MNI POLICY: China Q3 GDP May Dip Before Q4 Rebound: Advisor

11:17 CST 09/19

BEIJING (MNI) - China's third-quarter growth may slow to 6.1% and return to 6.2% in Q4, with whole-year growth at 6.2-6.3%, according to Zhang Yuxian, director general of Economic Forecasting Department of the State Information Center, an advisory group under the National Development and Reform Commission. The economy expanded 6.3% in the first half.

Here are key points made by Zhang and two other government-affiliated advisors at a briefing in Beijing on Wednesday night.

- The impact from CNY2 trillion tax reduction implemented earlier this year may bump growth by 0.8 percentage point, and be reflected in Q4's modest rebound, Zhang said, also highlighting monetary policy moves and infrastructure investment financed by special bonds.

- China is likely to further cut rates to reduce lending costs, such as by lowering the Medium-term Lending Facility rates, as rate cuts by other central banks leave more room for the PBOC to follow suit, said Zhang, declining to say when he thought cuts may come.

- Contrary to speculation, China isn't waiting for the outcome of the 2020 U.S. presidential election to make a trade deal and should assume that President Donald Trump wins a second term, said Chen Wenling, the chief economist at the China Center for International Economic Exchange.

- China now has the upper hand in the trade war, Chen said, adding that Beijing won't, nor does it need to, concede too much to U.S. demands. The outcome from next round of talks may follow the Xi Jinping-Trump consensus reached at the G20 summit in Osaka, with some compromises reached, Chen said. The U.S. may agree to further delaying new tariffs or ease restrictions on Huawei, Chen said, while China may agree to further purchases of agricultural goods. However, buying soybeans is a commercial decision so the quantity may not immediately return to previous levels as other countries are providing alternative supplies, Chen said.

-The trade war has significantly impacted on China's manufacturing, but even more so on U.S. manufacturers located there, Chen noted. She pointed to the shift in low-level manufacturing out of China over recent years, accelerated by the trade war, but added that high-end manufacturing has remained in China and is solid.

- While China's economic growth rate is slowing, one needs to look at the absolute quantity, which is twice that of U.S. growth, and given China's stagnant labor supply, the slower growth can still ensure employment, Chen said.

- According to Chen, China remains best positioned in terms of growth as it has refrained from excessive credit lending, while the U.S. and Eurozone have carried out rounds of QE, leading to negative rates in some countries.

- In previous years, China has focused on stimulating capital-sensitive sectors like consumer spending and industries, but now it is directing financing to balancing its economy, looking at innovation, greening projects and poverty reduction, therefore the impact from stimulus may not be immediately apparent by the indicators, said Zhang Yansheng, the chief research fellow at the China Center for International Economic Exchange.

--MNI Beijing Bureau; +86 10 8532 5998; email: william.bi@mni-news.com (mailto:william.bi@mni-news.com)
--MNI London Bureau; tel: +44 203-586-2225 (tel:442035862225); email: les.commons@marketnews.com (mailto:les.commons@marketnews.c

[TOPICS: MMQPB$,M$A$$$,M$Q$$$,MI$$$$,MGQ$$$]