

**Chinese economy**

## China's economy: five takeaways from first-quarter GDP data

Retail surge and strong exports drive economic growth but recovery remains uneven



Many economists have warned that China's economic outlook is uncertain, as declining global demand for exports, interest rate rises and banking sector turmoil weigh on trade © Qilai Shen/Bloomberg

**Joe Leahy** in Beijing and **Edward White** in Seoul 3 HOURS AGO

China's first-quarter gross domestic product data showed an economy rebounding following one of its worst years for growth in decades after the country's largest cities were locked down to stem a coronavirus outbreak and a global slowdown hit demand for exports.

But while the figures indicated [China](#) was on track to meet or exceed its target of 5 per cent growth for the year, with momentum expected to pick up in the second quarter, economists warned that the recovery was uneven and remained in the early stages.

The National Bureau of Statistics said that while the first quarter had "made a good start", domestic demand remained "inadequate" and "the foundation for economic recovery is not solid yet".

Here are five takeaways from [Tuesday's release](#):

## Retail rebounds after lockdown lows

The retail sector, which was among the worst affected by Beijing's Covid-19 controls, experienced one of the strongest rebounds.

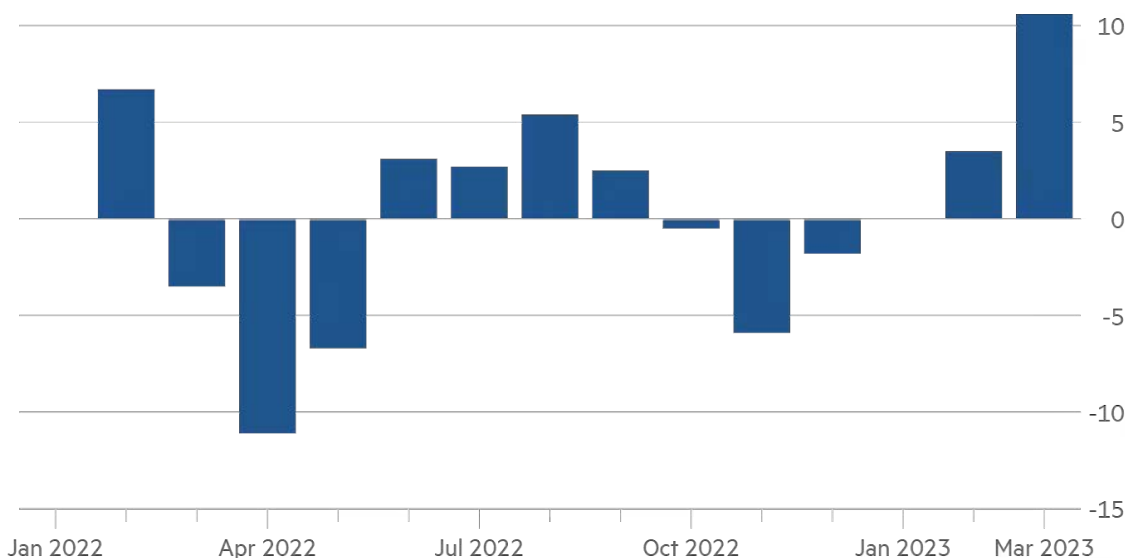
Retail sales grew 10.6 per cent in March, exceeding analysts' forecasts of 7.5 per cent, and picking up pace from January and February when the economy was still recovering from the vestiges of a nationwide Covid outbreak.

However, part of the dramatic rise, with sales over the quarter advancing 5.8 per cent, was because of the low base effect of last year's lockdown of Shanghai.

“We expect activity data to improve further in April-May [in year-on-year terms] on a very low base last year when Shanghai imposed stringent lockdowns,” Goldman Sachs analysts wrote in a note.

### Chinese retail sales rebounded after Covid controls were scrapped

% change, year on year



January and February values are combined to remove lunar new year distortions

Source: National Bureau of Statistics

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## Booming exports face slowdown

Exports have roared ahead, [expanding 14.8 per cent](#) year on year in March, beating market expectations of a fall of 5 per cent. Much of this growth was driven by electric vehicle sales and exports to Russia.

But many economists expect a weaker outlook ahead, as declining global demand for Chinese exports, the delayed impact of rising rates in developed markets and banking sector turmoil overseas weighs on trade. “The pace of growth is likely to slow from now on,” said Louise Loo at Capital Economics.

Economists have been debating whether Beijing will need to boost stimulus spending as it chases its [5 per cent growth target](#) for 2023.

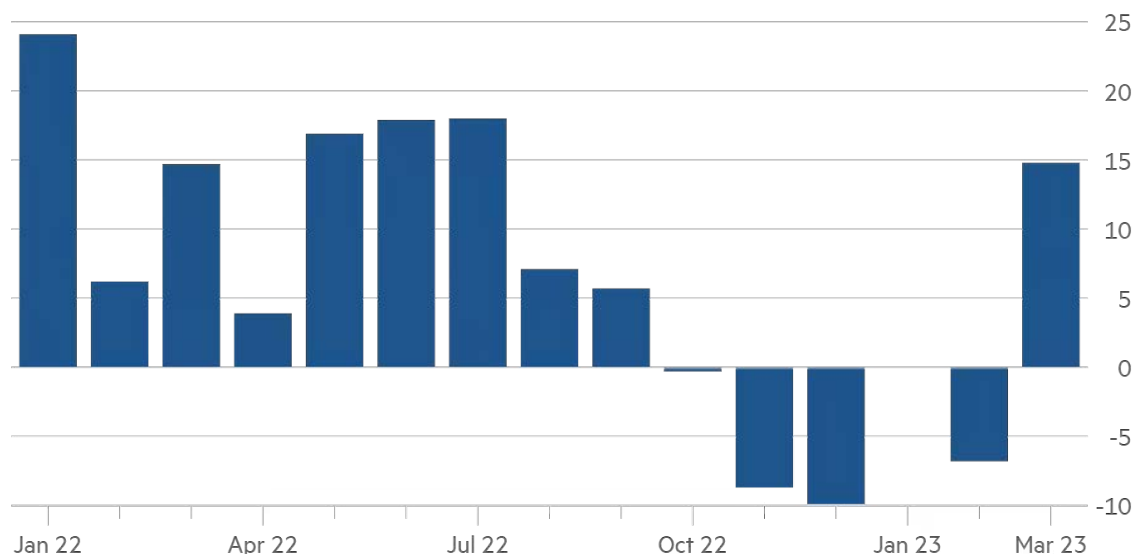
“The challenge this year is that it is a year of recovery for China, but it is a year of almost a recession coming for the US and very slow growth for Europe,” said Iris Pang, chief China

economist at ING. She predicted that Beijing would delay plans for stimulus to spur demand and support jobs after the better than expected first quarter.

“There is no immediate need for fiscal stimulus to support consumers. But the government will probably keep its plan of infrastructure investment as a supplementary growth engine as we expect the external market to deteriorate further in 2023,” she added.

## China's exports soared in March for the first time in 6 months

% change, year on year



January and February values are combined to account for lunar new year distortions

Source: National Bureau of Statistics

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## Property woes persist

The property sector, a critical pillar of the Chinese economy, remained under pressure from a liquidity crisis that has hit the sector and sparked a series of defaults. Real estate investment fell 5.8 per cent and home sales by area slipped 1.8 per cent in the first quarter, while new housing starts also continued to decline, diving 19.2 per cent year on year.

But sales by value were up 4.1 per cent in the first three months, and [new home prices rose](#) at their fastest pace in 21 months in March, pointing to some improvement.

The property sector gloom also continued to spread into areas such as durable goods, including household appliances, sales of which declined 1.4 per cent year on year in March.

The recovery in private sector business confidence might be slower than expected, JPMorgan Asset Management strategist Chaoping Zhu said in a note.

The public sector led fixed asset investment with 10 per cent growth, but private sector investment fell 6.6 per cent in the quarter. “Investment in infrastructure will be...”, she added.

investment grew only 0.6 per cent in the quarter, suggesting business confidence still has a long way to go to be fully restored”, Zhu said.

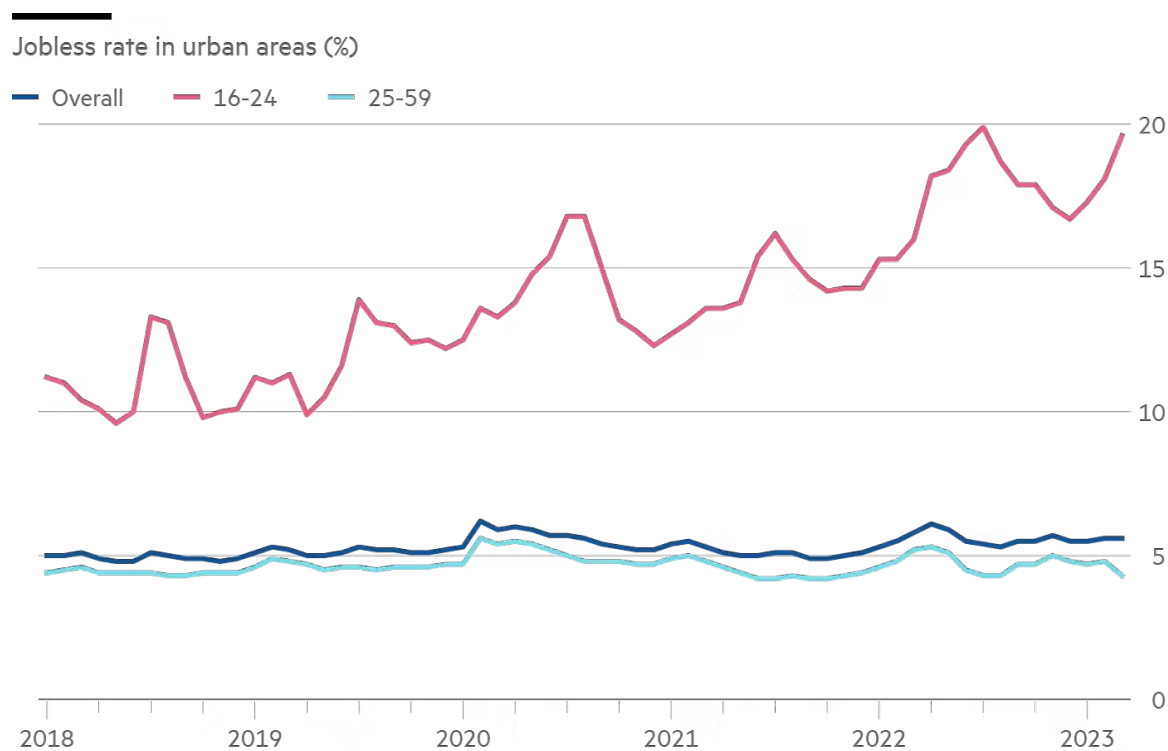
## Stubborn unemployment

A record one in five Chinese youths remained unemployed, Tuesday's data release showed, highlighting a mounting challenge for President Xi Jinping's government.

The ruling Chinese Communist party claims legitimacy from its ability to improve the lives of the country's 1.4bn people, but a [structural slowdown in manufacturing](#) has hampered its ability to boost employment.

Raymond Yeung, chief China economist at ANZ, said that the youth jobless rate, which at 19.6 per cent hit its second-highest level on record, indicated slack in the economy despite the national rate edging lower to 5.3 per cent.

“By June, there will be a new batch of graduates looking for jobs. The jobless condition could worsen further if China's economic momentum falters,” he said.



Source: Wind  
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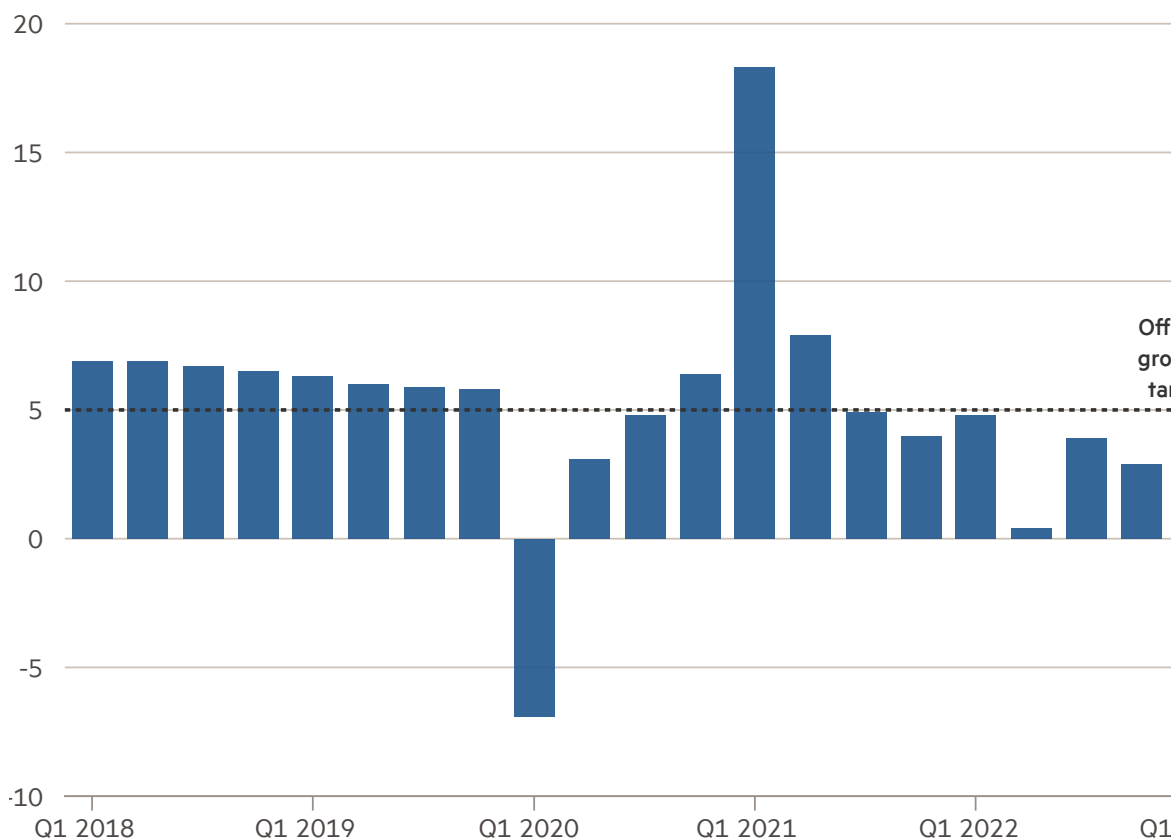
## Growth target attainable

Economists were optimistic about the government hitting its full-year growth target of 5 per cent in 2023, after the first quarter headline figure came in at 4.5 per cent.

“The Chinese economy has clearly shaken off its Covid-related malaise and is settling into a trajectory of decent if unspectacular growth,” Eswar Prasad at Cornell University wrote in a note. “On the economy’s present trajectory . . . this year’s growth target looks eminently attainable barring any major adverse shocks.”

## China's economy is falling short of a 5% target for 2023

GDP growth (year-on-year, %)



Source: National Bureau of Statistics of China

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However, whether the momentum can be sustained hinges in part on whether Beijing refrains from the unpredictable policy swings that have shaken business confidence over the past two years, including the private sector crackdown and zero-Covid policy.

Keyu Jin, a professor at the London School of Economics and author of *The New China Playbook*, said [Xi's new team of economic planners](#) was trying to avoid a “western-style” system of capitalism dominating politics.

“Right now, it is still a recalibration, finding the right words, finding the right balance . . . It doesn’t want to go in either extreme,” she said. “We need to see the same transparency and predictability of the policies, even when the economy bounces back.”

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