ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : China

February 20th 2024

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One-click report : China

Briefing sheet

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February 5th 2024

Political and economic outlook

- China is slowly pivoting away from a growth model that relies heavily on investment towards one with a higher share of private consumption. However, that stems more from softer investment, as the economy deleverages, than from robust growth in consumption.
- The president, Xi Jinping, enjoys far greater power than his predecessors and will rule into the early 2030s if his health allows. Mr Xi's dominance has been unchallenged so far, but the centralisation of power and the lack of checks and balances present a risk of policy missteps which breed popular frustration.
- Key policy themes in 2024-28 will include national security, technological innovation and industrial upgrade. The near-term focus is addressing risks related to local fiscal challenges and a property downturn. The government will make limited progress in tackling other issues, such as low birth rates and disillusionment in the private sector.
- EIU has revised down its real GDP growth for 2024 to 4.7%. The outlook for private consumption has darkened amid a lack of confidence and declining asset prices. Public investment funded by the central government will provide support for growth.
- The government's pro-birth policies will not reverse a trend of population decline that began in 2022. The retirement age will be raised in 2024-28 to underpin the labour supply. Worsening demographics will weigh on long-term growth.
- Consumer price inflation rose by 0.3% in 2023, making China the country with the lowest inflation in the world. Although it is not our core forecast, deflation is one of the key risks facing the economy in 2024-28, which risks dampening overall demand.
- An invasion of Taiwan is unlikely in 2024-28, given the likelihood of US intervention. At a time when China struggles to improve relations with the West, it will seek to expand its influence in emerging economies, such as in the Middle East and Central Asia.

Key indicators

	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Real GDP growth (%)	5.2	4.7	4.4	4.1	3.8	3.6
Consumer price inflation (av; %)	0.3	1.0	1.6	1.5	1.6	1.8
Government balance (% of GDP)	-3.8	-3.8	-3.8	-4.0	-4.0	-4.0
Current-account balance (% of GDP)	1.7	1.5	1.4	1.6	1.5	1.4
Short-term interest rate (av; %)	2.3	2.2	1.7	1.4	1.4	1.4

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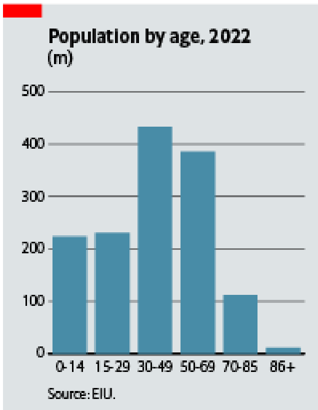
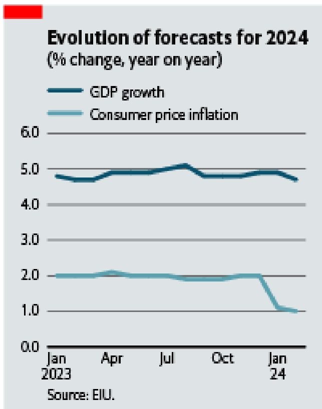
Unemployment rate (%)	5.2	5.1	5.1	5.3	5.0	4.9
Exchange rate Rmb:US$ (av)	7.08	7.05	6.88	6.77	6.71	6.73

[a] EIU estimates. [b] EIU forecasts.

Market opportunities





Key changes since January 8th

- We have revised down our forecast of real GDP growth for 2024 to 4.7%, from 4.9% previously. This primarily reflects a dimmer outlook for consumption, as well as for property-related activity, due to delays in support for distressed developers.
- Consequently, we have revised down our forecast of real private consumption growth for 2024 from 7.3% to 5.9%. In addition to slower income growth, the effects of sustained declines in asset prices—including property and stocks—have driven our decision.
- We now expect China to lower its benchmark lending rate, the one-year loan prime rate, by a total 30 basis points over 2024, from 20 basis points previously. We continue to expect a 20-basis-point cut for the underlying policy rate, the one-year loan prime rate.

The month ahead

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- February 10th-17th—Chinese New Year holiday: As it will be the first Chinese New Year holiday free from the impact of covid-19, we expect a boom in travel in the eight-day period, while outbound tourism will recover further.
- February 20th—Interest-rate announcement: We expect China to cut the one-year loan prime rate, the benchmark lending rate, by 10 basis points, to 3.35%, in either February or March.

Major risks to our forecast

Scenarios, Q4 2023	Probability	Impact	Intensity
China moves to annex Taiwan within 2024-25	Moderate	Very high	15
A strong El Niño undermines agricultural and industrial output	High	Moderate	12
China significantly tightens enforcement of the regulatory framework for cross-border data transfer	High	Moderate	12
Self-sufficiency drive reduces foreign firms' market share	High	Moderate	12
China attacks Taiwan's outpost in the South China Sea and exacerbates regional security anxieties	Moderate	High	12

Note. Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: EIU.

Forecast summary

China | Economy | Forecast | Forecast summary

February 5th 2024

Forecast summary

(% unless otherwise indicated)

	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Real GDP growth	5.2	4.7	4.4	4.1	3.8	3.6
Industrial production growth	4.3	4.0	3.8	3.5	3.2	3.1
Gross agricultural production growth	4.1	3.1	4.3	4.1	3.8	3.6
Unemployment rate (av)	5.2	5.1	5.1	5.3	5.0	4.9
Consumer price inflation (av)	0.3	1.0	1.6	1.5	1.6	1.8
Consumer price inflation (end-period)	1.2	1.5	2.6	1.8	1.5	1.5
Benchmark lending rate (end-period)	3.5	3.1	3.0	2.9	2.9	2.9
Government balance (% of GDP)	-3.8	-3.8	-3.8	-4.0	-4.0	-4.0
Exports of goods fob (US$ bn)	3,173.5	3,302.0	3,448.4	3,573.3	3,680.4	3,782.8
Imports of goods fob (US$ bn)	2,622.5	2,694.4	2,737.0	2,805.2	2,865.0	2,943.7

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Current-account balance (US$ bn)	309.6	280.0	287.8	348.9	348.8	346.8
Current-account balance (% of GDP)	1.7	1.5	1.4	1.6	1.5	1.4
External debt (end-period; US$ bn)	2,646.7	2,876.1	3,171.1	3,373.1	3,548.5	3,727.4
Exchange rate Rmb:US$ (av)	7.08	7.05	6.88	6.77	6.71	6.73
Exchange rate Rmb:US$ (end-period)	7.14	6.97	6.79	6.73	6.73	6.76
Exchange rate Rmb:¥100 (av)	5.03	5.25	5.91	6.28	6.38	6.43
Exchange rate Rmb:€ (end-period)	7.75	7.80	7.81	7.80	7.87	7.91

[a] EIU estimates. [b] EIU forecasts.

Political stability

China | Politics | Forecast | Political stability

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Risks to domestic political stability are low in 2024-28, given the dominance of the president, Xi Jinping, and his loyalists. China's constitution, revised in 2018, allows Mr Xi to remain in office indefinitely; EIU believes that he may stay in power into the 2030s. His consolidation of power has come at the expense of the influence of other forces within the ruling Chinese Communist Party (CCP), including the China Youth League faction. The system's reliance on Mr Xi and the absence of a named successor could cause internal strife should he relinquish power suddenly (for health reasons, for example).

Mr Xi's decision-making powers have been cemented through institutional restructurings that have led to the establishment of CCP central commissions overseeing areas such as technology and finance. This has eroded the authority of the State Council (cabinet), which will increasingly execute decisions laid down by the CCP leadership rather than formulate policies independently. However, the stress on subordination to mandates from senior leaders—some of which are based on ideological considerations rather than rigorous studies—could lead to policy missteps and discourage innovation further down the bureaucracy. Effective governance is also at risk of being undermined by financial stress among local governments.

In the absence of checks and balances from within the CCP, challenges to Mr Xi's authority will come instead from areas of potential public discontent. Small but widespread protests against zero-covid policies in late 2022 highlighted popular unease but did not represent a social movement that could threaten political stability. As economic prospects remain shaky, protests instead develop from wage cuts, mismanagement of public affairs (such as a health crisis or natural disaster) and turbulences in the property or stock markets.

Counter-corruption will be a recurring theme in 2024-28. This will serve to tighten Mr Xi's control over the political system (as reflected in the conviction of finance and defence officials) and plays to his "common prosperity" agenda (as reflected in the recent anti-graft campaign against the healthcare sector). Despite the harsh crackdown, we do not believe that corruption will subside.

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Election watch

China | Politics | Forecast | Election watch

February 5th 2024

China does not hold direct elections. The latest political reshuffle took place during the CCP's 20th National Congress in 2022, when Mr Xi retained his leadership of the party, breaking a convention that party leaders should not exceed the age of 68 when assuming a new term in office. He was reappointed as state president and chairman of the Central Military Commission at the National People's Congress (China's largely rubber-stamp legislature) in March 2023. We assume that he will remain in power until at least the 22nd CCP national congress in 2032.

Li Qiang, a trusted ally of Mr Xi, was appointed as premier in March 2023. Mr Li is seen as pragmatic and business-friendly, and his close relationship with Mr Xi will grant him more influence than his predecessor, Li Keqiang. However, his subordination to Mr Xi limits his freedom of action.

International relations

China | Politics | Forecast | International relations

February 5th 2024

Relations with the US will remain strained in 2024-28. Bilateral engagement with the US became more frequent in 2023, owing to a mutual willingness to avoid miscalculations that could lead to an irreversible escalation of tensions, such as a military conflict. However, progress is limited to matters such as the resumption of direct commercial flights, while disagreements over core issues, such as Taiwan and US controls on technology exports, remain deep. In 2024 tensions will stem from domestic politics in the US, with candidates likely to brandish hawkish credentials before the elections later in the year. An attempt by China to claim Taiwan militarily remains outside our forecast in 2024-28, with the likelihood of US intervention—and the resulting significant geopolitical and economic repercussions—acting as an important deterrent.

The intensification of friction with the US is pushing China to expand its engagement with other countries in order to forestall the formation of a fully fledged anti-China bloc. The country is repairing its relations with Australia, stepping up diplomatic engagement with South Korea and Japan, and trying to woo visitors from a number of countries with unilateral visa-free entry arrangements. These moves will achieve modest progress as US attention is partially diverted away from Asia towards the Middle East and domestic politics. Relations with Europe will remain strained, particularly as a result of the region's suspicion over China's support for Russia in the Ukraine war, as well as renewed trade tensions over green products (including electric vehicles).

China is also increasing its engagement in emerging economies to counteract Western influence, safeguard its energy supply chains and generate new commercial opportunities. It has achieved some symbolic success, such as by mediating a rapprochement between Saudi Arabia and Iran.

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Engagement with the Pacific Islands and Africa is also on the rise. In particular, the country is looking to leverage BRICS+ (a grouping of ten emerging economies) as a platform for multilateral diplomacy and economic engagement. BRICS+ is set to benefit from increased geopolitical significance as a result, but will also become more unwieldy, especially because of the internal tensions between China and India and the differing priorities of each country.

China's Belt and Road Initiative, aimed at strengthening the country's economic and diplomatic influence overseas, will continue to serve the country's foreign policy, although it has been repackaged amid concern over financial returns and debt-repayment crises in a few developing countries. We expect overseas lending and investment under that framework to grow steadily in 2024-28, although it will be more selective, with less risky projects preferred. Divergent interests mean that China will generally act independently on debt renegotiations (rather than co-ordinating with multilateral lenders and other bilateral creditors).

Policy trends

China | Economy | Forecast | Policy trends

February 5th 2024

Chinese leaders are dealing with a number of competing—and sometimes conflicting—policy priorities, in addition to the ambition to maintain GDP growth at a relatively high level. National security will command a paramount position in China's policy agenda throughout 2024-28, encompassing a much wider definition than in the 2000s. The country will seek to restrict the outflow of sensitive data and technologies while seeking greater self-sufficiency in advanced technologies and supply diversification in agriculture and energy. On the other hand, elevated growth pressure has urged officials to be more cautious about introducing policies that may disrupt the economy. However, a lack of clarity over how to balance them has led to policy uncertainty, putting a dent on public confidence.

Authorities will prioritise defusing financial risks related to local-government debt (a large part of which is off the book and under-regulated) and a teetering property sector. The central government has co-ordinated a programme aimed at reducing the size of and lowering the borrowing costs of outstanding debts borne by local-government financing vehicles (LGFVs). We do not expect the current stress to develop into a systemic financial crisis, given the strong influence of the government over financial institutions to avoid a liquidity crunch. However, the painful deleveraging process will exert a drag on government investment and consumption over a prolonged period, with negative effects on the growth prospect of highly indebted regions.

Success in tackling the property crisis is far less certain. The government is making progress in completing the halted residential projects for homebuyers, which will remain a priority in 2024-25. However, efforts to shore up housing demand and repair the balance sheets of developers have been piecemeal and conservative. Many developers are forced to deleverage aggressively to survive, with negative spillovers to the broader economy. Consequently, the property sector will continue to

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contract in 2024-25, characterised by tepid sales of new homes and sluggish land bidding and construction activities.

China's aims of reaching peak carbon emissions by 2030 and improving overall environmental governance will remain important goals, although the government will not rush towards this goal, after an aggressive decarbonisation campaign led to power shortages in 2021. The authorities will continue to expand the capacity of renewable power and will refine decarbonisation mechanisms such as the emissions-trading scheme, which remains at a nascent stage.

Fiscal policy

China | Economy | Forecast | Fiscal policy outlook

February 5th 2024

The budget deficit will be large over 2024-28 to support growth and meet increasing spending obligations. In particular, the central government will increase expenditure and borrowing at its own level to offset the impact of the retrenchment of local governments, many of which are grappling with a funding shortage amid the clean-up of off-budget debts (which limits their borrowing capacity) and the property downturn (which erodes their revenue from selling land). We expect the general government budget deficit to average 3.8% of GDP in 2024-25. Additionally, the central government could finance public investments with the issuance of special sovereign bonds, which do not count into the general government budget.

We expect the authorities to enact fiscal reform over the forecast period to make the public finances—especially at local levels—more sustainable. They could do so by devolving a larger share of tax revenue directly to lower levels of government, and by centralising some government responsibilities. Attempts will also be made to increase fiscal revenue; for example, by reinforcing tax administration and exploring new forms of taxation, although officials will tread carefully to avoid potential panic over, for example, a nationwide property tax.

Monetary policy

China | Economy | Forecast | Monetary policy outlook

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Monetary policy will remain loose in 2024. We forecast that China will cut the policy rate, the one-year medium-term lending facility (MLF) rate, by a total of 20 basis points in 2024. These adjustments will guide the one-year and five-year loan prime rates (benchmark lending rates) to trend downwards, although they do not always move by the same magnitude. We also expect several cuts in the reserve requirement ratio, which will provide liquidity for banks. The monetary stance will remain loose in 2025-28, as economic challenges persist and the low-inflation environment continues to provide room for monetary policy flexibility.

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Banks will be required to support a number of government policies that could erode their soundness, including providing low-interest loans to favoured sectors such as technology and reducing the rates they charge for household mortgages. They will therefore struggle with tight net interest margins and low returns on assets. Although we do not expect a systemic banking crisis in 2024-28, the need for capital replenishment will rise sharply. In addition to MLF rate cuts, banks will also be allowed to reduce their liability costs through, for example, lower deposit rates.

Global forecast data

China | Economy | Forecast | International assumptions

February 5th 2024

	2023	2024	2025	2026	2027	2028
Economic growth (%)						
US GDP	2.4	1.3	1.6	2.0	2.0	2.1
Developed economies GDP	1.5	1.2	1.7	1.8	1.8	1.9
World GDP	2.5	2.3	2.6	2.7	2.7	2.7
World trade	-0.4	2.4	3.4	3.5	3.6	3.5
Inflation indicators (% unless otherwise indicated)						
US CPI	4.1	2.4	2.1	2.3	2.4	2.4
Developed economies CPI	4.5	2.4	1.9	2.0	2.0	2.0
Manufactures (measured in US$)	4.5	3.6	4.7	3.1	2.3	2.2
Oil (Brent; US$/b)	82.6	79.5	74.8	69.9	65.6	62.3
Non-oil commodities (measured in US$)	-15.1	-2.5	1.8	0.2	0.8	1.2
Financial variables						
US$ 3-month commercial paper rate (av; %)	5.1	5.2	4.2	3.2	2.5	2.5
¥ 3-month money market rate (av; %)	0.0	0.1	0.1	0.2	0.2	0.2
¥:US$ (av)	140.7	134.4	116.5	107.8	105.3	104.8
Rmb:US$ (av)	7.08	7.05	6.88	6.77	6.71	6.73

Economic growth

China | Economy | Forecast | Economic growth

February 5th 2024

We have revised our forecast of China's economic growth for 2024 to 4.7%, from 4.9% previously. Although the authorities are likely to set the GDP target for 2024 at 5% again, its achievement will be hampered by weak household and business confidence and the property downturn. Private consumption will remain the biggest contributor to growth, albeit with a slower rate of expansion.

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Growth will also rely on public investments—increasingly funded by the central government—and a recovery in external trade. The property sector will continue to be a major drag on the economy, although we expect its negative contribution to growth to be slightly narrower than in 2022-23.

We forecast that growth will decelerate further in 2025-28, falling below 4% by 2027. Prolonged weakness in the property sector and the finance conditions facing local governments will remain major headwinds in the medium term. The focus on investment will be adjusted to the new economic reality and will shift to emerging sectors such as renewable energy and cutting-edge technologies. However, these investments would not be enough to counter the stress elsewhere, such as supply-chain diversification prompted in part by geopolitical tensions.

Demographic issues will be a major long-term constraint, especially as the working-age population starts to shrink. The productivity outlook is mixed; while industrial upgrade is set to deliver some gains, they will be partly offset by unambitious market reforms. China's self-sufficiency drive will fail to fully mitigate the effects of Western curbs on technology exports to China.

Economic growth

%	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
GDP	5.2	4.7	4.4	4.1	3.8	3.6
Private consumption	7.5	5.9	5.3	5.3	4.7	4.2
Government consumption	5.6	5.9	5.8	5.6	5.4	5.1
Gross fixed investment	4.0	4.2	3.5	3.2	2.8	2.5
Exports of goods & services	1.7	2.3	1.5	0.9	0.7	0.6
Imports of goods & services	2.8	2.0	1.2	1.7	1.2	0.7
Domestic demand	6.3	4.9	4.5	4.3	4.0	3.7
Agriculture	4.1	3.1	4.3	4.1	3.8	3.6
Industry	5.1	3.8	3.7	3.9	3.8	3.6
Services	5.8	5.8	4.9	4.3	3.8	3.6

[a] EIU estimates. [b] EIU forecasts.

Inflation

China | Economy | Forecast | Inflation

February 5th 2024

Deflationary pressure will overshadow China's economy. Although China did not enter deflation in 2023, with consumer prices rising by 0.3%, according to official statistics, that data may be an overrepresentation by underestimating the decline of housing prices. Therefore, the correction in home purchase and rental prices will continue to weigh on inflation, at least in 2024-25.

We forecast that consumer price inflation will rebound to an average of 1% in 2024, driven by expected rises in commodity prices, especially of pork. It will accelerate moderately in the later stages of our forecast period, averaging 1.6% in 2025-28. However, it remains subdued by historical

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standards and far below the official price target of 3%. Demographic ageing and limited improvement in social welfare will hold back inflation through lower private consumption, but over time the shrinking working-age population will put a floor under wage growth and inflation in the services sector.

Exchange rates

China | Economy | Forecast | Exchange rates

February 5th 2024

We expect the renminbi's exchange rate to stabilise in 2024, after a bout of weakness in 2022-23, given the end of the monetary-tightening cycle in the US. Nevertheless, the currency will remain relatively weak against a strong US dollar in comparison to the 2010s. The renminbi will strengthen gradually to reach Rmb6.97:US$1 at year-end (from an estimated Rmb7.14:US$1 at end-2023).

The renminbi will appreciate further in 2025-28 as US-dollar strength continues to dissipate because of expected rate cuts. Meanwhile, low levels of inflation relative to the rest of the world will support the renminbi's valuation. However, numerous downside factors suggest periods of volatility and will preclude drastic appreciation to previous highs, including China's strained ties with the West and investor jitters over a potential conflict across the Taiwan Strait.

External sector

China | Economy | Forecast | External sector

February 5th 2024

Low inventories in advanced economies (notably the US) and the bottoming out of the global electronics market suggest a modest recovery for China's goods exports in 2024. The country's manufacturers will continue to gain global market share in segments such as industrial machinery, petrochemical products and automotive. China will remain a major global provider of capital and intermediate goods, even as supply-chain diversification puts a lid on export growth.

The deficit on services trade will widen in 2024 as outbound tourism resumes amid the gradual slow restoration of international flights and the easing of visa constraints. China's recently announced visa-free arrangements with Malaysia, Thailand and some European countries will encourage inbound travel, but the increment will be small because none of these countries is a major source of visitors for China. Outbound tourism is unlikely to revert to pre-pandemic levels over the forecast period owing to households being more cautious about big-ticket expenses, as well as tighter constraints on public-sector employees' travel abroad.

China's large current-account surplus will persist throughout 2024-28, averaging 1.5% of GDP. Although the country will lose some of its export share amid supply-chain diversification, the official emphasis on industrial policy will keep its manufacturing sector globally competitive.

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Meanwhile, growing outbound investments by Chinese enterprises, aimed at diversifying supply chains or exploiting foreign markets, will become a larger contributor to the surplus via the primary income balance. Imports will remain subdued relative to exports, given China's tendency to onshore supply chains serving its domestic demand.

We expect foreign direct investment (FDI) inflows to recover gradually in 2024-28, after they plummeted in 2023. Foreign enterprises will slow down their repatriation of profits out of China, while marginal improvements in the business environment and narrowing US-China interest-rate differentials will attract some new investments. However, these will not completely dispel concerns over geopolitical tensions and China's unpredictable operating environment. Consequently, FDI inflows will be muted in the forecast period relative to 2018-23. FDI outflows will accelerate as businesses look for opportunities overseas, cementing China's role as the world's second-largest source of outbound investment, after the US.

Country forecast overview: Business environment rankings

China | Business | Business environment | Rankings overview

January 8th 2024

Value of index[a]		Global rank[b]		Regional rank[c]	
2019-23	**2024-28**	**2019-23**	**2024-28**	**2019-23**	**2024-28**
5.81	5.81	55	62	11	13

[a] Out of 10. [b] Out of 82 countries. [c] Out of 17 countries: Australia, Bangladesh, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam.

- China has fallen to 62nd globally and 13th regionally in our business environment rankings for 2024-28. These declines, despite an overall improvement in scores, reflect more pronounced progress in other countries.

Business environment at a glance

China | Business | Business environment | Business environment at a glance

January 8th 2024

Policy towards private enterprise and competition

2024-25: Tax cuts and financing support for private small and medium-sized enterprises that were introduced during the pandemic are dialled back. The authorities loosen anti-trust enforcement against large technology companies.

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2026-28: Private investment surges in emerging industries, including clean energy, electric vehicles and integrated circuits, intensifying competition. Anti-competitive practice by large private enterprises is subject to heightened scrutiny.

Policy towards foreign investment

2024-25: Foreign direct investment (FDI) is encouraged in more sectors, but a growing number of foreign investors reassess their business prospects in China because of geopolitical pressures and challenges in the business environment.

2026-28: FDI inflows, although large, start to decline absolutely as China's tensions with the US escalate, encouraging multinationals to diversify manufacturing sites. Security restrictions and data-flow controls hamper some sectors.

Foreign trade and exchange controls

2024-25: Trade frictions with some export markets emerge in sectors such as automotive and solar panels. Investments related to the Belt and Road Initiative rebound.

2026-28: Foreign investors continue to diversify their supply chains from China. Greater outflows of capital are permitted, but restrictions on the capital account remain in place.

Taxes

2024-25: The government starts to explore tax reform as pressures from the pandemic fade. Taxes on asset holdings and capital income are explored but not yet implemented because of concern over capital flight.

2026-28: Tax enforcement is stepped up, especially for larger enterprises, under the "common prosperity" drive. The fiscal deficit widens as government spending related to demographic ageing increases.

Financing

2024-25: Banks are hit by narrow interest margins, as they are required to support the economy with low interest rates.

2026-28: The central bank offers preferential rates to a wider range of strategically important industries.

The labour market

2024-25: Youth unemployment outpaces the national average. Foreign workers are reluctant to return after the pandemic.

2026-28: The government gradually raises the retirement age as the workforce shrinks. Structural friction between supply and demand in the labour market remains significant.

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Infrastructure

2024-25: The government encourages investment in 5G base stations, vehicle-charging facilities and energy transmission.

2026-28: Large transport projects approach completion. Modern retail networks cover nearly all small cities.

Technological readiness

2024-25: China encourages investment in artificial intelligence models and algorithms while increasing oversight of output.

2026-28: The quality of research improves as investment is drawn into innovation zones, but China remains some way behind advanced economies in major areas such as semiconductors.

Market opportunities: Social indicators and living standards

China | Business | Market opportunities | Social indicators and living standards

April 11th 2023

Social indicators and living standards

	2022		2027	
	China	Asia & Australasia (av)	China	Asia & Australasia (av)
Health				
Healthcare spending (% of GDP)	5.6	6.3	5.7	6.4
Healthcare spending (US$ per head)	729	567	1,049	766
Infant mortality rate (per 1,000 live births)	6.8	18.6	5.8	17.8
Physicians (per 1,000 population)	2.1	1.5	2.1	1.6
Food and beverages				
Food, beverages & tobacco (% of household spending)	31.4	27.7	29.7	26.5
Meat consumption (kg per person)	63.8	34.1	69.8	36.8
Milk consumption (litres per person)	44.5	75.5	53.4	84.6
Coffee & tea consumption (kg per person)	1.4	1.3	1.6	1.4
Consumer goods in use (per 1,000 population)				
Passenger cars	191	125	265	153
Telephone main lines	128	88	115	78
Mobile phone subscribers	1,250	1,100	1,290	1,190
Television sets	1,312	741	1,702	944

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Personal computers	746	425	791	462
Households				
No. of households (m)	476.5	996.2	498.2	1,047.8
No. of people per household (av)	2.9	3.8	2.8	3.7
Income and income distribution				
Median household income (US$)	13,100	18,760	17,980	23,120
Average monthly wage (US$)	1,380	943	2,010	1,250
Gini index	38.2[a]	–	–	–

[a] Latest available year.

Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

Global position

China | Regulation | Global position

February 1st 2024

China's economy faces a challenging 2024, after expanding by 5.2% in real terms in 2023. There remain thorny issues in the economy, including a continued downturn in the property sector, a debt overhang among local governments, elevated youth unemployment and deflationary pressures. Foreign businesses have benefited from an incremental loosening of investment restrictions in China and continue to enjoy opportunities in consumer-facing sectors, supported by the country's rising middle class. However, the bleaker outlook for the economy will weigh on foreign investor sentiment. At the same time, some emerging sectors—particularly in information technology—will remain closed to foreign participation. US-China relations remain strained, and this is unlikely to reverse anytime soon. Tensions will spill over into areas beyond trade, including investment and intellectual-property rights and will risk further bifurcating global value chains. EIU's growth expectations for China over the next decade remain relatively pessimistic, as issues including worsening productivity, a shrinking working-age population and geopolitics combined

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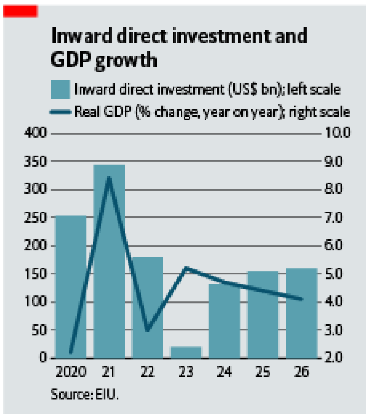
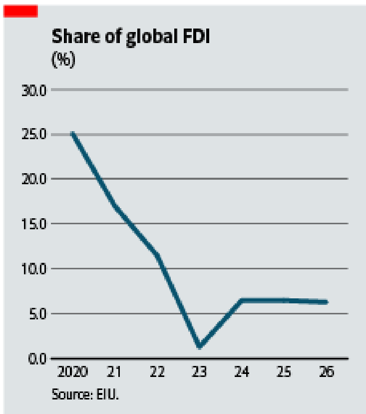
with the risk of more erratic policymaking under increasingly centralised leadership constrain potential growth.





Regulatory/market assessment

China | Regulation | Regulatory/market assessment

February 1st 2024

- In line with the government's push to merge state-owned enterprises (SOEs), in November 2023 the China Electronics Technology Group Corporation became the controlling shareholder of the China Hualu Group (both network security firms). The restructuring reduced the total number of "central SOEs" operating in China to 97.
- In February 2023 the government deployed its unreliable entity list for the first time by introducing trade and investment prohibitions on Lockheed Martin and Raytheon Technologies, two US defence companies, following US arms sales to Taiwan. The measures were largely symbolic, given that the two companies were already prevented from doing business in China amid US-imposed restrictions.
- Effective from January 2024, the government introduced provisional import tariff rates on 1,010 different products. Over the course of 2024, it is expected to impose tariffs on a total of 8,957 items. The average tariff rate stood at 7.4% as of end-January 2024.
- In response to US-led curbs on sales of advanced technology to China, in August 2023 the government introduced licensing restrictions on exports of gallium and germanium—two metals used in advanced technology (including semiconductors) and renewable-energy industries and for which China is the dominant supplier. China is unlikely to retain these restrictions indiscriminately, given the shocks this would inflict on domestic industries.
- In August 2023 updated guidelines for the State Administration for Market Regulation took effect, limiting the ability of firms to use intellectual-property rights to reduce competition. The new rules require companies to refrain from charging exorbitant prices for use of their patents. Firms must also engage in good-faith negotiations before seeking injunctions for patent abuse.

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Regulatory/market watch

China | Regulation | Regulatory/market watch

February 1st 2024

- China's economic policy in the medium term will be dominated by the themes of "common prosperity" and "dual circulation". These strategies will encourage more financial discipline than under previous industrial policy drives, but the risk of subsidy waste and fraud will persist.
- In an effort to revive foreign investment, in August 2023 the State Council (the cabinet) introduced a series of measures to address long-standing foreign investor concerns, including over intellectual-property protections and crossborder data transfers. However, enforcement is likely to be weak.
- The authorities' years-long discontent with the country's tech giants has resulted in an enhanced regulatory landscape that is unlikely to ease. Near-term regulatory risks will be highest for businesses involved in algorithm design and use.
- Bilateral engagement with the US became more frequent in 2023, owing to a mutual willingness to avoid miscalculations that could lead to an escalation of tensions. However, a structural improvement in ties remains unlikely, given deep disagreements over core issues such as Taiwan and US controls on technology exports.
- Tensions between China and the EU have risen in recent years, with the EU adopting a tougher approach on human rights abuses, investment screening and an effort to "de-risk" economic ties. EU-China relations will remain tense in 2024, with little prospect for the ratification of the EU-China investment agreement concluded in 2020.
- Growing interest in supply-chain reshoring by Western countries and businesses will prompt some corporate relocation, but not an exodus of investment from China. New foreign-investment flows will be increasingly diversified into other markets as multinationals insulate themselves from external shocks in China.

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Long-term outlook: The long-term outlook

China | Economy | Long-term outlook | Long-term outlook

April 11th 2023

	2023-30	2031-50	2023-50
Population and labour force (% change; annual av)			
Total population	-0.01	-0.38	-0.27
Working-age population	-0.60	-1.18	-1.01
Working-age minus total population	-0.74	-0.80	-0.79
Labour force	-0.34	-0.85	-0.70
Growth and productivity (% change; annual av)			
Growth of real GDP per head	4.0	2.4	2.8
Growth of real GDP	4.0	2.0	2.6
Labour productivity growth	4.4	2.9	3.3
Growth of capital stock	9.3	4.5	5.9
Total factor productivity growth	3.9	1.0	1.8

Initial conditions: China's economy has grown rapidly since the economic reform process began in 1978. It has since transformed from a low-income country, with annual GDP per head of about US$300 (at market exchange rates), into an upper-middle-income nation. The large-scale privatisation of the public sector in the late 1990s led to hefty productivity gains. China's accession to the World Trade Organisation in 2001 was another major turning point, as Chinese manufacturers gained greater access to the global market. Following the global financial crisis of 2008-09, the government launched a large fiscal stimulus package that resulted in significant investment in infrastructure. Despite cushioning the economy against a global recession, this led to high levels of debt and overcapacity in the industrial sector. The current president, Xi Jinping, has engineered a centralisation of power and overseen a series of crackdowns on private business, which, along with the draconian zero-covid policy adopted in 2020-22, have eroded the judicial system in favour of administrative powers and led to deterioration in the business environment. Although the central government has sought more recently to reassure enterprises of a more predictable and pro-business environment, the restoration of confidence will probably take time.

The ratio of working-age people in the total population started to decline in the early 2010s. Shrinking supply and the rising cost of the labour force means that China (or at least the more affluent Eastern part of the country) is no longer attractive to labour-intensive industries. However, advanced levels of road and port infrastructure, as well as the availability of cheap land and tax concessions, give China an edge over its competitors. The space for China to access foreign technology transfer will narrow, as heightened geopolitical tensions will encourage scrutiny by Western governments on this matter.

Demographic trends: In 2022 total population fell for the first time in 60 years, and although fading covid-related public health concerns will encourage births and lead to a rebound in the

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population size in 2024, the long-term picture remains challenging. We forecast that by 2050 the proportion of the population aged 65 or older will rise to just above 30%, close to Japan's share today. Although we expect family-planning policies to be abolished completely within the 2020s, this is unlikely to deliver a significant increase in birth rates, given ingrained cultural and economic preferences. The likely introduction of birth subsidies, the level of which will be limited by institutional inertia and the fiscal strain facing local governments, will also fail to lift the number of births meaningfully. The government will respond to a looming labour shortage by delaying retirement, but it will do so only gradually, with the official retirement age being increased to 65 for both men and women by around 2055.

Long-term outlook: China faces a number of external challenges. Tensions with the US will remain the defining narrative for the next few decades, unless a sudden economic collapse or regime change in either country alters the calculus. Tit-for-tat actions in areas such as diplomacy, technology, trade and finance are unlikely to soften throughout the 2020s and beyond. We assign a moderate risk to the possibility of China attempting to take Taiwan by force, owing to the likely intervention of the US and its allies and the potentially devastating economic consequences, but the risk will probably rise at the turn of the decade (around 2030), as Mr Xi's presidency enters its latter years and power dynamics move more favourably in China's direction. Other flashpoints could involve souring relations with neighbours including Japan, with which China has territorial disputes, and India, whose economic power is expected to rise over the coming decades.

Tensions will prompt China to build new trade and investment ties

China has been the world's largest trading nation since 2013. The ongoing deterioration in its relations with the US and some other Western countries will put a ceiling on long-term trade and investment prospects. Supply-chain diversification efforts driven by geopolitical considerations have already caused China to lose some of its export share in consumer-facing products such as garments, toys and electronic products. However, trade with emerging markets, particularly in South-east Asia and the Middle East, have maintained robust growth. China has also become competitive in more complex products including chemicals, automotives and machinery, which should ensure a steady increase in exports until 2050. We expect Chinese enterprises to increase their outbound investment, partly in response to shifts in some global supply chains and partly to tap into market opportunities overseas. This could cause the trade surplus to narrow in the long run.

Institutions and policy trends: A one-party state, China has undergone further centralisation of power over the past decade. Mr Xi has asserted his primacy in the political system through five-yearly institutional reshuffles and personnel appointments in his favour, drawing policymaking power away from the State Council (China's cabinet). Mr Xi's changes to the constitution in 2018 suggest that he will remain in office until at least the late 2020s. In the longer term, succession plans in the ruling Chinese Communist Party (CCP) are a cause for concern for political stability, as they have become much less clear under Mr Xi. EIU assumes that he will prefer a loyal successor who will adhere to his policy goals, but there is a risk of turbulence before the party can settle on a consensus candidate (something that happened following the death of Mao Zedong in 1976). That

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said, our core assumption maintains that the CCP will hold on to power until 2050 (the end of our long-term forecast period).

Tighter control over the bureaucracy could backfire

Under the central leadership (within which Mr Xi has installed confidants at the cost of officials from rival factions in the CCP), ministries and local governments are increasingly led by technocrats with experience in areas such as science and economics. However, slow wage growth in the civil service, the heavy amount of "party-building" activity in the bureaucracy and increasing limitations on experienced officials seeking more rewarding careers outside government are likely to breed discontent and corruption in the long run, leading to instability within the political system.

China's long-term policy will be defined by three guiding themes. National security, which has gained in urgency in recent years, will lead to aggressive efforts in the development of advanced technology, the enhancement of defence capabilities and the diversification of energy and agricultural supply chains. The "common prosperity" initiative will go on to drive policies aimed at improving income and wealth equality, probably with greater focus on institutional underpinnings (such as the tax regime and labour protection rules) than campaign-style crackdowns on businesses. The goal of decarbonisation (in which China will have achieved peak carbon emissions by 2030) will also continue to shape China's industrial policy and diplomacy.

Long-term performance: China's GDP is forecast to overtake that of the US in 2034 (at market exchange rates). Its share of world GDP will rise to 21.2% by 2030 and 23.4% by 2050. We expect real growth to have slowed to under 3% by the early 2030s, owing to the deepening decline in the labour force, as well as challenges to productivity growth. However, an anticipated appreciation in the renminbi exchange rate—in view of our assumption that the currency will enjoy wider international use, despite the persistence of some capital controls—will support the size of the economy in US dollar terms.

China's economic power means that the rest of the world will look to it to play a leading role in protecting global security and prosperity. However, accommodating China's rise will require existing powers, most notably the US, to cede influence and to adjust international institutions to allow China to play a more powerful role. Given this unlikely outcome, competition between the two powers will become increasingly entrenched. For its part, China will seek to develop its own global and regional governance institutions and embed its influence, especially within Asia. The risk of outright military clashes between the US and China will remain in areas such as the South

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China Sea and the Taiwan Strait, with the likelihood of conflict most acute by the late 2020s, as the power imbalance between the US and China narrows steadily.

Income and market size

	2022	2030	2050
Income and market size			
Population (m)	1396.8	1,396.2	1,294.6
GDP (US$ bn at market exchange rates)	17,864.2	31,894.0	97,100.1
GDP per head (US$ at market exchange rates)	12,790	22,840	75,000
Private consumption (US$ bn)	6,579.6	11,919.8	36,941.6
Private consumption per head (US$)	4,710	8,540	28,530
GDP (US$ bn at PPP)	30.1	49.1	108.4
GDP per head (US$ at PPP)	21,580	35,160	83,720
Exports of goods & services (US$ bn)	3,723.1	6,519.5	24,787.5
Imports of goods & services (US$ bn)	3,139.5	5,435.5	21,945.4
Memorandum items			
GDP per head (at PPP; index, US=100)	28.7	36.0	46.6
Share of world population (%)	17.9	16.8	14.0
Share of world GDP (% at market exchange rates)	18.1	21.2	23.4
Share of world GDP (% at PPP)	0.0	0.0	0.0
Share of world exports of goods & services (%)	12.0	14.8	18.1

Automotive

China | Automotive | Overview

January 1st 2024

- China's post-reopening economic recovery has been falling short of expectations, and has included some short-term disruption to new-vehicle demand and supply. Towards the end of the year EIU cut its estimate for China's real GDP growth in 2023 to 5.5%, down from a forecast 6.1% in June. We expect growth of just 4.9% in 2024, which will decelerate to 3.6% by 2028.
- Nevertheless, China's new-car market has been recovering, partly because of a dismal base for comparison in 2018-20, when sales fell. Despite regaining some ground in 2021-22, annual unit sales were still about 5% below their 2017 level by the end of 2022. However, new-car registrations recovered strongly in 2023, estimated at just over 26m units, comfortably breaching the 2017 record. Apart from pent-up demand, factors such as high savings rates, heavy discounting (particularly of new energy vehicles, or NEVs) and a boom in sales of such vehicles have also aided the recovery in new-car sales.

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- However, we are forecasting a slowdown in full-year new-car sales in 2024 owing to a high base for comparison as well as a broader economic slowdown. We expect this to continue in 2025, but sales will pick up in 2026-28, to a compound annual growth rate (CAGR) of 3.3%. This forecast is subject to downside risks, including the ongoing issues in China's property sector and slower domestic and global growth. Extreme weather, including floods and drought, could also affect agricultural output and energy production.
- New-car sales will continue to be driven by strong sales of NEVs, which is China's classification for EVs. The government has set a goal for NEVs to account for 20% of the total new-vehicle market by 2025—a target that we calculate was already surpassed in 2022, when NEV sales soared by nearly 80%. We forecast that NEV sales will rise at a CAGR of about 11% in 2024-28, taking their share of new-vehicle sales to 43% (and 50% of new-car sales) by 2028.

- The market for new commercial vehicles and buses (CVs), mainly comprising heavy trucks, was mixed during the pandemic. New-CV sales reached an annual record of 5.1m units in 2020, helped by subsidies, before declining by an average of 19% in 2021-22. Over the forecast period, growth in new-CV sales will match that of new-car sales at a CAGR of 3.1% in 2024-28, owing to continued weakness in the economy.
- Having fallen in 2018-20, China's automotive output rose by 3% a year in 2021-22 to about 27m units, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Despite a plan unveiled in 2020 to improve productivity by making China self-sufficient in auto manufacturing by 2025, output growth is likely to remain subdued in 2024-28, owing to lacklustre demand in China and globally. However, demand for exports, notably NEVs, will outweigh domestic demand and drive domestic production.
- In 2023 China became the world's largest exporter of cars by volume, an increasing share of which were EVs. However, rising trade barriers are posing a threat. In September the European Commission announced an investigation into whether China was adopting unfair trade practices by using state subsidies to lower the price of EVs exported to Europe. The US and the EU have also begun negotiations on several areas of automotive technology in an attempt to counter Chinese dominance of the EV sector. We believe that such measures will not dent China's control of the global EV market and related battery supplies, including rare earths, but they could reduce the competitiveness of China-made EVs in Western markets.

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Consumer goods

China | Consumer goods | Overview

December 11th 2023

- China is the world's second-largest economy and consumer market. Economic indictors portray a mixed picture, but the biggest strain on growth is the continued weakness in the property sectors. This, together with high youth unemployment and the slowing global economy, has stemmed the initial rebound in spending after the end of the country's zero-covid policy in late 2022. Regulatory crackdowns on various sectors, ranging from digital marketplaces to celebrity endorsements, will remain a cause for concern over the medium term.
- Further clouding the immediate outlook is a current wave of respiratory illnesses currently affecting children, with fears that it could be another coronavirus-like epidemic.
- Economic problems have led to discounts of items that were previously price-stable, ranging from down jackets to tea.
- China is an important luxury market, with several global brands having increased their presence in the domestic market over the past three years to cater to homebound consumers. As outbound tourism picks up, albeit slowly, many affluent Chinese will go back to shopping in international markets to take advantage of currency and tax benefits. However, this will be a gradual process, and there will not be a return to pre-pandemic levels. More importantly, with international travellers accounting for a small share of Chinese domestic consumption, much of the aspirational luxury sales will remain in the domestic market. Focus on creating domestic luxury consumption hubs, such as the one in the Hainan province, will continue.
- China's rapid demographic ageing will be a major long-term risk. The country's population peaked in 2022—earlier than we had expected. In January 2022 the national statistics body announced that the country's population had declined for the first time in 60 years. China's income levels are only one-third of the average for countries with a similar ageing demographic profile. The "third child" policy, launched in 2021, will have a limited impact on the birth rate. The rise of single-person households is likely to have a considerable impact on the food packaging, household goods and appliances sectors.

Energy

China | Energy | Overview

January 15th 2024

- China is the world's largest energy consumer, accounting for a quarter of global consumption. EIU expects energy consumption growth to moderate slightly in 2024, as economic growth slows to a forecasted 4.9%, buoyed by the government's fiscal measures, resilient private consumption and stabilisation of the external trade environment. The downturn in the property sector will continue to be an obstacle to faster growth. Over our forecast period (2024-33), we

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expect modest growth in energy consumption with a decelerating trend towards the end of the period owing to a slowdown in economic growth and energy efficiency gains.

- We expect oil and gas consumption growth to moderate slightly in 2024 after a recovery in 2023; however, this has not been up to expectations. Government efforts to support the depressed property sector will help to revive some demand of crude oil and refined products. Risks remain on the downside in the near term, primarily stemming from a weaker than expected global economic outlook, the threat of geopolitical tensions in the Taiwan Strait and a worsening state of the country's property sector.
- In the opening speech of the 20th congress of the Chinese Communist Party (CCP) in October 2022 the president, Xi Jinping, indicated continuity in energy and climate policy, which has recently focused on ensuring energy security over China's future energy transition. The government had previously highlighted the significance of coal to China's economy in policy directives, including in the 14th five-year plan (FYP) for energy, which was released in March 2022.
- Coal will remain the primary source of energy throughout the forecast period, but its share in energy consumption will fall from 60% in 2023 to 51% in 2033 as renewables, nuclear and natural gas gain ground. We expect coal consumption to peak in 2026, but only a gradual phase-down thereafter would result in 2030 consumption levels still remaining higher than those in 2021.
- Petroleum products consumption is expected to increase modestly over the forecast period, reaching a peak by 2031 when higher uptake of electric vehicles (EVs) and better fuel efficiency of new-generation vehicles start pulling down oil demand. China's imports of Russian crude oil have surged since Western sanctions were imposed on Russia in response to its invasion of Ukraine. Data released by the Chinese General Administration of Customs showed that Russia emerged as China's top crude supplier, overtaking Saudi Arabia, in the first half of 2023, supplying nearly 2.13m barrels per day. This may change, particularly if Saudi Arabia decides to recoup its lost market share in China by accepting lower Brent prices and China tries re-balancing its import basket. Currently, we expect a tight market in 2024 and only a slight softening of prices with Brent crude expected to average US$79.7/barrel in 2024, down from US$82.8/b in 2023.
- Consumption of natural gas, supported by increasing usage in power generation and by liquefied natural gas (LNG) capacity buildouts, will be the fastest-growing of any fossil fuel in 2024-33. Natural gas share in power generation is expected to increase from about 2.5% in 2023 to 8.1% in 2033. To secure sufficient supplies, China has intensified efforts to boost domestic gas production, sign long-term purchase agreements with LNG suppliers including the US and Qatar, and expedite trans-national gas pipeline projects—particularly the Line-D project, which will connect Turkmenistan with China.
- We expect non-fossil fuel sources to account for 49% of total power generation in 2033, up from an estimated 36% in 2023. Growth will be led by massive buildout of solar and wind capacity. Nuclear power capacity is also expected to double by 2033 from existing levels. The shift towards less polluting sources will cause the share of coal to fall to 43% of power generation by 2033, from an estimated 61.5% in 2023.

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- In late 2020 Mr Xi announced that the country would reach peak emissions by 2030 and become carbon neutral by 2060—together known as the "dual carbon goals". China submitted these pledges as part of its updated nationally determined contributions at COP26 in November 2021, dashing hopes of a more ambitious climate agenda. These pledges represented modest revisions to the nationally determined contribution (NDC) pledge that China made during the 2015 Paris climate conference.

Energy: key indicators

	2022[a]	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]	2033[b]
GDP (US$ bn at market exchange rates)	17,886	18,127	19,487	20,741	22,513	23,798	24,968	31,463
Real GDP (% change, year on year)	2.9[c]	5.5	4.9	4.4	4.0	3.8	3.6	2.2
Population (m)	1,396.8	1,396.3	1,400.1	1,402.2	1,401.8	1,400.8	1,394.2	1,381.9
Population (% change, year on year)	-0.1	0.0	0.3	0.1	0.0	-0.1	-0.5	-0.2
Gross domestic energy consumption (mtoe)	3,826	4,010[b]	4,143	4,256	4,331	4,386	4,419	4,365
Gross domestic energy consumption (% change, year on year)	2.3	4.8[b]	3.3	2.7	1.8	1.3	0.8	-0.7

Note. Forecasts for all dates are available via EIU's data tool.

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

Sources: EIU; © OECD/IEA 2024 IEA statistics, www.iea.org/data-and-statistics, licence: www.iea.org/t&c.

Financial services

China | Finance | Overview | Financial services | Overview

February 20th 2024

- Chinese financial firms face challenging conditions in the coming years amid poor domestic sentiment on economic conditions and a rise in global geopolitical tensions. The interest rates will remain low as the authorities attempt to shore up confidence. The interest margins will narrow, in contrast to most other major world economies. Credit demand growth will not pick up markedly despite renewed stimulus in greater quantum, as concerns within the highly indebted local property market raise caution among lenders and borrowers. Banks will suffer a rise in bad loans but will remain resilient as a result of their heavy provisions, deep capital bases and—ultimately—majority ownership by the state.
- China is the world's second-largest economy. However, decades of high growth were disrupted by the covid-19 pandemic, which also threatened the country's ambition to double its output and to become a developed economy by 2035. The financial sector generated 8% of total economic output in 2023, from 7% a decade earlier, according to the National Bureau of Statistics.
- China's president, Xi Jinping, enjoys greater power than his predecessors, and will rule into the early 2030s if his health allows. Mr Xi's dominance has been unchallenged so far, but the centralisation of power and lack of checks and balances raises the risk of policy missteps and could create popular frustration.

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- Key policy themes in 2024-28 will include national security, technological innovation, industrial upgrade and the resolution of local-government debt stress. Despite its strong commitment to addressing issues such as the low birth rate and disillusionment in the private sector, the government will struggle to make meaningful progress.
- Real GDP growth rebounded to 5.2% in 2023, accelerating from 3.1% in 2022. This reflects a recovery of consumption and the anticipation of higher investment, tied to the government's fiscal expansion. Growth will slow to 4.9% in 2024, reflecting a subdued investment outlook tied to the deepening trouble in the property sector and the fiscal situation facing local governments. This, along with geopolitical challenges, will lead to a further slowdown to an average of 4% in 2025-28.
- In 2023 China's population posted another decline after 2022. Strong pro-birth policies will not reverse this trend, but the central government will lift China's retirement age between 2023 and 2027, while promoting private pension options (which are currently underdeveloped) in order to reduce the fiscal and social burdens of an ageing population.
- Fiscal strain will be a long-term challenge. An ageing and shrinking population, along with what EIU expects to be chronic weakness in the property sector, will exacerbate fiscal deficits. Growing expenditure will be financed by increased central-government borrowing, contributions of profits by state-owned enterprises (SOEs) and the levying of taxes on capital-related income.
- We estimate that the fiscal deficit will be equivalent to 3.8% of GDP in 2023 and forecast that it will remain stable at that level in 2024-25. Mounting headwinds to growth have prompted a pivot to a more expansionary approach, and we expect more fiscal stimulus to come through, which will target infrastructure investment to enhance resilience against natural disasters, as well as supporting households' income and the confidence of small and medium-sized companies.
- China released a fintech development blueprint for 2022-25 in January 2022. Under this plan, the country will pursue stricter regulation and better-defined rules on data, including the facilitation of data sharing with the authorities and stricter rules on data security. In recent years the country has become a leader in using mobile phones and biometrics for digital payments.
- China's non-bank financial sector will continue to develop over the forecast period, as rising incomes and increased product awareness drive greater demand for insurance, privately provided pension and savings options and securities and hedging instruments.
- Some Chinese firms will be forced to delist in the US in the coming years after failing to meet enhanced US disclosure and transparency requirements. Listings of advanced technology firms overseas are likely to be rare amid China's plans to screen overseas listings of local technology companies and firms in data-sensitive sectors. China will promote its domestic markets as alternative locations for primary listings and Hong Kong for secondary listings.
- We forecast that China will cut the policy rate, the one-year medium-term lending facility (MLF) rate, by a total of 20 basis points by the end of 2024. These adjustments will guide the one-year and five-year loan prime rates to trend downwards. We also expect several cuts in the reserve requirement ratio, which will replenish liquidity for banks.

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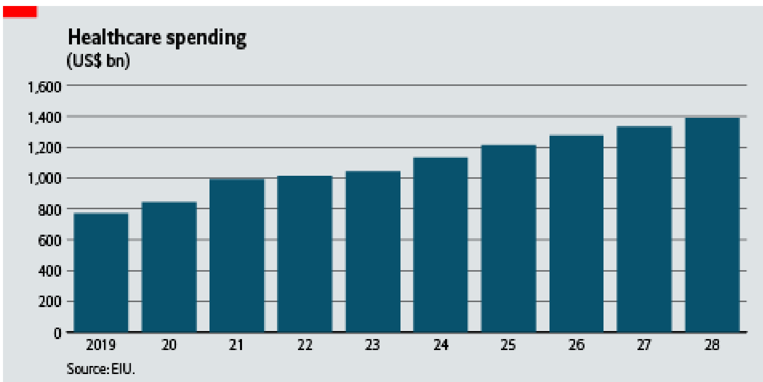
Healthcare

China | Healthcare | Spending

February 14th 2024

Overview

- The covid-19 pandemic exposed fragilities in China's healthcare system, despite two decades of reform. Under the 14th five-year plan (2021-25) announced in March 2021, the government aims to tackle some of these shortcomings by improving the funding of public health and long-term care, and expanding rural healthcare infrastructure. These plans align with the long-term targets in the Healthy China 2030 plan, approved in 2016.
- EIU expects China's healthcare spending to remain at a record high of 5.9% of GDP for a second year in 2024. However, we expect economic growth to slow to an average rate of 4.1% annually in 2024-28, from 5% in the previous five years.
- We estimate that healthcare spending reached 5.9% of GDP in 2023, up from 5.4% in 2019, but expect it to fall slightly, to 5.7%, by the end of our 2024-28 forecast period. This implies a compound annual growth rate (CAGR) of 4.8% in local-currency terms in 2024-28 (5.9% in US dollar terms). Spending will be supported by China's plans to expand health infrastructure and insurance coverage, spurred by population ageing, which is a major cause for concern.
- We expect pharmaceutical sales to expand at a CAGR of 6% in local-currency terms in 2024-28 (7.1% in US dollar terms), driven by efforts to encourage the use of innovative drugs.
- However, China's National Healthcare Security Administration (NHSA) continues to constrain drug prices. In September 2021 the government also began trialling in five cities a mechanism to revise prices of medical services, with plans to roll it out nationally by 2025. However, some prices, including those of traditional Chinese medicine (TCM) and paediatric care, will increase.
- Since mid-2023 the government has cracked down on rampant corruption among healthcare and pharmaceutical companies, insurance funds and doctors.



Funding sources

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- China has expanded government financing of the healthcare system over the past two decades. According to the World Health Organisation (WHO), general government (public) expenditure on healthcare represented 54% of total health expenditure in 2021 (latest available data), down from 55% in 2020. In 2022 government expenditure on health reached Rmb2.25bn (US$319m), up by 17.8% from 2021, according to China's Ministry of Finance.
- National basic health insurance covered 1.34bn people (more than 95% of the population) by end-2022, up from less than 50% in 2005. Of these, 983.3m were covered by the Urban-Rural Resident Basic Medical Insurance (URRBMI), established in 2016 to integrate previous rural and urban resident schemes, and rolled out in all 31 provinces by 2019. Another public scheme, the Urban Employee Basic Medical Insurance (UEBMI), is funded via payrolls, and covered 362.4m people at end-2022.

Healthcare expenditure

	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Healthcare spending (US$ bn)	770.1	841.2	990.5	1,013.1	1,042.6	1,130.9	1,214.2	1,276.8	1,333.7	1,389.4
Healthcare spending (Rmb bn)	5,320.1	5,805.1	6,387.5	6,825.6	7,385.7	7,972.5	8,358.7	8,643.6	8,948.9	9,354.2
Healthcare spending (% of GDP)	5.4	5.7	5.6	5.7	5.9	5.9	5.9	5.8	5.7	5.7
Spending by source										
Public/compulsory spending (US$ bn)	432.1	461.1	556.8	571.4	565.3	627.2	676.2	714.1	747.6	781.6
Public/compulsory spending (% of total)	56.1	54.8	56.2	56.4	54.2	55.5	55.7	55.9	56.1	56.3
Government schemes (% of public spending)	30.0	35.3	32.5	32.6	33.5	32.8	33.0	33.1	33.0	33.0
Social security funds (% of public spending)	70.0	64.7	67.5	67.4	66.5	67.2	67.0	66.9	67.0	67.0
Private healthcare spending (US$ bn)	338.0	380.1	433.7	441.7	477.3	503.7	538.0	562.7	586.1	607.8
Private healthcare spending (% of total)	43.9	45.2	43.8	43.6	45.8	44.5	44.3	44.1	43.9	43.7
Out of pocket (% of private spending)	80.3	77.0	79.9	79.0	78.6	79.2	79.0	78.9	79.0	79.0
Voluntary insurance (% of private spending)	19.7	23.0	20.1	21.0	21.4	20.8	21.0	21.1	21.0	21.0
External healthcare spending (US$ bn)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: US Bureau of the Census; UN; OECD; World Bank; EIU.

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- However, after years of growth in enrolments, in 2022 a substantial 17m people exited the national basic health insurance system and stopped paying their premiums as declining incomes met rising premiums and high co-payments. Although public schemes cover a wide range of services, there are limits to the share of costs covered, and deductibles are often high.
- The government has been expanding coverage gradually to reduce out-of-pocket (OOP) expenditure. In 2019 it increased reimbursement for critical illness, and in 2022 the basic medical insurance subsidy was raised from Rmb580 (US$80.57) per person per year to Rmb610. Coverage of serious diseases was extended in 2021, and in April 2022 the government began extending reimbursements of outpatient expenses under the UEBMI.
- However, strained by three years of higher spending during the pandemic, some cities and regions have begun funding reimbursements by using money saved in mandatory personal spending accounts, which individuals hold in the public health insurance systems, prompting public protests. Effective from January 2023, monthly payments into these accounts for retirees were reduced, sometimes by as much as 70%. However, other changes have reduced or eliminated deductibles and increased reimbursements of outpatient services in some provinces.
- Despite consolidation in the public system, there are still concerns that it is too fragmented to be efficient. In September 2021, in conjunction with the country's 14th five-year plan, China's General Office of the State Council released a medical-security plan to create a multi-tiered universal health insurance system. This would include improving collaboration between insurance providers and medical facilities, optimising medical payments and drug pricing, and expanding basic medical insurance.

Private health insurance

- Although OOP spending has fallen from 61% of total health expenditure two decades ago in 2003, we estimate that it remained high at 36% in 2023. We expect this share to rise to 34.5% by 2028, despite widening insurance cover.
- According to the WHO, voluntary health insurance accounted for just 9% of total healthcare spending in 2021, which was up from 7% in the previous year. Leading insurers including China Life, Ping An, Anbang, Huaxia and China Pacific have been growing strongly since deficiencies in the public health system exposed by the pandemic have made private health insurance increasingly attractive.
- Private medical insurance claims totalled Rmb292bn in 2020, up by 24% from 2019, according to the China Banking and Insurance Regulatory Commission. However, regulators are monitoring insurance sales practices and fraud and in 2021 forced the closure of numerous online mutual aid companies that were providing unlicensed health insurance.

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Telecommunications

China | Telecommunications | Overview

December 12th 2023

- China is home to the world's largest mobile market, as well as the biggest market for mobile virtual network operators (MVNOs). EIU forecasts that there will be about 1.81bn mobile subscribers by 2028.
- China's aggressive 5G base station rollout strategy and operator efforts to entice new 5G subscribers were crucial in reversing the dip in subscriptions seen in 2020. However, growth has been tepid in 2021 and 2022 and we expect this lack of momentum to continue. We forecast that the number of mobile-phone subscribers will grow at an annual average rate of 0.6% in 2024-28.
- In 2021 many of the main players in China's internet sector found themselves targets of the Chinese government's anti-monopoly campaign. That regulatory pressure affected revenue growth for some of the technology companies even up to the first quarter of 2022. In 2023 the government altered the ministry structure for critical sectors, such as technology, with a separate party and state institution in place.
- Tensions with the US have prompted the Chinese government to strengthen the development of equipment and materials necessary to alleviate choke points in the integrated circuit supply chain. Policymakers will primarily focus on boosting the production of less-advanced (albeit still profitable) chips. Companies such as Honor, Alibaba and Huawei are leading this effort.
- There is evidence of a widening divide in the global trade system between countries leaning towards China and those allied with the US. The split will not be absolute, given the US's global military and financial dominance, and China's growing economic clout, but it could result in supply chains being realigned by competing tariffs, embargoes and regulations, and perhaps implementation of 5G being postponed in some countries.

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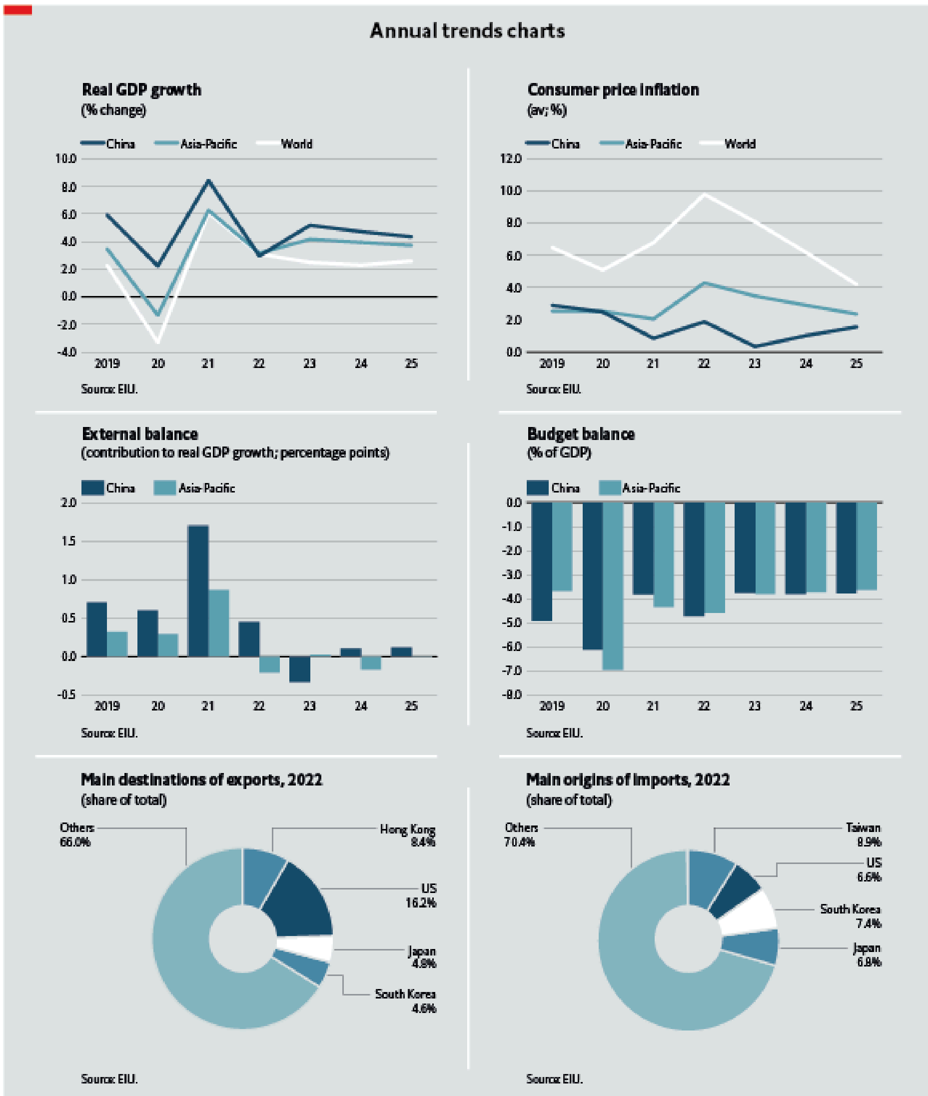
Data and charts: Annual trends charts

China | Economy | Charts and tables | Annual trends charts

February 5th 2024



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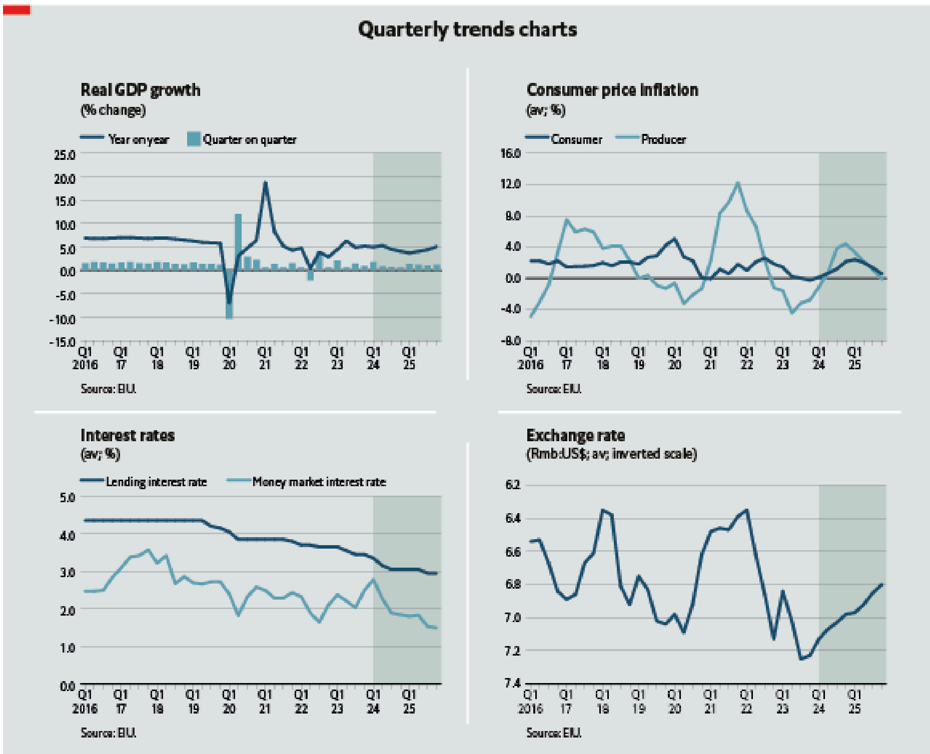
Data and charts: Quarterly trends charts

China | Economy | Charts and tables | Quarterly trends charts

February 5th 2024



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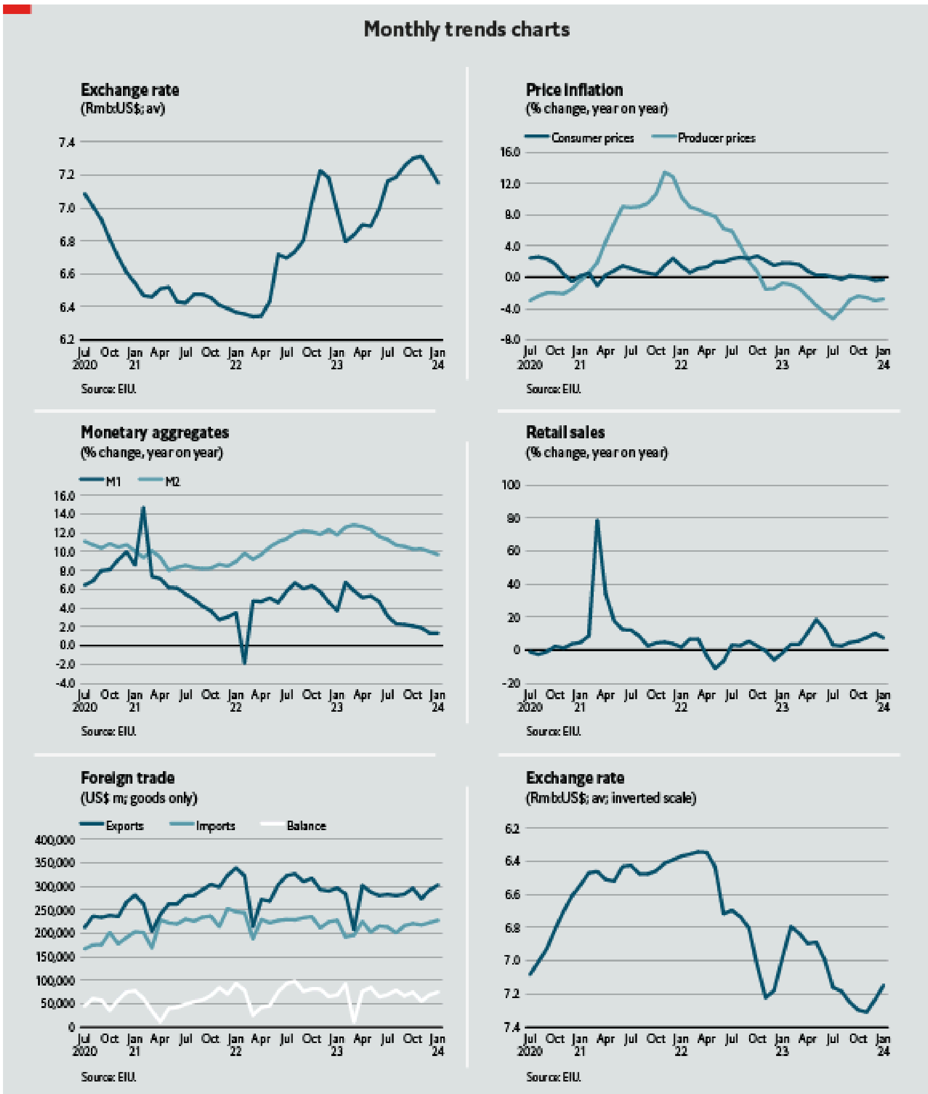
Data and charts: Monthly trends charts

China | Economy | Charts and tables | Monthly trends charts

February 5th 2024



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Data summary: Gross domestic product, current market prices

China | Economy | Charts and tables | GDP at current market prices

January 8th 2024

Gross domestic product, at current market prices

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Expenditure on GDP (Rmb bn at current market prices)										
GDP	99,071	102,563	114,528	120,502[a]	128,224	136,513	143,898	151,102	158,794	166,237
Private consumption	38,719	38,719	43,802	44,791	48,733	52,046	55,325	58,313	61,287	64,167
Government consumption	16,544	17,363	18,167	19,372	20,349	21,655	23,095	24,652	26,253	27,852
Gross fixed investment	42,245	43,062	48,212	50,796	53,961	57,352	60,310	63,236	66,242	69,188
Exports of goods & services	18,405	18,953	22,932	25,100	25,098	25,611	26,205	26,664	27,284	28,101
Imports of goods & services	17,265	16,426	19,951	21,151	21,170	21,297	22,041	22,562	23,072	23,872
Stockbuilding	422.7	892.5	1,366.5	1,593.3	1,254.0	1,146.0	1,003.6	800.0	800.0	800.0
Domestic demand	97,931	100,036	111,547	116,552	124,296	132,199	139,734	147,000	154,582	162,008
Expenditure on GDP (US$ bn at current market prices)										
GDP	14,341	14,863	17,759	17,886	18,136	19,683	21,045	22,385	23,665	24,692
Private consumption	5,605	5,611	6,792	6,648	6,893	7,504	8,091	8,639	9,134	9,531
Government consumption	2,395	2,516	2,817	2,875	2,878	3,122	3,378	3,652	3,913	4,137
Gross fixed investment	6,115	6,240	7,476	7,540	7,632	8,269	8,820	9,368	9,872	10,277
Exports of goods & services	2,664	2,746	3,556	3,726	3,550	3,693	3,832	3,950	4,066	4,174
Imports of goods & services	2,499	2,380	3,094	3,139	2,994	3,071	3,223	3,343	3,438	3,546
Stockbuilding	61	129	212	236	177	165	147	119	119	119
Domestic demand	14,176	14,496	17,297	17,300	17,581	19,061	20,436	21,778	23,038	24,064
Economic structure (% of GDP at current market prices)										
Private consumption	39.1	37.8	38.2	37.2	38.0	38.1	38.4	38.6	38.6	38.6
Government consumption	16.7	16.9	15.9	16.1	15.9	15.9	16.0	16.3	16.5	16.8
Gross fixed investment	42.6	42.0	42.1	42.2	42.1	42.0	41.9	41.8	41.7	41.6
Stockbuilding	0.4	0.9	1.2	1.3	1.0	0.8	0.7	0.5	0.5	0.5

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Exports of goods & services	18.6	18.5	20.0	20.8	19.6	18.8	18.2	17.6	17.2	16.9
Imports of goods & services	17.4	16.0	17.4	17.6	16.5	15.6	15.3	14.9	14.5	14.4
Memorandum items										
Industrial production (% change)	5.8	1.8	10.9	3.8	4.2	4.0	3.8	3.5	3.2	3.1
Oil production ('000 b/d)	3,836	3,874	3,913	3,952	3,992	4,032	4,072	4,113	4,154	4,195
National savings ratio (%)	43.8[b]	44.5[b]	45.3[b]	45.7	45.3	44.7	44.2	44.1	43.9	43.7

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Gross domestic product, at constant prices

China | Economy | Charts and tables | GDP at constant prices

January 8th 2024

Gross domestic product, at constant prices

	2019[a]	2020[a]	2021[a]	2022[a]	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Real expenditure on GDP (Rmb bn at constant 1995 prices)										
GDP	49,347[c]	50,453[c]	54,714[c]	56,339	59,460	62,376	65,146	67,771	70,341	72,885
Private consumption	19,536	19,183	21,529[c]	21,502	23,491	25,204	26,683	27,991	29,262	30,506
Government consumption	8,348	8,602	8,930[c]	9,474	10,062	10,696	11,337	11,972	12,619	13,262
Gross fixed investment	21,526	22,170	22,546[c]	23,380	24,292	25,312	26,172	27,010	27,766	28,460
Exports of goods & services	16,847	17,109	19,273[c]	19,014	19,200	19,487	19,727	19,967	20,171	20,348
Imports of goods & services	17,215	17,180	18,487[c]	17,981	18,545	18,972	19,324	19,690	19,997	20,231
Stockbuilding	215	460	639[c]	300	650	450	450	370	320	340
Domestic demand	49,625	50,414	53,643[c]	54,656	58,495	61,661	64,642	67,343	69,967	72,568
Real expenditure on GDP (% change)										
GDP	5.9[c]	2.2[c]	8.4[c]	3.0[c]	5.5	4.9	4.4	4.0	3.8	3.6
Private consumption	6.4	-1.8	12.2	-0.1	9.3	7.3	5.9	4.9	4.5	4.2
Government consumption	5.9	3.0	3.8	6.1	6.2	6.3	6.0	5.6	5.4	5.1
Gross fixed investment	5.0	3.0	1.7	3.7	3.9	4.2	3.4	3.2	2.8	2.5
Exports of goods & services	2.3	1.6	12.6	-1.3	1.0	1.5	1.2	1.2	1.0	0.9
Imports of goods & services	0.3	-0.2	7.6	-2.7	3.1	2.3	1.9	1.9	1.6	1.2
Stockbuilding (% contribution to GDP growth)	-0.5	0.5	0.4	-0.6	0.6	-0.3	0.0	-0.1	-0.1	0.0

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Domestic demand	5.1	1.6	6.4	1.9	7.0	5.4	4.8	4.2	3.9	3.7
Real contribution to growth (%)										
Private consumption	2.5	-0.7	4.7	0.0	3.5	2.9	2.4	2.0	1.9	1.8
Government consumption	1.0	0.5	0.6	1.0	1.0	1.1	1.0	1.0	1.0	0.9
Gross fixed investment	2.2	1.3	0.7	1.5	1.6	1.7	1.4	1.3	1.1	1.0
External balance	0.7	0.6	1.7	0.5	-0.7	-0.2	-0.2	-0.2	-0.2	-0.1

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

Data summary: Gross domestic product by sector of origin

China | Economy | Charts and tables | GDP by sector of origin

January 8th 2024

Gross domestic product by sector of origin

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Origin of GDP (Rmb bn at constant 1995 prices)										
GDP at factor cost	89,389	91,589	99,168	102,211[a]	107,873	113,164	118,188	122,950	127,614	132,229
Agriculture	6,575	6,779	7,260	7,558[a]	7,846	8,128	8,484	8,826	9,160	9,492
Industry	38,417	39,569	42,822	44,439[a]	46,576	48,364	50,179	52,078	54,054	56,009
Services	44,397	45,240	49,085	50,214[a]	53,451	56,671	59,525	62,046	64,400	66,729
Origin of GDP (real % change)										
Agriculture	3.1	3.1	7.1	4.1	3.8	3.6	4.4	4.0	3.8	3.6
Industry	5.9	3.0	8.2	3.8	4.8	3.8	3.8	3.8	3.8	3.6
Services	7.2	1.9	8.5	2.3	6.4	6.0	5.0	4.2	3.8	3.6
Origin of GDP (% of factor cost GDP)										
Agriculture	7.4	7.4	7.3	7.4	7.3	7.2	7.2	7.2	7.2	7.2
Industry	43.0	43.2	43.2	43.5	43.2	42.7	42.5	42.4	42.4	42.4
Services	49.7	49.4	49.5	49.1	49.5	50.1	50.4	50.5	50.5	50.5

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

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Data summary: Growth and productivity

China | Economy | Charts and tables | Growth and productivity

January 8th 2024

Growth and productivity

	2019[a]	2020[a]	2021[a]	2022[a]	2023[a]	2024[b]	2025[b]	2026[b]	2027[b]	2028[b]
Growth and productivity (%)										
Labour productivity growth	6.4	2.8	9.0	4.8	5.2	4.9	4.6	4.6	4.4	4.2
Total factor productivity growth	3.4	0.0	6.5	2.0	3.3	3.0	2.7	2.6	2.7	2.6
Growth of capital stock	8.3	7.6	6.8	6.4	6.1	5.9	5.6	5.3	5.0	4.7
Growth of potential GDP	5.9	2.7	8.4	3.8	5.7	5.0	4.6	4.2	4.1	3.9
Growth of GDP	5.9[c]	2.2[c]	8.4[c]	3.0[c]	5.5	4.9	4.4	4.0	3.8	3.6
Growth of GDP per head	5.6	1.9	8.2	3.1	5.6	4.6	4.3	4.1	3.9	4.1

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

Data summary: Economic structure, income and market size

China | Economy | Charts and tables | Economic structure, income and market size

January 8th 2024

Economic structure, income and market size

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Population, income and market size										
Population (m)	1,390.2[b]	1,395.0[b]	1,398.5[b]	1,396.8	1,396.3	1,400.1	1,402.2	1,401.8	1,400.8	1,394.2
GDP (US$ bn at market exchange rates)	14,341	14,863	17,759	17,886	18,136	19,683	21,045	22,385	23,665	24,692
GDP per head (US$ at market exchange rates)	10,320[b]	10,650[b]	12,700[b]	12,810	12,990	14,060	15,010	15,970	16,890	17,710
Private consumption (US$ bn)	5,604.6	5,610.8	6,792.1	6,648.4	6,892.8	7,504.1	8,091.3	8,639.0	9,133.7	9,531.0
Private consumption per head (US$)	4,030[b]	4,020[b]	4,860[b]	4,760	4,940	5,360	5,770	6,160	6,520	6,840
GDP (US$ bn at PPP)	23,546	24,573	27,425	30,228	33,274	35,743	38,114	40,562	43,111	45,742
GDP per head (US$ at PPP)	16,940[b]	17,610[b]	19,610[b]	21,640	23,830	25,530	27,180	28,940	30,780	32,810
Personal disposable income (Rmb bn)	43,438	45,703	50,107	52,626	55,830	58,908	62,304	65,556	69,082	72,743

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Personal disposable income (US$ bn)	6,288	6,623	7,770	7,811	7,897	8,493	9,112	9,712	10,295	10,805
Growth of real disposable income (%)	6.4	3.3	8.8	2.6	6.5	6.0	5.3	4.7	4.8	4.8
Memorandum items										
Share of world population (%)	18.23[b]	18.14[b]	18.03[b]	17.86	17.85	17.90	17.92	17.36	17.21	17.01
Share of world GDP (% at market exchange rates)	16.52	17.56	18.48	17.95	17.41	18.02	17.98	17.98	18.07	18.02
Share of world GDP (% at PPP)	17.47	18.47	18.72	18.62	19.10	19.52	19.73	19.90	20.04	20.17
Share of world exports of goods (%)	12.96	14.71	14.84	13.90	13.71	13.64	13.20	13.00	12.82	12.58

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Fiscal indicators

China | Economy | Charts and tables | Fiscal indicators

January 8th 2024

Fiscal indicators

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Fiscal indicators (% of GDP)										
Government expenditure	24.1	23.9	21.5	21.6	23.3	24.0	24.0	24.2	24.2	24.2
Government revenue	19.2	17.8	17.7	16.9[a]	19.5	20.2	20.2	20.2	20.2	20.2
Budget balance	-4.9	-6.1	-3.8	-4.7	-3.8	-3.8	-3.8	-4.0	-4.0	-4.0

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Monetary indicators

China | Economy | Charts and tables | Monetary indicators

January 8th 2024

Monetary indicators

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Monetary indicators										
Exchange rate Rmb:US$ (av)	6.91	6.90	6.45	6.74	7.07	6.94	6.84	6.75	6.71	6.73
Exchange rate Rmb:US$ (year-end)	6.99	6.54	6.37	6.99	7.10	6.93	6.80	6.71	6.73	6.76
Exchange rate Rmb:¥100 (av)	6.34	6.46	5.87	5.12	5.00	4.95	5.87	6.26	6.38	6.42

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Exchange rate Rmb:¥100 (year-end)	6.43	6.33	5.53	5.30	4.68	5.53	6.13	6.33	6.41	6.43
Real effective exchange rate (av) CPI-based	121.2[b]	123.6[b]	127.3[b]	125.8	117.5	117.5	113.8	113.6	113.6	112.7
Purchasing power parity Rmb:US$ (av)	4.21	4.17	4.18	3.99	3.85	3.82	3.78	3.73	3.68	3.63
Money supply (M2) growth (%)	8.7	10.1	9.0	11.8[a]	10.6	10.7	8.2	7.3	7.4	6.8
Domestic credit growth (%)	10.6	12.3	9.6	10.3	9.6	9.6	8.7	7.8	7.5	6.9
Commercial banks' prime rate (%)	4.2	3.9	3.8	3.7[a]	3.5	3.3	3.3	3.2	3.2	3.2
Deposit rate (av; %)	1.5	1.5	1.5	1.5[a]	1.5	1.5	1.5	1.5	1.5	1.5

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Employment, wages and prices

China | Economy | Charts and tables | Employment, wages and prices

January 8th 2024

Employment, wages and prices

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
The labour market (av)										
Labour force (m)	781.6	782.2	776.4	771.3	774.5	774.3	773.1	770.2	765.9	760.6
Labour force (% change)	-0.6	0.1	-0.7	-0.7	0.4	0.0	-0.1	-0.4	-0.6	-0.7
Unemployment rate (%)	5.1	5.2	5.1	5.6	5.2	5.1	5.1	5.3	5.0	4.9
Wage and price inflation (% except labour costs per hour)										
Consumer prices (av)	2.9	2.5	0.9	1.9	0.3	1.1	1.6	1.9	1.8	1.8
Consumer prices (year-end)	4.5	0.2	1.4	1.8	1.2	1.5	2.6	2.0	1.9	1.9
Producer prices (av)[d]	-0.5	-1.8	8.1	4.0	-3.2	2.6	1.0	0.5	1.5	0.7
GDP deflator (av)	2.1	1.3	3.0	2.2[a]	0.8	1.5	0.9	0.9	1.3	1.0
Private consumption deflator (av)	2.8[b]	1.8[b]	0.8[b]	2.4	-0.4	-0.5	0.4	0.5	0.5	0.4
Government consumption deflator (av)	2.8[b]	1.8[b]	0.8[b]	0.5	-1.1	0.1	0.6	1.1	1.0	0.9
Fixed investment deflator (av)	2.1[b]	-1.0[b]	10.1[b]	1.6	2.2	2.0	1.7	1.6	1.9	1.9
Average nominal wages (av)	9.8	7.6	9.7	6.7	7.5	6.9	6.6	6.0	5.7	5.6
Average real wages (av)	6.7	5.0	8.8	4.8	7.2	5.8	5.0	4.0	3.8	3.7
Unit labour costs (Rmb-based)	3.2	4.7	0.6	3.4	4.2	3.9	3.9	4.0	3.2	3.3
Labour costs per hour (Rmb)	40.1[b]	43.1[b]	47.3[b]	50.5	54.3	58.0	61.8	65.5	69.3	73.1
Labour costs per hour (US$)	5.80[b]	6.25[b]	7.33[b]	7.49	7.67	8.36	9.04	9.71	10.32	10.87

[a] Actual. [b] EIU estimates. [c] EIU forecasts. [d] Non seasonally adjusted.

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Data summary: Current account and terms of trade

China | Economy | Charts and tables | Current account and terms of trade

January 8th 2024

Current account and terms of trade

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Current account (US$ bn)										
Current-account balance	102.9	248.8	352.9	401.9	410.9	368.9	331.5	391.4	397.1	385.8
Current-account balance (% of GDP)	0.7	1.7	2.0	2.2	2.3	1.9	1.6	1.7	1.7	1.6
Goods: exports fob	2,386.6	2,510.0	3,215.8	3,346.9	3,150.7	3,271.1	3,391.4	3,515.5	3,630.8	3,740.7
Goods: imports fob	-1,993.6	-1,998.9	-2,653.1	-2,678.2	-2,555.7	-2,612.2	-2,685.4	-2,754.4	-2,826.5	-2,918.3
Trade balance	393.0	511.1	562.7	668.6	595.0	658.9	706.1	761.1	804.3	822.4
Services: credit	244.4	228.9	339.4	369.0	362.5	373.8	386.7	403.1	423.1	443.9
Services: debit	-505.5	-381.4	-440.6	-461.3	-452.0	-511.2	-569.1	-594.6	-629.4	-665.2
Services balance	-261.1	-152.5	-101.2	-92.3	-89.6	-137.3	-182.5	-191.5	-206.3	-221.3
Primary income: credit	273.5	245.5	327.3	190.2	222.9	217.1	186.6	130.8	124.3	130.7
Primary income: debit	-312.7	-363.7	-451.8	-383.9	-336.8	-390.7	-401.2	-332.9	-350.5	-372.4
Primary income balance	-39.2	-118.2	-124.5	-193.6	-113.9	-173.6	-214.6	-202.1	-226.2	-241.6
Secondary income: credit	25.9	36.0	48.8	44.7	45.3	49.2	52.6	56.0	59.2	61.7
Secondary income: debit	-15.7	-27.6	-32.9	-25.6	-25.9	-28.1	-30.1	-32.0	-33.8	-35.3
Secondary income balance	10.3	8.5	15.9	19.1	19.4	21.1	22.5	23.9	25.3	26.4
Terms of trade										
Export price index (US$-based; 2010=100)	102.5	105.4	118.4	128.7	121.4	124.4	127.5	129.7	132.1	134.5
Export prices (% change)	-1.9	2.8	12.4	8.7	-5.7	2.5	2.5	1.8	1.9	1.8
Import price index (US$-based; 2010=100)	97.5	93.0	112.4	123.6	113.8	113.3	116.7	118.5	119.7	122.1
Import prices (% change)	-2.8	-4.6	20.8	10.0	-7.9	-0.5	3.0	1.5	1.0	2.0

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Terms of trade (2010=100)	105.2	113.3	105.4	104.1	106.7	109.8	109.2	109.5	110.4	110.2
Memorandum item										
Export market growth (%)	-1.2[b]	-5.6[b]	14.2[b]	3.0	-1.8	3.8	3.8	3.8	4.0	4.0

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Foreign direct investment

China | Economy | Charts and tables | Foreign direct investment

January 8th 2024

Foreign direct investment

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
Foreign direct investment (US$ bn)										
Inward FDI flows	187.2	253.1	344.1	180.2	20.0	132.0	155.0	160.0	165.0	170.0
Inward FDI flows (% of GDP)	1.3	1.7	1.9	1.0	0.1	0.7	0.7	0.7	0.7	0.7
Inward FDI flows (% of gross fixed investment)	3.1	4.1	4.6	2.4	0.3	1.6	1.8	1.7	1.7	1.7
Outward FDI flows	-136.9	-153.7	-178.8	-149.7	-185.0	-203.5	-223.9	-235.0	-246.8	-259.1
Net FDI flows	50.3	99.4	165.3	30.5	-165.0	-71.5	-68.9	-75.0	-81.8	-89.1
Stock of inward FDI flows	1,769.5	1,918.8	2,099.8	2,280.0	2,300.0	2,432.0	2,587.0	2,747.0	2,912.0	3,082.0
Stock of inward FDI flows per head (US$)	1272.8	1375.5	1501.4	1632.3	1647.1	1737.0	1845.0	1959.6	2078.8	2210.6
Stock of inward FDI flows (% of GDP)	12.3	12.9	11.8	12.7	12.7	12.4	12.3	12.3	12.3	12.5
Memorandum items										
Share of world inward FDI flows (%)	15.3	20.9	25.7	12.2	1.3	8.1	9.2	9.1	9.0	8.9
Share of world inward FDI stock (%)	5.2	5.7	5.6	5.5	5.2	5.4	5.5	5.6	5.7	5.7

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

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Data summary: External debt

China | Economy | Charts and tables | External debt

January 8th 2024

External debt

	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[c]	2025[c]	2026[c]	2027[c]	2028[c]
External debt										
Total external debt (US$ bn)	2,114.2	2,326.2	2,702.2	2,388.4	2,654.3	2,931.3	3,286.6	3,544.3	3,775.8	4,014.1
Total external debt (% of GDP)	14.7	15.7	15.2	13.4	14.6	14.9	15.6	15.8	16.0	16.3
Debt/exports ratio (%)	72.3	77.5	69.2	60.8	70.6	75.4	82.4	87.0	89.8	92.4
Debt-service ratio, paid (%)	9.4	9.1	8.6[b]	10.9	8.0	9.4	10.0	10.7	10.8	10.9

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Political structure

China | Summary | Political structure

February 5th 2024

Official name

People's Republic of China

Form of government

One-party rule by the Chinese Communist Party (CCP)

The executive

The State Council, membership of which is approved by the legislature; State Council members, including the premier, may serve no more than two consecutive five-year terms

Head of state

The president and vice-president are approved by the legislature. The limit of two five-year terms for these posts was removed in March 2018

National legislature

The unicameral National People's Congress (NPC) has nearly 3,000 delegates selected by provinces, municipalities, autonomous regions and the armed forces. It approves the president and

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members of the State Council, as well as the membership of the standing committee of the NPC, which meets when the NPC is not in session. All arms of the legislature and the executive, apart from the president and vice-president, serve five-year terms

Regional assemblies and administrations

There are 22 provinces, four municipalities directly under central government control and five autonomous regions. All these different types of regional administration elect local people's congresses and are administered by people's governments

National elections

The party leadership was reshuffled at the 20th CCP national congress, which took place in October 2022. A parallel reshuffle at cabinet level occurred in March 2023, with new appointments to key ministerial-level positions in the government

National government

The politburo (political bureau) of the CCP decides policy and controls all administrative, legal and executive appointments; the seven-member politburo standing committee is the focus of power

Main political organisation

The CCP, of which Xi Jinping is the general secretary

Politburo standing committee members

Xi Jinping

Li Qiang

Zhao Leji

Wang Huning

Cai Qi

Ding Xuexiang

Li Xi

Heads of selected state ministries and commissions

President: Xi Jinping

Vice-president: Han Zheng

Premier: Li Qiang

Vice-premiers:

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Ding Xuexiang

He Lifeng

Zhang Guoqing

Liu Guozhong

Commerce: Wang Wentao

Finance: Liu Kun

Foreign affairs: Wang Yi

National Development & Reform Commission: Zheng Shanjie

Central bank governor

Pan Gongsheng

Basic data

China | Summary | Basic data

February 5th 2024

Land area

9,596,960 sq km

Population

1,411.8m (2022; official estimate)

Main towns

Population (m) of metropolitan areas (2020; national census figures)

Chongqing: 32.1

Shanghai: 24.9

Beijing (capital): 21.9

Chengdu: 20.9

Shenzhen: 17.6

Tianjin: 13.9

Wuhan: 12.3

Foshan: 9.5

Nanjing: 9.3

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Shenyang: 9.1

Climate

Continental, with extremes of temperature; subtropical in the south-east

Weather in Shanghai (altitude 4 metres)

Hottest months, July and August, 23-33°C (average daily minimum and maximum); coldest month, January, -1 to 9°C; driest month, September, less than 5 mm average rainfall; wettest month, June, 160-165 mm average rainfall

Language

Mainly putonghua, or Standard Chinese, based on northern Chinese (the Beijing dialect known as Mandarin); local dialects and languages are also used

Measures

The metric system is used alongside certain standard Chinese weights and measures, of which the most common are:

1 jin = 0.5 kg

1 dan = 50 kg

1 mu = 0.0667 ha

2,000 jin = 1 tonne

20 dan = 1 tonne

15 mu = 1 shang = 1 ha

Currency

Renminbi (Rmb), or yuan. Rmb1 = 10 jiao = 100 fen. Average exchange rate in 2023: Rmb7.08US$1

Fiscal year

January-December

Time

8 hours ahead of GMT

Public holidays

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January 1st (New Year's Day); February 10th-17th (Chinese New Year); April 5th (Qingming Festival); May 1st-May 5th (Labour Day); June 10th (Dragon Boat Festival); September 15th-17th (Mid-Autumn Festival); October 1st-7th (National Day). When the holiday covers weekdays in excess of the allotted time off, these are compensated for by working weekends around the holiday

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