Seen from the GDP increment of each economy (current price) based on the PPP, the economic increment of the E11 in 2007-2016 was always positive and obviously higher than that of the G7 and EU respectively (See Figure 2.2). In 2016, the economic increment of the E11 economies was estimated to be about 2.7 trillion international dollars and that of the BRICS was expected to be 2.3 trillion international dollars, accounting for 54.5% and 45.6% of the global economic increment (about USD5.0 trillion) respectively that was well beyond the G7 (19.7%) and EU (12.7%). Compared to such developed economies as the G7 and EU, emerging economies including the E11 and BRICS countries have made greater contributions to driving the world economic growth as the mainstay for promoting the global economic development.

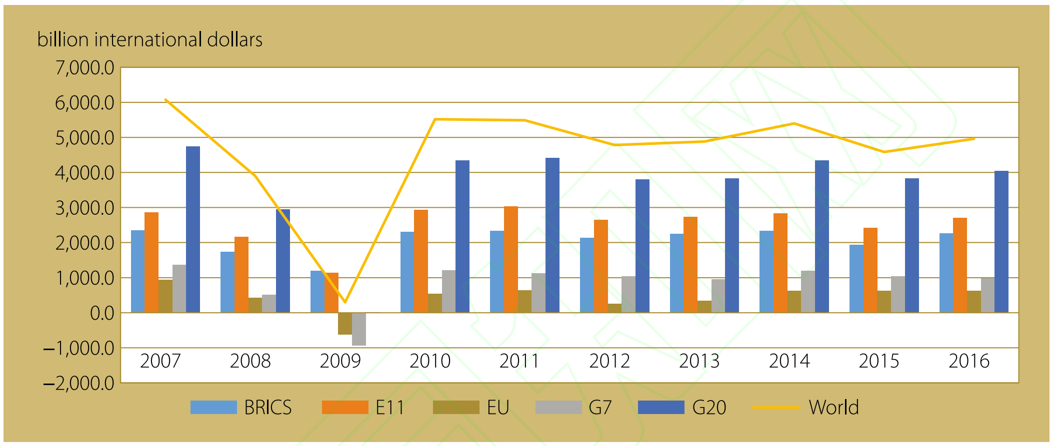

Figure 2.2 Economic increments of major economy groups and the world as a whole in 2007-2016 (PPP, current price)

Note: The 2016 data are based on estimation.
Source: IMF-WEO, Oct. 2016.

2.2 Increased Contribution of Consumption and Intermingled Factors Contributing to Economic Growth

After a fast slide since 2010, the economic growth rate of the E11 was stabilizing and moving in a positive direction in 2016. Of the three drivers of economic growth, the contribution rate of private consumption grew with driving force of investment abated and pulling effect of net exports reduced. Expanded domestic demand lays a solid foundation for realizing long-term and sustainable economic growth of the E11.

2.2.1 Increased Contribution of Private Consumption

The contribution rate of private consumption in the E11 economies to economic growth shows an upward trend as a whole. Compared with 55.55% in 2014, the contribution rate in 2015 grew to 56.26% (See Figure 2.3). Specifically by economy, the contribution of private consumption in Argentina, Brazil, Mexico and Turkey to economic growth all exceeded 63%. Mexico and Turkey were beyond 67.1% and 69.1% respectively. In 2015, the contribution rate of Saudi Arabia's private consumption to economic growth was only 40.8%, which was closely related that international oil price remains at a low level, and it forces the government of Saudi Arabia to cut the budgets. Incomes of many government or enterprise employees have been shrinking, household disposable income has decreased, purchasing power has fallen. In addition to the tension of geopolitical situation, private consumers' willingness to spend has dropped in Saudi Arabia. Consumer spending has slowed down, especially for the sharp shrink of expenditure on "non-essential" products that further gives rise to the lower contribution rate of private consumption to GDP. In 2015, thanks to the rise of income level of residents and changes in lifestyle of young middle class, China's total retail sales of social consumer goods witnessed a year-on-year real growth of

10.6%, and the contribution rate of consumption to economic growth reached 66.4%, an increase of 15.4 percentage points from 2014. However, the contribution rate of private consumption to economic growth was only 37.0%, for which there was still much room for a further rise in the future.

In terms of policy measures of expanding domestic demand, on the one hand, China implemented proactive fiscal policies, like across-the-board implementation of the reform to replace business tax with VAT, reduction of tax cost of enterprises, and stable monetary policies, including keeping low interest rates and lowering borrowing costs of enterprises to raise corporate profits and raise the level of disposable personal income for employees. On the other hand, China continued to complete the social security system, such as integration of basic medical care insurance systems for urban and rural residents and elimination of systematic obstacles and mechanism barriers that restrict spending on pension, education, sports and recreation so as to spur the potentials of social consumption. To further advance the expansion and promotion of household consumption, China once again worked out and implemented a scheme of "Ten Major Actions for Expanding Consumption" in 2016, including the action of smooth sales of urban commodities, upgrading action of rural consumption, improvement action of residential housing, promotion action of automobile consumption, upgrading action of travel and leisure, expansion and quality-improvement action of household service for healthcare, innovation action of consumption of educational and cultural information, expansion action of sports consumption, expansion action of green consumption, and improvement and promotion action of consumption environment and quality. With the implementation of these policies or measures, it is anticipated that the contribution rate of consumption to China's economic growth will go through a steady rise and the economic growth will become healthy and more sustainable in China.

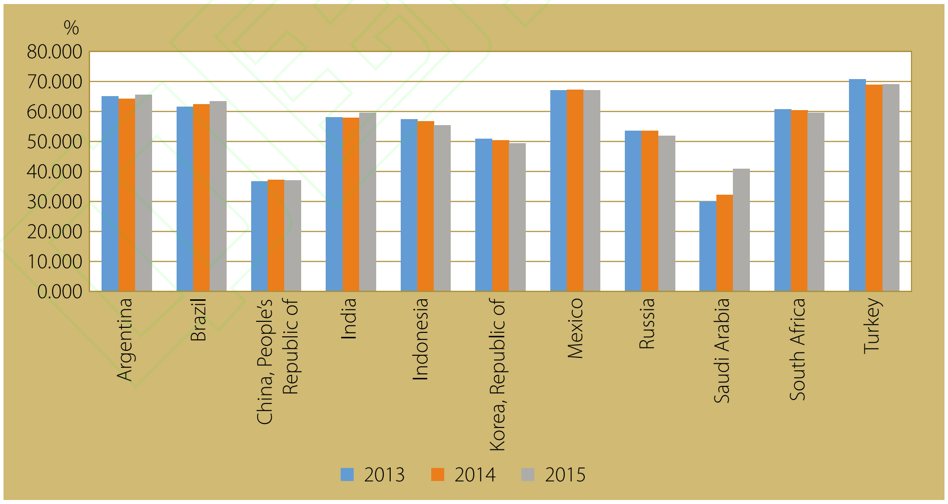

Figure 2.3 Contribution rates of the E11's private consumption to economic growth in 2013-2015

Source: CEIC, Dec. 2016.

2.2.2 Investment Driver Weakening

As one of the three drivers, investment plays a critical role in driving economic growth. On the whole, the proportion of total investment to GDP tends to drop, and it shows that overall investment makes less contribution to economic growth. Compared to 2015, 2016 saw a rise in the proportion of Indonesia's, Mexico's and Russia's overall investment to GDP and a decline for other E11 economies. From the perspective of quantity, China's relative investment decreased. The total investment had a smaller share of GDP, sliding from 47.3% in 2013 to 43.7% in 2016 (See Figure 2.4), which resulted in the slowdown of economic growth. Judging from the quality, the efficiency of China's capital utilization declined, and its returns on capital and investment returns both dropped. According to the data issued by the State Information Center in May 2016, China's investment returns continuously declined from 15.67% in 1993 to 8%-10% in 2000-2008, and it dramatically fell to 2.7% in 2014 in the wake of the financial crisis, a new record low. The combined effect of quantity and quality eventually led to the weakening of the driving force of investment for economic growth.

Seen from relevant policy measures, first, the combination of monetary policies of low interest rates and destocking policies in real estate boosted the fast growth of commercial housing sales and spurred rebound of investment growth in real estate development; second, China adopted the fiscal policy on expanding public spending and supported the investment development in such fields as new-style urbanization, infrastructure construction and manufacturing industry, etc.; third, China introduced some policy measures for encouraging private investment. With the state-owned enterprise reform as a turning point, it vigorously popularized the PPP model and supported a relaxation of market access policies for private investment to get into such fields as electric power, telecommunication, transportation, oil and gas, municipal engineering, pension system, medical care, education, culture, sports, etc. In spite of remarkable effects of the mentioned policies on expanding investment scale, the fall of returns on investment is exactly the key crux of the slowdown of China's economic growth. It is urgent to publish new policies of high pertinence in the future to guide more capital investment in high-tech industry, high-end manufacturing and service sector to offset the negative influence of the decline in investment returns through innovation and upgrading with a view to realizing sustainable growth of China's economy.

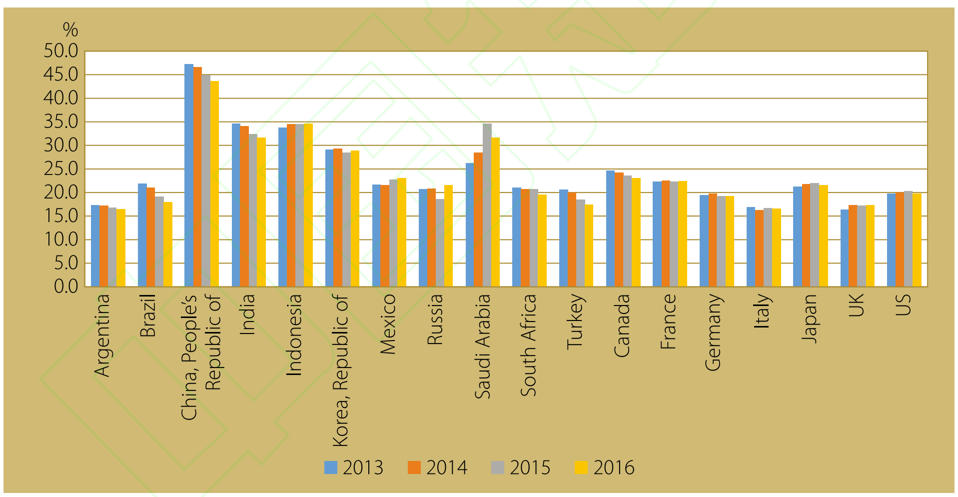

Figure 2.4 Overall investment/GDP ratio in the E11 and the G7 in 2013-2016

Note: Overall investment or gross capital formation consists of gross fixed capital formation and changes in inventories and acquisitions less disposals of valuables for a unit or sector. The 2016 data are based on estimation.

Source: IMF-WEO, Oct. 2016.

2.2.3 Weakening of Pulling Effects of Net Export

Net export of the emerging economies of the E11 has made negative contribution to and produced negative pulling effects on their economic growth. Take China as an example. According to the data published by WIND database, the net export of goods and services contributed -10.4% and -7.8% to its economic growth in the second and third quarters of 2016, with a pulling effect of -0.7% and -0.5% respectively. In the whole of 2016, the net export contributed -6.8% to China's economic growth.

Although the pulling effect of net exports on economic growth is weakening, there are quite a few highlights in China's foreign trade. For instance, Even though the growth rate of foreign trade descended, China's export growth rate still performed better than that of major economies and emerging market economies in the world. Its share of international market was also steady and expanding, and benefits and quality of foreign trade development were promoted. They were mainly manifested in the following aspects: general trade export kept growing and became the major