

DOMESTIC MARKET FUELS GROWTH

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In the first half of 2001, China's GDP reached a growth rate of 7.9%, slightly less than in the first quarter (8.1%). Domestic demand was the major driving force – in particular investment. External demand weakened considerably due to the slack of the world economy. However, foreign direct investment picked up in anticipation of China's accession to WTO. We expect the slowing-down of the Chinese economy to become more accentuated in the second half of the year, however no dramatic shift is expected. Thus, for the whole year of 2001 we still expect a GDP growth rate of 7.4%.

Key developments in the first two quarters of 2001

Growth of overall *investment in fixed assets* accelerated, reaching 15.1% (in nominal and real terms) in the first half of the year compared to 12.4% in the first quarter and 9.3% in the whole year 2000. *Retail trade turnover* as a proxy for consumer demand expanded by 10.3% (in nominal terms), at the same pace as in the first three months of the year. But taking into account that retail price deflation has eased off (-0.5%) compared to the first quarter (-1%), growth of *real consumption* has actually slowed down slightly.

Export growth dropped to 8.8% in the first six months, after a growth rate of 14.7% in the first three months and 27.8% in the whole year 2000, due to the deteriorating situation on the world markets. However, as a large share of imports is

processed for exports, *import growth* slowed down significantly as well, reaching a rate of 14% for the first half of the year. The trade balance thus stayed in surplus at USD 8.2 billion, but the surplus was markedly less than for the same period of last year (USD 12.7 billion), dampening the overall growth of the economy. Contrary to foreign trade, *foreign direct investment* developed well and increased to USD 21 billion in the first half of 2001, which is 20% higher than during the same period of last year. As currently more than 50% of Chinese exports come from foreign investment enterprises, an increase in FDI support export growth in the future.

For the rest of the year we expect external demand to weaken further and domestic demand to develop at a similar or slightly slower pace than in the first half of the year. Thus, growth of the overall economy will slow down significantly during the second half of 2001, probably to about 7% only, and GDP growth for the whole year might reach 7.4%.

Public investment outgrowing private investment

As mentioned above, overall investment grew dynamically. However, 'public' investment (which includes investment in state-owned enterprises) expanded by 17.9% while 'private' investment (i.e. investment by 'urban & rural collectives and individuals') increased by 7.5% only, which is somewhat less than the rate for private investment in the comparable period of last year (7.9%) and

that during the first three months of 2001 (8.3%). The strong increase in public investment is part of the expansive fiscal policy of the Chinese government to stimulate economic growth in view of the slowdown of the global economy. But it is also an important instrument for long-term development by improving the country's infrastructure and reducing regional disparities. The so-called 'Go West' strategy to promote economic development of the underdeveloped western and central provinces is a core issue of the current Tenth Five-Year Plan 2001-2006.

Regarding the target of investments, investment in 'real estate development' and in projects to modernize and replace existing assets ('technical updating and investment') grew much faster (28.2% and 26.9% respectively) than investment in new projects ('capital construction investment', 11.8%). This reflects the above-mentioned focus of public investment on infrastructure, but massive restructuring of Chinese enterprises¹ and a rapidly expanding (private) housing market as well.²

For the second half of the year, we expect public investment to remain strong; private investment might slow down further due to a more pessimistic outlook on the overall economic development.

Tapping the rural market – key to stable development

Retail sales of consumer goods reached yuan 1791.5 billion (USD 216.4 billion) in the first half of the year, up 10.3% (in nominal terms), of which retail sales in the *cities* amounted to yuan 1120.9 billion, up 11.6%, and those in *rural areas* to yuan 670.6 billion, up 8.1% only.³ However, the rural population still counts 800 million, more than 60% of the total population. Tapping the huge rural market is thus essential for China's long-term economic development. Apart from the fact that subsistence agriculture and self-supply are still playing an important role in rural China, the lower consumption level of the rural population is a consequence of the large and rising income gap between the urban and the rural population: In the January-June period, the average monthly per capita disposable income of urban residents was yuan 571 (USD 96), up 5.5% year-on-year, if price factors are deducted. The per capita cash income of rural residents was yuan 177 (USD 21), with a real increase of 4.2%. However, compared to the

last couple of years, the spread in growth rates has somewhat narrowed this year.⁴

Emerging urban middle class pushing into new market segments

Consumption of urban households is fuelled by a rising well-off middle class.⁵ According to official estimates, the urban middle class in China will reach 200 million people in the next couple of years. Other estimates however put the number of the well able to buy middle class in China at even 400-500 million.⁶ This is reflected in the rapid expansion of new market segments such as private housing, furniture⁷ and home appliances in general, high-class consumer electronics, personal computers, and services such as tourism, information services and (private) education.⁸

Price deflation not banned yet

In the first half of this year retail prices declined by 0.5%; they have been declining for three years in a row now. However, the consumer price index went up by 1.1% year-on-year. But prices for basic consumer goods, such as food, clothing, household articles, traffic and communication kept falling. Only prices for 'luxury goods' such as recreational, educational, cultural articles and services rose 9.3%, and costs for housing went up 1.8%. If private consumption is going to lose dynamics in the second half of the year due to more pessimistic consumer attitudes, deflationary pressures will gain momentum, too.

Regulatory measures depressing Chinese stock prices

Up to the beginning of this year, part of the Chinese stock market, the so-called 'A-shares', was reserved for domestic buyers; the purchase of the other part, the so-called 'B-shares', was denominated in foreign currency and reserved for foreign buyers. As of 28 February 2001, the 'B-share' market has been opened to domestic buyers as well. Until June however only foreign exchange deposited before 19 February was allowed to be used for purchase. The immediate rush in B-shares after 28 February pushed stock prices up. That rush was partly fuelled by expectations that the removal, in June, of the restrictions on the use of foreign exchange deposited after 19 February would trigger a new bullish rally on B-shares. Yet, after the strong rally

at the beginning of June, profit-taking pressure also mounted and share prices started to fall. In July, even more pressure was put on the stock market by the decision of the China Securities Regulatory Commission (CSRC) to *unlist* Shanghai Narcissus Electrical Appliance Co, the second biggest producer of washing machines in China. This company had produced losses for four consecutive years: after long considerations CSRC came to the conclusion that even with radical restructuring the company would not become profitable in the foreseeable future and decided to take it from the stock market. Although beneficial for the development of the stock market in the long run, this landmark decision let stock prices plunge by raising the fear of more companies to follow the Narcissus example. A-shares lost about 15% of their value and B-shares 40%, inducing a negative wealth effect of about USD 150 billion. Chinese stocks overseas were bearish as well.

External demand weakening

Export growth decelerated dramatically in the first half of the year – even if taking into account that last year's export figures are generally considered too high due to over-reporting⁹ and that export growth rates in the first half of 2000 were biased by the very low base of exports in 1999 in the aftermath of the Asian Crisis of 1997. The sluggish development of Chinese exports in the last couple of months is a consequence of weakening global demand and especially the demand for electronics.¹⁰

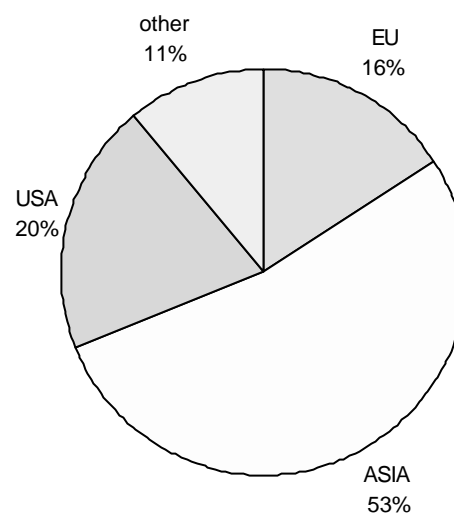
In 2001, overall economic growth has slackened in all major trading partners of China, in particular in the US and in the Asian region, including Japan. Also, Chinese exports to the European market suffered from the depreciation of the euro relative to the US dollar, as the Chinese currency is pegged to the US currency.

In the first six months of the year, exports to the US rose by 6.0%, to the EU by 9.4% and to Asia by 8.3% – all much less than last year (2000: 24.2%, 28.2% and 29.0% respectively). Electrical products, including electronics, comprise an important share of Chinese exports, although to a lesser extent than in exports of the more developed Asian economies such as Japan, Singapore, South Korea and Taiwan (there overall export growth has turned negative in the last few months already)¹¹. Chinese electronics are very price-competitive and shrinking

overall markets for electronics were partly compensated by expanding market shares.

Figure 1

China: Export shares 1-6/2001



The worst is still ahead

Prospects for external demand in the second half of the year are even worse than in the first six months. Around the globe, growth projections for 2001 were slashed after the disappointing results for the second quarter of the year (see Table 1). The biggest downward revisions occurred for Asia, in particular for the smaller, export-oriented economies such as Taiwan, Singapore and Hong Kong – arousing the fear of a new 'Asian Crisis' ahead. The staggering Japanese economy is again at the brink of a recession and the situation in the US is still most uncertain. The outlook for the development of major EU economies such as Germany, Great Britain and France is now also more pessimistic than earlier in the year.¹² In the US, up to September, leading indicators showed no clear signs of an upswing in the near future. The terrorist attack on the US World Trade Center and the Pentagon on 11 September has increased uncertainty on the road ahead: Although, given the enormous size of the US economy, the direct overall effect of the fatal incident is not big, the indirect and longer-term effects may be substantial. For instance, the heavy impact on certain sectors (aviation) and above all the possible negative effect on consumer attitudes and thus private consumption – crucial to the US economy – might postpone the upswing to the more distant future.

Table 1

Growth projections from April compared to September 2001

	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001 Forecast		
				in April (IMF) ²⁾	in September (IMF) ¹⁾	(other) ³⁾
South Korea	-6.7	10.9	8.8	3.5	2.5	3.8
Taiwan	4.6	5.4	6.0	4.1	-1.0	-0.4
Hong Kong	-5.3	3.1	10.5	3.5	0.6	1.0
Singapore	0.1	5.9	9.9	5.0	-0.2	0.5-1.5
Thailand	-10.8	4.2	4.4	3.0	2.0	1.8
Malaysia	-7.4	6.1	8.3	4.5	1.0	3.3
Indonesia	-13.1	0.8	4.8	3.5	3.0	2.1
Philippines	-0.6	3.4	4.0	3.3	2.5	2.1
Japan	-1.1	0.8	1.5	0.6	-0.5	-0.3
China	7.8	7.1	8.0	7.0	7.5	7.5
USA	4.4	4.1	4.1	1.5	1.3	1.2
EU	2.7	2.7	3.4	2.4	1.8	1.7

Notes: 1) International Monetary Fund (IMF), World Economic Outlook, October 2001. - 2) International Monetary Fund (IMF), World Economic Outlook, May 2001. - 3) National authorities, banks, research institutes.

Balance of trade expected to stay positive

As a considerable share of inputs for Chinese exports is imported, declining export growth is typically linked to a deceleration of import growth. Moreover, import growth can be interpreted as a 'leading indicator' for export growth. In the first half of the year, imports increased by 14% only compared to 36.2% in the same period of last year. The monthly development shows a significant slowdown of import growth since May. In June, imports were only 4.7% higher than in June 2000, which is in line with the expected further slowing down of exports in the second half of the year. Because of the close link between export and import growth in China, the trade balance remained highly positive (USD 8.2 billion). Foreign trade thus continued to support the growth of the overall Chinese economy to a significant extent, if to a lesser degree than in the same period of last year when the trade surplus was USD 4 billion higher. We expect the trade balance to stay positive for the rest of the year, but to reach about USD 13 billion only, 11 billion less than in 2000. Therefore, the contribution of foreign trade to GDP growth should be estimated to be about one percentage point less than last year.¹³

Foreign direct investment surging in the forefield of China's WTO membership

As indicated above, the inflow of foreign direct investment (FDI) in the first six months was much higher than last year. 'Contracted investment' (signed agreements) rose even faster (38%),

indicating that the investment boom will continue and might even accelerate in the near future. One may thus expect FDI this year to be substantially higher than in 2000, probably reaching USD 44 billion. The strong expansion of FDI in China contrasts sharply with world-wide FDI flows slowing down. Also within the region, China is the only country showing a substantial increase of FDI. This development has to be seen in the light of China's pending accession to the World Trade Organization (WTO) and foreign investors' attempts to rush in the market and reap the expected benefits of WTO membership as early as possible. (See section on WTO below.)

Industrial production showing signs of slowing down

In the first half of 2001 industrial value added expanded at a similar pace (11.0%) as in the same period of last year (11.2%).¹⁴ But the monthly development shows a deceleration of growth since

April already, reflecting the weakening of external demand. While the year-on-year growth rate of industrial value added was 12.1% in March, it was 10.1% in June and 8.1% in July. Industrial growth is expected to slow down further in the rest of the year, probably reaching a growth rate of 8.5% for the year as a whole.

Agricultural production stable, services developing under-proportionately.

Agricultural value added grew by 2.4% in the first six months, at the same rate as last year, and is expected to develop at a similar pace in the rest of the year. Value added of the services sector increased by 7.0% in the first half of the year, less than overall GDP (7.9%) and less than the services sector in the same period last year (7.8%) – pointing to a structural weakness of the sector as is typical of socialist countries.

Trade conflict between China and Japan

In April this year, under the pressure of rising imports, Japan decided to establish emergency safeguards against imports of onions, mushrooms and tatami rushes, mainly from China. The safeguards are expected to last from 23 April to 8 November; thereafter the Japanese government would have to decide whether or not to prolong them.¹⁵ Although these products comprise only a small share of Chinese exports to Japan, farmers in the Fujian province were hit hard by this measure.¹⁶ In May, Japanese makers of chopsticks, bikes, ties and stockings, as well as eel-breeders, were reported to seek similar government protection. On 8 June Japan declared it would stop importing chickens and ducks from the Chinese mainland because of alleged flu infection. In retaliation, China imposed 100% special tariffs on imported automobiles, wireless phones and air conditioners from Japan. As a consequence, prices of Japanese cars in China increased immediately. Again, the quantities involved are not that big and the measure is of symbolic value rather.¹⁷ On 3/4 July, China and Japan held department director-level talks on the trade dispute in Beijing. But the talks failed to make substantial progress in solving the dispute.¹⁸ This trade conflict, although not affecting current bilateral trade flows to a great extent, is probably only the prelude to a more extensive power struggle between Japan as the 'established' and

China as the 'emerging' regional economic power.¹⁹

China's entry into WTO becoming reality soon

After close to fifteen years of on-again, off-again, arduous negotiations, China is finally about to enter the World Trade Organization (WTO). The biggest hurdles seemed to be overcome when the bilateral negotiations with the US and the European Union were successfully concluded in December 1999 and in May 2000 respectively, but the following *multilateral* negotiations turned out more difficult than expected. Finally, on 17 September 2001, the breakthrough was announced by the WTO authorities in Geneva, after an agreement on subsidies for agricultural products (8.5%)²⁰ and foreign participation in (life-) insurance companies²¹ was reached at last. Already on 13 September the last *bilateral* negotiations, namely between China and Mexico, had been concluded successfully. The legal documents finalized, China could be formally approved as member at the WTO ministerial meeting scheduled for Doha in Qatar in November and become a formal member early next year the latest. There is but a small risk that the Doha meeting might be postponed or even cancelled for security reasons in the light of the recent terrorist attack on the World Trade Center and the Pentagon.

Notably, on 18 September it was announced that Taiwan ('Chinese -Taipei' in WTO language) too has concluded the negotiations on its WTO accession. Both economies becoming members of the WTO next year will most probably increase bilateral trade beyond the existing level.

Impacts of WTO membership on the Chinese economy

Most experts agree that WTO membership will boost the overall Chinese economy in the long run. The long-term gains should come from a more efficient allocation of resources, more foreign direct investment with the associated benefits and an acceleration of domestic reforms to comply with WTO rules and to withstand increased foreign competition.

However, in the medium and short run some regions, sectors and people will gain while others will lose. Basically, those will suffer most which have so far been highly protected against foreign

competition, which are not internationally competitive, and which cannot quickly adjust to the new situation. This might be due to bad management and/or a lack of financial means, know-how and trained personnel. In general, the *agricultural sector* and the *services sector* will suffer more from increased competition than manufacturing. But within *manufacturing* there will be great differences, too: *textiles, clothing, shoes, electronics, building materials, basic chemicals* might gain from the easier access to foreign markets while the *transport equipment industry, refineries, petro-chemicals and pharmaceuticals* may tend to suffer from increased import competition. In some industries, for instance in the *steel* and the *food industry*, certain sub-sectors will gain (standard-quality steel; fruits, vegetables, fish, shrimps etc.), but others will lose (special steel; sugar, alcoholic products). The advanced coastal regions will take more advantage of WTO membership than the less advanced central and western regions, and regional disparities are prone to widen. Also, much will depend on how effective the structural reforms of the state-owned enterprise sector during the last three years really were: Will this sector be able to withstand increased foreign competition? Has labour-shedding reached its peak already? To curb negative effects of WTO membership, gradual tariff reductions, different kinds of transition periods and safety clauses were enclosed in the accession protocol, especially with regard to agriculture and foreign penetration of the services sector.²²

Overall prospects for the Chinese economy in 2001 and 2002

In the second half of the year, public investment will remain strong. Although private domestic investment might slow down somewhat, *foreign direct investment* will stay robust in the forefield of China's entry into WTO scheduled for next year. We anticipate total investment in fixed assets to rise by 11%. The expected weakening of consumer demand due to more pessimistic attitudes and the negative wealth effect of low stock prices will be partly compensated by an increase in public salaries announced for autumn this year. We thus expect consumer expenditures to rise by about 10%. Growth of foreign demand will further decelerate in the light of the stronger than expected downturn of the Asian economies, the more pessimistic outlook for Europe and the delayed

recovery of the United States. Also, due to large over-capacities built up during the boom period, the glut in the global electronics market does not seem to be over yet. Chinese exports might expand by just 8%, compared to 27.8% last year. Imports will grow more slowly, too, as a large part consists of inputs for export processing. Thus we expect the trade surplus to stay substantially positive and reach about USD 13 billion. For the overall economy we expect a growth rate of about 7.4% for the whole year 2001.

For the year 2002, the author of this article is less optimistic than a few months ago. Now a weaker development of the Chinese economy is expected rather than an improvement compared to 2001, as the world economy will probably pick up later than expected and the neighbouring Asian economies are on the brink of a recession. Also, international tourism, an important source of income for China, may suffer in the aftermath of the terrorist attack on the US in September this year. China's entry into the WTO, scheduled for the beginning of 2002, will bring some incentives but adjustment problems as well. However, public expenditures will remain strong because of the Chinese government's expansive fiscal policy to be continued and fuelled by Beijing winning the bid to host the 2008 Olympic Games. It is thus expected that the Chinese economy will grow at about 7% next year. But the situation is still very uncertain especially with regard to the retaliation measures taken by the USA in response to the terrorist attack in September and their possible impact on the economy, e.g. oil prices.

Notes

- ¹ However, critics say that part of this investment simply has the effect of prolonging the life of inefficient and doomed companies. Therefore, it is slowing down the process of structural change in the economy rather than speeding it up.
- ² See 'Private housing a key factor of consumer demand', *WIIW China Report* 2001/1, p. 4.
- ³ China Monthly Statistics 6/2001, 'Report', p. 2.
- ⁴ For the last year as a whole, per capita income of urban residents rose by 6.4%, that of rural residents by 2.1% only.
- ⁵ Moreover, there are big and widening income disparities in the cities as well.
- ⁶ *Neue Zürcher Zeitung*, 9 August 2001:
- ⁷ As elaborated in more detail in *WIIW China Report* 2000/1, the housing reform of 1998 paved the way for private persons to buy their own house or flat. The government also introduced a number of measures to boost private housing purchases. Although real estate prices are still very high

compared to incomes, over the first three quarters of 2000 per capita expenditure on housing purchases was 17% higher than in the same period of 1999. The Swedish home furnisher Ikea reported that its turnover in China increased by 44% year-on-year to yuan 500 million (USD 60.2 million) during the fiscal year ending on 28 August (*China Daily*, 30 August 2001).

⁸ *Neue Zürcher Zeitung*, 9 August 2001.

⁹ Export figures for the year 2000 are generally considered overstated because of large-scale fraud in connection with the so-called 'export rebates': For certain product categories exporters can claim part of the value added tax paid to be refunded to them by the government. By over-stating exports they can claim more money back. To stop this practice, the Chinese government launched a successful anti-fraud campaign by the end of last year; see *WIIW China Report 2000/1*, p. 3.

¹⁰ Global semiconductor sales, for instance, were reported to have fallen by 31% during the second quarter of this year; world-wide chips sales too have declined in absolute values (*China Daily*, 11/12 August 2001).

¹¹ In Japan, for instance, in April and May exports dropped by 9.1% and 9.7%, year-on-year.

¹² For Germany, the IMF now assumes GDP to increase by 0.8% in 2001 compared to an estimated 1.9% in April, for the United Kingdom and France 2.0% instead of 2.6% (IMF World Economic Outlook May 2001 and October 2001).

¹³ There are various ways to measure the impact of foreign trade on the growth of GDP, depending on the underlying economic theory and the sophistication of the model. Here, we follow a simple Keynesian approach which calculates the impact of different components of effective demand on GDP growth. Thus, we started with a trade surplus in 2000 as a percentage of 1999 GDP (2.2%) and compared it to the (expected) trade surplus in 2001 as a percentage of the 2000 GDP (1.24%). The difference is about one percentage point. (Compare *WIIW China Report 2000/1*, Note 10.)

¹⁴ Notably, monthly data only include value added of state-owned industry and non-state-owned industry with an annual sales revenue above 5 million (China Monthly Statistics, 6/2001, p. 1 of 'Report').

¹⁵ Under this measure, tariffs on the respective items were raised to 106-256% (*Neue Zürcher Zeitung*, 20 June 2001).

¹⁶ Chinese officials suspected that the actual reason behind this measure was to win support from the public, in particular farmers, during the country's senate elections in July (*China Daily*, 22 May 2001).

¹⁷ During the last fiscal year, 35,000 Japanese cars worth yen 68.4 billion were exported to China, while total car exports reached yen 3500 billion (*Neue Zürcher Zeitung*, 10 June 2001).

¹⁸ *China Daily*, 6 July 2001.

¹⁹ Recently, bilateral relations have been strained on the political level as well: first by Japanese Prime Minister Koizumi's visit of the Yasukuni Shrine, a controversial war memorial, and second by the Japanese government's approval of a junior high school history textbook which in China's eyes distorts history and glosses over Japan's wartime aggression (*China Daily*, 1-2 September 2001).

²⁰ Before, the US and some other countries had insisted that China should be allowed to have subsidies on agricultural products of no more than 5% while China had insisted on a minimum of 10%.

²¹ The full text of the 800 pages accession protocol is not yet published but according to the official Communiqué, the following was agreed: After China's WTO entry, foreign life insurance companies who wish to operate in China can do this with a local partner only and they can hold a maximum share of 50%. During the following three years they could increase their share to 51% and within five years to 100% (*Neue Zürcher Zeitung*, 18 September 2001). No special reference was made to the US insurance company 'American International Group' (AIG), which is already operating a fully-owned life insurance company in China, based on a separate contract from 1999. Reportedly, only a passage was added, emphasizing that unfair treatment has to be avoided (*Der Standard*, 17 September 2001).

²² Quite importantly, as a developing country China can make use of the so-called Tariff Rate Quota System (TRQS) to restrain agricultural imports in the first five years after accession: under this system China can raise tariffs when imports of some major products (wheat, rice, cotton, soy bean oil, sugar etc.) surpass a set level. This level is set in accordance with the ratio of imports to domestic consumption of these products during the past three years.

Table CN

China: Selected Economic Indicators

	1990	1995	1996	1997	1998	1999	2000 ¹⁾	2000 Jan-Jun	2001 Jan-Jun	2001 forecast
Population, mn pers., end of period	1143.3	1211.2	1223.9	1236.3	1248.1	1259.1	1265.8 ²⁾	.	.	.
Gross domestic product, CNY bn, nom.	1854.8	5847.8	6788.5	7446.2	7834.5	8191.1	8940.0	3949.1	4294.2	.
annual change in % (real)	3.8	10.5	9.6	8.8	7.8	7.1	8.0	8.2	7.9	7.4
GDP/capita (USD at exchange rate)	339.1	578.2	667.5	729.6	758.1	785.7	853.0	.	.	.
GDP/capita (USD at PPP - WIIW)	1307.8	2638.2	2904.1	3183.4	3447.0	3717.5	4082.6	.	.	.
Industrial value added ³⁾										
annual change in % (real)	3.2	13.9	12.1	10.5	9.2	8.8	9.9	11.2	11.0	8.5
Agricultural value added										
annual change in % (real)	7.3	5.0	5.1	3.5	3.5	2.8	2.4	.	2.4	2.5
Services value added										
annual change in % (real)	2.3	8.4	7.9	9.1	7.6	6.9	7.8	.	7.0	7.2
Goods transport, bn t-km	2620.7	3573.0	3645.4	3821.2	3770.6	3940.5	4243.0	2021.2	2226.3	.
Total investment in fixed assets, CNY bn ⁴⁾		2001.9	2291.4	2494.1	2840.6	2988.0	3261.9	1033.8	1189.9	.
annual change in % (nominal)	2.4	17.5	14.8	8.9	13.9	5.2	9.3	11.0	15.1	11.0
Construction output, CNY bn	194.8	950.5	1157.9	1246.3	1374.1	1515.1	.	.	.	.
annual change in % (nominal)	-10.2	23.6	21.8	7.6	10.3	10.3	.	.	.	.
Employment total, mn pers., end of period	567.4	679.5	688.5	696.0	699.6	705.9	.	.	.	.
annual change in %	2.6	1.1	1.3	1.1	0.5	0.9	.	.	.	.
Unemployed (urban) reg., th, end of period	3832	5196	5530	5700	5710	5750	.	.	.	.
Unemployment rate (urban) in %, end of per. ⁵⁾	2.5	2.9	3.0	3.1	3.1	3.1	3.1	.	.	.
Average gross annual wages, CNY ⁶⁾	2140	5500	6210	6470	7479	8346	9465	.	.	.
annual change in % (real) ⁷⁾	9.2	3.8	3.8	1.1	7.2	13.1	.	.	.	.
Retail trade turnover, CNY bn	725.0	2062.0	2477.4	2729.9	2915.3	3114.0	3415.3	1624.8	1791.5	.
annual change in % (real)	0.4	12.0	13.0	9.4	9.4	10.1	11.1	12.0	10.8	10.0
Retail prices, % p.a.	2.1	14.8	6.1	0.8	-2.6	-2.9	-1.4	-1.9	-0.5	-0.3
Consumer prices, % p.a.	3.1	17.1	8.3	2.8	-0.8	-1.3	0.4	0.1	1.1	0.9
General government budget, CNY bn										
Revenues	293.7	624.2	740.8	865.1	987.6	1137.7	1338.0	.	.	1476
Expenditures	308.4	682.4	793.8	923.3	1079.8	1317.4	1587.9	.	.	1735
Deficit (-) / surplus (+)	-14.6	-58.2	-53.0	-58.2	-92.2	-175.9	-249.9	.	.	-259
Money supply, CNY bn, end of period										
M0, Currency outside banks	264.1	788.5	880.2	1017.8	1120.4	1345.6	1465.3	1300.6	1394.3	.
M2, Money + quasi money	1468.2	5823.0	7609.5	9099.5	10499.9	11900.0	13461.0	12660.5	14781.0	.
Refinancing rate of NB % p.a., end of period ⁸⁾			9.0	8.6	4.6	3.2	3.2	3.2	.	.
Current account, USD bn	12.0	1.6	7.2	37.0	31.5	15.7	20.5	.	.	10.0
Official forex reserves excl. gold, USD bn	11.1	73.6	105.0	139.9	145.0	154.7	165.6	158.6	180.8	.
Gross debt, USD bn	52.5	106.6	116.3	140.0	146.0	151.8	.	147.6	.	.
Foreign direct investment, USD bn	3.5	37.5	41.7	45.3	45.5	40.4	40.8	17.2	20.7	44.0
Exports total, USD bn	62.1	148.8	151.1	182.8	183.8	194.9	249.2	114.8	124.6	269.0
annual change in %	18.2	22.9	1.5	20.9	0.5	6.1	27.8	38.3	8.8	8.0
Imports total, USD bn	53.4	132.1	138.8	142.4	140.2	165.8	225.1	102.1	116.4	255.5
annual change in %	-9.8	14.2	5.1	2.5	-1.5	18.2	35.8	36.2	14.0	13.5
Trade Balance, USD bn	8.7	16.7	12.2	40.4	43.6	29.1	24.1	12.7	8.2	13.5
Average exchange rate CNY/USD	4.78	8.35	8.31	8.29	8.28	8.28	8.28	8.28	8.28	8.27
PPP (CNY/USD), WIIW ⁹⁾	1.24	1.83	1.91	1.90	1.82	1.75	1.73	.	.	.

Note: CNY: ISO-Code for the Chinese yuan.

1) Preliminary. - 2) Census results from 1st Nov. 2000. - 3) Quarterly data do not include the whole industrial value added according to the definition of National Accounts. - 4) 1990 excl. projects with a value of 20,000-50,000 yuan which are not listed in the state plan. Quarterly data excl. investments by rural collectives and urban and rural individuals. - 5) Ratio of registered urban unemployed in per cent of urban employed and unemployed. - 6) Average gross annual wages of staff and workers, defined as: total wages of staff and workers per average number of staff and workers; since 1998: "staff on duty" only. - 7) Staff and workers cost of living index is used as deflator for calculating real wage. - 8) Overnight rate. - 9) Purchasing power parity, ICP-method; see Ren Ruoan, The Vienna Institute Monthly Report 1996/2.

Sources: China Statistical Yearbook; International Financial Statistics; Economic Statistics Communique for 1995 of the State Statistical Bureau of the PR China; China Financial Outlook of the People's Bank of China; China Monthly Statistics; China Daily.

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