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INTERNATIONAL ECONOMICS

# **China Outlook 2024 & Fiscal Policy Amid the Property Crisis**

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**Spring 2024 Global Economic Prospects**

**April 9, 2024**

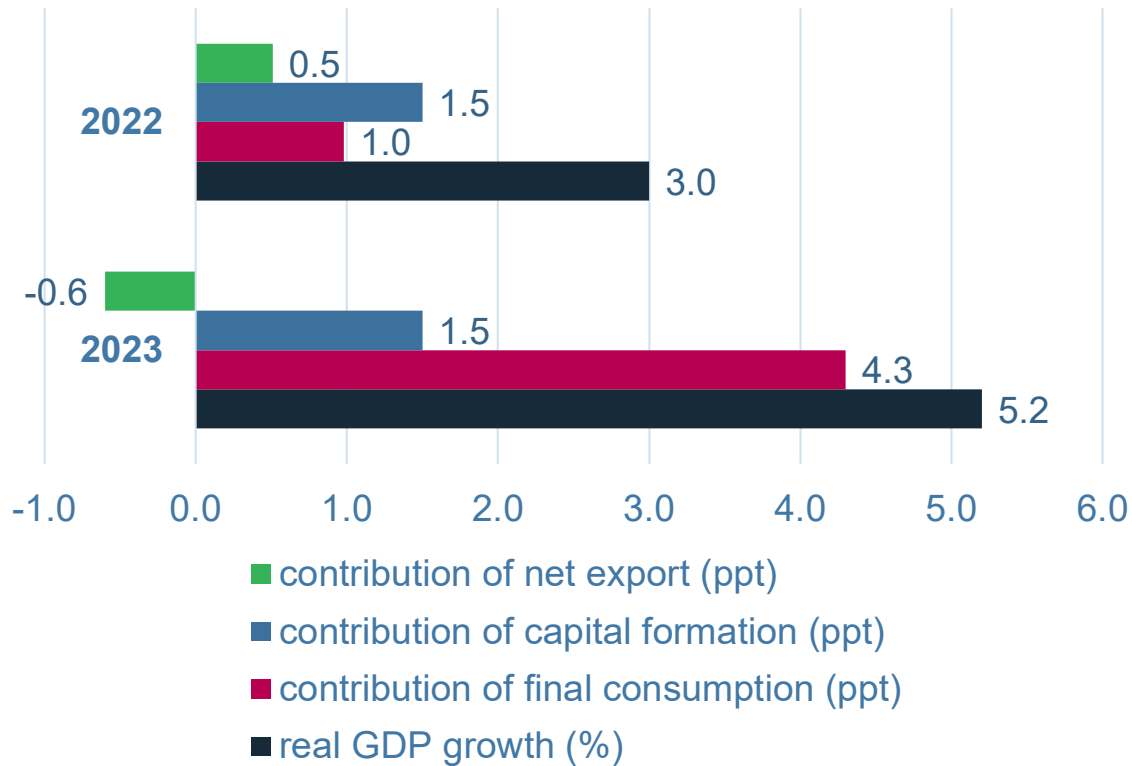
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## Key takeaways

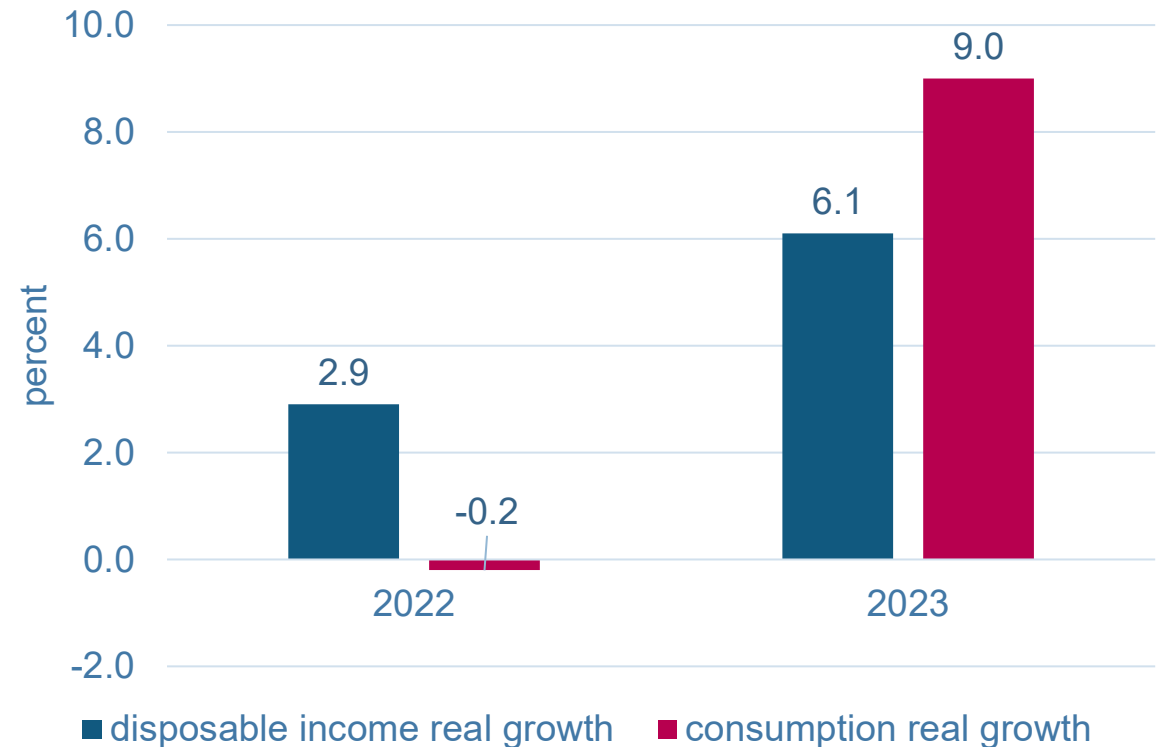
- ❑ Growth target of around 5% is needed to create enough jobs, meet output doubling goal, and revive business confidence, but it will be challenging to achieve without additional policy support.
  - Household consumption was the main growth driver last year largely due to recovery. Its strong growth is unlikely to sustain this year.
  - Net exports will likely contribute positively to growth as external demand recovers. China's exports of certain goods will face protective policies of trading partners.
  - State-led investment will have to play a bigger role than last year to achieve growth target. Private investment will remain weak due to housing downturn.
- ❑ Importance of state-led investment in driving growth is reflected in this year's expansionary government budget. But the intended fiscal boost can fall short if ...
  - local governments underutilize special bonds
  - land revenue falls below projection
  - clampdown on local debt intensifies leading to off-budget spending retrenchment

# Household consumption was the main growth contributor in 2023 largely due to recovery. Its strong growth is unlikely to sustain in 2024.

a. Contribution to GDP growth, 2022 and 2023



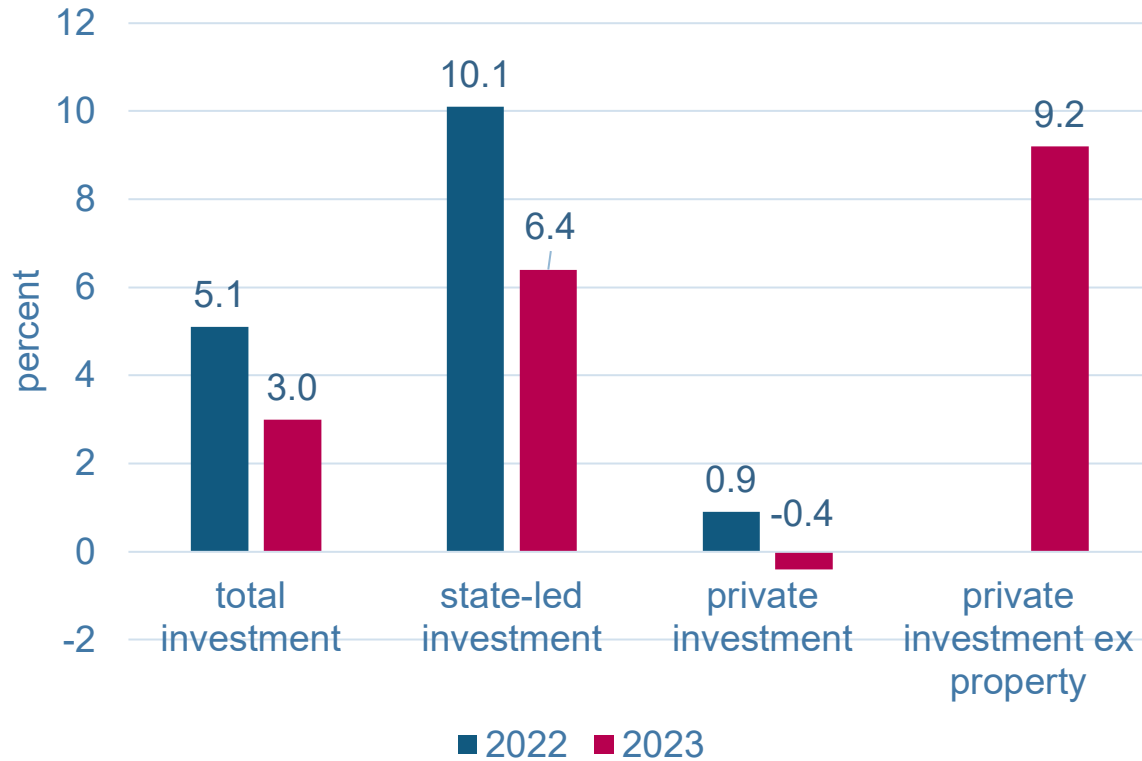
b. Per capita growth of household disposable income and consumption, 2022 and 2023



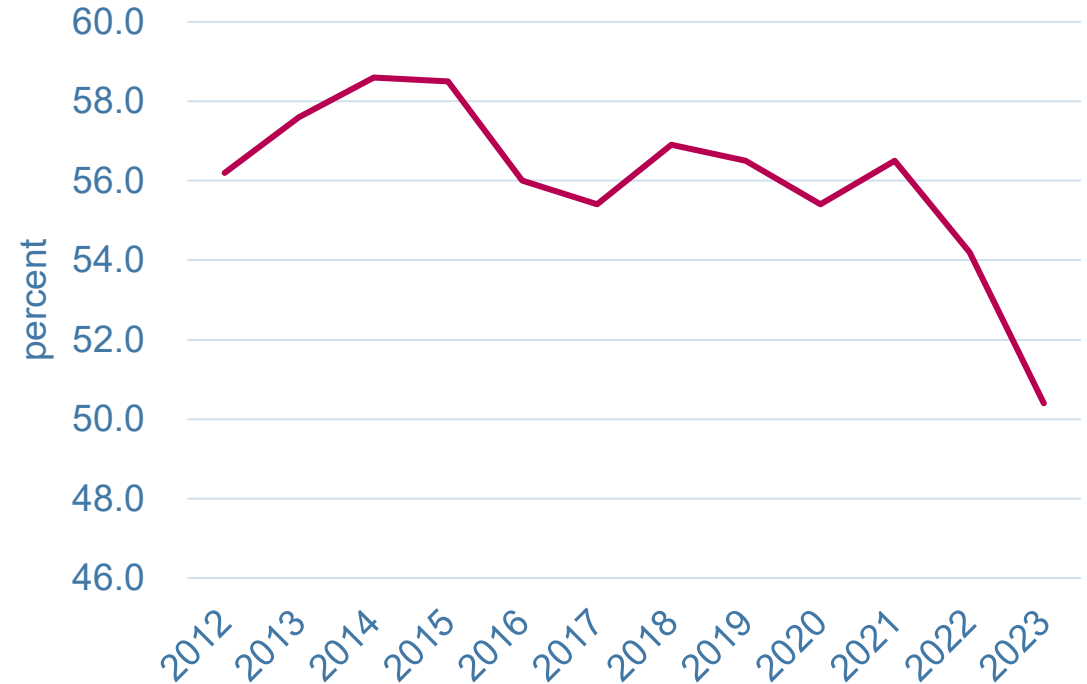
Source: National Bureau of Statistics of China

# State-led investment will have to play a bigger role than last year to achieve growth target. Private investment will remain weak due to housing downturn.

a. Fixed-asset investment growth, 2022-23



b. Private share in total fixed-asset investment, 2012-23

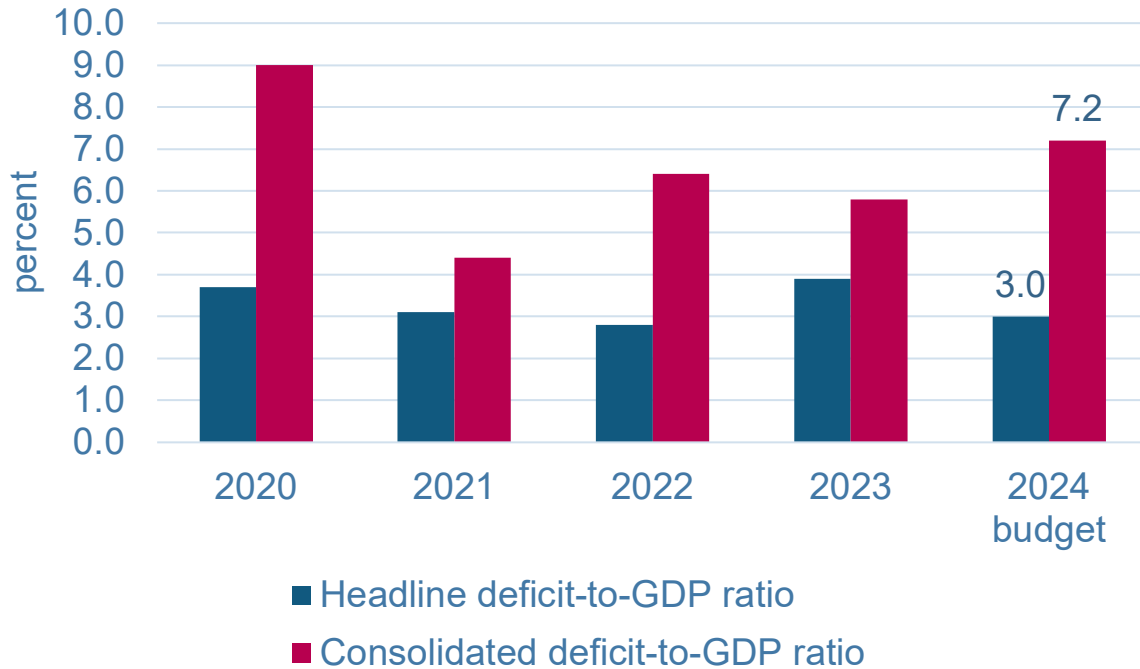


Note: Private investment ex property in 2022 is not available.

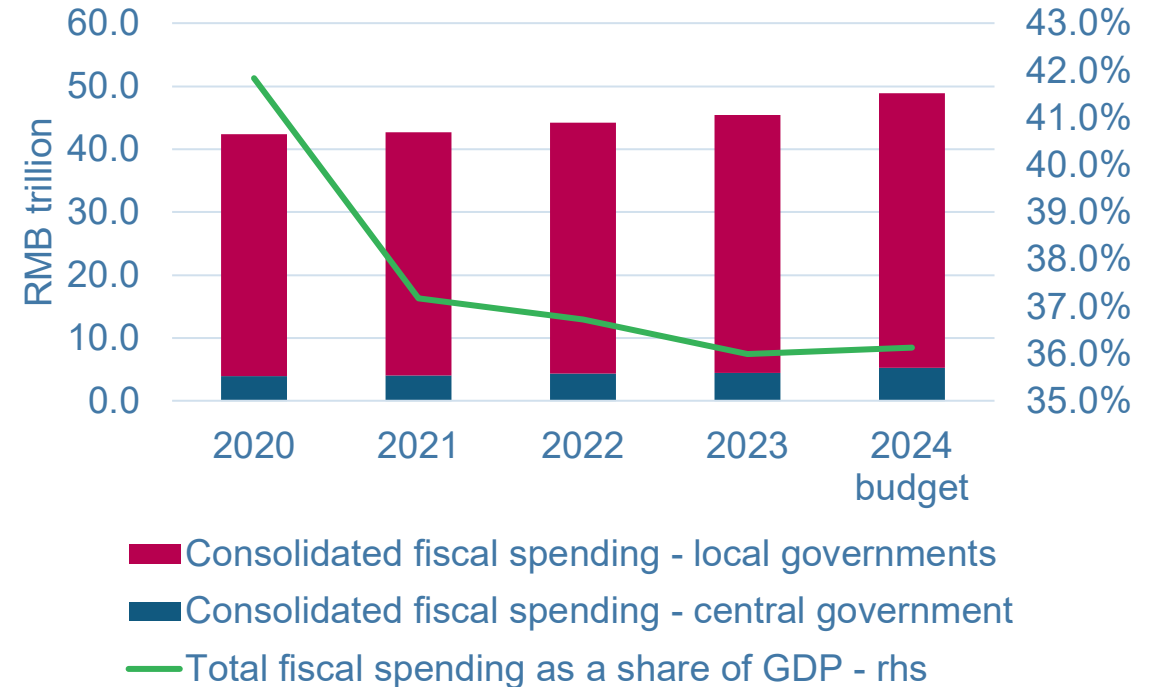
Source: National Bureau of Statistics of China

# China's 2024 budget turns expansionary despite a lower headline deficit ratio

a. China's headline and consolidated fiscal deficit-to-GDP ratios, 2020-24budget



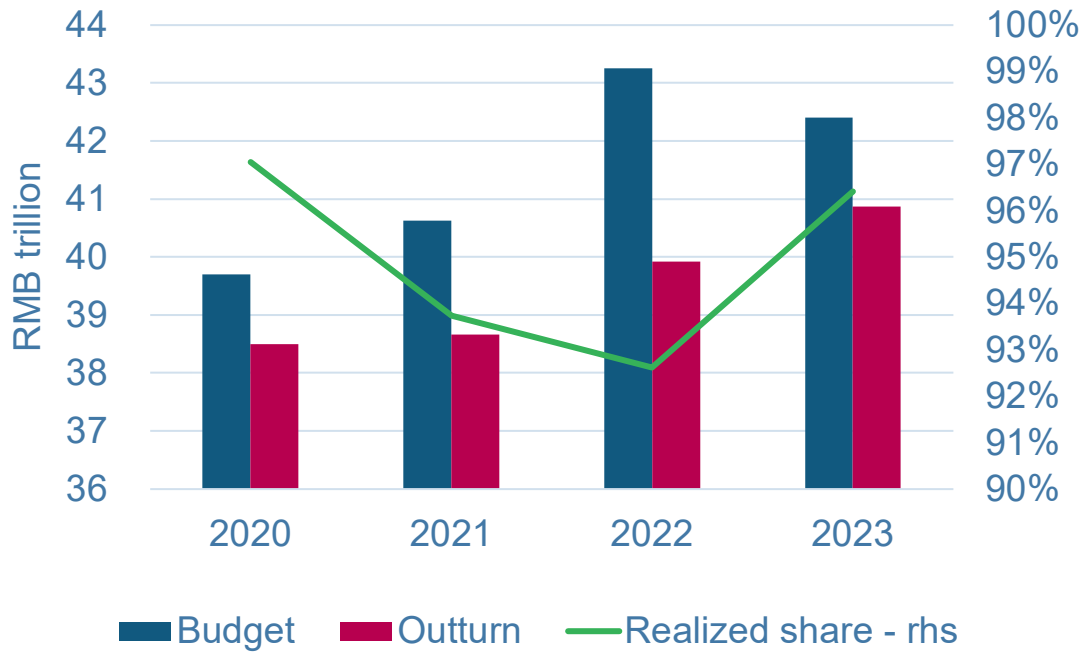
b. Consolidated fiscal spending by central and local governments, 2020-24budget



Notes: 1/ Consolidated deficit or spending is that of the four budgets combined.  
 2/ Expected GDP for 2024 is inferred from the 2024 budget report.  
 Source: Ministry of Finance of China and author's calculation

# But the intended fiscal boost can fall short if local governments underspend the budget again this year

Local governments' consolidated fiscal spending, budget vs. outturn, 2020-23



## Potential drags:

1. Local governments underutilize special bonds
2. Land sale revenue falls below projection
3. Clampdown on local debt intensifies leading to off-budget spending retrenchment

Source: Ministry of Finance of China and author's calculation



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