

Gross Domestic Product

Total Gross Domestic Product

China uses internationally accepted definitions and means of calculating Gross Domestic Product. Gross Domestic Product (GDP) is defined as:

...the final products and services in value terms during a certain period of time, which are produced and provided by both material production departments and non-material production departments in a country (or region). It excludes the intermediate consumption of products and services. As long as the final products and services are produced and provided within the territory of a country (or region) regardless of whether the investment comes from native residents or from foreign residents and whether the products are produced by native residents or by foreign residents, all are grouped into the gross domestic product of a country (or region).

From the production standpoint, gross domestic product is the summation of the value added of national (or regional) economic sectors; from the standpoint of distribution, gross domestic product is the summation of the labour incomes, taxes, profits and depreciation of fixed assets, etc.; from the standpoint of use, gross domestic product is the value summation of products and services finally used on consumption, investment, and net export. Gross domestic product is calculated with three approaches, i.e. the production approach, the income approach, and the expenditure approach. The sum of net foreign factor incomes and gross domestic product is gross national product.¹³

¹³ Guangdong Statistical Yearbook 2002.

The GDP of the Pearl River Delta Economic Zone in 2005 was 1,811.67 billion yuan (US\$221.20 billion).¹⁴ The GDP of Guangdong Province was 2,170.13 billion yuan (US\$264.97 billion) in 2005. That of the Chinese Mainland was 18,232.10 billion yuan (US\$2,226.14 billion). The GDP of the Yangtze River Delta region in 2005 was 3,389.67 billion yuan (US\$413.88 billion). In 2005, the Pearl River Delta Economic Zone accounted for 9.94 percent of the total GDP of the Chinese Mainland. The Yangtze River Delta region accounted for 18.59 percent of the total GDP of the Chinese Mainland.

When we incorporate Hong Kong (2005 GDP of US\$177.21 billion) and Macao (2005 GDP of US\$11.56 billion) into a Greater Pearl River Delta region, the results change substantially. The Greater Pearl River Delta region had a GDP of US\$409.97 billion in 2005, comparable to that of the Yangtze River Delta region. As the economic integration of the Greater Pearl River Delta region progresses, companies increasingly are looking at the region as an attractive market in its own right as well as a production centre.

Sectoral Breakdown of GDP

GDP figures are broken down into GDP from primary, secondary, and tertiary sectors. The 'primary sector' includes farming, forestry, animal husbandry, fisheries, natural resource extraction, and other similar industries. The 'secondary sector' includes manufacturing, construction, mining, water supply, electricity supply, gas supply, steam supply, and hot water supply.

The tertiary sector comprises 'all other industries not included in the primary or secondary sectors, including transportation, storage, and post; data transmission; computer services and software; wholesale

¹⁴ The 2005 GDP of the Pearl River Delta Economic Zone is slightly overstated as it includes the whole of Huizhou and Zhaoqing including parts that fall outside the definition of the Pearl River Delta Economic Zone.

and retail trade; hotel and catering services; financial services; real estate; leasing and business services; scientific research and technical services; geological prospecting; water conservancy, environmental and public facility management; residential services and other services; education; health care, social security and social welfare; culture, sports and recreation; public administration and social organisations; and international organisations'.¹⁵

The breakdown of primary, secondary, and tertiary output for the Pearl River Delta Economic Zone was 3.3 percent, 50.4 percent, and 46.3 percent respectively in 2005.¹⁶ Similar figures for Guangdong Province were 6.3 percent, 49.5 percent, and 44.1 percent. The breakdown in the Yangtze River Delta region was 4.1 percent, 55.3 percent, and 40.6 percent. Similar figures for the Chinese Mainland were 12.5 percent, 47.3 percent, and 40.3 percent.

The Pearl River Delta Economic Zone accounted for 2.6 percent of the Chinese Mainland's GDP in the primary sector, 10.6 percent in the secondary sector, and 11.4 percent in the tertiary sector in 2005. The Yangtze River Delta region accounted for 6.0 percent of the Chinese Mainland's GDP in the primary sector, 21.7 percent in the secondary sector, and 18.8 percent in the tertiary sector.

The Pearl River Delta Economic Zone has a higher portion of GDP in the service sector than either the Yangtze River Delta region or China as a whole. It also has a slightly lower portion of its output in the primary sector. This is a reversal of the situation in the early 1980s, when the Pearl River Delta region was still something of an agricultural backwater. Both the Pearl River Delta Economic Zone and the Yangtze River Delta Economic Zone were significantly more service oriented than China as a whole, understandable in that the two regions contain

¹⁵ *Guangdong Statistical Yearbook 2005*, p. 98.

¹⁶ *The 2005 GDP of the Pearl River Delta Economic Zone is slightly overstated as it includes the whole of Huizhou and Zhaoqing including parts that fall outside the definition of the Pearl River Delta Economic Zone.*

major urban areas with relatively few rural areas. The Greater Pearl River Delta region had 68 percent of its GDP in the service sector as of 2004, a reflection of the service intensity of the Hong Kong and Macao economies.

Comments

While there have been questions about the validity of China's overall GDP figures, there are no outside studies of which we are aware in which experts have tried to 'reverse engineer' the Pearl River Delta region figures by using data on use of material inputs or other means. Our own research in the Pearl River Delta region would indicate that if anything the region's GDP figures might be understated relative to other places in the Chinese Mainland. This is due to anecdotal evidence that a large number of Pearl River Delta region companies underreport their sales and earnings in order to avoid taxation and that there is still a significant amount of smuggling that results in unreported sales and incomes. In addition, the greater prevalence of privately owned companies in the region opens the possibility for underreporting. Private sector firms paying taxes have an incentive to underreport, while officials managing state enterprises have the opposite incentive. Given the rather tolerant attitude of a number of local officials in the region, it is likely that the Pearl River Delta region's output figures are understated to a greater extent than those elsewhere in the Chinese Mainland.

Many analysts compare the economic aggregates of the Pearl River Delta Economic Zone with an overly large definition of the Yangtze River Delta that includes Shanghai and all of Jiangsu and Zhejiang Provinces. While the properly defined Yangtze River Delta region has a GDP more than twice that of the Pearl River Delta Economic Zone, when one includes Hong Kong and Macao into the Greater Pearl River Delta region, a reasonable coupling given the economic interaction within the region, the resulting Greater Pearl River Delta region has

a GDP that is comparable to that of the Yangtze River Delta region. Just as statistics for the Yangtze River Delta would be less meaningful without Shanghai, statistics for the Pearl River Delta are less meaningful without Hong Kong and Macao.