

**Chinese Economy****China GDP growth points to 2017 economic rebound**

Economy lifted by strength in property market in second quarter



A hot-air balloon flies over a residential area of Tianjin. Unexpected property market strength lifted economic growth in the second quarter © Reuters

8 HOURS AGO by: Gabriel Wildau in Shanghai and Tom Mitchell in Beijing

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China's economy expanded at an annual rate of 6.9 per cent in the second quarter, beating the government's target in a year of political transition as unexpected strength in the property market kept growth humming.

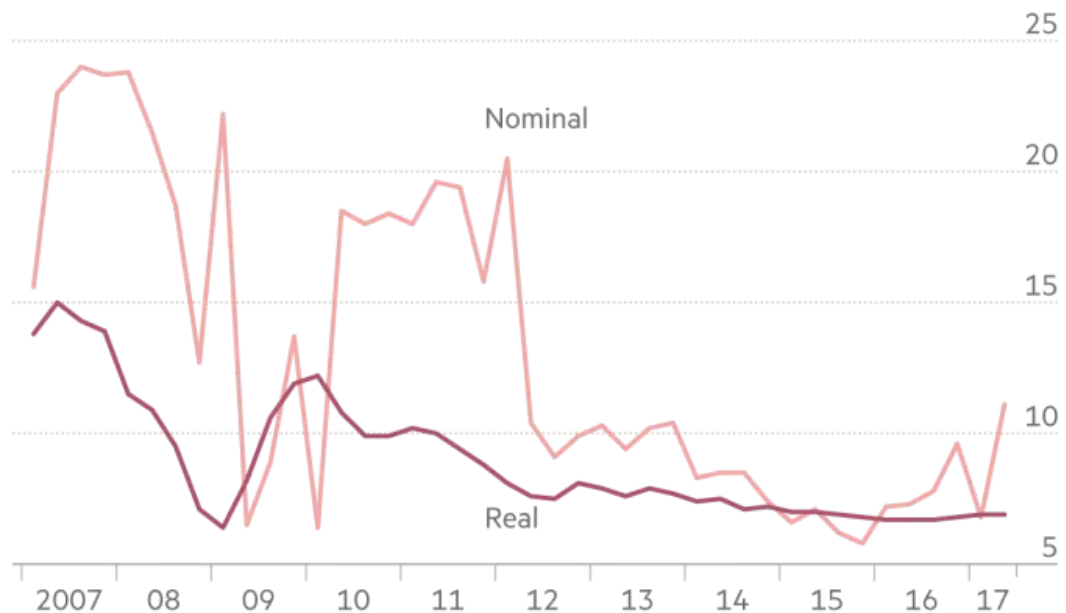
The Chinese has now grown 6.9 per cent growth in the first and second quarters, an uptick on last year's 6.7 per cent expansion. If the trend continues, 2017 would be the first year China's growth rate accelerated on the preceding since 2010.

In March China's rubber-stamp parliament approved a full-year [growth target](#) of "around 6.5 per cent".

"As [China](#) goes, so go emerging markets. Its solid growth reinforces recoveries for commodity exporters and keeps 2017's pick-up in global growth on track," Bill Adams, senior international economist at PNC Bank, wrote on Monday. "The retreat of US long-term interest rates since early 2017 and the Fed's commitment to a gradual pace of interest rate hikes are maintaining supportive monetary conditions for emerging market growth."

In the medium term, however, risks from [rising debt](#) and overcapacity in [large swaths](#) of the manufacturing sector still loom over the economy. The strong property sector was crucial to the first half's strong growth, but many experts worry that the market is in a bubble, especially in [large cities](#).

China GDP growth  
Annual % change, quarterly



Sources: National Bureau of Statistics; CEIC

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At a five-yearly financial work conference that ended on Saturday, President Xi Jinping again [stressed the need](#) to control financial risks and tackle excess leverage, especially at state-owned enterprises.

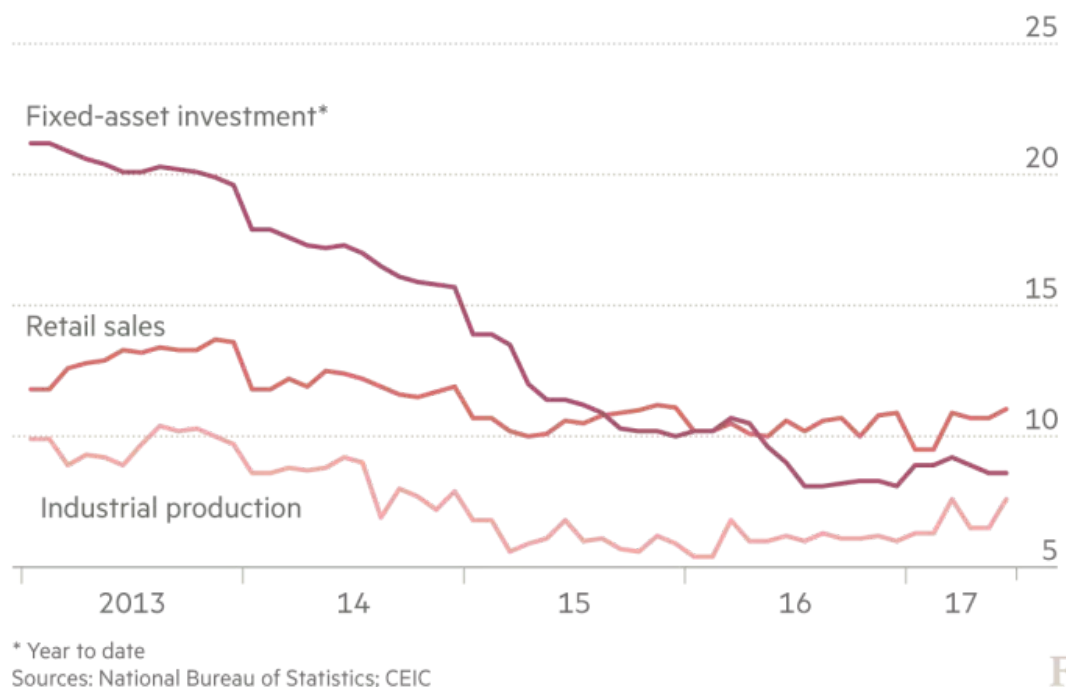
The National Bureau of Statistics said the 6.9 per cent growth figure showed China's economy had become "more stable, co-ordinated and sustainable". But the agency added that "there are still many unstable and uncertain factors abroad and long-term structural contradictions remain prominent at home".

Following the strong start to 2017, some experts had forecast that China's growth would slow markedly as the government tightened monetary policy and the property sector appeared poised to lose momentum.

Local governments imposed a series of restrictions on home purchases and mortgage lending beginning late last year. Those curbs were expected to slow housing sales and damp new construction, which would send ripples to the factory sector that supplies construction materials such as steel, base metals and cement.

### China key activity indicators

Annual % growth, monthly



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But house prices have continued to rise strongly, reducing inventories of finished homes and prompting increased construction investment. Property investment grew 8.5 per cent in the first half

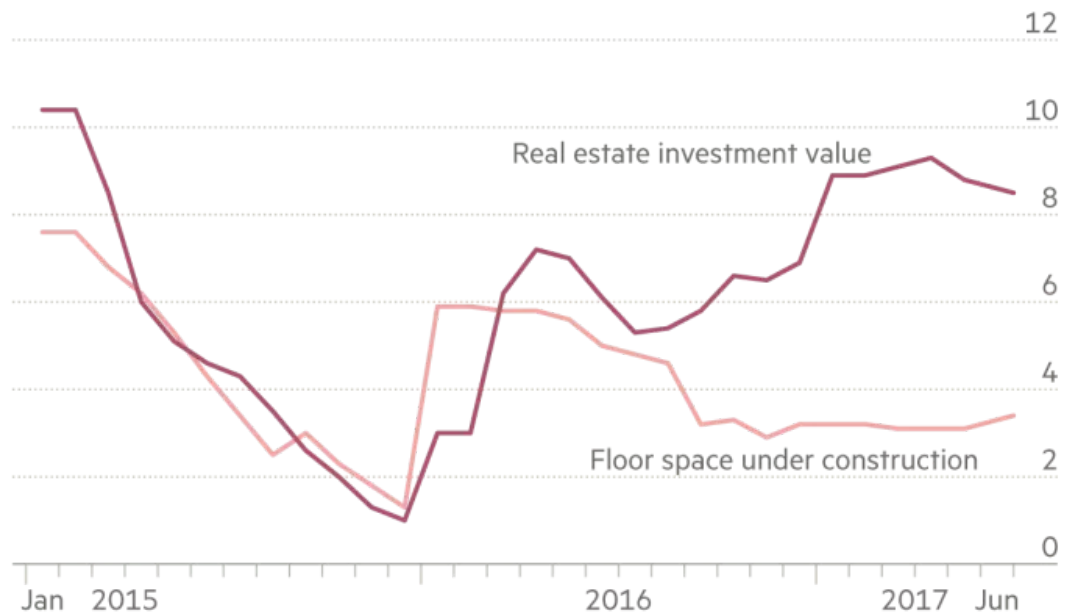
compared with the same period a year earlier — faster than last year's 6.9 per cent pace.

Factory output, a measure of strength in China's core manufacturing sector, grew 7.6 per cent in June from a year earlier, equalling a two-year high hit in March.

Foreign trade has also provided an unexpected boost to the manufacturing sector. After contracting 7.7 per cent on an annual basis last year, exports grew 8.5 per cent in the first half of 2017, reflecting strong demand from the US and Europe.

### China property indicators

Annual % change



Sources: National Bureau of Statistics; CEIC

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Economists cautioned that a slowdown was still likely in the second half. The central bank has [reportedly instructed](#) banks to limit mortgage lending in a further [bid to cool](#) the property market. While still above last year's pace, real estate investment has decelerated for two consecutive months.

“I still expect a broad slowdown, led by property,” said Larry Hu. “The government has unlimited tools to roll out, so ultimately they can cool the market down. It just hasn't been enough yet.”

But few expect a sharp slowdown. The Communist party will conduct its five-yearly leadership transition in November, when [Mr Xi](#) is expected to install loyalists in key positions. Stable growth in the run-up to this conclave is seen as essential to bolstering Mr Xi's position in the [political horse-trading](#).

*Additional reporting by Emily Feng in Beijing*

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