

## ECONOMIC NEWS

# China Does Well: 2.3% Growth in 2020

### HIGHLIGHTS

- ▶ China's real GDP increased 2.6% from Q3 to Q4 (+10.8% on an annualized basis). Annually, real GDP growth was 6.5% in the fourth quarter, following up on a 4.9% gain in the third quarter.
- ▶ For 2020 as a whole, China's real GDP grew 2.3%. This follows gains of 6.0% in 2019 and 6.7% in 2018.

### COMMENTS

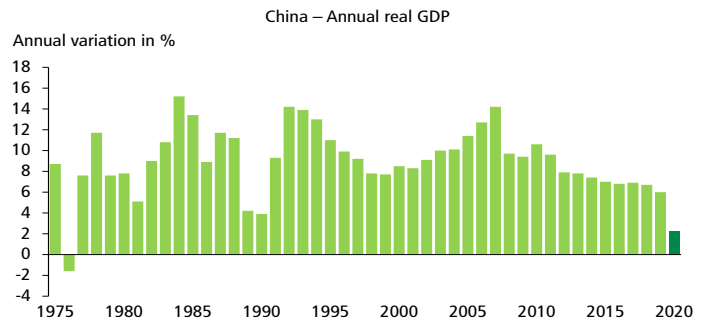
China's economy got 2020 off to a very bad start. China was the first to be impacted by COVID-19 and first to institute drastic lockdown measures; in Q1 2020, its economy contracted 9.7% (not annualized). This was the first decline since quarterly figures began to be released. The setback scarred economic growth for all of 2020. The annual 2.3% increase is the weakest annual growth seen by China's real GDP since 1976, before China became more open to the market economy.

That said, the fact that China was able to post growth is astounding, in and of itself. Few countries will have seen their GDP grow in 2020. China's statistics indicate a very rapid recovery after the carnage at the start of the year. As of Q2 2020, China's real GDP was above where it ended 2019. In comparison, U.S. real GDP was 3.4% below where it ended 2019. The fact that, in the fourth quarter, China's real GDP was 6.5% higher than it was at the end of 2019 is practically a miracle.

Did the Chinese miracle help drive the global economy? Due to its enormous weight, 17.3% of global GDP in 2019 using a theoretical exchange rate based on purchasing power parity, Chinese growth clearly limited the drop in the global GDP. That said, it seems to have benefited from the circumstances. Nominal exports advanced 3.6%, while imports decreased 1.1%. At the same time, Chinese industrial production climbed 3.4% in 2020, while retail sales pulled back 2.9%. It is hard to speak of an engine when economic growth was primarily based on foreign shipments of manufactured products, not momentum

### GRAPH

#### Lowest Chinese real GDP growth in nearly 45 years



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

in domestic demand. China's economy seems to have benefited from the pandemic-caused supply problems in other countries, and the enthusiasm for consumption of goods over services in the advanced economies.

### IMPLICATIONS

The Chinese economy's rapid recovery in 2020 is exceptional. The first hit by the crisis, it was also the first to recover. This momentum should persist in 2021. What remains to be seen is whether the growth will do more for the world's other economies.

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