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Economics

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China's new growth strategy

Can it hold on to a relatively large manufacturing sector?

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China has abandoned its pursuit of economic rebalancing

Rather than steer the economy toward services and consumption, China's policymakers now plan to double down on the manufacturing and investment-heavy growth model that delivered rapid growth in the past.

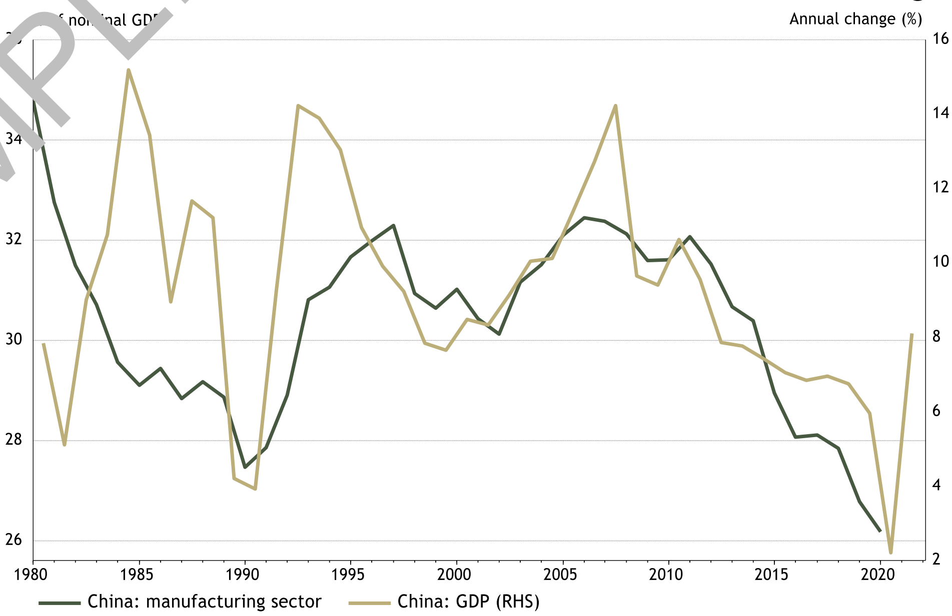
Holding on to a large manufacturing sector is likely to be challenging

Other rich, manufacturing-oriented countries are all small, open economies with current account surpluses. China is too big to follow their path. It will have to expand the domestic market for its products, while also maintaining a high savings rate.

China's new priorities could lead to slower global growth

By investing more in producing tradable goods, China will hasten the divergence between goods and services prices everywhere. That will push the composition of other economies more toward services and ultimately lead to slower GDP growth.

Key chart: China's slowdown coincided with economic rebalancing



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