

China's Economic Update

--Current Status, Policies and Prospects

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May 5th, 2008

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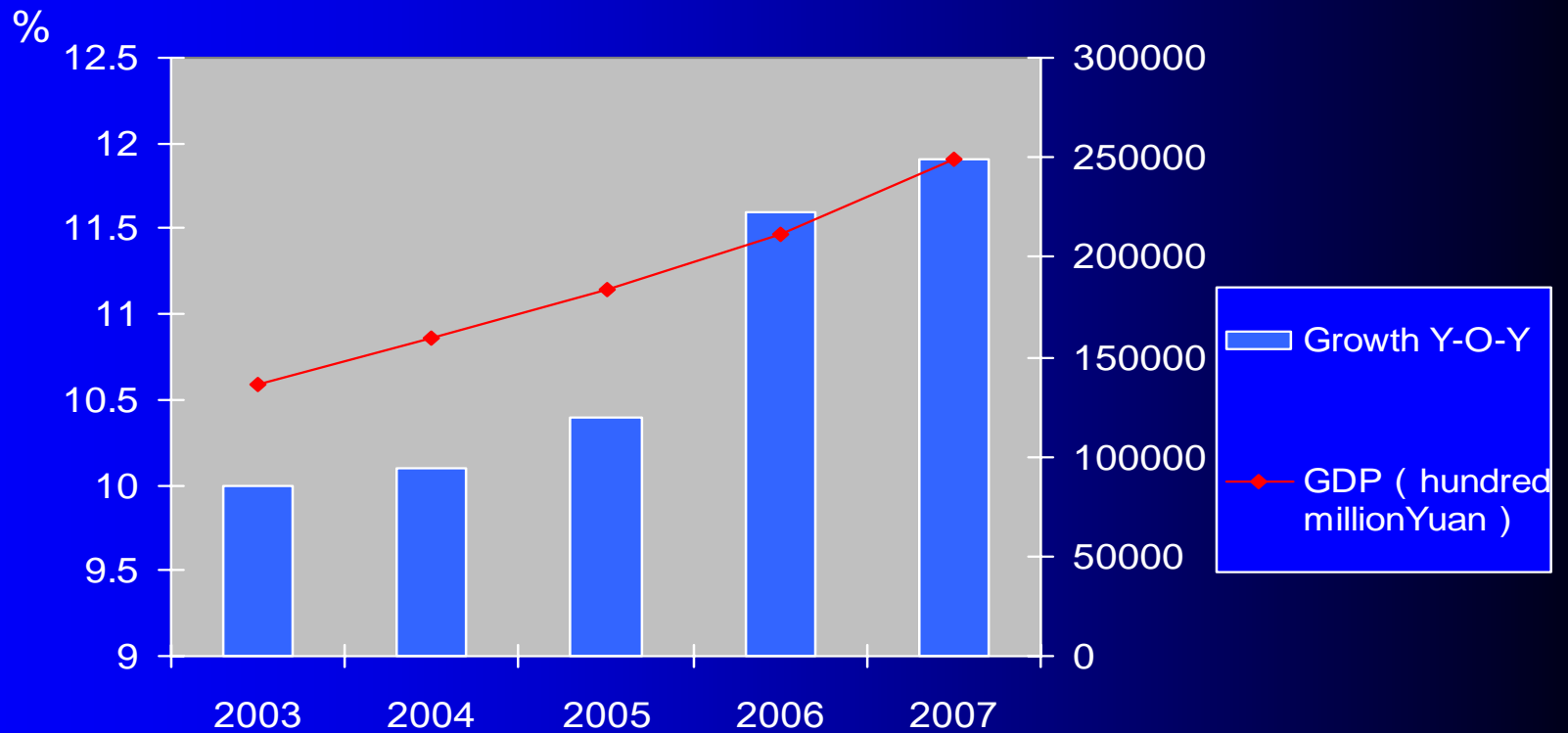
- I. Recent macro-economic situation**
- II. Main issues and challenges**
- III. Macro-regulation policies**
- IV. Economic outlook in 2008 and future priorities**

I. Recent macro-economic situation

- (I) Overview
- (II) Sound development on the supply side
- (III) Improved demand structure
- (IV) Upward price level
- (V) Sound fiscal operation
- (VI) Stable financial operation
- (VII) Enhanced quality and efficiency in economic operation
- (VIII) Improved livelihood

(I) Overview

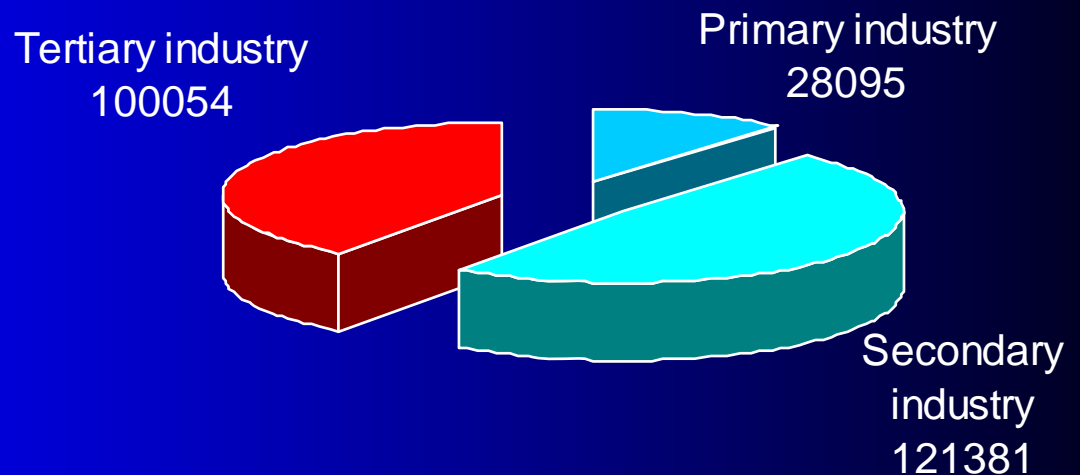
GDP in 2003-2007 and Its Growth Rate



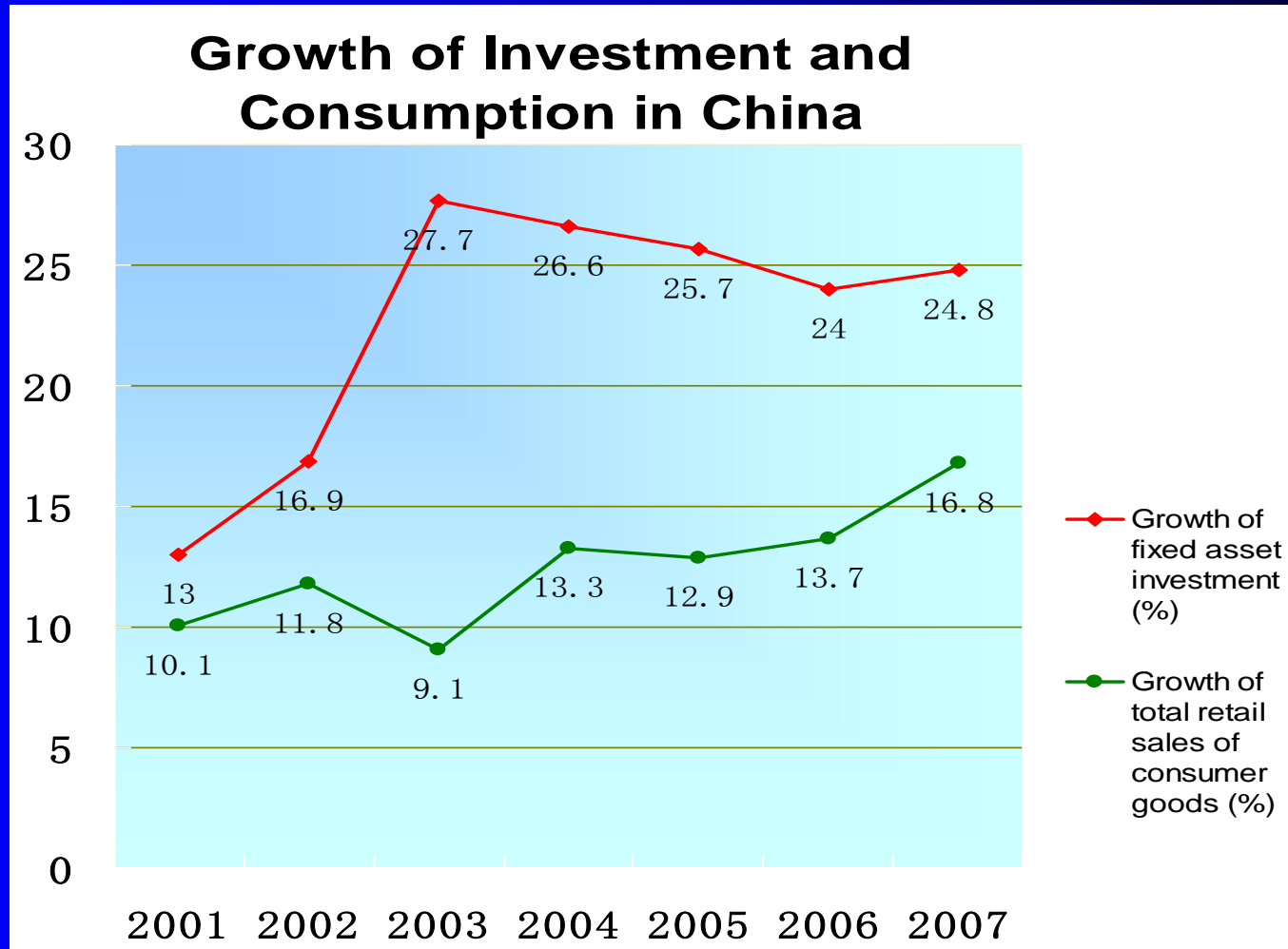
(II) Sound development on the supply side

- In 2007, the growth rate of the primary, secondary and tertiary industries were 3.7%, 13.4% and 12.6% respectively.
- The proportion of the three industries were 11.3%, 48.6% and 40.1% respectively.

Value-added of Each Industry in 2007
(hundred million Yuan)

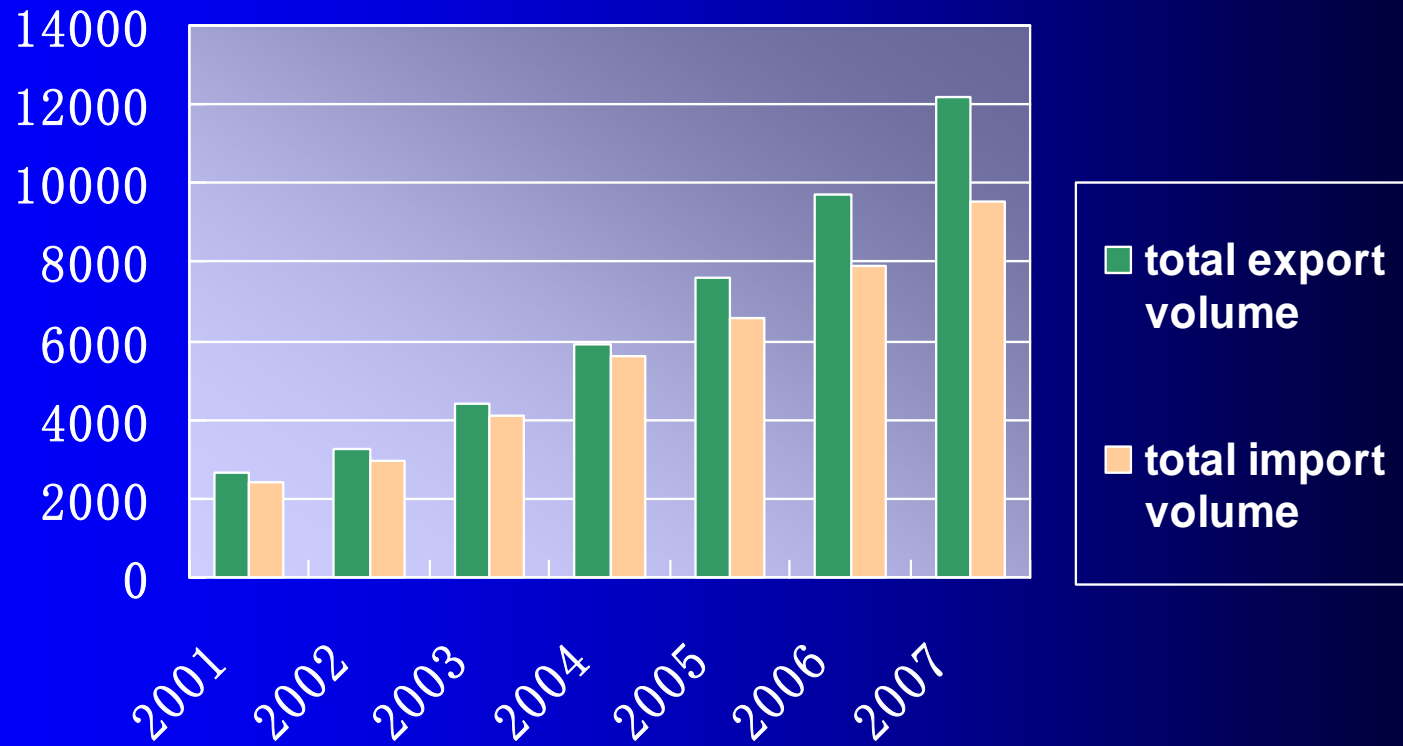


(III) Improved demand structure



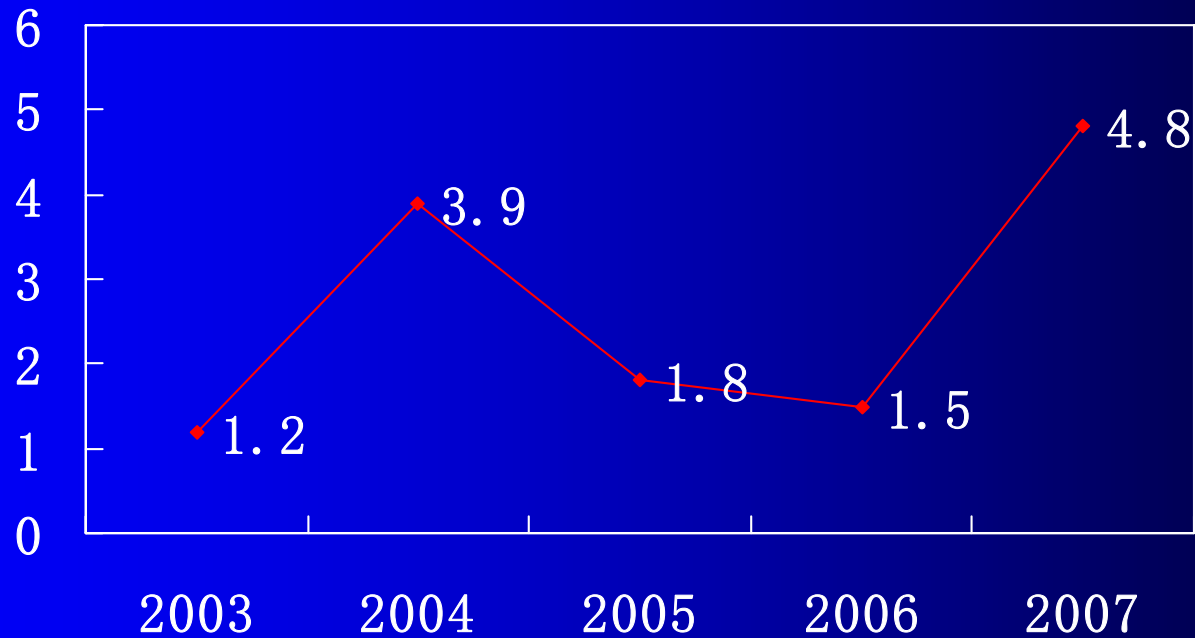
(III) Improved demand structure

Import and Export of Goods in China
(hundred million US Dollars)



(IV) Upward Price level

CPI Movement in 2003-2007



(V) Sound fiscal operation

- Fiscal revenue reaching a new high of 5.1 trillion Yuan in 2007
- Fiscal expenditure structure further optimized with more attention paid to people's livelihood

(VI) Stable financial operation

- Rapid growth of money supply
- Fast increase of deposits and loans
- Increased resilience of RMB exchange rate

(VII) Enhanced quality and efficiency in economic operation

- Progress in energy conservation and emission reduction
- Rapid increase in enterprises' profits

(VIII) Improved livelihood

- Higher employment rate
- Rapid growth of personal income
- New achievements in social security, health care, education and other social undertakings

II. Major issues and challenges

- Increasing uncertainties in international environment and potential risks
- Possibility of economic overheating
- Growing pressure of price rise

II. Major issues and challenges

- (I) Increasing uncertainties in international environment and potential risks
- Countries like the US, Japan and those in the EU face dual risks of economic slowdown and growing inflation
 - Price hike in the international market and increasing pressure of global inflation
 - Huge uncertainties in the direction of international capital flow
 - Uncertainties in the movement of US Dollar exchange rate
 - Intensified trade protectionism

II. Major issues and challenges

(II) Possibility of economic overheating

- Still rapid investment growth
- Excessive money and credit supply
- Expanding foreign trade surplus

II. Major issues and challenges

(III) Growing pressure of price rise

- Demand-pull: rapid growth of investment
- Cost-push: rising labor cost
- Imported: commodities price surge worldwide

III. Macro-regulation policies

- Top priorities
- Prudent fiscal policy
- Tight monetary policy

III. Macro-regulation policies

(I) Top priorities

- Preventing economic overheating and holding down inflation
- Preventing economic slowdown and avoiding sharp fluctuations

III. Macro-regulation policies

(II) Prudent fiscal policy

- Controlling fiscal deficits and government investment scale
- Increasing supply capacity and transforming economic development pattern

III. Macro-regulation policies

(II) Prudent fiscal policy (cont.)

- Adjusting fiscal expenditure structure and improving people's livelihood
- Improving fiscal and taxation policies and strengthening regulation on income distribution
- Promoting reforms and perfecting market mechanism

III. Macro-regulation policies

(III) Tight monetary policy

- Strengthening sterilization
- Optimizing credit structure
- Deepening reform of the foreign exchange management system

IV. Economic outlook in 2008 and future priorities

(I) Major targets of economic and social development in 2008

- Around 8% GDP growth
- Containing CPI at around 4.8%
- Creating 10 million more jobs in urban areas and controlling the urban registered unemployment rate at around 4.5%
- Improving international balance

IV. Economic outlook in 2008 and future priorities

(II) Priorities in the future

- A. Ensuring stable and fast economic growth
- B. Strengthening work related to agriculture, rural areas and farmers
- C. Accelerating the transformation of economic development pattern
- D. Promoting reform and opening-up
- E. Safeguarding and improving people's livelihood

A. Ensuring stable and fast economic growth

- It is the basic target of the work of the government
- Addressing unstable, inconsistent and unsustainable issues in economic development
- Strengthening macro regulation and improving regulation on economic operation

B. Strengthening work related to agriculture, rural areas and farmers

- Increasing grain production
- Strengthening agricultural infrastructure construction
- Expanding channels for farmers' income growth

C. Accelerating the transformation of economic development pattern

- Adhering to the principle of expanding domestic demand and adjusting the relations between investment and consumption
- Promoting industrial structure upgrading
- Pushing ahead the establishment of a national innovation system
- Strengthening efforts in energy conservation and emission reduction
- Encouraging coordinated regional development

D. Promoting reform & opening-up

- Deepening enterprise, fiscal, taxation, and financial reforms
- Expanding the breadth and depth of opening-up

E. Safeguarding and improving people's livelihood

- Giving priority to education
- Promoting the reform and development of health care
- Creating more employment opportunities
- Increasing the income of urban and rural residents
- Improving social security system

Thank you !