

TOUCHBUTTON

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Bull in a China shop

It is interesting to see the contrast in the reporting of China's Premier Wen Jiabao's forecast for China's GDP growth in 2012. At the Annual National Peoples' Congress he has forecast GDP growth of 7.5% in 2012, which compares with the 9.0% achieved last year, and is the first time that growth has been below 8% since 2004.

The pessimists see this as further evidence of the world's economic woes, when even China cannot maintain its pace. Locally however, it is seen much more as being in keeping with a maturing approach to the management of China's economy. It could be said that a more considered approach on the part of the Chinese government is all part of the 'coming of age' of a nation which still sometimes seems to struggle with its worldwide communication skills.

Whilst it is to be entirely expected that the Chinese government itself sees itself as being sensible and prudent, so it is the case in the local financial press too. The fact that regional stockmarkets all fell quite sharply in response owes more, seemingly, to a clear knowledge of how western markets were likely to react later in the day. Indeed, that perception itself is flattering to the region: it says a lot about investors' faith in China as the global economic saviour that world markets ebb and flow on news from Beijing.

The fact is, everyone in both the east and the west has known for ages that China's growth was slowing, because it is inevitable that it does. Be sure of one thing: this is the first of many lowerings of China's growth trajectory, and as long as it's gradual, this should be welcomed. It should be remembered too that this lowering of the country's GDP growth target comes with a pledge to boost domestic demand – this won't be quick but China has an emerging middle class. With this comes increased demand for goods, not just local ones, but things like Mercedes, BMWs, and, with luck, Jaguars, too. In the long run, this seismic shift in demand patterns across China will have a much more fruitful and beneficial impact on western economies than an extra notch on the GDP numbers.

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