

China's Manipulating Statistics?

Government Official

WASHINGTON – A few days ago a major US newspaper had yet another story on China's economic slowdown. Yes, China is still growing at a 7.4% pace. This is much less than before; but still very impressive if compared with more mature economies that cannot even get to 2%. However, many economists are worried because longer term projections would indicate even slower growth in China for the rest of 2014 and 2015.

The slow down

So far, nothing remarkable. The Chinese government talks openly about a moderate slow down. The International Monetary Fund is also projecting somewhat slower growth. We know all this, even though experts may differ on the long-term implications of this slow down.

But what if the slow down were in fact much more significant than we are told? Well, this would open up a different debate on China's future as a world economic giant. Hence the relevance of an additional part of the same news item. Indeed, the article mentioned above also added that, according to different projections made by serious private sectors economic forecasters, China real economic growth is in fact much smaller.

No, it is not around 7.5% . It is in fact only 6%, or may be even less.

Cooking the books?

Got that? The Chinese government says 7.5%. But the real figures say 6%. This is no rounding error. And the

implications are clear. If GDP growth is only 6%, this would indicate a far more significant, almost dramatic, slow down. The article did not comment on this discrepancy.

So, which is which? We do not know. But, assuming for a moment that the private sector company is correct, there is only one conclusion that can be drawn here: ***“the Chinese government routinely cooks the books, because it is scared of the negative political repercussions on the leadership of disappointing economic data”***. In other words, official economic statistics are (routinely?) embellished in order to make the country –and therefore its leadership– look far better than what it actually is.

Everybody does it?

Many can react to this with a yawn:

“So what? What else is new here? Every government puts a spin on numbers in order to make itself look good. China is no different”.

I am afraid it is not so. It is certainly true that all governments are guilty of spin. Everybody tries to put whatever numbers there are in the best light. And certainly we know that most official projections on future growth, future employment, future disposable income, and what not tend to be inflated, as they are invariably based on best case scenarios that very often do not materialize.

Spin and false numbers are two different things

But there is a huge difference between interpreting official numbers in a politically convenient way, while making overly optimistic predictions, and cooking the numbers on past performance.

We can expect the US government to come up with unrealistic predictions on future economic growth because this puts the

incumbent administration in a better light. This happens all the time.

We trust official numbers

But we do not expect the US government to intentionally produce false official data on growth that has actually occurred. And here we are not talking about rounding errors or small discrepancies due to the use of different methodologies. Here we are talking about adding 1.5% to GDP growth figures.

Is China a “normal” country?

Well, I have no way of evaluating whether the economic growth numbers for China produced by private forecasters are the real ones, or not.

However, if they are right and therefore we have to conclude that the Beijing government willfully manipulates the GDP growth numbers it releases to the public, then we are still a long way away from the day in which China, notwithstanding all its progress, can be considered a normal country.