

Analysis of the domestic economic development situation

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ABSTRACT. *At present, China's economic development seems to be at a crossroads. The future development direction and situation are determined by many factors. In the process of analyzing the current economic development situation in China, the first thing is to clarify the current economic situation, and then analyze in detail the factors that can affect China's economic development, and finally make a simple prediction and outlook for the future development situation.*

KEYWORDS: *China's economy; Development situation; The Belt and Road; Sino-US economic friction*

1. Analysis of China's current economic situation

At present, the overall development of China's current economic status tends to be stable, but there are some potential variables and crises, so it needs to be carefully handled.

(1) From the percentage of economic growth in the past two years, the domestic economy is in a relatively stable state, and it is relatively realistic to achieve the predetermined economic growth target in the next year.

However, in this process, we must first take preventive and control measures against the major economic risks in advance. Second, we must resolutely win the battle against poverty. At present, there are still some people living in poverty in China, and they are in urgent need of policy support and help from the society. Finally, we should continue to pay attention to pollution control and protect our living environment. The steady growth of China's economy is also a support for the development of the world economy. Under the escalating economic and trade frictions between China and the United States, the economic development of China and the United States and countries around the world have been affected to some extent. However, in this process, China's economy has shown strong resilience and flexibility, and strong ability to fight. This gives us full confidence in China's economic development. However, the operating pressure of some enterprises in China is still very large. In general, the growth is slow, and the profits of many enterprises have shown a significant downward trend, which is very unfavorable to the operation and development of enterprises.

(2) Domestic prices are relatively stable on the whole.

At present, the total consumer price of domestic consumers is relatively stable, which indicates that China's monetary policy is running steadily, and the price of goods has not shown a significant upward trend. Although the cost of materials and environmental protection has increased in the manufacturing process, this has not led to a significant increase in the price of goods. At present, the production price index is also constantly falling, and China's current prices will not fluctuate greatly in the short term, which is relatively favorable for domestic economic development.

(3) Domestic employment situation is relatively optimistic.

At present, in order to stabilize the economic situation, promote economic development, solve the employment problem of the domestic population, and create new jobs for urban population in consecutive years, China has paid special attention to the employment difficulties of college students, migrant workers, laid-off workers, veterans and other social groups. China has a large population, and for a long time, the employment problem in China has been restricting the rapid development of the Chinese economy. Therefore, the country puts stable employment at the top of the national economic development plan, in order to let more people have a stable job, so that the social and economic situation will develop steadily.

2. The impact and countermeasures of Sino-US trade friction on domestic economic development

2.1 The issue of economic friction between China and the United States is constantly changing, which will have a multi-faceted impact on China's economic situation.

China is in the stage of rapid economic development, and the various restrictive policies of the United States in the economic field have undoubtedly been obstacles to China's economic development. In order to counter the American power system, China must show a strong diplomatic attitude and counterattack in the economic policy. In this process, China's economic development has been hampered by the United States, and the economic development situation of the United States will not be as optimistic as expected. Therefore, no one has benefited from this economic war. If China wants to develop economy in this situation, it must adjust its domestic economic structure in a timely manner so that China's economy can improve its ability to resist pressure in the short term. China has implemented an export-oriented foreign trade policy for a long period of time in the past. However, under the current economic situation, China must change the single economic development mode that promotes economic development by increasing the volume of trade, and instead optimize the domestic economic situation by means of investment and introducing advanced science and technology. Only in this way can China's economic structure be fundamentally improved and China's economic growth momentum emerge.

2.2 Sino-US trade friction directly affects the balance of China's balance of payments.

In the past year, China's international balance of payments has already experienced a trade deficit, and the trade surplus has fallen sharply year-on-year. It is expected to shrink further. Going forward in the current form, China's balance of payments will face greater pressure, so it is necessary to take measures as early as possible.

2.3 China's RMB exchange rate has also shown a downward trend with the deterioration of Sino-US relations.

When a country has a foreign trade surplus, the demand for money will increase, and foreign exchange reserves will flow in a large amount, so that the exchange rate of the currency will rise naturally, and vice versa. At the same time, the capital project will also have an impact on the currency exchange rate of domestic goods. If there is a surplus in domestic capital projects, the currency exchange rate will rise. If there is a deficit, the currency exchange rate will fall. At present, the RMB has shown signs of depreciation, so the domestic financial system will face great pressure.

2.4 Due to the United States increases the tariff to China, a large number of China's import and export trade has been affected to varying degrees.

Due to their small scale and weak ability to resist risks, many foreign trade enterprises have to close down in the case of increased tariffs, which directly leads to the bankruptcy of many domestic enterprises, thus causing many innocent citizens to lose their jobs. If the economic war continues, more companies will declare bankruptcy and domestic employment pressure will increase in the short term.

2.5 The Sino-US economic war may also have an impact on China's financial and exchange rates.

Therefore, China must strengthen its foreign exchange reserves and enhance its ability to withstand international financial risks. At present, the Sino-US trade war has not affected China's real estate and debt problems, but we also have to take precautions in advance so as not to be unprepared when the financial crisis occurs, leading to a devastating impact on China's economic development.

3. The Belt and Road Economic Development Strategy Brings New Opportunities for Domestic Economic Development

3.1 The significance of the Belt and Road policy.

Since China's reform and opening up, the economic situation has undergone

tremendous changes. The investment promotion policy allows China to use foreign capital to quickly drive economic development in the short term. At the same time, the products produced in China are exported in large quantities, which has increased the international popularity of China's products while earning a large amount of foreign exchange. After nearly 40 years of national efforts, China has become the world's largest trading country, China's economic status in the world is steadily improving. However, this only shows that in the past period of time, foreign trade is more suitable for the development of China's economy, and China's economic future needs to formulate more strategic economic policies. At present, China's economic system has entered a difficult transition period, so we must formulate more targeted economic development strategy according to the current economic situation, so The Belt and Road strategic decision came into being.

3.2 The Belt and Road policy will bring substantial impact on China's economic development.

Firstly, The Belt and Road has built a logistics channel to the world for China. During the construction of the channel, we not only pay attention to the construction of infrastructure such as communication equipment, but also pay special attention to the economic and cultural exchanges with countries along the route, so as to achieve good political and economic cooperation between countries. Secondly, the Belt and Road policy provides opportunities for SMEs in China to go global. At present, China has established a large number of economic and trade cooperation zones, port zones, bonded logistics zones and port zones along the belt and road. The construction of these zones will greatly promote the economic exchanges between the surrounding areas and China and achieve mutually beneficial and win-win financial cooperation. Third, The Belt and Road provides a new opportunity and path for China to realize the transformation of economic system. At present, when China's economic development is hindered to some extent, the original economic policies cannot meet the needs of modern economic development, so China needs to find a new development opportunity. Some domestic economic enterprises and projects need to consider appropriate transformation according to changes in market conditions, and the construction of the Belt and Road economic lines has caused great changes in China's world trade system. We have more partners. Countries along The Belt and Road have different demands for products, and there are also many specialties in the local area. China can completely reintegrate its economic market with these resource advantages, and find a new direction for the development of domestic enterprises. In addition, The Belt and Road policy will promote the steady growth of China's import and export trade. At present, China's per capita consumption level is very high, and it has gradually reached the average level of the world's advanced countries. Therefore, China can provide domestic residents with better and cheaper goods through the transport hub of The Belt and Road, and at the same time, some of our products are sold overseas, directly driving the rapid development of China's domestic economy. Finally, many enterprises in China have the problem of overcapacity, that is to say, the production capacity of many products in China, such as steel, glass and other industries, has far exceeded the domestic

demand. If the excess capacity cannot be disposed of in a timely manner, many enterprises will have problems in capital turnover, or reduce the capacity and scale of enterprises, then not only the interests of enterprises will be lost, but also the development of national economy will be affected. The establishment of The Belt and Road policy has fundamentally solved the problem of overcapacity. Has strong production capacity of industry in our country, the countries along The Belt and Road is in short supply, Therefore, China can either sell its products directly or export its labor force, use resources of other countries to start our advantageous enterprises and export advanced technologies and talents to other countries, so that China's economy will have more opportunities for development.

4. Future development direction of domestic economy

In recent years, there have been many new problems in China's economic development. Firstly, the increase of enterprises' operating costs and the lag of technological innovation lead to the outward migration of many low-end manufacturing industries. Secondly, the total amount of domestic investment continues to decline. Although it has rebounded recently, it is still at a low level. Finally, the domestic consumption level grows slowly, only the real estate consumption is relatively stable, and other industries, such as automobile consumption market, have shown an obvious downturn, while many emerging consumer industries have no obvious upward trend. In general, the domestic economic development situation is not optimistic. But in early 2019, China launched a series of measures aimed at the specific conditions of its domestic economic construction, and the implementation of these measures restored confidence in China's economic development.

4.1 Reform of financial policy. China's economy must adapt to the current international and domestic situation.

To seek development in a crisis requires strong support from fiscal policy. Only by constantly improving the efficiency of fiscal policy can China's economy develop rapidly. First of all, we can start with fee reduction and tax reduction to significantly reduce or adjust various tax policies and reduce the burden of enterprises. The reduction of tax revenue can promote the stable development of China's foreign trade. Of course, in the face of malicious market competition, we must also clear our attitude and adhere to the principle. Secondly, adhere to the economic principles of legislation first, full authorization and distributed implementation. Finally, the government should take effective measures to enhance the intensity of investment, give full play to government functions, and guide the social capital to flow in a normal order.

4.2 Stabilize the money market order.

China held a financial conference in 2017, during which the working

arrangement for increasing leverage reduction was clarified. However, in 2018, China put forward a simple adjustment to this policy and shifted its focus to stabilizing the leverage, aiming to effectively control the results-oriented leverage within a good pace and intensity range. However, one year after the implementation of the policy, there has been no fundamental change in the difficult situation of China's currency circulation. This is mainly because the order of the money market is rather chaotic. Many cheap funds in the money market are idle and are not fully utilized. However, due to the restrictions of various examination and approval systems, many small and medium-sized enterprises or private enterprises are unable to obtain the loan qualification and lack of financial support, which threatens the survival and development of these enterprises. It can be seen that this polarization is not caused by the lack of funds, but by the optimization of the monetary use structure. If we want to fundamentally solve this problem, we must improve the transmission mechanism of monetary policy. A prudent monetary policy needs to be moderately tight. Too loose or too tight will lead to fluctuations in the financial market, and in serious cases, it will also cause resonance phenomenon in the financial market, so the money market should maintain good liquidity and sufficient funds. At present, we can try to reduce the required reserve ratio within financial institutions, increase the amount of low-cost, long-term loans within Banks, and use this part of the funds to support the development of the domestic real economy. This is the way to solve the financing cost problem at the source.

4.3 Establish a new economic development system and mechanism.

At present, China will mobilize the creativity and enthusiasm of the micro-subjects in the prominent position of economic work, mainly in order to allow many entrepreneurs to play their own roles. At the same time, it can fully arouse the working enthusiasm of the working people and carry forward the spirit of model workers and craftsmen in China. In this process, we should also emphasize the importance of fair competition. The economic market needs strong competition and only competition can develop. The government should play a decisive role in the allocation of resources, mainly from two aspects. On the one hand, we must create a fair and just competitive environment for state-owned enterprises and private enterprises, so that they enjoy the same policy treatment. On the other hand, private capital can play a leading role in many fields, so that state-owned enterprises can follow up and improve their efficiency. At present, we are going to realize the transformation of management objectives from the enterprise itself to enterprise capital, so as to ensure the preservation and appreciation of state-owned assets. In the process of establishing incentive mechanism, we must effectively mobilize the initiative of entrepreneurs, and the way to stimulate entrepreneurs is tax reform. Only by constantly improving the tax system can domestic enterprises develop actively.

5. Conclusion

In short, China's domestic economic situation is affected by many international and domestic factors. At present, the domestic economic development situation is very complicated. There are many factors that are not conducive to development, and there are many opportunities. In the process of development, domestic enterprises must have an in-depth understanding of the current market situation and cannot be blindly optimistic or pessimistic. Throughout the history of economic development in China and the world, it is impossible to have a smooth sailing in any period. The coexistence of opportunities and challenges is the most real aspect of economic market. Enterprises can develop rapidly if they can adapt to the current situation. But on the whole, China's economic development will certainly develop toward a good trend, because China attaches great importance to China's economic development and gives a lot of support in economic and policy. No matter what kind of economic crisis, the Chinese government will protect the interests of Chinese enterprises and let the domestic economy develop as smoothly as possible.

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