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China Development Forum 2024

The Continuous Development of China

Symposium on Global Economic Growth Outlook

(Keynote Speech II)

Hosted by the Development Research Centre of the State Council (DRC) and organized by the China Development Research Foundation (CDRF), the China Development Forum (CDF) 2024 was held at Diaoyutai State Guesthouse in Beijing from 24th to 25th March. On the afternoon of March 25, the Symposium on Global Economic Growth Outlook was chaired by Yu Bin, vice president of the DRC. The speaker for “Keynote Speech II” was Wang Yiming, Vice Chairman of CCIEE and Former Vice President of DRC. He elaborated on three aspects, namely global economic growth outlook, the outlook for the Chinese economy, and China’s interaction with the rest of the world.

Wang Yiming said that after experiencing the impact of the COVID-19 pandemic and the high inflationary pressures, the global growth prospects have improved and the decline in inflation has been faster than expected. However, economic expansion remains weak. In the short term, four factors still restrict global economic growth this year. Firstly, inflation inertia remains strong. Currently, the tightening cycle of monetary policy by central banks in developed economies such as the Federal Reserve has largely come to an end. However, the tightness in the labor market in the US continues to exert pressure on wage growth. In the Eurozone, frequent strikes and wage negotiations are pushing up wages. All these determine strong inflation inertia. In addition, the accommodative financial environment and unexpected geopolitical events could lead to another round of rise in prices. Secondly, global debt risks are rising. If interest rates remain at a high level for an extended period, the substantial government debt accumulated previously will lead to a continuous increase in interest payment costs. This pressure will not only affect developed economies but also manifest as a sovereign debt pressure in low-income emerging markets. Thirdly, the global supply chain is fragmented. The post-pandemic era has seen heightened attention to supply chain resilience in various countries. The Russian-Ukrainian conflict has further exacerbated the fragmentation of global supply chains, particularly in the global energy and industrial raw material supply. In recent years, Europe and the US have been promoting “de-risking” strategies. The emphasis on near-shoring and friend-shoring in supply chains and the pushing for supply chain adjustments based on political intentions will further disrupt supply chains, reduce resource allocation efficiency, increase central costs of inflation, and slow down global recovery efforts. Fourthly, geopolitical risks have intensified. The conflict between Russia and Ukraine may prolong, expand, and become more complex. The risk of the Israel-Palestine conflict seems to be spilling over. Further expansion of these geopolitical risks will trigger a rise in risk aversion among global investors and bring an adverse impact on global trade and supply chains. In the long run, factors such as aging populations, slowing productivity, income inequality, and rising debt levels will keep the global economy on a low-growth trajectory. AI is permeating into broader fields, breaking through the production potential boundaries of traditional technologies. This advancement is expected to significantly boost productivity and inject new momentum into global economic growth. Nevertheless, it also brings considerable uncertainty.

Regarding the outlook for the Chinese economy, Wang said that the stabilization and recovery of the Chinese economy will continue to enhance global growth momentum. China is a significant force in global growth. As the world's second-largest economy with an expanding economic scale, its economic growth rate has slowed compared to the past but remains at a moderate level, contributing to around 30% of the global growth. In 2023, the Chinese economy achieved a growth rate of 5.2%, higher than expectations at the beginning of the year. It can be observed that the growth rate of the Chinese economy experienced fluctuations after the pandemic and is now returning to the level of potential economic growth. Particularly, as traditional growth drivers such as real estate weaken, the rapid growth of new industries, new models, and new formats is bridging and filling the gap formed by the adjustment in the real estate market. Therefore, the fundamentals of sustained and stable growth of Chinese economy will continue. Given the continued weakness in global growth and the presence of numerous uncertainties, China should overcome some difficulties and challenges to achieve the expected economic growth rate of 5% this year, particularly the pressure arising from insufficient effective demand. To this end, it is necessary to increase the intensity of macroeconomic policies and actively and effectively expand domestic demand. Currently, the central government's debt level remains relatively low, leaving room for expansion. China can effectively expand domestic demand through utilizing resources such as fiscal deficits, special bonds, and ultra-long-term national bonds effectively to support technological innovation, industrial transformation, and infrastructure improvements, which plays a pivotal role in driving economic growth. In the foreseeable future, China’s economy has substantial growth potential and ample room for development. The shift from a demographic dividend to a talent dividend is underway, and there is a relative abundance of capital resources. The contributions of technological advancement and overall productivity to economic growth are expected to increase continuously, which will provide improved conditions for stable and sustained economic growth in China.

China cannot develop in isolation from the world and its openness to the world has brought about economic prosperity and social progress. Wang believes that the interaction between China’s economy and the global economy will continue to increase, which is reflected in three aspects. The first is closer economic and trade relations between China and the rest of the world. China has become the major trading partner of more than 140 countries, with its total trade volume ranking first in the world. It also ranks among the top in attracting foreign investment and outbound investment. The second is the gradually increasing role of China in global production network. According to UN Comtrade data, China’s trade in intermediate goods accounts for over 15% of global total, ranking first in the world. Its intermediate goods trade in the manufacturing industry accounts for as much as 20% of global total. China is becoming a crucial hub in the global supply chain, so investing in China enables better access to the benefits of the global production network. The third is that although China’s global role is changing, its role will not be replaced. As China’s economy continues to grow in size, its large-scale market is increasingly capable of sharing the costs of research and development, logistics, marketing, and procurement.

China is shifting from its previous advantage of low labor costs to a comprehensive advantage in production costs, which will boost the international competitiveness of China’s manufacturing industry. In this sense, “ ‘next China’ will still be China.”

(China Development Press Authors: Li Zhuo; Reviewer: Yang Liangmin)

--Background Information--

Under the mandate 'Engaging with the world for common prosperity', China Development Forum (CDF) serves as an important platform for Chinese government to carry out candid exchanges and discussions with leaders of global businesses and international organizations as well as foreign and Chinese scholars. Initiated in 2000, CDF has made remarkable contributions for the policy exchange and international collaborations between China and the world.

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