

An economic update on China, just referencing some recent key figures, and some opinions of experts

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China's economic growth is likely to stay high but "may moderately slow down" this year, according to the country's central bank.

The Chinese economy had registered a double-digit growth rate in the past five consecutive years since 2003. The growth rate was an average of 12.8 percent annually. But in 2008, China will see its annual gross domestic product (GDP) growth slow down to 9.8 percent this year and 8 percent in 2009, compared with 11.9 percent last year, according to a forecast by Lehman Brothers.

The detailed situation of China's economic is as follows:

1. China's economic growth affected by world economy and outside demand

The reduced external demand and the spreading impact of the U.S. subprime mortgage crisis will decelerate the growth of China's economic. However, there was also possibility that the rebound in investment may speed up economic growth, said Li Xiaochao, spokesman of the National Bureau of Statistics (NBS) at a press conference. We can see that investment in fixed assets reached 2.18 trillion yuan (311 billion U.S. dollars) in the first three months, up 24.6 percent. The growth rate represented acceleration by 1.6 percentage points over the last quarter and 0.9 percentage points higher than a year ago. Experts have said investment might grow faster this year as government officials at all levels took up new posts and laid out new spending projects.

2. Domestic disasters in China affected the growth of China's economic.

The domestic disasters such as the snow storm in January and February and the 8.0-magnitude earthquake in southwestern China will decelerated the growth. The People's Bank of China (PBC) in a report on its website noted that the country's central areas, the hardest-hit by the snowstorm, need to strengthen infrastructure such as power, transport and telecommunications facilities. Post-quake recovery work was also an arduous task, it said. Official data showed the freak winter had led to a direct economic loss of 151.6 billion Yuan (about 20.8 billion U.S. dollars), while economists estimated the quake loss could reach hundreds of billions of Yuan. "We must mainly focus on the operation of China's economy after the quake. While meeting the demand of enterprises in quake relief, we should ensure the implementation of macro-control measures," said governor Zhou Xiaochuan of the People's Bank of China (PBC).

3.The inflation raising in the first four months and eased in May

The Institute of Finance Research under the People's Bank of China (PBOC) said in a report that the consumer prices were high, making the fight against inflation arduous". The pressures for broad-based price rises are still the biggest risk for the macro-economy." The consumer price index (CPI) rose 8.2 percent in the first four months from a year earlier, the highest in 12 years and above the government target of 4.8 percent for 2008. The high inflation came amid

high commodities prices, normal rises of China's once-low resources and labor costs and economic structural imbalances.

The inflation eased in May, a welcome trend that analysts said would continue for the rest of the year as food prices had started falling after surging over the past year. The consumer price index (CPI), the main gauge of inflation, rose 7.7 percent in May, marking its first significant drop since last year. As stocks of live pigs and the yield of rape vegetables increased, the trend would likely to continue because of increasing supplies and an expected bumper harvest. The CPI would continue to fall for the rest of the year with declining food prices, according to the China International Capital Corp. (CICC).

However, while inflation was decelerating, prices would remain high this year, and the situation might trigger further tightening and price reforms involving energy and resources, said analysts.

4. Chinese economy sees more uncertain factors, but still has potential

"Currently, new changes are taking place in the world and domestic economic situations and uncertain factors are on the rise, bringing great difficulties for us to correctly judge the trend of economic development and make scientific decisions," said Wen Jiabao while joining a panel discussion during the ongoing annual session of the National Committee of the Chinese People's Political Consultative Conference (CPPCC). But Wen Jiabao also said that China, as a country with a big population and vast market, still enjoys a huge potential for expanding domestic demand, readjusting economic structure, encouraging innovation and improving people's livelihood, because it has accumulated strong material and technological wealth after three decades of reform and opening up. "There is still room for further economic development," Wen told a group of political advisors from the circles of economy and agriculture. The premier said that China needs to maintain consistent and stable policies and pay great attention to new circumstances and new issues while making decisions for economy.

According to Xu Xianchun, National Bureau of Statistics deputy director, "The Chinese economy might already have begun its cyclical adjustment and its growth is set to slow in the next few years. 2007 was probably the peak point of the current Chinese economic growth curve. The growth rate from this year on will slow down gradually."