China Sets Robust Economic Growth Goal but No Big Stimulus

Premier Li Qiang targets growth of about 5 percent this year but signals continued reluctance to use deficit spending for economic stimulus.



By Keith Bradsher, Alexandra Stevenson and Chris Buckley
Keith Bradsher and Alexandra Stevenson reported from Beijing and Chris Buckley from Taipei, Taiwan.

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China's top leaders set an ambitious goal for economic growth in 2024 as they tried to bolster conviction in an economy facing its biggest challenges in decades.

But they announced only modest measures to stimulate growth, refraining from the kind of bold moves the business sector has been looking for to address a property crisis, a loss of confidence among Chinese households and wariness by investors.

Premier Li Qiang, the country's No. 2 official after Xi Jinping, said in his report on Tuesday to the annual session of the legislature that the government would seek economic growth of "around 5 percent." That is the same target that China's leadership set for last year, when official statistics ended up showing that the country's gross domestic product grew 5.2 percent.

The central government's program for spending showed little change. The fiscal deficit was set at 3 percent of economic input — the same target as early last year. Last year's deficit was eventually raised to 3.8 percent to accommodate more borrowing, something the government signaled could happen again in 2024.

The deficit is important because the more the government borrows, the more it can spend on initiatives that could boost the economy.

Conspicuously missing from the premier's agenda and budget documents released Tuesday was a move to shore up the country's social safety net or introduce other policies, like vouchers or coupons, that would directly address Chinese consumers' very weak confidence and unwillingness to spend money.

"There's a lot of positive noises for the economy, but not a lot of concrete proposals for how to resolve the country's growth difficulties," said Neil Thomas, a fellow at the Center for China Analysis of the Asia Society.

China consumer confidence index

Source: China National Bureau of Statistics • By The New York Times

Some economists question whether growth was actually as high last year as China claims. In addition, last year brought a modest rebound because stringent "zero Covid" measures were in place until December 2022. Achieving the same growth this year, without the benefit of that rebound, could be much harder.

Consumers and investors have been skeptical about the prospects for a lasting recovery. Stock markets in China fell heavily in January and early February, before recovering over the past four weeks, as the government took steps to encourage stock buying. Mr. Li maintained that China was on the right track but acknowledged that the country faced challenges.

“The foundation for China’s sustained economic recovery and growth is not solid enough, as evidenced by a lack of effective demand, overcapacity in some industries, low public expectations, and many lingering risks and hidden dangers,” he told the National People’s Congress, a Communist Party-controlled body that approves laws and budgets.

The annual session of the congress, a choreographed weeklong event, typically focuses on the government’s near-term initiatives, especially economic objectives. China’s growth goal, and the ways that the government is attempting to achieve it, are under intense international scrutiny this year.

Communist Party leaders are trying to restore confidence in China’s long-term prospects and to harness new drivers of growth, such as clean energy and electric vehicles. Mr. Li’s report also flagged new spending on artificial intelligence and a plan to “step up research on disruptive and frontier technologies.”

A vehicle assembly line at Nio, the Chinese electric vehicle company, in Hefei. Qilai Shen for The New York Times

But those efforts could be dragged down by a tangle of problems around the housing sector: a glut of apartments, debt-troubled property companies and local governments, and home buyers reluctant to sink money into real estate when values are declining.

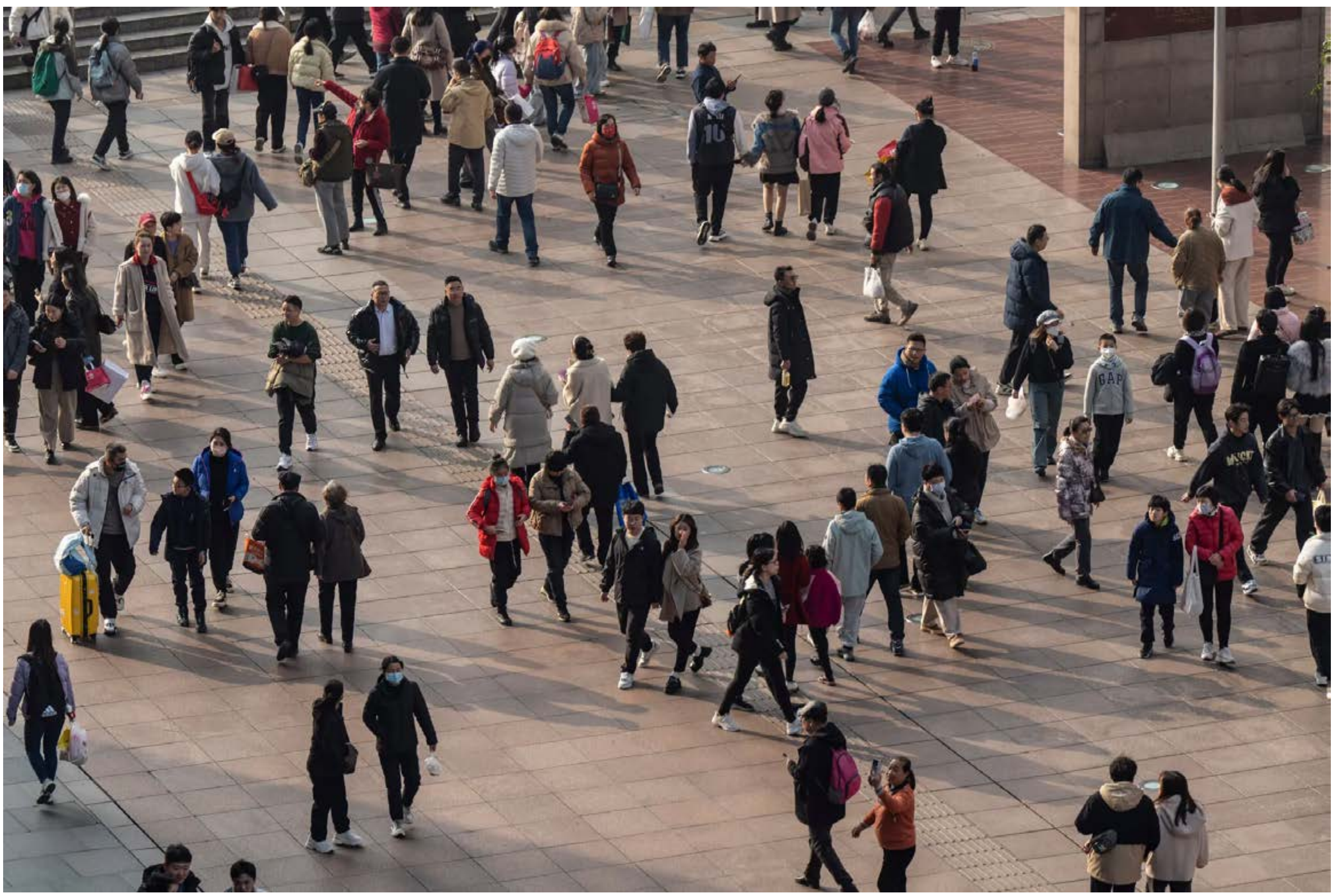
Reaching China's growth target this year may be difficult without another big round of bond-fueled state spending.

"I think they are being cautious about opening the taps too wide before seeing if this type of financing has the desired effects," said Eswar Prasad, a Cornell University economist.

Many local and provincial governments across China are struggling with heavy debts. Mr. Li said the central government would allow only a small increase of 2.6 percent to bond sales to help these governments.

Economists and global lending agencies have long recommended that China strengthen its safety net, a shift that could improve weak consumer confidence and persuade Chinese households to save less and start spending more.

But officials have been leery of increasing social spending when they need to figure out how to cope with an aging society with fewer workers to support each senior. China’s birthrate has nearly halved since 2016 and about 15 percent of the population is age 65 or older — a figure likely to grow to more than 20 percent by 2030.



China’s economy grew last year, but high debt, a housing crisis, and a shrinking and aging work force are weighing on output. Qilai Shen for The New York Times

Tao Wang, head of Asia economic research for the bank UBS, said the government needed to do more to help the real estate market. Dozens of property developers have collapsed in the past several years, and the widespread defaults “not only hurt developers but also home buyers and their confidence,” Ms. Wang said.

“They need to do more because the downward pressure on the economy remains quite serious,” she added.

China’s economy is also facing strong forces from outside its borders. Government officials in the United States and Europe are working to contain Chinese trade practices they consider to be unfair or national security threats. And many executives at multinationals remain troubled by an ever-growing emphasis on domestic security and surveillance that Beijing has adopted in more than a decade of rule by Mr. Xi.

China’s military spending would expand by 7.2 percent in 2024 — the same percentage rise as last year — and reach about $231 billion, the new budget said. China has been increasing its military outlays, now the second largest in the world after the United States, for several decades. Washington has approved a military budget of $886 billion for its latest financial year.

Military delegates leaving the Great Hall of the People in Beijing on Monday. Kevin Frayer/Getty Images

Chinese officials may wait to make more changes to economic policies until after Mr. Xi convenes the Communist Party Central Committee. That meeting has not been scheduled but is expected to be held later this year.

The economy's biggest difficulty lies in the vast construction sector, which is in a nosedive after a decades-long housing bubble burst over the past couple years.

Housing sales by the country's 100 biggest real estate developers plummeted 60 percent in February from the same month last year. Consumer confidence across China has not recovered after falling precipitously during Shanghai's two-month Covid lockdown in 2022.

China's best chance at maintaining economic growth may be to expand further its trade surplus in manufactured goods, which already represents a tenth of the entire country's economy. The Ministry of Commerce has been issuing directives this winter aimed at enhancing exports.

Shenzhen in southeastern China — the hometown of BYD, the country's dominant electric vehicle manufacturer — issued 24 municipal directives last week to increase overseas car sales, notably by helping companies in the city to buy more ships that can carry cars to distant markets.

New apartment construction in Shenzhen in January. Qilai Shen for The New York Times

But the United States and the European Union have expressed concern about job losses and have begun taking measures to limit trade with China. And declining prices in China mean that gains in the physical volume of the country's exports and in China's share of world trade may not translate into more money.

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