



China's Approach to Tackle the Economic Slowdown: Role of the Government

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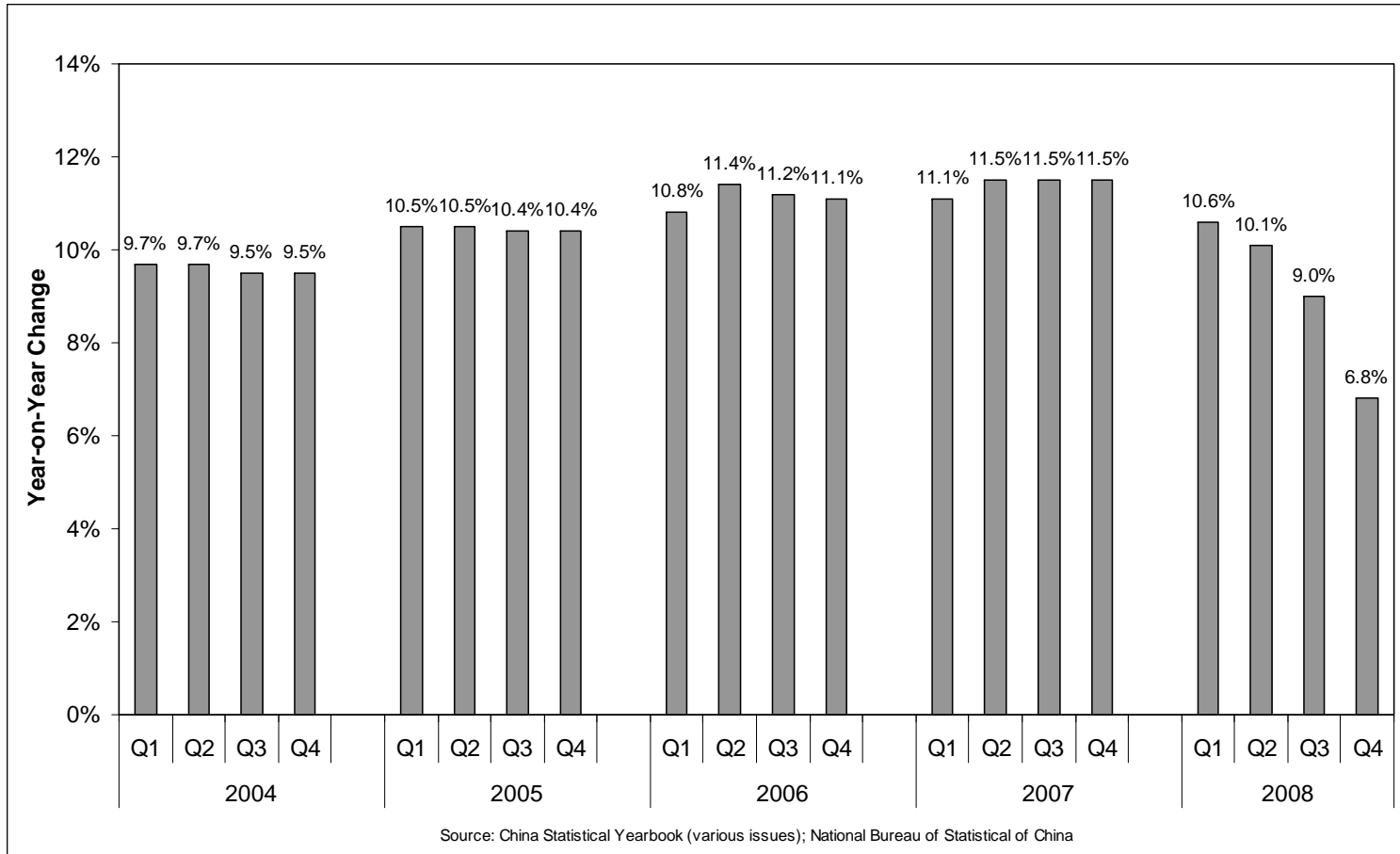
Outline

- China's Recent Economic Performance
- Monetary Policy
- Fiscal Policy
- Industrial Policy
- Signs of Recovery?
- Conclusion

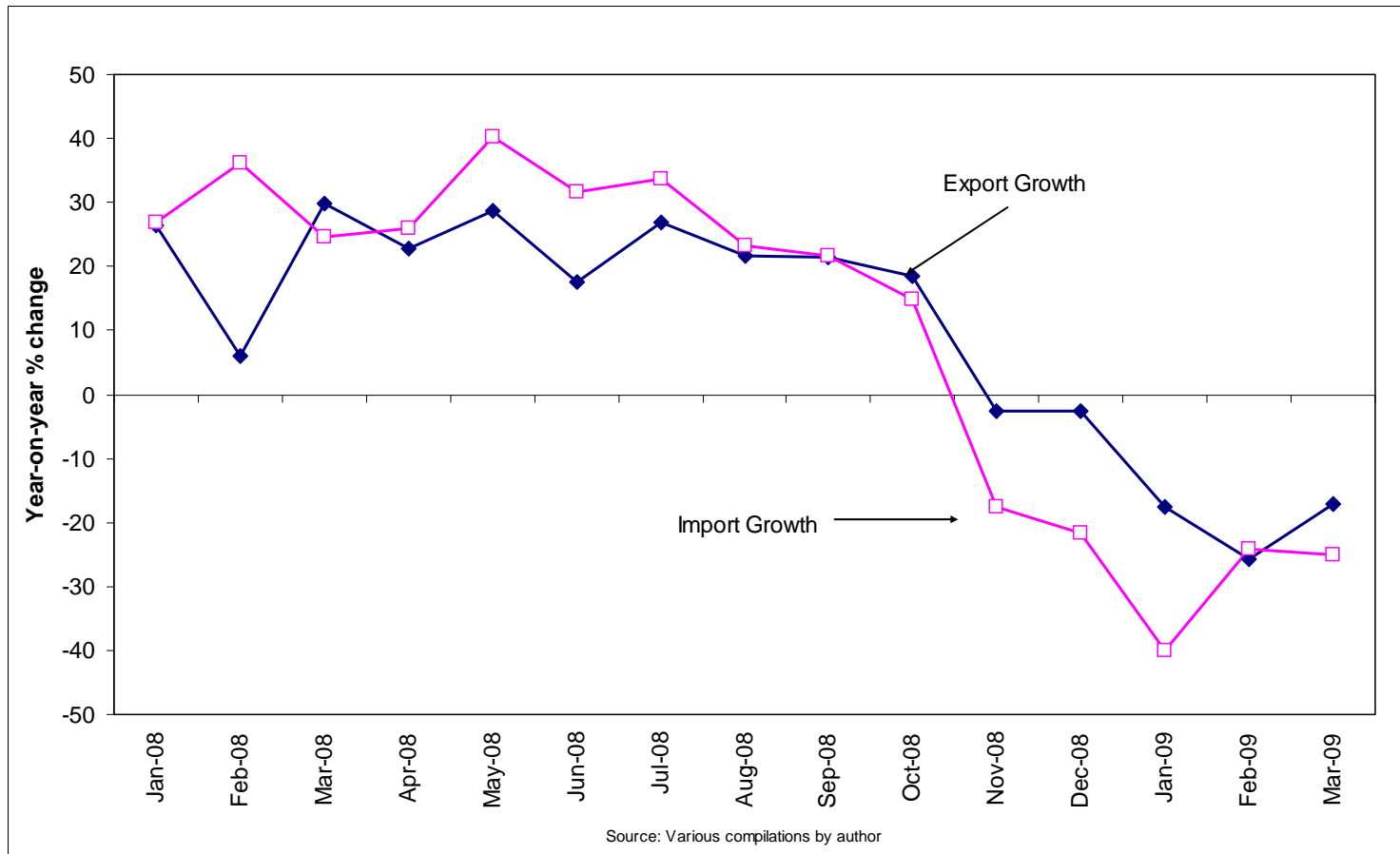


- China's Recent Economic Performance

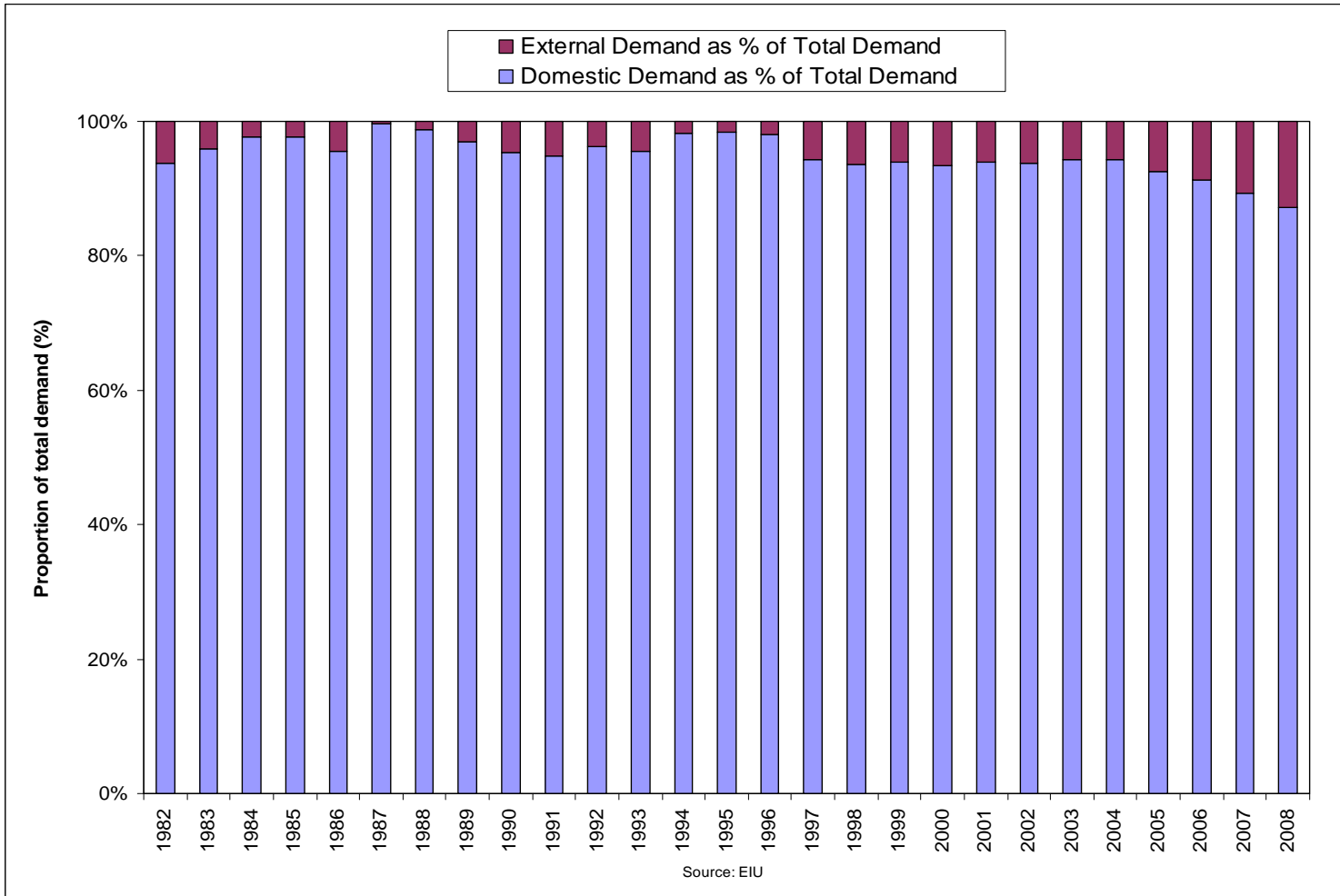
China's Quarterly GDP Growth, 2004-2008



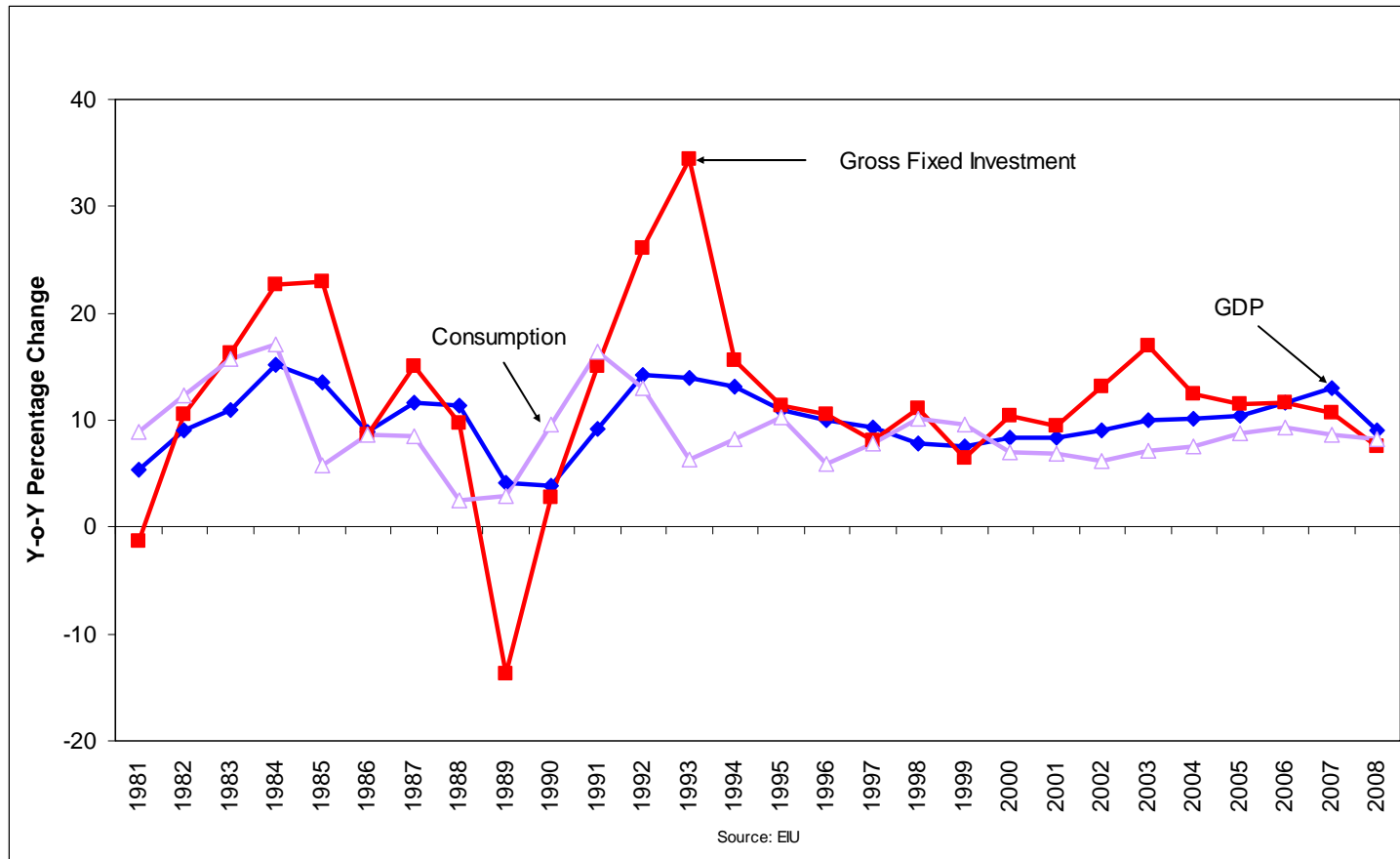
China's Trade Growth, Jan 2008-March 2009



China's Source of Economic Growth, 1982-2008



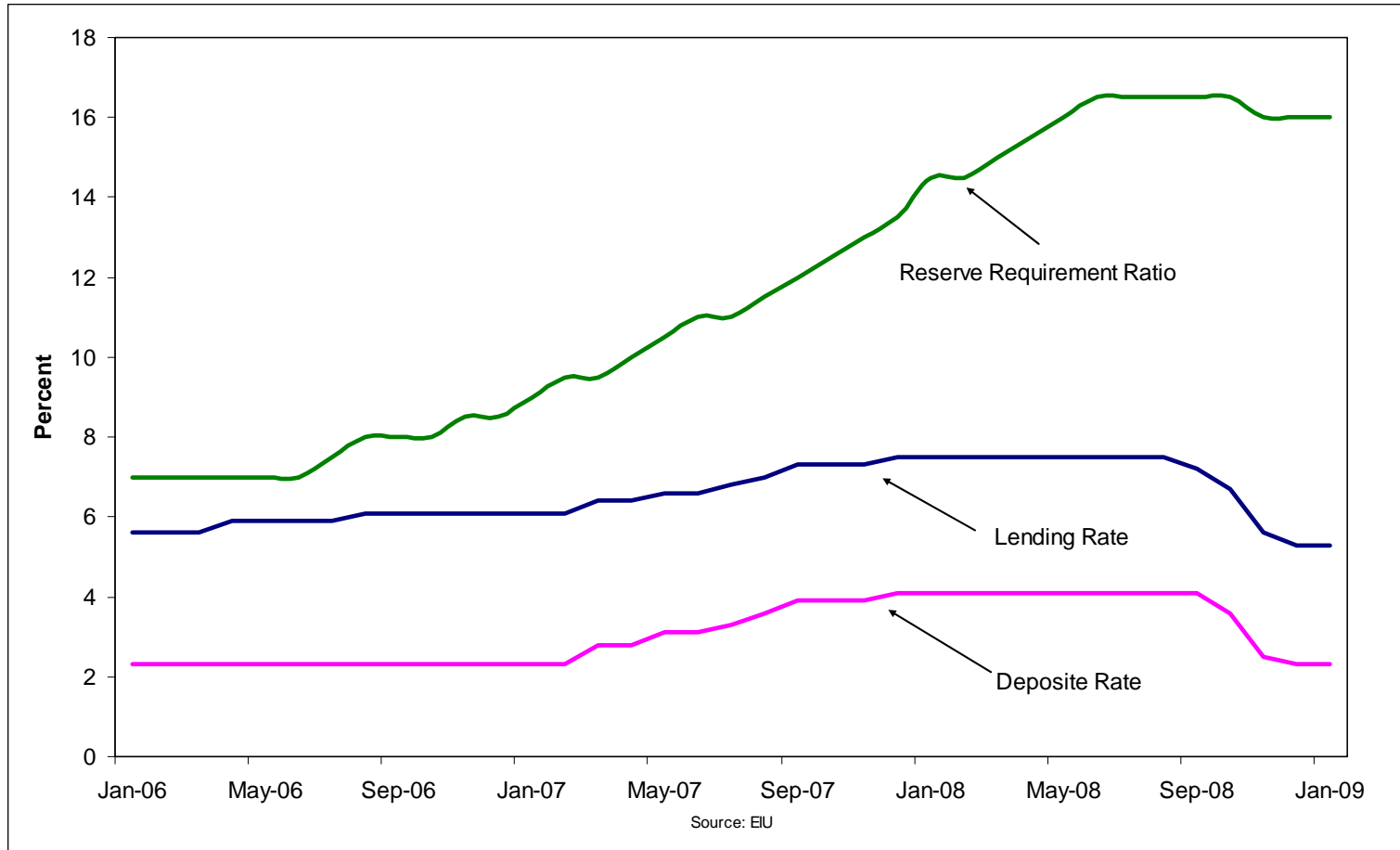
China's Domestic Demand and Economic Growth, 1981-2008



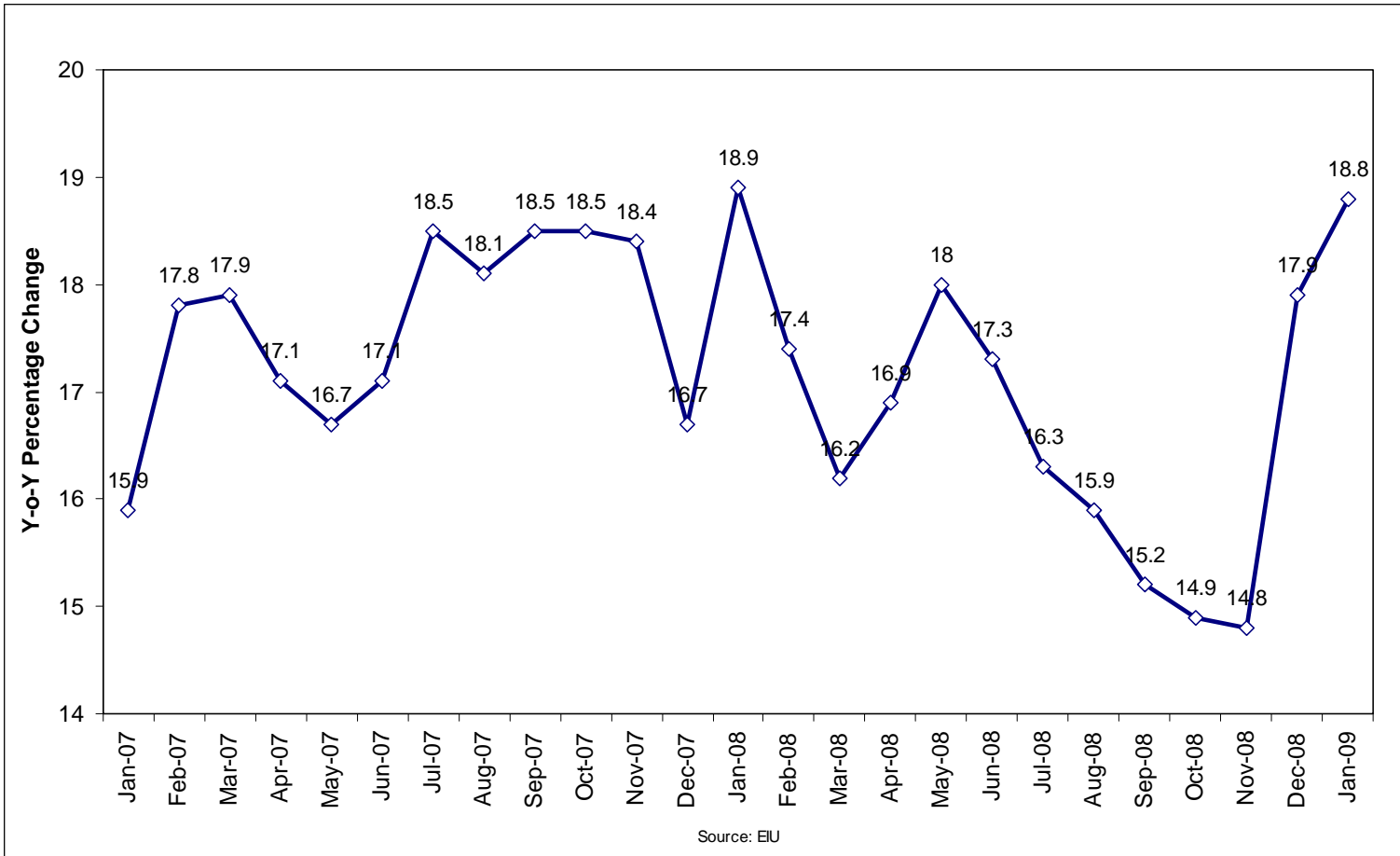


■ Monetary Policy

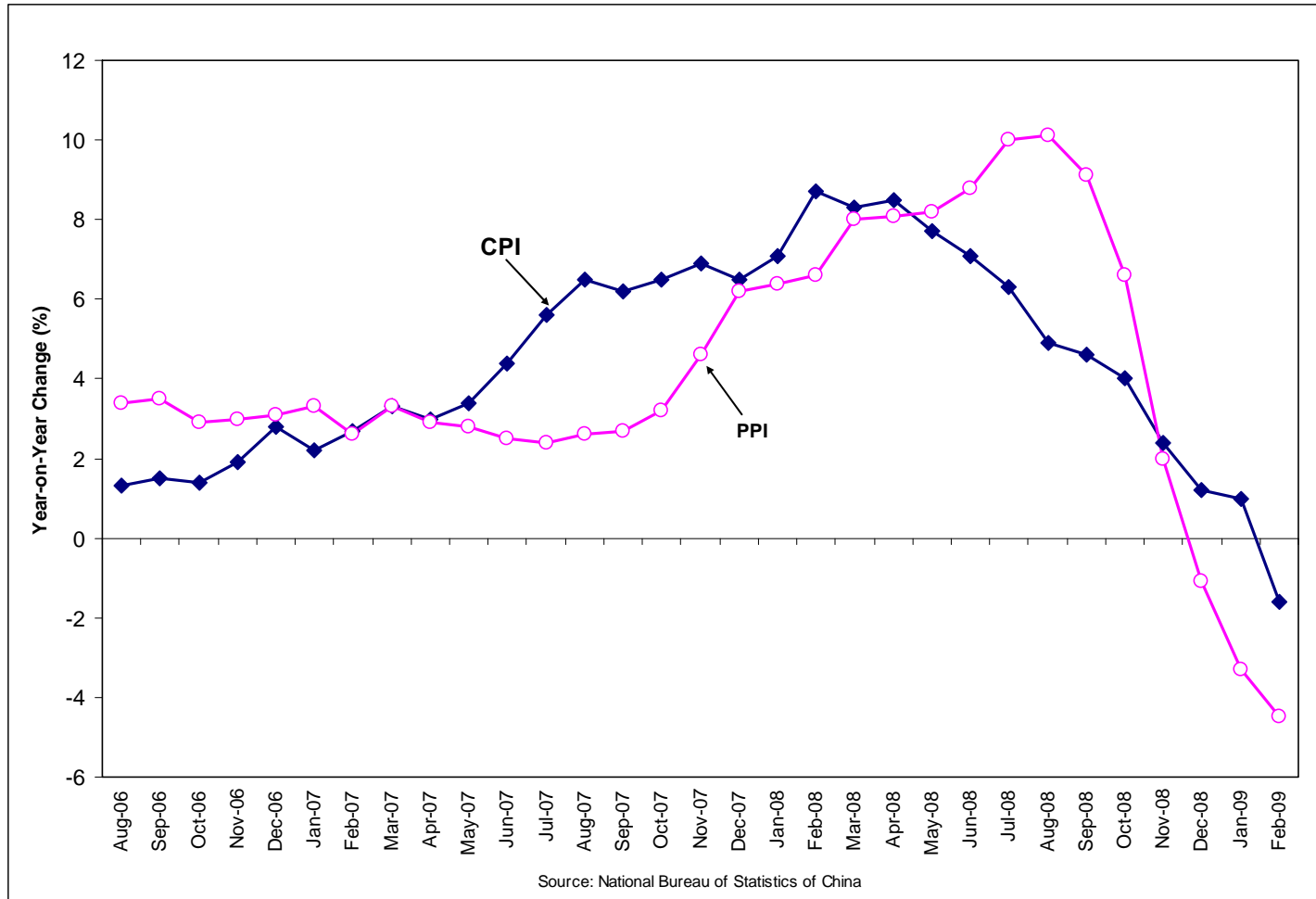
China's Lending Rate, Deposit Rate & Bank Reserve Requirement Ratio, Jan 2006-Dec 2008



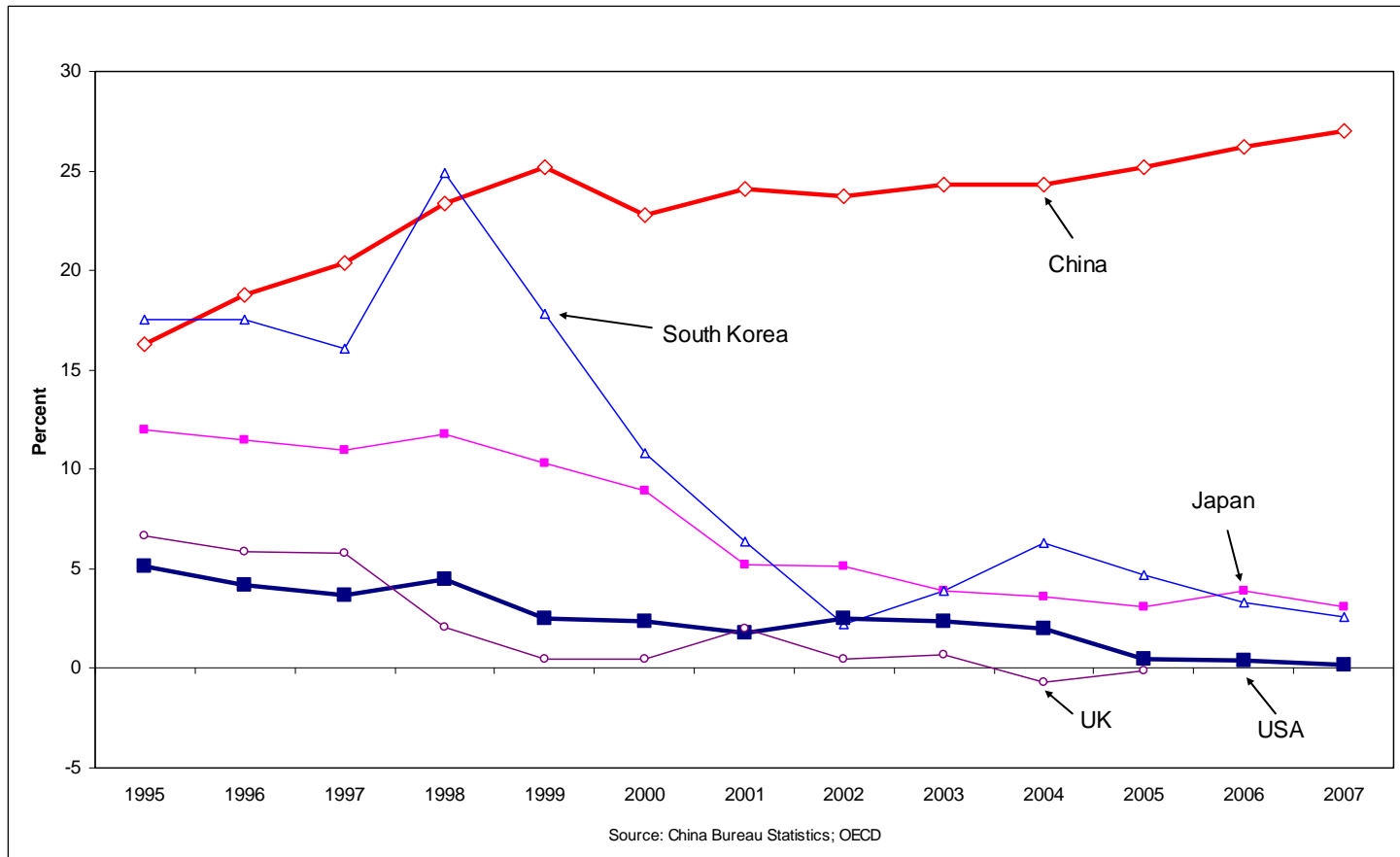
China's Money Supply (M2), Jan 07-Jan09



China's CPI and PPI, Aug 2006-Feb 2009



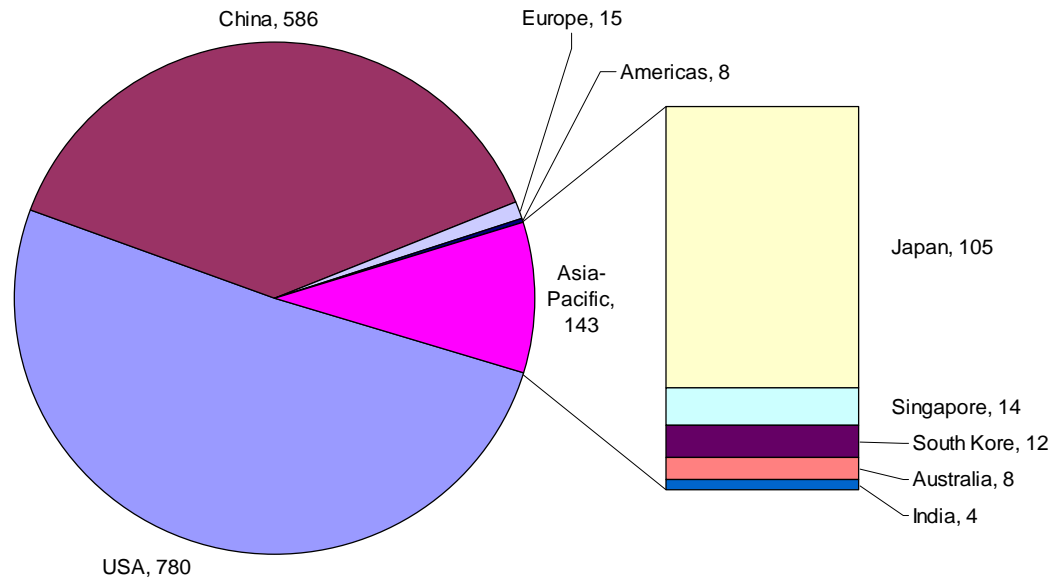
China's Saving Rates in Comparison to Selected Economies, 1995-2007





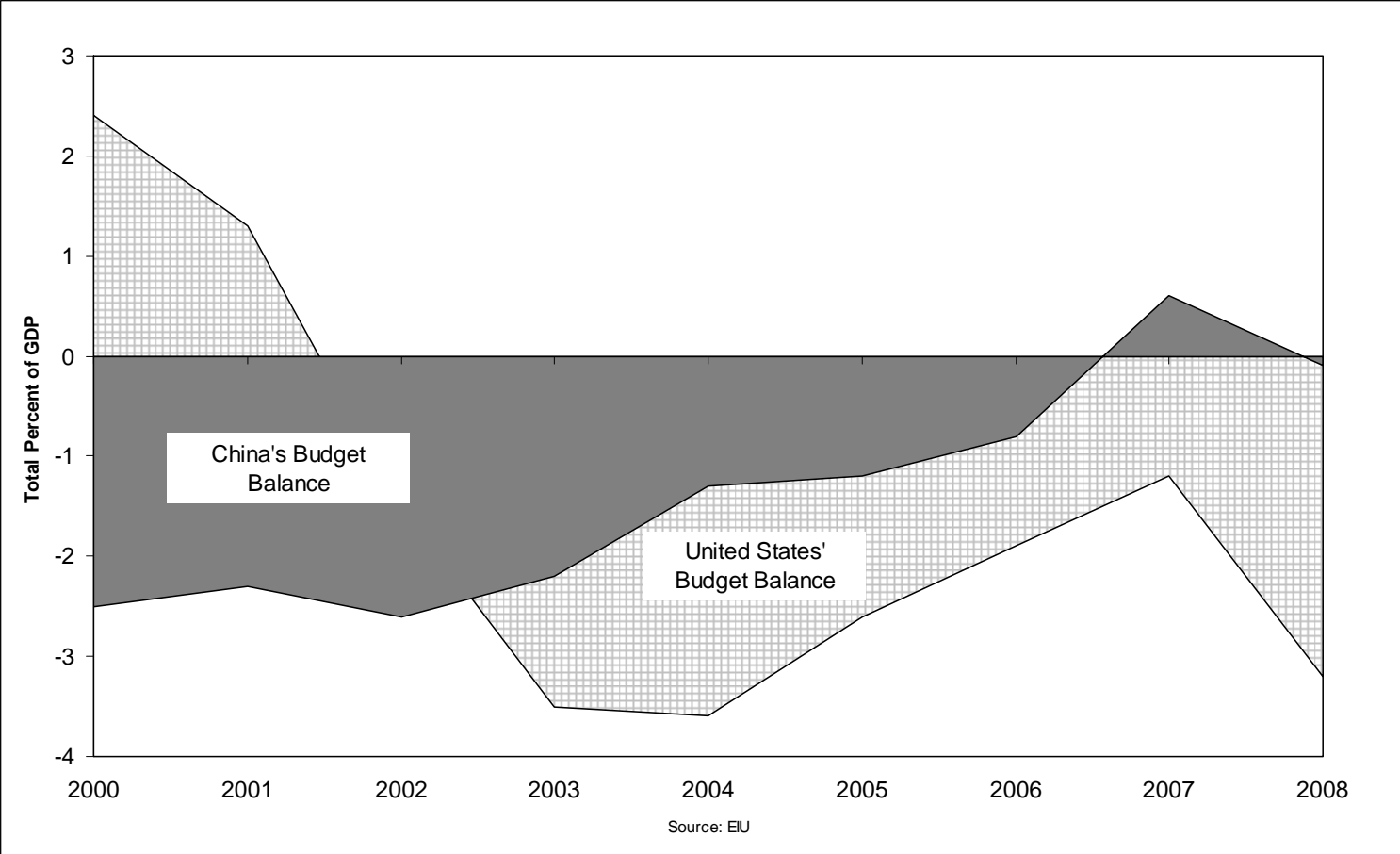
■ Fiscal Position

Economic Stimulus Packages Worldwide (USD billion)

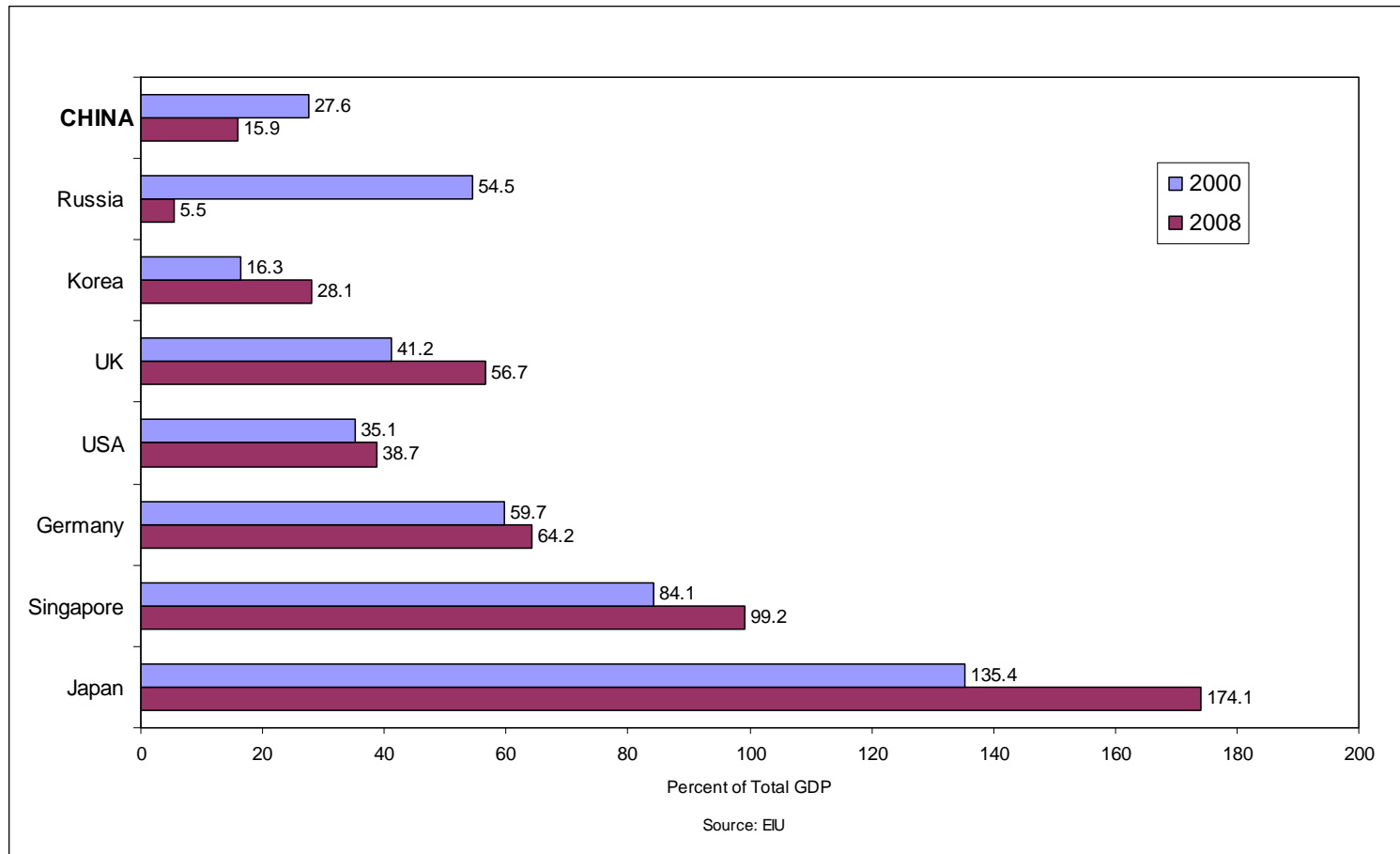


Source: Asian Wall Street Journal

China's and US' Budget Balance, 2000 to 2008 (%)



China's Public Debt in Comparison to Selected Countries, 2000 and 2008





- Industrial Policy



Industrial Policy for Growth

- Chinese Government issued a string of revitalization plans to boost main industries
- Some examples include automobile, iron and steel, shipbuilding, petrochemical, textile, equipment manufacturing, electronics, IT, nonferrous metals and light industries.



Measures to Revitalize the Auto Industry

- Taxes on small vehicles reduced to 5 percent from 10 percent from March to Dec. this year;
- Support M&A;
- 10 billion yuan to support innovation and upgrades;
- Promote large-scale production of electric cars and their parts;
- Speed up export manufacturing bases.

Measures to Revitalize the Textile Industry

- Enlarge domestic textile consumption while expanding export destination;
- Funding technology improvement and promote domestic brands;
- Encourage M&A;
- Relocate the industry from southeast China to central and western areas;
- Tex rebate for export raised from 14% to 15 %.



- Signs of Recovery?

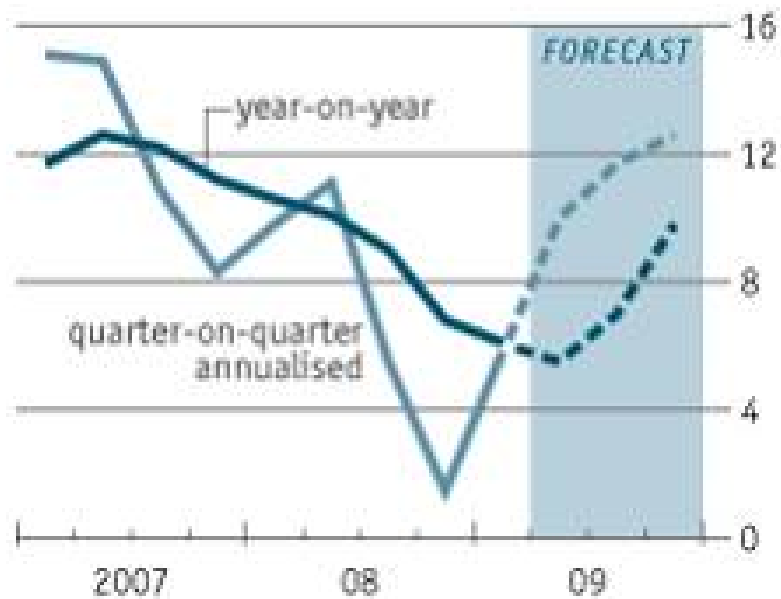


Positive Results of the Approaches

- China's economy seems to have turned the corner.
- Although GDP grows 6.1 percent year-on-year in 1Q 2009, quarter-on-quarter annualized growth is about 6 percent


A turn up for the books?

China's GDP growth, % increase

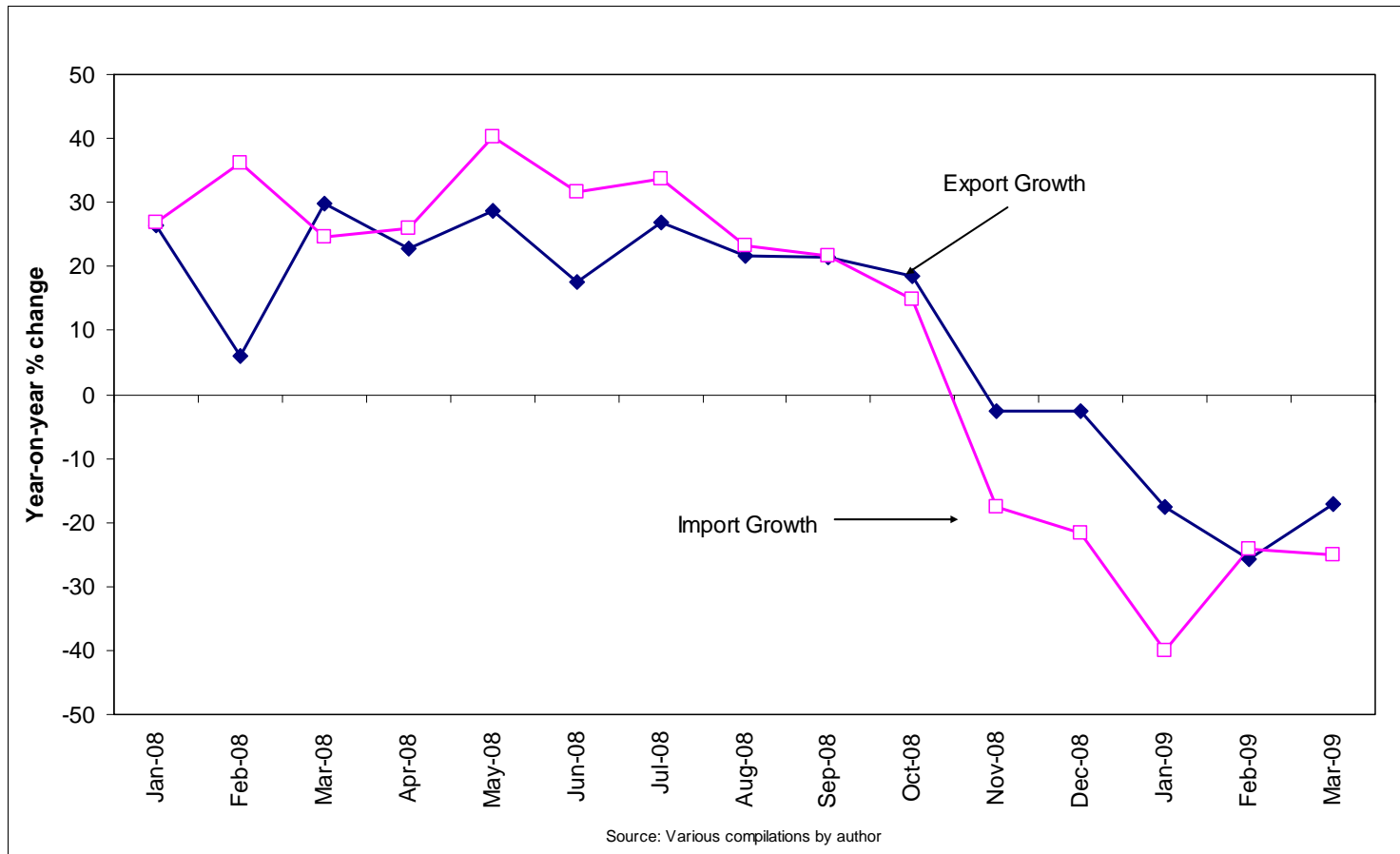


Source: JPMorgan

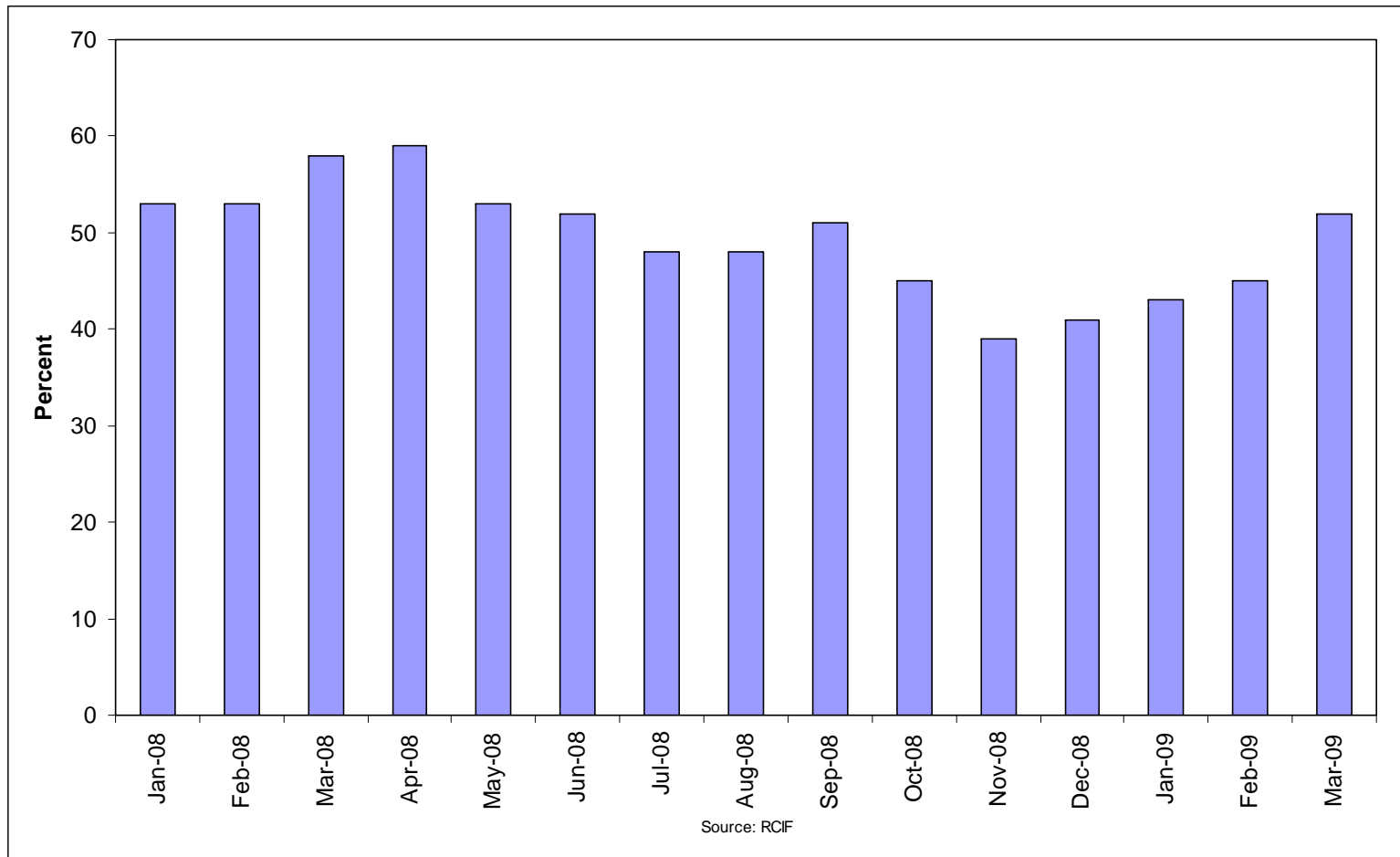
Source: The Economist, 16 April 2009

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- Exports fell 17.1% in March. Slower compared to 25.1% in Feb and 17.5% in Jan.

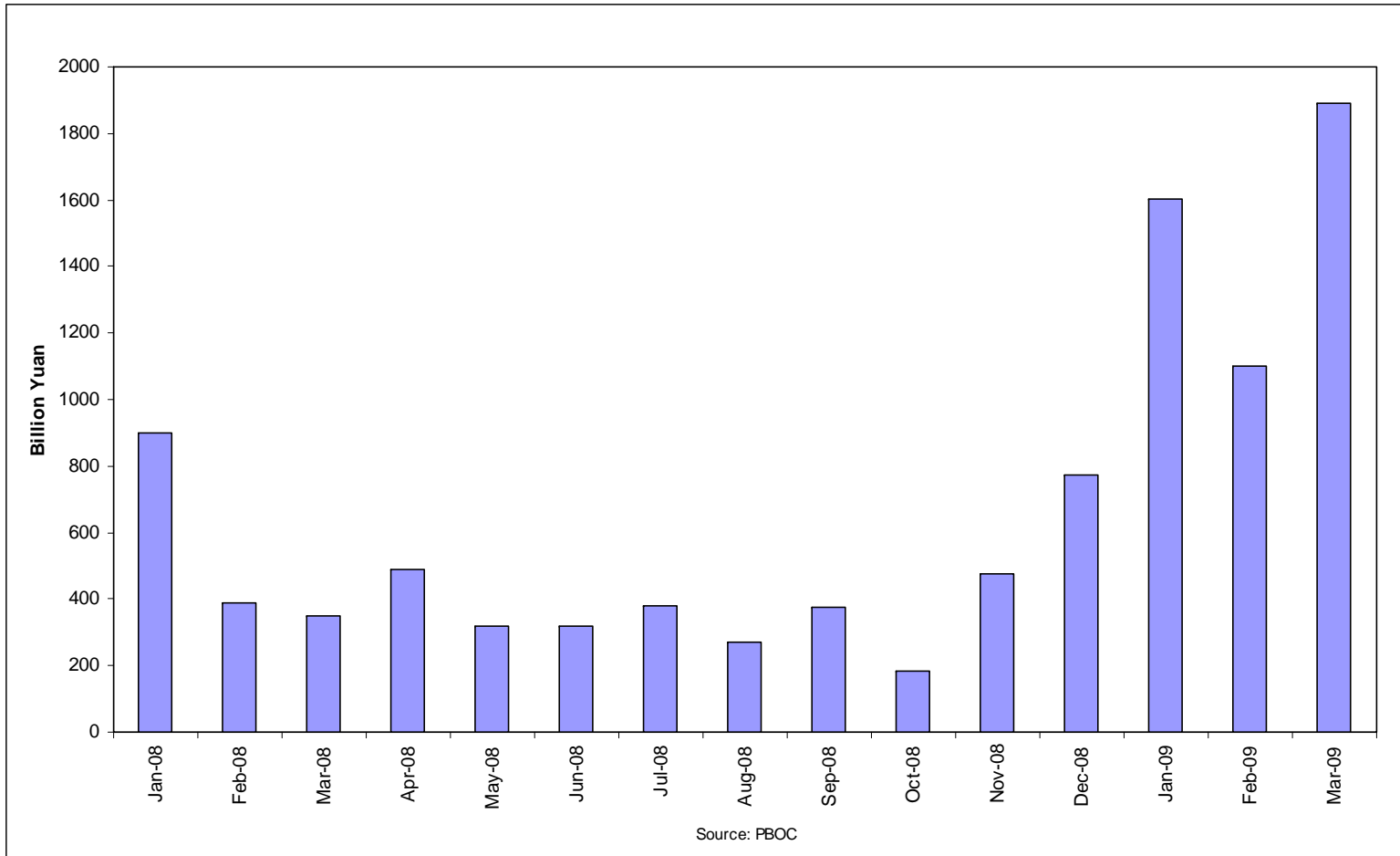
China's Trade Growth, Jan 2008-March 2009



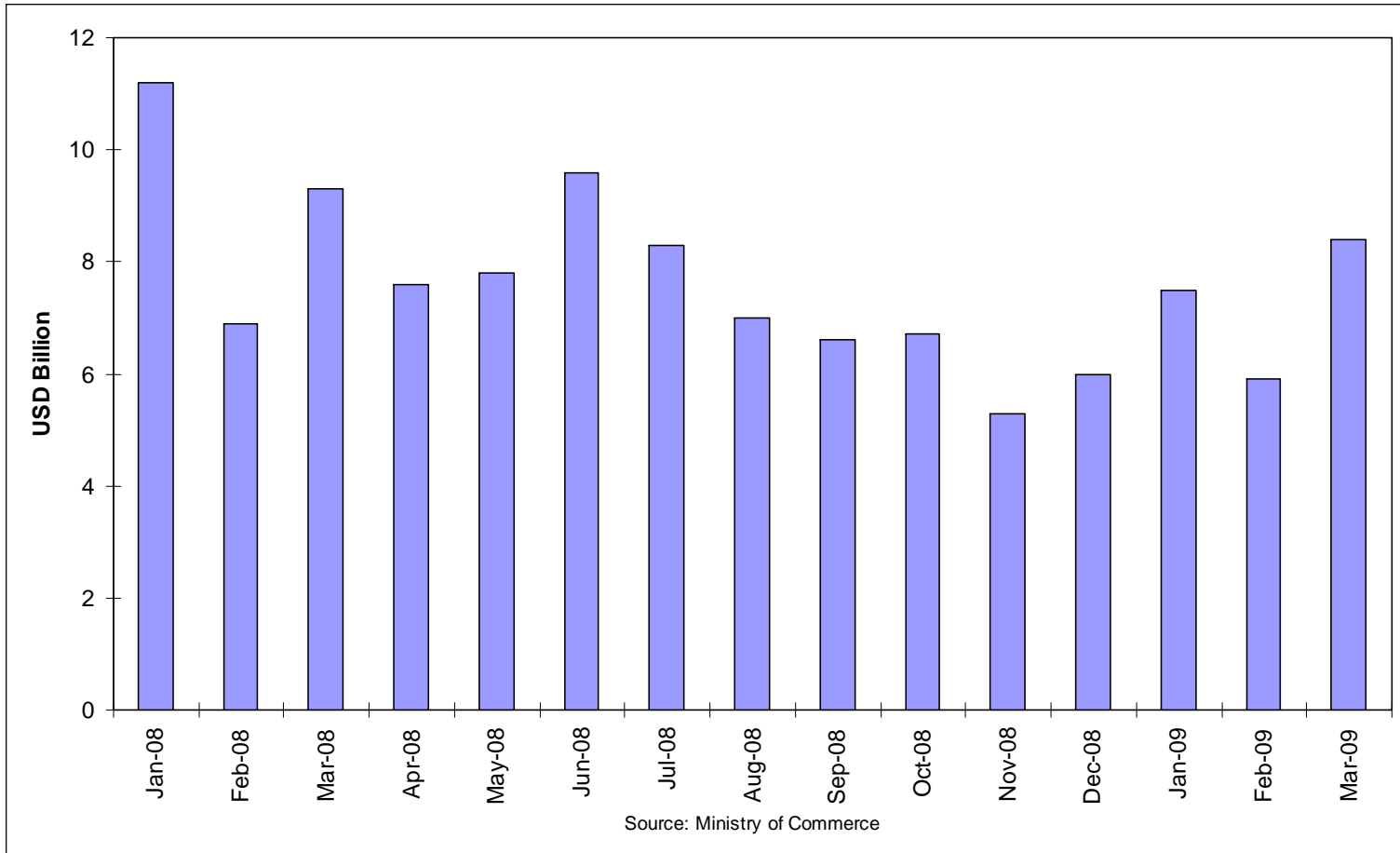
China's Purchasing Management Index, Jan 2008 to March 2009



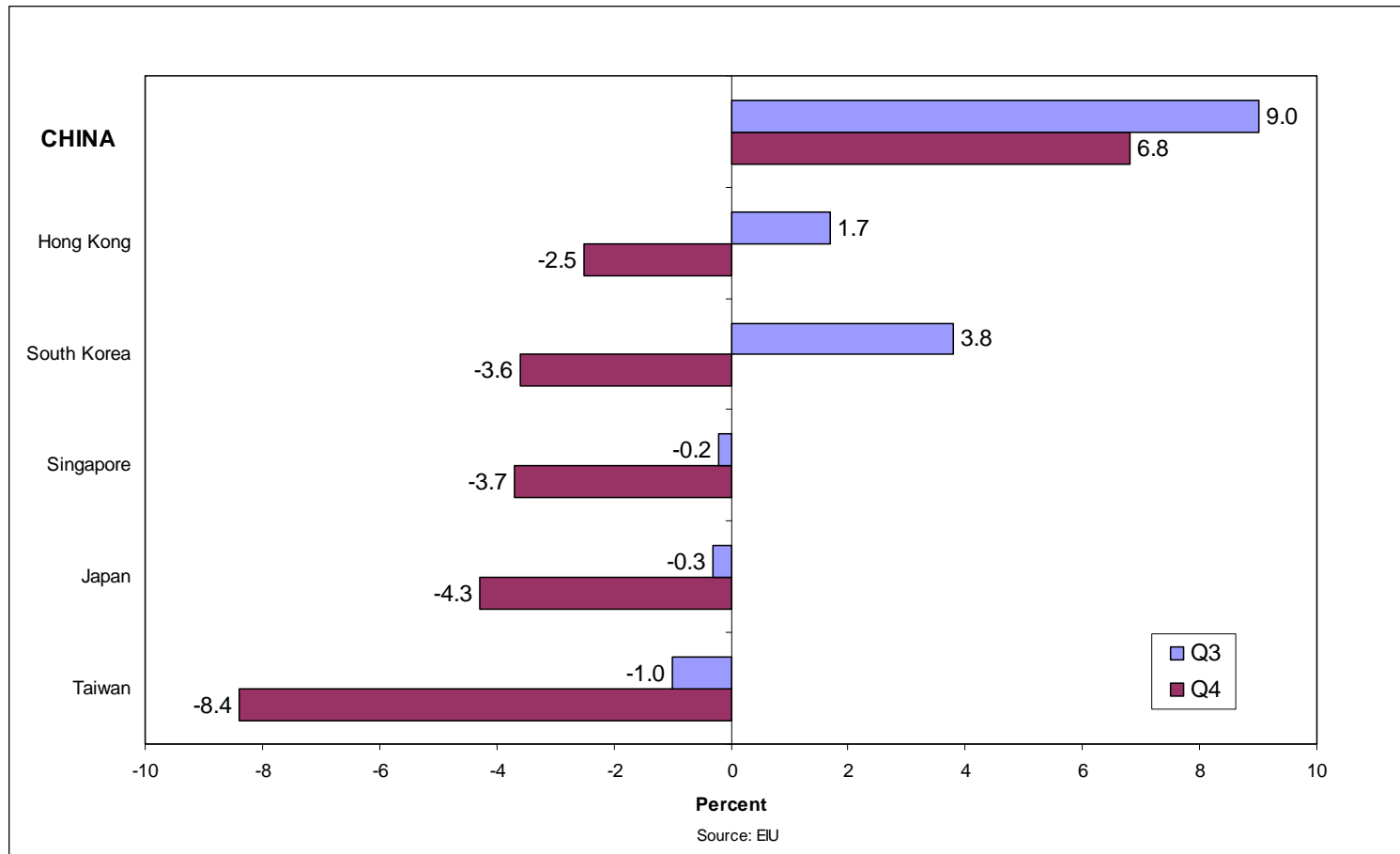
Bank Loans Made in China, Jan 2008 to March 2009



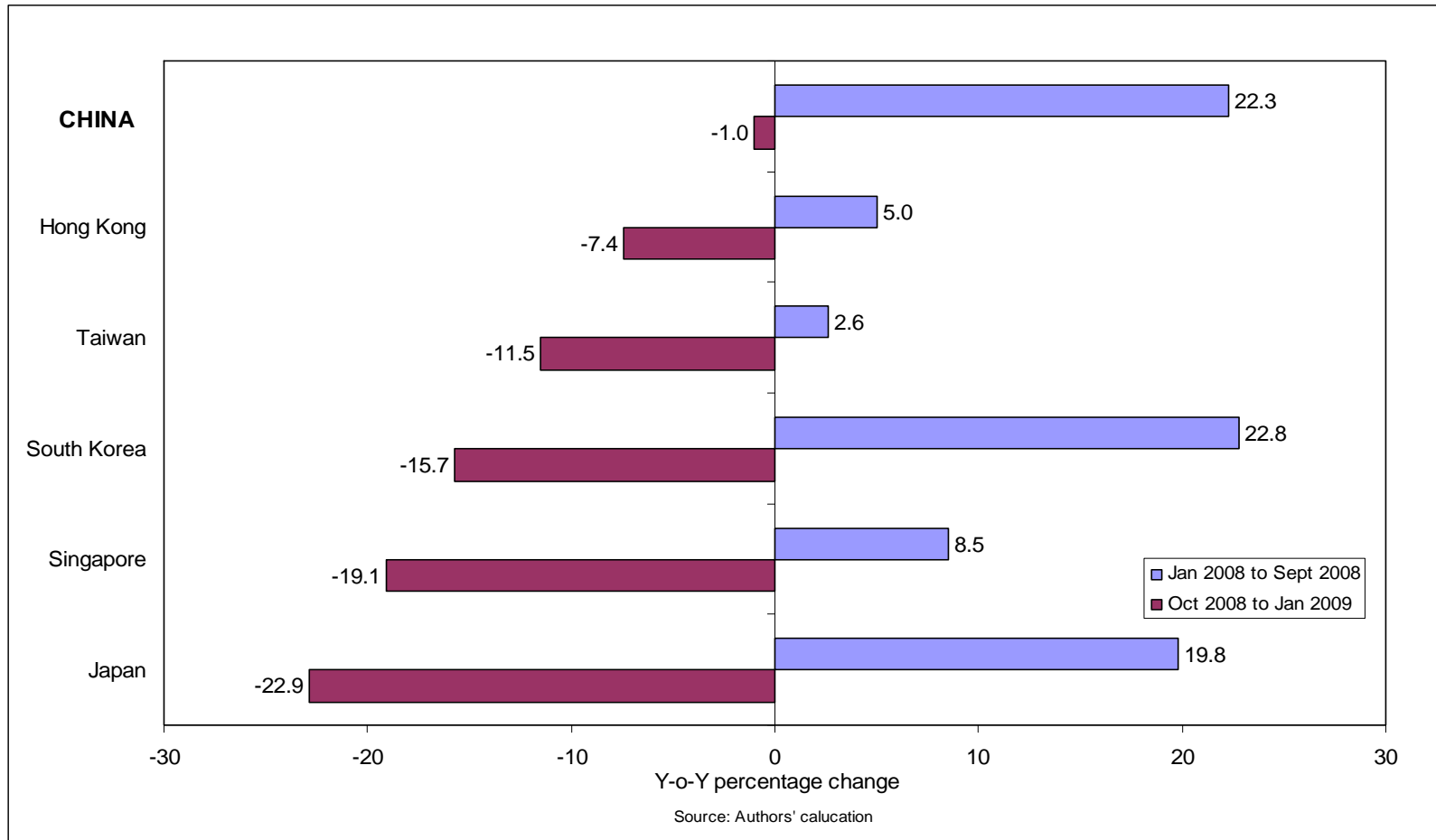
China's FDI Growth, Jan 2008 to March 2009



Quarterly GDP Growth of China, Japan & the NIEs (Q3 & Q4 2009)



Exports Change of China, Japan & the NIEs, Jan 2008 to Jan 2009 (Y-o-Y Percentage Change)



Stock Market in Brick Countries (2008 Apr – 2009 Mar)

Brazil BOVESPA Stock Index



India BSE SENSEX 30 Index



Russian RTS Index \$



Shanghai SE Composite



Stock Market in Developed Countries (2008 Apr – 2009 Mar)

DOW JONES INDUSTRIALS



NIKKEI 225



FTSE 100



S&P / ASX 200



Stock Market in East Asia

(2008 Apr – 2009 Mar)

Hang Seng Index



Straits Times Index



Taiwan TAIEX Index



Korea Se Composite



Conclusion

- The global financial crisis has slowed China's economy considerably. However, there is no financial crisis in China and China's fundamentals are sound;
- Fixed investment has always been the major source of China's growth. China's stimulus package has boosted domestic demand through government spending;
- Although China's export fell quite significantly, China could be the first to recover once global economic conditions stabilize



Conclusion

- Strategy to boost China's domestic consumption leads Beijing to address key social and development issues such as social security protections, wages, growth of service sector, emphasis on R&D, environment, etc
- A new development model in the making?
- More time to see government's determination and follow up actions