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China 2016. Key Analysis for International Managers. Volume II

Jorge Mongay, ESIC Business and Marketing School

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EMERGING MARKETS IN 2016: KEY ANALYSIS FOR INTERNATIONAL MANAGERS

VOLUME 2.

George Mongay, D.B.A.
www.gmongay.com

CHINA
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1. Introduction and the purpose of the paper series.

This is a set of country reports including a total of 11 volumes which relate to the topic of Emerging Markets also called Emerging Nations. The goal of the paper has been to collect the most relevant data for international managers in order to determine the market attractiveness of these countries in short, mid and long term. (Either for investors, exporters or importers). The collection of papers includes the following countries: Brazil, China, Colombia, India, Indonesia, Mexico, Russia, South Africa, South Korea, Thailand and Turkey. As it is explained in the text, there are many classifications of Emerging Markets as BRICS, Next 11, Eagles, etc. The author uses the Russell classification taking into consideration that this particular system is based on a wide variety of factors, both quantitative and qualitative. In general, Russell Indexes assess markets across three data points for each country: country level risk, market access accessibility (includes liquidity) and operational concerns. The indexes are the ones used in Global Edge, Academy of International Business as well.

Some countries have been eliminated from the Russell list due to the fact that population is less than 50 million people, so even if still they represent important hubs in many industries, for example Taiwan or United Arab Emirates, they can represent limitations on the size of the markets for international strategies and process of creation of a mass critique for the products of international investors or exporters.

Most of the data showed in these series of papers come from accredited sources as National Banks and Governments and it has been retrieved from the website Trading Economics ( www.tradingeconomics.com).

Each paper follows almost the same structure of analysis in order to make this series of papers easy to follow. The sections 1, 2 and 5 of the table of contents are common to all volumes, so this can facilitate an independent reading.

Each variable analyzed is complemented with a traffic signal light in red, yellow or green color. The meaning are as usual: Green light means positive and optimistic forecasts, so go ahead. Yellow means proceed with care and Red light means stop or handle very careful.

Data collected refers to 2016 and it is expected to update results in the future every 2-3 years time and the main goal of the paper is show the critical and key data used by managers in an international development process.

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2. Definitions, classifications and variables.

It is important to allocate a few words to determine the nature of the idea of what it means an Emerging Market. An emerging market is a country that has some characteristics of a developed market, but does not meet standards to be a developed market. This includes countries that may become developed markets in the future or were in the past. The term "frontier market" is used for developing countries with slower economies than "emerging". The economies of China and India are considered to be the largest. According to The Economist, many people find the term outdated, but no new term has gained traction. The four largest emerging and developing economies by either nominal or PPP-adjusted GDP are the BRIC countries (Brazil, Russia, India and China). The next five largest markets are South Korea (though, considered a developed market), Mexico, Indonesia, Turkey, and Saudi Arabia. Iran is also considered an emerging market.

In the 1970s, "less developed countries" (LDCs) was the common term for markets that were less "developed" (by objective or subjective measures) than the developed countries such as the United States, Western Europe, and Japan. These markets were supposed to provide greater potential for profit, but also more risk from various factors. This term was thought by some to be politically incorrect so the emerging market label was created. The term is misleading in that there is no guarantee that a country will move from "less developed" to "more developed"; although that is the general trend in the world, countries can also move from "more developed" to "less developed".

Originally brought into fashion in the 1980s by then World Bank economist Antoine Van Agtmael, the term is sometimes loosely used as a replacement for emerging economies, but really signifies a business phenomenon that is not fully described by or constrained to geography or economic strength; such countries are considered to be in a transitional phase between developing and developed status. Examples of emerging markets include many countries in Africa, most countries in Eastern Europe, some countries of Latin America, some countries in the Middle East, Russia and some countries in Southeast Asia. Emphasizing the fluid nature of the category, political scientist Ian Bremmer defines an emerging market as "a country where politics matters at least as much as economics to the markets".

The research on emerging markets is diffused within management literature. While researchers including, George Haley, Vladimir Kvint, Hernando de Soto, Usha Haley, and several professors from Harvard Business School and Yale School of Management have described activity in countries such as India and China, how a market emerges is little understood.

In 1999, Dr. Kvint published this definition: "Emerging market country is a society transitioning from a dictatorship to a free-market-oriented-economy, with increasing economic freedom, gradual integration with the Global Marketplace and with other members of the GEM (Global Emerging Market), an expanding middle class, improving standards of living, social stability and tolerance, as well as an increase in cooperation with multilateral institutions". In 2008 Emerging Economy Report, the Center for Knowledge Societies defines Emerging
Emerging Economies as those "regions of the world that are experiencing rapid informationalization under conditions of limited or partial industrialization." It appears that emerging markets lie at the intersection of non-traditional user behavior, the rise of new user groups and community adoption of products and services, and innovations in product technologies and platforms.

More critical scholars have also studied key emerging markets like Mexico and Turkey. Thomas Marois argues that financial imperatives have become much more significant and has developed the idea of 'emerging finance capitalism' - an era wherein the collective interests of financial capital principally shape the logical options and choices of government and state elites over and above those of labor and popular classes. Julien Vercueil recently proposed an pragmatic definition of the "emerging economies", as distinguished from "emerging markets" coined by an approach heavily influenced by financial criteria. According to his definition, an emerging economy displays the following characteristics:

- Intermediate income: its PPP per capita income is comprised between 10% and 75% of the average EU per capita income.
- Catching-up growth: during at least the last decade, it has experienced a brisk economic growth that has narrowed the income gap with advanced economies.
- Institutional transformations and economic opening: during the same period, it has undertaken profound institutional transformations which contributed to integrate it more deeply into the world economy. Hence, emerging economies appears to be a by-product of the current globalization.

At the beginning of the 2010s, more than 50 countries, representing 60% of the world's population and 45% of its GDP, matched these criteria. Among them, the BRICs.

The newly industrialized countries as of 2013, it is an intermediate category between fully developed and developing.

The term "rapidly developing economies" is being used to denote emerging markets such as The United Arab Emirates, Chile and Malaysia that are undergoing rapid growth. In recent years, new terms have emerged to describe the largest developing countries such as BRIC that stands for Brazil, Russia, India, and China, along with BRICET (BRIC + Eastern Europe and Turkey), BRICS (BRIC + South Africa), BRICM (BRIC + Mexico), MINT (Mexico, Indonesia, Nigeria and Turkey), Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam) and CIVETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa).[16] These countries do not share any common agenda, but some experts believe that they are enjoying an increasing role in the world economy and on political platforms.

It is difficult to make an exact list of emerging (or developed) markets; the best guides tend to be investment information sources like EMIS, (a Euromoney Institutional Investor Company) and The Economist or market index makers (such as Morgan Stanley Capital International). These sources are well-informed, but the nature of investment information sources leads to two potential problems. One is an element of historicity; markets may be maintained in an index for continuity, even if the countries have since developed past the emerging market phase. Possible examples of this are South Korea and Taiwan. A second is the simplification inherent in making an index; small countries, or countries with limited market liquidity are often not considered, with their larger neighbours considered an appropriate stand-in. In an Opalesque.TV video, hedge fund manager Jonathan Binder discusses the current and future
relevance of the term "emerging markets" in the financial world. Binder says that in the future investors will not necessarily think of the traditional classifications of "G10" (or G7) versus "emerging markets". Instead, people should look at the world as countries that are fiscally responsible and countries that are not. Whether that country is in Europe or in South America should make no difference, making the traditional "blocs" of categorization irrelevant. Guégan et al. (2014) also discuss the relevance of the terminology "emerging country" comparing the credit worthiness of so-called emerging countries to so-called developed countries. According to their analysis, depending on the criteria used, the term may not always be appropriate.

The 10 Big Emerging Markets (BEM) economies are (alphabetically ordered): Argentina, Brazil, China, India, Indonesia, Mexico, Poland, South Africa, South Korea and Turkey. Egypt, Iran, Nigeria, Pakistan, Russia, Saudi Arabia, Taiwan, and Thailand are other major emerging markets.

Newly industrialized countries are emerging markets whose economies have not yet reached developed status but have, in a macroeconomic sense, outpaced their developing counterparts. Individual investors can invest in emerging markets by buying into emerging markets or global funds. If they want to pick single stocks or make their own bets they can do it either through ADRs (American depositer Receipts - stocks of foreign companies that trade on US stock exchanges) or through exchange traded funds (exchange traded funds or ETFs hold basket of stocks). The exchange traded funds can be focused on a particular country (e.g., China, India) or region (e.g., Asia-Pacific, Latin America).
Various sources list countries as "emerging economies" as indicated by the next 2 tables below.

<table>
<thead>
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<th>IMF</th>
<th>BRICS+ Next 11</th>
<th>FTSE</th>
<th>MSCI</th>
<th>S&amp;P</th>
<th>EM bond index</th>
<th>Dow Jones</th>
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Tables 1 & 2: List of Emerging Markets according to different classifications

A few countries appear in every list (BRICS, Mexico, and Turkey). Indonesia and Turkey are categorized with Mexico and Nigeria as part of the MINT economies. While there are no commonly agreed upon parameters on which the countries can be classified as "Emerging
Economies”, several firms have developed detailed methodologies to identify the top performing emerging economies every year.

In this volume we are going to analyze the key elements of each country using the Russell classification being recommended as well by the Academy of International Business, (AIB). Also some economies like Taiwan, Malaysia, and Saudi Arabia among others will not be analyzed in this book due to the fact that these countries represent countries with less than 50 million people populations. This does not mean that they are not important or relevant, of course depending on your strategies activities and markets but they have been eliminated due to the fact that most international developments are done under the assumption of market attractiveness and size is considered a relevant factor.

This book analyzes the basic following variables in each nation. The author tries to eliminate what is “interesting” from what is really “relevant” for an international manager in an international expansion program. There are many “interesting” figures which will not be crucial when deciding if enter or not to enter in one of these economies.

The following variables will be analyzed in this volume.

<table>
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<th>Variable</th>
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<td>FDI inwards</td>
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<td>Ease of doing business</td>
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<td>Corporate taxes</td>
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<td>SS for companies</td>
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<td>Minimum Wages</td>
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<td>GDP Growth</td>
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<td>Debt to GDP</td>
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<td>Retail Sales YoY</td>
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<td>Consumer Confidence Index (CCI)</td>
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<td>Country Risk</td>
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<tr>
<td>Gini index</td>
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*Table 3: Key variables to analyze by managers.*

The variables used.

**FDI inwards.**

This concept makes reference to the net inflows are the value of inward direct investment made by non-resident investors in the reporting economy. FDI net outflows are the value of outward direct investment made by the residents of the reporting economy to external economies. Inward Direct Investment, also called direct investment in the reporting economy, includes all liabilities and assets transferred between resident direct investment enterprises and
their direct investors. It also covers transfers of assets and liabilities between resident and nonresident fellow enterprises, if the ultimate controlling parent is nonresident.

Ease of doing business.

The ease of doing business index is an index created by the World Bank Group. Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

Corporate taxes.

A corporate tax is a levy placed on the profit of a firm to raise taxes. After operating earnings is calculated by deducting expenses including the cost of goods sold (COGS) and depreciation from revenues, enacted tax rates are applied to generate a legal obligation the business owes the government. Rules surrounding corporate taxation vary greatly around the world and must be voted upon and approved by the government to be enacted.

Social security for companies.

Program of social insurance and benefits developed including retirement income, disability income, healthcare, death and survivorship benefits. These figures allow to understand the money payed to the government by employers.

Minimum wages.

A minimum wage is the lowest remuneration that employers may legally pay to workers. Equivalently, it is the price floor below which workers may not sell their labor. Although minimum wage laws are in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage.

GDP Growth (annual %)

The "rate of economic growth" refers to the geometric annual rate of growth in GDP between the first and the last year over a period of time. Implicitly, this growth rate is the trend in the average level of GDP over the period, which implicitly ignores the fluctuations in the GDP around this trend.

Debt to GDP

In economics, the debt-to-GDP ratio is the ratio between a country's government debt and its gross domestic product (GDP). A low debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficient to pay back debts without incurring further debt.

Retail sales YoY

Year over year (YOY) is a method of evaluating two or more measured events to compare the results at one time period with those of a comparable time period on an annualized basis. YOY performance is frequently used by investors seeking to gauge whether a company's financial performance is improving or worsening. For example, a business may report its revenues have increased for the third quarter on a YOY basis for the last three years, or a mutual fund that returned 50% last year may have an average YOY return of 12%, which takes into account each annual return since the fund's inception.
Consumer confidence Index (CCI)

The U.S. consumer confidence index (CCI) is an indicator designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. Global consumer confidence is not measured. Country by country analysis indicates huge variance around the globe. In an interconnected global economy, tracking international consumer confidence is a lead indicator of economic trends.

Country Risk

Country risk is a collection of risks associated with investing in a foreign country. These risks include political risk, exchange rate risk, economic risk, sovereign risk and transfer risk, which is the risk of capital being locked up or frozen by government action. Country risk varies from one country to the next. Some countries have high enough risk to discourage much foreign investment.

Gini Index

The Gini coefficient (sometimes expressed as a Gini ratio or a normalized Gini index) is a measure of statistical dispersion intended to represent the income distribution of a nation's residents, and is the most commonly used measure of inequality. It was developed by the Italian statistician and sociologist Corrado Gini and published in his 1912 paper Variability and Mutability (Italian: Variabilità e mutabilità).

The Gini coefficient measures the inequality among values of a frequency distribution (for example, levels of income). A Gini coefficient of zero expresses perfect equality, where all values are the same (for example, where everyone has the same income). A Gini coefficient of 1 (or 100%) expresses maximal inequality among values (e.g., for a large number of people, where only one person has all the income or consumption, and all others have none, the Gini coefficient will be very nearly one). However, a value greater than one may occur if some persons represent negative contribution to the total (for example, having negative income or wealth). For larger groups, values close to or above 1 are very unlikely in practice. Given the normalization of both the cumulative population and the cumulative share of income used to calculate the Gini coefficient, the measure is not overly sensitive to the specifics of the income distribution, but rather only on how incomes vary relative to the other members of a population. The exception to this is in the redistribution of wealth resulting in a minimum income for all people. When the population is sorted, if their income distribution were to approximate a well known function, then some representative values could be calculated.

Emerging markets are countries that have some characteristics of a developed market but are not yet a fully developed market. A key difference between emerging markets and emerging economies is that emerging markets are not fully described by, or constrained to, geography or economic strength whereas emerging economies are constrained by political and geographic
boundaries. These countries are experiencing rapid growth and industrialization and are attractive due to higher risk and return premium over already developed countries.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Least Developed Countries Average</th>
<th>Emerging Markets Average</th>
<th>Major Developed Countries Average</th>
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<tbody>
<tr>
<td>GDP growth (annual %)</td>
<td>4.62%</td>
<td>3.23%</td>
<td>1.29%</td>
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<td>GNI growth (annual %)</td>
<td>4.88%</td>
<td>3.29%</td>
<td>0.66%</td>
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<td>Inflation, consumer prices (annual %)</td>
<td>5.4%</td>
<td>3.25%</td>
<td>1.34%</td>
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<td>Real interest rate (%)</td>
<td>12.87%</td>
<td>5.57%</td>
<td>1.06%</td>
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<td>Current account balance (% of GDP)</td>
<td>-9.22%</td>
<td>-0.61%</td>
<td>-0.11%</td>
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<tr>
<td>Imports of goods and services (annual % growth)</td>
<td>5.44%</td>
<td>2.53%</td>
<td>3.71%</td>
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<td>Exports of goods and services (annual % growth)</td>
<td>8.39%</td>
<td>3.84%</td>
<td>4.07%</td>
</tr>
<tr>
<td>Unemployment, total (% of total labor force)</td>
<td>7.38%</td>
<td>7.87%</td>
<td>7.21%</td>
</tr>
</tbody>
</table>

*Table 4: Main indicators of EM. Source Global Edge 2016.*

Variable 1. Consumer Confidence Index.

![Consumer Confidence Index](https://via.placeholder.com/150)

*Figure 1: Consumer Confidence Index. Source: National Bureau of statistics of China. 2016*


*Managerial implications: good time for sales. Chinese customers keep on being optimistic. Good news for marketing planners in China and regular exporters.*
Variable 2. China corporate tax rate.

![China Corporate Tax Rate Chart]

*Figure 2: Corporate tax rate. Source: State Administration of Taxation. 2016*

In China, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. The benchmark we use refers to the highest rate for Corporate Income. Revenues from the Corporate Tax Rate are an important source of income for the government of China. This page provides - China Corporate Tax Rate - actual values, historical data, forecast, chart, statistics, economic calendar and news. China Corporate Tax Rate - actual data, historical chart and calendar of releases - was last updated on August of 2016.

*Managerial implications: Still a 25% of corporate tax rates looks quite low in case that the market rewards accordingly. No doubts that 33% was far too high for most investors.*

Variable 3. Foreign Direct Investment FDI

![China Foreign Direct Investment Chart]

*Figure 3: FDI Oct 2015 to July 2016. Source: Ministry of Commerce of the PRC. 2016*
In China, foreign direct investment refer to the accumulated foreign investment in domestic companies or entities in non financial sector in a given year. This page provides the latest reported value for - China Foreign Direct Investment - plus previous releases, historical high and low, short-term forecast and long-term prediction, economic calendar, survey consensus and news.

Foreign direct investment in China increased 5.1 percent year-on-year to USD 69.42 billion in the first six months of 2016. Foreign investment in the services sector rose 8 percent to USD 48.9 billion, representing 70.4 percent of total FDI. In contrast, foreign investment in the manufacturing sector which accounts for 28.3 percent share shrank 2.8 percent to USD 19.5 billion. The United States, the UK and Germany were among the top 10 sources. Considering June only, FDI surged 9.7 percent. Foreign Direct Investment in China averaged 415.63 USD HML from 1997 until 2016, reaching an all time high of 1262.70 USD HML in December of 2015 and a record low of 18.32 USD HML in January of 2000. Foreign Direct Investment in China is reported by the Ministry of Commerce of the People's Republic of China.

Managerial implications: China is still growing in reception of FDI which makes it attractive for long term investors. No political instability provides a great framework for long term projects backed up by the enormous market potentiality.
Variable 4. GDP Growth rate.

In China, Gross Domestic Product is divided by three sectors: Primary, Secondary and Tertiary. The Primary Industry includes Farming, Forestry, Animal Husbandry, and Fishery and accounts for around 9 percent of GDP. The Secondary sector, which includes Industry (40 percent of GDP) and Construction (9 percent of GDP) is the most important. The Tertiary sector accounts for the remaining 44 percent of total output and consist of Wholesale and Retail Trades; Transport, Storage, and Post; Financial Intermediation; Real Estate; Hotel and Catering Services and Others.

The Chinese economy advanced an annual 6.7 percent in the second quarter of 2016, the same pace as in the previous quarter. The figure was slightly above market expectations, driven by a faster increase in industrial output, retail sales and new yuan loans while fixed-asset investment eased. On a quarterly basis, the GDP expanded by 1.8 percent, compared to an upwardly revised 1.2 percent growth in the first quarter. It was the strongest expansion in three quarters. GDP Annual Growth Rate in China averaged 9.82 percent from 1989 until 2016, reaching an all time high of 15.40 percent in the first quarter of 1993 and a record low of 3.80 percent in the fourth quarter of 1990. GDP Annual Growth Rate in China is reported by the National Bureau of Statistics of China.

Managerial implications: managers need to understand that now the growth is much stable than before. Good news and good forecasts which will be translated in increased demand of sensitive economic growth industries, for example, automotive, premium brands or real estate.
Variable 5. Debt to GDP.

China recorded a Government Debt to GDP of 43.90 percent of the country’s Gross Domestic Product in 2015. Government Debt to GDP in China averaged 34.36 percent from 1995 until 2015, reaching an all time high of 43.90 percent in 2015 and a record low of 20.50 percent in 1997.

Managerial implications: Still low compared to western economies which are around 100% of DGP. Good possibilities in a mid and long term for multinational companies investing in infrastructures and strategic services.


Figure 7. Labour costs. 2012-2016. Source: Tradingeconomics.com/NBSC. 2016
Labour Costs in China decreased to 103.60 Index Points in the second quarter of 2016 from 103.70 Index Points in the first quarter of 2016. Labour Costs in China averaged 106.74 Index Points from 2012 until 2016, reaching an all time high of 110.40 Index Points in the first quarter of 2012 and a record low of 103.60 Index Points in the second quarter of 2016. Labour Costs in China is reported by the National Bureau of Statistics of China.

Managerial implications: Decrease of labor costs makes easier the day to day operations mainly in companies where labour costs are significant. E.g. textiles, furniture, hotel management, etc.

Variable 7. Minimum wages.

Figure 8. Minimum wages. 2006 to 2016. Source: Tradingeconomics.com/ NBSC. 2016

Managerial implications: even if the labour costs decreased the minimum wages increased significantly. This takes to better basic conditions for unskilled workers. So it will have a significant impact in companies with low added value and a big percentage of unqualified employees.

For your interest go to www.xe.com and calculate the exchange rate CNY online.
Variable 8. China Retail sales YoY.

Figure 9. Retail sales YoY. 2012 to 2016. Source: Tradingeconomics.com/ NBSC. 2016

Retail sales in China rose at a faster 10.6 percent year-on-year in June of 2016, compared to a 10.0 percent increase in May and beating market estimates of a 10.0 percent rise. It was the highest reading since December 2015. Sales grew the most for: building materials (+14.2 percent), followed by furniture (+13.4 percent), home appliances (+12.3 percent), telecoms (+12.1 percent), personal care (+11.7 percent), office supplies (+11.3 percent), automobiles (+9.5 percent), cosmetics (+7.9 percent) and jewelry (+1.2 percent). In contrast, sales fell by 0.5 percent for oil and oil products. Retail Sales YoY in China averaged 13.28 percent from 2010 until 2016, reaching an all time high of 19.90 percent in January of 2011 and a record low of 10 percent in April of 2015. Retail Sales YoY in China is reported by the National Bureau of Statistics of China.

Managerial implications: optimism in consumers. More and more people are discovering the benefits of consumption. Lots of opportunities for new entrants and growth for already established brands.
Variable 9. Social security for companies.

Figure 10. SS for companies. 2006 to 2016. Source: Tradingeconomics.com/ State Administration of Taxation 2016

In China, the Social Security Rate is a tax related with labor income charged to both companies and employees. Revenues from the Social Security Rate are an important source of income for the government of China because they help to pay for many social programs including welfare, health care and many other benefits.

Managerial implications: High contributions by the companies. 11% is contributed by the employee. Too high, handle with care.

![Doing Business Rank](image)

**Figure 11. Doing Business Rank. 2016. Source: The Worl Bank 2016.**

Managerial implications: In China, to start a business and to obtain a construction permit is still too slow according to the DB rank. Also, problems might arise related to the protection of minority investors although the country shows good results enforcing contracts. Too much complexity and bureaucracy most times kills business projects.
Conclusions

According to Gordon Orr, (McKinsey 2016) reports

- The agricultural imports will keep on rising next periods.
- Centralisation in the country. The Chinese media, especially during President Xi’s increasingly frequent trips abroad, made it clear that economic decision making has been centralized over the past two years. China will become still more centralized in 2016, rolling back decentralization where it had unintended outcomes. For example, after local governments received authority to approve new power plants, more than 150 new coal-fired ones were green-lit in the first nine months of 2015—more than three times the number approved in 2013, under the old centralized decision-making process. Unsurprisingly, coal-producing areas granted the largest number of approvals for plants that weren’t required under any realistic demand projection, even setting aside the question of whether any new plants at all should be coal fired. State-owned enterprises are behind most of these projects and would expect to be bailed out if they fail. Thus, for multiple reasons, such decisions will be recentralized.
- Wealthier cities will seek to follow Beijing’s lead in transferring large numbers of jobs and people out of city centers. In Beijing’s case, this policy has not involved moving migrant workers but rather 400,000 to 2 million middle-class residents—depending on which version of the plan you look at—by shifting many government offices out of the city center. Attempts to create satellite cities have generally failed to date; people have moved but jobs haven’t, so the satellites have become dormitory communities for commuters who add to the daily traffic congestion. Beijing is privileged in having money, land, and millions of government workers it can direct to move, but other cities will study what happens there and emulate it if they can find enough land.
- The business of movies. A Chinese movie will gross $500 million domestically in 2016. As a benchmark, the highest-grossing movie of all time on US domestic screens is Avatar, at $760 million. This year’s leading domestic productions in China were Monster Hunt (which has grossed $380 million as of September) and Lost in Hong Kong (more than $200 million). The leading international movie, Furious 7, grossed almost $400 million in China. The country’s box office has been set to grow by almost 50 percent in 2015, and new screen additions alone should deliver 20 percent–plus growth in 2016. More than half of the top-ten movies for 2015 (as of late November) are domestic productions, and 60 percent of the box office comes from Chinese movies. The country’s producers and directors have clearly tapped into what excites local moviegoers (and what censors permit).
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