Global Economic Perspectives Vol 2 Issue 1 2024
DOI: 10.37155/2972–4813–0201–2

Original Research Article

Open Access

Analysis of the Impact of the New Normal Economic Development Model on Financial Markets

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How to cite: Jiaming Li. Analysis of the Impact of the New Normal Economic Development Model on Financial Markets. *Global Economic Perspectives*, 2024; 2(1). Doi: 10.37155/2972-4813-0201-2.

Abstract: The new normal economic development model has profound implications for financial markets. Against the backdrop of economic slowdown, financial markets need to adapt to the new normal, deepen reforms, and innovate to provide robust support for the real economy. On the one hand, financial institutions face intensified competition and need to explore new business models while enhancing technological cooperation. On the other hand, investment opportunities in emerging industries are rising, and investors must seize new opportunities and effectively manage risks. Furthermore, the development of financial technology injects new vitality into the financial markets, driving the upgrading and transformation of financial services.

Keywords: New normal economy; Development model: Impact on financial markets

Introduction

Under the development model of the new normal economy, financial markets are currently facing unprecedented opportunities and challenges. The slowdown in economic growth has impacted traditional financial institutions, prompting them to engage in business innovation and transformation. Concurrently, the development of emerging industries has brought new investment opportunities to financial markets, albeit accompanied by challenges in risk management. Furthermore, the evolution of financial technology is reshaping the financial landscape, enhancing the efficiency of financial services. Therefore, a thorough investigation into the impact of the new normal economy on financial markets holds significant importance for financial institutions, regulatory authorities, and investors alike.

1. Overview of the Development Model of the New Normal Economy

The development model of the new normal economy is a new concept for economic development put forward by the Chinese government. It emphasizes the transition from high-speed growth to medium-high-speed growth, from scale and speed-oriented development to quality and efficiency-oriented development, and from primarily relying on increasing capacity and expanding output to adjusting existing stocks while optimizing incremental growth. Additionally, it shifts from relying mainly on factors such as resources and low-cost labor to being driven by innovation. The characteristics of the development model of the new normal economy include a shift in growth speed from the previous approximately 10% high-speed growth to around 7% medium-high-speed growth. In terms of economic structure, industries are progressing from the low-end to the medium-high-end, with the added value of the service industry accounting for over half of the gross domestic product. In terms of growth drivers, the focus has shifted from factor-driven and investment-driven development to innovation-driven development. Under the new normal economy, the Chinese government has outlined a series of development goals and policy measures. These goals include achieving comprehensive socialist modernization, deepening reforms across the board, governing the country in accordance with the law, and enforcing strict governance of the Communist Party. Policy measures include deepening supply-side structural reforms, advancing the “three reductions, one lowering, and one supplement” initiative, implementing the strategy of innovation-driven development, and strengthening the construction of ecological civilization. The development model of the new normal economy has profound implications for the real economy. On one hand, it urges enterprises to accelerate transformation and upgrading, improve product quality and technological content, and enhance core competitiveness. On the other hand, it also propels the rapid development of emerging industries, providing new momentum for economic growth. Moreover, the new normal economy promotes coordinated regional development and narrows the urban-rural gap. In conclusion, the development model of the new normal economy is a new development concept aimed at achieving sustainable development through deepening reforms, innovative development, and structural adjustments. This model not only has far-reaching effects on the development of the Chinese economy but also offers valuable insights for global economic development. In the future, China will continue to adhere to the path of the development model of the new normal economy, striving to realize the Chinese dream of the great rejuvenation of the Chinese nation.

2. The Role of Financial Markets in the New Normal Economy

As China’s economy enters the new normal, characterized by a slowdown in economic growth and the imperative of structural adjustment and upgrading, financial markets play a crucial role in this process. Financial markets constitute the core of modern economic systems and play a vital role in resource allocation, risk management, and information transmission. In the new normal economy, the functions and roles of financial markets become even more prominent. Firstly, financial markets are increasingly pivotal in supporting the real economy. By providing channels for financing, financial markets offer funding support to both businesses and individuals, driving the development of the real economy. In the new normal economy, financial markets continuously innovate financial products and services to meet the diverse financing needs of the real economy. For instance, the development of the bond market provides a stable, long-term source of funding for infrastructure construction, while the prosperity of the stock market facilitates convenient conditions for companies seeking initial public offerings (IPOs). Secondly, the transmission mechanism of financial markets to the real economy becomes more streamlined. Financial markets convey policy intentions and market expectations to real economic entities through price signals, guiding the flow of resources toward advantageous industries and sectors. In the new normal economy, the price discovery function of financial markets is fully utilized, contributing to improved resource allocation efficiency. For example, the market-oriented interest rate reforms better reflect the supply and demand dynamics of funds, providing reasonable reference points for the financing costs of the real economy[1]. However, financial markets face numerous challenges in the new normal economy. On one hand, there is increased pressure on risk prevention in financial markets. With the deepening and innovation of financial markets, financial risks such as credit risk and liquidity risk gradually surface. Strengthening financial supervision and preventing and resolving financial risks become critical tasks for the financial market. On the other hand, the innovation capability of financial markets needs improvement. In the context of global economic integration, financial markets must continuously adapt to changes in the international competitive environment and enhance their own competitiveness.In conclusion, in the new normal economy, financial markets play a crucial role in supporting and transmitting mechanisms for the real economy. To address the challenges, financial markets need to deepen reforms and innovations, enhance their ability to provide financial services to the real economy, strengthen financial supervision, prevent and resolve financial risks, and ensure the stable and healthy development of financial markets.

3. Analysis of the Impact of the New Normal Economy on Financial Markets

With the advent of the new normal economy, financial markets are facing unprecedented challenges and opportunities. Under the new normal economy, China's economic development has entered a new stage, transitioning from high-speed growth to medium-high-speed growth, and from a low-end to a medium-high-end economic structure. The development approach is shifting from resource-intensive to innovation-driven. This transformation has profound implications for financial markets.

3.1 Impact on Financial Institutions

Financial institutions are undergoing profound changes in the competitive landscape under the new normal economy. With the rise of emerging fields such as internet finance and financial technology (fintech), traditional financial institutions are compelled to confront formidable competition from these areas. Emerging institutions, with their flexible operational models and innovative business approaches, are gradually gaining prominence, posing a serious challenge to traditional financial institutions. For example, internet finance companies, leveraging technologies like big data and cloud computing, can provide financial services to customers more quickly and accurately, putting traditional financial institutions at a relative disadvantage in this regard. Secondly, financial institutions are actively innovating their business models to adapt to the new market environment. Many banks, for instance, are introducing online and mobile banking services to meet consumers' demands for convenient and efficient financial services. These new services not only offer round-the-clock accessibility but also cater to customers' needs for conducting transactions anytime and anywhere, significantly enhancing the convenience of financial services. Additionally, financial institutions are exploring new business models such as peer-to-peer lending and crowdfunding to meet the diverse needs of different customer segments. These innovative business models not only improve the efficiency of financial services but also reduce the costs, making financial services more accessible to a broader range of customers. Simultaneously, financial institutions are strengthening their collaborations with technology companies to gain additional technological support. Many financial institutions have established partnerships with tech giants such as Alibaba and Tencent to jointly develop new financial products and services[2]. This collaboration not only enhances the technological capabilities of financial institutions but also increases their competitiveness in the market. In summary, under the new normal economy, financial institutions are facing a dual challenge of changes in the competitive landscape and the need for innovative business models. Only through continuous innovation and adaptation to market changes can financial institutions stand firm in the intense competition.

3.2 Impact on Financial Markets

Under the new normal economy, significant changes have occurred in the investment opportunities within financial markets. These changes are primarily manifested in two aspects: first, the slowdown in economic growth leading to a decline in returns in traditional investment sectors; second, the rapid development of emerging industries providing investors with new investment areas. Firstly, due to the slowdown in economic growth, traditional investment sectors such as real estate and manufacturing are experiencing a decline in investment returns. Over the past few decades, China's economy maintained high-speed growth, resulting in relatively high returns on investments in sectors like real estate and manufacturing. However, with the deceleration of economic growth, the investment returns in these sectors have also decreased. This has prompted investors to seek new investment opportunities in the pursuit of higher returns. Secondly, the development of emerging industries such as the internet, new energy, and new materials has presented investors with new investment avenues. With technological advancements and innovation driving these emerging industries, they are rapidly growing on a global scale. These industries, characterized by high growth potential, added value, and technological intensity, offer investors diverse investment opportunities[3]. For instance, the development of the internet industry has spurred the rise of emerging formats such as e-commerce, online education, and internet finance, providing investors with substantial returns. The development of new energy and new materials industries also offers investors new opportunities in the realms of green economy and sustainable development. However, as investment opportunities in financial markets undergo changes, there are also challenges in risk management. With the increasing complexity and uncertainty in financial markets, effectively managing risks and preventing financial crises have become crucial tasks for financial institutions and regulatory authorities. To address this challenge, financial institutions need to enhance their risk management capabilities, improving their capabilities in risk identification, assessment, monitoring, and disposal. This includes establishing sound risk management systems, enhancing risk management frameworks, developing and attracting skilled risk management personnel, and employing advanced risk management technologies and tools. Additionally, financial institutions need to strengthen communication and collaboration with regulatory authorities to collectively safeguard the stability and security of financial markets. Regulatory authorities, in turn, must intensify their oversight of financial markets to ensure fairness, transparency, and stable operation. This involves enhancing supervision of financial institutions to prevent and resolve financial risks, monitoring and analyzing financial markets to promptly detect and alert potential risks, guiding and regulating financial innovations to promote the healthy development of financial markets, and strengthening international cooperation in financial regulation to collectively address cross-border financial risks.

3.3 Impact on Financial Technology (Fintech)

Financial technology, as the deep integration of finance and technology, is profoundly influencing the global financial industry. This impact is primarily reflected in two aspects: development-driving factors and innovative application scenarios. Firstly, looking at the development-driving factors, the progress of financial technology is primarily influenced by multiple factors such as technological innovation, market demand, and policy support. Technological innovation serves as the primary driving force behind the development of financial technology. With the rapid development of new-generation information technologies like big data, cloud computing, and artificial intelligence, the innovation capacity in the field of financial technology has been significantly enhanced. The application of these new technologies allows financial services to more precisely and efficiently meet customer needs, thereby driving the development of financial technology. Market demand is a direct driving force for the development of financial technology. Under the new normal economy, consumer demands for financial services are becoming increasingly diverse and personalized, providing a broad market space for the development of financial technology. For example, the widespread adoption of mobile payments enables consumers to conduct financial transactions anytime, anywhere, significantly enhancing the convenience of financial services. The application of blockchain technology makes financial transactions more transparent and secure, thereby increasing trust in financial services. Policy support creates a favorable external environment for the development of financial technology. Governments worldwide are introducing relevant policies to encourage the development and application of financial technology. For instance, the Chinese government has proposed the “Internet Plus” action plan, encouraging financial institutions to utilize internet technologies to provide financial services. Countries like the United States and the United Kingdom have also implemented a series of policies supporting the innovation and development of financial technology. Secondly, examining innovative application scenarios, financial technology’s innovative applications are continually expanding. New technologies such as mobile payments, blockchain, and artificial intelligence are widely applied in the financial sector, bringing revolutionary changes to the provision of financial services. Mobile payments have become an indispensable part of people’s daily lives. Whether for online shopping, dining expenditures, public transportation, or medical services, all can be completed through mobile payments. The widespread use of mobile payments not only enhances the convenience of financial services but also drives the development of emerging industries such as e-commerce and the sharing economy. The application of blockchain technology is changing the way financial transactions are conducted. The decentralized and transparent characteristics of blockchain technology make financial transactions more secure and efficient. For instance, blockchain technology can be applied in areas such as securities trading, insurance claims processing, and supply chain finance, significantly improving the efficiency and trustworthiness of financial services. The application of artificial intelligence is transforming the mode of financial services. Artificial intelligence technologies can be used in credit approval, investment decisions, risk management, and other processes, enhancing the precision and efficiency of financial services. Additionally, artificial intelligence can be applied in services such as intelligent customer support and robo-advisors, improving the user experience of financial services.

4. Conclusion

The impact of the new normal economic development model on the financial market is profound and complex. In the new economic environment, the financial market needs continuous innovation and adaptation to better serve the real economy. At the same time, financial regulation and risk control cannot be ignored to ensure the stability and sustainable development of the financial market. In the future, the financial market will further integrate with technology, presenting a trend towards greater diversification and intelligence. We should actively embrace this trend with an open mindset and innovative thinking, welcoming the transformation and development of the financial market.

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