

Catch up: S&P 500 ends a bumper year; Xi promises economic reform



The **S&P 500** looks set to end 2024 24% higher than it began it. The rally, which will push the index of large American firms to its best pair of consecutive years since 1997 and 1998, has been largely driven by investors' appetite for tech stocks. But financial innovations have also contributed, with exchange-traded funds and private-markets firms [coming to the fore](#).

Xi Jinping, **China's** leader, said that he expects the country's **GDP** to have grown by 5% in 2024, meeting targets. He promised to "deepen reform" and implement "more proactive" macroeconomic policies in the coming year. China's government has tried to stimulate its sluggish economy, but its efforts have been [tardy, cautious and ineffective](#).

Russia launched drone and missile strikes against targets in **Ukraine** including in Kyiv, the capital. Earlier America announced nearly \$6bn in aid to the embattled country, including \$2.5bn-worth of military aid. President Joe Biden said he would work "relentlessly" to "strengthen [Ukraine's position](#)" before leaving

office in January. Many fear his successor, Donald Trump, will cut American funding to Ukraine.

Thousands gathered in Dhaka, the capital of **Bangladesh**, to demand the prosecution of the country's autocratic former prime minister, Sheikh Hasina. In August Ms Hasina, who ruled [Bangladesh](#) for 15 years, abandoned her office and fled to India, after several weeks of protests. The demonstrators are calling for their former ruler to stand trial over deaths that occurred during the unrest.

America's defence department reported that Ridah Bin Saleh al-Yazidi, a prisoner at **Guantánamo Bay**, was repatriated to Tunisia. Mr al-Yazadi had been at the military detention facility since it opened in 2002, though he was never charged with a crime. The Biden administration has been keen to lower inmate numbers; 14 of the 26 who remain are eligible for transfer.

A **South Korean** court issued an arrest warrant for Yoon Suk Yeol, the president. Mr Yoon, who was impeached and suspended over his [short-lived coup attempt](#) on December 3rd, has dodged numerous summons for questioning by investigators. It is the first time an incumbent president of the country has faced arrest.

America's treasury department reportedly told lawmakers that a **Chinese state-sponsored actor** had hacked it. A third-party software provider apparently notified the Biden administration in early December of the "major incident", in which the hacker used a security key to gain remote access to government workstations and review unclassified documents. The affected service has since been taken offline.

Figure of the day: 20%, the rate of value-added tax that Britain's Labour government is putting on private-school fees. [Read the full story.](#)

Will democracy prevail in Asia in 2025?



Until January 2nd we are looking ahead to next year's big stories. Today, what will shape Asia?

In 2024 Narendra Modi and his Bharatiya Janata Party were re-elected to government with a **weakened mandate**. Meanwhile protests led to the ousting of Sheikh Hasina, **Bangladesh's** autocratic former prime minister. Will 2025 see more good omens for Asian democracy?

In India, an emboldened opposition and civil society will hold Mr Modi to account. He has already had to make a series of U-turns on issues such as a controversial broadcasting bill. But in other parts of Asia the situation is more worrying. In Indonesia Prabowo Subianto, a controversial former general with a **sordid past**, took over as president, and a high-profile opposition politician was soon arrested. In Thailand, the Move Forward Party, a pro-democracy group, has been barred from politics; many supporters are still in jail. And South Korea's democracy will be further tested as it deals with the fallout from a brief period of martial law declared by Yoon Suk Yeol, the now-suspended president.

What Donald Trump means for China



Donald Trump has threatened to impose tariffs of 60% on Chinese goods. That might knock 2.5 percentage points off Chinese economic growth over the subsequent year, says UBS, a bank. Mr Trump's comments could be a negotiating ploy. Still, [China](#) can ill afford a trade war. Since the pandemic its economy has underperformed. America's new administration will continue to impede the flow of Western technology, such as advanced chips, to China.

China's leaders may become more aggressive if their frustration grows. The country is forcefully pushing its territorial claims in the South China Sea. Tensions are also growing around Taiwan, which Mr Trump has intimated he may not protect from Chinese aggression. But China's armed forces are not yet ready for a big war. Officials will look for other ways to take advantage of Mr Trump's unilateralism, such as driving a wedge between America and Europe, and continuing to promote China as the leader of the global south.

Investing in India's future



[Narendra Modi](#) came to power over ten years ago promising “minimum government, maximum governance”. And yet public money and state initiatives have featured prominently in his economic strategy. His coalition government plans to devote over 11trn rupees (\$130bn) to capital expenditure in the year to March 2025. That amounts to 3.4% of GDP, up from 1.7% five years ago.

Public investment cannot grow this quickly for much longer. The government is keen to trim its budget deficit to 4.5% of GDP next fiscal year. But Mr Modi may have to indulge the expensive ideas of his coalition partners, especially if his party suffers setbacks in upcoming state elections. Given the government's constraints, more future investment must come from companies. Many of India's big conglomerates seem ready to do their bit. S&P Global, an analytics firm, reckons Indian conglomerates could invest about \$800bn over the next ten years, almost three times as much as over the past decade.

Japan starts to feel its age



In 2025 the number of [over-75s in Japan](#) will reach nearly 22m, up from 17m a decade ago. The government projected in 2018 that overall social-security costs, including pension payments, would grow by nearly 60% between 2025 and 2040. Policymakers refer to this as the “2025 problem”.

More than half of Japanese aged 65-69 and more than one-third aged 70-74 are employed. But on turning 75, problems begin to mount. Labour-force participation drops to 12%. Health-care spending increases precipitously. The share of the population requiring nursing jumps from 3% for those aged 65-74 to 12% for those aged 75-84, and to 45% for those over 85.

The government has tried to manage this by building more care homes. It also loosened restrictions on migrant workers and is recruiting more caregivers from South-East Asia. An overhaul to the pension system is scheduled for 2025. Such measures will help, but bolder reforms will also be necessary.

Daily quiz



The Economist

We will serve you a new question each day this week. On Friday your challenge is to give us all five answers and, as important, tell us the connecting theme. Email your responses (and include mention of your home city and country) by 1700 GMT on Friday to QuizEspresso@economist.com. We'll pick randomly from those with the right answers and crown three winners on Saturday.

Tuesday: Which Dr Seuss book features the character Sam-I-am?

Monday: Which is the largest ice shelf in Antarctica, at almost 500,000 square kilometres?

**Get at least eight hours of beauty sleep,
nine if you're ugly.**

Betty White