

China

Overview

Consumption has overtaken investment as the main economic driver. Manufacturers' emphasis on high-volume and low-cost methods are no longer working very well. Little attention is given to quality, governance or brand development. The result has been several "recall crises", leading buyers to steer away from Chinese-made products. Nearly 8 million rural surplus workers migrate to cities each year. A shortage in skilled workers poses a problem for both domestic and foreign firms. The number of urban households earning more than US\$5,000 a year will grow annually by 24% during the next ten years, creating millions of new consumers. At the same time, the gap between rich and poor is increasing. The costs of environmental damage are huge. More than half of all municipal waste is discharged without any treatment whatsoever and over 10% of all crops are poisoned with heavy metals and other pollutants.

Economic Performance and Political Framework

Political Structure

All legislative authority is vested in the 3,000-member National People's Congress, which is elected every five years. The Congress, however, meets only once a year, and the Communist Party undertakes most political decisions.

In March 2003, Hu Jintao was elected President. At the same time, Wen Jiabao was elevated to head of government.

China is surrounded by 14 states with some borders still in dispute. No relations are more difficult than those with Taiwan. The Chinese loudly object to Taipei's plans to mount a referendum on a new constitution for the island. China also has several territorial disputes with other states involving the potentially hydrocarbon-rich Spratly Islands. Beijing's relations with pro-democracy supporters in Hong Kong are sometimes difficult. China and Japan have a dispute regarding the exploration for natural gas in the East China Sea. In 2008, Beijing finally reached an agreement on the entire length of its border with Russia.

Economic Structure and Major Industries

Agriculture has been growing at about 3% per year. Beijing's recent decision to emphasise rural development led to a huge increase in investment in the sector. Production has been forecast to rise by 5.2-5.4% in 2008 but poor weather slowed gains in the first half of the year. Rice is the main food crop, but tea, sugar and fibre crops are all important cash earners. China is also the world's biggest producer and consumer of cotton.

The industrial sector continues to expand at a healthy pace (7.5% in 2007). Production of automobiles, electronic equipment and construction materials are all rising rapidly. The number of automobiles produced in the country is growing by around 20% per year. Still, just 4% of the population owns a car (compared to 60% in Europe). The car industry is too crowded for all current makers to survive, however. Strong profits in various industries continue to drive investment despite the government's efforts to rein it in. Manufacturers' emphasis on high-volume, low-cost methods are not working well as export markets have expanded. Little attention is given to quality, governance or brand development. The result has been several "recall crises", leading buyers to steer away from Chinese-made products.

The service sector grew by more than 10% in 2007 and the pace continued in 2008. Growth is supported by government efforts to boost consumption as well as spending associated with the Olympic Games in 2008. The banking industry, which faced wholesale collapse in the late 1990s, has recovered dramatically. They are now more commercially oriented and non-performing loans have fallen sharply.

Business Environment

China's economy is so big and growing so rapidly that it remains a magnet for foreign firms and investors. Investors are also attracted because of the cheap, unskilled labour, which is about a third of the cost in most other Asian countries. The business environment, however, is complicated at best. Beijing is trying to cap levels of investment in several industries.

• Economic indicators

Table 5.1

China: GDP 2002-2007

As stated

	2002	2003	2004	2005	2006	2007	% change 2002-2007
Total GDP (RMB million)	12,035,000	13,639,900	16,028,000	18,869,200	22,117,000	25,868,282	114.9
Total GDP (RMB per capita)	9,430	10,619	12,403	14,516	16,915	19,667	108.6
GDP measured at purchasing power parity (international \$ million)	3,701,938	4,175,054	4,709,962	5,472,506	6,388,504	7,293,003	97.0

Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics

Table 5.2

China: GDP by origin 2002-2007

RMB million

	2002	2003	2004	2005	2006	2007	% real growth 2002-2007	% analysis 2007
Agriculture, hunting, forestry and fishing	1,653,702	1,738,172	2,141,273	2,307,044	2,473,700	2,621,777	39.4	11.2
Mining and quarrying	490,616	598,429	762,827	1,031,824	1,249,817	1,491,953	167.4	6.4
Manufacturing	3,809,065	4,393,440	5,174,851	6,011,799	7,090,443	7,966,528	83.9	34.1
Electricity, gas and water supply	443,450	502,684	583,325	679,456	790,834	879,523	74.4	3.8
Construction	646,546	749,078	869,428	1,013,380	1,185,109	1,326,740	80.4	5.7
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	925,147	1,018,620	1,245,377	1,353,454	1,426,919	1,526,291	45.1	6.5
Hotels and restaurants	262,935	294,690	366,483	419,343	439,477	480,756	60.8	2.1
Transport, storage and communications	837,240	939,514	1,354,071	1,560,367	1,391,221	1,519,525	59.6	6.5
Financial intermediation, real estate, renting and business activities	1,290,076	1,459,725	1,519,459	1,746,349	2,196,854	2,414,978	64.6	10.3
Public administration and defence; compulsory social security	759,794	839,306	866,941	972,925	1,183,516	1,269,596	46.9	5.4
Education, health, social work and other community, social, personal service activities	914,698	1,048,618	1,103,799	1,290,847	1,659,209	1,852,890	78.1	7.9
GDP by origin	12,033,269	13,582,276	15,987,834	18,386,788	21,087,099	23,350,557	70.6	100.0

Source: Euromonitor International from national statistics

Table 5.3

China: Annual rates of inflation 2002-2007

% growth

	2002	2003	2004	2005	2006	2007
Annual rates of inflation	-0.8	1.2	3.9	1.8	1.5	4.8

Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics and World Economic Outlook/UN/national statistics

• Foreign trade

Table 5.4

China: Imports and exports of goods and services and trade balance 2002-2007

US\$ million

	2002	2003	2004	2005	2006	2007	% real growth 2002-2007
Exports	325,596.0	438,228.0	593,326.0	761,953.0	969,380.0	1,217,790.0	202.3
Imports	295,170.0	412,760.0	561,229.0	659,953.0	791,605.0	956,254.0	161.8
Trade balance	30,426.0	25,468.0	32,097.0	102,000.0	177,775.0	261,536.0	

Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics

• Pet Food and Pet Care

Table 4.37

Pet food and pet care products: retail distribution by retail format (% value) 2007

% share value

	Supermarkets hypermarkets	Discounters	Other grocery retailers	Pet superstores	Pet shops	Veterinary clinics	Other non- grocery retailers	Home shopping	Internet retailing	Direct selling	Total
China	14.8		0.2	2.6	66.5	11.5	4.4				100.0
Hong Kong, China	32.9		0.2		50.1	15.5			1.3		100.0
India	8.1		1.0		48.6	41.3	1.0				100.0
Indonesia	34.0		19.5	1.8	35.3	9.3					100.0
Japan	14.3		4.3	2.0	23.5	4.0	48.7	0.7	2.5		100.0
Malaysia	30.3		5.4	1.7	53.7	7.6	1.3				100.0
Philippines	46.4		15.2		28.1	7.6	1.1		1.4		100.0
Singapore	19.7		1.7	5.7	64.1	6.1	1.1		1.5		100.0
South Korea	11.7		18.8		32.5	23.5	1.1		12.4		100.0
Taiwan	31.2		1.2	5.9	50.9	7.9			2.9		100.0
Thailand	28.8		0.7	4.0	49.5	14.0	3.1				100.0
Vietnam	45.5		4.8	2.9	35.0	11.4	0.3				100.0

Source: Euromonitor International from trade sources

• Pet Food and Pet Care » Dog and cat food

Table 4.38

Dog and cat food: retail distribution by retail format (% value) 2007

% share value

	Supermarkets hypermarkets	Discounters	Other grocery retailers	Pet superstores	Pet shops	Veterinary clinics	Other non- grocery retailers	Home shopping	Internet retailing	Direct selling	Total
China	30.0		0.5	3.0	49.1	8.8	8.7				100.0
Hong Kong, China	36.1				46.4	16.2			1.3		100.0
India	9.0		1.0		49.5	39.5	1.0				100.0
Indonesia	47.4		1.6	1.0	38.5	11.5					100.0
Japan	18.8		5.1	1.9	19.3	3.9	47.4	0.9	2.7		100.0
Malaysia	43.4		6.9	1.5	38.5	8.6	1.0				100.0
Philippines	48.5		15.0		30.5	3.5	1.2		1.3		100.0
Singapore	23.7		2.0	7.2	59.1	4.8	1.4		1.8		100.0
South Korea	13.0		20.2		34.6	17.7	1.5		13.0		100.0
Taiwan	48.2		1.6	6.3	35.1	7.3			1.4		100.0
Thailand	30.2		0.7	4.2	47.0	14.5	3.3				100.0
Vietnam	51.7		3.1	2.9	29.3	12.8	0.2				100.0

Source: Euromonitor International from trade sources

• Pet Food and Pet Care » Pet care products

Table 4.39

Pet care products: retail distribution by retail format (% value) 2007

% share value

	Supermarkets hypermarkets	Discounters	Other grocery retailers	Pet superstores	Pet shops	Veterinary clinics	Other non- grocery retailers	Home shopping	Internet retailing	Direct selling	Total
China	7.0			2.5	75.5	13.0	2.0				100.0
Hong Kong, China	5.0		2.0		79.2	12.0			1.8		100.0
India	6.0		1.0		46.0	46.0	1.0				100.0
Indonesia	21.5		36.0	3.0	31.0	8.5					100.0
Japan	3.0		2.3	2.3	31.0	5.2	54.2		2.0		100.0
Malaysia	4.0		2.0	1.5	83.0	8.0	1.5				100.0
Philippines	49.0		16.0		12.0	20.0	1.0		2.0		100.0
Singapore	11.0		1.0	2.5	70.5	13.5	0.5		1.0		100.0
South Korea	11.0		18.0		31.2	27.0	0.8		12.0		100.0
Taiwan	18.0		1.0	6.0	60.0	10.0			5.0		100.0
Thailand	24.5		0.5	3.3	57.5	13.0	1.2				100.0
Vietnam	8.0		21.0	5.0	40.0	25.0	1.0				100.0

Source: Euromonitor International from trade sources

• Hot drinks » Other hot drinks

Table 3.139

Asia: Sales of other hot drinks 2002-2007

tonnes/Grams per capita/US\$ million

	2002	2003	2004	2005	2006	2007	Grams per capita 2007	US\$ million 2007
China	686,334	742,181	797,550	847,998	895,396	940,981	715.4	2,839.4
Hong Kong, China	3,386	3,442	3,516	3,614	3,731	3,850	534.5	45.5
India	68,317	71,537	74,707	77,385	81,571	86,091	75.5	425.0
Indonesia	27,528	29,793	32,976	36,196	39,384	42,398	183.0	225.2
Japan	12,765	13,220	14,186	13,579	13,651	13,540	106.0	277.0
Malaysia	46,980	48,382	49,599	50,615	51,561	52,629	1,941.8	164.6
Philippines	28,354	31,756	35,250	39,254	43,929	49,067	562.3	168.9
Singapore	5,082	5,173	5,278	5,411	5,574	5,715	1,251.4	29.0
South Korea	3,280	3,340	3,280	3,326	3,352	3,383	70.8	20.0
Taiwan	5,280	5,992	6,517	6,572	6,704	6,850	298.6	48.4
Thailand	18,290	18,995	19,548	20,219	21,014	21,741	344.3	82.7
Vietnam	4,338	5,594	6,022	6,590	7,337	8,207	96.3	44.8

Source: Euromonitor International from trade sources

• Household care products

Table 3.140

Asia: Value sales of household care products 2002-2007

US\$ million/US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
China	3,961.4	4,160.7	4,340.5	4,706.3	5,209.1	5,912.5	4.50
Hong Kong, China	150.5	152.3	153.6	157.8	160.0	167.5	23.25
India	1,836.7	2,035.0	2,213.4	2,400.8	2,488.5	2,688.5	2.36
Indonesia	646.3	696.7	697.8	691.7	786.8	832.4	3.59
Japan	6,516.8	6,899.4	7,646.4	7,703.4	7,457.8	7,590.2	59.42
Malaysia	325.0	333.3	342.1	355.3	382.4	400.9	14.79
Philippines	635.2	649.4	680.4	751.2	857.8	883.9	10.13
Singapore	72.7	77.2	81.3	84.8	91.4	95.1	20.82
South Korea	801.3	859.6	926.7	1,099.1	1,243.0	1,313.5	27.47
Taiwan	404.2	398.9	416.7	439.0	437.4	434.5	18.94
Thailand	455.8	507.4	560.9	600.5	684.1	729.7	11.56
Vietnam	246.1	269.9	295.9	326.4	359.4	386.4	4.52

Source: Euromonitor International from trade sources

• Household care products » Laundry care

Table 3.141

Asia: Value sales of laundry care 2002-2007

US\$ million/US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
China	2,341.6	2,437.1	2,542.6	2,791.0	3,120.6	3,570.3	2.71
Hong Kong, China	65.6	65.2	66.5	69.8	70.9	72.1	10.01
India	1,315.2	1,447.1	1,563.9	1,685.4	1,722.5	1,847.7	1.62
Indonesia	435.5	440.4	425.7	414.1	463.3	480.5	2.07
Japan	2,918.3	2,981.5	3,412.5	3,442.2	3,339.0	3,412.2	26.71
Malaysia	161.4	166.6	171.8	178.1	190.0	196.7	7.26
Philippines	306.4	316.1	335.0	372.1	422.0	431.3	4.94
Singapore	30.7	32.2	33.7	34.8	37.4	38.9	8.53
South Korea	437.1	489.0	530.9	631.7	721.4	763.3	15.97
Taiwan	164.1	158.0	162.8	168.9	165.9	162.2	7.07
Thailand	300.7	332.3	366.7	394.2	450.0	481.6	7.63
Vietnam	170.4	182.4	197.5	216.4	237.5	252.9	2.96

Source: Euromonitor International from trade sources

• Economic indicators

Table 2.1

Asia: Total GDP 2002-2007

US\$ billion / % real growth

	2002	2003	2004	2005	2006	2007	% real growth 2002-2007
China	1,454.0	1,647.9	1,936.5	2,302.7	2,773.8	3,400.4	89.0
Hong Kong, China	163.8	158.6	165.9	177.8	190.0	207.2	24.1
India	495.0	573.1	669.2	783.1	877.8	1,101.0	49.7
Indonesia	195.7	234.8	256.8	285.9	364.6	432.9	44.3
Japan	3,918.3	4,229.1	4,605.9	4,552.2	4,376.0	4,377.6	5.2
Malaysia	100.8	110.2	124.7	138.0	156.4	186.7	50.1
Philippines	76.8	79.6	86.9	98.8	117.6	144.1	30.1
Singapore	88.3	93.2	109.2	119.8	136.6	161.3	45.4
South Korea	546.9	608.1	680.5	791.4	888.2	969.8	14.1
Taiwan	297.6	305.1	330.6	354.7	364.6	377.2	13.4
Thailand	126.9	142.6	161.3	176.4	206.7	245.4	32.8
Vietnam	35.0	39.6	45.4	52.9	60.9	71.1	51.7

Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics

Table 2.2

Asia: GDP per capita 2002-2007

US\$ per capita / % change

	2002	2003	2004	2005	2006	2007	% change 2002-2007
China	1,139	1,283	1,499	1,771	2,121	2,585	126.9
Hong Kong, China	24,132	23,054	23,841	25,251	26,681	28,759	19.2
India	469	534	614	708	781	965	105.9
Indonesia	900	1,065	1,151	1,265	1,593	1,869	107.7
Japan	30,736	33,119	36,044	35,629	34,249	34,269	11.5
Malaysia	4,112	4,400	4,877	5,280	5,871	6,871	67.1
Philippines	962	976	1,043	1,161	1,354	1,626	69.1
Singapore	21,136	22,253	25,756	27,589	30,457	35,332	67.2
South Korea	11,752	12,989	14,452	16,718	18,667	20,284	72.6
Taiwan	13,283	13,546	14,627	15,635	16,010	16,490	24.1
Thailand	2,118	2,355	2,634	2,850	3,306	3,886	83.4
Vietnam	439	488	553	636	723	832	89.7

Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics

Table 2.3

Asia: GDP measured at purchasing power parity (PPP) 2002-2007

International \$ billion / % change

	2002	2003	2004	2005	2006	2007	% change 2002-2007
China	3,701.9	4,175.1	4,710.0	5,472.5	6,388.5	7,293.0	97.0
Hong Kong, China	187.3	197.1	219.6	243.1	268.5	293.3	56.6
India	1,719.6	1,876.5	2,096.3	2,354.4	2,668.7	2,996.5	74.3
Indonesia	563.7	603.2	650.2	705.2	768.0	838.5	48.7
Japan	3,354.7	3,474.5	3,666.3	3,872.8	4,094.5	4,292.2	27.9
Malaysia	235.0	254.0	277.7	301.3	329.0	359.2	52.9
Philippines	197.2	211.4	230.9	250.2	272.3	299.7	51.9
Singapore	140.1	148.1	166.7	184.8	206.5	228.3	63.0
South Korea	845.8	890.5	957.1	1,027.4	1,114.9	1,201.9	42.1
Taiwan	478.9	506.2	551.0	590.5	639.5	685.0	43.1
Thailand	346.3	378.9	413.3	445.4	483.2	519.8	50.1
Vietnam	131.5	144.1	159.9	178.1	198.9	221.6	68.6

Source: Euromonitor International from IMF

• Population
Table 6.19**Hong Kong, China: Total population by age (national estimates at January 1st) 2002-2007**

	2002	2003	2004	2005	2006	2007	% change 2002-2007	% analysis 2007
0-4 yrs	267.6	264.8	268.6	272.6	273.8	275.0	2.8	3.8
5-9 yrs	392.3	380.4	362.5	342.8	329.7	320.7	-18.3	4.5
10-14 yrs	434.5	444.9	446.2	452.4	456.4	455.1	4.7	6.3
15-19 yrs	440.2	439.1	446.2	451.6	456.3	465.5	5.7	6.5
20-24 yrs	449.8	476.4	477.9	478.4	476.6	473.8	5.3	6.6
25-29 yrs	511.5	509.5	503.2	499.2	502.4	504.2	-1.4	7.0
30-34 yrs	588.4	587.5	587.2	586.3	578.6	575.4	-2.2	8.0
35-39 yrs	675.1	649.0	635.6	625.6	623.6	624.6	-7.5	8.7
40-44 yrs	693.4	704.4	709.6	710.0	700.3	688.4	-0.7	9.6
45-49 yrs	572.0	601.5	629.8	654.2	676.0	686.1	19.9	9.5
50-54 yrs	460.5	476.1	494.8	509.9	532.0	561.0	21.8	7.8
55-59 yrs	283.4	314.4	347.3	387.6	423.3	443.4	56.5	6.2
60-64 yrs	241.3	233.4	232.6	236.4	245.3	274.1	13.6	3.8
65-69 yrs	251.7	250.8	248.8	246.8	241.0	232.3	-7.7	3.2
70-74 yrs	215.7	222.1	228.4	228.8	230.0	232.4	7.7	3.2
75-79 yrs	151.2	157.9	164.0	172.4	179.7	184.5	22.0	2.6
80+ yrs	158.4	166.1	175.2	185.3	196.3	207.1	30.7	2.9
Population	6,787.0	6,878.3	6,957.9	7,040.3	7,121.3	7,203.6	6.1	100.0

Source: Euromonitor International from national statistics/UN

Table 6.20**Hong Kong, China: Total population by gender (national estimates at January 1st) 2002-2007**

	2002	2003	2004	2005	2006	2007	% change 2002-2007	% analysis 2007
Male population	3,299.9	3,320.9	3,340.4	3,360.8	3,381.3	3,403.1	3.1	47.2
Female population	3,487.1	3,557.4	3,617.5	3,679.5	3,740.0	3,800.5	9.0	52.8
Population	6,787.0	6,878.3	6,957.9	7,040.3	7,121.3	7,203.6	6.1	100.0

Source: Euromonitor International from national statistics/UN

Table 6.21**Hong Kong, China: Total population (national estimates at mid-year) 2002-2007**

	2002	2003	2004	2005	2006	2007	% change 2002-2007
Population at mid-year	6,832.7	6,918.1	6,999.1	7,080.8	7,162.5	7,244.8	6.0

Source: Euromonitor International from national statistics/UN

• Health
Table 6.22**Hong Kong, China: Life and healthy life expectancy at birth: total population 2002-2007**

years	2002	2003	2004	2005	2006	2007	% change 2002-2007
Males	78.6	78.5	79.0	78.8	79.0	79.1	0.7
Females	84.5	84.3	84.7	84.5	84.7	84.9	0.5

Source: Euromonitor International from World Bank