

Global Enterprises Parched by the Heat of China's Economy

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Five months ago, Keith Nosbusch, the CEO of Rockwell Automation, began to note the changes in China's economy. This world's second largest economy had slowed down to a record low in the second quarter of the year, but by the end of the third quarter, the economy has shown strong signs of recovery.

While economists were debating about their bearish and bullish views on China's future economic growth, for an American businessman like Keith Nosbusch, his business has already provided the answer.

'Rockwell's profits in the last quarter have exceeded analysts' expectations. The sales in China are expected to rise further in the next year.' Keith Nosbusch said. He estimated optimistically that China's economic growth would continue into 2014 to say the least.

In the past six months, the international expectations on the economy of China have gone through a roller coaster ride. In June and July of this year, 'China bears' almost became the analysts' most favourite catchword.

International Monetary Fund, Citibank, Credit Suisse Bank and a number of other institutions lowered their economic growth forecast figures. Morgan Stanley even issued a scenario forecast of a 'Super bear' of the Chinese economy. It predicted that China's economic growth would fall to 5.5% at the end of 2013, and there might be the further risk of a "hard landing".

However today, six months later, China's economy has begun to rebound. In the third quarter of this year China's GDP achieved a year-on-year growth of 7.8%. In addition, export trade, social electricity consumption, volume of freight traffic, industrial added value, PPI index and other indicators all pointed towards a shining performance. Many international research agencies began to take on their optimistic attitudes again towards China's economic structure. As Lu Ting, the economist at the Finance Management Department of Merrill Lynch commented: 'This is a nice rebound.'

An article written by Li Keqiang recently published in the British "The Telegraph" said: "China will, as always, firmly support Europe's integration process. A united, stable and prosperous Europe is in the interest of the world and of China. The growth of mutually beneficial business ties between China and Europe will not only bring benefits to both sides; it will also create brighter prospects for China-Europe relations. This should be a win-win endeavour."

Many analysts at home and abroad attributed China's economic rebound to the Chinese government's key act of 'maintaining steady growth, adjusting economic structure and deepening reforms'. Chinese Premier Li Keqiang, who is attending the Central and Eastern European Economic Forum, said shortly before in a domestic public address that in spite of the pressure of economic downturn, the current Chinese government was committed to carrying out policies to oversee that there would be no enlarged deficits, no over issuance of currency, nor short-term investments to stimulate the economic growth, and the government had been exploring an "innovative approach of macro-control" in order to solve the problems.

This meant that China has not used the traditional means of macro-control of leveraging quantitative easing monetary levers, but has turned to "deepening reforms" to fuel its economic development. Public statistic showed that since Chinese Premier Li Keqiang came to office in March 2013, the Chinese Government, under the leadership of the new premier, has historically carried out a series of policies to "decentralize" the administrative power of the State Council. 334 government approvals have been either abolished or delegated to lower administrative levels in the hope of releasing the market's vitality.

Statistics from various sources showed that while the economic statistics of the emerging economies generally declined, China's economy began to show a sign of potential acceleration after a period of steady growth. Research institutions began to raise their expectations for China's further growth, and International capital also showed growing interests in China.

Catherine Raw, Portfolio Manager at Commodities Strategies Fund of Blackrock, said that some related doubts of China's economic "hard landing" have now proved to be superfluous. Gary Dugan, the Chief Investment Officer of Asia and Middle East Department, Coutts & Co., Ltd (private bank) revealed that

many organisations are actively buying Chinese stock, as the published positive economic statistics have relieved some of the worries about the decline of China's economic growth.

The same optimistic views are shared by enterprises that focus on real economy, including Keith Nosbusch's Rockwell. During a media interview Keith said that the general improvement of the global economy would boost China's export trade and would bring in further economic growth.

He further said: "The demands from China's car industry, exports and energy industry will continue to be good news for the manufacturers globally. A rebound could be expected next year."

Some media commented on this: Global enterprises got parched by the heat of China's economy.

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