

A network diagram background consisting of a series of interconnected nodes and lines. The nodes are represented by circles of varying sizes, and the lines are thin, connecting the nodes in a complex, web-like structure. The background is a solid orange color, and the network diagram is rendered in a lighter shade of orange.

Economic Outlook

Chi Lo, Senior Economist, Greater China, BNP Paribas Asset Management

THE RISE OF RENMINBI ASSETS

CHINA'S NEW LEADERSHIP AND RENMINBI ASSETS' OUTLOOK?



CHI LO

HONG KONG

CALASTONE/FUNDS GLOBAL ASIA CONFERENCE 5 JUNE 2018



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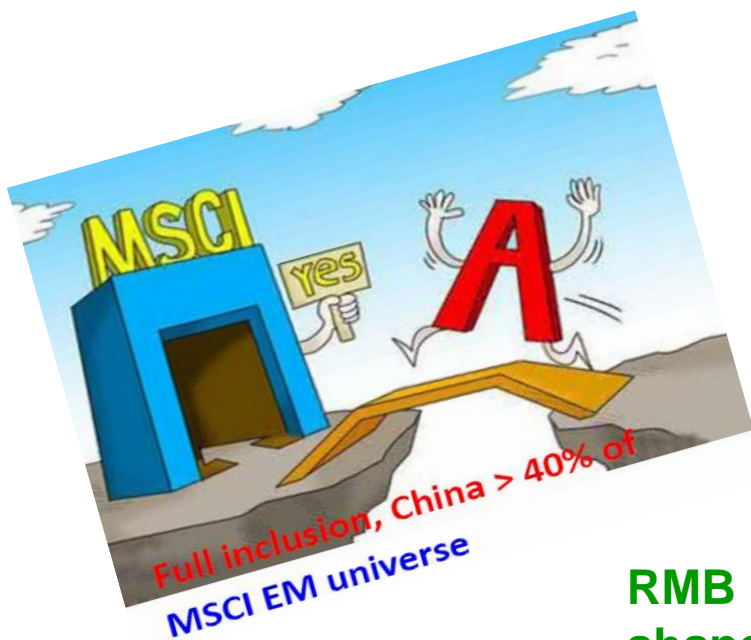
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China is pushing to price oil
in renminbi terms

THE RISE OF RENMINBI ASSETS



RMB internationalisation to re-
shape global payments system



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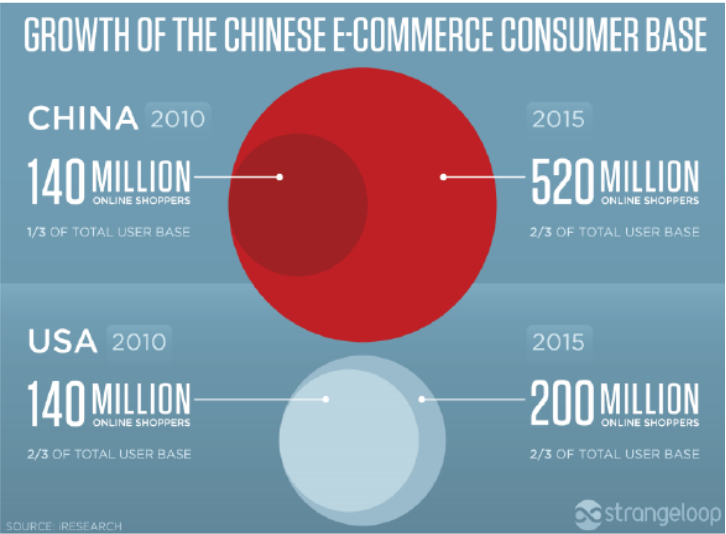
What is happening?



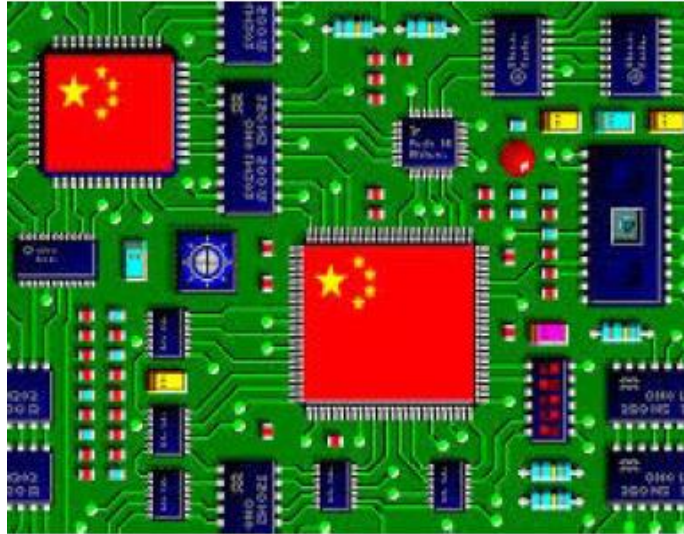
The largest amount of structural reforms among any countries



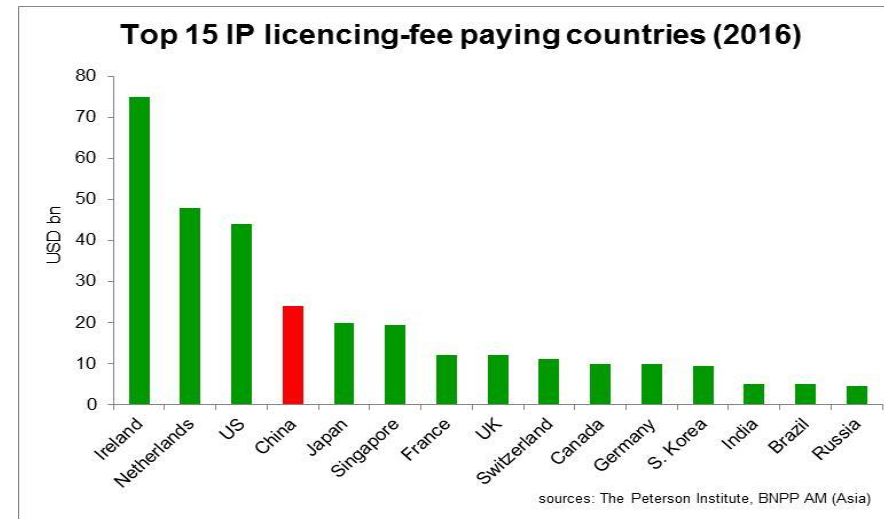
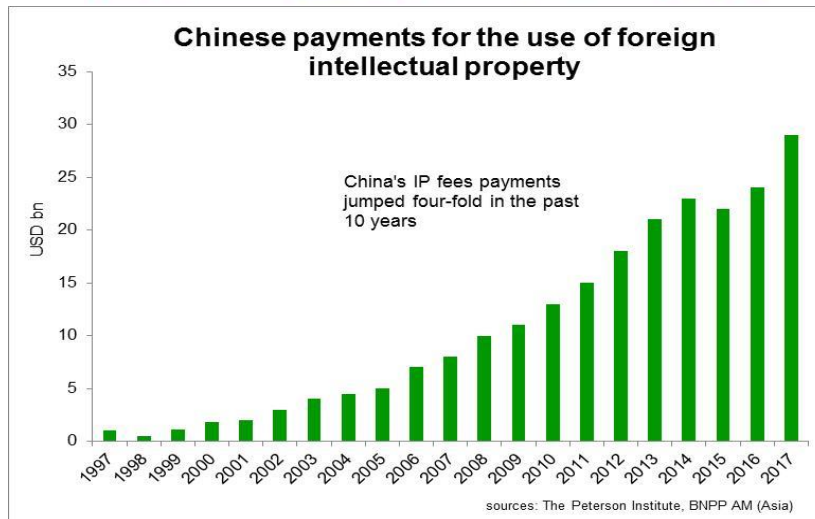
The largest consumer market



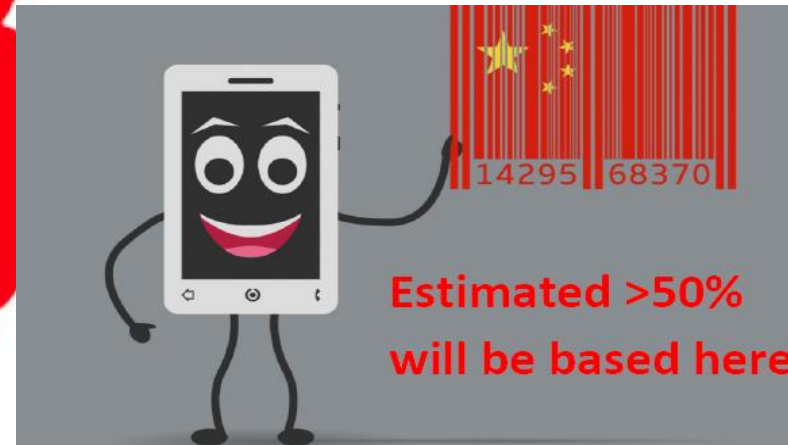
The technology-push ahead is strong



China one of the world's top 25
most innovative countries, the 3rd
largest patent originator



1 billion users by 2023



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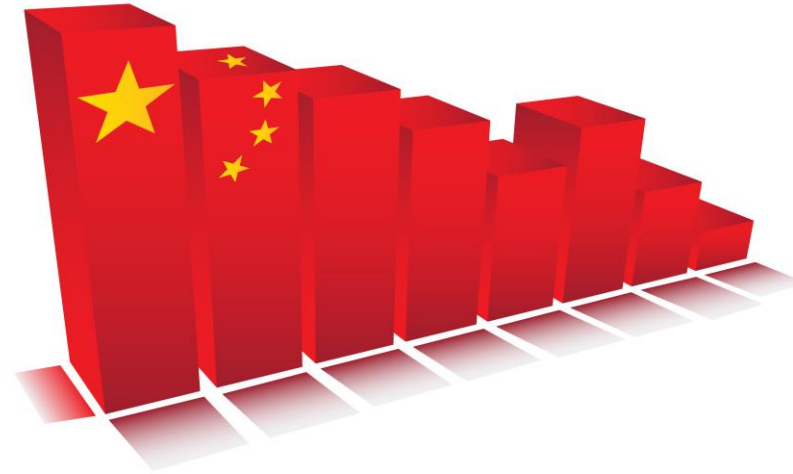
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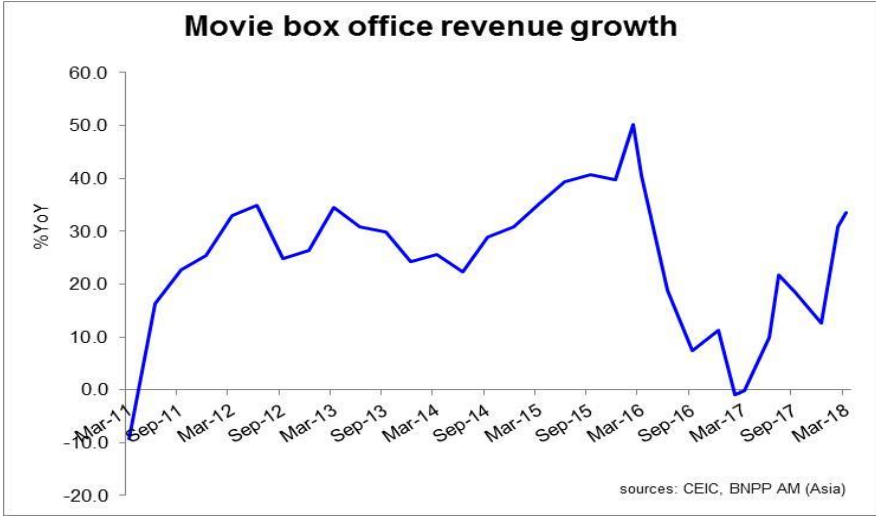
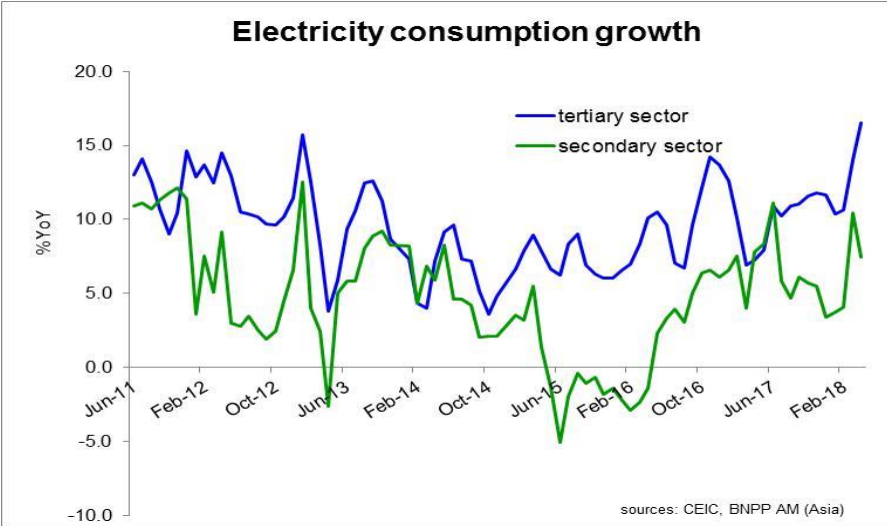
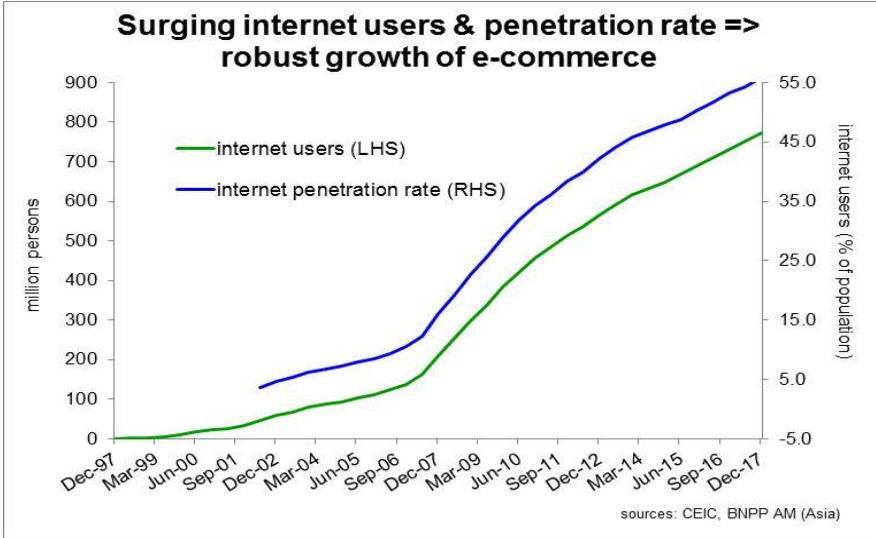
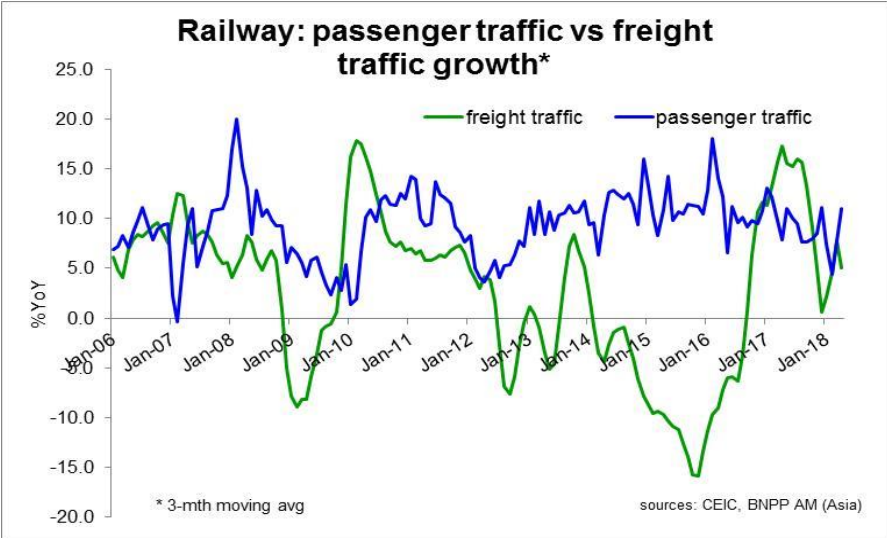
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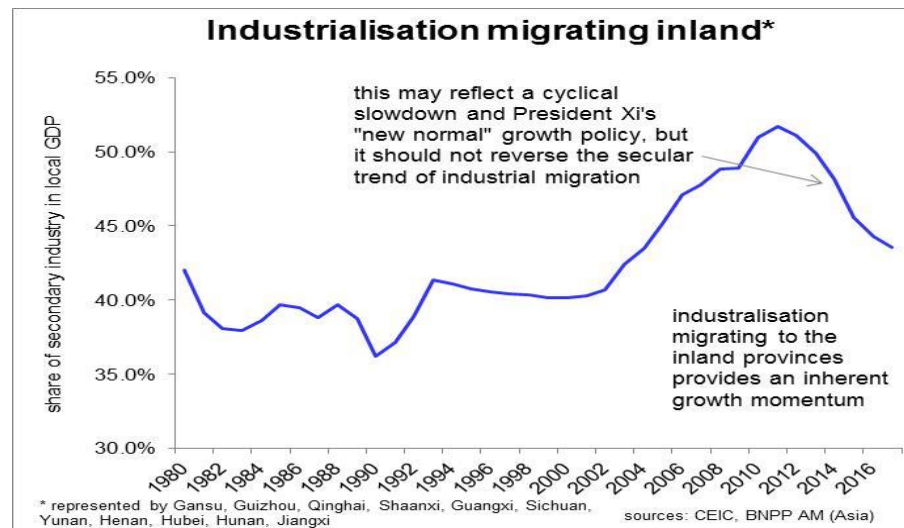
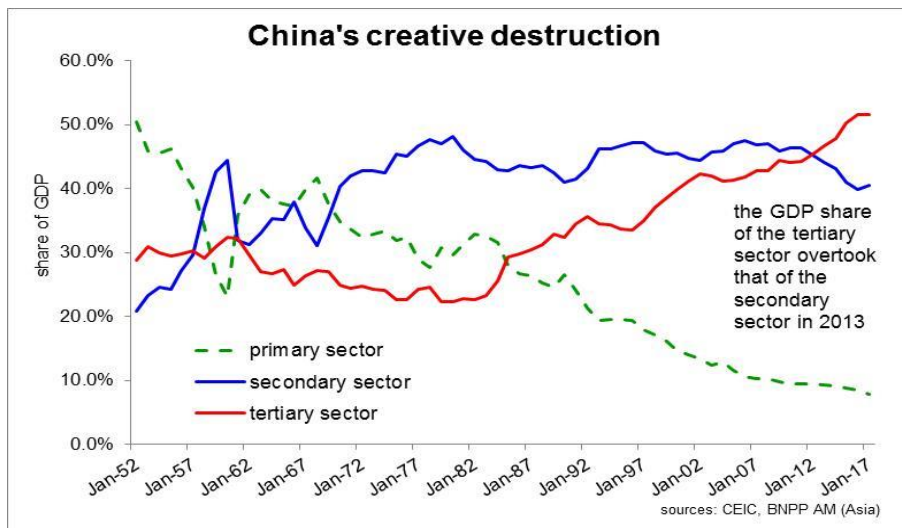
CHINA'S GROWTH – WILL IT FALL BELOW 6% SOON?



New versus old economy

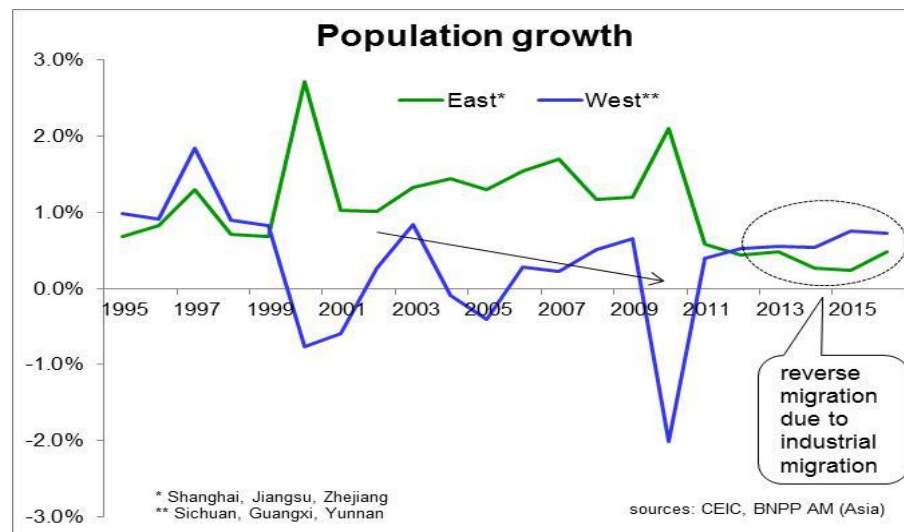


Forces sustaining growth



- A Communist party goal of doubling per capita real GDP by 2020 from 2010
- Structurally, growth may sustain at an average of 6% a year for much longer than expected due to:
 - Creative destruction
 - Industrial migration to the inland provinces

Data as of April 2018

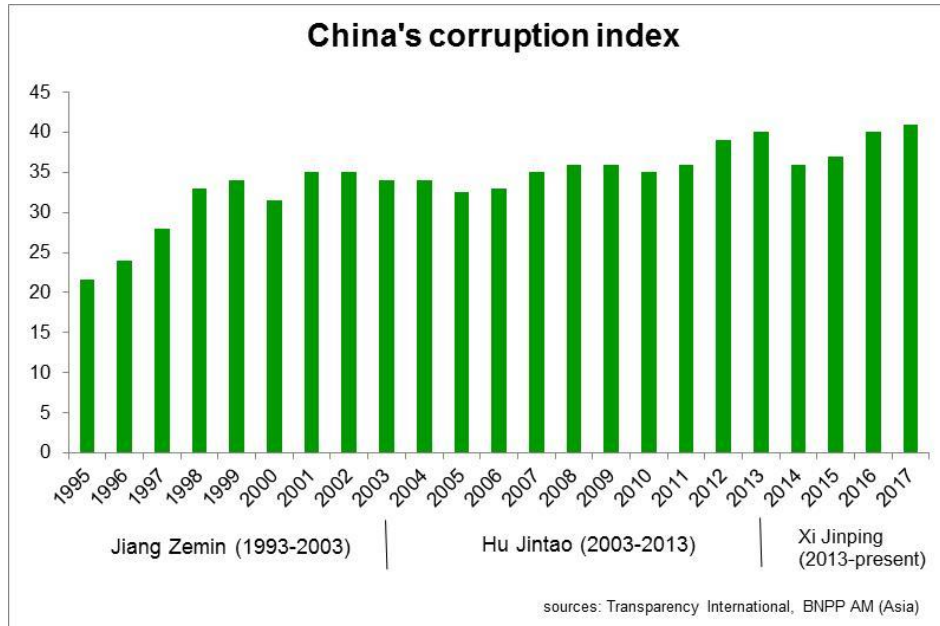


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POWER-GRABBING?



De-centralisation did not work



Data as of April 2018

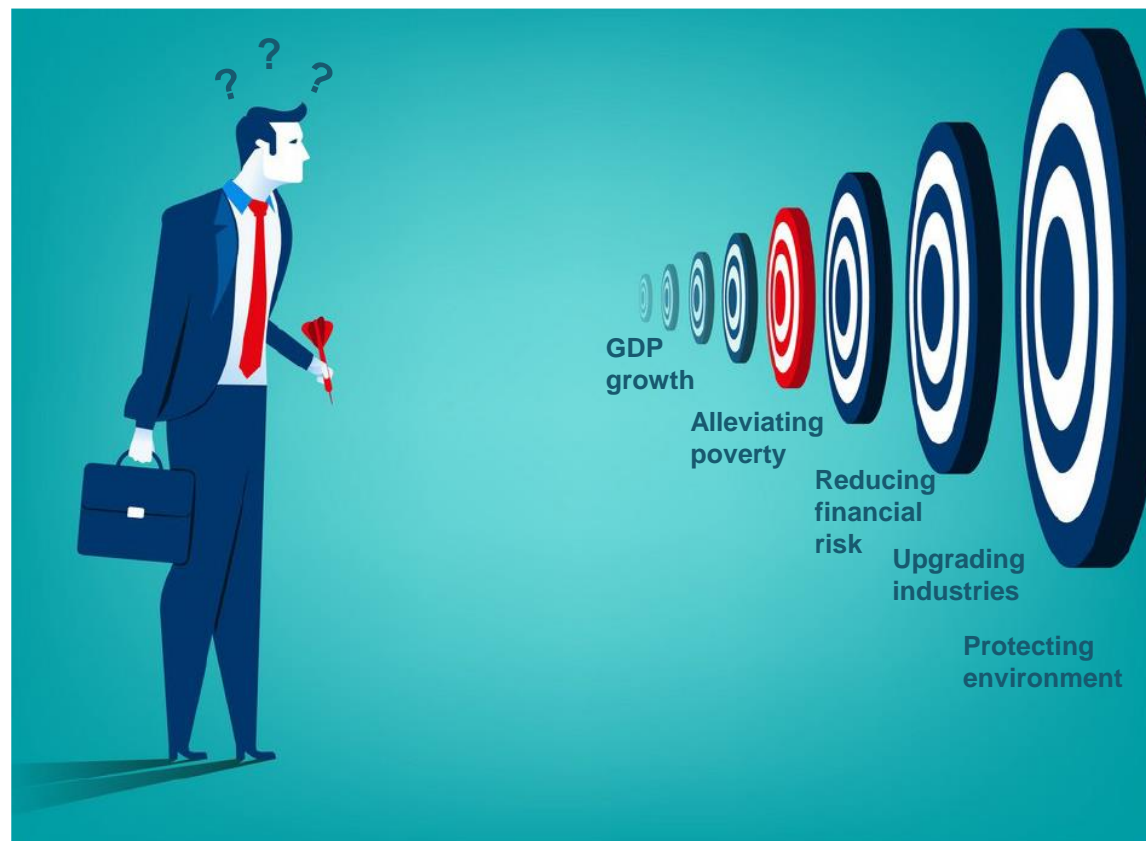
- Beijing de-centralised power between 1993 and 2003
- Corruption = a proxy to reform implementation failure; China was quite corrupt in the two decades before President Xi came to power
- As power de-centralisation has backfired, implementation risk has become a mounting concern
- Xi needs power and time to push through his grand reform plans in pursuit of his “Chinese Dream” – scraps the presidential term limits
- For China, re-centralisation of power is probably the only option to tackle the daunting reform risk



Changing the incentive scheme



Single target – growth maximisation



- Creating a political environment to ensure compliance by local officials
- Scrapping term limits => no alternative power centres for local officials to appeal to

Xi's vision of the New China



- Refines the role of the state, with the economy continue to be a strategic mix of markets and state guidance

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