

Achievements and Challenges of China's Economic Development

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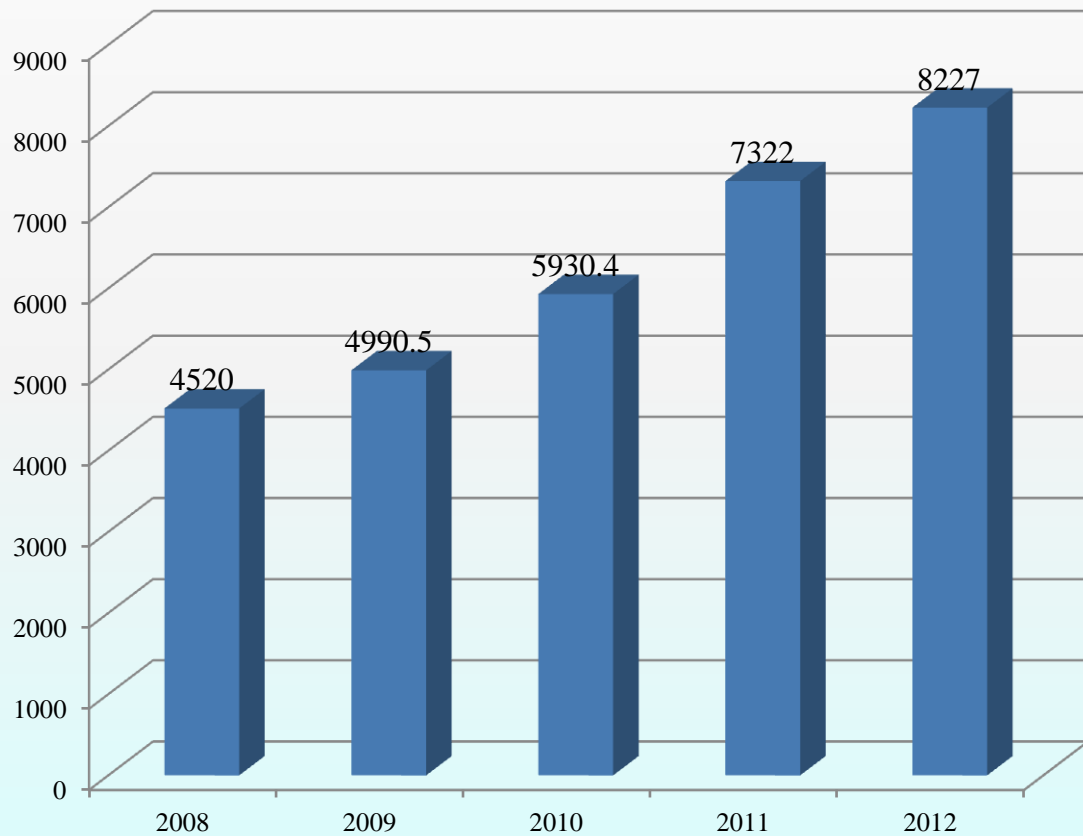


China's Economy has Developed Steadily and Rapidly.

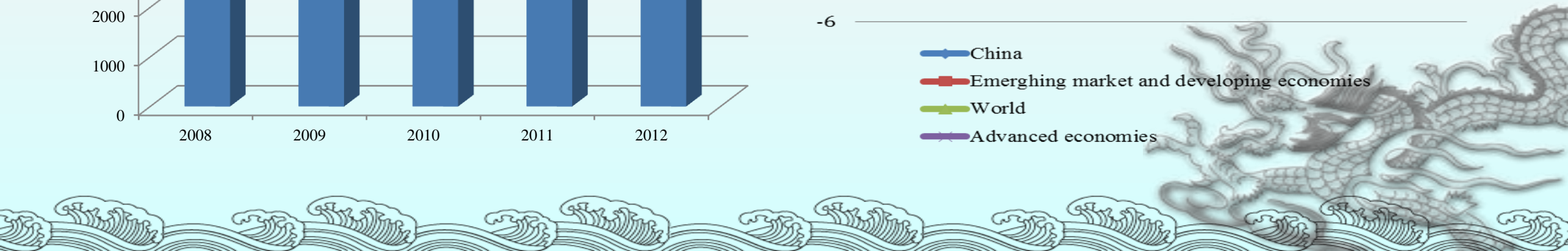
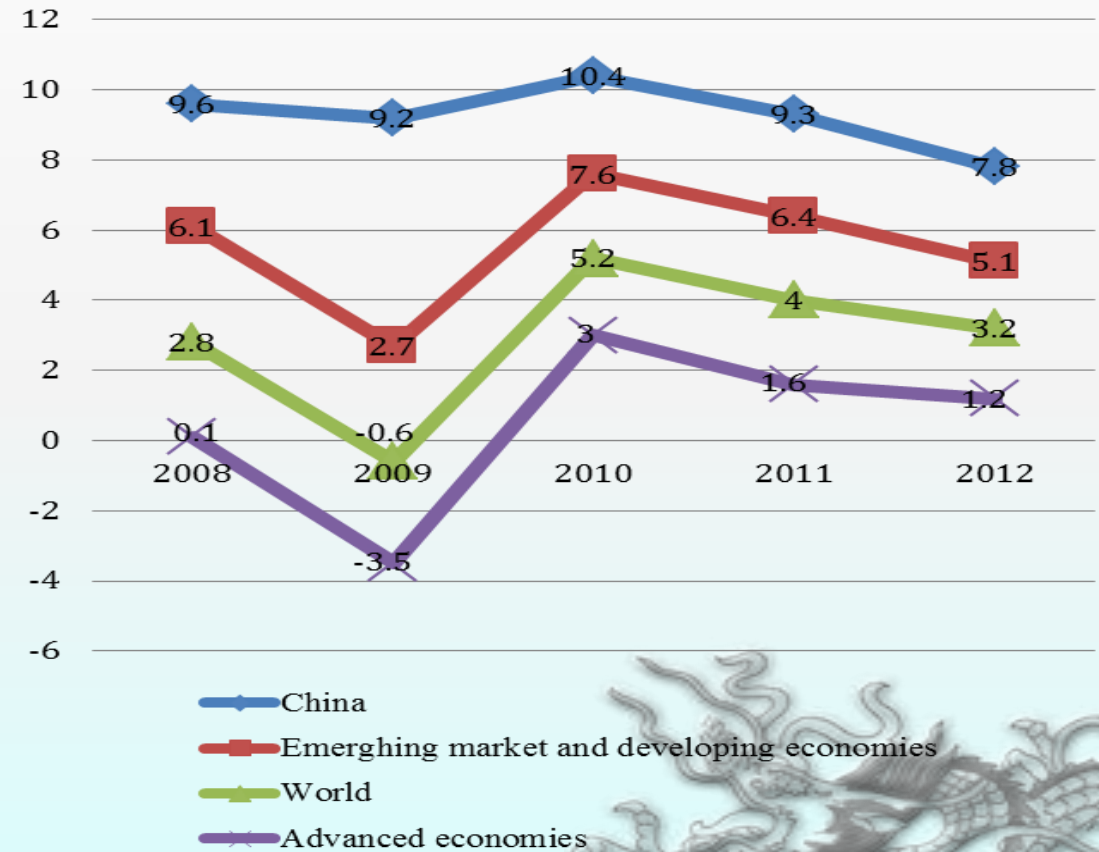


China's overall national strength has grown considerably. China's economy has risen to the second place in the world.

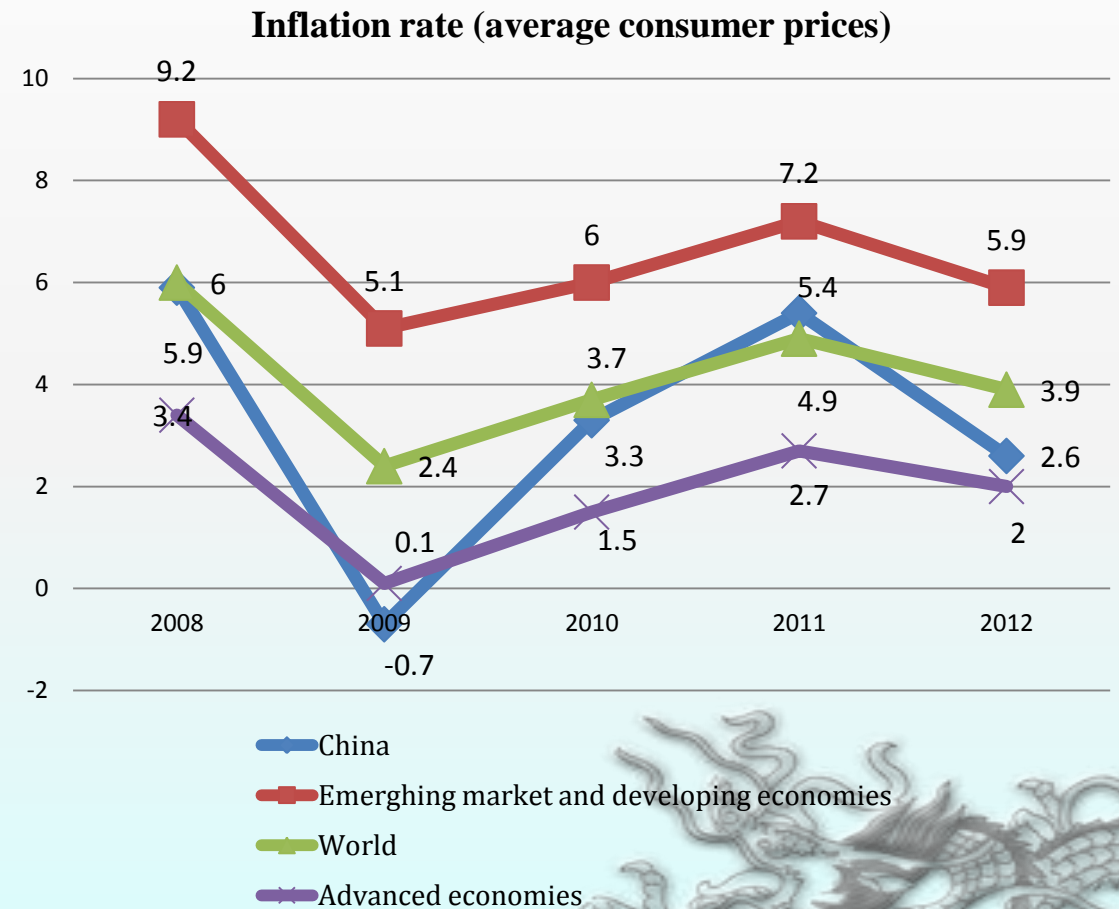
China's Nominal GDP (Billions of USD)



Real GDP Growth (%)

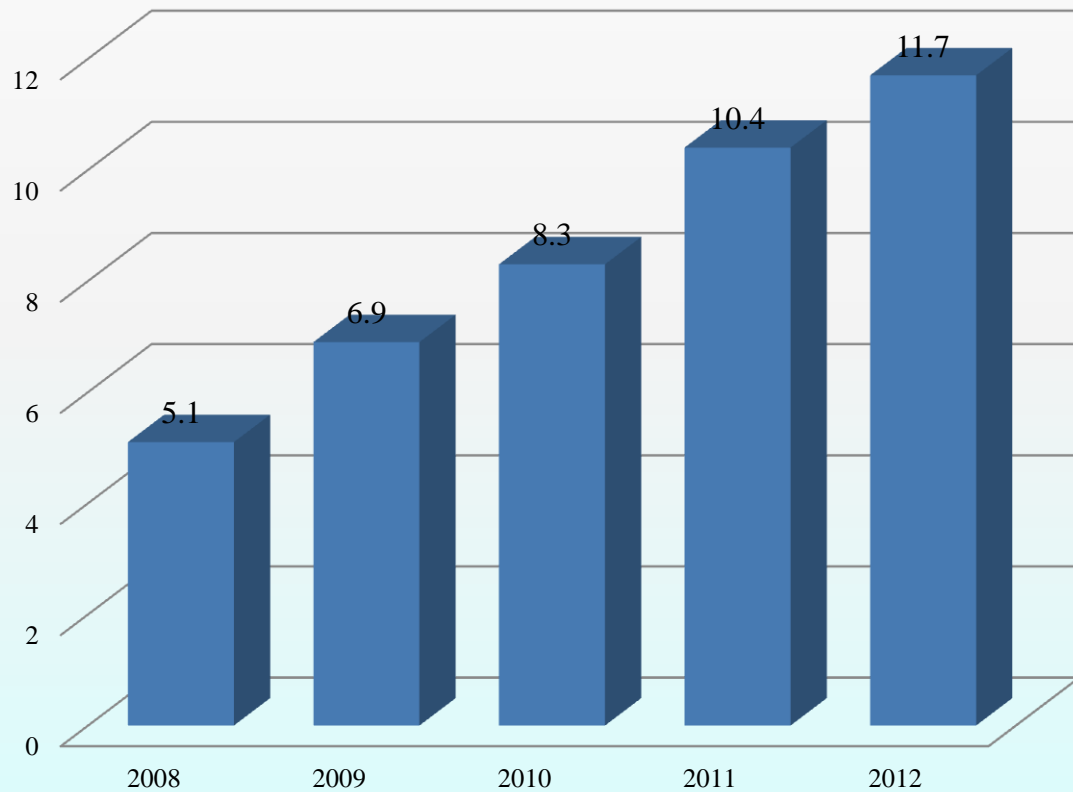


China's per capita GDP keeps increasing and inflation rate is far lower than other emerging market and developing economies.

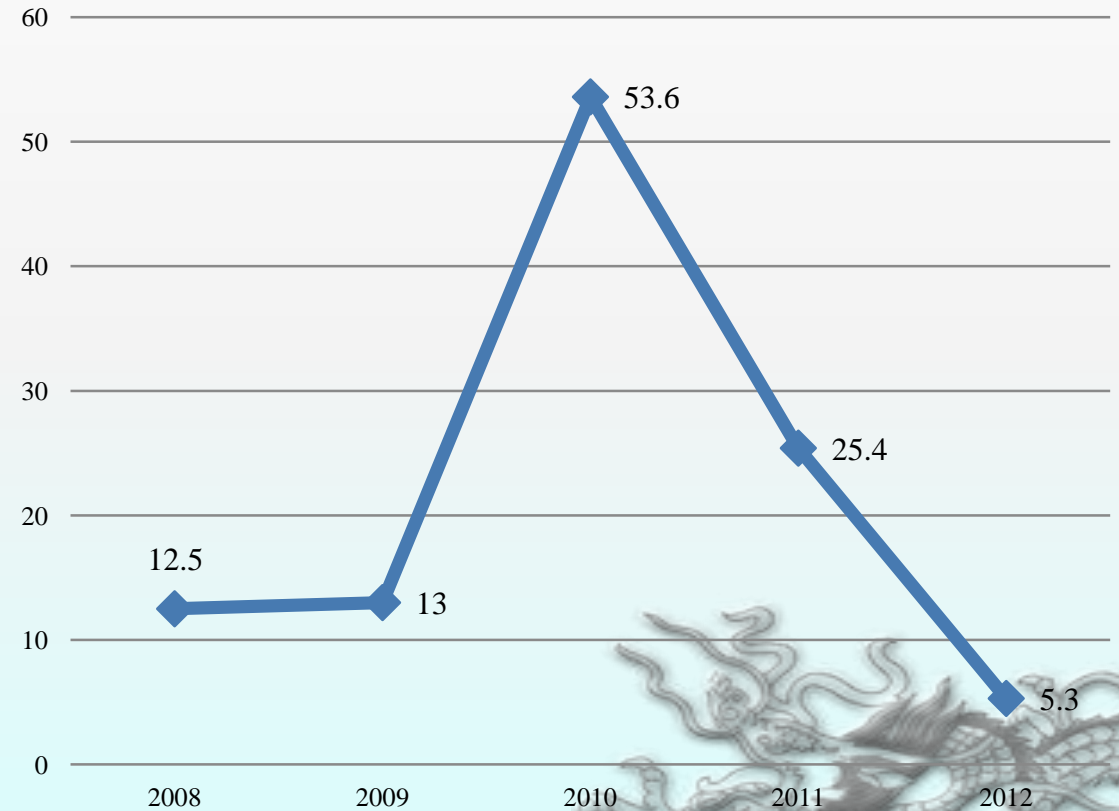


Despite the economic crisis in the developed economies, China's government revenue and corporate profits increased by a wide margin.

**China's national public revenue
(trillions of RMB)**

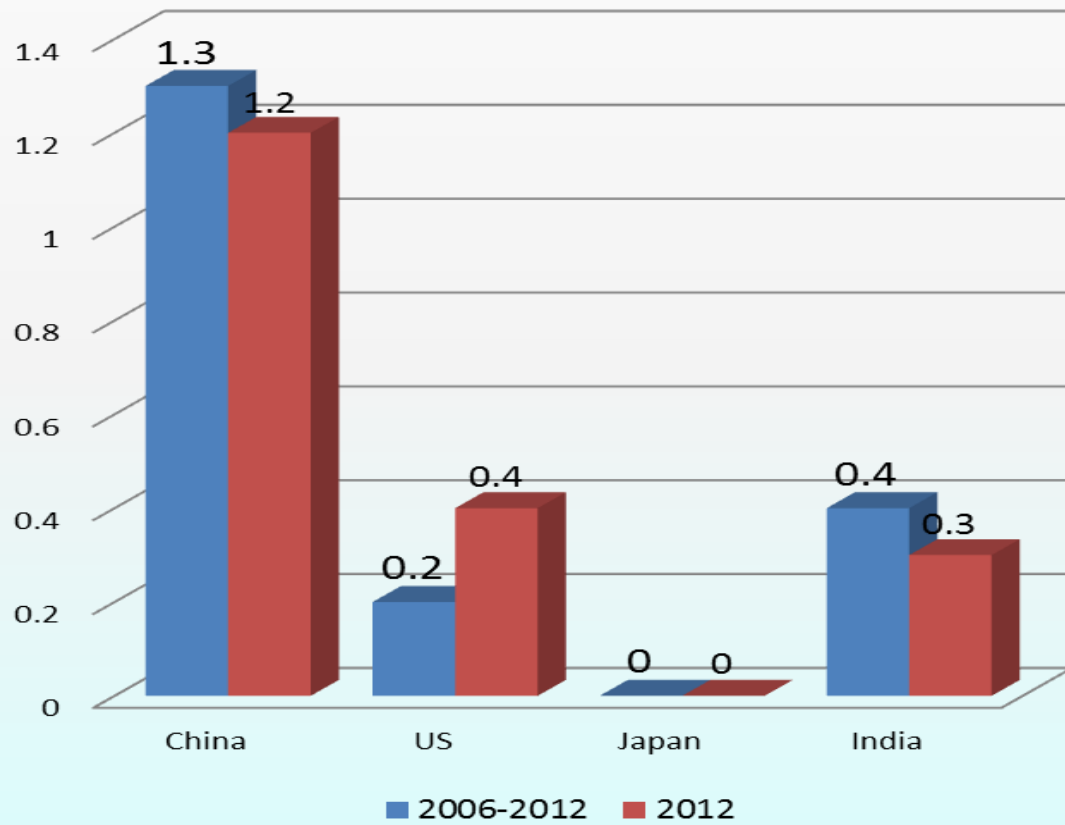


**Profit growth rate of industrial enterprises above
designated size (%)**

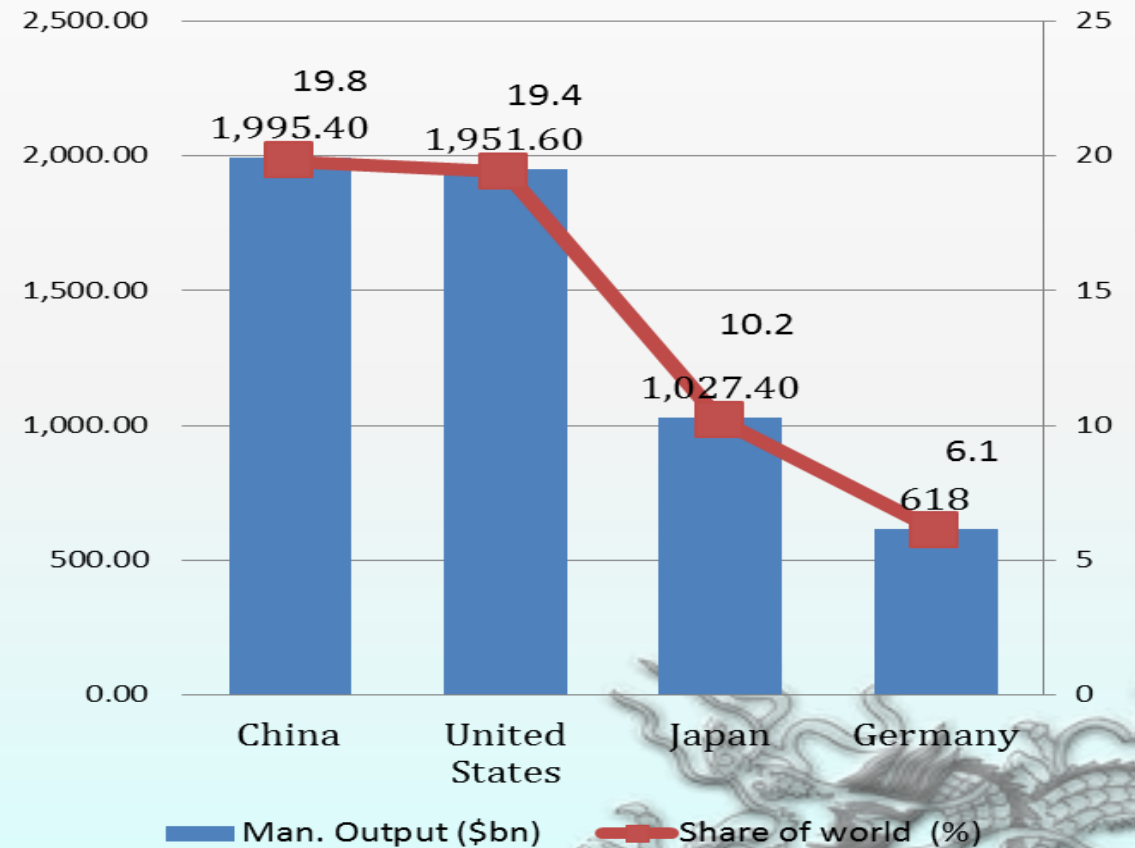


China has been key driver of world GDP and became the world's biggest manufacturer in 2010 overtaking the US.

Contribution to world GDP growth

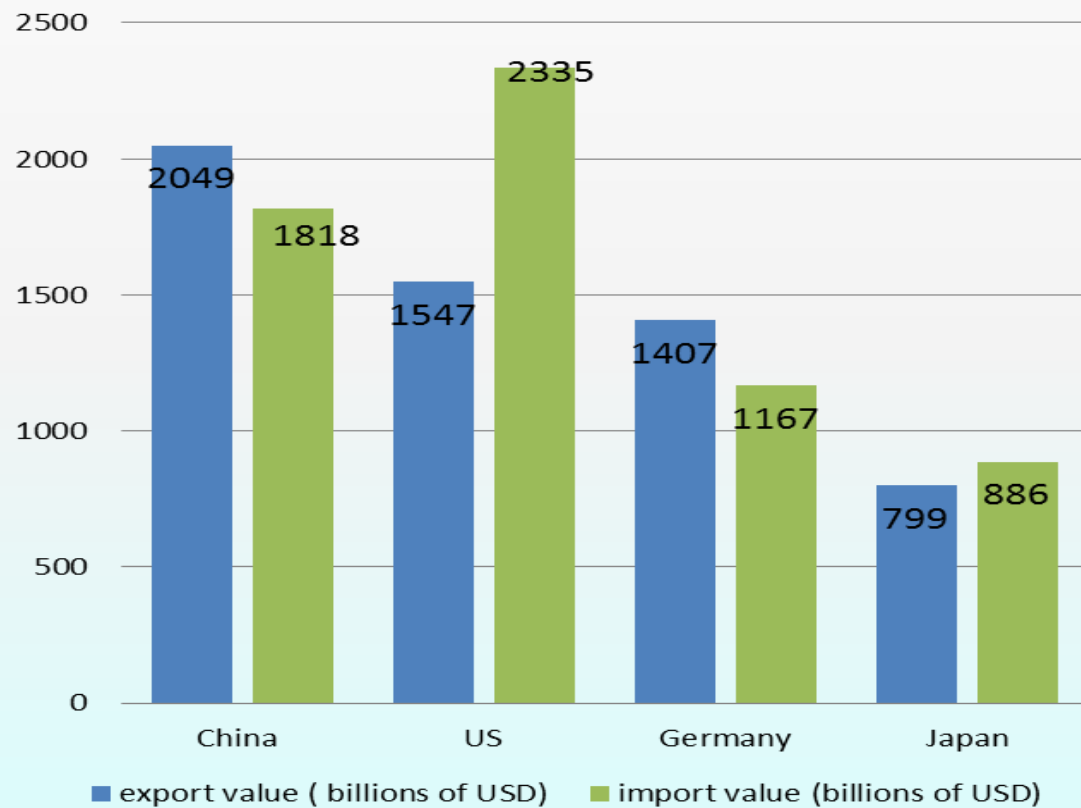


World manufacturing production 2010

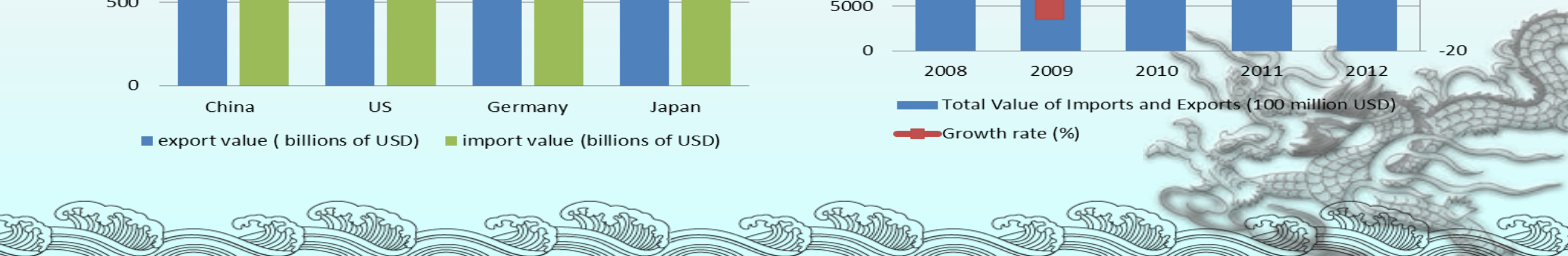
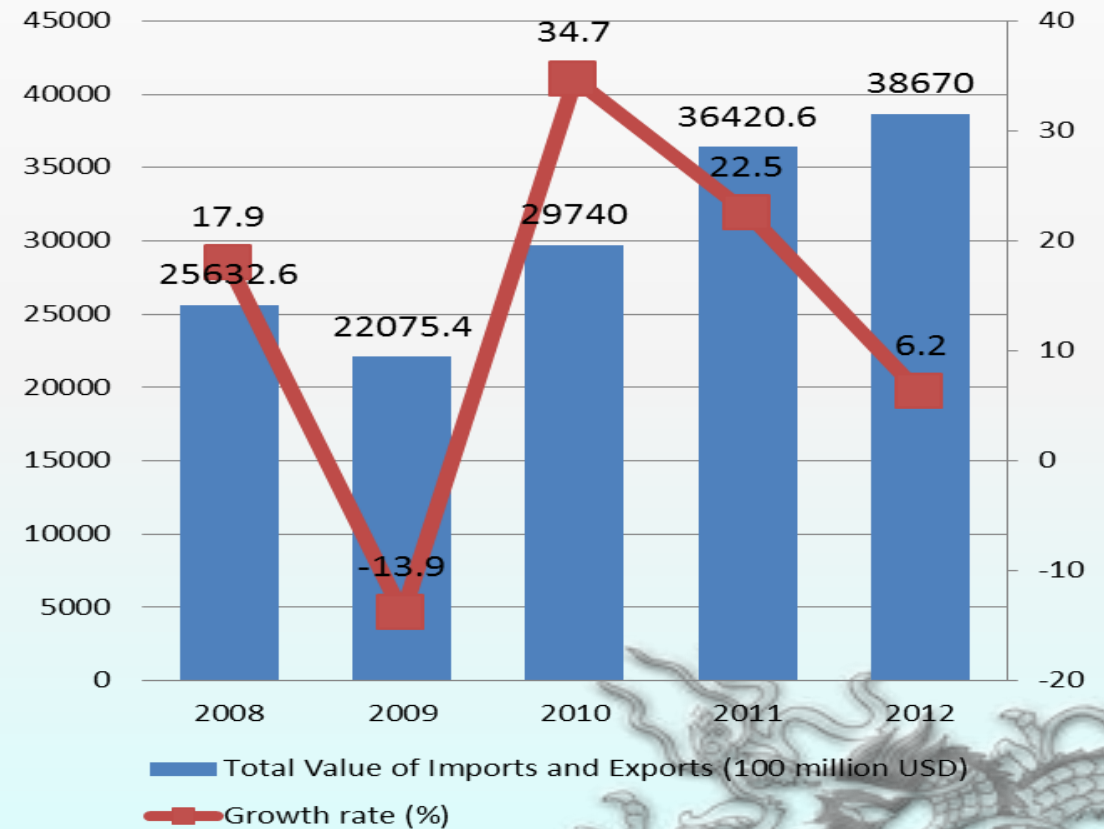


China surpassed the US to become the world's biggest trading nation in 2012 as measured by the sum of exports and imports of goods.

Merchandise trade leading exporters and importers 2012

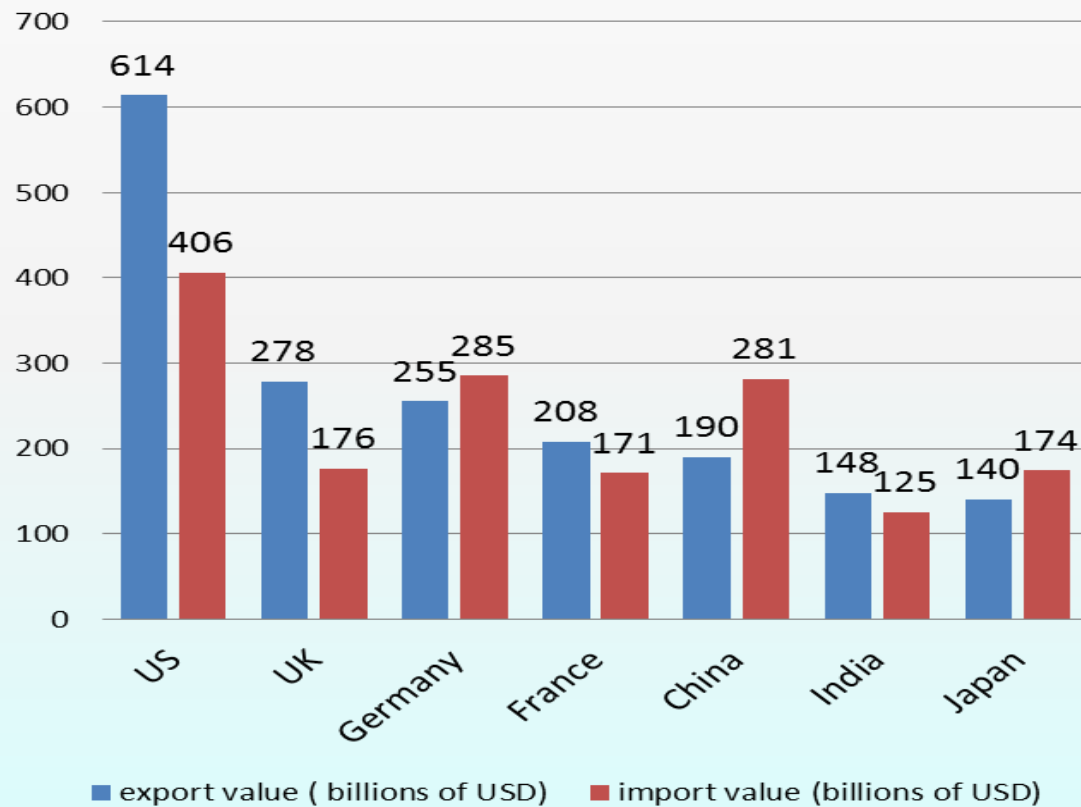


China's Trade in goods

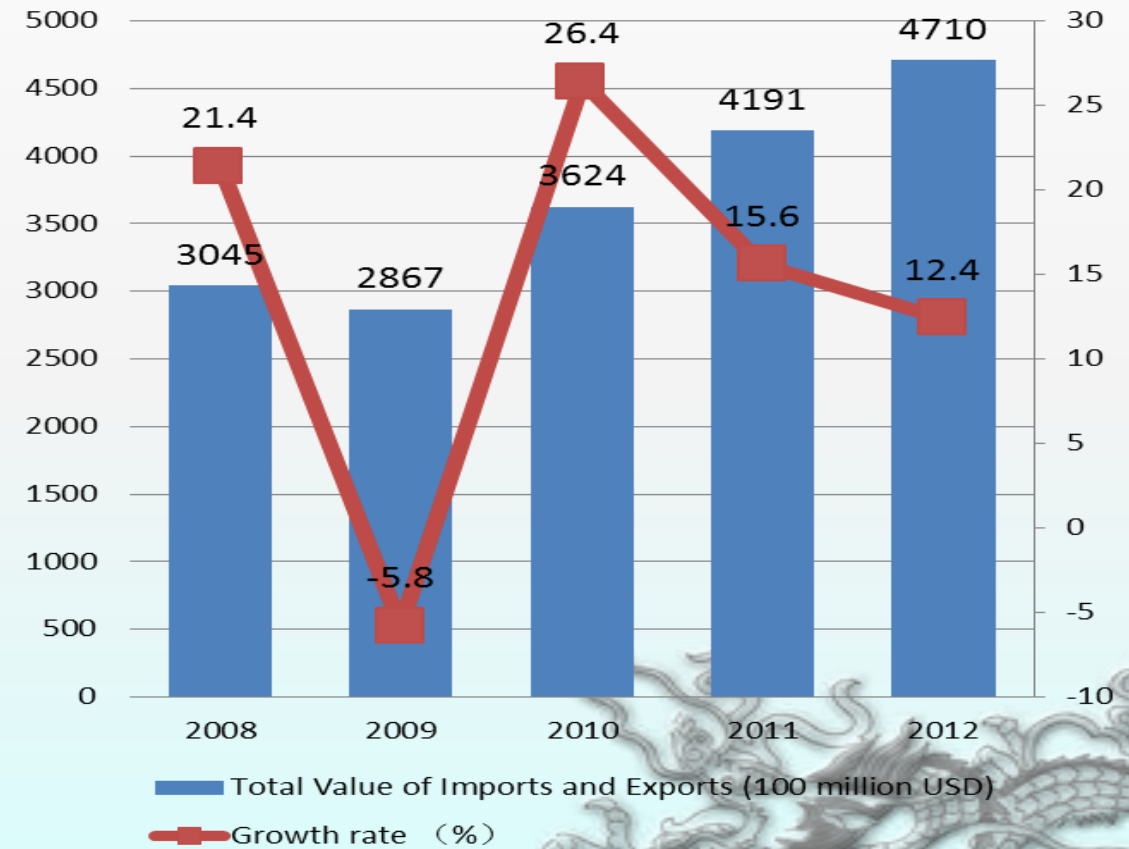


China's service trade is expected to show steady expansion this year, but the deficit in the sector is also increasing.

Commercial services trade leading exporters and importers 2012

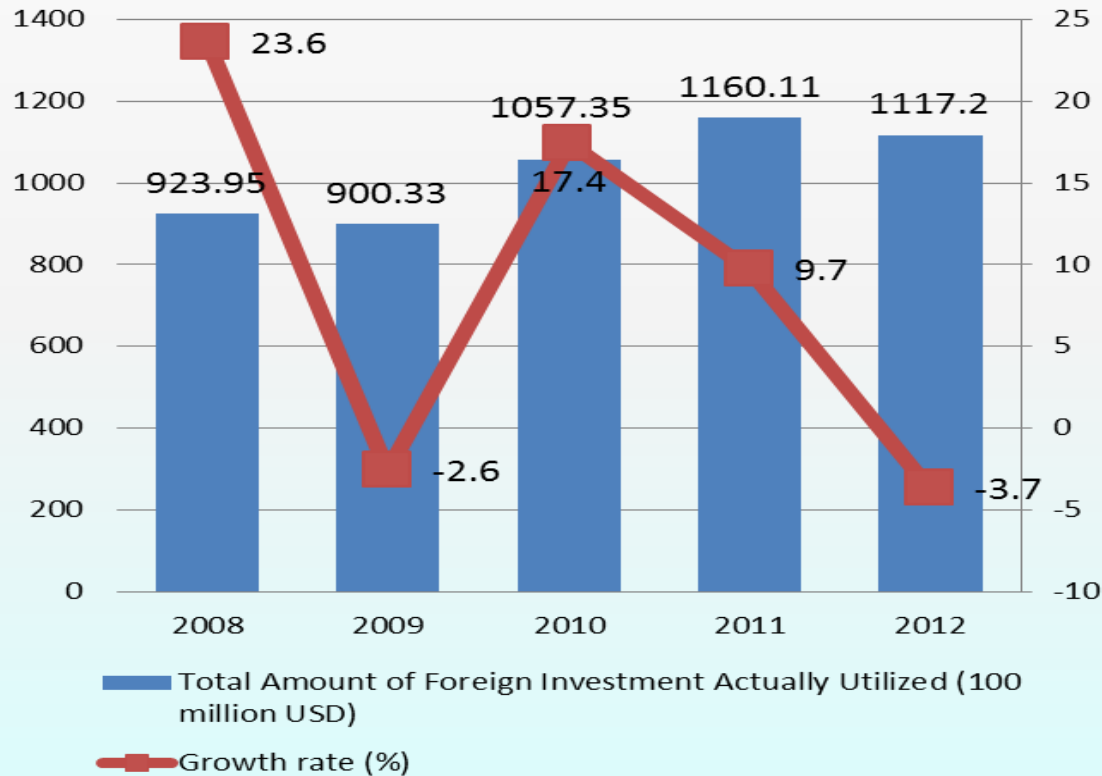


China's Trade in service

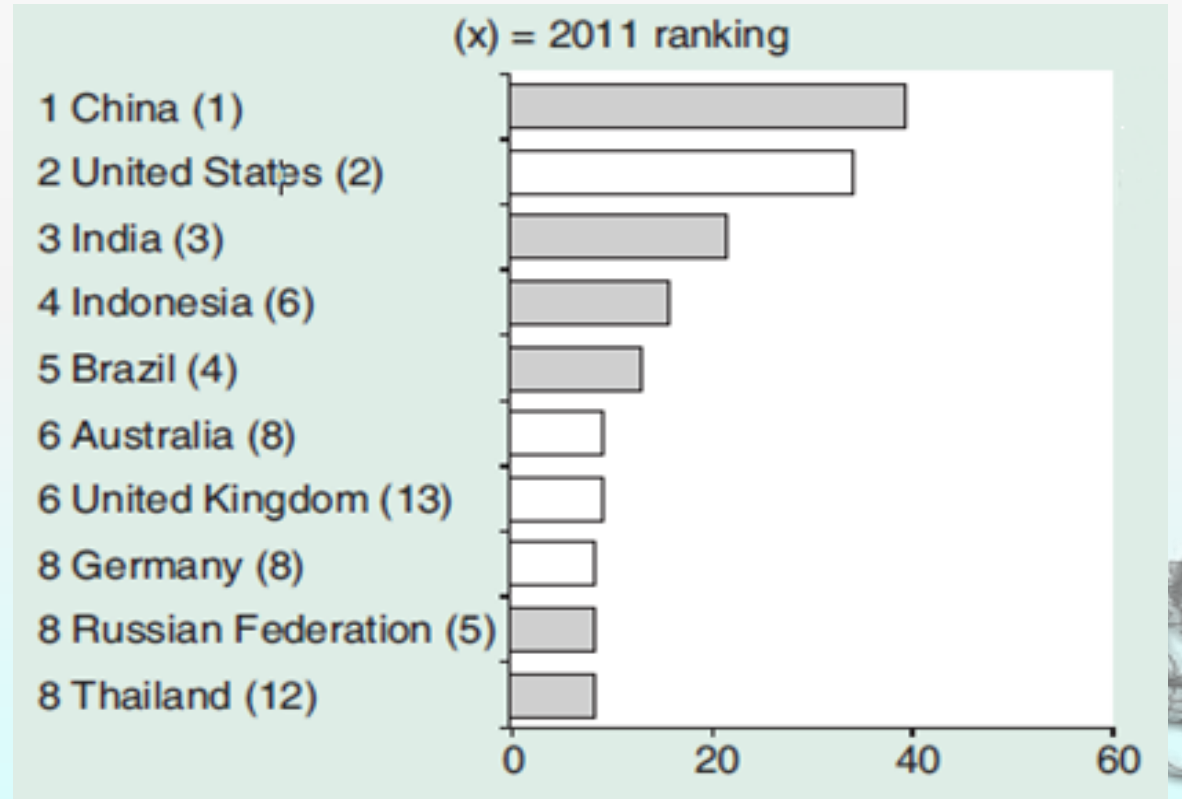


China's utilization foreign capital has risen to the second place in the world.

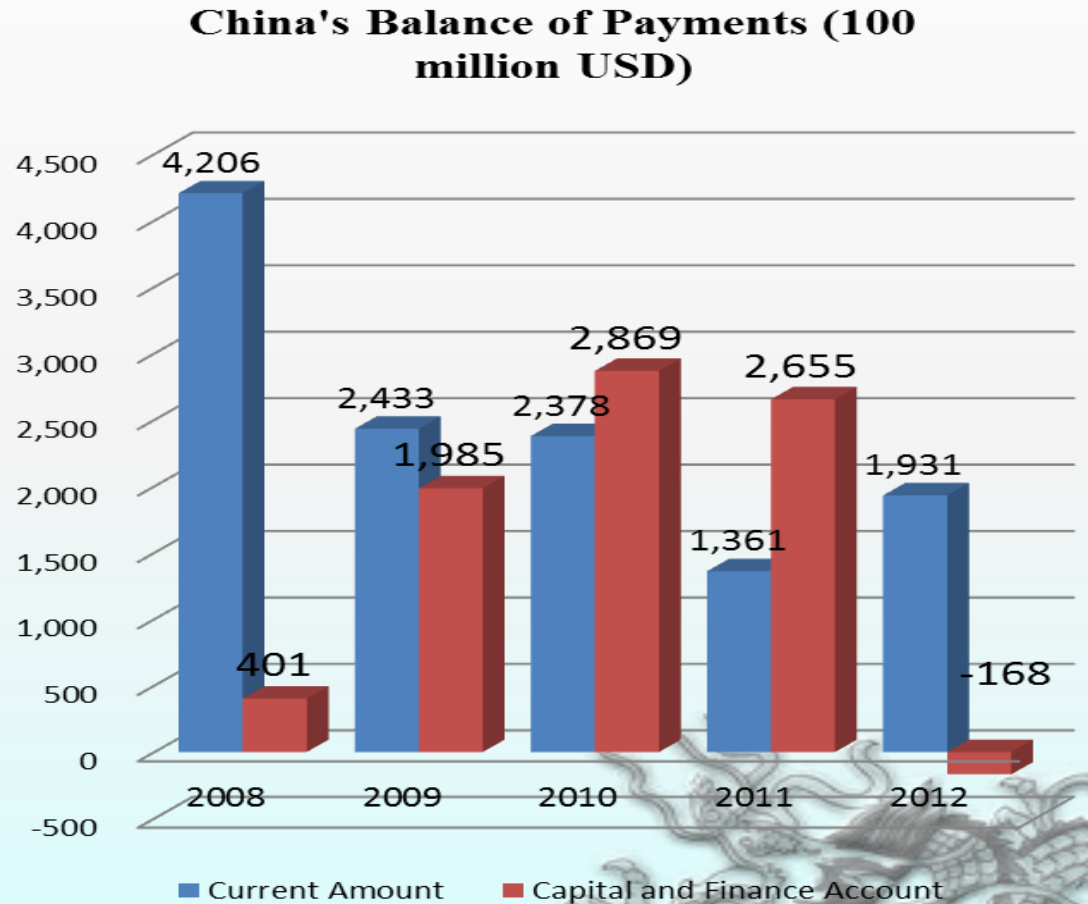
China's Utilization of Foreign Capital



◆ Top 10 prospective host economies for 2012–2014 by UNCTAD

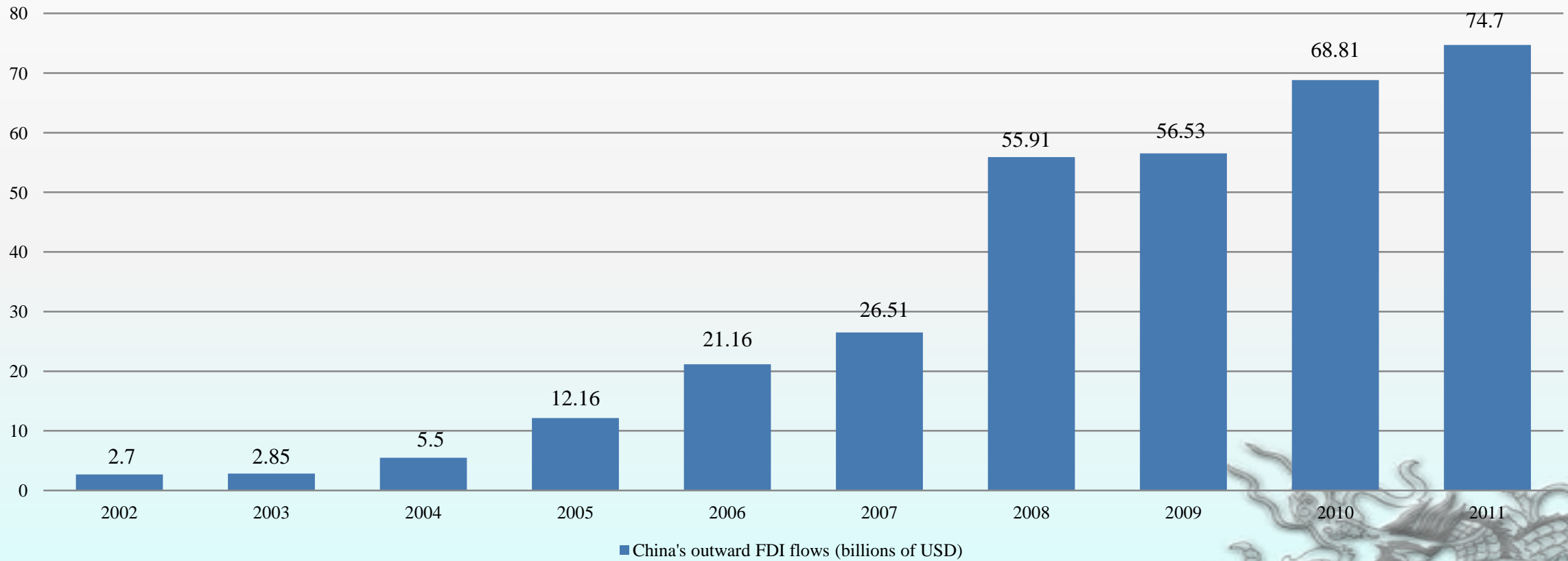


China's forex reserves tends to be stable and balance of payments is moving toward equilibrium.



China's outward FDI flows surpassed Japan and UK in 2010.

China's outward FDI flows



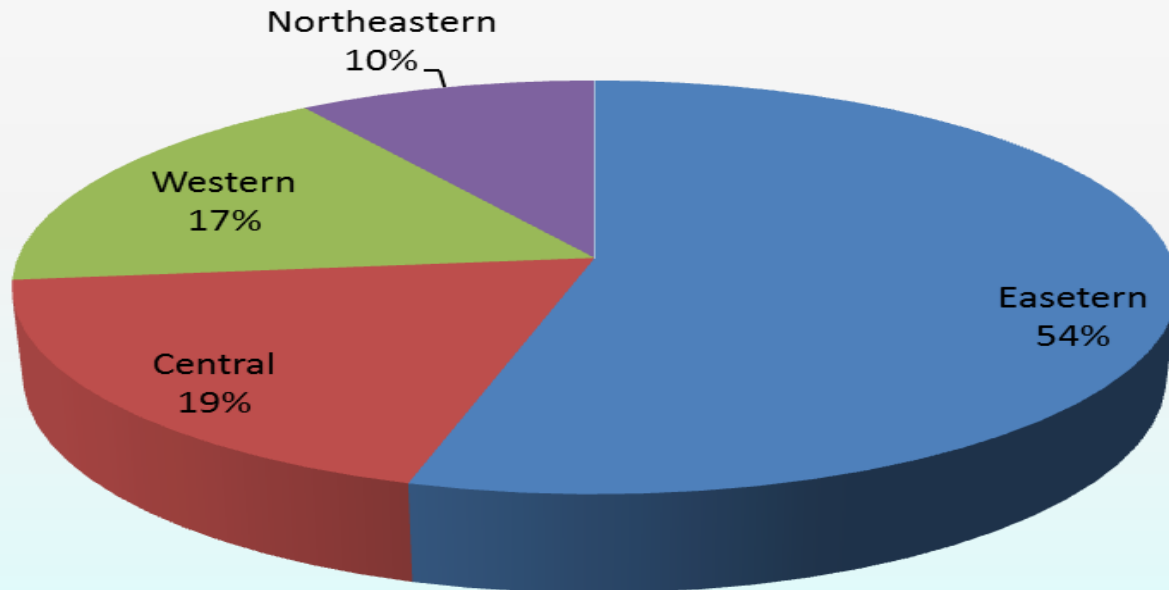
China's international cooperation keeps deepening.

- ◆ Multilateral and bilateral economic and trade cooperation: 16 FTA partners comprising of 28 economies
 - ◆ 10 FTAs have been signed implemented already: ASEAN, Pakistan, Chile, New Zealand, Singapore, Peru, CEPA, Costa Rica, Iceland, Asia-Pacific
 - ◆ 6 Agreements under negotiation: GCC, Australia, Norway, SACU, Switzerland, Korea
 - ◆ Under consideration: India, Japan&Korea,
- ◆ China's share in SDR increased from 3.72% to 6.39%, and voting right in IMF from 3.65% to 6.07%, located in third place.

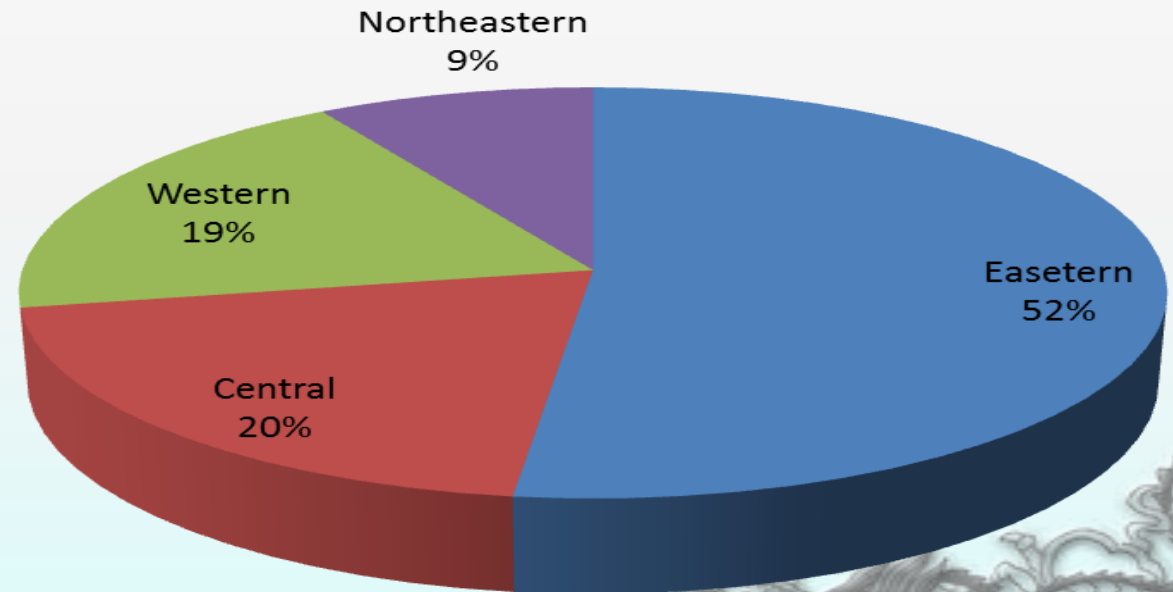


China's regional development tends to balance.

Share of Eastern, Central, Western and Northeastern areas to national GDP 2002

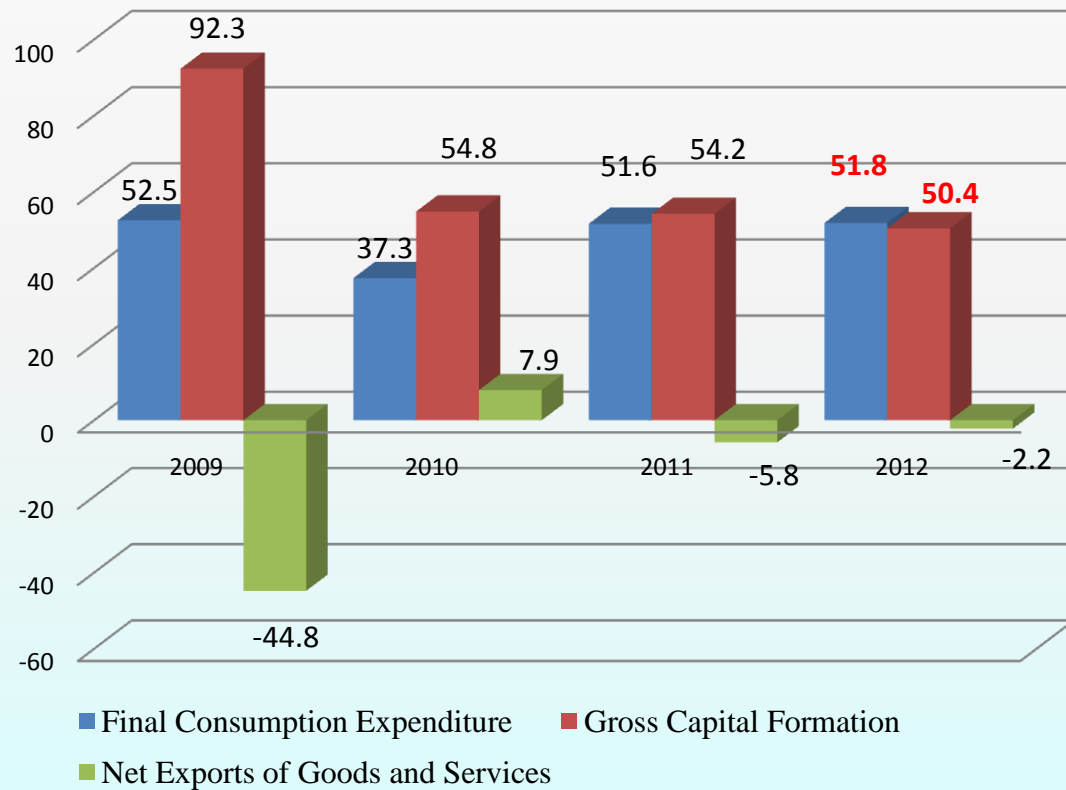


Share of Eastern, Central, Western and Northeastern areas to national GDP 2011

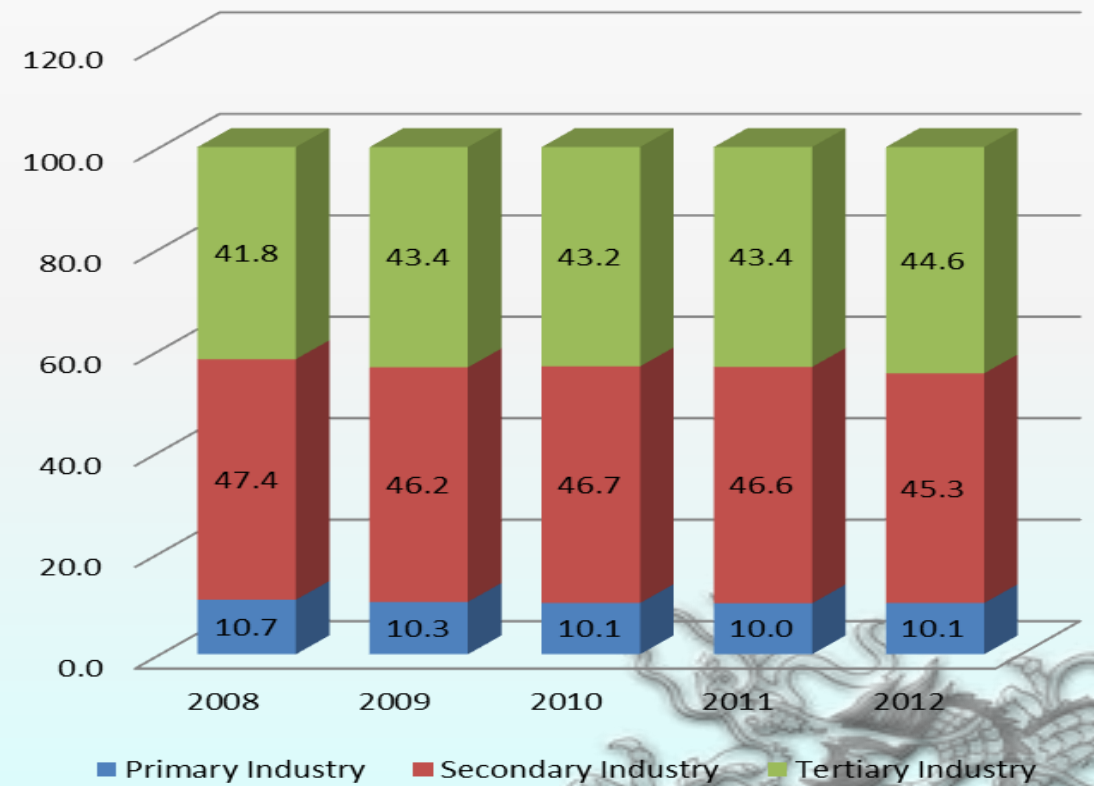


The structure of domestic demand and external demand has been improved considerably. The share of tertiary industry to GDP has improved.

Contribution Share of the Three Components of GDP to the Growth of GDP (%)

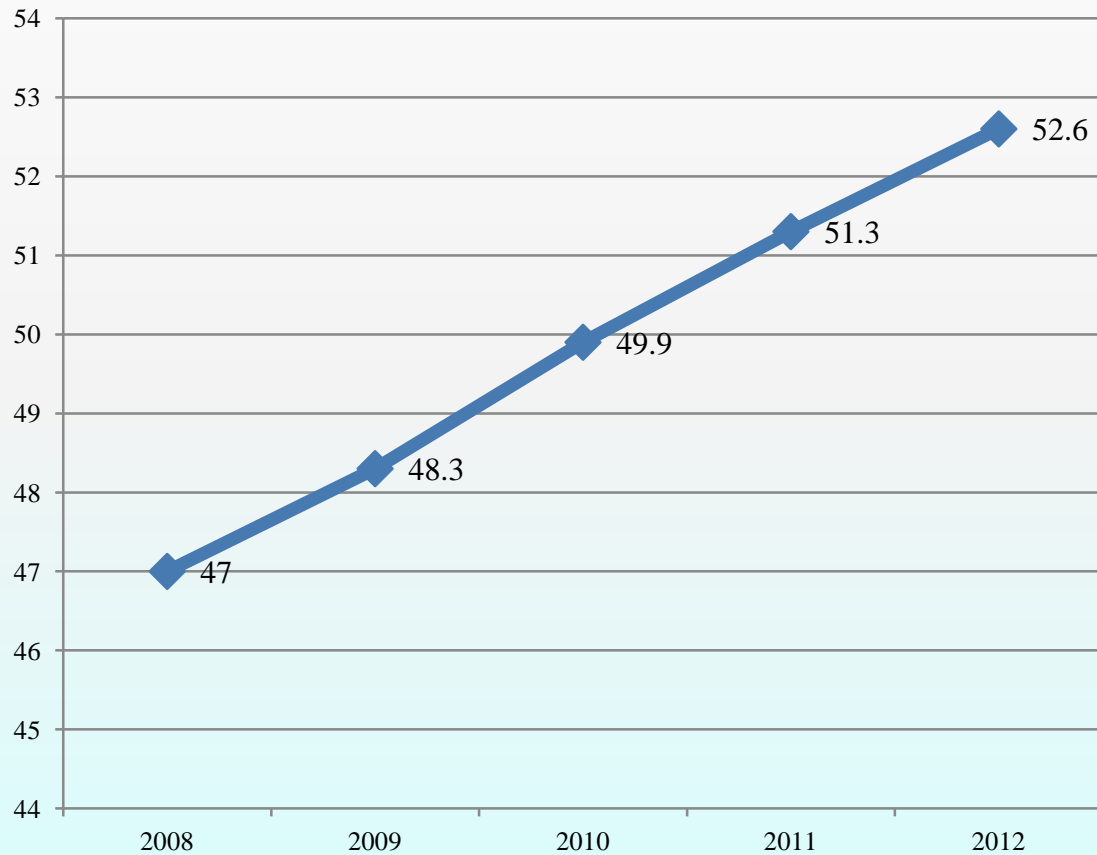


Composition of Gross Domestic Product (%)

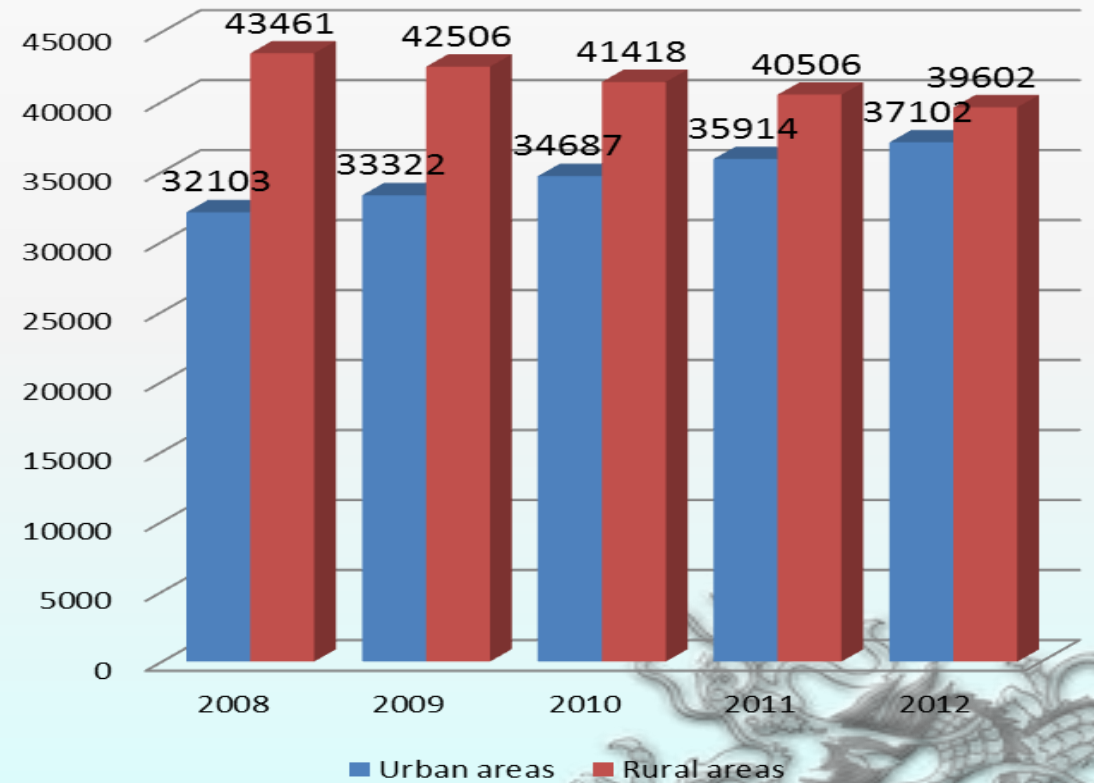


Urbanization has been steadily advanced, and rural employment has continued to increase.

China's urbanization rate(%)

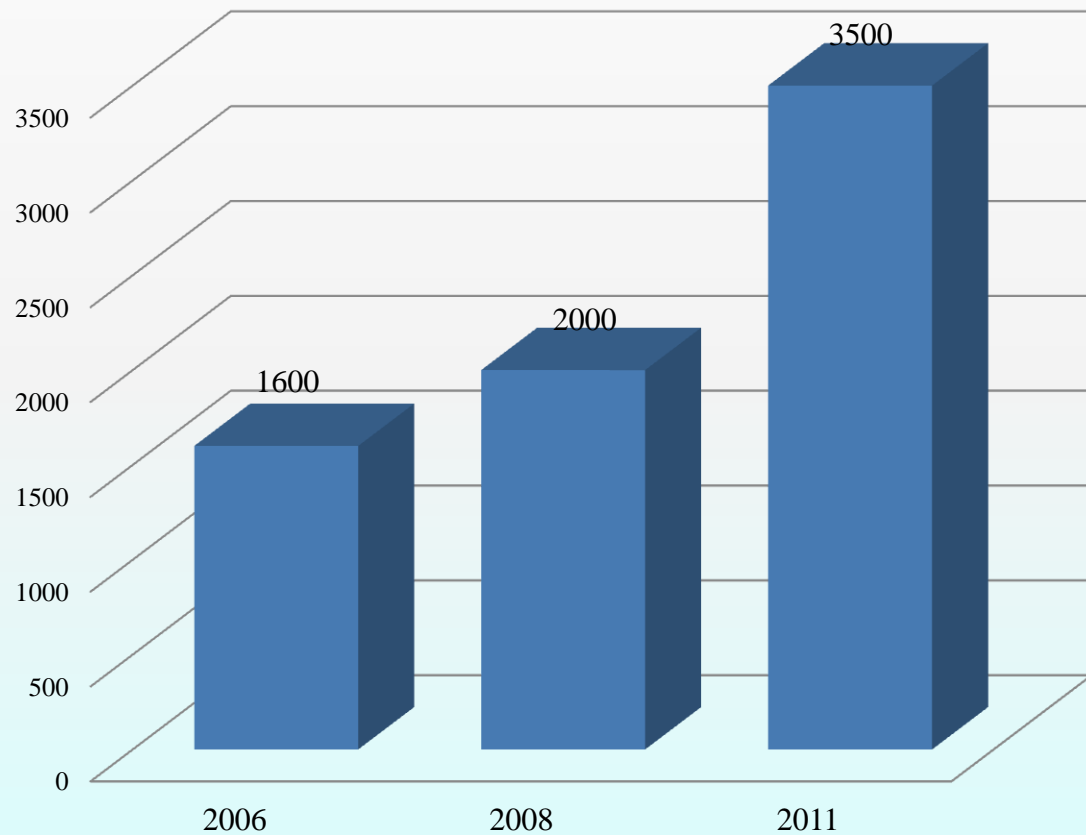


Number of Employed Persons in Urban and Rural Areas (10000 persons)

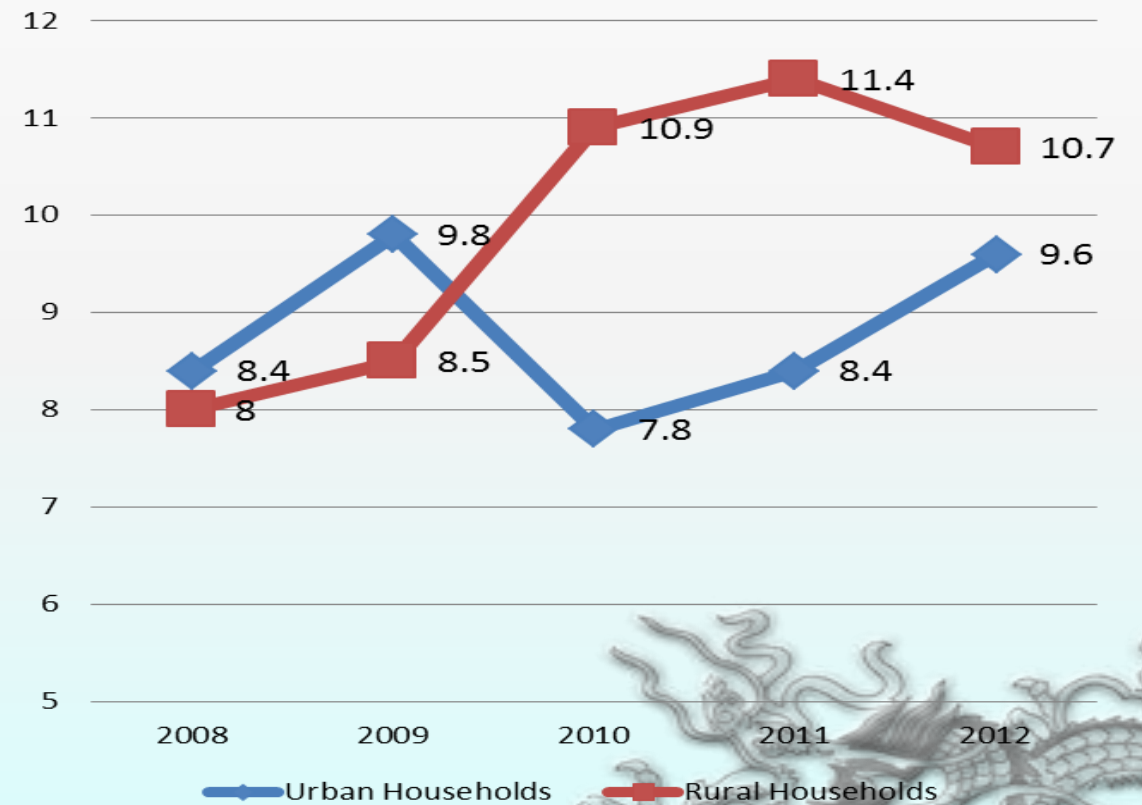


Living standards have been significantly improved. Individual income has increased rapidly

Monthly income-tax exemption (yuan)



Per Capita Annual Disposable Income (yuan)

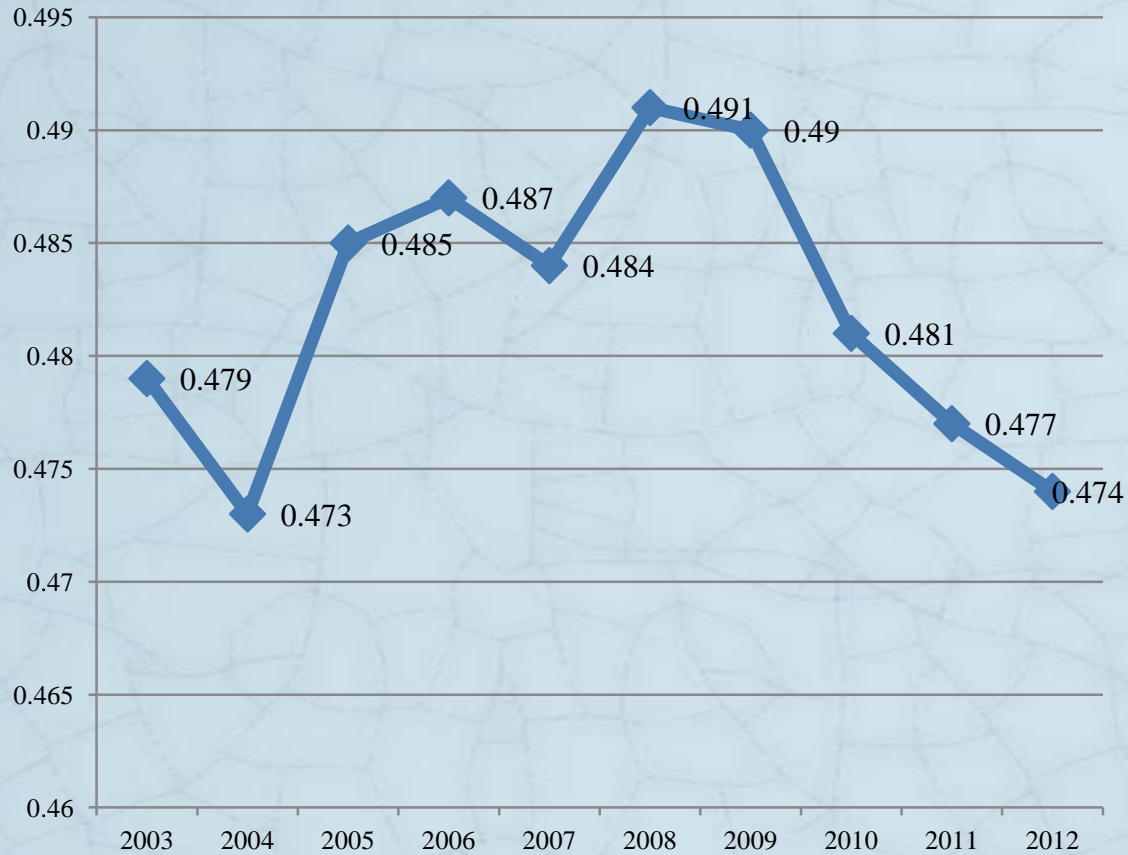


Main Issues and Challenges

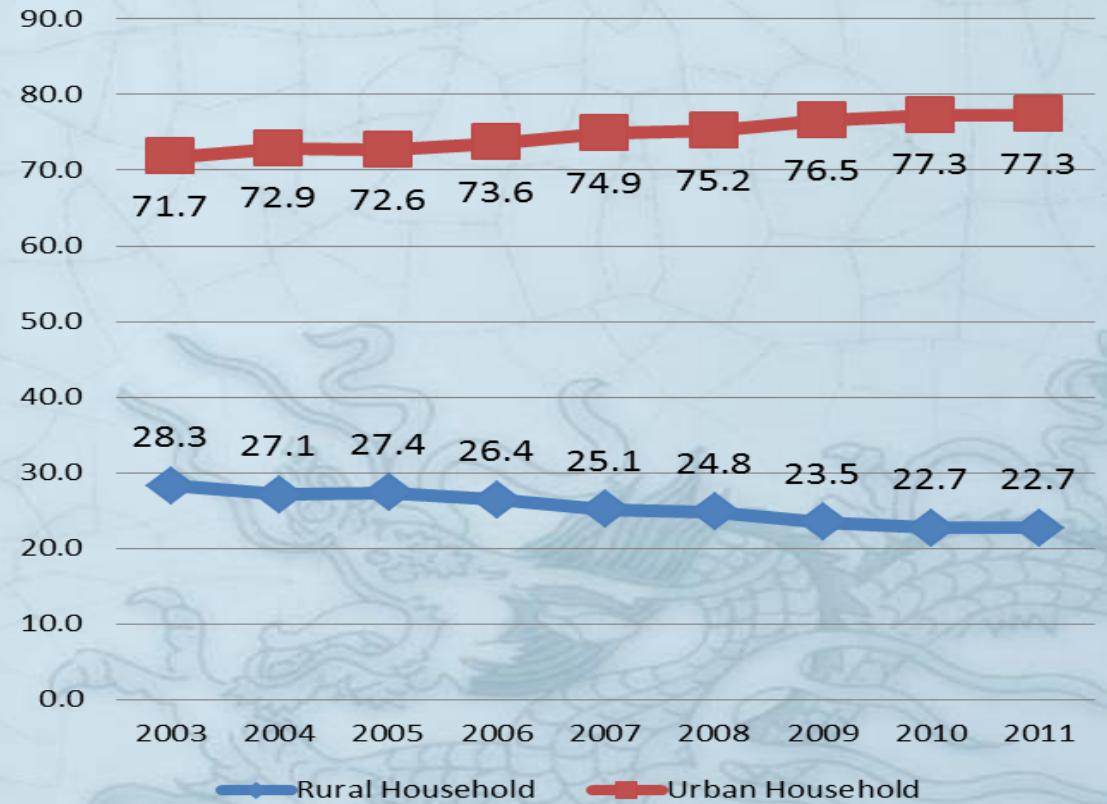


Large income gaps

China's Gini coefficient

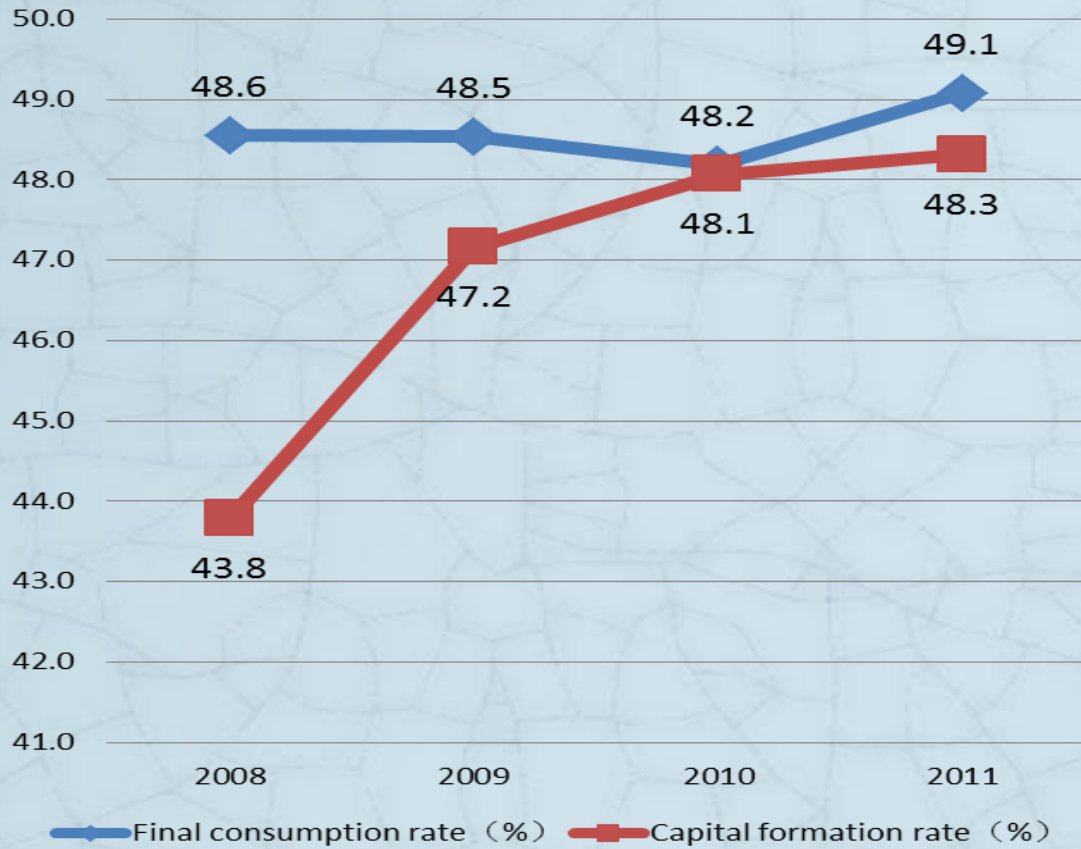


The Structure of Household Consumption (%)

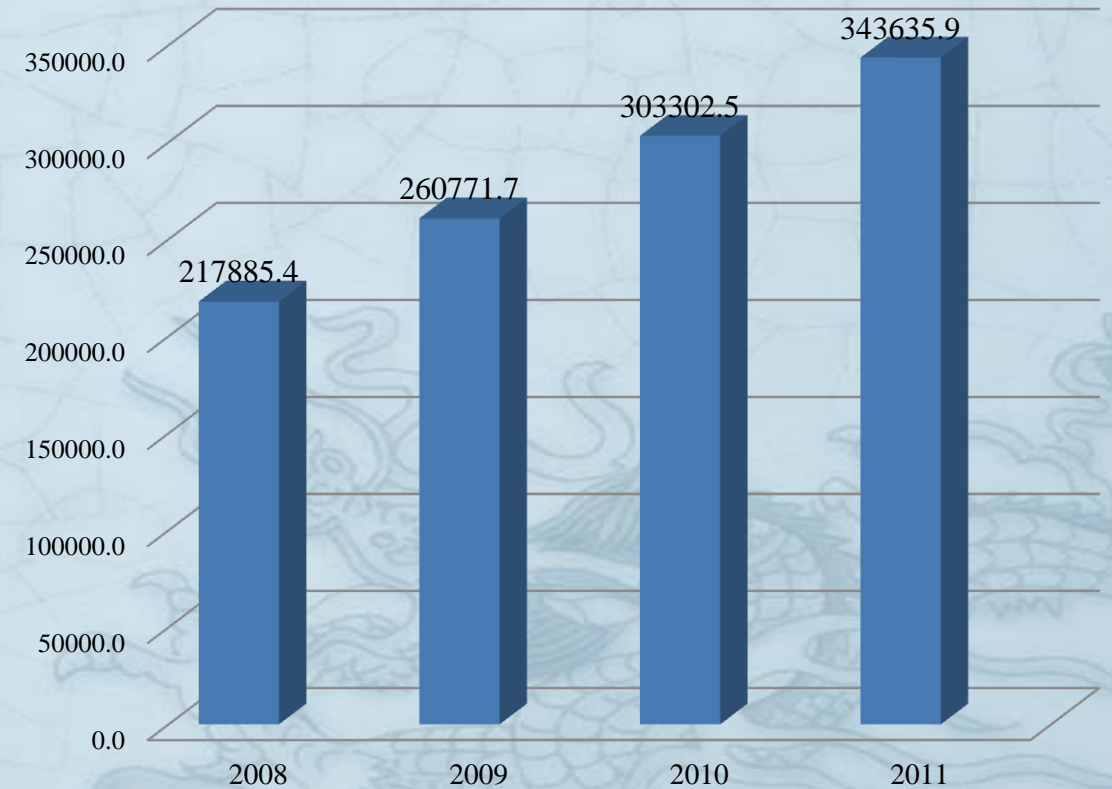


Unreasonable consumption and investment and excessive saving

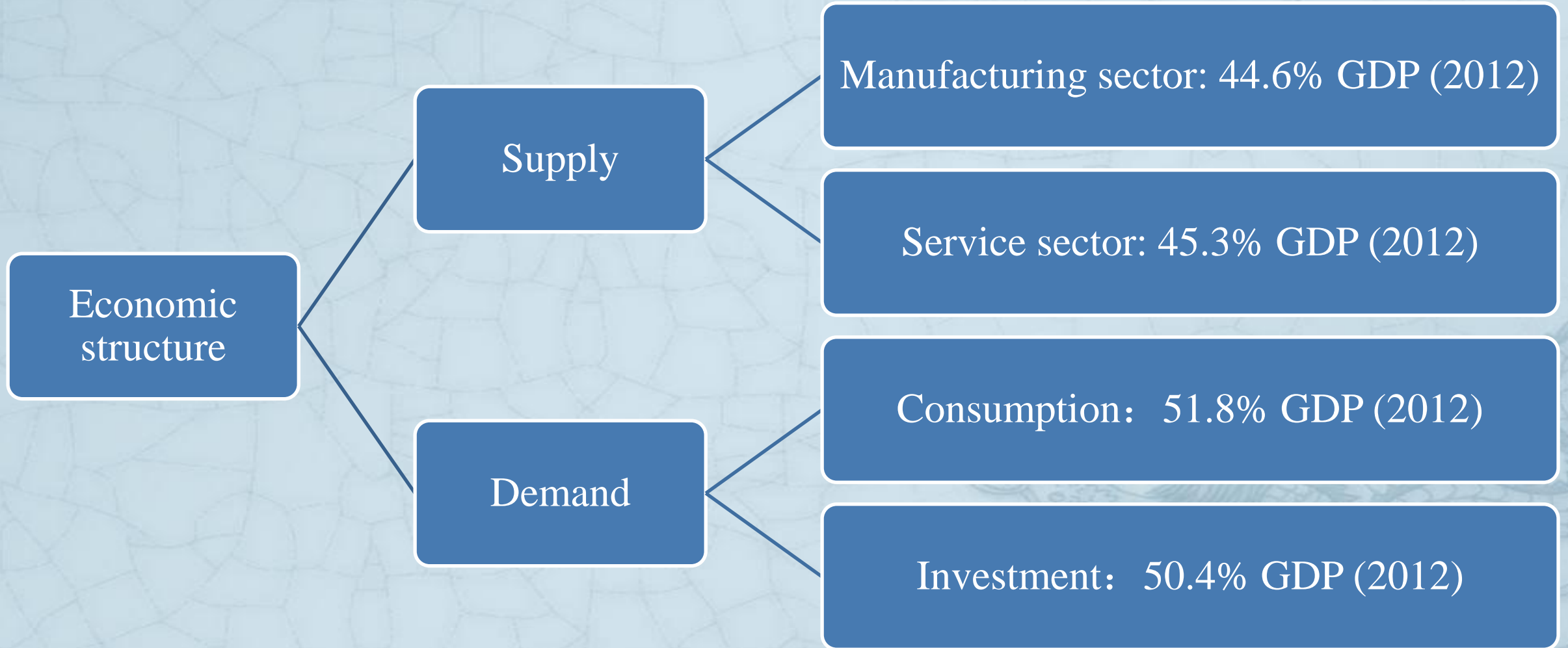
consumption rate and investment rate



Savings Deposit of Urban and Rural Households (100 million yuan)

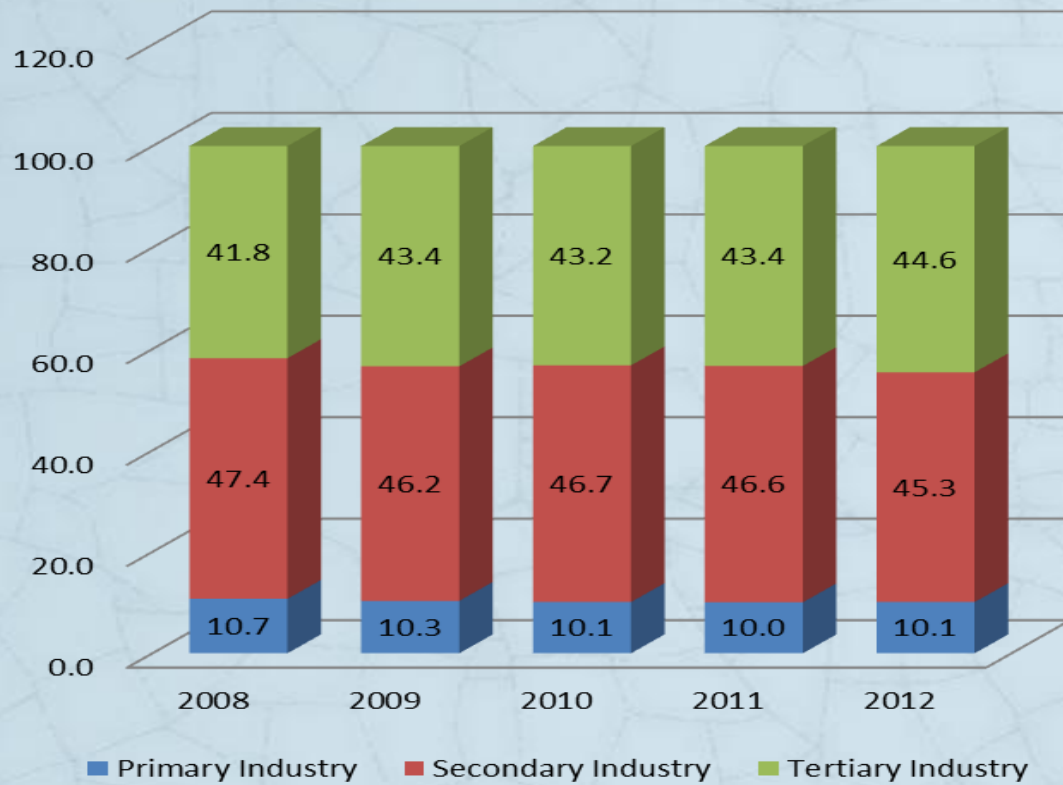


China's economic structure is unstable, unbalanced, uncoordinated and unsustainable.

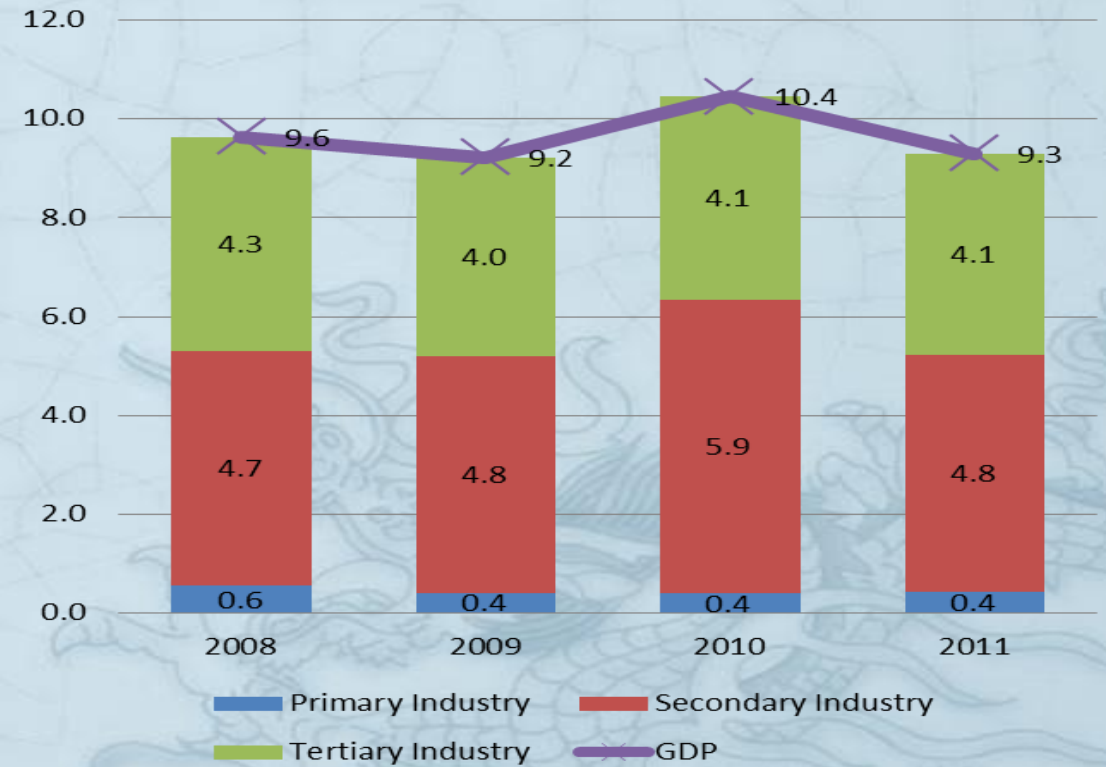


China's manufacturing industry is still the major driver of GDP.

Composition of Gross Domestic Product (%)

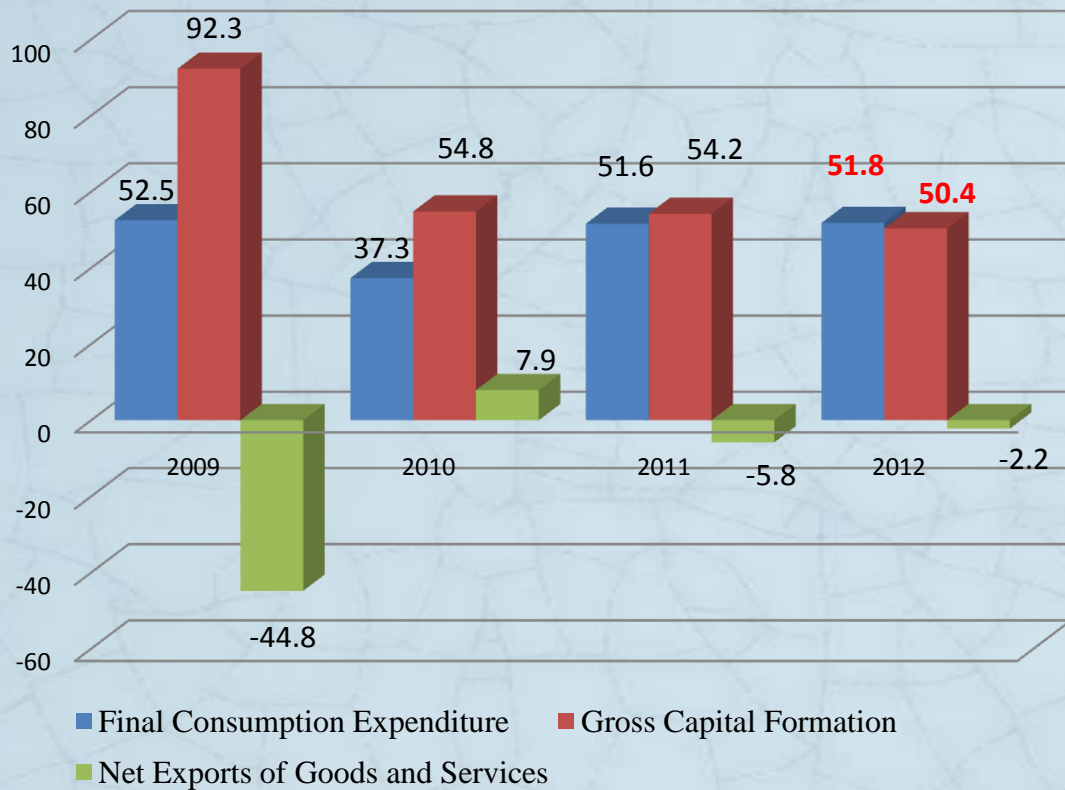


Contribution of the Three Strata of Industry to GDP Growth (percentage points)

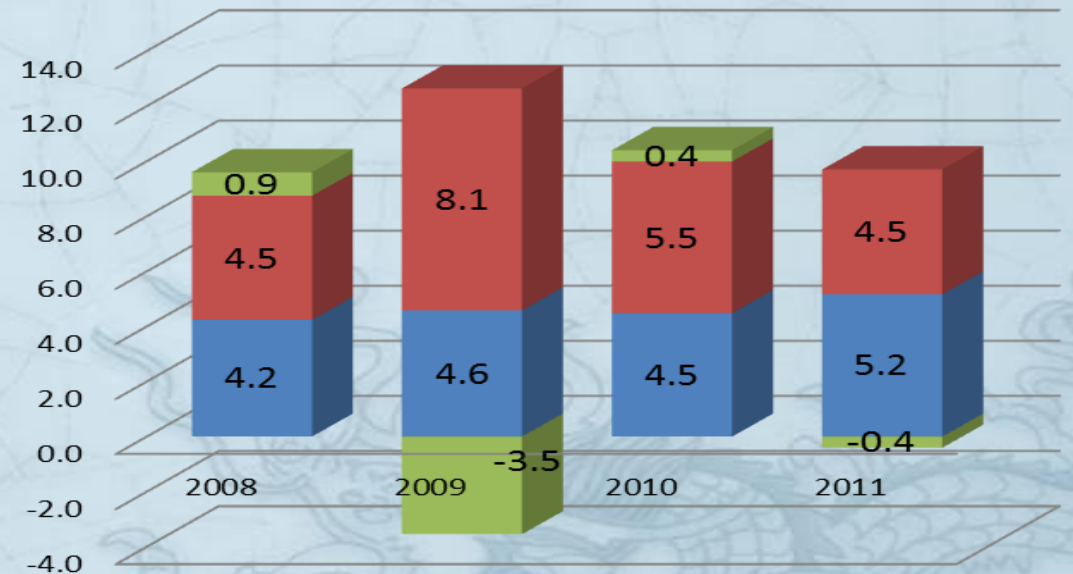


China's economic growth has largely been driven by investment over the past years.

Contribution Share of the Three Components of GDP to the Growth of GDP (%)

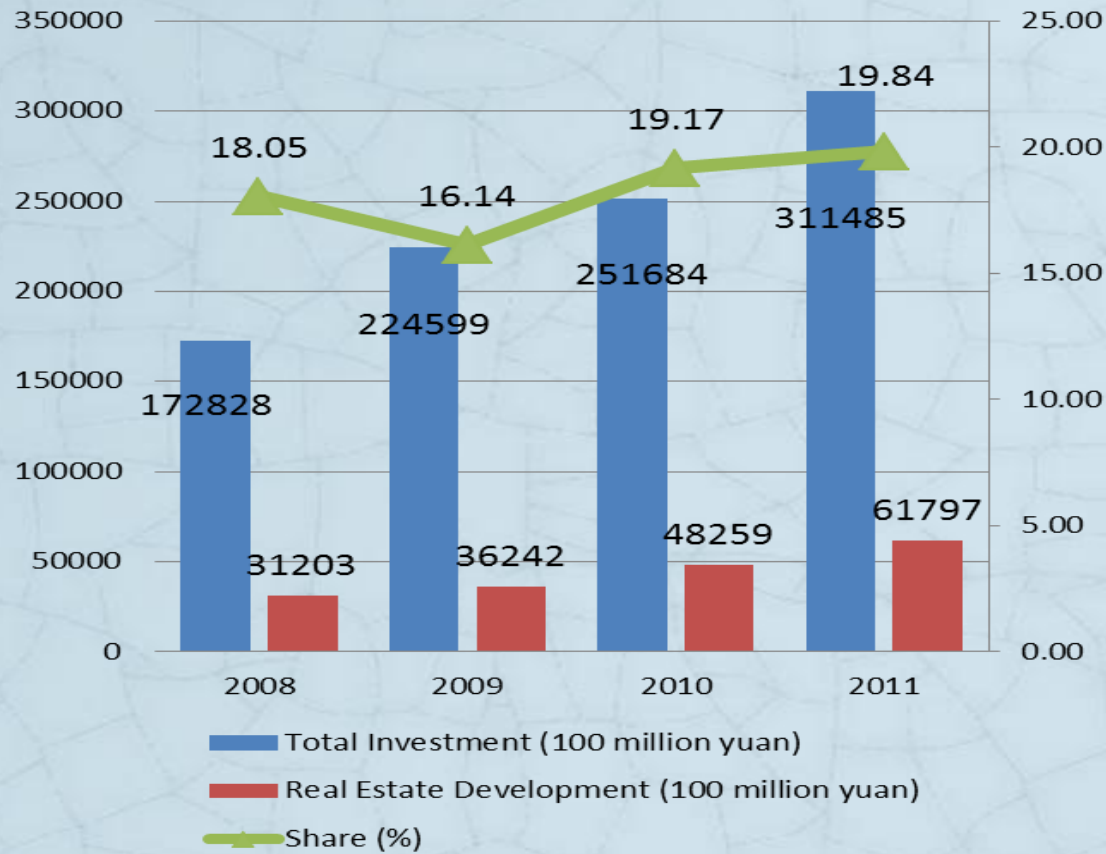


Contribution of the Three Components of GDP to the Growth of GDP (percentage points)

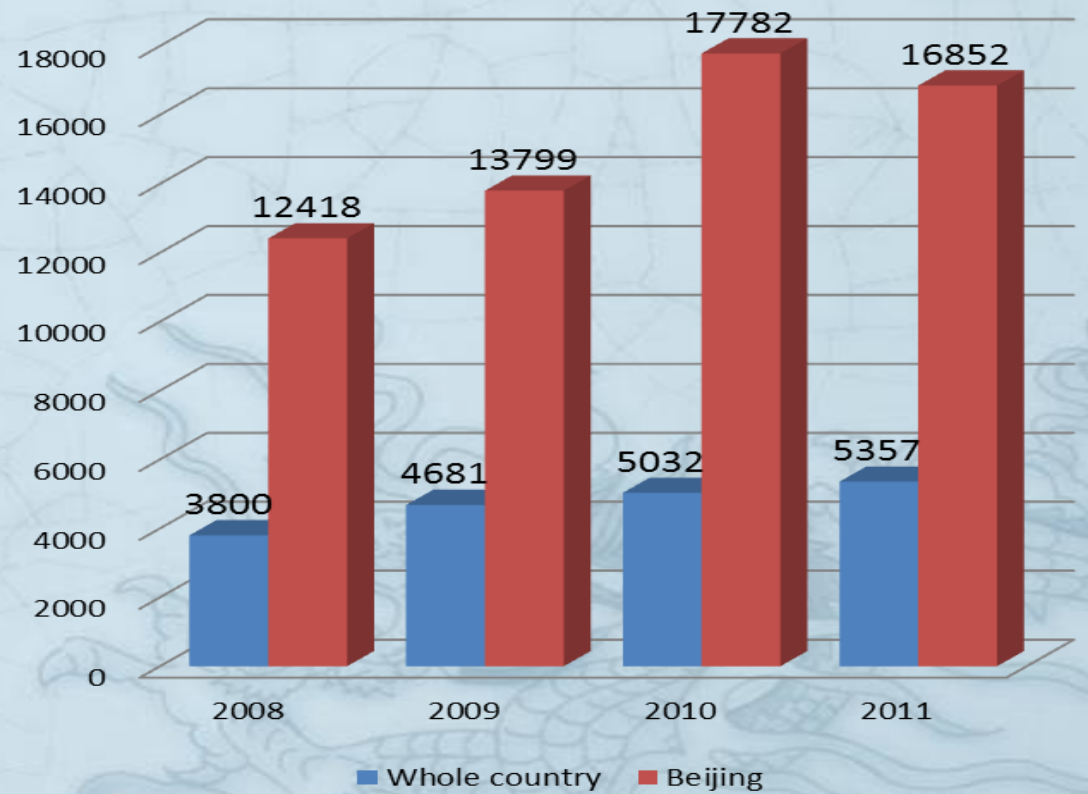


Large investment spending in real estate and increasing price

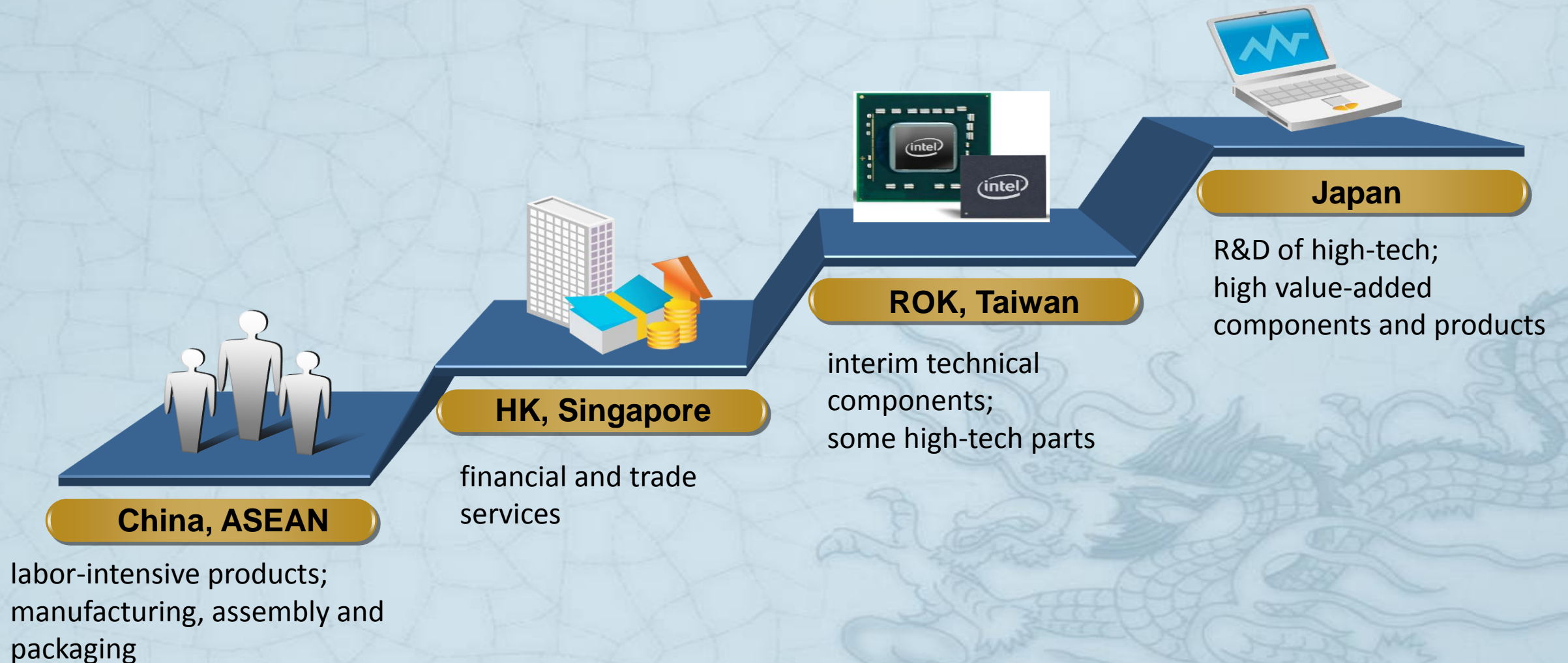
Investment in Fixed Assets



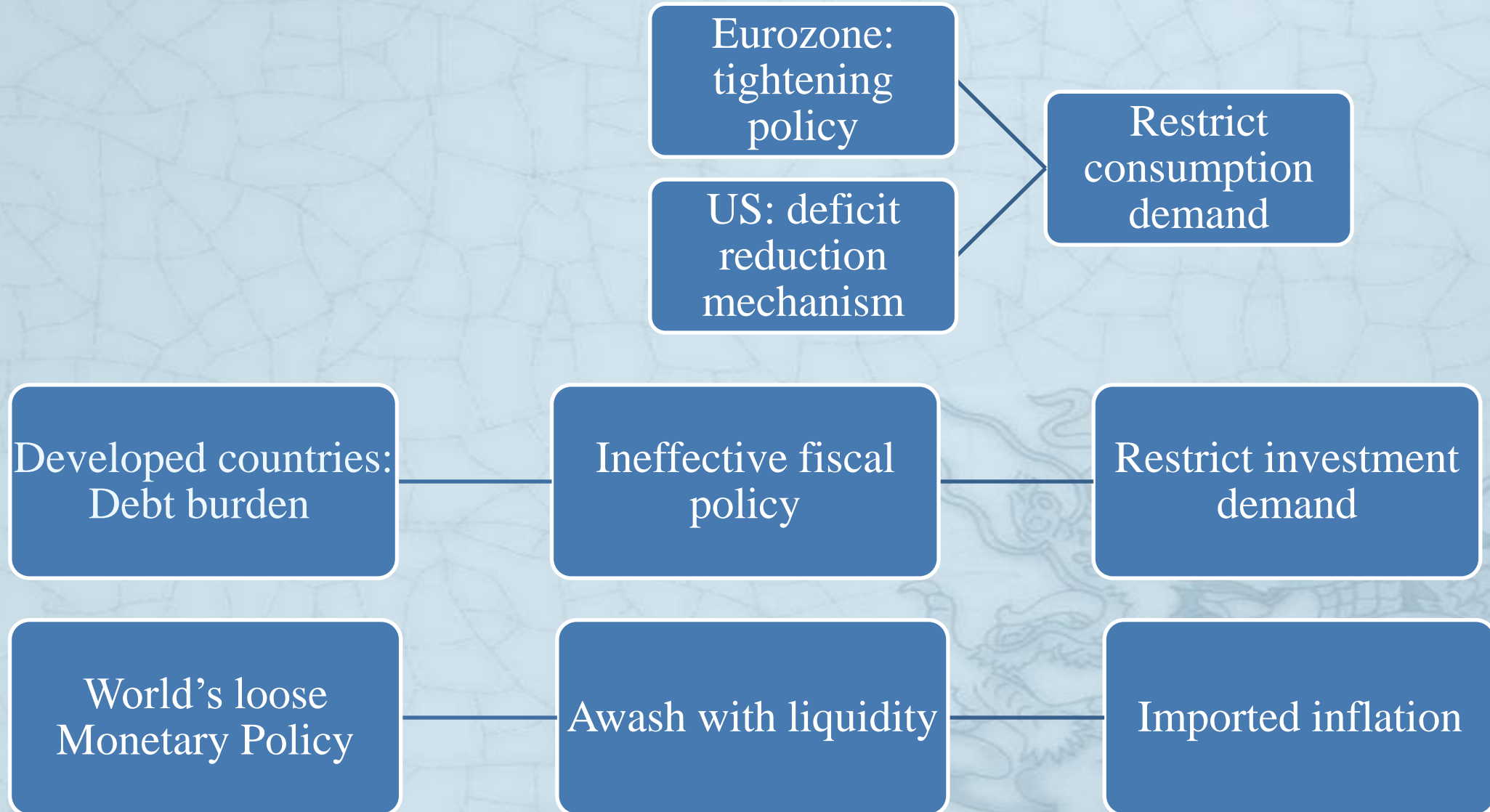
Average Selling Price of Commercialized Buildings(yuan/sq.m)



China is at the downstream of East Asian industrial chain. How to change China's position in global supply chain?

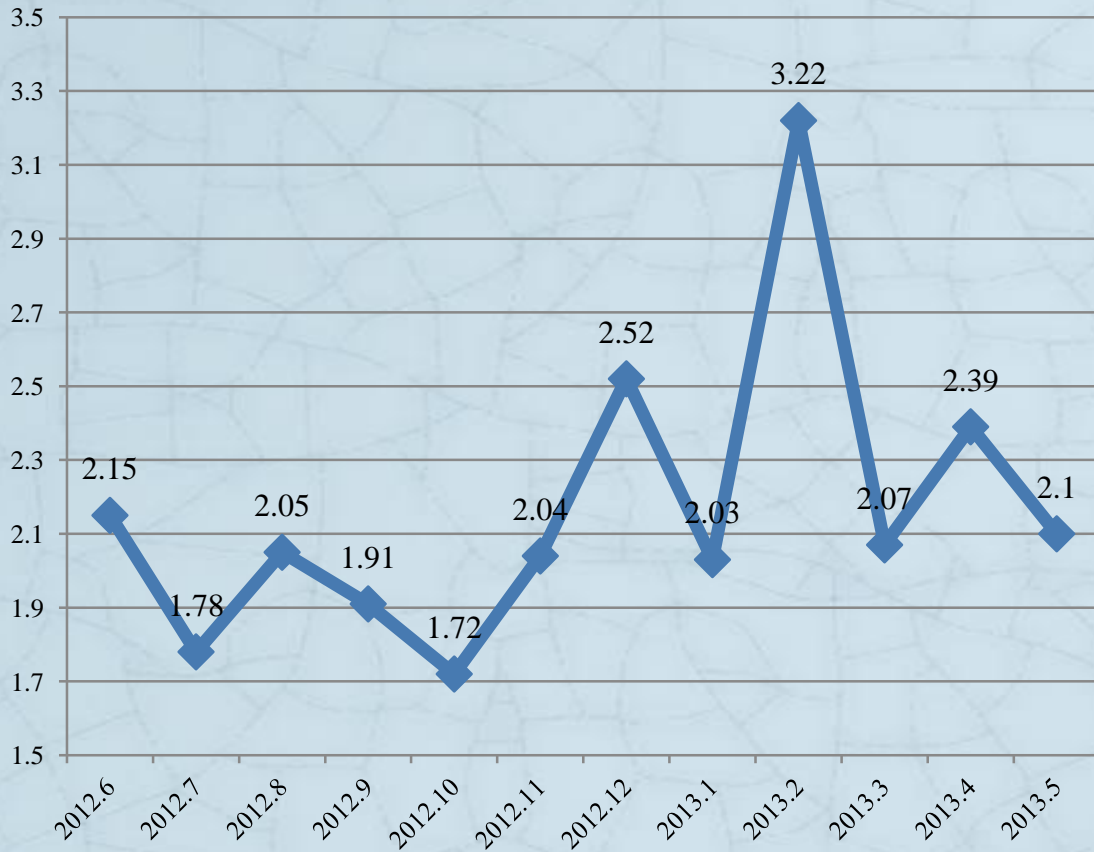


Unfavorable and uncertain external markets

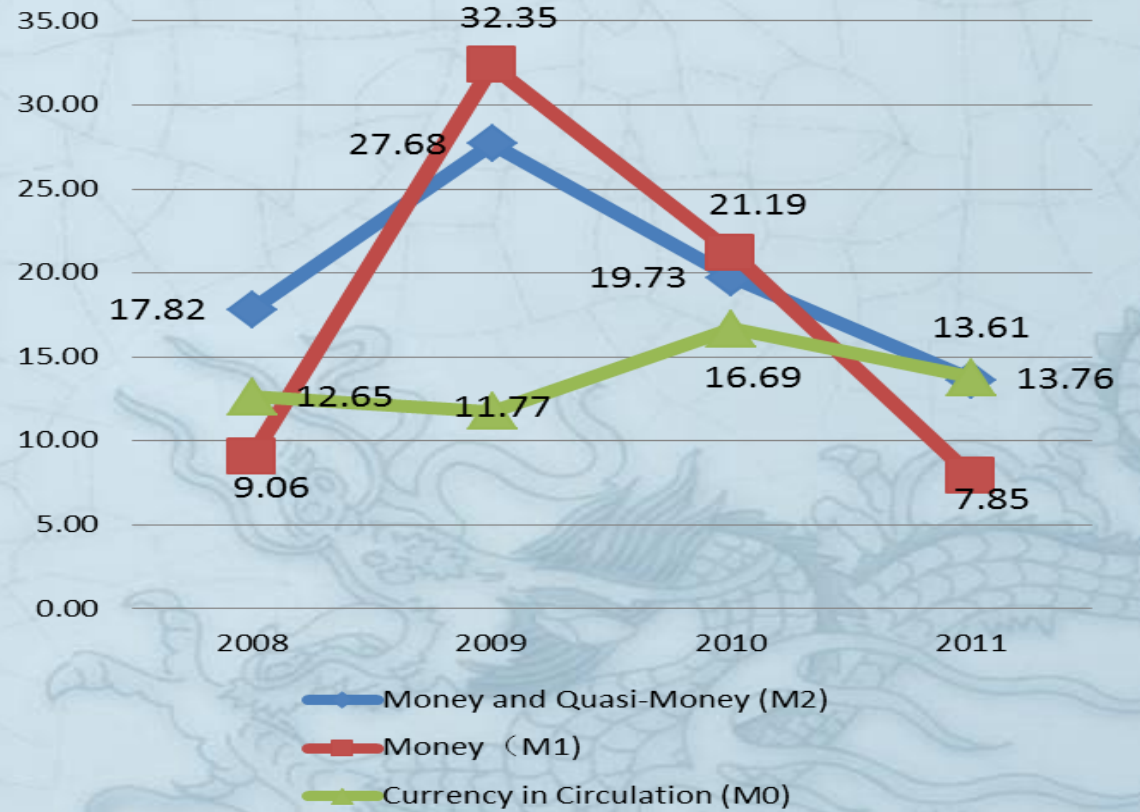


Greater inflationary pressure

China's CPI(%)

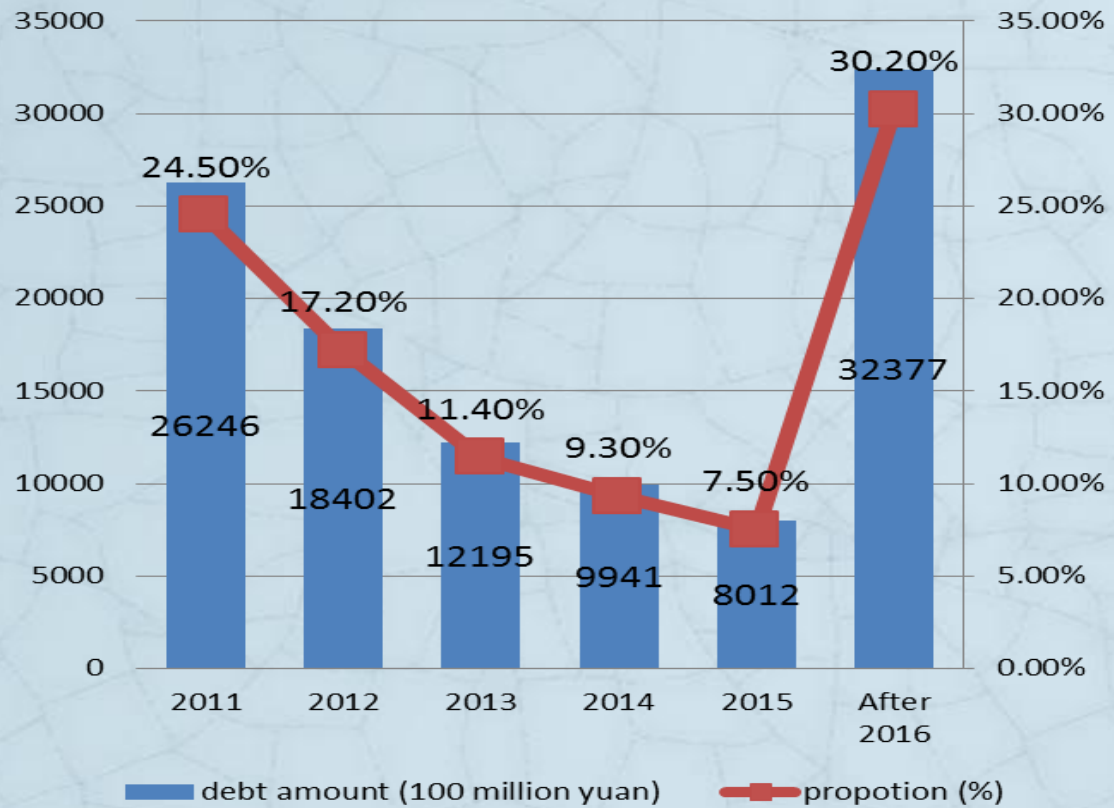


Rate of Increase of Money Supply over the Previous Corresponding Period (%)

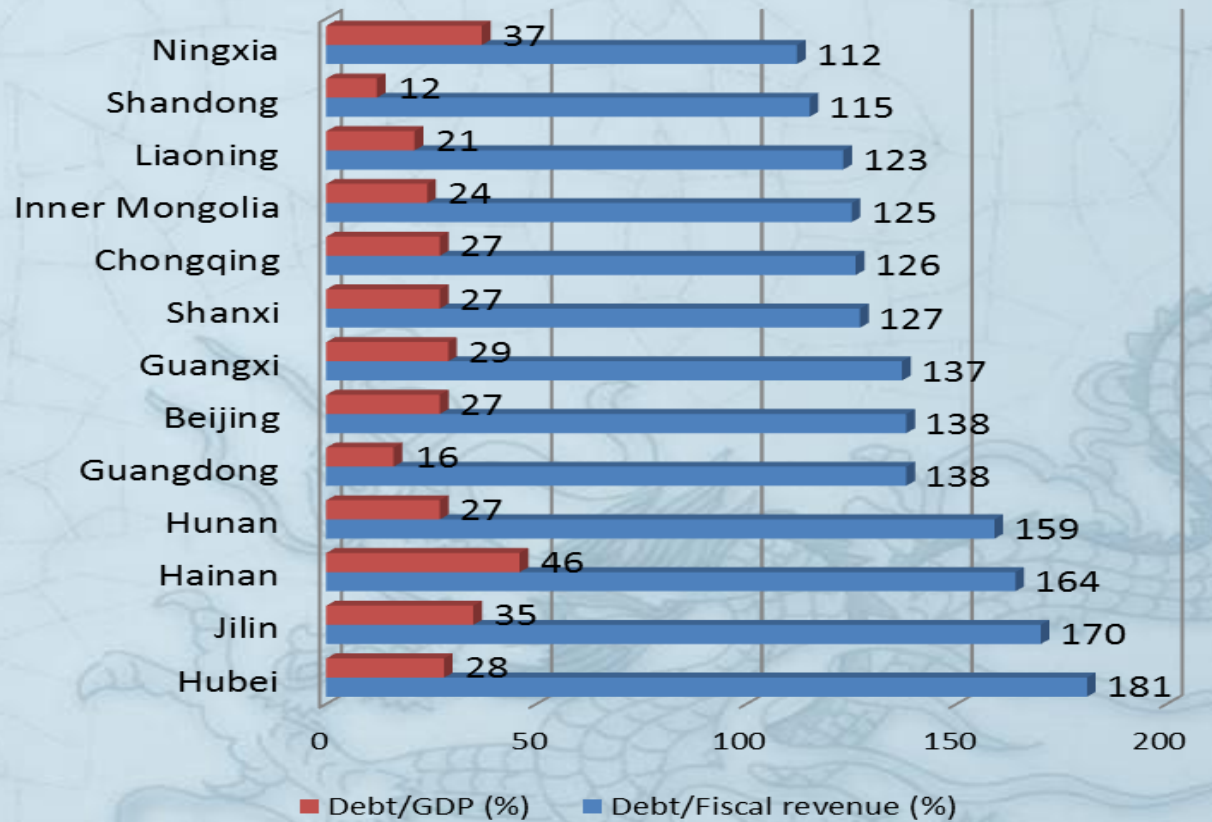


Debt burden for local governments

Future repayment of local government debt by the end of 2010



Creditworthiness of local governments 2010



Shadow banking : the Next Sub-prime Crisis?

- ◆ Shadow banks are middlemen, issuing liabilities and holding assets, whose assets are often less liquid, longer-term and riskier than their liabilities purport to be. But they lack an official safety net, such as a lender of last resort.
- ◆ uncountable wealth-management products (WMPs), which raise money from better-off investors, in large increments (at least 50,000 yuan, about \$8,160) and for short periods (typically less than six months, sometimes much less).

China's shadow-banking instruments End 2012, yuan trn

<u>Product</u>	<u>Amounts outstanding</u>
Informal loans	3.5
Microcredit	0.6
Entrusted loans	5.9
Collective-trust products	1.9
Bank WMPs, off-balance-sheet	1.8
Bank WMPs packaged by trusts	2.1
Bank WMPs packaged by Securities Companies	1.7
Total	17.5

Huge Profit of China's Banks



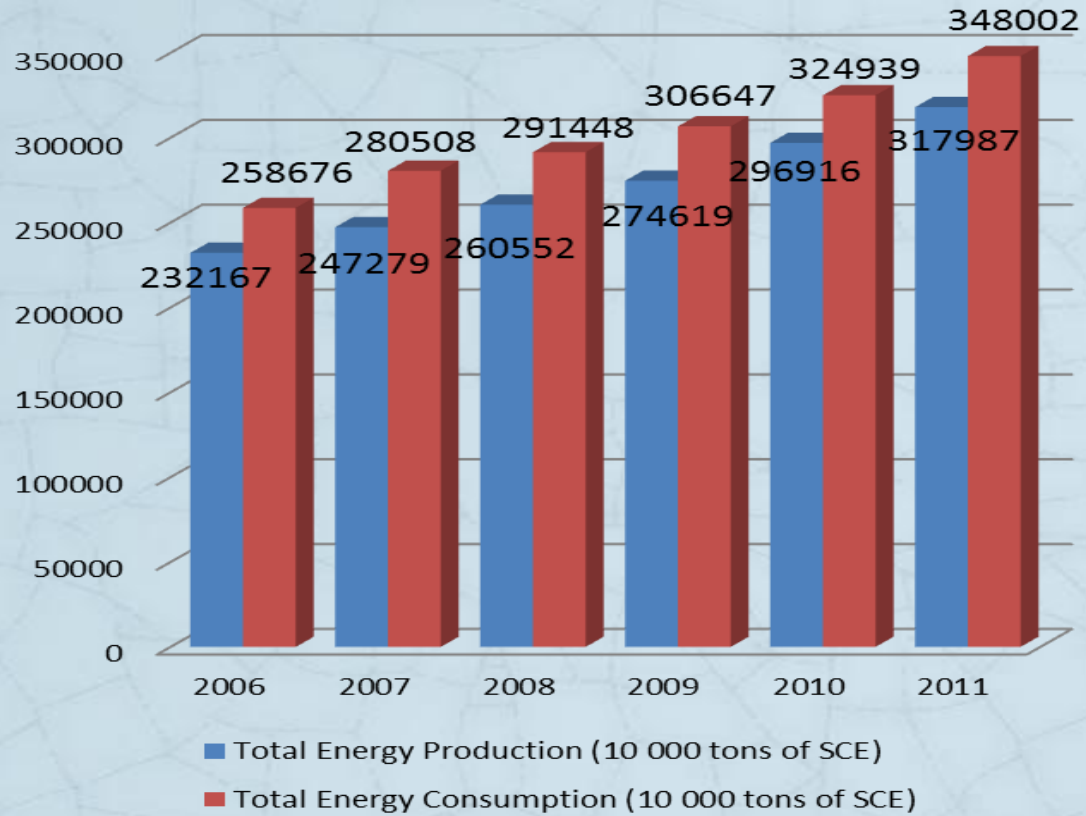
Disappearing demographic dividend: decreasing working-age people and rising labor costs

- ◆ The number of laborers between the ages of 15 and 59 decreased by 3.45 million year on year in 2012, marking the first "absolute decrease" in China's labor force.
- ◆ The central government said in the 12th Five-Year Plan (2011-2015) that it will significantly raise the percentage of wages in the national household income in order to raise the proportion of consumption in the overall economy.

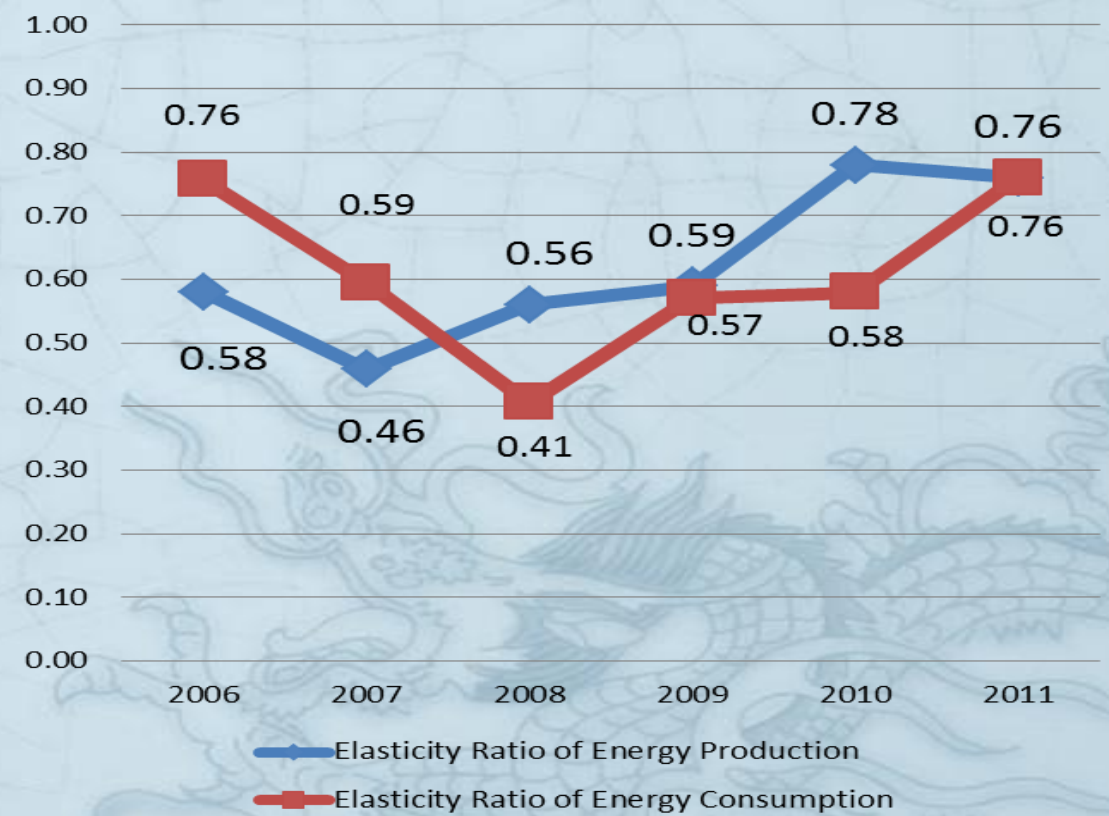


natural resource and energy scarcity

Total Energy Production and Consumption

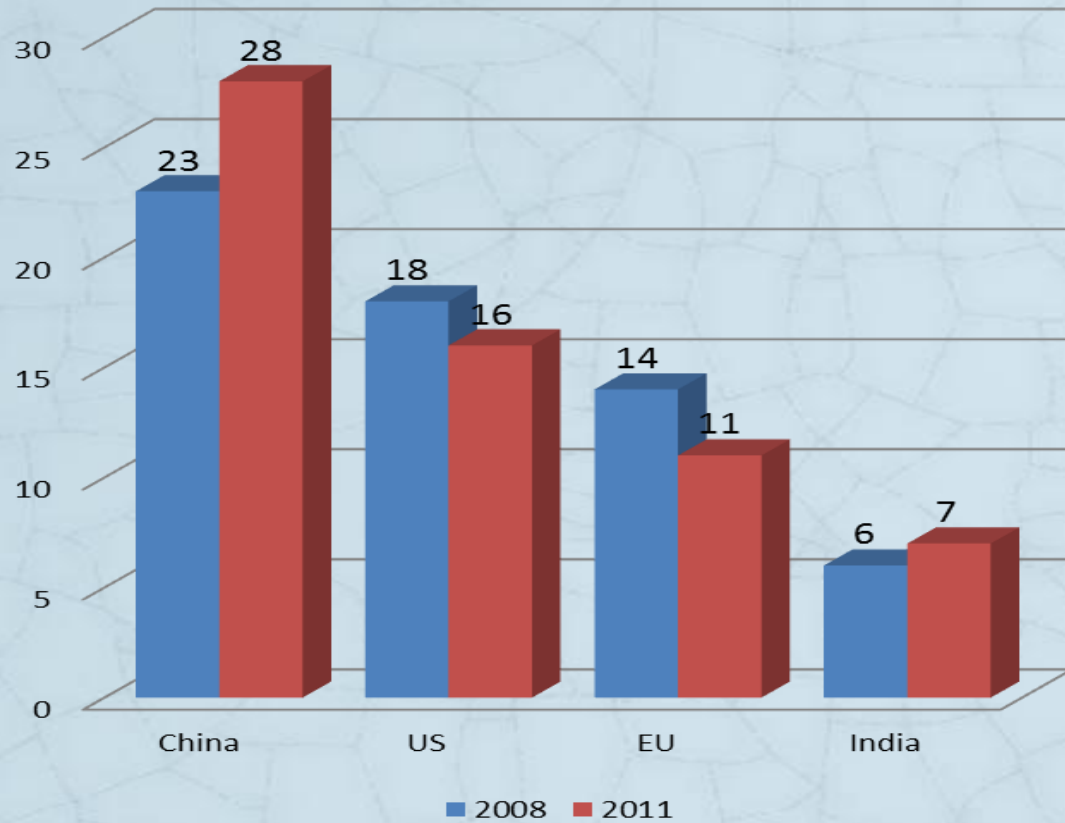


Elasticity Ratio of Energy Production and Consumption

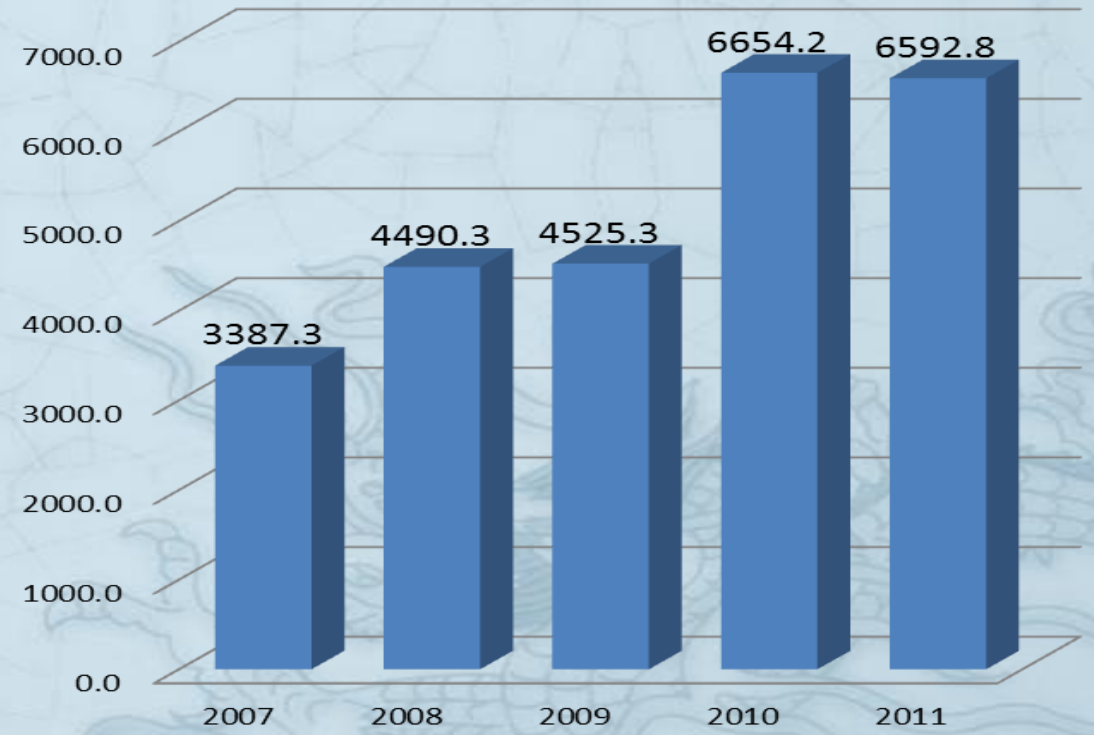


Environmental pollution

Global carbon emissions (%)



China's Investment in the Treatment of Environmental Pollution (100 million yuan)



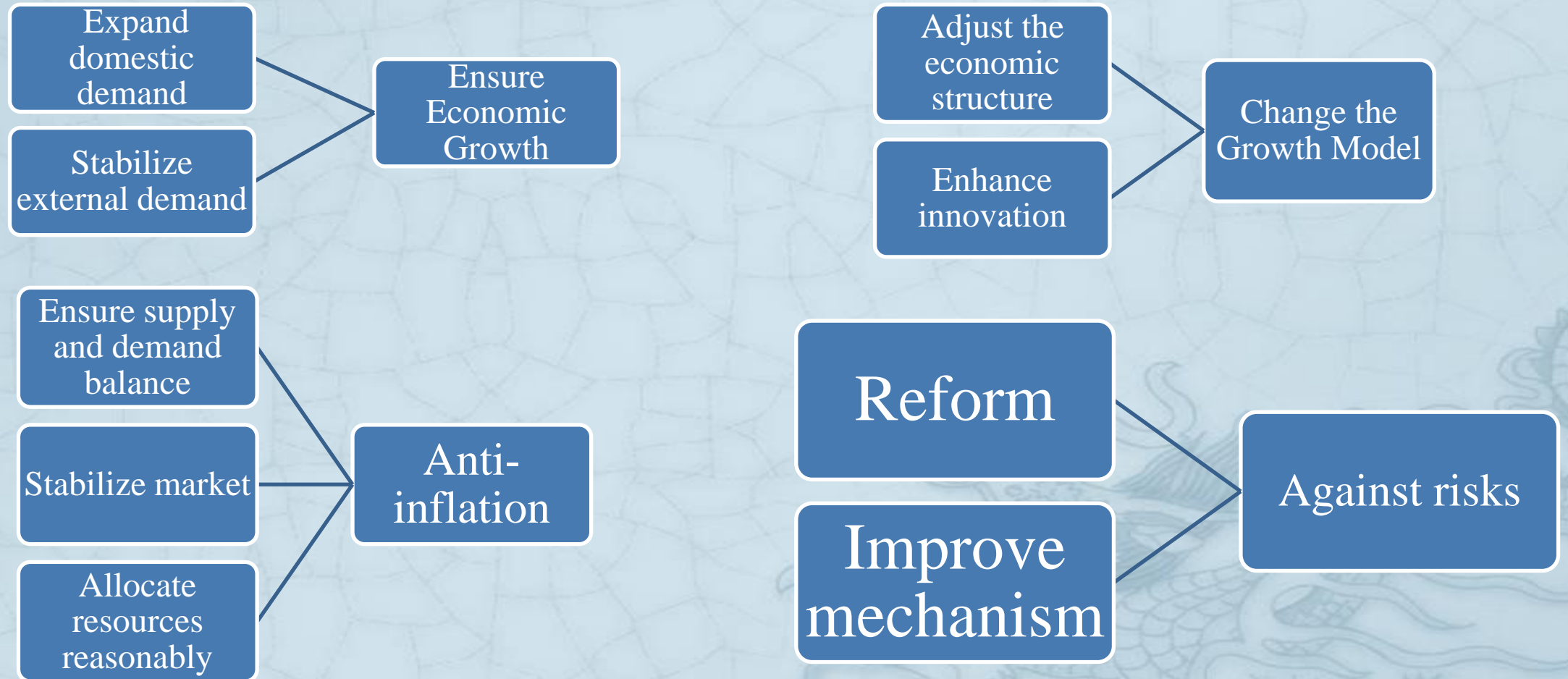
International cooperation and global and regional economic integration



III. Strategic Options



Strategic Choices



Thanks

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