Comments on Professor Gang Lu’s Paper
Prospects for Promoting China’s Internal Demand: Some Issues Calling for Clarification

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Increasing U.S. trade deficit with China, Japan, and the rest of the world

(Source) Prepared based on Foreign Trade Statistics, U.S. Census Bureau
Changes in the current account balances of Japan, the United States, and China

(Source) China's statistics based on China Statistical Abstract 2009; Statistics for the U.S. and Japan based on the International Monetary Fund's World Economic Outlook Database, April 2009
Changes in current account balances in China and the United States reflecting the savings-investment balance

(Note) Current account balance = savings - investment
(Source) China’s statistics based on China Statistical Abstract 2009; Statistics for the U.S. and Japan based on the International Monetary Fund’s World Economic Outlook Database, April 2009
International comparison of private consumption in relation to GDP (2008)

Source: Official statistics for China, Japan, and the U.S.; Asian Development Bank (ADB) *Key Indicators for Asia and the Pacific*, 2009 for other countries and regions
Household income vs. private consumption

(Ratio to GDP, %)

Household income

Private consumption (based on household survey)

(Year)


(Note) \[
\frac{\text{Private consumption}}{\text{GDP}} = \frac{\text{Household income}}{\text{GDP}} \times \frac{\text{Private consumption}}{\text{Household income}}
\]

(Source) Prepared based on annual editions of *China Statistical Abstract*
Propensity to consume inversely proportional to the income level (2008)

(Note) Five income groups for urban and rural areas in order of increasing household income. Each income group accounts for 20% of the total number of households living, respectively, in urban areas or rural areas.
(Source) Prepared based on China Statistical Abstract 2009
Dwindling private consumption amid widening income disparities

* Per capita disposable income and per capita net income are used to measure urban and rural income, respectively.
Source: *China Statistical Abstract* 2009
Redressing China’s regional disparities

- Domestic FTA
  - Dismantling barriers impeding the mobility of labor (e.g., household registration system), goods, and capital to form a unified domestic market

- Domestic Flying Geese
  - Investment flow from high-income to low-income regions

- Domestic ODA
  - Japan’s local allocation tax as a model
Higher growth rates in Western China (2009Q1-Q3)

(Source) National Bureau of Statistics of China
Retail sales growing faster in rural areas than in urban areas

Note: Retail sales are in real terms, using respective consumer price indexes as deflators
Source: National Bureau of Statistics of China
Changes in the age composition of China's population

(Note) United Nations projections
Real wages growing faster than GDP as the Chinese economy approaches the "Lewis turning point"