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Where India and China Stand: A Comparison of Future Growth Outlook

Aamir Aijaz Syed

Shri Ramswaroop College of Engineering and Management, Lucknow
E-mail: aamirank@gmail.com

Abstract—*Economic growth in China and India has attracted many headlines recently. As a result, the literature comparing the two Asian giants has expanded substantially. This paper adds to the literature by comparing both the economies in a more refined form taking few parameters like working population growth, domestic consumption, debts, Exports etc. This paper highlights few essential differences among both the economies considering future growth outlook and where they will stand in the future.*

Keywords: *Debts, domestic consumption, young population growth*

1. INTRODUCTION

India and China are one of the fastest emerging economies of the world. Although they have a different trajectory for comparison still globally they are termed as competitors and they are in the race of becoming the next developed economy. There are many researchers who have contributed in finding that which country is more stable and which country will take a lead in the future growth prospect by taking various variables into account like Gross Domestic Growth Rate, Employment generation , Import Export figures and foreign policy etc. In this paper a full compiled gist is presented, taken from various research works so as to draw a conclusion that which country will lead and which economy is in the right path of growth and development.

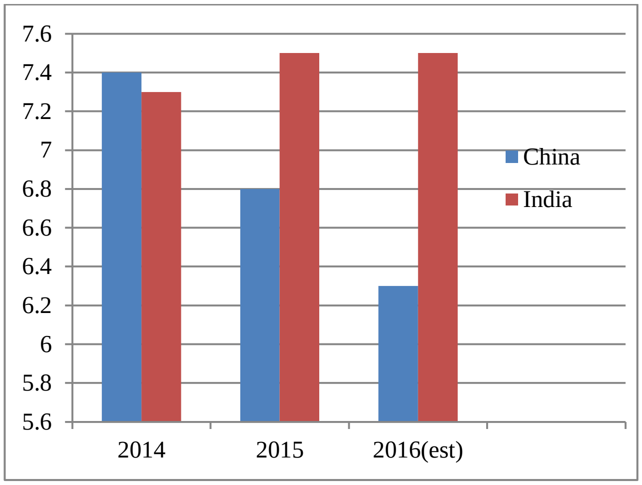
2. DATA SOURCE

The data which will be used in this study is secondary in nature taken from sources like World Bank report, International Monetary Fund, International Labour Organization, Bank for international settlement etc.

3. COMPARISON

1) Growth trend of china

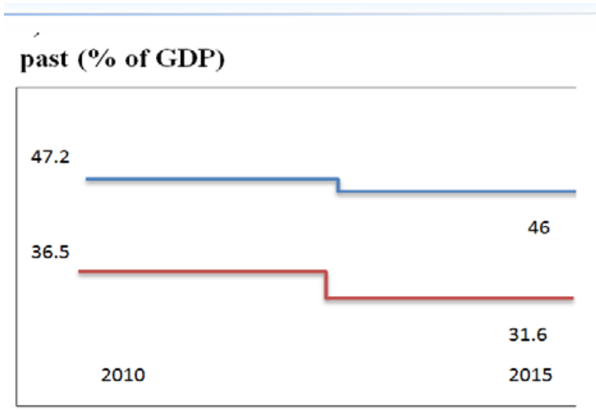
First comparison is about the GDP growth trend of India and china which shows a divergent trend as India is gaining pace whereas China is slowing.



Source: IMF

From this graph we can conclude that although in the earlier years China growth was high but seeing the current trend and projection India is gaining momentum in its growth rate figures.

2) Excess Chinese investment in the past (% of GDP)

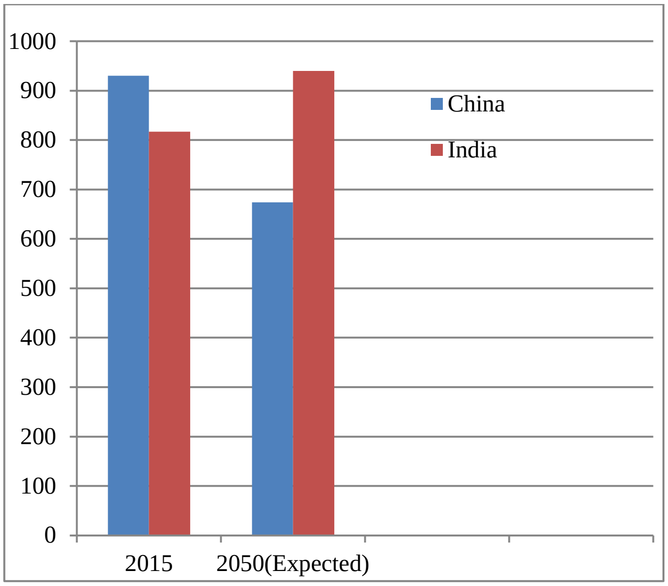


Source: IMF India's number is for fiscal year

From the above graph it can be concluded that china has little scope for further investment through public as they have already done huge investment whereas India has huge prospect for further investment through public.

3) On the basis of working population

Working population (15 to 59yrs of population)

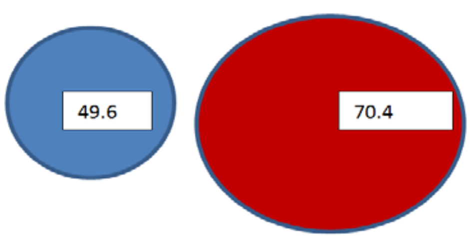


Source: ILO

From the above graph it can be concluded that china's working age population is falling whereas for India it is a positive sign. This will drive up China's labour cost further, eroding its competitiveness.

4) Domestic Consumption

Domestic consumption % of GDP



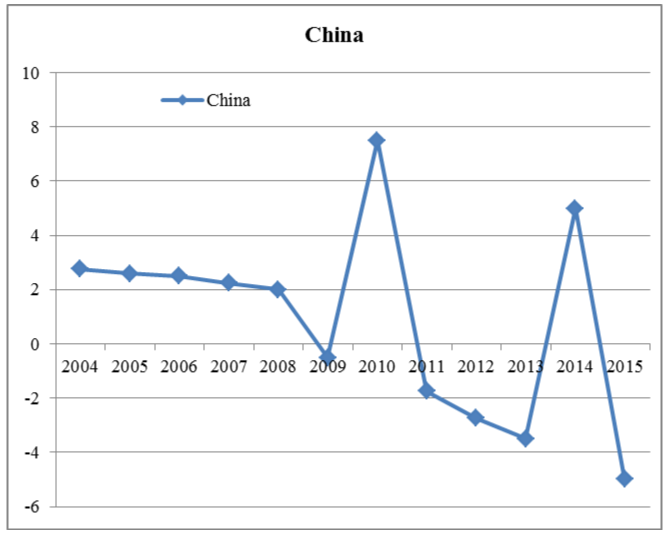
Source: World Bank for 2013

From the above graph we can conclude that china's domestic consumption is too low whereas for India it is fairly good and this serve to be a good indicator as it will serve as a cushion for India's Economy.

5) Debt comparison
Rise in debt (In % 2007 to 2014)
China's debt has increased at an alarming whereas India has enough room to take debt and accelerate growth and development. China's debt is also one of the main reasons for its recent devaluation of currency

6) Property Bubble in china

Residential property prices in china % change of YOY



Source: BIS

Declining property prices in china will create more stress and dent consumption whereas India has no such worries.

7) Excess capacity in china premised on steady export growth

As per World Bank "World Development Indicators" data the difference between China's and India's export-GDP ratio, which was eight per cent in 1990, averaged 18 per cent during 2005 to 2007 before narrowing rapidly to about one per cent in 2013, indicating that India's exports have held up to the global decline in world trade much more effectively than China's. The difference between China's and India's import-GDP, which fluctuated around an average of 7.1 per cent points between 1990 and 2007 declined dramatically to -5.2 per cent by 2011-13, indicating that the Indian economy is now significantly more open than China's.

China excess capacity of production is also creating a negative burden on its economy as major countries are trying to create cushion against Chinese exports by increasing their domestic productions of goods.

Beside this Chinese economy is also suffering from the problem of deflation as per July data producer's price inflation is -5.4 whereas at consumer price it is 1.6 which is alarming.

So all the major indicators of economic performance measurement, are showing a negative sign towards Chinese economy.

4. CONCLUSION

So on the basis of above comparison, it can be formally concluded that India's Economy is going on a right pace whether we take GDP growth rate, Export data, Debt structure, working population age group, capacity of production or domestic demand. The policy and monetary reforms are quite satisfactory to maintain a steady India's growth rate and also to keep Indian economy safe from the economics fluctuations.

Thus it can be rightly said that the future prospects of Indian economy is comparatively bright and we will surpass the Chinese economy in the days to come.

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