BOFIT blog

China's GDP growth just keeps on hitting the official target

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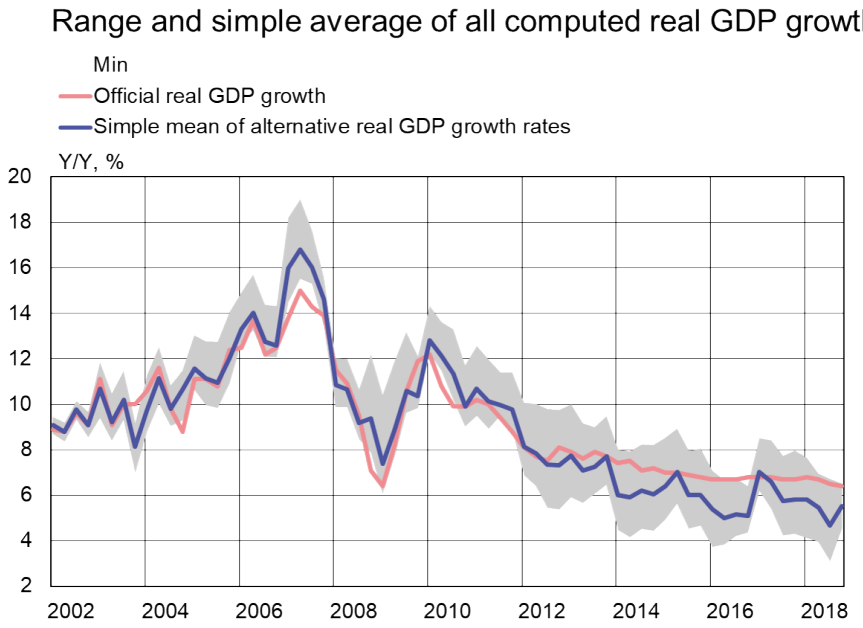
The long-anticipated slowdown of the Chinese economy is natural for an economy that has grown rapidly for several decades.

China announced in January that its real economic growth slowed to 6.4 percent year-over-year in the fourth quarter of 2018. For the full year 2018, the economy expanded by 6.6 percent. It was the weakest pace since 1990, but nevertheless managed to hit the official pre-announced real growth target of around 6.5 percent.

In fact, China has hit its officially announced real growth rate target consistently since 2012, the same year China declared its ambitious goal of doubling its real 2010 GDP by 2020. Since then, this explicit growth target seems to have forced officials to pursue numbers to meet their mandated targets at many levels of the economy. With a 6.6 % growth rate for 2018, China still needs a real growth rate of around 6.2 % for 2019 and 2020 to reach its doubling target.

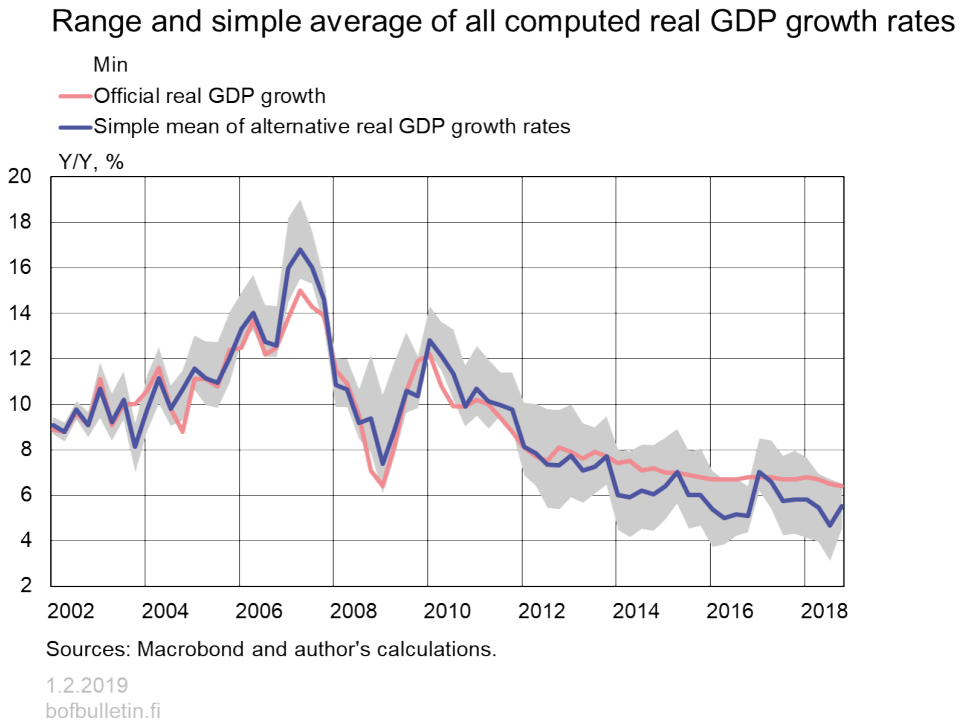
Chart 1.



The lack of fluctuations in the real GDP growth rate in recent years is hard to ignore. Figure 1 shows fluctuations in the nominal GDP series after 2012, but almost no volatility in the real GDP growth series. The eerie consistency casts more doubt on China's real GDP figures than its nominal numbers. In a recent BOFIT discussion paper, I take the nominal GDP series and the published price indices as given, and deflate the official nominal growth rate series with a set of alternative deflators. For the pre-2012 GDP data, this procedure gives a very close approximation of the official real GDP growth numbers.

Experimenting with different methods and time spans, I end up with seven different alternative real growth rate series. Figure 2 presents their range and simple average. The constructed series match the official growth rate rather closely until sometime around 2014. Thereafter, they identify fluctuations that do not appear in the official figures for GDP growth. Furthermore, the average of the constructed growth rates seems to be below the official figures.

Chart 2.



The constructed series indicate a slowing of GDP growth in 2015-2016, an acceleration in 2017, and a loss of steam in 2018. As for the last quarter of 2018, the computed mean of alternative growth rates reached 5.5 % with a range of 4.5 % – 6.5 %. Based on the alternative quarterly growth rates, the average annual quarterly growth was 5.4 % in 2018, for which the official figures showed growth of 6.6 %. If we go back five years to 2013, the average growth rates were quite similar: 7.4 % for the alternative and 7.8 % for the official.

The long-anticipated slowdown of the Chinese economy is natural for an economy that has grown rapidly for several decades. China increasingly must look to its service sector to drive growth rather than industrial production. A range of alternative GDP growth numbers show that this could be happening faster than the official statistics lead us to believe.

Keywords

BOFIT, China, gross domestic product, growth