The evolution of Chinaâ€™s economic structureâ€”An Analysis Based on the 1987 through 2012 IO Tables

Topic: (1.2) Special Session: Input-output approach and impacts of economic policy in the emerging markets (1)
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China's economy is undergoing a significant transformation in recent years. Many aspects of the economic structure shows different trends, comparing with that in last three decades. Traditional engine of growth faces a severe challenge.
First, China's growth rate had stepped down, dropping from 10% before international financial crisis to 6-7% in recent years. Many projections show the prospect of economy will turn more terrible and dismal. Second, the annual growth rate of exports goes down from about 20% before the 2008 international financial crisis to negative in recent two years. Meanwhile there exists notable adjustment in the structure of exports. Third, there is a turnaround in the growth of investment and investment rate. From 2011, investment rate has begun to decline, from 48% (the peak in last three decades) in 2011 to 45% in 2015. Finally, China is experiencing major changes in the economic structure. Service sector displaced the secondary industry as the biggest sector in 2012. Chinaâ€™s economy is moving from an economy dominated by manufacturing to one where services play a major role.
All these measures are indicators of changes occurring in the structure of the economy, but they do not tell us fully where or why those changes are occurring. Input-output analysis allows us to study these structural changes in the economy. It provides the tools necessary to evaluate industries, including their relationships to the rest of the economy and the effects of international trade on those relationships. In this paper, we analyze structural changes in the Chinaâ€™s economy and the role of supply and demand on those changes. For this analysis, we use six input-output tables from 1987 through 2012 prepared before and after international financial crisis.

Key Words: Structural Change of Economy; I/O Analysis

Outline:

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2. The key features of Chinaâ€™s economic structure change
3. Data and methodology
4. The main result of analysis
5. Conclusion and policy implication