China Economy Reports

December 23 – 28, 2024

Sriadita Emani and Sanjay Pulipaka



Image Source: Wikimedia Commons

China Has Limited Firepower to Counter U.S. Tariffs

The Wall Street Journal, December 28, 2025

In the weeks since the election, China has flaunted the ways in which it could hit back at the U.S. in the event of a new trade war with the U.S., including everything from choking off the metals needed for everyday products to punishing American companies that do business in China…But using such tools too aggressively risks backfiring on Beijing…The big danger is that taking shots at Western companies and restricting exports of critical minerals and other essentials will only encourage the U.S. and its allies to double down on their efforts to untangle their economies from China's…That would spell trouble for Beijing as long as it remains wedded to an economic model that relies so heavily on selling its goods to Western consumers.

China's top economic planner sets up department to boost low-altitude economy

The State Council, The People's Republic of China, December 28, 2024

China's top economic planner has established a department to support the development of the burgeoning low-altitude economy, as the country strives to foster new growth drivers. The new department, under the National Development and Reform Commission (NDRC), is responsible for formulating and organizing the implementation of strategic as well as mid-term and long-term development plans, providing policy recommendations, and coordinating major issues related to the low-altitude economy, according to the NDRC…The move came amid intensified government efforts to tap the low-altitude economy, which refers to the economic activities and industries centered around manned and unmanned aerial vehicles operating in the airspace usually within 1,000 meters above the ground…This industry is growing rapidly in China, with over 50,000 enterprises engaged in related businesses as of September, according to data from CCID Consulting. It estimates the scale of the country's low-altitude economy at more than 670 billion yuan (about 93 billion U.S. dollars) this year, with projections to exceed 1 trillion yuan by 2026.

China's economy: Far from Peaking

CGTN, December 28, 2025

The Communiqué on the Fifth National Economic Census, recently released by the National Bureau of Statistics of China and the Office of the Leading Group of the State Council for the Fifth National Economic Census, demonstrates remarkable high-quality economic development in the past five years…The capacity for scientific and technological innovation has also improved. Representative enterprises such as Huawei and BYD have increased their investment in research and development in fields like 5G communication and new energy vehicles respectively, achieving numerous breakthroughs in core technologies and innovative results and promoting the development of the industries…In terms of industrial structure, there is an evident trend of optimization and upgrading. The number of units in the secondary and tertiary industries has increased substantially. By the end of 2023, compared with the end of 2018, the number of legal entities engaged in the secondary and tertiary industries across the country had increased by 52.7 percent, and the number of employees in the sector had increased by 11.9 percent.

China's vocational education boosted by cutting-edge majors

Global Times, December 27, 2024

In China, students are required to complete nine years of compulsory education, which consists of six years in primary school and three years in junior high school. Following this, they have the option to attend a senior high school to take the gaokao, the national exam for university admission, or to enroll in a vocational senior high school and subsequently a vocational college…Receiving vocational education in China has typically been viewed as low-quality; however, recent evidence shows that graduates from vocational schools are also likely to secure in-demand jobs, Che Yanqiu, a professor from Tianjin University of Technology and Education, told the Global Times…Recently, China's Ministry of Education introduced 40 new vocational education programs for 2024, setting a record. This increase represents the most significant update by the Ministry since the 2021 introduction of the vocational education program directory…Among the

additions, new programs in areas such as electronic information materials application technology, aerospace composite materials intelligent manufacturing engineering technology, and precision manufacturing technology for aerospace equipment, stand out as key areas of focus.

China Is Still Suffering an Economic Hangover

Foreign Policy, December 27, 2024

This was another dire year for China's economy, with no end in sight to the problems that began during the COVID-19 pandemic. Beijing seems poised to do whatever it takes to address the economic slowdown, but there is little confidence among investors, firms, and the Chinese public… The gradual collapse of the real estate bubble that helped drive China's decades of record GDP growth has shaken households and businesses alike—and undercut belief in in the Chinese Communist Party's leadership. With China in U.S. President-elect Donald Trump's crosshairs, as he threatens tariffs and other trade restrictions, there may be even stormier waters ahead in 2025… Here are five of *Foreign Policy*'s best reads on the state of the Chinese economy this year.

What 'Engagers' Got Right About China

The Wall Street Journal, December 27, 2024

Though technology also played a role, 100 million Chinese shifting from peasant agriculture to factory work was a tsunami through the global division of labor, hurting many U.S. factory towns. A vast and overnight accretion of wealth in the hands of the Chinese Communist Party apparat was another unappreciated outcome….I hope Donald Trump, whose rhetoric can be disconcerting, is paying attention. U.S. global leadership in technology is built on openness to the world—at least openness to like-minded, Western-oriented economies. Even so, when the decouplers are done, our interdependence with China will still be orders of magnitude greater than any with the Soviet Union and usefully so. Not least it gives us a window on how Mr. Xi's increasingly totalitarian and apocalyptic geopolitical fantasies are playing among Chinese elites, plus a chance to counter them….U.S. technology controls were modestly successful in the '70s and '80s against a Soviet system that was little capable of internal, private innovation. The jury is out on China but one lesson shouldn't be lost in the shuffle: Economic protectionism is no substitute for investing in sufficient military force and America's alliances to raise the cost of Chinese aggression beyond what its leaders will think worth paying. In this one regard, the coming year already is shaping up to be more dangerous than it needed to be.

China will maintain a firm grip on the gold market in 2025 - Capital Economics

The Kitco news, December 27, 2024

"China played a pivotal role in the gold market in 2024 as consumer demand and central bank purchases drove prices to record highs in the first half of the year. A slowdown in the second half of the year, as the People's Bank of China paused purchases for six months and a sharp drop in gold imports occurred, hasn't derailed the nation's influence in the precious metals market….A research firm expects Chinese gold demand to remain strong through 2025, providing critical support for prices. Hamad Hussain, Assistant Climate and Commodities Economist at Capital Economics, said that soft economic activity and a weak renminbi will drive gold demand in China

next year…"We think that the slow-motion collapse of China's property sector will be a major headwind to economic growth and boost safe-haven demand for gold," he said in a recent research note. "Moreover, a worsening of the property crisis would also boost the relative attractiveness of gold as an investment vis-à-vis other assets." Hussain added that for Chinese consumers, "all roads lead to gold."...Hussain noted that China's stimulus measures have fallen well short of expectations, which should create new momentum in the gold market. Not only has the Chinese government failed to instill confidence in its economy, but Hussain also noted the growing threat from incoming President-elect Donald Trump, who has threatened to impose significant tariffs on Chinese goods"

Trump's China strategy hinges on crippling Russia's economy

KYIV Independent, December 27, 2024

"U.S. President-elect Donald Trump is determined to confront China economically and strategically. This is a difficult problem, because so many goods purchased in the United States have supply chains with deep roots in the Chinese manufacturing base….If new U.S. tariffs cause the Chinese renminbi to depreciate, as seems likely, Chinese products will remain competitive, at least in the short run; and if the cost of Chinese imported goods in the U.S. actually rises, this will squeeze lower-income Americans and undermine the competitiveness of American manufacturers that currently use imported components…The proposed tariffs and associated bluster may induce global companies to shift manufacturing from China to Vietnam, Mexico, and other lower-wage countries, but will not bring many good jobs back to the U.S. But Trump could score a quick and impressive win against China: by turning Russia entirely out of Ukraine and restoring the pre-invasion borders…Such a dramatic diplomatic coup would boost U.S. prestige around the world and strengthen Trump's hand in dealing with China on other issues. It would also be straightforward: Russia is heavily dependent on oil exports, and Trump can cut Russian net revenue from these exports to essentially zero from his first day. Without this revenue, the Russian war machine will grind to a halt."

China's industrial profits set for steepest annual drop since 2000

The Business Standard, December 27, 2024

"China's industrial firms saw their profits drop in November for a fourth straight month, on track for the sharpest annual decline since records began in 2000…Industrial profits at large Chinese companies fell 7.3 per cent last month compared to a year ago, the National Bureau of Statistics said in a statement on Friday. That compares with a Bloomberg Economics forecast for a decline of about 6 per cent. Over the first 11 months, profits shrank by 4.7 per cent from the same period last year….The results follow Beijing's most extensive efforts to revive the economy since the pandemic. Policymakers have cut interest rates and freed up more liquidity to encourage bank lending. Industrial profits are a vital gauge of the financial health of factories, mines and utilities, shaping their investment decisions in the months to come Corporate finances have come under pressure as China contends with weak domestic demand and its longest stretch of deflation since 1999. Producer prices remain depressed, and retail sales were weaker in November."

China's industrial profits extend decline to a fourth straight month, dropping 7.3% in November

CNBC, December 26, 2024

China's industrial profits extended declines to a fourth straight month, dropping 7.3% in November from a year earlier, signaling that Beijing's stimulus measures have yet to meaningfully stem the slide in corporate earnings….However, the drop in profits was less than the declines in the previous months. They had slumped 10% year on year in October following a 27.1% plunge in September — their steepest drop since March 2020 according to Wind information…There is "no surprise" when it comes to the persistently lower profits faced by the industrial companies, especially in China's disinflationary environment, said Suan Teck Kin, head of research at UOB…However, "the worst is over" for China's economy given the slate of stimulus push, she added. "I think it's basically just bottomed out, and now it's on the way up," he told CNBC's "Street Signs Asia."

China's economy gains new growth and deep scars over past 5 years: NBS census

The South China Morning Post, December 26, 2024

"The "census", conducted once every five years by the National Bureau of Statistics (NBS), found many economic bright spots, including a resilient manufacturing sector, and rapid growth in the hi-tech sector and the digital economy, which helped to offset the fall in traditional growth drivers…The country's manufacturing sector has come under some of the biggest pressure during the trade war, with concerted external efforts to decouple the supply chain between China and the US-led West. Despite this, the sector has continued to be the economy's biggest employer, accounting for over 104.8 million workers in 2023. The total was roughly on par with the 2018 result…Manufacturing revenue also rose 25.8 per cent from 2018 to 132.9 trillion yuan in 2023, the first year after China reopened from its coronavirus lockdowns. As major developers such as Evergrande spiralled into financial turmoil from 2021, their debts mounted, coming to a combined 125.6 trillion yuan by the end of last year, up 41.2 per cent from 2018. The sector's workforce also shrank by 28 per cent to 2.71 million last year. The number of employees of construction firms also fell to 51.17 million from 58.1 million, the government census showed…Debt grew even faster in the catering and hospitality sector, the worst-hit industry during the pandemic, surging by 49.5 per cent to 2.777 trillion yuan compared with 2018. The result was all the more startling because most were operating on an asset-light model, with fewer fixed assets to service."

World Bank lifts China growth forecast but calls for deeper reforms

The Financial Times, December 26, 2024

"The World Bank has raised its near-term economic forecasts for China while repeating calls for President Xi Jinping to pursue deep reforms to address lagging confidence and structural problems in the world's second-biggest economy…The multilateral lender said on Thursday that it had revised its forecast for China's GDP growth next year upwards by 0.4 percentage points to 4.5 per cent, reflecting a series of policy-easing measures announced by Beijing over the past three months as well as the strength of the country's exports…The World Bank also released a new analysis of economic mobility in China for 2010-21, which showed that more than half a billion people were potentially at risk of falling out of the middle class just a generation after rising out of poverty,

according to its definitions…The bank credited Beijing with the "dramatic success" of lifting 800mn people out of poverty in the past 40 years, and it noted that over the period the low-income share of the population fell sharply, from 62.3 per cent to 17 per cent"

Falling rents in China expose its crippled real estate sector and a deeper economic flaw

The FirstPost, December 26, 2024

"China's urban rental market is facing a major slump exposing weaknesses in the country's housing and economic systems. In 100 major cities, average rents have hit their lowest level in four years showing a sharp decline in the real estate sector. This problem highlights not just short-term economic challenges but also deeper issues in China's economy. As leaders try to manage the crisis, its impact on China's future and global markets becomes increasingly concerning…In November 2024, average rents in 100 major Chinese cities dropped to 2,636 yuan per 100 square metres highlighting serious trouble in the real estate sector. According to The Rio This decline is caused by multiple factors coming together…An oversupply of housing has overwhelmed the market with cities, seeing over 40,000 unsold units from just one developer. China's slowing economy has also hurt the job market especially for young people reducing demand for rentals..The problem is worsened by investors who bought properties hoping their value would rise. With property prices falling, they are now renting out homes at lower rates to cut their losses. This has pushed rents down even further. According to Xinhua, to tackle the sharp decline in the rental market, China has introduced several measures to stabilise the real estate sector and affordable housing is now a key focus"

Pre-empting stiff tariffs from Donald Trump, China plans massive $411 billion fiscal stimulus next year;

The Economic Times, December 26, 2024

"China is already planning on introducing 3 trillion yuan ($411 billion) worth of special treasury bonds next year, which clearly means that the economy of the country is not in a very good state., and could worsen over time if Trump decides to impose high tariffs on Chinese products…This issue of special treasury bonds is a record in itself and is part of the plan to revive the country's financial stimulus. When this news of the issue of treasury bonds broke out, China's 10-year and 30-year treasury yields rose 1 basis point and 2 bps, respectively, which is good for the overall aspect of its markets….If Trump ultimately does not decide to introduce the high import tariffs on China after all, that could mean a bonanza for Beijing and it will then, with a little luck, achieve its financial targets for the year 2025"

Guideline targets industrial sector

China Daily, December 25, 2024

The Communist Party of China Central Committee and the State Council, China's Cabinet, recently released a guideline aimed at deepening reform in the nation's industrial workforce development, in a bid to improve workers' sense of achievement and happiness and inspire them to strongly support Chinese modernization and rejuvenation…According to the guideline, the nation has set a target of producing about 2,000 national-level master artisans, 10,000 provincial-level master

artisans and 50,000 city-level master artisans by 2035. The nation also aims to improve public awareness of the industrial workforce and foster a society that values labor and related skills…Master artisans are senior workers who have served on the front lines of production for at least five years, are known for their high-quality craftsmanship and exhibit strong concentration, perseverance and an eagerness to pursue excellence.

India's reliance on China for critical minerals | Explained

The Hindu, December 24, 2024

"China's unparalleled dominance in critical minerals stems from its vast resource base and strategic investments across the value chain. As the world's largest mining nation, China has discovered 173 types of minerals, including 13 energy minerals, 59 metallic minerals, and 95 non-metallic minerals. Reserves of nearly 40% of these minerals, particularly copper, lead, zinc, nickel, cobalt, lithium, gallium, germanium, and crystalline graphite, increased significantly last year, supported by an exploration investment of $19.4 billion."

"An in-depth examination of import data of 30 critical minerals spanning 2019 to 2024 reveals India's acute vulnerability to Chinese supplies, particularly for six critical minerals where dependency exceeds 40%: bismuth (85.6%), lithium (82%), silicon (76%), titanium (50.6%), tellurium (48.8%), and graphite (42.4%)."

China's Year in Review

Foreign Policy, December 24, 2024

For the economy, 2023 was bad, 2024 was bad, and 2025 could be worse. Chinese businesses and households were more over-invested in real estate than Americans were before the 2008 global financial crisis, but the strong role of the government—which has not allowed property prices to fully fall—has caused the crisis to become more of a prolonged illness than a sharp shock…But one underrated factor is that the extremely cheap costs of new EVs in China are partly the product of a cutthroat and unsustainable price war. Continuous discounts have cut profit margins to the razor's edge, and some cars may be sold at an effective loss. The pressure is so intense that BYD, China's largest EV manufacturer, is trying to pressure its suppliers to cut costs by 10 percent next year; other manufactures are reporting huge losses.

What is neijuan, and why is China worried about it?

The Guardian, 24 December 2024

On the Chinese internet, the country's current predicament – slowing economic growth, a falling birthrate, a meagre social safety net, increasing isolation on the world stage – is often expressed through buzzwords. There is tangping, or "lying flat", a term used to describe the young generation of Chinese who are choosing to chill out rather than hustle in China's high-pressure economy. There is runxue, or "run philosophy", which refers to the determination of large numbers of people to emigrate. Recently, "revenge against society" attacks – random incidents of violence that have claimed dozens of lives – have sparked particular concern. And there is also neijuan, or "involution", a term used to describe the feeling of diminishing returns in China's social contract.

China to raise fiscal deficit next year to support struggling economy

The Mint, December 24, 2024

China plans to raise its fiscal deficit in 2025 to stimulate its struggling economy, which faces stagnant consumption and a crisis in the property sector. The government aims for a more proactive fiscal policy despite concerns about rising debt…the Finance Minister, Lan Fo'an ,said China would "increase the fiscal deficit ratio to boost spending intensity", it added citing state broadcaster CCTV. China aims to focus more on improving livelihoods and boosting low consumption and the transfer payments to local governments in debt, the Finance Minister said. The government has refrained from increasing spending over the fear of rising debt…Despite such fears, the government this month has planned to opt for a "moderately loose monetary policy and a "more proactive" fiscal policy in 2025. This is a shift from its cautious approach earlier. According to the International Monetary Fund, the Chinese economy will go by 4.8 per cent this year and 4.5 per cent in next year….The scale of new spending may be “lower than it looks on the surface,” the report said quoting Gary Ng, Senior Economist for Asia Pacific at Natixis.

Economy struggling, China eyes easing tension with Japan after mending fences with India

The FirstPost, December 24, 2024

China is planning to remove the ban on Japanese seafood imports, which was imposed a year ago in response to the release of nuclear wastewater from the Fukushima power plant in Japan…According to a report by Nikkei, Beijing may lift the embargo on Japanese seafood products as soon as the first half of 2025 after China concluded that the water samples from the sea near Fukushima are safe…China’s economy took a hit in 2024 due to various factors and with the latest development, it seems Beijing is trying to mend its ties with Japan after easing tensions with India. China’s economy faced significant challenges this year, including a deepening property crisis, high local government debt, and weak consumer demand…Meanwhile, tensions with India over the 2020 Galwan clash, which has now been resolved, translated into a crackdown on Chinese firms by New Delhi. In February, India banned 17 Chinese companies from participating in tenders and doing business with Indian entities. The firms that were hit by the embargo were Xp-pen, Highvision Hikvision, Lenovo, Dahua, Lava, Ottomate, Xolo, Airpro, Grandstream, Wi-Tek, Realtime, Maxhub, Nokia, Domino, Reputer and Tyro.

China can’t rely on technology as a panacea for economic recovery

The South China Morning Post, December 23, 2024

Since 2022, China’s economy has been haunted by a weak recovery. Real gross domestic product (GDP) growth has fallen below 5 per cent for two consecutive quarters this year, posing challenges for Beijing to achieve its annual growth target of around 5 per cent. How can China get out of its current economic dilemma? Domestic technological advancement is usually thought of as a solution. The history of each industrial revolution tells us that technological advancement can raise productivity so it’s imperative for China to move forward in this regard…. In short, it’s not feasible to solely count on domestic technological advancement. Not only do social security, wealth distribution and labour rights have ample room for improvement, but there is also a pressing need to implement more targeted monetary and fiscal policies to deal with systemic risks. Targeting

policies to address these problems will effectively boost China's sustainable economic development.

U.S. Takes Aim at China's Production of Essential Computer Chips

The New York Times, December 23, 2024

"The Biden administration on Monday initiated a trade investigation into China's production of older types of computer chips that are integral for cars, dishwashers, telecom networks and military weaponry.

The inquiry could result in tariffs or other measures to block Chinese chips from entering U.S. markets, though the decision of which approach to take, if any, would fall to the incoming Trump administration.

Chinese companies have been ramping up their production of chips, particularly the older types of semiconductors that continue to power a wide array of machinery and appliances. China is building more new semiconductor factories than any other country, a development that American officials argue threatens the viability of chip plants in Europe and the United States….Katherine Tai, the U.S. trade representative, said in a call on Sunday that China's policies were enabling its companies to rapidly expand and to "offer artificially lower-priced chips that threaten to significantly harm, and potentially eliminate, their market-oriented competition."...That results in supply chains that "are more vulnerable and subject to supply chain choke points that can be used to economically coerce other countries," she said."

Russia's wartime economic woes slow railway trade with China

The Economic Times, December 23, 2024

Russia faces increasing difficulty shipping commodities to China through its vast eastern rail network, a sign of the growing economic challenges stemming from war and sanctions, despite the Kremlin's assurances that all is well….Russian Railways JSC — the state-owned carrier responsible for all rail transport throughout the country — last week approved a 30% cut in its investment program for next year amid soaring borrowing costs, news agency Tass reported, citing the transportation minister…An increase in war-related cargoes is also compounding existing bottlenecks, while sanctions weigh on cross-border payments. Those factors, along with longstanding logistical issues, are slowing the transport of goods like coal and aluminum.The railway "is experiencing its deepest slump since the 2008-09 crisis this year, and the trend is still going strong," Moscow-based MMI Research said in a Telegram post this month. "We assume that this is due to both the needs of the army — loading the network with priority cargo — and the worsening problems with the rolling stock."

Opinion | 10 trends to watch in 2025 in a rapidly transforming China

The South China Morning Post, December 18, 2024

As we approach 2025, China stands on the brink of a series of transformations…Expect China to be fully prepared for geopolitical volatility and rising tariffs next year as it continues to reconfigure its trade portfolio….Trade corridors between China and the Association of Southeast Asian Nations (ASEAN), the Middle East and Latin America will grow disproportionately…Price

competition within China will accelerate, putting even more pressure on profitability….Most multinational corporations in China will have to radically transform…Health and sports will be on a tear. China has always had the potential to become a large sporting nation…Prices of Chinese electric vehicles will go even lower…China will ramp up the commercialisation of emerging AI technologies…China is long overdue for a wave of consolidation, and 2025 may be the year we finally see this come into play…The real estate sector may finally start to bottom out in some cities.

Xi delivers important speech at Central Economic Work Conference

The State Council People's Republic of China

December 17, 2024

The Central Economic Work Conference was held in Beijing from Dec. 11 to 12. Xi Jinping, general secretary of the Communist Party of China (CPC) Central Committee, Chinese president and chairman of the Central Military Commission (CMC), attended the conference and delivered an important speech…It was pointed out at the meeting that the adverse impacts brought about by changes in the external environment have deepened, and the country's economy still faces many difficulties and challenges, primarily including insufficient domestic demand, operational difficulties in some enterprises, pressures on people's employment and income growth, and many hidden risks. At the same time, it must be recognized that the Chinese economy is underpinned by a stable foundation, multiple advantages, strong resilience, and great potential, and the supporting conditions and fundamental trends for long-term sound economic development have not changed.

*****