

ECONOMIC PULSE

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CHINA: POOR ECONOMIC GROWTH FIGURES IN Q3 2021

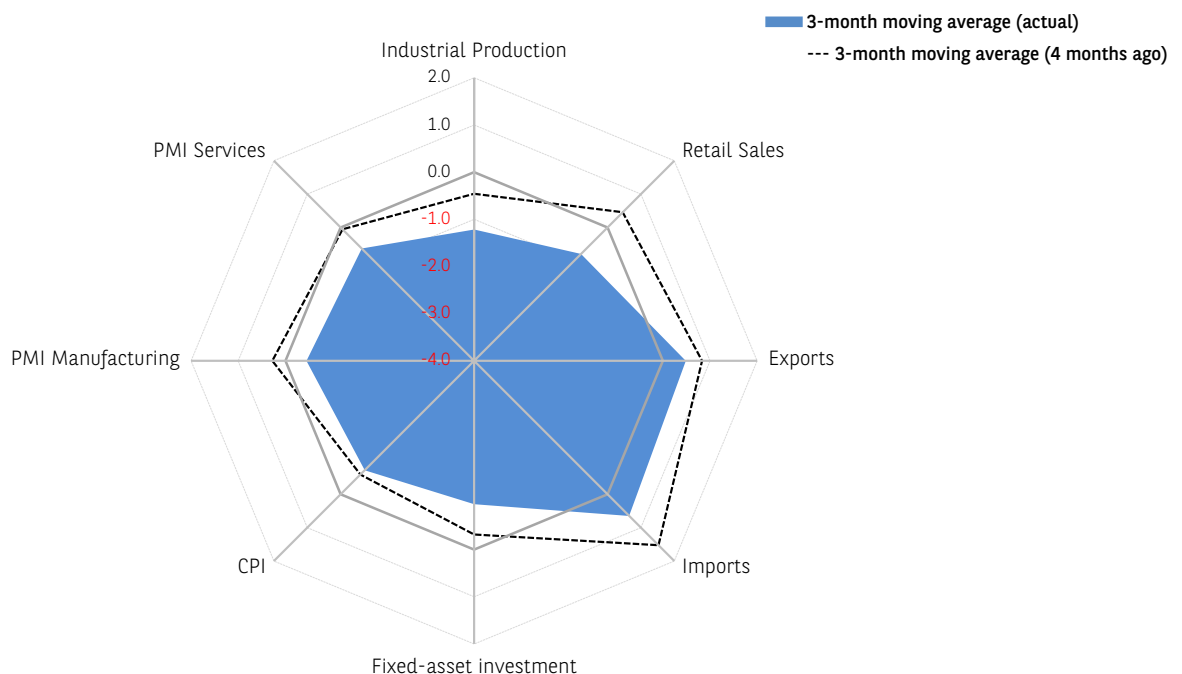
Chinese real GDP growth slowed to 4.9% year-on-year (y/y) in Q3 2021 from 7.9% in Q2 2021.

In the services sector, growth slowed sharply in August (+4.8% y/y), due notably to the reintroduction of lockdown measures to counter a new surge in Covid-19 cases. Although services growth rebounded in September (+5.2%), it is still sluggish. Tighter regulations in a number of segments, including online services, tutoring and video gaming, have constrained activity. The services sector has also been hit by the downturn in the real estate market due to a severe tightening of prudential regulations and credit conditions in the sector. In Q3 2021, house sales contracted while property developers have encountered increasing financing and cash-flow problems. Projects under construction also declined and growth in property investment (which accounts for nearly a quarter of total domestic investment) slowed. The sharp correction in the real-estate market is expected to continue in Q4 2021. Growth in public infrastructure investment has yet to pick up the slack, although it should turn around in the very short term thanks to a new easing of fiscal policy.

In the industrial sector, growth stalled in September. Output growth slowed to only 3.1% y/y, compared to an average of 5.9% in July-August and 9% in Q2. Global supply-chain disruptions have been hindering industrial activity. Above all, factories were hit by an increasing number of power outages in September and early October. Electricity production was hampered by higher prices for coal (which accounts for about 60% of energy production in China) and by abrupt rationing measures imposed by certain provinces seeking to meet their targets for reducing greenhouse gas emissions. The authorities have just announced measures to rapidly resolve the crisis: energy producers will be allowed to sell electricity to consumers at prices up to 20% higher than regulated rates, and coal mines will be encouraged to step up production. Consequently, the energy restrictions squeezing the industrial sector should ease in Q4, pending other reforms that could help China meet its commitments to fight global warming.

Christine Peltier

CHINA: QUARTERLY CHANGES



SOURCE: NBS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +2. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.



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