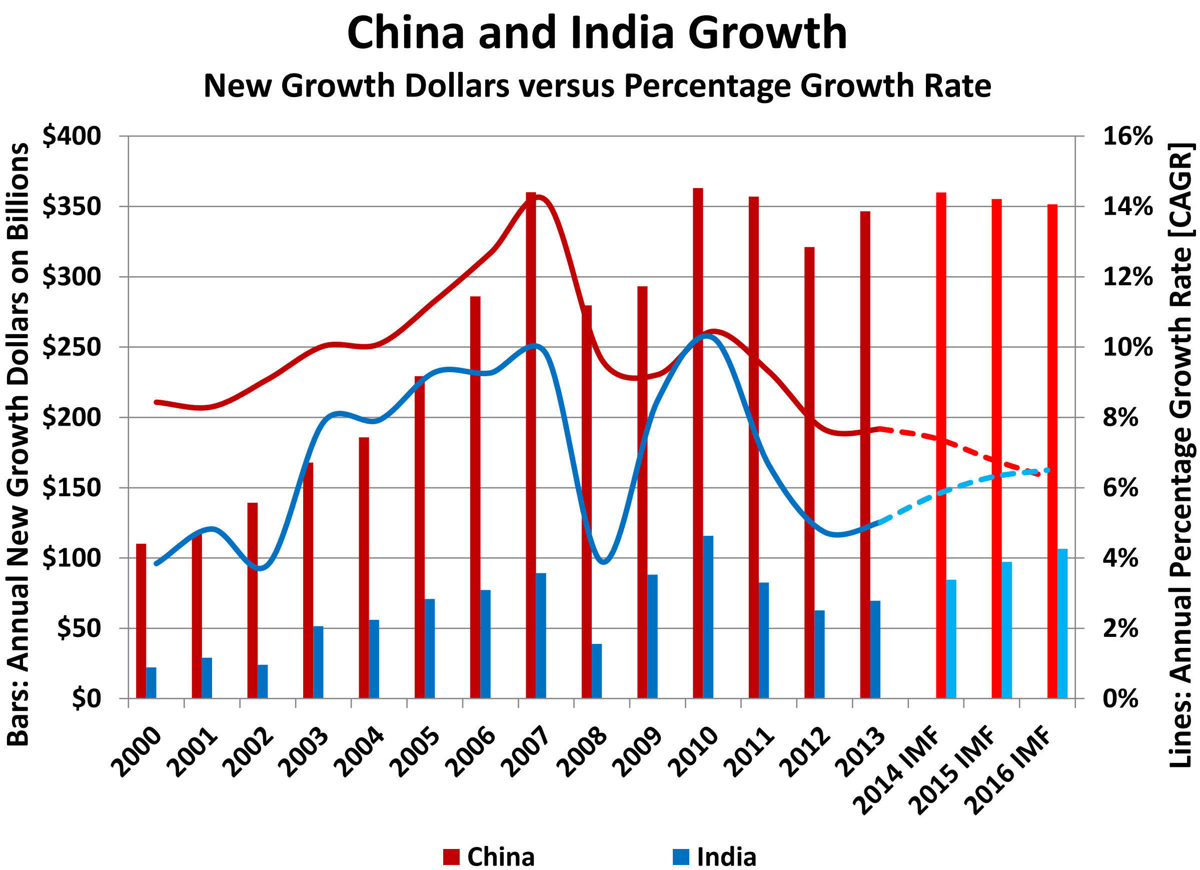
China's Growth Significance Has NOT Actually Declined

The business media has stories every few hours lamenting the decline in China's growth, from the 10% annual rate vicinity, into the 7-8% range. A tremendous amount of hand wringing has been going on over this. Many businesses may be rethinking their "China Strategy".

But what that overlooks is that in 2014, a 7.4% growth rate for China contributed the same new growth dollars to the global economy and global growth rate, as their 14% growth rate did in 2007. How can that be? Because, China's GDP today, is twice as large as it was in 2007, just 7 years ago [See graph below[1]].



A second media story has been building around the IMF projection that by 2016, India will have a slightly higher growth rate than China. But if you look closely at the Blue Bar [India] for 2016, compared to the Red Bar [China] for 2016, you will see that in new dollars of growth, which is the size of the opportunity for companies doing business there to grow, India's new dollars growth are dwarfed by over three-to-one compared to China's, even with the slightly lower growth rate than India. Indeed, in order for India to

[1] J.T. Gabrielsen Consulting, LLC analysis of data from The World Bank [Historical Actuals 2000-2013 and The International Monetary Fund [Projections for 2014-2016]

match China in new dollars of growth, it would need to grow at about a 20% annual rate. And in order for China's new growth dollars to decline to India's new dollars of growth in 2016, China's growth rate would have to decline to about 2%. Neither is likely to occur.

The moral of the story is, that the bigger the base scale, the lower the annual growth rate one needs to still create huge dollar increase contributions and opportunities. And even very high percentage growth rates, against a much smaller base scale, won't come anywhere close in terms of new dollars of growth or the size of opportunities it creates.

That does not remotely mean that pursuing more business in China is a sure bet. Nor does it mean that India might not be a good opportunity for your growth. But it is important not to focus on comparative growth rates, without due consideration for the scale of the base they are being applied to.

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