



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

CHINA'S CAPACITY TO SUPPORT GLOBAL POTENTIAL GROWTH

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**Sustainable Infrastructure and Emerging Economies
Challenges and Opportunities on the eve of China's G20 presidency**

**2 – 6 November 2015
Beijing, China**

Potential Growth

Potential growth is broadly the maximum output growth that an economy or region can sustain over the medium to long term without leading to high and volatile inflation.

World and China

- **1800: China was more than 20 percent**
- **1976: China was less than 5 percent**
- **2015: China is ?? percent**
- **2050: China will be more than 20 percent**

- **Growth in China; Growth in the World**
- **Recession: Vice Versa**

How Potential Growth Increases?

- **Increase Labor**
 - **One Child Policy in China**
 - **No Child Outcome of Developed Markets from Scandinavia to Japan to Singapore**
- **Increase Capital**
 - **Total Factor Productivity**
 - **Capital Accumulation**
- **Innovation; Innovation; Innovation**
 - **Better Use of Available Resources**
 - **Better Global Allocation of Available Resources: China Factor**

Chinese Growth Miracle

1. Internationalisation Started with the Integration of Massive Labor Force to Global Markets
2. Domestically funded with FDI and without debt
3. **Produced to Sell** versus **Produced to Consume**
4. No External Debt; No Forex Fragilities
5. Feeling the Stones When Crossing the River!
6. From Single Market to a **Single World**
7. Production Hub or Base of the World with Massive Reserve Accumulation to Share

China Global Growth Positioning

- **China as the world factory**
- **China as the biggest exporter**
- **China as the biggest trader**
- **China as the biggest importer**
- **China as the constructor of global infrastructure**
- **China as a USD 4 trio reserve holder**
- **China as having a global mind after 5 thousands years**
- **China as the biggest economy of the world (new PPP)**
- **China is an Ultimately Systemic Part of the World**
- **China is the World 😊-😊-😊**

China Actions and Intentions

- **Outbound:**
 - **Massive Reserve Level of USD 4 trillions**
 - **Massive Capacity Surplus**
 - **Massive Benefits from Globalisation: Ultimate Beneficiary**
 - **Strategic decision to invest in abroad: AIIB–NDB - OBORBANKS**
- **Inbound:**
 - **Massive FDI Stock**
 - **Shanghai (China) FTZ**
 - **Attracting FDI still a strategic decision**
 - **Service Sector Opening up is not Complete yet: UnionPay faces competition! And Education and Entertainment and ...**

RMB and Global Growth

- **China Grows; World Grows**
- **Internationalisation of RMB is inevitable: It has got little to do with the Hegemony of RMB**
- **China`s currency RMB becomes core funding currency**
- **Dollar will still dominate global potential growth determinants**
- **RMB payments will increase its share relatively**
- **RMB will be a part of core currency portfolios**
- **RMB internationalisation will be evolutionary, not revolutionary!**
- **So does support of RMB to Global Potential Growth**

Capacity Surplus in China

- **Cement**
 - **Iron**
 - **Steel**
 - **Glass**
 - **Auto**
 - **Railways; nukes; highways; ports; infras...**
 - ...
 - ...
 - ...
 - **Human Capital...**
- Economies
of Scale
in China**

Urbanisation in China

- **Hukou**
- **De Facto Urbanisation: 50 percent**
- **De Jure Urbanisation: 35 percent**
- **In between: 240 million Migrant Workers –
The Worlds most mobile labor force**
- **Potential Urbanisation: 70 percent**

Welfare Society in China

- **Never Ending Reforms and Re-structuring**
- **Investment versus Consumption**
- **From Speedy to Normal Growth**
- **Consumption Basket**
- **Relative Per Capita against the US and Europe**
- **Domestic Income Differentials**
- **Falling Sectors against Raising Sector: ICT vs Coal**
- **Social Security Reform**
- **Dragon Generation: Chinese Middle Class**
- **China Becoming Consumer and Market of Last Resort**

Future Global Growth and China

Integrating Excess Capacity to the World

- Production Hub of the World
- Logistics Center
- Consumer of the Last Resort
- Saver of the Last Resort
- Investor of the Last Resort
- Excess Absorber of the Last Resort
- ..
- ..
- China: The New Definition of the Economies of Scale



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