China records 18 percent quarterly economic growth

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China's economy expanded by 18.3 percent in the first quarter of this year compared to the first three months of 2020. It was the largest increase in gross domestic product (GDP) since quarterly data began to be collected in the early 1990s, outstripping the previous record rise of 15.3 percent in the first quarter of 1993.

A large increase was expected—a *Wall Street Journal* poll of economists had predicted a rise of 19.2 percent—because of the contraction of 6.8 percent in the first quarter of last year as a result of the lockdowns imposed with the onset of the COVID-19 pandemic.

But statistical questions aside, the increase did reflect the effectiveness of the measures introduced in China to counter the pandemic and the continued expansion of the world's second largest economy.

Speaking to the *Financial Times* (FT) , China economy expert Eswar Prasad of Cornell University said that even after taking into account what he called the "phantom effect" of the low growth figure of a year ago, the first quarter result was "clear confirmation of the resilience and momentum of the Chinese economy."

The move of the Chinese economy towards pre-pandemic growth will likely be largely welcomed as providing a stimulus to the world economy. But it will not be viewed so favourably in the US, where the continued economic expansion of China and the possibility that it could become the world's largest economy is regarded as a threat to American global economic supremacy.

There have been two responses to the latest data. One reaction has been to focus on the headline figure, while others have pointed to signs of slowing growth contained within the figures.

The *Financial Times* took the first approach. It noted that the latest data "underscored the rapid pace of recovery in China" and that the increase was the result of a "frenzy of industrial activity and low COVID-19 infection rates," which combined to give a result "far beyond the performance of other big economies."

The result will no doubt be utilised by the Xi Jinping regime to tout the success of China's measures as compared to other major economies, including the US.

Announcing the data, Liu Aihua, spokesperson for the National Bureau of Statistics (NBS), said: "We are confident that the current recovery trend will continue throughout the year."

But at the same time there are concerns that, notwithstanding the record headline growth figure, Chinese economic recovery may be slowing.

"The domestic recovery is not yet solid," Liu said. She pointed to uncertainties in the manufacturing sector, impacting on investment, and rising jobless levels for migrant workers and young graduates.

The number of migrant workers coming to the cities in search of work was 2.5 million less for the quarter than before the pandemic, reflecting the problems of smaller enterprises and the services sector.

The jobless rate for workers aged between 16 and 24 at the end of March was 13.6 percent, up 0.3 percentage points from a year earlier and much higher than the overall urban unemployment rate of 5.3 percent.

When compared with the last quarter of 2020, the growth rate increased by only 0.6 percentage points in the first quarter of this year, indicating that the recovery could be slowing.

According to a report in the *Wall Street Journal* (WSJ), economists at HSBC in Hong Kong had calculated that when the statistical effect of the first quarter of 2020 was stripped out, the "underlying year-over-year growth for the first three months of this year was about 5.4 percent, lower than the pre-coronavirus trend of roughly 6 percent growth."

The bank said it expected that the economy would continue "running below full speed" in the coming months.

Industrial output in March was up 14.1 percent compared to a year earlier, but this was down from the 35.1 percent increase in January and February and lower than forecasts.

In a note to clients yesterday, Hao Zhou, senior economist for Commerzbank, said: "The underlying growth trend is likely to continue to slow."

The NBS also warned that global developments could impact on the Chinese economy. "We must be aware that the COVID-19 epidemic is still spreading globally and the international landscape is complicated with high uncertainties and instabilities," it said.

This was a veiled reference to the ongoing economic warfare by the Biden administration against China, which, far from lessening the measures taken by Trump, is intensifying them, above all in the area of technology.

Chinese economic authorities will no doubt also have in mind the speculative mania on Wall Street resulting from the massive interventions by the Fed and other central banks, amounting to trillions of dollars. The flood of ultra-cheap money was in response to a freeze in financial markets last March, impacting most heavily on the $21 trillion US Treasury market, the basis of the global financial system.

Financial officials in Beijing have warned about rising asset prices over recent months. According to an FT report, last month China's top banking regulator, Guo Shuqing, said the country "was exposed to 'bubbles' in international markets and its own real estate sector."

In response to the development of cryptocurrencies, China announced earlier this month that it was moving to establish an official digital currency controlled by the central bank.

Mu Changhchun, who is in charge of the project at the People's Bank of China, said: "In order to protect our currency sovereignty and legal currency status, we have to plan ahead."

Those plans include eventually establishing international use of a digitalized yuan that could provide at least a partial mechanism around the way in which the US uses dollar supremacy to impose international sanctions.

The Chinese move instantly produced a hostile reaction in the US. John Lipsky, who served as first deputy managing director at the International Monetary Fund from 2006 to 2011 and is now at the Atlantic Council think tank, told the WSJ: "Anything that threats the dollar is a national-security issue. This threatens the dollar over the longer term."

Notwithstanding the indications that problems in its economy are far from being resolved, the fact that China is continuing to lead the world in economic growth will be similarly regarded as a US "national security" issue.