

Growth and Debt: A Balancing Act for China's Future

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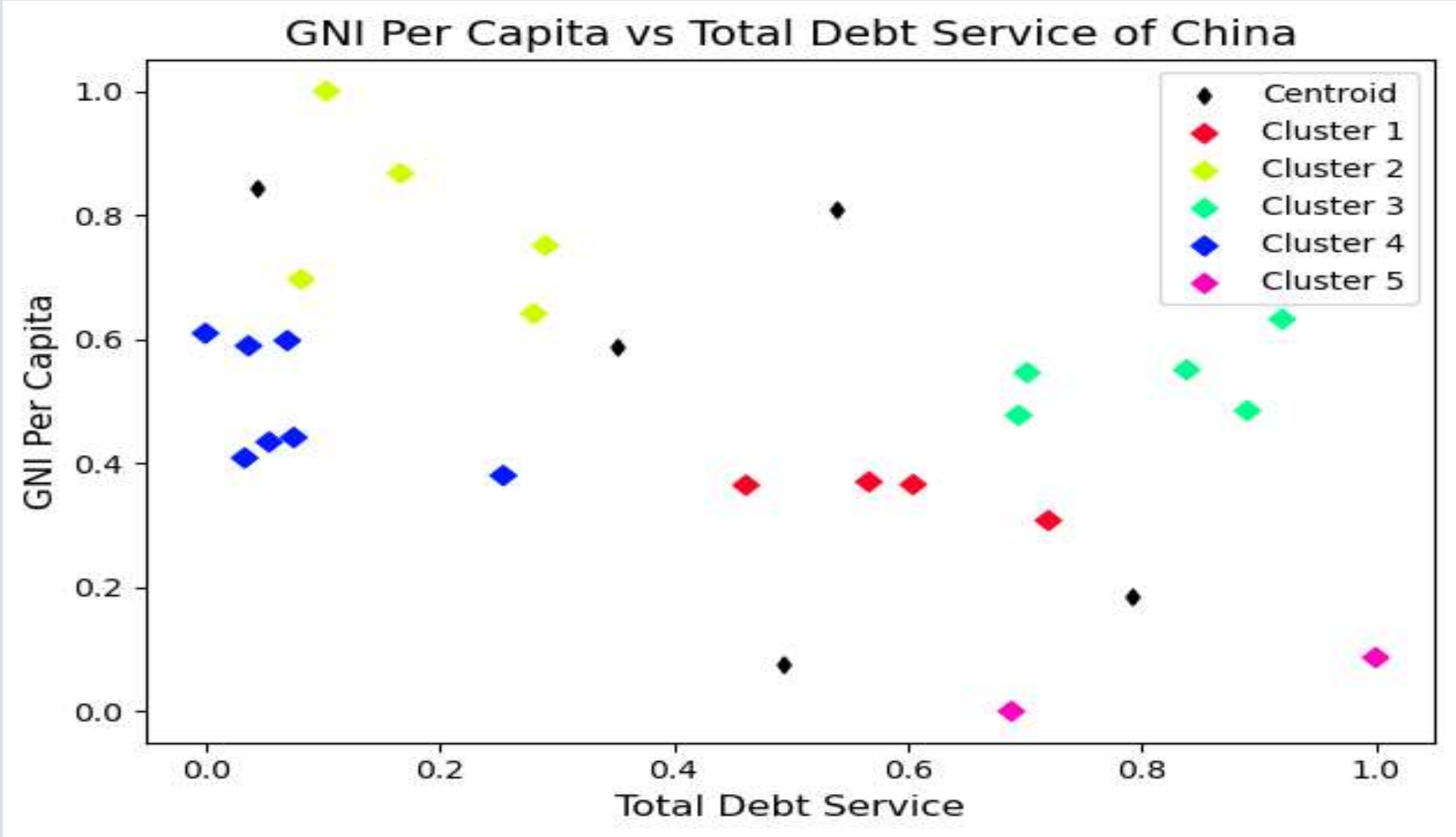
Abstract: China's own debt position deserves critical examination. The country's strong economic growth has been matched by an increase in borrowing, bringing total debt servicing to a projected 3.51% of GDP by 2025. While the Chinese government has made attempts to reduce its debt burden, the rising tide remains a source of concern. Understanding how China deals with this difficulty will provide vital insights into the larger global debt problem.

Introduction

The current research examines at the relationship between China's total debt service and GNI per capita and finds that there is a positive Correlation. The graph illustrates the effects of the 2020 global financial crisis by showing the discrepancy in China's GNI per capita growth over the past 20 years. The percentage of total debt service to income has been steadily increasing; rising interest rates and more borrowing are two possible causes. China is still a major contributor to the expansion of the world economy even though its GNI per capita growth has slowed. Forecasts suggest that by 2025, the overall amount of debt service could increase significantly, raising fears of an economic collapse. The government's efforts to maintain manageable debt levels in the face of economic crises are brought up in the report.

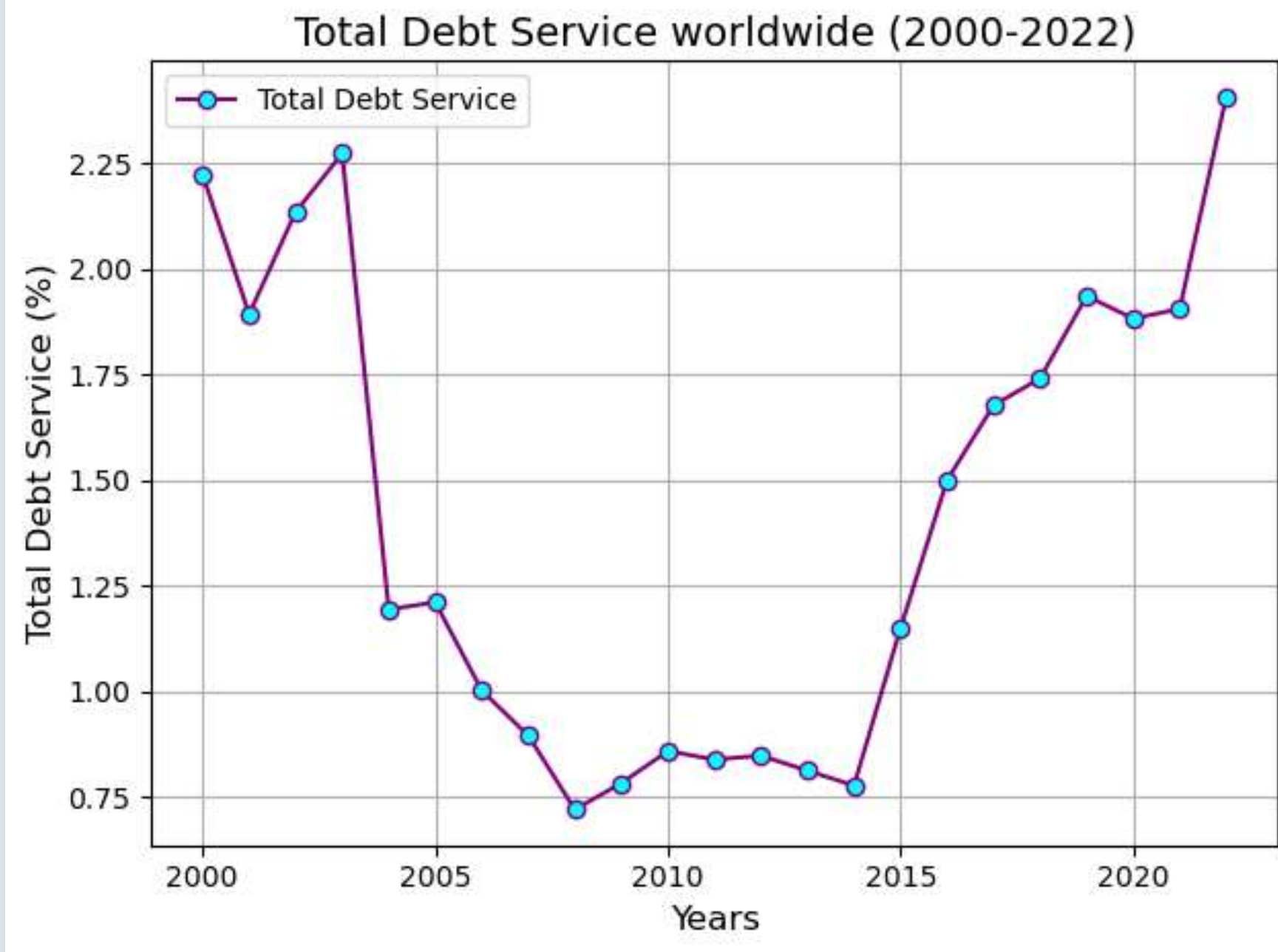
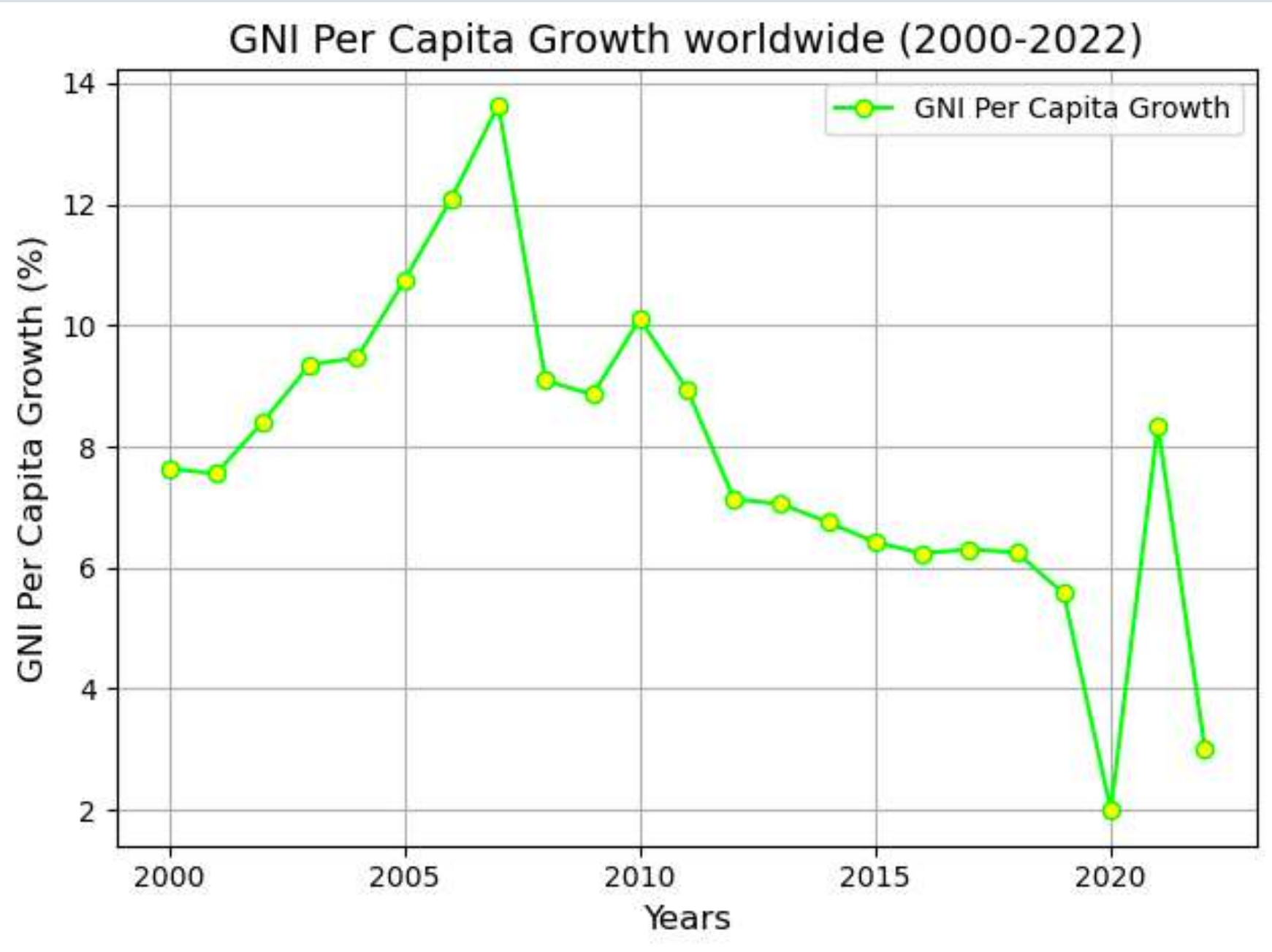
GNI per capita and Total Debt of China

The plot indicates a positive relationship between GNI per capita and total debt service for China . This means that when per capita income rises, it also increases total debt service. There are various theories for this connection. A possible explanation is that higher-income countries borrow more, resulting in greater debt service payments. Another argument is that countries with higher earnings are more likely to be able to afford to borrow money, resulting in reduced interest rates and debt service payments.



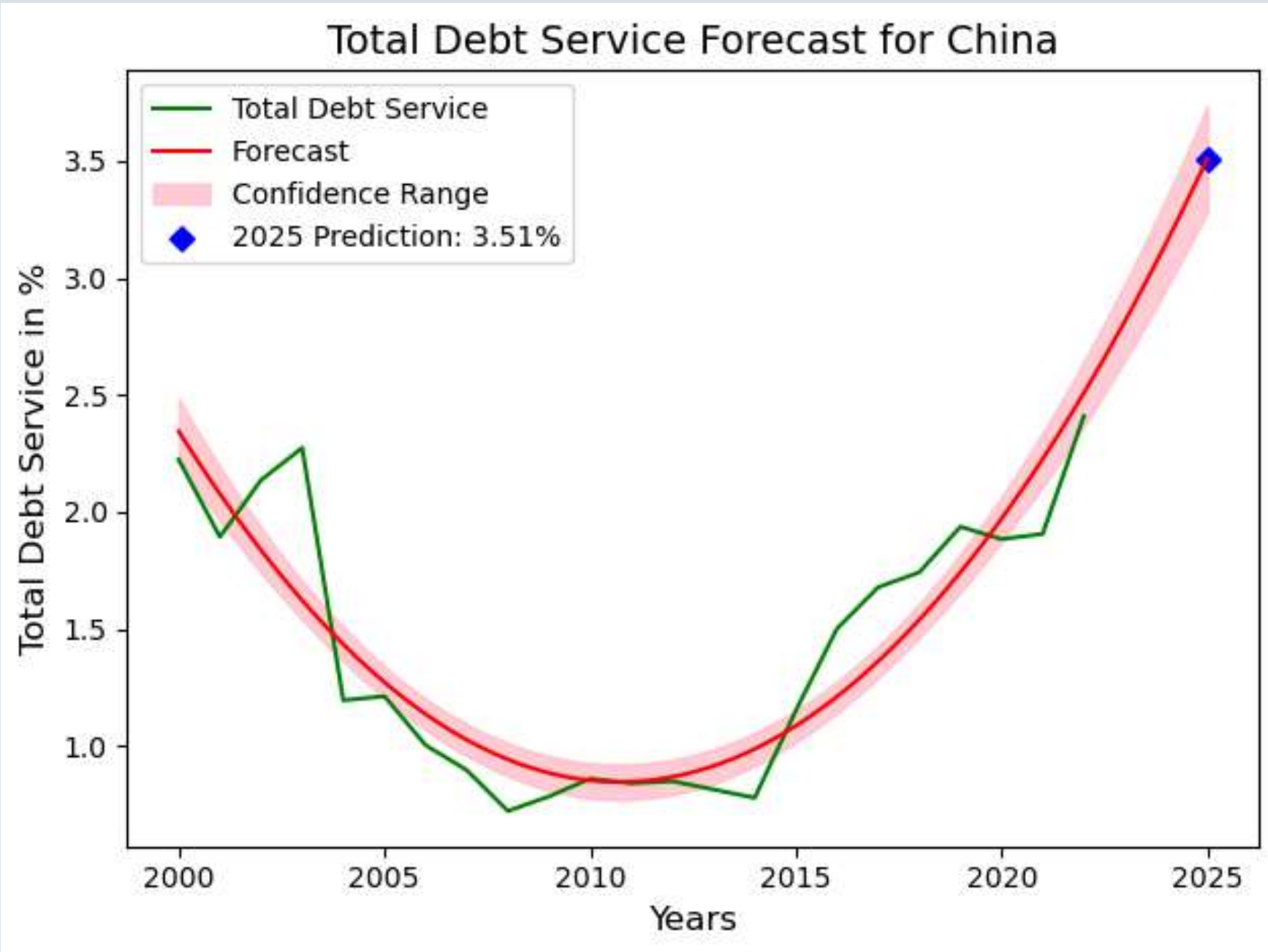
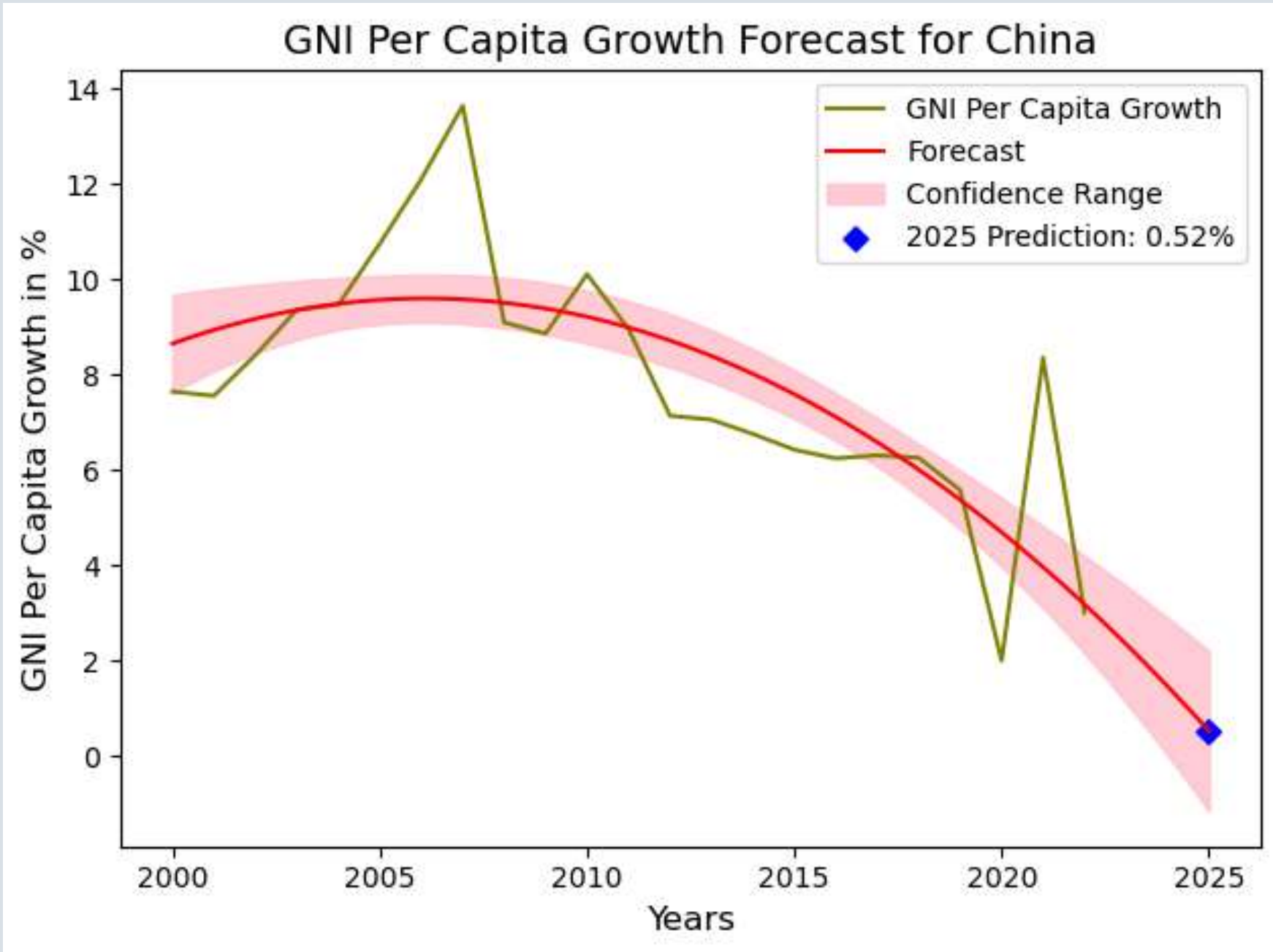
China's Economic Trajectory: Navigating Growth, Debt, and the Future

The fluctuation of GNI per capita growth during the last two decades. From 2000 to 2022, growth averaged 5% per year, but the 2020 global financial crisis slowed growth to 1% due to covid. The growth rate is an important indication of a country's economic progress, with high rates indicating expansion and rising living standards, while low rates indicate stagnation or contraction



The graph shows a consistent growth in total debt service as a percentage of income since 2000, rising from roughly 2.25% to more than 2.40% by 2022. Possible explanations for this upward tendency include more borrowing by countries, resulting in larger debt service payments, and a likely rise in interest rates, making debt service more expensive. The ongoing global debt issue is critical, with huge implications for the global economy in the future.

China's GNI per capita growth has slowed in recent years, falling from a high of 14.2% in 2007 to 6.9% in 2017. The prediction for 2000-2025 varies between 14.2% to 3.5%. Several causes contribute to this slowdown, including the maturing of China's economy, which has grown more complicated. Despite the slowdown, China remains an essential component of global economic growth due to its huge and expanding economy.



China's total debt is expected to increase, reaching 3.51% of GDP in 2025 (Blue Indicator), with an acceptable range of 0.98% to 2.24% (green line).. The response to the COVID-19 pandemic has also resulted in increased borrowing for stimulus measures, raising the debt burden. Some analysts are concerned about the escalation of debt servicing, which might lead to a financial crisis if interest rates increase or the economy's slow down.

Conclusion

In overall, it is predicted that China's overall debt service will rise, to for 3.51% of GDP in 2025, due to a combination of reasons including the country's strong economic growth and increasing borrowing in reaction to the COVID-19 pandemic. The government has taken action to reduce the growing debt load, even though some experts are concerned about possible financial hazards due to this upward trend. The government's attempts to control the issue are shown by reforms for public companies, actions against shadow banking, and a dedication to sustaining manageable debt levels. The integrity of the global financial system, the trajectory of China's debt service continues to be an important factor for attention.

References

GitHub Link: <https://github.com/Susai23/ADS-Assignment-3.git>
Data source: World Bank Data