

China Sees 7% as Bottom-Line Growth Tolerable in Slowdown (2)  
2013-07-23 10:07:00.296 GMT

(Updates with stock market gain in third paragraph.)

By Bloomberg News

July 23 (Bloomberg) -- Premier Li Keqiang's government sees 7 percent growth as the bottom line for tolerance of an economic slowdown, Chinese news organizations reported, signaling the nation will act to support expansion if needed.

Expansion below 7 percent won't be accepted because China needs to achieve a moderately prosperous society by 2020, according to a commentary published July 21 by the official Xinhua News Agency and credited to reporter Wang Yuewei. Li said at a recent meeting with economists that 7 percent is the "bottom line" and the nation can't allow growth below that, the Beijing News reported today.

Chinese stocks rose the most since July 11 on optimism that the government will limit the depth of a slowdown after gross domestic product rose 7.5 percent in the second quarter from a year earlier, the same pace as an official 2013 target. Li previously said the government shouldn't let growth and employment fall below lower limits that he didn't specify.

"The comments confirmed that the government's acceptable range for growth this year is between 7 percent and 7.5 percent," said Chang Jian, a Hong Kong-based economist at Barclays Plc who formerly worked for the World Bank. "As economic growth is slowing to below 7.5 percent, the government policy's focus is gradually shifting to stabilizing growth."

The Shanghai Composite Index gained 2 percent, with rail-related stocks surging on speculation that the government will ramp up construction.

Lower Limit

Other parts of the reports may add to confusion on the government's tolerance for a slowdown. The Xinhua commentary said 7.5 percent is the "lower limit" for growth this year while the Beijing News reported Li said the "lower limit" for China's GDP expansion is 7.5 percent. The articles didn't elaborate on the difference between a "lower limit" and a "bottom line."

Investors are focused on the possibility of additional support measures after exports fell last month by the most since the global financial crisis.

Analysts at Mizuho Securities Asia Ltd. and Bank of America Corp. focused on a purported transcript of Li's comments,

circulating on the internet. The State Council Information Office didn't respond to a faxed question from Bloomberg News about the authenticity of the account.

#### 'Important Information'

Lu Ting, head of Greater China economics at Bank of America in Hong Kong, said the transcript was "important information," with Li indicating that the "floor" for growth this year was 7.5 percent, while 7 percent was the lower limit for the period through 2020. Lu said that the government may roll out a "small scale fiscal expansion" including spending on railways, social housing and environmental and information-technology infrastructure.

Shen Jianguang, chief Asia economist at Mizuho in Hong Kong, said 7.5 percent is the lower limit this year and 7 percent is the boundary starting next year. The government is already trying to support expansion with spending on railways, city infrastructure and environmental protection, Shen said. Finance Minister Lou Jiwei said in a press briefing in Washington on July 11 that growth as low as 6.5 percent may be tolerable in the future. While the government in March set a 2013 growth goal of 7.5 percent, Lou said he's confident 7 percent can be achieved this year.

Xinhua later amended its English-language report on Lou to say there's no doubt that China can achieve this year's growth target of 7.5 percent.

For Related News and Information:

China to Avoid 'Wide Fluctuations' in Economy, Li Keqiang Says  
NSN MQ1BAN6VDKHS <GO>

China Growth Slows to 7.5% as 2013 Target Under Threat: Economy  
NSN MPYWD71A74E9 <GO>

China Can Endure Growth Slowdown to 6.5%, Finance Chief Says  
NSN MPTOVM6S972T <GO>

Most-read stories on China: MNI CHINA 1W <GO>

Most-read China economy stories: TNI CHECO MOSTREAD BN <GO>

--Xin Zhou and Hu Shen, with assistance from Li Liu in Beijing.  
Editors: Scott Lanman, Paul Panckhurst

To contact Bloomberg News staff for this story:

Xin Zhou in Beijing at +86-10-6649-7731 or

[xzhou68@bloomberg.net](mailto:xzhou68@bloomberg.net);

Hu Shen in Beijing at +86-10-6649-7560 or

[hshen33@bloomberg.net](mailto:hshen33@bloomberg.net)

To contact the editor responsible for this story:

Paul Panckhurst at [+852-2977-6603](tel:+852-2977-6603) or  
[ppanckhurst@bloomberg.net](mailto:ppanckhurst@bloomberg.net)