China Economy Overview
Summary:

• As the country with the largest population in the world, China has a total population of 1.38 billion in 2016, an increase of 5.88% compared with 2015 and it is estimated that it will reach or exceed 1.4 billion in the next few years. Although the liberation of the “two-child” policy will lead to a slight increase in China’s population in a few years, the structure change in the labor force caused by population aging will further drag down the pace of China's economic development.

• Economically, although China has become the world's second-largest economy, its GDP growth rate further declined in 2016, and the overall economic situation in China will not be optimistic. In terms of industrial structure, the proportion of service industries continued to increase, and some products with high value-added and high-tech content also increased rapidly. In the next few years, supply-side structural reforms, especially cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness are still important measures for China's structural optimization.
Summary:

- China has gradually entered an aging with the proportion of people over the age of 65 in 2016 climbing to 10.8%. It is estimated that in the coming decades, this aging phenomenon may bring China to a more severe condition.

- In 2016, Chinese resident income growth was overall faster than the economic growth. Annual national per-capita disposable income was 23,821 yuan, an increase of 8.4% over the previous year and faster than the GDP growth rate.

- In 2016, China's foreign trade import and export volume both declined, which was one of the factors of China's economic decline.
Summary:

- The market has been developing steadily. In 2016, the number of newly registered enterprises in China remained at a high level, with stable and orderly market order.

- Due to the increasingly fierce international competition for attracting foreign investment and the downturn in the domestic economy, the amount of China's foreign investment in 2016 dropped slightly to US $ 126 billion.

- In 2016, the amount of China's Outward Foreign Direct Investment (OFDI) increased by 43.5% to reach US $ 183 billion. China surpassed Japan for the first time to become the second largest global investor after the United States, up 3 places compared to 2015. With the construction of the Belt and Road and the promotion of international capacity cooperation, China's outward foreign direct investment is expected to remain at a relatively high level.

- In 2016, under the strong appreciation of the U.S. dollar and the expected impact of rate hike by the Federal Reserve, the exchange rate of the RMB against the U.S. dollar devalued, with an annual average of 6.64.
China:
Country with the largest population
The world’s second largest economy

A population of over 1.3 billion
90% is Han group
56 ethnic groups
Over 80 dialects
Over 70% population speak Mandarin

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Mainland China:
Excluding Hong Kong, Macau & Taiwan

4 Municipalities
5 Autonomous Regions
23 Provinces
(including Taiwan)
2 Special Administrative Regions
661 Cities
Super cities:
Beijing
Shanghai
Guangzhou
Shenzhen

1st tier cities:
Tianjin
Shenyang
Dalian
Harbin
Jinan
Qingdao
Nanjing
Hangzhou
Wuhan
Chongqing
Chengdu
Xi’an
2nd tier cities:
Shijiazhuang  Changchun
Hohhot       Taiyuan
Zhengzhou    Hefei
Wuxi         Suzhou
Ningbo       Fuzhou
Xiamen       Nanchang
Changsha     Shantou
Zhuhai       Haikou
Sanya        Nanning
Guiyang      Kunming
Lhasa        Lanzhou
Xining       Yinchuan
Urumchi
In 2016, the population in China showed a trend of continuous growth. The population birth rate and natural growth rate have picked up, which is mainly due to the overall liberalization of the "two child" policy.

China’s Population Trend

- **Total Population (Billion)**
- **Birth Rate (‰)**
- **Natural Growth Rate (‰)**
In recent years, the gender ratio in China has been relatively stable and has been in a situation where there are slightly more men than women.

**China’s Gender Ratio**

Source: National Bureau of Statistics of the People’s Republic of China
Since 2000, China has strived to transform to modernization and urbanization. By 2016, the proportion of urban population reached 57.4%.

Source: National Bureau of Statistics of the People’s Republic of China
Since 2000, the declining birth rate and the extension in the life expectancy of people have also led to the aging phenomenon in China. The number of people over the age of 65 has accounted for more than one-tenth of the total population, and this proportion is constantly on the rise.

China’s Age Structure

Source: National Bureau of Statistics of the People’s Republic of China
Over the past few years, global economy continued to move downward. The situation is the same in China, whose GDP growth rate has gradually dropped year by year in recent 5 years.

### China’s GDP and Growth Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (Billion RMB)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>10,028</td>
<td>8.5</td>
</tr>
<tr>
<td>2001</td>
<td>11,086</td>
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<tr>
<td>2002</td>
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<td>2004</td>
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<td>18,732</td>
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<td>2006</td>
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<td>2007</td>
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<td>2008</td>
<td>31,952</td>
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<tr>
<td>2009</td>
<td>34,908</td>
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<td>2011</td>
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<td>68,905</td>
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</tr>
<tr>
<td>2016</td>
<td>74,413</td>
<td>6.7</td>
</tr>
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</table>

Source: National Bureau of Statistics of the People’s Republic of China  
Note: Accounting method was adjusted in July 2016.
In recent years, China's per capita GDP growth rate continued to decline, and is lower than the national GDP growth. Therefore, the change and adjustment of the demographic structure have a tremendous impact on the entire Chinese economy and the gross national product (GNP).

**China’s Per-capita GDP and Growth Rate**

- **Per-capita GDP (RMB)**
- **Growth Rate (%)**

Source: National Bureau of Statistics of the People’s Republic of China
In 2016, the share of service industries in China's GDP continued to rise, reaching more than half, which marked that the level of China's economic and social development has reached a new stage, and indicated that the industrial structure and consumption structure of China have been upgraded to a new level.

China's GDP structure

[Graph showing the percentage of Primary Industry, Secondary Industry, Tertiary Industry, and Gross Domestic Product (Billion RMB) from 2000 to 2016.]

Source: National Bureau of Statistics of the People's Republic of China
### 31 Provinces and Municipalities’ GDP and growth rate in 2015-2016

<table>
<thead>
<tr>
<th></th>
<th>2016 GDP Rank</th>
<th>2016 GDP (billion Yuan)</th>
<th>2016 GDP Growth</th>
<th>2015 GDP Rank</th>
<th>2015 GDP (billion Yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Guangdong</td>
<td>7951.2</td>
<td>7.5%</td>
<td>Guangdong</td>
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<tr>
<td>2</td>
<td>Jiangsu</td>
<td>7608.6</td>
<td>7.8%</td>
<td>Jiangsu</td>
<td>7011.6</td>
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<tr>
<td>3</td>
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<td>6700.8</td>
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<td>4</td>
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<td>Sichuan</td>
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<tr>
<td>7</td>
<td>Hubei</td>
<td>3229.8</td>
<td>8.1%</td>
<td>Hebei</td>
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<tr>
<td>8</td>
<td>Hebei</td>
<td>3182.8</td>
<td>6.8%</td>
<td>Hubei</td>
<td>2955.0</td>
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<tr>
<td>9</td>
<td>Hunan</td>
<td>3124.5</td>
<td>7.9%</td>
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<tr>
<td>10</td>
<td>Fujian</td>
<td>2851.9</td>
<td>8.4%</td>
<td>Fujian</td>
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<tr>
<td>11</td>
<td>Shanghai</td>
<td>2746.5</td>
<td>6.8%</td>
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<tr>
<td>12</td>
<td>Beijing</td>
<td>2489.9</td>
<td>6.7%</td>
<td>Beijing</td>
<td>2301.5</td>
</tr>
<tr>
<td>13</td>
<td>Anhui</td>
<td>2411.8</td>
<td>8.7%</td>
<td>Anhui</td>
<td>2200.6</td>
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<tr>
<td>14</td>
<td>Shaanxi</td>
<td>1916.5</td>
<td>7.6%</td>
<td>Shaanxi</td>
<td>1802.2</td>
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<tr>
<td>15</td>
<td>Inner Mongolia</td>
<td>1863.3</td>
<td>7.2%</td>
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<tr>
<td>16</td>
<td>Jiangxi</td>
<td>1836.4</td>
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<tr>
<td>17</td>
<td>Guangxi Autonomous Region</td>
<td>1824.5</td>
<td>7.3%</td>
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<tr>
<td>18</td>
<td>Tianjin</td>
<td>1788.5</td>
<td>9.0%</td>
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<td>1487.0</td>
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<tr>
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<td>1173.4</td>
<td>10.5%</td>
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<tr>
<td>22</td>
<td>Xinjiang Autonomous Region</td>
<td>956.0</td>
<td>7.6%</td>
<td>Xinjiang Autonomous Region</td>
<td>932.5</td>
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<tr>
<td>23</td>
<td>Gansu</td>
<td>715.2</td>
<td>7.6%</td>
<td>Gansu</td>
<td>679.0</td>
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<tr>
<td>24</td>
<td>Hainan</td>
<td>404.5</td>
<td>7.5%</td>
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<td>370.3</td>
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<tr>
<td>25</td>
<td>Ningxia Autonomous Region</td>
<td>315.0</td>
<td>8.1%</td>
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<tr>
<td>26</td>
<td>Qinghai</td>
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<td>8.0%</td>
<td>Qinghai</td>
<td>241.7</td>
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<tr>
<td>27</td>
<td>Tibet Autonomous Region</td>
<td>114.8</td>
<td>11.5%</td>
<td>Tibet Autonomous Region</td>
<td>102.6</td>
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<tr>
<td>28</td>
<td>Shanxi</td>
<td>Unpublished</td>
<td>4.5%</td>
<td>Hainan</td>
<td>370.3</td>
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<tr>
<td>29</td>
<td>Liaoning</td>
<td>Unpublished</td>
<td>Unpublished</td>
<td>Ningxia Autonomous Region</td>
<td>291.2</td>
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<tr>
<td>30</td>
<td>Jilin</td>
<td>Unpublished</td>
<td>6.9%</td>
<td>Qinghai</td>
<td>241.7</td>
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<tr>
<td>31</td>
<td>Heilongjiang</td>
<td>Unpublished</td>
<td>6.1%</td>
<td>Tibet Autonomous Region</td>
<td>102.6</td>
</tr>
</tbody>
</table>

Source: Local Government’s Report and Bureau of Statistics
The industrial producer price index (PPI) has maintained negative growth for five consecutive years. Although domestic supply-side reforms, cutting overcapacity, and increases in international bulk stock prices have boosted the PPI, the weak demand has caused a lack of continuity in the recovery of the PPI. In 2016, the consumer price index (CPI) rebounded slightly, and inflationary pressure remained high.

**China’s Consumer Price Index & China’s Industrial Producer Price Index**

![Graph showing CPI and PPI over years]

Source: National Bureau of Statistics of the People’s Republic of China
With the continuous development of the service industry, the scale of the service industry in providing employment positions is also growing. In 2016, the proportion of employed persons in the tertiary industry reached 43.5%, a sharp increase from 2015. Among them, the ability of the high-tech service industry and the people's livelihood service industry to provide employment positions was more prominent.

**Employment in Different Industries**

Source: China’s Ministry of Human Resources and Social Security
In 2016, Chinese resident income growth was overall faster than economic growth. The annual national per capita disposable income of the country reached 23,821 yuan, an increase of 8.4% over the previous year. After deducting the price factor, the per capita disposable income actually increased by 6.3%. Among them, the per capita disposable income of urban residents was 33,616 yuan and the per capita disposable income of rural residents was 12,363 yuan.

**Chinese Residents’ Per-Capita Disposable Income**

- **Per Capita Disposable Income of Urban Residents (RMB)**
- **Per Capita Disposable Income of Rural Residents (RMB)**

Source: National Bureau of Statistics of the People's Republic of China
In 2016, China's foreign trade import and export volume both declined. Nevertheless, China's export growth rate was still better than the world's major economies and emerging countries. It was noteworthy that the import and export of processing trade or traditional labor-intensive products had been greatly reduced.

China's Total Foreign Trade Volume

Total Amount of Import and Export (Billion USD) vs Total Amount of Export (Billion USD) vs Total Amount of Import (Billion USD)

Source: National Bureau of Statistics of the People's Republic of China
The superposition effect of the commercial system reform and the national entrepreneurship innovation policy has effectively promoted the rapid growth of main market players. In 2016, the number of newly registered enterprises nationwide was 5.528 million, an increase of 24.5% over the previous year, breaking a new record.

New Registered Enterprises & Foreign-funded Enterprises in China

Source: SAIC General Office, Statistics Department

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China market has been and will continue to be the most important “foreign investment friendly” market. Most foreign enterprises positioned China market not only as a manufacturing base but also as the world’s largest market, hence had no intention to withdraw their investment.

Source: National Bureau of Statistics of the People’s Republic of China
Note: Basic information of foreign-funded enterprises is obtained from SAIC. Since 2008, the branches of the foreign-funded enterprises were included in the statistics.
In year-on-year terms, China’s foreign direct investment amount decreased slightly in 2016, which was dampened by sluggish international economic situation.

China’s Foreign Direct Investment Amount

- Actual Utilized Amount of FDI (Billion USD)

Source: National Bureau of Statistics of the People’s Republic of China
In 2016, the amount of China's Outward Foreign Direct Investment (OFDI) increased by 43.5% to reach US $ 183 billion. China surpassed Japan for the first time to become the second largest global investor after the United States, up 3 places compared to 2015. With the construction of the Belt and Road and the promotion of international capacity cooperation, China's outward foreign direct investment is expected to remain at a relatively high level.

**China’s Outward Direct Investment**

![China’s Outward Direct Investment](image)

Source: United Nations Conference on Trade and Development
In 2016, under the strong appreciation of the U.S. dollar and the expected impact of rate hike by the Federal Reserve, the exchange rate of the RMB against the U.S. dollar devalued, with an annual average of 6.64.

China’s RMB Exchange Rate (Yearly Average)

Source: National Bureau of Statistics of the People’s Republic of China
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