Why Should Anyone Care About China’s Economy?

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The Economy
China’s position in the world

- Sixth largest economy
  (estimated to be second largest economy in Purchasing Power Parity terms)
- Fifth largest trading nation (Chinese exports account for 5% of world’s total)
- Major FDI inflow recipient
- World’s biggest producer and importer of steel
- China produces 50% of the world’s cameras, 30% of TV sets, $\frac{1}{4}$ to $\frac{1}{2}$ of many household appliances.
China’s place in the globalisation process

- Trade flows
- Foreign investment
- People movement
- Technology
- Institutions
- Ideas
Year end 2003

- GDP – US$1,430 billion (USA: $10 trillion)
- GDP – increased by 9.1% over 2002
- Trade surplus – US$25.5 billion
- Foreign reserves – US$ 403.3 billion
- Gold reserves – 19.29 million ounce

(source: National Bureau of Statistics of China)
Imports vs. Exports

(source: National Bureau of Statistics of China)
2004 First Quarter

- GDP – RMB 2710.6 billion (US$ 330 billion)
- GDP – increased by 9.7% over the same period of the previous year
- Total export-import – USD 239.8 billion, up by 38.2% over the same period of the previous year
- Exports – USD 115.7 billion, up by 34.1%
- Imports – USD 124.1 billion, up by 42.3%
- Real growth of per capita income – up by 1.4% for urban residents, and 1.7% for rural residents

(source: National Bureau of Statistics of China)
Major trading partners

(source: National Bureau of Statistics of China)
Top 10 trading partners

USA 18%
EU 19%
Japan 17%
Asean 11%
Taiwan 9%
HK 10%
Korea 10%
AUS 2%
Canada 2%
Russia 2%

Total trading (X & M) in Jan 2004
Total: USD 71.45 billion

(source: National Bureau of Statistics of China)
Grains
- Domestic production & Imports

(source: National Bureau of Statistics of China)
Oils

- Domestic production & Imports

(source: National Bureau of Statistics of China)
Trading Partner - Australia

- **China: Importance to Australia (2003)**
  - 3rd largest trading partner (A$23.3 bn).
  - 3rd largest export market (A$9.1 bn – 8.4% of total exports)
  - 3rd largest source of imports (A$14.2 bn – 11% of total imports)
  - 14th largest investor in Australia ($2.2 billion).

- **Australia: Importance to China (2003)**
  - 13th largest merchandise trade partner
  - 12th largest import source
  - 12th largest export destination.

(source: Australian Government - Department of Foreign Affairs and Trade)
Trade with Australia – X & M

(source: National Bureau of Statistics of China)
Bilateral Investment

(source: Australian Government - Department of Foreign Affairs and Trade)
Trade with USA – X & M

(source: National Bureau of Statistics of China)
China - US Trade

- US is China’s largest export market
- Trade surplus with the US in 2002 was US$43 bn (Chinese data) or US$100 bn (US data)
- 70% of US electrical lighting imports from China, 53% of imported household appliances, 29% of textiles and 21% of imported apparel
- US has a trade deficit in about two-thirds of 650 individual advanced technology product lines
Labor Productivity and Cost

**Productivity (output per worker)**

Agricultural: US: 31 times China’s

Manufacturing: US: 5 times China’s

**Hourly wage in manufacturing (US $) 2001**

US: 16.14

China: 0.61

**US: Outsourced jobs to overseas locations**

354,000 (=0.3% of total employment)
USA FDI %

(source: National Bureau of Statistics of China)
Trade with Japan – X & M

(source: National Bureau of Statistics of China)
Japan: FDI %

(source: National Bureau of Statistics of China)
Trade with Hong Kong – X & M

(source: National Bureau of Statistics of China)
Hong Kong: FDI %

(source: National Bureau of Statistics of China)
Trade with Taiwan – X & M

(source: National Bureau of Statistics of China)
Taiwan: FDI %

(source: National Bureau of Statistics of China)
Trade with Korea – X & M

(source: National Bureau of Statistics of China)
Trade with Singapore – X & M

(source: National Bureau of Statistics of China)
Trade with Malaysia – X & M

(source: National Bureau of Statistics of China)
Trade with Thailand – X & M

(source: National Bureau of Statistics of China)
Trade with Indonesia – X & M

(source: National Bureau of Statistics of China)
Trade with UK – X & M

(source: National Bureau of Statistics of China)
Trade with Germany – X & M

(source: National Bureau of Statistics of China)
Trade with France – X & M

(source: National Bureau of Statistics of China)
EU: FDI %

(source: National Bureau of Statistics of China)
Exports by Enterprises

Total exports by enterprises in Feb 2004
Total: USD 34.16 billion

(source: Ministry of Commerce of the People’s Republic of China)
Imports by Enterprises

- SOEs: 34%
- Foreign-Invested: 55%
- Individual-Owned: 7%
- Collective Enterprise: 4%

Total imports by enterprises in Feb 2004
Total: USD 42.03 billion

(source: Ministry of Commerce of the People’s Republic of China)
Exports by Foreign Invested Companies by Country

Total exports by foreign-invested companies in 1999
Total: USD 8.86 billion

(source: Ministry of Commerce of the People’s Republic of China)
Imports by Foreign Invested Companies by Country

Total imports by foreign-invested companies in 1999
Total: USD 8.59 billion

(source: Ministry of Commerce of the People’s Republic of China)
Total loans in 2002
Total: RMB 1,366.7 billion

(source: Bank of China, 2002 annual report)
Challenges

The obvious:

- SOE performance and urban unemployment
- NPL in the banking system (est. 25-40%)  
- Rural development and surplus labor (est. 180-280 million)
- Growing income disparity (Gini coefficient = 1988: 0.35, 1997: 0.4 to 0.5)
Challenges

*The fundamentals:*

- Institutional reform and development
- Financial system – key role in savings and investment
- Market competition and integration into the global trade and financial environment
- Corporate governance
- Role of government