

IMF Executive Board Concludes 2025 Article IV Consultation with China

February 18, 2026

Washington, DC: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation¹ (#_bookmark0) with the People's Republic of China on February 13, 2026. The authorities have consented to the publication of the Staff Report prepared for this consultation.

The Chinese economy has remained remarkably resilient despite facing multiple shocks in recent years. Real GDP grew by 5 percent in 2025, meeting the authorities' target, supported by robust exports and policy stimulus. However, private domestic demand remained lackluster, and while core inflation has picked up modestly, headline inflation continues to be muted, averaging 0 percent in 2025, and the GDP deflator continued to decline. Low inflation relative to trading partners has also led to real exchange rate depreciation, contributing to strong exports and an increase in the current account balance to an estimated 3.3 percent of GDP in 2025.

GDP growth is projected to slow to 4.5 percent in 2026, reflecting the prolonged effects of tariffs and trade policy uncertainty. Deflationary pressures are expected to persist, with inflation projected to rise only gradually amid continued economic slack. Over the medium term, growth is projected to continue decelerating due to a declining labor force, decreasing returns to investment, and slower productivity growth.

Risks around the outlook remain tilted to the downside. The main domestic risk is a deeper-than-expected contraction in the property sector, which, combined with high debt levels, could contribute to greater domestic demand weakness, entrenched deflation, and continued reliance on exports. Renewed escalation of trade tensions is the key external downside risk. Additional policy stimulus or cooperative resolution of trade tensions pose upside risks.

Executive Board Assessment² (EditorPage.aspx?da=core&id=%7BA58CBF66-D45B-4914-94A9-

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513176E32724%7D&so=%2Fsitecore%2Fsystem%2FSettings%2FHtml%20Editor%20Profiles%2FRich%20Text%20Full&di=0&hdl=H8470203937&mo&pe=0&fbd=1#_bookmark1

Executive Directors commended China's economic resilience despite multiple shocks in recent years. At the same time, Directors noted that China's growth model faces mounting challenges from domestic and external imbalances. Prolonged weak domestic demand risks entrenching deflationary pressures, while exports may be less able to drive growth going forward. Moreover, Directors highlighted that potential growth is expected to slow over the medium term amid aging and subdued productivity.

Directors underscored that transitioning to a consumption-led growth model should be the overarching priority and welcomed the focus of the 15th Five-Year Plan on boosting consumption. They acknowledged that reorienting China's growth model requires significant cultural and economic policy transformation and called for a comprehensive and more forceful response that combines increased macroeconomic policy support with structural reforms.

Directors emphasized that addressing domestic imbalances and reflating the economy will require more expansionary macroeconomic policies, with a focus on fiscal stimulus. They welcomed the fiscal expansion in 2025 and noted that an expansionary stance should be maintained until deflationary pressures subside durably. The composition of spending should shift towards greater support for consumption and the property sector and away from inefficient investment. The policy mix should include further monetary easing and greater exchange rate flexibility.

Directors also called for complementary structural reforms that rebalance the economy toward consumption. They highlighted that facilitating the property sector adjustment, including with central government financing for tackling pre-sold unfinished housing, would rebuild consumer confidence, while strengthening the social protection system would lower precautionary savings.

Directors welcomed the authorities’ efforts to tackle “involution”, or excessive price competition, but noted that the “anti-involution” strategy should be clarified further and be accompanied by stronger incentives to reduce overinvestment by local governments. They also underscored the need to scale back unwarranted industrial policy to lower domestic factor misallocation, reduce fiscal costs, and mitigate international spillovers.

Directors highlighted China’s important role in promoting open trade amid rising fragmentation pressures. Many Directors welcomed the authorities’ commitment to the multilateral trading system, and a few Directors also highlighted their constructive engagement on debt and climate issues. Directors encouraged China to work constructively with partners to resolve trade disputes and use national security justifications for restricting trade or investment judiciously.

Directors agreed that ensuring debt sustainability will necessitate significant fiscal consolidation over the long term but should only start once the economy has reflatd durably. The consolidation should be based on a reduction of off-budget investment and unwarranted industrial policy support, as well as tax and social security reforms. Directors also concurred with the need to restructure the debt of unsustainable local government financing vehicles (LGFVs) through insolvency frameworks, though they cautioned that financial sector spillovers should be carefully addressed and fiscal frameworks should be upgraded to prevent future debt buildup.

Directors underscored that financial sector policies should tackle elevated financial stability risks. They noted the importance of promoting timely and transparent loss recognition, transitioning to market-based pricing, and preparing a comprehensive strategy to address vulnerabilities, particularly legacy assets such as LGFV debt. Further, they noted that bolstering financial sector resilience requires improving systemic risk analysis, enhancing financial sector oversight and upgrading crisis management and bank resolution frameworks.

Directors emphasized the need for structural reforms to prevent a significant decline in medium-term growth. They saw market-oriented corporate sector reforms as a key priority, including opening up the services sector and fostering competitive neutrality across firms. Directors positively noted China’s advancements in artificial intelligence and called for policies to harness its potential while mitigating risks. While welcoming the announced increase in retirement age, Directors also noted the scope for further increases to mitigate pressures from aging.

Directors agreed that improving data quality and transparency can enhance policymaking and surveillance.

China: Selected Economic Indicators 2020-2030

2020	2021	2022	2023	2024	2025	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Est.						Projections				

(Annual percentage change, unless otherwise indicated)

NATIONAL ACCOUNTS

Real GDP	2.3	8.6	3.1	5.4	5.0	5.0	4.5	4.0	3.9	3.7	3.4
Total domestic demand	1.7	7.0	2.8	6.3	3.6	3.5	4.0	4.1	4.1	3.7	3.4
Consumption	-0.2	9.4	2.8	8.4	3.9	4.6	4.1	4.1	3.7	3.6	3.4
Fixed investment	3.5	2.4	3.3	4.5	3.0	1.0	2.0	5.5	4.7	3.9	3.7
Net exports (contribution)	0.7	1.7	0.4	-0.6	1.5	1.6	0.8	0.2	0.1	0.2	0.2
Total capital formation (percent of GDP)	42.3	42.7	42.4	41.1	40.6	38.8	38.4	38.4	38.7	39.0	39.1
Gross national saving (percent of GDP) 1/	43.9	44.6	44.8	42.6	42.9	42.1	41.5	41.2	41.2	41.3	41.3
Output gap estimate	-4.0	-1.1	-2.8	-2.1	-1.6	-1.0	-0.8	-0.5	-0.2	0.0	0.0

LABOR MARKET

Urban unemployment rate (annual average) 2/	5.6	5.1	5.6	5.2	5.1	...	...	...	...	...	...
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PRICES

Consumer prices (average)	2.5	0.9	2.0	0.2	0.2	0.0	0.9	1.5	1.8	1.9	2.0
Consumer prices (end of period)	0.3	1.5	1.8	-0.2	0.0	0.9	0.9	1.7	1.8	1.9	2.0
GDP Deflator	1.2	3.7	2.0	-0.4	-0.7	-1.0	-0.7	0.9	1.5	1.9	2.0

FINANCIAL

7-day repo rate (percent)	2.2	2.3	1.9	2.2	2.0	1.7	...	...	...	...	...
10 year government bond rate (percent)	3.0	3.1	2.8	2.8	2.2	1.8	...	...	...	...	...

MACRO-FINANCIAL

Total social financing	13.3	10.3	9.6	9.8	8.0	8.3	8.2	7.7	7.3	7.0	7.0
In percent of GDP	273	268	279	292	303	315	329	337	343	347	352
Total nonfinancial sector debt 3/	12.6	9.8	9.2	9.7	8.3	8.6	7.2	7.7	7.3	7.0	7.0
In percent of GDP	272	265	276	288	299	313	323	332	338	342	347
Domestic credit to the private sector	10.2	7.5	8.3	8.5	7.7	6.2	4.8	6.3	6.1	5.9	6.3
In percent of GDP	169	161	166	172	178	181	183	186	187	187	189
Household debt (percent of GDP)	60.6	60.6	60.8	61.9	61.4	59.4	59.0	59.7	60.2	60.7	61.3
Non-financial corporate domestic debt (percent of GDP)	108	101	106	110	116	122	124	126	126	126	127

GENERAL BUDGETARY**GOVERNMENT (Percent of GDP)**

Net lending/borrowing 4/	-9.6	-5.9	-7.3	-6.7	-7.4	-8.7	-8.7	-8.5	-8.2	-8.1	-8.0
Revenue	25.3	26.0	25.3	26.0	25.6	25.0	25.2	25.4	25.6	25.7	25.7
Additional financing from land sales	2.4	2.2	1.1	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Expenditure	34.8	31.9	32.6	32.7	33.0	33.7	33.9	33.9	33.8	33.7	33.8
Debt	44.7	45.8	49.4	54.7	60.9	68.4	75.1	78.9	81.8	84.4	86.9
Structural balance	-8.5	-5.6	-6.6	-6.1	-7.0	-8.5	-8.5	-8.3	-8.2	-8.1	-8.0

BALANCE OF PAYMENTS**(Percent of GDP)**

Current account balance	1.6	1.9	2.4	1.4	2.3	3.3	3.1	2.8	2.5	2.3	2.2
Goods balance	3.4	3.1	3.6	3.3	4.1	5.2	4.9	4.7	4.5	4.4	4.4

Services balance	-1.0	-0.6	-0.5	-1.1	-1.2	-1.2	-1.3	-1.3	-1.5	-1.6	-1.8
Net international investment position	15.1	12.0	13.2	15.6	17.6	20.2	22.1	23.7	24.9	25.8	26.5
Gross official reserves (billions of U.S. dollars)	3,357	3,427	3,307	3,450	3,456	3,703	3,990	4,277	4,562	4,862	5,170

MEMORANDUM ITEMS

Nominal GDP (billions of RMB) 5/	104,224	117,311	123,341	129,427	134,921	140,188	145,473	152,734	161,131	170,185	179,372
Augmented debt (percent of GDP) 6/	97.5	98.7	104.2	111.3	117.0	126.6	135.3	141.5	146.2	150.0	153.7
Augmented net lending/borrowing (percent of GDP) 6/	-16.2	-12.1	-13.5	-12.8	-13.2	-14.3	-14.2	-13.7	-13.2	-12.8	-12.5
Change in Augmented Cyclically-Adjusted Primary Balance 7/	-2.6	2.8	-0.8	0.4	-0.6	-0.9	0.3	0.8	0.6	0.6	0.4

Sources: Bloomberg; CEIC Data Company Limited; Wind; IMF International Financial Statistics database; and IMF staff estimates and projections.

1/ 2024 GDP will be revised to match official revisions, once full official data are released.

2/ Surveyed unemployment rate.

3/ Includes government funds.

4/ Adjustments are made to the authorities' fiscal budgetary balances to reflect consolidated general budgetary government balance, including government-managed funds, state-administered SOE funds, adjustment to the stabilization fund, and social security fund.

5/ Expenditure side nominal GDP.

6/ The augmented balance expands the perimeter of government to include government-guided funds and the activity of local government financing vehicles (LGFVs).

7/ In percent of potential GDP.

1 Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

2 At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

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IMF Communications Department

MEDIA RELATIONS

PRESS OFFICER: TING YAN

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

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