



UNIVERSITI TEKNOLOGI MARA

**MACROECONOMIC FACTORS AND GDP
GROWTH IN CHINA**

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ABSTRACT

GDP growth has always been considered an important issue that many researchers have addressed. Inconsistent GDP growth within a country will increase the prevalence of poverty while also stifling advances in health, education, crime, and eventually, economic growth. The factors that contribute to GDP growth are relatively important in preventing socio-political instability. The purpose of this research is to find out what factors can influence China's GDP growth. The research is performed using secondary data from economic indicators which are foreign direct investment (FDI), unemployment rate, and government spending. The research sample consisted of data on China's GDP growth from 1990 until 2020. The results identify that among the factors, foreign direct investment has a positive impact on GDP growth. Meanwhile, government spending has a negative impact on GDP growth. However, foreign direct investment and government spending are the only variables that contribute significantly to China's GDP growth. The unemployment rate negatively impacts GDP growth, and it is not a significant factor towards GDP growth in China. Based on the result, it is suggested by maintaining the stability of foreign direct investment and increasing government spending can help the GDP growth in China.

Keywords: unemployment rate, foreign direct investment (FDI), government spending, GDP growth, China

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

GDP growth has been studied for decades. It is an economic indicator that is important because it is used to estimate the size of the country's economy and growth rate. High GDP indicates that the country's economic growth is in a good condition. If the economy grows, so do the businesses, jobs, and personal income. An increase in GDP growth has not only affected the economy but people in the country too. According to the Corporate Finance Institute (CFI), if the GDP growth in a country is decreasing, it can have a bad effect on the country such as falling incomes, lower consumption, and job cuts. Inconsistent growth of GDP also will lead to a higher incidence of poverty as well as hinder the progress in health, education, and eventually economic growth (Dongsheng Wang, 2019).

Since opening to global commerce and investment and initiating free-market reforms in 1979, China has been one of the world's fastest growing economies. According to the World Bank, China is experiencing the greatest continuous expansion of any major economy in history, with real annual GDP growth averaging 9.5 percent through 2018. China has been able to increase its GDP every eight years on average, lifting an estimated 800 million people out of poverty. It also has exceeded the United States' expectation as the world's largest economy, manufacturer, merchandise trader, and holder of foreign exchange reserves. As a result, China has become one of the United States' most important trading partners. China is the United States' largest merchandise trading partner, largest import source, and third-largest export market. Besides that, China is also the world's largest foreign holder in the United States. In China, GDP is split into three sectors which are primary, secondary, and tertiary. Farming, forestry, animal