Macro Roundup Article

Headline: **Is China Too Old to Get Rich?**

Article Link: https://www.project-syndicate.org/commentary/china-will-not-become-high-income-economy-anytime-soon-by-yi-fuxian-2024-05

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Publication	Project Syndicate
Publication Date	May 23, 2024

Tweet: .@fuxianyi argues that China's rapidly shrinking workforce and government debt crisis mean the country is unlikely to escape the "middle-income trap." He forecasts the PRC's growth rate slowing to 3% by 2028 and lower growth than the US from 2031-35.

Summary: Several factors are expected to put downward pressure on the renminbi, complicating China's efforts to escape the middle-income trap. First, China's labor force is shrinking rapidly, and its industrial value chain is shifting to countries participating in the government's Belt and Road Initiative. Western countries' attempts to reduce their dependency on Chinese supply chains could further weaken China's manufacturing sector, eroding the country's trade surplus. Second, as economic growth slows and local governments grapple with an escalating debt crisis, Chinese interest rates are expected to fall. Lastly, low fertility rates around the world could lead to low inflation and even outright deflation. China's persistent low fertility rate, combined with insufficient domestic demand and excess capacity, is likely to intensify deflationary pressures, widening the interest-rate gap between the renminbi and the US dollar.

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