China's economy to slow sharply in '24: World Bank

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China's economy will slow next year, with annual growth falling to 4.5 per cent from 5.2 per cent this year despite a recent recovery spurred by investments in factories and construction and in demand for services, the World Bank said in a report issued Thursday.

The report said the recovery of the world's second-largest economy from setbacks of the Covid-19 pandemic, among other shocks, remains "fragile", dogged by weakness in the property sector and in global demand for China's exports, high debt levels and wavering consumer confidence.

The estimate that growth would be around 5 per cent this year but then fall in coming months was in line with other forecasts. Growth is expected to slow further in 2025, to 4.3 per cent from 4.5 per cent next year, the World Bank said.

The economy has fluctuated in the past few years, with growth ranging from 2.2 per cent in 2020 to 8.4 per cent in 2021 and 3 per cent last year. Stringent limits on travel and other activities during the pandemic hit manufacturing and transport. Job losses due to those disruptions and to a crackdown on the technology sector, combined with a downturn in the property industry, have led many Chinese to tighten their purse strings.

Most of the jobs created during China's recovery have been low-skilled work in service industries with low pay, it noted. Chinese also are cautious given the threadbare nature of social safety nets and the fact that the population is rapidly aging, putting a heavier burden for supporting elders on younger generations. "The outlook is subject to considerable downside risks," the report said, adding that a prolonged downturn in the real estate sector would have wider ramifications and would further squeeze already strained local government finances, as meanwhile softer global demand is a risk for manufacturers.

The report highlights the need for China to pursue broad structural reforms.

Country Garden averts worsening of debt crisis with payment

Chinese developer Country Garden Holdings took steps to prevent its debt crisis from worsening, paying off a yuan note ahead of schedule and selling a stake in a mall operator.

The distressed builder's onshore unit, Country Garden Real Estate Group, repaid in full an 800 million yuan ($111 million) bond with a put option that expired Wednesday, it said in a filing to the Shenzhen Stock Exchange. It also sold an investment in Zhuhai Wanda Commercial Management Group for 3.07 billion yuan to raise cash for offshore debt restructuring.

The latest moves by China's former top builder injected a sense of relief among investors, following a dollar bond default in October that roiled financial markets. They also came hot on the heels of a top housing official's pledge to avoid a cascade of debt defaults by developers, among the strongest commitments yet to ease the industry's unprecedented cash crunch. "Country Garden is keen to maintain its reputation of not defaulting onshore to mitigate the negative impact on the market," said Ting Meng, senior credit strategist at Australia & New Zealand Banking Group. **BLOOMBERG**