Meeting Expectations

China's first-half economic growth remains stable amid headwinds

By Li Xiaoyang

As it released data on China’s economic performance in the first half (H1) of 2019 on July 15, the National Bureau of Statistics (NBS) suggested that a solid foundation has been laid for the country to achieve its annual growth targets as the economy maintained steady, resilient development.

The GDP in H1 grew 6.3 percent year on year to about 45.09 trillion yuan ($6.55 trillion), meeting the annual target range of 6.6-6.9 percent set by policymakers. In the second quarter (Q2), it rose 6.2 percent on year, slowing from 6.4 percent in the first quarter (Q1).

Instead of resorting to massive stimulus packages, the country has promoted reform and innovation, improved the domestic business environment and cut taxes and fees to boost the economy, NBS spokesperson Mao Shenyong told a press conference on July 15.

Wang Jun, a senior economist at the China Center for International Economic Exchanges, attributed the slowdown in GDP increase to China’s efforts to shift to higher-quality growth through economic restructuring. Despite the moderate growth, China had stable performances in employment and residents’ income and saw rebounds in indicators such as social financing, he said at the Guoshi Forum in Beijing on July 15. Hosted by China News Service, the event focused on China’s economic growth.

Driving forces

Consumption, export and investment—known as the troika of China’s growth drivers—maintained steady growth in H1, with consumption continuing to play a key role by contributing 60.1 percent of overall growth.

Total retail sales of consumer goods, a gauge of consumption, exceeded 19.5 trillion yuan ($2.8 trillion) in H1, up 8.4 percent from a year earlier, retail sales rose 8.8 percent year on year in July, up from 8.6 percent in May.

Despite external uncertainties, half-year exports and imports of goods with major trading partners increased, with exports climbing 6.1 percent year on year to 7.37 trillion yuan ($1.2 trillion) and imports increasing 1.4 percent to 6.7 trillion yuan ($1.04 trillion).

Members of the Association of Southeast Asian Nations, European Union and other countries participating in the Belt and Road Initiative contributed the most to the growth of China’s foreign trade, Bao Ming, Deputy Director of the International Trade Research Institute, said at the Guoshi Forum.

China’s trade with Belt and Road participants totaled 4.24 trillion yuan ($617.5 billion) in H1, increasing 9.7 percent year on year, according to the General Administration of Customs of China (GACC).

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Support and stimulus

To cope with downward pressure and boost the domestic market, China has implemented a string of fiscal and monetary policies as it seeks stronger market confidence and more tangible benefits for enterprises and individuals. According to the 2019 Report on the Work of the Government released in March, the tax burden and social insurance contributions of enterprises will be cut by nearly 2 trillion yuan ($291.12 billion) this year, in line with a proactive fiscal policy.

In the first five months of the year, newly introduced tax cuts and fee reductions saved businesses about 895 billion yuan ($129.8 billion), data from the State Taxation Administration showed.

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According to Zhang Xuejun, a researcher with the Chinese Academy of Social Sciences, the government needs to improve transfer payments to impoverished areas to ensure local fiscal revenue.

In addition, to provide financing support for the real economy, the People’s Bank of China, the central bank, lowered the reserve requirement ratio (RRR) for small and medium-sized commercial banks in March to 10.5 percent from 11.5 percent, data from the State Taxation Administration showed.

Although Wang has an upbeat view about the economic performance in the remaining months of the year, he stressed that China needs to further cut overcapacity, strengthen high-end manufacturing and translate technologies such as 5G into products to avoid bubbles in hi-tech industries.

According to Mao, the effects of the counter-cyclical adjustment policies such as tax and RRR cuts to boost the economy will become more prominent in H2.

“With ample economic policy tools at its disposal and the expanding domestic consumer market, China’s economic growth will remain stable in H2,” Mao said.

Although China’s GDP growth rate may decline to 6.1 percent in the fourth quarter, the figure for this year is expected to fall between 6.2 and 6.3 percent which still meets the annual target,” Xu said, adding that encouraging private investment and boosting consumption will remain priority tasks.

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