CHINA TO FACE DECLINING EXTERNAL DEMAND

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In the first quarter of 2001, China's GDP reached a growth rate of 8.1%, nearly the same as throughout the year 2000 (8%). However, while last year's economic growth was supported to a large extent by accelerating exports (27.8%), export growth weakened considerably in the first three months of this year (14.7%) and might fall further due to the expected slowdown of the global economy. Instead, public investment became the engine of growth, probably in anticipation of the slowdown of external demand. For the whole year of 2001 we expect a GDP growth rate of about 7.5%.

Key developments in the first quarter

Overall *investment* in fixed assets (in nominal terms) expanded by 12.4% in the first quarter of the year, compared to 9.3% over the whole year 2000. As price levels remained rather constant over the period, there exists a significant growth differential in real terms as well. *Consumer demand* measured by retail trade turnover rose less fast than investment (10.3%), but at a similar pace as last year. Adjusted for price changes, real consumer demand increased by 11.3%. *Retail price* deflation continued to ease off during the first three months of the year with prices declining by 1% compared to 2.1% in the first quarter of last year and 1.4% over the whole year 2000. The *consumer price index*, including services and prices for public utilities, even *increased* slightly by 0.7%.

Export growth in the first three months reached 14.7% compared to 39.1% in the same quarter of last year. The sharp decline of export growth this year is a sign of weaker external demand from the slowing world economy, particularly the US. But it is also due to a statistical overstatement of China's exports last year because of massive fraud in connection with claiming tax rebates for exports. Moreover, import growth showed a significant decline as well, reaching a rate of 17.3% for the first three months of the year, after 41% in the same period of last year. The trade surplus for the first quarter amounted to USD 4.8 billion, only slightly less than in the first quarter of 2000 (USD 5.1 billion). However, as a large share of imports is processed into export goods, the declining growth of imports is in line with a slowdown of exports. After a two-year period of decline and stagnation respectively, *foreign direct investment* continued its recovery starting in the fourth quarter of last year. The inflow of FDI reached USD 8 billion for the first three months of the year, which is an increase of 12.7% over the same period of last year.

For the year as a whole, we expect the decline in foreign demand to be compensated only partly by an acceleration of investment, in particular public investment. Thus altogether we expect the Chinese economy to grow less fast than last year without slowing down dramatically and reaching a GDP growth of about 7.5%.

Expansive fiscal policy to support growth

For some years already the Chinese government has been following an expansive fiscal policy to stimulate economic growth. It started in 1998, at the peak of the Asian crisis, and the strategy was quite successful in preventing economic growth to fall below 7%. This growth rate is considered a kind of threshold for social and economic stability in China. Last year, when the economy recovered due to rising external demand, government expenditure expanded further but with the focus on reducing regional inequalities as part of the 'Go-West' strategy. The development of the central and western regions was also included as a major target in the Tenth Five-Year Plan 2001-2006. This year, public expenditure again focuses on infra-structure investment. Moreover the government has increased salaries for its employees, effective as of January, in a bid to stimulate consumption. Other government-sponsored institutions and state-owned enterprises (SOEs) followed suit. Thus, public expenditure in China has a stabilizing and a structural component.

Government deficit looks still sustainable

The expansive fiscal policy over the past years has caused the (general) government budget deficit to rise from less than yuan 60 billion (USD 7.25 billion) before adopting the strategy to yuan 250 billion (USD 30.2 billion) last year. For 2001, an even higher deficit of yuan 259 billion is projected. As a share of GDP the deficit rose from 0.7% to 2.7% between 1997 and 2000. However, this percentage is still relatively low by international standards. Nevertheless, there is a problem with continuously rising costs for social security (unemployment benefits, old-age pensions) which have to be taken over from the state-owned enterprises into the government budget in the course of the ongoing state enterprise reform. Also, being a developing country, the tax base is still low in China and international standards on the 'safe' margin of government deficits are applicable to a limited extent only.

Investment as an engine of growth

Total investment in fixed assets (in nominal terms) in the first quarter of 2001 expanded by 2 percentage points faster than in 2000 (whole year). *Public investment*[1] grew significantly stronger (15.1%) than *private investment* (8.35%), but both compare favourably to last year's figures for the year as a whole (11.7% and 5.45% respectively). This surge in investment has to be seen in the light of a significant rise in profits last year, rising foreign direct investment and an urgent pressure for restructuring and modernization to prepare for China's pending accession to the World Trade Organization (WTO).

Compared to the first quarter of last year (8.5%), the acceleration of public investment is even more impressive; it thus played an important role in supporting the growth of the overall economy during the first few months of the year.[2] Public investment expanded particularly fast in the tertiary sector (19.5%)[3], e.g. transportation, postal & telecommunication services, education, healthcare and social services. Also, investment in projects to modernize or replace existing assets ('technical updating and transformation') increased much faster (25.2%) than investment in new projects ('capital construction investment'; 9.2%), pointing to an accelerating *restructuring process* in the SOEs, but agriculture as well. Investment in the construction industry increased by as much as 202%. Regionally, the rise in investment was highest in the western regions (23.4%), followed by the eastern regions (17.2%) and leaving the central provinces behind (7.4%).

We expect both public investment and private investment to remain strong throughout the year and total investment to increase by about 11%, moderately faster than last year.

Declining external demand

Export growth fell dramatically reaching 14.7% in the first quarter of 2001, compared to 39.1% in the same period of last year. This points to a severe decline in the growth of foreign demand for Chinese products. The picture looks less bleak, although still worrying, if further particulars are taken into account: Export growth in the first quarter of 2000 had been extremely high because of the very low statistical base in the first quarter of 1999[4] falling amid the 'Asian crisis' which eased off in the second half of the year only. Thus, if compared to the export growth over the whole year of 2000 (27.8%), the slowdown of external demand in the first months of this year is less spectacular. Beyond that, last year's export figures are generally considered overstated because of large-scale fraud in connection with the so-called 'export rebates':

Export rebates are an important instrument of export promotion in China: for certain product categories exporters can claim part of the value-added tax paid to be refunded to them by the government. During the Asian crisis, because of sluggish export development, the range of goods falling under the export rebate system and the percentage of tax refunded was extended step by step. At the same time, the temptation to obtain tax rebates by falsely declaring exports rose and fraud became a wide-spread phenomenon, particularly in the southern coastal provinces, the export hub of China.[5] However, by the end of last year, the central government started a strict anti-fraud campaign. In our opinion, the fall of exports in the two southern provinces of Guangdong and Guangxi during the first months of this year has to be seen as a success of the Chinese government to clamp down on false exports rather than a sudden deep slump of external demand.

High uncertainties about the future development of external demand

But there is no doubt that external demand for Chinese products has weakened compared to last year and that it will decline further because of the commonly expected downturn of the world economy and of world trade this year. The weakening of the world economy was forecast last year already; projections were further revised downward in spring this year by major international economic agencies because of the stronger than expected slowdown of the US economy and the sluggish development in Japan.[6] In its most recent projections from April this year, the International Monetary Fund (IMF) predicts a reduction of growth of world output from 4.8% in the year 2000 to 3.2% in 2001 and of world trade from 12.4% to 6.7% respectively. However, in relative terms the output decline is even stronger for the US and Japan, China's most important trading partners (see Table 1). As both countries are among the top trading partners for many other Asian economies as well, their economic downturn will have a further strong impact on the region as a whole and thus an indirect effect on the demand for Chinese exports from these countries, too. Moreover, a sharper than expected slump in global electronics is hitting especially the Asian region.[7] Thus, the overall prospects for external demand are rather bleak. There are however a few positive aspects for Chinese exports in particular:

– Chinese products are still very cheap and thus internationally very competitive.

– The value of the Chinese currency is linked to the US dollar, thus a weaker US-currency will have no negative impact on Chinese exports and a relatively more expensive euro will help Chinese exports to the euro-zone.

– The recent developments in both the US and Japan point to a certain decoupling of demand from production growth:

  In the US, despite the slowing down economy, the growth of imports outstripped that of exports in the first three months of the year. Also, in

Table 1

Overview of the *World Economic Outlook* Projections

(Annual change in per cent)

			Current Projections		Difference from October 2000 Projections	
	1998	**1999**	**2000**	**2001**	**2000**	**2001**
World output	**2.6**	**3.5**	**4.8**	**3.2**	**0.1**	**-1.0**
United States	4.4	4.2	5.0	1.5	-0.2	-1.7
Japan	-2.5	0.8	1.7	0.6	0.3	-1.2
European Union	2.7	2.6	3.4		0	-0.9
Newly industrialized Asian economies	-2.3	7.9	8.2	3.8	0.3	-2.3
World trade volume	**4.3**	**5.3**	**12.4**	**6.7**	**2.4**	**-1.1**
(goods and services)						

Source: IMF, World Economic Outlook, April 2001, Table 1.1; http://www.imf.org/external/index.htm.

> opinion polls, American consumers show more optimism than producers with regard to the future. In Japan, too, imports especially from Asian countries grew faster than exports despite the downturn of the economy. This is probably a delayed impact of Japanese direct investment and thus relocation of production to cheaper countries in the region, in particular in electronics, over the last couple of years. But beyond that, the worsening economic situation seems to direct consumers' preferences to cheaper products from abroad, especially clothing and food products. However, in a reaction to the sharply rising imports from China, Japan has recently imposed a ban on imports of onions, mushrooms and rushes from China and now the Japanese bicycle, towel and chopstick manufacturers are calling for an import ban on Chinese products.[8]

In an overall assessment we expect export growth in China to reach about 12% this year, somewhat less than half of last year's rate. Given the high proportion of imports for export processing, we expect Chinese imports to slow down considerably as well, reaching a growth rate around 18% instead of last year's 35.8%.[9] This would result in a trade surplus of about USD 13 billion, compared to USD 24 billion last year. *Ceteris paribus* we expect the strong deceleration in foreign trade to reduce GDP growth by approximately one percentage point.[10]

Surging foreign direct investment in the forefield of China's WTO entry

Contrary to foreign trade, foreign direct investment (FDI) improved considerably compared to last year. The amount actually invested reached USD 8 billion in the first three months of the year, which is 12% higher than in the same period of 2000. This development announced itself already last year when 'contracted investment' (signed agreements) rose sharply while actual FDI was still stagnant. The recent surge of FDI has to be seen in the light of China's pending accession to the World Trade Organization (WTO). Obviously foreign investors gained confidence that the country would soon become a member of WTO after the conclusion of bilateral agreements with the USA in December 1999 and with the European Union in May 2000, and since the US Congress had decided to grant 'Permanent Normal Trading Rights (PNTR)' to China in June last year. Foreign investors thus try to reap the expected benefits from WTO membership as early as possible, such as better export possibilities, easier domestic market penetration in particular in the services sector (trade, banking; insurance, telecommunications), and better protection of property rights. In general, foreign companies might expect a more level playing field with domestic enterprises, following the principle of 'national treatment'.

Sharp increase of foreign exchange reserves

As a consequence of both a substantial trade surplus and a strong inflow of foreign direct investment, foreign exchange reserves accumulated to USD 175.9 billion by the end of March, an increase of 10 billion since the end of the year 2000. Another reason for the sharp increase in foreign exchange reserves could be a first step in the direction of unifying the stock market in China. So far, one part of the stock market, the so-called 'A-shares', were reserved for domestic buyers while the purchase of the other part, the so-called 'B-shares' was reserved for foreigners. In February this year, the 'B-share' market was opened to domestic buyers as well – but the shares are still denominated in foreign currency. Therefore, the immediate rush of Chinese residents in those shares could have brought substantial amounts of foreign exchange in local people's pockets to the surface.[11]

Consumer demand remaining on a stable path

In the first quarter of the year, real consumer demand, measured by retail trade turnover adjusted for price changes, expanded by 11.3%, at a similar pace as last year. However, to keep consumer demand stable for the rest of the year the Chinese government decided – for the second year in a row – to extend both, 'Labour Day' holidays (in May) and 'National Day' holidays (in October) to one week. In the past this 'holiday economy' proved a good means to stimulate consumer expenditures, in particular on tourist services, food and transport.

Longer-term perspectives: Private housing a key factor of consumer demand

With incomes rising in China and the appropriate policies, the private demand for housing and related commodities will become an important element of private consumption in the years to come.

After the founding of the PR China in 1948, the private real estate market had been substituted by the so-called ‘welfare distribution system’. According to that, the state and the so-called ‘work units’ (enterprises etc.), respectively, built housing and distributed it to their employees, who merely paid a symbolic rent. Three years ago, the Chinese Government decided to give up this system, with all public housing to be sold step by step to employees at cost or rented to them at higher rent.[12] The selling-off of *public housing* is proceeding smoothly. In Beijing, for instance, more than half of public housing space has been transferred to private owners already and in other major cities the situation is similar.

But the housing reform had a severe impact on *commercial housing* too, as institutional buyers, who had been the main customers in the past, have largely withdrawn from this market: Last year, 85% of housing sold in China (worth yuan 295.4 billion) went to individuals instead of institutions.[13] With declining revenue from savings deposits, the emerging middle class has begun to shift more money from their savings accounts to other investment options, e.g. the stock market but housing as well. Over the first three quarters of 2000, per capita expenditure on housing purchases was 17% higher than in the same period of 1999.[14] However, as prices for new flats are still too high for most citizens, a rather large number of them stays empty.[15] To boost private housing purchases, the Central Bank required all commercial banks to extend their longest mortgage loan term from 20 to 30 years and encouraged them to grant housing loans.[16] In addition, the government offers various kinds of tax relief and tries to restrict (illegal) extra fees frightening off potential buyers. Also, cities speed up the construction of affordable housing, so-called ‘economy housing’. Another concern is bad quality of buildings and contract fraud. Regarding the latter, in April this year the Ministry of Construction issued a set of regulations on standardized commercial house purchase procedures designed to provide house buyers with legal protection. The new regulations will take effect on 1 June this year. It is expected that the new purchasing standards will spur the growth of the individual housing sector.[17]

Given the appropriate policies, we expect that there will be a period of fast housing development and related consumption expenditures over the next ten years.

New regulations for foreign investors

Revision of Joint Venture Law: China’s WTO entry has again moved into the rather distant future.[18] Nevertheless, in March, in preparation for WTO membership, the National People’s Congress (NPC) passed an amendment to the ‘Law on Chinese-Foreign Equity Joint Ventures’ (from 1979). Although the changes are not spectacular, they still bring a certain improvement and some new incentives for foreign investors in China:

The amendment has removed provisions that require joint ventures to report their production and operation plans to the authorities and abolished rules which oblige these firms to give priority to Chinese-made goods and raw materials when purchasing components for manufacturing. The latter will allow joint ventures greater leeway in making decisions about procurement by making it easier for them to purchase raw materials from both domestic and overseas providers. Besides, a few provisions concerning labour protection, insurance and arbitration of disputes have been added.[19]

New regulations for mining and exploration: In December last year already, the Chinese government changed a set of policies in favour of FDI in exploration and mining industries to attract more foreign investors to the sector. The new policy package opens up exploration rights and allows foreign enterprises to carry out explorations either as sole investor or in co-operation with a Chinese counterpart. Foreign investors involved in risk exploration are legally entitled to the mining rights on any lucrative minerals found in the exploration area (except oil and gas). They will also be allowed to explore and develop non-oil-and-gas minerals from large and medium-size Chinese enterprises. Moreover, foreign investors in this field might be offered tax incentives.[20]

Revision of the foreign investment directory. In April the Ministry of Foreign Trade and Economic Co-operation (MOFTEC) announced that it will anew revise the directory of industries that foreign investors are either encouraged or restrained or forbidden to enter. Without giving any details it was revealed that the new regulations will expand the number of industries that foreign investors are encouraged to enter and relax the control on foreign investors' entrance.[21]

Overall prospects for the Chinese economy in 2001

The expected global economic downturn, in particular in the US, Japan and the Asian region as a whole, will lead to a significant slowdown of Chinese export as well as import growth, probably reaching 12% and 18% respectively over the whole year 2001. The balance of trade and the current account will shrink considerably, but remain positive and amount to USD 13 billion and USD 10 billion respectively, approximately half the figures of last year. The slackening of foreign demand will reduce GDP growth by about one percentage point; this will be partly compensated, probably up to half a percentage point, by an increase in investment (11%), especially public investment, compared to last year. Consumer demand will remain on a stable path, expanding in real terms at a similar rate as last year (11%); expansive fiscal policy will continue. However, retail price deflation can be expected to continue, while the consumer price index will rise slightly, due to price hikes for services, public utilities and rents.

For the overall economy we thus expect a growth rate of about 7.5% for the year 2001. However, as our latest information on the Japanese economy suggests, the slowdown there might turn out stronger than expected only a short time ago.[22] Via strong direct and indirect effects on the external demand for Chinese products this could bring down GDP growth below 7.5%, probably reaching 7% this year.

For the year 2002, given the anticipated improvement of the world economy, we expect a better development than this year for the Chinese economy as well.

Notes

[1] Total investment excluding urban and rural collectives and individuals. Notably, investment by state-owned enterprises (SOEs) is included in these figures.

[2] Total investment in fixed assets has a share of about 36% in GDP, of which 60% is public investment.

[3] *China Monthly Statistics* 3/2001, Table T4.1.

[4] In the first quarter of 1999, exports were 7.9% lower than one year before (see W. Urban, *WIIW China Report* 2/1999).

[5] In Guangdong, for instance, the amount of export rebates reportedly increased by 184%. At the same time 500 big cases of export fraud could be detected (*Handelsblatt*, 9 November 2000, quoting the Chinese newspaper *Shanghai Star* as its source of information).

[6] But the future development in the two key economies is still very ambiguous. The latest development indicates a somewhat better development for the US economy but an even worse scenario for Japan.

[7] In total, exports to Asia (including Japan) usually make up about 60% of Chinese exports. Exports to Japan hit 17% in 2000.

[8] Chinese trade experts also fear that the Japanese government would start putting emergency safeguards in place in the clothes and fish industries, in which Japan imports large quantities from China (*China Daily*, 22 May 2001).

[9] As a consequence of export fraud, last year's import figures were most probably overstated as well: For instance, a computer is exported from China to Hong Kong (on paper), the exporting company claims the export rebate and imports the computer again (on paper). During the whole transaction, the computer never leaves the country.

[10] 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.

[11] Immediately after the opening of the B-share market to domestic buyers, the black market yuan/USD rate rose in Beijing from to 8.35 to 8.40 yuan per USD and in Shanghai, where people are famous for their business savvy, the rate went up to 8.50 even.

[12] In Beijing, for instance, the price for public housing is on average yuan 1640 per square metre, public housing rent 3.05 yuan per square metre per month (1999: 1.3 yuan).

[13] The rates in major cities were even higher, reaching 98.5% in Tianjjin, 96% in Chongqing, 95% in Shanghai and 87% in Beijing (*China aktuell*, Institut für Asienkunde, Hamburg, March 2001, p. 269).

[14] *China Economic Review*, February 2001, p. 15.

[15] In Beijing, for instance, at the beginning of 2000, a 60-square metre flat cost on average 360,000 yuan (USD 43,500) coming up to 6000 yuan per square metre, while the average annual income of a double-wage earner family is approximately 24,000 yuan. (*China Daily, Business Week*ly, 19-25 December 1999). However, throughout the year, average prices fell to 4919 yuan per square metre (*China Daily*, 24 April 2001).

[16] Also, Shanghai, as the first city in China now offers loans for individuals to buy housing.

[17] *China Daily*, 14-15 April 2001; furthermore, the Ministry of Construction has started to draft a housing law to safeguard homeowners' interests. 'The new law should focus on protecting the interests of both homeowners and real estate investors and developers from home and abroad' (*China Daily,* 17April 2001).

[18] After having concluded all important bilateral agreements China is now engaged in multilateral negotiations, which have turned out more difficult than expected, in particular in the field of insurance and of agricultural subsidies – the latter being of vital importance for China's still huge rural population.

[19] *China Daily,* 16 March 2001.

[20] *China Daily*, 15 December 2000. Although China is a country with abundant mineral resources, in 2000 less than 2% of FDI went in the excavation sector and geological prospecting & water conservancy management. (*China Monthly Statistics* 2/2001, Table T15.2)

[21] Ma Xiuhong, assistant minister of MOFTEC, at a press conference on the occasion of the Fifth China International Fair for Investment (CIFIT) in Beijing (*China Daily,* 19 April 2001).

[22] The new government under Premier Minister Junichiro Koizumi emphasizes structural reforms such as the solution of the non-performing loan problem and the structural reform of the securities market; at the same time it is intended to depart from the deficit spending policy used by previous governments to keep the economy afloat. While this policy looks promising in the medium run, it might aggravate the downturn of the Japanese economy in the short run. See, for instance, Dahchi Kangyo Research Institute (DKR) Economic Report, Vol. 4, No. 5, 15 May 2001, p. 2f.

Table CN

China: Selected Economic Indicators

	1990	1995	1996	1997	1998	1999	2000 [1]	2000 Jan-Mar	2001 Jan-Mar	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	1817.3	1989.5	.
annual change in % (real)	3.8	10.5	9.6	8.8	7.8	7.1	8.0	8.1	8.1	7.5
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	10.7	11.2	8.6
Agricultural value added										
annual change in % (real)	7.3	5.0	5.1	3.5	3.5	2.8	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	.	.	8.2
Goods transport, bn t-km	2620.7	3573.0	3645.4	3821.2	3770.6	3940.5	4243.0	851.6	1086.1	.
Total investment in fixed assets, CNY bn [4]	451.7	2001.9	2291.4	2494.1	2840.6	2988.0	3261.9	.	387.8	.
annual change in % (nominal)	2.4	17.5	14.8	8.9	13.9	5.2	9.3	.	12.4	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	8485	9464	.
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	839.4	925.6	.
annual change in % (real)	0.4	12.0	13.0	9.4	9.4	10.1	11.1	12.5	11.3	11.0
Retail prices, % p.a.	2.1	14.8	6.1	0.8	-2.6	-2.9	-1.4	-2.1	-1.0	-1.4
Consumer prices, % p.a.	3.1	17.1	8.3	2.8	-0.8	-1.3	0.4	-0.2	0.7	0.4
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	1323.5	1436.2	.
M2, Money + quasi money	1468.2	5823.0	7609.5	9099.5	10499.9	11900.0	13461.0	12258.1	13874.0	.
Refinancing rate of NB % p.a., end of period [8]	7.9	10.4	9.0	8.6	4.6	3.2	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	156.8	175.9	.
Gross debt, USD bn	52.5	106.6	116.3	140.0	146.0	151.8	.	.	.	.
Foreign direct investment, USD bn	3.5	37.5	41.7	45.3	45.5	40.4	40.8	7.1	8.0	44.0
Exports total, USD bn	62.1	148.8	151.1	182.8	183.8	194.9	249.2	51.7	59.3	279.1
annual change in %	18.2	22.9	1.5	20.9	0.5	6.1	27.8	39.1	14.7	12.0
Imports total, USD bn	53.4	132.1	138.8	142.4	140.2	165.8	225.1	46.6	54.5	265.7
annual change in %	-9.8	14.2	5.1	2.5	-1.5	18.2	35.8	41.0	17.3	18.0
Trade Balance, USD bn	8.7	16.7	12.2	40.4	43.6	29.1	24.1	5.1	4.8	13.4
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 Ruoen, *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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