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Barrage of Stimulus Powers Robust Chinese Growth—and Some Skepticism

Beijing says its economy expanded by 5% last year, but a variety of weak signals have made some outside economists dubious

By Jason Douglas Follow

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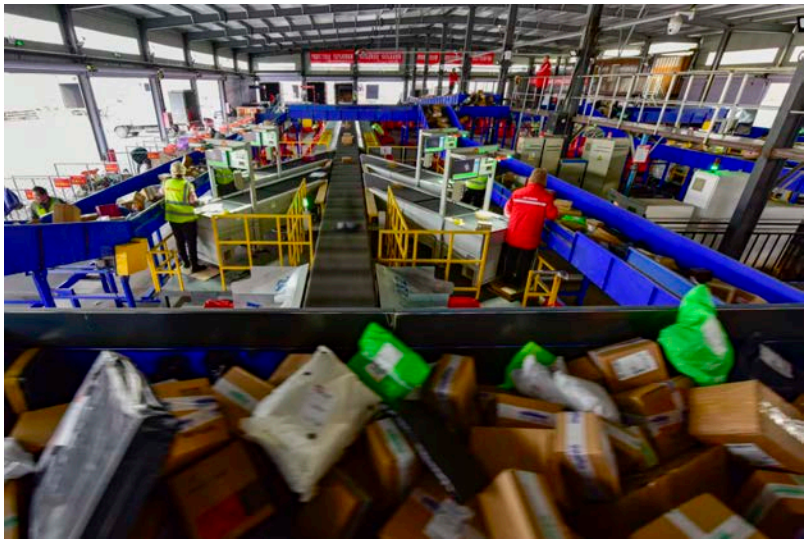


Employees work on a sorting line at a logistics express company in Qingzhou, China. PHOTO: CFOTO/DDP/ZUMA PRESS

SINGAPORE—China said its economy expanded by 5% last year, formally hitting its official growth target in a difficult year that saw officials respond to a sharp summertime deterioration in key indicators with its most aggressive stimulus in years.

The country's National Bureau of Statistics said gross domestic product was buoyed by solid growth in investment and exports, which offset weaker consumption, highlighting the unevenness of Chinese growth.

Still, some outside economists say the robust headline numbers contrast with a variety of other data points that paint a weaker picture of economic health, including anemic consumer inflation, tax revenue and online spending. The economy remains mired in a real-estate slump and has been struggling with deflation.

Beijing faces a further risk this year with U.S. President-elect Donald Trump's pledge to impose stiffer tariffs on Chinese imports, which would squeeze China's booming exports and pinch growth overall.

Trump on the campaign trail said he'd raise tariffs on all Chinese imports as high as 60%, a key plank of a trade agenda focused on reshaping the U.S. trade relationship with adversaries and allies alike. The president-elect, who takes office on Monday, has pitched tariffs as a solution to a host of issues and told Republican allies that he wouldn't wait for Congress to begin implementing his trade agenda after he's sworn into office.

Economic data out of China has long been dogged by questions about its reliability. PHOTO: AFP/GETTY IMAGES

One possible explanation for the difference between Friday's full-year GDP figures and earlier data can be found in a noticeable perking up of economic activity toward the end of the year after Chinese authorities swooped in with a barrage of monetary and fiscal stimulus measures in late September and October.

Friday's data showed fourth-quarter growth accelerated to 5.4% year-over-year. Many economists remain skeptical about the durability of any such upturn.

Others go further, arguing that the numbers simply don't add up, suggesting an effort to artificially flatter the top-line figures to meet political goals. These outside economists point to Chinese authorities' official reports of weaker tax revenues, bank lending and retail sales, among other clues.

"These growth figures stretch the bounds of credibility and will do little to build confidence or alter the picture of an economy that is on the ropes," said Eswar Prasad, professor of trade policy and economics at Cornell University and a former head of the International Monetary Fund's China division.

"A better read of the economy is provided by flailing stock markets, continued turmoil in the property sector, a depreciating currency, and capital outflows. These indicators are hardly consistent with an economy hitting the growth target on the nose."

China's National Bureau of Statistics couldn't immediately be reached for comment.

China's industrial production is expanding at a rapid clip as Beijing steers investment toward factories.
PHOTO: AFP/GETTY IMAGES

Economic data out of China has long been dogged by questions about its reliability, including suggestions that official data have at times understated the economy's performance. Those concerns have intensified in the postpandemic

years as the economy's problems have mounted and business, financial and economic data points have disappeared or been made inaccessible.

Few doubt China's economy has significant strengths: Industrial production is expanding at a rapid clip as Beijing steers investment toward factories. Exports are booming, aided by low prices, a weak exchange rate and China's world-beating expertise in newer products such as electric vehicles.

But other indicators run counter to those strengths. Real estate once accounted for as much as one quarter of China's annual economic output, but a deep and prolonged property slump means the sector is shrinking, dragging on overall growth. Official measures of consumer confidence are in the doldrums and income and spending growth are weaker than in the past. China's working-age population is falling.

Other indicators—such as tax revenue, sales at major online stores, construction activity, bank loans and nominal growth figures that aren't adjusted for changes in prices—suggest China's economy is much weaker than the headline numbers report, some analysts say.

Producer prices have been falling for more than two years and consumer prices rose just 0.1% in December. Sales at online marketplaces Taobao and Tmall in 2024 were just 0.2% higher than in 2023, according to data provider CEIC.

Bank loan growth slowed to an annual 7.6% in December, from 11% a year earlier. Government tax revenue in the year through November was 3.8% lower than the same period in 2023. Cement production fell every month last year. Without adjusting for inflation, growth over the first three quarters of 2024 slowed to an annual rate of around 4%, from a prepandemic rate of more than 7%, according to China's official statistics agency.

Indicators such as construction activity suggest China's economy is much weaker than the headline numbers report, some analysts say. PHOTO: NA BIAN/BLOOMBERG NEWS

A Wall Street Journal analysis of the financial results of top-tier listed companies in China found 23% reported a net loss in the third quarter, while more than half reported a year-over-year profit decline.

Rhodium Group, a New York-based research outfit, used these and other data to come up with its own estimate for Chinese economic growth in 2024. Rhodium put it at between 2.4% and 2.8%, an improvement from what it estimates was a 1.5% expansion in 2023, but well short of the official number published by the statistics agency Friday.

"There's a big gap between their narrative and economic reality," said Logan Wright, Rhodium's director of China markets research.

Wright also points to the fact that Chinese authorities have in the past year cut interest rates, rolled out financial support for the stock market and local governments, and signaled substantial new government borrowing next year. Such moves would be unnecessary if the economy were only registering a minor slowdown from 2023's 5.2% official pace, he said.

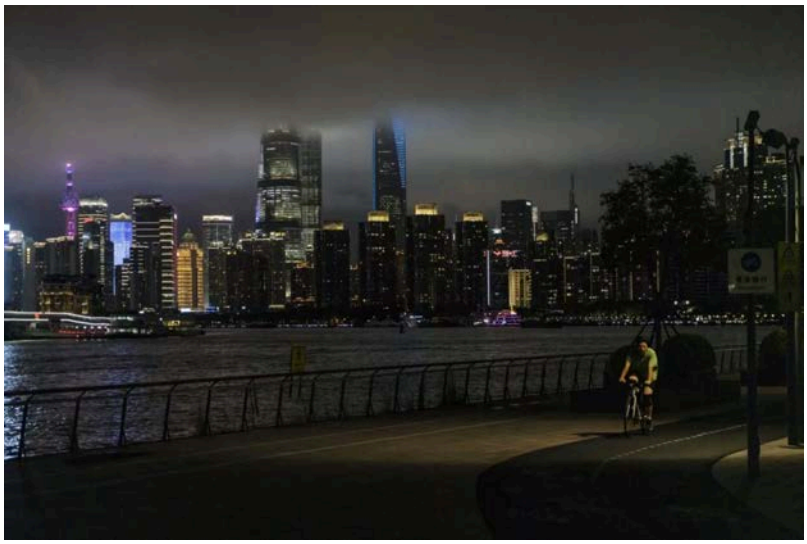
Data published Friday showed industrial production rose 5.8% in 2024, outpacing a 3.5% rise in retail sales. Investment climbed 3.2% last year, up from the 3.0% increase seen in 2023.

There have long been concerns about whether China's official economic data are painting a complete picture, even within China. Li Keqiang, a former Chinese

premier, used to watch electricity consumption, bank loans and railway cargo volumes to gauge activity when running the northeastern province of Liaoning, rather than official GDP figures, according to a report by a U.S. diplomat revealed in a leaked diplomatic memo.

Economists and investors seeking a more accurate read on China's economy have constructed proxies based on measures including the export data of China's trading partners and the intensity of nighttime lights in major cities.

Questions over the data have intensified since the pandemic. China in 2022 imposed draconian lockdowns in cities including Shanghai and Shenzhen, disrupting factory production and hammering retail, restaurants and other services.



Economists seeking a more accurate read on China's economy have constructed proxies based on measures like the intensity of nighttime lights in major cities. PHOTO: QILAI SHEN/BLOOMBERG NEWS

Though the government dropped its 5.5% target for that year, official data still pointed to an expansion of around 3% for 2022, though some outside economists estimate that the economy came close to an outright contraction that year. Meanwhile, real-estate investment collapsed, dragging on growth into 2023. Despite such pressures, the economy expanded 5.2% that year, according to official data.

"There is a somewhat larger uncertainty over where the economy is going," said Iikka Korhonen, director of the Bank of Finland Institute for Emerging Economies at Finland's central bank. Its estimates, which adjust activity for

inflation in different ways from those used by China's statistics agency, point to growth in 2024 around 1 percentage point lower than the official estimate.

Gao Shanwen, chief economist at state-owned Chinese finance firm SDIC Securities, questioned the reliability of recent Chinese growth data at a December forum co-hosted by the Washington-based Peterson Institute for International Economics.

"We do not know the true number of China's real growth figure," Gao said at the Dec. 12 event. "My own speculation is that in the past two to three years, the real [gross domestic product growth] number on average might be around 2% even though the official number is close to 5%."

Gao's remarks angered leader Xi Jinping and he has been barred from speaking publicly for an unspecified time, though he has kept his job, The Wall Street Journal reported.

Many economists say China is going through a big shift in its growth prospects as its economy grapples with a variety of deep-seated problems, including the property crunch, strained government finances, slowing returns on investment in infrastructure and other assets, and a shrinking population.

The International Monetary Fund forecasts growth in China will slow to around 4.5% this year, and to a little over 3% by 2029.

—Rebecca Feng, Grace Zhu and Xiao Xiao contributed to this article.

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Corrections & Amplifications

Rhodium Group estimated that China's growth in 2024 was between 2.4% and 2.8%, an improvement from an estimated 1.5% expansion in 2023. An earlier version of this article incorrectly said Rhodium estimated that China's 2024 growth was around 2.8% and 2023 growth was 2.4%. (Corrected on Jan. 17)

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