World Economic Situation and Prospects
Weekly Highlights

Prepared by: Ingo Pitterle
31 January 2013

A closer look at China's Economic Growth

In 2012, China's economy expanded at its slowest pace in more than a decade. While full-year growth of 7.8 per cent exceeded the government target of 7.5 per cent, it was well below the 9.3 per cent recorded in 2011 and the 10.4 per cent of 2010. The slowdown can partly be attributed to the weakness in exports, but also reflects a shift in the Government's economic policy priorities towards more sustainable and equitable growth. In this regard, a set of recently released data provides good news.

There are three measures that point to improvements in growth in rural and less developed provinces.

First, the country's Gini coefficient declined from 0.491 in 2008 to 0.474 in 2012, indicating a reversal of the three-decade trend of rising inequality. Second, rural per-capita net income increased by 10.7 per cent in 2012, compared to 9.6 per cent for urban residents, signalling a gradual narrowing of the urban-rural income gap. And third, preliminary data on provincial GDP growth for 2012 show that the relatively poor provinces in the Southwest and Northwest grew significantly faster than the richer Eastern Coast and Central Region provinces (see chart). Several factors have contributed to this catch-up effect: on the one hand, the coastal provinces have been hit much harder by the global slowdown and the weakening of the domestic property market; on the other hand, government spending, particularly for infrastructure, has been increasingly skewed towards poorer inland provinces.

Average GDP Growth for 2011-12 in selected cities and provinces in China (in %)

- Chongqing
- Sichuan
- Yunnan
- Ningxia
- Shanxi
- Guangdong
- Jiangsu
- Shandong
- Beijing
- Shanghai


Note: 2012 figures are preliminary.