Lucas Papademos: The euro area economy and Asia - current issues and challenges

Speech by Mr Lucas Papademos, Vice President of the European Central Bank, at the Shanghai Head Office of the People's Bank of China, Shanghai, 10 February 2006.

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Introduction

Ladies and gentlemen,

My first words will be for the People's Bank of China, which I would like to thank warmly for giving me the opportunity to be here and speak to you today. This is my second visit to China in my present capacity, but my first one to Shanghai. And I must confess that, when I return to Europe, after spending these few days here, I shall probably not have enough time to describe "half of what I saw". Now, these last words are borrowed, but I fully share the truth they convey. They were first uttered a long time ago, by another European visitor. He came from a city located on the coast of the Adriatic Sea and stayed in China for several years. You know him well. His Chinese name was Mărcō Pō-Lō. Like him, I have seen many things here. In Shanghai, I have seen China's largest centre for business and finance; one of the world's most active ports; a city which is developing at an impressive speed and is experiencing urban regeneration on a massive scale; a symbol, in many ways, of the unprecedented economic transformation your country is going through. The list of achievements and remarkable developments is simply too long to tell.

Like Mărcō Pō-Lō, though, I have not come empty-handed. I have come here, indeed, to exchange not goods, but information, and some ideas! I am aware that the celebrations for the Chinese New Year are coming to an end. The turn of the year is usually an excellent occasion to look ahead. The global economy is expected to continue to grow strongly and world trade is projected to accelerate further. At the same time, the global economy is facing certain risks and a number of challenges. And it may be at a crossroads. Its future course will depend on a number of factors. It will depend on the ability of all regions to sustain or generate a solid pace of growth of domestic demand, while benefiting from the stimulus of increasing trade. It will depend on the capacity of our economies to withstand the effects of potential shocks, both external and internal. And it will also depend on the authorities' ability to pursue appropriate policies and respond to unanticipated disturbances, in a manner that supports activity, maintains monetary stability and safeguards financial stability.

In my speech today, I intend to review and elaborate on some of these factors which are of particular relevance to the economies of the euro area and of South-East Asia. First, I will focus on the economic outlook for the euro area – the 12 Member States of the European Union that share the euro as their single currency. I will assess the prospects for a higher rate of growth in the future and for the preservation of price stability, the likely contribution of internal and external factors and the role of monetary policy. And I will point to certain risks and uncertainties surrounding our central scenario. Second, I will briefly review the increasing economic and financial relations between Europe and emerging Asia, especially China, the contribution of these relations to growth in both regions, and their impact on the ongoing transformation of the European economy. Finally, I will take a more global perspective and share a few thoughts with you on some of the main risks and challenges ahead of us, namely those stemming from the large global imbalances in trade and finance. And I will highlight a number of policies that can help meet this challenge.

II. The economic outlook for the euro area

Let me begin with an assessment of the current economic situation in the euro area, the outlook for the medium term and the risks associated with this outlook. In 2005, real GDP picked up in line with our expectations. The latest available information from economic indicators and survey data suggests that economic activity continues to strengthen, signalling, in particular, an improvement in the manufacturing sector. Growth in domestic demand has increased, owing primarily to higher investment and, to a lesser extent, growth in consumption. Both business and consumer confidence are improving. Looking ahead, most recent information confirms our assessment that economic activity will continue to expand and broaden as domestic demand – notably business investment – strengthens further, also in response to the favourable external impulse. Although quarterly growth rates will exhibit some volatility, real GDP in the euro area is expected to grow in the coming quarters at rates close to potential growth. The latest ECB Survey of Professional Forecasters points to growth of 2.0% in 2006 and 1.9% in 2007.

Our assessment of the outlook for growth in the euro area is supported by both the broadly favourable prospects for the world economy and a number of internal factors. Global growth is expected to remain robust and above its long-term average over the short to medium term despite high oil prices, benefiting from accommodative economic policies, improved corporate balance sheets and favourable financing conditions. The United States and Asian countries – notably China – will continue to constitute the main driving forces of global growth, albeit to a lesser extent than in the recent past. Moreover, oil-exporting countries and emerging economies in other parts of the world are providing, at the current juncture, a stimulus to the world economy and the euro area. In Europe, the new Member States of the European Union continue to experience robust growth rates.

This favourable external stimulus to the euro area economy will not only support euro area exports but should, at the same time, contribute to sustaining strong investment growth, which should also benefit from the very favourable financing conditions, improved business balance sheets and efficiencies, and high profitability. On the consumer side, household expenditure is expected to grow more gradually and broadly in line with developments in disposable income.

In the past few years, certain factors adversely affected private consumption growth, which remained rather subdued. In some euro area countries, low confidence and uncertainty surrounding ongoing structural, fiscal and pension reforms may have contributed to a higher level of private savings. Also, increased job insecurity, in an environment of structural changes linked to increasing competitive pressures – notably from emerging markets – may also explain the level of precautionary savings in the euro area. Although private consumption – on the basis of recent indicators of household spending – is estimated to have grown only moderately in the last quarter of 2005, it is encouraging that consumer confidence has increased. Moreover, a further gradual improvement in labour market conditions in the coming years should favourably affect private consumption.

There is also positive news related to fundamentals on the supply side of our economy. Structural reforms in product markets, implemented in recent years, are enhancing competition and have helped improve the business environment. Labour market policies geared towards greater flexibility and increased incentives to work are contributing to a reduction in structural unemployment and to higher participation rates. These supply-side factors will gradually result in higher potential growth and living standards for European citizens over the medium to longer term. Despite the progress made, there is much more that has to be done to enhance productivity growth and market flexibility in the euro area economy and thus to improve its productive capacity and resilience to shocks.

The outlook for growth in the euro area is surrounded by risks which continue to be on the downside and relate mainly to external factors. First, prevailing global imbalances legitimately raise some concerns about a potentially disorderly adjustment and underscore the need to take appropriate action. I will revert to this issue in the latter part of my remarks. A second downside risk to growth relates to high and volatile oil prices. Surges in oil prices over the last two years have been partly induced by the strong demand for oil emanating from major energy consumers, such as China and India. At the same time, the tremendous energy requirements of these countries have been associated with strong growth in productivity, which, in turn, exerts downward pressures on manufacturing import prices in the euro area. However, potential future shocks, which may induce higher and volatile oil prices, may relate more to the supply rather than the demand side of the oil market.

With regard to price developments, inflation in the euro area averaged 2.2% in 2005, compared with 2.1% in the previous two years. Underlying domestic inflationary pressures have remained low in the recent past, as wage demands have been moderate reflecting subdued labour market developments. Higher oil prices have been the main factor exerting upward pressures on prices, especially in the second half of 2005. However, there has been only limited evidence that past oil price increases have passed through to prices at a later stage of the production chain. In addition, inflation has been dampened by the impact of strong external competition. Over the short term, annual inflation is expected to remain at elevated levels mainly on account of the most recent increases in oil prices and some adverse base effects.

Over the medium term, annual inflation is expected to decline gradually, but the extent and pace of its deceleration to a level compatible with price stability depends on several factors. Lagged indirect effects, stemming from higher production costs induced by past oil price increases, could exert upward pressure on inflation. And previously announced increases in administered prices and indirect taxes can be expected also to have an adverse impact. At the same time, wage developments have remained moderate over the past few quarters as trade unions in the euro area have increasingly focused on protecting employment, notably against the background of continued moderate economic growth and increased competition from the new EU Member States and non-EU emerging economies. Therefore, recent experience suggests that nominal wage growth can be assumed to remain moderate against a background of the expected modest improvement in labour market conditions and the gradual expansion of economic activity. This assumption, however, cannot be taken for granted, and there are indications that wage pressures may be building up in some euro area countries. All in all, the information currently available is in line with the scenario embodied in the Eurosystem staff projections published in December 2005 for price developments over this year and the next. The latest ECB Survey of Professional Forecasters points to average inflation of 2% in 2006 and 1.8% in 2007.

This outlook for price developments continues to be surrounded by a number of upside risks. Neither the number of upside risks to price stability nor the likelihood that they materialise has diminished. There are risks stemming from potential further rises in oil prices and additional increases in administered prices and indirect taxes. More significantly, the potential for second-round effects on wage and price-setting behaviour remains. In addition, strong monetary and credit growth, in an environment of ample liquidity in the euro area, also points to upside risks to price stability over medium to longer horizons that are more likely to materialise as economic activity is approaching its potential level.

To sum up, the latest available information from both hard data and soft indicators overall confirms our central scenario of a recovery which is becoming stronger and broader. In that context, we see mainly two external risks – oil prices and global imbalances – and there is also some uncertainty about the pace of the strengthening of consumer demand, although the signs seen in confidence indicators have been encouraging in this respect. With regard to the prospect for price developments, several upside risks to price stability over the medium term remain. Consequently, the ECB, as the monetary authority of the euro area, has to remain vigilant so that these risks do not materialise and medium and long-term inflation expectations are not adversely affected but remain well-anchored at levels in line with price stability. Such vigilance is also necessary, given the historically low levels of interest rates and the overall accommodative stance of monetary policy, which continues to be supportive to growth and employment creation. Market expectations of a further tightening of monetary policy in the coming month are reasonable and in line with the ECB's communication and its commitment to preserve price stability. Looking further ahead, the stance of monetary policy in the remainder of the year will depend on incoming information that will shape our assessment of the outlook for price stability over the medium term. The ECB will act promptly and as needed to ensure that potential inflationary pressures are contained and inflation expectations remain anchored to price stability.

III. Economic relations between the euro area and emerging Asia

The economic performance of the euro area and other regions of the world has greatly benefited in recent years from the increasing globalisation of markets, the pace of trade expansion, and the sizeable flows of foreign direct and portfolio investment across borders. That said, globalisation also creates challenges, both at the micro and macro levels. Against this background of the opportunities and challenges of global markets, let me now concentrate on the economic and financial relations between Europe – or rather the euro area, to be more precise – and emerging Asia, specifically China, and on some of the challenges for policy.

I will first focus on bilateral trade relations between China and the euro area. China's share in the euro area's total imports has increased markedly over the past ten years, from 3.6% in 1994 to 8.6% in 2004 – a rise of five percentage points.[1] By comparison, the share of goods imported from China by the United States rose from 6% to 13.7% over the same period. The rising share of Chinese goods in euro area imports is not a surprise in itself, given the rapid pace of development of the Chinese economy. What is rather more surprising, however, is the fact that China's share did not rise as quickly on the export side. Euro area goods exported to China in 2004 amounted to only 3.5% of total euro area exports in that year, which is significantly below the share of the United States (15%). From a Chinese perspective, the euro area is a fairly important trading partner which accounted for 13.7% of

1 The share of non-Japan Asia in euro area imports increased even more, from 10.5% in 1994 to 18.7% in 2004.

China's exports in 2004 – up from around 10% in 1994. The share of euro area products in China's total imports is of the same order of magnitude, but it has declined somewhat over the past ten years – from 13.6% in 1994 to 10.4% in 2004.[2]

In parallel to trade integration, capital mobility and foreign direct investment is the second vector of globalisation. The expansion of capital flows is impressive. A real surge in FDI accompanied the specialisation of manufacturing at the international level. Flows of FDI have risen 25 fold between the 1970s and the 1990s. Over the last decade, 90% of world FDI outflows originated from high income countries and one-third of world FDI inflows went to developing and transition economies. More specifically, FDI inflows to non-Japan Asia increased from less than 7% of world inflows in the 1970s to around 19% in the 1990s. In the 1970s, FDI inflows to China were a trickle that barely registered. But by the 1990s, these flows had grown significantly, representing (on average) 7.7% of all global FDI flows. FDI outflows from non-Japan Asia also rose substantially over the same period: on average they represented 9% of world outflows in the 1990s, compared with less than 0.5% in the 1970s. Overall, we can certainly conclude that the euro area and China have become key economic partners. Such interdependence is likely to continue to strengthen to the mutual benefit of both regions.

The increase in trade integration and capital mobility with emerging Asia – and China in particular – constitutes an opportunity, but also a challenge, for the euro area. Beyond the short term, the international competitive pressures exerted on the euro area reflect structural factors, and notably strong productivity growth, which are most likely to be favourable to the European economy over the long term. A deepening in the integration processes of both manufacturing and services industries offers the prospects of significant gains at the economy-wide level. Europe should indeed benefit in terms of lower prices for firms and consumers, enhanced trading volumes and potentially higher levels of productivity and growth.

That said, the necessary adjustments in the short term can be controversial: you are probably aware of the debates in Europe on the dislocation of manufacturing and pressures on labour markets. And I will frankly admit that Sino-European economic relations, too, have occasionally experienced some tensions in this respect. Last year, for instance, the expiration of textile quotas under the MultiFibre agreement raised concerns that rapidly growing imports of Chinese textiles would put a severe strain on European textile manufacturers. However, China and the European Union reached an agreement last September, regarded by both partners as a "win-win" outcome, which that, with mutual trust and understanding, tensions can be overcome. We, at the ECB, strongly believe that avoiding protectionism is essential for global prosperity, a sentiment which we share with many other central banks around the world. In any event, the implications of global trade integration for European labour markets and competitiveness are not necessarily exclusively related to China and emerging Asia, but also to the dynamic economies of the new EU Member States in Central and Eastern Europe. One of the main policy responses to address these pressures are efforts to make the euro area economies more flexible and to place greater emphasis within the present domestic model on the promotion of innovation and the creation of a more business-oriented environment.

More specifically, policies geared towards better education and research subsidy systems, efficient and flexible product and labour markets, and well-developed financial systems will be beneficial to long-term productivity growth and prosperity in the euro area. A number of European policy initiatives and recommendations to promote productivity growth in the European Union – referred to as the "Lisbon strategy" (after the city where the decision was taken) – have already been put forward. A key priority identified in this strategy is the promotion of "knowledge and innovation for growth" through various means and objectives aimed at improving human capital. For example, the Lisbon strategy sets a target whereby research and development spending should reach 3% of GDP by 2010, two-thirds of which should come from the private sector. In 2003, overall R&D expenditure represented 1.9% of the euro area's GDP. By way of comparison, the United States spends 2.8% of GDP on research and development. The allocation of additional financial resources to support research and innovation is a step in the right direction, but it is not sufficient. Mechanisms should be put in place to ensure that the envisaged increase in funding is both effectively and efficiently utilised. Moreover, a general educational framework to strengthen the development of new technologies – and their diffusion in the economy – is also needed; this would also enhance the ties and interactions between universities, research centres and business.

[2] The euro area's share in exports to non-Japan Asia also declined somewhat – from 14.6% in 1994 to 13.7% in 2004.

IV. Global imbalances and policy challenges

Let me now turn to the third and final part of my remarks on some of the policy challenges ahead. A major challenge, which is faced by industrial countries and emerging economies, and which has been on the agenda of almost all international policy meetings over the past few years, is posed by global current account imbalances. I am sure most of you are familiar with the general issue and the pertinent facts. It may be useful to recall some figures. The current account deficit of the United States grew to an estimated 760 billion US dollars in 2005, which corresponds to 6.1% of US GDP and to 80% of the total current account surpluses in the rest of the world. To finance this external deficit, the United States has to attract large capital inflows, which in recent years have come mainly from Asia and oil-exporting countries. Taken together, Japan, China, other Asian economies and the oil-producing nations are estimated to have recorded current account surpluses of around 750 billion US dollars in 2005. In the euro area, the current account has recorded small surpluses in most recent years. In the period 2002-04, the current account had a surplus that did not exceed 0.5% of GDP and it is estimated that it was in balance (or had a small deficit) in 2005. The euro area's external position reflects, among other factors, the level of development of our economy and can be seen to be consistent with demographic developments, which require net savings over the longer term.

The present constellation of current account imbalances has sometimes been referred to as being the result of a "global savings glut", that is, of large and excess savings relative to domestic investment in surplus countries, rather than of high consumption and investment in deficit countries. Clearly, the financial crises of the last decade have induced many emerging countries, particularly in Asia, to switch from being borrowers to being lenders on international capital markets. This has contributed to the sizeable current account surpluses and the accumulation of reserves, which is seen as a cushion against potential future crises. These developments have been further amplified by the impact of high oil prices on the revenues of oil-exporting countries, which have become exceedingly large net global lenders. At the same time, the persistence of large current account deficits and the increasing net external debt of the United States could lead to a rebalancing of investors' portfolios and an adjustment of asset prices and yields. The sustainability of imbalances is the key issue.

The very nature and underlying determinants of these imbalances have been widely debated. For some, they merely reflect a market outcome – an "equilibrium" state of economic forces at work, including productivity developments, demographics and time preferences. These forces may induce significant swings in countries' external balances over time. Interestingly, however, we have observed that the net investment income balance of the United States – that is, the difference between its receipts and payments on external financial assets and liabilities respectively – has so far remained positive, notwithstanding years of current account deficits. This suggests that the United States still earns a higher rate of return on its stock of international assets than it pays out on its larger stock of international liabilities. And, indeed, recent estimates point to a positive gap in returns on foreign direct investment: US firms operating abroad are presumably more profitable than foreign firms operating in the United States.[3] Some economists have even argued that the positive investment income balance suggests that the United States would actually remain a net creditor to the rest of the world, due to unaccounted exports of know-how carried out by US corporations through their investments abroad – a phenomenon which they call "dark matter".[4] This represents a striking difference from the officially reported data: a net external debt of more than 2.5 trillion US dollars! However, the point that knowledge would be embodied in US investments abroad to a larger extent than in foreign direct investments in the United States seems not to be decisively ascertained by existing data.[5] The "paradox" of the United States having a positive income balance requires further assessment and a more convincing explanation. It could be resolved if that income balance turns negative in the future, which is possible.[6]

The fact remains that there are current account imbalances, which could persist for some time, being financed without difficulty, but eventually they would have to be corrected. And, indeed, taking a

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3 Matthew Higgins, Thomas Klitgaard and Cédric Tille, "The income implications of rising U.S. international liabilities", *Current Issues in Economics and Finance*, December 2005, Volume 11, Federal Reserve Bank of New York.

4 Ricardo Hausmann and Frederico Sturzenegger, "US and global imbalances: can dark matter prevent a big bang?" mimeo, November 2005, Kennedy School of Government, Harvard University, Cambridge MA.

5 Willem Buiter, "Dark matter or cold fusion?" Goldman Sachs, *Global economics paper*, No. 136, January 2006.

6 Ibid. See also Higgins et al. (2005).

forward-looking and longer-term perspective, the existing imbalances constitute a potential risk to macroeconomic and financial stability globally. The responsible economic authorities and most economists agree that the large US current account deficit, and the corresponding sizeable surpluses elsewhere in the world, will be reduced significantly at some point. The question is not whether, but when and how, this adjustment will take place. We cannot be sure about the precise timing or the size of the adjustment. As I previously emphasised, external imbalances could persist for a fairly long period, and the prospect of a rapid adjustment is not imminent. The main concern is that a purely market-determined adjustment might turn out to be abrupt, with a potentially adverse impact on global economic growth and financial stability.

What can be done, then, to avoid this? Global challenges require global answers. Each of us must play his part to ensure an orderly adjustment. Industrial countries, in particular, can make a key contribution. In the United States, this contribution can come from higher national savings, including from further fiscal consolidation. Moreover, the low level of private savings in the United States is a concern and needs to be addressed. As regards Europe, our contribution should come from further structural reforms aimed at increasing productivity growth and market efficiency through more competition and innovation. Such reforms will help stimulate economic activity and raise growth potential. Furthermore, such reforms, by improving the functioning of markets, can be expected also to increase the flexibility of the European economies through greater reliance on market mechanisms, and thus enhance our economies' resilience to shocks. This would also prove beneficial when current account imbalances begin to unwind.

In this joint effort to avoid a disorderly adjustment of existing current account imbalances, what role does emerging Asia play? The reduction of global imbalances in an orderly manner is a key international policy priority. Emerging Asian countries – and especially China – have become, over the past decade, major economic players at the global level. This greater weight and influence in the world economy also entail a greater responsibility to assess the global implications of national economic policies. As I have already stressed, this is what the euro area and the United States also need to do so as to facilitate a smooth adjustment of global imbalances.

The development of the Chinese economy and its growing trade surplus have been spectacular. They reflect the international competitiveness and dynamism of your economy and the confidence which international investors have in its future. They have been accompanied by the accumulation of foreign exchange reserves at a pace and magnitude almost unprecedented in history. But, as Walter Benjamin, the German philosopher, once said about happiness, could this be "too much of a good thing"? This depends on the underlying causes of reserve accumulation and on the potential risks to the sustainability of the performance of the domestic and world economies.

We in Europe are confident that the Chinese authorities are well aware of these risks and of the need to pursue financial reforms and economic policies that foster efficient and sustainable economic performance. To this end, exchange rate flexibility is an essential element of an appropriate policy strategy. Exchange rate flexibility is also desirable in order to foster smooth, wide-ranging adjustments, based on market mechanisms, in the international financial system. Moreover, such flexibility may also help China keep the pace of accumulation of foreign exchange reserves under control. For this reason, we at the ECB welcomed China's decision to shift to a new managed floating exchange rate regime last summer. We expect the operation of the new exchange rate regime to contribute to global financial stability. However, while the size of speculative inflows appears to have diminished, the fact that current account surpluses are high and rising and that reserve accumulation is continuing unabated suggests that more adjustment is likely to be needed. Such an adjustment would have to be well prepared as in the past, so as to contribute to global financial stability.

We understand that greater exchange rate adjustment requires more reforms and that certain domestic considerations and constraints have to be taken into account. At the same time, we have observed, with great interest, the string of measures recently taken by the Chinese authorities to prepare the country's financial system to cope adequately with the new economic environment, including bank recapitalisation, partial interest-rate liberalisation, the introduction of trading in non-renminbi currency pairs and the expansion of the forward market. The progress that is being made is very tangible indeed: only yesterday, for example, the People's Bank of China published rules that permit yuan interest rate swaps. Such reforms are welcome not only because they can help the financial system to adapt to the new environment, but also because China's substantial current account surpluses partly reflect the structure and features of its financial system. For instance, it has been argued that the saving rate in China is very high, even after the recent revisions of GDP data, because households need to save more for retirement and health care, but at the same time returns on financial assets are too low. Moreover, as the availability of credit is also limited for households, they need to accumulate sizeable savings to purchase durable goods and houses. In this context, corporations, which account for a large part of total savings, have incentives to invest in real assets, including business capital, rather than to invest their cash flows in financial assets, because of the low returns offered by the latter. In turn, this could help to explain some domestic imbalances observed in the Chinese economy. It is positive that, thanks to measures concerning land acquisition, banking loan requirements and interest rate adjustments, the housing market has started to cool down and price increases began to decelerate in many regions last year. Higher returns on financial assets could help further relieve some of the pressure on the real estate market, by enticing economic agents to invest more in financial assets rather than in real assets. Seen also from that angle, reforms are not only useful to help China address external imbalances, but also domestic ones.

V. Conclusion

It is time for me to conclude.

An important event in our common history took place seven centuries ago, when Mărcō Pō-Lō came from Europe to China for the first time. But Europe and China do not only have a common history, we have a future to share. We are key partners. Our trade and financial relations are strengthening to our mutual benefit. Policy challenges lie ahead for both of us, and the orderly adjustment of current account imbalances globally is an important one. I am convinced that the euro area and China will pursue the appropriate policies to address effectively the challenges we face and, in this way, make this common future bright.

As a European, I feel that I cannot finish my presentation without a few words on perhaps one of the most complex challenges ahead for my continent: its future constitutional set-up. This is an issue about which we are often asked by our Asian friends. European integration is a unique endeavour. Bringing together sovereign nations with a long and rich history is a long-term process, which requires a sense of purpose and determination. Early on, Europeans placed emphasis on achieving economic integration. The single European market and the euro are two major achievements. More recently, the focus shifted towards further developing the Union’s institutional framework and political dimension. A Constitution was drafted to lay down the appropriate institutions and political processes which would allow the enlarged European Union to act efficiently and transparently and assume an international role that is commensurate with its economic and political weight. Fourteen countries, representing around half of the European Union’s population, have ratified this Constitution or are very close to formal completion. In France and the Netherlands, however, where the draft Constitution was put to a referendum, it did not find majority support. In June 2005, the European Heads of State or Government discussed the reasons and implications. They concluded that the results did not call into question the citizens’ attachment to the European construction process. At the same time, they agreed on the need for a period of reflection. The issue will be taken up again during the first half of this year in an attempt to agree on a way forward. The ECB is in full support of the Constitution. The point I would like to stress, however, is that whatever the outcome of the ratification process, the stability of the euro will not be affected. The ECB, whether it operates under the current Treaty or the new Constitution, will continue to fulfil its mandate and deliver price stability in the euro area, thus contributing to a macroeconomic environment conducive to growth and employment.

During the several years he spent in China, it is said that Mărcō Pō-Lō learned to speak fluent Chinese. I have been here only a few days, unfortunately. But let me still try to wish you, in Mandarin, a happy and prosperous new year! Xīn Níen Kăi Lè, Kōg Xí Fā Caí! Thank you. Xie xie.