

**Chinese economy**

## China sets growth target around 5% despite threat from US tariffs

Beijing outlines fiscal spending plans amid lagging domestic consumption and mounting trade tensions



Chinese President Xi Jinping's address to the National People's Congress is broadcast outside a shopping mall in Beijing. © Greg Baker/AFP/Getty Images

**Joe Leahy** and **Eleanor Olcott** in Beijing, **Kathrin Hille** in Taipei and **Arjun Neil Alim** in Hong Kong

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China has announced an ambitious GDP growth target of “around 5 per cent” for 2025 despite a slowdown in the domestic economy and mounting trade tensions with the US.

The figure, which matched Beijing’s targets in the previous two years, was announced in the government’s annual “work report”, a review of its achievements last year and economic goals and policies for 2025.

The growth figure, which was in line with market expectations, signalled Beijing’s determination to maintain growth in the face of renewed trade hostilities with the US, which [imposed additional tariffs](#) on China this week.

But some analysts said fiscal spending measures announced in the report fell short of market expectations, as a years-long property crisis continues to weigh on domestic consumption.

Premier Li Qiang, [China](#)'s number-two official, delivered the report on Wednesday before thousands of delegates gathered in Beijing's Great Hall of the People for the annual session of the National People's Congress, China's rubber stamp parliament.

The 5 per cent target was necessary "to stabilise employment, prevent risks and improve people's wellbeing" as well as meet "long-term development goals", said Li.



Chinese President Xi Jinping and Premier Li Qiang, right, arrive at the opening session of the National People's Congress © Kevin Frayer/Getty Images

Hong Kong's Hang Seng China Enterprises index rose as much as 2.6 per cent on Wednesday after the work report's release, while China's CSI 300 index of Shanghai- and Shenzhen-listed stocks climbed as much as 0.4 per cent.

Li set a budget deficit target of 4 per cent of GDP, up from 3 per cent in previous years and the highest figure in recent decades. To stimulate the economy, the work report said the government would "adopt a more proactive fiscal policy".

"That a deficit has been set this high this early signals the challenges before the economy," Harry Murphy Cruise, head of China and Australia economics at Moody's Analytics, said in a research note.

Xin-Yao Ng, investment director of Asian equities at Aberdeen, said the government was clearly committed to boosting the domestic economy, but “the most important part is how they allocate the spend”.

The work report also targeted inflation of 2 per cent for 2025, down from 3 per cent and the lowest such figure since 2003, an admission of the country’s [deep deflationary pressures](#).

“The 5 per cent growth target seems an aspiration rather than a serious policy goal,” said Eswar Prasad, an economist and China expert at Cornell University.

“China needs a package of carefully targeted fiscal and monetary policy measures, but these must be accompanied by reform measures to reinvigorate productivity and reorient the government’s attitude towards private enterprise.”

Some analysts said specific fiscal stimulus measures, such as Rmb300bn (\$40bn) of subsidies to [trade in consumer goods](#), were not as big as expected.

Beijing also announced Rmb4.4tn in special local government bonds for infrastructure and other investments and Rmb1.3tn in special central government bonds, both slightly less than anticipated, said Hui Shan, chief China economist for Goldman Sachs.

“The fiscal numbers are disappointing,” Shan said, but added that the government could increase or accelerate bond issuance later this year. To hit the GDP growth target, exports would need to “surprise on the upside”, she said.

The US has imposed additional 20 per cent tariffs on Chinese exports since President Donald Trump took office in January and has threatened further measures.

China retaliated this week by targeting US agricultural and energy exports, as well as imposing export controls and security measures on American companies.

Beijing also announced a nominal 7.2 per cent rise in its 2025 defence budget to Rmb1.78tn, in line with average increases over the past decade but outpacing the overall 6.9 per cent rise in central government expenditure.

Analysts said China’s total military spending was likely to be much higher than reported. The Pentagon’s most recent annual report said Beijing spent “40 per cent to 90 per cent more than it announces in its public defence budget”, though western experts’ estimates are about 30 per cent.

Taylor Fravel, head of the security studies programme at the Massachusetts Institute of Technology, said the People's Liberation Army's expansion of its equipment arsenal, which has been under way for three decades, was likely to continue to be a cost burden, noting that "maintenance costs" would persist "over several decades".

*Additional reporting by Wenjie Ding in Beijing*

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