

China's Economic Outlook

Yan Wang
Managing Editor
China Investment Strategy

Cyclical: Can China Muddle Through?

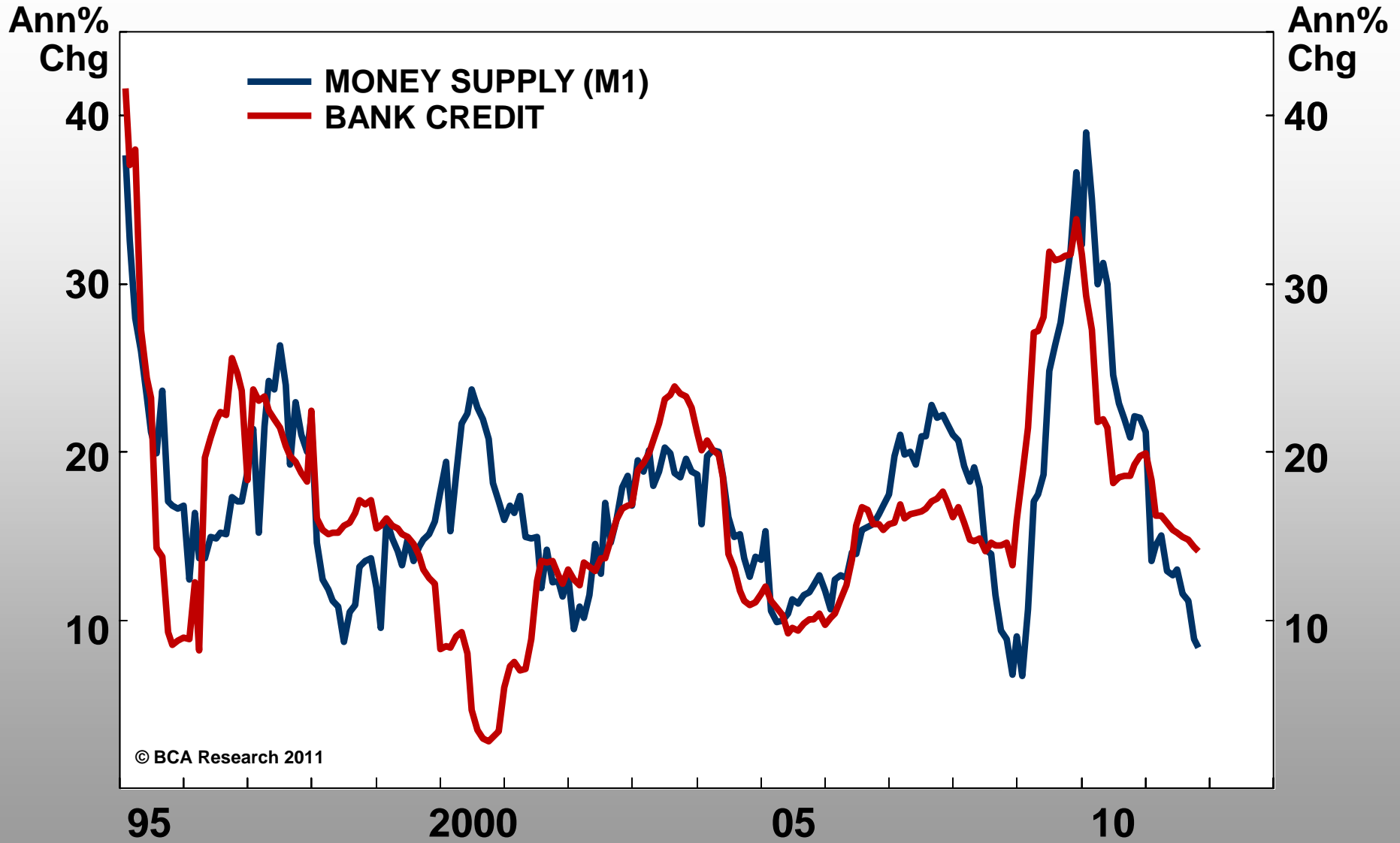
Structural: How Will China Grow?

The Impossible Charts?

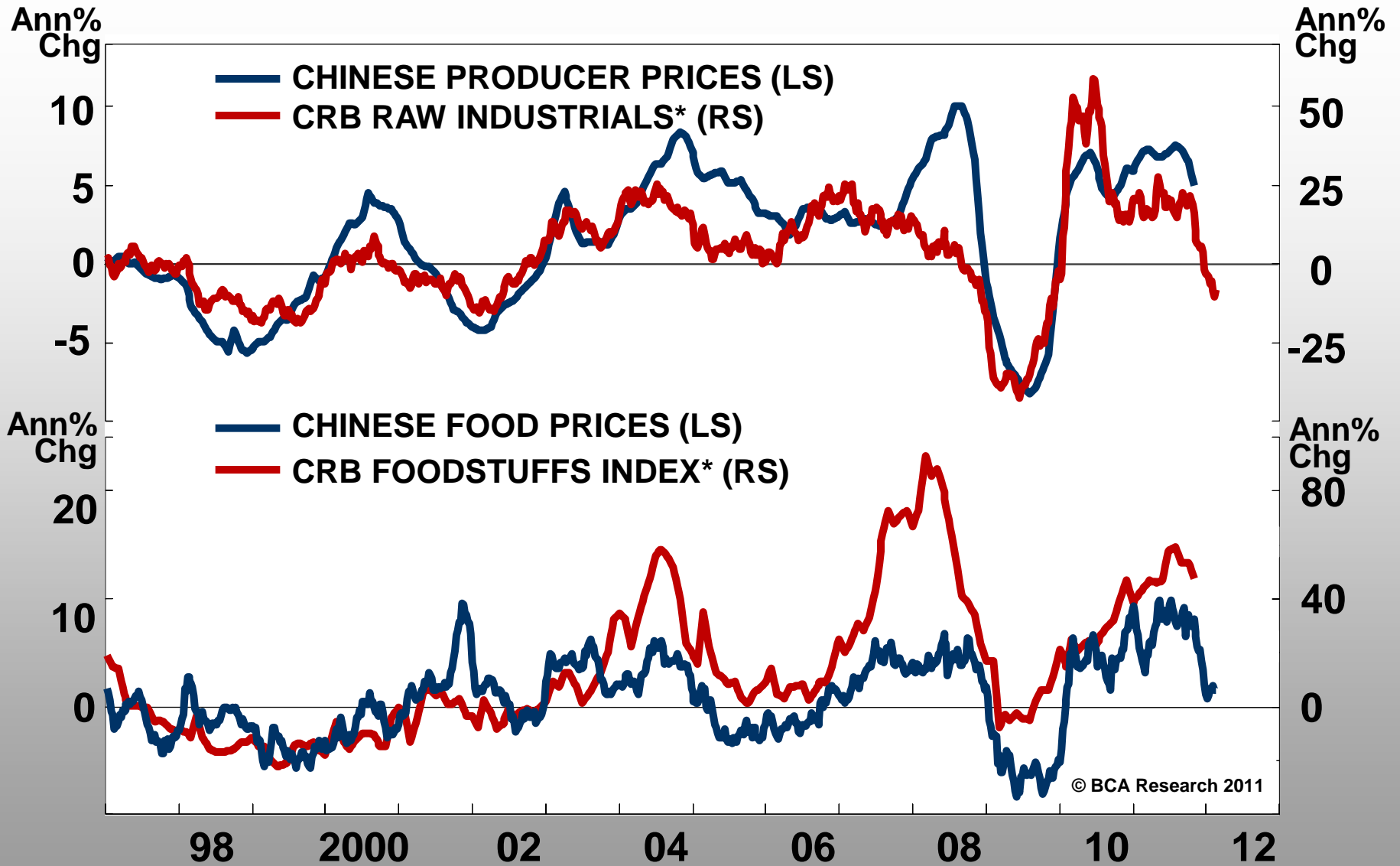
Cyclical: Can China Muddle Through?

- **Policy: From Restrictive To Stimulative**
- **Exports: Most Vulnerable; But A Slowdown Is Manageable Barring A Systemic Shock Out Of Europe**
 - **Stronger EM Demand**
 - **The U.S. May Be A Positive Surprise**
 - **Some Divergence Within Europe**

Monetary Policy: Approaching A Turning Point



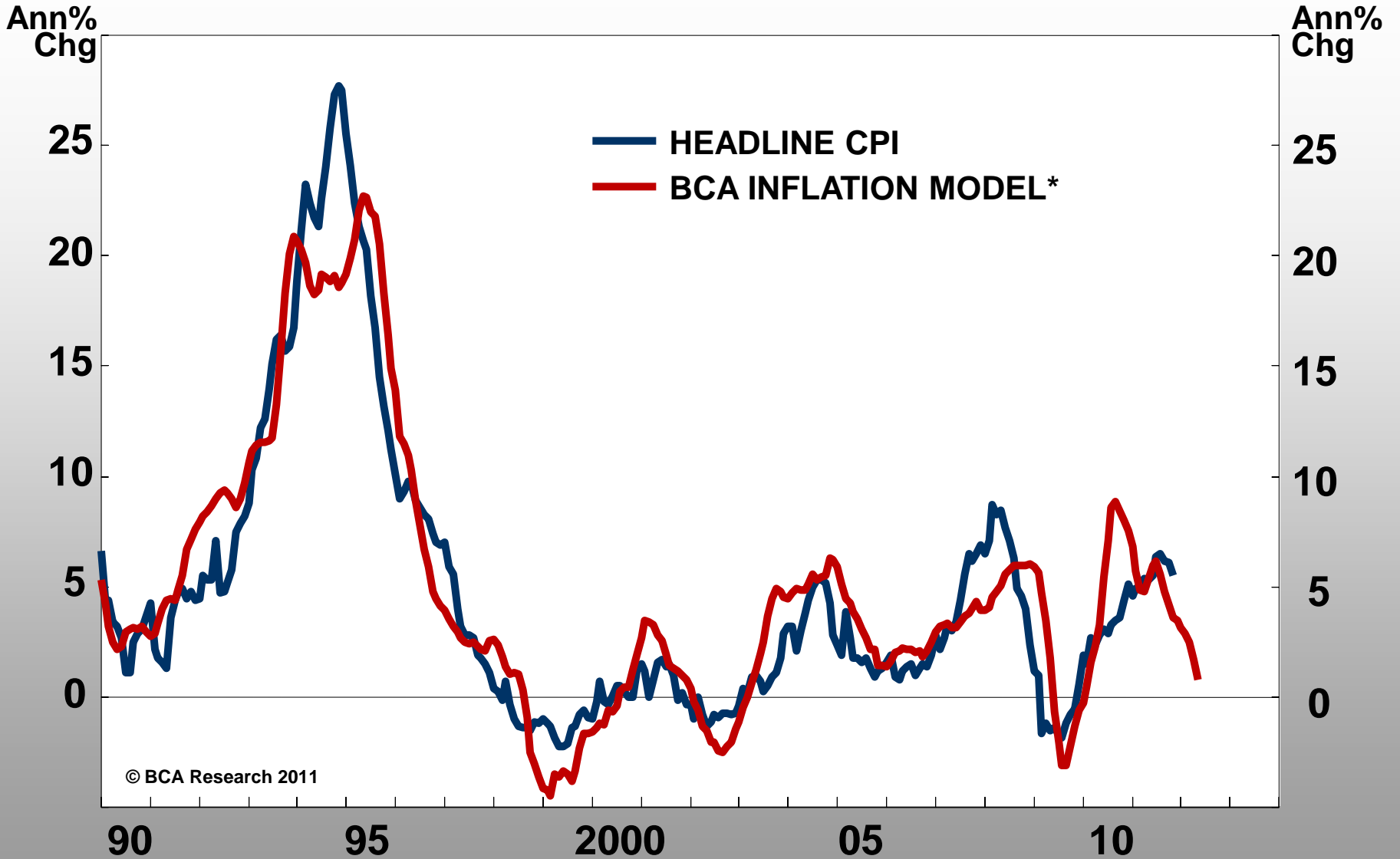
Inflation Is To Decline Quickly



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*ADVANCED BY 3 MONTHS; SOURCE: COMMODITY RESEARCH BUREAU, INC.

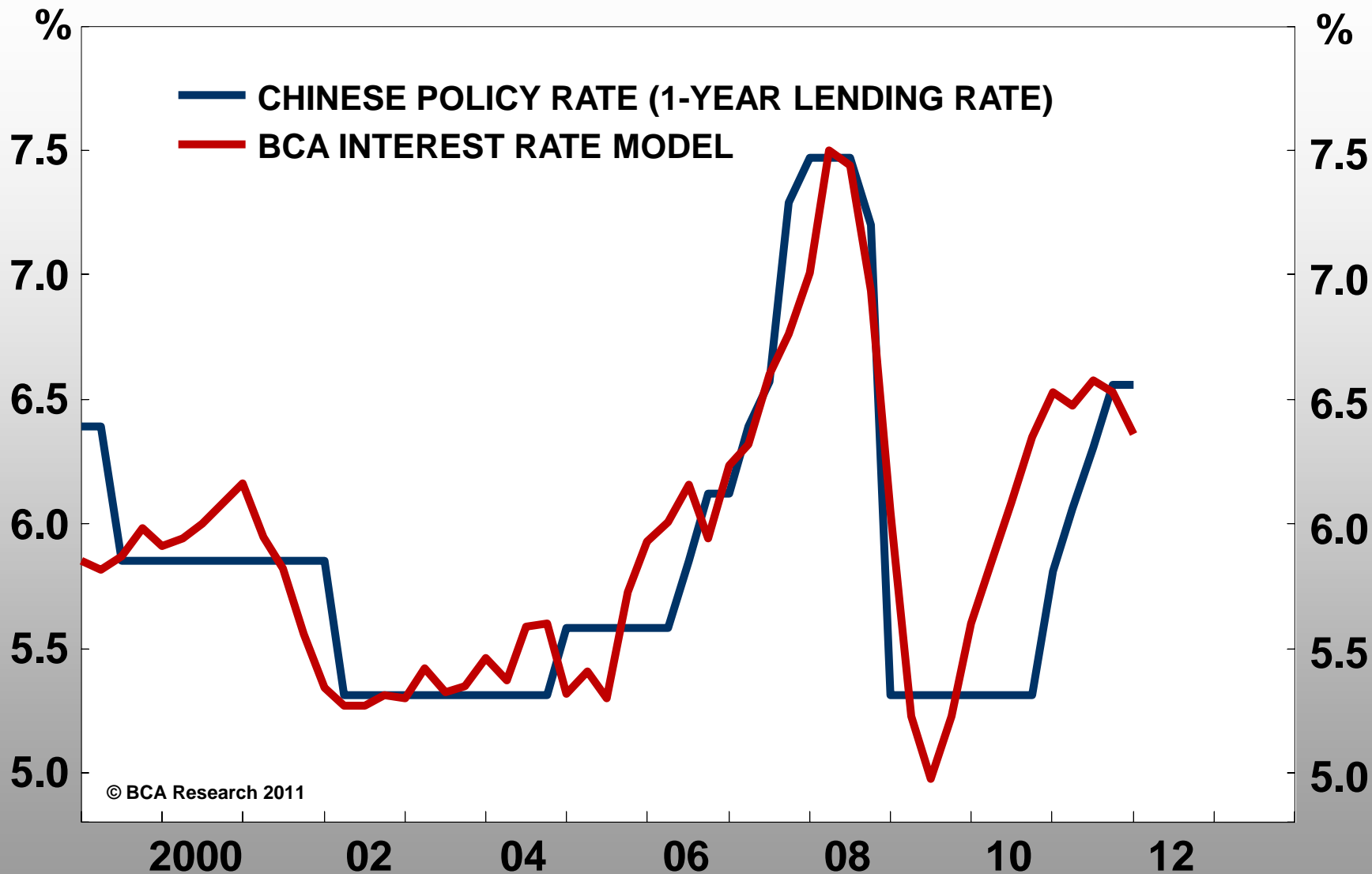
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*BCA PROPRIETARY INDICATOR

Interest Rate May Have Peaked

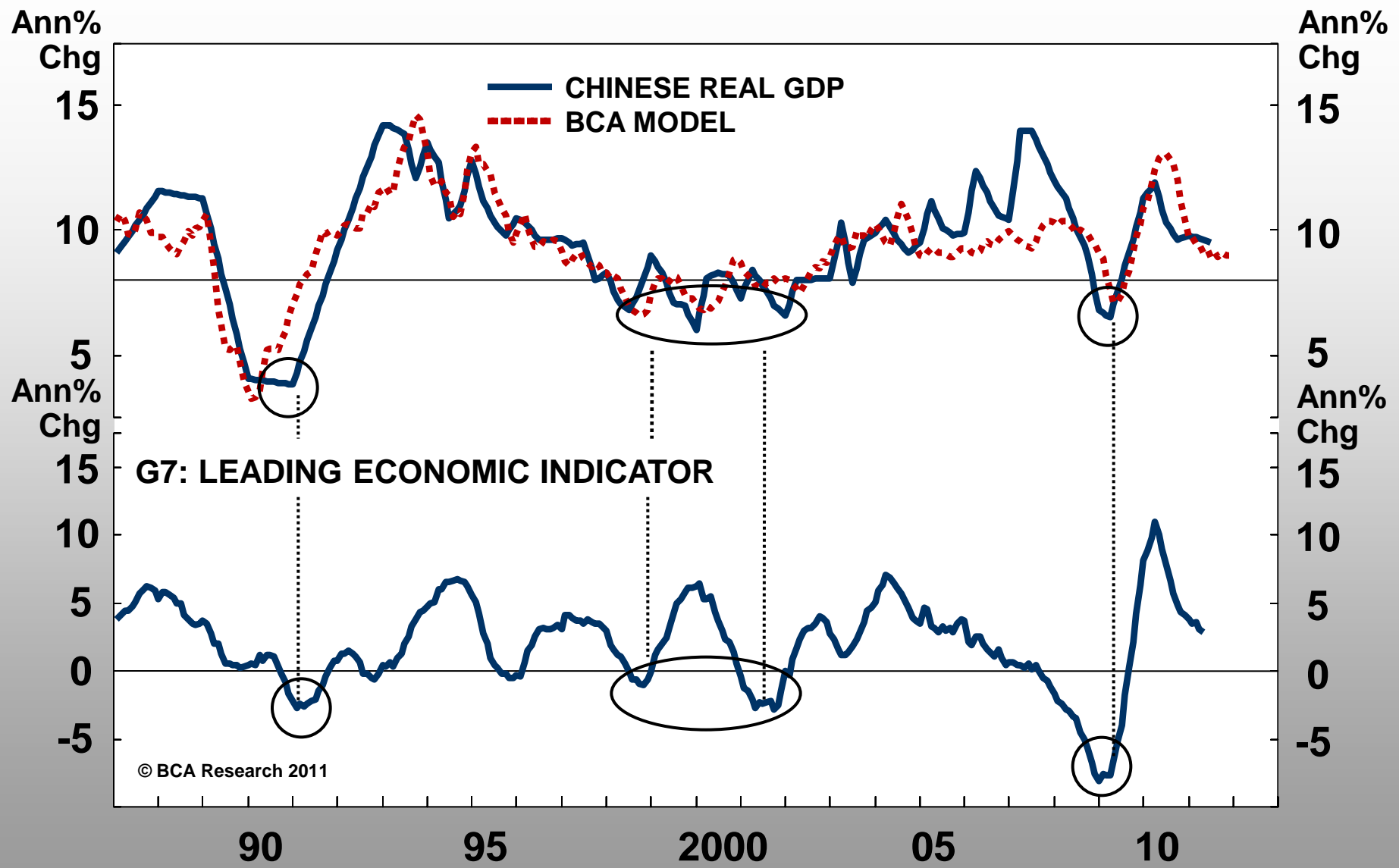


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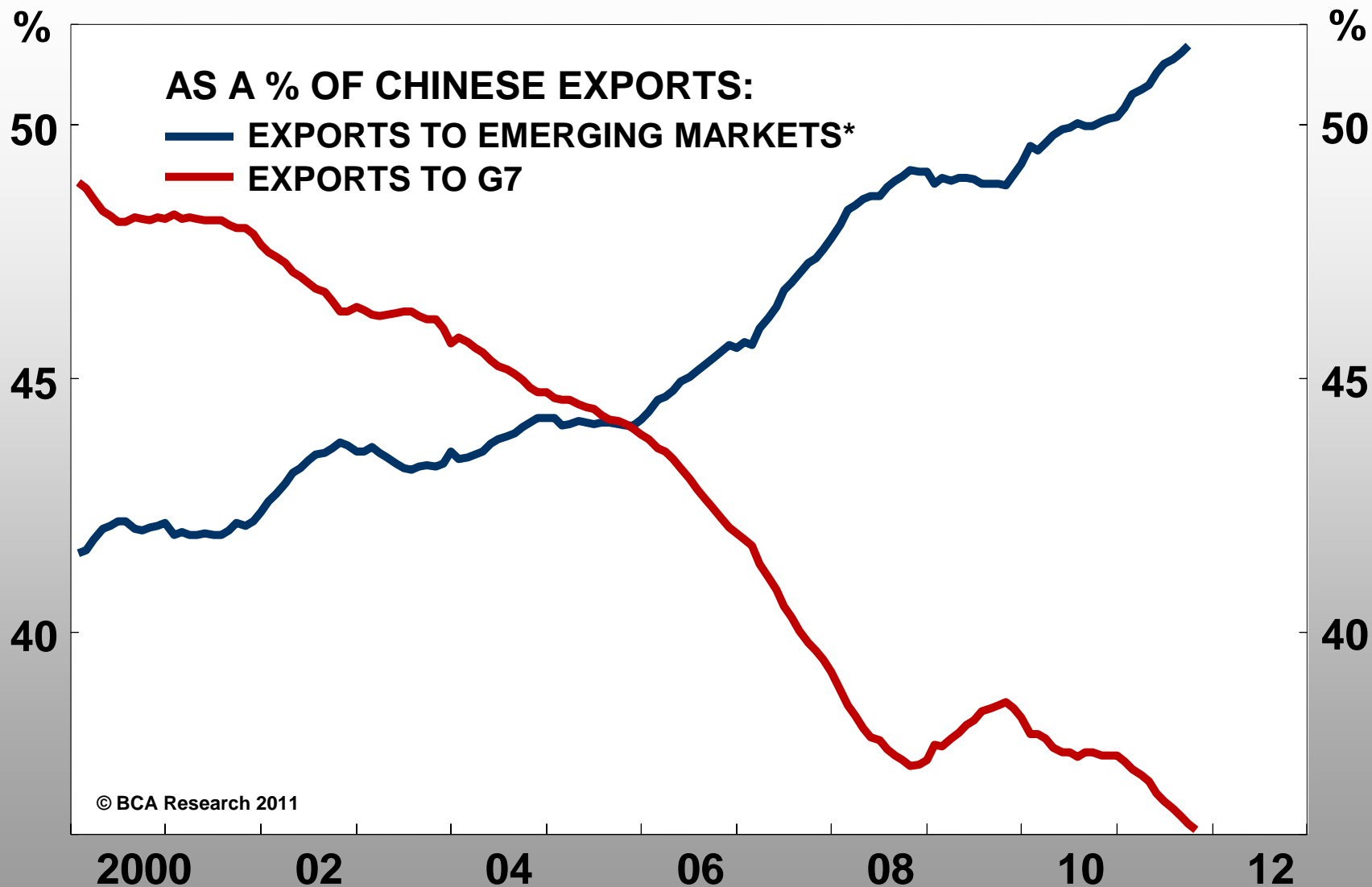
China And Global Business Cycle



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EM Is More Important Than G7 For Chinese Exports



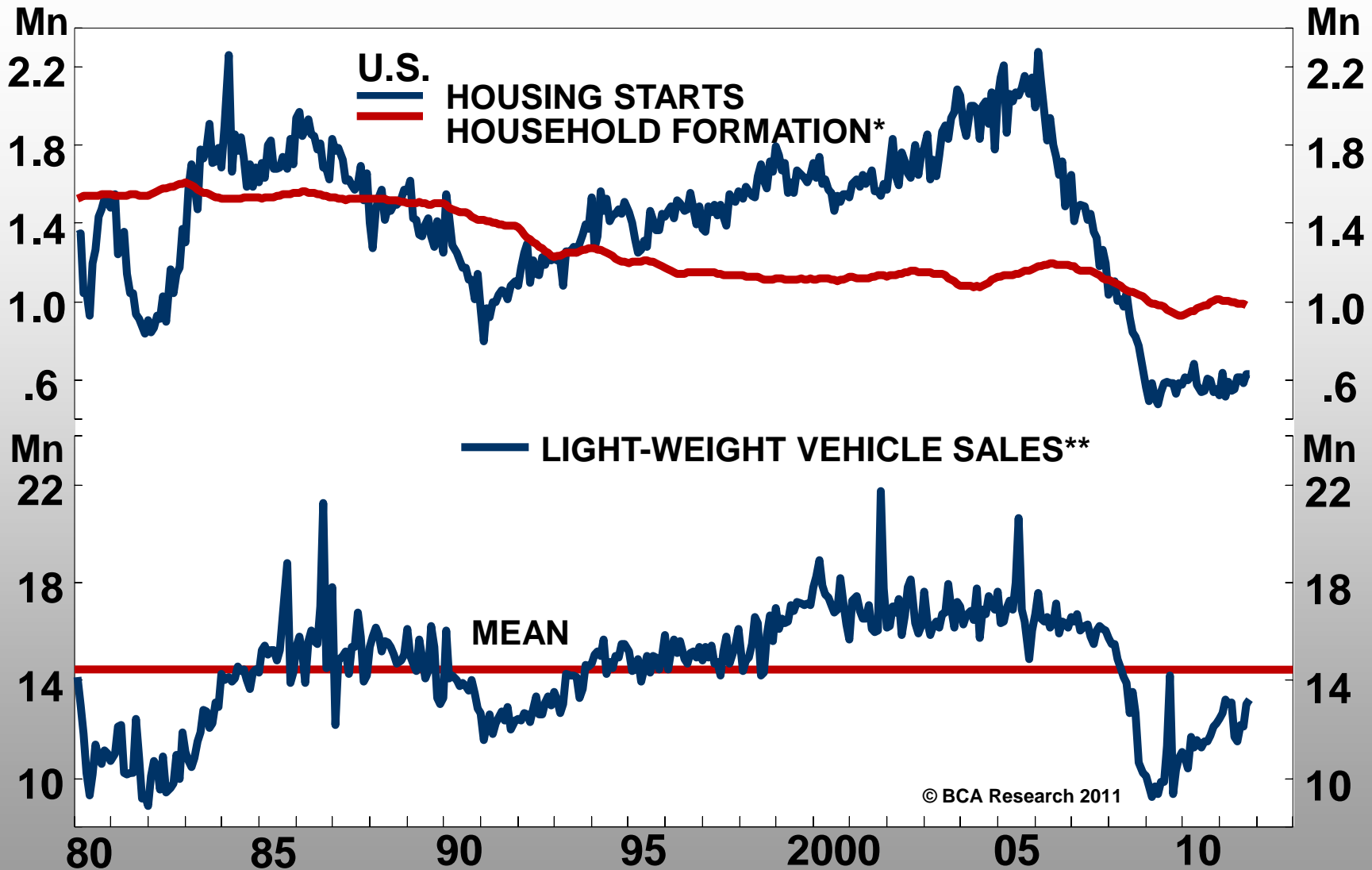
NOTE: ALL SERIES SHOWN SMOOTHED

*INCLUDES NON-JAPAN ASIA, AFRICA, LATIN AMERICA AND RUSSIA

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U.S. : Not Much More Downside



* SHOWN AS A 10-YEAR MOVING AVERAGE

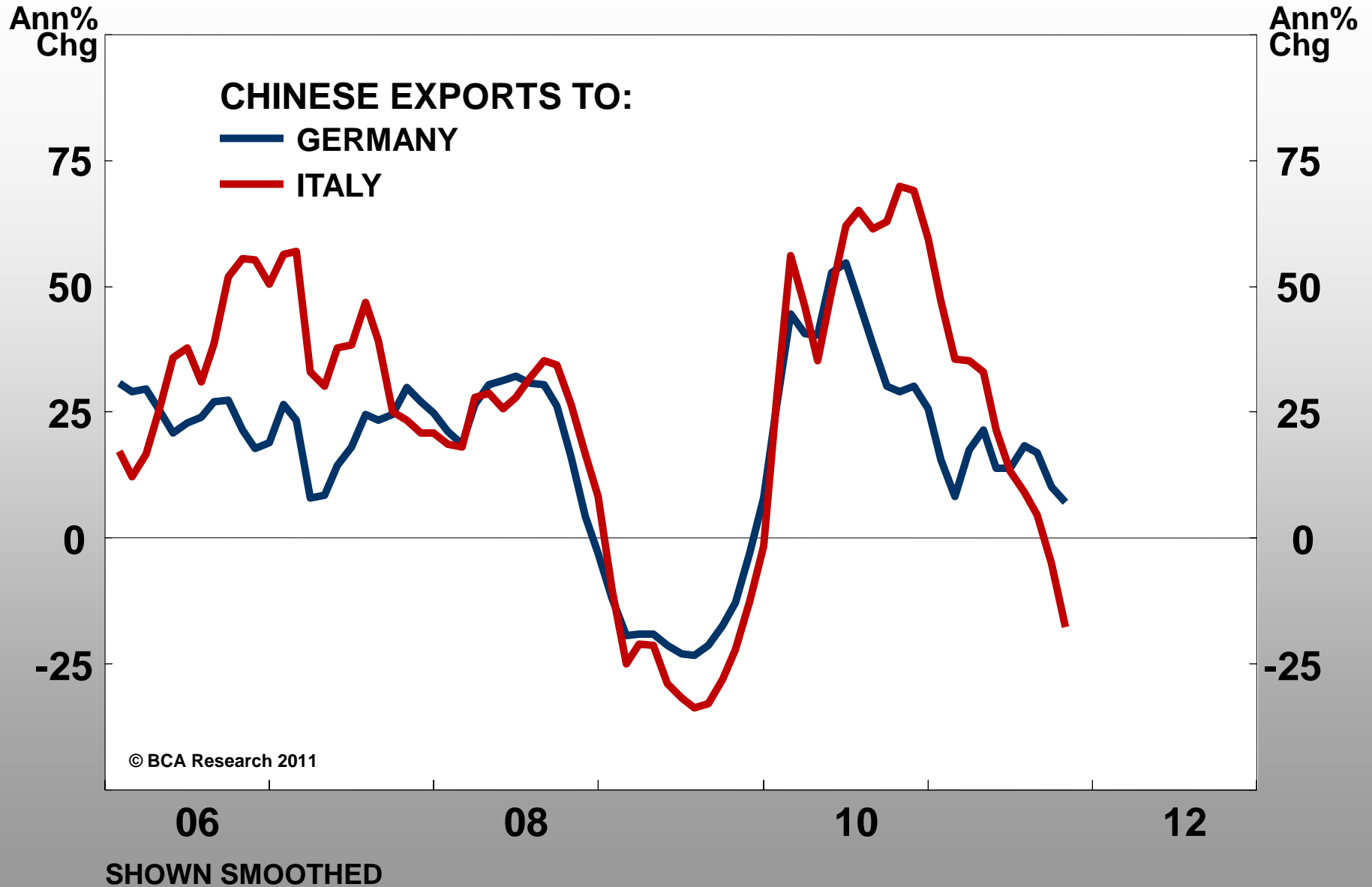
** SHOWN AS AN ANNUALIZED RATE; SOURCE: BUREAU OF ECONOMIC ANALYSIS

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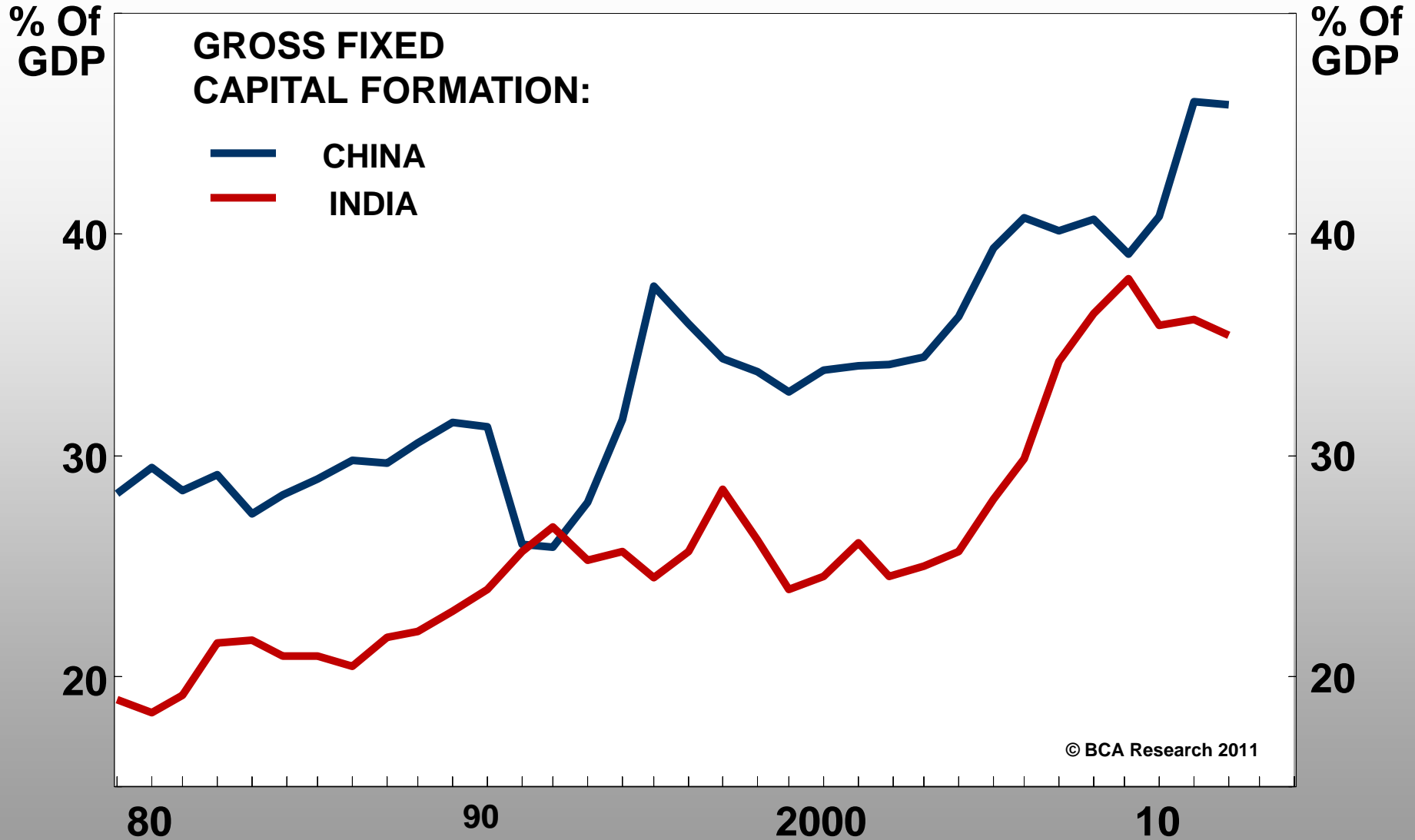
Some Divergence Within Euro Zone



Structural: How Will China Grow?

- **Capital Spending Will Remain A Critical Driver**
- **The Consumer Story**
- **The Service Industry**
- **The Catch-up Of Inland China**

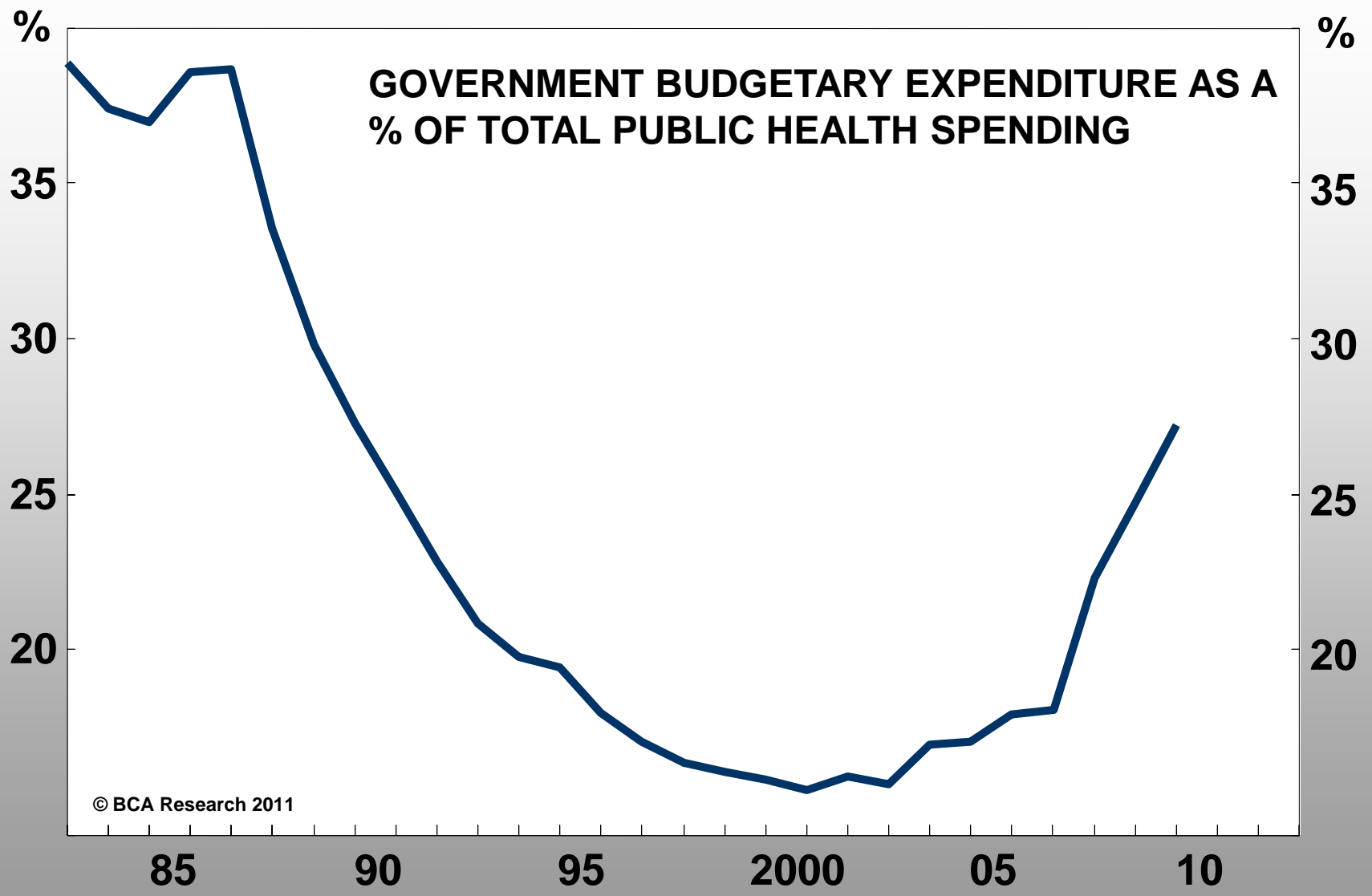
India Is Becoming More Like China



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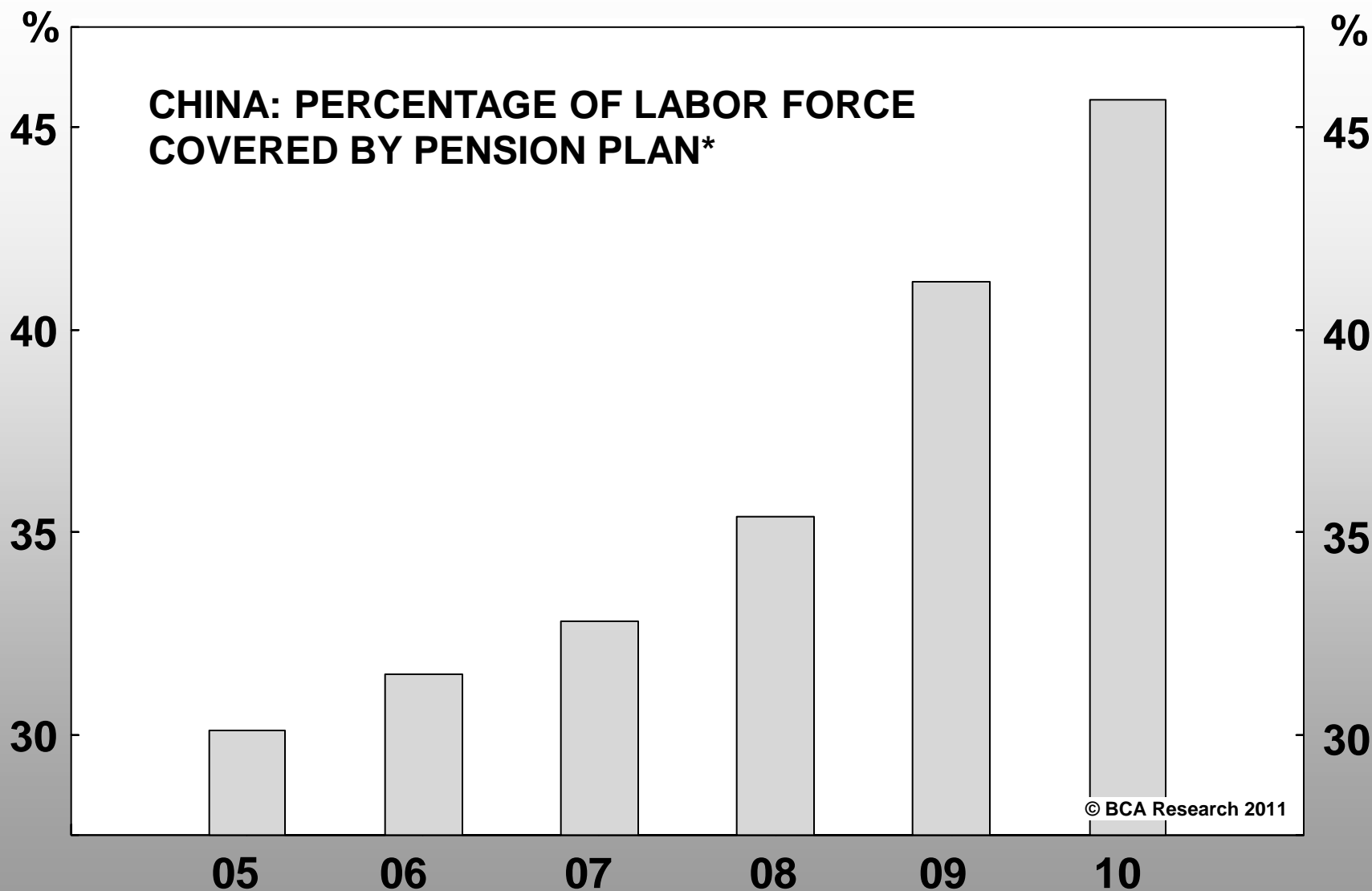
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A Policy U-Turn On Social Welfare



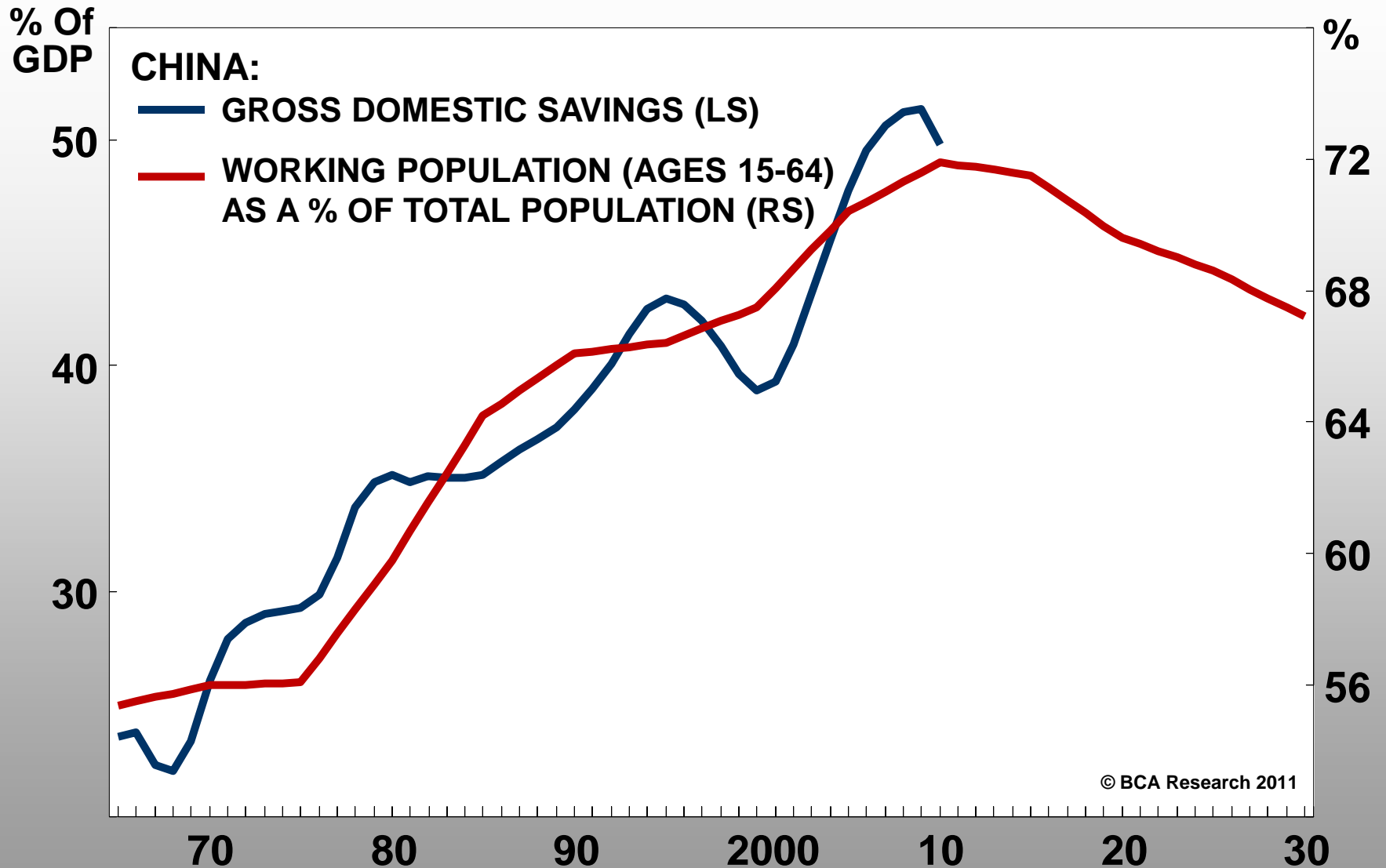
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Rising Coverage Of Pension Plan



*LABOR FORCE DATA FOR 2010 IS ESTIMATE; SOURCE: IMF CHINA COUNTRY REPORT

Savings Rate And Demographics

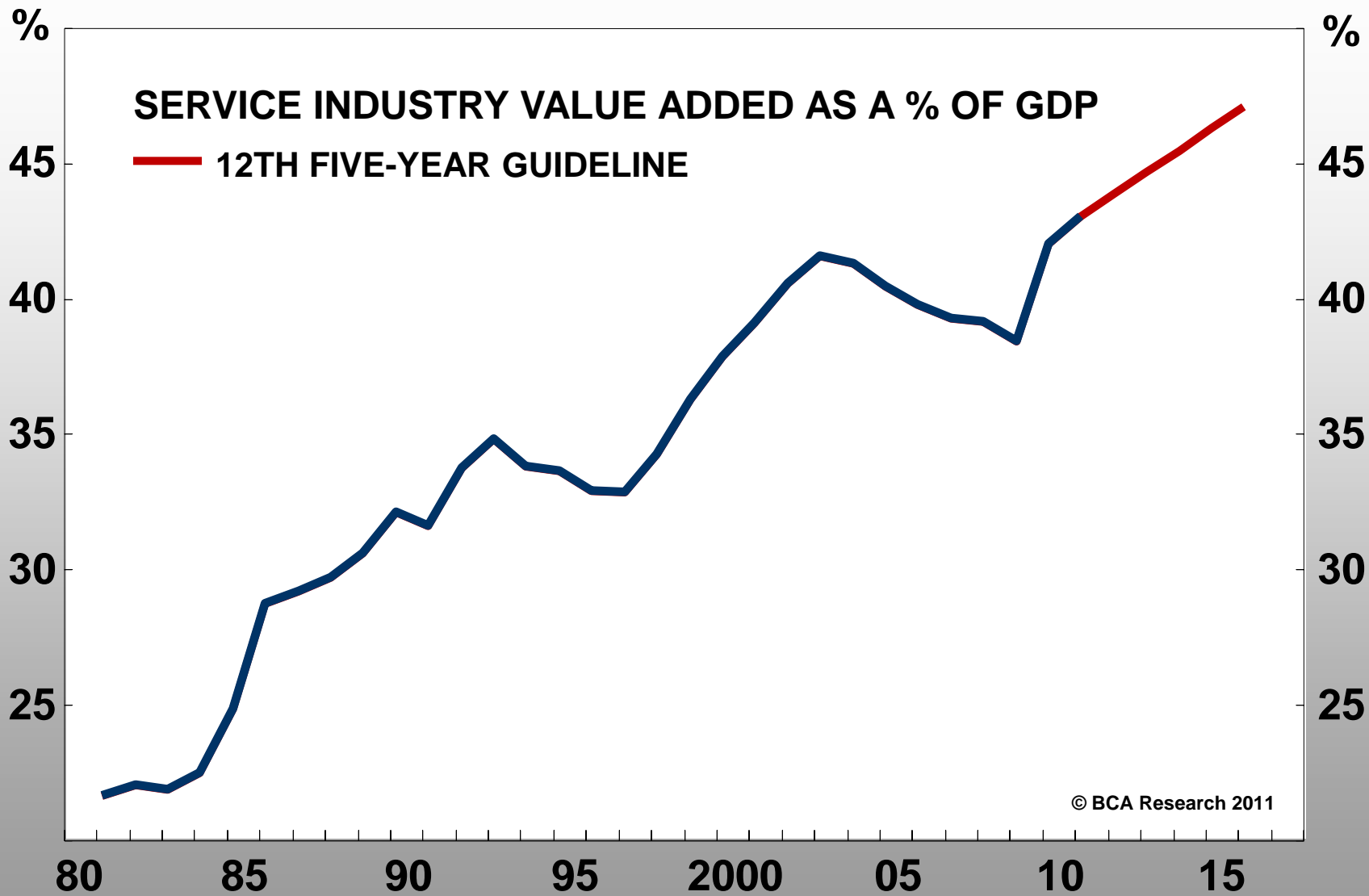


SOURCE: THE WORLD BANK AND UNITED NATIONS

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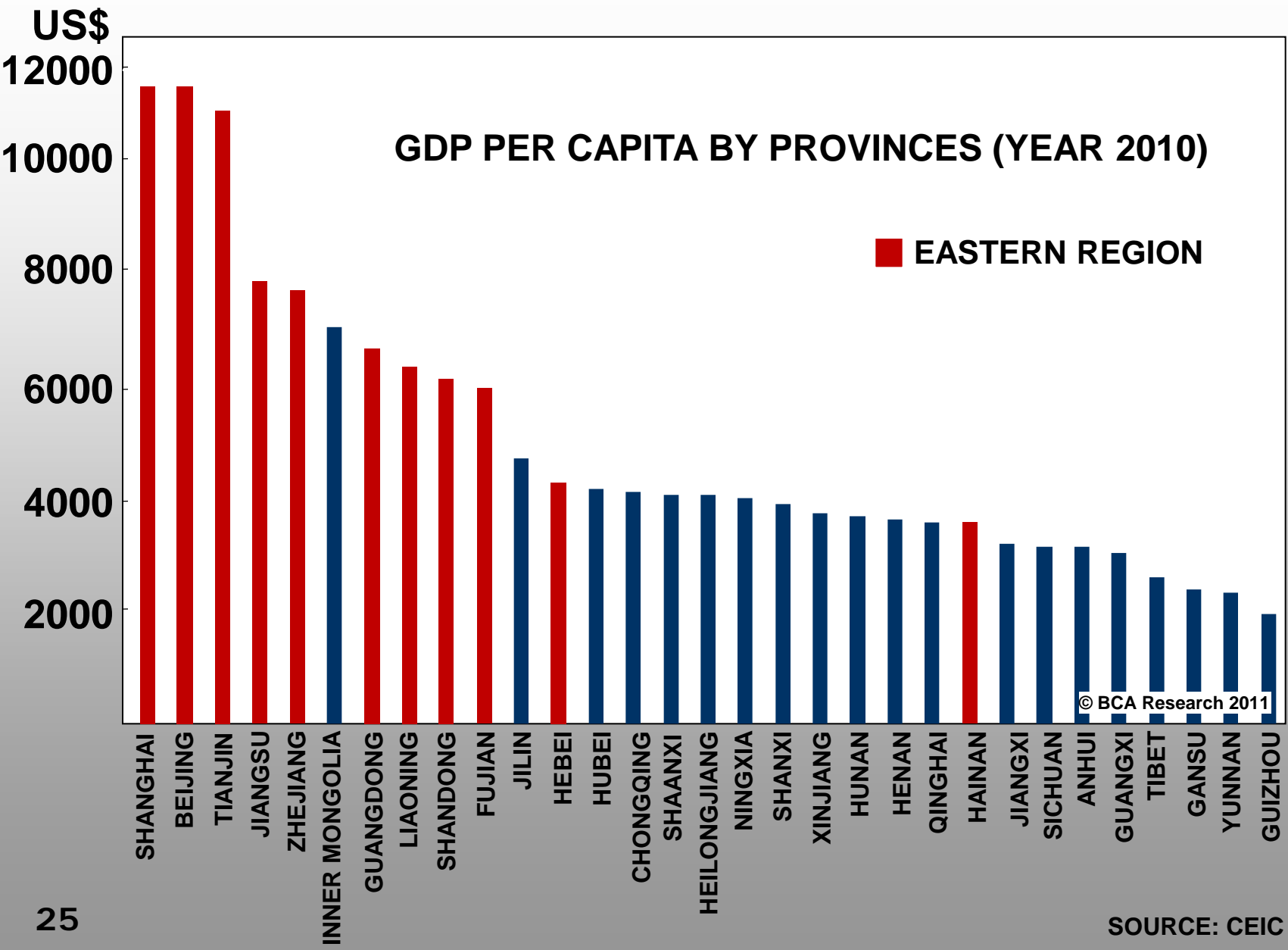
Service Industry



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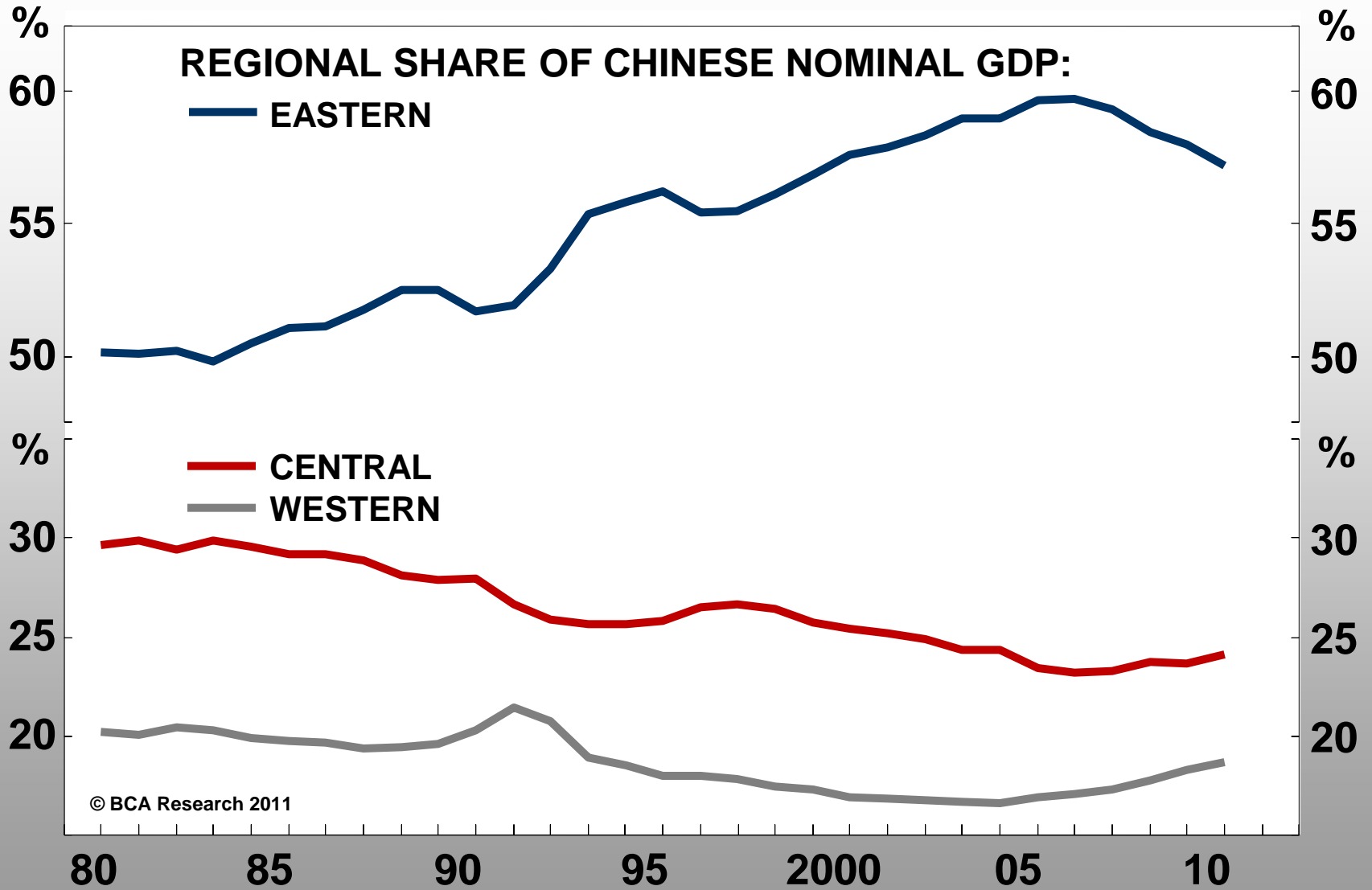
China's Huge Regional Divergence



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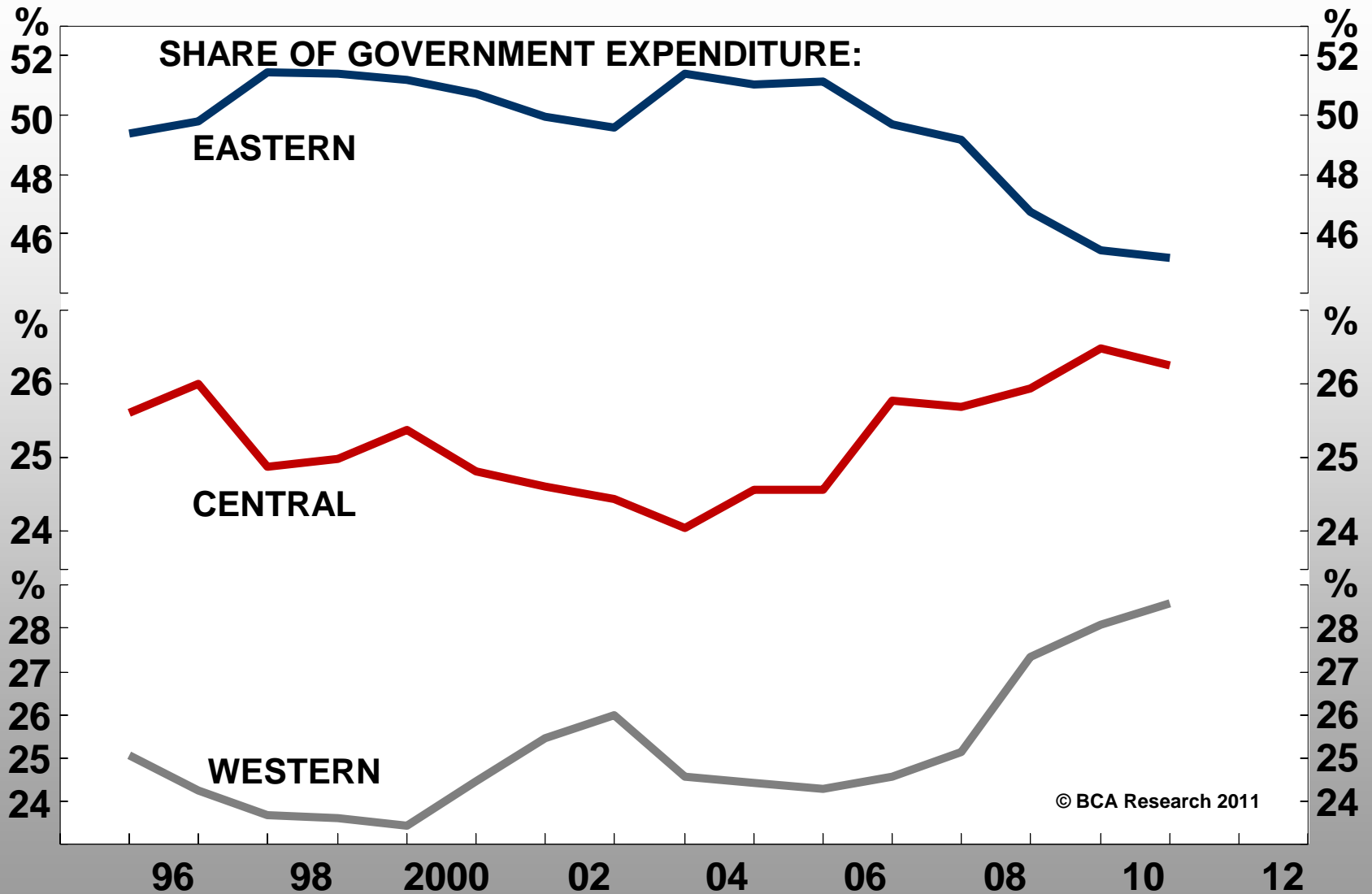
SOURCE: CEIC

The Catch-Up Of Hinterland

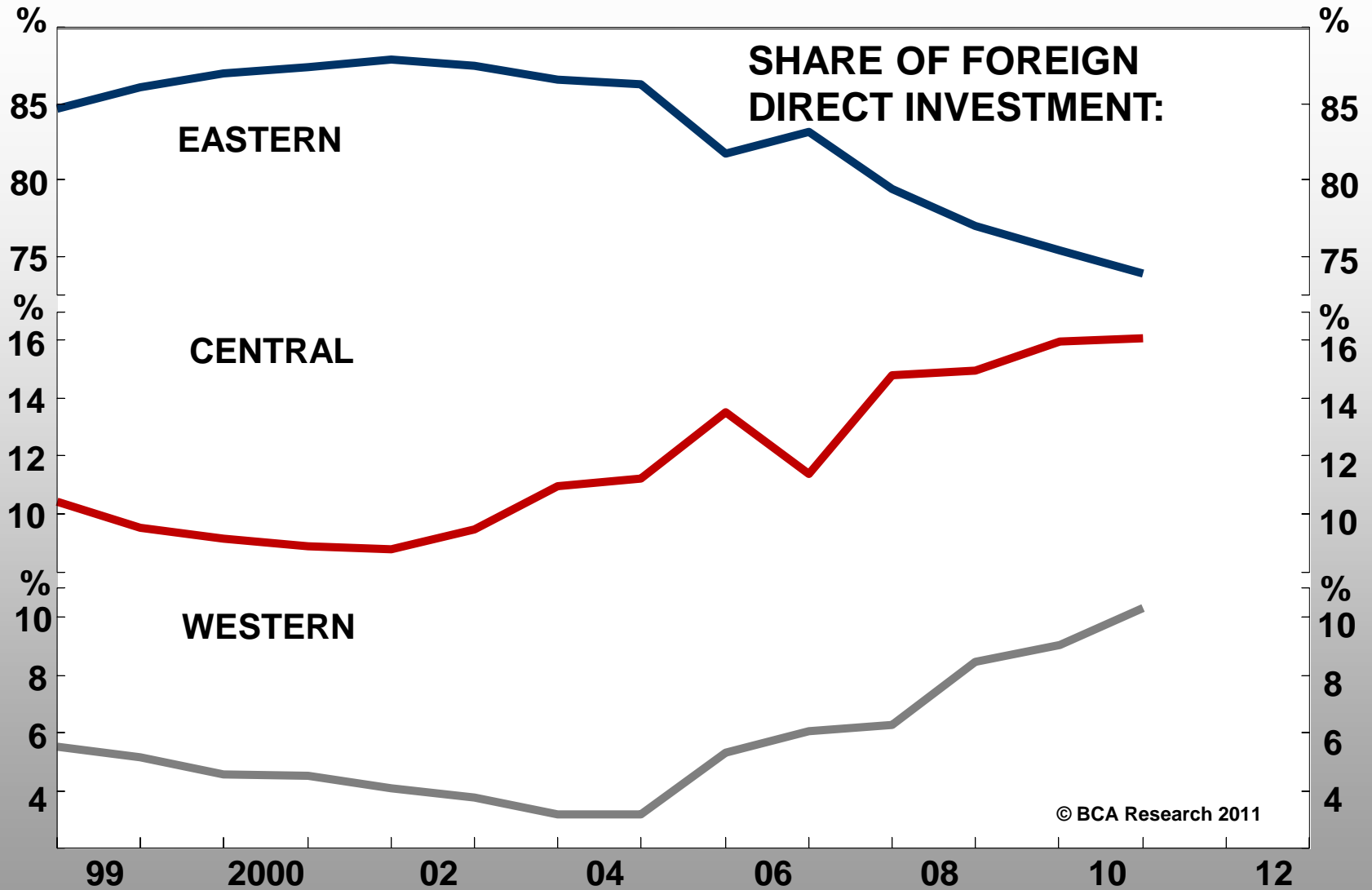


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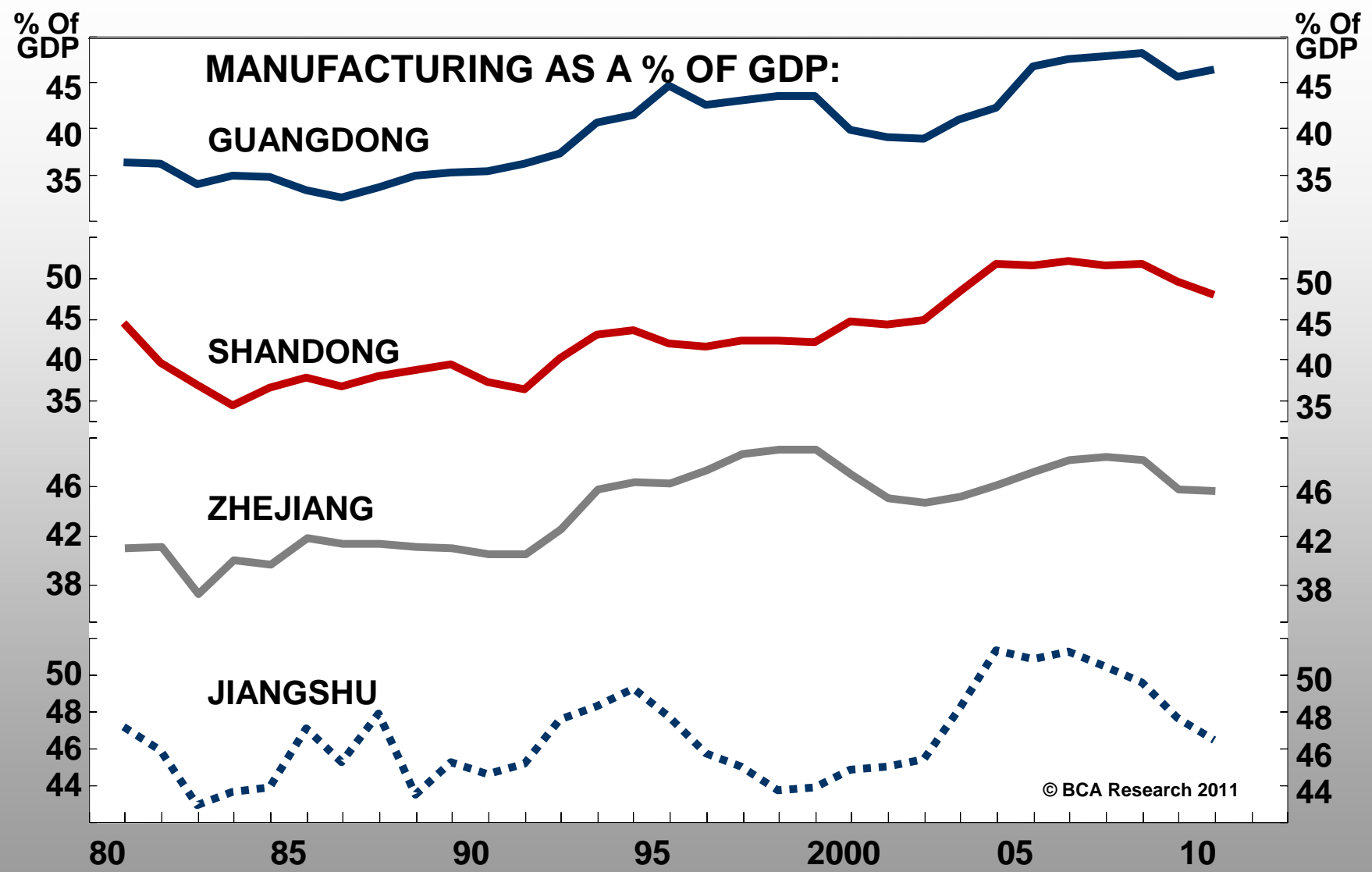
A Public Sector Capex Boom In Inland Provinces...



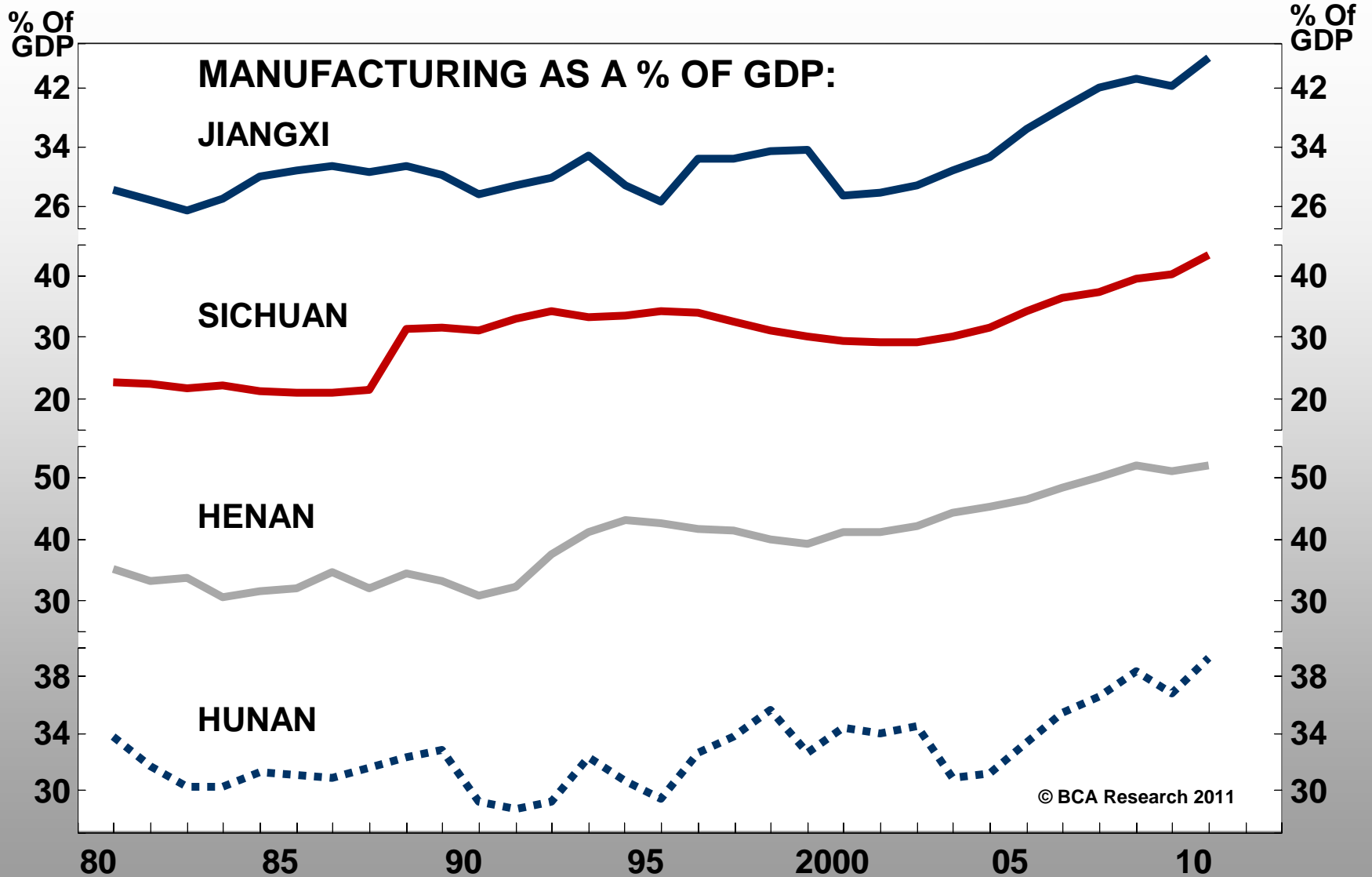
....Leads Private Investment



Manufacturing Has Stagnated In Coastal Region...



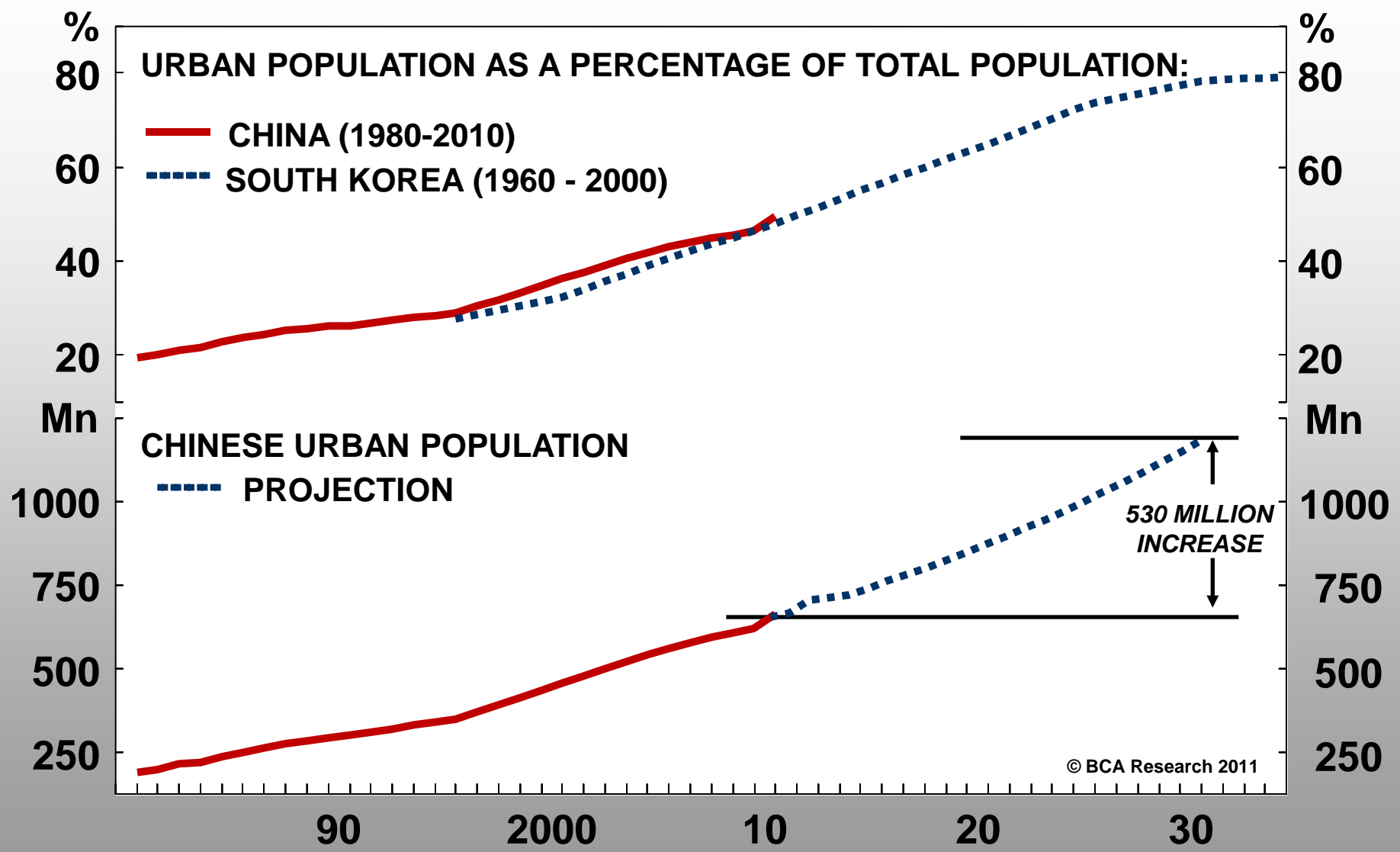
...But Rising Sharply In Inland Provinces



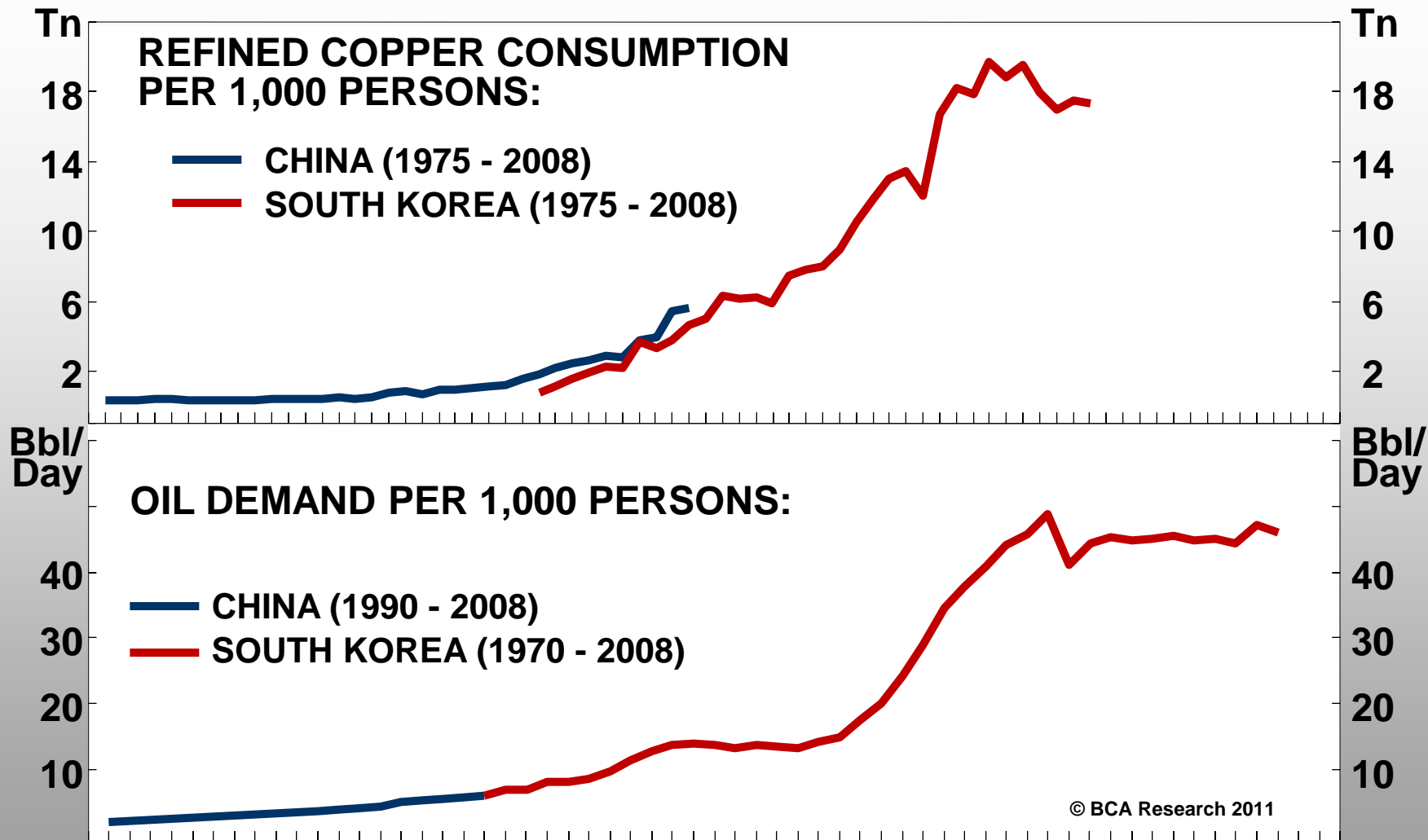
Impossible Charts?

- **Huge Pressure On Energy/Commodity Supply**

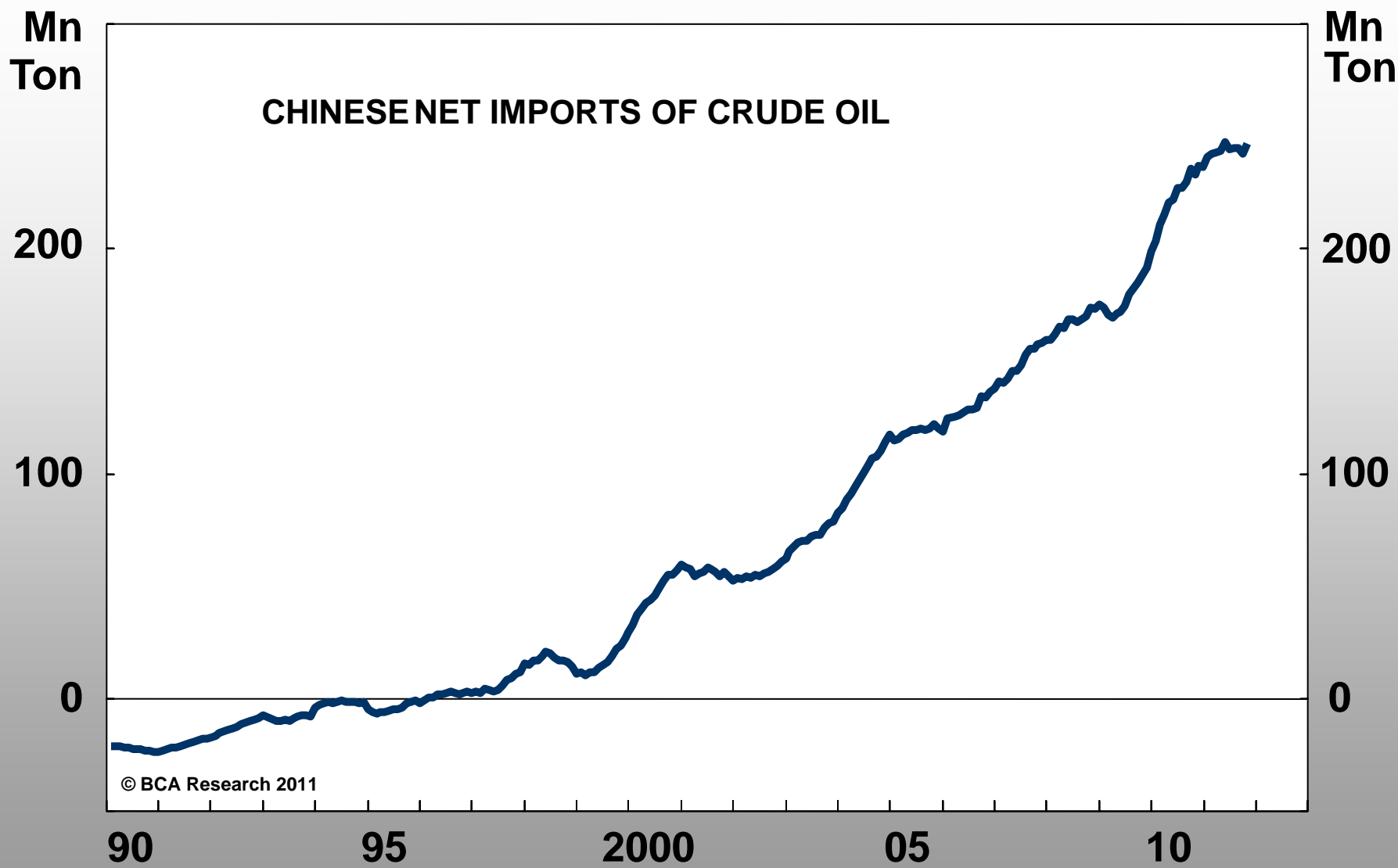
China's Roadmap For Urbanization/Industrialization



China's Roadmap For Commodity Demand



The Case Of Crude Oil



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The Case Of Coal

