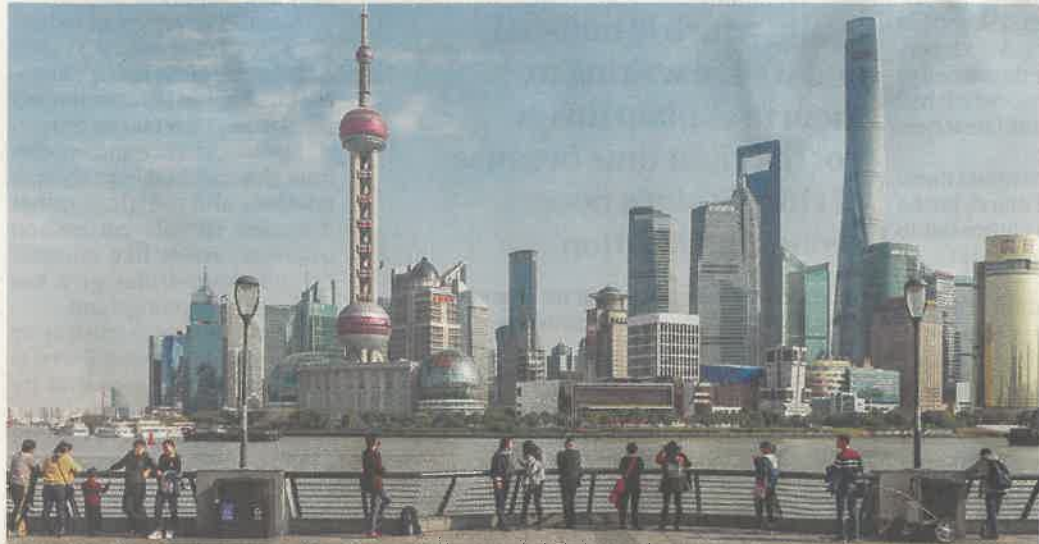


## ECONOMY



Shanghai's Lujiazui financial district could reap benefits if the economy improves as expected. Photo: Xinhua

# GDP growth for 2021 to exceed target despite headwinds, Liu He predicts

Luna Sun

[luna.sun@scmp.com](mailto:luna.sun@scmp.com)

China's economic growth will exceed its 2021 target, Vice-Premier Liu He has said, despite headwinds that threaten to derail recovery from the Covid-19 pandemic.

"We're abundantly confident about China's economy next year," Liu said during the Hamburg Summit, a virtual event focused on relations between China and Europe.

Liu, the top economic adviser to President Xi Jinping, said the economy had continued to recover this year, with employment, commodity prices and international payments "normal overall", and growth "expected to exceed target".

China set a gross domestic product growth target of "above 6 per cent" for 2021, after the economy rebounded to 2.3 per cent for 2020 from a historic first-quarter contraction of 6.8 per cent due to widespread lockdowns to contain the spread of Covid-19.

China was the only major economy in the world to expand last year as the pandemic ravaged business around the globe.

Looking ahead, Liu said China

would cultivate a better environment for small and medium-sized businesses and foreign companies. It would also expand market access for overseas firms and promote fair competition, while accelerating the development of Xi's "dual circulation" strategy, which aims to tap China's huge domestic market. "China's geographic conditions and natural resources determined the opening up of the economy," Liu said. "We have realised in the past 40 years that China must insist on reform and opening up."

The country's GDP increased by 4.9 per cent in the third quarter from a year earlier, down from a 7.9 per cent expansion in the second quarter.

Despite the upbeat tone by senior officials, analysts are concerned about the resilience of China's recovery, which has been challenged by sporadic coronavirus outbreaks, the worst power shortages in decades, and crack-downs on property, technology and private tutoring.

Yubin Fu, Moody's vice-president, said in a report yesterday that economic recovery remained unstable and uneven. "The economies of most Chinese provinces slowed in the third quarter of 2021," he said. "The pace of recov-

ery will come under pressure while headline growth will be marginally lower in the fourth quarter."

China's Purchasing Managers' Index (PMI) rose to 50.1 in November, the first uptick after seven months of decline and the first positive growth after two months of contraction, data from the National Bureau of Statistics showed on Tuesday.

But the Caixin/Markit PMI, which gauges sentiment among private and smaller businesses, showed yesterday that China's factory activity fell back to contraction in November.

Liu, meanwhile, also called for more contact and discussion to mend wounded ties between China and the European Union, and urged for economic and trade cooperation to ensure supply chain security.

"As two major economies and the two driving forces of the world economic recovery, China and Europe should continue to strengthen economic and trade cooperation in the post-pandemic era, jointly promote transition to low-carbon economies, deepen trade and investment cooperation, and jointly preserve the security and clearance of the global supply chain," Liu said.