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THE REAL GROWTH OF CHINESE INDUSTRY REVISITED

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Abstract

China's post-reform transition from MPS to SNA has been crippled by its continuous practice of the Soviet-style "comparable prices"-based deflation approach that not only introduces segmented weights to time series but also creates leeway to over-report real output. Having realised the deficiency of the problem, in the late 1990s the national statistical authorities began to re-estimate real GDP for the major sectors of the economy rather than directly aggregate the figures reported by provincial statistical offices. However, recent observations have suggested that the real industrial growth estimated by the national accounts has been smoothed out. Both the author's physical output index and the official PPI-derived real growth rate have suggested much higher output volatility than the national accounts.

This paper is by no means a simple extension of the author's previous paper on measuring the real output of Chinese industry (Wu, 2002, RIW). It focuses on the period 1985-2005, a period that covers the entire industrial reform. In this new exercise, we change the benchmark from 1987 to 1997 using China's 1997 Input-Output Table weights. The results are compared with both "comparable prices" and PPI derived industrial growth rates in both time trend and volatility. We attempt to investigate if political motivation, represented by office terms of the government, explains the discrepancies in the measured output volatility. Besides, the results can be used to test substitution bias hypothesis by comparing with the 1987-benchmark results. At the end, we provide a data set of product-based estimates of gross value added for 2-digit level industries at 1997 prices.