

BUFF/09/113

July 7, 2009

**Statement by the Staff Representative on the People's Republic of China**  
**Executive Board Meeting**  
**July 8, 2009**

The information below has become available following the issuance of the staff report (SM/09/156) and does not alter the thrust of the staff appraisal.

1. **Recent data.** Latest data releases continue to paint a picture of economic recovery.
  - *Purchasing Managers' Indices* continued to rise in June with particular improvements in indices for new export orders.
  - The decline in *industrial profits* moderated during the March–May reporting period with profits helped in part by declining raw material costs and increasing demand.
  - *Net foreign assets* of the People's Bank of China increased by Y291 billion (US\$41 billion) in May, an increase of Y836 billion (US\$121 billion) since end-2008.
2. **Pensions.** The State Council announced a pilot program to provide pensions to rural residents with a partial government subsidy to premium payments. The program includes a basic subsistence pension plus a defined contribution pension based upon individual accounts. Initially the program would be piloted in around 10 percent of counties with an intention to steadily expand coverage in the coming years. The government also announced that 10 percent of the shares of certain domestically listed state owned enterprises would be transferred to the National Social Security Fund. This would provide additional resources of around 0.2 percent of GDP to finance pension expenditures.
3. **Energy prices.** The government raised the prices of gasoline and diesel at end-June by around 8–10 percent, following an increase of 6–7 percent earlier in the month. This reflects the policy, introduced earlier this year, to adjust domestic fuel prices alongside changes in international crude prices.
4. **Internationalization of renminbi.** On June 29, the People's Bank of China signed a memorandum of cooperation with the Hong Kong Monetary Authority to facilitate the pilot scheme for the use of the renminbi in settling cross-border trade transactions between the Mainland and Hong Kong SAR. The administrative rules were promulgated on July 1. Under the agreement, Hong Kong banks can provide related renminbi services to enterprises that use the renminbi to settle trade transactions with counterparts in five Mainland cities.

5. ***IPOs***. The Shenzhen stock exchange announced its first initial public offerings since September with the listing of a small pharmaceutical company, as well as approval for several other companies to float shares in the near future.