

## Macro Roundup Article

**Headline:** [China Must Slow Down Investment If It Wants To Rebalance its Debt-Laden Economy](#)

**Article Link:** <https://www.scmp.com/comment/opinion/article/3233610/china-must-slow-down-investment-if-it-wants-rebalance-its-debt-laden-economy#>

Author(s)	Michael Pettis
Publication	South China Morning Post
Publication Date	September 13, 2023

**Tweet:** China is facing a choice between low GDP growth or encouraging more domestic consumption. @michaelxpettis calculates that transferring 1.5% of GDP to the household sector annually might enable a 4-5% growth rate.

**Summary:** By my calculations, if the government could directly or indirectly transfer roughly 1.5% of GDP every year to households, it could drive growth in household income – and with it, household consumption – to around 7% annually. This, in turn, could generate GDP growth of 4-5% even as investment growth dropped sharply. The arithmetic of rebalancing is unassailable. Given its status as the world's second-largest economy, and by far the world's largest investor, China simply cannot maintain its current investment share of GDP while continuing to grow relative to the rest of the world.

**Related Articles:** Can China's Long-Term Growth Rate Exceed 2–3 Percent? and Chinese Professor Says Youth Jobless Rate Might Have Hit 46.5% and China Cannot Allow Jobless Young To 'Lie Flat'

**Primary Topic:** China

**Topics:** China, GDP, Growth, Op-Ed/Blog Post, Savings Glut/Trade Deficit

**Permalink:** <https://www.edwardconard.com/macro-roundup/china-is-facing-a-choice-between-low-gdp-growth-or-encouraging-more-domestic-consumption-michaelxpettis-calculates-that-transferring-1-5-of-gdp-to-the-household-sector-annually-might-enable-a-4-5?view=detail>

### Featured Image

**Link:** <https://www.edwardconard.com/wp-content/uploads/2023/09/Pettis-Chart-.png>