
Macroeconomic indicators - World Bank sees stronger Chinese GDP growth in 2010

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Reuters reported that the World Bank raised its forecasts for Chinese growth this year and projected a slightly faster pace of expansion in 2010, but it said Beijing did not need to embark on major policy tightening at this stage.

The bank said in a regular update on China's economy gross domestic product will increase 8.4% this year and 8.7% in 2010 on the back of massive fiscal and monetary stimulus.

Back in March the Washington based lender was forecasting growth in 2009 at just 6.5% which it revised to 7.2% in June. The bank forecasts point to a sharp reduction in China current account surplus, one of the imbalances that will be uppermost in the minds of finance ministers from the Group of 20 when they meet in Scotland at the end of the week to discuss how to put the global economy on a more even keel.

The bank said it expected the surplus to shrink from 9.8% of GDP in 2008 to 5.6% this year, despite a sharp drop in import prices, as stronger domestic demand buoys import volumes.

The current account surplus will fall further to 4.1% of GDP in 2010 even though net exports will recover and contribute 0.4 percentage points to GDP growth after subtracting 3.4 percentage points from headline growth in 2009.

Mr Ardo Hansson the bank's lead economist in Beijing said "Growth is likely to remain robust in 2010, but the composition will change."

The bank said stronger real estate investment will also boost growth, but the impact of government stimulus spending is set to decline sharply, while spare capacity in China and abroad will put a lid on capital spending by manufacturers

Excess capacity is one reason the bank expects inflation to remain tame, with consumer prices rising 2.0% on average in 2010 after falling 0.8% this year.

(Sourced from Reuters)

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