

## CHINESE ECONOMY DEVELOPS BETTER THAN EXPECTED

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## WIIW China Report

# 4

2000

*In the first three quarters of the year, China's GDP reached a growth rate of 8.2%. For the whole year 2000 a growth rate of the economy of 8.1% seems likely now. This favourable development was supported by a persistent export boom, higher than expected investment and a moderate recovery of consumer demand. For the year 2001 we expect the Chinese economy to grow at a slower pace, at about 7.5%, due to weaker external demand.*

### Key developments in the year 2000

After growth had accelerated from the first quarter (8.1%) to the second quarter (8.3%), it slowed down a bit in the third quarter (8.2%) and we expect this trend to continue in the fourth quarter.

In the first nine months, *exports* expanded by 33.1% compared to the same period of 1999, thanks to the Asian economies recovering from their financial and economic crises and the European and US economies growing rapidly as well. Imports rose strongly (38.7%), too. Yet the Chinese trade balance is still highly positive, standing at USD 19.2 billion at the end of September.

Domestic demand was supported by an acceleration of *investments*, due to public spending, restructuring of the enterprise sector, rising profits and better prospects for the future. Growth of investment in fixed assets reached

12.9% for the first three quarters of the year, i.e. 4.8 percentage points more than last year. The growth of household *consumption* was also higher than in 1999, but not to such an extent as investment. Surprisingly, despite the recovery of consumer demand and the pressure from rising oil prices, the *consumer price index* rose very little only (0.2%) and *retail prices* continued to fall (-1.7%). Obviously, there is still an over-supply of consumer goods.

### Slackening growth of industrial production indicating a slowdown of overall economic activity ?

From the supply side, the acceleration of growth this year was driven by industry. The growth rate of *industrial value added* during the first three quarters, reaching 11.6%, was higher than that of GDP, while value added of *services* increased by 8.1% and that of *agriculture* by 2.2% only<sup>1</sup>. However, beginning with September, the dynamics of industrial activity eased off. Growth rates of industrial value added, after reaching a peak in July and August (12.8%), dropped to 12% in September and 11.4% in October. A similar phenomenon can be observed in other key Asian economies: In Korea, the growth rate of industrial output declined from 15% in September to 11.5% in October. In Japan, 'after the disappointing results for October (1.5%) and November (0.1%) MITI suggests industrial output was set to slow in the final quarter

of 2000 to a rate of 0.7%, down from 1.7% in the July-September quarter<sup>2</sup>. The major reason behind is slowing global demand for technical equipment, in particular for electrical and electronic products. This was triggered off by the slackening of the US economy in the third quarter and a downswing of an inventory cycle of electronic products. However, taking into account the heavy dependence of most Asian countries on electronics, this could mean a turning point of the overall rate of growth in these economies. Such a development would have direct and indirect negative effects on the growth of the Chinese economy as well.

### Outlook for 2000 and 2001

The prospects of the Chinese economy depend to a large extent on the further development of external demand. Under the assumption that the observed deceleration of exports in the third quarter will continue, a certain slowdown of overall economic activity can be expected for the last quarter of this year. However, because of the economic slump in the last quarter of 1999 the statistical basis is very low and the year-to-year growth rate of GDP will not fully reflect this development. Taking the basis effect into account, we expect a GDP growth rate of about 8% for the last quarter and thus a rate of 8.1% for the whole year of 2000.

For the year 2001, a significant slowdown of global output and trade compared to 2000 is forecast (see Table 1), and we therefore expect the Chinese

economy to grow at a slower pace as well. However, as in the past an active fiscal policy can be used by the Chinese government to push up domestic demand and we therefore expect GDP growth to decline only moderately in 2001, probably reaching 7.5%. There are however many uncertainties: China's pending accession to the World Trade Organization (WTO) and its immediate impacts on the economy, the question of a 'soft' or 'hard' landing of the US economy, the development of the Japanese economy (whether or not it will be reasonably stable), and the sustainability of the Asian economies' recovery. In our forecast for the Chinese economy, we took a moderate view with regard to the different possible developments.

It should be further mentioned that the year 2001 marks the beginning of China's Tenth Five-Year Plan, which envisages a doubling of the GDP level between 2000 and 2010, implying an average growth rate of 7%, i.e. somewhat lower than in the last ten years.

### Major Chinese export markets growing faster than expected

In most parts of the world, economic growth turned out stronger than expected in the course of the year as indicated by the IMF 'World Economic Outlook' projections from October 2000. Compared to the forecasts in May, world output for the year 2000 is now expected to grow faster by 0.5 percentage points and world trade by 2.1% (see Table 1). For some major Chinese export

Table 1

### Overview of the *World Economic Outlook* Projections

(Annual percent change)

	1998	1999	Current Projections		Difference from May 2000 Projections	
			2000	2001	2000	2001
<b>World output</b>	<b>2.6</b>	<b>3.4</b>	<b>4.7</b>	<b>4.2</b>	<b>0.5</b>	<b>0.3</b>
United States	4.4	4.2	5.2	3.2	0.8	0.2
Japan	-2.5	0.2	1.4	1.8	0.5	--
Euro area	2.7	2.4	3.5	3.4	0.3	0.2
Newly industrialized Asian economies	-2.3	7.8	7.9	6.1	1.3	--
<b>World trade volume</b> (goods and services)	<b>4.3</b>	<b>5.1</b>	<b>10.0</b>	<b>7.8</b>	<b>2.1</b>	<b>0.6</b>

Source: IMF, *World Economic Outlook*, October 2000, Table 1.1; <http://www.imf.org/external/index.htm>

markets, the USA and the 'Newly Industrialized Asian Economies', the growth differential is even greater. Furthermore, the demand for electrical and electronic equipment, which was particularly weak in the last two years due to oversupply, rose extremely fast. This product group comprises 42% of Chinese exports now.<sup>3</sup> However, if the growth rate of Chinese exports in the first three quarters of this year (33.1%) is compared to that in the first half (38.3%), a certain deceleration of export growth can be observed, which probably reflects the cooling down of the US economy and the beginning saturation of the electronics' market already.<sup>4</sup> Next year the expected lower growth of world trade, in particular of US imports, together with the 'basis effect' of this year's high exports will lead to a significantly lower growth of Chinese exports – even if China finally becomes a WTO member. The immediate impact of WTO membership will be an increase in imports, leading to a smaller trade surplus in 2001. The Chinese trade surplus reached USD 19.2 billion in the first three quarters of 2000, but will further grow during the last months of the year and reach USD 28-30 billion, similar to last year's trade balance.

Notably, imports were growing faster than exports in the first three quarters of 2000 (38.7%), due to the rapidly rising demand for inputs for export processing, the increasing demand for investment goods and, of course, the higher oil bill.

The size of the Chinese current account balance is always difficult to estimate, because of substantial capital flight, reflected in the high value of 'errors and omissions' in the Chinese balance of payments. Recent research of the Beijing University indicates that in the past years, capital flight might have been even twice as high as estimated by the balance-of-payments figures, but that there is a certain tendency for decline – in particular since the Chinese economy is on a fast track again and rumours about a devaluation of the yuan have stopped.<sup>5</sup> Yet the Chinese current account will certainly be highly positive this year and, despite a similar trade balance, will probably surpass that of 1999.

### **Strong investment activity**

Apart from exports, investments are the second important force behind the acceleration of growth of the Chinese economy. For the first nine months of this year the growth rate of public investment in

fixed assets<sup>6</sup> stood at 12.9%, which is 4.8 percentage points higher than during the same period of last year.<sup>7</sup> Moreover, investment activity has accelerated throughout the year, reaching 8.5% for the first quarter and 12.2% for the first half of the year.

Although public investment represents about 70% of total investment only, provisional figures for the first six months indicate that investment in the non-state sector has rebounded as well.<sup>8</sup> Apart from continuously high public spending on infrastructure, enforced restructuring of the enterprise sector, high profits and better prospects for the future help explain the stronger than expected expansion of investment over the first three quarters of 2000. However, the observed deceleration of production growth of heavy industry, mainly driven by fixed asset investments, in September and October points to a certain slowdown of investment activity.

### **Profits skyrocketing from low levels**

From January to October 2000, industrial pre-tax profits doubled on a year-to-year basis, reaching yuan 327.5 billion (USD 39.5 billion), of which profits of state-owned enterprises (SOEs) and of state shareholding companies amounted to yuan 183.9 billion (USD 22.2 billion) and increased even stronger, by 160%. Total profits of enterprises were the highest since the 1990s.<sup>9</sup> Total losses stood just at yuan 99 billion (USD 12 billion), less 13.3%, of which SOEs and shareholding companies accounted for yuan 63.7 billion.<sup>10</sup> This positive development is a result of higher sales, but also of successful restructuring efforts in the SOE sector. The enforced restructuring process, which is going on already for three years now, includes mergers & acquisitions, corporatization, management reforms, debt equity swaps and relief of SOEs, at least partly, from the burden of social security payments.<sup>11</sup> However, labour shedding and social insecurity is the price to be paid.<sup>12</sup>

### **The double effect of 'debt equity swaps'**

On the one hand, 'debt equity swaps' help the banks to free themselves from bad loans and thus will enable them to issue more new loans to finance investments. On the other hand, the so-called 'asset management corporations' taking over the bad debts and swapping them for equity of the debtor companies will put heavy pressure on

these companies to restructure and raise their profitability.

### Consumer demand on a stable path

Retail sales of consumer goods in *nominal* terms expanded by 9.9% during January to September 2000, which is 3.6% percentage points faster than in same period of last year. However, taking into account the smaller decline in retail prices this year than a year ago, the difference in the *real* growth rate of consumer demand is only 2.3 percentage points (11.6% minus 9.3%). The development over the year was rather stable. The extension of 'Labour Day' holidays by the government in May this year had a positive effect on household consumption.<sup>13</sup> Likewise, the 'National Day' holidays in October were extended to one week to push up household consumption in the last quarter of the year. We therefore expect consumption to grow at a similar speed as before for the rest of the year. From a longer-term perspective, however, the situation does not look as stable. The expansion of consumer demand in the first nine months was based on rising urban incomes (8.4%) and a smaller increase in household savings (6.5%) while per capita cash income of the rural population showed the slowest increase for many years (2.5%)<sup>14</sup> – notwithstanding the still rising number of unemployed as a consequence of SOE restructuring. Income disparities might further increase with the expected fall of grain output this year and China's accession to the WTO next year. Therefore, in the medium term, public spending either to support or to supplement private consumption will be necessary to retain high levels of economic growth.

### High stocks prevent prices from rising

Despite acceleration of consumer demand and a strong increase in prices for oil and oil products,<sup>15</sup> the consumer price index (CPI) showed slight increases only and retail prices continued to decline. At the end of September, the CPI was only 0.2% higher than a year earlier and the retail price index was 1.7% lower. This is an indication that many products are still in oversupply. For example, grain and grain products prices have so far not increased, despite a substantial decline of grain output, since the storehouses are still full due to the bumper crops of the past years. This is one of the

many reasons why the rise of rural incomes is so low this year.

### Sharp increase in revenues leave more room to manoeuvre

Fiscal revenues soared by 21% in the first nine months of this year. This was mainly due to the sharp increase in profits, the export boom and enforced tax collection. We therefore expect the Chinese budget deficit to be smaller than expected, but as payments for public debt will be included in government expenditures this year for the first time, the deficit will still be substantial. Nevertheless, the unexpectedly positive development of revenues leaves a wider scope for the government to engage in an active fiscal policy, in case the economy starts to stumble.

### New Five-Year Plan 2001-2005

In October, the proposal for the Tenth Five-Year Plan 2001-2005 was published.<sup>16</sup> In China, nowadays, economic 'plans' are no concrete action plans and give very few quantitative targets. But they present a framework for economic activity and policy. The new Five-Year Plan does not seem to bring up important new issues but focuses on the *deepening* of the reform process of the last few years. The main guiding principle is 'economic development and growth'; the following tasks are emphasized in particular:

- Optimizing and upgrading the industrial structure
- Co-ordinating economic development among different regions
- Developing science, technology and education
- Deepening reform and opening wider to the outside world
- Raising people's living standards and improving the social security system
- Advancing socialist, ethical and cultural progress and the construction of the socialist democracy and legal system
- National defence building
- Strengthening and improving the Party's leadership

In our opinion, the last points, referring to external security and internal stability,<sup>17</sup> should be seen in the light of the Taiwan question<sup>17</sup> on the one hand and a possible power struggle in connection with

President Jiang Zemin's expected resignation in 2002 on the other. The latter will trigger off widespread replacements in leading positions of the old generation by a younger one.<sup>18</sup>

'Deepening of the reform' refers especially to the reform of state-owned enterprises and further promotion of 'diversification of ownership', which is the official terminology when talking about private enterprises in China. 'Opening wider to the world' has to be seen particularly in connection with China's impending accession to the WTO.

### China with 'one foot in WTO'

After reaching a bilateral agreement with the US in October 1999 and with the EU in May this year, the *multilateral negotiations* on China's accession to the World Trading Organization (WTO) have commenced in summer. The purpose of these negotiations is to draw up a detailed plan how to implement China's accession to the WTO under the agreed conditions in concrete terms, i.e. to finalize the so-called 'accession protocol'.<sup>19</sup> But these negotiations turned out more difficult than expected and only in October 2000, during personal visits of US Trade Representative Ch. Barshefsky and EU Trade Commissioner P. Lamy in Beijing, major obstacles could be removed and the negotiations put back on track. Notably, there is still one country left with whom China has not concluded its bilateral negotiations, namely Mexico. The main reason for this is a number of open dumping charges by Mexico against China. But at least according to Chinese sources, the Mexican government will not hinder China's accession to the WTO.<sup>20</sup>

In preparation for WTO membership, China has already started to adjust its legal framework in particular referring to FDI and liberalization of the services sector. For instance, as a first step to liberalize the interest regime, interest rates for large foreign currency deposits and foreign currency loans were freed.<sup>21</sup> In the field of FDI, the wholly foreign-owned enterprises are no longer *required* to 'export all or most of their products or use high-tech and advanced equipment', but are only *encouraged* to do so. Also, for foreign-owned and Chinese-foreign joint ventures, the stipulation that when purchasing raw materials, fuels, and some fittings and fixtures 'priority should be given to the Chinese market' has been lifted.<sup>22</sup>

### Striving for closer regional co-operation: ASEAN + 3

Since the Asian financial and economic crisis in 1998 there has been a general feeling that the region should engage in closer economic and financial co-operation to better protect itself from the pitfalls of globalization. This refers in particular to enhanced collaboration among the three important (north) east Asian economies, Japan, South Korea and China, and between these countries and the south east Asian nations, already co-operating in the framework of ASEAN.<sup>23</sup> As a vehicle of north-south co-operation, an already existing rather loose grouping, the so-called 'ASEAN + 3' forum, comprising the ten ASEAN countries plus China, South Korea and Japan,<sup>24</sup> seems to gain importance. The informal summit of the leaders from the 'ASEAN + 3' in Singapore, on 24 November 2000, focused on the future development of the region and how to strengthen co-operation. The following topics were touched upon: the establishment of an enlarged free trade zone; currency swaps; and the joint development of the Mekong basin. (In May already, the central banks of Japan, China and South Korea had agreed to form a currency swap agreement<sup>25</sup> to fend off currency speculations, which was signed in Singapore now.) Beyond that, in a separate, bilateral meeting between China and ASEAN leaders, China made the proposal to join AFTA and thus to establish a China-ASEAN free trade zone. This proposal is under consideration for the moment.<sup>26</sup>

Even if an 'East Asian Free Trade Area' (EAFTA) and 'Asian Monetary Fund' are still far away, one has to bear in mind that regionalism is definitely becoming stronger in East-Southeast Asia.

### Overall prospects for 2001

External demand, mainly supporting economic growth in 2000, will be weaker next year as major trading partners, in particular the USA and many Asian economies, will grow less dynamically. Imports will probably rise faster after China becomes member of the WTO and the trade surplus thus can be expected to decline. Investment will remain strong and might even accelerate, as the need for restructuring is rising with China's impending accession to the WTO. Also, the financial situation of the enterprise sector has significantly improved this year and more and

more SOEs should get out of the red in the near future. Furthermore, the government has already announced to continue its active fiscal policy,<sup>27</sup> with an emphasis on infrastructure investment, in particular in the backward central and western provinces. We also expect FDI to be higher. Private demand will remain weak, due to continuous labour shedding and slowly rising rural incomes. As to the different sectors of the economy, the industrial sector will probably grow slower than this year because of the deceleration of export growth. The growth of the services sector should remain stable or even rise slightly faster with regard to China's impending WTO membership. Due to structural factors the growth of the primary sector will remain weak.

Altogether, we expect that the Chinese economy will develop less vigorously, and that GDP will rise by about 7.5% in 2001.

## Notes

- <sup>1</sup> The weak performance in agriculture is mainly due to a decline in grain output because of adverse climatic conditions, but a substantial reduction of the grain sowing area as well.
- <sup>2</sup> *China Daily*, 30 November 2000.
- <sup>3</sup> In the first half of this year, computer exports reached 2 million units, which is 200% of the total computer exports in 1999.
- <sup>4</sup> However, partly the deceleration of growth may be explained by a negative 'basis effect', as the Chinese export boom began in the last quarter of 1999 already and thus the statistical basis of the year-to-year growth rates was significantly higher than in the two quarters before.
- <sup>5</sup> *Financial Times*, 10 July 2000, p. 3.
- <sup>6</sup> Investment in nominal terms; excluding investment by rural and urban collectives and individuals.
- <sup>7</sup> The difference should be somewhat less in real terms, assuming that prices for investment goods were a bit lower last year than this year.
- <sup>8</sup> See *WIIW China Report 2/3 2000*, p. 14.
- <sup>9</sup> China Monthly Statistics, 9/2000, p. vi.
- <sup>10</sup> *China Daily*, 28 November 2000. By the end of August, 3684 out of 6599 SOEs losing money in 1997 were making a profit this year.
- <sup>11</sup> For a detailed description and thorough analysis of restructuring of the enterprise sector in China see: Ch. Pigott, *WIIW China Report 2-3/ 2000*, pp. 2-11.
- <sup>12</sup> According to Xinhua News Agency, over the coming years, state-owned enterprises are forecast to cut their workforce by around 10 million and many of those put out of work will have difficulty finding new jobs because of their age and lack of skills (*China Economic Review*, November 2000, p. 4).
- <sup>13</sup> Labour Day holidays were extended to one full week. On this occasion, 45 million domestic tourists spent yuan 18.1 billion. During the seven-day National Day holidays in October, 60 million people travelled across the country which created yuan 23 billion in tourism revenue (*China Daily*, 28 October to 4 November 2000).
- <sup>14</sup> In the past three years, the growth rates of rural per capita income were the following: 4.6 % (1997), 4.3% (1998), 3.8% (1999). In September 2000, urban per capita income was yuan 4719 while rural per capita cash income was yuan 1500 only.
- <sup>15</sup> From January to September 2000, for instance, the petrol price increased by 50%.
- <sup>16</sup> This proposal was presented by Premier Zhu Rongji at the Fifth Plenary Session of the 15<sup>th</sup> Communist Party of China (CPC) Central Committee in the first week of October. It will be further elaborated and finally approved by the Peoples National Congress in March next year. The Proposal has been opened up to the public for the first time and people are encouraged to put forward their opinion to the State Development and Planning Commission until January. For this purpose, a special page was opened on the Commission's website: [www.sdpc.gov.cn](http://www.sdpc.gov.cn)
- <sup>17</sup> Since former Taiwan leader Lee Teng-hui expressed his opinion in summer 1999 that the PR China and Taiwan should discuss the issue of unification on a 'state to state' basis, which has been interpreted by China as questioning the 'one China principle', the military dimension of the problem has gained importance.
- <sup>18</sup> Semi-officially, Vice President Hu Jintao is named as President Jiang Zemin's successor. But nothing is decided yet.
- <sup>19</sup> In addition to that, some special issues not treated in the bilateral agreements, for instance subsidies, are negotiated.
- <sup>20</sup> In April 1993, Mexico levied anti-dumping duties ranging between 16% and 100% of the actual value of the product. So far, more than 1000 Chinese products are still on the Mexican anti-dumping list. This, in China's opinion, goes against the basic principles of the WTO (*China Daily*, 18 November 2000).
- <sup>21</sup> Foreign currency deposits above USD 3 million.
- <sup>22</sup> *China Daily*, 27 October 2000.
- <sup>23</sup> ASEAN: Association of Southeast Asian Nations was founded in 1967 by Indonesia, Malaysia, Singapore, the Philippines and Thailand. Some time later Brunei joined and after the end of the cold war, Vietnam, Laos, Cambodia and Myanmar became members as well. ASEAN therefore comprises ten countries now. The most ambitious project is AFTA (ASEAN Free Trade Area) which calls for stepwise tariff reductions so that by 2003 a 'free trade area', at least between the more advanced ASEAN countries, should be established.
- <sup>24</sup> 'ASEAN + 3' goes back to the year 1994, when the ASEAN leaders, in an effort to promote dialogue between Asian countries, invited Japan, the Republic of Korea and China to attend their first common 'forum' in Bangkok. This grouping of Asian countries (excluding Myanmar, Laos and Cambodia) also became the partner of the European Union in the so-called ASEM (Asia-Europe Meeting) process, initiated in 1996 to promote political, economic and cultural co-operation between the EU and Asia, and a counterweight to the already strong relations between Asia and the USA.
- <sup>25</sup> The plan was a side product of the Annual Gathering of the Asian Development Bank in Chiang Mai, Thailand, this year. It is therefore often referred to as the 'Chiang Mai Initiative'. Currency swaps will allow countries to collectively use their foreign exchange reserves to fight speculative attacks and prevent a situation similar to 1997. Under this agreement, foreign currency interventions up to USD 1 billion are possible.
- <sup>26</sup> Fist reactions were positive from Singapore and Malaysia, while Thailand and Indonesia take a more cautious attitude (*Neue Zürcher Zeitung*, 25/26 November 2000).
- <sup>27</sup> So far, a stimulus package of yuan 100 billion (USD 12 billion) is envisaged for the year 2001.

Table CN

China: Selected Economic Indicators

	1990	1995	1996	1997	1998	1999 <sup>1)</sup>	1999 Jan-Sep	2000 Jan-Sep	2000 forecast	2001 forecast
Population, mn pers., end of period	1143.3	1211.2	1223.9	1236.3	1248.1	1260.6	.	.	.	.
Gross domestic product, CNY bn, nom.	1854.8	5847.8	6788.5	7446.2	7939.6	8205.4	5680.0	6212.4	.	.
annual change in % (real)	3.8	10.5	9.6	8.8	7.8	7.1	7.4	8.2	8.1	7.5
GDP/capita (USD at exchange rate)	339.1	578.2	667.5	729.6	769.8	797.0	.	.	.	.
GDP/capita (USD at PPP - WIIW)	1307.8	2638.2	2904.1	3183.4	3445.4	3686.7	.	.	.	.
Industrial value added										
annual change in % (real)	3.2	13.9	12.1	10.5	9.2	8.5	9.3 <sup>2)</sup>	11.6 <sup>2)</sup>	9.5	8.6
Agricultural value added										
annual change in % (real)	7.3	5.0	5.1	3.5	3.5	2.8	.	2.2	.	2.5
Services value added										
annual change in % (real)	2.3	8.4	7.9	9.1	7.6	6.9	.	8.1	.	8.2
Goods transport, bn t-km	2620.7	3573.0	3645.4	3821.2	3770.6	.	3004.9	3098.3	.	.
Total investment in fixed assets, CNY bn <sup>3)</sup>	451.7	2001.9	2291.4	2494.1	2840.6	2988.0	1176.4	1347.0	.	.
annual change in % (nominal)	2.4	17.5	14.8	8.9	13.9	5.2	8.1	12.9	10.8	11.0
Construction output, CNY bn	194.8	950.5	1157.9	1246.3	1374.1	.	.	.	.	.
annual change in % (nominal)	-10.2	23.6	21.8	7.6	10.3	.	.	.	.	.
Employment total, mn pers., end of period	567.4	679.5	688.5	696.0	699.6	705.8	.	.	.	.
annual change in %	2.6	1.1	1.3	1.1	0.5	.	.	.	.	.
Unemployed (urban) reg., th, end of period	3832	5196	5530	5700	5710	.	.	.	.	.
Unemployment rate (urban) in %, end of per. <sup>4)</sup>	2.5	2.9	3.0	3.1	3.1	3.1	.	.	.	.
Average gross annual wages, CNY <sup>5)</sup>	2140	5500	6210	6470	7479	.	.	.	.	.
annual change in % (real) <sup>6)</sup>	9.2	3.8	3.8	1.1	7.2	.	.	.	.	.
Retail trade turnover, CNY bn	725.0	2062.0	2477.4	2729.9	2915.3	3114.0	2214.9	2433.6	.	.
annual change in % (real)	0.4	12.0	13.0	9.4	9.4	10.1	9.3	11.6	12.0	.
Retail prices, % p.a.	2.1	14.8	6.1	0.8	-2.6	-2.9	-3.0	-1.7	-0.5	.
Consumer prices, % p.a.	3.1	17.1	8.3	2.8	-0.8	-1.3	-1.6	0.2	0.4	.
General government budget, CNY bn										
Revenues	293.7	624.2	740.8	865.1	987.6	1137.7	.	.	.	.
Expenditures	308.4	682.4	793.8	923.3	1079.8	1317.4	.	.	.	.
Deficit (-) / surplus (+)	-14.6	-58.2	-53.0	-58.2	-92.2	-175.9	.	.	.	.
Money supply, CNY bn, end of period										
M0, Currency outside banks	264.1	788.5	880.2	1017.8	1120.4	1345.6	1225.5	1389.5	.	.
M2, Money + quasi money	1468.2	5823.0	7609.5	9099.5	10499.9	11900.0	11507.9	13047.4	.	.
Refinancing rate of NB % p.a., end of period <sup>7)</sup>	7.9	10.4	9.0	8.6	4.6	3.2	3.2	.	.	.
Current account, USD bn	12.0	1.6	7.2	37.0	31.5	15.7	.	.	17.0	13.0
Official forex reserves excl. gold, USD bn	11.1	73.6	105.0	139.9	145.0	154.7	151.5	160.1	.	.
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	29.2	26.6	37.0	40.0
Exports total, USD bn	62.1	148.8	151.1	182.8	183.8	194.9	137.0	182.3	.	.
annual change in %	18.2	22.9	1.5	20.9	0.5	6.1	2.1	33.1	.	.
Imports total, USD bn	53.4	132.1	138.8	142.4	140.2	165.8	117.6	163.1	.	.
annual change in %	-9.8	14.2	5.1	2.5	-1.5	18.2	19.3	38.7	.	.
Trade Balance, USD bn	8.7	16.7	12.2	40.4	43.6	29.1	19.4	19.2	30.0	25.0
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 <sup>8)</sup>	1.24	1.83	1.91	1.90	1.85	1.79	.	.	.	.

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

1) Preliminary. - 2) Quarterly data do not include the whole industrial value added according to the definition of National Accounts. - 3) 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.

4) Ratio of registered urban unemployed in per cent of urban employed and unemployed. - 5) 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. - 6) Staff and workers cost of living index is used as deflator for calculating real wage. - 7) Overnight rate. - 8) Purchasing power parity, ICP-method; see Ren Ruoen, *The Vienna Institute Monthly Report 1006/2*

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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