China

Introduction

China is a country in East Asia bordering the East China Sea, Korea Bay, and the South China Sea. Neighboring countries include 14 sovereign states. The terrain is diverse in China with mostly mountains along with deserts in the west and plains in the east. Principal rivers flow west to east including the Yangtze and Huang He rivers. The government system is a communist state; the chief of state is the president, and the head of government is the premier. China has a market-based system, changed from a centrally planned system in the 1970s. China is a member of the Asia-Pacific Economic Cooperation (APEC) and the Asia-Pacific Trade Agreement (APTA).

Key Economic Facts

- **Income Level (by per capita GNI):** Upper Middle Income
- **Level of Development:** Developing
- **GDP, PPP (current international $):** $25,361.74 billion (2018)
- **GDP growth (annual %):** 6.60% (2018)
- **GDP per capita, PPP (current international $):** $18,210.09 (2018)
- **External debt stocks, total (DOD, current US$):** $1,962,304,426,779.10 (2018)
- **Manufacturing, value added (% of GDP):** 29.41% (2018)
- **Current account balance (BoP, current US$):** $49.09 billion (2018)
- **Inflation, consumer prices (annual %):** 2.07% (2018)
- **Labor force, total:** 783,194,000 (2019)
- **Unemployment, total (% of total labor force):** 4.42% (2019)

GDP Composition %

<table>
<thead>
<tr>
<th>Sector</th>
<th>Agriculture</th>
<th>Services</th>
<th>Industry</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of GDP</td>
<td>7</td>
<td>52</td>
<td>41</td>
<td>29</td>
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*Risk Assessment (Provided by Coface)*

**Country rating: B** - Political and economic uncertainties and an occasionally difficult business environment can affect corporate payment behavior. Corporate default probability is appreciable.

**Business Climate rating: B** - The business environment is mediocre. The availability and the reliability of corporate financial information vary widely. Debt collection can sometimes be difficult. The institutional framework has a few troublesome weaknesses. Intercompany transactions run appreciable risks in the unstable, largely inefficient environments rated B.

**Strengths**

- Sovereign risk contained as public debt remains mainly domestic and denominated in local currency
- Reduced risk of external over-indebtedness thanks to high level of foreign exchange reserves and to the maintenance of a current account surplus
- Gradual move upmarket as part of China’s 2025 strategy to boost high-value-added output
- Services and infrastructure developments

**Weaknesses**

- Credit risks remain a cause of concern; high corporate indebtedness set to impact growth potential
- Overcapacity concerns in certain industrial sectors will continue to drag on profits
- Exposure of banks to rising corporate debt levels and deterioration in asset quality
- Government’s strategy is ambiguous on arbitrating between reform and growth
- Environmental issues
- Ageing population and gradual depletion of cheap labor pool

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