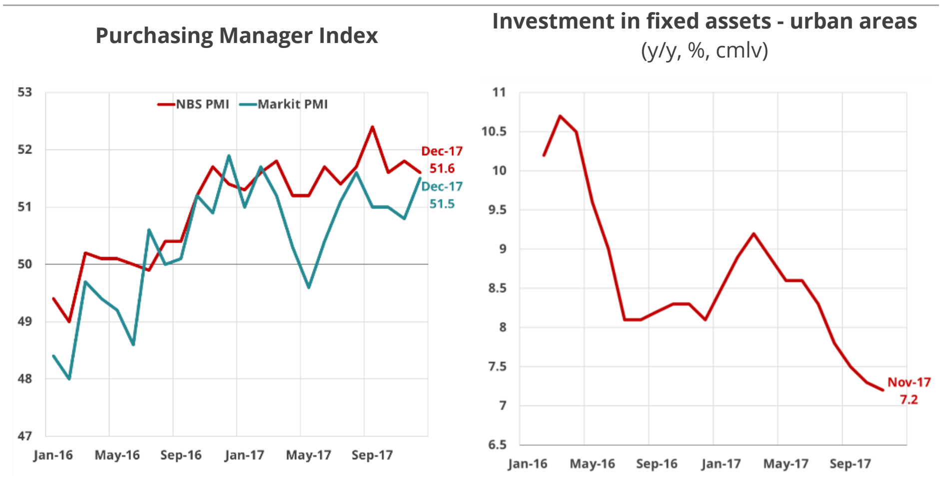
Chinese growth may drop to 5% in 2019

The risk of a significant slowdown in the Chinese economy is growing, with potential implications for emerging markets and global GDP growth. TAC ECONOMICS RiskMonitor tool highlights a forward-looking combination of factors pointing to a sharper than expected cyclical adjustment towards year-end. TAC ECONOMICS non-linear tools show that a "final surge" in the NBS manufacturing PMI to above 52.9 would be a critical indicator of overheating risk and more immediate reversal, against a December 2017 reading of 51.5.

The timing of the reversal is uncertain, but when it comes TAC ECONOMICS sees a fast and significant slowdown, potentially pushing growth to around 5 percent in 2019, which would be the slowest pace since 1990. Still, there are several mitigating factors, including a largely domestically-owned debt liability (albeit at 280% of GDP), the Belt & Road investment initiative, which aims to bolster trade routes around the globe, FX reserves of UA$3200 billion (November 2017) and low levels of public debt.

Still, given China's record as a key driver of global GDP growth (it routinely contributes around a third) any sign of a slowdown needs to be taken seriously, not least by emerging markets, with Asian countries and commodity exporters on the front line.



Source: TAC ECONOMICS, Datastream, World Bank

TAC ECONOMICS monitors on permanent basis macroeconomic & political developments in China through its own proprietary tool RiskMonitor. Do not hesitate to contact us at taceconomics@taceconomics.com for more information.

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