

Economic Outlook for China

中國經濟展望

To address the many challenges facing the country amid a sluggish 2023, policymakers must work to prioritize structural reforms
2023 年中國經濟增長停滯不前，為應對種種挑戰，決策者必須優先考慮結構性改革

After rapid growth at the beginning of the year due to the reopening, China's economic recovery has hit several challenges, including a weak property market, sluggish external demand, and decreased confidence among both corporations and households. Thanks to the authorities' efforts to stimulate the economy, GDP stabilized at 4.9% year-on-year in Q3, in line with this year's official target of 5%. It still points to a weak recovery, given the low base of last year's GDP growth outturn, merely 3%.

The lacklustre performance of China's economy has raised concerns that it could face a fate similar to Japan's lost decades in the 1990s. On the surface, China and Japan share similarities, such as both experiencing property market bubbles. This has led many to believe that China is on a path of "Japanification," a term used by economists to characterize long-term stagnation following a burst real estate bubble.

However, a closer examination of the details reveals that China may not be doomed to the same fate as Japan. Chinese authorities have been aware of and prepared for the risks associated with a housing bubble. Having learned

from Japan in the 1990s and the United States in the 2000s, China implemented various measures to curb real estate bubbles before they burst, including restrictions on direct purchases, higher minimum down payment requirements, and housing price caps on new homes in overheating areas.

These tightening measures not only mitigated associated risks but also provided policy flexibility when the bubbles started to deflate. For example, the minimum down payment requirement for homebuyers was set at 30%, reducing banks' exposure to the housing market through mortgage loans. Additionally, higher down payment ratios enabled households to better withstand shocks from housing price fluctuations.

Regarding the corporate sector, China has strict regulations on listed firms' real estate asset holdings, discouraging excessive exposure to the real estate market. This approach helps prevent significant losses when the real estate market experiences deep corrections. In contrast, many Japanese listed firms held substantial real estate assets during the housing bubble period, leading to serious contagion from the real estate market to

the equity market and the overall financial system when property prices plummeted in the early 1990s.

Given these factors, China's authorities have a better chance of containing the adverse impact of a housing bubble burst on the economy and financial system. By implementing pro-growth measures such as monetary easing, expansionary fiscal policies, and lifting existing tightening measures on the housing market, the Chinese government can help restore growth.

However, policymakers in China should not become complacent. According to official statistics, China's per capita GDP reached around US\$12,700 in 2022, close to the global median of US\$12,300. The country remains a middle-income nation facing challenges similar to other emerging markets. Many middle-income economies have fallen into long-term stagnation, known as the middle-income trap, due to a fragile financial system, high income disparity, unsustainable growth models, and premature deindustrialization.

China also faces challenges associated with the middle-income



trap, in addition to the risks posed by property market bubbles. Its financial system is vulnerable due to corporate sector indebtedness and shadow banking activities. Income disparity in China is also a significant issue, with a large number of Chinese earning low salaries, as highlighted by former premier Li Keqiang in 2020. The lack of direct subsidies to households during the Covid-19 pandemic may have exacerbated the situation. Furthermore, China's old growth model, which relied heavily on government-led investment and external demand, is no longer sustainable for achieving rapid growth.

To address these challenges, structural reforms must be prioritized. Policymakers should revive the reform agenda announced at the third plenary

of the 18th National Congress of the Chinese Communist Party, which was disrupted by the unexpected US trade war and the Covid-19 pandemic. A key aspect of these reforms should focus on state-owned enterprises (SOEs), ensuring a level playing field for all Chinese firms regardless of ownership structure. This will rectify resource misallocations and increase overall productivity, facilitating the transition to a more sustainable growth model. Additionally, the authorities should strengthen the financial regulatory framework and social security nets to ensure that the benefits of economic and social development are shared by the entire population, rather than a few interest groups.

Deindustrialization concerns in China are primarily linked

to the US trade war and tech embargoes, particularly in areas such as advanced chip-making, artificial intelligence, cloud computing and quantum computing. It is essential for China's authorities to develop key technologies in these areas to maintain a competitive edge. However, it is equally important for China to continue its policy of opening up and cooperate with other countries across a broader range of sectors.

China's reform and opening-up policy, which has been in place since 1978, has played a significant role in transforming the country and lifting billions of people out of poverty. Faced with the challenges associated with the middle-income trap, China will need to rely on this policy to navigate the path ahead.

中國在年初恢復對外開放，帶動經濟高速增长，但復蘇進程面臨種種挑戰，包括房地產市場疲弱、外部需求不振，以及企業和家庭信心下降。在政府採取措施刺激經濟下，第三季度 GDP 按年增長 4.9%，與官方 5% 的全年目標相近。不過，鑒於去年 GDP 增長僅有 3%，在低基數效應下，這仍然反映復蘇勢頭疲弱。

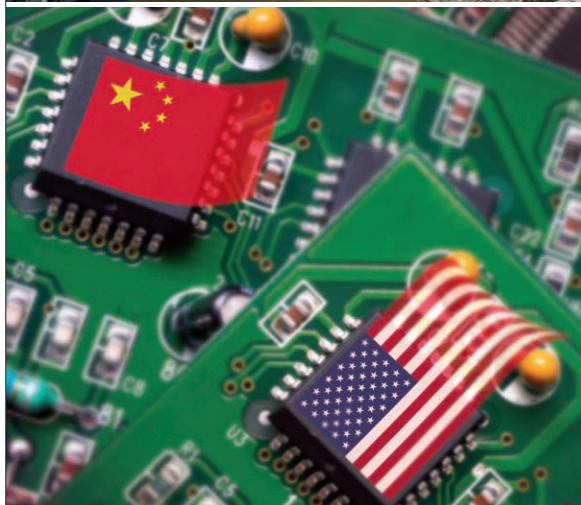
中國經濟表現呆滯，或恐面臨日本在上世紀 90 年代陷入的「失落十年」困境，情況令人憂慮。表面看來，中日兩國確有相似之處，例如經歷房地產市場泡沫。這令不少人相信中國正走向「日本化」，即在房地產泡沫破裂後陷入長期停滯的現象。

然而，只要進一步檢視細節，便會發現中國的命運未必與日本相同——中國政府早已意識到房地產泡沫問題，並為相關風險做好準備。中國從 90 年代的日本及本世紀初的美國汲取經驗，在房地產泡沫破裂前採取多項降 措施，包括直接限購、提高最低首付要求，以及對過熱地區的新房設定房價上限。

這些緊縮措施除了減輕相關風險，亦在泡沫開始破裂時提供政策彈性。舉例說，買家的首套房最低首付要求定為 30%，降低了銀行透過抵押貸款對房地產市場造成的風險。此外，較高的首付比例使家庭更能抵禦房價波動帶來的衝擊。

企業方面，中國嚴格監管上市公司持有的投資性房地產，以免企業過度參與房地產市場。這種做法有助防止房地產市場大幅調整時對企業造成重大損失。相比之下，日本許多上市公司在房地產泡沫時期持有大量房地產資產，導致 90 年代初期房地產價格暴跌時，股票市場以至整個金融體系都大受打擊。

鑒於以上因素，中國政府更有可能控制房地產泡沫破裂對經濟和金融體系造成的不利影響。當局可透過實施貨幣寬鬆、擴張性財政政策及放寬現行的房地產市場緊縮措施，助力經濟重拾增長。



不過，中國的決策者不應自滿。根據官方統計資料，2022 年中國人均 GDP 達到約 12,700 美元，接近全球中位數 12,300 美元。中國仍然是中等收入國家，面臨的挑戰與其他新興市場近似。許多中等收入經濟體陷入長期停滯，即所謂的「中等收入陷阱」，原因包括金融體系脆弱、貧富差距擴大、增長模式不可持續，以及過早去工業化等。

除了房地產市場泡沫帶來的風險，中國也面對「中等收入陷阱」帶來的挑戰。企業債務高企，加上影子銀行活動活躍，令中國的金融體系變得脆弱。中國收入差距擴大也是重要問題，正如前總理李克強在 2020 年指出，大量中國僱員的工資水平仍然偏低。中央政府在疫

情期間並無直接向家庭提供補貼，進一步加劇了貧富分化的情況。此外，中國舊有的增長模式嚴重依賴政府主導的投資和外部需求，這種模式已無法持續實現快速增長。

為應對這些挑戰，中國決策者必須優先考慮結構性改革。在中共第 18 屆三中全會上宣布的改革議程受到始料不及的美國貿易戰和新冠疫情干擾，現在正是重啟議程的時機。國有企業是改革重點之一，政府應確保所有中國企業都能在公平環境下競爭，不受其所有權結構影響。這將能糾正資源錯配的問題，提高整體生產力，從而轉型至可持續增長模式。此外，當局應加強金融監管框架和社會保障體系，確保經濟社會發展的成果惠及全國人民，而不只是令少數利益集團受惠。

中國的去工業化挑戰與美國貿易戰和技術封鎖息息相關，尤其是先進晶片製造、人工智能、雲端運算和量子運算等領域。對中國政府來說，要保持競爭優勢，發展這些領域的關鍵技術至關重要。然而，同樣重要的是，中國應繼續實施開放政策，並與其他國家就更廣泛的領域展開合作。

總言之，中國自 1978 年以來實施改革開放政策，為國家轉型和協助數十億人脫貧發揮了重要作用。面對中等收入陷阱帶來的挑戰，中國仍然需要依靠這一政策來引領未來的發展方向。