Has China’s Growth Gone From Miracle to Malady?

Eswar Prasad
The Big Picture

- Remarkable growth trajectory
- Inefficient growth model
- External, domestic imbalances being rectified
- Some imbalances back in post-COVID recovery
- Growth challenges
- Financial risks sizable. But manageable?
- Unbalanced reforms => more volatility
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Relative GDP and Per Capita Income: China and the United States (in percent)
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  - Capital intensive
  - Low employment growth
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Growth Contributions of Demand Components
1990-2022

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Saving, Investment, and Current Account Balance
(in percent of nominal GDP)
Growth Contributions of Demand Components
2000-2015

Sectoral Shares of Output and Employment (in percent)

(A) Sectoral Shares of Output

(B) Sectoral Shares of Employment
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Growth Contributions of Demand Components 2015-2022

Growth in Private and Public Fixed Asset Investment
(monthly data; year over year growth, in percent)
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Growth in Labour Productivity and Total Factor Productivity
(annual growth, in percent)
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  - Corporate debt ratios stabilized but at high level
  - Household debt rising fast
  - Property market—some developers, banks vulnerable
  - Capital flight

- Unbalanced reforms → more volatility
Components of Gross Debt
(in percent of nominal GDP)

% of Nominal GDP

- Non Financial Corporates
- General Government
- Households


2021: 62%
2018: 145%
2006: 112%
Components of Gross National Saving (in percent of nominal GDP)

- Households (% of Nominal GDP)
- Corporates (% of Nominal GDP)
- Government (% of Nominal GDP)
- Household Savings (% of Household Disposable Income)
Net Errors and Omissions, Changes in FX Reserves
(in USD billions)
Banking Deposits: Household and Corporate
(in percent of nominal GDP)
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- Unbalanced reforms => more volatility
  - Financial sector liberalization, capital market reforms
  - Invoking market discipline
  - Minimal real side, institutional reforms