Economic Alert iQ

First Citizens
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IMF Executive Board Concludes 2017 Article IV Consultation with the People's Republic of China

- On August 15, 2017, the Executive Board of the International Monetary Fund (IMF) issued its Article IV findings on China following the conclusion of its site visit to that country in late July.
- Growth slowed to 6.7% in 2016 from 6.9% year prior and is projected to remain at this level in 2017, owing to the momentum from last year's policy support, strengthening external demand, and progress in domestic reforms.
- Inflation rose to 2% in 2016 and is expected to remain stable at 2% in 2017.
- Fiscal policy remained expansionary and credit growth remained strong in 2016. Growth momentum will likely decline over the course of the year reflecting recent regulatory measures which have tightened financial conditions and contributed to a declining credit impulse.
- The current account surplus fell to 1.7% of GDP in 2016, driven by a sharp recovery in goods imported and continued strength in tourism outflows. It is projected to further narrow to 1.4% of GDP this year, due primarily to robust domestic demand and a deterioration in terms of trade.
- The IMF welcomed the improvements in the performance of state-owned enterprises and urged further reforms, including hardening budget constraints, accelerating restructuring of underperforming debt, and allowing exit of non-viable firms.
- Additionally the team concurred that the immediate priority for fiscal policy should be to adjust the composition of the budget to support faster rebalancing and ease the costs of transition from an investment and credit led model.
- The monetary fund underscored the fact that having some fiscal space allows the pace of consolidation to balance concerns about growth and sustainability.
- The release also highlighted the importance of monitoring debt, noting that further efforts to reform central-local fiscal relations can help reduce risks arising from off budget spending.

- There are expected to be further improvements in policy frameworks which will be crucial to maintaining economic growth and stability in the medium term. Key policy reforms include increasing local government autonomy, reduce the scope for off budget spending, and centralize some expenditure responsibilities.
- The IMF also voiced its support for improving the fiscal framework to increase local government autonomy, reduce the scope for off budget spending, and centralize some expenditure responsibilities.
- Conclusively, the team called for the completion of the transition to a modern price based monetary policy framework.
- Essentially, this will better inform policymaking and investment decisions, whilst also encouraging the authorities to continue improving both the coverage and quality of officially provided statistics.

Key Economic Metrics

Projections

	2016	2017	2018	2019	2020	2021	2022
Real GDP (base=2015)	6.7%	6.7%	6.4%	6.4%	6.3%	6.0%	5.8%
Net exports (contribution)	-0.5%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%
Unemployment rate	5.0%	5.0%	4.9%	4.9%	4.9%	4.9%	4.9%
Consumer prices (average)	2.0%	2.0%	2.4%	2.5%	2.6%	2.6%	2.6%
GENERAL GOVERNMENT (Percent of GDP) : Net lending/borrowing	-3.7%	-3.7%	-3.7%	-3.9%	-4.0%	-4.1%	-4.2%
BALANCE OF PAYMENTS (Percent of GDP): Current Account Balance	1.7%	1.4%	1.3%	1.2%	0.9%	0.7%	0.4%
BALANCE OF PAYMENTS(Percent of GDP): Trade balance	4.4%	4.1%	3.9%	3.7%	3.4%	3.2%	3.0%
Gross official reserves (bn US$)	3098	2934	2902	2881	2848	2792	2714

Source: International Monetary Fund (IMF)

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