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### Is China's Economic Information Correct?

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For over a week, investors have been closely watching sharp changes in share prices on China's stock market. Some investors say the wild movements have intensified because of concerns about the truthfulness of that nation's economic reports. Critics say the reports can fool investors by presenting an unrealistically-strong picture of the economy.

An expert on China says the government is not inventing the economic information. But, he believes that the economy is changing quickly from traditional industries to services.

China is the world's second-largest economy, a huge trading nation and major importer of everything from machinery to oil and other natural resources. For this reason, its economic problems affect trading partners and stock markets around the world.

Stock prices in Shanghai and overseas markets have been in the news, in part, because of fears that China's economy is not growing as fast as some investors expect.

Weakness worries investors. And when many frightened investors sell stocks, it drives down prices. The fears intensify when financial experts worry that China's economy is weaker than the official reports show.

Nick Lardy is an expert on the Chinese economy. He says much of the economic growth is now coming from the service industry, which is made up largely of smaller, private companies.

"Everything from **retail** and **wholesale**, **restaurants** and hotels, financial services, including banking, **insurance**, **securities**, asset **management**..."

Nick Lardy says restaurants are a good example of the growing services sector.

"When I first went to China, there were practically no restaurants. Now there are millions and millions of restaurants. Collecting the data on all these small firms in the restaurant business is very, very labor intensive. "