

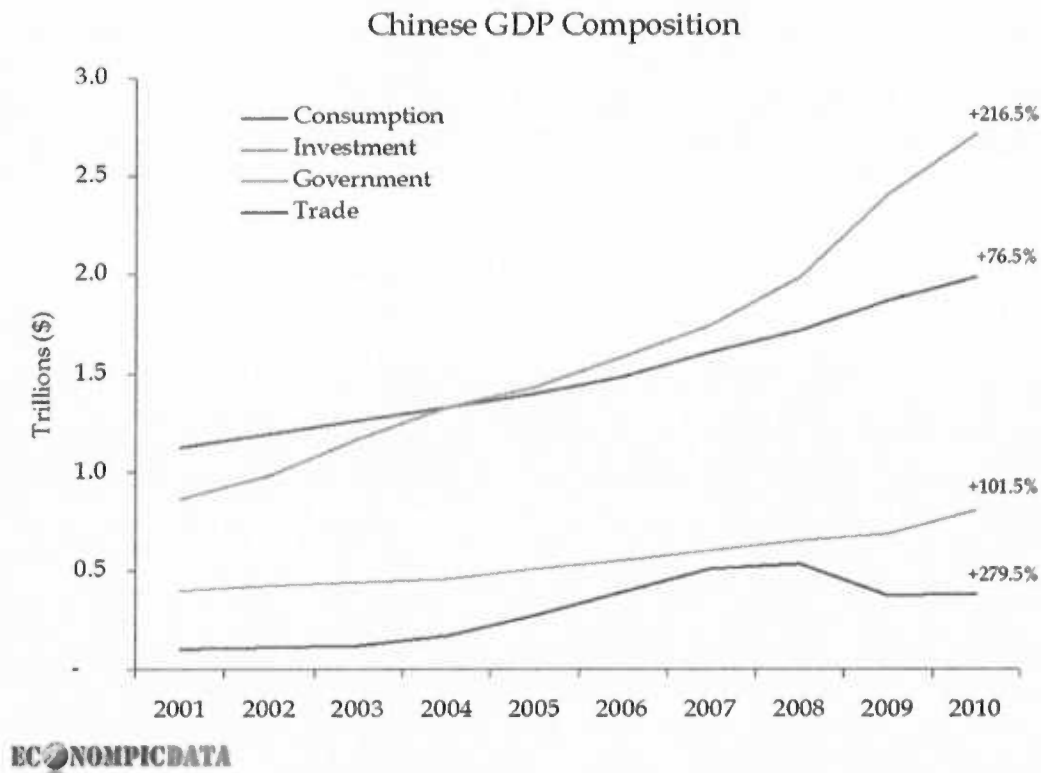
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Economics

Study of Chinese GDP

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Consumer spending accounts for over 70% of the U.S. economy. China on the other hand is not a consumer-driven economy. Despite the tremendous growth in recent years, consumer spending is relatively less in China. Much of the growth reported by China comes from investment spending rather than consumption spending.

Consumer spending has been growing, the overall economy in China has been growing even faster, driven by domestic investment.

According to the second graph, it is significant China consumption was going down from 2001 to 2010, on the other hand, China investment was going up during the past ten years. In China, private consumption's share of GDP fell to 33.8% in 2010, from 45.3% in 2001. In the past year, discretionary spending was checked by tighter monetary policy and higher inflation. Lower growth and inflationary woes will continue to impact the Chinese consumer.

Investment in China grew from 34 percent of GDP in 2001 to over 44 percent in 2010—an average annual growth of 12.7 percent, relative to a 10.4 percent rate of growth in GDP during this period.

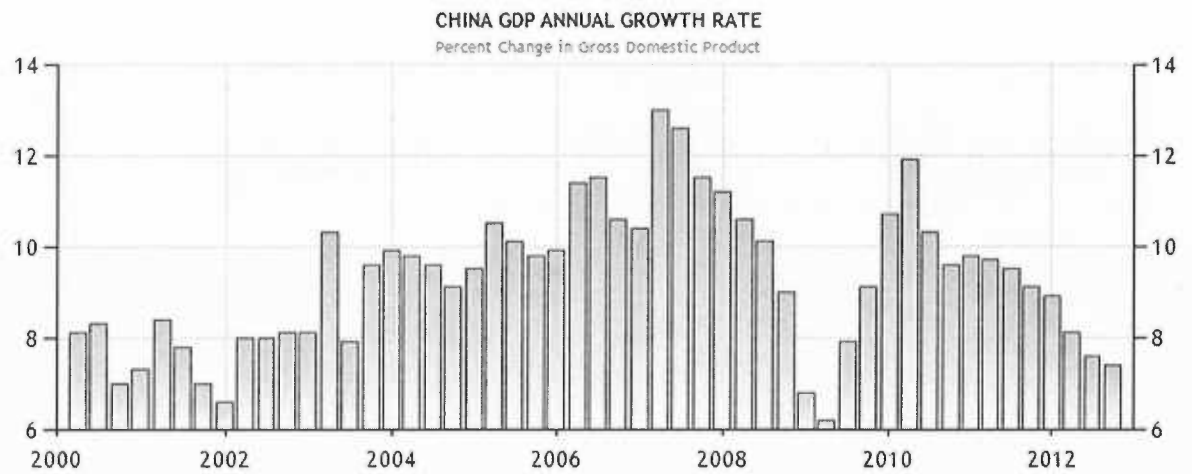
The rapid growth in China's per capita GDP in the past ten years is better explained by changes in the world that have enabled China to benefit from its labor resources — most notably lower transaction costs due to technological developments and, no less importantly, a different global order of trade. China's high

per capita GDP growth rate, we should focus on its sustainability. We observed that the large size of government's share in the economy means that growth in China has been driven mainly by investment by the government rather than consumption by the private sector. Since much of the benefits of growth in GDP go back to the state because of its large size, some reports indicates that the growth in GDP has much less impact on the growth in private consumption than in economies in which the private sector plays a more significant role. It believes that while relying on investment by the state has previously produced growth at the cost of lower private consumption, the same cannot continue in the future as the physical infrastructure in China is already showing signs of overinvestment.

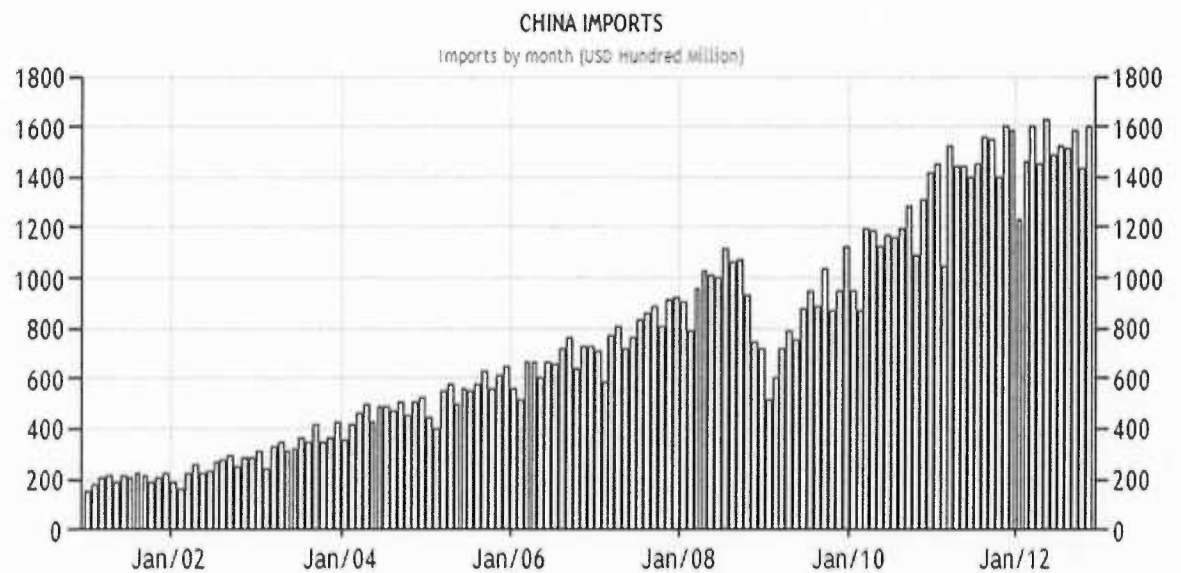
	Consumption	Investment	Government	Trade
2001	45.3%	34.6%	16.0%	4.0%
2002	44.0%	36.2%	15.6%	4.2%
2003	42.2%	39.1%	14.7%	4.0%
2004	40.6%	40.5%	13.9%	5.1%
2005	38.8%	39.7%	14.1%	7.4%
2006	36.9%	39.6%	13.7%	9.7%
2007	36.0%	39.1%	13.5%	11.4%
2008	35.1%	40.7%	13.3%	10.9%
2009	35.0%	45.2%	12.8%	7.0%
2010	33.8%	46.2%	13.6%	6.4%

* McKinsey Quarterly, McKinsey Research and GEI Analysis

Ever since 1979 to 2007 Chinese GDP has grown 9.6% annually



Next few graphs show the import/export of china over the past decade 2001-2012



CHINA EXPORTS

Exports by month (USD Hundred Million)

