

# Development of National Economy and Adjustment of Ferro-alloy Industry

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three parts to present

1. Development of National Economy

2. Adjustment of Ferro-alloy Industry

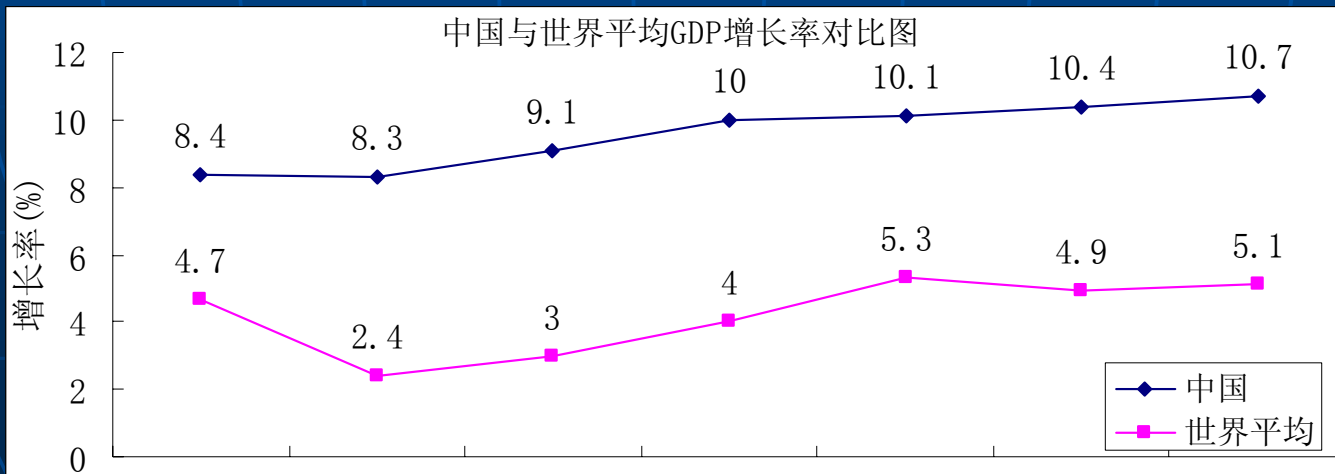
3. Economy of the first Quarter

# 1. Development of National Economy

- a. Development of National Economy in 2006
- b. Forecast of World Economy in 2007
- c. General Requirement and Objects of National Economy in 2007
- d. Major Task and Measures

# (1) Development of National Economy in 2006

- National economy growth remains well with good economical benefit and lower product price
- Economy develops rapidly and calm。 GDP for the year reaches 20.94trillion, 10.7% up year on year。



# 1. Development of National Economy in 2006

- Economical benefit remains well. Financial revenue reaches 3.93 trillion, 24.3% up year on year; Industrial enterprises of certain scope has a benefit of 1.8784 trillion, 31% up. Power consumption of unit GDP is 1.23% lower, the first time since 2003. Water consumption of unit industry value is 9% lower.
- Commodity price keeps at a lower level. Citizen consumption price is 1.5% higher. With the economy grows at a 10% speed 4 years in a row, commodity price rises at a lower level, a seldom phenomenon in China's development history.

# 1. Development of National Economy in 2006

- Problems which we pay attention to:
- Rapid investment growth. Capital assets investment of the year is 24% higher, the investment scale remains a little lagre.
- Too much credit. Generalized monetary supply in 2006 is 16.9% higher compared to the same period the year before. Overstock of bank capital liquidity remains large.
- Too much earning in foreign trade. Foreign trade earning of imp.& exp. in the year reaches \$ 1.76 trillion, 23.8% higher than last year; Foreign trade earning is \$ 177.5billion

## 2. World Economy Forecast in 2007

- World economy has been growing at 4% since 2003 . World economy is likely to keep a growth in 2007, but the speed will be a little slower. As to the autumn forecast released by IMF , world economy is likely to grow at 4.9%, a little lower than 5.1% in
- USA: Decreases to 2.9% from last year's 3.4%
- Euro Area: from 2.4% to 2.0%;
- Japan: from 2.7% to 2.1%;

# (3) General Requirement and Object in 2007

- General requirement:
- “a red-line”. To fulfill a scientific development view and faster the speed to construct a harmonious society. Keep on saving resources and improving government control.
- “4 emphasis”. Emphasis on adjustment of economy structure and growth mode, emphasis on resource saving and environment protection, emphasis on renovation and reform, emphasis on promotion of social development and living standard, to make the economy and society development transfers into a scientific track, thus make the national economy develops well and rapid.

# General Objective

Keep economy grows at a reasonable speed on the basis of bettering structure, improving benefit, decreasing consumption and pollution.

GDP grows 8% or so;

- Newly-employed people not less than 9million, registered unemployment rate be under 4.6%;
- Commodity price remains stable, general price of citizen consumption grows no more than 3%;
- Bettering balance of international income and expense。

# Major Task and Measures

- 1、reinforce government control to keep economy run reposefully
- 2、try to save energy and decrease pollution, to improve environment protection and land use
- 3、to improve the renovation ability, bettering the industry structure
- 4、fulfill the general strategy on regional development and promote regional coordinating development
- 5、keep on reforming, improve open policy
- 6、carry out the construction of new socialized countryside
- 7、pay more attention to education, sanitation and culture undertaking
- 8、to solve the problems which breach the public benefit

# 1、reinforce government control to keep economy run reposefully

- insist on a stable financial and monetary policy
- (1) decrease financial deficits by 50 billion, keep on adjusting expense structure
- (2) decrease the publish of national construction debt by 10 billion, and arrange the government investment more reasonably. Increase budget be 5 billion.
- (3) keep the monetary supply increase reasonably and better the credit structure. Generalized monetary increase by16%。 Reinforce the management of bank liquidity system and control the middle and long termed credit.
- (4) keep commodity price stable. Reinforce watch and analysis on grains, cotton, petro, coal, steel and commercial housing.

# 1、reinforce government control to keep economy run reposefully

- Keep on controlling on capital assets investment
- 1) make strict standard for land, credit and market entering to control the development of industry with high consumption and pollution
- (2) reinforce construction of important projects concerning whole economy development.
- (3) keep close watch on investment, set a system of pre-phase repretory
- Enlarge consumption。 (1) quicken distribution layout of national income (2) enlarge consumption need in countryside。 (3) improve economical housing system (4) expand consumption field。 (5) better consumption atmosphere。
- Reinforce of the connection of transform, supply and need of coal, electricity and oil. Electricity: bettering coal electricity, develop hydroelectric, quicken nuclear energy ,solar energy and wind energy as well as terrestrial heat .

2、 try to save energy and decrease discharge, reinforce environment protection and land use

- Emphasis on saving energy and decreasing consumptions and discharge to realize goal of energy saving by 20% and discharge decrease by 10%, quicken adjustment of economy structure and growth mode. Develop serving industry and high-tech industry. Rebuild traditional industry. Lead enterprise to merge. Drive the enterprises with high consumption and discharge out the market. Emphasis on the followings:

## 2、 try to save energy and decrease discharge, reinforce environment protection and land use

- (1) make sure one's own responsibility.
- (2) emphasis on special field such as Steel, non-ferrous metal, power, oil and chemistry and construction material.

——10 energy-saving projects。 Project of saving and substituting oil, Project of renovating coal industry boiler, Project of regional heating combining, project of using surplus heat and pressure、 project of dynamo energy saving 、 project of bettering energy system, project of construction energy saving, project of non-pollution lighting and project of energy saving and watching by government. Through the above projects, 0.24 billion ton of coal can be saved and 0.156billion ton of carbon dioxide。

2、 try to save energy and decrease discharge, reinforce environment protection and land use

(3) be strict from the beginning. Carry out a estimating and inspecting system on investment emphasizing on energy consummating. Bettering control mode of power generating ,quicken the coal electricity process of “opening big ones and closing small ones”, to shut down power stations under 10 million KWH. For the steel industry, try to drive out those undeveloped enterprises (iron producing ability under 30 million ton/year while steel 35 million ton/year)

## 2、 try to save energy and decrease discharge, reinforce environment protection and land use

- (4) policy support. Better financial and tax policies which help save energy and decrease discharge. Central financial department set up certain fund to develop new energy-saving technology. Encourage using surplus heat and pressure.
- (5) develop circle economy.
- (6) reinforce environment protection.
- (7) watching and inspecting.
- (8) improve land use efficiency.

### 3、 improve renovation ability and better industrial structure

(1) better industrial structure. Perfect all the concerning rules and regulations. Encourage and support the merge of enterprises concerning steel, concrete, electrical aluminum, coal, textile and paper making. Drive out those undeveloped ones. Keep a close watch in market supply and demand to avoid new overstock. Adopt new technology to rebuild traditional industries, especially steel, construction material, coal, electricity, oil and chemistry and building field.

### 3、 improve renovation ability and better industrial structure

- (2) improve the core competitiveness of high-tech enterprises.
- (3) develop equipment making enterprises.  
encourage buying domestic technical equipment  
尽快出台鼓励购买和使用国产首台（套）重大技术装备的办法，制定高档数控机床、基础制造装备重大专项规划和总体实施方案。推进高技术船舶以及船用设备国产化，加快大型造船基础设施建设。
- (4) develop energy substitute.
- (5) quicken the development of serving industry.
- (6) fulfill government's policy completely. Publish another set of rules and regulations to encourage renovation.

## 4、 fulfill general strategy on regional development and promote regional coordinating development

- (1) keep on the western-development policy。
- (2) renewal traditional industrial basis in north-eastern China.
- (3) fulfill measures and policies to develop central China。
- (4) encourage system renovation in eastern China.
- (5) pay much attention to undeveloped areas.
- (6) 分层次开展主体功能区规划的编制工作
- (7) push construction of townism.
- (8) make full plan for sea and sea economy development 。

# 5、keep on deepening renovation improve open-policy

- (1) better the price forming system for resource products.
- (2) quicken the transformation of increasing foreign trade volume
- (3) keep on financial and tax reform.
- (4) quicken financial reform and renovation.
- (5) deepen reform on investment.
- (6) promote reform on executive management system.
- (7) deepen reform in countryside all-round.。
- (8) keep on reform in enterprises.
- (9) bring in advanced technology and improve use of foreign capital.

# (1) better the price forming system for resource products.

- Form price of product oil and natural gas. Adjust water price at proper time. Quicken reform in electricity price, perfect policy on power generating price and distribution. promote reform on warm system.
- (2) quicken foreign trade growth mode
- Control export of product which consummates high energy and pollutes serious. Reinforce store of strategic materials. Improve standard of processing trade and promote the up-grade od processing trade.

## (2) promote reform on finance and tax

- Promote reform on finance and tax. Make plans and measures for carrying out add-value tax policy all round. Perfect compensated using system of minerals.
- (4) quicken reform and renovation on finance. develop capital market and stock market as well as futures market. Sanity the multi-tier system of capital market.
- (5) deepen reform on investment system. Improve inspecting process of invested program. revise 《政府核准的企业投资项目目录》，统一规范企业投资项目备案制。抓紧建立政府决策责任追究制度。

## 2、 adjustment of Ferro-alloy industry

- 1、 ferro-alloy industry in 2006
- 2、 process of structure adjustment
- 3、 major problems for structure adjustment
- 4、 focus to carry out the work well

# 1、 steel and ferro-alloy in 2006

product	quantity	growth%	product	quantity	growth%
Rural steel	42266	19.7	:biller	867	50.52
steel	46685	24.5	材资源	44235	16.32
Pig iron	40418	19.8	Steel resource	38405	9.52
steel product	4301	109.6	Iron ore	58817	38
billet	904	27.8	import	32630	18.6
import:steel product	1851	-28.3	Ferro-alloy	1433	30.9
billet	37	-71.8	export	235.9	35.9
export:	2450		coke	28054	17.4

## 2、 process of structure adjustment

——major task: National Congress released “Notice on quicken structure adjustment on 产能过剩行业” on Mar. 12

Advise on structure adjustment

- Make policy on electricity and export tax.
- Concrete plans to drive out undeveloped enterprises
- Inspection on the projects under construction and to be constructed
- Reinforce policy publicity and industry lead.

### 3、 process of structure adjustment

- Shut down small ferro-alloy factories according to corresponding law
- Strict on entering the market, recheck on those that have passed the standard(462 have been permitted into market).
- New progress on merge of ferro-alloy factories.
- Be strict with new program。

# 3、 major problems for structure adjustment

- 1) too much market demand, capacity under construction still large, conflict of production capacity become more obvious.
- 2) great demand at home and abroad makes it difficult to drive out undeveloped ones.
- 3) backward capacity elimination triggers repeated construntion
- 4) export structure not reasonable, heavier pressure on anti-dumping。 Export of ferro-alloy in 2006 was 236million tons,, 35.9% higher, but total value was 4.7% lower.
- 5) more dependence of chrome and mangese on abroad.
- 6) merge of enterprises goes slowly and system reform falls behind.

## 4、 measures to make the adjustment job well

——main points

- 1) be clear 。 Have a clear judge on market.
- 2) adjust structure。 Structure of supply and demand is upgrading. Quicken the process of structure adjustment.
- 3) drive out undeveloped ones. Carry out driving out job on basis of “saving energy, decreasing consumption and discharge”

## 4、 measures to make the adjustment job well

——major measures:

- 1) improve market entry standard. Restrain reckless expansion of new capacity.  
overcapacity
- 2) make use of every means to drive out undeveloped enterprises. Adjust industry structure.
- 3) promote technology progress, encourage merge of enterprise.
- 4) reinforce policy support , set up compensation system.

# 三、Economy in the first quarter

1、GDP

2、industry and traffic

3、steel industry

# 1、 GDP in the first quarter

- Imp & exp. Remains rapid in Jan. and Feb  
Imp & exp value to \$ 29.78billion, 31.6% up.  
Exp volume: \$ 16.87billion, 41.5% up.  
Imp. volume \$ 12.91billion, 20.6% up  
Trade earning \$ 3.96billion
- Trade earning in Feb. is \$ 23.757billion,  
only lower than \$ 23.83billion last Oct.。

## 2、 industry and traffic in the first quarter

- Main index in Jan. and Feb.

Industrial output is 18.5% higher,

Heavy industry: 20%

Light industry: 15.2%

export: realized 938.95billion, 23.6% up.

Production and sales rate: 97%, remain same as last year.

Power generation: 44.883billionKWH, 16.8% up

Power consumption: 32.057billionKWH, 22.5% up.

# industry and traffic in the first quarter

name	Jan.-Feb	growth%	name	Jan.-Feb	growth%
steel	7425	23.1	轧制设备	68945	25.9
Product steel	7901	25.4	Railway vehicle	5875	29.5
coal	31682	15.7	steelShip	101	-31.2
power	4480	16.6	truck	138	21.5
concrete	14871	23.8	car	74.87	29
aluminum	135	47.7	fridge	723	59.8
zin	56.13	22.1	Air-conditioner	1206	14.7

### 3、 steel industry in the first quarter

name	Jan.-Feb	growth%	Net export:材	605	629
steel	7425	23.1	坯	107	98.15
Pig iron	7007	21	Steel resource	7296	17.36
Product steel	7901	25.4	Rural steel resource	6681	13.43
export:steel products	875	139.3	Iron ore	8366	47
crude steel	112	87.9	import	6459	24.5
import:Steel products	270	-4.6	ferro-alloy	222.8	40.2
crude steel	5	1.9	export		

# Steel balance in Jan.-Feb.

- Product steel and billet export reaches 744million ton in Jan. and Feb., accounts for 10% of total domestic product and 53.4% of new-added product. The same period last year was 141million ton, 2.4% and 16.4% respectively.
- Rural steel increased only by 13.43% from Jan. –Feb., making the domestic steel supply better and price higher.
- Market demand remain strong, living standard improved and make full use of producing ability.

ending

wish the meeting a success

Thanks