



Chinese Economy

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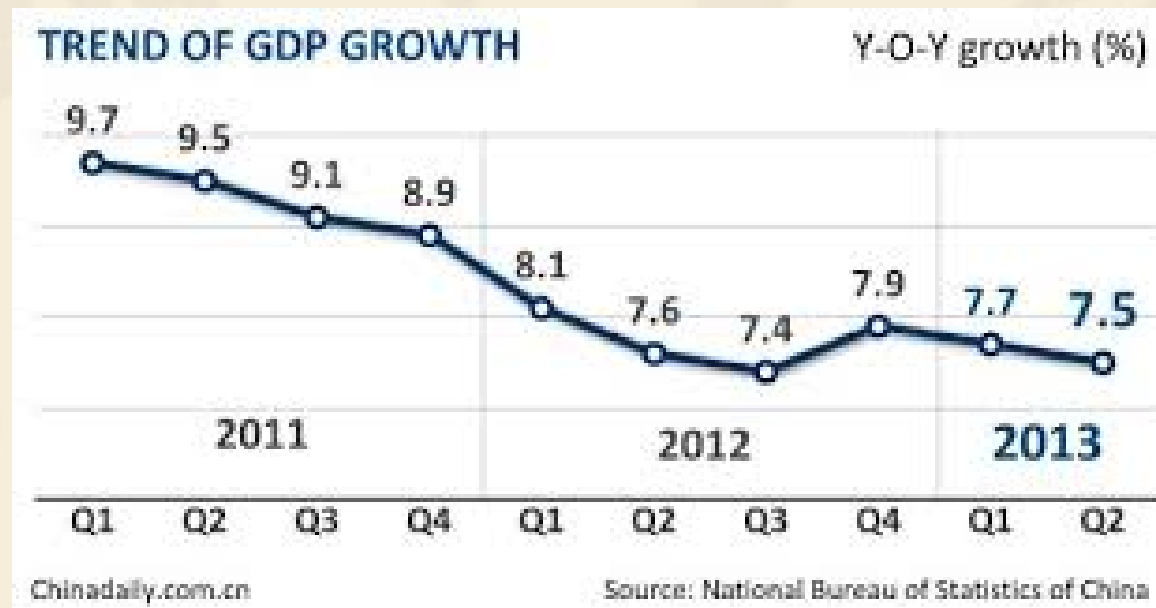
Chinese Economy


- ❖ Slowing down or Picking up ☐
- ❖ Growth 7.7% (first 3 months)
- ❖ 7.5% in April-June
- ❖ Slowest in 13 years

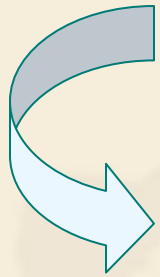


Economic Overview

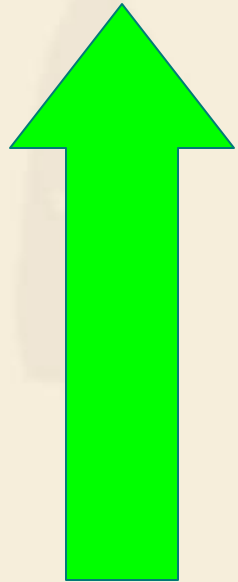
Yearly GDP Growth Trend



- ❖ Most predict further slow down 
- ❖ In the second half 2013



- ❖ However,
- ❖ Statistics show good figures
- ❖ In exports and manufacturing



- ❖ In the first 8 months,
- ❖ Fixed-asset investment up 20.3%
(20.1% first 7 months)
- ❖ In August,
- ❖ Retail sales up 13.4%
(13.2% in July)
- ❖ Export up 7.2% in
August (5.1% in July)



Leading Indicators

- ❖ 7.5% growth rate
- ❖ Monetary growth better
- ❖ Electricity usage better
- ❖ New credit and money supply growth faster



Monetary growth

- ❖ New yuan-denominated loans were 711.3 billion yuan (\$115 billion) 2013
- ❖ 703.9 billion yuan in 2012



Electricity Consumption

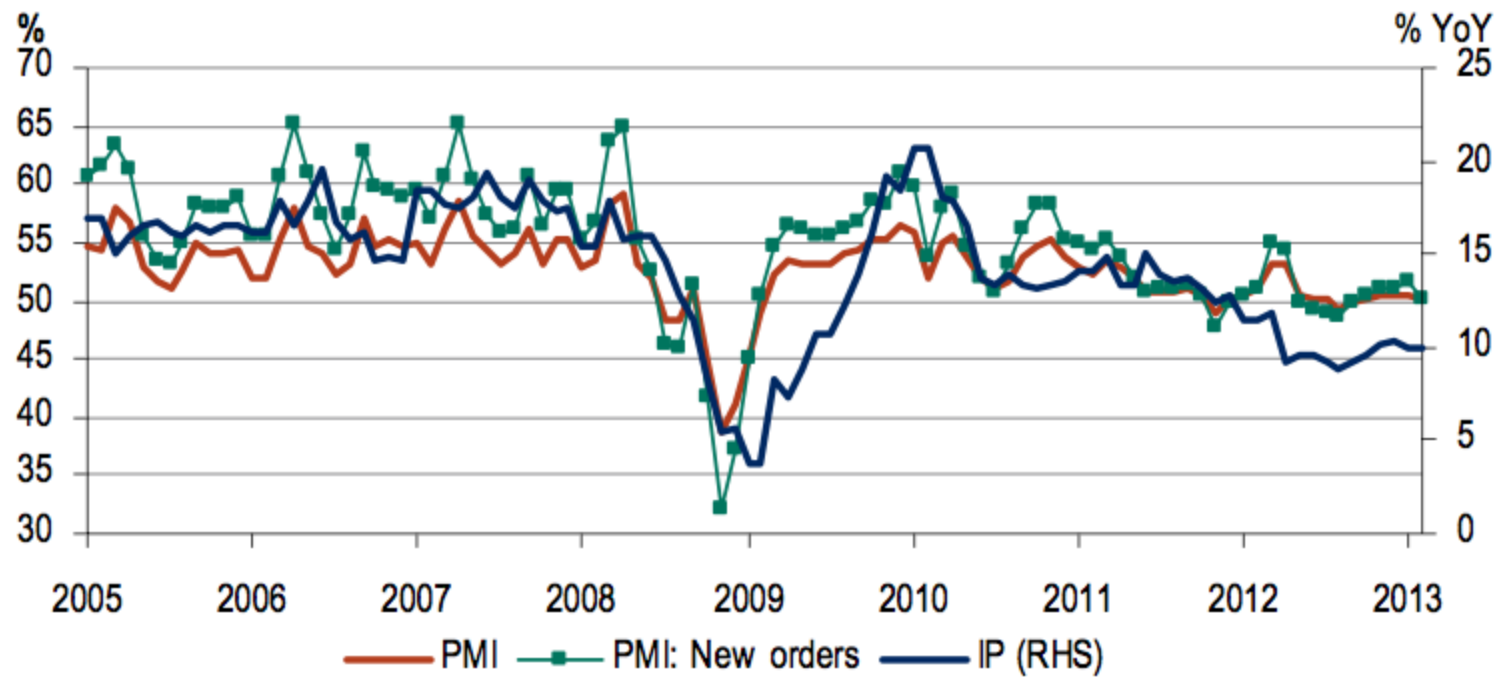


- ❖ Picking up 13.7%
- ❖ August, 2013

PMI

- ❖ September hit 51.2
- ❖ March 51.6
- ❖ 11 month low 47.7 in July.

Chart 1: IP and PMI



How do we read the above?

Will the Chinese Economy continue slowing down?

Will China's economy come back at a faster pace?



The Answers are imperative in that it is closely related to your Chinese market strategy.

Reading 1: Economic slow down in China is for real, but no hard landing for China

- ❖ Double-digit growth over;
- ❖ More continued growth contraction;
- ❖ Chinese government not to implement stimulus;



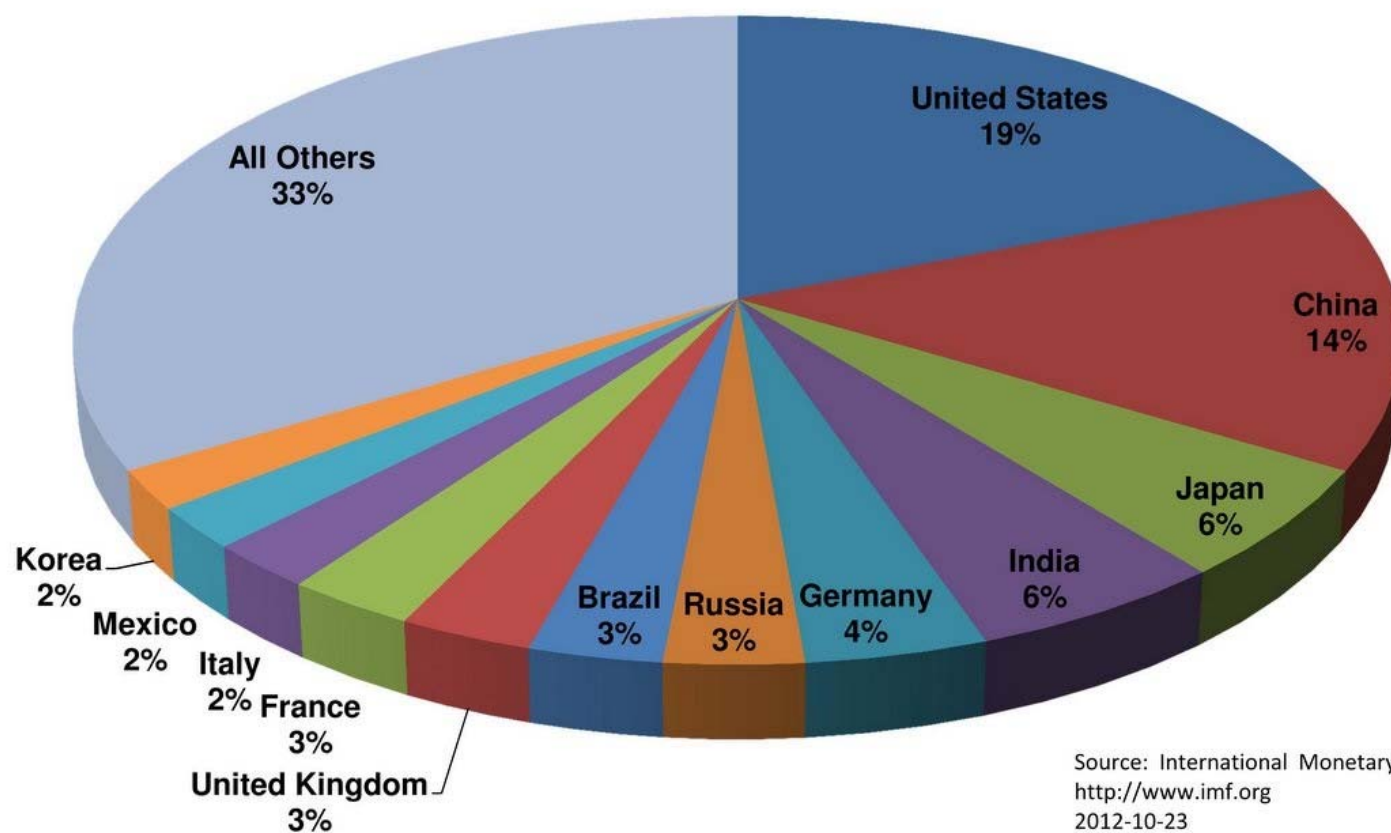
Reading 1: Economic slow down in China is for real, but no hard landing for China

- ❖ Slowdown will not lead to a dramatic hard landing;
- ❖ August 2013 figures suggests slightly stronger growth.

Reading 2: China's contribution to the global growth in real term will be increasing even China keeps a slower pace of development.

- ❖ 13% of global economic activity- 2013;
- ❖ 5% in 2006;
- ❖ By the end of 2013, GDP roughly \$9 trillion;
- ❖ Inflation running 3%, and RMB rising;
- ❖ China adding \$1 trillion/year to the world GDP.

Countries' Shares of World GDP



Source: International Monetary Fund
<http://www.imf.org>
2012-10-23

Reading 3: China actually prefers slower growth

* Purpose: to achieve quality rather than quantity of growth.

----- energy-intensive and high polluting, low-end industries

----- wean the economy off a dependence on investment and exports in favor of domestic consumption.

In a written interview with Russian and Central Asian media on Sept.

“We would rather bring down the growth rate to a certain extent in order to solve the fundamental problems hindering our economic development in the long run.”

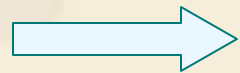
“[China’s] growth rate could have been higher had we continued with the previous development model. However, we will press ahead with the adjustment of economic structure, and transforming and upgrading the economy.”

- ❖ In operation, Chinese authorities have so far been reluctant to introduce large-scale stimulus measures. Authorities want to deal with widespread factory overcapacity, a decline of productivity as well as environmental and resource constraints in a more sustainable manner.



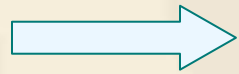
Reading 4: Some trends phenomenal to China's economic growth.

encouraging trends

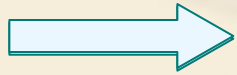


1. Consumption made a bigger contribution than investment to China's growth in the first quarter.





2. decline in the current-account surplus to about 3 percent of GDP. Reducing the external surplus from more than 10 percent of GDP before 2008 to about 3 percent now



3. Even more notably, services have overtaken industry's contribution to GAP in the past three quarters.

Following areas to be high on leaders' reform agenda:

administration, the fiscal system, land tenure, the household registration system, the social security system, resource pricing, and the financial sector.

State-owned enterprise reform may also be included.

Opportunities Emerging from China's Development

- ❖ Canadian companies have to recalibrate and learn to deal with a new China.
- ❖ rethink its strategy and reestablish its position in the Chinese market.
- ❖ Potential remains incredible, particularly as a middle class begin to emerge and consume.



New reforms and new opportunity

- ❖ China is now undertaking a new round of reforms on finance, taxation, administrative system and pricing system
- ❖ include greater market access, removal of investment barriers, protections against technology transfer and increased transparency.



New reforms and new opportunity

- ❖ China is going to open up further to foreign investment in services, including through the newly launched Pilot Shanghai Free Trade Zone. I will elaborate Shanghai Free Trade Zone after the break



New reforms and new opportunity

- ❖ China identified the e-commerce and commercial factoring sectors as areas for future liberalization to foreign investment.
- ❖ China plans to reduce the tax burden on services firms by extending its VAT-for Business pilot program to cover the entire country and to cover additional sectors in 2014.



New reforms and new opportunity



- ❖ China plans to expand the pricing flexibility of financial market participants, advance market-based interest rate reform, and let the market play a larger role in credit allocation.
- ❖ China plans to significantly increase social security and employment spending by 2 percentage points of total fiscal spending by the end of 2015.

New reforms and new opportunity

- ❖ China plans to expand opportunities for foreign financial services providers. Locally-incorporated foreign banks and securities firms will be able to directly trade government bond futures, and foreign and domestic institutional investors are encouraged to invest on these products.



New reforms and new opportunity

- ❖ China plans to expand its consumer finance company pilot program to new cities and to additional foreign and domestic firms, which will increase the availability of financial services to Chinese households and help boost consumption.
- ❖ China welcomes participation by foreign bank in renminbi settlement of cross-border trade and investment.



1. Huge Market in China

- ❖ 1.4 billion population
- ❖ 300 million middle-income individuals by 2012.
- ❖ Rank 2nd in terms of market volume after the USA in 2015.



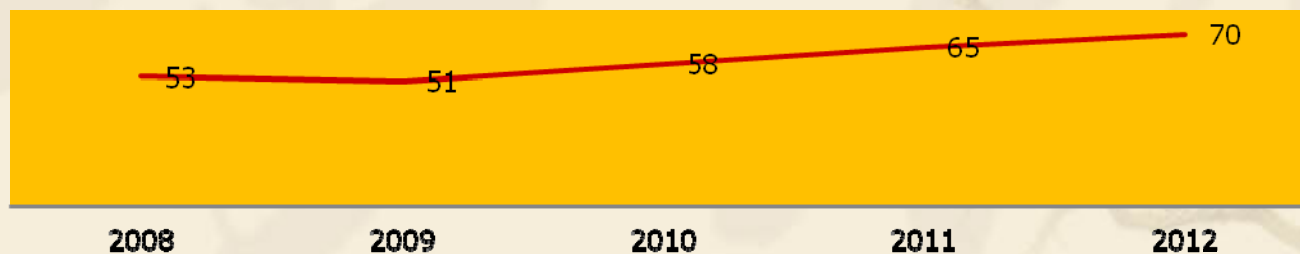
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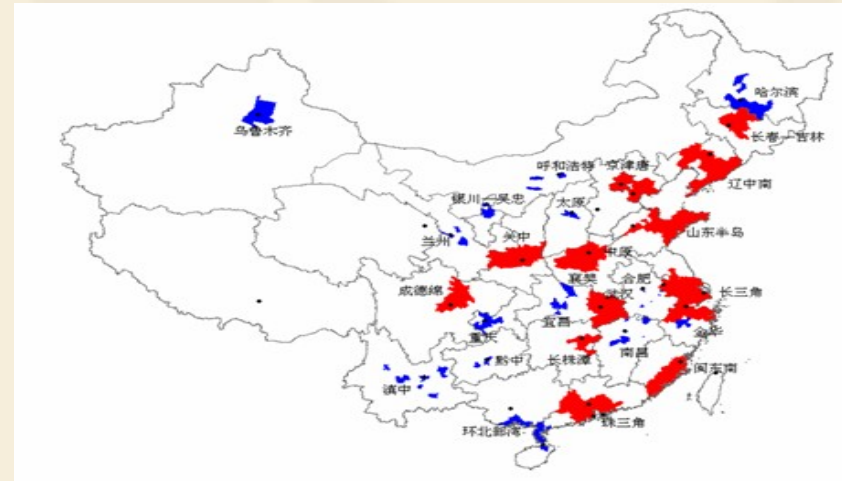
- ❖ China-Canada Trade Keeps Growing
- ❖ China has become Canada's Second largest export destination.
- ❖ Trade volume between China and Canada topped over 70 billion USD in 2012.
- ❖ Canada's export to China doubled between 2008 and 2012.

Trade between China and Canada (billion CAD)



2. Rapid Urbanization

- ❖ China's urbanization ratio is 50% by 2012.
- ❖ Over 300 million people will move to the cities in the next 3 decades.
- ❖ More than 220 Chinese cities will have over 1 million inhabitants by 2025.

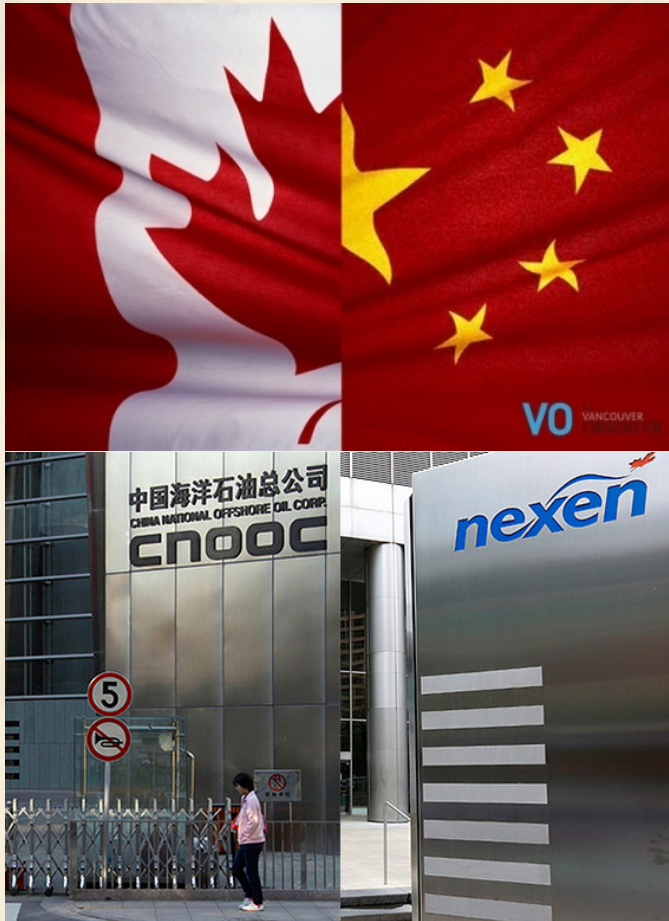


3. Successful Companies

- ❖ China is second place in Fortune 500 2012 Ranking.
- ❖ China has numerous successful S&M enterprises.



3. Successful Companies



- ❖ Cnooc & Nexen:
The largest investment
Chinese company has ever
made overseas.
- ❖ Canada is attractive to
Chinese investors.

4. Growing Talent Pool

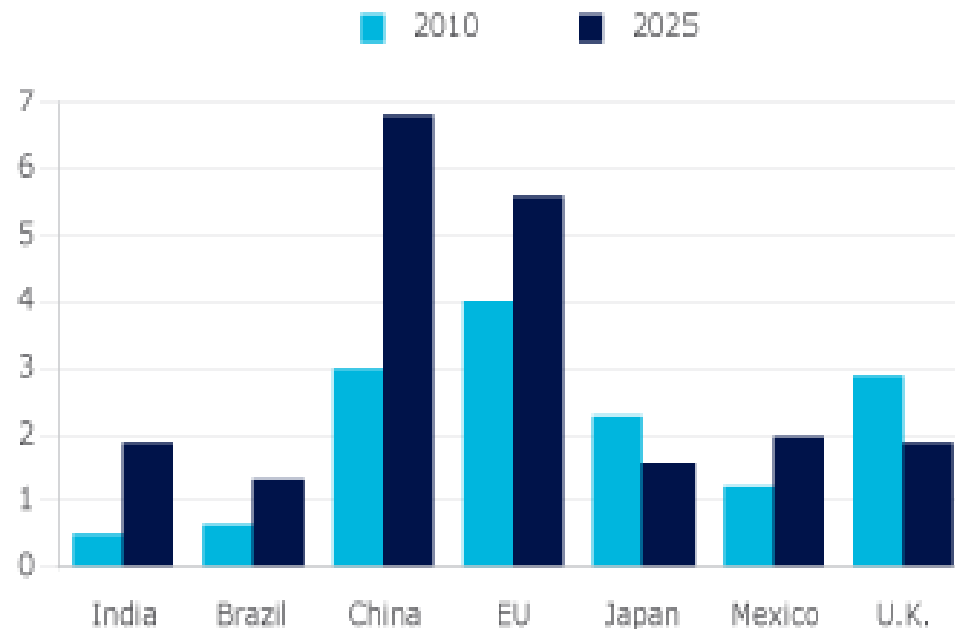
- ❖ 6 million new university graduates annually
- ❖ Each year, nearly 90,000 Chinese students study in Canada



5. Upgrading Value Chain

Canada's Trade With China Will Soar

(share of total merchandise exports, per cent)



Sources: Industry Canada; The Conference Board of Canada.

四方庞巴迪
BST TRANSPORTATION



BOMBARDIER
the evolution of mobility

6. Pouring Tourists

- ❖ 2012, more than 83 million Chinese went abroad for travel
- ❖ total expenditure 102 billion overseas.
- ❖ Toronto and Vancouver ranked fourth and fifth in North American



Market Entry Strategy

- ❖ Less than half of the 20 largest Canadian companies have operations in Asia;
- ❖ 100% of the top 20 American companies do;
- ❖ Geographic and cultural difference

➡ Suggestions:

1. Visit

- ❖ To gain better perspective and understainging;
- ❖ China changing rapidly;
- ❖ Deferent regions in China, with unique economic and social characteristics.



2. Patience

- ❖ Time and patience;
- ❖ Trust and relationships;



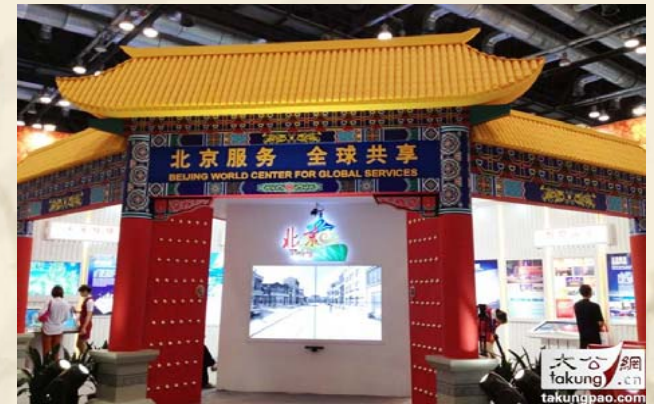
3. Connection

- ❑ People to people connection;
- ❑ Like distribution channel and consultancy firm in Canada;
- ❑ Network at various levels.



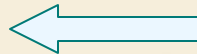
4. Partners

- ❖ Localized agents;
- ❖ Better promote the products;
- ❖ Break down institutional, language and cultural barriers.



5. Localization

- ❖ Localize the products;
- ❖ To the local laws and regulations
- ❖ To the local customers' preference.



Starbucks Coffee in
Chengdu, China



Thank you!

YU Jianwei

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