

# The NewsLine

January 23, 2014

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## CHINA

# Economy makes subdued start to year

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After economic momentum had already eased slightly in the fourth quarter of 2013, the latest sentiment survey suggests that Chinese industry got off to a subdued start to the new year. We are forecasting real GDP growth of 7.4% in 2014. That would be the lowest growth since 1990.

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The figures published early this week on economic developments in the fourth quarter of 2013 – first and foremost the economic growth data – painted a picture of slightly easing momentum in the world's second largest economy. The latest survey in the manufacturing sector confirms this impression. The purchasing managers' index for the manufacturing sector, published jointly by Markit and HSBC, slipped by 0.9 points in January and, at 49.6 points, is now marginally below the 50-point expansion threshold for the first time in six months. Over the course of the whole of 2014 we are expecting somewhat lower economic momentum than last year and are penciling in average real economic growth of 7.4% after an increase of 7.7% in 2013.

Positive impulses are likely to come from private consumption, driven by favorable wage and employment growth, and from exports, which should benefit from the pickup in world trade. By contrast, investment activity is likely to come further off the boil, particularly in the public sector. Among the Chinese government's goals this year is the intention to further reduce overcapacity in industry and manage public-sector investment more efficiently. In addition, the assessment system for municipal authorities has been changed: for the first time the focus will not be mainly on economic growth, but will also take other aspects into account such as the level of municipal debt and environmental matters. All in all, these factors are likely to help enhance the quality of public-

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sector investment in the long term. However, investment momentum at the municipal level will ease – and pretty soon.

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