



# China's Surplus: The Real Numbers

October 13, 2005

Georgetown Economic Services

# Chinese Trade Data Incorrect

## Comparison of China-Reported Data with Trading Partner Data 2004 Bilateral Trade Surplus(+)/Deficit(-) Million U.S. Dollars

<b>Country</b>	<b>China Data</b>	<b>Partner Data</b>	<b><i>Understatement</i></b>
Canada	\$1,187	\$13,512	<b>\$12,325</b>
Japan	(\$15,946)	\$15,752	<b>\$31,698</b>
European Union (15)	\$35,232	\$81,914	<b>\$46,682</b>
United States	\$84,674	\$163,553	<b>\$78,879</b>

*Prepared by Georgetown Economic Services*

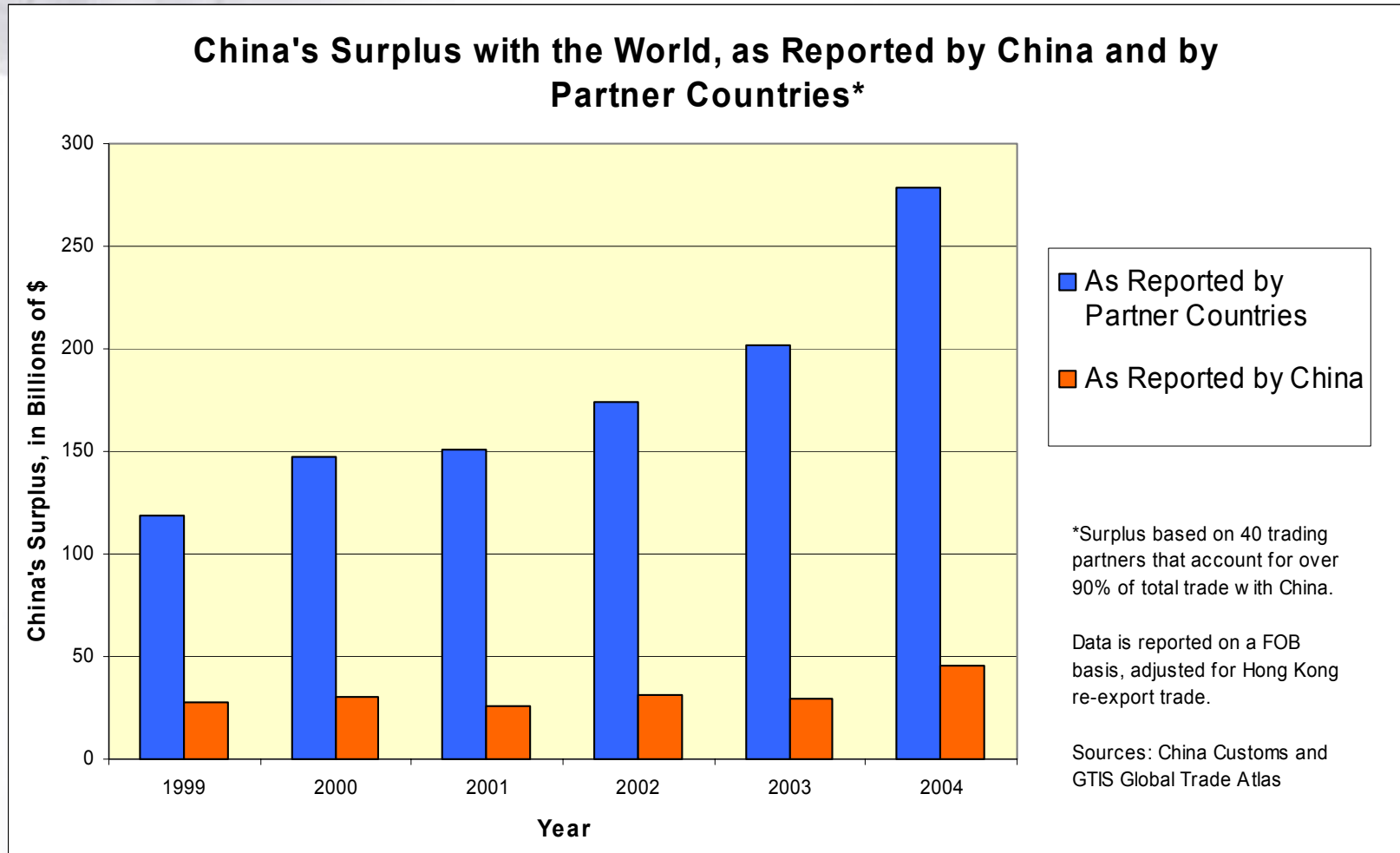
# Chinese Trade Data Incorrect

**China's Global Trade Surplus (Exports-Imports),  
Partner Data Adjusted for Hong Kong Re-Export Trade, 1999 – 2005 YTD  
By Source, in Billions of US\$**

<b>Year</b>	<b>China Data</b>	<b>Partner Data</b>	<b>Understatement</b>
1999	\$27.8	\$118.6	<b>\$90.8</b>
2000	\$30.4	\$147.6	<b>\$117.2</b>
2001	\$26.0	\$151.2	<b>\$125.3</b>
2002	\$31.5	\$174.3	<b>\$142.8</b>
2003	\$29.7	\$201.8	<b>\$172.1</b>
2004	\$45.8	\$278.6	<b>\$232.8</b>
2004 (Jan-Mar)	(\$3.1)	\$51.5	<b>\$54.6</b>
2005 (Jan-Mar)	\$21.0	\$81.0	<b>\$60.0</b>

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# China's Surplus Is Understated



# The Upward Trend Continues in 2005

## 40 PARTNER DATA:

	2004 (Jan-Mar)	2005 (Jan-Mar)
Chinese Imports	76,430,994,292	86,683,909,674
Chinese Exports*	127,908,542,572	167,724,799,799
<u>Chinese Surplus:</u>	<u>\$51,477,548,280</u>	<u>\$81,040,890,125</u>

- If China's surplus continues to grow at its 1<sup>st</sup> quarter rate, China will have a surplus of **over \$438 billion in 2005.**

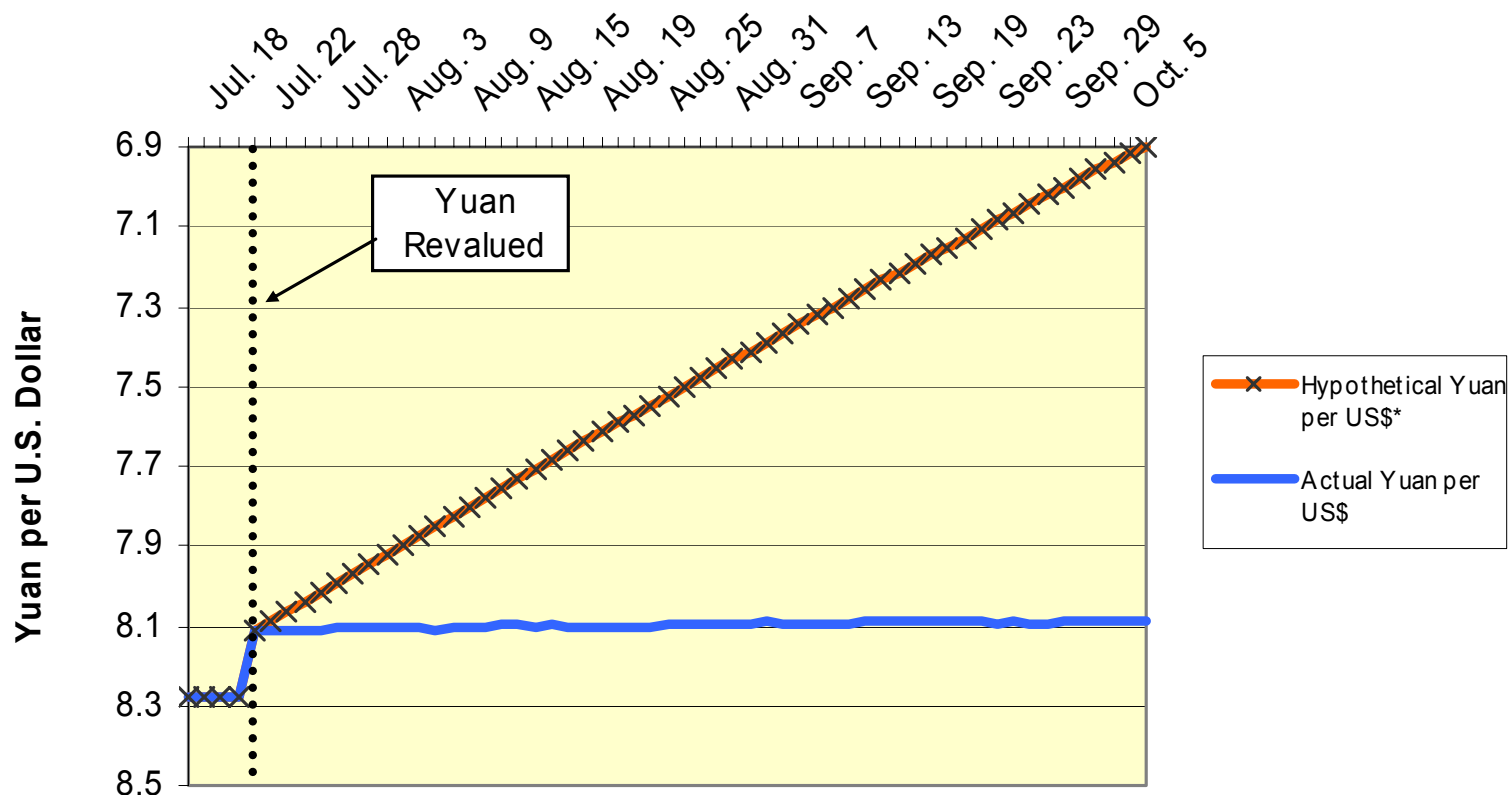
**57%  
Increase  
over Q1  
2004**

# Recent Currency Changes

- In July, China dropped the peg and instituted an exchange rate mechanism based on a basket of currencies.
- China also appreciated the yuan by 2.1% against the dollar.
- China incorporated a floating band that potentially allowed a 0.3% appreciation per day.

# This Is What Has Happened So Far

**Chart 1: U.S. Dollar Exchange Rate for the Yuan**  
Daily, July 18th, 2005 - Present



\* Hypothetical value of the Yuan derived by assuming full 0.3% maximum daily appreciation against the US\$, as announced by the People's Bank of China on July 21, 2005.