

# Global Times: Is China's domestic demand running out of steam?

**Beijing, China Mar 12, 2026 ([IssueWire.com](http://IssueWire.com))** - Currently, China's economy is steadily advancing along the path of high-quality development, even as domestic and international circumstances become increasingly complex. Some Western media, due to misunderstanding or bias, have repeatedly questioned or even distorted China's economic development. Accordingly, the Global Times launches the "Q&A on China's Economy" column to publish opinion pieces to present facts and clarify perceptions.

In discussions about China's economic growth, some Western media outlets claim that insufficient domestic demand has become a major bottleneck affecting the country's economic circulation. But has China's consumption really run out of steam? To answer this question, one must first have a proper understanding of the patterns of industrial development. Simply put, China's economy is shifting toward a consumption-driven model, with broad growth prospects and strong underlying momentum.

Today, China has moved beyond the rapid growth phase of mid-industrialization and is transitioning toward high-quality development driven primarily by service consumption. This is not only an objective economic pattern but also a historic opportunity. New growth drivers - centered on service consumption, the experience economy, and technological innovation - are beginning to fill the gap left by the weakening contributions of real estate and infrastructure investment. China is about to enter a new phase of long-term growth, propelled by service consumption and driven by dual iterations. As growth momentum shifts from investment and exports toward consumption, a gradual step-down in growth rates is a common pattern.

The U-shaped curve of consumption and investment in the industrialization process of major economies has been repeatedly confirmed. In the mid-stage of industrialization, capital is heavily concentrated in infrastructure, industry and real estate, while household consumption is squeezed out. As urbanization rises, the consumption share declines, forming the left side of the U-shaped curve of consumption. In the later stage of industrialization, capital shifts toward consumption sectors, the crowding-out effect fades, and the consumption share bottoms out and begins to rebound, opening the golden growth phase on the right side of the U-shaped curve of consumption.

China is now at the critical turning point where the curve shifts from the left side to the right. Household consumption is rapidly upgrading from subsistence- and material-based spending to development-, experience-, and service-oriented consumption. Service sectors such as culture and tourism, elderly care and wellness, sports, household services, and cultural entertainment are steadily increasing their share of consumption and becoming core pillars of economic growth. This transformation does not signal the end of growth but rather a restructuring of growth momentum.

History shows that steady, consumption-driven growth is the key to long-term prosperity. From the 1950s to the 1970s, the US entered a golden era of consumer economy, creating a stable growth cycle that lasted nearly 30 years. During this period, the country's average annual growth rate was only about 4.3 percent. This figure indicates that the US had moved beyond high-speed growth and instead relied on the sustained expansion of household consumption to achieve steady economic development. That era also gave rise to many world-class service and experience economy brands such as McDonald's, Walmart, Starbucks and Disney, helping to establish a mature modern service industry system.

Among these brands, McDonald's was born out of an era marked by shrinking household sizes, a faster pace of life, the widespread adoption of automobiles, and a surge in demand for dining out. As suburbanization surged, Walmart took root in small towns with a low-cost operating model, demonstrating the inevitability of chain retailing and economies of scale. In the post-industrial era, consumption gradually shifted toward psychological and social needs. Starbucks, positioning itself around the concept of the "third place," elevated coffee from a beverage to a lifestyle, aligning with the broader upgrade toward service-oriented consumption. As a hallmark of the rise of entertainment consumption in the later stages of US industrialization, Disney built an experience empire spanning from animation production to theme park operations, centered on IP, full-chain standardization, and digital empowerment, gradually becoming a benchmark for the integration of standardization and digitalization in the experience economy. Stable growth, continuous consumption upgrading, and the building of service brands together formed the foundation of economic prosperity.

China's consumption still has considerable momentum. Its current growth range closely resembles that of the US during its golden age of consumption, demonstrating that moderate and steady growth is a typical feature of a consumption-driven economy rather than a sign of economic weakness.

As a latecomer economy, China also possesses unique advantages. While consumption models continue to evolve, China is simultaneously undergoing a digital transformation of its service sector. These two processes are advancing in parallel. The evolution of consumption models corresponds to the upgrading of consumer demand. This year's two sessions explicitly proposed cultivating the "China Services" brand, which aligns with this upgrading trend and aims to promote the standardization, branding, and scaling of industries such as catering, retail, cultural tourism, and health services, fostering modern service giants unique to China.

Digital transformation, meanwhile, uses tools such as artificial intelligence and big data to empower and enhance consumption upgrading. New digital infrastructure can reduce transaction costs through digitalization, optimize service processes, and precisely match supply with demand, enabling the integration of online and offline services and more efficient connections between supply and demand. The combination of traditional service industries with digital technologies is giving rise to new business models and formats, allowing service brands to grow faster, reach wider audiences, and innovate more deeply than along traditional paths.

Overall, China's transformation toward a consumption-driven economy is supported both by historical patterns and by the empowering force of new technologies, giving it greater potential and broader space for development. This is not only an industrial upgrade but also a fundamental shift in the logic of economic growth. The Western media's claim that China's domestic demand is running out of steam is entirely unfounded.

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