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China

Political & policy issues to watch

A clamp down on policy deviation & debate

... as a key leadership change looms in late 2012

China is in the countdown to a once-a-decade leadership change next autumn with political leaders at all levels jockeying for position. Thanks to a flourishing media and the internet, much more is being seen of this usually opaque contest, which we must assume is as bruising as any leadership contest in the West (the latest to fall is the governor of Guangdong Province two years before his term was due to end). The tensions associated with the handover partly account for...

The risk of overshooting

... as Beijing pulls back on an investment surge

The key policy issue for the next year is whether Beijing will overshoot its effort to rein in a surge in fixed investment into infrastructure and private residential property. The press is awash with stories of private firms and large state-owned enterprises (SOEs) running out of cash and failing to pay workers. The key issue for many firms is...

The rise of SOEs is set to continue

The key policy issue for the next decade is whether China's next leadership team continues the consolidation of a powerful state-owned sector or...

Outlook for the market

Growth dips towards 8% for several quarters

... and is unlikely to rise much above 9% to 2015

A weaker trade outlook

China grew 9.1%yoy in Q3'11 with 9.4%ytd growth for the first three quarters. Despite cooling measures, growth was strong in many areas with exports up 22.7%ytd, retail sales growth stable at 17.5%ytd, and financial institution loans up 14.1%yoy. The policy induced slowdown has been sector specific, hitting...

With the EU accounting for close to 20% of exports and the US at 18% in 2010, China's export sector is exposed to a fall in global demand triggered by the Euro crisis. Under our main global scenario we expect export growth to dip to 5-10%yoy for the next few quarters with a similar fall for import growth from the 26.6%ytd set by Q3'11...

A downturn for steel has started

While steel production was up 11.2%ytd by Q3'11 from 10.6% growth in 2010, production is set to drop quickly in the next few quarters as demand weakens and customers, mills, and ore suppliers cut inventories and orders on weaker demand and to conserve cash...

... but a soft landing for property (so far)

The rise in house prices slowed this year, and from September a small month-on-month decline is reported in an index covering 100-major cities. China's developers, caught between a credit squeeze and weak demand, have started...

Inflation will ease & a steady rise for the Yuan

Inflation was above 6%yoy for the fourth month in September but should slow to 5% by December and ease further in 2012. The Yuan is...

	2008	2009	2010	2011	2012
GDP, real growth, %	9.6	9.2	10.3	9.0	8.7
CPI, year average, %	5.9	-0.7	3.3	5.8	4.5
PBOC 1-year loan, at Dec., %	5.31	5.31	5.71	6.96	7.46
Yuan to US\$1, year average	6.95	6.83	6.77	6.45	6.20

Sources: 2008-2010 data from CEIC and government agencies; 2011-12 forecasts by IMA Asia.