

Performance and Prospects of China's Urban Economy (2023-2024): Postprint

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Abstract

This article takes 297 prefecture-level and above cities in China as its analytical subjects, examining and reviewing their overall economic performance, highlights and hot spots, and prominent issues since 2023, while forecasting urban economic operation trends for 2024. Overall, China's urban economic operation has generally rebounded and improved since 2023, with frequent highlights and hot spots across various sectors; however, issues such as significant export decline, frequent real estate risks, increasing local debt risks, and insufficient release of consumption demand cannot be ignored. Looking forward to the first half of 2024, the policy effects of macroeconomic regulation in real estate, investment, consumption, opening-up, and other areas will be intensively released. Cities should adopt a problem-oriented approach, accurately identify development priorities for 2024, formulate targeted policy measures, and promote high-quality development of urban economies.

Full Text

Operational Situation and Outlook of China's Urban Economy (2023-2024)

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Abstract

This study examines 297 prefecture-level and above cities in China (including 4 municipalities directly under the central government, 15 sub-provincial cities, and 278 prefecture-level cities), analyzing and reviewing their overall economic

performance, key highlights, and prominent challenges since 2023 while providing an outlook for urban economic trends in 2024. Overall, China's urban economy has rebounded and improved since 2023, with frequent bright spots across various sectors. However, significant issues cannot be ignored, including a marked export decline, recurring real estate risks, mounting local debt pressures, and insufficient release of consumer demand. Looking ahead to the first half of 2024, policy effects from macroeconomic regulation in real estate, investment, consumption, and opening-up will be released intensively. Cities should adopt a problem-oriented approach, accurately identify development priorities for 2024, formulate targeted policy measures, and promote high-quality urban economic development.

Keywords: urban economy, economic operation, situation analysis, economic outlook

1. Overall Situation of China's Urban Economy in 2023

1.1 General Economic Rebound with “Secondary Retreat, Tertiary Advance” in Industrial Structure

In the first half of 2023, 138 of the 297 cities achieved GDP growth exceeding the national average of 5.5%. Twenty-four cities reported GDP exceeding 500 billion yuan, matching the number of “trillion-yuan club” cities in 2022, with Chengdu becoming the seventh city to surpass 1 trillion yuan in half-year GDP. Across all city size categories, the share of tertiary industry in GDP increased while secondary industry share decreased. Fixed-asset investment growth exceeded the national level of 3.8% in 150 cities (60% of those reporting data), while retail sales growth surpassed the national average of 8.2% in 121 cities (47% of reporting cities). For 209 sample cities, general public budget revenue averaged 21.69 billion yuan, up 19.8% year-on-year, while expenditures averaged 34.81 billion yuan, up 4.4%. Eight cities had budget revenue exceeding 100 billion yuan, ten had expenditures over 100 billion yuan, and five achieved budget surpluses. The average fiscal self-sufficiency rate increased by 3.1 percentage points, with 156 cities (74.6%) showing improvement over the previous year.

1.2 Significant Differentiation Among Cities of Different Sizes

In terms of GDP growth, megacities averaged 7.2% growth in the first half of 2023, while very large cities averaged 5.6%, with other city categories falling below the national level. Megacities and very large cities reported per capita GDP exceeding 60,000 yuan, while other city types remained below the national average of 42,007 yuan [Figure 1: see original paper]. Industrially, megacities, very large cities, and Type I large cities generally had tertiary industry value-added exceeding secondary industry. Regarding foreign trade, megacities' total import-export volume reached 7,227.77 billion yuan—more than double that of

very large cities and Type I large cities, and approximately 2.6 times that of Type II large cities and over three times that of medium-sized cities. Foreign trade cities demonstrated dominant positions, with 33 and 34 cities respectively among the top 50 import and export cities having foreign trade dependence ratios exceeding 10%. Fiscal self-sufficiency rates averaged 79.2% for megacities and very large cities, 59.4% for large cities, 46.0% for medium cities, and 30.5% for small cities, with respective improvements of 5.9, 3.4, 2.4, and 2.7 percentage points. Megacities and very large cities showed the greatest improvement in fiscal self-sufficiency [Figure 2: see original paper].

2. Highlights of Urban Economic Development in 2023

2.1 New Momentum at the Start of the Year as Cities Compete for New Energy Industries

Cities launched intensive efforts to boost economic recovery at the start of 2023. Wuhan set a target to break 2 trillion yuan in GDP, while Yantai and Changzhou aimed to join the trillion-yuan GDP club. Over 40 cities issued consumption vouchers to stimulate recovery in catering, culture-tourism, and night economies. Governments and enterprises organized “group overseas missions” to secure new orders and sign projects, with Chongqing implementing a “Hundred Missions, Thousand Enterprises” international market expansion plan and Qingdao formulating a 2023 global investment promotion action plan. The race to become “China’s Top New Energy Vehicle City” and “Lithium Battery Capital” intensified, with Shanghai, Guangzhou, and Shenzhen targeting over 2 million new energy vehicles annually by 2025, while Yibin, Ningde, Yichun, and Changzhou joined the competition for lithium battery industry leadership.

2.2 Steady Recovery of Open Economy with New Breakthroughs in Opening-up Platforms

International events and exhibitions effectively stimulated urban economies, with Chengdu and Hangzhou leveraging sports events to ignite economic vitality and Beijing, Shanghai, and Xi’an using conferences to enhance international influence. Open channels gained new vitality: Hainan’s Yangpu Port welcomed its first South American intercontinental route in March, while Jiangxi’s Ganzhou launched its first RCEP freight train. Opening-up platforms achieved innovative development, with Hainan expanding its closed customs pressure testing in Haikou and Shanghai building a new international trade center platform at the Hongqiao International Open Hub. Shenyang, Nanjing, and four other cities were approved for the second batch of comprehensive pilot programs for expanding service industry opening-up, while Shanghai’s Pudong took the lead in piloting alignment with high-standard international economic and trade rules.

2.3 Cultural, Sports and Tourism Economy Becomes a Hot Topic, Driving Consumption Recovery

The cultural, sports and tourism economy repeatedly topped search rankings and became a key driver of consumption recovery. In March 2023, “Zibo Barbecue” became the number one trending topic on Douyin’s local list, transforming Zibo into one of the year’s hottest destinations. During summer, Tianjin’s “diving grandpas” went viral online, turning the Lion Forest Bridge into a well-known “8A-level internet-famous attraction.” In December, the 25th Harbin Ice and Snow World welcomed 40,000 visitors on its opening day, sustaining the popularity of ice and snow consumption in northern cities. Cultural and entertainment consumption potential was unleashed as the “museum craze” prompted cities to extend opening hours, and the “performance economy” from concerts and music festivals drove tourism revenue growth. New tourism formats emerged, including “special forces tourism” featuring rapid multi-province itineraries and “City Walk” micro-tours for experiencing urban culture, making Beijing, Hangzhou, Shanghai, Xi’an, and Suzhou top tourist destinations.

2.4 High-Quality Living Spaces Gain Attention, Driving Investment in Urban Construction

The “housing delivery guarantee” initiative drove growth in residential completion area, with the top 50 real estate enterprises completing over 293,000 housing units in the first three quarters of 2023. National residential completion area reached 353.19 million square meters, up 20.1% year-on-year, with over 2 million affordable rental housing units completed for the year. The “Three Major Projects” accelerated: Shanghai, Jinan, Qingdao, Fuzhou, Changsha, and other cities launched affordable housing projects in August, and the China Development Bank issued its first 配售型 affordable housing development loan in Fuzhou in December. By late October, 162 urban village renovation projects had been entered into the information system for megacities and very large cities. “Dual-use” public infrastructure for both normal and emergency use advanced in Beijing, Shanghai, Wuhan, Hangzhou, and other major cities. New urban construction initiatives gained momentum, including the May launch of urban infrastructure lifeline safety projects, August pilot selection for climate-adaptable city construction, and successive launches of pilot programs for intellectual property public service standardization cities, small and medium enterprise digital transformation cities, and compact urban medical groups.

2.5 Hot Issues Attract Social Attention, Urban Governance Faces New Challenges

Population changes triggered competition for talent, children, and school places, with Guangzhou, Shenzhen, Zhuhai, and Dongguan relaxing household registration restrictions and introducing skilled talent. Many cities faced kindergarten closures due to “one-child difficulties,” while Chengdu and Changchun issued early warnings for primary school places ahead of the first wave of second-child

enrollment peaks. Urban public transportation encountered development bottlenecks, with bus service suspensions in Shangqiu, Baoding, Dancheng, Huangshi, Hengshan, and Nanchong, wage payment suspensions by bus companies in Lanzhou, Pingdingshan, and Tai'an, and tram service suspensions in Shanghai, Tianjin, and Tianshui. Extreme weather disasters frequently impacted urban safety operations, with northern sandstorms in spring, persistent extreme heat and heavy rainfall in summer, and winter ice and snow disasters challenging urban resilience. The new flexible employment market approached saturation, with China's food delivery riders exceeding 10 million in 2023. Multiple cities including Jinan, Wenzhou, Sanya, and Changsha issued ride-hailing market saturation warnings starting in April.

3. Prominent Problems in Urban Economic Operation in 2023

3.1 Significant Export Decline, Cities with High Trade Dependence Face Greater Pressure

From January to November 2023, export-oriented cities faced downward pressure amid complex international situations, slowing growth in major foreign economies, exchange rate fluctuations, and geopolitical conflicts. Among 24 cities with GDP exceeding 1 trillion yuan, 17 saw year-on-year declines in total import-export volume (over 70%). Major trade cities Suzhou, Dongguan, and Foshan experienced export declines of 3.8%, 10.5%, and 13.2% respectively.

3.2 Real Estate Risks Occur Frequently, Land Transfer Income Declines Substantially

From January to November 2023, national residential construction area, new starts, and investment declined by 7.6%, 21.5%, and 9.0% respectively, while residential space available for sale increased 20.4% year-on-year by November, indicating an overall downward trend in real estate development. Real estate industry risks occurred frequently, with 25 corporate bonds defaulting and 74 bonds extended in the first half of the year. Land transfer income declined substantially nationwide, with local state-owned land use rights transfer revenue reaching 4,203.1 billion yuan from January to November, down 17.9% year-on-year—less than 60% of the same period in 2021 and 80% of 2022.

3.3 Weak Urban Fiscal Revenue Further Increases Local Debt Risks

In the first half of 2023, 188 cities (74% of those with data) had fiscal revenue accounting for less than 10% of GDP, highlighting weak revenue capacity. By end-November, outstanding local government debt reached 40,638.6 billion yuan, controlled within the limit approved by the National People's Congress. However, debt risks are rising in some economically underdeveloped and fiscally weak central and western regions, with some localities stating that debt resolution is difficult and cannot be achieved through their own capabilities alone.

3.4 Consumer Demand Becomes Rational, Urban Consumption Potential Remains to Be Tapped

While new consumption scenarios, formats, and models continue to emerge, diversified market segments require further development, particularly “she-economy” and “silver economy” products that still suffer from low quality and weak targeting. The “618” e-commerce promotion performed poorly in 2023, and tourism consumption growth during the Mid-Autumn and National Day holidays significantly lagged growth in tourist numbers. During the “Double 11” period, low prices became a major topic, reflecting a new trend of rational consumption focused on cost-effectiveness. City-level data shows that 53% of cities still had retail sales growth below the national average in the first half of 2023, indicating the need to strengthen cities’ role as primary consumption drivers.

4. Outlook for Urban Economic Operation in the First Half of 2024

4.1 Real Estate Policies Approach Most Accommodative Level Since 2014

Since 2023, a series of policy measures have been introduced, including recognizing first-home status based on property ownership rather than mortgage history, reducing down payment ratios and interest rates, continuing individual income tax support for housing upgrades, and lowering secondary housing agency fees. The real estate policy environment has approached the most accommodative level since 2014, releasing positive signals for market stabilization. Looking ahead to 2024, previous policy adjustments will accelerate the release of rigid and improved housing demand, with further room for policy action on both supply and demand sides. New home sales area in first-tier cities may continue modest growth, second-tier cities could bottom out and stabilize, while third- and fourth-tier cities are expected to see continued declines.

4.2 “Three Major Projects,” Urban Renewal, and Private Economy Will Gradually Boost Investment

The “Three Major Projects” will continue advancing, with a batch of projects expected to enter implementation stages, serving as important drivers for investment and domestic demand and playing a significant role in stabilizing investment in 2024. Urban renewal, represented by a new round of old residential community renovation, will intensify with accelerated investment under policy promotion and advance planning by localities. Policy measures to develop the private economy, mobilize private investment enthusiasm, and issue an additional 1 trillion yuan in government bonds will also effectively boost urban investment, with these effects expected to gradually manifest in the first half of 2024.

4.3 Precise Supply-Demand Matching Will Accelerate Release of Cultural, Sports and Tourism Consumption Potential

On the demand side, new trends in urban cultural, sports and tourism consumption are becoming clearer, with deep travel, comfortable travel, and cultural-sports travel emerging as new preferences for young people, spawning entirely new consumption models. On the supply side, localities are promoting mutual empowerment of business, tourism, culture, sports and health, developing new formats and supplies, and deeply integrating events with cultural-tourism scenarios with greater emphasis on social media visibility. Going forward, continuously enriching supply that precisely matches diverse group needs will accelerate the release of new urban consumption potential.

4.4 Multi-Domain Opening Mechanisms Will Help Cities Enhance Open Economy Levels

The full implementation of RCEP will greatly facilitate free flow of production factors within the region and promote a more prosperous integrated regional market. China's relations with Central Asian countries have entered a new era, offering broad prospects for inter-city cooperation. The expansion of national cross-border e-commerce comprehensive pilot zones to 165 will further improve foreign trade efficiency in relevant cities. With continuous recovery of international routes and expected increases in inbound flights, the inbound tourism market holds significant recovery potential.

4.5 Urban Stable and Safe Operation May Face Considerable Pressure in Early 2024

The concentrated release of consumption and travel during the 2024 New Year and Spring Festival holidays, combined with the risk of overlapping epidemics of COVID-19, influenza, and mycoplasma pneumonia, necessitates advance preparation for critical material reserves. Employment pressure, particularly for college graduates, remains substantial, with the dual squeeze of existing and new job seekers potentially creating a more severe situation. Additionally, the risk of low-temperature, rain, snow, and ice disasters still exists in early 2024, potentially bringing considerable pressure to urban emergency rescue, energy security, heating supply, and price stability for important livelihood goods.

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