Chinese politics & policy

China sets 5% growth target to drive economic recovery

National People's Congress opens with Xi Jinping planning sweeping changes to centralise power further

Li Keqiang, China's premier, addresses the National People's Congress on Sunday © AP

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China will aim for an economic expansion of "around 5 per cent" for 2023, its lowest target for more than three decades, as President Xi Jinping seeks to restore pre-pandemic levels of growth and prepares to centralise power further in his own hands.

Announcing the target, which was below last year's goal of 5.5 per cent, China's outgoing premier Li Keqiang told the annual National People's Congress — its rubber-stamp parliament — that the aim this year was to "prioritise economic stability".

If achieved, the target would represent a recovery from growth of just 3 per cent in 2022 after numerous Chinese cities suffered extended lockdowns in an effort to prevent the spread of the Omicron coronavirus variant.

China's official economic growth targets have been trending lower over the past decade as policymakers have sought to rein in the country's growing debt burden and stimulate more domestic consumption.

Analysts said this year's conservative economic growth target would be easier for Xi's new economic team to meet, after falling far short of its goal in 2022.

Goldman Sachs said achieving this year's target was "not challenging" given the low base from last year. It predicted GDP would grow 5.5 per cent this year driven by the rebound in household consumption after the reversal of China's strict zero-Covid policy.

"This growth target heralds the return of headline GDP growth as the organising principle for economic and financial policies, but also signals that the era of rip-roaring growth is over," said Eswar Prasad, senior fellow at the Brookings Institution.

China's most powerful president since Mao Zedong, Xi is expected to use this year's parliamentary session, which began on Sunday, to undertake sweeping changes to his administration.

Xi is due to install loyalists to senior government jobs and overhaul portfolios such as finance and technology, centralising power further and reversing a decades-long trend towards separating the party from the government.

Li is expected to be replaced as premier by Li Qiang, a close Xi associate who presided over the lockdown of Shanghai last year as the city's Communist party chief. He previously worked with Xi in Zhejiang province in the 2000s.

Li Qiang will give a press conference on the final day of the Congress on March 13, laying out the agenda for his new government.

Reading out the government's new work report before about 3,000 members of the Congress on Sunday, Li set a target for China's budget deficit this year at 3 per cent of gross domestic product while pledging to create 12mn new urban jobs and keep the unemployment rate at about 5.5 per cent.

China needed to "expand market access" for foreign investors, prop up consumption and control risk in the real estate sector, Li said, in one of his last appearances as China's second-ranked official. He provided few details on how Beijing should implement these policies.

"Hit by Covid-19 and other challenges, many enterprises and small businesses experienced acute distress," said Li. "Maintaining employment stability is challenging and the budgetary imbalances of some local governments are substantial."

China's economy has shown signs of recovery from the downturn, with sentiment in the manufacturing sector hitting a decade-high in February. But Li warned in his speech that "many difficulties and challenges still confront us".

These included external problems, such as inflation in other countries, slowing global trade and economic growth, as well as "escalating" attempts "to suppress and contain China's development".

On China's stricken property sector, where many companies have defaulted on their debt, Li pledged to help "high-quality, leading real estate enterprises" while continuing to "prevent unregulated expansion".

"I think on the whole the report is geared towards reassuring foreign investors that China is still a good place to do business and so forth," said Willy Lam, an expert in Chinese politics at the Jamestown Foundation think-tank in Washington.

The Chinese president completed a clean sweep of the Communist party's top decision-making body, the seven-member Politburo standing committee, in October, edging out rival factions and completing his domination of the country's politics.

Aside from Li Qiang, Xi is expected to appoint new heads to the government's main financial agencies and regulators, including the People's Bank of China.

Analysts have expressed concerns that the new officials, many of whom have spent much of their careers as local government politicians, might be less inclined to tackle financial speculation than the existing team, which is made up mostly of technocrats known for their hawkishness.

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