

Is China Prepared to Cope with Economic Slowdown?

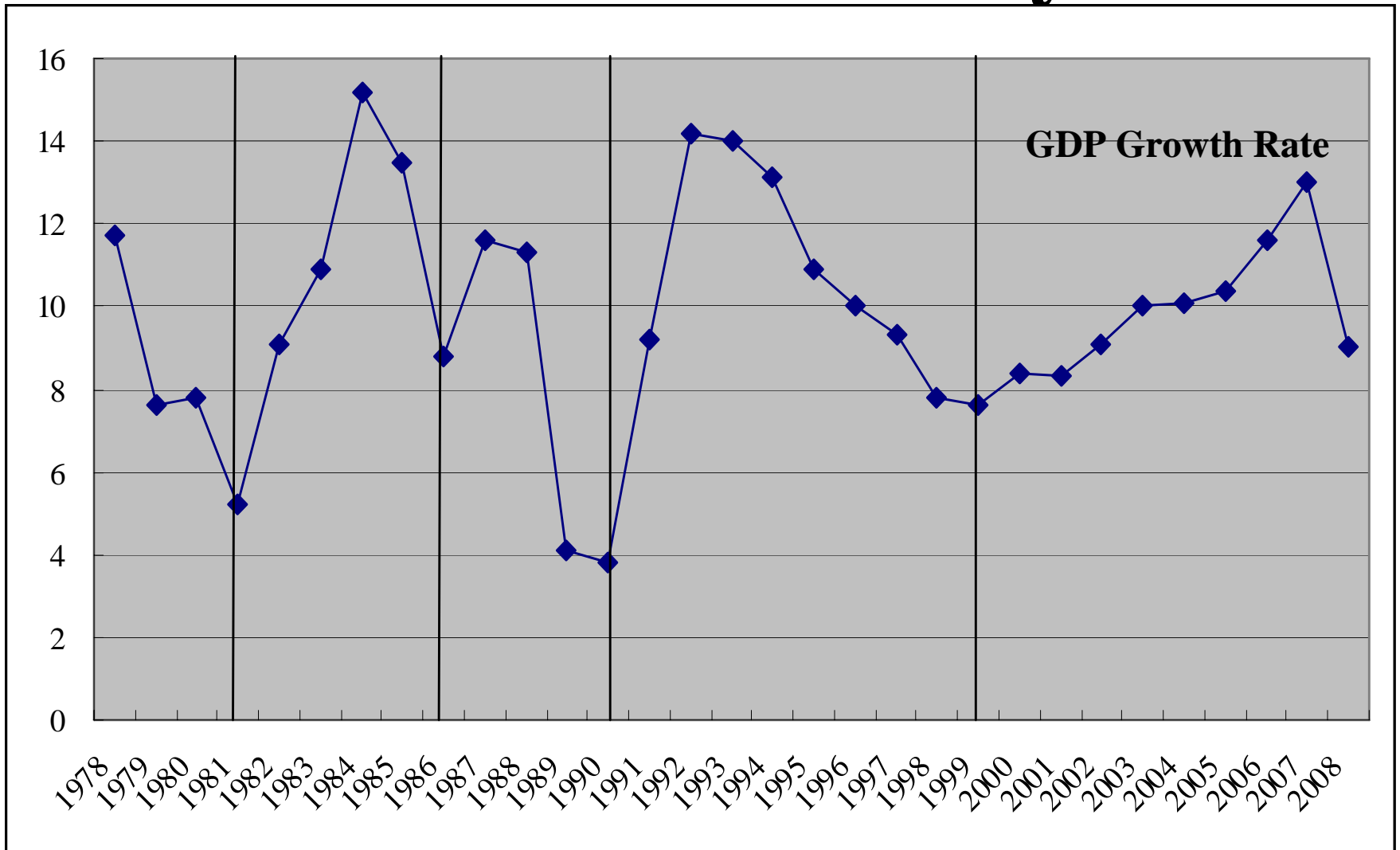
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Outline

1. Economic slowdown and rising unemployment
2. Is China prepared for the crisis?
3. New measures to stimulate domestic demands
4. Can China afford?

China's Economic Cycle



Monitoring Signals of Macro-Economic Climate Index

Index / Month	08-01	08-02	08-03	08-04	08-05	08-06	08-07	08-08	08-09	08-10	08-11	08-12
The Index of Industrial Production												
Investment of Fixed Assets												
The total Retail Sales of Consumer Goods												
Import and Export Volume												
Revenue												
The Profits of Industrial Enterprises												
Residence Disposable Income												
Financial Institutions Loans												
Money Supply M2												
CPI												
Business Cycle signal Index												
	113	113	117	120	120	115	112	105	102	89	85	79

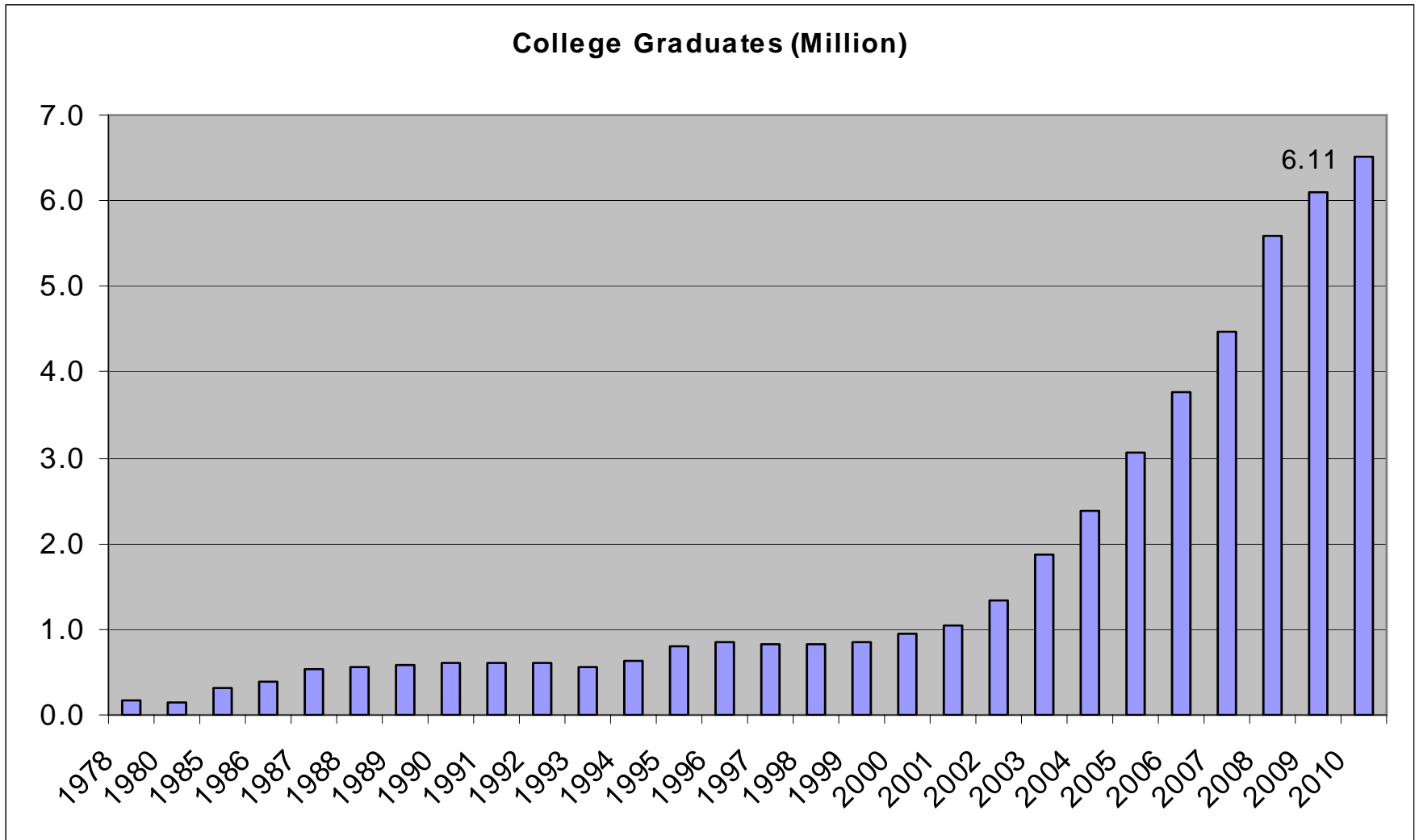
Note: Overheating Increasing Stable Decreasing Overcooling

Economic Slowdown and Rising Unemployment



- Among two segments of the population
 - College graduates
 - Migrant workers

College Graduates



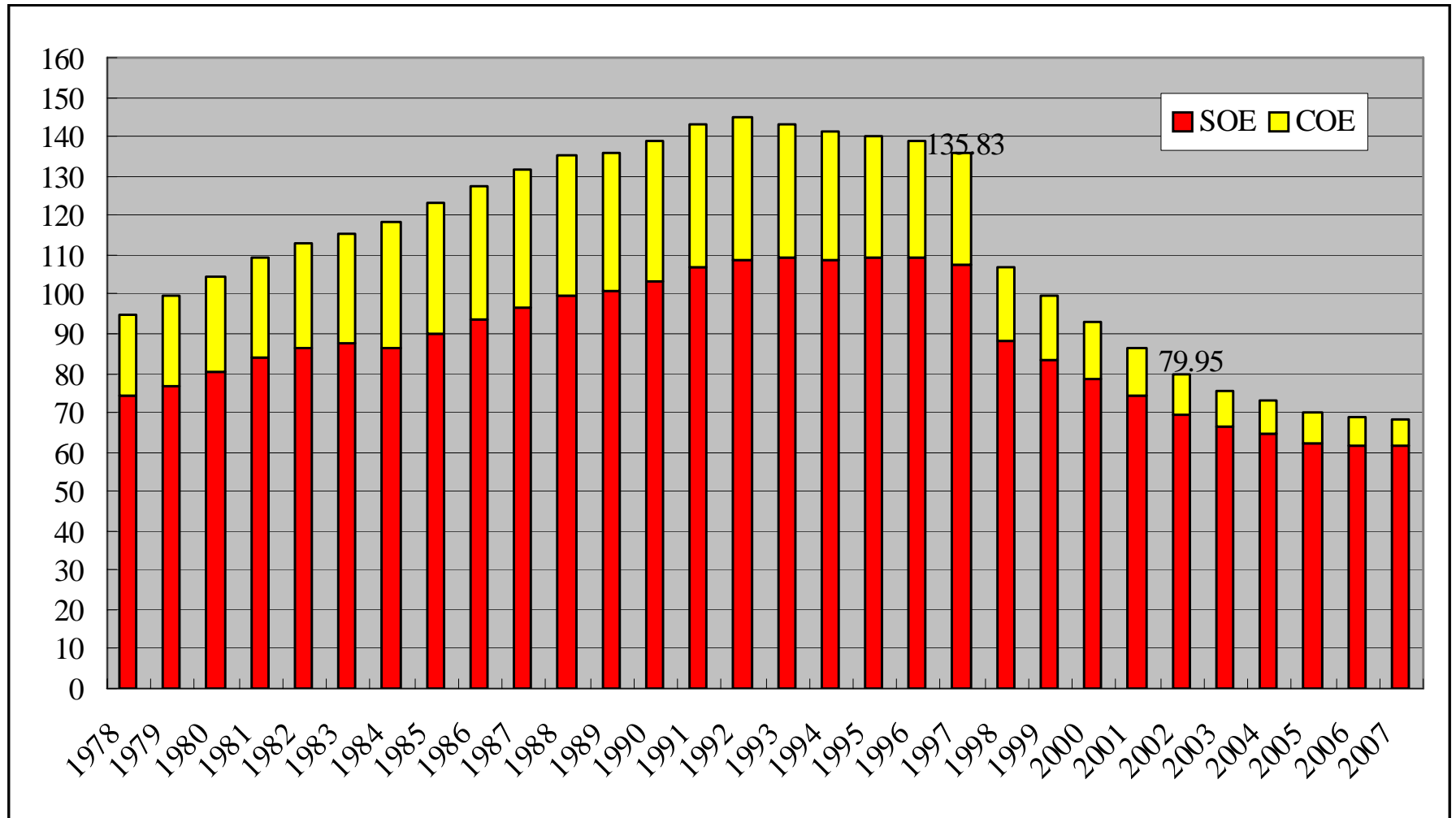
In addition, about 1 million college graduates in the past years have not found jobs ⁶

Migrant Workers

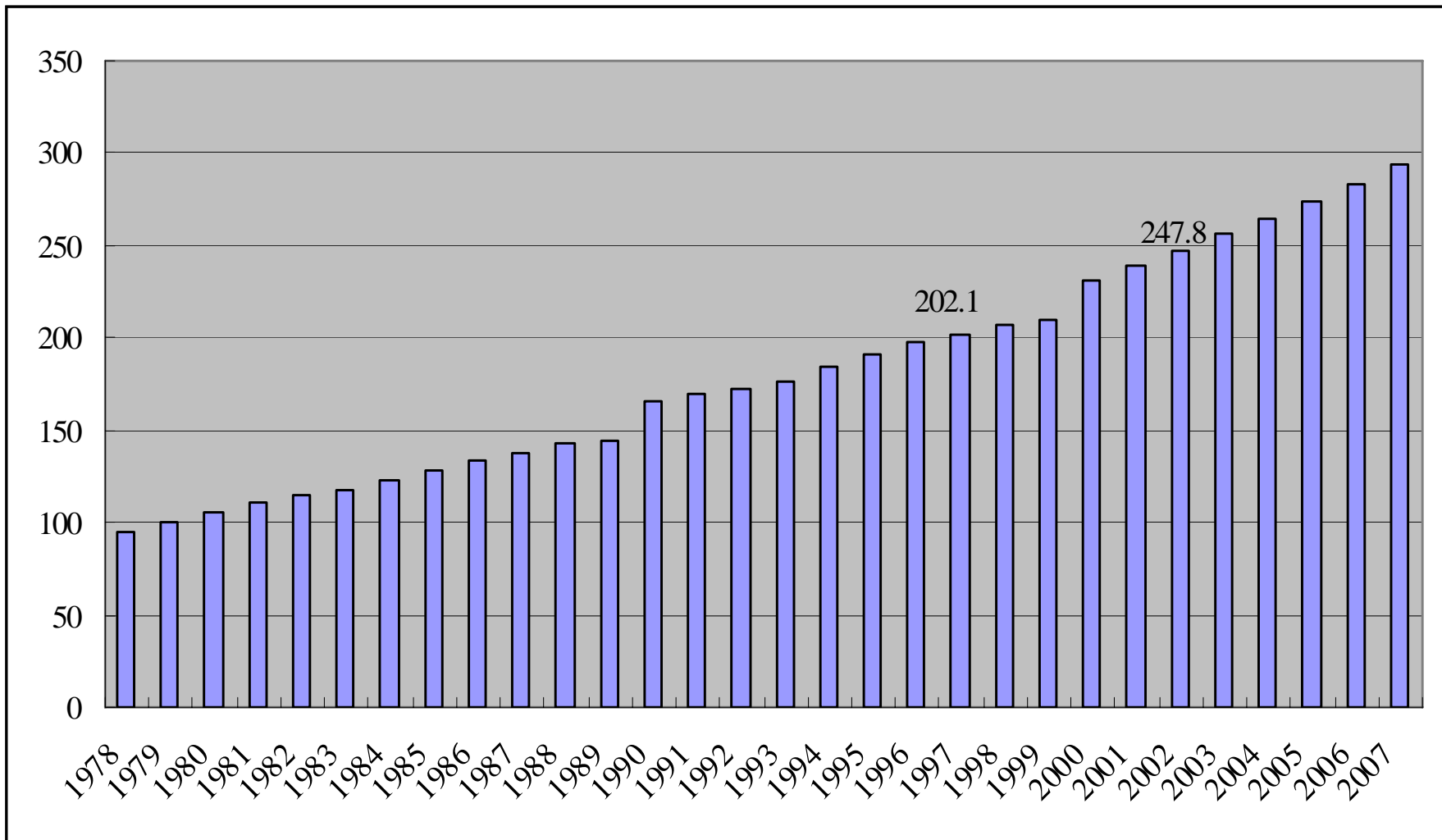
- There are about 137 millions of migrant workers in China
- About 20 millions lost their jobs

Compared to the Last Crisis

1997-2002



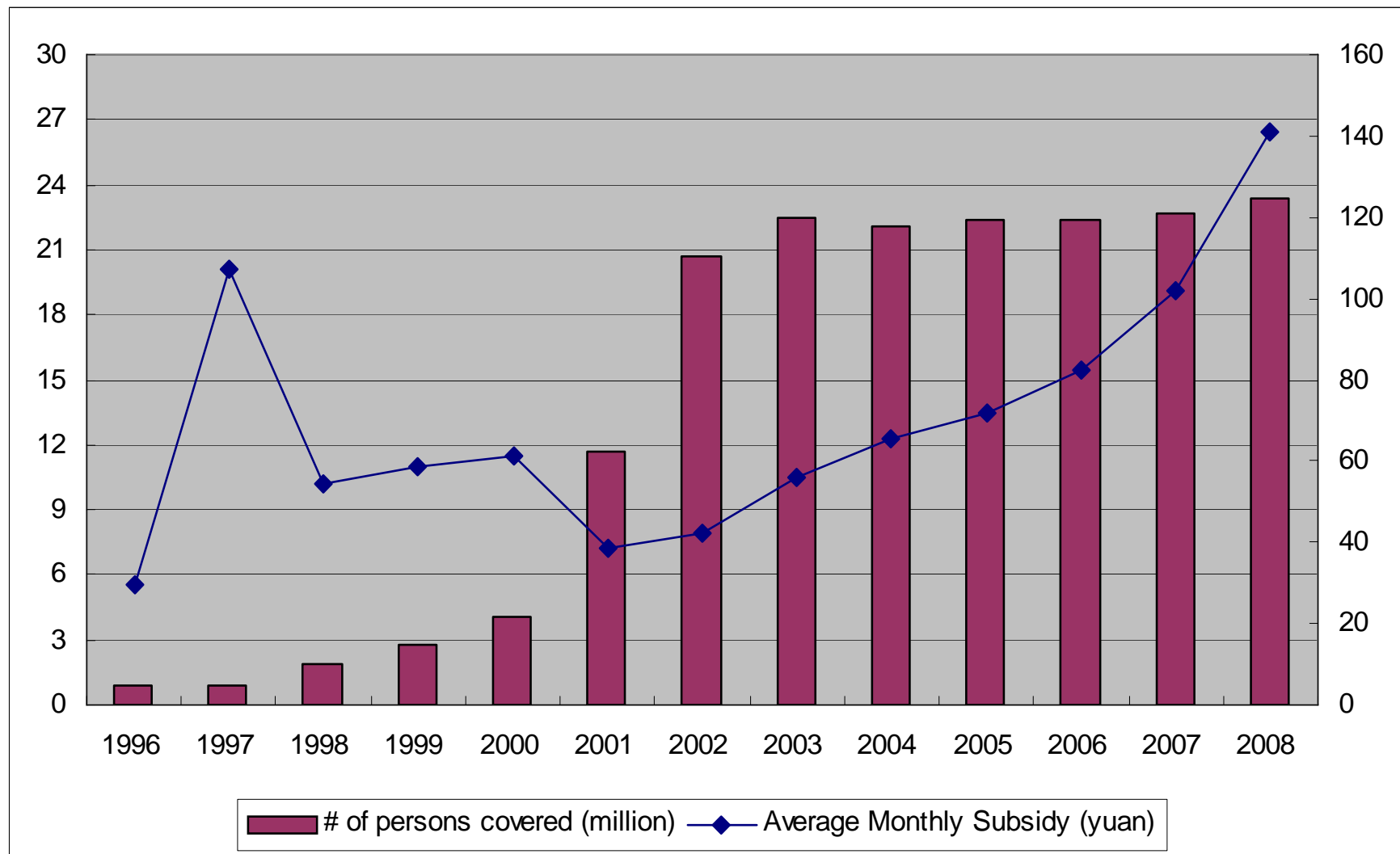
Total Urban Employment 1997-2002



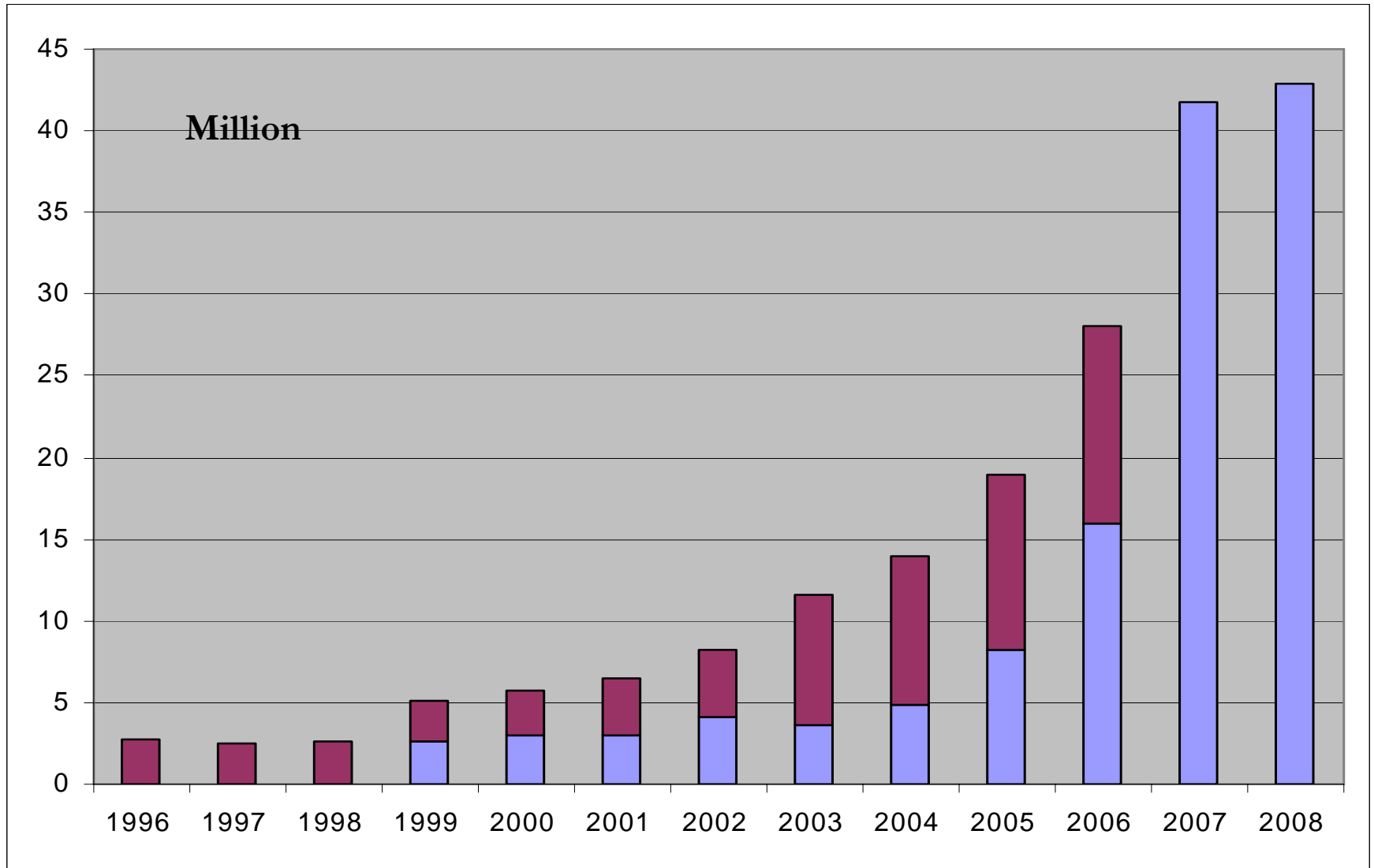
Is China Better Prepared Now?

Social Safety Nets

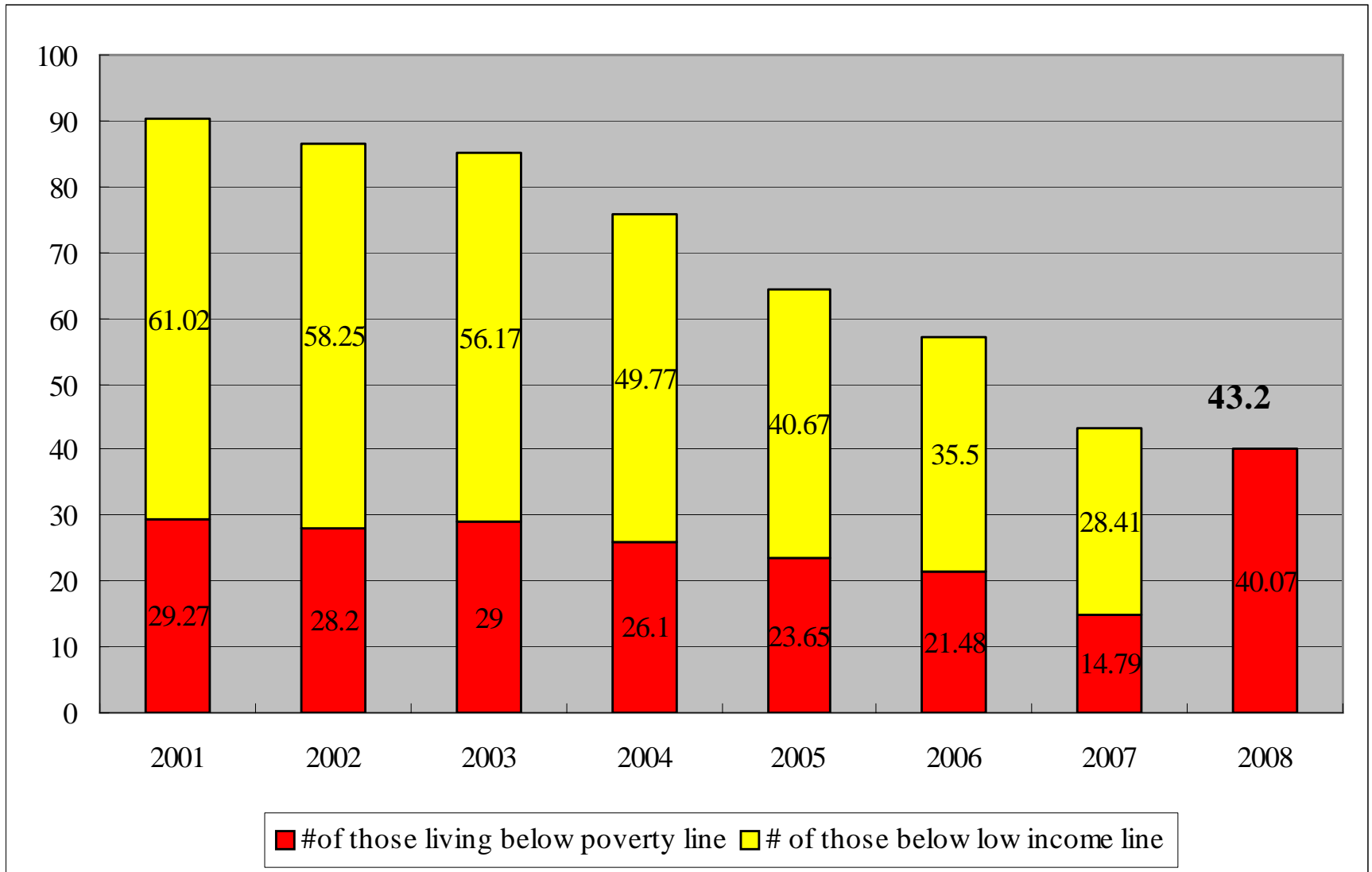
Urban Minimum Income Scheme



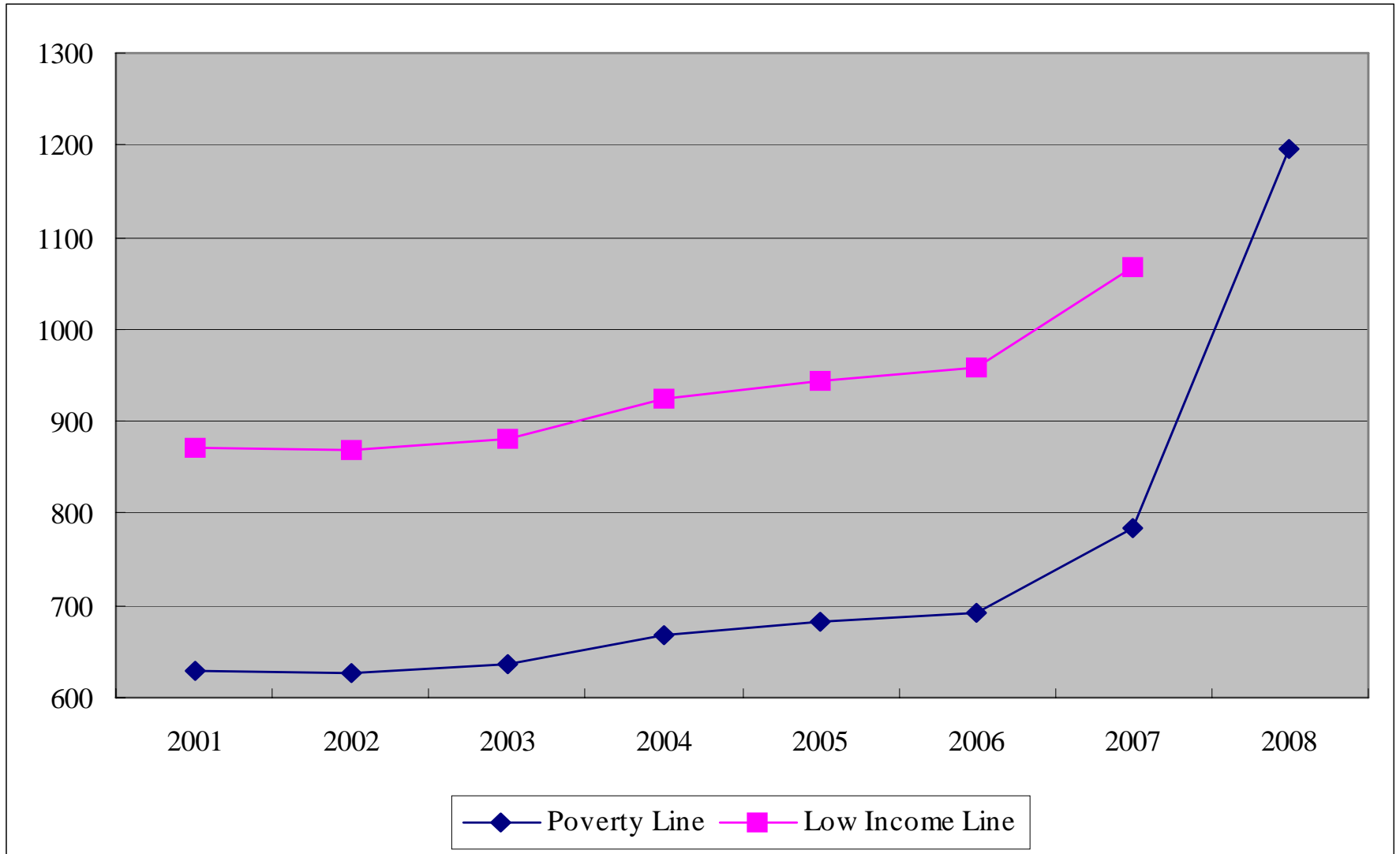
Rural Minimum Income Scheme



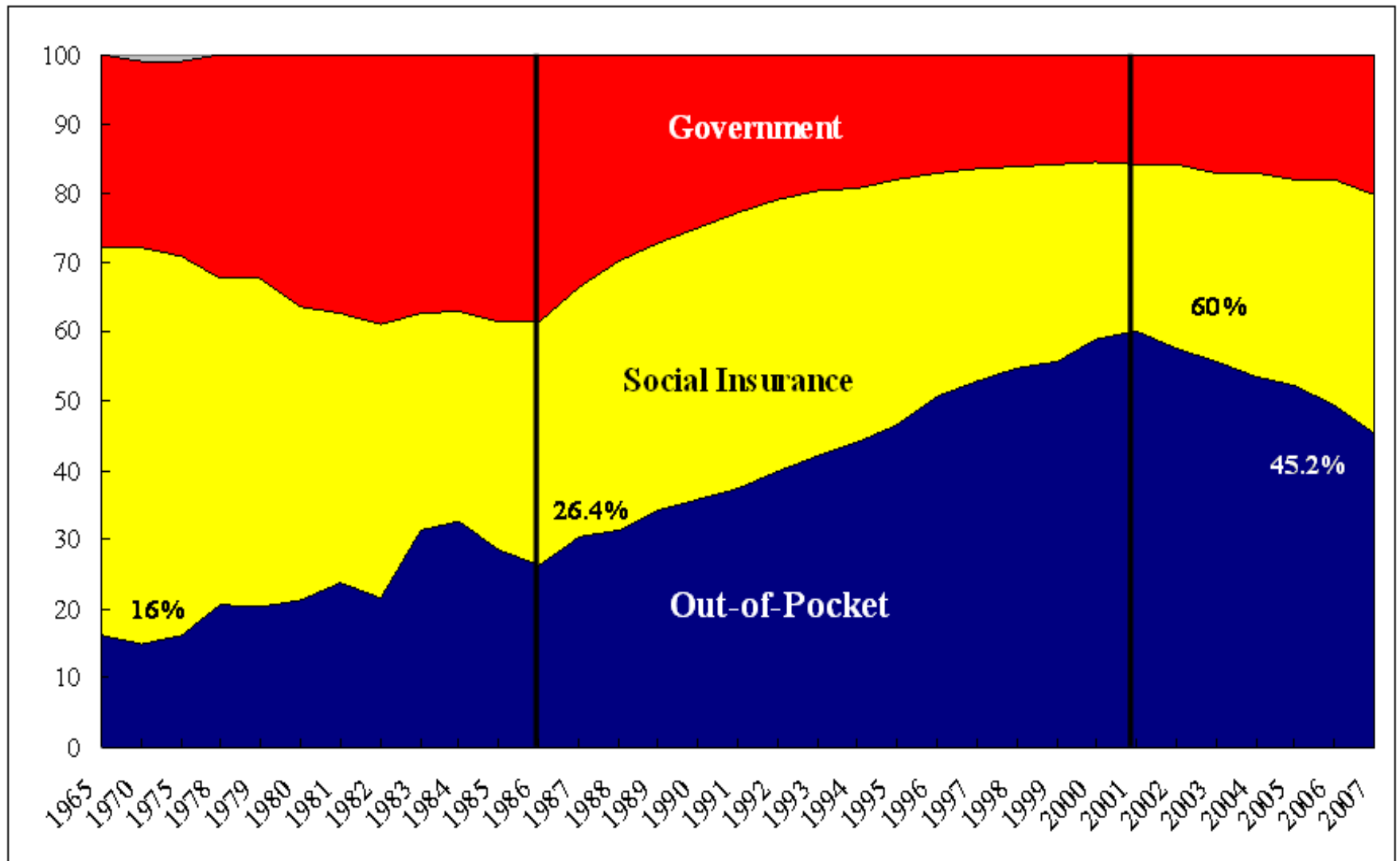
Rural Poverty



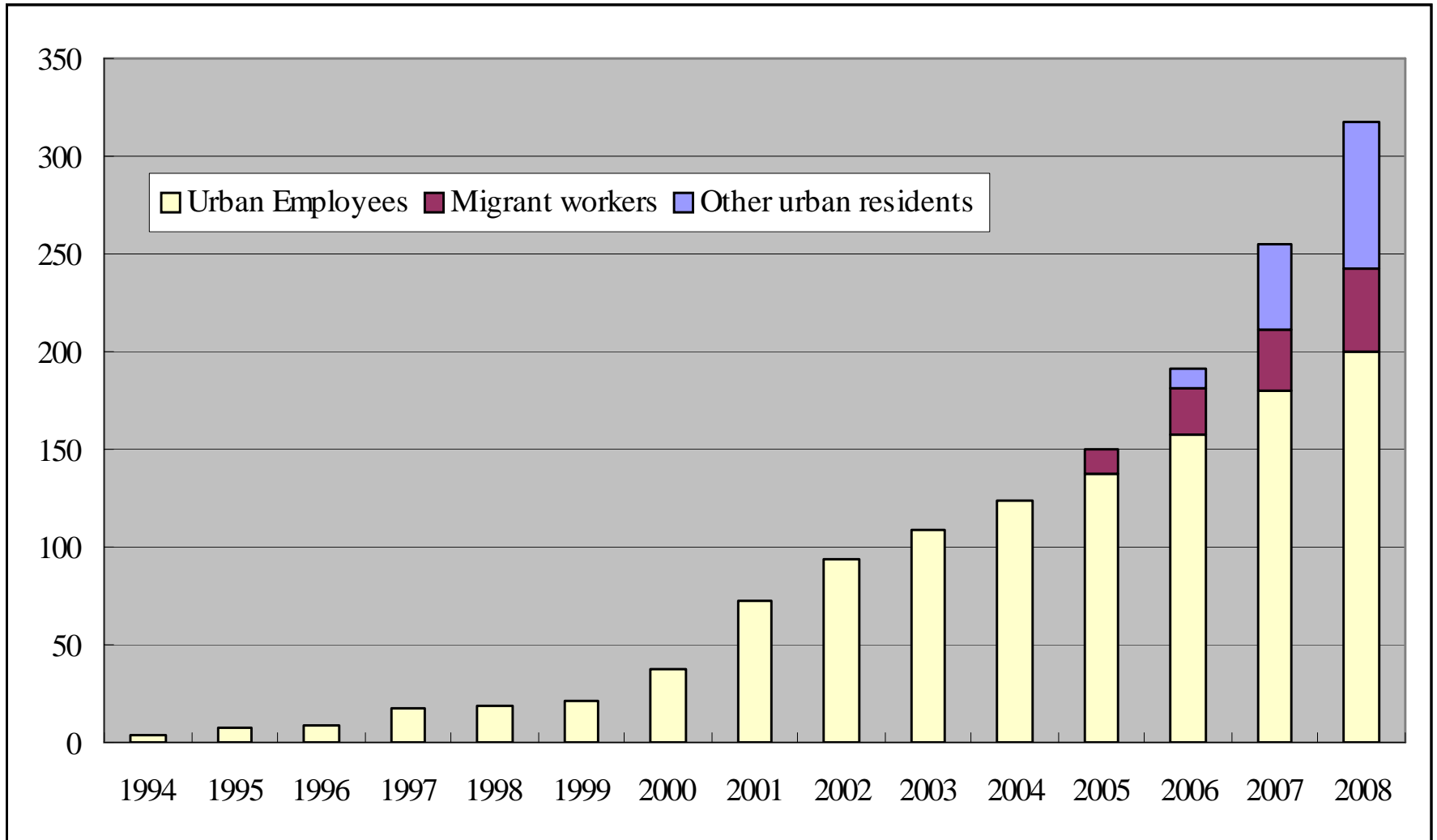
Rural Poverty Line



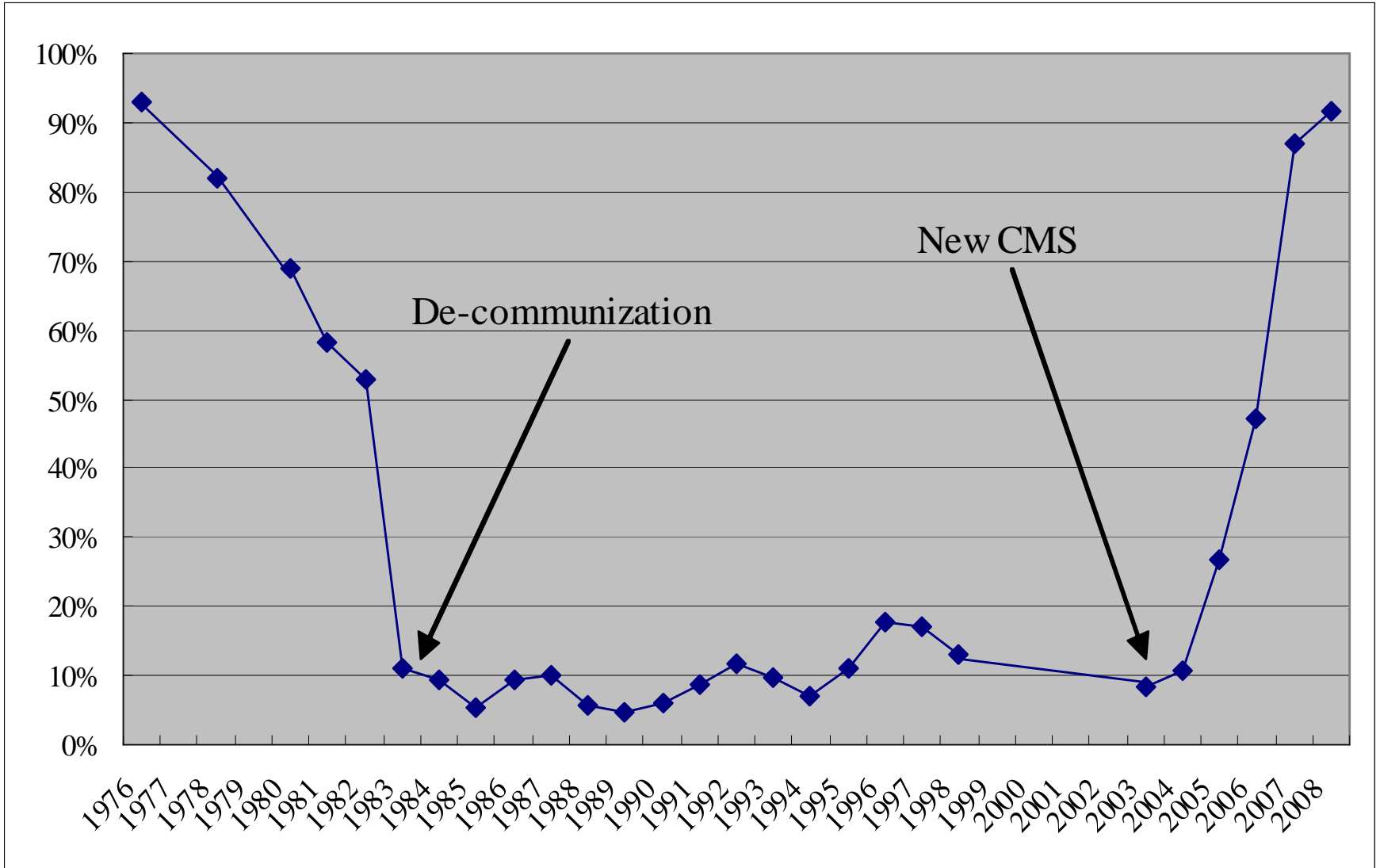
State Re-engaged in Healthcare



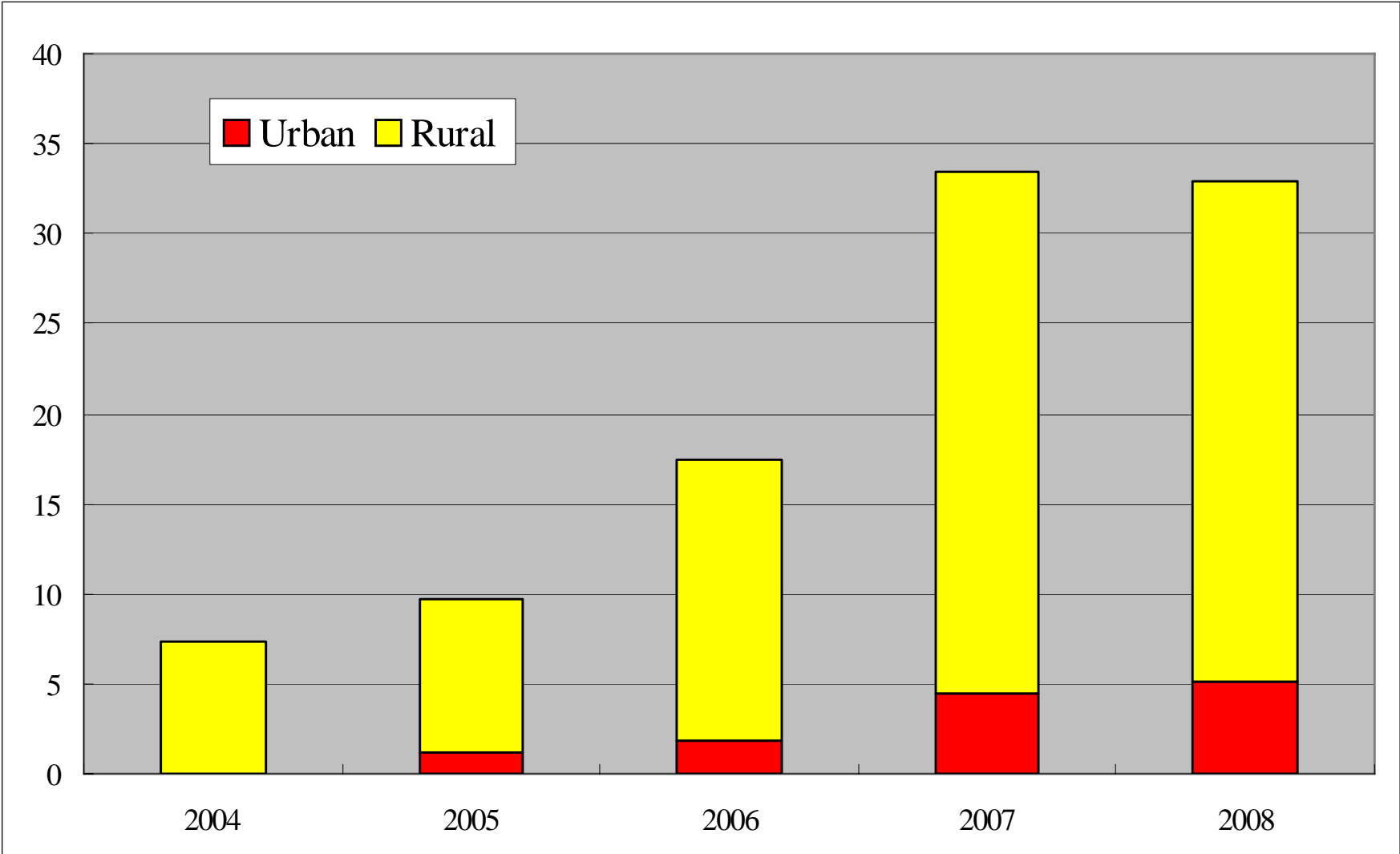
Coverage of Urban Healthcare Insurance



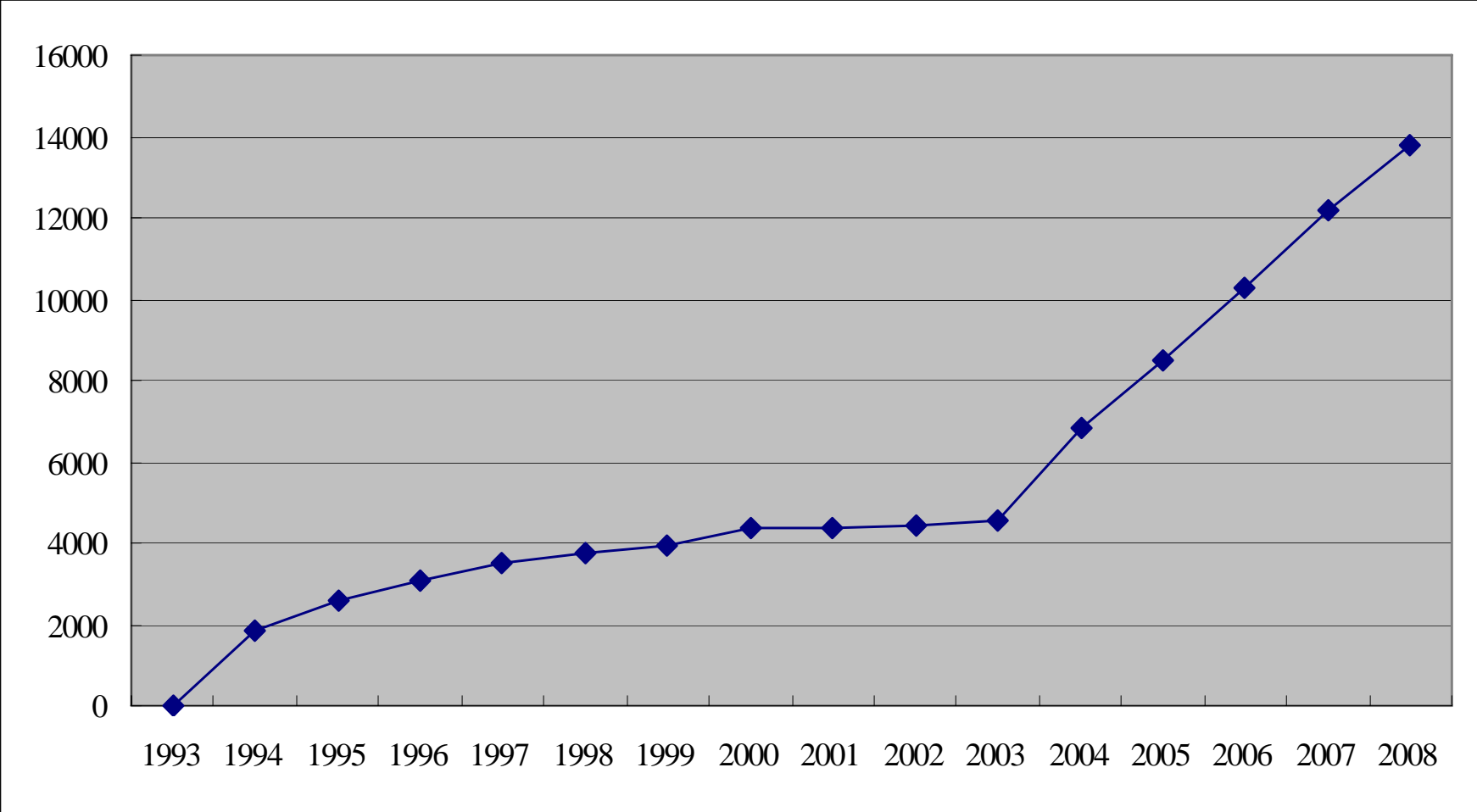
Coverage of Rural Cooperative Health Insurance



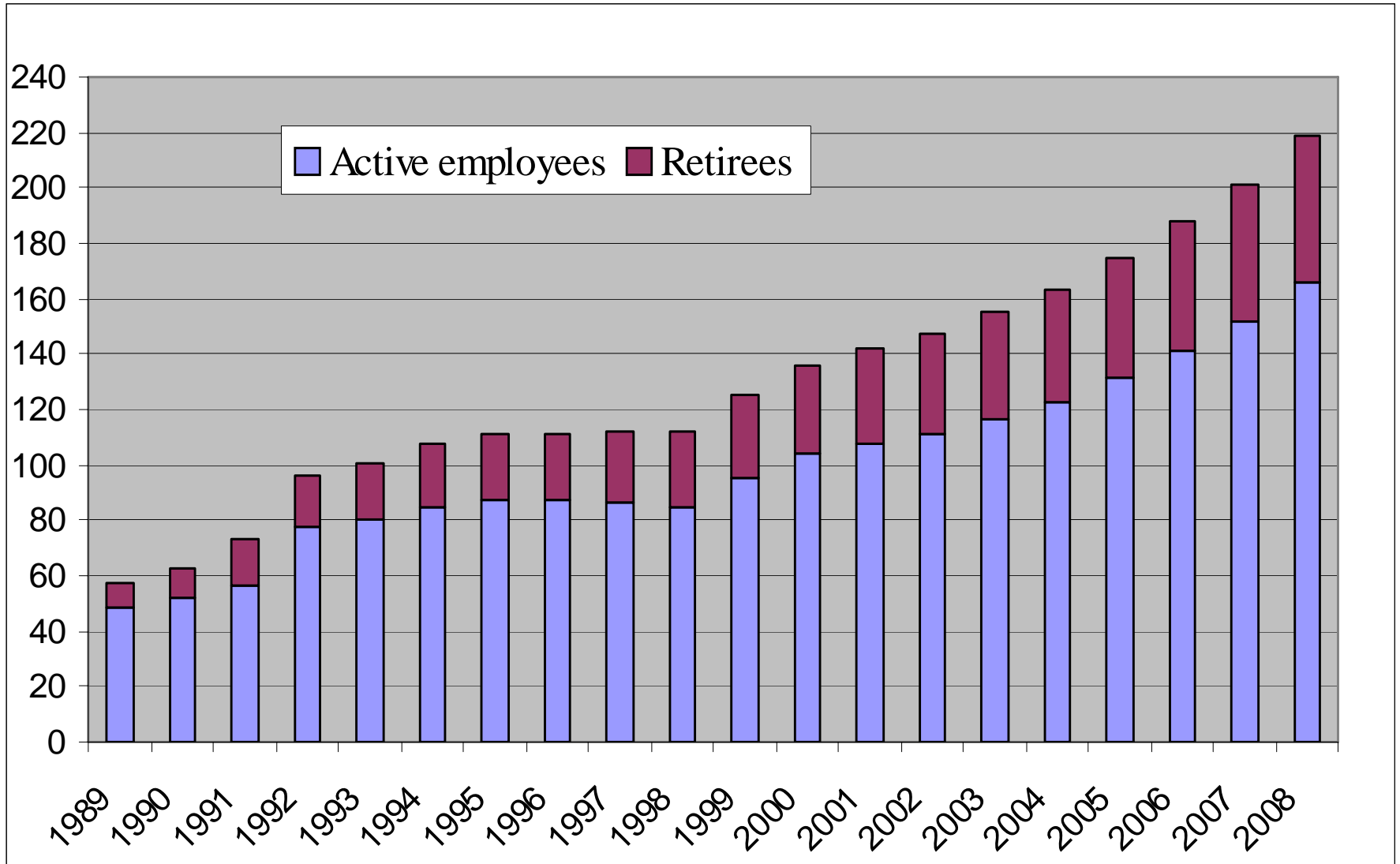
Coverage of Urban/Rural Medical Assistance



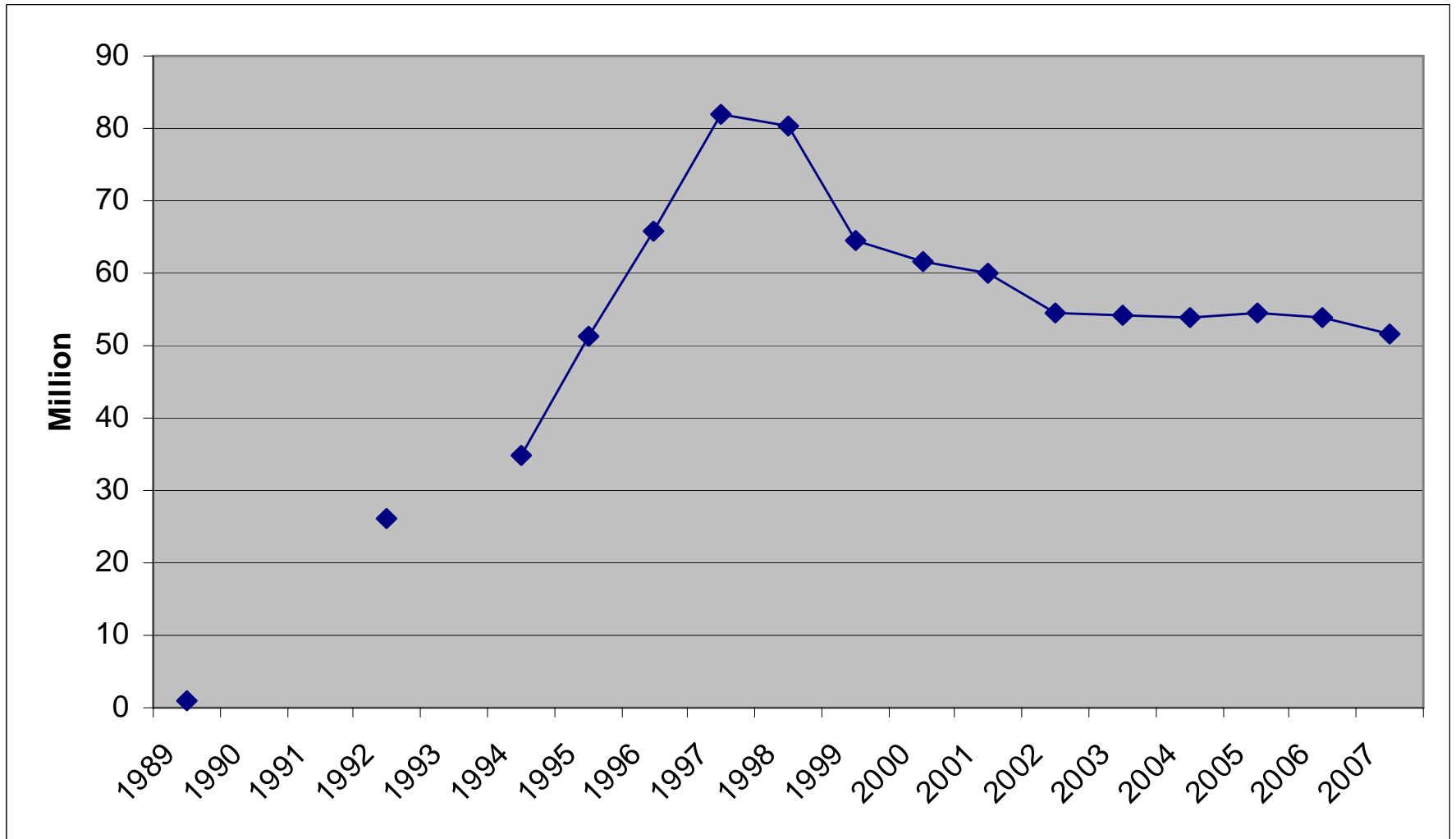
Coverage of Work-Related Injury Insurance



Coverage of Urban Old-Age Insurance

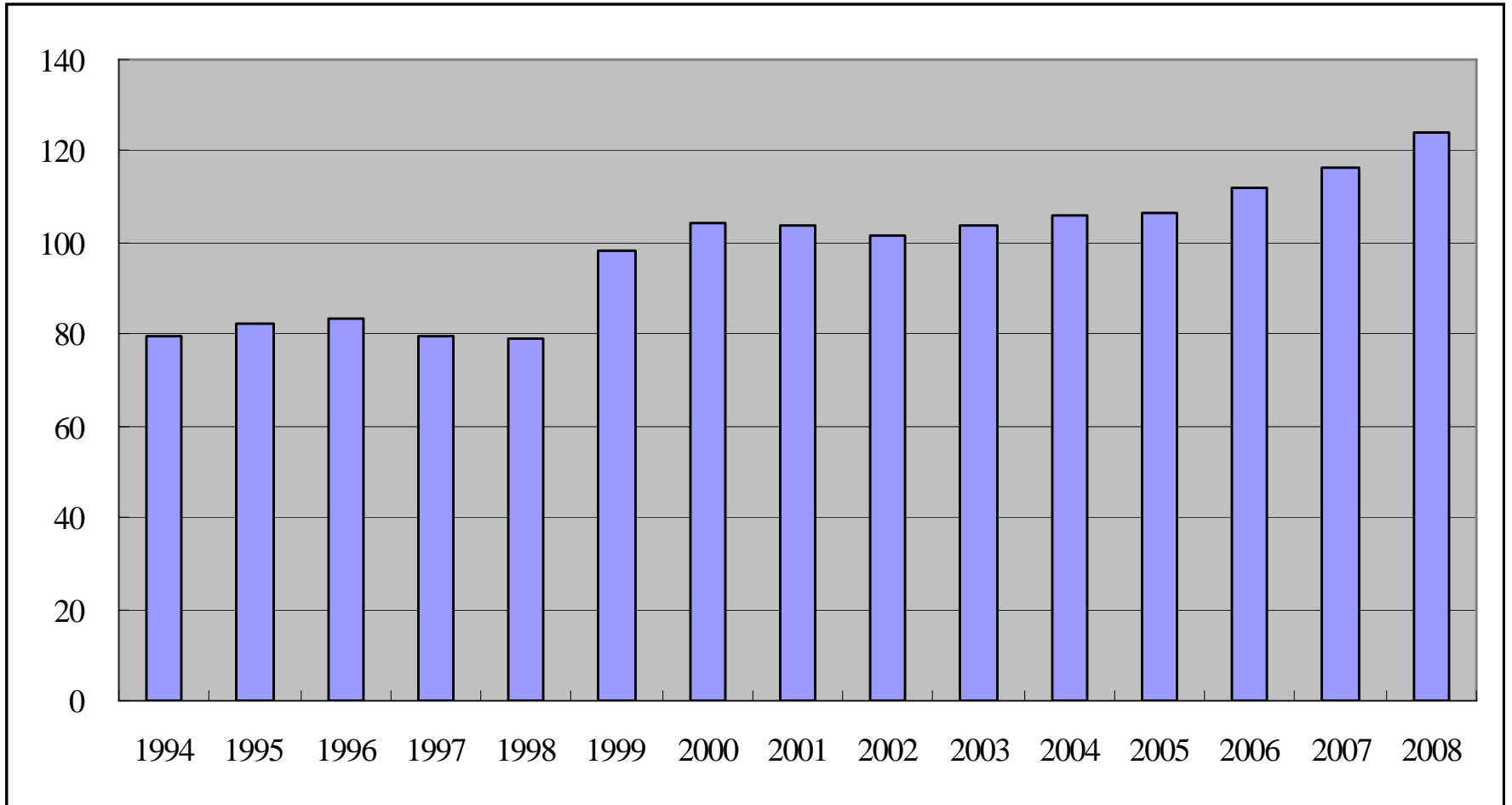


Coverage of Rural Old-Age Insurance



Government Goal: 2009 >10%; 2012 >50%; 2017 >80%;2020 100%

Coverage of Urban Unemployment Insurance



New Measures to Stimulate Domestic Demands

China's Stimulus Package

- The State Council has approved a proposal to invest RMB 4 trillion (\$586 billion or an equivalent of one third of the nation's total fixed asset investment in 2007) through 2010 to help boost domestic demand.

Main Focuses of the Stimulus Package

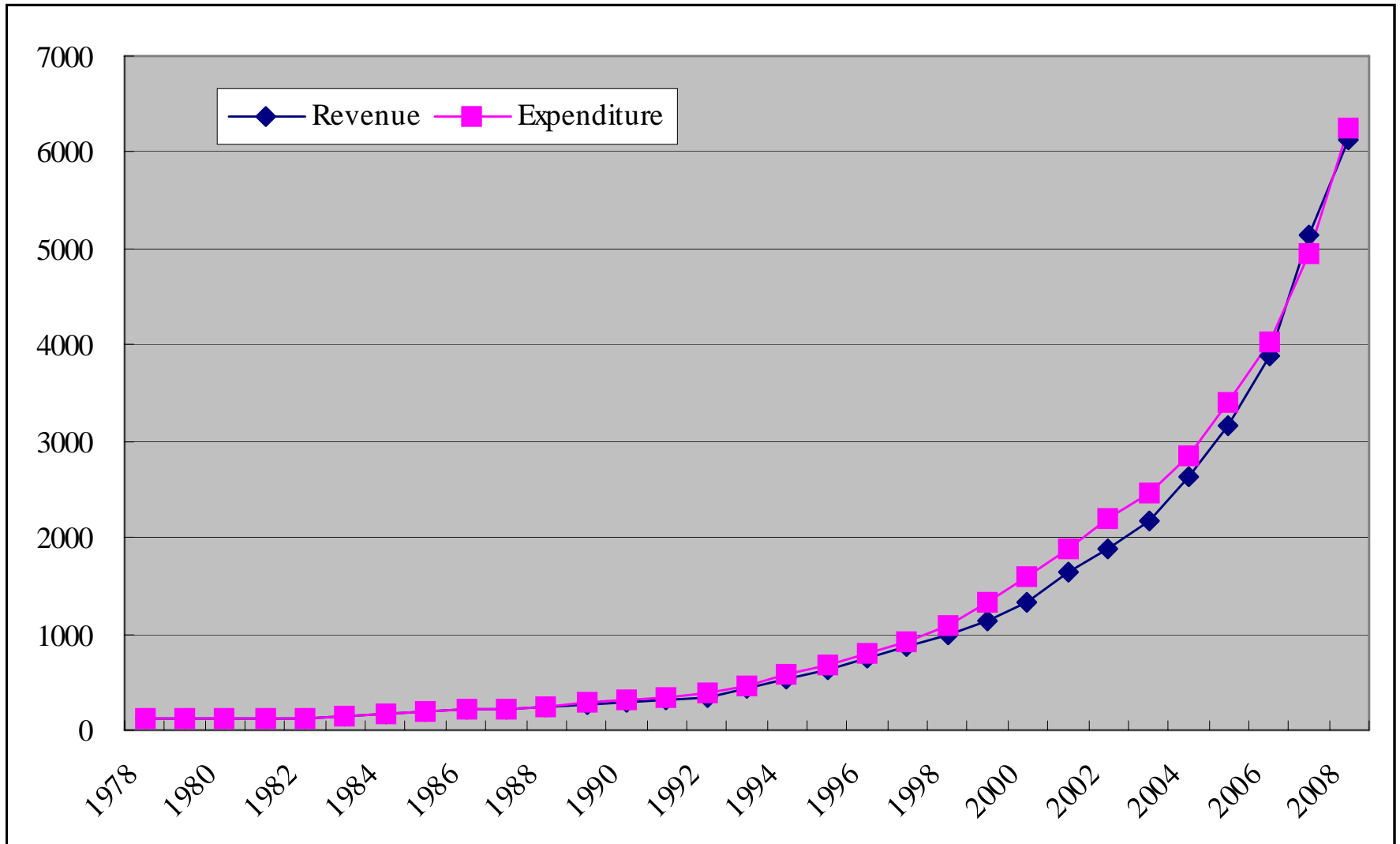
1. **Housing:** Building more affordable and low-rent housing
2. **Rural infrastructure:** Drinking water safety, rural road, reservoirs, electricity grid, the North-South water diversion project
3. **Transportation:** Railway, highway, petroleum & gas pipelines, airports, urban power grids, urban rail transportation projects (730km now, 3,400km by 2015)
4. **Health, education, and culture**
5. **Environmental protection:** Increasing support for energy conservation and pollution-control projects.
6. **Technology upgrading**
7. **Disaster rebuilding**
8. **Income:** Raising average incomes in rural and urban areas, especially subsidies for low-income urban and rural residents.

Can China Afford?

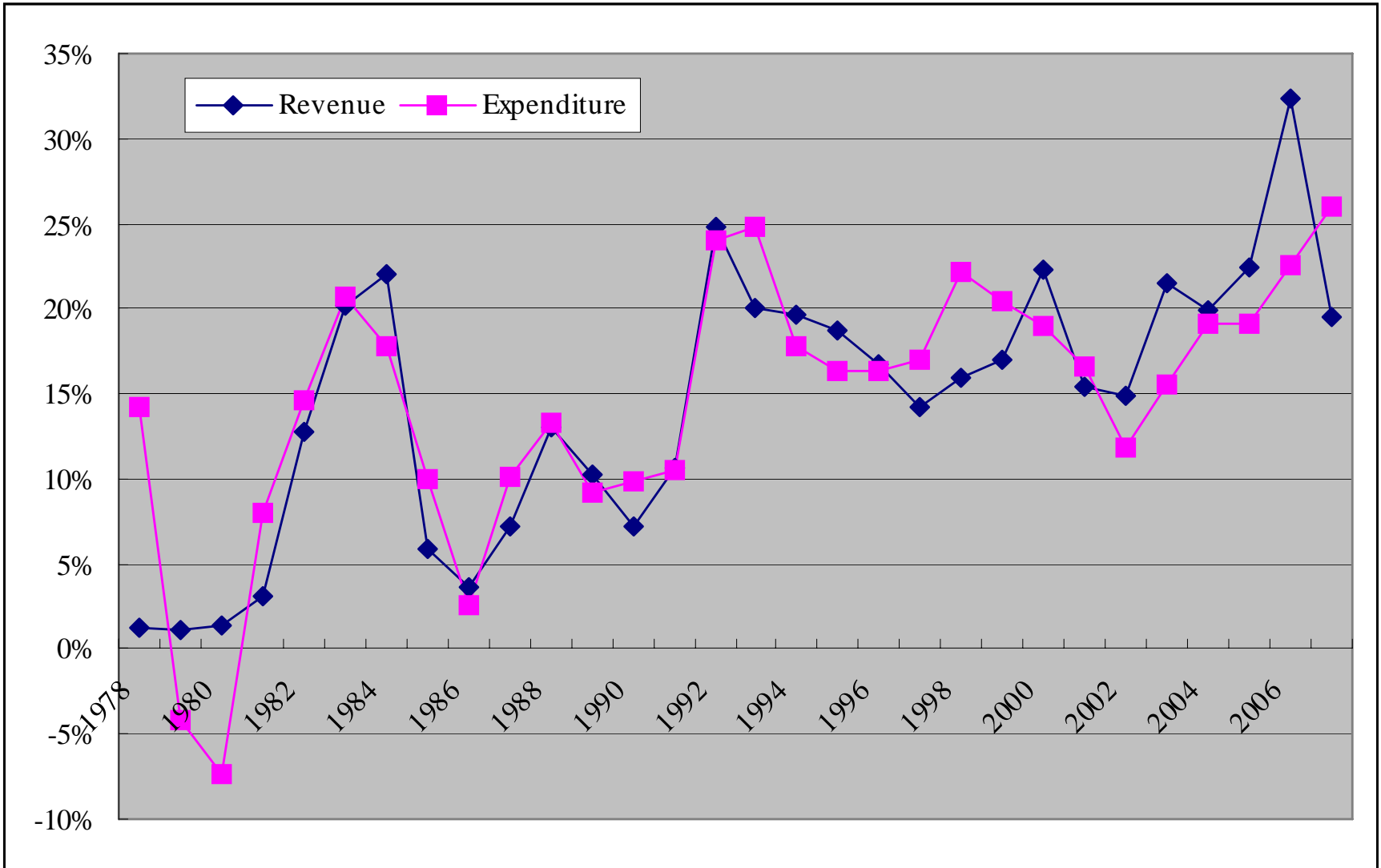
Sources of Financing

- Around 1/3 of RMB 4 trillion will come from the central government's budget: RMB1.18 trillion
- Fiscal deficits and public debt are low in China so that China has the resources to engineer a rapid fiscal stimulus in a short period of time
 - China ran a budget surplus last year (RMB 5132bn)
 - China's revenue reached RMB 6131.69bn in 2008
 - At 25 per cent, the country's government debt to GDP ratio remains low by international standards

Fiscal Revenue and Expenditure



Growth Rates of Fiscal Revenue & Expenditure



Thanks