

ECONOMY

# RECOVERY FROM VIRUS 'INCREASINGLY VISIBLE'

**China estimated to grow by 8.4pc this year and the globe by 6pc, according to IMF, though there is divergence in rebound speed of different countries**

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China's economic growth rate for this year has been raised by the International Monetary Fund (IMF), who believe a way out of the unprecedented coronavirus crisis is becoming "increasingly visible" around the world.

The Washington-based organisation yesterday raised China's economic growth estimate for 2021 to 8.4 per cent, 0.3 percentage points higher than in its January prediction, with the estimate for last year left unchanged at 5.6 per cent.

China's economy grew by 2.3 per cent during a coronavirus-hit 2020, while Beijing has set an economic growth target of "above 6 per cent" for 2021, although many economists expect this to be exceeded.

Overall, the IMF raised its global growth estimate for this year by 0.5 percentage points to 6 per cent, and its projection for next year by 0.2 percentage points to 4.4 per cent.

The IMF, though, pointed to the large divergence in terms of

the recovery speed of different economies, the impact from recent US Federal Reserve policies as well as trade tensions as reasons underlying a fragile post-coronavirus economic recovery, which means the health and economic crisis could still take years to resolve.

"We are now projecting a stronger recovery in 2021 and 2022 for the global economy compared to our previous forecast. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis," said Gita

**Support should be gradually scaled back to avoid sudden cliffs**

GITA GOPINATH, IMF

Gopinath, the IMF's economic counsellor and director of research in the latest "World Economic Update".

"If increases reflect a sense that advanced economy monetary policy stances will need to tighten abruptly as the recovery gathers momentum, then there could be adverse spillovers to emerging market and developing economies, particularly among those with high debt and large financing needs."

The United States is expected to surpass its pre-coronavirus gross domestic product level this year, with the IMF estimate increased by 1.3 percentage points to 6.4 per cent, and the euro zone is expected to grow by 4.4 per cent this year, up from a forecast of 4.2 per cent in January.

"A high degree of uncertainty surrounds these projections, with many possible downside and upside risks ... Greater progress with vaccinations can uplift the forecast, while new virus variants that evade vaccines can lead to a sharp downgrade," Gopinath said.

Emerging markets, including China, are keeping a close eye on

global economic recovery speeds, which have raised the prospect of divergent policy stances.

This is particularly true when considering the sharp increases in 10-year US treasury note yields fuelled by market expectations the Federal Reserve could quicken the pace of policy normalisation to keep inflation in check.

"Major central banks should provide clear guidance on future actions with ample time to prepare to avoid taper-tantrum kinds of episodes as occurred in 2013," Gopinath said.

"As the recovery progresses and labour market conditions normalise, targeted support should be gradually scaled back to avoid sudden cliffs."

The IMF also called for progress to be made on resolving trade and technology tensions.

"Global disputes over trade more broadly remain unresolved. These include the failure to reconcile a deadlock on appointments to the World Trade Organization Appellate Body and trade tensions between the United States and China," it said.

The Biden administration has so far refused to cut tariffs on nearly US\$370 billion of Chinese merchandise that were put in place by the Trump administration, with China also keeping its retaliatory duties in place.