

# China GDP

## Chinese economy expanded at weakest pace for seven years in Q4

- **GDP growth eased sharply from 9.0% to 6.8%, in line with PMI data.**
- **Slump in demand for China's exports weighing heavily on manufacturers.**

Chinese gross domestic product (GDP) slowed markedly again in Q4 2008, as a weak global trade environment and a loss of momentum in the domestic economy weighed on growth. The annual rate of expansion fell from 9.0% in Q3 to 6.8%, below the consensus forecast of 7.0% and the most sluggish pace since Q4 2001.

The sharp deceleration in economic growth mirrored the recent trajectory of the CLSA Purchasing Managers' Index survey, compiled by Markit, which has indicated a steep downturn since the middle of 2008, culminating in a survey record fall in output in December (see chart 1).

The speed and magnitude of the slowdown has underscored China's vulnerability to the deteriorating global economy, with manufacturers bearing the brunt in the face of slumping demand for Chinese exports. Official industrial production data for December signalled that annual growth barely improved on November's six-and-a-half year low (see chart 2).

With depressed overseas demand likely to negate the Beijing government's efforts to boost exports through increased tax rebates, the focus will be on attempts to strengthen domestic consumption through a massive stimulus plan. Nevertheless, a return to the heady days of double-digit growth as seen up until last summer appears unlikely in the near future.

The next snapshot of economic conditions in China will be provided by the CLSA China PMI, released 2<sup>nd</sup> February and covering the January data period.

Chart 1: China GDP

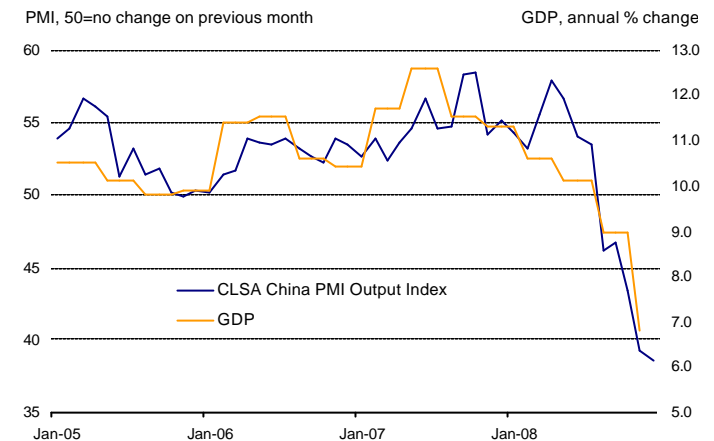
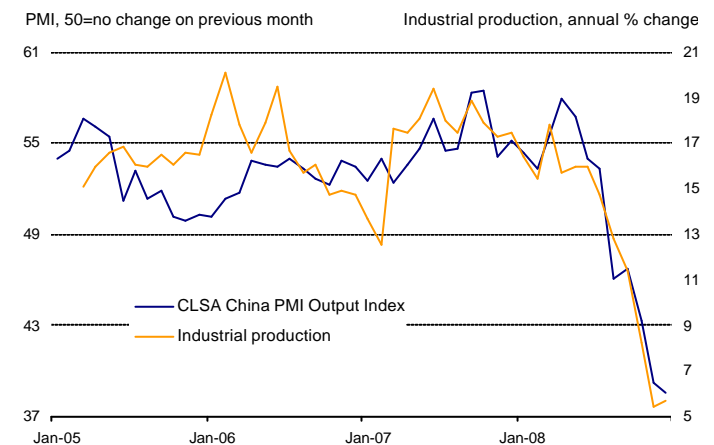


Chart 2: Industrial production



Sources: Markit Economics, National Bureau of Statistics.

### Jack Kennedy

#### Economist

Markit

Tel: +44 1491 418 687

Email: [jack.kennedy@markit.com](mailto:jack.kennedy@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)