

A changing world economy

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World economic outlook

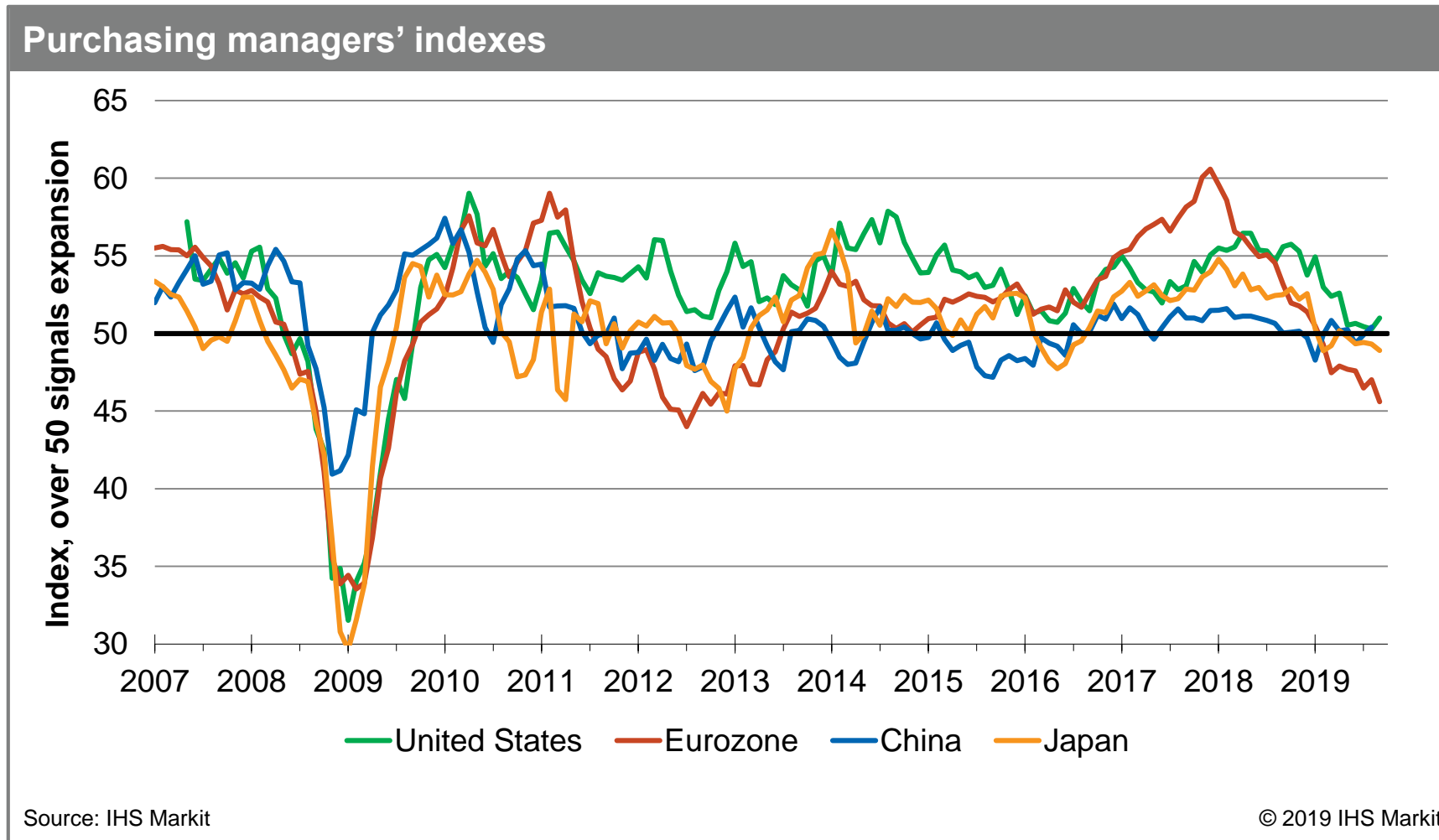
Real GDP growth in major economies

Real GDP					
Percent change	2017	2018	2019	2020	2021
World	3.4	3.2	2.7	2.6	2.6
United States	2.4	2.9	2.3	2.1	1.9
Canada	3.0	1.9	1.4	1.3	1.6
Eurozone	2.7	1.9	1.1	0.9	1.0
United Kingdom	1.8	1.4	1.0	0.5	0.9
China	6.7	6.6	6.2	5.7	5.6
Japan	1.9	0.8	0.9	0.3	0.6
India*	7.1	6.8	6.1	6.3	6.5
Brazil	1.1	1.1	0.9	1.4	1.5
Russia	1.7	2.2	1.2	1.6	1.8

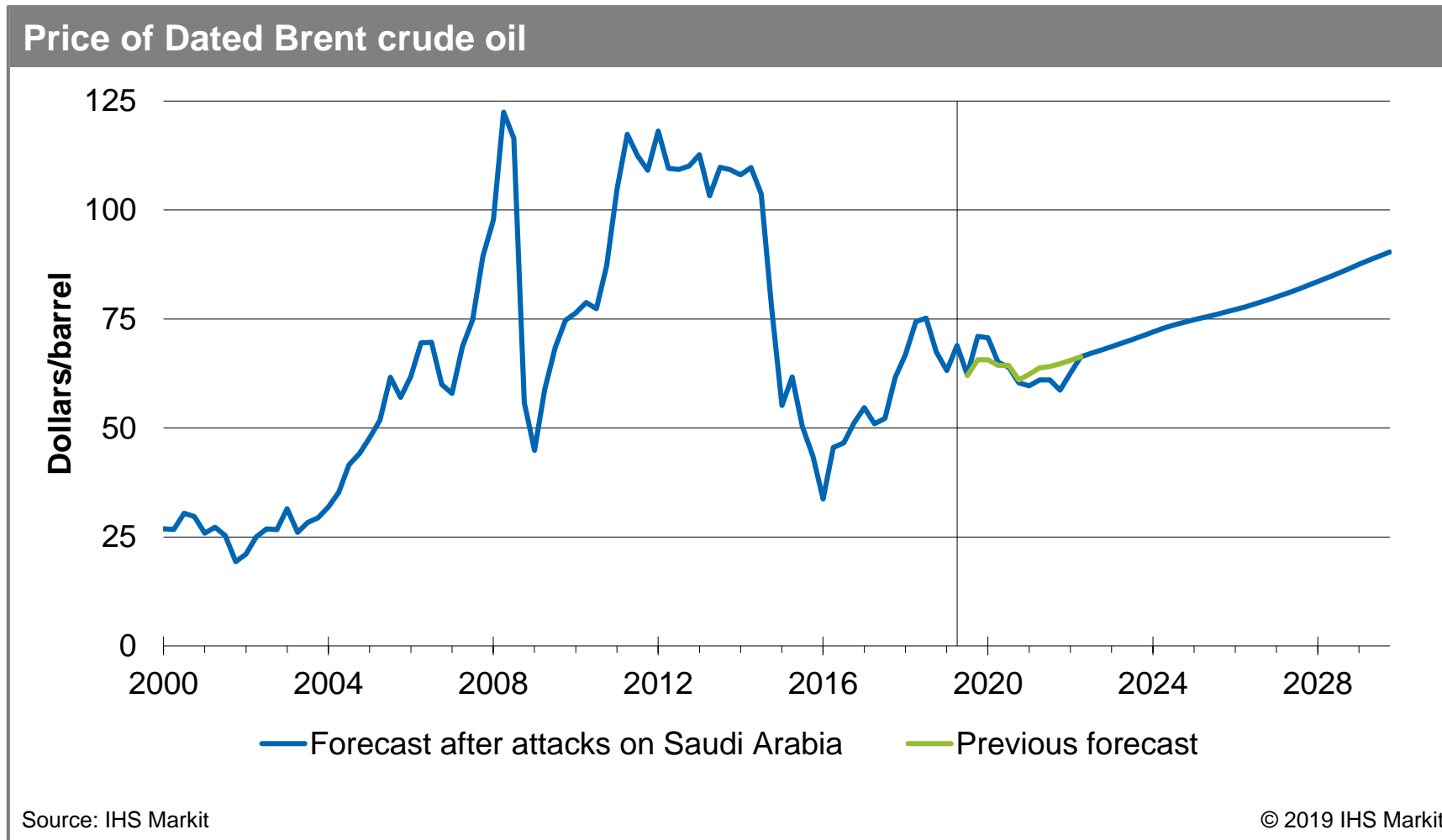
* Fiscal years starting 1 April
Source: IHS Markit

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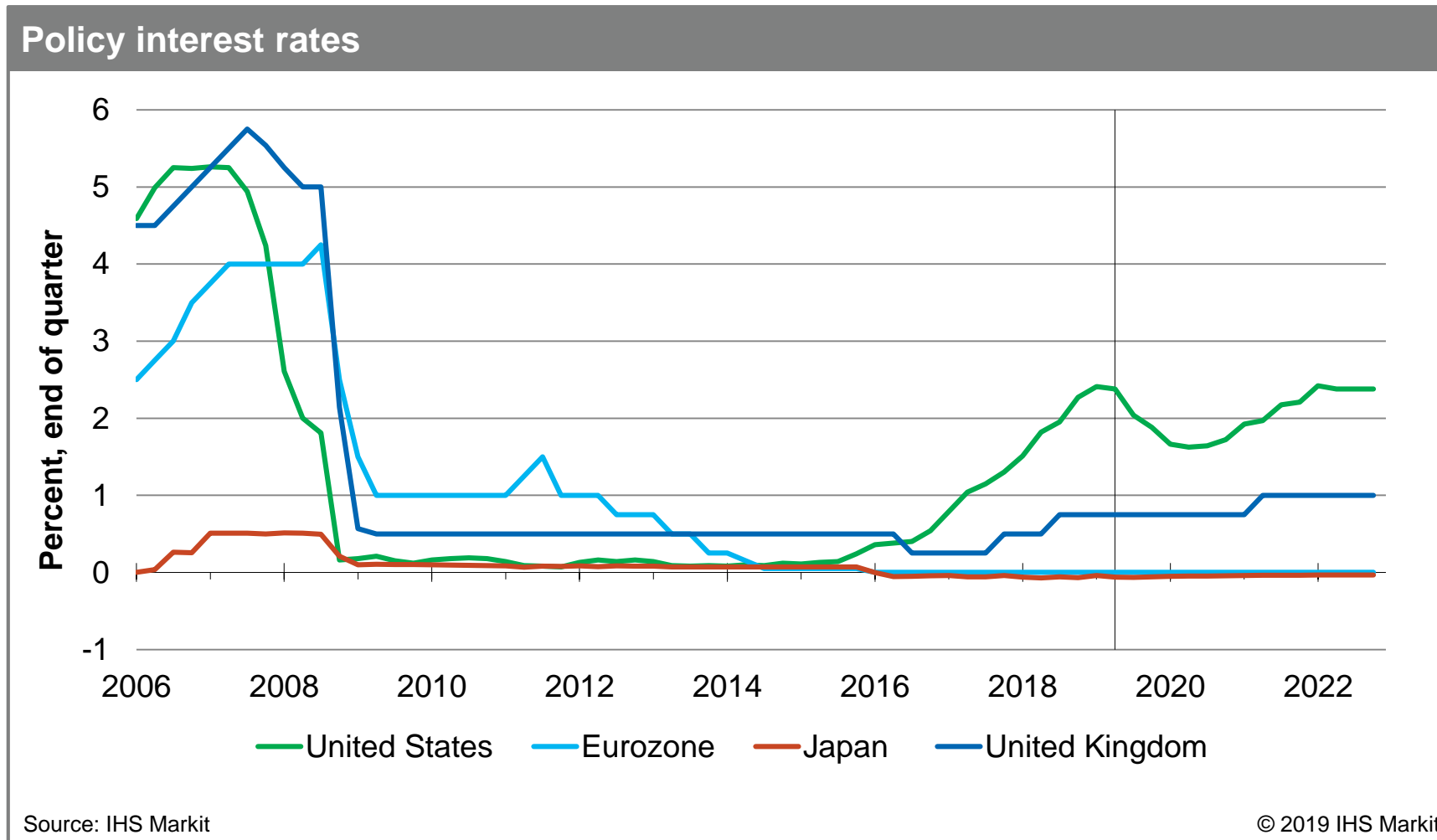
IHS Markit manufacturing PMIs[®] signal deteriorating business conditions in major economies



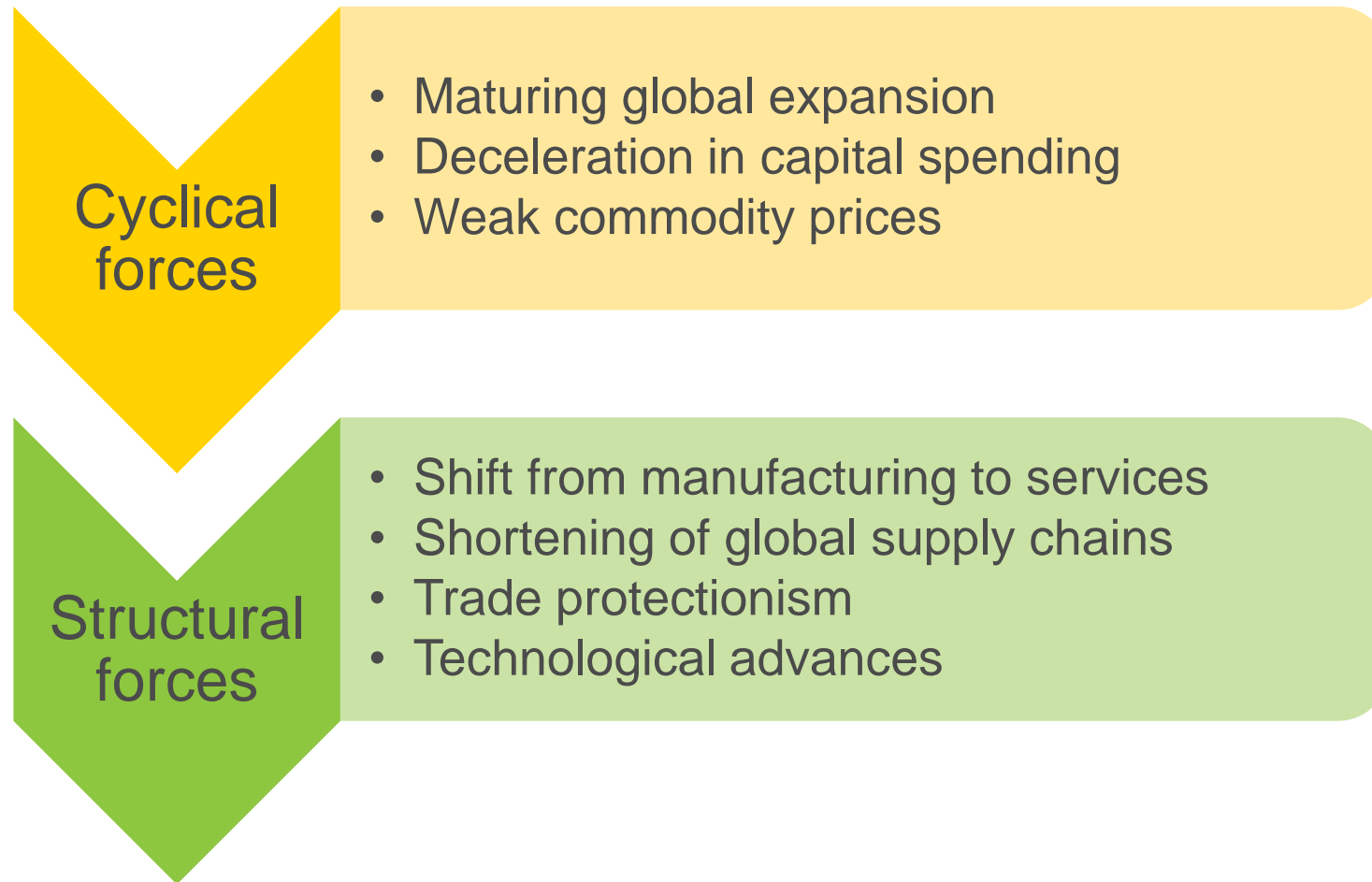
A muted oil price response to Saudi Arabia's temporary production losses



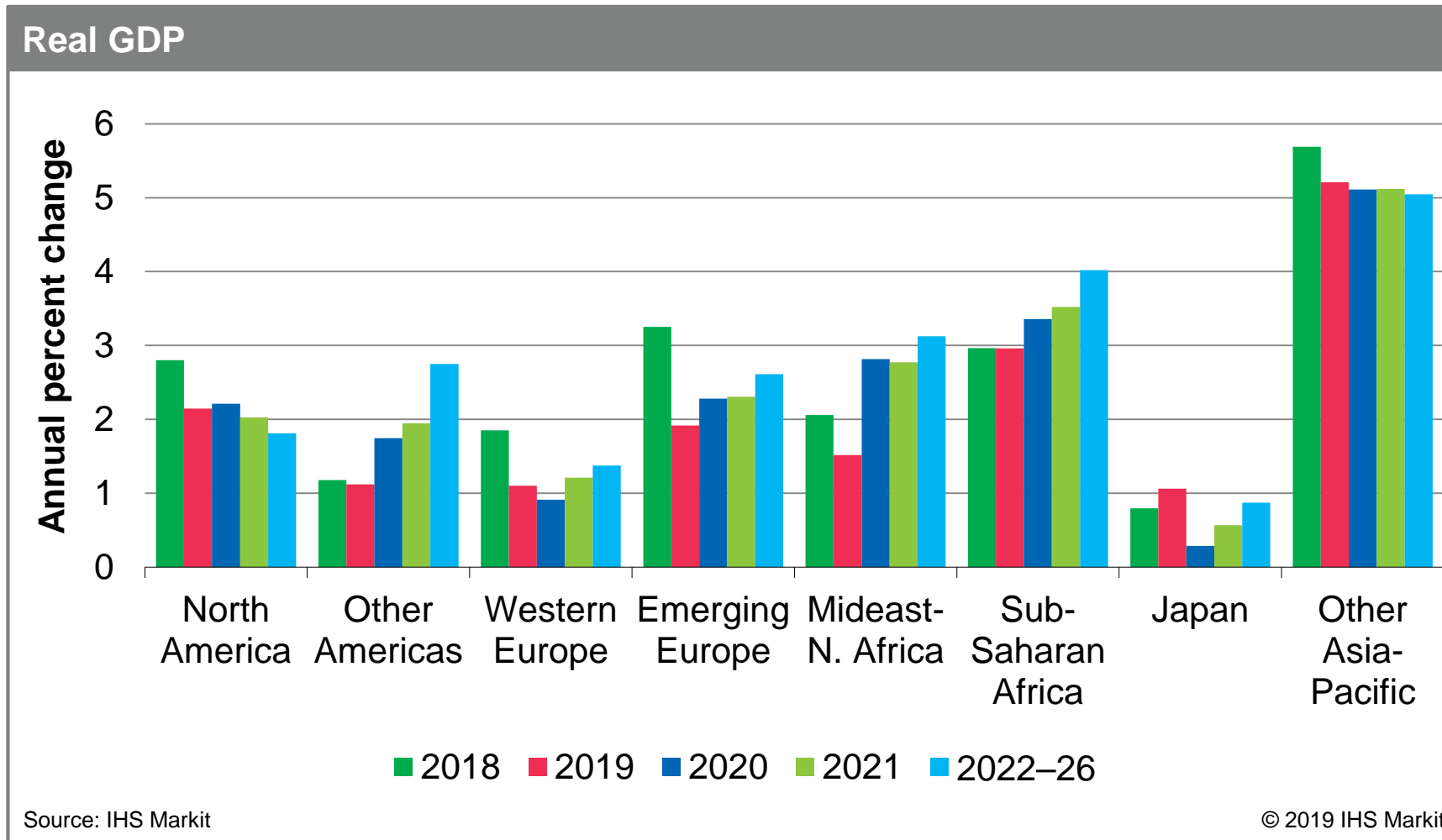
Major central banks will delay normalization of monetary policy, keeping interest rates low



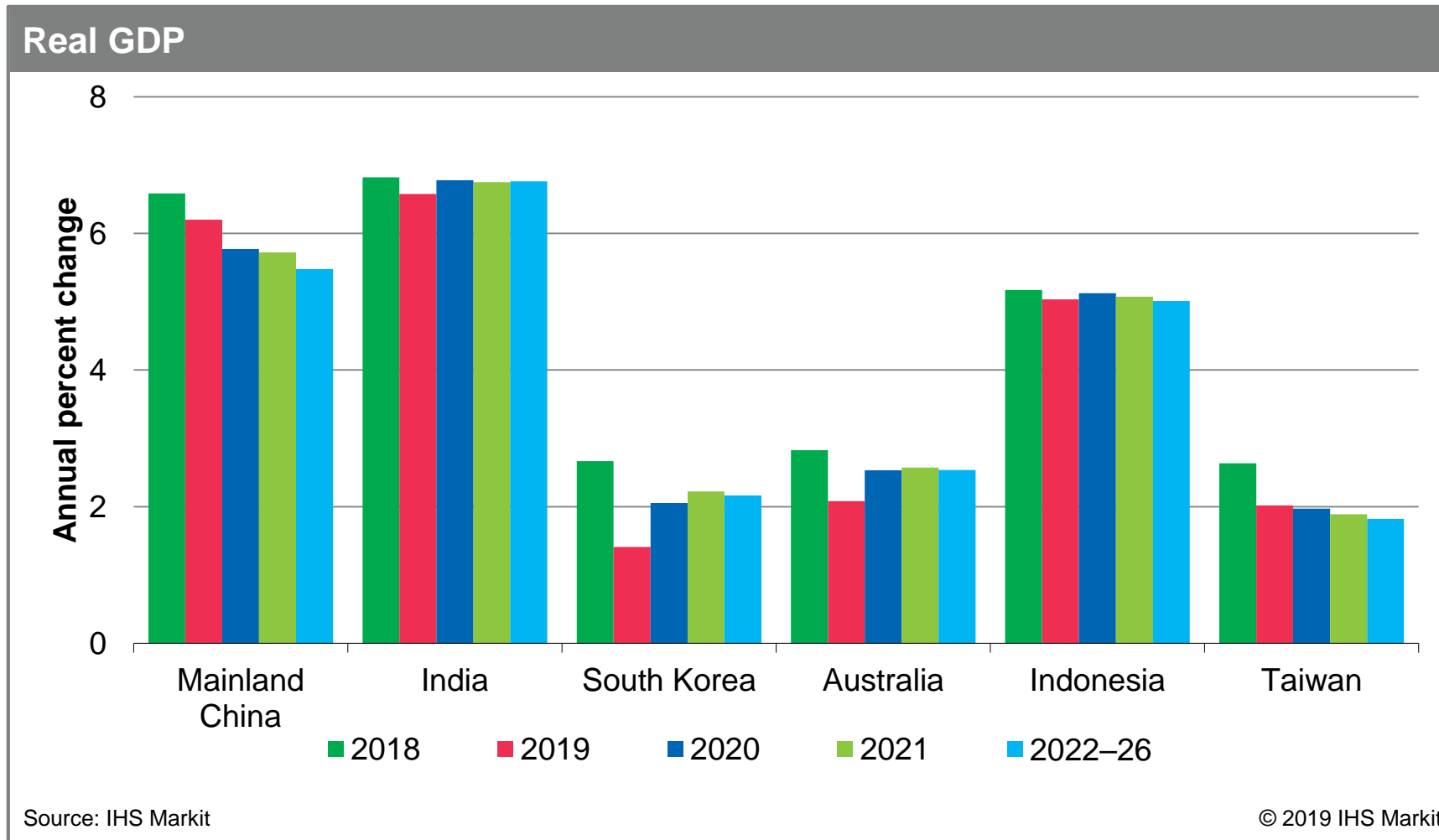
Forces affecting the growth of world trade



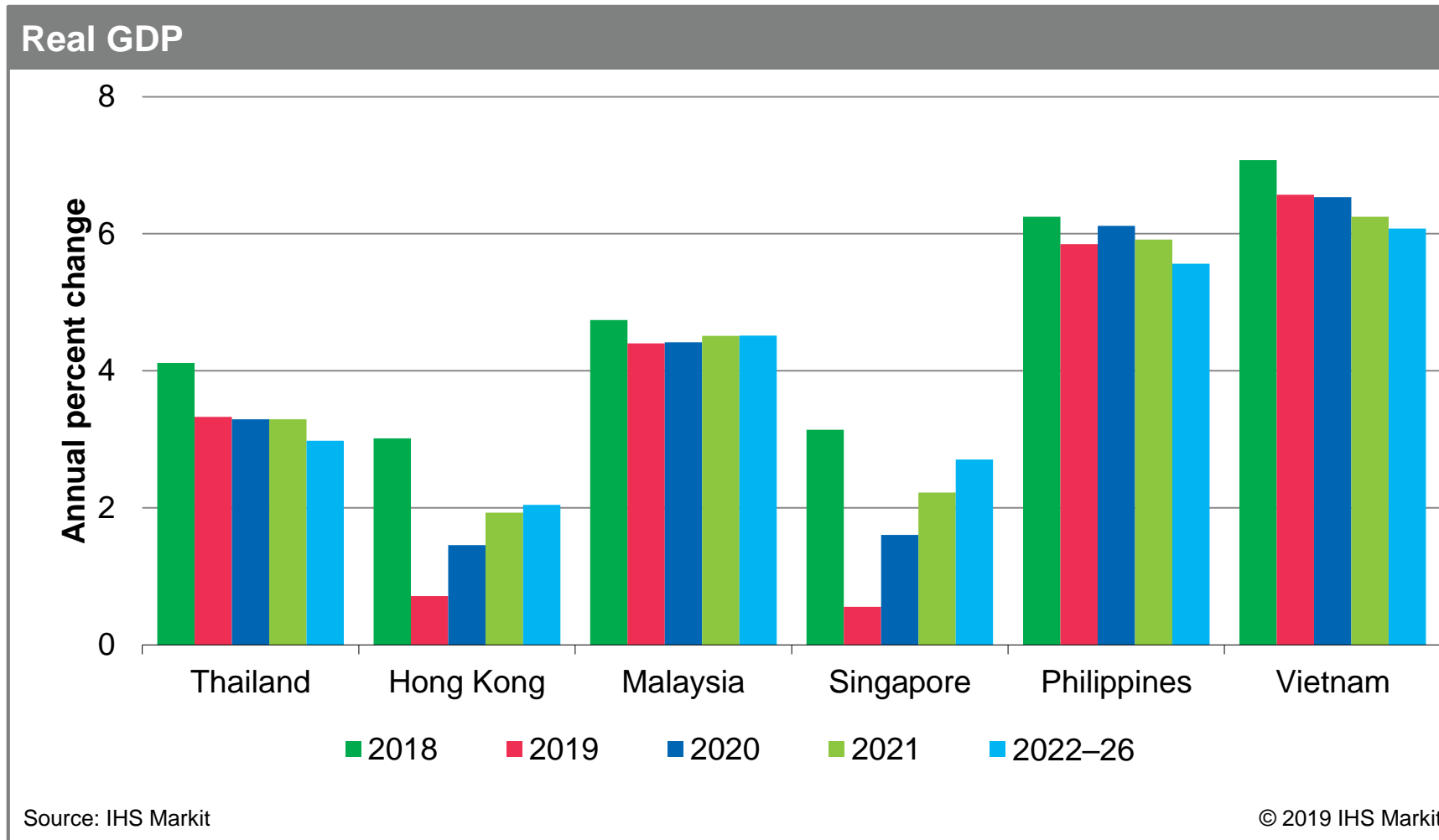
Asia-Pacific (excluding Japan) will continue to lead all regions in real GDP growth



Real GDP growth in Asia-Pacific

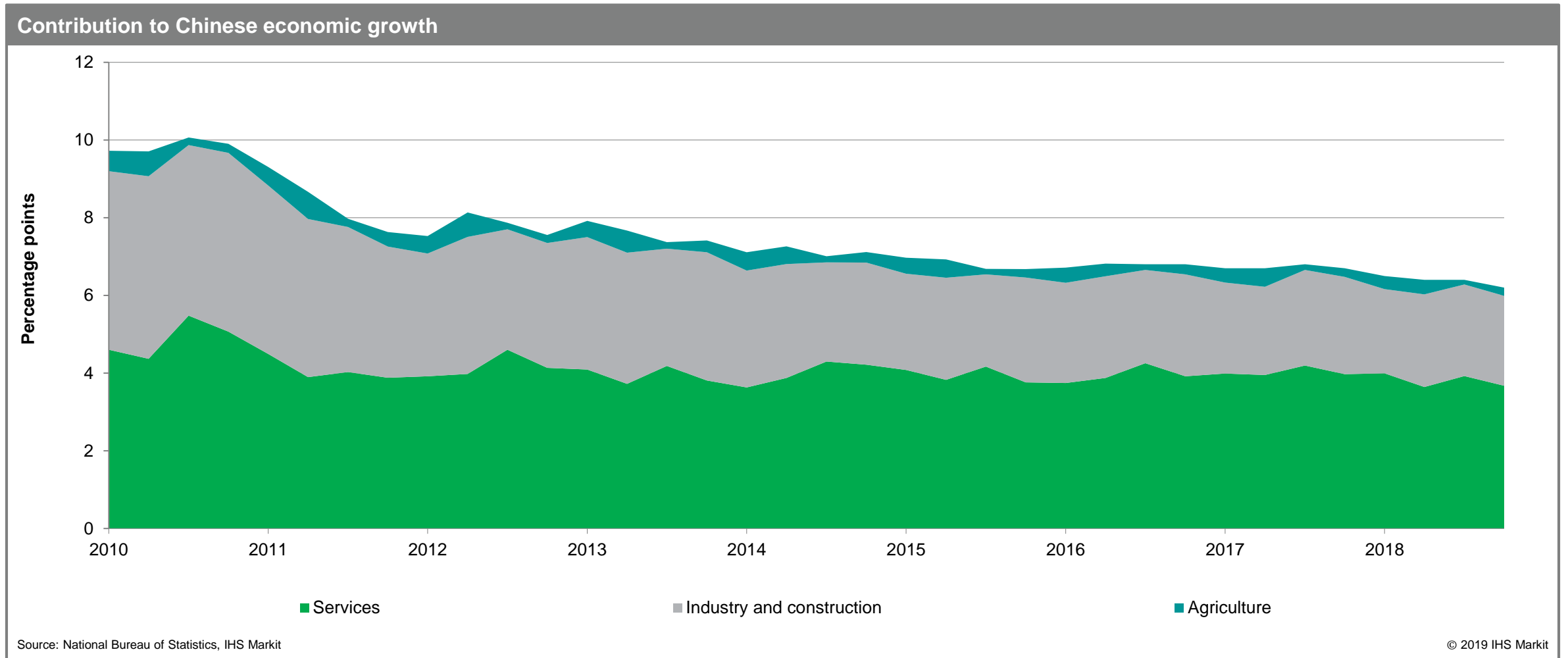


Real GDP growth in Asia-Pacific

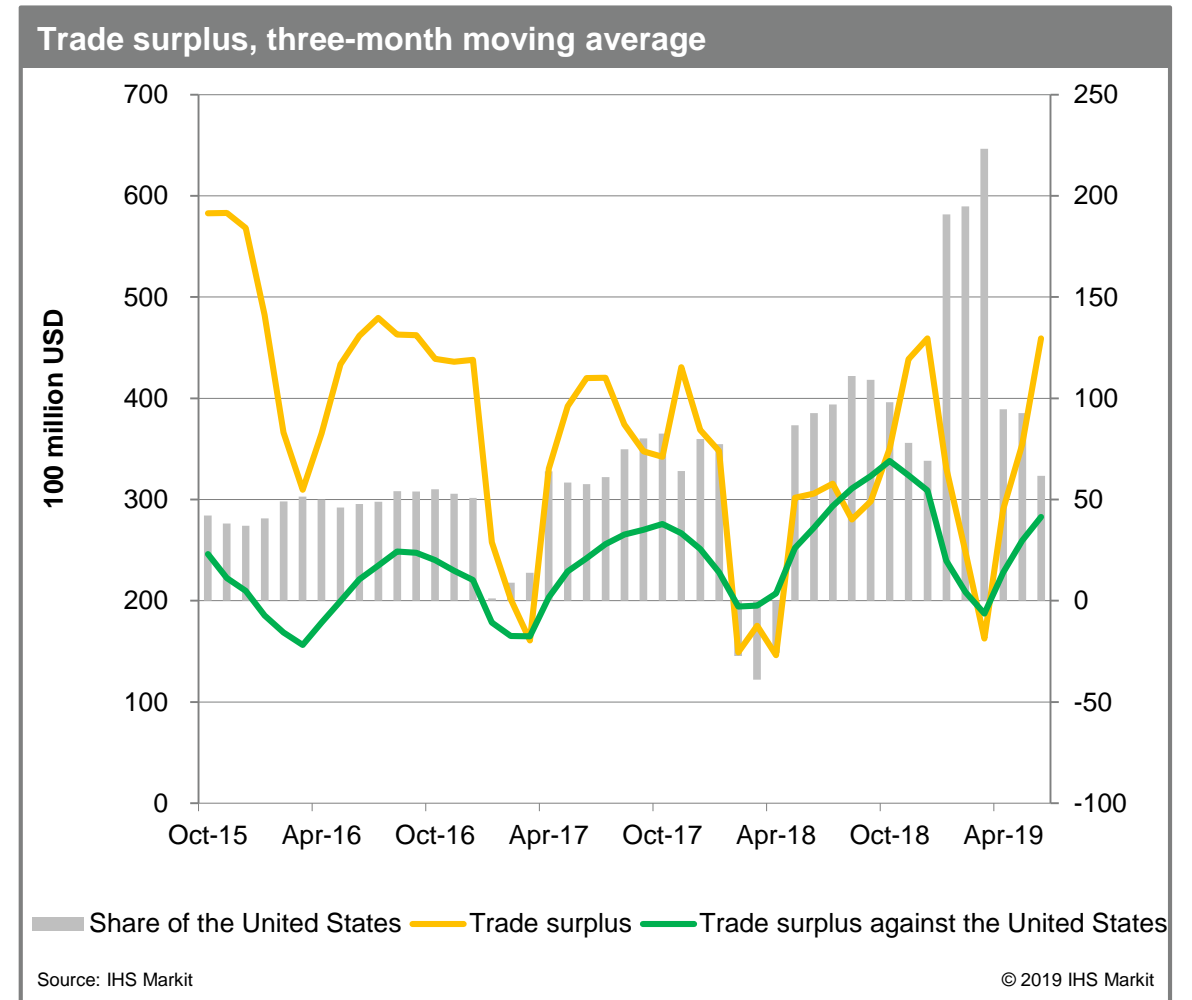
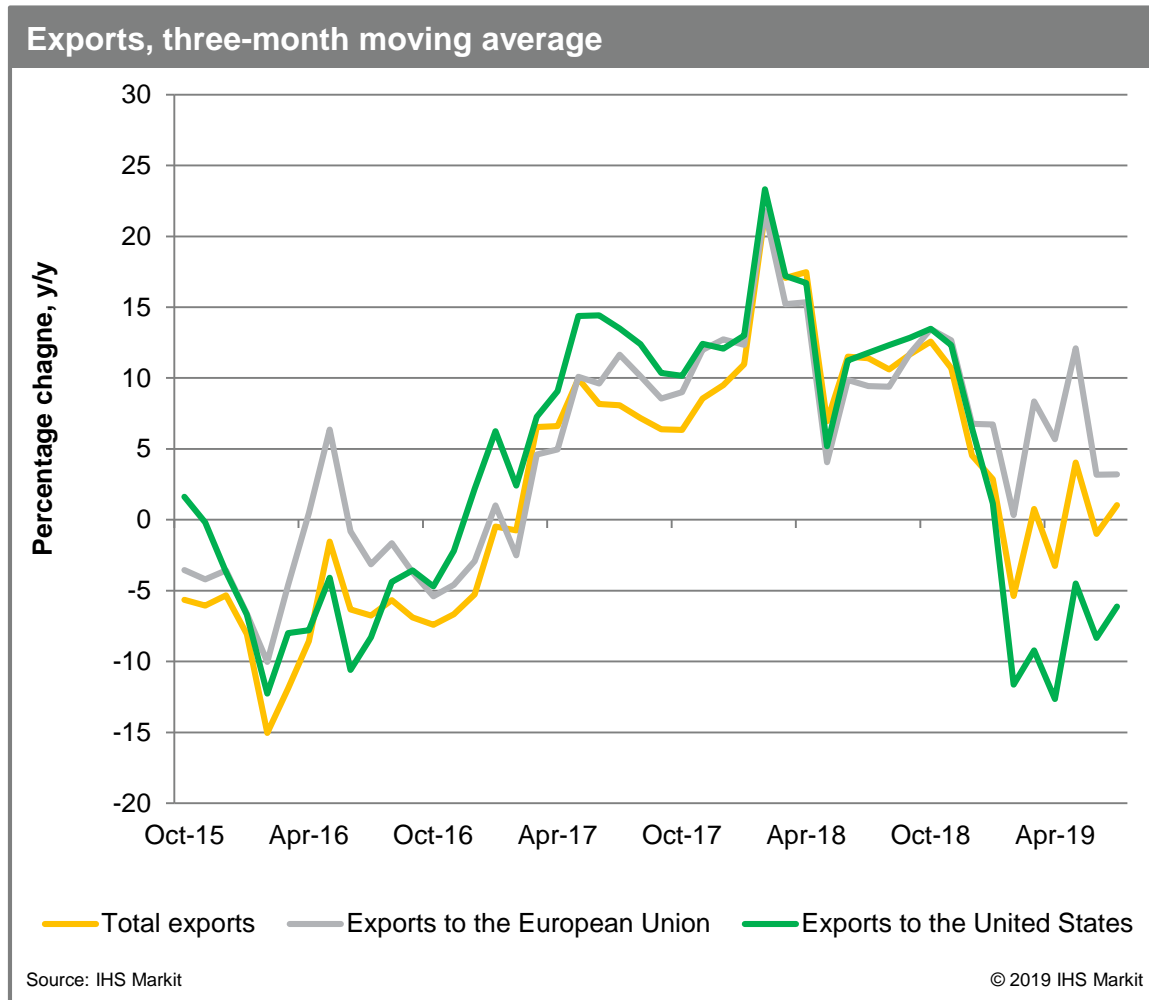


China's moderation and trade war

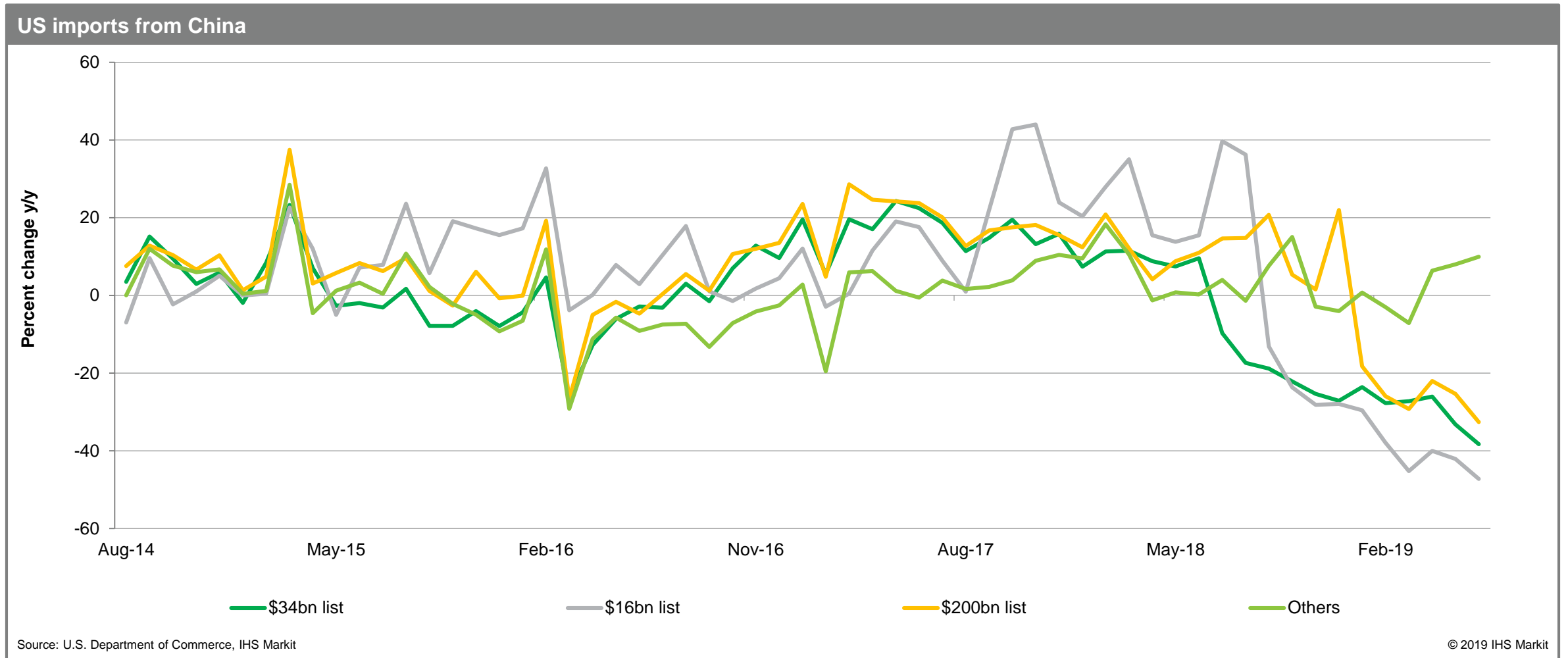
China's GDP growth slowdown since 2010 was driven by continuous weakness in industry and construction sector



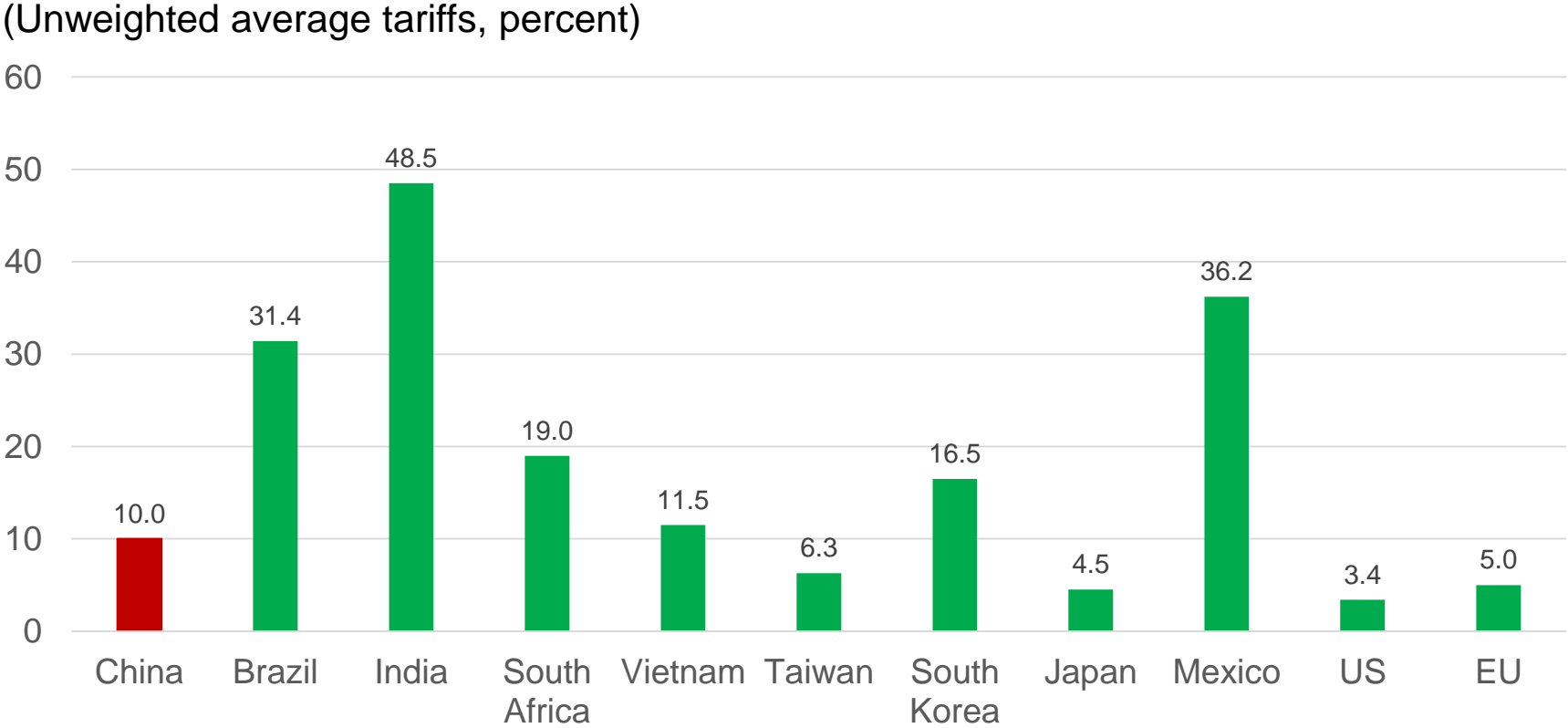
Trade war mainly affects China's exports to the United States, trade surplus expanded on larger decline in imports



China's exports expected to weaken further after the short-lived front-loading supported recovery



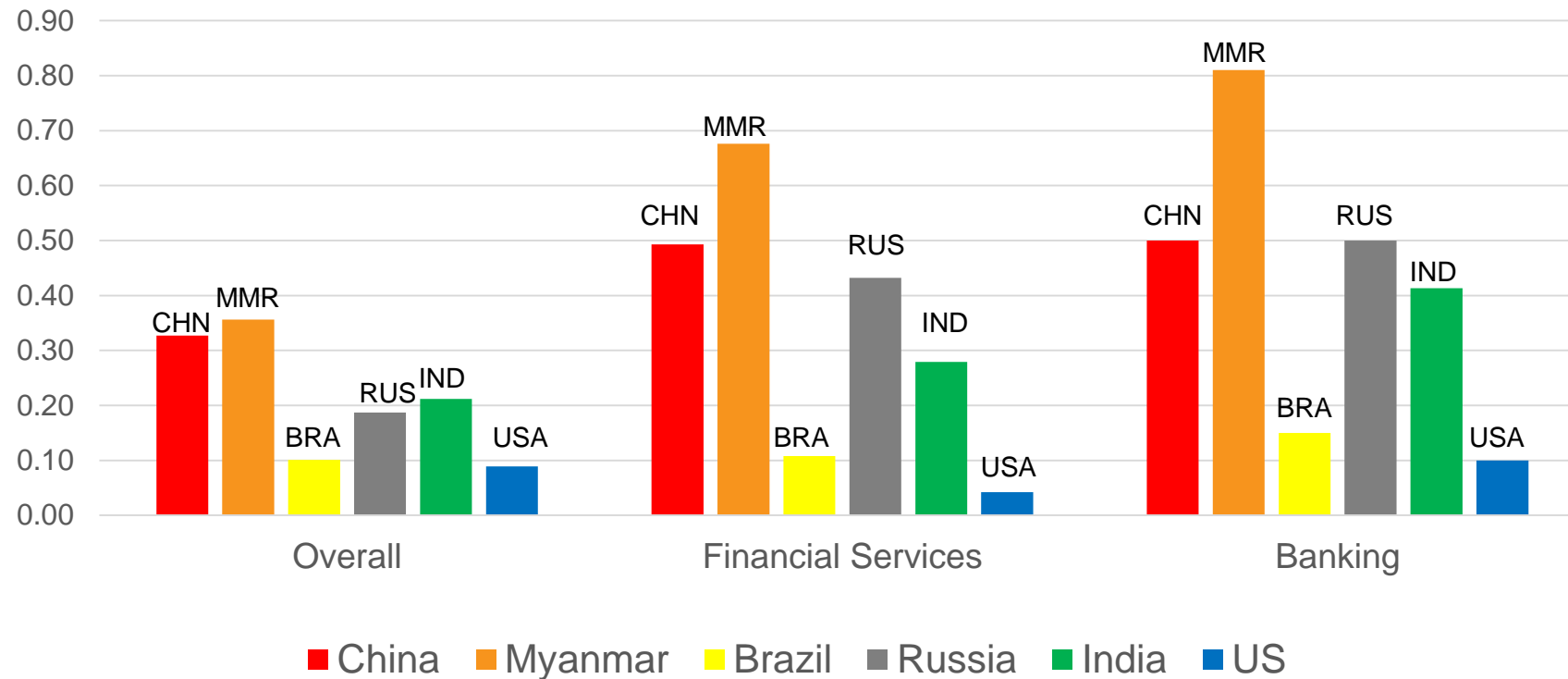
China's trade sector is less closed than its peer developing economies



Source: WTO World Tariff Profiles 2017

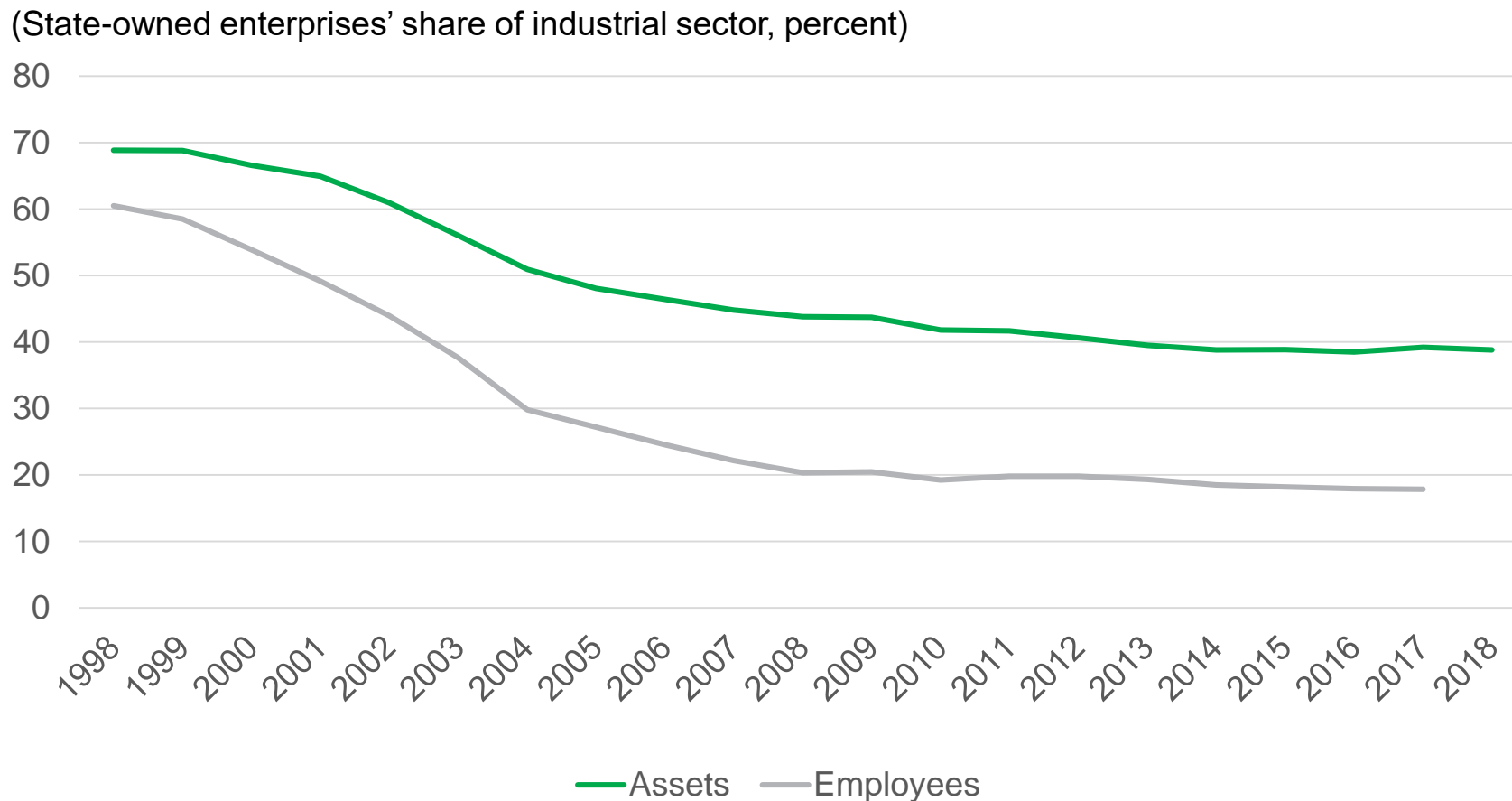
But China's financial markets are extremely closed, much room for opening-up and reform

(OECD FDI Regulatory Restrictiveness Index, 1 = most restrictive)



Source: OECD

China's state-owned enterprises retain dominance under Xi Jinping—a key point of conflict with US



Source: IHS Markit

Stimulus and reforms will focus on fiscal measures; more aggressive monetary easing is also expected

Fiscal easing

– a higher deficit ratio

- **More tax reduction (CNY2 trillion)**
 - Value-added tax cut
 - Lowering social insurance payment
 - Individual income tax reform
- **Expanding local government bond issuance**
 - CNY2.1 trillion new bond quota for 2019
 - Assign 2020 quota in advance
- **Consumption-driving policies**
 - auto market
 - e-commerce
 - rural market

Monetary and credit easing – lower interest rate

- **Abroad** reserve requirement ratio (RRR) cut
- Targeted easing towards **private sectors**
- **Lending interest rate liberalization reform, driving down interest rate for real economy**

Local government debt?
Real estate?

- **Opening up:** financial, services, and manufacturing; FTZs
- SOE mixed-ownership reforms

Thank you

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