

DID CHINESE GROWTH HIT 5% IN 2024?

CHALLENGES

The crisis in the real estate sector...

- The real estate sector has not yet recovered from the crisis of 2021
- Residential inventory amounts to USD 13 trillion or eight times the value of homes sold in the country in 2023 (Goldman Sachs estimates)

...has led to crippling levels of debt, private and public...

- Household debt-to-GDP went from 20% in 2008 to 60% in 2023
- Officially, the 2025 budget deficit should reach 4% of GDP, but according to the IMF, could exceed 13%
- Local governments have a hidden debt of \$ 1.99 trillion (Finance Minister Lan Fo'an)

...and left domestic demand in limbo

- Youth unemployment is high (~16%) even among the highly educated
- The RE crisis has led to depleted private savings
- Government stimulus measures mainly benefit industries
- China is growing older, and its population is projected to shrink by 62% to 525 million by 2100

ECONOMIC GROWTH

Official numbers may seem both dubious ...

The surprising 2024 Q4 uptick was just enough for economic growth to exactly reach the government's 5% target, no more, no less

...and also, somehow legitimate

Chinese exports surged in the fourth quarter as businesses and consumers stockpiled in anticipation of possible tariff hikes by President Trump on Chinese goods.

WHAT WILL 2025 LOOK LIKE?

What the IMF believes

- Growth should reach 4.6% (IMF Jan update)
- Growth will remain driven by the manufacturing sector
- China will continue to rely on exports for now

And what it means

- A return to the golden age of high single-digit growth is unlikely
- Seeing the Chinese economy converge inexorably towards those of developed countries seems a reasonable bet ... all the more so since a new trade war has just begun

CHINA IN FIGURES

- China is essential to the global economy
- 2nd largest country by land area
- 1.4 billion people or 18% of the world's population
- 17% of the world's GDP
- World's largest manufacturer and exporter of goods
- #1 trading partner of 8 of the world's 10 largest economies



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