

China continues breakneck growth

China's economy has expanded by a breakneck 9.5% during 2004, faster than predicted and well above 2003's 9.1%.

The news may mean more limits on investment and lending as Beijing tries to take the economy off the boil. China has sucked in raw materials and energy to feed its expansion, which could have knock-on effects on the rest of the world if it overheats. But officials pointed out that industrial growth had slowed, with services providing much of the impetus. Growth in industrial output - the main target of government efforts to impose curbs on credit and investments - was 11.5% in 2004, down from 17% the previous year.

Still, consumer prices - at 2.4% - rose faster than in 2004, adding to concern that a sharp rise in producer prices of 7.1% could stoke inflation. And overall investment in fixed assets was still high, up 21.3% from the previous year - although some way off the peak of 43% seen in the first quarter of 2004. The result could be higher interest rates. China raised rates by 0.27 percentage points to 5.8% - its first hike in nine years - in October 2004.

Despite the apparent rebalancing of the economy the overall growth picture remains strong, economists said. "There is no sign of a slowdown in 2005," said Tim Congdon, economist at ING Barings.

China's economy is not only gathering speed thanks to domestic demand, but also from soaring sales overseas. Figures released earlier this year showed exports at a six-year high in 2004, up 35%. Part of the impetus comes from the relative cheapness of the yuan, China's currency. The government keeps it pegged close to a rate of 8.28 to the US dollar, - much to the chagrin of many

US lawmakers who blame China for lost jobs and competitiveness. Despite urging to ease the peg, officials insist they are a long way from ready to make a shift to a more market-set rate. "We need a good and feasible plan and formulating such a plan also needs time," National Bureau of Statistics chief Li Deshui told Reuters. "Those who hope to make a fortune by speculating on a renminbi revaluation will not succeed in making a profit."