

Economic Slowdown Will Drive Public Discontent

Lynette Ong

What We're Watching

Slowing economic growth, high youth unemployment, stagnating wages, and middle-class investments lost due to the real estate crisis are among an array of factors now generating popular discontent in China — and potentially undermining social and political stability. As economic difficulties mount, such social pressure is continuing to build. Political pressure on the Party and on Xi Jinping personally to meet popular expectations, therefore, appears set to continue to grow in 2024.



The Context

China is facing an economic slowdown that is largely structural in nature, with traditional investment-led engines of growth, such as real estate and construction, in decline. This structural decline was accentuated by three years of pandemic lockdowns, which badly impacted small and medium-sized businesses and accelerated a global relocation of supply chains out of China. Consumer confidence has been badly hit over the past several years, as has that of private sector investors.

For the government, this presents a serious and growing problem. Since at least 1989, the de facto social contract between people and the state in China was that the people would accept the Party's authority and restrictions on political rights in exchange for rapid growth in prosperity. And for decades, the Party seemed to deliver on this promise, with China experiencing rapid growth and modernization. Notably, many Chinese under age 40 have no previous experience of an economic recession in their lifetimes. Now the situation has changed, and quite suddenly.

In June 2022, youth unemployment rates hit a record high of 21%; the government then responded to such unfavorable data by announcing it would cease publishing unemployment statistics. The issue of high youth unemployment, including among college-educated young people, is likely of serious concern to the Party-state, especially after the "white paper" protests of November 2022, when protestors, most of them college students, gathered not only to demonstrate against strict pandemic restrictions but also to explicitly shout such sentiments as "down with the CCP!"

Meanwhile, the economic situation has spurred other protest as well. The dramatic contraction of the property sector, which was precipitated by Xi's "three red lines" policies explicitly intended to deflate the real estate bubble,

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has undermined the fortunes of middle-class Chinese, who overwhelmingly save household wealth in the form of property. According to analysis by the Social Unrest in China project, from June 2022 to June 2023 construction workers and homebuyers were the two largest groups in non-pandemic-related protests, comprising 28.1% and 22.6%, respectively, followed by transport workers (7.6%) and manufacturing workers (6.7%). Discontent has also grown among migrant workers, who have seen demand for labor (and, therefore, wages) decline alongside construction and manufacturing.

Finally, wealthy Chinese elites are also undertaking a more subtle form of protest by increasingly engaging in unprecedented levels of capital flight, moving their assets to safe havens abroad, such as Singapore and London.

What to Expect in 2024

- There is a real chance that instances of public protest and other signals of discontent will increase in 2024.
- Events of nationwide significance, such as the death in late 2023 of former premier Li Keqiang, have the potential to become flashpoints for broader public or elite dissatisfaction and will be viewed with particular unease by Party leadership in 2024.

