

ECONOMY

# China tipped to buck global GDP decline in 2020

**OECD predicts mainland will expand by 1.8pc as a result of swift action to tackle coronavirus**

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The rapid speed with which China tackled the coronavirus allowed for the timely easing of lockdowns and reopening of businesses, helping the economy rebound more quickly than expected, according to the latest forecast by the Organisation for Economic Cooperation and Development (OECD).

While a gradual recovery of the global economy is projected to continue for the next 18 months, the pace will vary from nation to nation, with a significant upwards revision to the outlook for China.

The OECD predicted China's economy would expand by 1.8 per cent this year and 8 per cent in 2021. That is a sharp upwards revision from its June forecast for a 3.7 per cent contraction this year and 4.5 per cent growth in 2021.

"China is the only G20 country in which output is projected to rise in 2020," OECD chief economist Laurence Boone said, referring to the group of finance ministers and central bank governors from 19 individual countries and the European Union.

He pointed to China's "rapid control of the virus and the policy support provided to enable a quick rebound in activity".

But Boone cautioned that its recovery would be less of a driver for global growth than in the 2008 financial crisis, "because China is now much less export-driven and is importing much less capital. It is resting much more on consumption as a driving force. So, this means that the countries that used to export to China would do less in this recovery".

Nevertheless, the Paris-based policy forum said a gradual global recovery was under way. For example, household spending on many consumer durables, in-

cluding cars, bounced back relatively quickly, as pent-up demand accumulated while strict confinement measures were in force.

But uncertainty remains high and consumer confidence is still weak. Spending on services has remained subdued, reflecting changes in consumer behaviour and continued health restrictions.

Corporate investment and international trade also remained weak, holding back the rebound in manufacturing production in many export-oriented economies, the OECD said.



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LAURENCE BOONE, OECD CHIEF ECONOMIST

It expects global gross domestic product to decline by 4.5 per cent this year before picking up by 5 per cent in 2021. That is also an improvement from its June forecast for a 7.6 per cent drop in 2020 and a 2.8 per cent rise in 2021.

"The projections assume that sporadic local outbreaks will continue, with these being addressed by targeted local interventions rather than national lockdowns; a vaccination is assumed not to become widely available until late in 2021," the OECD said.

Raymond Yeung, chief economist for Greater China at ANZ Bank, also upgraded his China growth forecast to 2.1 per cent for 2020 from 1.8 per cent previously on the back of a robust recovery in the services industry and news that the country could have Covid-19 vaccines ready this year.