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ECONOMY

China to witness steady growth in 2017

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The Chinese economy will continue to grow at a relatively high pace in 2017 and 2018, as the manufacturing sector recovers and property prices rise further on robust demand, says a top investment executive at Deutsche Asset Management.

"The real economic surprise in 2017 is China," said Sean Taylor, chief investment officer for Asia-Pacific at Deutsche Asset Management, which manages €706 billion (HK\$5,893 billion) of assets. "I think the world has underestimated that," he said during a press conference yesterday.

Taylor expects China's gross domestic product to grow 6.3 per cent in 2017 and to expand at the same rate in 2018.

Last year, China's economic growth held steady at 6.7 per cent, thanks to fast credit expansion, a red-hot property market, and oth-

er stimulus measures. This year, economic growth will be supported by a sustained recovery in the manufacturing sector, government spending on infrastructure projects, and still relatively low interest rates, Taylor said.

China's property prices will also continue to grow by 3 to 5 per cent in 2017 despite cooling measures, he added.

A booming housing market will fuel demand for construction, thus boosting manufacturing activity and real economic growth.

China's soaring property market last year prompted authorities to repeatedly roll out strict measures to help contain fast-rising housing prices.

Earlier this month, the central government pledged to "contain excessive home price rises in hot markets" and make it a key policy focus in 2017, according to the final version of the government's annual work report.

Taylor said he was holding to his bullish view, even as many observers had shifted their outlook towards a potentially dramatic change in market dynamics.

"There is a lot of talk about a collapse in property prices. But there is no collapse," Taylor said. "Local investors are still bullish toward the market."

In particular, demand is robust among younger buyers and first-home buyers, he said.

He expected property investment to increase in 2017, which will "filter into" the real economy more than last year.

On the currency front, Taylor expects the Chinese yuan to remain relatively stable this year, as authorities have imposed strict controls on capital outflows.

In addition, expectations for a strong US dollar in 2017 are also easing.

"The US dollar is expensive compared to major currencies," he said.

He anticipated the yuan to fall to 7.3 per US dollar by the end of 2017, before rebounding to 7.1 by the end of the first quarter of 2018.

The US Federal Reserve is likely to increase interest rates a further two to three times this year, while another three to four rises are expected in 2018, he said.

Meanwhile, global economic growth will accelerate from 3.1 per cent in 2016 to 3.5 per cent in 2017. In 2018, global growth should reach 3.7 per cent.

The US economy will expand 2.2 per cent and 2.5 per cent in 2017 and 2018 respectively, Taylor said.



6.3%

China's GDP growth rate in 2017, according to Deutsche Asset Management