

## **WB projects 8.4% growth for China in 2012**

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SINGAPORE - The World Bank on Tuesday projected a growth of 9.1 percent for China in 2011, followed by a slower growth of 8.4 percent in 2012.

The developing East Asia as whole is expected to grow by 7.8 percent in 2012, down from 8.2 percent this year as the growth continues to moderate on weakening external demand, the bank said in its latest East Asia and Pacific Economic Update.

### **Soft landing for China**

Bert Hofman, the bank's chief economist for East Asia and Pacific, said the leading indicators projected further softening for China in the coming six to 12 months but "do not signal an immediate hard landing."

Nevertheless, the growth is expected to slow as external demand weakens and China pushes forward its own structural adjustment towards economic growth driven more by domestic demand.

"While the central projection is for a gradual deceleration of growth, the risks are tilted to the downside. The global outlook has become increasingly precarious as advanced economies growth turned more sluggish than previously anticipated and uncertainties continued to loom over the euro area sovereign debt," the report said.

The bank's forecast of 9.1 percent was higher than its previous forecast of 9 percent for this year.

Hofman said he saw the risks in China in the banking system and the property market, but nevertheless the Chinese authorities were aware of the risks and that they were under control.

The process of structural adjustment is likely to reduce headline growth over the medium term, but will place the country's longer-term prospects on a more solid footing, he said, adding that experiences of other countries show it is still possible for China to achieve multiple years of high growth going ahead at the current stage.

### **Growing consumer demand**

China's demand for imported consumer goods has been increasing, presenting "an opportunity for the region's exporters," the bank said.

"As its trade surplus declined, China's imports for domestic needs grew faster

than imports for processing and re-export. Its exports of consumer goods have also been growing rapidly," the report said.

Hofman said he saw a shift in the demand pattern of China so that the country is increasingly important as a market for final consumer goods, thereby "presenting an opportunity for the region as well."

China's trade balance with developing East Asia improved in East Asia's favor during the recovery, the report said.

Nevertheless, China is still not yet big enough to make up for the loss in consumer demand from the developed markets.

"It is increasingly contributive to world growth, but fully compensating for low growth in other parts of the world, for that China is not yet big enough," Hofman said.

#### **Weak external demand for East Asia**

Excluding China, developing East Asia will expand 4.7 percent this year, much slower than the previous forecast of 5.3 percent.

"The growth slowdown was particularly pronounced in industrial production. Exports of major regional industrial supply chains, especially electronics, have started to decline," the report said.

Hofman said a lot of things have changed over the past six months.

"Our assumption is that growth is going to be very low this year -- only 1.6 percent in the advanced countries. And it's about the same next year ... (For ) the euro area it's about 0.7 percent, " he said.

The effects of flooding in several countries in Southeast Asia are likely to take a toll on the growth this year. Thailand's growth forecast was revised downwards to 2.4 percent due to widespread flooding, though the estimates on the damage were not yet complete.

Nevertheless, the demand for commodities and raw materials remained strong, helping resource-rich economies such as Mongolia and Indonesia maintain high levels of exports and gross domestic product (GDP) growth, Hofman said.