

## China’s growth resilient to global energy shocks

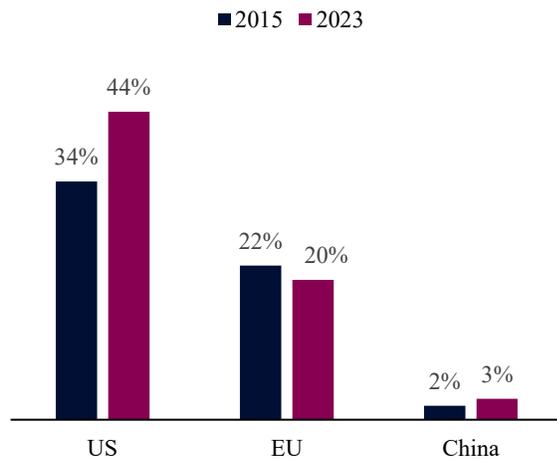
At the start of the year, our view on China’s economic outlook was constructive. Although growth is expected to moderate slightly, a combination of strong exports, resilient domestic demand and ongoing productivity improvements were expected to keep economic expansion close to the government’s 5% target for 2026.

However, recent geopolitical tensions affecting global energy availability and prices have challenged this relatively constructive outlook. Given that China is the world’s largest importer of crude oil, investors and analysts have raised concerns that sustained increases in global energy prices could significantly weigh on economic activity.

In our view, these concerns are overstated. While higher energy prices will inevitably raise China’s import bill, the Chinese economy is structurally better positioned than most other large economies to absorb such shocks. Three key factors explain this relative resilience.

power generation in China and represents a pillar for domestic energy security. Approximately 90% of China’s coal consumption is supplied domestically, allowing policymakers significant influence over energy availability and pricing conditions. Moreover, the composition and structure of China’s gas imports also shelter it from volatile short-term prices. Nearly half of China’s natural gas imports arrive through pipeline deliveries from neighbouring countries, primarily Turkmenistan and Russia, under long-term contracts that span multiple decades. Importantly, part of China’s oil consumption is also embedded in export-oriented manufacturing. This means that a portion of higher energy costs can ultimately be passed on to foreign consumers through export prices, reducing the burden on domestic firms and households. As a result, fluctuations in global oil and gas markets tend to have a more limited impact on industrial energy costs in China than in economies that rely heavily on imported hydrocarbons.

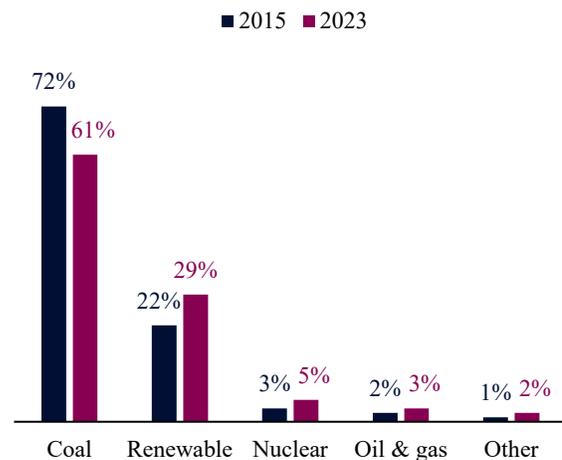
**Oil & gas share of power generation by country**  
 (% of total in 2015 and 2023)



Source: IEA, EIA, Eurostat, QNB Economics

First, China’s manufacturing sector is more stable and less dependent on hydrocarbons (oil and natural gas) than that of most advanced economies. Electricity generation in China relies heavily on coal and increasingly on renewable energy sources rather than imported hydrocarbons. While China has been making efforts to reduce the overall coal contribution to the energy mix, coal remains the main source of

**Major sources of power generation in China**  
 (% of total in 2015 and 2023)



Source: IEA, QNB Economics

Second, the structure of transportation and household consumption also reduces China’s exposure to oil price shocks. Vehicle ownership per capita in China remains significantly lower than in advanced economies. In addition, China has invested heavily in alternative transportation infrastructure, including extensive high-speed rail networks and large urban public transport systems. These investments reduce

the importance of private vehicle use in both passenger and freight transportation. At the same time, China has rapidly expanded the adoption of electric vehicles, which are steadily lowering the economy's dependence on gasoline and diesel. Together, these structural factors limit the transmission of oil price increases to households and the broader economy, protecting disposable incomes.

Third, China has accumulated substantial crude oil reserves that provide an additional buffer against global price volatility. Although the government does not disclose official figures, most estimates suggest that strategic and commercial reserves amount to roughly 1.3 billion barrels, equivalent to around four months of import coverage. These stockpiles were largely accumulated when global oil prices were significantly lower and can be deployed during periods of market stress. Authorities have demonstrated their willingness to release portions of these reserves in the past in order to limit the pass-

through of higher global prices to domestic consumers and businesses.

Taken together, these structural features suggest that China's economy is likely to remain relatively resilient even in a scenario of sustained energy market disruption. While higher energy prices will increase import costs and may place some upward pressure on inflation, the overall macroeconomic impact on growth should remain limited compared to other major economies.

All in all, although geopolitical shocks have introduced additional uncertainty into the global economic environment, China's growth outlook remains broadly intact. The combination of a diversified energy mix, lower transportation dependence on oil and sizeable strategic reserves provides an important cushion against global energy volatility. These structural advantages suggest that China is better positioned than many of its peers to weather the current energy shock, while maintaining growth close to its policy targets.

**QNB Economics Team:****Luiz Pinto**

Assistant Vice President - Economics  
+974-4453-4642

**Bernabe Lopez-Martin**

Assistant Vice President - Economics  
+974-4453-4643

**Aisha Khalid Al-Thani**

Senior Associate - Economics  
+974-4453-4647

\* Corresponding author

---

**DISCLAIMER:** *The information in this publication ("Information") has been prepared by Qatar National Bank (Q.P.S.C.) ("QNB") which term includes its branches and affiliated companies. The Information is believed to be, and has been obtained from, sources deemed to be reliable; however, QNB makes no guarantee, representation or warranty of any kind, express or implied, as to the Information's accuracy, completeness or reliability and shall not be held responsible in any way (including in respect of negligence) for any errors in, or omissions from, the Information. QNB expressly disclaims all warranties or merchantability or fitness for a particular purpose with respect to the Information. Any hyperlinks to third party websites are provided for reader convenience only and QNB does not endorse the content of, is not responsible for, nor does it offer the reader any reliance with respect to the accuracy or security controls of these websites. QNB is not acting as a financial adviser, consultant or fiduciary with respect to the Information and is not providing investment, legal, tax or accounting advice. The Information presented is general in nature: it is not advice, an offer, promotion, solicitation or recommendation in respect of any information or products presented in this publication. This publication is provided solely on the basis that the recipient will make an independent evaluation of the Information at the recipient's sole risk and responsibility. It may not be relied upon to make any investment decision. QNB recommends that the recipient obtains investment, legal, tax or accounting advice from independent professional advisors before making any investment decision. Any opinions expressed in this publication are the opinions of the author as at the date of publication. They do not necessarily reflect the opinions of QNB who reserves the right to amend any Information at any time without notice. QNB, its directors, officers, employees, representatives or agents do not assume any liability for any loss, injury, damages or expenses that may result from or be related in any way to the reliance by any person upon the Information. The publication is distributed on a complementary basis and may not be distributed, modified, published, re-posted, reused, sold, transmitted or reproduced in whole or in part without the permission of QNB. The Information has not, to the best of QNB's knowledge, been reviewed by Qatar Central Bank, the Qatar Financial Markets Authority, nor any governmental, quasi-governmental, regulatory or advisory authority either in or outside Qatar and no approval has been either solicited or received by QNB in respect of the Information.*