FOR INFORMATION

SM/23/281
Supplement 3
Correction 1

February 1, 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:	The attached correction to SM/22/281, Sup. 3 (1/26/23) has been provided by the staff:
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Questions:	Ms. Jain-Chandra, APD (ext. 35881) Mr. Hoyle, APD (ext. 34333)

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 consultation[1] 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 2023[2] 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

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[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. See the IMF country page for latest projections.