China’s GDP Growth Bolsters Case for Stimulus Restraint

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China’s economic growth beat analysts’ estimates last quarter as export demand quickened and services expanded, bolstering the government’s case for avoiding broader stimulus measures.

Gross domestic product rose 7.3 percent in the July-September period from a year earlier, the statistics bureau said today in Beijing. While that exceeded the 7.2 percent median estimate in a Bloomberg News survey of analysts, it was also the slowest expansion since the first quarter of 2009.

China’s leaders have relaxed home-purchase controls and the central bank has pumped liquidity to lenders as they seek to limit a property-induced slowdown. The government has eschewed across-the-board interest rate cuts and signaled it will tolerate a weaker expansion, leaving the economy headed for the slowest full-year growth since 1990.

“Decent exports and the fact that there is more to China’s domestic demand than real estate dampen the overall slowdown,” said Louis Kuijs, Royal Bank of Scotland Group Plc’s chief Greater China economist in Hong Kong. “Barring a major further slowdown we expect the policy stance to remain relatively restrained.”

Industrial production rose 8 percent in September from a year earlier, compared with the 7.5 percent median estimate of analysts and August’s 6.9 percent, which was the slowest in more than five years. Retail sales increased 11.6 percent from a year earlier, compared with the 11.7 percent seen by economists and August’s 11.9 percent.

Stocks slipped in China and Hong Kong on speculation the better-than-estimated growth will curb prospects for large-scale stimulus. The Australian dollar strengthened and the yuan advanced for a second day.

Investment Slows

Fixed-asset investment excluding rural households increased 16.1 percent in the first nine months from a year earlier, the statistics bureau said, the slowest rate since 2001. That compared with the median estimate of analysts for 16.3 percent growth and the 16.5 percent pace in the January-August period.
The People’s Bank of China has avoided cuts to benchmark interest rates or banks’ reserve requirements to boost growth. It lowered the interest rate it pays lenders for 14-day repurchase agreements for the second time in a month on Oct. 14 and has also injected liquidity into some banks.

Premier Li Keqiang has expressed a preference for reform to boost the economy and PBOC Governor Zhou Xiaochuan has vowed to stick with a prudent monetary stance. President Xi Jinping said in May that the nation needs to adapt to a “new normal” in the pace of growth.

**Policy Restraint**

“The government has reiterated that no broad stimulus will be implemented, and I think today’s data will further bolster and strengthen that trend,” said Zhu Haibin, chief China Economist at JPMorgan Chase & Co. in Hong Kong.

Industrialization and urbanization will continue to drive China’s expansion, Sheng Laiyun, spokesman of the National Bureau of Statistics, said at a briefing in Beijing. Growth in combined exports and imports accelerated to 3.3 percent in the first three quarters from a year earlier, the NBS said in the statement, up from 1.2 percent in the first six months of the year.

The world’s second-largest economy grew a seasonally-adjusted 1.9 percent last quarter from the previous period, the statistics bureau said, compared with the 1.8 percent median estimate of analysts and 2 percent in the second quarter.

**Services Expansion**

GDP in January to September climbed 7.4 percent, led by a 7.9 percent expansion in services. Growth for the agricultural industry was 4.2 percent, while the so-called secondary industry including mining and manufacturing, grew 7.4 percent.

“China’s growth is still resilient,” said Lu Ting, Bank of America Corp.’s head of Greater China economics in Hong Kong. “Those stimulus measures which were introduced in the past month boosted confidence.”

Lu said he expects more targeted easing in coming weeks.

The International Monetary Fund on Oct. 7 cut its outlook for global growth in 2015 to 3.8 percent from a July forecast of 4 percent. The U.S. will expand 3.1 percent next year, compared with 1.3 percent for the euro area and 0.8 percent for Japan. China is projected to grow 7.1 percent, its slowest since 1990, according to IMF data.

Chinese leaders will set an economic growth target of about 7 percent for 2015, according to 13 of 22 analysts polled by Bloomberg.
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