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ECONOMY

# Analysts downbeat on growth prospects as lockdowns start to take a heavy toll

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While Chinese officials and state media are playing up the nation's economic prospects, many analysts remain sceptical about seeing any significant improvements in the short term, even as Shanghai is looking to gradually ease a lockdown that has crippled the financial hub since March.

Nearly two months into the lockdown of Shanghai, which has a population of 25 million, health authorities there announced a "phased" plan on Monday to broadly reopen and allow normal life to resume next month.

In an article yesterday, the Communist Party's official newspaper, *People's Daily*, cited an official with the state planner – the National Development and Reform Commission (NDRC) – as saying that the economy would return to normal "soon", as the country's "efficient Covid-19 control measures and pro-growth policies gradually produce the intended effects".

It also highlighted comments by NDRC spokeswoman Meng Wei, who said the government would "make every effort" to expand domestic demand, press ahead with a number of major investment projects to drive growth, and lift market confidence while restoring production.

The article ran after Vice-Premier Liu He on Tuesday said the government would support the private economy, as well as the development of digital economy companies and their public listings. His comments, at a meeting with tech executives, buoyed hopes that a regulatory crackdown on the sector might be easing. The unprecedented crackdown on internet companies, which began in late 2020, has pummelled Chinese tech companies and roiled markets, erasing billions of dollars worth of market value and weighing heavily on an important growth driver.

The surprise contraction of China's economy in April has further hit the already fragile market sentiment, while some economists have called for more impactful policy support.

Rory Green, head of China and Asia research at London-based research firm TS Lombard, said China's gross domestic product (GDP) growth would fall short of its target of "around 5.5 per cent" this year due to its zero-Covid policy, which mandates lockdowns, mass testing and quarantines.

"We see the economy contracting by 0.5 per cent, year on year, in the second quarter of this year, and growing at 3.3 per cent, year on year, for [all of] 2022. A technical recession – two straight quarters of negative growth – is still unlikely, but an annual growth rate of 3.3 per cent is effectively a growth recession for China," Green said.

"Official data may overstate the strength of the economy ahead of the party congress," he added, referring to the political gathering later this year when major leadership changes will be announced.

Vice-Minister of Finance Xu Hongcai on Tuesday said China had accelerated the implementation of a slew of fiscal and tax policies to support companies, adding that the ministry would "promptly design additional policy tools and strengthen policy adjustment to stabilise the economy and ensure the achievement of full-year economic and social development goals".

The comments from Chinese officials highlighted by state media came after major indicators measuring the state of the world's second-largest economy fell short of expectations in data released on Monday, with industrial production, retail sales, fixed-asset investment and the surveyed jobless rate falling to their weakest levels in more than two years.

China has also been challenged by capital outflows this year. The latest official data indicated that foreign investors cut their holdings of yuan bonds by US$559 billion in April – the third straight month their holdings were cut.

Data released by the Ministry of Finance on Tuesday showed that China's general fiscal revenue plunged by 41 per cent in April as the government gave money back to taxpayers to help businesses weather the impact of virus curbs.

Everbright Securities' chief economist, Gao Ruidong, said yesterday that he did not expect Beijing to launch new policy tools in the first half of the year.

"It is expected that the policy focus in the short term will still be on actively promoting the resumption of work and production, and on accelerating the implementation of existing policies," Gao said.

Meanwhile, the state-backed *Economic Daily* said in an editorial yesterday that Beijing's plans to build a "unified domestic market" at a "critical time" were a reflection of the central government's "determination and confidence" to "break ground" to further deepen market reforms.

**5.5%**

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