



# Navigating China Today:

Unlocking Opportunities & Understanding China's New Economy

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# The Chinese Economy: Good Cholesterol Vs. Bad Cholesterol

## Low Unemployment & High Job Creation:

- China added 13 million urban jobs in 2015
- Urban unemployment rate: 4.1%

## Low Inflation

- Inflation is currently at 1.6%, down from 6% in 2011
- Low inflation provides policy makers with flexibility on monetary policy

## Rising Disposable Income & Consumption

- Disposable income up 8.8% in 2015, reaching US\$4,937
- Retail sales were up 11% reaching USD4.70 trillion in 2015

2015 GDP  
Growth: **7.0%**

2016 GDP  
Growth: **6.7%**

## Fixed Asset Investment

- In 2015 fixed asset investment was up by 12% from 16% in 2014. This is its slowest growth rate in more than a decade. Shows China's shift away from investment-led growth.

## Credit

- New financing in China totaled US\$1.8 trillion in the first half of 2015, down by 14% y-o-y.
- In 2014 China experienced its first on-shore corporate bond default.
- bond default.

## Exports

- Exports have decreased by an estimated 3.0% y-o-y from 2014 to 2015.
- The government has not released any policies to support growth in the export sector as the government is focused on shifting the economy away from low-value added exports.



# Chinese Consumers Today

**Mrs. Wang**



**Mayor Li**



# Mrs. Wang's Purse

Chinese consumers are becoming like their Western counterparts

**Car Keys:** 21.7 million passenger vehicles were sold in China in 2015.



**Smartphone:** Over 1.2 billion mobile phone users and 650 million internet users. In 2015 Chinese consumers purchased more than US\$600 billion worth of goods online.



**House Keys:** Housing sales rose 18.2% y-o-y in the first three quarters of 2015. About 10 million new homes were sold in 2014.



**Credit Cards:** There are now over 400 million credit cards in circulation in China, up from just 11 million in 2004.



**Itinerary – International Travel:** 120 million outbound trips were made from China in 2015, up from 109 million in 2014.



**Consumer Services:** Urban household consumption went from US\$7,000 in 2005 to over US\$20,000 in 2015.



# Mayor Li's City – Moving From Hardware to Software

Having created modern cities with world-class infrastructure, China's local governments are now investing to enhance quality of life and "social" infrastructure

## Technology

- China has designated 184 cities as testing grounds for Smart City technology.
- Investment in Smart Cities reached more than US\$30 billion last year.



## Mobility

- From 2010-25, 300 million rural residents will move to cities.
- China's cities are expanding urban rail networks from a 2,900 km currently to 7,000 km by 2020.

## Healthcare

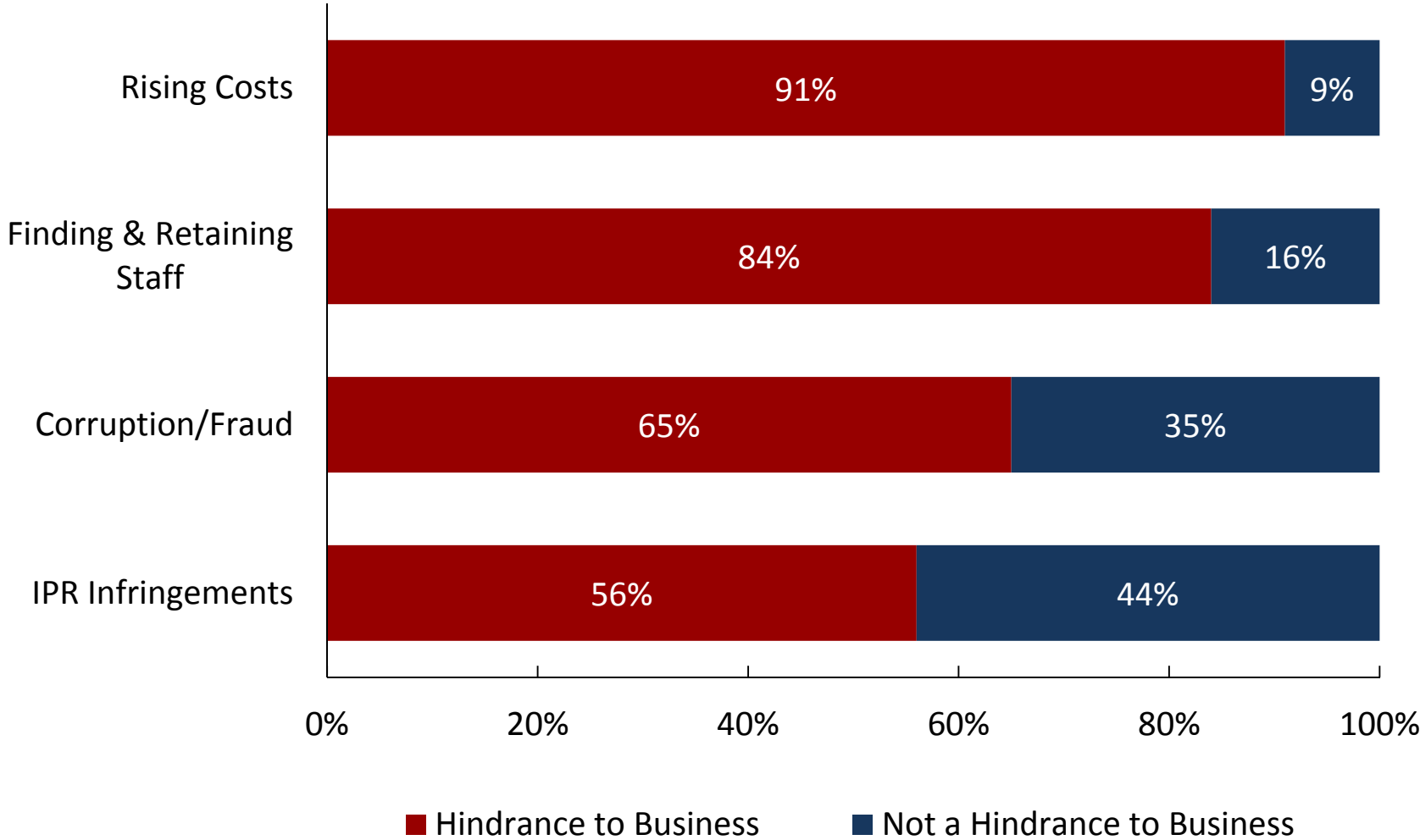
- 90% of healthcare in China is administered in public hospitals, which suffer from overcrowding and outdated medical technology.
- Healthcare spending in China is forecast to reach more than US\$880 billion by 2018.

## Environment

- China has pledged to peak its carbon emissions by 2030 and to generate 20% of electricity from renewable sources.
- China has adopted the Euro V emissions standard in Shanghai & Beijing and will implement the standard nationwide by 2018.

# Despite The Opportunities, Doing Business In China Comes With Challenges

## Survey of US Companies In China: What Are The Biggest Hindrances To Your Business In China?



# Still an Opportunity?

China still remains an excellent investment destination

1. **Market growth**, particularly in the consumer sector, exceeds that of the U.S.
2. **RMB depreciation** should slow down cost growth in USD terms.
3. Since 2014, **capital requirements are significantly relaxed** for a China Wholly Foreign Owned Enterprise (WFOE) subsidiary set up.
  - A. No minimum capital requirement (Previously RMB 100,000)
  - B. Up to 30 years to meet capital commitment (Previously, 15% down, 2 years to fulfill)
  - C. Capital injection can consist of cash, as well as equipment or IP

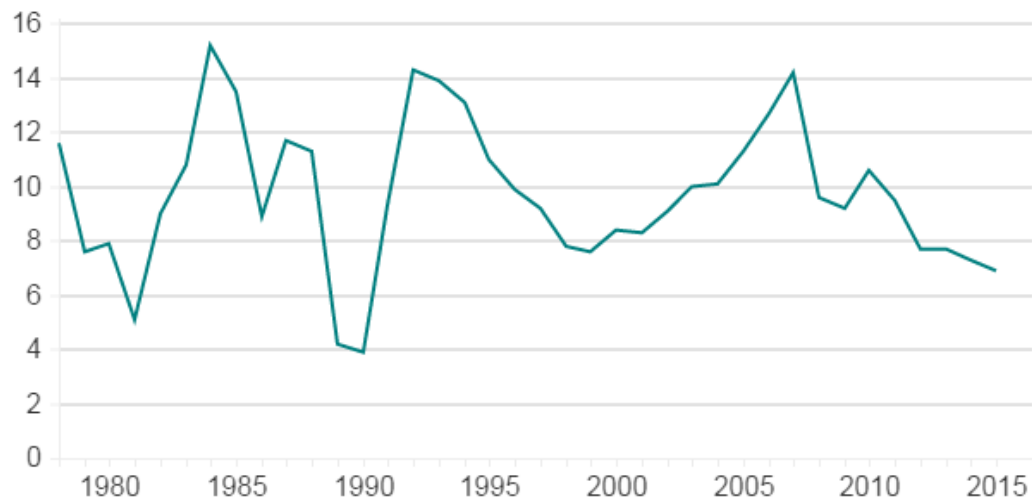


# Opportunities



# Risks

**China GDP Growth Rate (%)**



- Slowing growth
- Stalled reform
- Nationalism
- Protectionism
- Assertive external policies

# What To Do?

- Both countries must benefit
- Challenge Beijing when necessary
- US must assert leadership
- Strong U.S. security presence in Asia
- Rules based economic order
- Greater transparency
- Open markets
- Protect intellectual property rights
- Limit the role of the state in the market place



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