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Guangzhou, the capital of Guangdong province, missed its growth target last year amid uncertainties over the trade war. Photo: Shutterstock

Guangdong sets lower growth target as trade war bites

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For decades, Guangdong prided itself on leading the country's economic transition, often at a growth pace that surpassed the national rate.

But this week, the southern province with its vast factory base and vibrant technology sector set a lower growth target for 2019, highlighting the problems facing the country amid a general slowdown and falling global demand, and the uncertainties triggered by the US-China trade war.

"The across-the-board decline in Guangdong's economic indicators are results of the trade war," said Simon Zhao, founding director of the International Centre of China Studies at the University of Hong Kong.

"In 2019, Guangdong's and China's economic growth will fall extensively."

The province has set a growth target of 6 per cent to 6.5 per cent for this year, matching expectations for the national target, which will be set in March.

Last year, Guangdong missed its 7 per cent growth target, seeing growth of 6.8 per cent, as it struggled to reduce its reliance on low-end manufacturing and exports.

Guangzhou and Shenzhen, the province's capital city and technological centre respectively, also missed their targets last year.

The pace of growth among industrial firms with annual sales of 20 million yuan (HK$23.4 million) or more in the province has slowed from 16.8 per cent in 2010 to 6.3 per cent last year.

Firms in Guangdong are embracing automation in a bid to fend off rising competition from other provinces and emerging markets around Asia.

While Guangdong's hi-tech sector, led by telecoms equipment firms Huawei Technologies and ZTE, were symbols of economic transformation, the outbreak of the trade war has hit these firms the hardest.

It exposed their heavy reliance on imported core technologies and could in turn restrict the flow of capital into the sector. The two firms have come under heavy scrutiny by foreign governments, with Huawei now facing charges in the US over allegations including theft of technology.

Given that exports account for about 50 per cent of Guangdong's gross domestic product, it is unsurprising that it would be in the firing line of the trade war.

Accordingly, the government has lowered its foreign trade growth target this year to 3 per cent from the 5 per cent rate achieved in 2018.

To keep control of the economic narrative, Beijing last month ordered the Guangdong Department of Industry and Information Technology to stop publishing a monthly manufacturing index released since 2011, on the grounds that it had been produced without the National Bureau of Statistics' approval.

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