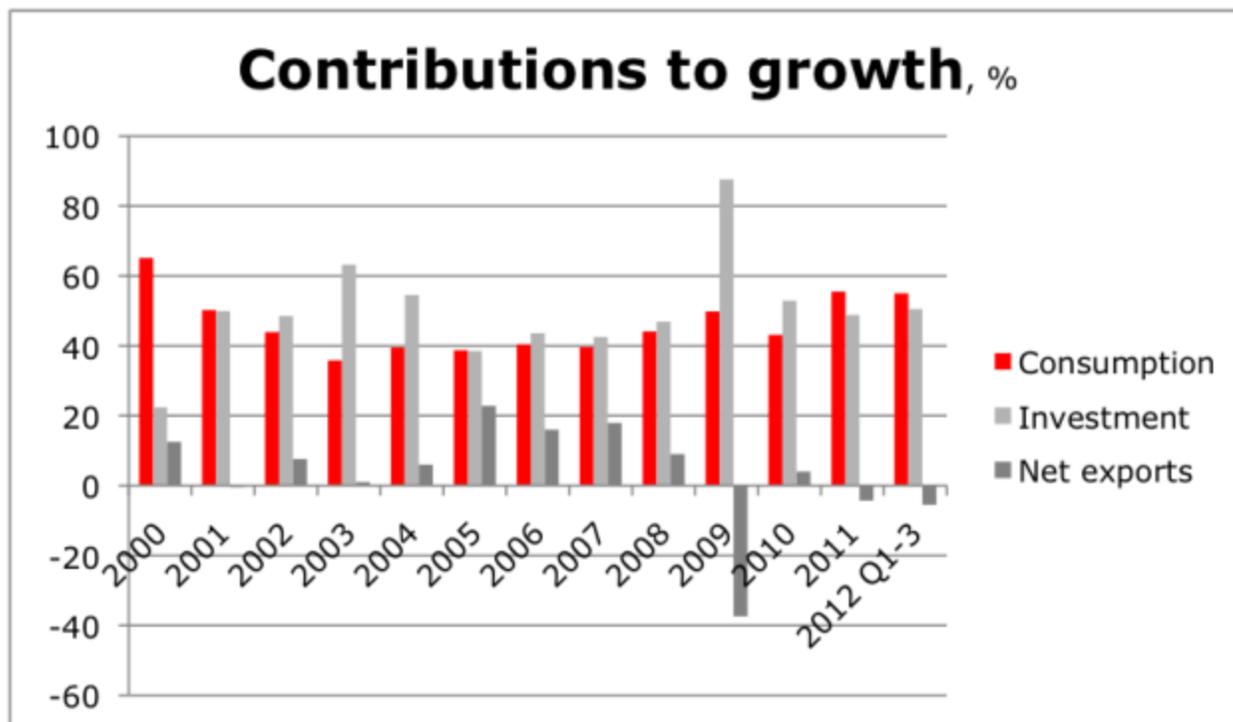


China's consumer-led growth



* Consumption includes government consumption as well as household consumption.

** These calculations refer not to consumption's share of GDP (C/GDP), but to its share of GDP growth ($\Delta C / \Delta GDP$). Consumption is still unusually low (and investment unusually high) as a share of China's GDP. But as long as consumption's contribution to growth exceeds its share of GDP, that share will rise.

CHINA, you may have heard, announced its latest growth figures on Thursday. The speed of growth attracted most of the attention, but the source of growth is perhaps more striking. At a press conference (in Chinese; see an FT report here), the National Bureau of Statistics pointed out that in the first three quarters of this year consumption* contributed over half (55%) of China's growth, exceeding the contribution from investment. If that pattern holds, China's growth this year will not be investment-led (let alone export-led), but consumption-led.**

That hasn't happened for over a decade. Or so I thought. Until recently, the official statistics showed that investment made the biggest contribution to China's growth in every year since 2001. But earlier this week the new edition of the China Statistical Yearbook arrived on my desk with a thud. Its revised

figures show that consumption contributed 55.5% of China's growth in 2011; investment contributed only 48.8%. (Net exports subtracted 4.3%.) In other words, China's growth was consumption-led last year as well.

So far, this revision seems to have passed largely unnoticed by China-watchers. (Andy Rothman of CLSA is one notable exception. See also the FT's Lex column.) People are accustomed to the idea that investment is the principal engine of China's extraordinary expansion. That notion is one of the most familiar "stylised facts" about its economy. But this revision of the figures suggests a restyling of the facts is now due.
