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China's Economy Grows 9.5%, Besting Estimates

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China's economy and industrial output expanded more than analysts predicted, driving up stocks across [Asia](#) as the nation maintains momentum after monetary tightening to cool inflation.

Gross domestic product rose 9.5 percent in the second quarter from a year earlier, the statistics bureau said in Beijing today, after a 9.7 percent gain in the previous three months. The median estimate was 9.3 percent in a Bloomberg News survey of 18 economists.

Industrial output advanced 15.1 percent in June, the most since May 2010, even after the central bank boosted lending rates five times since mid-October and lifted bank reserve requirements to a record. Premier [Wen Jiabao](#) said yesterday that stabilizing prices remains the top priority, after food costs soared in June.

"This data should dispel concerns over a hard landing in [China](#)," said Wendy Liu, a Hong Kong-based analyst with Royal Bank of [Scotland](#).

The Shanghai Composite Index of shares advanced 1.3 percent as of 2:14 p.m., paring to 0.5 percent the decline this year that has been driven by concern that monetary tightening will choke off growth. Yuan forwards strengthened and Asian stocks climbed.

'Strong' Momentum

An easing of power shortages and supply-chain disruptions from [Japan's](#) earthquake and a rebound in money- supply growth may have boosted output, according to Goldman Sachs Group Inc. The statistics bureau said the economy's momentum remained "strong" and highlighted gains in investment by local governments and private businesses.

The [International Monetary Fund](#) forecast last month that [China's economy](#) will expand 9.6 percent this year. In the U.S., where unemployment is rising, the

expansion may be 2.5 percent, and in the [euro zone](#), where soaring bond yields have signaled that a sovereign debt crisis may spread to [Italy](#), the gain may be 2 percent, according to the IMF.

While the global economy is increasingly dependent on China's demand, weakness in the nation's import growth in June indicated limits to the contribution it can make. Inbound shipments grew by the least since 2009, climbing 19.3 percent from a year earlier, the customs bureau said July 10.

Investment, Retail Sales

The nation's growth was 2.2 percent in the second quarter from the first three months of the year, the statistics bureau said, picking up from 2.1 percent in January to March.

Fixed-asset spending, excluding rural households, rose 25.6 percent in the first half from a year earlier, today's report showed. Retail sales expanded 17.7 percent last month from a year before, exceeding a median analyst estimate of 17 percent.

June housing transactions rose 31 percent from May even after government curbs to cool the [property market](#), statistics bureau data showed. China Vanke Co., the country's biggest developer, says sales rose 79 percent in the first six months.

The expansion in industrial output compared with the median 13.1 percent gain in a Bloomberg survey. Easing power shortages and "robust construction activities" may have boosted the number, along with a pickup in growth in steel production, according to Bank of America Merrill Lynch.

Loans, [Money Supply](#)

Signs of a slowdown have spanned weakness in imports, a manufacturing index falling in June to the lowest level since February 2009, and carmaker [General Motors Co. \(GM\)](#) saying that sales may be at the low end of a forecast. At the same time, lending exceeded forecasts last month and growth in M2, the broadest measure of money supply, rebounded.

Inflation has breached the government's 4 percent ceiling every month this year, with consumer prices rising 6.4 percent in June from a year earlier, the most in three

years. Pork, a Chinese staple, rose 57 percent and accounted for more than a fifth of June's overall inflation rate.

The People's Bank of China has raised the one-year lending rate to 6.56 percent and the one-year deposit rate to 3.5 percent, announcing the latest increases on July 6. The nation's biggest banks are required to set aside 21.5 percent of deposits as reserves, up from 17 percent in November, locking up cash that could fuel inflation.

Ding Shuang, a senior economist at Citigroup Inc. in [Hong Kong](#) who previously worked at China's central bank, said last week that he expects inflation to slow after this month. UBS AG, sees price gains remaining above 6 percent in July before moderating toward 4 percent at the end of the year.

Bank of America Merrill Lynch said today that the chance of further interest-rate increases this year is "very small" and a "soft landing" for the economy is likely.

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