



# The Impact of Chinese Property Contraction and Policy Reform on Global Economic Growth

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**Abstract.** The impact of China's real estate contraction and policy reform on global economic growth is a complex issue. The real estate industry plays an important role in China's economy, which is interconnected with construction, finance and related industries, and has an important impact on China's economic growth and employment. Globally, China's housing contraction and policy reforms could have some impact on global growth. China is one of the world's largest consumer goods markets, and changes in the real estate market could have an impact on international demand for goods. At the same time, other factors such as trade disputes and the geopolitical situation will also have an impact on global economic growth, making it difficult to separate the impact of Chinese real estate alone. Therefore, for the impact of China's real estate contraction and policy reform on global economic growth, it is necessary to comprehensively consider China's domestic economic adjustment and policy direction, as well as the overall situation of the global economy and other relevant factors.

**Keywords:** China, real estate contraction, policy reform, global economic growth

## 1 Introduction

In recent years, China's real estate market has experienced a round of regulatory policies, trying to curb the rapid rise in housing prices and curb speculation. The purpose of these policy reforms is to protect people's right to live, stabilize financial markets, and promote economic restructuring and global economic growth. However, the contraction of China's property market and policy reforms have had a profound impact on global economic growth. China's property market regulation policy has led to a slowdown in global economic growth. China is one of the largest property markets in the world, and its growth has had a important impact on the global economy. In short, the contraction of China's property market and policy reforms have had a profound impact on global economic growth. By formulating regulatory policies, the Chinese government tries to balance the relationship between the healthy development of the real estate market and financial stability. However, these policy adjustments often have a certain

negative impact on the global economy, which requires policy makers of various countries to pay close attention to, find the appropriate balance of regulation, and promote the stable and sustainable growth of the global economy.

## **2 Reasons for the Contraction in China's Housing Market**

### **2.1 Tightening of Monetary Policy**

The contraction in China's property market was mainly due to tighter monetary policy. As the Chinese government regulated the real estate market, the monetary policy was gradually tightened, which had a direct impact on the real estate market. Tighter monetary policy has led to higher financing costs in the housing market. As the government limits the financing channels of real estate developers, it is more difficult for developers to finance and financing costs rise. This has put more pressure on developers to buy land and build houses, leading to less supply in the housing market. Second, monetary policy tightening has also had an impact on home buyers. With rising mortgage rates, the cost of home buyers increases and the demand decreases. In addition, the government has also increased the restrictions on home buyers, making home buyers face more restrictions and troubles. Therefore, monetary policy tightening is one of the important reasons for the contraction of China's real estate market <sup>[1]</sup>.

### **2.2 Implementation of the Purchase Restriction and Loan Restriction Policies**

The implementation of the purchase restriction and loan restriction policy is one of the important reasons for the contraction of China's real estate market. With the rapid development of China's real estate market, the rise of housing prices and the phenomenon of investment and speculation have become increasingly serious, which has brought a series of problems and risks to economic stability and social development. In order to control the rapid rise of housing prices and curb speculation, the Chinese government has introduced a series of policies to limit home purchases and loans <sup>[2]</sup>.

The purchase restriction policy mainly controls the demand of the real estate market by limiting the number and conditions of the buyers. On the one hand, the government has imposed strict restrictions on the qualifications of buyers, such as the number of non-local buyers and the number of buyers. These purchase restriction policies effectively curb speculation and reduce the demand for housing purchases, thus having a shrinking impact on the real estate market.

The implementation of the purchase restriction and loan restriction policy has had a significant impact on China's real estate market. On the one hand, these policies have effectively curbed property speculation, reduced the demand for housing purchases, and reduced the speed of housing price rise. On the other hand, these policies also have an impact on the supply side of the real estate market. Due to the reduction of housing demand, the development willingness and ability of developers have also been affected to a certain extent. Therefore, the implementation of the purchase restriction and loan restriction policy has played an important role in the contraction of China's real estate market.

### 2.3 Overdue Supply and Inventory Pressure

Oversupply and inventory pressure are one of the important reasons for the contraction of China's housing market. With the rapid development of China's real estate market, oversupply has occurred in many cities in the past few years. Due to over-investment and overdevelopment, many real estate projects cannot be sold in time after construction completion, resulting in a large inventory backlog [3]. This oversupply and inventory pressure has not only had a huge impact on the housing market, but also a negative impact on global growth.

Oversupply and inventory pressures have led to lower prices in the housing market. Because of the oversupply in the market, property developers have had to lower prices in order to attract home buyers. This price drop not only reduces developers' profits, but also reduces buyers' incentive to buy. Falling prices in the housing market have further exacerbated the instability of the market and adversely affected global economic growth [4].

Second, oversupply and inventory pressure have had a negative impact on the construction industry and related industrial chains. Due to the shrinking housing market, many property developers had to reduce the development of new projects, which directly led to less demand in the construction industry. At the same time, the contraction of the real estate market also affects the relevant industrial chains, such as building materials, furniture, decoration and other industries. Less demand in these industries has not only led to overcapacity, but also to employment pressure and a slowdown in economic growth [5].

To sum up, oversupply and inventory pressure are one of the important reasons for the contraction of China's real estate market. This phenomenon has not only impacted the housing market, but also had a negative impact on global economic growth. Therefore, the Chinese government needs to take corresponding policy measures to deal with the oversupply and inventory pressure to promote the stable development of the real estate market, and thus promote the growth of the global economy.

## 3 The Impact of China's Housing Market Contraction on the Global Economy

### 3.1 Global Economic Growth is Slowing Down

The impact of China's real estate market contraction on the global economy is mainly reflected in the global growth. China is the world's second largest economy, and the development of its real estate market has an important impact on the global economy. As China's real estate market shrinks, global economic growth is facing a series of challenges and impacts.

First, a contraction in China's housing market will lead to slower global economic growth. The boom in China's property market has been one of the key drivers of China's economic growth. However, as the Chinese government has strengthened the regulation and control of the real estate market and policy reform, the prosperity of the real estate

market has been suppressed. This will directly affect the growth rate of China's economy, which in turn will have a negative impact on the global economic growth.

Second, a contraction in China's property market could trigger instability in global financial markets. The size of China's property market is huge, and its adjustment and contraction could trigger volatility and uncertainty in financial markets. Global investors are very sensitive to changes in China's property market, and a correction in China's property market could trigger a chain reaction in global financial markets, which has an impact on global economic growth. In addition, a contraction in China's property market could also have an impact on global trade. China is one of the world's largest consumer markets for goods, and a contraction in the property market could lead to a lower purchasing power of Chinese consumers, thus affecting global demand for goods. This will have a certain impact on global trade, in turn having a negative impact on global economic growth <sup>[6]</sup>.

To sum up, the contraction of China's real estate market has an important impact on global economic growth. Slowing global economic growth, instability in financial markets and the impact of global trade are all aspects of the impact of China's real estate market contraction on the global economy. Therefore, countries around the world should pay close attention to the changes in China's real estate market and take corresponding measures to deal with the possible risks and challenges.

### **3.2 International Trade was Impacted**

The contraction of China's property market has had a broad impact on the global economy, one of which is the impact on international trade. China is one of the world's largest traders of commodities, and the contraction of its real estate market is bound to have an important impact on global trade.

First, a contraction in China's property market has led to weaker domestic demand. The real estate industry occupies an important role in China's economy, and its development directly drives the development of building materials, furniture, home appliances and other related industries <sup>[7]</sup>. However, as the real estate market shrinks, people's purchasing power declines and the demand for related products decreases, which will directly affect the export of China-related goods in global trade.

Second, the contraction of China's real estate market will also impact the global raw material market. China is the world's largest consumer of raw materials such as steel, copper and aluminum, and a contraction in the housing market will lead to less demand for them. This will further affect the supply and demand relationship of the global raw material market, which may lead to a decline in raw material prices, with a negative impact on raw material exporters.

In addition, the contraction of China's real estate market could also trigger financial risks, with a ripple effect on the global financial markets. The contraction of the real estate market may lead to the rupture of the capital chain of real estate enterprises, thus leading to financial risks. China is the world's second largest economy, and the turmoil in its financial markets will have an important impact on global financial markets and could trigger instability in global financial markets.

To sum up, the contraction of China's real estate market has many effects on the global economy, one of which is the impact on international trade. The contraction of the housing market leads to the weakening of domestic demand, which affects the exports of China-related goods in China; meanwhile, the contraction of the property market also causes an impact on the global raw material market, which may cause financial risks and a chain reaction to the global financial market. These effects will have an important impact on global economic growth and need to be concerned and addressed by all countries.

## **4 Background of China's Real Estate Policy Reform**

### **4.1 The Purpose of The Government to Regulate the Real Estate Market**

The purpose of the government in regulating the real estate market is to deal with the overheating and bubble of China's real estate market, as well as to solve a series of risks and challenges existing in the real estate market. First, the government hopes to curb the rapid rise in housing prices, so as to protect residents' housing demand and basic rights and interests. Secondly, the government hopes to prevent the real estate market from becoming the source of financial risks and the systemic financial risks to avoid caused by the bursting of the real estate bubble. In addition, the government also hopes to promote the healthy development of the real estate industry through the regulation of the real estate market, promote the optimization and upgrading of the economic structure, and realize the sustainable economic development. The purpose of government regulating the real estate market is to maintain economic stability and social harmony, ensure the healthy development of the real estate market, and the impact on global economic growth.

## **5 The Impact of China's Property Policy Reform on The Global Economy**

### **5.1 Promoting Economic Structural Adjustment, Economic Transformation and Upgrading**

The impact of China's real estate policy reform on the global economy is mainly reflected in promoting economic restructuring, transformation and upgrading. With the contraction of China's real estate market and the promotion of policy reform, China's economy will gradually change from a model of over-reliance on real estate investment to an economic growth model driven by consumption and innovation. This will help to promote the structural adjustment, transformation and upgrading of China's economy, which in turn will have a positive impact on global economic growth <sup>[8]</sup>.

First, China's real estate policy reform will promote economic restructuring. Over the past few decades, the rapid development of China's real estate market has led to an economic model that relies too much on real estate investment, which brings certain risks to the sustainable development of China's economy. By promoting the real estate

policy reform, the Chinese government will strengthen the supervision of the real estate market and limit the scale and speed of real estate investment, so as to guide the capital flow to other areas and promote the adjustment of economic structure. This will help reduce the risk exposure of China's economy and improve its stability and sustainability.

Second, China's real estate policy reform will promote the economic transformation and upgrading. The contraction of the real estate market and the policy reform will force the real estate enterprises to accelerate the pace of transformation and upgrading, from the traditional real estate developers to the enterprises with scientific and technological innovation and intelligence as the core. This will promote the innovation capacity and competitiveness of the Chinese economy, and promote the transformation of high-quality economic development. At the same time, the real estate policy reform will also encourage real estate enterprises to increase investment in scientific and technological innovation, promote the integration of science and technology and real estate, and further promote the transformation and upgrading of China's economy <sup>[9]</sup>.

In short, the impact of China's real estate policy reform on global economic growth is mainly reflected in promoting economic restructuring and transformation and upgrading. By limiting the scale and speed of real estate investment and promoting the transformation and upgrading of real estate enterprises, China will gradually realize the transformation of its economic growth model, so as to make a positive contribution to the stability and sustainable development of the global economy.

## 5.2 Reduce the Global Economic Instability Factors

The impact of China's real estate policy reform on the global economy is mainly reflected in reducing the instability of the global economy. As China's real estate market shrinks and policy reforms change, the global economy will face less instability <sup>[10]</sup>.

First, a contraction of China's housing market and policy reforms will help reduce global financial risks. Over the past few years, the boom in China's property market has brought some instability to the global financial markets. The emergence and bursting of a housing bubble could trigger a financial crisis, with a serious impact on the global economy. However, by shrinking the real estate market and reform policies, the Chinese government can effectively control the risks in the real estate market and reduce the spread of global financial risks.

Second, China's real estate policy reforms will also help to stabilize global commodity markets. China is one of the world's largest consumers of goods, and the housing boom is closely linked to demand for goods. However, over-reliance on the development of the property market may lead to excessive investment and overcapacity, which in turn affects the balance of supply and demand in global commodity markets. By shrinking the property market and reforming policies, China is able to adjust its economy and reduce excessive demand for goods, thus stabilizing global commodity markets.

In addition, China's real estate policy reforms will also help reduce the global economic imbalances. Over the past few years, the housing boom in China has led to wealth and income inequality, further aggravating the global economy. By shrinking the real

estate market and reform policies, China is able to promote sustainable economic development and reduce wealth and income inequality, thus promoting the balance and stability of the global economy.

To sum up, the impact of China's real estate policy reform on the global economy is mainly reflected in the reduction of global economic instability factors. By shrinking the real estate market and reform policies, China is able to reduce global financial risks, stabilize global commodity markets and promote balance and stability in the global economy. This will provide favorable conditions for the sustainable development of the global economy.

## 6 Conclusion

In the short term, China's real estate contraction and policy reform may exert short-term pressure on the Chinese economy, affecting the development of real estate investment, sales and related industries. In the long run, China's real estate contraction and policy reform will help solve the risks and imbalances in the real estate market, promote the stable and healthy development of the real estate market, and reduce systemic risks. Globally, China's real estate contraction and policy reform may have some impact on the international demand for goods, especially for China-related goods and industries. At the same time, China's real estate market is closely related to the international financial market, which may have a certain impact on the global financial market. The final impact will be affected by the specific measures and policy adjustments of the Chinese government, as well as the combination of global economic conditions and other relevant factors. To sum up, the impact of China's real estate contraction and policy reform on global economic growth is complex and changeable, which needs to consider various factors for detailed analysis.

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