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ECONOMY

IMF revises up GDP growth outlook for this year and next

Global agency raises forecasts to 5.4% for 2023 and 4.6% next year, citing strong consumption

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Citing "stronger than expected" consumption in the third quarter, the International Monetary Fund (IMF) raised its forecasts for the country's gross domestic product growth rate to 5.4 per cent for this year and 4.6 per cent in 2024, but still advised a "hastened" restructuring in the property sector yesterday in Beijing.

The figures were revised up from 5 per cent and 4.2 per cent, respectively, which were published in the IMF's "World Economic Outlook" last month.

"Third-quarter GDP growth came out stronger than we expected, and it was driven by stronger consumption that we had expected," IMF first deputy managing director Gita Gopinath said in Beijing yesterday.

China's economy grew by 1.3 per cent in the third quarter from the previous three months, and by 4.9 per cent year on year, although the property market remained a drag as real estate investment fell by 9.1 per cent in the first three quarters.

The latest projections were made after the Washington-based organisation completed its China stop under its Article IV Mission, which sends economists to member countries to monitor economic and financial policies and provide recommendations.

Gopinath said China's recently announced fiscal stimulus – including the 1 trillion yuan (HK$1.07 trillion) of sovereign bond quota added last week – helped to raise the forecasts.

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GITA GOPINATH OF THE IMF

However, the IMF still expects China's growth to continue to slow next year and to slow to "about 3.5 per cent" amid "headwinds from weak productivity growth" in the medium term.

"So far for this year, we have quite a strong contribution of consumption to growth, and this proportion we expect to decline a little bit next year," said Sonali Jain-Chandra, the IMF's mission chief for China.

"The reason is this year, the consumption was very strong given the low base effect from reopening post pandemic."

Gopinath said the continued weakness in the country's property sector and subdued external demand would continue to slow China's economic growth.

The medium projection could rise again if China adopted "pro-market structural reforms", Gopinath added.

"In this regard, our advice is to hasten the exit of unviable property developers. And we also think there's a role for the central government to provide funding to complete the housing projects that still need to be completed because that can also raise sentiment," Gopinath said.

She said there also needed to be fiscal framework reforms to address local government debt issues and to reduce risks for small and medium-sized banks.

She added strengthening the social safety net could address the issue of an ageing population, and reduce high rates of household savings and further boost consumption.

Vice-Premier He Lifeng told the Global Financial Leaders' Investment Summit in Hong Kong yesterday that China's economy was expected to meet its annual growth target of "around 5 per cent" this year.

"It will certainly inject fresh and positive energy into the global economic recovery," He said.

"China's development itself has global significance."

Additional reporting by Li Jiaxing