

## Macro Roundup Article

**Headline:** [Why Is It So Hard for China to Boost Domestic Demand?](#)

**Article Link:** <https://carnegieendowment.org/posts/2024/07/why-is-it-so-hard-for-china-to-boost-domestic-demand?lang=en>

Author(s)	Michael Pettis
Publication	Carnegie Endowment for International Peace
Publication Date	August 02, 2024

**Tweet:** Increasing China's consumption share in a sustainable manner would require an offset by "the business sector, local governments, or Beijing," likely reducing the competitiveness of China's manufacturing sector. @michaelpettis

**Summary:** After three decades when Chinese manufacturers' global competitiveness was effectively built on transfers in one direction, what would happen to their manufacturing prowess if these transfers were reversed? Their prowess would almost certainly decline, as they would struggle to manage in a significantly less friendly supply-side environment. One likely result could be a short-term contraction, as Chinese manufacturers learn to live without the implicit supply-side support and essentially return the various subsidies. Because one of the consequences of these transfers has been a disproportionately large manufacturing share of the economy (27–28% of China's GDP, compared to 15–16% of global GDP, as I explained in this June 2024 piece), anything that undermines China's manufacturing competitiveness in the short term is likely to be especially painful for the economy. This is why Beijing's unwillingness to boost the consumption share of GDP is not as bizarre as it seems.

**Related Articles:** Why Xi Jinping Is Afraid to Unleash China's Consumers and No Quick Fixes: China's Long-Term Consumption Growth and Assessing China's Efforts to Increase Self-Reliance

**Primary Topic:** Growth

**Topics:** China, GDP, Growth, Op-Ed/Blog Post

**Permalink:** <https://www.edwardconard.com/macro-roundup/increasing-chinas-consumption-share-in-a-sustainable-manner-would-require-an-offset-by-the-business-sector-local-governments-or-beijing-likely-reducing-the-competitiveness-of-chinas?view=detail>

**Featured Image Link:** <https://www.edwardconard.com/wp-content/uploads/2024/08/22636-why-is-it-so-hard-for-china-to-boost-domestic-demand-space-filling-graphic.png>