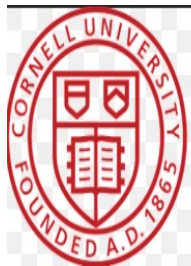

Has China's Growth Gone From Miracle to Malady?

Eswar Prasad



Cornell University

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National Bureau of Economic Research

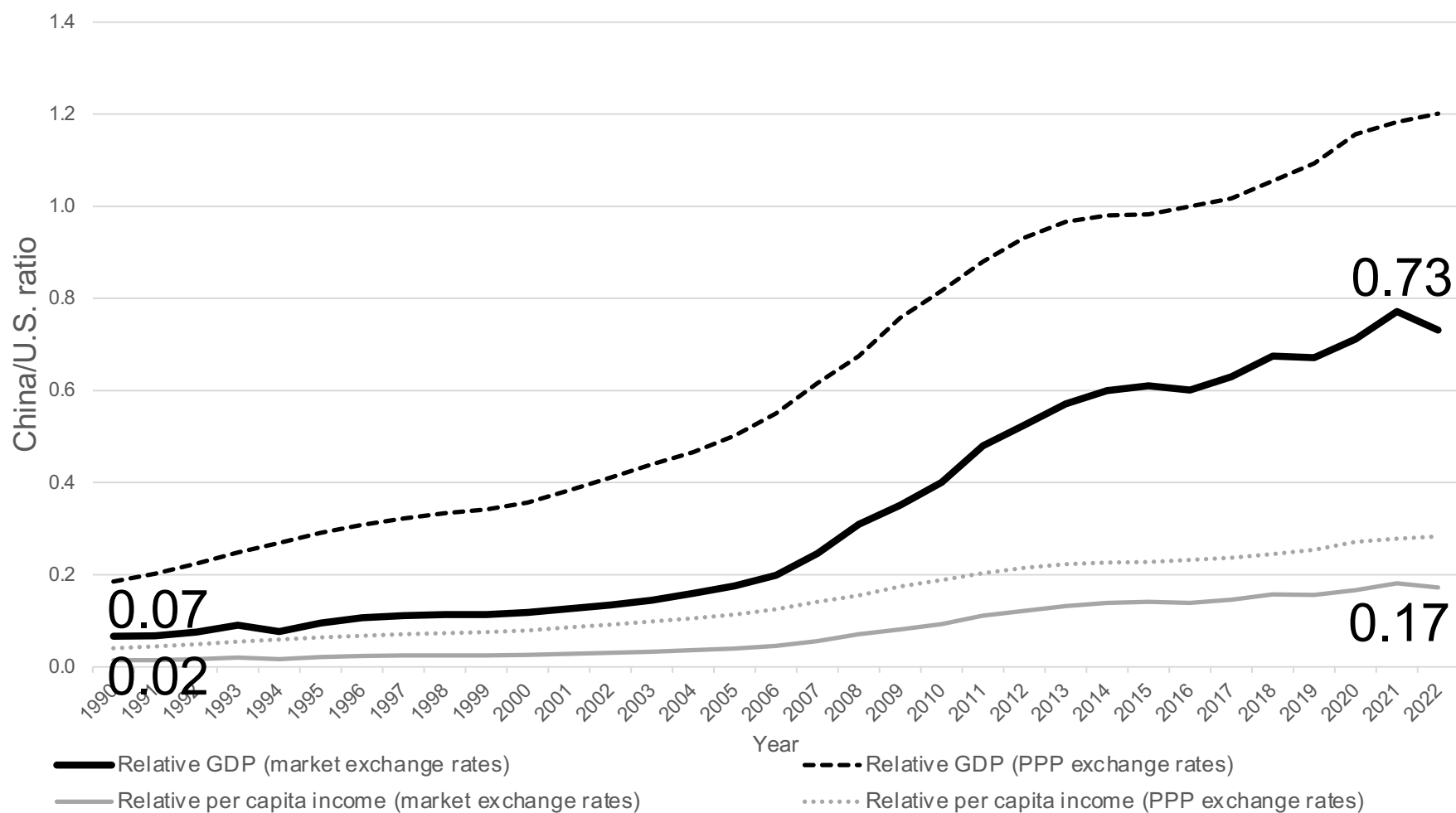
The Big Picture

- 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
-

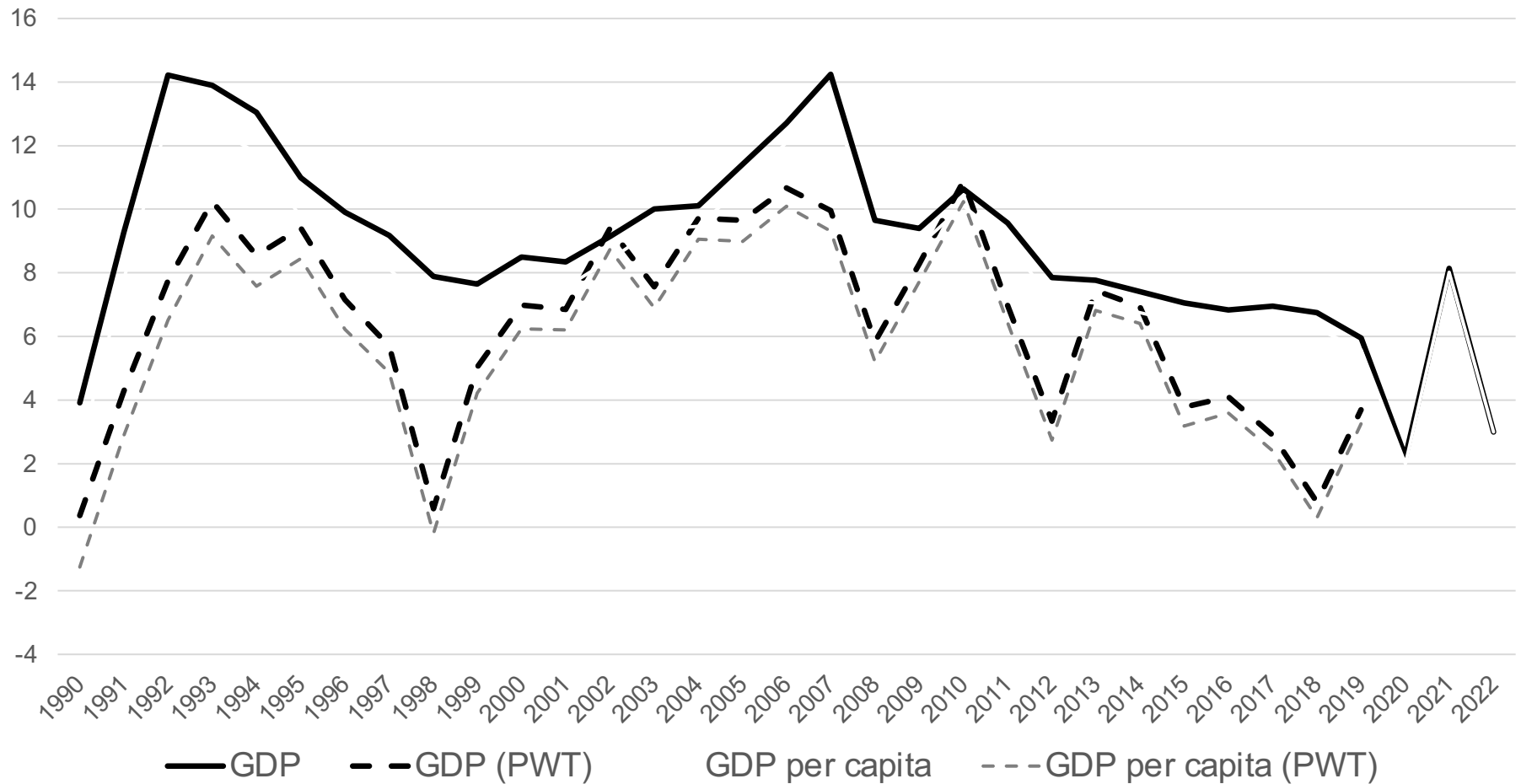
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Relative GDP and Per Capita Income: China and the United States (in percent)



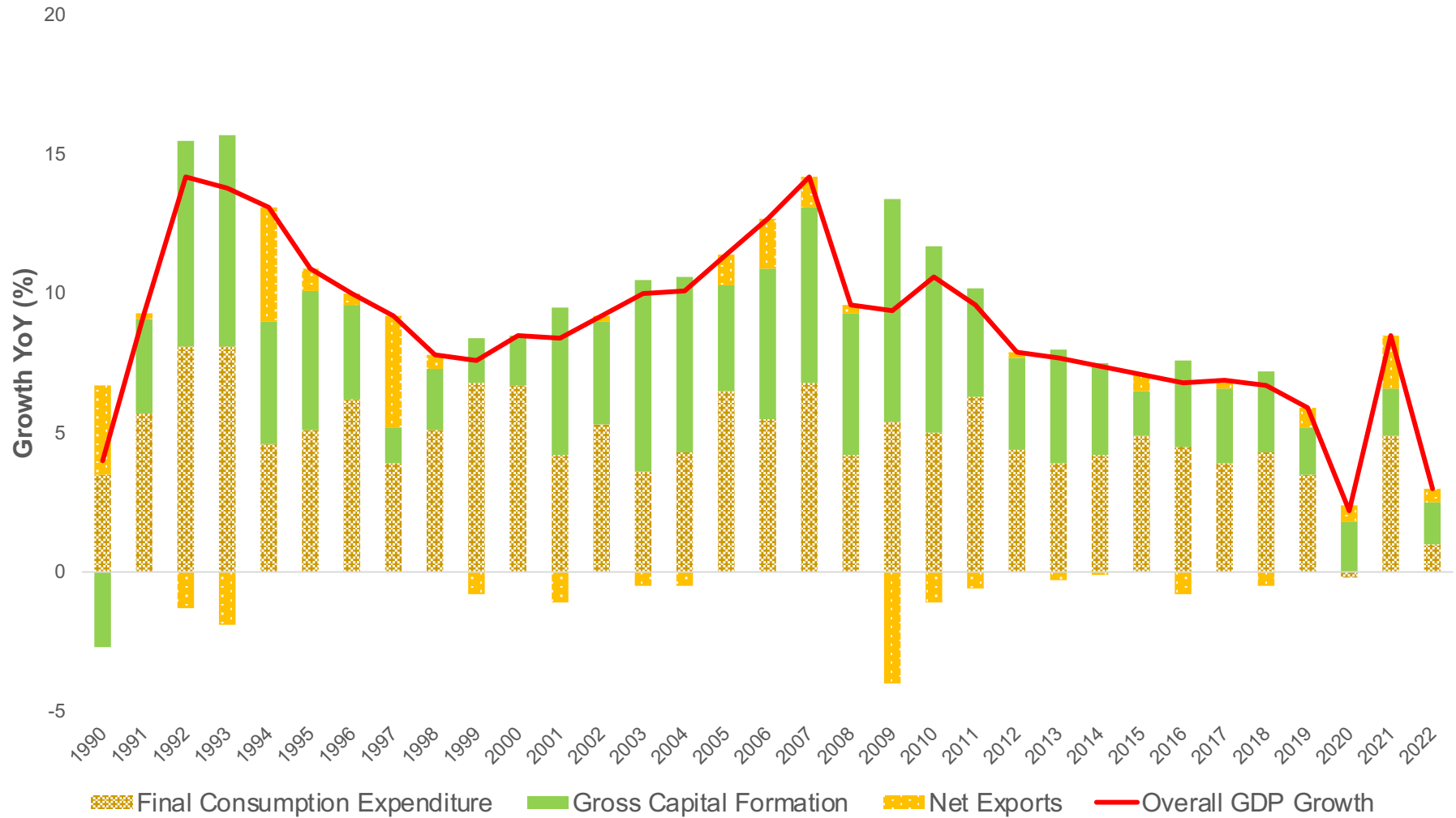
China: Annual Growth in Real GDP and Per Capita Real GDP (in percent)



The Big Picture

- Remarkable growth trajectory
 - Inefficient growth model
 - Capital intensive
 - Low employment growth
 - External, domestic imbalances being rectified
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Growth Contributions of Demand Components 1990-2022



Data sources: CEIC and National Bureau of Statistics, China.

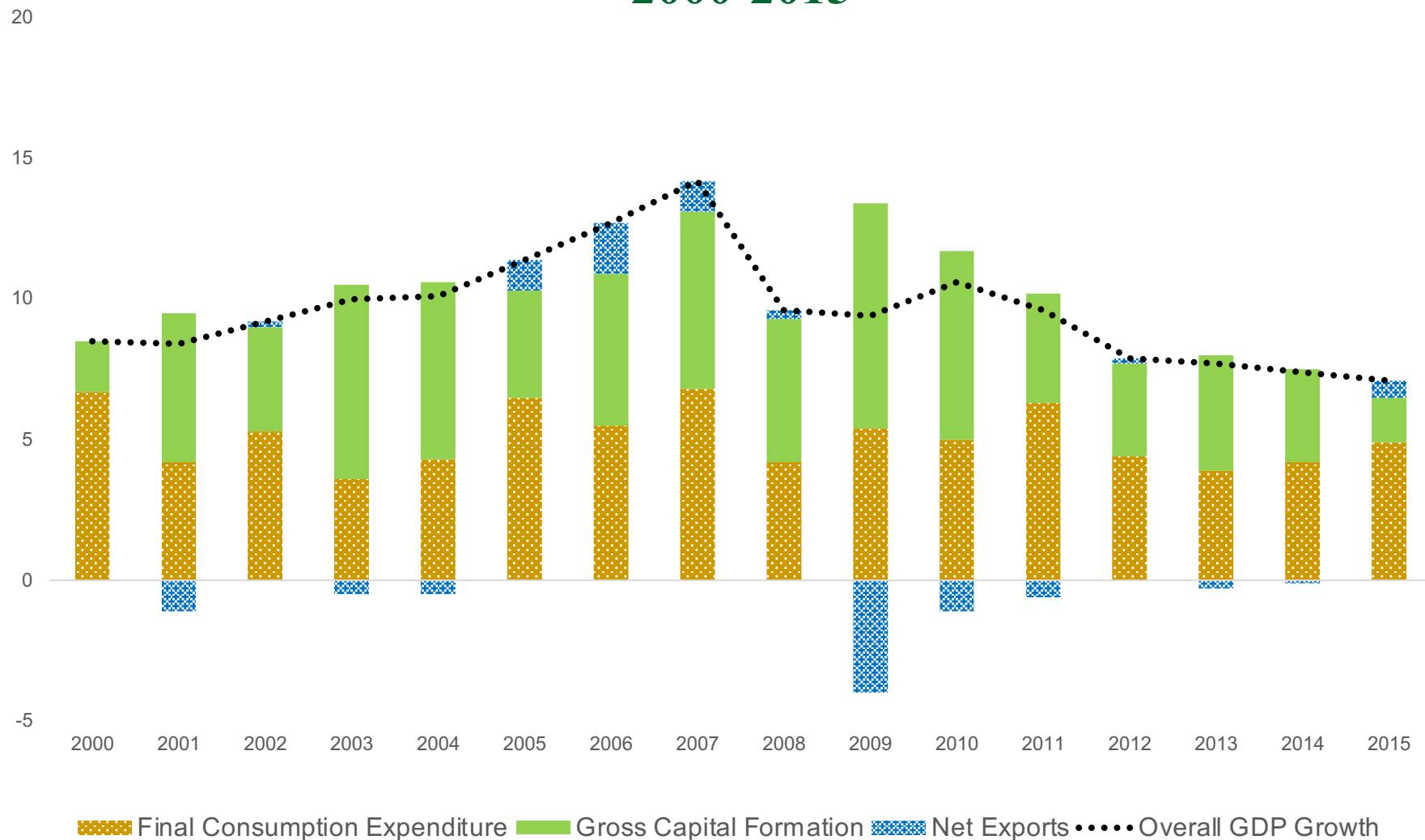
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Saving, Investment, and Current Account Balance (in percent of nominal GDP)



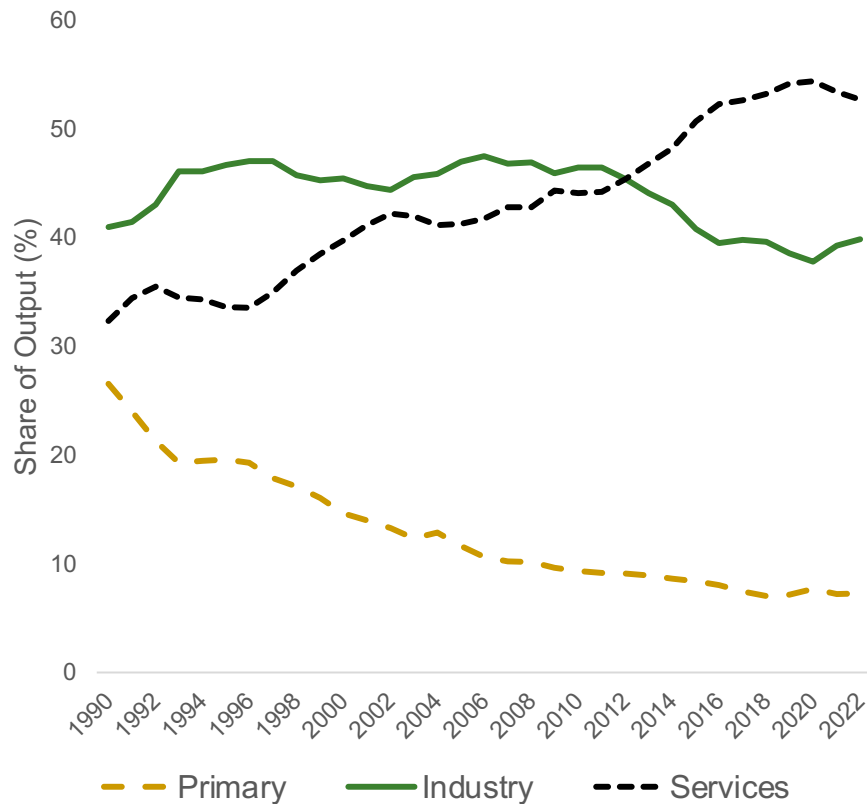
Growth Contributions of Demand Components 2000-2015



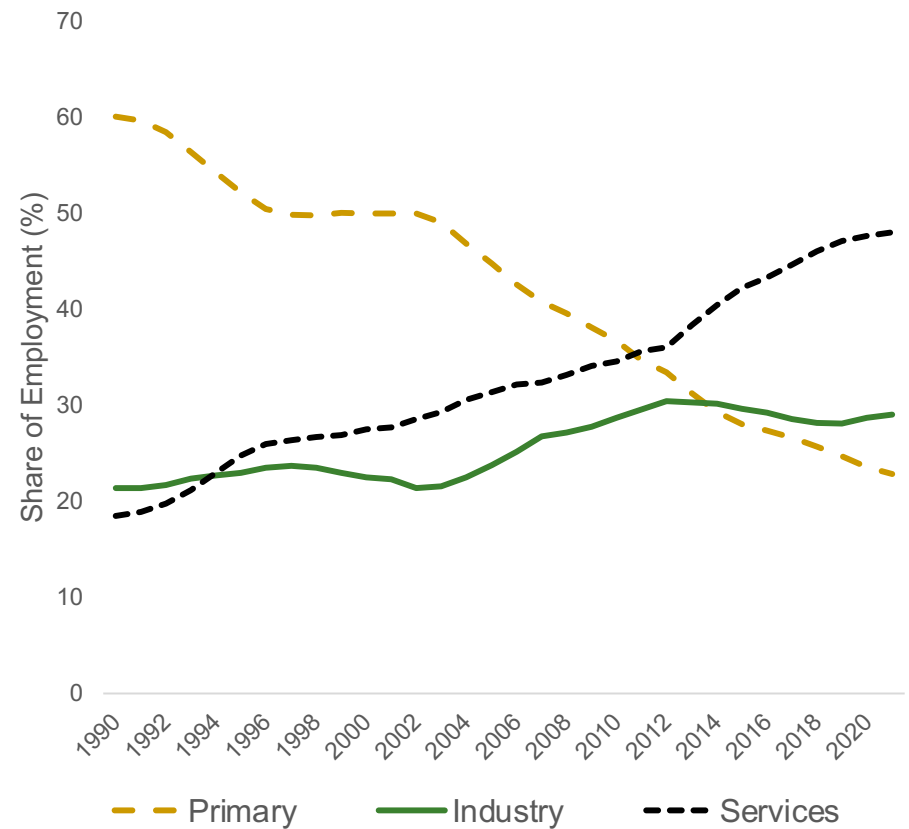
Data sources: CEIC and National Bureau of Statistics, China.

Sectoral Shares of Output and Employment (in percent)

(A) Sectoral Shares of Output



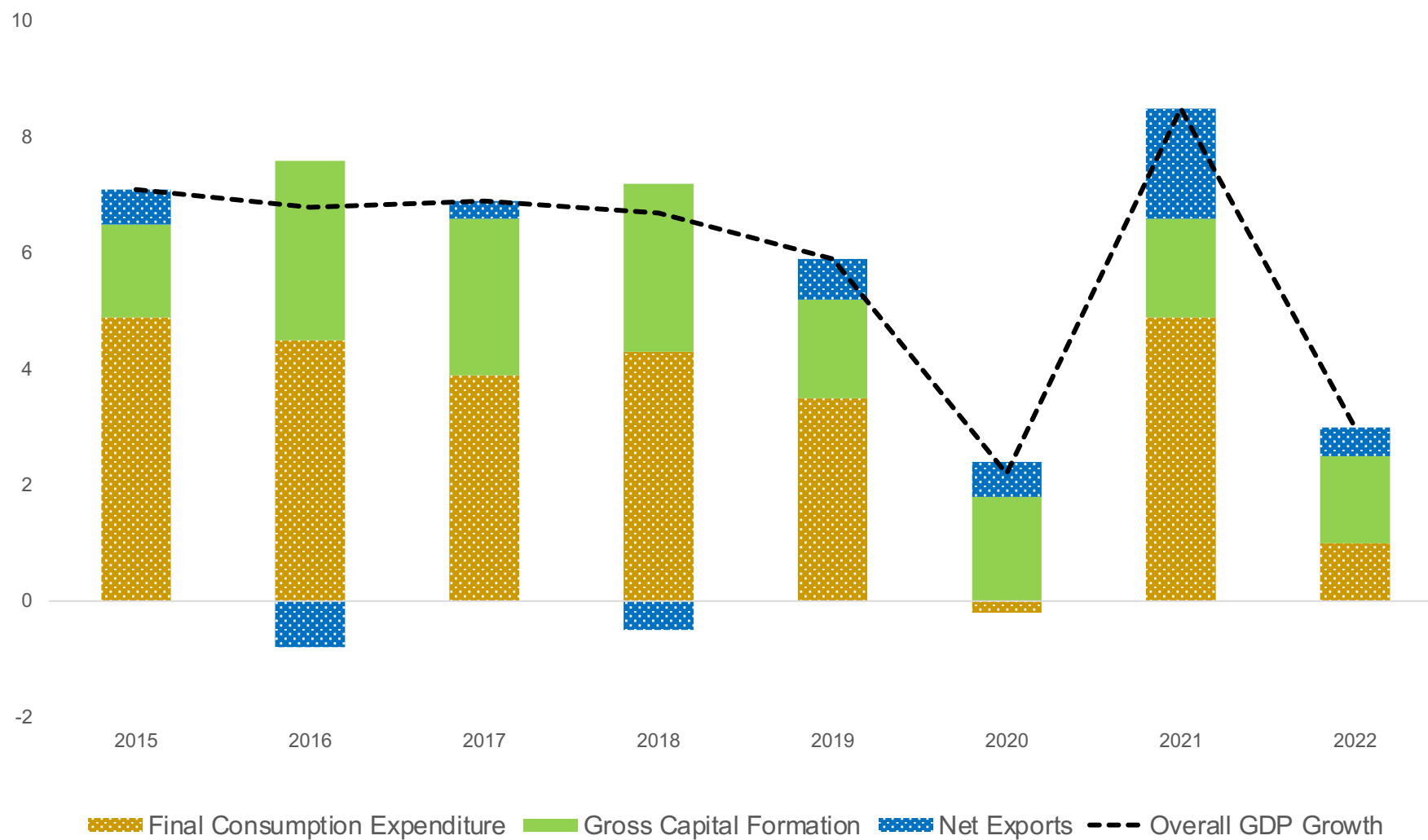
(B) Sectoral Shares of Employment



The Big Picture

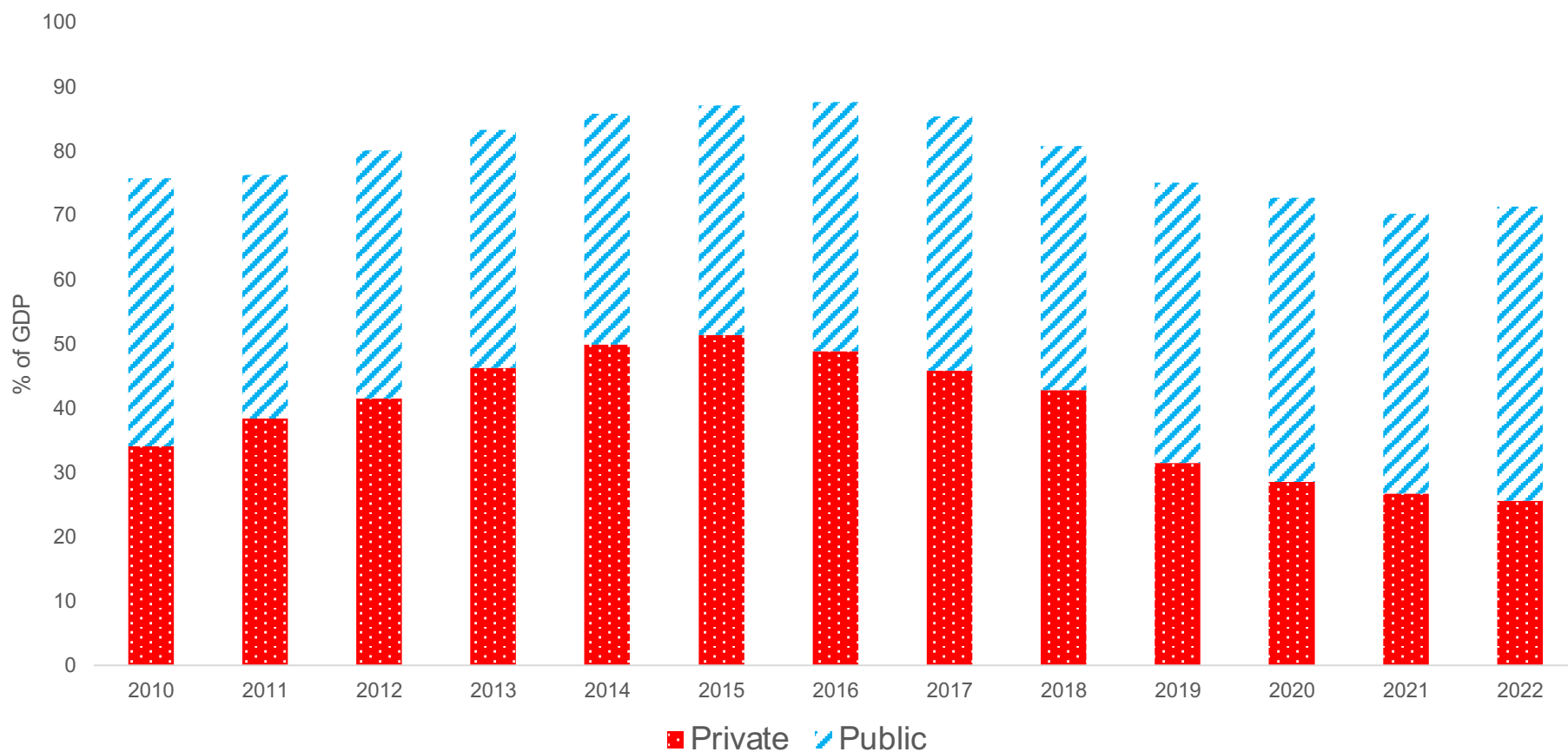
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Growth Contributions of Demand Components 2015-2022



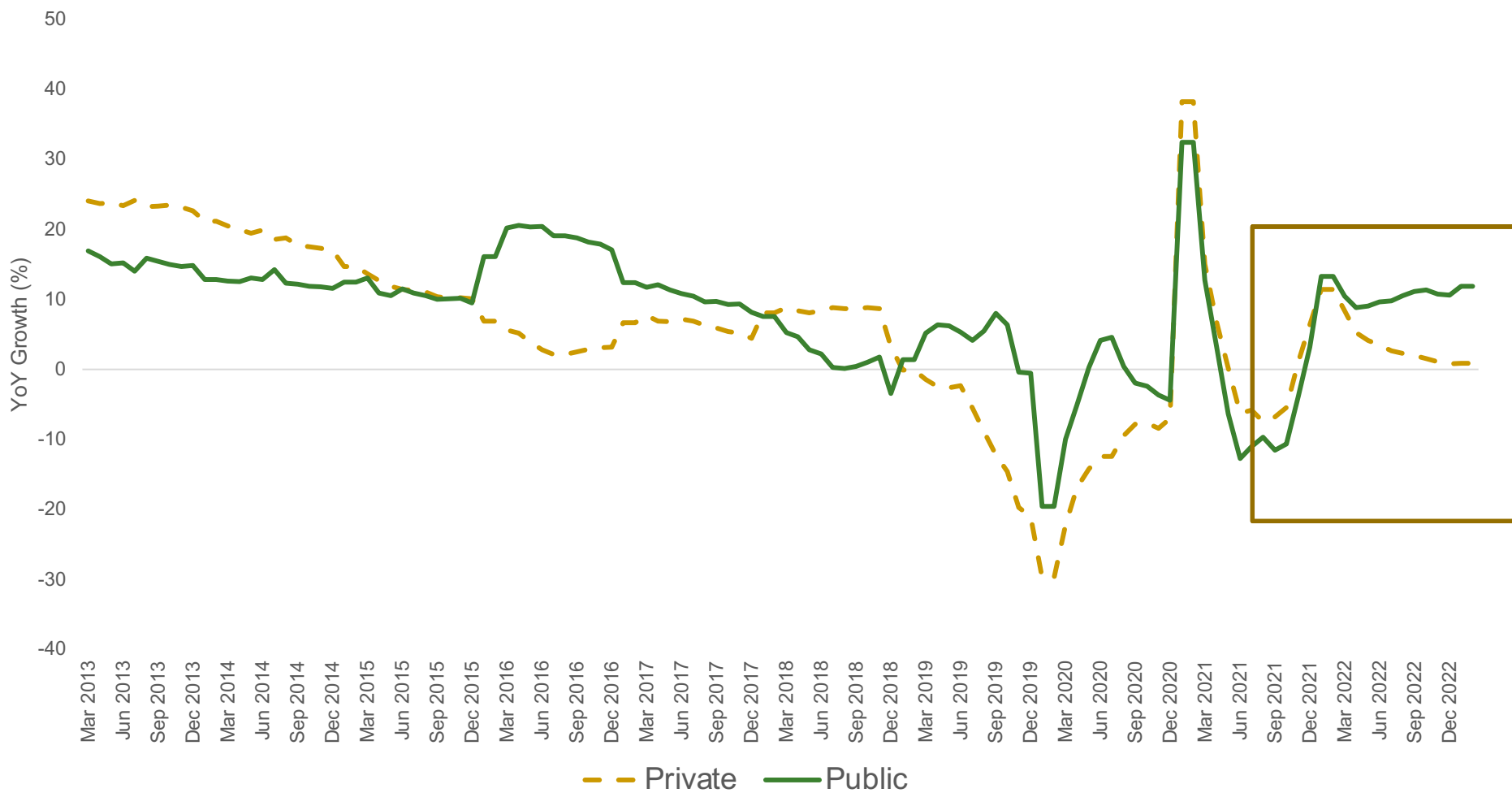
Data sources: CEIC and National Bureau of Statistics, China.

Private and Public Fixed Asset Investment (in percent of nominal GDP)



Growth in Private and Public Fixed Asset Investment

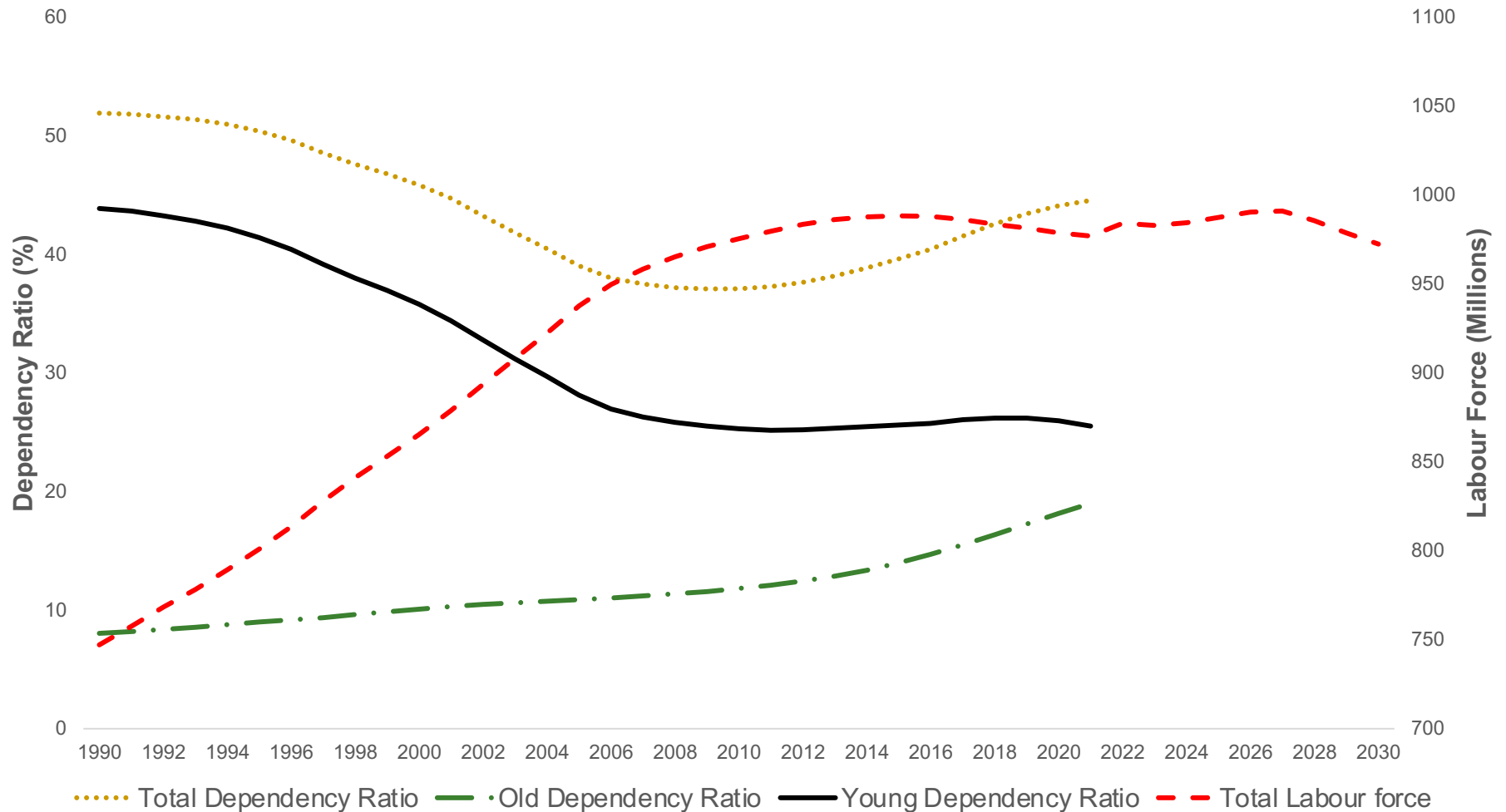
(monthly data; year over year growth, in percent)



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Demographics and Labor Force



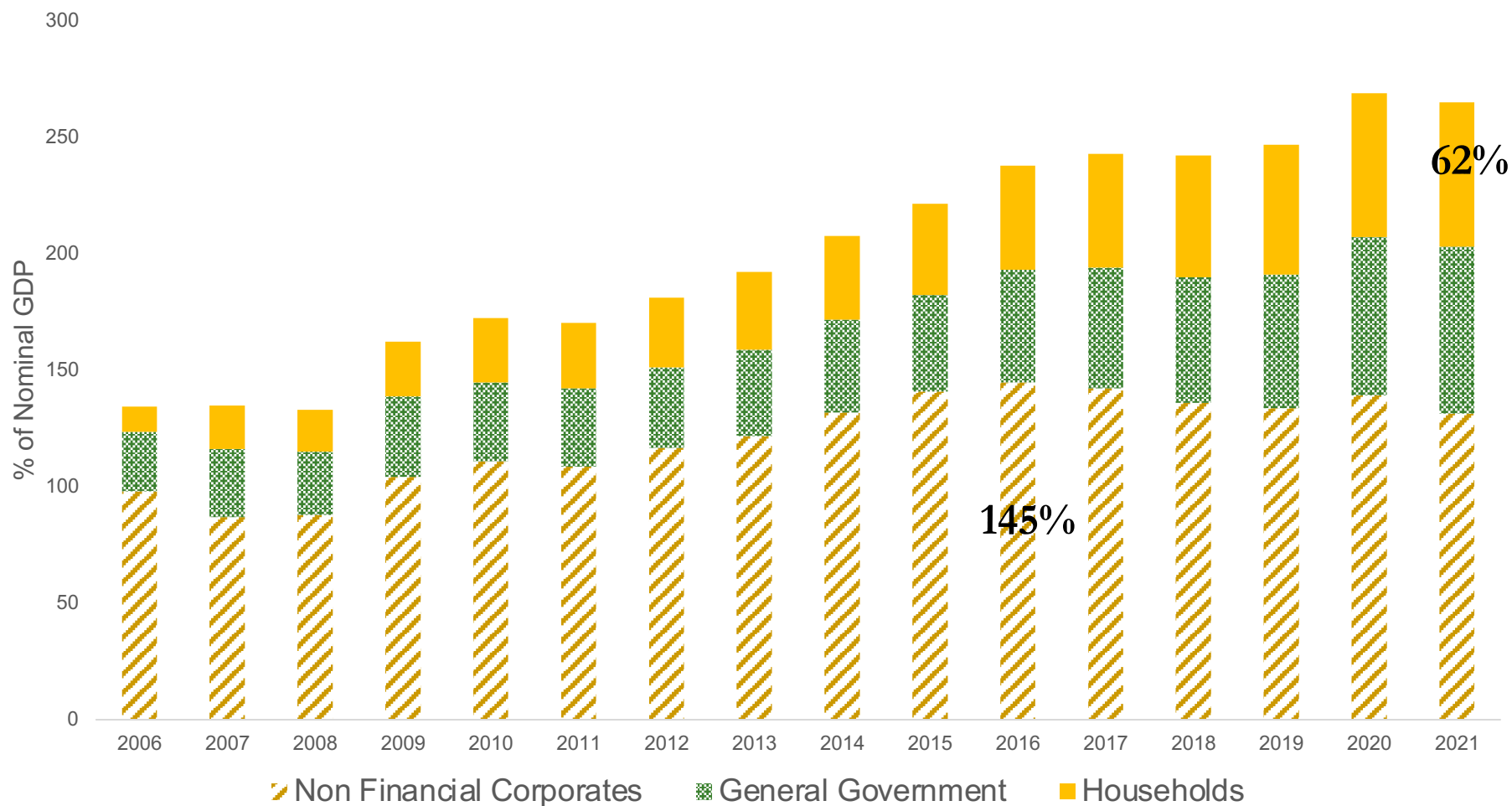
Growth in Labour Productivity and Total Factor Productivity (annual growth, in percent)



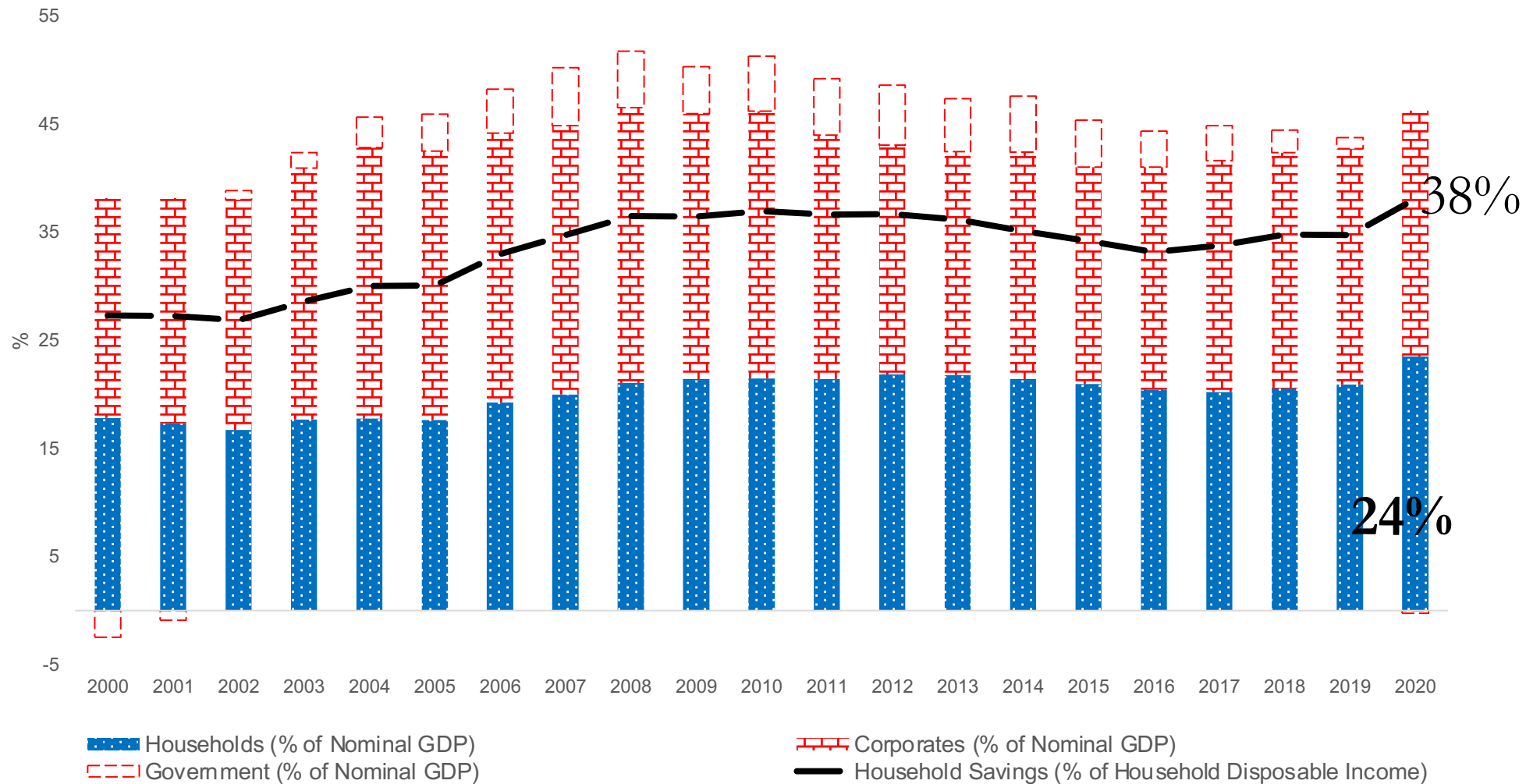
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 - Corporate debt ratios stabilized but at high level
 - Household debt rising fast
 - Property market—some developers, banks vulnerable
 - Capital flight
 - Unbalanced reforms => more volatility
-

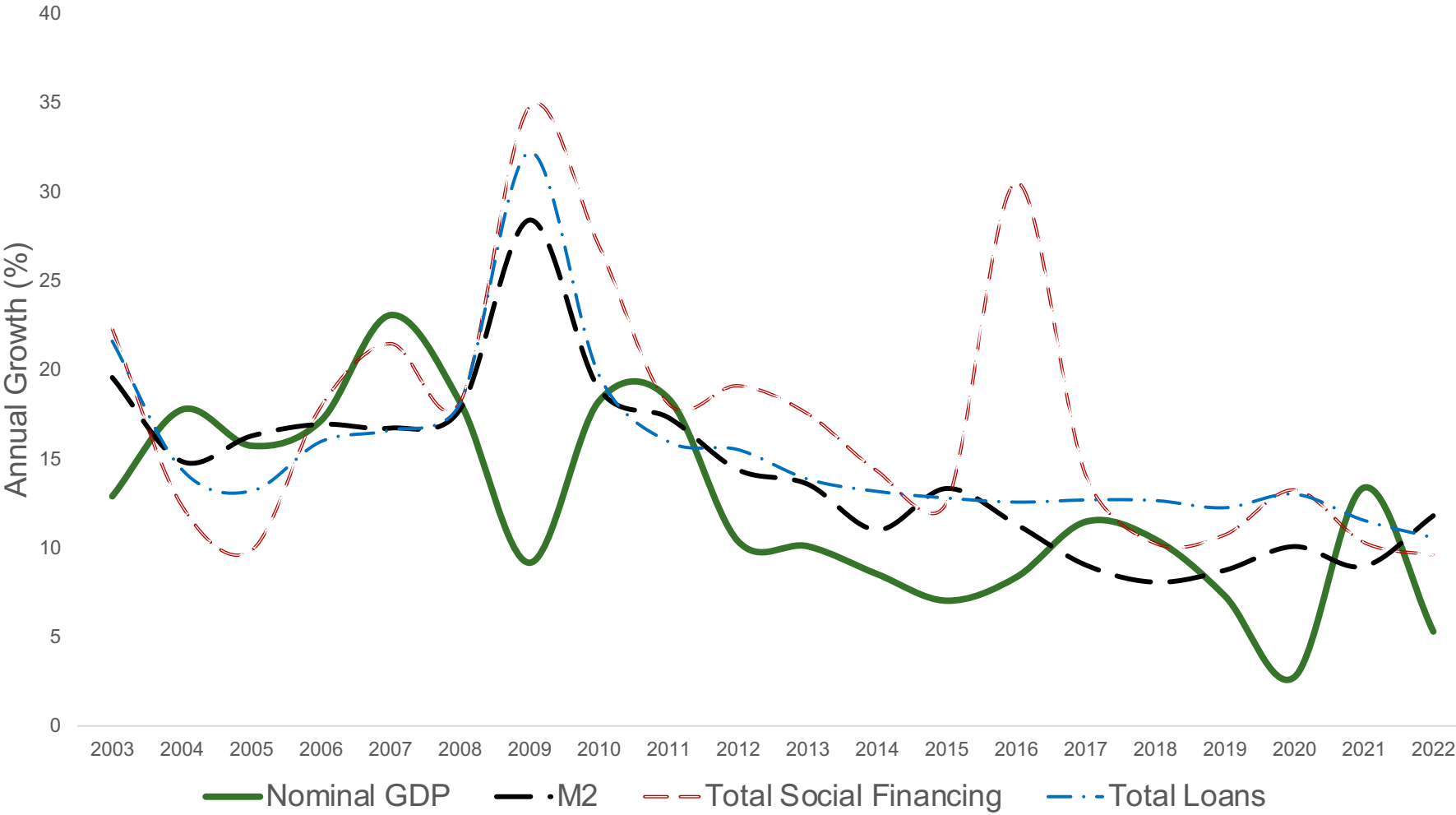
Components of Gross Debt (in percent of nominal GDP)



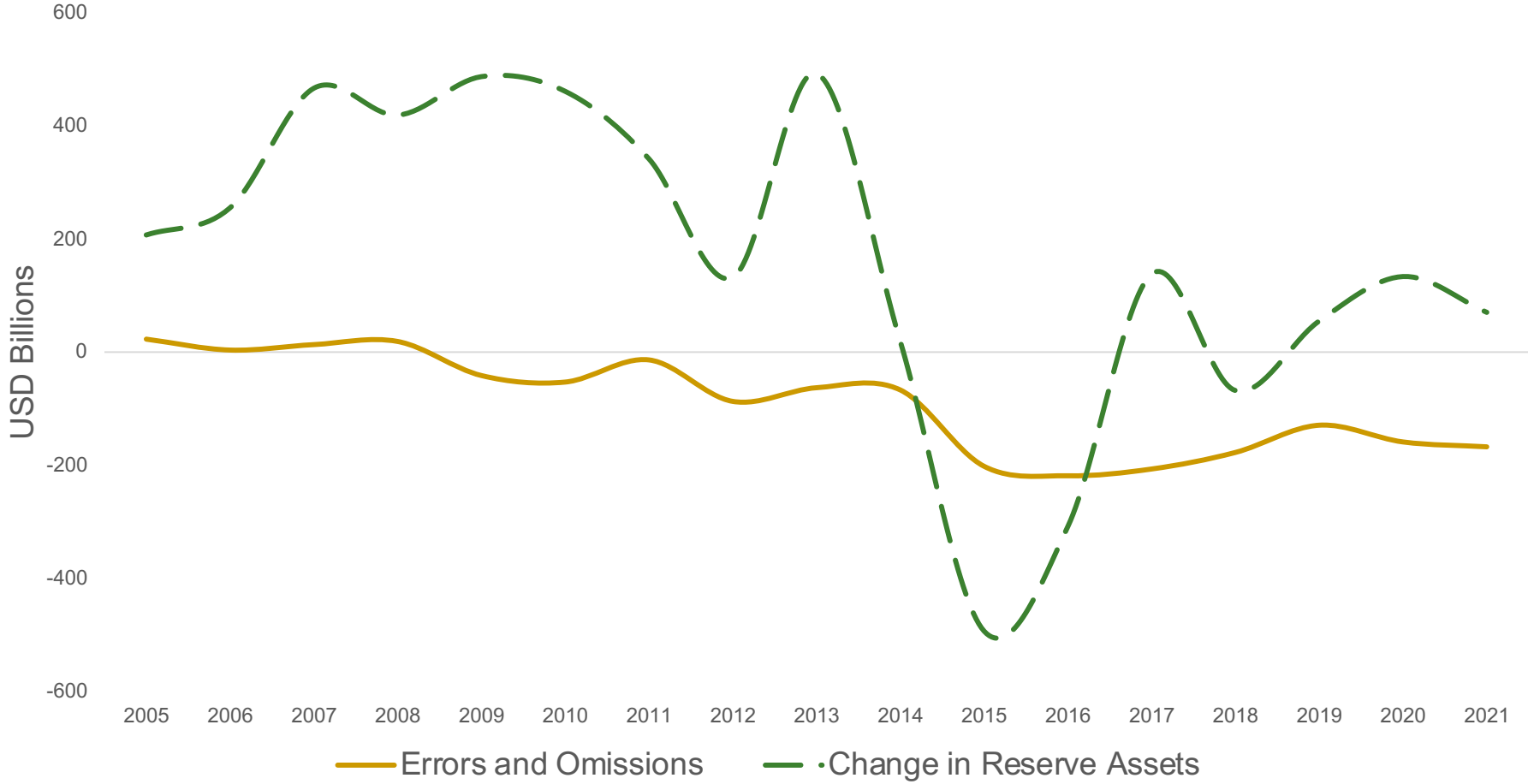
Components of Gross National Saving (in percent of nominal GDP)



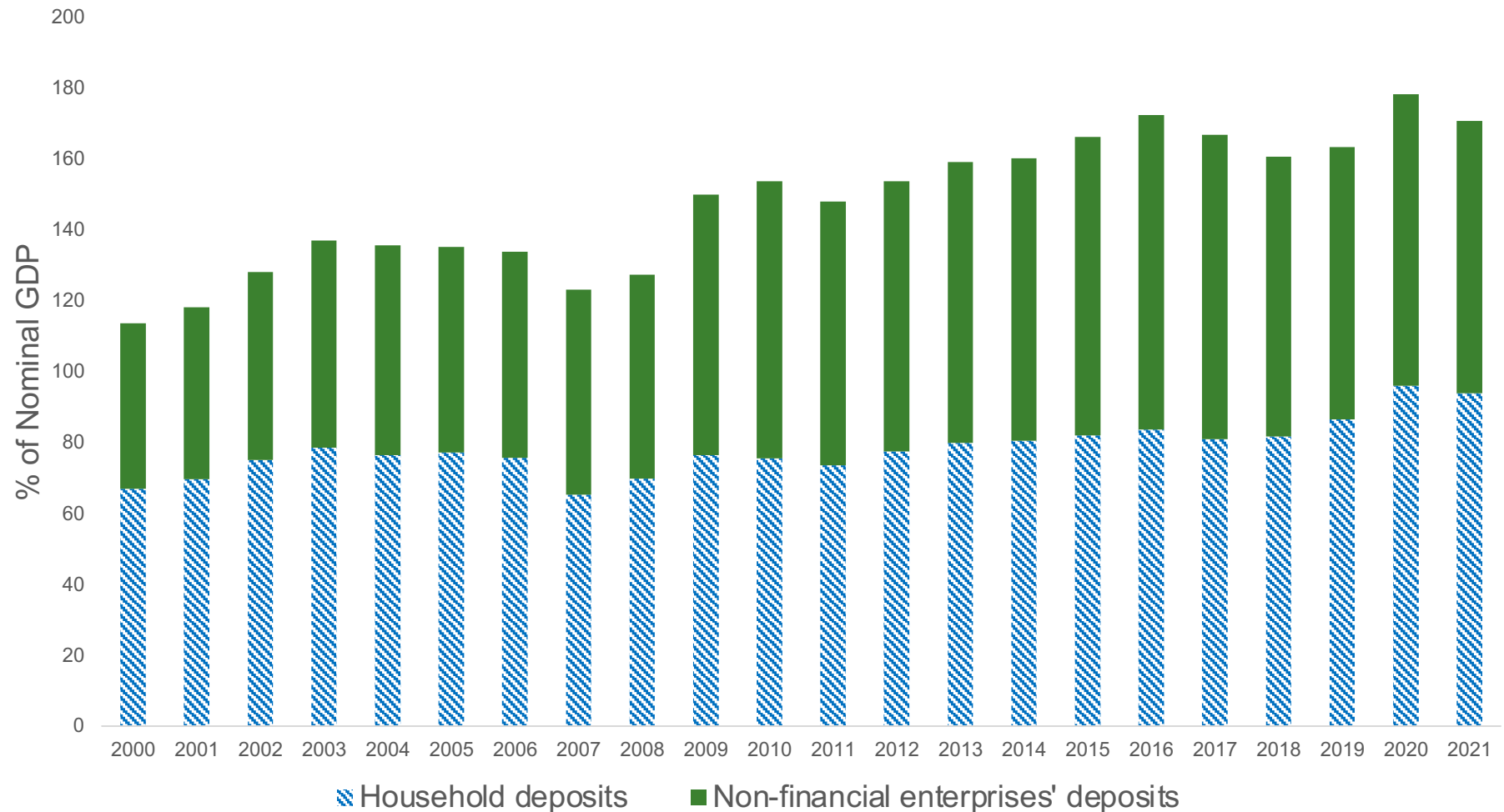
Growth in Nominal GDP and Monetary/Credit Aggregates (in percent)



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
-