

Chinese Provinces of the Future 2016/17 Winners

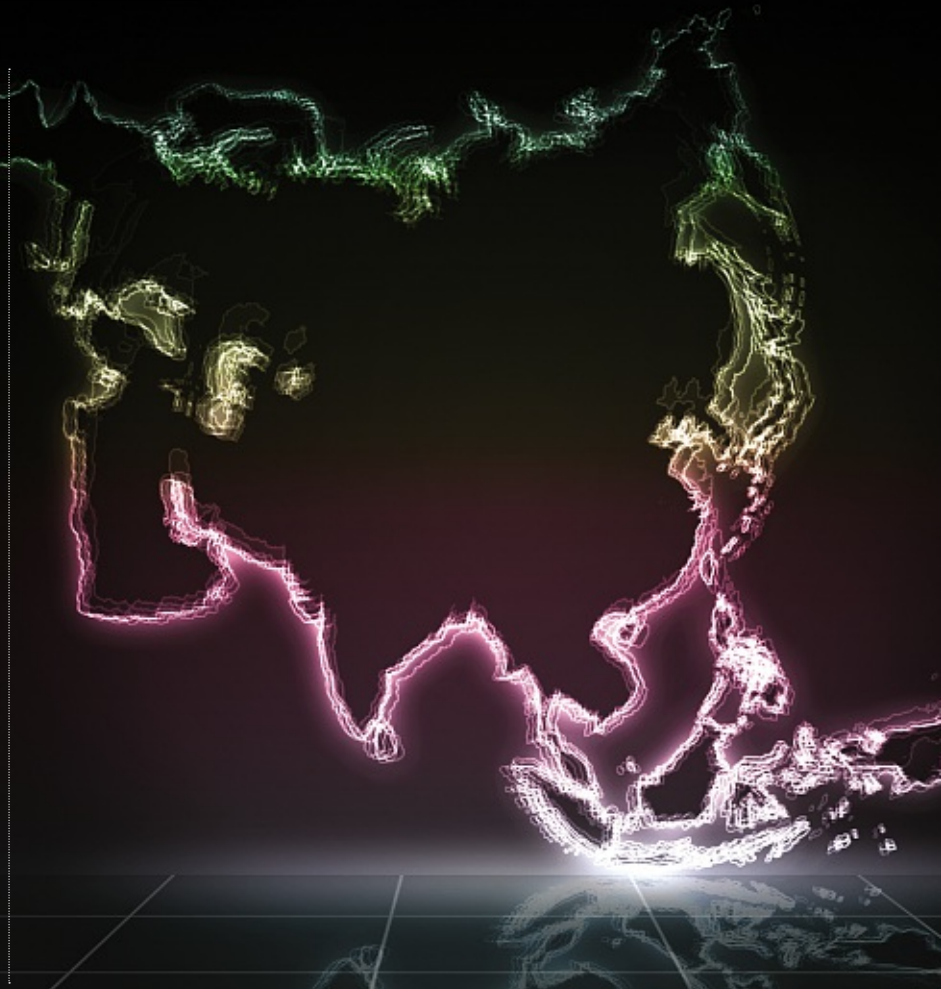


SHANGHAI PROVINCE HAS ONCE AGAIN PROVEN ITS CREDENTIALS AS AN INVESTMENT MAGNET AND DOMINATED **fDi**'S CHINESE PROVINCES OF THE FUTURE RANKING, WITH BEIJING AND GUANGDONG RETAINING THEIR RESPECTIVE SECOND AND THIRD PLACES. **CATHY MULLAN** EXAMINES THE RESULTS

Between 2003 and 2015, China attracted 9.67% of the world's FDI projects, according to greenfield investment monitor **fDi** Markets. Its huge market of more than 1 billion people offers investors seemingly endless opportunities, and 66% of those surveyed in this time by **fDi** Markets cited the country's domestic market growth potential as their motive for investment.

On a regional level, Shanghai province has proven itself for the second time as **fDi**'s Chinese Province of the Future, with strong performances in the ranking's Connectivity and Business Friendliness categories, where it took first place, and Economic Potential and Human Capital and Lifestyle, where it finished second. Shanghai attracted the highest level of FDI per 100,000 people between 2011 and 2015 of all provinces in the country.

Shanghai province offers investors a developed economy with a focus on business services, financial services and hi-tech industries. Nearly 40% of all business services FDI into China between 2011 and 2015 was invested in the province, as well as nearly 30% of all financial



services FDI. Shanghai city is recognised as an international financial centre, and major banks and financial organisations including Citigroup, Lloyds and HSBC have established operations there. In addition to business and financial services, top sectors include industrial machinery, equipment and tools; chemicals; and software and IT services. Shanghai is home to more than 90,000 companies in the knowledge-based sector.

The world's busiest container port can be found in Shanghai, providing logistics opportunities for its many manufacturers. Of all Chinese provinces, Shanghai spends the highest proportion of its total annual cash consumption per capita on communication and transport. The city also boasts some of the highest download internet speeds in China, helping it to first place in fDi's Connectivity category.

Capital gains

Beijing province came second overall in the 2016/17 ranking, and the gap between Beijing and Shanghai has narrowed since the last study. The province, which includes China's capital city (home to more than 20 million people), boasts an unemployment rate of 1.21%, the lowest of all Chinese provinces, helping to secure it first place in the Economic Potential category. Beijing province recorded the highest number of outward FDI projects between 2011 and 2015: Bank of China invested in 44 projects globally, the highest of any Chinese company, followed by the Industrial and Commercial Bank of China (36) and China Construction Bank (21).

Meanwhile, the Chinese government has been working to reduce the number of procedures companies must go through for approval of outward FDI projects, as part of the government's five-year plan and its 'Go Global' strategy. The effects of this can be seen in the level of investment coming from Beijing-based companies, with capital expenditure increasing year on year since 2012, to peak in 2015, when Beijing-based companies invested a total of \$22.94bn in projects abroad.

Guangdong province in south-east China took third place in the 2016/17 ranking, retaining its position from 2014/15. Home to more

TOP 10 CHINESE PROVINCES OF THE FUTURE – OVERALL

RANK	PROVINCE
1	Shanghai
2	Beijing
3	Guangdong
4	Jiangsu
5	Zhejiang
6	Tianjin
7	Fujian
8	Shandong
9	Liaoning
10	Chongqing

TOP 10 CHINESE PROVINCES OF THE FUTURE – HUMAN CAPITAL AND LIFESTYLE

RANK	PROVINCE
1	Beijing
2	Shanghai
3	Zhejiang
4	Guangdong
5	Jiangsu
6	Tianjin
7	Liaoning
8	Fujian
9	Hubei
10	Inner Mongolia

TOP 10 CHINESE PROVINCES OF THE FUTURE – CONNECTIVITY

RANK	PROVINCE
1	Shanghai
2	Guangdong
3	Beijing
4	Zhejiang
5	Jiangsu
6	Tianjin
7	Fujian
8	Sichuan
9	Shandong
10	Chongqing

TOP 10 CHINESE PROVINCES OF THE FUTURE – ECONOMIC POTENTIAL

RANK	PROVINCE
1	Beijing
2	Shanghai
3	Tianjin
4	Guangdong
5	Jiangsu
6	Zhejiang
7	Fujian
8	Chongqing
9	Liaoning
10	Shandong

TOP 10 CHINESE PROVINCES OF THE FUTURE – COST EFFECTIVENESS

RANK	PROVINCE
1	Shaanxi
2	Heilongjiang
3	Henan
4	Jiangxi
5	Guangxi
6	Guizhou
7	Yunnan
8	Hubei
9	Xinjiang
10	Qinghai

TOP 10 CHINESE PROVINCES OF THE FUTURE – BUSINESS FRIENDLINESS

RANK	PROVINCE
1	Shanghai
2	Beijing
3	Jiangsu
4	Zhejiang
5	Guangdong
6	Tianjin
7	Shandong
8	Liaoning
9	Fujian
10	Hebei

than 100 million people and the most populous province in the country, more than 88 million tonnes in freight traffic passed through its 29 ports in 2013 alone. Guangdong attracted nearly 18% of all China's FDI in the transportation sector between 2011 and 2015, including investments from Germany's Deutsche Post,

Denmark's AP-Moller Maersk and Irish supply chain company PCH International, which created 1500 jobs with its facility in Futian Free Trade Zone, Shenzhen. In rural areas, more than 97% of the population has access to tap water and gas, helping the province rank second in the Connectivity category. ■

METHODOLOGY

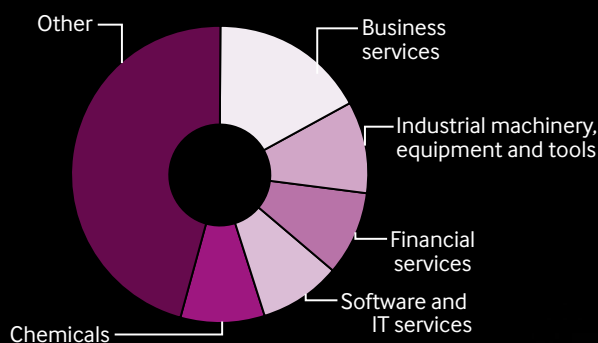
To create a shortlist for fDi's Chinese Provinces of the Future 2016/17, the fDi Intelligence division of the Financial Times collected data using the specialist online FDI tools fDi Benchmark and fDi Markets as well as other sources. Data was collected for 31 locations, under five categories: Economic Potential, Human Capital and Lifestyle, Cost Effectiveness, Connectivity and Business Friendliness. Locations scored up to a maximum of 10 points for each data point, which were weighted by importance to the FDI decision making process in order to compile both the sub-category rankings as well as the overall 'Chinese Provinces of the Future 2016/17' ranking.

In addition, surveys were collected under a sixth category, FDI Strategy, for which there was one submission. In this category, locations submitted details about their strategy for promoting FDI. ■

BY YEAR INVESTORS IN BEIJING MUNICIPALITY BETWEEN JANUARY 2011 AND DECEMBER 2015

YEAR	PROJECTS	CAPEX	AVERAGE CAPEX	JOBS CREATED	AVERAGE JOBS	COMPANIES
2011	134	10,715.1	80.0	12,591	93	61
2012	119	6,804.5	57.2	21,080	177	60
2013	128	13,808.5	107.9	26,014	203	87
2014	118	19,888.8	168.5	35,273	298	80
2015	172	22,936.1	133.3	30,133	175	124
Total	671	74,153.0	110.5	125,091	186	312

INWARD INVESTMENT IN SHANGHAI PROVINCE BY SECTOR, 2011-15



LIST OF DATAPPOINTS

ECONOMIC POTENTIAL

- Population
- Population growth rate (2010-2013)
- Gross Regional Product (Yuan)
- Gross Regional Product per capita (Yuan)
- Unemployment rate
- Household consumption expenditure (Yuan)
- Total retail sale of consumer goods (per capita)
- Outward FDI per 100,000 (2011-2015) per capita
- Inward FDI per 100,000 (2011-2015) per capita
- Ratio of debts to assets (%) for industrial enterprises above designated size
- Labour productivity in terms of total output value of construction (yuan/person)
- Number of patent applications per 100,000 population
- Total value of exports (\$) (per capita)
- Average annual growth in value of exports (%) (2009-2013) per capita
- Total value of imports (\$) (per capita)
- Average annual growth in value of imports (%) (2009-2013) per capita
- Total value of imports and exports by foreign funded companies (\$) per capita
- 5 year average change in total value of imports and exports per capita by foreign funded companies (%)
- Direct economic loss suffered as a result of natural disaster (per capita)

CONNECTIVITY

- Upload speed (kb/s)
- Download speed (kb/s)
- Percentage of administrative village with access to broadband internet (%)
- 2 year change in percentage of administrative village with access to broadband internet (% points)
- Number of broadband subscribers
- Number of 3G mobile phone subscribers
- Business Volume of postal and telecommunication services (100m Yuan) (per capita)
- Expenditure for transport and communications per capita
- Total annual cash consumption expenditure for

- transport and communication per capita as a % of total annual cash consumption per capita
- Number of public transportation vehicles per 10,000 population
- Passenger traffic (10,000 persons)
- Number of airports per capita
- Number of international destinations served
- Number of ports
- Freight traffic (10,000 tonnes)
- Land for construction as a % of area under land survey (10,000 hectares)
- State construction projects as a % of total urban area
- Rate of urban population with access to tap water and gas
- Electricity consumption per capita (kw/h)
- Total emission of sulphur dioxide, nitrogen oxide, smoke and dust (10,000 tonnes)
- 1 year change in total emissions (% points)
- Total investment in fixed assets

COST EFFECTIVENESS

- Consumer Price Index
- Retail Price Index
- Average salary (yuan)
- Total cash consumption expenditure (Yuan)
- Value and Floor Space of Buildings under Construction and Completed (2013 - yuan/sq m)
- Cost of 4*/5* hotel in city centre location (yuan)
- Ratio of profits to total industrial costs
- Value of commercial buildings constructed 2014 (yuan/sq m)

HUMAN CAPITAL AND LIFESTYLE

- Birth rate
- Death rate
- Literacy rate
- Percentage of population aged (15-64) with secondary education %
- Percentage of working age population (16-64) with tertiary education %
- Annual change in the % of population with tertiary education
- Number of top 500 universities

- Education expenditure as % of total public budgetary expenditure
- Number of licensed doctors per capita
- Number of theatres/music halls/cinemas per 100,000
- Number of overseas visitor arrivals per capita
- Nature reserves as a percentage of overall land area
- Popularisation Rate of Mobile Telephone (sets/100 persons)
- Average disposable annual income of urban households per capita (yuan)
- 5 year growth in total savings deposits of urban and rural households per capita

BUSINESS FRIENDLINESS

- Number of corporate enterprises per capita
- Number of legal entities per capita
- Average investment per foreign funded enterprise (USD)
- Number of foreign funded companies as a % of total business enterprises
- Number of Fortune 500 companies
- Number of Top 1000 World Banks
- Total number of companies in the high tech manufacturing sector
- Total number of companies in the high tech service sector
- Total number of companies in the knowledge-based sector
- Total number of companies in the high tech manufacturing sector per 100,000
- Total number of companies in the high tech service sector per 100,000
- Total number of companies in the knowledge-based sector per 100,000
- Number of jobs created by all inward FDI 2014
- Number of jobs created by all inward FDI 2015
- Growth in jobs created by inward FDI 2014-2015
- Number of expansion/colocation projects (2011-2015) per capita
- Business revenue and corporate income tax as a % of public budgetary revenue
- Tax revenue as a % of public budgetary revenue
- Rate of loss due to bad quality of products