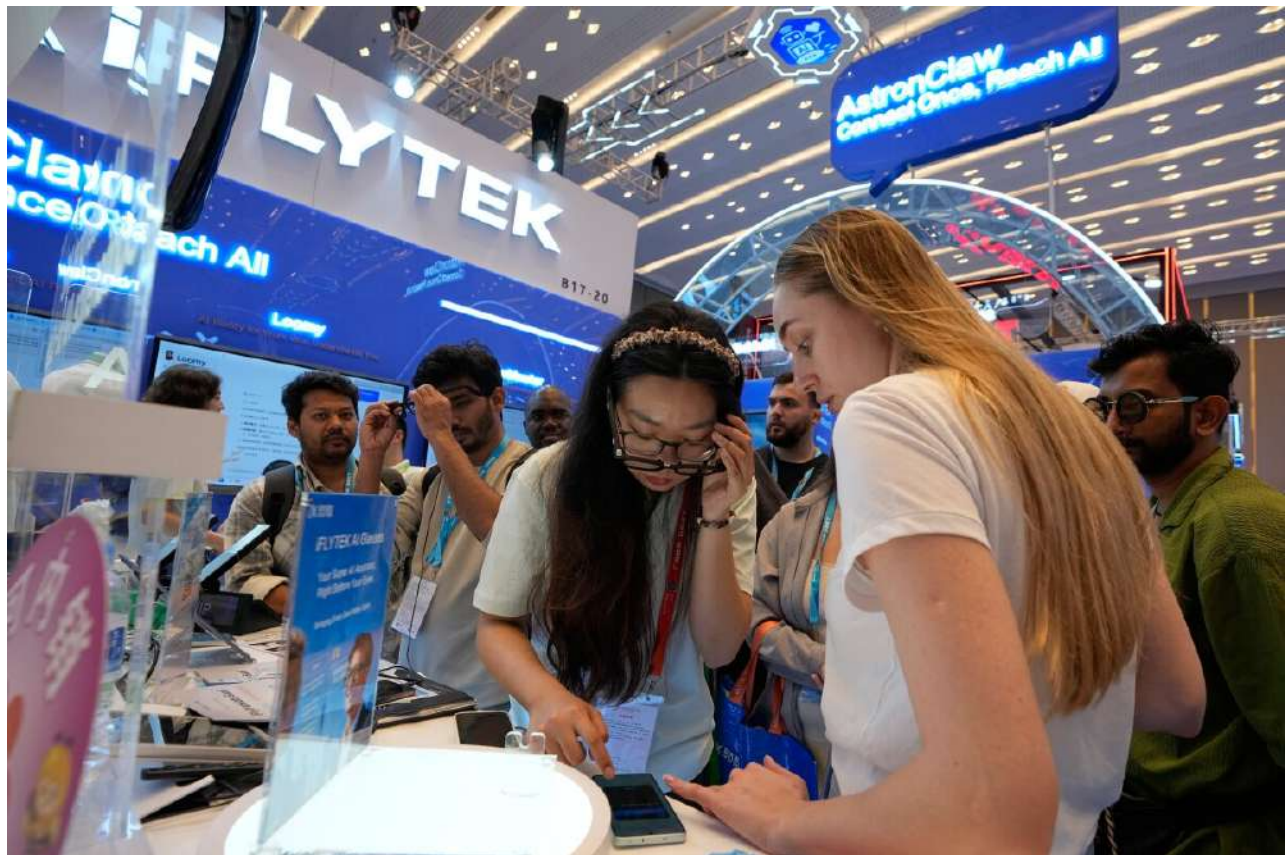


China's economy grows at 5% in first quarter, shrugging off initial impact of Iran war

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HONG KONG (AP) — [China's](#) economy accelerated in the first quarter of this year, expanding 5% from a year earlier as it largely shrugged off impacts from the [Iran war](#) so far, according to data released Thursday.

The January-March data released by the government, covering a period during which the Iran war began, was better than what economists expected and was up from the 4.5% growth seen in the October-December quarter.

On a quarter-on-quarter basis, China's economy grew 1.3% in the first three

months from the final quarter of last year, the fastest pace in a year.

Economists expect China, the world's second largest economy, to be able to weather short-term impacts from the Iran war, now in its seventh week. The war is pushing energy prices higher, [worsening inflation](#) and impacting global economic growth. But longer term, areas including global demand for Chinese exports could take a hit.

The International Monetary Fund this week trimmed its economic growth estimates for China to a 4.4% expansion for 2026 as it [lowered](#) its global growth forecasts over Iran war shocks. Chinese leaders last month set an economic growth target of 4.5% to 5% for this year, the slowest since 1991.

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"China can likely weather short term disruptions, but a protracted war and higher for longer energy prices would likely start to bite into growth by the second half of the year," said Lynn Song, chief economist for Greater China at Dutch bank ING.

Also on Thursday, government data showed industrial output in China rose 5.7% in March year-on-year, better than market expectations, as global demand for Chinese exports of electronic equipments, autos, semiconductors and robotics remained strong.

Retail sales were up 1.7% from a year earlier, worse-than-estimates and slower than the 2.8% growth in January and February, reflecting sluggish domestic demand for consumer goods.

A years-long real estate sector slump in China has dragged consumer and investor confidence, but the country managed to achieve its targeted ["around 5%" growth](#) last year, powered by robust exports that drove its trade surplus to a record [nearly \\$1.2 trillion](#) despite U.S. President Donald Trump's higher tariffs.

China's exports will continue to be key in propelling its economy this year, economists believe, but reliance on export growth could now increasingly become a problem.

"The lack of a speedy resolution to the Iran war is likely to dent global growth, which will negatively impact other economies' ability to absorb Chinese exports," said Eswar Prasad, a professor of economics and trade policy at Cornell University.

"At a time when all countries are trying to protect their firms, households and economies from the fallout of the Iran war, the appetite for Chinese imports is clearly shrinking," he explained.

On Tuesday, China reported its [exports grew 2.5% in March](#) from a year ago, significantly slowing from the previous two months although some analysts partly attributed that to seasonal distortions.

China could likely still attain its full year economic growth target of 4.5% to 5% for 2026 through policy stimulus measures, economists say, but there are other concerns.

A boost in public sector investment, Prasad said, would stabilize headline growth but, unless household demand strengthens significantly, could intensify underlying deflationary pressures and increase the economy's reliance on exports down the line.