

Macro Roundup Article

Headline: [2H2024: More Continuity, No Major Course Correction](#)

Article

Link: <https://macropolo2.wpenginepowered.com/wp-content/uploads/2024/08/2H2024.pdf>

Author(s)	Houze Song
Publication	Macro Polo
Publication Date	August 15, 2024

Tweet: [.@hzsong projects 2024 nominal growth in China of ~4% vs. the CCP's 5% target, largely driven by local governments preoccupied with debt service vs. new investments funded by land sales.](#)

Summary: Central government revenue was forecast to see 3%+ growth this year, yet to date, revenue has instead contracted by 3%. That will create a 500 billion yuan (\$70B) hole in the budget in 2H, implying that Beijing will have to increase the central budget deficit by ~\$70B to avoid the budget shortfall from handicapping growth even more. To the extent Beijing increases the budget deficit in 2H, it will do so conservatively to cover the revenue shortfall but fall far short of being stimulative. Stimulus also won't come from local governments as they are once again struggling with deleveraging. Not only are local governments facing a broad revenue crunch from continued decline in land sales, part of their dwindling revenue also needs to be used for debt servicing. In fact, Beijing has shown its preference in recent weeks by letting local governments use bond borrowing to refinance existing debt instead of financing new projects. It appears Beijing has already decided to not rely on local governments to stimulate the economy, instead redirecting them to focus on de-risking.

Related Articles: [China Economy Memo: Tempest in a Teapot or Crisis A-Brewing?](#) and [China's Debt Isn't The Problem and The Rise and Fall of LGFVs](#)

Primary Topic: China

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

Permalink: <https://www.edwardconard.com/macro-roundup/hzsong-projects-2024-nominal-growth-in-china-of-4-vs-the-ccps-5-target-largely-driven-by-local-governments-preoccupied-with-debt-service-vs-new-investments-funded-by-land-sales?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/08/22760-2h-2024-more-continuity-no-major-course-correction-featured-thumbnail-image.png>