

China's economy expands at faster rate than before coronavirus

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China's gross domestic product expanded 6.5 per cent in the fourth quarter of 2020, beating forecasts and making the country one of the few in the world to register positive growth for the year.

Year-on-year GDP growth for the final quarter beat expectations, according to official data released on Monday, with the Chinese economy expanding 2.3 per cent over the course of the full year as industrial production continued to drive the country's recovery.

The new data underlined a rapid turnaround in the world's second-largest economy, which declined in early 2020 for the first time in more than four decades after authorities imposed an extensive lockdown to stem the pandemic's initial outbreak.

In the fourth quarter, year-on-year growth was the highest of any quarter since 2018, and China will be the only one of the world's biggest economies that did not shrink last year.

But its positive full-year GDP growth, while ahead of global peers, was still China's weakest in more than 40 years because of the contraction at the start of the year.

China's economy seems to be firing consistently on all cylinders. [It is] leaving other major economies in the dust

Eswar Prasad, Cornell University

China's benchmark CSI 300 index of Shanghai- and Shenzhen-listed stocks rose 1.1 per cent following the data release, while equities markets in the rest of the Asia-Pacific region dropped.

Ning Jizhe, head of the National Bureau of Statistics, said the economy "recovered steadily" last year but cautioned that the "changing epidemic dynamics and external environment pose a multitude of uncertainties", and that the "foundation for economic recovery is yet to be consolidated".

China's rebound from Covid-19 has been powered by higher industrial production, which benefited from state support and added 7.1 per cent in the fourth quarter, compared with 5.8 per cent in the previous quarter.

Retail sales, a measure of consumer appetite, has lagged behind the industrial sector, adding 4.6 per cent in the fourth quarter. December's reading, which was also 4.6 per cent, came in below 5 per cent year-on-year growth in November and below expectations.

Consumer spending has been a weak spot in China's recovery and coincides with the lowest rate of inflation in more than a decade, but many analysts expect a revival this year.

Economists at Credit Suisse upgraded their forecasts for China's 2021 growth to 7.1 per cent from 5.6 per cent, pointing to consumption as the main driver of growth.

The GDP figures were released days after China recorded its highest-ever monthly trade surplus in December, stoked by three consecutive months of double-digit exports growth. Exports, which have been supported by demand for medical equipment and lockdown-related products, rose 18 per cent last month compared with the same period in the previous year.

The data add to a range of measures that reflect a booming Chinese economy. This month, the renminbi surpassed 6.5 against the US dollar for the first time since 2018, while China's stock market reached its highest level since the global financial crisis.

In September, China's imports hit their highest amount in dollar terms. The country's industrial boom has generated high demand for commodities, with iron ore imports rising 9.5 per cent to total of 1.17bn tons in 2020.

"China's economy seems to be firing consistently on all cylinders," said Eswar Prasad, a China finance expert at Cornell University, who added that it was "leaving other major economies in the dust".

The country's return to growth last year attracted strong appetite from foreign investors, who funnelled about Rmb1tn (\$154bn) into Chinese stocks and bonds through Hong Kong investment programmes in 2020.

Chaoping Zhu, global market strategist at JPMorgan Asset Management, suggested that domestic economic activities are "likely to improve in 2021" with further support from a global economic recovery.

"Particularly, in the first quarter of 2021, we expect to see strong growth readings as the escalating pandemic control measures start to take effect," he said.

In China, new cases of Covid-19 slowed to a trickle in the middle of 2020, but a recent outbreak in the northern province of Hebei has prompted the reimposition of lockdowns. Last week, the country reported its first coronavirus death since April.

Unemployment was 5.2 per cent in December, unchanged from a month earlier. Fixed asset investment added 2.9 per cent over the full year, while real estate investment jumped 7 per cent.

Additional reporting by Xinning Liu in Beijing and Hudson Lockett in Hong Kong

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