

www.CarnegieEndowment.org/Keidel

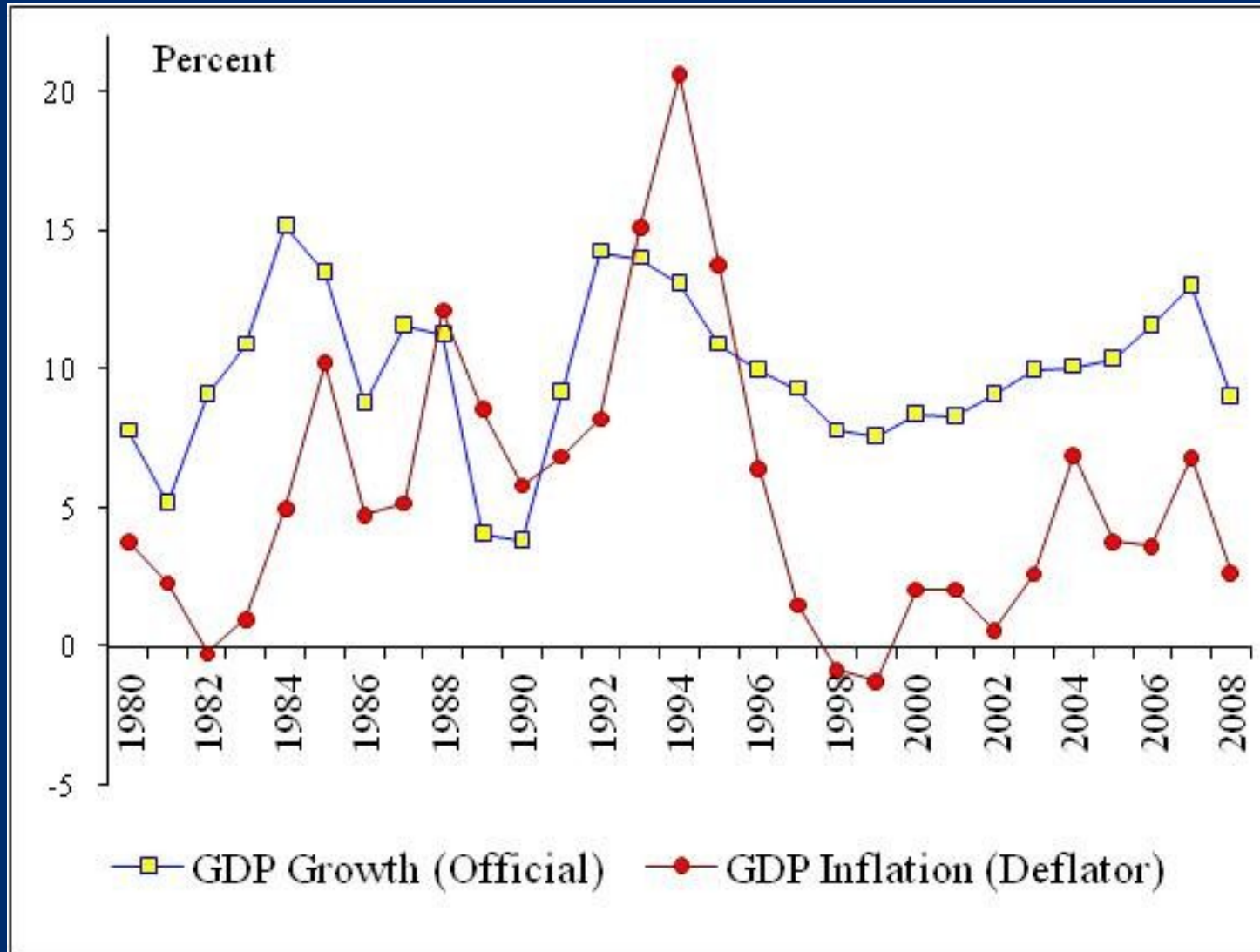
Is China's Economy Tanking?

Albert Keidel

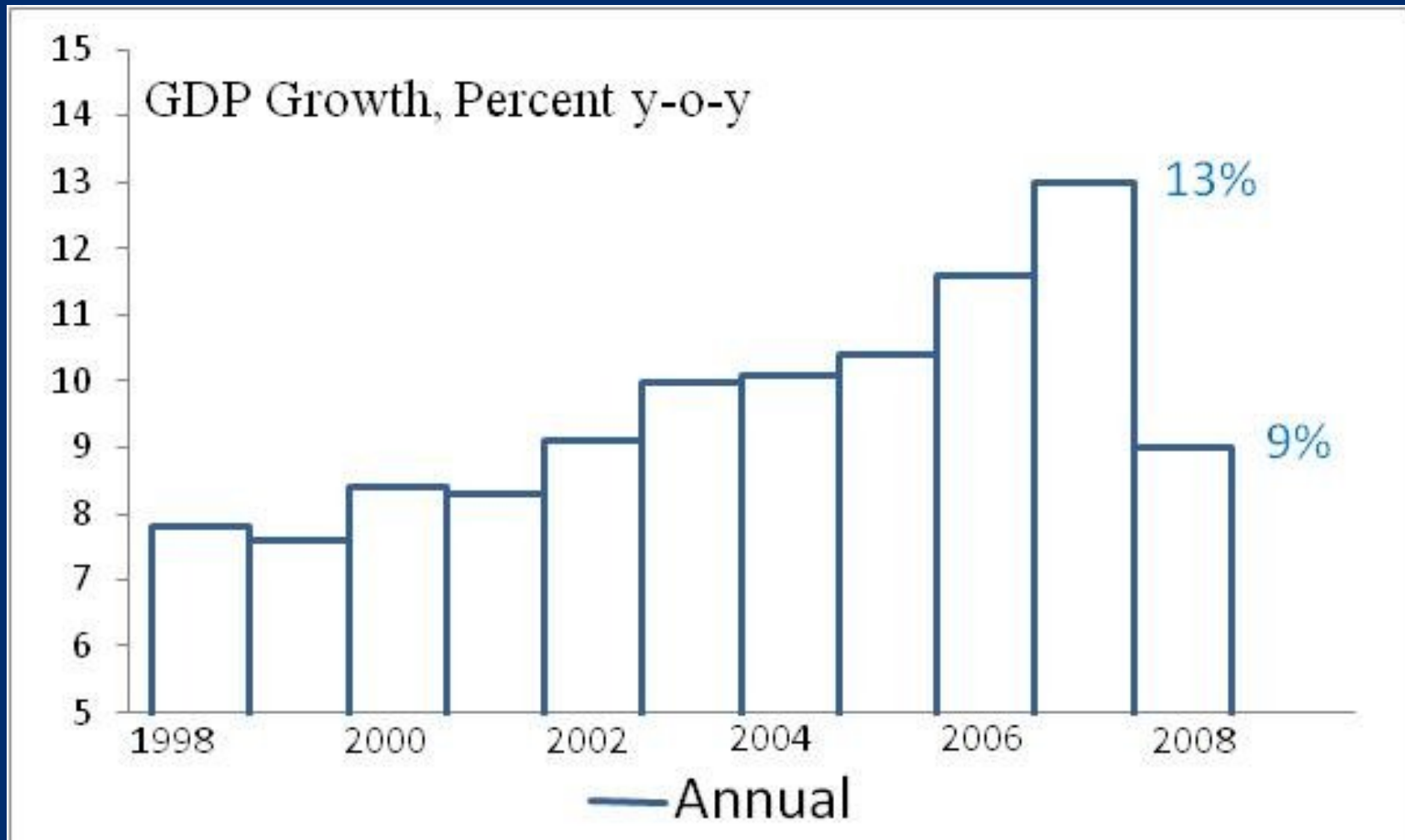
Carnegie Endowment for International Peace

January 30, 2009

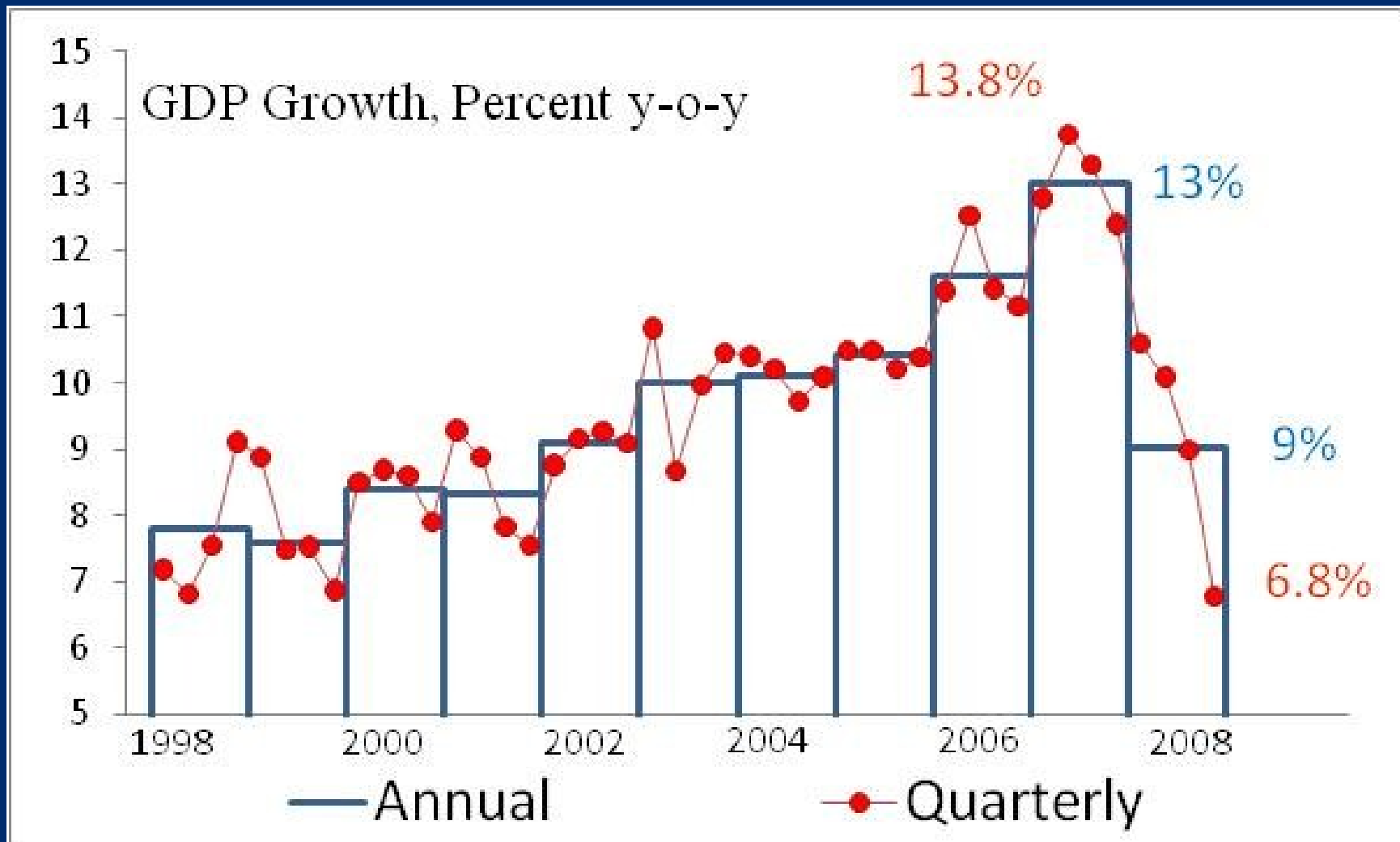
Sharp drop in 2008 growth and GDP Inflation



A Boxed Presentation of GDP Growth Trends



Steep y-o-y Descent – Will it Continue?!



SA Growth: slowing sharper than 6.8%

Q-on-Q Seasonally Adjusted Growth (%) 4 versions

Seasonality	1992- Base years: 2008	1992- 1999	2000- 2008	Massaged
2005 Qtr-1	17.5	24.9	12.2	8.0
Qtr-2	0.2	-6.2	5.4	5.0
Qtr-3	8.2	4.5	12.2	13.2
Qtr-4	16.6	21.3	12.0	15.7
2006 Qtr-1	21.8	29.5	16.3	12.0
Qtr-2	4.4	-2.3	9.8	9.4
Qtr-3	4.0	0.4	7.8	8.7
Qtr-4	15.5	20.2	11.0	14.7
2007 Qtr-1	29.1	37.2	23.2	18.6
Qtr-2	8.0	1.1	13.6	13.2
Qtr-3	2.3	-1.1	6.1	7.0
Qtr-4	11.9	16.5	7.5	11.1
2008 Qtr-1	21.0	28.5	15.5	11.2
Qtr-2	6.0	-0.7	11.6	11.2
Qtr-3	-1.7	-5.0	1.9	2.8
Qtr-4	3.2	7.4	-0.9	2.4

SA Growth rates are sensitive to the period chosen for estimating Seasonality. Here, different base years give very different results. The red column is likely the most accurate

Industry and construction are hit hardest

Quarterly GDP by Sector (% YoY)

	GDP	Primary	Secondary	Tertiary
2008 Qtr-1	10.6	2.8	11.5	10.9
Qtr-2	10.1	4.0	11.1	10.1
Qtr-3	9.0	5.7	8.9	9.9
Qtr-4	6.8	7.3	6.7	8.0

The sharp slowing in all sectors except farming (the primary sector) is notable. Note that the slowing in the service sector (Tertiary) is not as pronounced as for Industry and Construction (the Secondary sector).

Mixed Sample of 4th-quarter results

Real Growth (Percent, y-o-y)

	Industrial Output	Fixed Asset Investment	Retail Sales	Rural Household Income	Urban Household Income	Ex- Factory Prices	Real Estate Prices
2008 Qtr-1	16.6	14.7	15.4	9.0	3.4	6.9	11.0
Qtr-2	16.0	14.2	9.8	12.2	10.0	8.2	9.5
Qtr-3	13.1	15.2	17.0	12.4	10.1	9.7	5.1
Qtr-4	8.1	17.8	16.9	-5.2	11.3	3.8	2.0

- Some indicators are troubling, like rural incomes and industrial output growth. Others are promising, like investment.

Rough GDP Expenditure Projections 2008-09

Year-on-year % growth	2008				2009				2008	2009
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Rural Household Consumption	9	12	12	-5	9	7	8	8	7	8
Urban Household Consumption	3	10	10	6	10	11	12	12	7	11
Government Consumption	8	6	6	9	12	15	20	20	7	17
Fixed Asset Investment	15	12	13	11	13	13	16	17	12	15
Inventory Change	0	-5	-10	-25	-20	-5	10	15	-11	0
Exports	21	30	17	4	-4	-4	-2	5	17	-1
Imports	23	27	22	15	6	8	12	18	21	11
Net Exports	11	46	2	-34	-50	-49	-41	-52	-1	-47
Total GDP	10.6	10.2	9.0	6.8	6.4	7.3	9.0	11.1	9.0	8.6

- Major uncertainties for 2009 are how severe the trade slump will be and how much HH consumption responds to stimulus.

www.CarnegieEndowment.org/Keidel

The End

Albert Keidel
Carnegie Endowment for International Peace