Assessment of Oil price shock on Chinese Economy: Macro Multiplier Approach

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According to IMF, Chinese economy is second biggest economy by GDP measured in nominal units and world largest economy when GDP is measured in PPP terms. The Chinese economy is world fastest growing economy of the world by average growth rate is approximately 10% annually until the year 2015. Due to excellent economic growth rate, China firstly started the import of crude oil in 1993 for fulfilling the production requirement of the economy. In the mid-
2013, domestic oil fields of China adversely damaged due to flood, the oil imports of China drastically increase and China becomes first in oil imports by surpassing USA. At present, 6% Chinese imports consist of crude oil. In the period between June and December, 2014 due to restoration of oil production in Iraq and Libya; increase in the production of unconventional oil (Shale oil consisting of 5% global oil production); weakening global demand, the prices
suddenly fell around 44% or $49 per barrel. Per mainstream macroeconomic studies, it is forecasted that due low oil prices, the global GDP increased by 0.5% in mid of 2014. The present study contributes to the literature in achieving the objective by analyzing the impact of current oil price shock on the different industrial sectors of China. The empirical analysis will be carried out by making use the Macro Multiplier (Chiaschini and Socci, 2007) Multisectoral approach on the latest available input-output tables constructed for the year 2014â€”later released in 2016 by
WIOD. The findings will reveal the updated picture of Chinese economyâ€”growing at approximately 6% annually.