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Weak consumer market slows China's GDP growth

Economic imbalances in China have increased and have subsequently delayed the momentum of China's transition to consumption-led growth. The International Monetary Fund (IMF) stated that "China's economic recovery is well advanced but imbalanced," and has cited weak consumer spending during COVID-19 as a potential reason for this. IMF has also warned of slowing productivity in the technology sector due to regulatory crackdowns. Along with this, construction and property sales have plunged; small businesses have been forced to shut down, and local governments have been cutting the pay of civil servants. China's economy grew 8.1 percent in 2021, while growth slowed to 4 percent in the final quarter. China's leadership is expected to set a target for GDP growth at about 5.5 percent for 2022. However, the IMF now projects a GDP growth of 4.8 percent for China in 2022, down from its previous projection of 5.7 percent. Helge Berger, the IMF's mission chief for China stated, "growth momentum has slowed considerably, with consumption lagging every other part of the GDP." "I'm afraid that the operation and development of China's economy in the next several years may be relatively difficult," Li Daokui, a prominent economist and Chinese government adviser stated last month. END

CMCD Note

Quarter four of 2021 possibly experienced a shortened growth compared to the rest of 2021 due to COVID-19 lockdowns as part of China's Zero Covid policy. Lockdowns may have increased in frequency, intensity, and duration out of caution for the upcoming Olympic Games being hosted in Beijing, China, starting on 04 FEB. This shortened growth may also be an indicator of a continued decrease in China's economic performance, due to a weak consumer economy. The price increase of raw materials and lockdowns have damaged the private sector and the weak consumer market has created a lag in economic performance.

Sources

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