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ECONOMY

BEIJING URGED TO OPEN PURSE ON 2035 GDP GROWTH TARGET

Long-term prospects in doubt with local governments in dire straits and desperate for lending hand

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If China hopes to hit its ambitious target of doubling the national gross domestic product (GDP) by 2035, leadership should once again set a minimum growth target for next year of at least 5 per cent, according to analysts.

But achieving that goal, some say, boils down to whether Beijing is willing to roll out more substantial stimulus measures to get the economic ball rolling and build momentum in 2024 and beyond.

Policymakers are expected to gather at the annual central economic work conference in Beijing this month to discuss the outlook. The closed-door gathering covers matters of critical economic importance, as determined by the Politburo, and the selected topics will provide insight into what is on the minds of policymakers.

Top leaders are expected to endorse the GDP growth target for 2024, though it will not be publicly announced until the annual parliament meeting, which is usually held in March.

Liao Qun, one of the directors of the China Chief Economist Forum, a Shanghai-based think tank, said that while China appeared on course to achieving the growth target of around 5 per cent for this year, its 2024 target needed careful consideration.

To double its economy by 2035, relative to 2020, China's average annual growth rate in the 15 years from 2021 to 2035 would need to be 4.73 per cent, Liao said in a blog post last month.

"It is not difficult to grow 4.73 per cent in one year, but it is much more difficult to grow 4.73 per cent every year for 15 years," Liao said, adding that his calculations showed China needed to achieve an average growth rate of 5.3 per cent between 2021 and 2025 to remain on course to doubling the size of its economy by 2035.

5%

Top leaders are expected to endorse this target for GDP growth in 2024 when they meet in Beijing to discuss issues of critical importance

This year, with many local-level governments facing financial pressure stemming largely from the pandemic and a property-market crisis, concerns have also been raised over China's long-term growth prospects.

In October, Beijing unveiled a plan to issue 1 trillion yuan (HK$1.1 trillion) worth of sovereign bonds by the end of the year, raising the 2023 budget deficit target to 3.8 per cent of GDP from the original 3 per cent.

The rare fiscal-budget revision has been widely interpreted by analysts as a strong signal that the central government is willing to assume greater responsibility for spending public funds to support the economy.

Analysts expect that real economic growth next year could slow to about 4.4-4.5 per cent, based on assumptions of a moderate fiscal expansion.

Gao Ruidong, chief macroeconomist at Everbright Securities, expects China to set a growth target of "around 5 per cent" in 2024 – the same as this year's target.

"This goal is an intrinsic requirement for realising the 2035 long-term plan and short-term employment stabilisation," Gao said last week.

"However, the real-estate-rebound trend is weak, and real estate investment and sales trends will be the biggest uncertainties in the economy next year."

Liao said achieving a growth rate of around 5 per cent next year would require more monetary and fiscal stimulus measures from the central government, which has been reluctant to take on more leverage, instead relying mainly on local governments, corporations, banks and households to shoulder the burden.

"We expect local and regional governments to focus on thrift and risk controls for the next two years," US credit rating agency S&P Global Ratings said in a report last week. "Local and regional governments are not likely to engage in major investment-led fiscal stimulus in the period."

Pan Gongsheng, governor of the People's Bank of China, said last week that Beijing's support measures for the property market were effective, and that progress had been made to mitigate risks among the most indebted regions.

Debt was only 21 per cent of GDP for the central government, leaving plenty of room for policy manoeuvres, Macquarie Group said last month.

"So, the question is not whether it can, but whether it will," the Australian investment bank said in a research note.

Wu Ge, chief economist at Changjiang Securities, said a "low" growth target would mean higher deflationary pressure and a weaker labour market.

Some policy advisers and economists, including Liu Shangxi, president of the Chinese Academy of Fiscal Sciences, have urged Beijing to take on greater fiscal responsibilities to optimise growth over the long term.

"The biggest worry now is whether we have reached an inflection point and whether economic growth will continue to bottom out," Liu said in a blog post last month.

"Therefore, it is crucial to promote economic recovery and return to normal growth as soon as possible."