



Asia and Pacific Department

China Macroeconomy: Resilience and Challenges

STEVEN BARNETT

SENIOR RESIDENT REPRESENTATIVE IN CHINA

NOV 2024

Roadmap

I. Context

II. Resilience

III. Challenge: Productivity

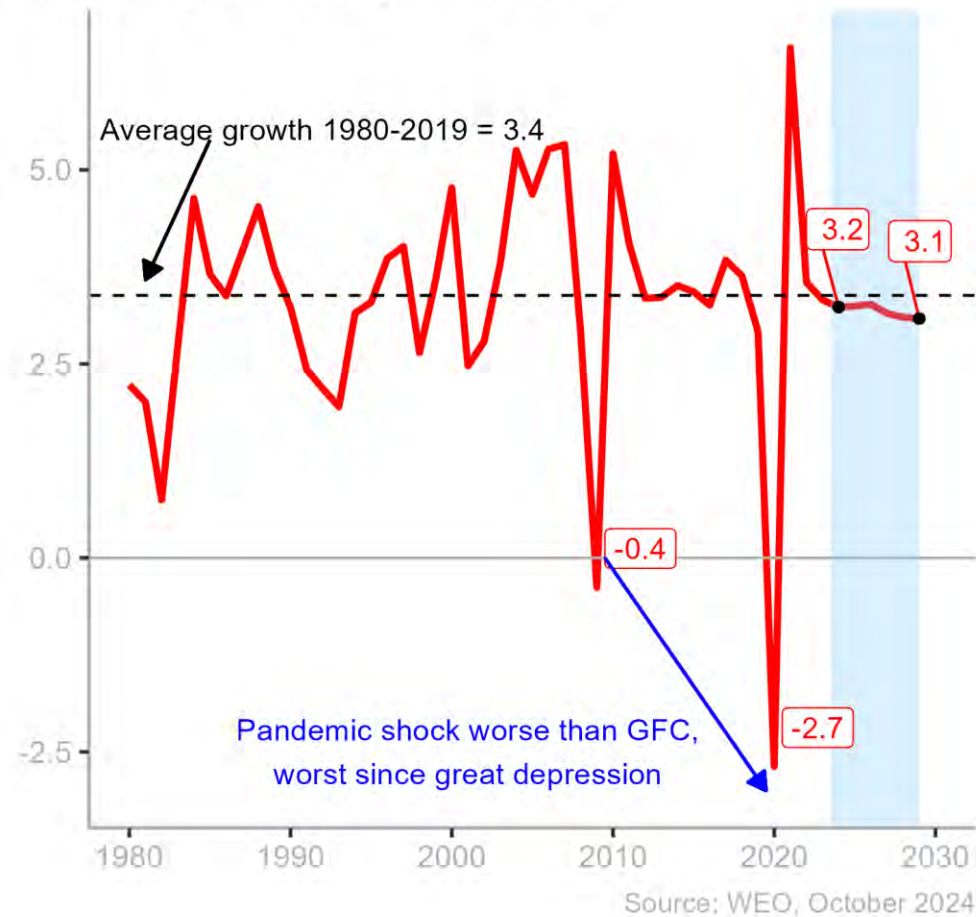
IV. Challenge: Consumption

I. Context

Global Growth: Stable but Underwhelming

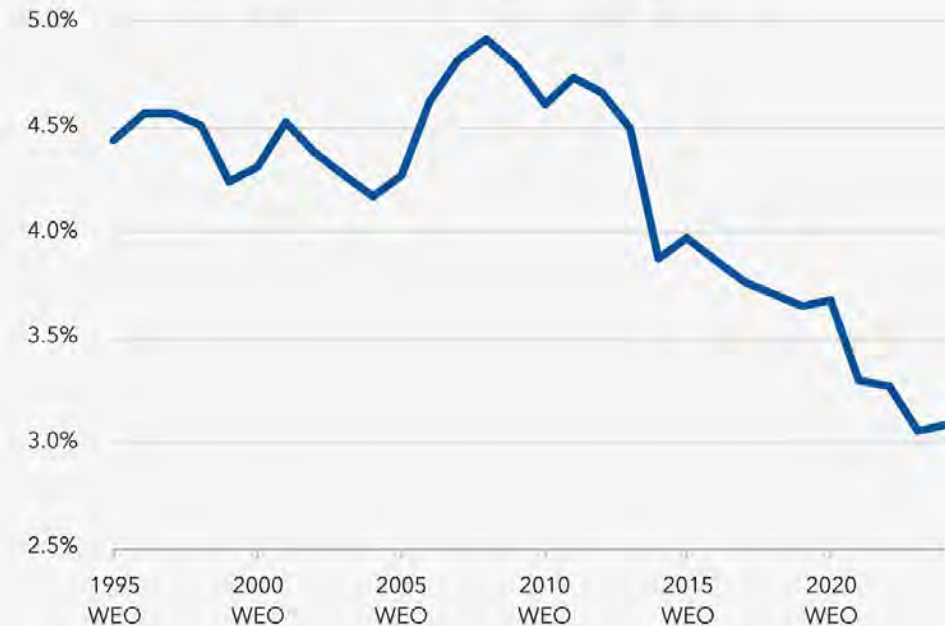
Pandemic Sharply Reduced Global Growth

World GDP growth (in %), 1980 - 2029



DECLINING GROWTH PROSPECTS

Five-year-ahead global real GDP growth projections



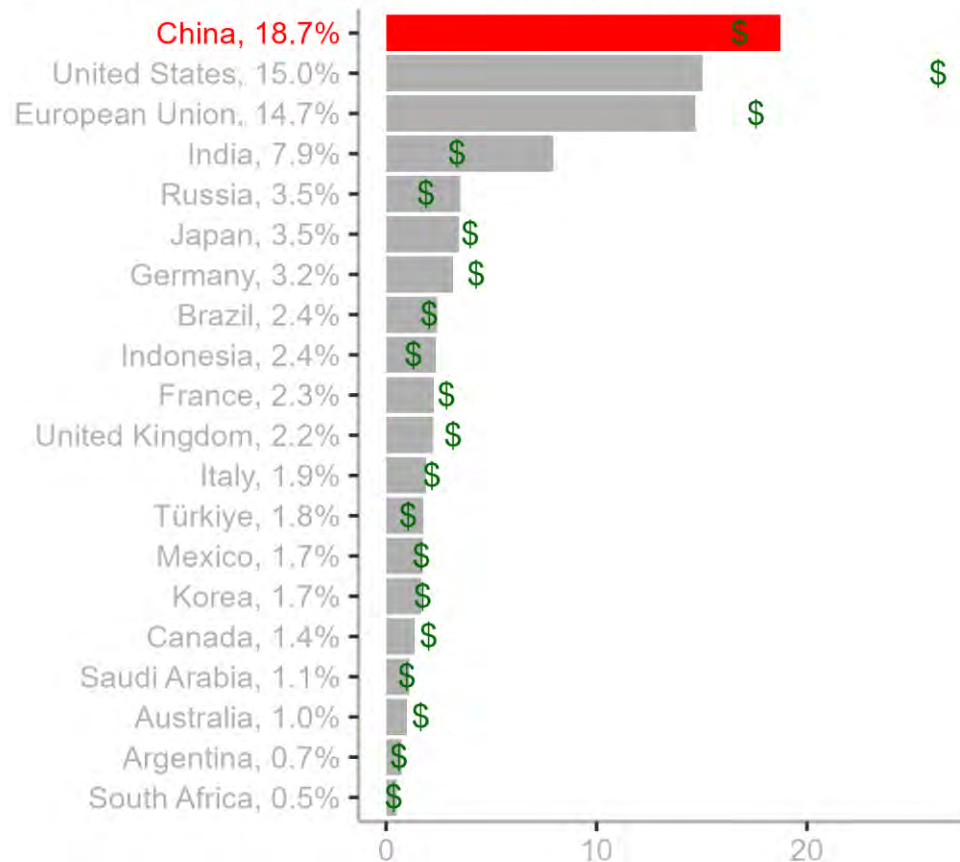
Source: IMF, World Economic Outlook.

IMF

Contributions to growth

Share of World GDP

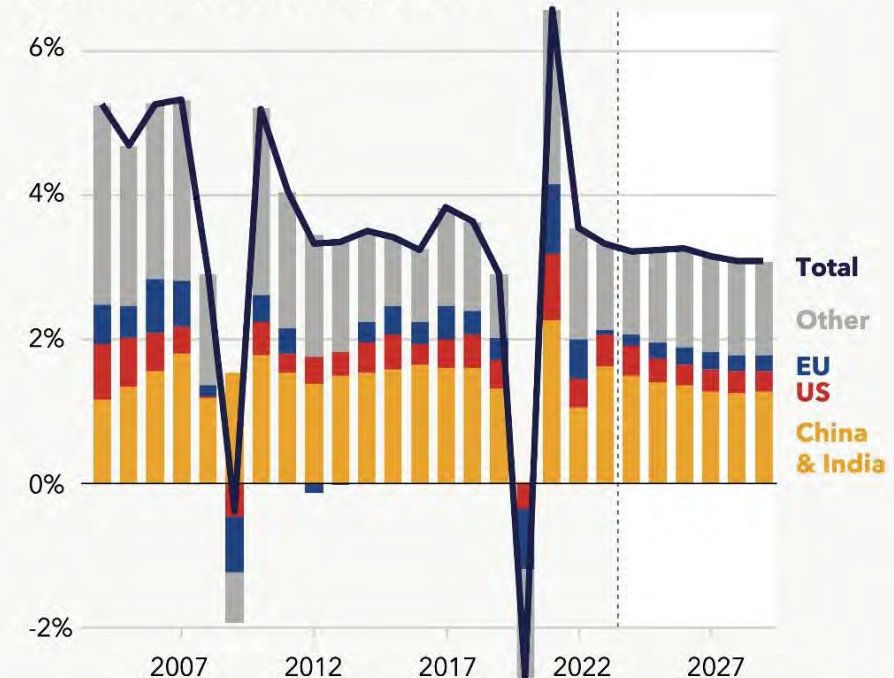
Based on PPP (% of world), 2023 (\$ = US\$ share)



Source: WEO, October 2024

GROWTH ENTERING ANOTHER PERIOD OF NOT-GOOD-ENOUGH

Contributions to world growth



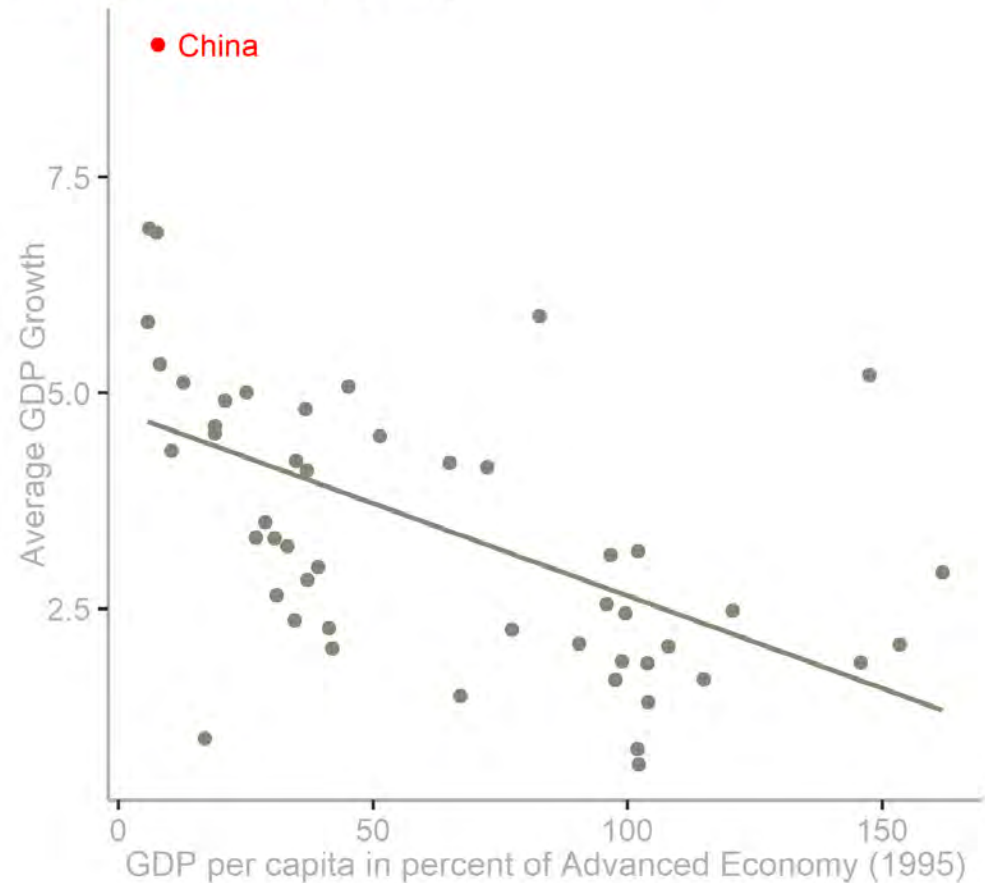
Source: IMF.

IMF

China: Remarkable Development

GDP Growth by Income, 1995-2019

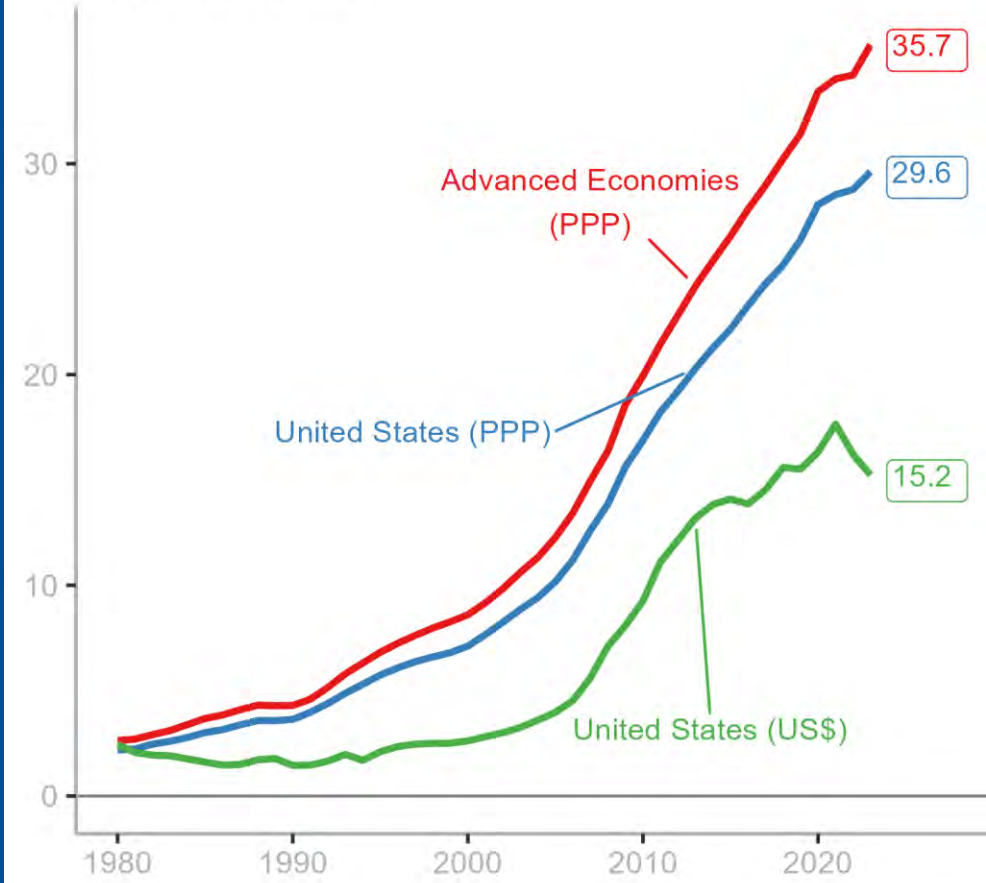
50 Largest Economies (2019)



Source: WEO, October 2022. Note: UAE is excluded

China: Income Convergence, 1980-2023

Per capita GDP, (in %)

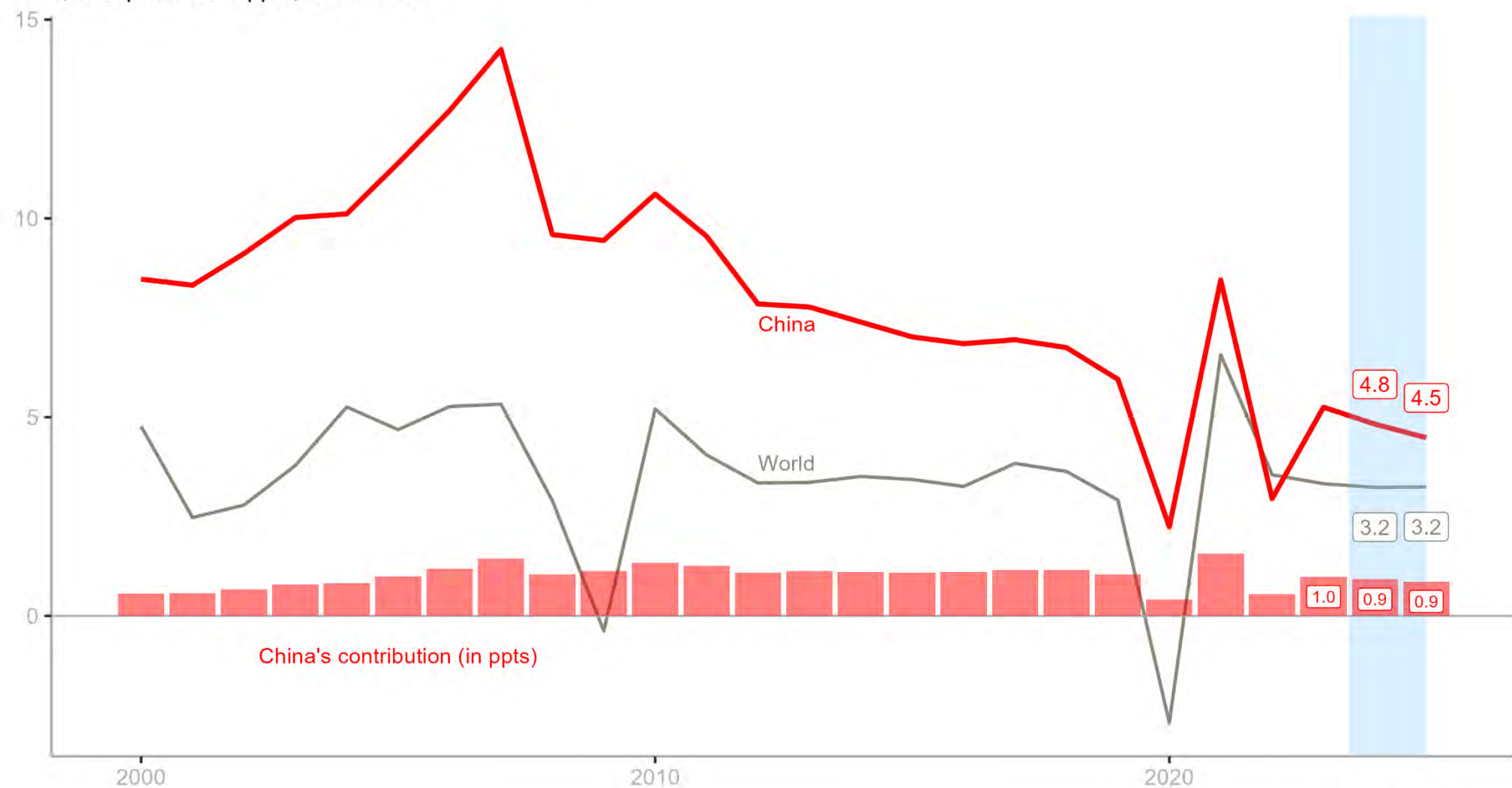


Source: WEO, October 2024

II. Resilience

China's Contribution to Global Growth

In %, except bars are ppts, 2000 - 2025

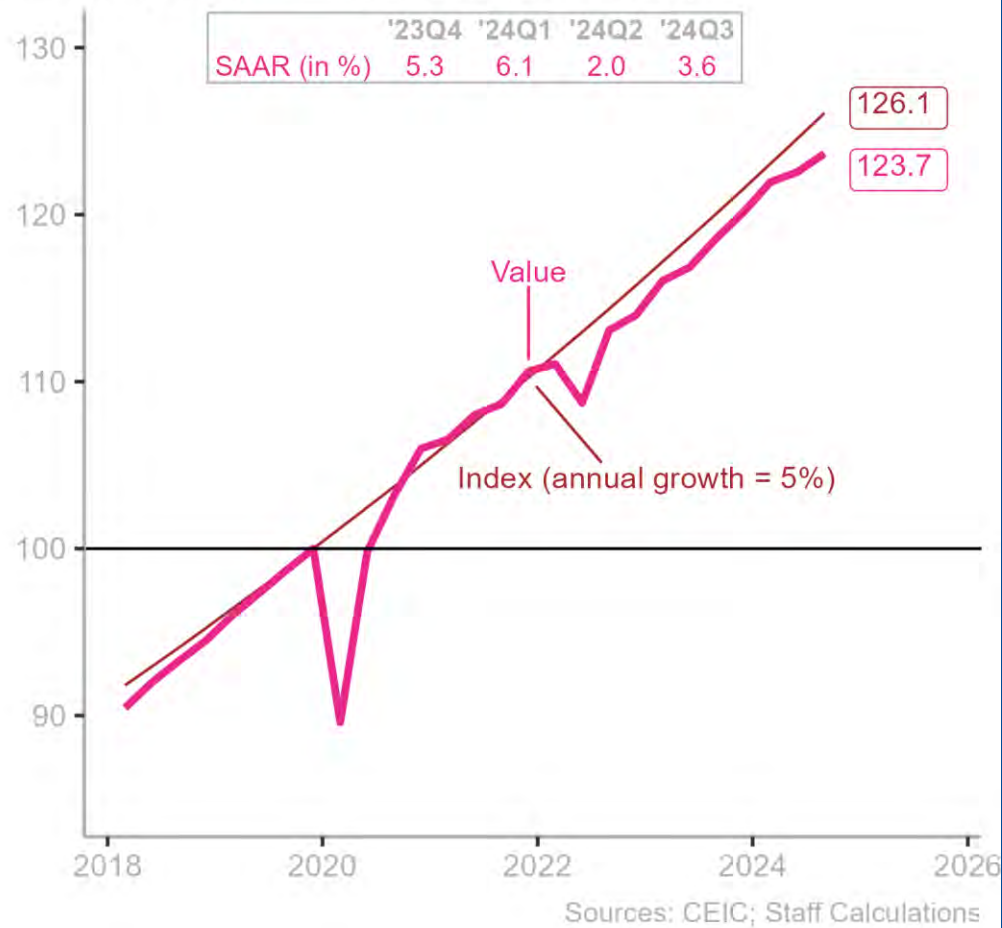


Source: WEO, October 2024

GDP

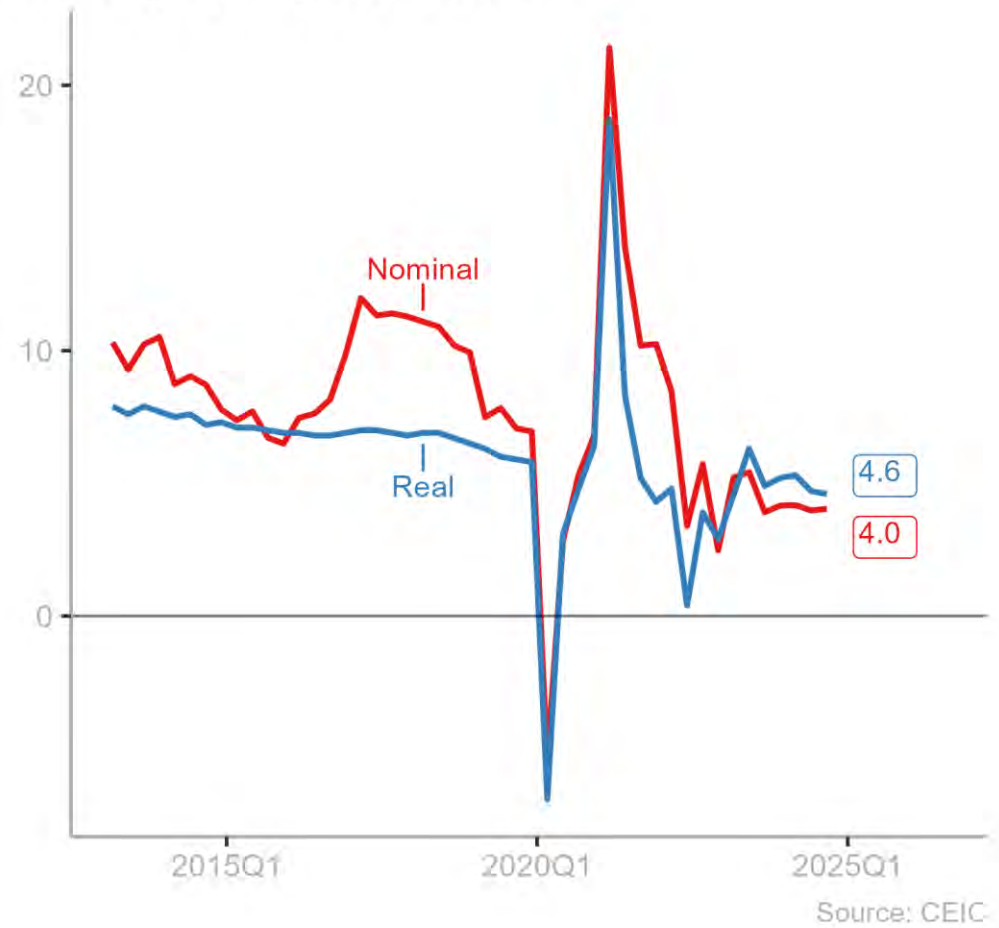
China: Real GDP, SA Index

Quarterly, 2019Q4 = 100, 2018Q1 to 2024Q3



China: Quarterly GDP

Year-on-year, in %, 2013Q1 to 2024Q3



Inflation

China: CPI Inflation

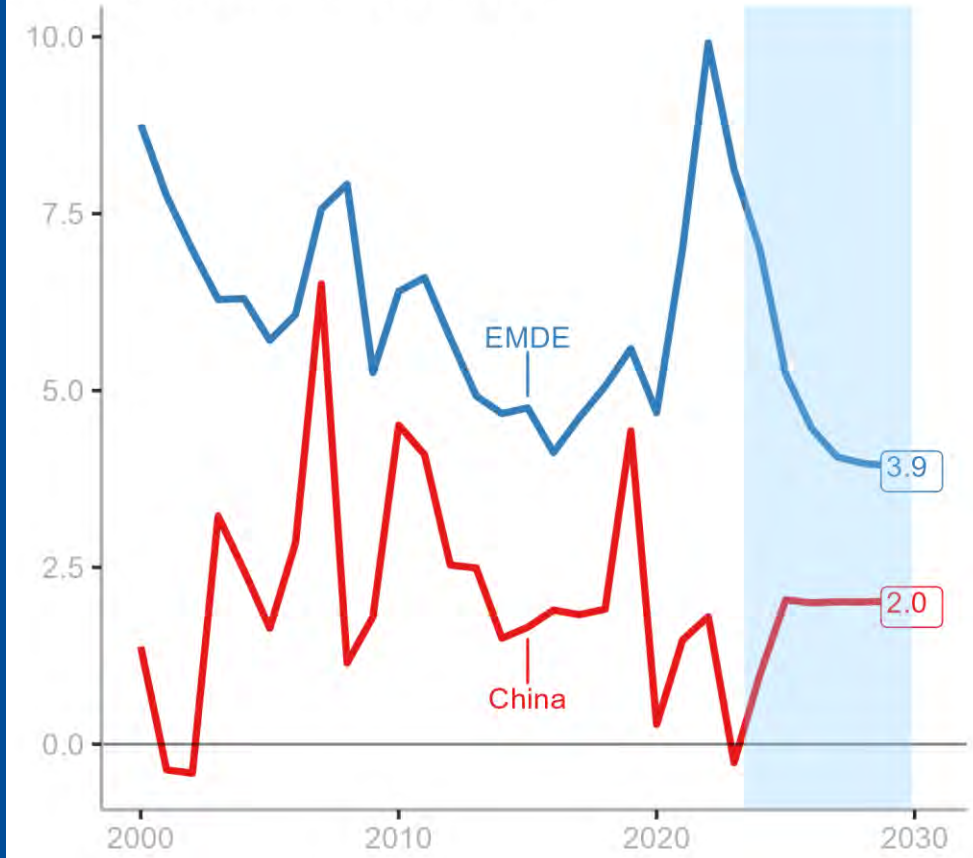
Monthly (y/y, in %), Jan-2006 to Oct-2024



Source: CEIC

Inflation: China and EMDE

End of period consumer prices, in %

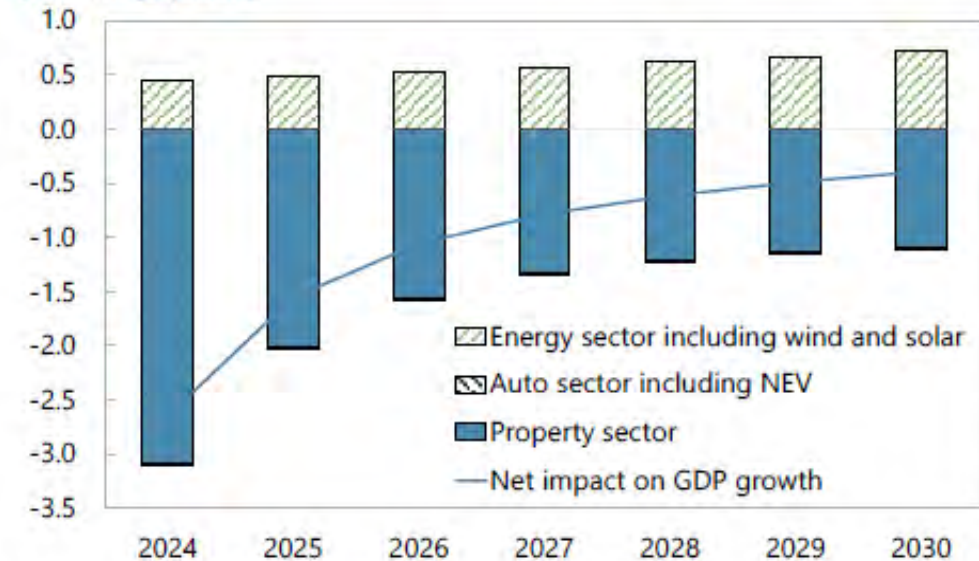


Source: WEO, October 2024

Resilient Given Real Estate Correction...

Contribution to GDP Growth Relative to 2010-2020
Average

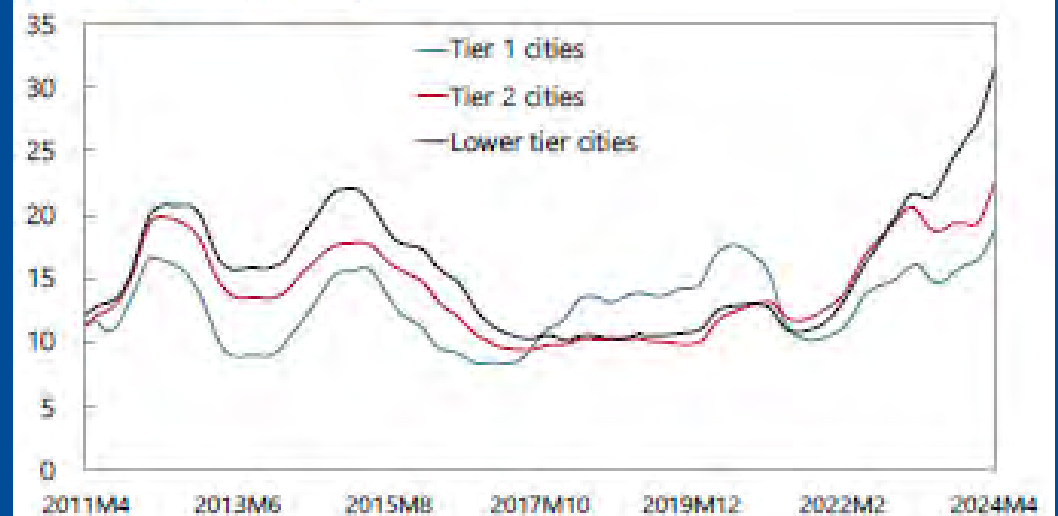
(Percentage points)



Source: IMF staff calculations.

Inventory of Completed Houses

(Number of months of sales)



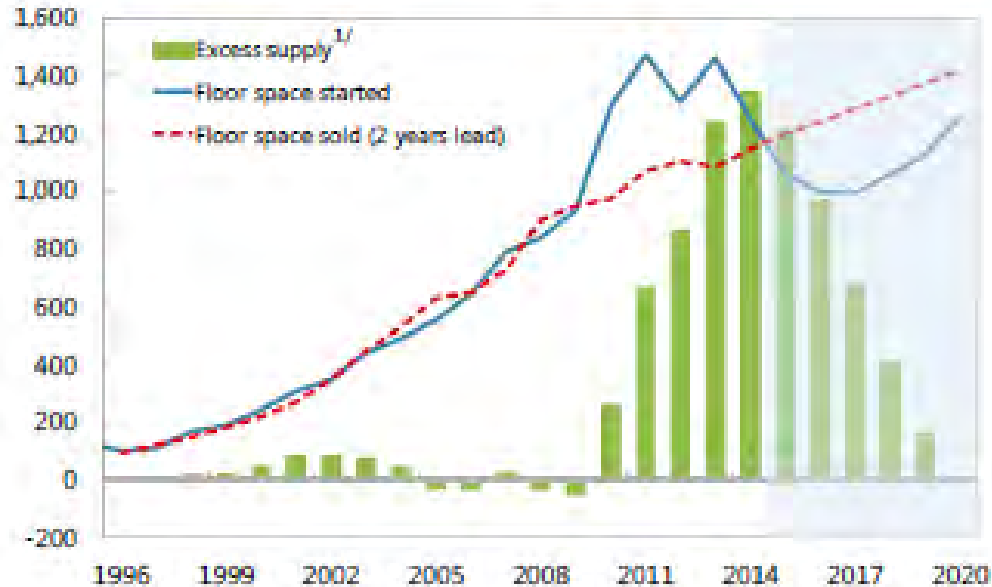
Sources: CRIC; and IMF staff calculations.

Note: The inventory is calculated as the ratio of total gross floor space for sale to monthly sales.

2010-2020 real estate on average contributed around 1.3 percentage points to growth

...Which is Both Welcome and Needed

Residential Market Overbuilding and Adjustment Scenario
(in millions of square meters)

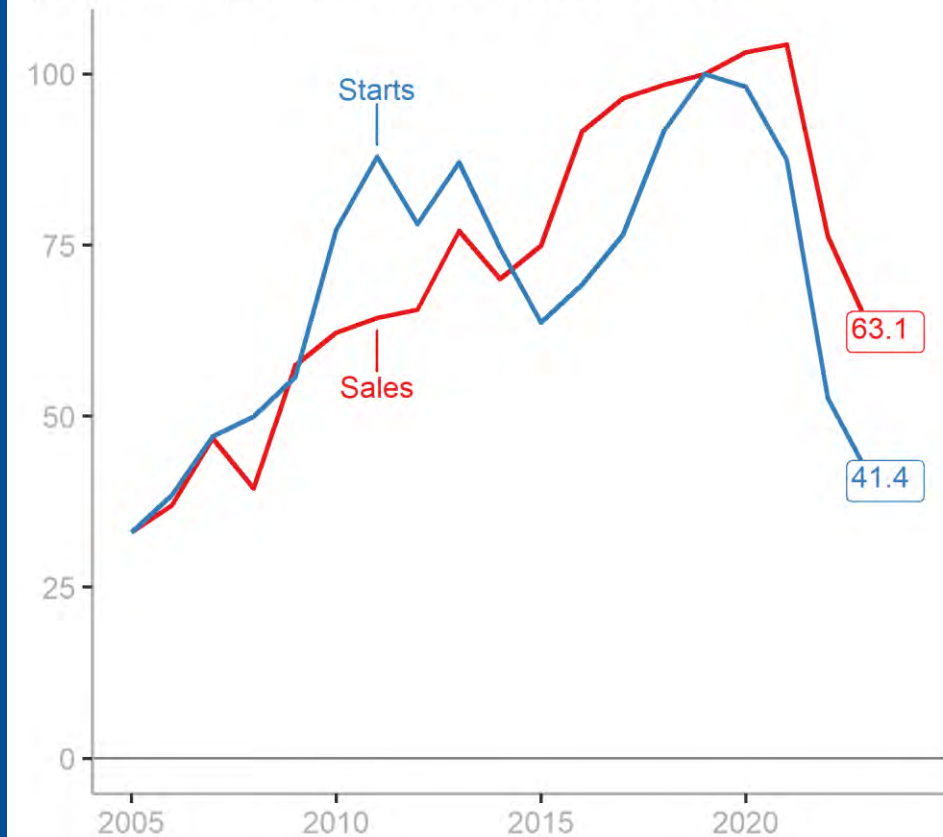


1/ Excess supply is measured as the difference between floor space started and sold (2 years lead).

2015 Article IV (Para. 34). “A multiyear correction in real estate investment—with some variation by city—is necessary to reduce the new supply coming on the market and allow time to work through the existing inventories.”

China: Residential Property

Index of Square Meters, 2019 = 100, 2005 to 2023



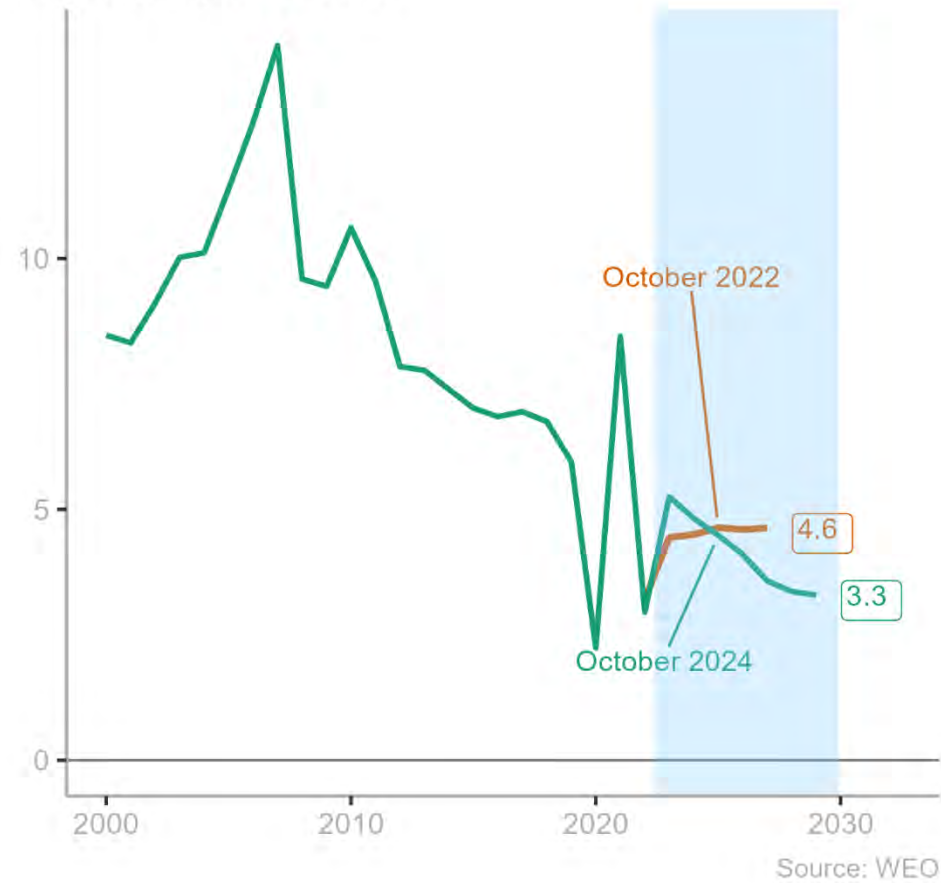
Source: CEIC, staff estimates

III. Challenge: Productivity

MT Growth Depends on TFP...

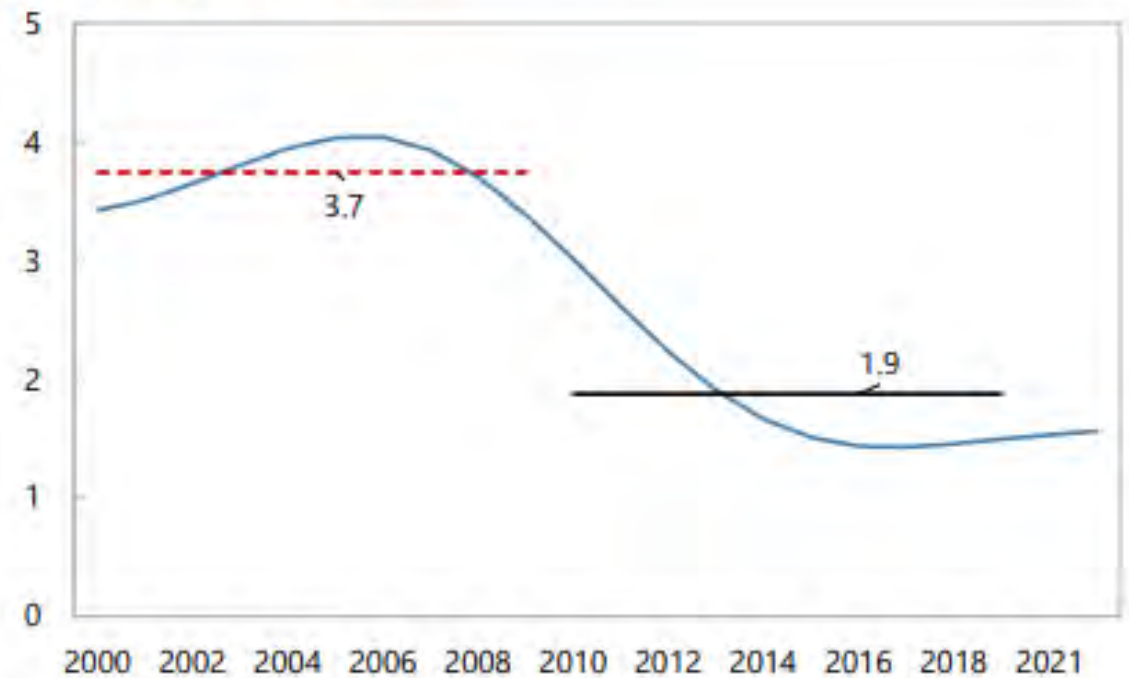
China: GDP Forecast Vintages

Growth (in %), 2000 - 2029



Estimated Aggregate TFP Growth

(In percent, detrended)

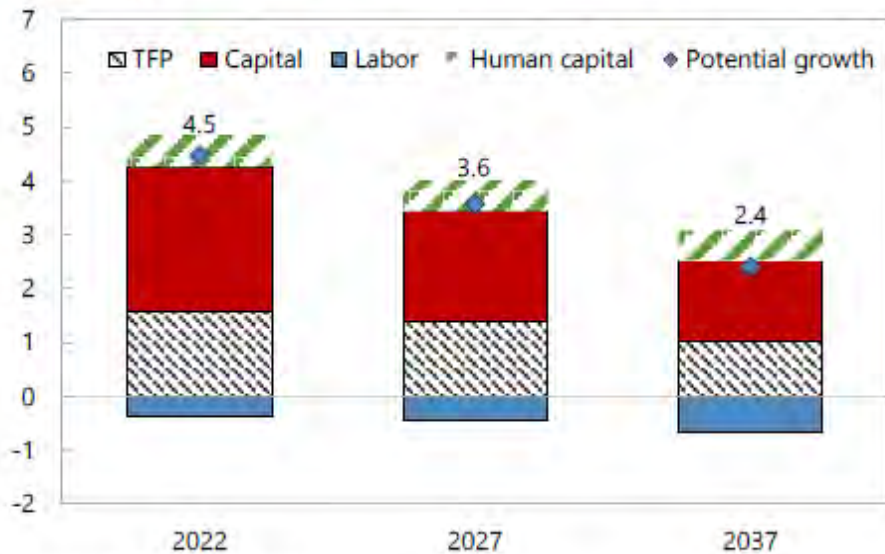


Source: IMF staff estimates.

...TFP (→ Potential Growth) Depends on Reform

Potential Growth Estimate, Baseline

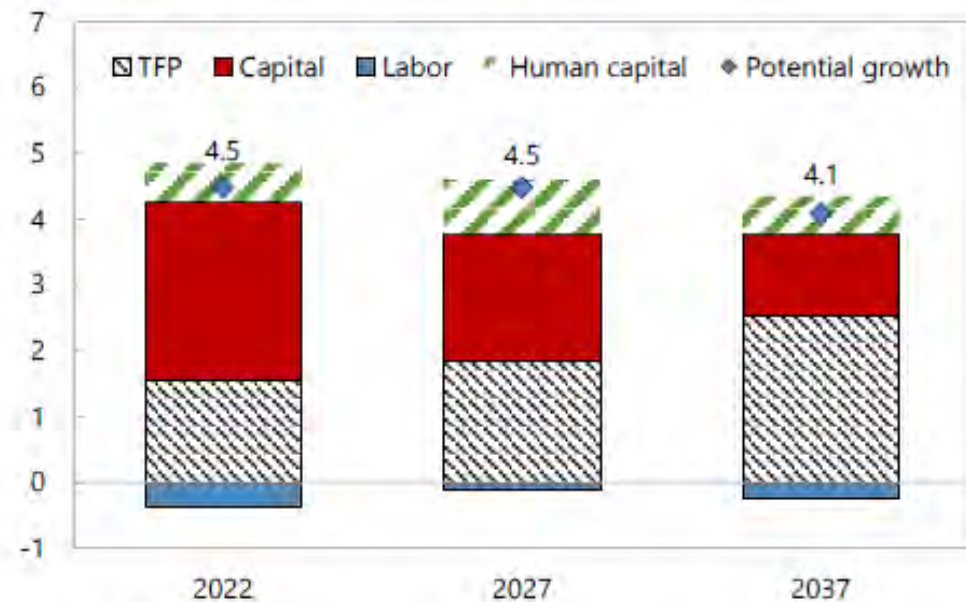
(In percent)



Source: IMF staff estimates.

Potential Growth Estimate, Upside

(In percent)



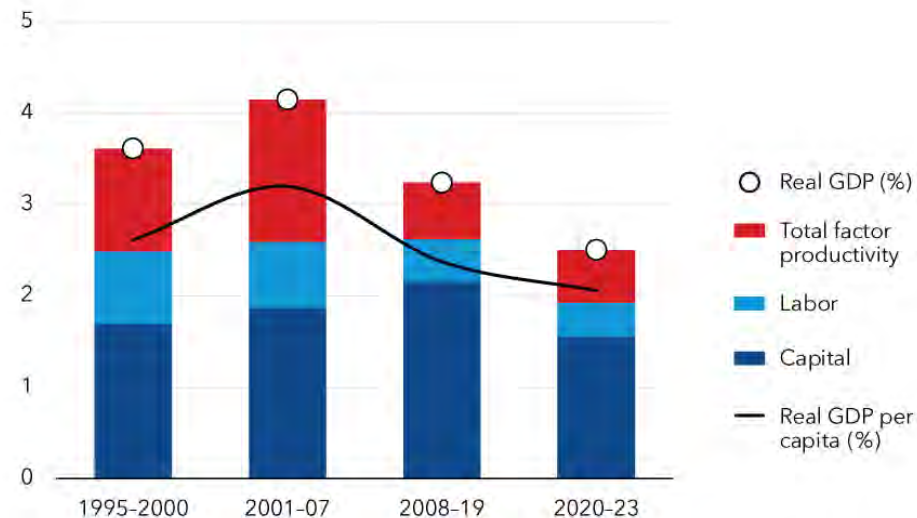
Source: IMF staff estimates.

Global Productivity Slowed → Structural reforms

Productivity drag

The growth rate of total factor productivity has slowed across economies and is the main reason for weaker global growth.

Contribution of components to GDP growth
(percentage points)



Sources: International Labour Organization; Penn World Table version 10.01; United Nations, World Population Prospects; and IMF staff calculations.

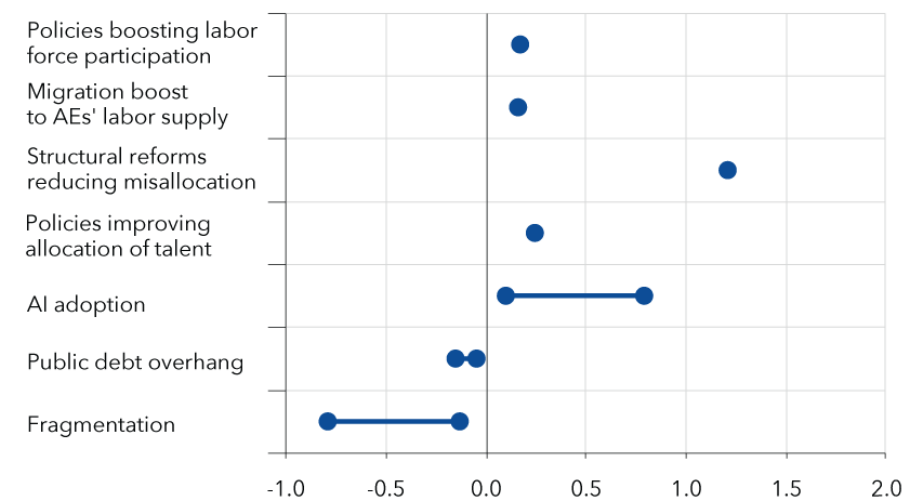
Note: The growth decomposition sample comprises 140 countries. The contributions of capital growth and labor growth reflect the time-varying output shares of the respective factor inputs.

IMF

Scenario impacts

Structural reforms to allocate resources more efficiently are key to restoring global growth to historical averages.

Impact of various factors on global medium-term growth
(relative to baseline, percentage points)



Source: IMF staff calculations.

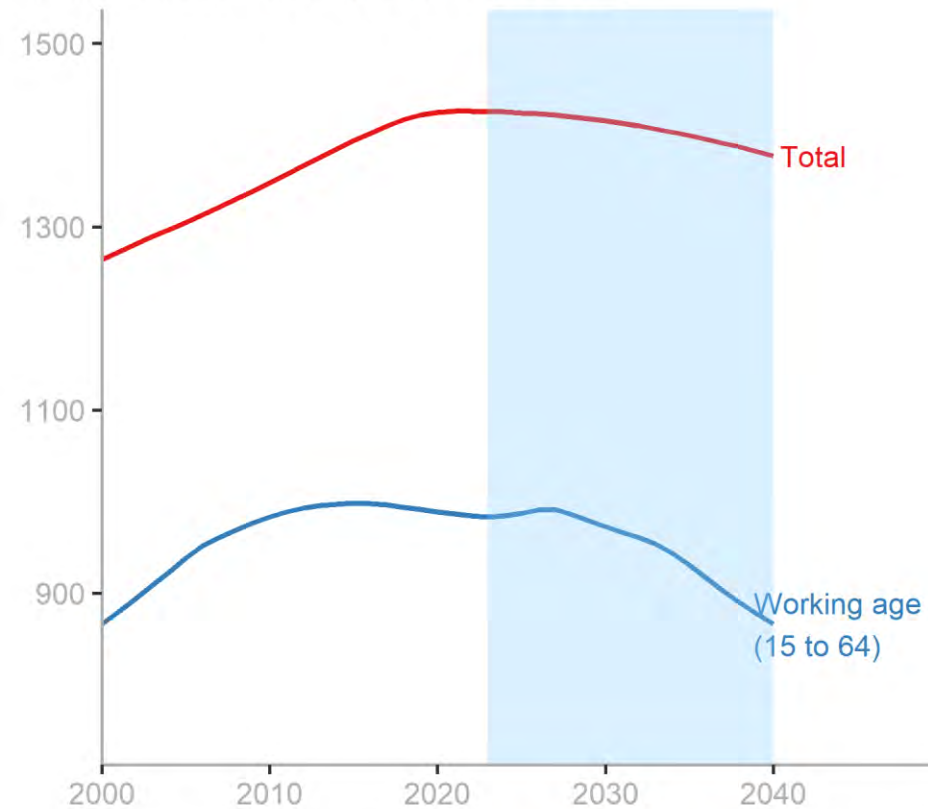
Note: Scenarios include policy interventions—aiming at increasing labor force participation, supporting advanced economies' (AEs) labor supply through migration, reducing misallocation, and improving talent allocation in emerging market and developing economies—and scenarios in which AI is widely adopted, there is a persistent public debt overhang, and geopolitical blocs are emerging ("fragmentation"). See Online Annex 3.3.

IMF

Demographics

China: Population and Workforce

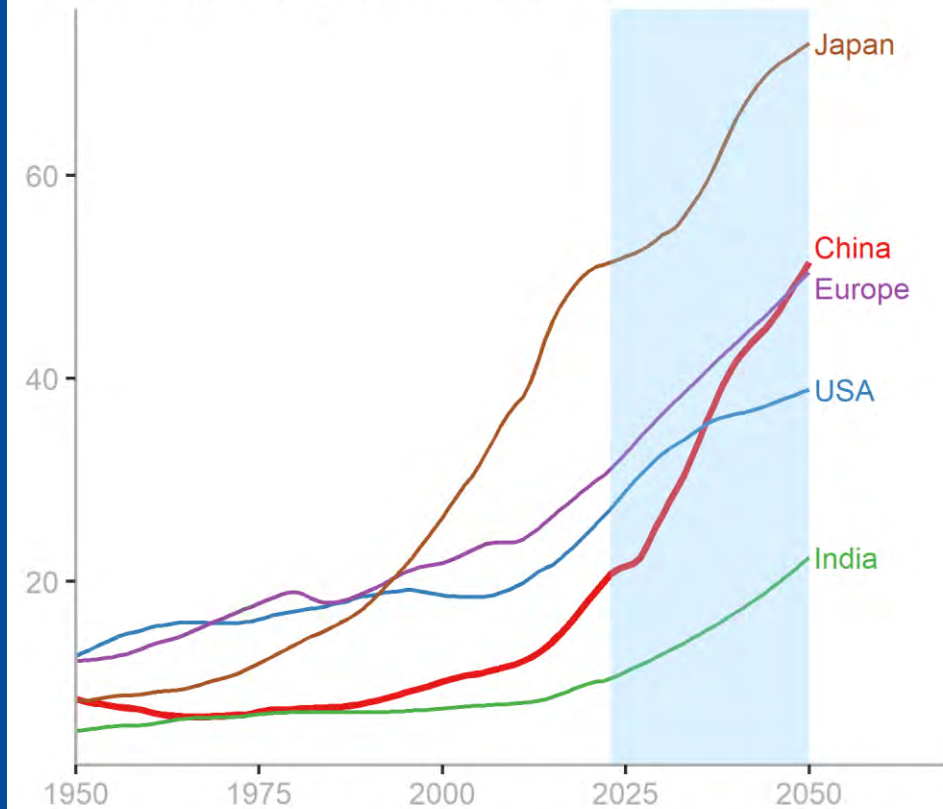
In millions, 2000-2040 (Y axis is truncated)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects 2022, Online Edition.

Aging Around the World

Old Age Dependency Ratio, Estimates and Forecasts



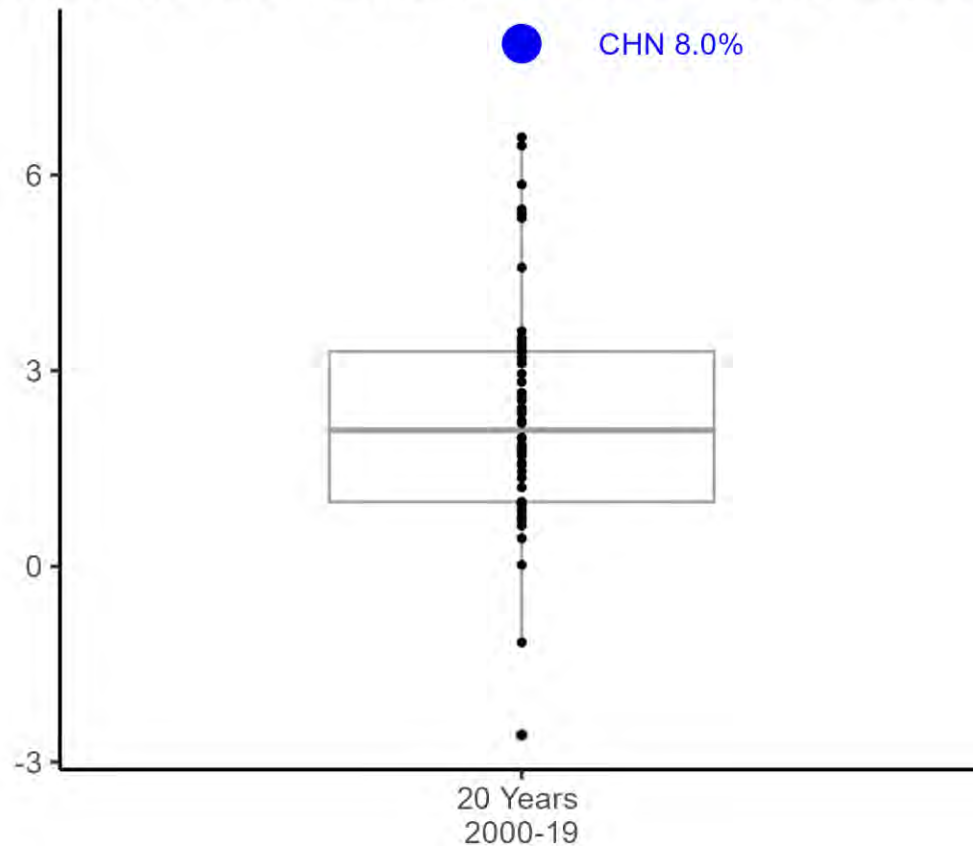
Source: United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects 2022, Online Edition.

IV. Challenge: Consumption

Consumption: Fast growth and large market...

China Consumption: World's Fastest Growing

Real household consumption per capita, annualized growth (in%)

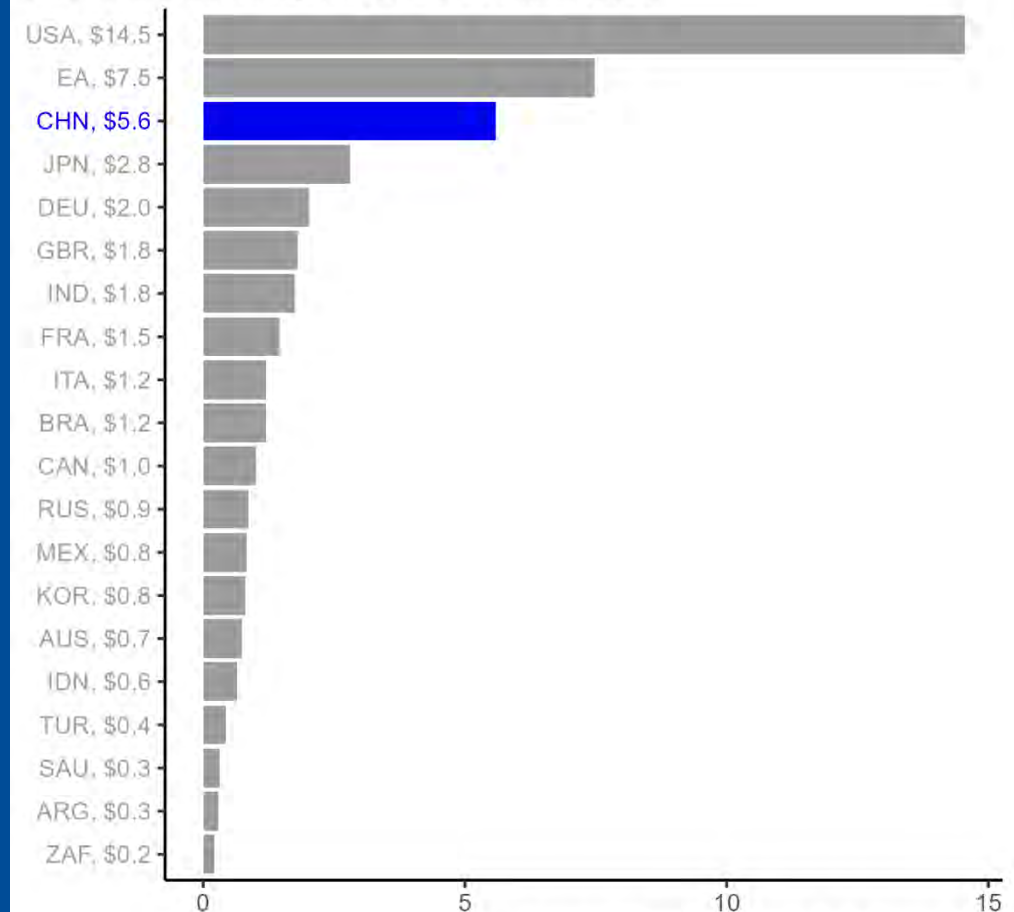


Source: PWT 10.01

Notes: Sample is 60 largest economies, constant national 2017 prices

China is Among Largest Consumer Markets

Household Consumption in US\$ Trillions, 2019

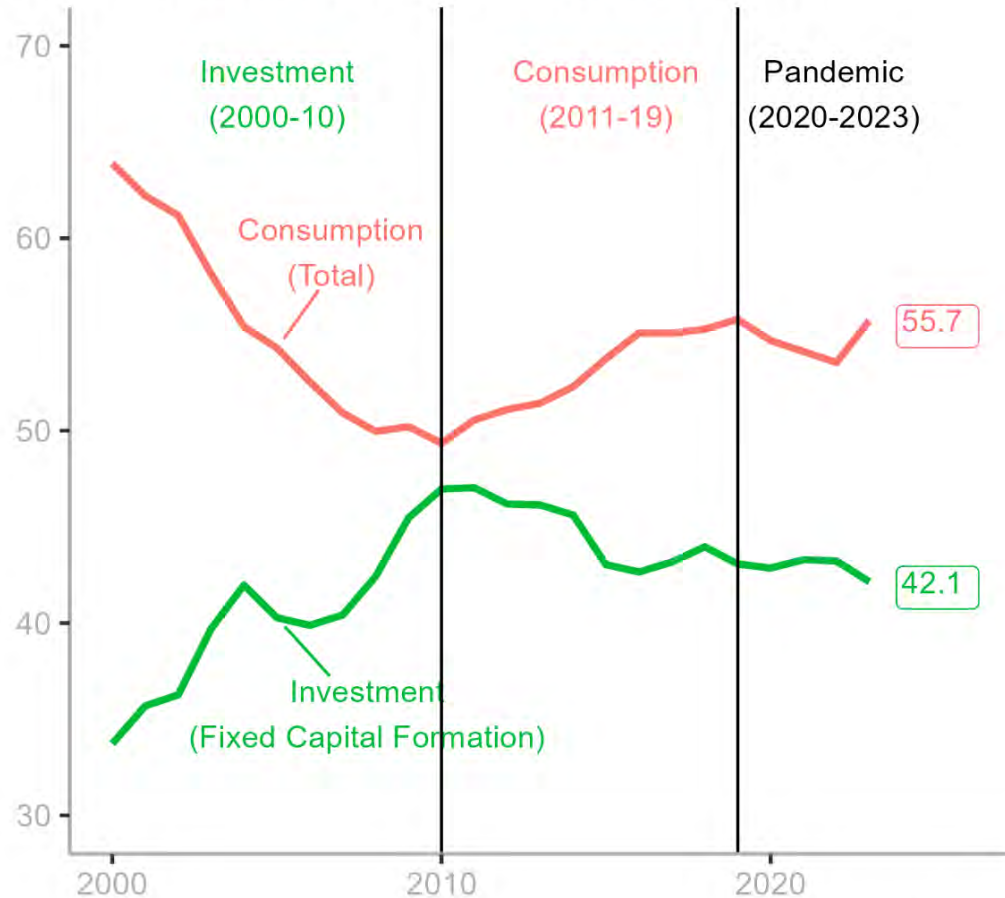


Sources: PWT 10.0; Note: G20 economies

...but GDP grew faster. Consumption low GDP share.

China: Consumption and Investment, SNA

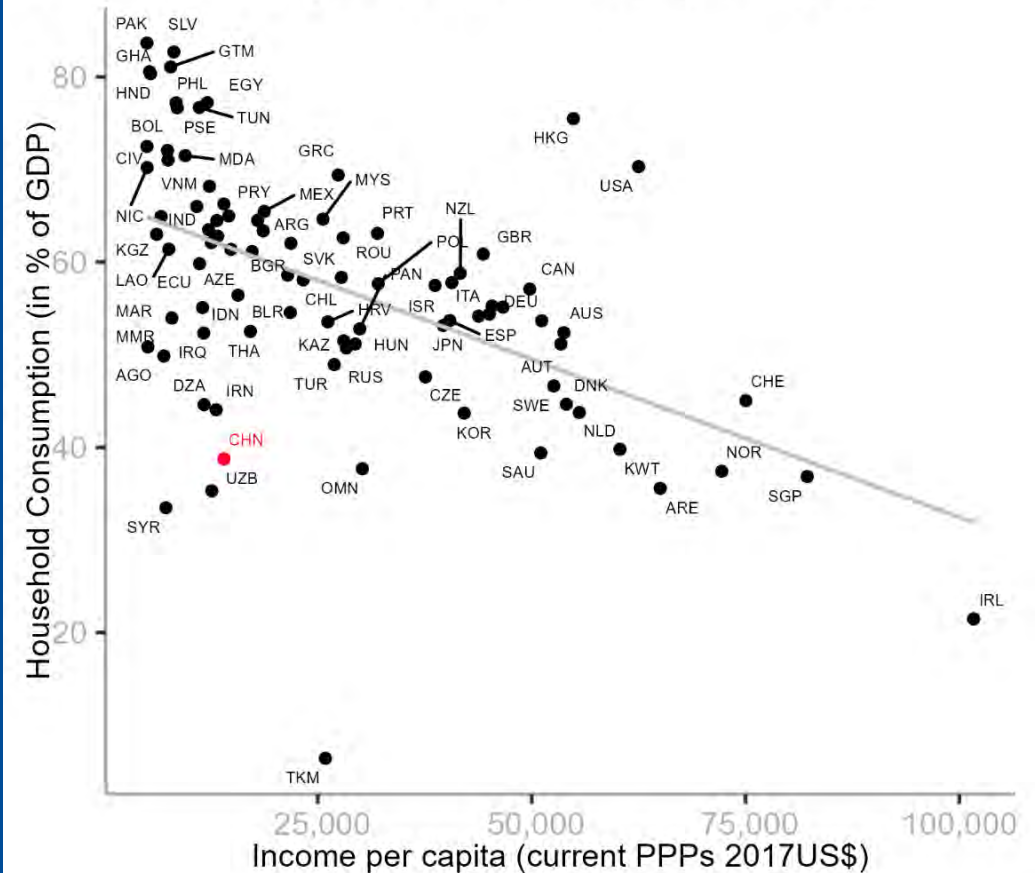
Truncated Axis; In % of Expenditure GDP, 2000 to 2023



Source: CEIC

Household Consumption Share by Income, 2019

Economies with population > 4 million & income > 5,000



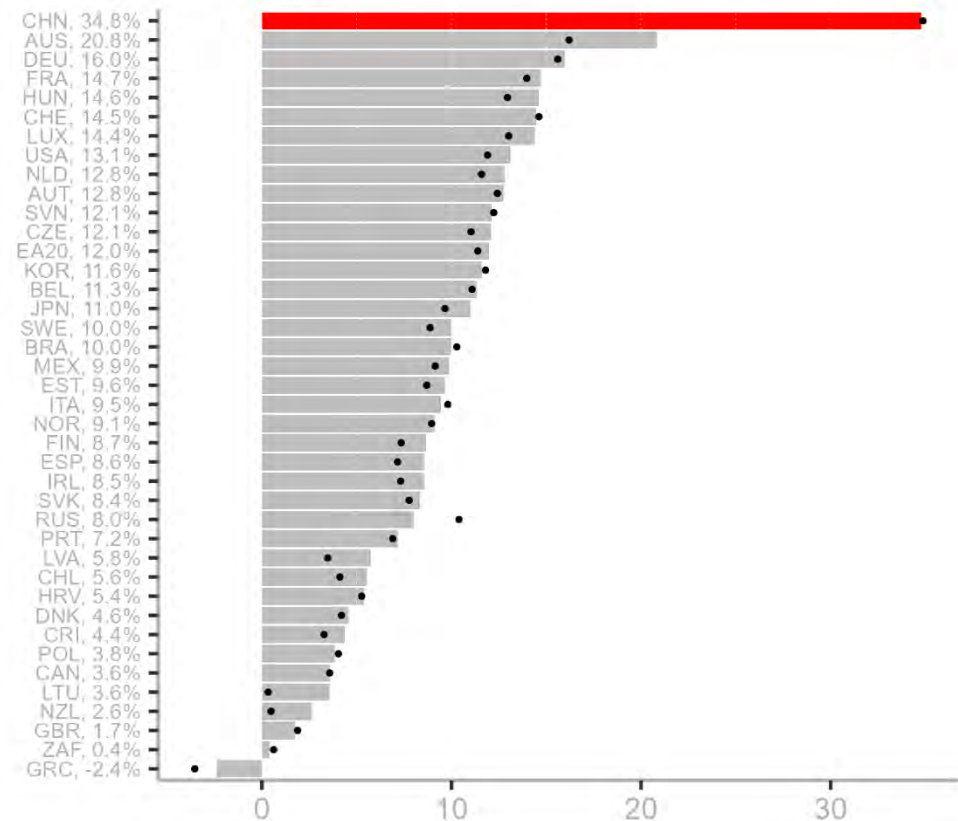
Source: PWT 10.01

Note: Income is based on "cgdp0" and consumption on "csh_c".

High Saving Rate and near-Median Income

Gross Household Savings Rate

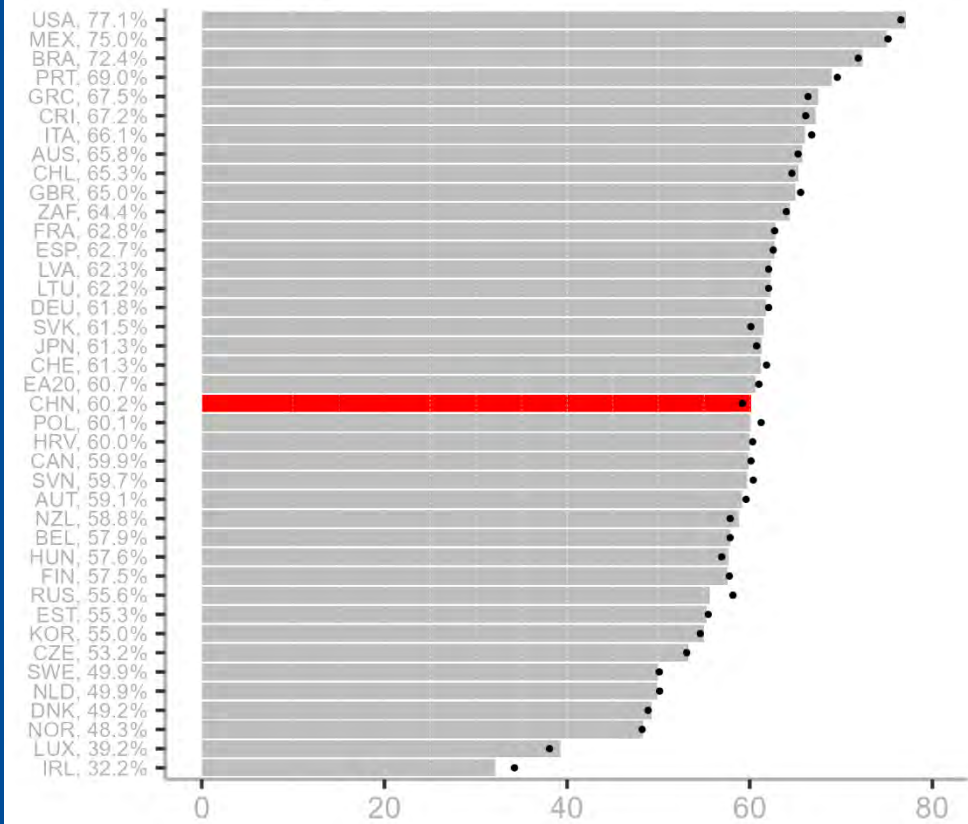
In % of Disposable Income, 2019
(• is 5 year average)



Source: OECD

Disposable Income

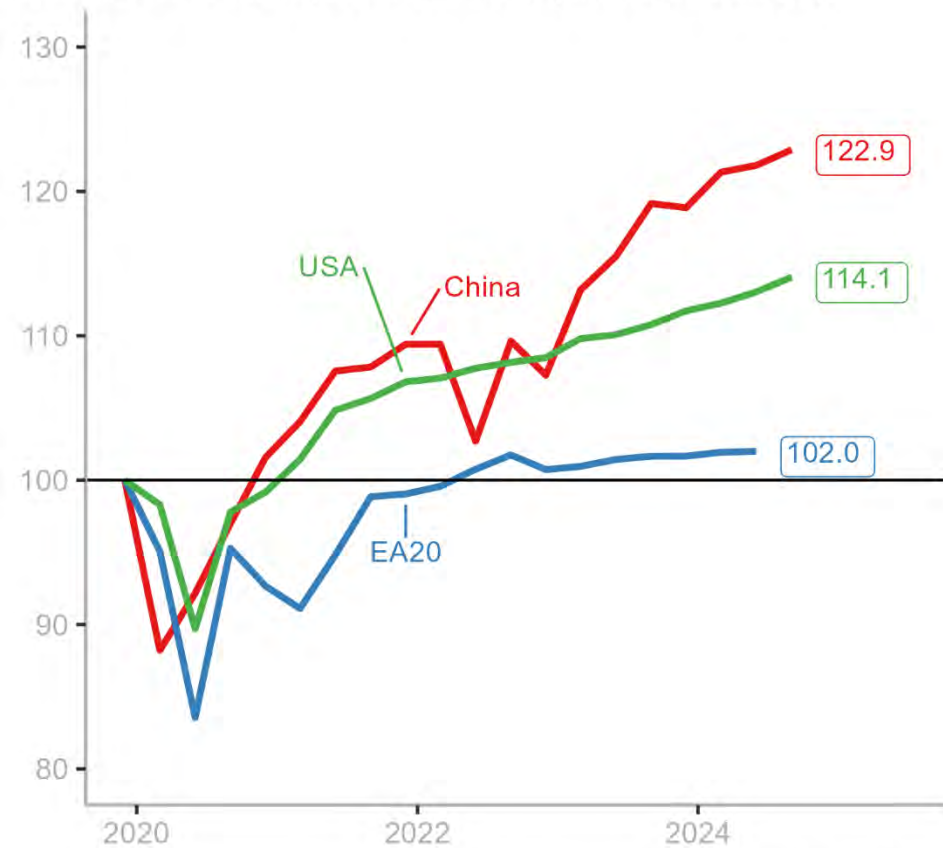
In % of GDP, 2019
(• is 5 year average)



Source: OECD

Tale of Three Economies

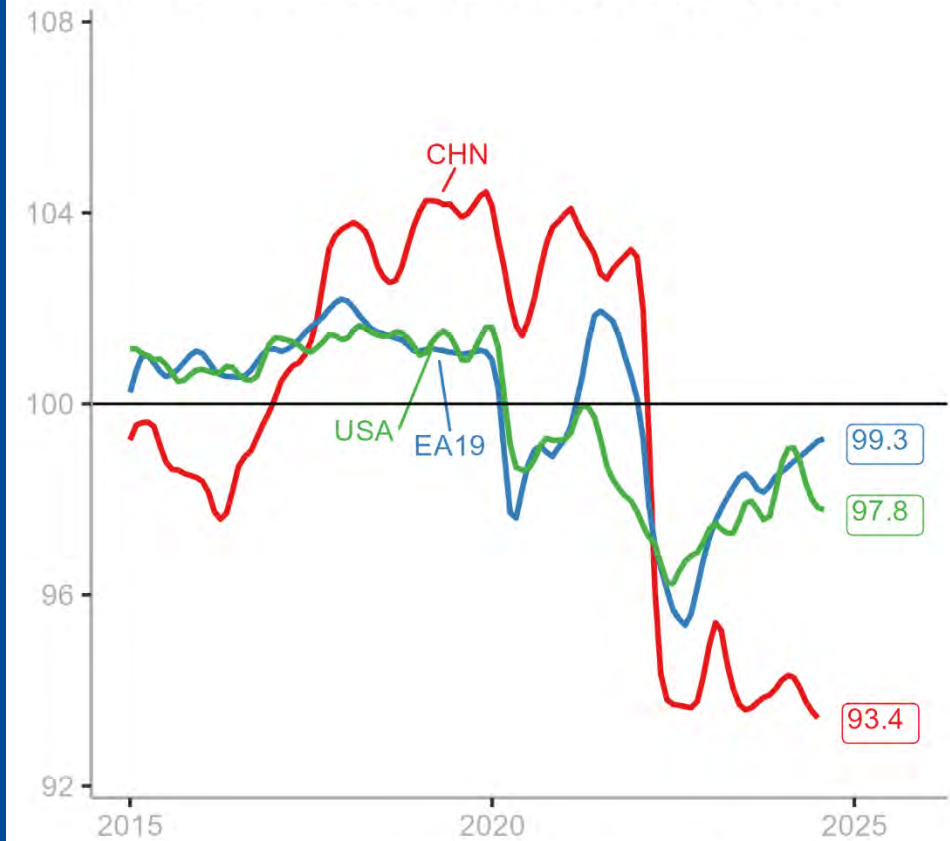
Household Consumption: China, EA20, and USA
Quarterly SA Index, (2019Q4 = 100), (Last obs: 2024Q3)



Sources: CEIC; FRED; Staff Calculations

Consumer Confidence Index

Monthly, long-term average = 100, Jan-2015 to Aug-2024



Source: OECD.A mplitude adjusted (CCICP)

Thank You