

ECONOMIC NEWS

China: The Economic Slowdown Continues

HIGHLIGHTS

- ▶ Real GDP rose 6.1% in 2019, the lowest rate since the beginning of the series in 1992. The fourth quarter of 2019 posted stable annual growth compared to the previous quarter, at 6.0%.
- ▶ After a negative contribution in 2018, net exports were up again in 2019, despite the trade dispute that intensified during the year.
- ▶ Investment regained momentum in the last quarter, but growth in 2019 was lower than that of the previous year.
- ▶ Chinese consumers experienced difficulties in 2019 as their share of GDP fell. Retail sales growth continues to lose steam, dropping from 9% in 2018 to 8% in 2019.

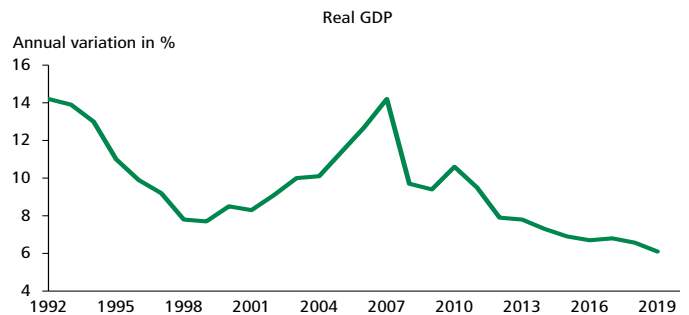
COMMENTS

The slowdown in China's economy continued in 2019, with an annual growth of 6.1%. This rate is still within the Chinese government's target range of between 6.0% and 6.5%. The trade dispute with the United States has had an adverse effect on its manufacturing sector, with industrial output rising by only 5.7% in 2019, compared with growth higher than 6% since 2015. However, manufacturing appears to have gained strength in the last two months of 2019, with annual growth in December at 6.9%. Retail sales have also slowed down, indicating that China's economic difficulties have negatively affected consumers. Fixed asset investments also accelerated at the end of 2019, but remained generally weaker than in 2018.

IMPLICATIONS

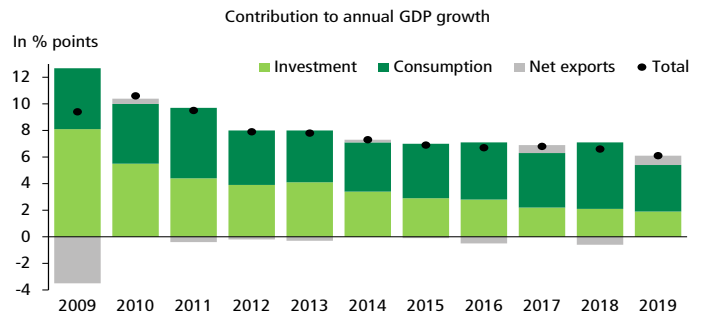
The China–U.S. trade agreement could enable the Chinese economy to regain some strength. It remains to be seen whether the next round of negotiations will bring further relief as many tariffs remain in place. The trade dispute notwithstanding, China is in an economic slowdown phase and, in light of the

GRAPH 1
The Chinese economy continued to slow in 2019



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

GRAPH 2
Net exports made a positive contribution to GDP growth in 2019, despite the trade dispute



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

imbalances in its economy, it would be surprising if the country's GDP were to bounce back significantly in 2020. Instead, we should expect the downward trend to continue.

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