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CONTACT Tomas Lundberg, Press Officer, tel. +46-8-787 02 15

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## ■ China's economy increasingly important for Sweden and internationally

Deputy Governor Kristina Persson today gave a speech at the Umeå Association for Foreign Affairs, Umeå University. The speech was entitled "What can China's economic development entail for Sweden?"

"After 25 years of reforms and a gradual process of increasing openness towards the outside world, China is now one of the world's most rapidly growing economies, with an average annual growth rate of 8 per cent and an average rate of increase in foreign trade of 15 per cent a year. This has led to China now being the world's fifth largest economy in terms of GDP, and the fourth largest trading nation. Over the past five years, the country has accounted for one quarter of world growth. Given that China has become increasingly important to the world economy, forecasters, such as the Riksbank, must take into account developments in China when assessing international economic trends," said Deputy Governor Kristina Persson.

"In 2003 China took over from Japan to become our primary trading partner in Asia, although trade with China still constitutes only three per cent of our foreign trade, and Swedish direct investment in China amounts to around 3 per cent of our total outward direct investment. China's membership of the WTO and the increase in domestic demand in China could lead to an increase in this trade. The trade statistics indicate a clearly upward trend in exports of, for instance, medical products, metals and processing machinery as well as lorries and motor vehicle parts. Swedish companies' expansion in China and Asia as a whole could mean that more labour-intensive manufacturing is relocated to China as a result of the lower costs there and proximity to the market. This could of course have negative effects on employment in some sectors, although it could create jobs in others. Growth in China should thus have a positive effect on Sweden in the longer term," said Mrs Persson.

"The increase in growth in China means that the importance of having efficient economic institutions also increases. The Chinese central bank is an important economic institution and the EU is working to support the ongoing reform process at the central bank. The Riksbank is also participating in this support," concluded Kristina Persson.