

Focus on the New, Not the Old: Why China's Economic Slowdown Understates Gains

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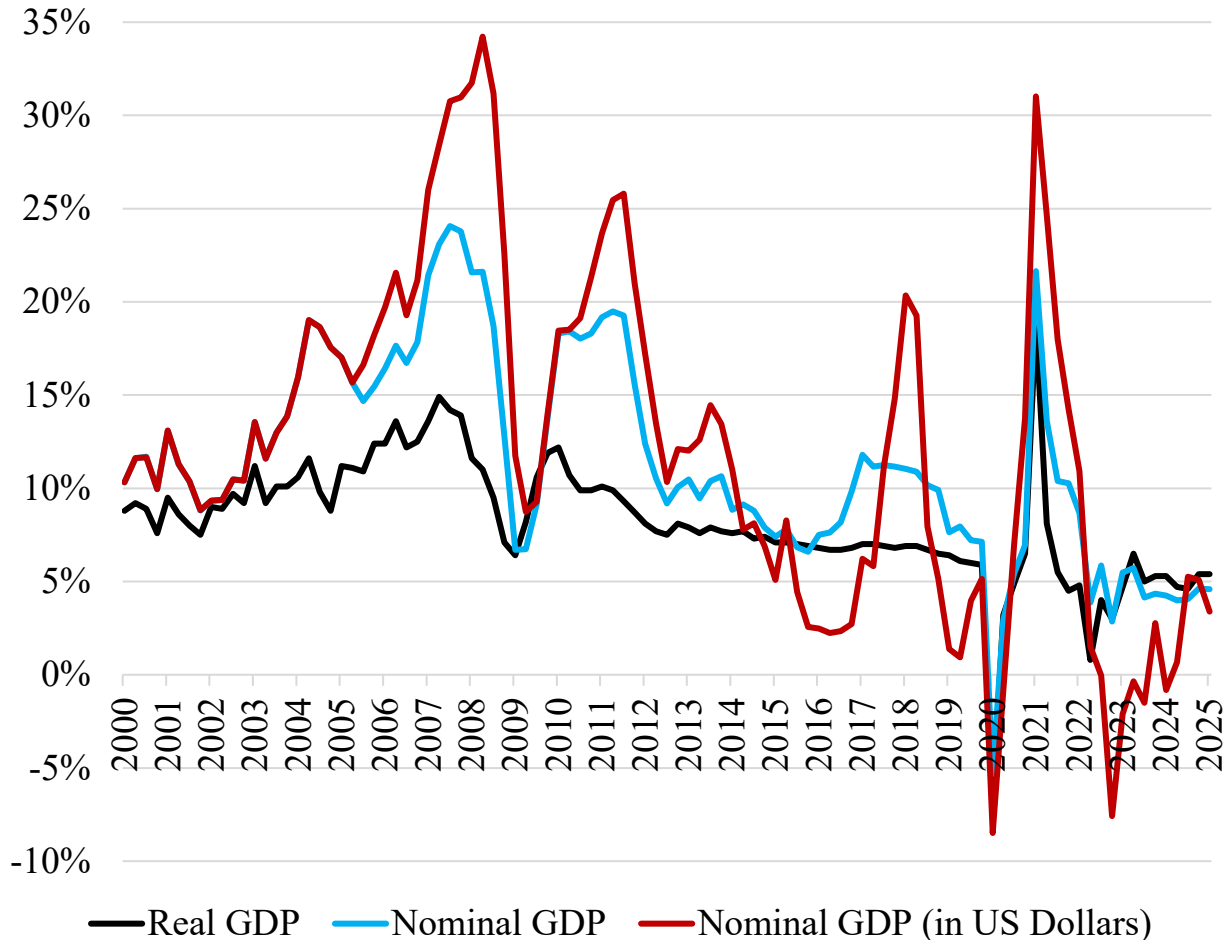
RAND China Research Center

April 30, 2025

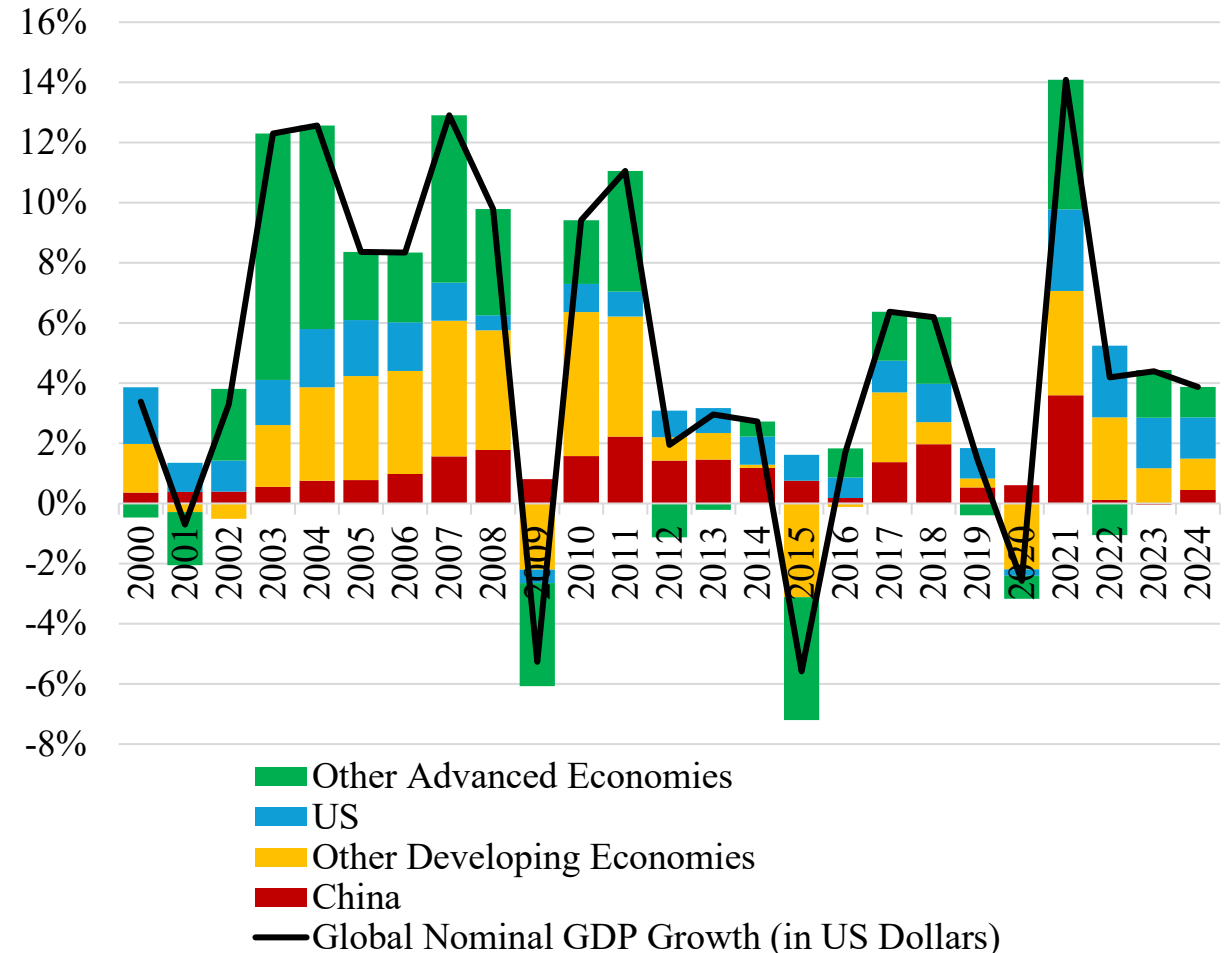
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China's Economic Growth Has Slowed... Is This “Peak China”?

China's Real and Nominal GDP Growth Have Been Comparatively Low Since 2022
Percentage Points, Year on Year

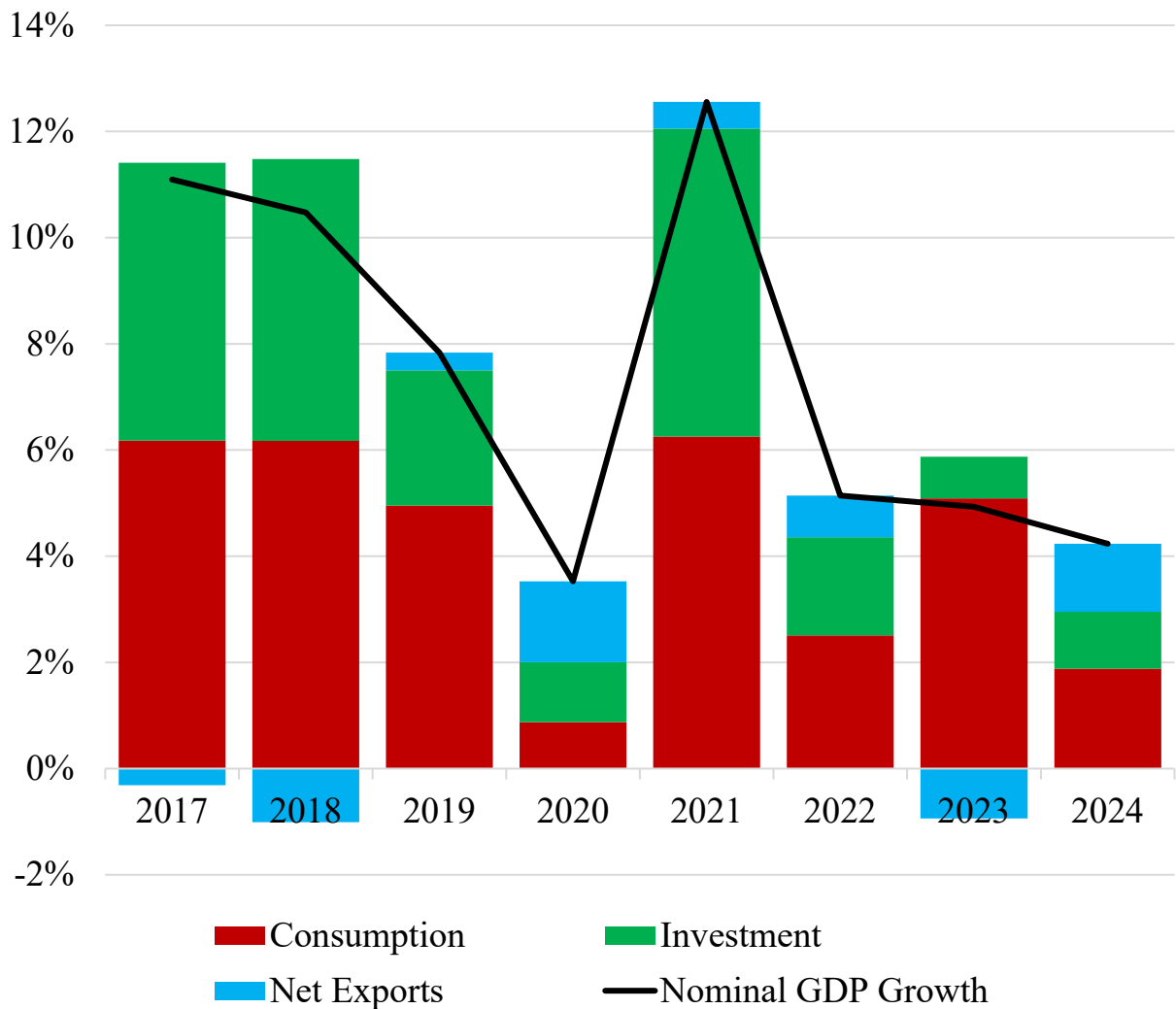


China Hasn't Contributed Much to Global Growth of Late
Percentage Points, Year on Year

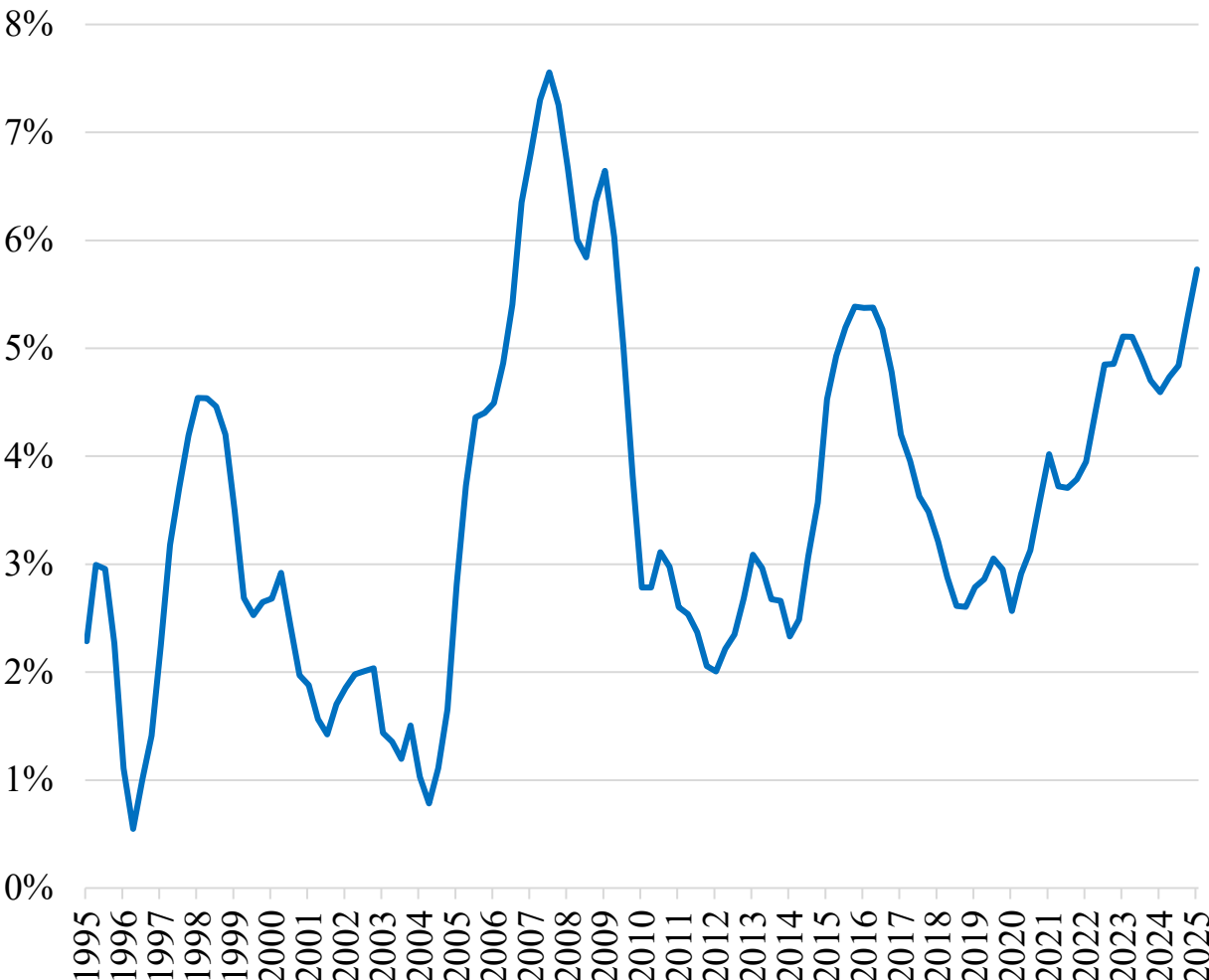


China's Consumption and Investment Growth Are Down, Net Exports Are Up

China's Growth Downshift
Percentage Points, Year on Year



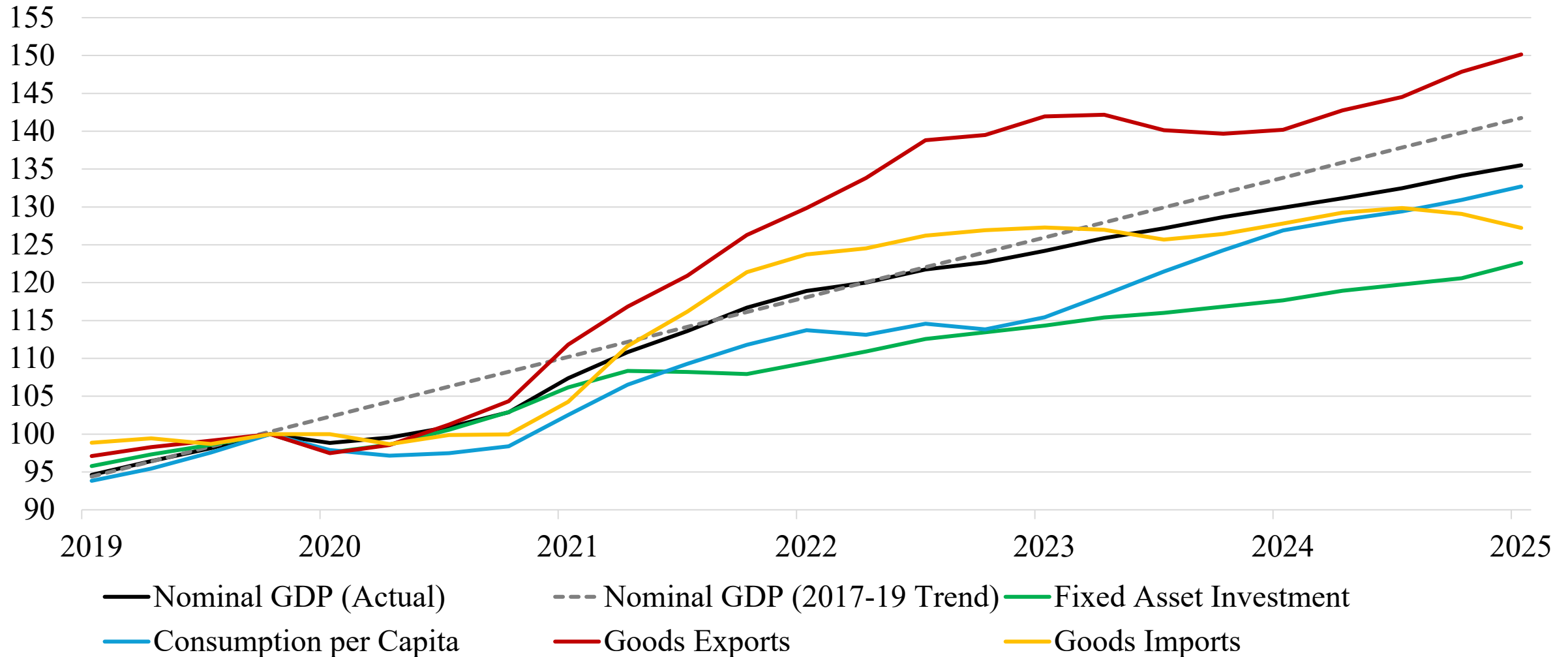
Net Exports of Goods Have Increased to Their Highest Share of China's Economy Since 2009
Share of GDP



Sources: National Bureau of Statistics and General Administration of Customs.

In Level Terms, Consumption, Investment, and Imports Are Below Their Pre-COVID Trends

Index, Q4 2019=100 (Rolling 4-Quarter Sums)

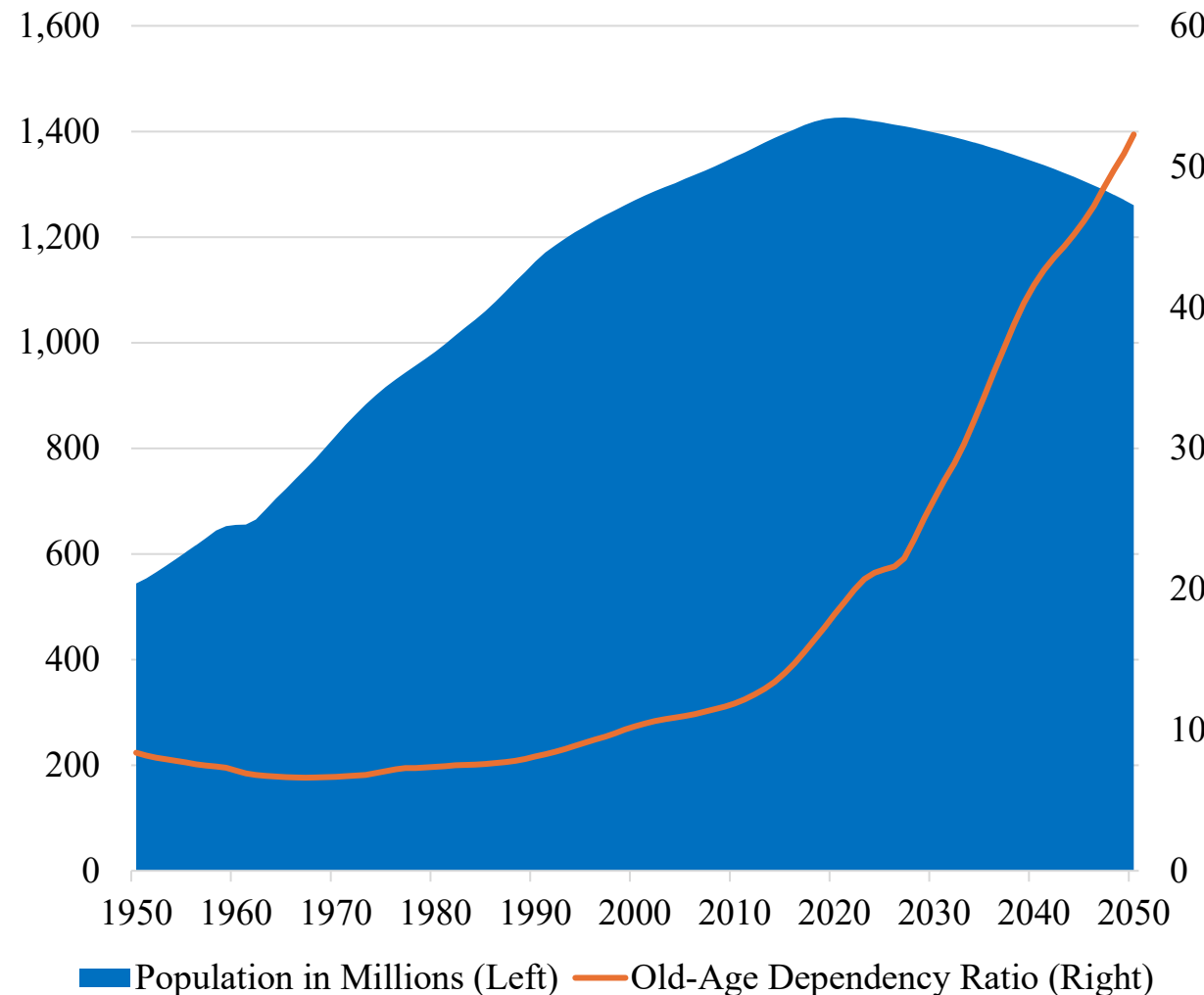


Source: General Administration of Customs and National Bureau of Statistics.

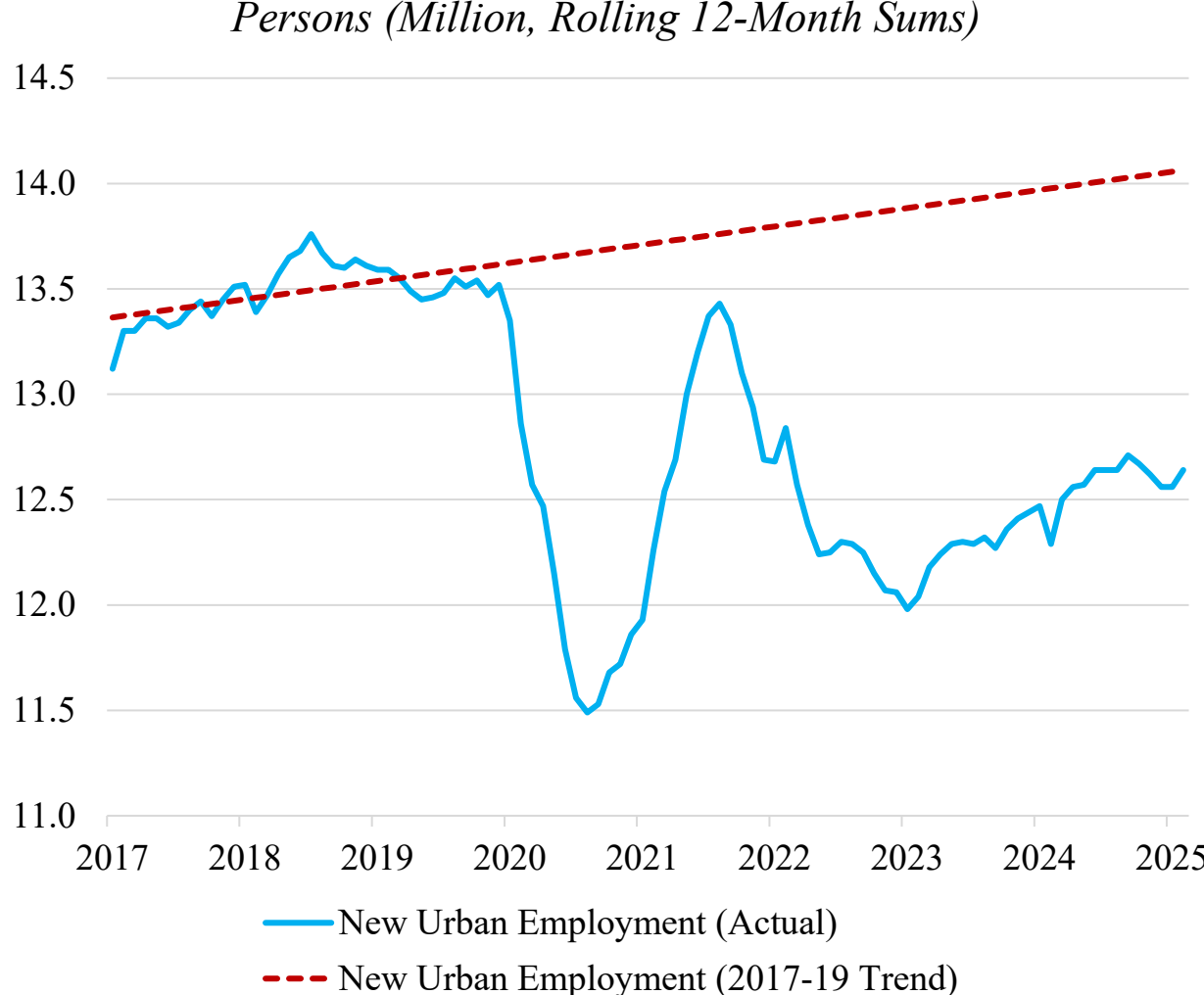
Note: Indices calculated based on nominal values in yuan. Fixed asset investment values are based on reported growth rates.

Demographics Are More of a Structural than Cyclical Problem

China's Aging Will Take Decades



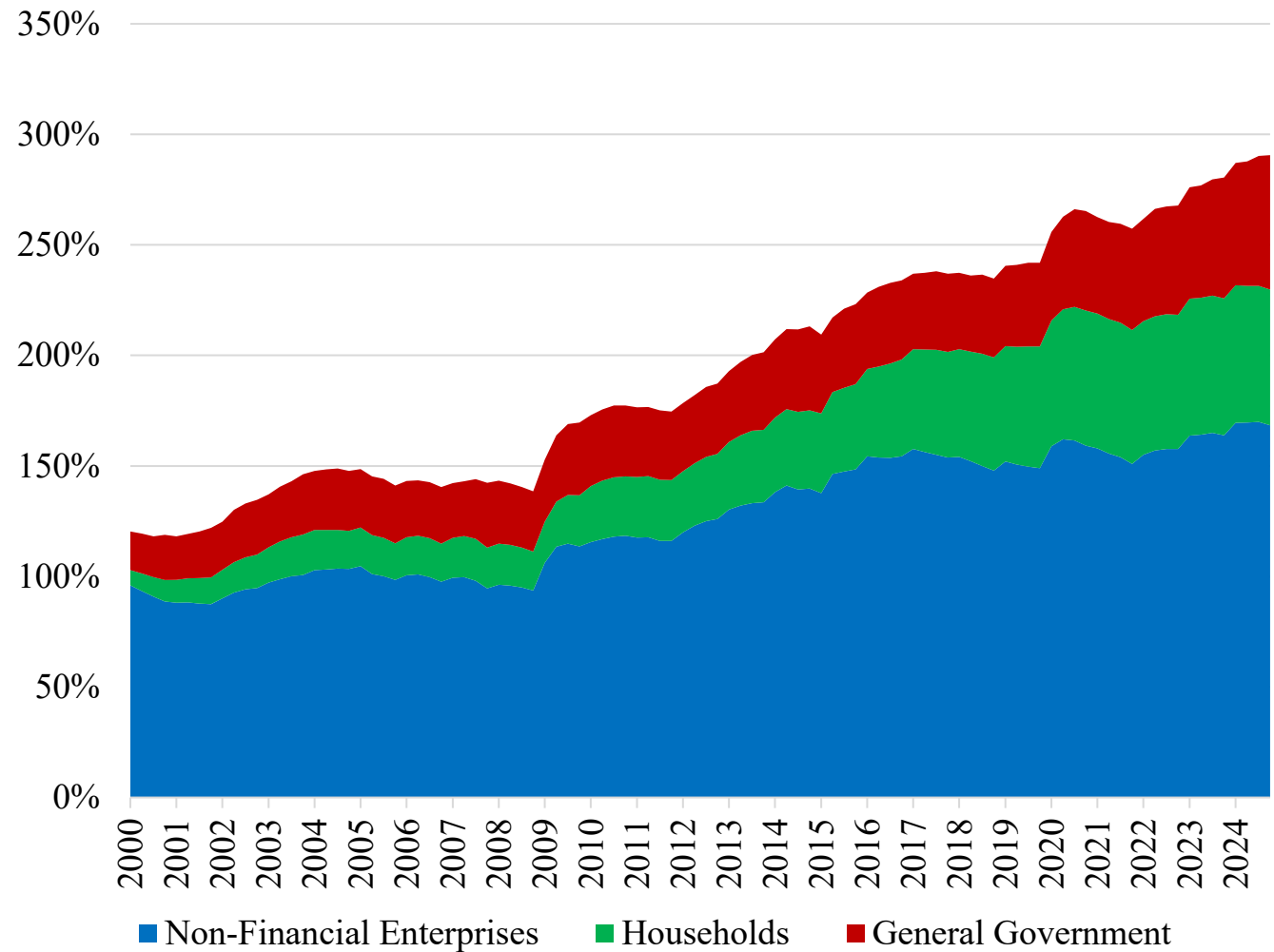
The Jobs Shortfall Came Suddenly
Persons (Million, Rolling 12-Month Sums)



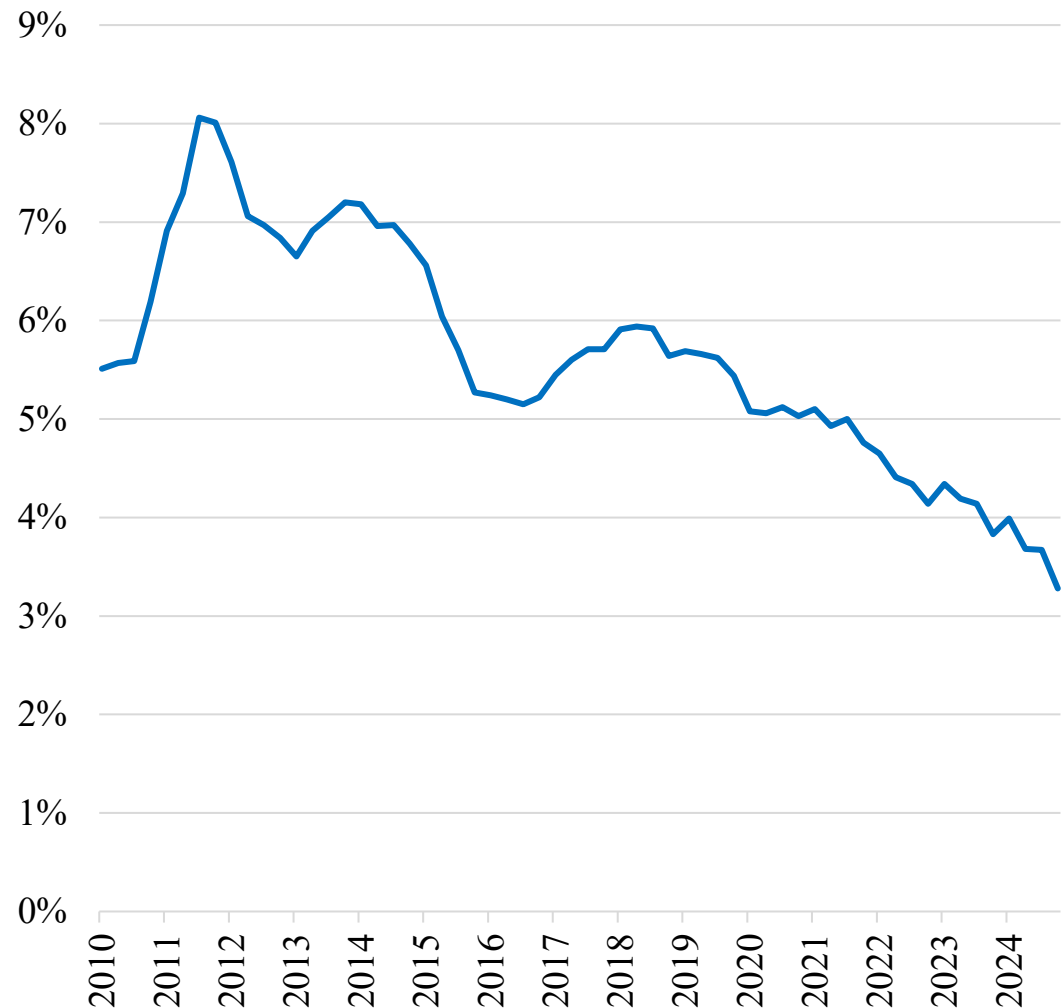
Sources: United Nations Department of Economic and Social Affairs (left); Ministry of Human Resources and Social Security (right).

China's High Debt Levels Are Also Structural, But Pose Challenges for State Sector

China's Debts Are Steadily Growing
Percent of GDP



The Average Rate for New Loans Is Falling
Percent Per Annum

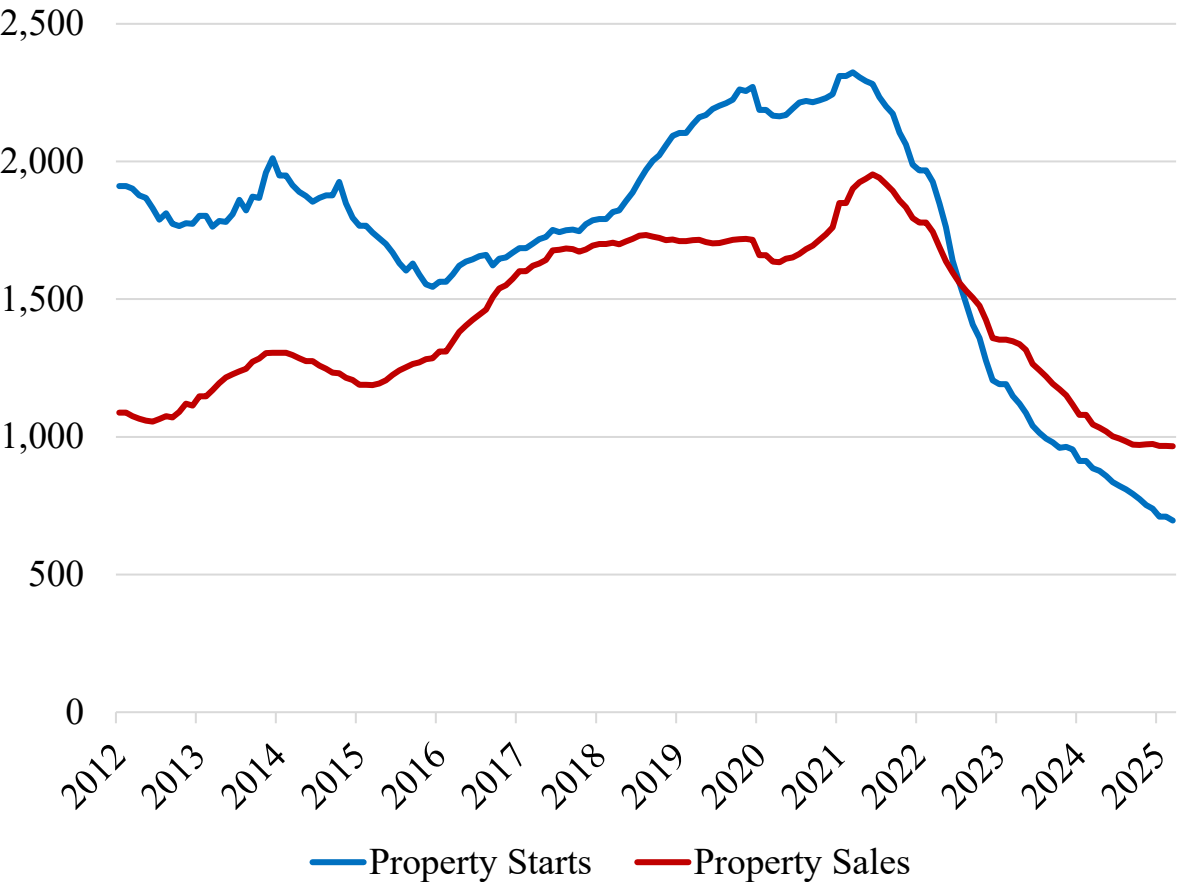


Sources: Center for National Balance Sheets (left); People's Bank of China (right).

China's Property Sector Is Dragging the Economy Down

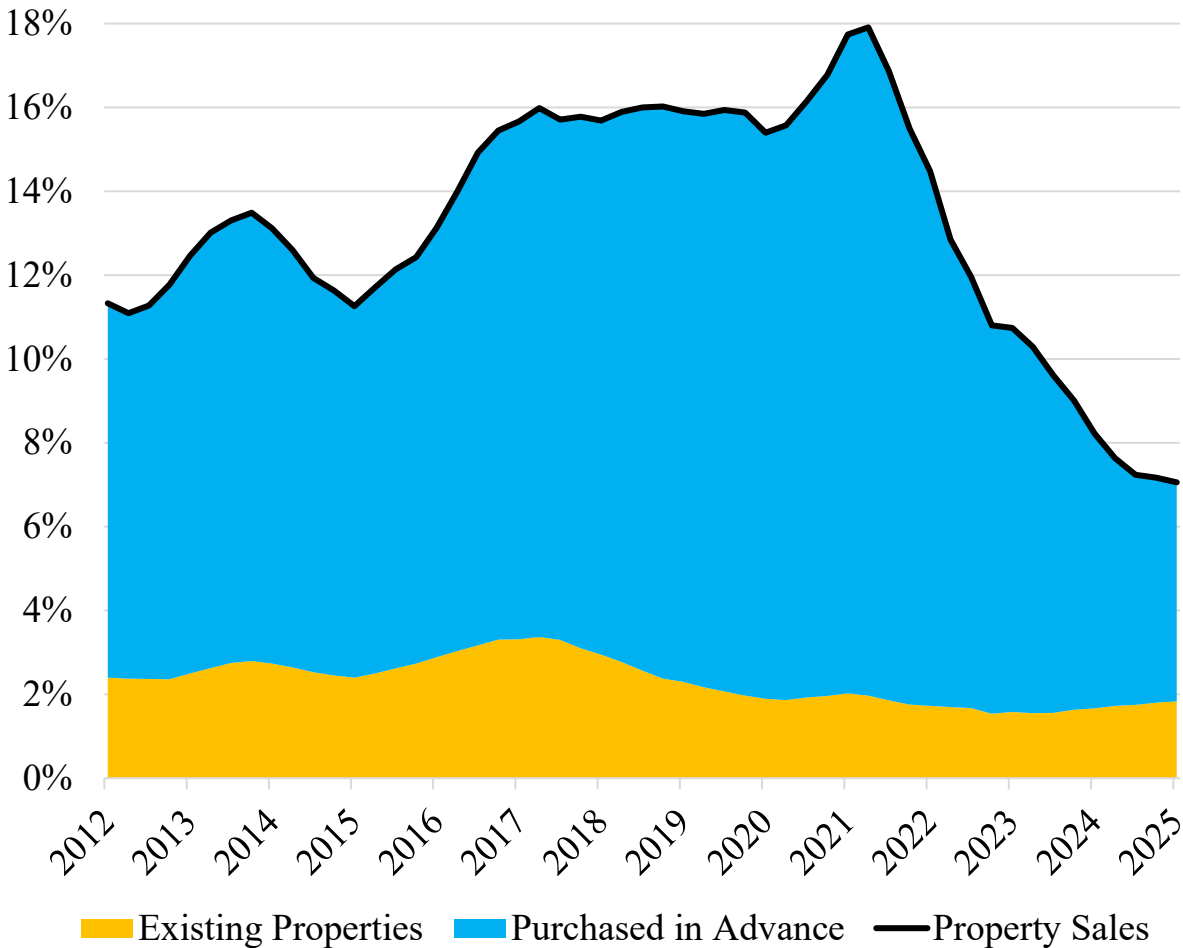
Property Construction and Sales Have Collapsed

*Floor Space, Square Meters
(Million, Rolling 12-Month Sums)*



Collapse in Sales Concentrated in New Properties Bought in Advance

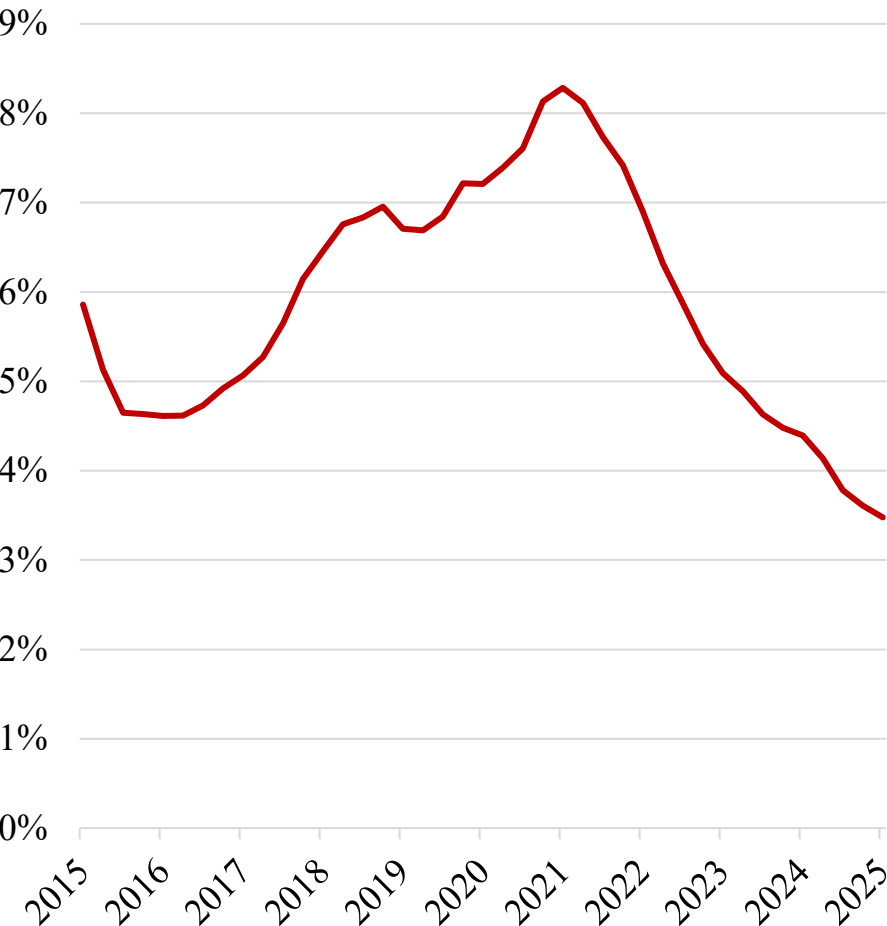
Value as Share of GDP (Rolling 4-Quarter Sums)



The Property Collapse Has Weakened Local Government Finances

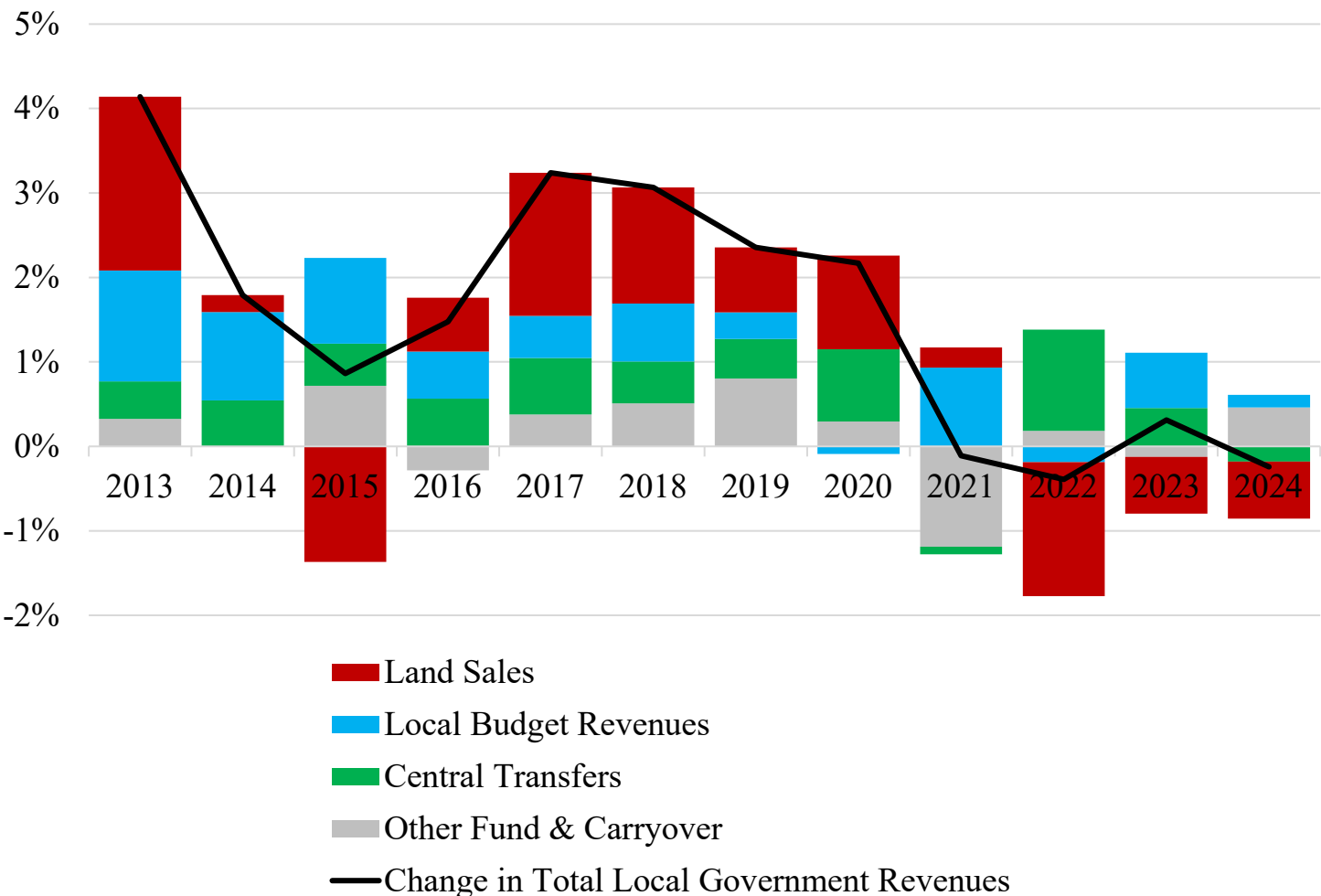
Land Sales Are Down

*Land Sales Revenue as Share of GDP
(Rolling 4-Quarter Sums)*



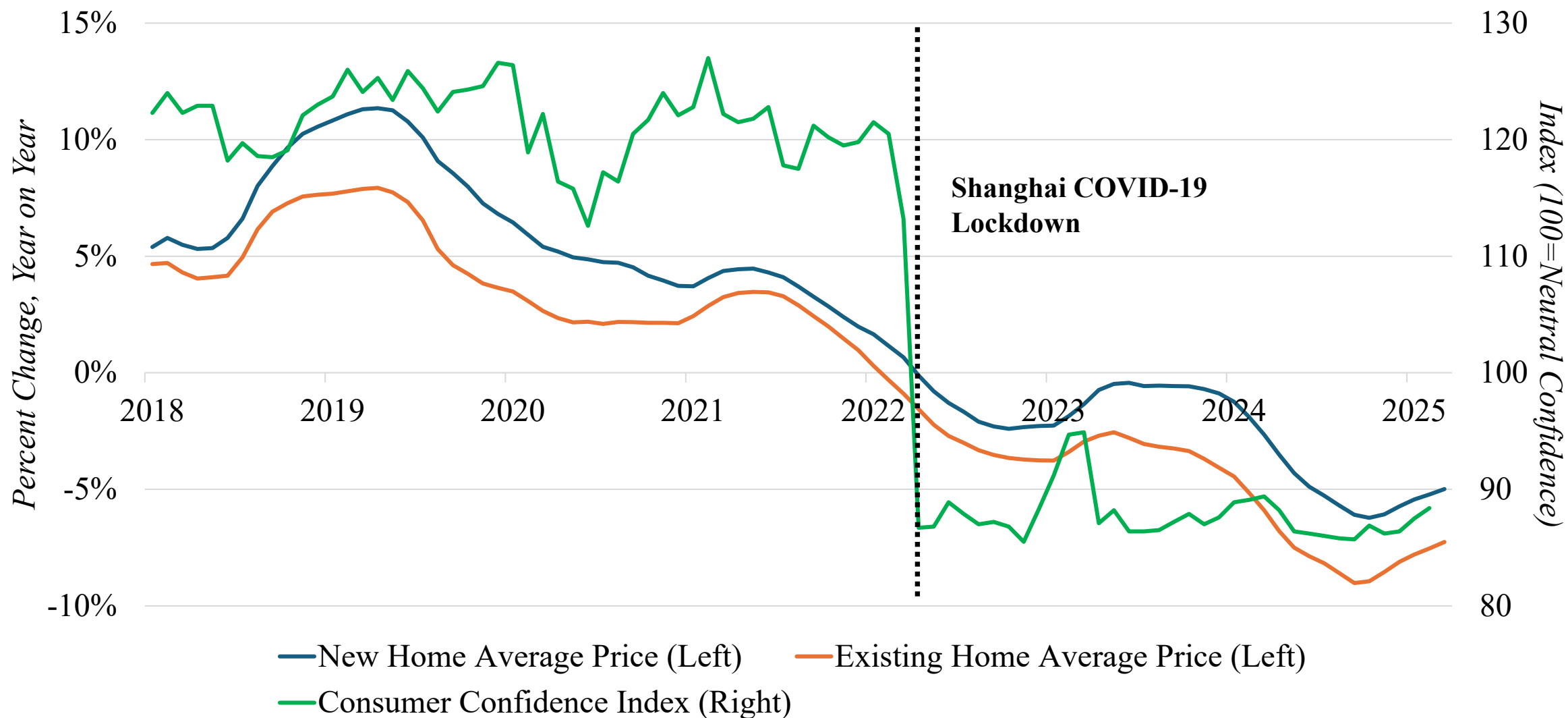
Local Government Revenue Growth Has Stalled

Year-on-Year Change in Revenue as Share of GDP



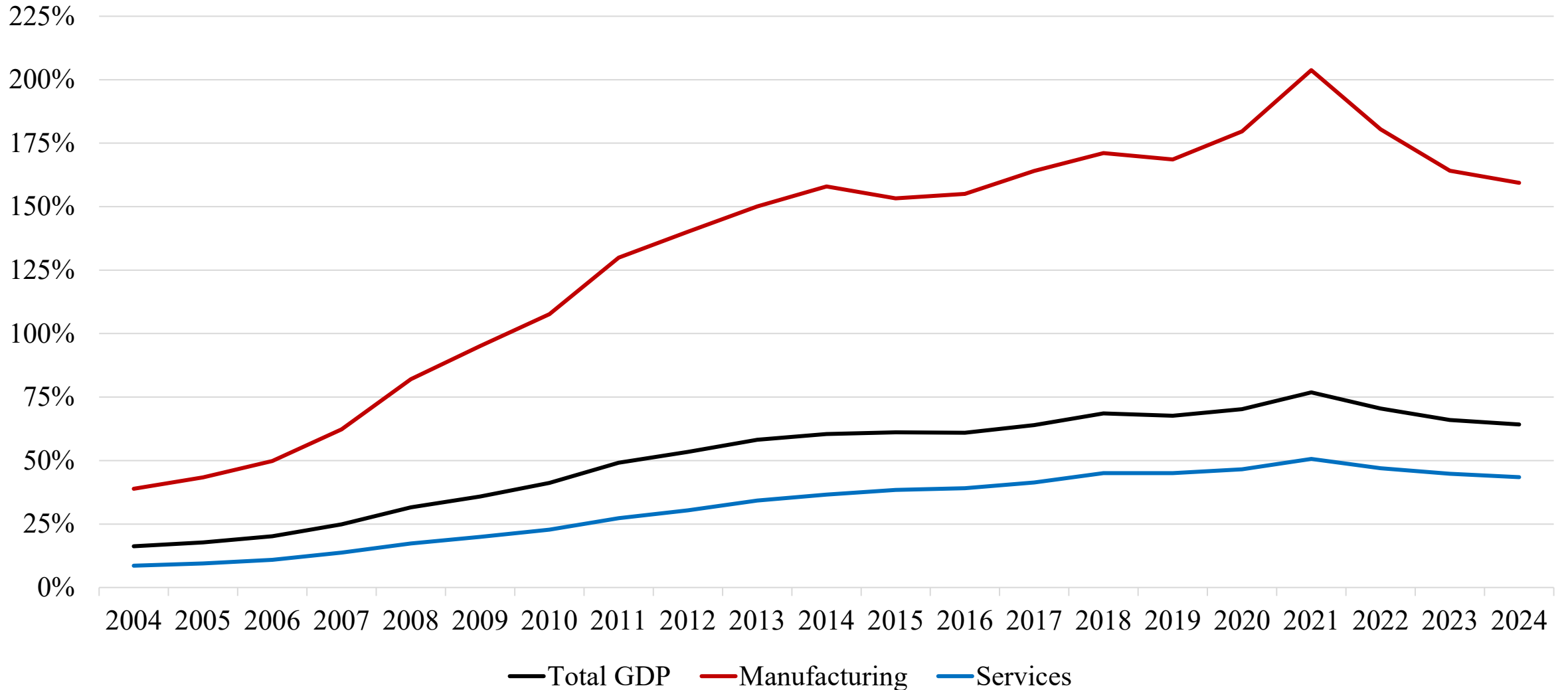
Sources: Ministry of Finance and National Bureau of Statistics.

China's Slump in Consumer Confidence Began with COVID-19 Lockdowns, Declining Housing Prices



China's GDP is No Longer Catching Up to the US, But Its Manufacturing Sector is Bigger

China Value Added as Share of US Value Added

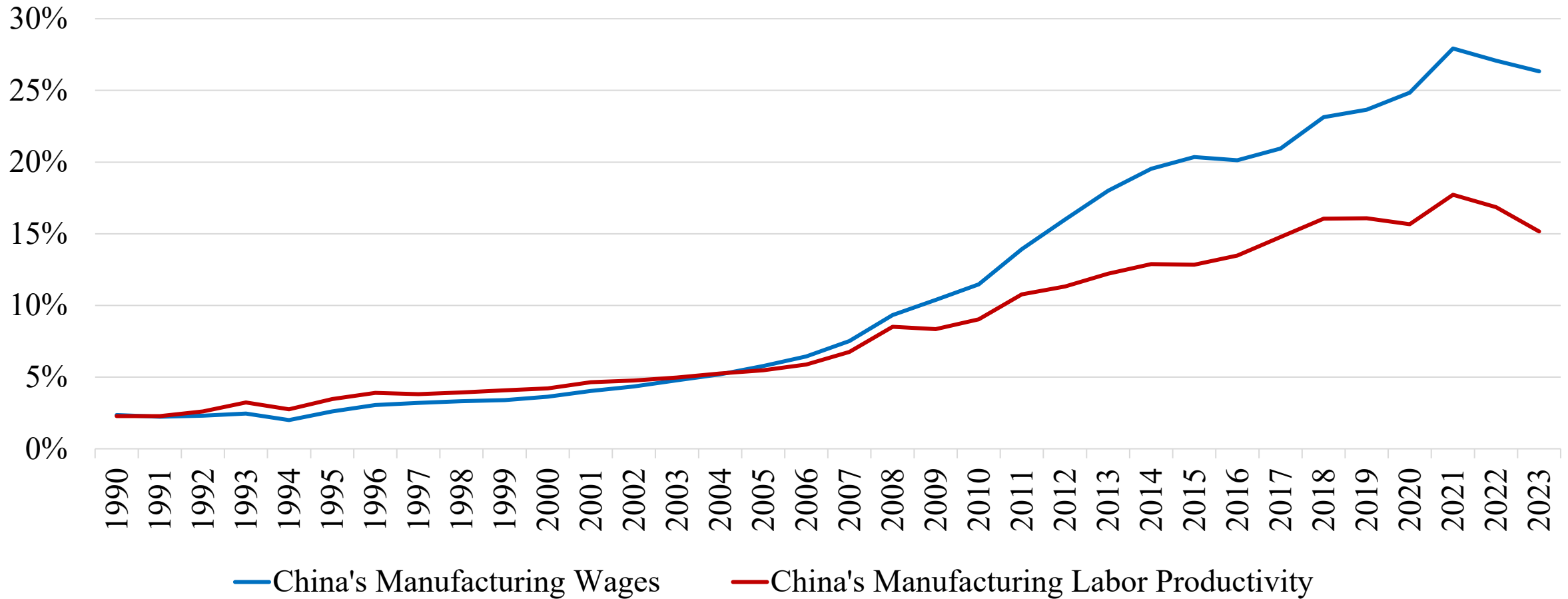


Source: Bureau of Economic Analysis (United States) and National Bureau of Statistics (China).

Note: Value added is in current US dollars.

China's Manufacturing Labor Costs and Productivity Remain Lower than the United States

Share of US Level

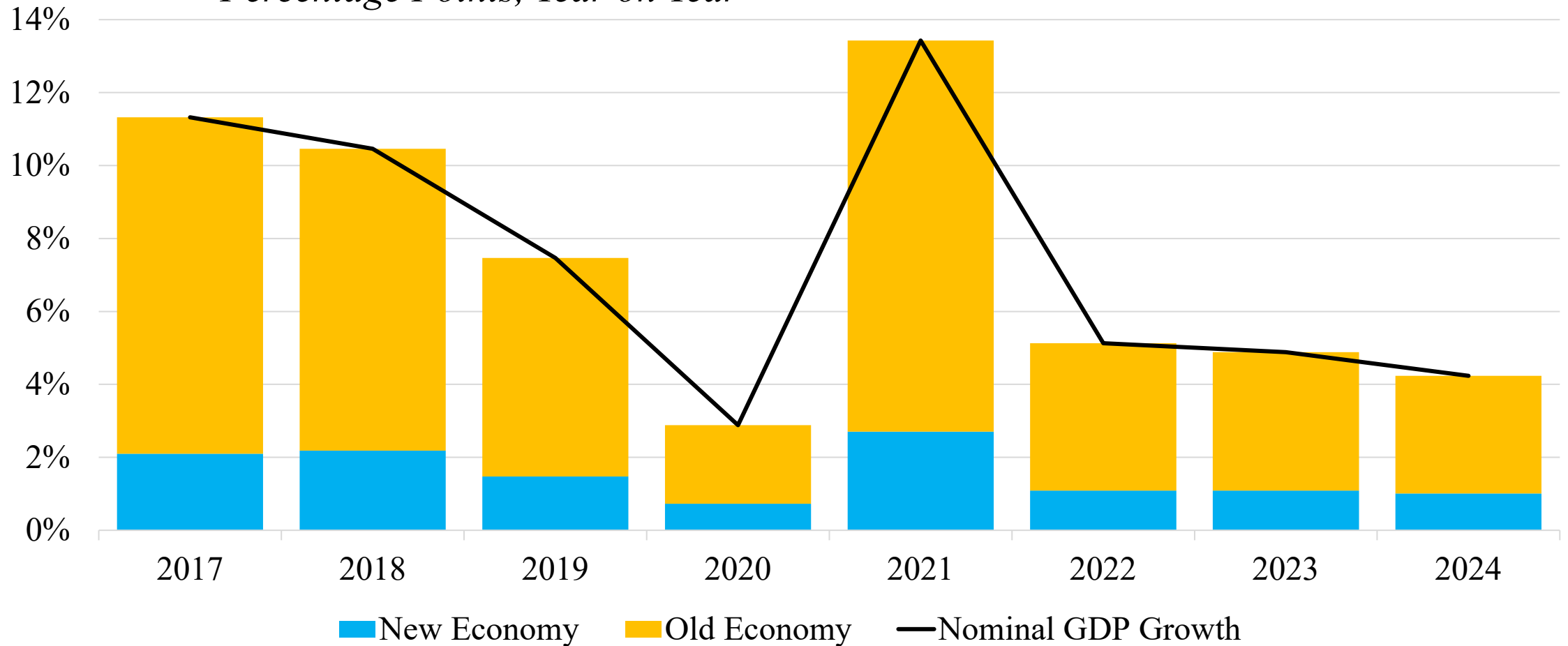


Sources: Asia Productivity Organization, Bureau of Economic Analysis (United States), Bureau of Labor Statistics (United States), Ministry of Human Resources and Social Security (China), and National Bureau of Statistics (China).

Note: Manufacturing labor productivity is estimated by dividing national manufacturing value added in current U.S. dollars by national manufacturing employment.

China's "New Economy" Contribute Less to Growth than the Old Economy

Percentage Points, Year on Year

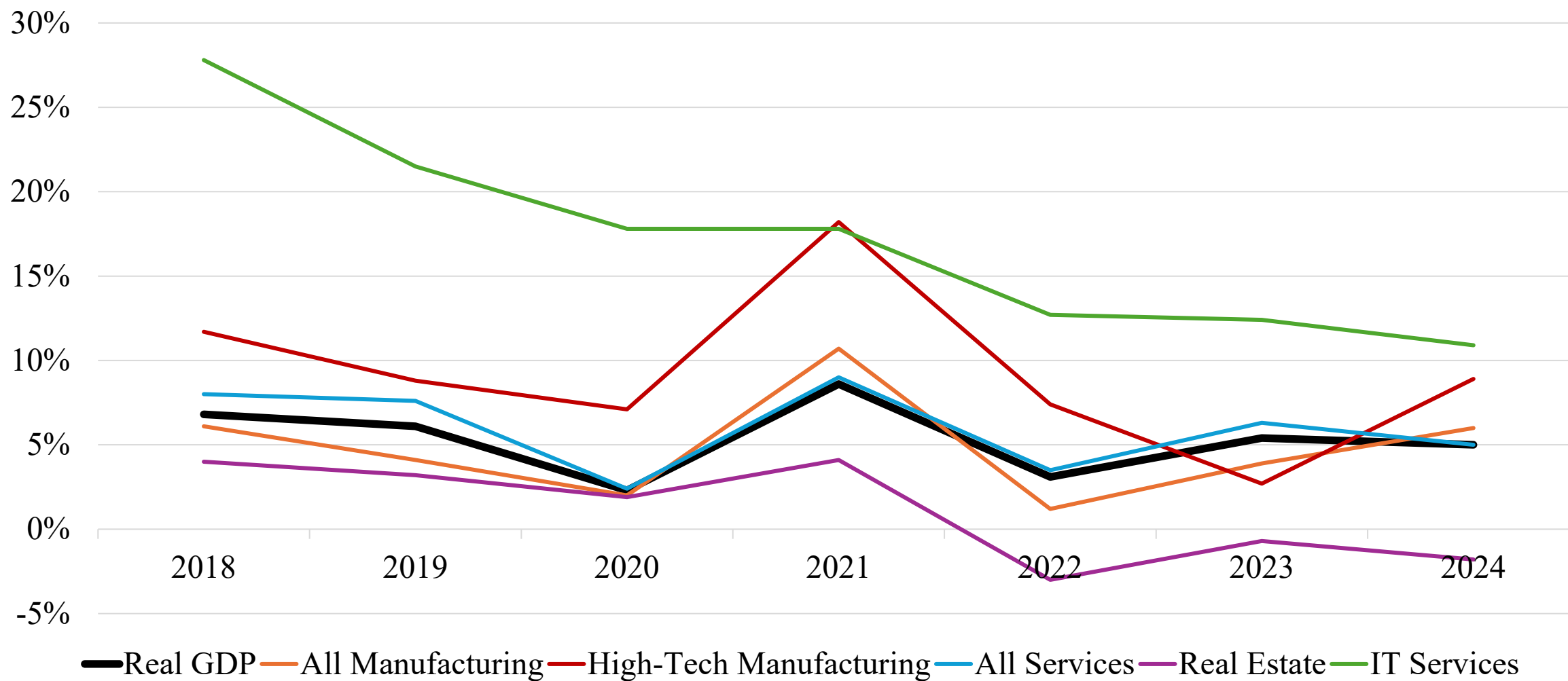


Source: National Bureau of Statistics.

Note: "New economy" as defined by the National Bureau of Statistics' "three new" activities value added from new industry, new business, and new business models. "New economy" value added estimated for 2024 based on the 2021–23 trend.

China's High-Tech Economy Outpacing Other Sectors

Percent Change, Year on Year

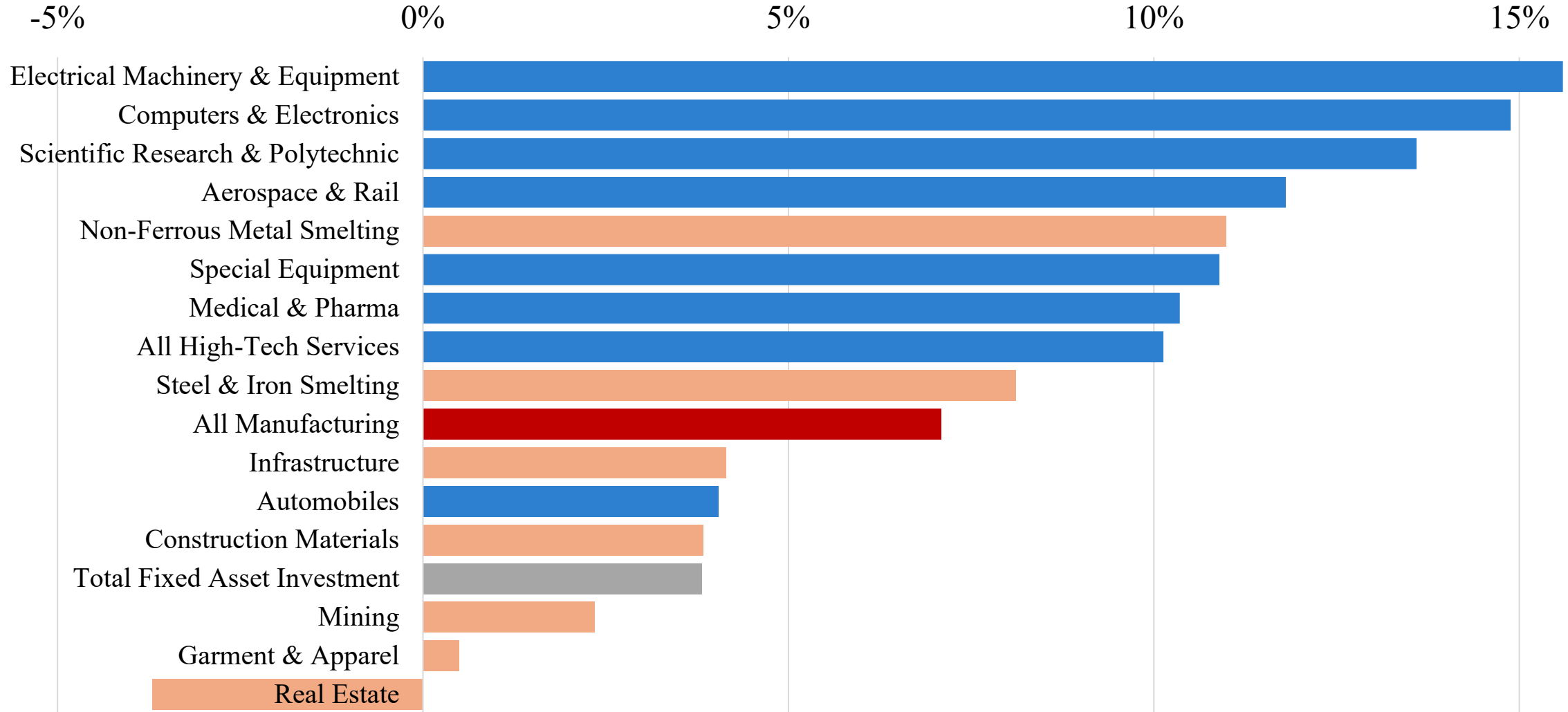


Source: National Bureau of Statistics.

Note: All values are in real (inflation-adjusted) terms.

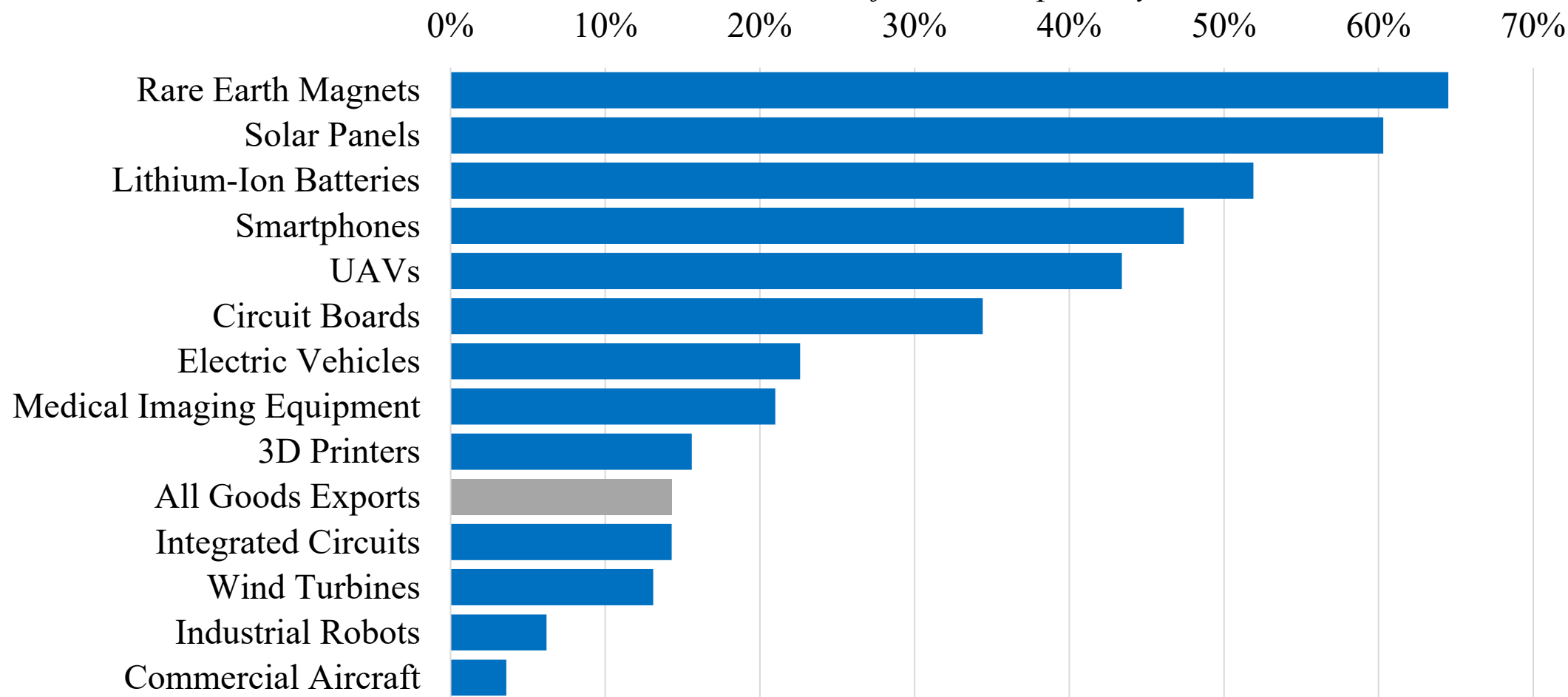
Rapid Investment in China's High-Tech Industries

Fixed Asset Investment, Compound Annual Growth Rate (2019-24)



China Leads Global Exports of Many High-Tech Goods

China's Share of Global Exports by Value, 2023



Source: International Trade Centre.

Note: HS code categories: 3D printers (847759); circuit boards (8534); commercial aircraft (880240); electric vehicles (870380); industrial robots (847950); integrated circuits (8542); lithium-ion batteries (850760); medical imaging equipment (901812); rare earth magnets (850511); smartphones (851713); solar panels (854143); UAVs (8806); and wind turbines (850231).

High-Tech Goods Are Small Share of China's Trade Surplus

Current US Dollars (Billion)

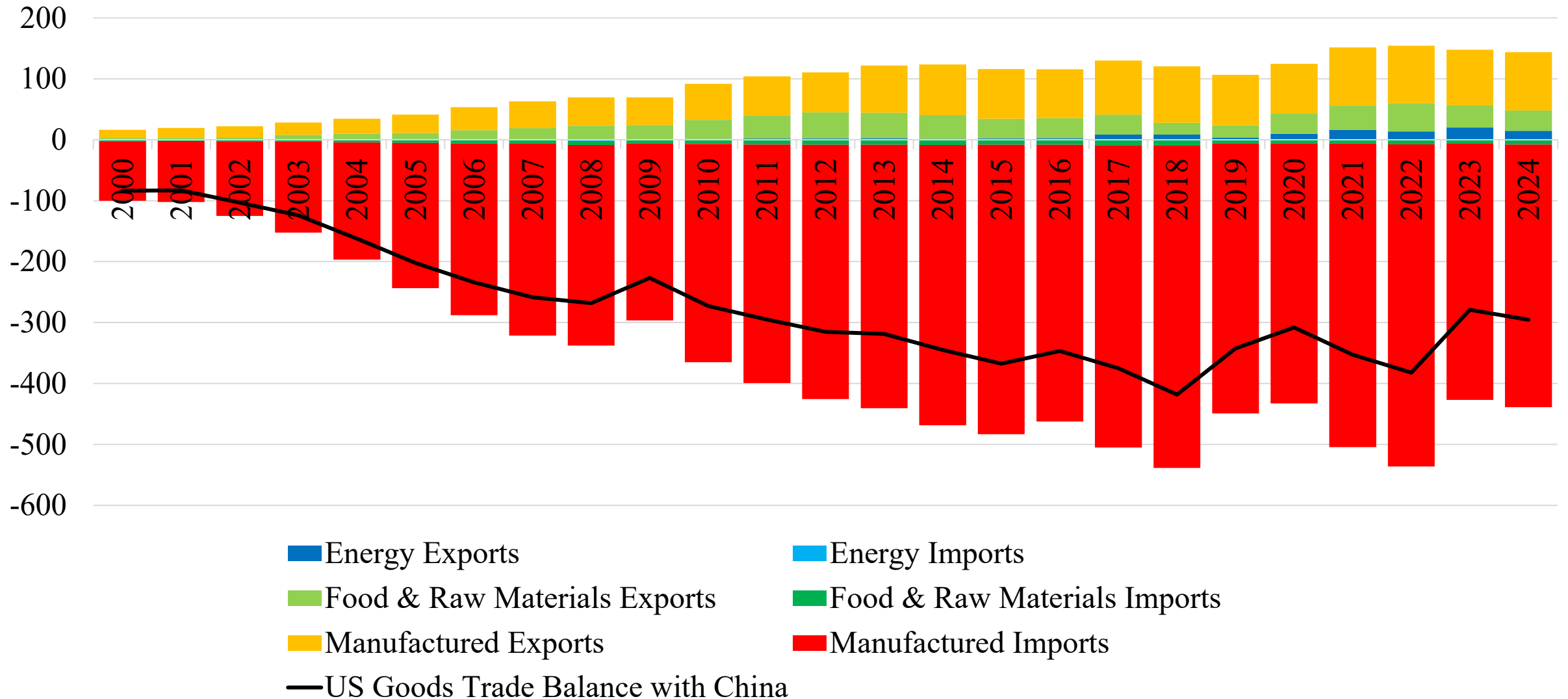


Source: General Administration of Customs.

Note: High-tech goods include advanced materials, aerospace, biotechnology, computer integrated manufacturing, computers and telecommunication, electric vehicles, electronics, life science technology, opto-electronics, and other technologies.

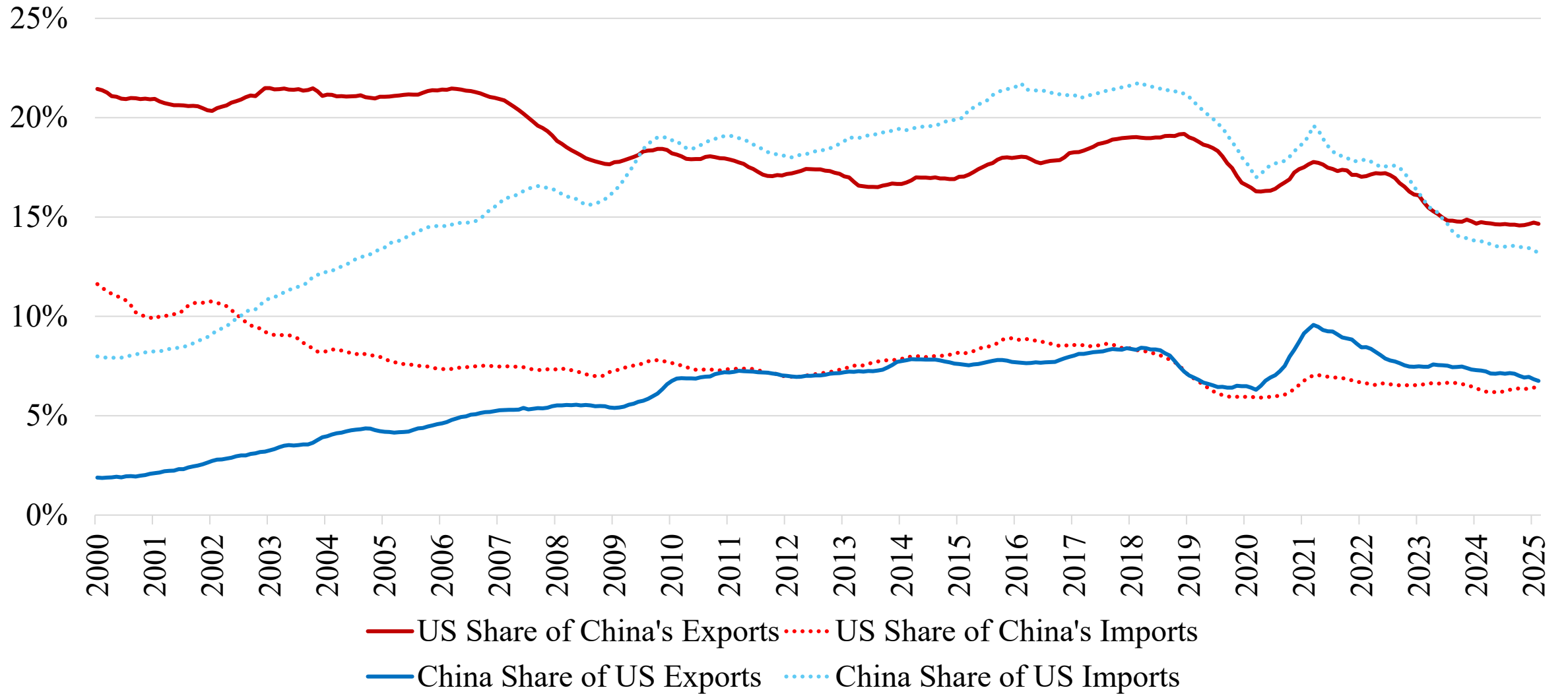
The US Goods Trade Deficit With China Is About Manufacturing

Current US Dollars (Billion)



China and US Reducing Their Direct Trade Dependencies on Each Other

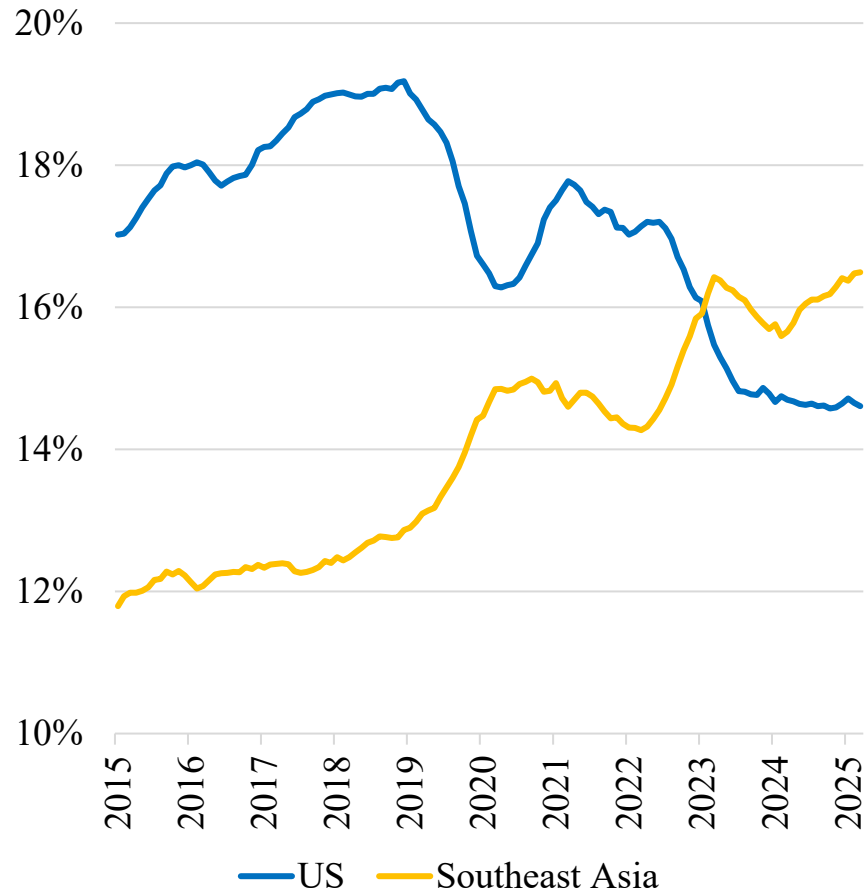
Share of Total (Rolling 12-Month Sums)



Chinese Value Added Still Entering US Market Indirectly

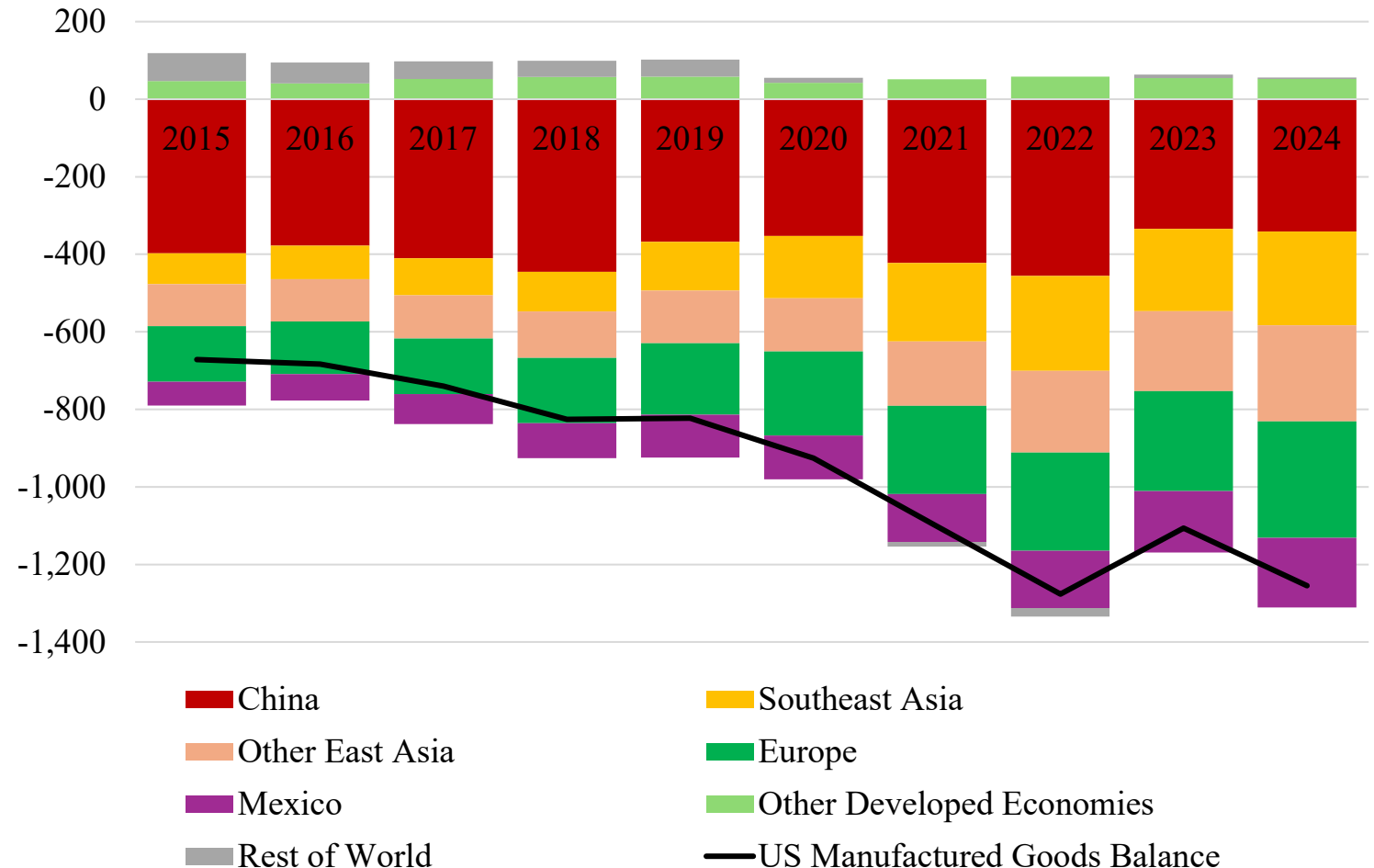
China's Direct Exports to Southeast Asia Are Replacing Those to the US

*Share of China's Exports
(Rolling 12-Month Sums)*



US Manufactured Goods Deficit Shifting from China to Elsewhere in Asia, Europe, and Mexico

Current US Dollars (Billion)



Thank you!

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