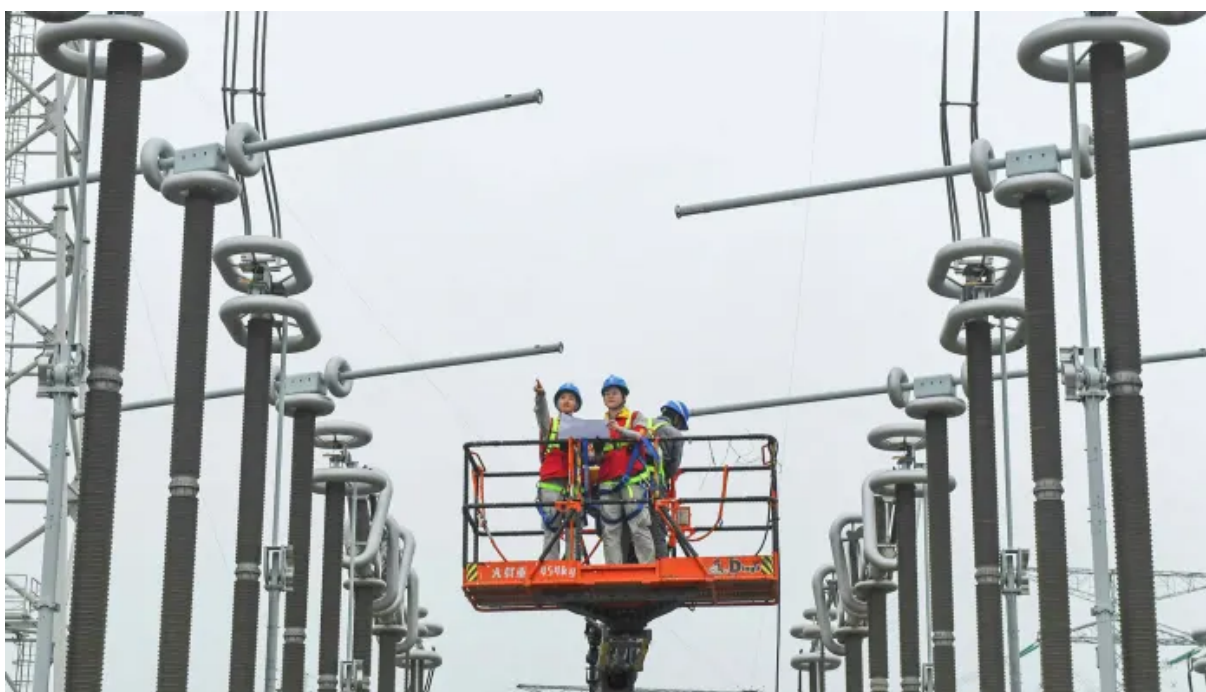


**Chinese economy**

## China GDP: Five things to watch when quarterly data are released

'Considerable uncertainty' surrounds growth prospects as Beijing prepares to announce figures next week



The main reasons for China's energy crisis include coal shortages and soaring coal prices as well as strict environmental and energy efficiency targets © AFP via Getty Images

**Tom Mitchell** in Singapore OCTOBER 14 2021

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The release of China's estimate for third-quarter economic growth on Monday comes at a critical juncture for the world's second-largest economy.

The National Bureau of Statistics' headline gross domestic product figure and other indicators will capture the initial impact of two economic shocks: the debt crisis at Evergrande, one of China's largest real estate developers, and widespread and crippling energy shortages. Premier Li Keqiang said on Thursday that growth had slowed in the third quarter but did not say by how much, according to Reuters.

President Xi Jinping's administration has done little to relieve the pressures building on the country's real estate sector, even though it accounts for as much as 30 per cent of total economic output.

Beijing has instead seized on what it believes is a "[window of opportunity](#)" to discipline overleveraged property developers, which it sees as a grave threat to China's financial stability.

"The emphasis on deleveraging, squeeze on property speculation and energy shortages are likely to have substantially dented China's already weak growth momentum," said Eswar Prasad, a former head of the IMF's China division who is now at Cornell University.

Here are five things to look out for at next week's release:

## Has the Chinese economy ground to a halt on a quarterly basis?

The Chinese economy expanded 12.7 per cent in the first half of the year compared with the same period last year, when the [Covid-19 pandemic emerged](#) in central Hubei province and severely disrupted economic activity across the country.

This large headline jump, however, masked a quarter-on-quarter expansion of just 0.4 per cent over the first three months of the year and 1.3 per cent in the second quarter.

Analysts at Goldman Sachs forecast that third-quarter economic output did not grow at all on a quarter-on-quarter basis. In a September 28 report, they said there was also “considerable uncertainty” about China's fourth-quarter outlook because of “the government's approach to managing the Evergrande stresses, the strictness of environmental target enforcement and the degree of policy easing”.

## What was the Evergrande effect on fixed-asset investment in September?

Evergrande warned on September 13 that monthly sales had [almost halved](#) in August compared with June and forecast another bleak result in September, which is normally a bumper month for the sector.

More broadly, property sales in the country's 30 largest cities fell almost one-third in September year on year. That suggests September was a very weak month for fixed-asset investment, which tracks spending in property and infrastructure. Fixed-asset investment growth had already slowed from 12.6 per cent year on year in the first half of the year to 8.9 per cent in the January to August period.

Infrastructure investment growth has also been consistently slower in Xi's second term, which began in 2018, than it was in his first (2013-17), reflecting his administration's concern about debt levels at the local government finance vehicles, which bankroll most infrastructure investment.

in September.

The main reasons for the power shortages [vary by region](#). They include coal shortages and soaring coal prices, which forced plants to limit generation, as well as strict environmental and energy efficiency targets.

Larry Hu, chief China economist at Macquarie, noted that the country's economic planning ministry had taken steps to address the coal shortages but had shown "no intention to change energy consumption targets for this year". As a result, he predicted that widespread power rationing could continue well into the fourth quarter.

## Will retail sales rebound?

Retail sales grew just 2.5 per cent year on year in August, compared with 8.5 per cent in July and far below market expectations of at least 7 per cent.

If this continues, Chinese policymakers will find it even harder to restart an economy struggling with slowing investment and industrial production growth. In a recent investment note, Diana Choyleva at Enodo Economics forecast that "more pain was in store as Xi gets even more serious about capping house price increases to tackle a key source of inequality".

## Will these challenges force Xi and his economic team to ease policy in the fourth quarter?

Prasad warned that "the government's moves to simultaneously increase state control of the economy and the lack of clarity about its intentions towards private enterprise could act as a drag on growth over the longer term".

But from Xi's crackdown on China's private-sector [technology groups](#) at the beginning of this year to his willingness to drive Evergrande and other developers to the brink of

