



## China's consumption to hit record low despite higher income growth than GDP

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BEIJING, Jan. 4 (Xinhua) -- China's consumer spending, blamed for lackluster contribution to the world's fastest-growing economy compared with investment and trade, will hit a record low in more than two decades, despite anticipated higher growth in urban income than that of the aggregate economy, according to experts.

The inflation-adjusted disposable income of Chinese urban residents would increase by about 13 percent year-on-year in 2007, a report by the Chinese Academy of Social Sciences (CASS) said.

It would be the first time the growth of urban income had surpassed economic growth over the past five years, according to the report. China's economy was forecast to expand by about 11.5 percent in 2007.

The country's income growth also outpaced economic growth in 1979, 1986, 1990, 2001 and 2002.

The report said the income of Chinese farmers would also be at an 11-year high of eight percent growth for 2007.

Despite a rosy picture about income growth, consumption by Chinese residents remained at a low level. It contributed about 36 percent to the country's gross domestic product (GDP) in the first three quarters, according to the report.

The 2007 figure would hit a record low against around 60 percent in the period from the country's opening up initiative in 1978 to 2002. The figure had slipped by bigger margins thereafter to reach a low of 50 percent in 2006.

The smaller consumption contribution to the country's sizzling economy, compared with an average 70 percent across the world, had long been labeled a lame duck in powering the country's economic growth.

The report said consumer spending was mainly dragged down by surging housing prices in 2007. Many Chinese had chosen to hold off purchases of other commodities in response to runaway housing prices. Chinese traditionally considered housing as their most important purchase.

From January to November, housing prices in 70 major Chinese cities jumped 7.3 percent year-on-year. Housing prices were up at an annual rate of 10.5 percent in November alone.

The November rate was the largest monthly gain since July 2005 when China started to cover more cities in its monthly housing price survey.

The country's top leaders have repeatedly called for a bigger role of consumption in the economic growth to relieve its reliance on investment and export. The point was stressed again at the National Congress of the Communist Party of China in October last year.

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