

China's economic growth slows to 24-year low

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China's economy grew at its weakest for almost a quarter of a century in 2014, official data showed Tuesday, with authorities describing slower expansion as the "new normal" and analysts tipping further deceleration this year.

The 7.4 percent announced by the National Bureau of Statistics (NBS) was slower than the 7.7 percent seen in 2013, but exceeded the median forecast of 7.3 percent in an AFP survey of 15 economists.

Growth in the world's second-largest economy during the final quarter came in at 7.3 percent year-on-year, the NBS said, matching the previous three months and beating the 7.2 percent median forecast in the AFP survey.

"China's economy has achieved stable progress with improved quality under the new normal in 2014," NBS chief Ma Jiantang told reporters.

"However we should also be aware that the domestic and international situations are still complicated and economic development is facing difficulties and challenges."

The full-year result, the worst since 3.8 percent recorded in 1990, comes after one of the pillars of the global economy was hit by manufacturing and trade weakness as well as declining prices for real estate, which has hammered the key property sector.

Beijing had set an official target of "about" 7.5 percent for last year. The goal is traditionally pegged at a level that is easily achieved, and is usually approximated to provide room for positive spin just in case it is missed.

The 2014 result is the first miss since 1998, during the Asian economic crisis.

But the benchmark Shanghai Composite Index closed up 1.82 percent.

Economists were largely upbeat on the results, but said they did not alter the outlook for further slowing this year.

"The 2014 GDP result is better than market expectations and barely missed the target," ANZ economist Liu Li-Gang told AFP. "This result is not too bad."

Nomura economists expect GDP to trend lower following the "short respite" at the end of last year "given deep-rooted domestic challenges such as tighter controls over local government debt, the property market correction and deleveraging", they said in a note following the figures.

For this year, the economists in the AFP survey see a median 7.0 percent expansion.

In its latest World Economic Outlook update, released Tuesday, the International Monetary Fund projected even slower growth this year, of 6.8 percent.

- Unemployment at 5.1% -

China overtook Japan as the world's second-largest economy in 2010 and the NBS said its GDP reached 63.65 trillion yuan (\$10.24 trillion) at 2014 prices last year. That remains far behind the US, whose 2013 GDP was estimated by the World Bank at \$16.8 trillion.

Ma dismissed suggestions that China has overtaken the global number one on a purchasing power parity basis, saying such calculations "may have underestimated China's price levels and overestimated its GDP".

The NBS also said industrial production, which measures output at factories, workshops and mines, accelerated to rise 7.9 percent year-on-year in December from 7.2 percent in November.

Retail sales, a key indicator of consumer spending, also grew at a slightly faster 11.9 percent in the same month.

Fixed asset investment, a measure of government spending on infrastructure, expanded 15.7 percent on-year for the whole of 2014, weakening from the 15.8 percent recorded for the first 11 months of the year.

Despite the slowdown last year, authorities say they intend to stick to the path of transforming the economy into one where growth is increasingly driven by consumer spending rather than big ticket investments, and emphasising quality of expansion over size.

Premier Li Keqiang has said slowing growth is no worry so long as job growth in the world's most populous country does not suffer.

Ma, the NBS chief, said the bureau's "internal survey rate" for unemployment in 2014 was about 5.1 percent, but refused to provide a comparative figure for the previous year.

Authorities last year did not take an entirely hands off approach to the growth slowdown, implementing a series of targeted measures analysts described as "mini-stimulus". And in November the central People's Bank of China cut interest rates for the first time in more than two years to try to put a floor on the slowdown.

Li told China's State Council, or Cabinet, on Monday that authorities would strike a balance between stabilising growth and pushing structural reforms in 2015, state media reported.

"As the global economy is undergoing a deep restructuring and slow recovery, China's government will likely face heavy tasks in tackling the difficulties," he said, according to the official Xinhua news agency.

Economists are broadly expecting further monetary policy tinkering this year, including at least one more interest rate cut, but say the focus will be on reforms over the temptation of major stimulus.

"There should be further easing, but large-scale easing is unlikely," Liao Qun, Hong Kong-based economist for Citic Bank International, told AFP.

"The economy does not need a strong stimulus, as long as it's enough to help it stabilise and not slide further," he said.

China January trade surplus a record high as exports slump

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China's monthly trade surplus rose 88 percent to reach a record 367 billion yuan (\$59 billion) in January, as the country's imports plunged and exports fell sharply on sluggish demand, data said Sunday.

Exports from the world's second-largest economy fell 3.2 percent year-on-year to 1.23 trillion yuan (\$197 billion), China's custom's administration said on its website.

China's imports fell 19.7 percent from a year earlier to 860 billion yuan (\$138 billion), the largest drop in more than five years, which analysts said was caused in part by low commodity prices.

The country's trade surplus, long a source of tensions with its trading partners, rose above a previous all-time monthly high of \$54.47 billion posted in November.

Economists said the "poor" figures reflected continued downward pressures on China's economy, which grew at its slowest pace in 24 years last year and is expected to slow further in 2015.

But they also warned that the figures may have been affected by short-term factors, such as a crackdown on commodity financing and the later date of China's Lunar New Year holiday this year.

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The latest figures come after China's trade surplus soared 47.2 percent in 2014 to a record \$382.46 billion.

China's huge trade surpluses were long a source of friction between Beijing and Washington, as the workshop of the world pumped out manufactured goods and US debt mounted, but the issue has receded in more recent years.

Official data showed last month that China's economy grew 7.4 percent in 2014, its weakest for almost a quarter of a century, and slower than the 7.7 percent in 2013.

"China's manufacturing sector is under great pressures as both external and domestic demand remains sluggish," Li-Gang Liu, greater China economist for ANZ, said in a statement.

"Today's poor trade data could add depreciation pressures on the RMB exchange rate," he added.

Official data showed last month that China's economy grew 7.4% in 2014 (AFP Photo/Wang Zhao)

China's exports to the EU fell by 4.4 percent year on year in January, while imports fell by 6.9 percent, the customs data said.

The fall in Chinese imports was led by a decline in imported iron ore and crude oil, the data showed, in part reflecting recent low commodity prices.

- Further slowdowns ahead -

China's leaders are trying to pull off a managed slowdown of the Asian giant to make growth more sustainable and led by consumer spending as in other major economies.

The slowdown in China's economy last year prompted some intervention by authorities to establish a floor on growth even as they tout a retooling of the country's economic model that is expected to result in further slowdowns in the years ahead.

The People's Bank of China (PBoC), the central bank, announced Wednesday an across-the-board cut in the percentage of funds banks must hold in reserve, seen as a way to free up more cash for lending and stimulate growth.

That move followed the PBoC's decision in November to cut benchmark interest rates for the first time in more than two years.

Wednesday's central bank announcement on cutting the reserve requirement ratio came on the heels of official survey results released last weekend showing China's manufacturing

activity contracted for the first time in more than two years, signalling further downward pressure on the economy.

China's premier Li Keqiang has said publicly that weaker GDP growth is no problem so long as its quality remains high and job creation remains resilient.

Creating jobs in the world's largest country by population is a political priority for the ruling Communist Party, which depends largely on economic growth as a source of domestic support.