

Business & Economics — China's Economic Development: Assessment and Outlook 2025–2026

China remains the world's second-largest economy, but its growth model is undergoing a period of profound transformation. Between a persistent real estate crisis, an unprecedented trade war with the United States, and long-term structural challenges, the country must rethink the foundations of its economic momentum.

Growth Maintained, but on Fragile Foundations

China officially reached its GDP growth target of 5% for 2024, though at the cost of significant imbalances on both the supply and demand sides. China's GDP amounted to \$18.743 trillion in 2024, representing 17.65% of the global economy.

In the first half of 2025, growth proved even stronger than expected, exceeding the authorities' targets in both the first quarter (5.4% year-on-year) and the second quarter (5.2%).

However, this performance hides deep underlying vulnerabilities. China remains trapped in a real estate crisis triggered by excessive debt among property developers, which has led some companies to bankruptcy and discouraged Chinese households from investing in property. The real estate sector still accounted for 7.4% of GDP in 2024 and remains the main factor behind weak investment growth.

Domestic Consumption: The Unresolved Challenge

Consumption remains weak both cyclically and structurally, accounting for only 32% of GDP, while investment growth continues to slow.

Since 2017, China has attempted to rebalance its economy toward a model driven more by domestic consumption. However, this transition has proven difficult. Household consumption remains constrained by a high savings rate, largely due to public uncertainty and the lack of substantial reforms in the social protection system.

Deflation: A New Structural Threat

Unlike many Western economies, China is not suffering from inflation but from the opposite phenomenon. The GDP deflator has been declining by roughly 1% per year, while consumer prices have stagnated since 2022.

In 2024, Chinese export prices fell by 7% despite a stable exchange rate. Over the long term, deflation represents a significant threat to China's economy because it increases the real value of household real-estate debt and reinforces weak consumer demand.

The Trade War with the United States: A New Era of Confrontation

The main external threat facing China in 2025 is undoubtedly the renewed trade war initiated by the Trump administration.

Upon returning to the White House in January 2025, Donald Trump imposed additional tariffs on Chinese imports, gradually raising them to over 54% in April 2025—a level not seen in more than a century. Following several cycles of escalation, truces, and partial suspensions between the two countries, U.S. tariffs on Chinese imports currently stand at around 40%.

Paradoxically, China has demonstrated resilience. Despite a nearly 30% decline in exports to the United States, China has managed to increase its overall global exports, generating a record trade surplus of over \$1 trillion.

China controls roughly 70% of global rare earth extraction and 90% of their processing, giving it considerable leverage in international trade negotiations.

Innovation and Technology: Strategic Momentum

Between January and August 2025, Chinese industrial production increased by 6.2%, compared with 5.8% in 2024, while the services sector expanded by 5.9%.

China continues to invest heavily in renewable energy, electric vehicles, and artificial intelligence—sectors in which it is increasingly emerging as a global leader. This technological rise has prompted protectionist measures from both the European Union and the United States.

Long-Term Structural Challenges

The challenges identified several years ago remain highly relevant—and in some cases have intensified.

Population ageing is accelerating, putting pressure on the labor force and social spending. Income inequalities between urban and rural areas remain significant. The transition toward a low-carbon economy is progressing, but China remains the world's largest emitter of CO₂.

The public deficit reached 7.4% of GDP in 2024 and is expected to widen slightly in 2025 and 2026, while public debt could approach 97% of GDP by 2026.

Conclusion

China enters 2026 in an ambivalent position: strong enough to withstand external pressures, yet confronted with deep internal imbalances.

The trade war with the United States, weak domestic demand, and the threat of deflation represent the three main risks weighing on China's short-term economic trajectory. China's ability to rebalance its growth model toward domestic consumption and innovation will be decisive in determining its role on the global stage over the coming decade.

1. **Economy** – Économie
2. **Economic growth** – Croissance économique
3. **GDP (Gross Domestic Product)** – PIB (Produit intérieur brut)
4. **Consumption** – Consommation
5. **Investment** – Investissement
6. **Real estate** – Immobilier
7. **Crisis** – Crise
8. **Debt** – Dette
9. **Households** – Ménages
10. **Savings rate** – Taux d'épargne
11. **Social protection** – Protection sociale
12. **Deflation** – Déflation
13. **Inflation** – Inflation
14. **Exports** – Exportations
15. **Trade war** – Guerre commerciale
16. **Tariffs** – Droits de douane / Tarifs
17. **Trade surplus** – Excédent commercial
18. **Rare earths** – Terres rares
19. **Industrial production** – Production industrielle
20. **Services sector** – Secteur des services
21. **Innovation** – Innovation
22. **Technology** – Technologie
23. **Artificial intelligence (AI)** – Intelligence artificielle
24. **Renewable energy** – Énergies renouvelables
25. **Electric vehicles** – Véhicules électriques
26. **Population ageing** – Vieillesse de la population
27. **Income inequality** – Inégalités de revenu
28. **Public deficit** – Déficit public

29. **Public debt** – Dette publique

30. **Carbon emissions / CO₂** – Émissions de carbone / CO₂