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# China's Economy Grew 3.9% in the Third Quarter

Result topped the 3.5% economic growth expected by economists

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HONG KONG—China's economy expanded more strongly than expected in the third quarter as the country bounced back modestly from crippling Covid lockdowns in the spring, though challenges remain as leader Xi Jinping consolidates control over the political apparatus for another five years.

China's gross domestic product grew by 3.9% in the three months ended Sept. 30 from a year earlier, China's National Bureau of Statistics said Monday in a data release that was unexpectedly delayed as Communist Party leaders gathered for a key meeting in Beijing.

The statistics bureau was originally slated to release the closely watched figures on Oct. 18, but they were abruptly postponed a day earlier, citing unspecified "work arrangements" in remarks to The Wall Street Journal. The delay was never explained, though economists widely suspected officials of trying to avoid overshadowing the twice-a-decade conclave.

The economy's third-quarter performance was an improvement from the 0.4% year-over-year GDP increase recorded in the second quarter, when lockdowns in major cities like Shanghai shuttered businesses and kept millions stuck at home, sometimes for weeks and even months on end.

Still, the third-quarter number fell short of the 4.8% growth rate recorded in the first three months of the year, before widespread Covid lockdowns hit the economy. Monday's figure also put overall growth for the first nine months of 2022 at 3.0%, well below the official full-year target of about 5.5% set in March.

Other economic data, also released belatedly on Monday, underscored the challenges facing the economy. Export growth continued to slow, a downturn in the housing market got worse and consumer spending decelerated again after a brief summer recovery.

Mr. Xi, speaking to the media on Sunday after securing a precedent-breaking third term in power, described China's economy as highly resilient, with plenty of room to maneuver.

Economists say the headwinds facing the world's second-largest economy are intensifying, which will bear down on growth this year and next. A property-sector slowdown has hurt construction, crushed consumer confidence and added to financial pressure on overstretched local governments.



A tourist and shopping area in Shanghai in October.

PHOTO: ALEX PLAVEVSKI/SHUTTERSTOCK

Chinese households have also cut back on spending amid the real estate slump and the threat of further restrictions on daily life to smother even tiny Covid-19 outbreaks. Officials have signaled they are unlikely to abandon their zero-tolerance approach to the pandemic anytime soon. Many economists doubt any significant easing of the growth-sapping policy will occur before the middle of next year.

At the same time, China faces external challenges, with geopolitical tensions rising and overseas demand for its exports fading as the U.S., Europe and other economies confront rocketing inflation and rising interest rates.

Earlier this month, the International Monetary Fund cut its growth forecast for China this year and next, saying it expects the economy to expand 3.2% in 2022, down from a forecast of 3.3% in July, and by 4.4% in 2023, down from 4.6%.

Over a longer term, economists say that China is unlikely to recover the rapid

pace of growth that it enjoyed over the past 20 years, and it may never surpass the U.S. as the world's largest economy—as many had predicted it would. They cite factors including an aging and shrinking population, a worsening standoff over trade, technology and foreign policy with the U.S. and an enormous pile of public and private debt.

At the Communist Party congress, top officials said they were prepared to accept slower rates of economic growth to meet broader development goals, such as nurturing high-tech industries and redistributing wealth more evenly—two top priorities that have been frequently articulated by Mr. Xi.

Other data released Monday showed a lopsided domestic recovery, with much of the growth being generated by government-backed production and investments as consumer demand showed little signs of improvement.

Industrial production grew by 6.3% in September from a year earlier, accelerating from a 4.2% increase in August, as policy stimulus measures kicked in and a power shortage caused by extreme weather during the summer eased.



People visited the Bund in Shanghai earlier this month.

PHOTO: HECTOR RETAMAL/AGENCE FRANCE-PRESSE/GETTY IMAGES

Growth in fixed-asset investment, including for infrastructure projects, remained steady, expanding by 5.9% during the first nine months of the year compared with a year earlier, slightly faster than 5.8% gains in the first eight months of 2022.

China's property slump, which was triggered in part by Mr. Xi's attempts to tamp

down on speculation in the sector, showed little sign of reversing in September, as property investment, new construction starts and home prices fell more.

The prolonged slide in Chinese new-home prices accelerated last month. Prices fell at their steepest level in more than seven years in September, even after officials rolled out more policies to boost the embattled sector and support home buyer demand.

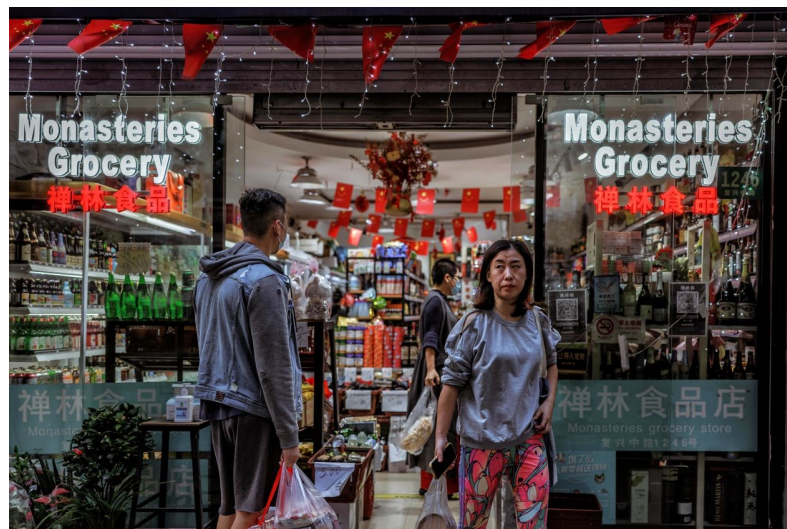
Average new-home prices in 70 major cities in September fell 2.3% from a year earlier, after falling 2.1% in August, according to Wall Street Journal calculations based on data released Monday by China's statistics bureau.

What is likely to cause more worrying among officials who seek to tilt China's economy toward consumption, spending appeared to have faltered again as stress on the labor market persisted.

Retail sales, a gauge of consumer spending, rose by a weaker-than-expected 2.5% from a year earlier in September, down from a 5.4% increase in August.

China's headline measure of joblessness, the urban surveyed unemployment rate, edged up to 5.5% in September from 5.3% for the previous month, the statistics bureau said. Joblessness among people aged between 16 to 24 remained elevated at 17.9%.

Separately, data released on Monday by the country's customs authority provided fresh evidence that the export boom that propelled China's sharp economic rebound in the early days of the pandemic is likely on its last legs.



People bought food at a Shanghai grocery store earlier this month.

PHOTO: ALEX PLAVEVSKI/SHUTTERSTOCK

Shipments out of China rose 5.7% from a year earlier in September, down from a 7.1% increase in August, China's General Administration of Customs said Monday, after also having delayed its data release by more than a week.

China's imports increased by an anemic 0.3% in September from a year earlier, on par with August's figure, partly because of the real-estate downturn, which dampened China's appetite for raw materials.

For Jiayuan Toy Products Ltd., a toy maker based in the southern province of Guangdong, sales to the U.S. surged beginning the second half of 2020 as China bounced back quickly from the initial pandemic outbreak. In recent months, however, orders have begun to dry up, according to a company manager, who is surnamed Guo.

"Western economies suffered this year," said Mr. Guo, lamenting a drop in orders during the usually booming months of September and October. Mr. Guo also blamed mounting labor costs and years of strict Covid restrictions that have prevented him from traveling abroad to drum up new business.

"We are just clinging to a few old customers now," he said.

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