

China aims high on consumer spending for sustainable growth

The Chinese government reiterated Wednesday that to spur "sustainable and fast consumer spending" will be a priority next year, as the world's third-largest economy seeks to break from dependence on export and government pump-priming to drive post-crisis growth.

The government will continue to raise the earnings of the middle and low income groups to boost consumer spending, said a senior official with the nation's top economic planning body.

The government will step up research on optimization the income distribution mechanism to improve residents' purchasing power, Zhang Ping, minister in charge of the National Development and Reform Commission (NDRC), made the remarks at a national meeting charting the ministry's work in 2010.

The rare official stance on improving income distribution echoed the unanimous call from experts and the general public to bridge the yawning wealth gap between the rich and poor, which underlined the government's resolution to address the simmering social conflicts and the urgency to rebalance economic growth.

Zhang said the government will exert more efforts to sort out problems that have close bearing on public interests and ensure that all public members share the fruits of the development and reform, so as to safeguard social harmony and stability.

In concrete, the government will raise the pensions for enterprise retirees and improve treatment for those who enjoy special care. Local education, cultural and health-care facilities will also receive greater subsidy for expansion.

To revive the economic growth which lapsed to a decade low amid the global financial crisis, Chinese government unveiled a 4-trillion-yuan stimulus package, which was led by government investment, to counter falling exports, the driving force of the Chinese economy before the crisis took a toll.

As a result, as the GDP growth accelerated to 8.9 percent in the third quarter, investment contributed 7.3 percentage points while consumption devoted 4 percentage points.

"As the Chinese authorities have recognized that the rapid pace of recovery has exacerbated some of the economy structural imbalances, the authorities will focus on rebalancing growth, primarily by supporting consumption and private investment, with many consumer incentives to be carried out in 2010," said Jing Ulrich, managing director and chairman of China Equities and Commodities of J.P. Morgan.

Also on Wednesday, the State Council, or cabinet, decided to renew the preferential policies introduced early this year to boost car and home appliance sales.

"While investment growth should be managed at a reasonable pace, consumer spending should maintain sustainable and relatively fast expansion," Zhang said.

As investment binge and runaway bank lending prompted fears for asset bubble, Zhang said the government will step up efforts to curb speculative property transaction, and provide more affordable housing to middle and low income families.

Source: Xinhua