

Highlights of the Sovereign Rating on the People's Republic of China

Updated Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Previous Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Ratings updated on

July 25th 2016

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Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the People's Republic of China (hereinafter, "China") at AAA_i, with Stable outlook.

Structural reform will continue to be fully rolled out and the foundation for stable long-term economic and social development remains solid. Economic growth in the near term faces certain pressure and economic transformation will bode well for maintaining moderate to fast growth in the longer run. Monetary policy maintains flexibility and robustness, and overall financial risks are under control. Fiscal deficit is likely to expand and government liabilities will remain at a lower level. Current account surplus will continue, and foreign debt servicing ability will remain at the highest level among peer nations. To conclude, no significant changes have been observed in the local and foreign currency debt servicing abilities of China's central government.

Reasons for Maintaining Ratings

- Structural reform will continue to be fully rolled out and the groundwork for long-term and stable economic and social development remains solid.
- Economic growth in the near term faces certain pressure and economic transformation will bode well for long-term maintenance of moderate to fast economic growth.
- Fiscal deficit will increase and government liabilities remain at a lower level.
- With excessive capacity and the external economy in a downward trajectory, banks' credit assets demonstrate a declining tendency, with bonds default incidents occurring in the market, though overall financial risks remain controllable.
- Current account will maintain its current surplus and foreign debt servicing ability remains at a higher level.

Outlook

In the near term, China's economy will maintain moderate to fast growth. Relatively high level of corporate liability and a range of other risks are pending further observation, but systemic financial risks remain controllable. Fiscal deficit tends to rise; however, the relatively low government liabilities and the gigantic government asset base will con-

tinue to serve as powerful backing to fiscal sustainability. Current account surplus will continue, with foreign debt servicing ability not showing signs of significant change. As such, United Ratings has decided to maintain the outlook on China's local and foreign currency ratings for the coming 1-2 years.

Key Indicators of the Sovereign Rating on the People's Republic of China

	2011	2012	2013	2014	2015	2016 ^f
Nominal GDP (billion USD)	7,522.1	8,570.5	9,634.9	10,555.9	11,181.0	11,271.0
GDP per capita (USD)	5,618.1	6,374.7	7,137.4	77,88.9	8,217.5	8,249.1
Real GDP growth (%)	9.50	7.9	7.8	7.3	6.9	6.7
Inflation rate (%)	5.50	2.6	2.6	2.1	1.4	2.3
Total lending/GDP (%)	147.80	154.5	160.9	172.8	186.0	194.4
Domestic credit growth (%)	17.10	17.1	15.1	16.2	23.7	19.6
M2 growth (%)	17.30	14.4	13.6	11.0	13.3	13.6
Budget balance of governments/GDP (%)	-1.10	-1.6	-1.9	-1.8	-2.3	-3.0
Primary balance of governments/GDP (%)	-0.60	-1.1	-1.4	-1.2	-1.8	-2.6
Public debt/GDP (%)	14.80	14.3	14.5	14.8	15.3	20.1
Current-account balance/GDP (%)	1.80	2.5	1.6	2.7	3.0	3.1
Total foreign debt/GDP (%)	9.50	8.9	9.1	9.2	8.7	8.9
Total external debt/Current-account credit (%)	32.20	31.4	33.6	33.9	34.3	35.4
Short-term foreign debt/Total foreign debt (%)	67.10	67.9	71.3	71.2	68.1	67.5
International reserves/Total foreign debt (%)	452.30	445.0	442.0	403.2	355.4	301.2
Gross external financing requirement/GDP (%)	3.30	3.5	4.1	3.7	3.7	3.4

Source: Sovereign Rating Database of United Ratings.

Note: "f" stands for forecasts.