China’s Transition to a New Growth Model

Research Workshop on China’s Economy

International Monetary Fund & Federal Reserve Bank of Atlanta

April 28, 2016

Nicholas R. Lardy
Anthony M. Solomon Senior Fellow
Peterson Institute for International Economics

Source: China National Bureau of Statistics
Decline in Output of Industrial Products

Source: China National Bureau of Statistics, China Coal Transportation & Distribution
Industrial Growth, 1Q 2010 – 1Q 2016

Percent (year-over-year)

Source: China National Bureau of Statistics
Growth of Industry/Construction and Tertiary Industry, 1Q 2010 – 1Q 2016

Source: China National Bureau of Statistics
Drivers of the Transition

-- Demand Side
  1. Demographics
  2. Engel Curve --- upper middle income status
  3. Build out of social safety net
  4. Relative labor intensity of services

-- Supply Side
  1. No more undervaluation of the currency
  2. Tax reform reducing long-standing discriminatory treatment of tertiary sector
  3. Opening up to private sectors

Share (Percent)

- leasing and business services
- scientific research and technical services
- financial intermediation
- information transmission, software and information technology

Source: China National Bureau of Statistics