

China economy rebounds more than expected but bumps ahead

GDP expands 4.5% in March quarter; factory output up 3.9% and retail sales rise 10.6%

KEVIN YAO AND JOE CASH
Beijing, 18 April

China's economy grew at a faster-than-expected pace in the first quarter, as the end of strict Covid curbs lifted businesses and consumers out of crippling pandemic disruptions, although headwinds from a global slowdown point to a bumpy ride ahead.

Gross domestic product grew 4.5 per cent year-on-year in the first three months of the year, data from the National Bureau of Statistics showed on Tuesday, faster than the 2.9 per cent in the previous quarter and beating analyst forecasts for a 4 per cent expansion.

Investors have been closely watching first quarter data for clues on the strength of the recovery after Beijing lifted Covid curbs in December and eased a three-year crackdown on tech firms and property.

"On net, that's a decent set of figures out from China in Q1, which keeps them on track for their growth target of around 5 per cent this year," said Matt

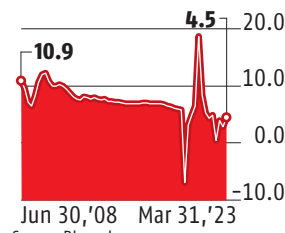


Simpson, senior market analyst at City Index.

"It has helped lift sentiment to a degree in Asia... but the slightly lacklustre response suggests there are some lingering concerns that Q1 data is the initial thrust thanks to the reopening, and that its momentum could fade in Q2 or Q3." China's recovery has so far remained uneven, with consumption, services and infrastructure spending perking up but slowing prices and surging bank savings raising doubts about demand.

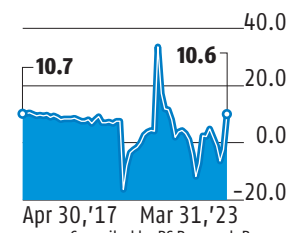
STRONG SHOWING

Quarterly GDP growth



Source: Bloomberg

Quarterly retail sales



Compiled by BS Research Bureau

On a quarter-on-quarter basis, GDP grew 2.2 per cent in January-March, in line with analyst expectations and up from a revised 0.6 per cent rise in the previous quarter.

Chinese policymakers have pledged to step up support for the \$18 trillion economy this year to keep a lid on unemployment, but they face limited room to manoeuvre amid worries over debt risks and structural woes. GDP growth last year slumped to one its worst in nearly half a century due to Covid curbs.

The nation's central bank said last week it will maintain ample liquidity, stabilise growth and jobs and focus on expanding demand.

On Monday, the central bank extended liquidity support to banks through its medium-term lending facility but kept the rate on such loans unchanged, an indication authorities are not overly concerned about the immediate growth outlook. Analysts polled by *Reuters* expect China's growth in 2023 to speed up to 5.4 per cent, from 3.0 per cent last year.

REUTERS