

# China's vanished current-account surplus

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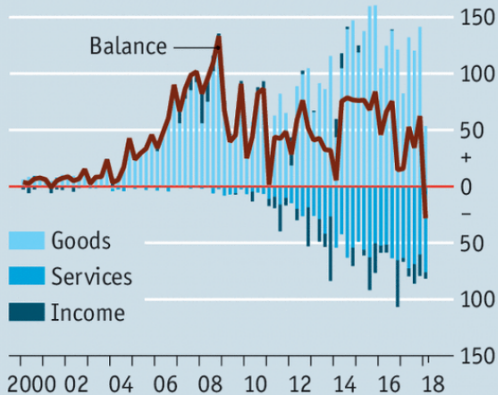
# global economic imbalances

- Not long ago China was a leading culprit in global economic imbalances
- Blame was ascribed to its undervalued yuan or its frugal people
- China was selling a lot abroad and buying too little back

# Current Account

## Under water

China, current account, \$bn



Source: CEIC

Economist.com

# current account surplus

- Current account surplus reached 10% of GDP in 2007, well above the level that is generally seen as reasonable
- Far less attention has been paid to its steady decline since then
- In the first quarter of 2018 China ran a current-account deficit, its first since joining the World Trade Organisation in 2001

# Current account surplus

- China still exports many more goods than it imports
- At the same time its trade deficit in services is getting bigger, largely thanks to all its tourists venturing abroad

# Investment and savings

- China's savings data are patchy
- But a current-account balance is the difference between a country's investment and savings
- It is known that investment has declined as a share of GDP
- The implication is that the rate of savings has almost certainly declined more sharply, reflecting a big increase in consumption

# In the future

- Forecasts: the surplus will be just 1% of GDP this year and 0.5% next year
- In the future if China's current-account deficits become more frequent, it will have to run down its foreign assets or borrow more from abroad to pay for its consumption

$$CA_1 \equiv (B_1^f - B_0^f) + (H_1 - H_0)$$