Can We Trust The Third Quarter GDP of China?

China's economy grew by 4.9 percent in the third quarter compared with a year earlier, accelerating from 3.2 percent growth in the second quarter, this information was given by the National Bureau of Statistics (NBS) announced on 19 October 2020.

As much of the world continues to struggle with the coronavirus, China's recovery has been relatively speedy. "The Q3 GDP growth accelerated from the first half, driven by infrastructure and real estate investment as well as a strong performance in export," Wang Dan, chief economist with Hang Seng Bank China told CGTN. Also, Larry Hu, Chief China Economist said“The recovery ahead will largely depend on the consumption recovery.”During those three quarters, online sales of goods rose 15.3% from a year ago, accounting for 24.3% of retail sales.

Looking at another factor, Nomura's Chief China Economist Lu Ting said, "China's quick recovery was a product of its stringent lockdowns, massive testing, population tracking, a large economy that can afford to be somewhat insulated, and fiscal stimulus via credit expansion." He further explained that the strong export growth, a further recovery from the pandemic, the lagged impact of fiscal stimulus and credit growth and pent-up demand following the summer floods all contributed to the robust activity data in September.

As you can see, these professional and expert analysts give the reasonable explanations why the GDP increases with statistical evidence provided. However, we should also be aware that the international environment is still complicated and severe. That means it should be considered as instabilities and uncertainties. The economy is still in the process of recovery and the foundation for sustained recovery needs to be consolidated.

As countries across the world struggle with rising unemployment rates and struggling business sectors, the rate may be misleading and not indicate true growth which is explained by some macroeconomic influencers.

Firstly, David Wessel, director of Hutchins Center on Fiscal & Monetary Policy, shared an article on how third quarter GDP figures may be misleading.
The article notes that the ideal way to look at GDP growth is to measure other factors such as the number of hours worked, which are still low.

Secondly, Matthew E. Kahn, Bloomberg Distinguished Professor of Economics and Business at Johns Hopkins University, shared an article on how the pandemic has worsened the already existing issues in the Chinese economy. The country has achieved four decades of fast growth lifting the majority of the people from poverty, but the pandemic has exposed weaknesses in this approach. China has focused more on infrastructure spending and providing tax breaks to large corporations instead of supporting families affected by the pandemic. Using this approach is expected to widen the gap between the rich and poor families, which is already one of the highest in the world. Millions of low and middle group families are having to work fewer hours and taking loans, while rich families have not felt the impact of the pandemic. Families living in rural areas have been most affected by the pandemic, as the government has made little effort to alleviate their problems and focused more on urban areas.

As you can see, what these people said also seems to be liable. For example, the article stated by Matthew E. Kahn that China considers more on infrastructure investment than middle group families is linked with the data mentioned about why the GDP is rising in paragraph1. Therefore, I can say that there is a possibility of an overstated GDP growth rate.

In conclusion, according to the news and articles provided, the rise in China Q3 GDP is real in my opinion. However, 4.9% rate might be higher than it actually be, as stated by David Wessel and Matthew E. Kahn.

Reference

https://www.scmp.com/economy/china-economy/article/3106048/china-gdp-economy-grew-49-cent-third-quarter-2020

https://www.cnbc.com/2020/10/19/china-economy-q3-gdp-2020.html

https://www.forbes.com/sites/sarahsu/2017/01/23/chinas-gdp-numbers-can-we-trust-the-data/
https://edition.cnn.com/2020/10/18/economy/china-q3-gdp-intl-hnk/index.html
https://www.ft.com/content/bd86b076-12f3-4a0e-9106-3fa4e3f0ae9b
https://www.pharmaceutical-technology.com/features/global-gdp-growth-covid/
https://www.economist.com/finance-and-economics/2020/10/15/can-chinas-reported-growth-be-trusted
https://www.globaldata.com/covid-19/?utm_source=global%20data&utm_medium=banner&utm_campaign=covid-report