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The internal logic and external environment of China's resilient economic development

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Abstract

Based on China's macroeconomic data from 1993 to 2022, this paper selects core variables such as GDP, total capital formation, number of employed people, total retail sales of consumer goods and total import and export volume, and uses STATA software to construct a multiple regression model to empirically analyze the key factors influencing China's economic growth. Combined with the re-gression results, this paper deeply explores its economic implications and puts forward policy suggestions to promote the sustainable development of China's economy.

Keywords

Resilient Development of China's Economy ; Multiple regression; Empirical analysis

1. Introduction

After the 2008 financial crisis, the growth of the world economy slowed down significantly. Even the economies of some countries fell into recession and experienced negative growth. Along with this came large-scale unemployment and social unrest. China, as the world's largest developing country, has become an important force in the global economic landscape since the reform and opening up, with its remarkable economic growth rate. Its economic scale has jumped from the 13th place globally to the 2nd place, exerting a profound influence on the global economy. The success of China's economic growth is not merely an economic phenomenon, but rather a complex system integrating multiple influencing factors. Economic growth refers to the increase in output of a country or region within a certain period and is an important indicator to measure the economic development status of a country or region. For China, the driving forces and influencing factors of economic growth are diverse, including the traditional "three horses" of investment, consumption and export, as well as deeper factors such as technological progress, human capital and institutional reform. However, apart

from these traditional factors, factors such as technological progress, human capital and institutional reform have also played significant roles in China's economic growth. Technological progress can enhance production efficiency, reduce costs and promote sustained economic growth. The improvement of human capital can provide the necessary talent guarantee and intellectual support for economic growth. Institutional reform, on the other hand, promotes sustained and healthy economic development by releasing institutional dividends, stimulating market vitality and innovation impetus.

In order to deeply explore the main influencing factors and their mechanism of action of China's economic growth, this paper will apply empirical analysis methods to conduct quantitative analysis of various factors to reveal their actual impact on China's economic growth. Through empirical analysis, we will grasp the internal mechanisms and trends of China's economic growth more accurately and provide a scientific basis for policy-making. Furthermore, the research in this paper not only helps to understand the growth model and driving force of the Chinese economy, but also has certain reference significance for other developing countries. Under the background of global economic integration, the successful experience of the Chinese economy can provide useful references for other developing countries and contribute wisdom and strength to global economic growth and development.

2. Literature Review

2.1. Selecting a Template (Sub-Heading 2.1)

Since the beginning of the reform and opening up, China has achieved sustained and rapid economic growth, which has had a profound impact on a global scale. However, there are numerous factors influencing the growth of China's GDP. An in-depth analysis of these factors is of crucial theoretical and practical value for clarifying the operating mechanism of China's economy, predicting future development trends, and formulating effective economic policies. Therefore, exploring how to promote China's economic growth is a key and difficult issue that China is currently facing. Consumption, investment, and imports and exports, as the driving forces for the economy, their boosting effects on the economy have been presented in numerous literatures [2-5]. Moreover, in recent years, research on the influencing factors of economic development has been extremely popular. Many domestic scholars have conducted extensive research and analysis on the influencing factors of economic growth from different perspectives and using different models. For instance, Yang Huan and Wang Fenhui [6], based on the Cobb-Douglas model, explored the effects of technology, capital stock and labor input on GDP. It is concluded that the influence on GDP from greatest to least is technology, labor and capital in sequence. Yu Shenghua [7] confirmed through the robust sparse principal component method that physical capital, urbanization

rate, financial depth, consumption structure of urban residents, Gini coefficient, and technological level have become the main driving forces for economic development. Yuan Chunxiao's [8] research found that technological innovation, the intensity of environmental regulations, independent innovation, and production factors can promote economic development.

After reading the references, several factors that I personally believe can have an impact on China's economic growth were selected: consumption, imports and exports, and employment status. In this paper, the total retail sales of consumer goods represent consumption, the total volume of imports and exports represents imports and exports, and the number of employed people represents the employment situation. Empirical analysis was carried out based on these variables. In this paper, the gross domestic product (Y) will be regarded as the measurement indicator of China's economic growth, and the total capital formation (X_1), the number of employed people (X_2), the total retail sales of consumer goods (X_3), and the total volume of imports and exports (X_4) will be taken as independent variables. Based on the statistical data from 1993 to 2022, an empirical analysis was conducted on the main influencing factors of the Chinese economy by using the analytical method of multiple regression.

3. Analysis of influencing factors

3.1. Total capital formation

Total capital formation reflects the scale of capital accumulation achieved through investment in a country or region within a certain period. It is an important component in calculating the gross domestic product (GDP) and has a significant impact on economic growth and development. This is because the total amount of capital formation used for investment can stimulate economic activities, increase labor productivity and expand output, thereby promoting the growth of the overall economy. Therefore, the higher the total capital formation of a country or region is, the higher its GDP tends to be.

3.2. Number of employed people

The "number of employed people" refers to the number of individuals who are above a certain age, have the ability to work, engage in certain social labor and obtain labor remuneration or business income. The number of employed people is one of the important indicators to measure the state of the labor market and the level of economic activity in a country or region. It reflects the economy's ability to absorb the labor force, as well as the employment level and quality of society. For the government and relevant departments, paying attention to the changes in the number of employed people and taking corresponding policy measures to promote employment are of great significance for ensuring people's livelihood, maintaining so-

cial stability and promoting sustained economic development..

3.3. Total retail sales of consumer goods in society

The core indicators for measuring the scale of domestic physical goods and catering service consumption reflect the direct consumption capacity of residents and social groups. As one of the "three horses" driving China's economic growth, its changing trend directly reflects the vitality of the consumer market and the status of the domestic economic circulation, and is an important basis for judging the effect of consumption upgrading and policies.

3.4. Total import and export volume

It refers to the total value of all imported and exported goods and services of a country within a certain period, and is the core indicator for measuring the scale of foreign trade. This indicator directly reflects the level of a country's active participation in global trade. It is not only an important driving force for economic growth (creating demand through exports and meeting production and consumption through imports), but also a key window for observing international economic competitiveness and the position of the industrial chain. Among the "three engines" of China's economy (investment, consumption and net exports), the changes in the total volume of imports and exports are not only influenced by external market demand, exchange rates and trade policies, but also reflect the achievements of domestic industrial upgrading (such as the changes in the proportion of high-tech product exports), which has a guiding significance for judging the quality of the development of an open economy.

4. Data collection and model establishment

4.1. Data collection and model setting

4.1.1 Data collection

China 's GDP(Y)(billions yuan), total capital formation (X_1)(in billions of yuan), number of employed people (X_2) (Ten thousand people)from 1993 to 2022
The data of total retail sales of consumer goods (X_3)(billions yuan) and total imports and exports (X_4) (billions yuan)are shown in Table 1.

Table 1. Data Collection Form

Year	GDP	Total capital formation	number of employed people	The data of total retail sales of consumer goods	total imports and exports
1993	35673.2	15440	-	-	11271.0
1994	48548.2	19479	-	16264.7	20381.9
1995	60356.6	23823	-	20620.0	23499.9
1996	70779.6	26960	-	24774.1	24133.9
1997	78802.9	28317	-	27298.9	26967.2

1998	83817.6	29660	-	29152.5	26849.7
1999	90564.4	30891	-	31134.7	29896.2
2000	100280.1	33667	72085	39105.7	39273.2
2001	110863.1	30403	73025	43055.4	42183.6
2002	121717.4	44005	73740	48135.9	51378.2
2003	137422.0	54447	74432	52516.3	70483.5
2004	161840.2	67726	75200	59501.0	95539.1
2005	187318.9	75576	74647	67176.6	116921.8
2006	219438.5	87579	74987	76410.0	140971.4
2007	270092.3	109339	75321	89210.0	166740.2
2008	319244.6	134942	75564	108487.7	179921.5
2009	348517.7	158075	75828	132678.4	150648.1
2010	412119.3	191867	76105	156998.4	201722.1
2011	489740.2	227673	76420	183918.6	236402.0
2012	538580.0	248960	76704	210307.0	244160.2
2013	592963.2	275129	76977	237809.9	258168.9
2014	643563.1	294906	77253	271896.1	264241.8
2015	688858.2	297827	77451	300930.8	245502.9
2016	746395.1	318198	77603	332316.3	243386.5
2017	832035.9	357886	77640	366261.6	278101.0
2018	919281.1	402585	77586	390986.9	305010.1
2019	986515.2	426679	77471	408017.2	315627.3
2020	1013567.0	439550	75064	391980.6	322215.2
2021	1143669.7	495784	74652	440823.2	390921.7
2022	1210207.2	523890	73351	439732.5	418011.6

4.2. Identify the Headings

4.1.2 Model setting

In order to specifically analyze the extent to which each factor affects China's GDP growth, four factors - total capital formation, employment, total retail sales of consumer goods, and total import and export - are selected as explanatory variables X_1,X_2,X_3, X_4,based on the data to construct the OLS model, the assumption model is as follows:

$$Y = \beta_0 + \beta_1 \cdot X_1 + \beta_2 \cdot X_2 + \beta_3 \cdot X_3 + \beta_4 \cdot X_4 + \mu_i$$

Where: *Y* stands for gross GDP (billion yuan); X_1 represents the total amount of capital formation (billion yuan); X_2 represents the number of employed people (in ten thousand); X_3 represents the total retail sales of consumer goods in society (billions yuan); X_4 represents the total volume of imports and exports (billions yuan).

4.2. Parameter estimation

The results of STATA's OLS regression analysis of various economic indicators in China from 1993 to 2022 are shown in the figure.

Table 2. Regression result

Source	SS	df	MS	Number of obs	=	23
				F(4, 18)	=	5411.97
Model	2.8088e+12	4	7.0220e+11	Prob > F	=	0.0000
Residual	2.3355e+09	18	129749172	R-squared	=	0.9992
				Adj R-squared	=	0.9990
Total	2.8111e+12	22	1.2778e+11	Root MSE	=	11391

y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
x1	1.020834	.3028944	3.37	0.003	.3844761	1.657191
x2	-14.73104	2.572422	-5.73	0.000	-20.1355	-9.326583
x3	1.14908	.2316765	4.96	0.000	.6623458	1.635814
x4	.3934929	.1717843	2.29	0.034	.0325874	.7543984
_cons	1085145	185626.3	5.85	0.000	695158.4	1475131

Regression analysis results:

$Y=1{,}085{,}145+1.0208X_1-14.7310X_2+1.1491X_3+0.3935X_4$

$R^2=0.9992$, Adj $R^2=0.9990$, $F=5411.97$

In the regression model, the closer R^2 is to 1, the higher the variability of the model interpretation and the better the fitting degree of the model. In the model I established, Adj $R^2=0.9992$ means that the independent variables in the model can explain the reasons for China's economic growth, and the fitting degree of the model is very high. Moreover, in regression models, the p-value is usually used to determine whether the regression coefficient is a statistically significant indicator. Generally speaking, if the P value is less than 0.05, it is considered that the coefficient is statistically significant. According to the regression results of the model, it can be seen that the P values of each variable are all less than 0.05, that is, the selected independent variables are all significant variables. The F-value of the model was analyzed again. The F-value of this model is relatively high, and the corresponding Prob> F-value (probability value) =0.0000 (possibly due to the software not showing subsequent decimals) is very small, indicating that this model has significant explanatory power.

5. Conclusions and policy recommendations

5.1 Conclusions

Through empirical analysis on China's GDP, total capital formation, total retail sales of consumer goods, total import and export volume, and the number of employed people from 1993 to 2022, the following conclusions were obtained: Consumption and import and export will still promote China's economic development; The variable of total capital formation was excluded because it would cause multicollinearity and autocorrelation in the model. However, it can be known from the initial coefficient analysis that the total capital formation still plays a promoting role in China's economic development. However, the number of employed people cannot promote

China's economic growth to a certain extent. The reasons are speculated to be as follows: First, if the newly added jobs are mainly low-skilled and low-efficiency jobs, then these new jobs may not have a significant positive impact on GDP, and may even lead to a decrease in per capita GDP. Secondly, if the newly added jobs are created by enterprises with low productivity, high energy consumption and high pollution, then the increase of these jobs may have negative effects on the environment and thereby affect GDP. Moreover, if the newly added jobs do not match the existing industrial structure or do not conform to market demand, the increase in these jobs may lead to an increase in the unemployment rate or waste of labor resources, thereby having a negative impact on GDP.

5.2 Policy recommendations

5.2.1 Increase residents' consumption expenditure

To promote consumption growth, it is necessary to make concerted efforts in both social security and financial support. First of all, efforts should be accelerated to improve the social security system covering the entire population. By perfecting security systems such as pensions, medical care and unemployment, the uncertainty of residents' future expenditures can be effectively reduced, precautionary savings can be decreased and consumption potential can be released. Secondly, it is necessary to innovate and develop consumer finance, encourage financial institutions to develop more diversified and inclusive consumer credit products, lower credit thresholds, optimize service experiences, and enhance the consumption capacity of residents, especially the younger generation. Meanwhile, it is necessary to enhance the popularization of financial knowledge and guide residents to rationally utilize credit tools. Through the bottom-line role of the social security "safety net" and the leverage effect of consumer finance, we can jointly enhance residents' confidence in consumption, promote the continuous expansion of consumption scale, and provide endogenous impetus for high-quality economic development.

5.2.2 Optimize the structure of import and export products

The current global trade pattern is undergoing structural adjustment. The demand for high-tech products is surging while that for labor-intensive products is weakening, which poses a challenge to China, which mainly exports manufactured goods. To cope with this trend, China urgently needs to optimize the structure of imports and exports: On the export side, it should focus on strengthening investment in scientific and technological innovation, encourage enterprises to conduct research and development through tax incentives and financial support, and promote the upgrading of products towards high-end and intelligent. At the same time, efforts should be made to cultivate internationally renowned brands, enhance the added value of products and market recognition. At the import end, relying on sufficient foreign exchange reserves, the import of advanced technical equipment and key compo-

nents can be moderately expanded. In addition, efforts should be made to accelerate the transformation and upgrading of traditional industries, eliminate backward production capacity, develop strategic emerging industries, and build a more resilient industrial chain system. By taking a three-pronged approach of technological innovation, brand building and industrial upgrading, we will comprehensively enhance the competitiveness and risk-resistance capacity of China's foreign trade.

5.2.3 Improve the comprehensive quality of practitioners

The scale of higher education in China has continued to expand, providing a large number of high-quality talents to the labor market. However, the structural contradiction in talent supply has become increasingly prominent. At present, there exists a phenomenon of "mismatch between educational background and ability". Although some practitioners have theoretical knowledge, they have shortcomings in soft skills such as practical ability and professional quality. To solve this problem, a multi-party collaborative training system needs to be constructed: Colleges and universities should promote the integration of industry and education, optimize the curriculum structure, and strengthen practical teaching; Enterprises should improve the on-the-job training mechanism and establish long-term training models such as the mentor system. Individuals need to maintain a lifelong learning attitude and proactively enhance their comprehensive competitiveness. Meanwhile, the government should strengthen the construction of the employment service system to promote the effective connection between the supply and demand of talents. Only through coordinated reforms in the education, employment and personal development sectors can the transformation from the "demographic dividend" to the "talent dividend" be truly achieved, providing continuous impetus for high-quality economic development.

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