Slowdown threatens stability, China says
Geoff Dyer and David Pilling

Wen Jiabao, China's prime minister, warned that high growth was needed to maintain social stability as fresh evidence emerged yesterday that China's economy was slowing quickly.

In an article in a Communist party magazine, Mr Wen said 2008 was "the most difficult year in recent years" and maintaining high growth was the priority.

"We must be crystal-clear that without a certain pace of economic growth, there will be difficulties with employment, fiscal revenues and social development... and factors damaging social stability will grow," he wrote in the magazine, Seeking Truth.

Slowdown fears in China were exacerbated by two surveys of the manufacturing sector which both showed a sharp decline.

The China purchasing managers' index compiled by the brokerage CLSA fell from 47.7 points to 45.2 points in October - the steepest monthly fall and the lowest point since the index was started in 2004. Meanwhile, a government-backed survey of manufacturers dropped 6.6 points to 44.6 in October, also a record fall.

The Chinese figures, which confirmed anecdotal reports in recent weeks from leading companies, came after a central bank official indicated that government quotas on new bank lending had been abandoned.

"At present, the central bank is no longer applying hard constraints to the lending plans of commercial banks," Li Chao, a spokesman at the central bank, was quoted as saying by Xinhua news agency.

The decision to relax lending quotas is the latest in a series of steps to prevent a hard landing in the economy, including three cuts in interest rates and a fiscal stimulus plan that includes a Rmb2,000bn ($292bn, €231bn) investment in railway infrastructure.

Stephen Roach, chairman of Morgan Stanley Asia, said the flurry of recent announcements could indicate that Chinese authorities knew growth had already dipped below 8 per cent, sometimes considered an important benchmark. "The way the Chinese are reacting now is either visionary and proactive or they are panicking," he said.

Many economists believe the economy can still expand by around 8 per cent next year. "There is no reason to panic," said Andy Rothman, economist at CLSA.

But several have reduced their forecasts over the last few weeks. Dong Tao, at Credit Suisse, said yesterday that growth in the fourth quarter of this year could fall as low as 5.8 per cent.

Fonte: Financial Times, London, November 4 2008, Primeiro Caderno, p. 8.