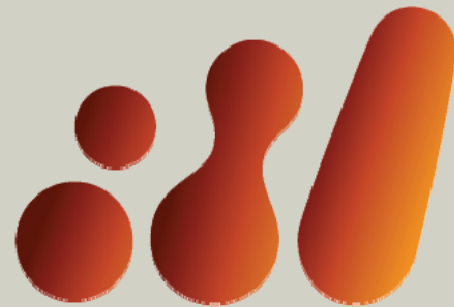




Beijing 2008<sup>TM</sup>



bhpbilliton

必和必拓

北京 2008 年奥运会赞助商  
OFFICIAL SPONSOR OF THE BEIJING 2008 OLYMPIC GAMES

BHP Billiton

Clinton Dines – President BHP Billiton China  
July / August 2006



# China is a domestic demand story driven by six drivers

Housing



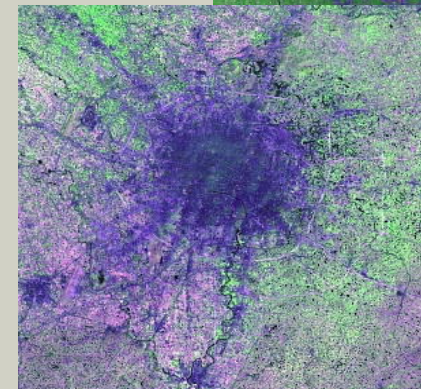
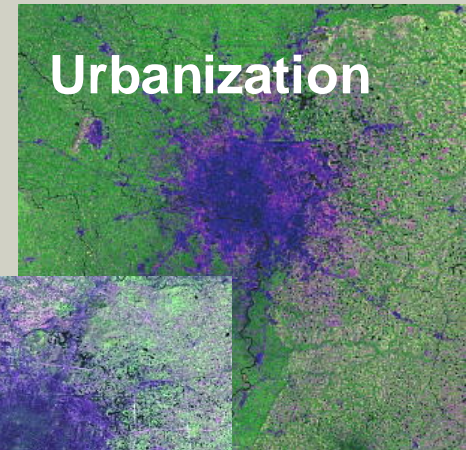
Wealth



Structural Reform



Urbanization



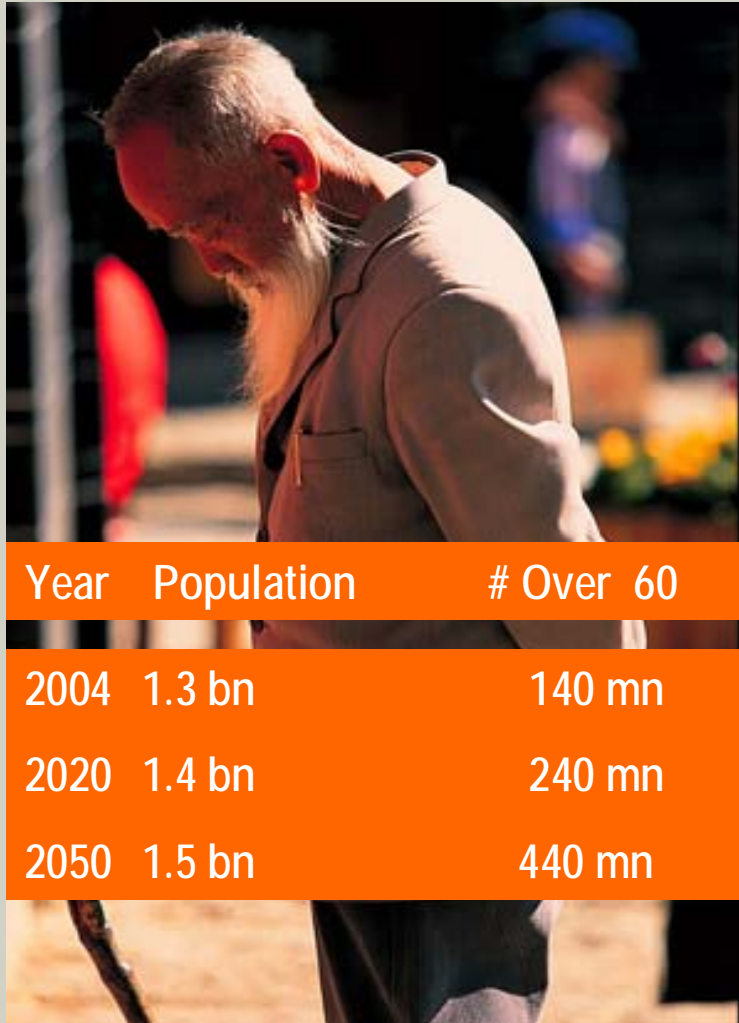
Manufacturing



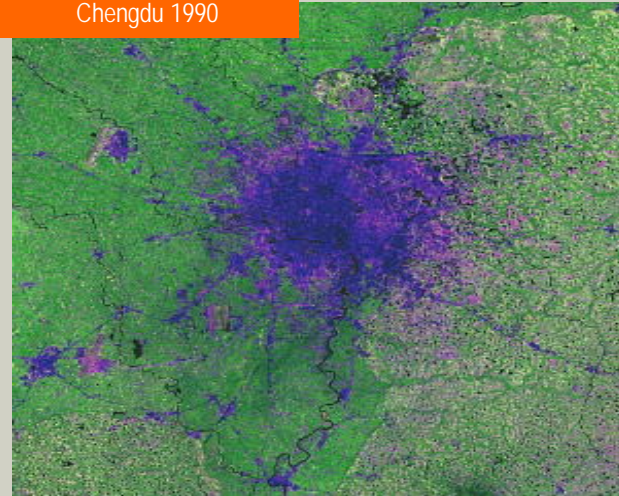
Rural Reform



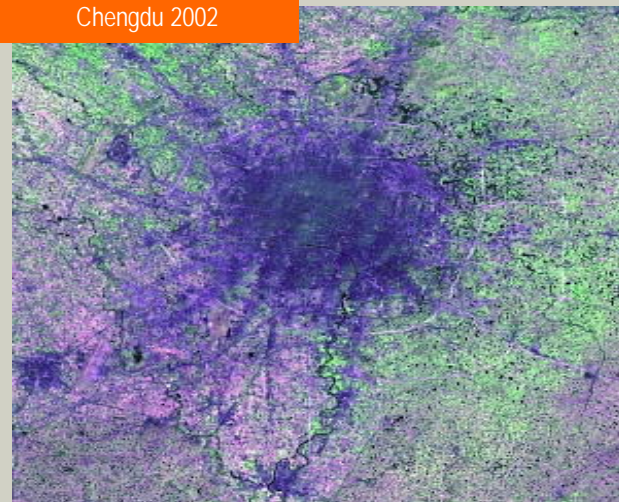
# Demographics – aging and urbanizing



Chengdu 1990



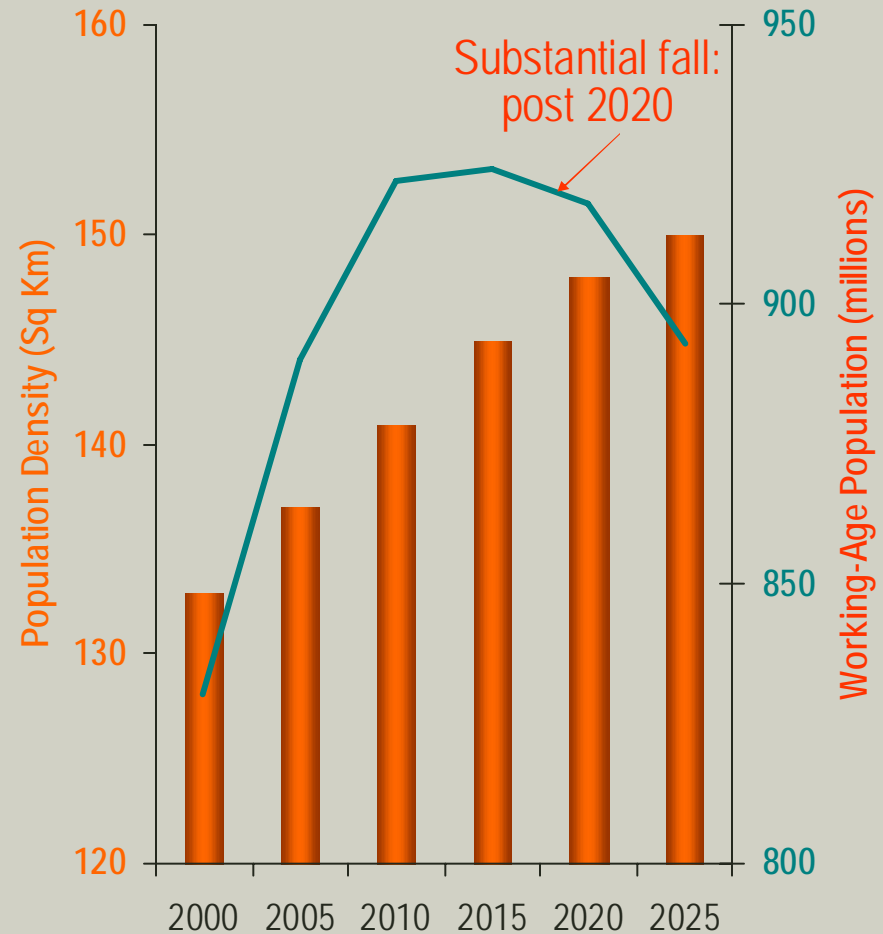
Chengdu 2002



# By 2020, the urban population is expected to triple, but the working age population will be in decline

China's Urban Population		
Total Urban Population (Millions)		
2005	2010	2020
532	658	970
Urban Growth (Millions)		
2005-2009	2010-2019	Total
123	315	438

Urbanisation growth = size of US + Japan together



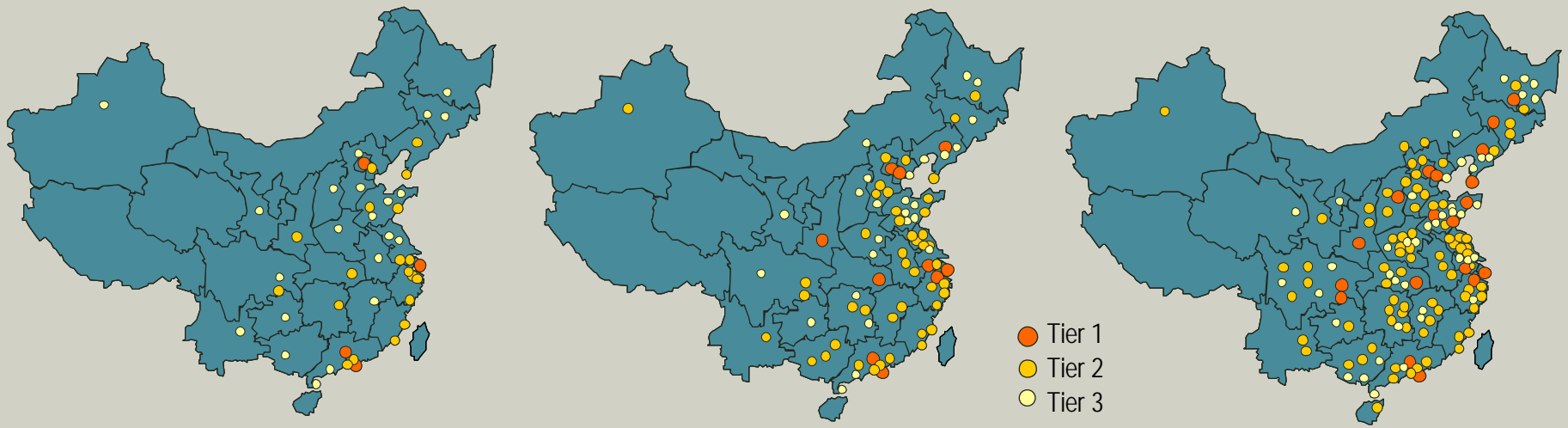
# Urbanization is expected to lead to strong city development but the quality of that growth is likely to be uneven.

China's tiered city structure:

Today: 45 tier 1-3 cities

2010: 86 tier 1-3 cities

2020: 147 tier 1-3 cities



Total Urban Population (millions):

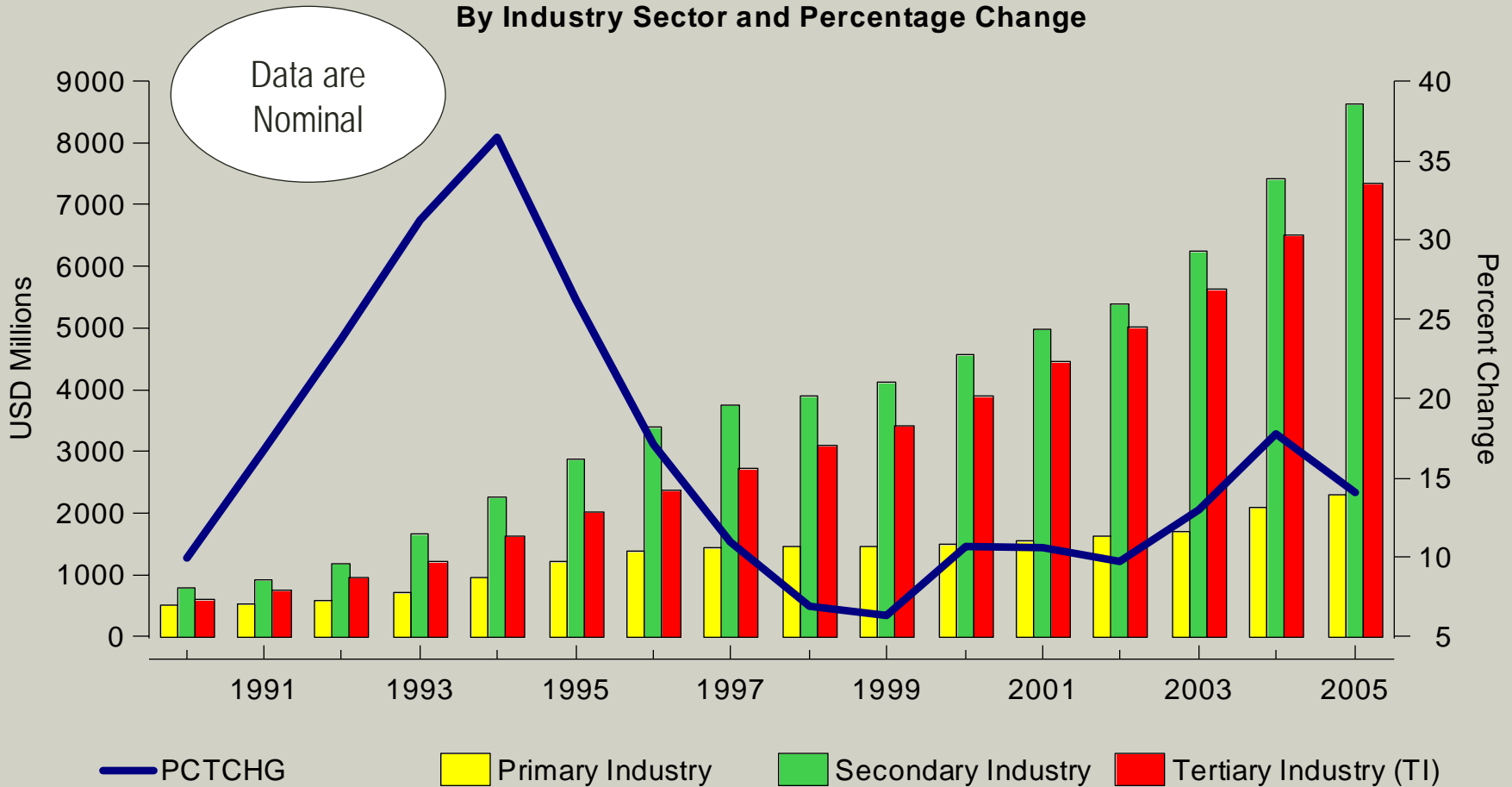
532

658

970

# China's economy is deep and well-distributed

**Gross Domestic Product  
By Industry Sector and Percentage Change**



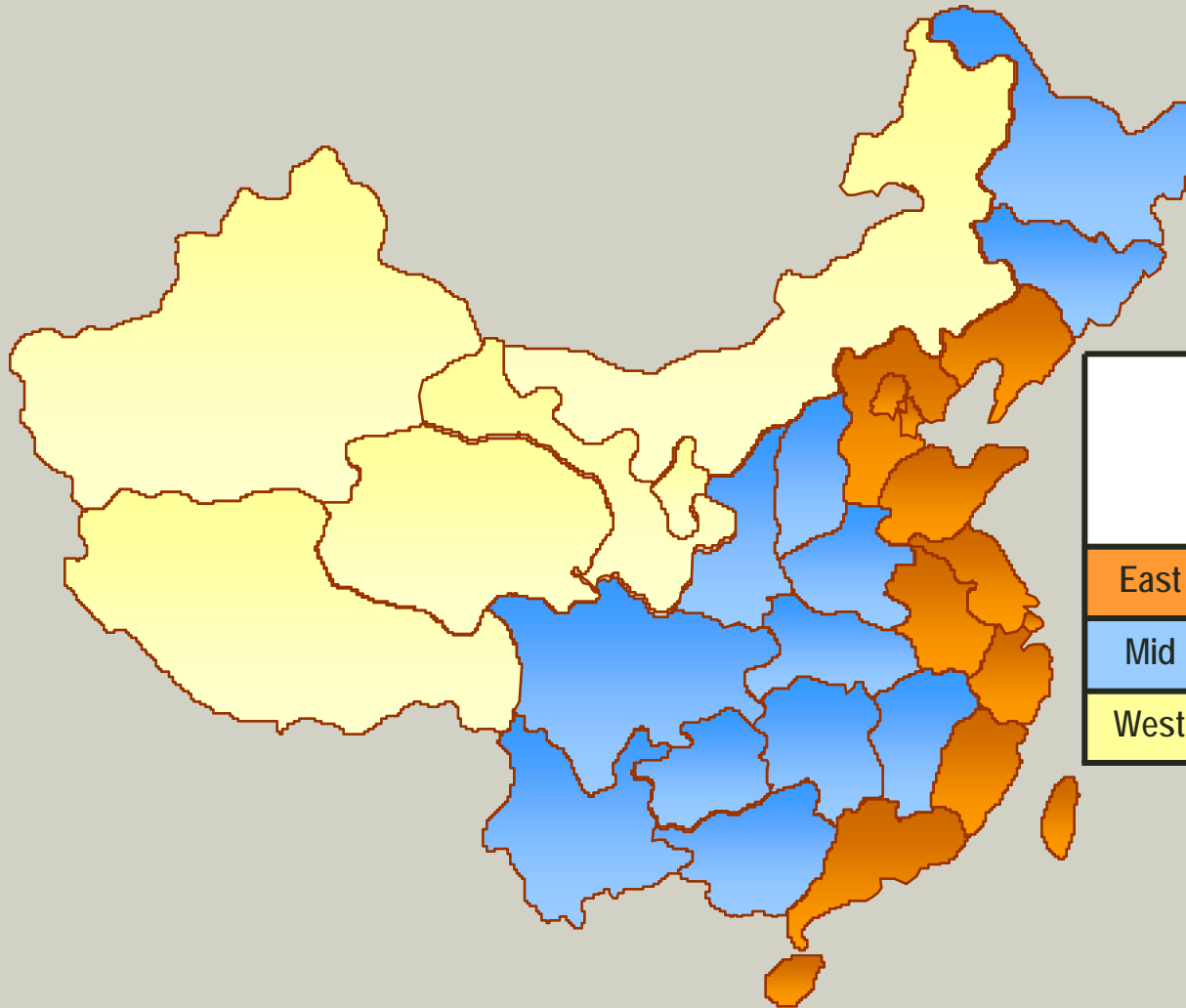
Data: CEIC

BHP Billiton China

Page 7 31/07/2006



# But economic growth still concentrated in the east



	Pop. (million)	GDP per capita (USD)	GDP Share(%)
East	482	2117	58
Mid	711	767	39
West	40	380	3



# China Driving Global Growth: China's share of global consumption, 2004

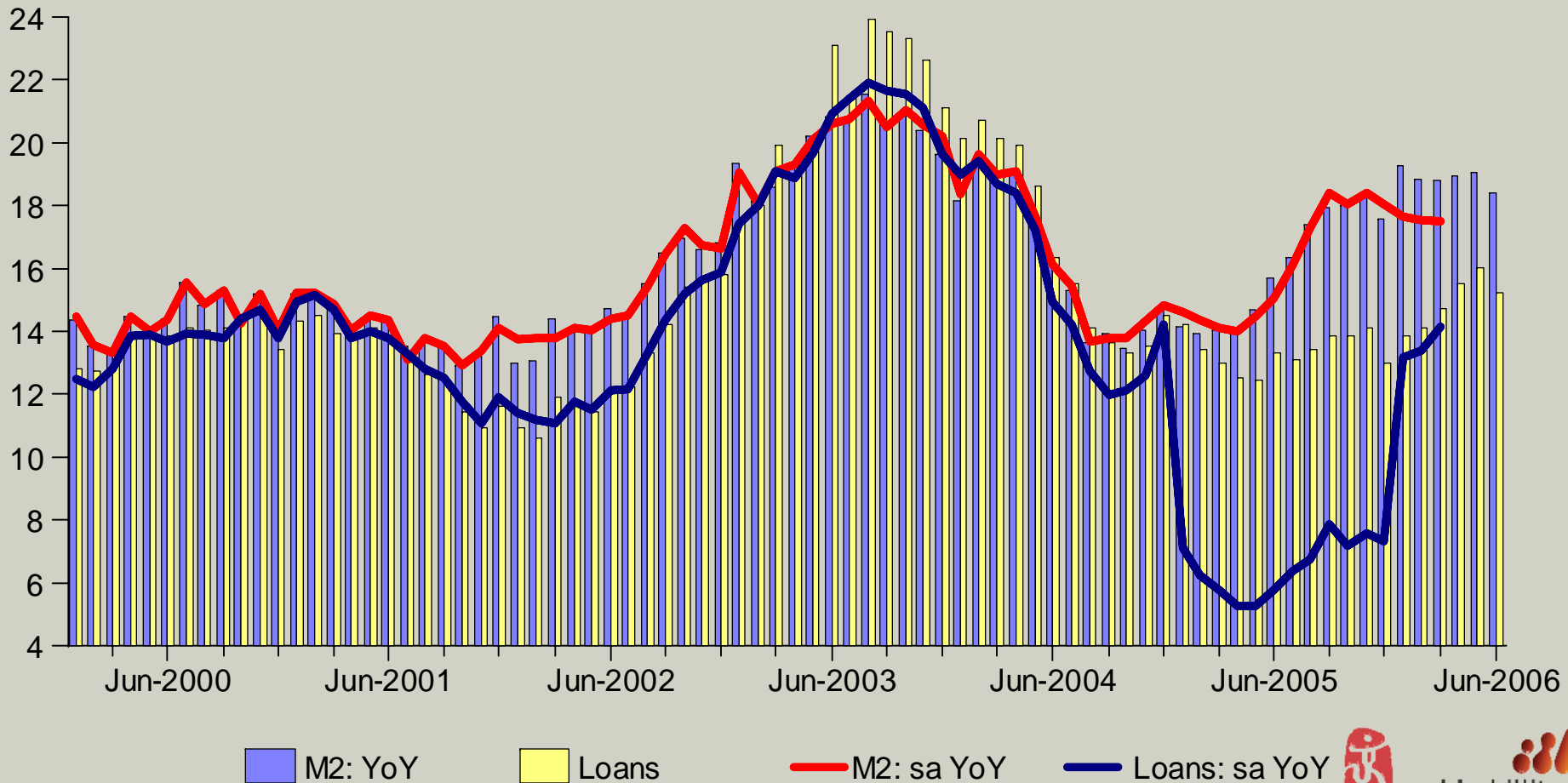
	World rank, 2005	Percentage world consumption, 2005
Oil	2	9
Aluminium	2	22
Iron Ore	1	41
Nickel	2	16
Copper	1	22
Steel	1	31
Coal	1	37
Nuclear	11	2
Alumina	1	20

Data: BP Statistical Review of World Energy, IISI, World Bank, UN Comtrade database

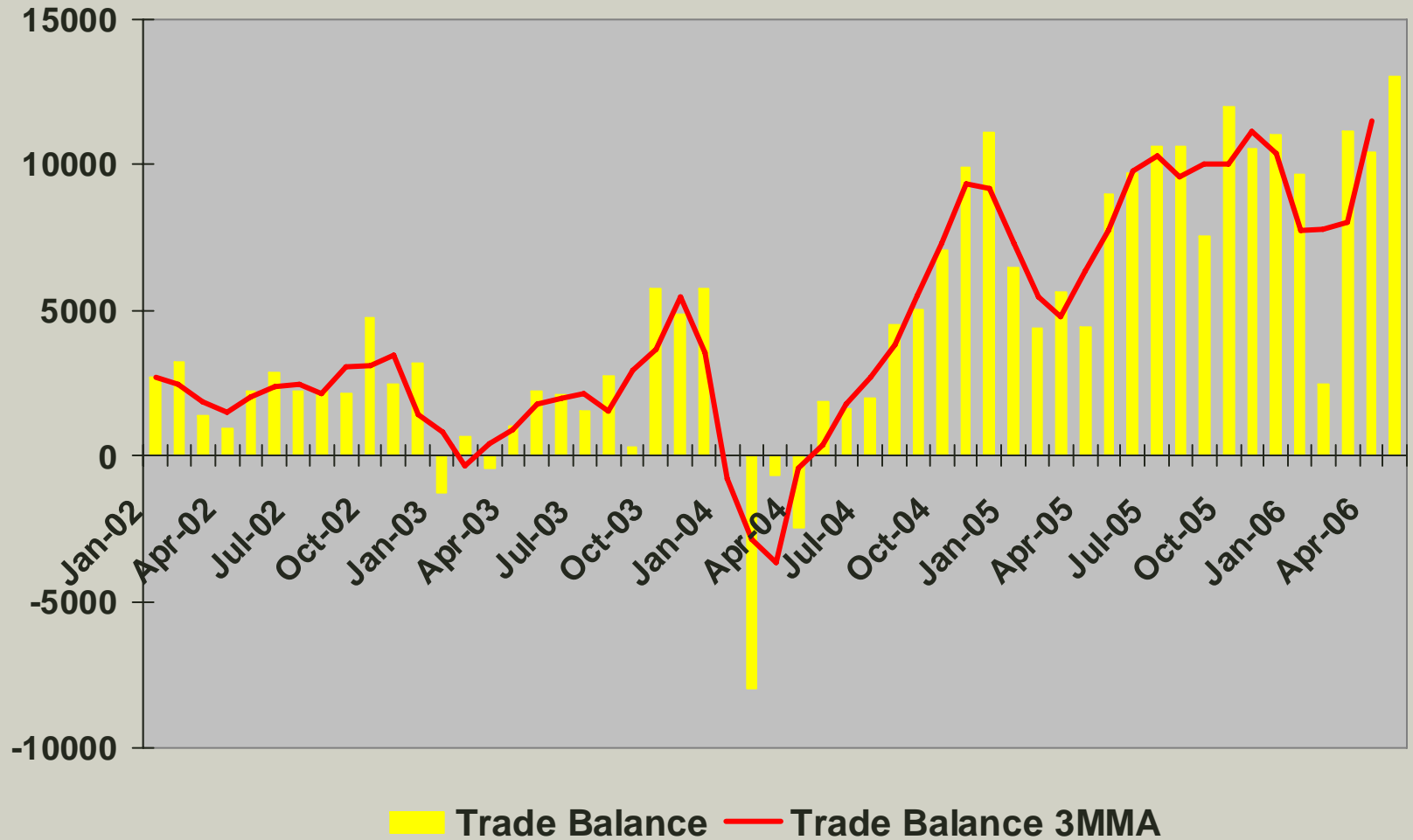


# Money supply and loan growth

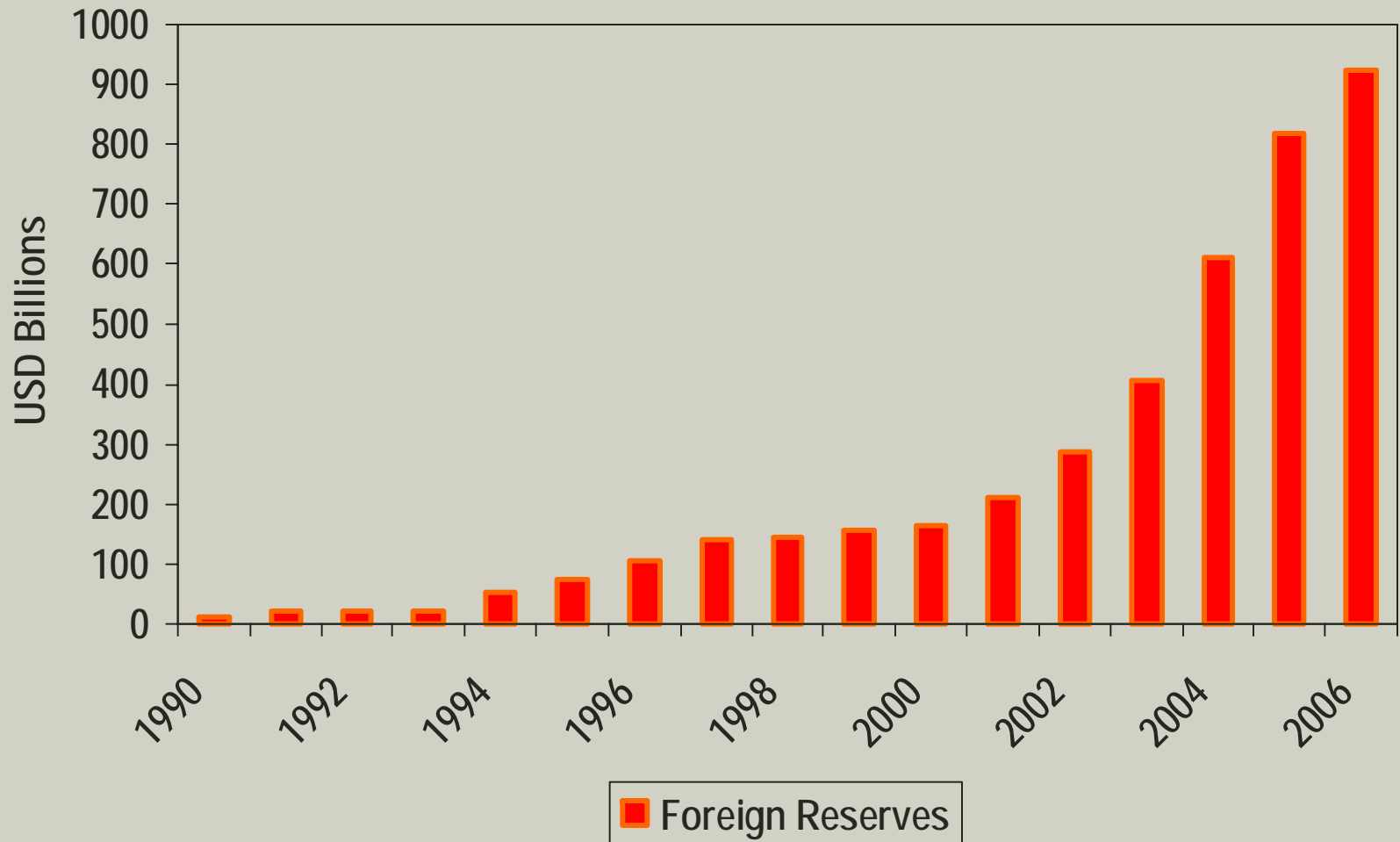
**Money Supply and Financial Institution Loan Growth**  
Change YoY, sa = seasonally adjusted



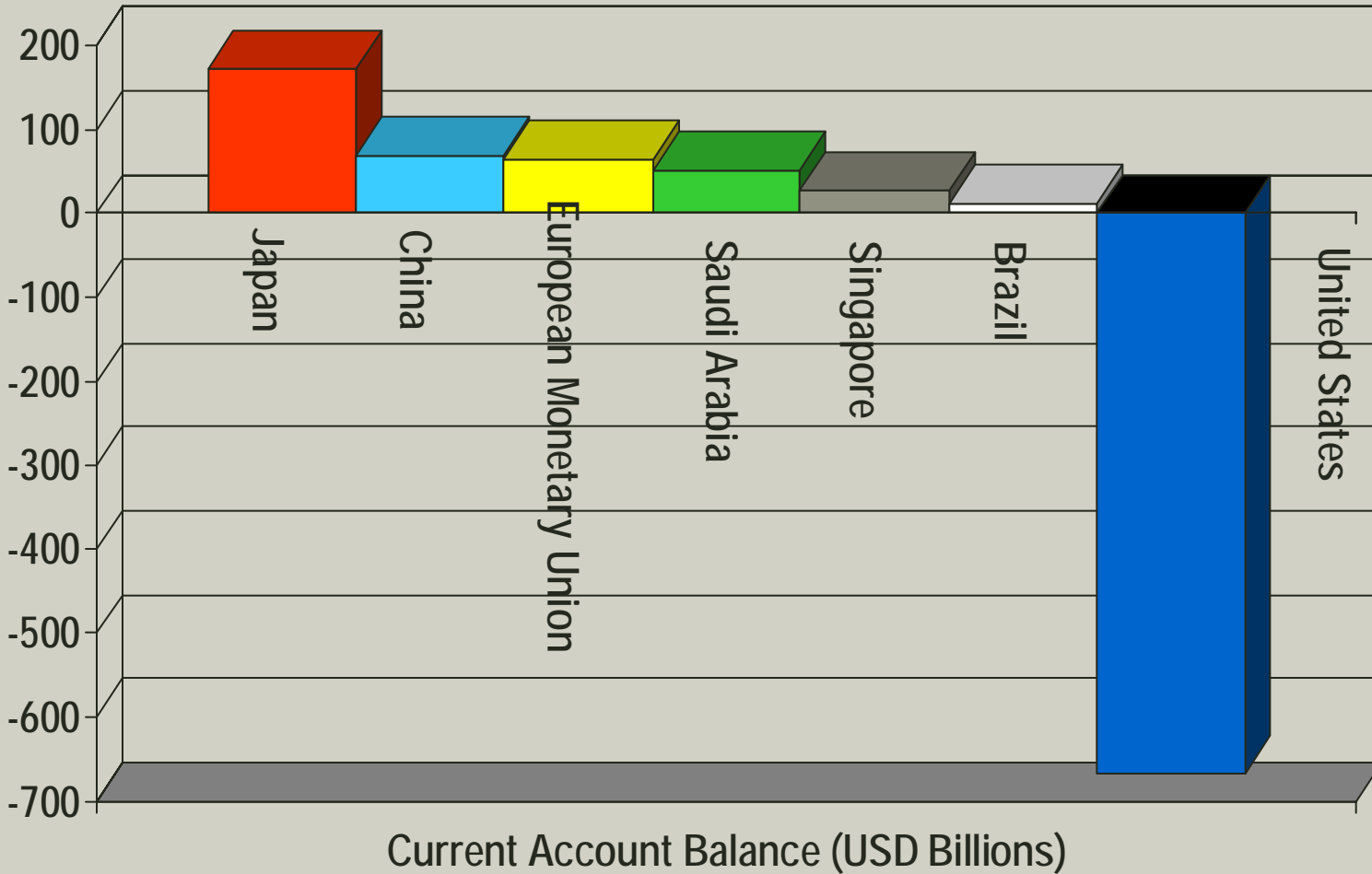
# Growth of the trade surplus



# Foreign exchange reserves



# Comparison of current account balances



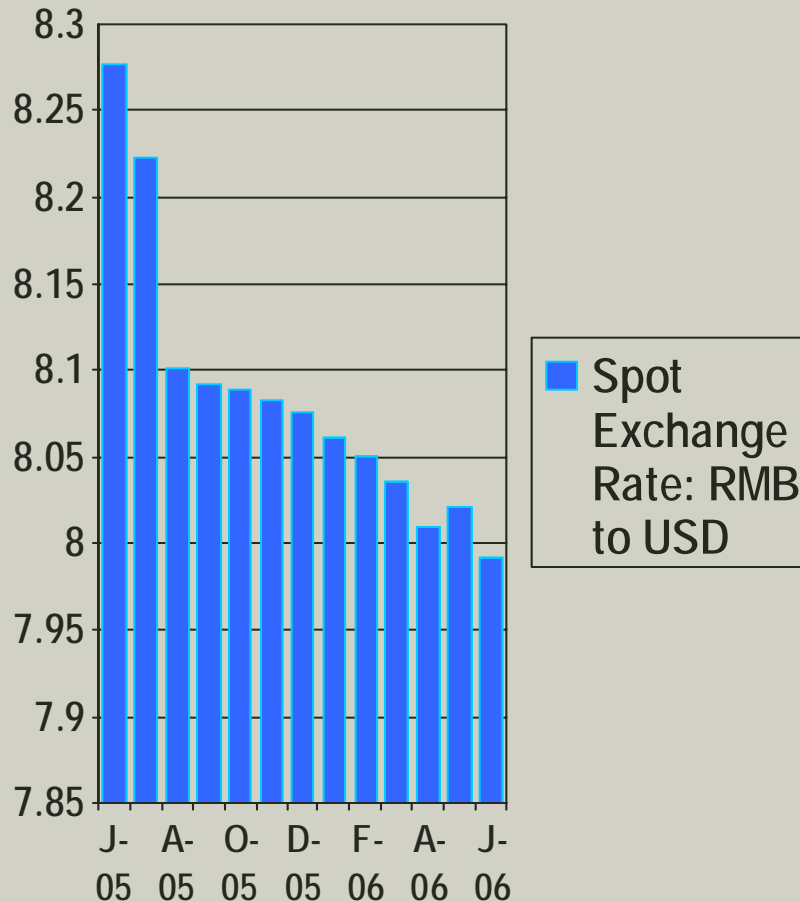
Data: World Bank

BHP Billiton China

Page 13 31/07/2006

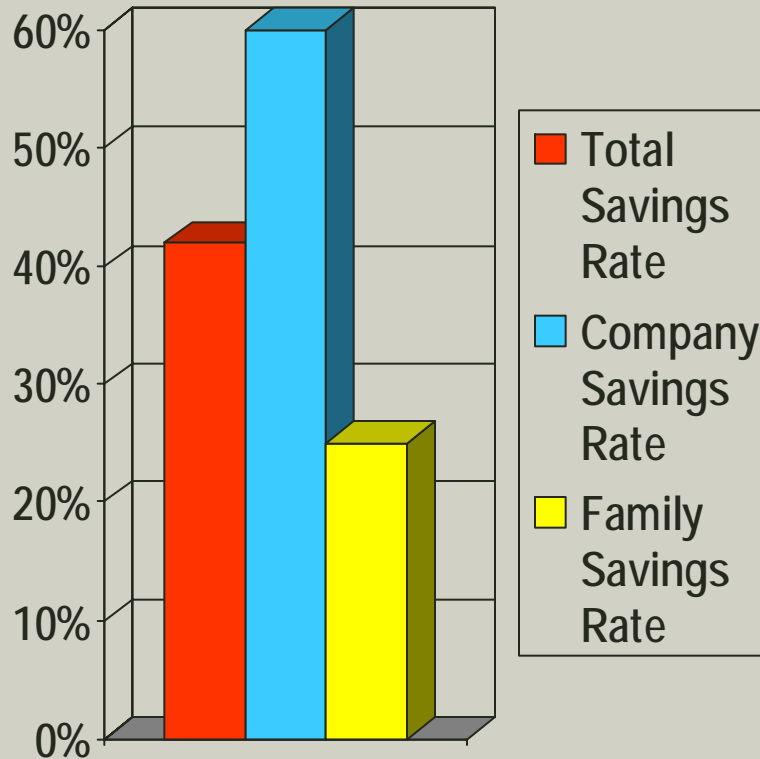


# RMB – further revaluation?



- RMB expected to continue appreciating gradually due to:
  - Worries that a rapid revaluation could derail rural income growth
  - Concerns that revaluation could disproportionately hurt small and medium-sized private enterprises
  - Fears that revaluation would negatively affect agricultural exports

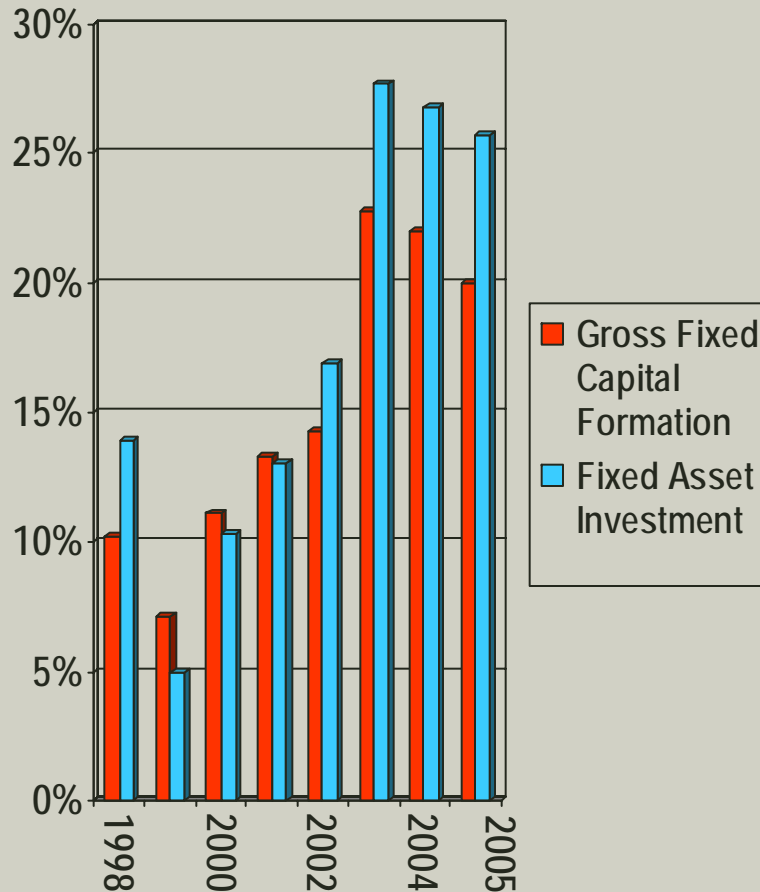
# The high savings rate is a function of the limited availability of credit and minimal social safety net rather than an indicator of future consumption



- Though China has a very high overall savings rate (42%), it is worth examining what that means in practical terms:
- Companies save about 60% of income. This is primarily due to the limited availability of bank credit to private firms and high curb market interest rates
- Family savings are about 25% of income. The rate has remained high because of the need to save for education, healthcare, and pensions.

Source: IMF

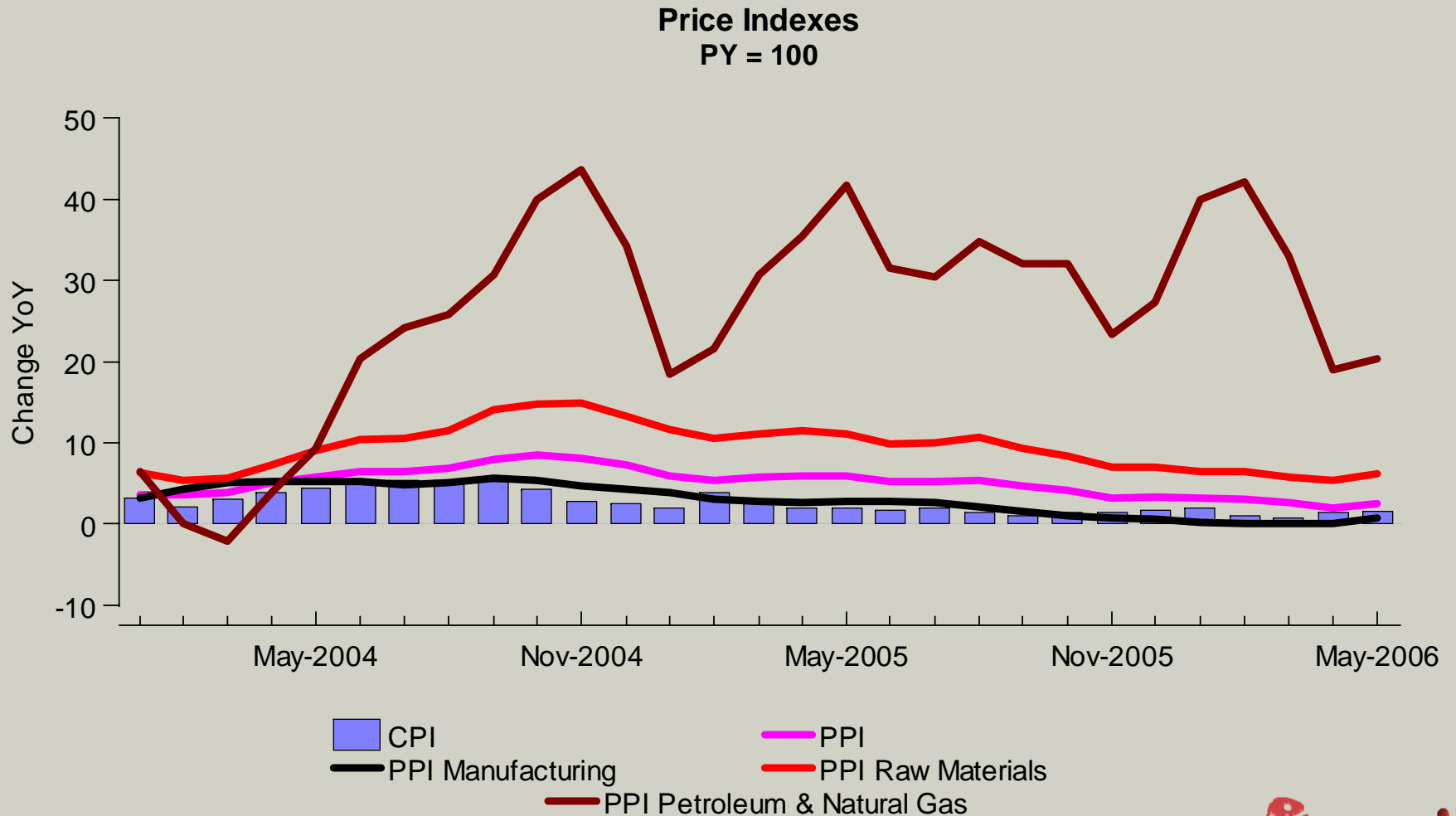
# China's high savings rate funds investment – but also speaks to under-developed capital markets



- The FAI series gets a lot of attention but includes the value of land transfers and transfers of used capital
- GFCF calculated according to international practice.
- Increasing unexplained discrepancy once FAI is adjusted for land and used capital.

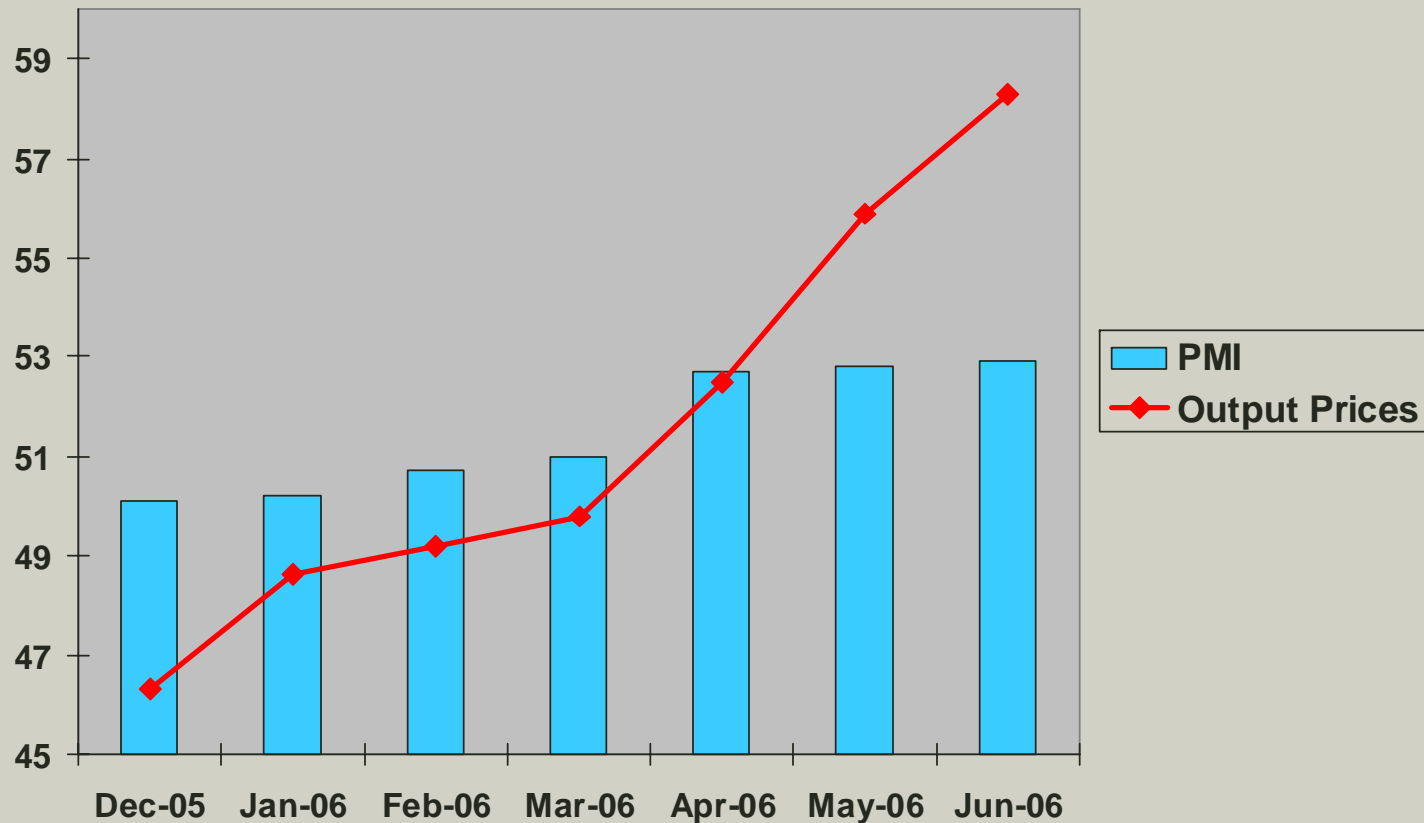
Source: NBS Yearbook, CEIC, BHP Billiton estimates

# Manufacturing Price Indexes



# Business sentiment improving due to strong demand

**Purchasing Manager's Index (Score of 50 or above equals expectation of expansion)**

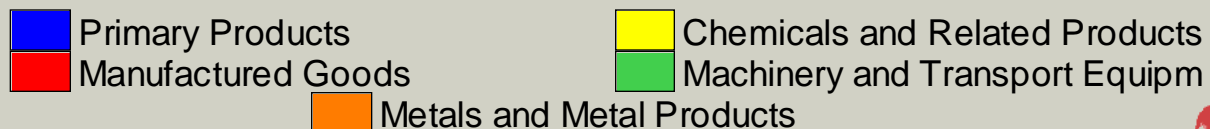
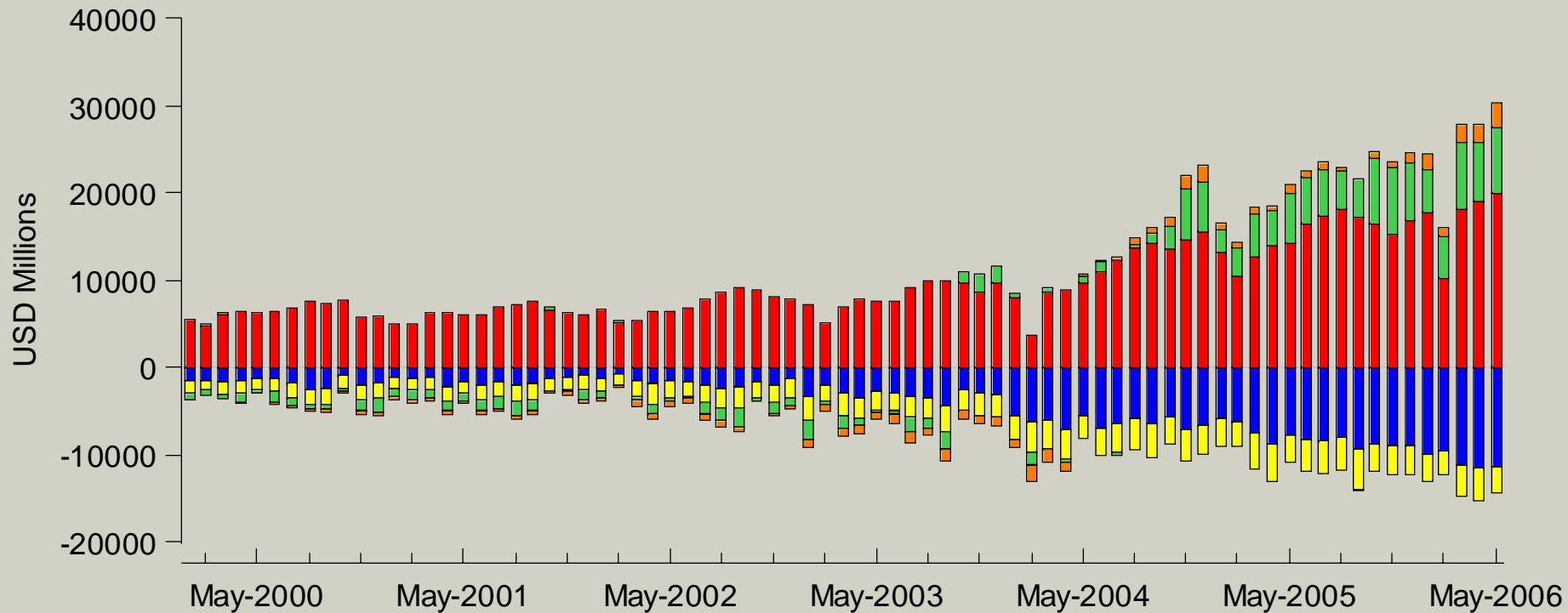


Source: CLSA



# China components of trade balance

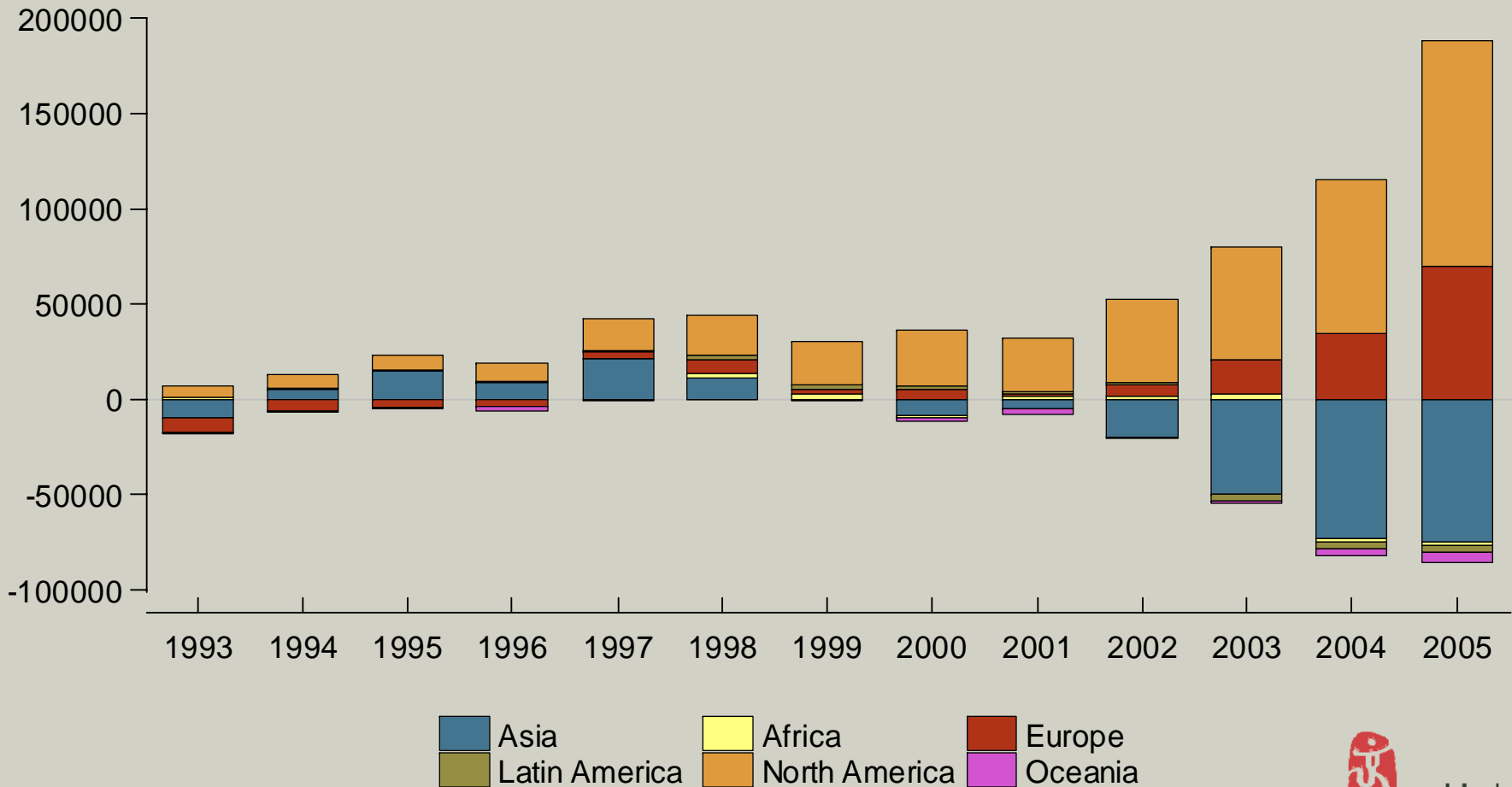
## Components of China's Trade Balance USD Millions



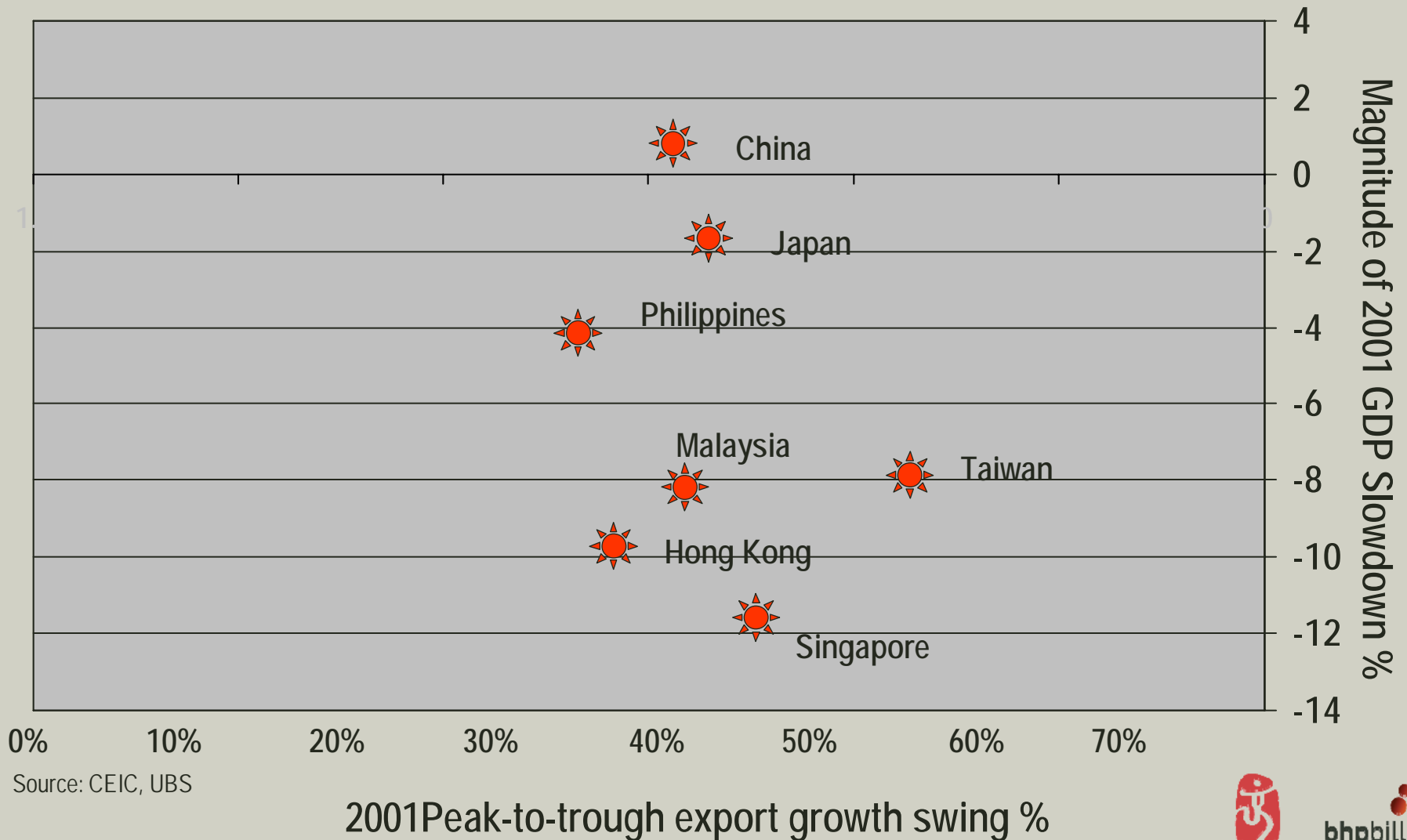
Data: CEIC

# China's trade balance with the world

## China's Trade Balance with the World USD Millions



# Recession in the US doesn't necessarily lead to problems in China

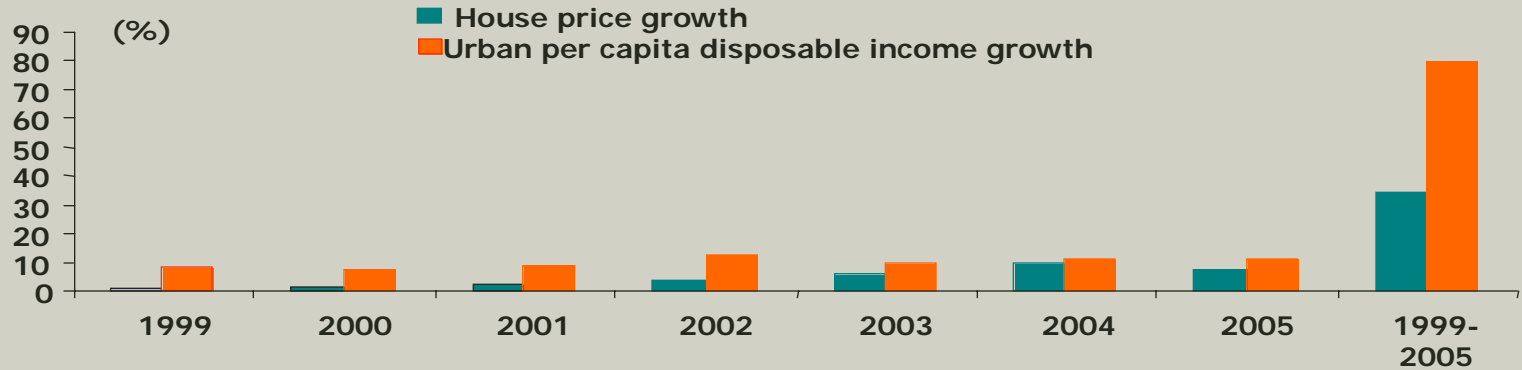


Source: CEIC, UBS

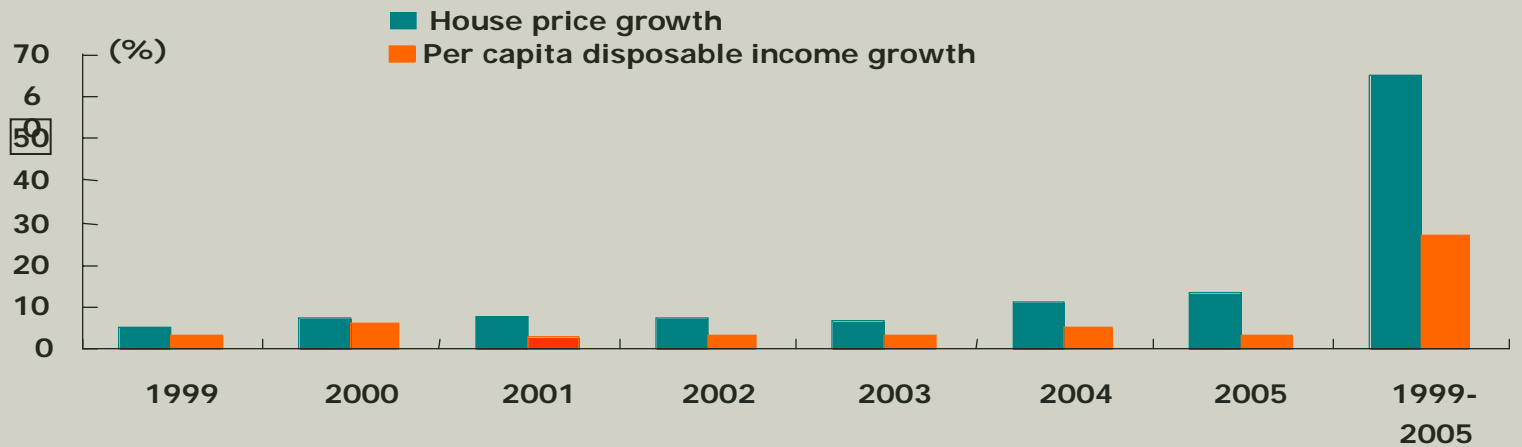


# Rising incomes make housing affordable, though there are still not enough low and middle income units

China



U.S.



Data: CLSA

BHP Billiton China

Page 22 31/07/2006



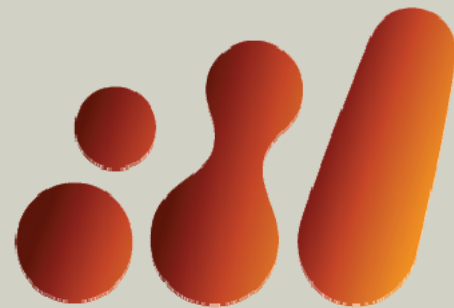
There has been huge progress in bank reform.....

<b>NPLs to total loans</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>3Q 2005</b>
<b>State-Owned Commercial Banks</b>	<b>25.6%</b>	<b>20.1%</b>	<b>15.6%</b>	<b>10.1%</b>
<b>Bank of China</b>	<b>22.5%</b>	<b>16.3%</b>	<b>5.1%</b>	<b>...</b>
<b>China Construction Bank</b>	<b>15.2%</b>	<b>9.1%</b>	<b>3.9%</b>	<b>...</b>
<b>Industrial &amp; Commercial Bank</b>	<b>24.4%</b>	<b>21.2%</b>	<b>19%</b>	<b>...</b>
<b>Agricultural Bank</b>	<b>36%</b>	<b>30.8%</b>	<b>26.8%</b>	<b>...</b>
<b>Joint Stock Commercial Banks</b>	<b>11.8%</b>	<b>8.1%</b>	<b>5.0%</b>	<b>4.5%</b>
<b>Total</b>	<b>23.2%</b>	<b>17.8%</b>	<b>13.2%</b>	<b>8.7%</b>

Source: IMF, CBRC, Commercial Banks



Beijing 2008<sup>TM</sup>



bhpbilliton

必和必拓

北京 2008 年奥运会赞助商  
OFFICIAL SPONSOR OF THE BEIJING 2008 OLYMPIC GAMES