % (1990, 2010, 2025F)



Note: 2025 figures are projections from the cited industry sources and may differ from subsequently reported capacity. Source: VLSI Research, SEMI, BCG, JP Morgan Asset Management, ANDAMAN PARTNERS Analysis

Agenda

1. Prelude
2. Feature: Digital China and AI
3. China in Brief
4. China in Depth
5. China in the World
6. **Conclusions, Implications and Recommendations**



Conclusions

China is evolving and grappling with reform, but is emerging in a new dispensation as a comprehensive superpower with a new growth model

1 China's economy is in a transitional phase

A new growth model is emerging, but the transition remains incomplete

- China's growth is moderating as the investment-intensive model that drove previous decades loses momentum. Household consumption has yet to become a sufficiently strong alternative driver
- Economic restructuring is creating divergent outcomes across industries, with pressure in property and traditional sectors alongside rapid progress in advanced manufacturing, technology and innovation
- China will remain a major contributor to global economic growth, but businesses must adapt to a more selective, uneven and competitive environment

2 Structural reform will determine China's next phase of growth

The challenges are substantial, but so are the opportunities

- Rebalancing towards household consumption and services remains a central economic challenge, alongside managing debt, demographic pressures and weaknesses in the property sector
- Digitalisation, healthcare, advanced manufacturing and new consumer business models are creating opportunities, even as growth slows in more established markets
- Success increasingly depends on identifying specific growth segments rather than relying on broad market expansion

3 China is upgrading its position in the global economy

Its competitive advantage is increasingly built on scale, technology and industrial capability

- China remains a major manufacturing and export centre while moving further into higher-value products, advanced technologies and research-intensive industries
- Its expanding capabilities in electric vehicles, batteries, renewable energy equipment, AI and industrial technologies are reshaping competition with established global producers
- China is no longer defined primarily by low-cost manufacturing, although its technological capabilities and competitiveness vary considerably across sectors

4 China's transformation is unfolding amid growing global fragmentation

Geopolitical risk has become a central business consideration

- Trade restrictions, export controls, industrial policy and geopolitical competition are changing the conditions under which companies operate internationally
- Supply chains, investment decisions and technology partnerships are increasingly influenced by regulatory and strategic considerations alongside commercial economics
- Businesses need to prepare for multiple scenarios while retaining the flexibility to operate across increasingly differentiated markets

5 China's relationship with the world is being redefined

China is becoming more self-reliant while remaining deeply integrated into global markets

- China is seeking greater control over critical technologies, industrial supply chains and strategic capabilities while expanding trade and investment relationships
- Its importance as a producer, customer, investor and technology competitor means that developments in China increasingly shape business conditions well beyond its borders
- The challenge for international businesses is no longer simply how to enter China, but how to position themselves within an evolving Chinese and global economic ecosystem

Implications

China is still a place to compete and win; the challenge is to fully comprehend the new China and to match the winning mentality of China's new cohort of "winners"

1 China is still a place to compete and win

Don't mistake deceleration for decline: China remains too large and too dynamic to ignore

- China remains one of the world's largest consumer, industrial and technology markets, but opportunities are becoming more differentiated by sector, region and customer segment
- Foreign businesses need sharper market intelligence, more selective investment strategies and stronger local execution to identify commercially attractive opportunities
- Success requires understanding where demand is expanding, where competition is intensifying and where foreign companies can offer distinctive value

2 From 'China only' to a broadening ecosystem

China is no longer the only supply option, but as part of a global ecosystem, it cannot be avoided

- China's manufacturing scale and supplier ecosystems remain difficult to replicate, even as alternative production centres develop across Asia and other emerging markets
- Businesses should evaluate China+1 or China+Many strategies according to product complexity, supplier capability, cost and geopolitical exposure
- Diversification should complement, rather than automatically replace, commercially competitive Chinese supply chains

3 A new cohort of winners is emerging in China

A new competitive landscape is taking shape, and foreign businesses must adjust

- Chinese companies are building capabilities in advanced manufacturing, digital services, industrial technology and other high-value sectors
- These companies are increasingly relevant as competitors, suppliers, customers and potential partners in China and international markets
- Foreign businesses need to reassess their competitive advantages and identify partnerships that create genuine technological, operational or market value

4 Restructuring, not decoupling

China's global integration is changing, not ending

- Emerging markets are becoming increasingly important to China's international strategy
- China is expanding commercial relationships across emerging markets while adjusting to trade restrictions and geopolitical competition in developed economies
- Trade, investment and infrastructure relationships are creating new opportunities for businesses operating across China and third markets
- A China strategy increasingly needs to be integrated with wider emerging-market and global supply-chain strategies

5 From access to alignment: a crucial shift

Strategic alignment is becoming as important as market access

- Market entry alone is no longer sufficient; companies must understand regulatory priorities, customer requirements, competitive dynamics and local operating conditions
- Localisation, innovation, credible partnerships and effective execution are increasingly important sources of competitive advantage
- Foreign businesses are not excluded from China's transformation, but the requirements for sustained success are becoming more demanding

Recommendations

China is still China, but must be approached more strategically to manage risk and reward

- | | |
|--|--|
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px; margin-bottom: 10px;"> <p>1 Stay engaged, not under- or over-exposed</p> <p>Engage and diversify and anticipate a dynamic environment</p> </div> | <ul style="list-style-type: none"> • Review China's role across sourcing, manufacturing, sales and investment, identifying areas of strategic dependence and commercial opportunity • Diversify selectively into alternative markets and suppliers where the economics, capabilities and risk profile justify doing so |
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px; margin-bottom: 10px;"> <p>2 Strategic intelligence and the right team are key</p> <p>Get the right intelligence, tools and people on the job</p> </div> | <ul style="list-style-type: none"> • Invest in market intelligence, experienced teams and reliable local partners to navigate regulatory change, customer behaviour and competitive developments • Strengthen digital sales, local innovation and product adaptation through a commercially grounded China-for-China approach |
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px; margin-bottom: 10px;"> <p>3 Find 'hot' growth sectors</p> <p>Refocus and re-engage, get the strategy right</p> </div> | <ul style="list-style-type: none"> • Identify attractive sectors and customer segments through rigorous market analysis, including advanced manufacturing, healthcare, food and agriculture and selected consumer markets • Develop appropriate routes to market, distribution channels and partnerships supported by thorough commercial and operational due diligence |
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px; margin-bottom: 10px;"> <p>4 Recalibrate supply chains</p> <p>Keep selling and buying and seeking out new opportunities</p> </div> | <ul style="list-style-type: none"> • Develop a portfolio of suppliers across China and other manufacturing markets, balancing cost, quality, capability, delivery and resilience • Assess new industrial clusters and supplier tiers while preserving relationships with strategically important Chinese producers • There is an unfolding shift from China only (2005) to China+1 or China+2 (2015), to international sourcing (2020) and even full-scale global sourcing (2026). China will remain crucial but with new characteristics |
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px; margin-bottom: 10px;"> <p>5 Use a highly developed risk radar</p> <p>Be ready to change, adapt and adjust plans</p> </div> | <ul style="list-style-type: none"> • Use a strong risk radar to target relevant industry clusters and suppliers; anticipate change. Regular supplier health checks are now crucial • Establish regular monitoring of tariffs, export controls, sanctions, regulatory changes and supplier financial health • Develop contingency plans for critical suppliers, markets, technologies and logistics routes, supported by clear management responsibilities |
| <div style="border: 1px solid #ccc; background-color: #f9f9f9; padding: 10px;"> <p>6 Be very strategic with attracting Chinese capital</p> <p>Adopt, articulate and correct to attract opportunities and partners</p> </div> | <ul style="list-style-type: none"> • Leverage China's outbound capital flows and pursue China as a capital partner; recognise changing dynamics in sector/regional focus areas, deal structures and regulation. Three keys to China capital: Adopt an appropriate process, articulate investment opportunities and correct targets • Chinese investors are increasingly selective, impact-conscious, and policy-sensitive. Alignment with national priorities is essential • Positioning is everything: Credible local execution, regulatory clarity and long-term partnership potential are prerequisites for serious engagement |

Disclaimer

This document is issued by ANDAMAN PARTNERS. While all reasonable care has been taken in the preparation of this document, no responsibility or liability is accepted for errors or omissions of fact or for any opinions expressed herein. Wherever applicable, international sources of data have been used, which may have discrepancies from Chinese sources. Opinions, projections and estimates are subject to change without notice. This document is for information purposes only, and solely for private circulation. The information contained here has been compiled from sources believed to be reliable. While every effort has been made to ensure that the information is correct and that the views are accurate, ANDAMAN PARTNERS cannot be held responsible for any loss, irrespective of how it may arise. In addition, this document does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or to adopt any investment strategy, nor does it constitute any prediction of likely future movements or events in any form. Some investments discussed here may not be suitable for all investors. Past performance is not necessarily indicative of future performance; the value, price or income from investments may fall as well as rise. ANDAMAN PARTNERS, and/or a connected company, may have a position in any of the investments mentioned in this document. All concerned are advised to form their own independent judgment with respect to any matter contained in this document.



ANDAMAN PARTNERS

Investment  Advisory  Trade

Shanghai - Hong Kong - Singapore - Perth - Bangkok - Cape Town

www.andamanpartners.com