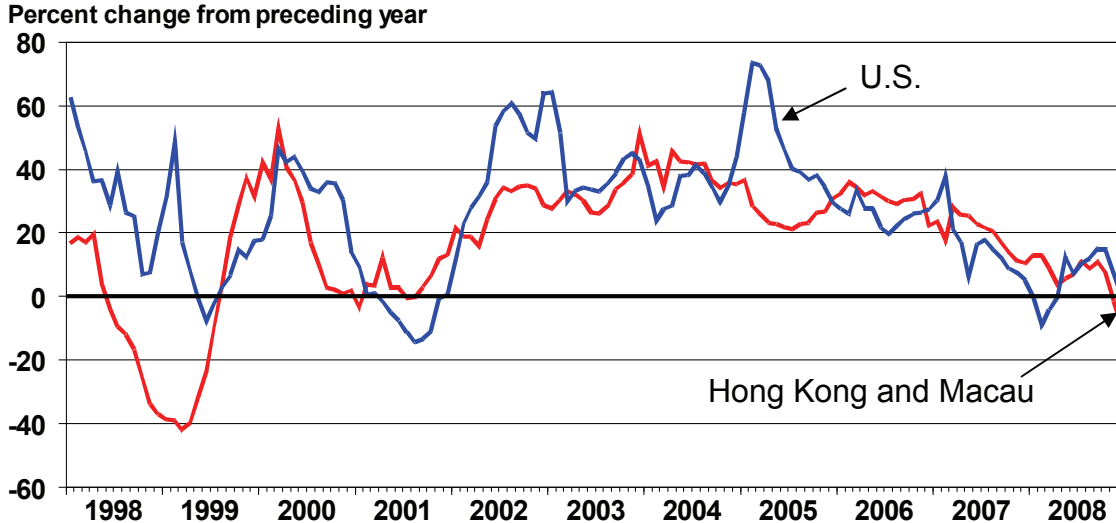


China's trade balance

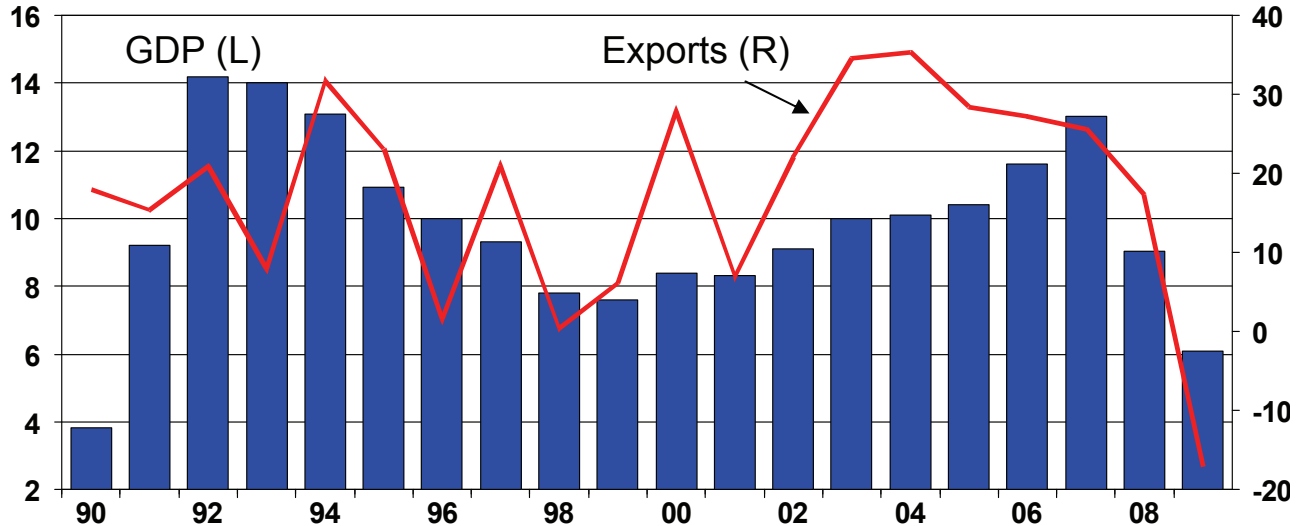
US\$ millions, 1998 to 2008



Source: China Statistics Monthly.

China GDP and exports

Annual percent change, 1990 to Q1 2009



Source: National Bureau of Statistics of China, IMF World Economic Outlook, April 2009.

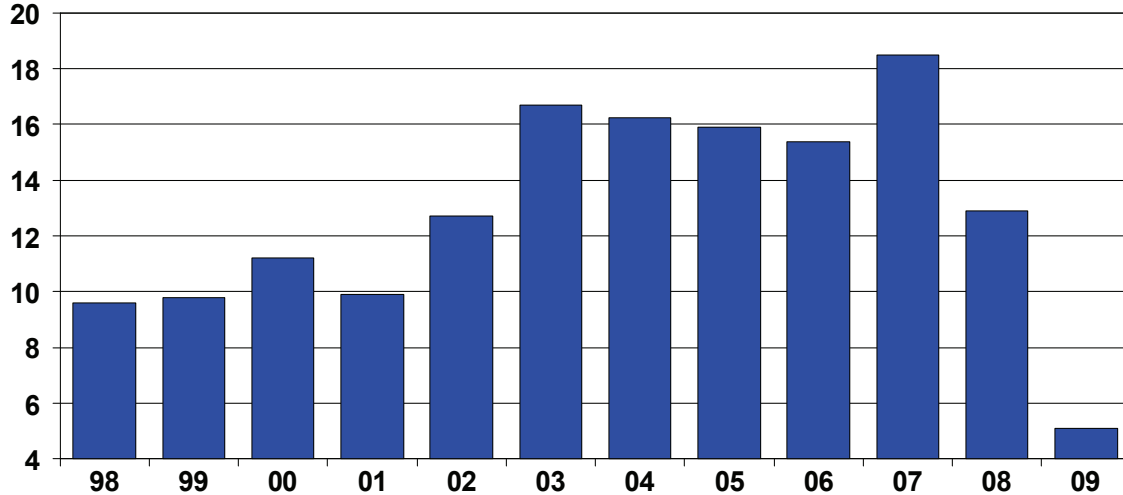
China's production has slowed

Industrial production index, 1998 to Q1 2009



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Percent change from preceding year



Source: International Monetary Fund, National Bureau of Statistics of China.

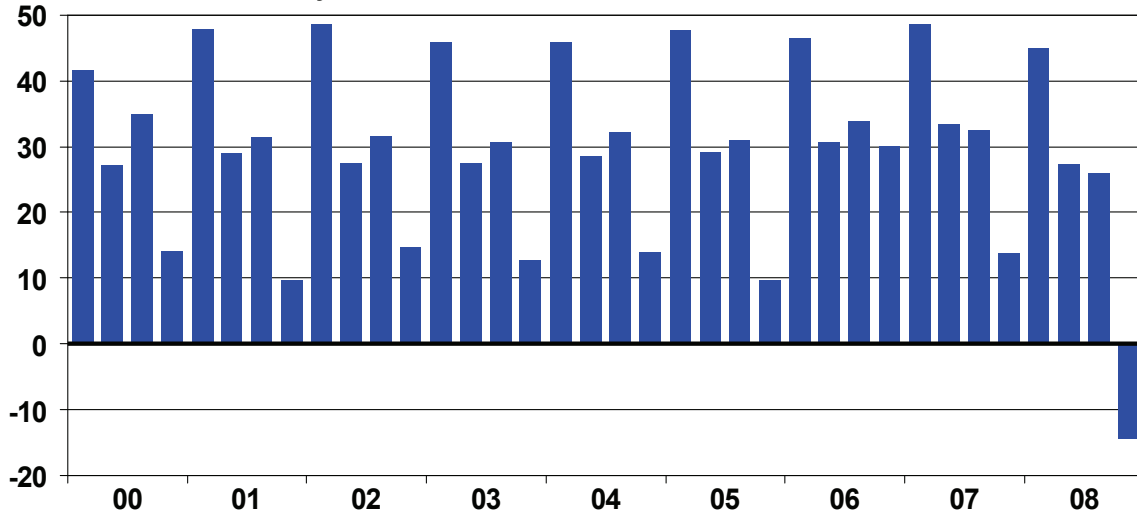
China manufacturers cut production plans



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Business tendency survey, 2000 to 2008

Balance of future tendency



Source: OECD Business Tendency and Consumer Opinions Survey.

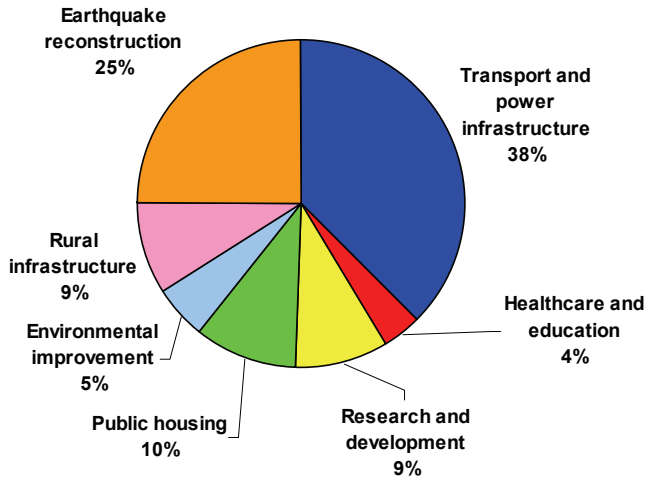
China's economic stimulus package

Total amount \$586 billion, or RMB 4 trillion

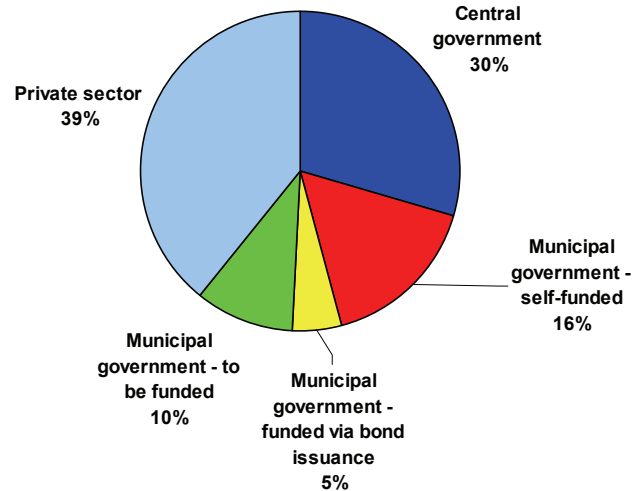


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Programs



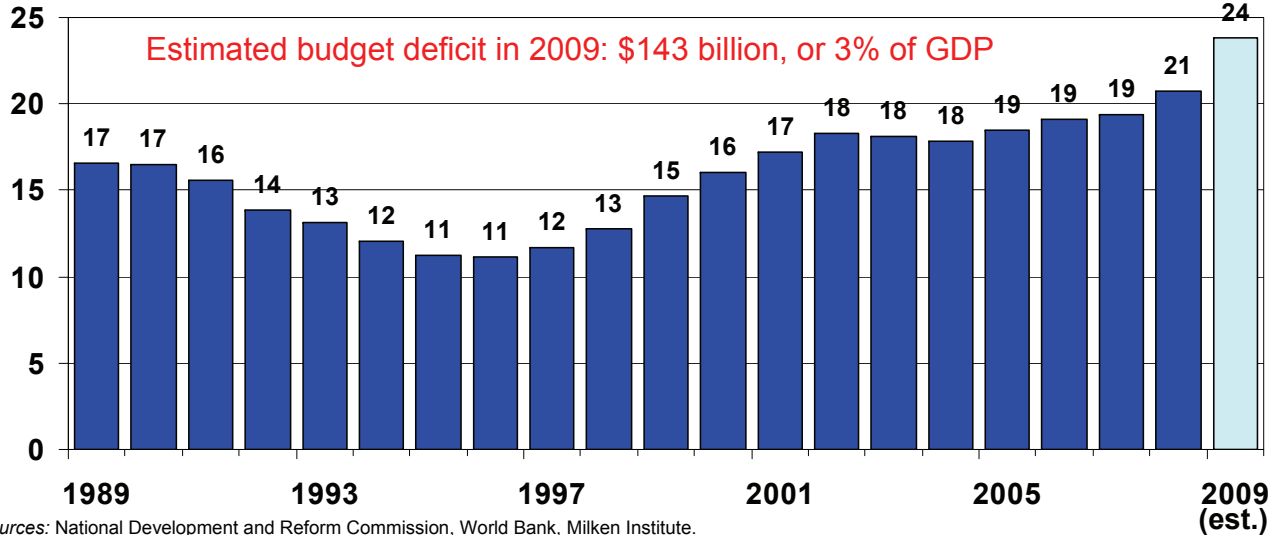
Sources of funding



Sources: National Development and Reform Commission, Caijing, China Development Bank, Milken Institute.

China's stimulus package leads to higher government expenditure

Government expenditure, percent of GDP

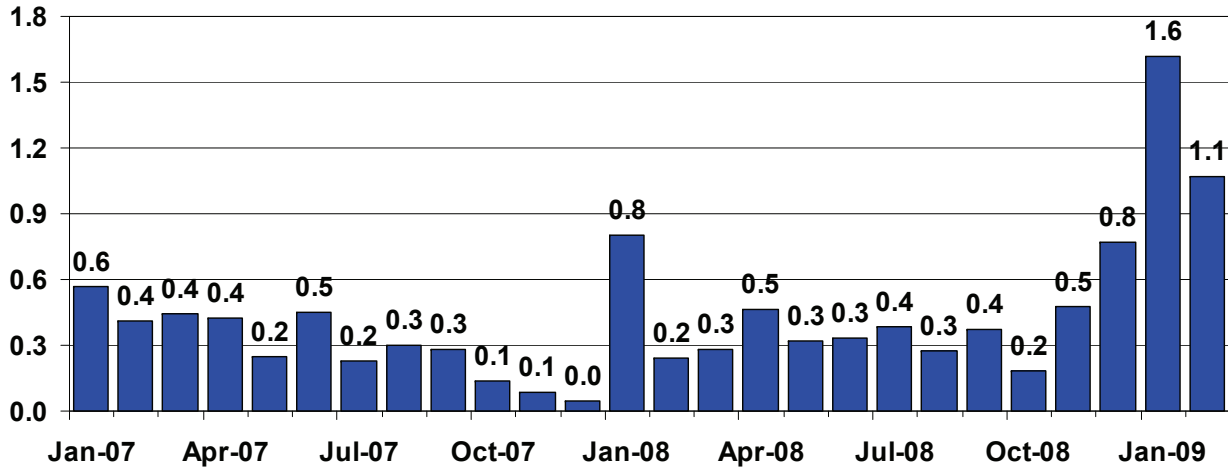


Sources: National Development and Reform Commission, World Bank, Milken Institute.

Bank lending soared after China announced its stimulus package in November 2008

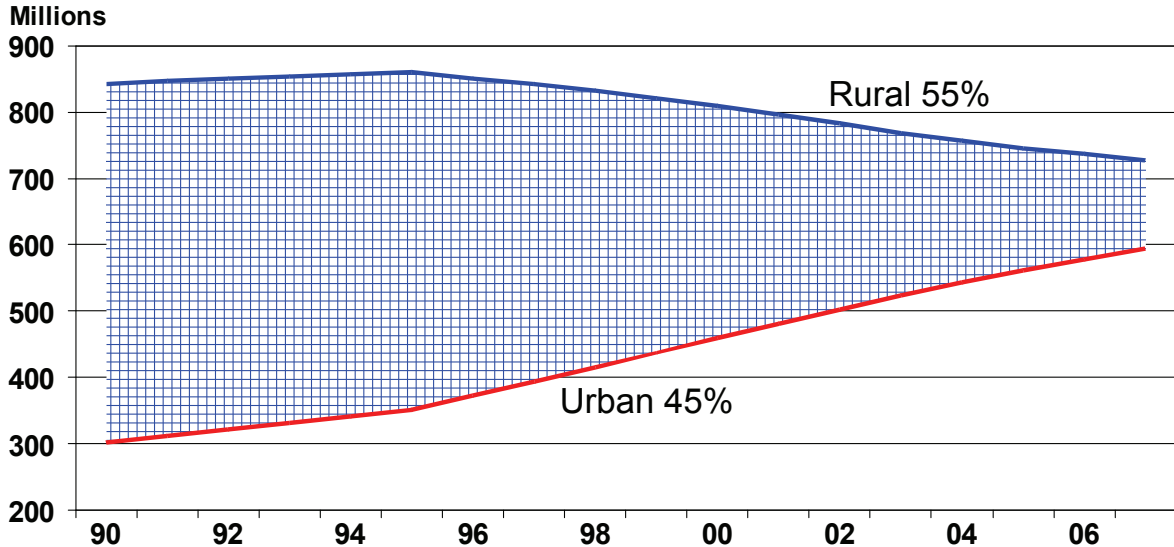


RMB trillions



China's rural-urban migration

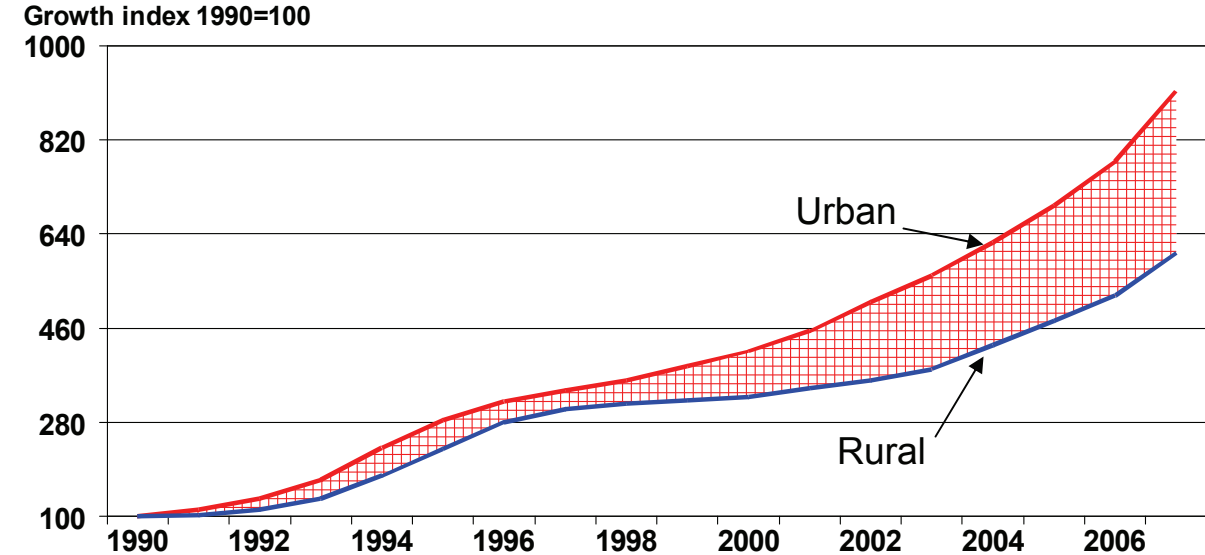
1990 to 2007



Source: National Bureau of Statistics of China.

China's per capita disposable income

Urban vs. rural, 1990 to 2007



Source: National Bureau of Statistics of China.

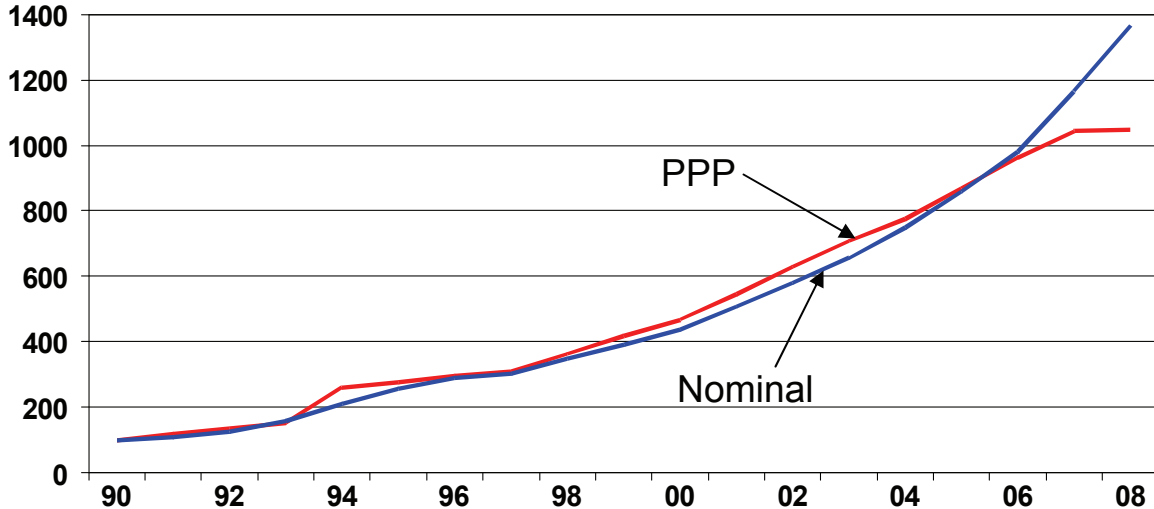
China's wage growth

Nominal vs. PPP, 1990 to 2008



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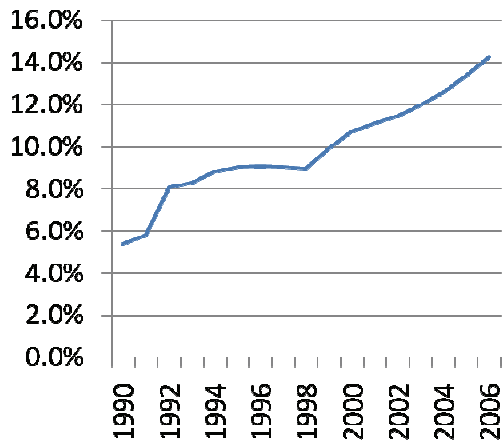
Growth index 1990=100



Source: IMF, National Bureau of Statistics of China.

Pension insurance coverage in China: growing but still inadequate

**Percent of population with
basic pension insurance**



	U.S.	China
Size of social security fund (2006)	\$2.05 trillion	\$63 billion
Social security fund per capita (2006)	\$6,741	\$63

Sources: Social Security Administration, U.S. Census, Chinese Bureau of Statistics, Milken Institute.

A comparison of social security safety net: United States vs. China

	United States (2006)	China: urban residents (2006)	China: rural residents (2004)
% without pension insurance	12%	85.70%	n.a.
% without medical insurance:	15.30%	79.90%	95.60%

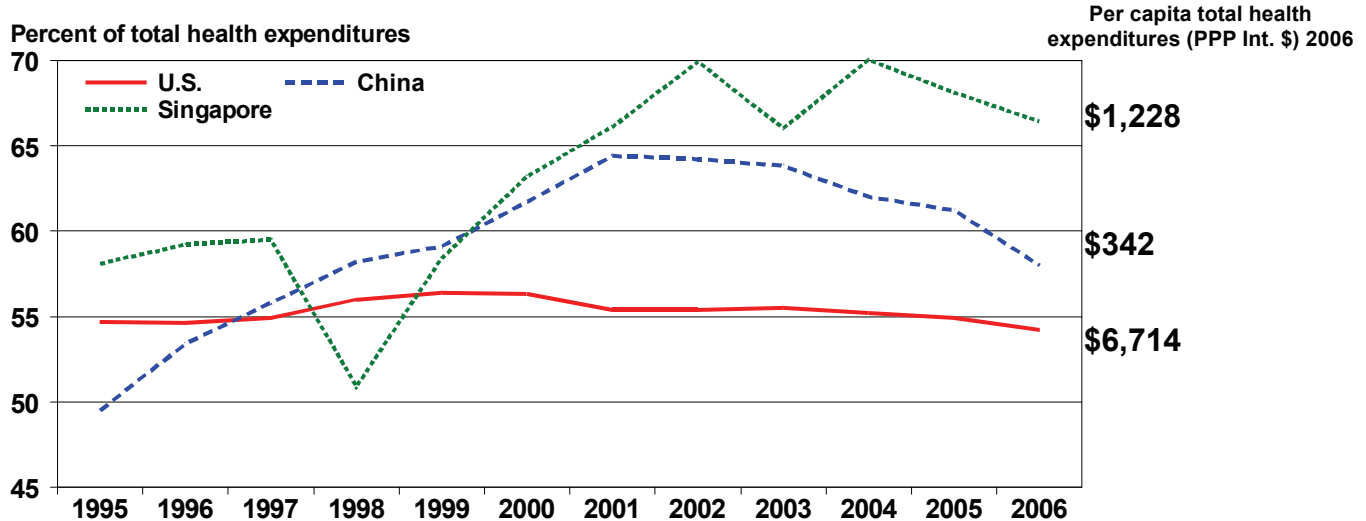
Sources: Social Security Administration, U.S. Census, Chinese Bureau of Statistics, Milken Institute staff calculation.

Private health expenditures

As percentage of total health expenditures, 1995 to 2006



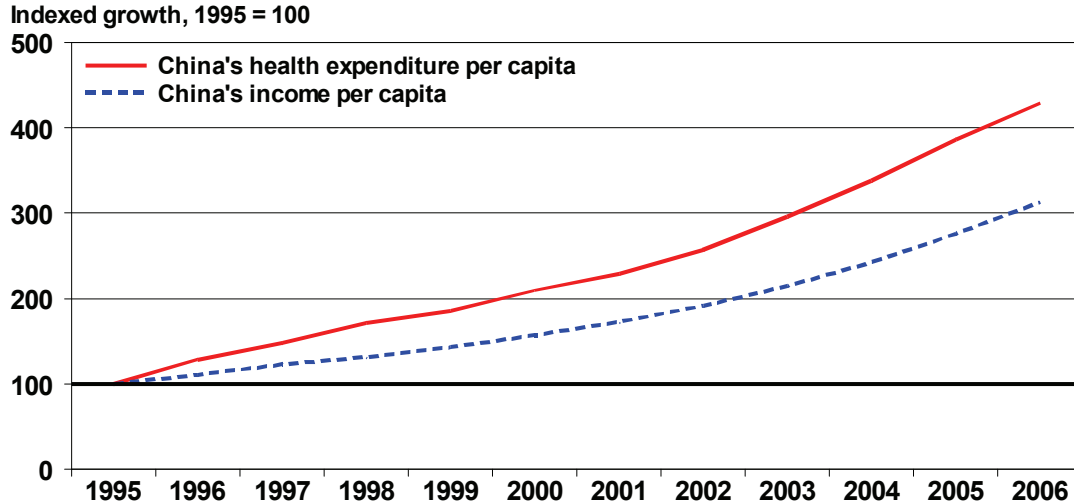
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Source: World Health Organization

China's health expenditures and income per capita

Indexed growth, 1995



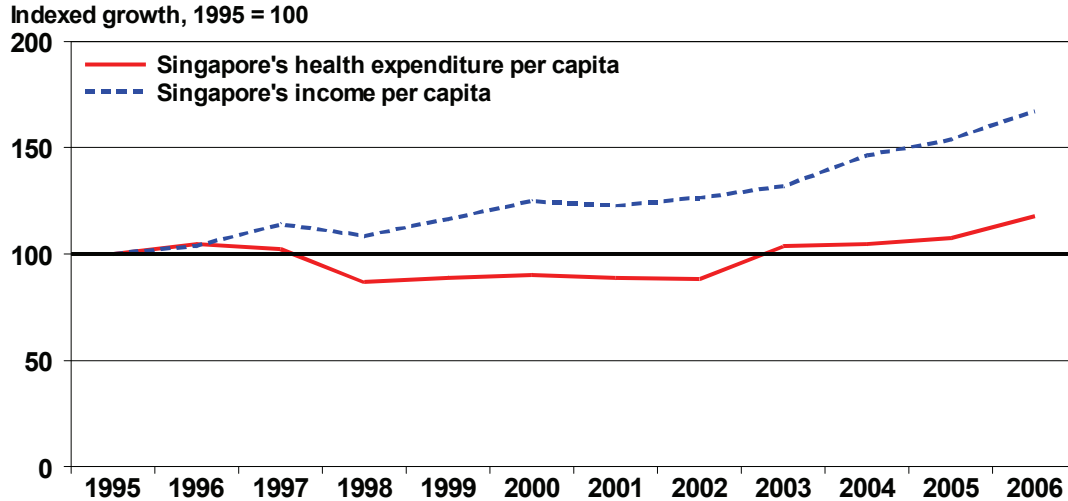
Source: World Health Organization

Singapore's health expenditures and income per capita



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Indexed growth, 1995

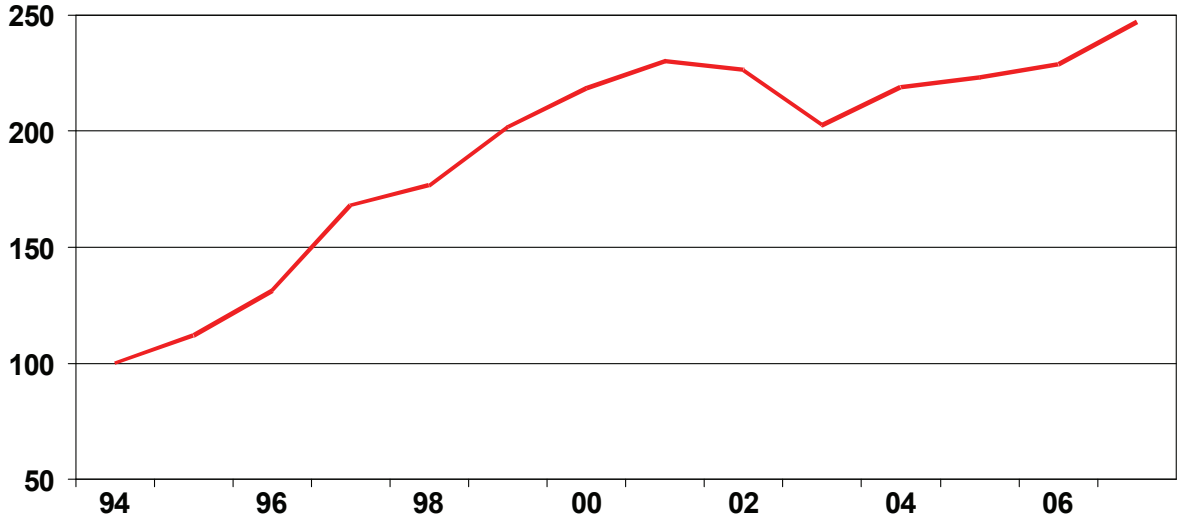


Source: World Health Organization



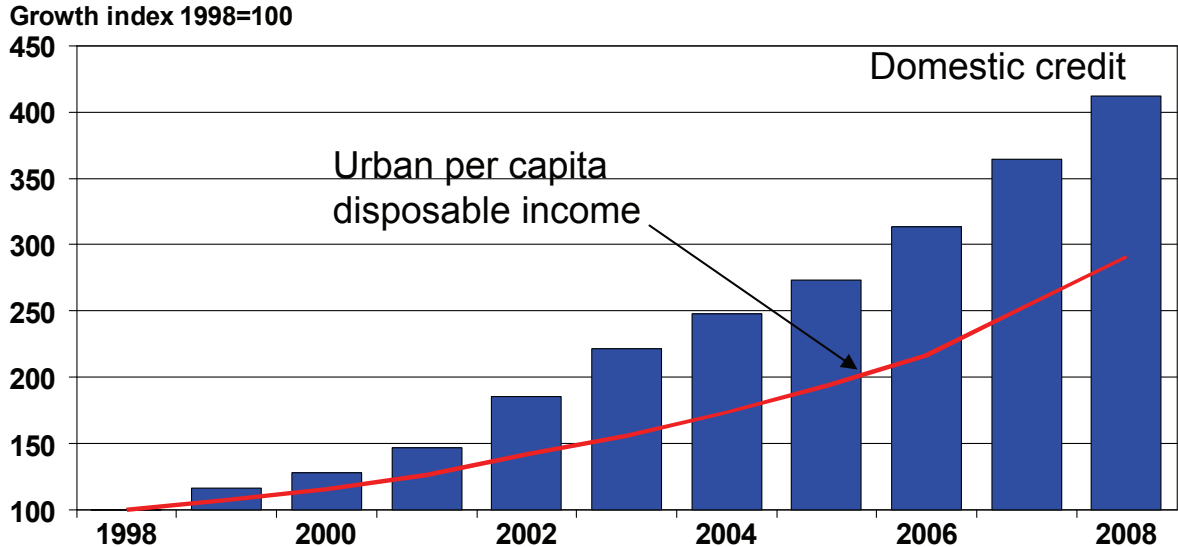
China domestic tourist per capita expenditures

Growth index 1994=100



Source: National Bureau of Statistics of China.

Domestic credit growing faster than per capita disposable income

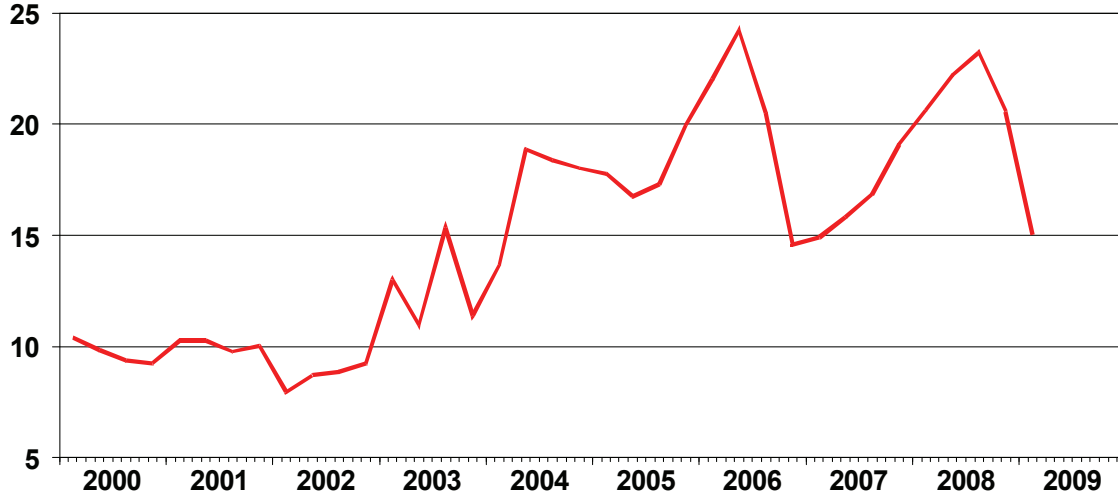


Source: National Bureau of Statistics of China.

China retail sales

Billions of Yuan

Percent change from preceding year



Source: China Statistics Monthly.

Consumer spending



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U.S.

Housing	32.7%
Transportation	18.0%
Food	12.8%
Insurance/pensions	11.2%
Healthcare	5.7%
Entertainment	5.1%
Apparel and services	4.1%
Cash contributions	3.6%
Education	2.0%
Personal care products	1.2%

China

Food	23.0%
Education	15.0%
Housing	10.0%
Clothing	8.0%
Other	8.0%
Transportation	6.0%
Healthcare	5.0%
Communication	5.0%

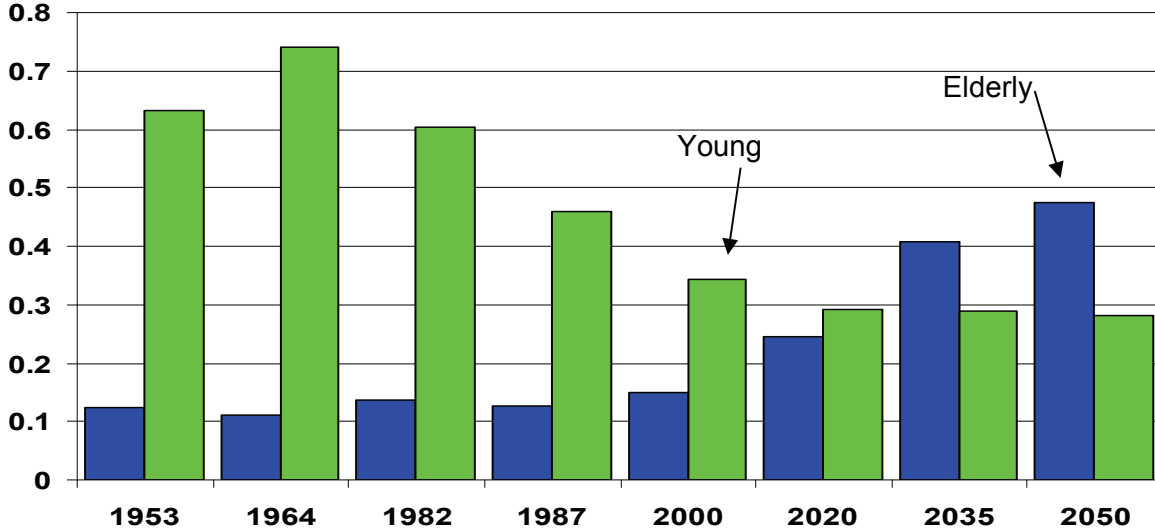
Source: U.S. Bureau of Labor Statistics/CLSA.



Unemployed surging

- In 2008, 6.5-9.1 million migrants were laid off in coastal areas and industries.
- In 2009, an estimated 47-53 million non-agricultural workers will compete for 6-7 million jobs in the non-agricultural sector.
- 2008 to Q1 2009, toy manufacturing firms in the Pearl River Delta shrunk by 5,000, dropping from 8,000 to 3,000 in 15 months.

Number of dependents supported by one adult in China

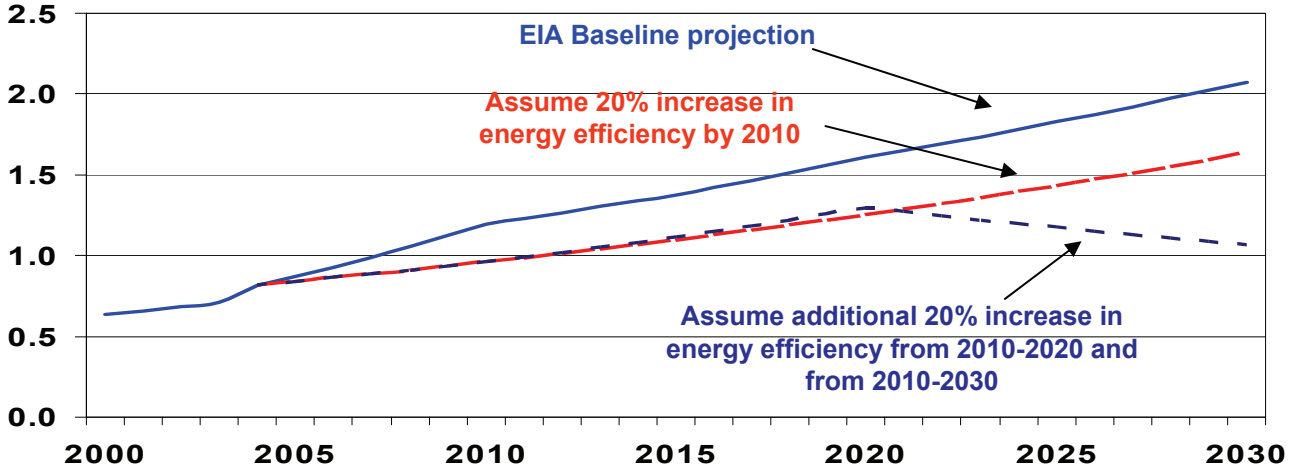


Source: National Bureau of Statistics of China



China can cut 1 billion metric tons of carbon dioxide per year by 2030 if proper measures are taken to improve energy efficiency

Billion Metric Tons Carbon Dioxide



Source: EIA, Milken Institute staff calculation.

Environmental overview

China



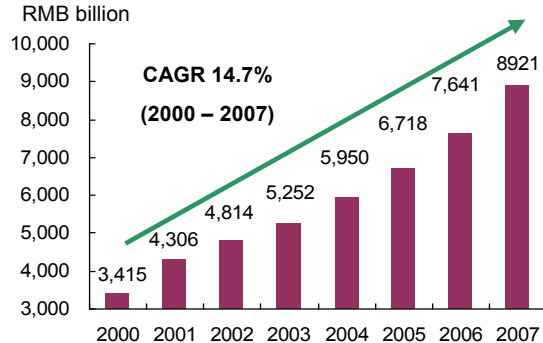
- **China owns 7% of world's farmable land.**
- **Over 75% of rivers are unusable for farming or drinking.**
- **Between 2001 and 2020, 600,000 people/year are expected to suffer premature deaths due to air pollution.**
- **30% of acid rain that falls in China is blamed on the burning coal.**
- **The World Bank calculated that pollution costs China about 5.8 % of GDP every year.**

China

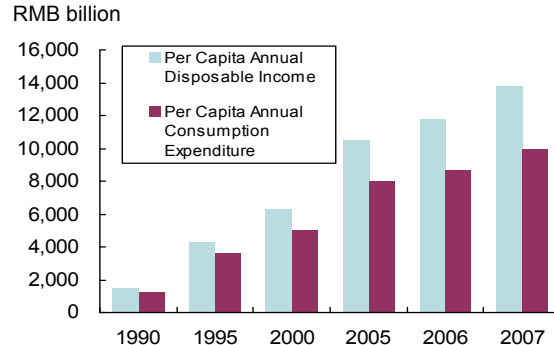
Transition to a consumption economy

- As Chinese people become more affluent, they spend more on improving their standard and quality of living
- Retail sales of consumer goods in China has increased by a 14.7% CAGR during 2000 to 2007

Retail Sales of Consumer Goods in China
2000 to 2007



Per Capita Annual Disposable Income & Consumption
Expenditure of Urban Households



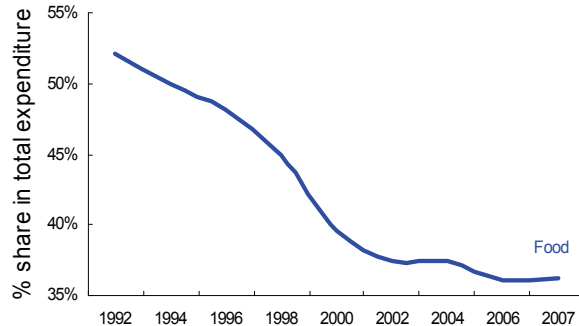
Source: China Statistical Yearbook (2008).

Chinese consumers

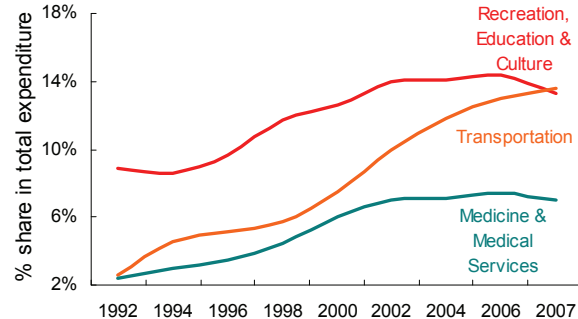
Moving up the “Consumption Ladder”

- Rising disposable income => money spills over into spending on “non-essential” goods and services
- Increasing discretionary spending on traveling, recreation, entertainment and medical services

Food consumption as a % of total expenditure is declining



Leisure & entertainment expenditure as a % of total expenditure is increasing



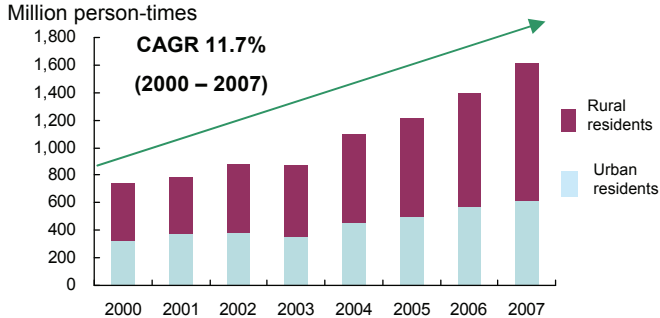
Source: China Statistical Yearbook (2008).

Booming tourism in China

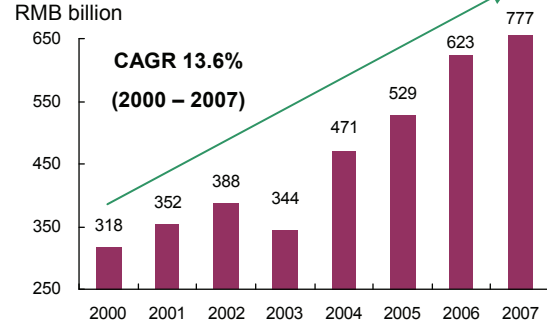
Quality drives demand

- 1,610 million domestic trips were made by Chinese visitors in 2007 as compared to 744 million in 2000
- Quality vacation options, robust economic growth and higher disposable income have contributed to a 'holiday economy', thereby boosting domestic tourism

Domestic Tourists in China



Domestic Tourism Expenditure in China

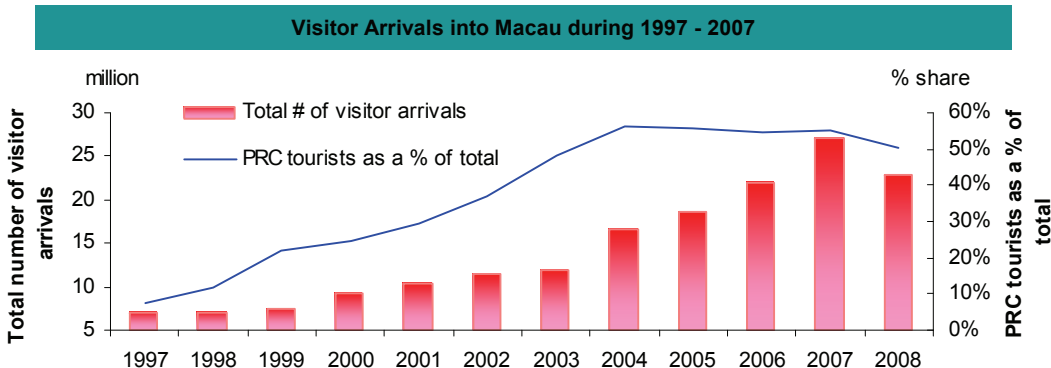


Source: China Statistical Yearbook (2008).

Effect on Macau

A primary beneficiary of China's consumption upcycle

- Macau - a convincing play on China's consumption upcycle and structural shift in consumption pattern
 - ✓ Emergence of the middle-class cluster
 - ✓ Gradual relaxation of the individual travel scheme in China



Source: DSEC.

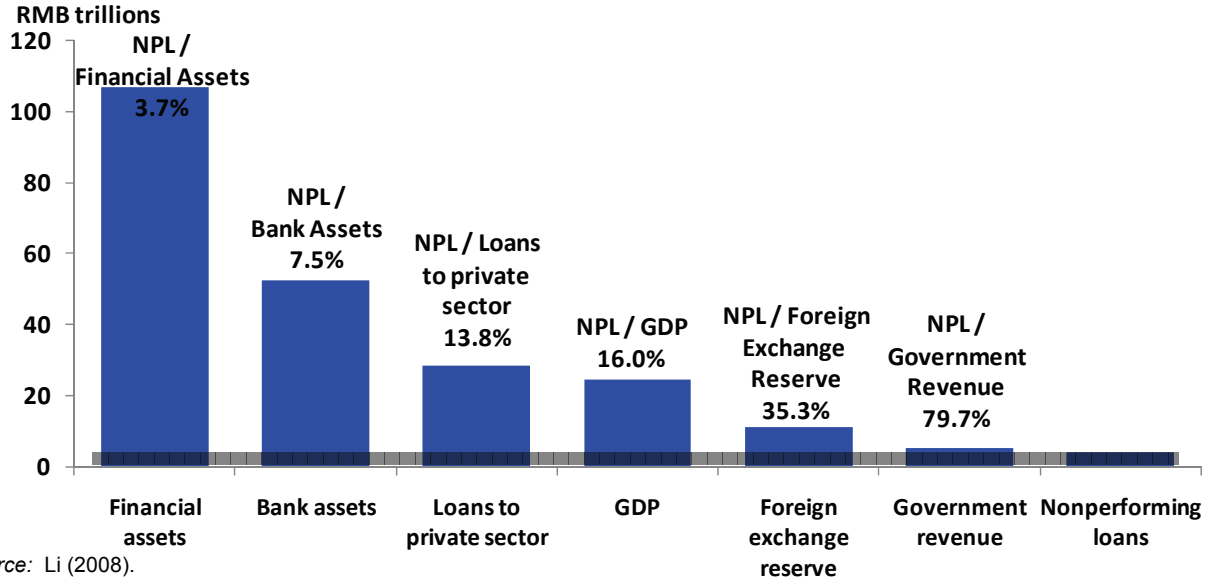


China's nonperforming loans: 2007

Institution	Renminbi billions
Commercial banks	1,268.5
Development banks	90.7
Rural credit unions	644.5

Source: Li (2008).

China's nonperforming loan problem in perspective (2007)



Source: Li (2008).