

China's growth slows to 27-year low, but Trump's trade war is only partly to blame

[Anna Fifield](#)



Workers produce down coats at a factory for Chinese clothing company Bosideng in Nantong, Jiangsu province. China's economy is slowing, weighed down by weak domestic demand and a trade war with Washington. (AFP via Getty Images/Afp Via Getty Images)

BEIJING — China's economy recorded its slowest rate of growth in more than 27 years, as the effect of the [trade war](#) with the United States compounds cooling domestic demand, according to official statistics published Friday.

President Trump has [seized on](#) China's weakening economy as evidence that Beijing is [desperate to cut a trade deal](#) with his administration, but analysts

said it was not time for the Chinese government — nor the markets — to panic.

“The trade war might be taking a toll on the Chinese economy, but there is little evidence yet of a major direct hit on overall growth,” said Eswar Prasad, an economics professor at Cornell University and former China director with the International Monetary Fund.

The world’s second-largest economy grew by 6 percent in the three months to the end of September, the weakest quarterly figure since 1992.

Still, the National Bureau of Statistics said the growth rate for the first nine months of 2019 now stands at 6.2 percent, within the government’s target range of 6.0 to 6.5 percent for the year as a whole.

“In general, the national economy maintained overall stability in the first three quarters,” said Mao Shengyong, a spokesman for the statistics department.

But he warned of trouble ahead, in part because domestic and international economic situations remain complex. Instability and uncertainties are growing externally, Mao told reporters, and there is mounting pressure on the domestic economy.

In China, talk of ‘progress’ and a ‘result,’ but no mention of any trade deal with U.S.

Much of the current slowdown can be attributed to domestic factors, such as a sharp deceleration in consumer spending and slower growth in expenditures on infrastructure. Corporate profits are also under strain, and local governments are increasingly struggling to pay back loans, creating the specter of a debt crisis.

There is widespread recognition here that China cannot sustain the double-digit growth rates it enjoyed until a decade ago. But party leaders in Beijing

have been trying to manage the deceleration to levels more consistent with China's status as a middle-income country.

The economy grew at 6.6 percent last year.

The Global Times, a nationalist newspaper that often reflects the foreign policy thinking of the ruling Communist Party, tried to strike a glass-half-full tone.

“Growth of 6.0 percent is still the highest among the world's major economies. It's not self-consolation but a reality in the current global economic landscape,” it said in an editorial Friday evening. “We should keep our confidence and face up to the variety of problems that have been hindering our economic development.”

But the trade war has complicated those efforts, although not as much as Trump has claimed. The impact from tariffs and other restrictions has shaved only a fraction of a percentage point off the growth rate, economists say.

The uncertainty created by the trade tensions with the United States is not helping China manage its slowdown.

It was “obvious” from the numbers that the trade war was having an impact on the Chinese economy, said Cui Fan, a professor at the University of International Business and Economics in Beijing.

“There has been a considerable decline in China's trade with the United States,” he said, and that has particularly affected manufacturing companies whose primary market was the United States.

“Up to now, progress has been made in the China-U.S. trade war, but there are still great uncertainties as to how far the negotiations would go,” Cui said. “Uncertainty is the biggest fear when it comes to doing business.”

[*Huawei says its business is steady, defying U.S.-led pressure campaign*](#)

Beijing has struck a staunch tone throughout the trade dispute, while also wanting to bring it to an end.

After talks in Washington last week, Trump said the two sides had agreed to a [“phase one” deal](#) in which China would agree to buy between \$40 billion and \$50 billion of American farm products, while the United States would delay a planned increase in tariffs.

But the Chinese side has [exhibited greater caution](#), referring only to “progress” rather than a “deal.”

Negotiators from both sides are due to meet again next week.

At a meeting Thursday in Beijing with Evan Greenberg, chairman of the U.S.-China Business Council, Premier Li Keqiang urged the United States to “resolve relevant issues through dialogue and consultation on the basis of equality and mutual respect, so as to advance bilateral economic and trade ties on the right track,” according to Chinese state media.

China’s travails come in the context of a broader global slowdown, which the IMF this week said was partly due to the trade war.

“Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade,” the IMF said in its latest world economic outlook.

But China’s situation was not so severe that the Communist Party would feel compelled to flood the Chinese economy with money, as it did during the global financial crisis in 2008.

“The government has been relatively restrained in its use of fiscal and monetary stimulus thus far and is likely to keep macroeconomic policies in this holding pattern unless there are clearer signs of a growth stagnation,” Prasad said.

Liu Yang contributed to this report.

[Trump says China will buy \\$50 billion a year of U.S. agriculture. That's not what China says.](#)

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