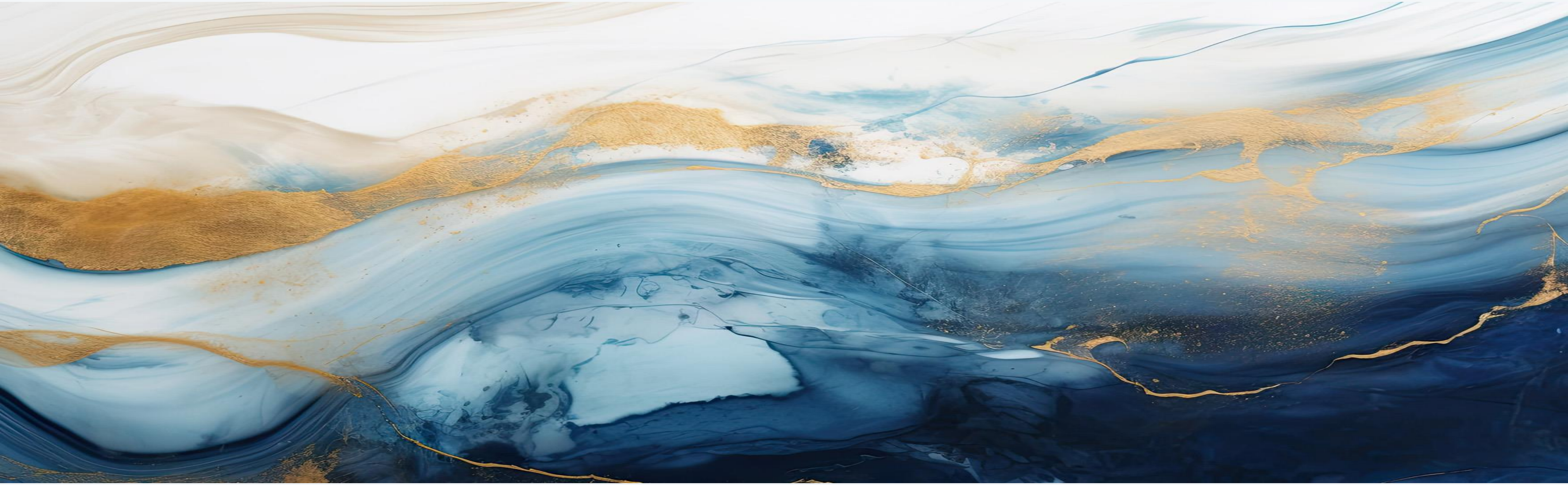
ICBC Standard Bank

The Great Reallocation and China's Next Phase of Growth

April 2026



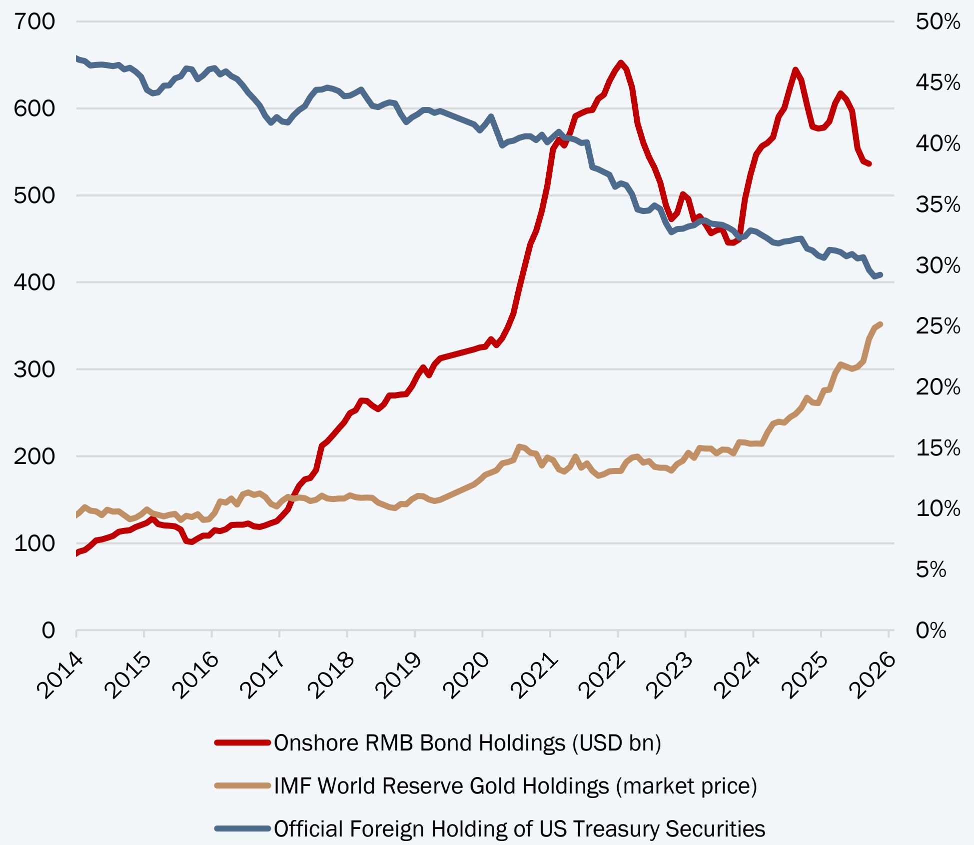
EM-driven GDP growth likely to accelerate reserve re-allocation to 2030

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%			
Contributions					
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

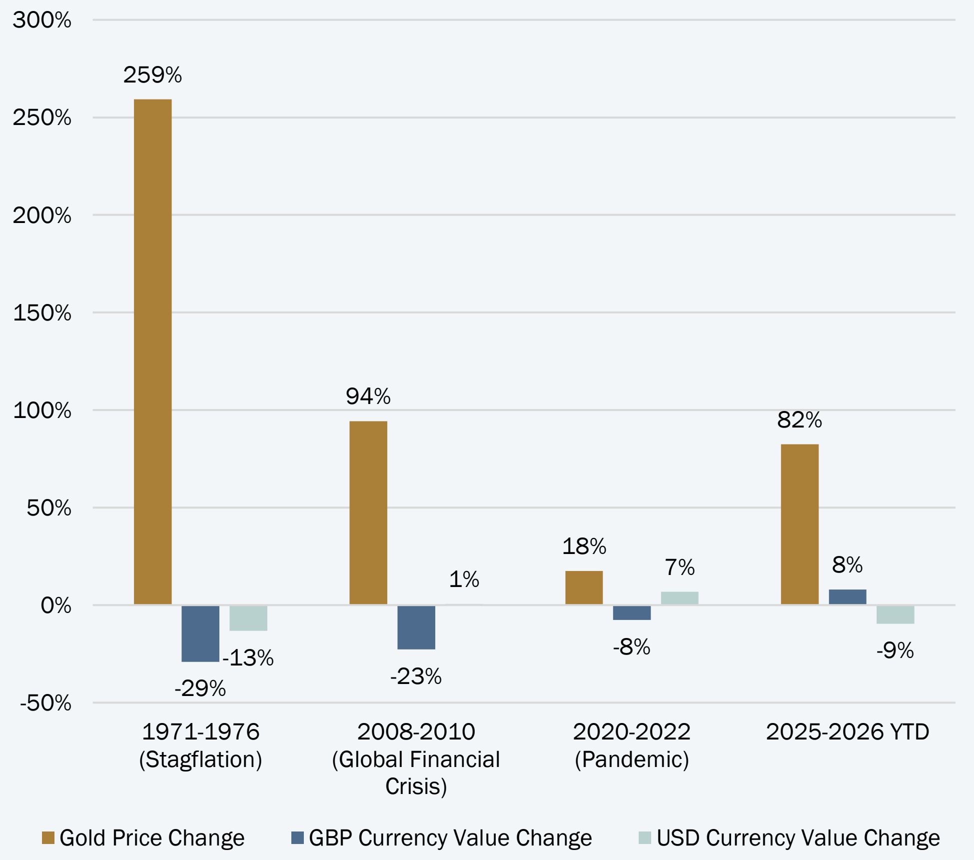


Source: Bloomberg, WIND, ICBCS

*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

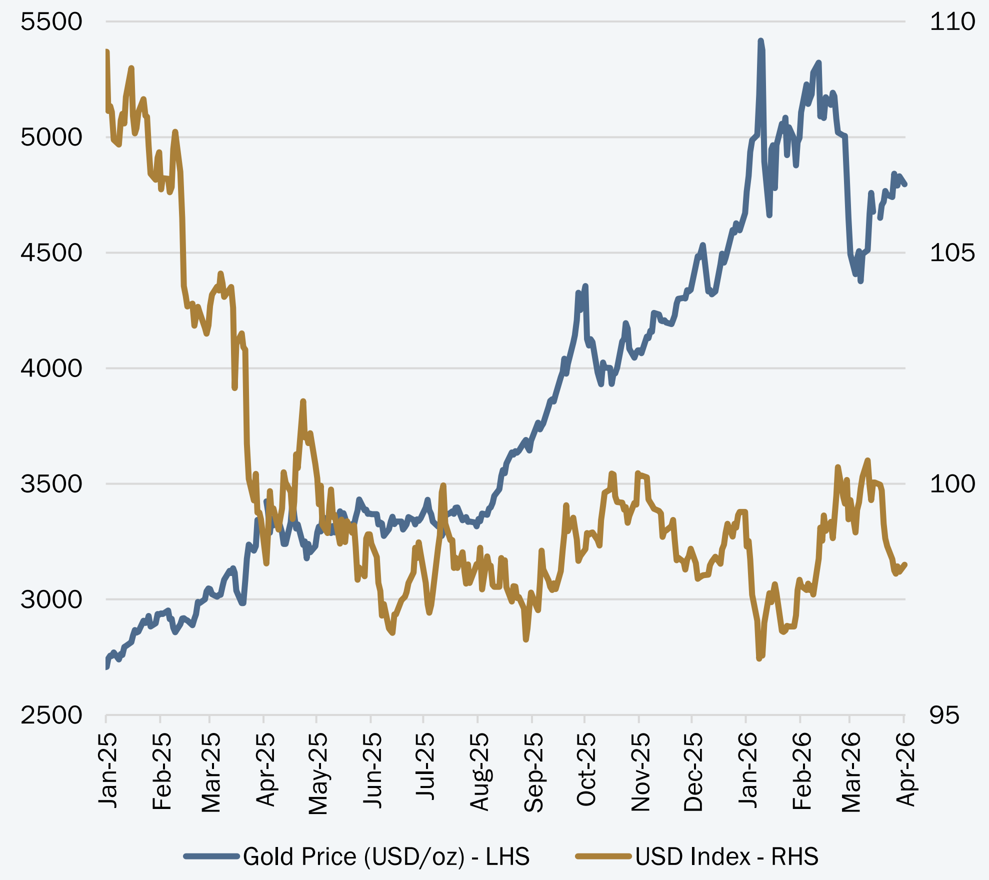
USD debasement arguably underway after anchoring financial stability

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



Source: Bloomberg, ICBCS

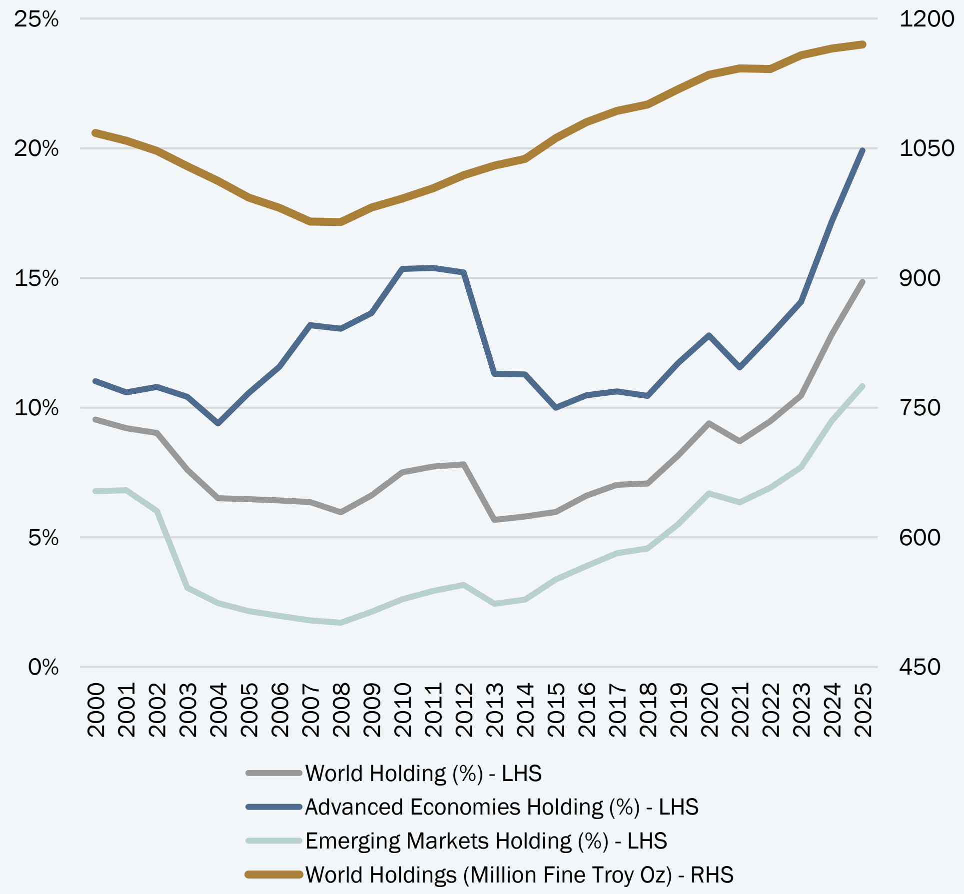
Gold price, inflation and deficits add to debasement theory



Source: Bloomberg, ICBCS

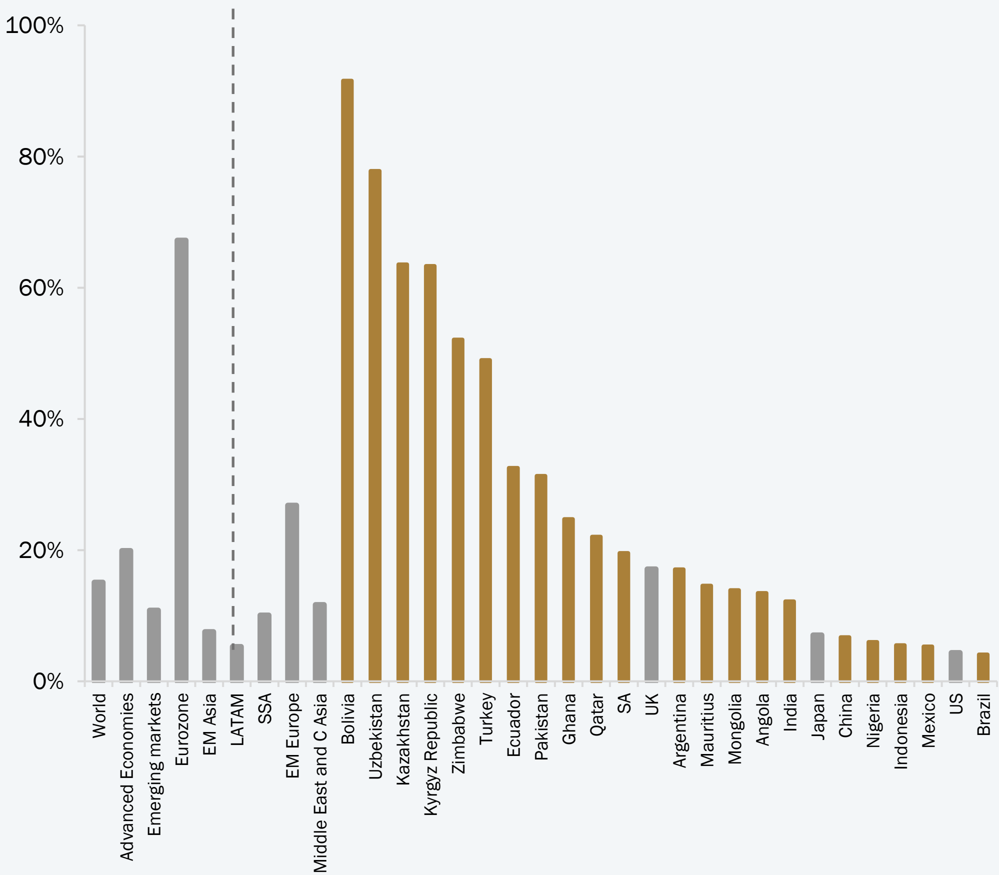
Central bank gold holding rise amid rush towards diversification

Rising gold share in central bank FX reserves



Source: IMF, World Gold Council, ICBCS

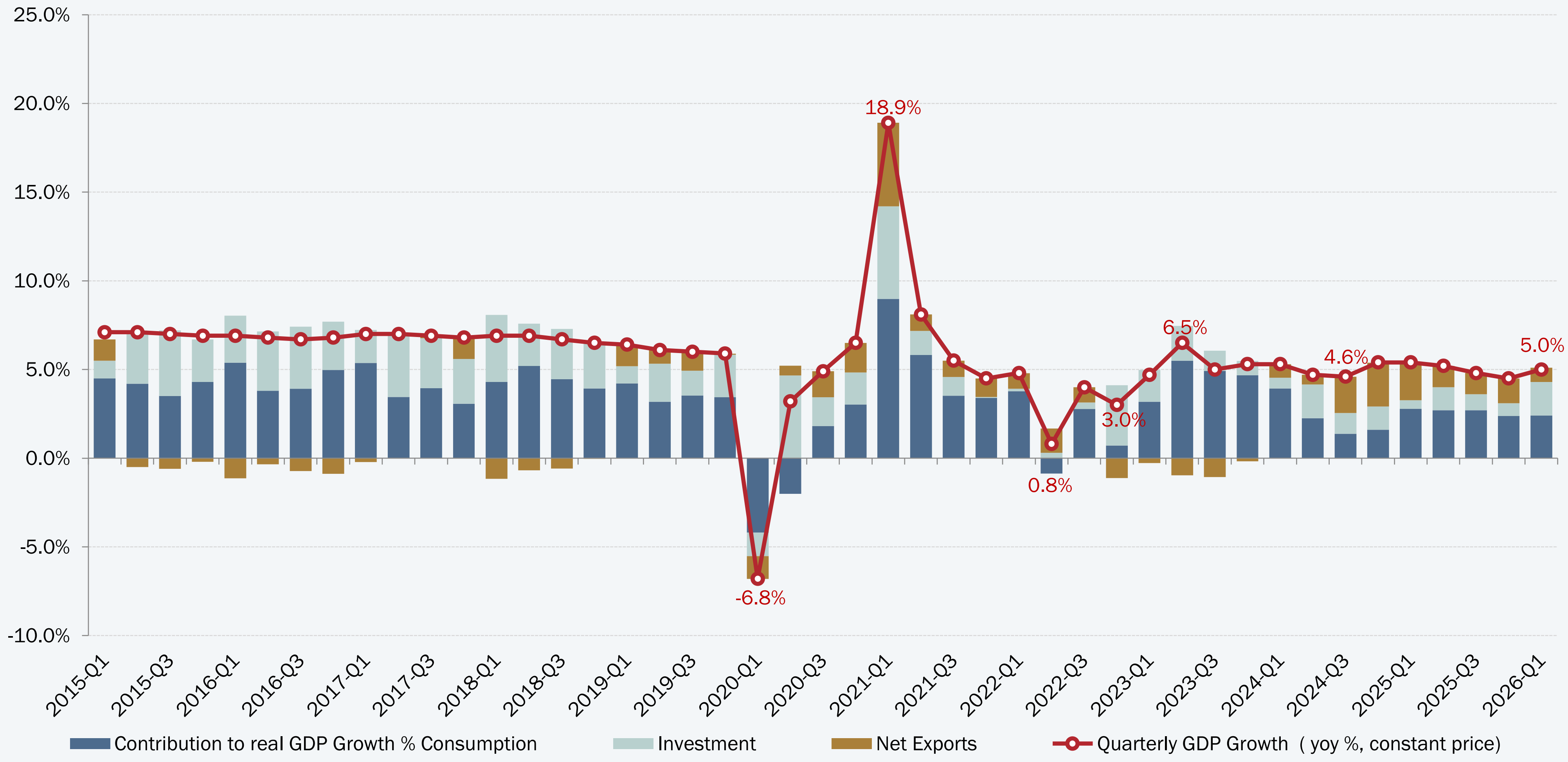
Gold share in EM central bank reserves often greater than DM



Source: IMF, ICBCS

Better-than-expected GDP growth in Q1-2026 amid global headwinds

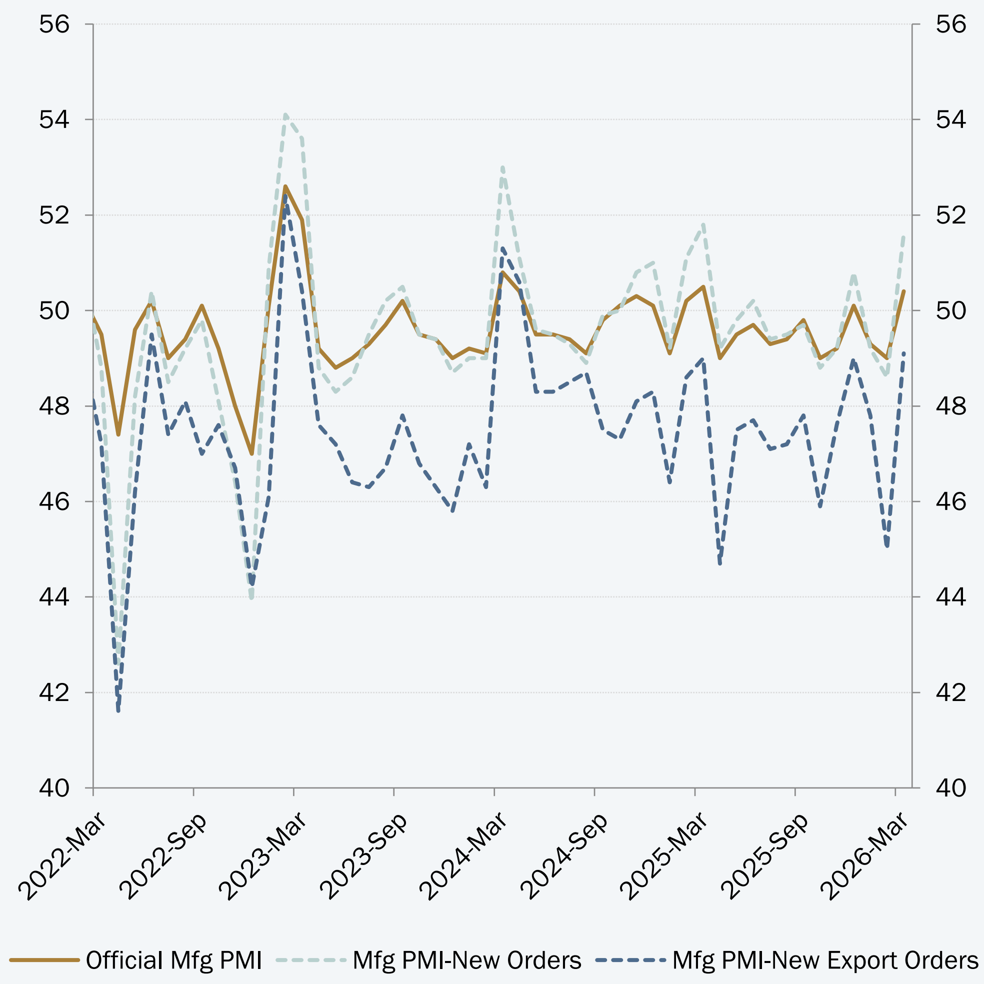
Front-loaded fiscal measures since Q4-2025 have boosted investment, reducing the need for further easing



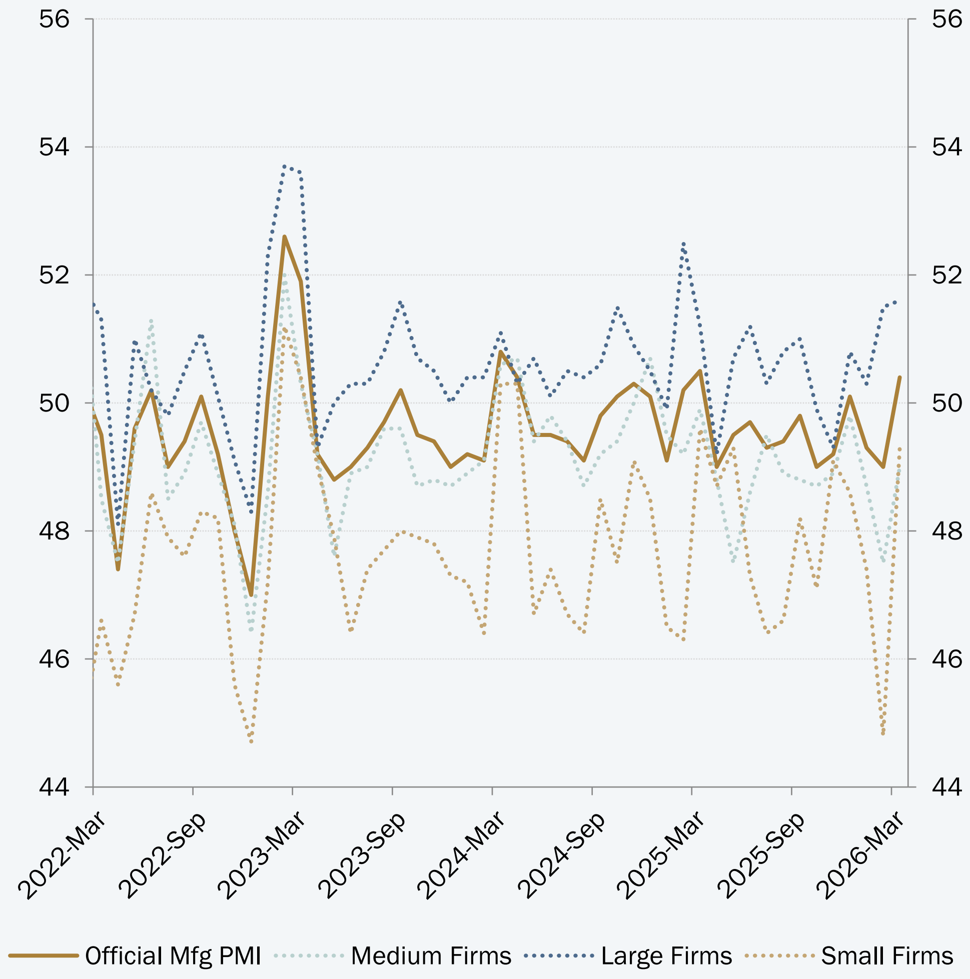
Source: WIND, ICBC Standard

PMIs return to expansion, signalling notable pickup in economic vitality

Accelerated resumption of demand leads to stronger manufacturing PMI



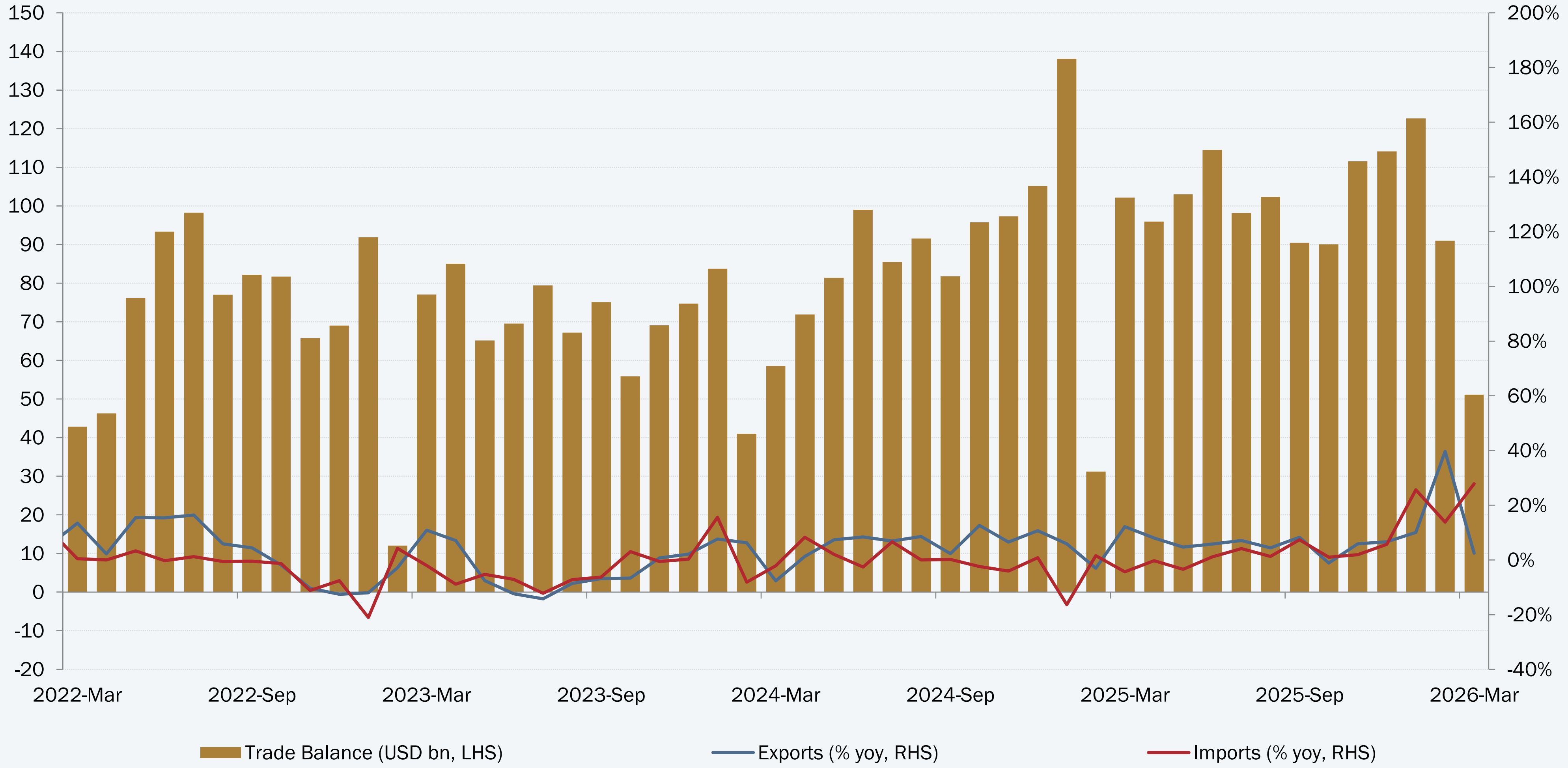
Larger firms hold steady as SME lifted on stronger sensitivity to seasonal rebound and demand recovery



Source: WIND, ICBC Standard

Trade engine reaches a structural inflection point amid intensified disruption

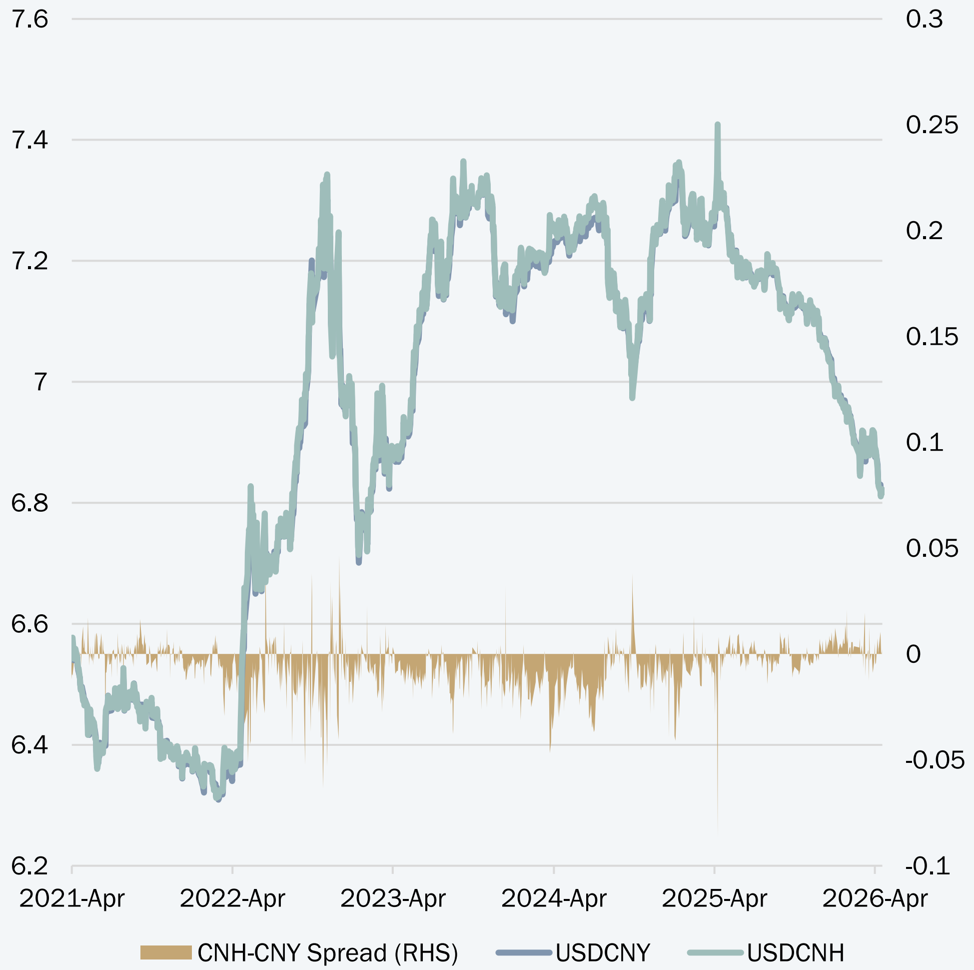
External demand no longer delivers the same stabilising impulse to growth



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 status

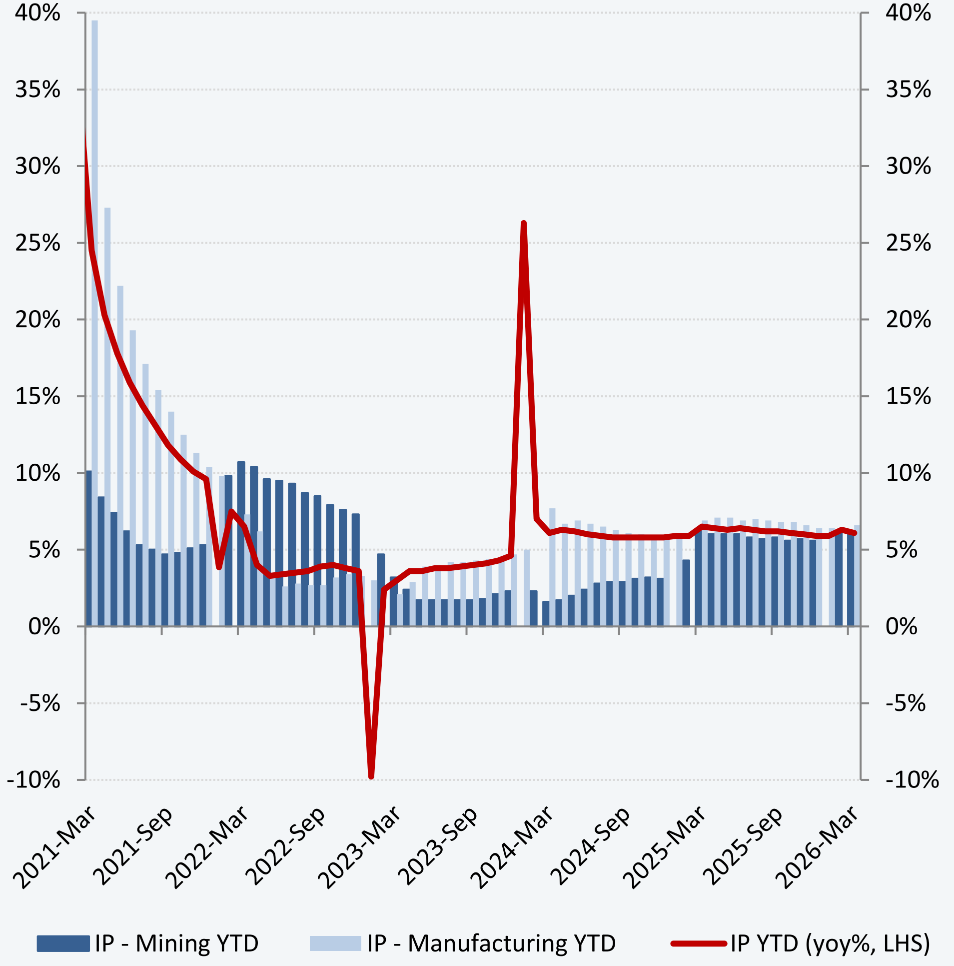


RMB maintains two-way variability, with inflation-driven erosion of real purchasing power but continued tight tracking of DXY

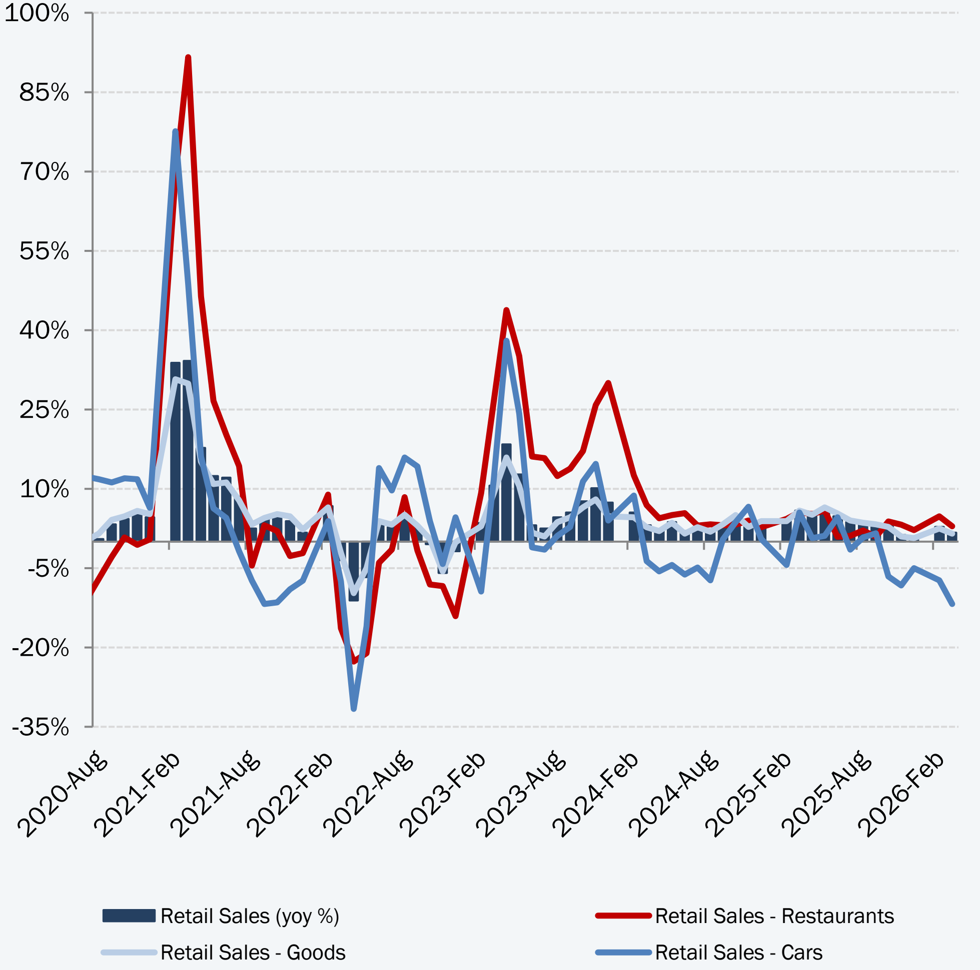
Source: WIND, ICBC Standard

Domestic activity weakens as cost pressures reveal demand fragility

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



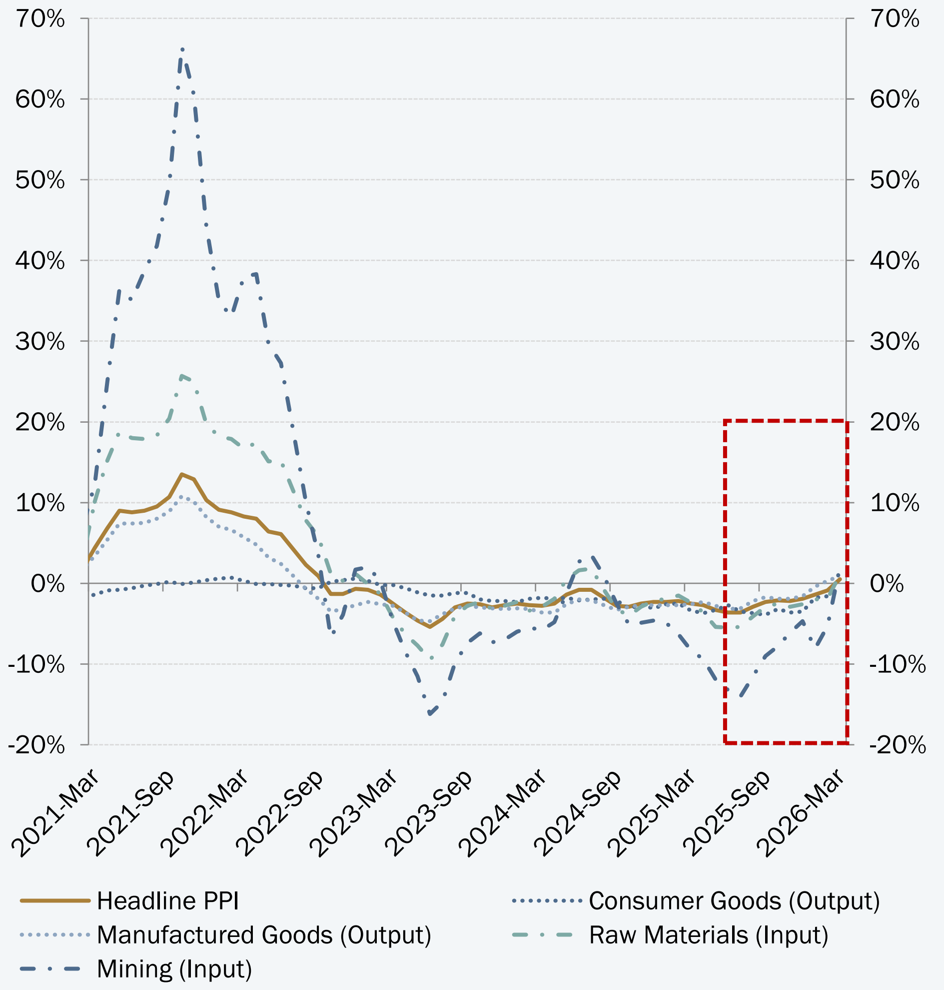
Policy support helps stabilise consumption, but broader demand softening prevails



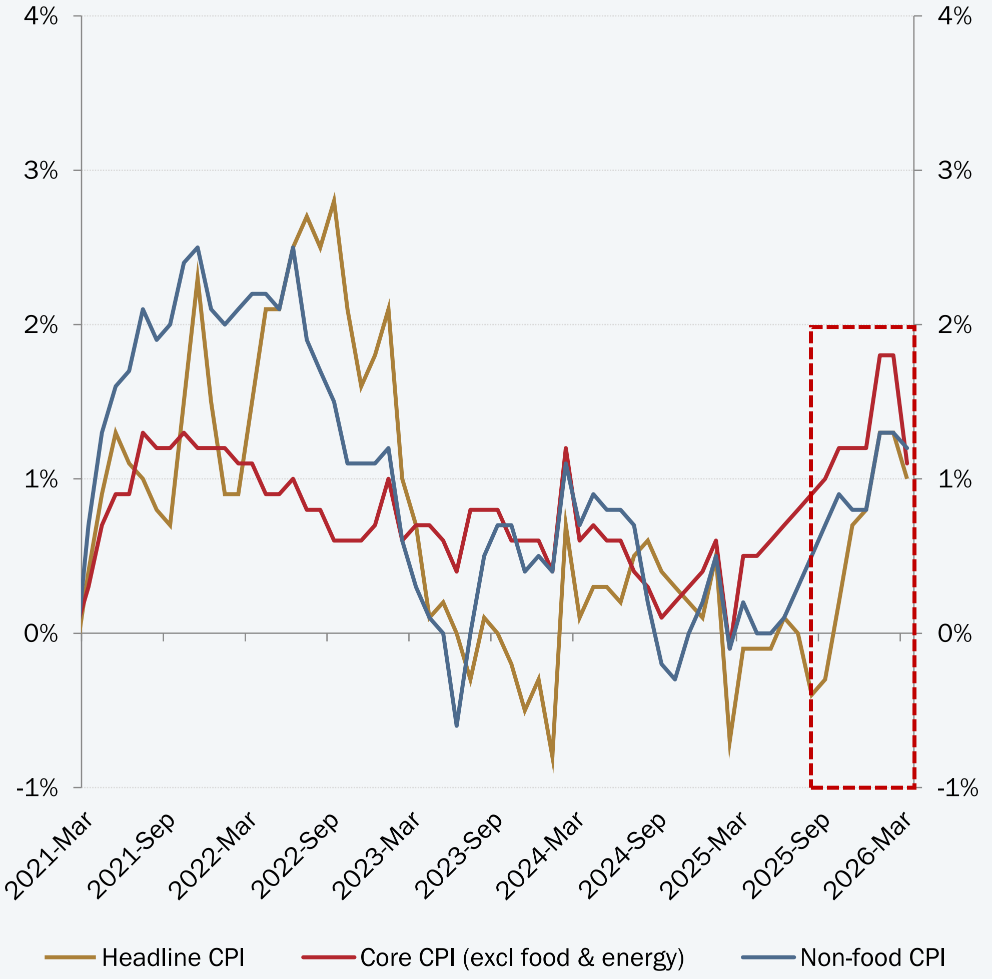
Source: WIND, ICBC Standard

Price indices signal a gradual shift toward mild reflation

A global commodity rally pushes PPI back into inflationary territory for the first time since 2022



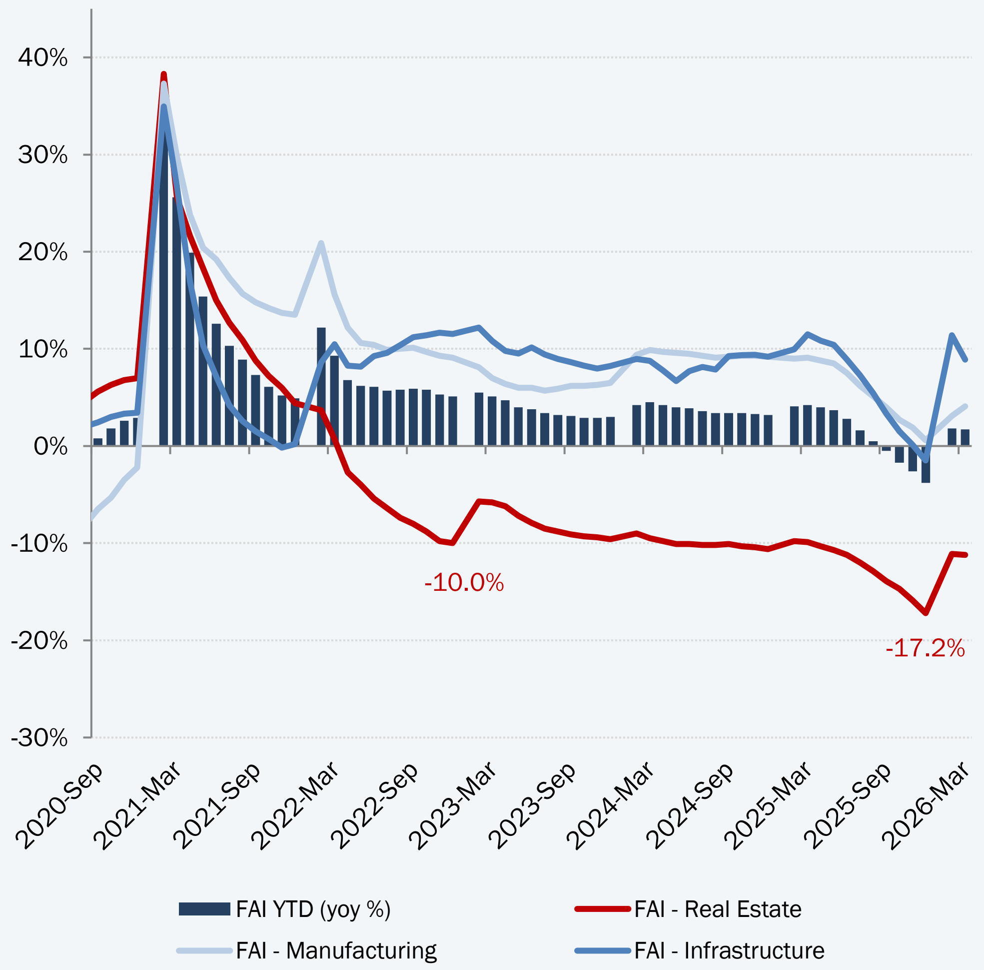
Domestic demand shows nascent recovery, while CPI softens temporarily due to holiday distortion and basket recalibration



Source: WIND, ICBC Standard

Policy-led expansion is increasingly feeding through to real economy

Negative growth in a property-related FAI has been largely offset by investment into manufacturing and public infrastructure

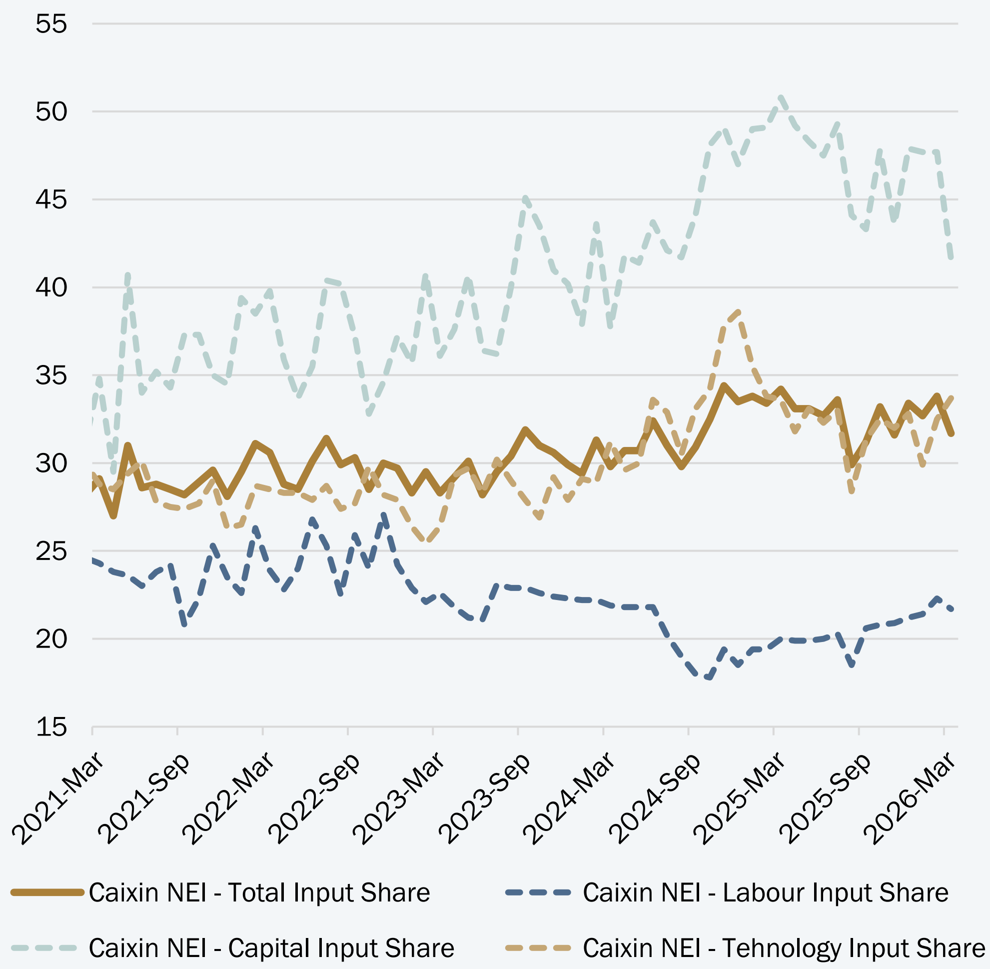


Policy-led credit expansion through government bond issuance is slowing but lagged credit impulse will likely continue through H1

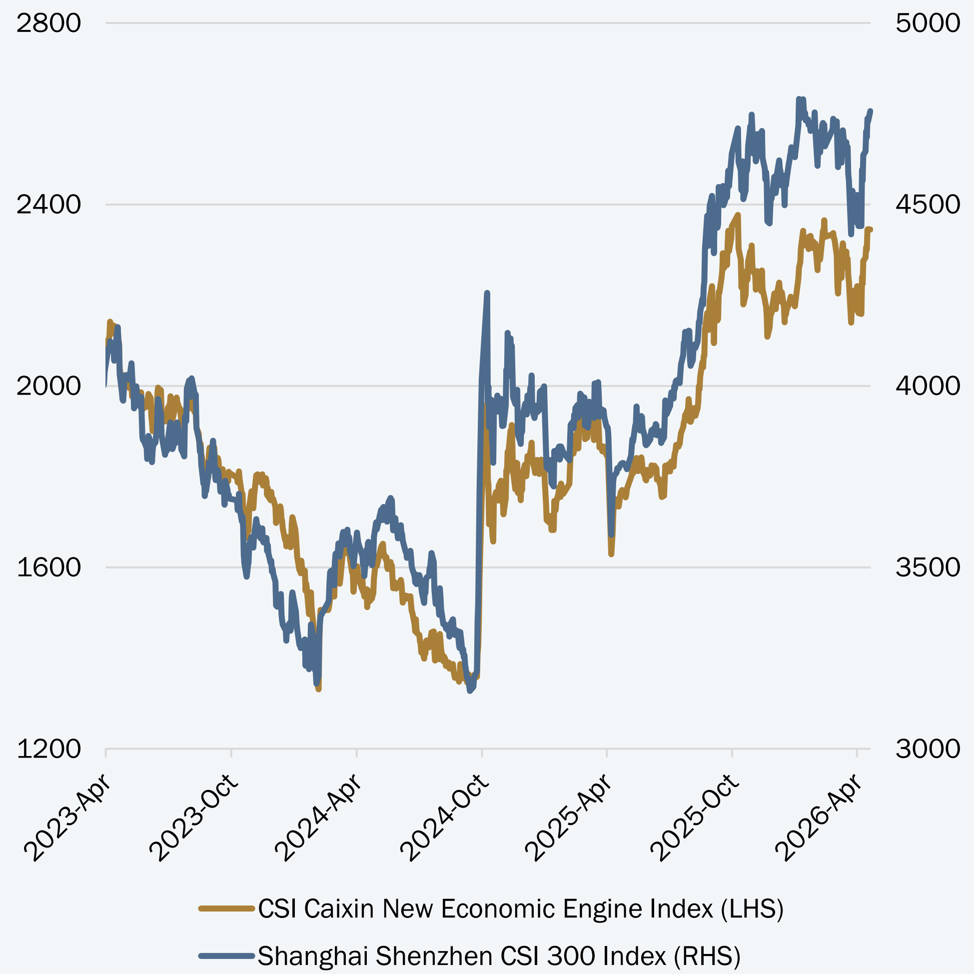
Source: WIND, ICBC Standard

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



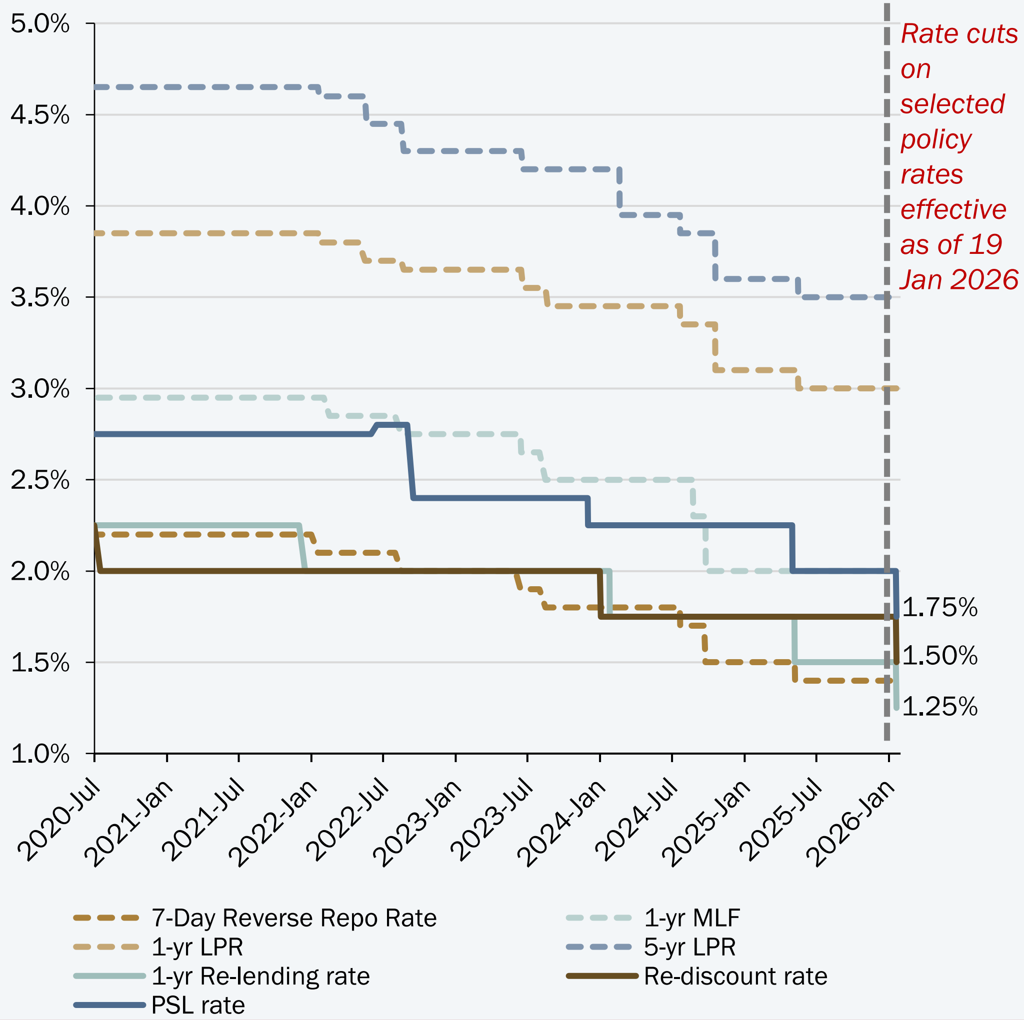
New-economy momentum trails CSI 300 rally, signalling a shift in China’s market leadership



Source: ICBC Standard, Bloomberg

Targeted monetary policy tools preferred over broad rate-cutting

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

Beijing is shifting towards lower volatility, targeted support, and tech-led productivity gains

2026 GWR: A range-based GDP target increases policy flexibility and helps absorb external shocks, while macro policy shifts from supply-side stabilisation toward supporting consumption and investment demand, prioritising technology-driven and welfare-related sectors over traditional industries.

		2026 vs 2025	2026 GWR Targets	2025 GWR Targets	2025 Progress
GDP	GDP Target (%)	↓	c. 4.5 – 5.0%	c. 5.0%	5.0%
Fiscal	Official Fiscal Deficit (CNY tn)	↑	5.89	5.66	General public budget revenue decreased by 1.7% YoY, expenditure increased by 1% YoY
	Official Fiscal Deficit Ratio (% GDP)	→	4.00%	4.00%	
	Special Bond Quota (CNY tn)	→	4.40	4.40	4.59
	Special Bond Quota (% GDP)	↓	3.05%	3.11%	3.27%
	Special Fiscal Arrangement (CNY tn)	↓	CNY 1.3tn Ultra-long Special Sovereign Bond CNY 0.3tn Special Sovereign Bond (for bank recapitalisation) CNY 0.1tn Domestic Consumption Boosting Fund	CNY 1.3tn Ultra-long Special Sovereign Bond CNY 0.5tn Special Sovereign Bond (for bank recapitalisation)	CNY 1.3tn Ultra-long Special Sovereign Bond CNY 0.5tn Special Sovereign Bond (for bank recapitalisation)
	Broad Fiscal Deficit Ratio (% GDP)	↓	c. 7.5% - 8.0%	c. 8.0% - 8.5%	8.0%
	New Policy Financing Tools Fund (CNY tn)	↑	0.8 (first mention in GWR)	0.5	–
Social	Household Disposable Income Growth (yoy %)	→	"Same as nominal GDP growth rate" (c. 5.0%)	"Same as nominal GDP growth rate" (c. 5.0%)	5.0%
	Urban New Job Creation (mn)	→	Min. 12.00	Min. 12.00	12.67
	Unemployment Rate (%)	→	c. 5.50%	c. 5.50%	5.20%
	Decarbonisation Efforts	⇆	Reduce CO_2 emission per unit of GDP by c. 3.8%	Reduce energy use per unit of GDP by c. 3.0%	Reduce energy use per unit of GDP by 5.1%
Monetary	CPI (%)	→	c. 2.0%	c. 2.0%	0.0%
	M2 (yoy %)	→	"Same as nominal GDP growth rate" "Increase new loan base and lower borrowing cost for real economy"	"Same as nominal GDP growth rate" "Increase new loan base and lower borrowing cost for real economy"	8.5%
	Total Social Financing (yoy %)				8.3%

Source: WIND, ICBC Standard

15th FYP aims to accelerate consumption and innovation-driven growth

- Marine economy: currently >RMB 10 trillion
- Drive productivity and consumption with an ageing population: growing the 'silver economy'

New technology: now already contribute 18% of GDP growth

- Green industries can grow to over RMB 11 trillion
- Build 100 national-level zero-carbon industrial parks

Traditional industries: Upgrading existing capacity c. RMB 10 trillion over the next five years

Investment Themes in Focus

Emerging Industries

- Aerospace
- Biomedicine
- Low-altitude economy
- Integrated circuit

Strategic Future Industries

- Future energy
- 6G communication
- Quantum technology
- Brain-computer interfaces
- Embodied Intelligence

Source: 4th Plenum communiqué, ICBC Standard

China targets sustainable growth with greater welfare support and green transition

		15FYP vs 14FYP	15FYP (2026 – 2030)	14FYP (2021 – 2025)
Economic Development	GDP Target	→	Maintain annual growth within a reasonable range, with dynamic annual target-setting	Maintain annual growth within a reasonable range, with dynamic annual target-setting
	Growth in overall labour productivity (%)	→	>GDP growth	>GDP growth
	Urbanization rate of permanent residents (%)	↑	71	65
Innovation	R&D Expenditure	→	Annual growth above 7%	Annual growth above 7%
	Digital-economy industries (Value-added of % GDP)	↑	12.5	10
	High-value invention patents per 10,000 population	↑	> 22	>12
Wellbeing	Education level among working-age population (years)	↑	11.7	11.3
	Life expectancy (years)	↑	80	78
	Household income growth (%)	→	In line with GDP	In line with GDP
	Unemployment rate (annual average %)	→	<5.5	<5.5
	Licensed physicians per 1,000 population	↑	3.7 (5.1 registered nurses)	3.2
	Elderly care	⇆	73% nursing care beds in elderly care institutions	95% basic pension coverage
	Childcare (under 3 years old)	⇆	6% increase in the childcare enrolment rate	4.5 childcare slots per 1,000
Security	Energy production capacity (tonnes of standard coal)	↑	5.8bn	> 4.6bn
	Grain production capacity (mil tons)	↑	725	650 million tonnes
Green Ecology	CO_2 emissions per GDP reduction (5Y cumulative)	↓	Reduce by c. 17%	Reduce by c. 18%
	Non-fossil fuel share (%)	↑	25	20
	Air quality	⇆	PM2.5 concentration < 27 mg/m3	87.5% days good quality
	Surface water class III (%)	→	85	85
	Forest coverage (%)	↑	25.8	24.1

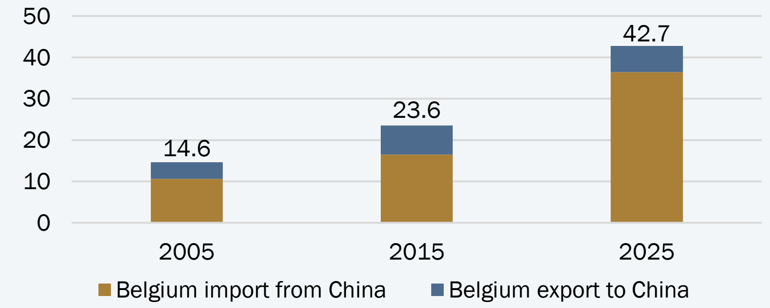
Source: 2026 GWR, ICBC Standard

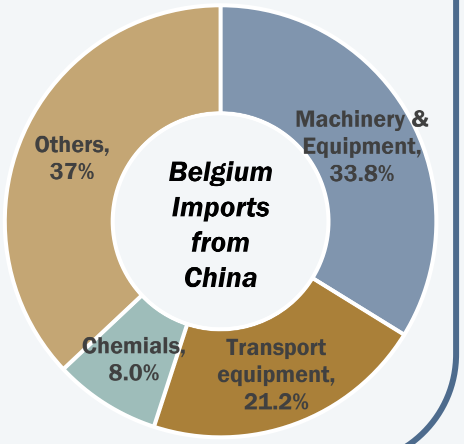
China & Belgium: Complementarity Fostering Deeper Bilateral Cooperation

Trade

China's manufacturing scale supports cost-competitive exports, while **Belgium**'s strength in high-value pharmaceuticals and chemicals underpins a complementary but asymmetric trade relationship.

China – Belgium growing trade volume (2005 – 2025, USD bn)





Investment

Belgium FDI into China: Belgium maintains high-quality investment with over 1,200 established projects with a strategic pivot. 60% of new capital targets high-end R&D and green tech to support localisation.

China FDI into Belgium: Ranked as Belgium's 6th largest investor by project count in 2024, with an annual flow of USD 21mn and a stock of USD 394mn. Investments primarily target logistics and EV infrastructure supporting China's "Gateway to Europe" position.

Key investment sectors and projects

Sector	Projects	Investment Amount	Investment Period	Financing Channel
Green Energy	Umicore Catalyst Plant	USD 80mn	3Y	CapEx
Technology	Barco (Wuxi) Tech Centre	USD 50mn	2Y	Equity-based FDI
Biomedicine	PB Leiner (Hainan) Biotechnology	USD 20mn	1Y	JV FDI
Logistic	Cainiao Liege eHub*	EUR 100mn	4Y	Equity-based FDI
EV	Volvo Ghent EV Line*	EUR 200mn	4Y	Equity-based FDI

** refers to China's investment to Belgium, otherwise are Belgium's investment to China*

Source: Bloomberg, Belgian Foreign Trade Agency (BFTA), WIND, ICBCS

Accessible RMB financing and investment channels for global investors

Why use RMB?

- ✓ **Low-cost financing**: Low RMB (CNY/CNH) rates vs USD/EUR markets with expectation for continued divergence on low inflation
- ✓ **Funding diversification**: Reduce over-reliance on hard currencies and establish RMB as a strategic anchor currency
- ✓ **Corridor loop**: RMB bond issuance + RMB export receipt creates a natural repayment cycle, reducing reliance on USD reserves and FX hedging
- ✓ **Green & sustainable financing trend**: Energy transition and infrastructure projects are highly attractive to Chinese investors

Structural overview of Dim Sum and Panda bond markets

	Dim Sum bond (Offshore)	Panda bond (Onshore)
Key difference	CNH bonds issued at offshore China market (mainly via Hong Kong)	CNY bonds issued in the China Interbank Bond Market (CIBM)
Issuers	All entities, mainly financial institutions	Entities with China domestic rating equivalent to “AAA”
Investors	Global investors, most have RMB reserves	Global investors (via Northbound BondConnect), mostly China domestic
Market size	RMB 2.2tn (including RMB 514bn in CDs)	RMB 466bn
Tenor	Typically 1-10 years	Typically 1-5 years
Benefits	No strict onshore capital controls and regulator barriers	Diversification into the world's 2nd largest bond market; Direct access to the vast onshore capital base

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