Postprint: Predictive Analysis and Policy Recommendations for China' s Economic Growth Rate in 2024

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Abstract

In 2023, the post-pandemic national economy maintained its recovery momentum, with China' s economy rebounding in a positive direction. However, the economic recovery has experienced certain fluctuations, and it is forecasted that China' s economy will achieve stable and relatively rapid growth in 2024. This article comprehensively utilizes input-output technology, business cycle analysis, expert analysis, and statistical and econometric models to forecast Gross Domestic Product (GDP). By reviewing China' s economic performance in 2023 and taking into account the current domestic and international situation, the projections indicate that China' s economy is expected to maintain stable operation in 2024, with a growth rate reaching approximately 5.3%. Based on the analysis of current economic conditions, the article proposes the following recommendations: strengthen cross-cyclical and counter-cyclical macroeconomic policy adjustments; enhance the modernization level of industrial chains and improve their resilience and competitiveness; and provide stable support for the development of small and medium-sized enterprises.

Full Text

Preamble

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Forecast of China' s Economic Growth Rate in 2024 and Policy Suggestions

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Abstract

In 2023, China' s economy maintained a recovery trend after the pandemic, moving toward positive 复苏. However, the recovery exhibited fluctuations, and it is projected that China' s economy will achieve steady and relatively rapid growth in 2024. This paper comprehensively employs input-output techniques, business cycle analysis, expert analysis, and statistical and econometric models to forecast Gross Domestic Product (GDP). By reviewing China's economic performance in 2023 and considering current domestic and international conditions, the forecast indicates that China' s economy is expected to maintain stable operation in 2024, with a growth rate reaching approximately 5.3%. Based on the analysis of current economic conditions, this article proposes the following recommendations: strengthen the intensity of macroeconomic policies across cycles and counter-cyclical adjustments; enhance the modernization level of industrial chains to improve their resilience and competitiveness; and provide stable support for the development of small and medium-sized enterprises.

Keywords economic forecast, economic situation analysis, gross domestic product, policy suggestions
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1. Forecast of China' s Medium-to-Long Term Economic Trend

1.1 Prerequisites for the Forecast

This forecast is based on three fundamental prerequisites. First, China must uphold the comprehensive leadership of the Party and the centralized, unified leadership of the Party Central Committee. Second, China must persist in technological innovation and in building the nation through science and education, fully leveraging the Chinese people' s excellent qualities of diligence, simplicity, emphasis on education, and capacity for innovation. Third, China and the United States must avoid comprehensive conflict, and China must not engage in prolonged large-scale conflicts with major neighboring countries.

1.2 Main Forecast Results

As per capita GDP increases, China' s economic growth rate will exhibit a wave-like decline while the total economic volume will gradually rise. Six key projections emerge from this analysis. First, during the decade from 2021 to 2030, China is expected to achieve remarkable progress in comprehensive national power, economic strength, and technological capabilities, with its economic growth rate entering the "5 percent era" at an average annual rate of approximately 5.3%. Second, around 2030, China' s total economic volume (calculated using the current exchange rate method) may reach parity with that of the United States. Third, from 2021 to 2035, China's average annual compound growth rate is expected to reach 5.0%, potentially doubling its economic scale and essentially achieving the goal of socialist modernization. Fourth, entering the period of 2031-2040, China' s economic growth rate will further decline to the "4 percent era," with an average annual rate of approximately 4.4%, representing a 0.9 percentage point decrease from the 5.3% average annual growth rate of 2021-2030. Fifth, looking ahead to 2041-2050, the economic growth rate is projected to further slow to the "3 percent era," with an average annual growth rate of approximately 3.8%, with some years at or above 4% and others below 3%. This represents a 0.6 percentage point decline from the 4.4% average compound growth rate of 2031-2040. Sixth, by 2050, China is expected to become a prosperous, strong, democratic, civilized, harmonious, and beautiful modern socialist powerhouse.

2. Review and Analysis of China' s 2023 Economic Growth

Following the lifting of Category A infectious disease prevention and control measures for COVID-19 on January 8, 2023, China' s economic growth rate accelerated compared to 2022. The projected GDP growth rate for 2023 is 5.4%, representing a 2.4 percentage point increase from 2022. Quarterly growth rates are projected at 4.5%, 6.3%, and 4.9% for the first three quarters, with the fourth quarter expected to reach 5.9%, yielding an annual rate of approximately 5.4%. The overall development trend for 2023 shows that while China' s economy recovered positively, the recovery process exhibited wave-like and tortuous advancement characteristics. Notably, the second and third quarter year-on-year growth rates failed to meet expectations for rapid post-pandemic economic growth despite the low base in 2022, indicating increased downward pressure on the economy.

2.1 Reasons for the Lack of Rapid Post-COVID Growth

Four primary factors explain why the economy did not experience rapid growth after COVID-19. First, insufficient endogenous growth momentum, particularly reflected in slow investment growth and stagnation in the real estate sector. Investment, as one of the "three drivers"of China's economy, played a crucial role during the high-growth years of 2000-2015. However, investment growth slowed in 2023, with national fixed asset investment showing a clear declining trend—growing 5.5% year-on-year in January-February but only 3.1% cumulatively in January-September. While infrastructure and manufacturing investment both grew 6.2%, private investment declined by 0.6%. The real estate sector has been particularly weak, with value-added growth turning negative since the fourth quarter of 2021 and remaining a weak link in national economic development throughout 2023.

Second, weakening external demand and declining orders. Despite the basic conclusion of COVID-19, global economic growth remained sluggish in 2023. According to the IMF' s latest forecasts, world economic growth slowed from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. The European Commission revised down its eurozone growth forecast from 1% to 0.8% for 2023 and from 1.7% to 1.4% for 2024, with Germany, the continent' s largest economy, falling into recession. This global economic downturn has severely impacted China' s foreign trade growth, with customs data showing that in the first 11 months of 2023, China' s goods trade totaled 37.96 trillion yuan, essentially flat year-on-year, with exports growing only 0.3% and imports declining 0.5%.

Third, deliberate suppression and containment by the United States and its allies. As the world' s sole superpower, the U.S. has long derived various benefits and advantages from its dominant position. However, as China' s economic and military strength continues to grow, making it the world' s second-largest economy and a major political and technological power, U.S. politicians have misjudged China as a substantive threat to American hegemony and have implemented various measures to suppress and contain China.

Fourth, lingering effects of COVID-19. Some enterprises face operational difficulties, leading to weak investment momentum, while uncertainty in employment and household income affects consumption and future expectations. Despite these challenges, China possesses enormous development opportunities. As policy measures continue to take effect, the economy is expected to maintain a stable recovery trend in the fourth quarter of 2023, successfully achieving expected economic and social development goals and ensuring high-quality development.

2.2 Review and Analysis of Value-Added Growth in Three Major Industries (Production Approach)

Based on the National Bureau of Statistics' quarterly GDP accounting methodology, this study establishes correlation models between sectoral value-added and related monthly indicators, using time series and regression models to forecast quarterly and annual GDP. The projected fourth quarter GDP growth rate for 2023 is 5.9%, yielding an annual rate of approximately 5.4%. By sector, the fourth quarter value-added growth rates for primary, secondary, and tertiary industries are projected at 4.8%, 4.7%, and 7.0% respectively, with full-year rates of 4.3%, 4.5%, and 6.3% (Table 2).

2.2.1 Primary Industry Maintains Stable Growth In 2023, amid an extremely complex and challenging domestic and international environment, China' s three major industries demonstrated positive development momentum. The tertiary sector is particularly noteworthy, with its 2023 growth rate increasing by 4.0 percentage points from 2022 and contributing approximately 61% to GDP growth, driving GDP up by 3.3 percentage points. The central government implemented a new round of grain production capacity enhancement initiatives, resulting in a bumper harvest. National grain output reached 1,390.8 billion jin, an increase of 17.8 billion jin (1.3% growth) from 2022, marking nine consecutive years of stability above 1.3 trillion jin. Despite floods in parts of North and Northeast China, grain yield per mu increased by 5.8 jin (0.8% growth). Animal husbandry remained stable, with pork, beef, mutton, and poultry production increasing by approximately 4.0% compared to 2022, ensuring abundant agricultural product supply.

2.2.2 Industrial Economy Stabilizes and Recovers, Construction Performs Significantly Better Than 2022 The secondary industry' s value-added growth rate in 2023 is expected to increase by 0.7 percentage points from 2022, with industrial value-added growth at approximately 4.0% and construction value-added growth at around 6.9%. Industrial development has recovered positively, with 规模以上 industrial added value achieving 4.0% cumulative growth in the first three quarters, a significant improvement from 2022. Industrial capacity utilization reached 74.8%, improving by 0.4 percentage points from the first half and showing quarter-by-quarter improvement. The production-sales ratio of 规模以上 industrial enterprises was 96.8%, up 0.6 percentage points from the first two quarters, indicating gradual business improvement. The construction sector maintained high growth throughout 2023, with cumulative value-added growth of 7.2% in the first three quarters, up 2.4 percentage points from the same period in 2022. The non-manufacturing purchasing managers' index showed China' s construction business activity index at 55.0% in November, up 1.5 percentage points from October and remaining in expansion territory throughout 2023.

2.2.3 Tertiary Industry Recovers Rapidly The tertiary industry' s value-added growth rate is projected at 7.0% for the fourth quarter of 2023, up 4.7 percentage points from the same period in 2022. Following the shift in pandemic prevention policies, contact-intensive service industries experienced explosive recovery growth. In the first three quarters of 2023, tertiary industry value-added grew 6.0% year-on-year, with accommodation and catering growing

14.4%, leasing and business services growing 9.5%, and transportation, warehousing, and postal services growing 7.5%. Operating passenger volume and passenger turnover increased by 56.1% and 106.9% respectively, as consumption demand accelerated. Modern service industries demonstrated strong driving effects, with information transmission, software, and IT services growing far above the tertiary industry average. High-tech service industry fixed asset investment, business revenue, and strategic emerging service industry business revenue all exceeded average tertiary industry development levels.

2.3 Review and Analysis of Growth in Three Major Demands (Expenditure Approach)

This analysis examines final consumption, fixed capital formation, and import-export dimensions using time series and regression models to forecast quarterly and annual expenditure-based GDP components. In the first three quarters of 2023, China' s economic recovery was primarily driven by the domestic market, particularly the consumption market, which continued to show stable recovery trends, while external demand contraction persistently dragged down economic growth.

2.3.1 Consumption Shows Positive Momentum, Maintaining Rapid Recovery Since early 2023, the consumption market has demonstrated robust recovery momentum. Influenced by the low base in the same period of 2022, total retail sales of consumer goods recovered rapidly from March to May, with cumulative growth reaching 9.3% in the first half. Although growth slowed in June-July, it gradually recovered in August-September. From a two-year cumulative growth perspective, consumption growth remained relatively stable, with total retail sales growing 6.8% cumulatively in the first three quarters of 2023. After accounting for price factors, the real growth rate was 6.6%, with final consumption expenditure contributing 4.3 percentage points to GDP growth and accounting for 83.2% of the contribution rate, making it the primary driver of economic growth. Consumption structure changes were significant, with life services and tourism-related consumption growing rapidly, while upgraded consumption demand continued to release, particularly in new energy vehicles, which saw consumption grow 33.8% year-on-year. Given the low base in the fourth quarter of 2022 and continuously strengthening consumption market vitality, the foundation for consumption recovery and expansion will be further consolidated. Forecasts indicate that the annual growth rate of total retail sales will be approximately 7.5% in 2023, with final consumption expenditure expected to drive economic growth by 4.5 percentage points and contribute approximately 82.9% to GDP growth.

2.3.2 Investment Growth Slows, Infrastructure Investment Gains Momentum Investment growth slowed in 2023, with national fixed asset investment declining significantly in the first three quarters. While investment grew 5.5% year-on-year in January-February, cumulative growth was only 3.1% in

January-September, with infrastructure and manufacturing investment both growing 6.2% but real estate development investment falling 9.1% and private investment declining 0.6%. However, infrastructure investment is expected to continue gaining momentum and effectively boost investment confidence. On October 24, 2023, the National People’ s Congress approved the State Council’ s resolution to issue an additional 1 trillion yuan in special government bonds, which will boost investment confidence. Forecasts indicate that the annual fixed asset investment growth rate will be approximately 3.9% in 2023, with total capital formation driving economic growth by 1.7 percentage points and contributing approximately 31.8% to GDP growth.

2.3.3 External Demand Contracts Further, Import-Export Growth Slows Affected by weak global economic growth, persistent external demand contraction, and the high base in the same period of 2022, the contribution of external demand to economic growth has weakened. In the first 11 months of 2023, total import-export volume reached 37.96 trillion yuan, essentially flat year-on-year (down 5.6% in USD terms), with exports growing 0.3% (down 5.2% in USD) and imports declining 0.5% (down 6.0% in USD), yielding a trade surplus of 5.24 trillion yuan ($748.13 billion). After removing the impact of RMB exchange rates, China’ s import-export growth was not as low as the USD statistics suggest. Additionally, with growing Chinese resident demand for overseas travel, net exports of goods and services created a negative drag of 0.7 percentage points on economic growth in the first three quarters, contributing -13.0% to GDP. Looking ahead, as economic conditions in major trading partners improve and the base for import-export volume in the fourth quarter of 2022 is relatively low, China’ s foreign trade is entering a stabilization and recovery phase, with goods export performance better than imports and the trade surplus further expanding, though the annual trade surplus will shrink compared to 2022. Net exports of goods and services are expected to contribute approximately -14.7% to GDP growth in 2023, dragging down growth by 0.8 percentage points.

3. Forecast of China’ s Economic Growth Rate in 2024

3.1 Overview of Annual GDP Growth Rate Prediction Methods

GDP is influenced by numerous complex and variable factors, some of which are highly uncertain and difficult to quantify or predict, increasing the complexity of forecasting. This study references the prediction methodology introduced by Chen et al. [2] and constructs a System Comprehensive Factor Prediction Method that can achieve high-precision GDP forecasts. This model has three key characteristics: it treats the national economy as a typical complex system with nonlinear, stochastic, and dynamic interactions among subsystems and between the system and external environment; it comprehensively considers internal and external factors, focusing on major influences on economic growth; and it integrates input-output techniques, econometrics, and other quantitative methods for ensemble forecasting of GDP growth rates.

3.2 Prerequisites for the 2024 China Economic Growth Forecast

The trajectory of China' s economy in 2024 and international economic conditions face considerable uncertainties. This forecast is based on three prerequisites. First, under the leadership of the Party Central Committee with Comrade Xi Jinping at its core and guided by the spirit of the 20th Party Congress, the Chinese government will adhere to the general principle of "seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old," deepening the implementation of new development concepts, accelerating the formation of new development patterns, and promoting high-quality economic development. Second, China and the United States will avoid comprehensive political, economic, technological, and military confrontation in 2024. Third, no large-scale conflicts or regional wars will occur in China' s neighboring areas (such as the Korean Peninsula) or in the South China Sea or Taiwan Strait in 2024.

3.3 Analysis and Forecast of China' s GDP Growth Rate and Annual Trend in 2024

3.3.1 Forecast Results for 2024 GDP Growth Rate The level of economic growth depends first on endogenous economic momentum and second on the external environment. As the sole superpower, the United States plays a critical role in China' s economic development. This paper forecasts China' s economic growth in 2024 under baseline, pessimistic, and optimistic scenarios [3].

In the baseline scenario (with an expected probability of 60%), endogenous economic momentum grows steadily, investment growth accelerates compared to 2023, and real estate development stabilizes and improves slightly under policy support. China-U.S. relations will ease somewhat in 2024, though the U.S. political establishment will continue to view China as its primary competitor and maintain containment and suppression measures in political, economic, military, and technological domains. Under this scenario, China' s economy is expected to operate steadily in 2024, with the growth rate returning to normal levels. Given China's current potential growth rate and external environment, the GDP growth rate is projected to reach approximately 5.3%, with steady improvement throughout the year showing a trend of starting slow and then accelerating. Quarterly growth rates are forecast at 5.0%, 5.3%, 5.5%, and 5.4%, with a range of only about 0.5 percentage points between quarters (Table 3).

In the pessimistic scenario (with an expected probability of 20%), endogenous economic momentum is severely insufficient, investment growth remains slow, the real estate sector continues to decline, and China-U.S. relations deteriorate with the United States implementing comprehensive economic containment and sanctions against China. Under this scenario, China' s annual GDP growth rate is projected at approximately 4.0%.

In the optimistic scenario (with an expected probability of 20%), endogenous economic momentum grows rapidly, investment growth accelerates significantly compared to 2023, the real estate sector shows clear improvement, and China-U.S. relations improve substantially. Under this scenario, China' s GDP growth rate could reach approximately 6.5%.

3.3.2 Forecast of Value-Added Growth Rates in Three Major Industries for 2024 In 2024, value-added growth in China' s three major industries will continue to grow steadily. The primary industry is forecast to grow at approximately 4.5%, up 0.2 percentage points from 2023. The secondary industry' s value-added growth rate is expected to remain at approximately 4.5%, similar to 2023. The tertiary industry' s value-added growth rate is projected at 6%, slightly lower than the 2023 growth rate (Table 4).

3.3.3 Forecast of Growth Rates in Three Major Demands for 2024 From the perspective of the three major demands, as the strategy to expand domestic demand is deeply implemented, consumption policies continue to exert their effects, and residents' incomes grow steadily, the foundation for consumption market recovery and growth will be further consolidated. With continued investment growth in high-tech and new energy industries and a rebound in infrastructure investment, the role of investment in driving economic growth is expected to strengthen. As economic conditions in major global economies further recover and improve, and given the low base for foreign trade in 2023, import and export growth rates will continue to stabilize and rebound. It is projected that in 2024, final consumption will contribute 69.0% to GDP growth, driving GDP up by 3.7 percentage points; total capital formation will contribute 36.0%, driving GDP growth of 1.9 percentage points; and net exports will contribute -5.0%, dragging down GDP growth by 0.3 percentage points (Table 5).

4. Recommendations for Economic Development in 2024

As previously mentioned, China' s economic development in 2024 faces considerable uncertainty. Internationally, inflation levels in major economies remain high, world economic recovery momentum remains weak, and China' s external demand situation is not optimistic. Domestically, enterprises lack confidence in the current economy and have weak investment willingness, local debt burdens are heavy, and the real estate sector will continue to decline. These factors all create uncertainties for China' s strong economic recovery. To stabilize expectations, boost investor and consumer confidence, and promote China' s sustained economic recovery, the following recommendations are proposed.

4.1 Innovation in Macro-Control Policies

While macro policies focus on cultivating new growth points and drivers of economic development, they should also stabilize traditional growth engines and safeguard the basic foundation of China' s economy, truly achieving "establishing the new before abolishing the old." Within a risk-controllable scope, and in light of current economic conditions, the fiscal deficit ratio should be appropriately expanded and market expectations managed scientifically. The toolkit of macro-control policy instruments should be enriched to reduce macroeconomic fluctuations and thereby boost market confidence. Local government debt financing mechanisms must be standardized with clear responsibilities and transparency. A legalized and institutionalized local government debt financing system should be established to address soft budget constraints on local governments, encourage effective investment, alleviate disorderly market competition, and effectively resolve debt risks in real estate enterprises.

4.2 Enhancing the Modernization Level of Industrial Chains

Enhancing industrial chain modernization and improving industrial chain resilience are necessary conditions for the smooth development of internal circulation. Leveraging China' s market size advantages, we should accelerate the integration of new technologies such as artificial intelligence, big data, and the Internet of Things with traditional manufacturing, accelerate the construction of supporting facilities, and enhance the digitalization level of manufacturing. We must balance industrial chain security and efficiency, clarify the country-specific structure of China' s industrial chain external exposure, consider the constantly changing international political environment, cultivate alternative supply chains, and enhance the independent controllability of industrial chains in key areas. Policy support and research support for "chokepoint" areas such as key components should be strengthened, a new type of national system should be improved, industrial chain shortcomings should be addressed, advanced and applicable technologies should be developed, and the supply chain system should be perfected.

A new round of technological revolution and industrial transformation has placed higher demands on the public service system for small and medium-sized enterprises (SMEs). We must actively adapt to SME development needs and industrial technology transformation trends, enabling the SME public service system to play a greater role in serving high-quality SME development. Policy support for SMEs, including tax reductions, incentives, and financial subsidies, should be continued, optimized, improved, and effectively implemented. Financial support such as loan interest subsidies, loan guarantees, and technological innovation awards can be provided. By establishing R&D funds, scientific and technological innovation bases, or technology centers, support can be provided to SMEs. Combined with digital technology, through export tax rebates, market promotion support policies, and other measures, SMEs should be encouraged to participate in international trade cooperation, directly integrate into global production chains, and explore overseas markets.

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