



The Chinese Economy: What China is Doing Right

1. The latest forecasts from the IMF say that China's economy will be 44 percent bigger in 2020.¹ This compares with –

- 16 percent for the U.S.²
- 5 percent for Japan³
- 45 percent for India⁴

2. The IMF expects that China will account for 33.6 percent of world economic growth in 2015.⁵ This compares with –

- 12.2 percent for the U.S
- 1.1 percent for Japan
- 15.5 percent for India

3. It has taken just two years (2013 and 2014) for China to add more value to its economy than Australia's GDP.⁶

4. China is moving to a growth model driven by domestic consumption. In the first half of 2015 consumption accounted for 60 percent of China's growth.⁷ This compares with –

- 54.4 percent in the first half of 2014
- 45.2 percent in the first half of 2013

5. In the first half of 2015 Chinese household disposable income and consumption expenditure grew by more than 9 percent.⁸

6. In the June quarter of 2015 the wages of migrant workers in China – a key indicator of slack in the domestic labour market – grew by 9.8 percent.⁹

7. The leading independent forward indicator of Chinese consumer sentiment has increased for three straight months and is now higher than one year ago.¹⁰

8. The largest part of China's economy is also its fastest growing. In 2014, the services sector accounted for 48.2 percent of GDP. This was 6 percentage points more than industry and construction combined. In the first half of 2015 the services sector expanded by 8.4 percent.¹¹

9. The leading independent forward indicator of activity in China's services sector has been in expansion territory throughout 2015.¹²

10. The policy interest rate in China is 4.6 percent.¹³ This compares with 0 percent in the U.S, Japan and the EU.

¹ <https://www.imf.org/external/pubs/ft/scr/2015/cr15234.pdf>

² <https://www.imf.org/external/pubs/ft/scr/2015/cr15168.pdf>

³ <http://www.imf.org/external/pubs/ft/scr/2015/cr15197.pdf>

⁴ <http://www.imf.org/external/pubs/ft/scr/2015/cr1561.pdf>

⁵ <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/statapp.pdf>;

<http://www.imf.org/external/pubs/ft/weo/2015/update/02/>

⁶ <http://data.worldbank.org/indicator/NY.GDP.MKTP.CN>;

<http://www.rba.gov.au/statistics/tables/xls-hist/f11hist.xls>

⁷ CEIC database

⁸ CEIC database

⁹ CEIC database

¹⁰ <https://businessfocus.westpacgroup.com.au/blog/2015/august/26/westpac-mni-china-consumer-sentiment-survey-august-2015/>

¹¹ CEIC database

¹² <http://www.tradingeconomics.com/china/services-pmi>

¹³ <http://www.global-rates.com/interest-rates/central-banks/central-banks.aspx>