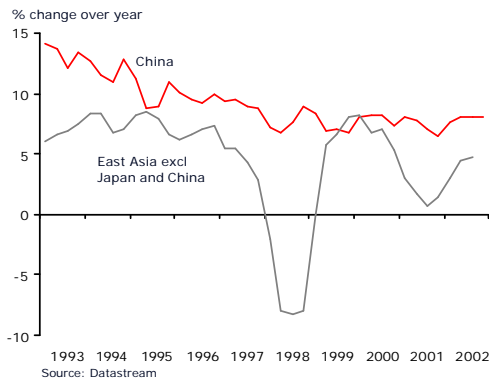
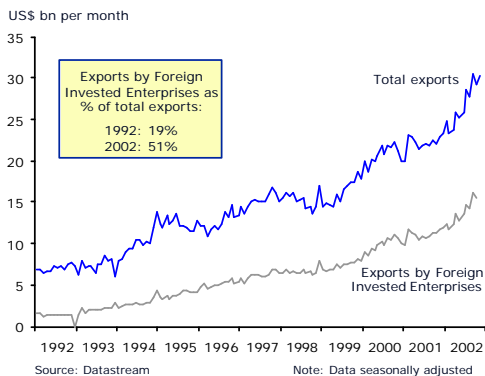


Country Update: China

China's steady growth contrasts with volatility elsewhere in the region



Exports have surged, driven by foreign companies in China



- China's growth for 2002, reported, as usual, before the end of the year, is officially 8%. Based on partial indicators, both domestic and external demand were strong. Government spending, in particular, helped boost growth above the targeted 7%.
- The 16th Congress of the Chinese Communist Party, held in November, marked the transition to a new, younger leadership group. There is unlikely to be any major change in economic policy, but current trends will continue. Speeches at the congress, particularly the keynote policy speech by outgoing general secretary, Jiang Zemin, emphasised the expanding role for market forces and continued engagement with the global economy. However, there is unlikely to be a corresponding liberalisation in the domestic political arena.
- Unemployment is a major problem, aggravated by reform or closure of state-owned enterprises (SOEs). There have been sporadic protests about issues such as job losses, unpaid wages and corruption in SOEs.
- Exports in the first 11 months of 2002 were 22% higher than in the corresponding period of 2001. The surge in recent years has been driven by the foreign companies in China, which now account for over half of total exports.
- Domestic private enterprise is constrained by a lack of capital, and is poorly served by China's underdeveloped capital markets and unhealthy state banks.

Economic data and debt statistics

China	1997	1998	1999	2000	2001	2002e	2003f	2004f
Economic growth (%)	8.8	7.8	7.1	7.9	7.3	8.0	7.5	7.5
Inflation (yr av, %)	2.9	-0.8	-1.4	0.3	0.9	-0.8	0.0	1.0
Budget Balance (% of GDP)	-0.7	-1.2	-2.1	-2.8	-2.6	-3.2	-3.0	
Current Account (% of GDP)	4.1	3.3	2.1	1.9	1.7	1.6	0.9	
External Debt (US\$ bn)	147	155	154	150	147	149	155	
Ext Debt/GDP Ratio (%)	16.3	16.1	15.3	13.9	12.7	11.8	11.3	
Ext Debt/Exports Ratio (%)	67.5	72.5	67.1	51.2	48.0	42.4	39.0	
Short term debt/Reserves (%)	22.0	18.7	11.2	10.2	7.7			
Debt Service Ratio (Paid) (%)	8.5	8.6	9.0	7.4	6.5			
Debt Service Ratio (Due) (%)	8.5	8.6	9.0	7.4	6.5	5.5	4.9	
Foreign Exchange Reserves (US\$ bn)	143	149	158	168	216	263*		
Import Cover (months)	10.5	11.0	10.0	8.1	9.8			

*September 2002

Sources: IMF, Economist Intelligence Unit, ANZ Bank