

# China outlook report

## Fourth quarter of 2024



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# Index

The objective of China’s quarterly report is to provide a comprehensive and summarized overview of the main indicators of the country’s banking sector, as well as the macroeconomic situation at the end of each quarter.

1. International overview	4
2. Macroeconomic outlook	7
3. Banking sector	8
4. Glossary	9
5. Appendix	10

# International overview

***Global growth held steady in late 2024, inflation gradually declined and labor markets improved, though vulnerabilities remain due to persistent inflationary pressures and heightened uncertainty in trade and financial conditions.***

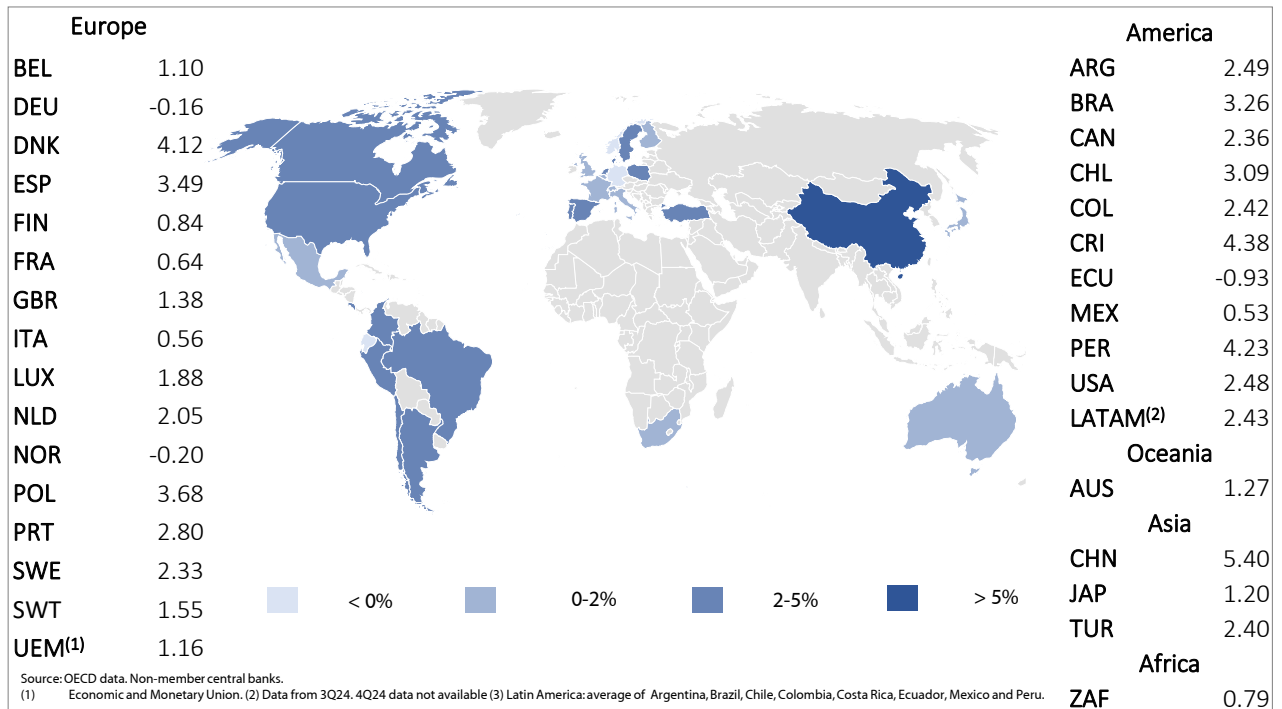
## Macroeconomic outlook

- ▶ The Eurozone experienced year-on-year growth of 1.16% in the fourth quarter of the year, continuing the upward trend observed in previous periods. However, during 4Q24, Germany recorded negative growth. The region's average CPI increased slightly to 2.23% compared to the previous quarter. The average unemployment rate in the eurozone was 6.20%, showing a decrease from the previous quarter, which was 6.33%.
- ▶ The UK continued its upward trend in GDP, reaching 1.38% during the last quarter of the year. However, the CPI increased to 3.40% and the unemployment rate also rose to 4.40%, 0.50 p.p. above the 3Q23 level.
- ▶ In the fourth quarter of 2024, U.S. GDP grew by 2.48%, reflecting a decrease of 0.23 p.p. compared to the previous quarter. Meanwhile, Canada recorded a growth rate of 2.36%, an increase of 0.48 p.p. from the third quarter. The growth rate in Latin America reached 2.43% in 4Q24. As for inflation, the U.S. experienced an increase from the previous quarter, reaching 2.74%. The average inflation rate in Latin America was 3.18%, excluding Argentina's high rate, which reached 154.36%. In terms of unemployment, the U.S. saw its unemployment rate fall to 4.13%, whereas Canada's rate increased to 6.73%. In Latin America, the average unemployment rate was 6.19%, reflecting a slight decrease compared to 3Q24. Most countries followed this downward trend, except for Costa Rica and Chile, where unemployment rose.
- ▶ In the Asia region, China recorded a growth rate of 5.40% in the fourth quarter of 2024, marking a year-on-year increase from 5.30% in 4Q23. Japan maintained its positive trend from the previous quarter, reaching 1.20%. Meanwhile, Turkey reversed its previous downward trend, with growth rising to 2.40% compared to the previous quarter. The inflation rate declined in China, Japan and Turkey, continuing the downward trend observed in earlier periods. Additionally, the unemployment rate in all three countries experienced a slight decrease compared to the previous quarter.
- ▶ During the fourth quarter of 2024, South Africa's GDP grew compared to the previous quarter, reaching 0.79%. Inflation continued its downward trend, registering 2.81% in the fourth quarter of the year, compared to 4.24% in the previous quarter. The unemployment rate remained high at 31.90%. In Australia, GDP increased by 0.50 p.p. from 3Q24, reaching 1.27% in 4Q24. The CPI continued its downward trend, standing at 2.42%. The unemployment rate improved by 0.13 p.p. compared to 3Q24, reaching 4.01%.

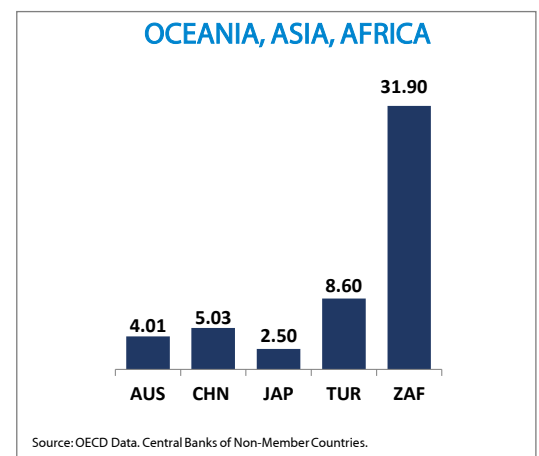
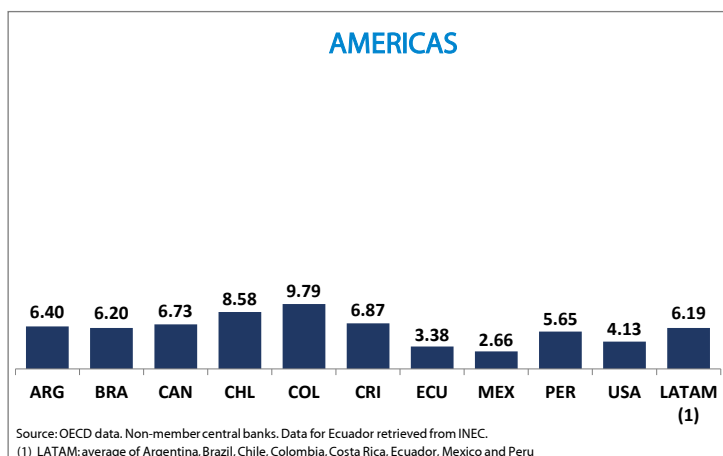
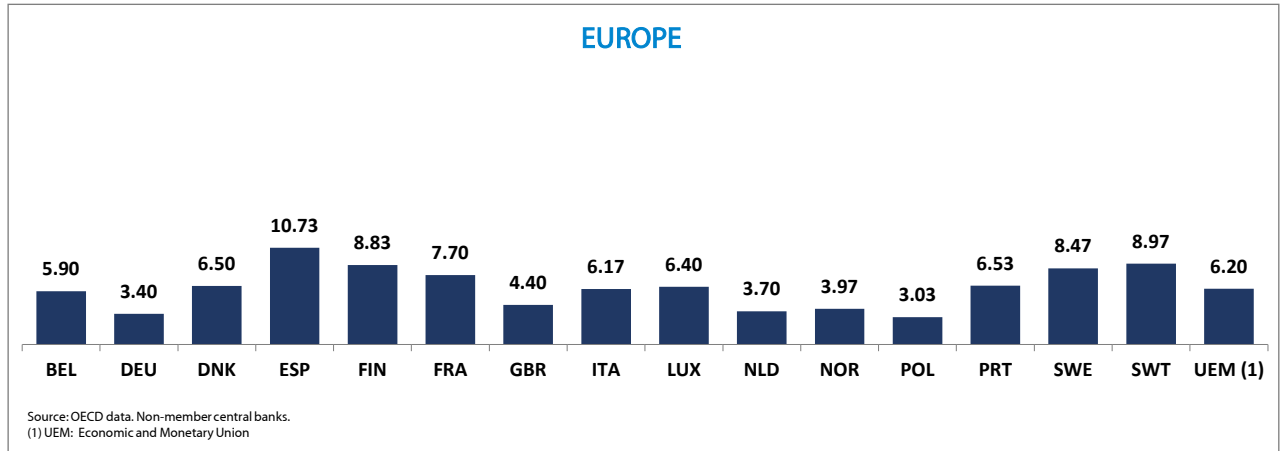
## Macroeconomic forecasts and key risks

- ▶ The International Monetary Fund projects stable global economic growth of 3.3% in both 2025 and 2026. The U.S. leads among advanced economies with a 2025 growth forecast of 2.7%, driven by strong domestic demand and favorable financial conditions. In contrast, the euro area is expected to grow only 1.0%, hindered by weak manufacturing and geopolitical tensions. In Asia, China is projected to grow by 4.6%, slightly higher than previous estimates, and in Latin America, growth is forecast at 2.5%, despite slowdowns in the region's largest economies. Moreover, global inflation continues to decline, largely due to falling oil prices, though prices for other goods such as food are projected to rise in 2025.
- ▶ Short-term risks are divergent—tilted upward in the U.S. but downward in other regions—while medium-term risks are broadly to the downside globally. Trade tensions, political uncertainty, and potential monetary disruptions pose significant threats to future economic stability.
- ▶ The OECD is less optimistic and projects that global GDP growth will slow to 3.1% in 2025 and 3.0% in 2026. This deceleration is attributed to rising trade barriers, political and geopolitical uncertainty, and weaker momentum in investment and consumption. In the U.S. growth is expected to fall to 2.2% in 2025, and China is projected to grow by 4.8% in 2025. In the euro area it is projected to reach only 1.0%, in line with the IMF's projections. In terms of prices, the OECD affirms that inflation is expected to fall but remain elevated, though core inflation would stay above target in several countries.
- ▶ Regarding risks, major threats include trade fragmentation and tighter monetary policy if inflation persists. On the other hand, agreements to reduce tariffs, improvements in the political environment, or higher public spending could boost growth. The OECD stresses the importance of structural reforms and international cooperation to mitigate these risks and enhance long-term productivity.

## GDP (% , year-on-year growth)



## Unemployment rate (%)

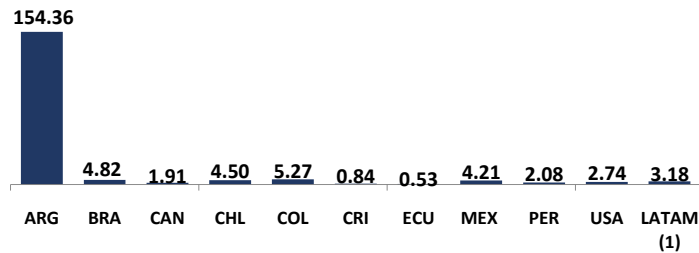


## Inflation rate (%)

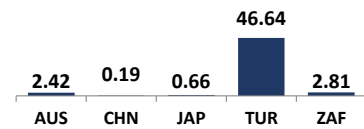
### EUROPE



### AMERICAS



### OCEANIA, ASIA, AFRICA



## Global Ratings and Exchange Rates

### LONG-TERM RATES 4Q24

	MOODY'S	S&P	Fitch
<b>EUROPE</b>			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa3	AA-	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
<b>AFRICA</b>			
ZAF	Ba2	BB-	BB-
<b>OCEANIA</b>			
AUS	Aaa	AAA	AAA
<b>ASIA</b>			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB-	B
<b>AMERICAS</b>			
ARG	Ca	CCC	C
BRA	Ba1	BB	BB
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	Ba3	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aaa	AA+	AAA

▲ Increased from 3Q24

▼ Decreased from 3Q24

Source: Investing

### EXCHANGE RATES 4Q24 (\$1)

EUROPE	4Q23	1Q24	2Q24	3Q24	4Q24	2025
EUR	0.93	0.92	0.93	0.91	0.94	0.95
CHF	1.13	1.14	0.90	0.87	0.88	0.89
DKK	6.93	6.87	6.93	6.79	7.00	7.08
NOK	10.81	10.51	10.75	10.70	11.02	11.16
SEK	10.65	10.39	10.68	10.42	10.78	10.98
GBP	0.81	0.79	0.79	0.77	0.78	0.79
PLN	4.10	3.99	3.99	3.90	4.03	4.12
AMERICAS	4Q23	1Q24	2Q24	3Q24	4Q24	2025
ARG	443.71	833.91	885.25	940.59	999.45	998.25
BRL	4.96	4.95	5.21	5.55	5.84	5.79
CLP	895.36	945.96	933.72	903.11	963.71	973.93
COP	4,064.32	3,913.15	3,923.29	4,904.54	4,348.68	4,484.94
PER	3.77	3.74	3.73	3.47	3.75	3.81
MXN	17.54	16.97	17.23	18.93	20.07	20.41
AFRICA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
ZAR	18.73	18.87	18.56	17.97	17.90	18.21
OCEANIA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
AUS	1.54	1.52	1.52	1.49	1.53	1.55
ASIA	4Q23	1Q24	2Q24	3Q24	4Q24	2025
RMB	7.22	7.19	7.24	7.16	7.19	7.23
TRY	28.55	30.90	32.35	33.50	34.52	34.33

Source: Investing, OECD projections, December 2024.

(1) The base currency used is the U.S. dollar against each local currency quoted



## 2. Macroeconomic view

**China's economy regained strength in 4Q24, with 5.40% growth, subdued inflation, and stable unemployment compared to 4Q23. While forecasts point to slower growth and rising prices, projections remain cautiously optimistic amid structural challenges and persistent youth employment concerns.**

**Main Macroeconomic Indicators (%)**

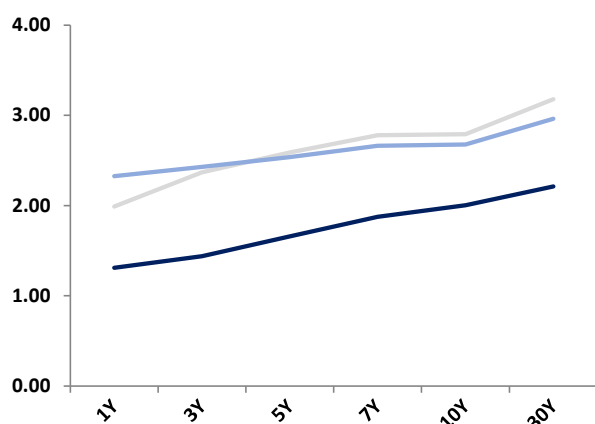
ACTIVITY	4Q23	1Q24	2Q24	3Q24	4Q24	2025	2026
GDP	5.30	5.30	4.70	4.60	5.40	4.68	4.44
INFLATION							
CPI	-0.32	-0.03	0.23	0.48	0.19	1.09	1.43
LABOUR MARKET							
UNEMPLOYMENT RATE	5.03	5.23	5.00	5.20	5.03	5.20	n.a.
ACTIVITY	2020	2021	2022	2023	2024	2025	2026
GDP	2.88	13.43	5.13	4.88	4.23	4.68	4.44
DOMESTIC DEMAND	1.68	10.93	-34.75	n.a.	n.a.	3.79	4.25
HOUSEHOLD CONSUMPTION	-0.45	13.94	3.51	9.97	n.a.		
PUBLIC CONSUMPTION	2.86	0.00	6.06	5.40	3.64		
CAPITAL FORMATION	2.64	4.84	4.85	2.77	2.20		
EXTERNAL DEMAND	2.09	20.23	7.57	0.19	5.02		
INFLATION							
CPI	0.20	1.50	1.80	-0.30	0.10	1.09	1.43
LABOUR MARKET							
UNEMPLOYMENT RATE	3.98	3.91	5.58	4.10	5.20	5.20	n.a.
EMPLOYMENT <sup>(1)</sup>	-0.51	-0.55	-1.74	0.94	-0.81		

(1) The employment variable represents the year-on-year change in employment growth.

(2) N.a. means there's not available data for 2025. Source: Organization for Economic Co-operation and Development (OECD), National Bureau of Statistics of China. OECD projections, Dec 2024.

- ▶ Despite a challenging global environment and structural issues, the fourth quarter brought renewed momentum to China's economy, in line with achieving the full-year growth target of around 5%, reaching 5.40% in 4Q24. The 4Q23 OECD projection of 4.70% for 2024 was higher than the actual annual growth of 4.23%.
- ▶ Inflation remained subdued at 0.19% in 4Q24, reflecting continued weak domestic price pressures. The 4Q23 forecasts projected a CPI of 1.05% for 2024, 0.95 p.p. above the data published by the NBS at the end of 2024. In the labor market, conditions remained generally stable, with the unemployment rate holding at 5.03% in the last quarter of 2024. The outcome is in line with the 4Q23 projections of 5.20% for 2024. However, the Bank of China notes that challenges remain, especially for younger cohorts, as job creation in traditional sectors slows down.
- ▶ The yield curve maintained an upward slope, indicating market expectations of modest inflation and a cautiously optimistic outlook for economic growth in 2025.
- ▶ China's growth rate is expected to increase to 4.68% and 4.44% in 2025 and 2026, respectively. Inflation is projected to rise above 1%, and the unemployment forecast is maintained at 5.20%

**Treasury Yield Curves Rates (%)**

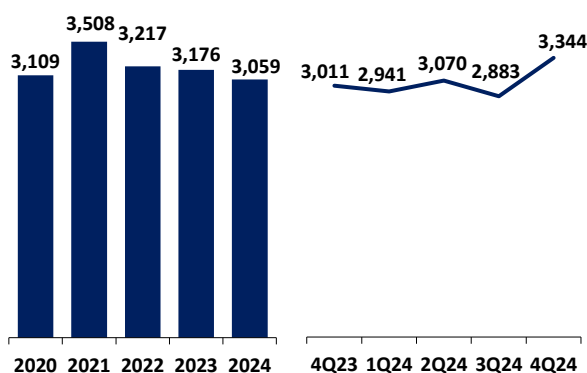


Source: Investing

**SHCOMP**

Annual Average

Quarterly Average



Source: Investing

### 3. Banking sector

**During 4Q24, the Chinese banking sector experienced a decline in the annual growth rate of total loans and deposits. Regarding the cost-to-income ratio, it worsened compared to both 3Q24 and 4Q23, while the NPL ratio improved in the same comparison. In terms of solvency, most ratios increased on an annual basis. Additionally, the PBoC lowered the interest rate to 3.10% in 4Q24.**

BANKING SECTOR CONTEXT 4Q24 (%)							
BUSINESS	4Q23	1Q24	2Q24	3Q24	4Q24	Var. p.p. 3Q24	Var. p.p. 4Q23
TOTAL LOANS <sup>(1)</sup>	10.56	9.17	8.31	7.60	7.16	-0.44	-3.40
TOTAL DEPOSITS <sup>(1)</sup>	9.63	7.58	5.97	7.06	6.37	-0.69	-3.26
LTD RATIO	83.56	83.54	84.63	83.99	84.17	0.18	0.61
EFFICIENCY							
COST-TO-INCOME RATIO	35.26	28.95	30.71	31.84	35.56	3.72	0.30
RISK							
NPL RATIO	1.59	1.59	1.56	1.56	1.50	-0.06	-0.09
SOLVENCY							
CET 1	10.54	10.77	10.74	10.86	11.00	0.14	0.46
LCR	151.60	150.84	150.70	153.29	154.73	1.44	3.13
LEVERAGE RATIO	6.84	6.76	6.78	6.77	6.80	0.03	-0.04
LIQUIDITY RATIO	67.88	68.66	72.38	75.09	76.74	1.65	8.86
RESULTS							
ROA	0.70	0.74	0.69	0.68	0.63	-0.05	-0.07
ROE	8.93	9.57	8.91	8.77	8.10	-0.67	-0.83
PBoC INTEREST RATE							
INTEREST RATES	3.45	3.45	3.45	3.35	3.10	-0.25	-0.35

Note: <sup>(1)</sup> The values for loans and deposits reflect their year-on-year growth rates.  
Source: China Banking and Insurance Regulatory Commission.

- During the fourth quarter of the year, loans and deposits year-on-year growth rate decreased down to 7.16% and 6.37%, respectively, declining by 3.40 p.p. and 3.26 p.p. with respect to the same quarter last year. Moreover, the growth rate of total loans and deposits also decreased by 0.44 p.p. and 0.69 p.p., respectively, compared to 3Q24. Furthermore, the loans-to-deposits ratio (LTD ratio) increased both y-o-y and quarterly by 0.61 p.p. and 0.18 p.p., respectively, reaching 84.17% in 4Q24.
- The cost-to-income ratio of the Chinese banking sector worsened by 0.30 p.p. compared to the previous year, and by 3.72 in comparison to the prior quarter, reaching 35.56% during the fourth quarter of 2024.
- Regarding the non-performing loans ratio (NPL ratio), it improved by 0.06 p.p. and 0.09 p.p., compared to 3Q24 and 4Q23, respectively. By the end of the fourth quarter of 2024, the NPL ratio stood at 1.50%.
- In terms of solvency, the CET 1 ratio improved by 0.46 p.p. compared to the same quarter of the previous year, reaching 11.00%. Moreover, the LCR recorded 154.73% in 4Q24, representing an increase of 3.13 p.p. in comparison to the same quarter last year. On the other hand, the leverage ratio worsened annually by 0.04 p.p., achieving 6.80%. The liquidity ratio improved by 8.86 p.p. compared to 4Q23, recording 76.74%.
- In terms of return rates, ROA of the Chinese banking sector decreased by 0.07 p.p. compared to 4Q23, amounting to 0.63%. Regarding ROE, it also declined on an annual basis by 0.83 p.p. and reached an 8.10% during 4Q24.
- The People's Bank of China (PBoC) lowered its interest rate to 3.10%, intending to stimulate economic growth amid sluggish domestic demand and persistent deflationary pressures. This represents an annual decrease of 0.35 p.p., and a 0.25 decline with respect to 3Q24.



## 4. Glossary

- ▶ **BUSINESS VOLUME:** The turnover volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** Consumer Price Index measures the evolution of the average cost of the basket of goods and services representative of household final consumption.
- ▶ **Efficiency Ratio:**  $(\text{Non-interest expense} - \text{amortization of intangible assets}) / (\text{net interest income} + \text{non-interest income})$ .
- ▶ **GDP:** Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LTD ratio:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **Non-Performing Loans Ratio:** Non-performing loans / net loans and assets.
- ▶ **Non-Performing Loans Coverage Ratio:**  $\text{Loan loss allowance} / \text{non-performing loans}$ .
- ▶ **OECD:** Organization for Economic Co-operation and Development.
- ▶ **Operating Expense:** Total non-interest expense.
- ▶ **p.p.:** percentage points.
- ▶ **Return On Equity (ROE):**  $\text{Net Income} / \text{equity}$ .
- ▶ **Return On Assets (ROA):**  $\text{Net income} / \text{average total assets}$ .
- ▶ **ICBC:** Industrial and Commercial Bank of China
- ▶ **ABC:** Agricultural Bank Of China
- ▶ **BoCom:** Bank of Communications
- ▶ **CMB:** China Merchants Bank

# 5. Appendix

## MACROECONOMIC OVERVIEW

- ▶ National Bureau of Statistics of China:  
<http://www.stats.gov.cn/english/>
- ▶ IMF: <http://www.imf.org/external/index.htm>
- ▶ Standard & Poor's:  
<http://www.standardandpoors.com/>
- ▶ Fitch Ratings:  
<http://www.fitchratings.es/>
- ▶ Moody's:  
<http://www.moody.com/>
- ▶ Organisation for Economic Co-operation and Development, OECD:  
<http://www.oecd.org/home/>

## ACRONYMS

- |                 |                       |                    |                      |                                |
|-----------------|-----------------------|--------------------|----------------------|--------------------------------|
| ▶ DEU - Germany | ▶ LUX - Luxembourg    | ▶ TUR - Turkey     | ▶ ECU - Ecuador      | ▶ ZAF - South Africa           |
| ▶ BEL - Belgium | ▶ NLD - Netherlands   | ▶ ARG - Argentina  | ▶ MEX - Mexico       | ▶ UEM- European Monetary Union |
| ▶ DIN - Denmark | ▶ NOR - Norway        | ▶ BRA - Brazil     | ▶ PER - Peru         |                                |
| ▶ ESP - Spain   | ▶ POL - Poland        | ▶ CAN - Canada     | ▶ USA- United States |                                |
| ▶ FIN - Finland | ▶ PRT - Portugal      | ▶ CHL - Chile      | ▶ AUS - Australia    |                                |
| ▶ FRA - France  | ▶ GBR- United Kingdom | ▶ COL - Colombia   | ▶ CHN - China        |                                |
| ▶ ITA - Italy   | ▶ SUE - Sweden        | ▶ CRI - Costa Rica | ▶ JAP - Japan        |                                |



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***Manfred Nolte***

Partner at Management Solutions

[manfred.nolte@managementsolutions.com](mailto:manfred.nolte@managementsolutions.com)

***Marta Hierro Treviño***

Partner at Management Solutions

[marta.hierro@managementsolutions.com](mailto:marta.hierro@managementsolutions.com)

***Management Solutions***

Tel. +(1) 212 626 6640

Fax. +(1) 212 626 6641

[www.msnorthamerica.com](http://www.msnorthamerica.com)

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