

March 2010

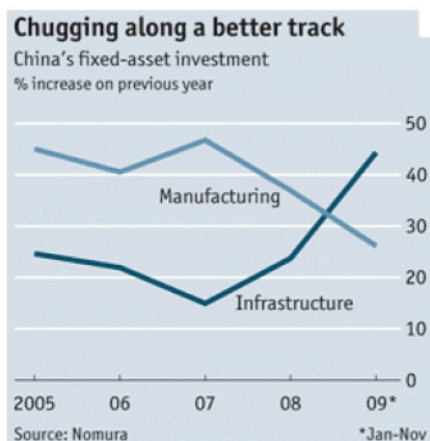
House Commentary

IS CHINA INFRASTRUCTURE A BUBBLE?

One of the few topics that economists and investors are deeply divided on is the question of whether the Chinese economy is in a bubble or not.

While some claim that China is "Dubai times 1000", others are of the view that the country is the strongest and most well-managed economy in the world.

When we actually look beyond the chatter, and consider some hard numbers, one of the interesting developments that we can witness in China is that since the start of the recent financial crisis in 2007, infrastructure investment has increased sharply, while the growth in manufacturing investment has slowed down.



Obviously, this is in good part due to the fact that the Chinese government (in response to the export slowdown) is investing in infrastructure to stimulate the economy.

As a matter of fact, a similar (and very successful) infrastructure investment program was embarked on by China during/following the Asian financial crisis in 1997, albeit the focus at the time was on the modernization of highways, whereas this time around it lies on the modernization of railways.

Taking the infrastructure/railway expansion program as an example, what is important to question when judging whether or not this area is in a bubble, is to consider if this infrastructure is actually a needed development, or (as some critics claim) another Japan-style 'bridges-to-no-where' waste.

In this regard, a comparison of China today with the rapidly growing America of a century ago is helpful. China has roughly the same land area as America, but 13 times more people than the United States at that time. Yet on current plans it will have only 110,000km of railway by 2012, compared with more than 400,000km in America in 1916.

At this time, China has one of the busiest railway networks in the world, moving 24% of global rail traffic with just 6% of the world's tracks, i.e. China's railways are 4 times as busy as the global average!

So it appears clear, just by looking at these simple numbers, that the Chinese infrastructure and railway modernization is anything but a waste. Rather, these investments the Chinese government is engaging in are desperately needed and prudent moves laying the tracks for future sustained economic growth and development of the country.

Investment Committee, Tyche Group Ltd

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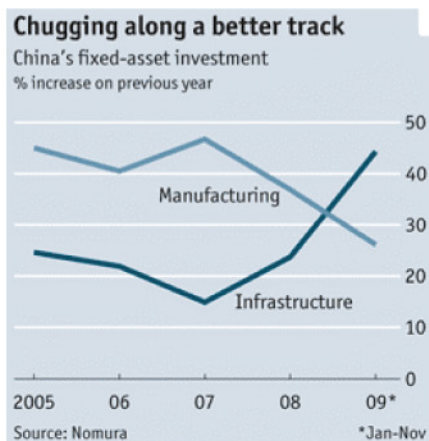
橋川評論

中國基礎建設是否只是泡沫？

中國的經濟是否身處在資產泡沫當中，這是經濟學家及投資者深入探討的幾個重要課題之一。

部分人聲稱中國其實是杜拜危機的翻版，而且猶有過之，其他人則從最近的復甦當中，認為中國是目前全球最強大、穩定且被良好地管理的經濟體系。

讓我們看看一些實際的數字，其中一項有趣的發現是，自從2007年金融海嘯發生以後，內地的基礎建設投資增長迅速，而製造業的增長則相對放緩。



很顯然，這是受到中國政府為應對經濟下滑及出口放緩，從而大力投資於基礎建設以刺激經濟所影響。

事實上，這與中國在1997年亞洲金融風暴時所展

開的基礎建設投資計劃很相似，而當時亦十分成功地刺激經濟，但有別於那時專注於高速公路現代化，這次則以鐵路現代化作為重心。

以整個鐵路擴張計劃作為例子，當我們去判斷這些計劃是否存在泡沫時，最重要的是這些工程是否實際上需要的，還是一如部分批評所指，這只是重蹈日本於泡沫經濟年代，胡亂撥款興建基建，徒然浪費資源的覆轍。

在這方面，我們可以將今日中國的經濟發展，對照美國一個世紀前經濟正值迅速增長的階段，這將有助我們更容易去了解實況。

中國與美國的面積大致相同，但人口卻較當時的美國多出13倍。即使是按照現時的規劃，中國全境在2012年前僅有11萬公里長的路軌，遠遠低於美國於1916年時的40萬公里。

當前，中國是全球其中一個最繁忙的鐵路網絡，以僅佔全球6%長度的路軌，營運著全球24%的鐵路運輸，這意味著中國的鐵路較全球的平均水平忙碌4倍以上！

所以，事情再清晰不過，只需要看看這些簡單的數字就明白到，中國的基礎建設及鐵路現代化絕不是浪費資源。相反，中國政府積極投放資源在這些項目，正正是經濟發展當中最為需要的，以為未來的持續經濟增長及國家發展鋪路。

投資委員會
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