

## Shanghai Overview

Shanghai is said by many to be the driving force behind China's rampant economy. One look at the skyline of Pudong, its modern financial district with a forest of cranes and shiny new offices thrusting ever-skyward, and it isn't hard to understand why. Shanghai's economy has always been heavily based on manufacturing, with everything from cars and ships to laptops made in the city and the Yangtze delta. The region still produces 20% of China's output, but Shanghai's service sector-notably financial services-is now driving much of its growth. Foreign investment is key to the city's phenomenal rise. In 2006, it approved more than 4,000 foreign-funded projects worth \$ 14.5 billion, two-thirds of which went into the service sector. More than 500 multinationals have set up regional headquarters in Shanghai as the city has wooed the world's corporate investors-20 were authorized in 2006 in Pudong, along with 11 research and development centers. Meanwhile, joint-venture arrangements between western firms and local counterparts have increased exponentially. Shanghai's GDP almost doubled between 2000 and 2005, when the total reached ¥915 billion, more than 50% of which was attributed to the service sector. The city's per capita GDP stood at ¥67,500 in 2005, double the ¥32,000 level of 1999.

### Growth

The pace of Shanghai's economy has been outstripping the national growth rate and reached 12% in 2006, the 15<sup>th</sup> straight year of double-digit growth, but the city's administration is now aiming to cool the pace to about a 9% rise rate. The booming economy comes at a price though, Shanghai has the highest cost of living in China after Beijing and rose up the global rankings from 30<sup>th</sup> position in 2005 to 20<sup>th</sup> in 2006, according to a survey by international consultancy firm Mercer Human Resources Consulting. That put it only marginally behind Paris and ahead of cities including Rome, Helsinki, Dubai and Los Angeles.

### Trade

Shanghai is one of China's key export ports, and foreign trade is mirroring its white-hot economy in growth levels. From 2000 to 2005 the value of exports overseas, excluding Hong Kong and Taiwan, more than tripled from \$22.5 billion to \$80 billion. Its main trading partners are the US and Japan, followed by Germany, the Netherlands, Korea, petrochemicals, clothing, electronics and telecommunications equipment.

### Employment

The city had a workforce of 8.6 million people by the end of 2005. Of those, 10% worked for foreign-funded companies, 17% in state enterprises, 26% in collectively owned companies, 28% in private businesses, and 19% in other economic sectors'. Unemployment was marginally lower than in 2004 at 4.4% and in 2006 more than 96% of the city's 129,000 university graduates found jobs. Just over 95,000 foreign residents lived and worked in Shanghai in 2005, the largest national group being Japanese(28%), followed by citizens from Korea, Malaysia, Singapore, Germany, the UK, Canada, the US, Australia and France. Since 2004, China's government has been issuing green cards to significant investors as well as high-level foreign workers in the economic, scientific and technology sectors. The cards give freedoms such as being able to enter and exit the country without having to renew visas. Salary levels in Shanghai rose faster than in other Chinese cities in 2006, according to Mercer, rising

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7.7% from 2005. the Shanghai Statistical Bureau listed the average annual wage in Shanghai in 2005 as ¥27,000 overall and ¥34,000 for companies with foreign investment. The highest-paid sectors were financial, scientific research, and leasing and business services, which paid between ¥107,000 and ¥128,000. Foreign staff earn much higher levels than locally hired staff, particularly if on a remuneration package with benefits and which is paid in euros or US or Hong Kong dollars. Shanghai's minimum wage is ¥750 per month.

### **Leading Industries**

Shanghai is the centre of China's banking industry and home to the Chinese stock market-which quadrupled in value in little more than a year before worries about the economy overheating resulted in wild fluctuations in June 2007. Banking and finance, information technology, electronics, chemicals and petrochemicals are all key industries. Shanghai is China's largest car manufacturing centre. It is expected to be the world's biggest shipbuilding base by 2015 and currently 70% of the world's laptops are produced in the Yangtze delta, a figure predicted to surpass 87% by 2010 according to US-based IT market intelligence firm iSuppli.

### **New Developments**

Developments under way or on the drawing board defy belief by their sheer scale. At least ¥30 billion is being invested by Shanghai to stage the World Expo 2010 extravaganza, which is expected to attract 70 million visitors in the six months it will open (between May 1 and October 31, 2010). A huge area of downtown alongside the Huangpu River is being transformed into a cit of pavilions and exhibition halls, most of which will be torn down after the event. Infrastructure due to be finished in time for the event will include ¥20 billion worth of roadworks with a tunnel under the Huangpu lit by solar power (to fit in with the event's eco-theme), the renovation of docks to accommodate 60 new ferries, several new Metro lines and the extension of existing ones, and the redevelopment of the Shanghai South Railway Station with an initial capacity of 12.7 million passengers. The renovated station will connect with the Metro's Line 3 and the Shanghai -Hangzhou railway line, which was set to have a ¥35 billion, high-speed Maglev track ready by 2010 with trains doing the 175km journey in half an hour. However, concerns over radiation affecting nearby residents have halted the scheme. The once suspended World financial Centre is now nearing completion and already dwarfs the neighboring Jinmao Tower and Oriental Pearl Tower in Pudong's Lujiazui area. At 498m high, the 101 storey building will be the tallest in mainland China and only marginally shorter than the 508m Taipei 101 in Taiwan when it opens in March 2008. work is also under way on a new bridge between Pudong and Chongming island in the mouth of Yangtze, the site of an important bird reserve. The bridge will serve a massive new eco-friendly city calls Dongtan-one of 10 satellite cities being built around Shanghai. Constructed on China's third-largest island, the first phase will have a population of 25,000and be ready by 2010. After completion in 2040, Dongtan should house 500,000, as will three of the other satellite cities.

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