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# Economic News

## GROWTH IN CHINA

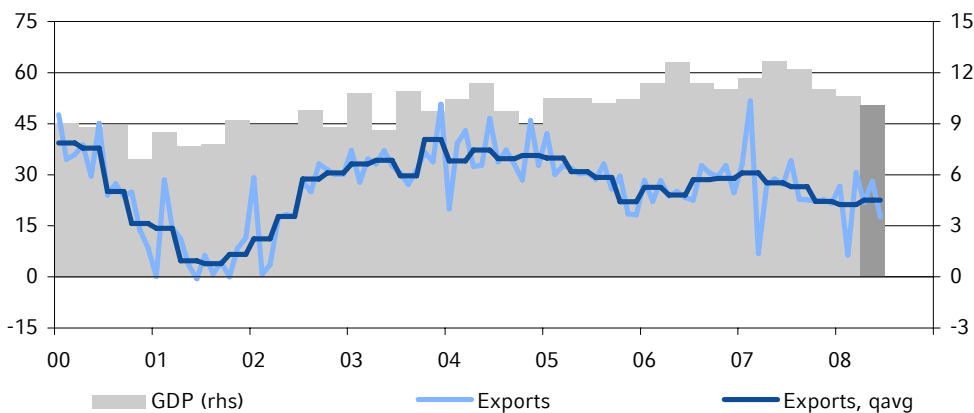
### Slight slowdown of GDP growth in second quarter

The 10.2% y/y second-quarter growth reported in the media on Monday was not entirely confirmed this morning. With official GDP growth of 10.1% y/y, economic expansion in China has slowed for the fourth time in a row, matching the level last seen in 2005.

- The significant growth of retail sales – up 21.4% in the first half-year – suggests that, despite the burdens of higher administered energy prices and generally high inflation, private consumption continues to be very positive. Owing to flagging external demand and steady firming of the renminbi against the US dollar, the growth of exports has slowed. Despite monetary policy's putting on the brakes, investment spending rose by 26.3% y/y in the first half year. This was probably driven in part by infrastructure investment in the earthquake and flood regions.
- China's trade surplus was US\$ 99bn in the first half-year, which is US\$ 13.2bn lower than in the previous year. Currency reserves were estimated at US\$ 1,809bn in June, which equates to an increase of almost 36% on the year. Sharply rising currency reserves and a simultaneously declining trade surplus suggest that a lot of portfolio capital is flowing into China, with investors probably hoping to take advantage of currency gains from the expected continued firming of the renminbi.
- The National Bureau of Statistics has claimed that the economic cooldown is in line with expectations. In light of the upcoming Olympic Games, we assume that the Chinese government will not make any major changes to its current programme of economic measures in Q3.

### China: GDP and exports

% y/y



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