

UNIVERSITY OF MACAU
FACULTY OF BUSINESS ADMINISTRATION

The Impact of the Financial Crisis on the Chinese Economy:

A Case of the Manufacturing Sector

The seal of the University of Macau is a circular emblem. It features a central shield with a crown on top, a bridge in the middle, and wavy lines at the bottom. The shield is flanked by two lions. The words "UNIVERSIDADE DE MACAU" are written in a circle around the top, and "澳門大學" is written in Chinese characters around the bottom. A banner at the bottom of the shield contains the Chinese characters "仁義禮知信".

Lai Chi Hou, Chester

M-A8-5713-3

Thesis presented to the
Faculty of Business Administration
University of Macau

In partial fulfillment for granting the MBA Degree

In the area of Economics

2011

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ABSTRACT

The objective of this study is to analyse the status of the Chinese manufacturing sector and the impact of the 2008 financial crisis on the sector. This study will determine whether the Chinese manufacturing sector is able to survive the effects of the financial crisis and retain an attractive environment for investors in China.

To examine the effects of the financial crisis on the Chinese manufacturing sector and the Chinese economy in general, this study will analyse the global economy and the origins of the financial crisis. Due to the financial crisis, people lost their jobs and reduced their levels of consumption. A low level of demand for commodities significantly affected all of the manufacturing industries in the world. Chinese economy is based on manufacturing and depends highly on its exports. The financial crisis presented a new challenge to China, as the ramifications of the crisis threatened the development of the Chinese economy. At the same time, China's trading partners forced China to appreciate its currency (i.e., the Renminbi). Because the Renminbi exchange rate strongly affects foreign trade, a Renminbi appreciation would reduce China's export levels. In turn, a decrease in exports would lead to increased unemployment. Therefore, the implications of a Renminbi appreciation on the Chinese manufacturing sector is a significant topic. Given the external and internal factors, determining the short-term and long-term impacts of a Renminbi appreciation on the Chinese manufacturing sector, especially during the time when the Chinese government was playing an important role in the financial crisis, is an important task. In this study, the author will study a medium-sized manufacturing company and interview its assistant general manager to determine the challenges presented by the financial crisis to this company.

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