

**Macro & Financial**

**Market News**

**Prospects of the Chinese Economy: Broad-Based Growth(Governor Zhou Xiaochuan's Speech and Q&A at the 32rd G30 Annual International Banking Seminar )**

On October 15, 2017, Governor Zhou Xiaochuan spoke on China's economic prospects in the Group of 30's International Banking Seminar in Washington D.C. He attended this event on the margin of IMF/World Bank annual meetings. The following is the major content of his speech:

China's annual GDP growth rate has been declining for years, from double digit growth in the past to around 8 percent in 2012, then down further to 6.7 percent in 2016. The momentum of GDP growth has picked up this year. The GDP growth was 6.9 percent in the first half and is expected to reach 7 percent in the second half of this year. The driving force is mainly the fast growing household consumption. The gross retail sales volume grew at 10.4 percent in the first eight months year on year. Furthermore, household consumption is shifting from traditional product consumption to service consumption. Therefore, development of service industry has accelerated. The added value of the tertiary industry as a share of GDP grew substantially from only around 40 percent 15 years ago to 55 percent currently. Economic growth has supported stable employment situation. In the first eight months, about 10 million new jobs have already been created in urban China. Given the size of Chinese population, we need to have such a solid employment growth. The CPI and PPI grew at 1.8 percent and 6.3 percent respectively year on year, and nominal GDP growth is around 9.5 percent.

In terms of money supply and credit expansion, China has entered into a stage of deleveraging since early 2017. The growth of M2 has declined continuously to below 9 percent currently. The overall leverage ratio has started to decline. Though the decline is still very moderate, the downward trend has been there. In the global financial crisis period, China adopted proactive fiscal and monetary policies in response. The total debt to GDP ratio went up substantially in the two years after 2009. But it is worth doing because the Chinese economy recovered from the crisis quite quickly. Now we need to find ways to bring the leverage ratio down. Thanks to the positive international

trade conditions, China's performance in external trade has been good this year. So far, the trade in goods posted a surplus of USD 400 billion, 20 percent lower than last year. However, due to rapid import growth, especially that of service import, the current account surplus to GDP ratio is estimated to shrink to 1.2 percent this year. In comparison with the global numbers, this is a very moderate imbalance.

[PBC News](#)(Currently Available in Chinese)

## Statistics

### **China's national economy in the first three quarters of 2017 continued the good momentum of stable and sustainable development**

On October 19,2017, the data released by National Bureau of Statistics of China shows that the first three quarters' GDP of China reached 59.32 trillion yuan, according to comparable prices, registered an increase of 6.9%, and the growth rate is at the same level with that of 2017H1, up by 0.2 percentage points YOY. Looking from the industrial perspective, the added value of the primary industry (agriculture) was 4.12 trillion yuan, up by 3.7% over the same period of last year. The added value of the secondary industry was 23.88 trillion yuan, up by 6.3 percent, and the added value of the tertiary industry was 31.39 trillion yuan, up by 7.8 percent. In the third quarter of 2017, the gross domestic product (GDP) grew by 6.8% year on year, and the economy continued to grow at a high rate of 6.7-6.9% in nine consecutive quarters.

[Stats News](#)(Currently Available in English)

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