



Chinas Growth Moderates with Continued Economic Transformation

Chinas Growth Moderates with Continued Economic Transformation
Chinas growth will moderate over the medium term as the economy continues to rebalance gradually. Growth is expected to slow to 7.6 percent in 2014, and 7.5 percent in 2015, from 7.7 percent in 2013, according to the World Banks China Economic Update released today. "The rebalancing will be uneven reflecting tensions between structural trends and near term demand management measures, says Chorching Goh, Lead Economist for China. The slowdown in the first quarter reflected a combination of dissipating effects of earlier measures to support growth, a weak external environment, and tighter credit, especially for real estate. However, economic activity, including industrial production, has shown signs of a pick-up in recent weeks. The recent acceleration, which is likely to continue into the next two quarters, reflects robust consumption, a recovery of external demand, and new growth supporting measures, including infrastructure investments and tax incentives for small and medium-sized enterprises. The China Economic Update, a regular assessment of Chinas economy, identifies several risks to this gradual adjustment. First, a disorderly deleveraging of local government debt could trigger a sharp slowdown in investment growth. Second, an abrupt change in the cost of, or access to, capital for such sectors as real estate could significantly reduce economic activity. Finally, the recovery in exports may not materialize if growth in advanced countries weakens. The Update notes that the policy responses to these medium-term risks should center on fiscal and financial sector reforms, which were part of the governments reform agenda outlined in November 2013. These include effectively managing and supervising rapid credit growth, especially in the shadow banking system, and gradually reducing the local government debt that has been accumulated through off-budget and quasi-fiscal activities. "The proposed reform measures are structural in nature, observes Karlis Smits, Senior Economist and main author of the Update. "In the medium term, these policy measures will improve the quality of Chinas growth - making it more balanced, inclusive and sustainable and lay the foundation for sound economic development. While these reforms may reduce growth in the short run, policies that promote competition, lower entry barriers to protected sectors and reduce administrative burden on businesses will help dampen the impact, and create a more market-oriented economy. The World Bank
1818 H Street, NW
DC 20433 Washington
USA
Telefon: (202) 473-1000
Telefax: (202) 477-6391
Mail: investigations_hotline@worldbank.org
URL: <http://www.worldbank.org/>

Pressekontakt

The World Bank

DC 20433 Washington

worldbank.org/
investigations_hotline@worldbank.org

Firmenkontakt

The World Bank

DC 20433 Washington

worldbank.org/
investigations_hotline@worldbank.org

The World Bank is a vital source of financial and technical assistance to developing countries around the world.