

China Development Forum 2024
The Continuous Development of China

Symposium on Global Economic Growth Outlook
(Keynote Speech I)

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 I” was Yang Weimin, Vice Minister of the Economic Committee of the 13th CPPCC, and Former Vice Minister of Office of the Central Leading Group on Financial and Economic Affairs.

Focusing on Chinese economy, Yang delivered a keynote speech titled “Expand Domestic Demand and Deepen Supply-side Structural Reform Promote the Transition of Consumption from Post-Pandemic Recovery to Sustainable Expansion” He expressed that the problem of insufficient demand, especially insufficient household consumption, has once again become prominent under the impact of the Covid-19

pandemic. This is influenced by both short-term factors and long lasting deep-seated structural problems. Therefore, the primary focus of China's macroeconomic policies currently and in the foreseeable future is to integrate the expansion of domestic demand with deepening supply-side structural reforms and facilitate the formation of a sustainable mechanism for continuous expansion of consumption. To establish such a sustainable mechanism, China has already taken or will take coordinated measures in the following seven areas.

The first is to continue reforming the system of income distribution. As early as 2010, China proposed to increase individual income in step with economic development and work remuneration in step with improvement in labor productivity, while raise the share of individual income in the distribution of national income and increase the share of work remuneration in primary distribution. In the following years, China essentially achieved the goal of increasing individual income in step with economic development and work remuneration in step with improvement in labor productivity. However, the goal of raising the share of individual income in the distribution of national income and increasing the share of work remuneration in primary distribution has yet to be accomplished, especially raising the share of individual income in the distribution of national income. It is clarified in the expected targets of the government work report for this year that we will ensure that personal income grows in step with economic growth and that labor remuneration grows in step

with increase of productivity, removing “basically” in previous expressions, which highlights China’s determination and policy orientation to promote faster growth in personal income. Meanwhile, a new round of reform of the fiscal and tax system is proposed. Once these measures are implemented, the tax burden on residents will definitely be reduced, leading to faster growth in personal income compared to economic growth, which, in turn, will increase the proportion of personal consumption in total demand.

The second is to promote regional and administrative institutional reforms. The CPC Central Committee requires Party and government bodies to tighten their belts. The number of civil service positions has been reduced across the country. Many regions are taking measures to promote administrative division reforms. All these help reduce government administrative expenses and allocate more of the saved funds to public services such as social security, education, and healthcare, which significantly enhance the consumption capacity of the people.

The third is to promote financial supply-side structural reform. It is proposed in the government work report of this year that we should work for a steady decline in overall financing costs, which essentially aims to reduce the proportion of financial industry income in the national income. Currently, there are conditions to continue lowering the financing costs for residents (including enterprises), reducing new mortgage rates, and moderately reducing existing mortgage rates. This will not only enhance

the consumption capacity of the people but also promote housing consumption.

The fourth is to actively expand market-based employment. Income supports consumer spending while employment guarantees income. The pandemic has had a significant impact on employment, which has already affected the resident's income. Since the outbreak of the pandemic, there has been a reversal in the employment landscape, with state-owned enterprises witnessing an increase in employment while private enterprises are experiencing a decrease. China should restore the previous employment growth pattern in order to expand employment stability. China should balance development and governance in industry standards and seek dynamic equilibrium among multiple goals to boost expectations for private sector development and encourage investment and employment of it.

The fifth is to remove restrictions on consumption. Consumers, like producers, are also market entities. China should adhere to the principle of non-intervention in the lawful operation of enterprises while also establishing the principle of non-intervention and minimal restriction on consumption. For instance, policies relevant to restrictions on purchases of properties and automobiles need further optimization and improvement. Economic circulation can proceed more smoothly only when income is transformed into consumption by meeting the diverse needs of different income groups.

The sixth is to promote the steady and healthy development of the real estate market. Housing is a key area for household consumption, especially for consumption upgrading. It requires comprehensive planning to expand demand and implement structural reforms while balancing short-term policies with long-term institutions. Considering the population size, urbanization trends, and the demand for improved quality of life, there is still significant room for growth in China's real estate market. Therefore, in the short term, it is necessary to further optimize the existing real estate policies to ensure the delivery of housing project, the people's wellbeing, and social stability. Meanwhile, new policies for the long term development of the real estate sector should be planned. The new policies for the future development of real estate sector should cover three aspects. Firstly, relevant supportive policies should be systematically planned to both prevent risks and promote development. Secondly, the "market + guarantee" supply system should be improved to address the housing problem of the so-called sandwich class who earn too much to qualify for purchasing the traditional government-subsidized apartments, and yet unable to afford private apartments in supercities. Thirdly, reform of foundational systems related to commercial housing should be promoted, including financial, tax, and land systems.

The seventh is to grant permanent urban residency to people who move to cities from rural areas. The healthy development of the real estate industry is closely related to urbanization. In recent years, the

majority of cities have already relaxed household registration restrictions. However, the willingness of rural migrants to settle in place is not strong, because their rural household registration is tied to rural collective ownership as a basic requirement for owning contracted land, residential land use rights, and collective economic ownership. Researches show that promoting their faster integration into cities through identity system reform would significantly increase total consumption among Chinese residents.

(China Development Press Authors: Wu Jia; 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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