

## Chinese economy

# China's population decline accelerates as economy reaches low growth target

Policymakers face deepening property sector crisis along with deflationary and demographic pressures



China's population dropped for a second year in a row in 2023 to 1.4bn, 2mn fewer people than the previous year, as deaths rose and births fell in the wake of the coronavirus pandemic © Alex Plavevski/EPA-EFE/Shutterstock

**Joe Leahy** in Beijing and **Eleanor Olcott, Hudson Lockett** and **Andy Lin** in Hong Kong JANUARY 17 2024

China's population decline accelerated in 2023 as its economy grew at one of the lowest rates in decades, pointing to persistent challenges for the world's second-largest economy from a property slowdown, deflation and demographic pressures.

Gross domestic product expanded 5.2 per cent last year, outpacing growth of [just 3 per cent in 2022](#), when the economy was constrained by Beijing's draconian zero-Covid restrictions, and exceeding the government's official target of about 5 per cent, already the lowest benchmark in decades.

But the population dropped for a second year in a row as deaths rose and births fell. Wang Feng, an expert on Chinese demographics at the University of California, Irvine, said the decline of 2mn people revealed the "footprint of Covid-19", which spread through the country in early 2023 after authorities hastily lifted the anti-pandemic measures.

Analysts said the data highlighted the challenge for President Xi Jinping, who began an unprecedented third five-year term last year, to engineer a stronger economic recovery.

“In some senses, the strong headline number is a bit misleading,” said Fred Neumann, chief Asia economist at HSBC. “It comes off a very weak prior year and really it masks some of the underlying weaknesses that we are seeing in terms of aggregate demand.”

Chinese equities lost ground following the data release. The Hang Seng Mainland Properties index in Hong Kong fell 4.9 per cent to an all-time low, while the Hang Seng China Enterprises shed 3.5 per cent to be down 9 per cent this month. The broader Hang Seng index declined 3.4 per cent, while the CSI 300 index of Shanghai- and Shenzhen-listed stocks fell 1.1 per cent.

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## China's economy grew more slowly than before the pandemic despite reopening

Gross domestic product, year-on-year growth (%)

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Source: China's National Bureau of Statistics

The property sector, which has been mired in a debt crisis for three years, continued to suffer in 2023, the official statistics showed on Wednesday. Investment in property development fell 9.6 per cent last year compared with a year earlier, while new home prices in December declined 0.4 per cent on the previous month, the sharpest fall since February 2015.

[China's](#) population fell to 1.4bn in 2023, as 11mn deaths outstripped 9mn births, and demographers forecast further falls as the population rapidly ages. The number of deaths last year was almost 600,000 more than in 2022, exceeding the increase of more than 200,000 between 2021 and 2022.

“It is very likely that the rapid increase in number of deaths comes from the chaotic ending of zero-Covid, which led to many excess deaths,” Wang of the University of California said.

The population, which [declined for the first time in 60 years](#) in 2022, is the result of a 1980s policy that restricted most couples to one child, well below the average of 2.1 needed to remain level. The national death rate was 7.87 per 1,000 people in 2023, the highest since the early 1970s, and up from 7.37 the previous year.

## China's population shrank at the fastest rate since 1961

Number of people (mn)



China's premier Li Qiang on Tuesday pre-empted the official data release, [announcing the headline GDP growth figure](#) on Tuesday at the World Economic Forum in Davos. Li praised policymakers' focus on "strengthening the internal drivers" rather than unleashing massive stimulus, which some experts have called for to revive growth.

Economists said the annual growth rate was probably flattered by as much as two percentage points because of a comparison with low growth during the pandemic and suggested Beijing would need to do more this year to stabilise the property market and drive up consumption to quash deflationary pressure.

Fourth-quarter GDP was 1 per cent higher than in the third quarter and up 5.2 per cent year on year, just missing analyst forecasts of 5.3 per cent. The quarter-on-quarter growth rate was slower than 1.5 per cent recorded in the third quarter, which was revised upwards.

Julian Evans-Pritchard, head of China economics at Capital Economics, said this did not appear consistent with indications that the economy strengthened in the fourth quarter, after alternative data sources pointed to an outright contraction in the third quarter.

"We've seen in the past that during downturns, often the official GDP data doesn't fully reflect the extent of the weakness and then they make up for that further down the road by also not showing the full extent of the recovery," he said. "So I suspect we're seeing something similar at the moment."

Fixed-asset investment excluding rural households was up 3 per cent in 2023 over the previous year, with investment in infrastructure 5.9 per cent higher and manufacturing up 6.5 per cent. Private investment fell 0.4 per cent, said the National Bureau of Statistics.

## China's post-Covid recovery has been mixed

Economic indicators, year-on-year change (%)

Monthly (2023)

Annual

### Industrial production



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Source: Bloomberg, China's General Administration of Customs

Retail sales, a gauge of consumption, rose 7.4 per cent in December year on year, compared with 8 per cent forecast by analysts, while industrial output grew 6.8 per cent last month against a year earlier, above expectations of 6.6 per cent.

China's top leaders have said the economy is on the right course and "no panicky stimulus measures are needed", said Eswar Prasad, a senior fellow at the Brookings Institution think-tank.

But the data revealed an economy that was experiencing “at best subdued growth characterised by weak domestic demand and persistent deflationary pressures”, he added. “It seems premature to say the economy is out of the woods.”

*Additional reporting by William Sandlund in Hong Kong*

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