

CHINA'S DIGITAL ECONOMY IS GAINING MOMENTUM

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The understanding and measurement of the digital economy remains a worldwide challenge. The United Nations reports that the size of the digital economy generally varies widely from 4.5% to 15.5% of the gross domestic product of countries around the world, depending on the differences in the definition of the data economy. However, with the continuous exploration of digital economy practices, countries around the world continue to propose new measurement schemes, and there is a growing consensus on the core components of the digital economy.

The mainstream definition and measurement of the digital economy in China is represented by the definition and measurement of the China Academy of Information and Communication Research, and the measurement scope mainly contains two parts: digital industrialization and industrial digitization. According to its measurement method, in 2019, the size of China's digital economy alone already accounts for 36.3% of total GDP, and the digital economy in Germany, the United Kingdom, and the United States accounts for as much as 63.4%, 62.3%, and 61.0% of GDP, respectively. And in 2020, the global digital economy will be 43.7% of GDP, with the digital economy of developed countries reaching \$24.4 trillion, or 54.3% of GDP. But this measurement overstates the scale of the digital economy, especially by including the convergence spillover part of the digital economy on a large scale. Industrial digitization is the spillover effect resulting from the integration of digital technology and traditional industries with each other, so the economic scale of the digital part of industries should be divided into their respective industrial categories, and the digital economy measurement should adopt a narrow scope. The U.S. Bureau of Economic Analysis (BEA) has been adhering to a narrow definition of digital economy, classifying digital economy goods and services into the following three categories, namely Digital-Enabling Infrastructure, Digital Media, and E-commerce. According to its latest estimates released in August 2020, the size of the U.S. digital economy in 2018 was \$1.8 trillion, or 9 percent of total GDP. In recent years, with increasing awareness, ICT has gradually measured the narrowly defined digital economy component independently in its digital economy measurements and arrived at a value added of 7.3% of total GDP (2020) for China's digital industrialization. The new epidemic has brought a major impact to China's economy, but it has also brought an opportunity to accelerate the digital transformation of the economy and society. Since the domestic epidemic became manageable in the second half of 2020, various indicators of China's digital economy have gradually improved. In 2020, the value added of China's broad digital economy reached 39.2 trillion yuan, with a growth rate of 9.7% despite the epidemic and global economic pressure, of which the value added of the core digital economy industry was 7.5 trillion yuan, accounting for 7.8% of GDP. China is already a world leader in 5G, with Chinese operators deploying some 600,000 new 5G base stations in 2020 and reaching 202 million 5G connections, accounting for 87% of global 5G connections, and will reach 820 million in 2025, growing the penetration rate from 12% to 47%.

The ICT industry, the core industry of the digital economy, is developing well. In 2020, the value added of China's information transmission, software and information technology services industry grows by nearly 17% compared to 2019. From January to November 2020, the cumulative mobile Internet traffic in the country reached 149.5 billion GB, a substantial year-on-year increase of 35.1%. In 2019, China's total data production was 3.9 ZB, an increase of 29.3% year-on-year, accounting for 9.3% of the total global data production (42 ZB). By the end of 2019, China's total data inventory was about 332 EB, accounting for 11.9% of the global total. In 2020, the country clearly proposed to accelerate the cultivation of data element market, and data as the core element of digital economy was further emphasized by all sectors.

Chinese Internet enterprises are developing rapidly, especially platform-based enterprises under the influence of the epidemic. As of December 31, 2020, the total market capitalization of Chinese Internet listed companies in China and abroad reached 17.8 trillion yuan. In 2020, there are 197 platform-based companies with market capitalization over \$1 billion in China, an increase of 23 from 2019, with a value size of \$3.5 trillion, an increase of 56.3% year-on-year. In the world, China and the United States are leading the platform economy. In 2020, the number of China and the U.S. platform companies with more than \$10 billion combined reached 64, accounting for 84.2% of the global total, with a total market value of \$12 trillion, accounting for 96.3% of the global total.

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