



ECONOMIC NEWS

China: 3.0% Growth in 2022

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HIGHLIGHTS

- ▶ Quarterly Chinese real GDP stalled, coming in at 0.0% in the fourth quarter. Year-over-year real GDP growth was 2.9% in Q4, following a 3.9% gain in Q3.
- ▶ China's real GDP grew 3.0% in 2022 after rising 8.4% in 2021.
- ▶ Industrial production rose 1.3% year-over-year in December, down from 2.2% in November and 5.0% in October.
- ▶ Retail sales declined for the third consecutive month in December, shedding 1.8% on an annual basis.

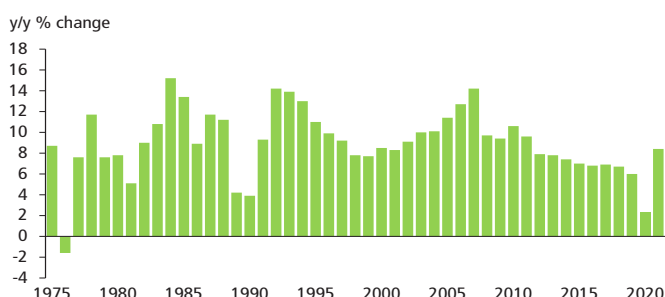
COMMENTS

China's 3.0% real GDP growth in 2022 badly missed the central government's 5.5% target. Economic activity was hobbled by successive waves of COVID-19, the government's strict lockdowns, the real estate market debacle and the global economic slowdown.

Although the Chinese authorities backed away from their zero-COVID policy in December, this latest real GDP print reflects the economic impact of the lockdowns and the rampant spread of the virus once they were lifted. The positive effects of less stringent public health measures were offset by an explosion in the number of cases. As such, year-over-year retail sales fell again in December. Industrial production remained positive but continued to slow. Manufacturing delivery times also increased due to plant closures, causing concerns about global supply chains to resurface. Nevertheless, this flat fourth-quarter real GDP print beat consensus expectations for a -1.0% decline. This better-than-expected performance gives hope that the public health situation could soon be under control and Chinese economic activity will eventually rebound.

GRAPH

Another weak annual real GDP growth in China



Sources: National Bureau of Statistics of China and Desjardins Economic Studies

IMPLICATIONS

Leaving behind the zero-COVID policy is still very positive for the Chinese economy. Although it has caused the virus to spread more quickly in the short term, it will eventually increase the stability of industrial production and gradually rebuild consumer and business confidence, both in China and across the globe.