Fitch’s Woo Says China Has ‘Tremendous Scope’ to Support Growth
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By Benjamin Purvis

May 29 (Bloomberg) -- China’s government has further policy tools available to counteract any significant slowdown, while uncertainty surrounding the economy may weigh on credit scores, according to Fitch Ratings.

Premier Wen Jiabao has vowed to focus more on increasing growth after trade and domestic demand were below forecasts in April, data that prompted economists to pare outlooks for the world’s fastest-growing major economy. Fitch predicts gross domestic product growth will slow to around 8 percent in 2012, from 9.2 percent last year. That compares with the median estimate in a Bloomberg News survey of 8.2 percent.

“Fitch still believes that the Chinese government still has tremendous scope for policy flexibility, and that this would sort of lean against any risks of a hard landing,” said Art Woo, a Hong Kong-based director in Fitch Ratings’ sovereign group. “Nevertheless, the degree of uncertainty over the outlook on the Chinese economy is likely to weigh on the ratings in the near term.”

China has a local currency issuer default rating of AA-from Fitch with a negative outlook, while its foreign-currency rating is A+ and stable.

The risks to China’s banks and the potential need to bail out lenders in the event of a sharp financial-sector downturn could weigh on the country’s public finances “down the road,”
according to Woo, who addressed a conference today in Sydney via video link from Hong Kong.

The Chinese government may use stimulus measures ranging from 1 trillion yuan to 2 trillion yuan ($315 billion), half the size of 2008’s package, to combat an economic slowdown, Credit Suisse Group AG said yesterday. Economists at China International Capital Corp., the nation’s biggest investment bank, said last week they see expansion slowing to 6.4 percent in 2012 without policy stimulus.

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--Editors: Garfield Reynolds, Jonathan Annells

To contact the reporter on this story:
Benjamin Purvis in Sydney at +61-2-9777-8657 or bpurvis@bloomberg.net

To contact the editor responsible for this story:
Garfield Reynolds at +61-2-9777-8695 or
greynolds1@bloomberg.net