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# China's Lopsided Economy Loses Steam

Slowdown shows drag from real estate and consumer spending as party leaders gather in Beijing to discuss economic reform

By [Jason Douglas](#) [Follow](#)

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The numbers suggest that the world's second-largest economy has lost some momentum in recent months. PHOTO: TINGSHU WANG/REUTERS

SINGAPORE—China's economy slowed sharply in the second quarter, piling pressure on the country's leaders to act more aggressively to rev up growth as they gather in Beijing to chart the course of the economy over the next half-decade.

Gross domestic product expanded 4.7% in the second quarter compared with the same quarter a year earlier, China's National Bureau of Statistics said Monday. The result was weaker than the 5.3% growth rate recorded in the first quarter

and lower than the 5.0% figure expected by economists polled by The Wall Street Journal.

On a quarter-to-quarter basis, growth more than halved, sliding to just 0.7% versus a revised 1.5% previously.

The world's second-largest economy is losing momentum thanks to a festering property slump, tepid consumer spending and rising trade tensions with the rest of the world.

Leader Xi Jinping and the Communist Party's top brass are gathering in Beijing this week to discuss long-range economic reforms.

But many economists say China's economy needs more help right now.

"These data will heighten the clamor for stimulus measures as well as broader reforms, with both short-term and longer-term policy measures likely to be needed to overcome China's economic malaise," said Eswar Prasad, professor of trade policy at Cornell University and a former head of the International Monetary Fund's China division.

Monday's data showed manufacturing investment and exports powered growth in the second quarter, offsetting weaker consumer spending and strains in the property sector.

Xi's ambition is for China to develop into a technological powerhouse, secure from U.S. threats to cut it off from key technologies. To that end, the government has been steering money into China's factories, boosting industrial production and exports but inflaming trade tensions with the rest of the world, with some governments seeing a rising tide of cheap Chinese imports as a threat to domestic jobs and industries.



A worker producing silk products in China. PHOTO: CFOTO/ZUMA PRESS

Industrial production in the first six months of the year was 6% higher than the same period a year earlier, data showed. But retail sales rose just 3.7% over the same period and real-estate investment was down 10.1%. New home sales were 26.9% lower.

The lopsided recovery has intensified calls for the government to take bolder steps to fix the property sector and offer tax breaks and other financial help to hard-pressed consumers.

Chinese leaders have taken a series of small steps to juice growth, including cutting interest rates and doling out cheap loans to banks to spur lending to households and businesses.

But their appetite for major stimulus is limited. Officials are wary of reinflating an epic property bubble and are concerned that a weak yuan could worsen capital flight. On Monday, the People's Bank of China said it would keep the interest rate on a key lending facility for banks steady, suggesting that benchmark borrowing rates for households and businesses will stay where they are for now, too.



Shoppers inside a mall in Beijing. PHOTO: /BLOOMBERG NEWS

Chinese Premier Li Qiang said last month that the government has no intention of using “strong medicine” to boost an economy still bruised after being battered by the Covid-19 pandemic. Instead, “we should precisely adjust and slowly nurture [the economy] to allow it to gradually recover,” Li said at the World Economic Forum in the Chinese port city of Dalian.

This week’s meeting in Beijing of top Communist Party officials, known as the Third Plenum, has in the past been the venue for major changes that have heralded but shifts in China’s economic direction. Economists are hopeful that officials might consider some changes to the tax system to support consumption and repair local governments’ strained finances.

But any such reforms could take time to have an effect. China’s top policymaking body, the Politburo, is also due to meet later this month. Economists say that meeting might signal more short-term aid is coming, such as further cuts to borrowing costs, which they say will probably be needed to ensure the government can meet its 5% growth goal for the year.

—Xiao Xiao and Grace Zhu in Beijing contributed to this article.

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