

Economic

Business



China's Economy Introduction The economy of China is among the fastest growing economies in the world today. It has experienced rapid growth over the last three decades. Increased labor productivity in the country has spurred the rapid growth experienced in the previous decades. However, many economists have been debating about a possible slip of China from its present rapidly achieved economic status. Many more have been questioning if China is destined to be the next superpower in the world or experience spectacular fall in the near future. China has exhibited a dwindling employment rate amidst its productivity boom. This paper explores the reasons why China's economy might grow more slowly than it has in the last three decades.

Why the Economy of China is is Likely to Grow More Slowly In the Future

High dependence on investment for growth rather than consumption is likely to hurt China's economy in the future. In the view of many economists, China needs to reduce this overreliance and rebalance in order to enable consumption to take control of the economy. The gross domestic product (GDP) of the country is mainly driven by consumption rather than investment. The annual GDP of China shows high potential of slowing in the future irrespective of the implementation of reforms (Tian Para 1).

According to Robin Bew, a London-based Economist Intelligence Unit managing director, the Chinese economic growth is likely to decline to 7.3% in 2014. The rate of economic growth will slow further to 5.9% in 2018 and to approximately 5% after the next ten years, according to the EIU (Tian Para 5).

Taking a keen look at the economy of China, one cannot fail to see looming signs of future economic doom. Banks have invested heavily into green

energy project creating numerous corporations, which have in turn catapulted China to the spot light as the world biggest producer of solar panels. High investments in the manufacturing sector have begun to take a toll on the country's economy with bankruptcy hitting most banks that invest heavily in solar panel manufacturing. The booming property market is growing in such a way that it seems to have surpassed government control. When the boom is finally over, anyone can only pray that China has a soft landing. However, the Chinese private consumption still remains the lowest when compared to major economies of the world. Unfortunately, there have been minimal attempts by the government to implement reforms that could reverse this trend. The Chinese government has practically balked at any possible reform that could boost consumption. The Chinese government policy is more of its old growth model. There is weak health care as well as pension systems, which compel households to save. Further, low interest paid on deposits in Chinese banks only function to chastise savers.

Conclusion

In spite of any attempt by China to steer quick reforms, the Chinese economy still stands to slow in the coming years as it transitions from heavy-investment driven economy to high consumption growth. Sluggish rate of reforms is likely to hurt the Chinese economy more. With slow reform rate, the economy will probably grow slower, not so far as it had been under the country's old growth model. Therefore, it is likely that the world's second largest economy is likely to experience a slower growth rate in the next decade.

Work Cited

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Tian, Wei. “ Slower growth can be good development’”. CHINADAILY USA, 2013-11-28. Accessed on February 28, 2014.