

ECONOMY

LIKELY 3.5pc GDP GROWTH SHORT OF EXPECTATIONS

As 2022 target appears well beyond reach and Asian peers rebound far stronger, analysts say more must be done to restore market confidence

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China's economic rebound during the third quarter is expected to have fallen short of expectations, putting the country's annual growth target farther out of reach, according to analysts.

They note that Beijing's stringent zero-Covid policy continues to maintain its stranglehold on the economy and that authorities need to take more concrete steps to restore confidence among consumers and private enterprises.

Gross domestic product (GDP) for July-September is expected to be revealed next Tuesday, when the leadership-reshuffling 20th party congress will be under way.

The consensus among analysts is that the economy grew by 3.5 per cent in the third quarter, year on year, according to Chinese financial data provider Wind.

Even though the figure would be a markedly faster increase than the marginal 0.4 per cent rise during the second quarter, it is well below the 4.8 per cent that the market expected in August.

China's year-on-year growth pace during the quarter appears to have been dwarfed by that of Vietnam, which said its GDP grew by 13.7 per cent.

There has been debate over whether the Southeast Asian country could replace China as the so-called world's factory, but some observers note that Vietnam benefited from a low comparison base with last year, and that it saw

a quarter-on-quarter decline during the last three months.

Still, it would not be the first time that the Chinese economy had moved more slowly than its major Asian developing peers. The country's GDP growth was slower than that of India last year, and China also lagged behind global economic growth in the second quarter of 2022.

"China has lost its lead position in the Asian economic arena," said Chan Kung, founder of independent multinational think tank Anbound.

"What [China] really needs to avoid, as much as possible, is persistent and structural economic damage," he said, adding that the issue now for other Asian countries was how to maintain growth.

Industrial output is expected to have mildly recovered during the third quarter, and infrastructure construction was accelerating, with support from two

stimulus packages introduced in May and August. Producer prices also slowed, and consumer inflation remained moderate.

But export growth has slowed, partially due to falling overseas demand under mounting recession risks after the US Federal Reserve's rate rises.

China's property woes are lingering, and coronavirus-containment measures continue to hit consumer demand, while a record-breaking summer heatwave and drought have also taken an economic toll.

"China's economic recovery [in the third quarter] missed expectations and shows a weak recovery trend, overall," analysts with the Bank of China wrote in a note on September 28.

Wind data shows the market expects the economy will grow by 3.6 per cent this year, well off the target of "around 5.5 per cent" announced by Beijing in March.

That projected level was to be an important milestone in China's economic-growth aspirations, relative to the growth levels of other countries, according to Jia Kang, former head of the finance ministry's research institute.

"Of course, we are pursuing high-quality and sustainable development ... but it is still unimaginable, from a strategic perspective, for us not to have this pace [of 5 to 6 per cent]," Jia said at a forum on September 24.

Han Baojiang, a professor and director of the economics department at the Central Party School, said the "unprecedented pressure" on China's economy was "inescapable", especially as there was no clear timeline for when the pandemic would end.

"We must improve our epidemic preventions and controls," he said during a webinar on September 28, adding that more scientific, targeted and effective instruments were needed.

The Economist Intelligence Unit (EIU) regards the zero-Covid policy as a major drag on global growth and expects it to continue well into next year.

"The fallout from Russia's invasion of Ukraine, global monetary tightening and an economic slowdown in China are weighing on the global economy," the EIU said in a note on Wednesday.

The World Trade Organization sharply cut its global trade outlook for 2023 on Wednesday.

Chan, with Anbound, said the sharp depreciation of the yuan against the US dollar would further strain the Chinese economy, while the impacts of the war in Ukraine and the US-China rivalry were likely to be still limited for the rest of the year.



Workers make electric heaters in Foshan, Guangdong. Industrial output is expected to have mildly recovered in the third quarter. Photo: Xinhua