

CHINA ECONOMY

China's first-quarter GDP beats expectations to grow 4.8% year-on-year

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KEY POINTS

First-quarter GDP rose by 4.8%, topping expectations of a 4.4% increase from a year ago, data released by the National Bureau of Statistics Monday.

Fixed asset investment for the first quarter rose by 9.3% from a year ago, topping expectations for 8.5% growth.

However, the unemployment rate for those in 31 major Chinese cities rose from 5.4% in February to 6% in March — the highest on record per official data going back to 2018.





BEIJING — China's first-quarter GDP grew faster than expected despite the impact of Covid lockdowns in parts of the country in March, according to data released by the National Bureau of Statistics Monday.

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Fixed asset investment for the first quarter rose by 9.3% from a year ago, topping expectations for 8.5% growth. Investment in manufacturing rose by 15.6% in the first quarter from a year ago, and infrastructure saw an 8.5% increase over the same period.

Industrial production in March rose by 5%, beating the forecast for 4.5% growth.

However, retail sales in March fell by a more-than-expected 3.5% from a year earlier. Analysts polled by Reuters anticipated a 1.6% decline.

Beginning in March, the country has struggled to contain its worst Covid outbreak since the initial phase of the pandemic in 2020. Back then, lockdowns across more than half the country resulted in a [6.8% contraction in first quarter growth from a year earlier](#).

“We must be aware that with the domestic and international environment becoming increasingly complicated and uncertain, the economic development is facing significant difficulties and challenges,” the bureau said in a statement.

Rising unemployment



March — the highest on record according to official data going back to 2018.

“This indicates the unemployment problem in the large cities has become more severe than when the Covid Pandemic started in 2020,” said Zhiwei Zhang, chief economist at Pinpoint Asset Management.

“The Covid outbreaks only forced Shanghai and some other cities to enter lockdowns in late March and early April. Therefore the economic slowdown likely worsened in April,” he said.



VIDEO 09:57

Why China shows no sign of backing away from its ‘zero-Covid’ strategy

As Covid stretches into a third year, China again faces the challenge of ensuring a record high number of graduates find jobs. This year, the number of higher education graduates are expected to rise by 1.67 million from 2021 to 10.76 million.

In March, the unemployment rate for those from 16 to 24 years old remained far higher at 16% — the highest since August 2020.

Overall, the national urban unemployment rate ticked higher in March to 5.8%, up from 5.5% in February.

That rise “reflects greater difficulties for businesses’ production and operations, and greater pressure on employment,” Fu Lijun, spokesperson of the National Bureau of Statistics, said at



He noted that since March, some people have had a harder time finding jobs due to the impact of Covid domestically. That contrasts with a historical seasonal trend in which the unemployment rate tended to fall in March, after rising in January and February as workers changed jobs around the Spring Festival, Fu said.

Real estate's role

“To achieve this year’s 5.5% economic growth target, consumption must not be dragged down by the pandemic, real estate investment must stop falling and stabilize as soon as possible, fiscal spending must be strong enough and imports and exports cannot contribute negatively,” Bruce Pang, head of macro and strategy research at China Renaissance, said in Chinese, translated by CNBC.

Since retail sales and trade have a limited ability to contribute to growth, the market has greater expectations for real estate to play a role, he said.

“**Although [the] Chinese economy will come under near-term pressure because of pandemic controls, we remain confident in China economy’s long-term resilience and vitality.**

—Monica Li

DIRECTOR OF EQUITIES, FIDELITY INTERNATIONAL

Real estate, which has struggled since Beijing’s crackdown on developers’ high use of debt, saw investment rise by 0.7% in the first quarter from a year ago. That’s despite double-digit declines in the floor space and total sales of commercial buildings sold.

Although economic figures released for January and February beat expectations, figures for March have begun to reflect the impact of stay-home orders and travel restrictions around economic centers like the [coastal metropolis of Shanghai](#).

Exports, a major driver of China’s growth, rose by a more-than-expected 14.7% in March, but imports unexpectedly fell, down by 0.1% from a year ago, according to data released last week.

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“We must coordinate the efforts of Covid-19 prevention and control and economic and social development, make economic stability our top priority and pursue progress while ensuring stability, and put the task of ensuring stable growth in an even more prominent position,” the bureau said.

Retail sales grew by 3.3% in the first quarter from a year ago, but the apparel, autos and furniture subcategories still posted declines for the period.

Within retail sales, jewelry declined the most and was down by 17.9% in March from a year ago. It was followed by a 16.4% decline in catering and a 12.7% decline in clothing and shoes, the data showed.

“Although [the] Chinese economy will come under near-term pressure because of pandemic controls, we remain confident in China economy’s long-term resilience and vitality,” Monica Li, director of equities, at Fidelity International, said in a note.

Among signs of support for longer-term growth, Li noted how “the strong issuance of special local government bond since second half last year has set the stage for accelerating infrastructure investment in future.”