

La Chine a-t-elle fini ses 30 glorieuses ?
JECO - 2016

Christophe DESTAIS - CEPII

SOMMAIRE

Slide 4: Croissance

Slide 10 : Un croissance déséquilibrée

Slide 9: Rebalancing : Internal Market

Slide 16: Rebalancing Industry - Services

Slide 19: Rebalancing consumption - investment

Slide 21: Accumulation du capital et productivité

Slide 28: Demographie

Slide 37 : Surendettement

Slide 46: Bulle immobilière

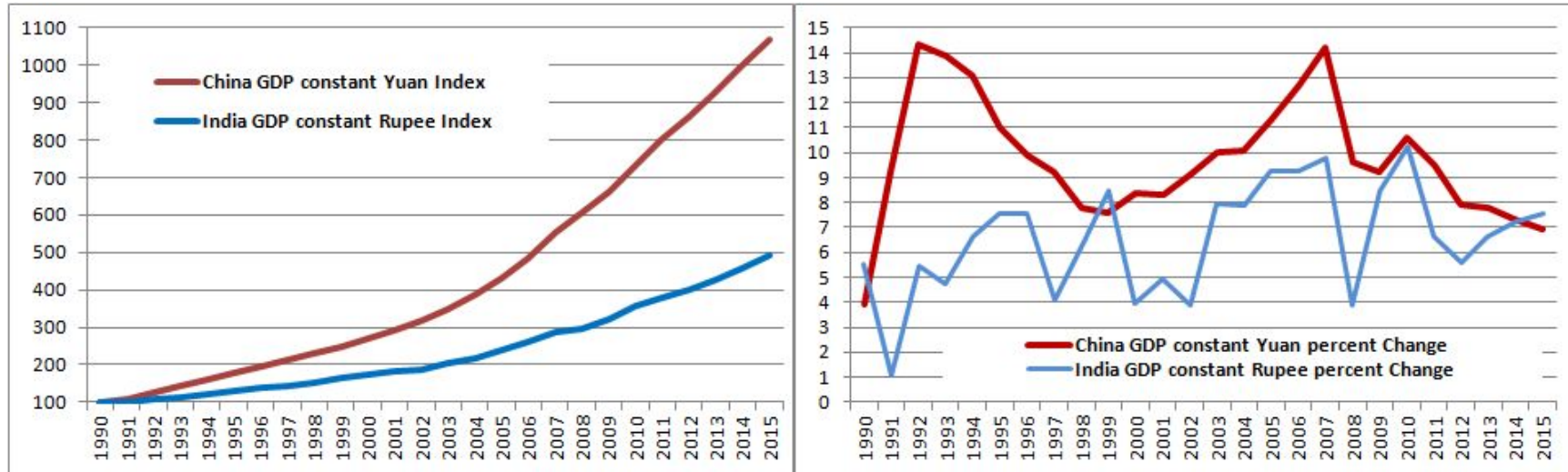
Slide 51: Ouverture du compte de capital

Slide 57: Disparités régionales

Slide 57: La fiabilité des statistiques

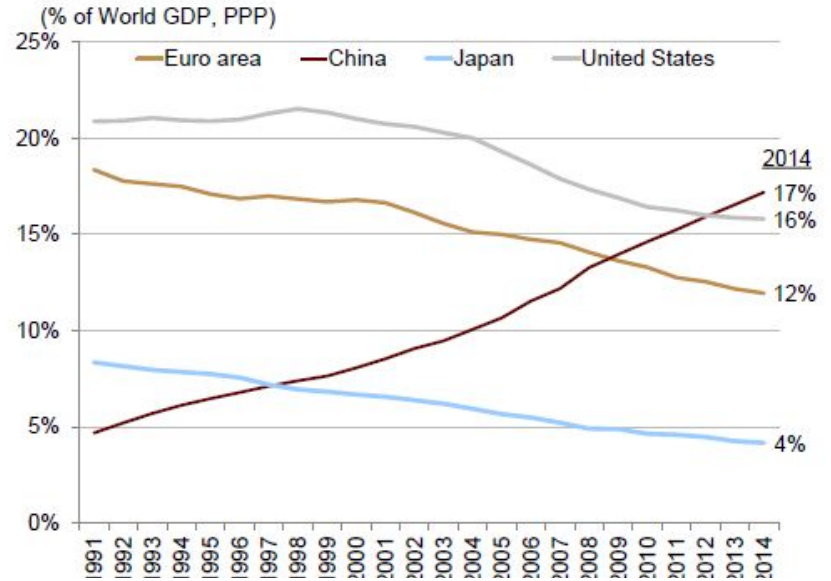
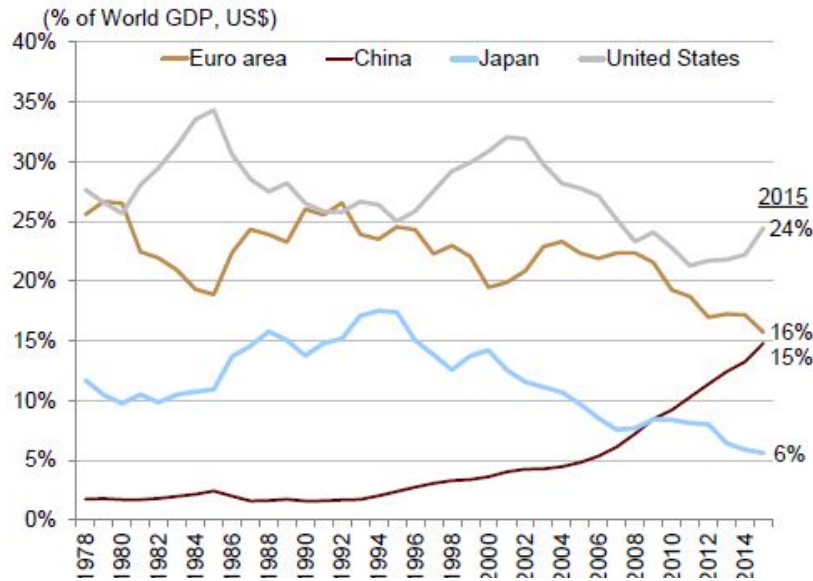
Croissance

Croissance réelle (monnaie locale)

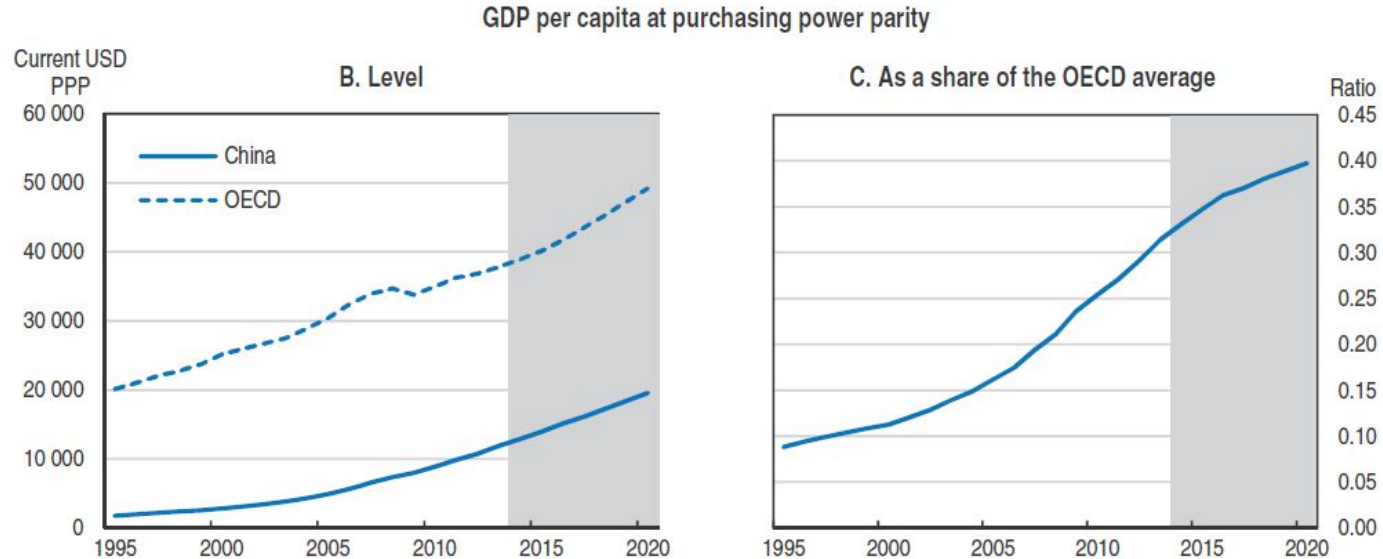


International Monetary Fund, World Economic Outlook Database, October 2016

Part de la Chine dans l'économie mondiale



La croissance ppa



Note: The shaded areas indicate forecasts.

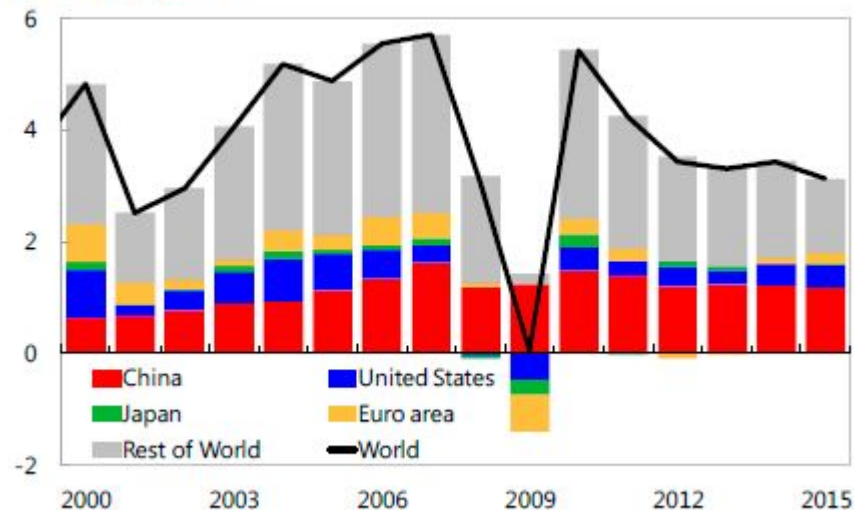
Source: World Bank World Development Indicators database; OECD Economic Outlook 96 Database, OECD Long-term Baseline projections 96, National Bureau of Statistics.

Contribution à la croissance mondiale

La croissance chinoise ralentit mais la croissance mondiale aussi. Compte-tenu de la taille de son économie, la croissance en Chine a représenté ces dernières années environ 1/3 de la croissance mondiale.

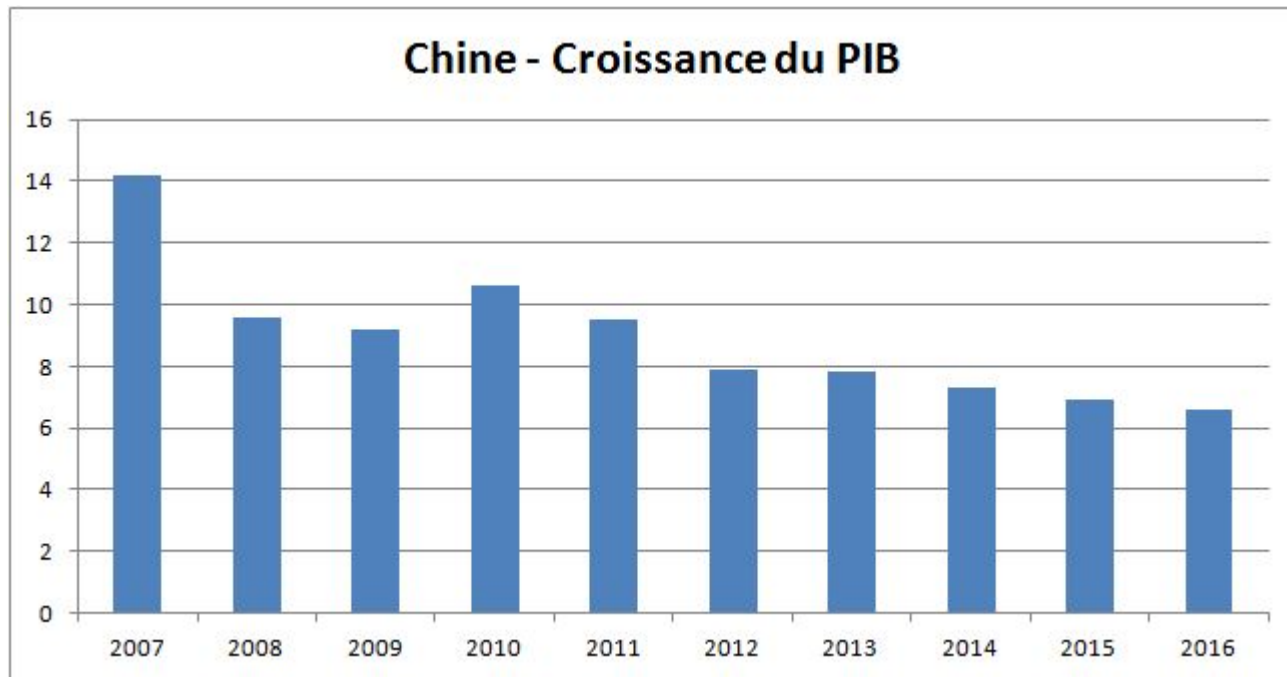
Contribution to Global Growth: Still Large

(In percentage points)



Sources: World Economic Outlook (WEO); and IMF staff estimates.

Un atterrissage en douceur ?

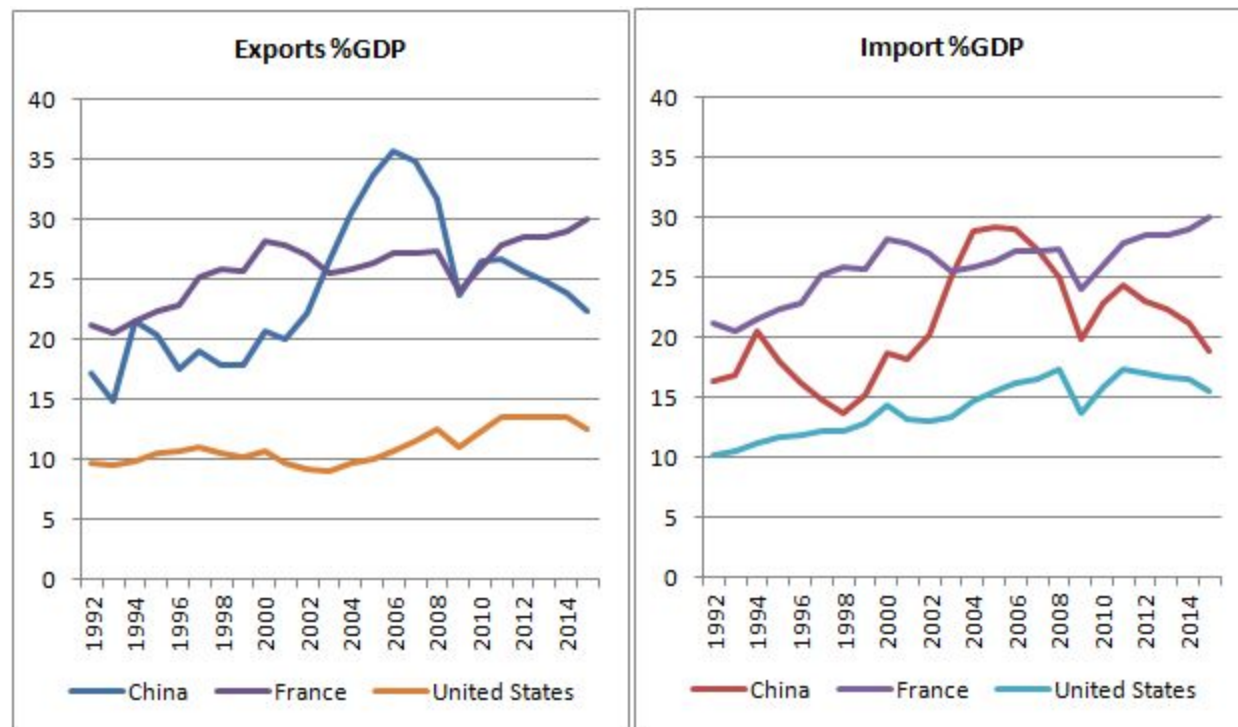


unbalanced, uncoordinated and unsustainable

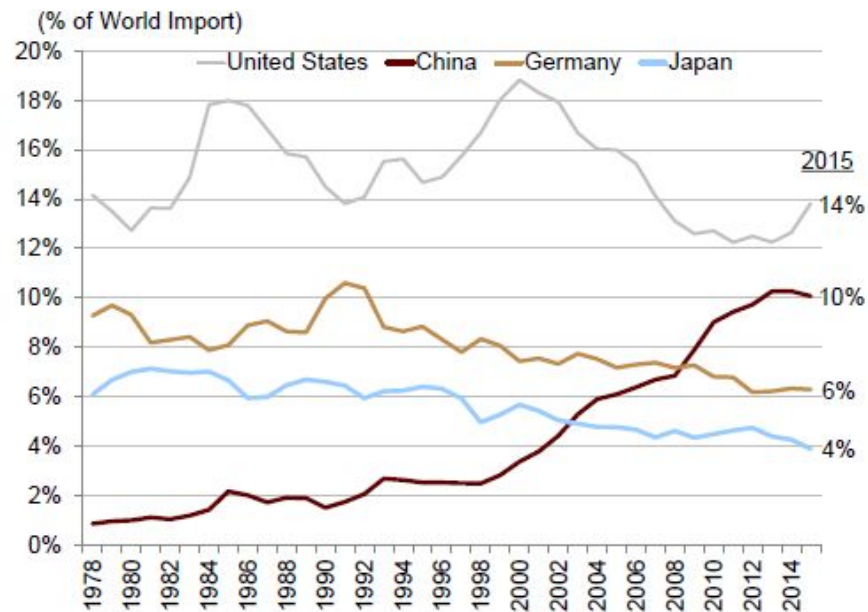
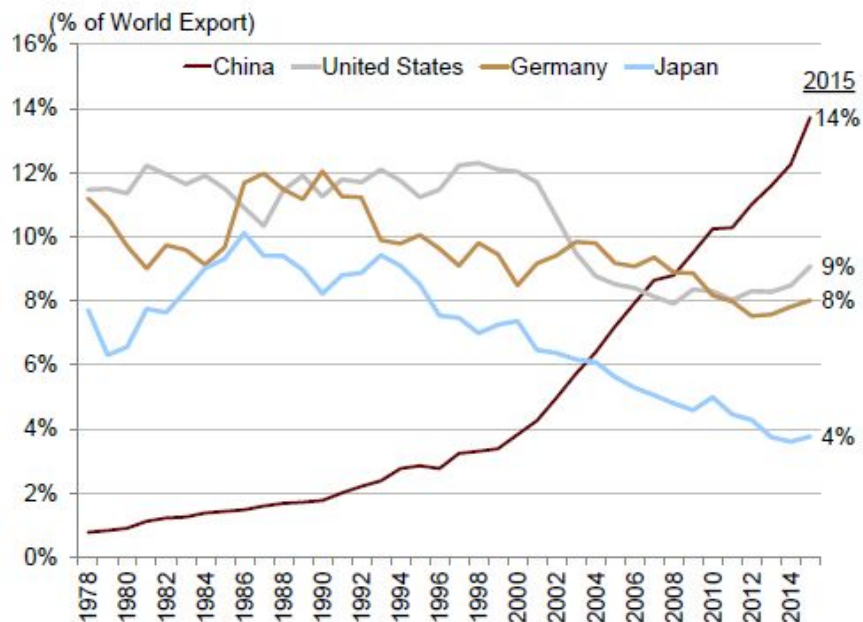
“The new normal means... a farewell to the unbalanced, uncoordinated and unsustainable growth model” (Premier Li, 2016)

Rebalancing : Internal Market

Déséquilibre 1 : une économie excessivement extravertie



Its total trade has surpassed the US



Commerce Extérieur : la baisse des importations

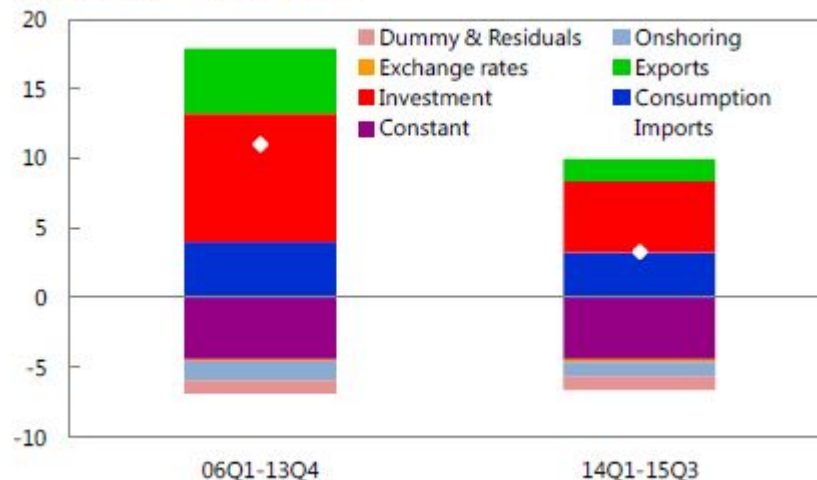
The sharp decline in nominal imports has been largely due to prices. In 2015, goods imports were down 9½ percent in RMB nominal terms, mostly driven by lower import prices, of which **two thirds is due to the sharp fall in commodity prices** (which alone improves the trade balance by about 1½ percent of GDP). **Real imports were up by only 1 percent (compared to about 9 percent on average over the previous three years)**, accounting for about half of the deceleration in real imports globally.

The weakness in goods imports is broad based. Machinery and transport imports (accounting for about 40 percent of total imports) are decelerating as re-export demand is falling and rebalancing away from investment-based growth continues. Electronics is relatively more resilient. Commodities (accounting for about 30 percent of total imports) have also decelerated as a result of the slowdown in industry and weak real estate and infrastructure investment.

Several **factors** have contributed to the slowdown in real imports. **Overall domestic demand has moderated** after the strong surge following the fiscal stimulus in response to the global financial crisis. The economy is undergoing **structural change to a model driven increasingly by consumption, with lower import intensity than investment and exports**. China has also been **substituting imports of higher value-added products with its own production**. In addition, sizable **currency appreciation** has eroded price competitiveness of exports, and thus lowered demand for processing imports.

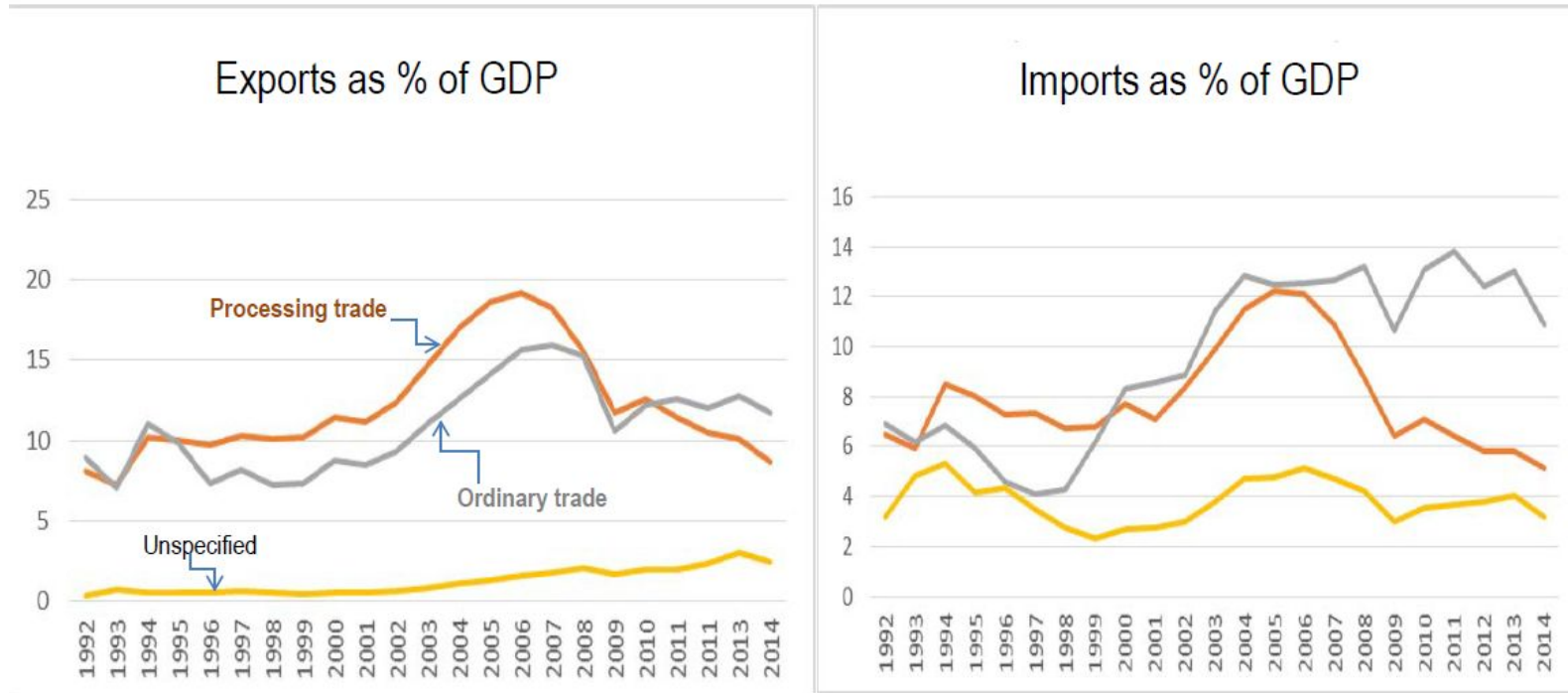
Staff analysis finds that **weaker investment and exports have been the key drivers**. Estimation for the post-WTO accession period (2002:Q1–2015:Q3) suggests that weaker investment has been the main factor, accounting for about 40–50 percent of the slowdown over the last two years. Weaker exports also account for about 40 percent of the slowdown, of which about a quarter is due to stronger RMB. Substitution of imported intermediate inputs with domestic production (“onshoring” measured as the ratio of processing imports to total exports) has not been an additional drag over this period but it continues to slow import growth at a constant pace.

Contribution to Import Growth
(In percent, year-on-year growth)



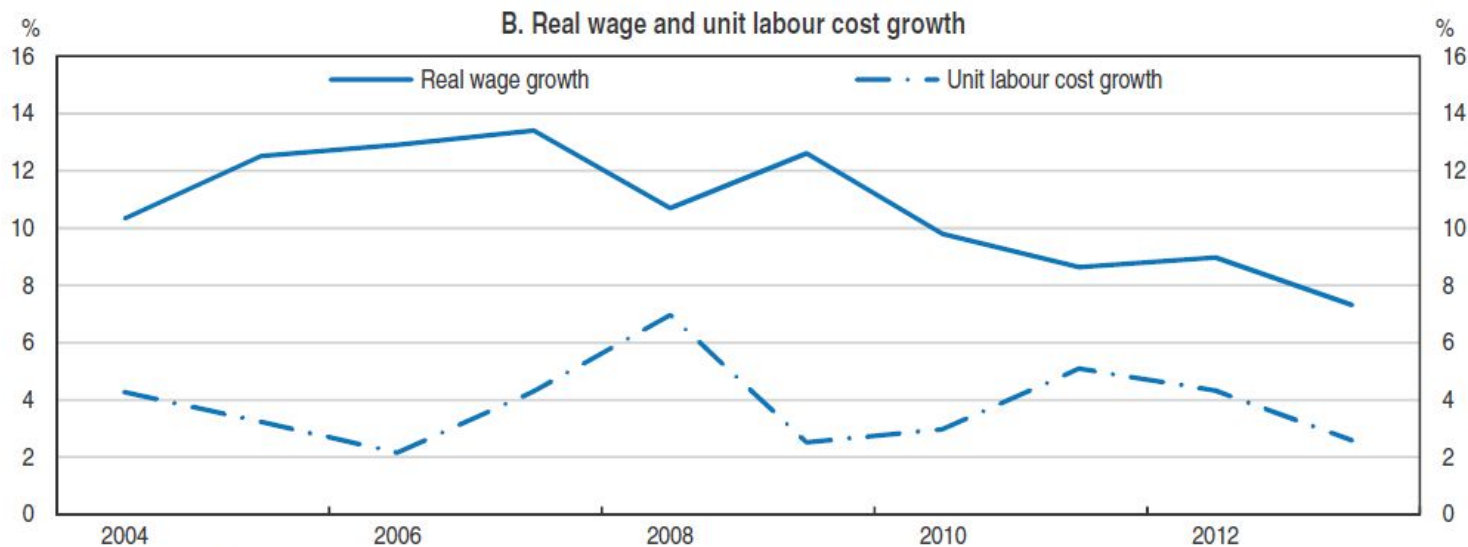
Sources: CEIC Data Company Ltd.; and IMF staff estimates.

Un ajustement qui porte essentiellement sur le “processing trade”




Source : Lemoine, Poncet and Unal, CEPII WP, 2015; based upon data from National Bureau of Statistics, Beijing et China's Customs Statistics.

Dégradation de l'avantage comparatif dans la production intensive en M-O



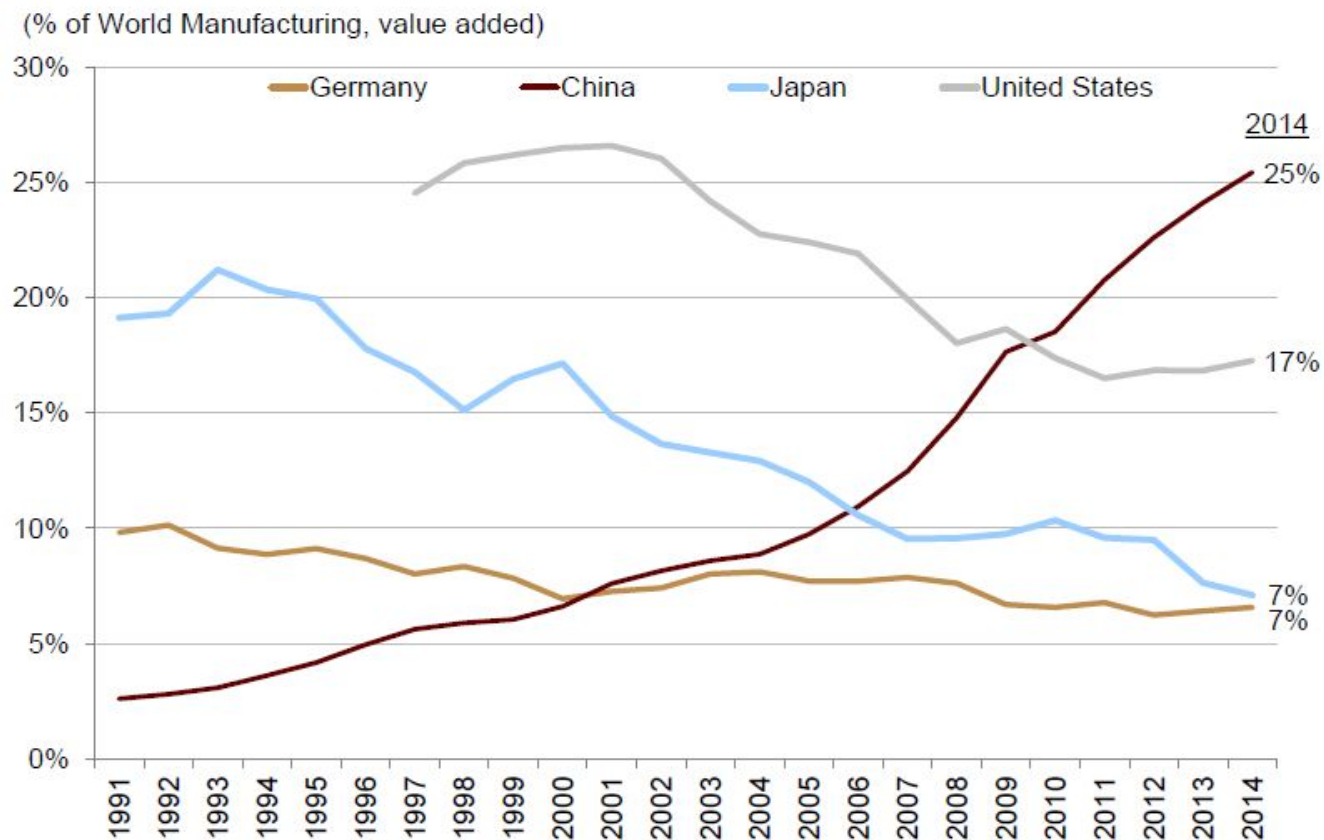
Note: Core CPI excludes food and energy. Real wages are for urban employees. Unit labour costs are for the overall economy.

Source: National Bureau of Statistics.

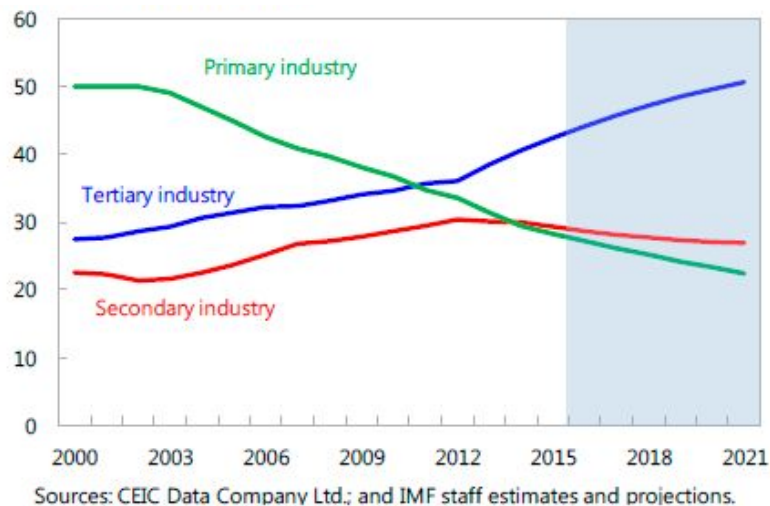
StatLink  <http://dx.doi.org/10.1787/888933198453>

Rebalancing Industry - Services

Déséquilibre 2 : Services / Industrie

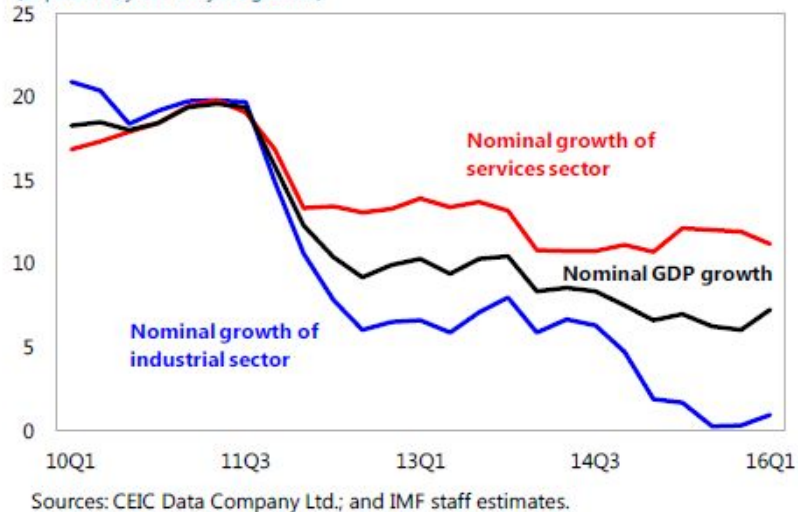


Déséquilibre 2 : Services / Industrie



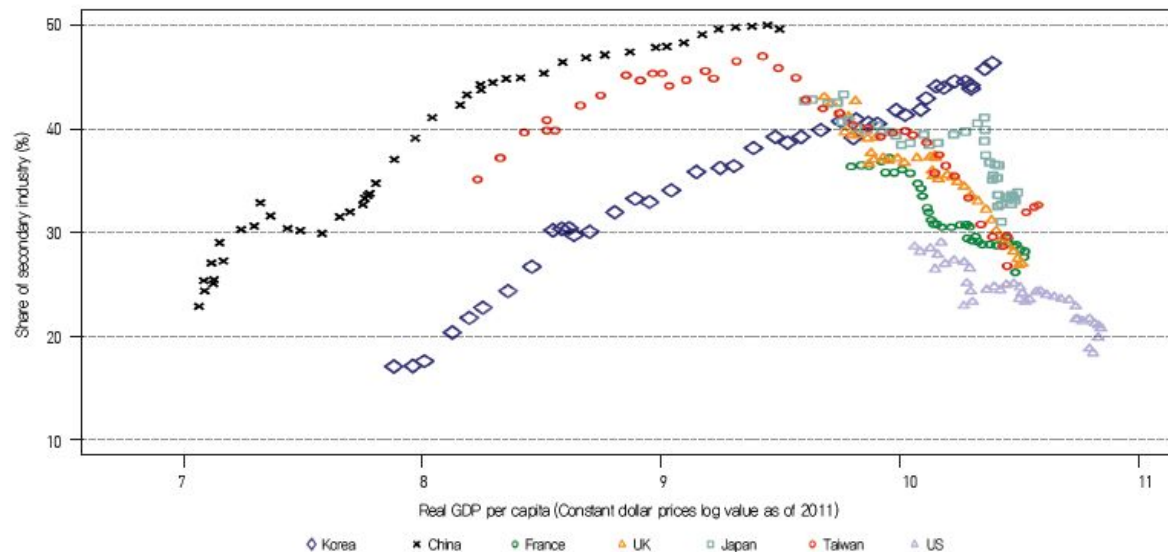
Two-speed Economy

(In percent, year-on-year growth)



Relation Between Real GDP Per Capita and Share of the Secondary Industry

[Figure 4] Relation Between Real GDP Per Capita and Share of the Secondary Industry



Note: 1) Secondary industry includes mining, manufacturing, utilities and construction.

2) Surveyed period is 1970-2015 for China and 1970-2011 for other countries.

Source: Data on GDP per capita are from the World Development Indicator, and China's data on the share of the secondary industry's value-added are from the CEIC, while that on other countries are from the GGDC 10-Sector database.

China's services sector lags in terms of productivity

China's services sector lags in terms of productivity

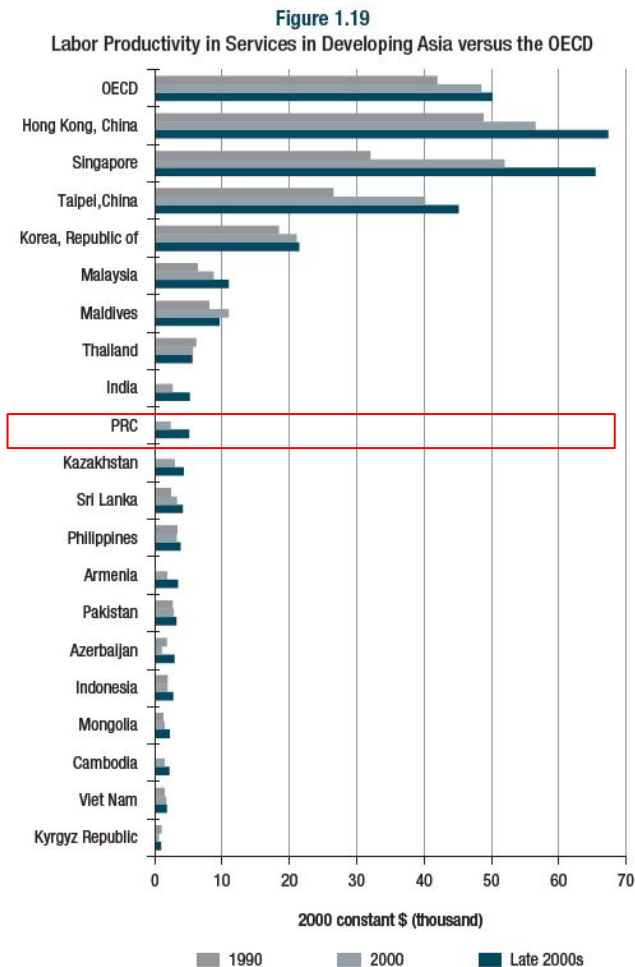
Dong et al. (2012) show that **services sector productivity growth has been only half of manufacturing productivity growth.**

Holz (2006) found **large gaps in productivity growth earlier in the reform period.**

Ahuja (2013) finds that **the gap in productivity levels between Chinese and U.S. manufacturing is only a factor 1.3, but the overall gap is a factor of 13!**

Lardy (2014) highlights the productivity and growth benefits of further liberalization in services.

En dépit de gains récents, la productivité du secteur des services en Chine reste très faible

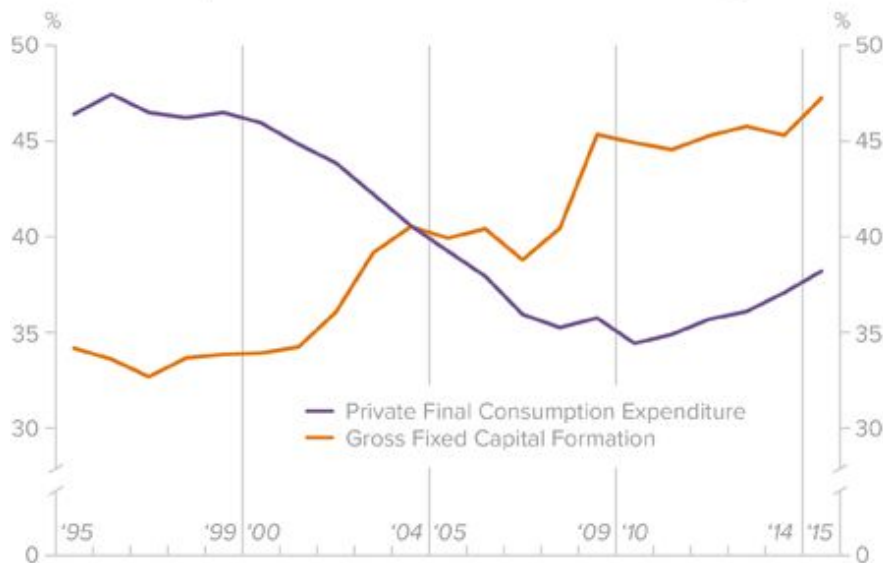


OECD = Organisation for Economic Co-operation and Development, PRC = People's Republic of China.
Sources: ADB estimates using data from ADB (2007), CEIC Data Company, International Labour Organization (2011), and the World Bank's World Development Indicators database (accessed 16 April 2012).

Rebalancing consumption - investment

Déséquilibre 3 : Consommation / Investissement

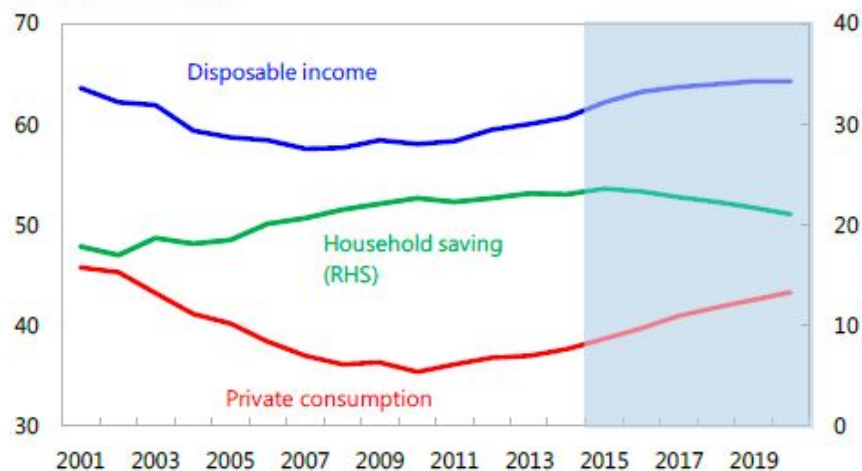
Private Consumption and Investment as % of GDP in China, 1995-2015



Source: Euromonitor International from National Statistics, IMF

Consumption Share to Rise...

(In percent of GDP)

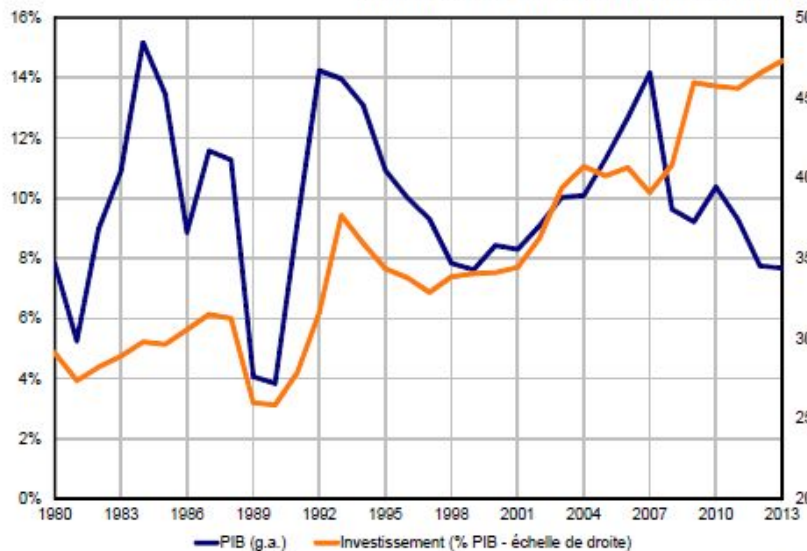


Source: IMF staff estimates and projections.

Accumulation du capital et productivité

Déséquilibre 4 : La suraccumulation du capital

Graphique 1 : Chine : PIB et investissement



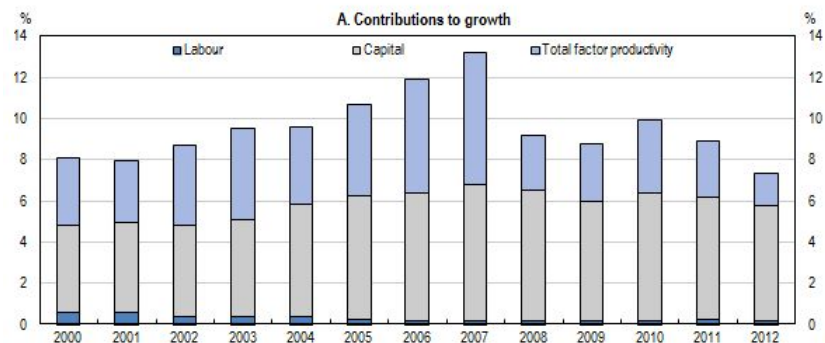
Source : NBS.

Une accélération de l'investissement, une décélération du PIB

C. Return on capital

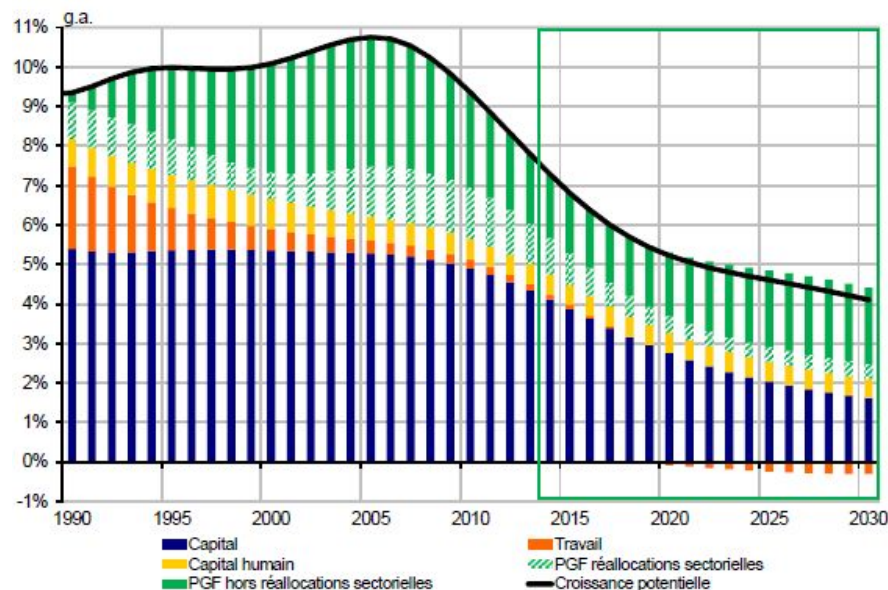


Contributions de la TFP à la croissance




- 2000s : augmentation de la contribution de la productivité à la croissance chinoise
- 2010s : diminution de la contribution de la productivité à la croissance chinoise

Chine : contributions à la croissance potentielle



Source : calculs DG Trésor.

Contributions de la TFP à la croissance

	Constant-Price GDP in 2012	Human Capital	Capital Output Ratio	TFP
1978-2007	10.03	2.81	0.57 (0.57)	6.68 (3.34)
2008-2015	8.56 	1.43 	4.53 (4.53) 	2.48 (1.24) 

Factors Behind the Changes in TFP

Positive factor:

Smaller agriculture

Negative factors:

Diminishing catch-up effect

Larger service sector

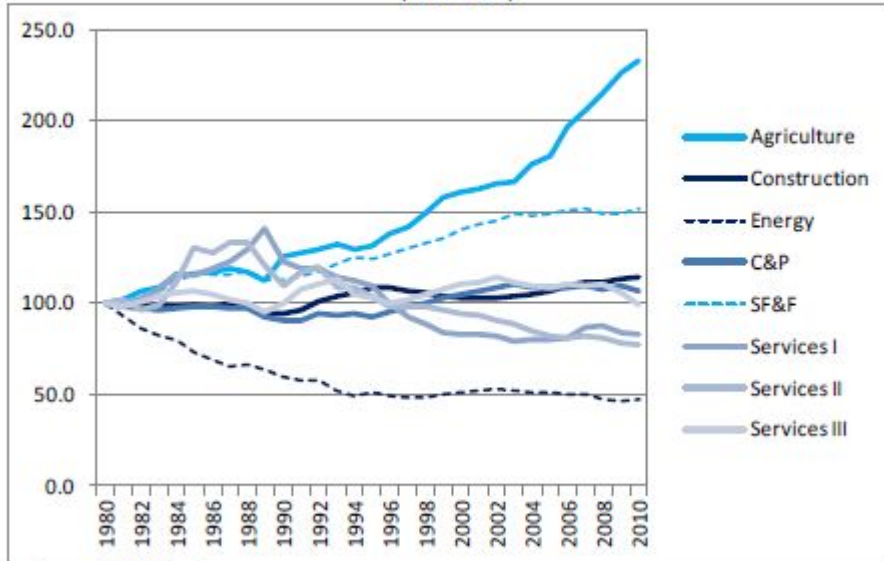
Declining Trade-to-GDP ratio

Declining labor participation rate (Retirement, Schooling)

Increasing Investment Rate

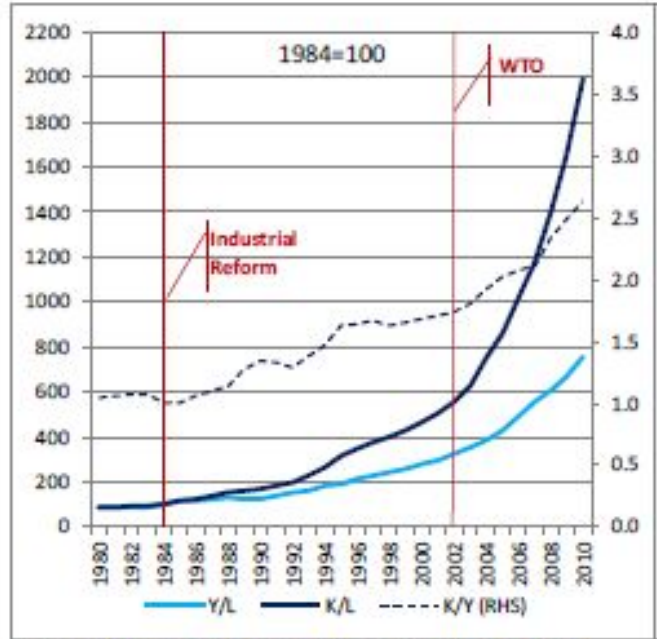
TFP by sector

FIGURE 4
TOTAL FACTOR PRODUCTIVITY INDEX BY INDUSTRY GROUP
(1980 = 100)



Source: As Table 5.

Pour aller plus loin...



Source: Author's calculation based on CIP 3.0 data.

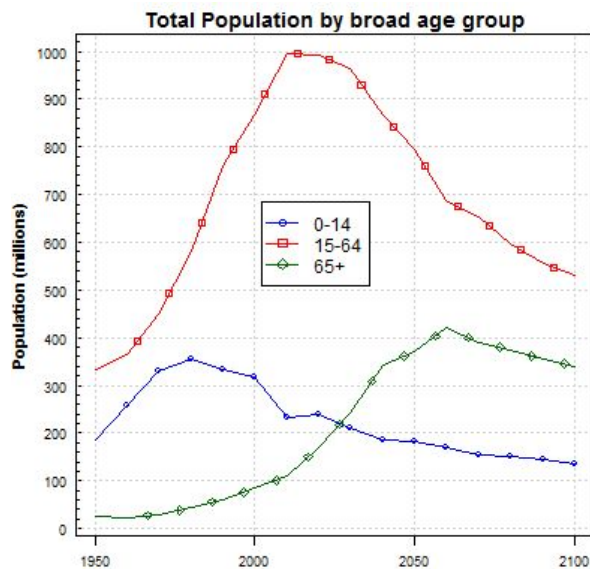
En 2010, par rapport à 1984 :

- Le stock de capital par travailleur était 20 fois plus élevé
- Le revenu généré par chaque travailleur était 8 fois plus élevé ;
- L'intensité capitaliste a été multipliée par 2,5

Demographie

Déséquilibre 5 : Démographie

CHINE



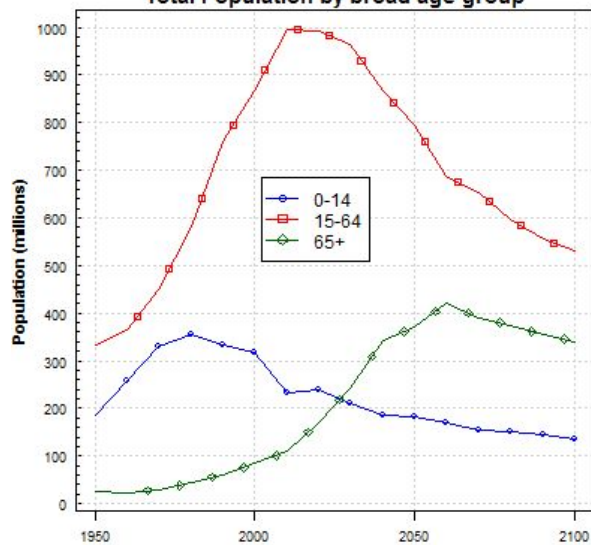
La Chine sera-t-elle vieille avant d'avoir été riche?

Le nombre de personnes en âge de travailler a déjà commencé à baisser.....après avoir doublé entre 1970 et 2010 mais il a déjà commencé à décliner

Un profil proche des pays vieillissants...

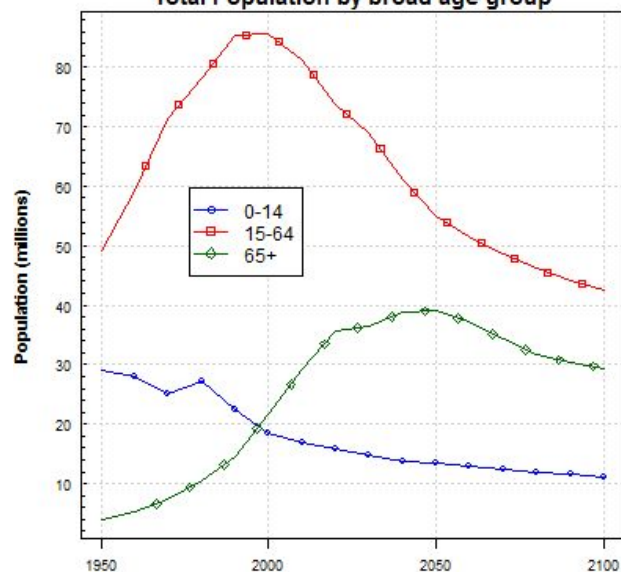
Chine

Total Population by broad age group



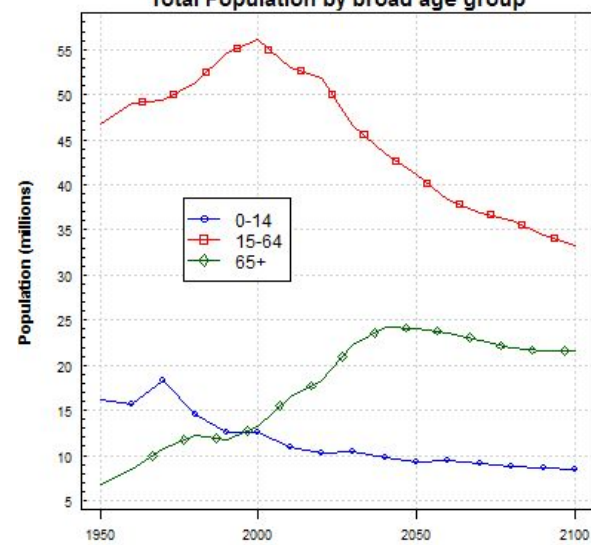
Japon

Total Population by broad age group



Allemagne

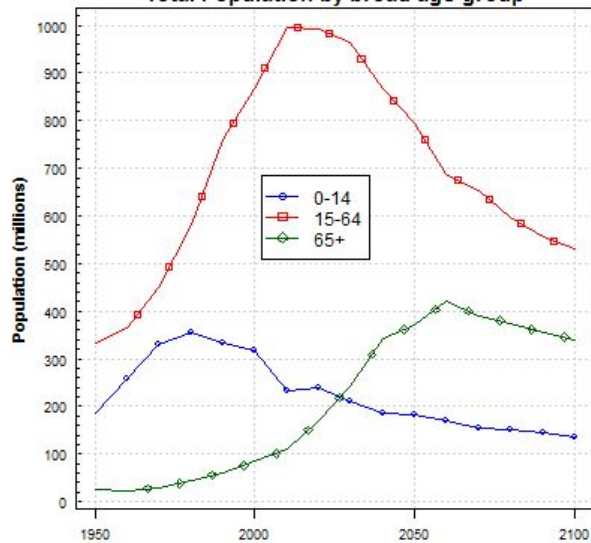
Total Population by broad age group



...différent de celui des pays industrialisés dont la démographie est la plus dynamique

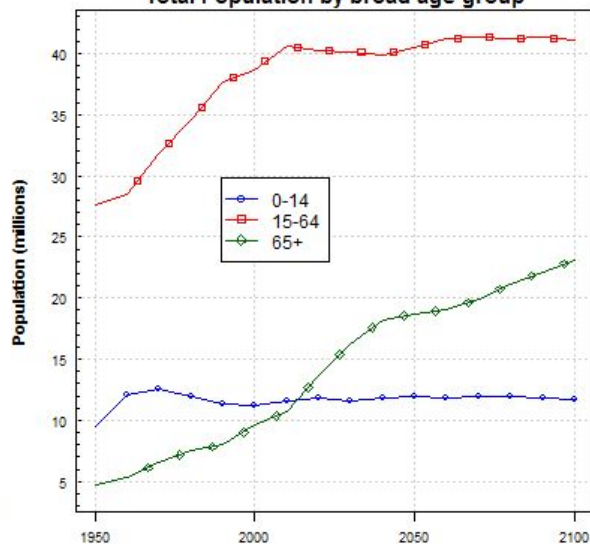
Chine

Total Population by broad age group



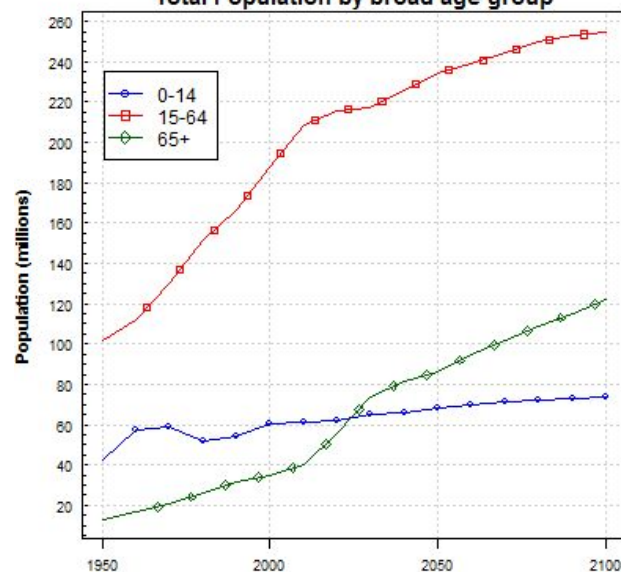
France

Total Population by broad age group



Etats-Unis

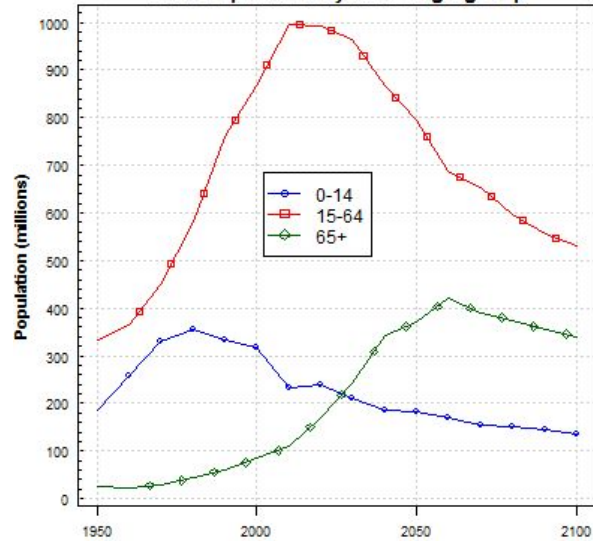
Total Population by broad age group



.... et encore davantage de l'Afrique sub-saharienne...

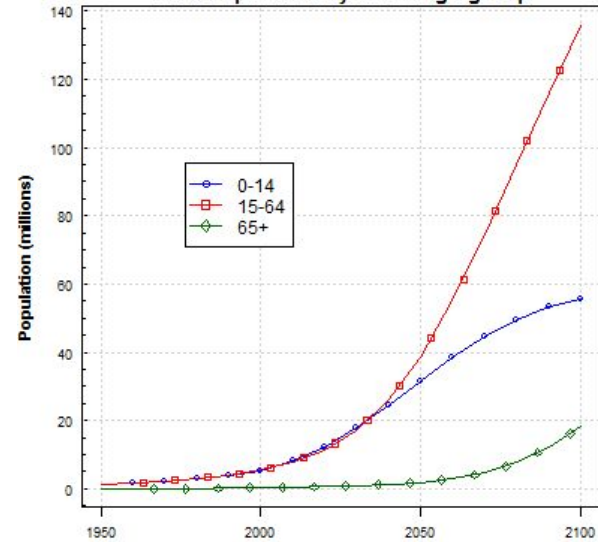
CHINE

Total Population by broad age group

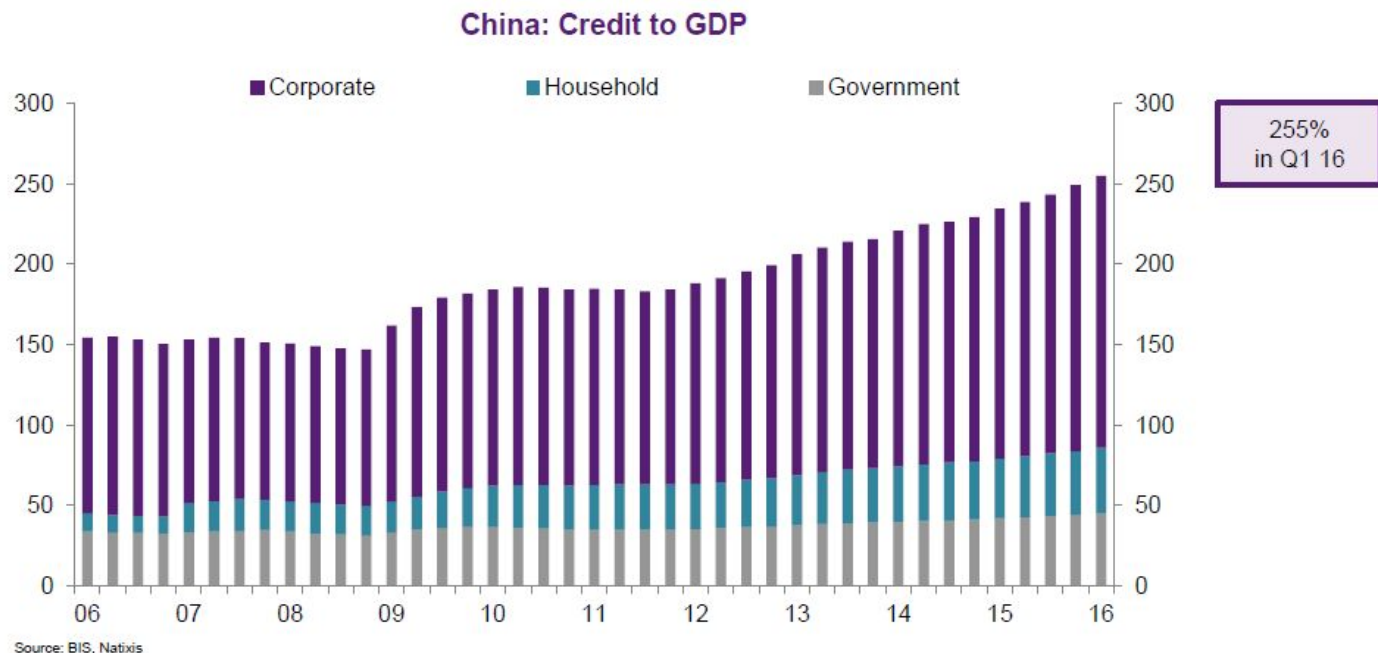


NIGER

Total Population by broad age group



Endettement

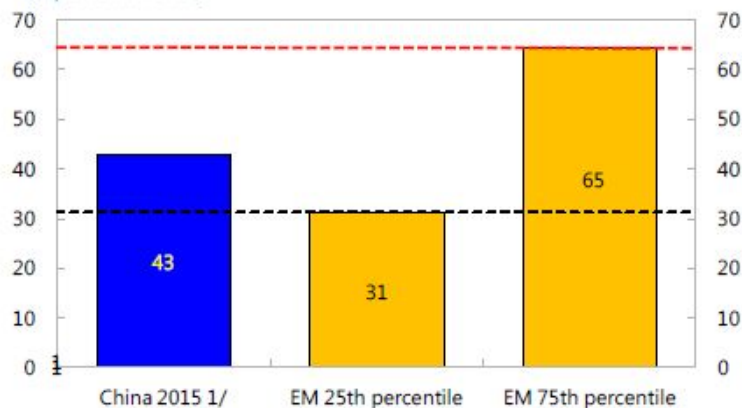


Fiscal balance

IMF Article IV : Monitoring the fiscal stance in China is especially difficult. **Much spending and most of the deficit and financing occurs off budget with little transparency, and the line between public and private is blurred.** Staff's estimates of the "augmented" balance and debt (i.e., including estimated off-budget spending/financing) are thus subject to a particularly high degree of uncertainty, but likely reflect more accurately the effective fiscal position than the official budget balance and debt.

Gross Government Debt ...Not High

(In percent of GDP)

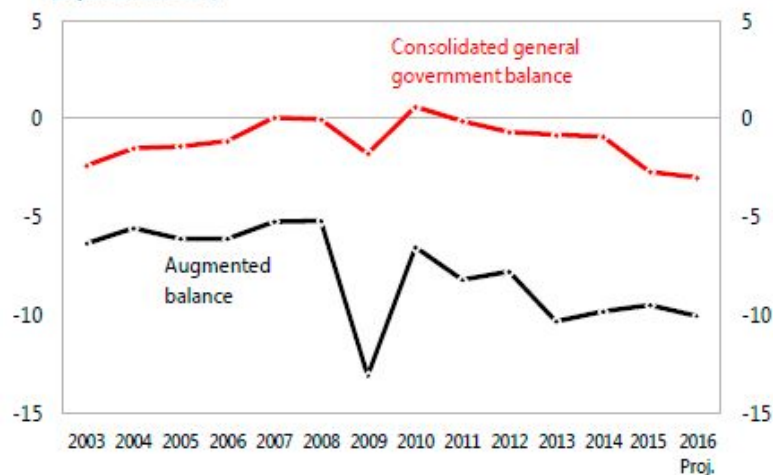


Sources: World Economic Outlook (WEO); and IMF staff estimates.

1/ Including all explicit government (central and local) liabilities and part of the contingent liabilities that the government might be responsible for.

Fiscal Deficit Remains Large, But More on Budget

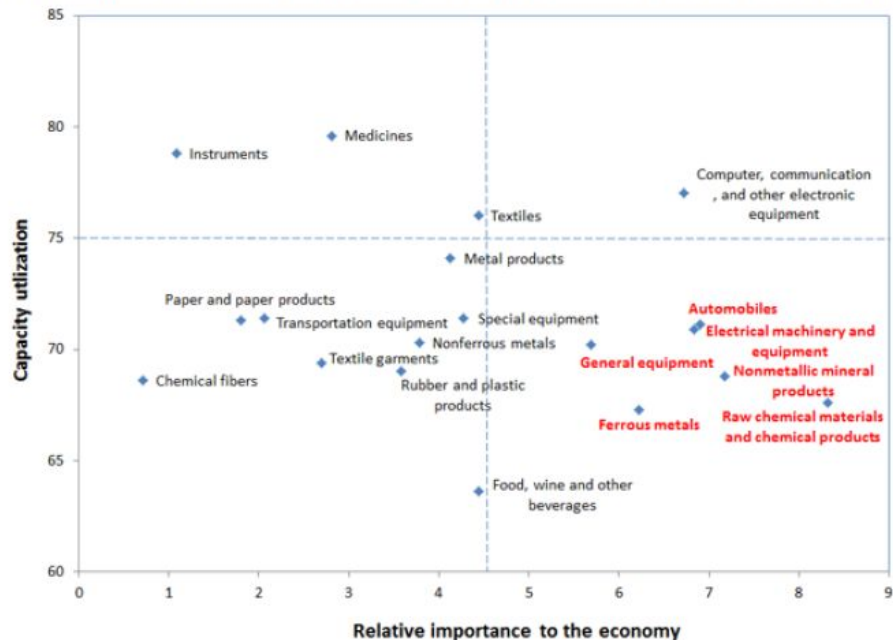
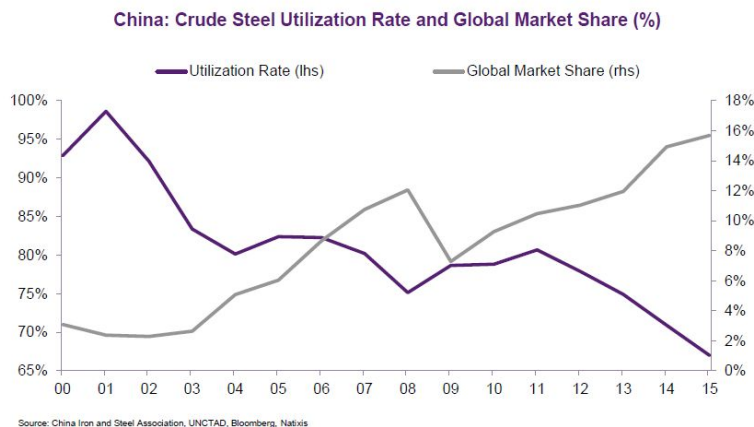
(In percent of GDP)



Sources: CEIC Data Company Ltd.; Chinese Authorities; and IMF staff estimates.

Overcapacity still increasing

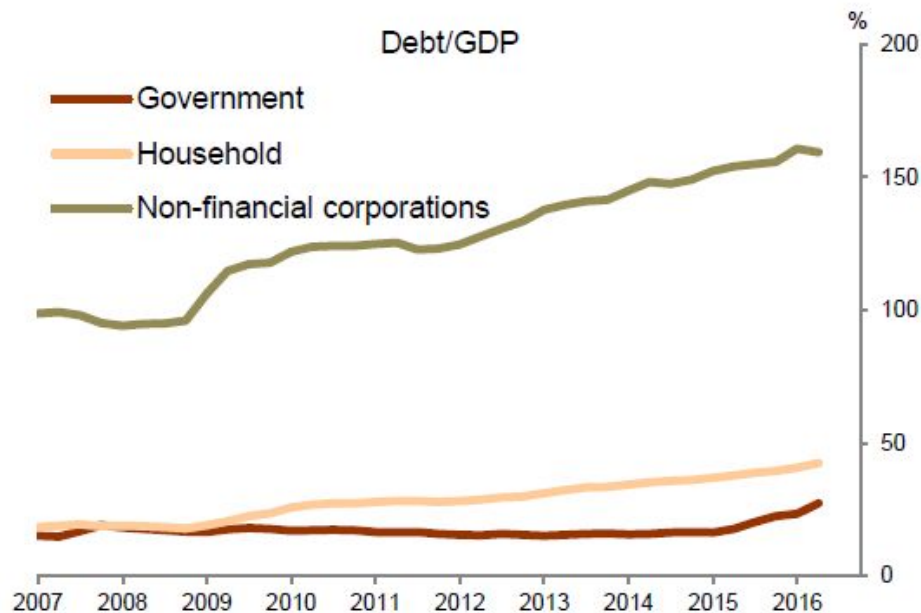
Les principaux secteurs en surcapacité selon leur importance économique



Source : Banque asiatique de développement, *Knowledge Work on Excess Capacity in the People's Republic of China* (juillet 2015)

Surendettement

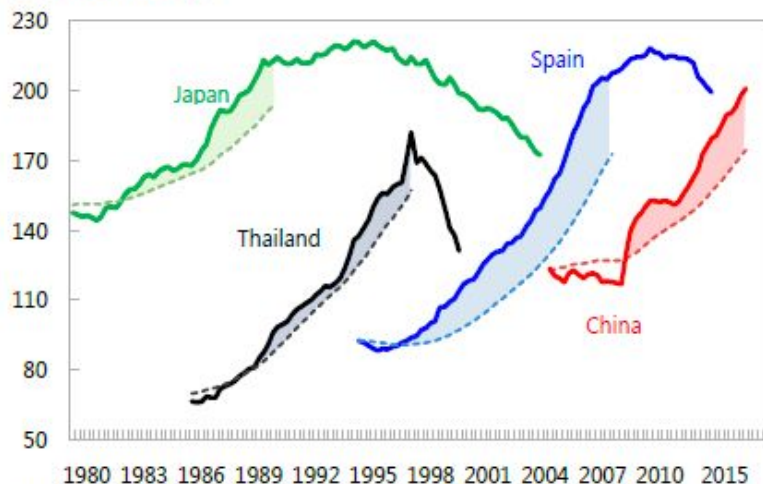
Une augmentation très rapide de la dette...



Des entreprises très endettées par rapport au niveau de développement

Fast Credit Growth and Wide Credit Gap 1/

(In percent of GDP)

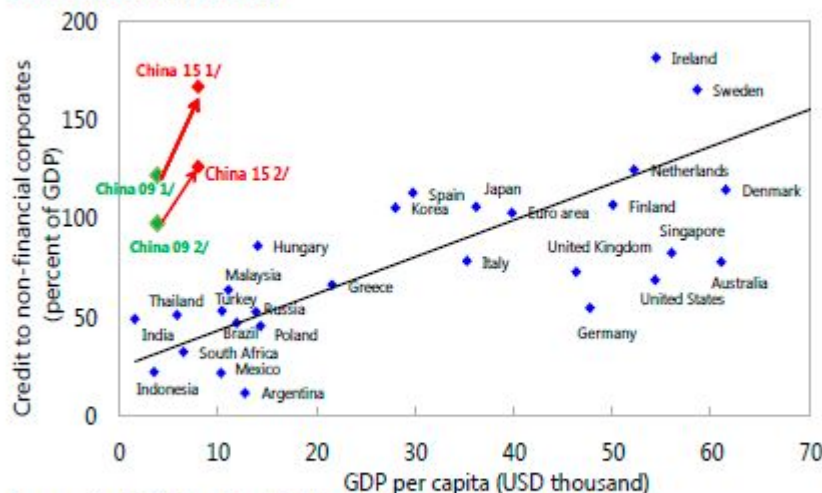


Sources: Bank for International Settlements (BIS); and IMF staff estimates.

1/ Total credit to the private nonfinancial sector. Dotted lines represent the credit trend.

Corporate Credit: High vs. Peers

(Selected economies, 2014)

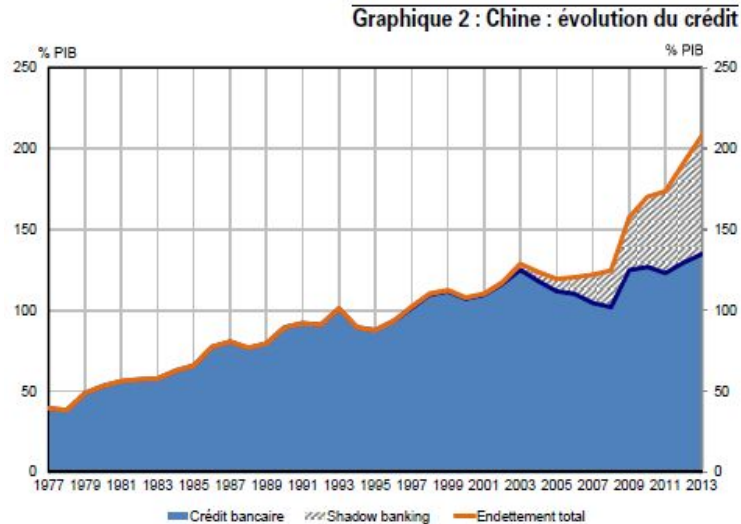


Sources: Bank for International Settlements (BIS); and IMF staff estimates.

1/ Calculated as total social financing minus equity and household loans.

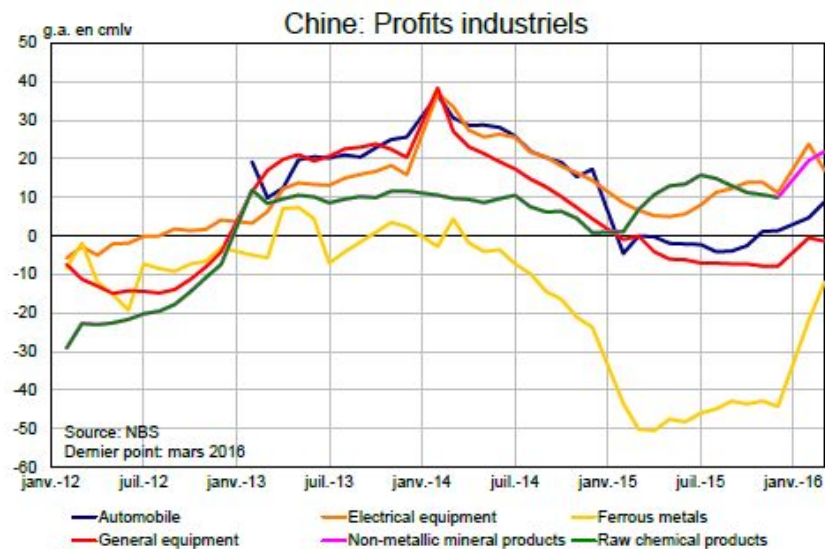
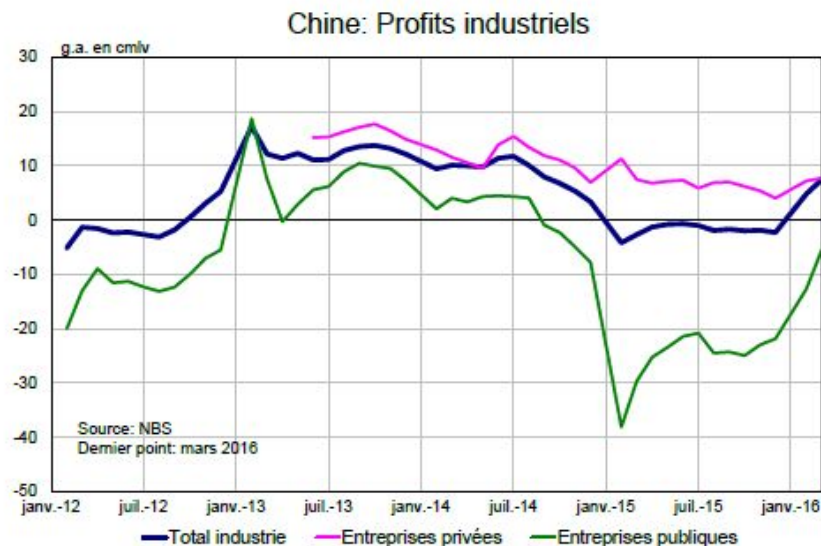
2/ Calculated as total social financing minus equity, LGFV borrowing and household loans.

Un rôle croissant pour le “shadow banking”



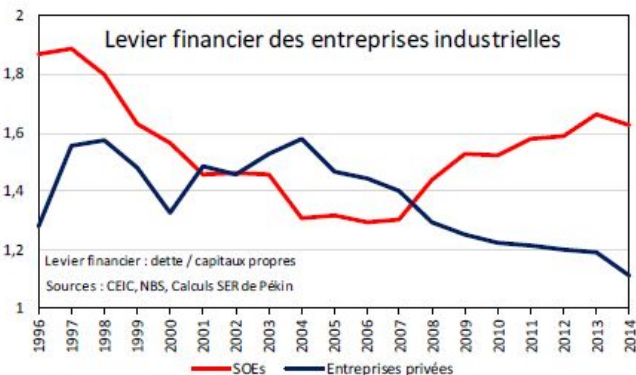
Source : CEIC.

Impact des surcapacités sur les profits

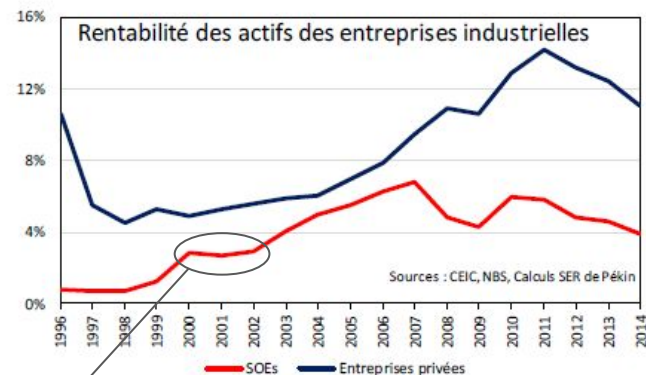


Dettes et profits SOEs vs Entreprises privées

Graphique 7

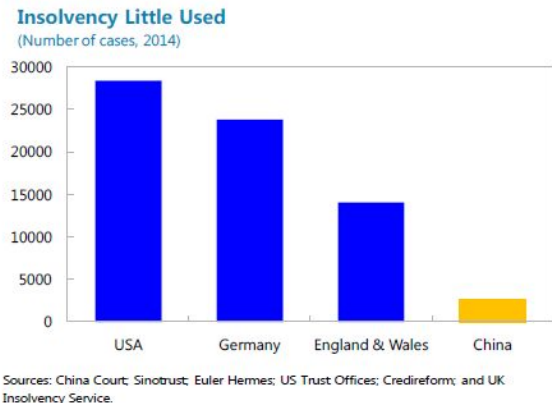


Graphique 9



Restructuration
des SOE fin
90s

Une utilisation réduite des procédures de faillite



Utilisation des procédures de banqueroute

Table 6. China: Nonfinancial Sector Debt

	(In RMB trillion)		(In percent of GDP)		Coverage		
	2014	2015	2014	2015			
Total	134	153	206	220			
Central government	10	11	15	15	MOF GG Debt	Staff GG Debt	Augmented Debt
Local government							
Regular financing	1	2	2	2			
Former LGFV debt 1/	14	14	22	21			
Local government financing vehicles (LGFV)							
Likely to be recognized							
As per the 2014 audit	1	1	1	1			
New borrowing in 2015 (staff estimate) 2/ 3/	0	2	0	3			
Unlikely to be recognized							
As per the 2014 audit	8	8	12	11			
New borrowing in 2015 (staff estimate) 2/ 3/	0	1	0	2			
Households	23	27	35	38			
Corporates (excluding LGFV)							
Domestic	73	84	113	120			
External	4	4	6	6			
Memo items:							
Corporates (including LGFV)	86	100	133	144			
Households	23	27	35	38			
General government (MOF definition)	25	27	39	38			
Nominal GDP	65	70					

Sources: CEIC Data Co., Ltd.; Ministry of Finance and IMF staff estimates.

1/ LGFV debt recognized as LG debt as of 2014 (by the 2014 audit).

2/ New LGFV borrowing estimate for 2015 is based on infrastructure fixed asset investment data.

3/ Relative share of "likely to be recognized" new LGFV borrowing is based on the historical recognition ratio.

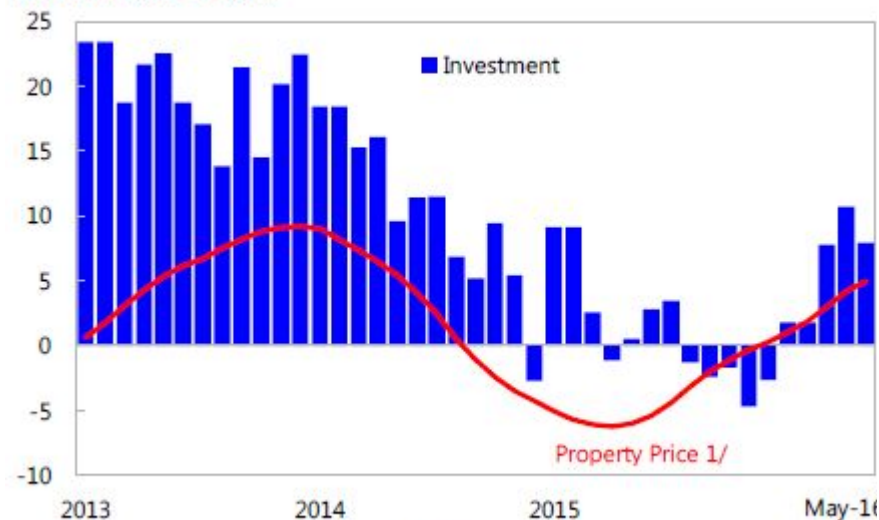
Impact sur le secteur financier?

Bulle immobilière

Bulle immobilière 1

Residential Housing Growth

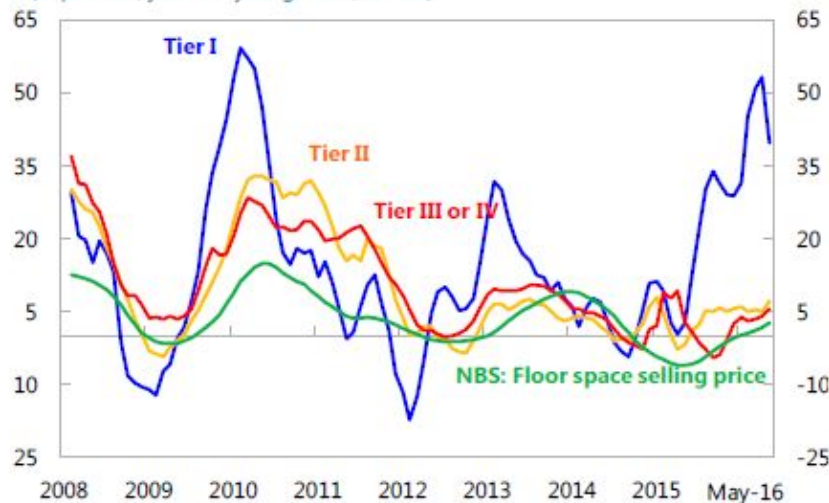
(In percent, year-on-year)



1/ NBS 70-city new constructed residential property price.

Booming Tier 1 House Prices

(In percent, year-on-year growth, 3mma)



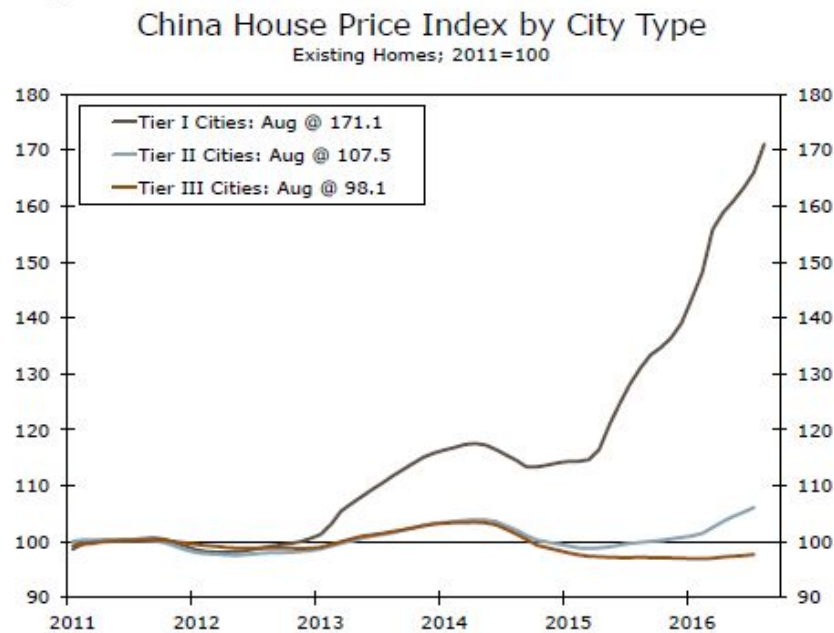
Sources: Fangguanju; and IMF staff estimates.

Bulle immobilière 3

Figure 1



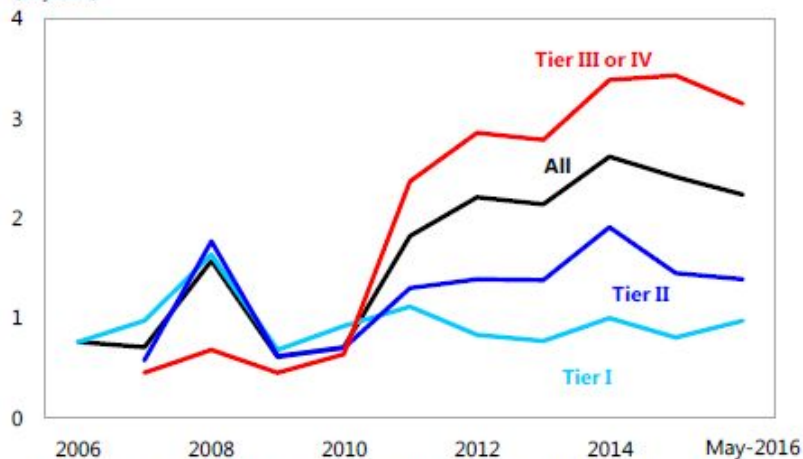
Figure 2



Bulle immobilière 2

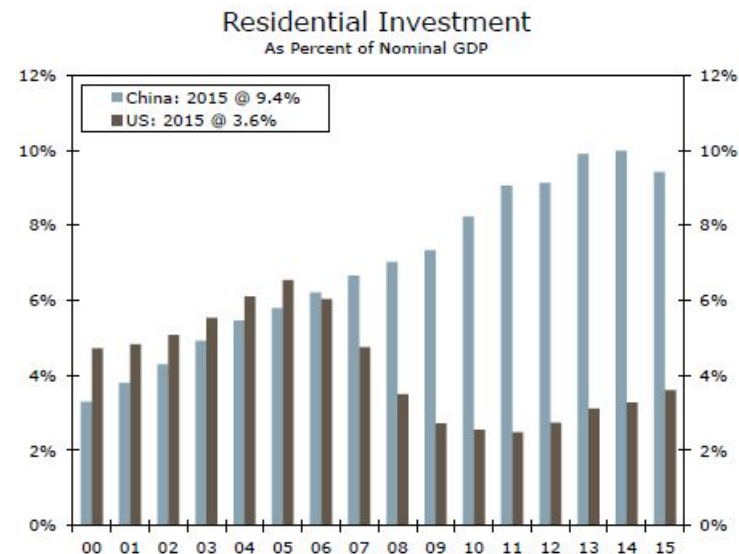
Tier III or IV City Real Estate Inventory Still High 1/

(In years)



Sources: Local Housing Administrative Bureau (Fangguanju), Wigram Capital Advisors, IMF staff estimates.
1/Inventory is measured as floor space unsold; inventory ratio is measured as floor space unsold/sold.

Bulle immobilière 4

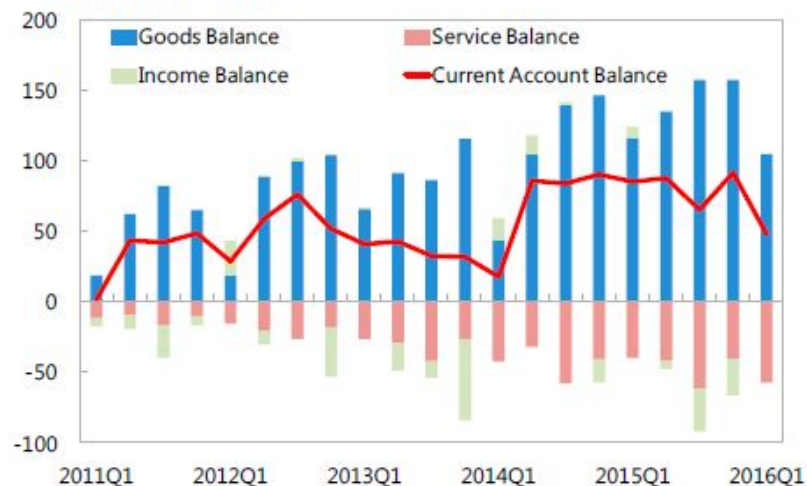


Ouverture du compte de capital

Comptes Externes

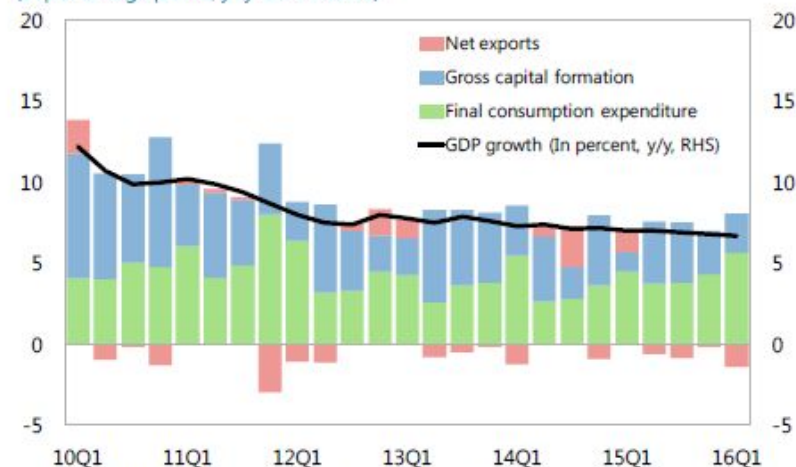
Current Account

(In billion of US dollars)



Rising Consumption Contribution to Growth

(In percentage points, yoy contribution)



Sources: CEIC Data Company Ltd.; and IMF staff estimates.

Sorties de capitaux

Financial Account and Errors and Omissions

(In billion of US dollars)

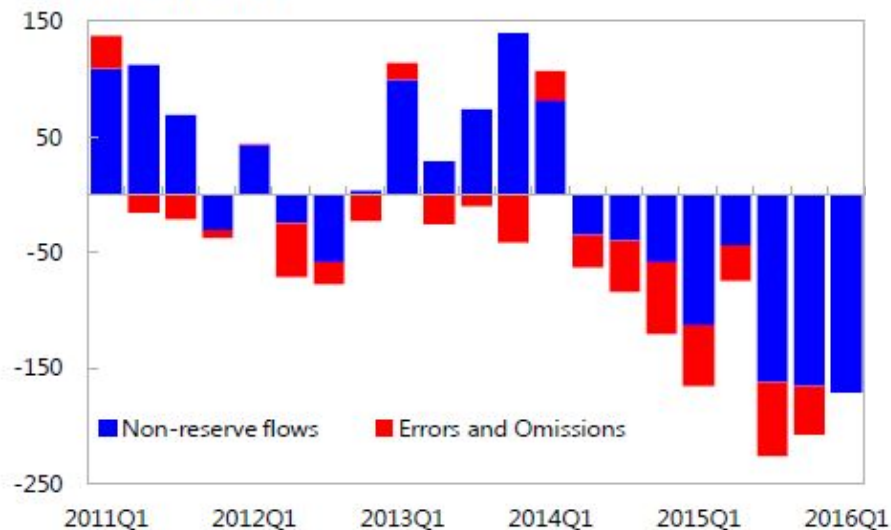
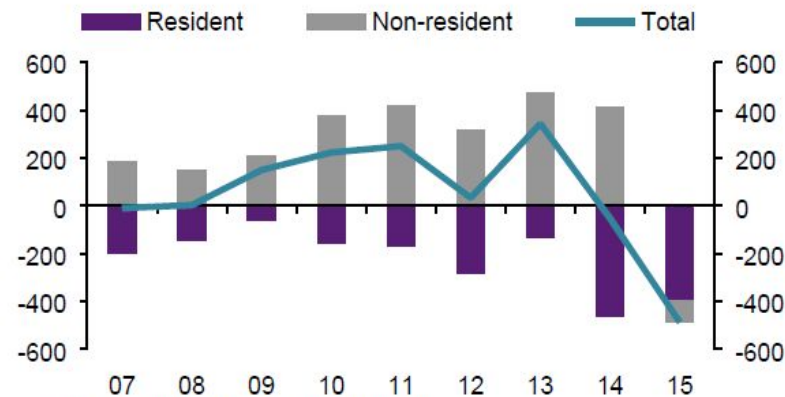
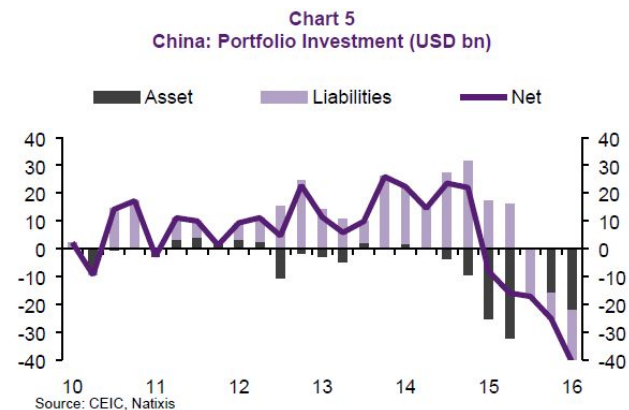
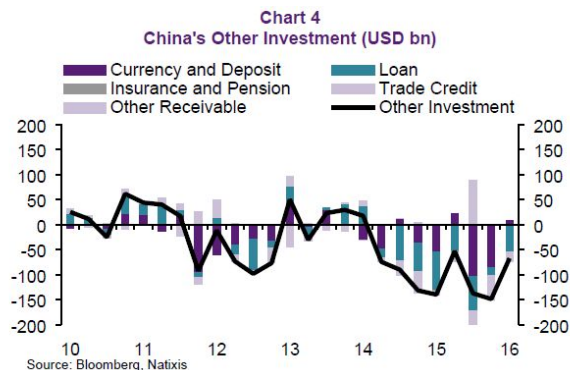


Chart 3
Private Capital Flow in China (USD bn)

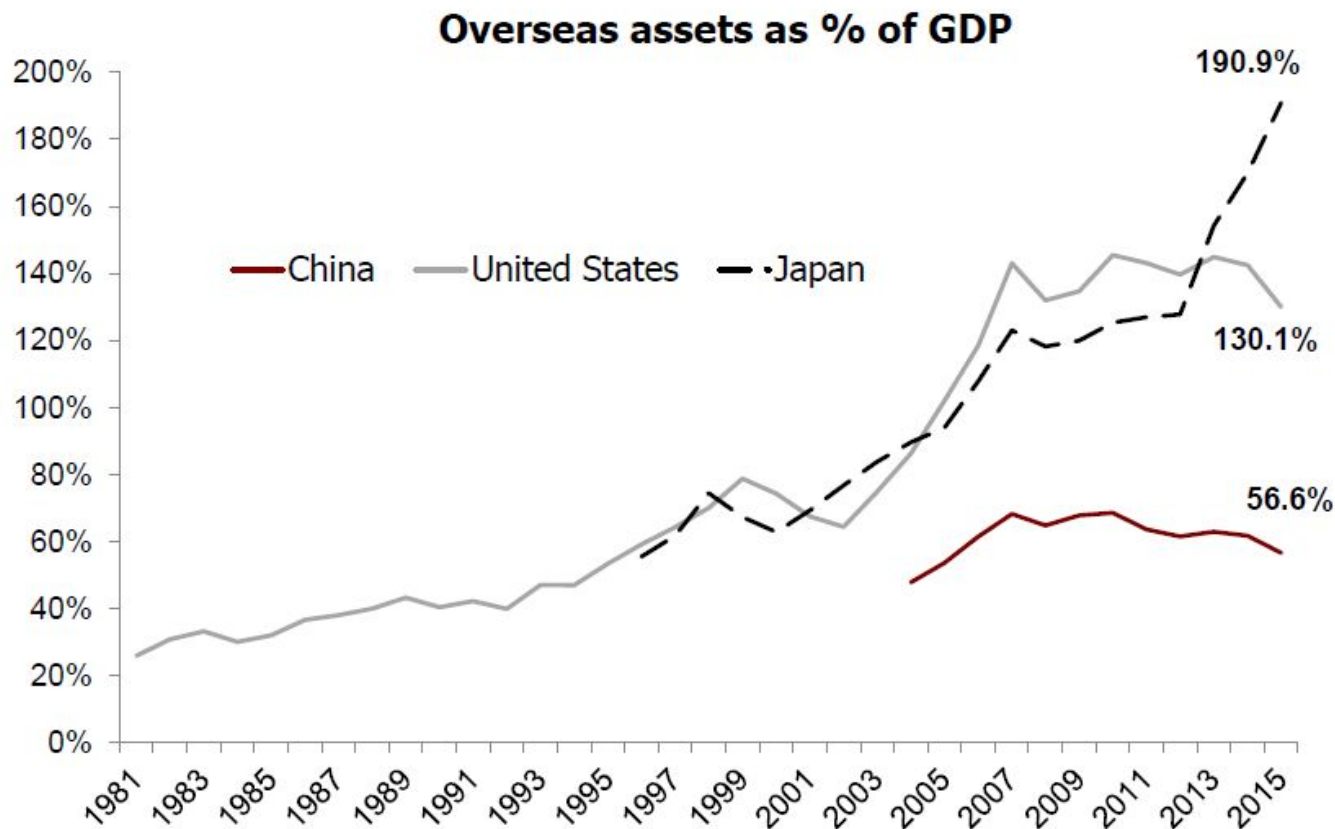


Source: IIF, Natixis NB Positive indicates inflow
Data includes bond, equity and lending.

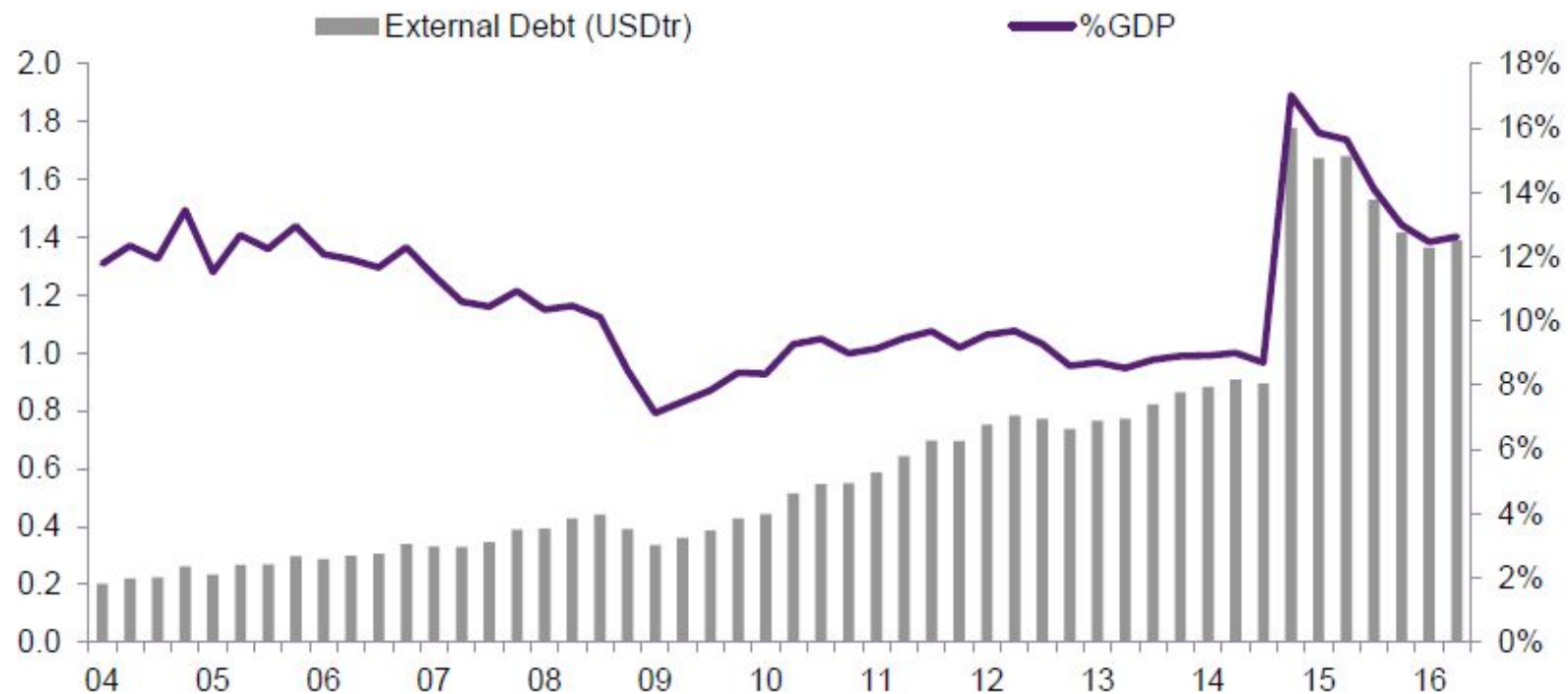
Internationalisation du compte de capital



China's overseas assets are relatively low

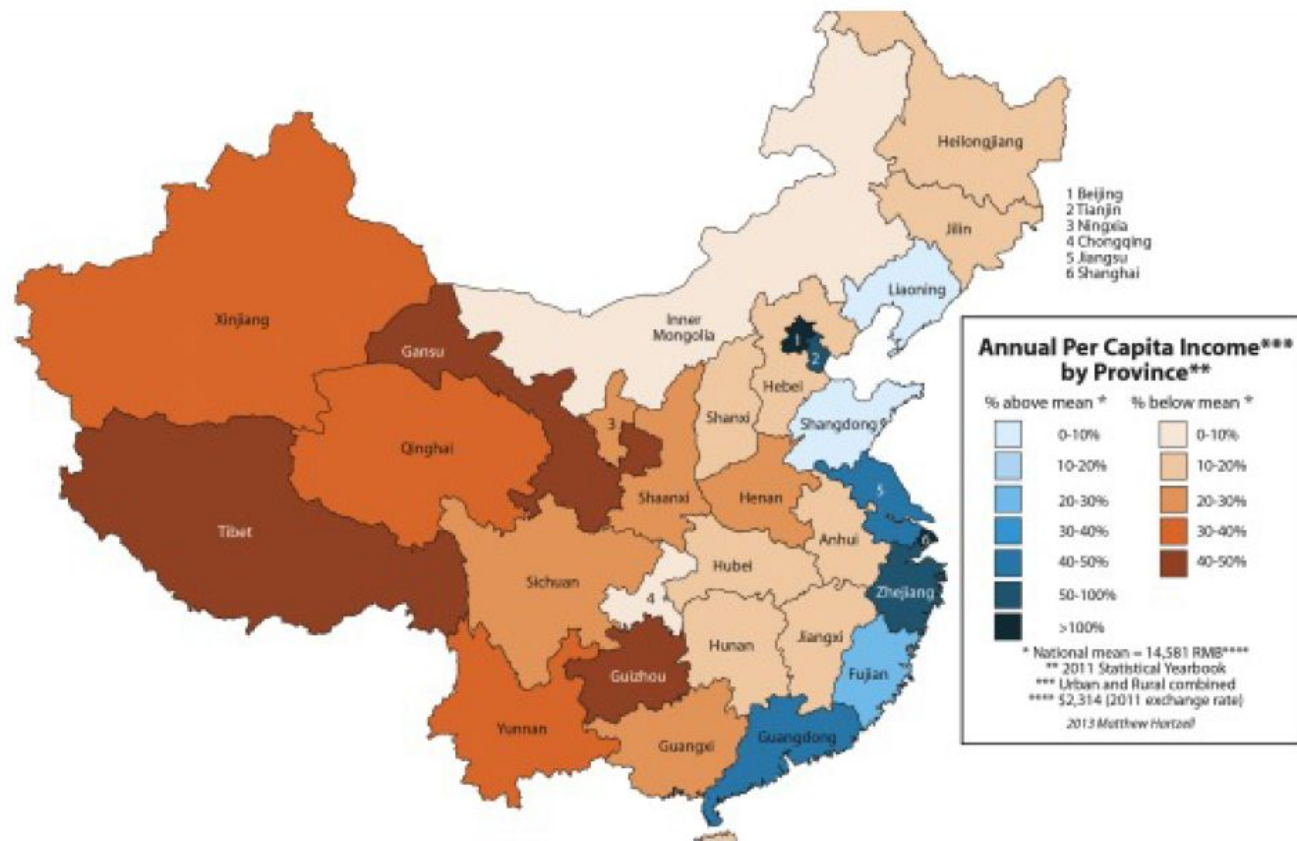


China: External Debt



Source: Natixis, CEIC

Disparités régionales



China's provinces by region

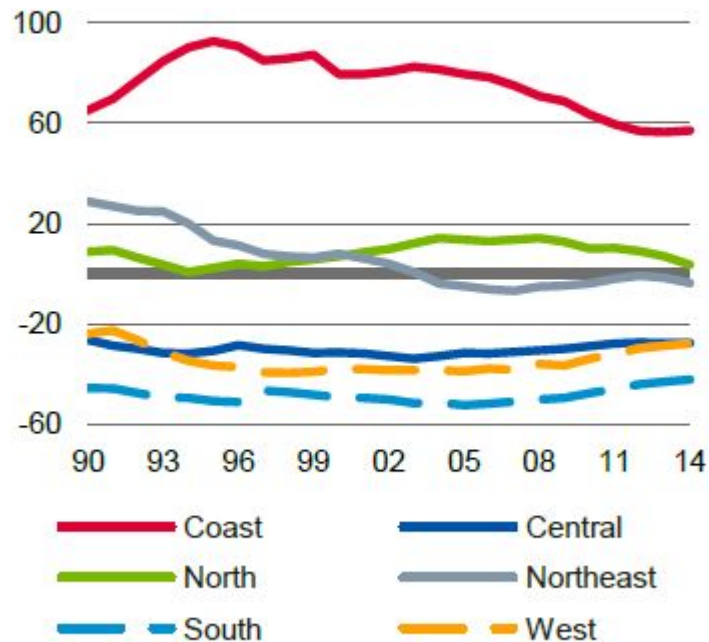


Source: Deutsche Bank Research

Moving closer to each other

3

GDP per capita, % deviation from nat. avg.



Sources: National Bureau of Statistics, Deutsche Bank Research

Convergence in provincial incomes per capita (Deutsche Bank)

The big “Go West” infrastructure push has been successful in lifting per capita GDP in less wealthy provinces. As a result, **discrepancies in provincial income have declined in recent years (chart 3)**. Yet, **the gaps remain considerable, and the growth slowdown of recent years which has struck hardest in the resource-rich or heavy-polluting provinces but also affected the poorer South and West will put a (temporary) brake on GDP convergence**. Despite their large and diverse challenges, China’s provinces have a few success stories to tell.

- **Urbanisation has made rapid progress in underdeveloped regions. Transport infrastructure has expanded massively**, with the result that China now boasts more than 100,000 km of expressways (chart 4) and the largest network of high-speed railways (chart 5).
- **Foreign direct investment has been lured into inland regions, and third-tier cities** such as Leshan located in Sichuan province or Yulin in Shaanxi are poised to account for the largest increase in China’s upper middle-class population by 2022, reaching 30% of China’s total middle class from just 15% in 2002.
- **Manufacturing hubs have emerged outside the traditional powerhouses along the Pearl and Yangtze deltas**. That is because unit labour costs in the manufacturing sector remain the highest along the coast. But inland provinces are catching up fast. Nevertheless, **some provinces like Jiangxi, Henan and Hebei have retained low unit labour costs that enable them to compete with countries such as Thailand, the Philippines and Vietnam**.

Moreover, China’s ambitious plans to expand investment and trade in Asia and globally via the “new silk road” economic belt importantly include China’s domestic provinces in the Southwest and West (via the **Chongqing-Xinjiang-Europe international railway**) as well as coastal provinces for the maritime route connecting China and Europe. Provinces close to the national or sea border are well placed to benefit from expanding cross-border trade and investment thanks to existing infrastructure, new transport links and easing regulations.

Most provinces continue to rely heavily on investment as the key engine of growth. Gross fixed capital formation, a proxy of investment, averaged 64% of GDP across the provinces in 2013 – the highest level in a decade. The rate of final consumption as a proportion of GDP by contrast averaged 34% and remained largely stable over the same period. **Retail sales, a higher-frequency indicator capturing private consumption dynamics, provide a mixed picture**.

La fiabilité des statistiques

Box 3. How Reliable is China's Output Data?

There is some evidence pointing to possible overstatement of growth recently, but the overstatement is likely moderate and the official national accounts data—while there is much room for improvement—likely provide a broadly reliable picture.

China's nominal GDP is probably larger than the official estimate. This could reflect flaws in measuring service consumption, including the inability to fully capture the switch from state-owned industrial firms to market-based (and often smaller) service firms. A study by the Rhodium Group, which duplicates the authorities' statistical methodology, but addresses some key weaknesses, suggests nominal GDP is underestimated by, for example, 13–16 percent in 2008, and some other studies, while using different approaches, show similar results.

But growth may be smoothed since the smallest and most volatile firms may not be adequately captured in the statistical methodology. Indeed, **skepticism that growth is overstated has grown recently, arising largely from the more pronounced weakening in some hard indicators compared to official growth data, including consumption of energy, industrial value added, and commodity imports. A few studies indicate that growth is not overstated over a long time horizon, but that the volatility is understated.** Some further argue that the **official nominal GDP data are reliable, but the weaknesses in deflators cause real growth to be smoothed.** For example, the single deflation approach, which deflates input and output using the same deflator, tends to overstate growth when commodity prices decline sharply. **But a counterargument is that the dynamism in the service sector is robust and not well reflected in the hard indicators mentioned above.** For example, private consumption is buoyant, with retail sales growing by around 10 percent y/y in real terms. “Underlying” growth may be weaker than officially reported, but only somewhat.

A sudden decline in the correlation between overall growth data and individual hard indicators could signal that the official data might overstate growth. However, looking at 12-month rolling correlations for real GDP growth versus electricity production, cement, crude steel and freight, does not suggest a recent significant decline (though the series are noisy). High frequency-based estimates. Out-of-sample estimates of growth from high-frequency PMIs and consumption/investment indicators are about $\frac{1}{4}$ – $\frac{1}{2}$ percent lower than official growth data in 2015. These results, however, are only indicative of possible slower underlying growth. While providing some cross checks, they are not based on comprehensive datasets and cannot substitute for national account statistics. These approaches focus on underlying growth by analyzing variables traditionally shaping economic fundamentals, while actual growth also includes transitory factors not captured (e.g., the current strength of financial services).