

# CHINA

## Key conditions and challenges

**Table 1** **2023**

Population, million	1411.9
GDP, current US\$ billion	17469.3
GDP per capita, current US\$	12373.1
International poverty rate (\$2.15) <sup>a</sup>	0.1
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	2.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	24.7
Gini index <sup>a</sup>	37.1
School enrollment, primary (% gross) <sup>b</sup>	100.2
Life expectancy at birth, years <sup>b</sup>	78.2
Total GHG emissions (mtCO2e)	13705.3

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2020), 2017 PPPs.  
b/ WDI for School enrollment (2022); Life expectancy (2021).

Following moderate post-pandemic growth of 5.2 percent in 2023, growth is projected at 4.5 percent in 2024. Macroeconomic policies remain supportive of growth but the downturn in the property sector and weak business confidence weigh on domestic demand. Poverty reduction, measured by the World Bank poverty line for upper middle-income countries is expected to continue but at a slower pace in line with more moderate growth.

Domestic demand in China has remained sluggish and contributed to low inflation, while the policy space for stimulus is constrained. Weak business confidence, in part driven by the property market downturn, has weighed on growth. At the same time, the scope for monetary easing is limited by the risk of exchange rate depreciation and capital outflows while high debt has constrained the ability of some local governments to provide fiscal stimulus. Over the medium term, economic growth is projected to further moderate due to slowing productivity growth, diminishing returns to capital, and a shrinking working-age population. A more challenging external environment and geo-economic fragmentation also cloud China's medium-term growth prospects. A firm commitment to and sustained implementation of structural reforms would shore up sentiment and revive growth momentum this year while also reinforcing new drivers of growth, including in the service and green economy.

## Recent developments

Economic activity picked up in 2023 following the post-pandemic reopening, but the rebound was uneven. GDP growth rose from 3.0 percent in 2022 to 5.2 percent

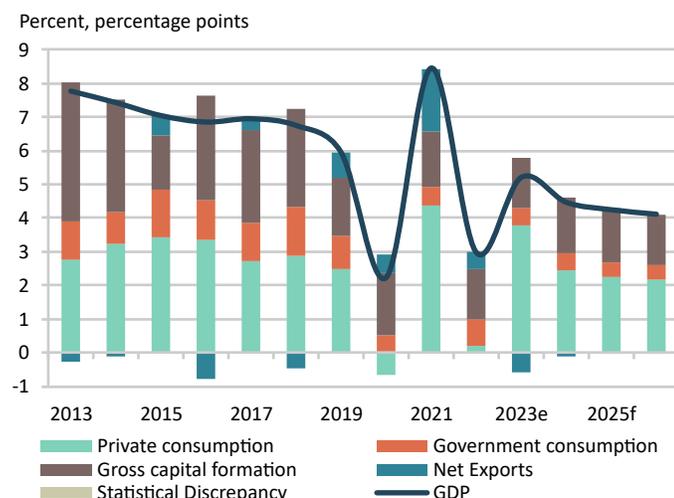
in 2023. Services demand, public infrastructure, and manufacturing investment contributed to the recovery in 2023, but the property market slump and subdued exports weighed on growth. While housing demand remains depressed, consumer spending has been relatively resilient in recent months.

The authorities have provided moderate macroeconomic stimulus. Monetary policy has been eased with reductions in the policy rates and the required reserves ratio for banks and liquidity provision through the targeted credit support by the central bank. The government provided modest fiscal stimulus; however, many local governments face financing constraints, limiting the size of fiscal support. The authorities have also reinforced high-level policy commitment to level the playing field for private and foreign firms.

Weak housing demand and high developer debt continue to constrain the property sector. Despite lower mortgage rates and downpayment ratios, housing demand remains weak and property prices continue to fall. Meanwhile, property developers continued to face funding pressures, leading more than 20 percent contraction in housing starts in 2023.

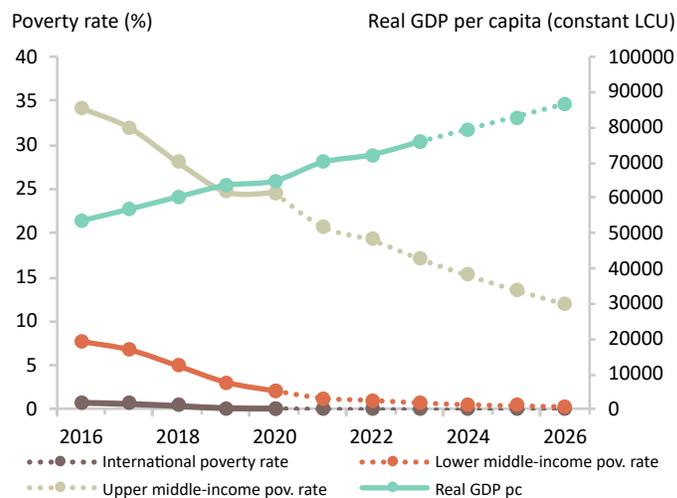
Higher economic growth in 2023 lifted 30 million people out of poverty defined by the upper middle-income country line used by the World Bank (\$6.85/day in 2017 PPP). Though this is higher than the 21 million people who exited poverty using the same threshold in 2022, the overall pace of poverty reduction is still slower than in the pre-pandemic years. Wage and property income growth picked up in 2023

**FIGURE 1 China / Real GDP growth and contributions to real GDP growth**



Sources: China's National Bureau of Statistics and World Bank staff estimates.

**FIGURE 2 China / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see Table 2.

but was slower than the pre-pandemic trend. Another income category that remains significantly affected by macroeconomic uncertainty is business income, which accounts for around 16 percent of household income on average. The volatility of business income growth (as measured by its coefficient-of-variation) over the 2022-2023 period jumped eight-fold in comparison to the two years preceding the pandemic onset and likely represents an important drag on household consumption growth.

## Outlook

Economic growth is projected at 4.5 percent in 2024. Post-COVID pent-up consumer demand has dissipated. While the property sector downturn continues to

dampen real estate investment, the reallocation of investment from real estate to manufacturing is likely to continue, due to rising demand for low carbon technologies and government support. Moreover, moderate fiscal expansion is expected to support near-term growth. On the external side, export growth is expected to improve on the back of a recovery of global trade, while import growth is expected to decelerate amid softer domestic demand. Growth is projected at 4.3 percent in 2025 and 4.1 percent in 2026, in line with its long-term potential. Consumer price inflation is expected to gradually increase to 1.0 percent in 2024, as the output gap narrows and the base effects of high commodity prices in 2023 fade.

Risks to the outlook are broadly balanced. Downside risks stem from a longer-than-expected contraction of the property sector, prolonged weakness in confidence,

slower pace of reform, and rising trade protectionism. While the investment shift from real estate towards manufacturing has led to short-term improvement in the efficiency of capital allocation, there is some risk that the rapid scale-up of investment and growing state support could lead to overcapacity and inefficiency in certain sectors. On the upside, decisive policy actions, including larger fiscal stimulus, faster restructuring in the property sector, and measures to improve market competition, could enhance business sentiment and lead to a higher-than-expected growth.

Lower projected growth rates in the outer years will also weigh on the pace of poverty reduction which is expected to slow in 2024 and 2025. The poverty rate at the upper-middle income country line is expected to fall to 15.3 and 13.6 percent for 2024 and 2025, respectively.

**TABLE 2 China / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	8.4	3.0	5.2	4.5	4.3	4.1
Private consumption	11.7	0.5	10.1	6.2	5.6	5.4
Government consumption	3.3	4.8	2.9	3.3	2.9	2.8
Gross fixed capital investment	3.1	3.3	3.7	4.1	4.0	3.7
Exports, goods and services	18.4	-2.3	-0.1	1.6	2.0	2.0
Imports, goods and services	10.3	-6.0	3.6	2.8	2.7	2.7
<b>Real GDP growth, at constant factor prices</b>	8.4	3.0	5.3	4.5	4.3	4.1
Agriculture	7.1	4.2	4.1	3.0	3.0	3.0
Industry	8.7	2.6	4.7	3.4	3.2	3.2
Services	8.5	3.0	5.8	5.5	5.2	4.8
<b>Inflation (consumer price index)</b>	0.9	2.0	0.2	1.0	1.5	2.0
<b>Current account balance (% of GDP)</b>	2.0	2.2	1.5	0.8	0.5	0.2
<b>Net foreign direct investment inflow (% of GDP)</b>	0.9	0.2	-0.9	-0.6	-0.3	0.1
<b>Fiscal balance (% of GDP)<sup>a</sup></b>	-4.0	-6.3	-5.8	-6.4	-4.4	-4.1
<b>Revenues (% of GDP)</b>	35.2	32.5	32.8	30.4	31.5	29.8
<b>Debt (% of GDP)</b>	46.9	50.4	54.2	57.5	58.7	55.5
<b>Primary balance (% of GDP)</b>	-3.0	-5.2	-4.7	-5.4	-3.4	-3.2
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	0.1	0.1	0.1	0.1	0.1	0.1
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	1.3	1.1	0.8	0.6	0.5	0.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>b,c</sup></b>	20.8	19.3	17.2	15.3	13.6	12.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.4	3.1	2.6	2.9	3.1	3.1
<b>Energy related GHG emissions (% of total)</b>	82.6	82.7	82.8	82.9	83.0	83.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ The adjusted fiscal balance adds up the public finance budget, the government fund budget, the state capital management fund budget and the social security fund budget.

b/ Last grouped data available to calculate poverty is for 2020 provided by NBS. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

c/ Projection using neutral distribution (2020) with pass-through = 0.85 based on GDP per capita in constant LCU.