

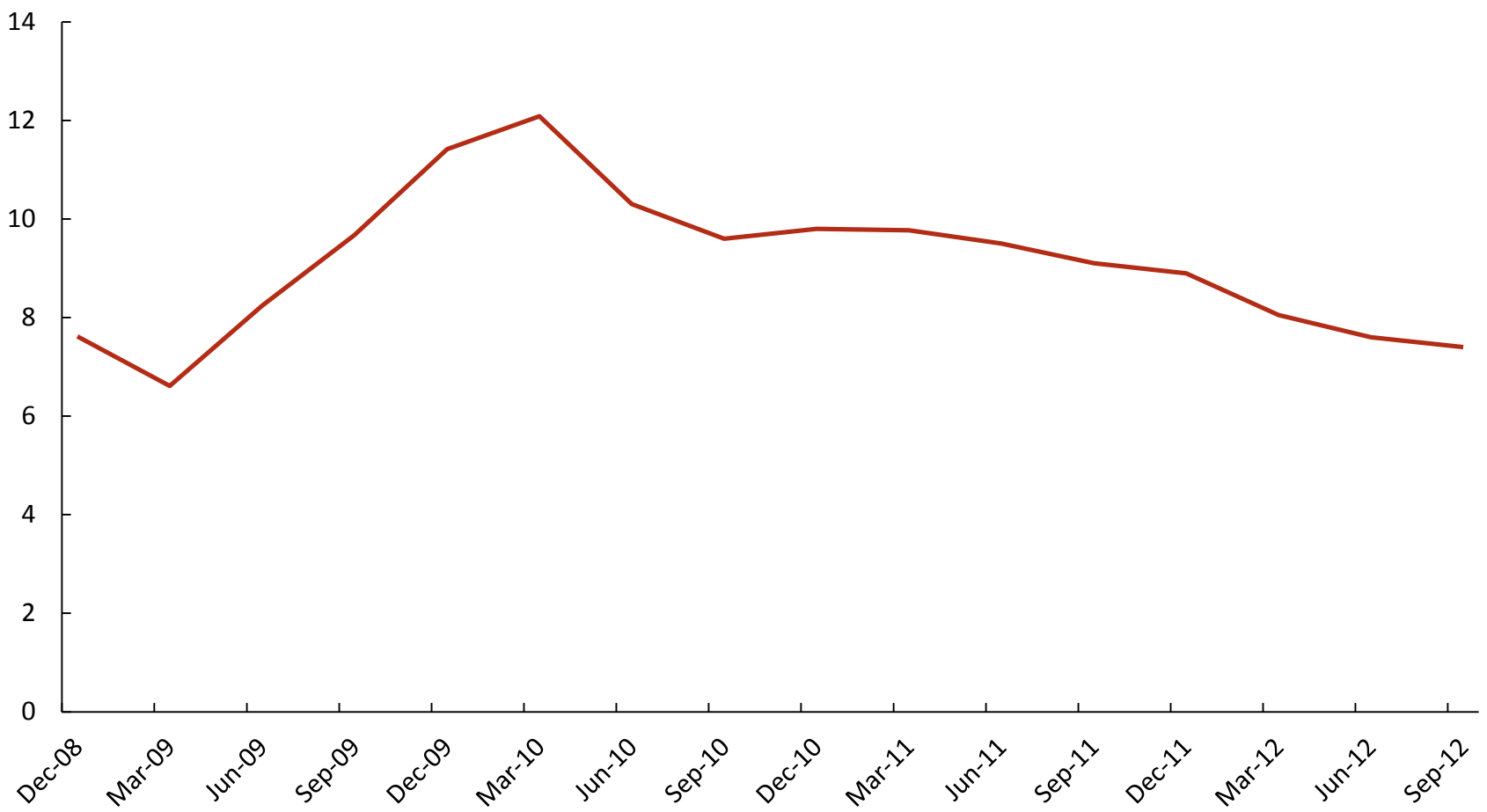
# The Outlook for China's Economy

**PIIE Global Economic Outlook Meeting  
November 8, 2012**

**Nicholas R. Lardy  
Anthony M. Solomon Senior Fellow  
Peterson Institute for International Economics**

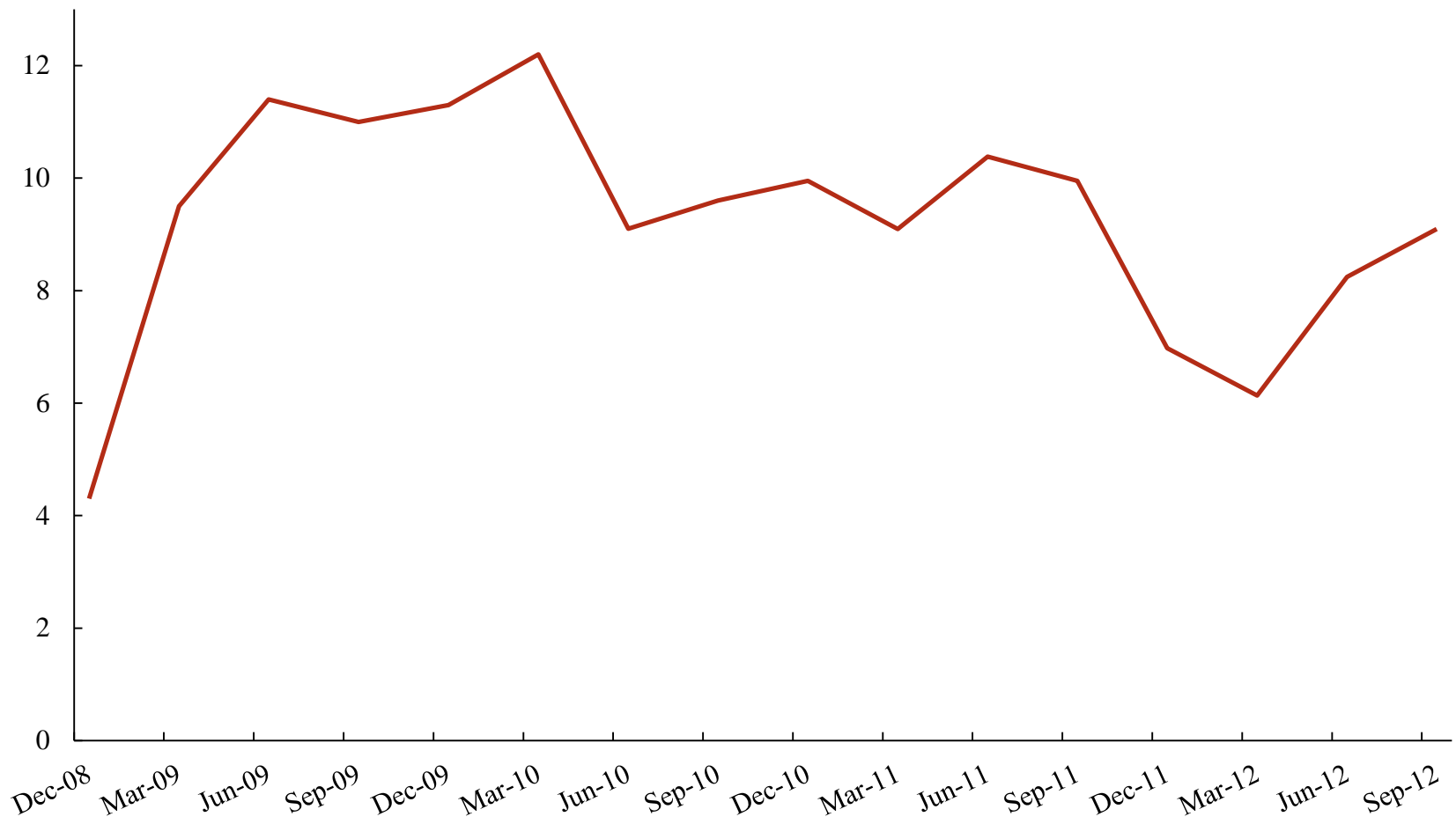
# Quarterly GDP Growth (2008-2012)

YoY Growth (Annualized)



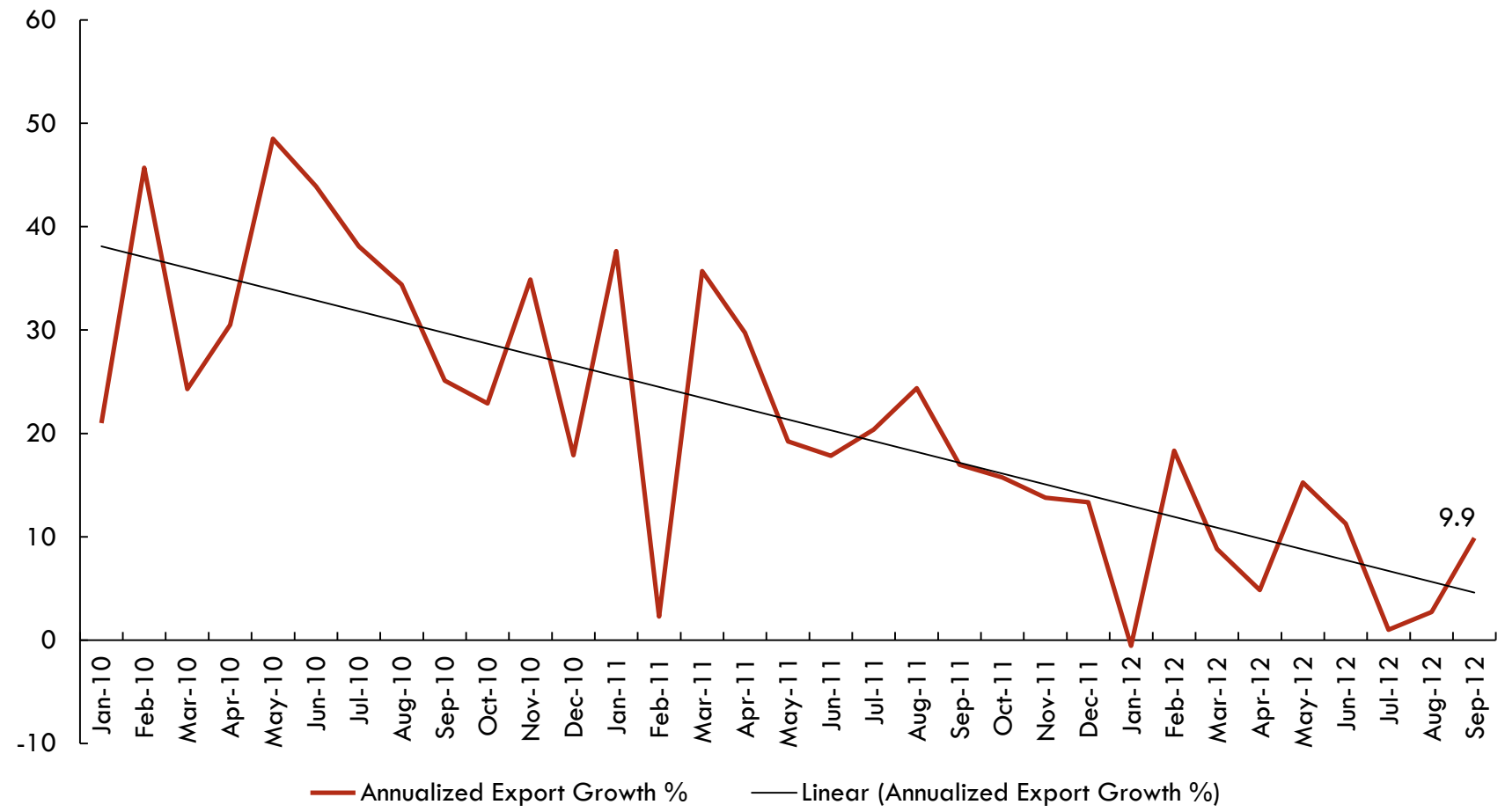
# Quarterly GDP Growth (2008-2012)

QoQ Growth (Annualized)



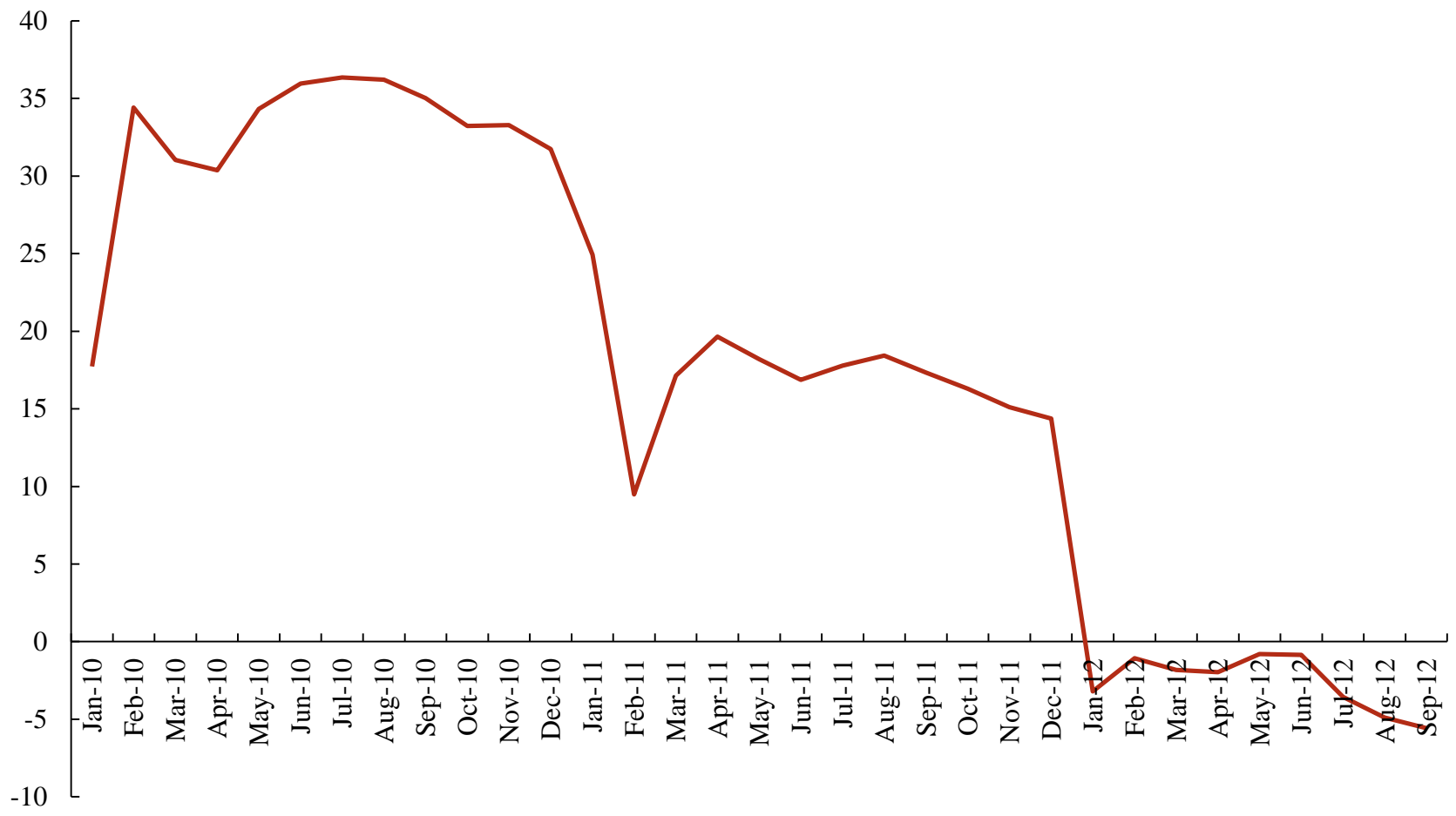
# Export Growth (2010-2012)

Percent Growth YoY (ytd.)



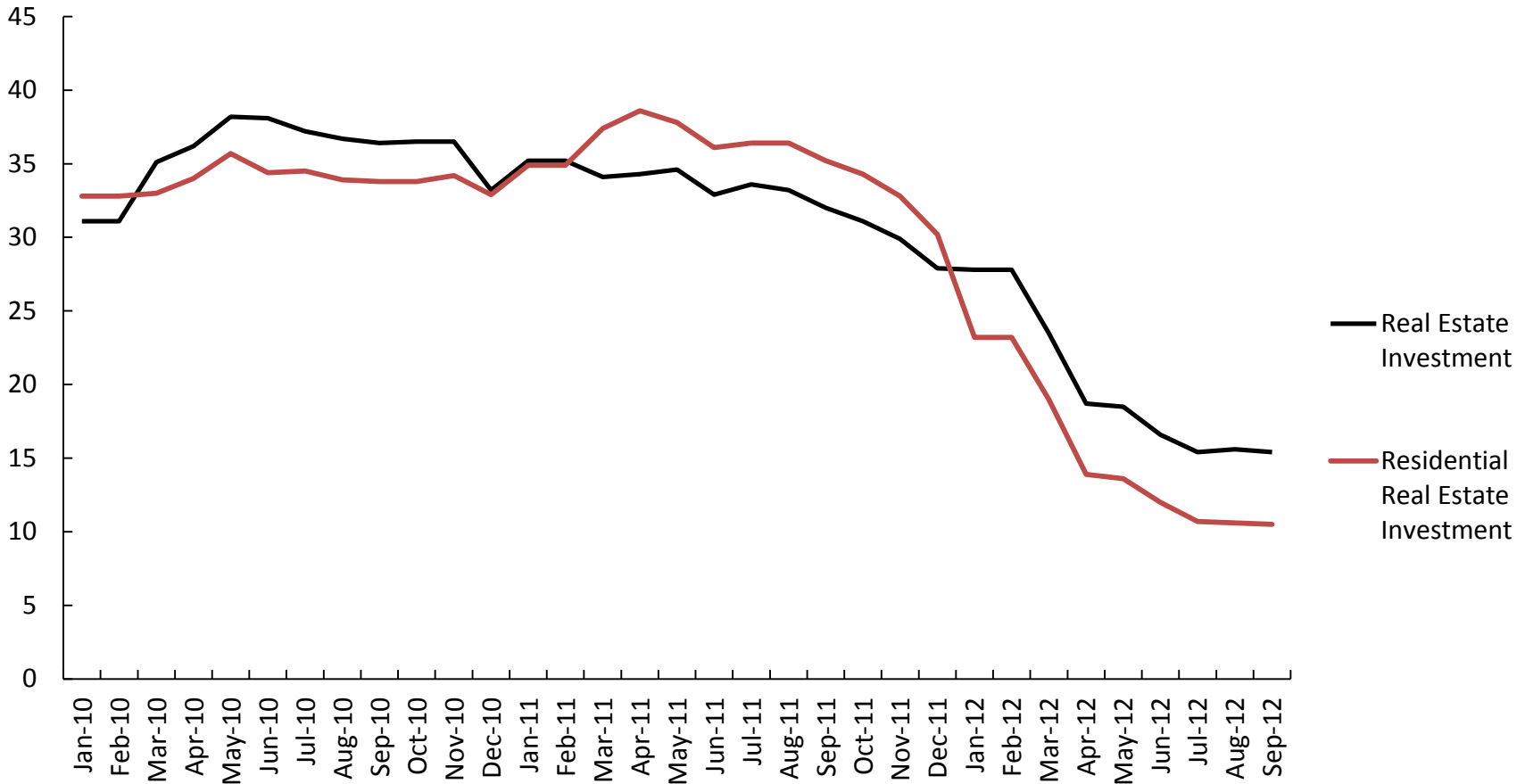
# Exports to Europe (2008-2012)

Percent Growth YoY (ytd.)

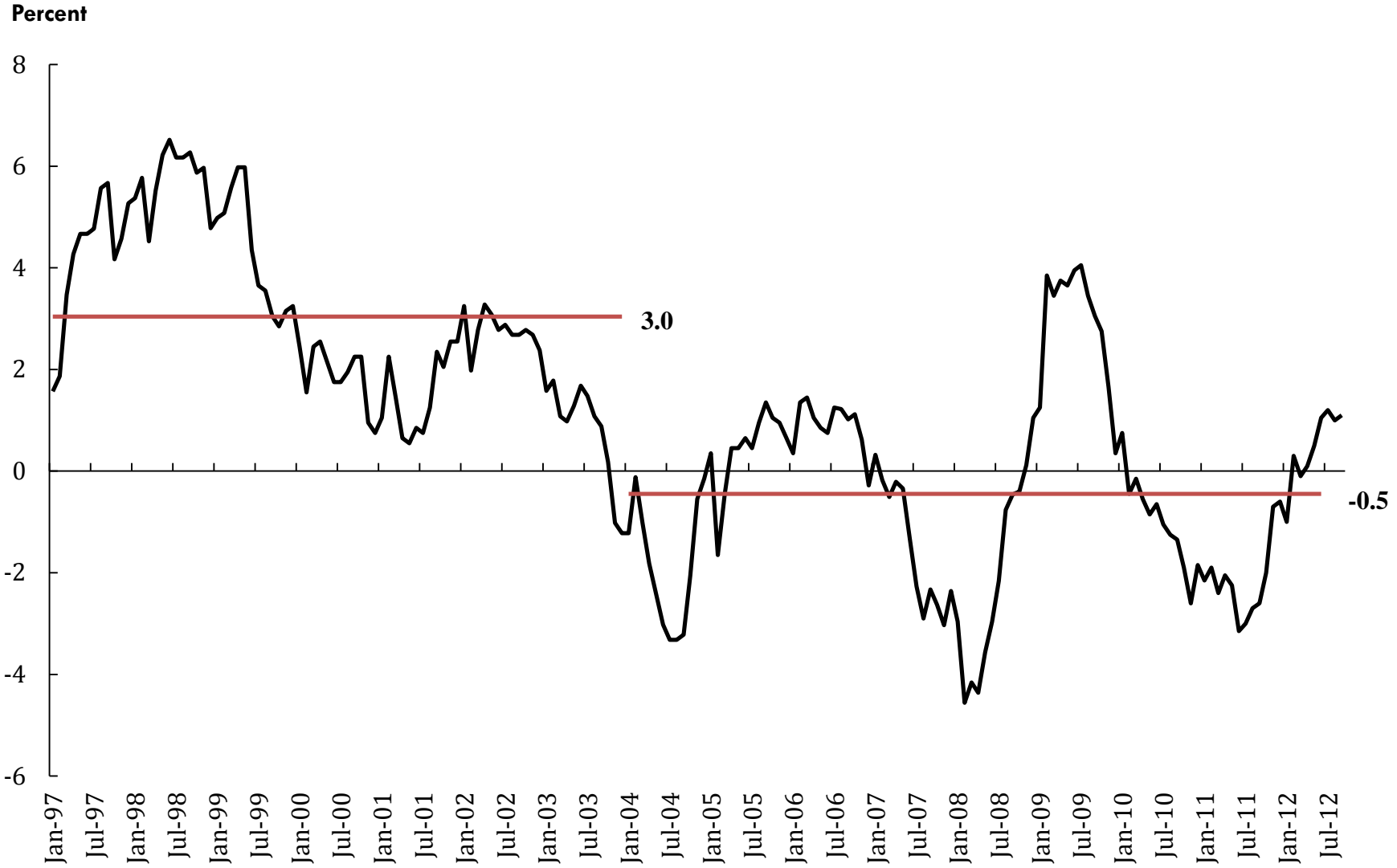


# Investment in Real Estate and Residential Housing (2010-2012)

Percent Growth YoY (ytd.)

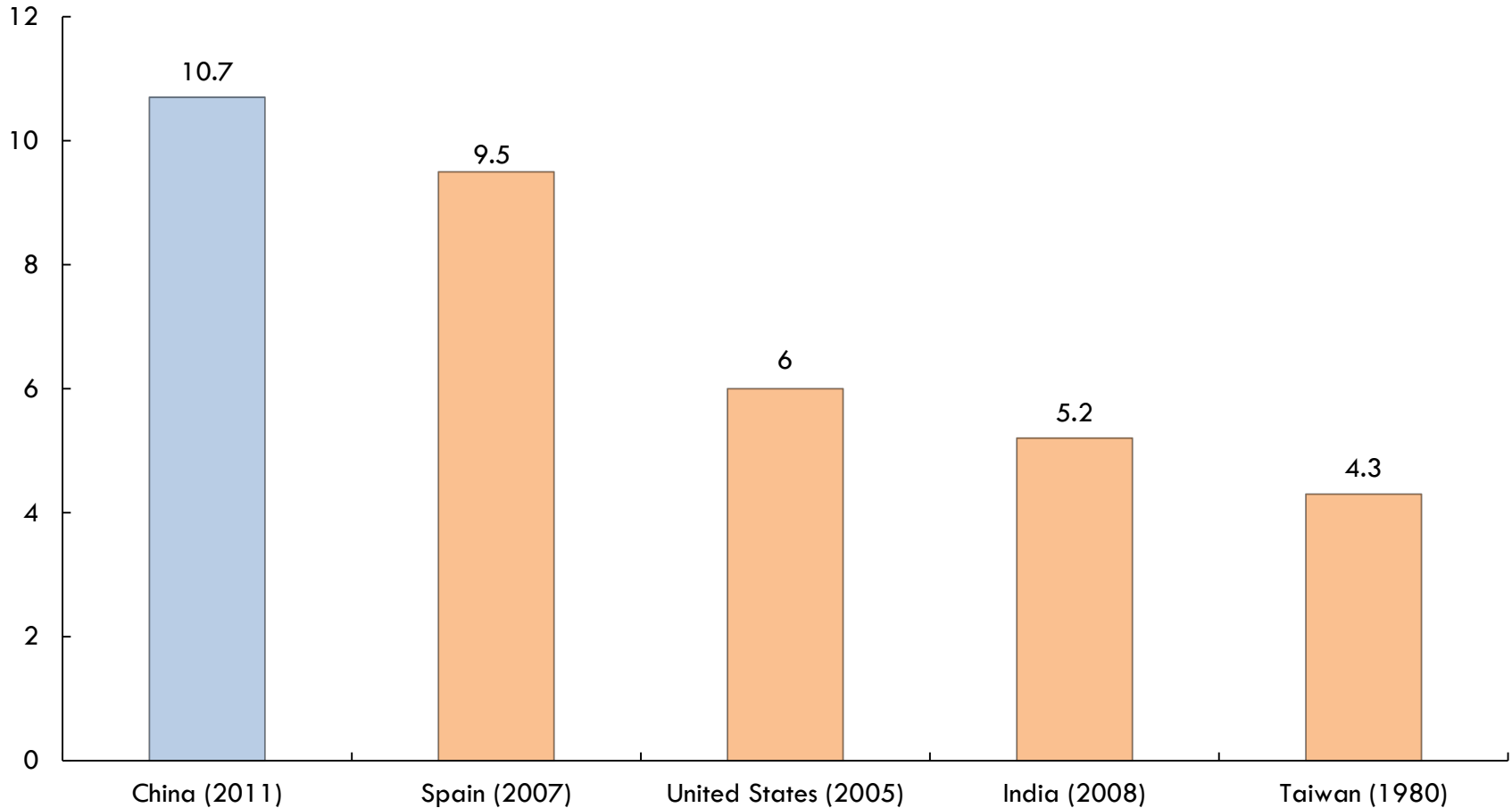


# Real Return On Households One-Year Deposits (1997-2012)



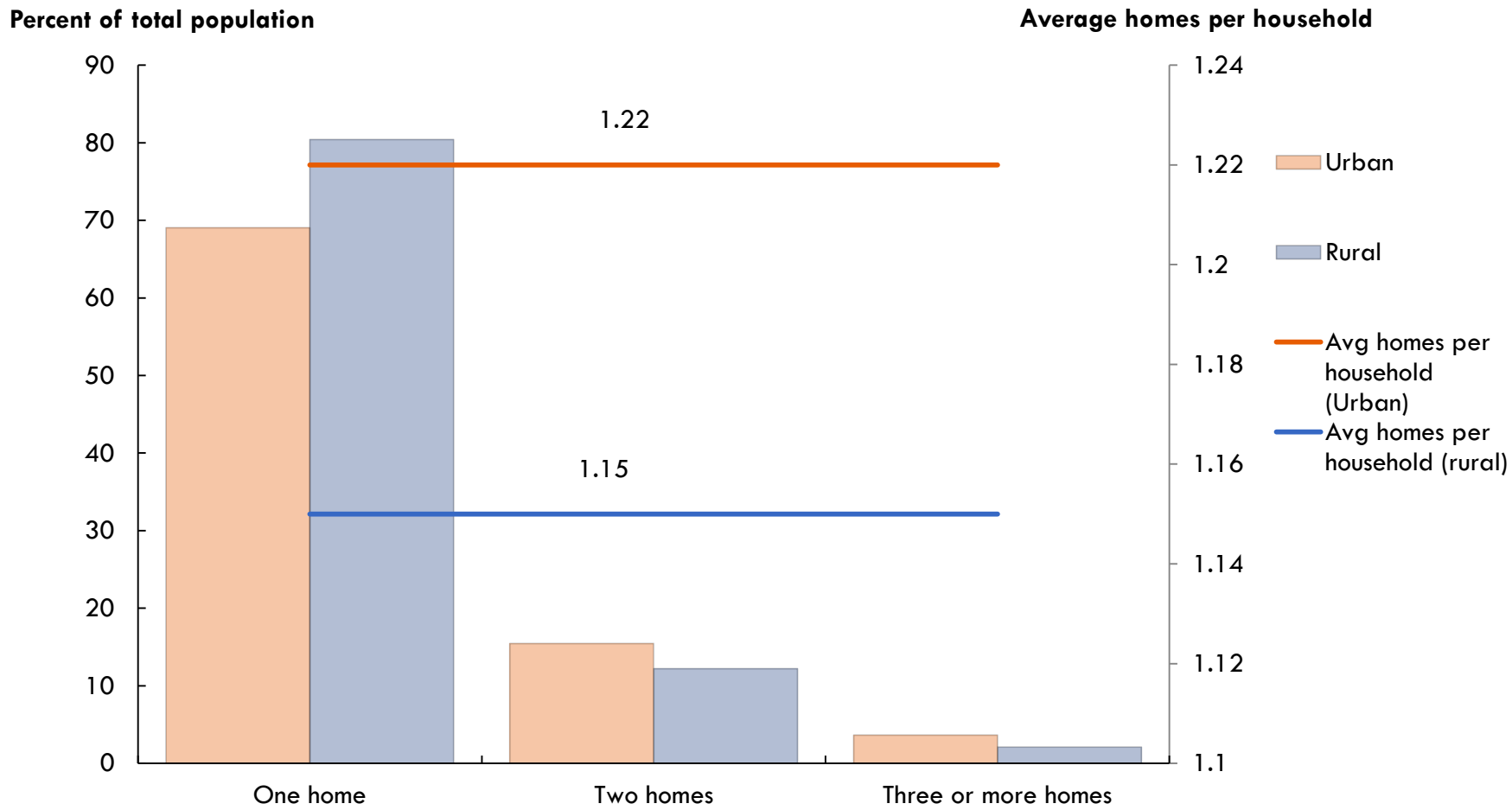
# Peak Investment in Residential Housing: China, US, India, and Taiwan

Percent of GDP



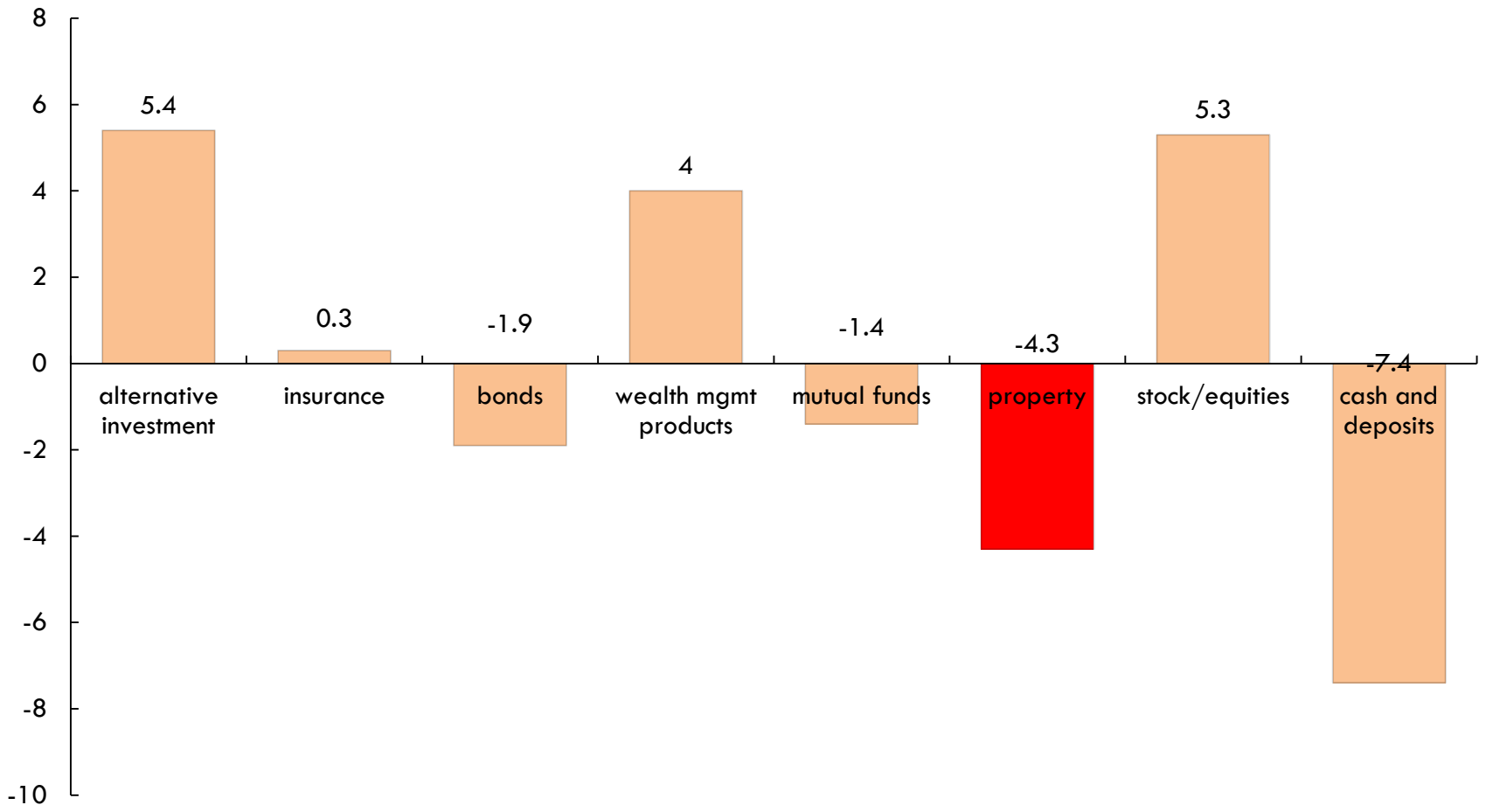


# Number of Homes per Household (2011)



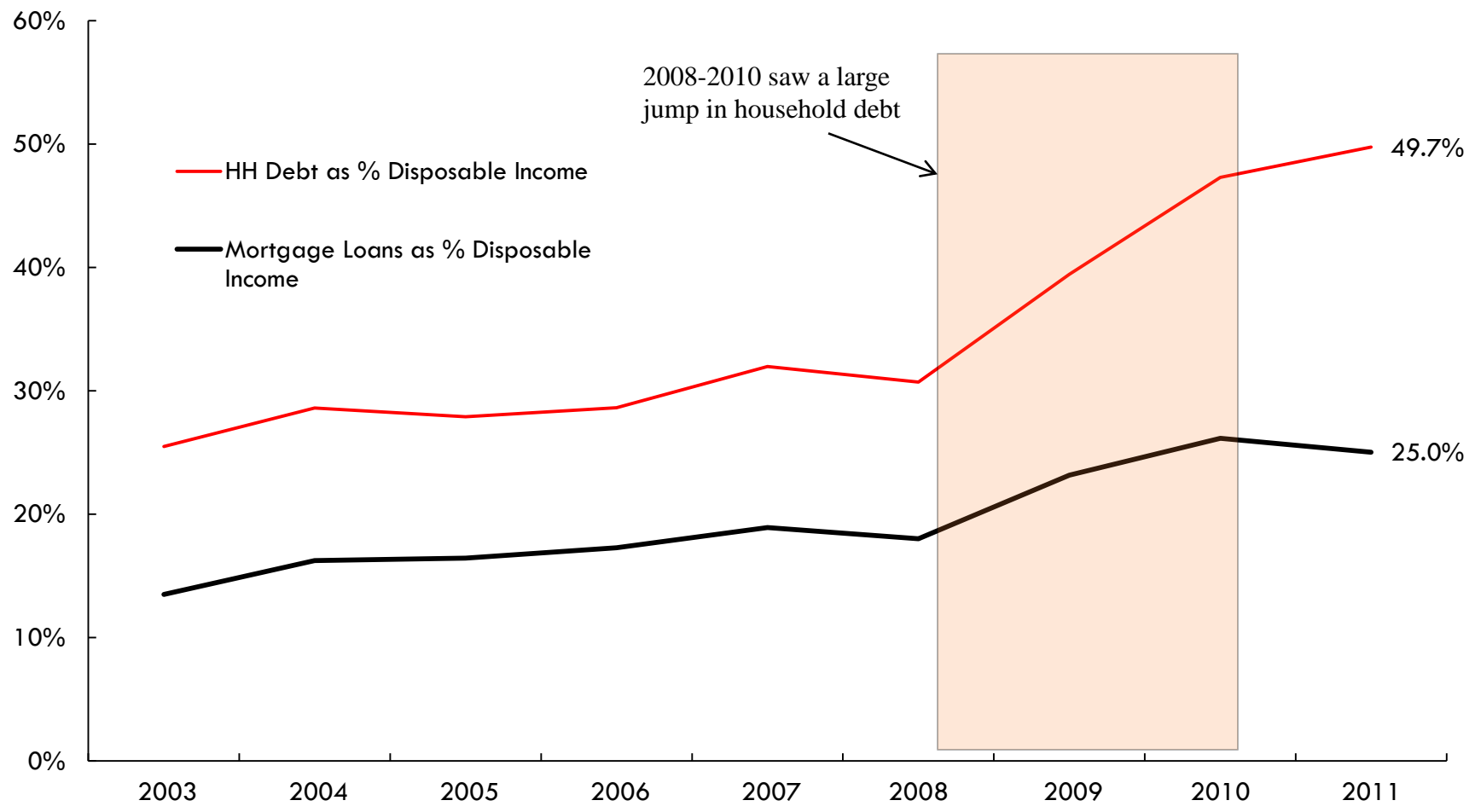
# China Merchants Bank HNWI Survey, change in asset allocation (2009-2011)

Percent change in HNWI asset allocation, 09-11'

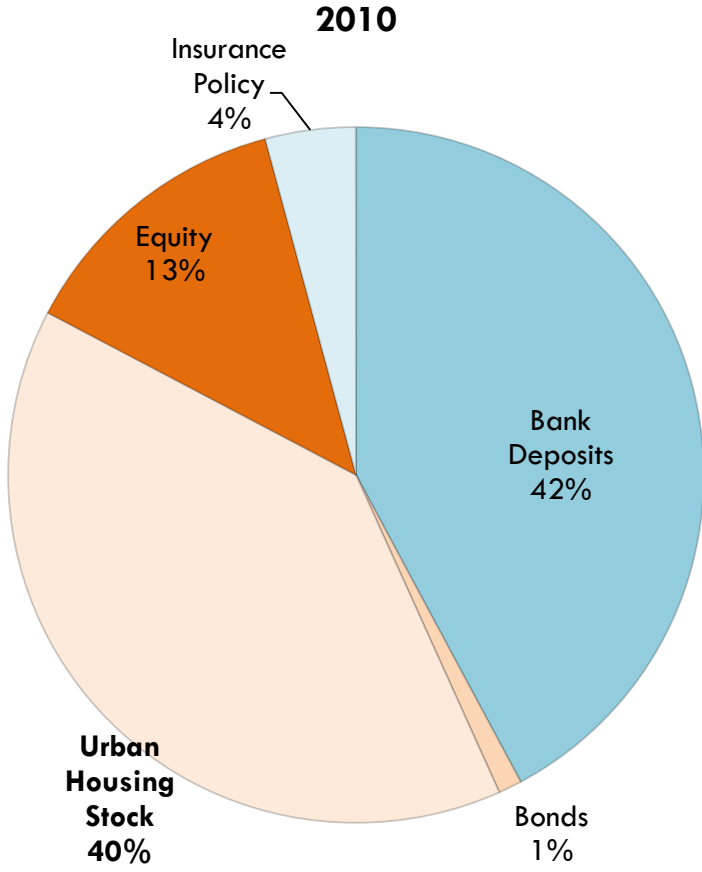
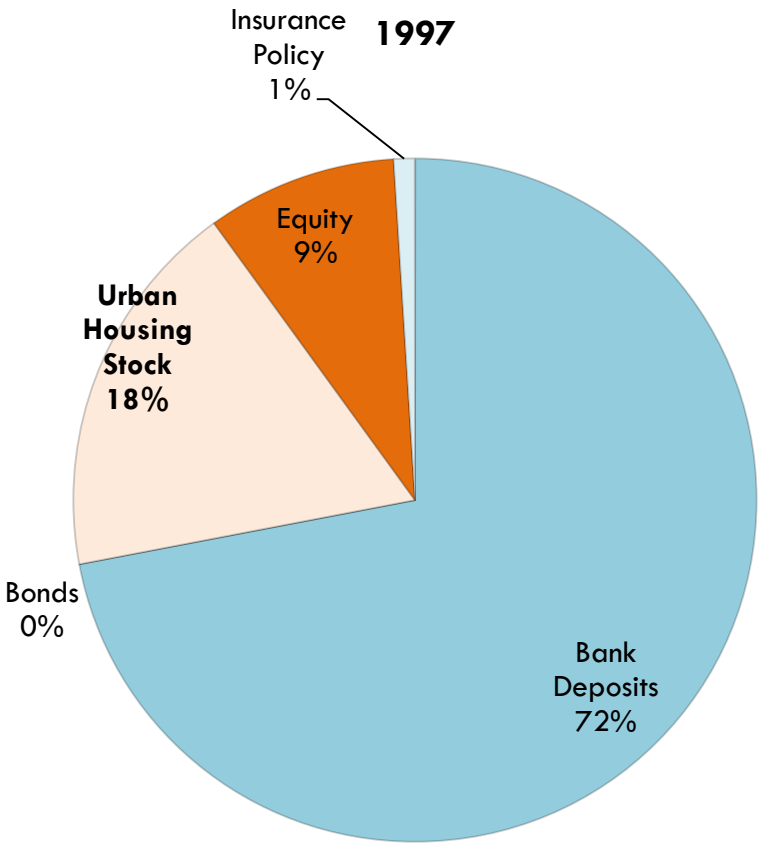


# Household and Mortgage Debt as a percent of Disposable Income (2003-2011)

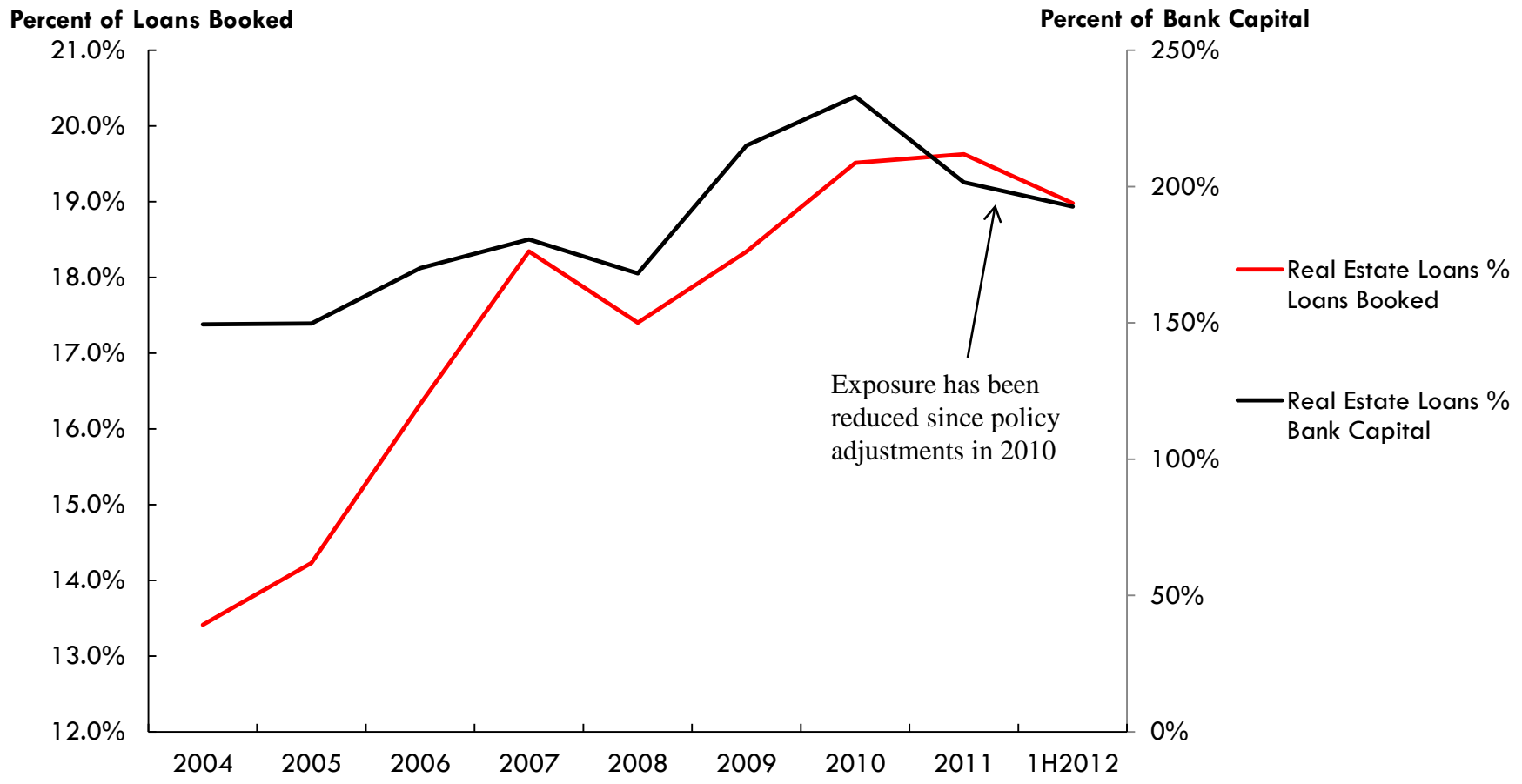
Percent of Disposable Income



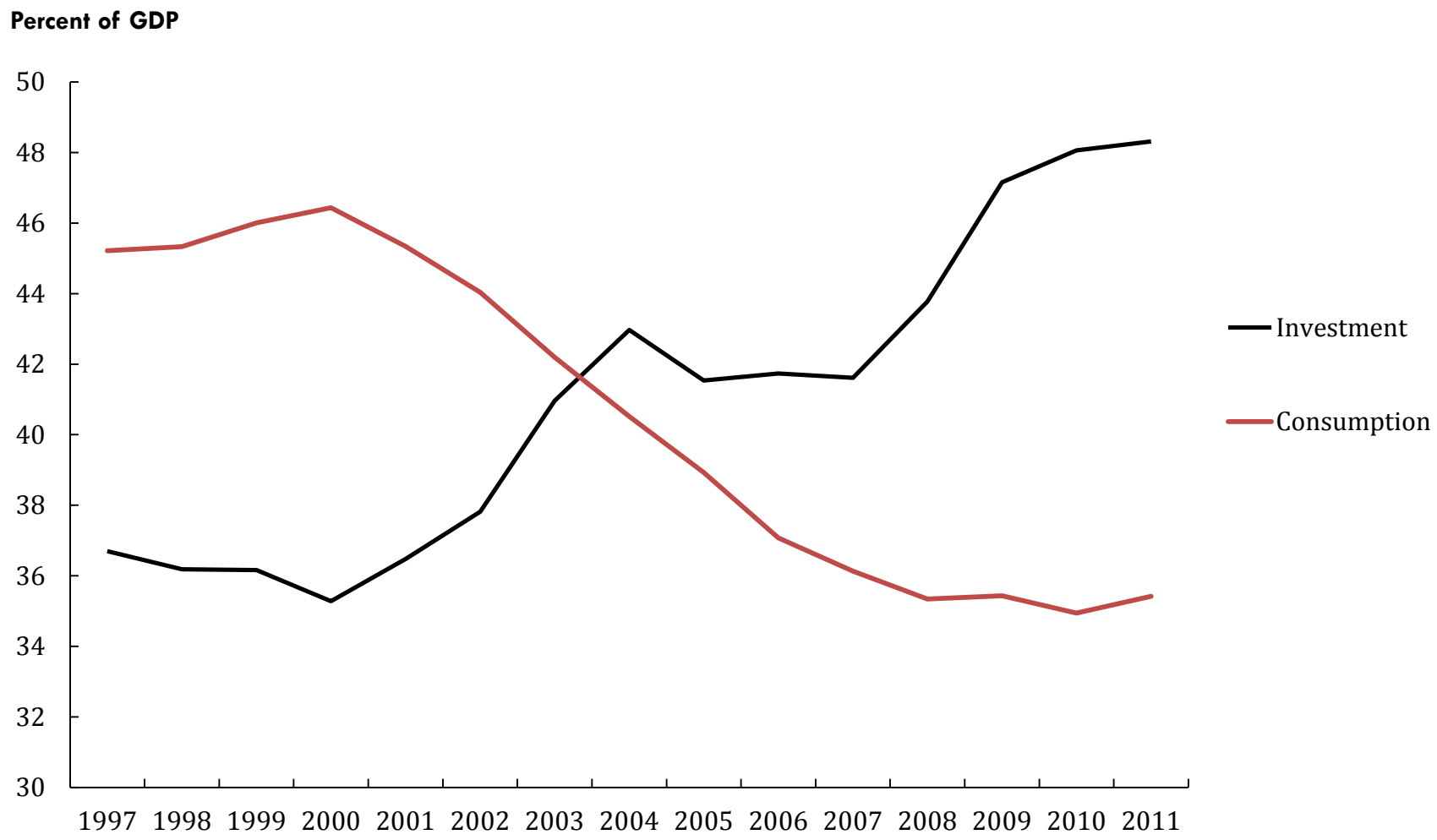
# Composition of Household Wealth (1997 and 2010)



# Banks Exposure to Real Estate (2004-2012)



# Investment and Consumption (1997-2011)



# Policies to Rebalance

- Further reduce foreign exchange market intervention, allow the renminbi to be fully market-determined
- Further financial sector reform, especially interest rate liberalization
- Eliminate subsidies for industrial energy consumption
- Continue to build out the social safety network, reducing the need for precautionary saving by households

# Rebalancing Scenarios

Scenario	Average GDP Growth (2013-2021)	Investment Share GDP (2021)	Residential Real Estate Share GDP (2021)
<b>Bear Scenario:</b> sharp slowdown in investment and a steady decline in consumption growth	5.1	45	7.8
<b>Bull Scenario:</b> rapid consumption growth and a steady decline in investment growth	8.0	40	7.5
<b>Intermediate Scenario:</b> moderate consumption growth with a steady decline in investment growth	7.3	42	7.6