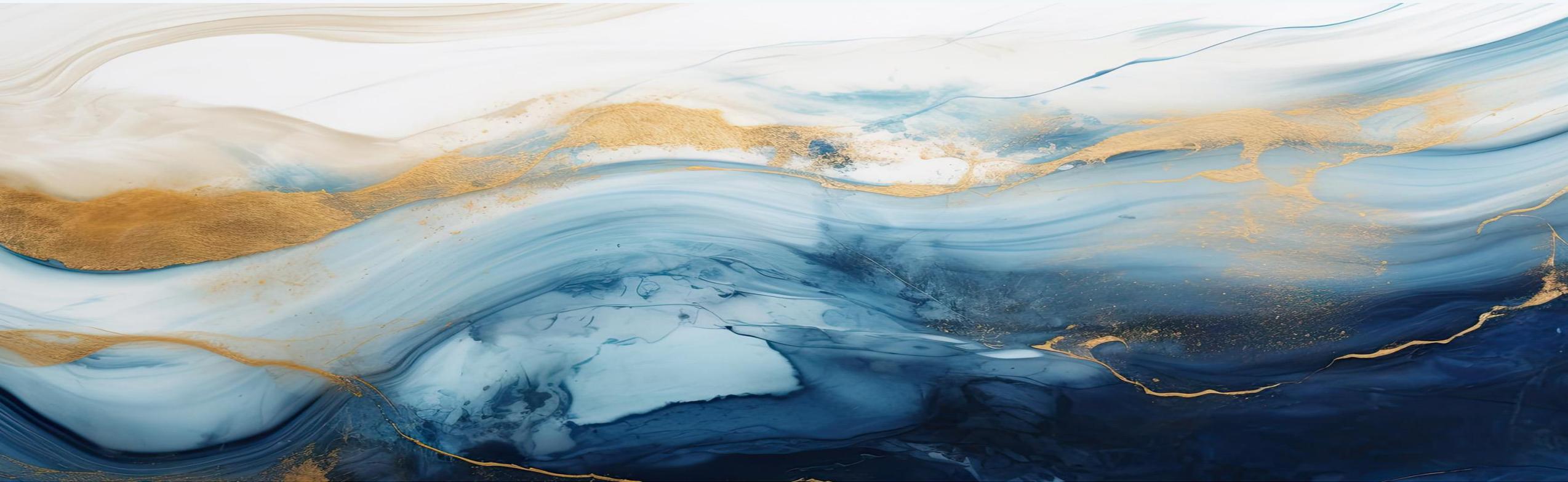


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ICBC  Standard Bank

# The Great Reallocation and China's Next Phase of Growth

February 2026



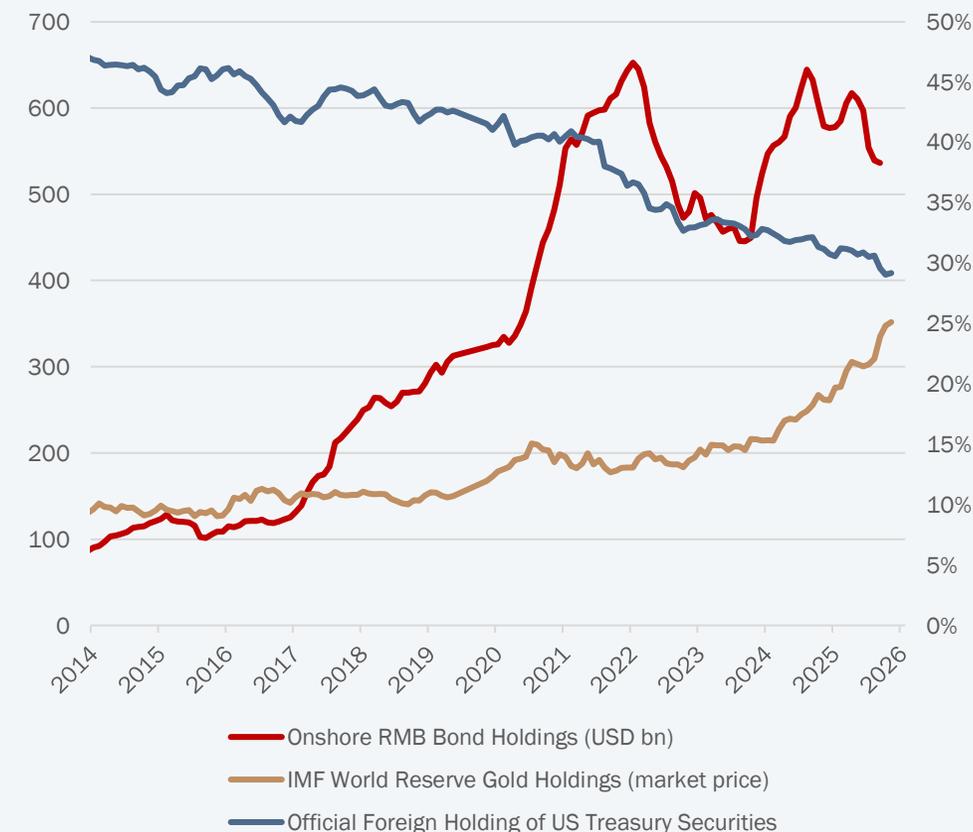
# EM-driven GDP growth likely to accelerate reserve re-allocation to 2030

## World GDP growth likely to be driven by Emerging Market

	Actual	Projected	Share in World GDP		Projected contribution
	2000-2025	2025-2030	2000	2025	
		(i)	(ii)		(i)-(ii)
World GDP growth	245%	27%			
<b>Contributions</b>					
Advanced	50%	46%	80%	59%	-12%
EM Total	50%	54%	20%	41%	12%
EM Asia*	32%	35%	7%	24%	11%
China	22%	21%	3%	17%	5%
India	5%	8%	1%	4%	5%
LATAM	6%	6%	6%	6%	0%
EM Europe*	6%	4%	2%	5%	-1%
MECA*	5%	6%	3%	4%	1%
SSA	2%	3%	1%	2%	1%

Source: IMF, ICBCS

## Reserves are shifting away from USTs towards gold & RMB

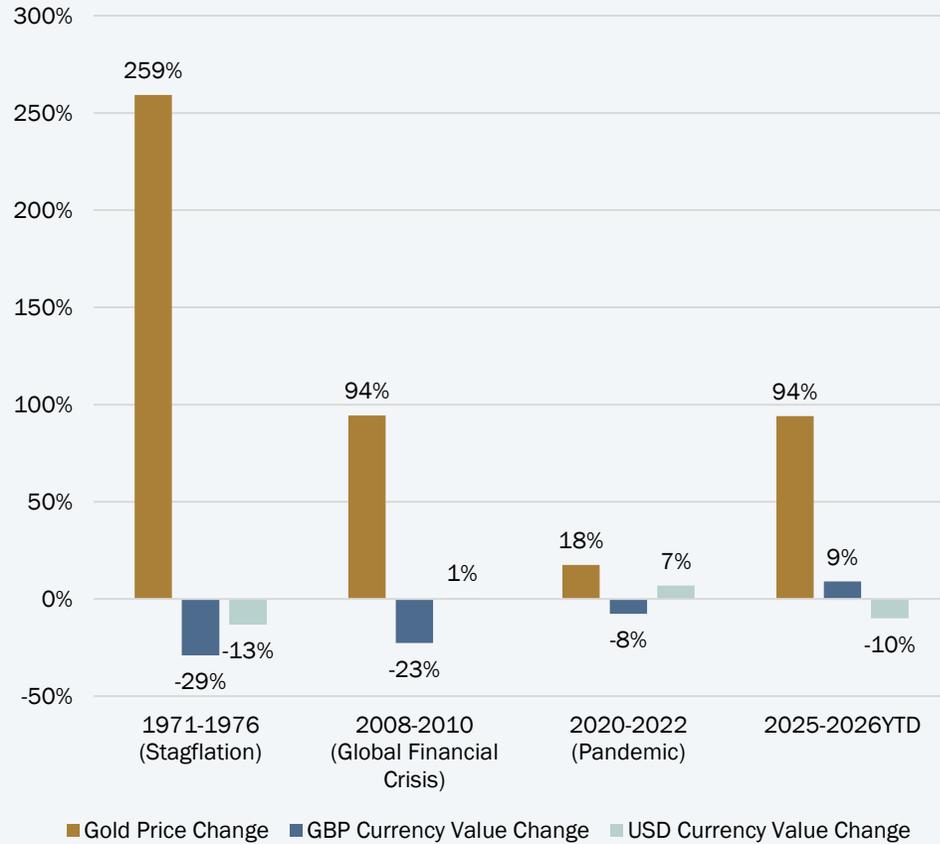


Source: Bloomberg, WIND, ICBCS

\*By IMF definition, "EM Asia" refers to China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam; "EM Europe" refers to Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Hungary, Kosovo, Moldova, Montenegro, North Macedonia, Poland, Romania, Russian Federation, Serbia, Türkiye, Republic of, Ukraine; "MECA" refers to Middle East Central Asia

# USD debasement arguably underway after anchoring financial stability

USD de-throned GBP post-WWII but may be under threat



Source: Bloomberg, ICBCS

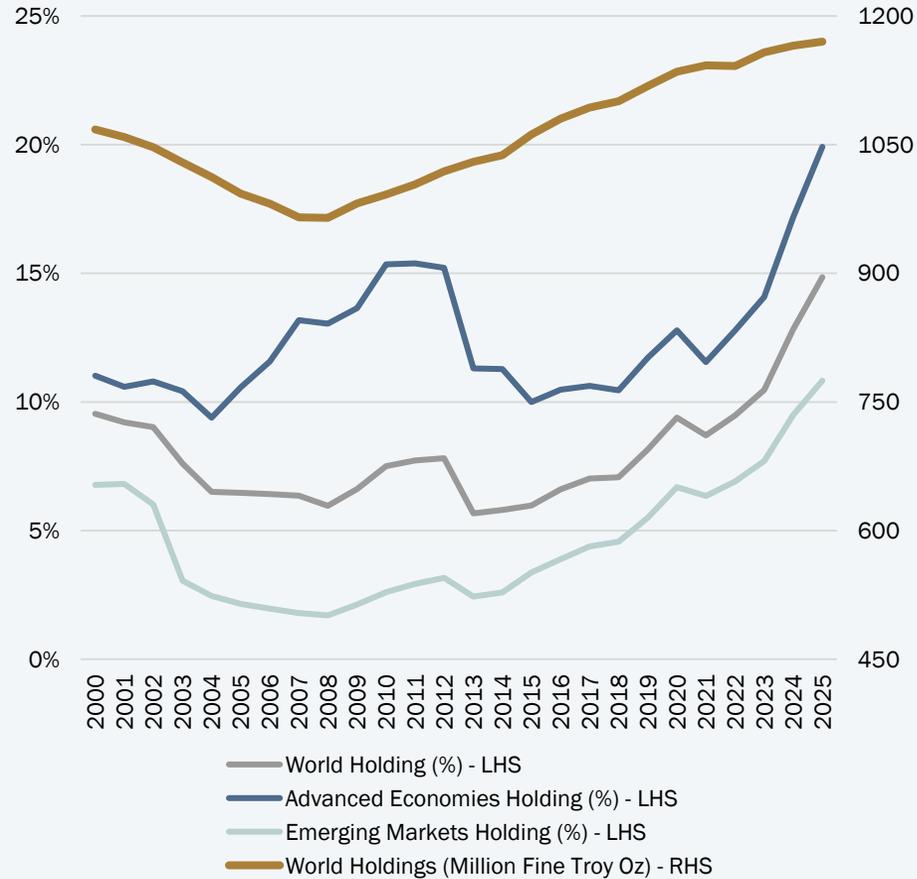
Gold price, inflation and deficits add to debasement theory



Source: Bloomberg, ICBCS

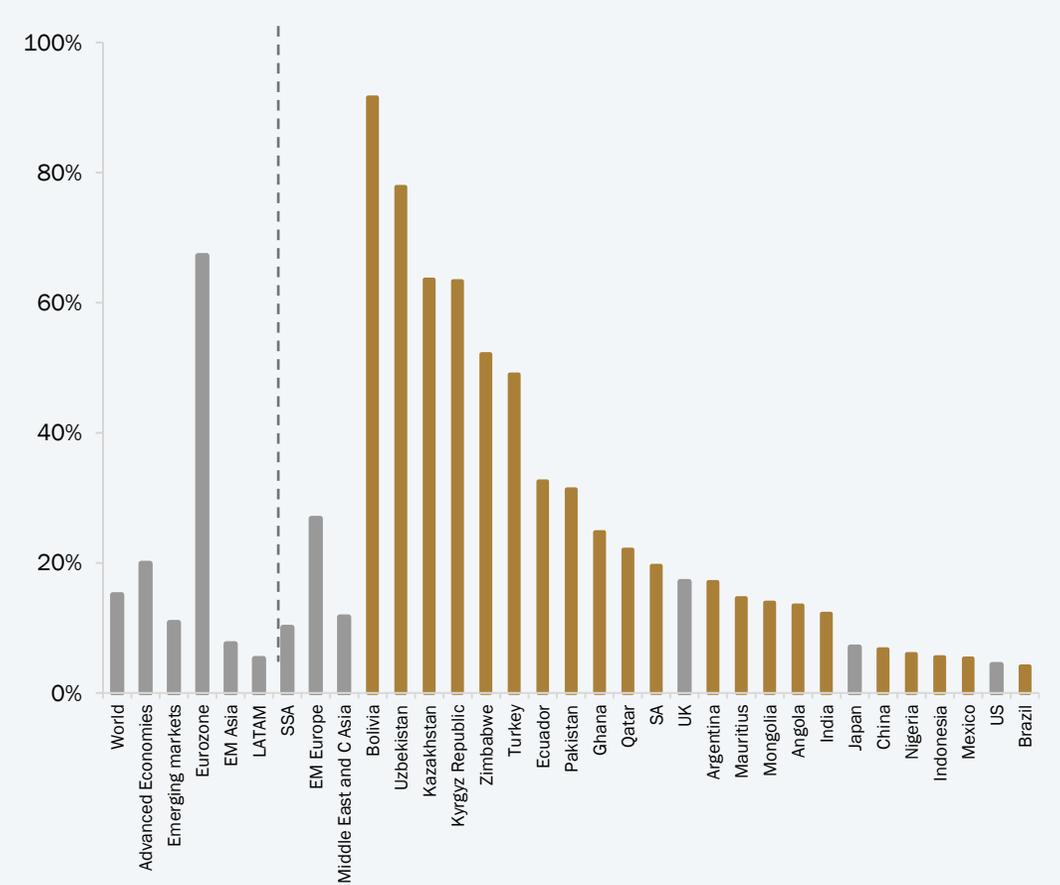
# Central bank gold holding rise amid rush towards diversification

Central bank gold holding as % of total FX reserves is on the rise



Source: IMF, World Gold Council, ICBCS

Gold share in EM central bank reserves often greater than DM



Source: IMF, ICBCS

# IMF revises up global growth, reaffirms robust China and EM growth

## IMF January 2026 outlook highlights:

- Global growth is estimated at 3.3 percent for 2025 and projected 3.3 percent in 2026, an upward revision from the October 2025 World Economic Outlook (WEO). This reflects how robust AI-related technology investments and faster-than-expected private-sector adaptability are offsetting persistent trade-policy headwinds.
- Global inflation is expected to fall, but US inflation is predicted to stay above target. Downside risks from potentially higher tariffs, elevated uncertainty, and geopolitical tensions persist

Annual Forecast	US			China			Eurozone			EM		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Real GDP (YoY%)	2.1	2.4	2.0	5.0	4.5	4.0	1.4	1.3	1.4	4.4	4.3	4.1
CPI (YoY%)	2.7	2.7	2.4	0.1	0.7	1.0	2.1	1.8	2.0	3.1	2.7	2.7
<b>Comments</b>	<ul style="list-style-type: none"> <li>• The improvement relative to lower effective tariff rates, a fiscal boost, and easing financial conditions</li> <li>• Slower than forecasted in Jan-25 and Oct-24 due to greater policy uncertainty, higher trade barriers, and lower growth in the labour force and employment</li> </ul>			<ul style="list-style-type: none"> <li>• A strong first half – helped by front-loading in trade and stabilising domestic consumption supported by fiscal expansion in 2025 – more than offset the headwinds from external uncertainty and tariffs</li> </ul>			<ul style="list-style-type: none"> <li>• IMF expects monetary policy rates to hold steady at 2 percent</li> <li>• Revised defence spending commitments expects to create impact, with projected gradual increase to target levels by 2035</li> </ul>			<ul style="list-style-type: none"> <li>• Capital inflows have resumed since April, with investors seeing space for some emerging market central banks to ease</li> </ul>		

# Risk 1: Geopolitics, protectionism, inflation and debt

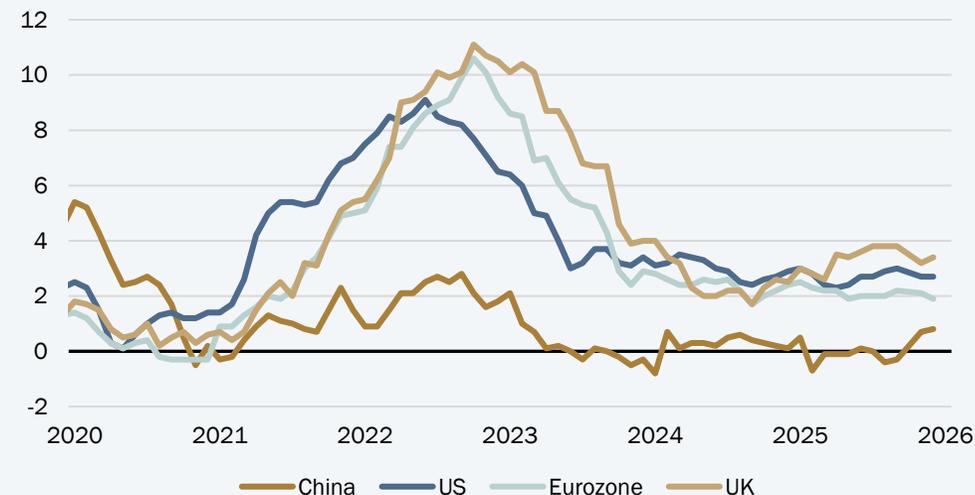
**CBOE (VIX) index shows more market turbulence to come**



Source: Bloomberg, ICBCS

- Despite substantially scaled-down tariffs currently proposed by the US administration, their use as a threat continues to be wielded as a negotiating tool either to obtain trade preferences or to express political views on domestic policies.
- The overall average US tariff rate is estimated at around 20-22%, significantly higher compared the 1-6% average across second half of the 20<sup>th</sup> century under WTO trade liberalisation

**Inflation is falling but some still above target (% y/y)**

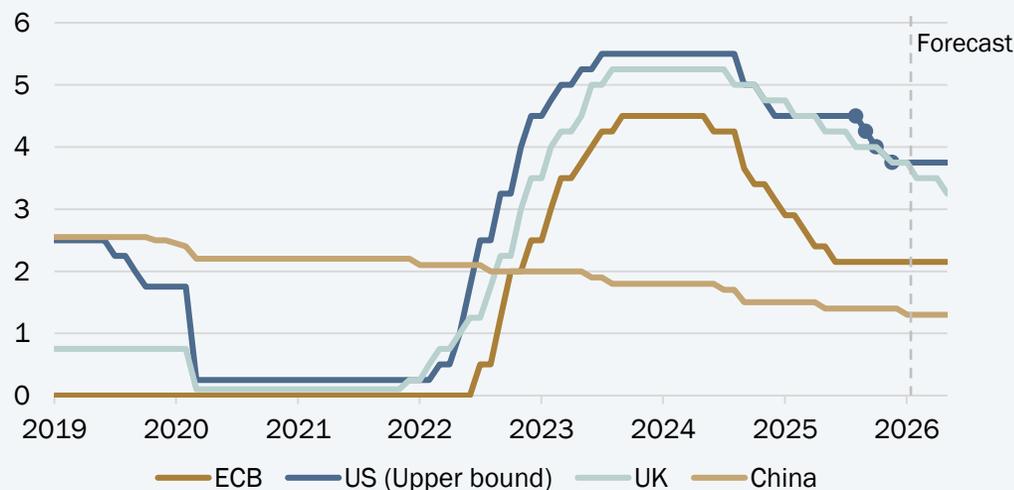


Source: Bloomberg, ICBCS

- Inflation indicators have performed well across most large economic areas, with the exception of UK, with deflation entrenched in China for most of 2025
- In EM countries the trend towards lower inflation is significant thanks to stable or stronger currencies (Nigeria, Mozambique and Angola), large base effects and food-related relief (Turkey, Pakistan, Egypt, Zambia and Ghana) and significant monetary and fiscal contraction (Argentina and partly Turkey)

## Risk 2: Monetary policy divergence across major economies

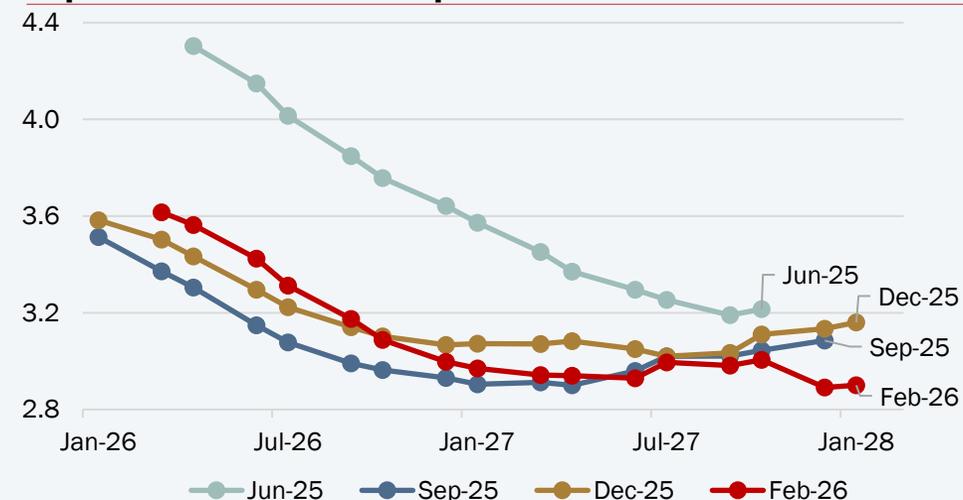
Global central bank benchmark rates (%)



Source: Bloomberg, ICBCS

- There is a growing divergence between the Fed and the ECB's monetary policy stance with a widening gap between their policy rates.
- Newly appointed Fed Governor expected to be hawkish, heightening expectation for end to Fed easing cycle earlier than anticipated.
- The ECB, albeit also cautious, is moving towards a neutral policy stance cutting rates but also quantitative tightening, further shrinking the size of its balance sheet.

Nomination of a new Fed chair prompts shift in market expectations on the rate path

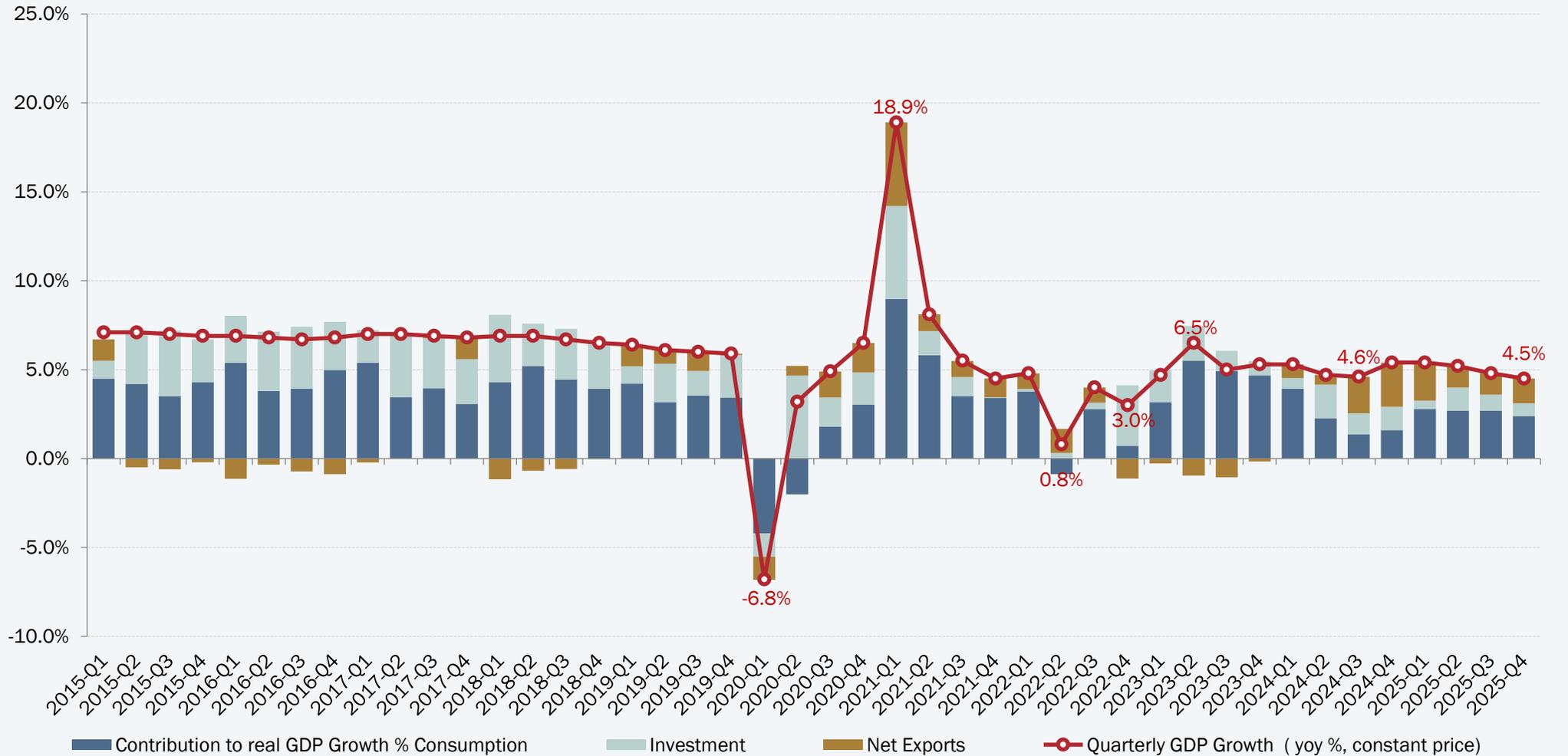


Source: Bloomberg, ICBCS (Note: Each line indicates implied overnight rates within one-year horizon at the given time.)

- With the unemployment rate stabilising and inflation holding steady, the Fed kept rates unchanged at its January meeting, in line with consensus expectations.
- Following Warsh's nomination, markets increased the probability of rate cuts in June and by the end of the year.
- However, his support for renewed quantitative tightening (QT) could offset the impact of those cuts and introduce additional policy uncertainty.

# 5% GDP growth achieved in 2025 despite tariff headwinds

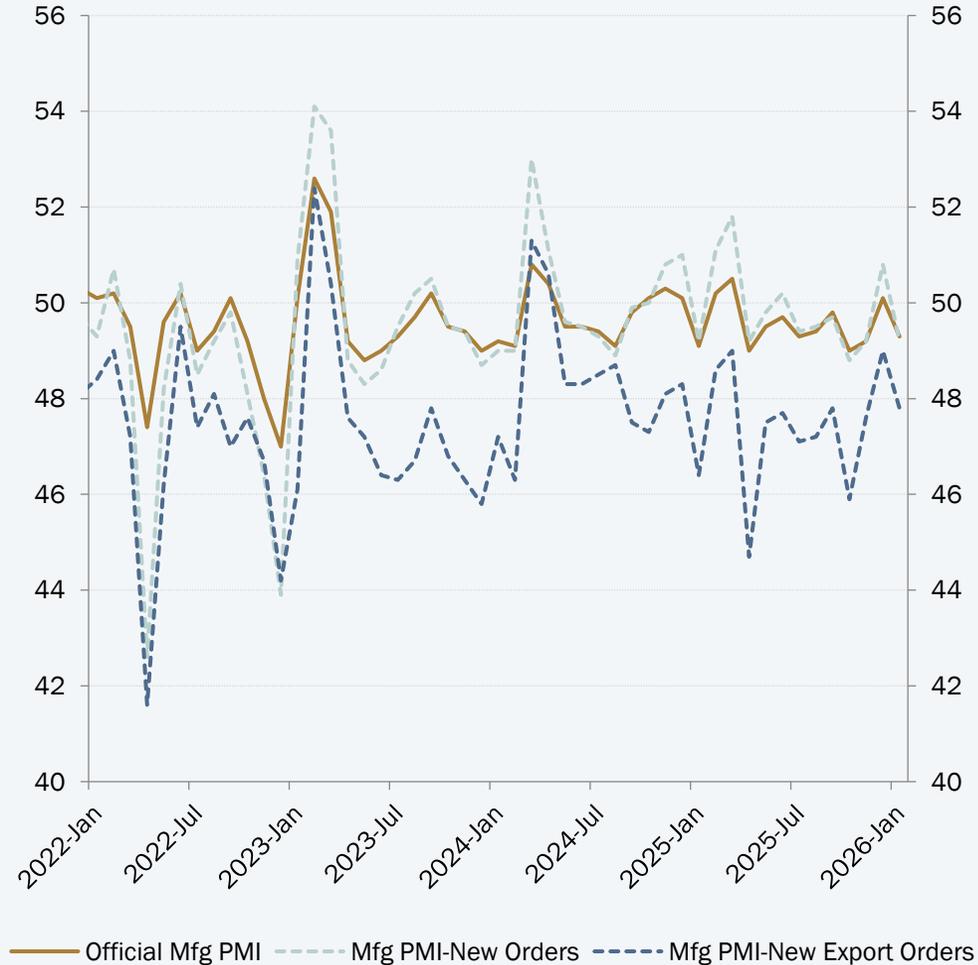
More targeted measures in Q4-2025 allows Beijing to preserve additional policy response for H1-2026



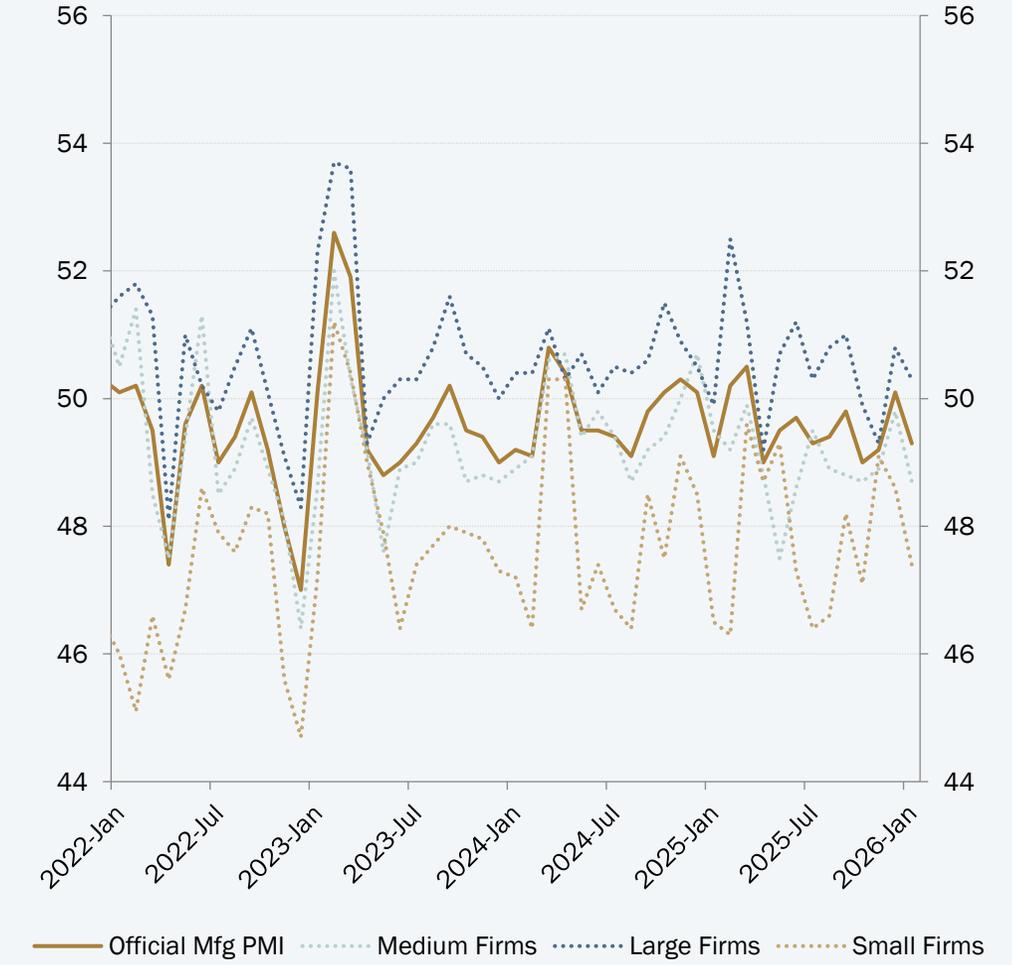
Source: WIND, ICBC Standard

# PMIs return to contraction, suggesting mixed recovery across sectors

## Shrinking demand leads to weaker manufacturing PMI



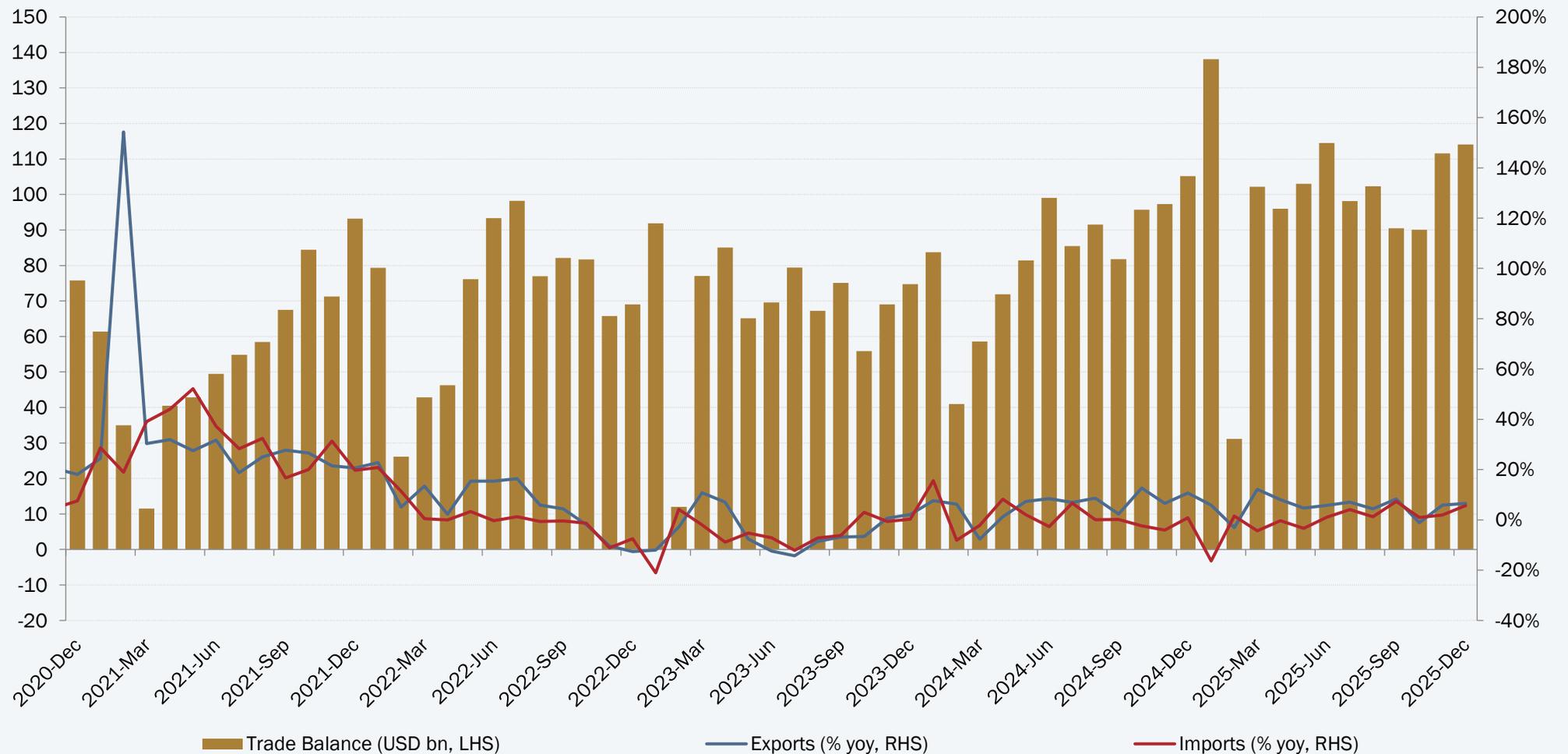
## Larger firms more upbeat, smaller firms require policy boost



Source: WIND, ICBC Standard

# Export resilience is evidence of China's deepening global supply chain

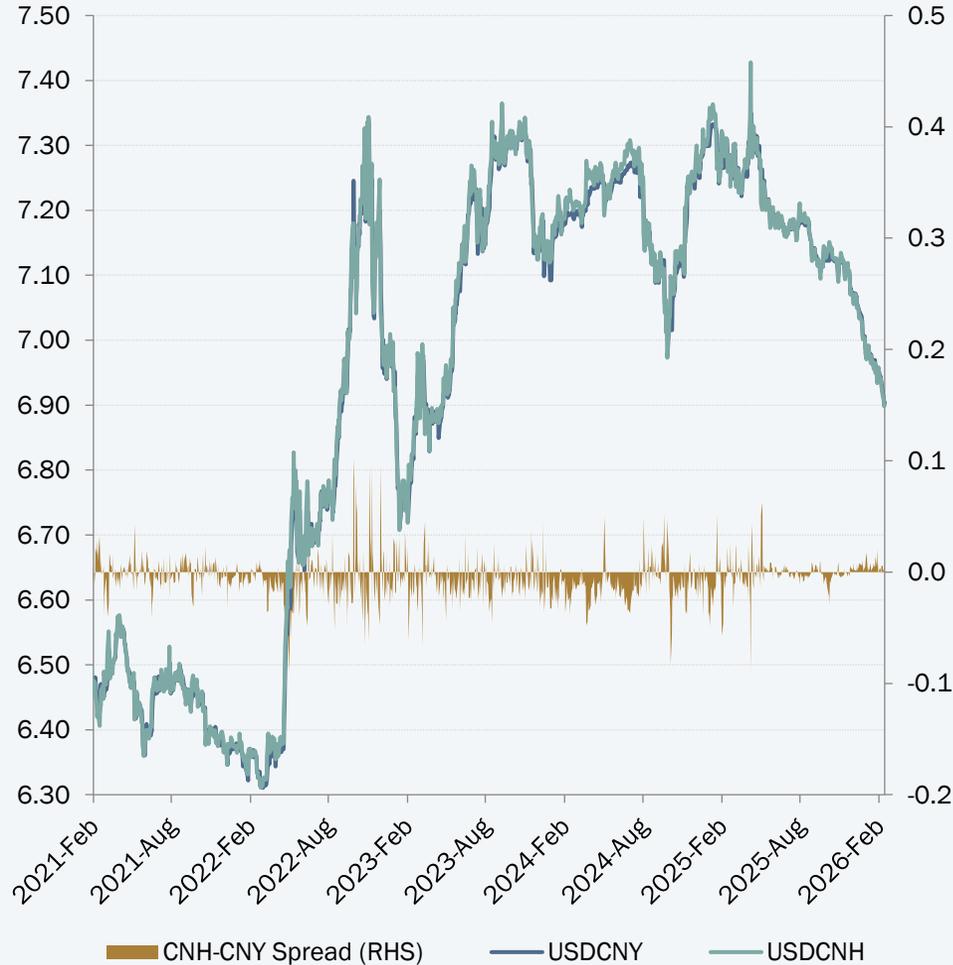
Robust non-US exports may continue to offset impact from looming US-tariffs as front-loading effect wanes



Source: WIND, ICBC Standard

# Ongoing RMB strength supported by fundamentals and diversification

**RMB appreciates to April-2023 high amidst dollar weakness, real-demand boost, and policy support for its reserve-currency role**



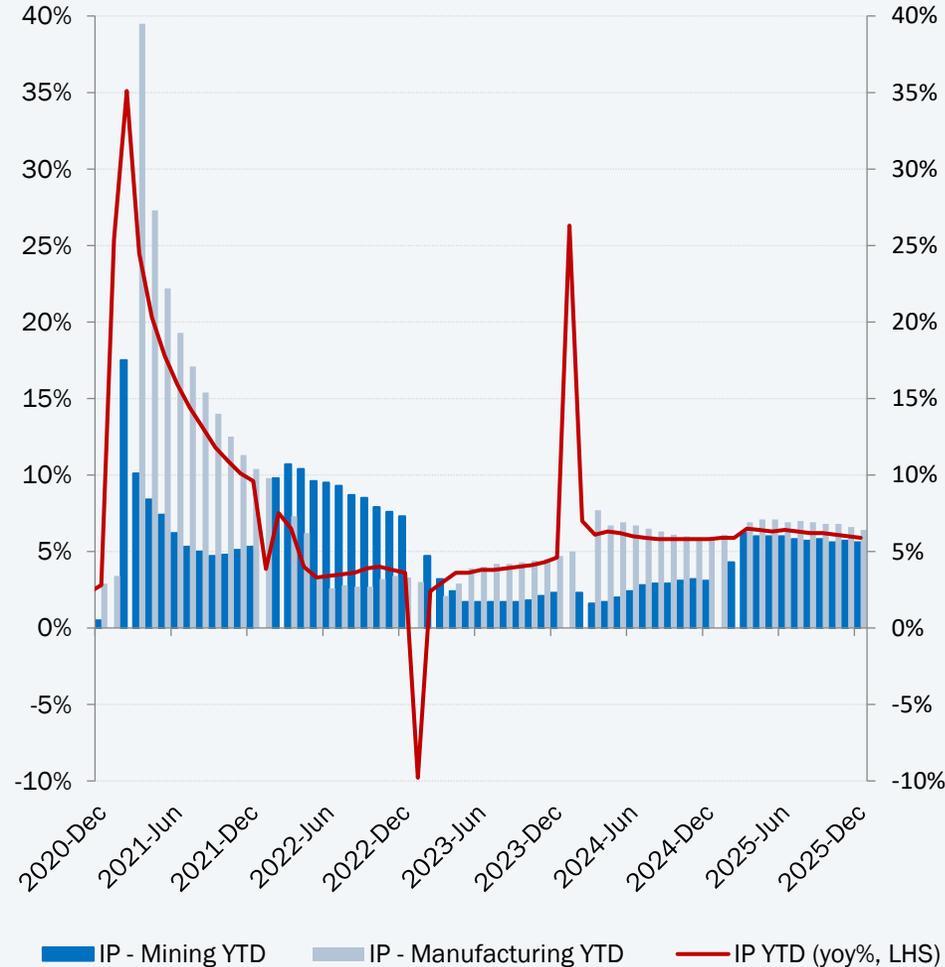
**RMB maintains two-way variability, with inflation-driven erosion of real purchasing power but continued tight tracking of DXY movements**



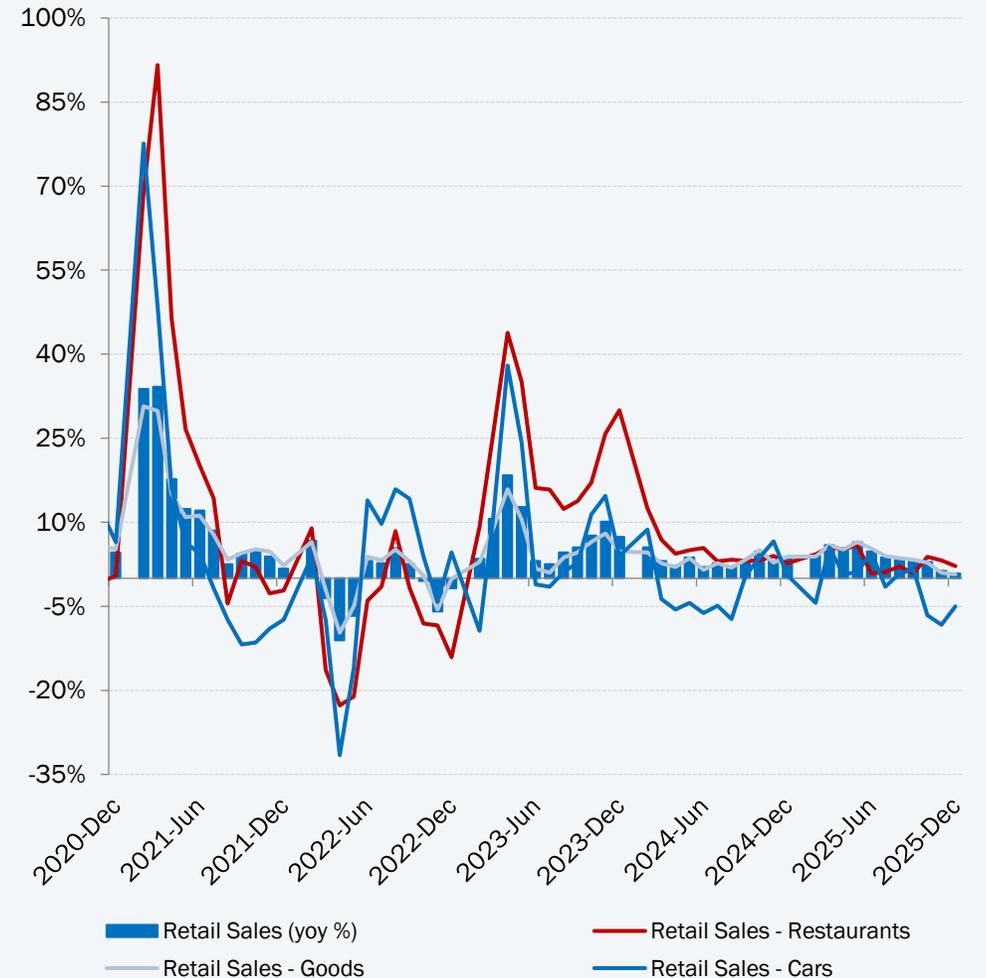
Source: WIND, ICBC Standard

# Industrial activity remain robust, policy focus to support consumption

**Industrial production demonstrates resilience amidst weak external demand with YTD growth holding at 6% level on average**



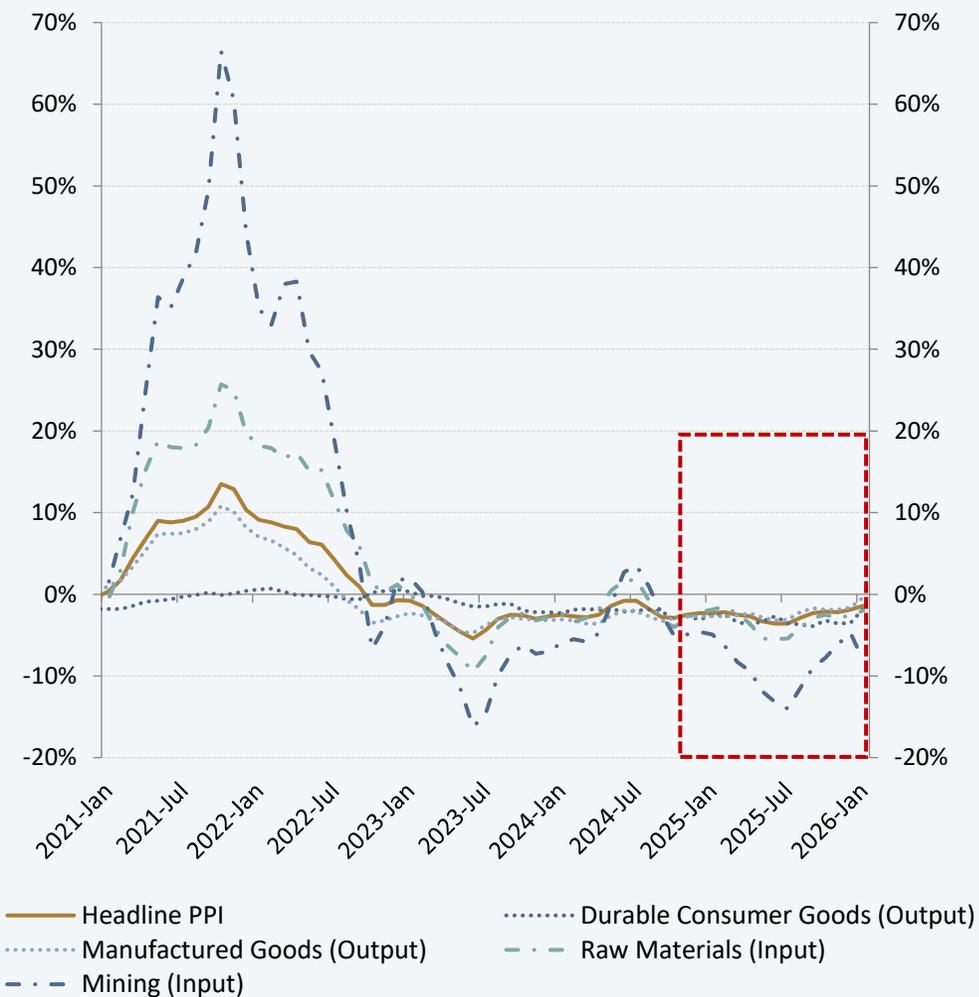
**Beijing’s 300bn yuan “Goods Trade-in Programme” continued to lift retail sales and is set to provide ongoing support through 2026**



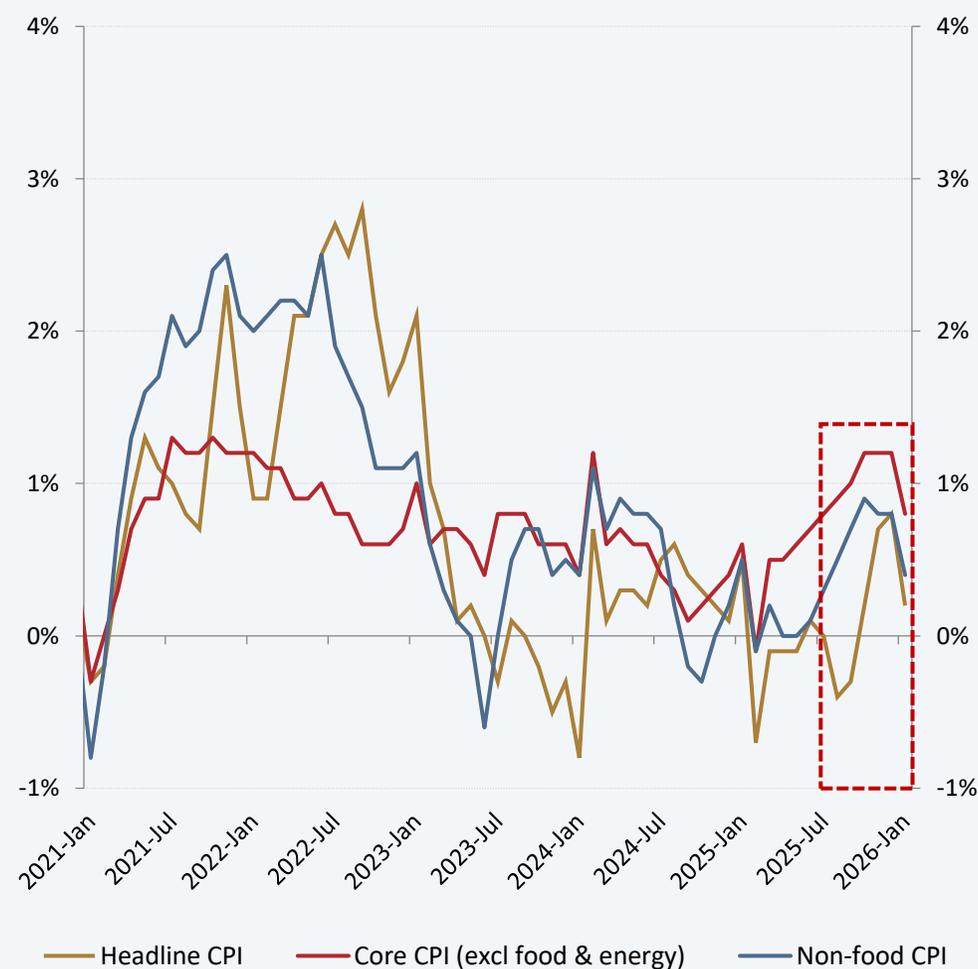
Source: WIND, ICBC Standard

# Price indices signal a gradual shift toward mild reflation

**Persistent narrowing of PPI deflation—underpinned by a global commodity rally — signals a reduction in industrial-sector headwinds**



**Domestic demand shows nascent recovery, while CPI softens temporarily due to Lunar New Year timing and basket recalibration**



Source: WIND, ICBC Standard

# More policy effort remains integral to reversing investment sentiment

Headline FAI growth fell to negative territories since September on persistent deterioration in housing investment.



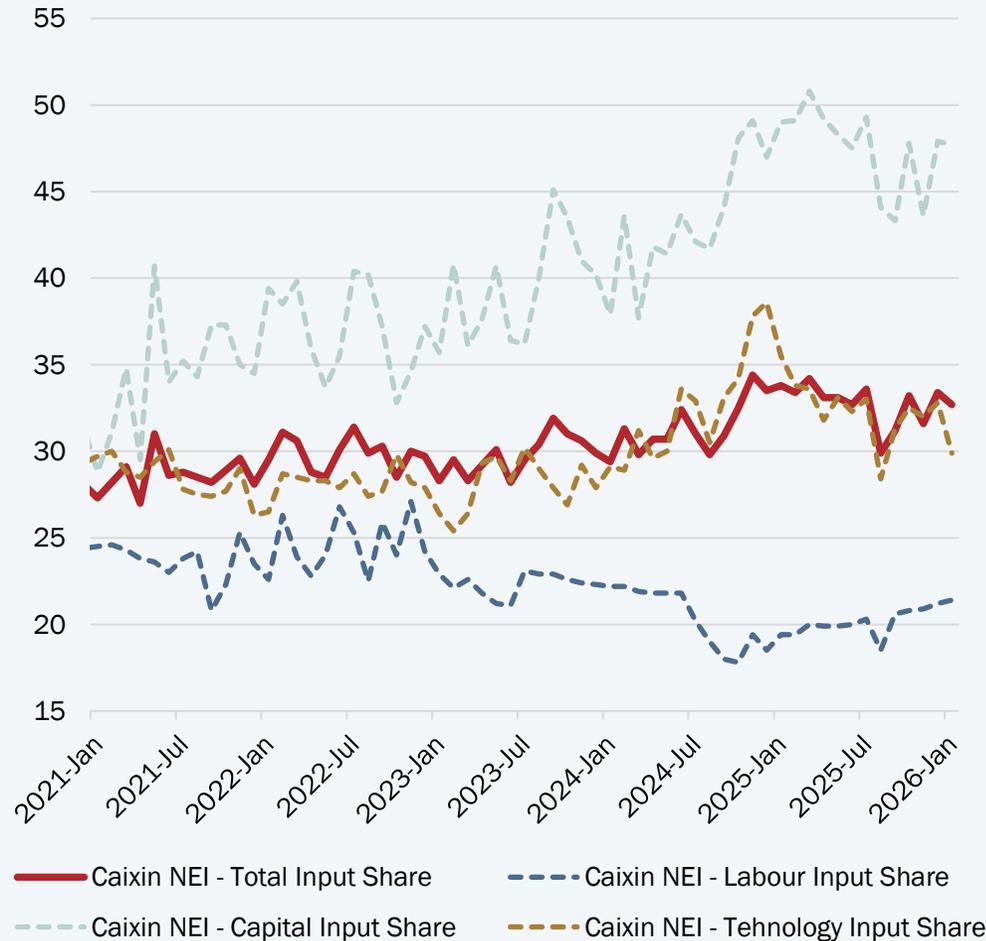
Policy-led credit expansion through government bond issuance is yet to revive private sector demand for bank lending



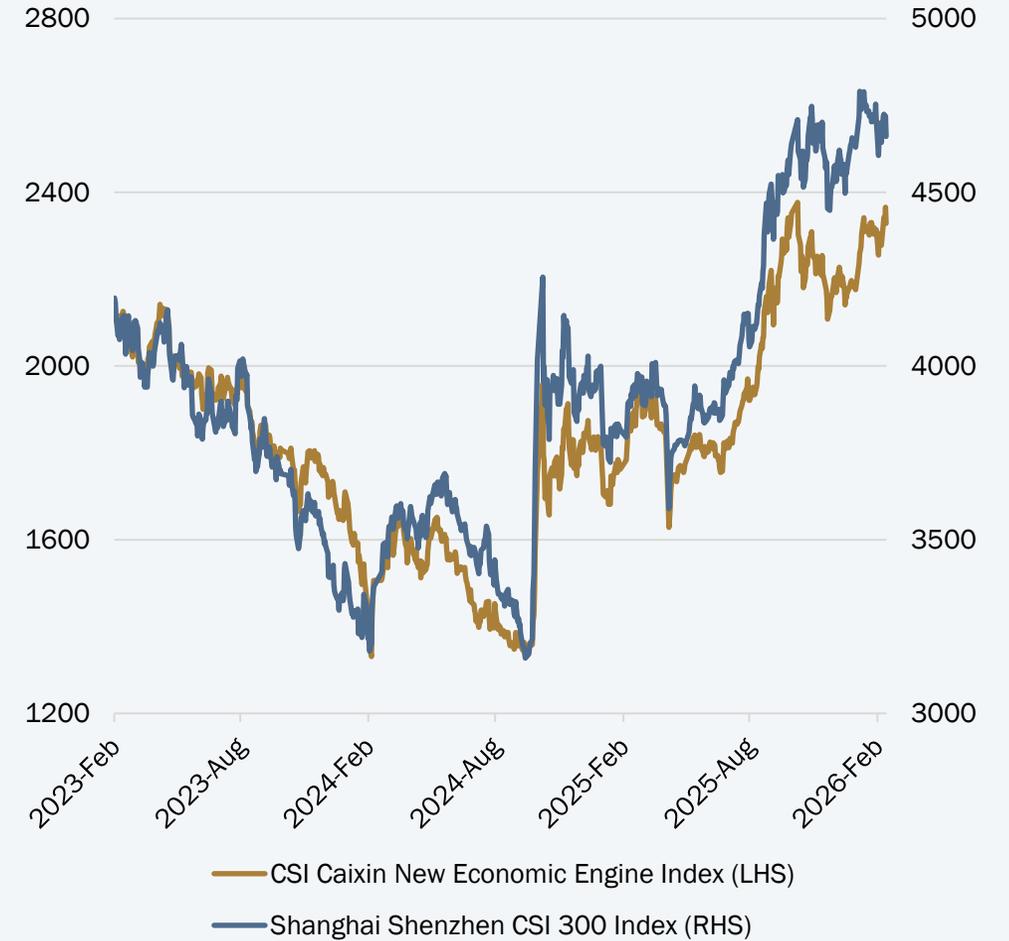
Source: WIND, ICBC Standard

# New-quality productivity anchors China's growth and transition story

**China's economic transformation and industrial upgrading progress steadily, driven primarily by rising capital investment**



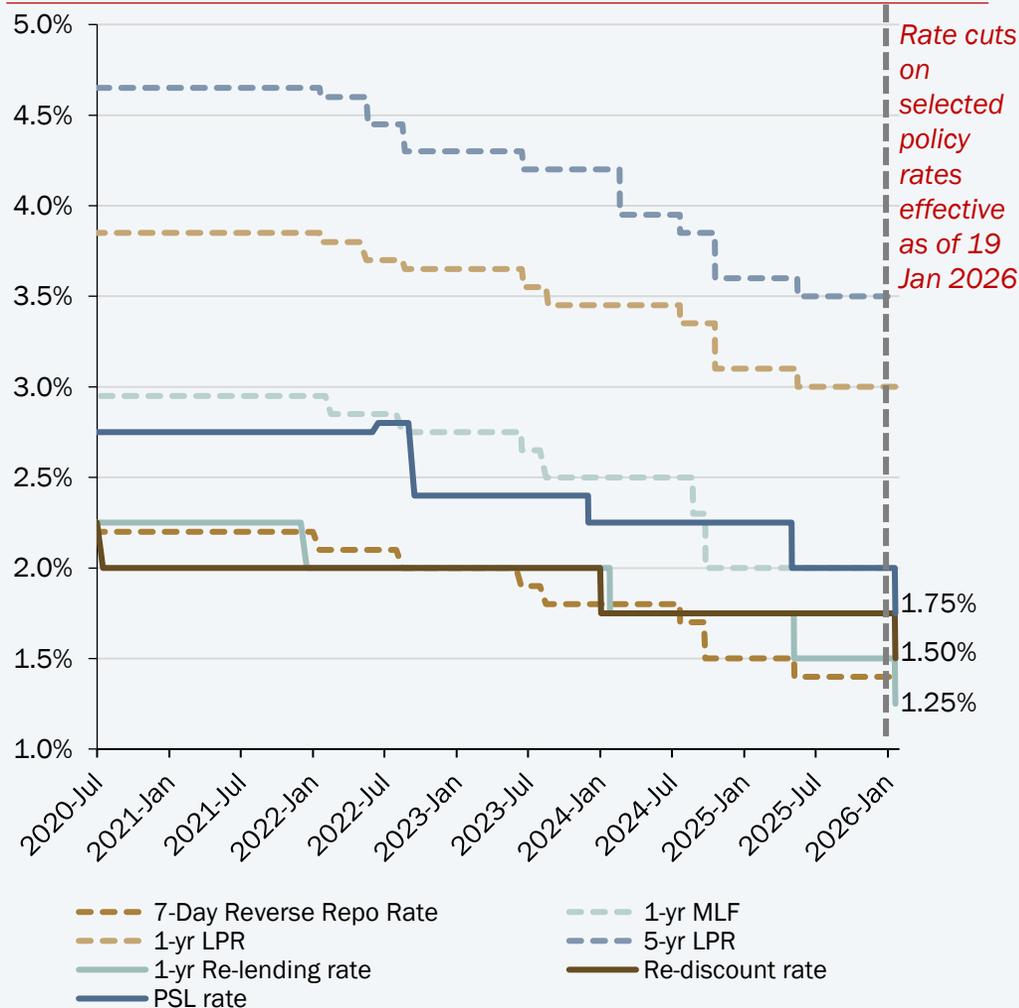
**New-economy momentum trails CSI 300 rally, signalling a shift in China's market leadership**



Source: ICBC Standard Bank, Bloomberg

# Targeted monetary policy easing preferred over broad stimulus

Following the end-April Politburo meeting, the PBoC cut benchmark rates and offered targeted support to boost confidence



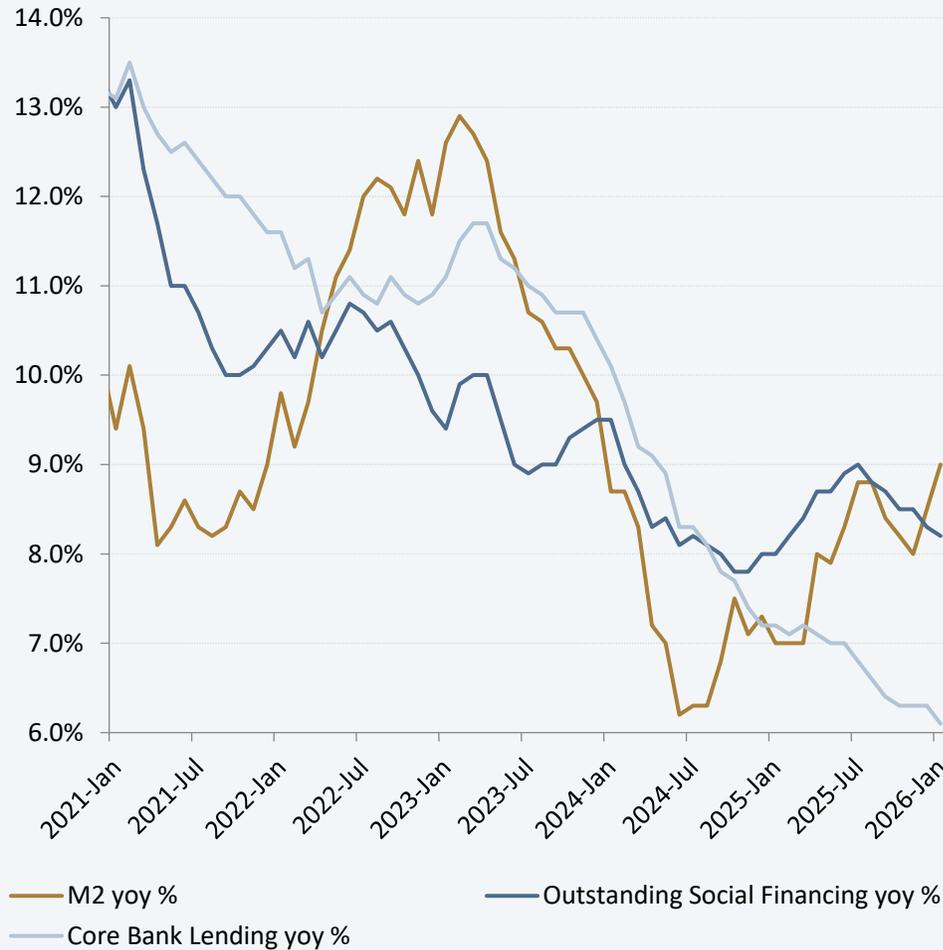
PBoC will maintain a moderately loose monetary policy in 2026, with a coordinated pro-growth action plan announced on 15 Jan 2026

	POLICY TARGET	IMPLEMENTATION DETAILS	INTENTION
1	Structural Rate Cut	Cut structural policy tool rates by 25bps; one-year relending rate lowered 1.5% → 1.25%	Reduce funding costs and strengthen credit transmission
2	Agriculture & SME Relending	Merge relending & rediscount; add CNY 500bn agri/small business; CNY 1tn SME relending quota	Reinforce targeted credit support for SMEs and agriculture
3	Tech Innovation Relending	Increase tech-innovation relending from CNY 800bn → CNY 1.2tn; expand support scope	Support technological upgrading and innovation-driven growth
4	Bond Risk-Sharing Tools	Merge private-enterprise and tech-innovation bond support tools; CNY 200bn quota	Improve credit enhancement and capital-market access
5	Carbon-Reduction Tool Expansion	Expand scope to energy-saving, green upgrades, low-carbon transition projects	Guide banks to scale-up green and low-carbon financing
6	Services Consumption & Elderly-Care Relending	Include broader health-industry sectors in relending support	Strengthen credit support for service consumption and 'silver economy'
7	Commercial Property Mortgage Measures	Lower minimum commercial-property mortgage down-payment to 30%	Support destocking and stabilise commercial property market
8	FX Hedging Services	Encourage broader range of FX-hedging products and improved risk-management services	Enhance firms' resilience to FX volatility, minimising FX losses

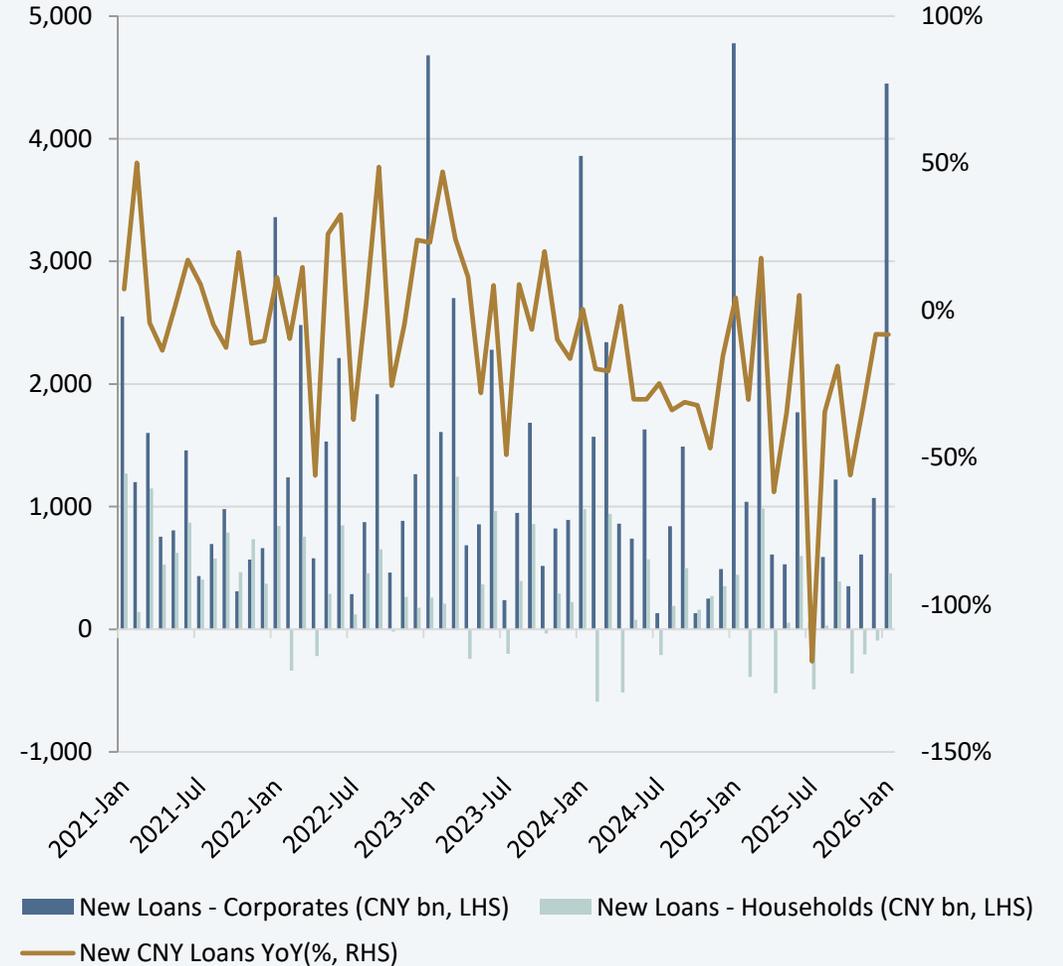
Source: WIND, ICBC Standard

# Broad credit growth slowly improves but remains policy-dependent

**Social financing flows rebound modestly as supported by front-loaded government bond issuance and steady corporate bond financing**



**New CNY loans remained weak amid corporates and households showing limited appetite for long-term credit**



Source: WIND, ICBC Standard

# China–Africa bilateral relations strengthen amid expanding economic engagement

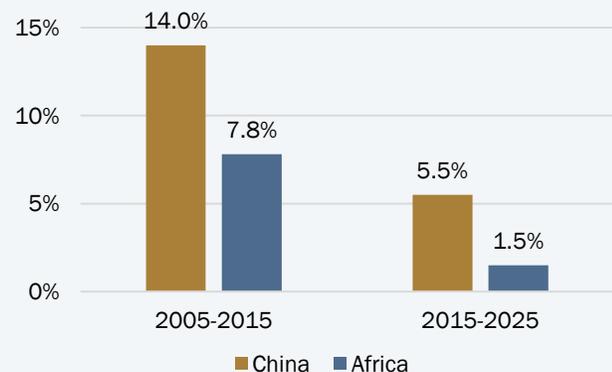
## GDP

Africa’s growth is set to accelerate on tighter macro policy, improved performance in large markets such as South Africa, and stronger demand for critical minerals, though high debt, inflation, and reliance on commodity exports remain key risks.

Annual GDP (USD tn)

	China	Africa
2005	2.7	1.27
2015	9.8	2.68
2025	19.6	3.06

GDP 10Y compound annual growth rate (%)

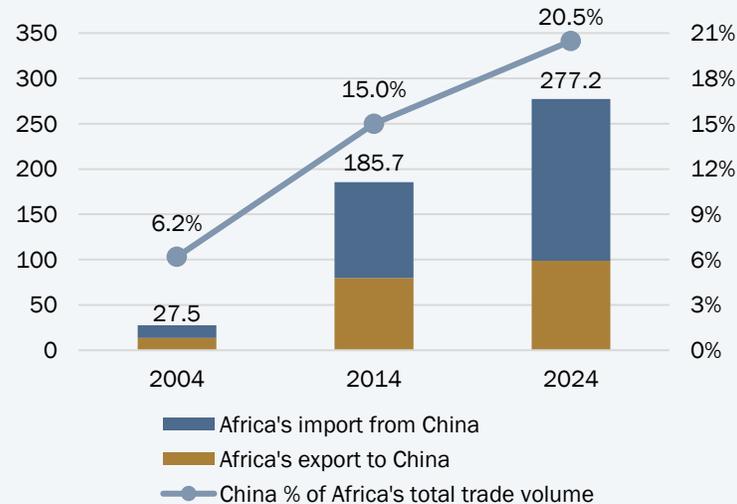


Source: Bloomberg, IMF, ICBCS

## Trade

- China–Africa bilateral trade volume has increased steadily over the past two decades.
- South Africa was the largest **importer** of Chinese goods in 2024, followed by Nigeria and Egypt.
- Congo, Angola, South Africa were the largest **exporters** to China, driven largely by minerals and oil.

China – Africa growing trade volume (2004–2024, USD bn)



Source: Bloomberg, UN Trade and Development, ICBCS

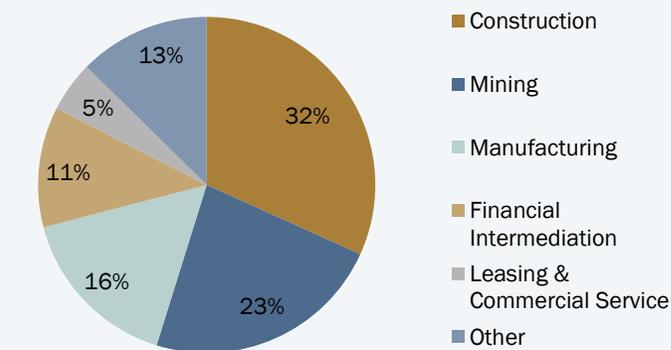
## Investment

China’s annual FDI flows to Africa have increased steadily but remain modest compared with other regions. Top 3 destinations in 2024 were South Africa, Mozambique and Niger.

China’s FDI to Africa (USD bn)

	Annual Flow	Stock
2004	0.32	0.90
2014	3.20	32.35
2024	3.37	43.80

China’s FDI stock in Africa by sectors as of end-2024



Source: The Ministry of Commerce China, ICBCS

# Accessible RMB financing and investment pathways for global investors

## Strategic Rationale: Why now is a good timing for African entities enter the RMB market

- ✓ **Low-cost financing:** China's historical low rates vs US/Euro markets relatively high rates
- ✓ **Corridor loop:** RMB bond issuance + RMB export receipts creates a natural repayment cycle, reducing reliance on USD reserves and FX hedging
- ✓ **Green & sustainable financing trend:** African energy transition and infrastructure projects will be highly attractive to Chinese investors
- ✓ **Funding diversification:** Supports African sovereigns' multicurrency funding strategy by reducing over-reliance on hard currencies

## Structural overview of Dim Sum and Panda bond markets

	Dim Sum bond (Offshore)	Panda bond (Onshore)
<b>What it is</b>	CNH bonds issued at offshore China market (mainly Hong Kong)	CNY bonds issued at China's onshore interbank bond market (CIBM)
<b>Issuers</b>	All entities, mainly financial institutions	Entities domiciled outside of mainland China, mostly corporates
<b>Investors</b>	Global investors, most have RMB reserves	Global investors (via Northbound BondConnect), mostly China domestic
<b>Market size</b>	RMB 2.2tn (including RMB 514bn in CDs)	RMB 466bn
<b>Tenor</b>	Typically 1-10 years	Typically 1-5 years
<b>Benefits</b>	No strict onshore capital controls and regulator barriers	Diversification into the world's 2nd largest bond market; Direct access to onshore massive capital base

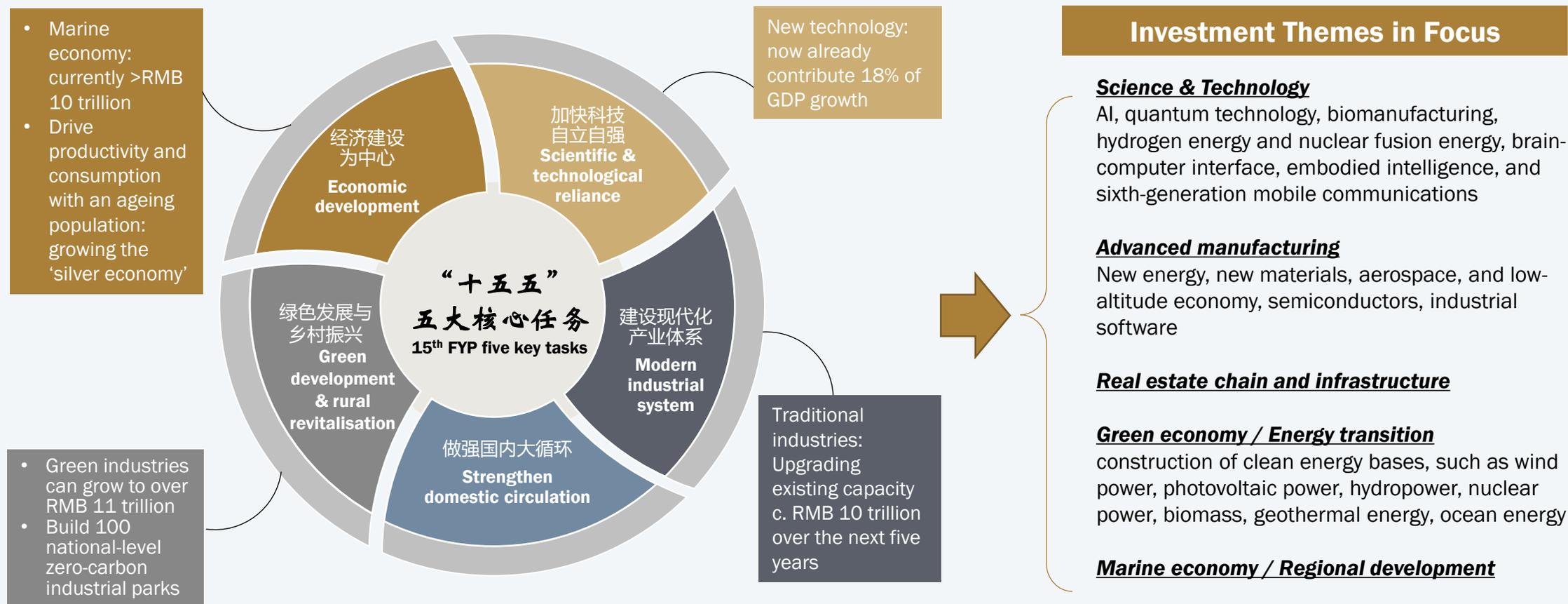
# Appendix 1. Further roll-out of fiscal measures key to sustain recovery momentum

**Beijing has raised budget deficit ratio to 4% and lowered CPI target to 2.0%, launched multi-year debt-swap programme during the Two Sessions meeting this year, reaffirming its commitment to anchor growth amidst global uncertainties.**

		2025 GWR Targets	2024 GWR Targets	2025 vs 2024
<b>GDP</b>	GDP Target (%)	c. 5.0%	c. 5.0%	→
	Official Fiscal Deficit (CNY tn)	5.66	4.06	↑
	Official Fiscal Deficit Ratio (% GDP)	4.00%	3.00%	↑
	Special Bond Quota (CNY tn)	4.40	3.90	↑
	Special Bond Quota (% GDP)	3.11%	2.88%	↑
<b>Fiscal</b>	Special Fiscal Arrangement (CNY bn)	<u>CNY 1.3tn Ultra-long Special Sovereign Bond</u> <u>CNY 0.5tn Special Sovereign Bond (for bank recapitalisation)</u>	<u>CNY 1tn Ultra-long Special Sovereign Bond</u>	↑
	Estimated Broad Fiscal Deficit Ratio excluding debt-swap programme (% GDP)	c. 8.0% - 8.5%	c. 6.5% - 7.5%	↑
	Estimated Broad Fiscal Deficit Ratio including the multi-year 10tn yuan debt-swap programme (% GDP)	c. 9.5% - 10.0%	c. 8.0% - 9.0%	↑
<b>Social</b>	Household Disposable Income Growth (yoy %)	"Same as nominal GDP growth rate" (c. 5.0%)	"Same as nominal GDP growth rate" (c. 5.0%)	→
	Urban New Job Creation (mn)	Min. 12.00	Min. 12.00	→
	Unemployment Rate (%)	c. 5.50%	c. 5.50%	→
	Decarbonisation Efforts	Reduce energy use per unit of GDP by c. 3.0%	Reduce energy use per unit of GDP by c. 2.5%	↑
<b>Monetary</b>	CPI (%)	c. 2.0%	c. 3.0%	↓
	M2 (yoy %)	"Same as nominal GDP growth rate"	"Same as nominal GDP growth rate"	→
	Total Social Financing (yoy %)	"Increase new loan base and lower borrowing cost for real economy"	"Increase new loan base and lower borrowing cost for real economy"	→

Source: WIND, ICBC Standard

# Appendix 2. 15<sup>th</sup> FYP aims to accelerate consumption and innovation-driven growth



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