

Data and Profiles - Market Profiles - Mainland China

Economic and Trade Information on China

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Latest development

- China's GDP grew by 18.3% in the first quarter of 2021 and 7.9% in the second quarter of 2021.
- Added-value industrial output grew by 6.4% in July 2021, down from 8.3% in June 2021.
- Fixed assets investment increased by 10.3% in Jan – Jul 2021, down from 12.6% in Jan – Jun 2021.
- In July 2021, retail sales grew by 8.5%.
- Inflation increased by 1.0% in July 2021, with food prices down by 3.7% and non-food prices up by 2.1%.
- In July 2021, exports (in terms of US\$) surged by 19.3%, while imports (in terms of US\$) grew by 28.1%, resulting in a trade surplus of US\$56.6 billion.
- The Manufacturing Purchasing Managers' Index down from 50.9 in June 2021 to 50.4 in July 2021.

Major Economic Indicators	2020		Jan-Jul 2021	
	Value	Growth (%)	Value	Growth (%)
Population (mn)	1,400.0	-	1,443.5	-
Gross Domestic Product (RMB bn)	101,598.6	2.3 ¹	53,216.7	12.7 ^{1,4}
GDP Per Capita (RMB)	72,447	2.0	-	-
Fixed Assets Investment ² (RMB bn)	51,890.7	2.9	30,253.3	10.3
Added-Value of Industrial Output ³	-	2.8 ¹	-	14.4 ¹
Consumer Goods Retail Sales (RMB bn)	39,198.1	-3.9	24,682.9	20.7
Consumer Price Index	-	2.5	-	0.6
Exports (US\$ bn)	2,590.7	3.6	1,800.9	35.2
Imports (US\$ bn)	2,055.6	-1.1	1,494.8	34.9
Trade Surplus (US\$ bn)	535.0	-	306.1	-
Utilised Foreign Direct Investment (US\$ bn)	144.4	4.5	91.0 ⁴	33.9
Foreign Currency Reserves (US\$ bn)	3,216.5	3.5	3,235.9 ⁵	2.6

Note: ¹ Real growth ² Urban investments in fixed assets ³ All state-owned and other types of enterprises with annual sales over RMB 20 million ⁴ Jan-Jun 2021 ⁵ Jul-end 2021

Sources: The National Bureau of Statistics, Ministry of Commerce, and General Administration of Customs.

Major International Ranking

- According to the World Bank, China is the second-largest economy in the world, behind the United States, ahead of Japan.
- According to UNCTAD World Investment Report, China was the second-largest recipients of FDI inflows (USD 149 billion) in the world in 2020 (China ranked 2nd in 2008), behind the United States (USD 156 billion).
- According to UNCTAD World Investment Report, China was the largest source of outward FDI flows (USD 133 billion) in the world in 2020 (up from the 11th in 2008).
- According to the World Trade Organisation (WTO), China was the world's largest exporter of merchandise trade in 2019 (up from the 11th in 1995), reaching USD 2,499 billion.
- According to WTO, China was the world's 4th largest exporter of commercial services in 2019 (up from the 16th in 1995), reaching USD282 billion.
- According to International Monetary Fund, China has the largest foreign currency reserves as of December 2020, reaching USD 3,216.5 billion.

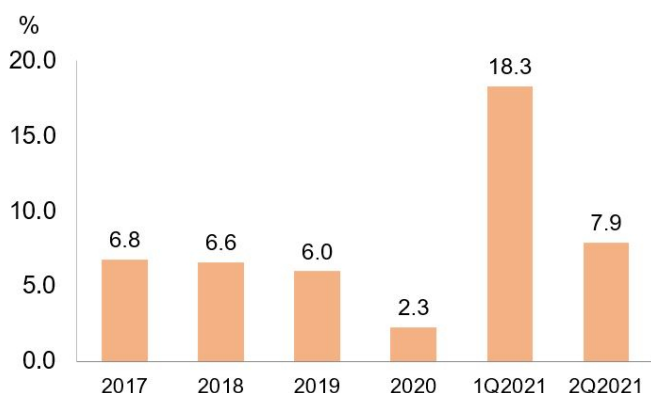
- According to HKSAR Marine Department, Shanghai's container throughput surpassed Singapore and ranked the first in the world since 2010.
- According to Hong Kong Securities and Futures Commission, as at end December 2020, the market capitalisation of Shanghai Stock Exchange is the largest in Asia and the third largest in the world.

Recent Government Initiatives

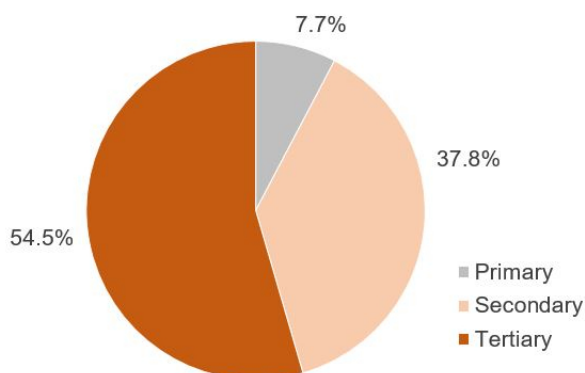
- In March 2021, the National People's Congress (NPC) adopted the 14th Five-Year Plan (2021-2025) (the Plan). The Plan focuses on high-quality growth, transforming and upgrading the economy through innovation (spending on research and development by more than 7% annually) and adopting new development model of dual circulation. During the period, China will build an all-round well-off society and aim to raise its urbanization rate to 65%.
- The Plan states firmly upholding the "One Country, Two Systems" principle and continues to support Hong Kong to enhance its status as an international financial, transportation and trade centre; strengthen its status as a global offshore Renminbi business hub, an international asset management centre and a risk management centre; establish Hong Kong as a centre for international legal and dispute resolution services in the Asia-Pacific region; and promote service industries for high-end and high value-added development.
- On high-quality GBA development, the Plan mentions the deepening and widening of mutual access between the financial markets of Hong Kong and the Mainland and strengthening exchanges and co-operation between Hong Kong and the Mainland on different fronts, and, for the first time, includes the Shenzhen-Hong Kong Loop as a major platform of co-operation in the GBA.
- The State Council promulgated the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* on 18 February 2019, mapping out the development plan for the Greater Bay Area. The Greater Bay Area is strategically positioned to be (i) a vibrant world-class city cluster; (ii) a globally influential international innovation and technology hub; (iii) an important support pillar for the Belt and Road Initiative; (iv) a showcase for in-depth cooperation between the Mainland and Hong Kong and Macao; and (v) a quality living circle for living, working and travelling.
- On 5 July 2019, Guangdong has issued two key strategy documents relating to the Greater Bay Area (GBA) – the *Implementation Plan for the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* and a *Three-Year Action Plan for Building the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020)*. The *Action Plan* proposes the implementation of 100 key measures across nine areas, including optimising and upgrading the environment of the GBA's four core cities, establishing an international science and technology innovation centre and maintaining a state-of-the-art infrastructure base.
- On 11 October 2020, the State Council announced the *Implementation Plan for the Pilot Comprehensive Reform of the Pilot Demonstration Zone of Socialism with Chinese Characteristics in Shenzhen (2020-2025)*. Greater autonomy will be granted to Shenzhen in some important areas and key links, such as carrying out market-based economic reform, improving market and legal environments for international businesses, building a high-level open economy and etc. Efforts will also be made to promote a higher level of Shenzhen-Hong Kong cooperation and enhance Shenzhen's function as the core engine in the development of GBA. On 18 October, a list of 40 authorised measures to facilitate the pilot reforms in Shenzhen was released.
- *The Foreign Investment Law of the People's Republic of China* took effect from 1 January 2020. This law assures non-mainland investors of national level protection for all their committed funds, income and other interests, provided their projects so not fall within the remit of the statutory Negative list.

Major Economic Indicators

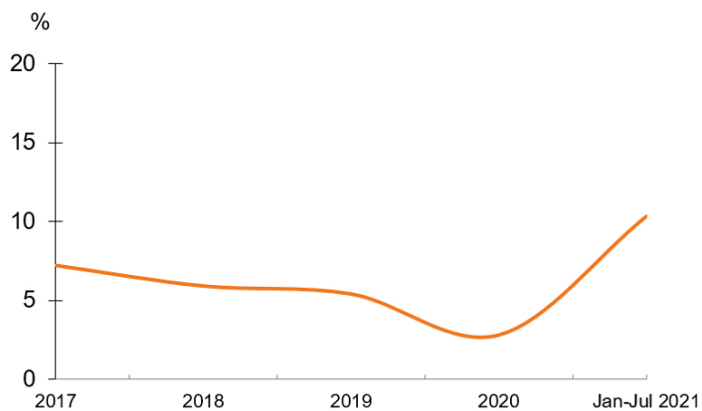
Real GDP Growth



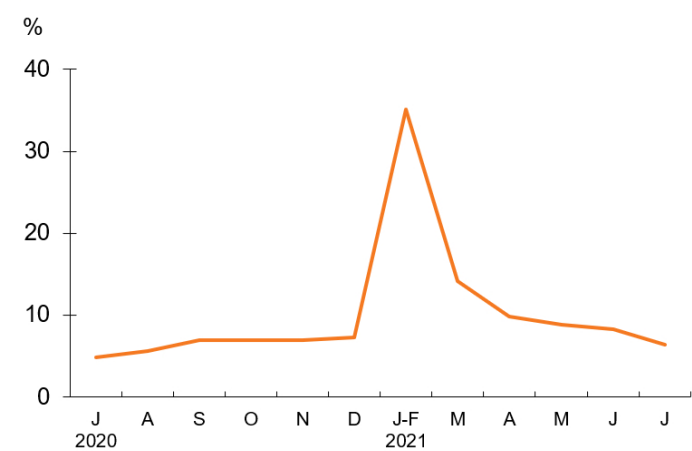
GDP composition, by sector (2020)



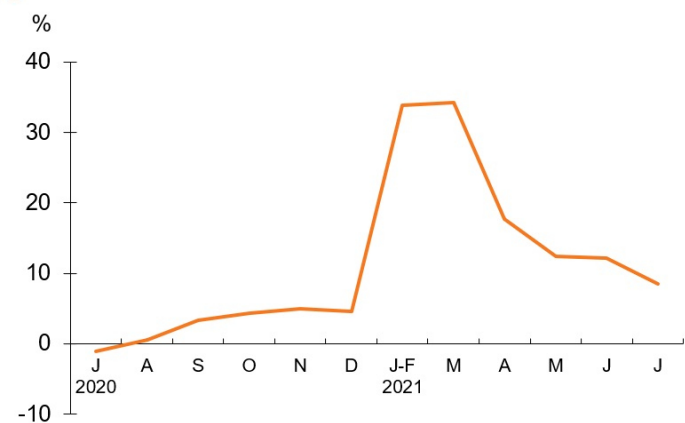
Fixed Assets Investment Growth



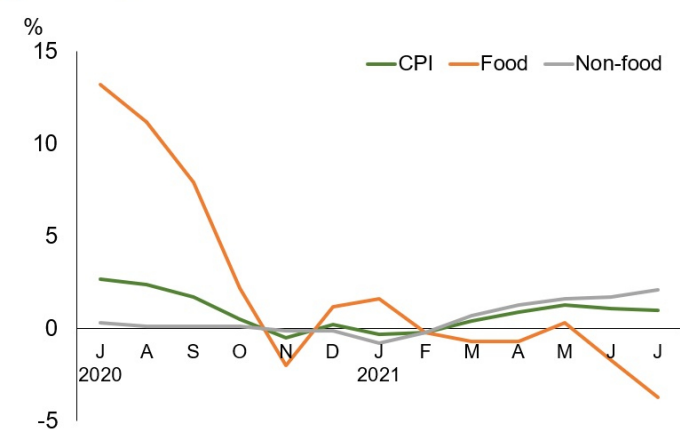
Added-value of Industrial Output Growth



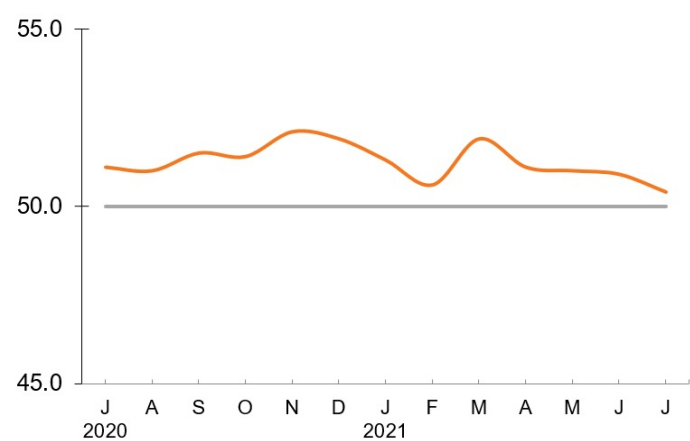
Retail Sales Growth



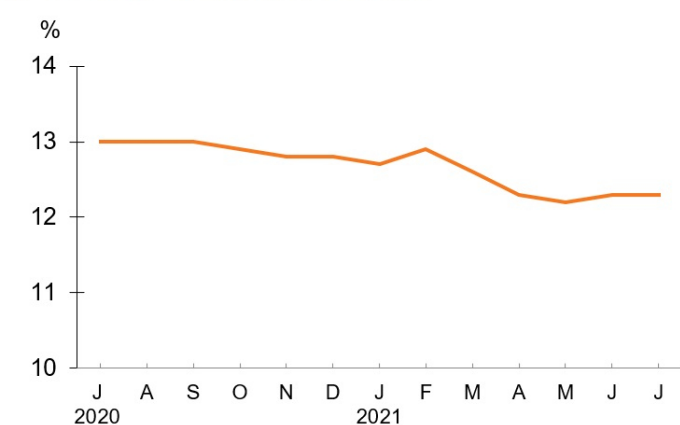
Change in CPI



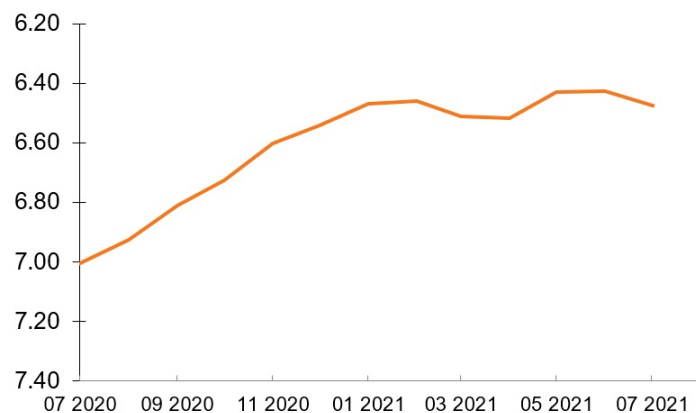
Manufacturing PMI



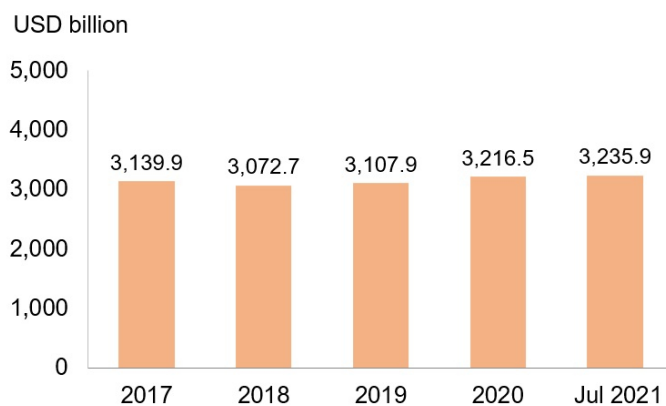
Growth of the RMB Loans



RMB Against the US\$ (RMB/US\$)



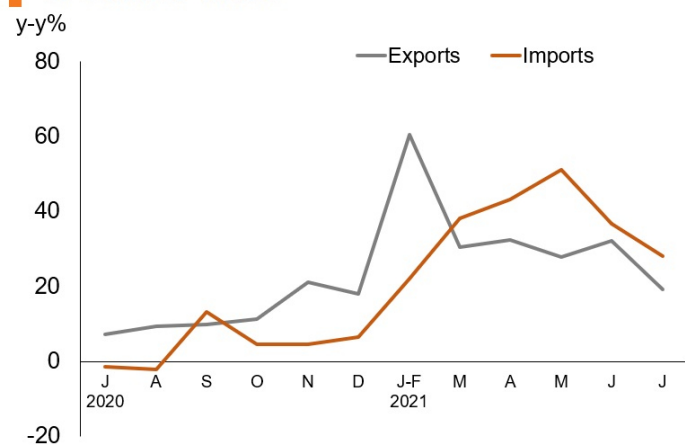
Foreign Exchange Reserves



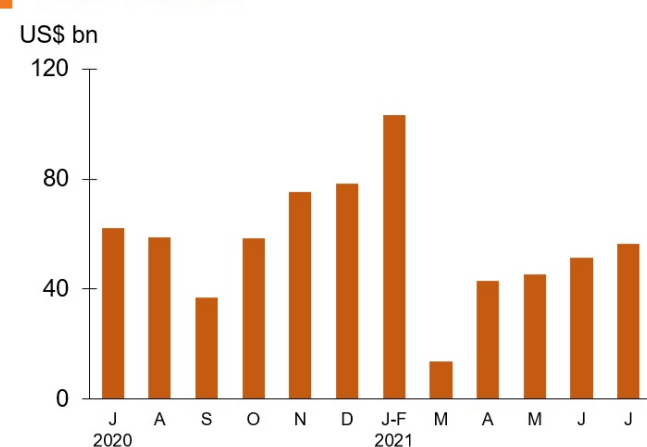
Sources: The National Bureau of Statistics, Pacific Exchange Rate Service; State Administration of Foreign Exchange

External Trade

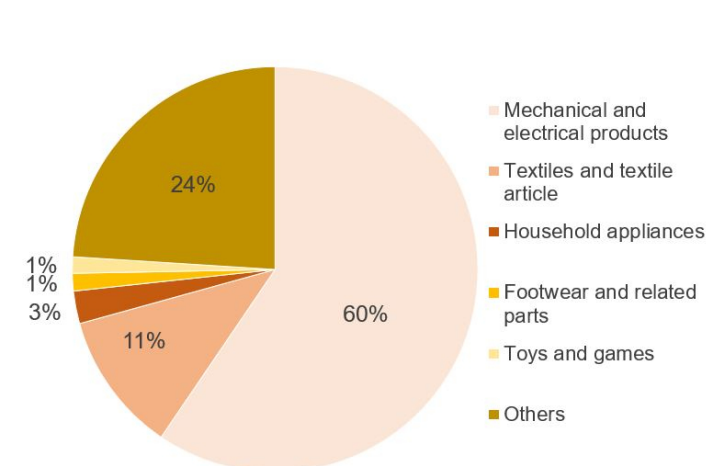
Growth of Trade



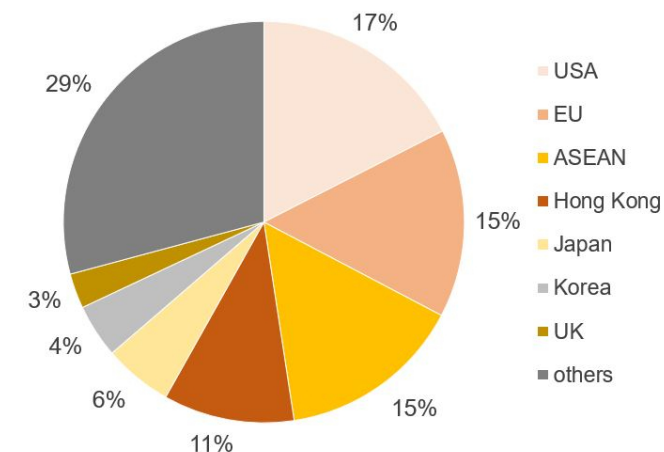
Trade Balance



Major Exports Commodities (2020)

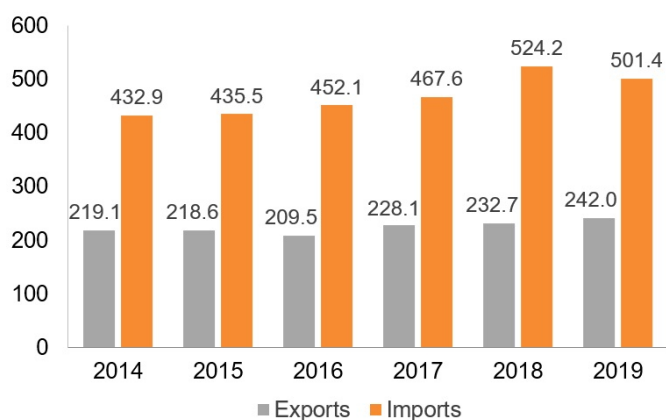


Major Export Markets (2020)



Trade in Services

USD billion

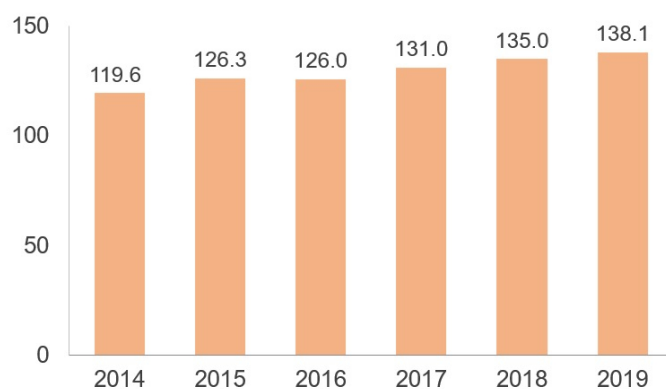


Sources: Ministry of Commerce, General Administration of Customs

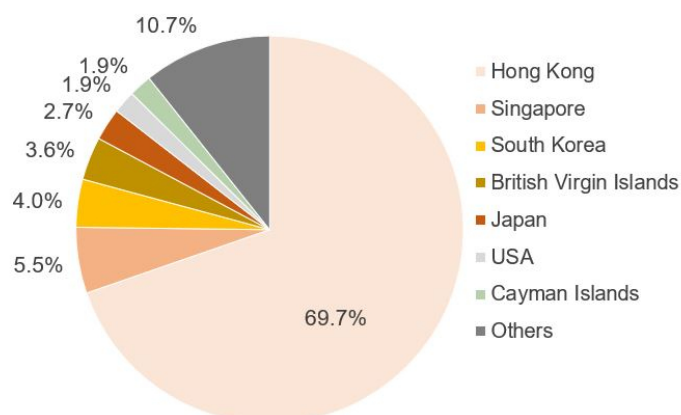
Investment Flows

Flow of Inward FDI

USD billion

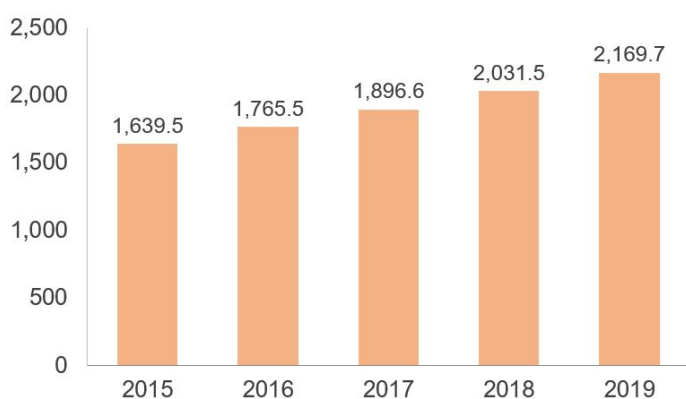


Flow of Inward FDI by Major Source (2019)

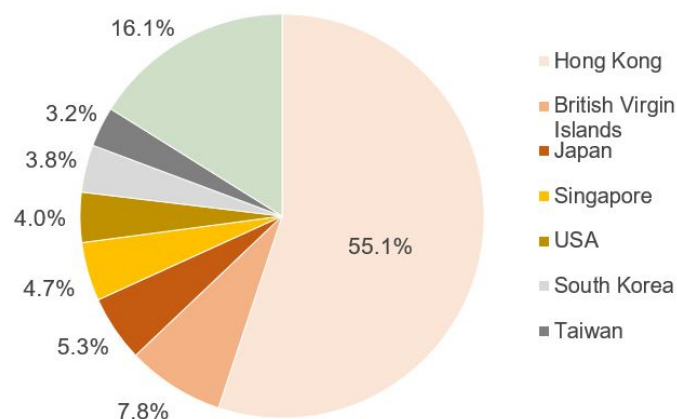


Stock of Inward FDI

USD billion

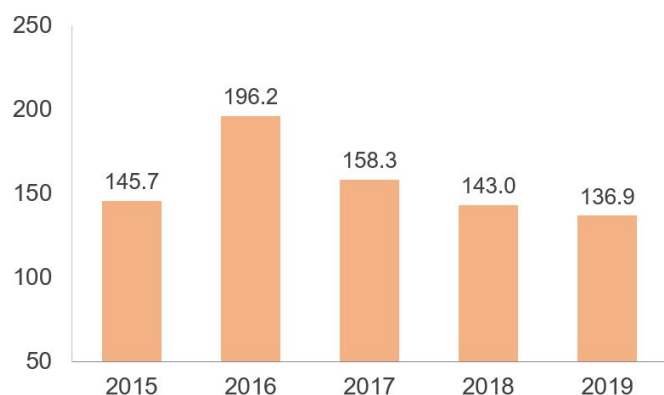


Stock of Inward FDI by Major Source (2019)

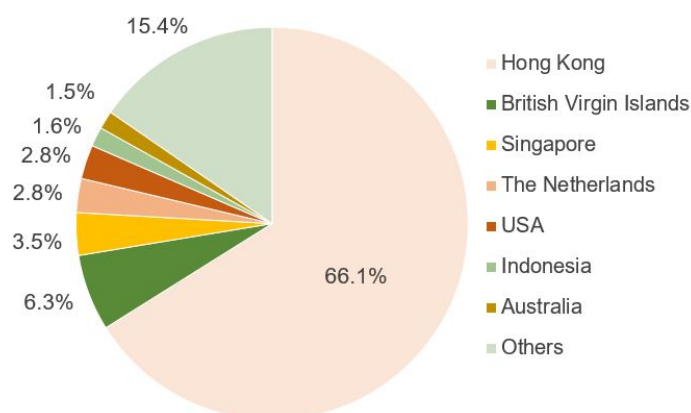


Flow of Outward Direct Investment

USD billion

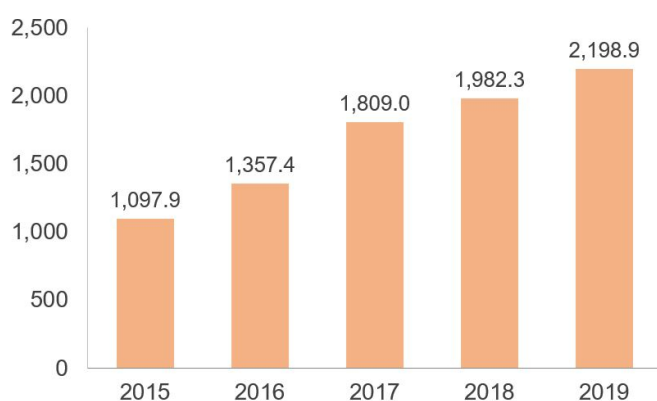


Flow of Outward Direct Investment by Major Destination (2019)

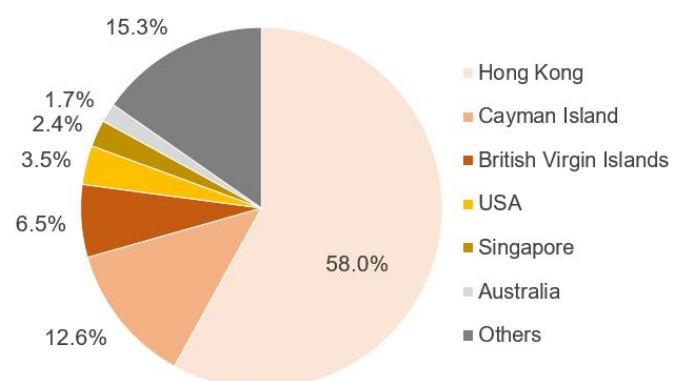


Stock of Outward Direct Investment

USD billion



Stock of Outward Direct Investment by Major Destination (2019)



Sources: 2020 China Statistical Yearbook; 2019 Statistical Bulletin of China's Outward Foreign Direct Investment

Trade Relations, Trade Policies and Tax Treaties

Trade Relations

- Founding member of the *Asian Infrastructure Investment Bank (AIIB)*
- Member of the *World Trade Organization (WTO)*
- Member of the *Asia-Pacific Economic Cooperation (APEC)*
- Member of the *Pacific Economic Cooperation Council (PECC)*
- Member of the *Asian Development Bank (ADB)*
- Member of the *United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)*
- Observer of the Trade Committee of the *Organization for Economic Cooperation and Development (OECD)*

Trade Policies

- According to WTO, China's average applied most favoured nation (MFN) tariff rate was 9.8% in 2018, progressively down from 15.3% in 2001. The average tariff was higher for agricultural products at 15.6% while the average tariff for non-agricultural products was 8.8%.
- Since expanding domestic consumer demand is an important move in achieving stable economic growth and economic restructuring, the State Council further reduced the import tariffs on 187 foreign daily consumer goods items in December 2017. The average import tariff has been lowered down from 17.3% to 7.7%. On 1 July 2018, China will further lower import tariff on 1,449 items, from an average tariff rate of 15.7% to 6.9%.
- China adopted the practice of "quarantine inspection before customs declaration" in customs clearance. Import Goods Clearance Slips and Export Goods Clearance Slips stamped with the special seal of inspection and quarantine authorities are issued to goods subject to entry-exit inspection and quarantine. The Customs will examine and release the goods against the Import Goods Clearance Slip or Export Goods Clearance Slip issued by the entry-exit inspection and quarantine authorities at the place of customs declaration.
- Inspection is required for all import and export goods listed in the Catalogue of Import and Export Commodities Subject to Inspection and Quarantine by Entry-Exit Inspection and Quarantine Authorities, or subject to inspection pursuant to other laws and regulations.
- Safety licence and other regulatory requirements apply to imports of medicines, foodstuffs, animal and plant products, and mechanical and electronic products. For details, please refer to [State Administration for Market Regulation](#) website.

For details, please refer to [Guide to Doing Business in China](#).

Free Trade Agreements (FTAs)

Currently, China has signed 22 free trade agreements, 10 FTAs are under negotiation and another 8 FTAs are under considerations. China has also signed and implemented 1 preferential trade agreement.

China's FTAs (signed)

- Regional Comprehensive Economic Partnership (RCEP)
- China-Cambodia FTA
- China-Mauritius FTA
- China-Maldives FTA
- China-Georgia FTA
- China-Australia FTA
- China-Korea FTA
- China-Switzerland FTA
- China-Iceland FTA
- China-Costa Rica FTA
- China-Peru FTA
- China-Singapore FTA
- China-New Zealand FTA (including upgrade)
- China-Chile FTA
- China-Pakistan FTA
- China-ASEAN FTA
- Mainland and Hong Kong Closer Economic and Partnership Agreement (CEPA)
- Mainland and Macau Closer Economic and Partnership Agreement
- China-ASEAN FTA Upgrade
- China-Chile FTA Upgrade
- China-Singapore FTA Upgrade
- China-Pakistan FTA second phase

China's FTAs Under Negotiation

- China-GCC (Gulf Cooperation Council) FTA
- China- Japan-Korea FTA
- China-Sri Lanka FTA
- China-Israel FTA
- China-Norway FTA
- China-Moldova FTA
- China-Panama FTA
- China-Korea FTA second phase
- China-Palestine FTA
- China-Peru FTA Upgrade

China's FTAs Under Consideration

- China-Columbia FTA Joint Feasibility Study
- China-Fiji FTA Joint Feasibility Study
- China-Nepal FTA Joint Feasibility Study
- China-Papua New Guinea FTA Joint Feasibility Study
- China-Canada FTA Joint Feasibility Study
- China-Bangladesh FTA Joint Feasibility Study
- China-Mongolia FTA Joint Feasibility Study
- China-Switzerland FTA Upgrade Joint Feasibility Study

Preferential Trade Agreement

- Asia-Pacific Trade Agreement (APTA)

For details, please refer to [China FTA Network](#).

Economic Relations with Hong Kong

- Hong Kong is the largest source of overseas direct investment in the Chinese Mainland. By the end of 2019, the cumulative utilised capital inflow from Hong Kong amounted to US\$1,195.5 billion, accounting for 55% of the national total.

- Hong Kong is also the leading destination for China's FDI outflow. According to Chinese statistics, by 2019, the stock of FDI going to Hong Kong accumulated to US\$1,275.4 billion, or 58% of the total outflow of FDI.
- Chinese Mainland is one of the leading sources of inward investment in Hong Kong. According to Hong Kong statistics, the stock of Hong Kong's inward investment from the Chinese mainland amounted to US\$523.2 billion at market value or 28.1% of the total at the end of 2019.
- As of December 2020, 1,431 mainland companies were listed in Hong Kong, comprising H-share, red-chip and private companies with total market capitalisation of around US\$4.9 trillion, or 80% of the market total.

Hong Kong's Direct Investment in the Chinese Mainland

	2019		1979-2019	
	Value	Share of the national total (%)	Value	Share of the national total (%)
Utilised direct investment (US\$ bn)	96.3	69.7	1,195.5	55.0

Sources: 2020 China Statistical Yearbook

- Hong Kong was the Mainland's fourth largest trading partner (after the US, Japan and Korea) in 2020. According to China's Customs Statistics, bilateral trade between the Mainland and Hong Kong amounted to US\$279.6 billion (6.0% of the Mainland's total external trade) in 2020. Of which exports from the Chinese Mainland to Hong Kong stood at US\$272.7 billion, making Hong Kong the second largest export market, after the US.
- The Mainland has been Hong Kong's largest trading partner since 1985. Share of the Mainland in Hong Kong's global trade jumped from 9.3% in 1978 to 51.8% in 2020. The Chinese Mainland was Hong Kong's largest import source accounting for 45.1% of Hong Kong's total imports, and the largest export market accounting for 59.2% of Hong Kong's total exports in 2020.
- Hong Kong's trade with the Chinese Mainland is to a large extent related to outward processing activities. In 2020, 21.6% of Hong Kong's total exports to the Chinese Mainland were related to outward processing activities. Meanwhile, 34.9% of Hong Kong's imports from the Mainland and 62.8% of Hong Kong's re-exports of the Mainland origin to all countries were related to outward processing.

Hong Kong's Trade with the Chinese Mainland [1]

Unit (US\$ million)	2020			Jan-Jun 2021		
	Value	Growth (+/-%)	Ranking	Value	Growth (+/-%)	Ranking
Total exports	298,014	5.1	1	176,692	33.3	1
Domestic exports	2,836	7.0	1	1,859	62.6	1
Re-exports	295,179	5.1	1	174,833	33.0	1
Imports	246,607	-6.5	1	139,351	27.4	1
Total Trade	544,621	-0.5	1	316,043	30.6	1
Trade Balance	51,407			37,341		

Sources: Census & Statistics Department of Hong Kong

[1] Since offshore trade has not been captured by ordinary trade figures, these numbers do not necessarily reflect the total business managed by Hong Kong companies.

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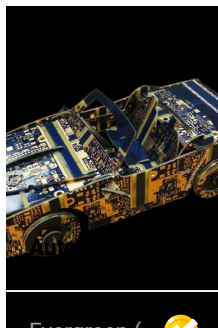
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