Market-oriented and open development

The Guangdong-Hong Kong-Macao Greater Bay Area is characterized by “one country, two systems”, therefore a challenge it faces is that “th ed with effective and efficient flow of production factors”.

Both infrastructure connectivity and favorable policies for the smooth flow of production factors are essential to establishing an international innovation and technology hub and a globally competitive modern industrial system.

A free flow of various factors lies in leveraging the decisive role of markets in resource allocation. If production factors cannot flow effectively and efficiently, the role of the market will be compromised.

Progressive breakthroughs in policy innovation

Innovations can be easily found in the Outline: “to progressively open up to Hong Kong and Macao the major national R&D equipment located in Guangdong”, “to enhance the cross-border management of medical data and bio-samples used for R&D cooperation projects in designated universities, institutes and laboratories in the Greater Bay Area”, “to initiate pilot projects for intellectual property securities”, “banking institutions in the Greater Bay Area may launch cross-border RMB businesses”, “enterprises in the Greater Bay Area may issue cross-border RMB bonds”, “to promote cross-border transactions of financial products in the Greater Bay Area” etc.

The implementation of a single innovation practice will effectively solve a specific problem, and even “compel” other problems to be solved. The combined effect of many innovations will facilitate progressive breakthroughs in policy innovation.

All-around high-quality development

The development goal of the Greater Bay Area is to “develop a vibrant and internationally competitive first-class bay area and world-class city cluster”, which represents high-quality development. The building of the Greater Bay Area focuses growth more on quality instead of quantity.

Zhang Yuge, Director, Hong Kong and Macao Research Department, CDI

Based in Shenzhen, Guangdong Province, China Development Institute (CDI) is a non-governmental and market-oriented think tank which was founded in 1989 on approval from the Chinese State Council. CDI was designated as one of the 25 China Top Think Tanks in 2015.

CDI develops solutions to public policy challenges through broad-scope and in-depth research to help advance China’s reform and opening-up. CDI is committed to providing proactive, innovative and practical research and consultation for China’s central and local governments and businesses at home and abroad. Its research and consultation is centered on macro strategy, regional economy, urbanization, industrial development, business strategy and decision-making.

CDI Online

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CDI-NERI Macro Outlook >

Growth-Stoking Investment Push Is On

GDP rose 6.6% y/y in 2018, down 0.2 pps from 2017. Growth rates declined each quarter throughout the year, falling from 6.8% y/y in Q1 to 6.4% y/y in Q4. Industrial output was up 6.2% y/y, down 0.4 pps from 2017. The manufacturing sector is the main reason for growth slowdown, and growth there fell from 7% y/y in Q1 to 5.7% y/y in Q4.

Insights >

Macro Control Shall Be Adopted in Face of Economic Fluctuations

The structural reform on the supply side and the macro control on the demand side run parallel to each other in face of economic fluctuations.

New Attempts and Practices in Development Plan Outline for Guangdong-Hong Kong-Macao Greater Bay Area

The Development Plan Outline for the Guangdong-Hong Kong-Macao Greater Bay Area has been unveiled. What new attempts and practices in the Outline are worth attention?

News >

Canadian Parliamentary Delegation Visits CDI

The Canadian parliamentary delegation led by Senator Joseph Day, Co-Chair, Canada-China Legislative Association, visited CDI on January 10 and discussed the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) and economic and social development of Shenzhen with CDI experts.

Dr. Guo Wanda, Executive Vice President, briefed the Greater Bay Area in terms of development challenges and working priorities including infrastructure connectivity, industrial clusters, environmental protection, quality life circle and institutional innovation. Both sides had a proactive discussion on integration of the Greater Bay Area.

Events >

CDI Celebrates Its 30th Anniversary

To celebrate its 30th anniversary, CDI hosted a reception for its staff on February 14, 2019. In the celebration, the institute reviewed its development course in the past 30 years and reiterated its development goals for the future.

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Consumption was up 9% y/y in nominal terms, and 7% y/y in real terms, down 1.2 and 1.9 pps from 2017, respectively. In 2018, exports were up 7.1% y/y, down 3.7 pps from 2017. Imports rose 12.9% y/y, down 5.8 pps from 2017. Exports slowed sharply at yearend, rising only 0.2% y/y in December. Imports also slowed, mainly in November and December, up 7.8% y/y and -3.1% y/y respectively. We believe trade war might be a main factor, even though net exports comprise a small share of Chinese GDP.

Producer prices fell in 2018, and are expected to fall further in 2019, in the current tightened monetary policy environment. The ex-factory price of industrial goods rose 3.5% y/y, and PPI rose 4.1% y/y, down 2.8 pps and 4 pps from 2017. CPI instead rose 2.1% y/y, up 0.5 pps from 2017, driven mostly by rising food and gas prices.

At the end of 2018, M1 rose 1.5% y/y, down 10.3 pps from the end of 2017. Savings deposits from non-financial enterprises fell -0.7% y/y, down 11.3 pps from the end of 2017. M2 rose 8.3% y/y, and down 0.4 pps from last year. The shadow banking sector, such as trusted loans, has shrunk, largely due to the effects of financial risk regulation. We believe the Chinese government is mainly using fiscal instruments to boost growth, and that monetary policy won't change much in 2019.

Investment was up 5.9% y/y in 2018, and up 0.5% y/y in real terms, down 1.3 pps and 0.8 pps, respectively, from 2017. However, in Q4 investment rose, and was up 7.5% y/y, up 3 pps from Q3. In response to December's annual Central Economic Work Conference plan to increase fiscal support, the State Council approved a 2019 quota for new local government bond issuances of 1.39 trillion yuan, enabling local authorities to start issuing debt from January, ahead of the usual schedule. Moreover, externally, FDI rose 3% in 2018, to $135 billion. Commerce Minister Zhong Shan stated on January 13th that China would reduce restrictions on foreign investment, and address difficulties facing foreign companies investing in China. The investment boost is necessary, as the current slowdown is mainly due to the uncertain global geopolitical environment. We also expect capital allocation efficiency to be enhanced, after the intensive anti-corruption campaign running since 2013.

Insights >

Macro control Shall Be Adopted in Face of Economic Fluctuations

China still faces institutional defects, which necessitates institutional reform on the supply side. Supply-side structural reform is a long-term measure. In many cases where long-term structural reforms remain stagnant, short-term measures, which target the demand side, including fiscal expenditure, money supply, interest rates, tax rates, etc., need to be taken to maintain sustained development.

The structural reform on the supply side and the macro adjustment on the demand side run parallel to each other. On the one hand, reform must be pushed forward all the time, but in case of economic fluctuations, macro control measures shall be reasonably taken. In the absence of sustained growth, many reforms will find it difficult to move forward. The adjustment on the demand side must have limits. The central government is responsible for macro control, including preventing inflation and high debt rate, while the local government does not have this responsibility. Thus the central government should be particularly careful about the control and contain local debt so that it can play its due role.

Fan Gang, President of CDI

New Attempts and Practices in Development Plan Outline for Guangdong-Hong Kong-Macao Greater Bay Area

The highly anticipated Development Plan Outline for the Guangdong-Hong Kong-Macao Greater Bay Area (hereinafter referred to as "the Outline") has been unveiled. The new attempts and practices in the Outline can be seen in the following aspects.