

Chinese Economy and Macroeconomic Policies

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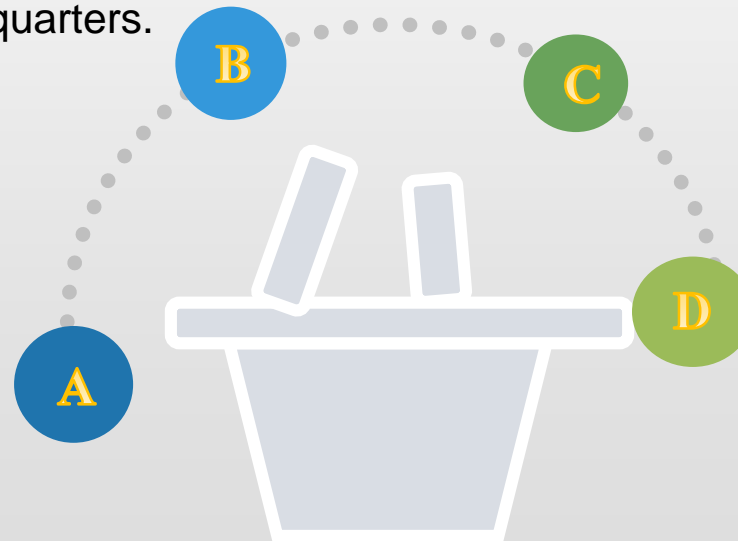
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Major economic indicators remain stable.

- Manufacture PMI in September is **49.8**.
- Value added of Industrial enterprise above designated size grows by **5.8%** in September.
- Retail Sales of consumer goods grow by **7.8%** and **8.2%** in September and the first three quarters.

GDP keeps growing at a medium-high speed.

- GDP growth rate is **6.2%** in the first three quarters of 2019, in line with the government's annual target of 6-6.5%. (6.4%, 6.2%, 6.0%)



International trade and FDI grows stably

- Exports and Imports value(RMB) in the first nine months grows by **2.8%**
- FDI inflow grew by **4%** in year 2018(global FDI drop by 13%), and is up by **3.6%** in the first half of 2019.
- Actual Utilization of FDI grew by **3.8%** in September.

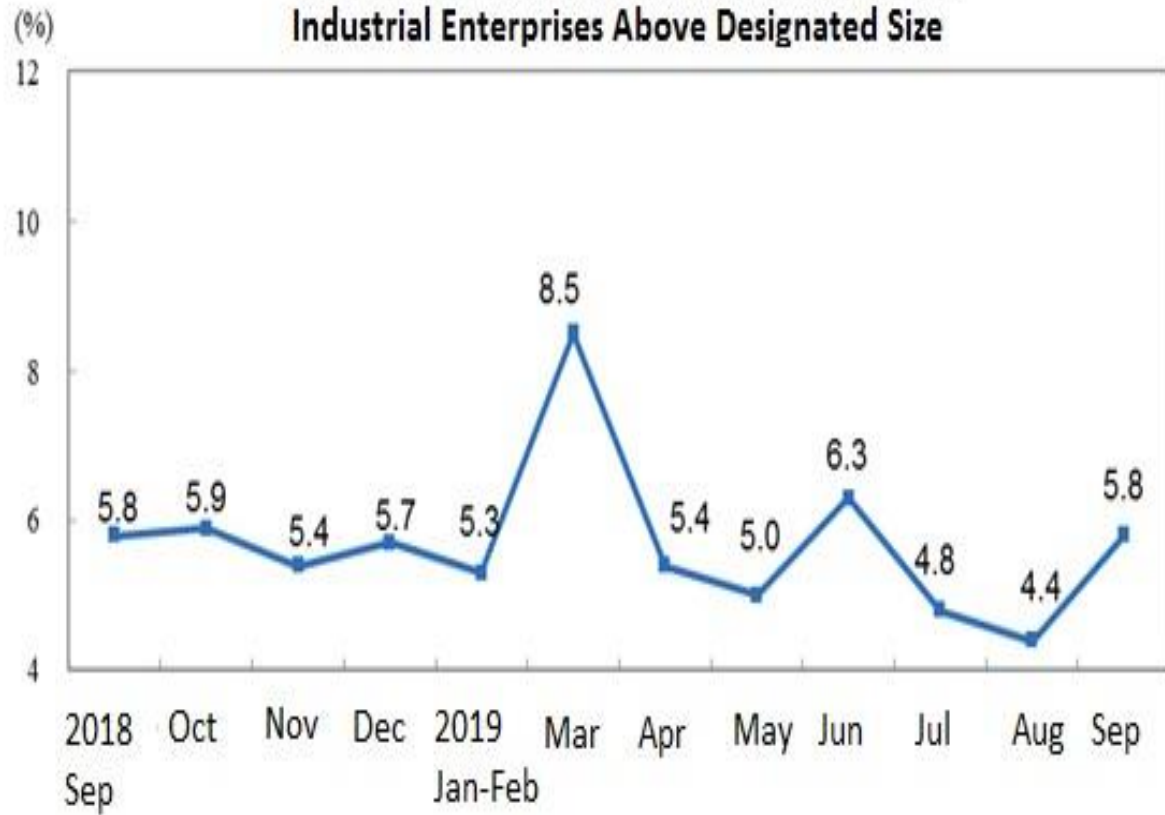
Consumer prices rose moderately, and the overall employment situation remained stable

- CPI in September is up by **3.0%**
- Urban surveyed unemployment rate is **5.2%** in September.
- Per capita disposable income grow by **6.1%**(real term) in the first three quarters.

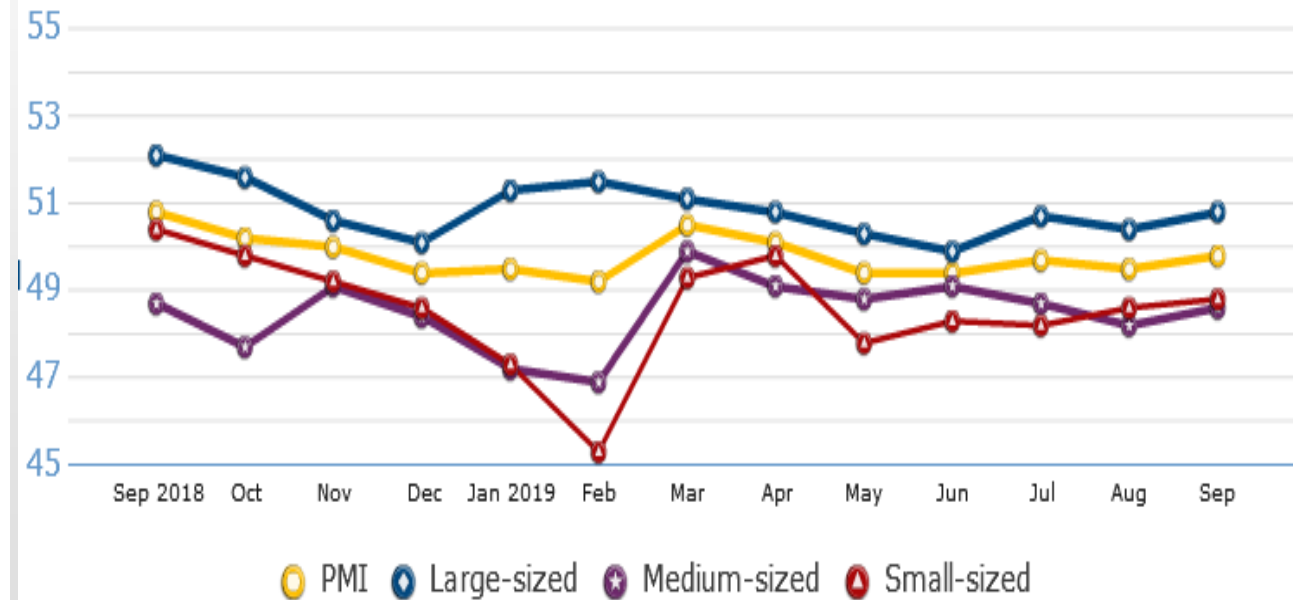
Major production indicators remain robust.

Chinese Economy

YoY Growth Rate of Total Value Added Of the Industrial Enterprises Above Designated Size



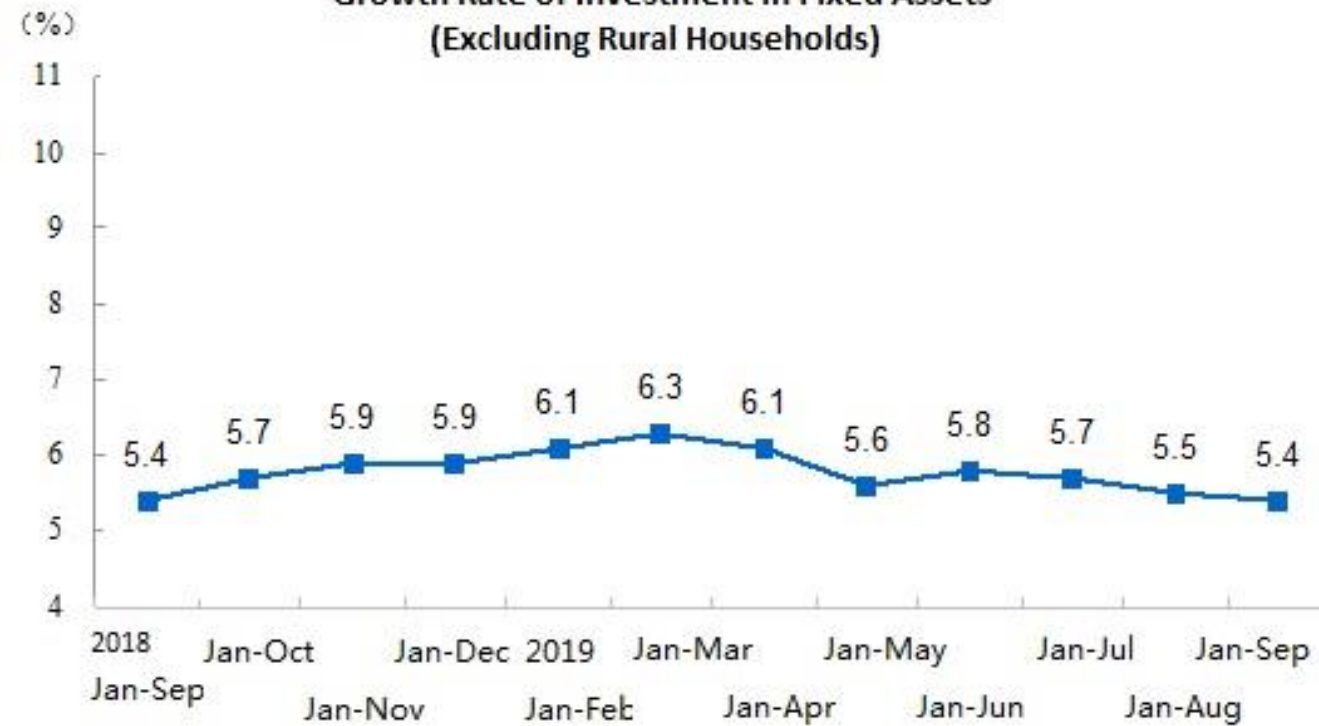
PMI in view of the Sizes of Enterprises



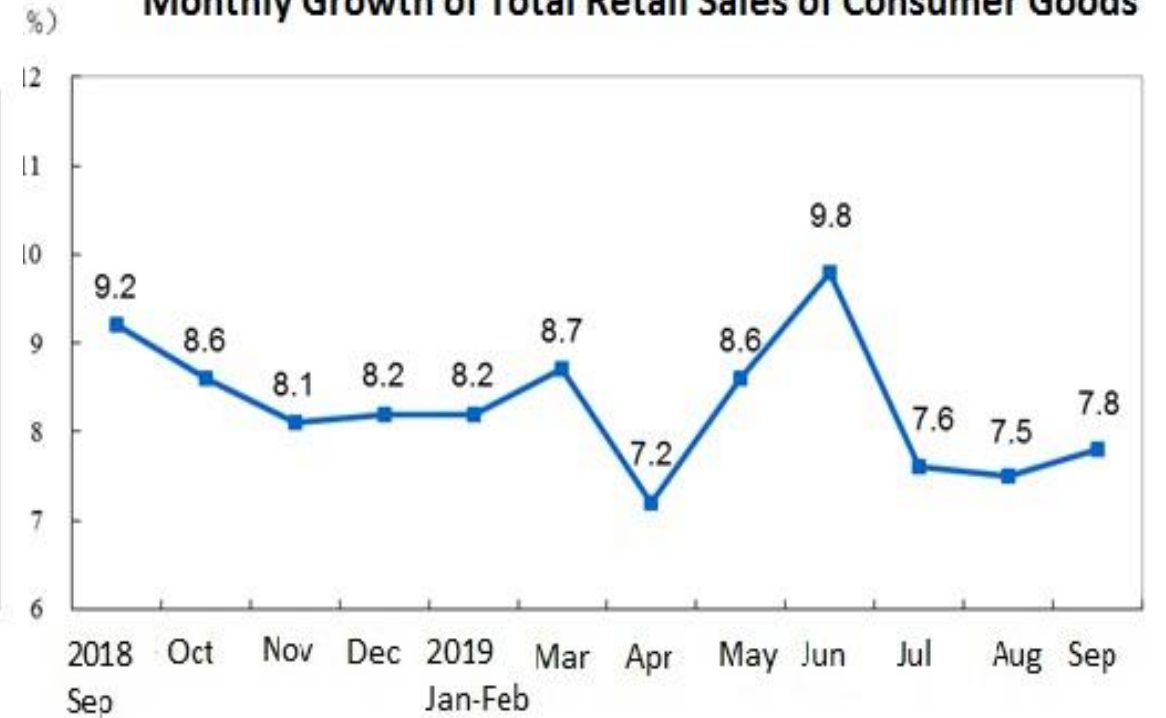
Major production indicators remain robust.

Chinese Economy

**Growth Rate of Investment in Fixed Assets
(Excluding Rural Households)**

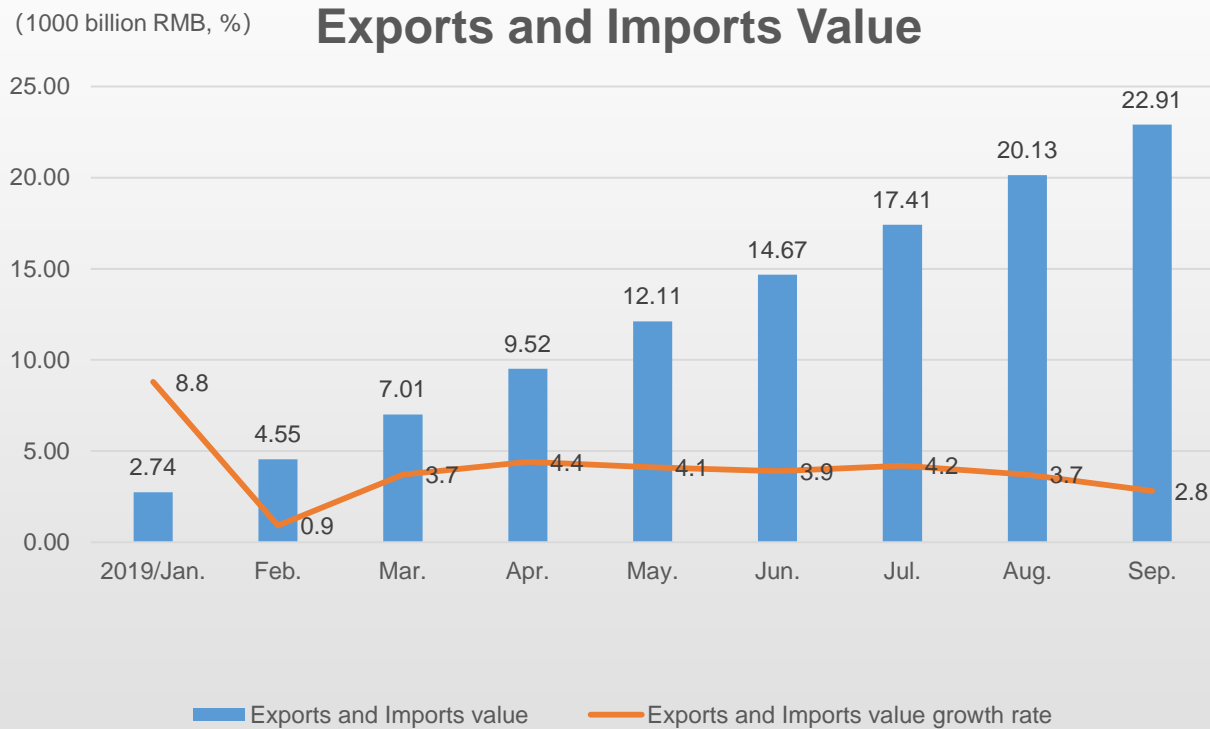


Monthly Growth of Total Retail Sales of Consumer Goods



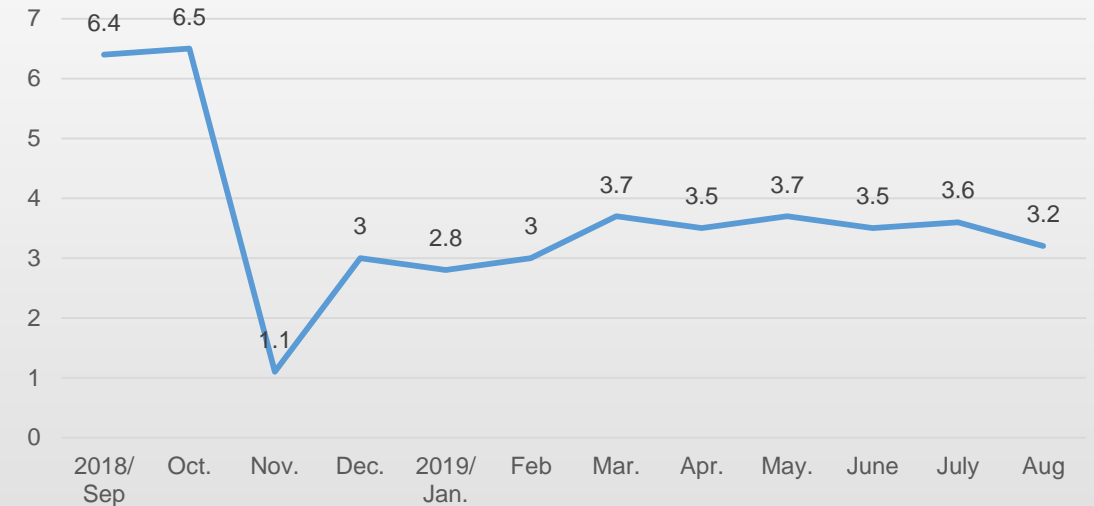
International trade and FDI grows stably

Chinese Economy



Source: General Administration of Customs, P.R. China

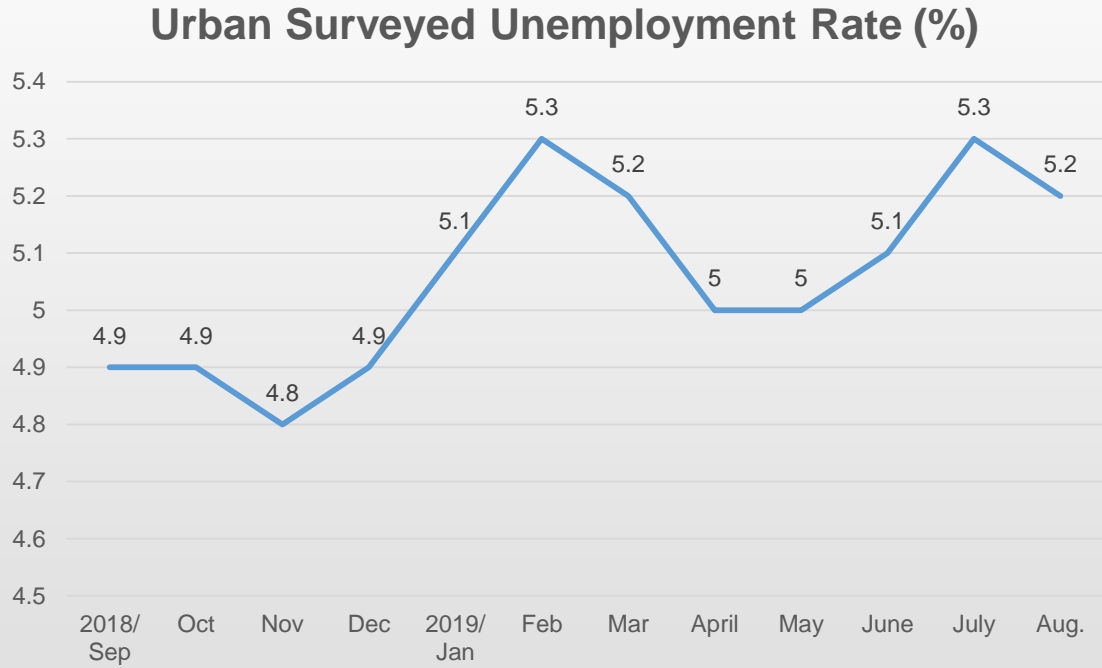
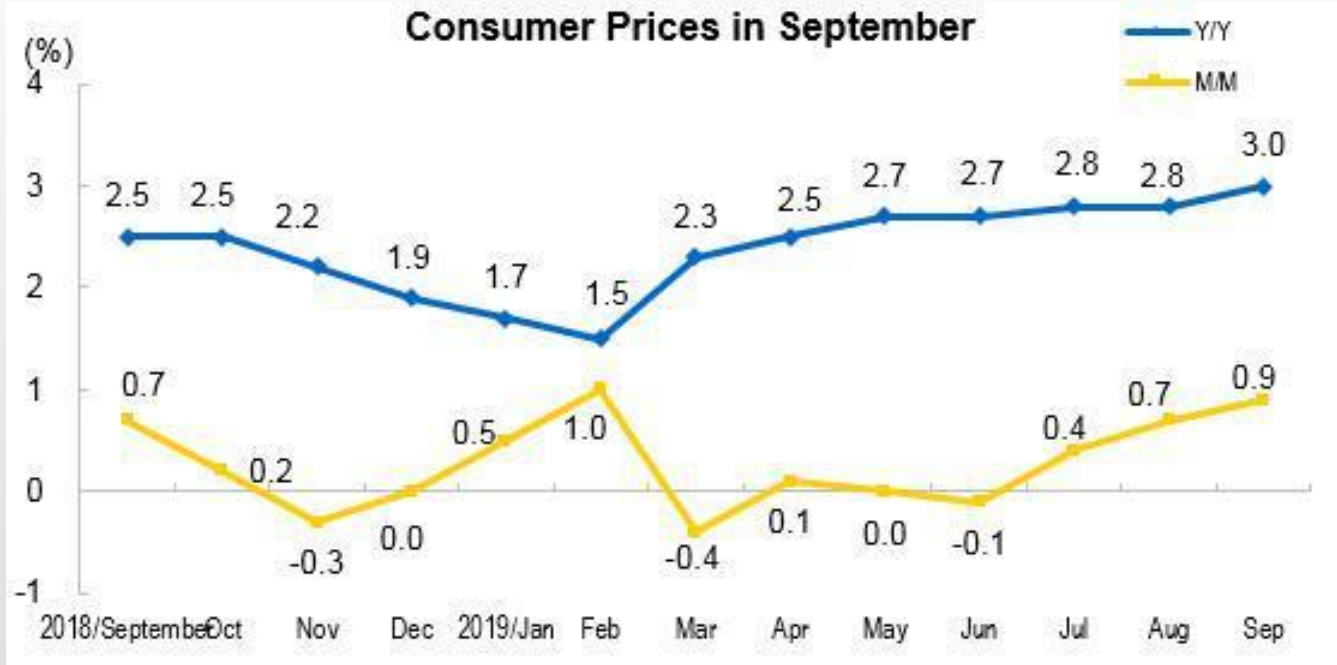
Accumulated Growth of the actual utilization of FDI (%)



Source: China's National Statistics

Consumer prices rose moderately, and the overall employment situation remained stable.

Chinese Economy



Chinese economy is expected to keep growing at a medium-high speed.

Gross Domestic Product Growth (%)			
	2018	2019	2020
IMF	6.6	6.1	5.8
World Bank	6.6	6.2	6.1
UN	6.6	6.3	6.2
ADB	6.6	6.2	6.0
AMRO	6.6	6.2	6.1
OECD	6.6	6.2	6.0

Source: IMF, World Economic Outlook (2019 Oct.)
 World Bank, Global Economic Prospects (2019 June)
 UN, World Economic Situation and Prospects (2019 June)
 Asian Development Outlook Update (2019 Sep.)
 AMRO, ASEAN+3 Regional Economic Outlook (2019 July)
 OECD, Economic Outlook for Southeast Asia (2019 July)

Sino-US Trade Consultations

- During the latest round of China-U.S. high-level economic and trade consultations, the two sides had candid, efficient and constructive discussions on trade and economic issues of mutual concern in this round of consultations and made **substantive progress in such areas as agriculture, intellectual property rights protection, exchange rate, financial services, expanding trade cooperation, technology transfer and dispute settlement.**
- The two sides also discussed the arrangement for negotiations going forward and **agreed to work towards making a final deal.**

Scenario Analysis of The Impact of The Trade Friction

Projections of IOs							
%	GDP			Trade			
	World	US	China	World	US	China	World(excl US&CHN)
WB	-0.1	-0.3	-0.1	-1.5	-10.8	-0.4	
ADB	-0.49	-0.61	-1.13	-1.4	-5.5	-7.8	
IMF	-0.2	-0.4	-1.2				
OECD	Scenario 1	-0.1	-0.2	-0.3	-0.3		-0.2
	Scenario 2	-0.35	-0.6	-0.8	-1.0	-2.0	-0.6
	Scenario 3	-0.7	-0.8	-1.1	-2.5		-1.2

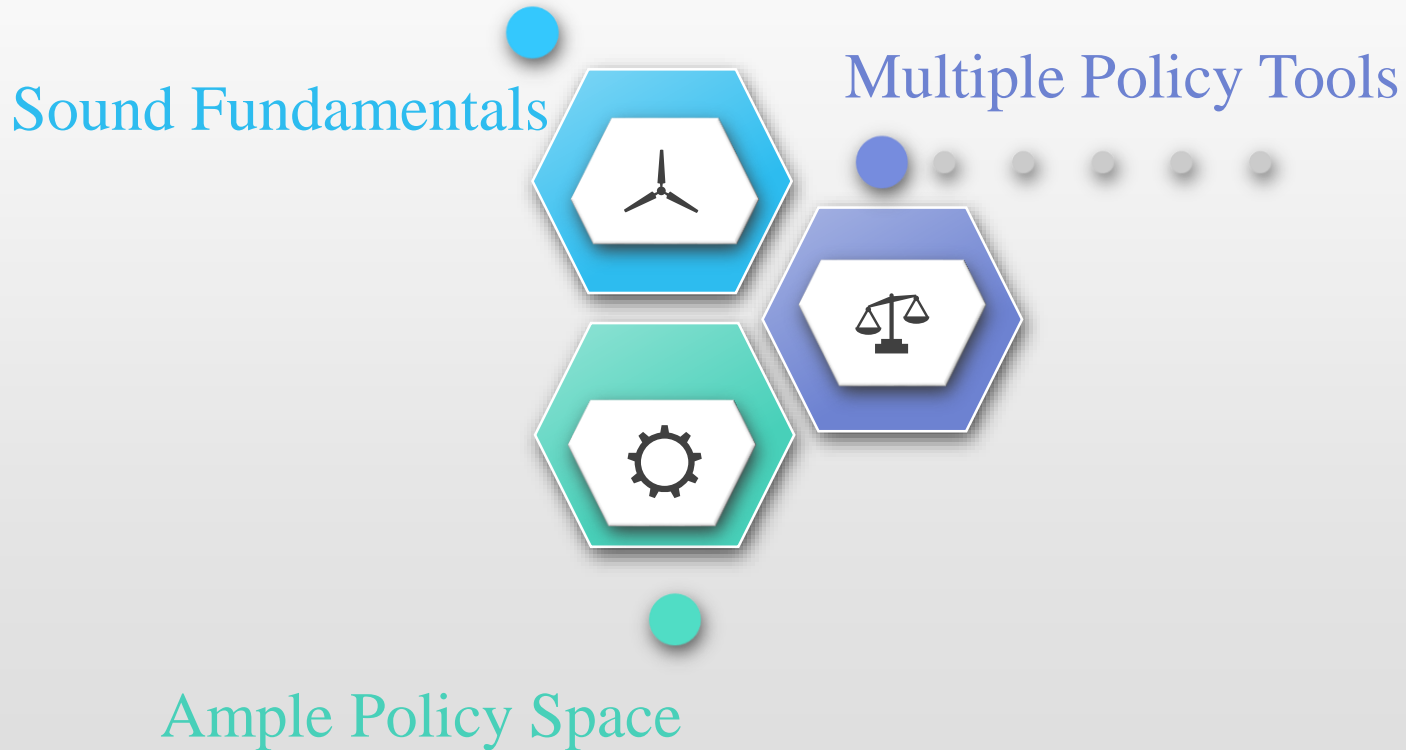
1. WB scenario assume an increase in U.S. tariffs to Column 2 rates and retaliation in kind by major trading partners.
2. ADB scenario includes bilateral escalation of Sino-US tariffs (25% on all merchandise imports) and a global escalation of the trade conflict between the US and its trading partners, in auto and auto parts and components trade(25%).
3. IMF scenario assume the tariffs annouced before 2019 Aug imposed(excluding the impact of confidence, market reaction and productivity).
4. OECD scenario 1 shows the impact of the United States raising tariffs on USD 200 billions of imports from China from 10%-25% from mid-May 2019 (with reciprocal action by China on USD 60 billions of imports from the United States). Scenario 2 shows the additional impact if tariffs of 25% are imposed on all remaining bilateral non-commodity trade between China and the United States from July 2019. Scenario 3 adds in the impact from a global rise of 50 basis points in investment risk premia that persists for three years before slowly fading thereafter.

Scenario Analysis of The Impact of The Trade Friction

AMRO's Projection		
	Scenario 1	Scenario 2
US	-0.2	-0.5
China	-0.2	-0.6
Singapore	-0.3	-1.0
Korea	-0.2	-0.6
Malaysia	-0.1	-0.4
Indonesia	-0.1	-0.4
Thailand	-0.1	-0.3
Japan	-0.1	-0.25
Vietnam	-0.1	-0.25
Philippines	-0.1	-0.25

- Scenario 1 suggests the U.S. imposes a 25 percent higher tariff on USD50 billions of Chinese exports, and a 10 percent higher tariff on USD200 billions of Chinese exports. China imposes a 25 percent higher tariff on USD50 billion of U.S. exports, and a 10 percent higher tariff on USD60 billion of U.S. exports.
- Scenario 2 suggests the U.S. imposes a 25 percent higher tariff on all Chinese exports. China imposes a 25 percent higher tariff on all U.S. exports.

Chinese economy will remain stable and steady growth.



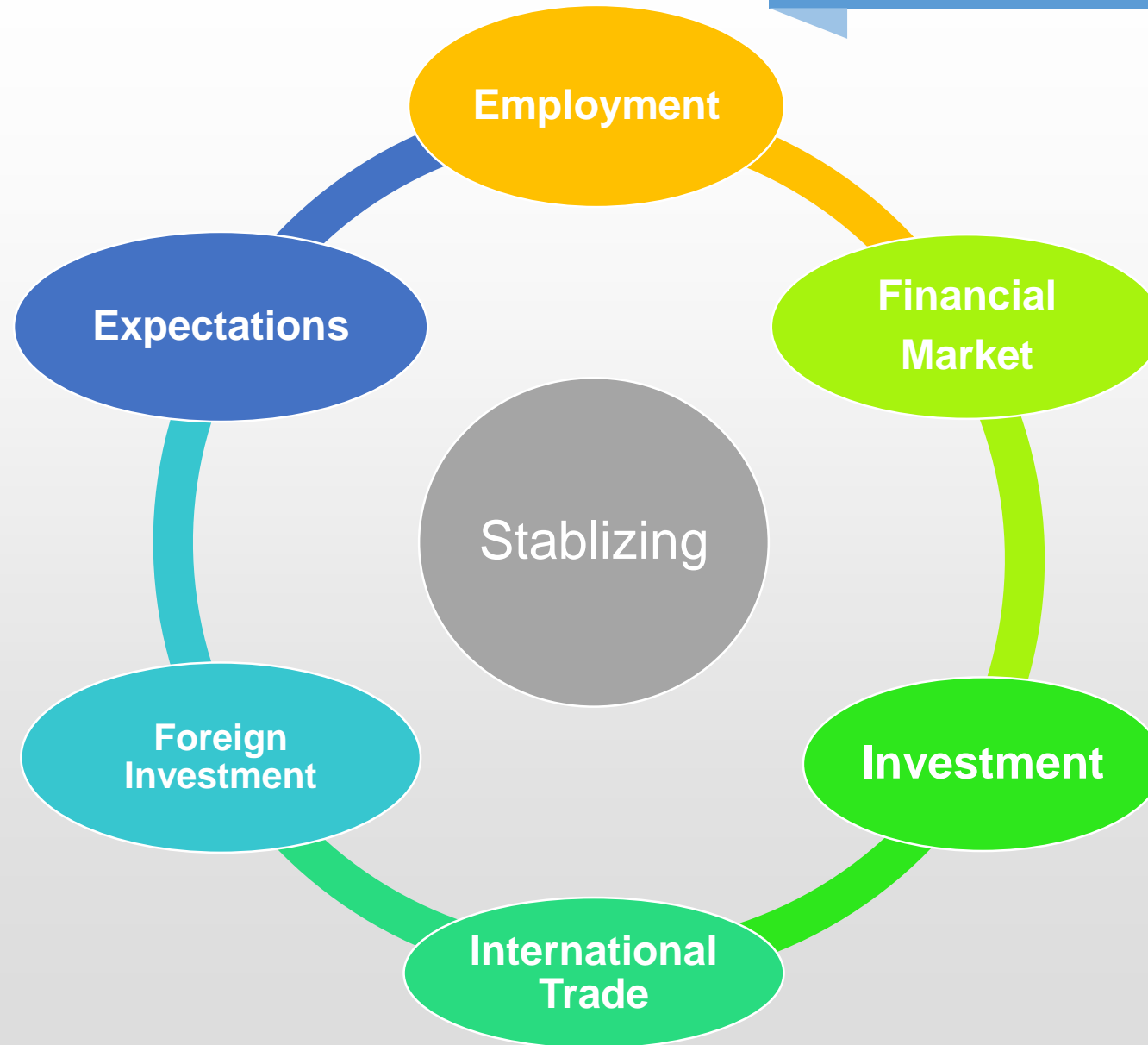
Fiscal

- Reduce Fees and taxes: **2** trillion
- Fiscal Deficit Ratio
2.6% → 2.8%
- Local debt issuance optimized

Prudent Monetary Policy

Supply-side Structural Reform

China's Macroeconomic Policies



Highlights of Key Issues

- ◆ Market access
- ◆ Reduce Tariff Level
- ◆ IPR protection

Market Access

● Negative List and Encouraged Industry Catalogue

- *2019 June Edition Negative List, items on the list was reduced from 48 to 40, expanding access for oil and natural gas, value added telecommunication, cinema construction and operation, etc.*
- *2019 Free Trade Pilot Zone Negative List, items on the list reduced from 45 to 37.*
- *2019 Encouraged Industry Catalogue, items in the national catalogue increase by 67.*

● Service Sector Opening up

- Of the 160 sub-sectors in 12 categories of service sectors classified by the WTO, China has committed to opening 100 sub-sectors in 9 categories, the largest number committed in developing countries, and close to the average level of developed members (108).
- According to OECD Service Trade Restrictive Index reports, China's STRI was down by 0.15 in 2018, the largest decrease in the world. And China's STRI was lowered by 0.44 during 2014-2018, ranking the second in OECD monitored countries.

● Financial Sector opening up measures

- May, **12** new opening-up measures, including removing the ownership cap in a Chinese commercial bank by an individual Chinese or foreign-funded bank; relaxing market access requirements for setting up in banking subsidiaries and branches, investing in trust companies and conduct insurance brokerage businesses etc.
- June, **9** new measures, including revising the QFII/RQFII rules, relaxing requirements for foreign banks to undertake custodian business for securities investment funds, further open up futures and exchange traded bond markets, etc.
- July, **11** new measure, including relaxing foreign investment access to wealth management companies, pension management companies, and insurance asset management companies; bringing forward the schedule for removing foreign ownership limits on securities, fund management and life insurance companies from 2021 to 2020, etc.

Market Access

Oct, 6 new measures, including revising regulations on foreign banks and insurance companies, which will relax restrictions on foreign ownership in banking, securities and insurance sector, relax restrictions on the establishment of foreign financial institutions, and expand the business scope of foreign financial institutions in China.

Tariff Level

● Import Tariff Level

After four tariff cuts in 2018, China's total tariff level (simple average MFN rate) down to **7.5%** in 2018 from **9.8%** in 2017 , at medium to low level compared to world average. Ongoing efforts 2019.

•Enhancing the legal system

E-commerce law effective Jan. 2019, revised the Trademark Law effective Nov. 2019, New Foreign Investment Law effective January 2020, revised Anti-Unfair Competition Law effective April 2019, ongoing efforts to amend the Patent Law and revise the Copyright Law.

•Strengthening law enforcement

In 2019 H1, China's concluded over 150,000 first instance IPR lawsuit cases and over 2000 first instance cases of IPR infringement crimes, a yoy increase of 80% and 23%.

•Improving institutional and capacity building

The Supreme People's court has established the Intellectual Property Court, 20 IPR courts set up in 17 provinces, 11 State IP Polit and Demonstration Cities identified (total 77).

China's achievements are unmatched in the history of intellectual property protection.

----- Former WIPO Director General Arpad Bogsch



Thank you!