

# **China's economic development under the New Normal**

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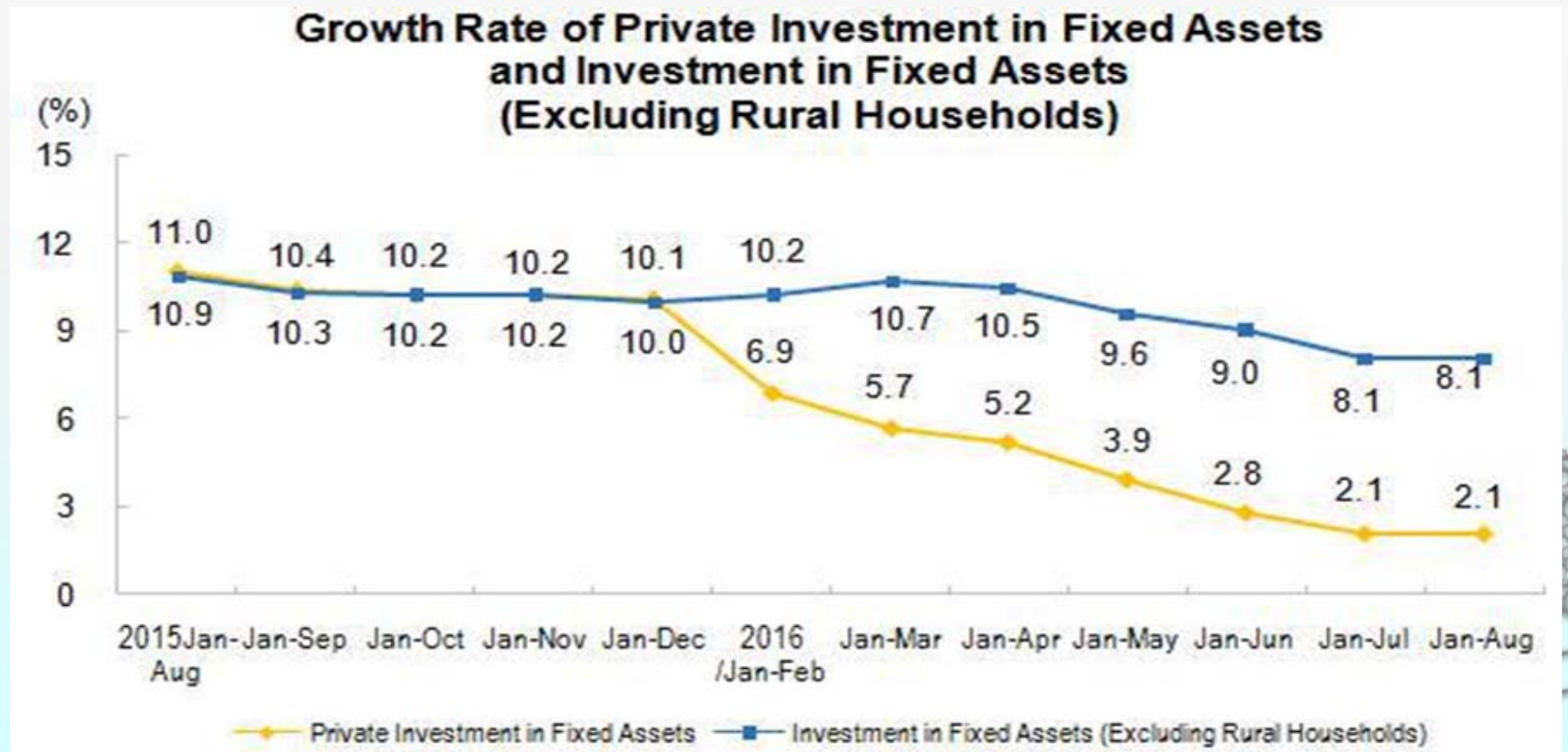
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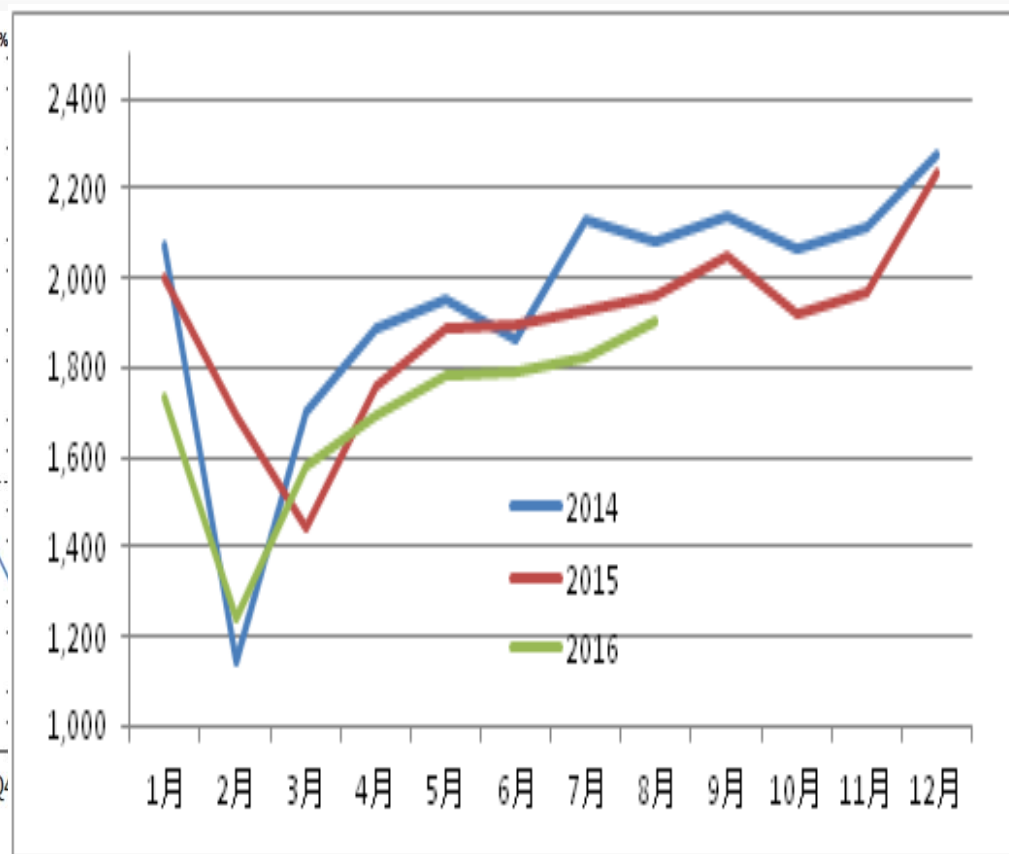
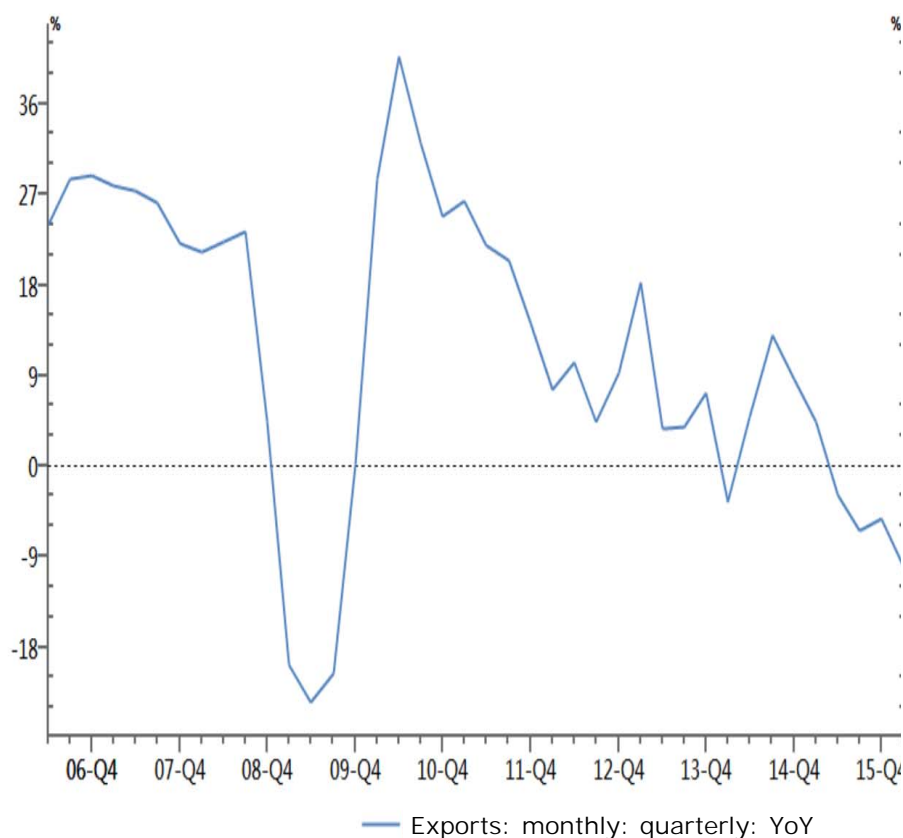
## Slowed Investment in Fixed Assets

- ◆ For the First 8 Months of 2016, growth rate of private investment decreased greatly, proportion in the total (down to 61.4%)
- ◆ Especially the private investment



## Export: severe situation

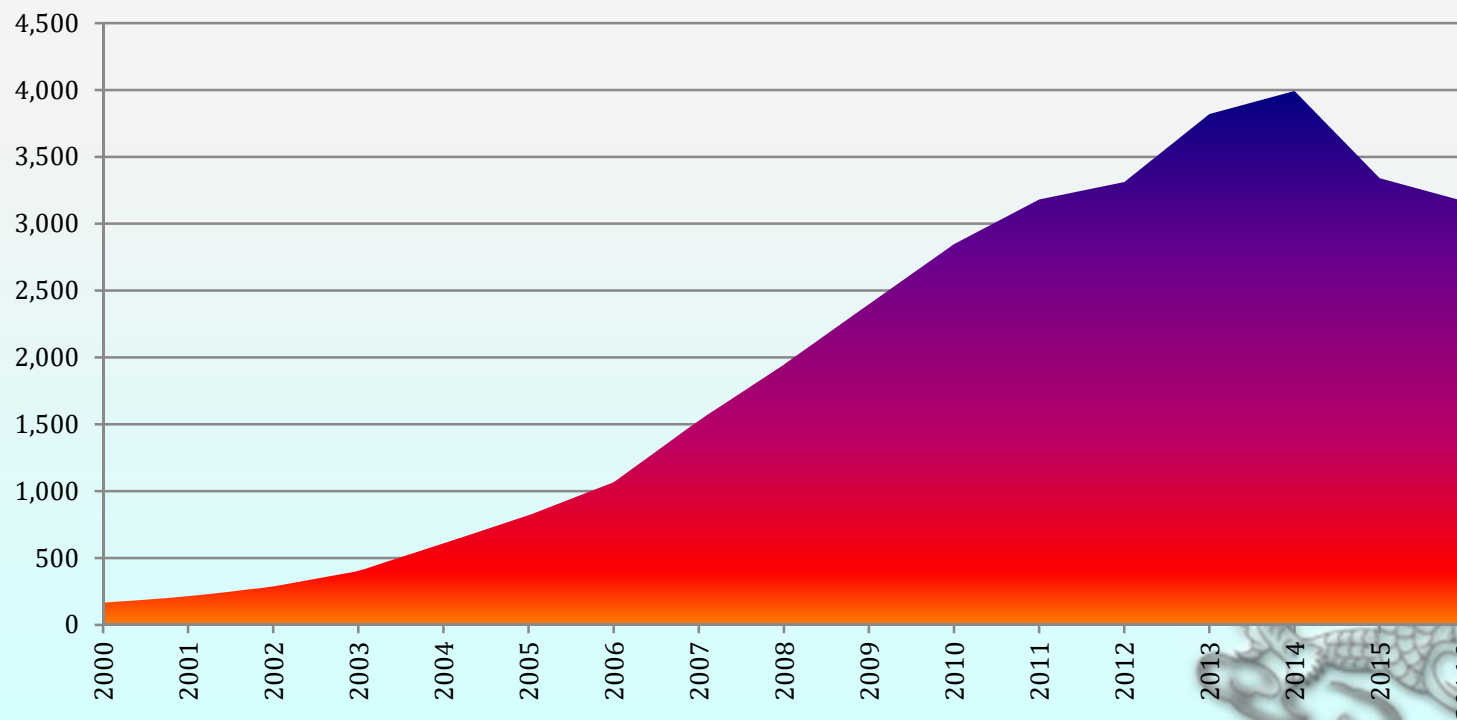
- Consecutive negative growth since Q2 in 2015, worst since 2009Q3 (-20.6%)
- 2016. 1-8: -7.1% > -5.5% (same period in 2015, -2.8% in the 1-8 period in 2015)



◆ **Other concerns and vulnerabilities:**

real estate bubble / development gap / income growth < GDP/  
high and rising corporate debt/ structural excess capacity  
increasingly large, opaque and interconnected financial sector

**China's Foreign Exchange Reserve (\$billion)**



## Is it the complete picture?

### ◆ How to look at the economic situation more balanced and objective?

When you take a look at the annual growth rate, it would be better to put it

- into the context of New Normal: rapid growth of over 30 years can't be sustainable. The New Normal, especially changing the mode of growth is a long period with difficulties in many areas to go through.

- In the context of world economic regime:

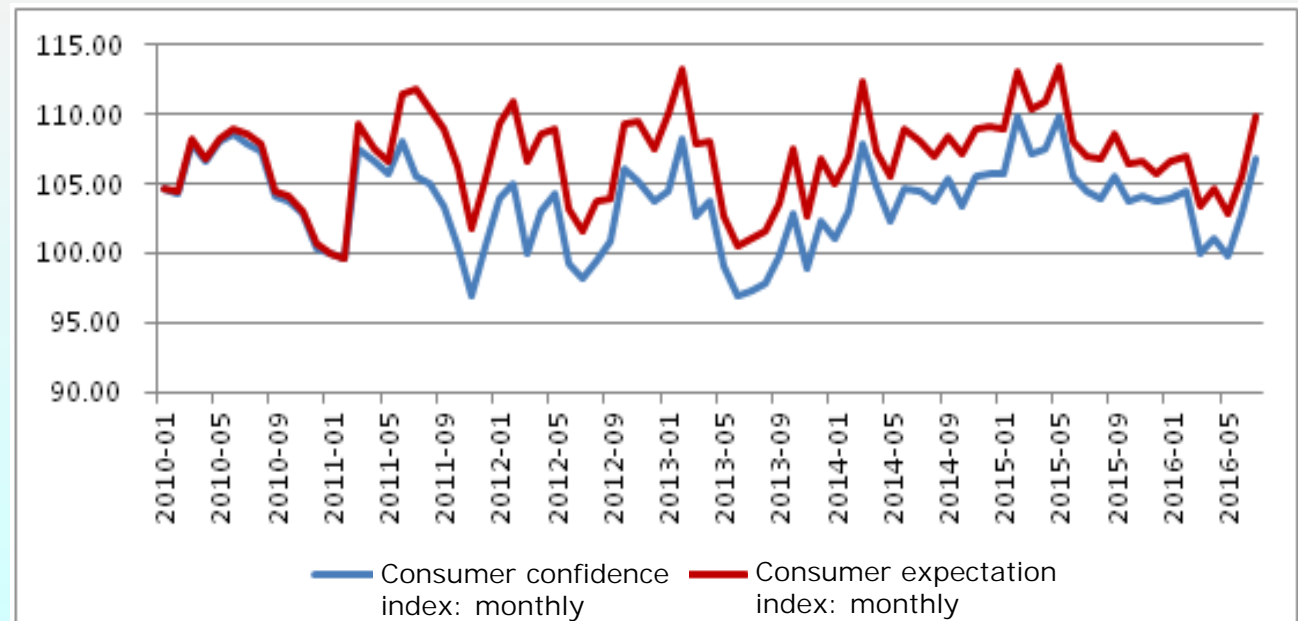
is still struggling, global trade – end of hyper-globalization, cross-border investment: not back to the level before financial crisis, US not move out of the shadow of financial crisis, EU and Japan

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP	4.0	1.5	-2	4.1	2.9	2.4	2.5	2.5	2.8
TRADE	8	3	-10.6	12.6	6.8	2.8	3.5	3.4	-14.1
FDI	34	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3	36
FDI value (\$ trillion)	1.9	1.49	1.19	1.33	1.56	1.4	1.47	1.23	1.6

## China's economy: stable performance with manageable challenges

- ◆ Efforts of cutting overcapacity, reducing inventory, deleveraging and lowering costs achieved notable results, new economy and new momentum enjoyed rapid growth, the national economy has got moderate but steady development.
- ◆ **Employment:** newly added jobs –13million in 2015, unemployment rate remain less than 4% in 2016
- ◆ **Consumption:** Market Sales Enjoyed Steady Rise and Online Retailing Kept Fast Growth.

total retail sales of  
consumer goods:  
up by 10.4%



With deepening of supply-side structural reform and progresses made thanks to macro policies of stabilizing growth, adjusting structure and improving people's livelihood, some indicators picked up:

◆ **Macro-economic policy control tools by the government**

Government Debt to GDP : less than 40%

◆ **Further potential**

regional gap + urbanization rate + infrastructure construction

◆ **Economic growth:**

1) Down-turn from 10% to 6.5%:  
not as sharp as Japan & Korea

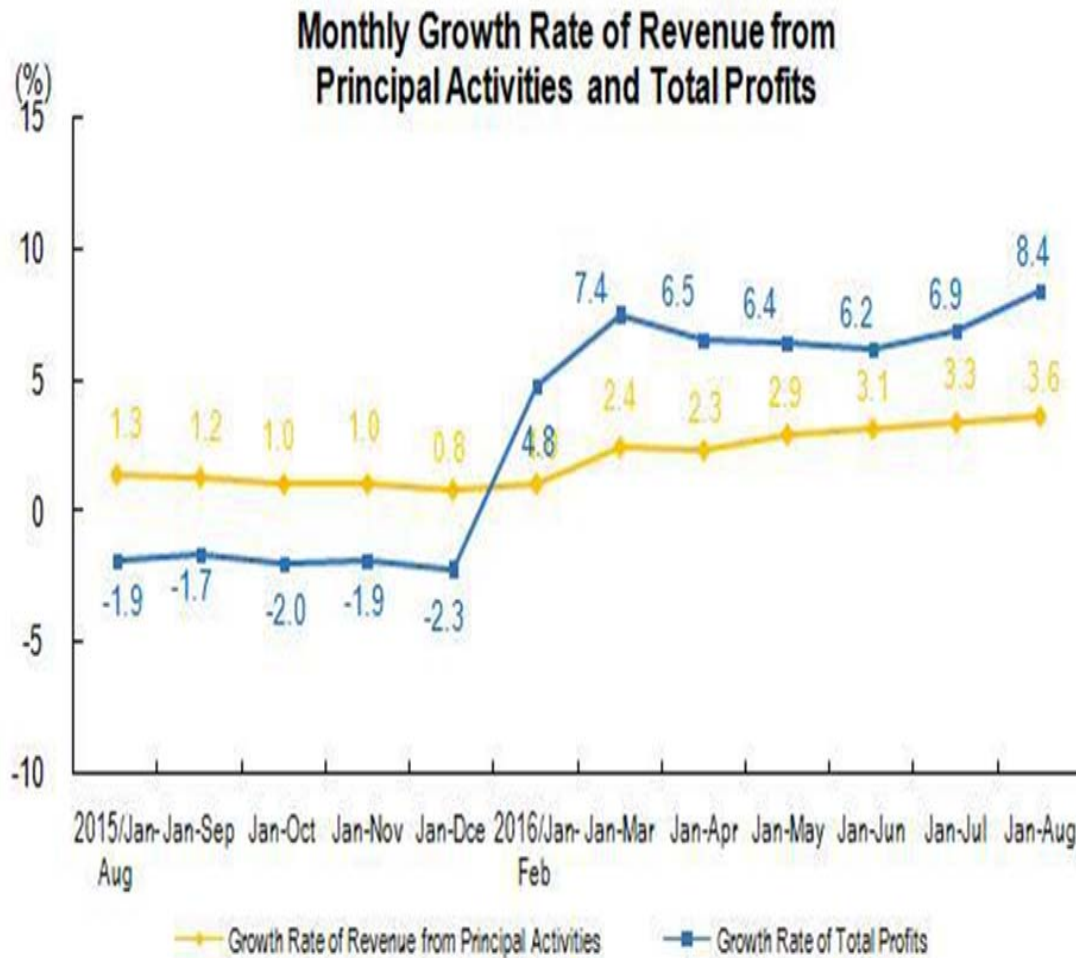
2) International institute:  
raised 2016 growth forecast for China  
positive outlook for 2017

	China's growth rate	
	2016	2017
WB	6.7	6.5
IMF	6.6	6.2
OECD	6.5	6.2
ADB	6.5	6.3
UN	6.4	6.5
EU commission	6.5	6.2
Deutsche bank	6.6	6.5
Citibank	6.4	6
Goldman Sachs	6.4	6.1
Nomura Securities	6.5	5.8



## Confident to maintain 6.5% till 2020, positive signals

### ◆ Industrial Profits Increased in the First Eight Months of 2016

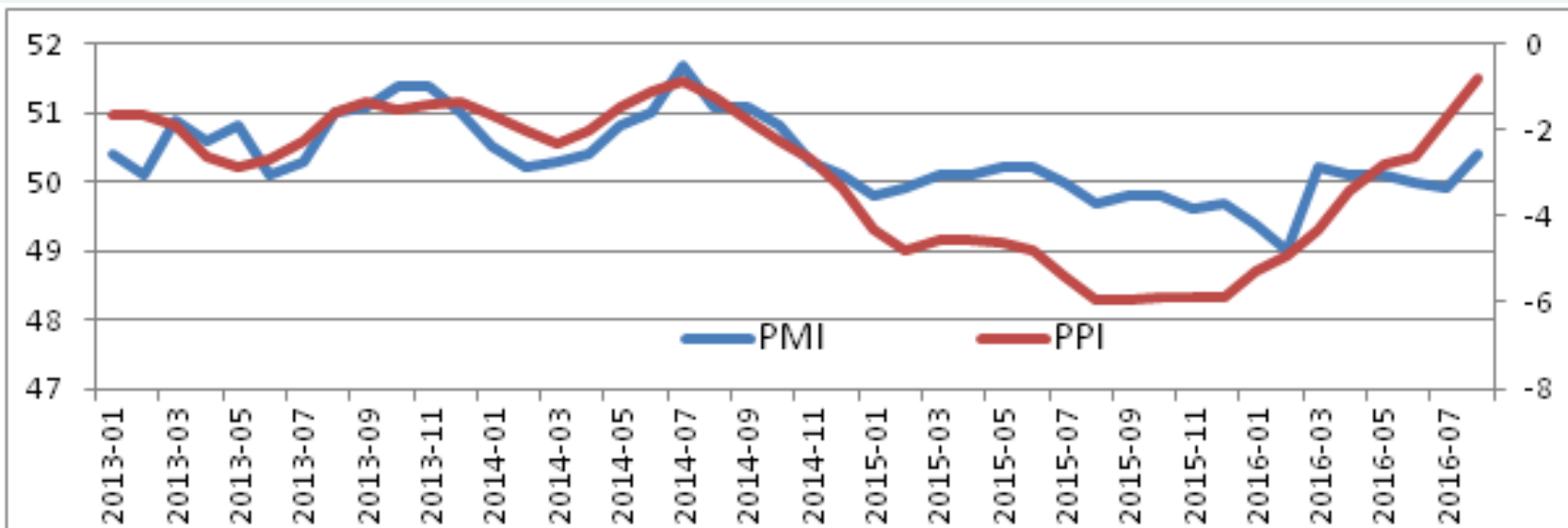
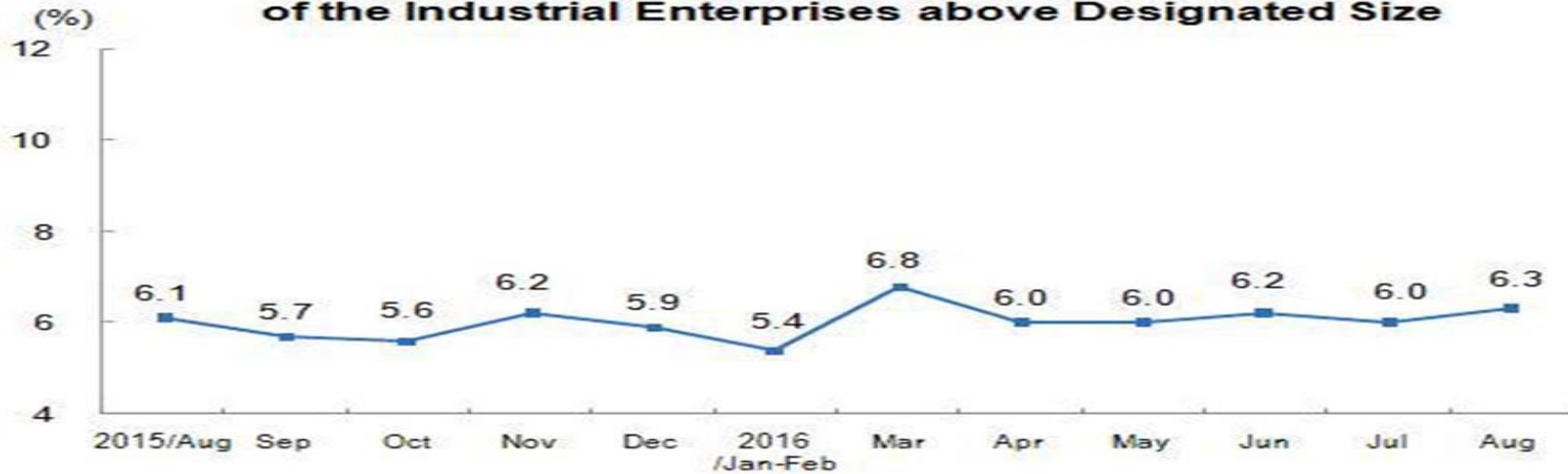


Industry	Growth rate, Jan.—Jul.
Petroleum processing	197.2%
Ferrous metals	131.5%
Non-ferrous metals	23.2%
Telecom equipment	17.7%
Mechanical equipment	16.3%
Pharmaceutical industry	13.8%
Food manufacturing	13.2%
Chemical manufacturing	13.2%
Furniture manufacturing	12.4%
Rubber and plastics	11.8%



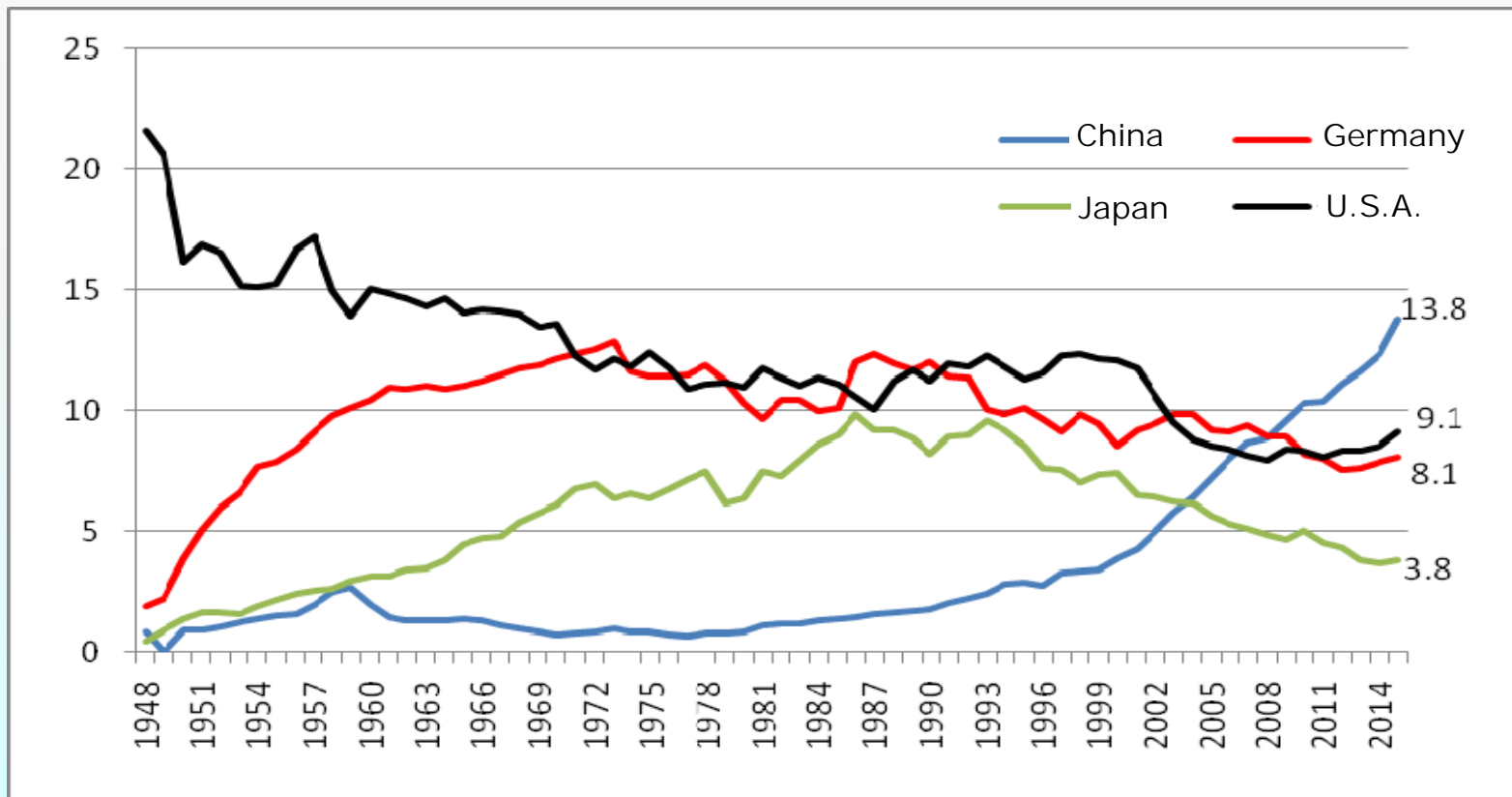
- Total value added: growth rate picked up slightly
- PPI improved: rose 0.1% in September, end of 54 consecutive monthly decrease

**Year-on-Year Growth Rate of Total Value Added of the Industrial Enterprises above Designated Size**



## Export

- great efforts to stabilize foreign trade growth
- UNCTAD : China's market share in the world total export rose from 10.4% (2011) to 13.8% (2015)



◆ **China's export vs. world import: growth rate**

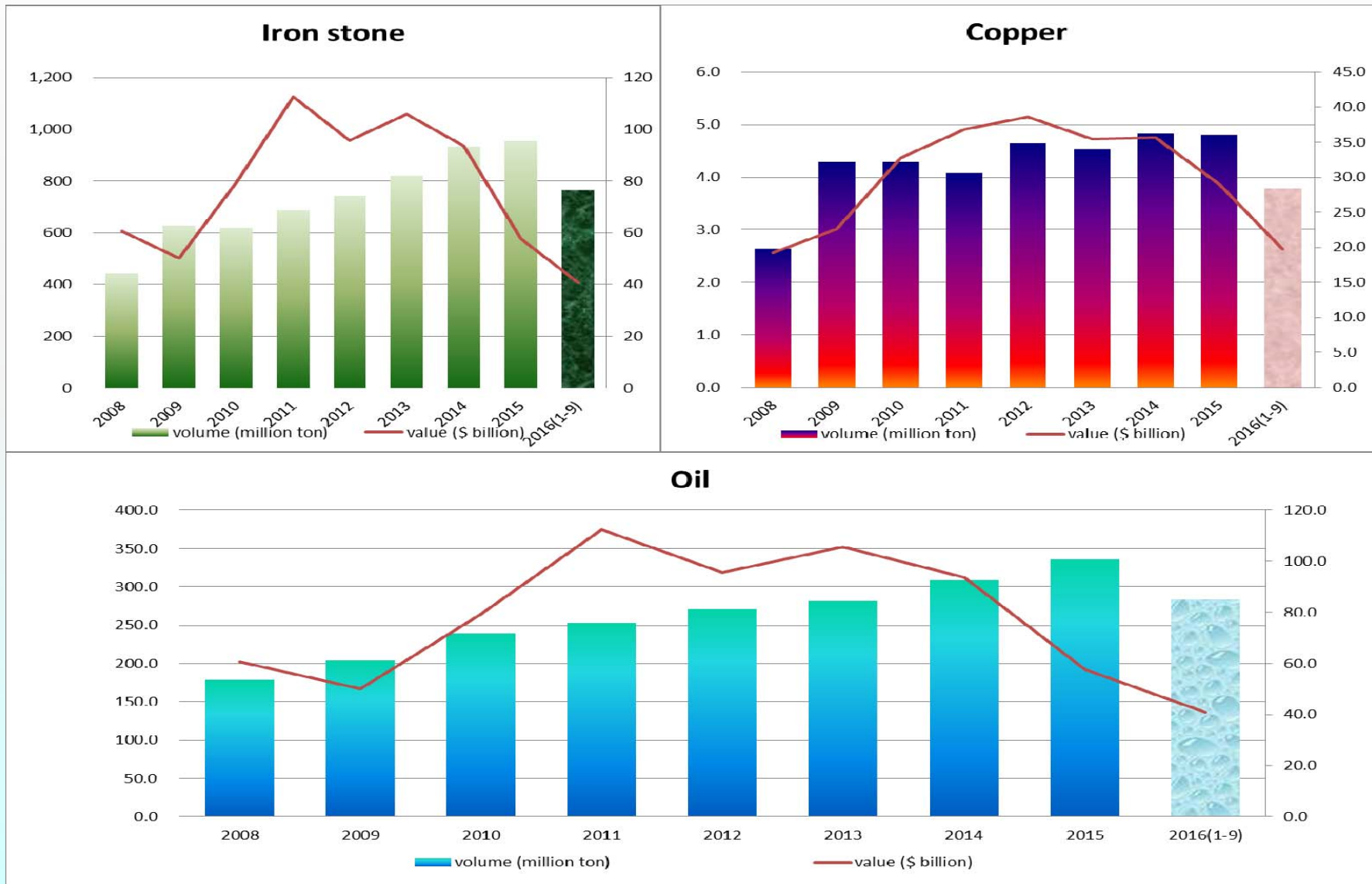
roughly same trend : weak external demand --main driving factor

China's performance: a bit better → competitive



# Bulk products:

- ◆ import value decreased, but volume increased at a rather “high” level



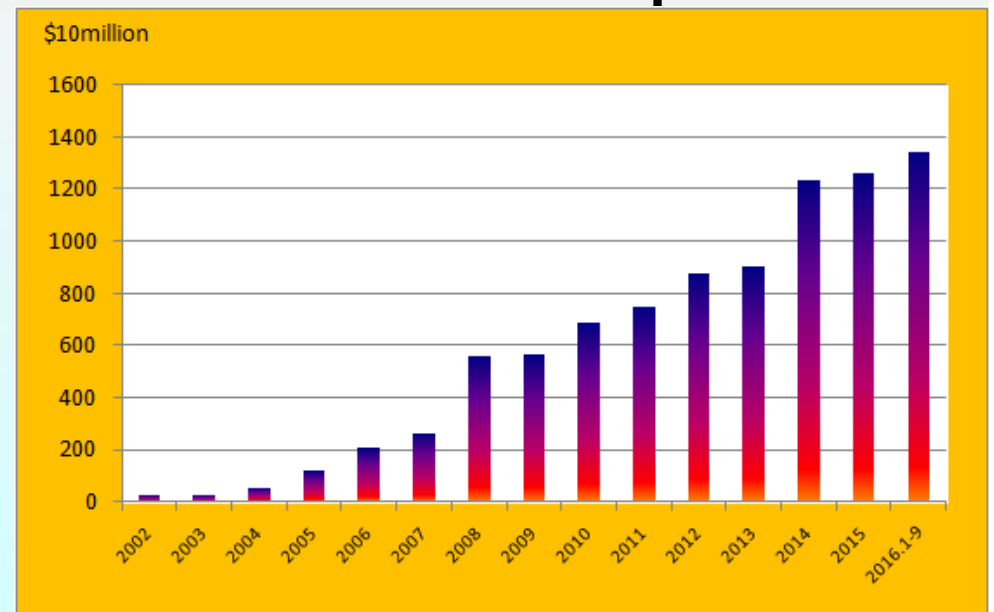
## China's implications

- ◆ Affected by the world, more impact on others  
**become an important viable in world economy**  
**Catch up the opportunities → create opportunities**
- ◆ Endeavors:
  - **domestic reform:** supply-side and institutional reform
  - **Two-way opening-up:** FDI + ODI, coastal + central & west
  - **advocating open , inclusive and mutual beneficial cooperation**

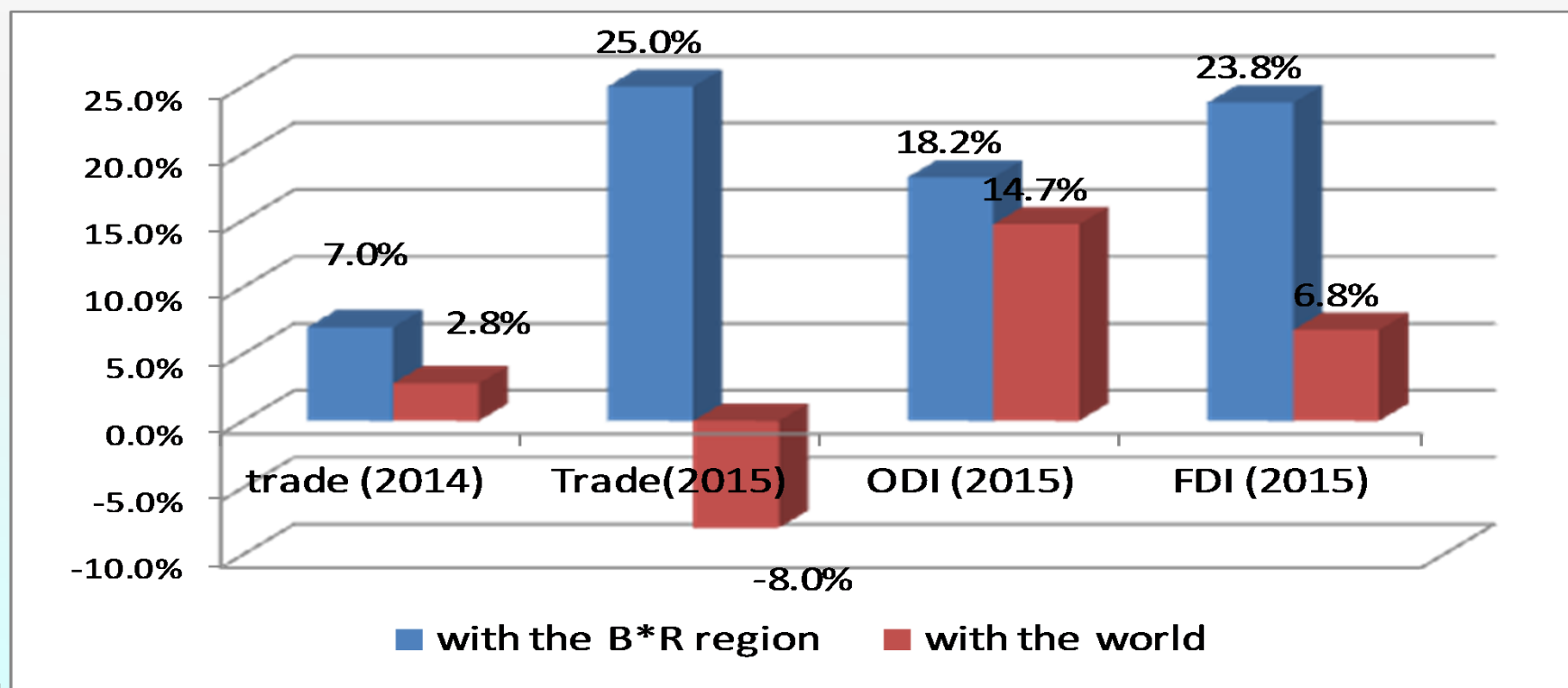
1) B&R Initiative

2) FTA network

3) global economic governance



- ◆ **China enjoys higher growth rate of trade & investment with B&R region than its total with the world. B&R is more important in China's trade and ODI in last decade**
- ◆ **Established 56 cooperation zones** : total investment over \$17.9 billion, 1045 enterprises, taxes to host countries about \$1 billion, job creation 163 thousand.





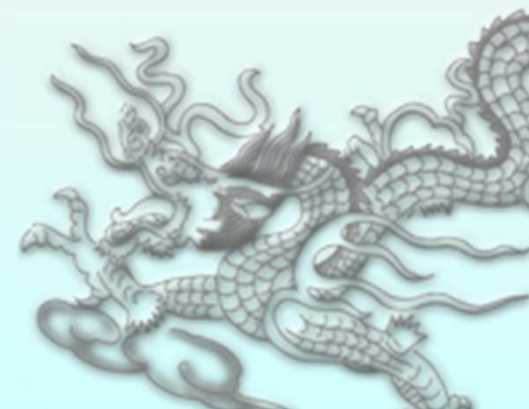
## To Improve infrastructure connectivity

- ◆ **Poor connectivity in the region:**

lead to high cost and low efficiency affects trade & investment environment

- ◆ **Already start to see the effects:**

“2015 World Investment Report” by UNCTAD: “connectivity become an important factor for FDI inflow” due to regional cooperation initiatives (World total FDI reduced by 14% in 2014, but the FDI to South-east Asia went up 10% + M&A in infrastructure in the region increased by 3 times)



# Key messages

- ◆ **No need to be too pessimistic about China's economic future**

- Remarkable progress has been made in adjusting the growth pattern.
- It's in a critical period of entering into stable stage, if challenges could be managed properly + policy tools available to deal with uncertainties
- Maintain 6.5% by 2020, 5.5% by 2030 (conditions)

- ◆ **2016. 1-9 : GDP growth 6.7%**

"Many countries could only dream of achieving growth rates that China has and is likely to achieve, which also reflects positively on the reforms that Chinese policymakers have undertaken".

more precious with \$10 trillion in total.:  $1 \% = 1.5 \% (5) / 2.6 \% (10)$

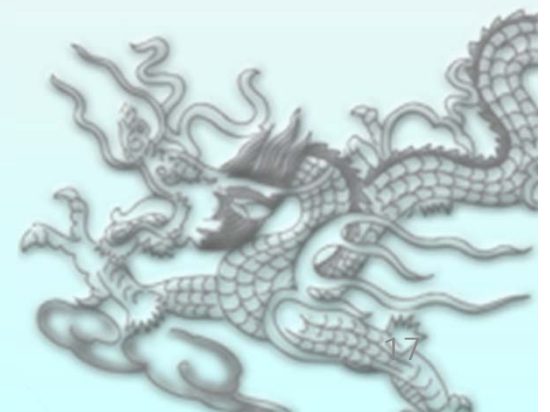
- ◆ **Important contribution to world economic growth:**

China (1/3), BRICKS (over 45%), US +EU + Japan (20%)

→ China's domestic demand and development: key factor

# Key messages

- ◆ China has made in its economic transition, which the IMF expects will continue and benefit the global economy.
- ◆ Future:
  - accelerate reforms and invigorate new development momentum
  - preventing risks
  - strengthen macro-economic coordination + mutual beneficial cooperation



Thank you!

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