

China's Economic Outlook in 2023

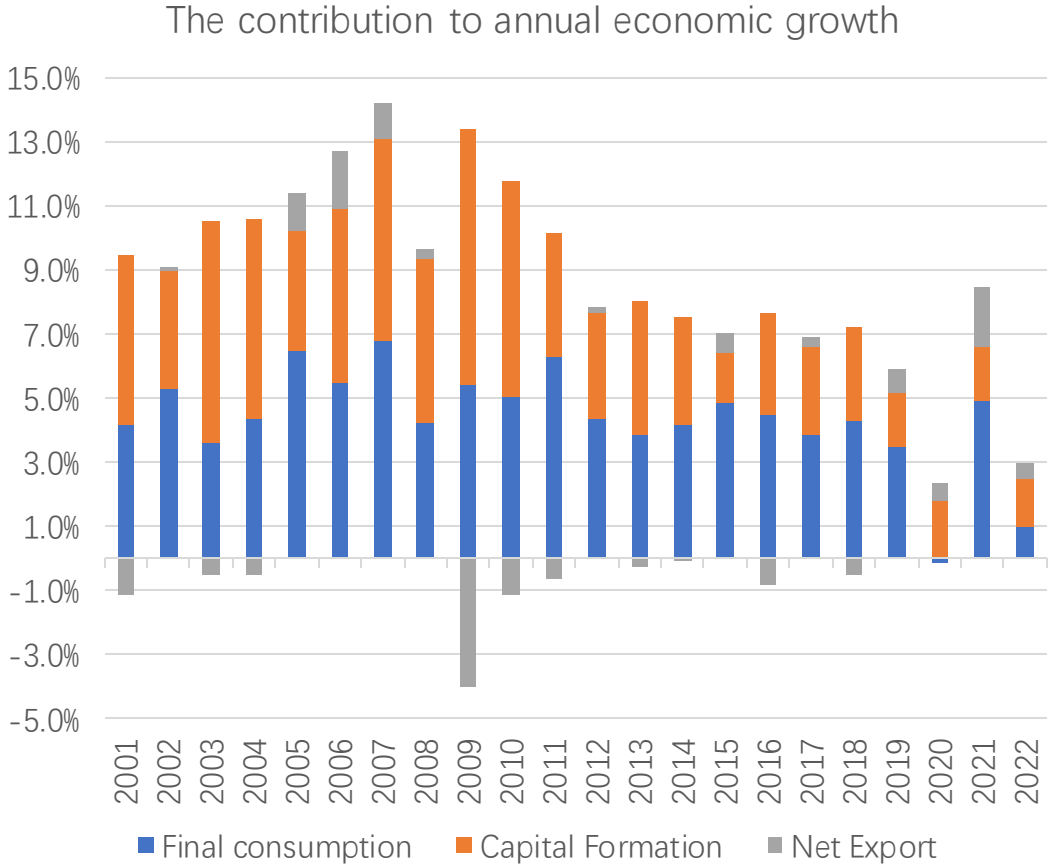
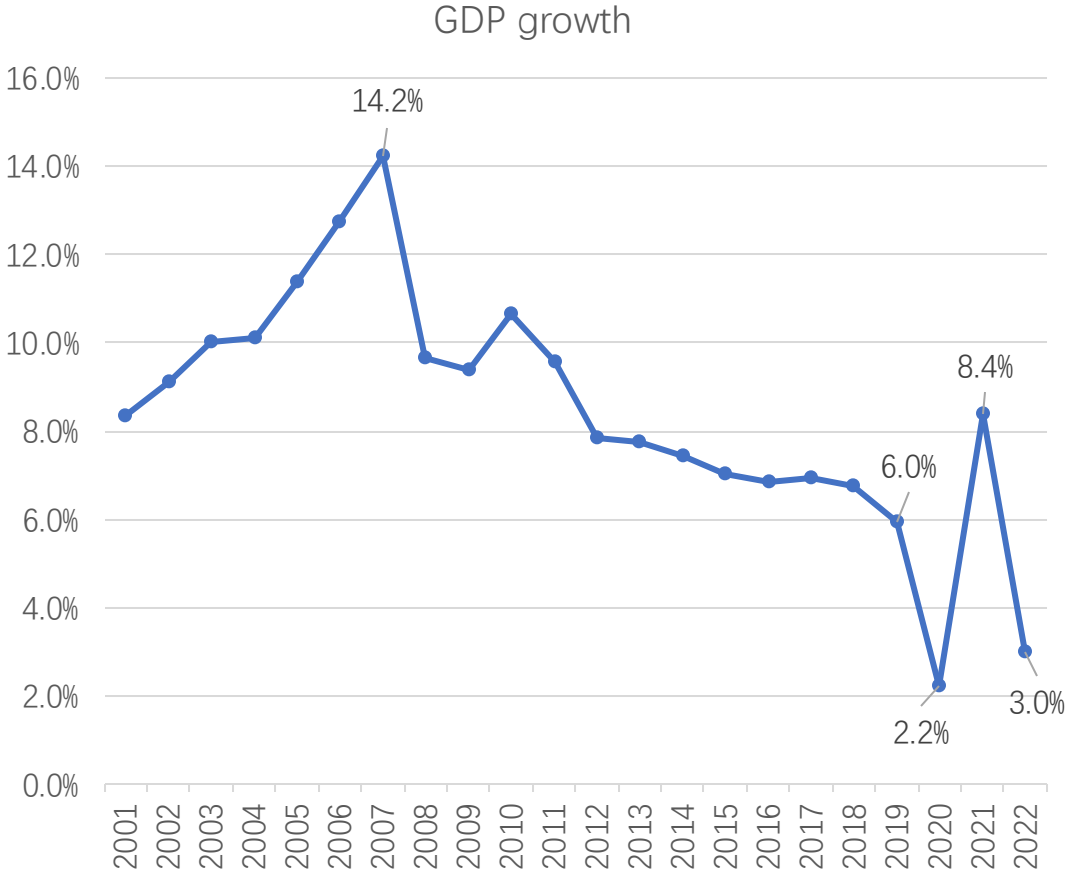
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The average growth during epidemic was 4.5% in China, and the shrinking of consumption was the main reason.



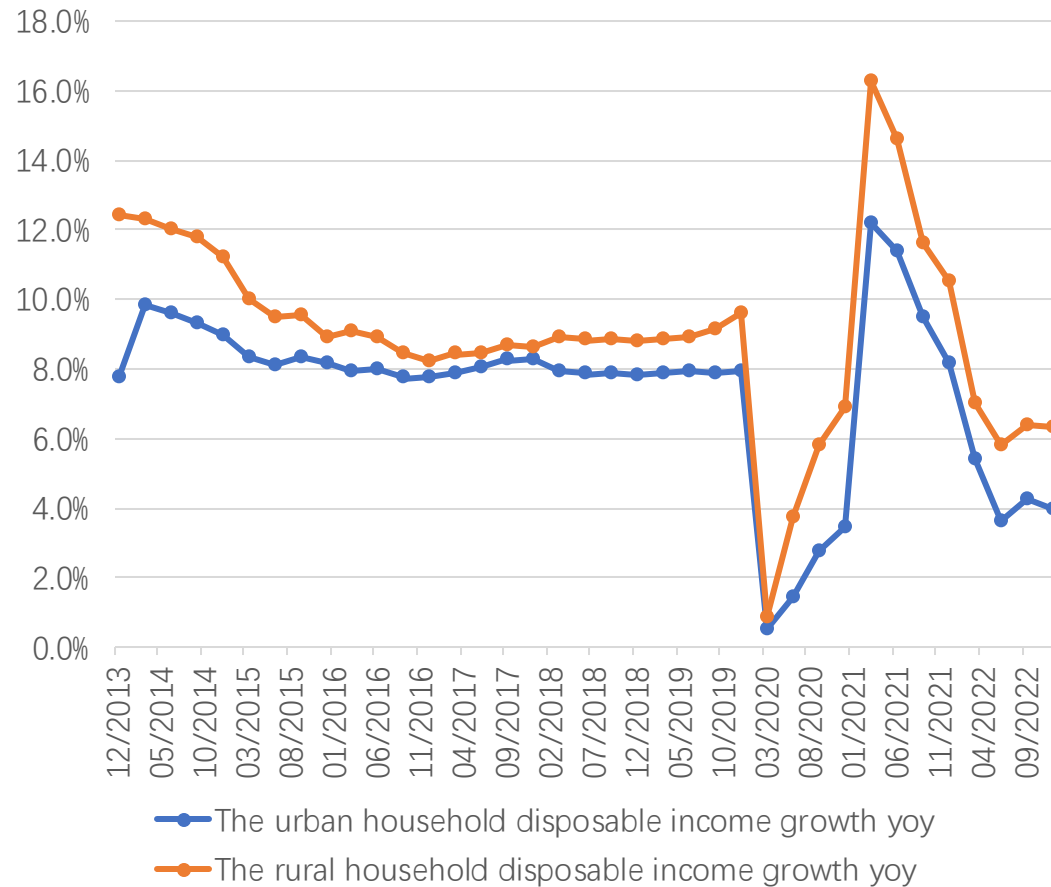
Source: CEIC.

The consumption growth was very weak during the pandemic, especially for Q2 and Q4 of 2023.



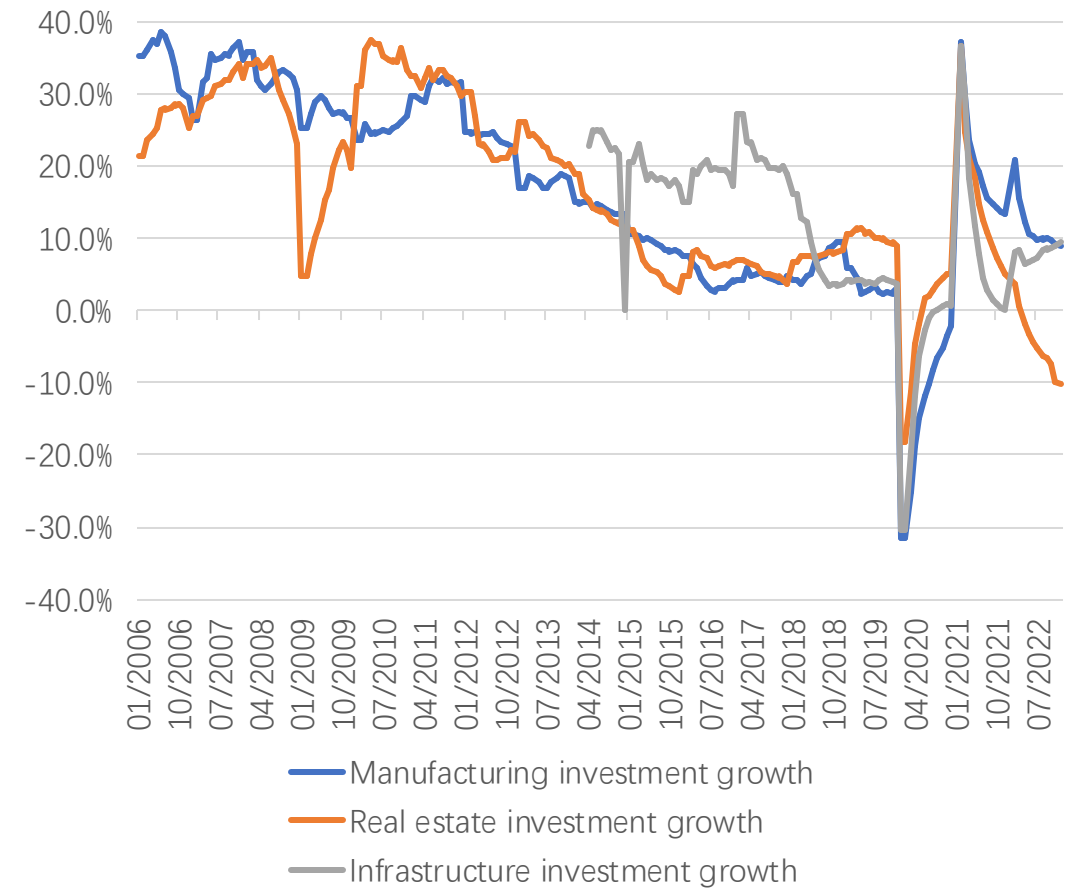
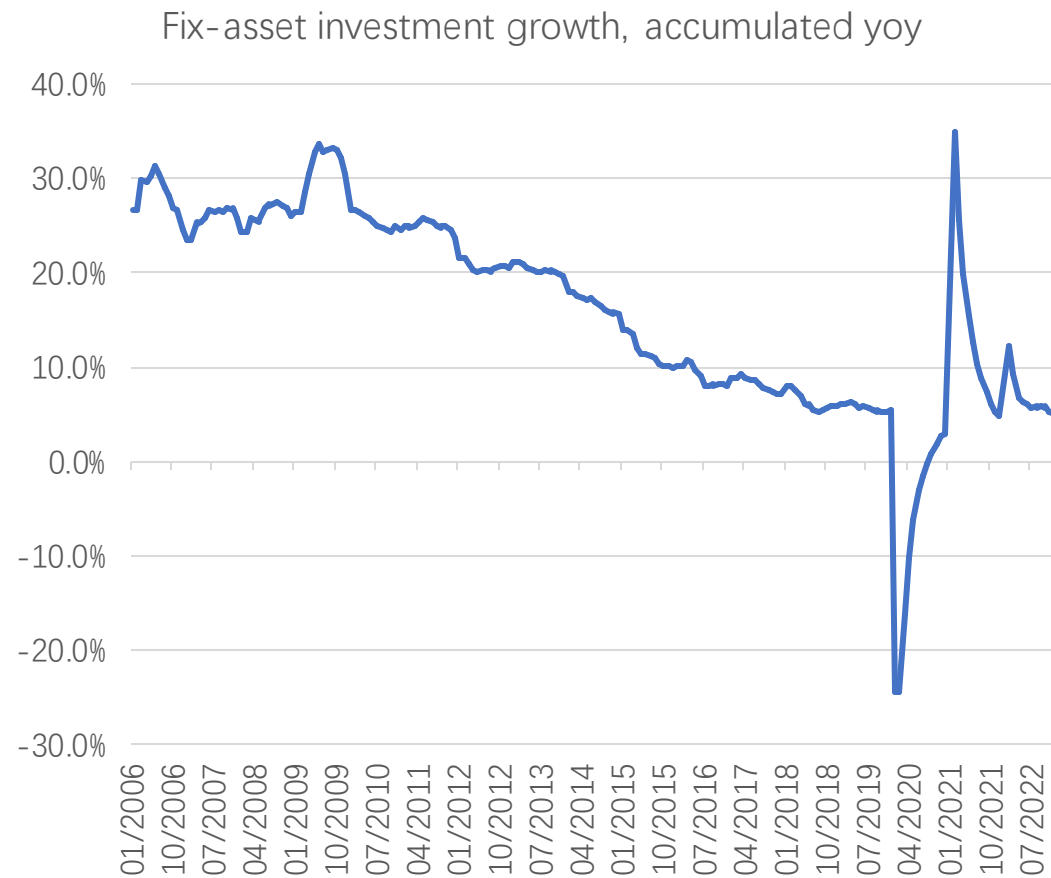
Source: CEIC.

The major reasons included the slow income growth and low consumer confidence due to the impact of pandemic.



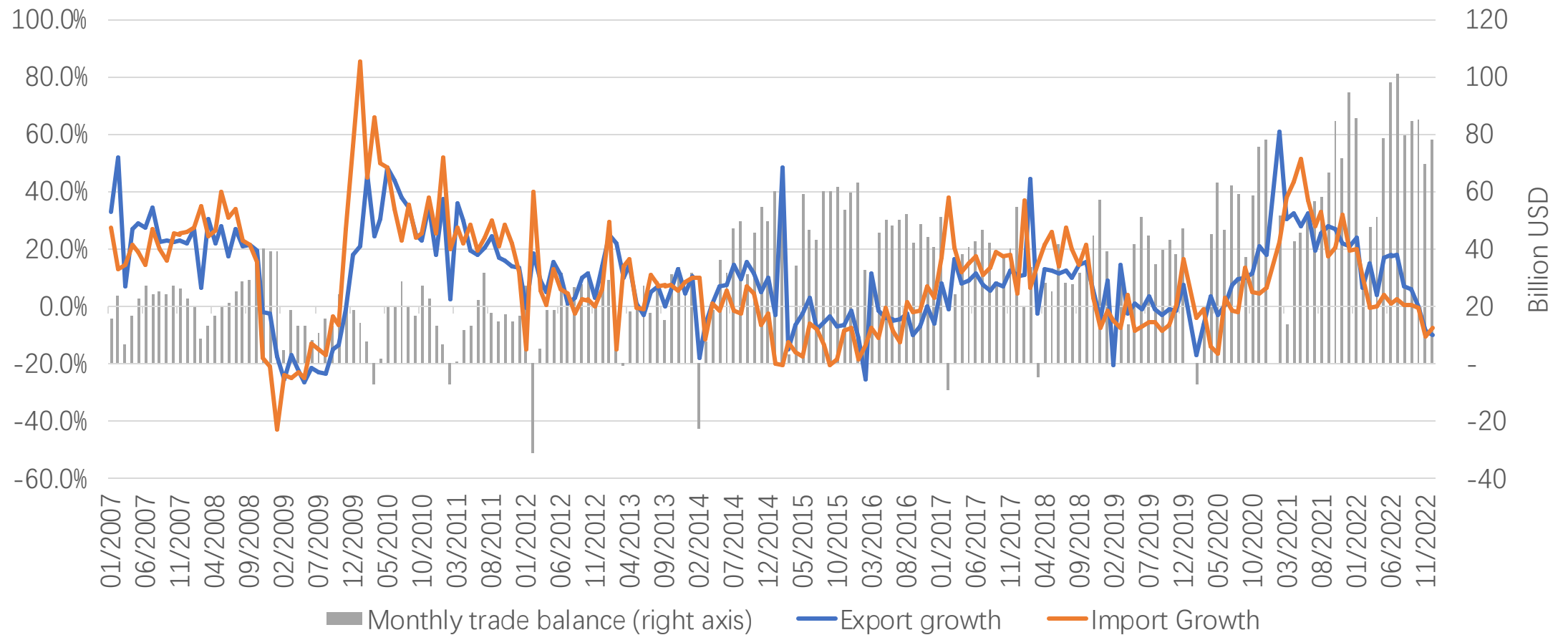
Source: CEIC.

Real estate investment dragged down FAI growth, while infrastructure investment made positive contribution in 2023.



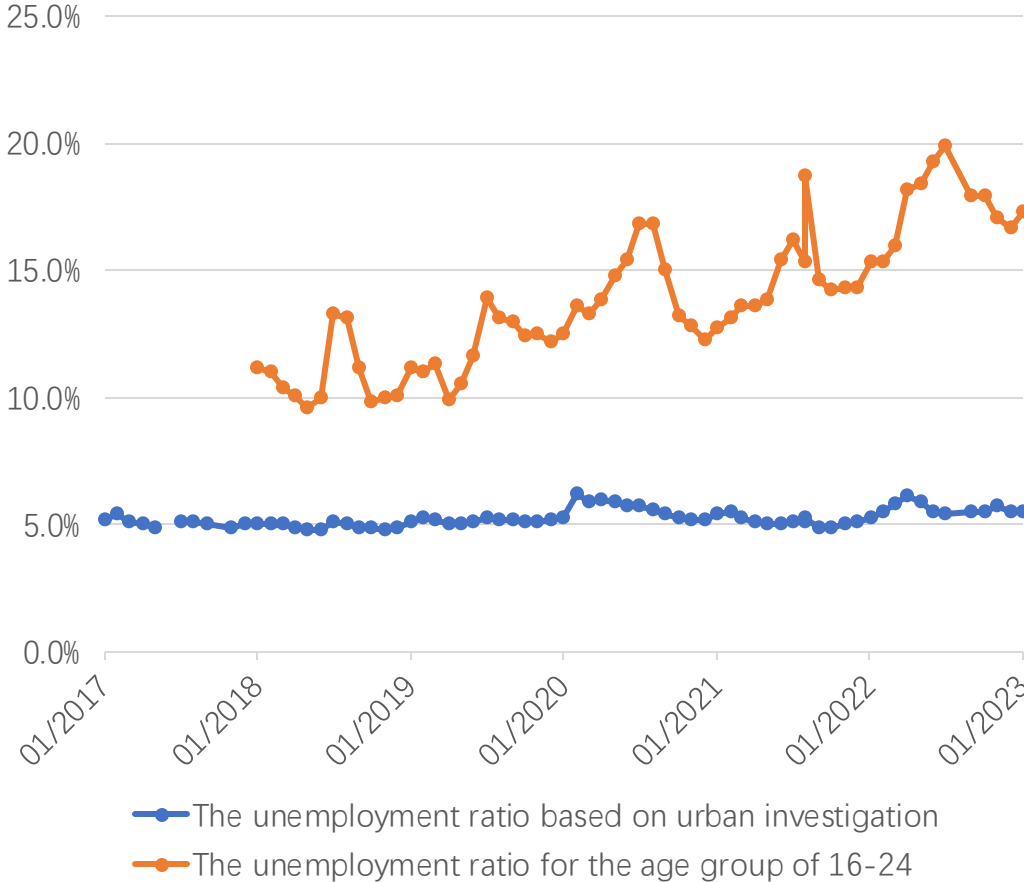
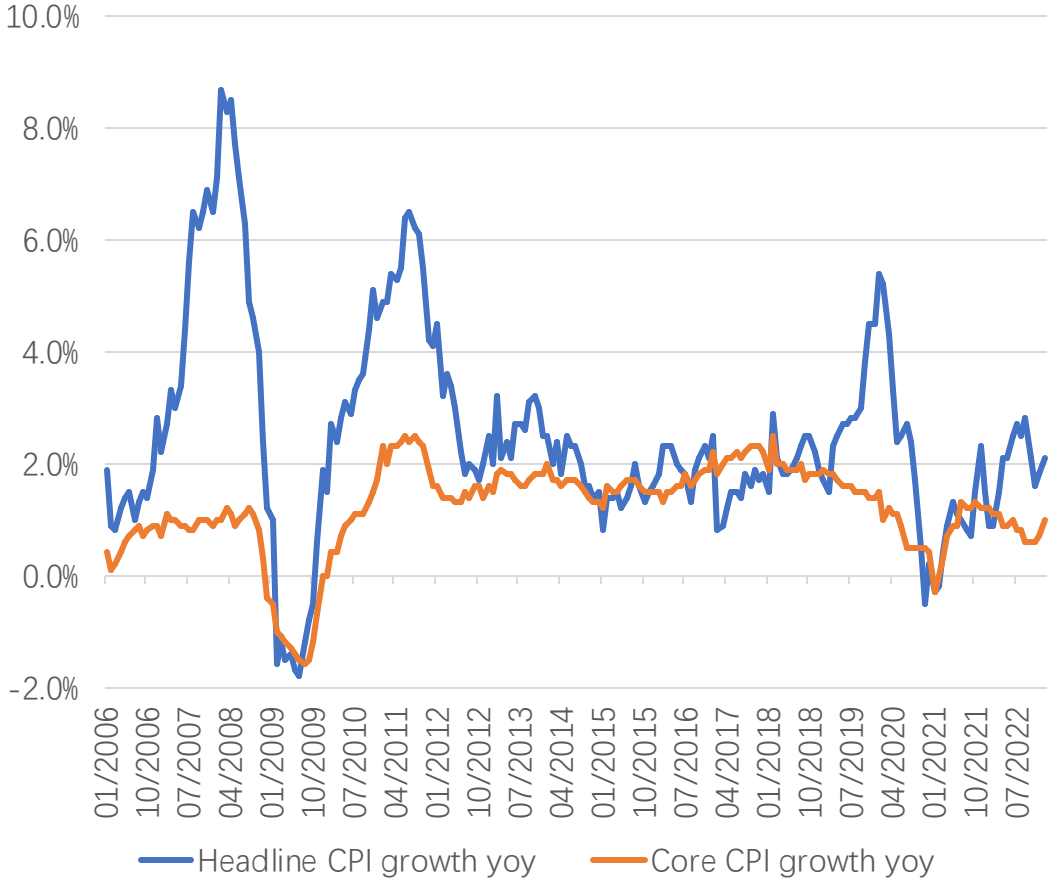
Source: CEIC.

Net export was the major engine during the pandemic, but it will cool down in 2023.



Source: CEIC.

The inflation is mild, but the unemployment pressure for young people is worrying.



Source: CEIC.

The major factors of slowing down of economic growth

- Short-term

- Both the households and the enterprises still lack confidence, therefore not willing to borrow in order to consume or make investment;
- The balance sheet of both enterprises and financial institutions suffered, so financial risks are rising;
- Export growth will decline, as the result of slower global growth;

- Mid-term

- The demographic structure reached an important turning point in 2023, and population aging will accelerate;
- The slowing down of productivity growth;
- The de-globalization trend, the rise of international geopolitical conflict, the China US conflict;

The policy response in 2023 and longer time-horizon

- The macro policies will continue to be expansionary in 2023.
- Fiscal policy:
 - A larger fiscal deficit (3.0-3.2% of GDP);
 - More local government's special-purpose bonds (4 trillion RMB);
 - More treasury bonds;
 - A more active role for policy banks;
- Monetary policy:
 - Further RRR cuts or interest rate cuts;
 - The structural monetary policy aimed at SME, green industry, technological invention and industrial upgrading;
 - No intervention on exchange rate;
- Chinese government will accelerate the reform and opening-up process in the future.
 - The construction of a unifying domestic market by promoting the free flow of various production factors;
 - The SOE reform and providing a leveled playground for SOEs, private companies and foreign companies;
 - The land reform and the accelerating of rural revitalization;
 - The further opening-up of Chinese financial market, under a managed capital account;

The economic outlook of China in 2023

- The GDP growth will be around 5.5% in 2023, much higher than 3.0% in 2022.
- The inflation pressure will continue to be mild, and the annual CPI growth will be under 3.0%.
- The overall unemployment ratio will be around 5.0%, and the ratio for young people will decrease from 16-17% to 11-12%.
- Both fiscal and monetary policy will continue to be accommodative.
- RMB will appreciate against USD modestly, reaching 6.4 in the 2nd half of 2023.
- The performance of the stock market is worth to wait, however we should not be overoptimistic about property market.

Thanks for your attention!

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