



## CHINA

### The Chinese economy continues to slow down, but very moderately

#### HIGHLIGHTS

- China's real GDP grew 6.9% year-over-year in the third quarter of 2015. This comes after two consecutive increases of 7.0%.
- Retail sales were up in September with an annual change of 10.9%, after a gain of 10.8% in August. The annual change in industrial production fell from 6.1% in August to 5.7% in September.

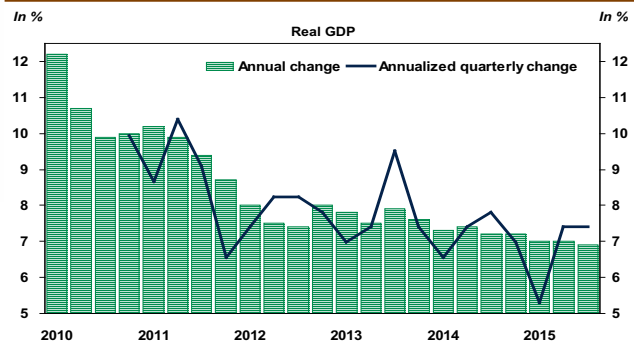
#### COMMENTS

China's real GDP growth proved to be slightly above, but very close to, what the consensus was expecting; a gain of 6.8% was anticipated. Thus, the result lies between the 7.0% that was achieved in the second quarter, and the figure that was forecast. It should be noted that it is quite rare, given the very stable trends in the main Chinese economic indicators, for GDP to stray very far from expectations. The fact remains that the annual change in Chinese real GDP last summer was the smallest since the winter of 2009, when worldwide economic and financial turmoil was raging.

While the annual change has slowed, the quarterly change in real GDP has remained stable, at 1.8%. This represents an annualized gain of 7.4%, which is equivalent to the second-quarter result. Therefore, if GDP annual growth has slowed, it is mainly due to the weakness recorded in the first quarter, when the annualized quarterly change reached a low of 5.3%. While the quality of the information provided should be judged with caution, it is reasonable to consider that the economy stabilized more than it deteriorated in the past two quarters, a situation that argues against some views that are frequently expressed about the Chinese economy.

We must not conclude that the slowing of the Chinese economy is over and done with. While the situation has stabilized over the very short term, the strong downward trend is here to stay. The potential for growth in the Chinese economy (influenced in particular by demographic factors) and the slow transformation from a developing economy to

The annual change in Chinese real GDP has slowed



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

a more mature one tells us that the growth rates of 10% that we were used to seeing are not likely to return any time soon.

We also note that the recent trend in retail sales is more solid than that of industrial output. In September, the annual rate of growth in industrial production was the lowest since last March, while retail sales posted their best annual growth since the end of 2014. Perhaps the long-awaited shift towards an economy more focused on consumption is beginning to materialize?

**Implications:** The third-quarter performance by the Chinese economy may be a little better than expected, but the trend towards slower growth is likely to continue. Still, it appears to be making a soft landing, so we can still rule out scenarios of a painful landing that would do far more damage to the global economy.

**Francis Généreux**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Hélène Bégin**  
Senior Economist

**Benoît P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)