

Box 2

CHINA'S NATIONAL ACCOUNT REVISIONS

China's National Bureau of Statistics has recently released revised national account data. These followed the completion of the 2004 Economic Census, the country's first nationwide, comprehensive economic survey. The new data include an upward revision of the level of GDP in 2004 by almost 17%, as well as adjustments to historical data on annual real GDP growth since 1993, with an average increase of 0.5 percentage point per annum.

The revisions were driven almost entirely by changes in the measurement of China's services sector, which is now estimated to be almost 50% larger than previously thought. Based on the new data, China's services sector now accounts for 40.7% of GDP in 2004, compared with 31.9% in the previous estimates, whereas the weight of the industrial sector has declined to around 46%, compared with 53% previously (see table).

China's GDP data revisions

(percentage share of GDP in 2004)

	Old data	Revised data	Difference
Agriculture	15.2	13.1	-2.1
Industry, including construction	52.9	46.2	-6.7
Services	31.9	40.7	8.8

Source: National Bureau of Statistics of China.

While the data published thus far only focus on the output side of GDP, it is anticipated that most of the revisions on the expenditure side will be attributed to consumption and that China's investment and saving ratios will be somewhat lowered.

Based on the revised data and on preliminary GDP estimates for 2005, China has become the world's fourth largest economy in market

exchange rate terms. This is consistent with other indicators of the size of the economy, such as trade, where China already ranks third in the world.

All in all, the new statistics reveal a larger and more structurally balanced Chinese economy than previously thought. As trade data are not expected to be revised, the contribution of net trade to growth will become smaller, thus pointing to an economy that is less dependent on external demand as an engine for growth.

The greater weight of domestic demand in the revised data has also led many observers to revise their 2006 growth projections upwards by, on average, 0.5 percentage point to around 9%. The data revisions, however, do not change China's external position as a major country with a current account surplus and a high saving-investment gap.