

China in 2013: Domestic Developments, Global Implications



Presented by:

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Summary

- **A significant slowdown, but recovery gaining strength**
- **Demand & employment holding up**
- **Looser monetary conditions should support investment**
- **Long-term growth downshifting, but still plenty fast**
- **Little progress to date in reducing dependence on investment and manufacturing**
- **Less misaligned, but RMB still has room to appreciate**
- **Liberalizing interest rates should spur SME lending and bond market financing**
- **Is U.S. willing/able to attract more Chinese investment?**

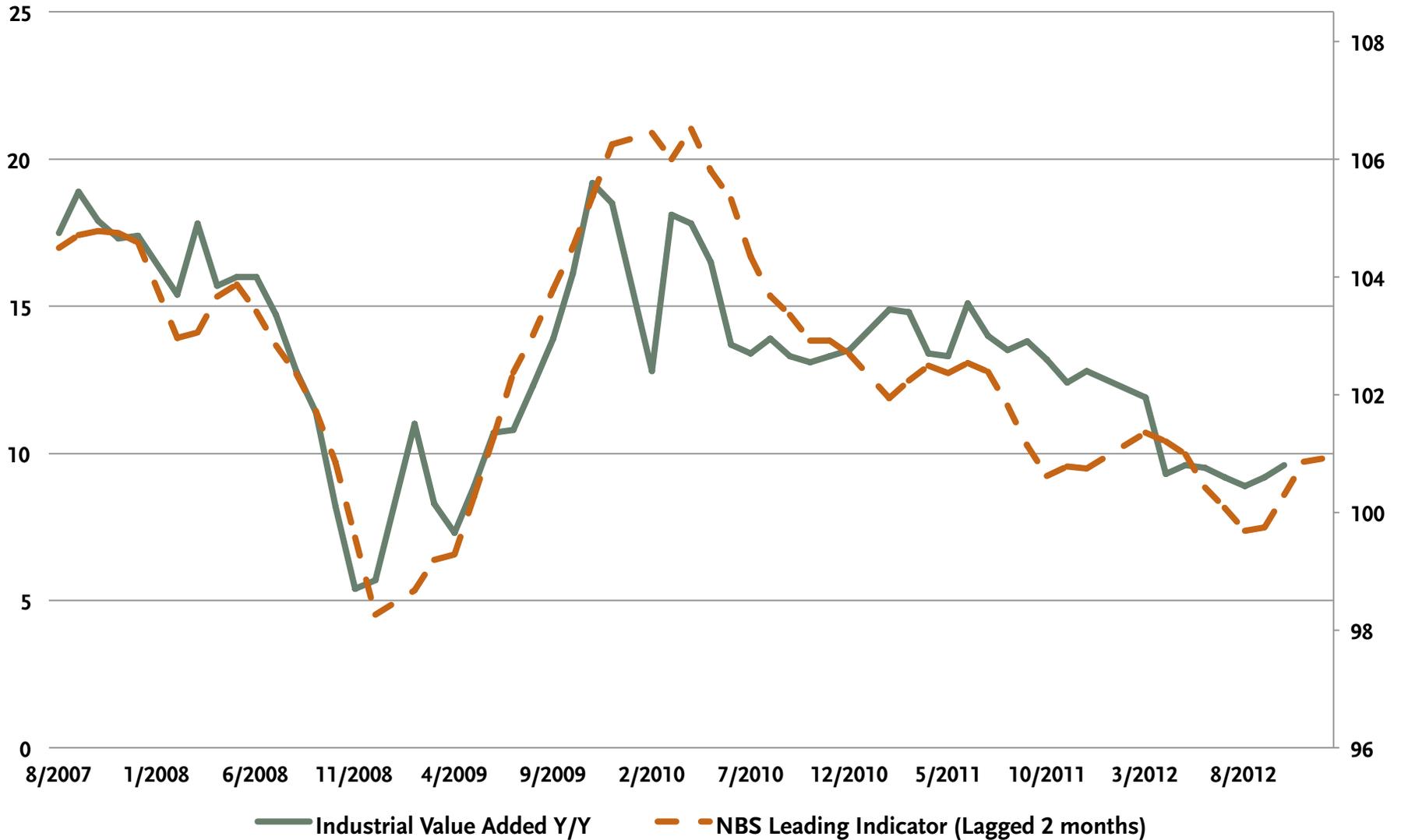
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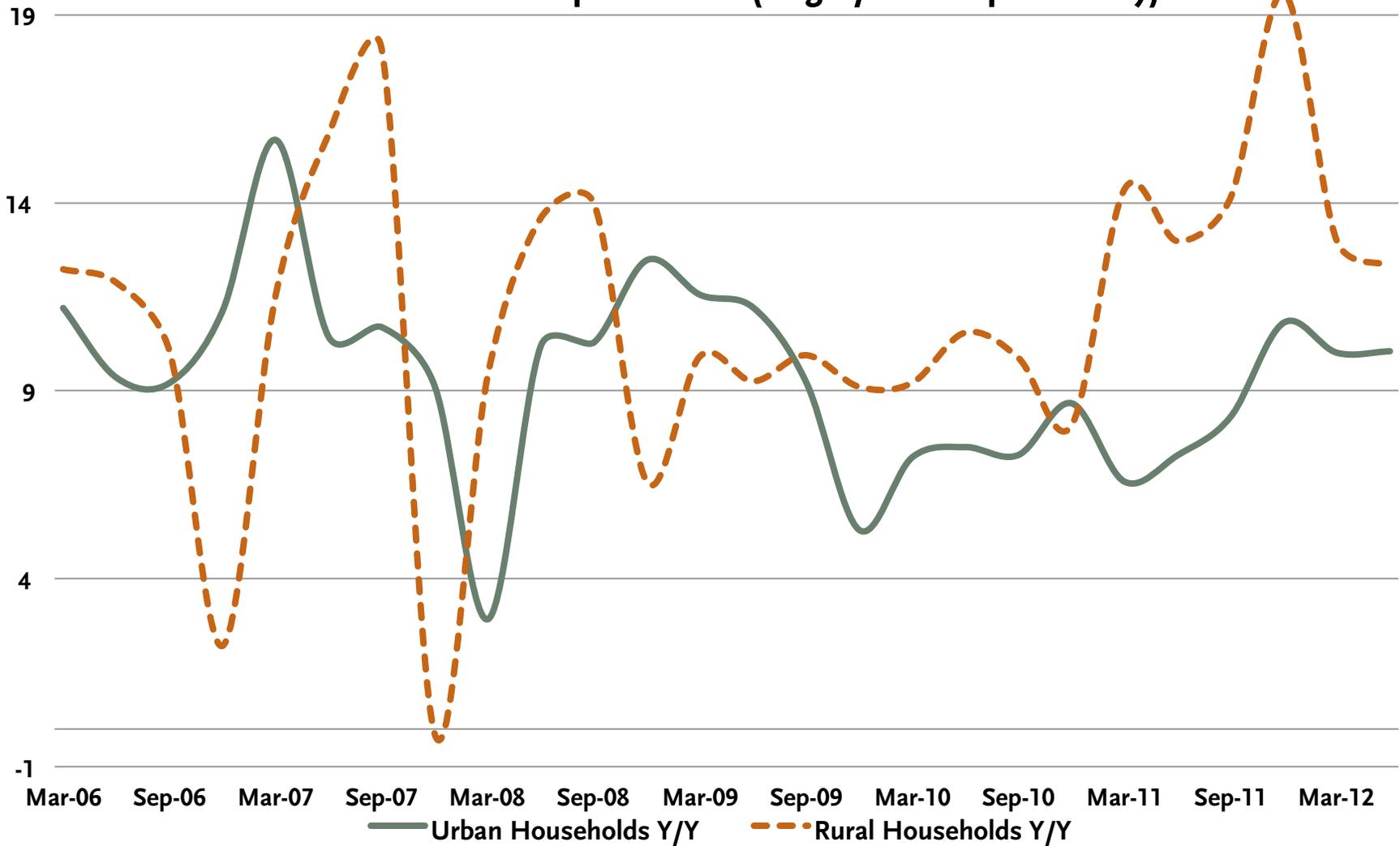
A significant slowdown, but recovery gaining strength



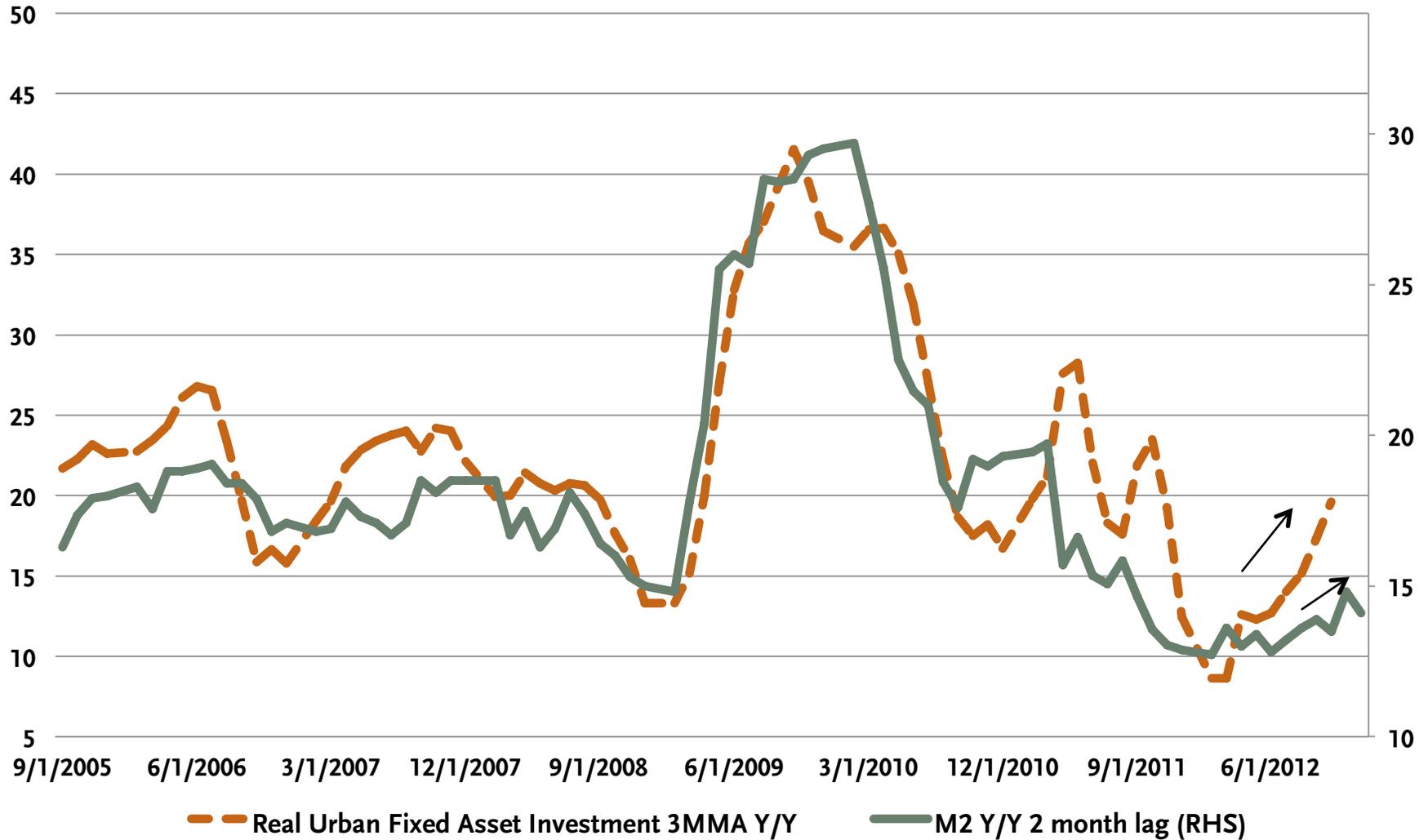
Source: National Bureau of Statistics of China

Demand & Employment Holding Up

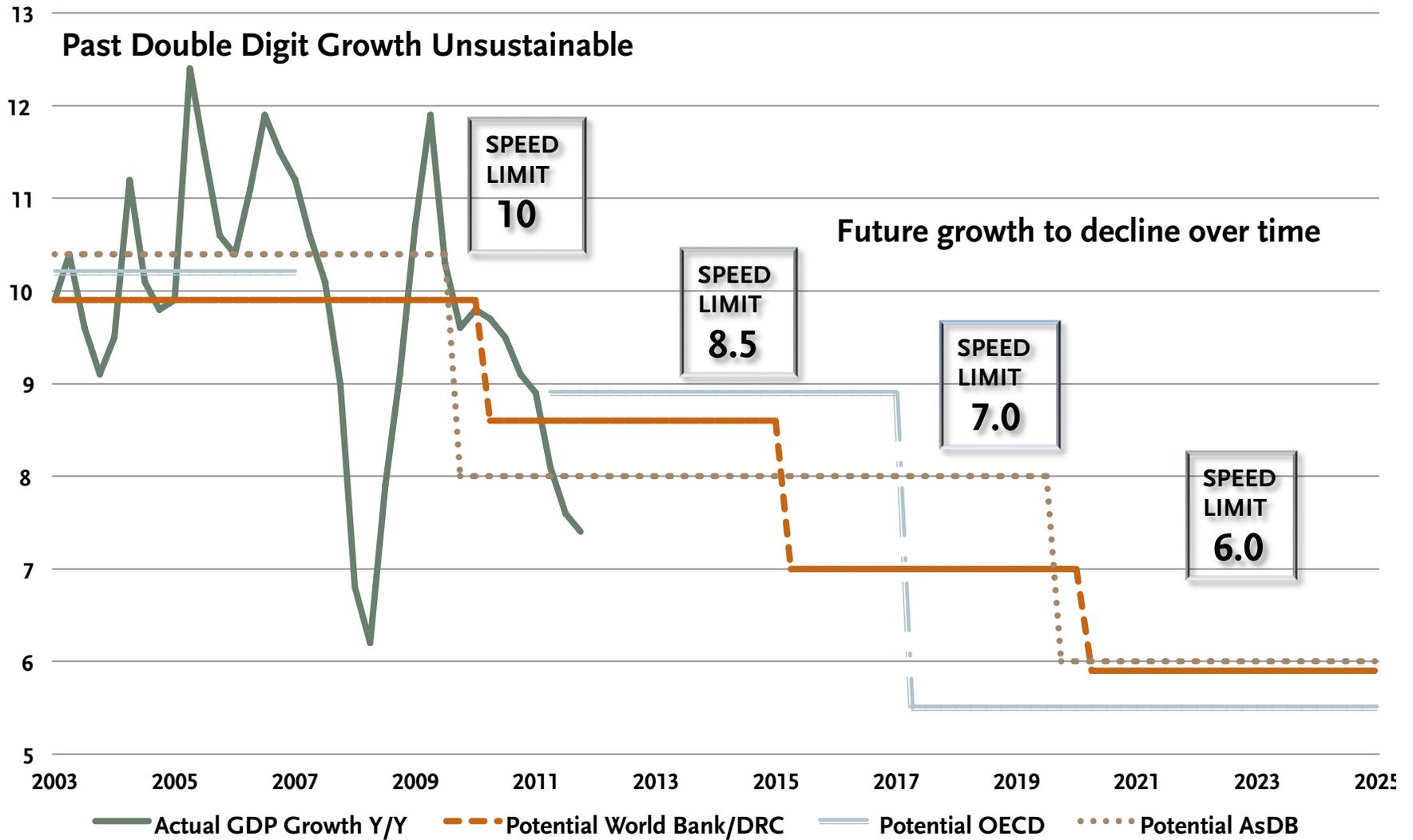
Real Per Capita Income (Wages/Consumption Proxy)



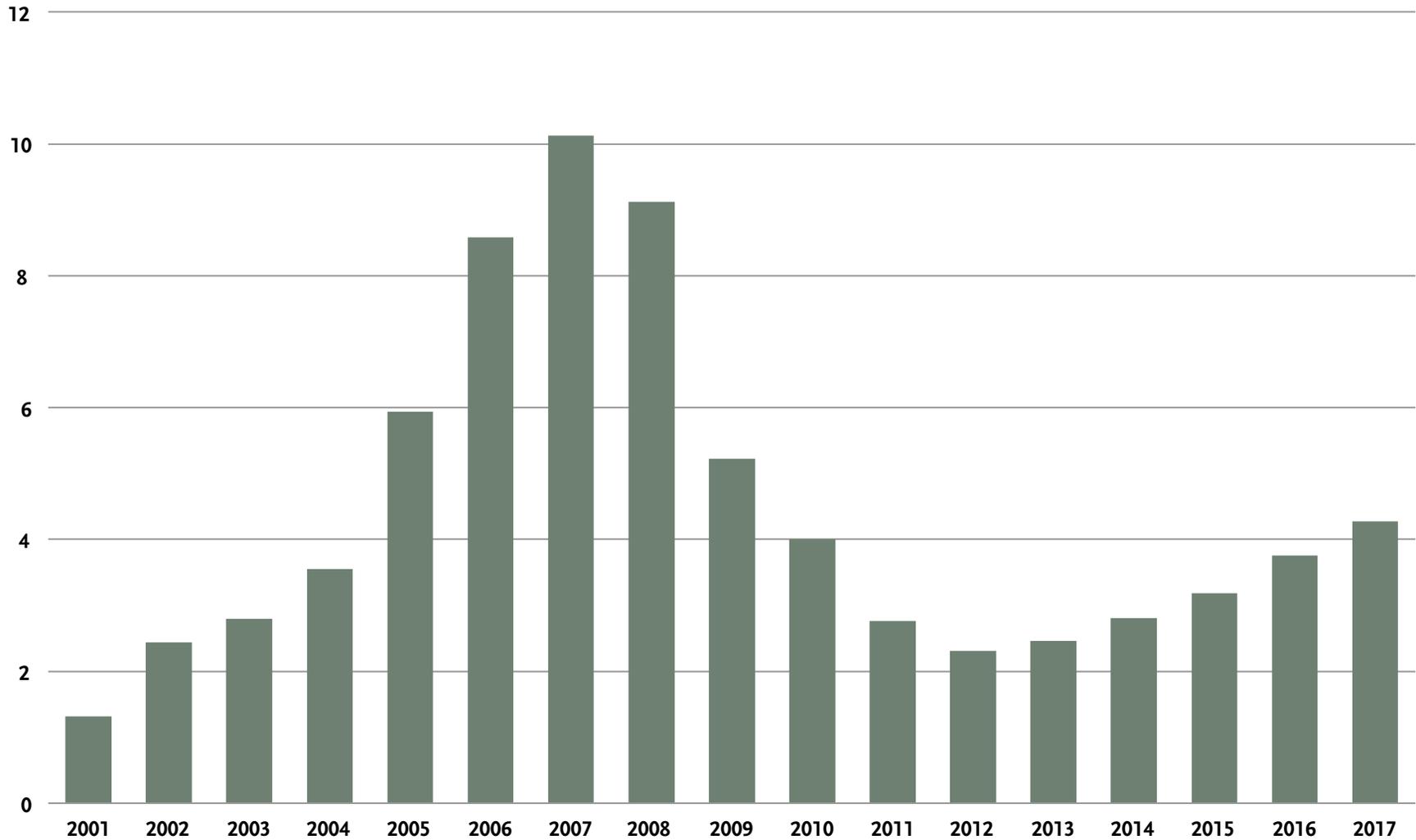
Looser monetary conditions should support investment



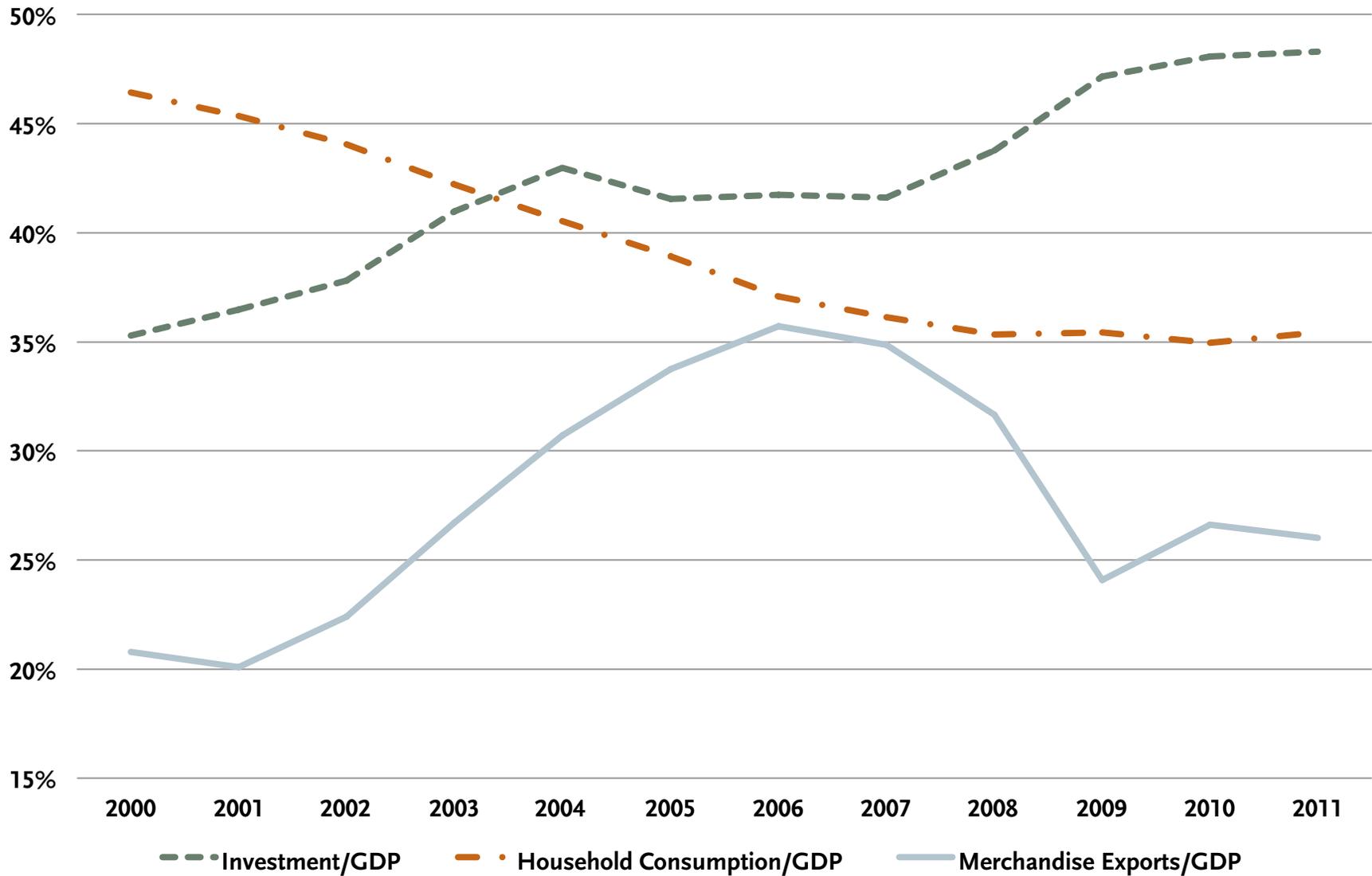
Downshifting, but still plenty fast



Current Account Surplus Declining...For Now % GDP, IMF Forecast

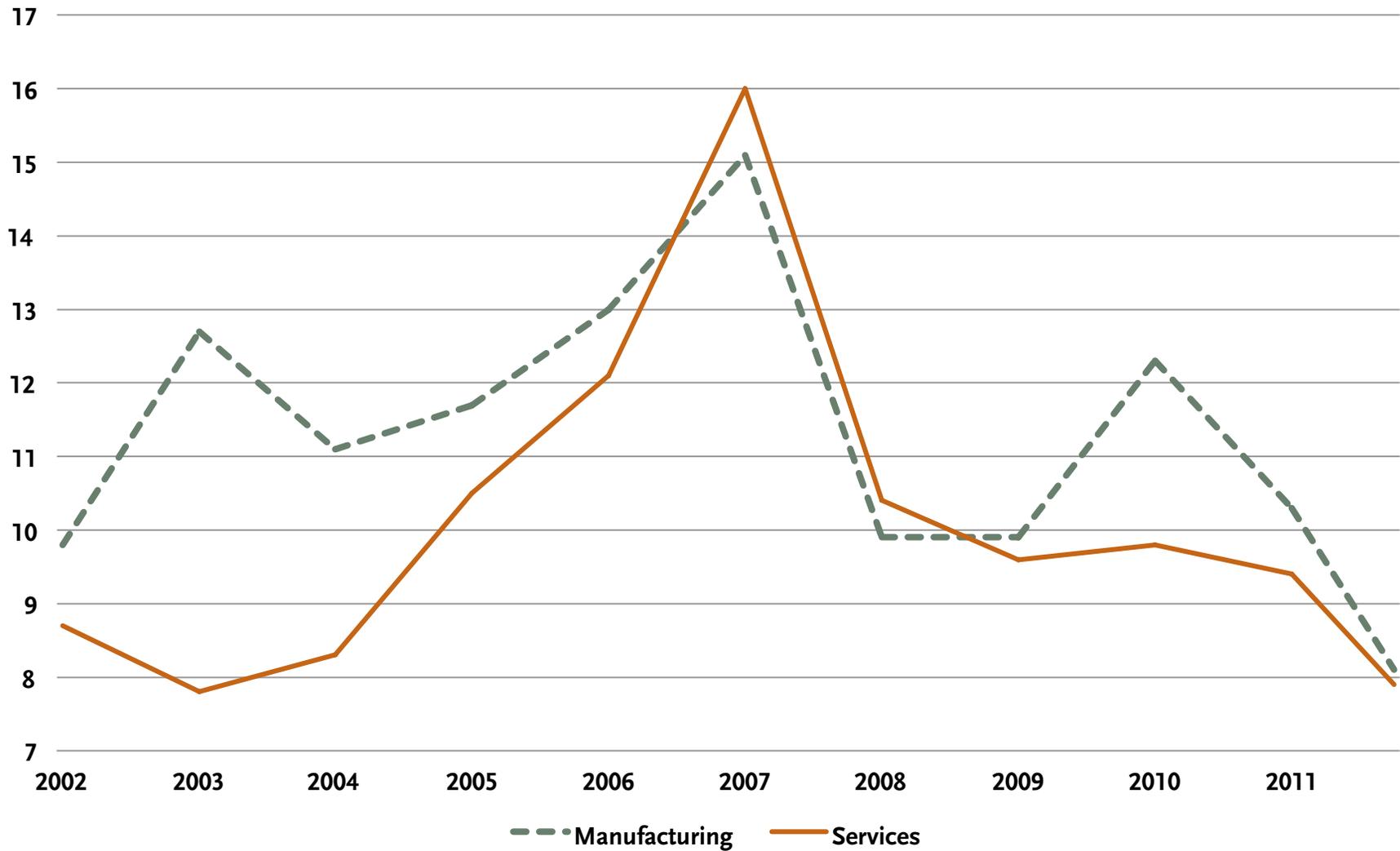


More Progress in Reducing Dependence on Exports Than Investment



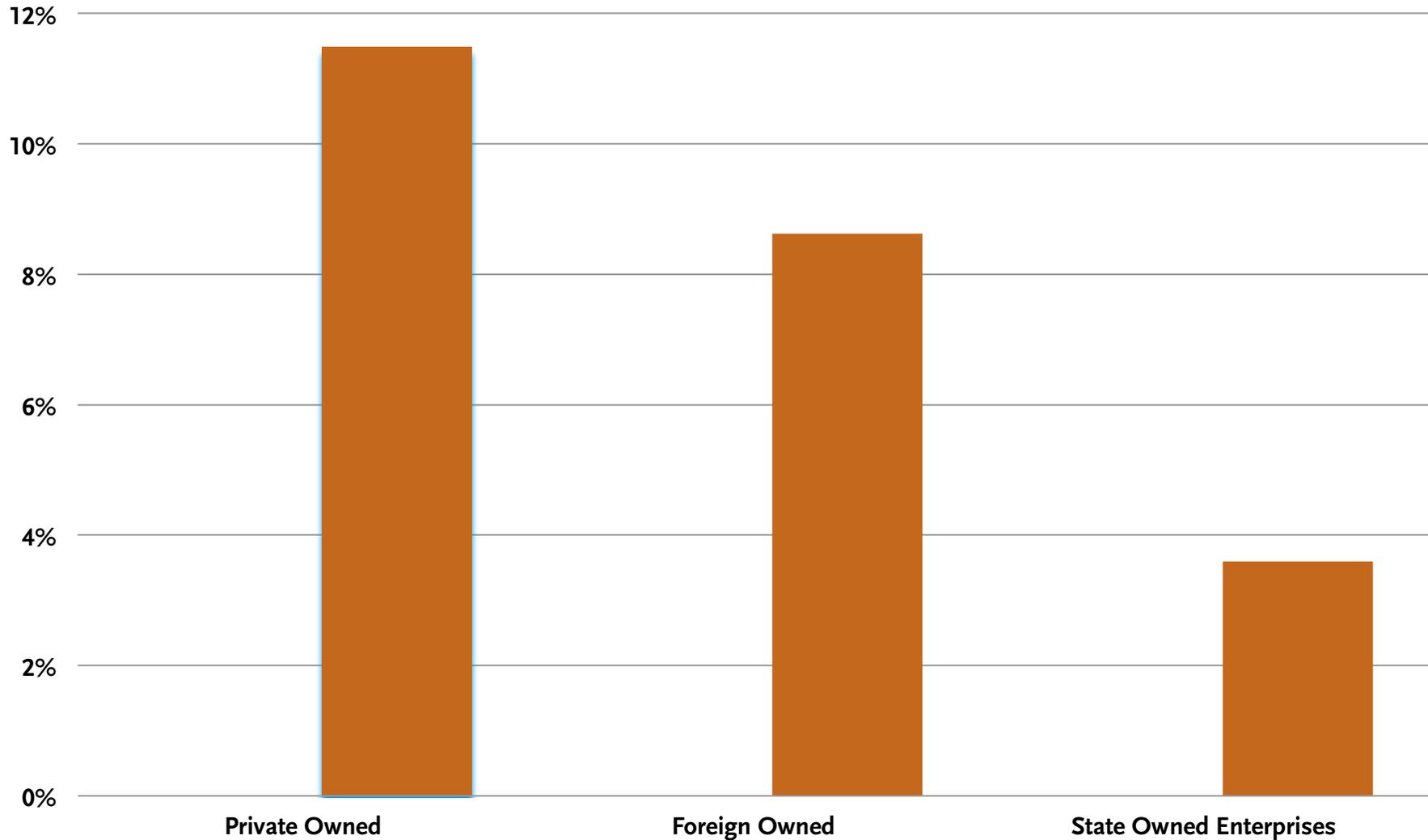
Source: National Bureau of Statistics of China

Manufacturing Continues to Grow Faster Than Services Real GDP Growth

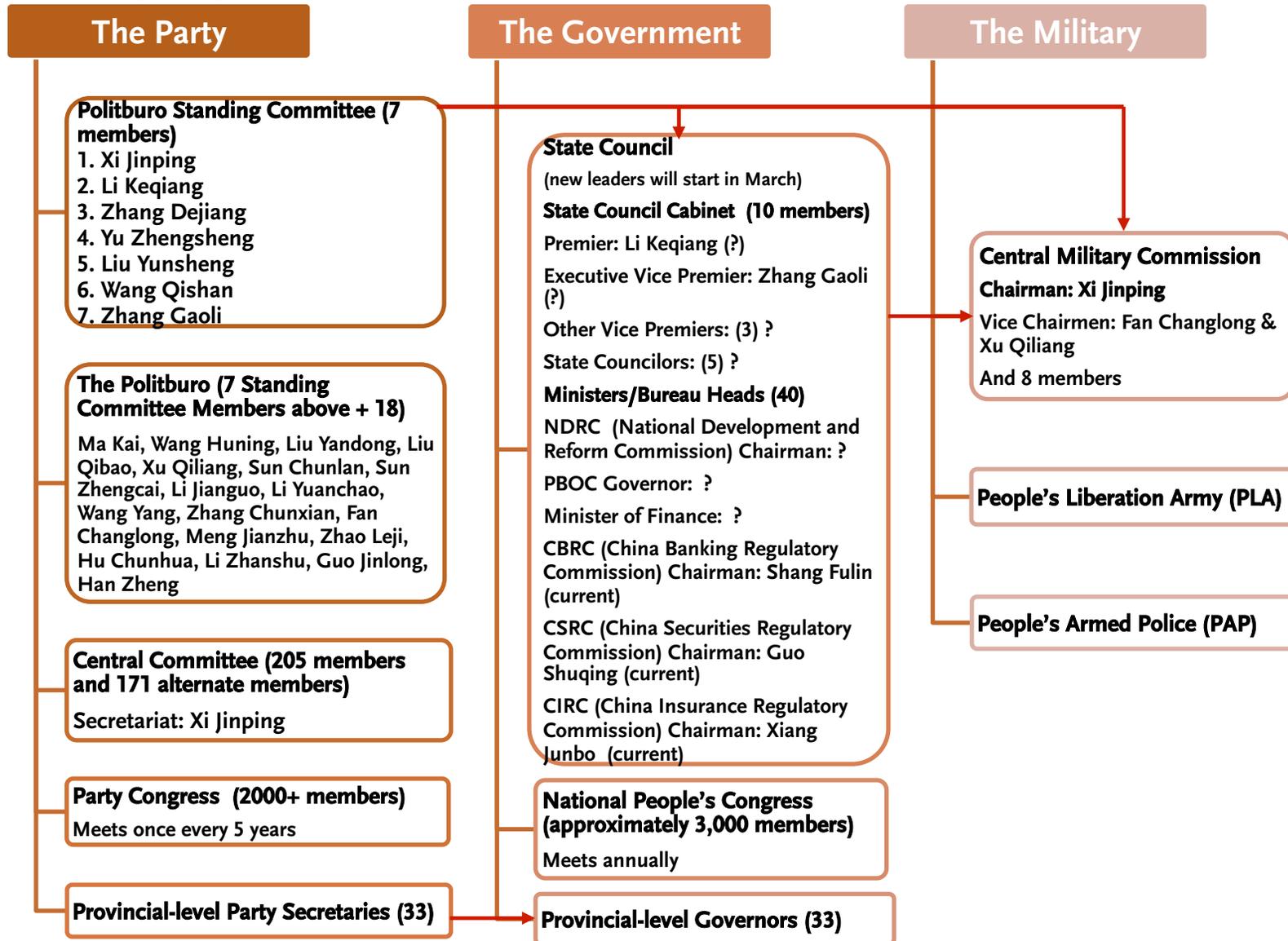


More Private Sector Investment Will Sustain Productivity Growth

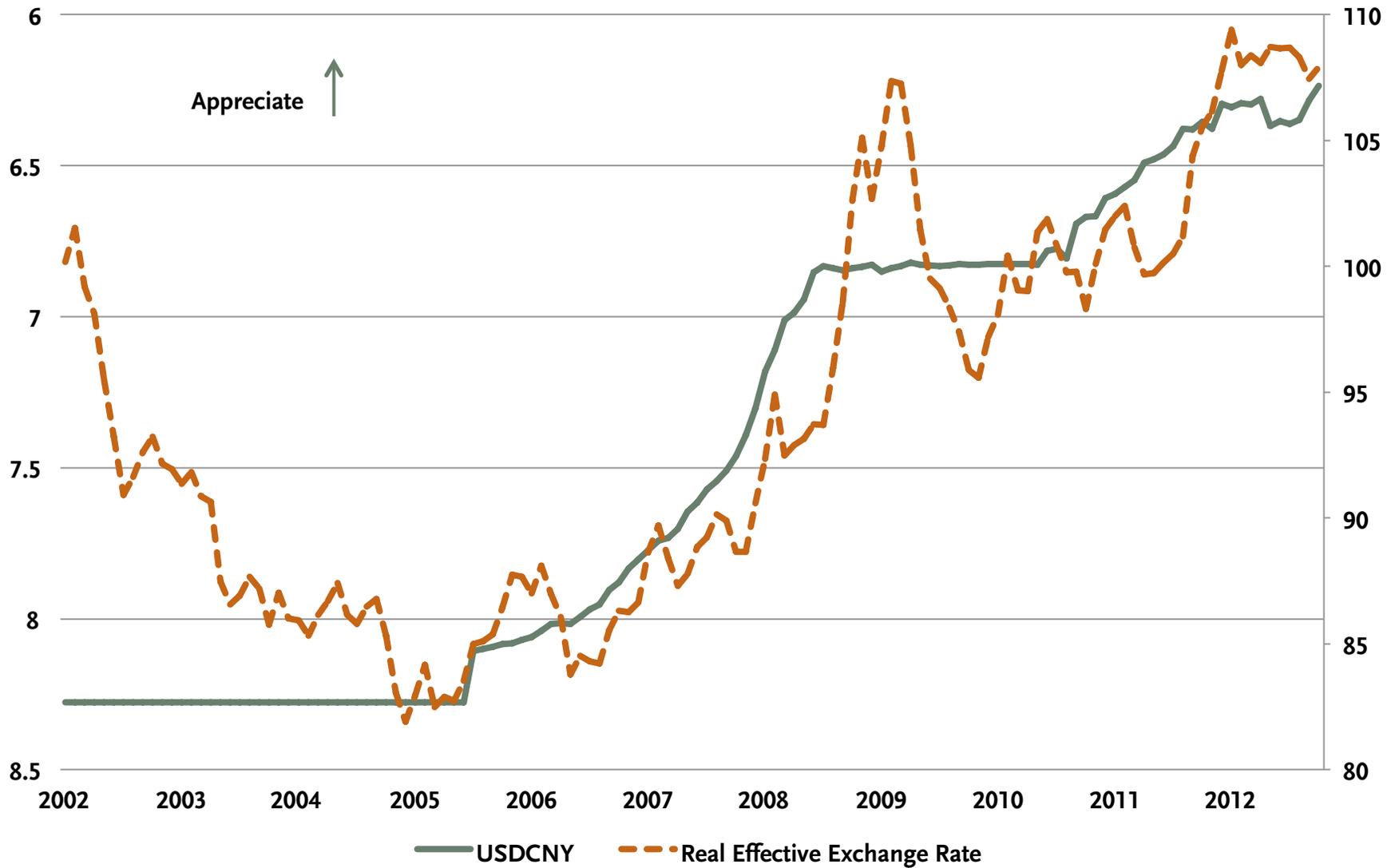
Return on Assets 2008-2010



Ongoing Leadership Transition Increases Policy Uncertainty

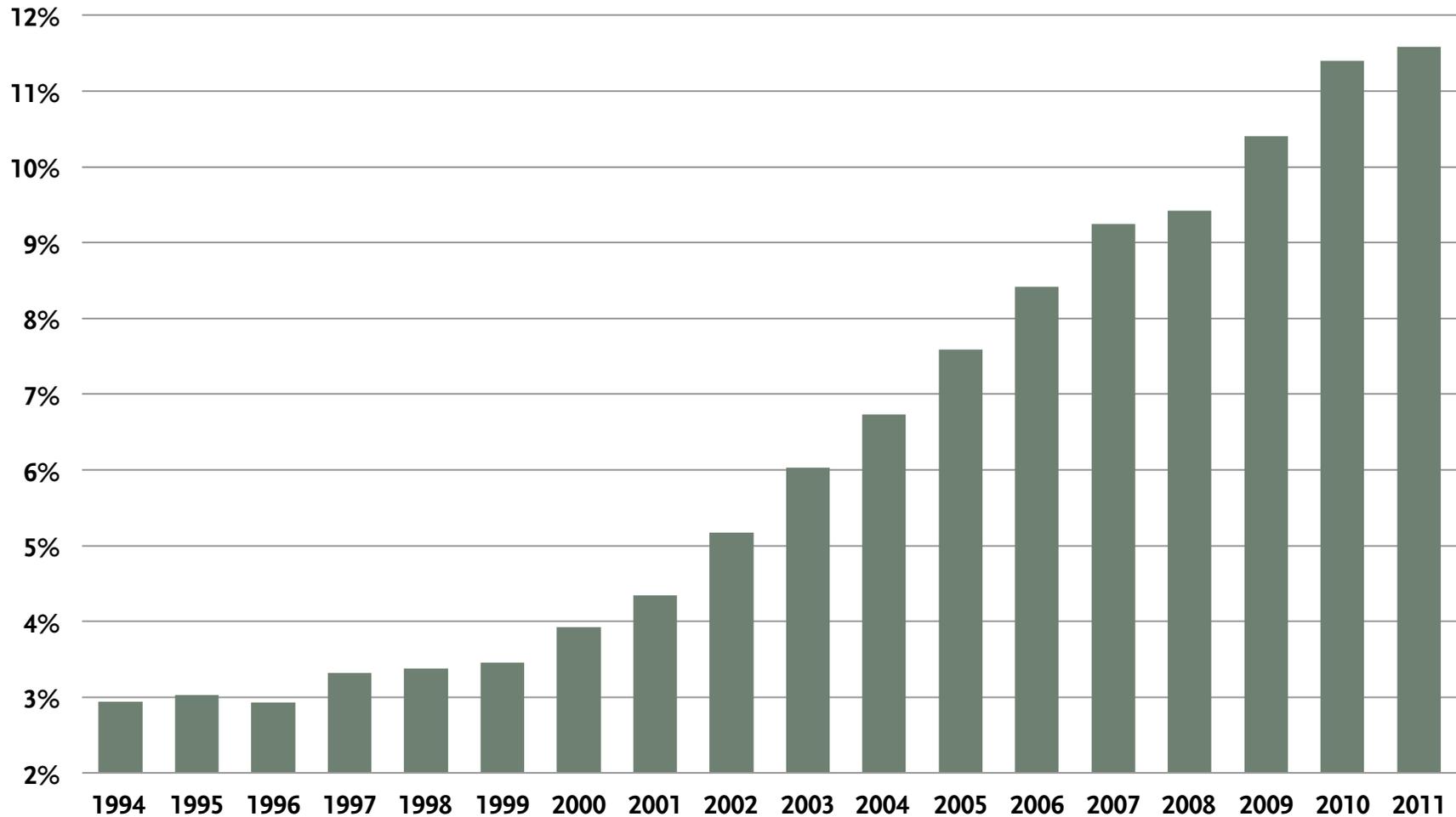


Less Misaligned, but RMB Still Has Room To Appreciate

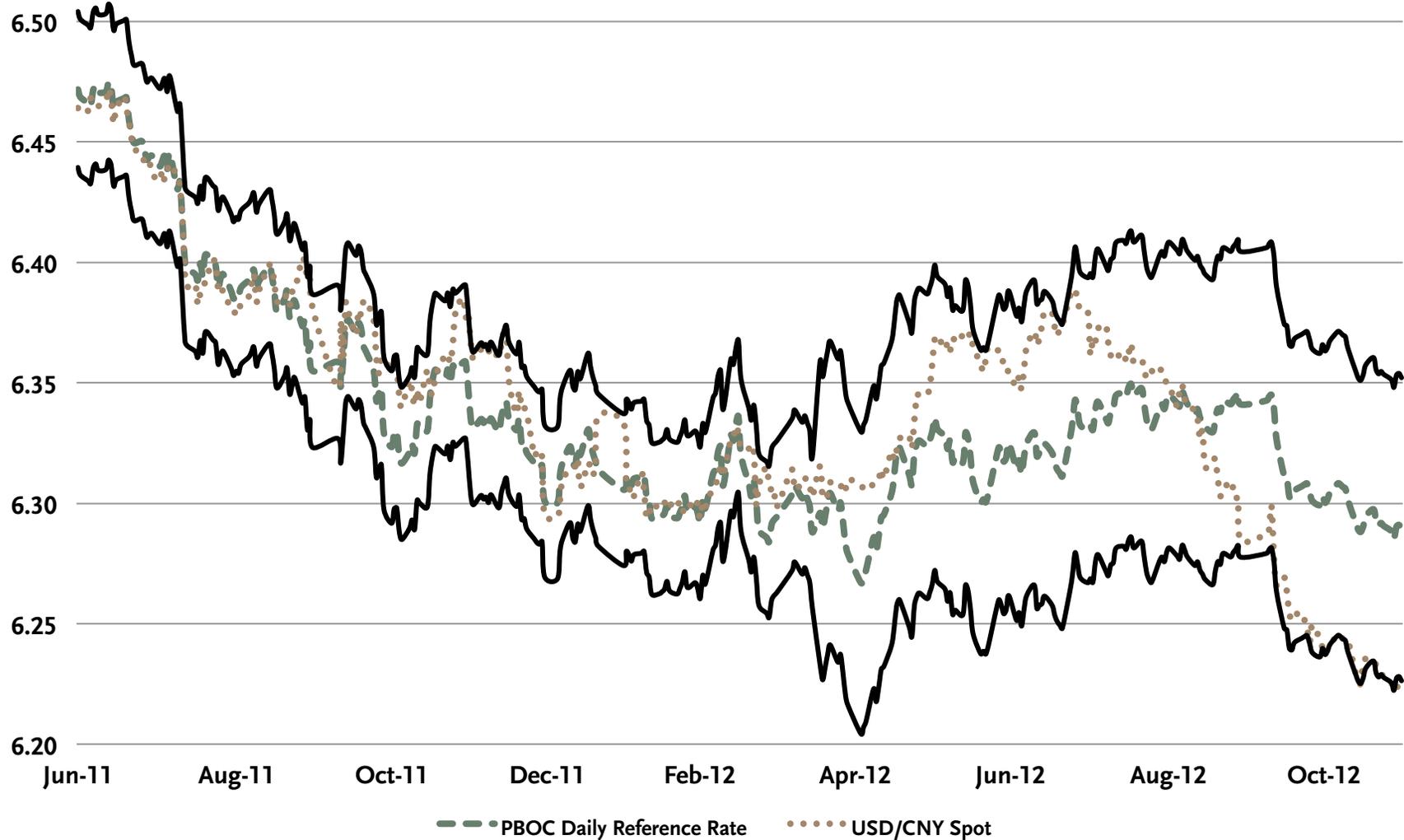


While Low Wage Assemblers Moving Offshore Chinese Competitiveness Still Strong

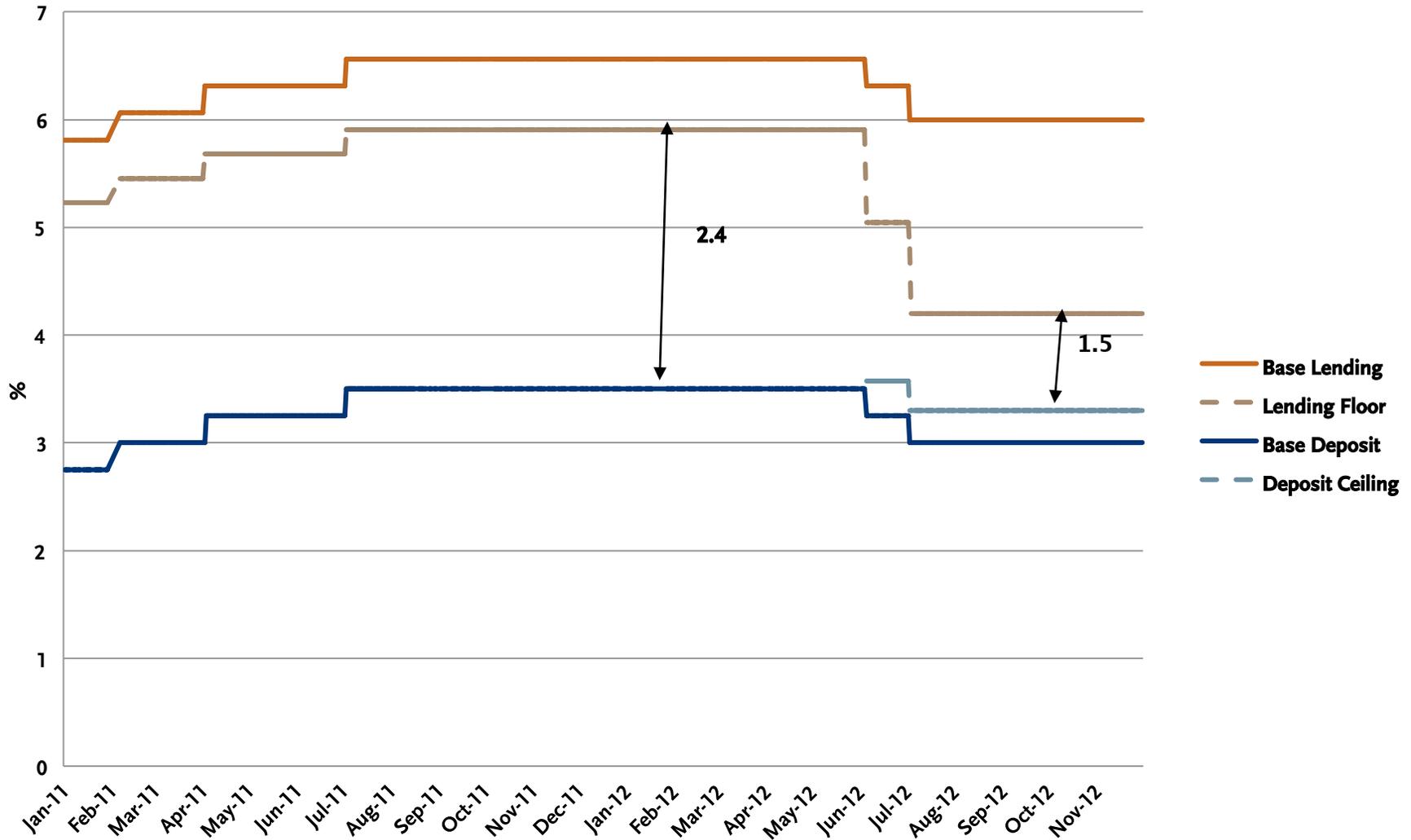
Chinese Merchandise Exports Market Share of Global Imports (ex-China)



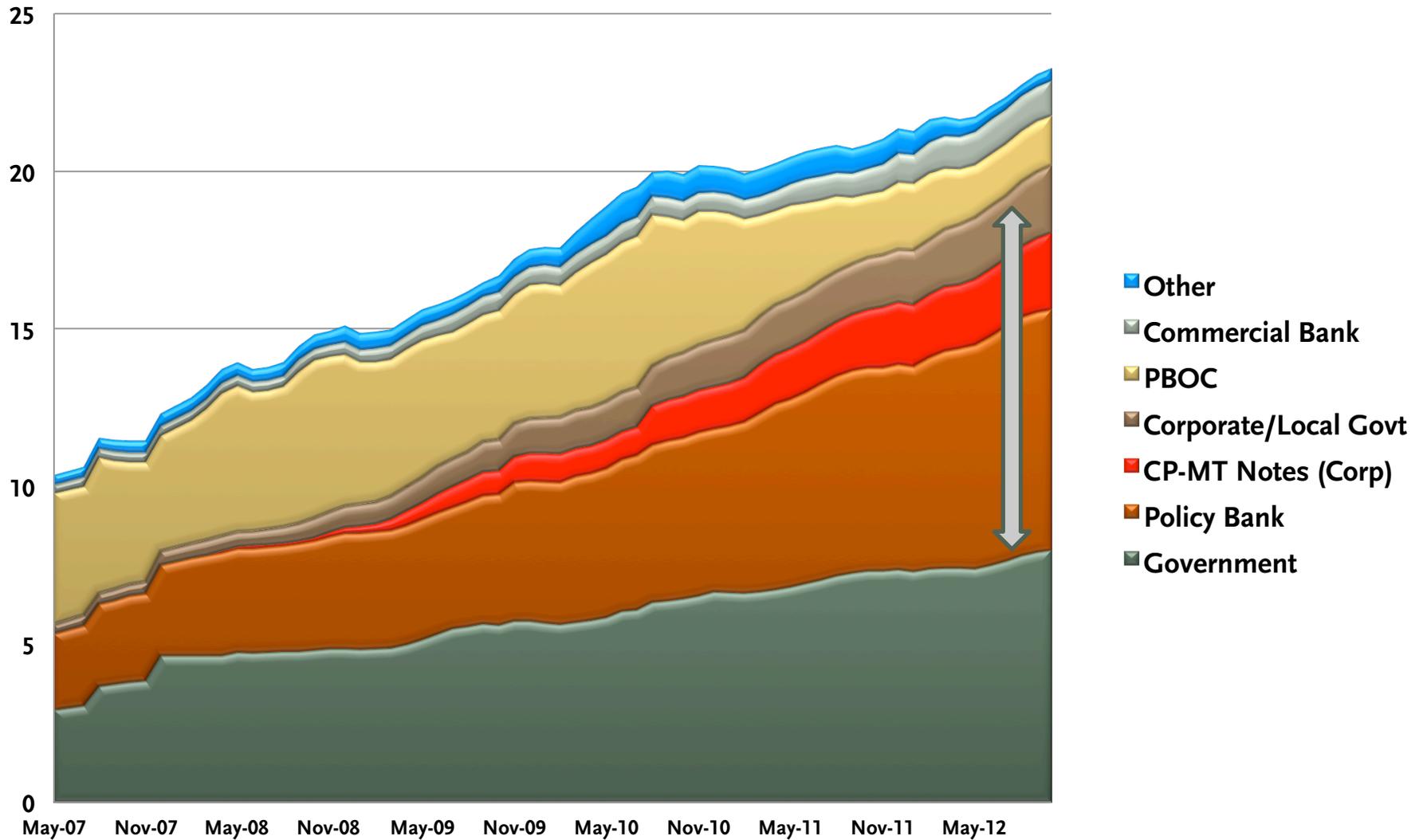
RMB Appreciation Expectations Have Resumed

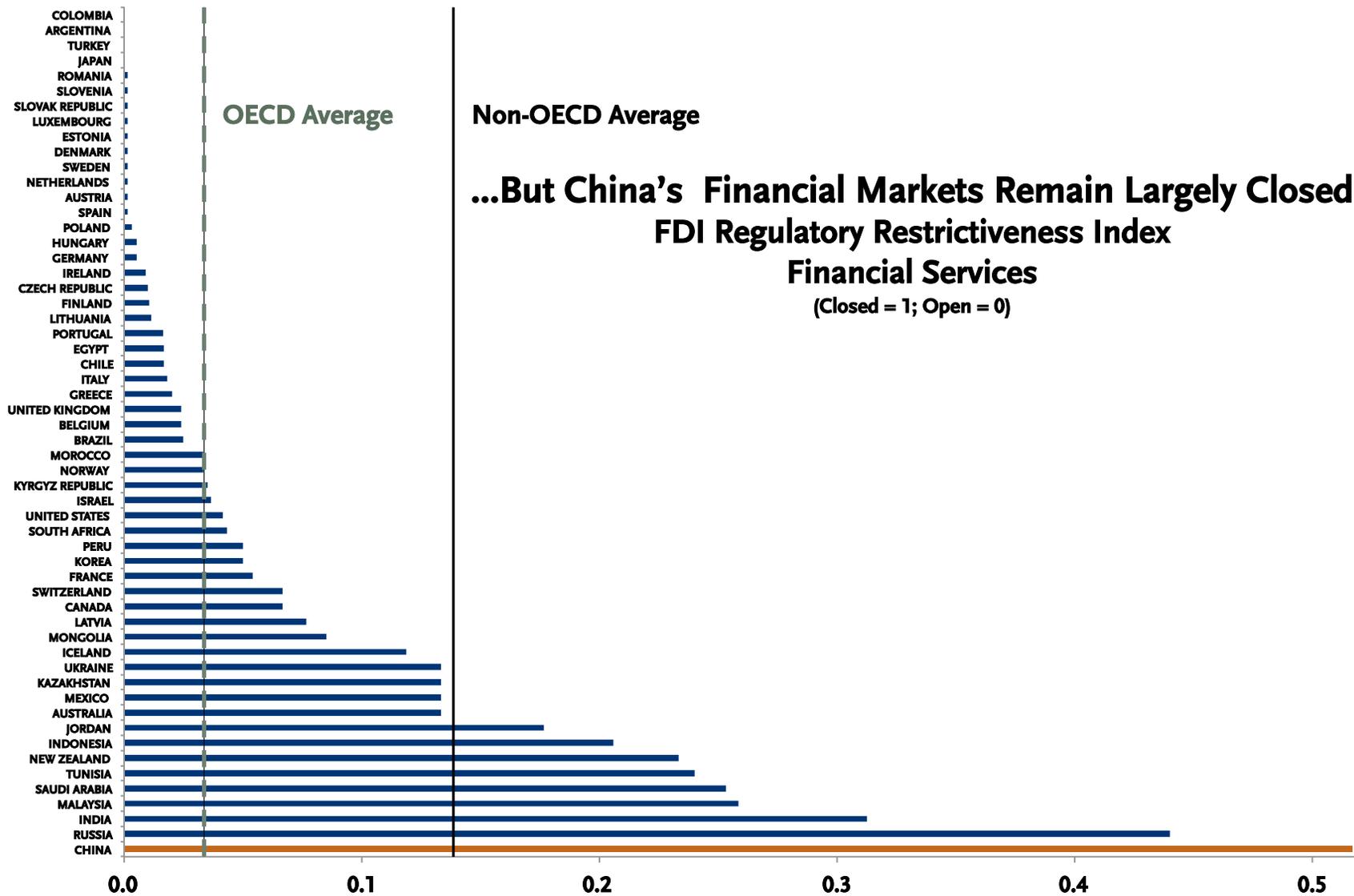


Cutting Guaranteed Lending Should Spur SME Lending and Bond Market Financing

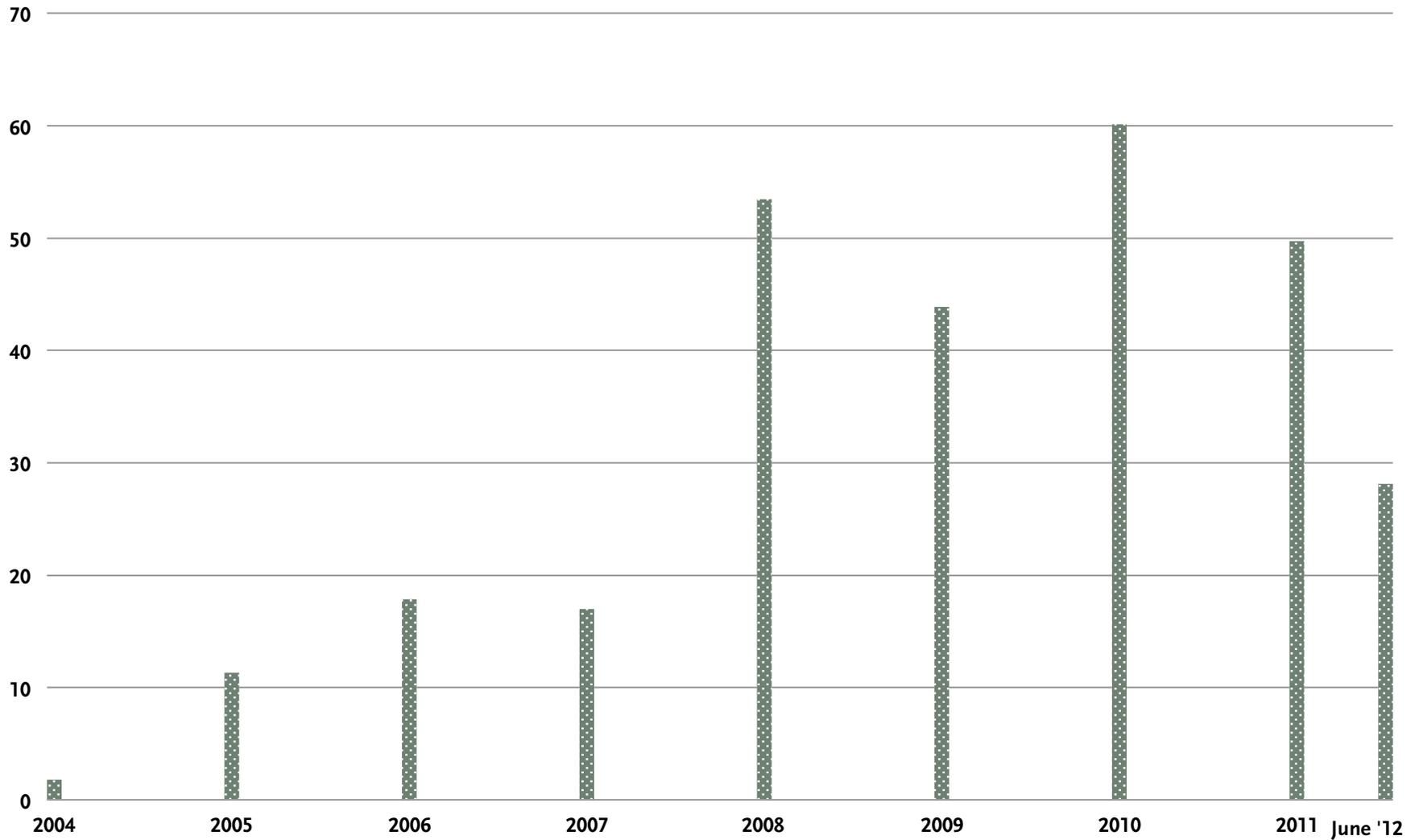


Large Increase in Bond Issuance by Corporates, Policy Banks, Local Govts RMB Trillions





Is U.S. Willing/Able to Attract More Chinese Investment? ODI USD Billions



Biography



- **David joined TCW in June 2012 from the U.S. Treasury Department, where he was Senior Coordinator for China Affairs and the U.S.-China Strategic and Economic Dialogue. While at Treasury, he also served as Minister Counselor for Financial Affairs at the U.S. Embassy in Beijing and Deputy Assistant Secretary for Latin America, Asia, Africa and the Middle East. Mr. Loevinger was previously an economist for the International Monetary Fund and also worked in the office of the IMF's U.S. Executive Director. He started his career in the Office of the U.S. Trade Representative, the Senate Banking Committee, and the U.S. Commerce Department.**
- **He earned a Masters in Public Policy from Harvard University's Kennedy School of Government and a BA in Economics from Dartmouth College.**