

An Analysis of Jiangsu Economic Growth Goals in the 11th Five-year Plan (2006-2010)

Jiangsu, a province of China

Population: 74 million(2003), 5.73%

GDP: 1245 Billion RMB(2003), 10.67%

1、 Economic Analysis of the 10th Five-year Plan (2000-2005)

- According to the actual economic development situation until to the first half of 2004, considering the influences of current macro economic policies on land supply, money supply, investment growth speed and price change tendency, using the multi-sectoral model of Jiangsu and integrating with econometric model, some main economic indexes until to 2005 were forecasted on the basis of 83 sector INFORUM style model.

GDP by Expenditure

	2000	2003	2004	2005	00-05 (%)
GDP (Idx)	100.00	140.08	155.49	172.59	11.5
GDP (CP)	8565.21	12440.6	14267.99	16153.83	13.5
GDP(PH)	11690	16795	19205	21684	13.15
Rural Con	1338.46	1549.67	1642.72	1717.67	5.1
UrbanCon	1477.05	2479.39	2786.43	3114.26	16.1
Gov. Cons.	895.21	1659.08	1972.86	2298.9	20.8
Total Con	3710.72	5688.14	6402.01	7130.83	14

GDP by Expenditure

	2000	2003	2004	2005	00-05 (%)
Fixed Capital Formed	3125.42	5367.85	6714.9	7909.22	20.4
Inventory changes	819.36	861.82	910.53	953.31	3.1
Total Accumula tion	3944.78	6229.67	7625.43	8862.53	17.6

- The ratio of consumption in GDP is 44% in 2005 and the ratio of accumulation in GDP is 55% in 2005.
- Too high accumulation ratio is due to:
 - (1) until to 2003, the actual accumulation value is 629 billion RMB, the accumulation ratio in GDP is 50.5%;
 - (2) it is estimated that the investment growth rate will be not lower than the growth rate of consumption in years 2004 and 2005 together.
- The fact of high accumulation ratio and basis at the end of the 10th five-year plan will have influence on the accumulation ratio in the 11th five-year plan.

GDP by Expenditure

	2000	2003	2004	2005	00-05 (%)
Export	2302.22	4803.46	6010.33	7215.62	25.7
Import	2157	4489.55	6017.15	7130.55	27
Flow out	6177.44	6666.95	7885.51	8580.59	6.8
Flow in	5395.44	6458.07	7638.16	8505.2	9.5
Net exp and flw	927.23	522.79	240.54	160.46	-29.6

GDP by Sectors

Value added	2000	2003	2004	2005	00-05 (%)
Primary	1031.17	1108.94	1148.52	1184.67	2.8
Secondary	4418.38	6784.86	7932.79	9084.82	15.5
Tertiary	3115.66	4546.8	5186.67	5884.34	13.6

- Ratio among industries year 2000: 12: 52: 36
- adjusted to year 2005 7: 56: 37

Employment by Sectors

	2000	2003	2004	2005	00-05 (%)
Primary	1890.96	1705.5	1680.17	1637.24	-2.8
Secondary	1335.16	1380.72	1391.52	1410.16	1.1
Tertiary	1192.02	1382.87	1414.35	1435.64	3.8

- Employment structure by sector: 2000: 42.80: 30.22: 26.98
- 2005: 36.52: 31.46: 32.02

Components of Value added :Primary Sector

	2000	2003	2004	2005	00-05 (%)
Dep.	40.83	45.74	47.36	48.83	3.6
Wages	917.02	983.68	1019.42	1052.07	2.8
Taxes	24.01	24.86	25.54	26.16	1.7
Surplus	49.31	54.67	56.2	57.62	3.2

Components of Value added :Secondary Sector

	2000	2003	2004	2005	00-05 (%)
Dep.	478.04	644.23	751.98	858.84	12.4
Wages	1620.48	2559.88	2991.76	3426.44	16.2
Taxes	688.7	1119.73	1295.64	1476.35	16.5
Surplus	1631.15	2461.02	2893.41	3323.18	15.3

Components of Value added :Tertiary Sector

	2000	2003	2004	2005	00-05 (%)
Dep.	745.48	962.81	1098.2	1248.82	10.9
Wages	1533.99	2204.15	2516.89	2858.73	13.3
Taxes	376.44	507.93	580.93	657.94	11.8
Surplus	459.75	871.91	990.65	1118.86	19.5

Income Situation

	2000	2003	2004	2005	00-05 (%)
Rural resident	3595.1	4235.74	4490.82	4738.99	5.7
Urban resident	6800.2	9263.38	10058.07	10867.43	9.8
Gov. Revenue	865.13	1969.32	2454.8	2999.47	28.2

- The ratio between government revenue and GDP rising from 10.1% in 2000 to 18.6% in 2005

Jiangsu have had and will have high economic growth in the 10th five-year planning period.

The main problem is the consumption growth obviously lower than the investment growth. The accumulation ratio is continuously going up.

The ratio of the value added of secondary sector in GDP is also going up.

They are the aspects need to be pay attention in the economic development of the 11th five-year plan.

2、 Different Scenarios of Jiangsu Economic Development in 11th Five-year Plan

- High scenario:
- Consider the nominal annual growth rate of the investment in fixed assets is about 18%.
- This rate is different in each year of 2006–2010. It starts from 3 percent point more than the one in 2005 and comes back to 2005 level in 2008 and then keep this speed until to 2010.

2、 Different Scenarios of Jiangsu Economic Development in 11th Five-year Plan

- Middle scenario.
- Consider the nominal annual growth rate of the investment in fixed assets is about 15%.
- This rate is also different in each year of 2006–2010. It starts from the level of 2005 and keep 3 percent point lower than the one in the high scenario.

2、 Different Scenarios of Jiangsu Economic Development in 11th Five-year Plan

- Low scenario
- Consider the nominal annual growth rate of the investment in fixed assets is about 13%.
- This rate is also different in each year of 2006–2010. It starts from the level of 2005 and keep 3 percent point lower than the one in the middle scenario.

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
GDP Index	195.89	255.68	333.73	13.5
	192.46	239.30	297.45	11.5
	188.64	225.36	269.23	9.3
GDP current price)	18978	26021	35380	17
	18537	24272	31827	14.5
	17845	22374	28369	11.9

Comparison of Results from Scenarios

	2006	2008	2010	06-10(%)
Rural Consumption	1809	2020	2231	5.4
	1792	1967	2166	4.8
	1783	1920	2063	3.7
Urban Consumption	3670	5138	7191	18.2
	3636	5018	6911	17.3
	3604	4868	6551	16

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Government consumption	2781	4145	6265	22.2
	2719	3870	5596	19.5
	2605	3483	4907	16.4
Total consumption	8260	11303	15688	17.1
	8147	10855	14673	15.5
	7992	10271	13522	13.7

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Fixed assets formed	9526	13197	18137	18.1
	9234	12128	15846	14.9
	8829	11004	13765	11.7
Total accumulation	10512	14254	19265	16.8
	10218	13164	16925	13.8
	9792	11993	14782	10.8

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Export	8913	12323	16114	17.4
	8301	10713	13740	13.7
	7883	9145	10939	8.7
Import	9094	12561	16514	18.3
	8300	10657	13633	13.8
	7602	8957	10966	9

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Flow out of province	9787	12727	15974	13.2
	9174	11718	14074	10.4
	8861	10325	12431	7.7
Flow in of province	9399	12025	15146	12.2
	9004	11521	13953	10.4
	9082	10403	12339	7.7

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Net export	206	465	428	21.7
	172	253	228	7.3
	61	110	65	-16.5

- The ratios of consumption in GDP by expenditure are 44%, 46% and 48% respectively in three scenarios in 2010. The ratios of accumulation in GDP by expenditure are 54%, 53% and 52% in 2010, respectively. There are no significant decrease in accumulation rates. The reason is the accumulation base is too high at the end of the 10th five-year plan period (2005), as pointed before.

Comparison of Results from Scenarios

Value added	2006	2008	2010	06-10 (%)
Primary sector	1238	1371	1510	5
	1237	1343	1439	4
	1206	1301	1414	3.6
Secondary sector	10830	14933	20365	17.5
	10491	13860	18338	15.1
	10063	12627	15955	11.9

Comparison of Results from Scenarios

Value added	2006	2008	2010	06-10 (%)
Tertiary sector	6910	9717	13505	18.1
	6810	9068	12050	15.4
	6576	8446	11001	13.3

- Industrial structure in 2010
- 4: 58: 38 (high scenario) ,
- 5: 57: 38 (middle scenario)
- 5: 56: 39 (low scenario) 。

Comparison of Results from Scenarios

Employment	2006	2008	2010	06-10 (%)
Primary sector	1565	1475	1409	-3
	1584	1508	1450	-2.4
	1587	1529	1483	-2
Secondary sector	1476	1515	1522	1.5
	1430	1463	1487	1.1
	1415	1443	1463	0.7

Comparison of Results from Scenarios

employment	2006	2008	2010	06-10 (%)
Tertiary sector	1514	1651	1834	5
	1486	1609	1735	3.9
	1453	1538	1654	2.9

- Employment structure in 2010
- 30: 32: 38 (high scenario)
- 31: 32: 37 (middle scenario)
- 32: 32: 36 (low scenario)

Comparison of Results from Scenarios

Income	2006	2008	2010	06-10 (%)
Rural resident	5030.57	5704.63	6444.09	6.3
	4987.02	5552.79	6184.6	5.5
	4921.69	5314.2	5708.86	3.8
Urban resident	12050.53	14866.68	18297.59	11
	11925.43	14451.41	17469.64	10
	11842.04	13994.61	16476.11	8.7

Comparison of Results from Scenarios

	2006	2008	2010	06-10 (%)
Gov. Revenue	3637.49	5189.41	7159.61	19
	3618.74	5044.23	6701.31	17.4
	3599.99	4926.53	6266.94	15.9

- The ratio between government revenue and GDP rising from 18.61% in 2005 to 20.24% , 21.06% and 22.01% ,respectively.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- At first view of the results from the three scenarios, we may get conclusion that the high scenario will be better: high economic growth will provide more job opportunity, transfer more farmers into urban labor market, give higher residential income and higher government revenue.
- However, since the MUDAN model is driven by demand (the investment is one component of the final demand), the results from three scenarios express the development foreground under different demand level. It has not considered the other side of economic development: the supply side. Is there enough supply capacity to meet the demands?

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- For the statistical output by sectors, it is very hard to say it is the production capacity or some demand level realized.
- Supply capacity can be analyzed from the production factors. From the view of macro condition, the main supply factors are labor, land and capital.
- The labor resource is relatively opulence now. Various labor markets and professional markets are very active. It will be OK that we do not consider the supply constrain in labor factor.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- Under the macro policy of the center government, the land supply of Jiangsu in 11th five-year plan will be very tight.
- How much of the economic growth rate can be supported by the reduced land supply? It is a question not easy to answer.
- If increasing the intensive using level of the land, not big scale of land supply, including various land replacement, can also support high economic growth.
- If development based on extensively using land, the land supply constrain will greatly limit the economic growth
- Jiangsu's economic management agencies have realized that we can't go on the way of simply outspread and should stress the intensive development. Based on this point, the land supply was not considered. It was supposed that the bottle neck constrain of land supply would be overcome through various efforts.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- Attention was paid to the supply capacity of investment funds.
- The analysis of investment fund supply condition was based on the analysis of the sources of the investment funds.
- According to the statistics, the fixed assets investment funds come from 5 aspects: (1) government budget; (2) loan; (3) FDI; (4) Fundraising; and (5) others.
- A specific sub-model was built up and inserted into MUDAN. The investment fund sources were analyzed under three scenarios, respectively.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- The balance situation of different scenarios

	2006	2007	2008	2009	2010
high	-1295	-1640	-1999	-2467	-3034
middle	-1141	-11	-55	-44	-114
low	-925	2	64	106	146

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- The investment funds corresponding to the high scenario will have very big gap in every year from 2006 to 2010. The high degree tightness of investment fund supply for long time is not suitable for stable economic development.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- For the middle scenario, the investment scale is still too large at the beginning of the 11th five-year plan period. However, along with the slow down of the investment growth rate, the pressure on investment fund supply will be obviously easier. Although there is still some gap, it is in the range which can be easily overcome.
- For the low scenario, it is the same as the middle one at the beginning of the planned period. But there will be superabundance of the funds in later years.

3、 Analysis of Jiangsu Economic Development Goals in 11th Five-year Plan

- According to the supply and demand analysis of the investment funds, we have conclusion that the middle scenario or a scheme between the middle and low scenarios seems a considerable development scheme, even the actual results from real run of the economy may be probably higher than the ones from the middle scenario.