

China's economy is roaring back, a year after coronavirus shutdown

By [Eva Dou](#)



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China's economy grew at a record pace in the first quarter, blowing past other major nations in its pandemic recovery.

The world's second-largest economy has more than regained its pre-pandemic activity, despite challenges such as lower efficacy rates of its [coronavirus vaccines](#), pandemic travel limitations and U.S. sanctions on key Chinese industries.

"The big picture is that China is catching up faster now to the level of advanced economies, faster than ever before," said [Nicholas Lardy](#), a senior fellow at the Washington-based Peterson Institute for International Economics (PIIE).

Daily life in China returned to normal for most people last year because of exhaustive efforts to contain infection clusters and strict quarantine requirements for those entering the country. But top leaders have remained cautious in their promises.

Premier Li Keqiang warned this month that the recovery remains uneven, and that "new uncertainties" had emerged in the international environment — possibly a reference to [fresh U.S. sanctions](#) on Chinese high-tech companies and [fashion-industry boycotts](#) of Chinese cotton.

China's National Bureau of Statistics announced on Friday that the economy grew by 18.3 percent in the January-March quarter compared with a year earlier, when the coronavirus disrupted business across the country.

Economists predict the United States is also returning to pre-pandemic levels of economic activity this year, although at a slower trajectory than China. Europe, Japan and many other countries will struggle to make this full recovery in 2021, according to [PIIE forecasts](#).

China's double-digit headline growth looks deceptively large because of [the base effect](#): It is calculated against the first quarter of 2020, when China registered a 6.8 percent economic contraction during the pandemic. Compared with pre-pandemic levels, China's economy has still grown, but not at such a breathtaking rate.

Exports rose 38.7 percent during the quarter while total value of sales of commercial buildings jumped 88.5 percent from a year earlier, official data showed. The industrial and service sectors both made strong recoveries.

China has set a full-year 2021 economic growth target of more than 6 percent, a goal that economists call conservative.

Although China was able to control the domestic spread of the coronavirus faster than Western nations, it faces a more drawn-out battle against the virus. With four times the number of people to vaccinate compared with the United States and less-effective vaccines than the West, China is unlikely to reach herd immunity at home this year.

Localized lockdowns in response to new virus clusters will continue to weigh on China's economy, while strict border controls will dampen tourism and business travel.

One of China's top epidemiologists acknowledged this month that the efficacy of the country's vaccines was "not high," and said officials were considering options such as mixing vaccines and changing doses.

China's Sinopharm has self-reported a 79 percent efficacy rate for its vaccine, while the efficacy rate for Sinovac's vaccine ranged from 50 percent to more than 80 percent in trials.

In comparison, the Pfizer-BioNTech and Moderna vaccines both showed about 95 percent efficacy in trials. Johnson & Johnson's one-shot vaccine has 66 percent efficacy.

China is also facing U.S. sanctions on a range of industries, including supercomputing, telecommunications and textiles. So far the sanctions have had a limited effect on China's broader economy, but they may have a more severe impact if China is unable to find replacement suppliers or if other countries impose similar measures.

Lardy said that China appears to have been able to offset the U.S. sanctions with new business in other regions, forestalling an economic isolation dubbed "decoupling."

"People talk about decoupling, but the numbers don't bear that out," he said.

Eswar Prasad, a trade professor at Cornell University and former China director for the International Monetary Fund, said he expects China's economic growth to aid the global recovery this year, boosting commodity prices and propping up developing economies that sell to China.

"China is yet again shaping up to be the global economy's bulwark against economic collapse, much the same as in the aftermath of the global financial crisis," he said.

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