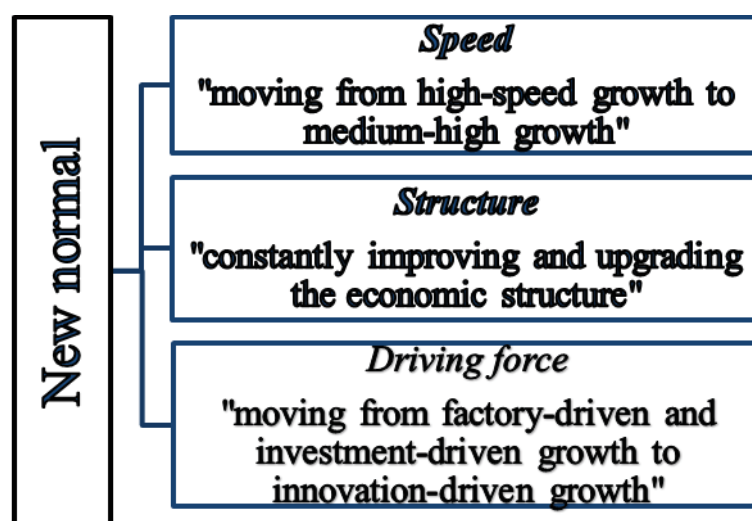


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IMPACT OF THE «NEW NORMAL» CONCEPT ON CHINA'S ECONOMIC DEVELOPMENT

After more than 30 years of rapid development after the reform and opening up, in 2010s China's economic development reached a bottleneck period. The Chinese government observed this economic situation and put forward the concept of «New Normal» for China's economic development, making plans and clear adjustment plans for China's development in a long period of time. In the context of the "new normal" economic slowdown, coupled with the repression and blockade imposed by the United States, China must go against the trend and innovate, adjust its strategy, increase the integration of resources, and seek its own new path of peaceful development with Chinese wisdom.

Literally, the «New Normal» refers to some changes relative to the original inherent state, forming a new inherent form [1]. In his keynote speech at the ASIA-PACIFIC Economic Cooperation (APEC) CEO Summit, President Xi Jinping of the People's Republic of China introduced the term «New Normal» to Chinese citizens. Xi used the term «New Normal» to describe to the world a series of new performances of The Chinese economy, including changes in growth rate, structural upgrading and driving force transformation [2] (Pic.).



Pic. Three main features of Chinese «New Normal»

In particular, he elaborated that the «New Normal» will generate new opportunities, pointing out that Under the «New normal», China's economic growth will be more stable, growth drivers will be more diversified and development prospects will be more stable.

The core factors that caused of the «New Normal» policy are the following:

- China's economy is moving from a middle-income per capita country to a high-income per capita country. After more than 30 years of rapid economic growth, with the rapid increase of China's overall economic size and per capita income, economic slowdown is the inevitable path in the process of economic development. The development model under the old normal, with GDP as the center and investment as the lead and insufficient attention to technological progress, can no longer adapt to the development of the new era.

- Under the old normal, unsustainable structural contradictions were increasingly exposed, and China's potential growth rate began to decline. In general, the factors that determine the potential growth rate mainly include technology and productivity, capital growth rate and population structure and labor supply. The primary reason for the decline of China's potential population rate is that China's population structure has undergone major changes. The increment of the working population has decreased year by year, reaching its peak in 2010, and the absolute number of working population has started to decrease since then. At the same time, the number of elderly people is rising year by year.

- Demographic changes inevitably lead to a decline in the national savings rate, which makes it difficult to maintain the investment-led high-growth model. At the same time, technological progress is a slow process. Under the background of high investment rate and substantial increase of capital stock, the decline of economic growth rate is an inevitable trend.

«New Normal» in China's economy is to adapt to the new situation of economic development entering a transitional period and continuous strengthening of resource and environmental constraints and to accelerate the transformation of economic development mode from factor-driven, investment-driven to innovation-driven.

Benefits to China's economic growth under the «New Normal» concepts are:

- Avoidance excessive reliance on investment to promote economic growth, balance the driving force of economic development, and promote healthy economic development in the future.

- Removal of the "water", in the past decades of high-speed growth, the inevitable will have excessive investment, idle investment,

these investments did not get the corresponding employment growth, people's income increase, the growth of the local economic income, so the new normal under China's new economic development policy can effectively remove the moisture, make China's economy to virtual to real [3].

– «The New Normal» will help optimize China's industrial structure. In the past, China's economic growth mainly depended on government investment, but in the future, the market will play a greater role in investment, and the government will play a more supervisory role. Give full play to the initiative of market economy.

– Under the «New Normal», the state can effectively reduce the gap between the rich and the poor, reduce class conflicts and enhance social stability by strengthening macro-control and vigorously launching poverty alleviation projects.

Therefore, understanding the current «New Normal» of China's economy in the context of market economy does not only refers to the state of economic development, but also to the transformation of China's economic development state. China's economy could not return to the «old normal of a planned economy» before reform and opening up, instead, China's economy should turn to a new development state in which the operation mechanism depends more on the laws of the market itself, the economic growth rate and economic structure adapt to the objective requirements of industrialization entering the middle and later development stage. Its core lies in the formation of new market economic rules, operation, mechanism and new market structure and models.

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