Source: South China Morning Post

Date: 15/4/2021

ECONOMY

FIRST-QUARTER GROWTH TIPPED TO EXCEED 20pc

Possible record in GDP expansion rate is a sign that China's rebound is central to global recovery, though the rise comes off a low base last year

Orange Wang
orange.wang@scmp.com

China's first-quarter growth figures this year could exceed 20 per cent from a year earlier, a record that offers fresh evidence of the robust rebound in the world's second-largest economy and its central position in driving the global recovery from the coronavirus pandemic.

The rate of gross domestic product expansion for January to March was expected to be the fastest in decades, analysts said, though the figure will be off a low comparison base following a 6.8 per cent contraction in the first three months of last year.

The growth rate is also expected to be this year's peak, as China's economic engine cools and other major economies such as the United States roar back to life.

Moreover, the unbalanced nature of China's recovery, which has been dependent on exports and state-led investment, remains at risk, analysts have warned.

Song Xuetao, head of the macro research division at Tianfeng Securities, estimated that first-quarter GDP growth would jump to 20.5 per cent from a year ago following disruptions owing to the pandemic early last year and a cold winter.

Zhong Zhengsheng, chief economist at Ping An Securities, forecast earlier this month a 21 per cent growth rate, since production and consumer demand were gaining steam.

At a meeting last week attended by Premier Li Keqiang, Peng Wensheng, chief economist at investment bank China International Capital Corporation, said the economy would grow by 19 per cent in the first three months of the year, the same forecast made by analytics firm IHS Markit in a note on April 9.

Whatever the figure, it is certain to be the highest quarterly growth rate since data first began being published in 1993.

"China is one quarter ahead of the global economic recovery," Zhu Min, former deputy managing director of the International Monetary Fund, said at an online forum on Saturday.

Early indicators have pointed to a strong first-quarter GDP reading for China's economy, which would set it on track to beat the government's annual growth target of more than 6 per cent. Most analysts expect the country to easily beat the target with full-year growth of more than 8 per cent.

China's trade growth surged in March with a stronger-than-expected expansion in imports, while the official purchasing managers' index – a survey of sentiment among factory owners, service providers and construction contractors – hit a three-month high last month.

The sales of construction excavators, widely seen as a barometer for infrastructure investment, surged 85 per cent in the first quarter from a year earlier, while car sales soared 75.6 per cent during the period, according to industry associations.

"It is necessary to look at growth rates year on year as well as those on a monthly or quarterly basis in considering macro-economic data and the concerns of market entities, and to keep an eye on new circumstances and the overall trend of economic operations," Li said at the meeting on Friday.

First-quarter growth was likely to fall by 15.8 per cent from the fourth quarter, Zhong said, putting it on a par with the average level of decline in the same period between 2017-19, because of the impact of the Lunar New Year holiday on production.

Ren Zeping, chief economist at Soochow Securities, said China's economic recovery, which has been driven mainly by pandemic-related exports as well as infrastructure and property investment, was likely to have peaked in the first quarter.

"The foundation of economic recovery is not solid ... infrastructure and property investments are facing slowdown pressures, the [private] consumption recovery has been slow due to restrictions on employment and individual incomes, and exports that benefited from the pandemic will wane as Europe and the US gradually recover," he wrote in a note on Monday.

Zhu Haibin, chief China economist at JPMorgan, said at Saturday's virtual forum the global economic recovery was likely to shift to being US- rather than China-led.

Based on a quarterly growth rate projection, the US economy would be stronger than China's for most of this year, thanks to the US$1.9 trillion stimulus package introduced by the Biden administration, Zhu said.

Xiao Gang, a former chairman of the China Securities Regulatory Commission, said China's economic rebound was uneven.

He said a number of different forces were at play, including domestic demand lagging behind production, wealth inequality and regional disparities.