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Statistical Update



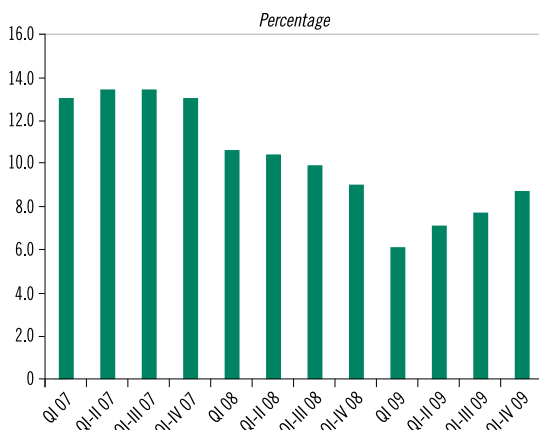
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CHINA: ECONOMIC SLOWDOWN LED TO JOB LOSSES AND REAL WAGE DECLINES

Extraordinary economic growth slowed in 2008 and 2009

- Economic output in China experienced extraordinary growth between 2003 and 2007, averaging 11 per cent. With the onset of the crisis, real GDP growth dropped from a high of 13 per cent in 2007 to 9 per cent in 2008, and 8.7 per cent in 2009.
- These trends reflect a considerable slowdown in GDP growth in the last quarter of 2008 and the first two quarters of 2009. Economic activity picked up in the remainder of the year to finish at 8.7 per cent in the fourth quarter. A 16 per cent decline in the value of exports has lowered the GDP growth by 3.9 percentage points.

Figure 1. Cumulative GDP growth rate, by quarter, 2007–2009 a/



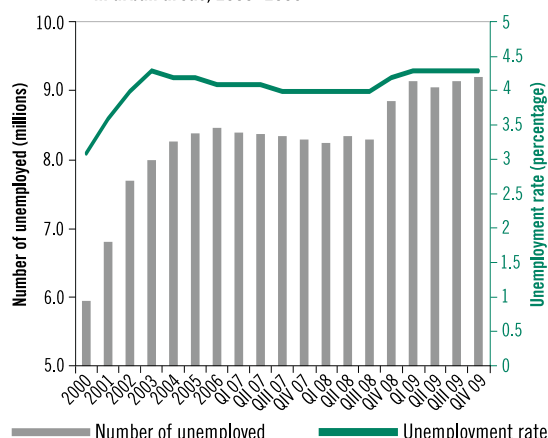
Source: National Bureau of Statistics.
 a/ Cumulated since the beginning of the corresponding year. Changes versus the corresponding period of previous year.

Decline in output yielded higher unemployment

- Between the third quarter of 2008 and the first quarter of 2009, the urban registered unemployment rate rose 0.3 percentage points to 4.3 per cent. It remained stable at this level through the fourth quarter of 2009.

- The brunt of the job loss was borne by rural-to-urban migrants. Some 3 to 5 per cent of 150 million migrants may have been jobless after the spring festival of 2009.
- Approximately 3 million university graduates were jobless in 2009, of whom 2 million were newly unemployed as a result of the crisis.

Figure 2. Registered unemployed and unemployment rate in urban areas, 2000–2009



Source: National Bureau of Statistics. Data are not seasonally adjusted.

Stimulus package aims to facilitate economic growth and jobs creation while protecting existing jobs

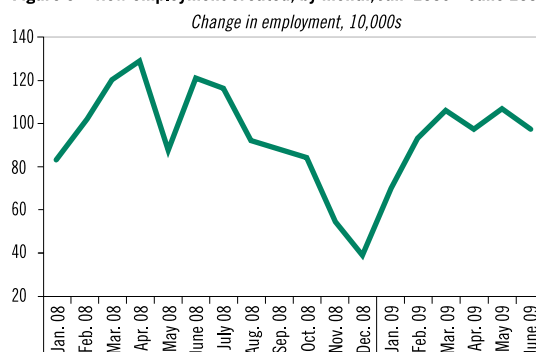
- The first priority in the stimulus package is to expand domestic demand to stimulate economic growth and create new jobs. It has five main components:
 - A ¥4 trillion investment fund for key projects in low-income housing, infrastructure development, development of medical and health services, promotion of culture and education, more eco-balanced construction, facilitating independent innovation, and post- earthquake reconstruction.

- A revitalizing plan for ten key industries.
 - A monetary policy measure of lowering the benchmark lending rate by five times and the required reserve rate by four times.
 - A new rural pension system and more support and preferential policies to rural areas.
 - A tax reform, in transition of value added taxes, and taxes on the refined oil, medical and health systems.
- In addition to generating growth and employment, the government has prioritized job protection by assisting enterprises through easing their costs, for example, by allowing those facing economic difficulties to have a six-month delay in social insurance contributions.
 - Moreover, enterprises with economic difficulties have been encouraged to consult with employees, to increase flexible employment, on-the-job training, work shifts, leave, salary reduction, and even temporary layoffs, to minimize permanent unemployment.
 - An unemployment insurance fund has been used to pay subsidies on social insurance and job positions, with special allocations for on-the-job training subsidies. State-owned enterprises have been required to try to avoid layoffs, and even to create more jobs. Layoff practices by enterprises are regulated and large-scale layoffs are monitored by the local government.

The economic slowdown has resulted in deep declines in employment creation

- A broad estimate of the cumulated number of jobs lost during the crisis according to government statistics comes to approximately 10 million.
- The slowdown in real output growth triggered a sharp decrease in jobs created in the last quarter of 2008 and the first quarter of 2009.
- For the first half of 2008, an average of 1.07 million jobs was created per month. This number declined to a trough of 380,000 jobs created in December 2008, before beginning to expand again to 1.06 million jobs created by March 2009.

Figure 3. New employment created, by month, Jan. 2008 – June 2009

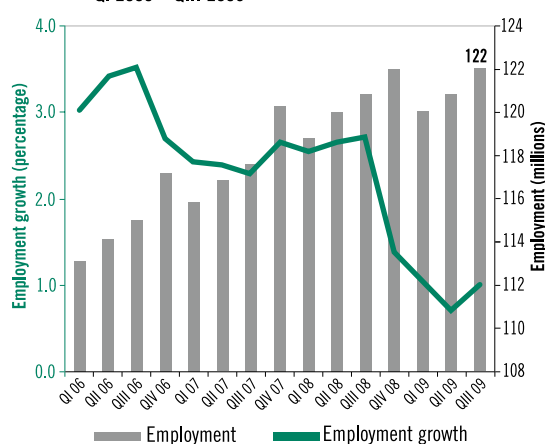


Source: National Bureau of Statistics.

Employment growth in urban areas fell significantly beginning in the fourth quarter of 2008

- In the third quarter of 2009, total employment in urban areas was 1.211 million or 1 per cent higher than in the third quarter of 2008.
- Employment growth over the same period in 2007–2008 had been significantly higher (3.914 million).
- Urban employment growth in 2009 was not sufficient to absorb all jobseekers, thus resulting in higher unemployment rates.

Figure 4. Employment in urban units: level and change, by quarter, Q1 2006 – QIII 2009



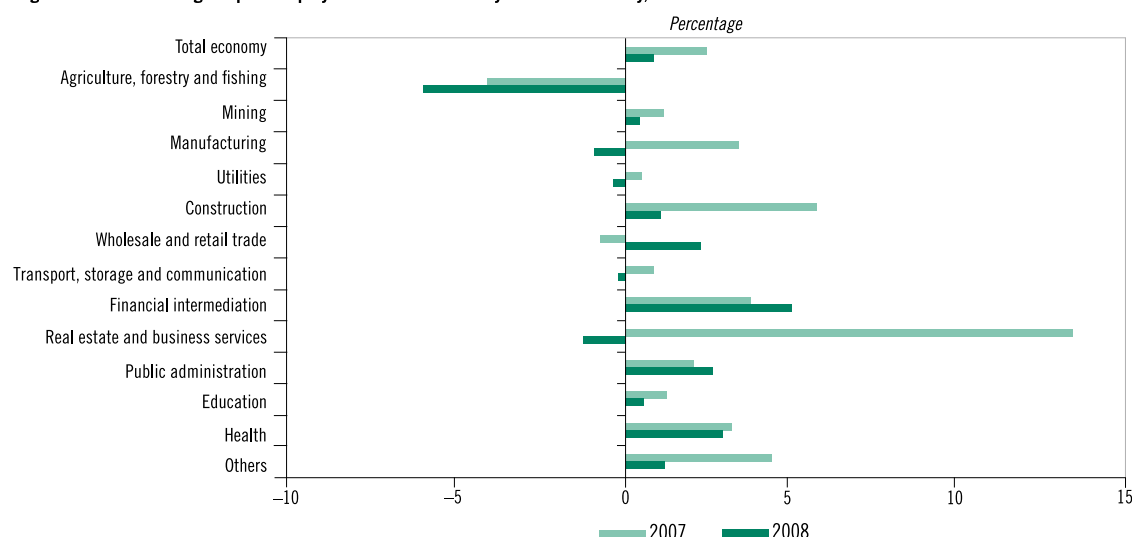
Source: National Bureau of Statistics. Data are not seasonally adjusted.

Total paid employment growth slowed in 2008 and steep declines were registered in agricultural wage employment

- Following increases of 2.9 and 2.4 per cent in 2006 and 2007, respectively, total paid employment increased by only 0.8 per cent in 2008, as the crisis took hold.

- While most sectors showed increases in paid employment in 2008, some registered declines, including agriculture (–6.0 per cent), real estate, renting and business services (–1.2 per cent), manufacturing (–0.9 per cent), and utilities (–0.3 per cent).
- The manufacturing sector accounts for 28 per cent of total paid employment in China.

Figure 5. Annual change in paid employment in urban units by economic activity, 2007–2008

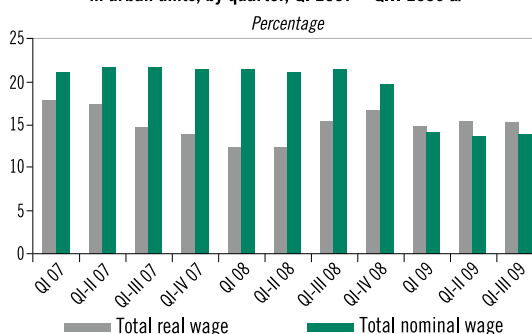


Source: National Bureau of Statistics.

Urban wages increased in the first three quarters of 2009, but remained below pre-crisis levels

- Total nominal wages paid in urban enterprises were nearly 14 per cent higher in the first nine months of 2009 than those paid in the corresponding period of 2008.
- Likewise, due to negative growth in consumer prices, real urban wages increased by 15 per cent over the same period.
- Nonetheless, real urban wages in the first three quarters of 2009 were substantially lower than the levels in 2006 and 2007, prior to the crisis.

Figure 6. Change in real and nominal wages per person employed in urban units, by quarter, Q1 2007 – QIII 2009 a/



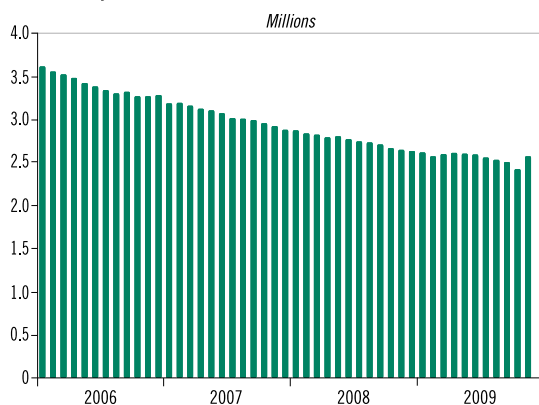
Source: National Bureau of Statistics.

a/ Average change from corresponding period of previous year.

Despite rising unemployment, the number of unemployment insurance beneficiaries declined in 2009

- The number of unemployed persons receiving unemployment insurance benefits, which had been declining since 2006, continued its steady downward trend in 2009.
- Unemployed persons receiving benefits stood at 3.3 million in 2006, 2.8 million in 2007 and 2.6 million in 2008.
- The figure reached 2.55 million persons at the end of November 2009.

Figure 7. Number of unemployment insurance beneficiaries, by month, Jan. 2006 – Nov. 2009



Source: National Bureau of Statistics: *China Statistical Yearbook*. Data are not seasonally adjusted.

In 2010, strong growth projected and a prioritization of employment in the economic development agenda

- Currently, the impact of the global financial crisis persists in China. Economic growth is strong but still below pre-crisis levels, while structural challenges and labour market weakness remain.

- Real GDP growth in China is forecast at 8.8 per cent according to the United Nations, nearly unchanged from the 2009 level (8.7 per cent).
- The Chinese Government will maintain the continuity and stability of its macro economic policy, continue to implement active fiscal policy and moderately light monetary policy, and remain flexible in policy formulation in the light of emerging conditions.
- Employment will be prioritized in social and economic development and more jobs created through stable and good economic growth. A mechanism will be sought for greater balance between economic growth and employment creation.
- Specific policy directions will include active employment policies for job protection and creation, promotion of labour intensive activities and small and medium-sized enterprises, vocational skills training and self-employment, especially for university graduates in China's Mid-West, and return migrants, public employment services, and employment for households with no employment.