



China – Quality into Quantity – July 2025

In the global economic conjuncture there are few if any factors more important than the state and future prospects of China's economy. In purchasing power parity terms, it is the largest economy in the world, with a 20 percent share of global GDP. Measured in terms of current exchange rates, China comes second to the US.

China impacts the world economy as a huge market for exports from other countries. China's imports range from raw materials, to Europe's luxury brands. The share price of LVMH, Europe's largest company by stock market valuation, bobs up and down in response to the spending patterns of Chinese women, the world's most rapidly growing segment of luxury consumers.

China's exports are a huge part of global markets. And when China's domestic demand is less buoyant, there is a surge of anxiety about "excess capacity", the pressure of exports increases and we start talking about "China shocks". In the macroeconomic balance, China's huge surplus is the counterpart to the huge deficit of the USA.

China's currency is pegged against a basket of other world currencies. This is backed up by some of the more effective capital account regulation in the world economy today. Funds cannot easily be transferred out of China on a large scale. So, there is structural uncertainty about what the exchange rate of the RMB (Renminbi) should be. The trade account would suggest stronger. The scenario of mass capital flight in the event of a loosening of capital controls would suggest a much weaker currency, as happened during the crisis episode of 2015. A sudden adjustment in the Chinese exchange rate has the potential to destabilize the world economy as severely as Trump's trade wars.

For all of these reasons, China is at the heart of global macroeconomics.

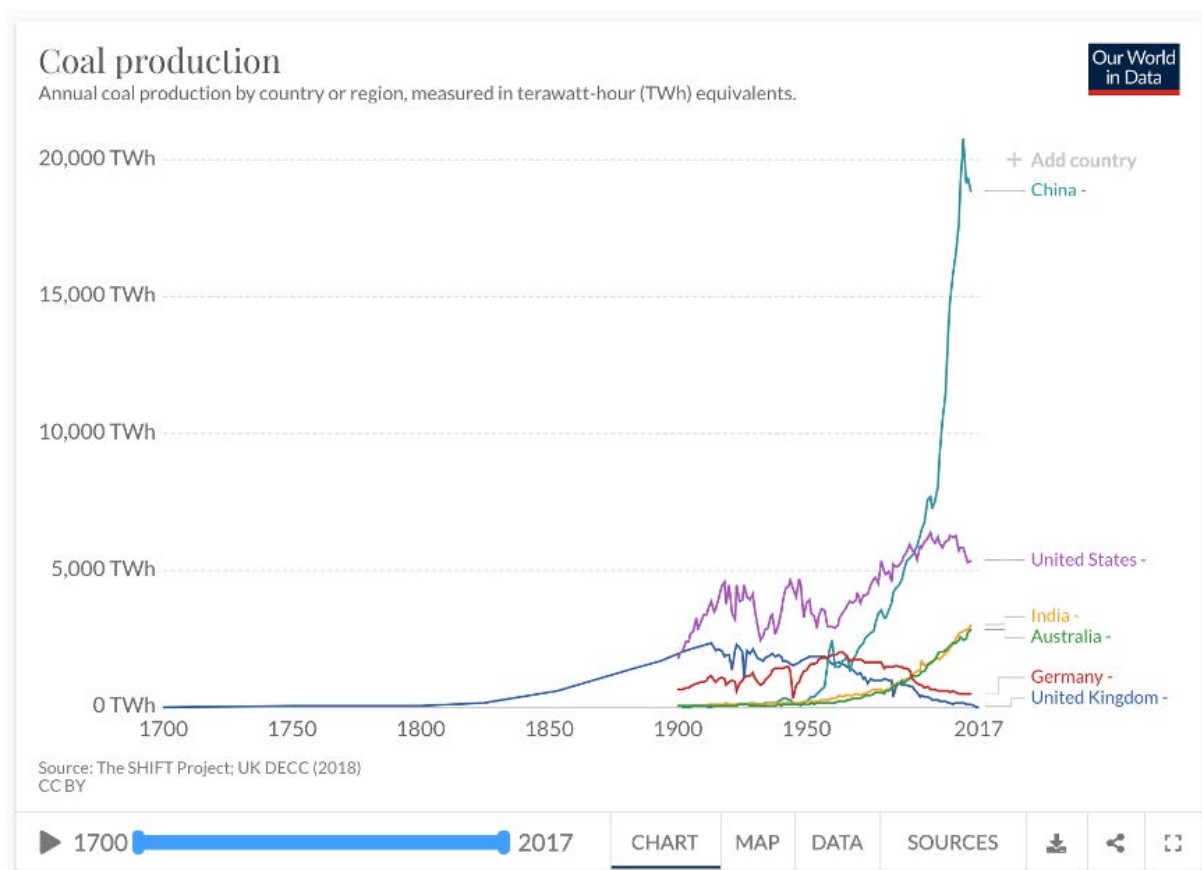
And there are a lot of news to be concerned about. China's growth rate is well down on its highs of a few years ago. The recovery from the COVID shock of 2022 - not 2021 - is incomplete. The structure of demand continues to be chronically unbalanced in favor of investment. There are ominous signs of deflationary pressure. The labour market, especially for young people, is slack. All of this against the backdrop of almost five years of trauma in China's real estate sector.

Viewing China in this way, as one large segment of the overall macroeconomic flow, is essential to understanding the multipolar world economy at the end of first quarter of the 21st century.

But as useful as it is, this macroeconomic approach also minimizes the drama of history and qualitative transformation. China's economy is huge because it encompasses the material destiny of one sixth of humanity. In the 1970s, China's national income per head was less than that of Sudan and Zambia. It was not just

the most populous country in the world but also one of the poorest. China's ascent during the age of globalization is not just one economic story amongst many. It is the single most dramatic development in world economic history, bar none.

To illustrate this point, take coal. Coal has been synonymous with heavy industry since the British industrial revolution of the 18th century. A chart showing coal production over a quarter millennium is a good approximation to the industrial history of the world. Roughly speaking such a history would be written in three chapters: the pre-industrial era; the era of classic Western industrialism, dominated by Britain, the US and Germany, stretching from the 1850s to the late 20th century; and then, the Chinese epoch, which began with the 21st century.



When we do a snapshot macroeconomic analysis of China's place in the world economy in 2025 we do well to keep this 250 year history in mind.

Today, with a per capita GDP in purchasing power parity terms of \$24,569, China is officially classed as an "upper middle-income" economy. It has far outstripped India (which in 1990 was still ahead of China). It has overtaken Indonesia. It has surpassed Brazil and caught up with Mexico. China is now on the cusp of being promoted to the ranks of the "high-income" countries.



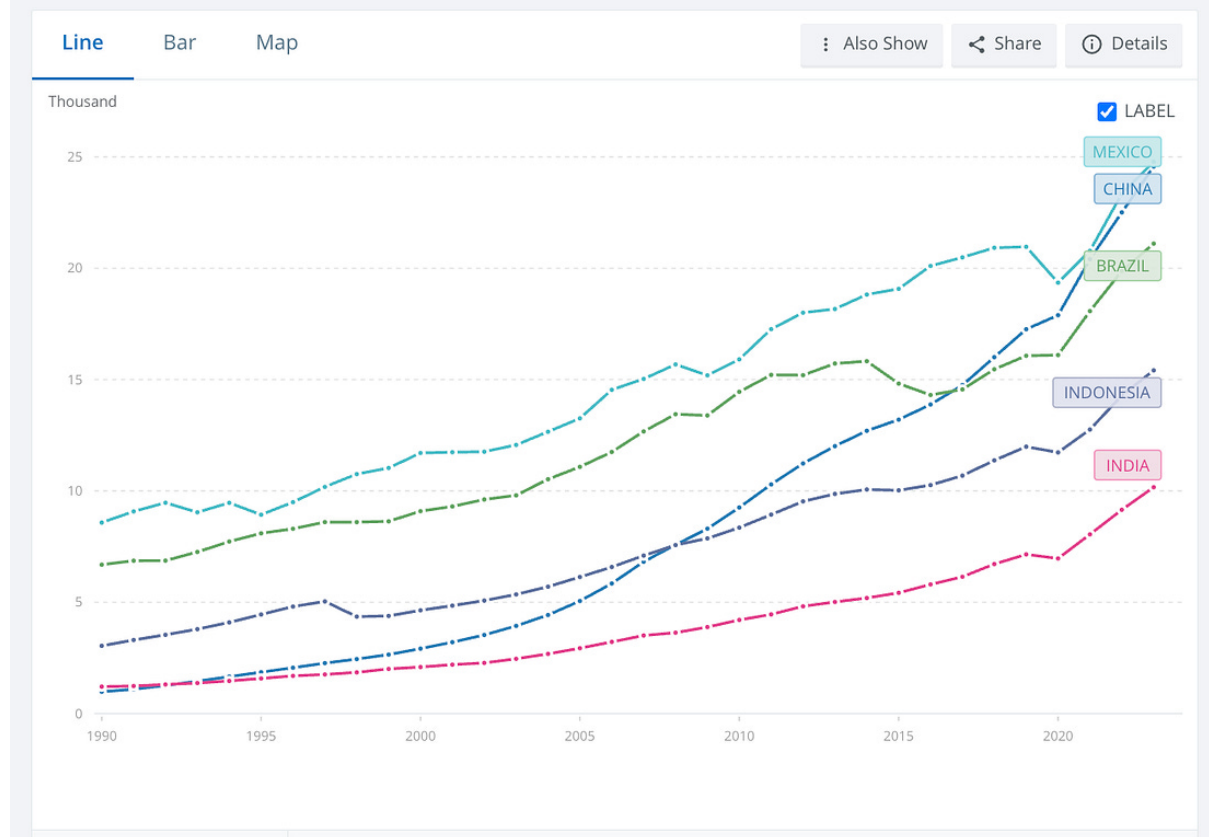
GDP per capita, PPP (current international \$) China, Brazil, Indonesia, India, Mexico

International Comparison Program, World Bank World , World Development Indicators database, World Bank Eurostat-OECD

GDP per capita, PPP (current international \$) - China, Brazil, Indonesia, India, Mexico

International Comparison Program, World Bank | World Development Indicators database, World Bank | Eurostat-OECD PPP Programme.

License : CC BY-4.0 [🔗](#)



These World Bank statistical measures do not flatter China. From casual acquaintance, I find it surprising that China is not ranked considerably ahead of Brazil and Mexico. Far from exaggerating China's growth for propaganda purposes, anecdotes suggest that Chinese experts in the relevant international committees work hard to generate PPP figures that understate their country's development.

So here we have two images of China: One, as a big part of global macroeconomics, the other as a world historic development story. The trick is not to play these two accounts against each other, but to figure out how they interrelate and condition each other.

If we can sensibly discuss China today as just another big economy, rather than a country struggling with basic development issues, it is because it has actually



undergone something truly exceptional, namely, utterly radical economic development in the space of less than two generations.

Pause for a second to consider this twist.

Dialectics offers us a way of imagining the process through which quantitative change turns into qualitative transformation. And there is plenty of that going on in the Chinese case. For example, it is one thing to be a big player in electric vehicles, it is quite another to entirely dominate every facet of the global supply chain. At that point market share measured in percentage points, a quantitative metric, turns into power, a statement of qualitative distinction.

But China also spectacularly illustrates the opposite process, through which qualitative change on a huge scale - “opening up” and “market reform” - transform a society’s entire mode of being so much that it becomes discussable as “just another really big piece of the world economy”, no different in macroeconomic terms than the Eurozone or the US economy. A history of radical qualitative change gives way to bland quantitative metrication.

Social theorists and market practitioners both use the same word to capture this dialectic of quality into quantity - commodification. When your distinctive, branded product with its specific qualities and associated narrative becomes commoditized, it widens the market, but also erases distinctions. In intellectual terms, rendering China’s utterly radical, world-changing development story as a question of “global growth”, is something akin to “commodification”.

Of course, quantitative comparison enabled by commodification has many uses. No less than commoditized goods. But both accept as a cost the erasure of specific qualities. In narrative terms, it involves a kind of blindness to history - how we got here - but also to the wider social and political meaning of current trends and the network of social, political, cultural and material forces that may drive future development. We do macroeconomics no injustice, if we call it heuristic and algorithmic in its approach. Its metier is not the in-depth search for historical meaning.

If we are to have both we need to learn to shuttle back and forth in our economic analysis from quality to quantity to quality to quantity etc.

Of course, you might object that all I am describing in rather highfalutin terms, are the methods of any good economic journalist. A good economics story weaves back and forth between the particular and the general, the experiential and the GDP numbers. That is true. It is a familiar narrative style. But there is a difference between an anecdote that merely serves as a “hook” and the effort to actually find a keyhole or opening that allows us to enter into the complexity of historical reality. As Stuart Hall once put it, the challenge is to find ways of “[breaking in](#)” to the historical conjuncture we are trying to decipher.



It is also clearly true that these general methodological observations apply to any major process of socio-economic change, anywhere. They would be relevant in thinking about the industrial revolutions of the 18th and 19th centuries, or Europe's super-rapid growth after 1945, or the green energy transition. They are forced to the fore in the Chinese case - perhaps one might say in East Asia generally - by the sheer drama and speed of socio-economic transformation.

Nor is this a simple matter of big, dramatic change. We might also think about non-development. Does very slow quantitative economic growth, as in much of Europe right now, induce a sense of passivity and the "end of history"? Does that feed back into slower growth by way of investors' increasingly docile "animal spirits"? On the other hand, how does China's explosive transformation change the meaning of the comparative lack of growth in much of Sub-Saharan Africa? And how can development happen even without measured GDP growth, and visa versa?

All these are themes for future newsletters. But for now, let us be more concrete. How does the quality-quantity-quality dialectic help us to better understand China's economic situation and its relationship to the world economy in the summer of 2025?

Take four important dimensions of the current situation, each of which can be viewed in ahistorical-macroeconomic and/or historical-developmental terms.

- Real estate/Historic urbanization
- Youth unemployment/Generational shock
- Trade surplus/Manufacturing super power
- Deflation/New accumulation regime

I

The real estate story is the central driver of China's recent economic history.

In this regard China is an extreme case of a general pattern. It is barely an exaggeration to say that in modern history real estate is the business-cycle. But step back for a second and consider what we are talking about. Is real estate in China over the last thirty years, like real estate in other economies, at other moments in economic history.

No, clearly not. The "real estate" boom in China that came to an abrupt halt in 2020/2021 was not simply a bubble within a well-established market, say in London, or Florida. China did not even have anything like private ownership of real estate until the late 1990s. Then in a space of a single generation it engaged in the largest construction boom in history, so much so that almost 90 percent of Chinese homes have been built in the last thirty years. In the same 25 years, roughly 500 million Chinese, that is the entire population of Europe, moved from the countryside to the city.

This was no ordinary real estate boom. It was a world historic process of resettlement. China's "real estate boom" was a major causal driver of nothing less than the anthropocene, humanity's fundamentally altered relation with the planetary



economic system. The quantity of steel and concrete that were poured and bashed into the ground in China changed the physical shape of the planet.

Furthermore, consider how China's "real estate boom" came to an end? Did it overheat like other speculative markets before it, resulting in the spontaneous collapse of a major developer and a run on associated banks, like in Europe and the US in 2007/2008? No. China's commercially driven urbanization push was brought to an end by the deliberate decision of the Chinese leadership. The most plausible hypothesis is that it took this decision amidst the hubris of the summer of 2020, when it believed that it had "won" the global competition over containing COVID. In this respect too, the Chinese real estate crisis is historically exceptional. As the Economist writes: on the eve of the crash in 2020, property, broadly defined, contributed about 25% of GDP. Today it accounts for 15% or less. "The depressive impact of falling prices on ordinary folk is hard to overstate. In 2021, 80% of household wealth was tied up in real estate; that figure has fallen to around 70%."

As it was happening, my standard line was that if Beijing managed to pull off the adjustment without a full-scale meltdown as in the West in 2008, it would be one of the most spectacular instances of macroprudential management in world history, perhaps the most spectacular. In the summer of 2025 the evidence seems to suggest that something like stabilization has been achieved. In the most prime markets, notably Shanghai, there are signs of real recovery. The fact that the situation is no longer deteriorating and that stories of financial panic, like those around developer Evergrande, have receded make one look forward to a future turning point.

If we return to the longer-term developmental perspective, one thing that is clear is that it is highly premature to call time on the process of Chinese urbanization. As is reported by the invaluable website [Pekinology](#), experts like Zhou Tianyong, Director of the National Economic Engineering Laboratory at Dongbei University of Finance & Economics, regard the process of urbanization is far from complete:

In 2023, China's total employed population reached 740.41 million. Although the agricultural sector contributed only 6.9% to GDP, agricultural employment still accounted for 23.5% of total employment, with 168.82 million people working in agriculture. This figure is 14 percentage points higher than that of benchmark countries with similarly large populations and comparable development levels. In other words, if it were not for the land planning and administrative management system that restricted farmers from entering the secondary and tertiary industries, and the household registration (*hùkǒu*) system, agricultural employment in 2023 would have been no more than 70.33 million. This implies that the combined impact of the land and *hùkǒu* systems has resulted in the loss of 98.5 million jobs in the secondary and tertiary sectors.

II

Another key macroeconomic concern is the labour market and [youth unemployment](#) in particular.



How bad the situation truly is in China today, is unclear. But what is beyond doubt is that the diminished prospects for graduates are a cause of deep anxiety.

The closing of labour markets to new entrants, is a classic effect of severe cyclical shocks. Those with jobs cling on to them and new entrants are shut out. For those caught out at the wrong moment it can produce generational scarring of career prospects. But what China is experiencing goes beyond a cyclical downswing. It has experienced a sudden deceleration from growth running at an average rate of 7.7 percent per annum in the 2010s, to something closer to 5 percent on the official numbers. Europe experienced something similar in the 1970s and 1980s, when growth retreated after the oil shocks of 1973. This was not just a temporary slowdown, but a permanent historical step change. It is written as a historic shock into the biographies of a generation. Even if by historic standards growth remains high - we still expect 5 percent in China this year - this sudden adjustment of expectations is jarring.

Again history is essential to understanding the meaning of the 2020s slowdown. The graduates of the current moment were born into boom of the 2000s. They are born after the turmoil of the early reform period and the shakeout of Maoist heavy industry in the late 1990s. Their modal experience as children and young people is one of astonishing economic uplift, only then to hit a speedbump that jars their own life plans fundamentally out of kilter. Add to this another historic shift. The generations born in the late 1990s and early 2000s are those most impacted by the one child policy, with the share of only children rising in urban areas to over fifty percent. The burden of expectations from parents and grand-parents on both sides - the notorious 4:2:1 family structure - is huge.

The luckier and more talented amongst the younger cohorts are products of an intense, achievement-orientated education system that rapidly expanded from the 2000s on the promise of upward mobility. Between 1990 and 2020 the number of Chinese enrolled in University surged from an estimated 2.3 million to 45 million. This was an expansion into which families invested huge sums for fees and tuition. The prospect that this investment might not be cashed out in terms of career success, property ownership and a “good marriage”, is devastating. Not for nothing the lockdown protests of the autumn of 2022 started at Foxconn’s iPhone factory but spread rapidly to College campuses.

Their symbol is a blank sheet of A4 paper.

Where does all this reveal itself in macroeconomic terms? Other than in youth unemployment, above all in numbers for consumer confidence, which show a dramatic fall not in 2020 with the onset of COVID, but in 2022, when the Omicron lockdowns coincided with the implosion of the real estate market, to create a general environment of dissatisfaction and disillusionment. Even if growth recovers, and it continues to hover around 5 percent, this shock is “in the system”.

On the other hand, generations “move on”. As the generation born around 2000 settle into middle age, 163 million Chinese born in the 2010s will be entering higher



education and the labour market. Slower growth is all they know. They are also the first fully digitally native generation to grow up in China, in a world in which social media are omnipresent and all-consuming, in which the outside world is glimpsed dimly if at all and the The Great Firewall is, for the vast majority, not so much a forbidding iron curtain as simply the perimeter of the “known world”.

III

The latest concern in the global macroeconomic discussion of China's is a surge in its trade surpluses that began in 2020. This has raised new concerns around the world and reheated long-standing anxieties about Chinese dominance. But, once again, we do not do what is happening justice if we view it simply in terms of trade balances and their impact on global markets. What is truly spectacular is the emergence of China as the greatest manufacturing super power the world has ever seen.

Disclaimer:

DC Advisory issues this report for general informational purposes only, without taking into account the circumstances, needs, or objectives of any individual reader. Readers should assess the appropriateness of any recommendation, forecast, or other information for their own situation and consult with their investment advisor.

The views and opinions expressed herein reflect those of the authors as of the date of publication and are subject to change based on market and other conditions. Any reference to securities, sectors, regions, and/or countries is provided for illustrative purposes only. The value of investments and any income derived from them may decrease as well as increase. Exchange rate fluctuations may also cause the value of investments in foreign currencies to rise or fall.

DC Advisory, its employees, associates, and agents shall not be held responsible for any loss arising from investments made based on any recommendation, forecast, or other information contained herein. The contents of this publication should not be construed as an express or implied promise, guarantee, or assurance that the forecasted information will materialize, that readers will profit from the strategies discussed, or that any losses can or will be limited. Any investment made in accordance with the recommendations or analysis may involve risks and may result in losses, particularly if the assumptions or conditions on which the analysis is based do not materialize as anticipated.

DC Advisory utilises financial data providers, and information from such providers may form the basis of certain analyses. Data collected from third parties is provided without any warranty of any kind. DC Advisory and the data providers assume no liability in connection with third-party data and accept no responsibility for the accuracy or completeness of the information contained herein.

Past performance is not indicative of future results and may not be repeated.

© 20250701 DC Advisory