

The Deloitte logo, consisting of the word "Deloitte" in a bold, blue, sans-serif font, followed by a period.

德勤

Taking advantage of China's transition

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Agenda

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What's China Dream

2



China's global impact

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China's economic update

4



China's policy

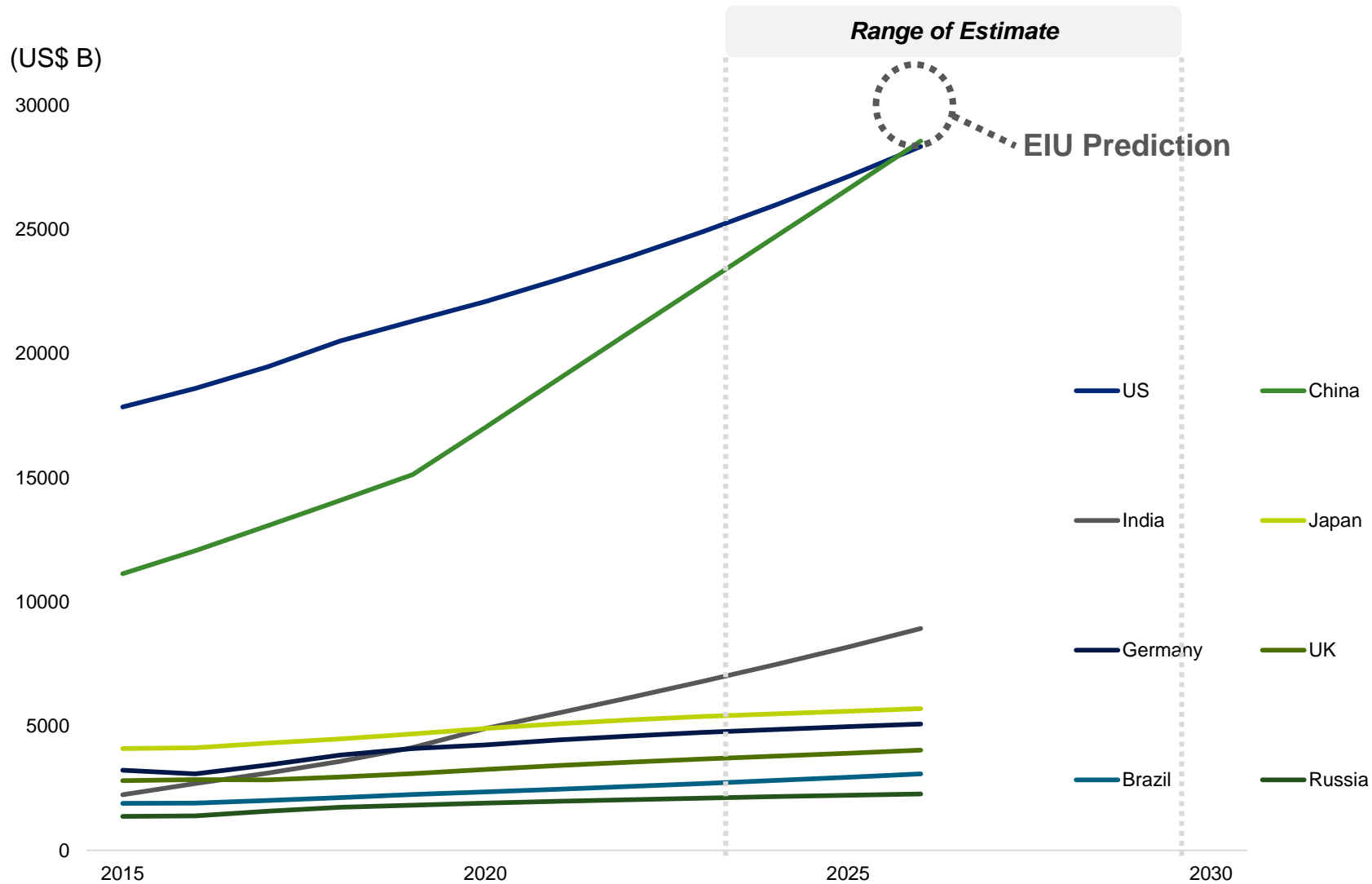
5



**Implications for Sino – Baltic
economic collaborations**

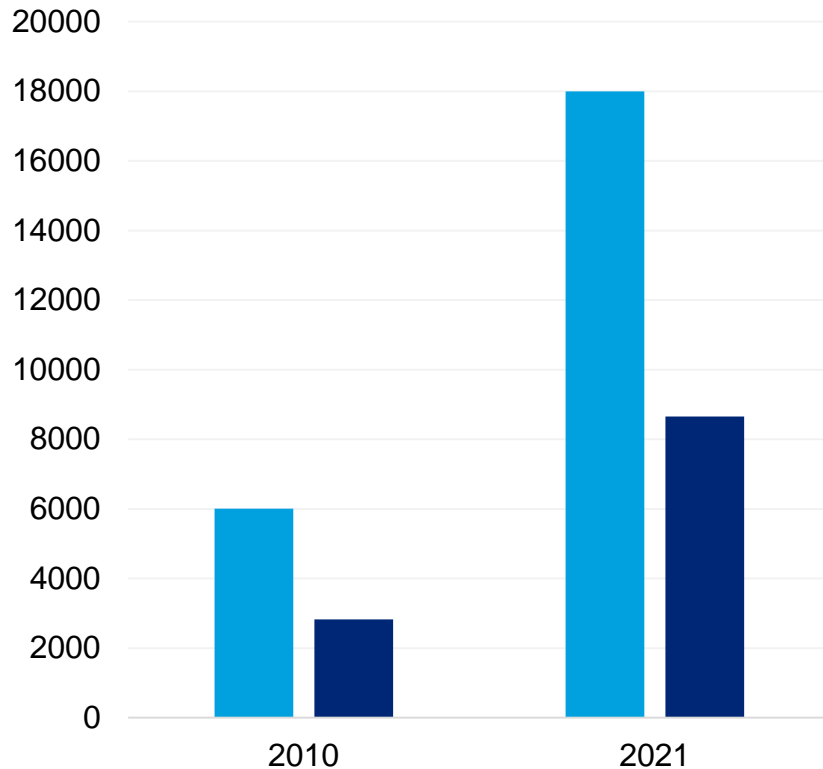
China's economy is on the verge of surpassing the US economy

Nominal GDP



The two '100-year Goals' aim to break away from a middle-income trap

Nominal GDP



■ Nominal GDP (US\$, bn) ■ Per capita income(US\$)

- **First 100-year Goal**

In 2021 when the CPC celebrates its centenary, China should achieve **initial prosperity** in all respects

Affluent Society

Prosperous and strong economy

Democratic politics

A modern socialist country

Advanced culture

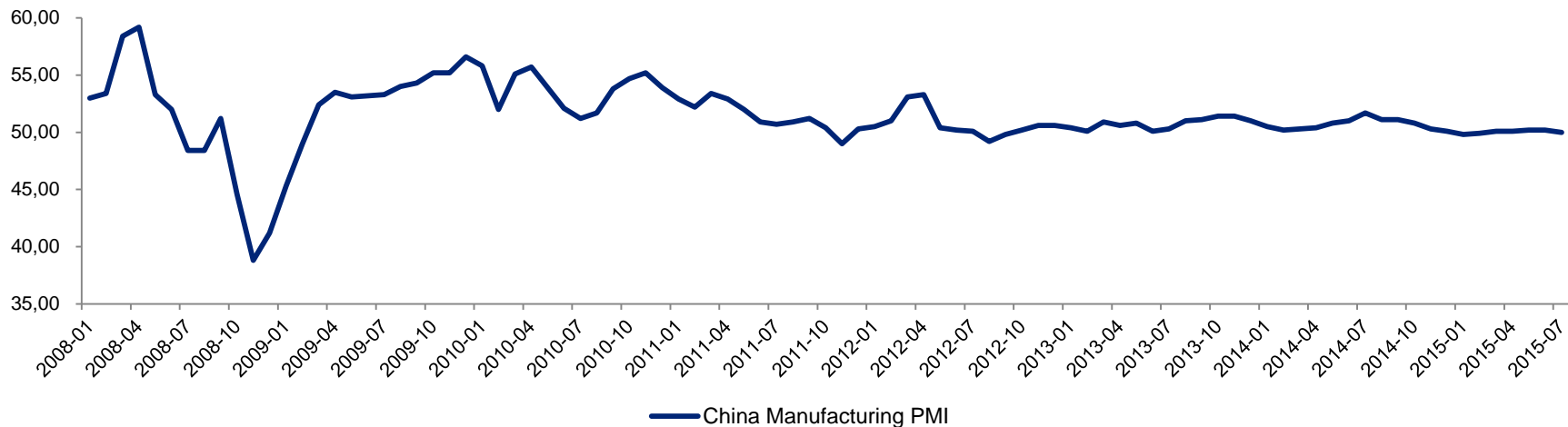
Harmonious society

- **Second 100-year Goal**

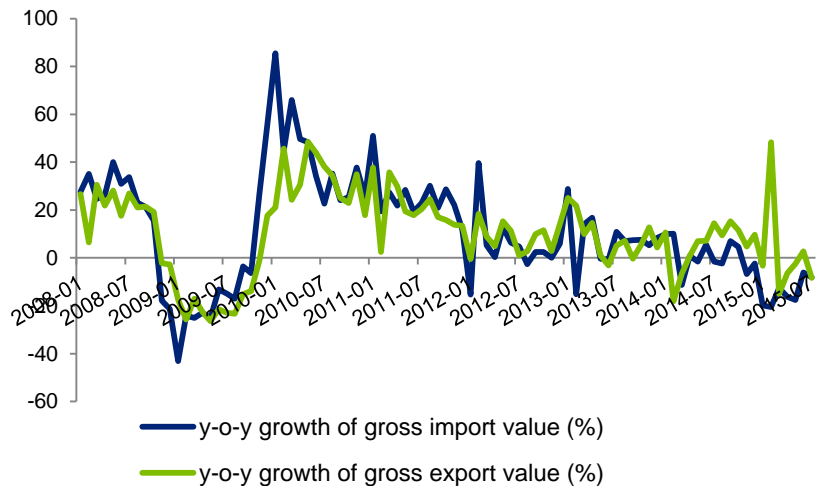
In 2049, PRC will be 100 years old and should become a **modern socialist country**

The Chinese economy is seeing more evidence of a broad slowdown

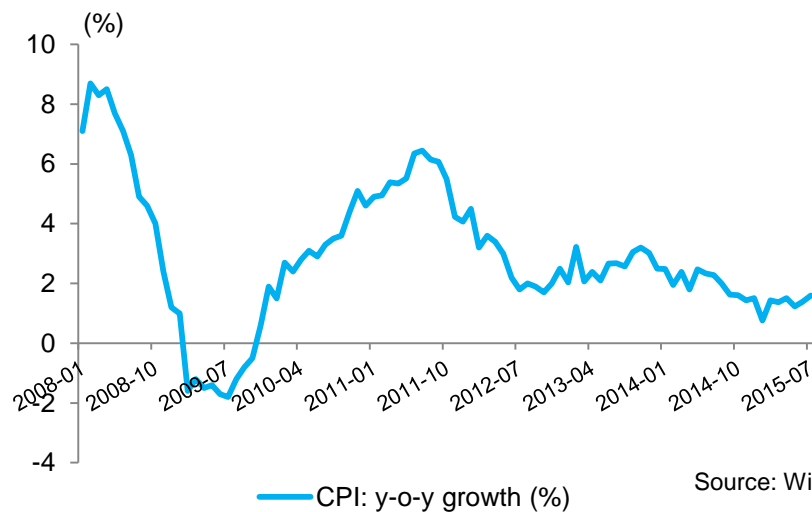
China Manufacturing PMI



Trade

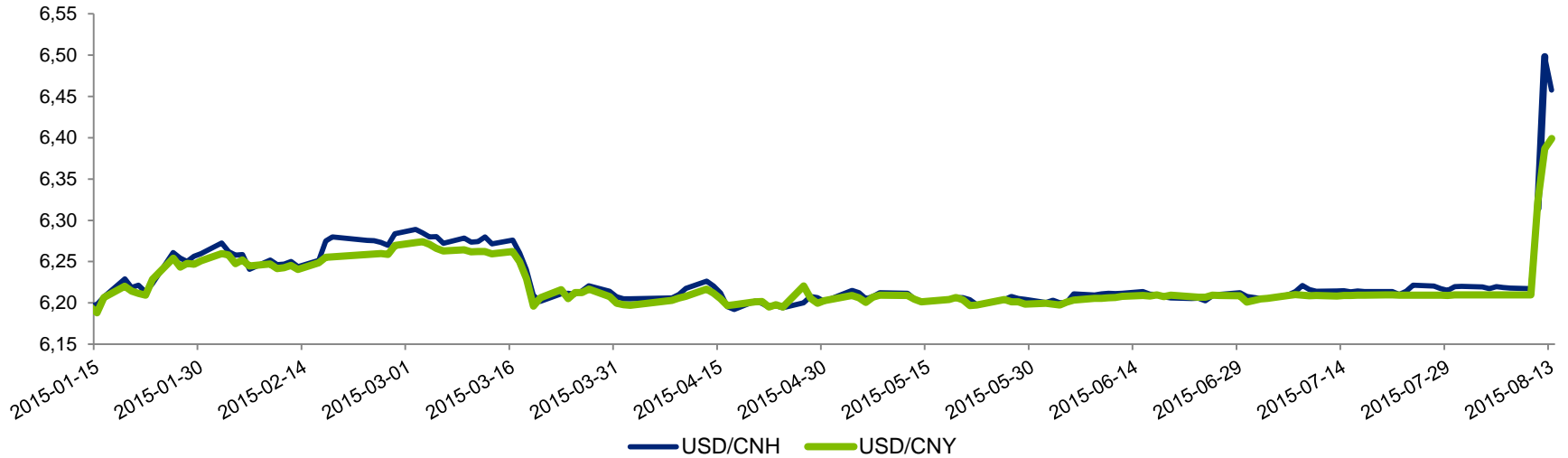


CPI

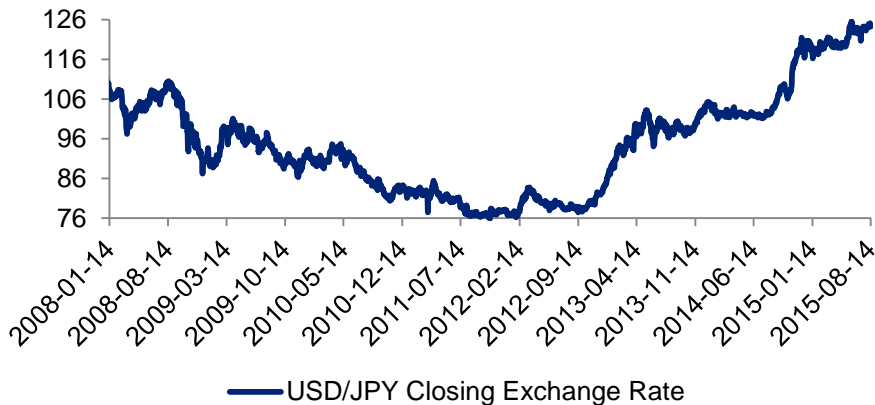


The PBOC should fulfill market's expectations on RMB

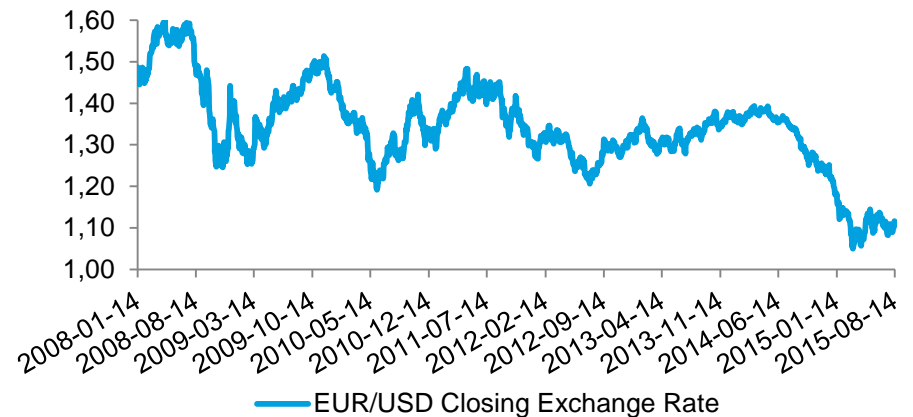
Trend of exchange rate



Exchange rate of USD/JPY



Exchange rate of EUR/USD



RMB Devaluation

Pros

- To enhance monetary policy's effectiveness;
- To restore some competitiveness;
- To reform China's exchange rate mechanism;
- Inflation is low;
- China's status as a creditor – no worries about debt overhang.

Cons

- Unsure about unfulfilled expectations of investors;
- Reactions from neighbors and the US;
- RMB's Internationalization drive might be derailed.

“One Belt, One Road” and Asia Infrastructure Investment Bank (AIIB) – seeking more inclusive growth models

Vision for the AIIB

- ❑ Focus on infrastructure , HQ in Beijing , Registered capital **US\$ 100 billion with 50% from China**
- ❑ Currently **60 members**, including over 20 Europeans and broad representation from ASEAN, other emerging markets and the Middle East

- ❖ Contract foreign projects revenue

2014Y:
US\$ 137bn



2015Y:
US\$ 142.4bn



- ❖ Revival of Silk Road —— Gross project investment , **US\$ 43 billion**

China

- To broaden the concept of “Made in China”
- China reserves +China invests
- Digest excess capacity in a win-win manner
- Geopolitical strategy

“One Belt, One Road”



Partners

- Improve Infrastructure
- To promote a more inclusive growth model
- To go beyond infrastructure
- To speed up RMB's internationalization

Implications

China needs a more inclusive growth model in order to achieve the goals



Baltic countries could benefit from strategic initiatives such as "one belt, one road"



Baltic countries could take advantage of China's consumption boom

