

## Macro Roundup Article

**Headline:** [Can China's Long-Term Growth Rate Exceed 2–3 Percent?](#)

**Article Link:** <https://carnegieendowment.org/chinafinancialmarkets/89466>

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**Tweet:** [. @michaelxpettis argues that without a significant rebalancing towards consumption China's growth rate is unlikely to exceed 2-3% annually over the next decade.](#)

**Summary:** China currently invests around 42–44 percent of its GDP, and it has invested similar or larger shares for decades. For more mature, capital-intensive economies, investment can comprise roughly 15–20 percent of GDP. China should probably bring investment levels closer to the 20 percent of GDP typical of highly-capital-intensive economies. For the purposes of this exercise, however, I will assume a more favorable path for China in which the appropriate goal is to reduce the investment share of GDP to 30 percent. As investment declines to 30 percent of GDP in ten years, China's GDP growth rate depends mainly on the pace of consumption growth. We can model a simple but robust description of the Chinese economy by setting investment at 42 percent of GDP (a little better than the current 43–44 percent); net exports at 4 percent of GDP; and consumption at 54 percent of GDP. In this case, growth in China's GDP over the ten-year period is just the weighted average growth of investment and consumption (assuming net exports are flat) and so will depend primarily on the assumptions we make for investment growth and consumption growth. I summarize below the five broad scenarios under which China can rebalance.

**Primary Topic:** Business Cycle

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

**Permalink:** <https://www.edwardconard.com/macro-roundup/michaelxpettis-argues-that-without-a-significant-rebalancing-towards-consumption-chinas-growth-rate-is-unlikely-to-exceed-2-3-annually-over-the-next-decade?view=detail>

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