CHINA.ACTION.MONEY.

2015: Year of the Goat

PACIFIC TYCOON

2015: Year of the Goat

Across the globe, commentators are suggesting that 2015 will be characterised by the decline in the Chinese economy. It has been suggested that a drop in economic growth to below 7% will be catastrophic not only for China but for the entire worldwide trading system. Whilst it is true that the rate of expansion will slow down across 2015, the suggested effects on China and the global economy have been exaggerated beyond proportion.

The level of growth that China does experience is still significantly greater than that of the vast majority of developed economies. China's economic prowess, purchasing power and reserves of held currency allow it to invest as required and react to any fluctuations or crises. The reduction in the long term rate of growth will ensure that the economic performance will become more sustainable, whilst also providing a space for domestic consumption and spending to grow and develop.

2015, the year of the goat, will see China's economy show resilience to these global threats. Despite turbulent conditions, the economy's strength and ability to adapt will see it continue to prosper.

Economic Growth

The decline in China's economic growth has made headlines around the world, with suggestions of the end of the period of Chinese boom, after the country posted figures of 7.4% in 2014. There have been some predictions that the growth will drop to between 6 and 7%, although this has been refuted by many commentators who believe that 2015 will bring another year of above 7% expansion. China's saving rate is over 50%, and the government is capable of ensuring that there won't be regional or systemic financial risks, Chinese Premier Li recently said at the World Economic Forum in Switzerland last month.

A further priority for the Chinese government is to continue to boost employment across the country. Achieving this is uncorrelated with unsustainable levels of economic growth therefore a rate of around 7% will be conducive to the rise in employment that is required by a burgeoning population.

Investment

One initiative that the Chinese government has undertaken is to reduce the amount of capital that banks operating in the county can hold in reserve. The impact of which will increase the amount of lending from financial institutions to growing enterprises. Equivalent to an injection of about $100 billion, this development will allow a number of companies to flourish and help support economic growth across China.

In addition to measures to support investment by private enterprises, fourteen Chinese provinces are to invest a combined 15 trillion Yuan ($2.4 trillion) in infrastructure and other projects starting this year – a staggering amount. Sichuan in the southwest of the country is to spend 2.99 trillion Yuan to boost industry and other expansion plans whilst Fujian plans to invest 3 trillion Yuan on infrastructure projects, including environmental protection.

The combination of lending to private firms – allowing them to increase investment – combined with regional funding diverted into infrastructure will both generate revenues and income in the short term but will also allow for greater economic growth in the medium and long term.

Demand and Imports

A decrease in imports by China has been used by some commentators to highlight the supposed decline in its economy, however the data has been distorted by factors such as Chinese New Year, falling oil prices and the conscious decision to utilise domestic energy resources rather than imported fuel.

In January, coal imports fell by 40% to 16.78 million tonnes (from 27.22 million tonnes in December). However, this is due to government policy to protect domestic miners whilst also reducing the use of coal in order to minimize pollution. China is the number one producer of green energy and looks to benefit from this clean source of power in the future.

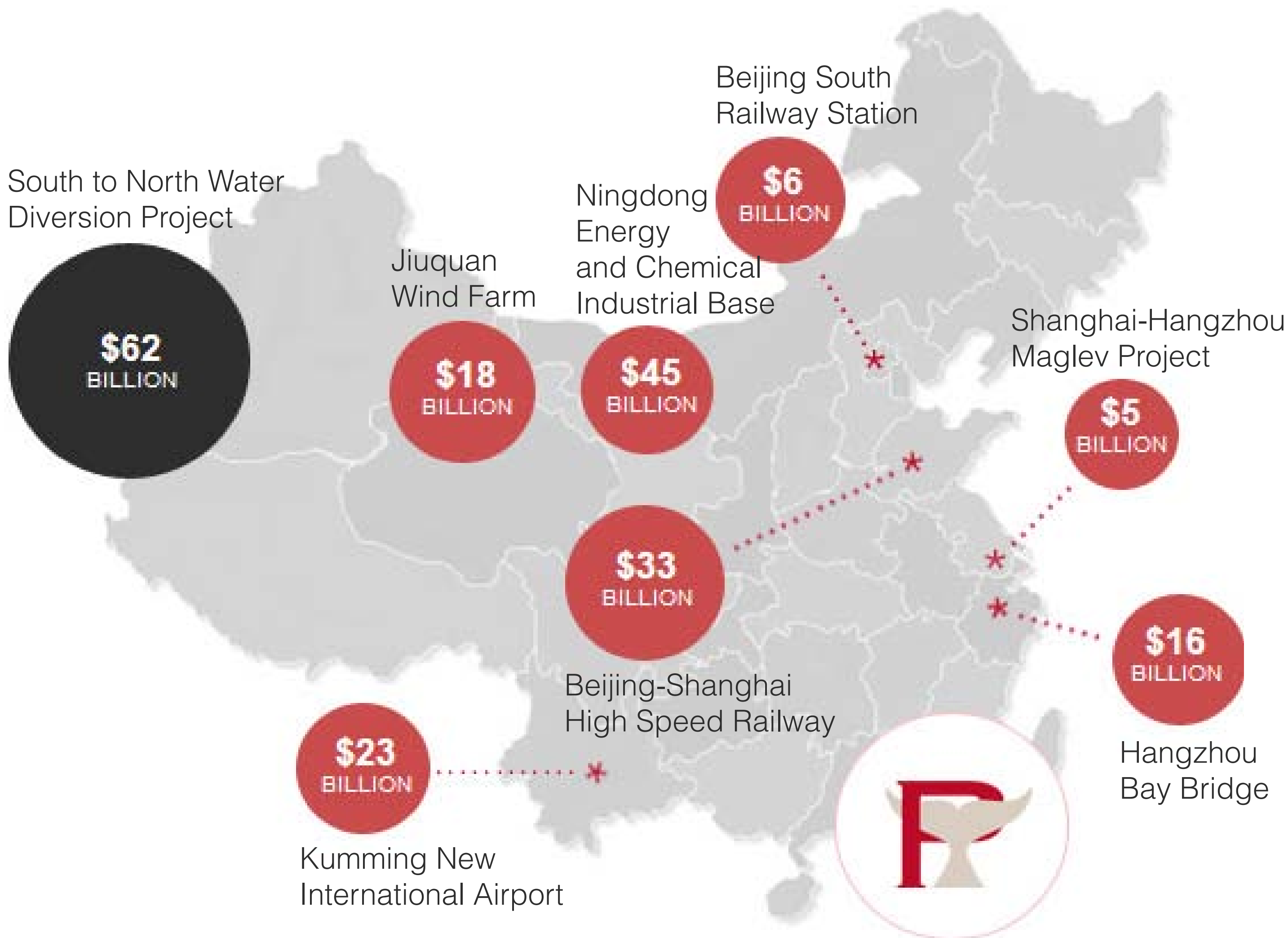
The rapid fall in oil prices has also had an impact on imports, as the value of oil imported has declined regardless of any changes in quantity imported. In fact, the Chinese economy has benefitted from the decline in the price of this vital fuel. In only six months, more than $100 billion has been saved by Chinese importers which will help the country thrive whilst it imports and stockpiles strategically important resources.

China's Future: 2015 and Beyond

Commentators have suggested that 2015 will be a difficult year for China, the truth is that whilst expansion is slowing, the economy is still going from strength to strength. Growth will reach sustainable levels over the year and the country is benefitting from inward investment and the decline in the price of oil. Despite suggestions otherwise, China will remain a powerhouse which has a vital role to play in the global economy – boosting imports and exports around the world.

The gap between China and the USA – the world's largest economy – is continuing to narrow. China remains and will remain the number one trading nation for the foreseeable future.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: www.pacifictycoon.com



To speak to a member of our team, please contact us.

Hong Kong Office Telephone: +852 580 16695
Email: contact@pacifictycoon.com

www.twitter.com/PacificTycoon | www.facebook.com/pacifictycooninvestments

Pacific Tycoon
Level 11, Admiralty Centre Tower 2,18 Harcourt Road, Admiralty, Hong Kong.