PRD Economic Profile

General Background

The Pearl River Delta economic zone (PRD) is one of China's leading economic regions and a major manufacturing centre. It locates at the Pearl River estuary where the river enters the South China Sea. The zone is formed by 9 cities, namely Guangzhou (the provincial capital), Shenzhen, Foshan, Zhuhai, Jiangmen, Zhongshan, Dongguan, four districts and counties of Huizhou and four districts and counties of Zhaoqing.

PRD in Numbers

PRD is one of the most vibrant economic regions. In 2016,

- Real GDP of the PRD grew by an average of 8.3%
- The PRD accounted for 54.5% of Guangdong’s population or 4.3% of China’s total population
- The PRD accounted for 79.3% of Guangdong’s GDP or 9.1% of China’s GDP
- The PRD accounted for 94.4% of Guangdong’s exports or 26.9% of China’s total export
- The PRD accounted for 72.1% of Guangdong’s retail sales or 7.5% of China’s total retail sales of consumer goods
## Major Economic Indicators (2016)

<table>
<thead>
<tr>
<th>Cities</th>
<th>Land area (sq km)</th>
<th>Population (mn)</th>
<th>GDP (RMB bn)</th>
<th>GDP growth (%)</th>
<th>Per Capita GDP (RMB)</th>
<th>Added value of industry (RMB bn)</th>
<th>Retail Sales (RMB bn)</th>
<th>Export (US$ bn)</th>
<th>Actual FDI (US$ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangzhou</td>
<td>7,249</td>
<td>14.04</td>
<td>1,954.7</td>
<td>8.2</td>
<td>141,933</td>
<td>438.8</td>
<td>870.6</td>
<td>78.2</td>
<td>5,701</td>
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<tr>
<td>Shenzhen</td>
<td>1,997</td>
<td>11.91</td>
<td>1,949.3</td>
<td>9.0</td>
<td>167,411</td>
<td>710.9</td>
<td>551.3</td>
<td>237.3</td>
<td>6,771</td>
</tr>
<tr>
<td>Zhuhai</td>
<td>1,732</td>
<td>1.68</td>
<td>222.6</td>
<td>8.5</td>
<td>134,548</td>
<td>102.3</td>
<td>101.6</td>
<td>27.3</td>
<td>2,252</td>
</tr>
<tr>
<td>Foshan</td>
<td>3,798</td>
<td>7.46</td>
<td>863.0</td>
<td>8.3</td>
<td>115,891</td>
<td>467.1</td>
<td>301.8</td>
<td>47.0</td>
<td>1,442</td>
</tr>
<tr>
<td>Huizhou</td>
<td>11,347</td>
<td>4.78</td>
<td>341.2</td>
<td>8.2</td>
<td>71,605</td>
<td>176.4</td>
<td>122.8</td>
<td>29.9</td>
<td>1,114</td>
</tr>
<tr>
<td>Dongguan</td>
<td>2,460</td>
<td>8.26</td>
<td>682.8</td>
<td>8.1</td>
<td>82,682</td>
<td>296.8</td>
<td>247.1</td>
<td>99.0</td>
<td>3,927</td>
</tr>
<tr>
<td>Zhongshan</td>
<td>1,784</td>
<td>3.23</td>
<td>320.3</td>
<td>7.8</td>
<td>99,471</td>
<td>132.0</td>
<td>120.6</td>
<td>26.7</td>
<td>474.1</td>
</tr>
<tr>
<td>Jiangmen</td>
<td>9,505</td>
<td>4.54</td>
<td>241.9</td>
<td>7.4</td>
<td>53,374</td>
<td>106.6</td>
<td>115.9</td>
<td>15.0</td>
<td>476.1</td>
</tr>
<tr>
<td>Zhaoqing</td>
<td>14,891</td>
<td>4.08</td>
<td>208.4</td>
<td>5.0</td>
<td>51,178</td>
<td>92.1</td>
<td>73.2</td>
<td>4.7</td>
<td>370.1</td>
</tr>
</tbody>
</table>

**Note:**
1. The figure in value terms are calculated at current prices.
2. Statistics of value-added of industry cover all state-owned and non-state-owned enterprises with an annual sales revenue over RMB20 million.

Source: Guangdong Statistical Yearbook 2017

### PRD as a Manufacturing Base

The PRD started producing labour-intensive consumer goods such as food and beverages, toys and clothes in early 1980s. After 1985, industrial relocation, mainly from Hong Kong, accelerated the growth of light industry in PRD until early 1990s, following which heavy industry featuring high-tech electronic equipment and machinery, chemical products and autos etc. played a leading role in industrial output and export.

As a manufacturing base of the world, the region is playing a leading role in some industries. Some categories of the toy industry in the PRD have a world production share in excess of 60%. Other leading products include footwear, lighting fixtures, furniture, etc., to name but a few.

Foreign capital plays a major role in PRD’s industrial development. In 2016, the region’s utilised FDI stood at US$22.6 billion, 17.9% of the national total. Foreign enterprises, most of which from Hong Kong, accounted for about half of Guangdong’s total exports in 2016. Shenzhen, Dongguan and Guangzhou, thanks to their proximity to Hong Kong, are the 3 cities in PRD that attracted the most FDI.
In recent years, when private enterprises are formally allowed and recognised in China, private enterprises mushroomed in the PRD. By the end of 2016, the total number of private enterprises in Guangdong reached 3.17 million, up from 258,620 in 2002. From 2000 through 2016, exports by Guangdong’s private enterprises skyrocketed from US$0.6 billion to US$247.6 billion.

**Industrial Clusters**

PRD’s broad range of industries has developed in clusters. The two banks of the delta present different industry profiles. The east bank focuses on electronics and IT products while the west bank is famous for household appliance products. In fact, China’s success in manufacturing can be attributed to the cluster effect, whereby industries obtain competitive advantage by concentrating geographically.

In PRD, a supply chain has taken shape, where it is convenient to source all parts, components and accessories of a product, so that orders could be completed quickly. When upstream and downstream industries are clustered, resources are consolidated and specialization is deepened. Thus, efficiency is enhanced and cost reduced.

**Industrial Restructure**

Despite the mature light industry, PRD is heading the way to shift its emphasis to heavy industry. In terms of gross output value, Guangdong's ratio of light industry to heavy industry (above designated size) has turned from 1.39:1 in 1995 to 0.60:1 in 2016. There are plans to encourage relocation of labour-intensive industries in PRD to peripheral areas, and develop telecom, equipment manufacture, auto and petrochemical industries in PRD. Heavy industries are emerging in PRD, especially in Guangzhou and Huizhou.

Guangzhou is becoming one of the three auto manufacturing bases in China. The number of sedan cars produced in Guangdong reached 2.6 million in 2016, accounted for 21.7% of the national total. The plant set up by Honda in 1998 initiated the autos and parts cluster in Guangzhou, and joined later by Nissan and Toyota, and business cars specialist Hyundai, etc.

Many world famous auto parts manufacturers are locating in nearby areas, such as Japan’s biggest car parts maker, Denso. Other PRD cities surrounding Guangzhou are developing auto parts industry by establishing development zones, e.g. in Foshan, Zhongshan, Shenzhen and Huizhou Daya Bay.

PRD is also progressing in petrochemical industry. Construction works of a US$4.3 billion petrochemicals complex jointly set up by CNOOC (China National Offshore Oil Corp) and Shell Petrochemicals Company Ltd, has been finished at Daya Bay in Huizhou. The JV company will primarily supplying customers in Guangdong and the high consumption areas of China's coastal economic zones.

**PRD as a Market**

PRD is one of the mainland’s largest and most sophisticated consumer markets. Strong demand for consumer goods is driven by the growing income and influx of tourists. In 2016, PRD enjoyed a per capita GDP of RMB114,281, 2.1 times of the national average of RMB53,980. With 4.3% of China’s total population, the region accounted for 7.5% of...
the nation's total retail sales of consumer goods.

Retail sales of consumer goods in the region reached RMB2,504.9 billion in 2016, grew by 10.6% from 2015. Major consumer markets are in Guangzhou and Shenzhen.

The retail sector has been developing quickly. When China further liberalised its distribution sector in accordance to its WTO commitments, competition between local retailers and foreign giant retailers intensified. PRD's retail landscape is now characterised by diversified modern operations such as shopping malls, department stores, chain stores, supermarkets, warehouse type markets and convenience stores.

Services Industry

Over the past two decades, the composition of economy has experienced a typical change with tertiary industry having increased in share of the economy. Increased affluence on the part of residents fuelled demand for services such as education, recreation, travelling and telecom services. In recent years, business services are also burgeoning in PRD, together with the rapid growth of secondary industry. In fact, in recent years, the pace of foreign investment in services has speeded up, concomitant to China's further liberalisation.

<table>
<thead>
<tr>
<th>PRD Composition of GDP (%)</th>
<th>1980</th>
<th>2008</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Industry (%)</td>
<td>25.8</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Secondary Industry (%)</td>
<td>45.3</td>
<td>49.9</td>
<td>42.1</td>
</tr>
<tr>
<td>Tertiary Industry (%)</td>
<td>28.9</td>
<td>47.7</td>
<td>56.1</td>
</tr>
</tbody>
</table>

Source: Guangdong Statistical Yearbook 2016

Domestic and International Connectivity

PRD has built a complete network for water, land and air transportation. Cities in the PRD are interconnected by highways and railways. PRD is improving its land network to strengthen linkages among cities. According to the Outline of the Plan for the Reform and Development of the PRD promulgated in 2009, the PRD will speed up its inter-city rail transportation network, strengthen the transportation linkage between the east and west bank of the Pearl River.

In 2016, passenger traffic of PRD reached 1.04 billion and contributed 72% of the total passenger traffic of the province. Total freight traffic of PRD increased steadily to 2.7 billion tonnes in 2016 which accounted for 72% of the province’s total.

Ports in PRD play a critical role for transporting manufactured goods abroad. With its geographical advantage, PRD has built excellent ports facilities, including coastal ports and ports of inland rivers. Major ports in PRD include Guangzhou Port, Yantian Port, Shekou Port and Chiwan Port of Shenzhen, etc. In 2017, ports of Shenzhen were the world's third busiest container seaport after Shanghai and Singapore.
With regard to land transportation, PRD has over 63,630 km of highways. In 2016, PRD had a total of 11.37 million private vehicles, accounting for about 76% of Guangdong’s total. As far as connection to Hong Kong is concerned, it takes just 2 hours from Guangzhou to Hong Kong by train. The Hong Kong-Shenzhen Western Corridor had been put into use as the 4th vehicular land crossing between Shenzhen and Hong Kong. Besides, the new "Y-shaped" bridge connecting Hong Kong, Macau and Zhuhai is expected to boost the economy in west PRD by improving its accessibility to Hong Kong. Since the operation of Shenzhen Metro in December 2004, Hong Kong and other cities in the Pearl River Delta area are now interconnected by subway and rails. By 2018, the express rail link will be established between Guangzhou, Shenzhen and Hong Kong and the travel time from Hong Kong to Guangzhou will be significantly reduced to 48 minutes.

There are 6 airports in PRD (including Hong Kong and Macau). The Baiyun Airport in Guangzhou is one of the 3 air hubs of China. In 2016, the passenger traffic of the Baiyun airport surpassed 59.7 million and volume of freight handled over 2.15 million tonnes. The Shenzhen international airport has also grown considerably in the past decade with passenger traffic over 41.9 million and the volume of freight handled up to 1.13 million tonnes.