

## ECONOMIC NEWS

# China's Economy Grew 8.1% in 2021

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### HIGHLIGHTS

- ▶ China's real GDP increased 1.6% between the third and fourth quarter (+6.5% annualized), with an annual variation of 4.0% in the fourth quarter after a 5.0% gain in the third quarter.
- ▶ Real GDP in China grew 8.1% for all of 2021—the biggest increase since 2011—after gaining 2.2% in 2020 and 6.0% in 2019.

### COMMENTS

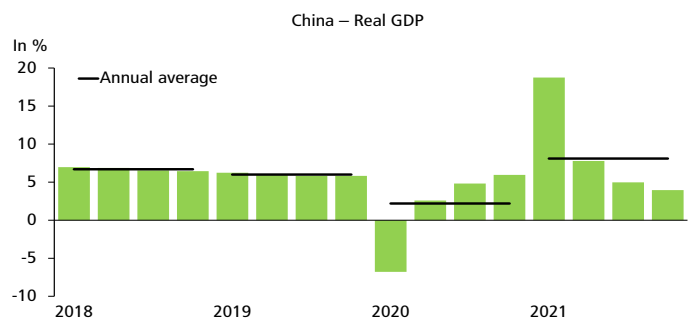
At first glance, it seems that the Chinese economy was able to maintain this stellar performance throughout 2021. However, there were several signs of a slowdown during the year. In particular, there was a deceleration in retail sales and, to a lesser extent, in industrial production. The latter was held aloft by products manufactured for export, not by a rise in domestic demand.

The rate of growth is slowing due to the economic and financial headwinds currently rocking China. First, there are the problems with the housing market, where the challenges faced by real estate behemoth, Evergrande Real Estate Group, have brought six consecutive years of rising house prices in China to an abrupt end. Then there are the dizzying price increases and commodity shortages (mostly energy and metals), which have forced the Chinese authorities to limit output and take steps to combat inflationary pressures. In China, as elsewhere, supply chains are currently under immense pressure as the country sees the number of COVID-19 cases climb once again.

China has been enforcing a zero-COVID-19 policy since the pandemic began. This stringent strategy enabled its economy to bounce back quickly in 2020 after real GDP had shrunk 9.7% (non-annualized) in the first quarter. Still, many are wondering about the long-term viability of this method when more and more governments are choosing not to impose a lockdown again or to limit lockdown, which would lessen the impact on their

### GRAPH

#### Real GDP grew more slowly



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

economies. However, the spread of the Omicron variant has forced the Chinese authorities to completely lockdown multiple cities, which is choking economic activity in these areas.

### IMPLICATIONS

Even though supply problems in advanced countries have been working in China's favour during the pandemic, they could end up stifling its economic growth in 2022.