

BUFF/10/111

July 22, 2010

**Statement by the Staff Representative on the People's Republic of China**  
**Executive Board Meeting**  
**July 26, 2010**

The following information has become available following the issuance of the staff report. It does not alter the thrust of the staff appraisal.

1. **Recent data.** Latest data releases indicate growth is on track to reach into the double digits this year, while inflationary pressures are abating.

- *Real GDP growth* slowed to 10¼ percent year-on-year in the second quarter of 2010, down from 11.9 percent in the first quarter. This is in line with staff forecasts. Investment and a rebound in net exports were the main drivers of growth in the second quarter.

- *Consumer and producer price inflation* eased in June as food and commodity price inflation slowed.

	2009	2010			
		Q1	Apr	May	Jun
CPI inflation (y/y, eop)	1.9	2.4	2.8	3.1	2.9
PPI inflation (y/y, eop)	1.7	5.9	6.8	7.1	6.4

Sources: CEIC database.

- *The trade surplus* grew in June to US\$ 20 billion. As in May, export growth continued to outpace imports.
- *Gross official reserves* were broadly flat in the second quarter at US\$ 2.45 trillion.
- *Provisioning for nonperforming loans* rose to 186 percent by end-June.

2. **Property Market.** There are signs the government's measures to cool off the property market have started to have an impact with sales volumes continuing to be low and a slowdown in residential property prices in the major cities.

3. **Exchange Rate.** In the four weeks following the return to the pre-crisis managed floating system, the exchange rate has appreciated by about ¾ percent against the U.S. dollar and depreciated by ¾ percent in nominal effective terms.

4. **IPOs.** Agricultural Bank of China was listed in both Shanghai and Hong Kong SAR. Proceeds from the dual listing were US\$ 19.2 billion.

