

The Chinese Economy: Myths and Realities

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Myths

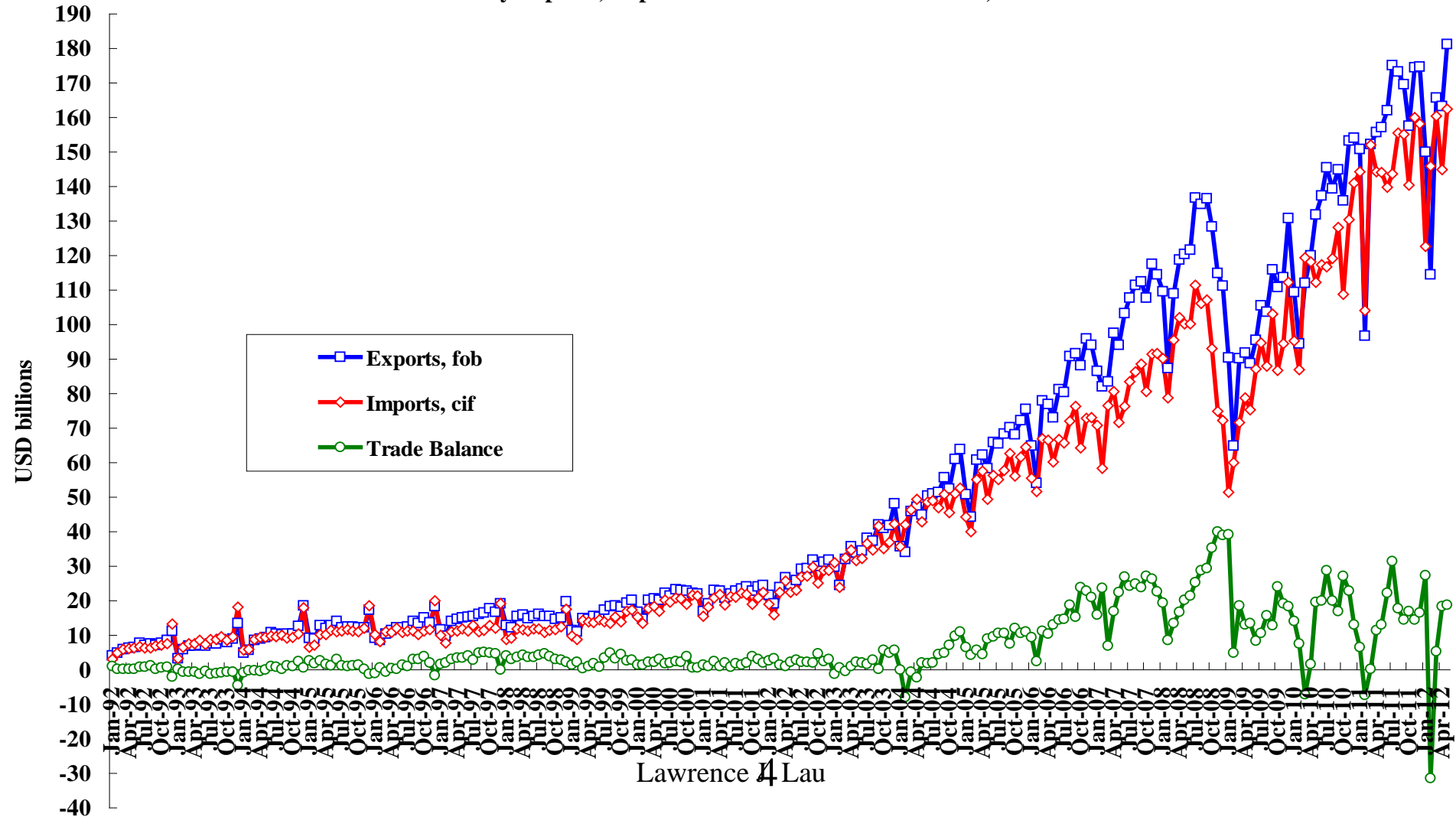
- ◆ (1) The Renminbi (Yuan), the Chinese currency, is undervalued.
- ◆ (2) Chinese trade surpluses caused the global imbalances.
- ◆ (3) Chinese economic growth depends critically on exports.
- ◆ (4) The Chinese economy cannot be de-coupled from the U.S. and Europe.
- ◆ (5) Chinese household savings rate is too high.
- ◆ (6) The Chinese economy faces labor shortages.
- ◆ (7) Full convertibility is necessary for the internationalization of the Renminbi.
- ◆ (8) China and the U.S. are comparable in economic power.

Realities

- ◆ (1) The Renminbi is not under-valued.
- ◆ (2) Chinese trade surpluses could not have caused the global imbalances.
- ◆ (3) Chinese economic growth does not depend critically on exports.
- ◆ (4) The Chinese economy has been partially de-coupled from the U.S. and Europe.
- ◆ (5) Chinese household savings rate is not too high; it is the enterprise savings rate that is too high.
- ◆ (6) The Chinese economy will not face labor shortages for another decade or two.
- ◆ (7) Full convertibility is not necessary for the internationalization of the Renminbi.
- ◆ (8) China still lags significantly behind the U.S. in economic power.

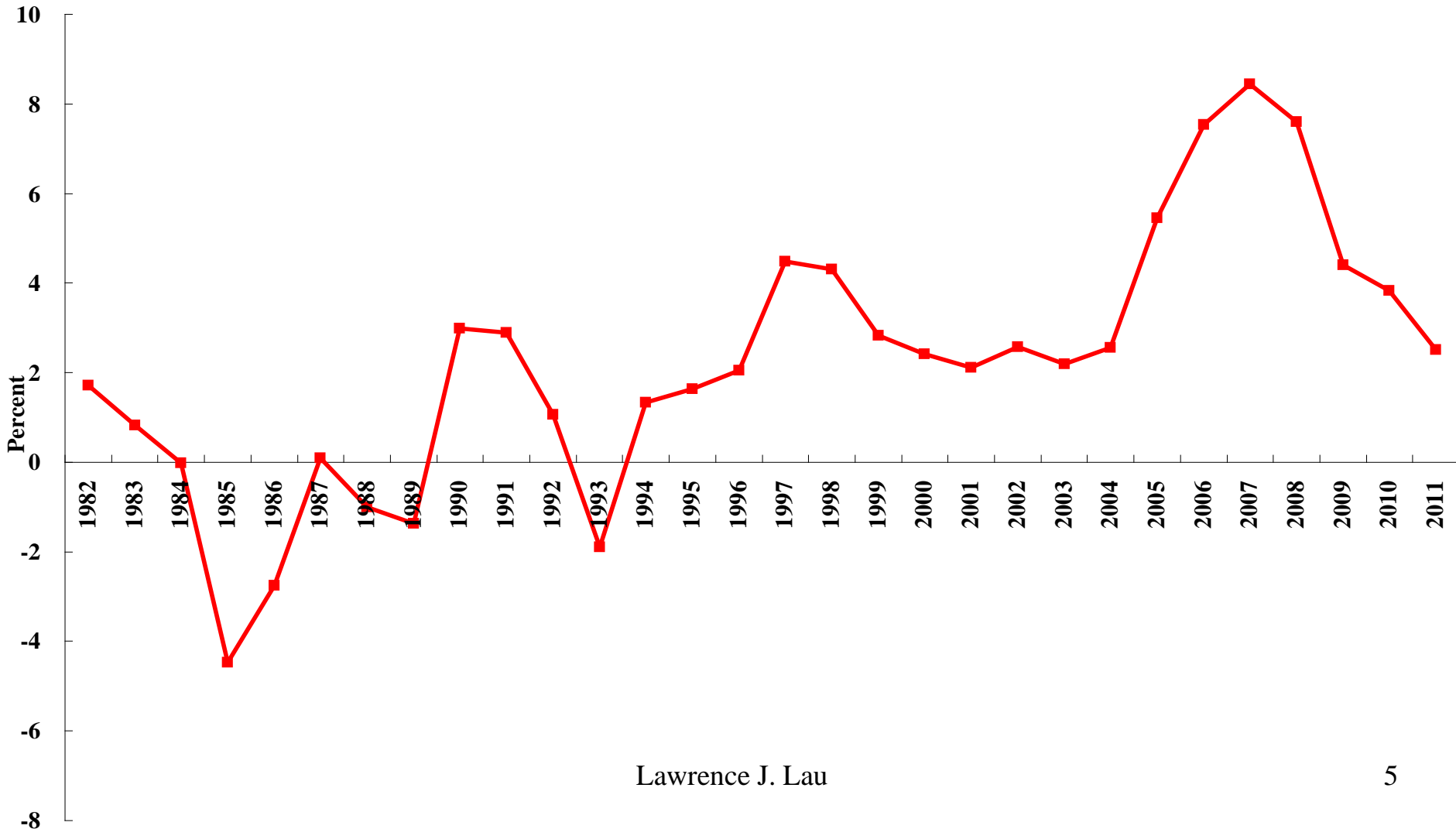
Chinese Monthly Exports, Imports and Trade Balance, US\$ Billions

Chinese Monthly Exports, Imports and Trade Balance of Goods, in U.S. Dollars



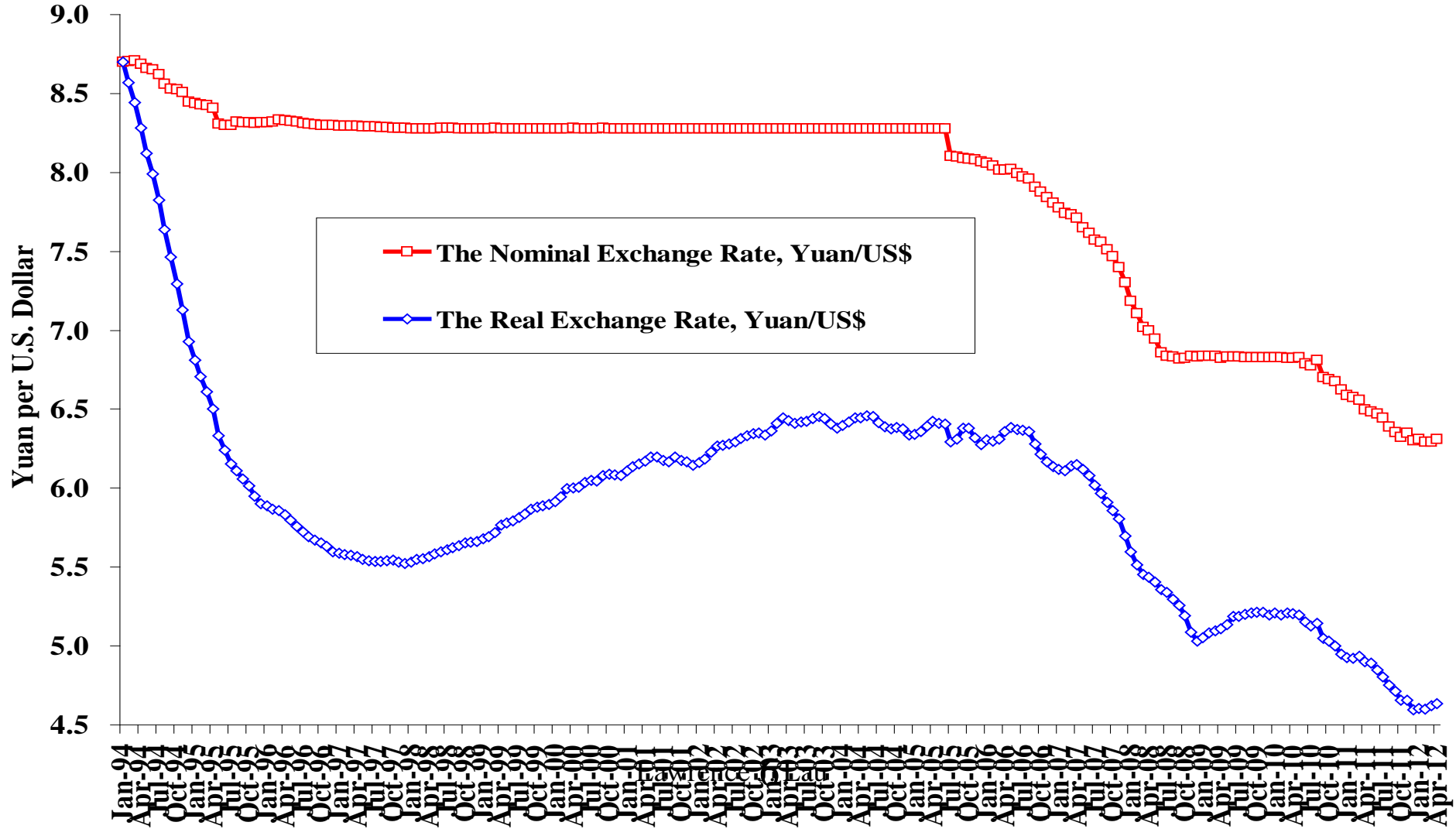
Chinese Trade Balance of Goods & Services as a Percent of GDP, 1982-

Chinese Trade Balance of Goods and Services as a Percent of GDP



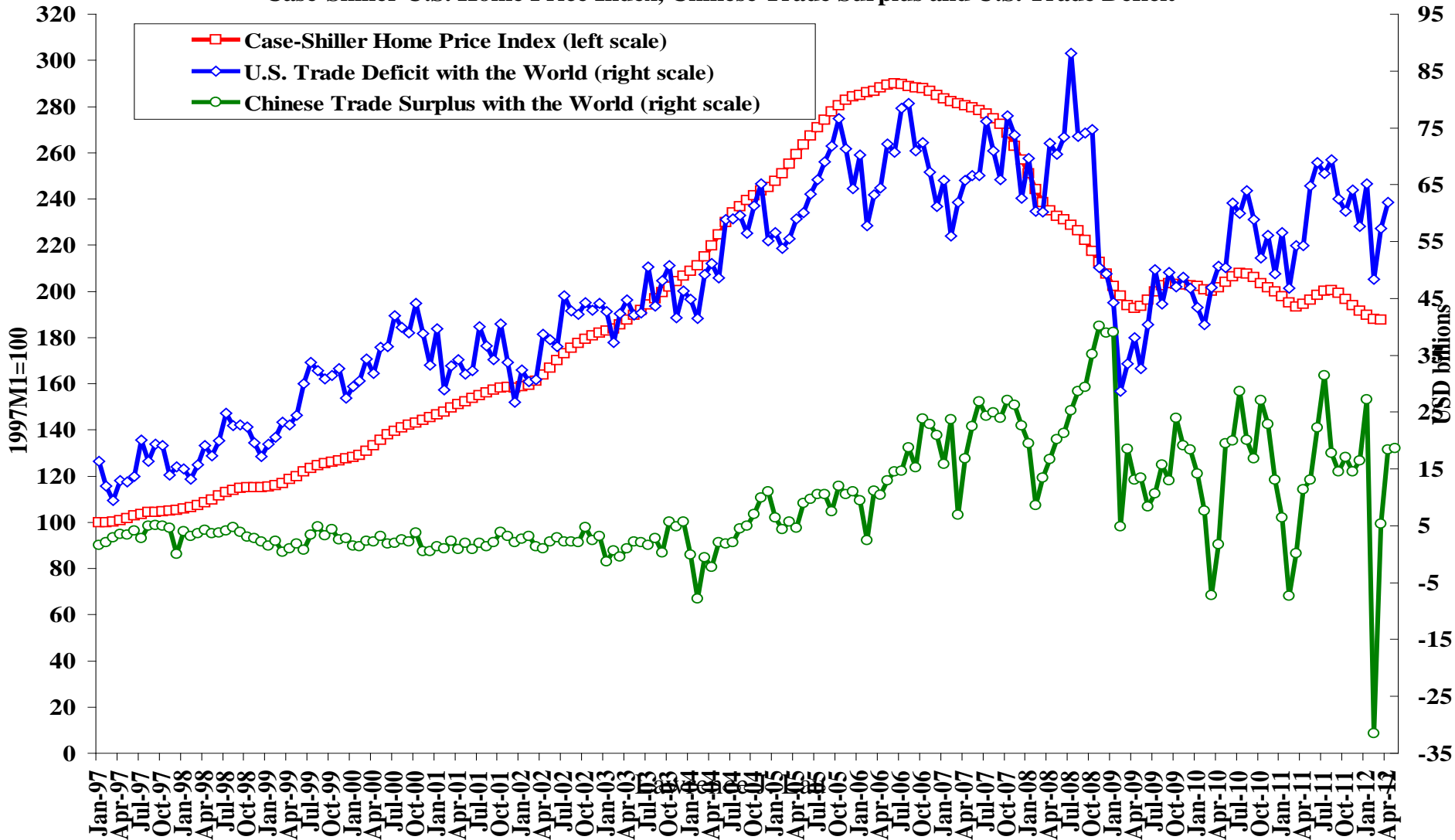
The Nominal and Real Yuan/US\$ Exchange Rates

The Nominal and Real Yuan/US\$ Exchange Rates (1994 prices)



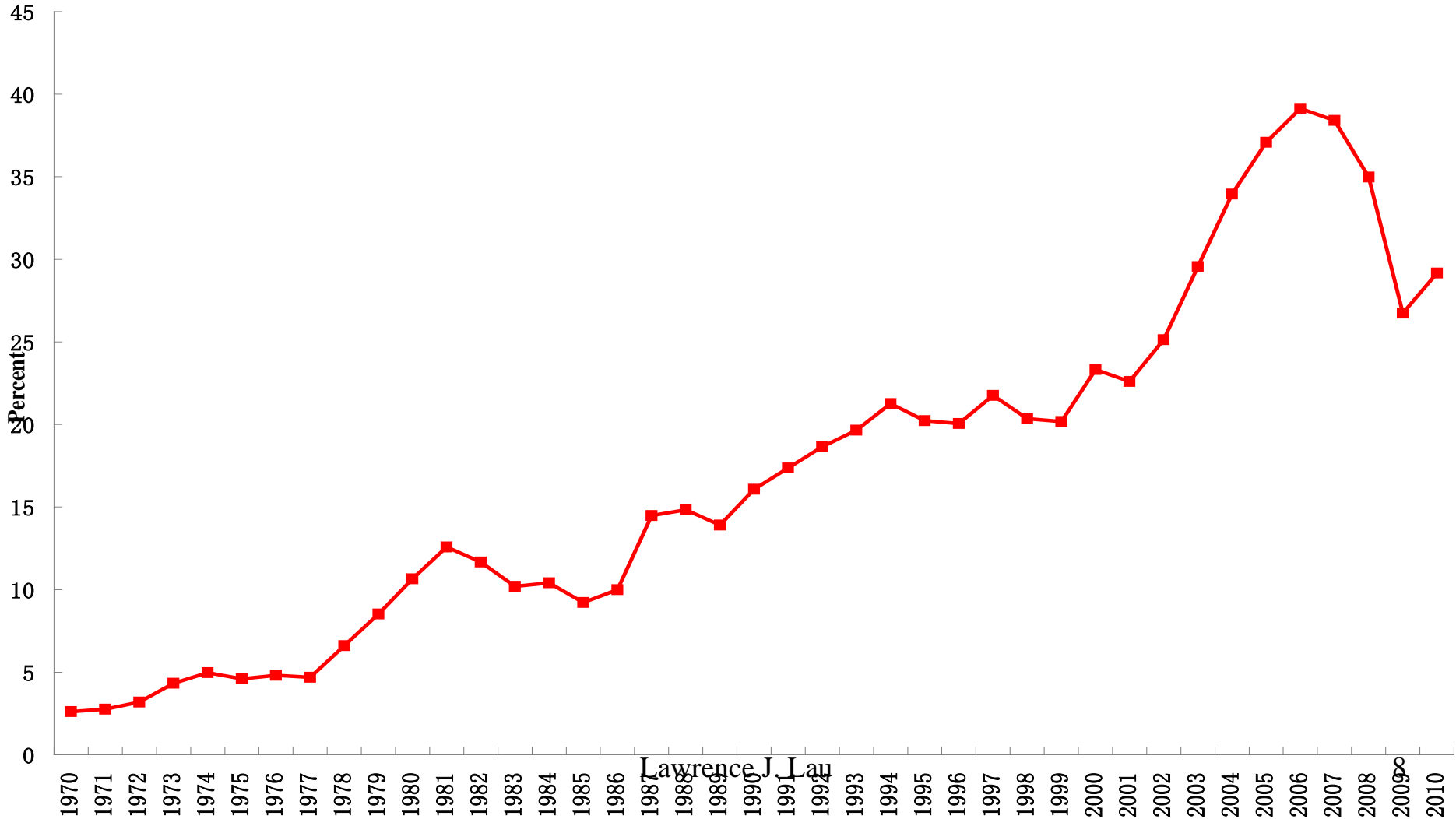
Case-Shiller U.S. Home Price Index, Chinese Trade Surplus & U.S. Trade Deficit, Bill. US\$

Case-Shiller U.S. Home Price Index, Chinese Trade Surplus and U.S. Trade Deficit



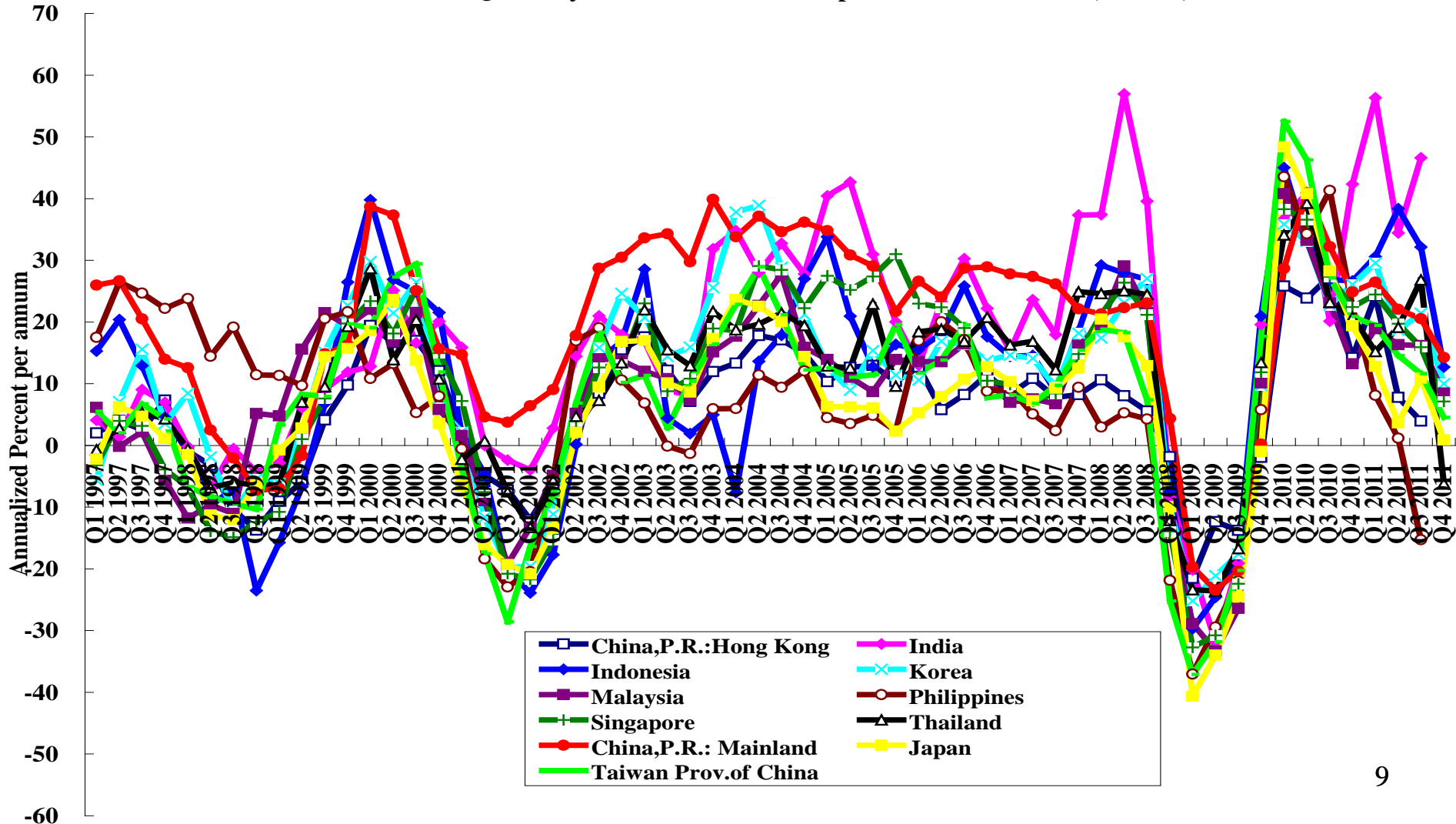
Chinese Exports of Goods and Services as a Percent of GDP, 1970-present

Chinese Exports of Goods and Services as a Ratio of GDP



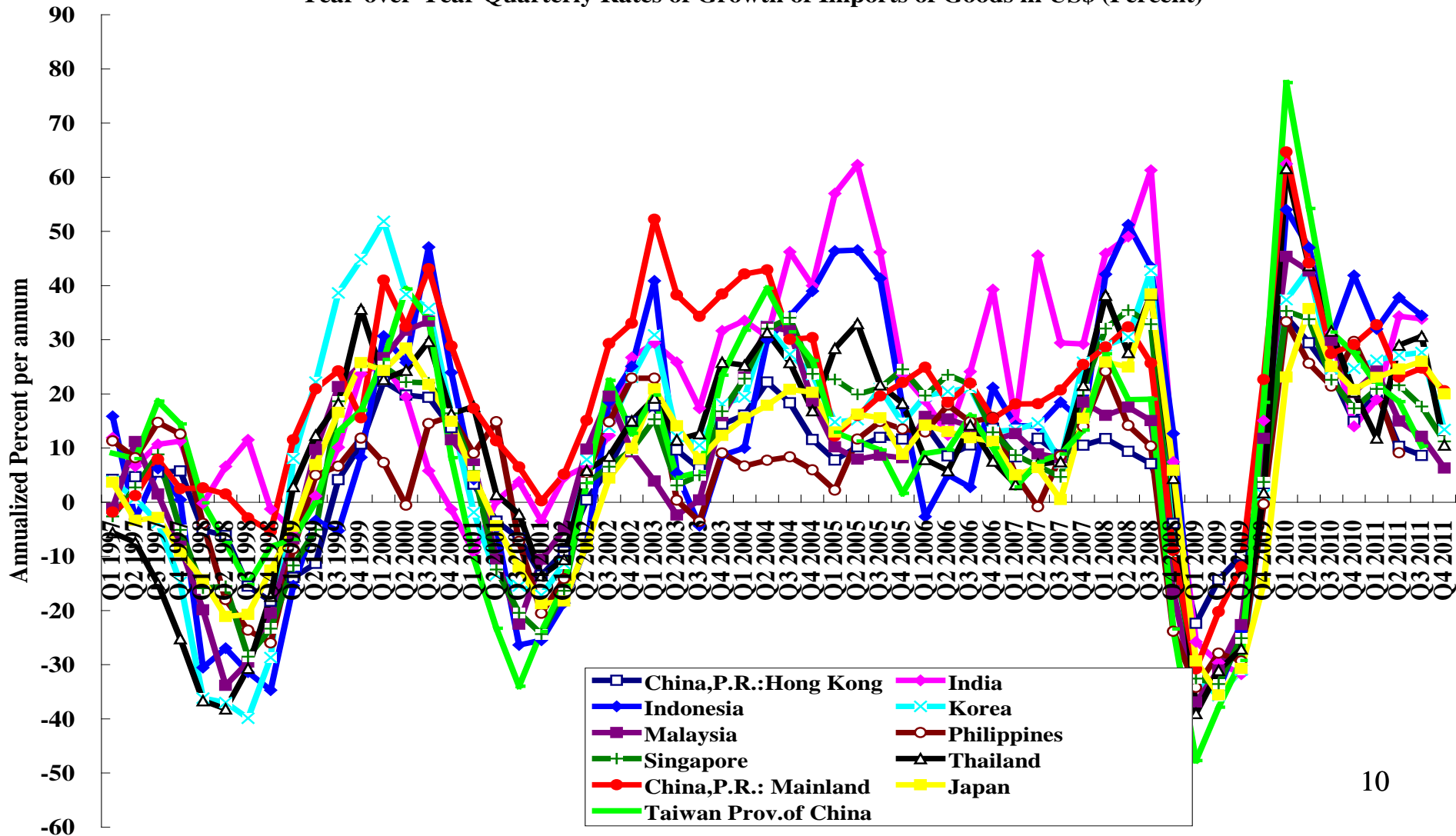
Quarterly Rates of Growth of Exports of Goods: Selected East Asian Economies

Year-over-Year Quarterly Rates of Growth of Exports of Goods in US\$ (Percent)



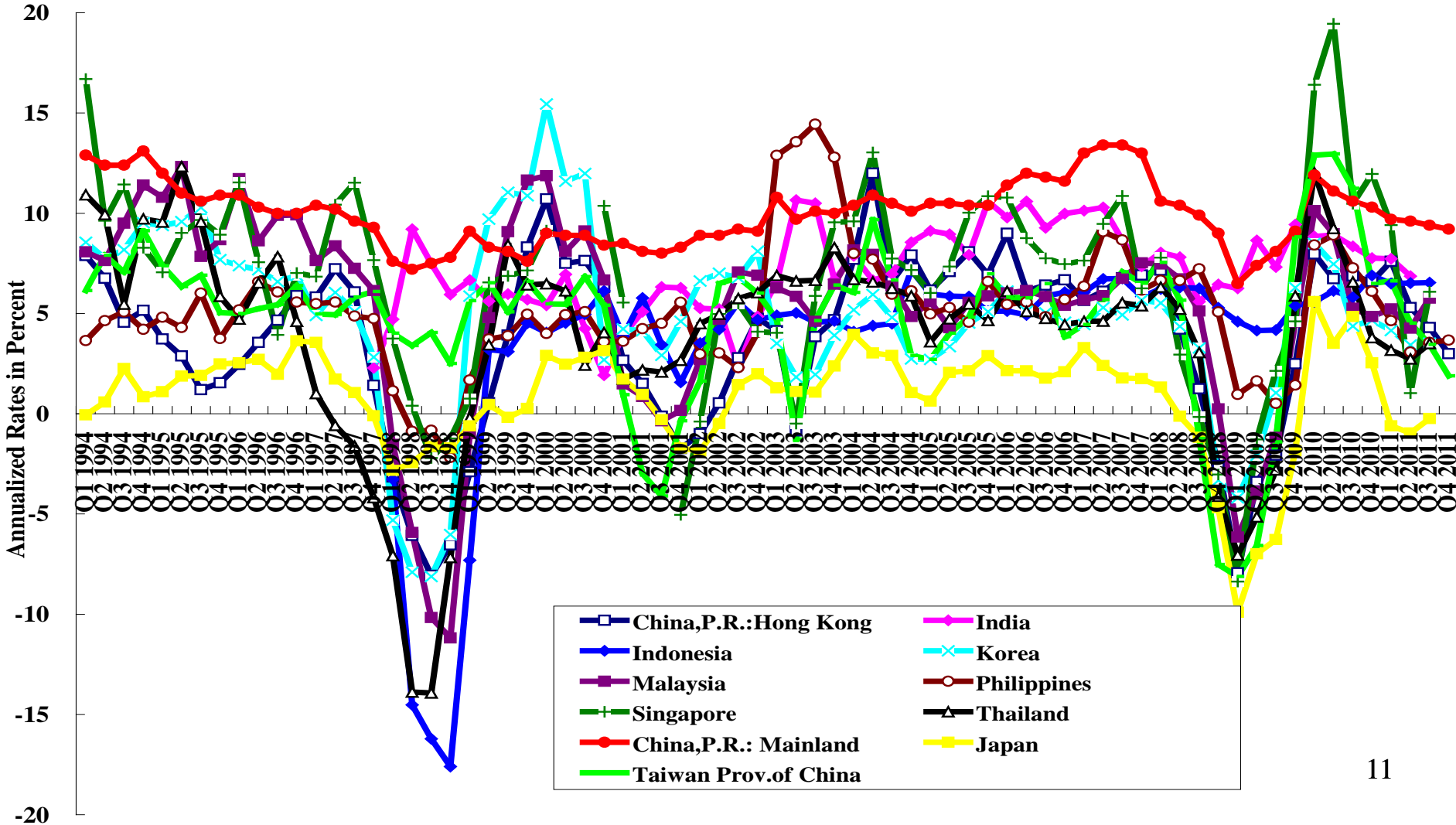
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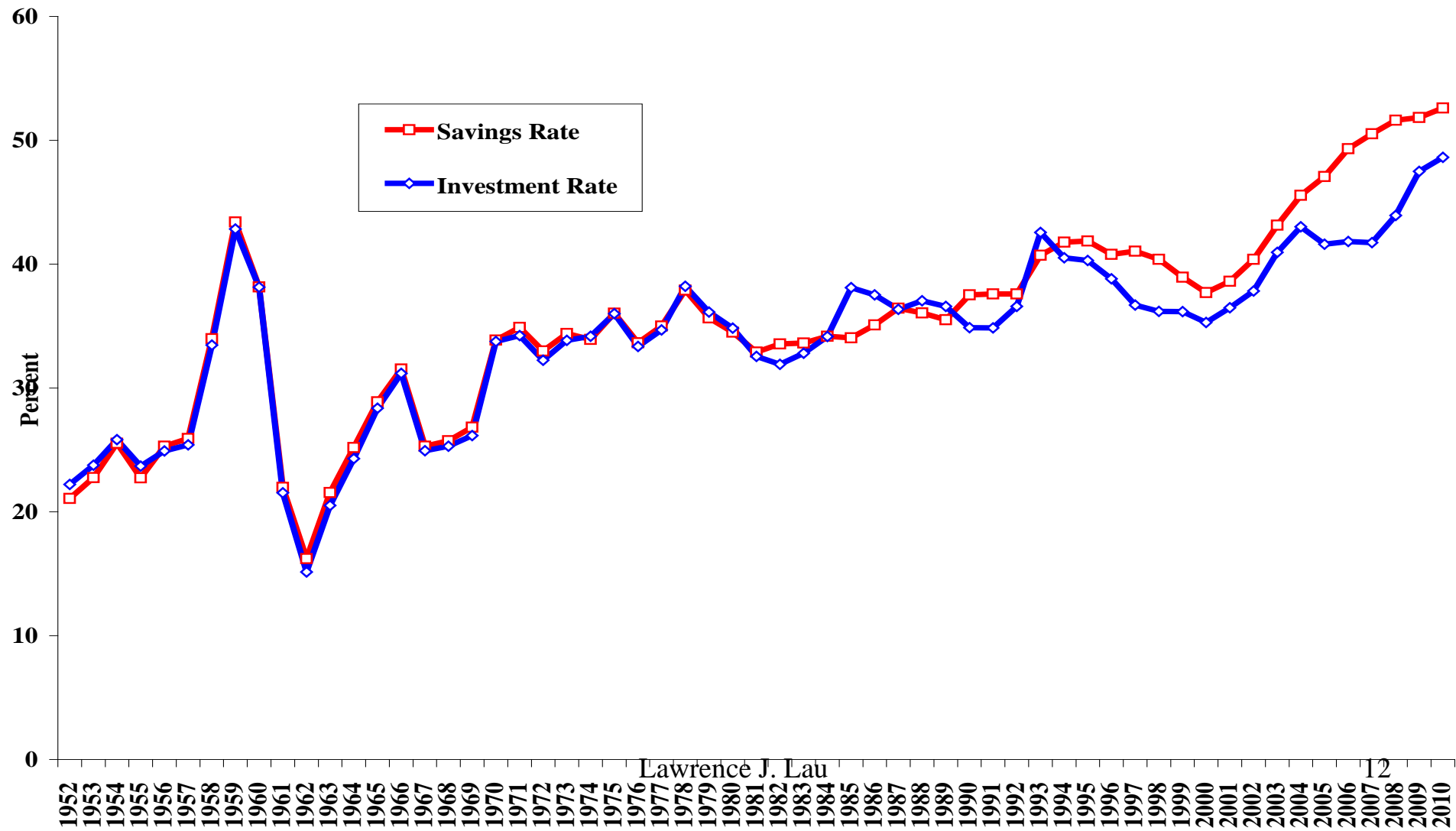
Quarterly Rates of Growth of Real GDP, Y-o-Y: Selected East Asian Economies

Quarterly Rates of Growth of Real GDP, Year-over-Year, Selected East Asian Economies



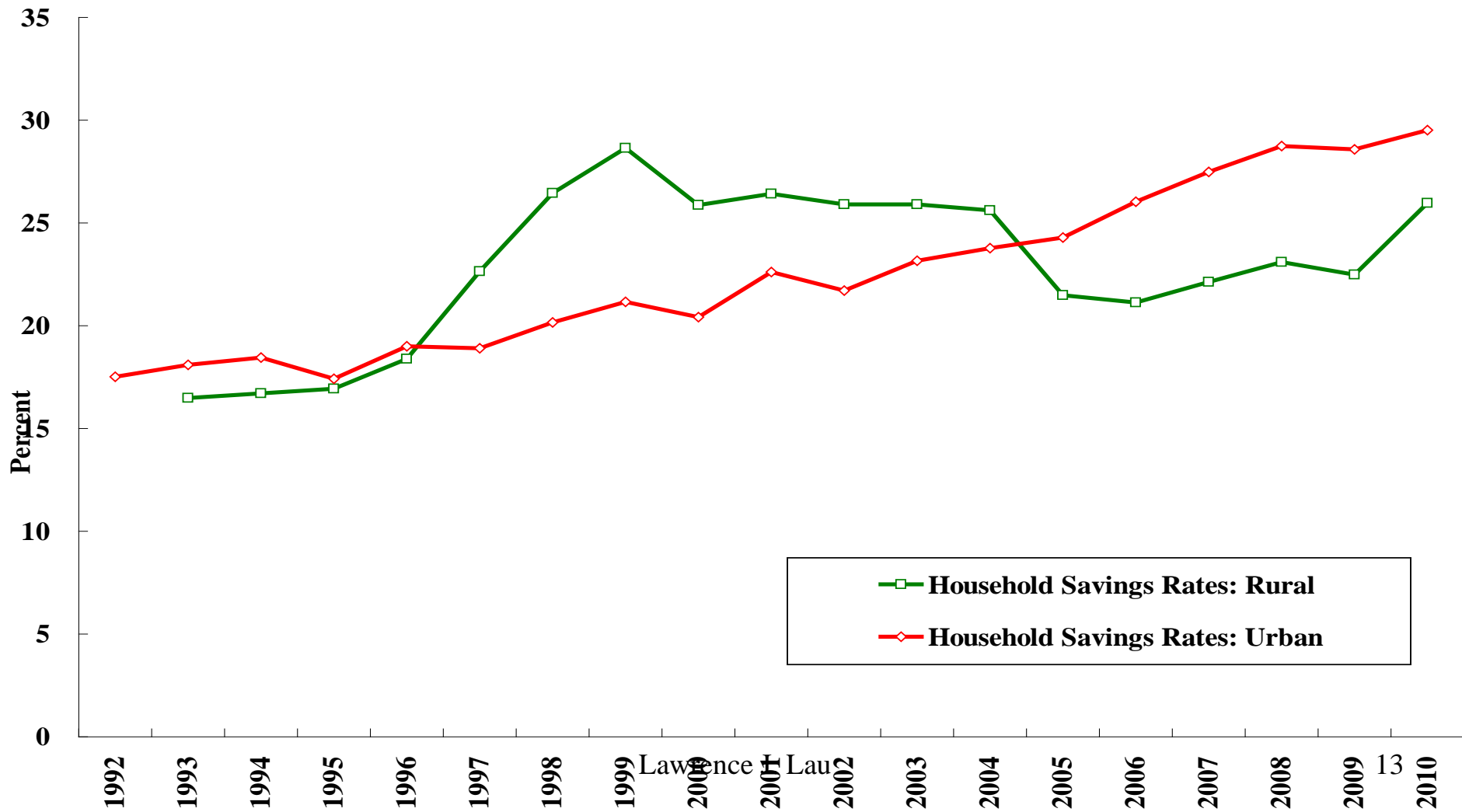
Chinese Domestic Savings and Gross Domestic Investment as Percents of GDP

Chinese National Savings and Gross Domestic Investment as a Percent of GDP since 1952



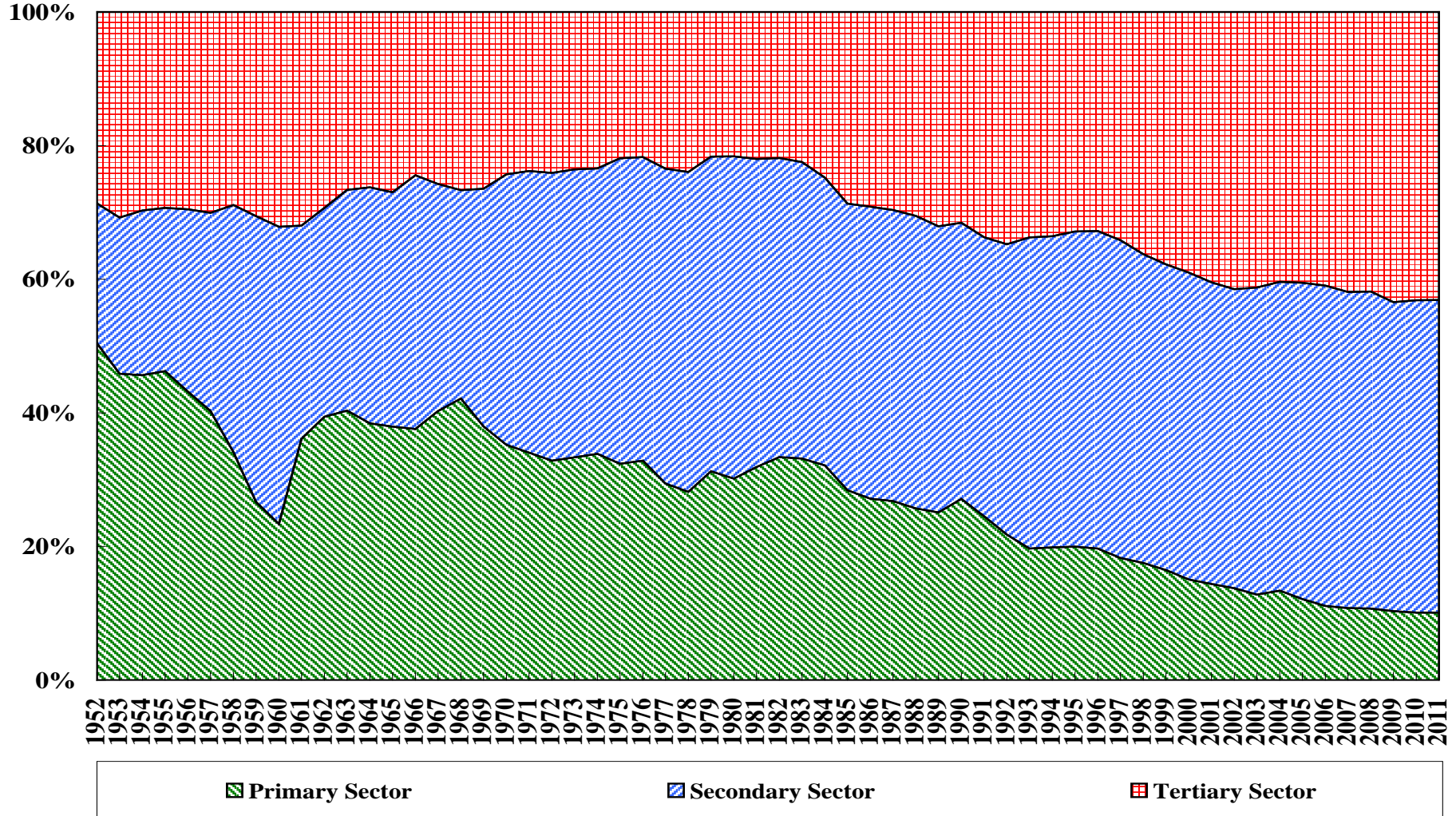
Savings Rates of Urban and Rural Households

Savings Rates of Chinese Urban and Rural Households



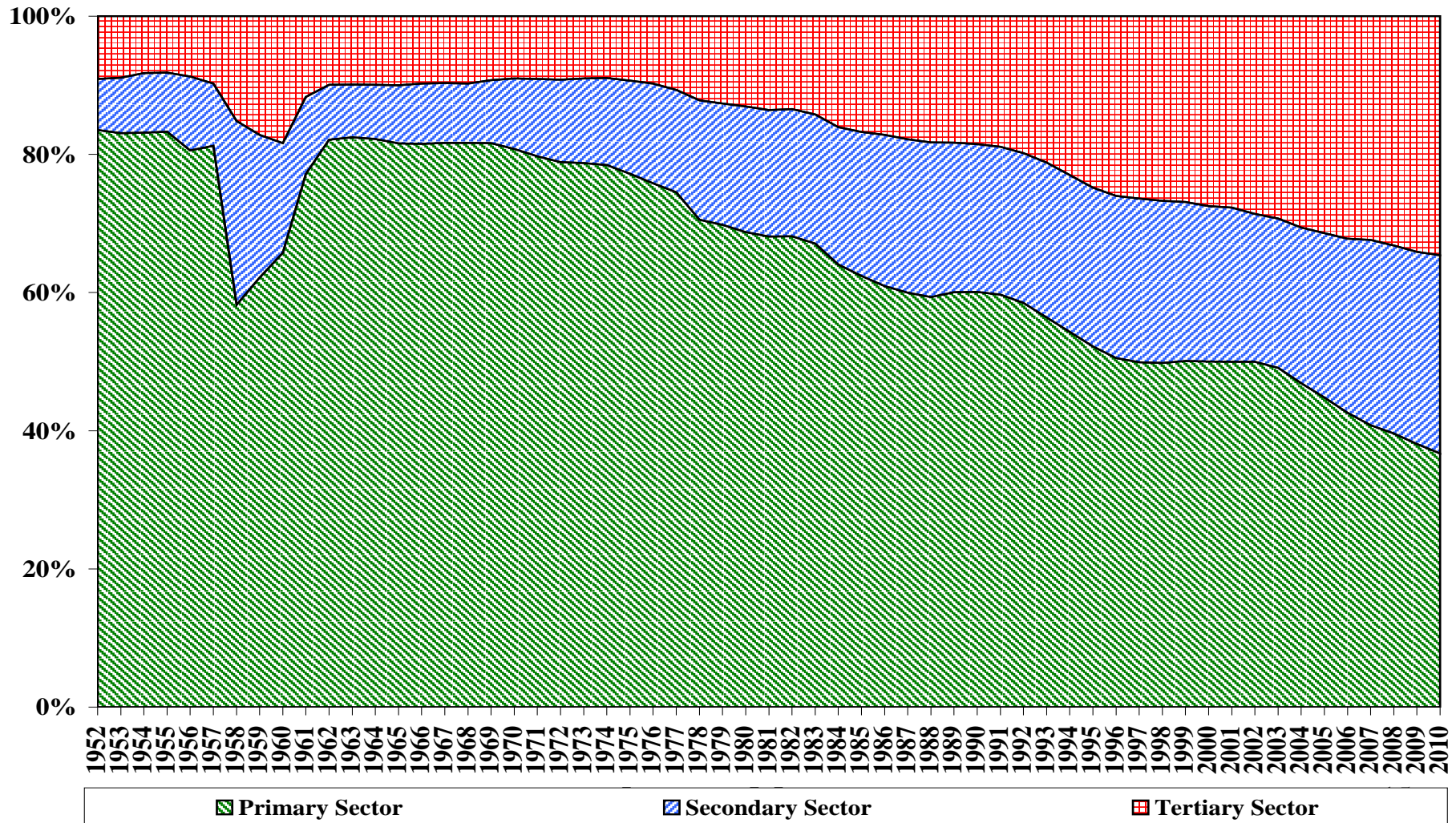
The Distribution of Chinese GDP by Sector Since 1952

The Distribution of GDP by Sector



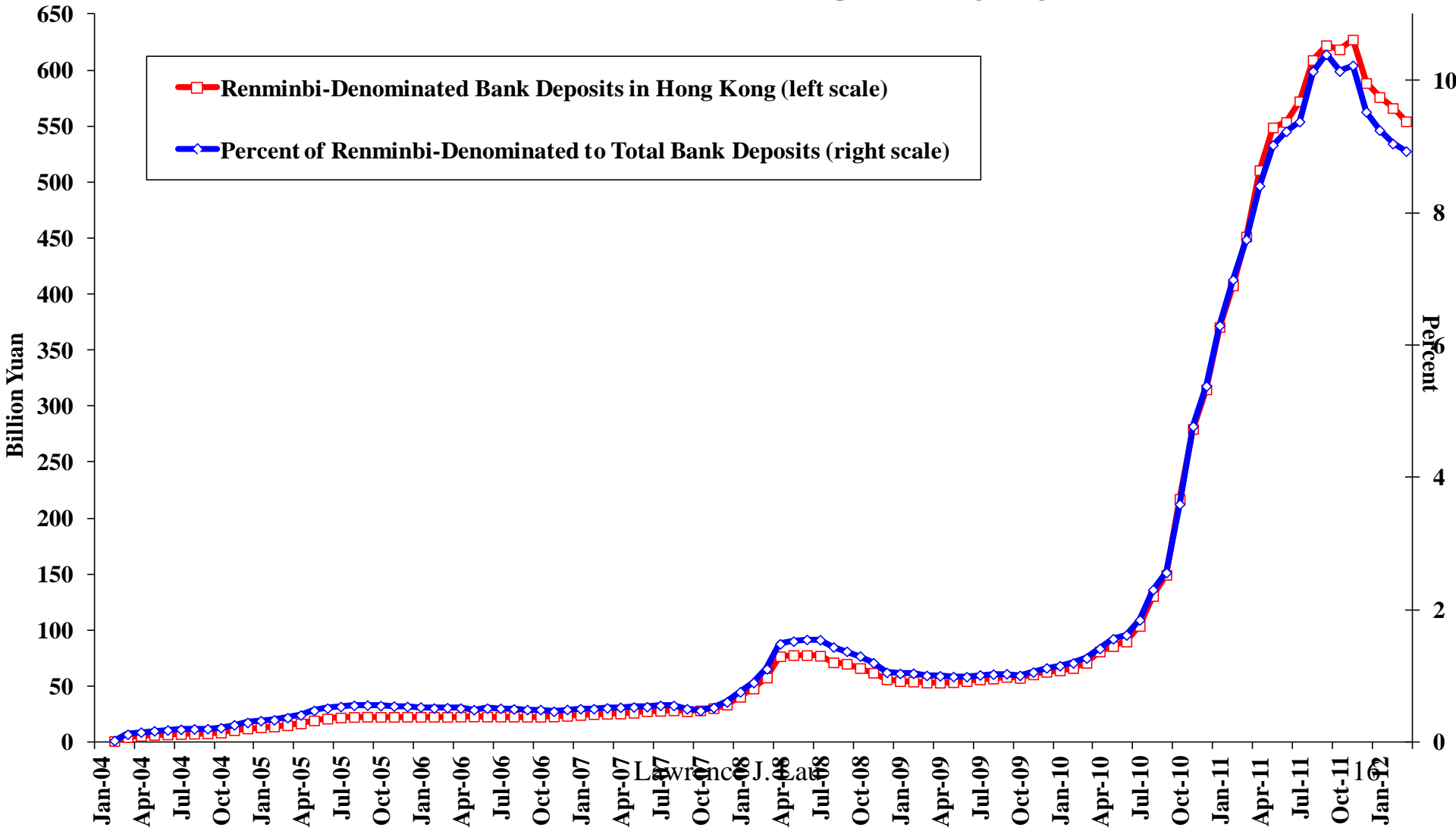
The Distribution of Chinese Employment by Sector Since 1952

The Distribution of Employment by Sector



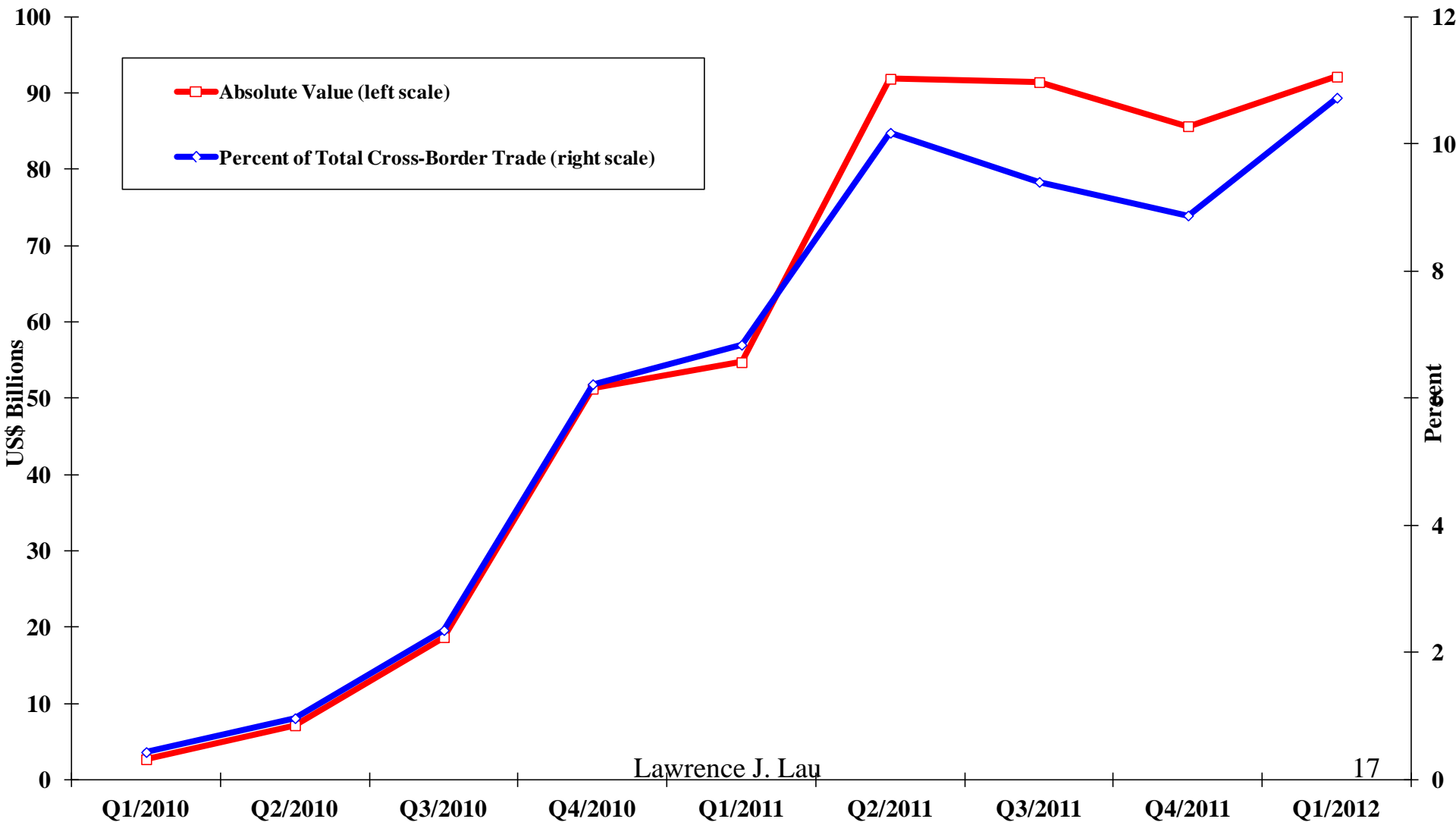
Renminbi-Denominated Bank Deposits in Hong Kong

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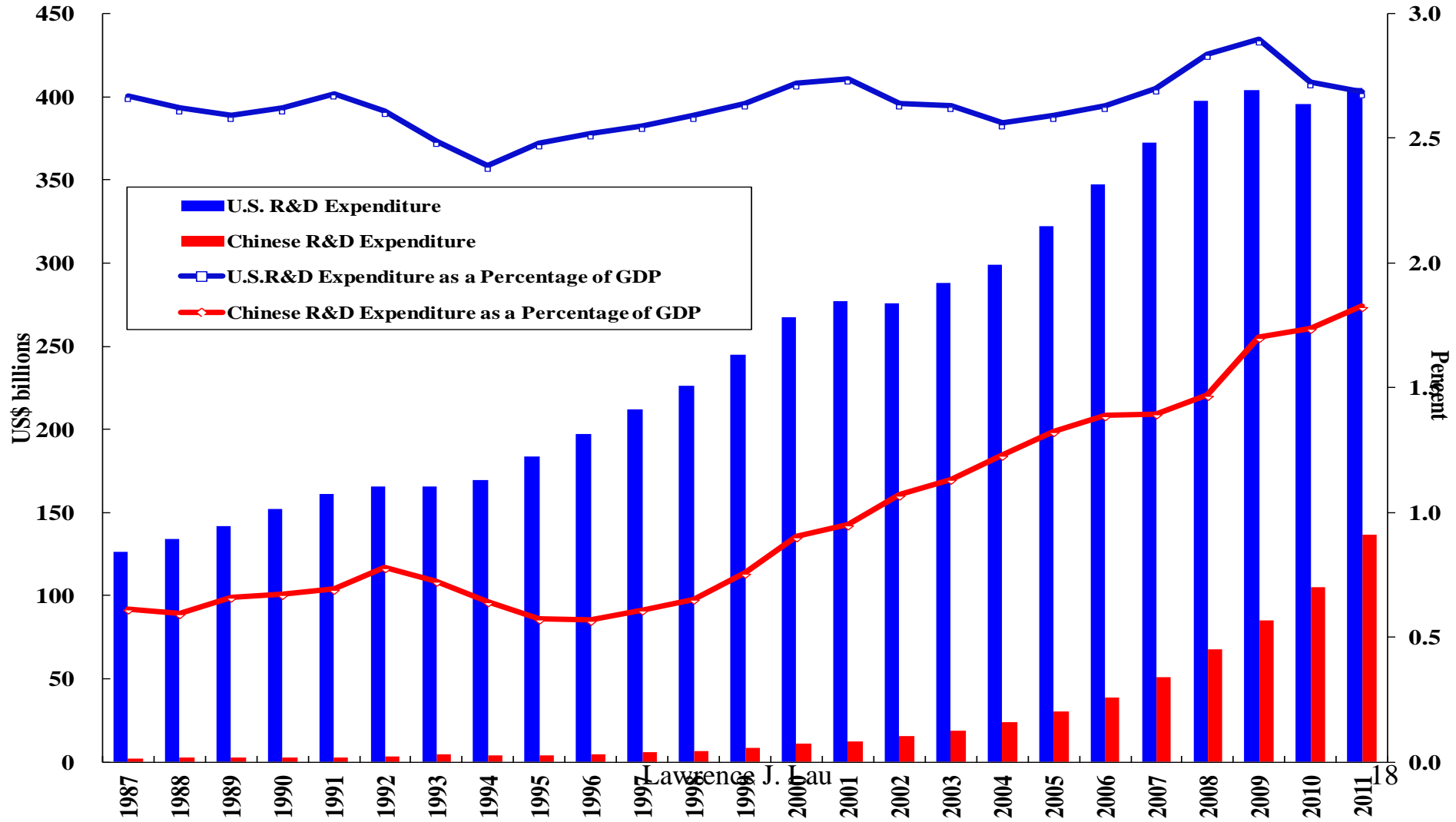
Renminbi Settlement of Cross-Border Trade, Billion US\$ and Percent

Renminbi Settlement of Cross-Border Trade



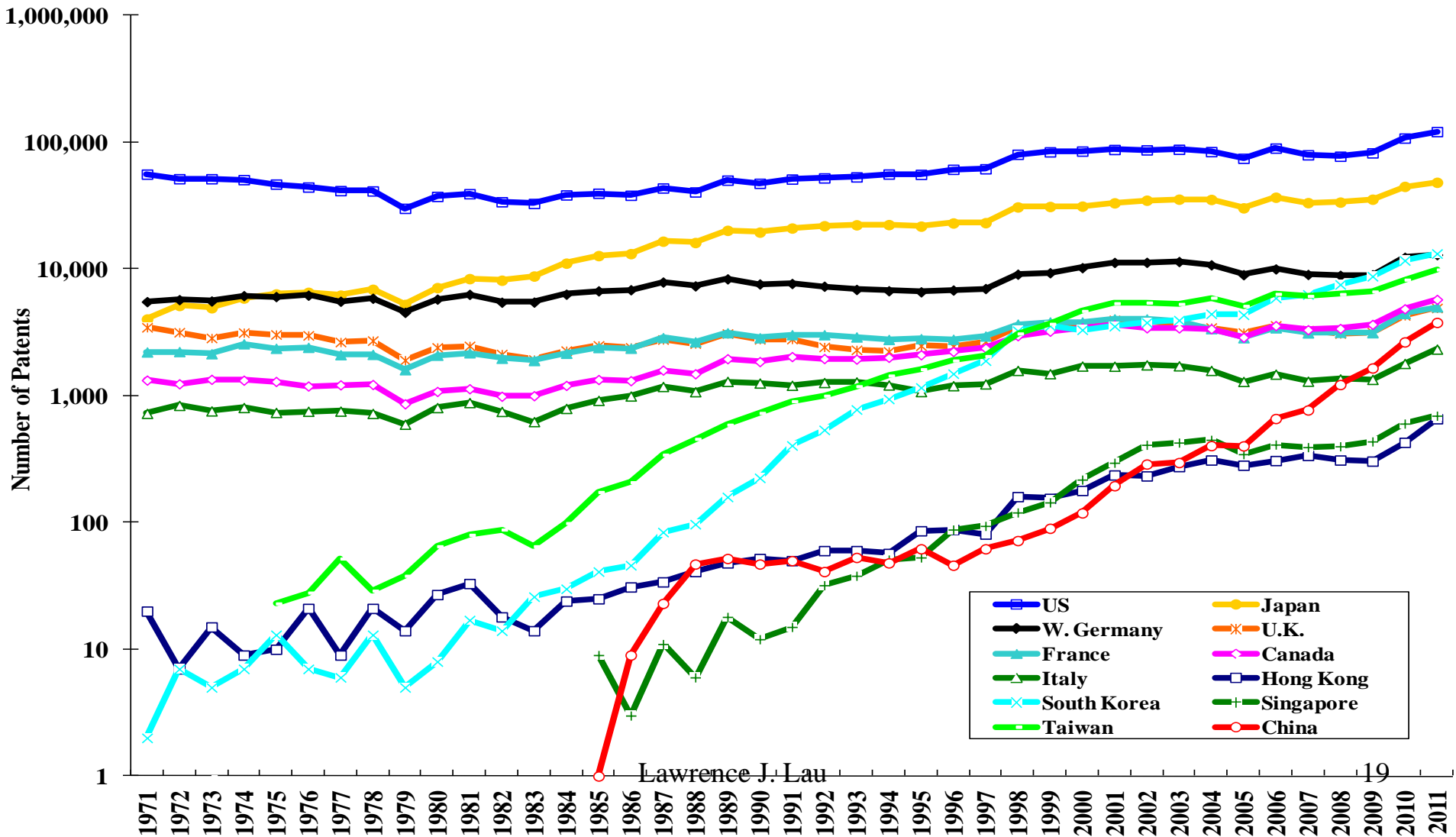
R&D Expenditure and Its Share of GDP: China and the U.S.

R&D Expenditure and Its Share of GDP: A Comparison of China and the U.S.



U.S. Patents Granted Annually: G7 Countries, 4 East Asian NIEs and China

Patents Granted Annually in the United States: G7 Countries, 4 East Asian NIEs and China



The Number of U.S. Patents Granted Annually versus R&D Capital Stock
