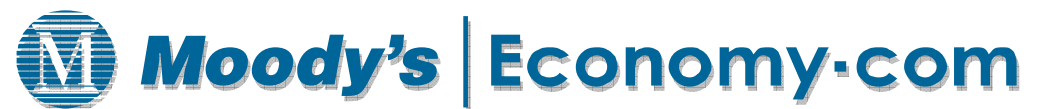


Outlook for China and India

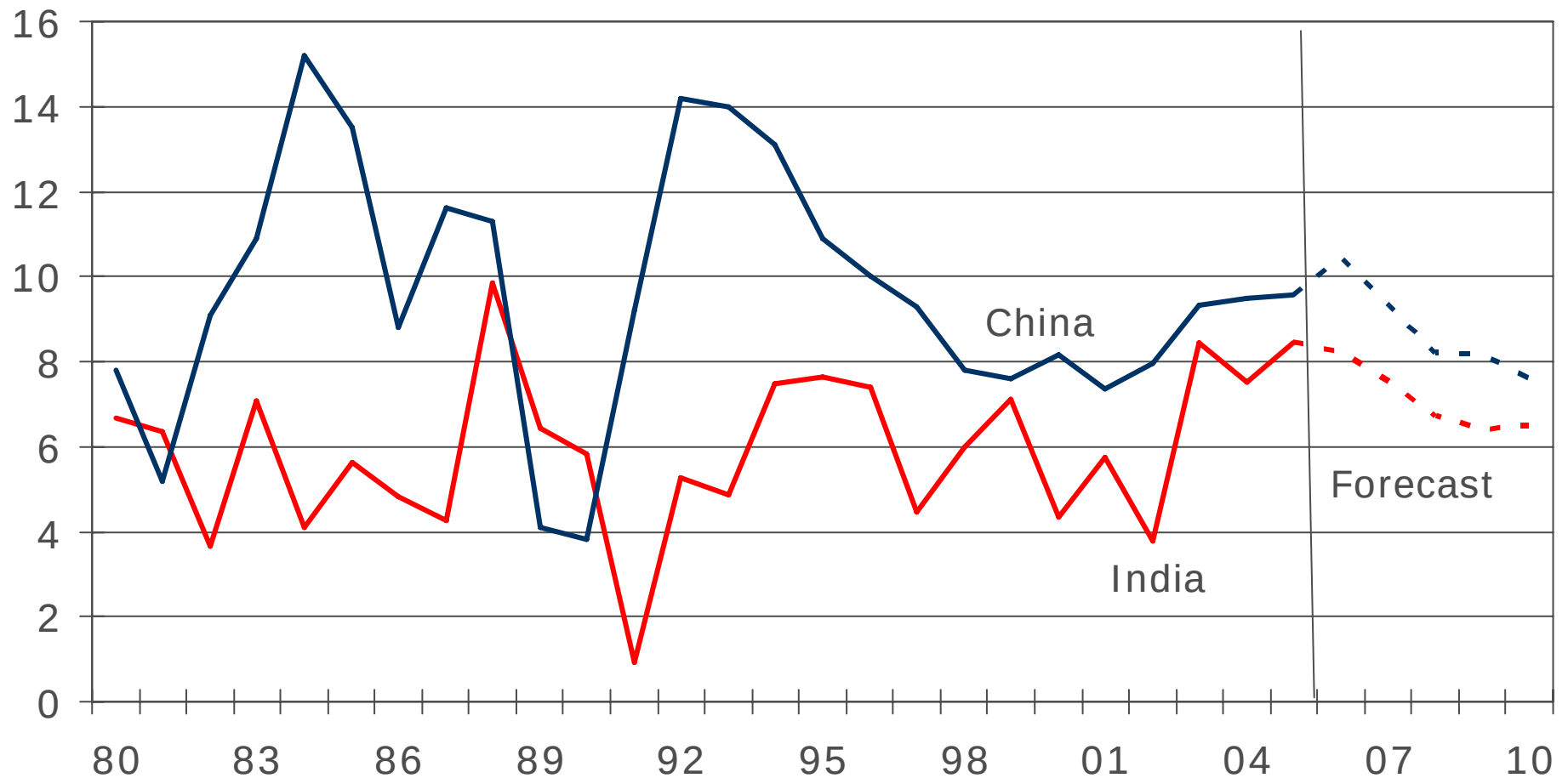
Presented by:
Virendra Singh,
Senior Economist

November 6, 2006



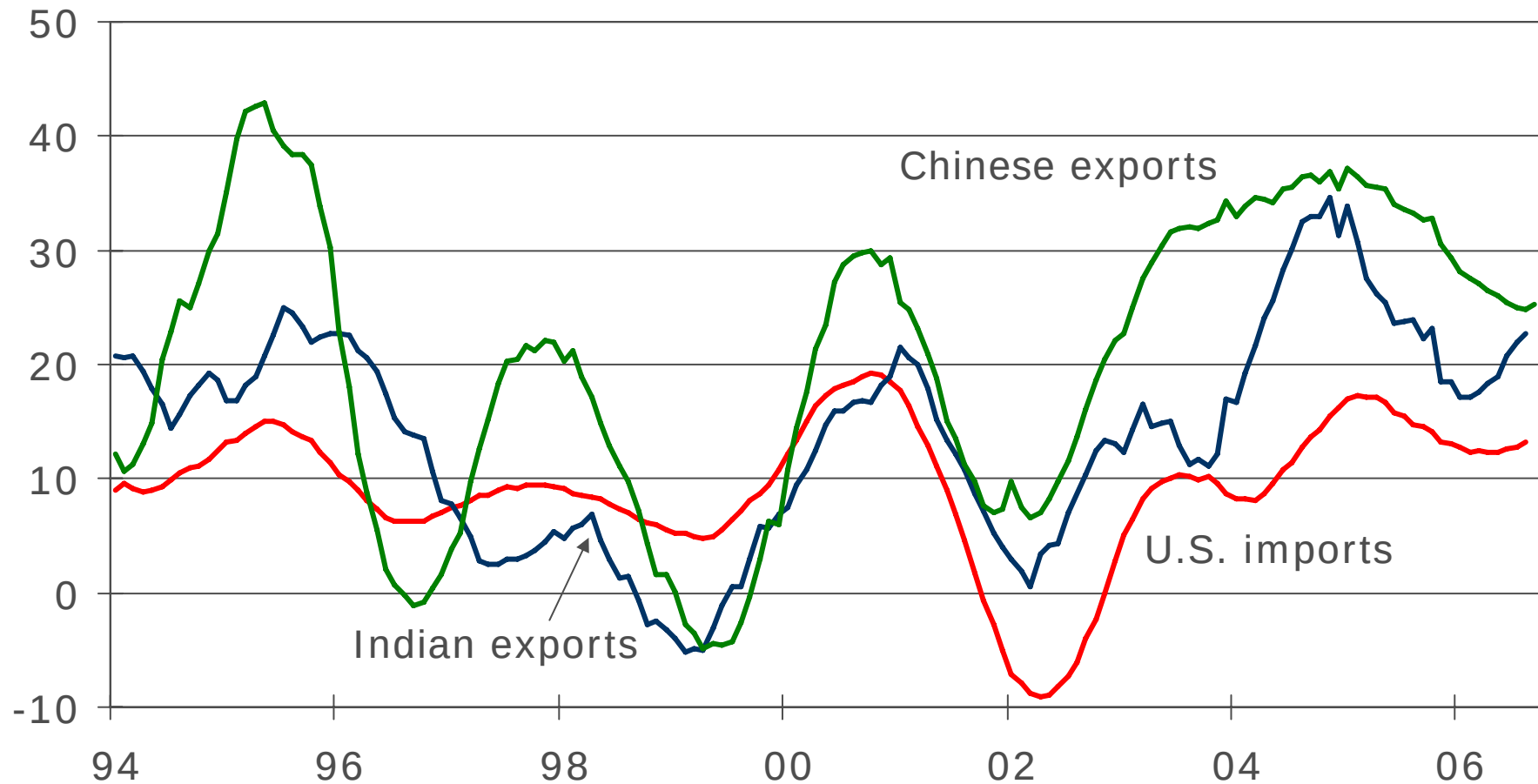
Outlook for China and India

Real GDP, % change year ago



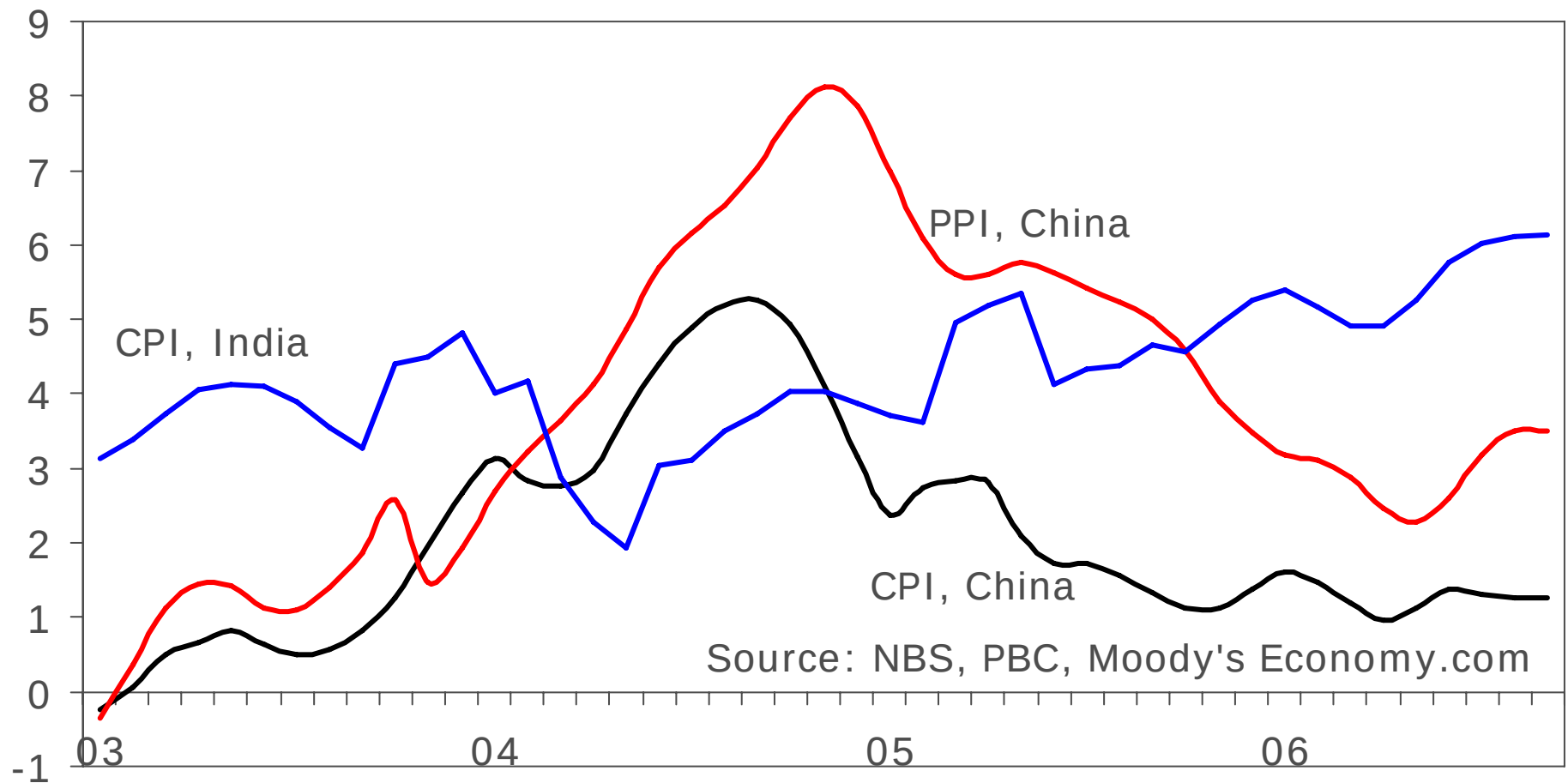
A U.S. Downturn Will Affect Extra-Asian Trade

% change year ago, 12 mo. MA



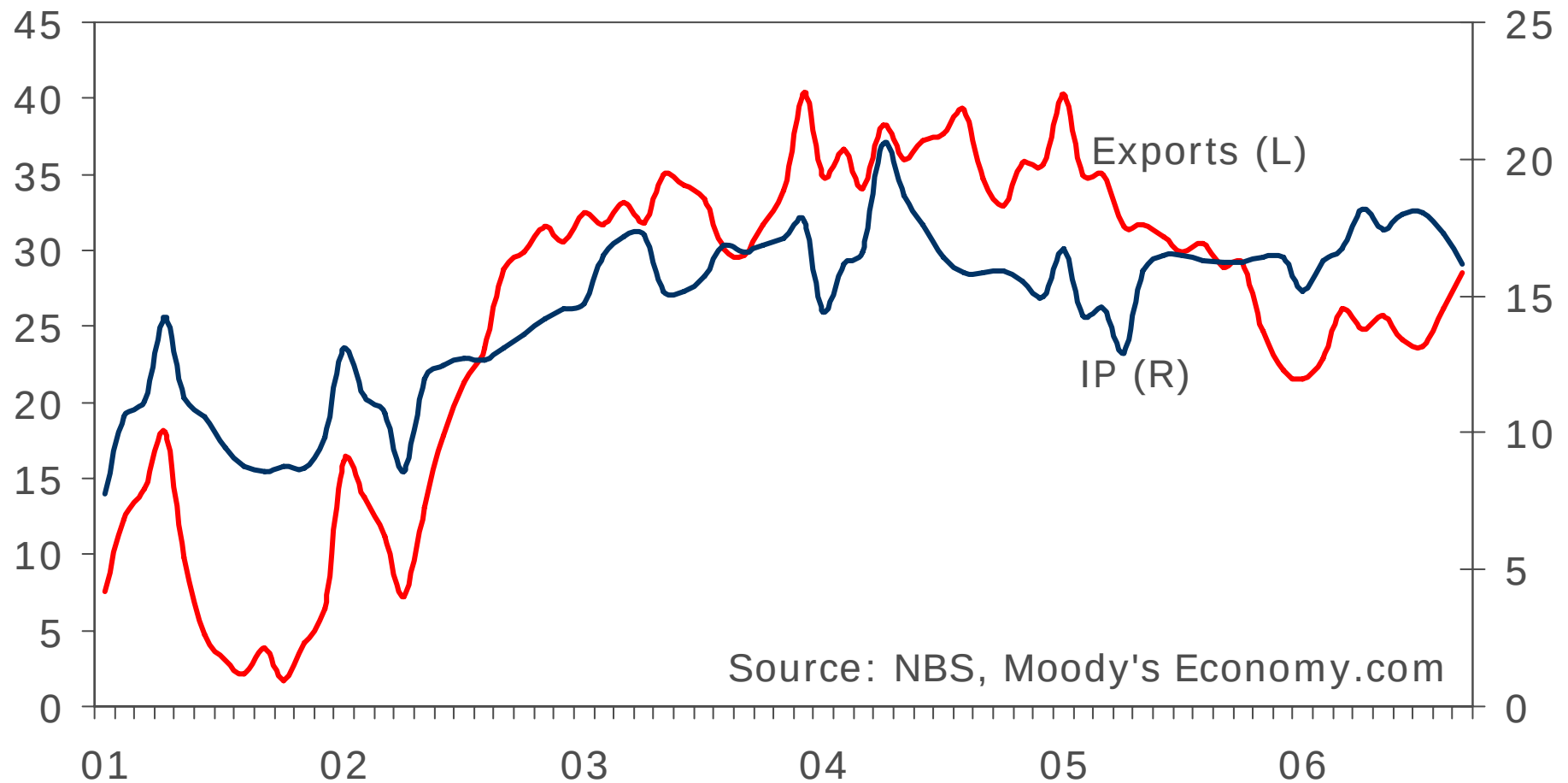
Inflationary Pressures Increase

Y-O-Y % change, 3 mo. moving average



China's Economy is Firing on all Cylinders

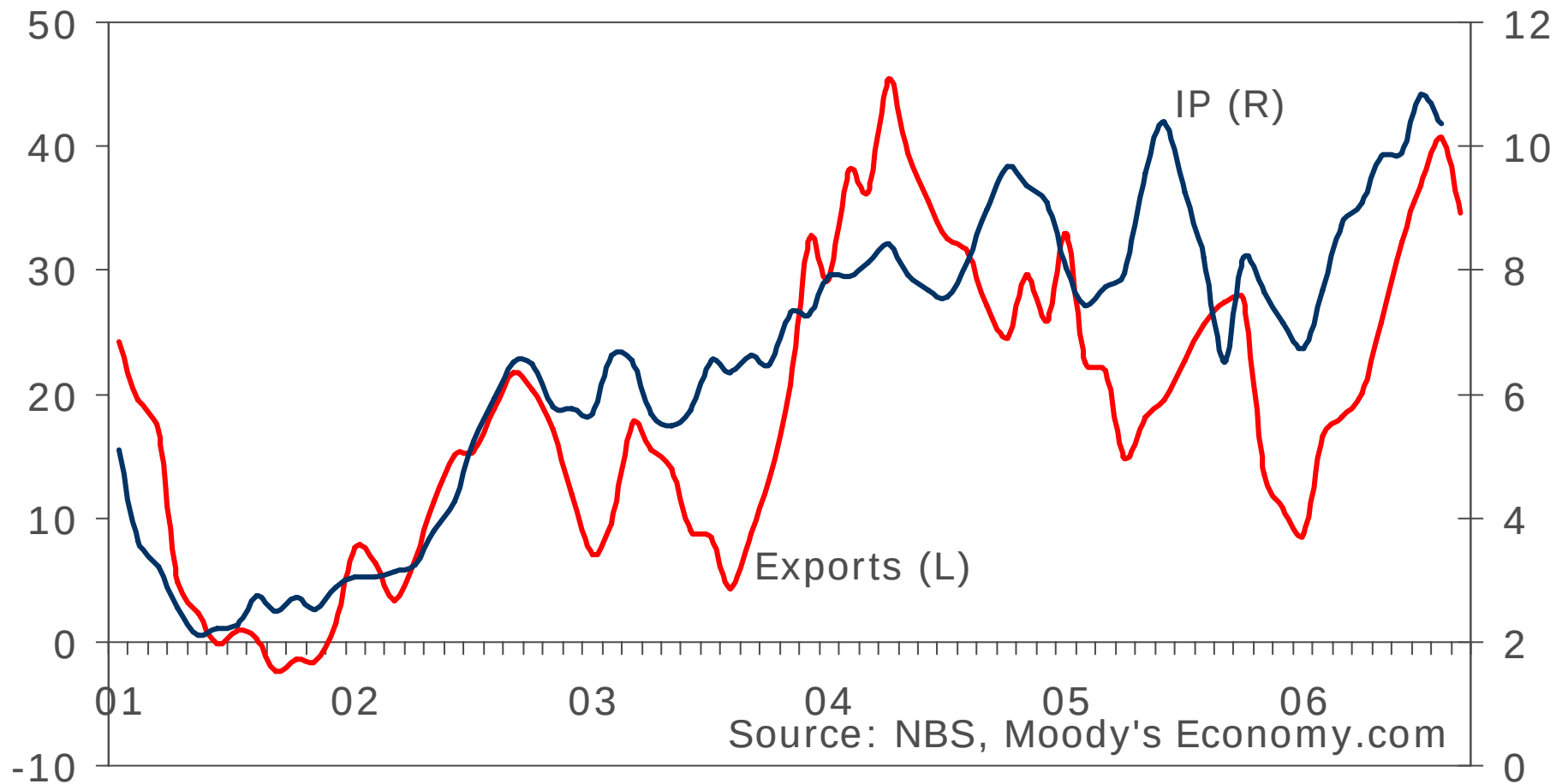
Y-O-Y % change, 3 mo. moving average



Source: NBS, Moody's Economy.com

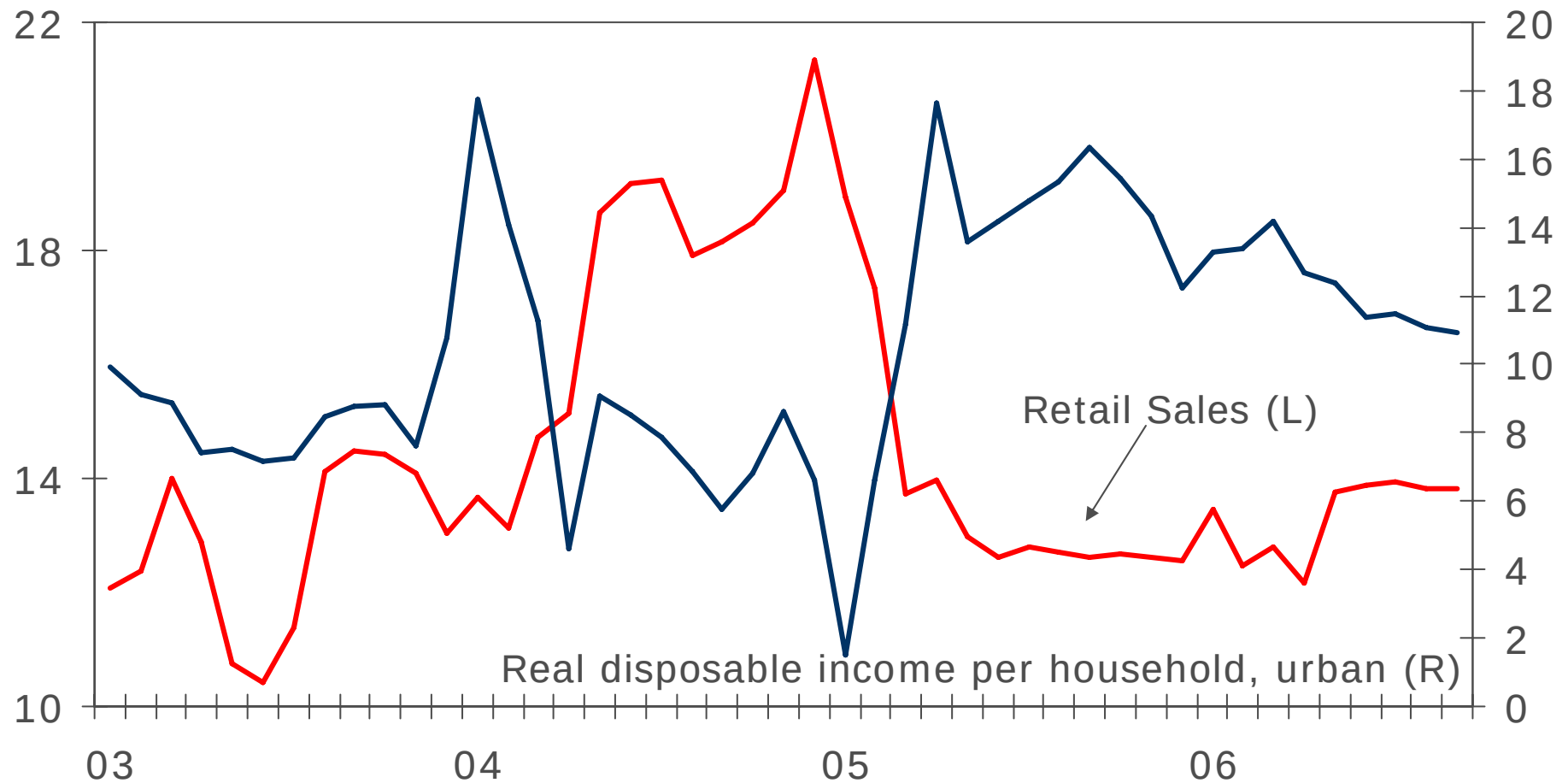
And so is India's

Y-O-Y % change, 3 mo. moving average



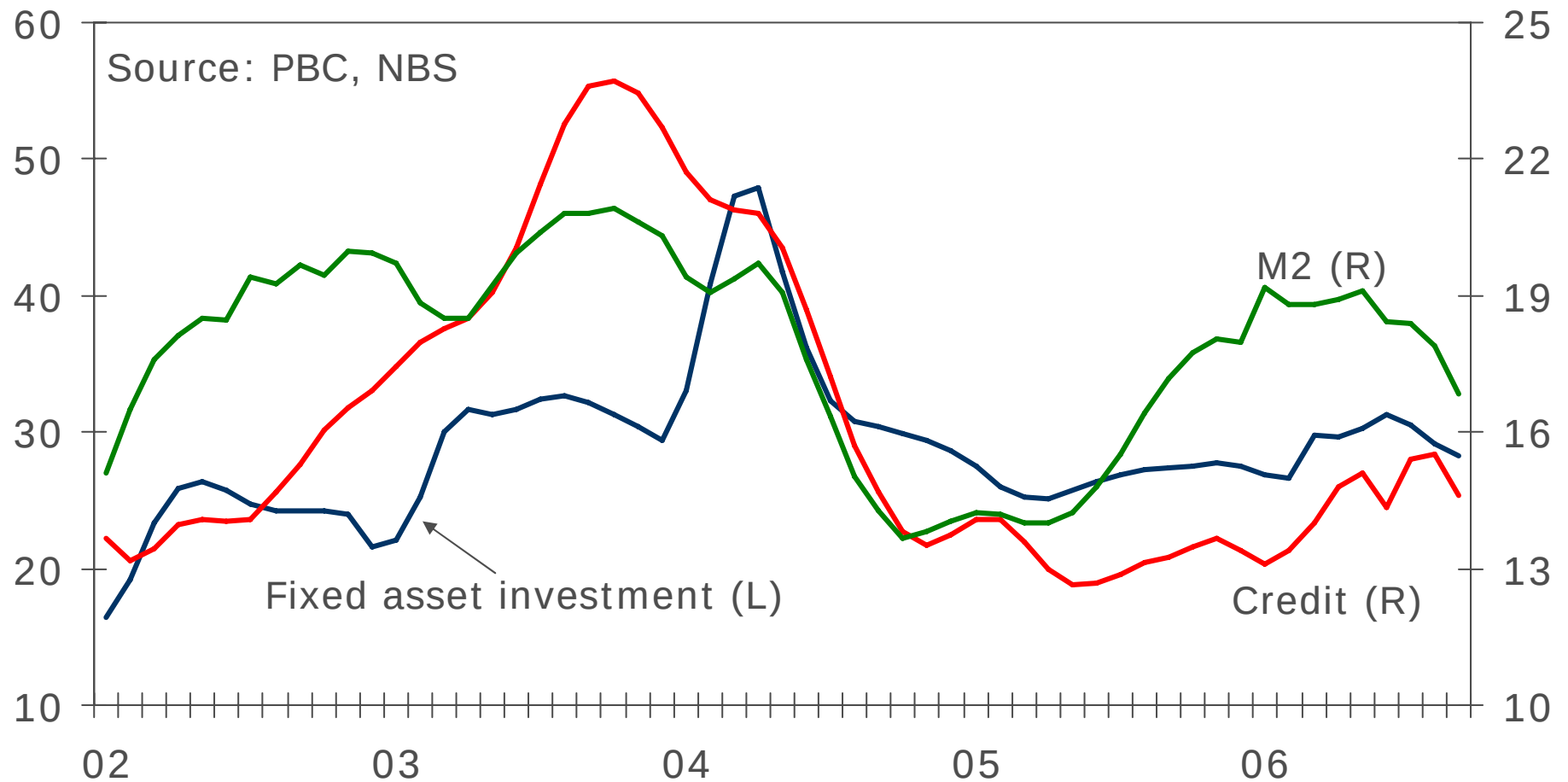
China: Strong Income Growth Buys Spending

Y-O-Y % change, 3 mo. moving average



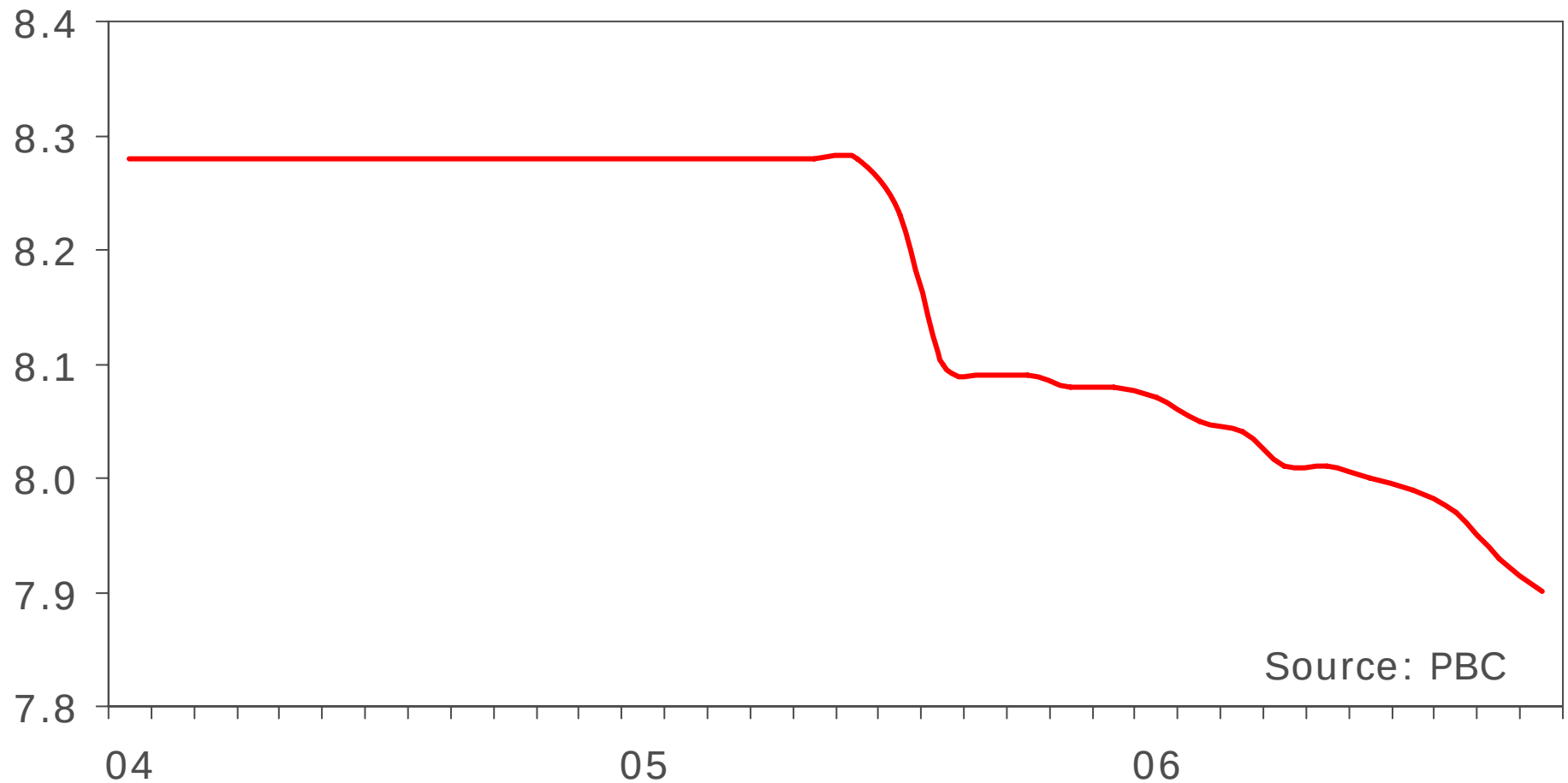
China: Credit Growth Eases

% Change y-o-y, 3 mo. moving average



Helped by a Stronger Yuan

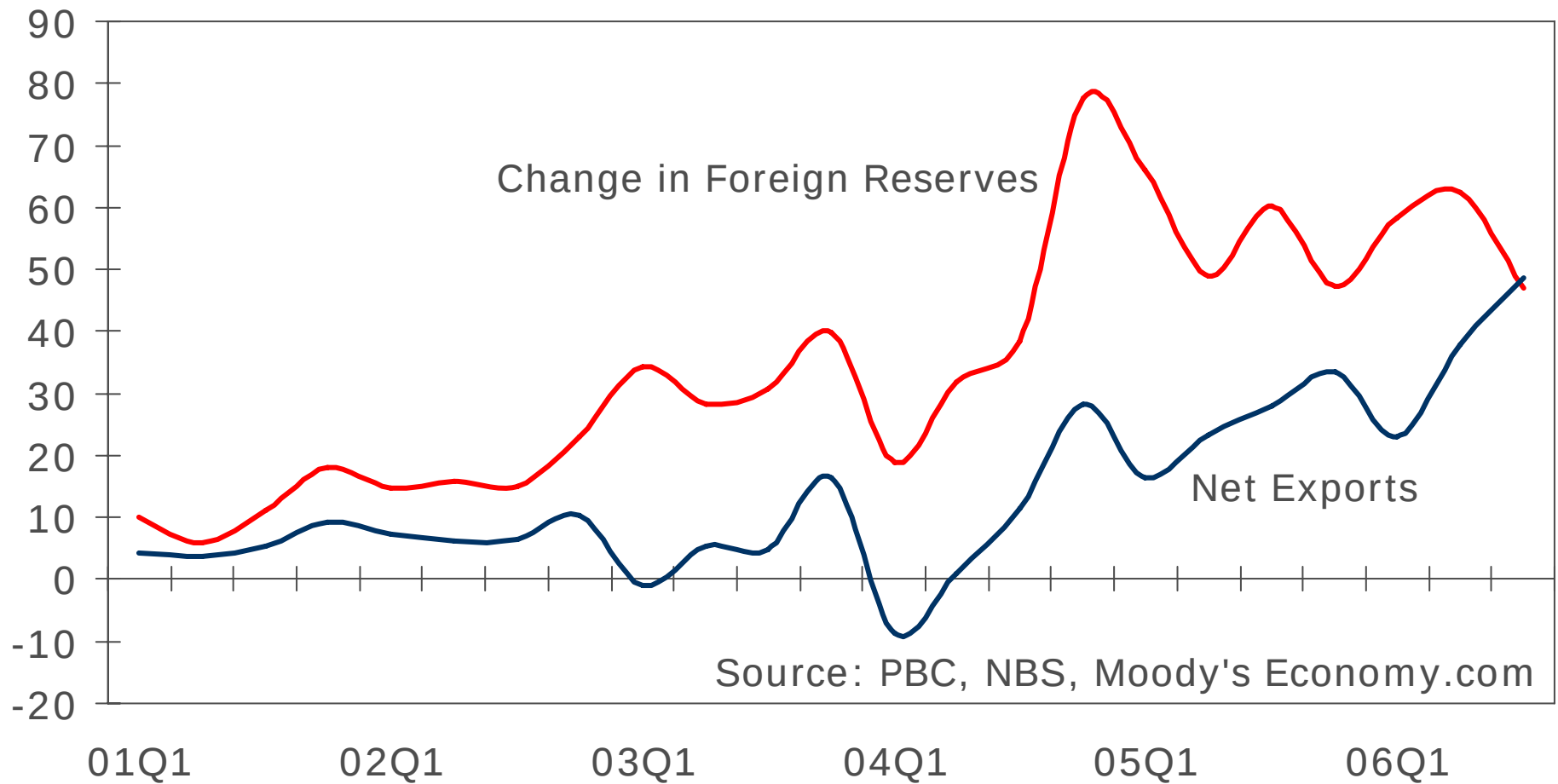
Yuan / US \$



Source: PBC

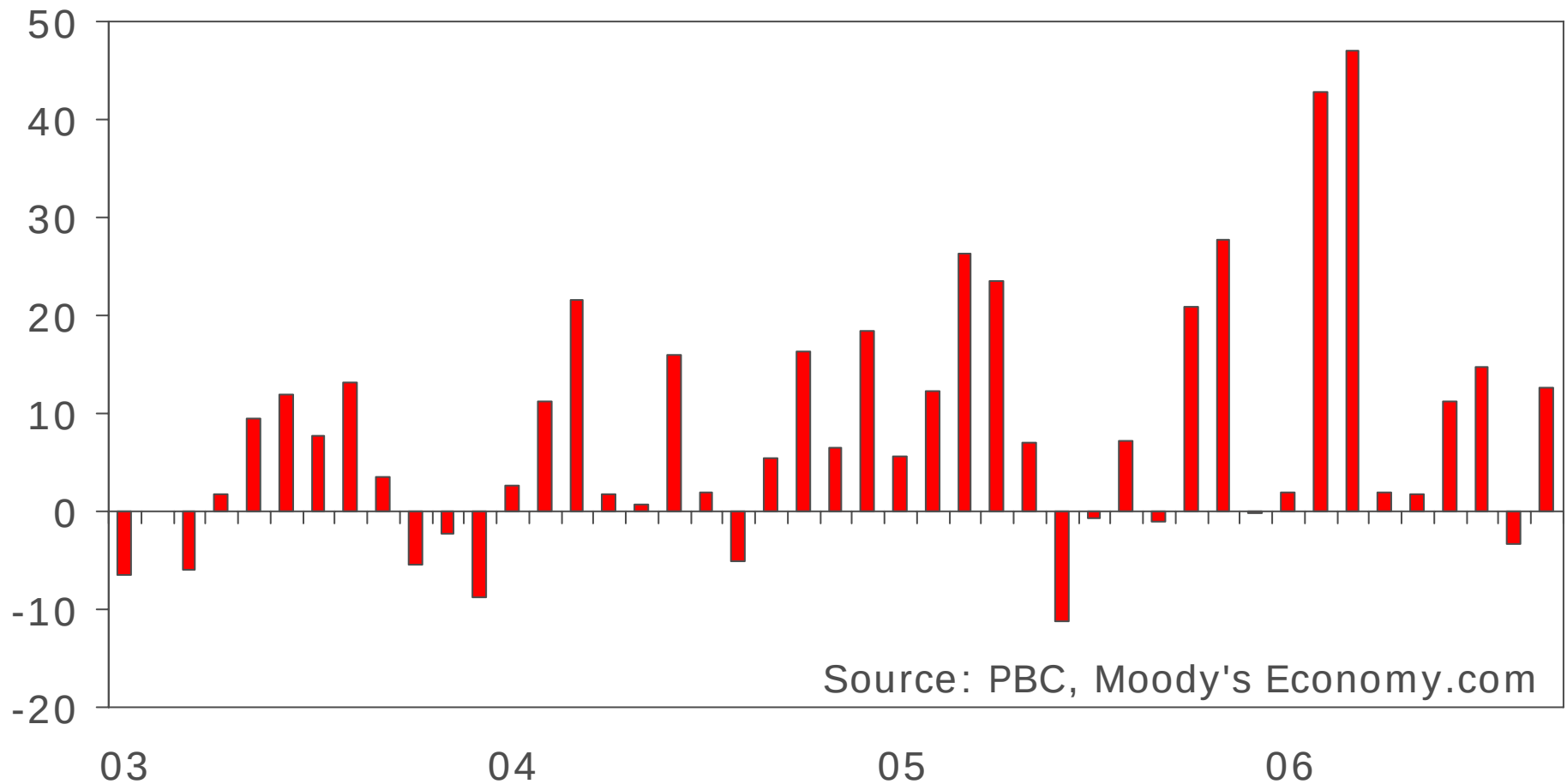
Capital Flows Have Eased

Billion, US\$



People's Bank of China, Bonds Issued, Net

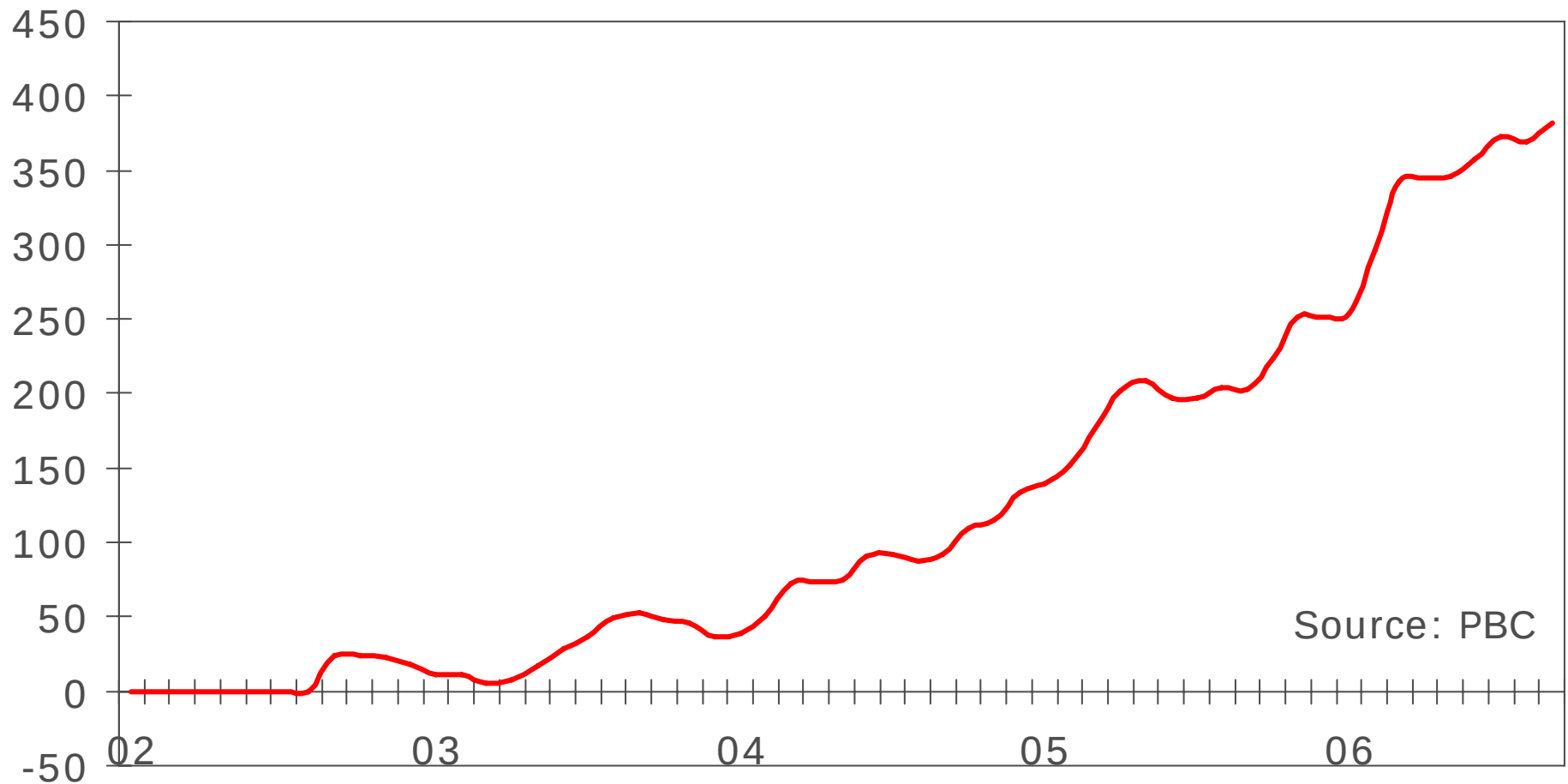
Billion, US\$



Source: PBC, Moody's Economy.com

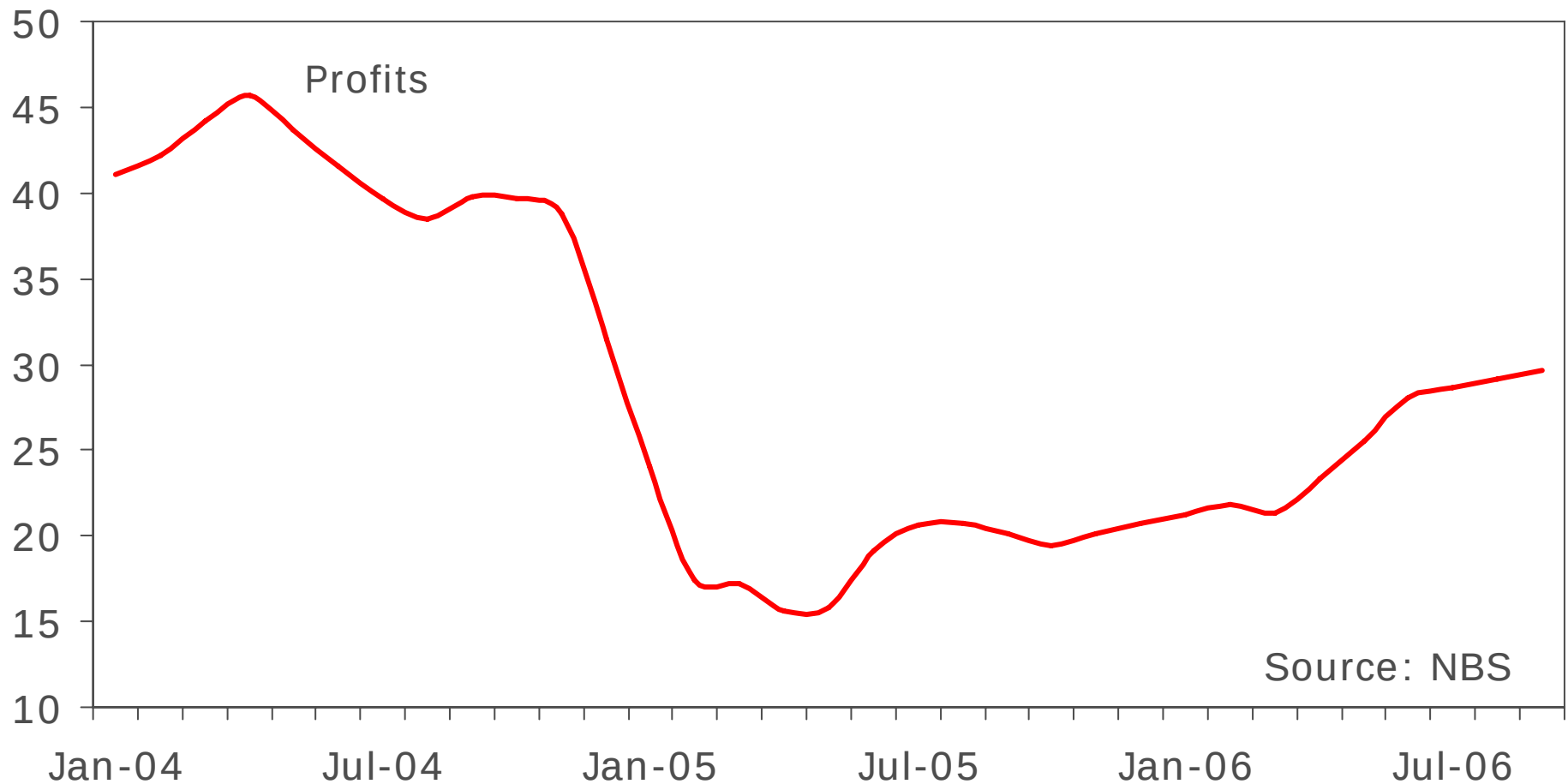
People's Bank of China, Outstanding Bonds

Billion, US\$



But Corporations are Flush with Cash

Y-O-Y % change

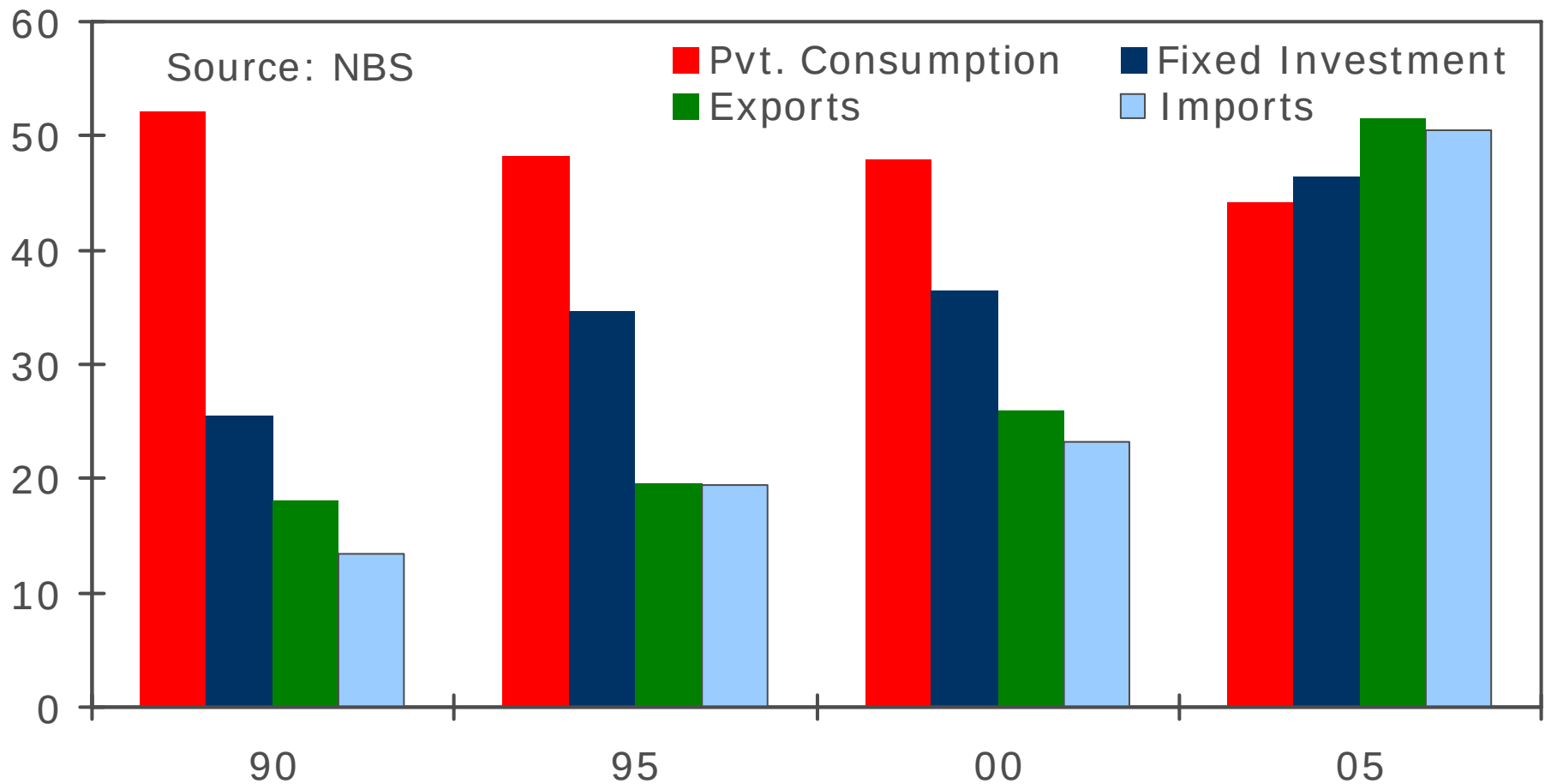




Long-Term Risks

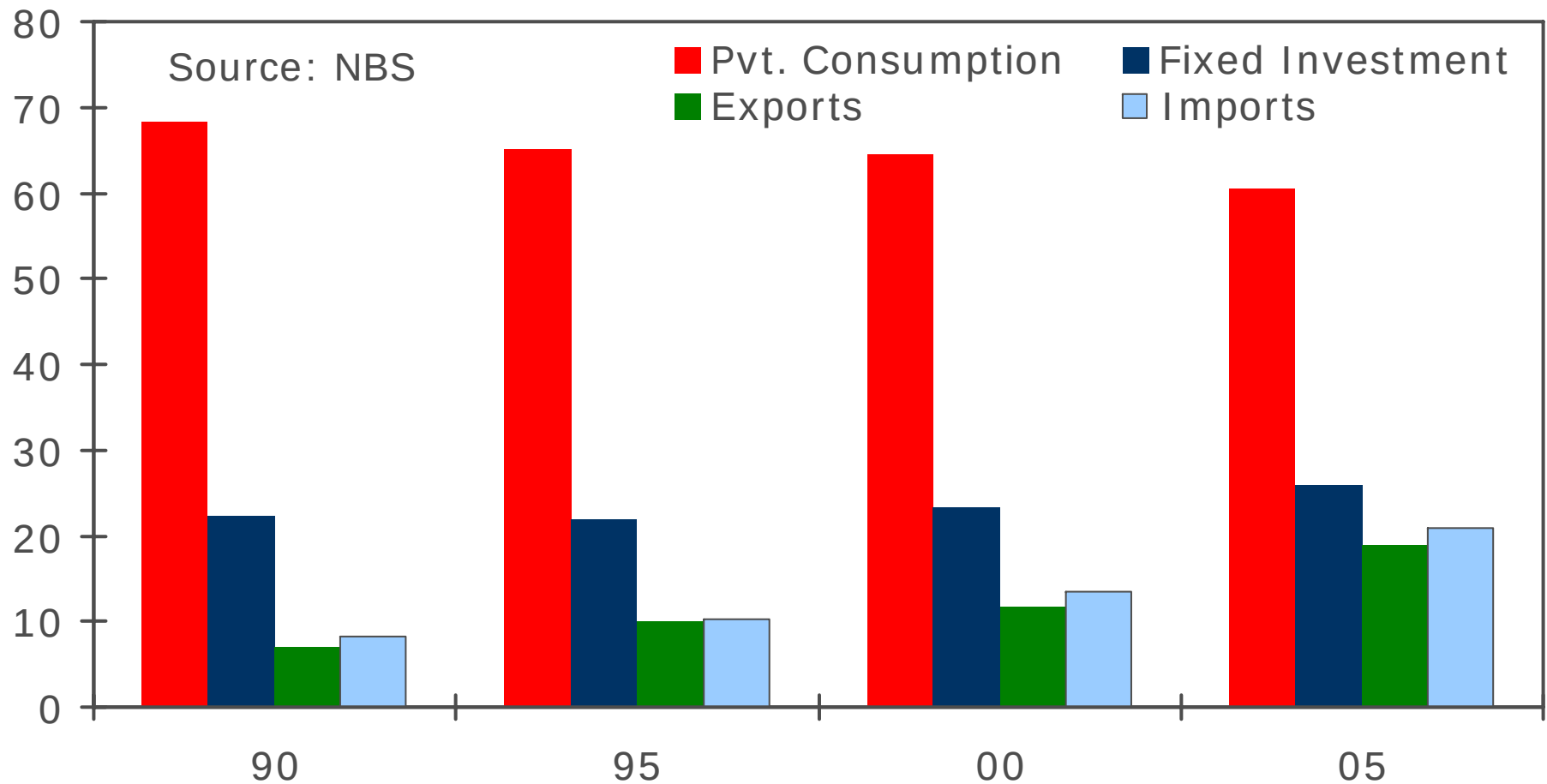
China: Worsening Structural Imbalance

% Share of Real GDP



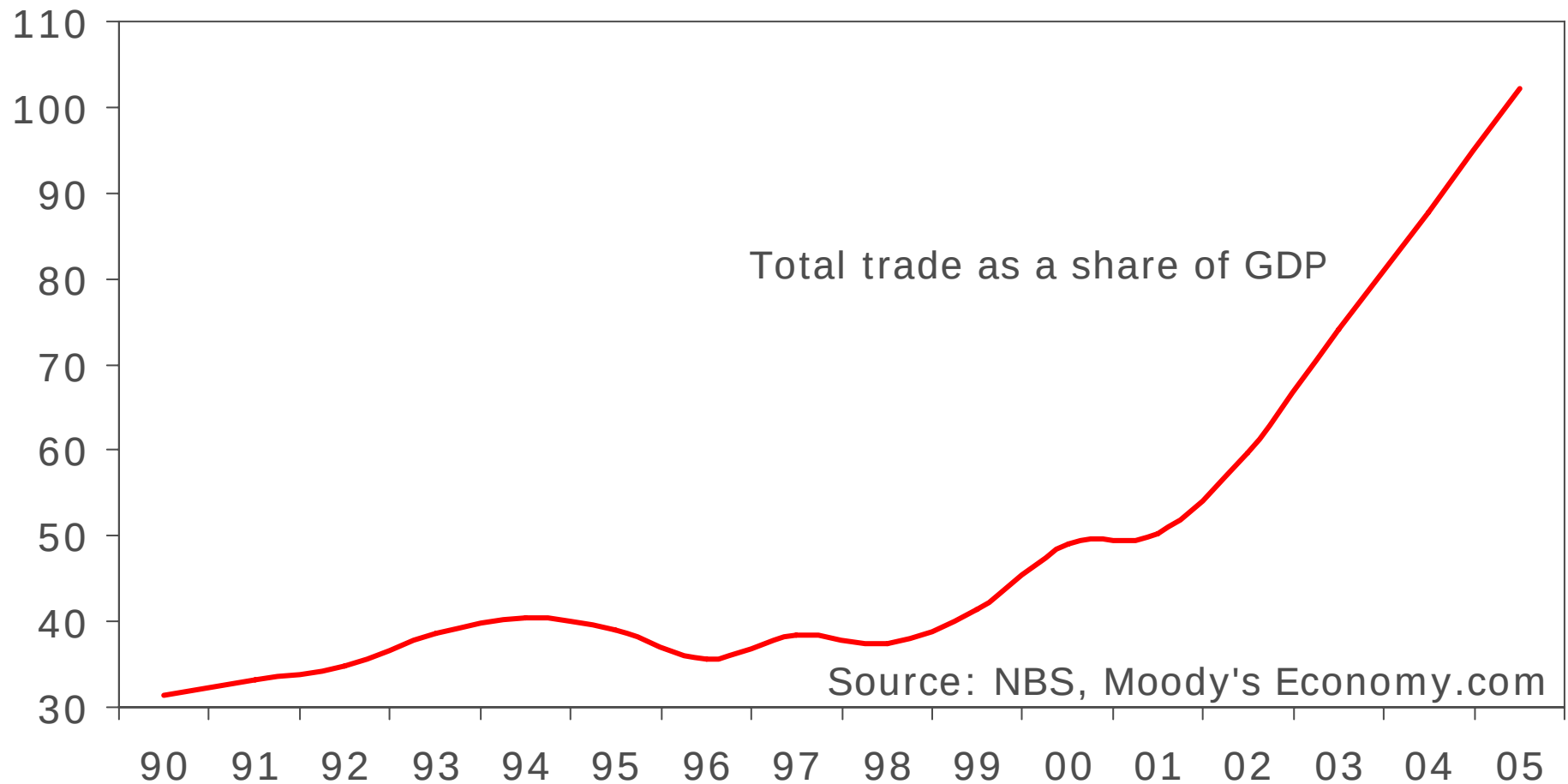
India: A Balanced Global Integration

% Share of Real GDP



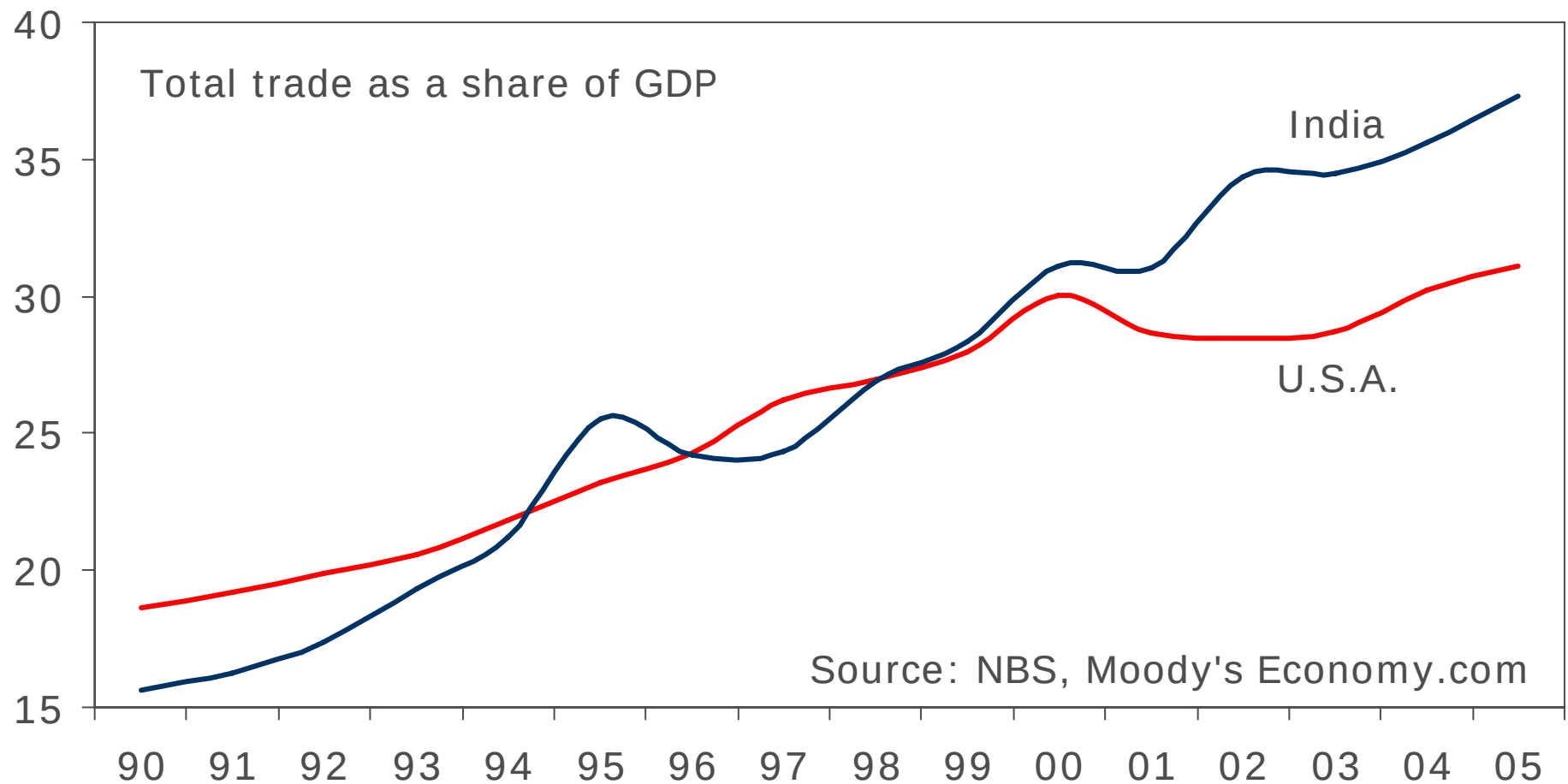
China: Increased Dependence on Trade

Percent



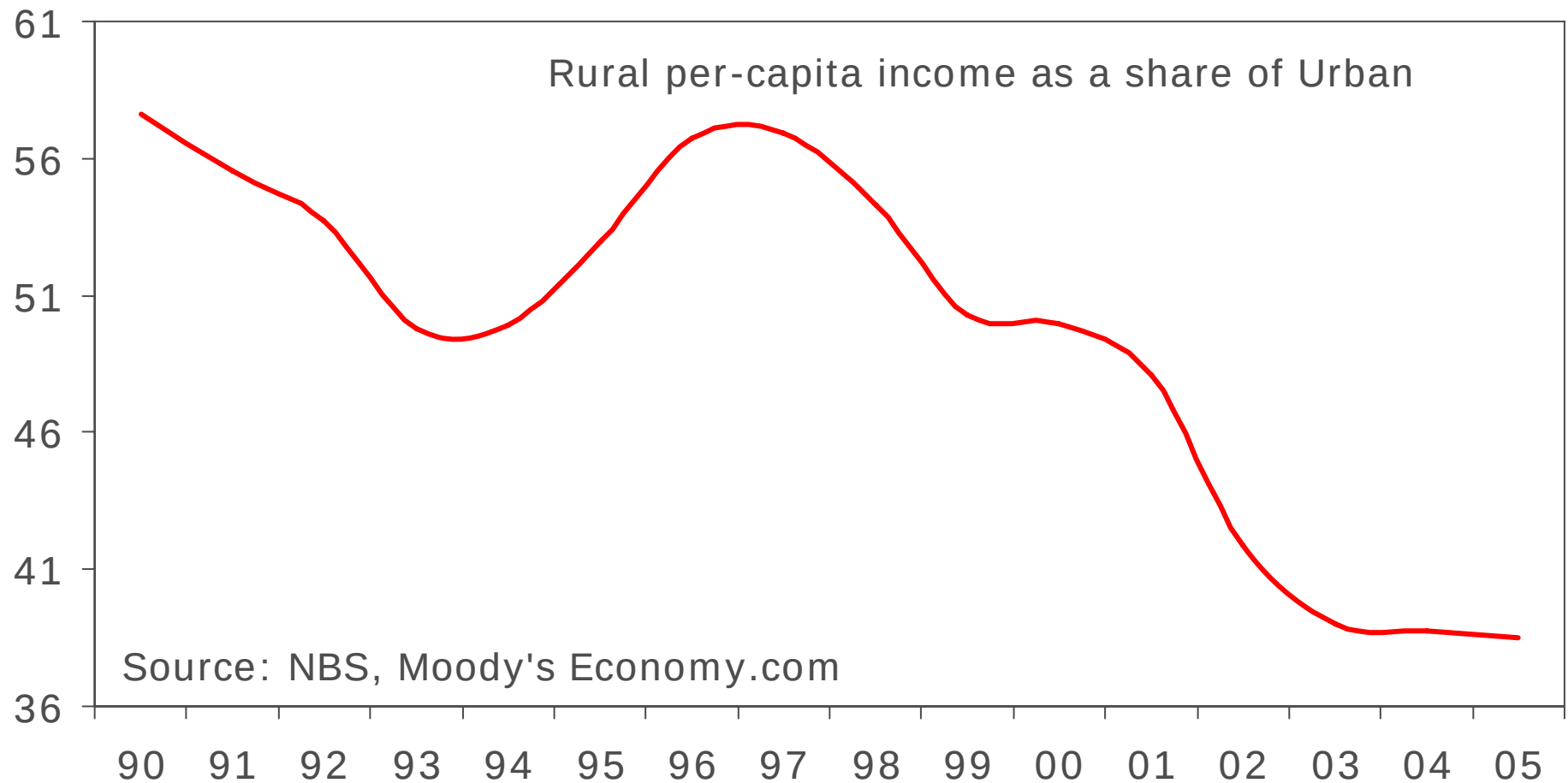
In Contrast...

Percent



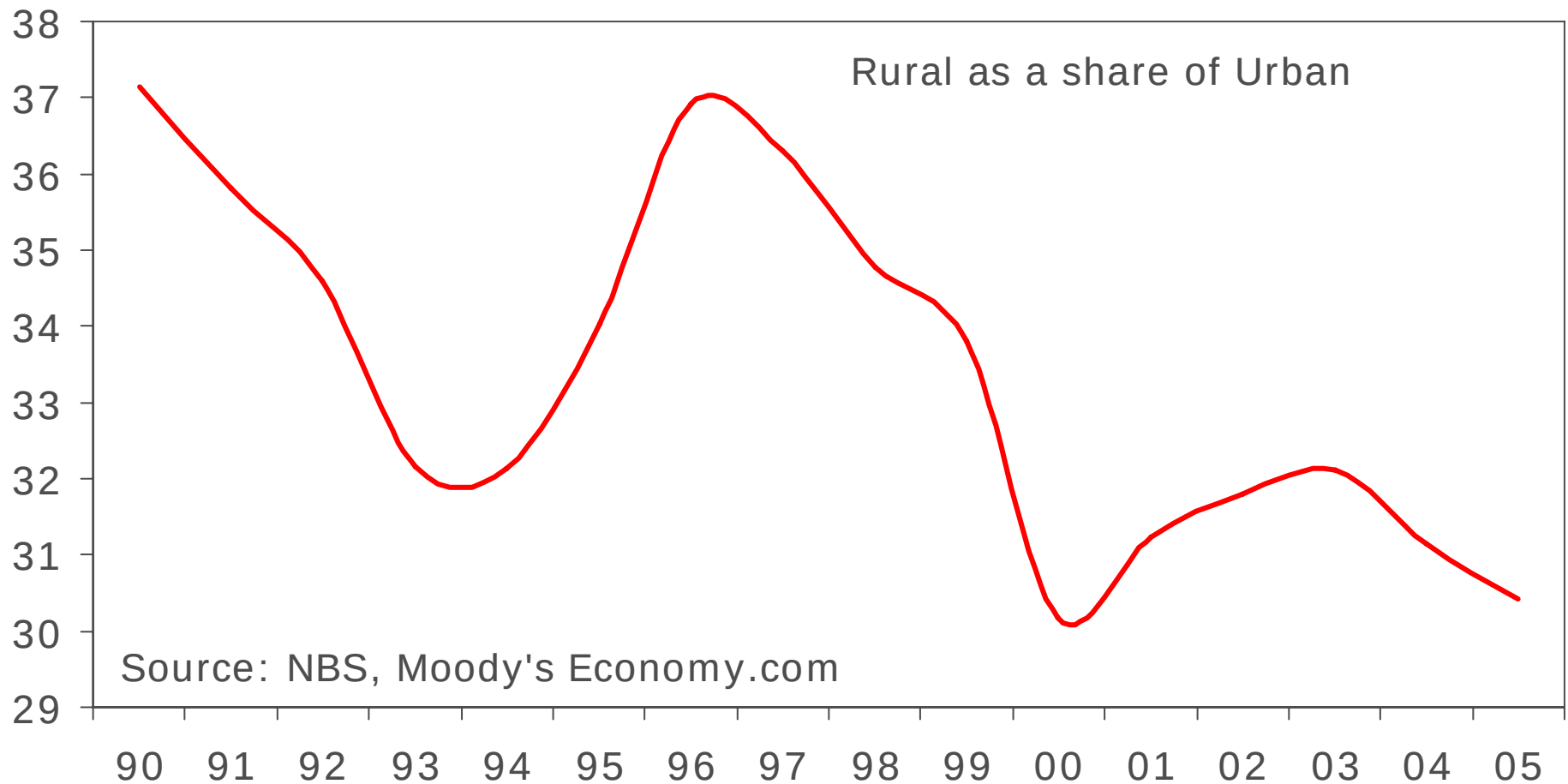
China: Rural-Urban Divide Worsening

Percent



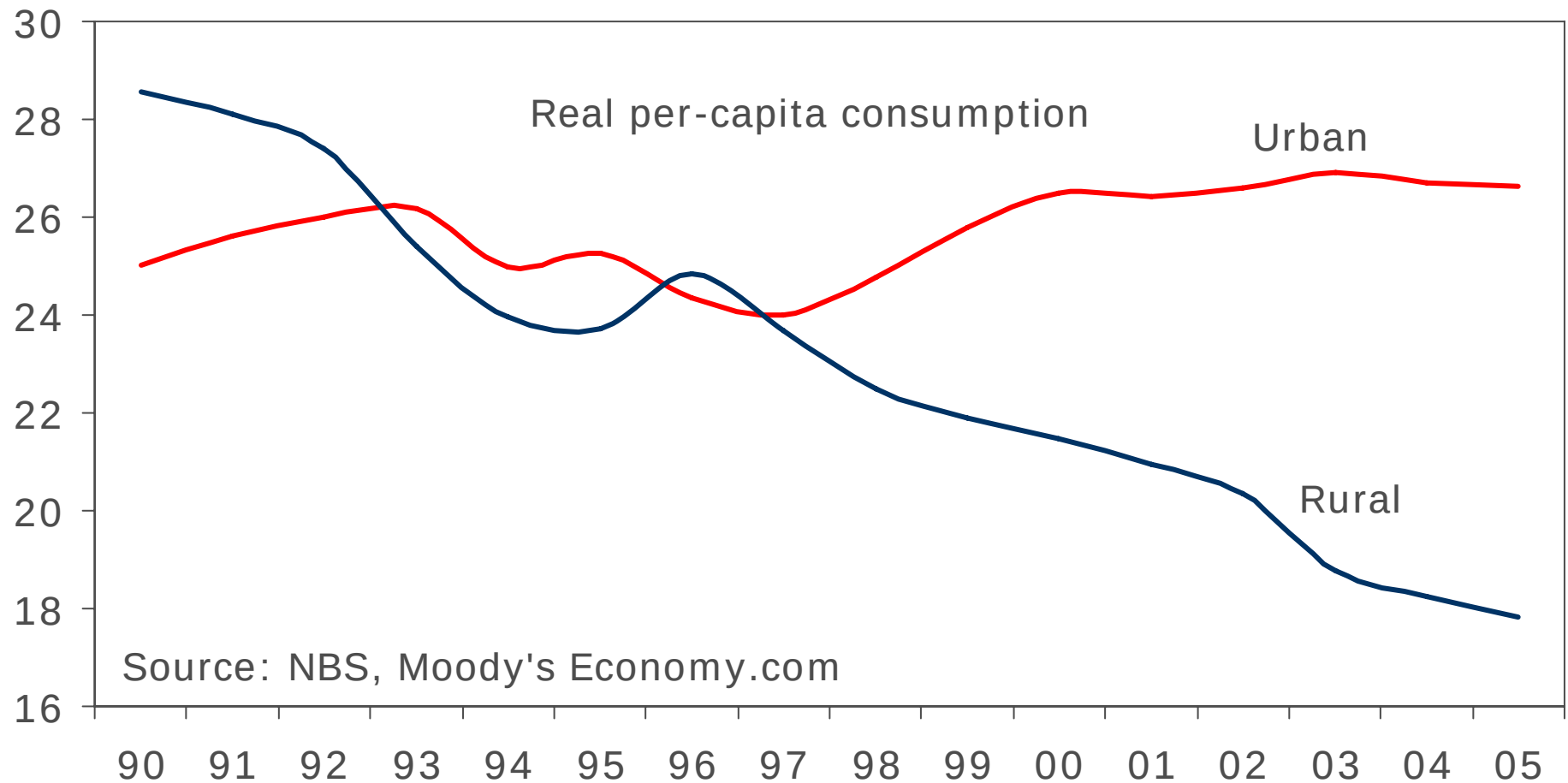
Rural-Urban Divide: Real Wages per Capita

Percent



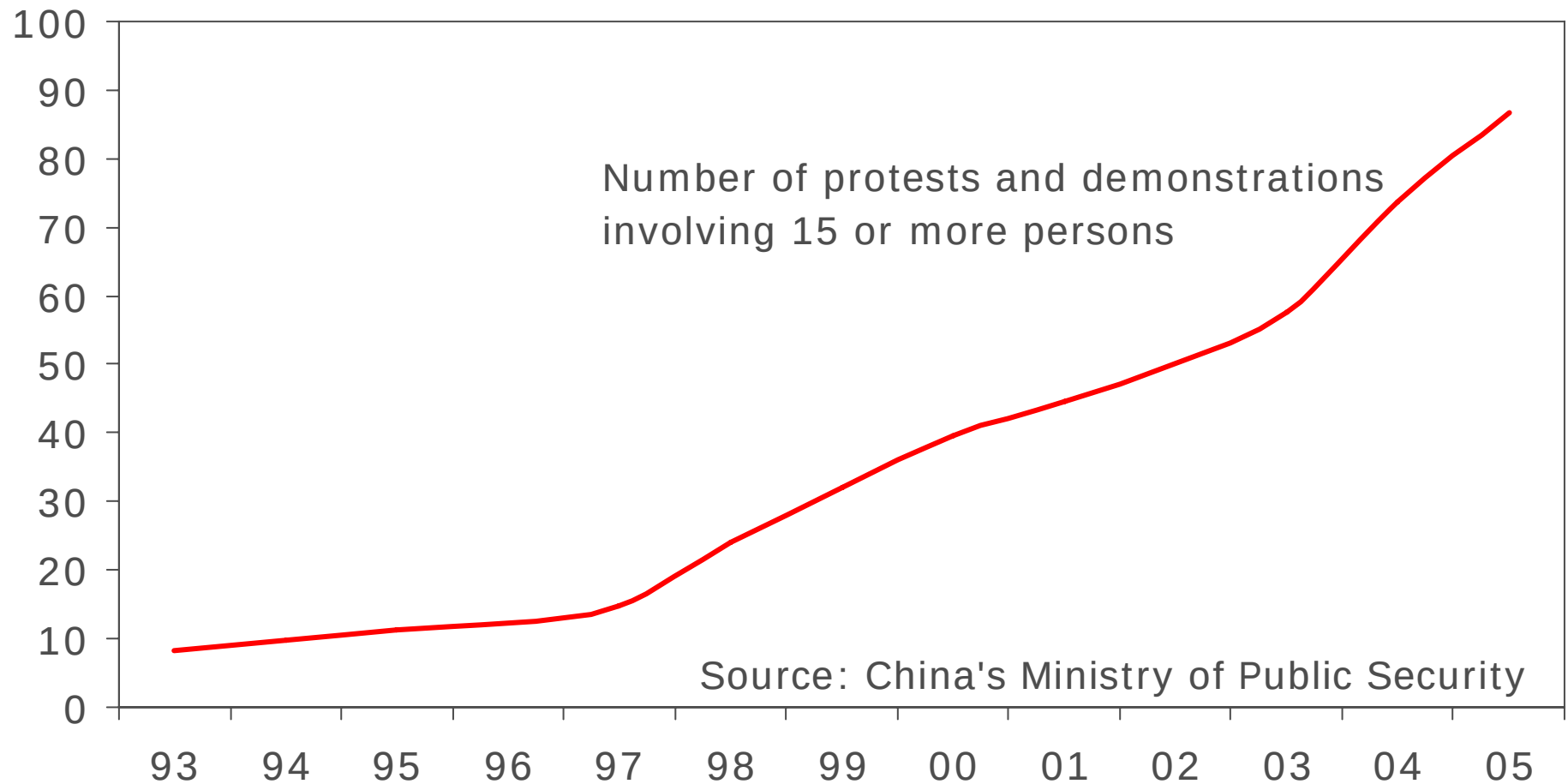
China: Rural-Urban Divide

Share of GDP (Percent)



China: Rising Social Tension

Thousands



India: Social and Political Risks

- **Terrorism**
- **Weak central government**
- **Mitigated by stronger state governments**

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