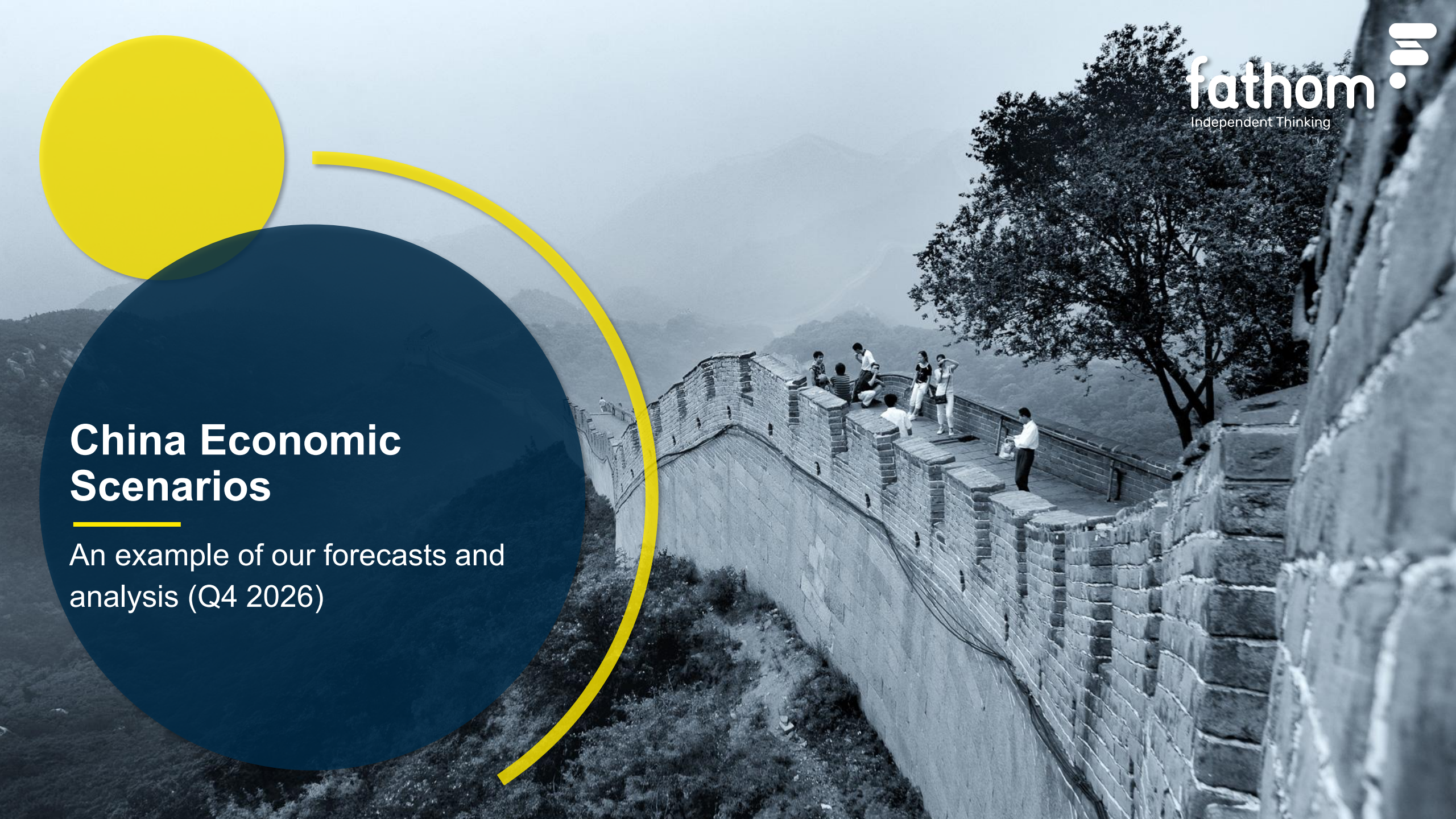


fathom
Independent Thinking

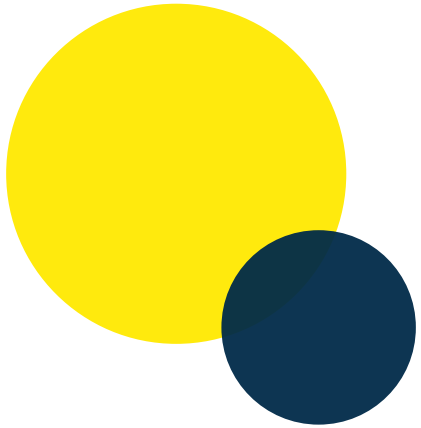
China Economic Scenarios

An example of our forecasts and analysis (Q4 2026)

China Economic Scenarios, powered by Fathom

Service deliverables

China Economic Scenarios brings together Capital Economics' best-in-class research and proprietary data with Fathom Consulting's scenario modelling and in-depth insight on China to deliver a new service:





Six scenarios exploring the effect on the Chinese economy of different domestic and external shocks every quarter



Narrative behind each scenario, along with global context, every quarter



Ongoing support via our on-call service, as well as invitations to quarterly webinars jointly hosted by Capital Economics and Fathom Consulting



Numbers behind each scenario in an excel spreadsheet every quarter

China Economic Scenarios, powered by Fathom

Scenarios Q4 2026

The China Economic Scenarios explored in Q4 2026 are:

- Central case: Japanification-lite, structural headwinds continue to drag
- Bifurcation blues: a hard decoupling of China from the US and its allies
- AI upside: the AI revolution transforms productivity
- Oil shock: Oil prices surge on the back of even greater supply disruptions
- AI bubble bursts: AI valuations collapse and global AI investment slumps
- MIC Marvel: China's push into frontier technologies pays off

The following slide provides an example of the narrative and numbers behind just one of these scenarios. To request access to the full narrative, please click here.

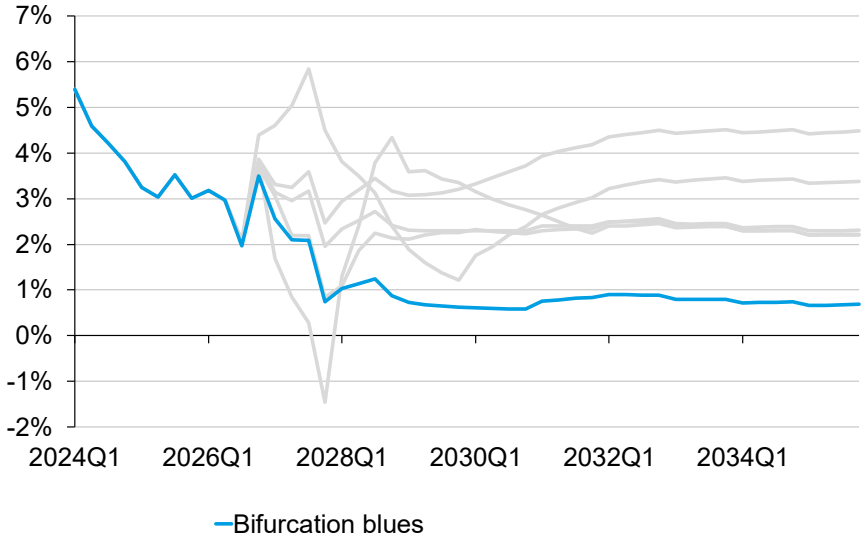
China Economic Scenarios, powered by Fathom

Bifurcation blues: a hard decoupling

- China's rise, its growing dominance in key technologies and its drive for manufacturing self-sufficiency are raising the hackles of its trading partners on national-security grounds and because Chinese firms now compete in more advanced sectors
- The US has been loosening its direct ties with China; other countries have yet to follow
- Should US allies and partners follow the US example, China's growth slows much faster than in the baseline: to about 0.6% by 2030, leaving the economy about 5.6% smaller in 2030, and about 14.0% smaller by the mid-2030s
- This is mainly because of lower external demand for Chinese goods, but also because fewer R&D spillovers weigh on productivity and higher uncertainty weighs on investment
- The result is deflationary: prices fall slightly in 2028–29 and the policy rate is cut to about 0.6% by 2030 and reaches its floor by the mid-2030s

China growth scenarios

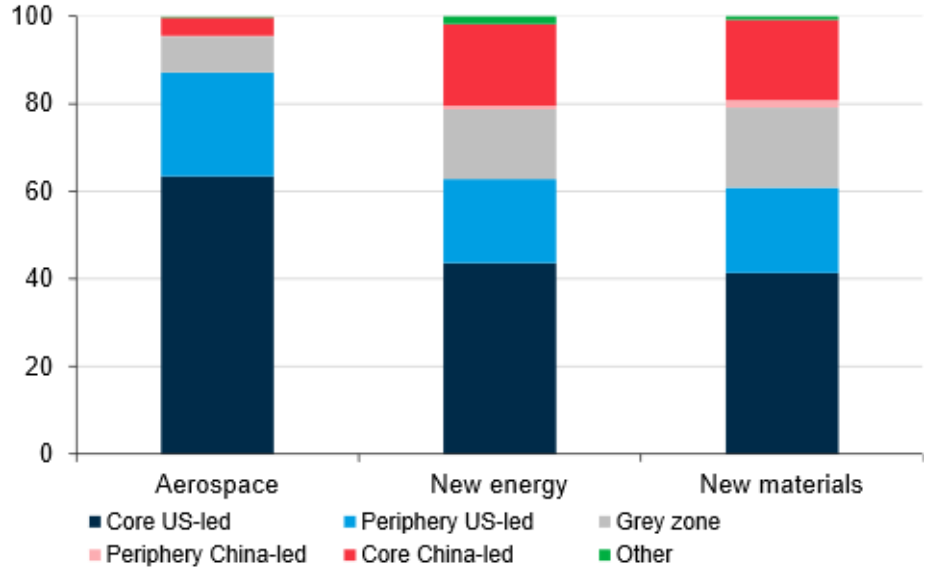
China Activity Proxy, annual percentage change



Source: Capital Economics, powered by Fathom Consulting

Market share in key technologies, by alignment

Per cent of export market, 2023



Source: Fathom Consulting



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