

IMF cuts China's 2026 economic growth forecast to 4.5%

The IMF lowered its forecast for China's economic growth this year to 4.5 percent on Tuesday, as higher energy prices due to the Middle East conflict and a domestic spending slump weigh on activity.

The new projection, published in the International Monetary Fund's World Economic Outlook report, marks a slight downward revision from the previous forecast released in July.

Growth in the world's second-largest economy is then seen slowing to 4.0 percent in 2027, the Fund said, also one-tenth of a percentage point lower than previously forecast.

"Higher global oil prices, together with protracted uncertainty and structural headwinds, are expected to weigh on activity," the report said, while noting that "policy support is expected to prevent a sharper slowdown".

The IMF's latest forecast for this year's growth hovers on the lower edge of Beijing's official target of 4.5-5.0 percent – the lowest in decades.

A years-long crisis in China's once booming real estate sector has spooked consumers, dampening activity even as exports and high-tech sectors such as artificial intelligence and electric vehicles boom.

In contrast, India received a significant upward revision of 0.6 percentage points for this year in the IMF report, with growth now expected to reach 7.0 percent.

The increase reflects "sustained momentum and growing evidence of stronger growth potential supported by favorable

demographic dynamics, a large and expanding domestic market, and continued structural reforms”, the report said.

The Fund also lifted this year’s growth forecasts in South Korea to 3.3 percent and in Taiwan to a breakneck 10.7 percent – both boosted by a global surge in demand for AI chips.

However, the AI landscape is highly concentrated, with Taiwan and South Korea alone sourcing 62 percent of the net trade in related computing components.

And while several Southeast Asian countries are expected to benefit from the ongoing AI data-centre buildout, “small island developing states are expected to experience slower growth because of higher energy costs as well as weaker tourism and remittances”, the Fund said.

In Japan, the IMF now forecasts growth this year to reach 0.7 percent, up one-tenth of a percentage point from the July projection, with fiscal measures implemented by Prime Minister Sanae Takaichi partially mitigating the surge in fuel prices.