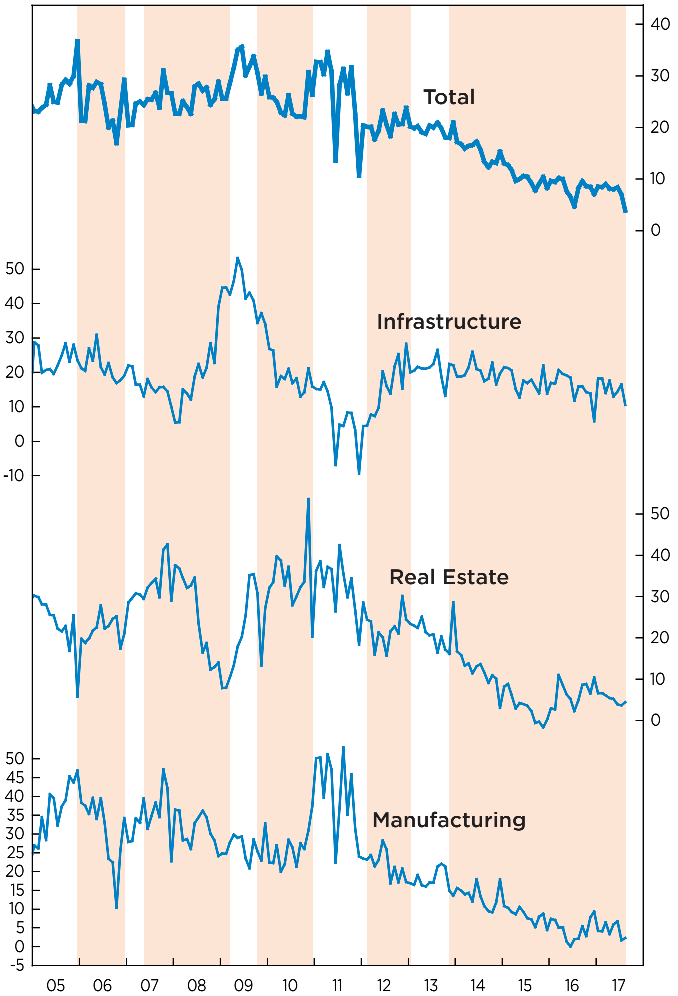
ECRI
International Cyclical Outlook
ESSENTIALS

Chill in China The Chinese economy has long been reliant on investment to drive growth. Thus, it is instructive to examine the current state of Chinese fixed asset investment (FAI).

In fact, yoy growth in total FAI has now slumped to its lowest reading since the end of the 20th century (Chart 4, top line). A key reason is that growth in infrastructure investment has dropped to an eight-month low, and is not far from a 5¼-year low (second line). Meanwhile, growth in real estate investment remains close to July's one-year low, and is not far above the record lows plumbed in late 2015 (third line).

Furthermore, growth in manufacturing investment, which saw a brief revival in the second half of 2016, has since pulled back, and now sits near July's 13-month low (bottom line). Once again, this is close to a record low.

Chart 4: Measures of Chinese Fixed Asset Investment,
Growth Rates (%)



Shaded areas represent Chinese growth rate cycle downturns.

With the twice-a-decade National Congress of the Communist Party of China only a few weeks away, the powers that be are expected to do what it takes to keep the economy humming without a hitch. The question is what happens afterwards.

The plunge in FAI growth does not bode well for overall Chinese growth prospects, and for the Chinese industrial growth outlook, in particular. This is consistent with the "fading growth outlook" suggested by ECRI's Chinese Long Leading Index and downbeat industrial growth prospects flagged by our Chinese Leading Industrial Production Index (*↗ICO Country Pages, September 2017*).

