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APAC Forum
Singapore 2023



Spotlight on China's short and long-term economic outlook

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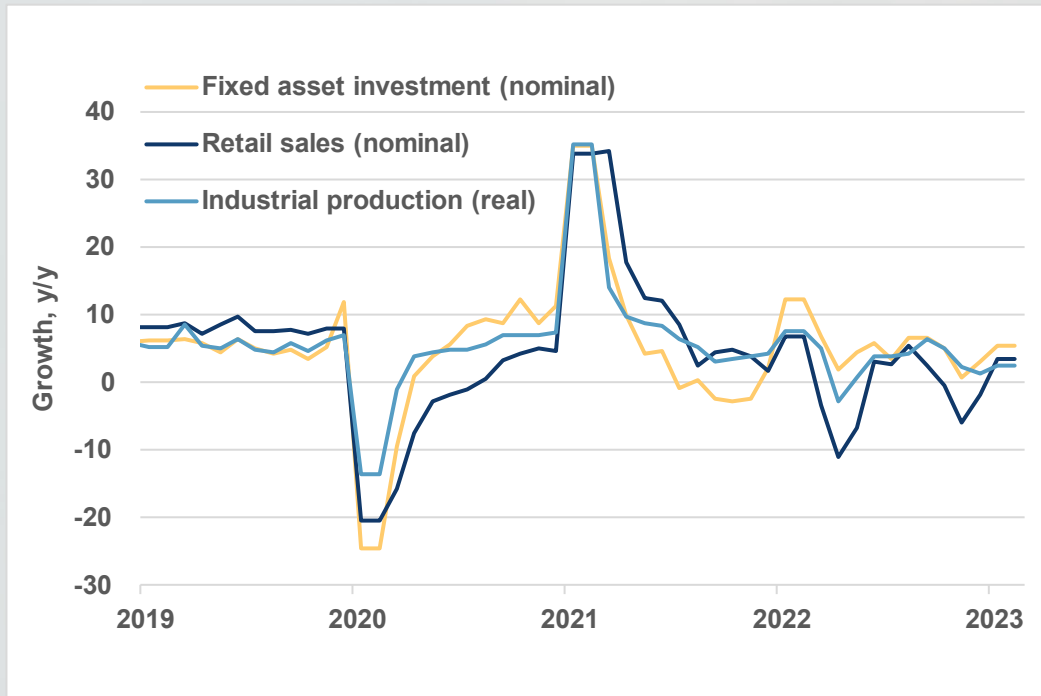
Spotlight on China's short and long-term economic outlook | **Outline**

- The shape and implications of China's post-COVID recovery in 2023-2024
- China's longer term growth outlook amid key headwinds such as demographics and geo-political friction. Are there any tailwinds?
- How do shifts in China's growth pattern and the global economy affect other Asia-Pacific economies. Who are the winners and losers?

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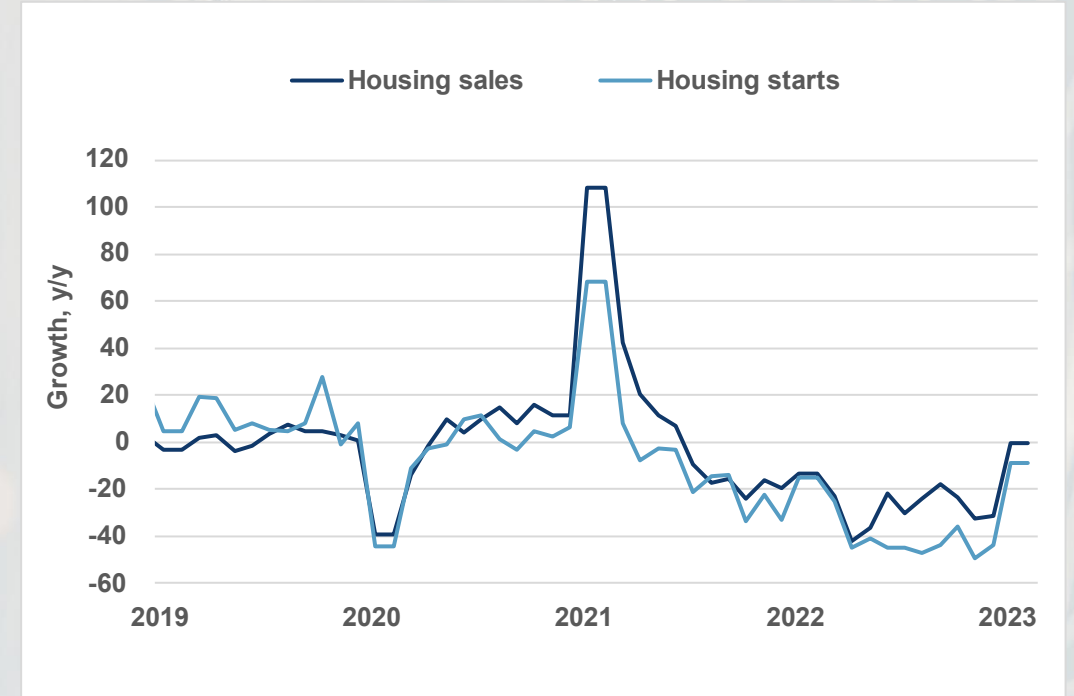
China's economy | A recovery is taking shape

Economic momentum improved in early 2023



Sources: CEIC and S&P Global Ratings.

Housing market conditions have brightened

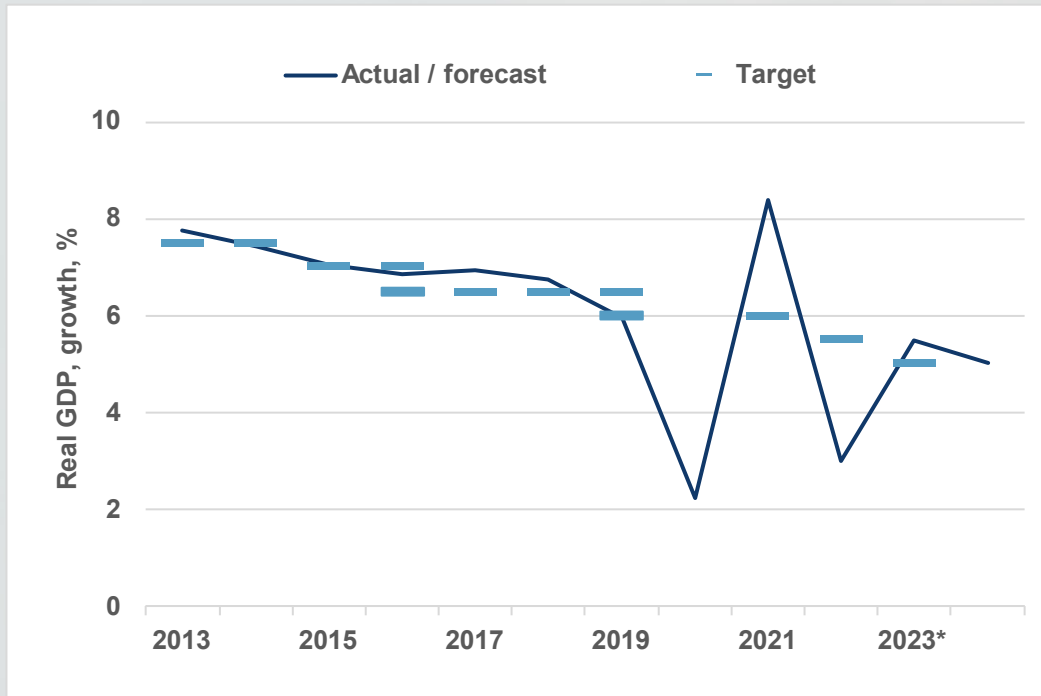


Sources: CEIC and S&P Global Ratings.

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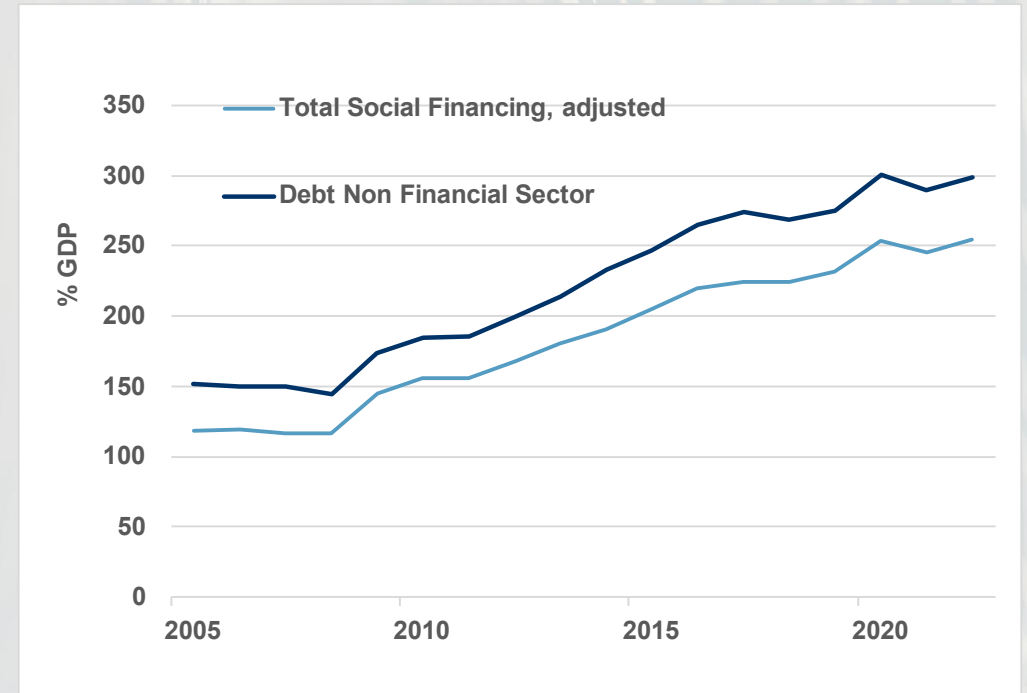
The growth outlook | Looking for 'organic' growth

The 2023 growth target should not be hard to reach



Note: * is forecast. Sources: CEIC and S&P Global Ratings.

Policymakers are keen to contain leverage

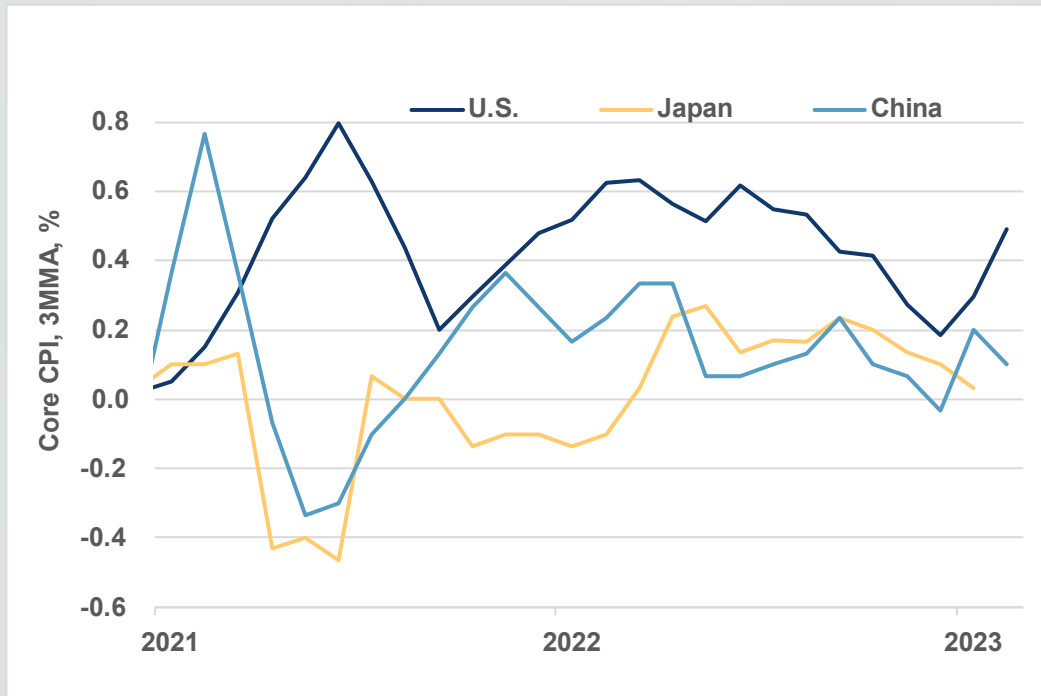


Sources: CEIC and S&P Global Ratings.

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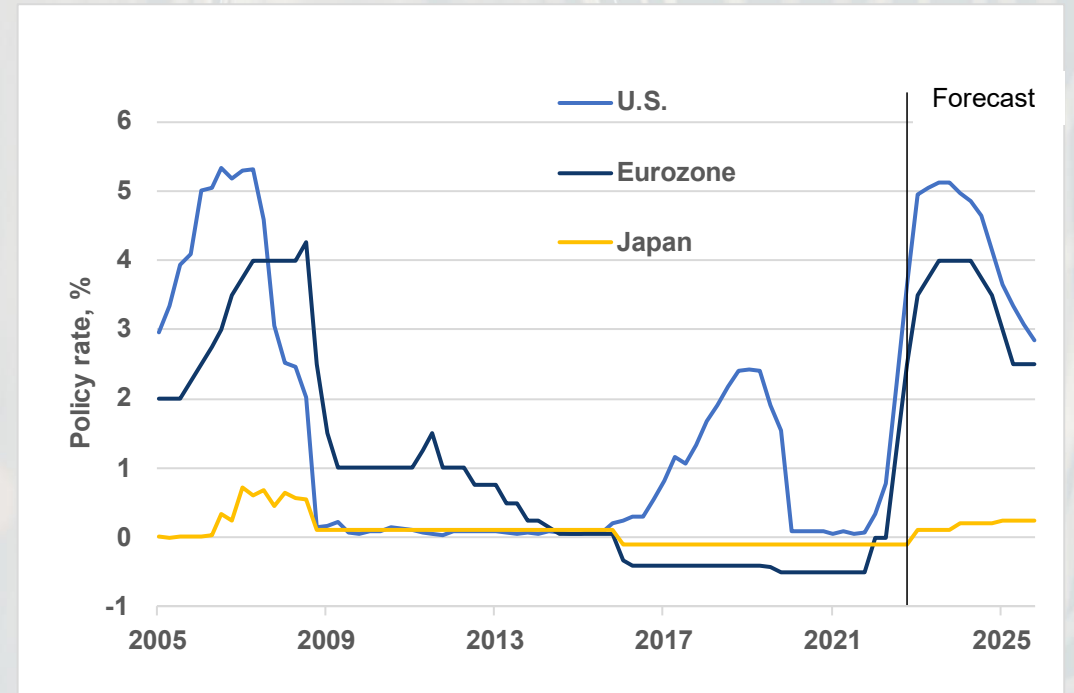
External setting | US inflation fight is complicating China's monetary policy

Inflation has remained sticky in the U.S.



Sources: CEIC and S&P Global Ratings.

U.S. Fed is likely to hike rates further



Sources: CEIC and S&P Global Ratings.

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Balance of payment | Interest rate differential boosts net financial outflows

Carry versus the U.S. is negative

Net financial outflows are large



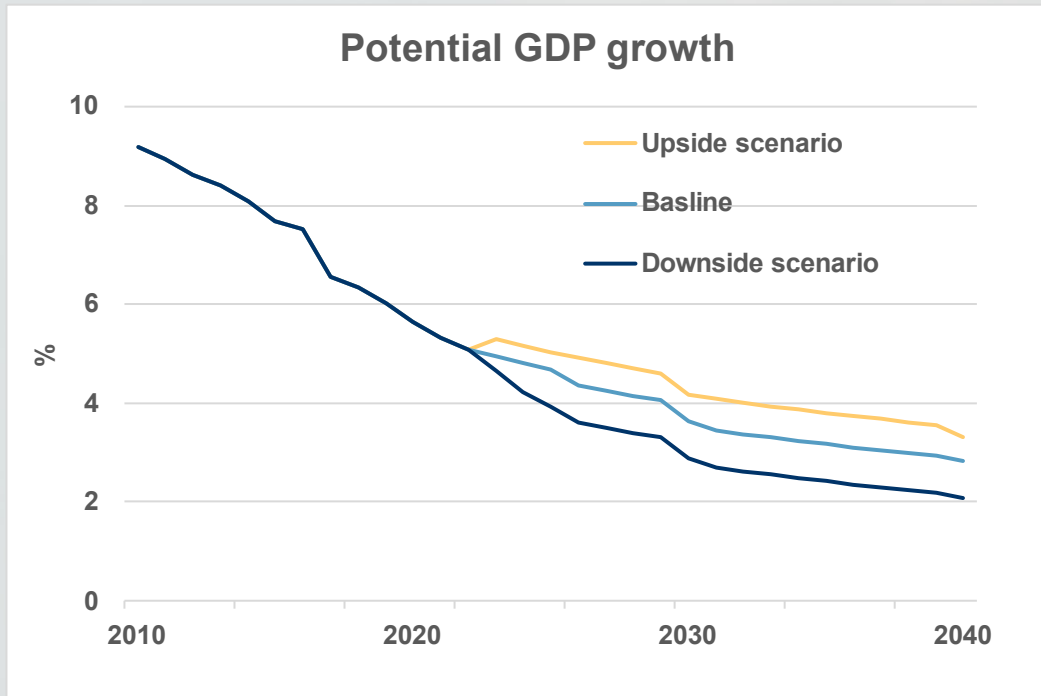
Balance of payment (US\$ billion)	2020	2021	2022
Stock of foreign exchange (FX) reserves	3,217	3,250	3,128
Change in stock of FX reserves	109	34	-122
Valuation changes	82	-113	-221
Change FX reserves adjusted for val. ch.	26	147	98
Current account balance	249	317	418
Net foreign direct investment	99	206	32
Net financial flows	-319	-335	-350

Source: CEIC and S&P Global Ratings

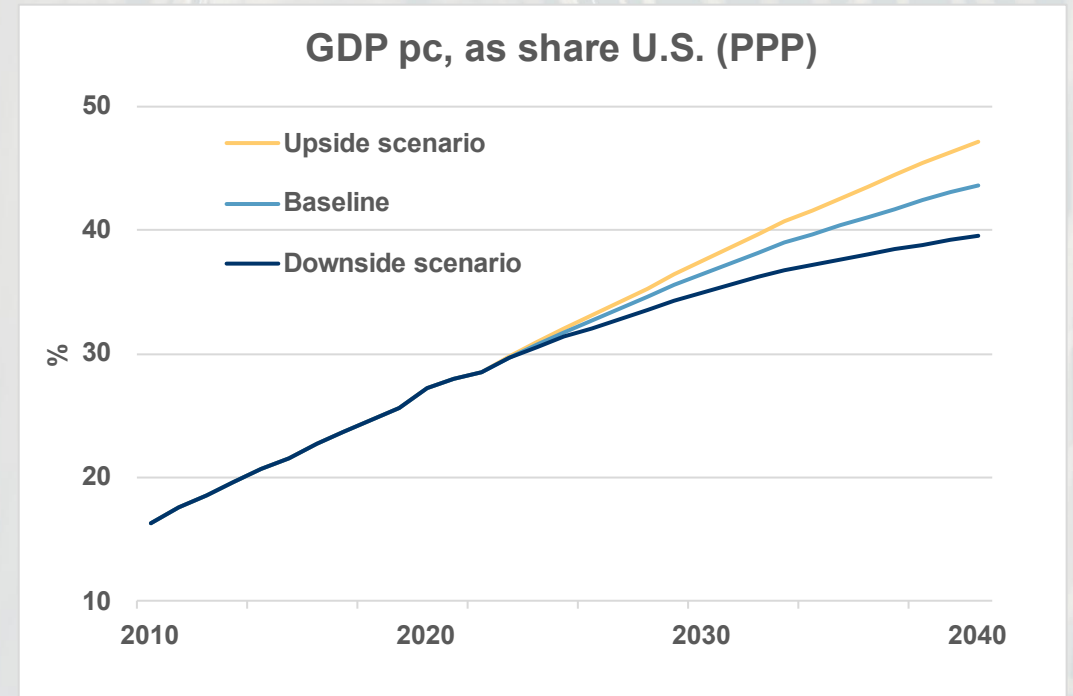
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Long-term outlook | Convergence, rebalancing, demographics and geo-politics

Trend growth will continue to decline



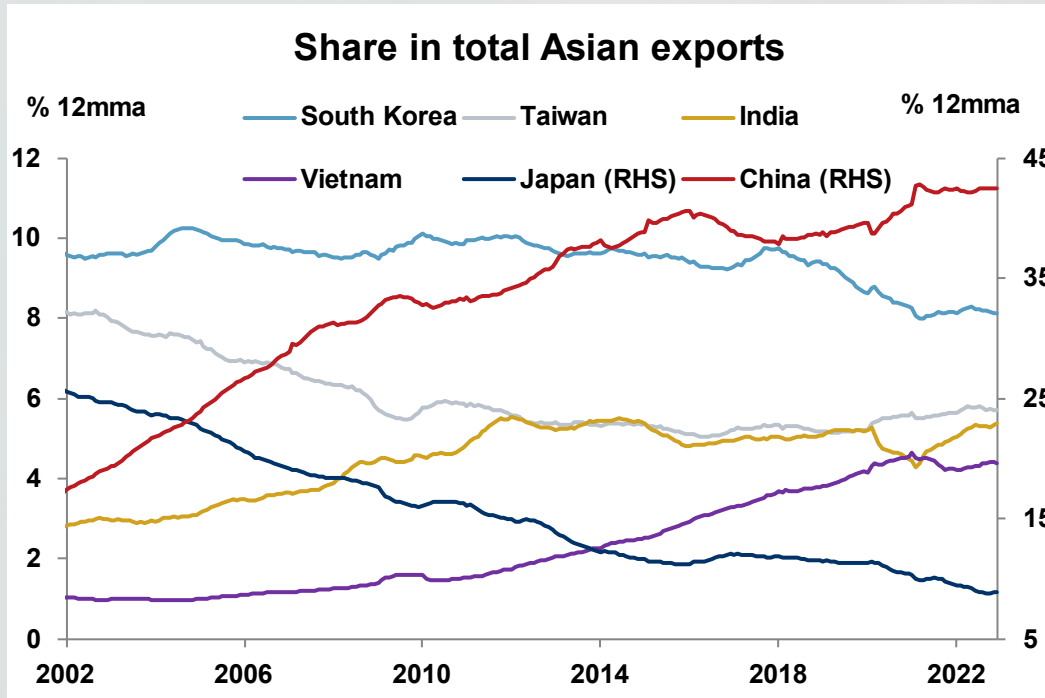
But catch up will continue



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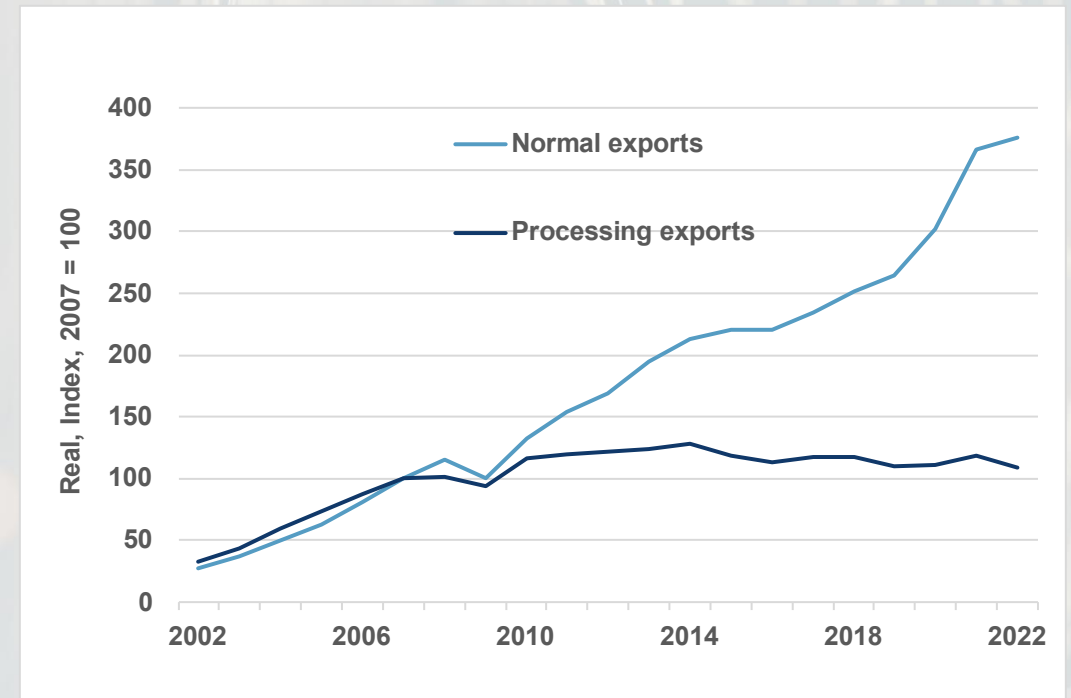
Supply chain adjustments | **An evolving export structure**

China's exports have held up despite relocation



Sources: CEIC and S&P Global Ratings.

Its "normal" exports are replacing processing trade



Sources: CEIC and S&P Global Ratings.

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Concluding | **Key take-aways**

- We expect a largely organic post-pandemic recovery in 2023-2024.
- Trend growth will continue to decline but catch up will persist
- China's exports have held up as 'normal' exports replace processing trade

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