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China Claims Strong Growth, But Skeptics Question Its Data

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SINGAPORE—China has reported robust growth this year, despite a continuing crash in its property market and consumer spending that is largely at a standstill. That is stirring questions that have long dogged China's official data: Are the numbers accurate?

Opaque collection methods and concerns about political influence have for years cast doubts on Beijing's economic data. But as the country grapples with a persistent slowdown that doesn't always show up in government figures, that skepticism is growing louder.

Estimates from some Western analysts for China's fullyear growth range from 0% to 3%, far lower than the 4.5% expansion Beijing reported for the third quarter. Moreover, several prominent economists in China are arguing that the unemployment rate —which edged down to 5.2% in September, according to government figures—masks a more serious jobs crisis.

"There really is no comparable case where you have an economy of such significant size where the macroeconomic data is so problematic," said Daniel Rosen, co-founder of Rhodium Group, which produces an alternative assess-

ment of gross domestic product for China. Economists warn that without reliable, transparent statistics, it is harder to make sound investment and policy choices in Beijing and overseas.

The divergence between Beijing's reporting and some independent estimates underscores the growing political sensitivity around China's economic woes. The country's huge real-estate sector continues to slide, many companies struggle to turn a profit amid cutthroat price competition and Chinese households are reluctant to spend. That leaves China heavily reliant on exports for growth. Beijing is targeting full-year growth of 4.5% to 5%.

Under Chinese leader Xi Jinping, Beijing has suppressed negative commentary about the economy and limited access to financial data. Many data sets once used by researchers and investors have disappeared. After youth unemployment hit a record high of 21.3% in 2023, Beijing stopped releasing the number. Months later, it started publishing a revised, and lower metric.

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The recent clampdown adds to existing gaps, which make it hard to cross-check Beijing's numbers. For instance, China doesn't release a detailed breakdown of quarterly gross domestic product— figures that would shed light on specific areas driving economic activity. Officials also don't publish a monthly laborforce participation rate, which would illuminate the health of the labor market.

To get around this, economists have long drawn on alternative data sources. In 2007, former Chinese premier Li Keqiang said GDP data for the province he then governed was "man-made," according to a leaked U.S. diplomatic cable. He said he used what has become known as the "Li Keqiang index," which tracks electricity consumption, rail-freight volumes and new bank loans.

With its own index, research firm Capital Economics estimates that growth in China in the third quarter was 2%, dragged down by declining industrial activity, particularly in construction and petrochemicals. Its model draws on hundreds of lower-profile official data series, like intercity passenger traffic and industrial electricity consumption, which the firm says makes them less susceptible to manipulation.

The gap between the firm's estimate and the official one widens when Beijing is struggling to hit its growth target, said Julian Evans-Pritchard, an expert on China at Capital Economics. Similar divergences occurred during the 2008 global financial crisis, the 2014 property-market slump and the Covid-19 pandemic, when the country reported growth of 2% and 3% despite lockdowns, he said.

One way to increase the reliability of the GDP figures would be to get rid of annual goals, which can pressure bureaucrats to inflate the numbers, Evans-Pritchard said. "The growth rates are determined by the targets," he said.

Some analysts have an even grimmer assessment of the economy. Rhodium Group estimated that full-year GDP will be around 0% in 2026, arguing that it is impossible for China to hit 4.5% growth with sluggish retail sales growth and steep drops in fixed-asset investment.

Fixed-asset investment, which includes spending on real estate, manufacturing and infrastructure, was a major driver of China's red-hot growth in the past. But in the first three quarters of the year it declined more than 7% compared with a year ago. That came on top of sharp investment downturns last year.

Meanwhile, retail sales, a key gauge of consumption in China, declined in May for the first time in three years before picking up later in the summer.

"Everything doesn't really fit together looking at the official numbers," said Rosen, who published a comprehensive study on the reliability of Chinese economic statistics in 2015, which found that Beijing had undercounted its growth.

China's National Bureau of Statistics, which didn't respond to a request for comment, has defended its economic data, and other Western economists believe that China's economy is growing at around the same pace as its official data indicate. The International Monetary Fund, for instance, projects that China will grow 4.5% this year, in line with Beijing's target.

Calling out any inconsistencies is sensitive in China. When a prominent Chinese economist, Gao S h a n w e n , raised doubts about the official GDP number at a forum in Washington in 2024, Chinese authorities investigated and disciplined him.

Despite this, there is a growing set of Chinese economists arguing the labor market is worse than it appears.

One Chinese economist at Tsinghua University estimated in July that the broad urban unemployment rate was 10.2% when taking into account people who have not found a job in two years and are left out of official numbers.

The headline jobless rate already excludes anyone living in rural areas—about a third of China's overall population.

The growing gig economy is also complicating measurement, wrote Zhu Tian, vice president of Shanghai's China Europe International Business School, last month. Though ride-hailing drivers or food-delivery workers technically have jobs, they might face chronic underemployment with worse wages and job security, he said. Zhu pointed out that the number of people claiming unemployment benefits is increasing, though the jobless rate has been relatively steady since 2021. The official unemployment rate is "just too stable," Zhu said in an interview. "It isn't really very useful."

If the overall state of the economy is worse than reported, Beijing might need to roll out more stimulus measures to bolster the economy.

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Zhu has argued for more assertive policies, including direct support for households and fiscal transfers to indebted local governments.

"But I don't think that is coming," he said.

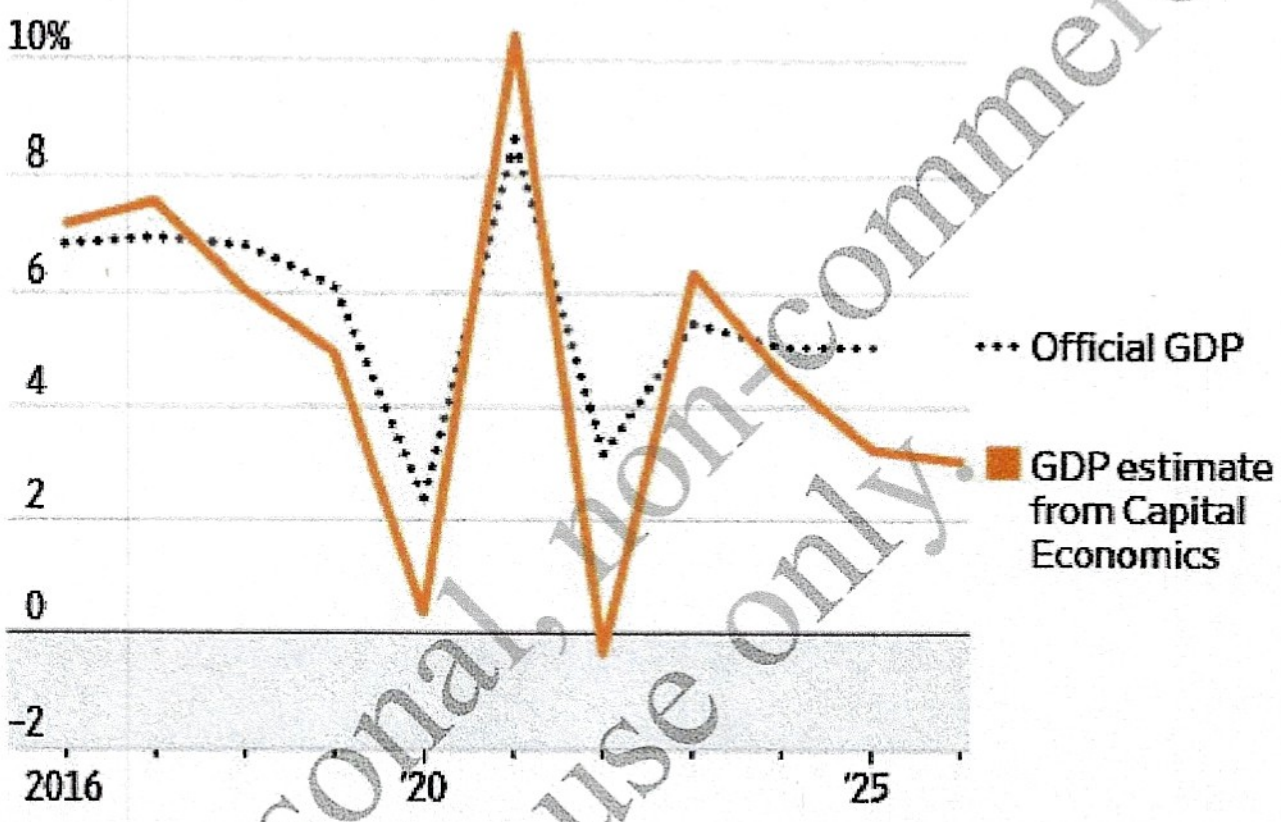
0% Rhodium Group's estimate for full-year Chinese GDP growth in 2026

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An independent estimate for China's year-over-year GDP growth compared with the official data



Sources: Capital Economics, CEIC

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