



COVER STORY

# IS THE CURRENT REBOUND SUSTAINABLE?

China's economy faces the twin challenges of realizing efficiency and achieving strong growth momentum By Lan Xinzhen



**CONSTRUCTION BOOM:** Workers transport track boards at a high-speed railway in Yiwu, Zhejiang Province, on August 16



China's economic growth is picking up in a stable way, with gross domestic product (GDP) increasing 7.8 percent in the third quarter, higher than the 7.5 percent in the second, according to data from the National Bureau of Statistics (NBS) on October 18. However, compared with a strong rebound in July and August, the economic upswing in September is not sustainable. Therefore, emphasis should be laid on stimulating and stabilizing economic growth while carrying out restructuring.

## The rebound

In the first half year, China's economy witnessed a slight slowdown, with GDP growth dropping from 7.7 percent in the first quarter to 7.5 percent in the second. The Central Government's minimum target for growth is 7.5 percent, and panic was rife at home when China's growth met the lower limit. Many international economic think tanks and institutions believed China would suffer a hard landing.

The Chinese Government says it would

do all it can to keep at or above 7.5 percent by reducing bureaucracy, expanding more pilot programs to replace business with a value-added tax, promoting interest rate liberalization and carrying out reforms on infrastructure investment and the price of resources.

These policies have quickly shown results. Since July, the prices of raw materials like petroleum, steel and non-ferrous metals saw an upward trend. In September, while purchase management index (PMI) was 51.1 percent, rising for three consecutive months, while electricity generation and transportation have also rallied.

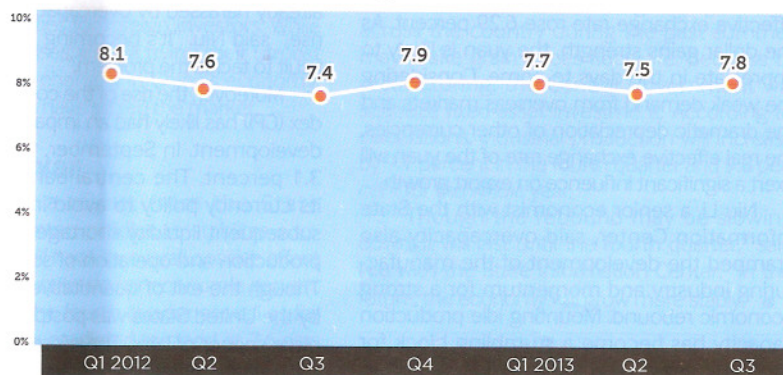
According to statistics from the NBS, fixed-asset investment shot up by 20.4 percent in the third quarter, following the State Council's unveiling of favorable measures regarding the expansion of high-speed railways and subways, energy conservation, emission reduction and a

Broadband-China strategy.

From January to September, the total retail sales of consumer goods increased by 12.9 percent, edging up slightly from the same period last year. Due to the Central Government's ban on extravagant and costly banquets on the public dime, revenue in China's catering sector rose a mere 8.9 percent from January to September, down by 4.3 percentage points year on year. However, furniture, building and home decorative materials sales kept expanding rapidly and show signs of a rebound.

Foreign trade picked up moderately. Driven by economic recovery in Europe and the United States, exports reversed the negative growth of 3.1 percent in June and rose by 5.1 percent in July and 7.2 percent in August. In the first three quarters, imports and exports totaled \$3.06 trillion, a 7.7 percent increase, excluding the exchange rate factor. Trade with the United

**Quarterly GDP Growth**



(Source: National Bureau of Statistics)

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States and the Association of Southeast Asian Nations (ASEAN) registered continued growth. From January to September, Sino-U.S. trade totaled \$379.1 billion, a 6.7-percent increase; Sino-ASEAN trade stood at \$322.36 billion, an 11.6 percent increase; Chinese mainland trade with Hong Kong reached \$297.39 billion, a 25.6-percent increase.

Growth in the service industry remained flat due to the Central Government's efforts to reign in three major public expenses: vehicles, receptions and overseas trips.