

PRESS RELEASE | DECEMBER 11, 2025

Advancing Reforms Can Enhance Prospects – China Economic Update



BEIJING, December 11, 2025 — China's economy maintained solid momentum in the third quarter of 2025, bringing year-to-date GDP growth to 5.2% year on year. Accommodative fiscal and monetary policies supported domestic consumption and investment, while demand from developing countries sustained exports. However, households remained cautious in their spending amid a soft labor market and declining home prices. Investment growth moderated in the third quarter, owing to the property sector adjustment and slower manufacturing and infrastructure investment due to profit pressures and tighter local government finances.

According to the World Bank's latest China Economic Update, *Advancing Reforms, Enhancing Prospects*, growth is estimated at 4.9% in 2025 and projected at 4.4% in 2026, as existing headwinds are expected to persist. Recent fiscal measures, alongside some stability in global trade policy, are expected to support investment and exports.

"China's growth in the coming years will depend more on domestic demand," said Maria

protection system and creating a more predictable environment for businesses can help boost confidence and lay the groundwork for resilient, sustainable growth.”

Risks to the outlook remain broadly balanced. The challenges in the property sector, subdued earning prospects, labor market softness, and trade policy uncertainty could last longer than expected and weigh on consumption and investment. On the upside, higher-than-expected fiscal spending, including stronger measures to enhance social protection, and more decisive policy actions to stabilize the property sector could lift growth above current projections.

The Update also examines the link between high savings and household consumption behavior. Almost half of household savings in China are invested in housing and about a quarter in bank deposits. The preference for low-risk bank deposits is shaped by precautionary saving needs, limited long-term financial products, and, more recently, falling home prices and cautious income expectations. Large volumes of household deposits provide low-cost financing but they may also weaken price signals, leading to patterns of capital allocation that may not support productivity trends.

“China’s financial system, especially non-bank institutions such as private pension funds, life insurance companies, and mutual funds, could play a stronger role in supporting household consumption,” said **Elitza Mileva, World Bank Lead Economist for China**. *“Enhancing the depth and transparency of capital markets, as well as allowing market forces to guide financial decisions more effectively, can improve returns, reduce precautionary saving, and drive rebalancing towards consumption.”*

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