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China's GDP recovers in Q3 2022 but retail still lags behind

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The Chinese economy is recovering from the second-quarter slump largely caused by lockdowns in Shanghai. Image credit: Shutterstock

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On Oct. 24, China's National Bureau of Statistics **announced** that GDP growth in the third quarter of 2022 had increased by 3.9 percent year on year beating expectations.

Other economic figures released by the bureau suggest that total GDP for the first three quarters was about \$12 trillion (87 trillion RMB), a 3 percent year-on-year growth.

Social retail of consumer goods had a 3.5 percent year-on-year growth in the latest quarter, following a 4.6 percent decline in the second quarter.

However, the bureau admitted that the speed of retail growth had declined in September due to continuing COVID-19 disruptions.

Meanwhile, it had belatedly released the third quarter economic data. Earmarked for release on Oct. 18, the results were postponed without explanation, with some global observers **speculating** that it was done not to overshadow the pivotal National Congress.

Still, the mainland's economy is clearly recovering from the slump in the second quarter, when GDP only grew a tepid **0.4 percent** compared to the same time in 2021.

This suggests that the worst economic shockwaves from the **Shanghai lockdown** have largely passed although it is unlikely that China will meet the 5.5 percent annual GDP growth **target** set by its leaders earlier this year.

Having said that, the luxury sector should note that retail recovery is still **lukewarm**.

Mobility restrictions discouraged consumption during the Mid-Autumn Festival and the **National Day** holiday week, the two major festivities in the third quarter.

Customers could also be withholding their spending until the upcoming Singles Day festival that concludes on Nov. 11.

In addition, partial lockdowns are still taking place in various Chinese cities, complicating shoppers' ability to venture outdoors. Indeed, data from the bureau shows that dining revenue decreased by 1.7 percent compared to third-quarter 2021.

The GDP increase, nevertheless, gives hope to a promising retail market in the long run.

President Xi Jinping **stated** during the 20th National Congress that the "fundamental role of consumption in economic growth" will be enlarged. A recovering economy provides favorable conditions to expedite such developments.

Beijing's lockdown policies are the critical factor influencing domestic consumption. If more cities are able to come out of lockdown soon, one can expect a quick rebound in spending from consumers.

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