

# China Macroeconomic Situation and Outlook, 2012

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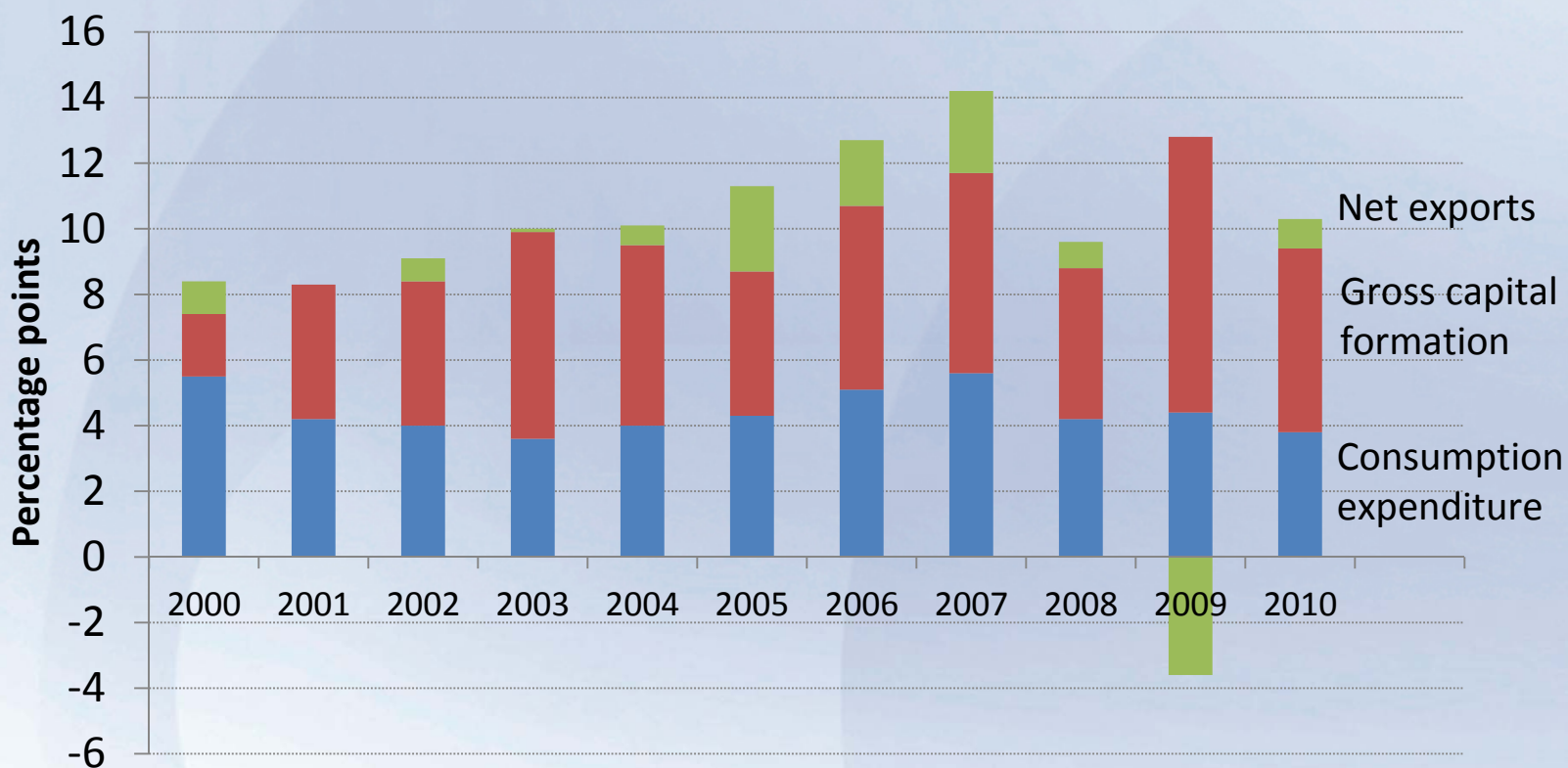
# Summary

- China's Premier announced a 7.5% GDP growth target, lower than the customary 8% target
- Slower long-term GDP growth in China does not necessarily mean slower demand for agricultural imports
- There may be deceleration of fixed asset investment.
- Consumption will continue growing but China is grappling with natural resource scarcity, favorable for agricultural imports



Most of China's recent GDP growth came from investment in fixed assets: gross capital formation.

China: Components of GDP growth, 2000-10



Source: ERS analysis of data from China National Bureau of Statistics

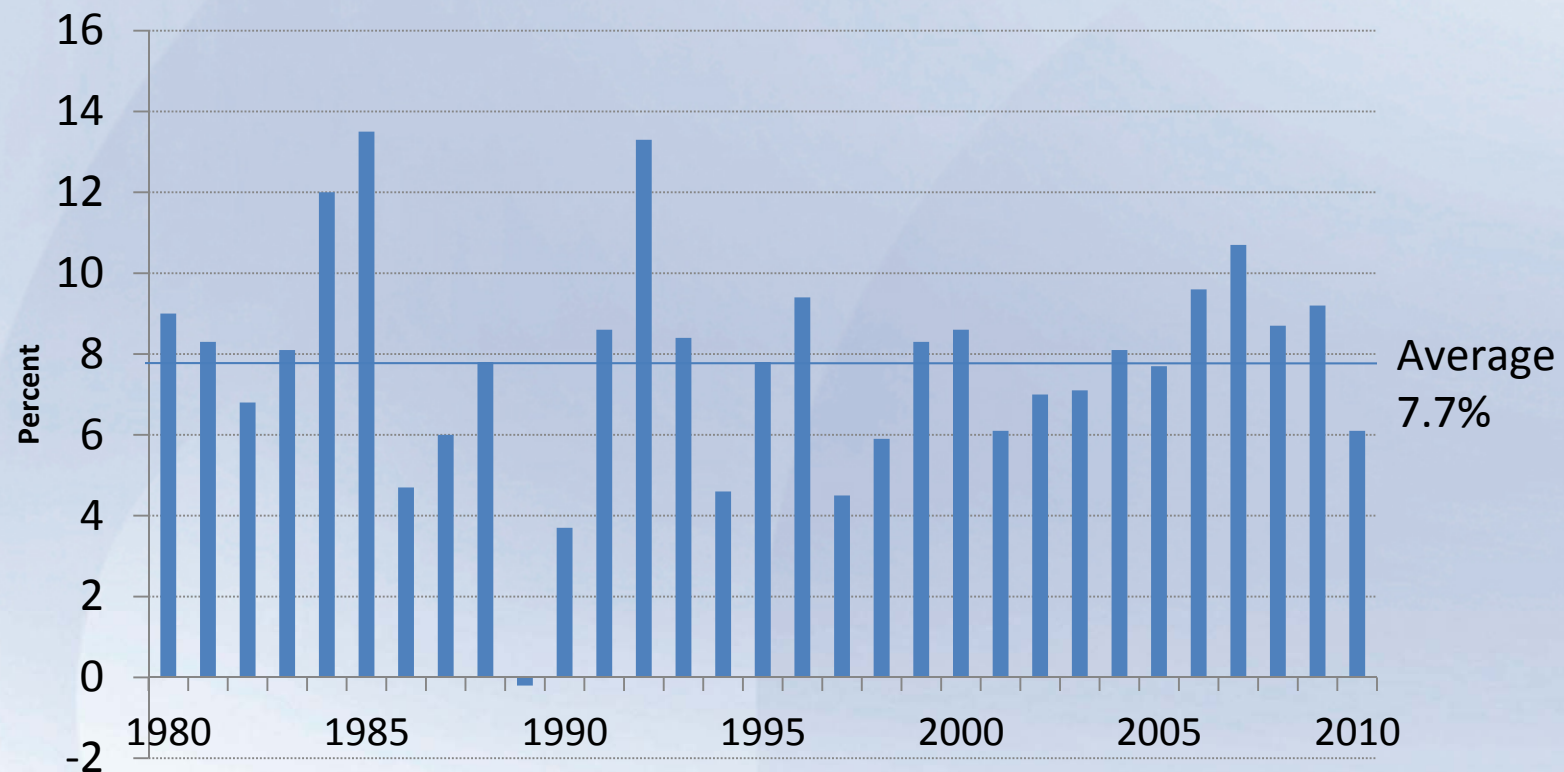




China's consumption growth has been robust, just not as fast as investment growth.

The average 7.7% annual growth in consumption since 1980 is very close to the Chinese Premier's recent announced target of 7.5% for GDP growth

### China: growth in household consumption



Source: ERS analysis of data from China National Bureau of Statistics.



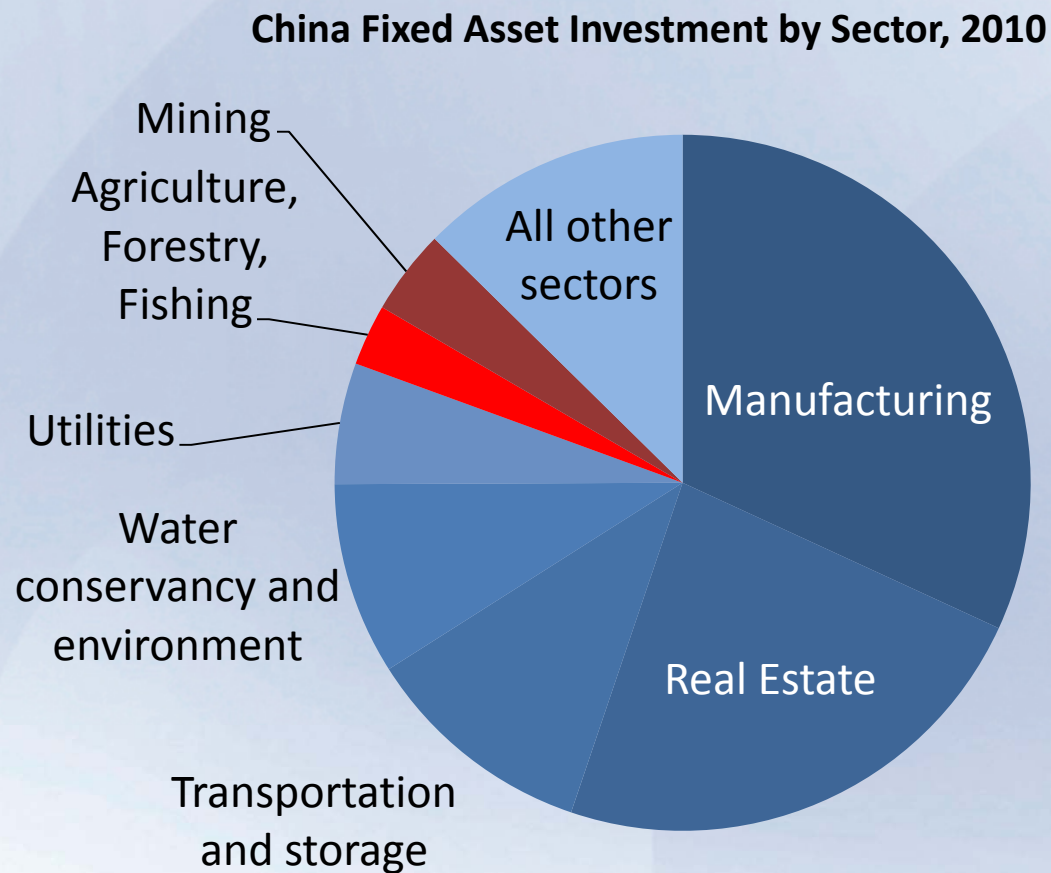
## Growth in investment is about three times faster than consumption growth

China fixed asset investment growth in 2011		
Category (selected sectors)	Growth (percent)	Share of total (percent)
National average	23.8	100.0
Agriculture (not including farm households)	25.0	2.2
All Manufacturing	31.8	34.0
Primary agricultural processing	44.1	1.7
Food manufacturing	23.1	0.8
Beverages	40.7	0.6
Textiles	30.9	1.2
Apparel and footwear	43.0	0.8
Real estate	29.7	25.1

Source: ERS analysis of data from China National Bureau of Statistics.



Focus of investment spending is manufacturing and real estate  
Relatively little investment in resource-based industries—agriculture and mining  
Raw material supplies are increasingly being strained; prices and costs are rising

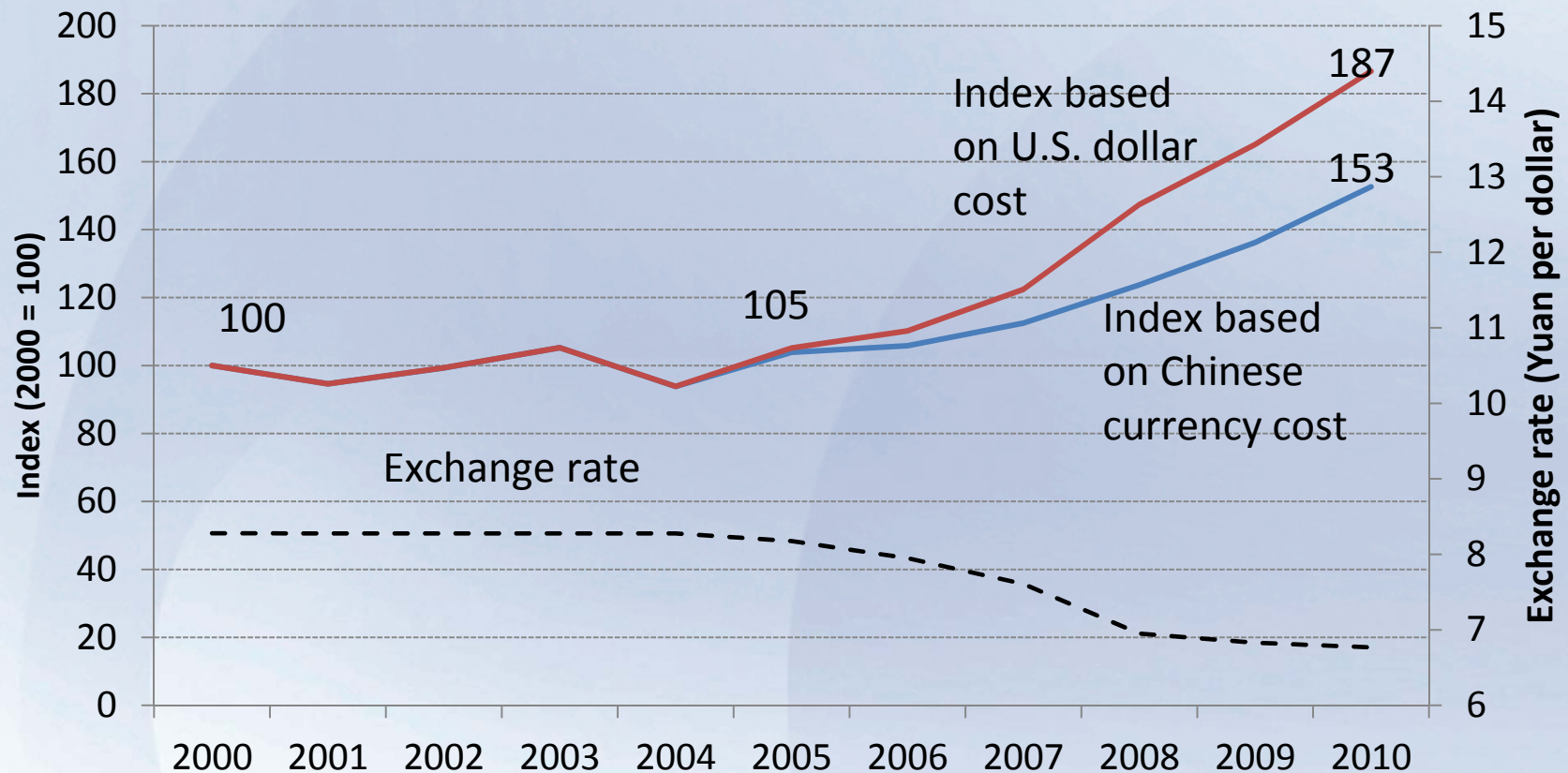


Source: ERS analysis of data from China National Bureau of Statistics.



China's rising production costs push prices higher and create opportunities for imports  
Since 2000, costs in Chinese currency are up 53%.  
Valued in U.S. dollars, costs are up 87%

### Cost of Producing a Kilogram of Grain in China



Source: ERS calculations using data from China National Development and Reform Commission.





# Some challenges facing China's economic readjustment

- Processing capacity must be in sync with raw material supplies and demand for final products
  - In most industries capacity outpaces raw materials



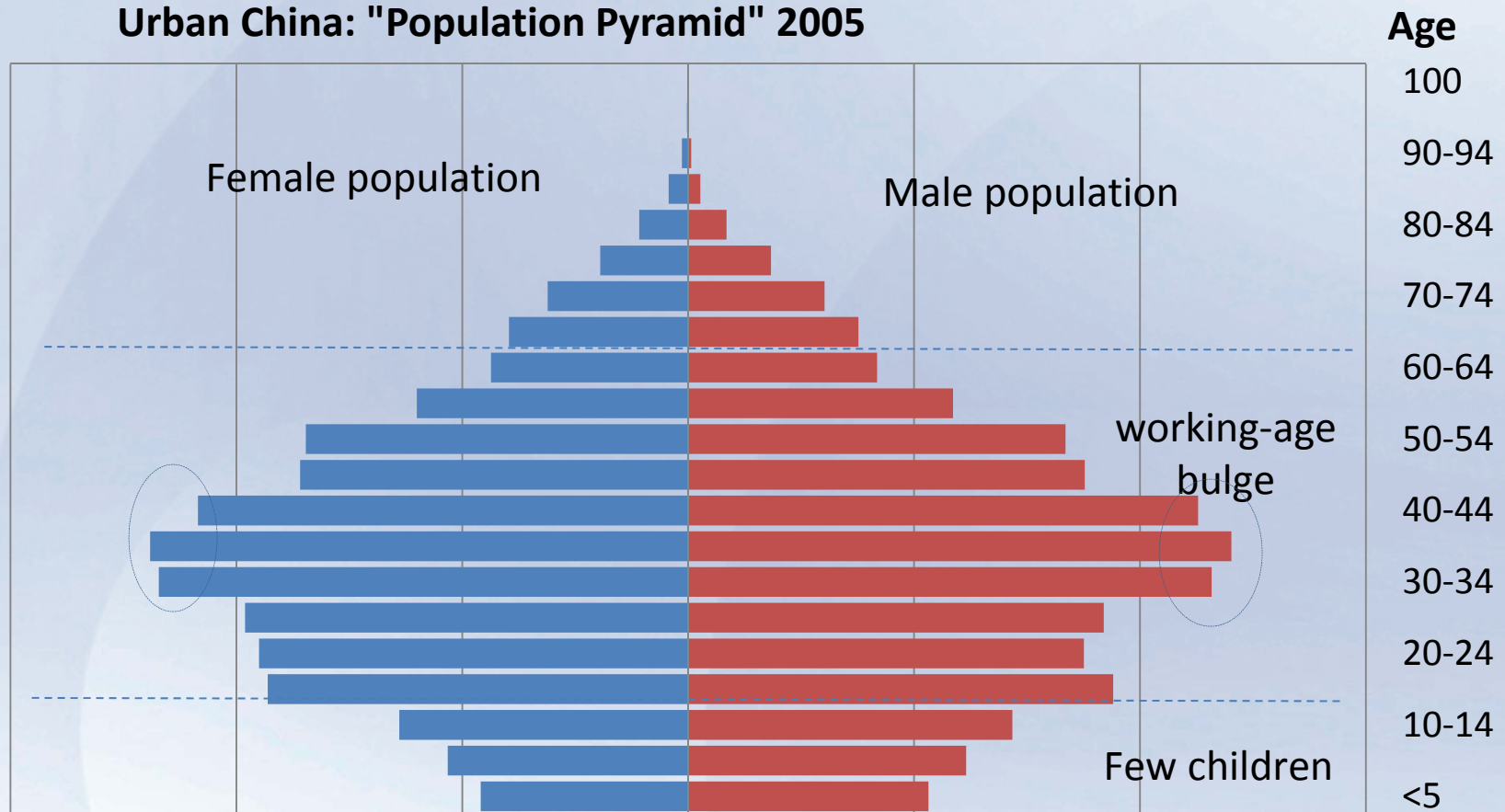


- Battle between big companies and small operators
  - Large, modern companies compete with numerous small operators with low overhead costs who flout rules



Demography: China's baby boomers (born 1962-75) are now in their late 30s and 40s, peak age for working-consuming-saving. This accelerated growth and investment. These people will be moving into retirement with few children to support an expanding elderly population. Labor force growth is slowing.

**Urban China: "Population Pyramid" 2005**



Source: ERS analysis of China national Bureau of Statistics 1% sample of population Survey, 2005 .



# For more information

- ERS China Briefing Room  
<http://www.ers.usda.gov/briefing/china>
- ERS China Agricultural Economic Database  
<http://www.ers.usda.gov/data/china>

