

**FOR
INFORMATION**

SM/22/281
Supplement 3

January 26, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **People's Republic of China—Staff Report for the 2022 Article IV
Consultation—Revised Draft Press Release**

Board Action: Executive Directors' **information**

Additional Information: The text and table have been revised to ensure consistency with updates in the staff supplement (SM/22/281, Sup. 2).

Publication: Yes, after Monday, January 30, 2023

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IMF Executive Board Concludes 2022 Article IV Consultation with the People's Republic of China

FOR IMMEDIATE RELEASE

Washington, DC – February 3, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with the People's Republic of China.

Following an impressive recovery from the initial impact of the pandemic, China's growth slowed significantly in 2022. It remains under pressure as more transmissible variants have led to recurring outbreaks that have dampened mobility, the real estate crisis remains unresolved, and global demand has slowed. Real estate investment has contracted by about one-fifth in the first eleven months of 2022 amid intensifying financial stress among developers. Growth is projected at 2.6 percent for 2022, improving to 4.2 percent in 2023² as the full lifting of COVID containment measures is expected to eventually boost private demand. Near-term price pressures are expected to remain muted as the output gap closes only gradually and sectoral demand-supply imbalances are expected to remain small despite re-opening. The current account surplus is expected to narrow to 1.3 percent of GDP in 2023 from 2.1 percent in 2022 on the back of weaker growth in main trading partners, relatively lower spending on durable goods in advanced economies, and a gradual resumption of Chinese overseas travel.

In response to slowing growth momentum, macroeconomic policies appropriately turned expansionary in 2022. On the fiscal side, the main measures included a series of tax and other relief measures for small and medium-sized enterprises (SMEs) and spending on infrastructure investment projects, with the augmented cyclically-adjusted primary deficit being estimated to have increased by 2.2 percentage points of potential GDP. Monetary policy has become moderately accommodative following modest interest rate-based easing measures, cuts to the reserve requirement ratio, adjustments to deposit rate guidance policies that have helped lower deposit rates, and the use of credit policies to steer credit to SMEs and other borrower segments. The authorities have steadily stepped up support measures for the property sector, but much-needed developer restructuring continues to be slow.

Structural policy trends are clouding medium-term growth prospects amid weak productivity growth, in large part because of the role of low-productivity state-owned enterprises (SOEs) and declining business dynamism. Reforms securing competitive neutrality between SOEs and privately owned firms have been lacking, while SOEs are being tasked to make advances in strategically important sectors and technologies affected by growing geoeconomic fragmentation pressures, further burdening them with responsibilities. While China is a world

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² The projections presented in the Press Release were based on information available as of January 9, 2023.

leader in renewable energy, the unbalanced recovery and extreme weather events have made the achievement of near-term climate goals more challenging.

Executive Board Assessment³

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³ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

China: Selected Economic Indicators											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Projections										
	(Annual percentage change, unless otherwise indicated)										
NATIONAL ACCOUNTS											
Real GDP (base=2015)	6.9	6.7	6.0	2.2	8.1	2.6	4.2	5.1	4.1	4.0	3.8
Total domestic demand	6.8	7.4	5.3	1.7	6.6	2.0	4.3	5.3	4.3	4.1	3.9
Consumption	7.2	7.9	6.3	-0.3	9.8	1.6	4.7	5.3	4.3	4.2	3.9
Fixed investment	6.2	7.3	5.3	3.4	3.5	2.4	4.0	5.3	4.3	4.0	4.0
Net exports (contribution)	0.3	-0.5	0.7	0.6	1.7	0.6	0.1	0.0	0.0	0.0	0.0
Total capital formation (percent of GDP)	43.2	44.0	43.1	42.9	42.8	43.5	43.4	43.2	42.9	42.6	42.3
Gross national saving (percent of GDP) 1/	44.7	44.1	43.8	44.5	44.6	45.6	44.7	44.4	43.8	43.3	42.8
Output gap estimate	-0.6	-0.5	-1.0	-3.6	-1.5	-2.8	-2.4	-1.3	-0.7	-0.3	0.0
LABOR MARKET											
Unemployment rate (annual average) 2/	5.0	4.9	5.2	5.6	5.1	5.5	...	...	...	...	...
PRICES											
Consumer prices (average)	1.6	2.1	2.9	2.5	0.9	1.9	1.5	1.7	2.0	2.0	2.0
Consumer prices (end of period)	1.8	1.9	4.5	0.2	1.5	1.9	1.9	1.7	2.0	2.0	2.0
GDP Deflator	3.9	3.5	2.1	1.3	2.7	3.0	-0.2	1.1	1.4	1.3	1.3
FINANCIAL											
7-day repo rate (percent)	5.4	3.1	3.1	2.6	2.5	...	...	...	...	...	...
10 year government bond rate (percent)	3.7	3.0	3.9	3.3	2.8	...	...	...	...	...	...
Real effective exchange rate (average)	-4.7	-2.9	1.4	-0.6	2.0	...	...	...	...	...	...
Nominal effective exchange rate (average)	9.7	-5.4	-2.5	1.5	5.4	...	...	...	...	...	...
MACRO-FINANCIAL											
Total social financing	14.1	10.3	10.7	13.3	10.3	10.3	8.9	7.6	6.6	6.3	6.1
In percent of GDP	248	248	254	278	276	288	302	305	308	311	314
Total nonfinancial sector debt 3/	14.4	10.8	10.8	13.2	10.4	10.4	9.2	7.8	6.8	6.4	6.2
In percent of GDP	248	248	254	278	277	284	295	301	305	308	311
Domestic credit to the private sector	10.9	8.6	8.7	10.9	8.5	8.3	6.2	4.7	3.5	3.3	3.3
In percent of GDP	164	161	162	173	170	174	177	175	171	168	165
Household debt (percent of GDP)	48.9	52.3	55.8	61.6	62.5	61.1	60.7	60.6	60.4	60.8	61.6
Non-financial corporate domestic debt (percent of GDP)	115	109	106	112	107	113	117	114	111	107	104
GENERAL BUDGETARY GOVERNMENT (Percent of GDP)											
Net lending/borrowing 4/	-3.4	-4.3	-6.1	-9.7	-6.1	-9.5	-7.7	-7.6	-7.4	-7.3	-7.2
Revenue	29.2	29.0	28.1	25.7	26.8	25.1	26.0	26.1	26.2	26.4	26.5
Additional financing from land sales	2.5	2.8	2.9	2.5	2.3	1.4	1.4	1.3	1.2	1.2	1.1
Expenditure	35.1	36.1	37.1	37.9	35.2	36.0	35.1	35.0	34.9	34.8	34.8
Debt	36.2	36.5	38.5	45.4	47.2	51.0	55.1	57.9	60.9	63.8	66.7
Structural balance	-3.2	-4.1	-5.8	-8.8	-5.7	-8.7	-7.0	-7.2	-7.3	-7.2	-7.2
BALANCE OF PAYMENTS (Percent of GDP)											
Current account balance	1.5	0.2	0.7	1.7	1.8	2.1	1.3	1.2	1.0	0.7	0.5
Trade balance	3.9	2.7	2.7	3.4	3.2	3.8	3.6	3.6	3.4	3.2	3.0
Services balance	-2.1	-2.1	-1.8	-1.0	-0.6	-0.8	-1.7	-1.8	-1.8	-1.8	-1.7
Net international investment position	16.8	15.2	16.0	15.4	11.2	12.1	12.9	13.1	13.1	12.9	12.5
Gross official reserves (billions of U.S. dollars)	3,236	3,168	3,223	3,357	3,427	3,277	3,339	3,410	3,472	3,511	3,526
MEMORANDUM ITEMS											
Nominal GDP (billions of RMB) 5/	82,898	91,577	99,071	102,563	113,818	120,215	125,018	132,933	140,340	147,811	155,411
Augmented debt (percent of GDP) 6/	77.9	80.8	86.3	98.8	101.4	109.6	120.5	127.4	134.4	140.9	146.9
Augmented net lending/borrowing (percent of GDP) 6/	-13.0	-11.4	-12.4	-18.4	-13.8	-16.8	-16.7	-15.6	-15.1	-14.6	-14.1
Sources: Bloomberg; CEIC Data Company Limited; IMF International Financial Statistics database; and IMF staff estimates and projections.											
1/ 2021 GDP will be revised to match official revisions, once full official data are released.											
2/ Surveyed unemployment rate.											
3/ Includes government funds.											
4/ Adjustments are made to the authorities' fiscal budgetary balances to reflect consolidated general budgetary government balance, including government-managed funds, state-administered SOE funds, adjustment to the stabilization fund, and social security fund.											
5/ Production side nominal GDP.											
6/ The augmented balance expands the perimeter of government to include government-guided funds and the activity of local government financing vehicles (LGFVs).											