



China & India

October 10, 2005

A visual essay



The China-India chartbook is a visual essay to depict key similarities and differences between these two emerging economies, which are poised to change the global economic landscape.

China's GDP per capita is now 2.2 times higher than India's (in USD PPP terms). Until the early 1990s, GDP per capita in China and India was at comparable levels, but China adopted wide-ranging economic reform one decade earlier than India.

The Chinese economy is much more integrated with the world economy through international trade and investment, which helps to explain its stronger rate of GDP growth during most of the past 3 decades. For its economic development, China has relied on industry and India on services. China's ratios of domestic savings and investment to GDP are roughly double those of India's.

Both economies currently enjoy strong external positions, with ample foreign exchange reserves. Higher oil prices are not likely to have a significant adverse impact on external liquidity. China and India have low external debt as a percentage of GDP, and the ratio of short-term external debt to foreign reserves is low.

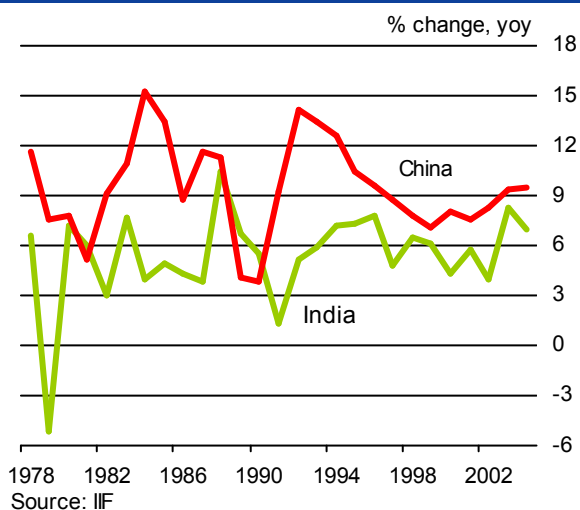
Despite declining fiscal deficits, the level of public sector debt is a cause for concern, especially in India. In particular, interest payments as a percentage of general government revenue are very high in India, making the prospect of fiscal consolidation more remote. Excess domestic liquidity presents a bigger challenge to China than India. M2 in China is heading toward 200% of GDP with domestic credit almost 170% of GDP. This explains the rapid rise in CPI inflation during 2004, on which the Chinese authorities are still keeping a tight rein.

Surveys indicate India has better corporate governance standards and its companies are more commercially-driven. This explains why, despite China's superior economic growth and macro-economic stability, India's rate of return on assets has been much higher, non-performing loans in the banking sector lower, and stock market performance much better.

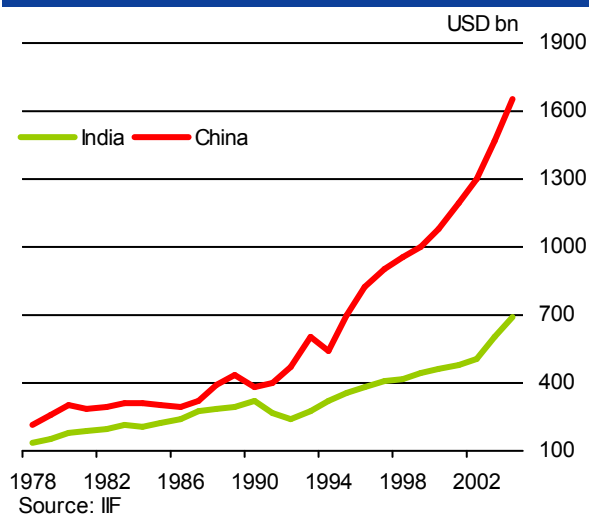
Social indicators reflect generally improving living conditions for the average Chinese. China also enjoys superior physical infrastructure, although India's availability of skilled workers, especially engineers, is much better regarded.

China's early steps to liberalise its economy and invest heavily to modernise its physical infrastructure gave it a substantial edge over India in terms of income per capita levels. They also made China a more attractive destination to foreign investors. However, although India started economic reforms only a decade later than China, it is far more advanced in its institutional infrastructure and corporate governance. This is reflected in contrasting outcomes: foreign direct investment is considerably lower than in China, but returns on investment are better on average. The key to unlock India's potential to rival China as an FDI destination is a decisive effort by the Indian authorities to push ahead with reforms.

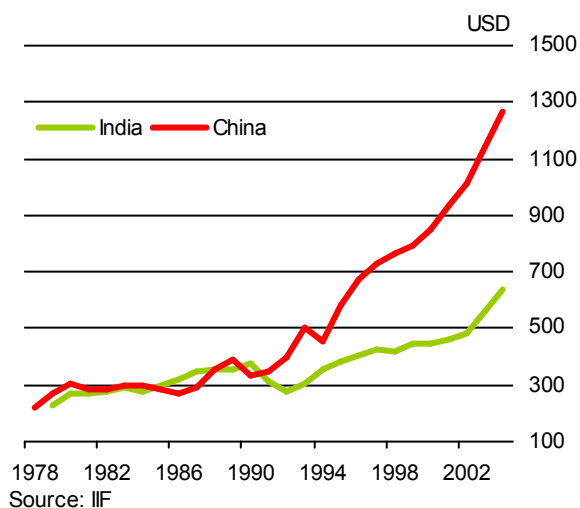
China & India: Real GDP growth



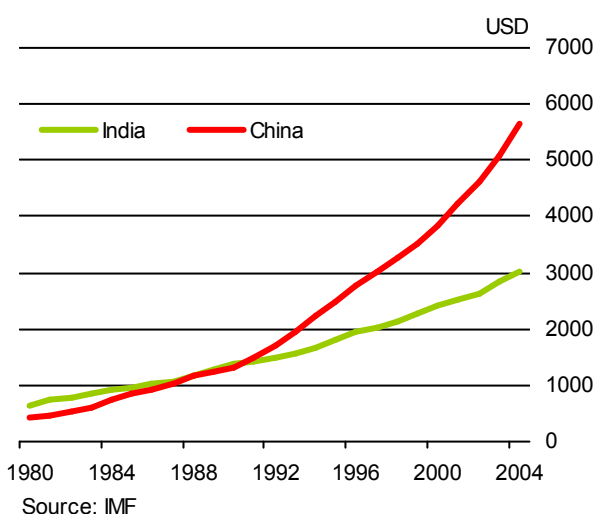
China & India: Nominal GDP



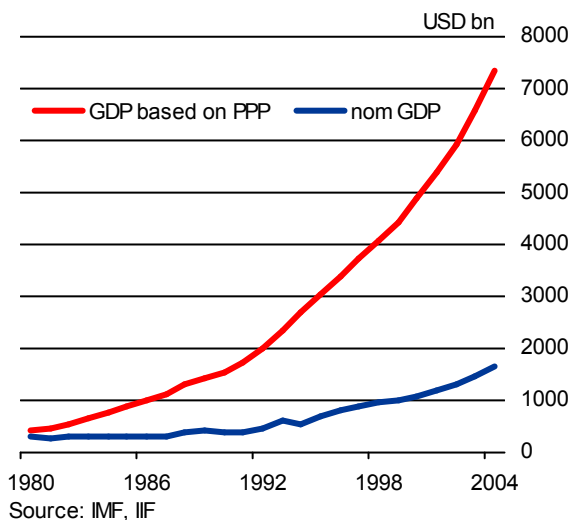
China & India: GDP per capita (nominal)



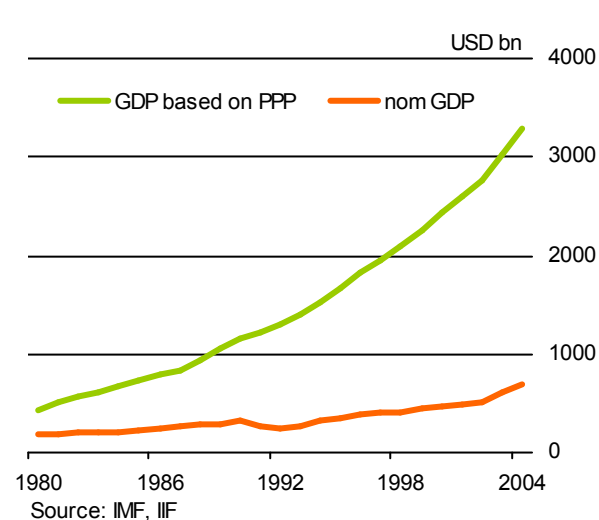
China & India: GDP per capita (PPP)



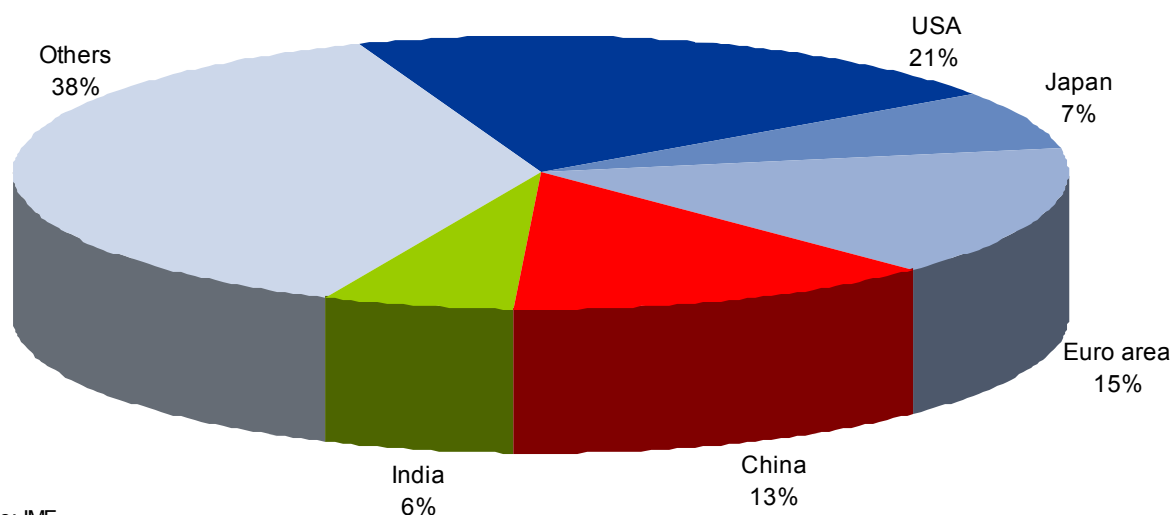
China: Nominal GDP vs. GDP based on PPP



India: Nominal GDP vs. GDP based on PPP

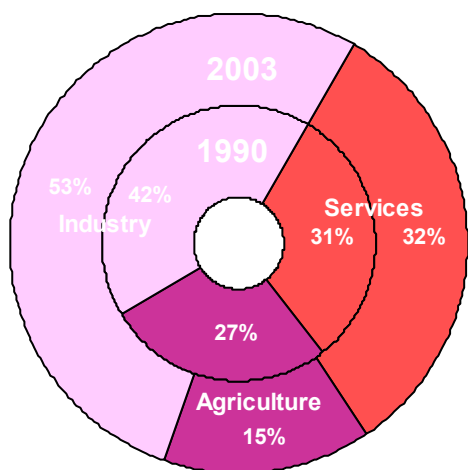


China & India: GDP based on PPP as % of world total in 2004



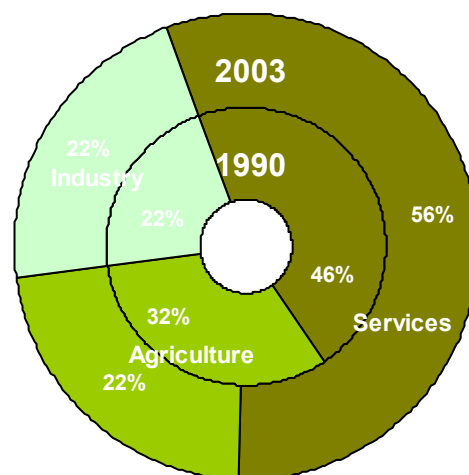
Source: IMF

China: Composition of GDP



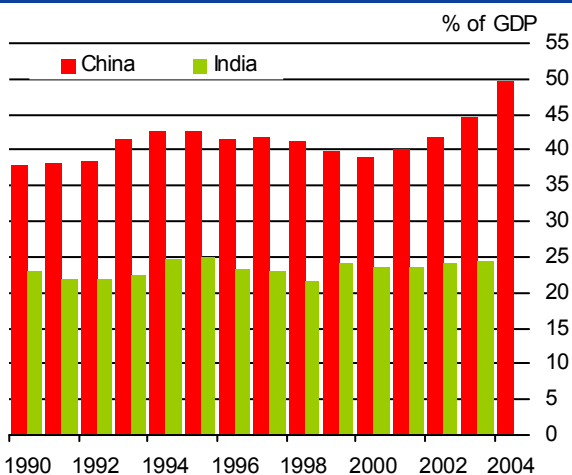
Source: DBR

India: Composition of GDP



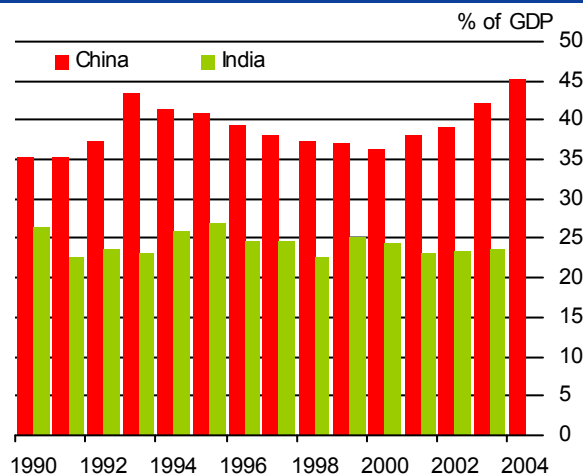
Source: DBR

China & India: Gross domestic savings



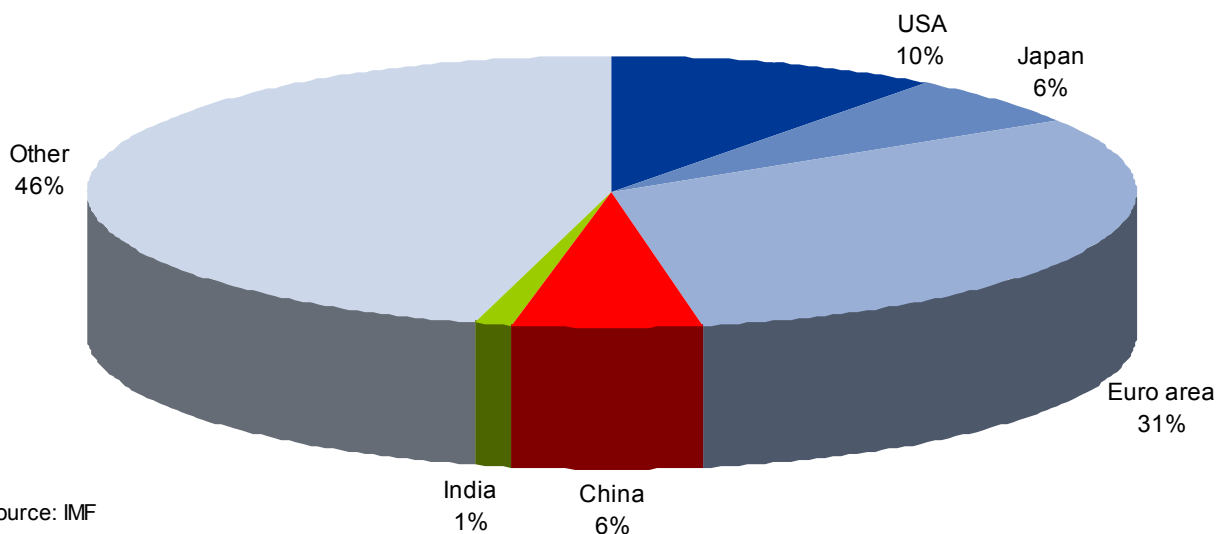
Source: IIF

China & India: Gross domestic investment



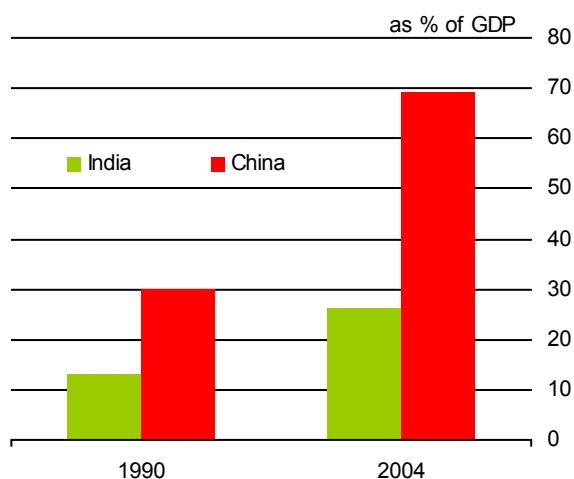
Source: IIF

China & India: Export of goods & services as % of world total in 2004



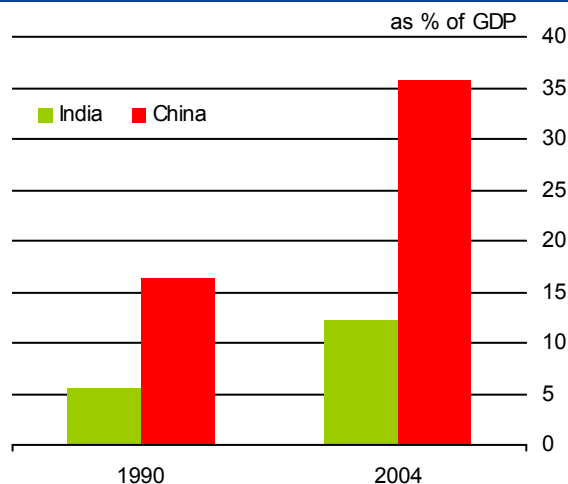
Source: IMF

China & India: Total merchandise trade



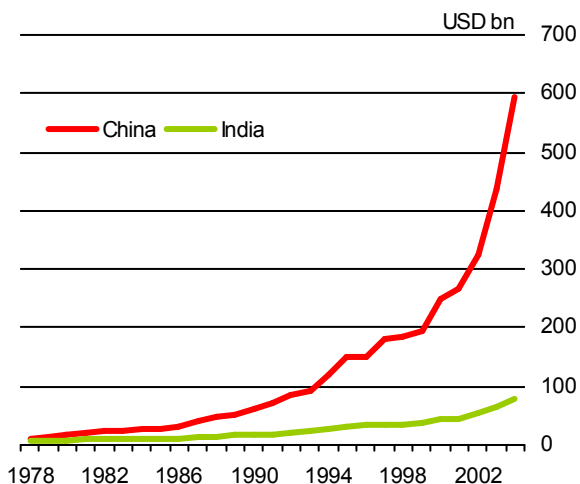
Source: Reserve Bank of India, CEIC

China & India: Exports of goods



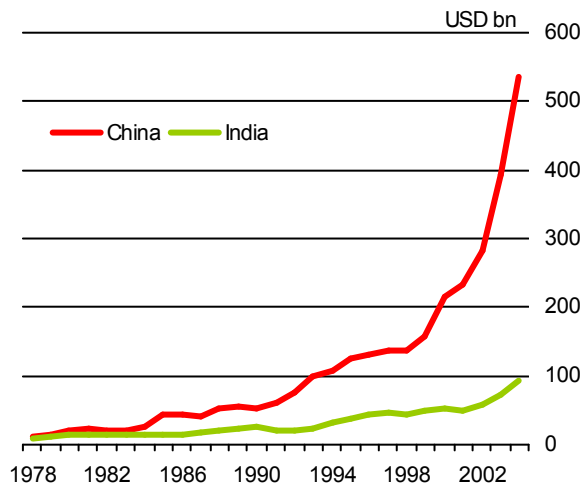
Source: Reserve Bank of India, CEIC

China & India: Merchandise exports



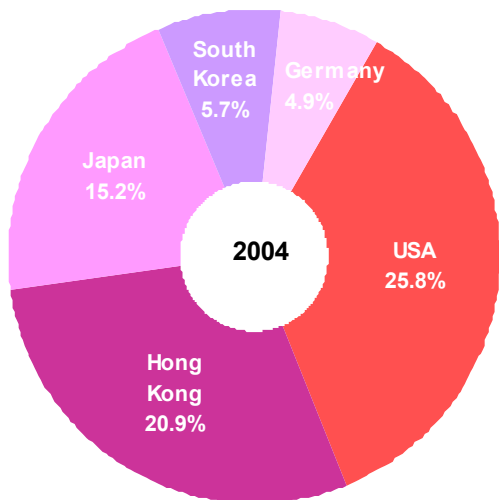
Source: IIF

China & India: Merchandise imports



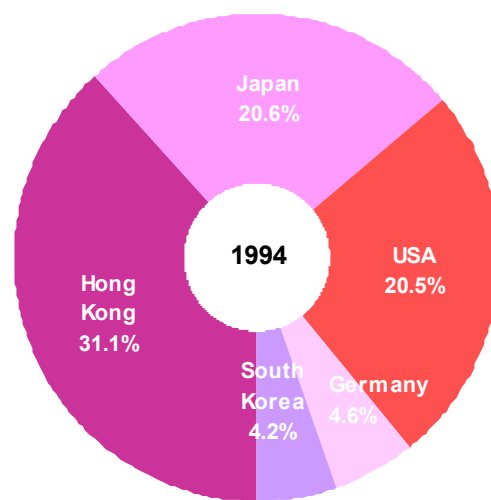
Source: IIF

China: Top 5 export partners in 2004, as % of total exports



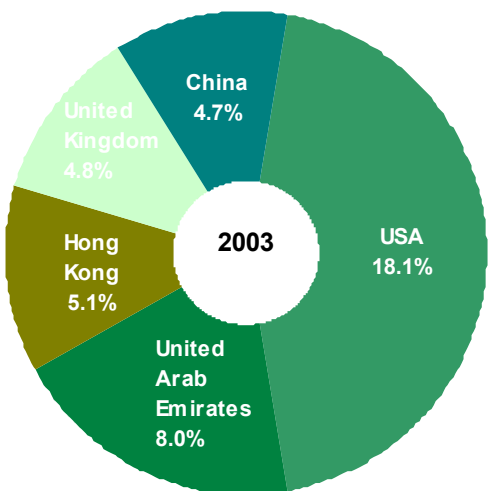
Source: CEIC

China: Top 5 export partners in 1994, as % of total exports



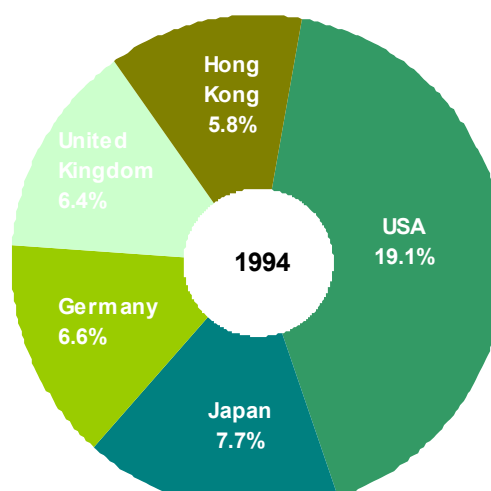
Source: CEIC

India: Top 5 export partners in 2003, as % of total exports



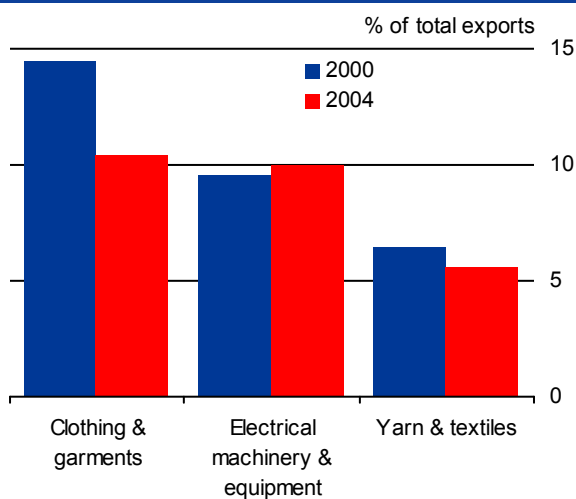
Source: Reserve Bank of India

India: Top 5 export partners in 1994, as % of total exports



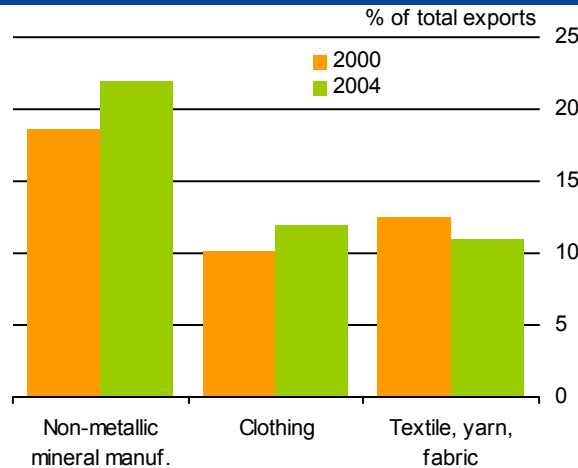
Source: Reserve Bank of India

China: Key export products



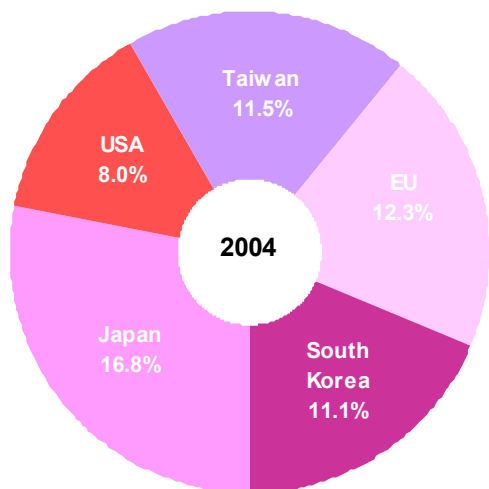
Source: EIU

India: Key export products



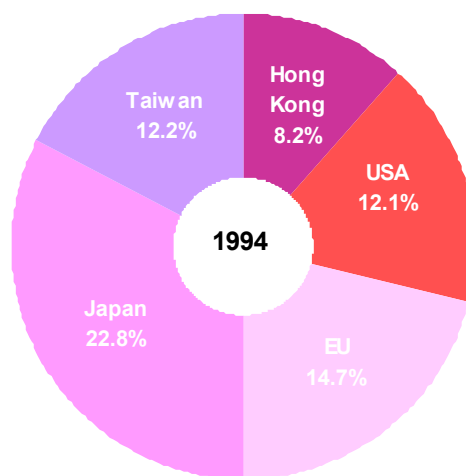
Source: EIU

China: Top 5 import partners in 2004, as % of total imports



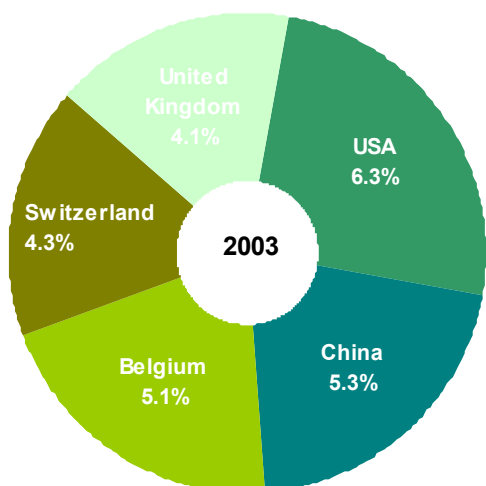
Source: CEIC

China: Top 5 import partners in 1994, as % of total imports



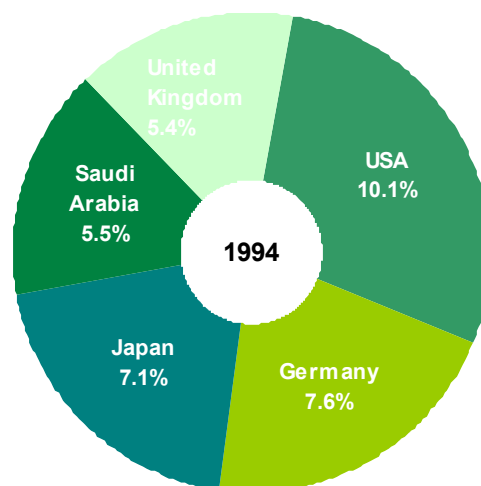
Source: CEIC

India: Top 5 import partners in 2003, as % of total imports



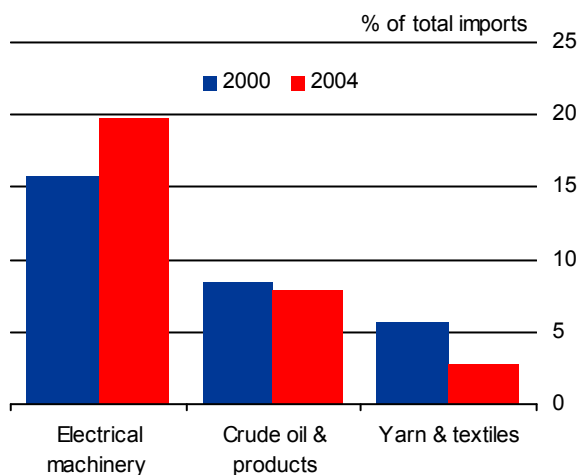
Source: Reserve Bank of India

India: Top 5 import partners in 1994, as % of total imports



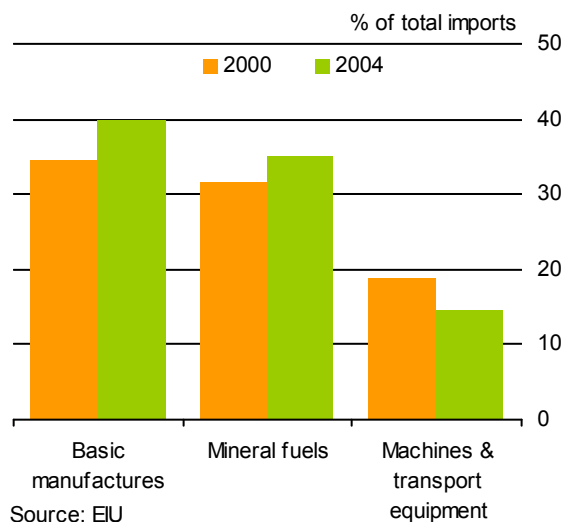
Source: Reserve Bank of India

China: Key import products



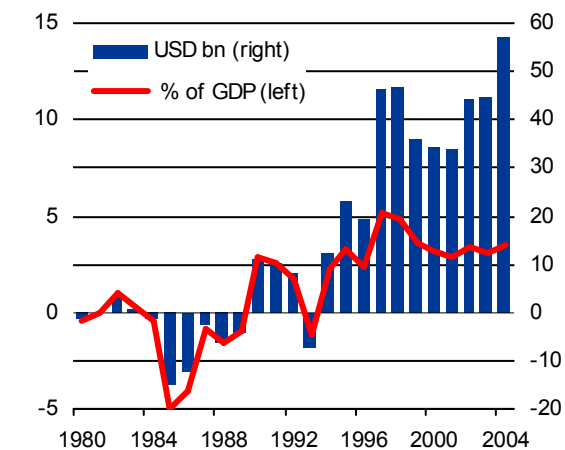
Source: EU

India: Key import products



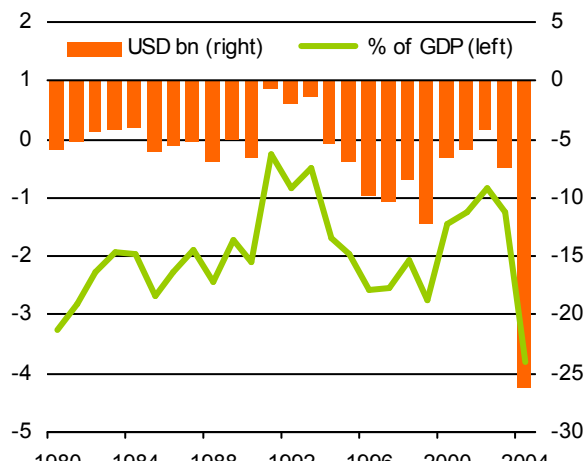
Source: EU

China: Trade balance



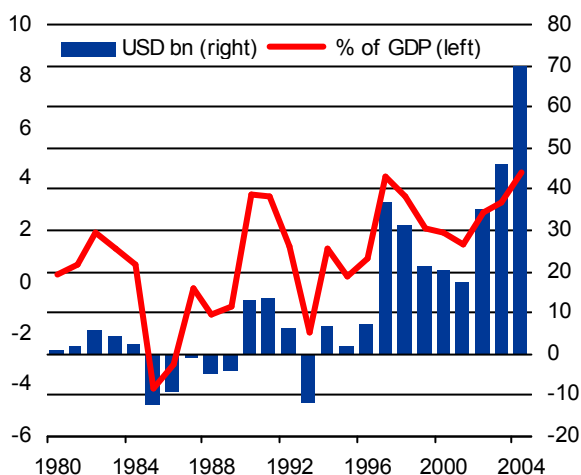
Source: IIF

India: Trade balance



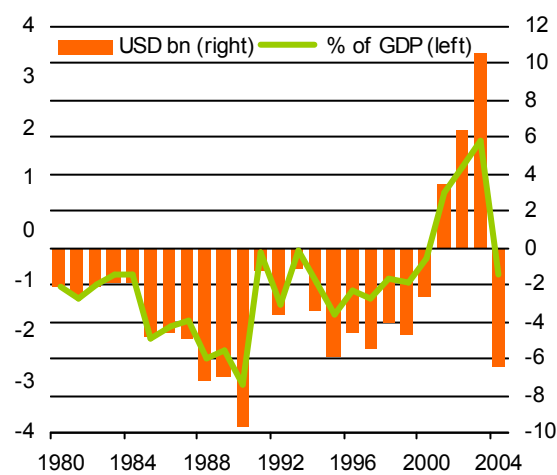
Source: IIF

China: Current account balance



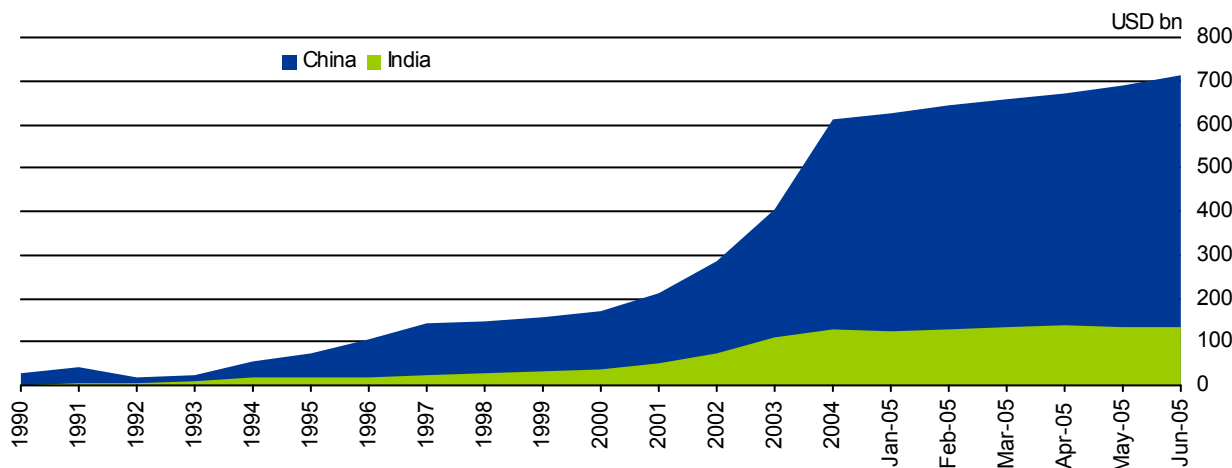
Source: IIF

India: Current account balance



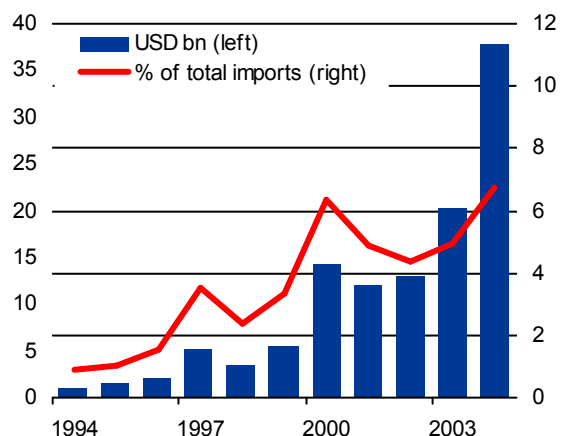
Source: IIF

China & India: FX reserves



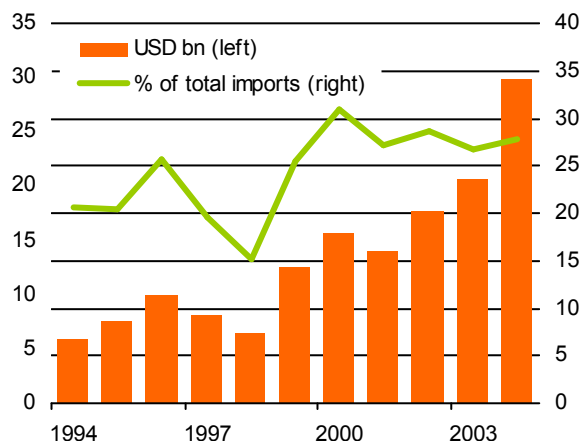
Source: CEIC

China: Oil imports



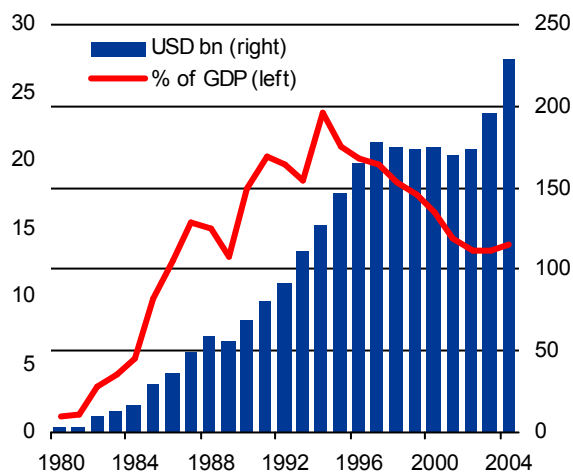
Source: CEIC

India: Oil imports



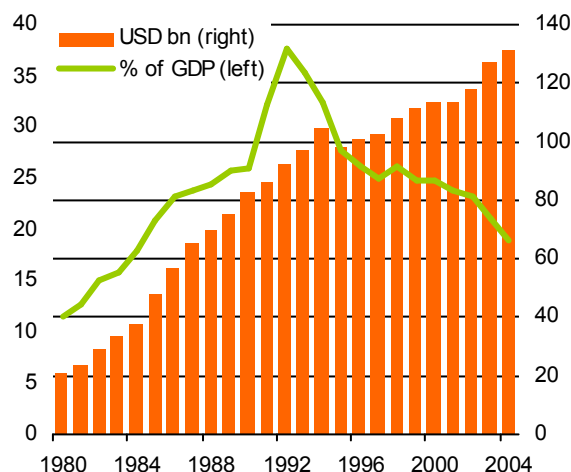
Source: Reserve Bank of India

China: External debt



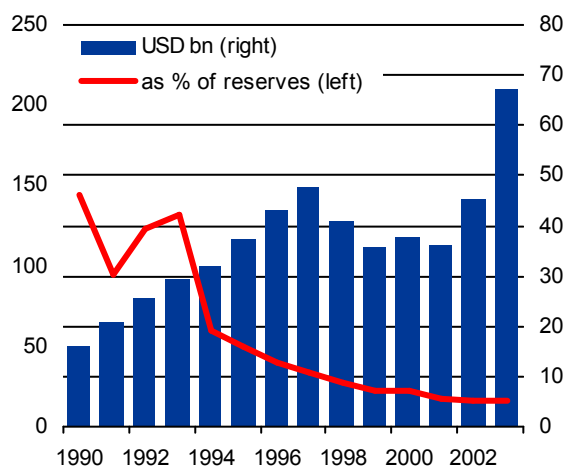
Source: IIF

India: External debt



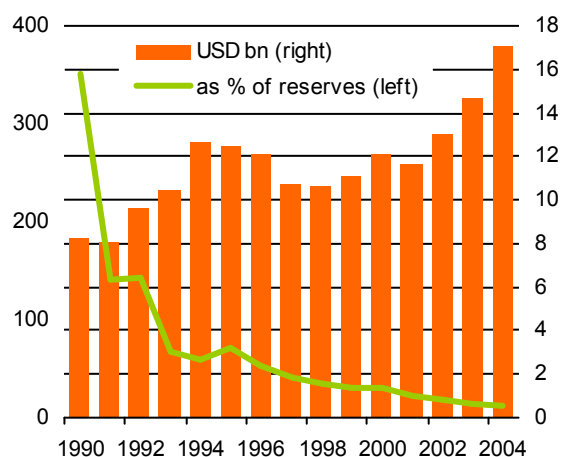
Source: IIF

China: Short-term debt



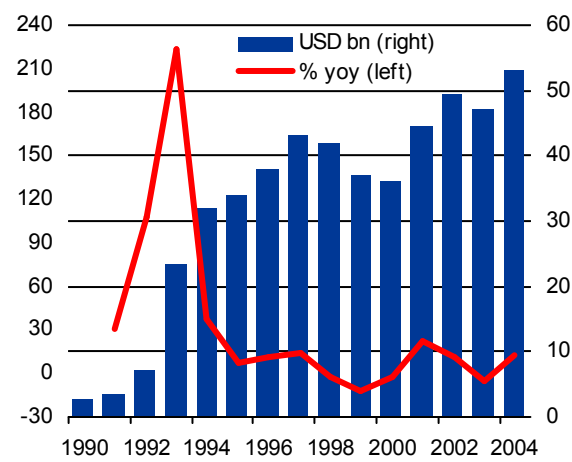
Source: IIF

India: Short-term debt



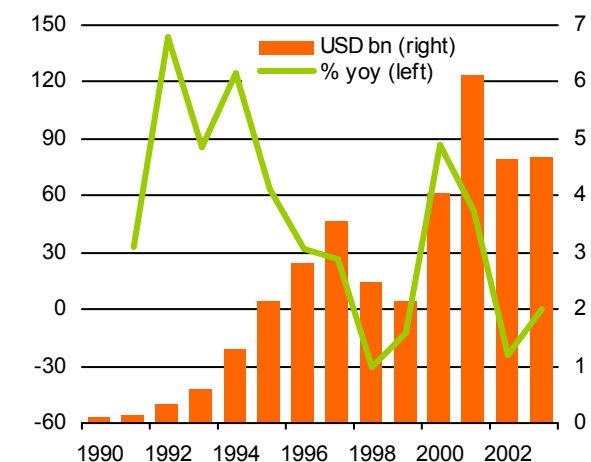
Source: IIF

China: Net FDI inflows



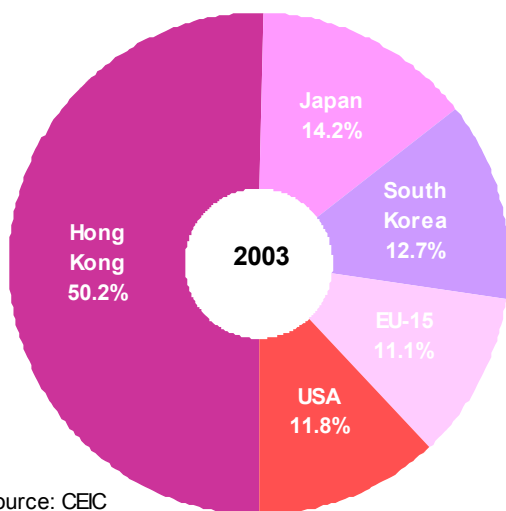
Source: DBR

India: Net FDI inflows



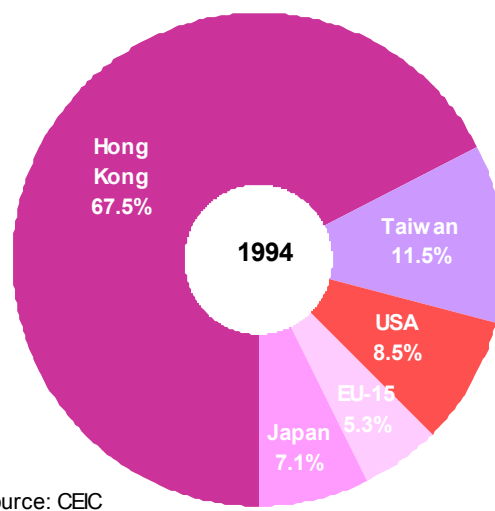
Source: Reserve Bank of India

China: Top 5 sources of FDI in 2003, in % of total utilised FDI



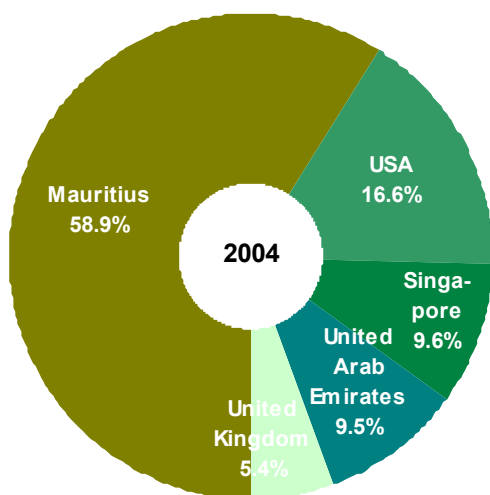
Source: CEIC

China: Top 5 sources of FDI in 1994, in % of total utilised FDI



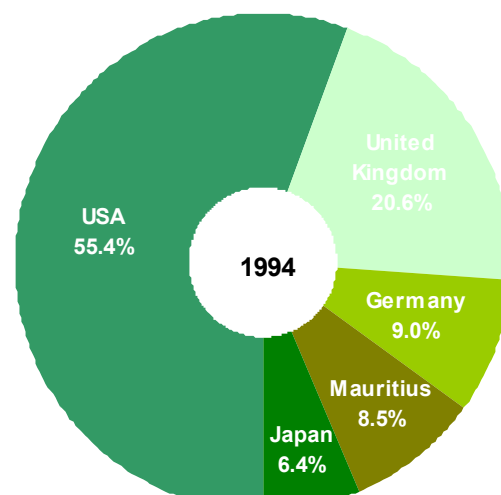
Source: CEIC

India: Top 5 sources of FDI in 2004, in % of actual flows



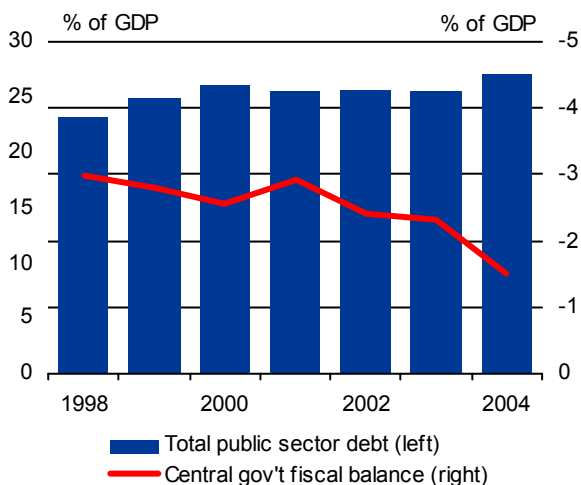
Source: CEIC

India: Top 5 sources of FDI in 1994, in % of actual flows



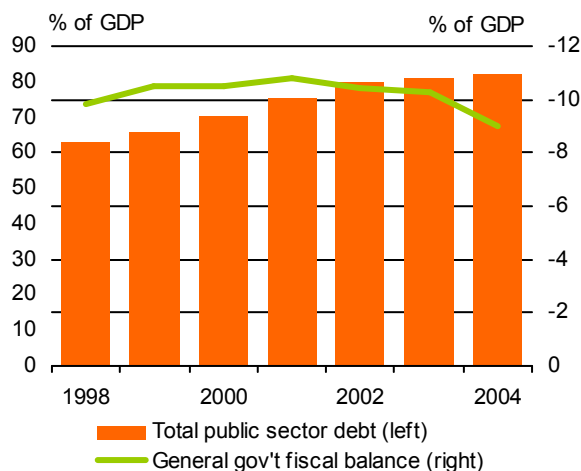
Source: CEIC

China: Fiscal balance & total public sector debt



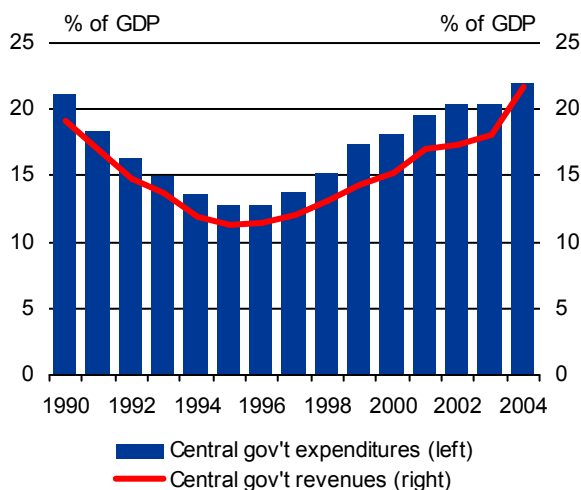
Source: DBR

India: Fiscal balance & total public sector debt



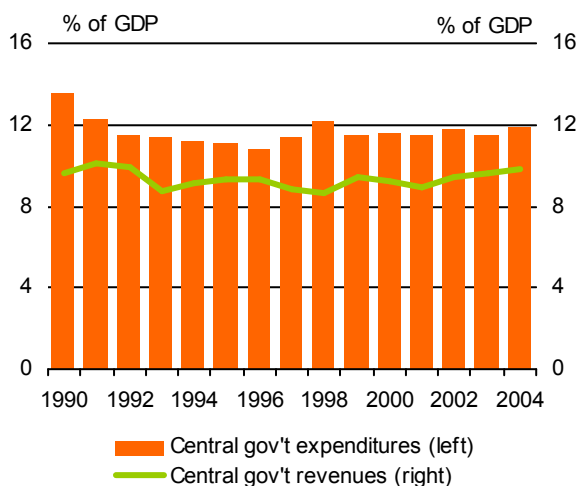
Source: DBR, Reserve Bank of India

China: Central government revenues & expenditures



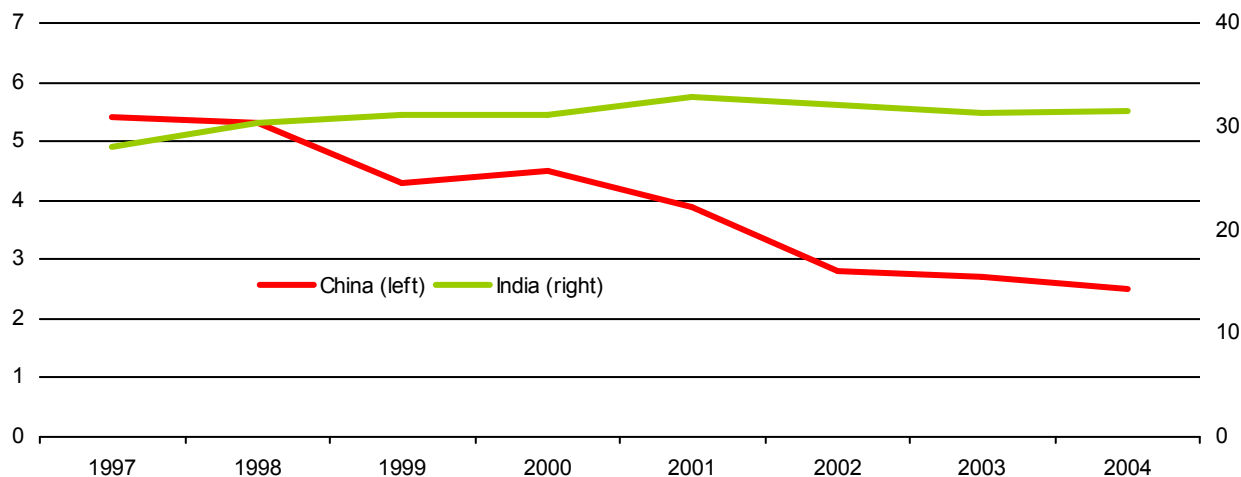
Source: DBR

India: Central government revenues & expenditures



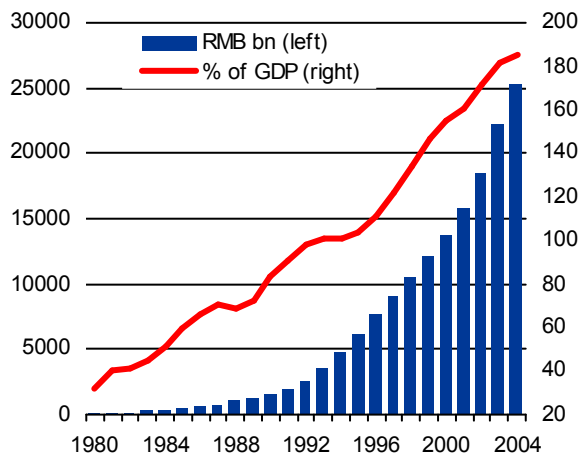
Source: DBR, Reserve Bank of India

China & India: Interest payments as % of general government revenues



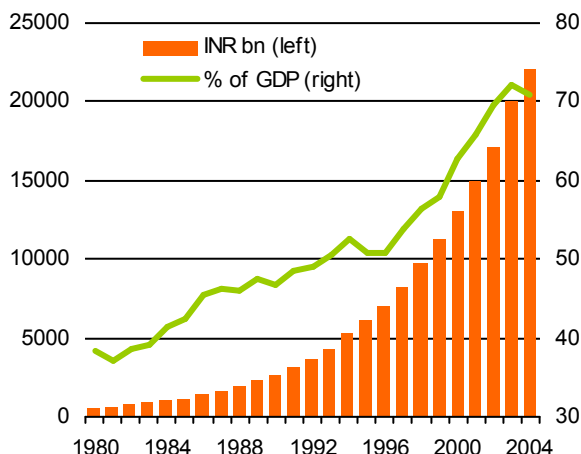
Source: Moody's

China: Monetary sector (M2)



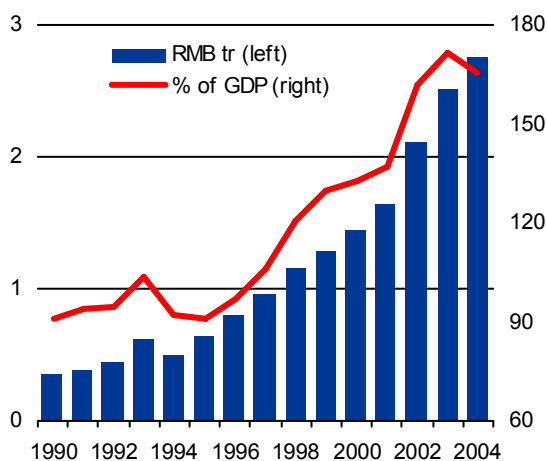
Source: DBR

India: Monetary sector (M3)



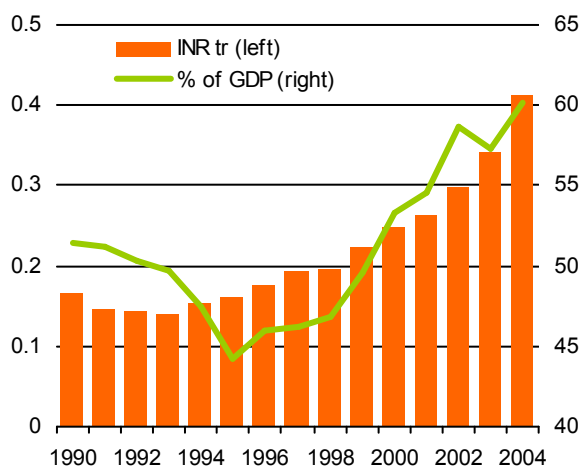
Source: Reserve Bank of India, DBR

China: Domestic credit



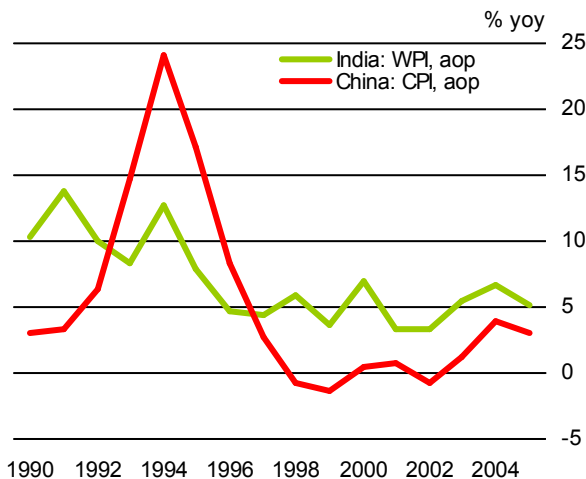
Source: IFS

India: Domestic credit



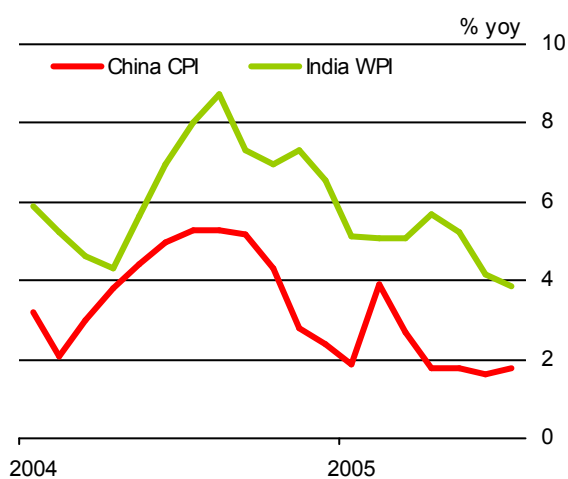
Source: IFS

China & India: Annual inflation



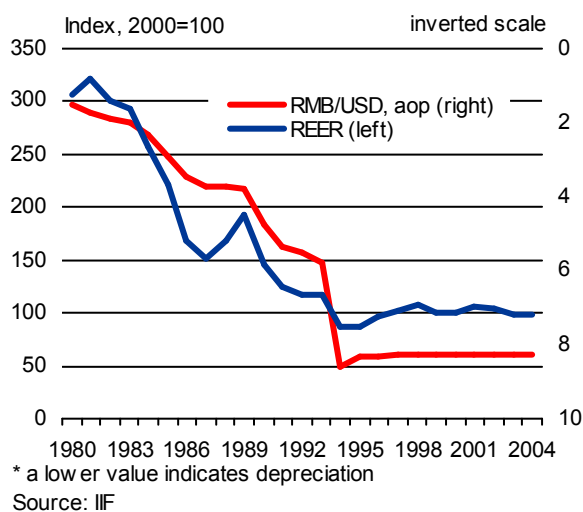
Source: DBR

China & India: Recent inflation trend

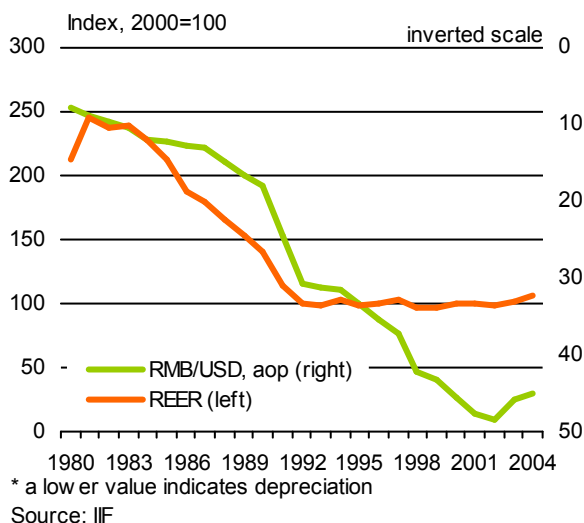


Source: Bloomberg

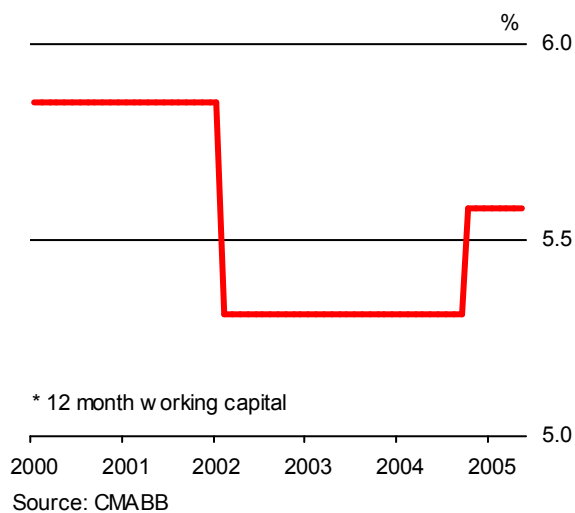
China: Exchange rate (nominal & REER*)



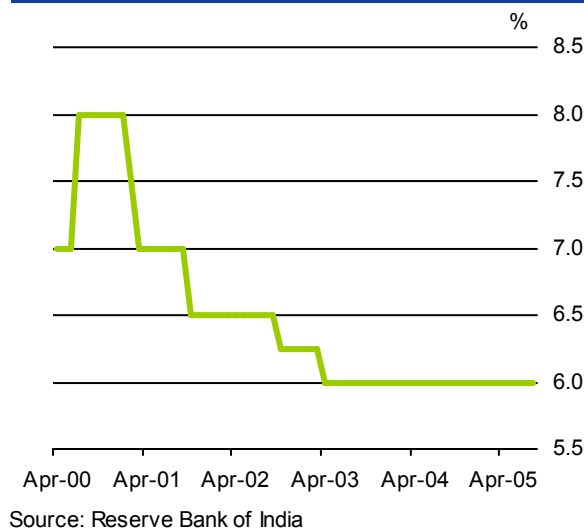
India: Exchange rate (nominal & REER*)



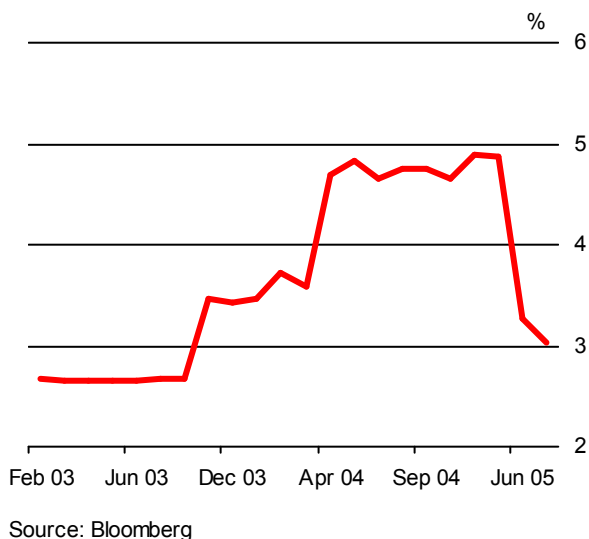
China: Base lending rate*



India: RBI Bank Rate



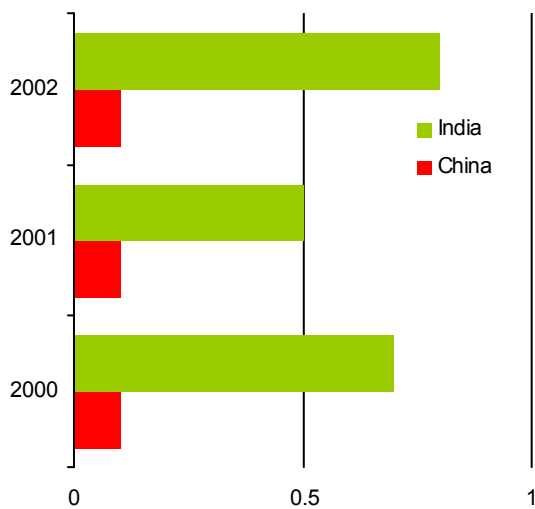
China: 7-year generic government bond yield



India: 10-year government bond yield

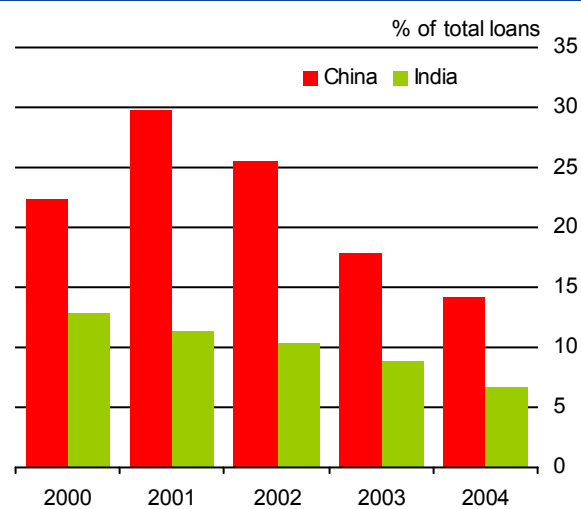


China & India: Bank return on assets



Source: IMF

China & India: NPL ratios



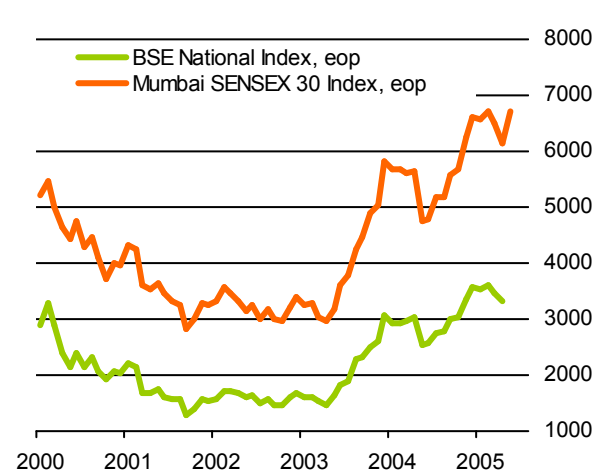
Source: IMF

China: Stock market



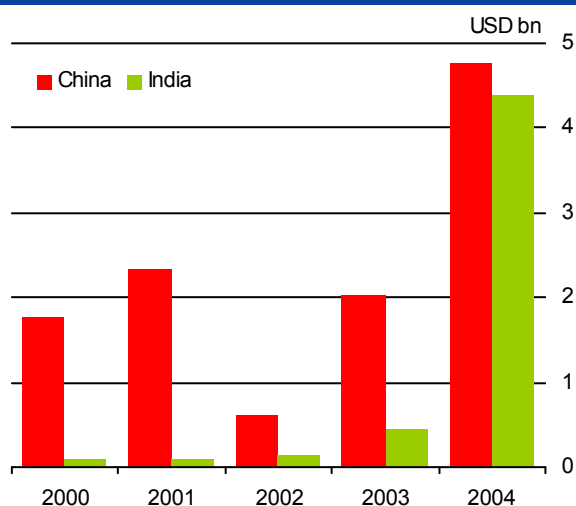
Source: Bloomberg

India: Stock market



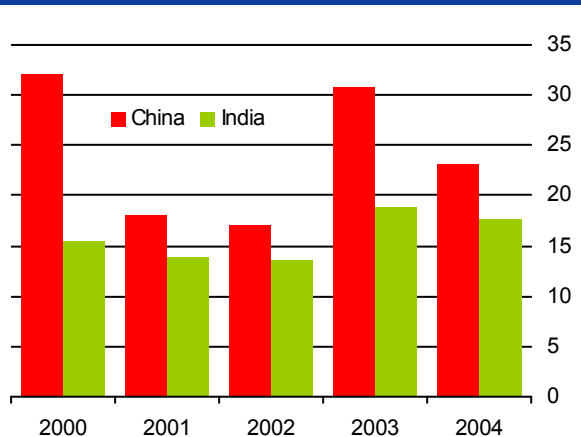
Source: Bloomberg

China & India: Bond issuance



Source: IMF

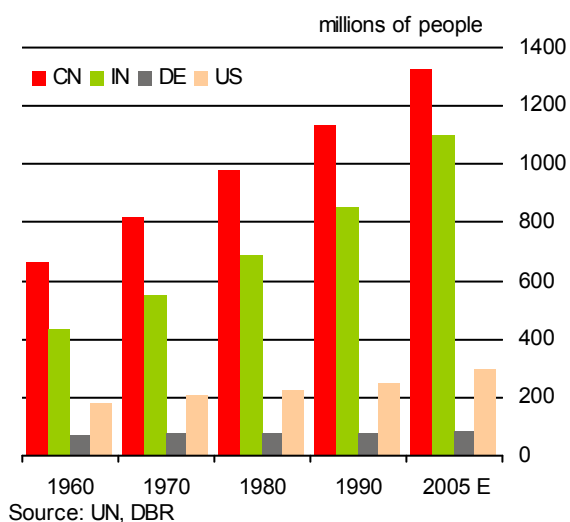
China & India: Price earnings ratios*



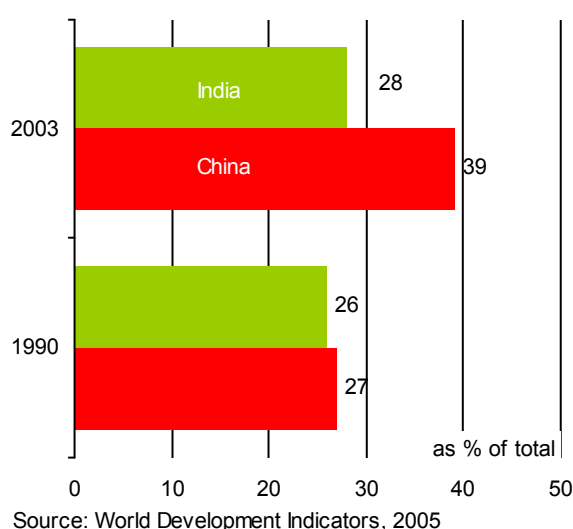
*China: Shenzhen A-Share Index; India: Mumbai SENSEX 30 Index

Source: IMF

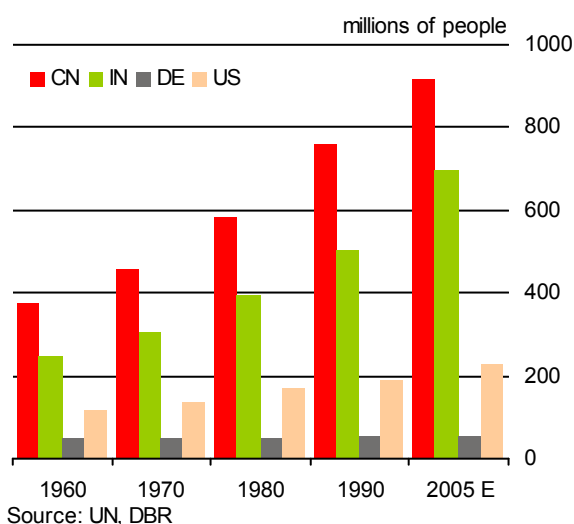
Population: CN, IN, DE, US



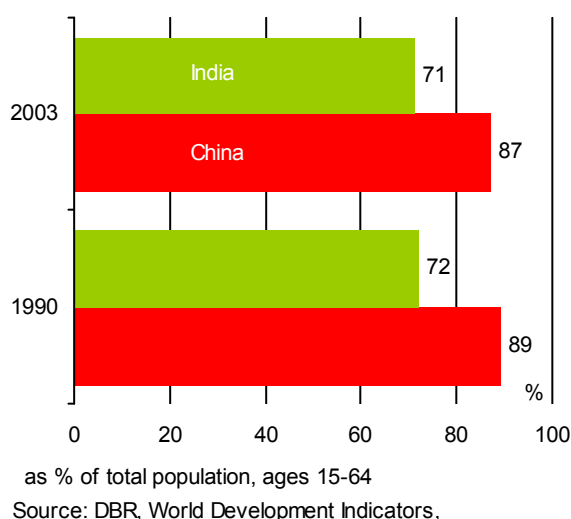
China & India: Urban population



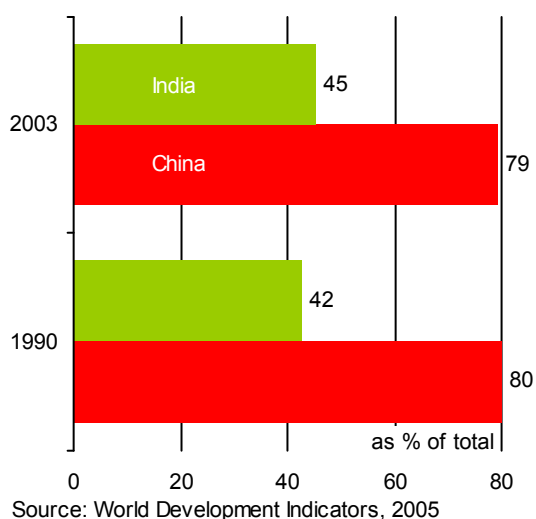
Workforce, ages 15 - 64: CN, IN, DE, US



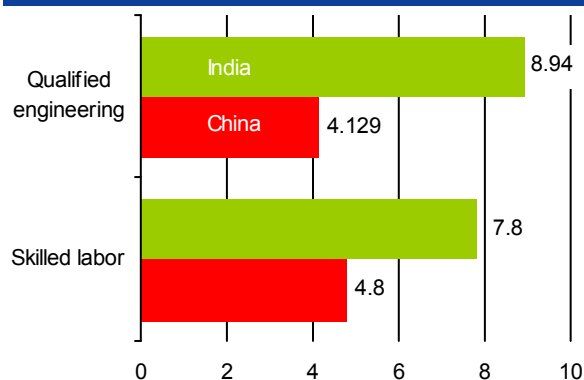
China & India: Labour force participation*



China & India: Female labour force participation

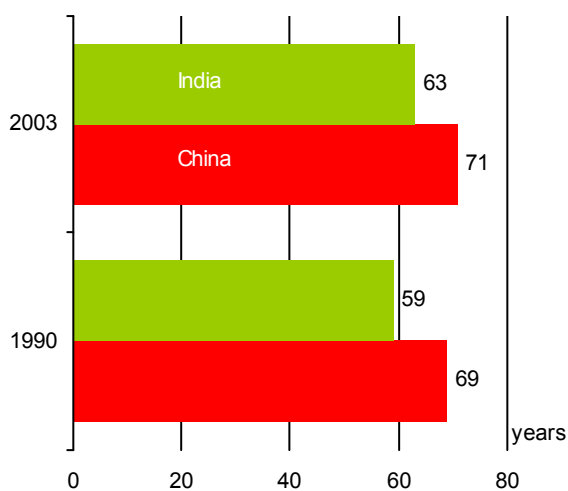


China & India: Skilled labour & engineers



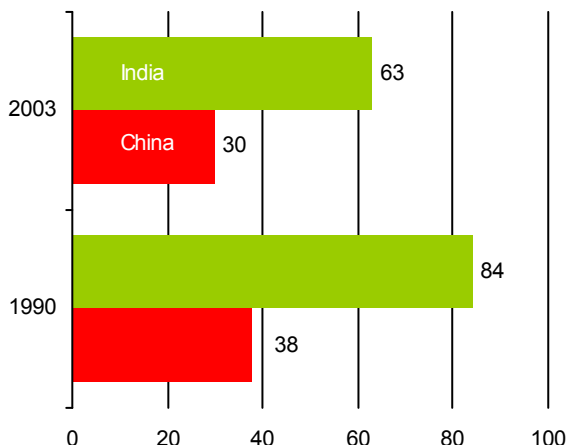
*) Data are based on response from Institute for Management & Development's annual Executive Opinion Survey. High score equals high availability of skilled labour and qualified engineers.

China & India: Average life expectancy



Source: World Development Indicators, 2005

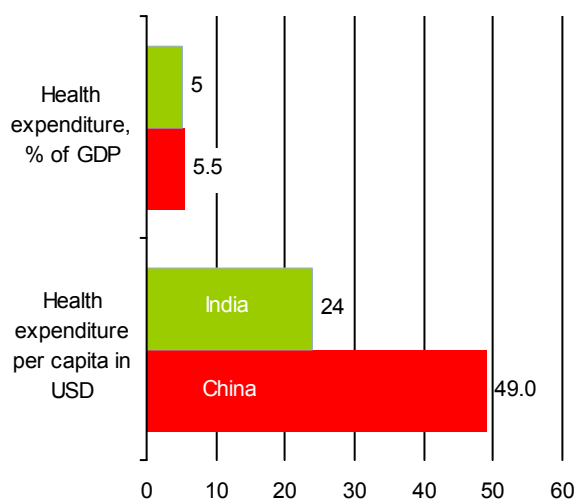
China & India: Infant mortality*



* per 1000 live births

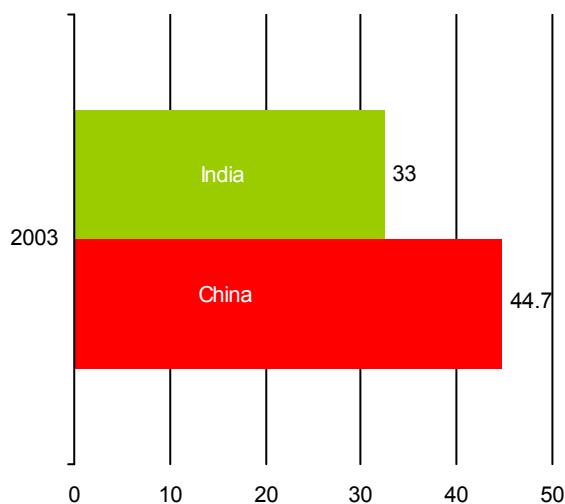
Source: World Development Indicators, 2005

China & India: Health expenditure in 2001



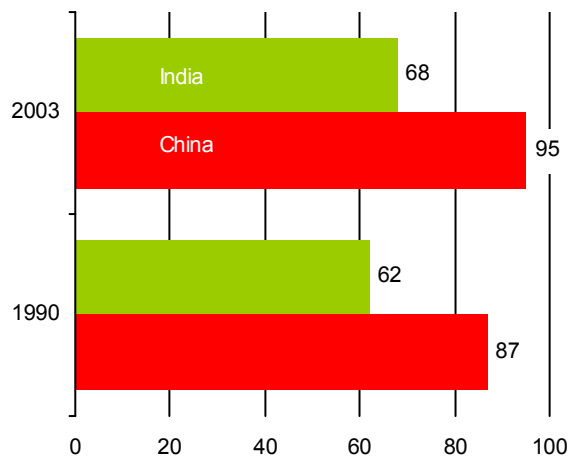
Source: World Development Indicators, 2004

China & India: Gini coefficient



Source: World Development Indicators, 2005

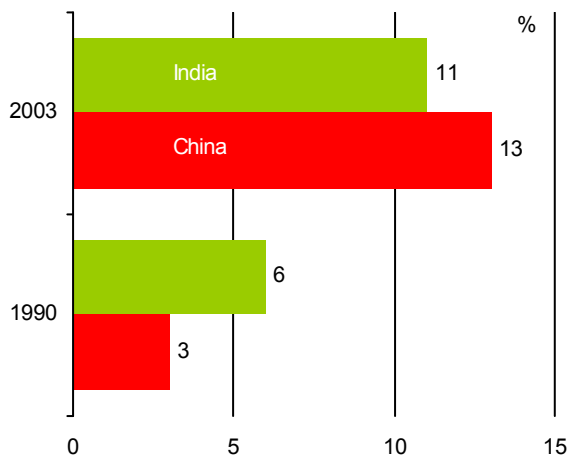
China & India: Adult literacy*



* % ages 15 or older

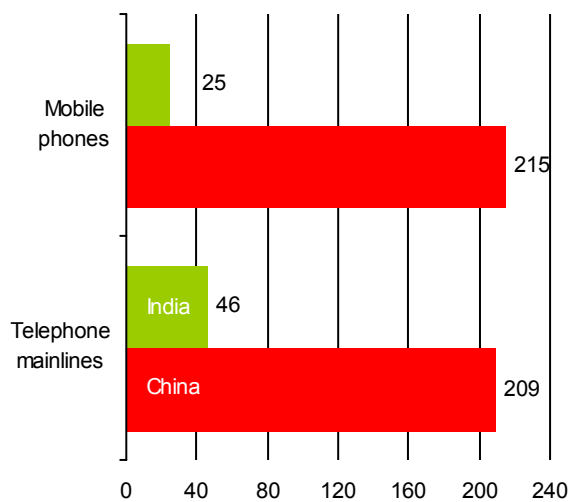
Source: World Development Indicators, 2005

China & India: Tertiary enrolment rate



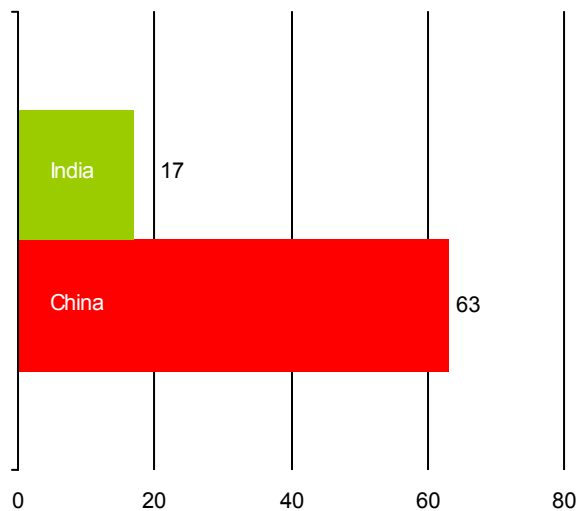
Source: World Development Indicators, 2005

China & India: Fixed-line vs. mobile phones per 1000 people in 2003



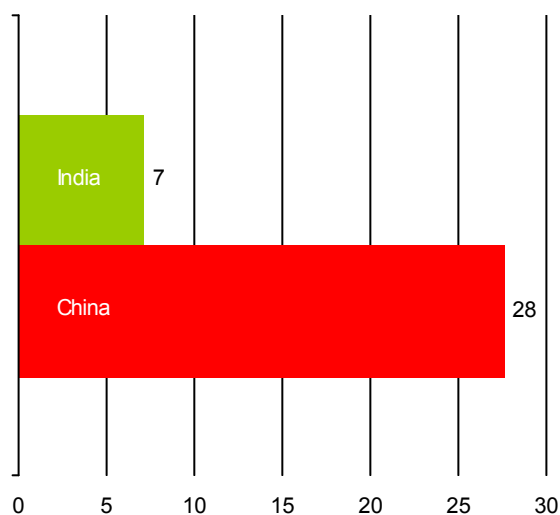
Source: World Development Indicators, 2005

China & India: Internet users per 1000 people in 2003



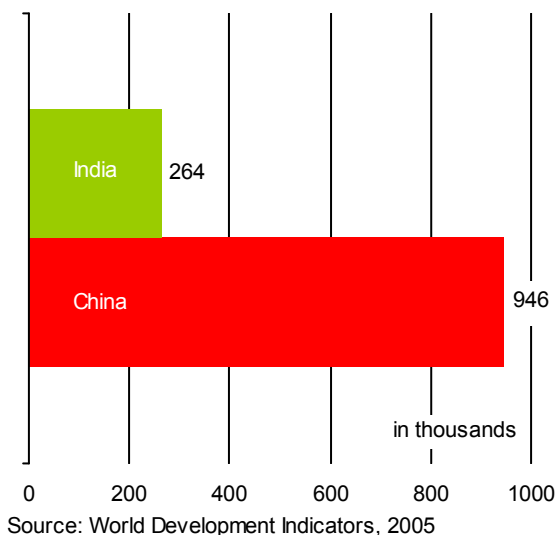
Source: World Development Indicators, 2005

China & India: PCs per 1000 people in 2003



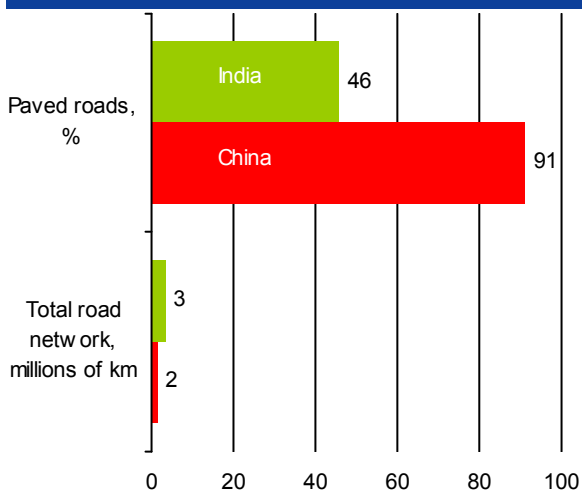
Source: World Development Indicators, 2005

China & India: Aircraft departures in 2003



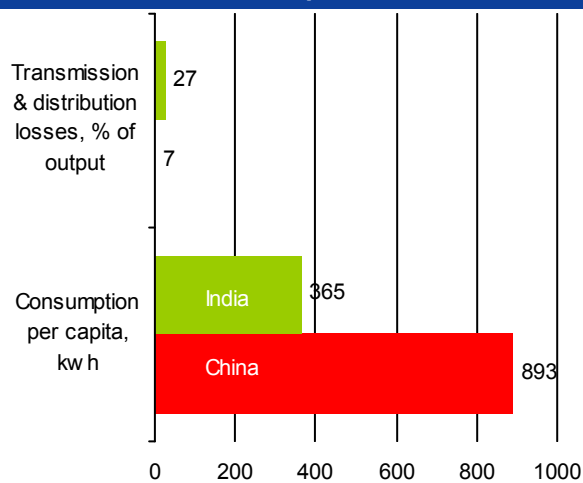
Source: World Development Indicators, 2005

China & India: Roads network in 2001



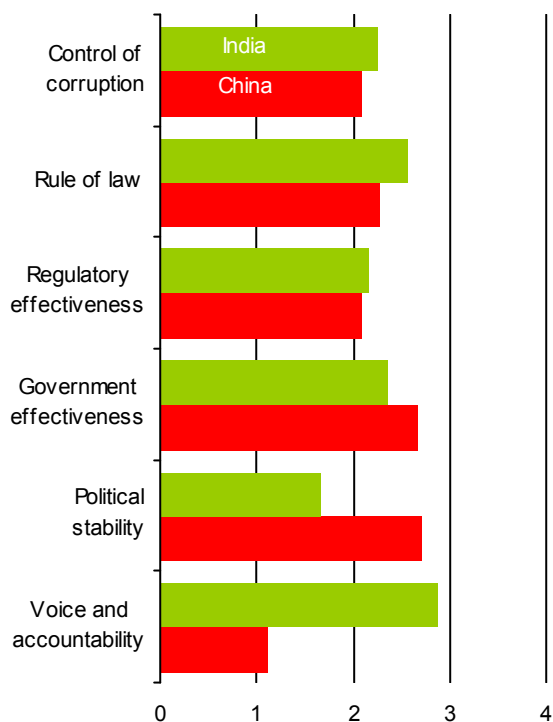
Source: World Development Indicators, 2004

China & India: Electric power in 2001



Source: World Development Indicators, 2004

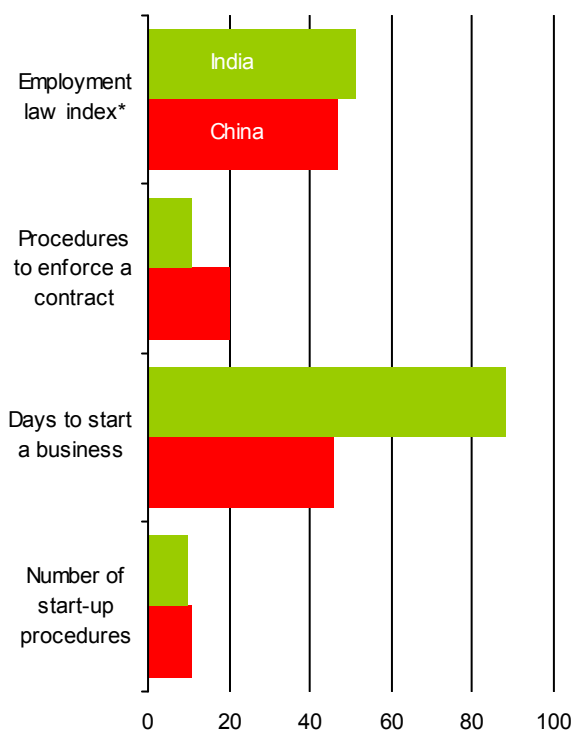
China & India: Governance indicators*



*) The six governance indicators are measured in units ranging from about -2.5 to 2.5, with higher values corresponding to better governance outcomes. Data have been rescaled to 0-5.

Source: World Bank Governance Index

China & India: Obstacles in doing business indicators



*) Higher score = more rigid labour laws

Source: World Development Indicators, 2004