

# China's Stagnant Inflation and Youth Unemployment Woes Amplify Economic Concerns

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China's economic landscape faces two pressing challenges as consumer inflation stagnates and youth unemployment reaches alarming levels. These issues intensify worries about deflation risks and prompt discussions regarding potential economic stimulus measures. While China's consumer price index (CPI) showed no change in June compared to the previous year, factory-gate prices continued to decline. These contrasting trends stand in stark contrast to the United States and Europe, where persistently high inflation suggests imminent interest rate hikes.

According to data released by the National Bureau of Statistics, June's consumer price index remained unchanged from the previous year, marking the lowest rate since February 2021. This slump was primarily caused by plummeting pork costs, affecting the index's overall performance.

The nation's faltering recovery has dealt a severe blow to its younger population, with over 20% of 16 to 24-year-olds reported as unemployed in May. This unemployment rate surpasses that of European countries such as France and Italy and represents the highest proportion since records began in 2018.

Although job opportunities continue to arise, many unskilled positions fail to attract university graduates. Crackdowns on sectors like technology, finance, and gaming have significantly curtailed the once sought-after opportunities among young people.

Some critics attribute this skills mismatch to the government's attempt to tilt the economy towards high-tech manufacturing. However, as the sector is not yet prepared to absorb the influx of engineering graduates, suitable graduate-level jobs are scarce. Others argue that the root causes run deeper, citing inadequate domestic consumption as a limiting factor for job creation. "When you build your manufacturing competitiveness based on low wages, once low wages become a problem because of weak domestic demand, you're sort of stuck," explained one analyst.

In response to the challenging job market, Beijing recently advised unemployed graduates to embrace manual labor. It published success stories of those who allegedly achieved fortunes through low-skilled jobs like street food vending or fruit cultivation, diverting from their chosen career paths. However, this message faced substantial criticism on social media platforms.

China's slower-than-anticipated economic recovery has spurred the government to seek increased foreign investment. Nevertheless, recent trade sanctions have impacted market sentiment between China and the United States. Encouragingly, the visit of US Treasury Secretary Janet Yellen over the weekend alleviated some political tensions between the two nations as she emphasized the potential for enhanced trade and economic cooperation.

As China grapples with stagnant inflation, unemployment challenges among its youth, and the quest for economic revitalization, policymakers face the daunting task of formulating effective strategies to revive the nation's economic momentum and foster a prosperous future.

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