China growth rate falters as youth unemployment rises

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Concerns continue to grow over the slowdown in the Chinese economy as expectations it would "bounce back" with the lifting of zero COVID measures at the end of last year have not materialised. The purported economic recovery is being described as losing steam.

At the same time a new wave of infections is developing with predictions, likely to be an underestimate, of 65 million infections a week. After lifting restrictions authorities forecast an initial surge which would then subside but new variants are taking hold in major centres such as Shanghai.

The latest monthly data show a decline in key areas of the economy with industrial production and profits, property sales and credit growth all falling short of predictions.

Consumer spending initially jumped after the lifting of anti-COVID measures and was expected to provide an ongoing boost to the economy amid a global slowdown, however, as the *Financial Times* (FT) reported, it "has also fallen back on a gloomy economic outlook."

The article cited remarks by Hui Shan, chief China economist at Goldman Sachs, who provided a summary of the overall situation.

"Confidence is a big problem," he said. "For consumers, there are concerns about the future—you don't really want to spend. Private investment is also very weak. You talk to entrepreneurs, there is still a reluctance to engage."

In the first quarter of the year, gross domestic product expanded at a rate of 4.5 percent on the back of increased retail sales and exports. The boost did not last. Property sales, which were 95 percent of their 2019 levels in March, have now fallen to just 63 percent.

One of the most significant social consequences of the economic slowdown, with potentially explosive political consequences, is the rise in youth unemployment. The jobless rate for those aged between 16 and 24 last month reached a record high of 20.4 percent.

Five years ago, a university degree was the ticket to a generally better paid job. Not any longer, as graduates struggle to find a position and those that do often receive less remuneration than they anticipated.

The FT cited the case of one 25-year-old graduate who said she had been applying for jobs for half a year. As yet she had received no offer and noted that even if she did obtain employment the salaries for office jobs were unliveable.

The record jobless rate has been reached before a new cohort of graduates comes on to the jobs market later this year.

According to a recent report by Goldman Sachs, Chinese youth urban unemployment is now roughly double the rate of 10 percent prior to COVID and this could well be an underestimate. This rate could rise rapidly in the coming months and with the start of the graduation season, during which a record 11.6 million young people will enter the labour force, it may jump by as much as 3-4 percentage points.

The Goldman report noted there appeared to be a structural imbalance.

"Despite the fact that a rising share of unemployed persons aged 16-24 years old have higher education, there appears to be a misalignment of academic disciplines with business requirements," it said.

It cited the case of sports and education. The number of graduates in this area rose by 20 percent in the period 2018 to 2021 but the "hiring demand of [the] education industry weakened meaningfully in the same period."

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There was also weakening demand in the fields of information technology and property which tended to hire younger workers.

"We might see youth unemployment continuing its upward trend in the next few months on the back of strong supply seasonality despite government policies to create more jobs for graduates."

The Chinese Communist Party knows that the central foundation of its political legitimacy, having established a full-blown capitalist regime, is the promise that despite rising social inequality and corruption its economic policies provide a path of advancement for the population, not least the youth.

But there are signs of a growing conflict.

Last March, no doubt reflecting an official policy turn, an article published by the Communist Youth League attacked graduates for holding on to their aspirations and refusing to "tighten screws" in the factories, denounced their "negative" attitudes, and told them to "take off their suits and enter the factories and farmlands."

The statement produced an outcry of social media with one comment asking whether the author would "be willing to give up his current job to become a street cleaner or factory worker."

A Weibo user noted that according to some statistics "more than one million graduates are already working as food delivery riders and other temporary jobs."

Such a situation is by no means confined to China. There is a significant and growing cohort of young people in the same position in all the major capitalist economies.

Chinese authorities are particularly sensitive to the political dangers of the growth of a highly educated younger generation with no prospects for the future because they have previously emphasised that education and study is the road to social advancement under a capitalist economy.

In the recent period, state media outlets have been running stories on how university graduates have been able to obtain high incomes by starting businesses that do not require academic qualifications.

These claims have been denounced and exposed on social media and, as the FT reported in a recent article, they have been coupled with criticism of the lack of effective labour laws.

According to the report: "White collar workers routinely put in long hours, such as tech companies' notorious '996' schedule—where employees work from 9am to 9pm, six days a week—or being on call 24 hours per day, seven days a week, with no overtime or paid time off."

One WeChat commenter wrote: "You should implement the labour law and address workers' real concern."

This rumbling opposition has yet to take an overt political form.

Fear of such a development will be uppermost in the minds of the ruling oligarchy headed by Xi Jinping as the developing reality in China comes into conflict with the dominant ideology that the restoration of capitalism represented the way forward for the working class and masses.

The Chinese Communist Party leadership is well aware that it was a movement of youth directed against social inequality, that began in Tiananmen Square, which played an important role in sparking the upsurge of the working class in 1989.

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