

China's "New Normal" Growth

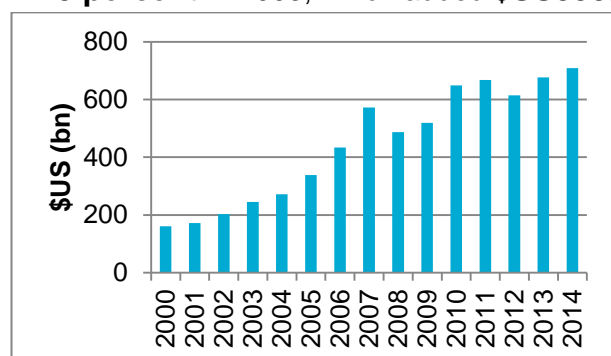
In 2014, China's growth rate slowed to 7.4 percent. This was down from 10.4 percent in 2010. This ACRI Fact Sheet explains what China's "new normal" growth rate means for the world economy.

1. Each year China's economy gets bigger. That means that even as the growth rate slows, the number of dollars being added to its economy continues to climb. It's these new dollars that drive increasing demand for goods and services produced overseas. In 2014, 7.4 percent growth added \$US708bn to China's economy (see figure).¹ This compares with growth of –

7.7 percent in 2013, which added \$US676bn

10.4 percent in 2010, which added \$US649bn

11.3 percent in 2005, which added \$US338bn



2. The \$US708bn that China added to its economy in 2014 far exceeded that of any other country. It compares with ² –

\$US402.4bn in the US

\$US4.5bn in Japan

\$US107.9bn in India

¹ China's real GDP series was first calculated in local currency terms using 2013 as the base year. The year to year change was then converted to \$US using period average exchange rates. Source – National Bureau of Statistics of China (NBS), International Monetary Fund (IMF)

² In 2013, China's GDP was RMB58.8tn. Growth of 7.4 percent meant that the economy added RMB4.4tn. The period average exchange rate in 2014 was RMB/\$US=6.14. Expected growth rates for the US, Japan and India in 2014 are 2.4, 0.01 and 5.8 percent, respectively. Source – NBS, IMF

3. It's no surprise then that China's demand for imports has also far exceeded that of these other countries. Since 2010, the volume of China's imports has leapt by 27.8 percent, with a value of \$US702.6 bn.³ This compares with –

7.6 percent and **\$US408.3bn** for the US

8.8 percent and **\$US163.7bn** for Japan

15.8 percent and **\$US121.0bn** for India

4. The world economy continues to look to China for growth. In 2014, China contributed 35.4 percent of the increase in world GDP. This compares with ⁴ –

15.9 percent for the US

0.1 percent for Japan

11.8 percent for India

5. Nothing looks about to change. It's expected that China will continue to outperform other major economies. In 2019, China will account for 18.7 percent of world GDP, up from 15.8 percent in 2013.⁵ This compares with –

15.4 percent for the US (down from 16.5)

3.9 percent for Japan (down from 4.6)

7.7 percent for India (up from 6.6)

³ The data are for 2010-2013. Source – World Bank.

⁴ Shares of world GDP in 2013 are based on purchasing power parity values. In 2014 the world economy is expected to have grown at 3.3 percent. Source – IMF.

⁵ Shares of world GDP are based on purchasing power parity values. Source – IMF.