



The Impact of Domestic and Foreign Environment on China's Economic Development

Mengya Cao

School of Finance, Shanghai University of Finance and Economics, Shanghai, China

Email: 18019081176@163.com

Abstract: In recent years, the financial crisis has affected the economies of all countries in the world. At that time, it seriously restricted the development of the world economy. From a modern perspective, the difficult period of the world economic crisis caused by the financial crisis has passed, but the negative impact of the economic crisis can not be eliminated in a short time. Dispersed, the crisis has brought both opportunities and challenges to the country as well as heavy economic losses. Under the background of economic globalization, only by making a scientific and effective analysis of the world economic situation and keeping up with the trend of the world economy, can we effectively promote the domestic economic development and industrial structure, and enable our economy to develop healthily and substantially.

Keywords: domestic and foreign environment, China's economic development, impact

1. Introduction

The emergence of financial crisis makes every country in the world resist it urgently, and the way to resist it is to optimize the structure of economic output and adjust the economic market system. The application of these ways has played a role in resisting the impact of financial crisis, but at the same time, it has also changed the internal economic market environment of the country. Under this condition, between international trade relations, China's foreign trade fairs are constrained by domestic and foreign environment, which has a positive or negative impact on China's economic development. Therefore, in order to further promote China's economic development trend, we should analyze the specific impact and put forward views on the negative impact.

2. Analysis of economic environment at home and abroad

2.1 World economic environment

After experiencing the worst economic recession since the 1920s and 1930s, the world economy has improved markedly with the joint efforts of monetary and fiscal policies. As far as 2017 is concerned, the major economies of the world have achieved good results. From the perspective of economic growth, the United States rebounded from the bottom on the basis of the sharp decline in the previous year, Europe achieved the highest growth rate in seven years, Japan the highest growth rate in four years, and China achieved the first rebound of GDP growth decline in six years. From a trade perspective, although the trade imbalance is still serious, the world's major economies' exports have recovered. Japan is the most prominent, followed by China, followed by Europe and the United States. The cumulative trade surplus of the euro area is 244 billion euros; the cumulative trade deficit of the United States is 560 billion US dollars; and the cumulative trade surplus of China is 439.7 billion US dollars, which shows that the Sino-US trade war has begun. The US trade clauses 301, 201 and 232 are proposed for China's iron and steel, plus point and photovoltaic industries ^[1]. Table 1 Economic development trends of major global economies in 2017 (United States, France, Japan, China).

Table 1. Economic development trends of major global economies in 2017 (United States, France, Japan, China)

Major economies	Trends in Economic Development (GDP)
United States	5300 billion to 5500 billion US dollars
France	4100 billion to 4800 billion US dollars
Japan	3700 billion to 3900 billion US dollars
China	4300 billion to 4600 billion US dollars

2.2 Foreign economic environment

Since the second half of 2017, global economic growth has slightly exceeded expectations. The report predicts that

the global economic growth rate will be about 3.4% in the second quarter of 2018, and the global CPI will rise by 3.3%. Recently, the Federal Reserve continued to raise interest rates again in 2017, and Federal Reserve Chairman Powell showed a more hawkish performance in the Congressional debut after taking office, saying that market fluctuations will not stop the pace of interest rate hikes, and that future interest rate hikes will be further gradual. In this regard, experts from the Bank of China project group predict that the Federal Reserve will raise interest rates 3-4 times this year, and the Federal Fund Interest Rate will fall between 2% and 2.5%. The dollar depreciated by 10%, the euro appreciated by 12.5%, the RMB appreciated by 5.5%, and the value rose by 4% in January 2018. Judging from the exchange rate situation, the RMB will appreciate in 2017. Speeches from Trump to the US Treasury Secretary indicate that the US dollar will continue to depreciate in 2018, while the RMB will keep rising. The Organization for Economic Cooperation and Development (OECD) has tracked 45 countries and regions to the conclusion that the world's major economies will achieve positive growth in 2017. The Wall Street Journal calls this a "rare phenomenon in the past 50 years". Recently, the United Nations published the World Economic Situation and Prospects for 2018, pointing out that the global economy is growing. East Asia and South Asia will continue to be the most economically dynamic regions in the world. According to the report, global economic growth reached 3% in 2017, the fastest since 2011. About two-thirds of the world's countries grew faster in 2017 than in the previous year, and this improvement is a common phenomenon. Global economic growth is also expected to stabilize at around 3% in 2018 and 2019. Table 2. 2018 USD, Euro, RMB appreciation ratio.

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Currency types	data
dollar	10% depreciation
Euro	Appreciation 12.5%
RMB	Appreciation 5.5%

2.3 Domestic economic environment

Domestically, the economic momentum in 2017 has also maintained well. As far as the contribution of economic growth is concerned, net export growth is the main contributor to the rebound of domestic GDP growth. It increased from -9.6% in 2016 to 9.1% in 2017, from negative to positive, an increase of 18.7% over last year. The contribution rate of domestic consumption and investment is declining. In terms of inflation index, PPI has changed from a 1.4% decline in 2016 to a 6.3% increase in 2017, which has stopped the downward trend for five consecutive years. This is mainly due to the impact of the global economic recovery and increased domestic capacity and environmental pressures. In terms of manufacturing industry, the annual average value of domestic manufacturing industry is 51.6, and the PMI index has remained above 51 for 15 consecutive months. The development trend of manufacturing industry is obvious. From the investment point of view, the investment pull of the first and third industries is obvious. Fixed assets investment of first and third industries grew at 11.8% and 9.5% respectively, while fixed assets investment of second industry grew at only 3.2%. As far as investment is concerned, in 2017, the growth rate of fixed assets investment in first and second industries will be 11.8%, 3.2% and 9.5% respectively, and that of first and third industries will be obvious. In 2017, the world's major economies achieved good economic growth^[3]. Table 3 2017 Growth Rate of Fixed Assets Investment in First, Second and Third Production.

Table 3. 2017 Growth rate of fixed assets investment in first, second and third production

Name	Growth Ratio
One production	11.8%
Second generation	3.2%
Three production	9.5

3. Analysis of China's economic operation in the international economic environment

3.1 Slow economic growth

According to the preliminary calculation of the National Bureau of Statistics, in 2016, China's gross domestic product (GDP) was 3067 billion yuan, an increase of 9% year on year, and the growth rate was 4 percentage points lower than that of the previous year. Quarterly, the first quarter to the fourth quarter increased by 10.6%, 10.1%, 9% and 6.8%, respectively. In terms of sub-industries, the added value of the primary industry is 340 billion yuan, a cumulative increase of 5.5%, an increase of 1.8 percentage points over 2015; the added value of the secondary industry is 146.83 billion yuan, a cumulative increase of 9.3%, a decrease of 5.4 percentage points over 2015; and the added value of the tertiary industry

is 1204.87 billion yuan, a cumulative increase of 9.5%, a decrease of 43 percentage points over 2015. In terms of the proportion of added value in GDP, the primary industry is 11.3%, up 0.2 percentage points from the previous year, the secondary industry is 48.6%, up 0.1 percentage points from the previous year, and the tertiary industry is 40.1%, down 0.3 percentage points from the previous year. Table 4. 2016 Quarterly Growth Ratio of China's GDP Economy.

Table 4. 2016 Quarterly growth ratio of China's GDP economy

quarter	Growth ratio
first quarter	10.6%
Second quarter	10.1%
Third quarter	9%
Fourth quarter	6.8%

3.2 Domestic demand has declined

In 2016, the total retail sales of social goods amounted to 108,487.7 billion yuan, a nominal increase of 21.6%, a real growth rate of 14.8%, 2.3 percentage points faster than the same period last year. Among them, the nominal growth rate of total retail sales of urban social consumer goods is 22.1%, the actual growth rate is 15.7%, which is 2.3 percentage points faster than the same period last year; the nominal growth rate of retail sales of social consumer goods of counties and below is 20.6%, the actual growth rate is 13.1%, which is 2.7 percentage points faster than the same period last year. The real growth gap of retail sales of consumer goods between urban and rural areas is 0.4 percentage points smaller than that in 2015. Table 5. 2016-2015 Real Growth Gap of Retail Sales of Consumer Goods between Urban and Rural Areas.

Table 5. 2016-2015 Real growth gap of retail sales of consumer goods between urban and rural areas

year	Growth ratio
2015	10.5%
2016	10.1%

4. The impact of international economic environment on domestic industry

Take the real estate industry as an example to analyze (as a pillar industry in China, the real estate industry is representative). Since 2016, due to the strong wait-and-see atmosphere, the sales market of commercial housing has shown a weak trend. Since April, the sales area of commercial housing in that month has been showing negative growth. In 2016, the sales area of commercial housing decreased by 19.7% compared with the same period last year, while in 2015 it increased by 23.2%. The continuous shrinkage of commercial housing sales has made real estate development enterprises short of funds. From the perspective of the source of investment funds for real estate development, the scale of deposit and advance and personal mortgage loans has decreased significantly. In 2016, deposit and advance, personal mortgage loans have decreased by 12.9% and 29.7% respectively compared with the same period last year. Real estate development investment maintained a relatively rapid growth rate in the first half of the year, and slowed down significantly in the second half of the year. From the point of view of loan growth, the growth rate of real estate development loan balance slowed down significantly compared with the same period last year. From the perspective of land acquisition, developers have begun to reduce investment in land acquisition. Table 6. 2016 Deposit and Prepaid, Personal Mortgage Loan Reduction Ratio.

Table 6. 2016 Deposit and Prepaid, Personal Mortgage Loan Reduction Ratio

Indicator items	Reduction ratio
Deposit and advance	12.9%
Personal Mortgage Loan	29.7%

5. The impact of international economic environment on China's economic trend

5.1 Increased uncertainty

According to the economic development trend of developed economies in China in 2018, the growth rate of developed economies is slowing down. Benefiting from commodity exports, emerging economies led the U.S. to launch a \$1.5 trillion infrastructure plan in early 2018. Exports accelerated and manufacturing recovered, but there was still a crisis. In early February, the sharp decline of American stocks had a significant impact on the U.S. economy. At the same time, it had a spillover effect on European and Japanese stock markets and the economy, which could trigger the financial crisis. In mid-March, the Atlanta Federal Reserve, investment bank JPMorgan Chase and Goldman Sachs all lowered their GDP

growth expectations for the first quarter. The euro has faced several black swan events. Although Japan has been growing continuously, it is not strong enough. Its growth rate has also declined significantly in the last three quarters, and it has not been out of the deflationary state for 25 years.

5.2 Development direction impacts

The target of GDP growth in 2018 is 6.5%. The target of GDP growth in the government work report in 2018 is the same as that in 2017, but the description of “striving for better results in actual work” is omitted. By contrast, the growth of investment, consumption and export is very difficult this year. Our economy has stepped out of the stage of high-speed growth and is moving towards the stage of high-quality development.

5.3 Domestic currency appreciation

In 2018, the RMB exchange rate will be strong and stable, and continue to promote the process of RMB globalization. In 2018, the US dollar will continue to depreciate, while the RMB will maintain the momentum of appreciation. Both China and the United States have their own advantages and disadvantages. The depreciation of the US dollar is beneficial to US exports and is beneficial to the improvement of US economic confidence in the case of falling US stocks, but it can not attract the US dollar back to meet demand and reduce capital. Although the appreciation of RMB affects exports, it improves the status of RMB in the global monetary system.

Epilogue

The financial crisis has brought new changes to the international economic environment. It is both an opportunity and a challenge for our country. Under the influence of trade war, the development space of China’s export trade has been reduced, which has an impact on China’s economic growth. However, it can also adjust its strategy according to the characteristics of economic and environmental development, and it can also emerge in the world economy.

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