



Harry's Take

September 26, 2023

Finally, Solid Affirmation China Will Never Surpass the U.S., Economically

Given that China has a population around 1.4 billion (four times that of the U.S.) and given its stellar growth rates since the early 1980s, it's natural to assume that China will surpass the U.S. to become the largest economy in the world a few decades from now.

But that's the problem when you don't "look under the hood" of an economy and consider the demographic trends and the urbanization rates that most drive emerging countries until they reach 80%+ urban and slow down. I have found that for the top three emerging countries—China, India, and Brazil—urban households have a GDP per capita about three times that of rural households. Hence, in emerging nations, urbanization rates tend to be even more important than demographic trends for GDP growth.

I showed in the September issue of the *HS Dent Forecast* how China's population is peaking now and is projected to fall by 46% from 1.4B today to 780M by 2050. How many people are fully aware that China's population will begin shrinking as fast as Japan's? My theory is this: East Asians have even fewer children once they get more affluent, as they want to be able to get each of their kids into Harvard!

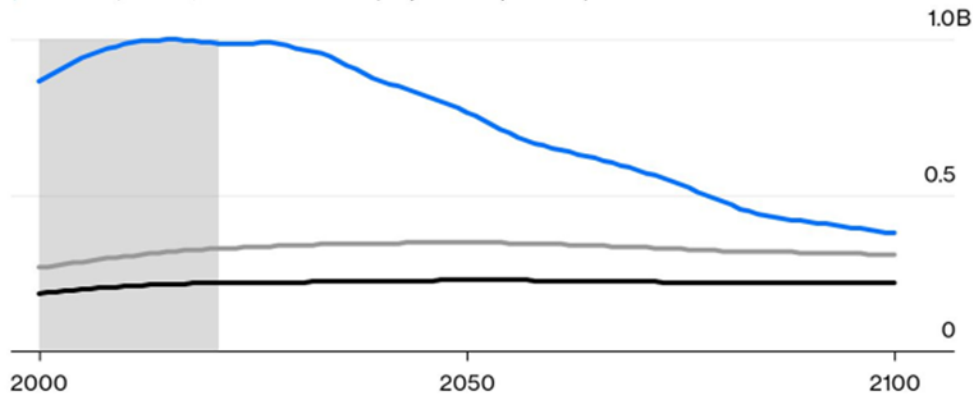
Here is a chart showing why, as I have forecast, China is unlikely to pass the U.S.

China's GDP Never Passes U.S. GDP: Falling Workforce for Decades

Coming Together

Projected working-age population (15-64), medium scenario

China / US / North America (US, Canada, Mexico) / Historical estimates



Source: UN World Population Prospects 2022

BloombergOpinion

Source: <https://www.bloomberg.com/opinion/articles/2022-07-18/china-s-working-population-is-about-to-get-much-smaller>

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The fundamental trend here is that the Chinese workforce (blue line) should shrink substantially while that of the U.S. (grey line) continues to grow modestly. Recently, I've also seen analysis from *The Economist* showing that even when you add in higher productivity from the Chinese workforce, China does not pass the U.S. in GDP, even by 2050. And China, already 65% urban, is rapidly approaching the 80% level of urbanization at which most countries slow down dramatically.

Any good forecaster knows that extrapolation of past trends only works until it doesn't... and ultimately, the trends will change. China is the first emerging country to age rapidly. Japan was the first developed country to age like that, and South Korea is following in its footsteps.

From a demographic standpoint, East Asia will have the greatest slowing for decades to come in the East; it will be Southern Europe in the West. That's why I am focusing on India and Southeast Asia for the next great boom ahead.

Given its stronger Millennial generation, the U.S. will outperform Europe, while Northern Europe will outperform Southern Europe.

Harry

Got a question or comment? You can contact us at info@hsdent.com.