



# Geopolitical Forecast Report

China — 2025-2030

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## Executive Summary

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By 2030, the People's Republic of Nation\_I is expected to be a slower-growing, higher-debt super-power constrained by demographic headwinds. The baseline outlook envisages annual real GDP growth of 3–4 %, a non-financial debt-to-GDP ratio of roughly 320 %, and a 15–24-year-old cohort that is 20 % smaller than in 2023. The armed forces will probably expand to 2.5 million personnel while retaining regional nuclear primacy, and political authority will remain tightly centralised under the Socialist Party. Social stability is set to erode under the combined pressures of elevated youth unemployment, mounting pension obligations, and increasingly intrusive ethnic surveillance. Externally, policy will harden around a self-reliant technology blockade and an assertive maritime stance in contested seas. Together, three scenarios—"Managed Deceleration," "Stagnation & Retrenchment," and "Limited Conflict"—capture about 85 % of the probability mass. The residual 15 % is reserved for a low-probability, high-impact "Black-Swan" event combining a financial shock with an acute demographic disruption.

# Forecast Analysis

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This forecast was generated using historical data from 2000 to 2025, incorporating 52 primary sources across political, economic, social, and security domains. The analysis proceeds by identifying structural drivers, constructing a small number of internally-consistent scenarios, and translating those scenarios into measurable forecast ranges.

## Reasoning

This forecast for the 2025-2030 period was finalised on 5 January 2026 by integrating evidence collected from 2000-2025. Fifty-two sources covering political, economic, social and security developments were distilled into a concise set of competing scenarios and quantified projections. The baseline view presented in the executive summary corresponds to the most probable pathway, labelled “Managed Deceleration,” which is assigned a 55 % likelihood. Upside and downside trajectories are captured in two alternative scenarios that bracket the central case. All quantitative indicators are expressed as ranges and carry an explicit confidence tag; each is underpinned by a scenario-conditioned rationale. Illustrative calls include average real GDP growth of 2.8 %-3.6 % over 2026-30, nominal GDP of US\$ 24.0–25.5 trn in 2030, and a non-financial debt-to-GDP ratio of 305 %-330 %. Overall stability is expected to erode, chiefly because of persistent youth under-employment and a growing surplus of graduates, mounting fiscal pressure from pension and medical obligations as the dependency ratio reaches 0.45 by 2030, and the risk of a cascading default cycle in local governments’ off-balance-sheet debt. A low-probability, high-impact “black-swan” shock is appended to the scenario set to test its robustness and to surface potential second-order effects.

## Scenario Landscape

### Managed Deceleration (55% probability)

Policy makers accept 3 % trend growth, orderly property deleveraging, and partial SOE subsidy cuts. Green-tech and auto exports partly offset demographic drag; R&D share rises to 3.5 % GDP. A 10 % nominal CNY depreciation keeps exports positive. Social control technology (facial AI, digital yuan) prevents organised unrest; global opinion stays neutral-negative but no new mega-sanctions.

#### Key Drivers

- Targeted fiscal stimulus capped at 7 % deficit
- Property price decline limited to 25 % peak-to-trough
- Successful 3-nm domestic semiconductor node by 2028
- Pension age raised to 65 (men) & 60 (women) by 2029

### Stagnation & Retrenchment (25% probability)

Growth falls to 1–2 % as property correction deepens (-40 % prices), LGFV defaults cascade, and household balance-sheet recession emerges. SOE employment is used as hidden stimulus; youth unemployment stays >20 %. Capital outflows force FX reserves down to US\$ 2 trn; CNY devalues 20 %. Global South infrastructure loans are restructured en masse, denting soft power.

## Key Drivers

- Real-estate share of GDP compresses to 8 %
- Tertiary sector growth stalls at <4 %
- Bank NPL ratio >5 %
- Debt service absorbs >25 % fiscal revenue

**Limited Conflict (Quarantine or Blockade) (15% probability)**

Attempted forced integration of Disputed Island triggers 30-day US-led maritime quarantine and financial sanctions on major banks. Physical war is avoided, but trade routes through South-East Sea are disrupted; GDP prints -3 % in 2028 before a +4 % rebound in 2029 as supply chains reroute via Belt partners. Nationalist rally-round-the-flag effect keeps domestic approval >80 %; military budget jumps to 4 % GDP.

## Key Drivers

- Disputed Island provocation during 2027 local elections
- US CHIP-4 plus Japan/EU export-control expansion
- Third-party oil & gas embargo insurance ban
- Cyber & ASAT exchanges confined to 72-hour window

**Key Quantitative Forecasts**

Indicator	Range	Confidence
Real GDP Growth (2026-30 avg)	2.8 % – 3.6 %	Medium
Nominal GDP (2030)	US\$ 24.0 – 25.5 trn	Medium
Non-Financial Debt / GDP	305 % – 330 %	High
Population	1 395 – 1 400 m	High
Youth (15-24) Unemployment Rate	16 % – 22 %	Medium
Coal Share of Electricity	48 % – 52 %	High
Military Expenditure / GDP	2.2 % – 2.8 %	Medium
FX Reserves	US\$ 2.5 – 3.0 trn	Medium

**Real GDP Growth (2026-30 avg) — Rationale**

Working-age population -0.5 % yr<sup>-1</sup> offsets +1.7 % TFP from R&D; investment share falls but net exports stable.

**Nominal GDP (2030) — Rationale**

Base US\$ 20.7 trn (2026) compounded at 5–6 % nominal (incl. 2 % GDP deflator).

**Non-Financial Debt / GDP — Rationale**

Continued 8–9 % annual credit growth vs 5 % nominal GDP; LGFV rollover assumed.

**Population — Rationale**

UN medium variant: deaths exceed births after 2026; immigration negligible.

#### Youth (15-24) Unemployment Rate — Rationale

Graduate supply still > white-collar job creation; services share capped by productivity gap.

#### Coal Share of Electricity — Rationale

New coal plants ( $\approx$  80 GW under construction) offset 200 GW solar/wind additions; 2060 net-zero unchanged but 2030 target relaxed.

#### Military Expenditure / GDP — Rationale

Budget CAGR 6 % vs 5 % nominal GDP; scenario 3 spikes to 4 %.

#### FX Reserves — Rationale

Current account surplus narrows to 0.5 % GDP; capital outflow 150–200 bn yr $\square$ <sup>1</sup> under scenario 2.

## Stability & Risk Outlook

Trend: deteriorating

Risk Factors

- Youth under-employment & graduate glut
- Pension/medical fiscal squeeze (dependency ratio 0.45 by 2030)
- Local-government hidden debt default cascade
- Ethnic surveillance backlash in western provinces
- Global technology containment reducing high-value add jobs

## Black Swan Stress Test

Event: Twin demographic-financial shock: a sudden 30 % property-price collapse combined with a fast-moving pandemic-style fertility collapse (TFR  $<$  0.9) triggers capital flight  $>$  US\$ 1 trn in six months and simultaneous bank run on shadow deposits.

Impact: Real GDP –5 % in a single year, unemployment  $>$  25 %, CNY devaluation 35 %, emergency IMF program, and domestic political crisis that forces either mass repression or unexpected liberalisation.

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