

# Changes in Regional Economic Disparities in China: Examination Based on Per Capita Consumption Expenditure

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## Abstract

Reducing regional economic disparities has been a policy challenge for the Chinese government, given its vast territory and huge population size. Numerous studies have indicated a significant narrowing trend in regional economic disparities in China over the past 20 years. However, most previous studies have relied on indicators such as per capita Gross Regional Domestic Product (GRDP) or per capita disposable income. Per capita GRDP may not accurately reflect the actual income levels of residents in different regions. Furthermore, there have been concerns about the over-reporting of GRDP in some provinces. Meanwhile, per capita disposable income data derived from household surveys may underestimate the actual income of affluent households. These issues highlight the need for further examination and verification of the dynamics of regional economic disparities in China.

This study employs per capita consumption expenditure, a more direct and reliable indicator, to conduct the following analyses:

- (1) Estimation of Theil indices for per capita consumption expenditure between urban and rural households in China from 1980 to 2021, as well as the contributions of within-urban, within-rural, and urban-rural disparities to the overall disparity.
- (2) Estimation of Theil indices for per capita consumption expenditure among provincial-level regions in China from 1980 to 2021, as well as the contributions of *within-eastern*, *within-central*, *within-western*, and *among the three region* disparities to the overall disparity.
- (3) Estimation of Theil indices for per capita expenditure on selected consumption expenditure categories among provincial-level regions in China from 2000 to 2021, as well as the contributions of *within-eastern*, *within-central*, *within-western*,

*and among the three region* disparities to the overall disparity.

Our analysis results reveal that while there has been a narrowing trend in both inter-regional and urban-rural per capita consumption expenditure disparities in China, the degree of reduction is smaller compared to estimates based on per capita GRDP or per capita disposable income. Moreover, in certain categories, the per capita consumption expenditure disparities between regions and between urban and rural areas have even shown an increasing trend.