

Chinese economy

Chinese economy expands 4.9% in third quarter

Strong industrial growth powers recovery despite GDP data missing expectations



Retail sales record their best performance this year, rising 3.3% last month © Bloomberg

Thomas Hale in Hong Kong, **Tom Mitchell** in Singapore and **Christian Shepherd** and **Emma Zhou** in Beijing YESTERDAY

China's economy expanded 4.9 per cent year on year in the third quarter as industrial growth powered the country's recovery from the coronavirus pandemic.

The expansion in gross domestic product missed expectations but was well ahead of a [3.2 per cent increase in the second quarter](#) and represented a sharp turnaround from a [historic decline](#) at the start of the year.

The recovery in the world's second-largest economy, which has been stoked by a state-backed industrial boom, now shows signs of extending to consumption at a time when global growth remains under severe pressure.

Industrial production in China leapt 6.9 per cent in September — its highest level this year and the same rate as in December before the coronavirus outbreak.

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Eswar Prasad, Cornell University

“domestic economic activities are expected to further normalise in the upcoming quarters”.

“When consumers’ confidence improves, consumption might take over investment to become the major contributor to domestic demand,” he said.

China has benefited from its containment of the pandemic, with new recorded cases remaining low over recent months as other big economies continue to grapple with new waves of infections.

With industrial production now growing at a faster rate than in much of 2019, the country’s overall rate of growth is moving towards the 6 per cent level China recorded in the third quarter last year, before the pandemic.

“China is likely to be the sole major economy in the world to register positive growth this year,” said Eswar Prasad, a China finance expert at Cornell University.

“Short-term growth appears reasonably secure . . . The challenge now is to rebuild business and consumer confidence to revive private investment and maintain strong household consumption growth.”

The IMF [expects global growth to be negative this year](#) and the worst since the Great Depression in the 1930s. Economists have warned that Europe could face a [double-dip recession](#) as the region faces a sharp uptick in cases.

Yi Gang, China’s central bank governor, said at the weekend that the country’s full-year growth figure was likely to come in at about 2 per cent. “The Chinese economy remains resilient with great potential,” he was quoted as saying. “China’s continued recovery will benefit the world.”

Retail sales, which lagged behind the wider recovery, also recorded their best performance this year, beating expectations to rise 3.3 per cent last month. In August, retail sales added 0.5 per cent after [seven straight months of decline](#).

Chaoping Zhu, global market strategist at JPMorgan Asset Management, said

Louis Kuijs, chief Asia economist at analyst Oxford Economics, said he had downgraded his full-year projection for Chinese growth to 2 per cent from 2.3 per cent, but still expects year-on-year expansion to rebound 7.6 per cent in 2021.

China's industrial growth and a rise in construction has generated huge appetite for commodities in China, which [imported more goods than in any month on record](#) in September. Property investment has grown 5.6 per cent year-to-date.

Exports have risen for each of the past four months, adding 10 per cent last month, their fastest increase in 2020. Earlier this year, China's share of global exports rose to its [highest level on record](#), according to Oxford Economics.

“Despite the global second waves and still contracting global demand, it looks like Chinese exports have been outperforming . . . if anything China is probably still taking market share from others,” said Hongbin Qu, co-head of Asia economic research at HSBC. He also pointed to signs of private consumption “gradually catching up”.

While stock and property markets have boomed through the recovery, consumers have remained cautious because of uncertainty over the longer term impact of the pandemic. The unemployment rate was 5.4 per cent.

“At present, consumer demand is picking up, but it is still recovering at a low level,” said Liu Aihua at the National Bureau of Statistics. “We must continue to expand domestic demand, increase residents' income and improve the consumption environment.”

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The country's strong economic performance has helped boost international demand for its assets, with the renminbi rallying 3.8 per cent this year. Last week, the government attracted more than [\\$27bn of demand](#) for its first bond that could be sold directly to US investors.

China's CSI 300 of Shanghai- and Shenzhen-listed shares reversed earlier gains to close down 0.8 per cent. Last week, the Chinese stock market reached its highest ever value of [more than \\$10tn](#).

China's onshore-traded renminbi was almost unchanged at 6.6994 per dollar, close to an 18-month high.

Additional reporting by Daniel Shane in Hong Kong

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