China

The 5% Growth Goal

China's household bank deposits of $21 tn far exceeds its GDP of $19 tn. That means if the floodgates of consumer spending are opened, the economy can easily achieve the targeted 5% growth. But that is easier said than done as multiple headwinds loom.

Andrew K P Leung, SBS, FRSA, International and Independent China Strategist, Hong Kong

In the face of unprecedented headwinds, can China maintain the 5% growth target for 2025? China has maintained its gross domestic product (GDP) growth target at "around 5%" for 2025. But critics say such a goal will be harder to reach given rising trade tensions with the United States, persistently weak domestic consumption, and the drag of a burst housing-bubble. Experts think that stimulus measures so far fall short of the level necessary to cause a reflationary rebound. And continuing US tariffs and trade restrictions pose a major threat to China's long-held dominance as the world's factory. The current prognosis of China's economy in 2025 has so far been generally negative. Some think the best days of China's economy are over! According to John Hopkins University Professor Steve Hanke, China has only one real way to hit its 2025 growth target, by massively inflating its money supply, as reported in *Fortune* dated March 11. On the other hand, according to the *South China Morning Post*, seasoned financier Weijian Shan, Executive Chairman of PAG, a leading Asia-focused private equity firm, points out that at the end of 2024, household bank deposits stood at $21 tn, exceeding China's GDP of $19 tn by nearly 13%. He opines that once the floodgates of consumer spending open, China can easily achieve higher growth.

What the 'Government Work Report' says

China's political elite gathered in Beijing for the country's annual legislative sessions (the "Two Session" of the National People's Congress and the Chinese People's Political Consultative Conference). All eyes were on Premier Li Qiang's 2025 Government Work Report (GWR) which sets the directives and tone for the country's socioeconomic development for the year, consolidating the groundwork for the nation's next Five Year Plan

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(2026-30), pointing to ways whereby the nation can maintain healthy growth.

As identified by *China Briefing* of Dezan Shira and Associates, a business consultancy, the GWR outlines 10 development tasks for 2025:

Boosting consumption: Implement special actions to boost consumption, improve investment efficiency, and expand domestic demand.

Developing and upgrading industry: Cultivate and expand emerging and future industries, promote the transformation and upgrading of traditional industries, and stimulate the innovation vitality of the digital economy.

Developing science and innovation: Accelerate the construction of a high-quality education system, promote high-level scientific and technological self-reliance, and comprehensively enhance talent.

Promote implementation of landmark reform measures: Effectively stimulate the vitality of various business entities, deepen the construction of a unified national market, and deepen the reform of the fiscal, tax and financial systems.

Expand high-level opening up: Stabilize foreign trade development, encourage foreign investment, promote the "Belt and Road" Initiative (BRI), and deepen multilateral, bilateral, and regional economic cooperation.

Prevent and resolve risks in key areas: Continue efforts to stabilize the real estate market, resolve local government debt risks, and actively prevent risks in the financial sector.

Promote rural revitalization: Ensure stable production and supply of important agricultural products such as grain, consolidate and expand achievements in poverty alleviation, and promote rural reform and development.

Promote new urbanization and regional coordinated development: Implement the new urbanization strategy and increase the implementation of regional strategies.

Promote carbon reduction, pollution control, green expansion, and growth: Strengthen pollution prevention and control and ecological construction, accelerate the development of a green and low-carbon economy, and actively and steadily promote peak carbon emissions and carbon neutrality.

Ensuring and improving people's livelihoods while enhancing social governance efficiency: Stabilize and expand employment, strengthen basic medical and health services, improve social security and service policies, strengthen the construction of spiritual civilization, and maintain national security and social stability.

Measures to boost consumption

Recently, several accommodative fiscal measures have already been introduced to boost consumption. At the National People's Congress Standing Committee meeting in November last year, China unveiled a 10 trillion yuan ($1.40 tn) debt package to ease local government financing strains in order to release resources to boost economic growth. According to the GWR, as financial stimulus, China will issue a total of 1.3 trillion yuan (about 182 bn US dollars) of ultra-long special treasury bonds in 2025, up 300 billion yuan from last year.

Andrew K P Leung

In my article *Reading the Tea Leaves of China's Ailing Economy* (*The Global Analyst*, October 2024), I outlined pillars of China's robust economic growth resilience, including its ubiquitous global supply chain connectivity, its galloping urbanization driven by a peerless high-speed-rail network connecting dynamic city-clusters nationwide, its private sector powerhouse (50% of tax revenue, 60% of GDP, 70% of innovative capacity, 80% of urban employment, and 90% of new jobs. (The so-called "Private Sector 56789"); its transformation as a "technological superpower"; its rapidly expanding digital economy; its green energy prowess, its massive globally-competitive electric vehicles (EVs), and its economic gravitas in the Global South.

Digital holds the key

China is the undisputed global powerhouse of the EV industry, leading in both domestic sales and overall production. Chinese brands were responsible for 62% of EV global sales in 2024. Despite high tariff barriers, China's EVs remain competitive with excellent quality and technologically innovative features unmatched by many rivals.

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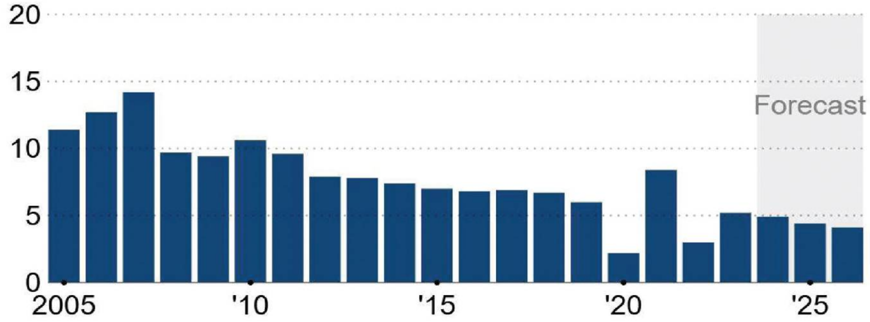
To overcome tariffs, China's automobile giants are establishing local-job-creating manufacturing operations in host countries, such as the Geely-owned London EV company in Coventry (LEVc), producing state-of-the-art electric versions of the famous London cabs (taxis). This business model may well be replicated in the US with an investment-friendly Donald Trump administration keen to "bring jobs back", perhaps with the help of Elon Musk with his huge Tesla outfit in China.

According to a China business survey reported by the *South China Morning Post* of March 9, 2025, the performance of some 500 firms from sectors like real estate, media, software and services, and nonbank finance has been "declining," while that of over 2,300 "policy-supported" enterprises from industries like electrical equipment, electronics, defense and automotive has been increasing. The performance of some 2,600 other companies remained relatively constant, spanning sectors such as retail, pharmaceuticals, public utilities, and transport. Meanwhile, China's manufacturing sector has been advancing towards high-end, digital, green, and cluster-based models. From 2020-23, China's global manufacturing market share has gone up from 28.2% to 28.8%, projected to reach around 30% by the end of 2025. Since the start of the year, capital has been flowing into high-tech companies linked to semiconductors, quantum computing, and high-end manufacturing including humanoid robots.

It's still early days but the nation's economic pendulum is beginning to swing rapidly towards what Beijing calls "new productive forces".

The paradigm shift towards high-tech, high-quality, and sustainable development is supported by China's massive technology talent pool highlighted in my piece in the October 2024 issue of *The Global Analyst*. Since the mid-2000s, China has consistently been producing more Science, Technology, Engineering, Mathematics (STEM) Phds than the US. By 2025 Chinese universities will be producing more than 77,000 STEM Phds per year compared to approximately 40,000 in the US. Excluding international students, Chinese STEM Phd graduates would outnumber their US counterparts by more than three to one, according to George Town University's Center for Security and Emerging Technology (CSET).

China's Annual GDP Growth Trend (in %)



Source: China National Bureau of Statistics, Nikkei, Nikkei Quick News

All these strengths are given full play in the GWR, which re-emphasizes the roles played by the private sector, transformational technologies like artificial intelligence (AI), and continuing investment in talent.

DeepSeek's world-stunning AI breakthroughs and President Xi Jinping's recent personal meeting with China's upcoming tech giants speak volumes about the nation's economic pendulum, swinging to generative AI, 6G, quantum computing, and biometrics, with potential to generate an economic ecology worth trillions of dollars.

Strengthening ties with Europe, Australia

Another new prospect for China's economic growth is Europe's recent recalibrated pivot to China as a hedge against President Trump's fracturing trans-Atlantic relationship. This is amply demonstrated by Trump's "imperial" designs on Canada and Greenland, ultra-high tariffs on traditional Western allies, withdrawal from the Paris Agreement on Climate Change and the World Health Organization, dismantling America's international agencies mandated to promote democracy and human rights, and fermenting a Trump-Putin deal on Ukraine's future behind Europe (and Ukraine's) back. Various European leaders have already been making a beeline to Beijing.

More economic and business opportunities between European countries and China are likely to ensue, including the expansion of the "Middle Corridor" as an extension of China's recently-reformed BRI.

The Middle Corridor is an existing yet under-utilized trans-continental transportation link passes through Central Asia and the South Caucasus, bypassing the Northern Corridor through Russia, and linking up Turkey as a pivotal hub. A recent understanding has been reached between Ankara and Beijing, cementing Turkey's pivotal BRI role in Eurasia. During the Ukraine War's past three disruptive years, the Middle Corridor has been witnessing explosive growth in goods traffic between Europe and China's eastern seaboard.

A similar thawing of trade and economic relations with Australia has also ensued, with many savvy Australian businesses actively pursuing or re-exploring business opportunities in China's dynamic market.

Hope floats

Despite serious domestic and external headwinds, China managed to achieve 5% growth in 2024. Maintaining the same for 2025 is unlikely to be a cakewalk in the face of even more severe obstacles.

Nevertheless, given innovative technologies defining the fourth and fifth industrial revolutions and game-changing geopolitical shifts benefiting China, the nation's dynamic fundamentals remain robust with an upward momentum. Overall, therefore, severe headwinds notwithstanding, there is a good chance that China may be able to maintain 5% growth for 2025. ■

Reference # 20M-2025-04-08-01