China's boom ends as investment, exports, manufacturing fall
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BEIJING – A top Chinese government economist confirmed Thursday what a slew of recent economic data had already shown — that China's long-booming economy has slowed dramatically, and the era of double-digit growth is now officially a thing of the past.
"We believe China is nearing the end of the period of high economic growth," said Yu Bin, director general of macroeconomic research for the ruling State Council's research center. "What we need is moderate and reasonable economic growth."
The slowdown here, although not a surprise to economists who have been studying recent statistics, nonetheless comes as another body blow to a global economy already in crisis, with some countries, particularly in Europe, facing the possibility of a double-dip recession.
China had been seen as a possible engine for re-starting the global economy, a role it played to some extent three years ago, when strong growth here — backed by a $586 billion stimulus program — helped the world avert the worst of the global recession.
Managing the slowdown presents China's Communist Party rulers with a difficult challenge. Since China liberalized its economy and opened to the world in 1979, its leaders have operated under an unspoken compact; they delivered spectacular double-digit growth that pulled this nation out of poverty, and that in turn reinforced the legitimacy of their rule.
Huge swathes of the southern and eastern coasts have become affluent, and in a single generation millions of people became middle class consumers. But maintaining that high growth has been essential for absorbing the huge numbers of new college graduates each year, and to provide jobs for the floating population of millions of rural migrants moving to the cities from the poorer heartland.

Now with the prospect of slower growth for the foreseeable future is prompting concern over any hints of instability or unrest -- particularly ahead of a planned leadership change in 2012. Already, southern Guangdong province, China's main exporting base, has been hit by a series of labor strikes partly attributed to the decline in orders from Europe.
Yu, in a briefing for reporters, said growth in the fourth quarter of 2011 is expected to dip below 9 percent, partly as a result of sluggish growth in the United States and the continuing sovereign debt crisis in the euro-zone countries. He said the forecast for next year would be growth lower than 9 percent, followed by growth between 7 and 8 percent through 2017.
"China had been growing at high speed for three decades," Yu said. But now, he said, "China's fundamentals are changing, including demography and the demand and supply of labor."
The forecast largely confirms the accumulating anecdotal evidence that China — the world's second-largest economy in GDP terms — is entering what could be a painful period of adjustment, as the country begins to shift away from an economy fueled by exports and lavish government spending on infrastructure.
Preliminary numbers for December show that manufacturing in China decreased for the month, following a larger contraction in November. The Commerce Ministry reported Thursday that foreign investment into China dropped 9.76 percent in November year-on-year, mainly because of a 23 percent falloff in investment from the United States. And export growth continued to slow, because of the drop in demand from Europe and the U.S.
Automobile sales fell about 2.4 percent in November from the previous year, according to China's car manufacturing association. Property prices slumped across the country for a third straight month, with prices down as much as 40 percent on average in the Shanghai area. And the Shanghai stock market is in the doldrums for the year, testing record lows.
If any further evidence of the slowdown were needed, China's central bank last week cut the amount of cash banks had to keep on reserve, reversing a year of fiscal tightening in an effort to spur lending and move more money into the economy.
"Clearly China has turned a corner," said Patrick Chovanec, who teaches finance at Tsinghua University in Beijing. For the past three years or more, Chovanec said, China has kept growth high through loose lending backed by high asset prices — namely property. But with property prices plummeting, he said, "the model is starting to unravel."
He added, "The question is how disruptive of a downturn will it be."
A meeting this week of China's top economic and political policy-makers, called the Central Economic Work Conference, concluded that the global economic picture remained "extremely severe and complicated," and said the challenge was to manage the downturn and maintain "social stability."

The concern is even more acute because 2012 is set to be the year of a sweeping generational leadership change in China. The country's Communist Party rulers probably will be keenly alert to any type of unrest that could mar the carefully choreographed turnover of power. Yu Bin, in the briefing, said the new leadership team would follow the economic course already agreed upon.

Yu said China's slowdown in growth is "normal" and tried to frame it in the historic context of other countries that have gone through a long phase of industrialization and high growth — such as Japan and Germany rebuilding after World War II — only to have their growth rates slow once they reached a certain stage of development.

He said as China shifts toward a more consumption-led economy, the Chinese will have to learn to "tolerate inflation." For example, he said real wages will need to rise in order to spur consumption, but that will mean "inflationary pressure will exist for a long time to come." He said China could tolerate inflation of about 5 percent a year.

Chinese authorities probably will be more reluctant to allow further appreciation of the currency, the renminbi, which the United States and other countries have argued is undervalued. There are already signs that the government is allowing the currency to depreciate slightly, within the agreed-upon trading band. Currency traders in Hong Kong, too, seem to have concluded that with slow growth, the era of gradual monthly appreciation of the renminbi might be over for now.

Yu said even with the slowdown and continued pressure from the European debt crisis, China will not implement any new stimulus, like the 2008-2009 spending program that saw the construction of new highways, apartment complexes, airports and a high-speed rail system. "It's not necessary for us. ... We think it is unsustainable," he said.

Instead, Yu said, China would try to "fine tune" fiscal policy to promote growth, like cutting taxes, increasing social welfare spending and easing bank lending rules.

Fonte: The Washington Post, Washington, 15 Dec. 2011, Internacional, online.