

# Fitch cuts China's 2023 GDP forecast by 80 bps

## Beijing eases down payments, mortgage rates in fresh stimulus move

AGENCIES

31 August

**R**ating agency Fitch on Thursday lowered China's 2023 GDP growth forecast by 80 bps to 4.8 per cent. It was 5.6 per cent down from the previous forecast. The agency attributed the cut to the fading effect of removal of Covid-19 restrictions.

Citing China's strong external finances, the agency affirmed China's long-term foreign currency issuer default ratings at 'A+' with a stable outlook.

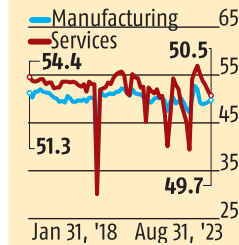
According to an official data released on Thursday, China's factory activity contracted for a fifth straight month in August, as pressure mounts on Beijing to offer more policy support to bolster its slowing economy. The official purchasing managers' index (PMI) rose to 49.7 from 49.3 in July, according to the National Bureau of Statistics, staying below the 50-point level demarcating contraction from expansion. The reading was above a forecast of 49.4.

China unveiled reductions in down-payment requirements for homebuyers and will allow lenders to lower rates on existing mortgages, taking major new steps to a halt a slump in the country's residential property market. The minimum down payment will be 20 per cent for first-time buyers and 30 per cent for second-time buyers, according to a joint statement from People's Bank of China and National Administration of Financial Regulation.

The recently released data indicate that the nation's post-Covid recovery is sluggish and not on track owing to a decline in



### LOSING STREAK China PMI



Source: Bloomberg

overseas demand as well as a drop-off in consumption at home.

S&P Global's June forecast was a setback for the nation, S&P Global said it expects China to log GDP growth of 5.2 per cent in 2023, down from an earlier estimate of 5.5 per cent. It cited the uneven nature of the country's post-reopening recovery. It is spurring more calls for further stimulus. It was the first such cut by a global credit ratings agency in 2023 and followed lowered predictions by Goldman Sachs and other major investment banks.

Four major Western banks including UBS, Standard Chartered, Bank of America (BoFA) and JPMorgan had also cut their

2023 GDP growth forecasts for China. They expect China's GDP growth to be between 5.2 per cent and 5.7 per cent this year, down from an earlier range of 5.7 per cent to 6.3 per cent.

"China's key downside growth risk is that its recovery loses more steam amid weak confidence among consumers and in the housing market," S&P had said in a statement.

The Chinese economy risks missing Beijing's annual growth target of around 5 per cent as it contends with a worsening property slump, weak consumer spending and tumbling credit growth, leading major banks to downgrade their economic growth forecasts for the year.