Asia and Pacific Department

China Macroeconomy: Resilience and Challenges

STEVEN BARNETT

SENIOR RESIDENT REPRESENTATIVE IN CHINA

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Roadmap

I. Context

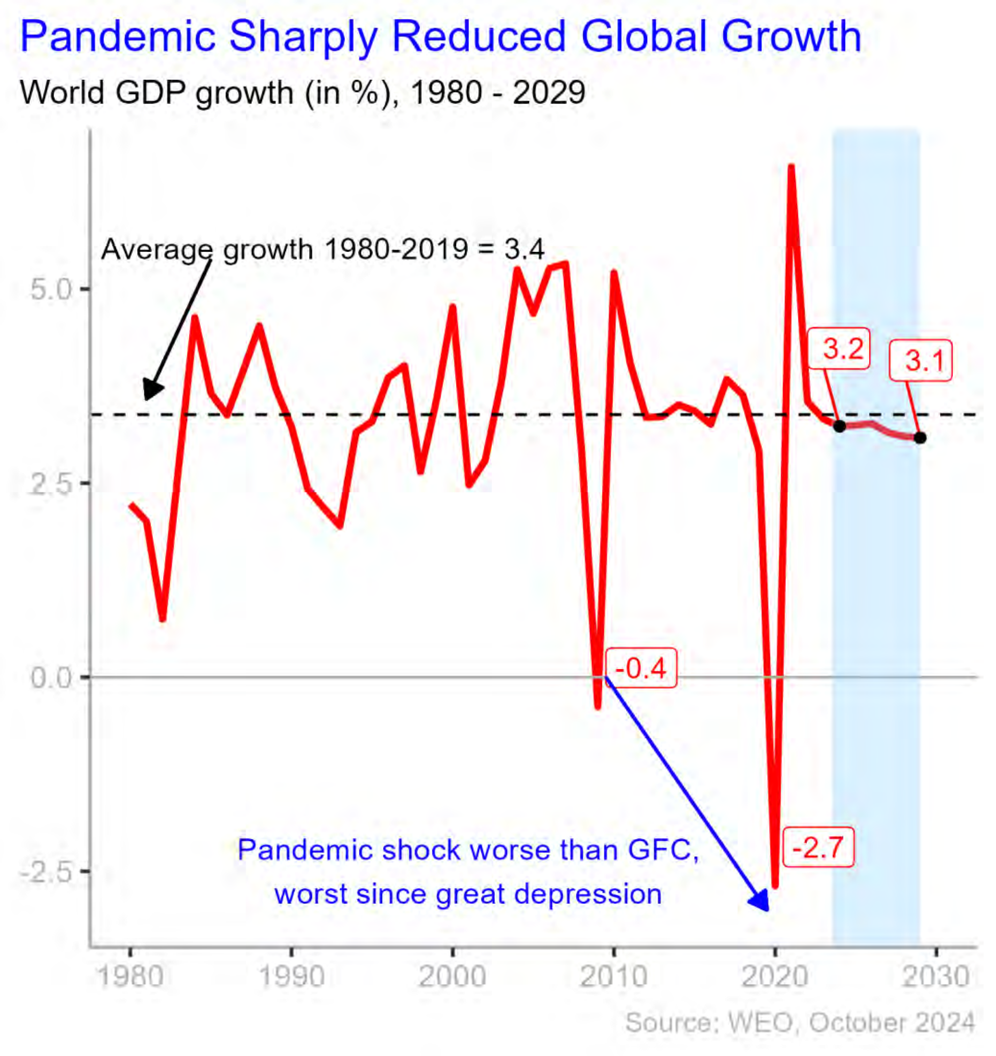
II. Resilience

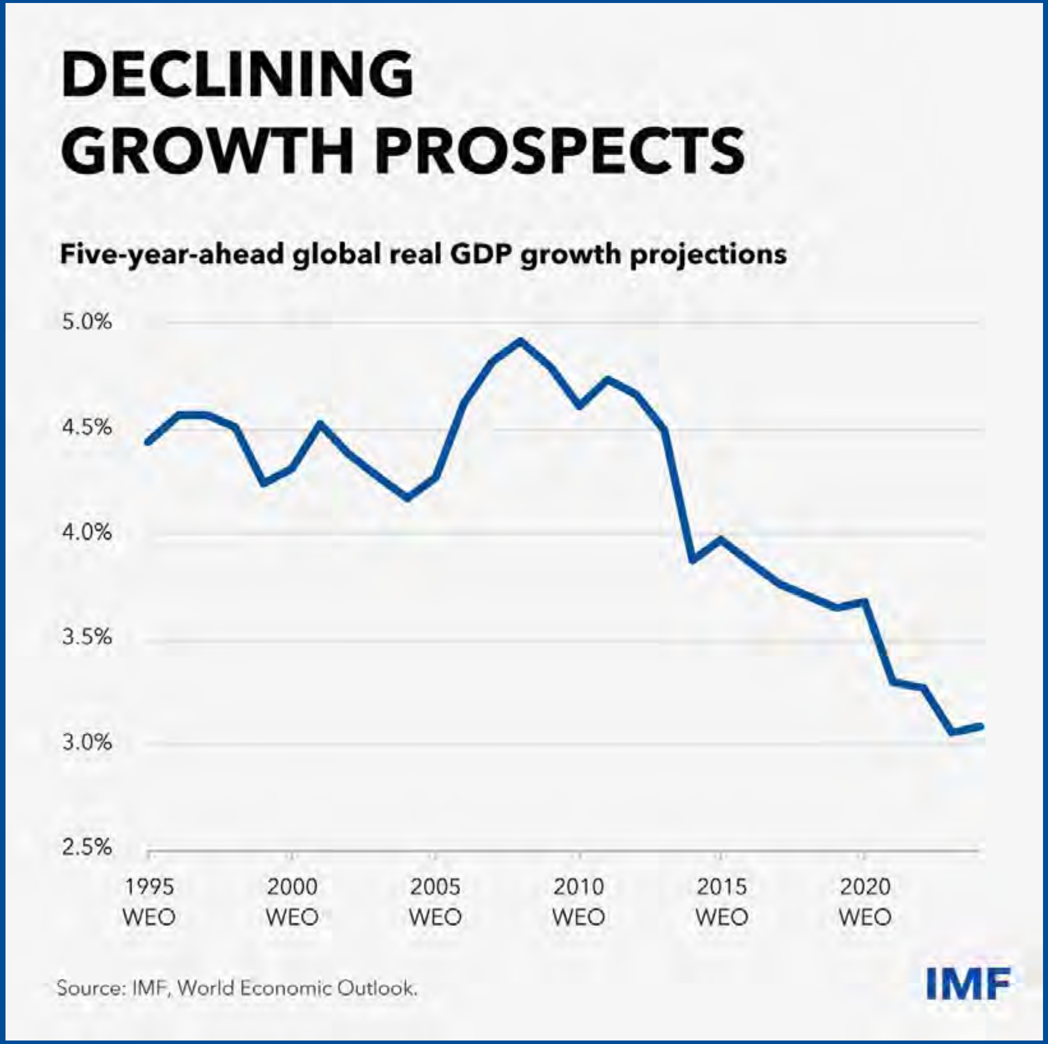
III. Challenge: Productivity

IV. Challenge: Consumption

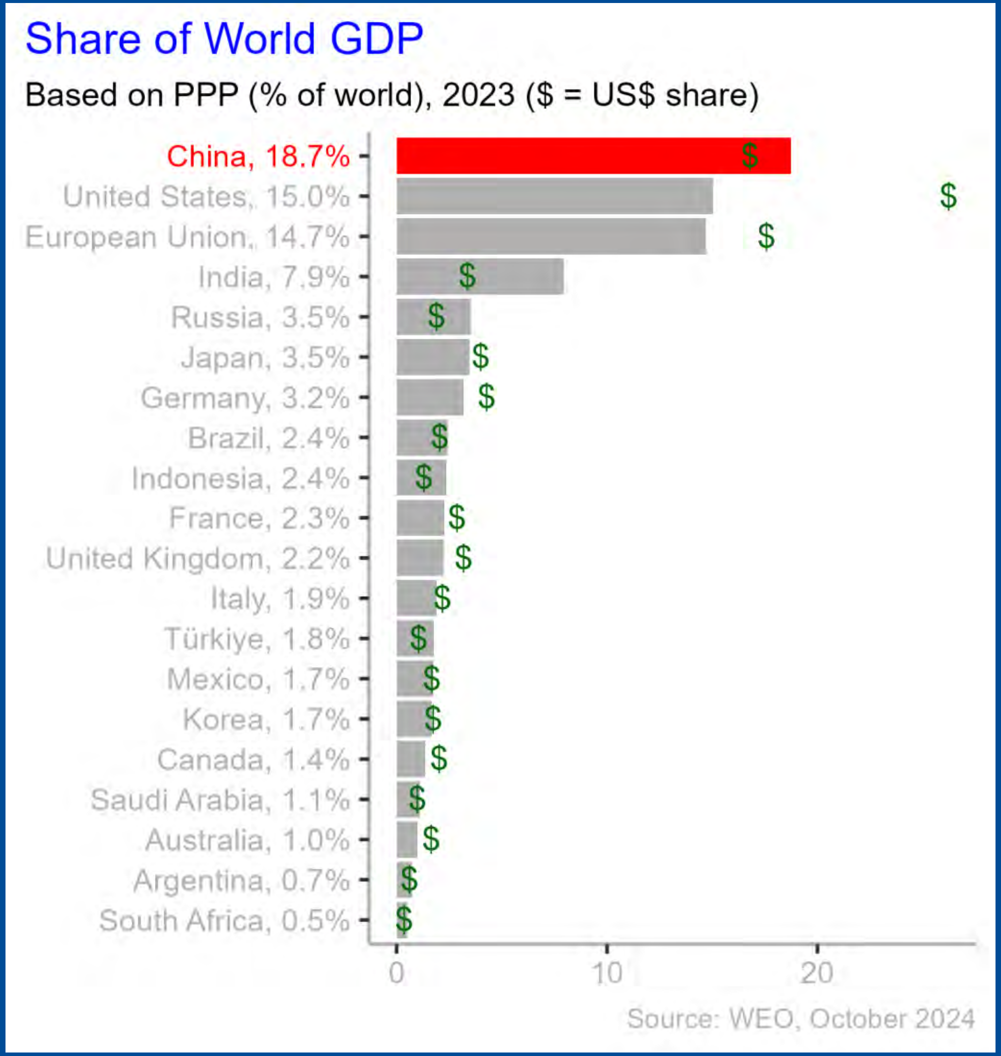
I. Context

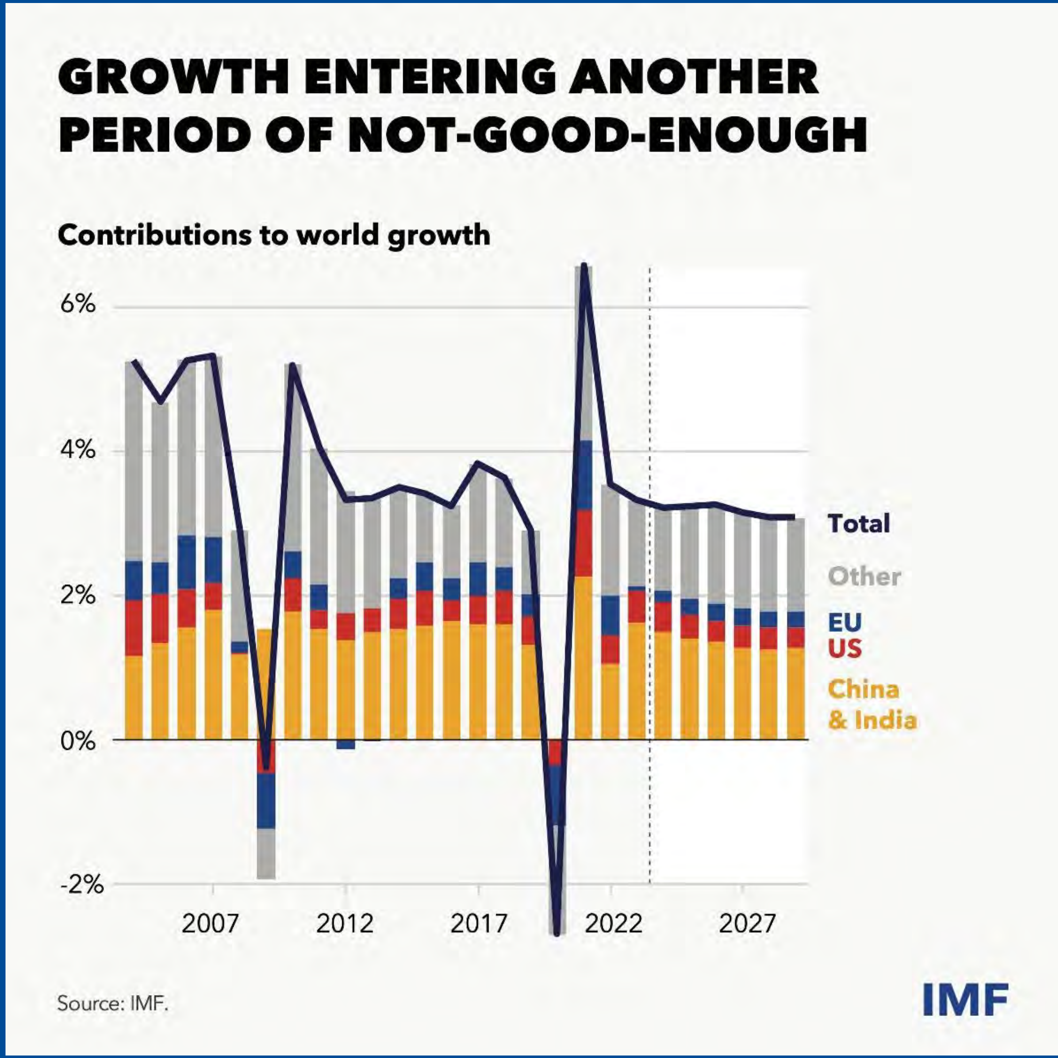
Global Growth: Stable but Underwhelming



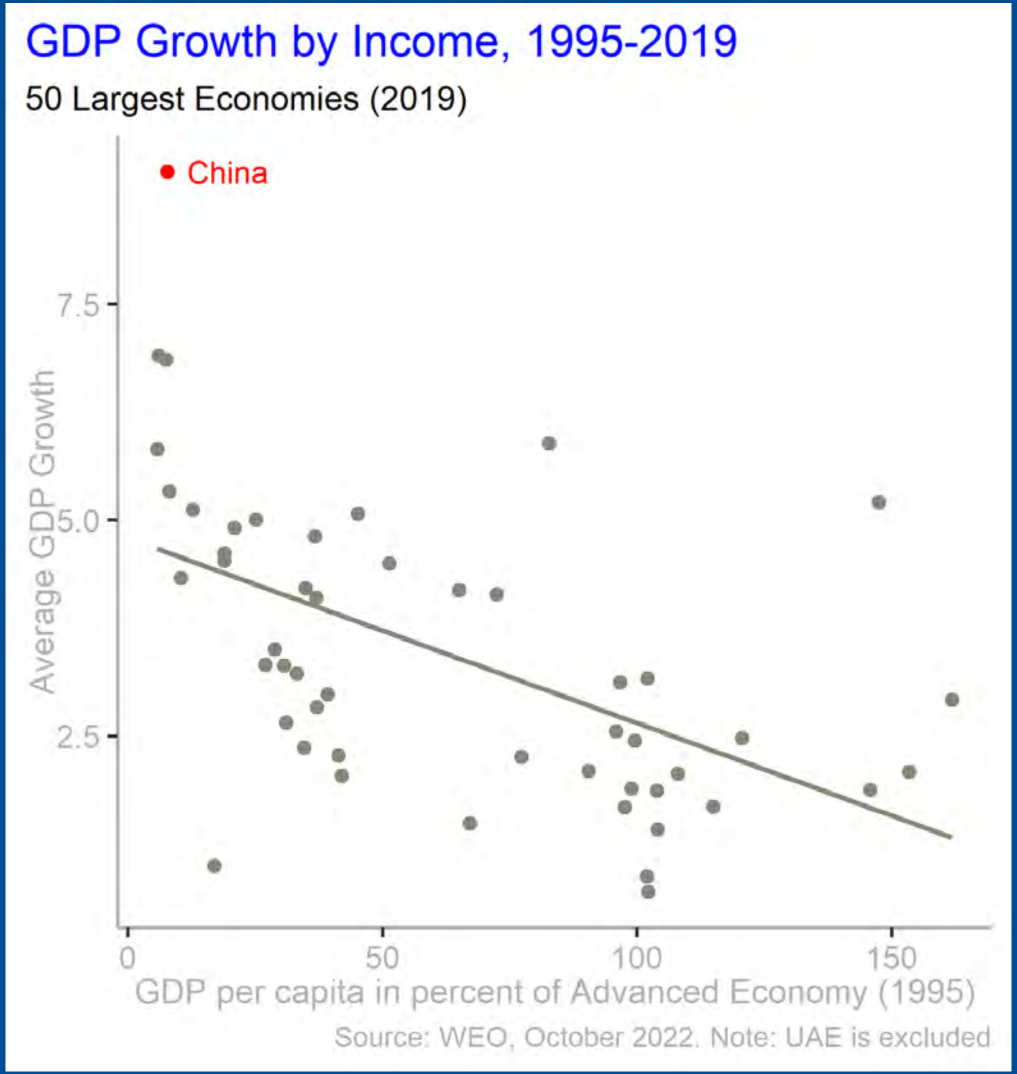


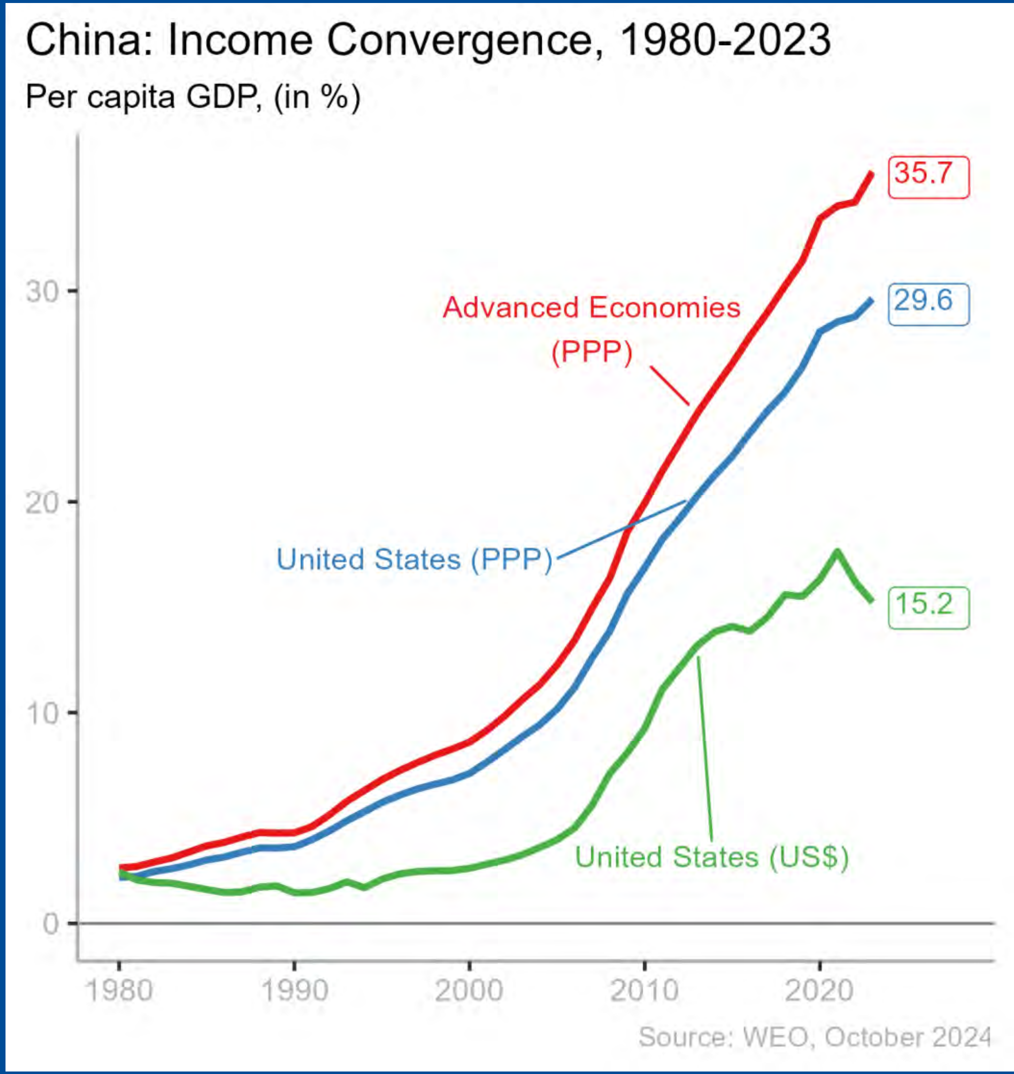
Contributions to growth





China: Remarkable Development

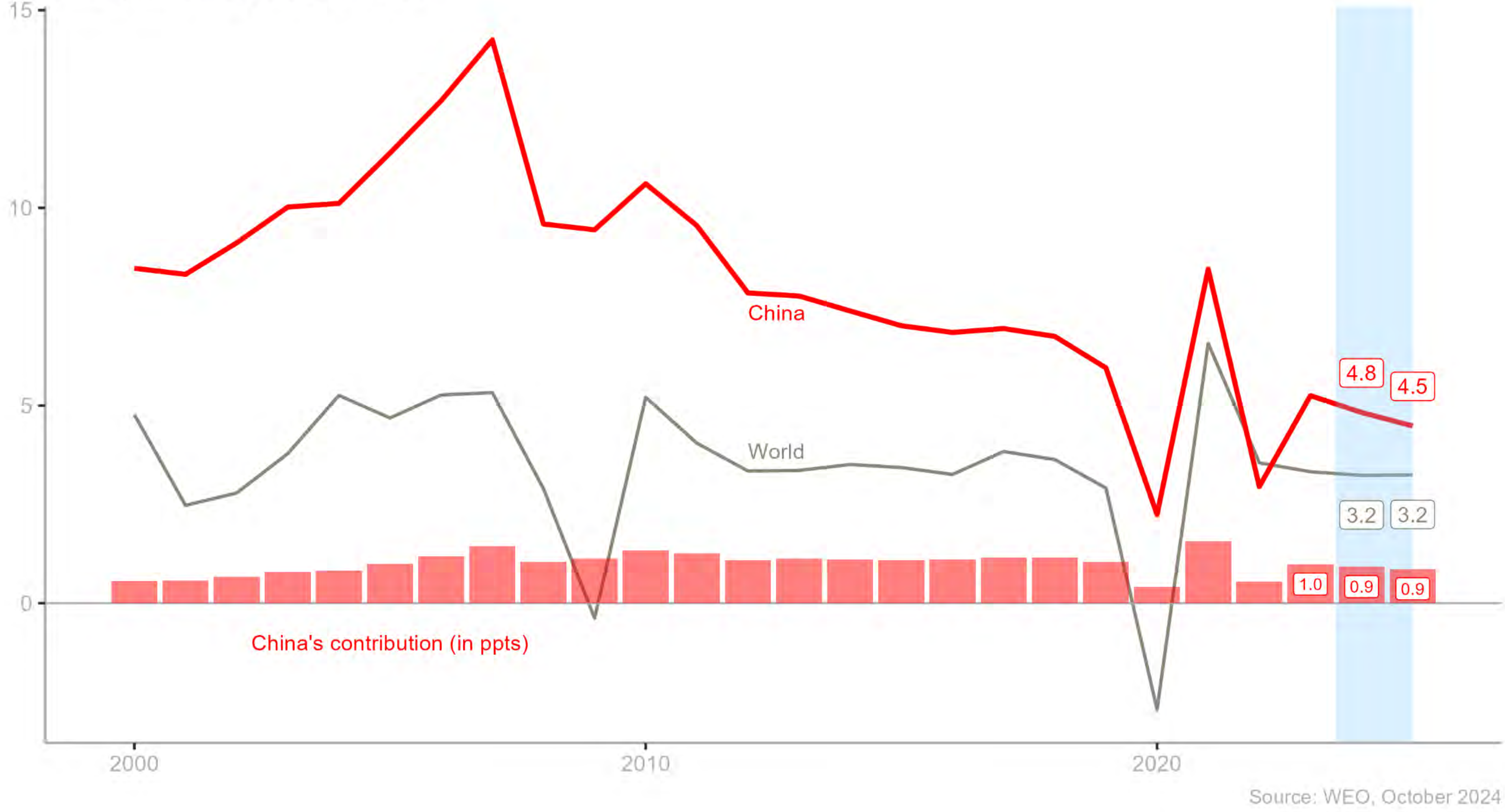




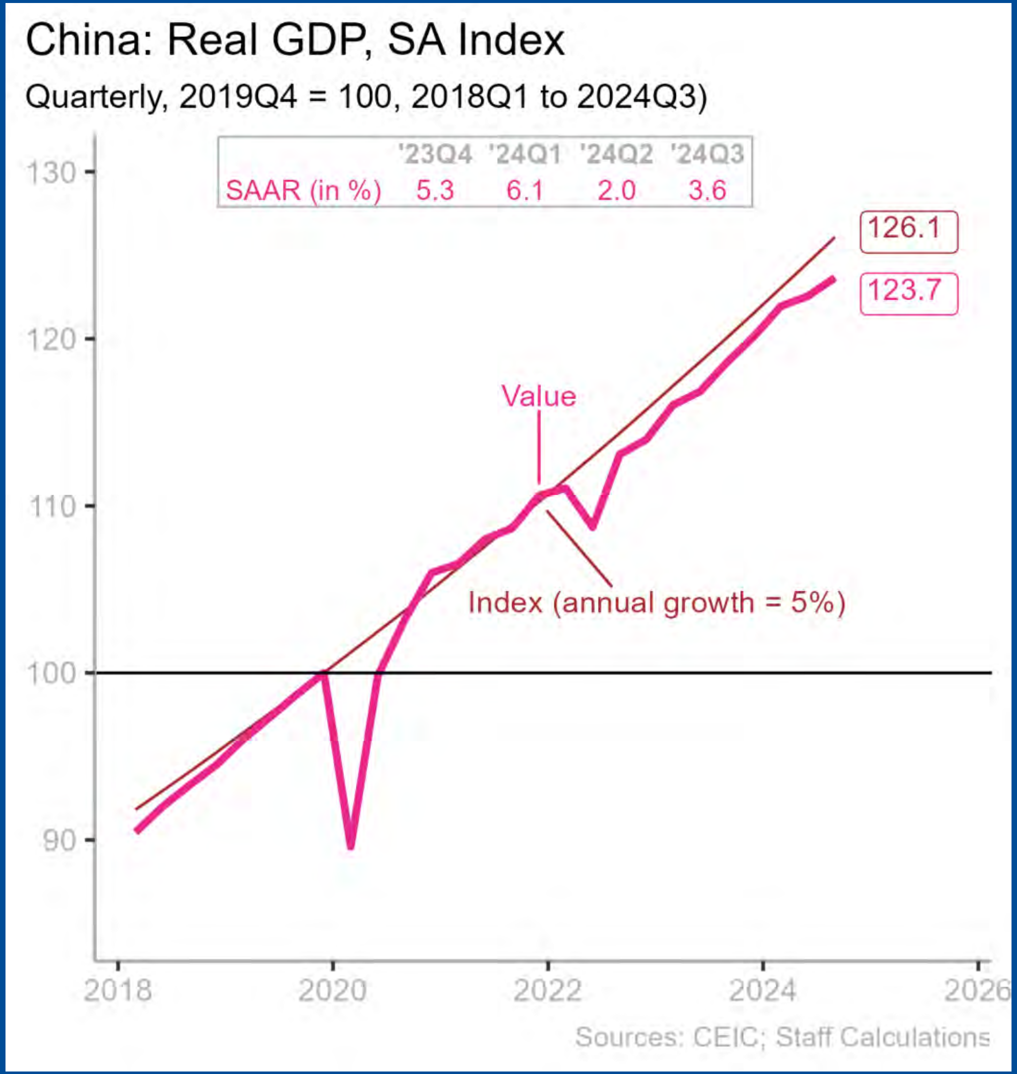
II. Resilience

China's Contribution to Global Growth

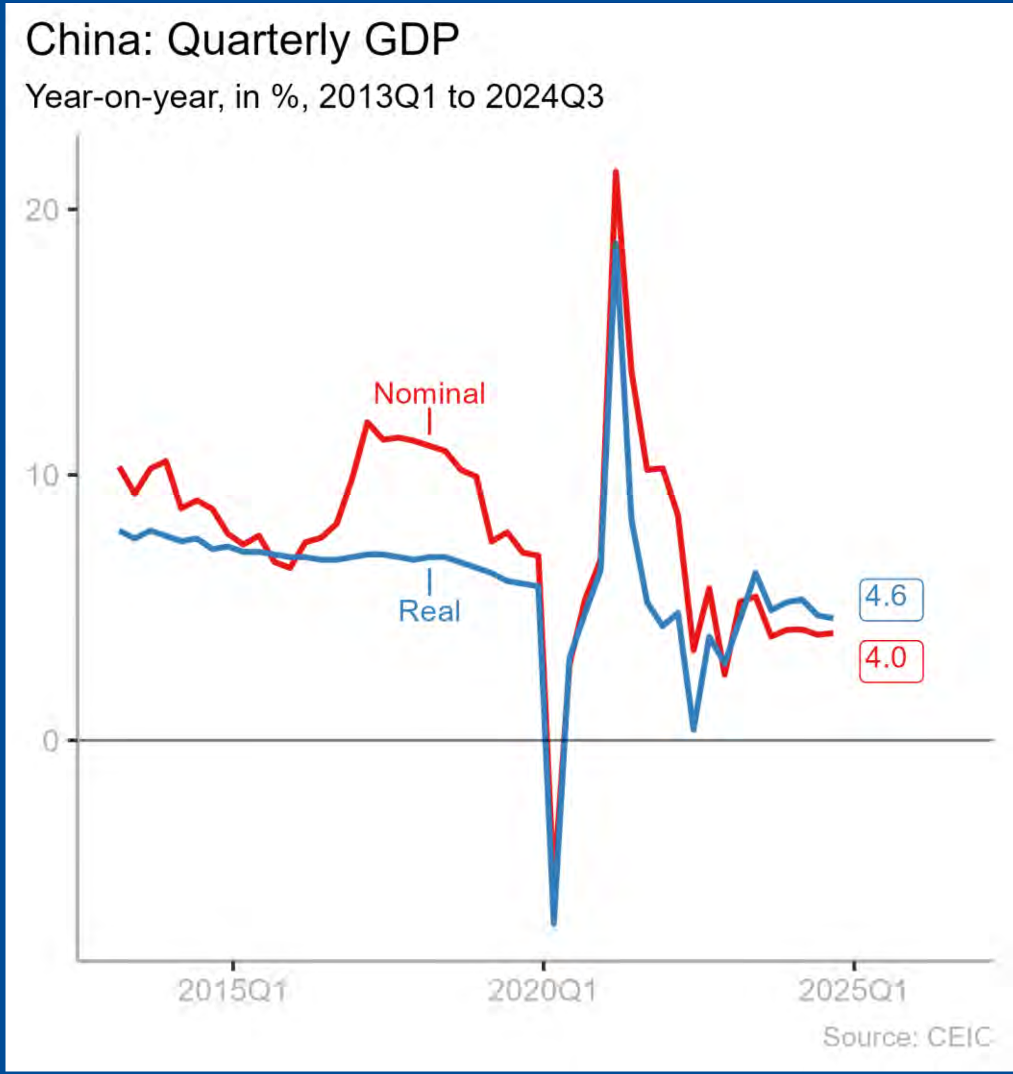
In %, except bars are ppts, 2000 - 2025



GDP

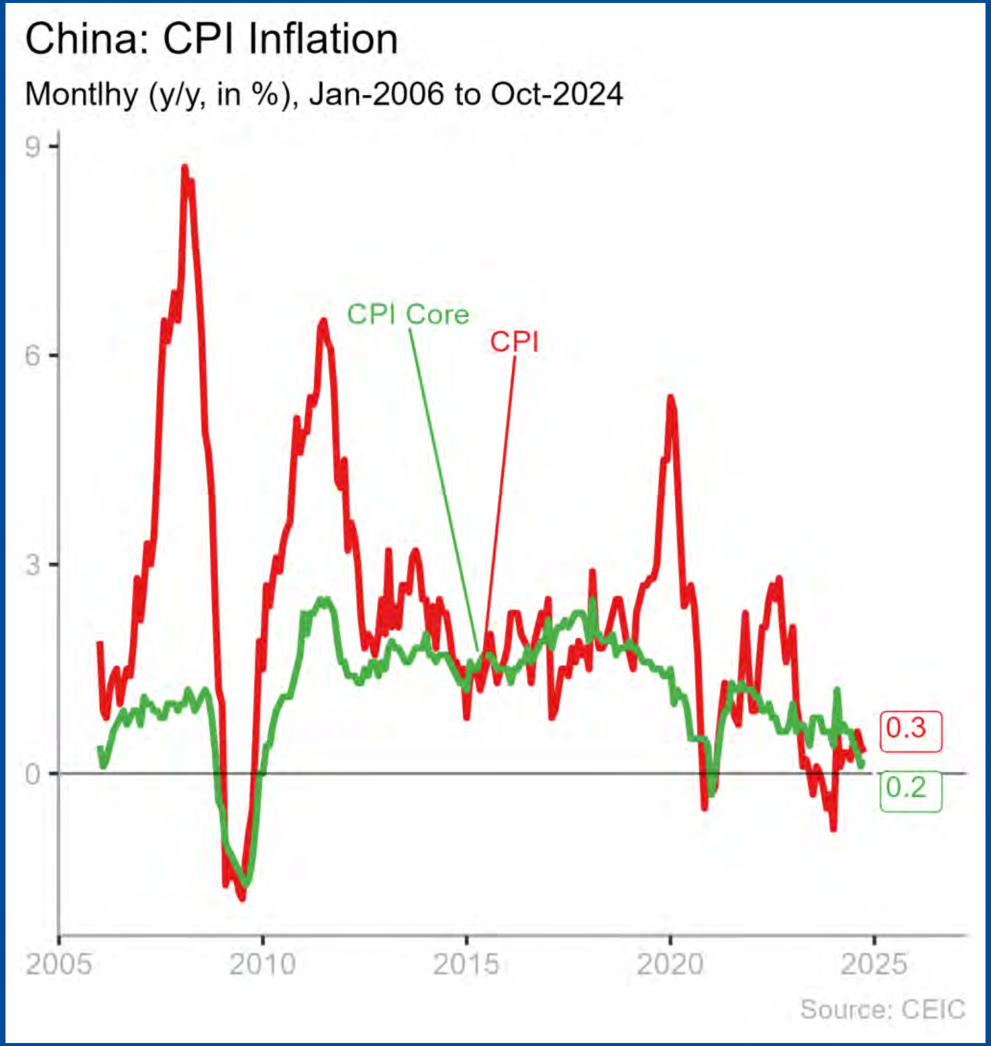


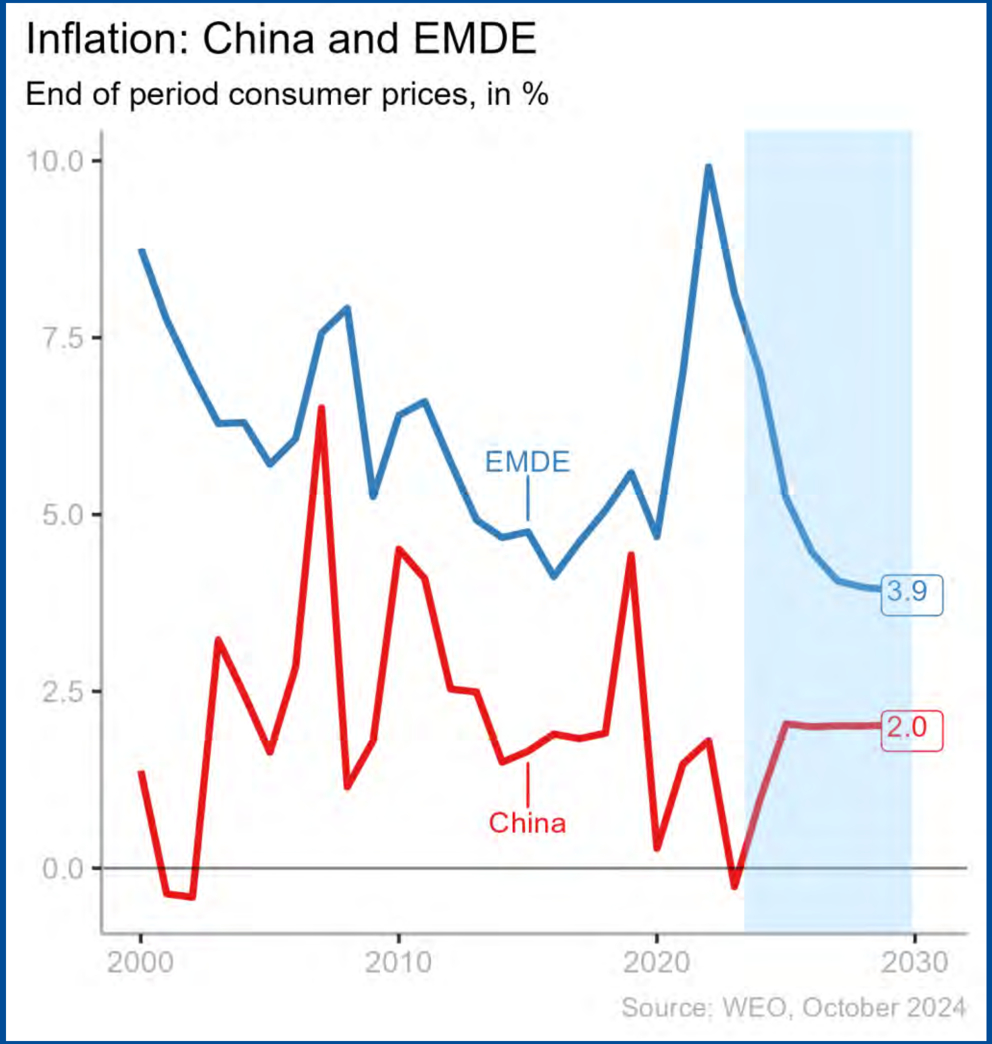
China: Real GDP, SA Index
Quarterly, 2019Q4 = 100, 2018Q1 to 2024Q3)
'23Q4 '24Q1 '24Q2 '24Q3
SAAR (in %) 5.3 6.1 2.0 3.6
126.1
123.7
Value
Index (annual growth = 5%)
130
120
110
100
90
2018
2020
2022
2024
2026
Sources: CEIC; Staff Calculations



China: Quarterly GDP
Year-on-year, in %, 2013Q1 to 2024Q3
Nominal
Real
4.6
4.0
20
10
0
2015Q1
2020Q1
2025Q1
Source: CEIC

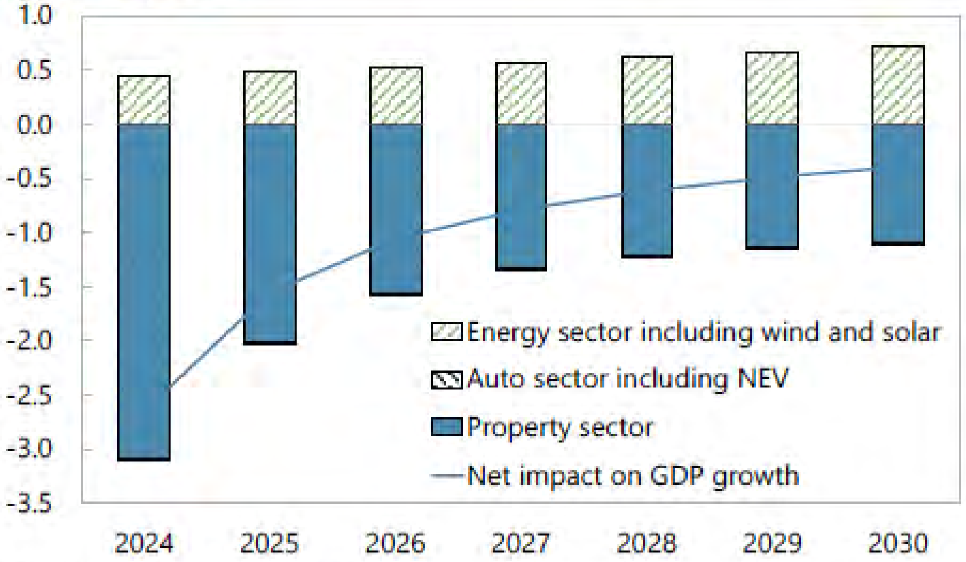
Inflation


China: CPI Inflation
Montlhy (y/y, in %), Jan-2006 to Oct-2024
9
6
3
0
CPI Core
CPI
0.3
0.2
2005
2010
2015
2020
2025
Source: CEIC


Inflation: China and EMDE
End of period consumer prices, in %
10.0
7.5
5.0
2.5
0.0
EMDE
China
3.9
2.0
2000
2010
2020
2030
Source: WEO, October 2024

Resilient Given Real Estate Correction…

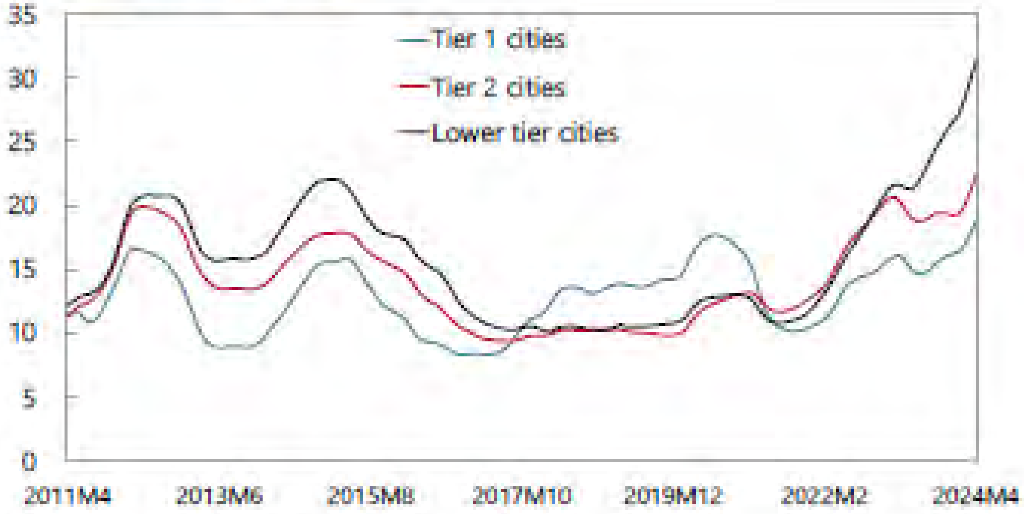
Contribution to GDP Growth Relative to 2010-2020 Average
(Percentage points)



Source: IMF staff calculations.

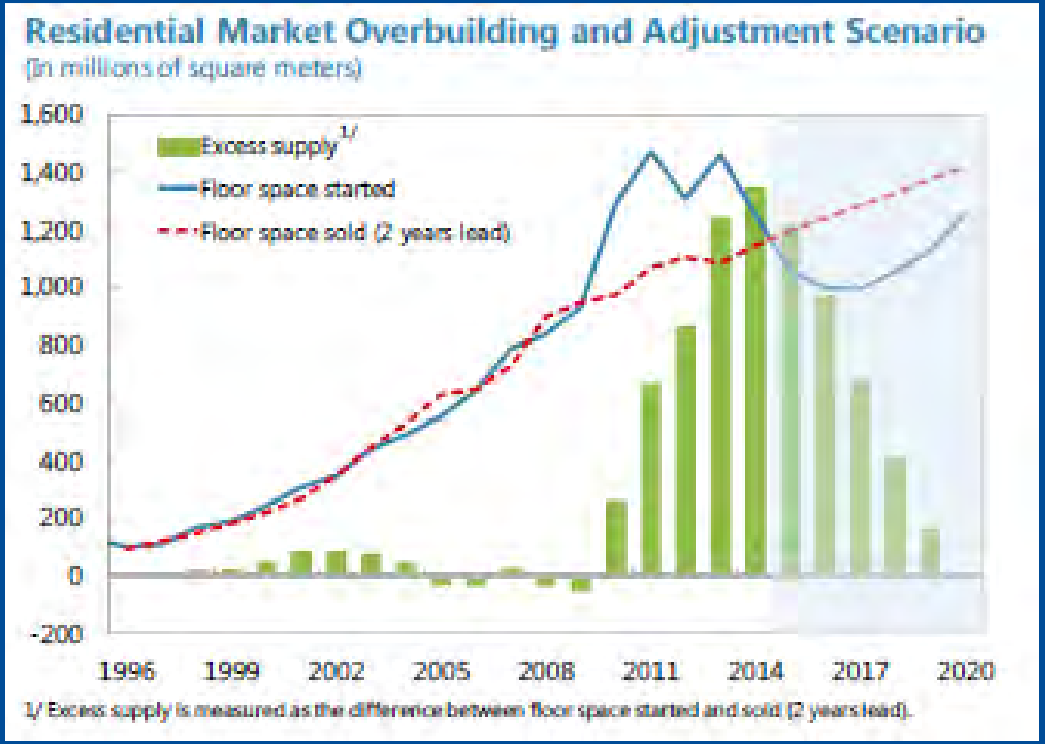
2010-2020 real estate on average contributed around 1.3 percentage points to growth

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.

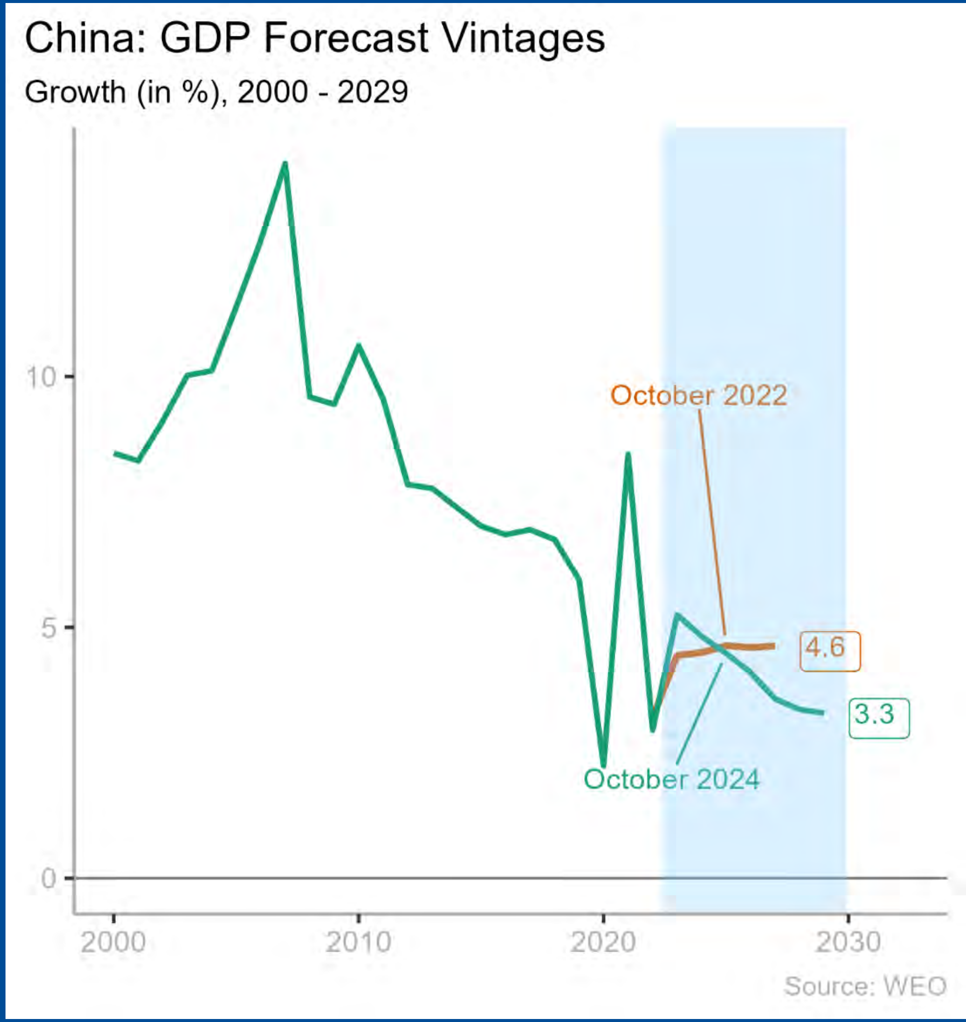
...Which is Both Welcome and Needed

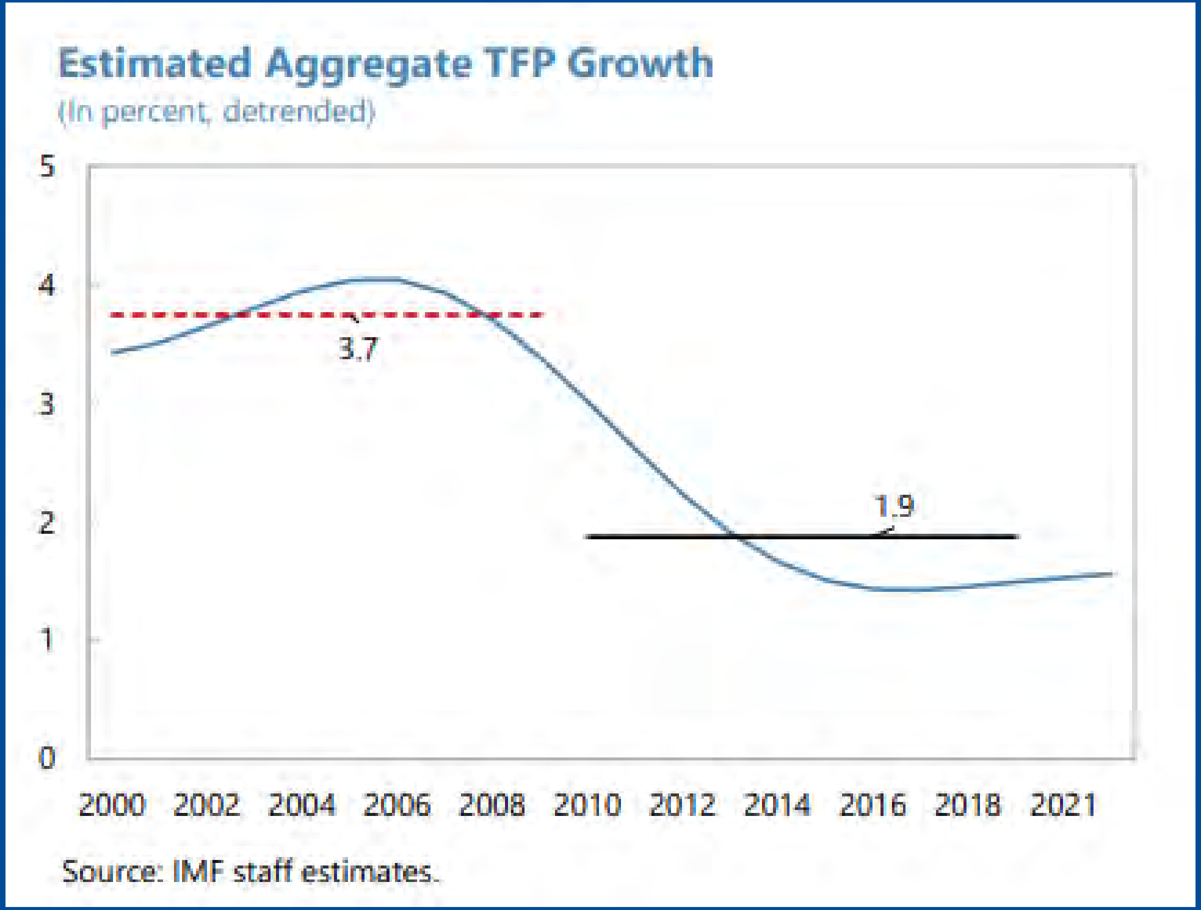


2015 Article IV (Para. 34). "A multiyear correction in real estate investment—with some variation by city—is necessary to reduce the new supply coming on the market and allow time to work through the existing inventories."

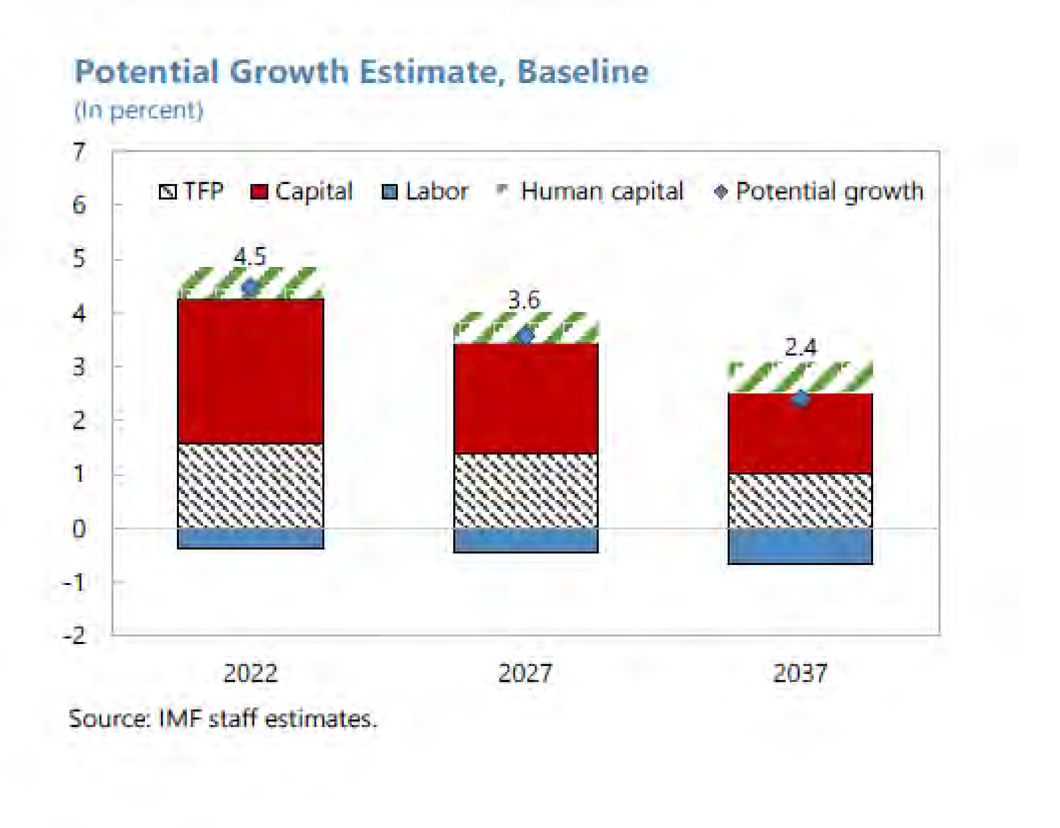
III. Challenge: Productivity

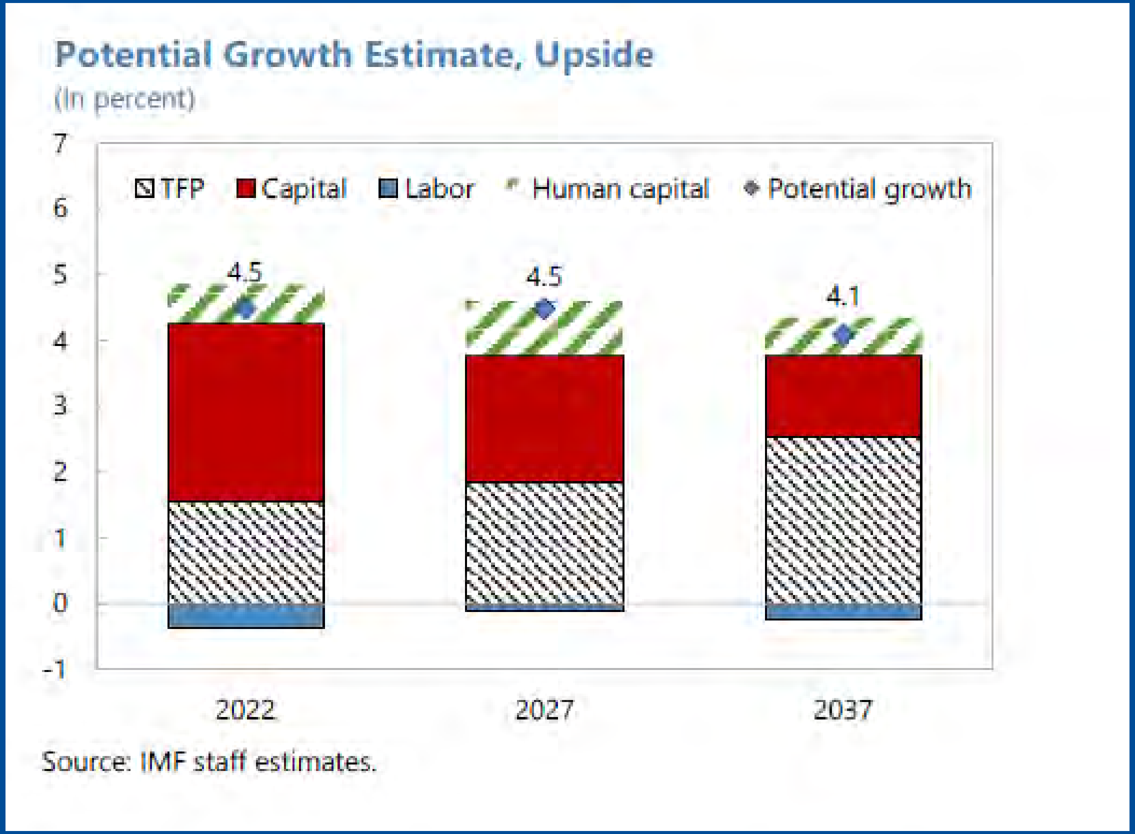
MT Growth Depends on TFP…





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



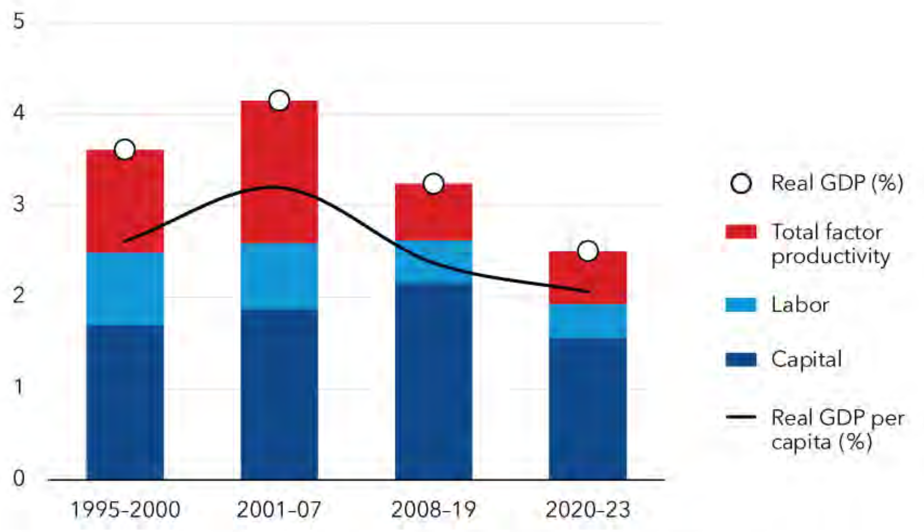


Global Productivity Slowed → Structural reforms

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)



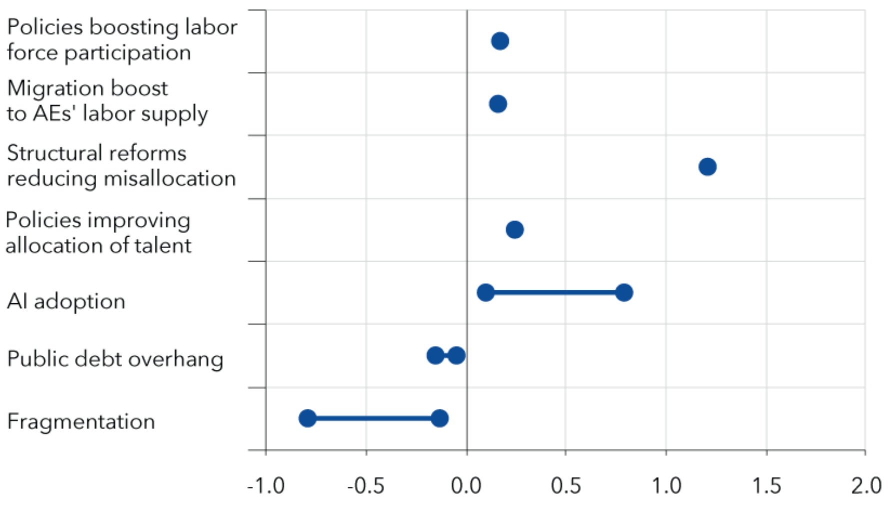
Sources: International Labour Organization; Penn World Table version 10.01; United Nations, World Population Prospects; and IMF staff calculations.
Note: The growth decomposition sample comprises 140 countries. The contributions of capital growth and labor growth reflect the time-varying output shares of the respective factor inputs.

IMF

Scenario impacts

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

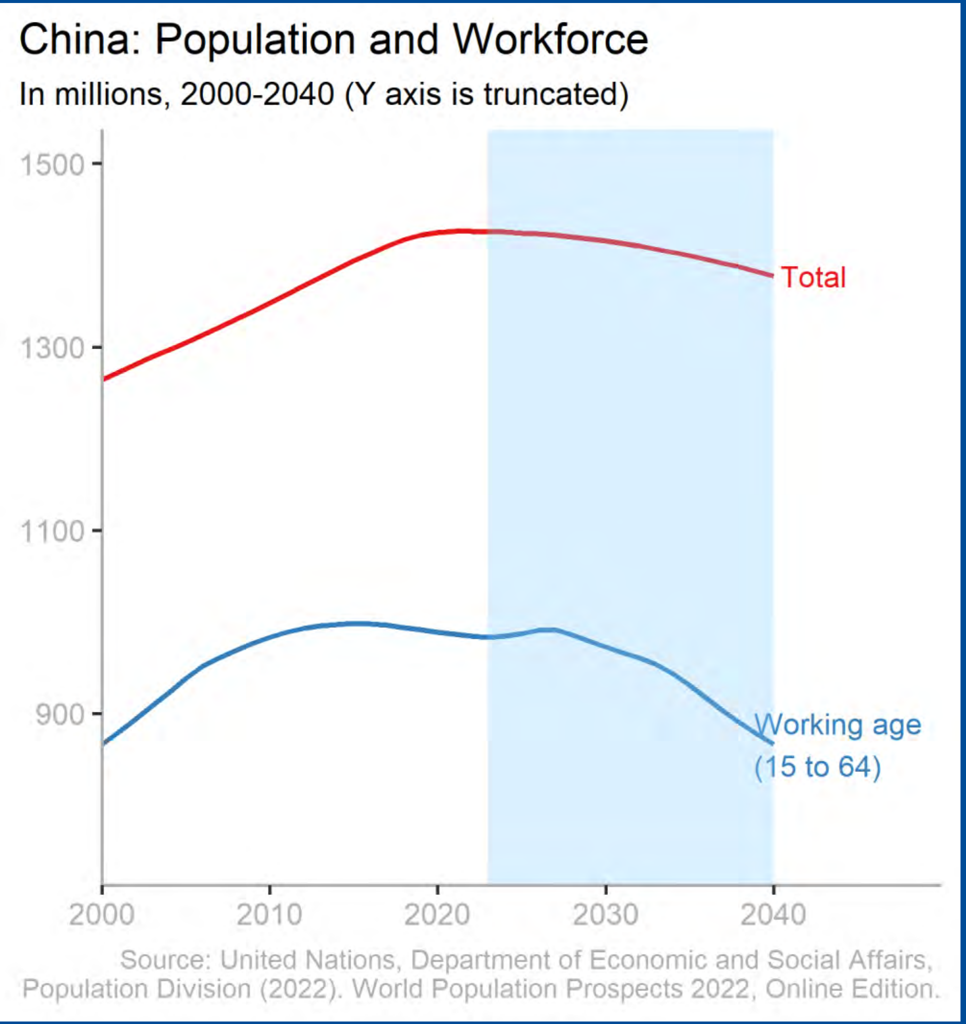
Impact of various factors on global medium-term growth
(relative to baseline, percentage points)

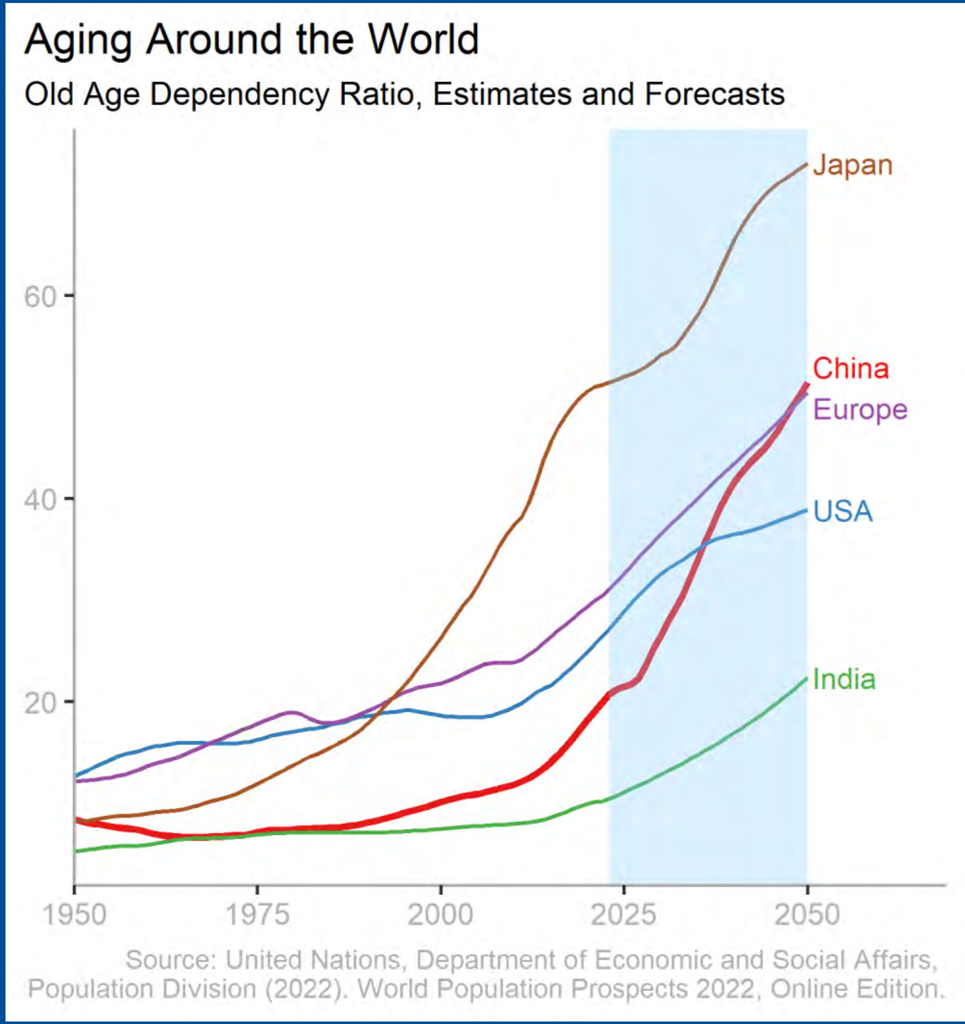


Source: IMF staff calculations.
Note: Scenarios include policy interventions–aiming at increasing labor force participation, supporting advanced economies' (AEs) labor supply through migration, reducing misallocation, and improving talent allocation in emerging market and developing economies–and scenarios 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

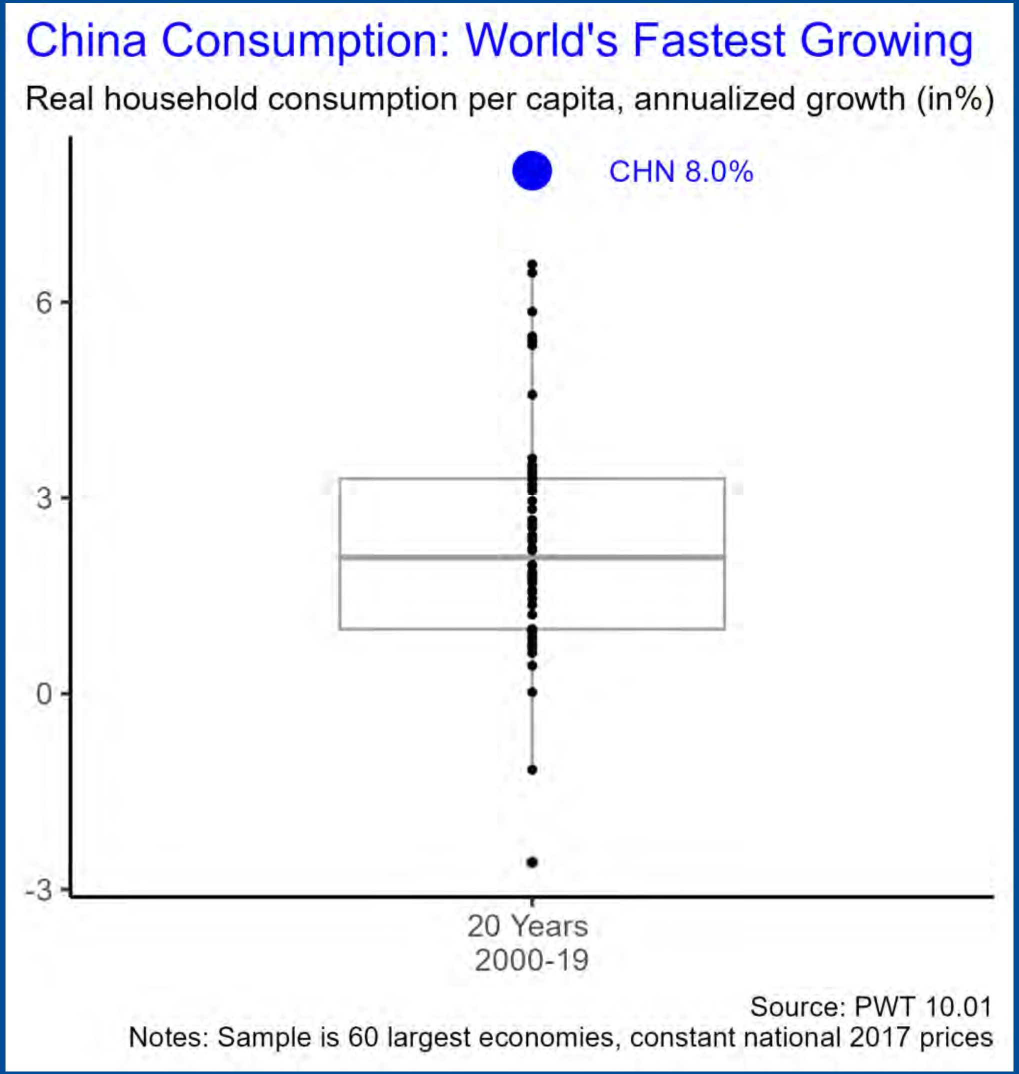
Demographics

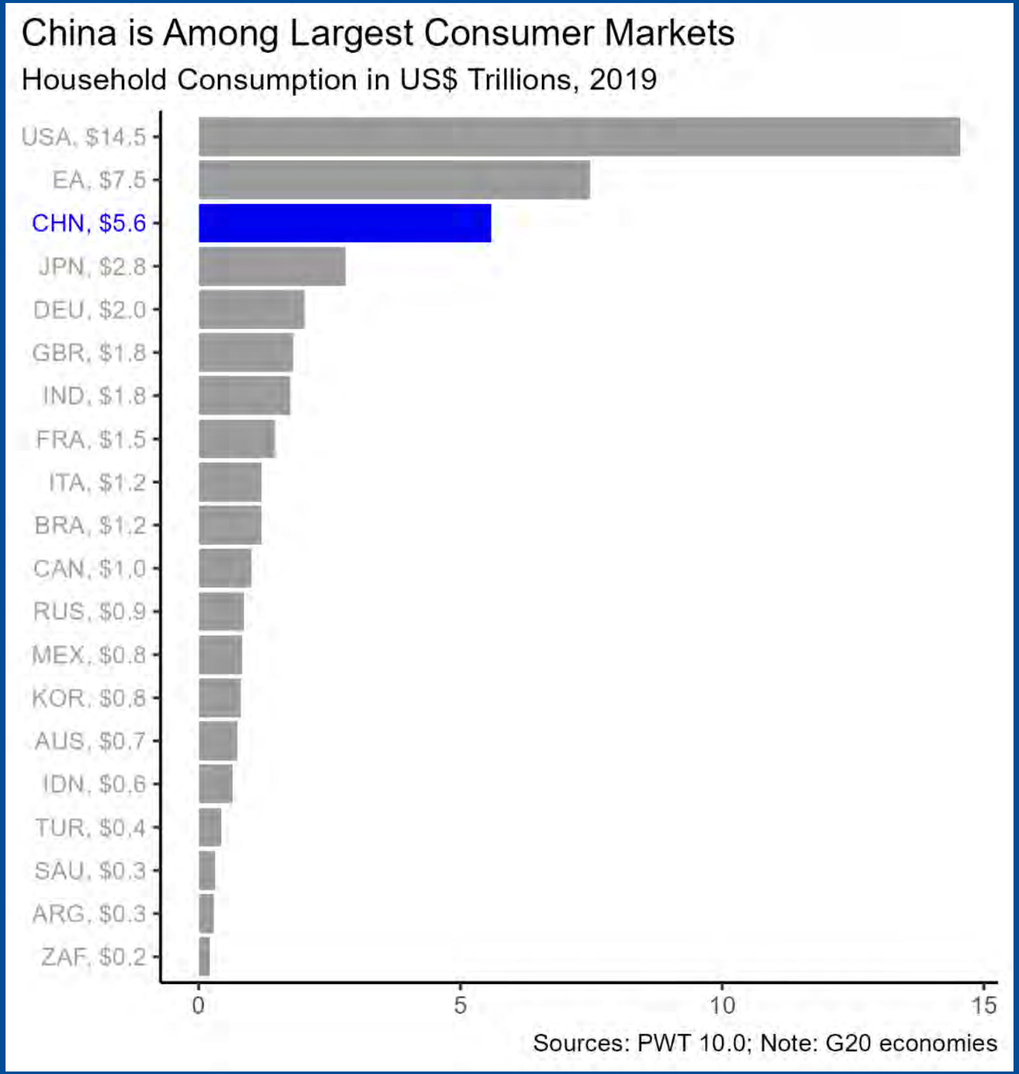




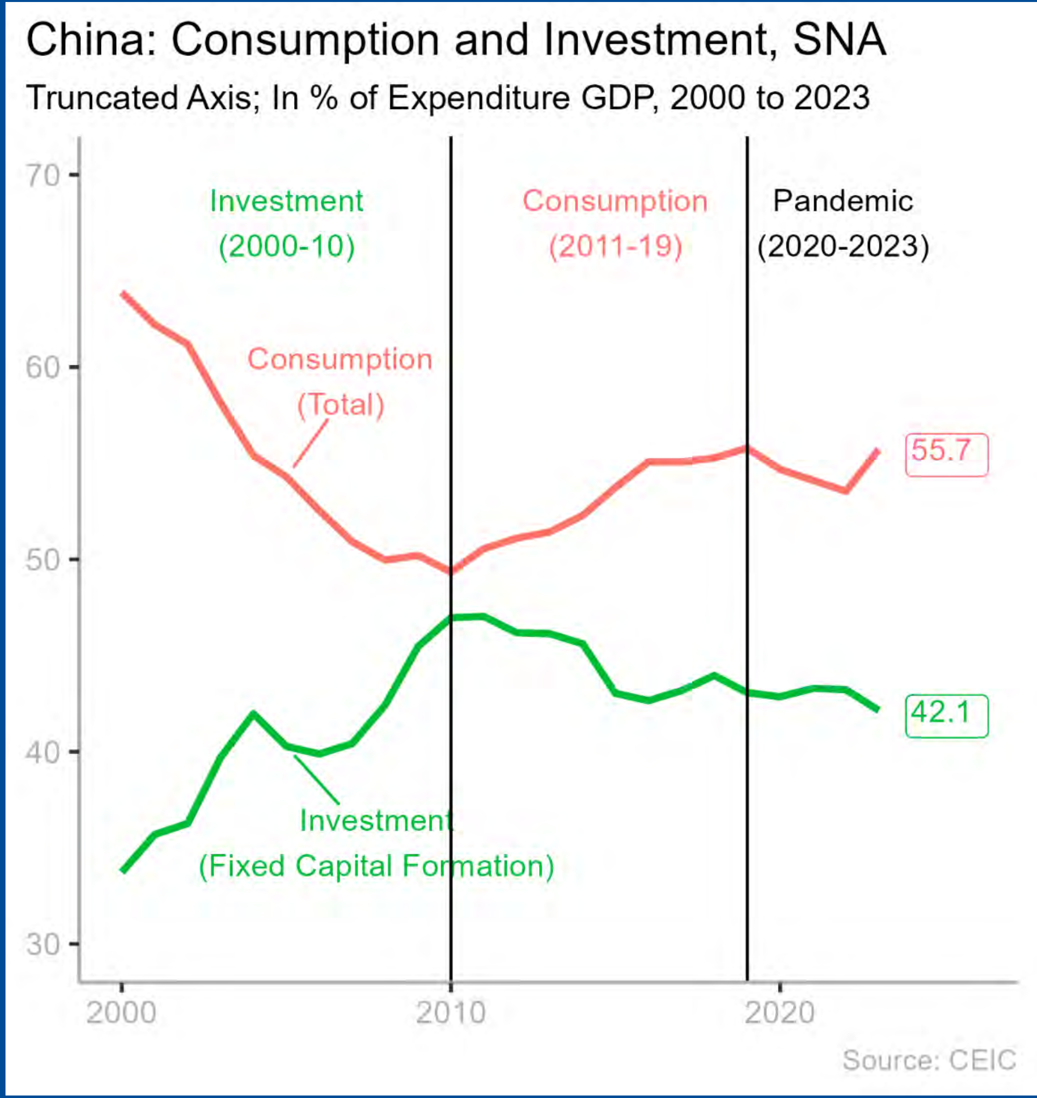
IV. Challenge: Consumption

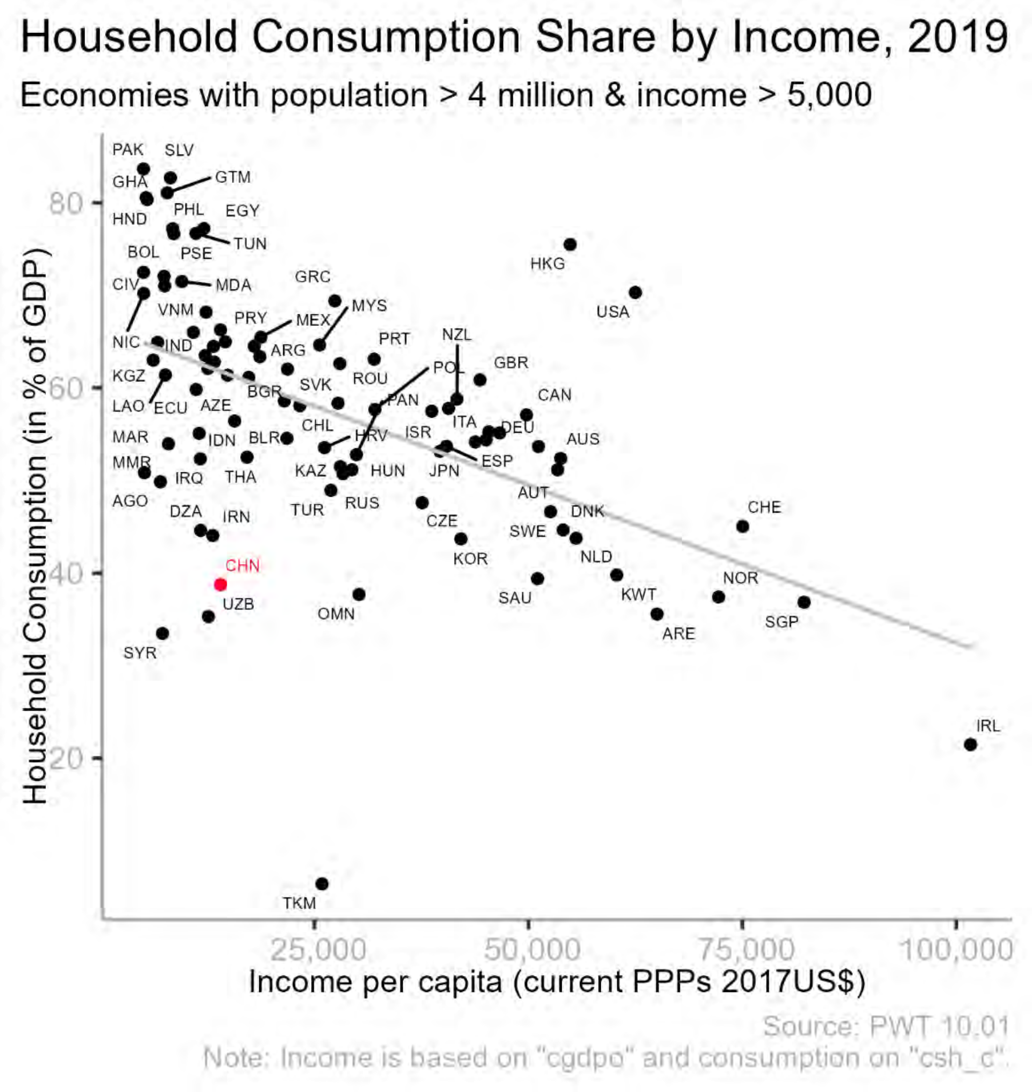
Consumption: Fast growth and large market…



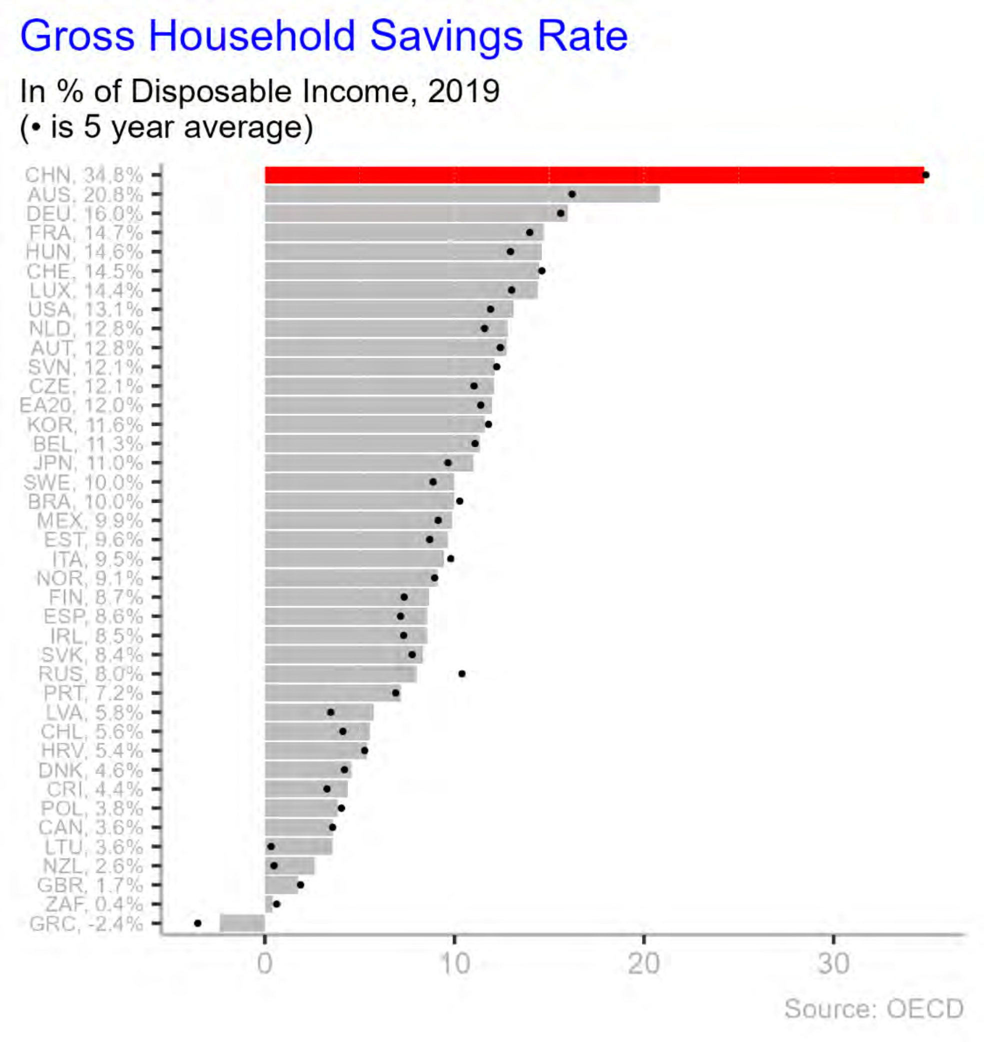


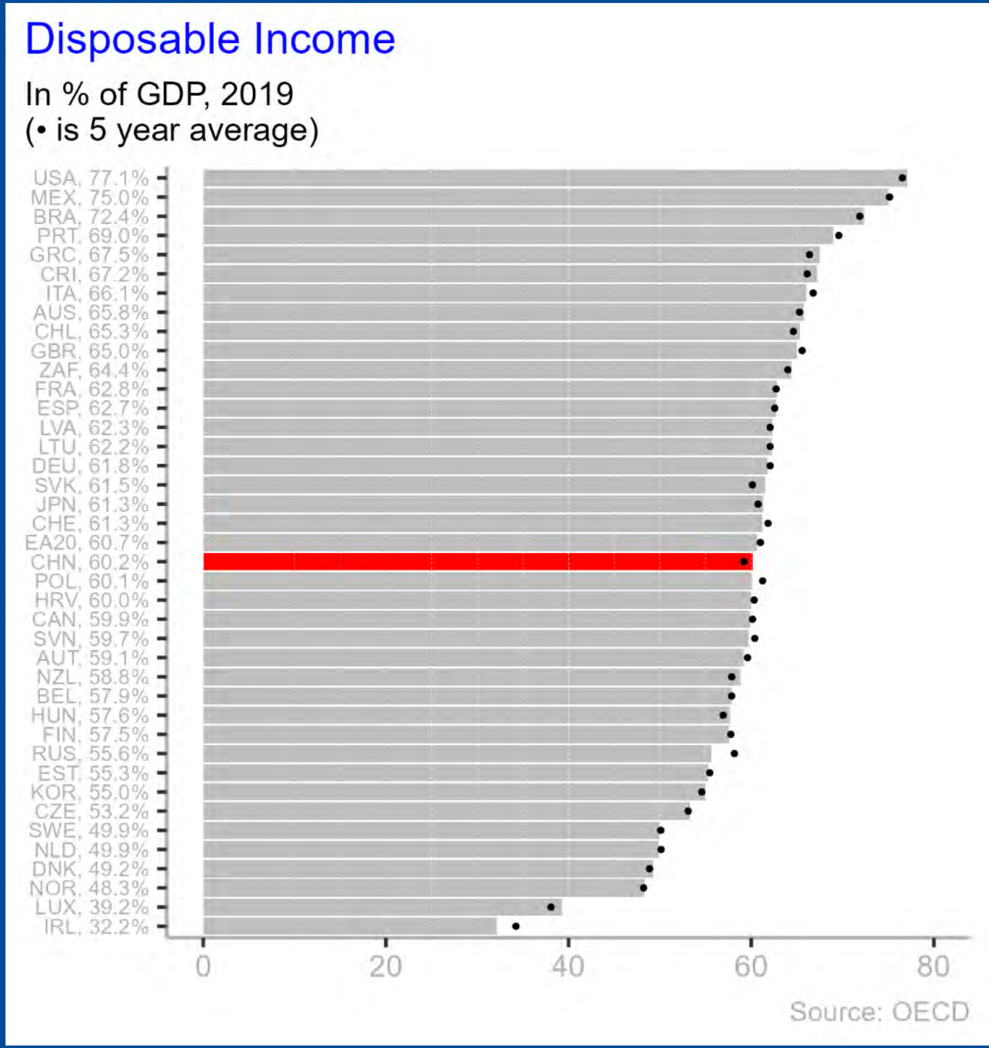
...but GDP grew faster. Consumption low GDP share.



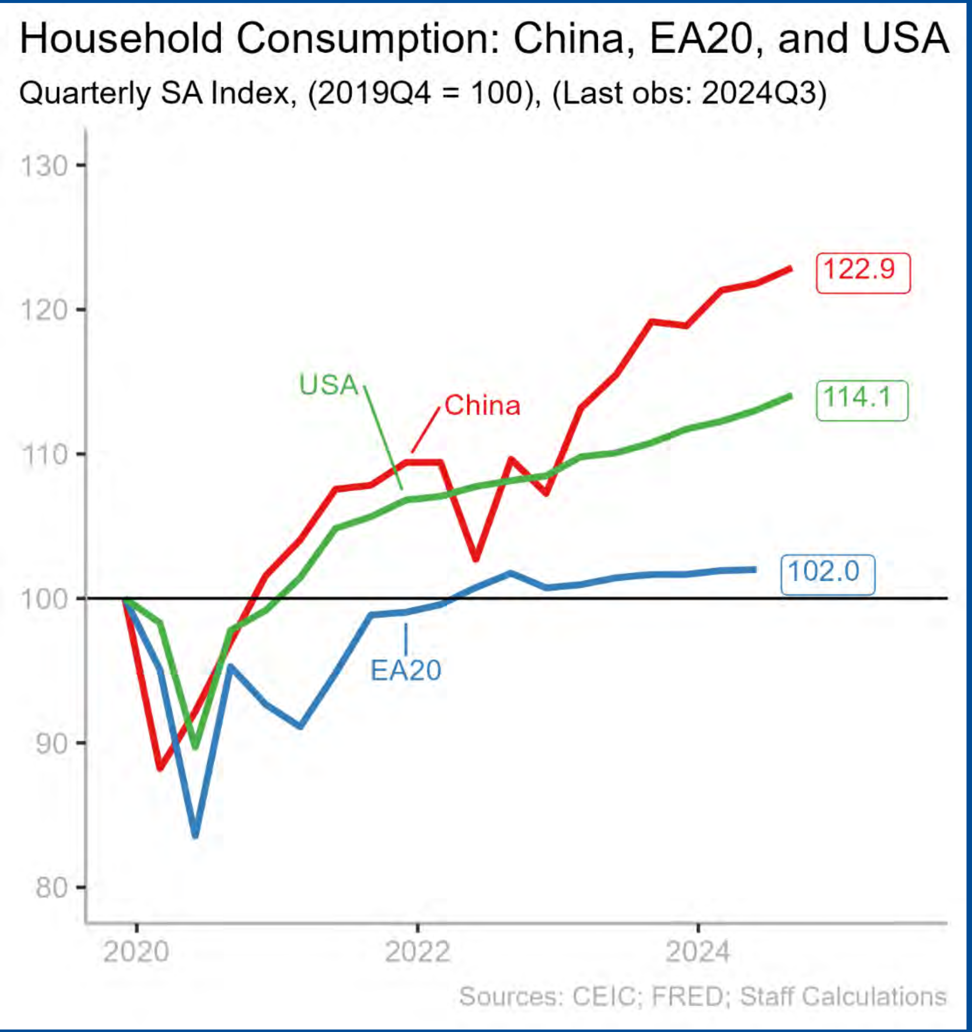


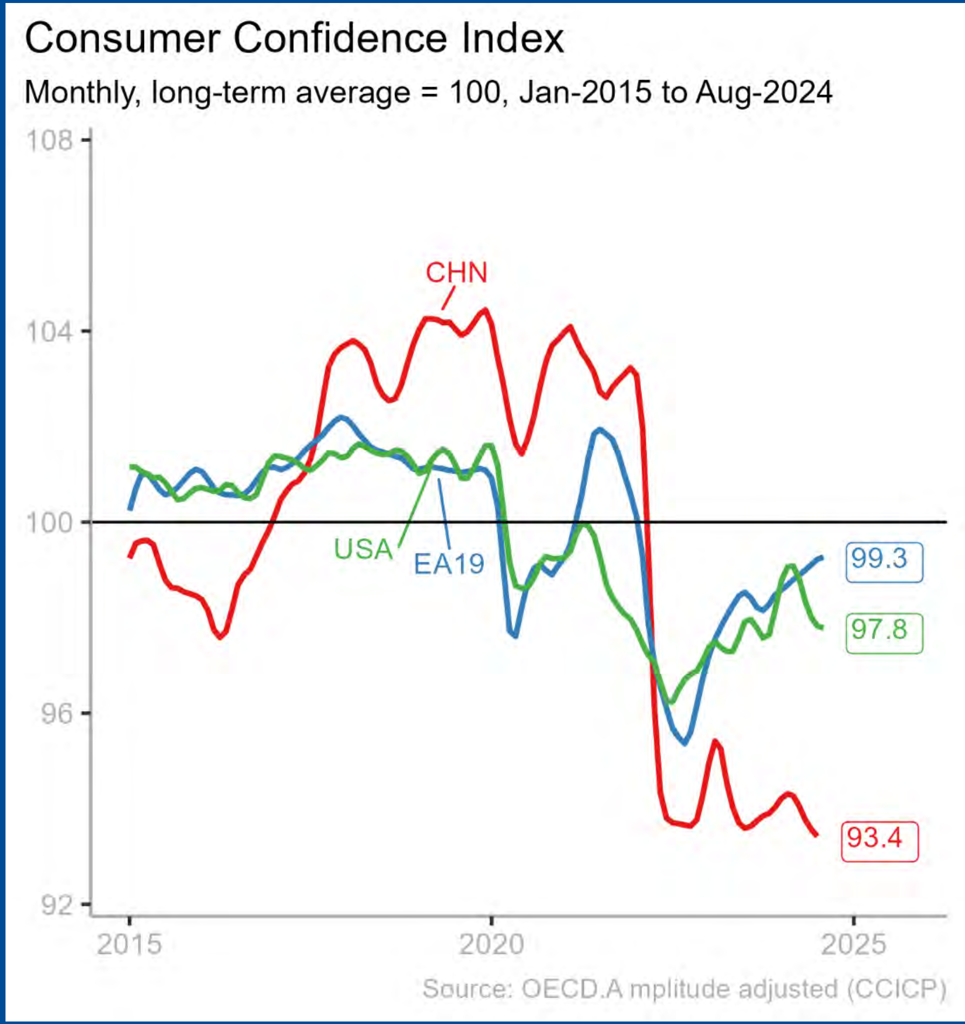
High Saving Rate and near-Median Income





Tale of Three Economies





Thank You