

Analysis of the macroeconomic and financial situation and related policies in the new era

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Abstract: By analyzing the macroeconomic and financial situation and related policies in the new period, this paper comprehensively analyzes the important changes in the fields of finance, currency, industry and science and technology. In the current macroeconomic environment, fiscal policy focuses on stabilizing growth, monetary policy emphasizes flexible regulation, industrial policy highlights transformation and upgrading, and science and technology policy emphasizes innovation leadership. In terms of future policymaking, the paper puts forward a series of recommendations to promote sustainable economic growth and structural adjustment.

Keywords: Macroeconomics; Policy Analysis; Market Dynamics

This paper focuses on the adjustment and development of fiscal, monetary, industrial and science and technology policies. At this turbulent time, the government needs to take stock of the situation and flexibly utilize various policy tools to push the economy in a more sustainable and innovation-driven direction. This paper aims to provide theoretical support and practical suggestions for future macroeconomic policy formulation through in-depth analysis of these policies.

1. Analysis of the macroeconomic situation in 2023

The global economy faces multifaceted challenges, reflected in slower growth, uneven recovery, falling inflation and rising geopolitical risks. Globally, the steady recovery in the services sector contrasts with relative weakness in the manufacturing and merchandise trade sectors. Energy markets are also facing tight supply conditions and, together with sovereign debt risks, the global economy is operating under greater uncertainty.

Against the backdrop of global economic uncertainty, the recovery of the Chinese economy still appears relatively weak, although economic growth has improved. An incipient trend of economic stabilization and recovery is emerging, however, policy efforts are still needed to promote the formation of endogenous growth momentum. On the consumption side, China's consumption gradually improved as the epidemic eased, while the release of savings also helped the recovery. On the investment side, high-tech manufacturing and new energy have become important drivers to lead investment growth. Although the real estate market remains relatively weak, its drag on the overall economy is gradually diminishing.

As for globally, the Federal Reserve has taken a cautious approach to the pace of interest rate hikes and slowed them down. For China, this has helped to alleviate the downward pressure on the RMB exchange rate and the capital market. However, the sharp upward movement of the US dollar index and US bond yields has led to an accelerated return of cross-border capital to the US and a continued tightening of offshore US dollar liquidity. This has also brought certain challenges to other emerging markets in Asia, Africa and Latin America, such as others, which need to be more cautious in dealing with the uncertainty of international capital flows, as shown in the following table^{[1][2]}.

Table 1: Selected Macrofinancial Economic Indicators, 2023

norm	2023 data	clarification
Gross domestic product (GDP) growth rate	6.5%	Reflects the growth rate of the total economy, which remains within a reasonable range in 2023
Consumer Price Index (CPI)	2.8%	Reflecting changes in the price level, 2023 is in line with the expected target of around 3%
Industrial Producer Price Indices (PPI)	-0.2%	Reflecting price changes in the production sector, largely stable in 2023

balance of payments	-0.5%	Reflects balance-of-payments position, with a lower ratio to GDP in 2023
Percentage of value added of tertiary industries	3.7% : 38.4% : 57.9%	Reflecting the optimization of the economic structure, the share of the tertiary sector continues to increase in 2023
Contribution of scientific and technological progress to economic growth	62.3%	Reflecting the supporting role of science, technology and innovation, reaching an all-time high in 2023
Total labor productivity	97,000	Reflecting the quality and effectiveness of development, 6.8 per cent higher in 2023 than in the previous year

2. Analysis of macroeconomic-related policies in the new era

(1) Fiscal policy

The proactive fiscal policy focuses on improving efficiency and increasing strength, firstly by stimulating corporate investment and residential consumption through tax cuts and fee reductions. Secondly, it optimizes the structure of fiscal expenditure, strengthens support in areas such as scientific and technological innovation and green development, and pushes the economy towards high-quality development. At the same time, the efficiency of fiscal spending will be improved to ensure that resources are used to effectively serve economic development. Accelerate the issuance of local government special bonds to promote investment in infrastructure and public services. Local debt needs to be carefully regulated to ensure compliance. This comprehensive fiscal policy will help to improve economic resilience and sustainability and promote structural adjustment.

(2) Monetary policy

With regard to monetary policy, prudent measures were adopted to maintain the stability of the financial system. For example, by lowering the reserve requirement ratio for financial institutions, the People's Bank of China released more than 1 trillion yuan of long-term liquidity. This helped maintain a reasonable abundance of liquidity, support reasonable growth in credit, as well as ensure a steady growth in the scale of social financing. As at the end of September 2023, broad money supply grew by 10.3% year-on-year and the stock of social financing scale grew by 9.0% year-on-year, indicating a good balance in maintaining liquidity, credit and social financing scale.

(3) Industrial policy

In terms of industrial policy, greater emphasis has been placed on the concept of development and security in tandem. Efforts were made to promote new industrialization and the development of advanced manufacturing, to foster strategic emerging industries, as well as to accelerate the high-quality development of the digital economy and new energy vehicles. In addition, financing of science and technology-based enterprises, intellectual property protection and the development of the private economy have also received attention. According to statistics, in the first three quarters of 2023, the value-added of industries above designated size increased by 8.1% year-on-year, the value-added of high-tech manufacturing industries increased by 12.7% year-on-year, and the output of new-energy vehicles increased by 97.1% year-on-year. This reflects significant progress in improving industrial quality, efficiency and international competitiveness.

(4) Science and technology policy

In terms of science and technology policies, China aims to improve its scientific and technological innovation capacity and level by increasing investment in basic and applied basic research, tackling key core technologies, transforming scientific and technological achievements, building national laboratories, improving scientific and technological innovation institutions and mechanisms, as well as cultivating and introducing talents. Statistics show that in the first three quarters of 2023, the country's expenditure on research and development increased by 11.8 percent year-on-year, and the contribution rate of scientific and technological progress to economic growth reached 62.3 percent.

3. Forecasts of future macroeconomic policymaking

(1) Financial aspects

In terms of fiscal policy, China will continue to implement a proactive fiscal policy, but the strength and speed of adjustment will be

more flexible and accurate, in order to maintain policy coherence and stability and avoid fluctuations in market expectations, which is reflected in the fact that some of the policies will likely be formulated in a way that strengthens the stability and predictability of fiscal revenues, and by improving the tax system and the rule of law, improves the level of tax collection and administration and efficiency, and realizes a fair and rationalization. Specifically, it may be necessary to reform taxes such as value-added tax (VAT), consumption tax and personal income tax, and to implement a series of tax incentives, such as stabilizing foreign trade, supporting private enterprises, expanding domestic demand and promoting green development.

(2) Monetary aspects

In terms of monetary policy, China will continue to implement a prudent monetary policy in order to maintain moderate liquidity and guide a reasonable growth in the scale of money, credit and social financing, with special attention to support for small and microenterprises, private enterprises and green development areas. At the same time, financial supervision needs to be strengthened to prevent and address financial risks, maintain financial stability, promote financial reform and innovation, and improve the universality and accessibility of financial services. In addition, it is necessary to accelerate the research and development and promotion of digital currencies, improve the financial support capacity of the digital economy, and promote the development of financial science and technology in order to enhance the security and efficiency of the financial system.

(3) Science and Technology Policy

In terms of science and technology policies, it may be necessary to increase investment in basic and original research, conquer key core technologies, strengthen major national science and technology projects and infrastructure construction, promote the transformation and industrialization of scientific and technological achievements, nurture and grow strategic emerging industries, and create new advantages in the digital economy. In addition, it is necessary to accelerate the pace of building a digital society and improve the level of digital government construction in order to promote the formation of a favorable digital ecology.

(4) Industrial policy

In terms of industrial policy, it is likely that the focus will be invested in accelerating the development of strategic emerging industries such as the high-end equipment manufacturing industry, the new-generation information technology industry, the biomedical industry, the new-energy automobile industry, and the new materials industry. Meanwhile, the policy will also promote the prosperous development of the service industry, especially the modern service industry, focusing on building a digitalized, intelligent and green infrastructure system, promoting the upgrading and transformation of traditional industries, and improving the efficiency of resource utilization and environmental friendliness.

4. Conclusion

In conclusion, under the current macroeconomic situation, China's fiscal, monetary, industrial and science and technology policies are ushering in profound changes. Fiscal policy will continue to play an active role, with growth stabilization as its main objective; monetary policy will maintain flexibility and focus on counter-cyclical regulation; industrial policy will focus on transformation and upgrading and promote structural optimization; and science and technology policy will emphasize innovation leadership and promote economic upgrading. In future policymaking, emphasis should continue to be placed on overall coordination and the creation of a better development environment in order to achieve the goals of sustainable economic growth and high-quality development.

References

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