



The
China Compass
March 2010

A country in figures



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Foreword

In the same manner that a compass highlights the cardinal points of north, south, east, and west, The China Compass is intended to serve as a navigational instrument for determining China's position and direction in the context of the world's economic landscape. As such, by closely examining China's relevance, importance and progressive integration with the world economy, The China Compass is a knowledge tool by THE BEIJING AXIS China Strategy Group for executives with a China agenda.

The growth of China's economy is without precedent and its rise has been a unique and complex experience – requiring the adoption of a customised and dedicated planning approach. Although many MNCs are already active in China, access to reliable information and channels of strategic knowledge are not always easy to come by and are, more often than not, the product of a long-term investment in research, analysis and strategic thinking. It is against this background that this publication aims to make a modest contribution as a desk reference.

In this March 2010 edition, we provide the latest macroeconomic data available for a wide range of indicators, for China as well as for other major world economies, and include a new section, 'What's New: China From Rebound to Recovery'. China has recovered from the financial crisis-induced slowdown in better shape than ever, with solid prospects for 2010. With the stimulus of government investment, China's economy left the financial crisis behind, attaining 8.7% GDP growth in 2009. Now poised to become the world's second-biggest economy, China is readying itself for the challenges of 2010 and the next stage of its relentless rise.

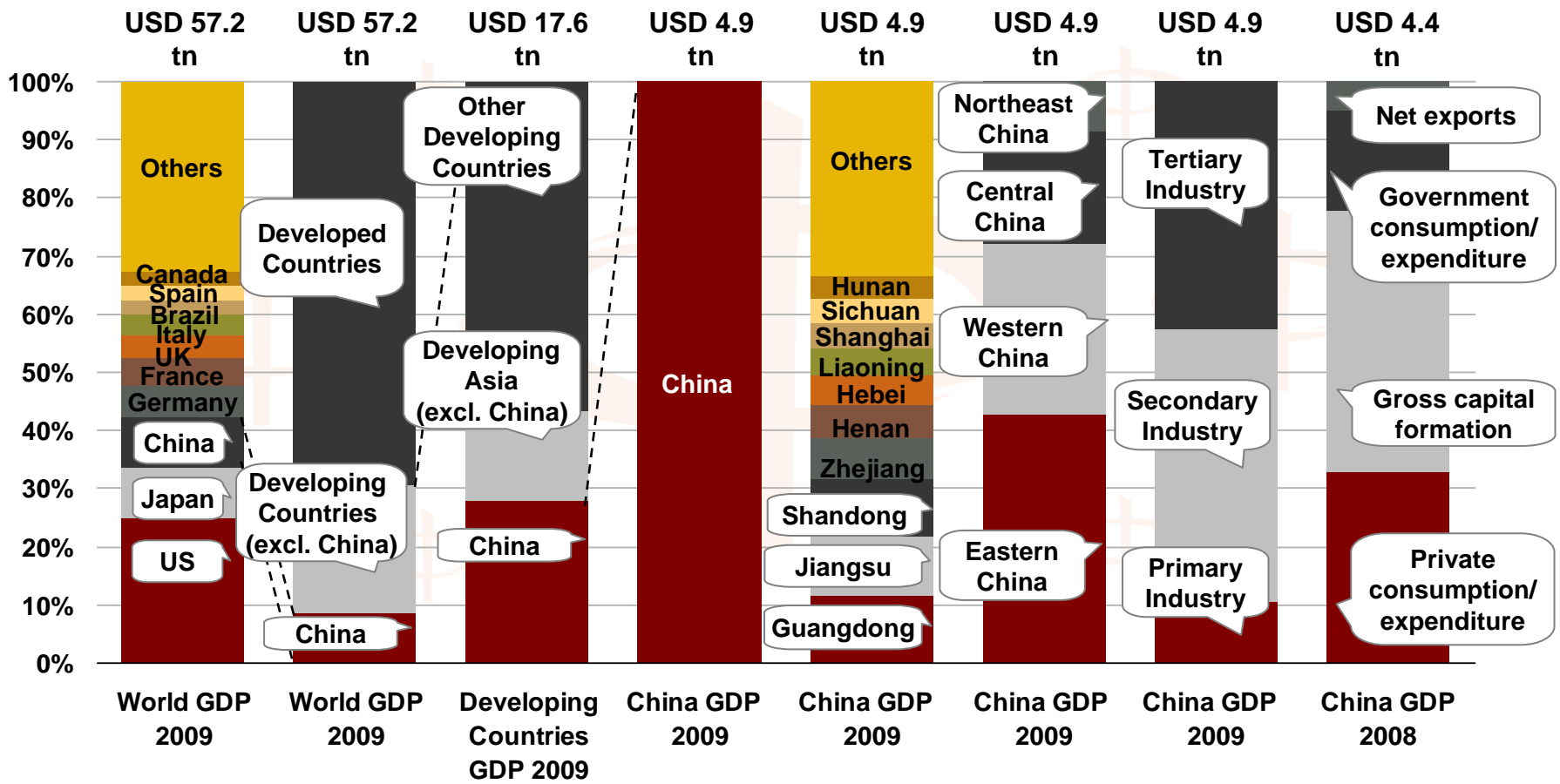
We trust that this edition of The China Compass will be useful for those that are in the midst of planning, and that it will shed light on the past development and future prospects of a uniquely Chinese story of human development.

As always, we welcome all feedback.

Kobus van der Wath
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A HIGH LEVEL OVERVIEW OF CHINA'S ECONOMIC FUNDAMENTALS AND CURRENT GLOBAL POSITION



Note: World macroeconomic data for the world totals are IMF forecasts, while the data for China are actualised figures; the far right column is from 2008 for comparison purposes
 Source: IMF World Economic Outlook - October 2009; China Statistical Yearbook; THE BEIJING AXIS Analysis



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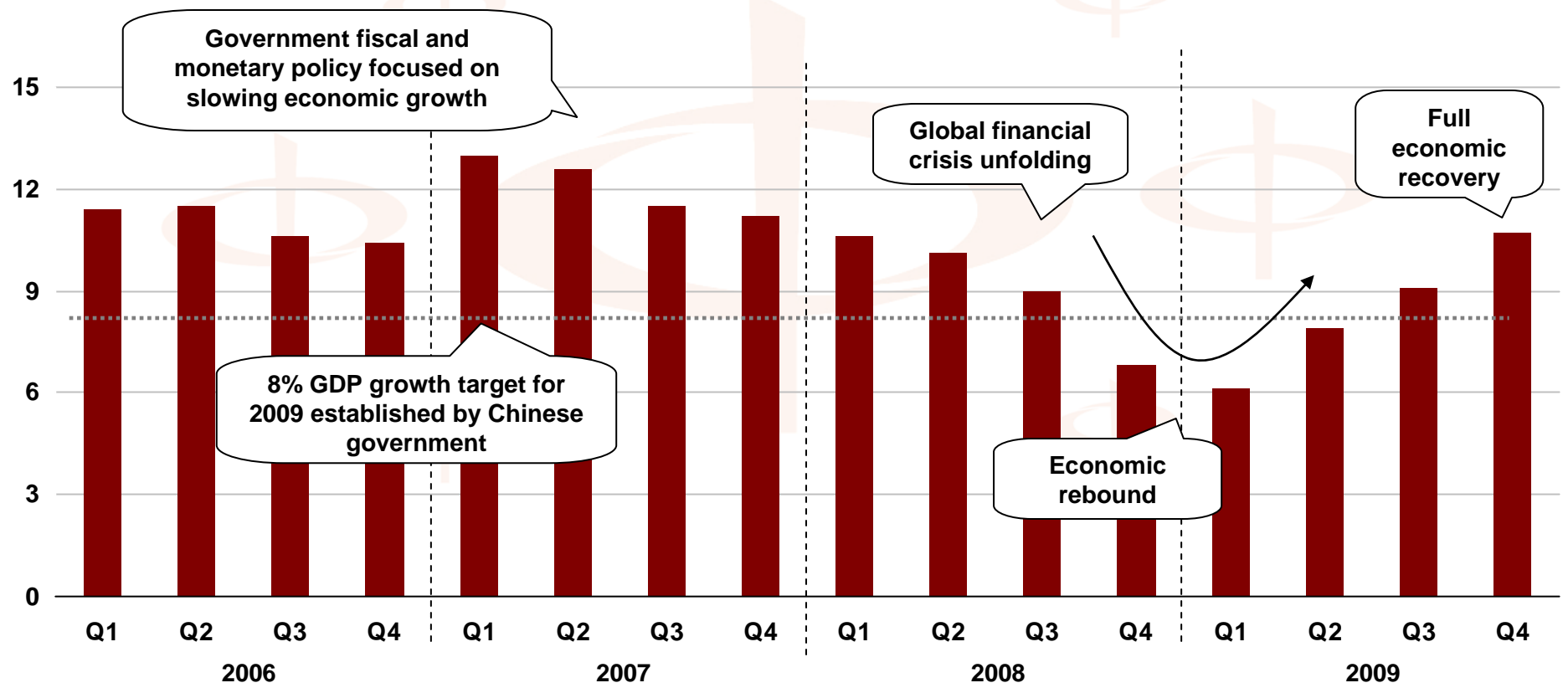




CHINA'S ECONOMY HAS MOVED FROM REBOUND TO RECOVERY

In 2009, China's economy grew 8.7% y-o-y;
 Q4 growth of 10.7% surpassed even optimistic expectations

China Quarterly GDP Growth Rate (% , 2006-Q4 2009)

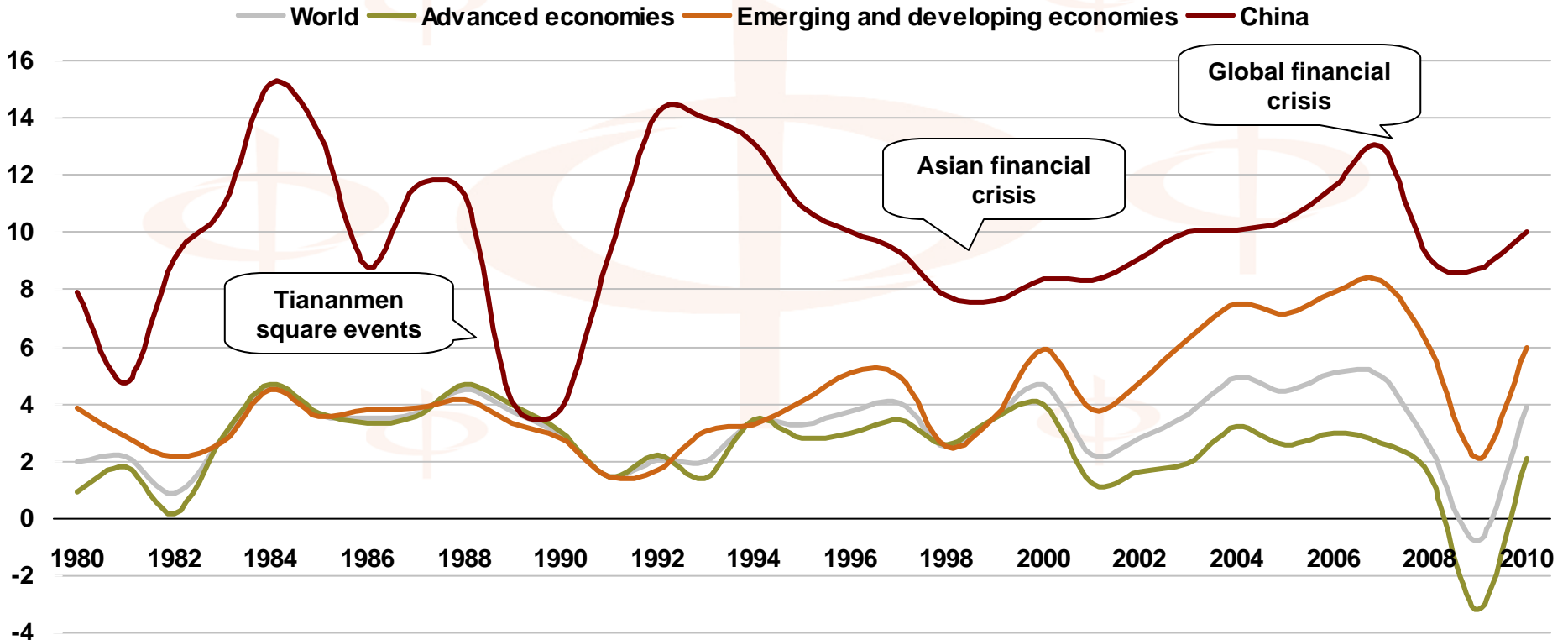




CHINA IS SET TO CONTINUE TO OUTPERFORM OTHER DEVELOPING AND DEVELOPED ECONOMIES

China has outpaced the rest of the world in its recovery from the economic crisis

World GDP growth (% y-o-y, 1990-2010F)



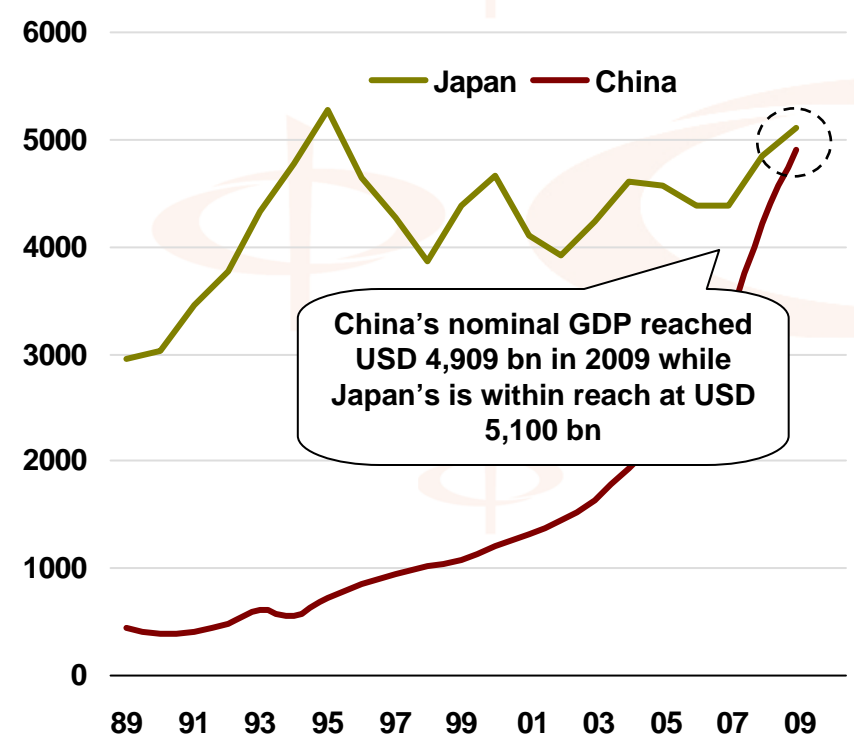


CHINA IS NOW ON TRACK TO REPLACE JAPAN AS THE WORLD'S SECOND-LARGEST ECONOMY

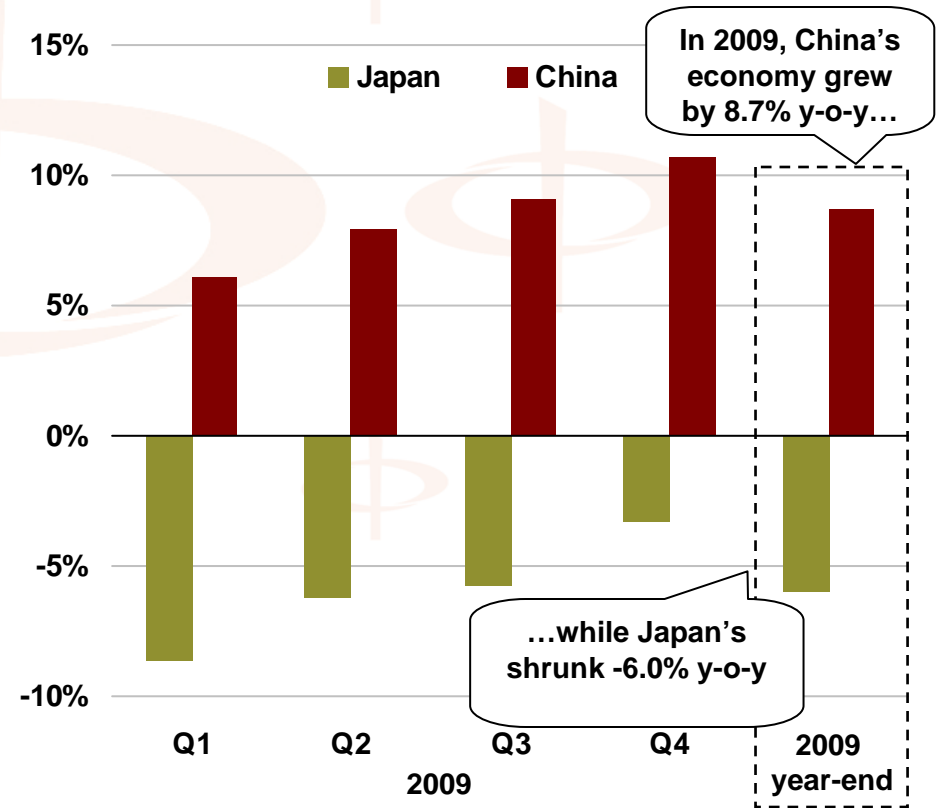
While Japan is recovering from the worst recession since the end of the second world war, China is expanding rapidly



Nominal GDP Japan and China (USD bn, 2000-2009)



Quarterly and Annual GDP Growth: Japan and China (% , Q1-Q4 2009, 2009 year-end)



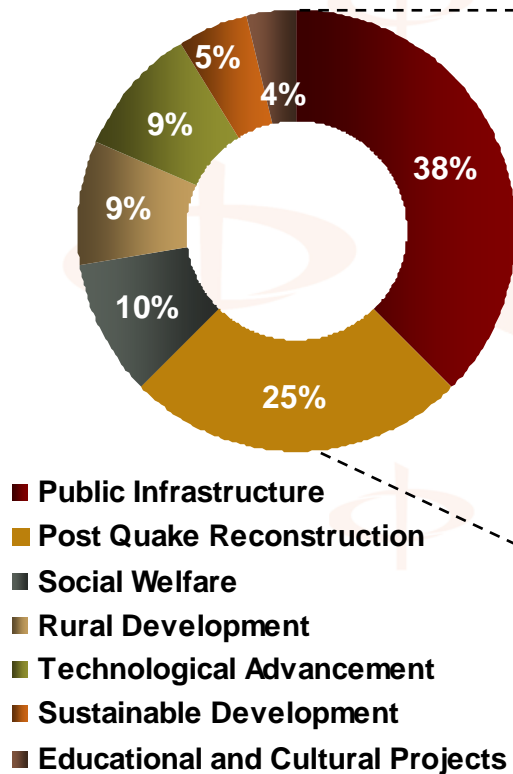
Source: IMF; Japan SNA; World Bank; THE BEIJING AXIS Analysis
 Note: Japan's GDP, officially reported in Yen, decreased throughout 2009 as shown in the chart on the right. However, conversion to nominal US Dollars shows an overall increase for the time period due to the Yen's appreciation relative to the US Dollar.



ONE OF THE MAJOR FACTORS FOR THIS ACHIEVEMENT IS CHINA'S SUCCESSFUL RMB 4 TRILLION STIMULUS PACKAGE

Over 50% of the stimulus package was aimed at infrastructure projects which supported employment and final demand through the crisis

Breakdown of China's Stimulus Package



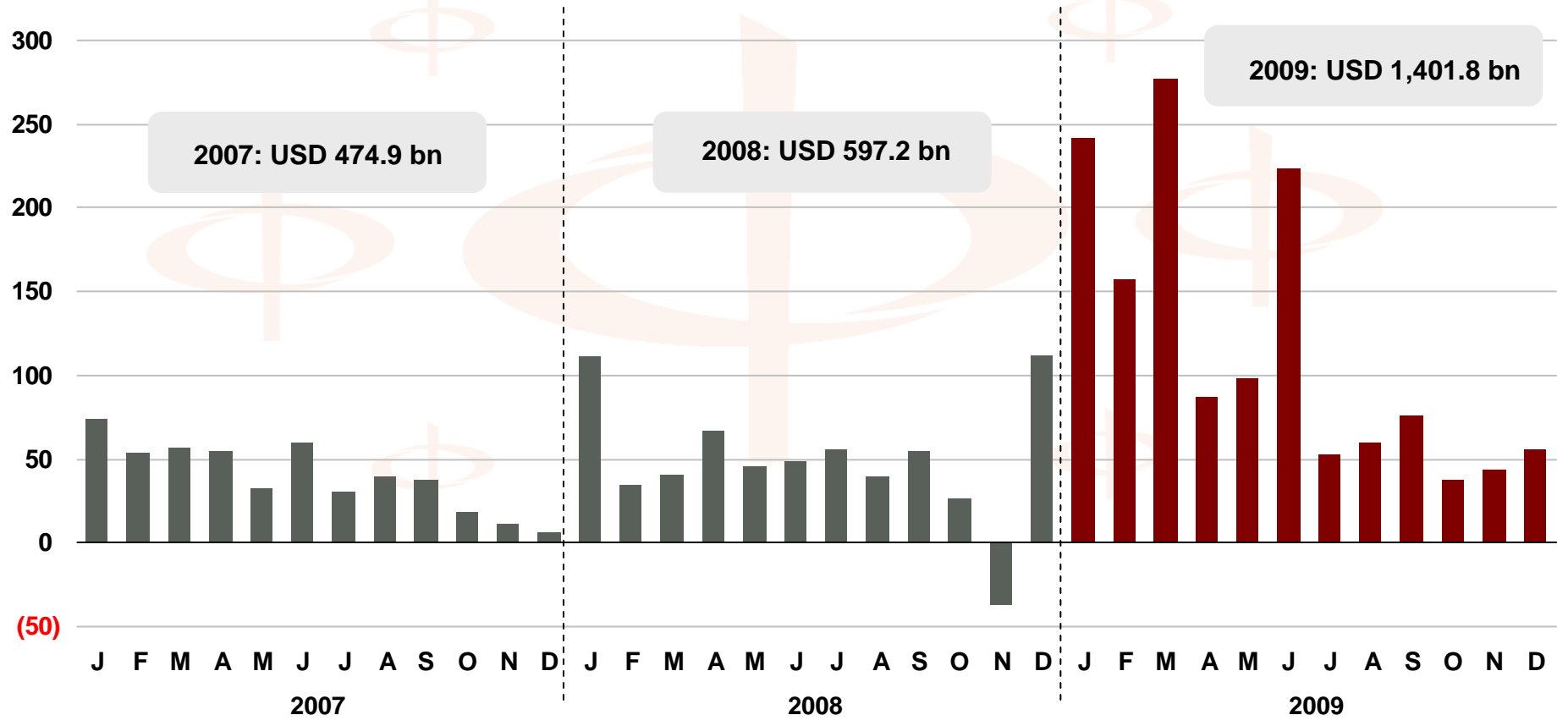
COMPOSITION OF RMB 4 TRILLION FISCAL STIMULUS PACKAGE	
SECTOR	AMOUNT ALLOCATED RMB bn
Public Infrastructure	1,500
Post Quake Reconstruction	1,000
Social Welfare	400
Rural Development	370
Technology Advancement	370
Sustainable Development	210
Educational and Cultural Projects	150
TOTAL	4,000



LOOSE MONETARY AND FISCAL POLICIES BOLSTERED CHINA'S ECONOMIC STANCE IN 2009

During 2009, China's new loans reached USD 1.4 trillion, a 135% increase over 2008

Monthly Totals of New RMB Loans (USD bn, 2007-2009)

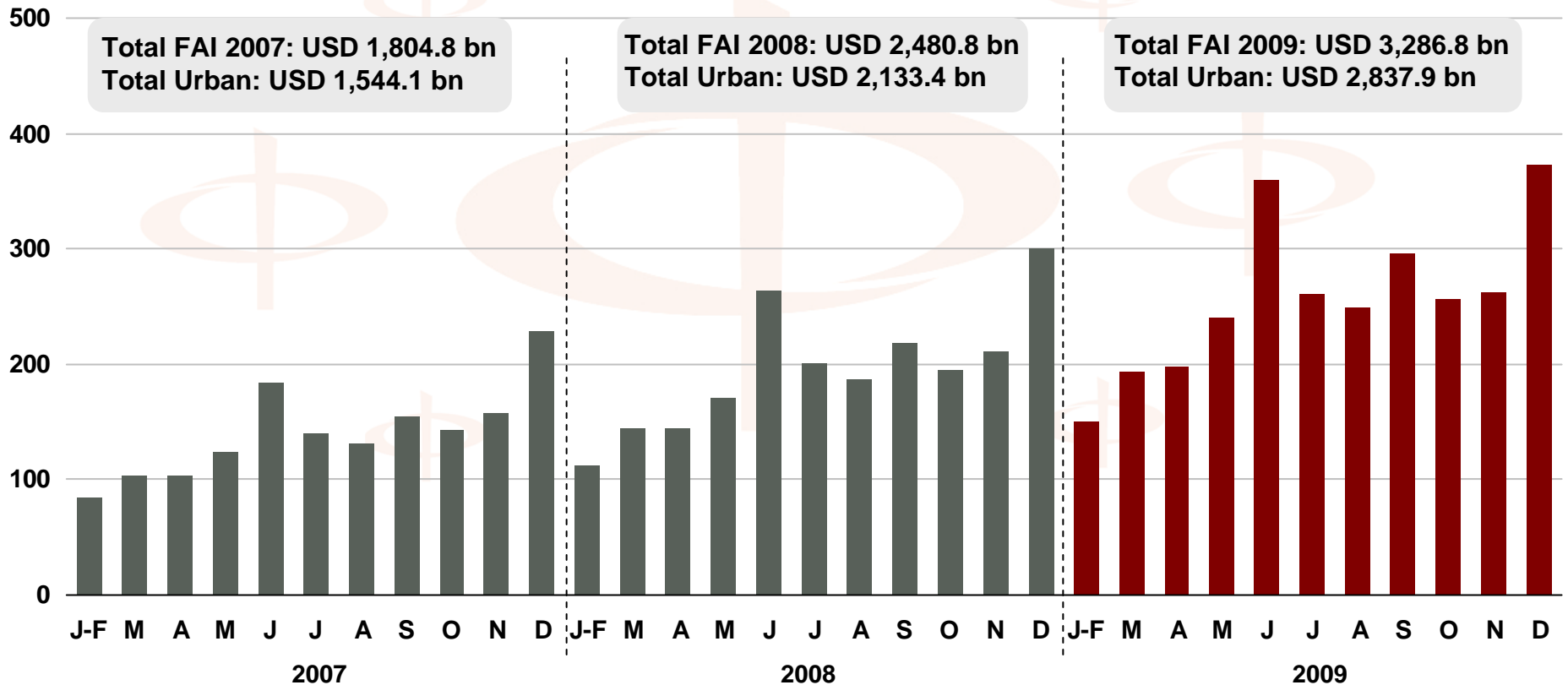




FIXED ASSET INVESTMENT EXPERIENCED RAPID GROWTH AS A DIRECT RESULT OF THE STIMULUS PACKAGE

During 2009, total fixed asset investment increased by 30.1%
 over 2008 to USD 3,287 billion

Monthly Urban Fixed Asset Investment (USD bn, 2007-2009)

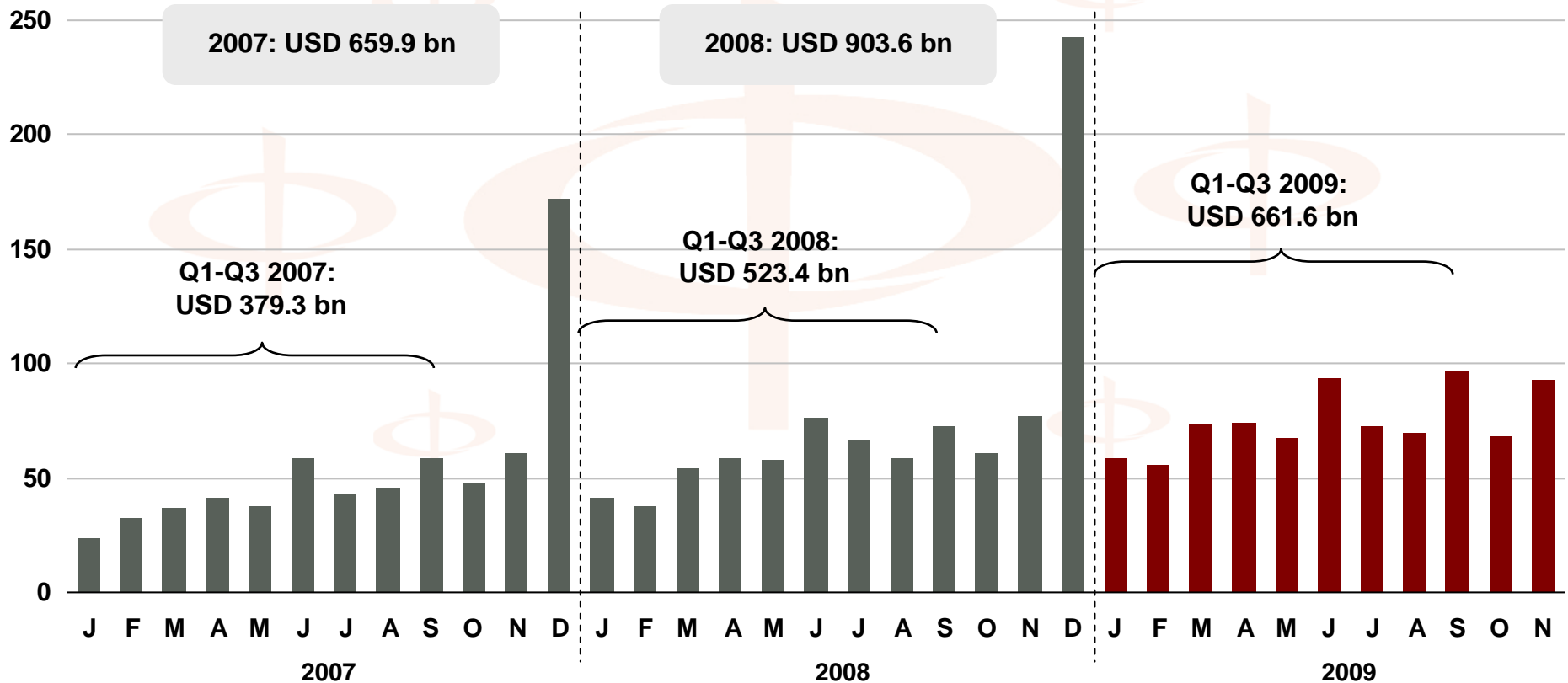




GOVERNMENT EXPENDITURE ALSO PICKED UP TO COINCIDE WITH THE STIMULUS PACKAGE

During Q1-Q3 2009, China's government expenditure increased by 26% over the same period last year to reach a total of USD 661.6 billion

Monthly Government Expenditure (USD bn, 2007-Nov 2009)



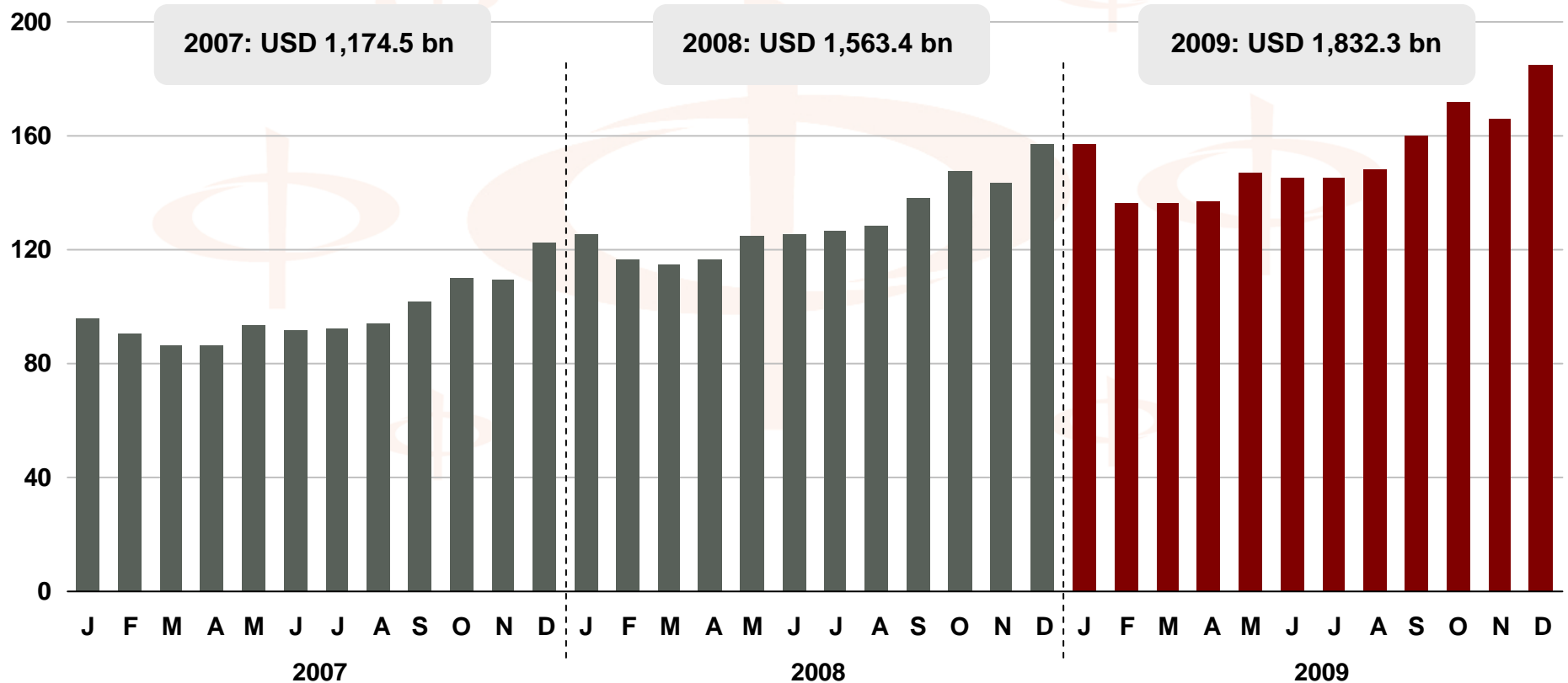


THROUGH THE STIMULUS PACKAGE, THE GOVERNMENT MANAGED TO BOOST DOMESTIC CONSUMPTION

During 2009, China's retail sales increased
 by 15.5% over 2008, reaching a total of USD 1,832 billion



Monthly Retail Sales of Consumer Goods (USD bn, 2007-2009)

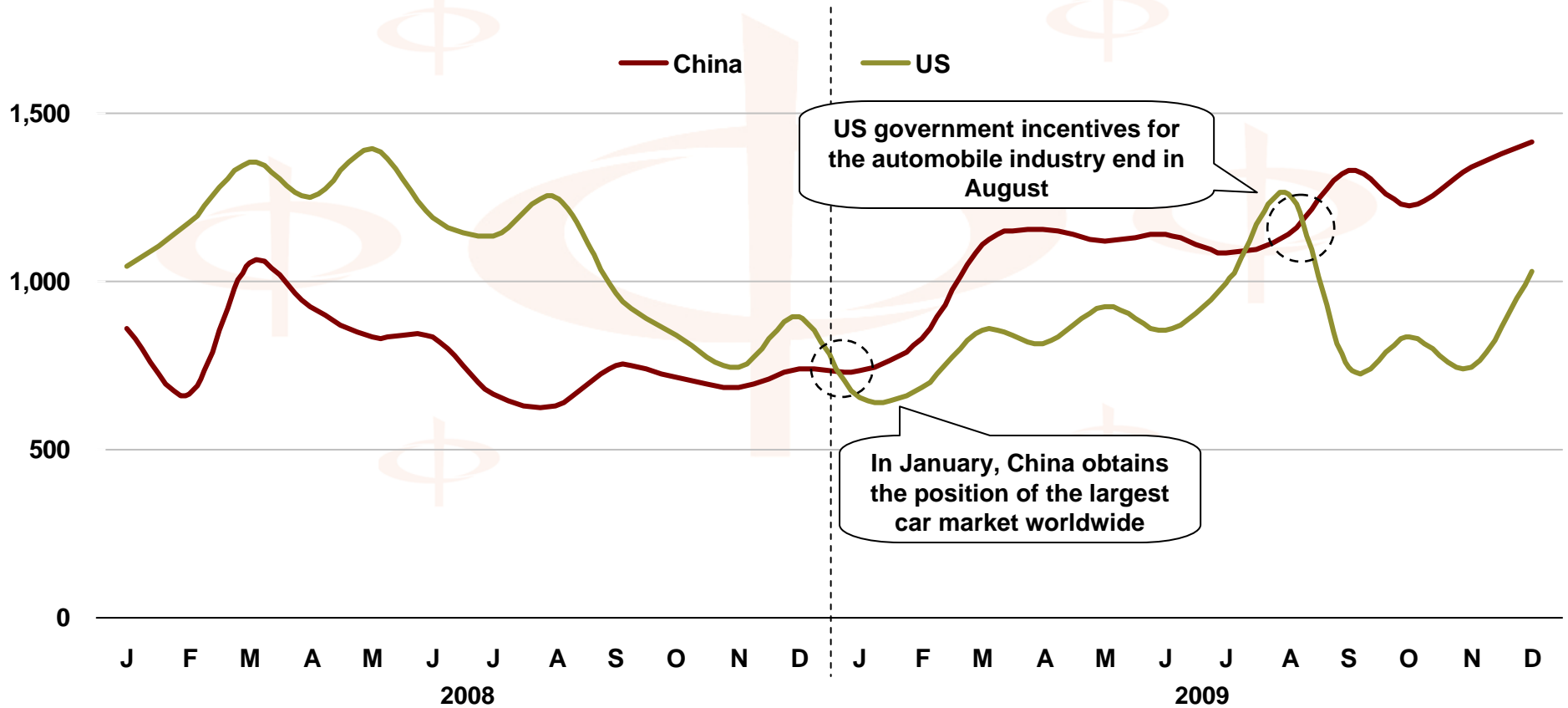




CHINA SURPASSED THE US AS THE WORLD'S LARGEST CAR MARKET IN 2009

Leading car manufacturers enjoyed record monthly sales on the back of government incentives to boost domestic consumption

Monthly Vehicle Sales (1,000 units, 2008-2009)

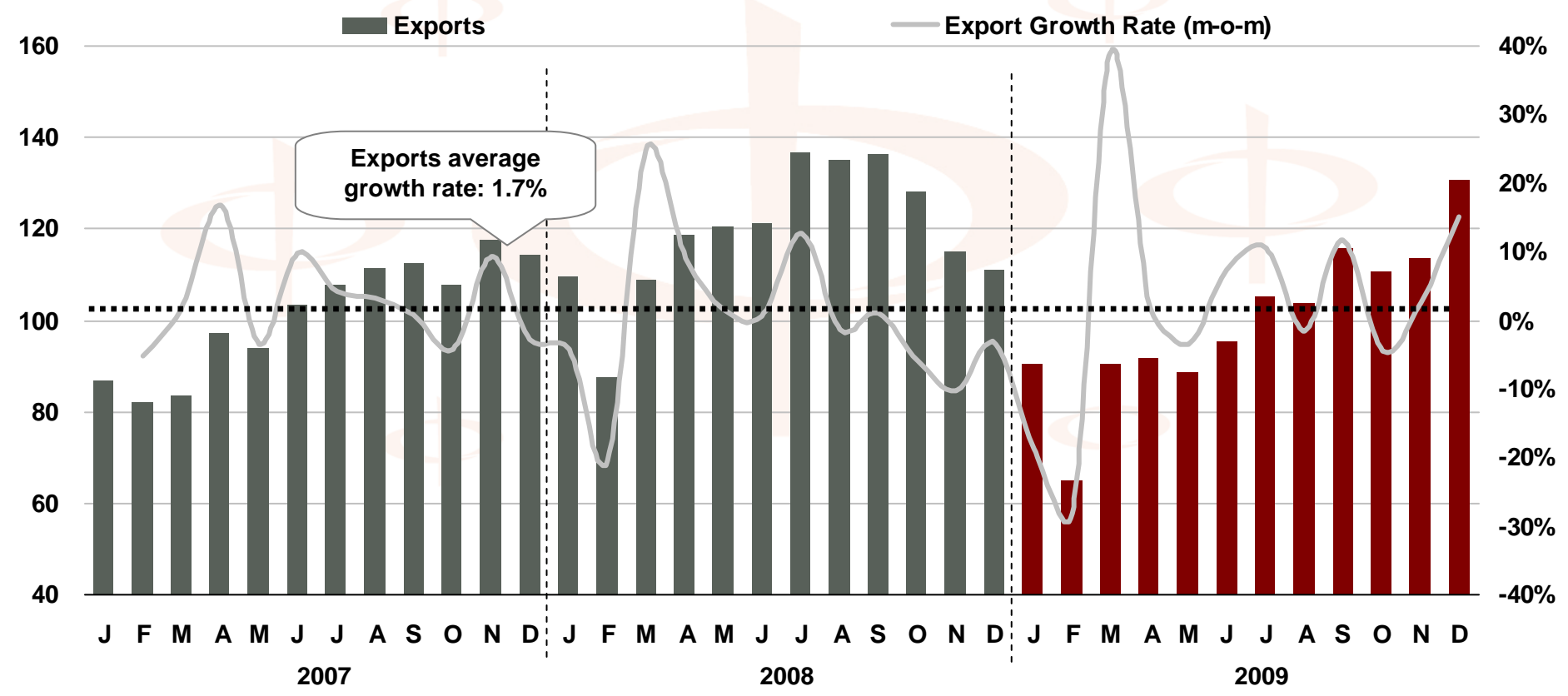




THE DECLINE IN TOTAL EXPORTS CONTINUED TO BE THE MAIN CONSTRAINT TO GROWTH DURING 2009

However, a small revival in exports occurred towards the end of 2009, elevating China's total for the year to USD 1,201.7 billion, still 16% less than in 2008

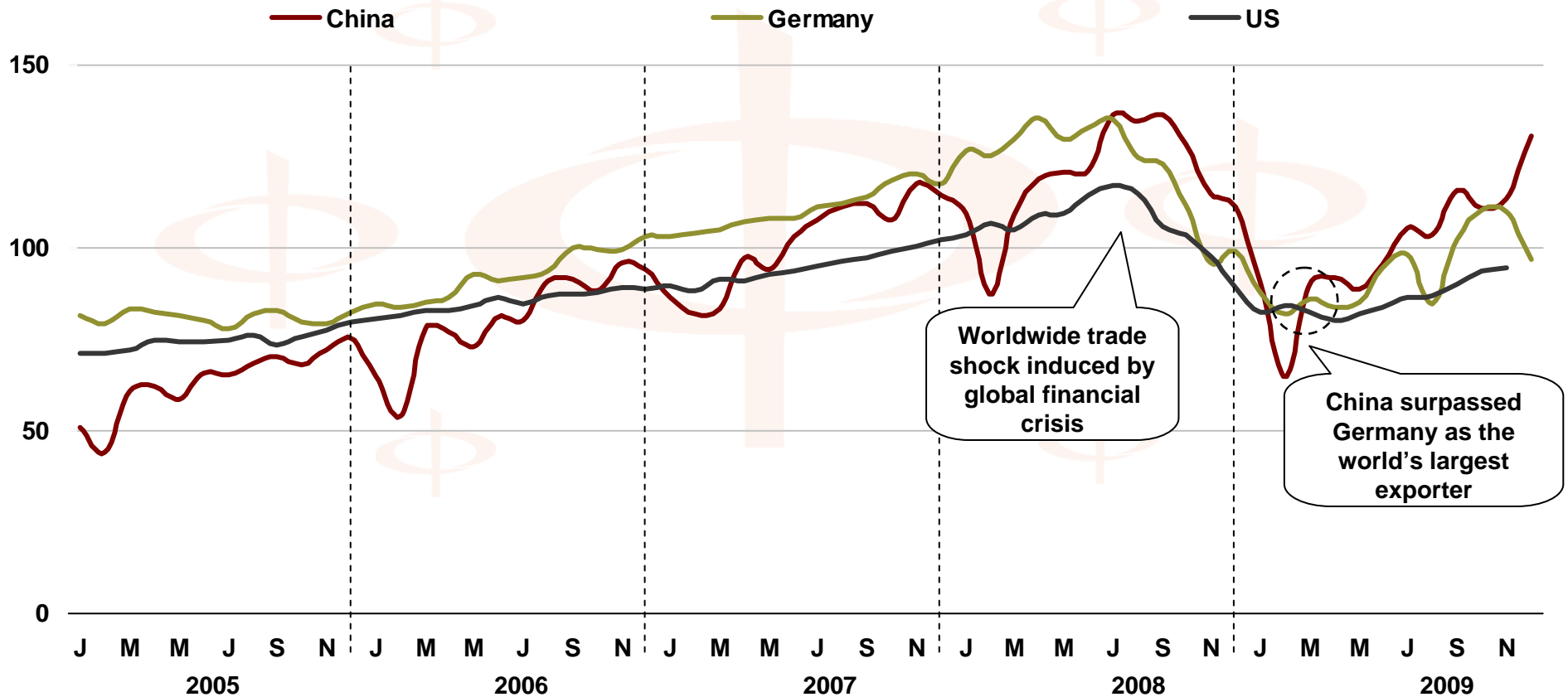
Monthly Exports (USD bn, 2007-2009)



CHINA, DESPITE LOWER EXPORTS, HAS SURPASSED GERMANY AS THE WORLD LARGEST EXPORTER IN 2009

Chinese exports amounted to USD 1,201.7 bn from January to December of 2009, while Germany lagged behind with USD 1,121.9 bn for the same period

Goods Exports, Monthly (USD bn, 2005-Nov 2009)

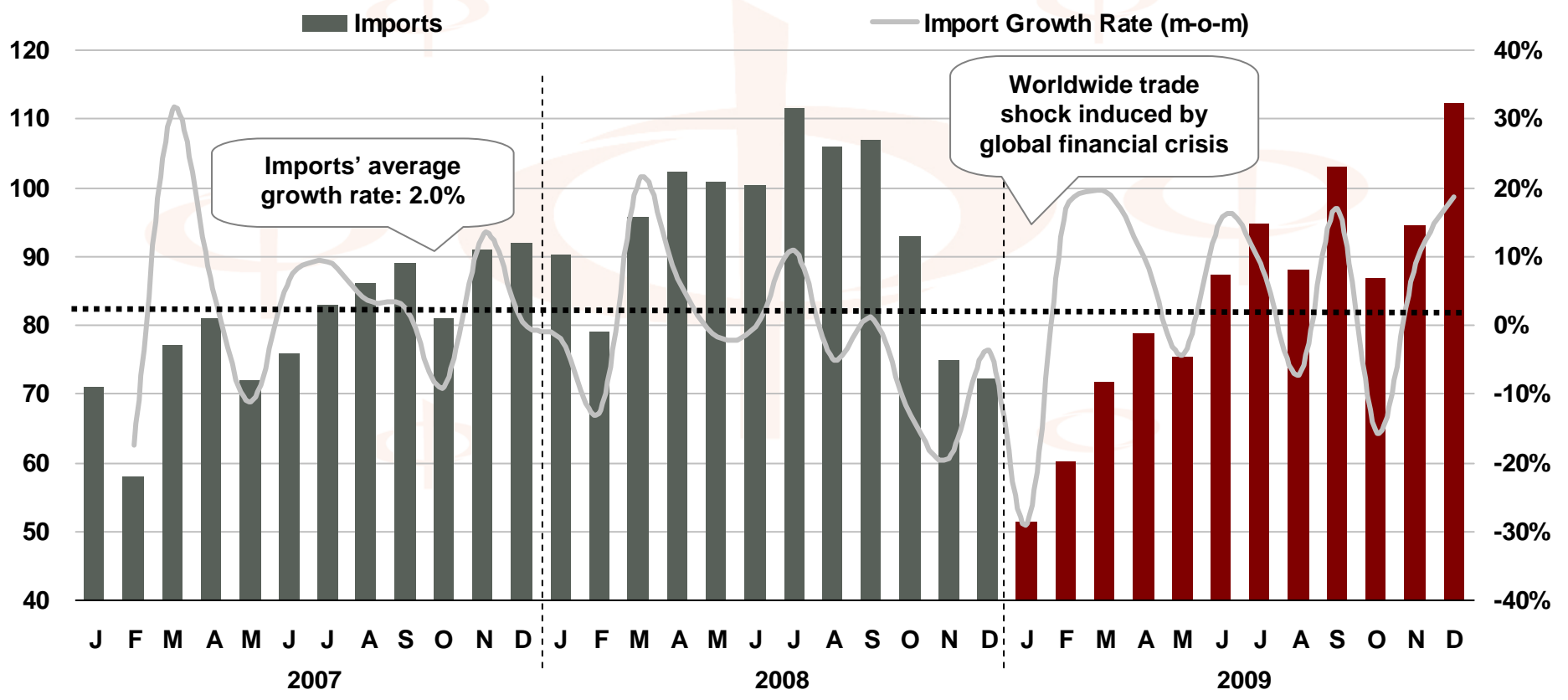




CHINA'S IMPORTS ALSO DECLINED IN 2009

During 2009, China's total imports reached USD 1,005.6 billion, 11.2% lower than the previous year

Monthly Imports (USD bn, 2007-2009)

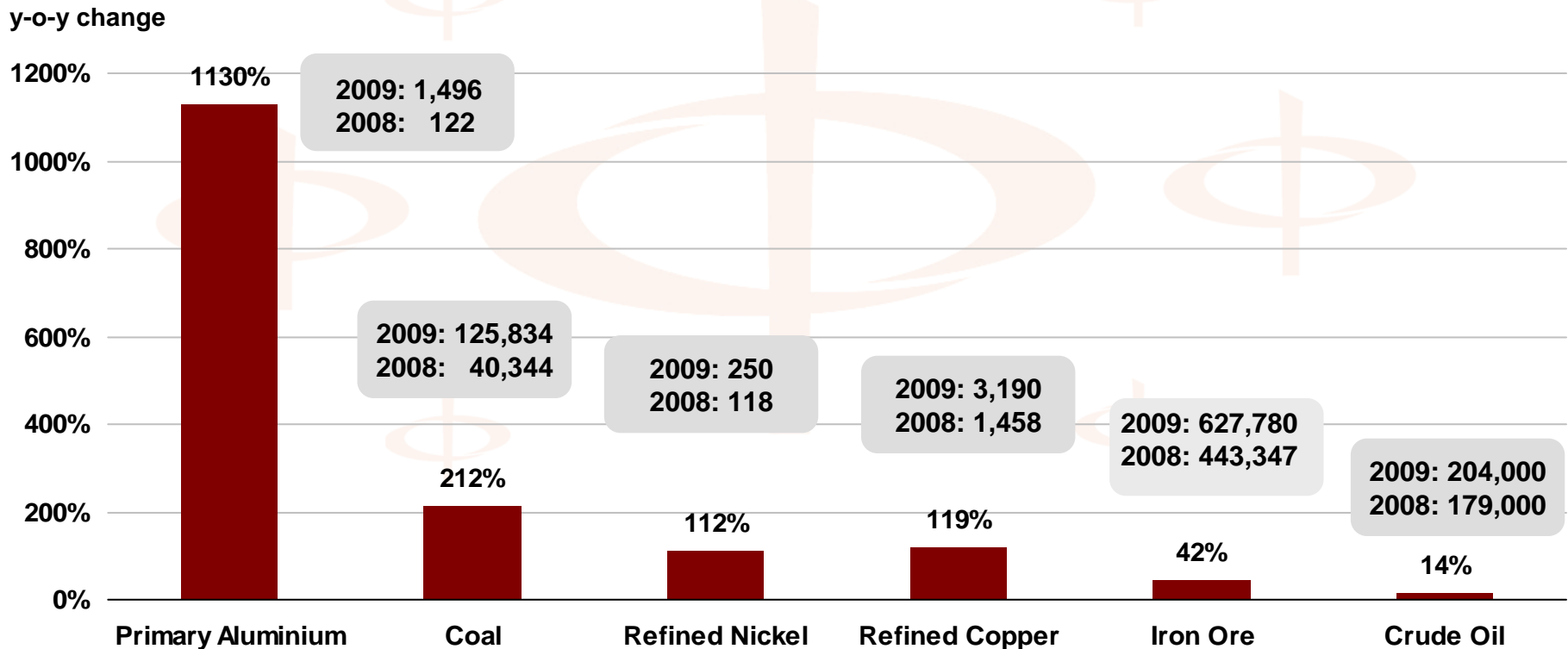




CHINA NEVERTHELESS IMPORTED RECORD AMOUNTS OF CERTAIN COMMODITIES, DRIVING PRICES HIGHER IN 2009

These rising imports have been attributed to their stockpiling of key commodities in order to offset higher future contract prices

Imports Comparison, Selected Commodities ('000 tons, 2008 and 2009)

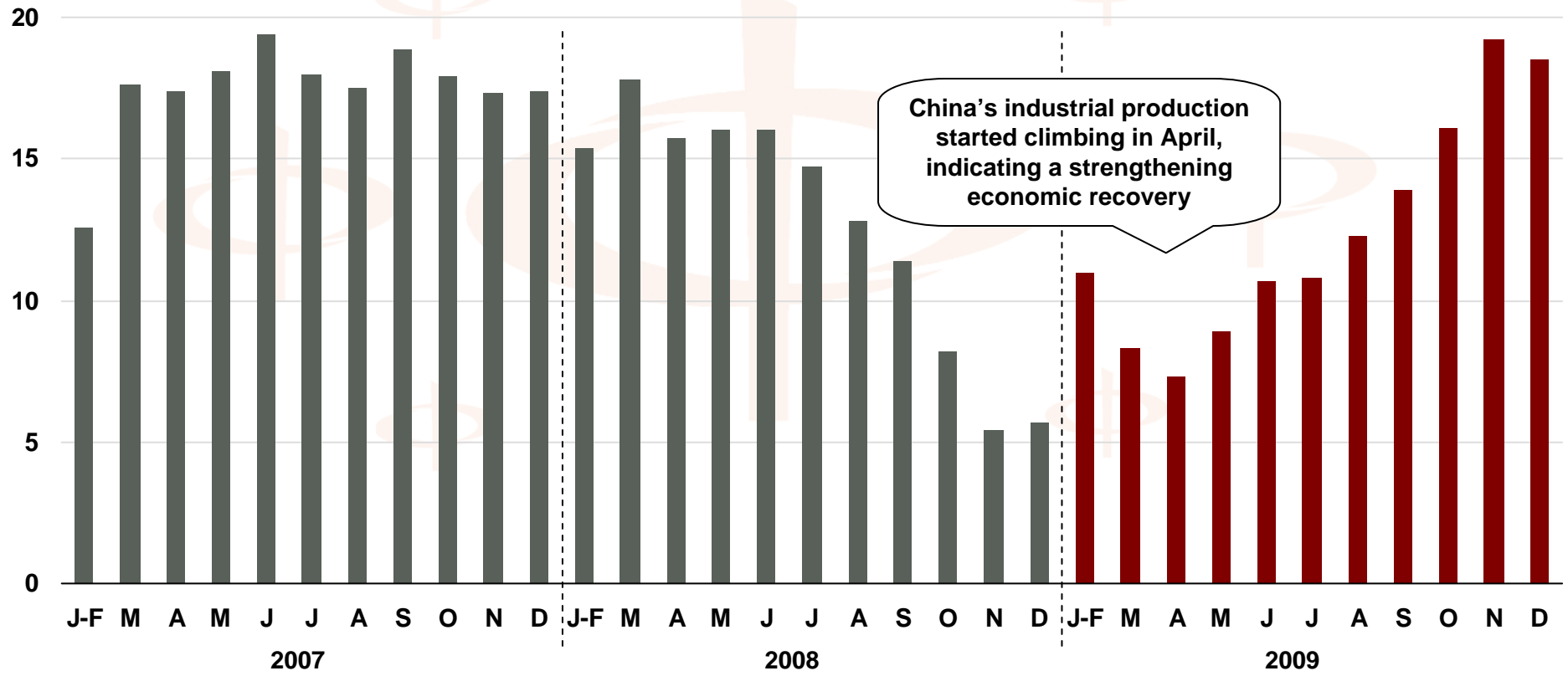




CHINA'S INDUSTRIAL PRODUCTION CONTINUED TO RECOVER DURING MID-2009, DRIVEN BY DOMESTIC DEMAND

China's industry value added rose 11% from January to December in 2009, but the year's growth rate was still 1.9% lower than 2008

Monthly Industrial Production (% y-o-y, 2007-2009)



China's industrial production started climbing in April, indicating a strengthening economic recovery

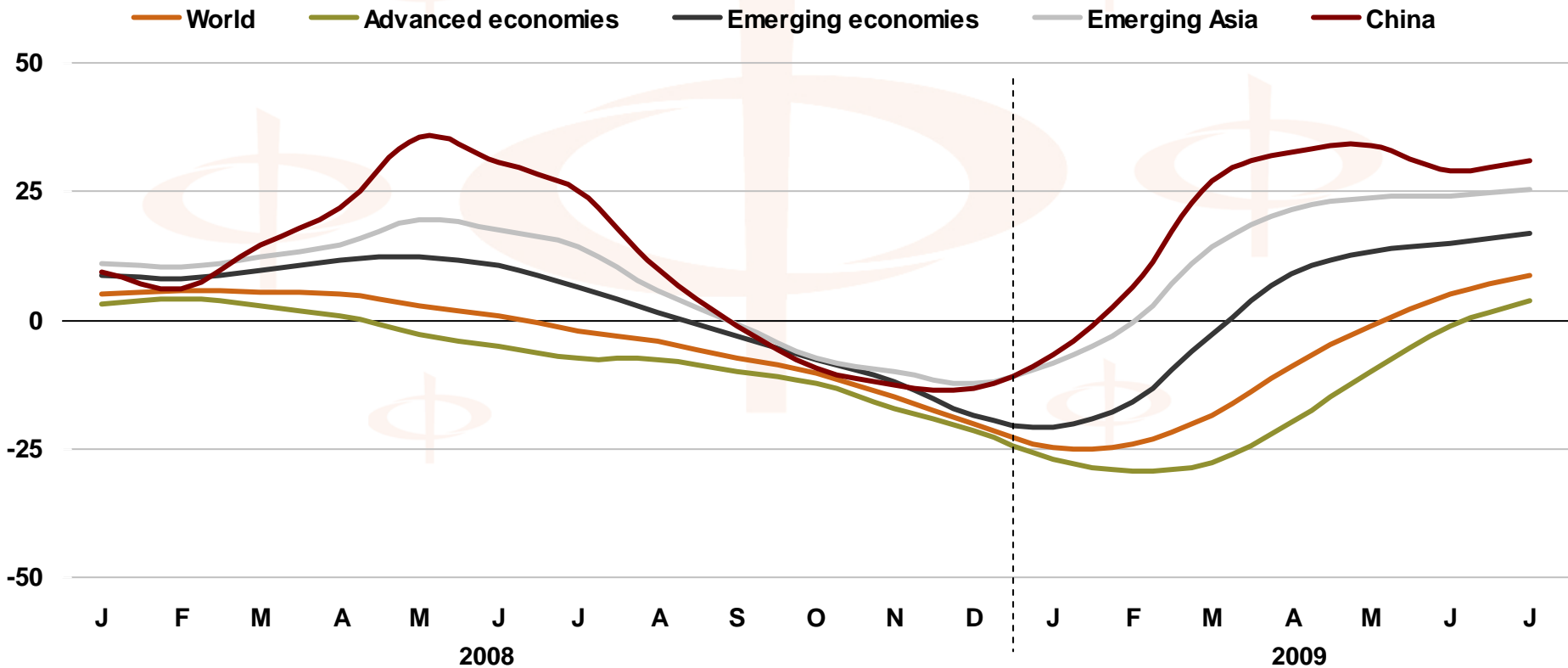
Note: National Bureau of Statistics does not publish industrial production information for the month of January
 Source: National Bureau of Statistics of China; THE BEIJING AXIS Analysis



CHINA'S INDUSTRIAL PRODUCTION RECOVERED BEFORE ADVANCED AND EMERGING ECONOMIES

After five months of decline from September 2008 to January 2009,
 growth resumed in February 2009 at 6.4% y-o-y

Industrial Production* (y-o-y %, 2008-July 2009)



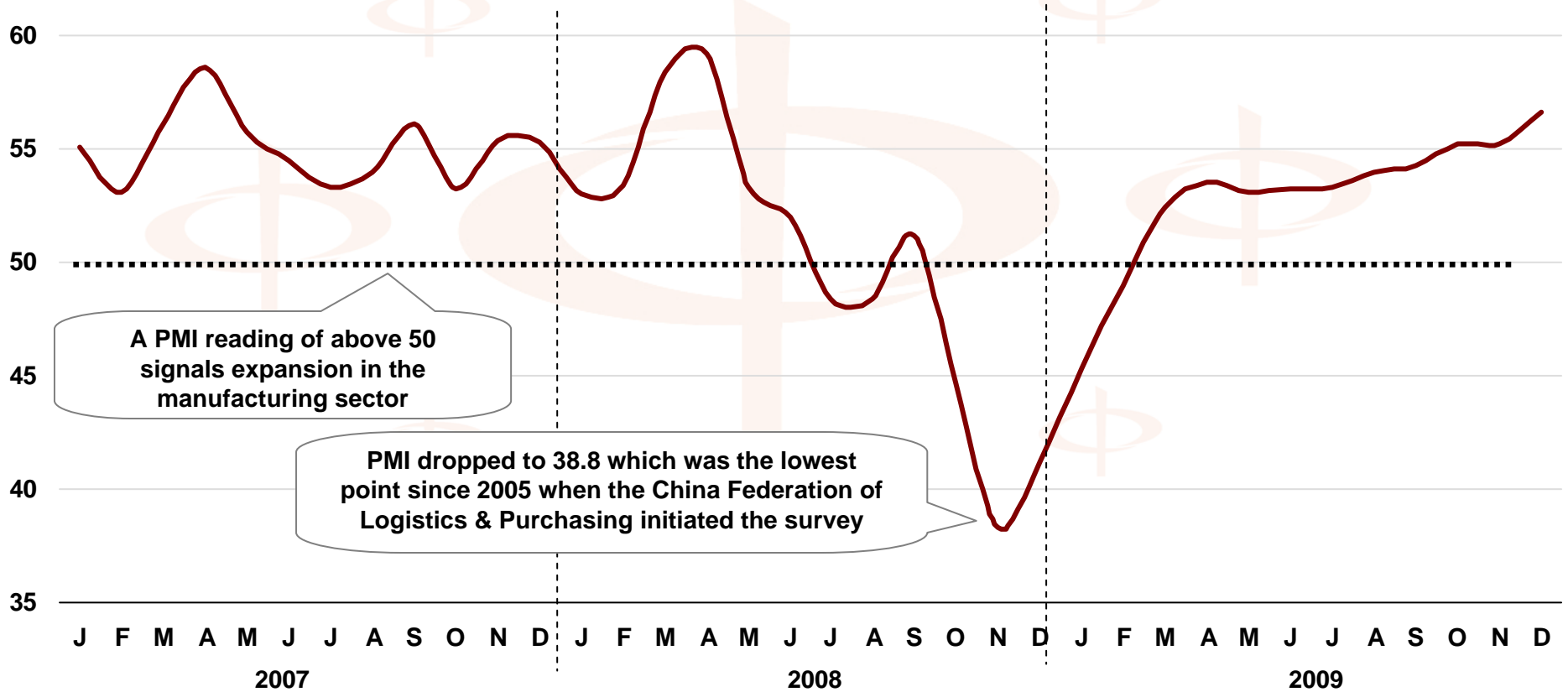
*Note: Annualised three-month percentage change in three-month moving average
 Source: IMF; THE BEIJING AXIS Analysis



THE RISE OF CHINA'S PMI ABOVE THE 50 MARK ALSO SUPPORTED CHINA'S ECONOMIC RECOVERY DURING 2009

In December 2009, China's PMI reached 56.6, signaling an expansion in the manufacturing sector and in the overall economy

Purchasing Managers Index (2007-2009)

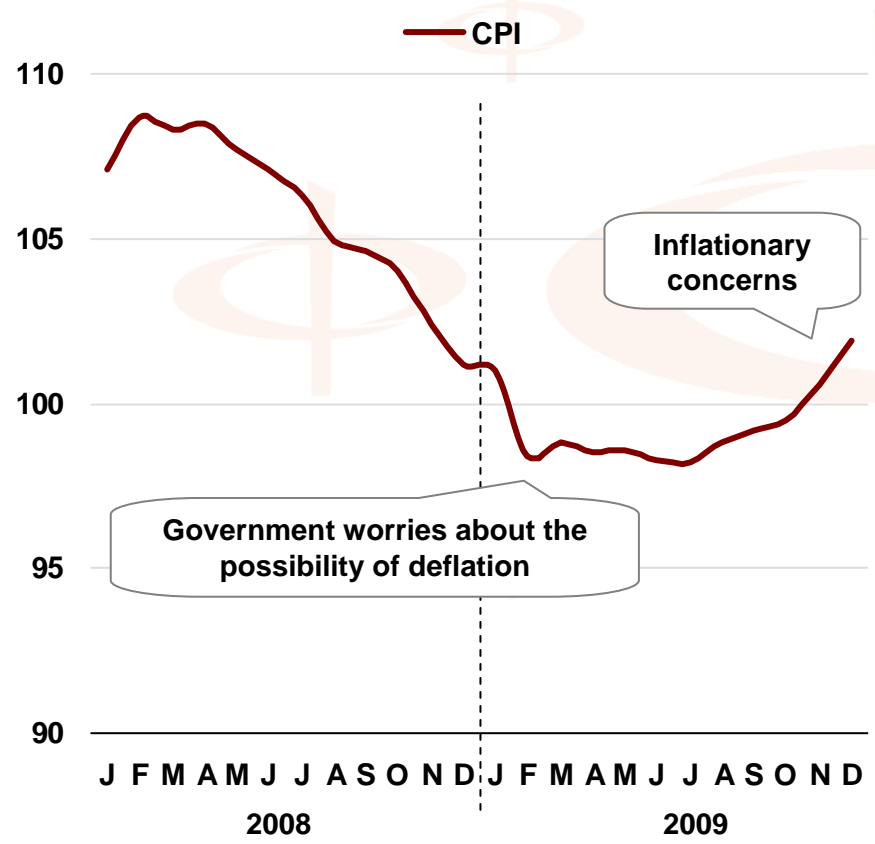




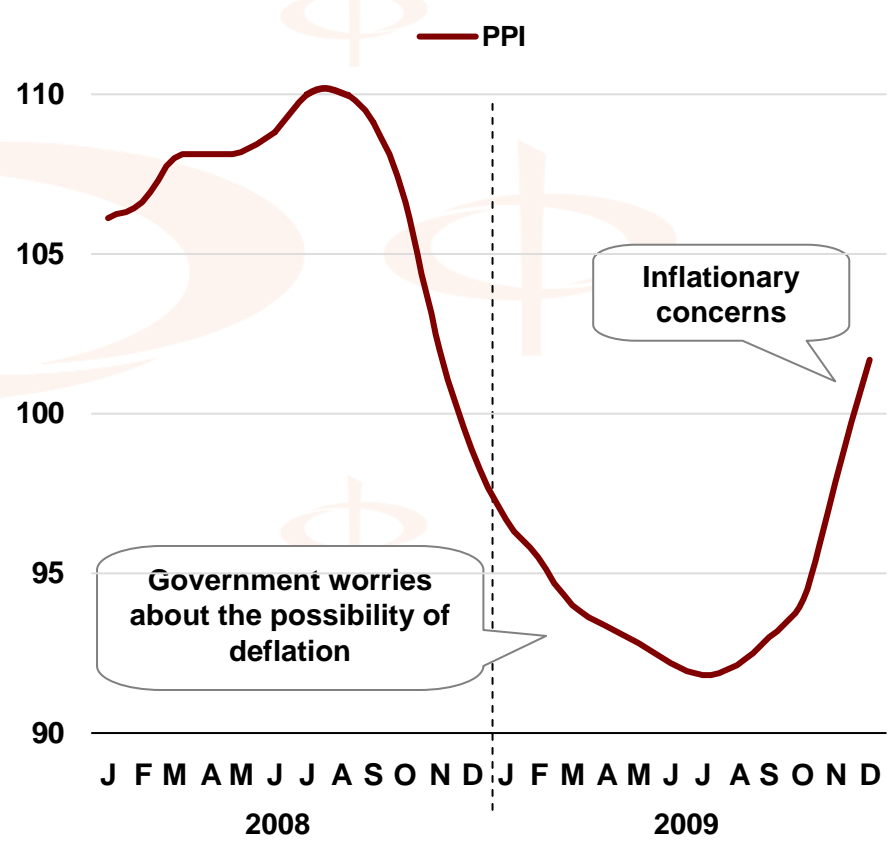
HOWEVER, CHINA'S INFLATION FIGURES HAVE ALSO EXCEEDED CONSENSUS EXPECTATIONS

CPI and PPI increased at an annual pace of 1.9% and 1.7% in Q4 compared to the same period in 2008

CPI Monthly (2008-2009)



PPI Monthly (2008-2009)





IN 2009, CHINA RECORDED IMPRESSIVE GROWTH LARGELY DUE TO STIMULUS-INDUCED DOMESTIC DEMAND AND TO A MODEST GLOBAL ECONOMIC RECOVERY

- **Although 2009 was one of the most challenging years for China's economic development in the 21st century, China has successfully completed the transition from rebound to recovery. China reached and surpassed its 8% growth target for 2009, expanding by 8.7%, denoting a V-shaped pattern of economic recovery**
- **This impressive result will likely propel China to the position of the world's second largest economy in early 2010, surpassing Japan. China's GDP is expected to continue its steady growth during 2010, while developed and other developing economies will continue to recover at a much slower pace**
- **The same major drivers that spurred growth during 2009 – the stimulus package and its accompanying proactive fiscal and monetary policies – continue to be critical components for growth in 2010. However, in order to have sustainable growth throughout the medium and long-term, the economy must be successfully rebalanced from government spending to domestic consumption**
- **Total exports continue to be the major constraint to China's economic growth, as global demand still remains weak. Nevertheless, China's economy managed to accomplish solid growth through the year, mostly driven by domestic demand**
- **Exports will resume its role as a driver of economic growth once global economic conditions become more favourable. Imports will continue to increase, as domestic demand increases and fuel and commodity prices continue their upward trends**



HOWEVER, THE FUTURE OF CHINESE ECONOMIC GROWTH STILL FACES SOME CHALLENGES

- **China's export growth continues to be challenged by international trade protectionism. During 2009, a number of countries enacted protectionist measures in order to defend the competitiveness of their domestic products**
- **According to the Ministry of Commerce, 19 economies launched 103 cases, consisting of anti-dumping, anti-subsidy, and safeguarding actions, against Chinese products at the end of November 2009. The statistics coming from the Global Trade Alert Report give figures for the whole 2009 which say that 148 protectionist measures were taken against China, making it a major target of trade protectionism worldwide**
- **Corresponding with its economic growth, China has also showed indications of overheating. The CPI jumped sharply at the end of 2009, signifying that the economy is running the risk of overheating. As a result of what some economists have called the biggest easing in monetary and financial conditions in history, China's banks issued USD 1.4 trillion new loans, a 135% increase from 2008. This rapid loan growth has already raised the concern that asset price bubbles may have formed in the economy**
- **If these remain unchecked, the very same drivers for growth could, in turn, have a negative impact on the overall Chinese economy and on the world**



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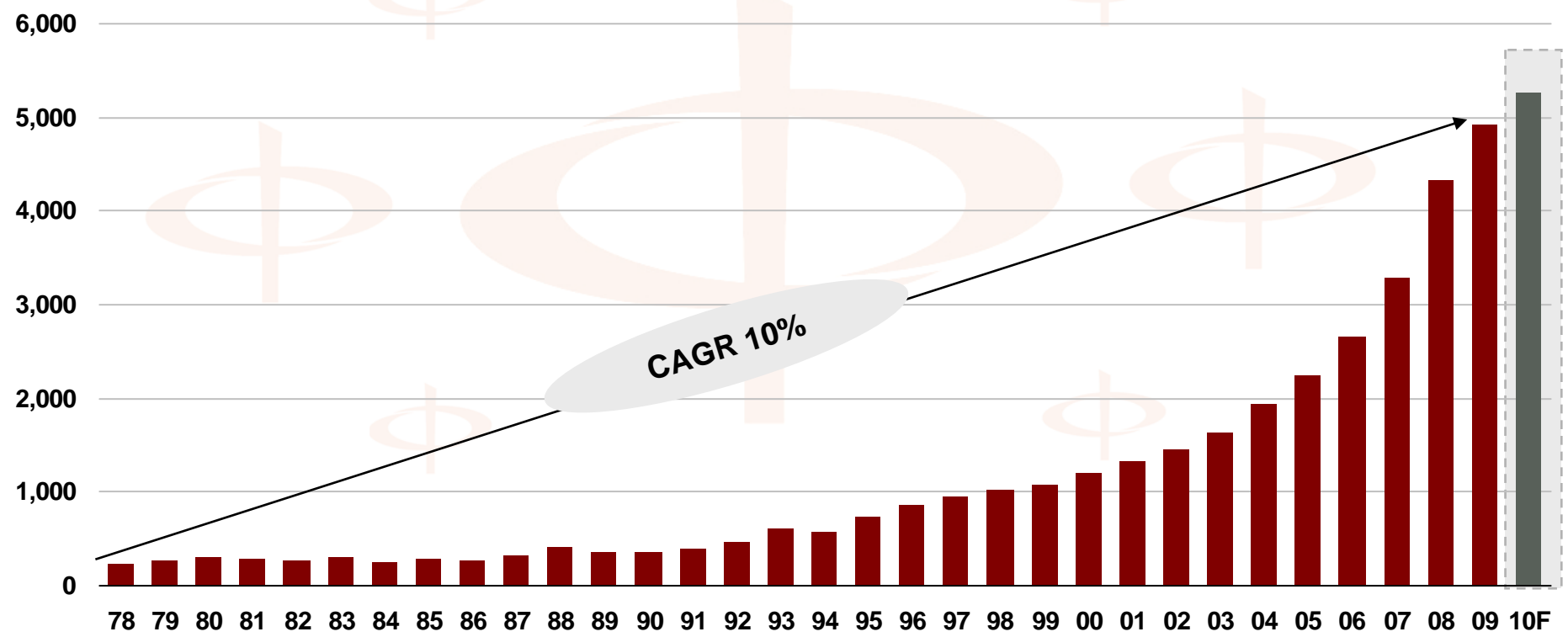
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CHINA'S ECONOMY HAS GROWN TREMENDOUSLY AND IS POISED TO OVERTAKE JAPAN AS THE SECOND-LARGEST ECONOMY

In 2009, China's GDP reached USD 4.9 trillion, which is more than four times its 1998 level (USD 1 trillion). From 1978, it grew at a CAGR of 10%

Nominal GDP (USD bn, 1978-2010F)



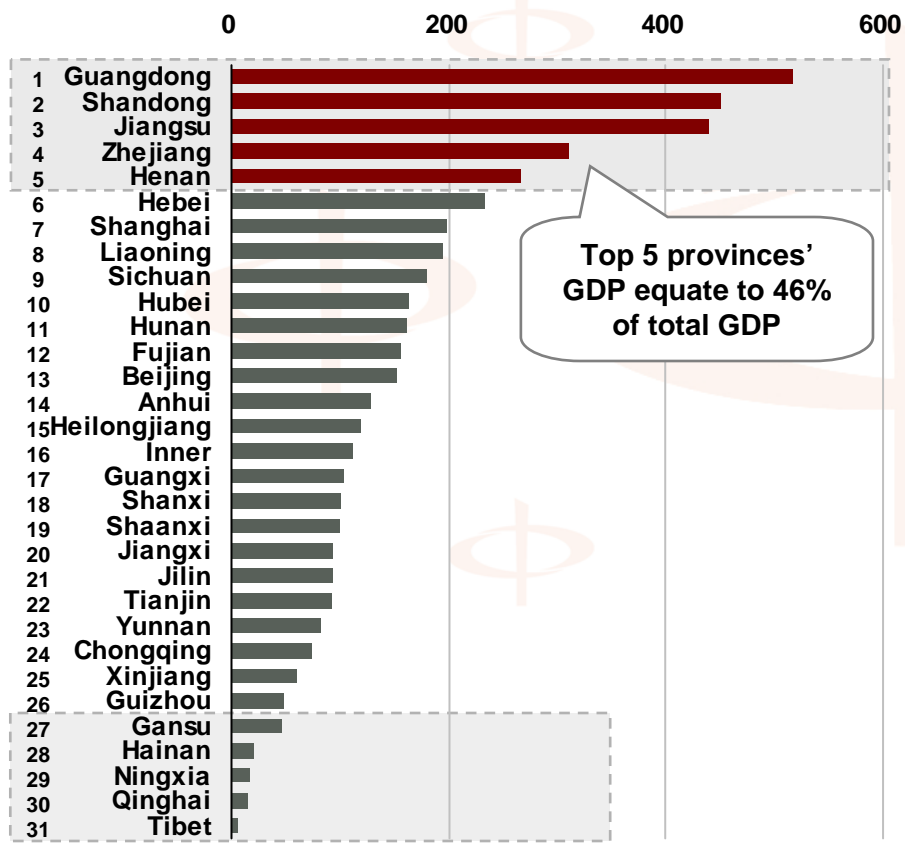
Note: GDP is calculated at current prices
 CAGR: compound annual growth rate
 Source: China Statistical Yearbook; China Monthly Economic Indicators; IMF; THE BEIJING AXIS Analysis



CHINA HAS A LARGE GDP YET IT IS HIGHLY CONCENTRATED IN A FEW PROVINCES NEAR THE COAST

The top five provinces of Guangdong, Shandong, Jiangsu, Zhejiang, and Henan account for roughly 46% of GDP

GDP by Province (USD bn, 2008)



Top 5 provinces' GDP equate to 46% of total GDP

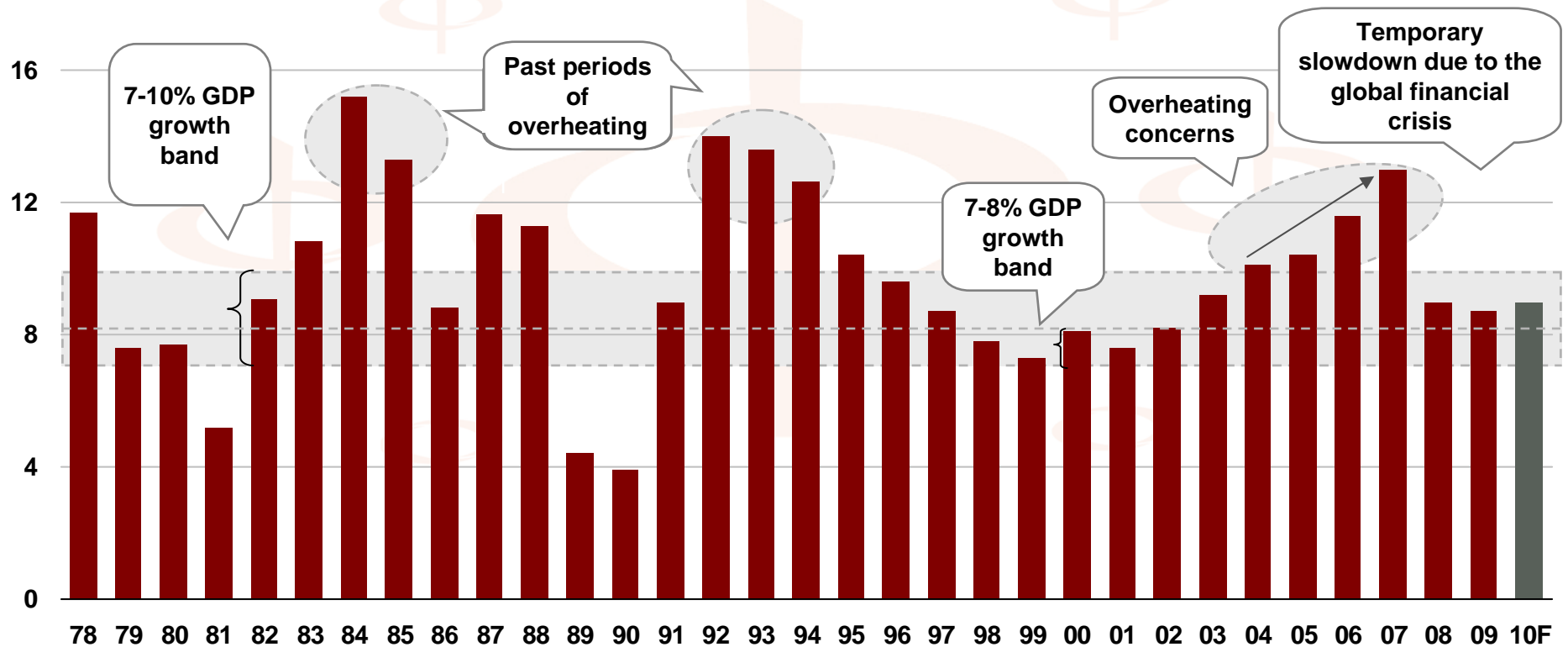
Note: GDP is calculated at current prices
 Source: China Statistics Yearbook; THE BEIJING AXIS Analysis



ACCORDING TO A WORLD BANK FORECAST, CHINA'S ANNUAL GDP GROWTH RATE WILL REACH 9% IN 2010

Other financial organisations such as UBS and Standard Chartered Bank have even bolder expectations, forecasting growth of more than 9.5%

China Nominal GDP Growth Rate (% y-o-y, 1978-2010F)

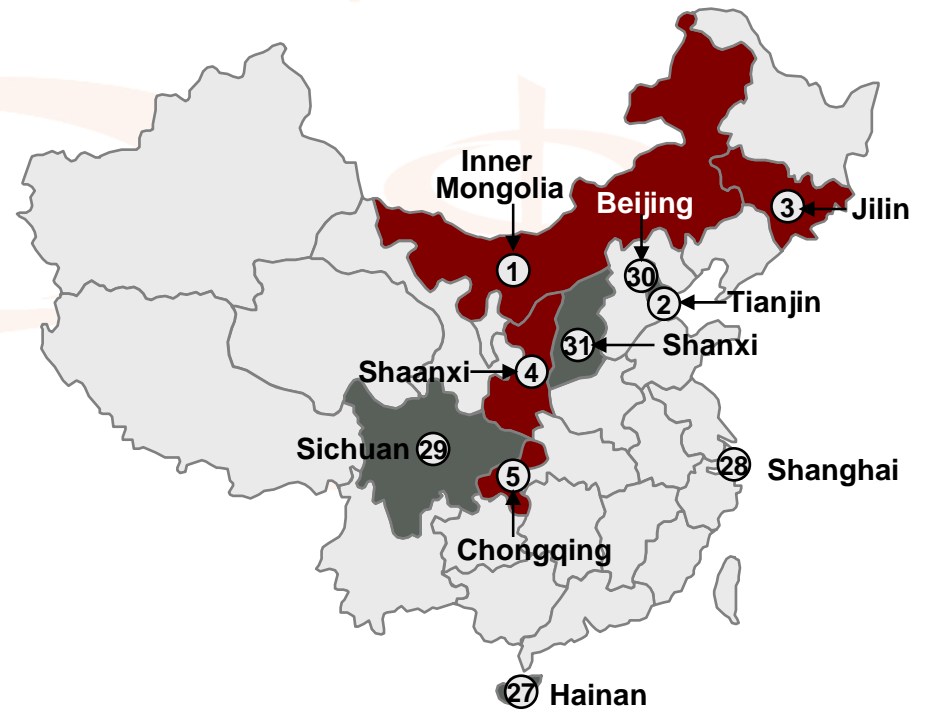
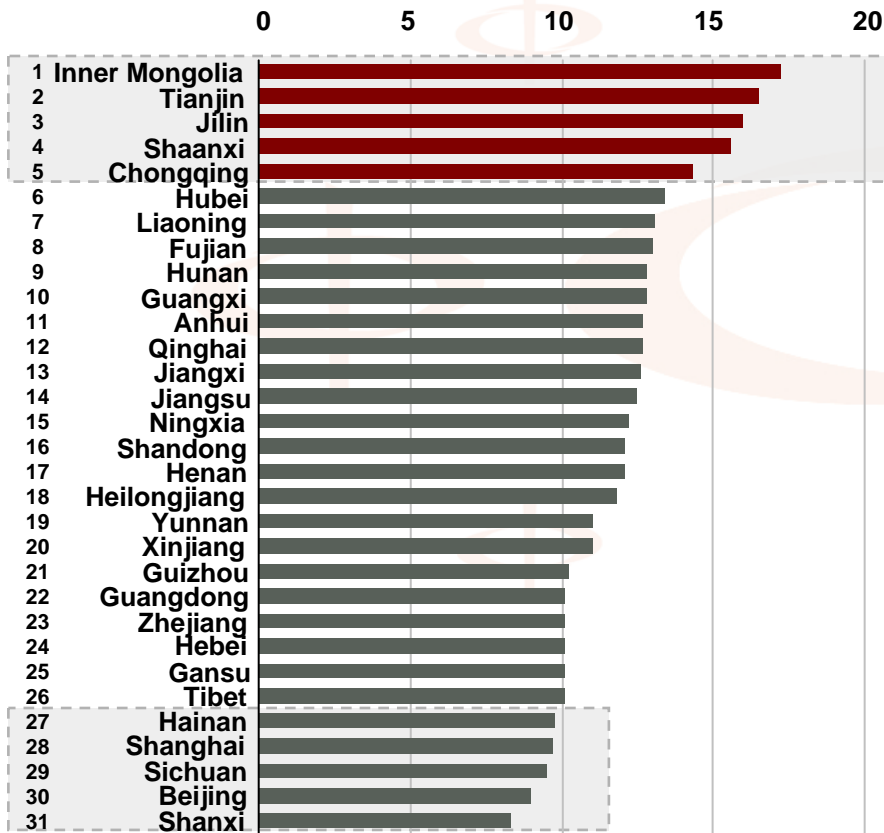




ALTHOUGH GDP IS CONCENTRATED IN THE EAST, THE CENTRAL PROVINCES HAVE THE HIGHEST GDP GROWTH RATES

This underlines the central government's plan to develop the central and western regions of the country

GDP Growth Rate by Province (% , 2008)

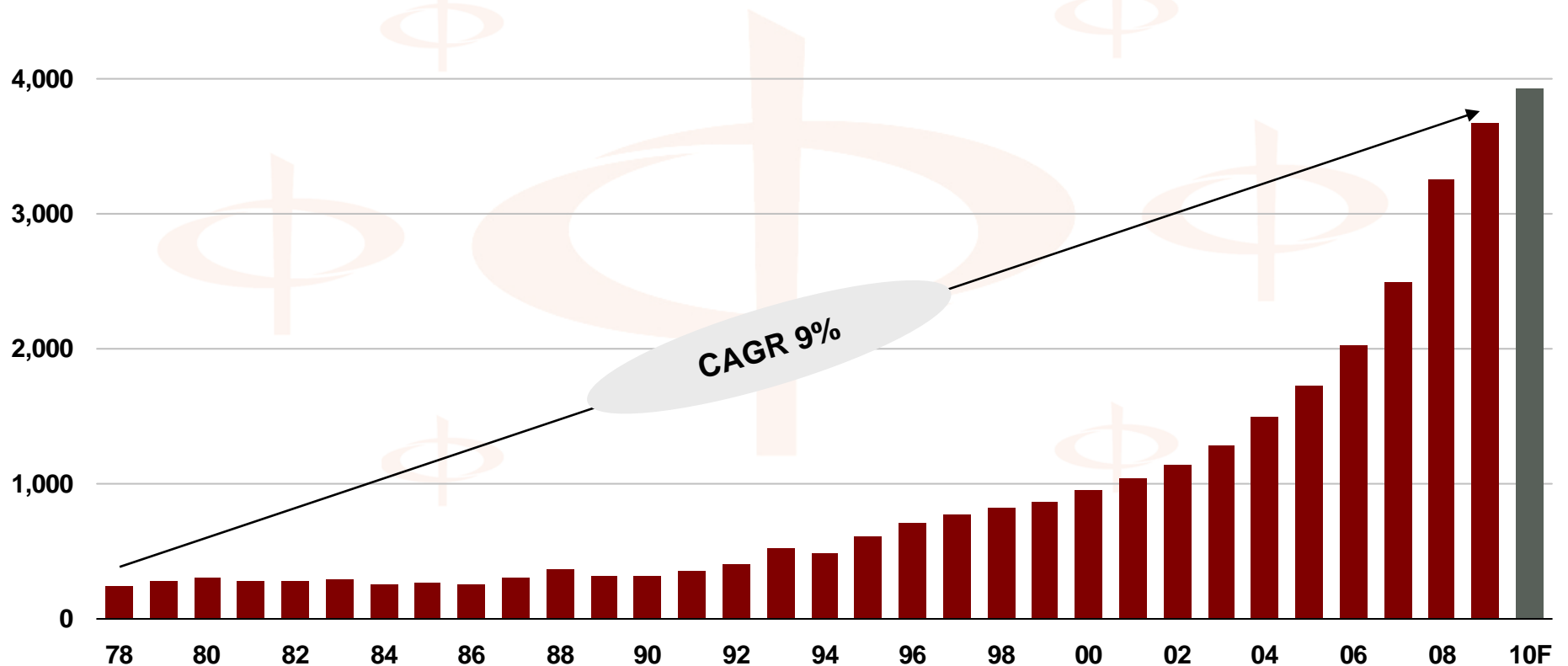




CHINA'S GDP PER CAPITA HAS GROWN CONSIDERABLY IN THE LAST 30 YEARS

In 2009, China's GDP per capita reached USD 3,672,
 which represents a CAGR of 9% over the last 30 years

GDP Per Capita (USD, 1978-2010F)



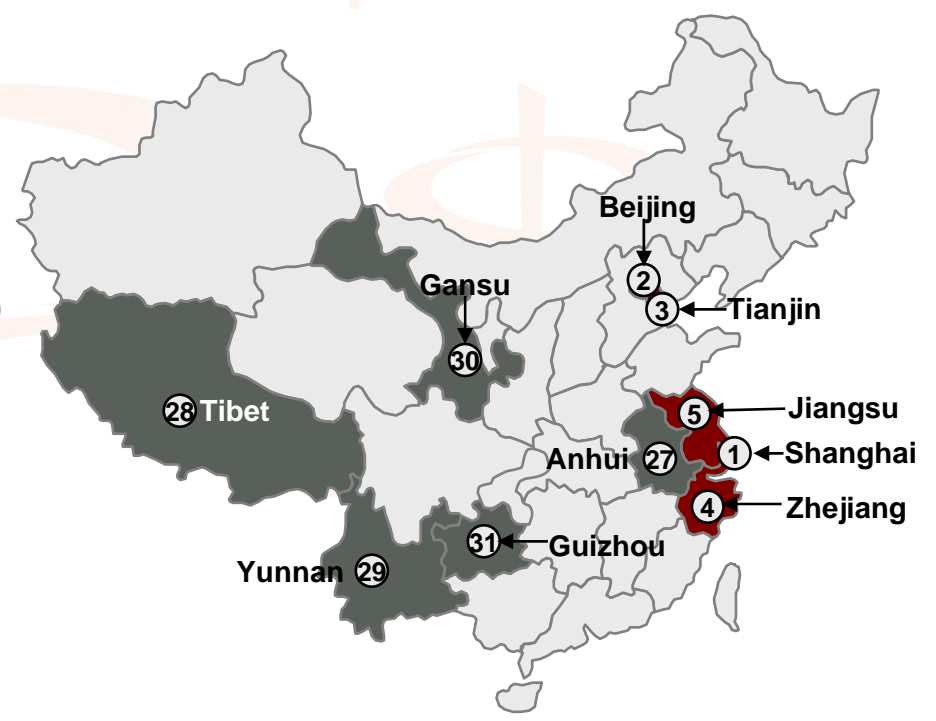
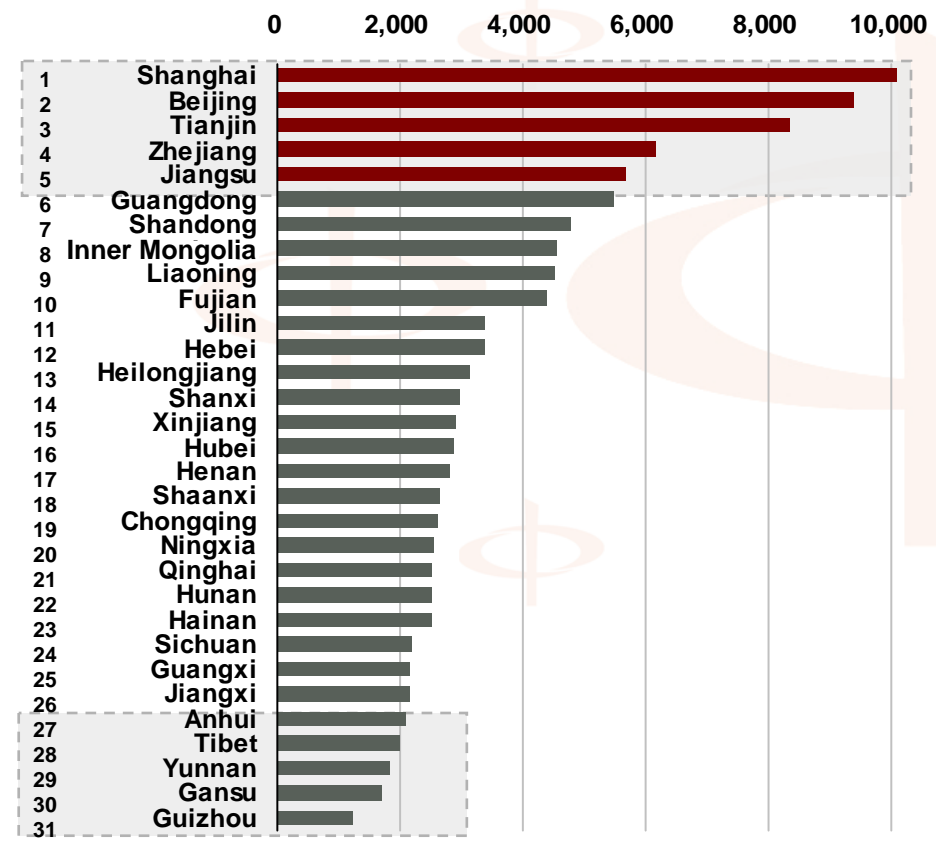
Note: GDP is calculated at current prices
 Source: China Statistical Yearbook; National Bureau of Statistics of China; IMF; THE BEIJING AXIS Analysis



THE PROVINCES WITH THE HIGHEST GDP PER CAPITA ARE LOCATED IN EASTERN CHINA

The lowest GDP per capita is found in central and western China

GDP Per Capita by Province (USD, 2008)

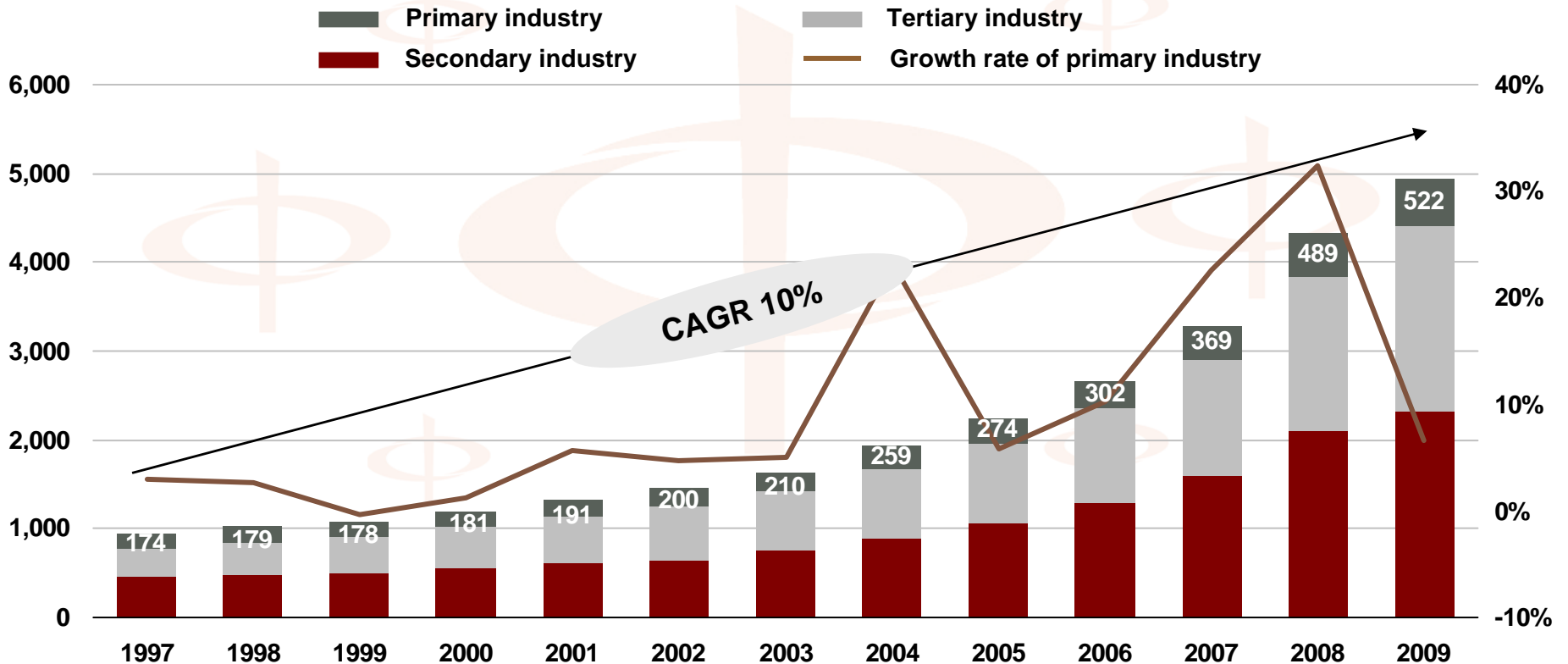




PRIMARY INDUSTRY CONSTITUTES ROUGHLY 11% OF CHINA'S GDP

The primary industry grew at a CAGR of 10%
 from 1997, and contributed USD 522 billion to total GDP in 2009

Composition of GDP by Sector (USD bn, 1997-2009)



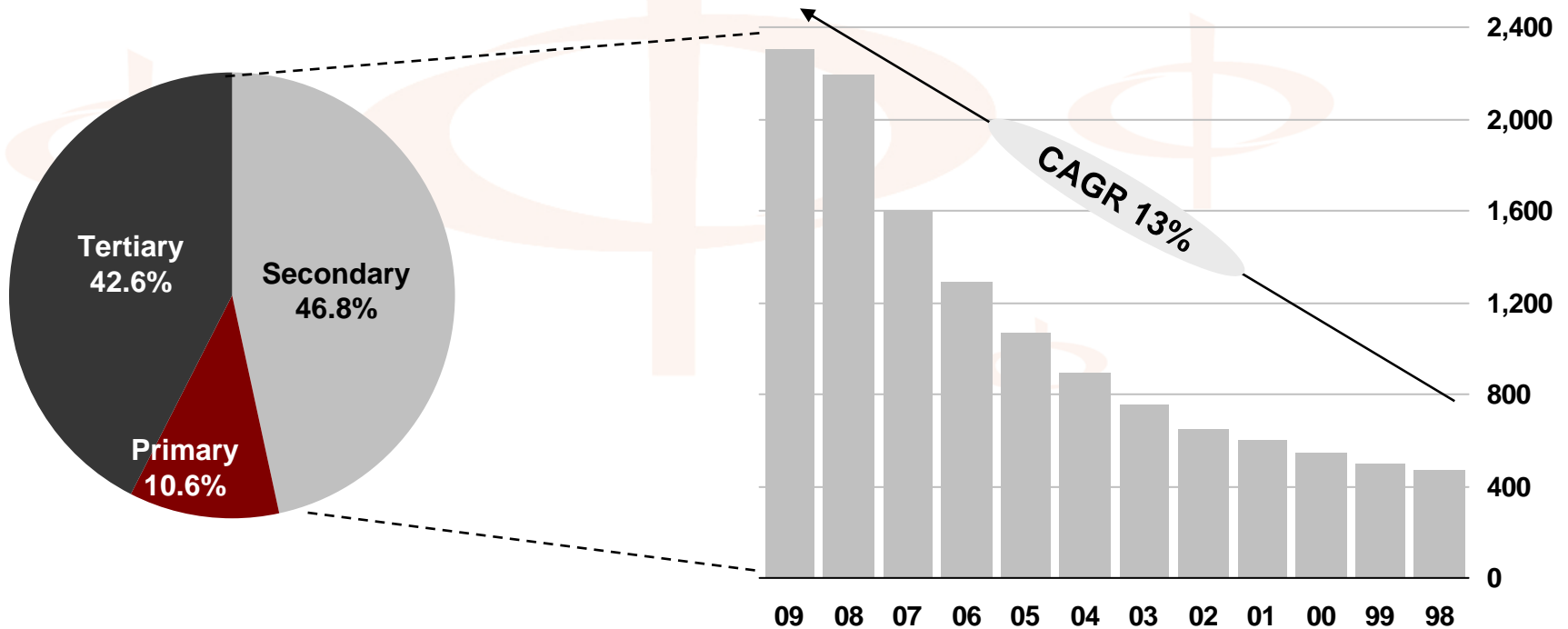


SECONDARY INDUSTRY IS THE LARGEST CONTRIBUTOR TO CHINA'S GDP, CONSTITUTING 47%

The secondary industry grew at a CAGR of 13% from 1997 to 2009, and contributed USD 2.3 trillion to GDP in 2009

Value-Added Totals of Secondary Industry (at current prices, USD bn, 1998-2009)

Breakdown of Secondary Industry and Trends (2009)



Note: CAGR is calculated for the last ten years
 Source: China Statistical Yearbook; THE BEIJING AXIS Analysis

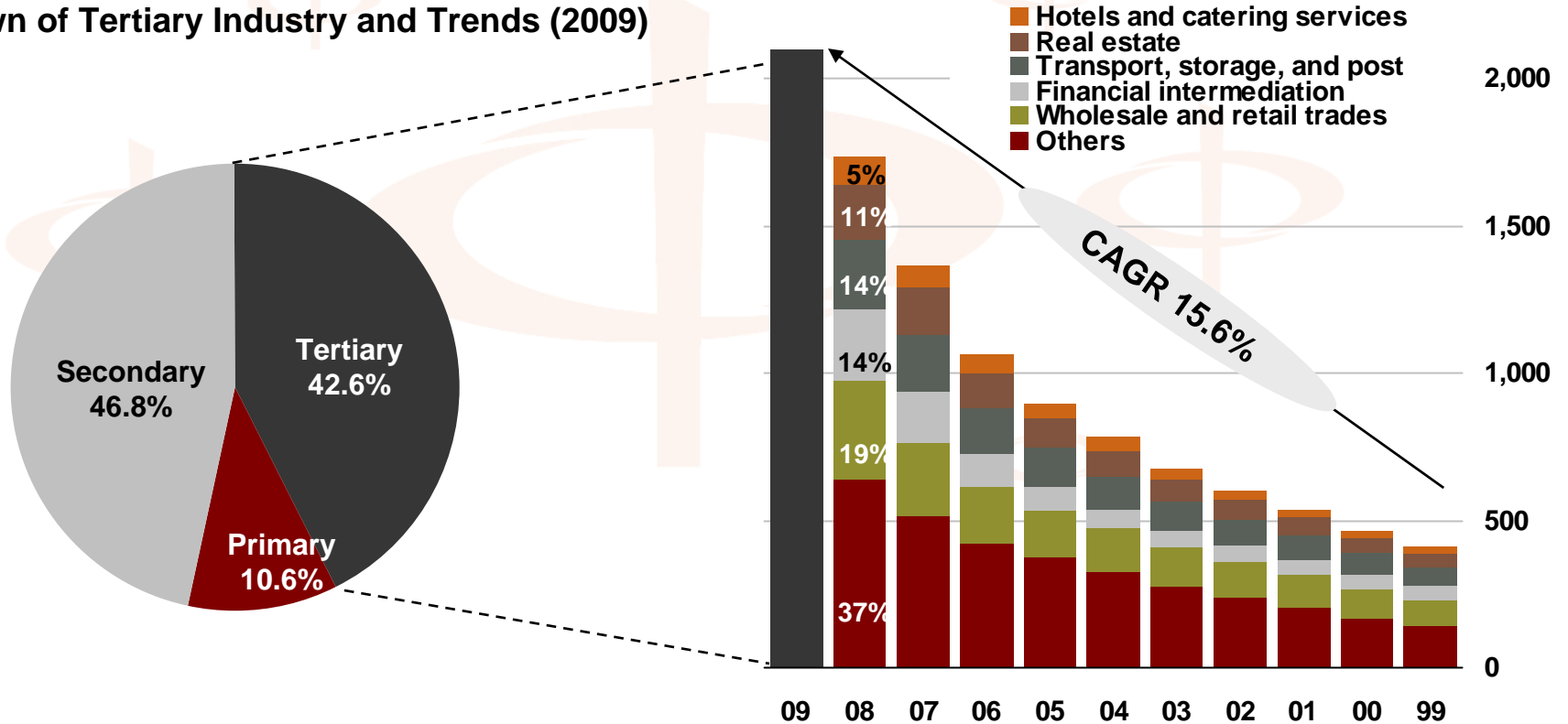


TERTIARY INDUSTRY IS THE SECOND-LARGEST CONTRIBUTOR TO CHINA'S GDP, COMPRISING 43% OF TOTAL OUTPUT

Between 1999 and 2009 the tertiary industry grew at a CAGR of 16%, and contributed USD 2.1 trillion to GDP

Value-Added total of the Tertiary Industry (at current prices, USD bn, 1999-2009)

Breakdown of Tertiary Industry and Trends (2009)



Note: CAGR is calculated for the last ten years; The breakdown figures are not available for 2009
 Source: China Statistical Yearbook; THE BEIJING AXIS Analysis

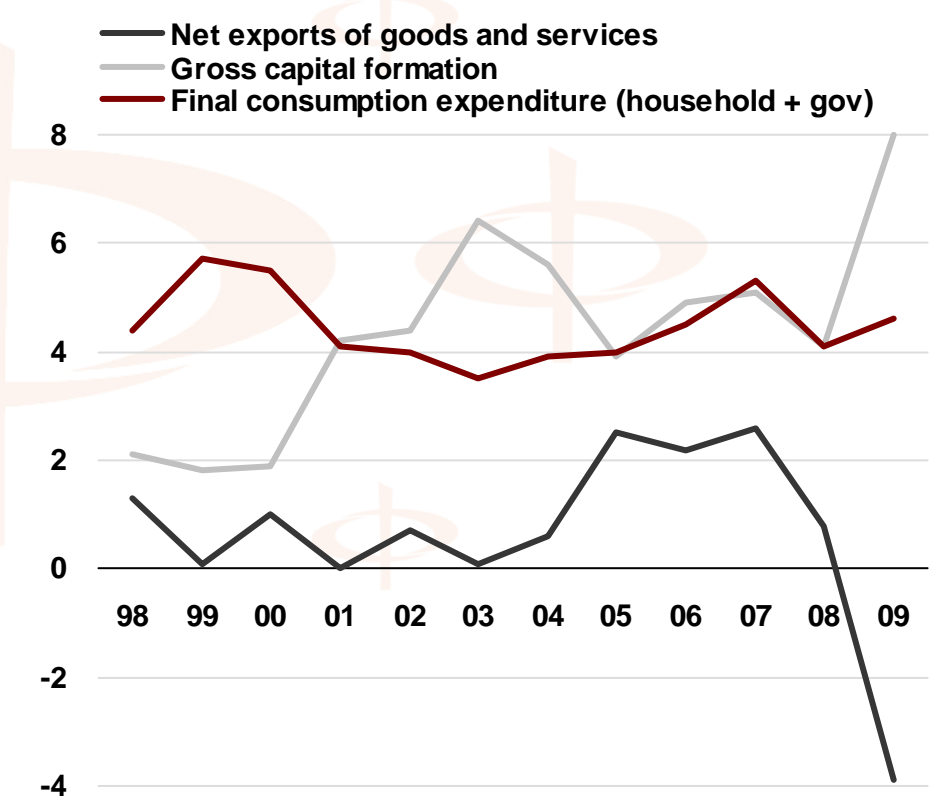
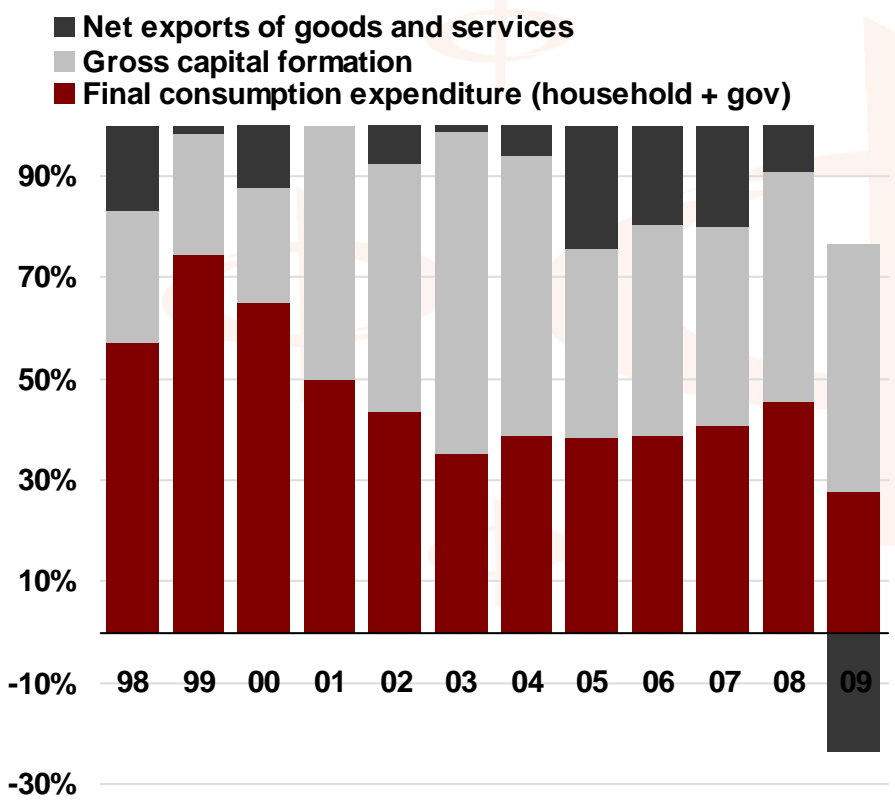


GROSS CAPITAL FORMATION AND FINAL CONSUMPTION EXPENDITURE ARE THE MAIN COMPONENTS OF CHINA'S GDP

In 2009, gross capital formation and final consumption respectively contributed 92.3% and 52.5% to GDP growth while net exports subtracted -44.8%

Contribution/Share of the Three Components of GDP Growth (1998-2009)

Contribution to the Growth of GDP (Percentage Points, 1998-2009)



Note: The three components of GDP by expenditure approach are final consumption expenditure (composed of household and government consumption), gross capital formation and net exports of goods and services. For 2009 the 92% gross capital formation, 52% final consumption expenditure and the -44% net exports of goods and services were reduced proportionately to form the bar representing 100%

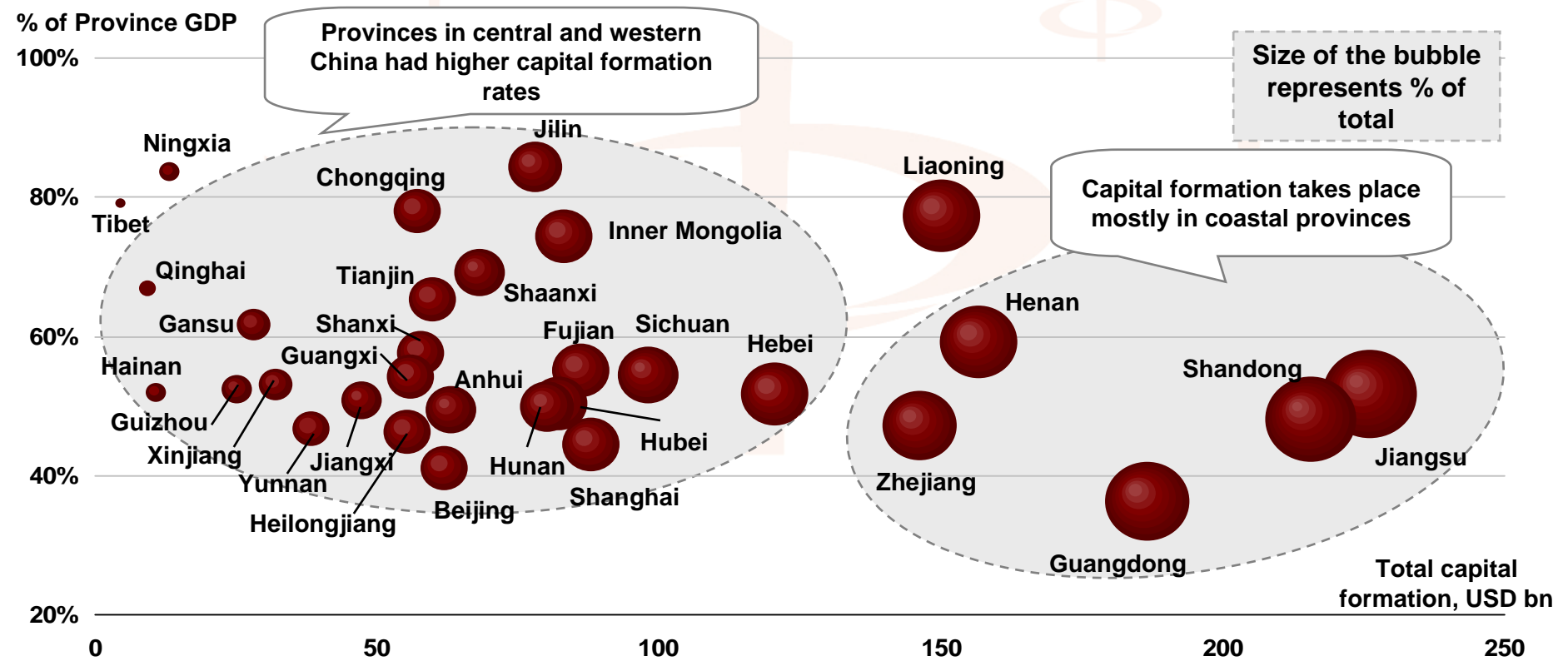
Source: China Statistical Yearbook; THE BEIJING AXIS Analysis



CHINA'S GROSS CAPITAL FORMATION IS CONCENTRATED IN THE MORE DEVELOPED REGIONS

In 2008, China's top five provinces by annual gross capital formation accounted for nearly 40% of the national total

China's Gross Capital Formation in 2008

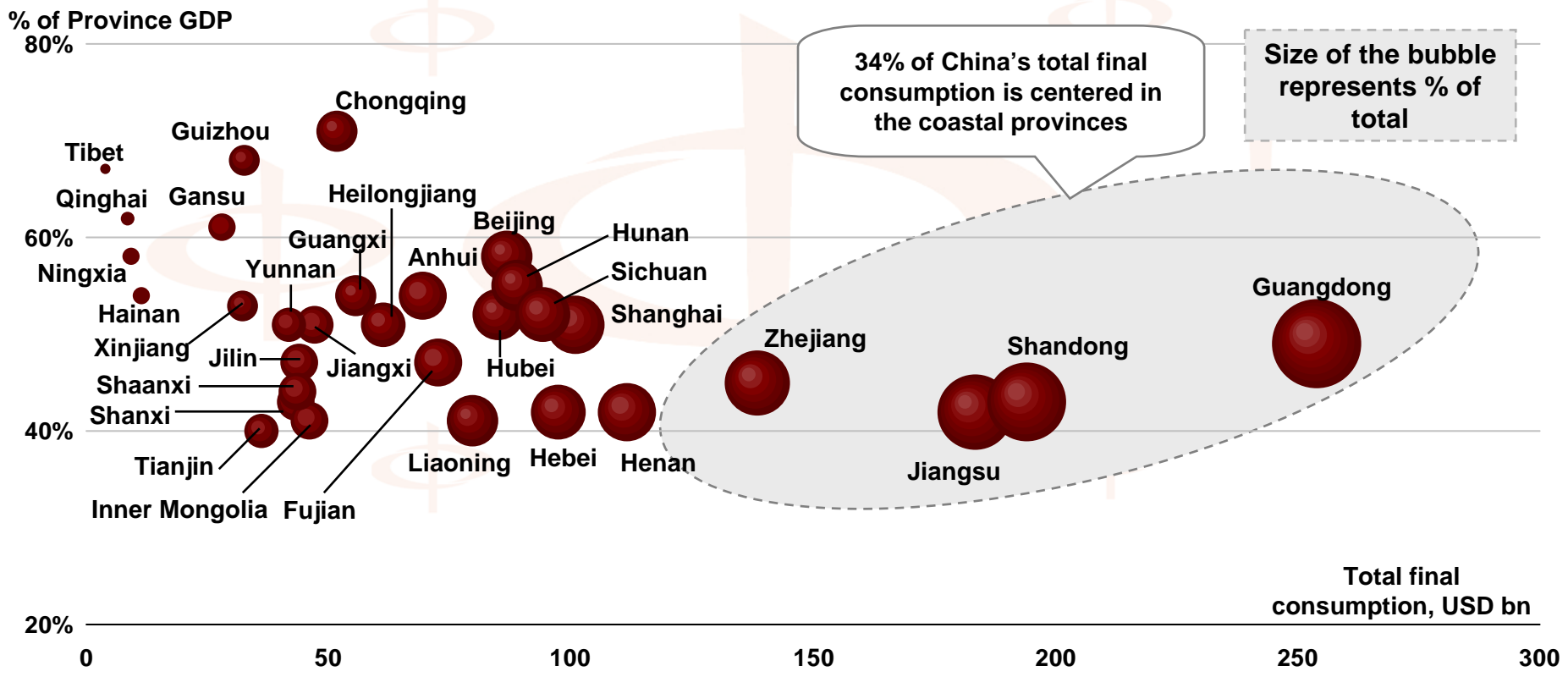




THE LARGEST SHARE OF CHINA'S FINAL CONSUMPTION TAKES PLACE IN THE COASTAL PROVINCES

In 2008, Shandong, Guangdong, Jiangsu and Zhejiang were responsible for 34% of China's total annual final consumption

China's Final Consumption (2008)

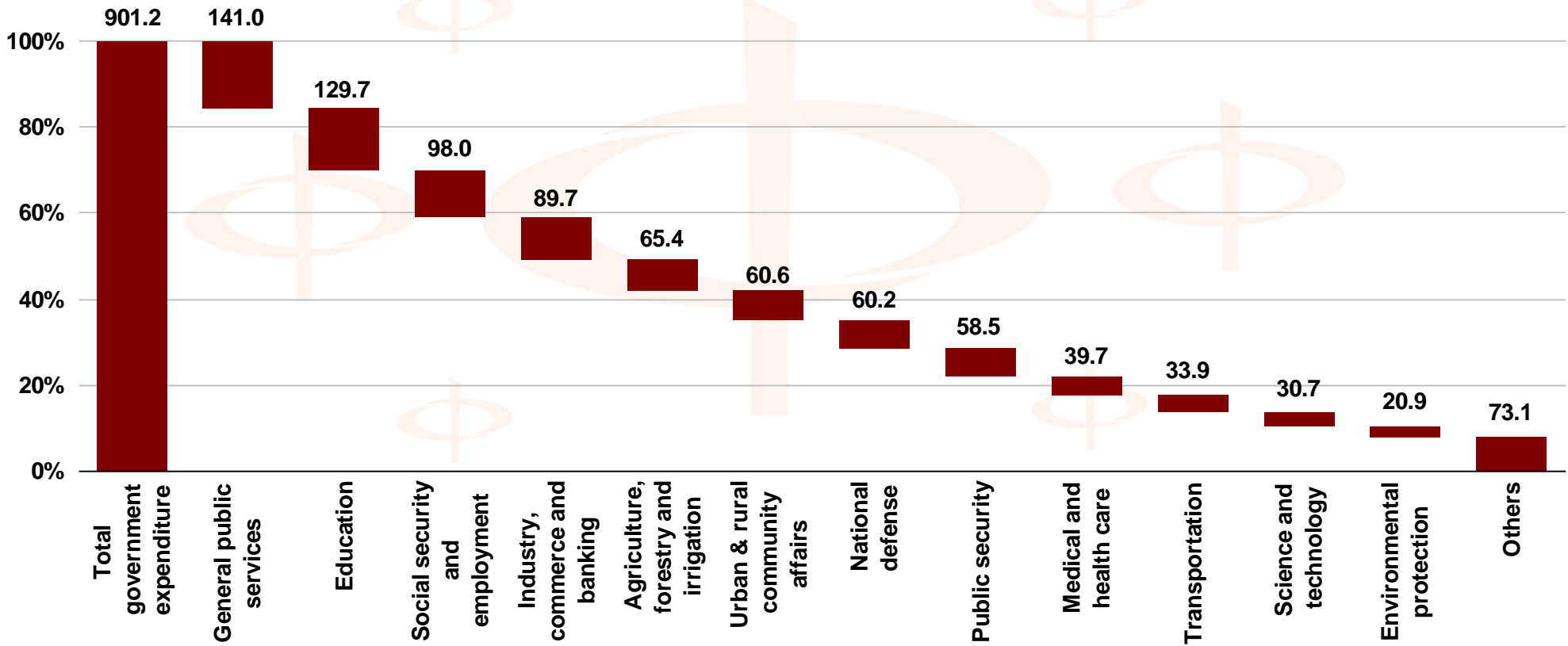




GOVERNMENT EXPENDITURE IS LARGELY AIMED AT IMPROVING THE POPULATION'S QUALITY OF LIFE

In 2008, 48% of government expenditure was focused on public services, education, social security, employment and community affairs

Government Expenditure Breakdown (USD bn, 2008)

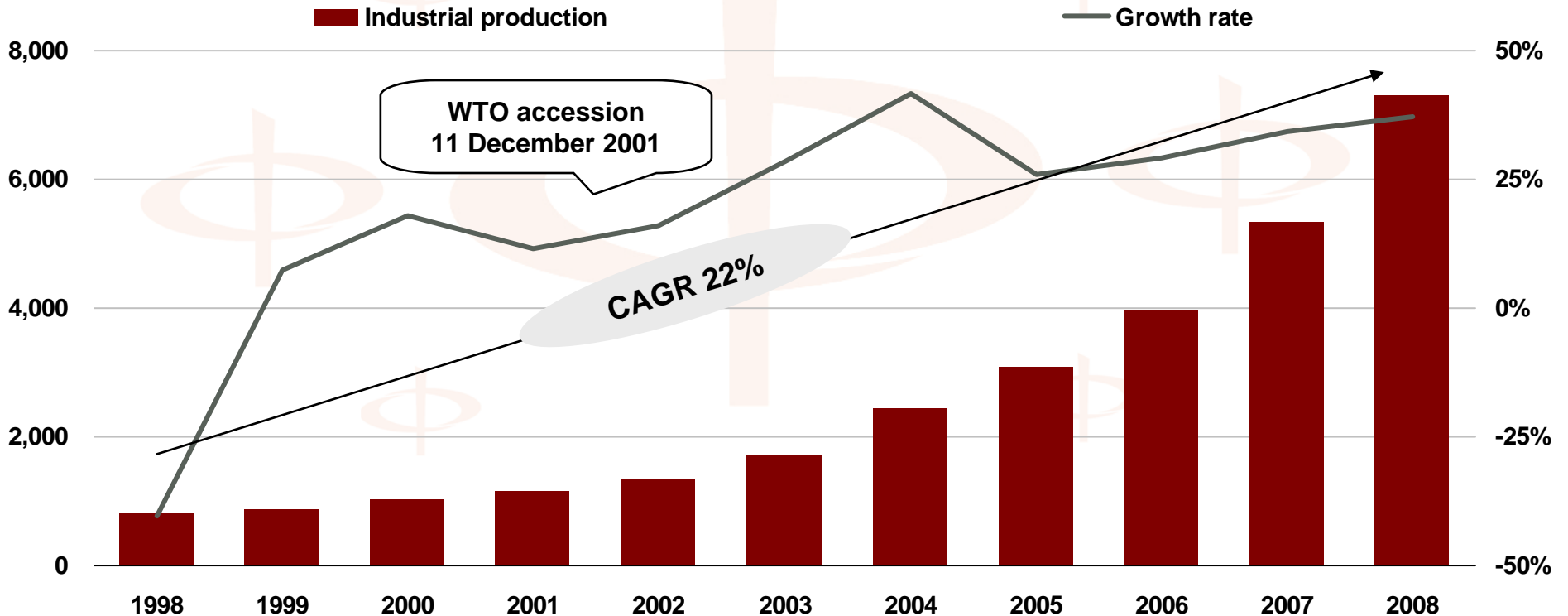




CHINA'S INDUSTRIAL OUTPUT GROWTH ACCELERATED AFTER ACCESSION TO THE WTO IN 2001

Since then, a large number of foreign companies have established manufacturing bases in China, driving gross industrial output up at a CAGR of 22% from 1998-2008

Gross Industrial Output (USD mn, 1998-2008)

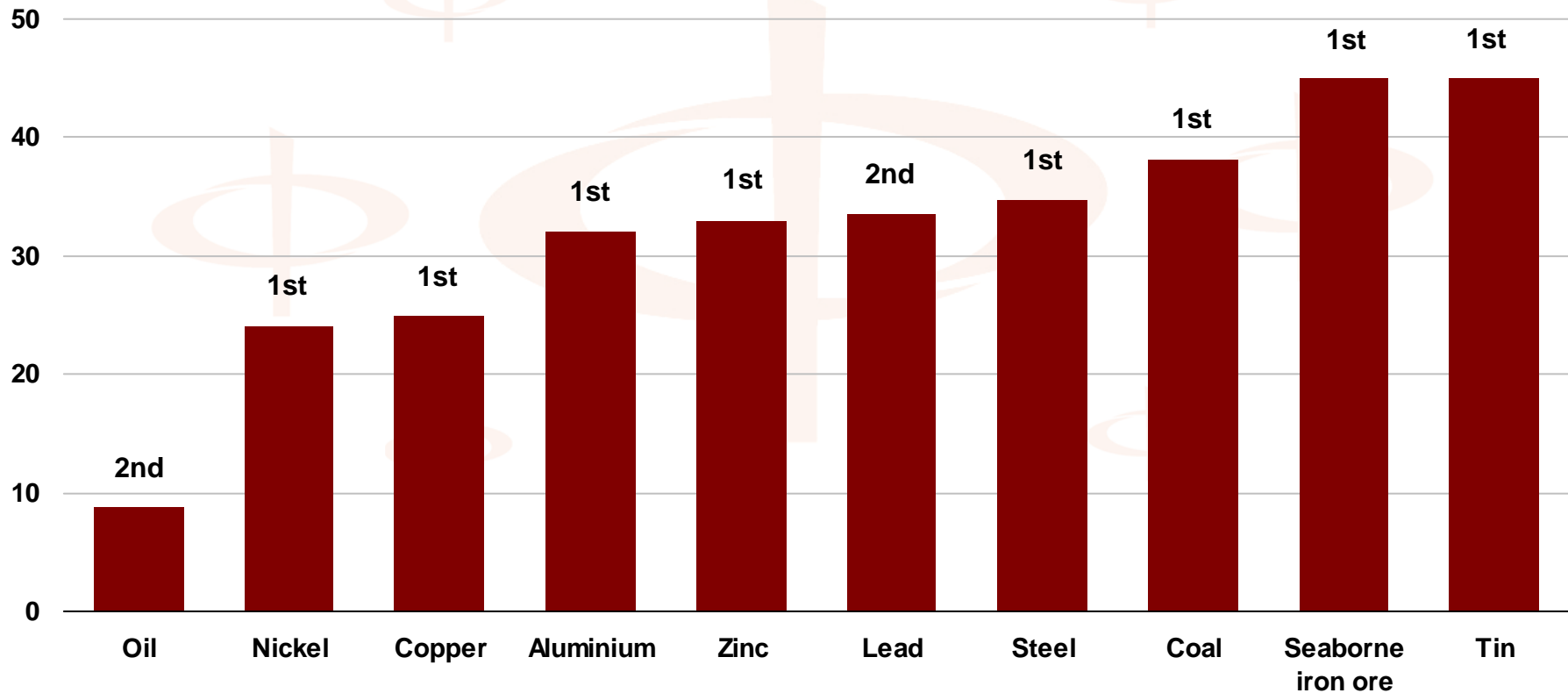




CHINA IS THE WORLD'S LEADING CONSUMER OF SEVERAL RESOURCES

Rapid modernisation, industrialisation and urbanisation are the key drivers of the trend and are unlikely to recede anytime soon

China's Share of the World's Consumption of Selected Resources (% , World Ranking, 2008)



Note: The percentages for Zinc, Lead and Tin are for 2007
 Source: WBMS; Barlow Jonker; IEA; BP; Macquarie; THE BEIJING AXIS Analysis



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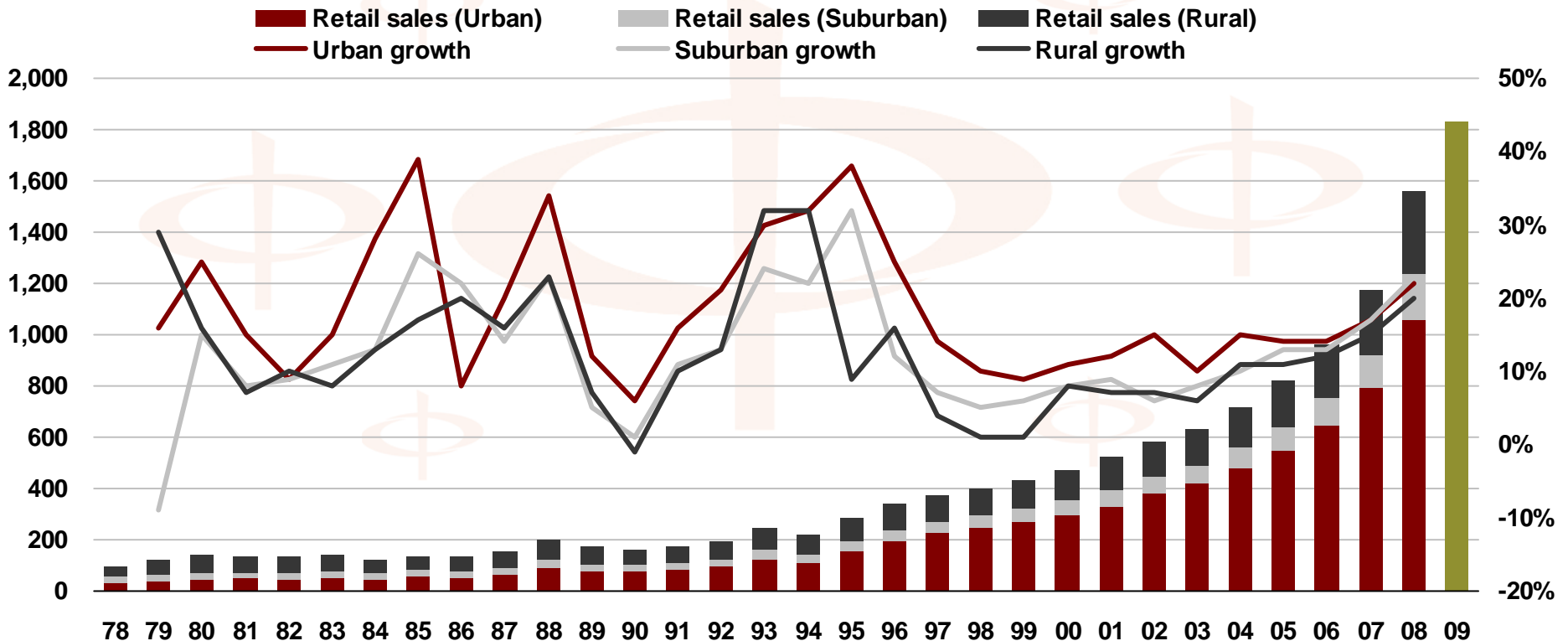
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AS A REFLECTION OF CHINA'S RAPID DEVELOPMENT, PERSONAL CONSUMPTION HAS BEEN ON THE RISE (I)

While retail sales were quite volatile in the 1980s and 1990s, there has been substantial, stable growth in the last decade

Annual Retail Sales and Growth Rate by Administrative Level (USD bn¹, 1978-2009)



1. Figures converted from RMB to USD using the average exchange rate for the respective years. The growth rate, however, does not factor in exchange rate fluctuations

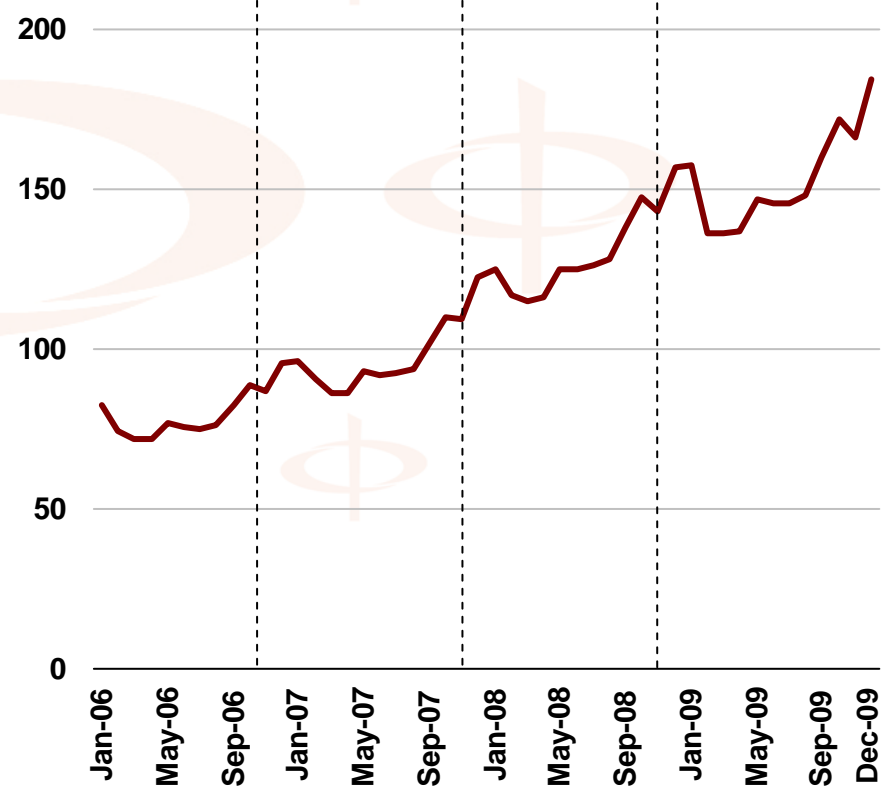
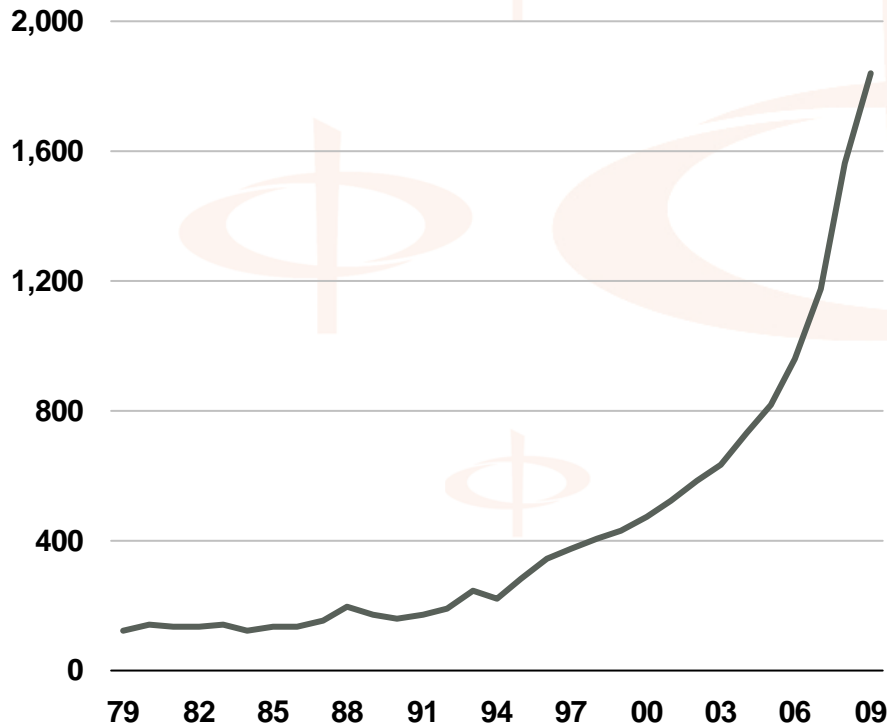


AS A REFLECTION OF CHINA'S RAPID DEVELOPMENT, PERSONAL CONSUMPTION HAS BEEN ON THE RISE (II)

The sustained growth of retail sales reflects China's rapid development and consequent increase in the purchasing power of the population

Annual Retail Sales (USD bn, 1979-2009)

Monthly Retail Sales (USD bn, 2006-2009)

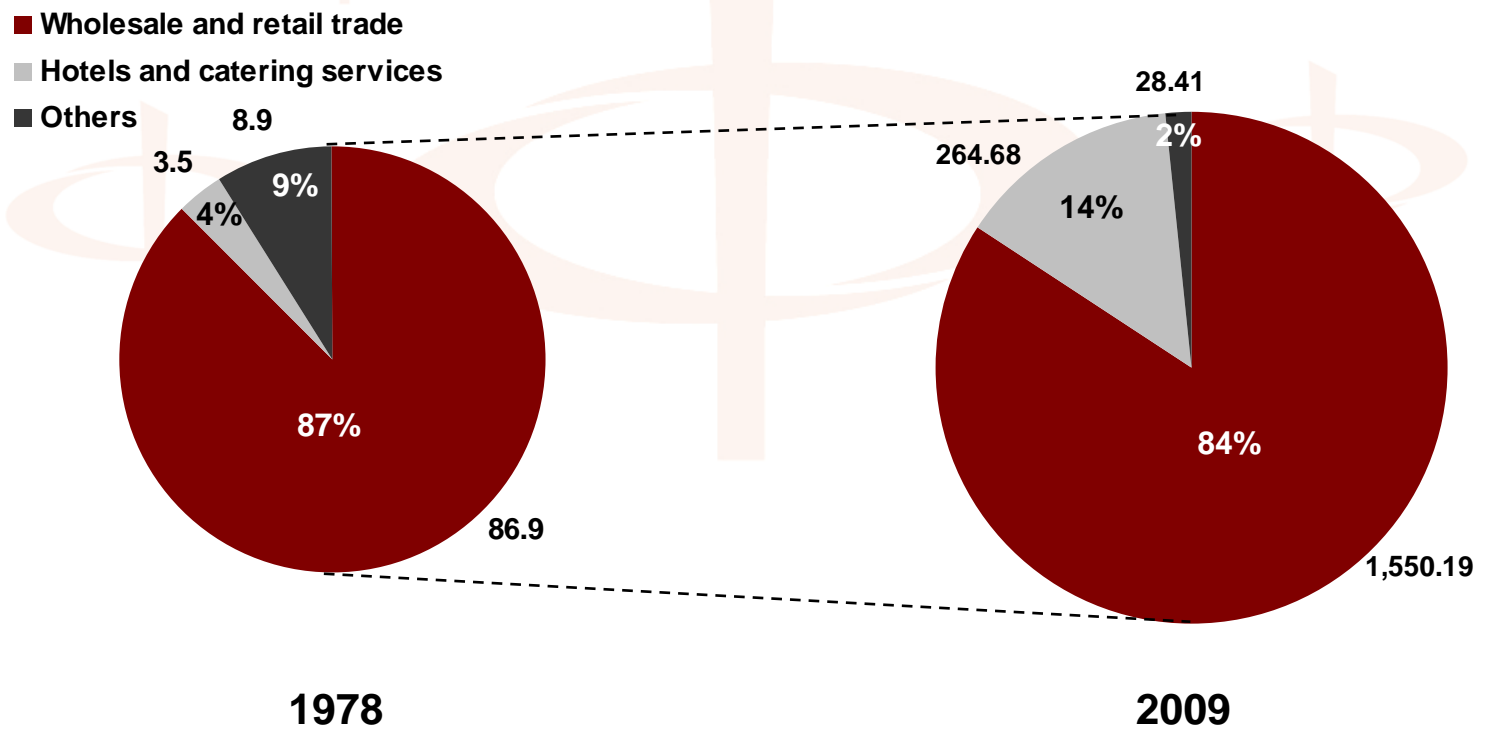




AS A REFLECTION OF CHINA'S RAPID DEVELOPMENT, PERSONAL CONSUMPTION HAS BEEN ON THE RISE (III)

Wholesale and retail trade continue to dominate retail sales; however, hotels and catering services have seen considerable growth in the past 30 years

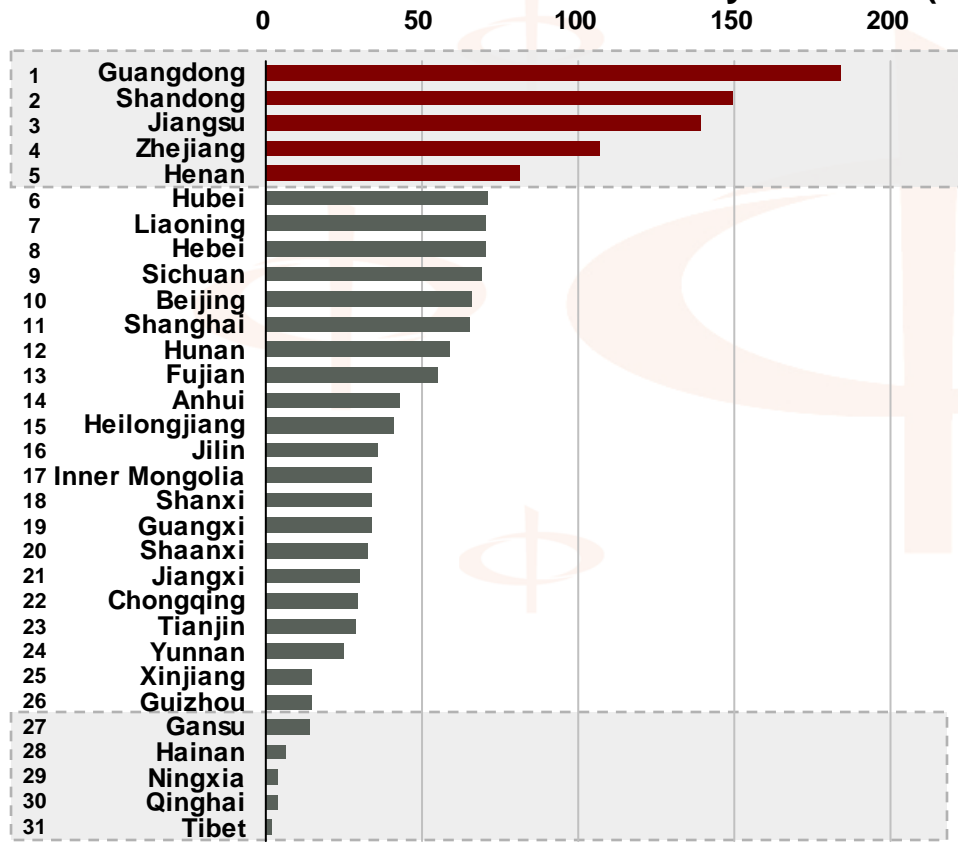
Annual Retail Sales of Consumer Goods by Sub-sector (USD bn, 1978 vs. 2009)



THE LARGEST SHARE OF RETAIL SALES IS CONCENTRATED IN THE EASTERN COASTAL PROVINCES

Unsurprisingly, the top five provinces in terms of retail sales are also the leading provinces in terms of population¹, employed persons and income per capita²

Total Retail Sales of Consumer Goods by Province (USD bn, 2008)

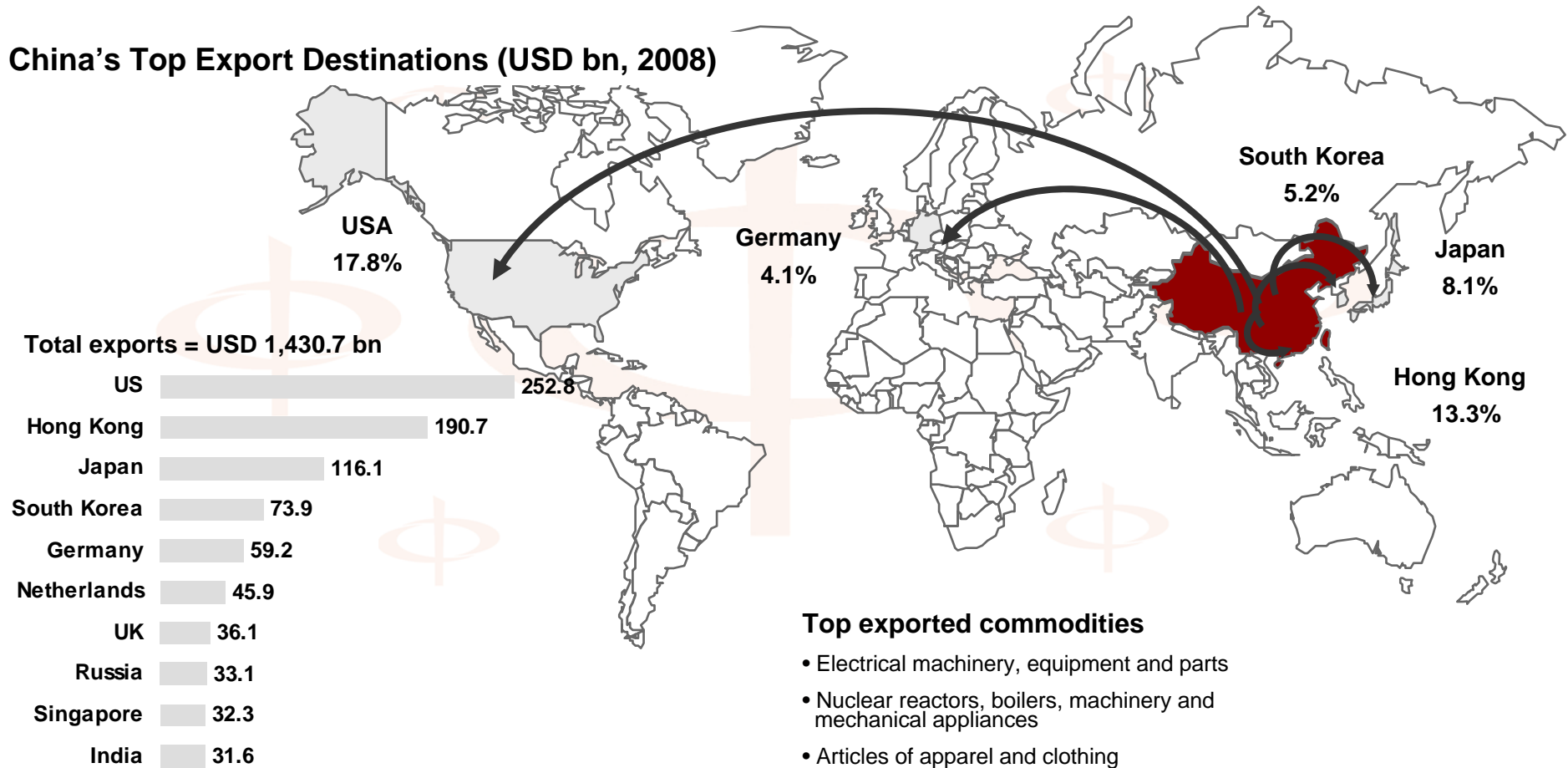


1. The top five provinces in terms of population do not include Zhejiang, but do include the four other provinces
 2. The top five provinces in terms of income per capita do not include Henan, but do include the four other provinces

48% OF CHINA'S EXPORTS ARE DESTINED FOR THE US, HONG KONG, JAPAN, SOUTH KOREA, AND GERMANY

The US and Hong Kong¹ are China's main export destinations

China's Top Export Destinations (USD bn, 2008)



Top exported commodities

- Electrical machinery, equipment and parts
- Nuclear reactors, boilers, machinery and mechanical appliances
- Articles of apparel and clothing

1. Hong Kong is admittedly used as a gateway to the rest of the world
 Source: UN Comtrade; THE BEIJING AXIS Analysis



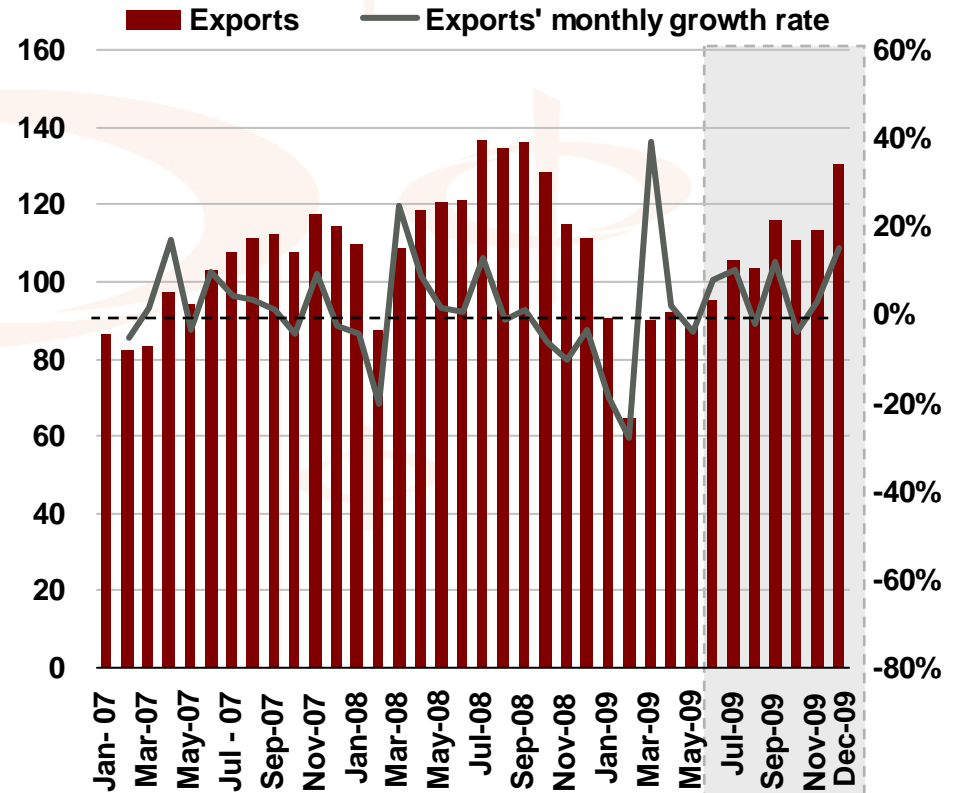
CHINA'S EXPORTS EXPERIENCED RAPID GROWTH FOLLOWING THE COUNTRY'S ACCESSION TO THE WTO

Although the onset of the global financial crisis has sharply affected exports, growth resumed in March 2009

Annual Exports (USD bn, 1997-2009)



Monthly Exports (USD bn, 2007-2009)

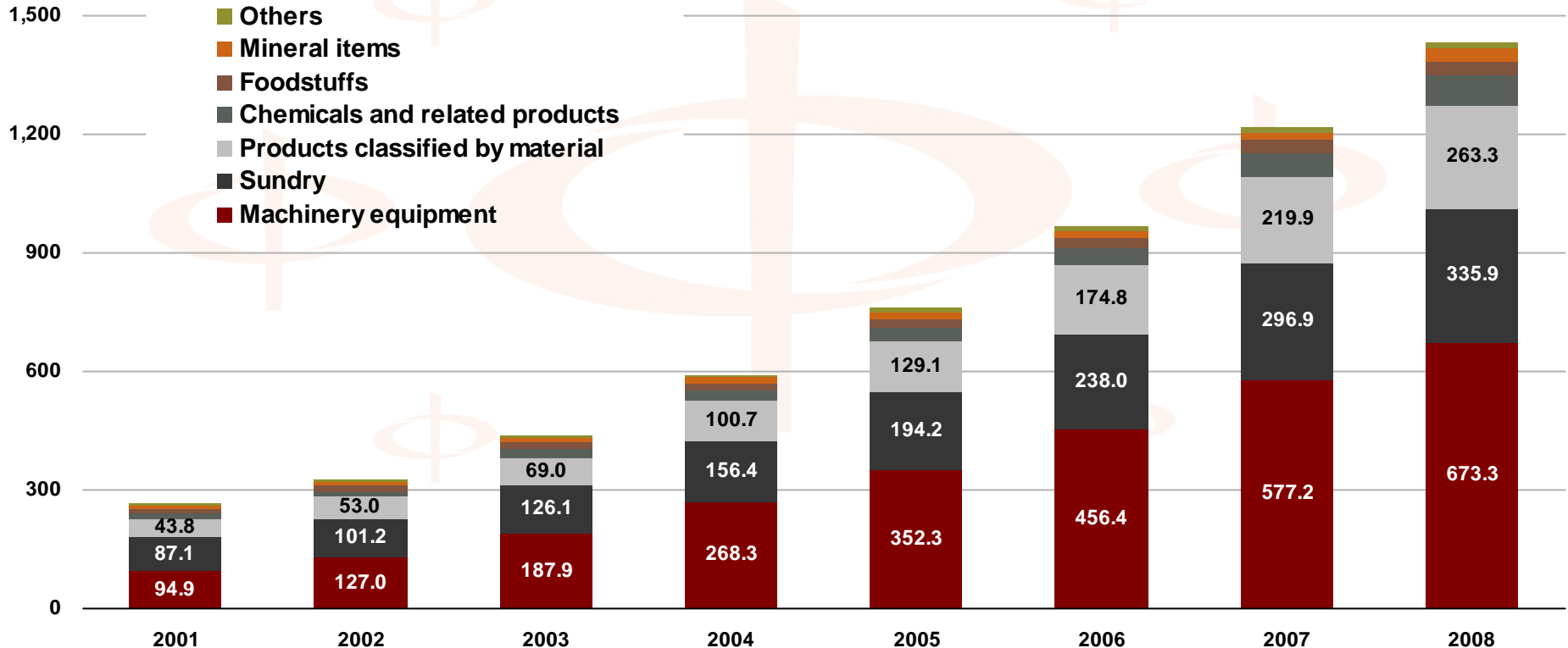




COMMONLY REGARDED AS THE WORLD'S FACTORY FLOOR, CHINA IS KNOWN FOR ITS COMPETITIVE PRODUCTS

This is supported by the fact that the bulk of the country's exports are manufactured goods

Export Commodity Composition¹ (USD bn, 2001-2008)



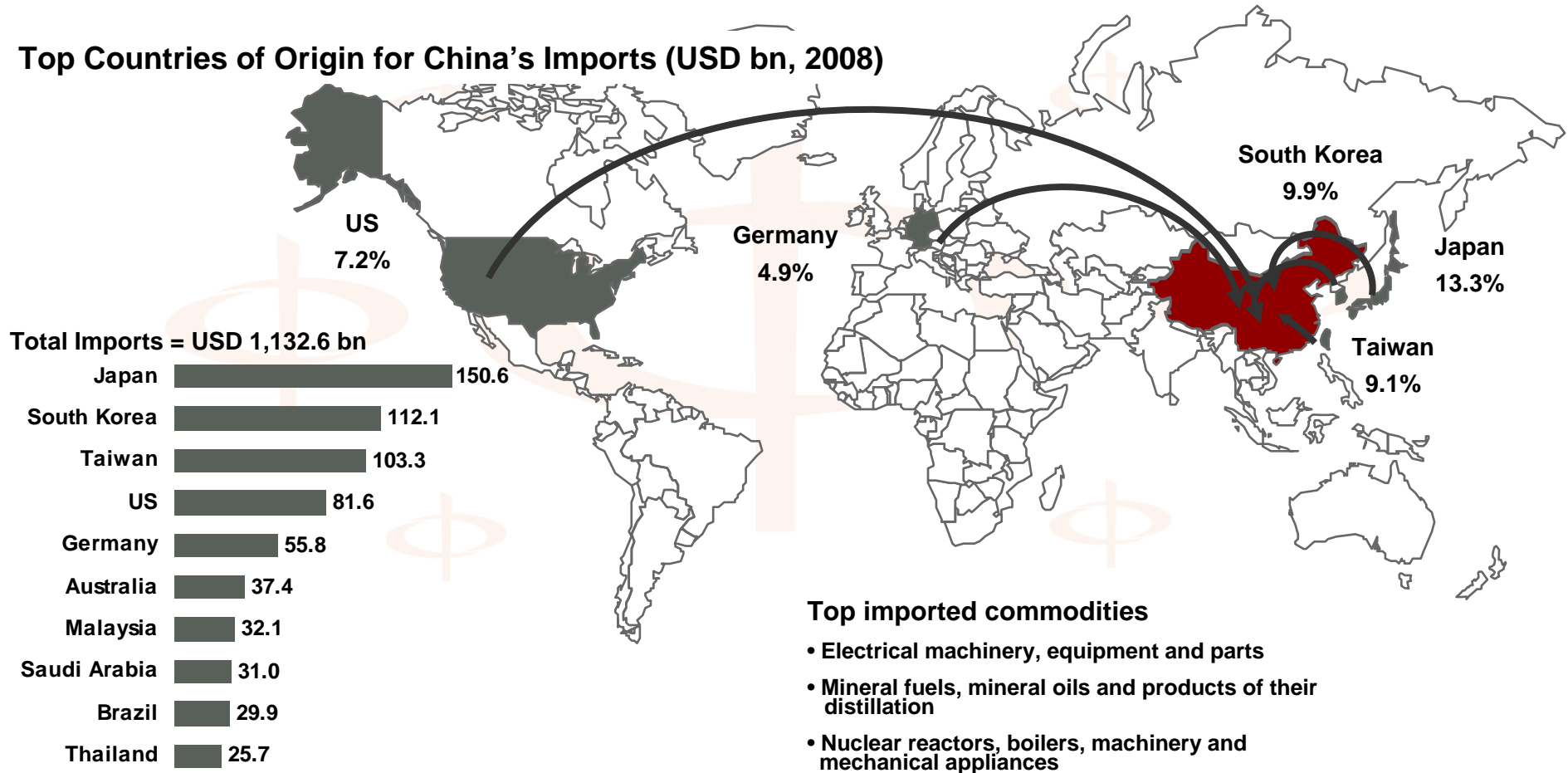
1. SITC Classification System
 Source: MOFCOM; THE BEIJING AXIS Analysis



45% OF CHINA'S IMPORTS COME FROM JAPAN, SOUTH KOREA, TAIWAN, THE US AND GERMANY

In 2008, Japan and South Korea were the top suppliers, accounting for 23% of China's total imports

Top Countries of Origin for China's Imports (USD bn, 2008)

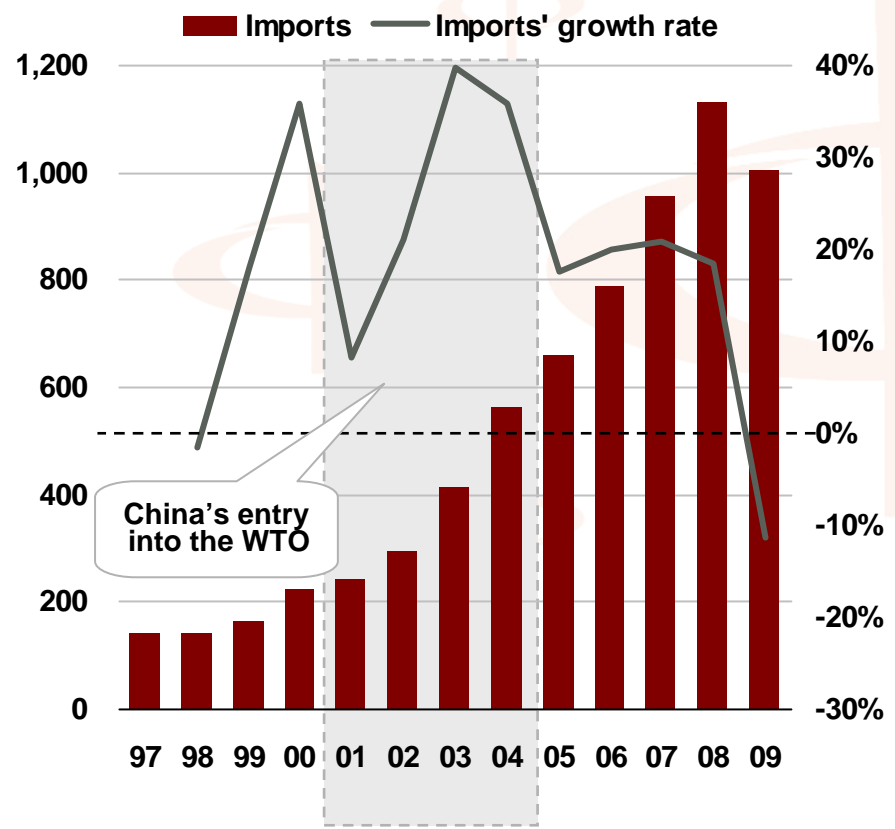




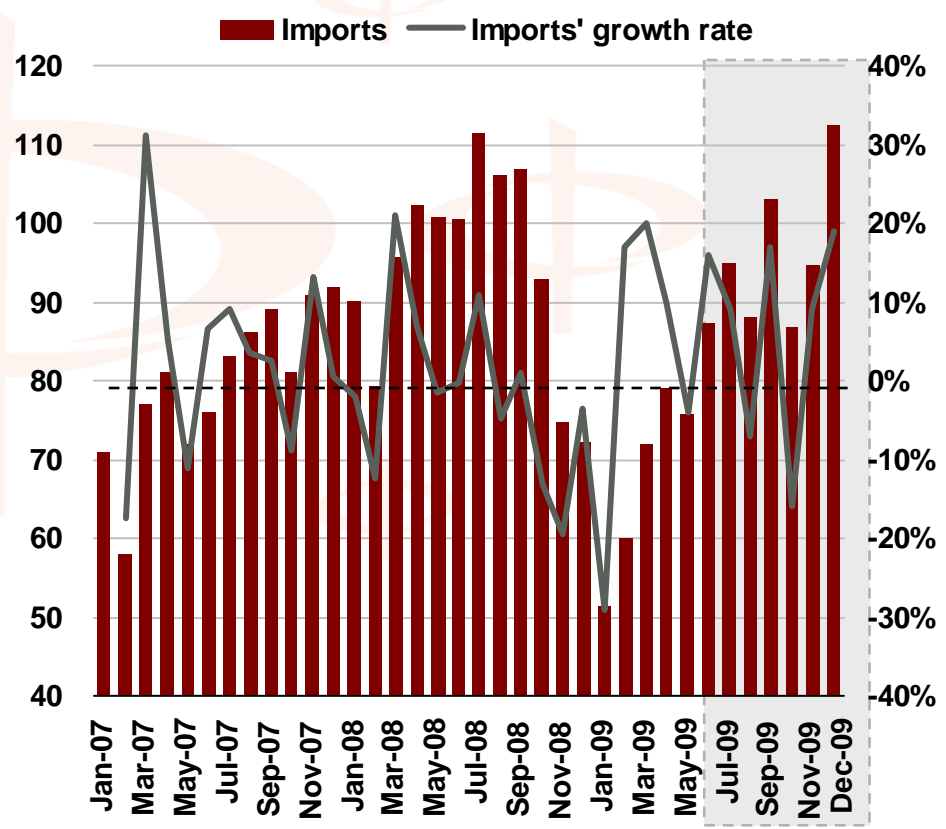
CHINA'S IMPORTS EXPERIENCED RAPID GROWTH AFTER THE COUNTRY'S ACCESSION TO THE WTO

Imports, battered by the crisis, stopped free-falling in February 2009, and kept growing up to the end of the year

Annual Imports (USD bn, 1997-2009)



Monthly Imports (USD bn, 2007-2009)

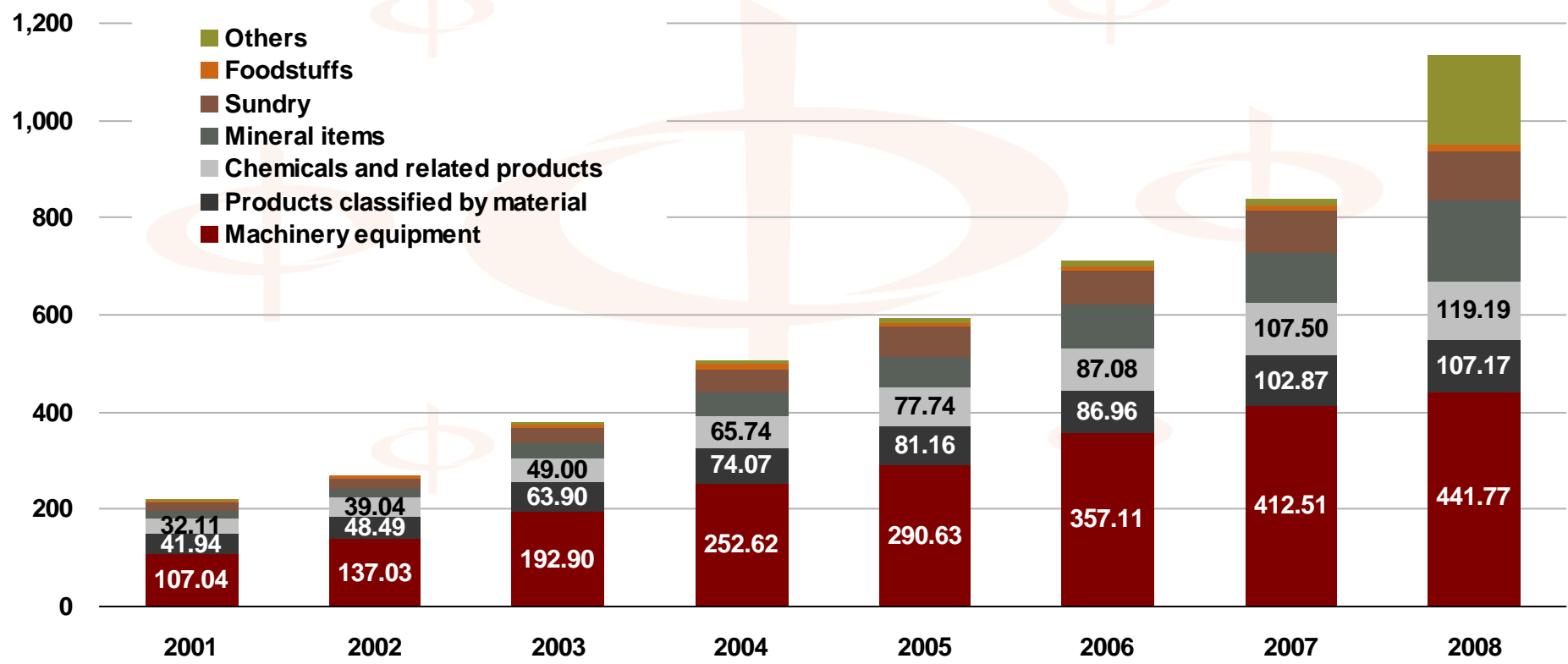




AS AN ECONOMIC SUPERPOWER WITH AN AMBITIOUS DEVELOPMENT PLAN, CHINA NEEDS IMPORTED GOODS

The majority of these imports are machinery equipment, chemicals and related products, as well as, of course, minerals

Import Commodity Composition¹ (USD bn, 2001-2008)



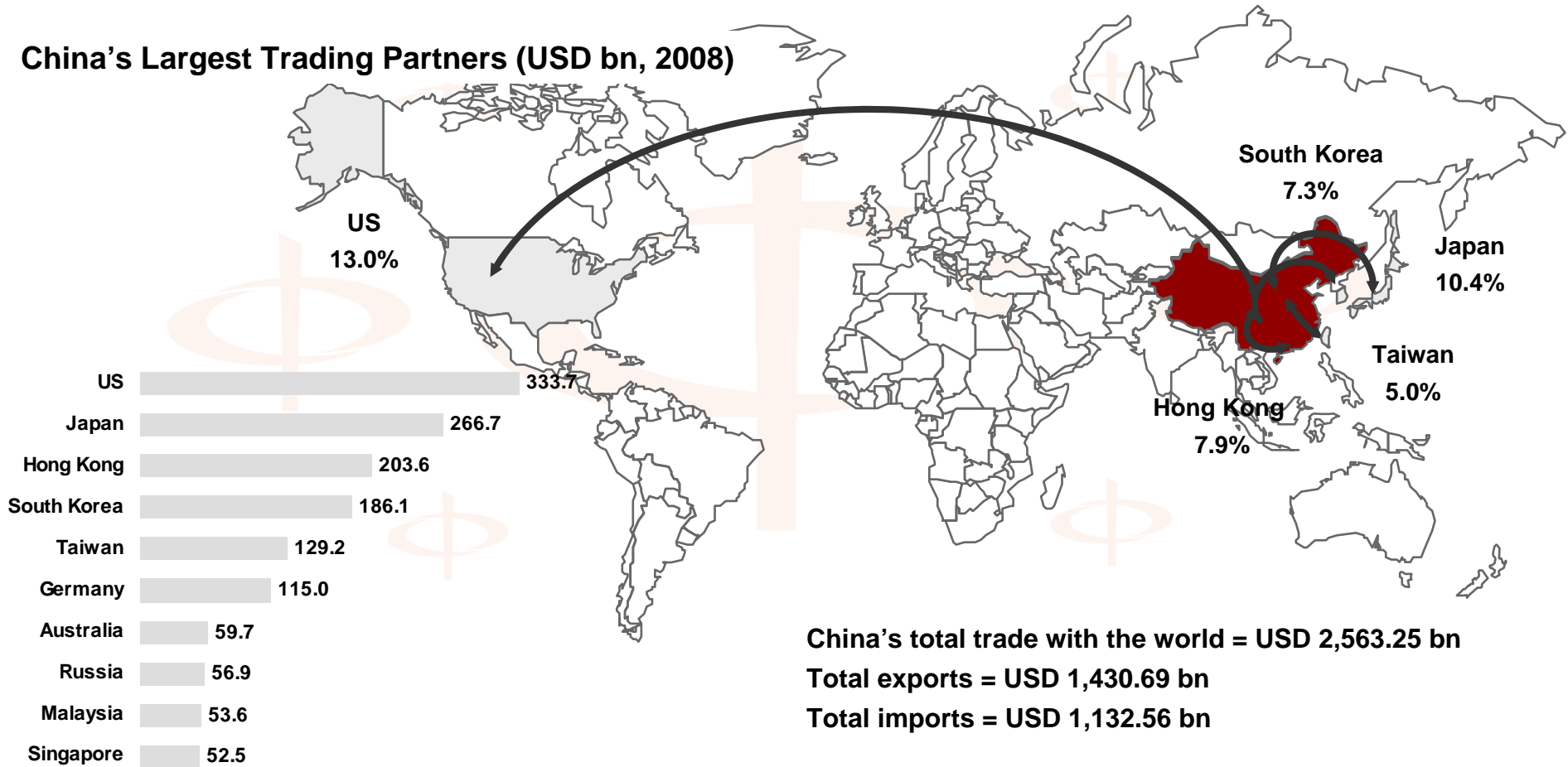
1. SITC Classification System
 Source: MOFCOM; THE BEIJING AXIS Analysis



44% OF CHINA'S TOTAL TRADE IS WITH THE US, JAPAN, HONG KONG, SOUTH KOREA, AND TAIWAN

The US accounted for USD 334 billion in 2008

China's Largest Trading Partners (USD bn, 2008)

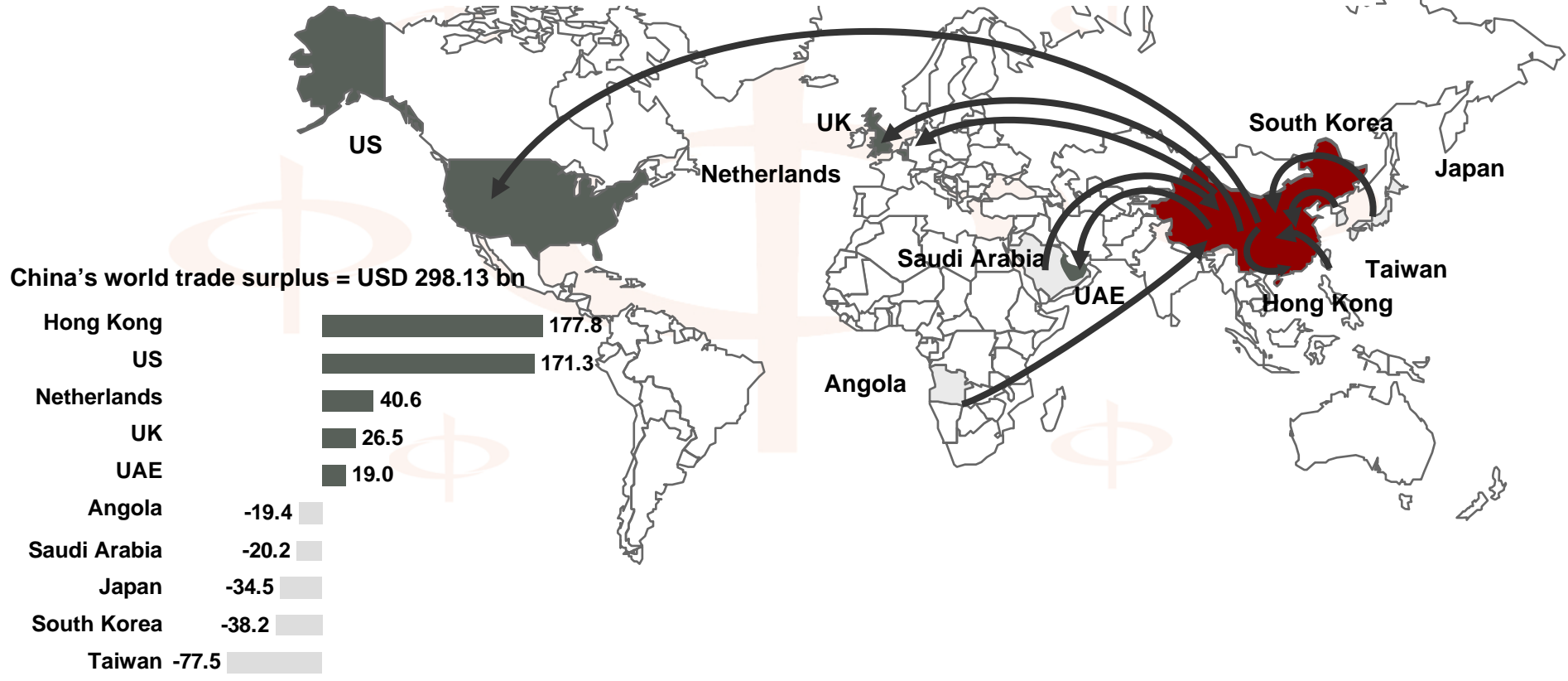




CHINA HAS A LARGE TRADE SURPLUS WITH HONG KONG AND THE US, WHILE IT HAS A TRADE DEFICIT WITH TAIWAN AND S. KOREA

The larger share of China's trade deficit is centered in Asia Pacific

China's Trade Balance with the Five Largest Surplus and Deficit Regions (USD bn, 2008)

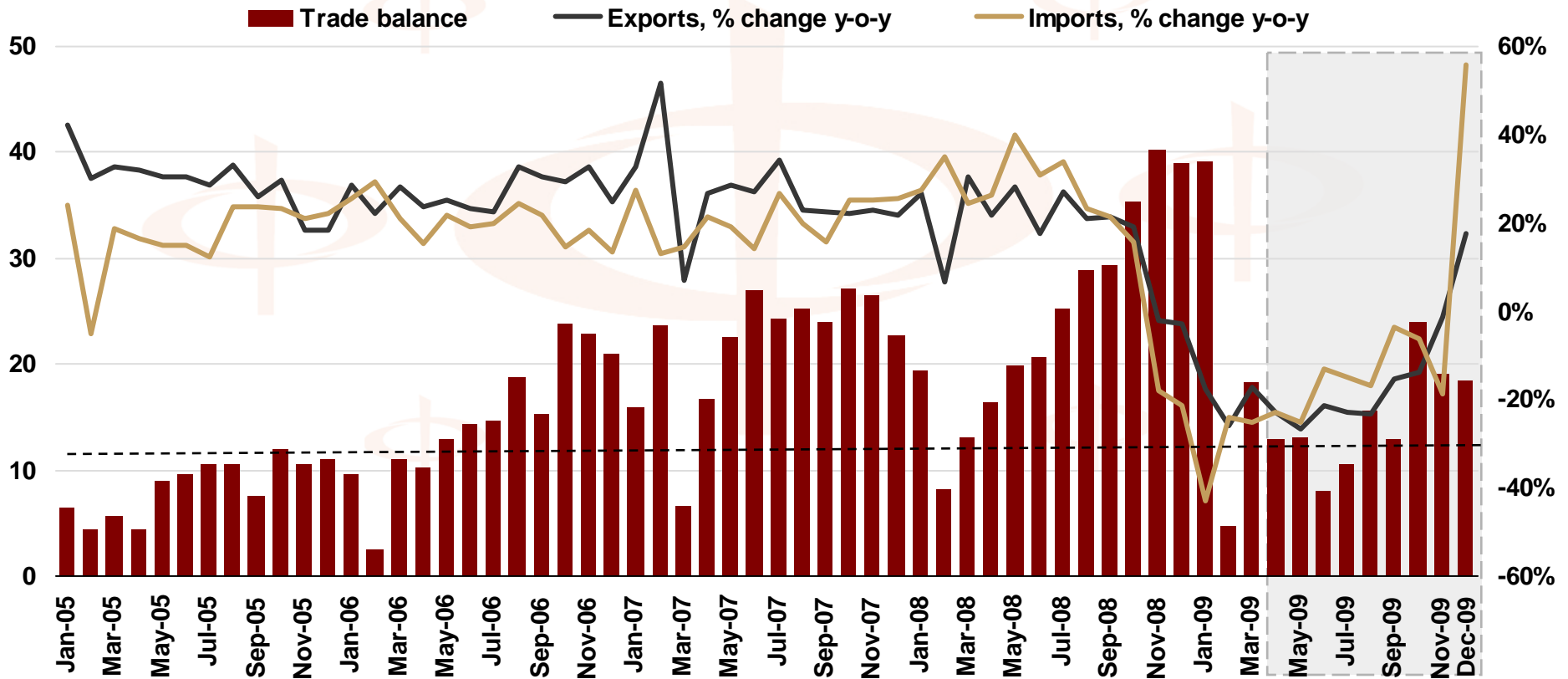




THE JANUARY 09 USD 39.1 BILLION TRADE SURPLUS WAS THE 2nd HIGHEST EVER AFTER THE USD 40.1 BILLION OF NOVEMBER 08

This surprising figure, at the height of the global crisis, was the result of plummeting imports that greatly exceeded the drop in exports

China's Monthly Trade Balance (USD bn, 2005-2009)

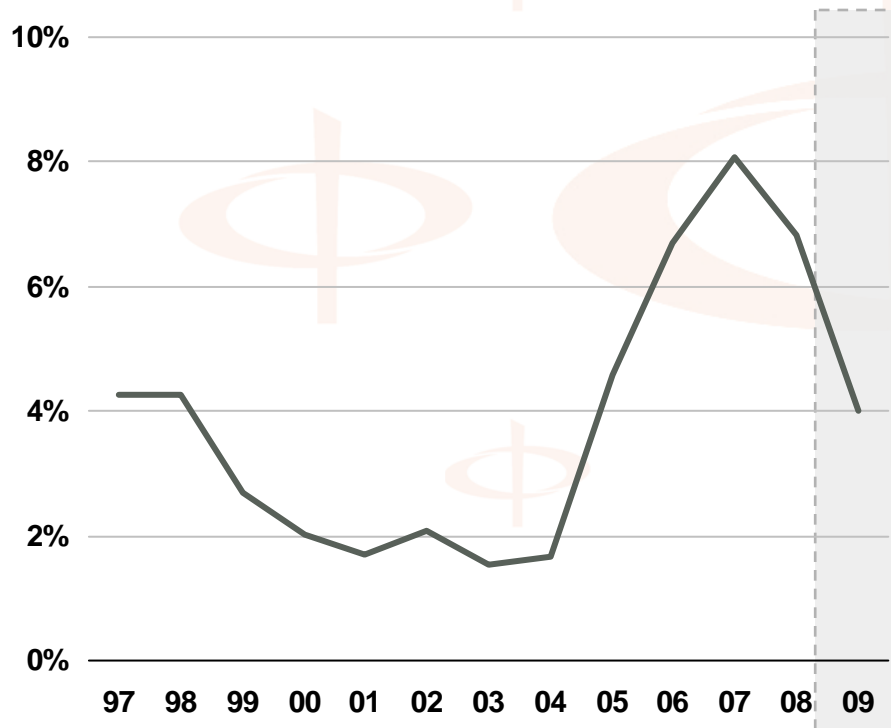




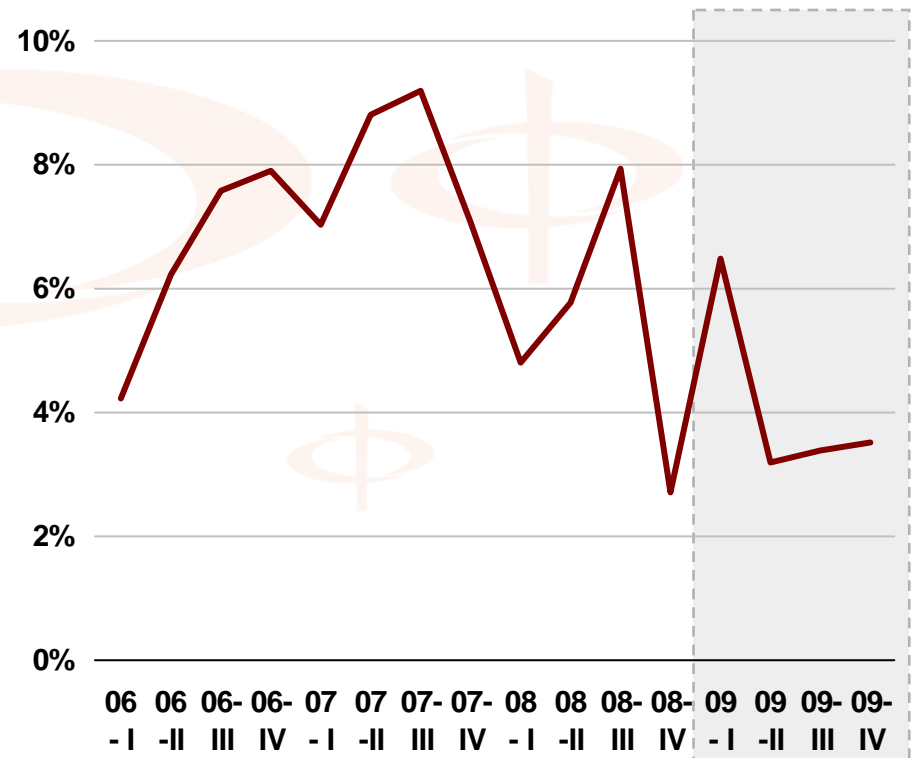
CHINA'S TRADE SURPLUS PEAKED AT AROUND 8% OF GDP IN 2007

However, the turbulent global environment caused China's trade to plunge in late 2008, leaving fixed investment and total consumption¹ as the primary drivers of GDP

Net Exports / Annual GDP (1997-2009)



Net Exports / Quarterly GDP (2006-2009)



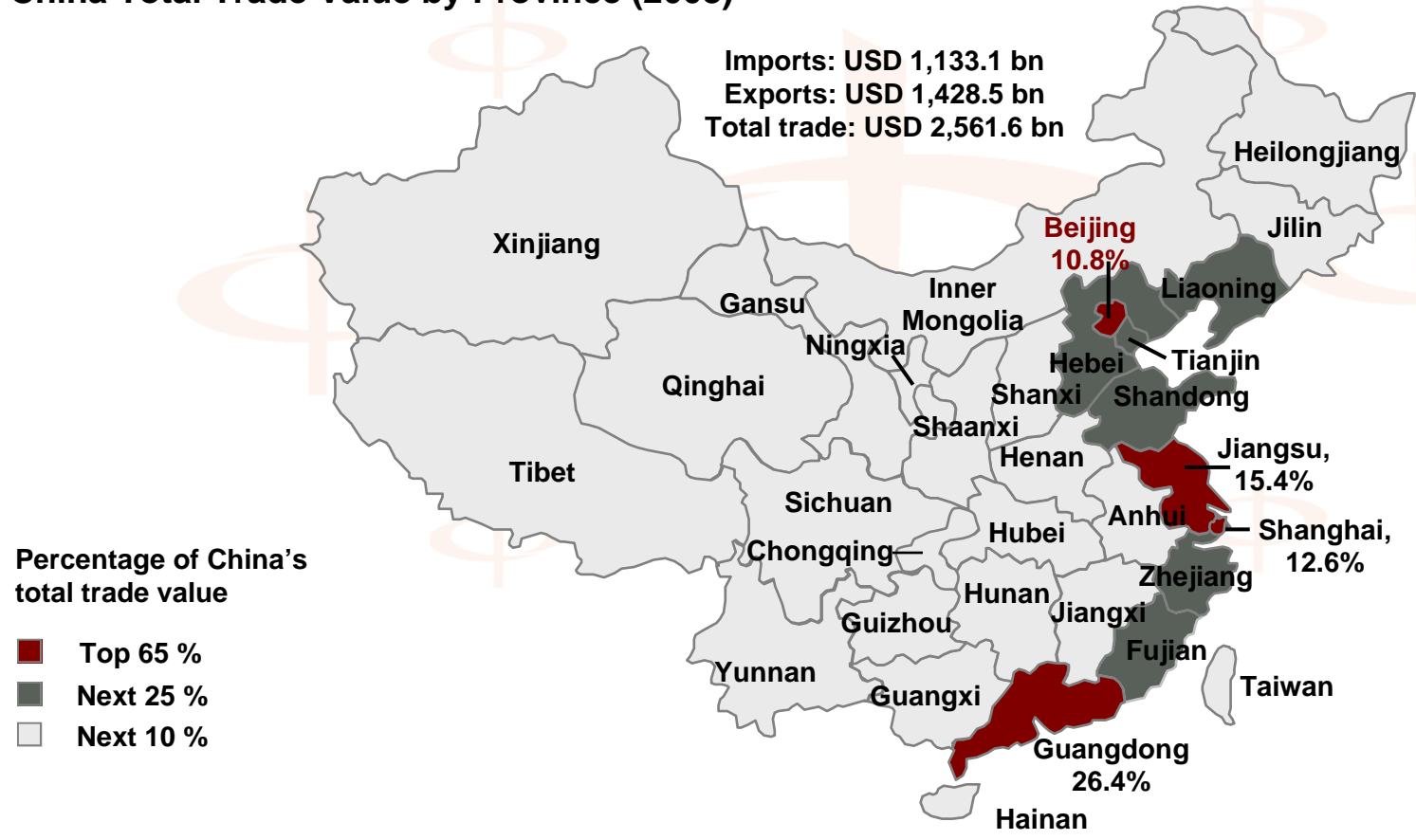
1. Total consumption = private household consumption + government consumption
 Source: China Statistical Yearbook; China Monthly Economic Indicators; THE BEIJING AXIS Analysis



90% OF CHINA'S TOTAL INTERNATIONAL TRADE VALUE IS CONCENTRATED IN NINE PROVINCES

These coastal areas also have the highest GDP, GDP per capita, retail sales, fixed asset investment, FDI, and personal income

China Total Trade Value by Province (2008)





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About THE BEIJING AXIS

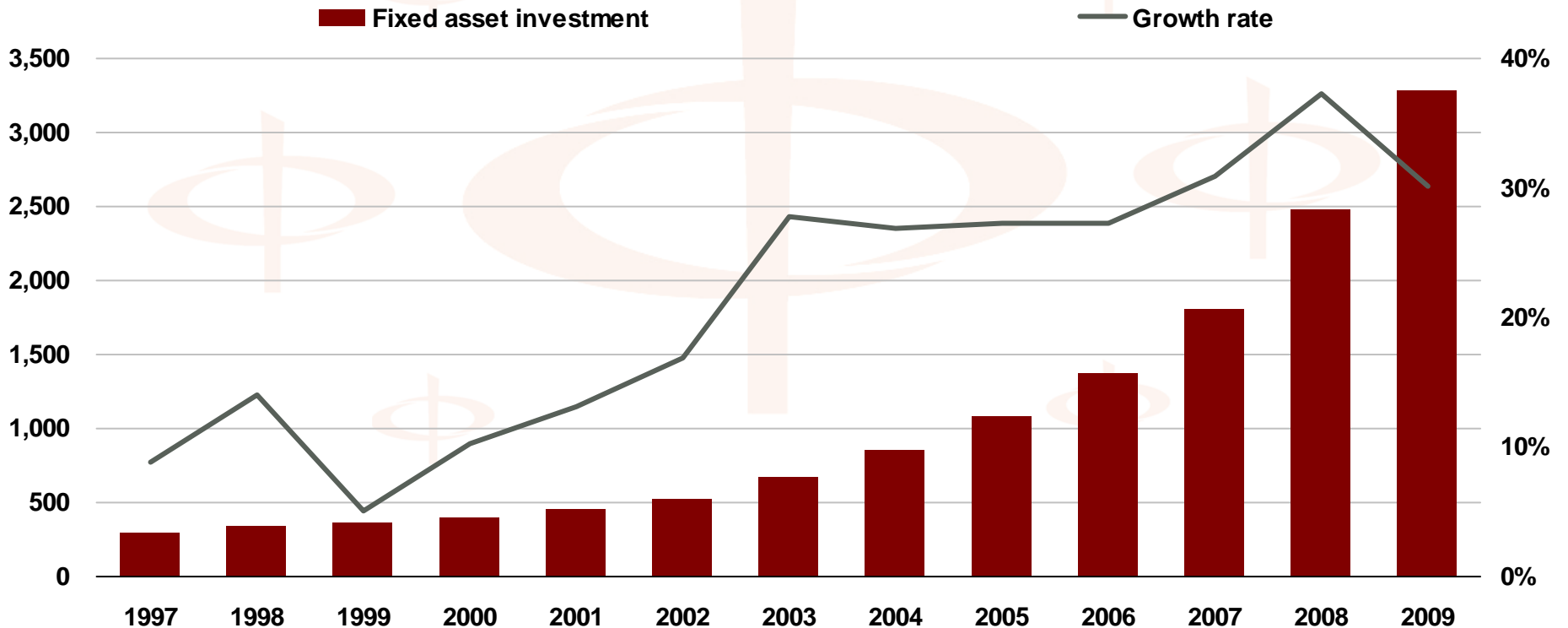
Disclaimer



CHINA HAS DEPENDED HEAVILY ON INVESTMENT FOR ITS ECONOMIC GROWTH

Fixed asset investment has been growing at an increasing pace since 1999, reaching 3,286 billion in 2009

Fixed Asset Investment (USD bn, 1997-2009)

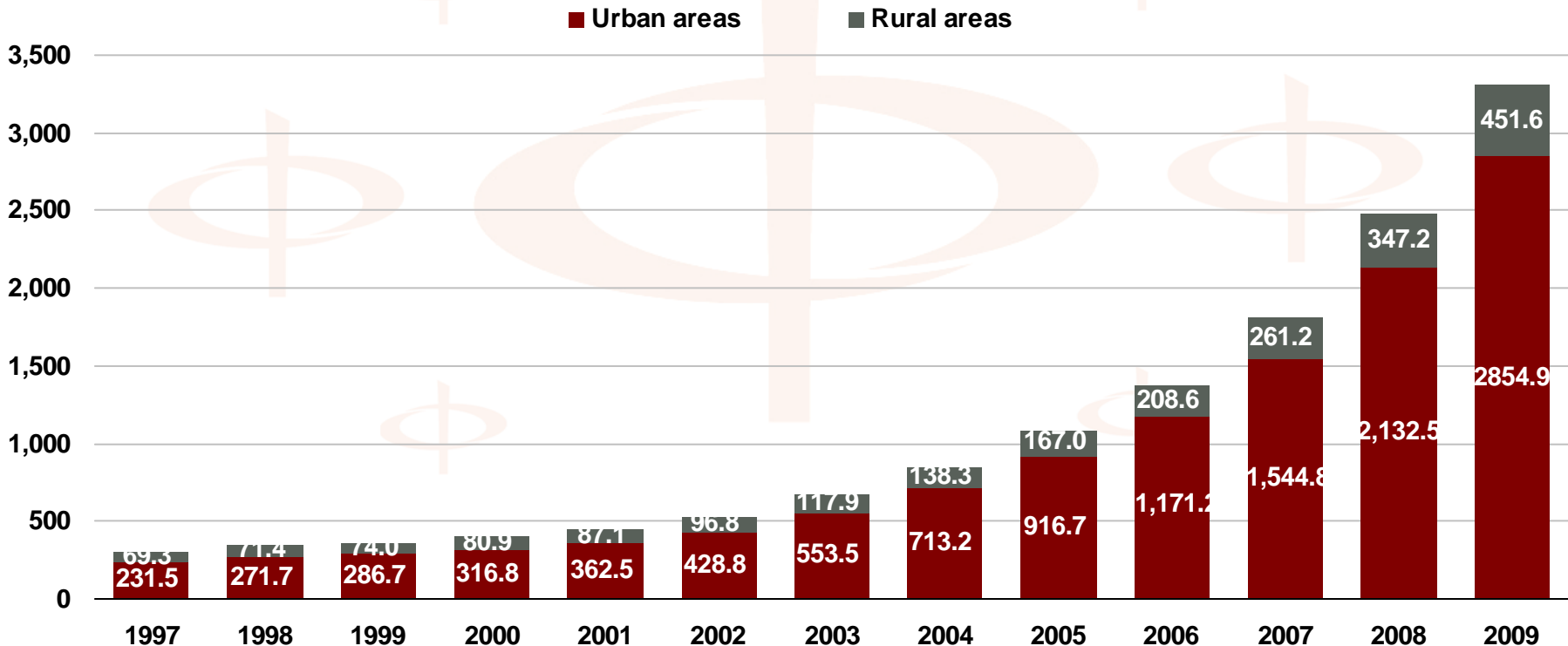




MORE THAN 80% OF CHINA'S FIXED ASSET INVESTMENT HAS OCCURRED IN URBAN AREAS

In 2008, China's total fixed asset investment was USD 3,206.5 billion, of which 86% was invested in urban areas

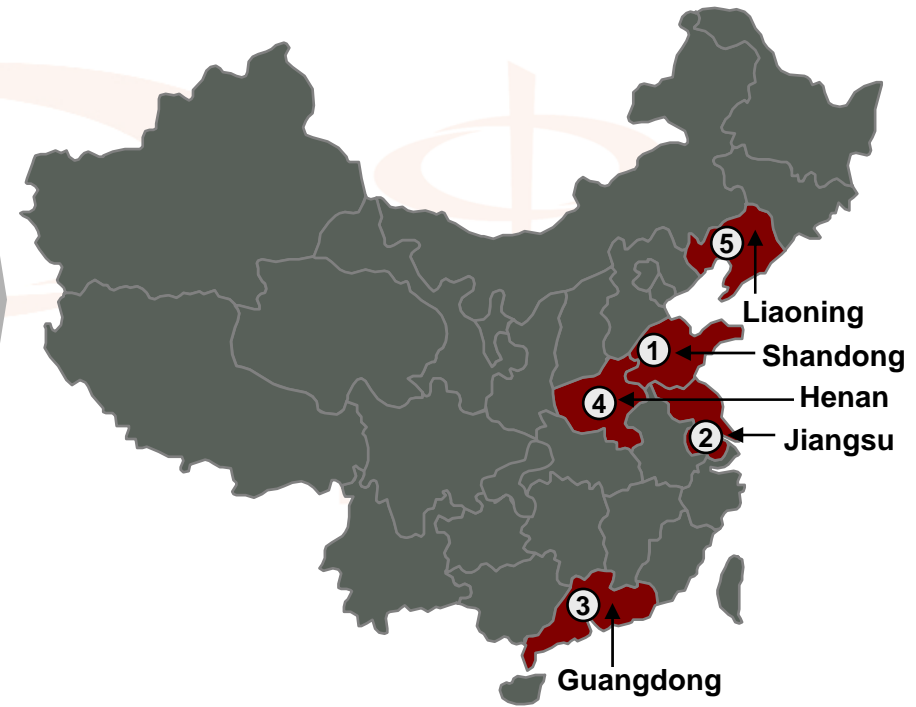
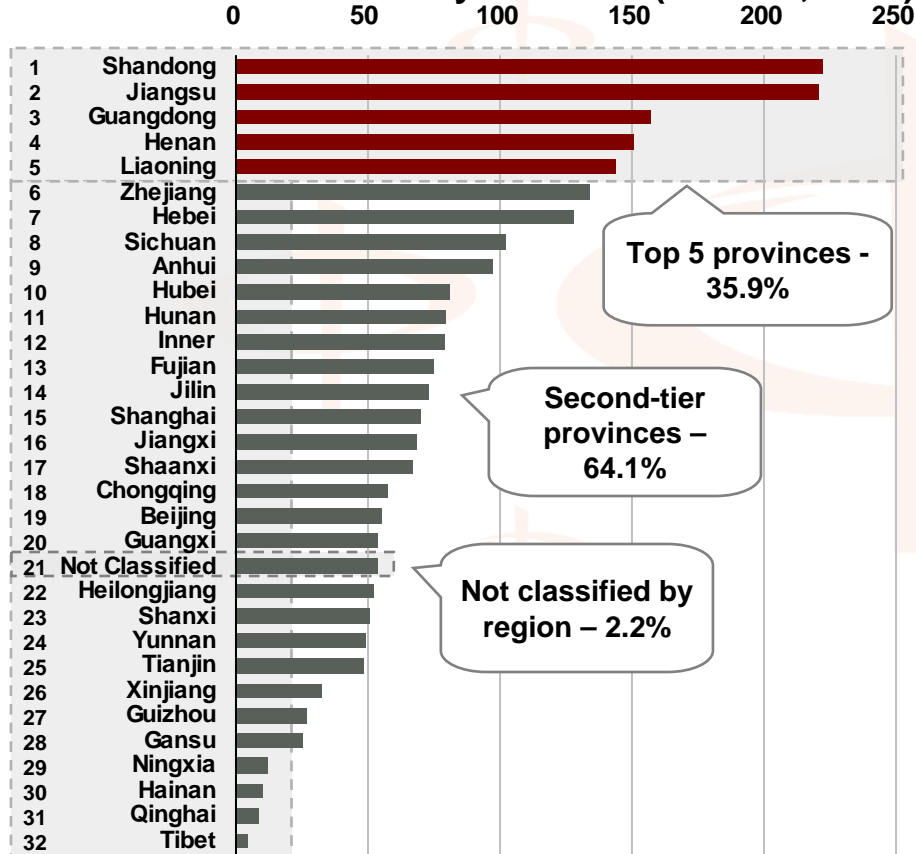
Total Investment in Urban and Rural Areas (USD bn, 1997-2009)



CHINA'S FIXED ASSET INVESTMENT IS PRIMARILY FOCUSED ON THE COASTAL PROVINCES

China's coastal provinces have greater demand for fixed asset investment due to the development of their economies

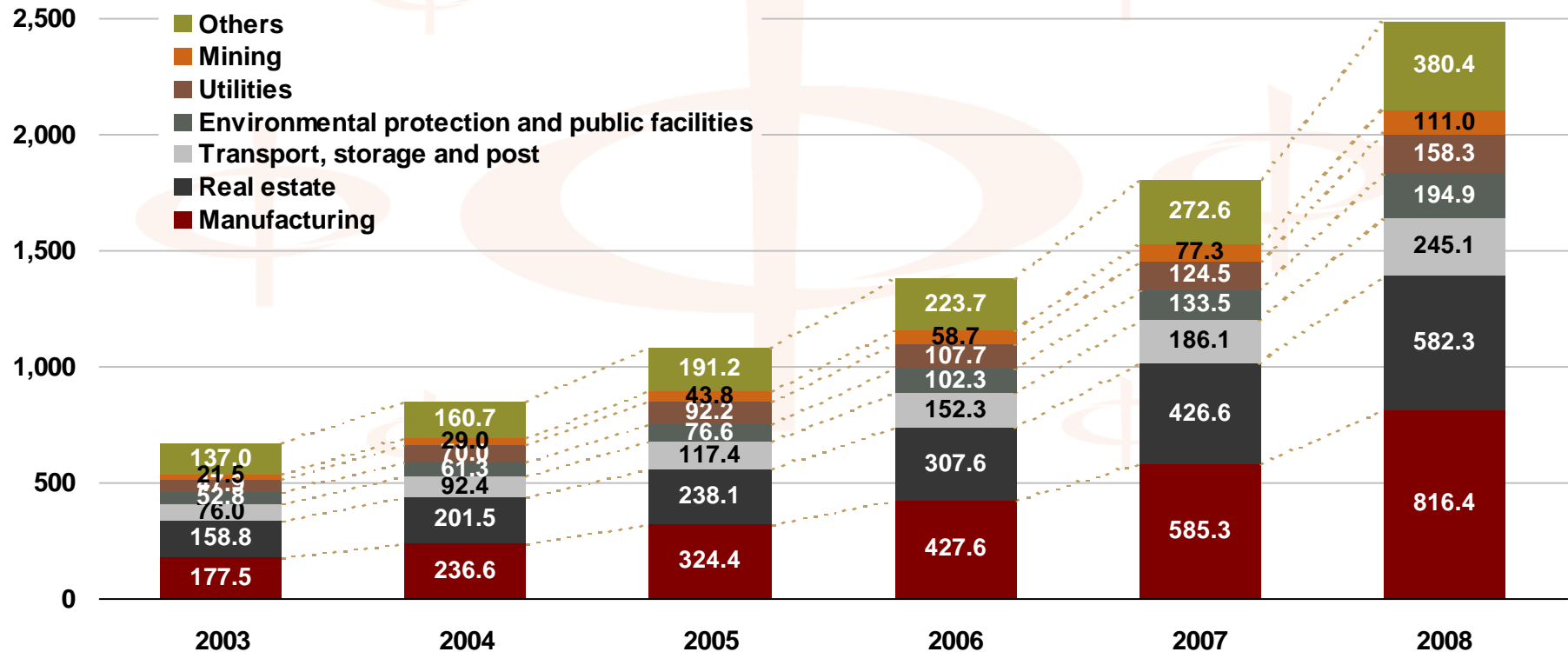
Fixed Asset Investment by Province (USD bn, 2008)



MANUFACTURING AND REAL ESTATE HAVE BEEN THE TOP TWO SECTORS FOR ATTRACTING FIXED ASSET INVESTMENT

China's ongoing industrialisation has prompted an increasing amount of investment in some sectors, especially manufacturing

Fixed Asset Investment by Sector (USD bn, 2003-2008)

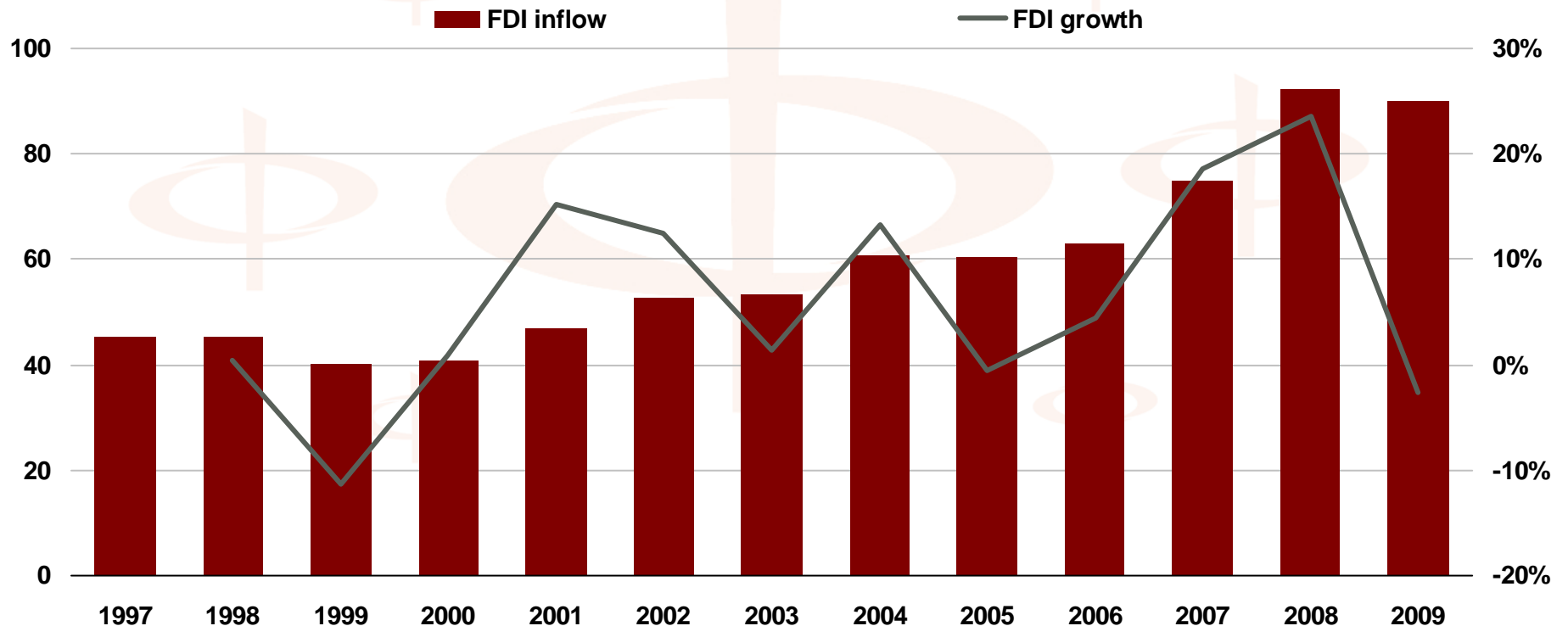




FDI FLOWS INTO CHINA HAVE BEEN GROWING STEADILY THROUGHOUT THE LAST DECADE

China's low manufacturing costs, large market potential and attractive investment environment are key factors in attracting FDI

FDI Inflow (USD bn, 1997-2008)

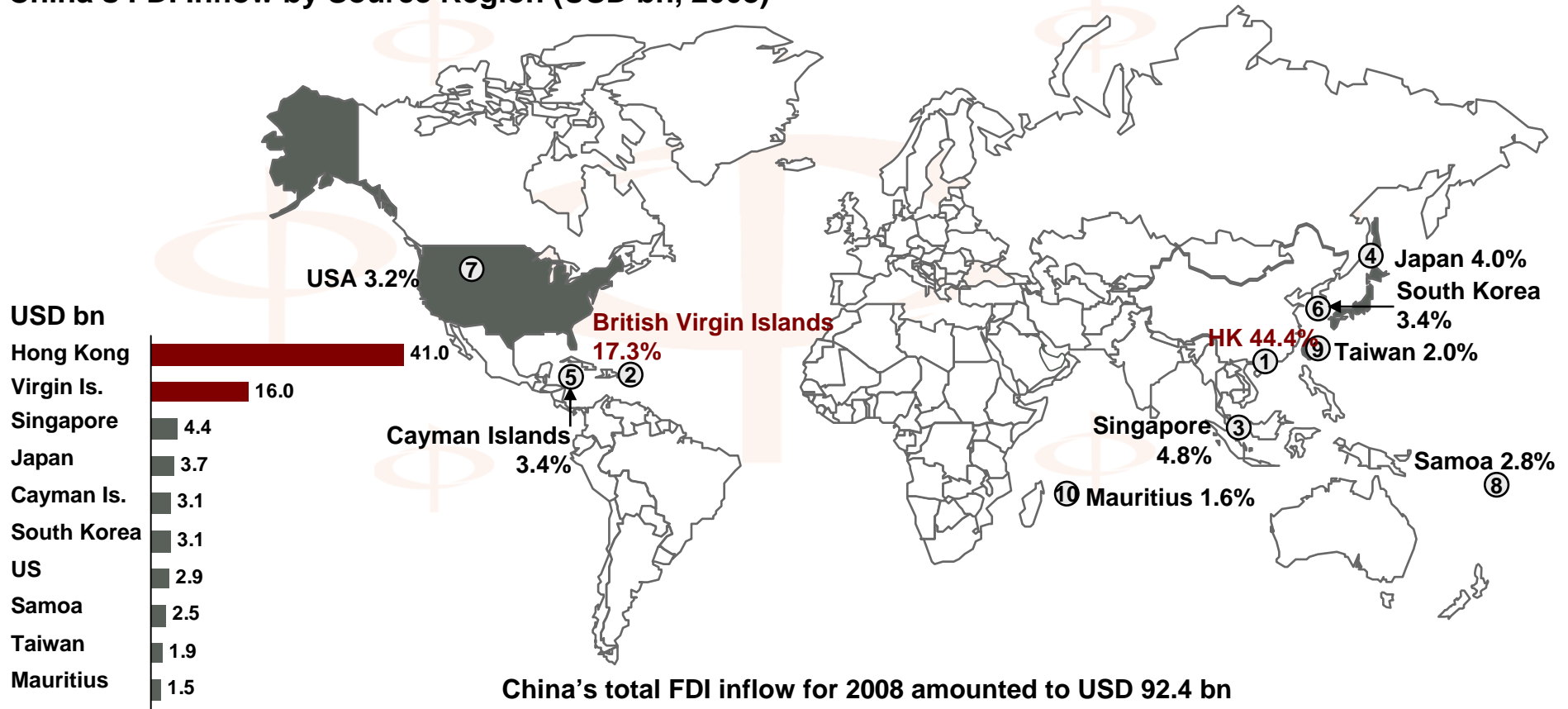


Note: FDI = foreign direct investment
 Source: IMF; MOFCOM; THE BEIJING AXIS Analysis

OFFSHORE FINANCIAL CENTRES HAVE BEEN THE TOP 'SOURCES' OF FDI FOR CHINA

In 2008, 87% of China's FDI came from ten countries, but the true countries of origin are hidden by the use of HK, BVI, Cayman Islands, Mauritius, etc.

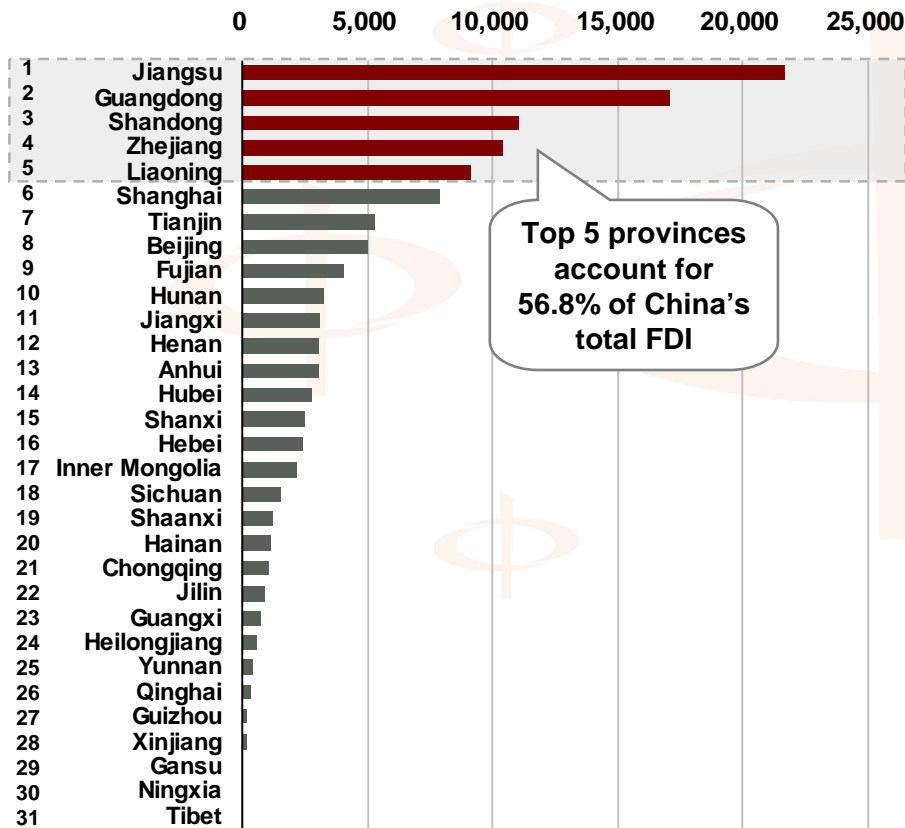
China's FDI Inflow by Source Region (USD bn, 2008)



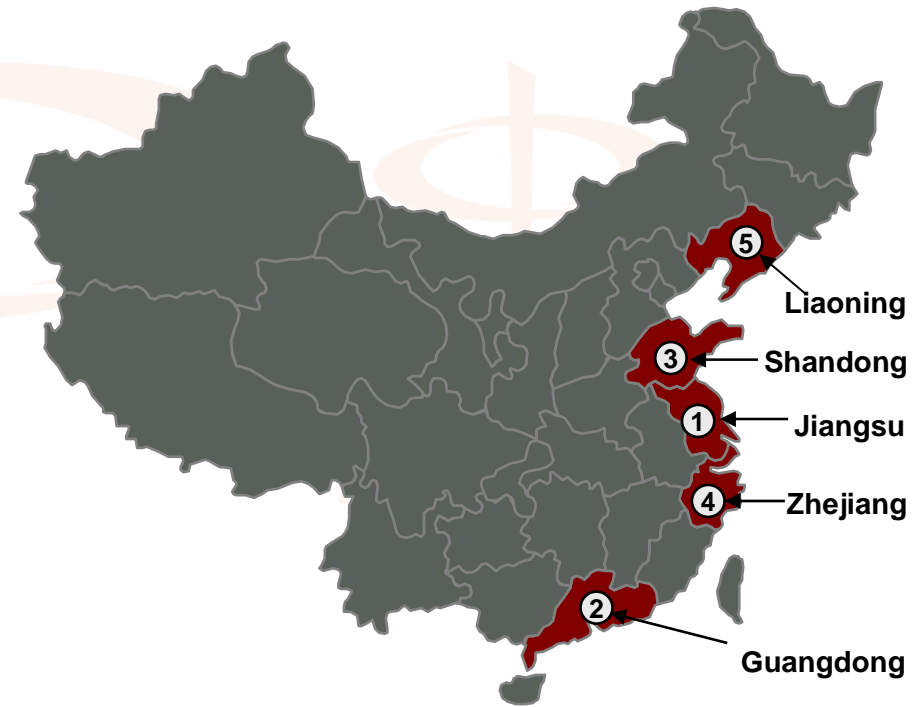
CHINA'S COASTAL PROVINCES HAVE ATTRACTED SUBSTANTIALLY MORE FDI THAN INLAND PROVINCES

Larger market size, infrastructure and the more attractive nature of the business environment are key drivers for attracting FDI to coastal provinces

FDI Inflow by Province (USD mn, 2007)



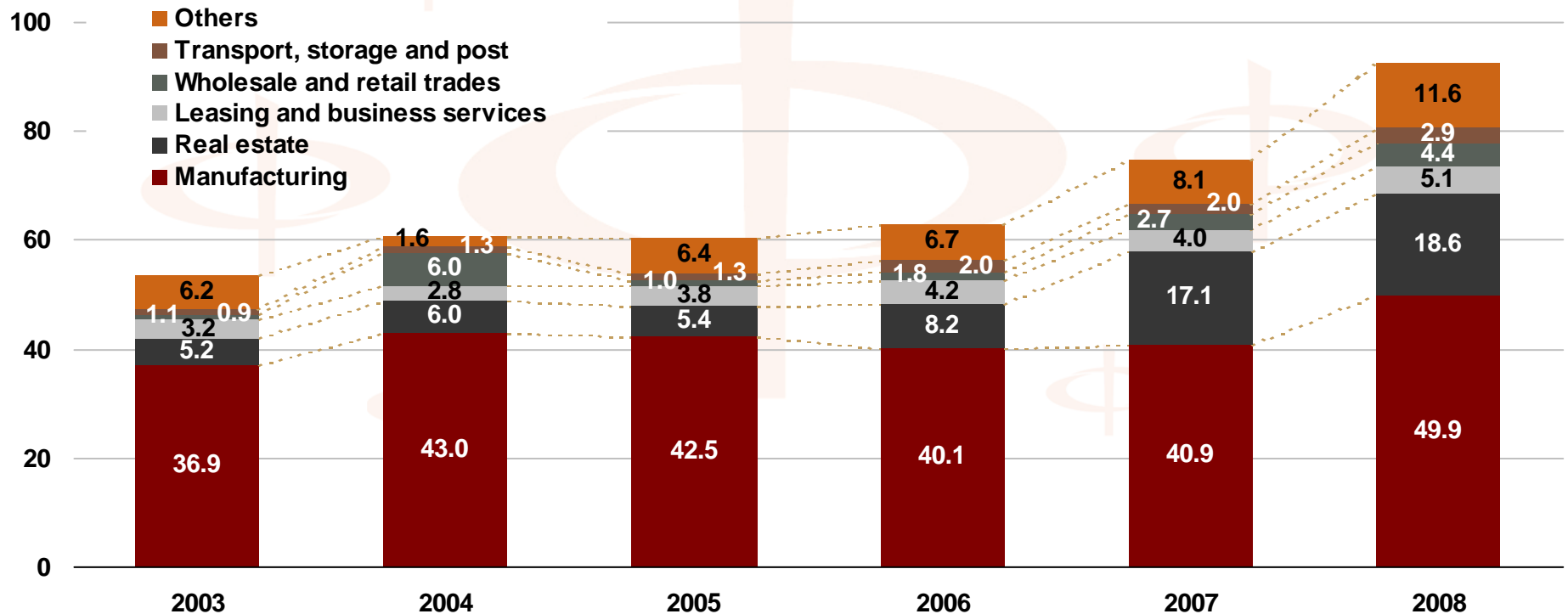
Top 5 provinces account for 56.8% of China's total FDI



ALMOST HALF OF CHINA'S FDI HAS BEEN INVESTED IN ITS MANUFACTURING SECTOR

This is rooted in the context of China's industrialisation and the perceived status of the country as the world's factory floor

China's FDI Inflow by Sector (USD bn, 2003-2008)

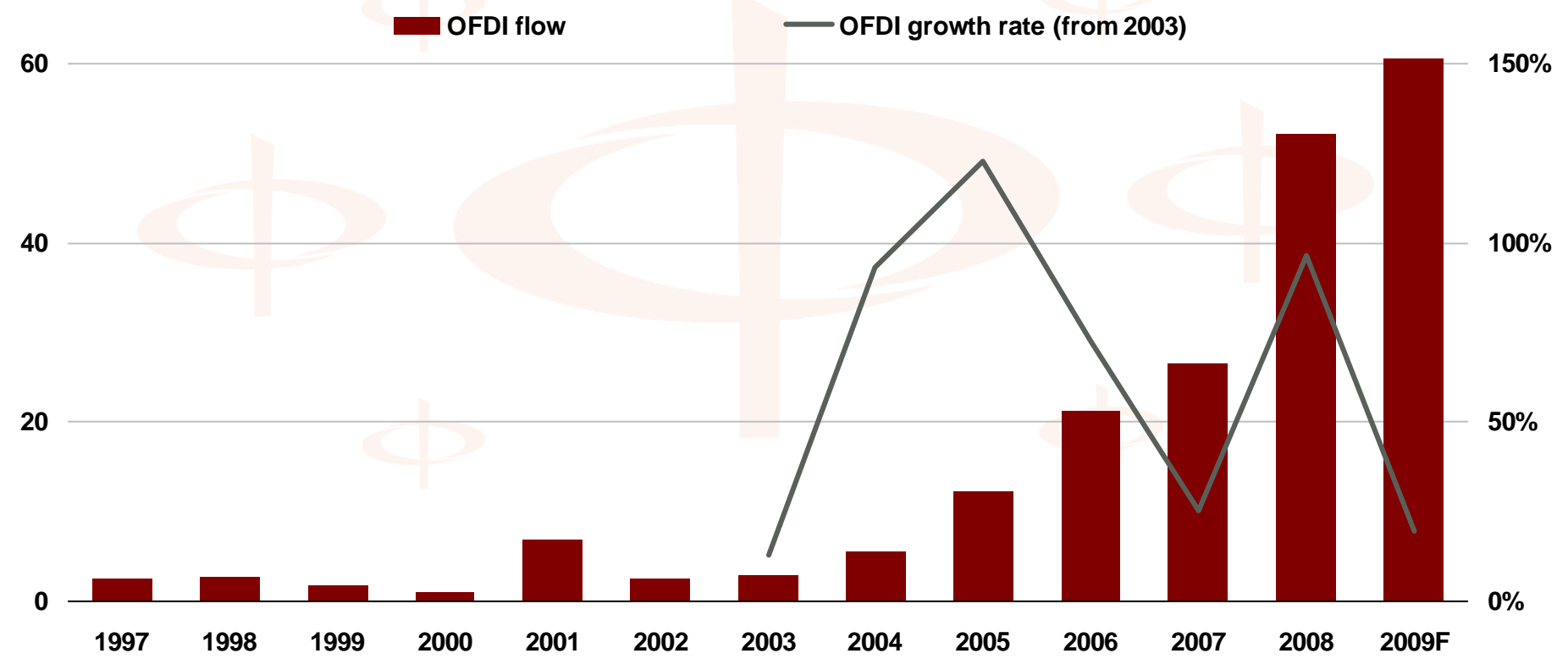




CHINA'S OUTBOUND FDI (OFDI) HAS SEEN SHARP GROWTH IN RECENT YEARS

Over the past five years China has become more active in its OFDI activities, driven by its increasing need for new markets, technology and resources

China Outward FDI Flow (USD bn, 1997-2008)

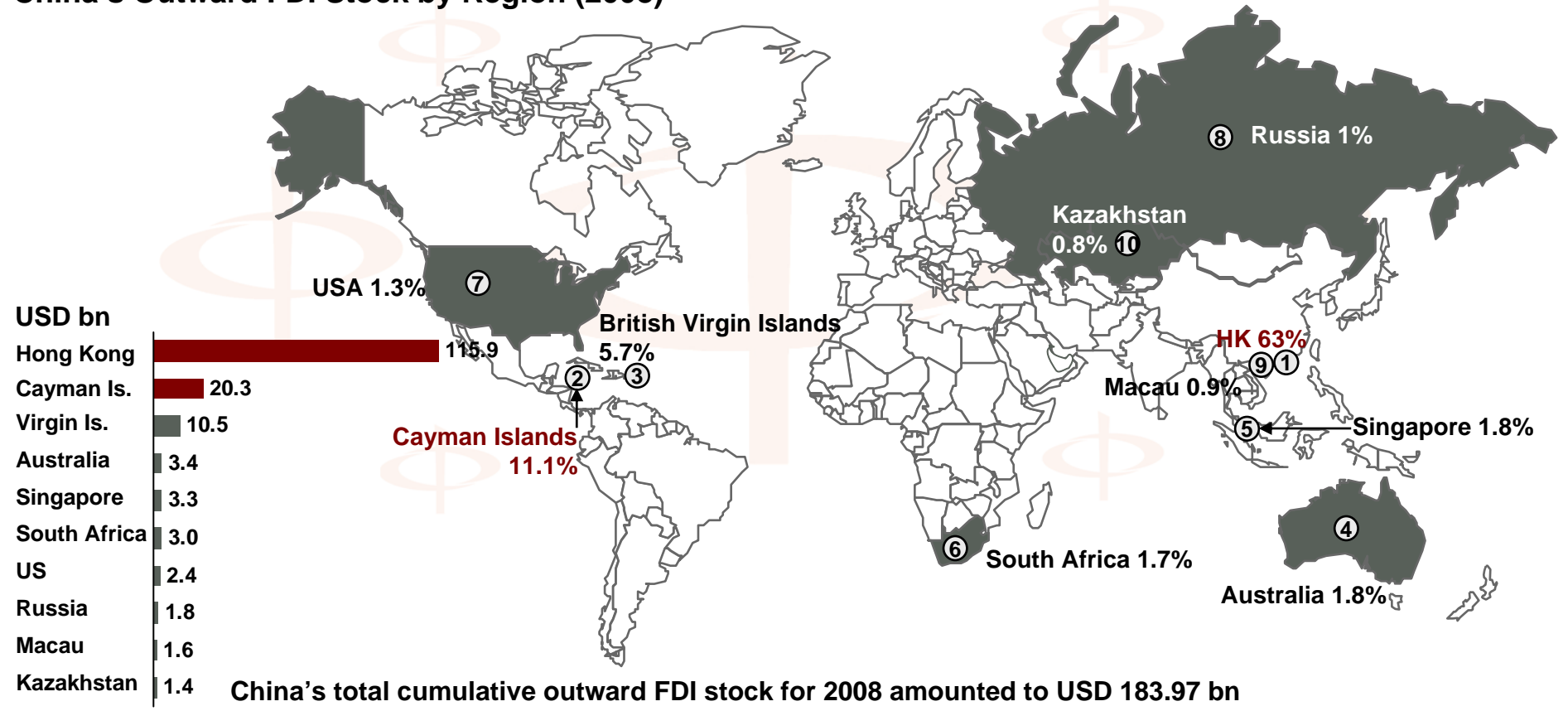




CHINA'S OFDI HAS EXTENDED TO ALL CONTINENTS

Usually via international financial centres such as HK, Cayman Islands and BVI

China's Outward FDI Stock by Region (2008)

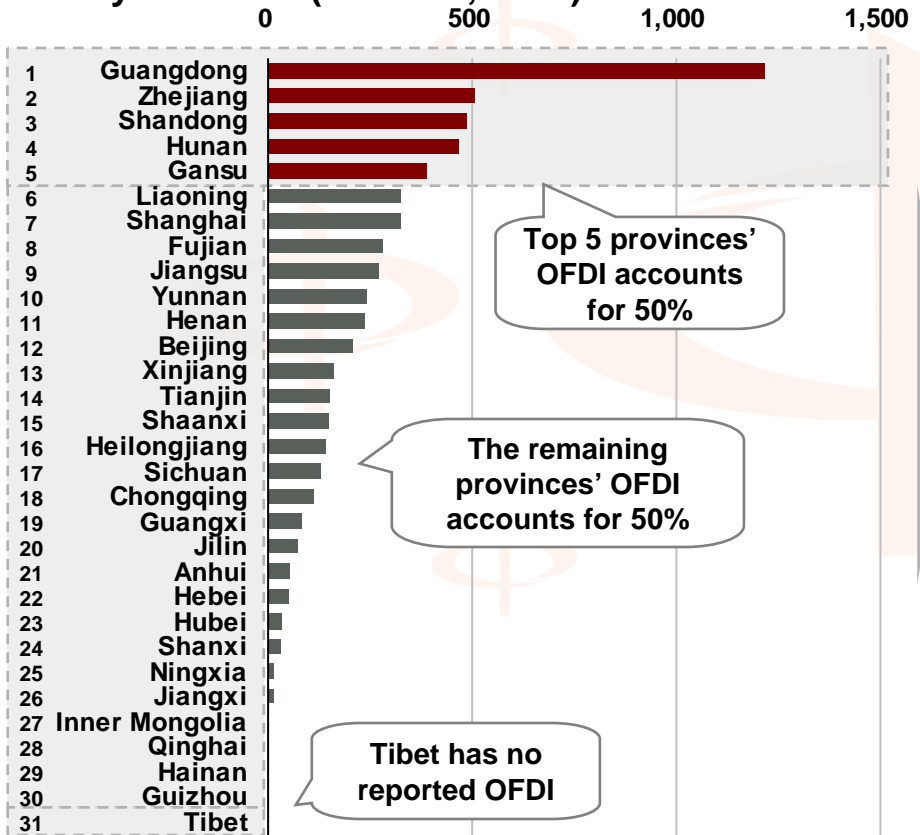




IN 2008, HALF OF CHINA'S NON-FINANCIAL OFDI CAME FROM FIVE PROVINCES

Unlike with FDI, Chinese sources of OFDI are not restricted to the coastal areas

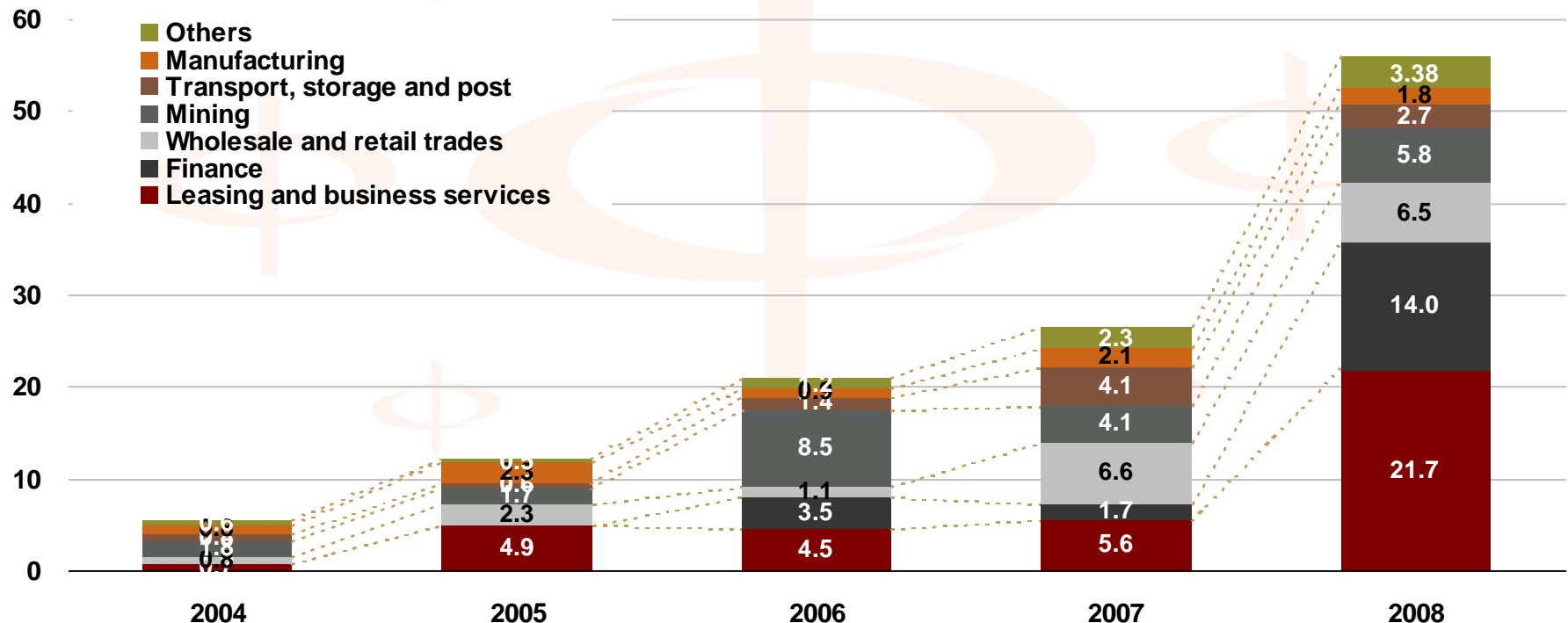
OFDI by Province (USD mn, 2008)



CHINA'S OFDI COVERS MANY SECTORS BUT THERE IS A DISPROPORTIONATE FOCUS ON CERTAIN SECTORS

A substantial portion of China's outward investments are in leasing and business services, mining, wholesale and retail trades, and in manufacturing

China OFDI Flow by Sector (USD bn, 2004-2008)



Note: Business services includes investment in holding companies, regional headquarters and SPVs often established in offshore financial centers from where investments are made in other countries and sectors; Finance includes investments in the banking industry such bank branch offices, bank affiliated institutions, bank rep. offices and insurance institutions; Wholesale and retailing, as well as transportation, warehousing and postal services are closely linked with China export and import activities



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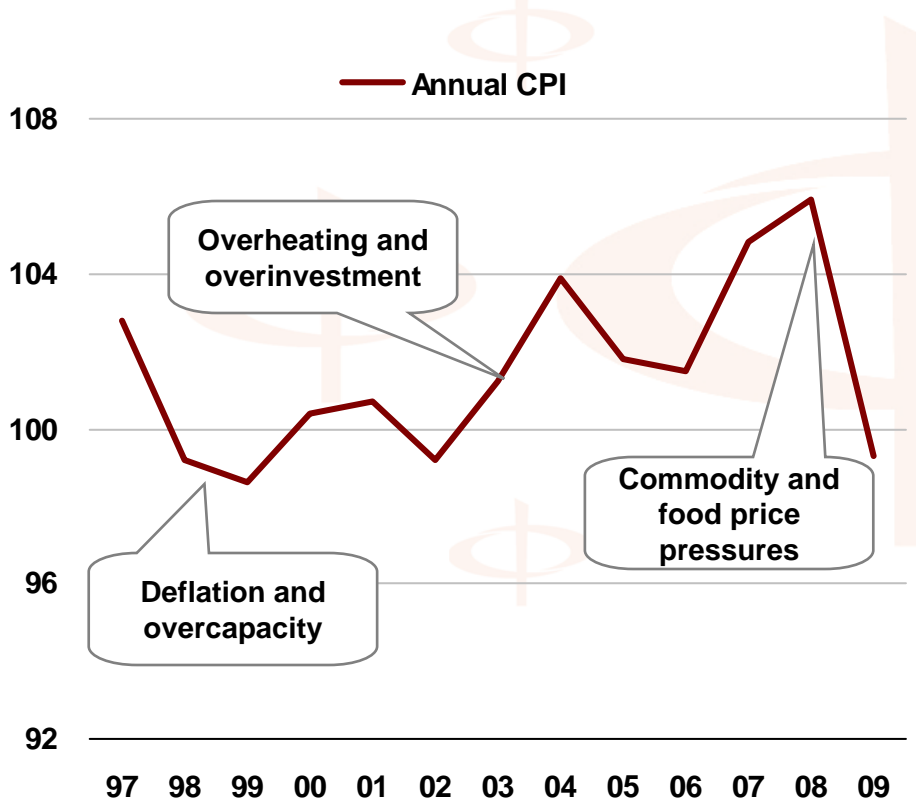
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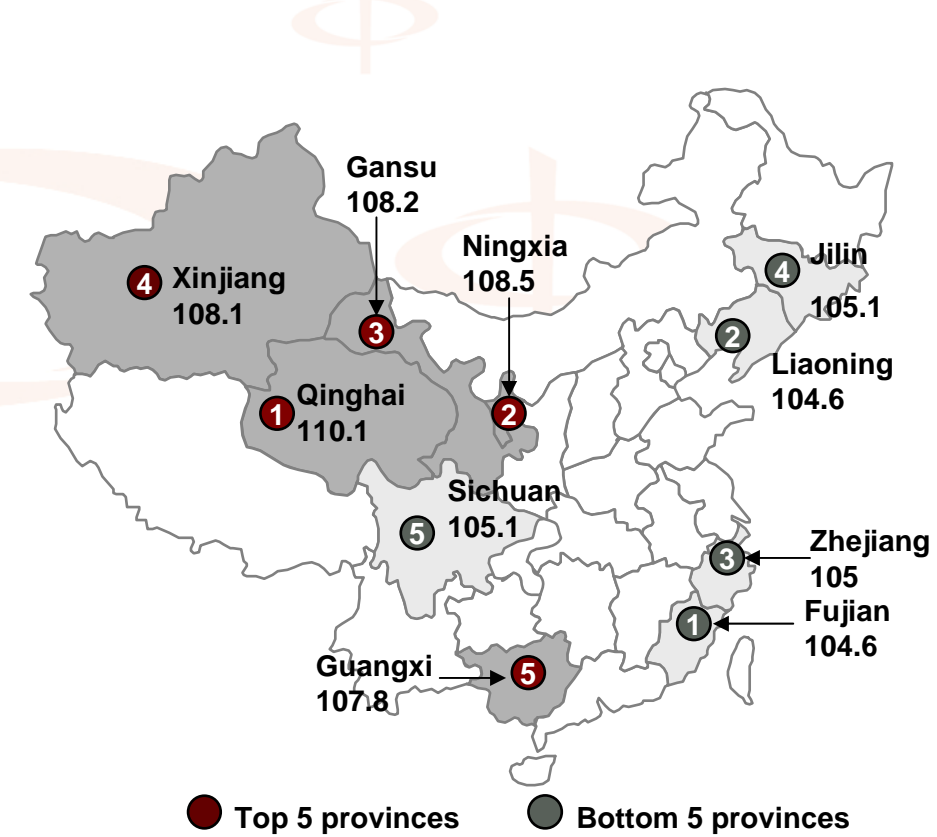
CHINA HAS SEEN PHASES OF INFLATION, DISINFLATION AND DEFLATION OVER THE PAST DECADE

In 2008, the provinces with the highest CPI were concentrated in western China while the provinces with the lowest CPI were concentrated along the coastline

Consumer Price Index Annual (1997-2009)¹



Consumer Price Index by Province (2008)¹



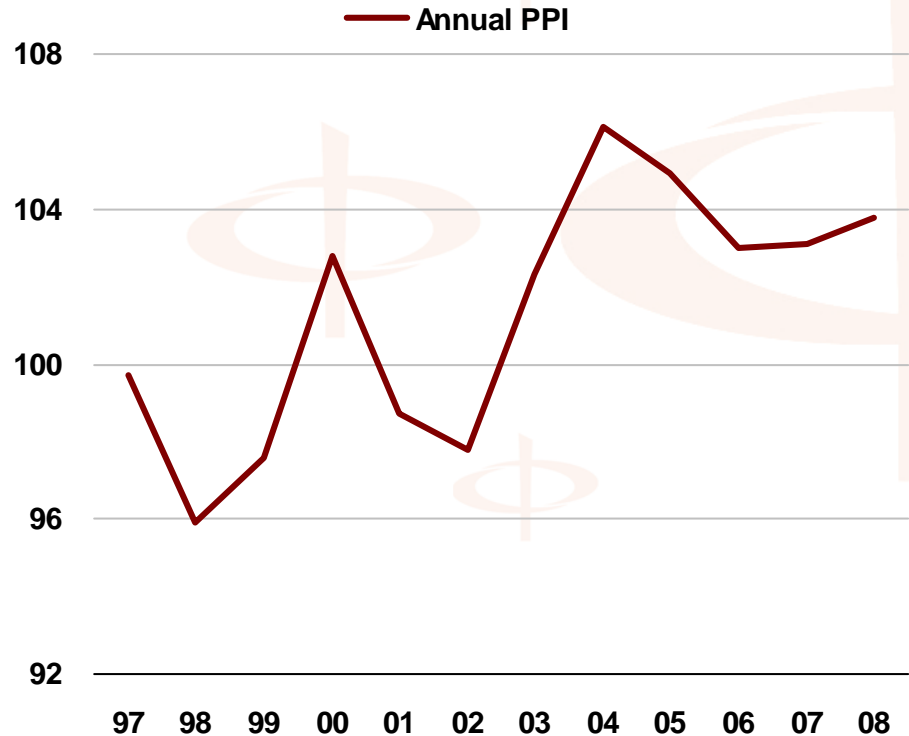
1. Preceding year = 100
 Source: China Statistical Yearbook; China Monthly Economic Indicators; THE BEIJING AXIS Analysis



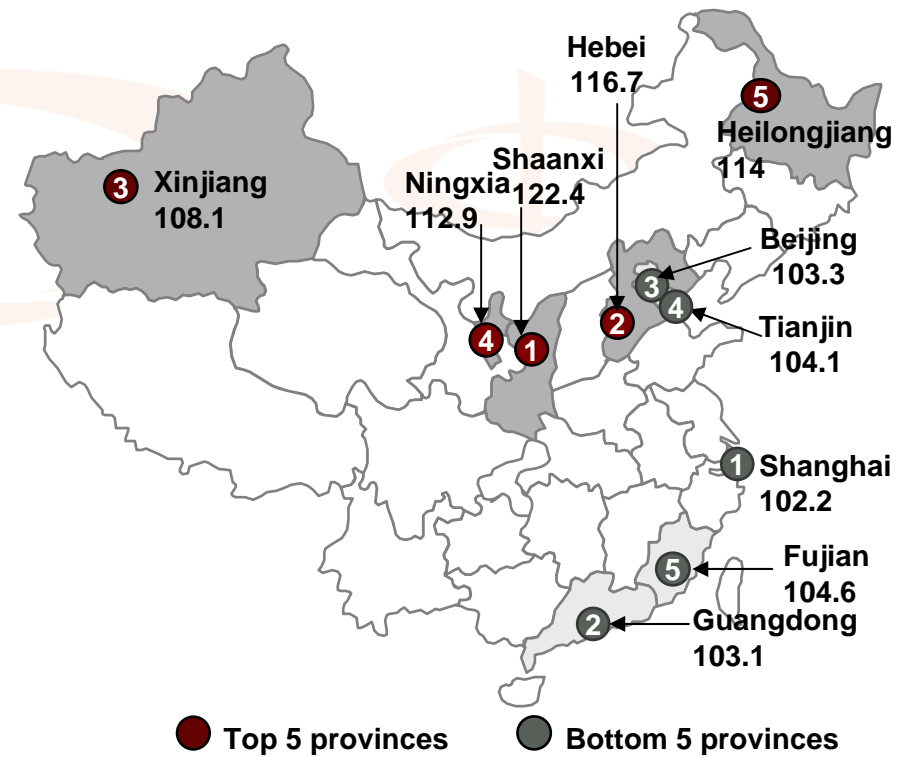
CHINA'S PPI HAS SEEN SIMILAR FLUCTUATIONS IN THE PAST DUE TO THE RISE IN RAW MATERIAL, FUEL AND ENERGY COSTS

In 2008, the regions with the lowest PPI were the coastal provinces of Fujian and Guangdong, and the directly controlled municipalities of Shanghai, Beijing, and Tianjin

Producer Price Index, Annual (1997-2008)¹



Producer Price Index by Province (2008)¹



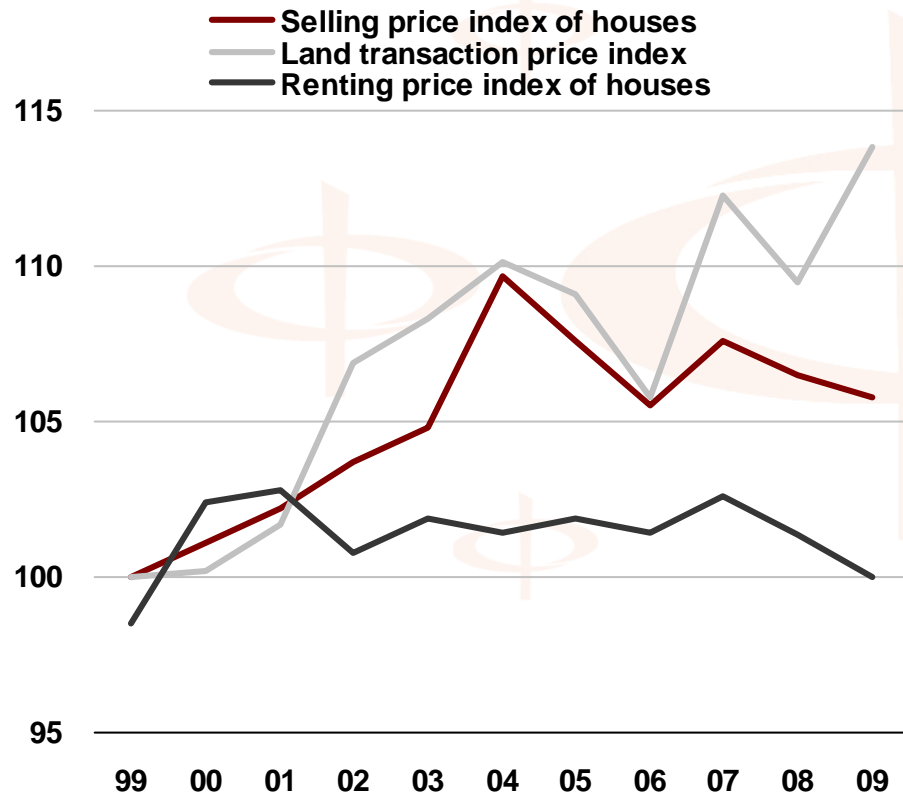
1. Preceding year = 100
 Source: China Statistical Yearbook; Various; THE BEIJING AXIS Analysis



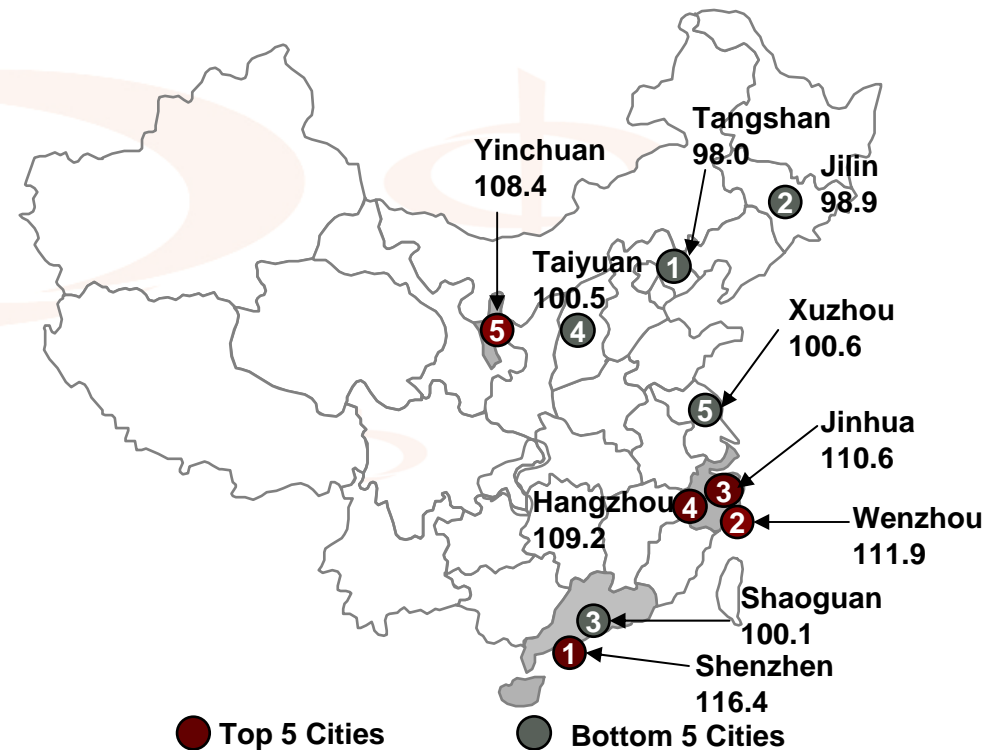
CHINA'S PROPERTY MARKET HAS SEEN DRAMATIC PRICE INCREASES OVER THE PAST DECADE

Although housing prices fell at the start of 2009, they soared by the end of the year, rising 7.8% in December¹

Property Price Index, Annual (1999-2009)¹



Selling Price Index of Houses by Cities (Q4, 2009)



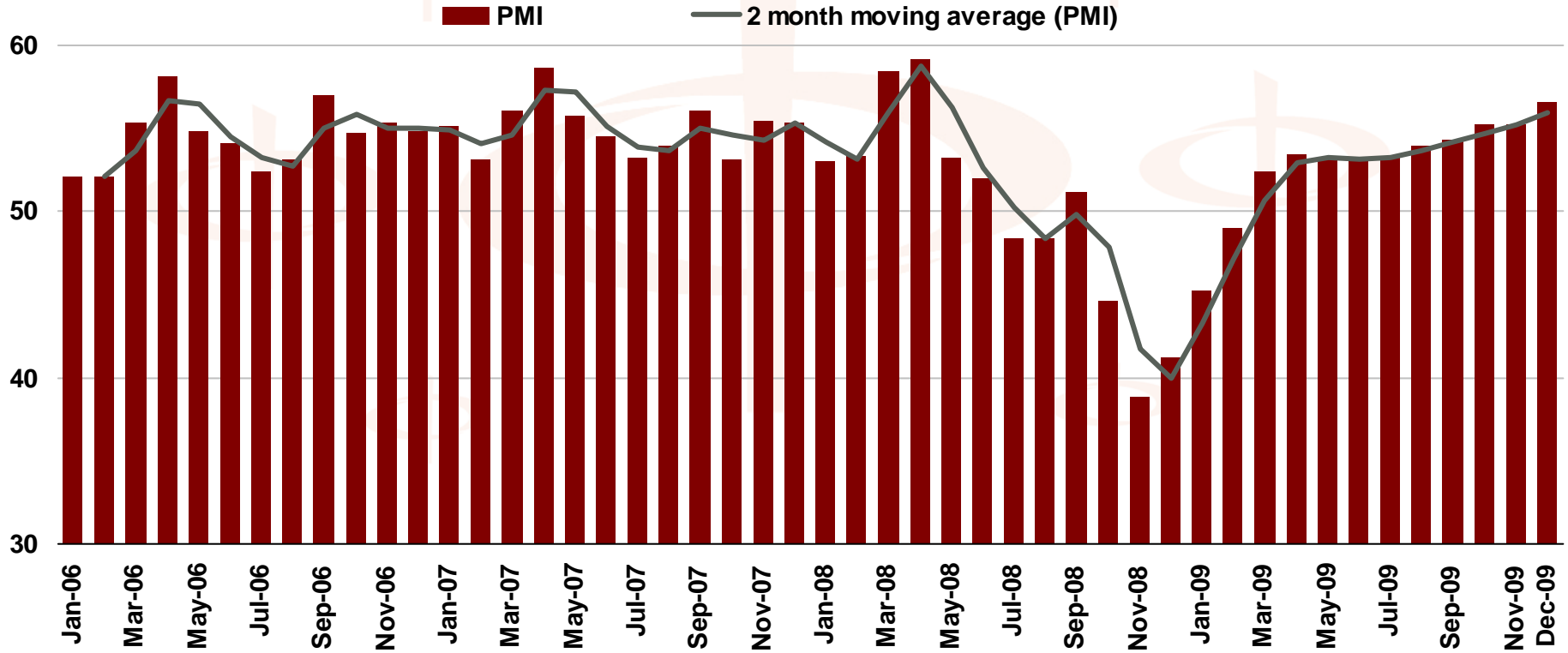
1. Preceding year = 100
 Source: China Statistical Yearbook; THE BEIJING AXIS Analysis



FROM A TROUGH OF 38.8% IN NOV 2008, CHINA'S PMI HAS RISEN PAST THE 50% BENCHMARK, REACHING 56% IN DEC 2009

A PMI index of over 50% signals expansion of the manufacturing industry

Purchasing Manager Index of the Manufacturing Industry (2006-2009)

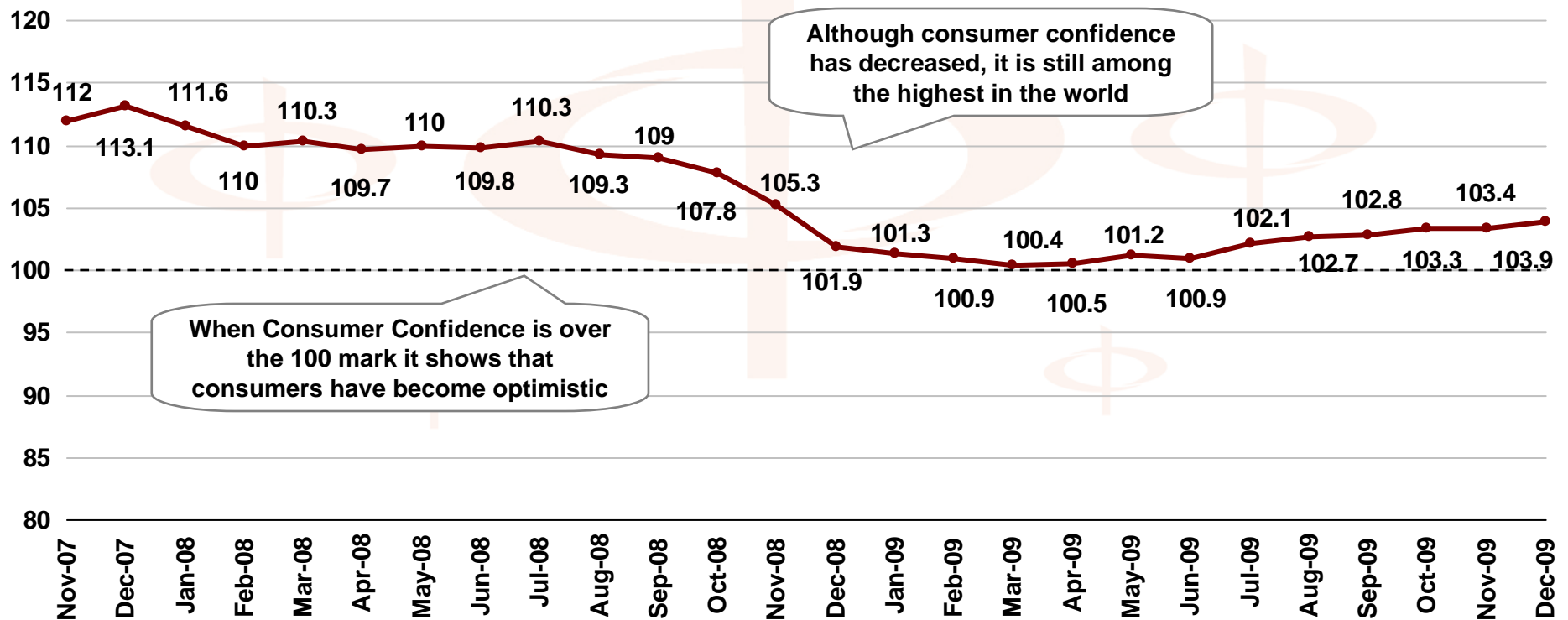




CONSUMER CONFIDENCE IN CHINA HAS BEEN IMPACTED BY THE GLOBAL FINANCIAL CRISIS

However, the effects of the government's stimulus plan has had a positive impact in 2009

Consumer Confidence Index (% , Nov 2007- 2009)

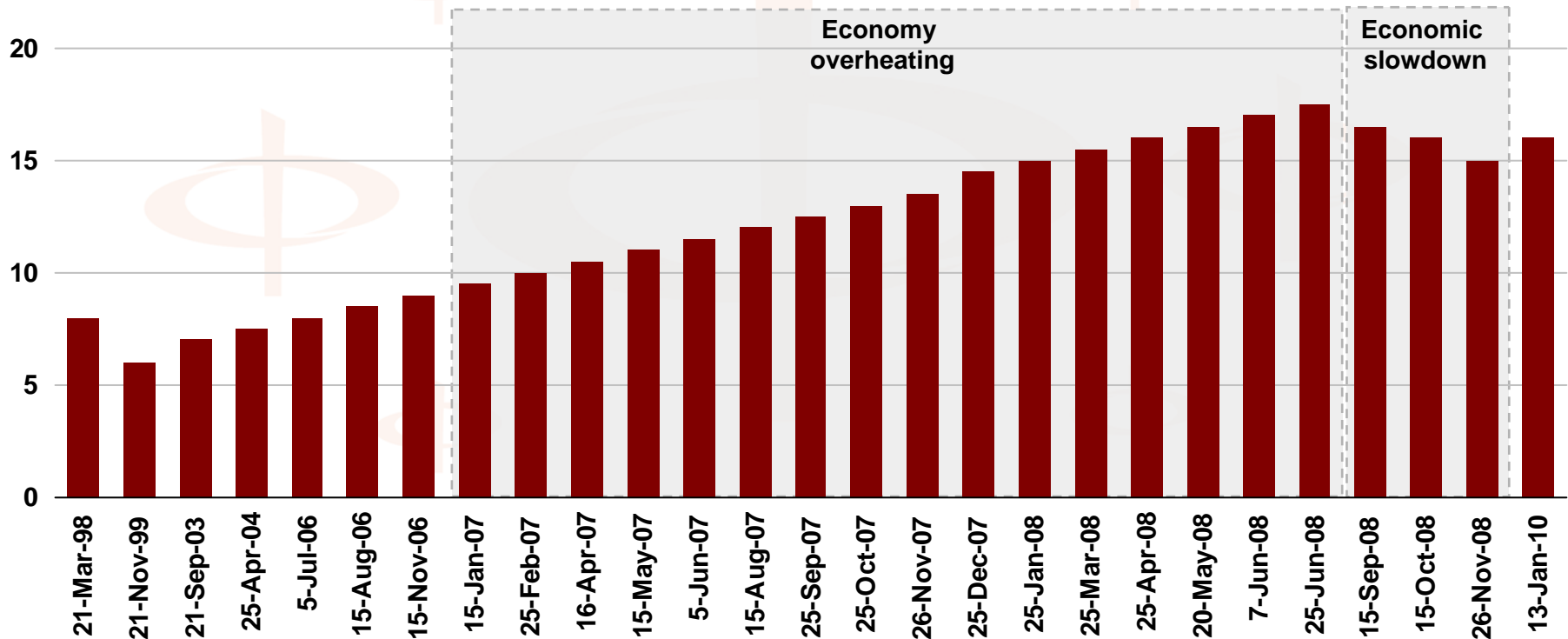




CONCERNS OVER INFLATIONARY PRESSURE ARE DRIVING A MORE TIGHTENING MONETARY POLICY IN 2010

China began to implement a loose monetary policy at the end of 2008 to fight the fallout of the financial crisis

Bank Deposit-Reserve Ratio (% , 1998-2010)



Note: The Bank Deposit-Reserve Ratio is a standard determined by a central bank. It governs the relationship between the amount of money that banks must keep on hand and the amount that they can lend. By raising and lowering the ratio, the central bank can decrease or increase money supply

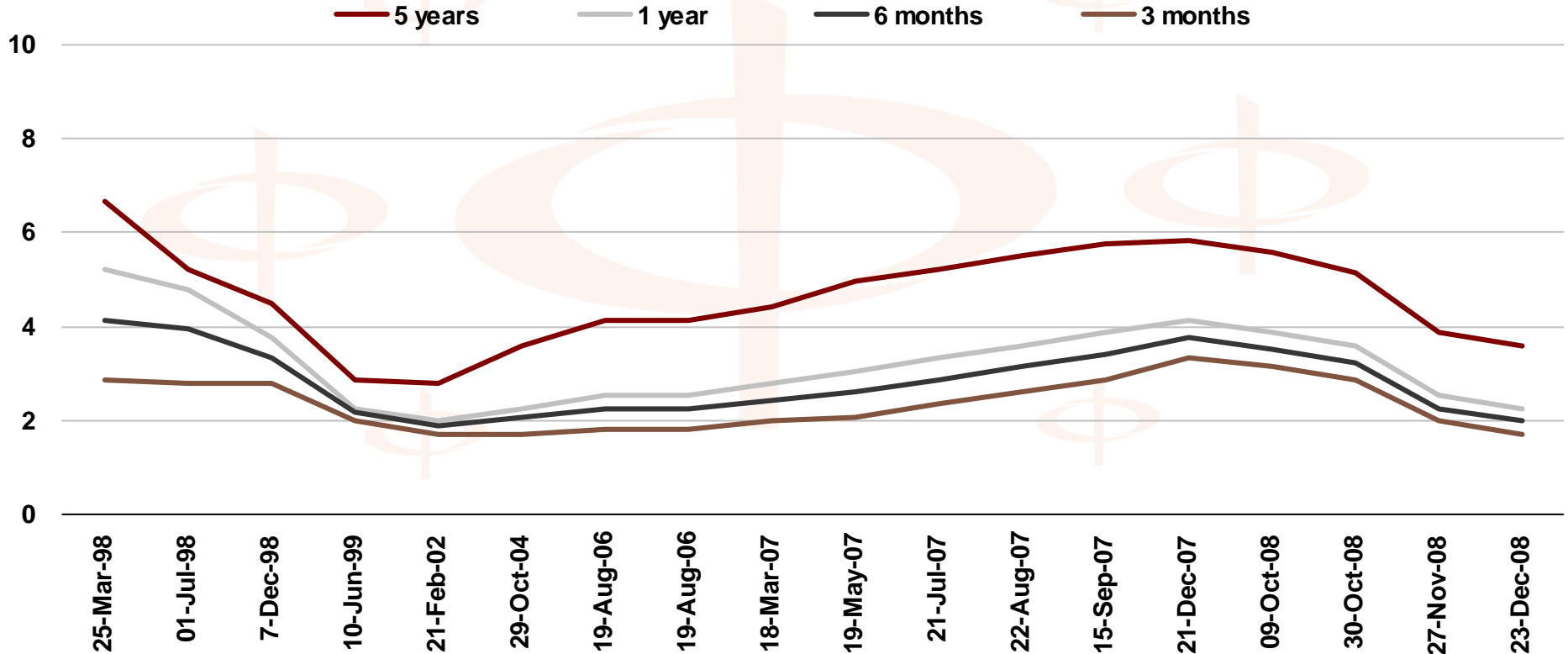
Source: BNET Business Dictionary; THE BEIJING AXIS Analysis



UNTIL THE FINANCIAL CRISIS, MONETARY POLICY WAS AIMED AT PREVENTING THE ECONOMY FROM OVERHEATING

But during 2008 deposit interest rates were lowered as the full extent of the economic slowdown became clear

Deposit Interest Rate (% p.a., 1998-2008)

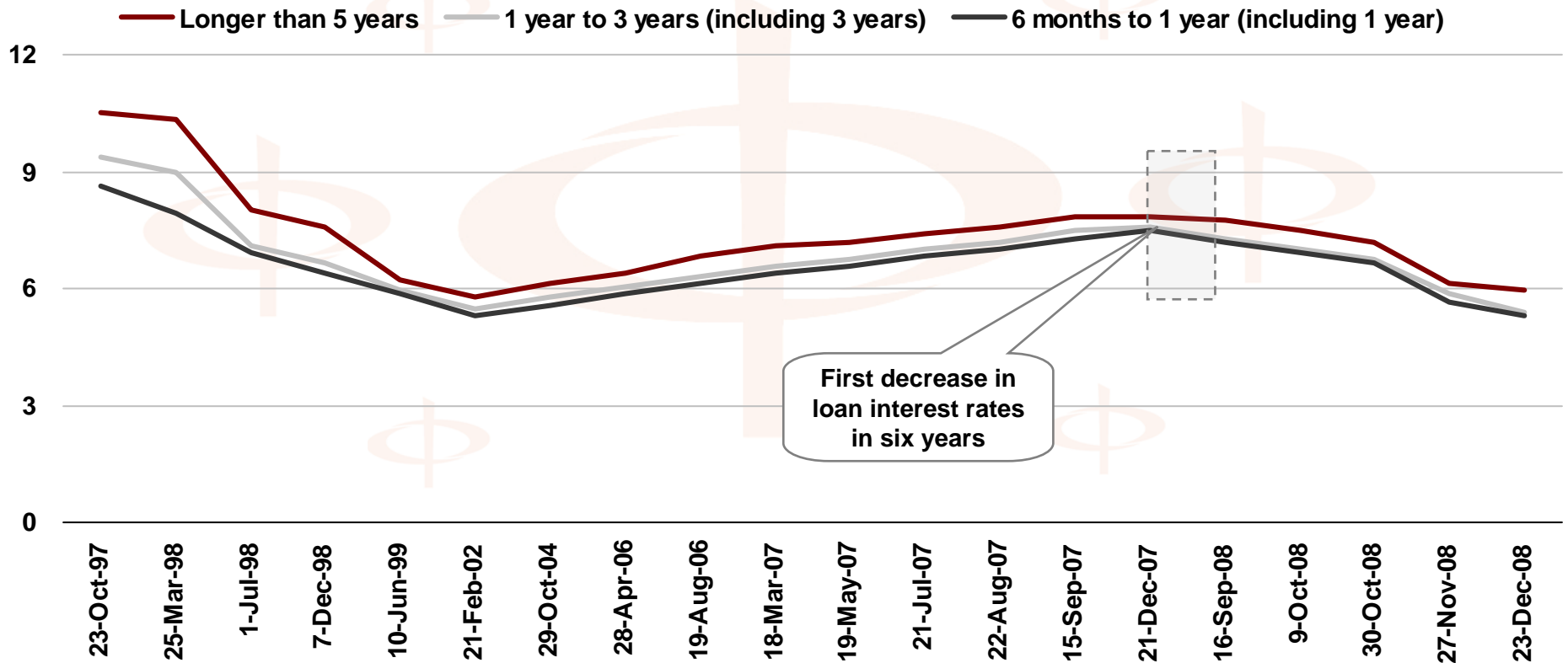




LENDING RATES STARTED TO SHIFT LOWER FOR THE FIRST TIME IN SIX YEARS DURING SEPTEMBER 2008

Rates were lowered relatively rapidly since September 2008 as the economic slowdown in Q3-Q4 2008 unfolded

Loan Interest Rate (% , 1997-2008)



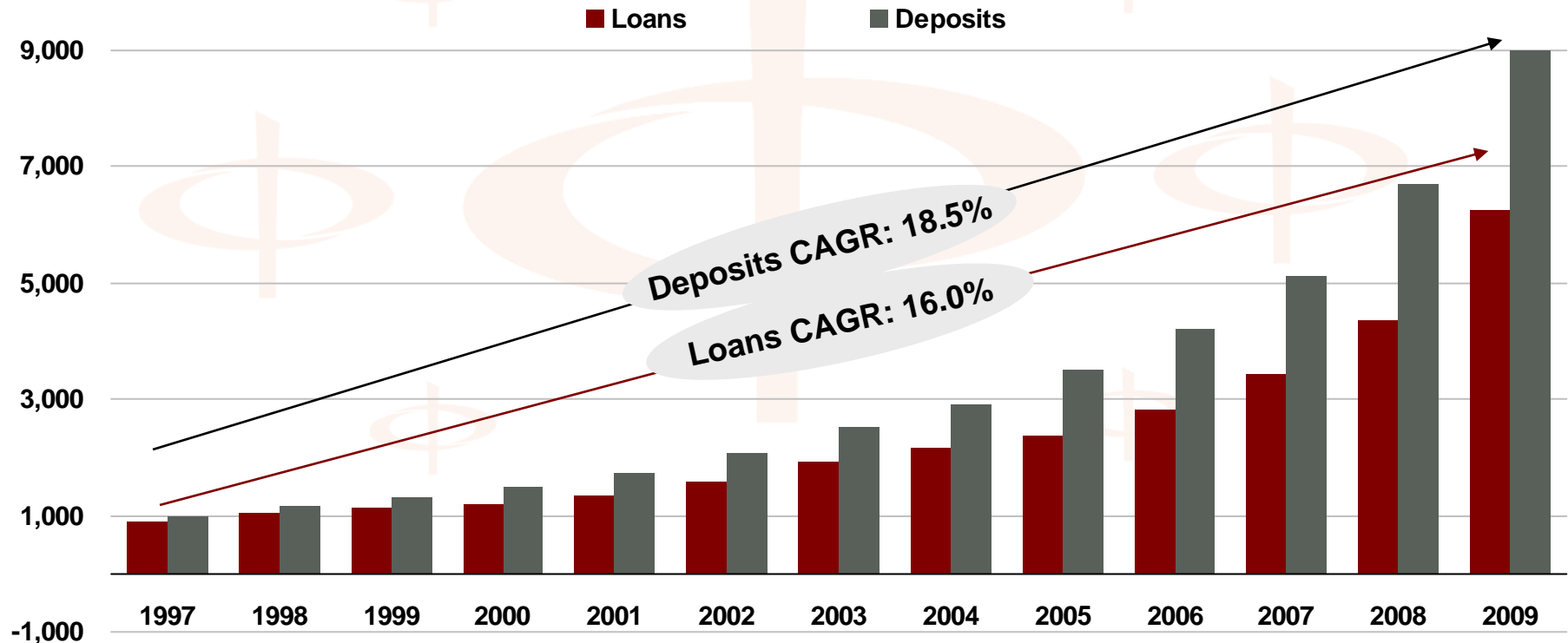
First decrease in loan interest rates in six years



DURING THE PAST TEN YEARS, CHINESE BANK DEPOSITS HAVE BEEN RISING FASTER THAN BANK LENDING

By the end of 2009, China's total deposits amounted to USD 9 trillion, while loans amounted to USD 6.3 trillion

Total Loans and Deposits (USD bn, 1997-2009)

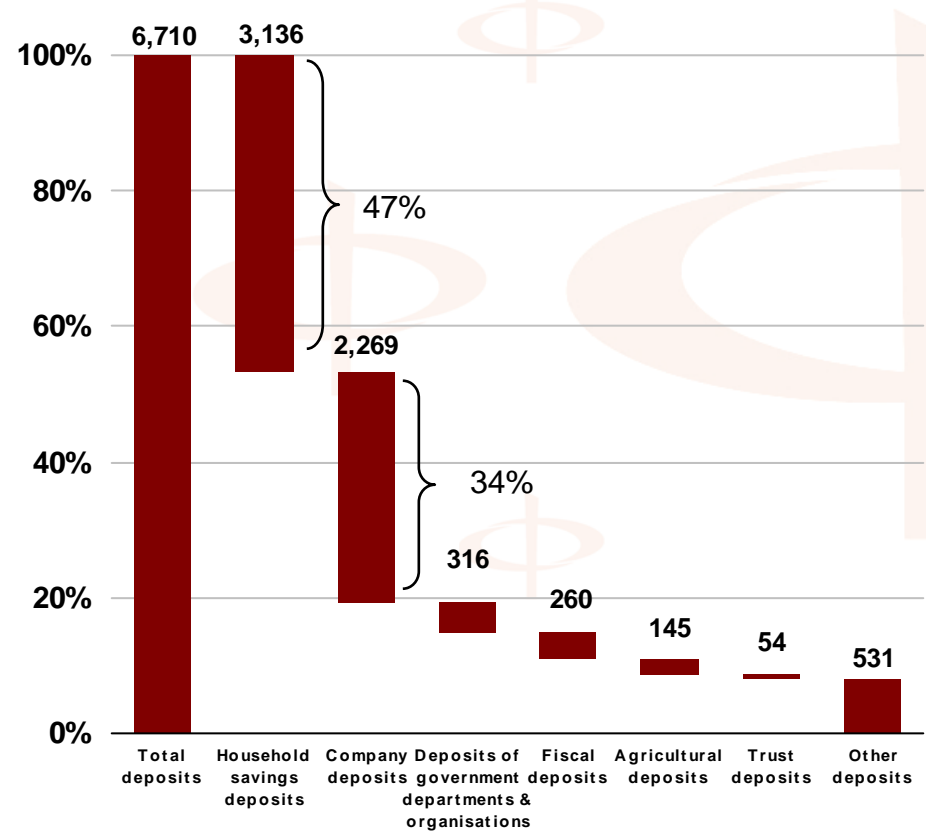




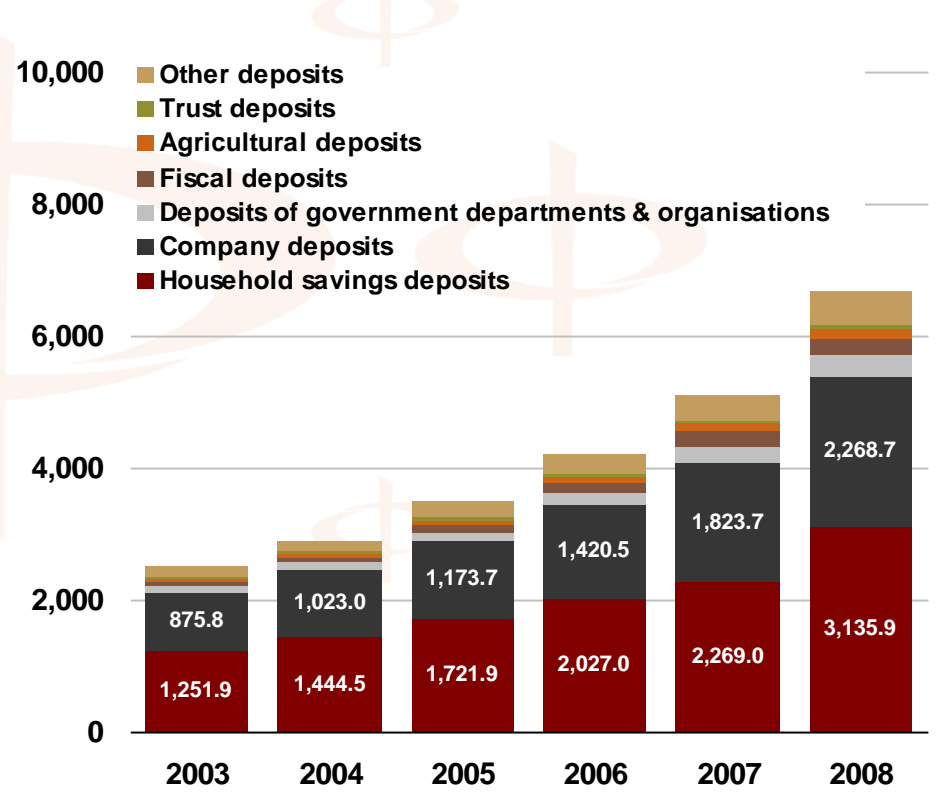
HOUSEHOLD SAVINGS HAVE BEEN THE MAIN DRIVER OF THE HIGH GROWTH IN DEPOSITS

In 2008, household banking deposits accounted for 47% of total deposits, while company deposits accounted for 34%

Sources of Deposits (USD bn, 2008)



Sources of Deposits (USD bn, 2003-2008)

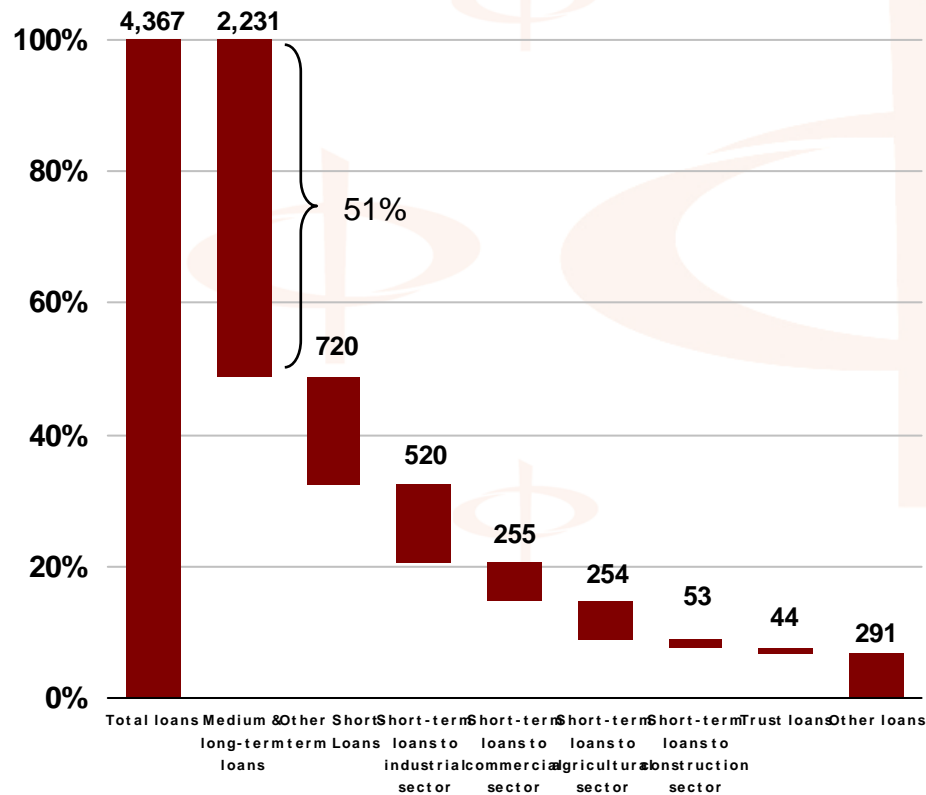




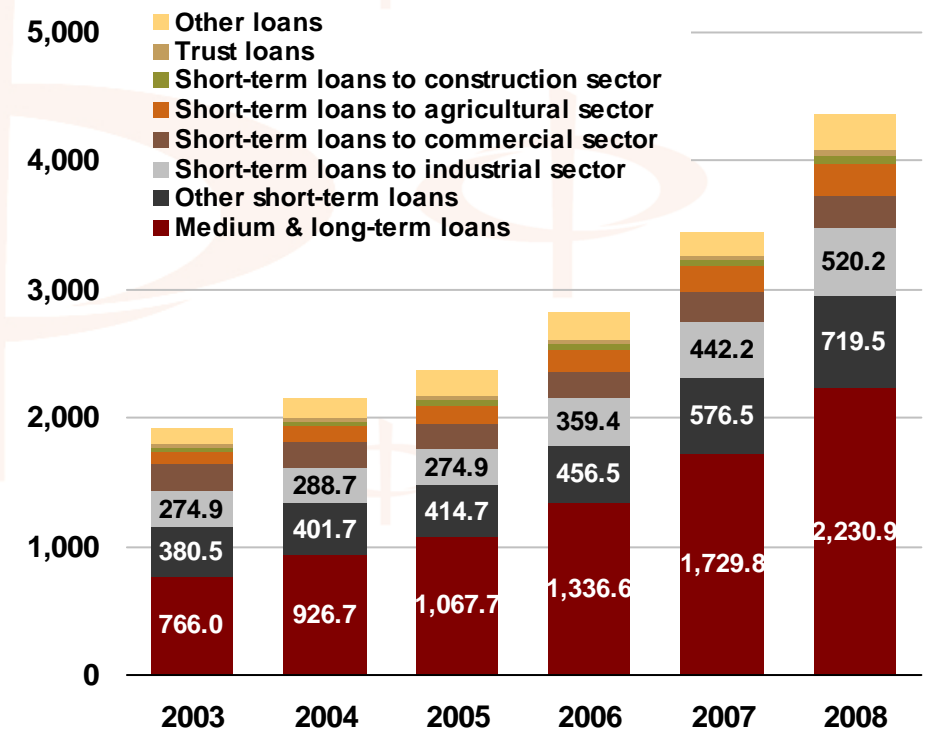
MEDIUM AND LONG-TERM LOANS MAKE UP THE BULK OF TOTAL LOANS

In 2008, medium and long-term loans made up 51% of total loans, while short-term loans made up 41%

Loan Duration (USD bn, 2008)



Loan Duration (USD bn, 2003-2008)

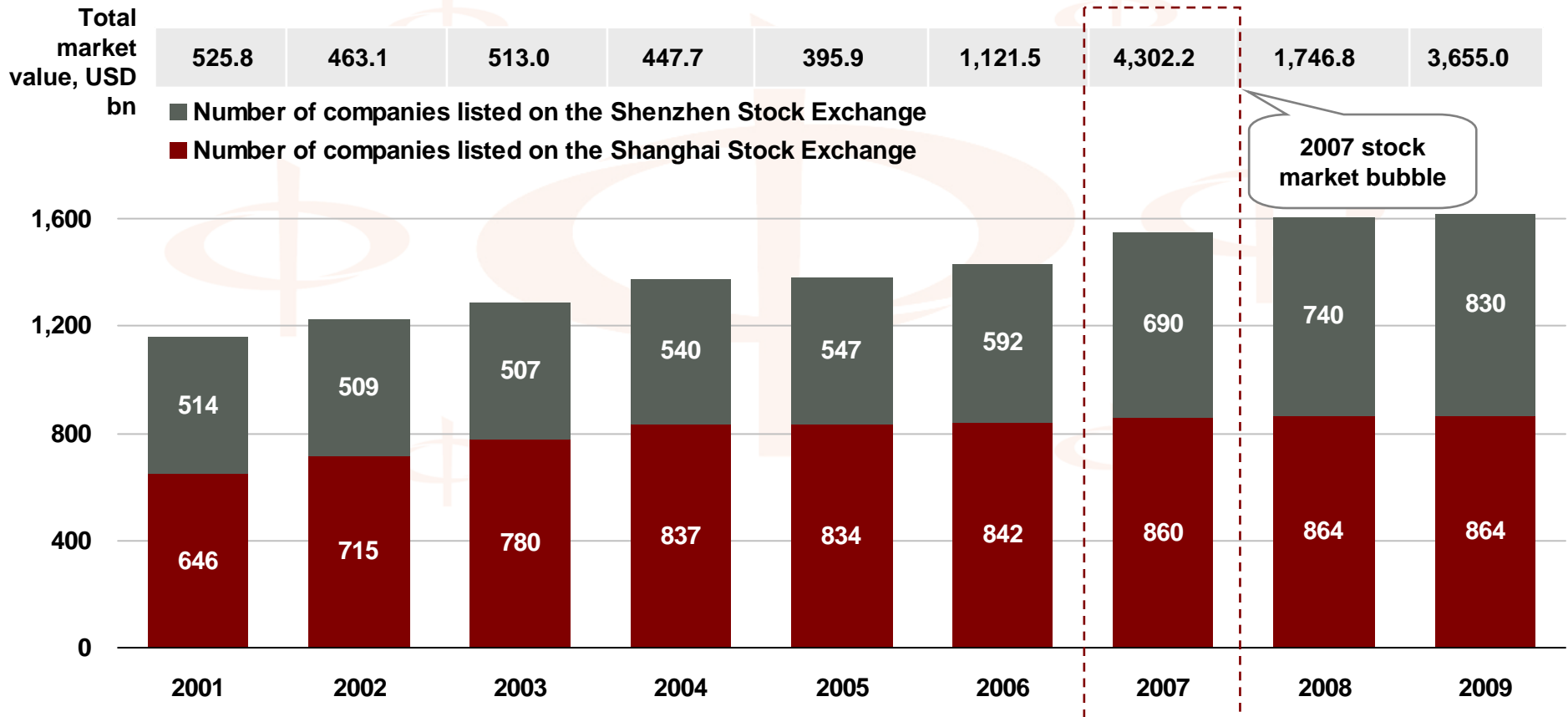




IN 2009, THE SHENZHEN AND SHANGHAI STOCK EXCHANGES HAD THE 3rd AND 7th LARGEST INDEX RISES IN THE WORLD

In 2009, China's total market capitalisation reached USD 3,655 billion, with 1,694 listed companies

Number of Listed Companies



2007 stock market bubble



THE GLOBAL FINANCIAL CRISIS, ALONG WITH OTHER FACTORS, CAUSED LARGE DECLINES IN FINANCIAL MARKETS

In 2009, however, Chinese stock markets recovered at a faster pace compared to their global counterparts

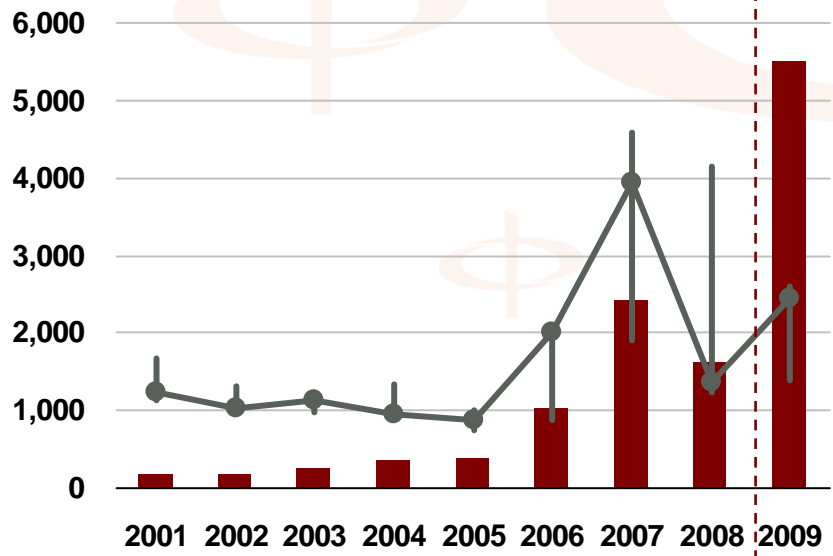
Shanghai Stock Exchange (2001- 2009)

Average P/E ratio	37.7	34.4	36.5	24.2	16.3	33.3	59.2	14.9	28.73
Total turnover USD bn	274	205	252	320	235	725	4,017	2,597	6,469

Shenzhen Stock Exchange (2001- 2009)

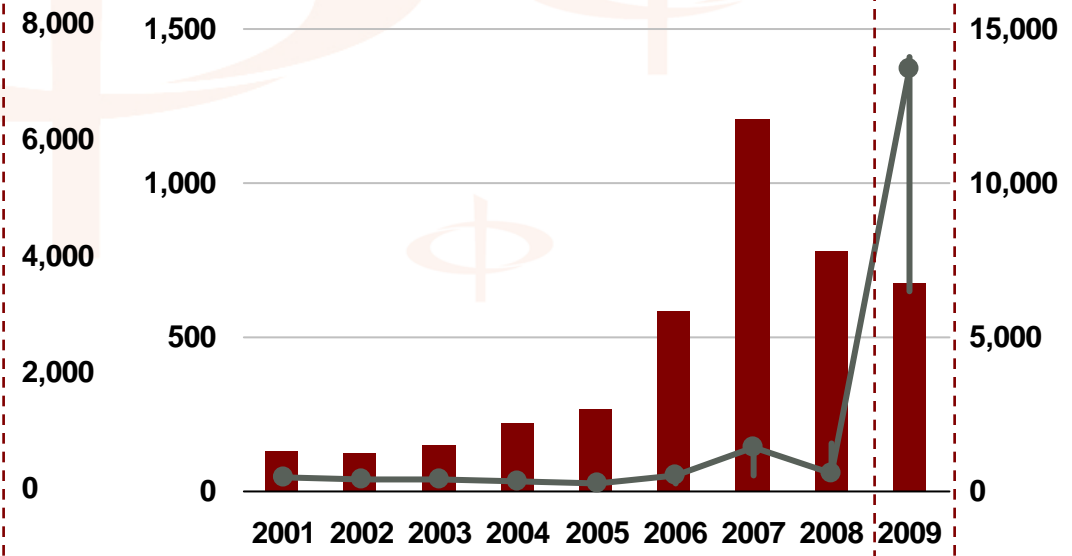
Average P/E ratio	39.8	37.0	36.2	24.6	16.4	32.7	69.7	16.7	46.01
Total turnover USD bn	188	133	136	192	152	410	2,040	1,248	2,909

Volume, bn shares



Price

Volume, bn shares



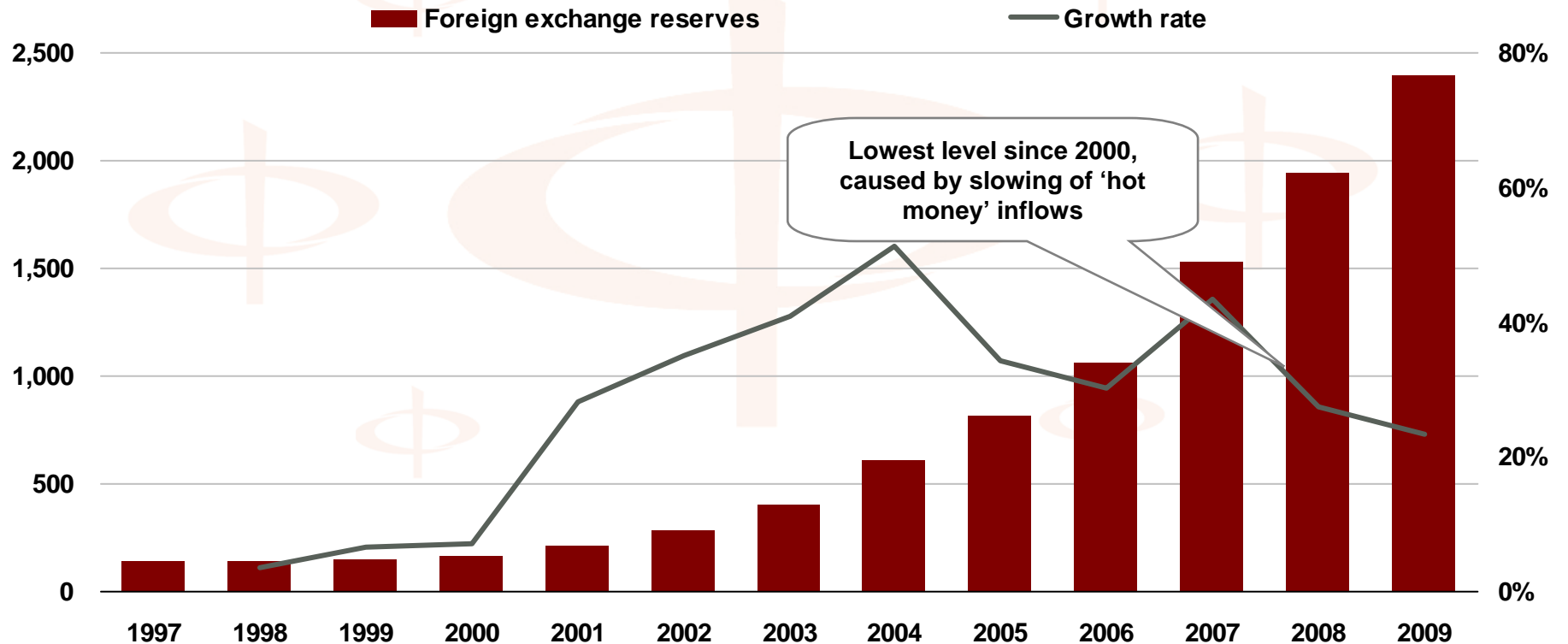
Price



CHINA HAS THE LARGEST FOREIGN EXCHANGE RESERVES IN THE WORLD

In 2009, China's foreign reserves reached USD 2.4 trillion – consisting mainly of US government and institutional bonds

Foreign Exchange Reserves (USD bn, 1997-2009)

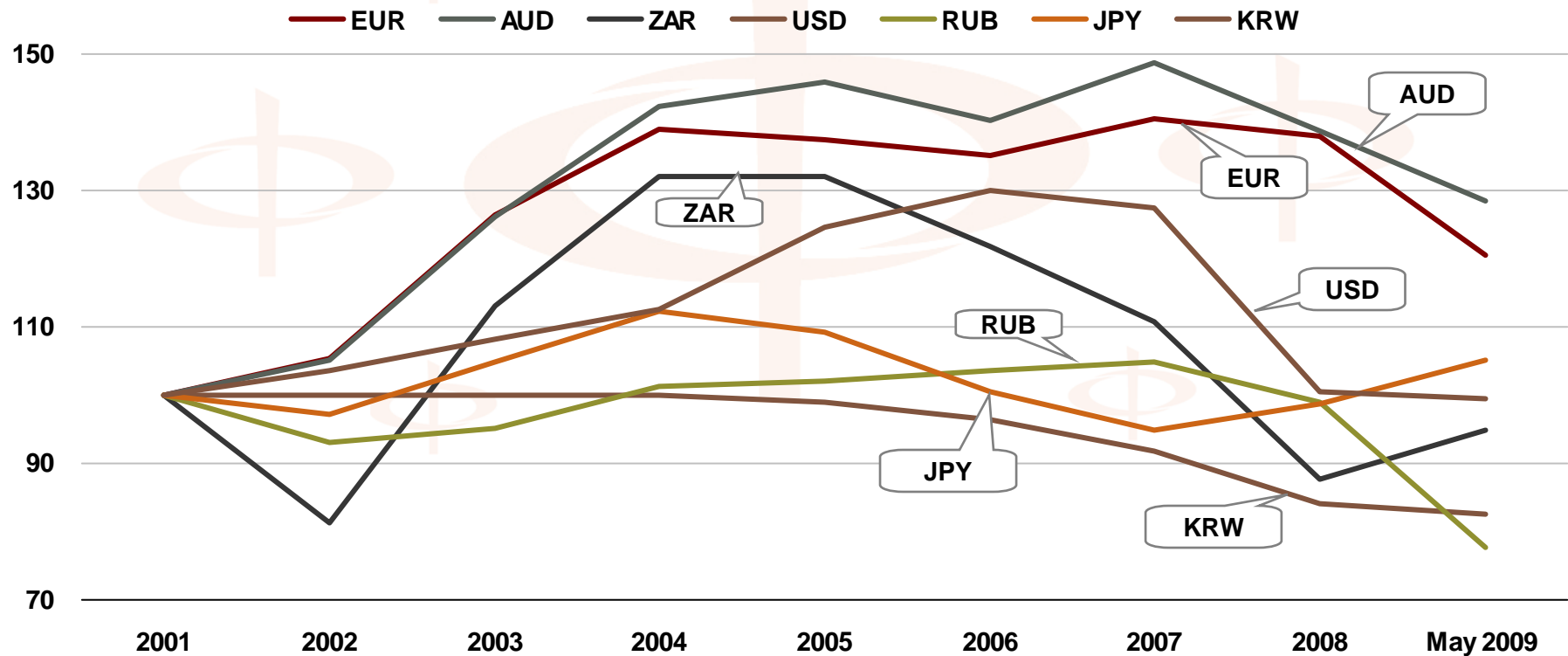


Lowest level since 2000, caused by slowing of 'hot money' inflows



THE CHINESE RENMINBI (RMB) HAS APPRECIATED BY 18% AGAINST THE USD SINCE CHINA AMENDED ITS EXCHANGE RATE POLICY IN 2005

Annual RMB Exchange Rate (2001- May 2009)



Note: Index 2001 = 100 (EUR Index 2002=100)
 Source: PBOC; THE BEIJING AXIS Analysis



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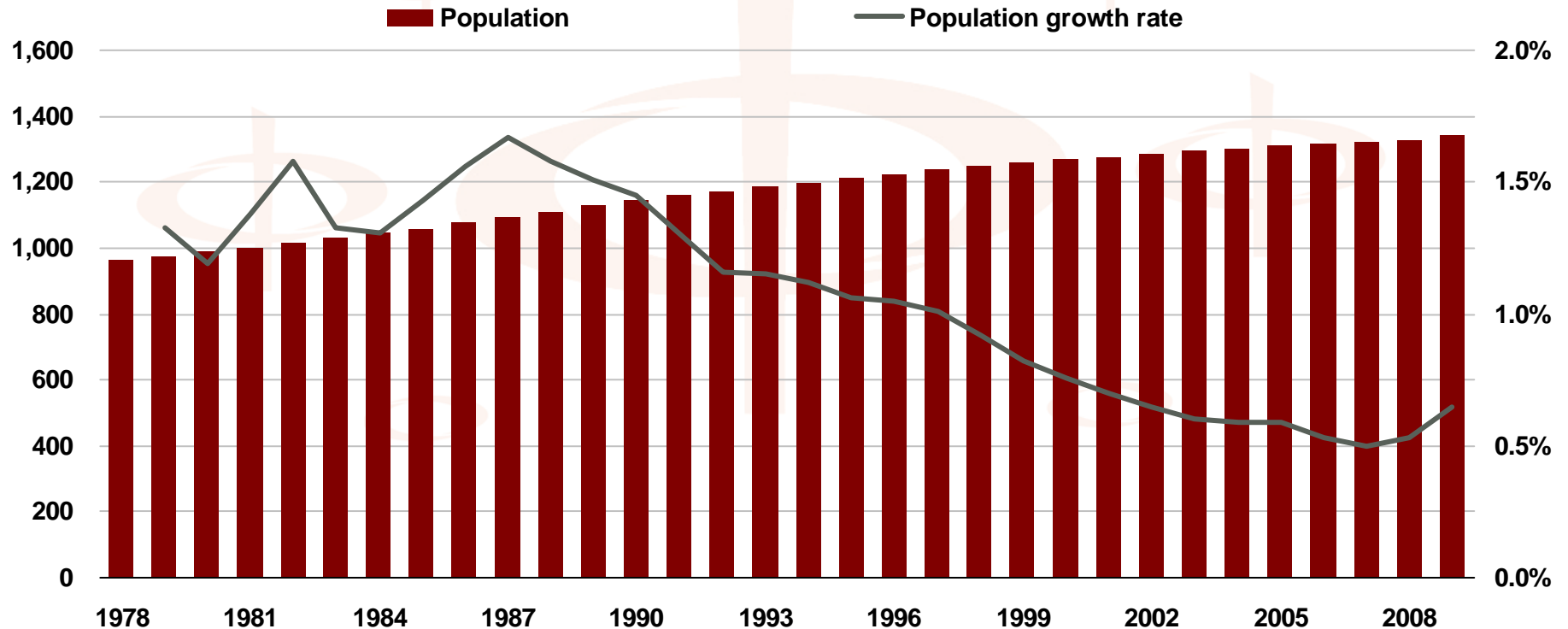
Disclaimer



CHINA'S LARGE POPULATION IS A DEFINING FEATURE OF ITS SOCIETY

Amid concerns about resource sustainability, the central government's One Child Policy has served to slow the population growth rate to 0.6%

Population Indicators (mn, 1978-2009)

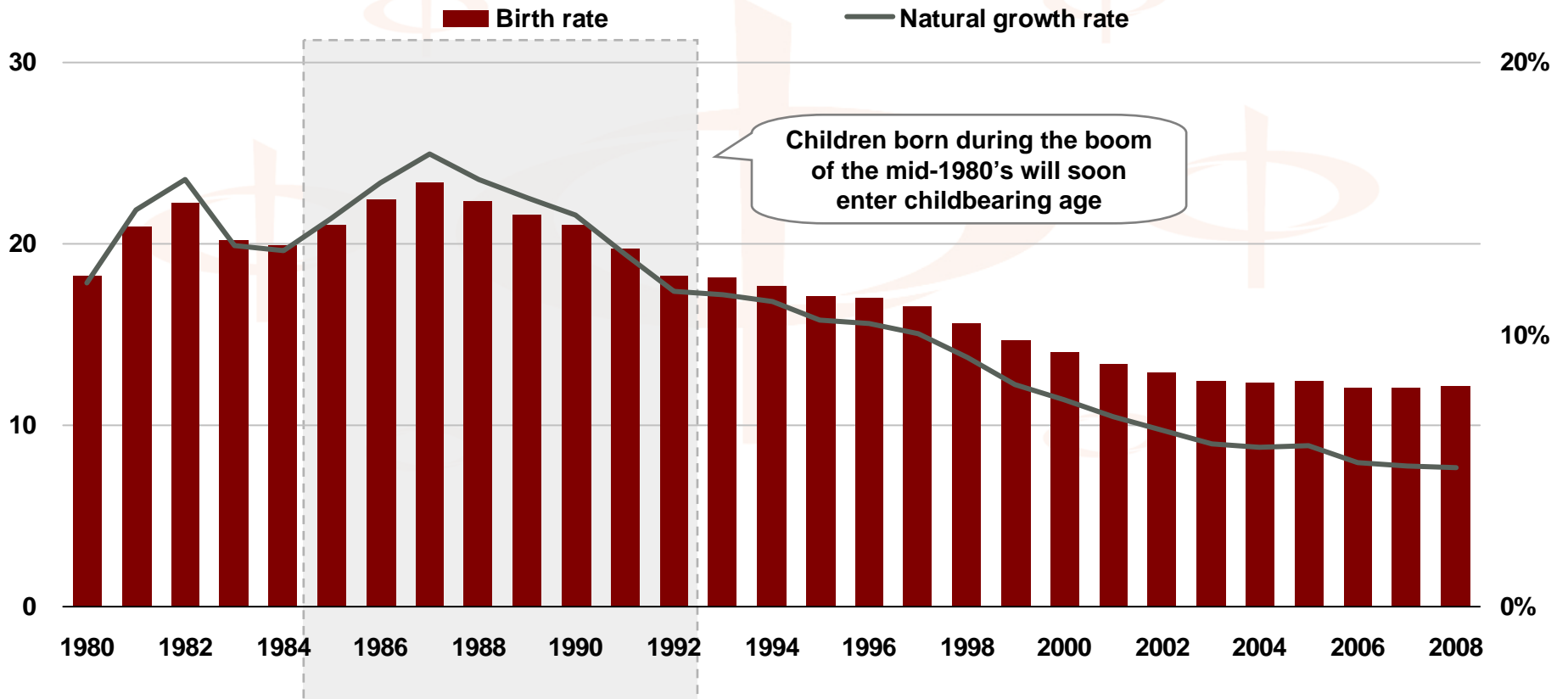




HOWEVER, EVEN WITH FAMILY PLANNING MEASURES, CHINA STILL HAS AROUND 16 MILLION BIRTHS PER YEAR

Introduced in 1979, the One Child Policy has been a controversial issue

China's Annual Births (mn, 1980-2008)



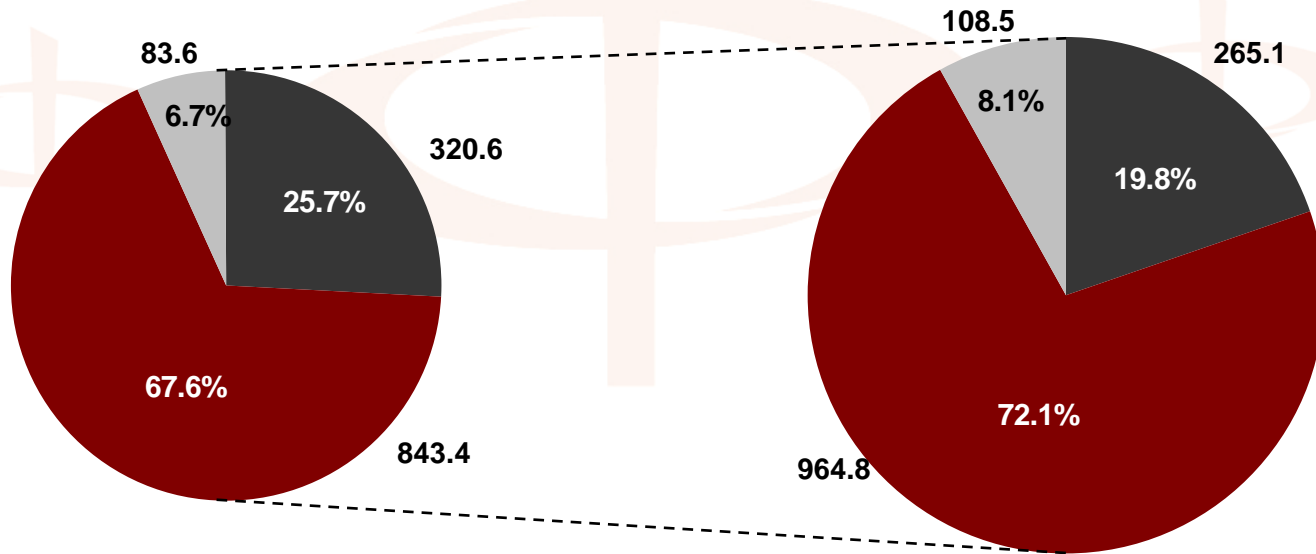


CURRENT DEMOGRAPHICS REVEAL A POPULOUS COUNTRY WITH A RELATIVELY SMALL YOUTH GROUP

China has an aging population, and with the continuation of the One Child Policy those aged 65 and older could make up 25% of the population by 2040

Population Breakdown by Age (mn, 1998-2009)

■ 0-14 ■ 15-64 ■ 65 and over



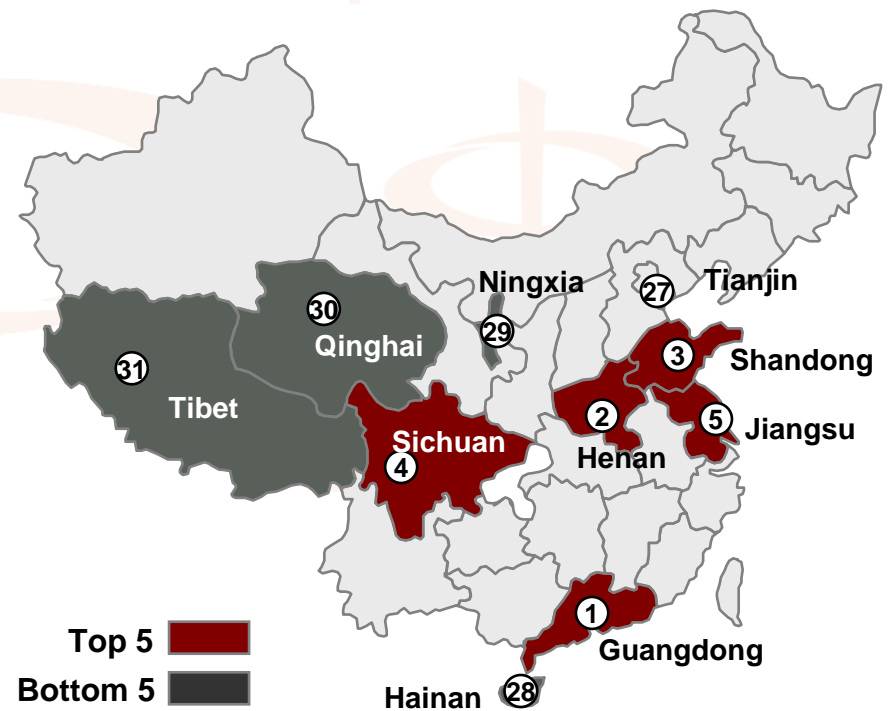
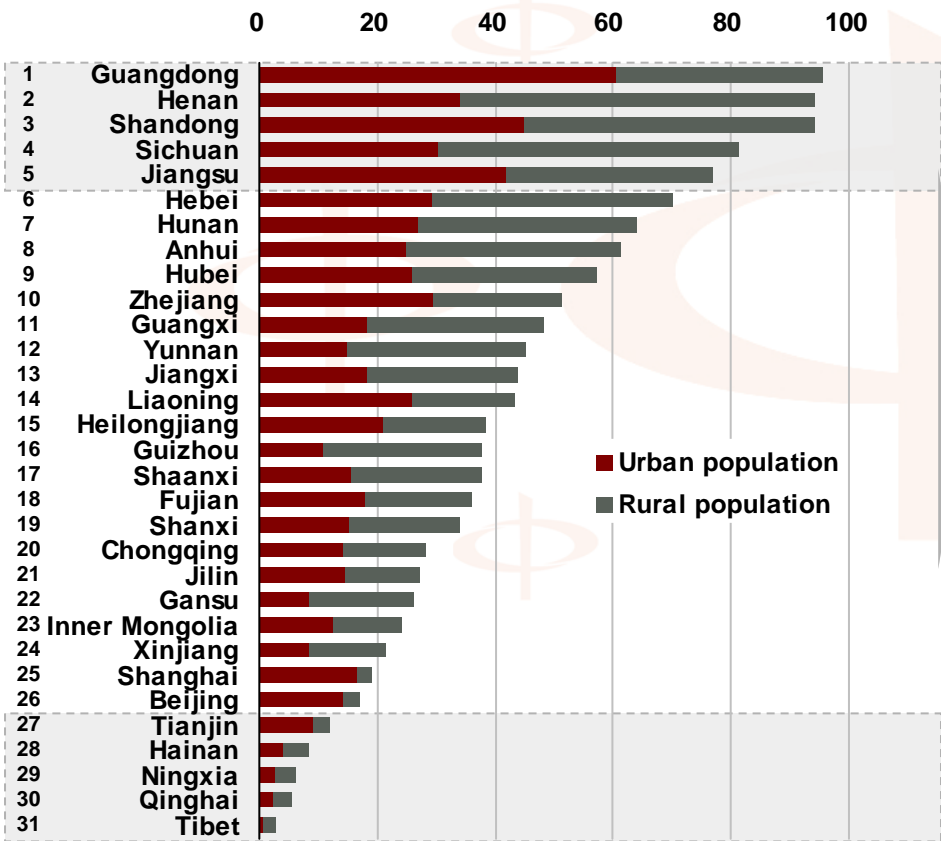
1998 (Total Population - 1.2 bn)

2009 (Total Population - 1.3 bn)

THE MAJORITY OF THE MOST POPULOUS PROVINCES ARE LOCATED IN MORE DEVELOPED AREAS IN EASTERN CHINA

Unsurprisingly, these areas also adjoin the coast or major waterways and have a solid agricultural or manufacturing base

Population by Urban and Rural Residence and Province (mn, 2008)



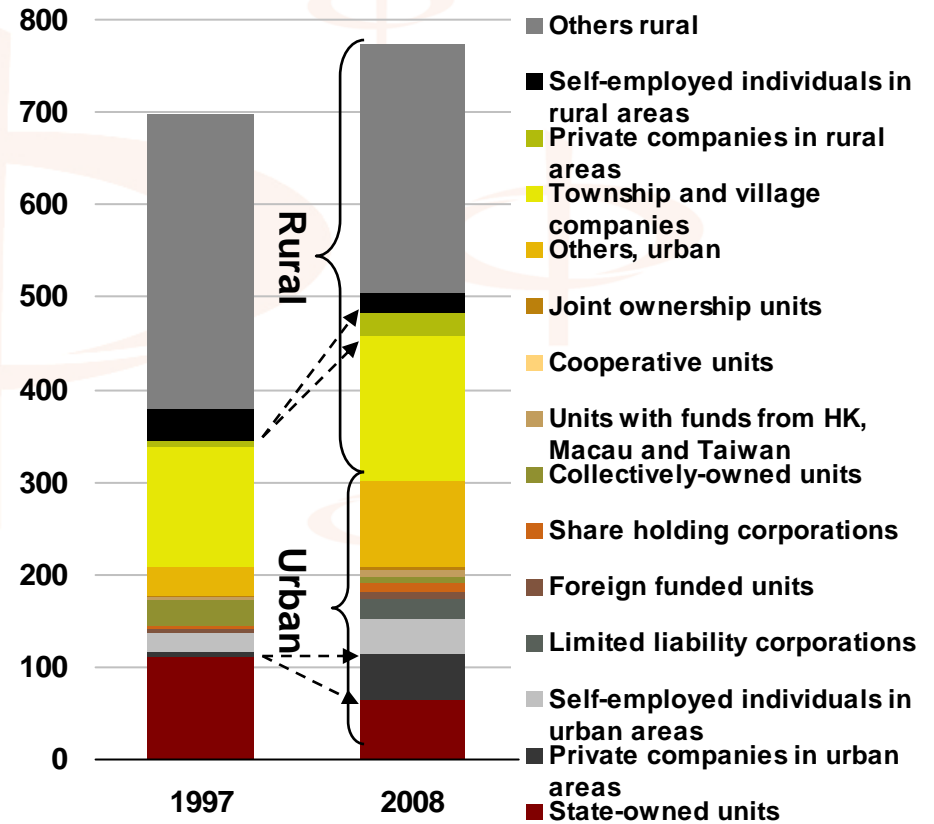
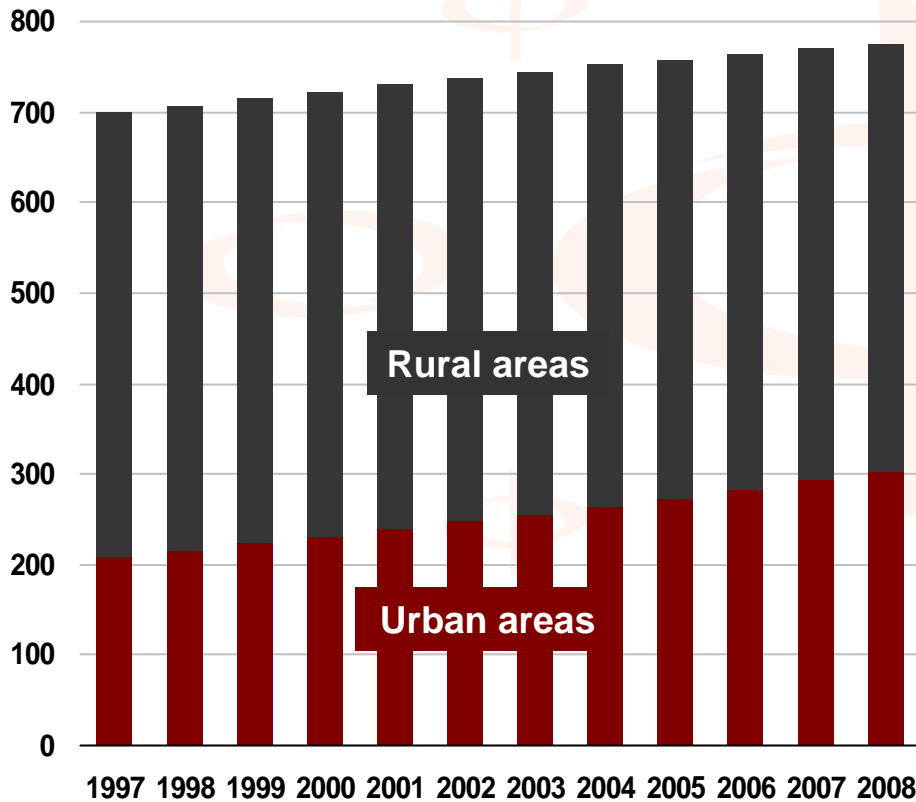


SINCE CHINA'S ACCESSION TO THE WTO, THE COUNTRY'S EMPLOYED POPULATION HAS GROWN MORE RAPIDLY

In terms of job creation, there is a clear movement away from state-owned enterprises into private companies

Number of Employed Persons at Year-end in Urban and Rural Areas (mn, 1997-2008)

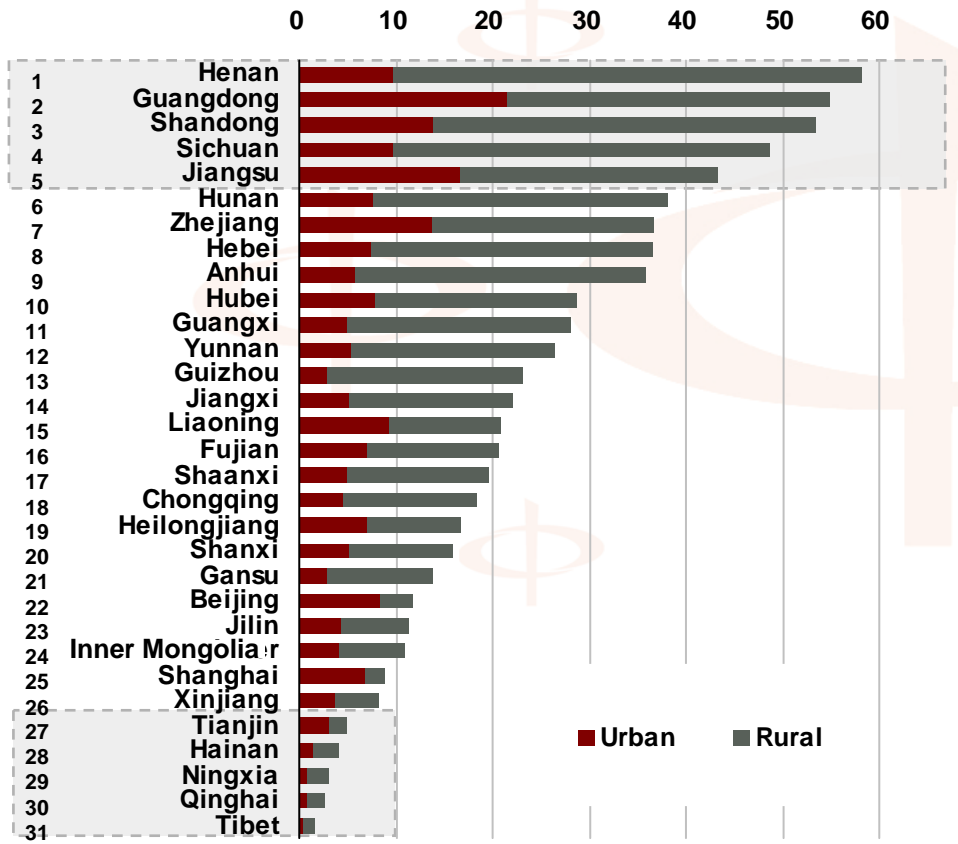
Employee Breakdown in Urban and Rural Areas (mn, 1997 vs. 2008)



PREDICTABLY, THE MORE POPULATED PROVINCES HAVE THE HIGHEST NUMBER OF EMPLOYED PERSONS

The majority of the workforce can be found in townships, villages and private companies, underscoring the country's agricultural and manufacturing roots

Number of Employed Persons by Province (mn, 2008)



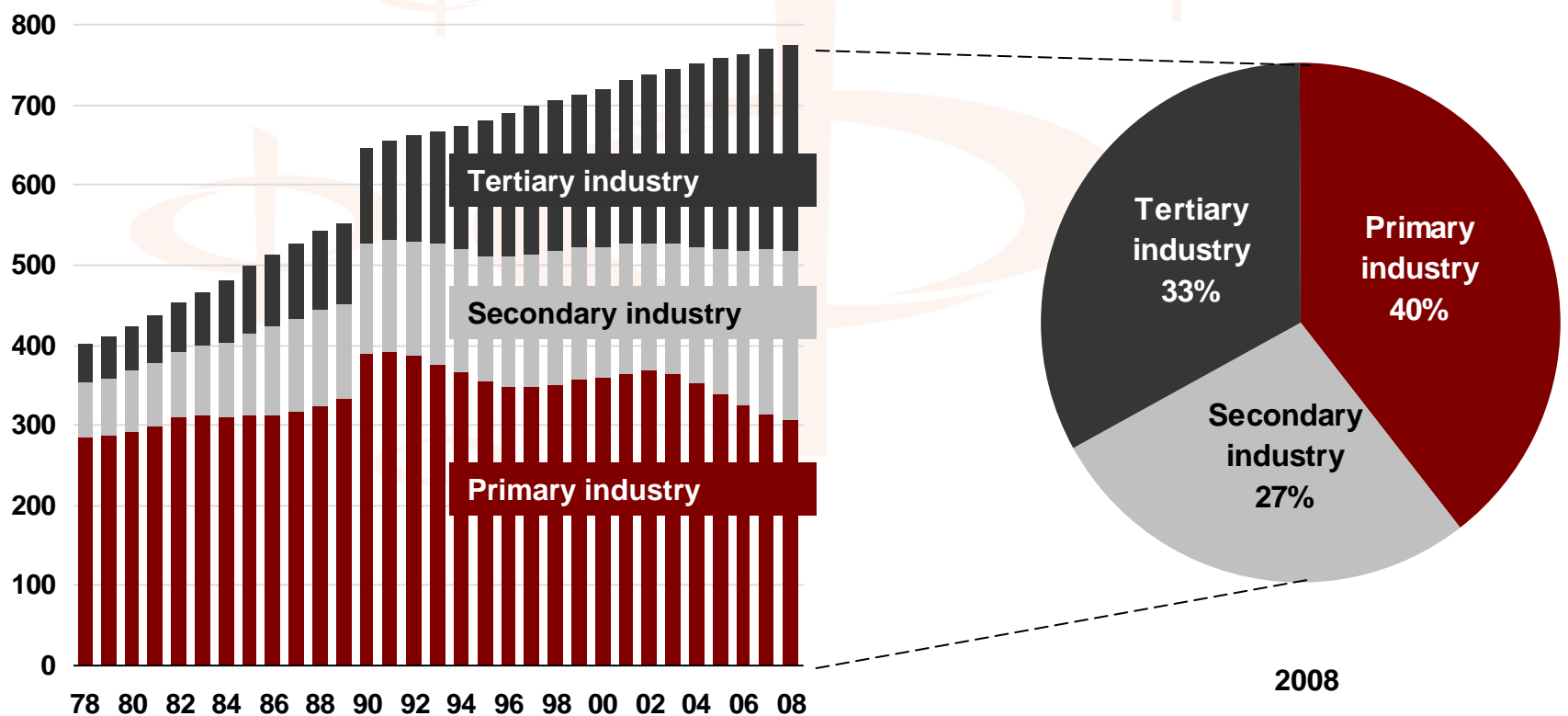
Top 5 ■
 Bottom 5 ■



FOLLOWING THE TREND SET BY DEVELOPED COUNTRIES, CHINA IS STEADILY DEVELOPING ITS SERVICES SECTOR

However, a large proportion of the population is still employed in the primary and secondary sectors

Total Employed Persons By Sector (mn, 1978-2008)

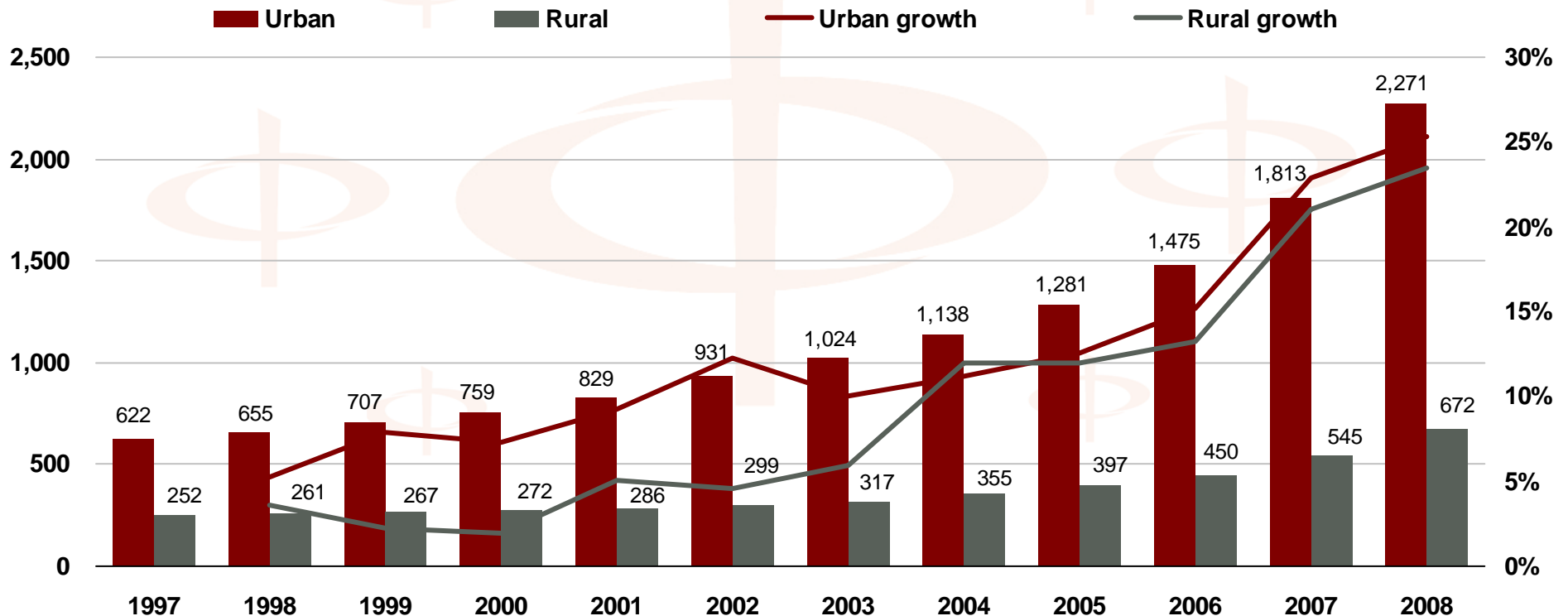


Note: The sizeable gap between the 1989 and 1990 figures is due to the adjustment of urban and rural employed persons' subtotals in accordance with the data obtained from the 5th National Population Census

INCOME LEVELS OF URBAN AND RURAL HOUSEHOLDS HAVE BEEN STEADILY INCREASING

Urban households initially saw a higher growth rate compared to their rural counterparts, but this disparity in growth rates has decreased in recent years

Annual Disposable Income of Urban Households and Net Income of Rural Households Per Capita (USD, 1997-2008)



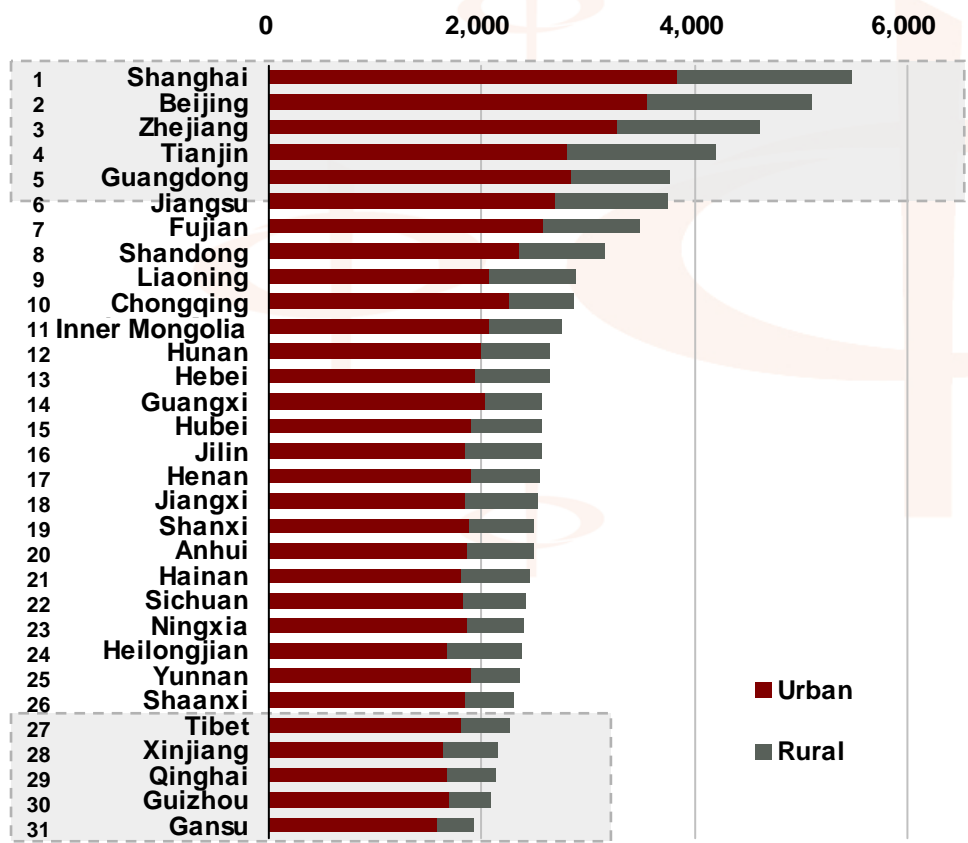
Note: Growth rates are calculated at current prices
 Source: National Statistics Database; THE BEIJING AXIS Analysis



INCOME LEVELS ARE PARTICULARLY HIGH IN THE MORE DEVELOPED EASTERN COASTAL PROVINCES

As the political and commercial capitals of China, Beijing and Shanghai maintain their status as the two most attractive cities in terms of income levels

Disposable Income of Urban Households and Income of Rural Households Per Capita by Province (USD, 2008)



■ Urban
 ■ Rural

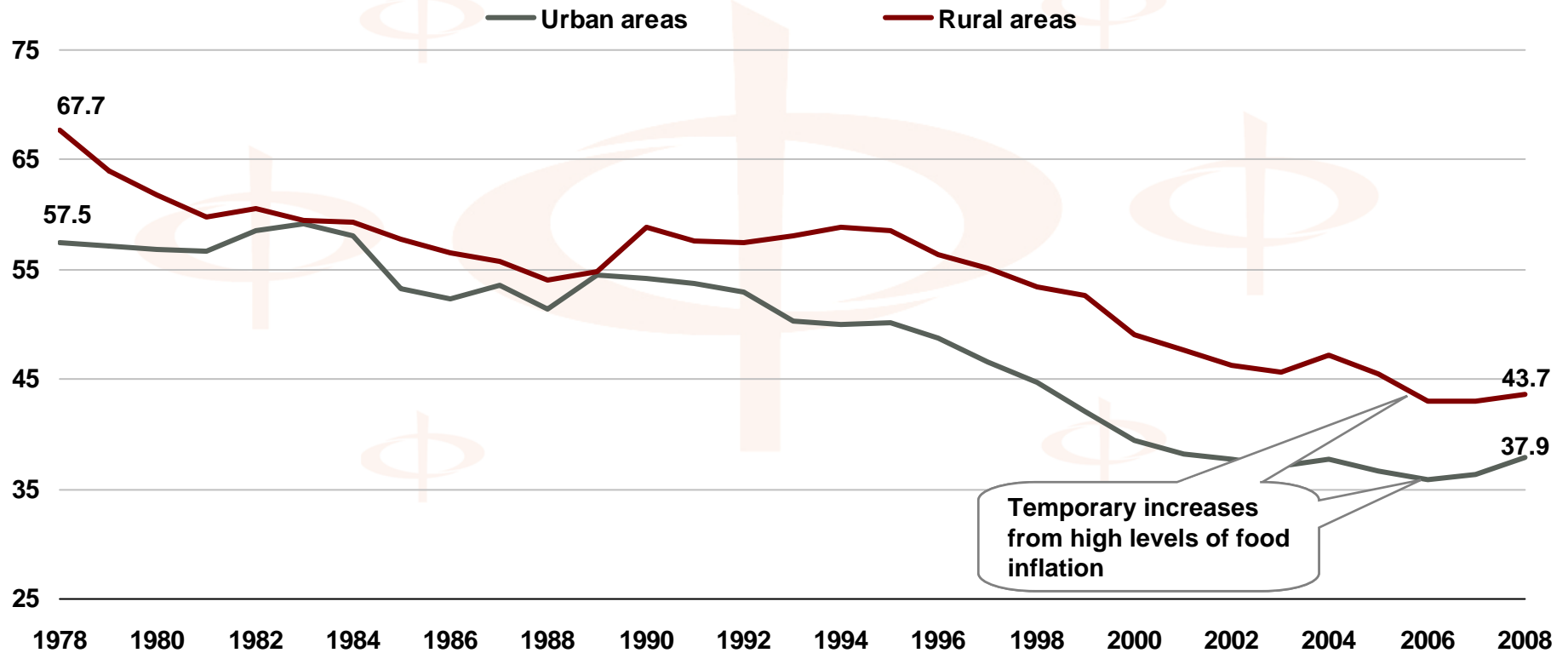
Top 5 ■
 Bottom 5 ■



PEOPLE IN CHINA ARE GRADUALLY SPENDING RELATIVELY LESS ON FOOD DUE TO INCREASING INCOME LEVELS

The downward trend of Engel's coefficient¹ is expected to continue as this reflects a progressively higher standard of living

Urban and Rural Engel's Coefficients (% , 1978-2008)



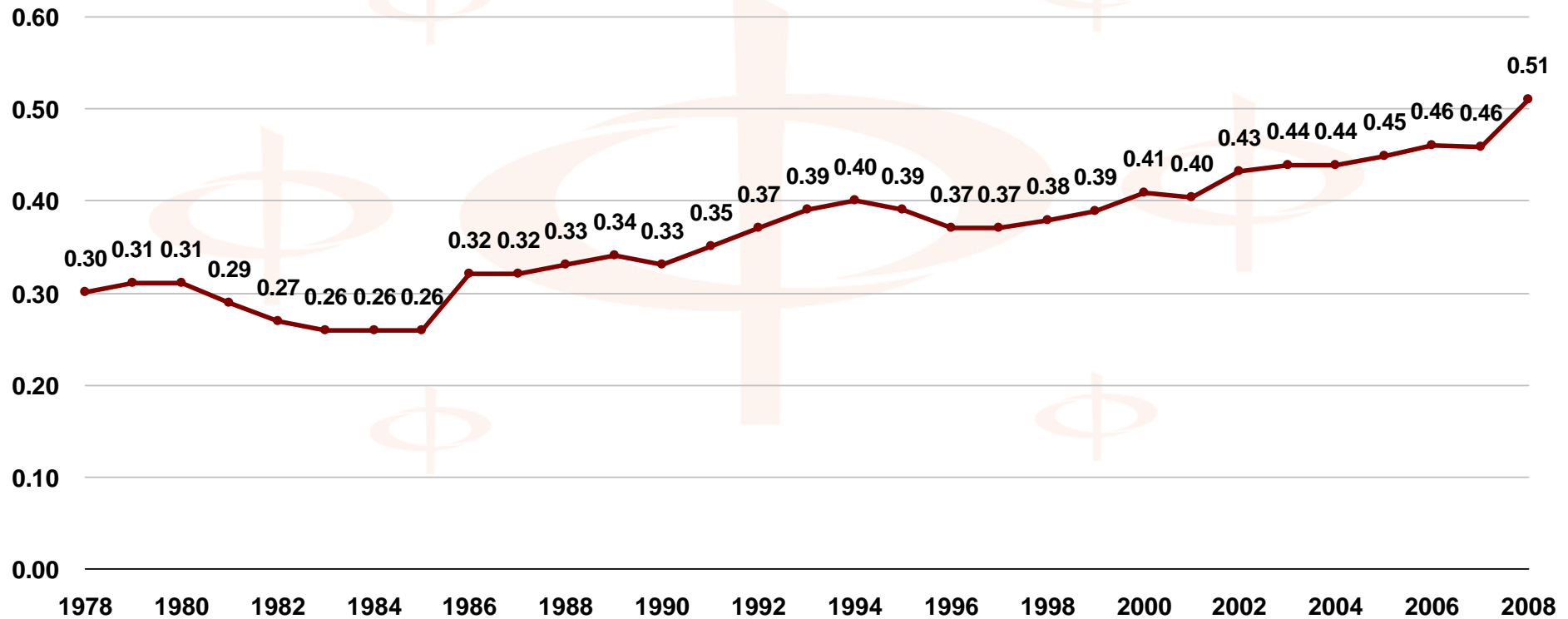
1. Engel's Law states that household expenditure on food, on aggregate, declines as income rises; in other words, the income elasticity of demand for food on aggregate is less than one and declines towards zero with income growth. A common application of this statistic is to regard it as a reflection of the living standards of a country. Engel's coefficient has an inverse correlation with the standard of living of a country



ALTHOUGH INCOME LEVELS HAVE BEEN INCREASING, THERE IS STILL A LARGE INEQUALITY IN THE DISTRIBUTION OF INCOME

The inequality of wealth distribution is particularly striking when the urban-rural divide is examined

Gini Coefficient (1978-2008)



Note: The Gini Coefficient is a measure of statistical dispersion. It is most prominently used as a measure of inequality of income distribution or inequality of wealth distribution. It is defined as a ratio with values between 0 and 1. A low Gini Coefficient indicates more equal income or wealth distribution, while a high Gini Coefficient indicates more unequal distribution

Source: National Statistics Database; THE BEIJING AXIS Analysis

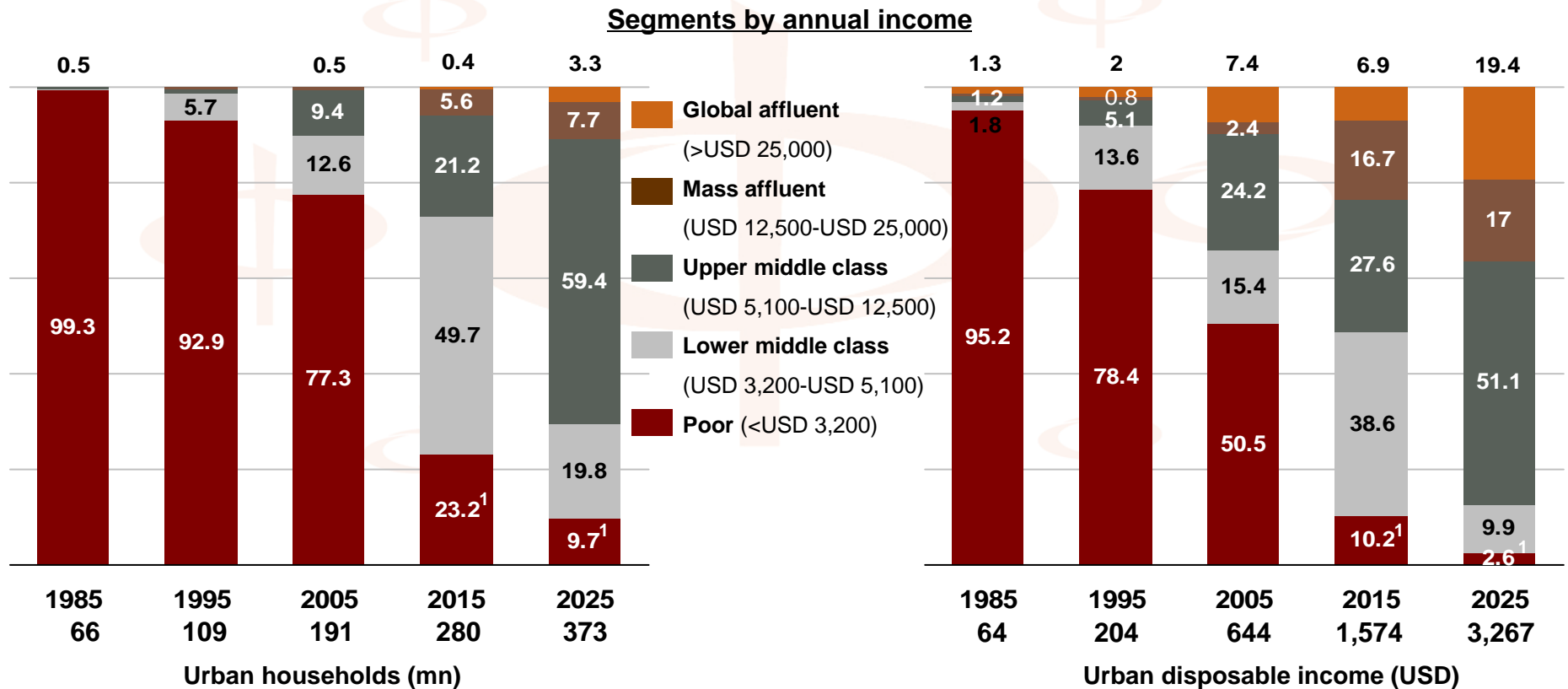


A LARGE MIDDLE CLASS IS DEVELOPING IN CHINA'S URBAN AREAS

In 2025, China could have more than 350 million urban households with annual disposable incomes above USD 3,200

Share of Chinese Urban Households (%)

Share of Total Urban Disposable Income (%)



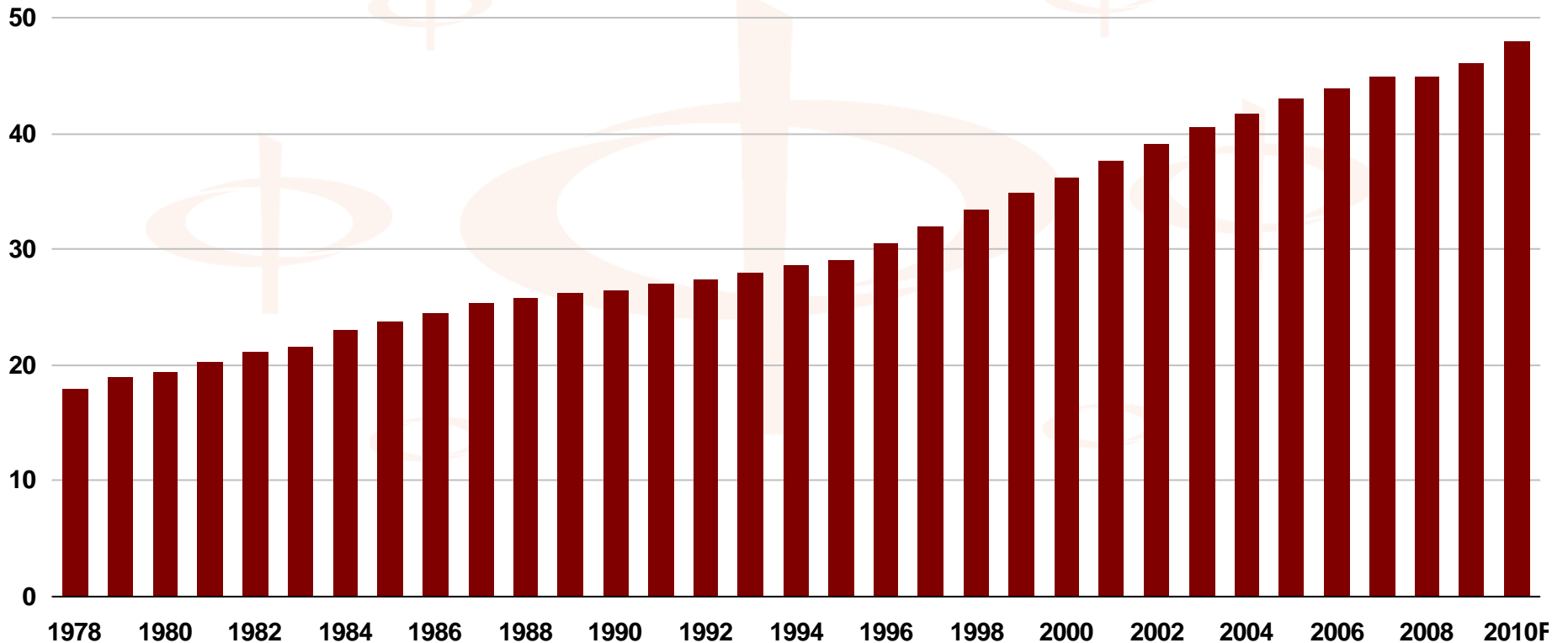
1. Base forecast. Certain figures do not amount to 100% due to the effects of rounding
 Source: National Bureau of Statistics of China; McKinsey Global Institute Analysis



CHINA'S URBANISATION RATE HAS INCREASED FROM 18% IN 1978 TO 46% IN 2009, WITH THE URBAN POPULATION EXCEEDING 600 MILLION

However, China's urbanisation rate is currently lower than the world average (50%)

Urbanisation Rate (% , 1978-2010F)





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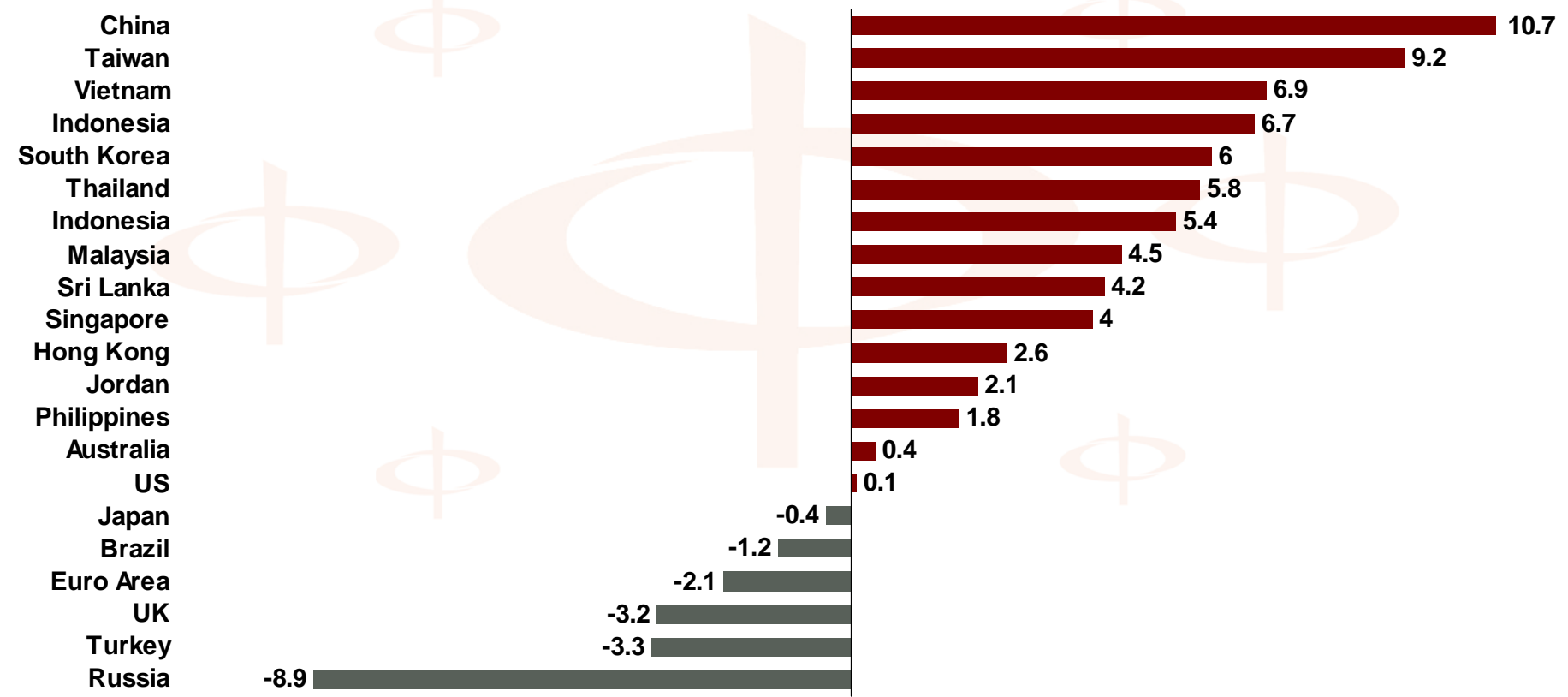
Disclaimer



CHINA AND OTHER ASIAN ECONOMIES LED WORLD GDP GROWTH IN THE FOURTH QUARTER OF 2009

China registered the highest growth rate at 10.7% y-o-y
 while Russia suffered a severe contraction of -8.9% y-o-y

Q4 2009 GDP Growth for Asia and Major Economies (% y-o-y, 2009)



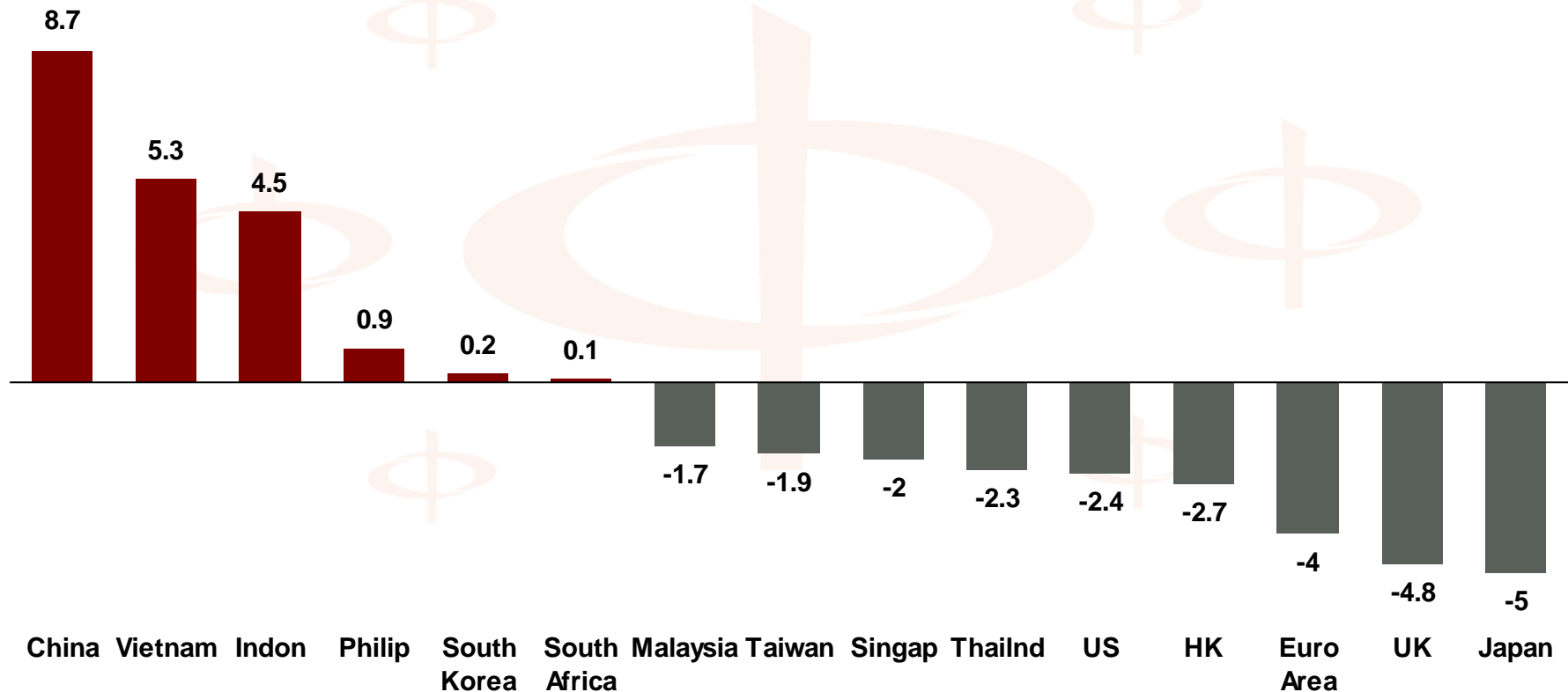
Note: Australia, Brazil, Indonesia, Jordan, Sri Lanka, Russia and Turkey are Q3 2009
 Source: Bangkok Bank; THE BEIJING AXIS Analysis



FOR THE WHOLE OF 2009, CHINA PERSEVERED ON ITS PATH OF RAPID EXPANSION

Although 2009 was a year of contraction for most, China quickly recovered from its slow output at the beginning of the year to achieve a robust 8.7% growth rate

Annual GDP Growth for Asia and Major Economies (% y-o-y, 2009)





MAJOR MACROECONOMIC INDICATORS SHOW THAT ASIAN ECONOMIES WERE THE HIGHLIGHT OF 2009 (I)

	GDP				Consumer Prices			Industrial Production			Unemployment	
	y-o-y%	q-o-q%	Latest	2009	y-o-y%	Latest	2009	y-o-y%	m-o-m%	Latest	Rate %	Latest
ASEAN												
Brunei (BN)	3.3	-	Q4-08	0.2*	2.1	May-09	1.2*	-	-	-	3.7	Dec-08
Cambodia (KH)	6.7	-	2008	-2.7*	1.3	Nov-09	-0.6*	-	-	-	1.7	Dec-08
Indonesia (ID)	5.4	-	Q4-09	4.5	3.7	Jan-10	4.8	5.5	0.4	Dec-09	7.9	Dec-09
Laos (LA)	7.2	-	2008	4.6*	3.9	Dec-09	0.0	-	-	-	-	-
Malaysia (MY)	4.5	-	Q4-09	-1.7	1.3	Jan-10	0.6	8.9	4.7	Dec-09	3.6	Sep-09
Myanmar (MM)	11.9	-	2007	4.3*	1.4	Nov-09	6.9*	-	-	-	-	-
Philippines (PH)	1.8	-	Q4-09	0.9	4.3	Jan-10	3.3	6.5	0.6	Nov-09	7.1	Dec-09
Singapore (SG)	4.0	-6.8***	Q4-09	-2.0	0.0	Dec-09	0.2	14.4	18.1	Dec-09	2.1	Dec-09
Thailand (TH)	5.8	3.6	Q4-09	-2.3	4.1	Jan-10	-0.9	35.7	10.4	Dec-09	0.9	Dec-09
Vietnam (VN)	6.9	-	Q4-09	5.3	7.6	Jan-10	6.9	31.2	-4.6	Jan-10	4.7	Dec-08
EAST ASIA												
China (CN)	10.7	-	Q4-09	8.7	1.5	Jan-10	-0.7	19.2	-	Nov-09	4.3	Dec-09
Hong Kong (HK)	2.6	2.3	Q4-09	-2.7	1.0	Jan-10	0.5	-8.6	-	Q3-09	4.9	Jan-10
South Korea (KR)	6.0	0.2	Q4-09	0.2	3.1	Jan-10	2.8	33.9	2.9	Dec-09	5	Jan-10
Taiwan (TW)	9.2	4.2	Q4-09	-1.9	0.3	Jan-10	-0.9	47.3	5.3	Dec-09	5.7	Jan-10
SOUTH ASIA												
Bangladesh (BD)	5.9	-	2008	5.4*	7.2	Nov-09	5.3*	6.3	3.2	Aug-09	4.2	Dec-06
India (IN)	6.7	-	Q3-09	-	15.0	Dec-09	10.9	16.8	10.9	Dec-09	9.1	Dec-08
Pakistan (PK)	3.7	-	2008	2.0*	13.7	Jan-10	13.6	0.3	-2.8	Nov-09	5.2	Dec-08
Sri Lanka (LK)	4.2	-	Q3-09	3.0*	6.5	Jan-10	3.4	11.2	-3.7	Dec-09	5.9	Sep-09

Note: The bold figures are newly updated; *Estimated figures; **Dec-09; ***Annual Rates; ****As of Feb 23, 2010.

Source: IMF; CEIC Database and the Economist; Bangkok Bank



MAJOR MACROECONOMIC INDICATORS SHOW THAT ASIAN ECONOMIES WERE THE HIGHLIGHT OF 2009 (II)

	Export y-o-y %	Import y-o-y %	Trade Balance		Current Account		FX**** Per USD	Interest Rates %	
			USD bn	Latest	USD bn	Latest		Policy Rate	10Y GB Yield
ASEAN									
Brunei (BN)	-0.7	16.4	1.8	Q4-08	7.4	2008	1.40	5.50	-
Cambodia (KH)	-11.4	-13.9	-0.3	Sep-09	0.0	Q1-09	4,196.00	-	-
Indonesia (ID)	49.8	34.2	3.0	Dec-09	3.4	Q4-09	9,271.00	6.50	-
Laos (LA)	-26.0	-5.2	-0.2	Sep-09	-0.1	Q2-09	8,481.00	4.00	-
Malaysia (MY)	23.5	28.3	3.5	Dec-09	7.2	Q3-09	3.40	2.00	4.27
Myanmar (MM)	-18.0	78.0	0.0	Sep-09	1.0	2007	985.00	12.00	-
Philippines (PH)	23.5**	4.1	0.1	Nov-09	0.7	Sep-09	46.15	6.00	8.06
Singapore (SG)	46.4	37.9	2.3	Jan-10	5.8	Q3-09	1.41	0.69	2.54
Thailand (TH)	30.8	44.8	0.5	Jan-10	0.8	Dec-09	33.11	1.25	4.02
Vietnam (VN)	31.7	86.2	-1.3	Jan-10	2.8	Q1-09	18,544.00	8.00	-
EAST ASIA									
China (CN)	21.0	85.6	14.2	Jan-10	284.1	H2-09	6.83	5.31	3.63
Hong Kong (HK)	9.2	18.7	-4.3	Dec-09	3.6	Q3-09	7.76	0.50	2.82
South Korea (KR)	46.7	26.4	-0.5	Jan-10	-0.4	Jan-10	1,149.00	2.00	5.40
Taiwan (TW)	75.8	114.7	2.5	Jan-10	8.2	Q3-09	32.05	1.25	1.41
SOUTH ASIA									
Bangladesh (BD)	0.7	0.4	-0.7	Nov-09	-0.1	Oct-09	69.34	4.50	8.75
India (IN)	9.3	27.2	-10.1	Dec-09	-12.6	Q3-09	46.13	3.25	7.74
Pakistan (PK)	26.3	31.3	-1.6	Jan-10	-0.5	Q3-09	85.12	12.50	12.21
Sri Lanka (LK)	6.4	0.5	-0.3	Dec-09	0.2	Q3-09	115.08	7.50	13.1

Note: The bold figures are newly updated; *Estimated figures; **Dec-09; ***Annual Rates; ****As of Feb 23, 2010.

Source: IMF; CEIC Database and the Economist; Bangkok Bank



WHILE DEVELOPED ECONOMIES WERE STILL STRUGGLING FROM THE FINANCIAL CRISIS (I)

	GDP				Consumer Prices			Industrial Production			Unemployment	
	y-o-y%	q-o-q%	Latest	2009	y-o-y%	Latest	2009	y-o-y%	m-o-m%	Latest	Rate %	Latest
MIDDLE EAST												
Jordan (JD)	2.1	-	Q3-09	3.0*	3.9	Jan-10	-0.7	4.3	10.9	Dec-09	12.2	Dec-09
Kuwait (KW)	4.4	-	2007	-1.5*	4.2	Jun-09	4.6*	0.2	-1.1	Nov-09	1.3	Dec-06
Oman (OM)	7.8	-	2008	4.1*	0.9	Dec-09	3.5	6.8	-1.8	Nov-09	-	-
Qatar (QA)	16.4	-	2008	11.5*	1.3	Q1-09	0.0*	0.6	-0.7	Nov-09	0.3	Dec-09
Saudi Arabia (SA)	0.1	-	2009	0.1	4.1	Jan-10	5.1	-6.8	-2.7	Nov-09	5.4	Dec-09
Turkey (TR)	-3.3	2.3	Q3-09	-6.5*	8.2	Jan-10	6.3	7.4	0.6	Dec-09	13.1	Nov-09
UAE (AE)	7.4	-	2008	-0.2	-0.4	Dec-09	1.8	-5.4	-8.3	Nov-09	4.0	Dec-08
MAJOR ECONOMIES												
US	0.1	5.7***	Q4-09	-2.4	2.6	Jan-10	-0.4	1.0	0.9	Jan-10	9.7	Jan-10
Euro Area (EA)	-2.1	0.1	Q4-09	-4.0	1.0	Jan-10	0.3	-5.0	-1.7	Dec-09	10.0	Dec-09
Japan (JP)	-0.4	1.1	Q4-09	-5.0	-1.7	Dec-09	-1.4	5.1	1.1	Dec-09	5.1	Dec-09
UK	-3.2	0.1	Q4-09	-4.8	3.4	Jan-10	2.2	-5.7	-6.5	Dec-09	7.8	Nov-09
Brazil (BR)	-1.2	1.3	Q3-09	-0.7*	4.6	Jan-10	4.9	18.9	-8.0	Dec-09	6.8	Dec-09
Russia (RU)	-8.9	-	Q3-09	-7.5*	8.0	Jan-10	11.7	1.8	-20.4	Jan-10	9.2	Jan-10
Australia (AU)	0.4	0.2	Q3-09	0.8*	2.1	Q4-09	1.8	-3.9	-	Q3-09	5.3	Jan-09

Note: The bold figures are newly updated; *Estimated figures; **Dec-09; ***Annual Rates; ****As of Feb 23, 2010.
 Source: IMF; CEIC Database and the Economist; Bangkok Bank



WHILE DEVELOPED ECONOMIES WERE STILL STRUGGLING FROM THE FINANCIAL CRISIS (II)

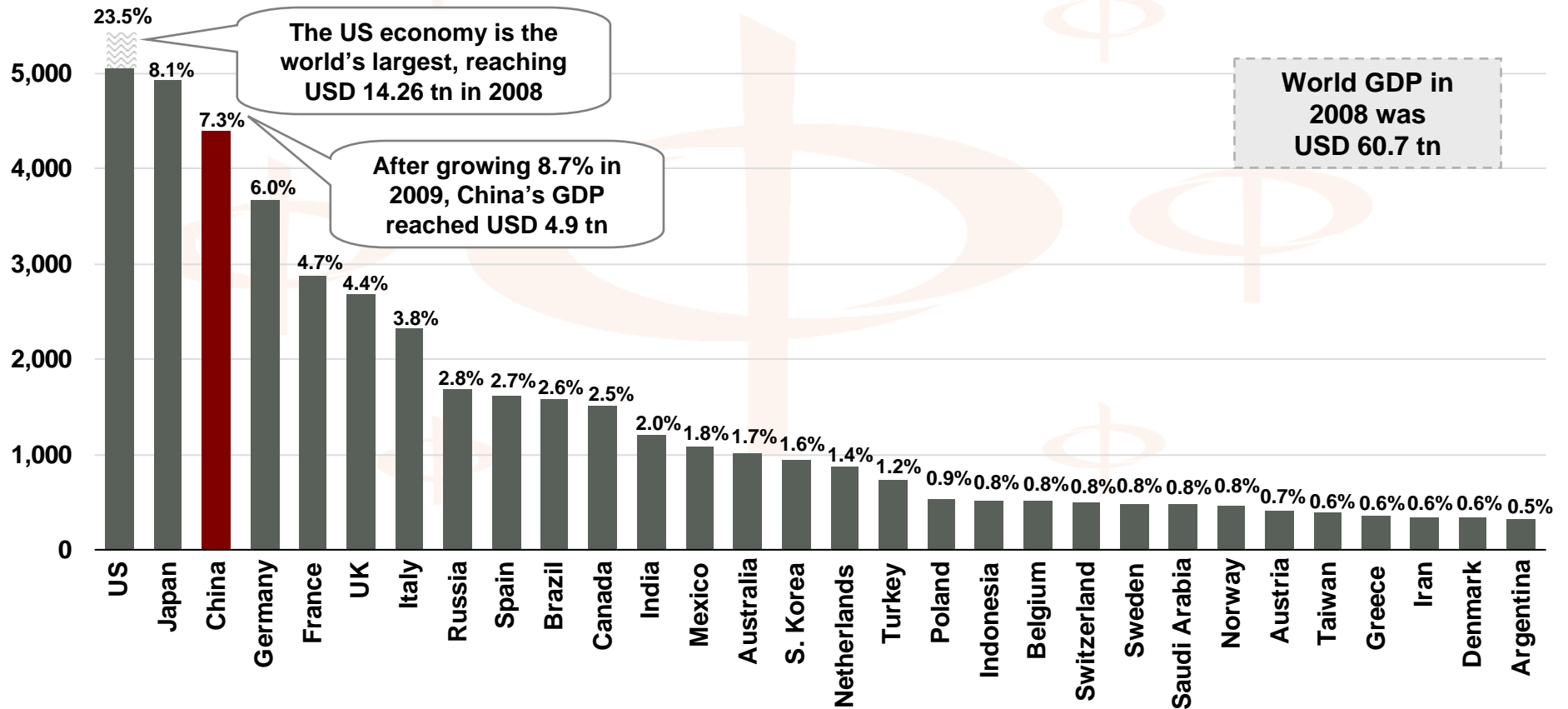
	Export y-o-y %	Import y-o-y %	Trade Balance		Current Account		FX**** Per USD	Interest Rates %	
			USD bn	Latest	USD bn	Latest		Policy Rate	10Y GB Yield
MIDDLE EAST									
Jordan (JD)	-5.4	13.1	-0.7	Dec-09	-0.5	Q3-09	0.71	4.75	-
Kuwait (KW)	-54.9	-29.2	7.7	Q2-09	64.7	2008	0.29	1.75	-
Oman (OM)	-31.3	-12.7	0.8	Sep-09	5.5	2008	0.38	0.05	-
Qatar (QA)	-37.7	-19.6	2.0	Sep-09	14.2	2008	3.64	5.50	-
Saudi Arabia (SA)	-10.5	-39.4	-4.4	Nov-09	134	2008	3.75	2.00	-
Turkey (TR)	30.3	31.4	-4.9	Dec-09	-3.2	Dec-09	1.52	6.50	-
UAE (AE)	-37.2	-23.4	-3.2	Sep-09	22.3	2008	3.69	1.00	-
MAJOR ECONOMIES									
US	12.1	5.7	-46.4	Dec-09	-124.1	Q3-09	1.00	0.00-0.25	3.69
Euro Area (EA)	7.4	1.5	6.4	Dec-09	0.2	Nov-09	0.74	1.00	3.56
Japan (JP)	39.3	7.4	-0.9	Jan-10	10	Dec-09	91.00	0.10	1.34
UK	14.2	12.7	-9.2	Dec-09	-7.7	Q3-09	0.65	0.50	4.11
Brazil (BR)	15.6	11.3	-0.2	Jan-10	-3.8	Jan-10	1.82	8.65	6.16
Russia (RU)	20.6	-11.5	15.3	Dec-09	15.6	Q4-09	30.15	8.50	7.96
Australia (AU)	4.4	18.9	-1.5	Dec-09	-15.2	Q3-09	1.11	3.75	5.47

Note: The bold figures are newly updated; *Estimated figures; **Dec-09; ***Annual Rates; ****As of Feb 23, 2010.
 Source: IMF; CEIC Database and the Economist; Bangkok Bank

IN 2008, CHINA WAS THE WORLD'S THIRD-LARGEST ECONOMY, WITH GDP OF USD 4.4 TRILLION

In 2009, China came close to becoming the second largest, as its GDP reached USD 4.9 trillion

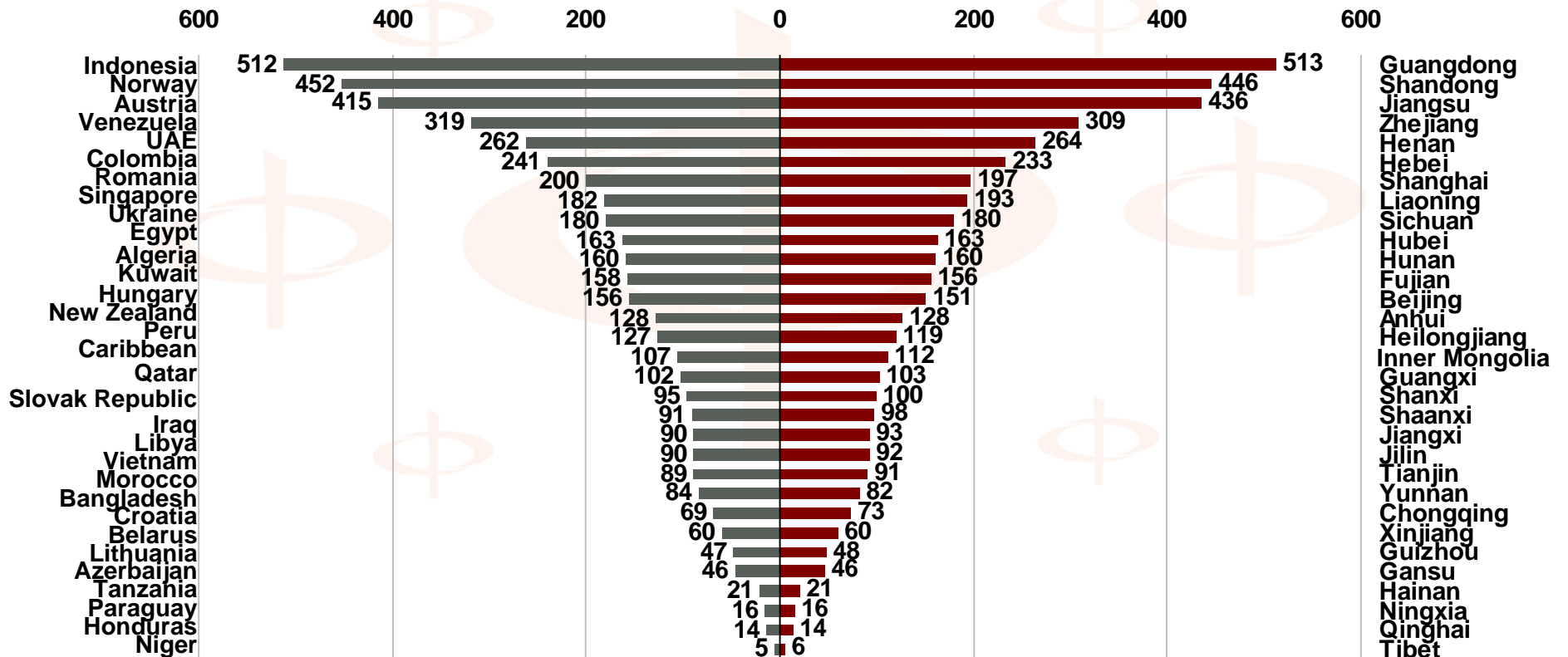
GDP of Top 30 Economies (USD bn, % of World GDP, 2008)



SOME CHINESE PROVINCES' GDP ARE THE SAME SIZE AS NATIONAL ECONOMIES IN EUROPE, ASIA, AFRICA AND S. AMERICA

For example, the size of Guangdong's economy is larger than that of Indonesia, Norway and Austria

China GDP by Province Compared with Similar World Economies (USD bn, 2008)

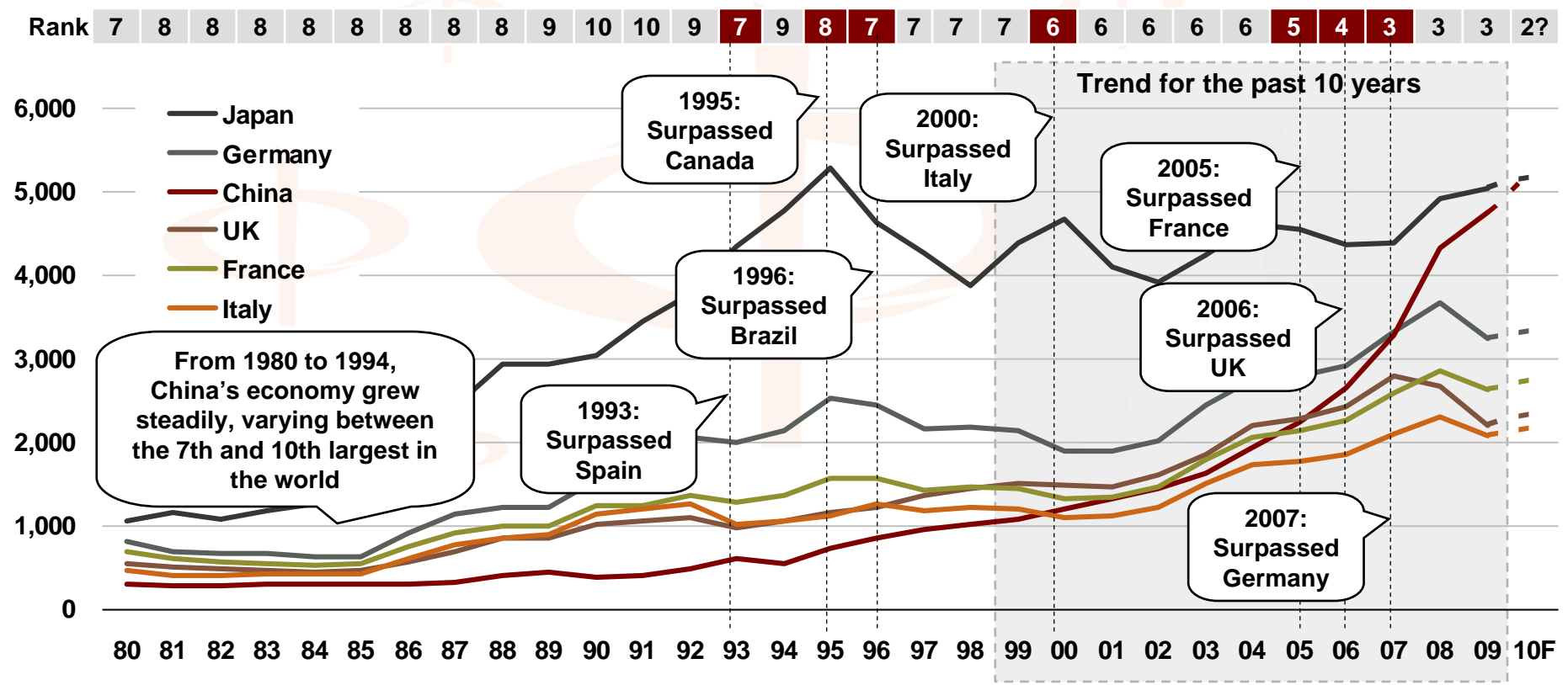




CHINA'S ECONOMY HAS RECORDED DRAMATIC GROWTH IN THE PAST TEN YEARS

With a fourfold increase since 1998, China was the 3rd largest economy after the US and Japan in 2008, and is set to become the 2nd largest in 2009/10

Top 6 Economies' GDP, excl. US (USD bn, 1980-2010F)

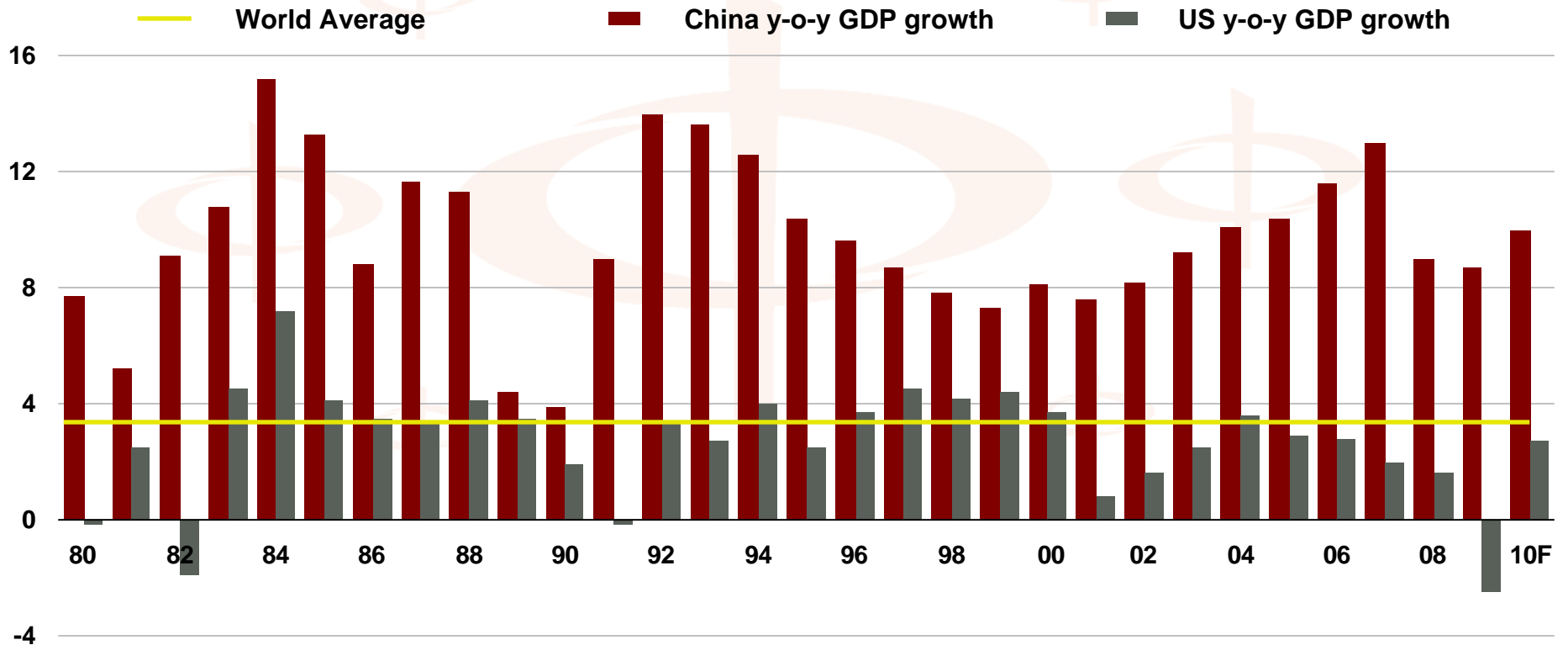




SINCE 1980, CHINA HAS EXPERIENCED AN ANNUAL AVERAGE GDP GROWTH RATE OF 9.66%

Since the country's economic reform, China's growth rate has always been above the world average (3.4%) while the US has grown at 2.69% for the same period

China vs. US, Annual GDP Growth (% y-o-y, 1980-2010F)

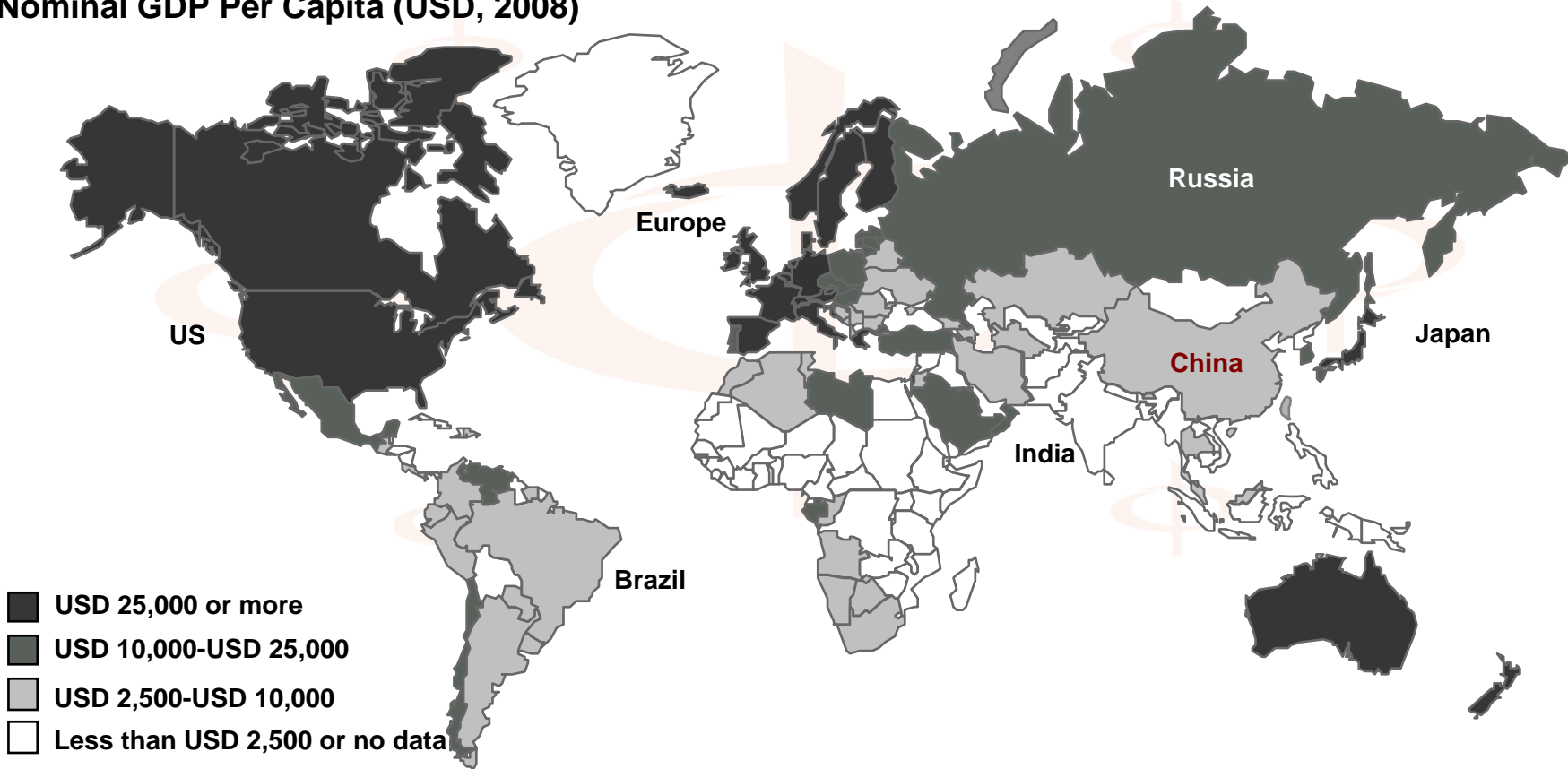




HOWEVER, CHINA'S GDP PER CAPITA IS STILL LOW COMPARED TO OTHER ECONOMIES OF SIMILAR SIZE

In 2008, China's GDP per capita reached USD 3,258

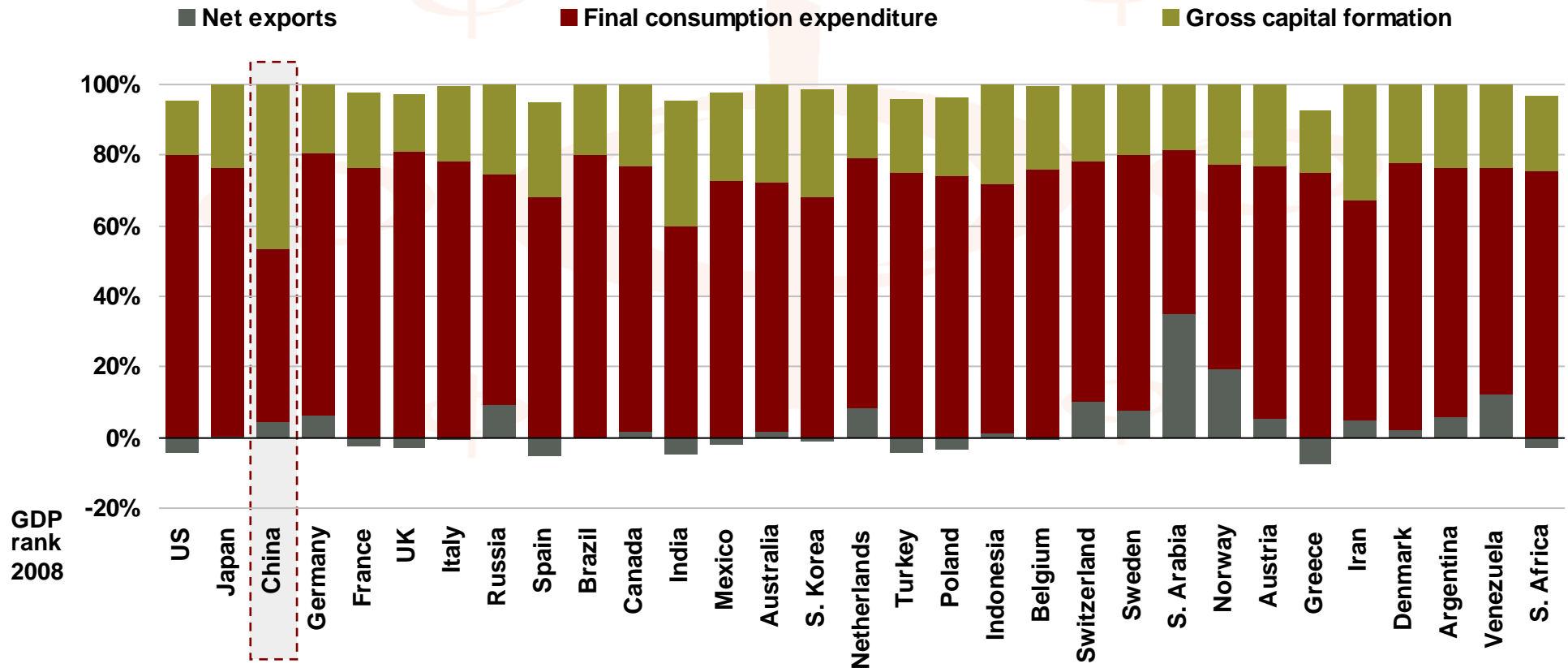
Nominal GDP Per Capita (USD, 2008)



IN CONTRAST TO OTHER MAJOR ECONOMIES, CHINA'S ENGINE OF GROWTH IS GROSS CAPITAL FORMATION

With gross capital formation at 49% of GDP in 2008, China's investment/GDP ratio is the highest in the world

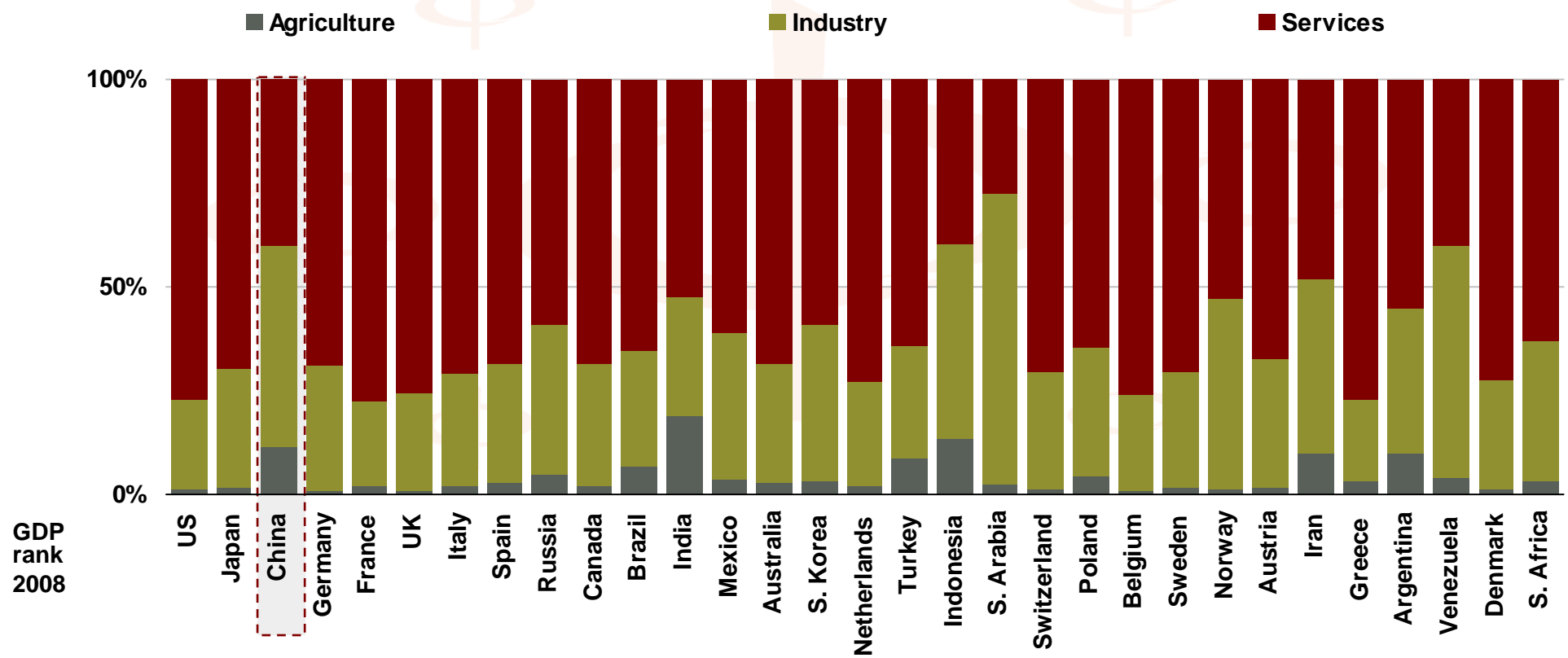
Composition of GDP - Expenditure Approach (% , 2008)





CHINA'S ECONOMY IS DOMINATED BY ITS SECONDARY INDUSTRY, UNLIKE THE ECONOMIES OF OTHER MAJOR NATIONS THAT ARE DRIVEN BY THE SERVICES INDUSTRY

Share of GDP by Industry (% , 2008)





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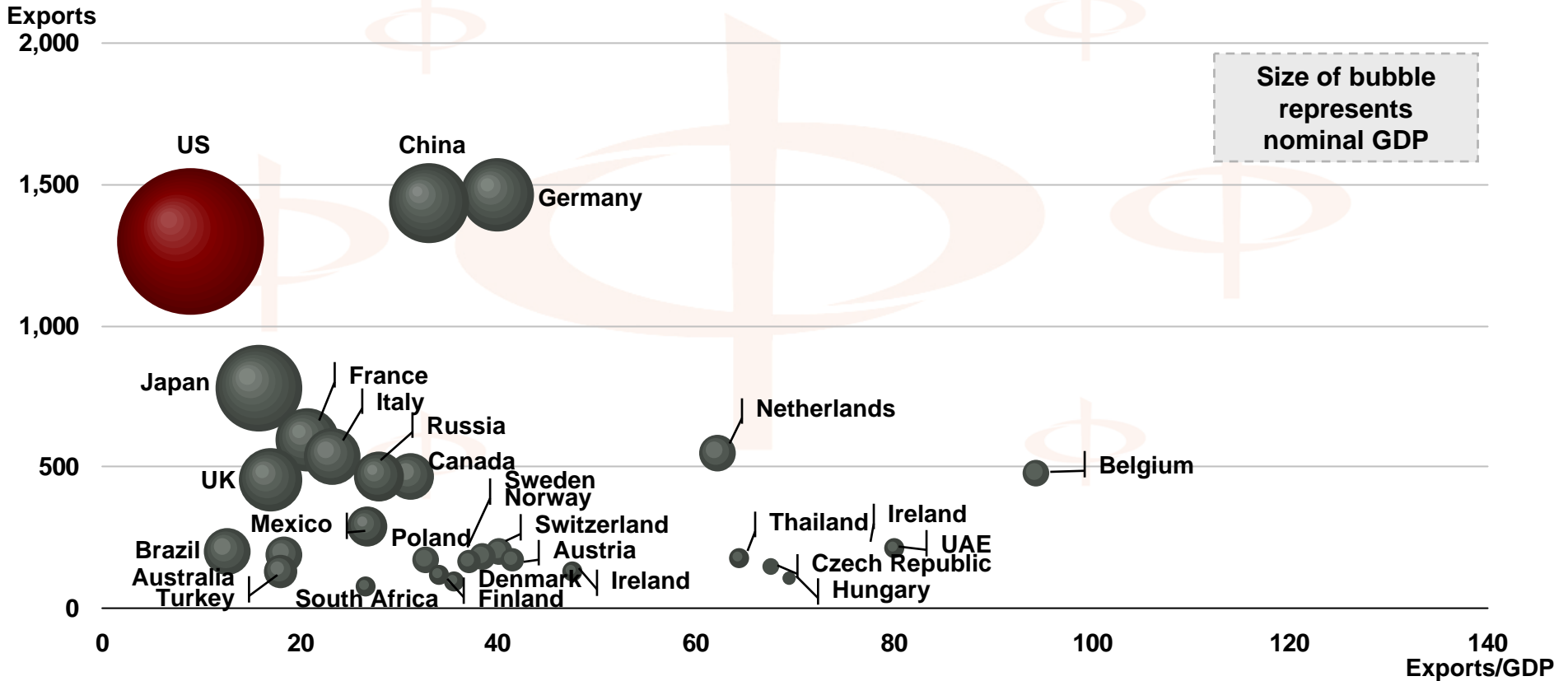
About THE BEIJING AXIS

Disclaimer

IN 2008, CHINA WAS THE WORLD'S SECOND-LARGEST EXPORTER, AFTER GERMANY; IN 2009 IT BECAME THE WORLD'S LARGEST¹

In 2008, China exported a total of USD 1,430 billion, about 33% of its GDP, surpassing the US, with exports of USD 1,300 billion, the second-largest country total for 2008

World's Major Exporters (USD bn, 2008)²



Note:

1. Annual figures for 2009 were not available at the time of publication
2. To make international comparisons, this section utilises China's export figures from the IMF instead of the one from MOFCOM

Source: IMF; THE BEIJING AXIS Analysis

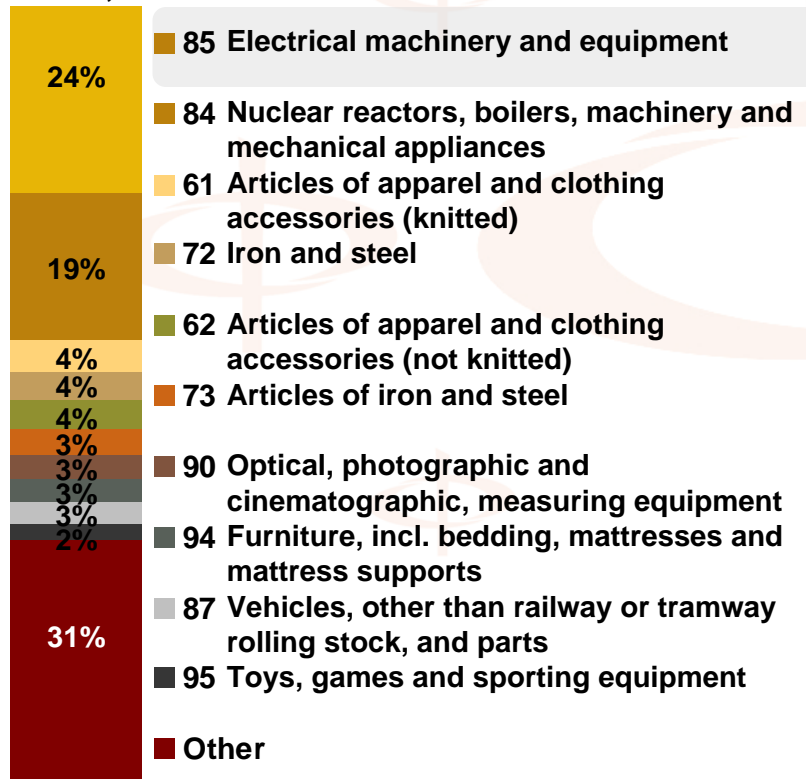


CHINA IS THE WORLD'S LARGEST EXPORTER OF ELECTRICAL MACHINERY AND EQUIPMENT

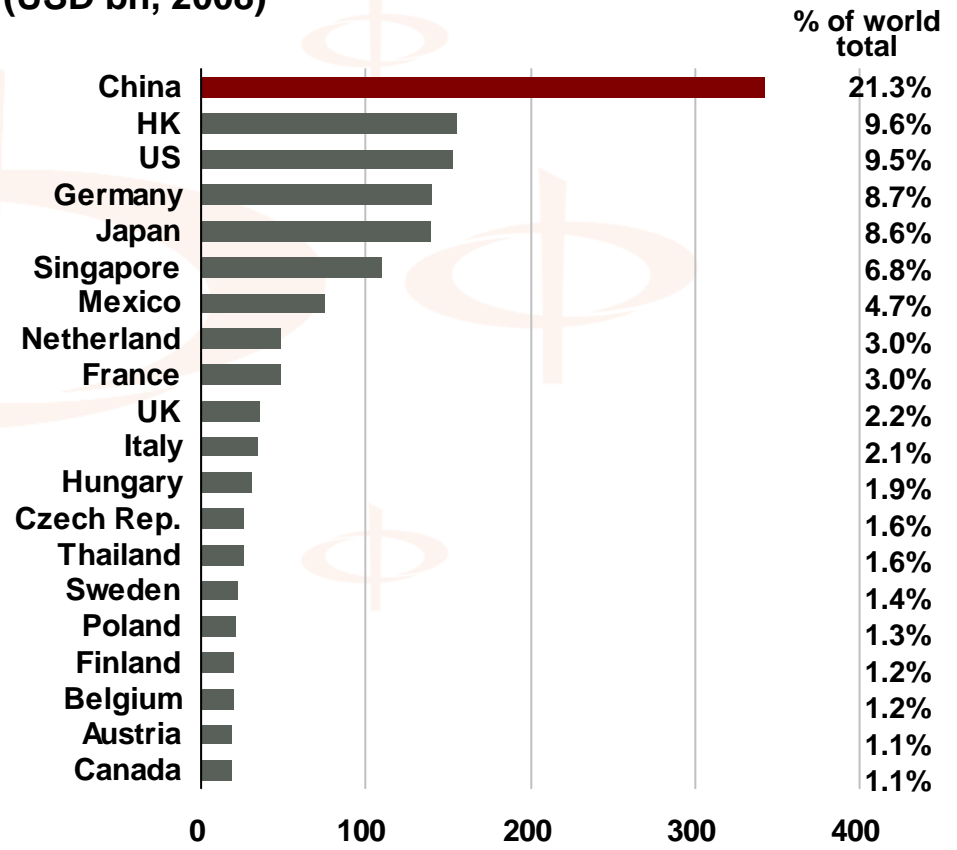
In 2008, China exported a total of USD 342 billion or 21.3% of the world's total electrical machinery and equipment

China's Top 10 Export Commodities 2008 (HS Code)

Total: USD 1,430 bn



Top 20 World Exporters of Electrical Machinery (USD bn, 2008)

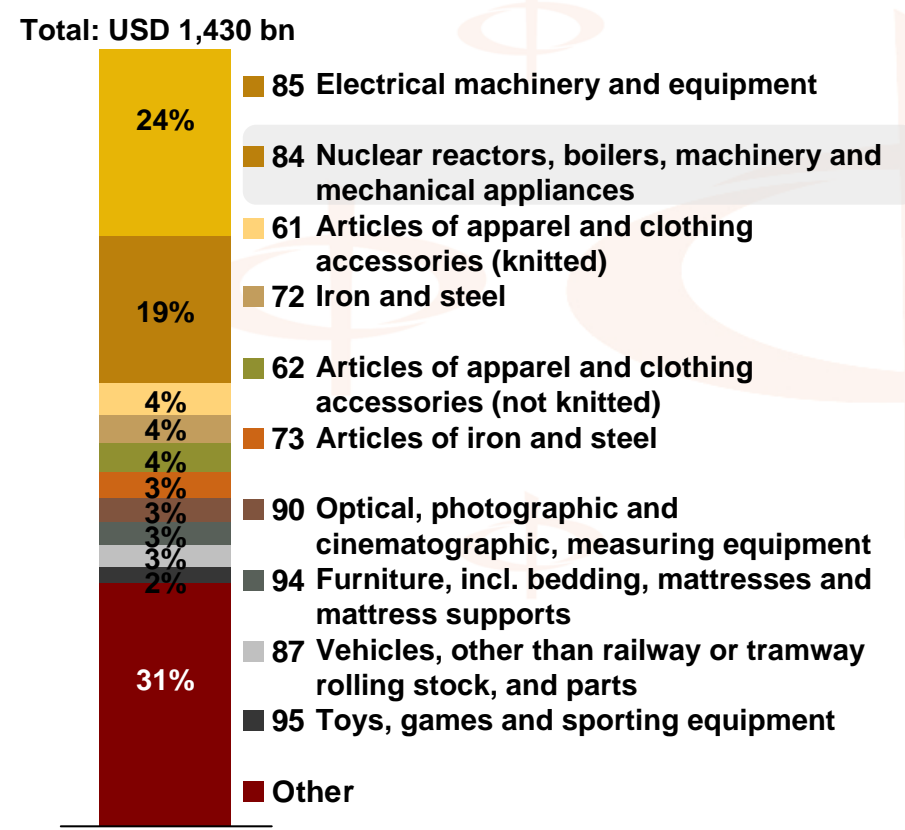




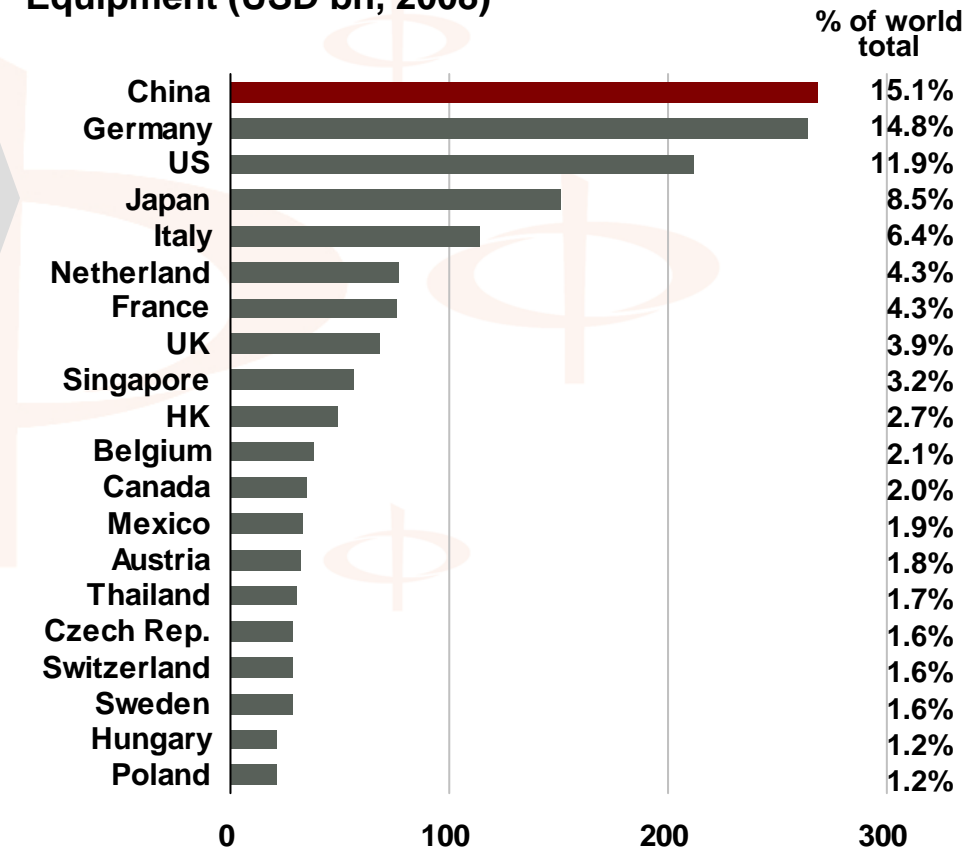
CHINA IS THE WORLD'S LARGEST EXPORTER OF MACHINERY AND MECHANICAL APPLIANCES

In 2008, China exported a total of USD 269 billion or 15.1% of the world's power generation equipment

China's Top 10 Export Commodities 2008 (HS Code)



Top 20 World Exporters of Power Generation Equipment (USD bn, 2008)



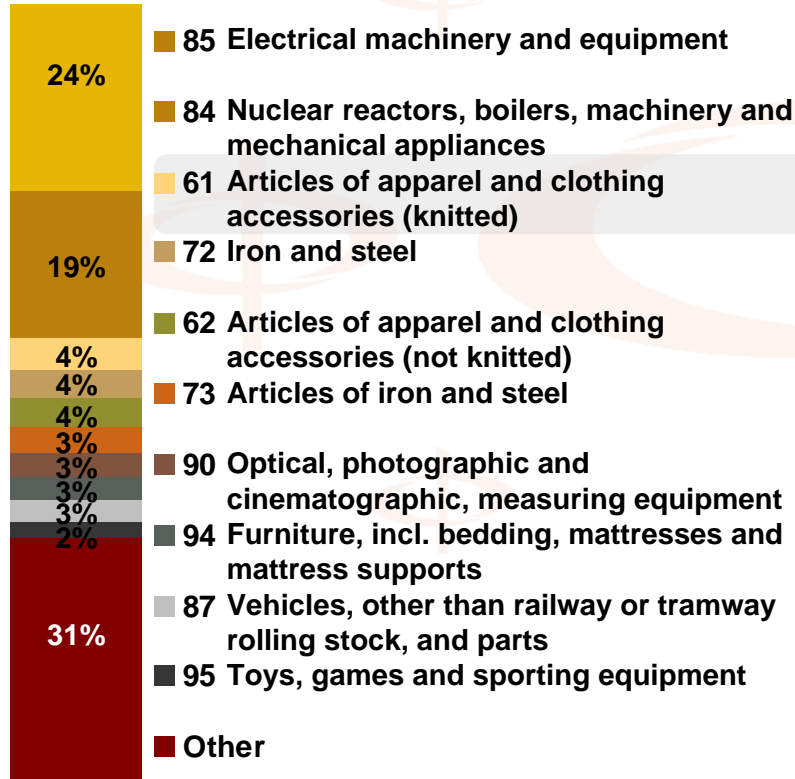


CHINA IS THE WORLD'S LARGEST EXPORTER OF KNITTED ARTICLES OF APPAREL AND CLOTHING ACCESSORIES

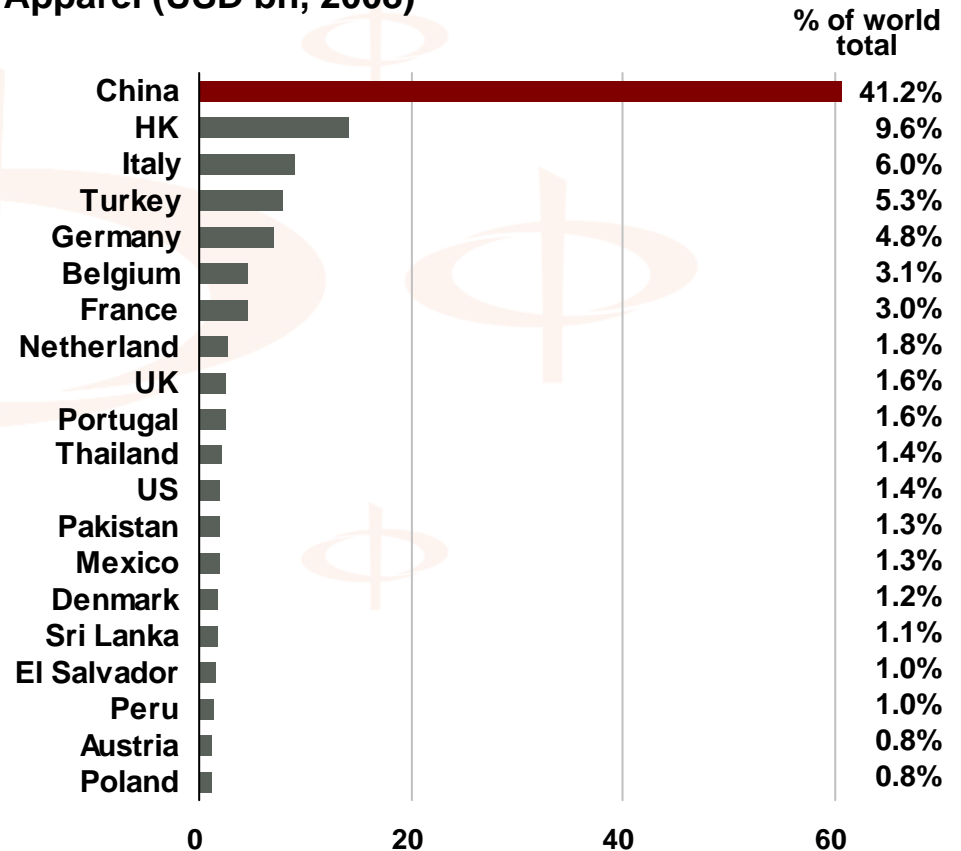
In 2008, China exported a total of USD 61 billion or 41.2% of the world's knitted apparel and clothing accessories

China's Top 10 Export Commodities 2008 (HS Code)

Total: USD 1,430 bn



Top 20 World Exporters of Knitted Articles of Apparel (USD bn, 2008)



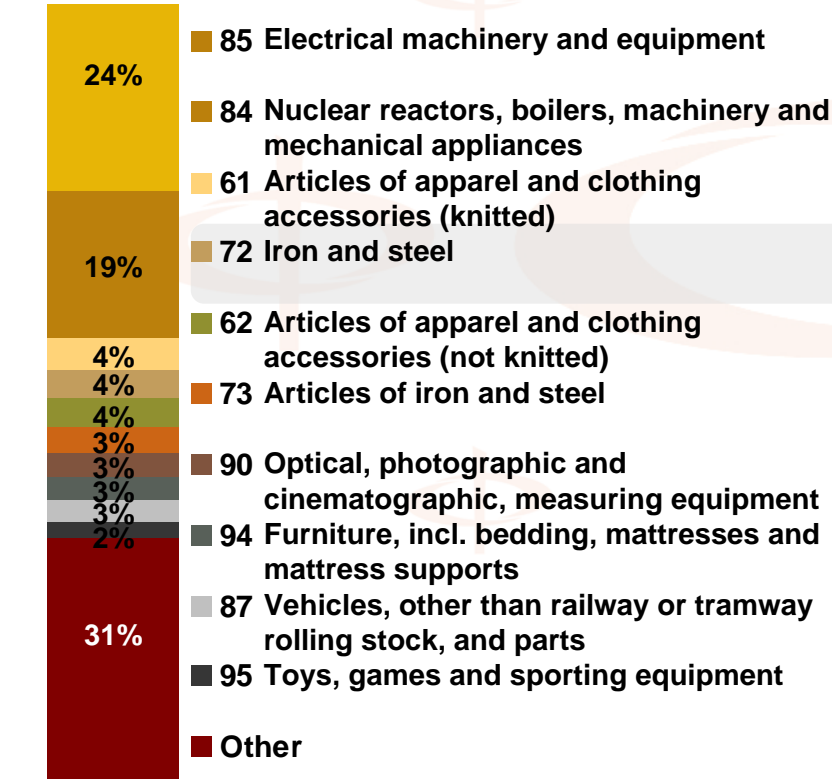


CHINA IS THE WORLD'S LARGEST EXPORTER OF IRON AND STEEL

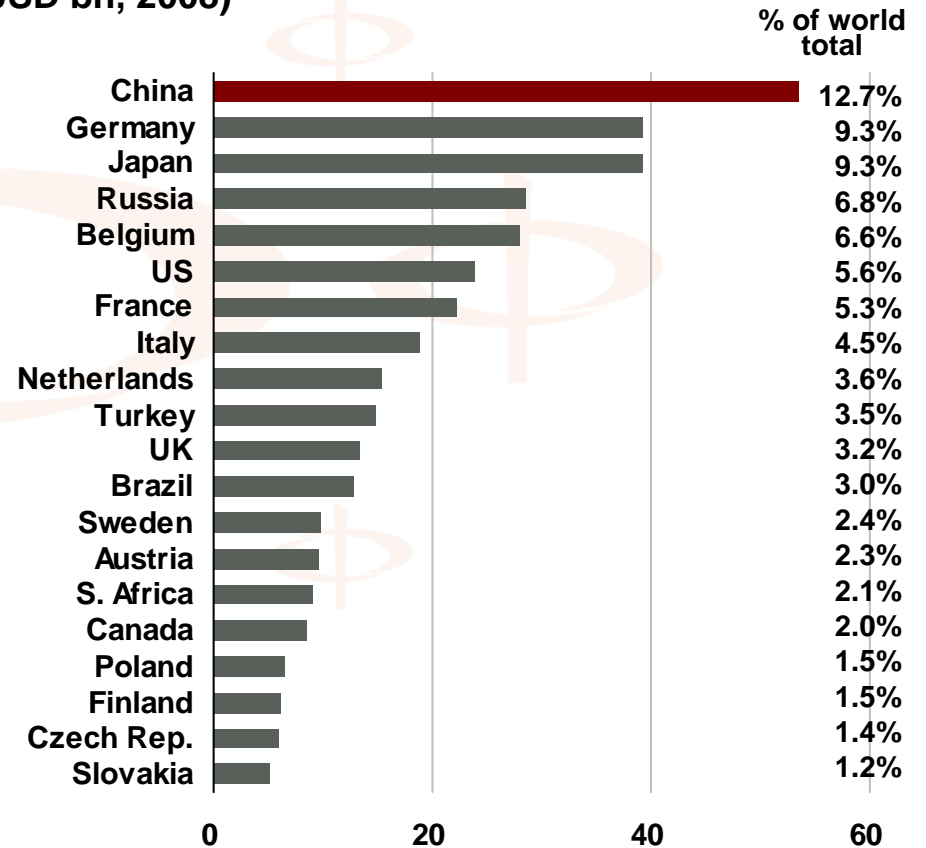
In 2008, China exported a total of USD 53 billion or 12.7% of the world's iron and steel

China's Top 10 Export Commodities 2008 (HS Code)

Total: USD 1,430 bn



Top 20 World Exporters of Iron and Steel (USD bn, 2008)



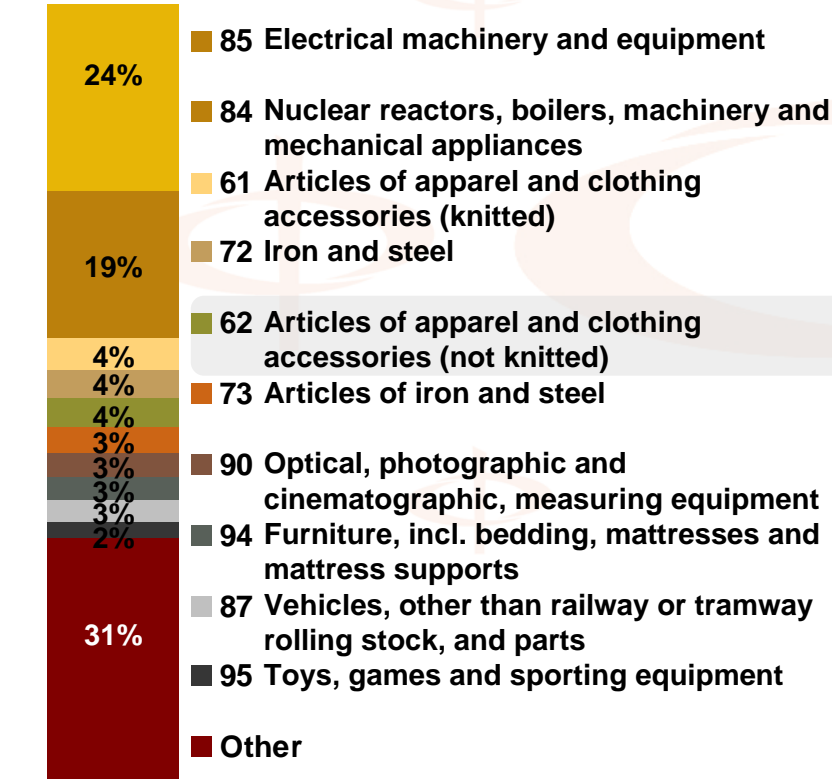


CHINA IS THE WORLD'S LARGEST EXPORTER OF NON-KNITTED ARTICLES OF APPAREL

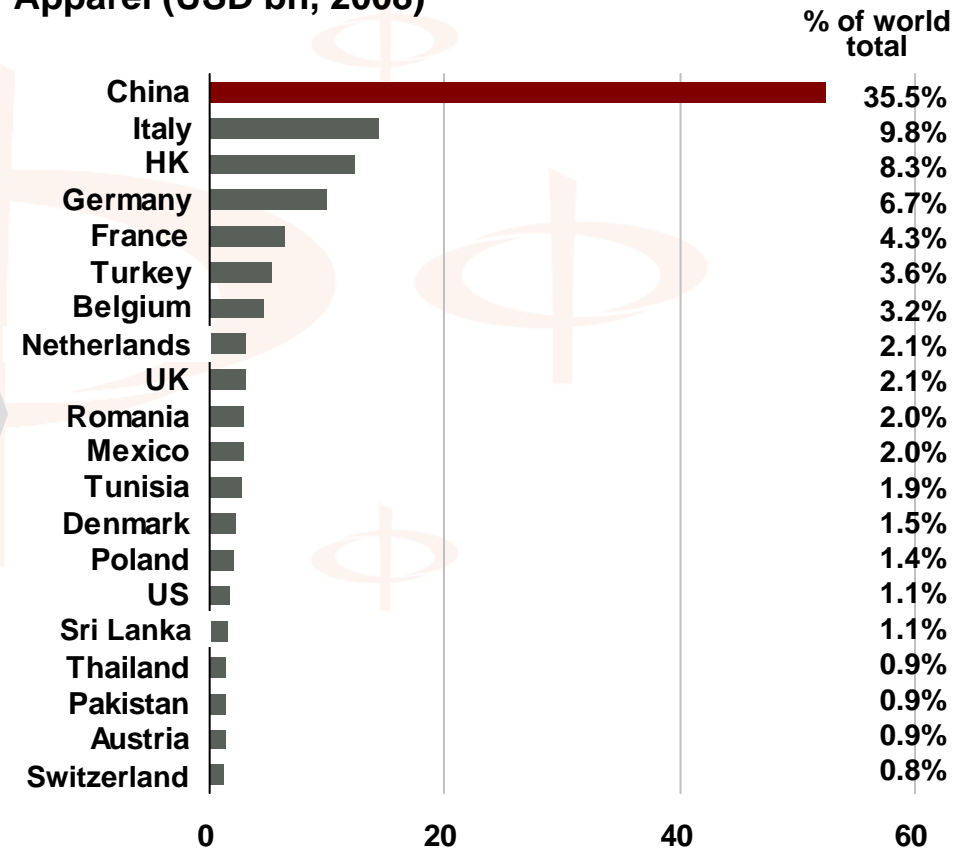
In 2008, China exported a total of USD 52 billion or 35.5% of the world's non-knitted articles of apparel

China's Top 10 Export Commodities 2008 (HS Code)

Total: USD 1,430 bn



Top 20 World Exporters of Non-knitted Articles of Apparel (USD bn, 2008)

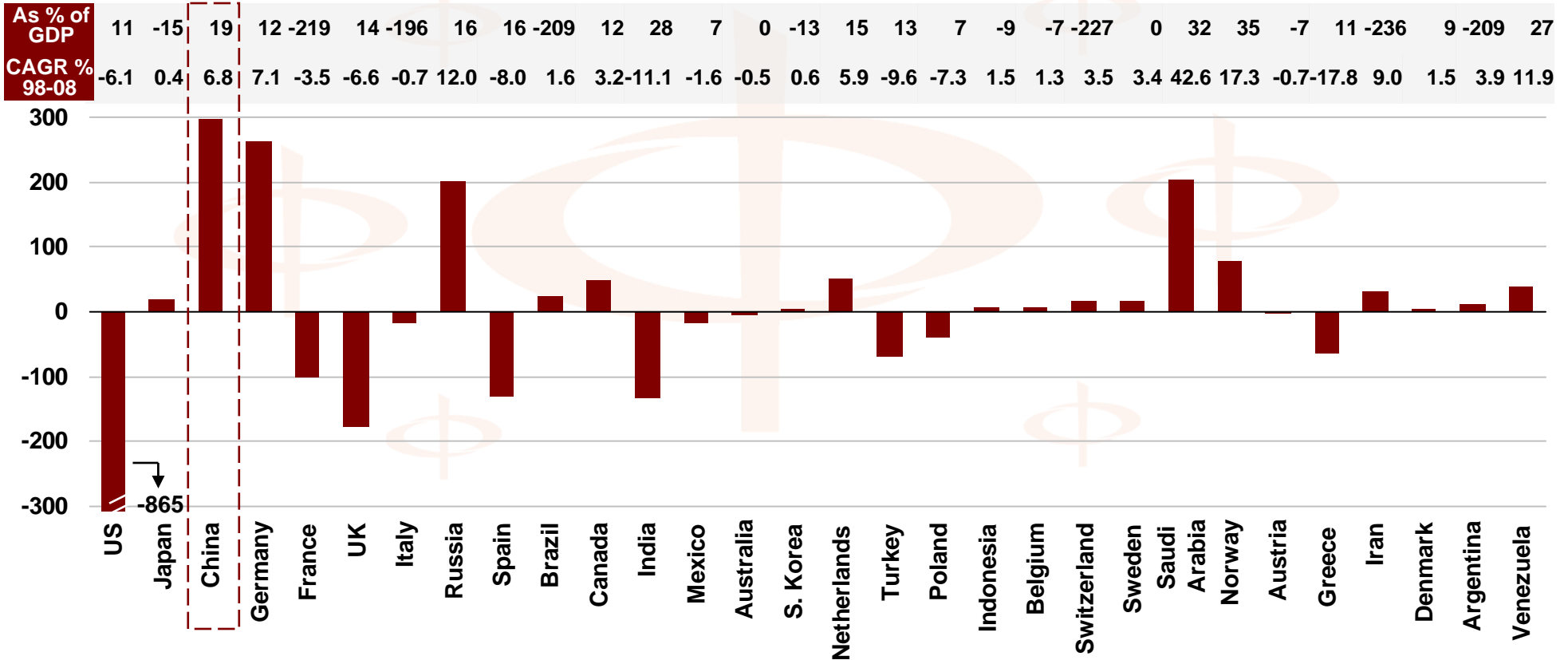




DESPITE NOT BEING THE WORLD'S LARGEST EXPORTER IN 2008, CHINA ALREADY HAD THE WORLD'S LARGEST TRADE SURPLUS

In 2008, China's total trade surplus reached USD 298 billion, which is 14% higher than that of Germany, the world's largest exporter at the time

Trade Surpluses of the World's Major Economies (USD bn, 2008)



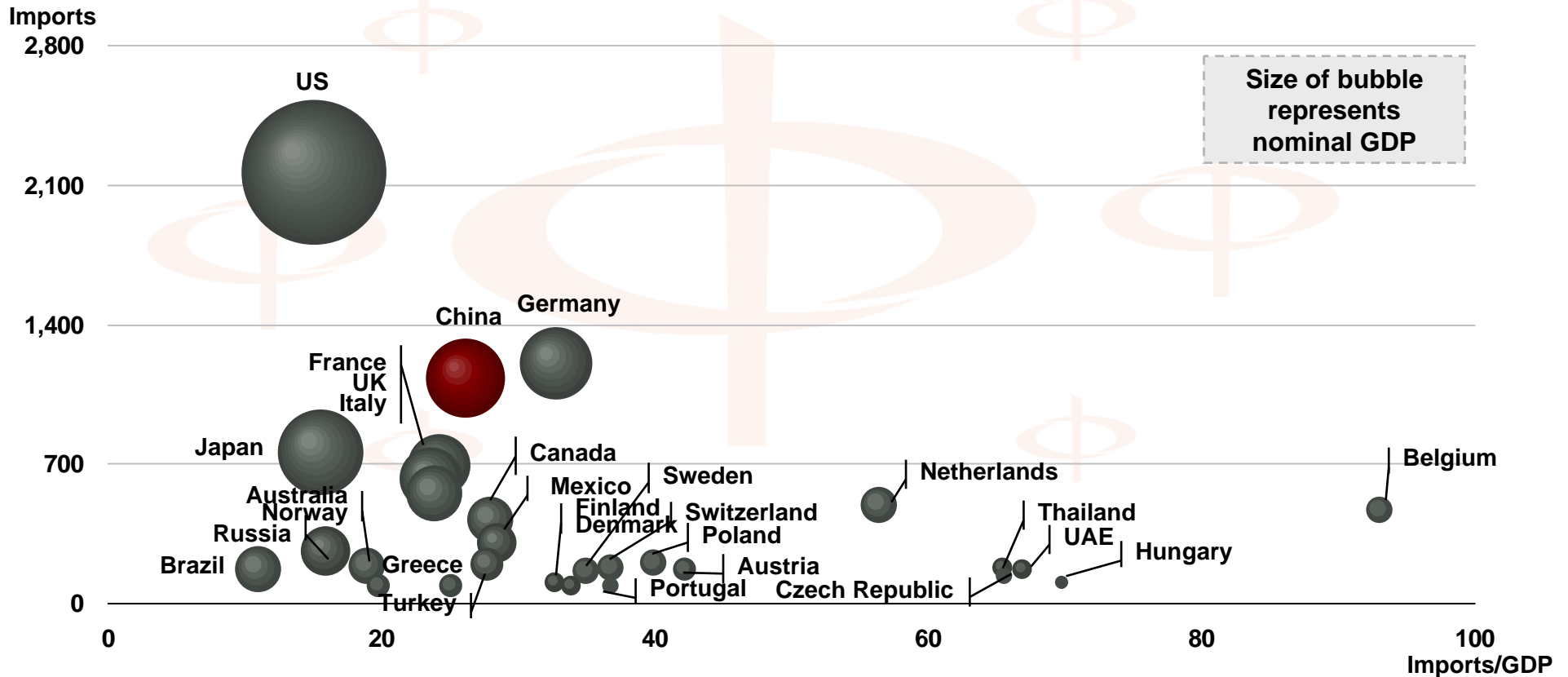
Note: To make international comparisons, this section utilises the China trade surplus figure from the IMF instead of the one from MOFCOM
 Source: IMF; THE BEIJING AXIS Analysis



IN 2008, CHINA WAS THE WORLD'S THIRD-LARGEST IMPORTER AFTER THE US AND GERMANY

In 2008, China imported a total of USD 1,133 billion, about 26% of its GDP

World's Major Importers (USD bn, 2008)



Note: To make international comparisons, this section utilises China's import figure from the IMF instead of the one from MOFCOM
 Source: IMF; THE BEIJING AXIS Analysis

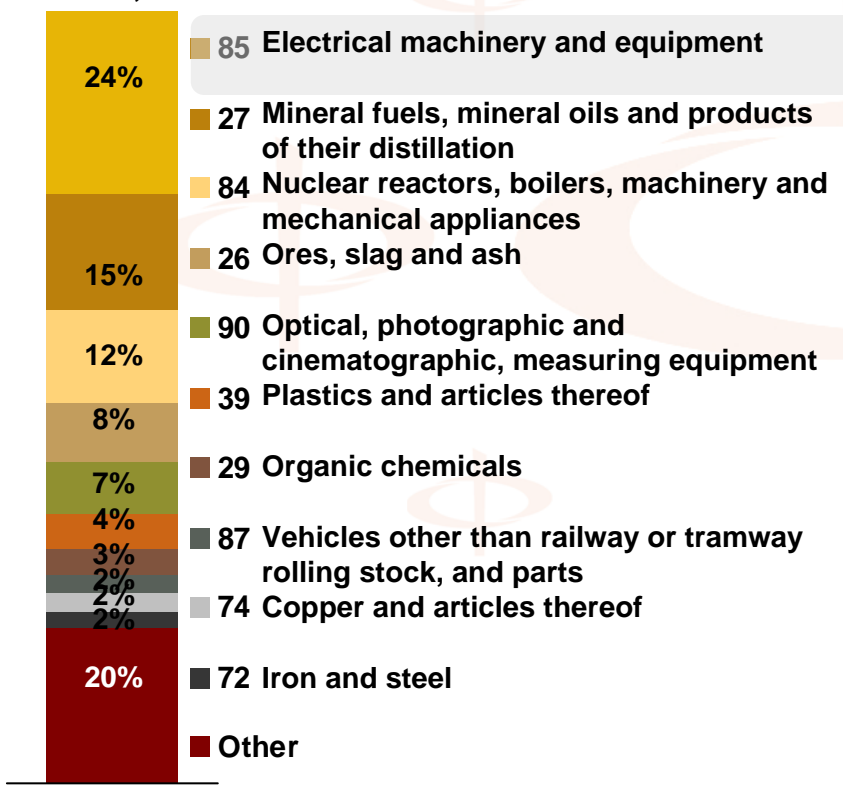


CHINA IS THE WORLD'S LARGEST IMPORTER OF ELECTRICAL MACHINERY AND EQUIPMENT

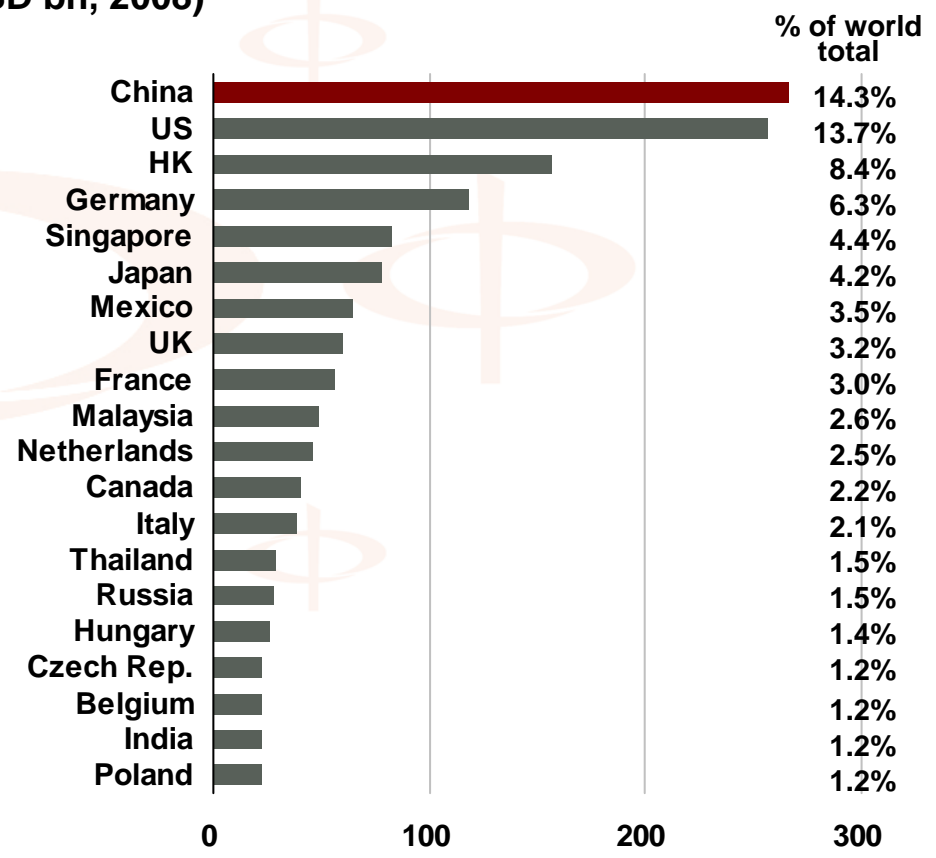
In 2008, China imported a total of USD 267 billion or 14.3% of the world's electrical machinery and equipment

China's Top 10 Import Commodities 2008 (HS Code)

Total: USD 1,133 bn



Top 20 World Importers of Electrical Machinery (USD bn, 2008)



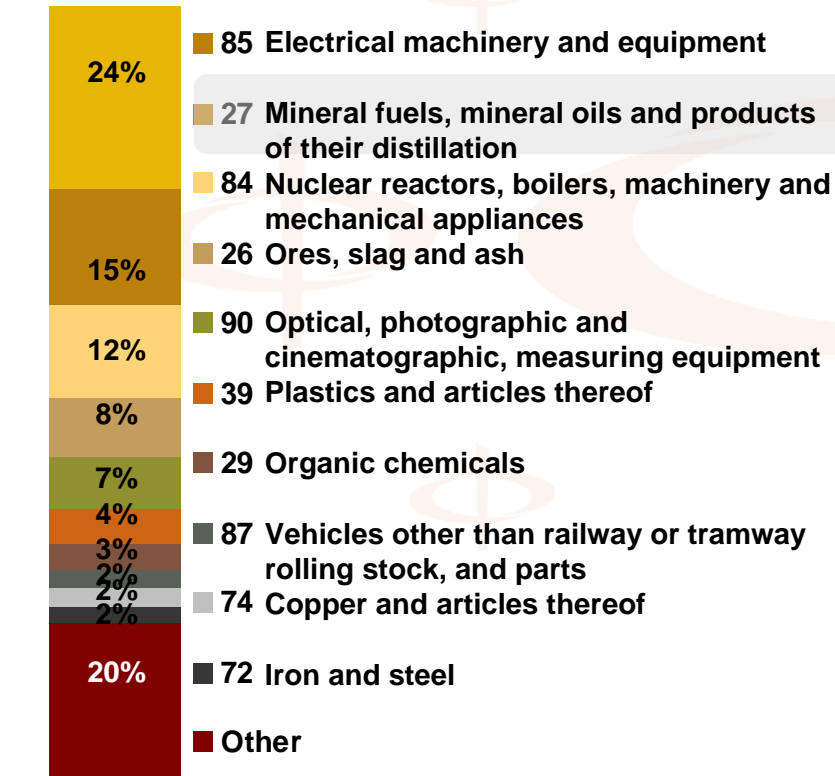


CHINA IS THE WORLD'S THIRD-LARGEST IMPORTER OF MINERAL FUELS

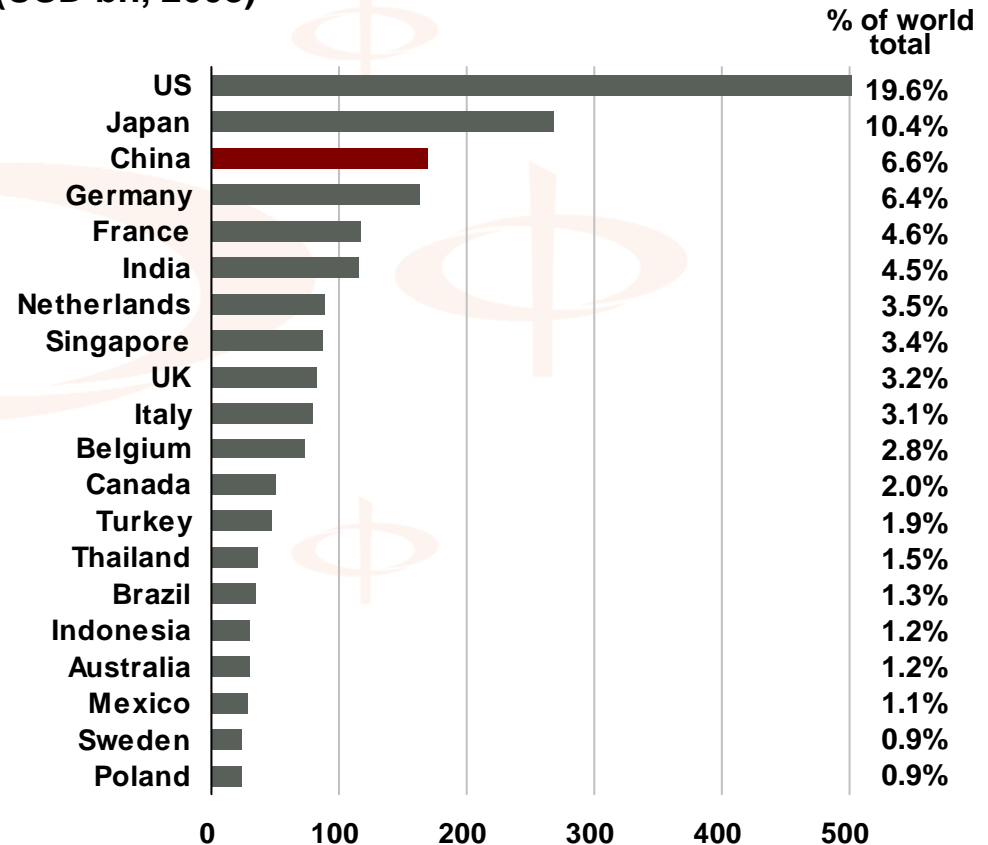
In 2008, China imported a total of USD 169 billion or 6.6% of the world's mineral fuels

China's Top 10 Import Commodities 2008 (HS Code)

Total: USD 1,133 bn



Top 20 World Importers of Mineral Fuels (USD bn, 2008)



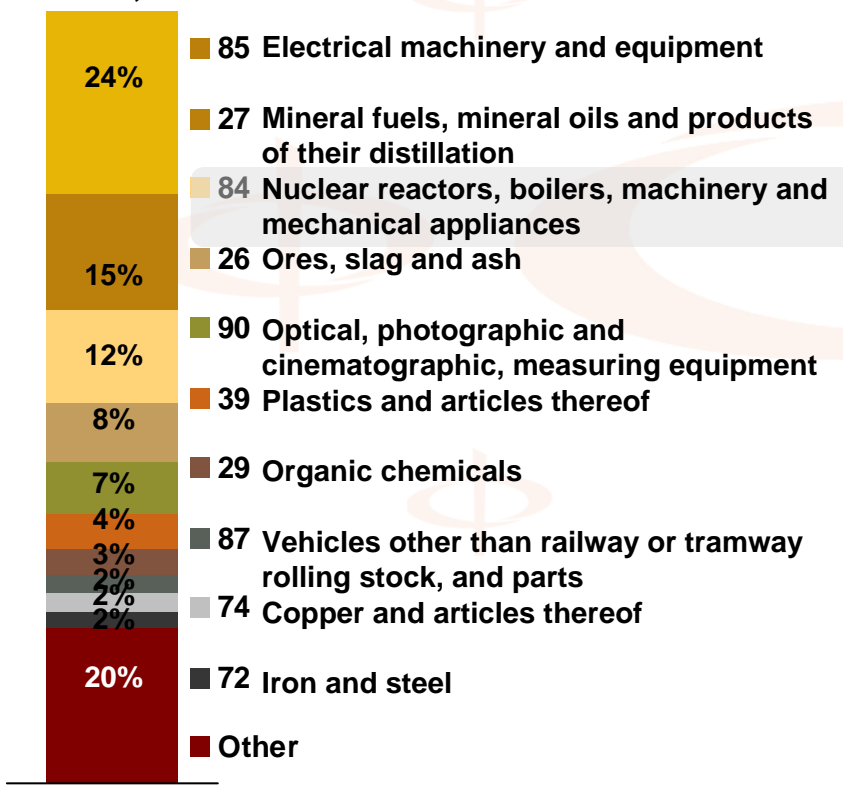


CHINA IS THE WORLD'S THIRD-LARGEST IMPORTER OF POWER GENERATION EQUIPMENT

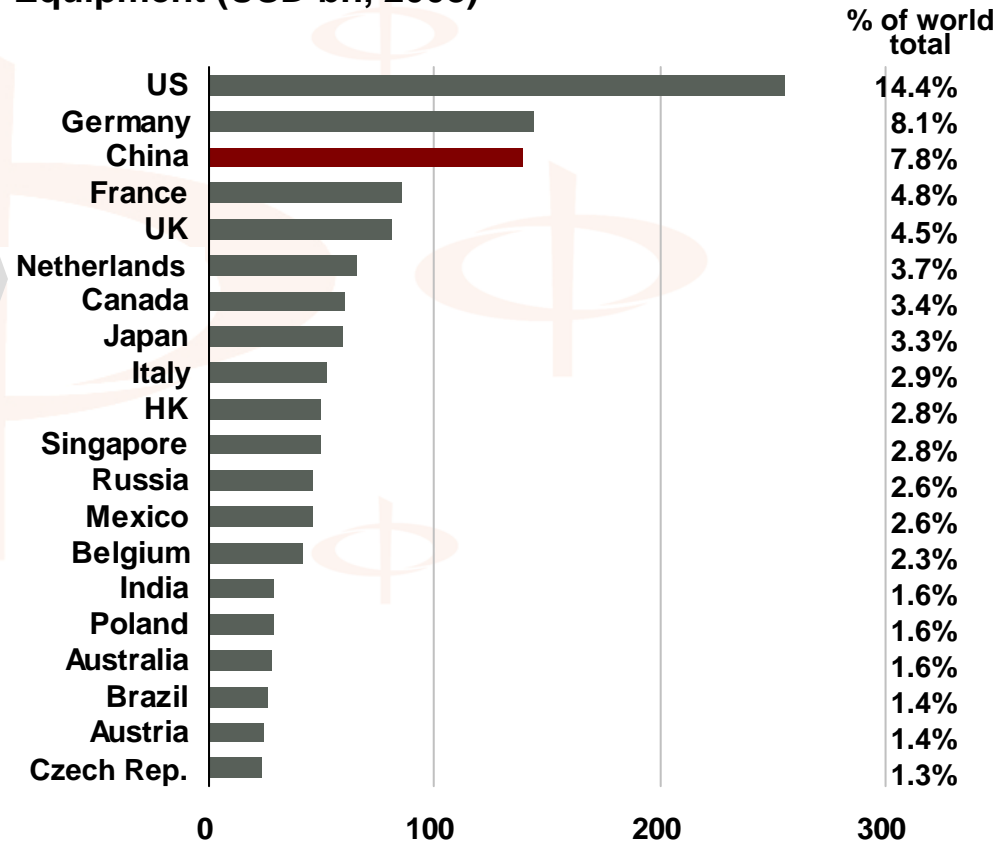
In 2008, China imported a total of USD 139 billion or 7.8% of the world's power generation equipment

China's Top 10 Import Commodities 2008 (HS Code)

Total: USD 1,133 bn



Top 20 World Importers of Power Generation Equipment (USD bn, 2008)



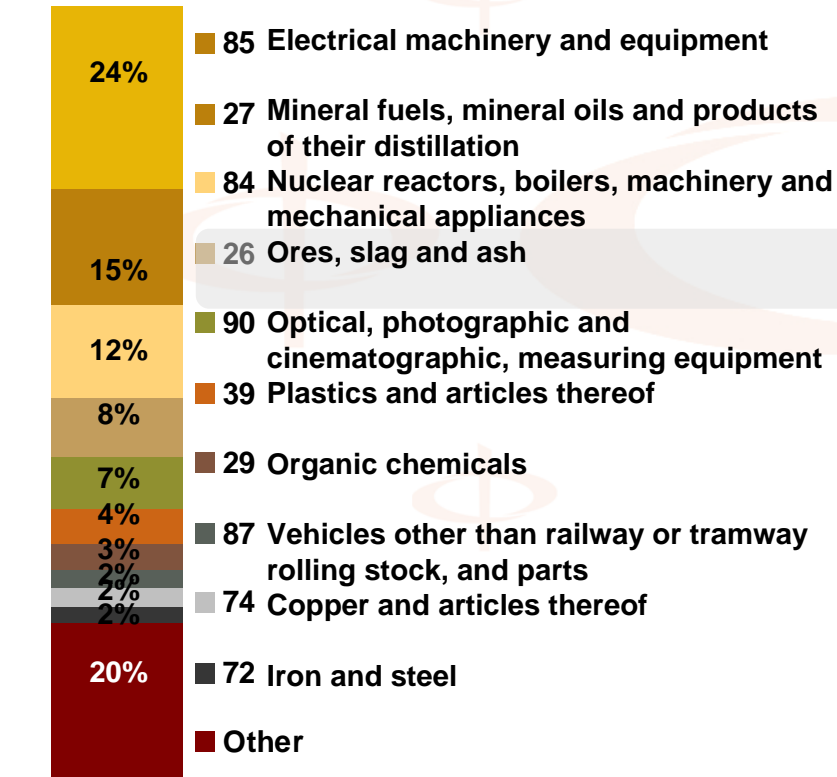


CHINA IS THE WORLD'S LARGEST IMPORTER OF ORES, SLAG AND ASH

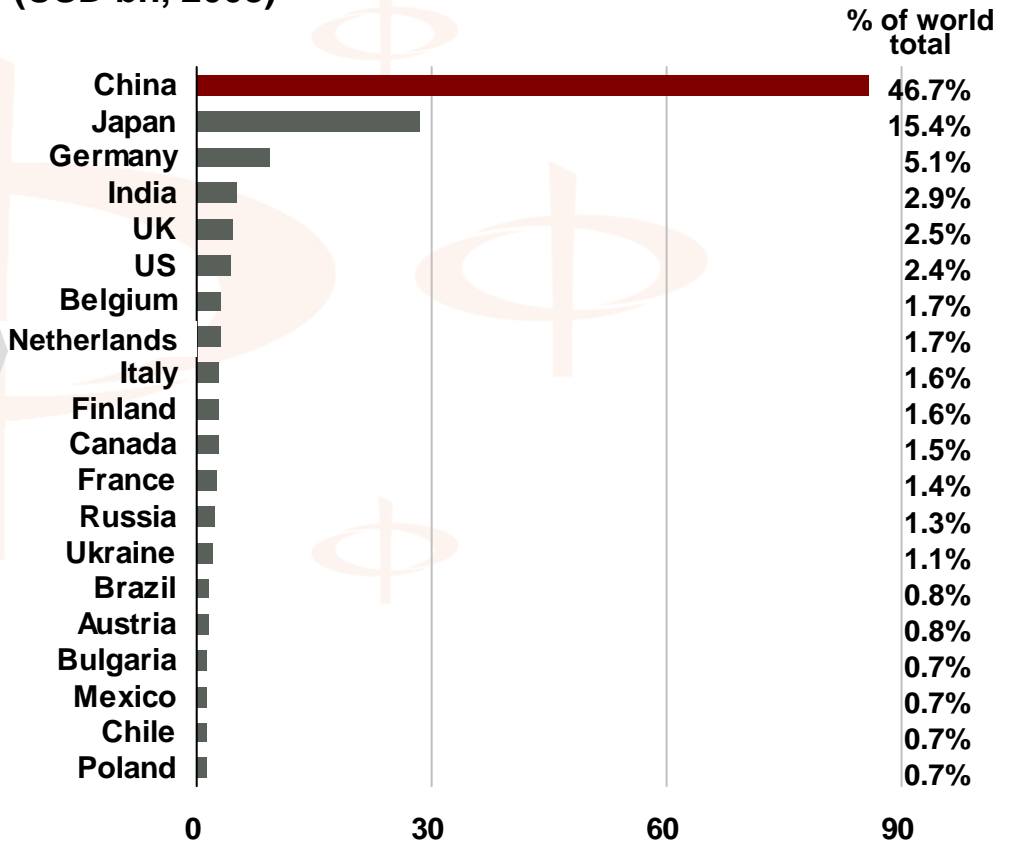
In 2008, China imported a total of USD 86 billion or 46.7% of the world's ores, slag and ash and ash

China's Top 10 Import Commodities 2008 (HS Code)

Total: USD 1,133 bn



Top 20 World Importers of Ores, Slag and Ash (USD bn, 2008)



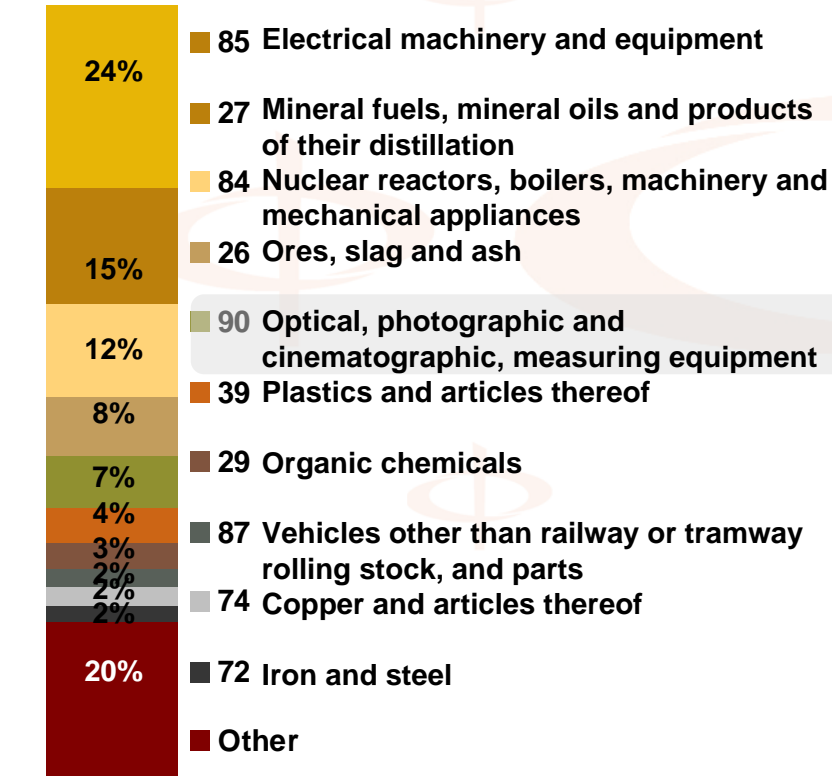


CHINA IS THE WORLD'S LARGEST IMPORTER OF OPTICAL AND PHOTOGRAPHIC EQUIPMENT

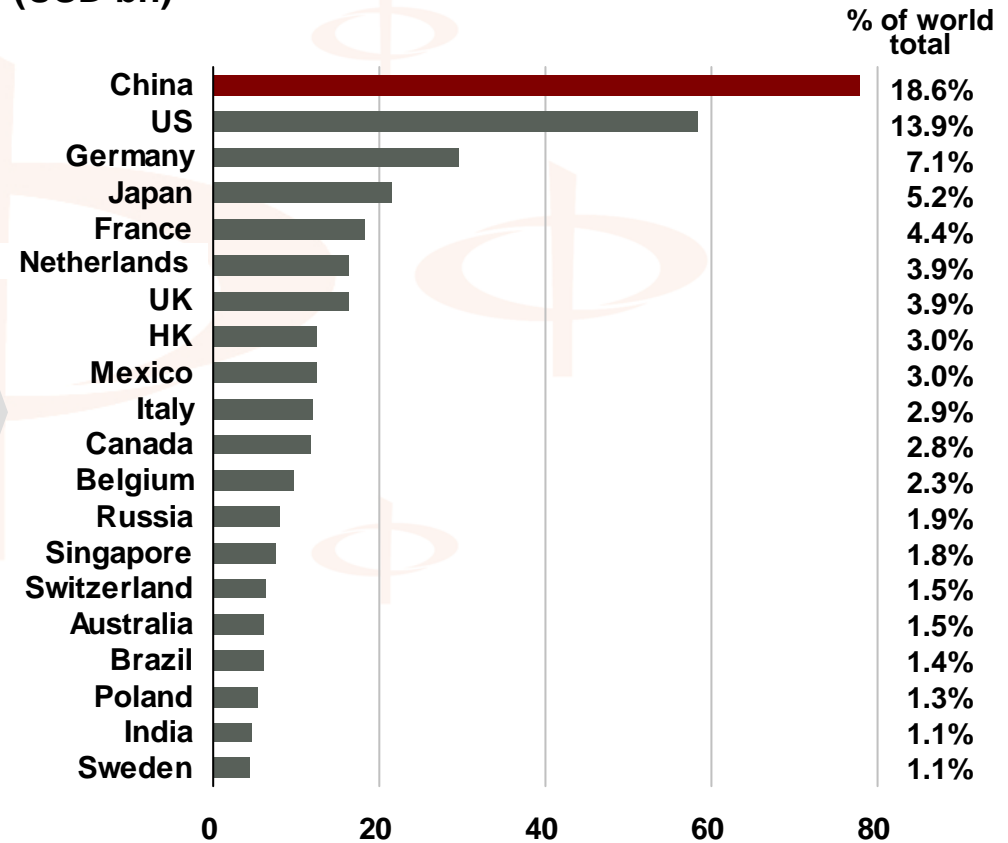
In 2008, China imported a total of USD 78 billion or 18.6% of the world's optical and photographic equipment

China's Top 10 Import Commodities 2008 (HS Code)

Total: USD 1,133 bn



Top 20 World Importers of Optical, Photographic (USD bn)





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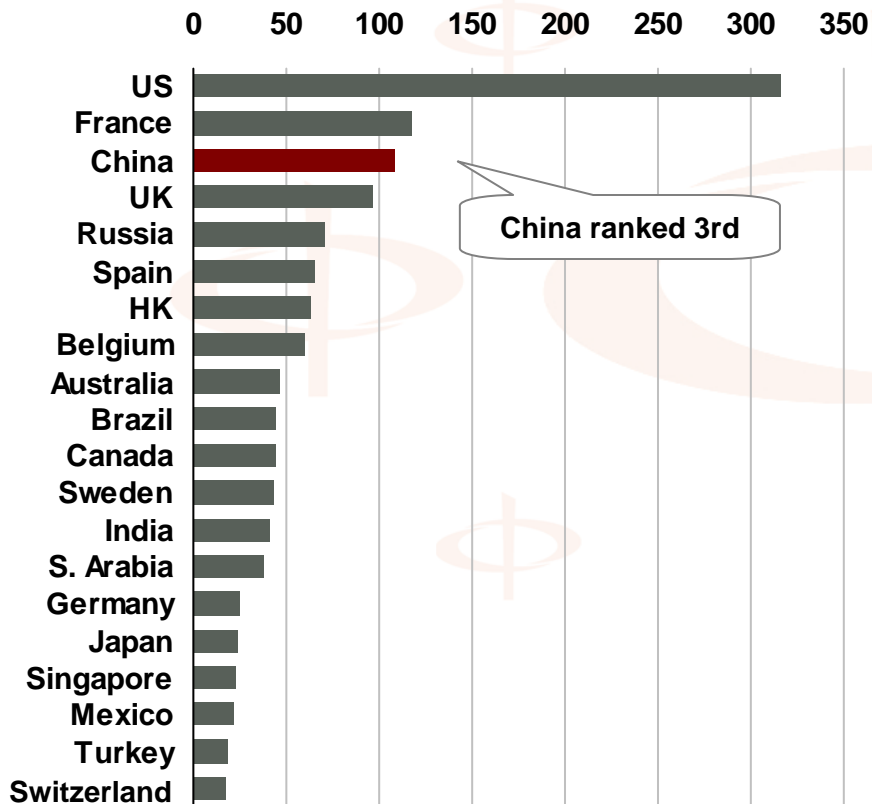
Disclaimer



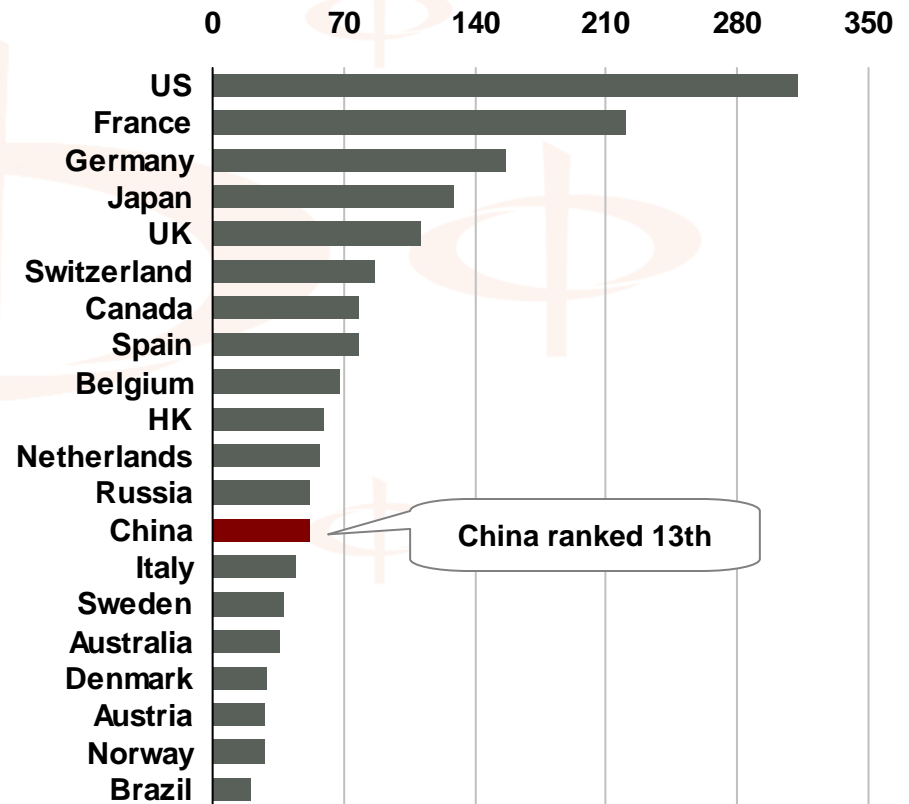
IN 2008, CHINA'S FDI INFLOW WAS SUBSTANTIALLY GREATER THAN ITS FDI OUTFLOW

China ranked third in the world in 2008 for FDI inflow with USD 108 billion, while it ranked only 13th for OFDI with USD 52 billion

Top 20 World FDI Inflows (USD bn, 2008)



Top 20 World FDI Outflows (USD bn, 2008)

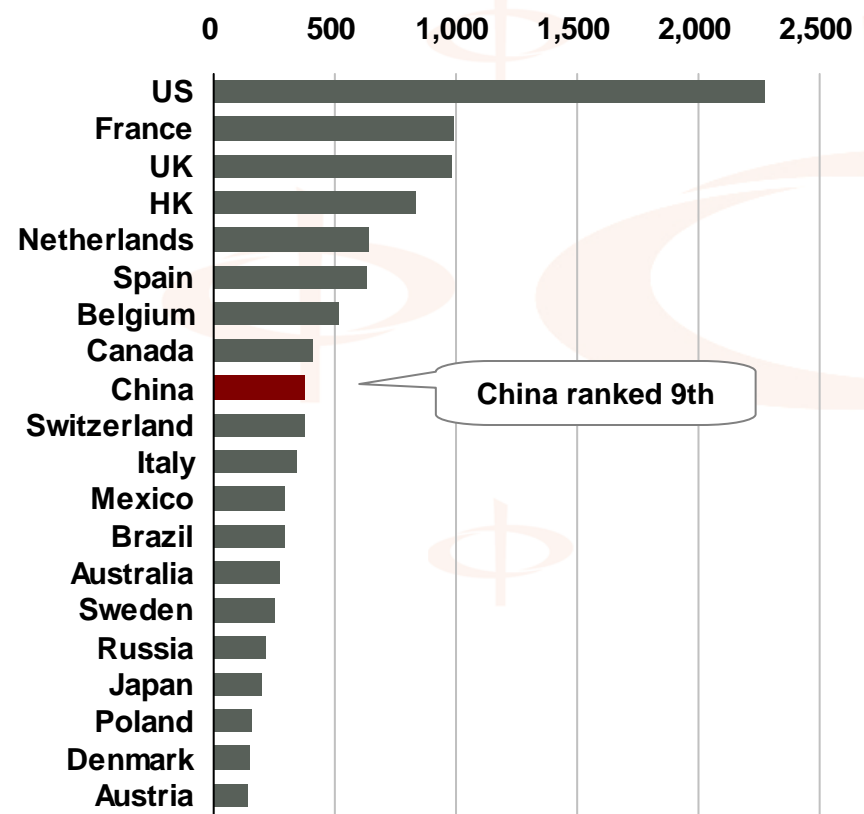




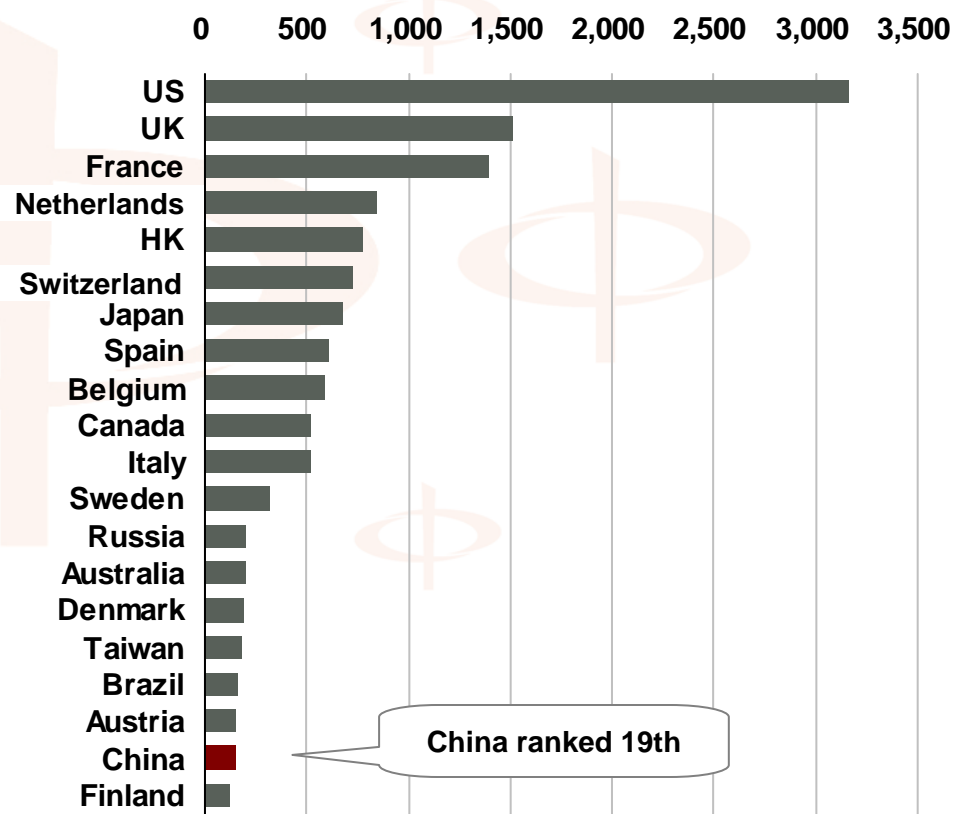
CHINA IS THE SECOND-LARGEST ASIAN RECIPIENT OF FDI STOCK

In 2008, China ranked 9th for FDI stock with USD 378 billion, while for OFDI it ranked 19th with USD 148 billion

Top 20 World FDI Inward Stock (USD bn, 2008)



Top 20 World FDI Outward Stock (USD bn, 2008)



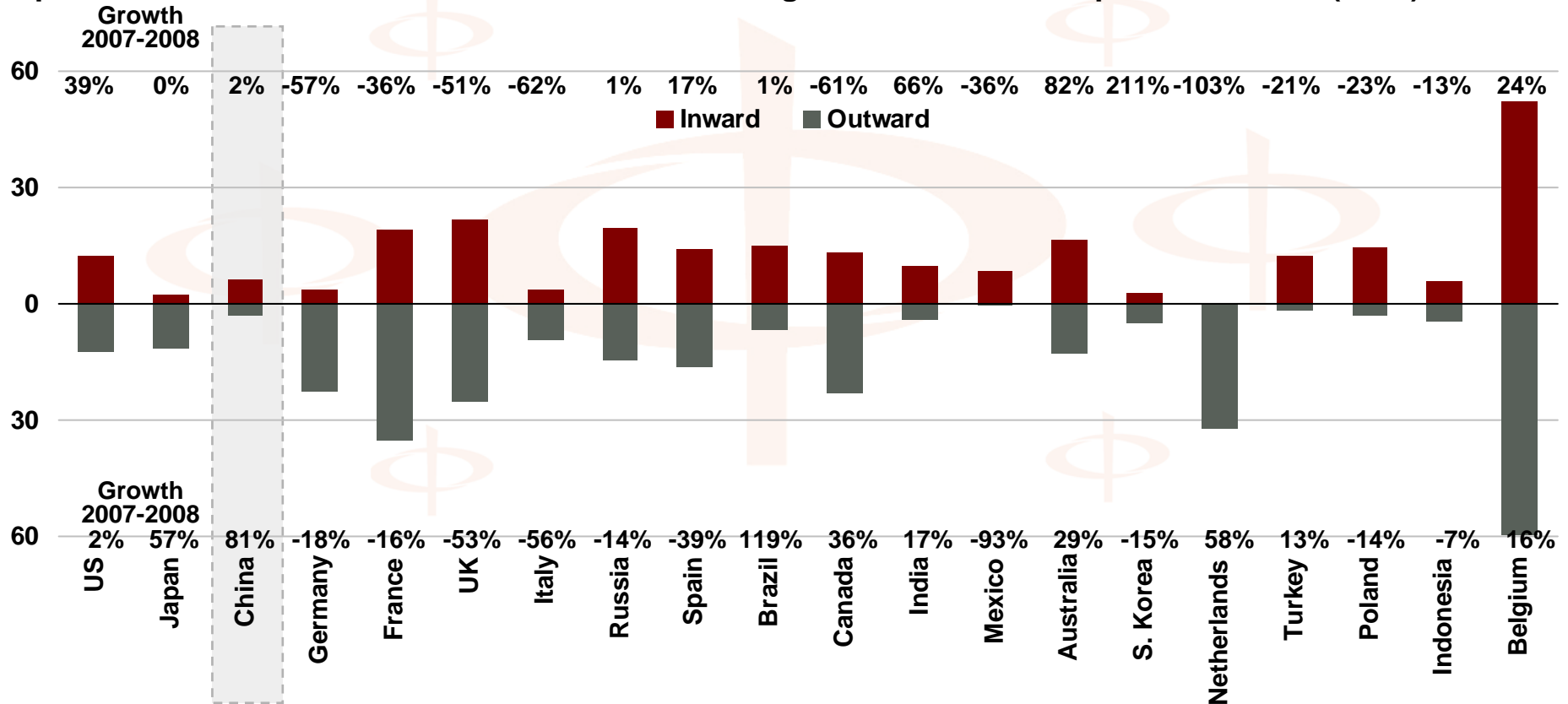
China ranked 9th

China ranked 19th

IN 2008, BOTH CHINA'S FDI INFLOWS AND OUTFLOWS, AS A PERCENTAGE OF GFCF, WERE RELATIVELY SMALL

From 2007 to 2008, China's FDI outflows grew much faster than its FDI inflows

Top 20 GDP Countries FDI In/Out Flow as a Percentage of Gross Fixed Capital Formation (2008)

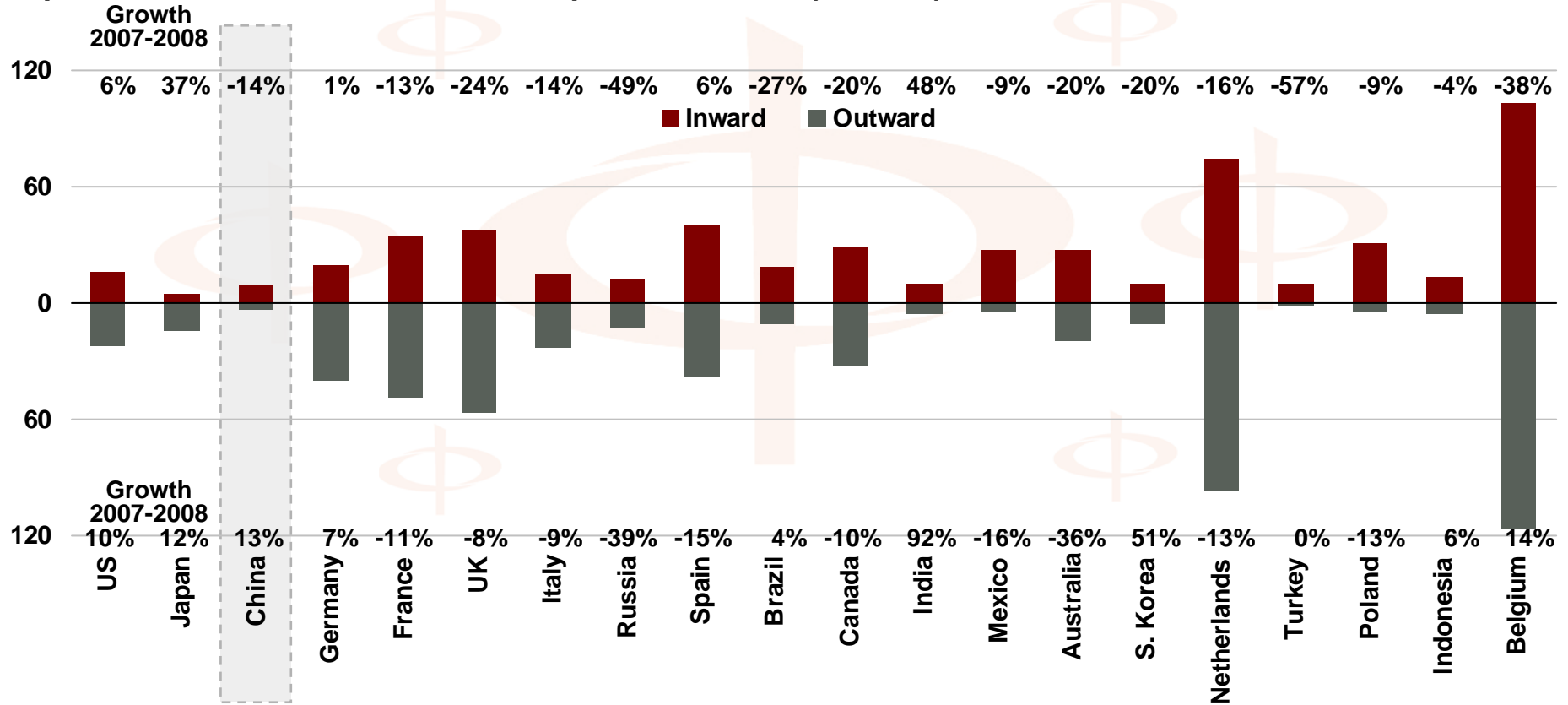


Note: GFCF = Gross fixed capital formation
 Source: WIR 2009; THE BEIJING AXIS Analysis

IN 2008, BOTH CHINA'S INWARD AND OUTWARD FDI STOCKS, AS A PERCENTAGE OF GDP, WERE RELATIVELY SMALL

Yet China's small inward and outward FDI stocks, as a percentage of GDP, show substantial potential for growth

Top 20 GDP Countries FDI Stock as a percent of GDP (%), 2008

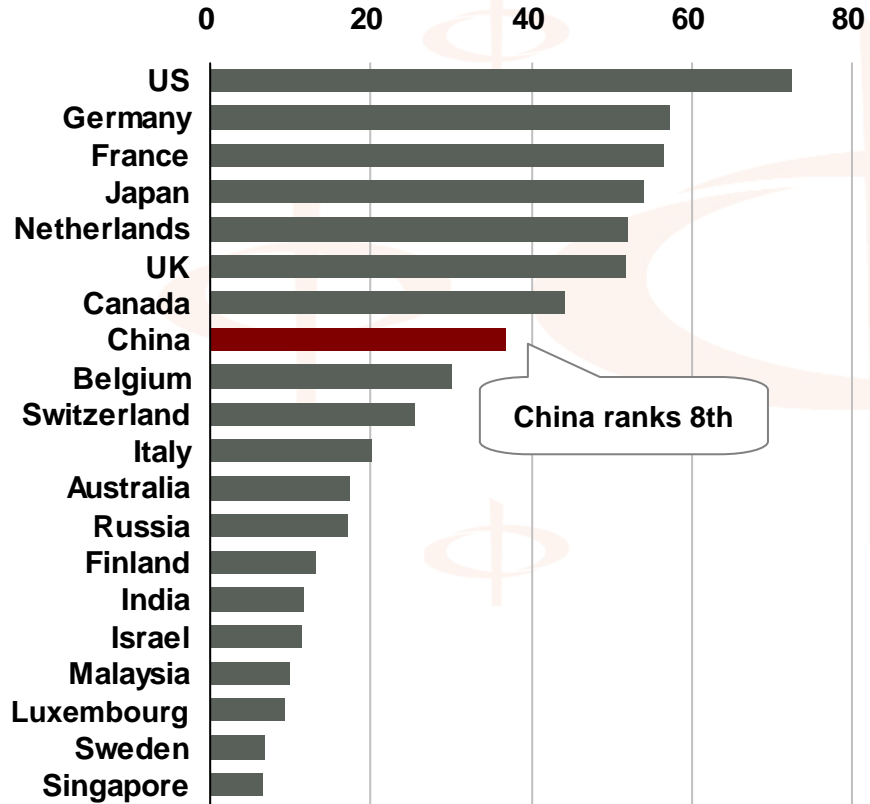




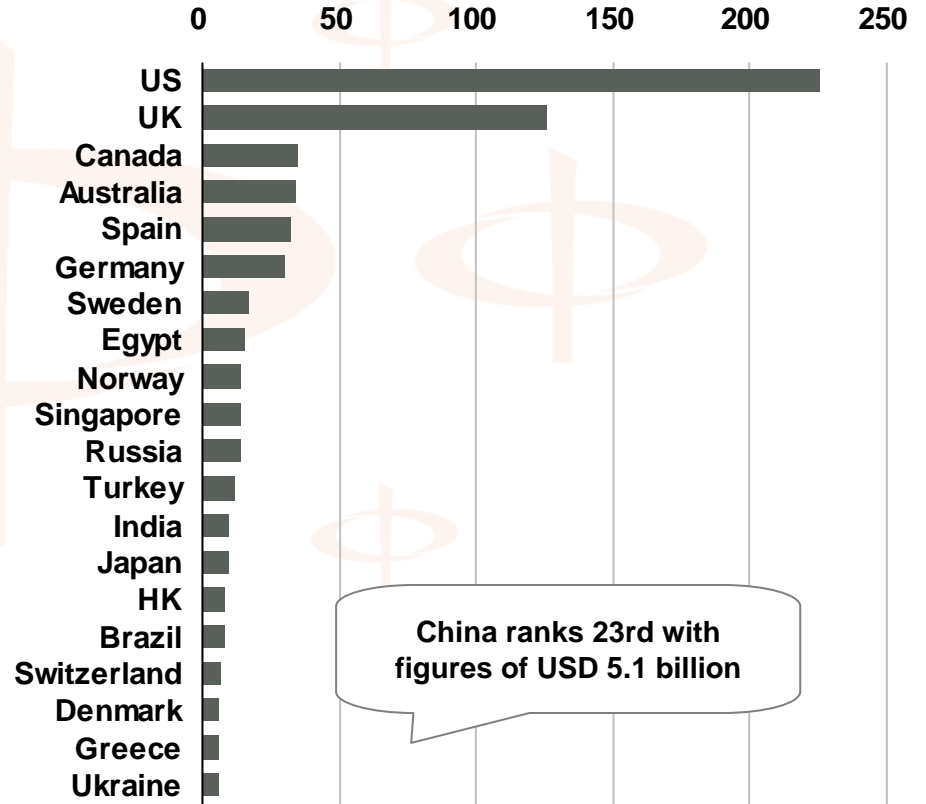
IN TERMS OF VALUE, CHINA'S INTERNATIONAL M&A 'NET SALES' ARE RANKED MUCH LOWER THAN ITS M&A 'NET PURCHASES'

China's cross-border M&A 'net purchases' grew dramatically in 2008. This trend is expected to continue

Value of Cross-Border M&A 'Net Purchases' for World's Top 20 Countries (USD bn, 2008)



Value of Cross-Border M&A 'Net Sales' for World's Top 20 Countries (USD bn, 2008)



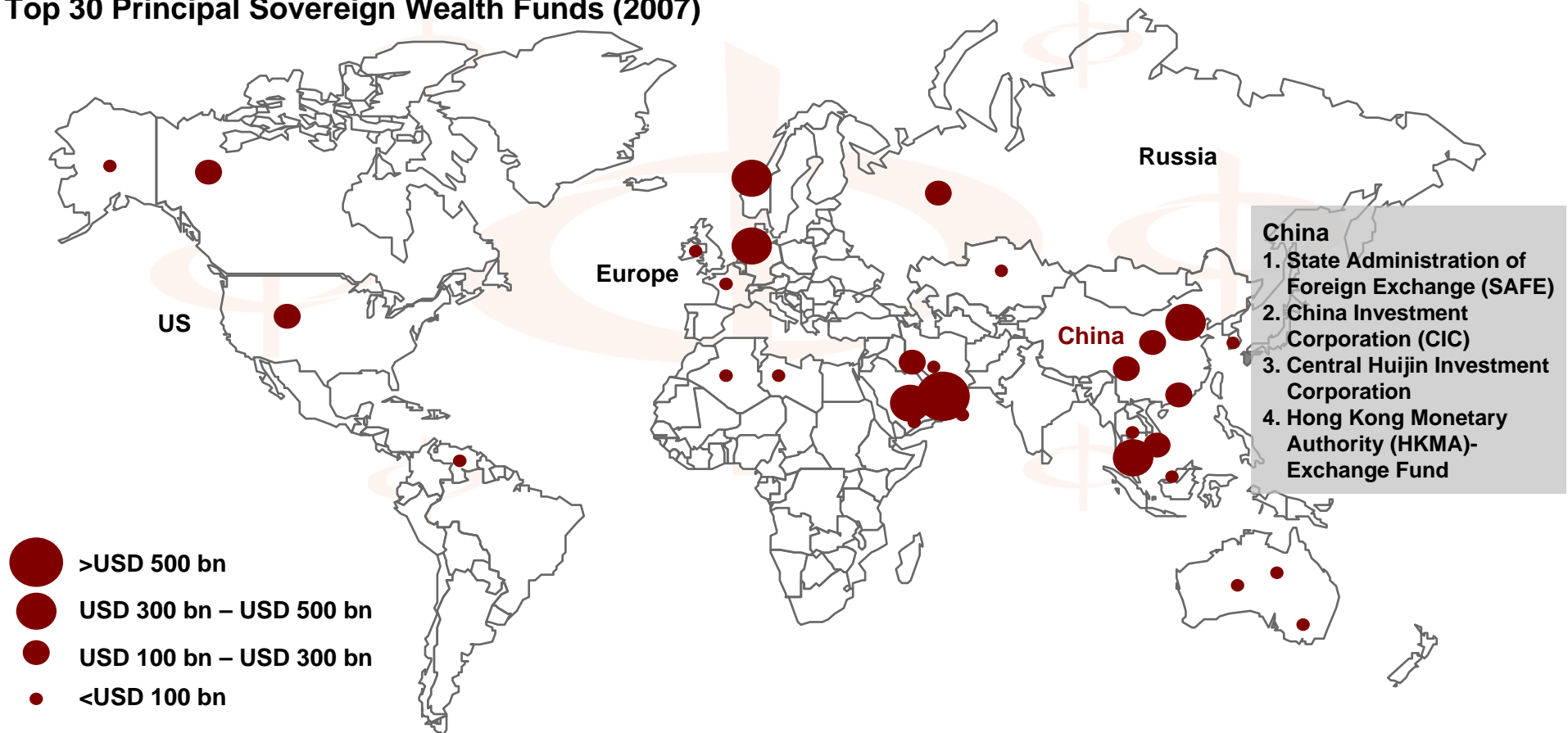
Note: Cross-border M&A sales and purchases are calculated on a net basis as follows: Net cross-border M&A sales in a host economy = Sales of companies in the host economy to foreign TNCs (-) Sales of foreign affiliates in the host economy; net cross-border M&A purchases by a home economy = Purchases of companies abroad by home-based TNCs (-) Sales of foreign affiliates of home-based TNCs

Source: WIR 2009; THE BEIJING AXIS Analysis



THE ESTABLISHMENT OF THE CHINA INVESTMENT CORPORATION (CIC) IS IN LINE WITH INCREASING GLOBAL INVESTMENT FLOWS BY SOVEREIGN WEALTH FUNDS

Top 30 Principal Sovereign Wealth Funds (2007)



Note: We provide a breakdown in the next slide
 Source: WIR 2008; THE BEIJING AXIS Analysis



CHINESE SOVEREIGN WEALTH FUNDS, SAFE AND CIC, RANK IN THE WORLD'S TOP TEN

Names and Locations of World's Top 30 Sovereign Wealth Funds (2007)

Rank	Economy	Fund	Assets under management (\$ billion)
1	United Arab Emirates	Abu Dhabi Investment Authority (ADIA)	500-875
2	Norway	Government Pension Fund-Global (GPF-G)	373
3	Singapore	Government of Singapore Investment Corporation (GIC)	330
4	Saudi Arabia	Saudi Arabia Monetary Authority foreign holdings	327
5	Netherlands	Stichting Pensioenfond ABP	316
6	China	State Administration of Foreign Exchange (SAFE)	312
7	Kuwait	Kuwait Investment Authority (KIA)	250
8	United States	California Public Employees' Retirement System	237
9	China	China Investment Corporation (CIC)	200
10	Hong Kong, China	Hong Kong Monetary Authority (HKMA)-Exchange Fund	163
11	Singapore	Temasek Holdings	160
12	Canada	Caisse de dépôt et placement de Québec	157
13	Russian Federation	Oil and Gas Fund (OGF)	157
14	China	Central Huijin Investment Corporation	100
15	United Arab Emirates	Investment Corporation of Dubai	82
16	Australia	Queensland Investment Corporation (QIC)	65
17	Australia	Australian Government Future Fund (AGFF)	61
18	Qatar	Qatar Investment Authority (QIA)	60
19	France	Pension Reserve Fund	51
20	Libyan Arab Jamahiriya	Reserve Fund	50
21	Algeria	Revenue Regulation Fund	47
22	United States	Alaska Permanent Fund (APF)	37
23	Australia	Victorian Funds Management Corporation (VFMC)	36
24	Brunei Darussalam	Brunei Investment Agency (BIA)	35
25	Ireland	National Pensions Reserve Fund (NPRF)	31
26	Korea, Republic of	Korea Investment Corporation (KIC)	30
27	Malaysia	Khazanah Nasional Fund BHD (KNF)	26
28	Saudi Arabia	Kingdom Holding Company	25
29	Kazakhstan	Kazakhstan National Fund (NFRK)	23
30	Venezuela, Bolivarian Rep. of	National Development Fund (FONDEN)	28

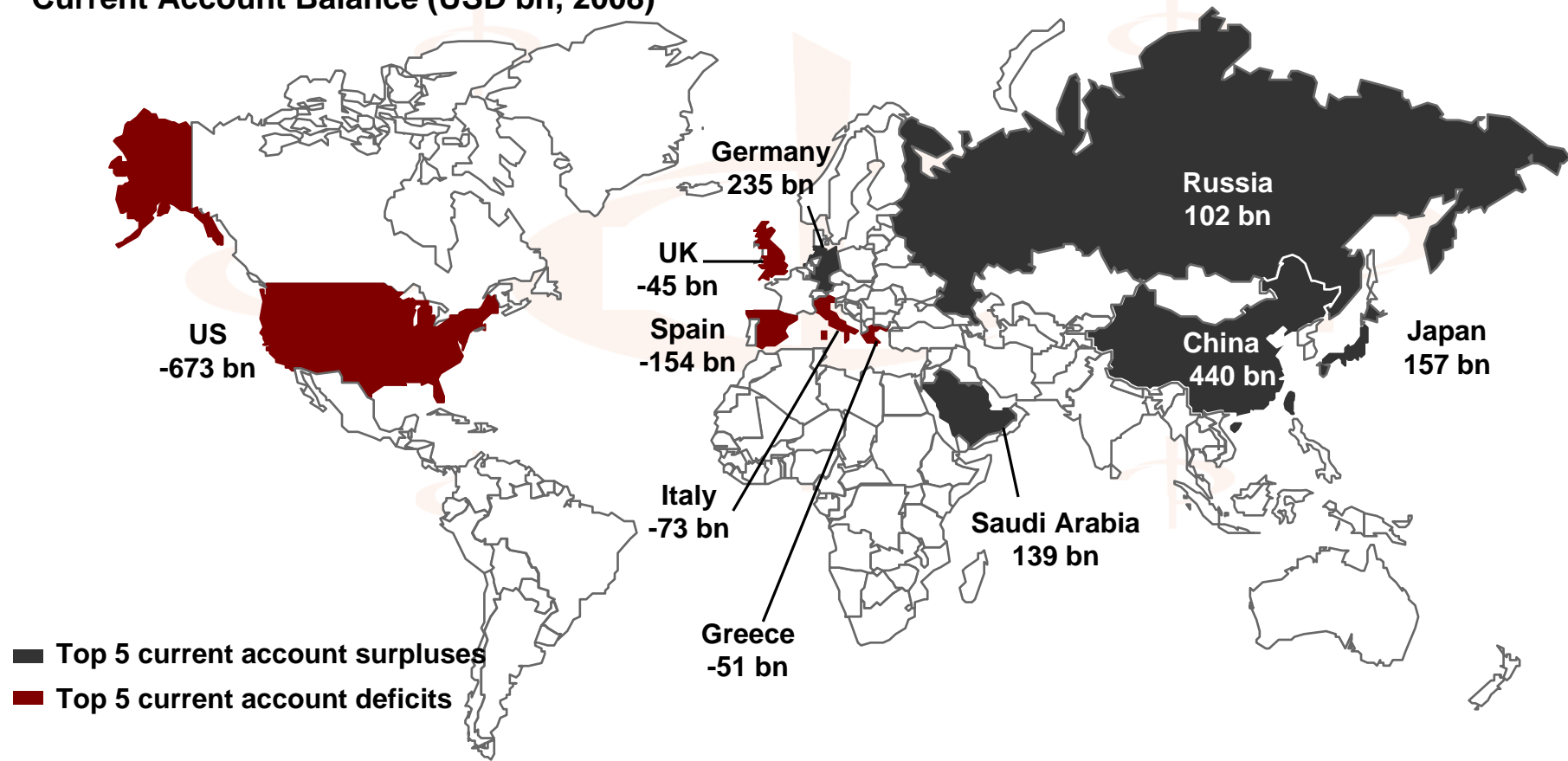


IN 2008, CHINA HAD THE WORLD'S LARGEST CURRENT ACCOUNT BALANCE WITH USD 440 BILLION

Followed by Germany (USD 235 billion) and Japan (USD 157 billion)



Current Account Balance (USD bn, 2008)



■ Top 5 current account surpluses
 ■ Top 5 current account deficits



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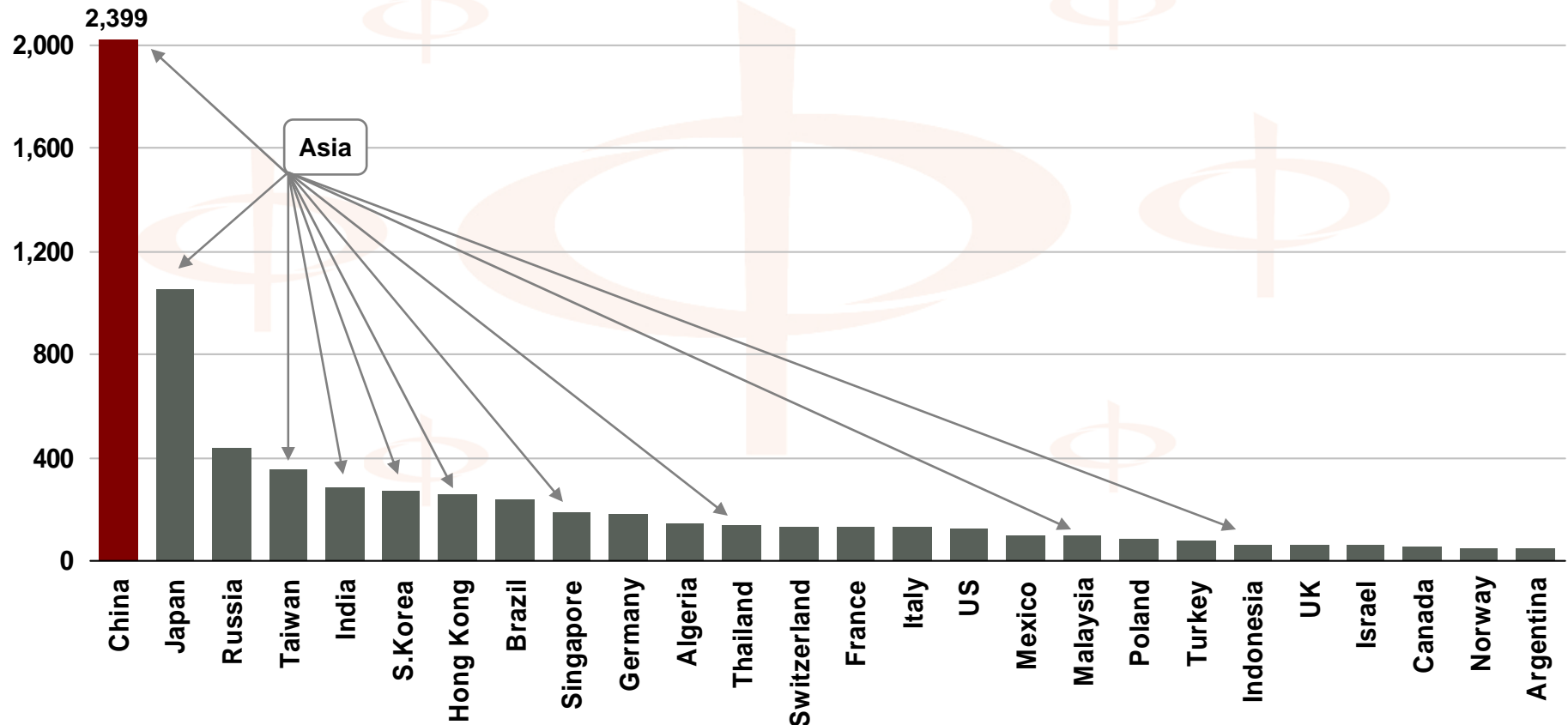
Disclaimer



CHINA HAS THE WORLD'S LARGEST FOREIGN EXCHANGE RESERVES

China possesses more than double the foreign exchange reserves of the next largest holder, Japan.

Official Foreign Exchange Reserves of Select Countries/Regions (USD bn, 2010)



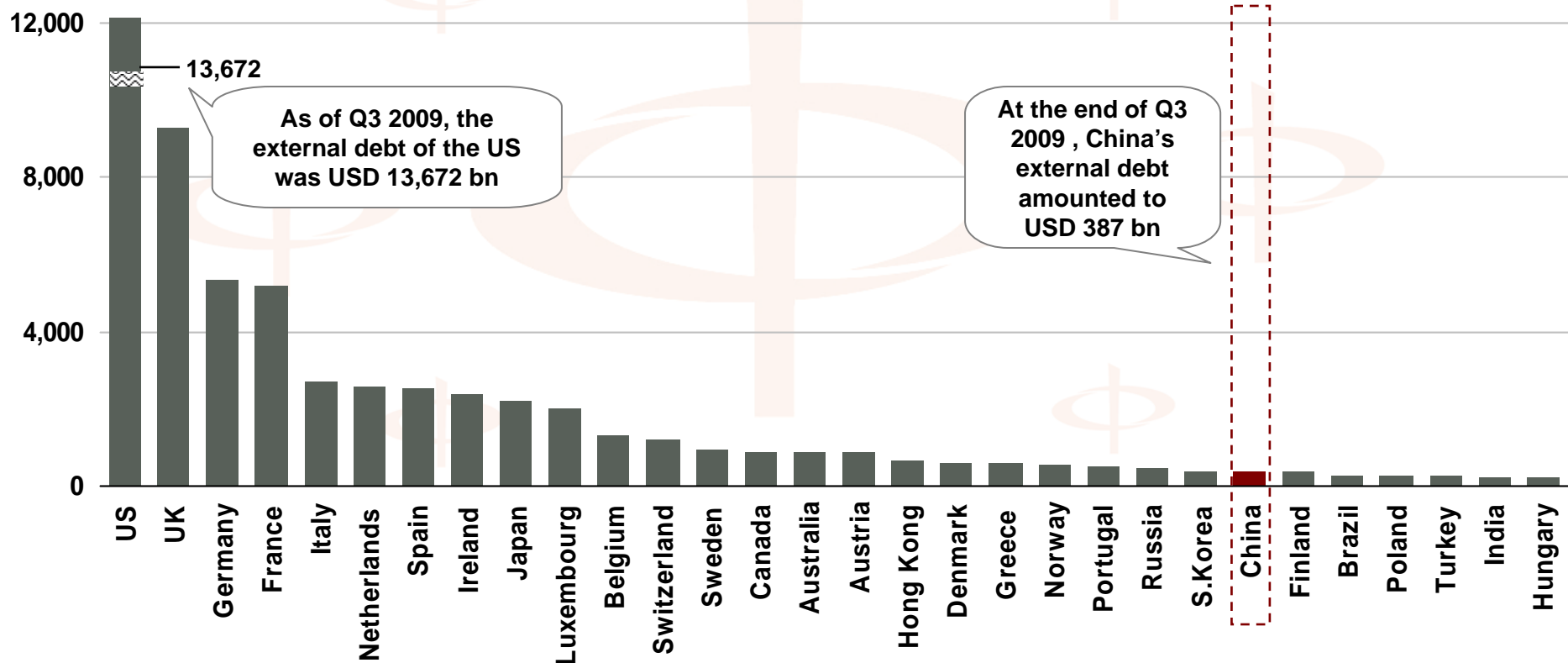
Note: China's data as of December 2009
 Source: SAFE; IMF; Various; THE BEIJING AXIS Analysis



CHINA'S EXTERNAL DEBT IS RELATIVELY SMALL COMPARED TO OTHER MAJOR ECONOMIES

In Q3 2009, China accounted for less than 1% of the world's total external debt with USD 387 billion

World's Top 30 Countries' External Debt (USD bn, Q3 2009)

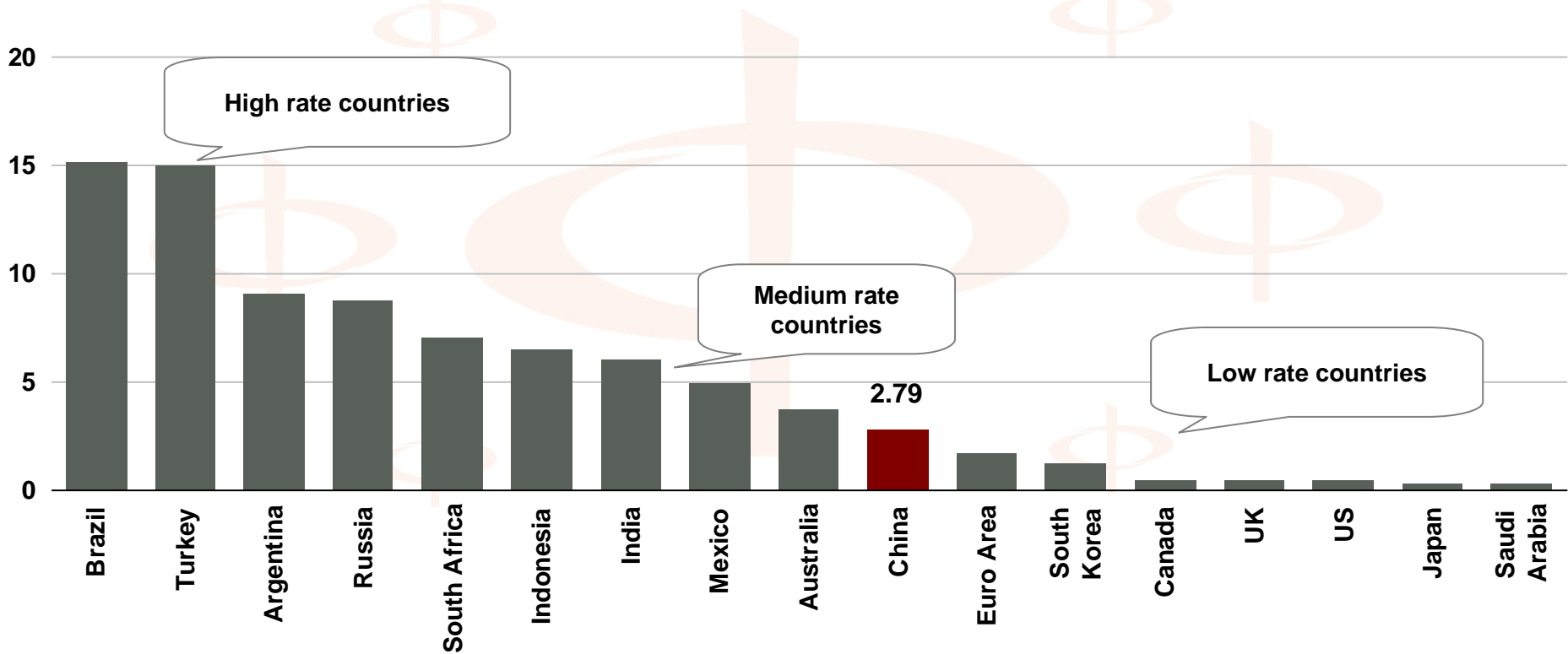




CHINA HAS A RELATIVELY LOW CENTRAL BANK DISCOUNT RATE IN COMPARISON TO ITS GLOBAL PEERS

In December 2009, China's discount rate stood at 2.79%, comparable to that of Australia and the Euro Area

Central Bank Discount Rate¹ (% , Dec 2009)



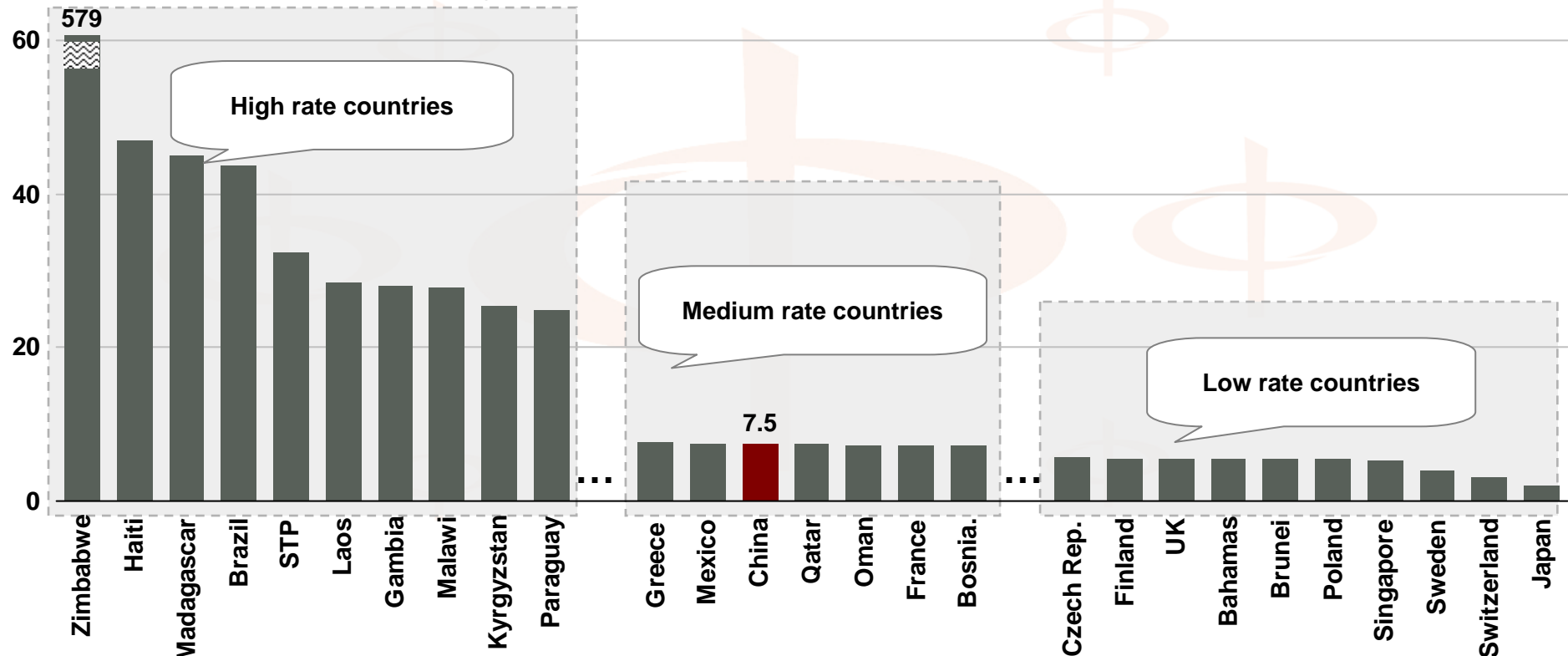
1. The interest rate charged by a central bank on loans to its member banks. A change in the discount rate is usually followed by similar changes in the interest rates charged by banks and in money markets



CHINA ALSO HAS A MODERATE PRIME LENDING RATE COMPARED TO OTHER DEVELOPING ECONOMIES

In 2007, China's prime lending rate was 7.5%, comparable to prime lending rates of either France or Greece

Commercial Bank Prime Lending Rate¹ (% , 2007)



1: Prime Lending Rate: A short-term interest rate quoted by a commercial bank as an indication of the rate being charged on loans to its best commercial customers. Even though banks frequently charge more and sometimes less than the quoted prime rate, it is a benchmark against which other rates are measured. For various reasons, a rising prime rate is generally considered detrimental to security prices

STP: Sao Tome and Principe; Bosnia.: Bosnia and Herzegovina; Czech Rep.: Czech Republic



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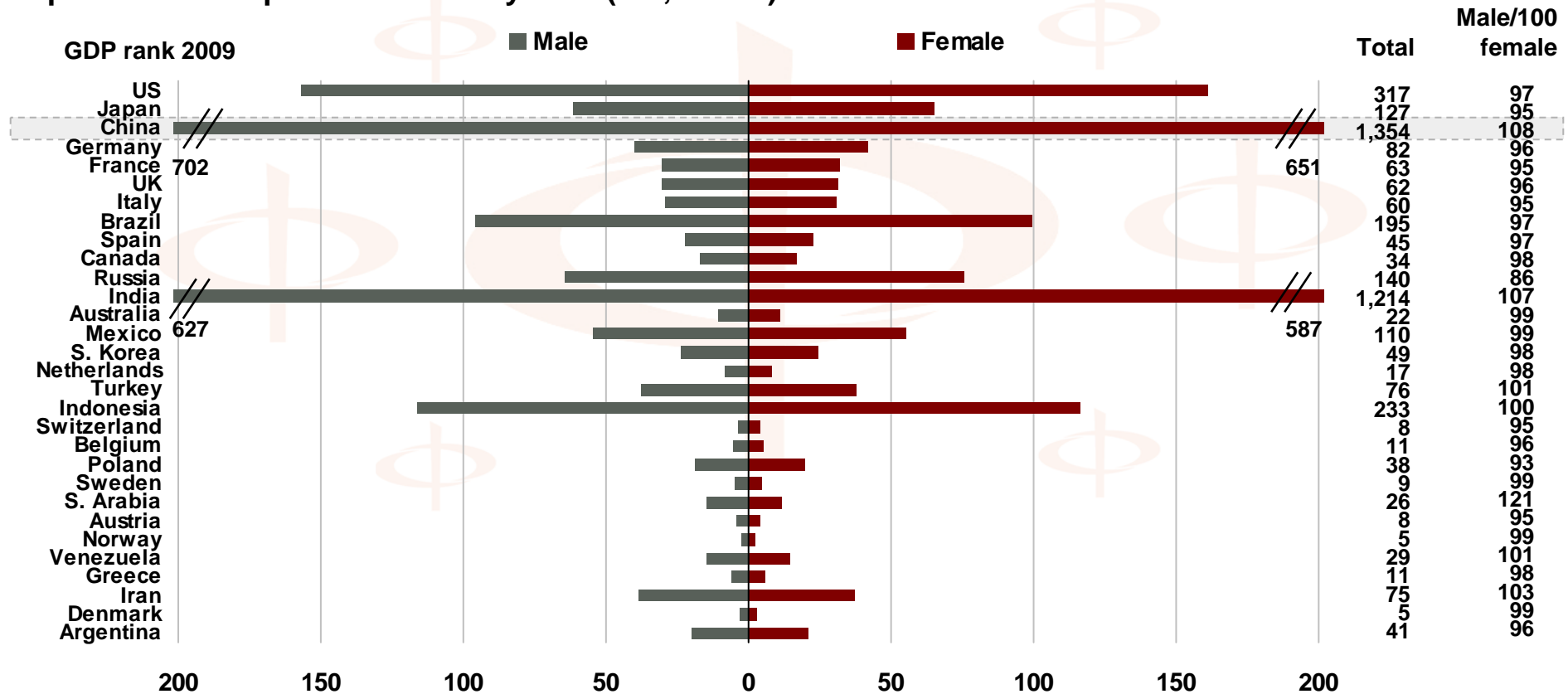
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WITH 1.3 BILLION PEOPLE, CHINA HAS THE WORLD'S LARGEST POPULATION

Along with Saudi Arabia and India, China has one of the largest male to female ratios in the world

Population for Top 30 Countries by GDP (mn, 2010F)



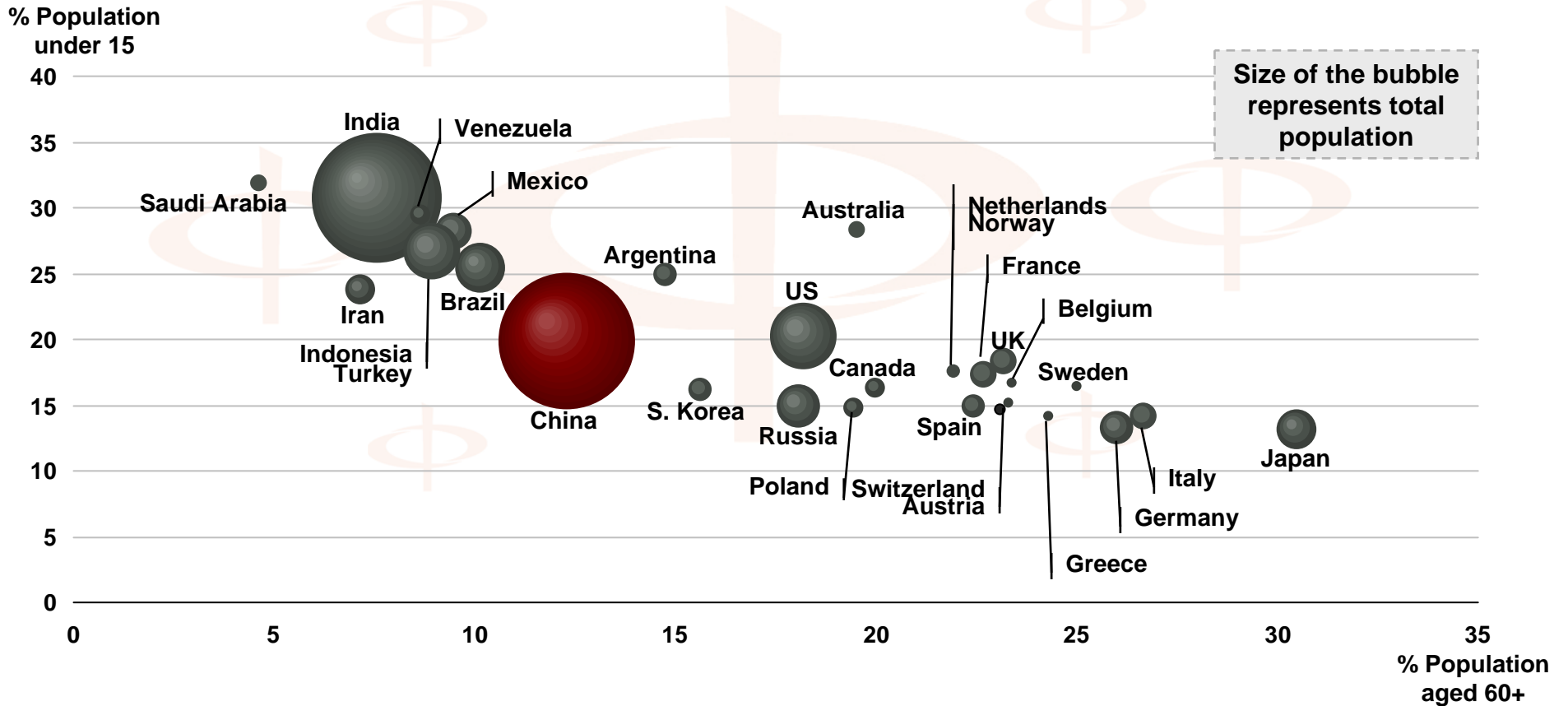


25% OF CHINA'S POPULATION IS OLDER THAN 60 YEARS

The bulk of the population is currently at a working age



Child and Elderly Population for Selected Countries (% , 2010F)

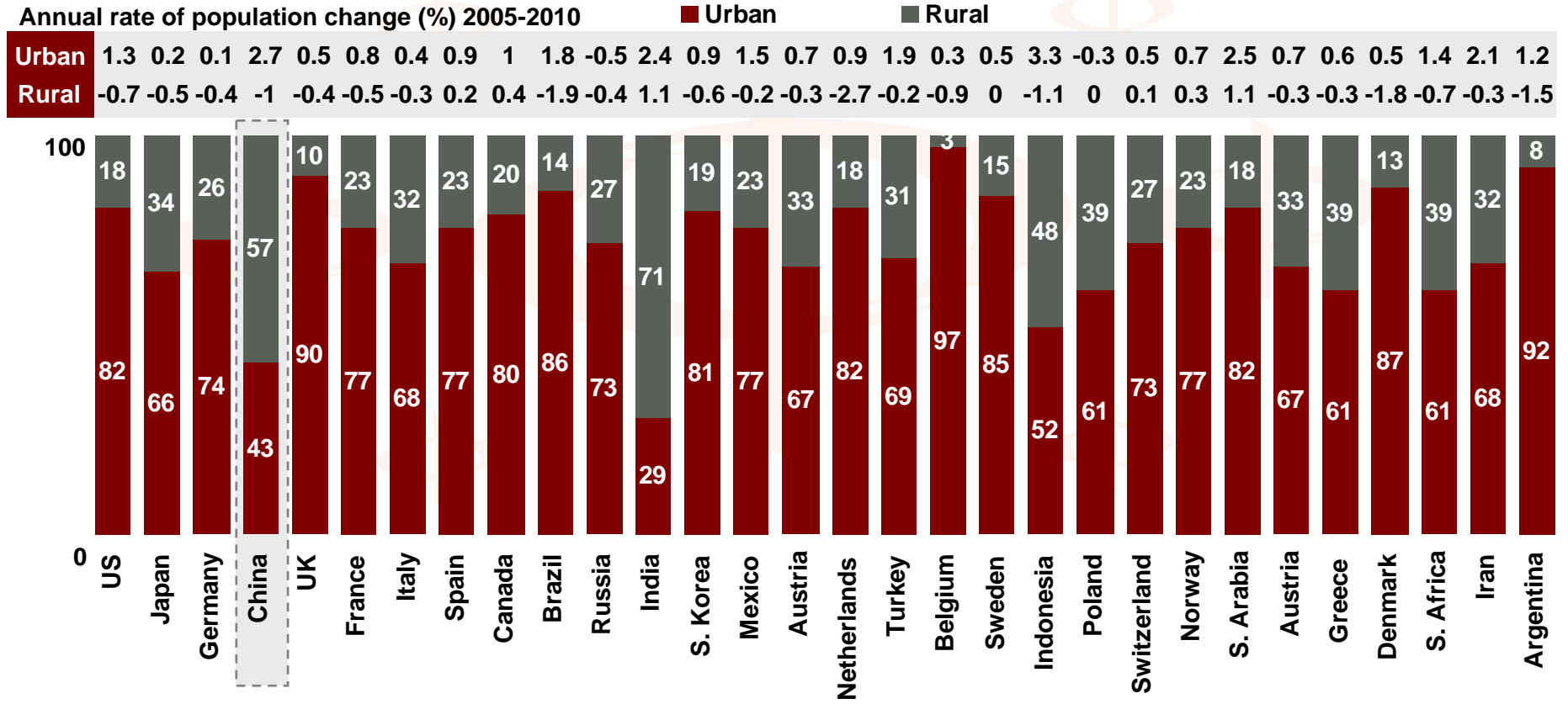




CHINA'S POPULATION HAS BEEN STEADILY MIGRATING TO THE CITIES, RAISING THE URBAN-RURAL POPULATION RATIO

However, the proportion of China's population in urban settings remains much smaller than that of other similar sized economies

Urban and Rural Population (% , 2008)

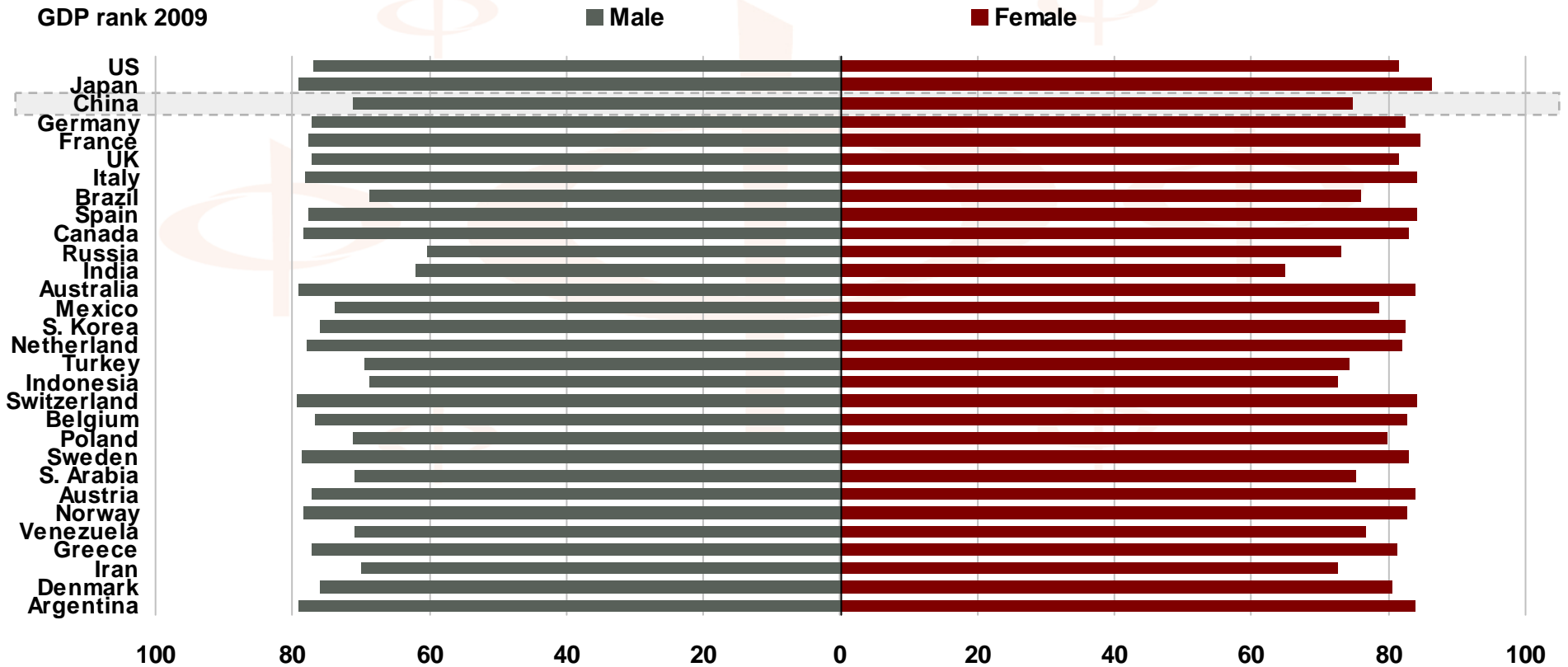


Source: CIA World Factbook; World Bank; THE BEIJING AXIS Analysis



THE AVERAGE LIFE EXPECTANCY IN CHINA IS SLIGHTLY HIGHER THAN IN OTHER LARGE DEVELOPING ECONOMIES

Life Expectancy (years, 2010F)

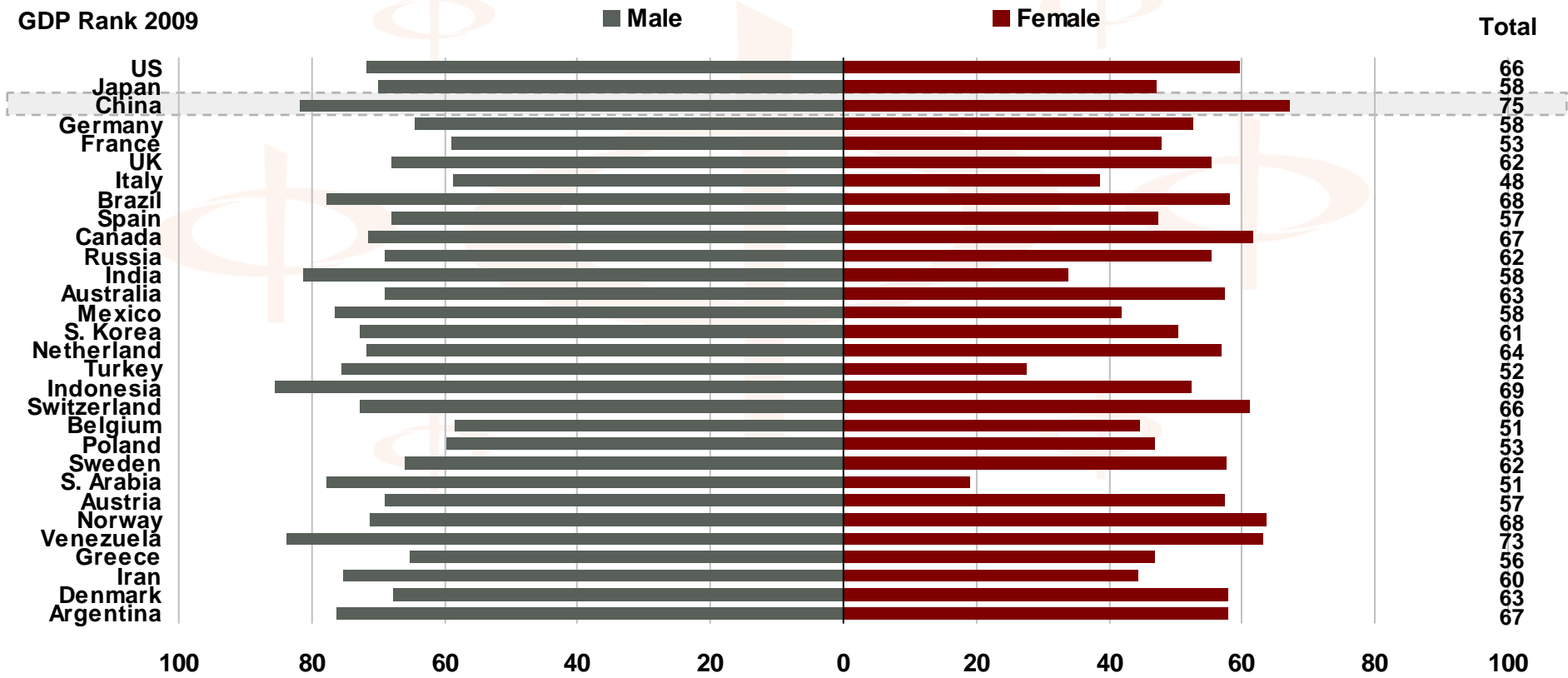




CHINA'S ECONOMIC ACTIVITY RATE IS COMPARATIVELY LARGER THAN THE MAJOR DEVELOPED ECONOMIES

Of the top economies in the world, China has the largest female economic activity rate

Adult (15+) Economic Activity Rate (% , 2010F)

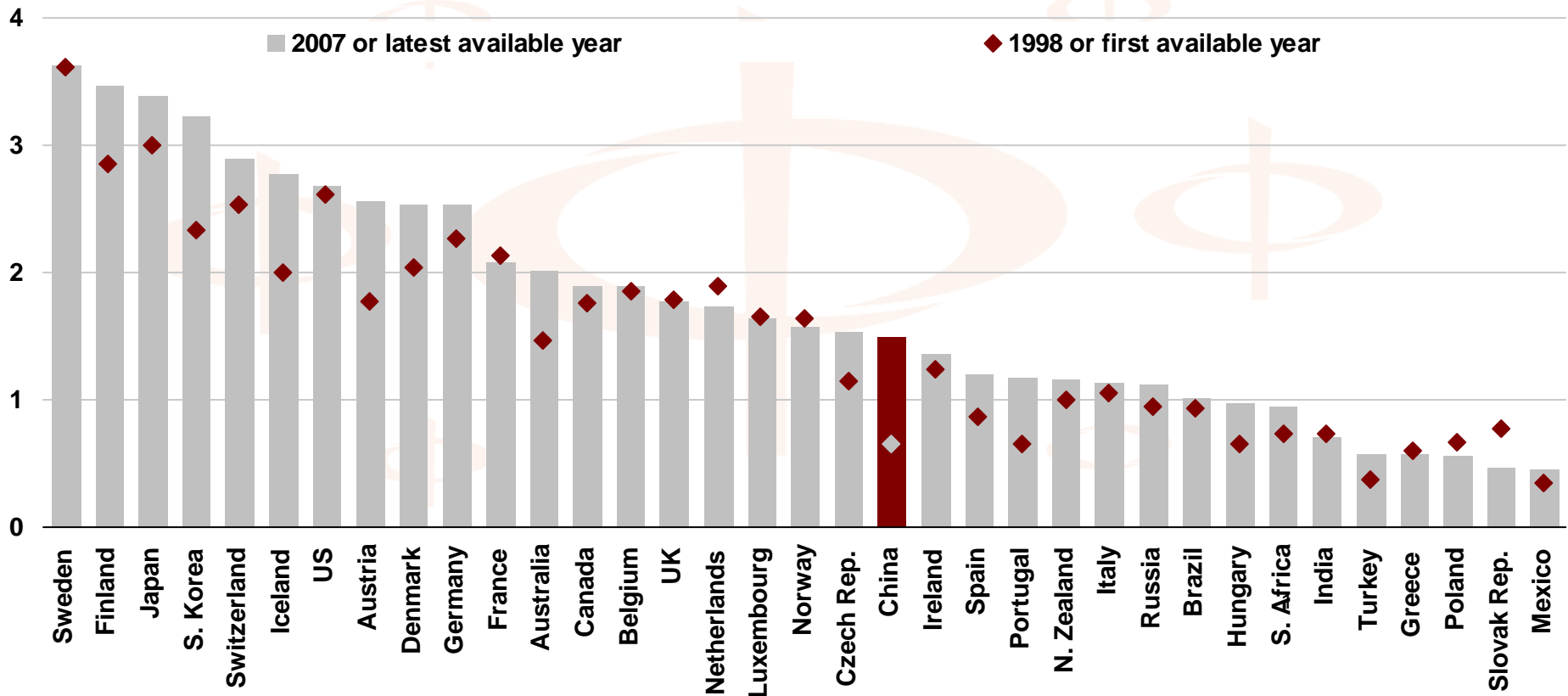




DURING THE LAST TEN YEARS, CHINA AND SOUTH KOREA SHOWED THE LARGEST INCREASE IN R&D EXPENDITURE

This supports the surge of technological advancement and the rapid increase in Chinese living standards

Gross Domestic Expenditure on R&D as a Percentage of GDP (% , 1998-2007)





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CONCLUSIONS

INDICATORS	CONCLUSIONS
Selected Macroeconomic Data	<p>After reaching a growth rate of 8.7% in 2009, the Chinese economy is poised to finally surpass Japan and become the world's second-largest in 2010. Such impressive growth was made possible through a USD 586 billion economic stimulus package, as well as accompanying proactive fiscal and monetary policies. Since its economic reform from 1979, China has achieved an annual growth rate of 10%, which is substantially above the world's 3.4% average for the same 30-year period. Furthermore, when compared to other major economies, China's GDP per capita, consumption expenditure and service industry are still insignificant, implying yet further potential for sustained long term growth.</p>
Trade	<p>As a result of the global financial crisis in 2009, China put a number of stimulus programmes in place. These were aimed at boosting domestic consumption and resulted in a substantial increase in retail sales. Although the crisis negatively impacted China's exports, the country still managed to surpass Germany as the world's leading exporter for 2009. China thus confirmed its undisputed leadership in world exports of electrical machinery, textiles and steel. China also continues to be one of the major drivers behind the world's recovery from the crisis. The country is the third-largest importer globally and it leads the world in imports of electrical machinery and ores and ranks third in oil imports.</p>
Investment	<p>China's urban fixed asset investment rose significantly in 2009, reflecting the impact of massive government spending in the construction of railways, roads and infrastructure. China has depended heavily on investment for its economic growth, with the bulk of such investment occurring in urban areas. In 2009, China continued to channel increasing amounts of FDI overseas due to the country's increasing need for new markets, technology and resources. A particularly noteworthy trend in 2009 was Chinese resource firms pursuing overseas acquisitions at attractive prices.</p>
Financial	<p>The financial sector in China, with its massive – and even excessive – liquidity, is contrary to the situation in the majority of the world's markets. While central banks in many countries struggle to increase depressed liquidity after the crisis, the People's Bank of China is trying to curb it to prevent possible economic overheating. The implementation of bank restructuring and more prudent loan management have created, so far, a stable financial sector. Furthermore, as at the end of 2009, the rise of China's two stock markets have given the country the second-largest equity value in the world.</p>
Social	<p>With 1.3 billion people and 16 million new births per year, China has the world's largest population. Mass migration to the cities of eastern China, a growing middle class in urban areas and rising income levels in urban and rural households are characteristics that are currently shaping China's social landscape. Compared to other economies of similar size, China still has an extremely low urbanisation rate, but maintains a relatively high percentage of the population active in the labour market. The large population offers many opportunities as well as challenges.</p>



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IMPLICATIONS

INDICATORS	IMPLICATIONS
Selected Macroeconomic Data	<p>Although China seems to have weathered the global storm relatively well, concerns over a loose monetary policy and lending growth persist. With such inflationary pressures, it is expected that the Chinese government will act aggressively in tightening monetary and fiscal policies for 2010. China will doubtlessly continue to experience strong economic growth for 2010, but a more sustainable growth pattern and an improved economic structure is essential. Personal consumption is expected to play an even greater role as an engine for economic growth, and it is anticipated that the service industry will fulfill a greater role in the country's economy, while the manufacturing sector becomes ever more sophisticated.</p>
Trade	<p>China's strong retail sales in 2009 clearly indicate the country's consumption potential in terms of both domestic and international products. The revival in exports, which occurred towards the end of 2009 is expected to intensify this year as international economies recover from the financial crisis. This will also result in a further expansion of the country's manufacturing base. As China's industrialisation and urbanisation processes continue, it is also likely that imports of raw materials such as oil and a variety of ores and commodities, as well as many manufactured products will increase.</p>
Investment	<p>Strong fixed asset investment in 2009 resulted in increasing property prices and growing concerns with regards a real estate bubble. As the world economy begins to recover, China is expected to leverage exports and domestic consumption in order to ensure adequate growth. While investment opportunities in manufacturing and real estate are substantial, China's most impressive investment-based phenomenon resides in its trend toward outward investment, driven, specifically, by the country's need to secure resources.</p>
Financial	<p>Although China's financial markets remain under-developed compared to other economies, effective reforms and a lesser degree of integration into the global financial system have given rise to stronger Chinese banks, which have, so far, weathered the global financial crisis and resulting slowdown well. The gap between the actual state of China's financial markets and its potential suggests that many service sector opportunities await foreign businesses. Years of growing exports and FDI have enabled China to attain the position of the world's largest holder of foreign exchange reserves – a key stability 'buffer' – which surpassed USD 2 trillion in 2009.</p>
Social	<p>China's emerging middle class and growing income levels, in both urban and rural areas, are not only indicative of China's consumption potential, but are also signs of a growing pool of skilled professionals who will progressively compete on the domestic and international labour markets. Higher education levels and growing urbanisation in central provinces evince the potential to not only foster poverty reduction but to also expand industrialisation while keeping domestic talent in the country.</p>



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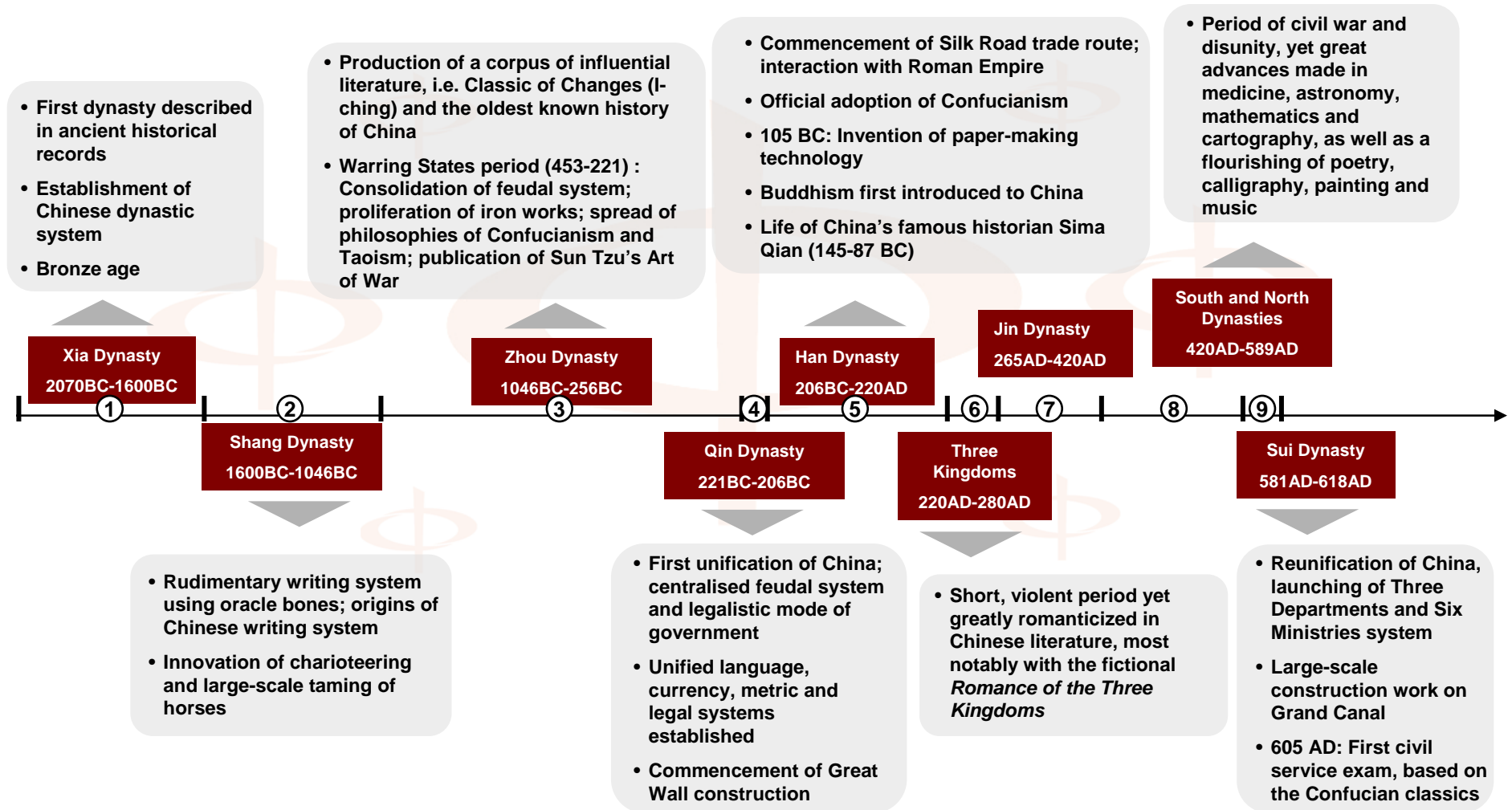
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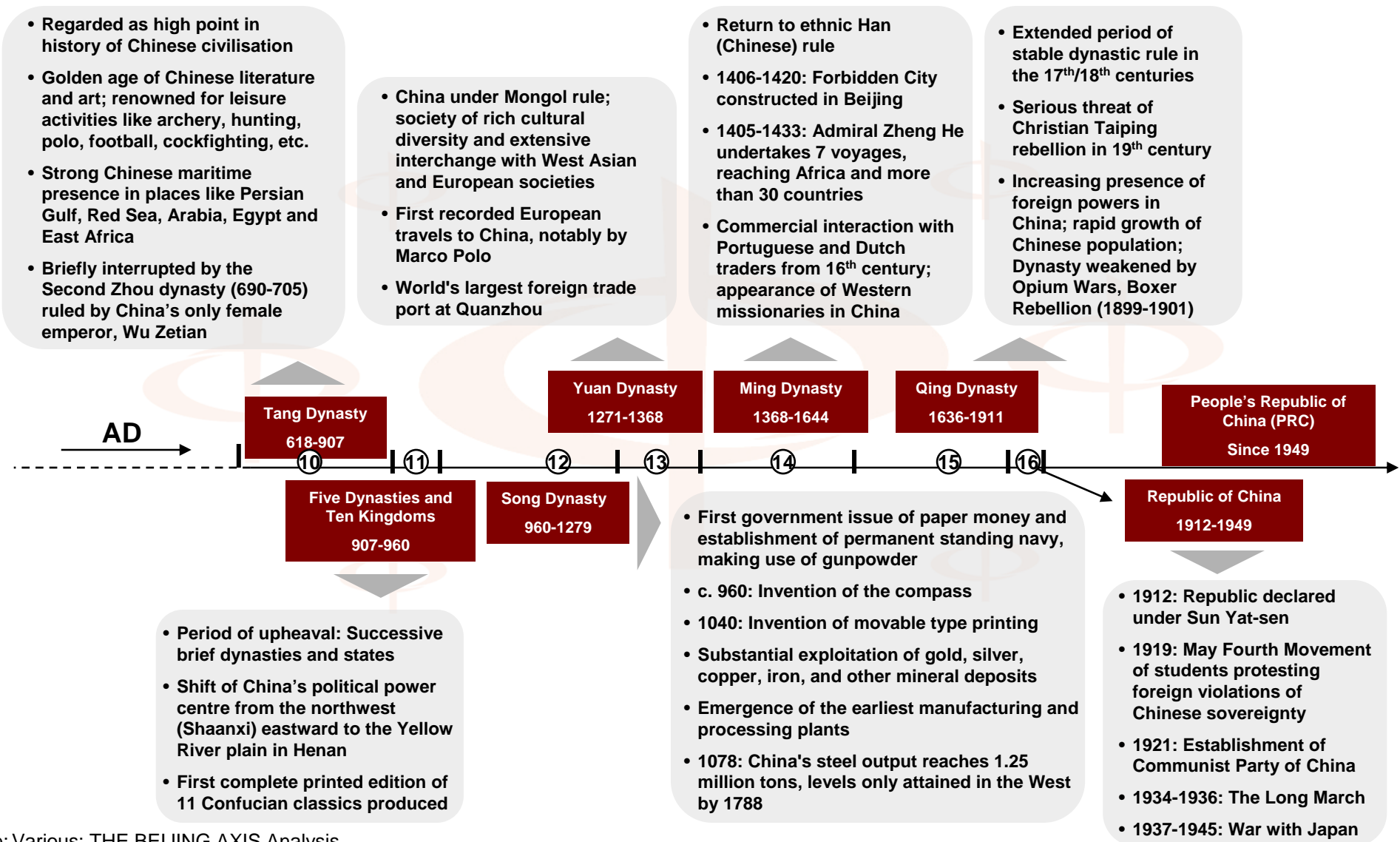


CHINA IS ONE OF THE WORLD'S OLDEST CIVILISATIONS, WITH RECORDS DATING BACK MORE THAN 4,000 YEARS



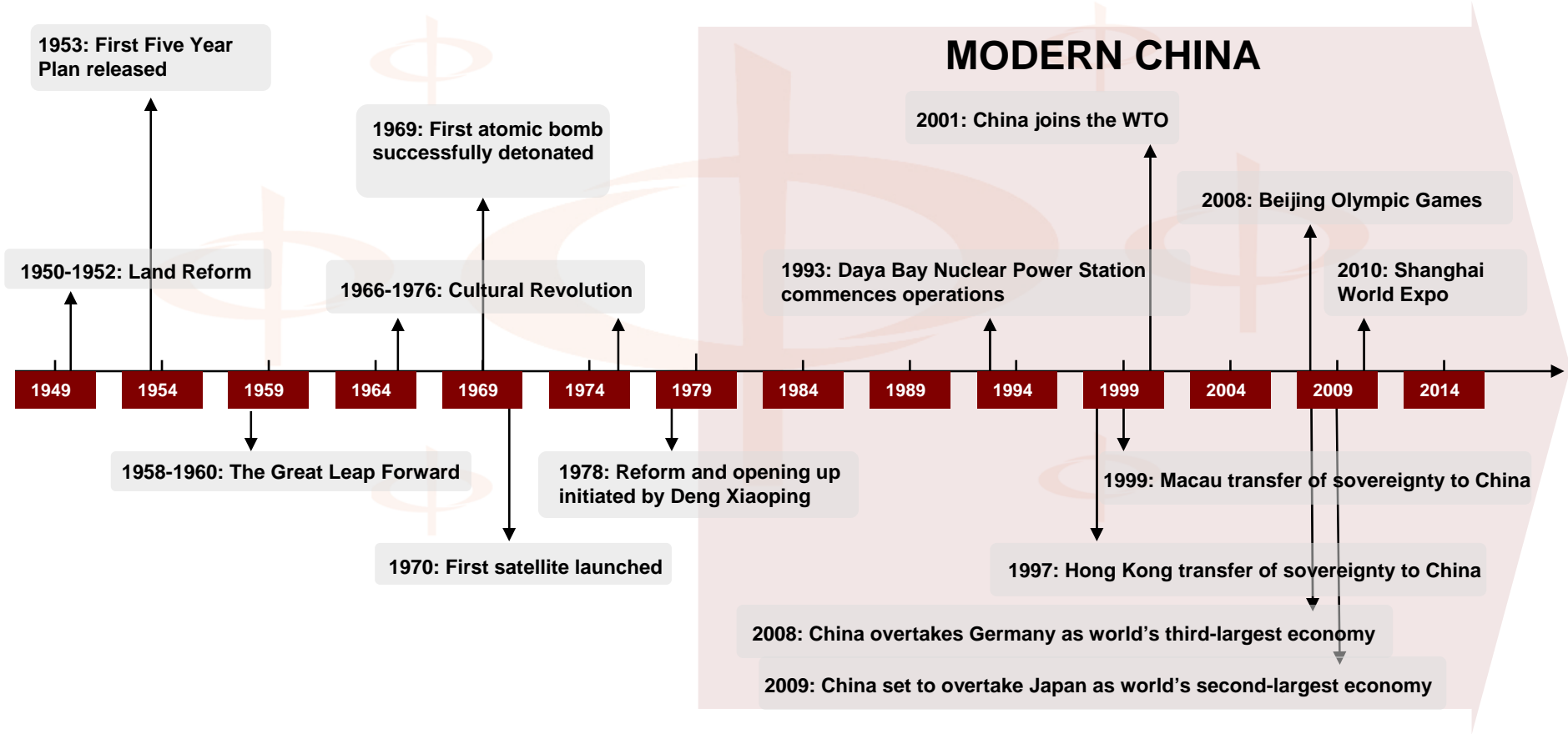


PRE-MODERN CHINA'S SOCIAL, LEGAL AND ECONOMIC SYSTEMS EVOLVED OVER CENTURIES





CHINA'S RECENT HISTORY ILLUSTRATES A BROAD-BASED TRANSFORMATION THAT PAVED THE WAY FOR THE RISE OF CHINA AS AN ECONOMIC SUPERPOWER





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CHINA IS THE WORLD'S THIRD-LARGEST COUNTRY BY LAND MASS

The country's size and location afford it a strategic advantage in trade, natural resources and international relations

People's Republic of China	
Area	9,596,960 sq. km.
Location and Boundaries	35°00' N, 105°00' E Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea Shares 22,117 kilometres of land boundaries with 14 other countries
Cities	Capital: Beijing Other major cities: Shanghai, Tianjin, Shenyang, Wuhan, Guangzhou, Chongqing, Harbin and Chengdu
Terrain	Plains, deltas, and hills in the east; mountains, high plateaus and deserts in the west
Climate	Tropical in the south to sub-arctic in the north





CHINA HAS 56 ETHNIC GROUPS, OF WHICH THE HAN ETHNIC GROUP ACCOUNTS FOR 91% OF THE TOTAL POPULATION

China's per capita GDP in 2009 was USD 3,679¹



China Facts and Figures 2009

Population	1.33 bn
Nationality	Chinese
Ethnic Groups	Han Chinese (91.5%), Zhuang, Manchu, Hui, Miao, Uygur, Yi, Mongolian, Tibetan, Buyi, Korean, and other (8.5%)
Religions	Officially atheist, Buddhism, Taoism, Islam, Christianity, and Catholicism
Language	Mandarin (Putonghua), many local dialects
Labour Force	744.4 mn (2010F)
GDP Nominal	USD 4,909 bn
GDP Growth Rate	8.7%
GDP Per Capita	USD 3,679
Exports	USD 1,201.7 bn
Imports	USD 1,005.6 bn
Forex Reserves	USD 2,399 bn
Currency	Renminbi (Chinese yuan)
Time	GMT + 8 hrs

¹: China's GDP per capita in 2009 was USD 3,679, however, the data listed here by province are from the most current data as of publication – 2008. Source: CIA World Factbook; China Statistical Yearbook; China Monthly Economic Indicators; MOFCOM; UN Statistics; THE BEIJING AXIS Analysis



THE COMMUNIST PARTY OF CHINA (CPC) REMAINS THE DOMINANT FORCE IN GOVERNMENT

Type of Government	Socialist republic (or 'people's democratic dictatorship' as defined by PRC constitution)
Branches of Government	Executive - President, Premier, Vice President, State Council Legislative - Unicameral National People's Congress Judicial - Supreme People's Court, Local People's Courts, Special People's Courts
Administrative Divisions	23 provinces; 5 autonomous regions; 4 municipalities directly under the State Council
Political Parties	Chinese Communist Party, 70.8 million members; 8 minor parties under Communist Party supervision
Constitution	4 December 1982
Independence	221 BC (unification under the Qin or Ch'in Dynasty); 1 January 1912 (Qing or Ch'ing Dynasty replaced by the Republic of China); 1 October 1949 (People's Republic of China established)
National Holiday	Anniversary of the founding of the People's Republic of China, 1 October (1949)



THE FOUNDING OF THE PRC IN 1949 ESTABLISHED A LEGAL SYSTEM INFLUENCED BY SOVIET PRINCIPLES

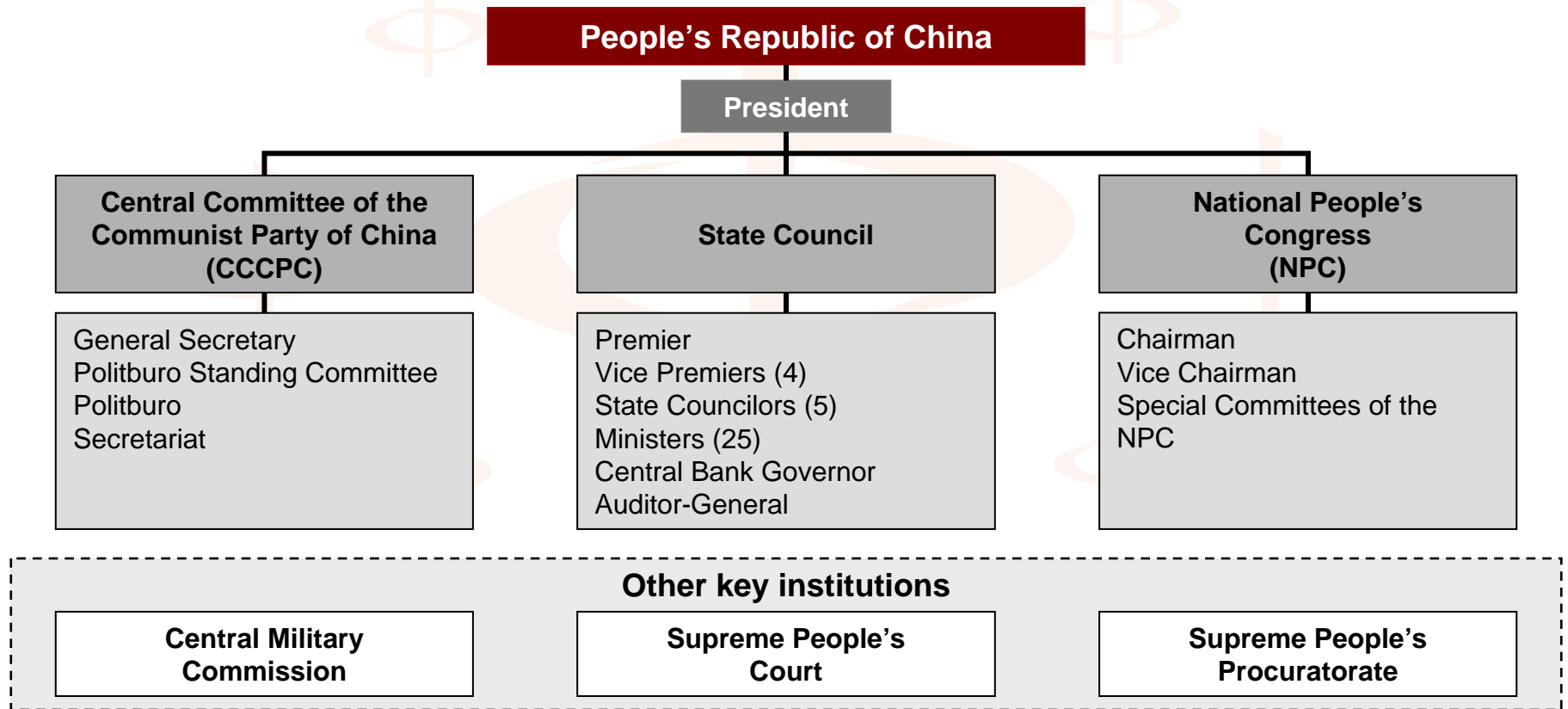
<p>Legal System</p>	<p>Based on civil law system; derived from Soviet and continental civil code legal principles. Legislature retains power to interpret statutes; constitution ambiguous on judicial review of legislation and has not accepted compulsory International Court of Justice jurisdiction</p>
<p>Flag</p>	<p>Red with a large yellow five-pointed star and four smaller yellow five-pointed stars (arranged in a vertical arc toward the middle of the flag) in the upper hoist-side corner</p>
<p>International Organisation Participation</p>	<p>ADB, AfDB (nonregional members), APEC, APT, Arctic Council (observer), ARF, ASEAN (dialogue partner), BIS, CDB, EAS, FAO, G-20, G-24 (observer), G-77, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IFAD, IFC, IFRCs, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, LAIA (observer), MIGA, MINURSO, MONUC, NAM (observer), NSG, OAS (observer), OPCW, PCA, PIF (partner), SAARC (observer), SCO, UN, UN Security Council, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNITAR, UNMIL, UNMIS, UNMIT, UNOCI, UNTSO, UNWTO, UPU, WCO, WFTU, WHO, WIPO, WMO, WTO, ZC</p>



POLITICAL POWER IN CHINA HAS BECOME LESS PERSONAL AND MORE INSTITUTIONAL

The primary organs of state power - the NPC, the President and the State Council - are largely made up of party members

High-Level View of China's Political System





THE POLITBURO STANDING COMMITTEE IS THE HIGHEST AND MOST POWERFUL DECISION-MAKING BODY IN CHINA

Politburo Standing Committee of the Communist Party of China (2009)

Order	Name	Party Positions	State Positions
1	Hu Jintao	General Secretary of the Central Committee, Chairman of the CPC Central Military Commission	President of the People's Republic of China, and Chairman of the PRC Central Military Commission
2	Wu Bangguo	-	Chairman of the Standing Committee of the National People's Congress
3	Wen Jiabao	-	Premier of the State Council
4	Jia Qinglin	-	Chairman of the People's Political Consultative Conference
5	Li Changchun	-	-
6	Xi Jinping	Principal of the Central Party School. Top-ranked member of the Secretariat of the Communist Party of China Central Committee	Vice President of the People's Republic of China
7	Li Keqiang	-	First Vice-Premier of the State Council
8	He Guoqiang	Secretary of the Central Commission for Discipline Inspection	-
9	Zhou Yongkang	Secretary of the Political and Legislative Affairs Committee	-



VARIOUS FACTORS IDENTIFY CHINA AS ONE OF THE WORLD'S MOST SIGNIFICANT COUNTRIES

700,000	Engineers graduate annually from schools in China
53,000	RMB is the average cost of a license plate in Shanghai
40,000	Cabs drive around Shanghai daily
30,000	Chinese MBA students were expected to graduate in 2008. The number in 1998 was 0
747	Million mobile phones were in circulation in China in 2009
500	Coal-fired power plants to be built in China by the next decade
160	Cities in China with populations that exceed 1 million. There are 9 in the US and just 2 in the UK
97	New airports to be built in the next 12 years, bringing the total number to 244 by 2020
80	Percent of the world's zippers are produced in the factories of Qiaotou city in Zhejiang Province
80	Percent of the world's toys are made in China, in more than 10,000 toy factories
70	Percent of the world's pirated goods come from China
50	Percent of the world's pork is eaten in China
34	Children are born every minute in China
30	Percent of Chinese adults live with their parents
30	Nuclear power plants currently being built in China
6.3	Million passenger cars are registered in China. The number in 2004 was 2.4 million
6.31	Million students graduated from Chinese universities in 2010. The number in 1977 was 270,000
5	Million Chinese are estimated to visit ski resorts this year. Ten years ago, only 500 people in China could ski
1.8	Is the average number of credit cards owned by a person in Shanghai



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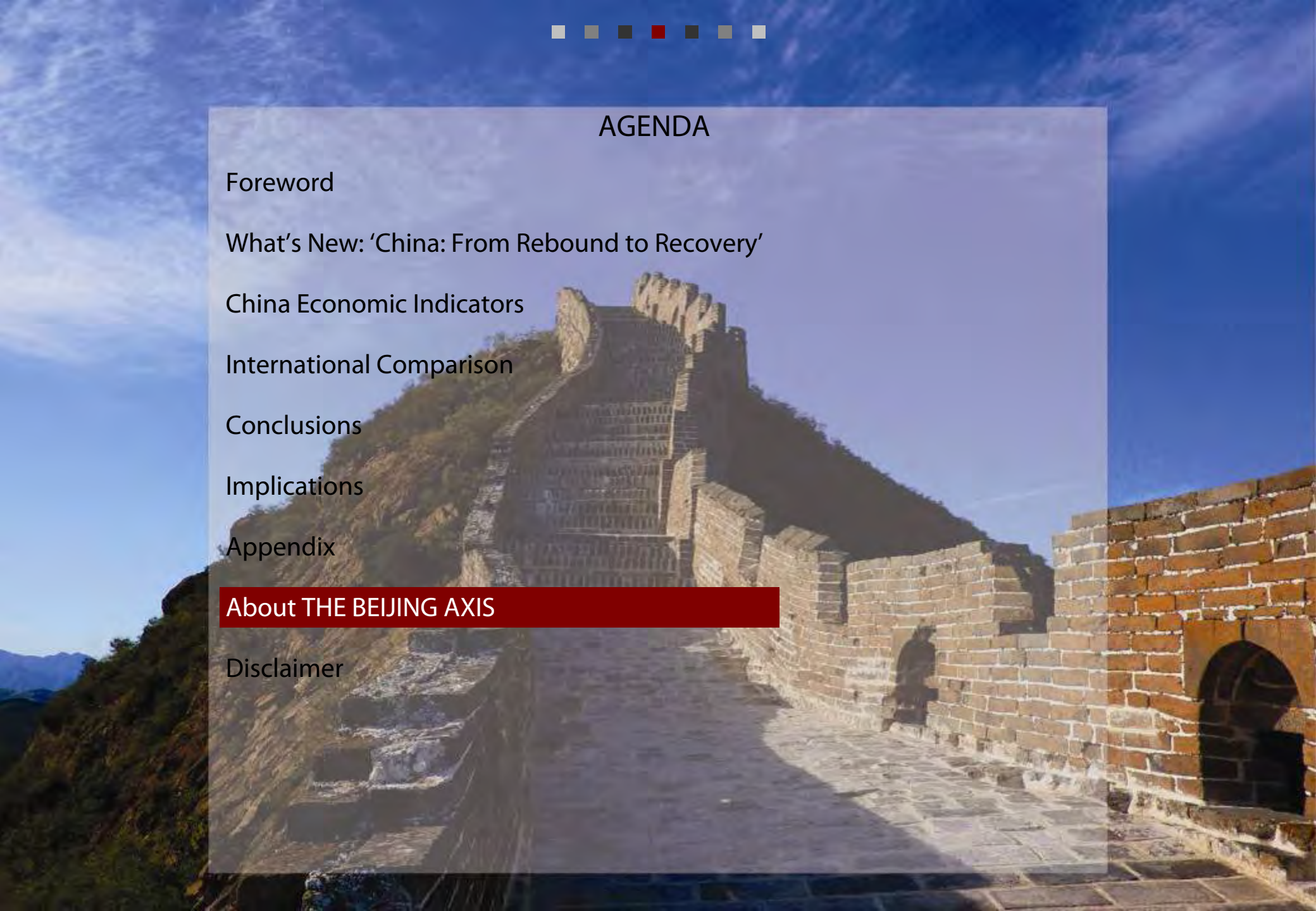
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About THE BEIJING AXIS

THE BEIJING AXIS is a cross-border business bridge to/from China in three principal areas: Strategy, Sourcing and Investment.

Since our establishment in 2002, we have successfully worked with many large international and Chinese MNC clients across various sectors and industries, with a core focus on the Chinese mining & resources sector; and on the burgeoning industrial, engineering & manufacturing sector. Our work is always cross-border - supporting international firms as they act in unfamiliar territory in China, or supporting Chinese firms as they venture out and 'go global.' We are committed to safety and sustainability, and our solutions emphasise 'actions and transactions.' Our principal office is in Beijing, with additional offices in Hong Kong and international offices in Singapore, Perth, Moscow, London and Johannesburg.

THE BEIJING AXIS (TBA) is organised along three synergistic cross-border China businesses: TBA China Strategy Group, TBA China Sourcing Unit, and TBA China Capital Advisors:

- **TBA China Strategy Group** assists CEOs, boards and senior management with their cross-border China strategy formulation and implementation. For international MNCs we are a trusted China strategy advisor and implementation partner; for Chinese MNCs we do strategic business planning and implementation as they develop global businesses.
- **TBA China Sourcing Unit** supports clients to build and manage supply chains between China and the world – for projects, equipment, components, finished products, raw materials and commodities. We identify and select qualified suppliers, organise tenders, and request and analyse quotations. We also assist clients in negotiating favourable commercial terms, overseeing contract execution (including QA/QC and expediting) and coordinating communications and logistics across the supply chain. We support bulk commodity producers with their international marketing efforts, and assist bulk commodity users with their procurement efforts. We provide these services through Bateman Beijing Axis, a JV between TBA China Sourcing Unit and Bateman Engineering N.V., Bateman Beijing Axis is a China-focused Global Procurement House.
- **TBA China Capital Advisors** provides specialised financial advisory services to Chinese firms that are undertaking outbound cross-border investment, or that are attracting international investment. Similarly, we advise international firms that are undertaking investments in China or that are looking to attract strategic capital from China. We focus on both transaction origination and execution. In 2009, TBA China Capital Advisors entered into a joint venture agreement with Cadiz Corporate Solutions, the corporate finance division of Cadiz, a public listed financial services group. The joint venture is the perfect corporate advisor for companies in search of capital investment from China, and for Chinese companies in search of investment opportunities on the African continent.



BATEMAN BEIJING AXIS IS A CHINA-FOCUSED GLOBAL PROCUREMENT HOUSE

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IN 2009, THE BEIJING AXIS CHINA CAPITAL ADVISORS ENTERED INTO A JV AGREEMENT WITH CADIZ CORPORATE SOLUTIONS

The JV is a corporate advisor for companies in search of capital investment from China, and for Chinese companies in search of investment opportunities in the African continent

TBA China Capital Advisors

Leading China cross-border business advisory firm with global reach and China knowledge and expertise

China-Africa Corporate Finance Solutions

Cadiz Corporate Solutions

Leading South African specialist financial services group with African reach and sector expertise



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