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Chinese economy -- challenges and prospects

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The 3rd CJK Cooperation Dialogue

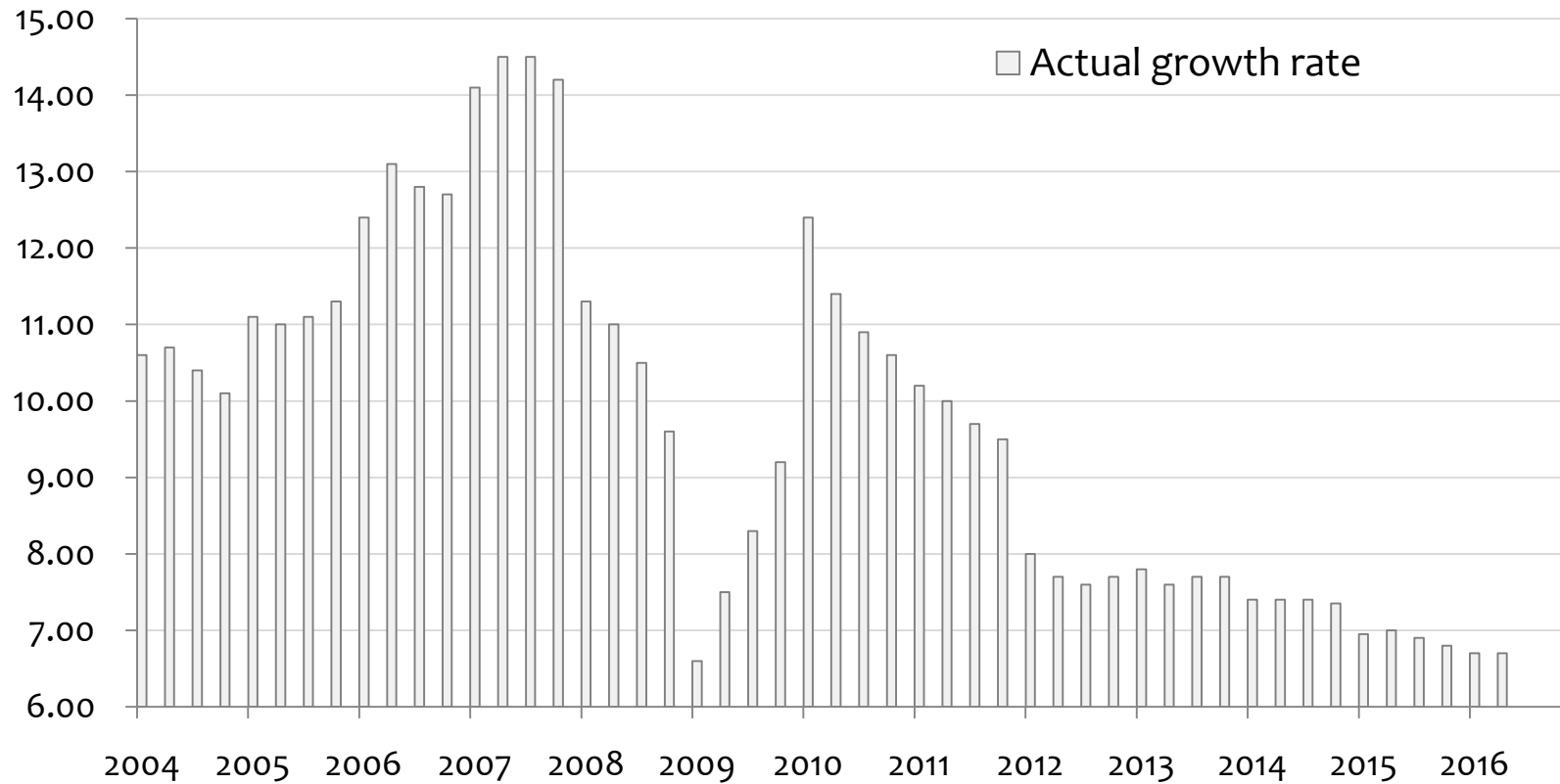
Envisioning a deepening and evolving China-Japan-Korea Partnership:

From sharing information and experiences to creating mutual trust

October 21, 2016 Tokyo

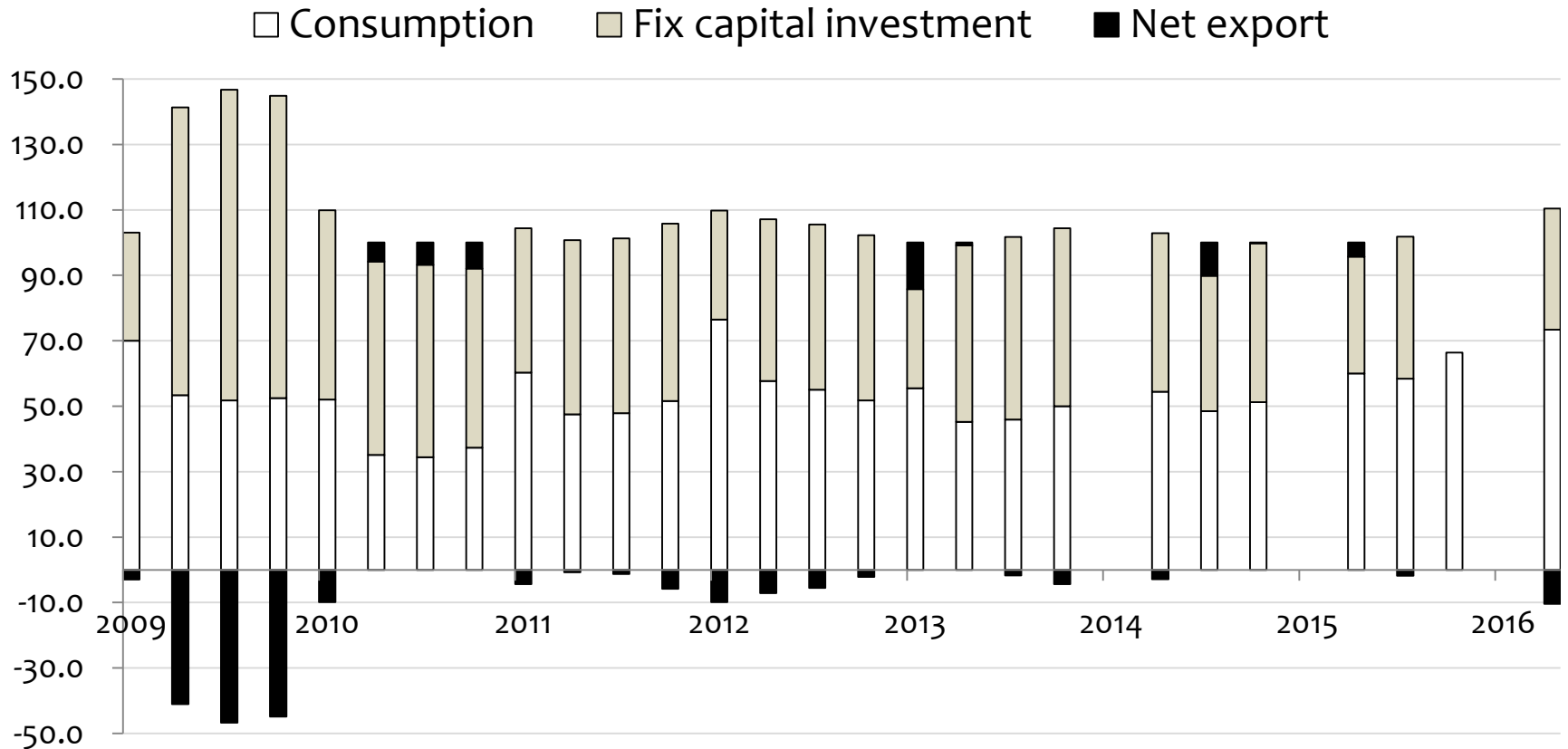


Chinese growth is slowing down



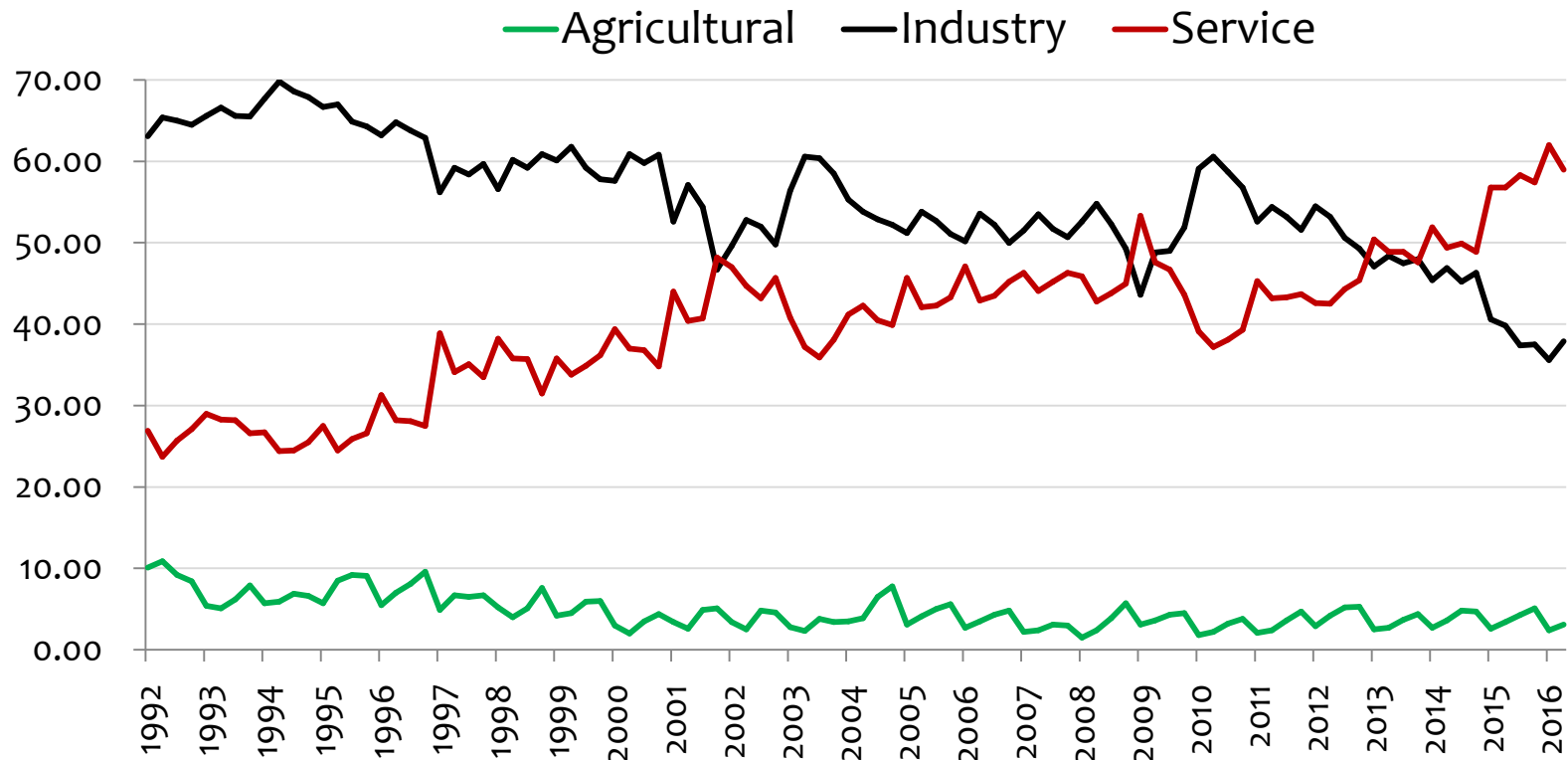


Consumption: major demand driver as percent of GDP



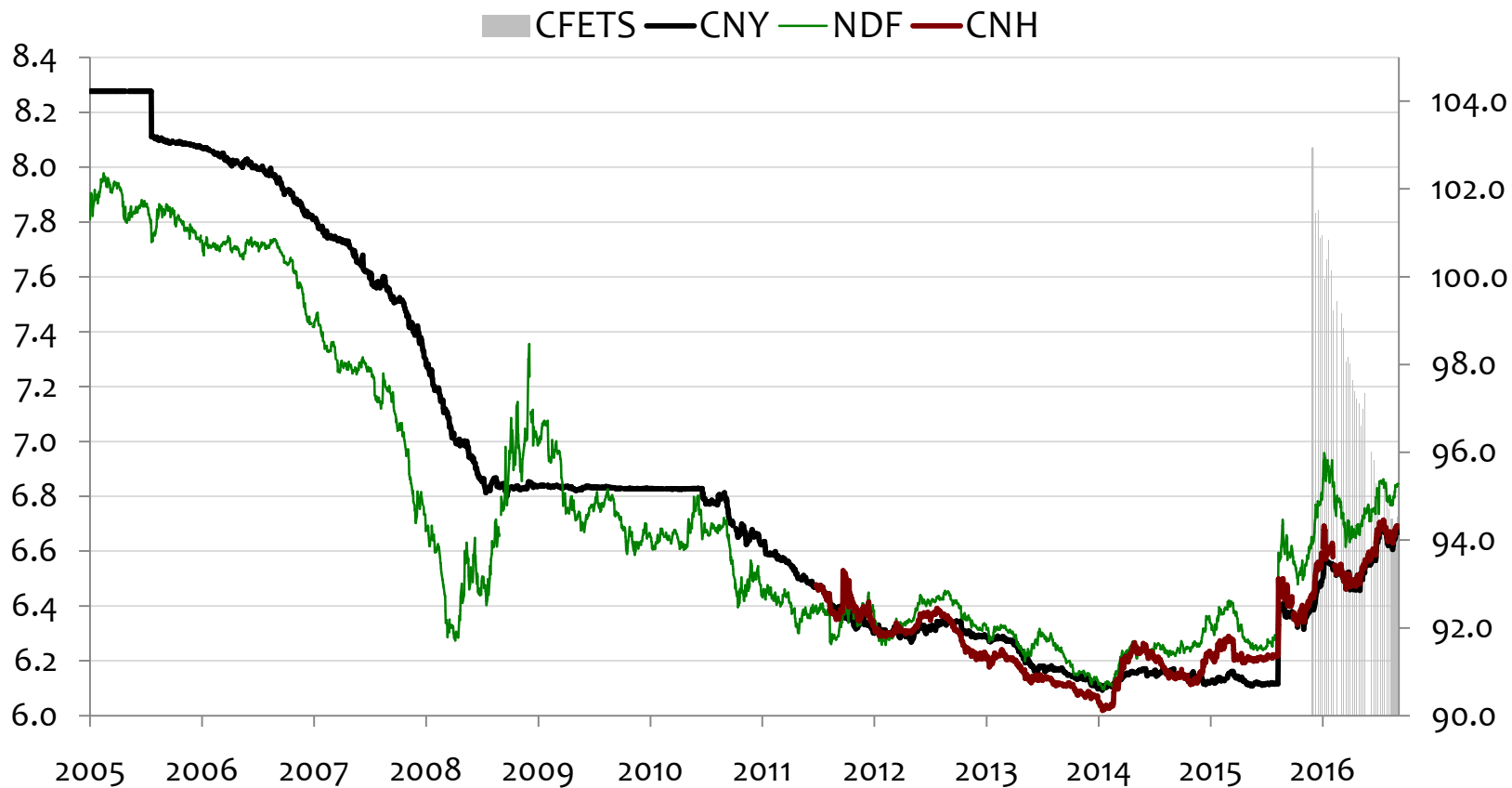


Changing economic structure as percent GDP





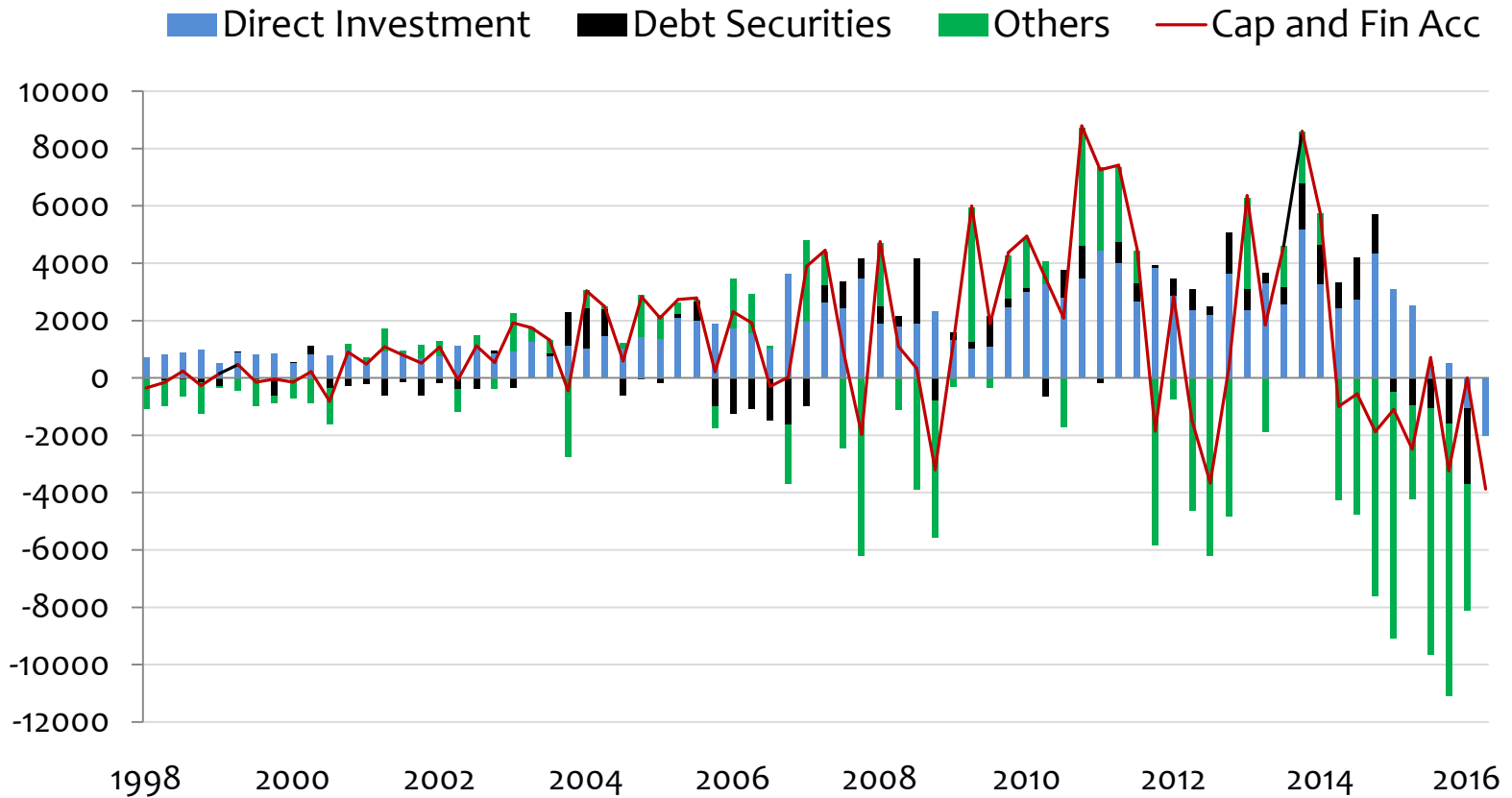
RMB exchange rate





Capital flows

Net capital flow (quarter data in ¥ bn)



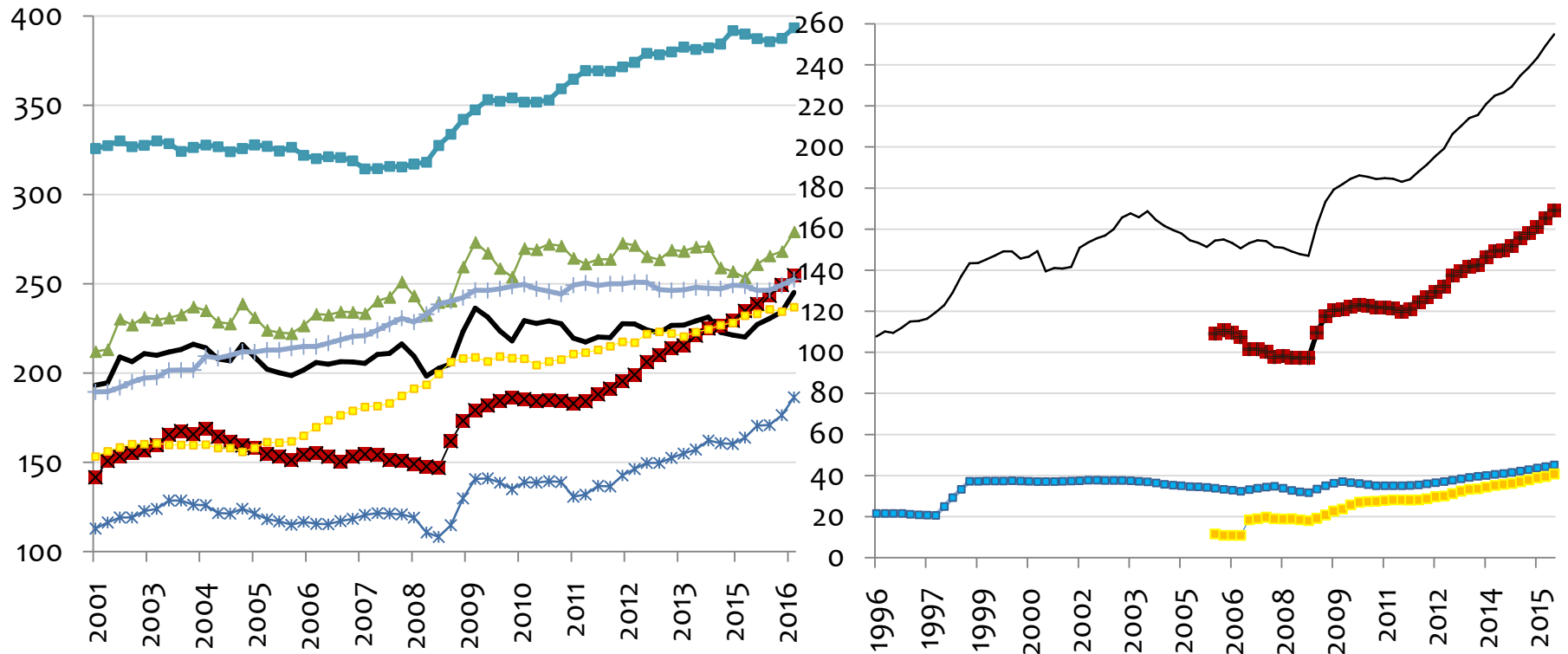


Leveraged economy

Debt to GDP ratio (BIS data)

* EM — ALL ▲ AE ■ China
■ Japan ■ Korea — USA

— Overall ■ Gov
■ Households ■ Non-fin sector





Buffers

- Inflation below the target of around 3.0%. PPI rebound, easing concern about deflation.
- Urban unemployment currently at 5.04%, almost unchanged since 2015.
- \$3.4tn reserves, although the size is shrinking, is still a major source for FX market stabilization.
- \$22.3tn saving is a cushion for debt burden.



Long term reform agenda

- The 3rd plenum for 2013-2020: covering six areas of reforms: Economic and financial, Social, Political, Cultural, Ecological, and National security. Objective: let the market play a decisive role and establish a modern market system in terms of market rules and pricing.
- In the latest thirteen five year plan, the government reaffirmed its ambition for continuous reform and opening, tackling the problems of both cyclical and structural, committed to make the RMB fully convertible by 2020.