

LOOKING BACK ON A LANDMARK YEAR

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WIIW China Report

3 2001

2001 was an exceptionally important year for China. To mention just the highlights – China became a member of the World Trade Organization (WTO), Beijing won the bid for the Olympic Games 2008, and Shanghai was host to the APEC Summit, which happened to be the first meeting of World Leaders after the 11th September terrorist attacks. Furthermore, an agreement has been reached between ASEAN and China to establish a free trade zone by the year 2010, comprising 1.7 billion people, the largest FTZ of the world. Last but not least, China has qualified, for the first time in history, for the soccer World Cup finals to take place in Korea/Japan next year!

However, with regard to China's economic development, the upswing beginning last year was interrupted. GDP growth reached 7.6% for the first nine months of the year and it is expected that the economy will grow by 7.4% in the whole year 2001 (2000: 8.0%) and by 7% in 2002.

Overall growth slowing down but still high

Starting with the second quarter of the year, growth of the Chinese economy slowed down, but the growth rate stayed high compared to other countries in the region and given the rapidly deteriorating world economic situation. On a year to year basis, GDP growth reached 8.1% in the first quarter, 7.8% in the second quarter and 7% in the

third quarter. For the last quarter, the growth rate has likely fallen below 7%. With exports faltering, economic development was driven by domestic demand, in particular investment.

Public investment remaining strong, private investment picking up

During the Jan-Sept period, *total investment in fixed assets* was up 15.8% over the same period of last year. *Public investment* accounting for 75% reached 18.2%, growing slightly faster than in the Jan-Jun period. *Private investment* was up 9.1% or rising 1.6 percentage points faster than in the first half of this year.¹

The continued strong rise of public investment is part of the expansive fiscal policy of the Chinese government to support economic growth in view of the slowdown of external demand. But it is also an important instrument for long-term development by improving the country's infrastructure and reducing regional disparities: Investment in the less developed central and western provinces grew faster (21.1% and 24.5% respectively) than in the advanced eastern provinces (17.3%). In 2001, the government issued yuan 150 billion special bonds, yuan 30 billion more than in each of the two last years, a large part of which is spent on upgrading the country's infrastructure such as roads, railways, telecommunication, water treatment and conservancy, energy supply etc.

Regarding the target of investments, investment in 'real estate development' grew fastest (31.4%), reflecting the high public investment in infrastructure but private investment in housing as well. Since the reform of the housing system in China doing away with public housing², private housing is expanding rapidly and becoming an important source of economic growth in China. Also interestingly, investment in the services industry rose over-proportionately (22.0%), probably indicating enforced restructuring to prepare for China's entry into the World Trade Organization (WTO) which is going to open-up the so far highly protected services sector to foreign competition.

The acceleration in private investment is largely due to the inflow of foreign direct investment, elaborated in more detail below.

We expect investment to remain strong for the rest of the year and in 2002 as well, as it has been announced already that the government will continue its proactive fiscal policy and private investment will remain strong due to WTO entry which will increase the pressure for restructuring and attract FDI.

Foreign direct investment rising further

The inflow of *foreign direct investment (FDI)* which began to accelerate in the first half of the year continued. Actually realized FDI reached USD 32.2 billion for the first nine months of this year, 21% more than in the same period of last year. 'Contracted investment' (signed agreements) rose even faster (27%) indicating that the investment boom will continue and might even accelerate. In particular, direct investment from Taiwan can be expected to rise as both countries will be WTO members from next year on and Taiwan's official ban on direct investment to the mainland finally has been lifted recently³. Also, some analysts believe that the unusually strong increase of foreign direct investment in Hong Kong this year is only 'parked' investment for the mainland⁴.

But there are some uncertainties regarding future foreign direct investment as well: China becoming a member of WTO will open new market segments (services, agriculture) but will also lead to the phasing out of preferential treatments of foreign companies, e.g. with respect to taxes⁵. Also,

investment from Japan could slow down due to the slack of the economy and the recent efforts of the Koizumi government to redirect Japanese outward investment to the domestic economy. In the first nine months of this year, Japan was the most important foreign investor in China – and it has always been among the top investors for the last couple of years.

However, one may expect FDI this year to be substantially higher than in 2000 at about USD 44 billion and to remain strong but probably slightly below this level next year.

Stable consumer demand – but deflationary pressure mounts

Retail trade as a proxy for *consumer demand* in the Jan-Sept period expanded at nearly the same rate as in the first half of the year, at 10.1% in nominal terms and 10.7% in real terms, taking into account that the level of *retail prices* kept on falling (-0.6%). Persistent retail deflation indicates that there is still an over-supply of consumer goods in China, in particular of clothing and household appliances, e. g. television sets⁶. However, *consumer prices* (including services, rents and prices for utilities such as transport, electricity supply etc.) increased by 1%, compared to the same period of last year. But, although the increase of consumer prices was similar on average for the first two and the first three quarters of the year, the monthly development shows rising prices until April/May and a falling trend thereafter. With weakening demand for exports and falling world prices for oil and other raw materials, we thus expect the deflation of retail prices to accelerate and consumer prices to stay close to stagnation for the rest of the year.

Consumer demand in 2001 is supported by substantial wage increases in the public sector. The first round of pay rises for civil servants and employees of government supported institutions took place in January and the second round in October. With 1 October, pensions for retired civil servants and unemployment benefits were increased as well. We therefore expect private consumption to remain strong for the rest of the year and retail trade turnover to reach 10.9% real increase for the year 2001 as a whole, despite increased uncertainties about the future overall economic development.

Rural incomes showing signs of recovery

Private consumption in China is largely supported by the urban population in particular the rising well-off middle class⁷. But for the longer term economic development, tapping the rural market is essential. The rural population still counts 800 million, more than 60% of the population, but accrues for 37% of retail sales⁸ only because of much lower incomes. Starting from an already lower level, rural incomes have grown much slower than urban incomes over the last couple of years. In the first three quarters of this year, the average monthly per capita cash income of rural residents reached yuan 182 (USD 22) but that of urban residents yuan 569 (USD 69)⁹. Although urban incomes again rose faster than rural ones (7.4% and 5.2% respectively), rural incomes increased *relatively* fast compared to last year (2.1%) - mainly due to higher subsidies and technical support for farmers - and the spread of growth rates has narrowed. This has also helped to boost consumption.

In the longer run, the planned reform of the existing 'household registration system' should also help to improve rural incomes. The new system will allow people to move more freely from the country side to (smaller)¹⁰ cities. This measure will not only increase urbanization and thus the average level of incomes in China, but also give a better picture of the actual income development by curbing illegal migration.

External demand faltering as global economic development deteriorates

Export growth dropped to 6.9% in the first 9 months of the year, while it had reached 33.1% in the same period of last year. The dramatic deceleration of export growth is a consequence the rapidly weakening global demand. As a considerable share of inputs for Chinese exports are imported, imports too, slowed down significantly. *Import growth* declined to 11.2% from 38.7% in the first 9 months of last year. The trade balance thus stayed in surplus at USD 13.4 bn, but the surplus was considerably less than for the same period of last year (USD 19.2 bn), dampening the overall growth of the economy

The global economic development has significantly deteriorated over the year and the two biggest economies of the world, the US and Japan, but other major economies as well have fallen into recession. Growth projections for 2001 have continuously been revised downward by national

and international institutions (IMF, OECD, UN etc.) and in autumn the expected upswing was postponed from the last quarter of 2001 to the second half of 2002 - the economic outlook for Japan is even worse. Although this development took shape in late summer already it was accentuated by direct and indirect impacts of the 11th September Terrorist Attack in New York and Washington.

Chinese exports expanded at a lower rate than last year to all major regions of the world: Exports to the US increased at 4.9%, to the EU at 5.9% and to Asia at 6.6%. But notably, exports to many developing countries, although up from a very small level, rose over-proportionately (for instance to India, Iraq, Angola, Brazil) showing successful diversification of exports to non-traditional markets under the pressure of declining global demand¹¹. Moreover, the Chinese product structure still comprising a large share of 'traditional' consumer goods such as textiles, shoes, toys etc. helped to avoid an even stronger slow-down of exports such as in other Asian countries specializing on high-tech electronic goods which experienced even negative export growth this year (e.g. Japan, Singapore, Taiwan, Malaysia). So far, Chinese exports showed an absolute decline in the month of June only and after recovering somewhat during the third quarter, exports in October stayed at the same level as last year. Given the further deterioration of the global economy, we may expect zero or slightly negative export growth for the last two months of the year and a rate of about 5% for the year as a whole. Exports growth will remain slow until the second half of 2002. The expected sluggish export development in the near future is in line with the recent sharp decline of *imports*, which because of the high import content of Chinese exports are considered a kind of a 'leading indicator'. However, in the last couple of months, the significant decline of oil prices and other industrial raw material prices has dampened import growth - in nominal terms - as well.

Impacts of foreign trade on the Chinese economy difficult to predict

Because of the close link of exports and imports and various time lags, the development of the *trade balance* and thus the overall impact of foreign trade on the economy is extremely difficult to predict. Basically, in the beginning of a slow-down of foreign demand, we would expect the trade

balance to deteriorate, then stabilize and even increase because of an over-proportionate deceleration of imports. But as the demand for inputs will rise before the final product is sold, imports will start to recover earlier than exports, leading to a new, temporary deterioration of the trade balance before a balanced growth of exports and imports and thus a rising trade surplus is reached again.

Industrial production slowing down moderately

Industrial value added expanded at a rate of 10.3% (in real terms) in the first nine months of the year, somewhat slower than in the same period last year (11.6%). But, the impact of the global economic slowdown was less pronounced than in many other, more export oriented Asian economies. However, value added of foreign investment enterprises producing 50% of exports rose faster (12.3%) than that of state-owned enterprises (9.1%), supplying 43% of exports¹². For the rest of the year we expect industrial value added to slow down further but not to a substantial degree. Taking into account that quarterly figures do not include all enterprises we thus expect total industrial value added to grow by 8.8% for the whole year of 2001.

Agricultural production developing steadily, service sector falling behind

The growth rate of *agricultural value added* was 2.5% in the first nine months, slightly higher than in the same period last year. Affected by a reduction in sown area of grain and severe drought, the output of summer grain and early rice was 135 mn tons, with a decrease of 8.5 mn tons. However, the sown area of high quality special-use wheat was increased by more than 1.3 mn hectares, and that of quality rice and quality rape was also increased a lot¹³. Given 'normal' weather conditions for the rest of the year we expect a growth rate of 2.5% for 2001, slightly higher than in 2000.

Value added of the *services sector* increased by 7.0% in the first nine month, less than GDP and significantly less than services in the same period last year (8.1%). This over-proportionate slowing down of the services sector points to certain structural weaknesses, typical for socialist economies.

WTO entry becoming effective on 1 January 2002

After 15 years of arduous negotiations with the World Trade Organization (WTO), China finally signed the Accession Protocol on 11 November 2001, at the fourth WTO Ministerial Conference in Qatar¹⁴. Following the usual procedure, China became an official member four weeks later, that is on 11 December 2001. But it will not start to implement the tariff cuts and market opening until January 1 2002, according to the official Xinhua news agency.¹⁵ One day after China, Taiwan ('Chinese Taipei' in WTO language) signed the Accession Protocol as well. Both economies becoming members of WTO next year will most probably increase bilateral trade beyond the existing level.

The overall impact of WTO membership on the Chinese economy is difficult to assess. Broadly speaking, the impacts will be rather limited in the short run, due to various transitory measures, they may be negative in the medium run but are expected to boost economic development in the long run. From a sectoral point of view, the (export) industry will be a potential winner and agriculture a potential loser – the services sector is confronted with enormous challenges but opportunities as well. Concerning the individual people, those willing and able to adjust will find new opportunities but those who are too old and/or less educated may well suffer. Much will depend, however, on the implementation of WTO rules and the accompanying measures. A thorough analysis of the consequences of WTO membership on China on the one hand and on trading partners and foreign investors on the other will be given in the WIIW China Report 4/2001 forthcoming soon.

Currency devaluation rather unlikely

Despite the massive slowdown of export growth, a devaluation of the Chinese currency is not considered a proper tool to boost exports. Chinese products are still very cheap and under the current tight situation on the world market, devaluation of the yuan might easily trigger off a round of competitive devaluations. Also, China most probably is taking a 'wait-and-see' position after having just joined WTO and membership becoming effective next year only. Moreover, China's official foreign currency reserves are among the highest in

the world and still rising, reaching USD 195.8 bn in September, USD 60 bn more than at the beginning of the year.¹⁶ (Relatively seen, they are equivalent to imports for about 10 months.)

APEC Summit 2001 in Shanghai: condemning terrorism

The Asia Pacific Economic Co-operation (APEC) was founded in 1989, comprising 12 Pacific Rim economies¹⁷. The first Summit (meeting of heads of states) was held in Seattle (USA) in 1993 but the most important Summit took place in Bogor (Indonesia) in 1994, putting-up the three pillars of APEC: Establishing a zone of free trade between the more APEC advanced members until 2010 and including the less advanced members until 2020; to promote investment; to support the less developed members. Plans, how to achieve these goals should be submitted by the individual countries within the next two years. But these plans were delayed and APEC lost steam, in particular during the Asian Financial Crisis. The APEC Summit 2001 was scheduled to take place in Shanghai end of October. This Summit thus happened to be the first meeting of heads of states after the 11 September Terrorist Attack¹⁸ and for the first time APEC issued a *political resolution*, condemning terrorism and proclaiming solidarity in fighting it. The Chinese government's explicit support for the US in its fight against terrorism beyond doubt contributed substantially to smoothing the relations between China and the US which had been under severe strain since the bombing of the Chinese embassy in Belgrade and the recent crash between an US and a Chinese military plane. But probably the idea behind the Chinese government's support of the US battle against Muslim extremists is to get more liberty of action to fight Uygur (Moslem) rebels in the north-western province of Xinjiang. Anyhow, many ordinary Chinese were less supportive than the government, showing anti-American sentiment and sometimes even malicious joy.¹⁹

Preparing for a Free Trade Zone 'ASEAN-China'

Parallel to the ASEAN²⁰ Summit in Bandar Seri Begawan (Brunei) in November this year, consultations between ASEAN and China, Japan and the Republic of Korea were held under the new formula ASEAN+1 respectively ASEAN+3²¹. On this occasion, a pioneering agreement was reached on establishing a free trade zone within 10 years between ASEAN and China²². This free

trade zone comprising 1.7 bn people will become the largest free trade zone of the world. Furthermore, this agreement might be the first step in the direction of establishing an 'East Asia Free Trade Zone' (EAFTZ) including Japan and Korea as well.

Estimates for the full year 2001

Public and private investment will remain strong for the rest of 2001 and total investment in fixed assets for the whole year will increase by 15% (in nominal terms), that is 5.7 percentage points higher than last year. Private consumption will remain stable, supported by substantial wage increases in the public sector and might rise at about 11% (in real terms) over the whole year, similar to the year before. Consumer price inflation will be low (0.8%) and deflation of retail prices will persist (-0.7%) Foreign demand will increase by 5% for the whole year only, compared to 27.8% last year. However, due to the close link between export and import growth, the trade balance is expected to stay highly positive at USD 19 bn, although significantly below last year's level (USD 24.1 bn). For the overall economy we expect a growth rate of 7.4% for 2001 – of which the agricultural sector might rise by 2.5%, industry by 8.8% and the services sector by 7%.

Prospects for 2002

For the year 2002, the outlook is less optimistic than a few months ago, when WIIW expected a better development than in 2001. Now a deterioration is assumed rather than an improvement as the economic slowdown of China's major trading partners is stronger than anticipated and the upswing will be deferred. Accordingly, it is expected that growth of the Chinese economy will further decelerate in the first half of the year and start to pick up in the second half only.

However, as elaborated above, the net effect of foreign trade on the Chinese economy is difficult to tell because of the typical link between export- and import growth and in particular because of China's WTO entry. The author of this article estimates that over the year a whole, exports and imports will grow somewhat faster than 2001 but that the *trade surplus* will decline by USD 5 bn to about USD 14 bn. Also, a possible decline in the net revenue from foreign tourism²³ may put additional strain on the current account but this may be compensated by less profits being repatriated and

reinvested instead because of improved business opportunities after WTO accession. Nevertheless, the current account can be expected to deteriorate significantly and might reach USD 10.5 bn in 1002 only. But a devaluation of the Chinese currency is not envisaged, as the 'economic fundamentals' are considered sound.

Anyhow, because of the size of the Chinese economy – net exports of goods and services account for less than 3% of GDP only - the development in 2002 will depend largely on the domestic market. The government has already announced to continue its proactive policy to support growth²⁴ and thus public investment will stay high. Private investment might weaken slightly, given a more pessimistic business attitude on the one hand but relative good profits in 2001, the pressing need for restructuring and the continuous strong inflow of foreign direct investment in the light of China's WTO entry on the other. Total investment in fixed assets is thus assumed to rise by about 14% next year. Growth of private consumption could weaken to a certain extent as income growth might decelerate, but under the assumption that the expected social costs of adjustment to WTO will spread over several years the impact in the first year will be limited only.

As to the different sectors of the economy, industry will probably grow at a significantly slower pace (8%) than this year, because of the deterioration of net trade and a certain slowdown of domestic demand. The agricultural sector will have to struggle against liberalized imports under WTO rules which might dampen growth to a certain extent (2.3%). The development of the services sector is most difficult to predict as this sector faces the greatest challenges but opportunities as well from WTO entry. In the longer growth foreign involvement and competitive pressure should boost the sector, but in the short term the acceleration of growth might be rather small (7.2%).

For the overall economy we expect a growth rate of about 7% for the year 2002.

Notes

- ¹ China Monthly Statistics 9/2001, page 1 of the 'Report'. *Public investment* refers to 'investment completed by state owned units and other ownership units', *private investment* to 'investment by collectives and individuals' in Chinese terminology.
- ² After the founding of the PR China in 1949, 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. See: 'Private housing a key factor of consumer demand', WIIW China Report 2001/1, pp. 4 and 5.
- ³ Under the new rules implemented on 7 November 2001, Taiwanese companies will be able to invest directly in China rather than through third countries, which they had done to circumvent the restrictions. Also, Taiwan will scrap a USD50 million limit on individual investments in China and give automatic approval to investments of less than USD20 million. It will allow special offices of Taiwanese banks to transfer money directly to and from Chinese banks. (International Herald Tribune, 8 November 2001)
- ⁴ Foreign mother companies are granting long term loans to their Hong Kong affiliates which then will invest the money in the mainland when the time is ripe.
- ⁵ For example, the government is considering implementing a unified income tax to end tax favours that foreign-funded companies currently enjoy. The income tax rate for domestic enterprises is 33%, while the figure stands at just 17% for foreign-funded companies. (China Daily, 19 November 2001). Another subject under discussion are preferences linked to foreign investors in Special Economic Zones.
- ⁶ It is estimated that for 80% of industrial consumer goods supply is exceeding demand.
- ⁷ For more details, see WIIW China Report 2/2001.
- ⁸ See for instance China Monthly Statistics 6/2001, 'Report', p. 2.
- ⁹ Converted at the official exchange rate for the USD. If calculated at purchasing power parities (PPP), urban monthly incomes would come up to about USD 325 and rural ones to 104 USD.
- ¹⁰ In particular migration to the 'Mega-cities' such as Beijing, Shanghai, Guangzhou etc. will remain restricted.
- ¹¹ Chinese exports to Africa (Angola: 34.5%!) rose by 18.8% and exports to Latin America by 16%. Exports to Russia expanded by 19.8%.
- ¹² Only 7% of exports come from private enterprises (Maja Linnemann, Außenhandelsstelle Peking, Wirtschaftskammer Österreich at a symposium on 'Co-operation in Science and Technology between Austria and China', University of Vienna, 3 December 2001). One has to take into account, however, that in Chinese terminology 'public enterprises' include state owned share holding enterprises and collective enterprises which very often behave more like private than like public enterprises.

- ¹³ China Monthly Statistics 9/2001, 'Report', p. 1.
- ¹⁴ On 17 September 2001 already, the breakthrough in the negotiations was announced by the WTO authorities in Geneva, after the last open issues regarding subsidies for agricultural products and foreign participation in (life) insurance companies had been solved. See WIIW China Report 2/2002, p. 5.
- ¹⁵ Quoted from Financial Times, 20 November 2002, p. 8.
- ¹⁶ In addition to that, individual foreign currency deposits amounted to about USD 80 bn by the end of September 2001. (China Daily, 14 November 2001)
- ¹⁷ USA, Canada, Australia, New Zealand, Japan, Indonesia, Malaysia, Philippines, Thailand, Singapore, Brunei, Rep. of Korea – China, Hong Kong, Chinese Taipei, Mexico, Chile, Papua New Guinea, Peru, Vietnam and Russia joined later, thus APEC in 2001 counted 21 members.
- ¹⁸ The APEC summit was also the highest profile international meeting so far in the history of the PR China (China Daily, 17 October 2001).
- ¹⁹ See, for instance, Neue Zürcher Zeitung, 18 September 2001.
- ²⁰ 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.
- ²¹ This new grouping goes back to the year 1994, when ASEAN leaders in an effort to promote the dialogue between Asian countries initiated the first 'forum' with China, Japan and the Republic of Korea in Bangkok. Consultations take place between ASEAN and each individual country (ASEAN+1) and in the larger group (ASEAN+3) as well.
- ²² This agreement goes back to a proposal made by China on the ASEAN informal summit in Singapore last year – see WIIW China Report 4/2000, p. 5.
- ²³ The number of foreign tourists visiting China might suffer from the weak income development in major countries of origin (Japan!) and of risk aversion in the aftermath of the 11 September 2001 terrorist attacks. On the other hand, more Chinese than usual may travel abroad to watch their national soccer team which for the first time in history has qualified for the World Cup Finals to take place jointly in the Republic of Korea and Japan – furthermore as Group C, which the Chinese team is part of, will play in nearby Korea. According to Sports Weekly, a Chinese sports newspaper, a Chinese fan will have to spend about USD 1000 for a three-day tour to South Korea, including one match ticket. China International Travel Service (CITS) estimates there will be about 100,000 Chinese soccer enthusiasts ready to travel abroad. However, the limiting factor will be the tickets available. (China Daily, 8-9 December 2001).
- ²⁴ In an interview on the occasion of the International Monetary Fund and World Bank meetings in Ottawa in November this year, Finance Minister Xiang Huaicheng announced that he intended to issue the same amount of government bonds (yuan 150 bn, USD 18 bn) in 2002 as in 2001.

Table CN

China: Selected Economic Indicators

	1990	1995	1996	1997	1998	1999	2000 ¹⁾	2000 Jan-Sep	2001 Jan-Sep	2001 forecast	2002
Population, mn pers., end of period	1143.3	1211.2	1223.9	1236.3	1248.1	1259.1	1265.8 ²⁾	.	.	1277.3	1288.0
Gross domestic product, CNY bn, nom.	1854.8	5847.8	6788.5	7446.2	7834.5	8191.1	8940.0	6212.4	6722.7	.	.
annual change in % (real)	3.8	10.5	9.6	8.8	7.8	7.1	8.0	8.2	7.6	7.4	7.0
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	11.6	10.3	8.8	8.0
Agricultural value added											
annual change in % (real)	7.3	5.0	5.1	3.5	3.5	2.8	2.4	2.2	2.5	2.5	2.3
Services value added											
annual change in % (real)	2.3	8.4	7.9	9.1	7.6	6.9	7.8	8.1	7.0	7.0	7.2
Goods transport, bn t-km	2620.7	3573.0	3645.4	3821.2	3770.6	3940.5	4243.0	3098.3	.	.	.
Total investment in fixed assets, CNY bn ⁴⁾	451.7	2001.9	2291.4	2494.1	2840.6	2988.0	3261.9	1347.0	1591.9	.	.
annual change in % (nominal)	2.4	17.5	14.8	8.9	13.9	5.2	9.3	12.9	18.2	15.0	14.0
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	.	.	4.1	.
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	2433.6	2700.0	.	.
annual change in % (real)	0.4	12.0	13.0	9.4	9.4	10.1	11.1	11.6	10.7	10.9	.
Retail prices, % p.a.	2.1	14.8	6.1	0.8	-2.6	-2.9	-1.4	-1.7	-0.6	-0.7	.
Consumer prices, % p.a.	3.1	17.1	8.3	2.8	-0.8	-1.3	0.4	0.2	1.0	0.8	.
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	1389.5	1500.0	.	.
M2, Money + quasi money	1468.2	5823.0	7609.5	9099.5	10499.	11900.	13461.	13047.	15200.	.	.
Refinancing rate of NB % p.a., end of period ⁸⁾	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	20.5	.	.	15.0	10.5
Official forex reserves excl. gold, USD bn	11.1	73.6	105.0	139.9	145.0	154.7	165.6	160.1	195.8	210.0	.
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	26.6	32.2	44.0	42.0
Exports total, USD bn	62.1	148.8	151.1	182.8	183.8	194.9	249.2	182.3	194.8	262.0	.
annual change in %	18.2	22.9	1.5	20.9	0.5	6.1	27.8	33.1	6.9	5.0	.
Imports total, USD bn	53.4	132.1	138.8	142.4	140.2	165.8	225.1	163.1	181.4	243	.
annual change in %	-9.8	14.2	5.1	2.5	-1.5	18.2	35.8	38.7	11.2	8.0	.
Trade Balance, USD bn	8.7	16.7	12.2	40.4	43.6	29.1	24.1	19.2	13.4	19.0	14
Average exchange rate CNY/USD	4.78	8.35	8.31	8.29	8.28	8.28	8.28	8.28	8.28	8.28	8.28
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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