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Macro Roundup Artcile

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#

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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: 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

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