Economic Crunch in China Because of CRE Investment Shrinkage

Recent economic data out of China shows below-expectation growth for the country. CNBC reporting on the National Bureau of Statistics says that gross domestic product (GDP) grew 4.9% in the third quarter of 2021 (compared to the same period last year): “That missed expectations for a 5.2% expansion, according to analysts polled by Reuters”.

“Industrial production rose by 3.1% in September, below the 4.5% expected by Reuters,” they continue, and some blame has been placed on the power shortages experienced in the country.

Investment Woes

Another contributing factor identified by the analysts is subdued investment activity. Fixed asset investment declined by 2.5% in September, with a 3.5% decline in real estate investment playing directly into that according to a market strategist interviewed by the publication.

Reuters says this is part of a broader trend that sees “Chinese investors abandoning an age-old attachment to property investment products and seeking returns in equities and other corners of the capital markets” because of the “crack down on the debt-fuelled property sector” by authorities.

“The flow of cash into property investment products issued by trust companies has slumped since September, as embattled property giant China Evergrande Group’s (3333.HK) debt woes deepened,” they added.

NAI Realvest®

News & Information

January 24, 2022

Economic Crunch in China Because of CRE Investment Shrinkage

Reversal of Fortune

Analysts and businesspeople speaking to the media say that money flows into property investment products have been shrinking in recent years, because of the state's attempt to regulate and "curtail shadow banking".

In comparison, investment managers seem to be looking to bonds and other vehicles. The longevity of this trend is, however, an unknown, and can be interpreted as reactive off the back of the general regulation push in the Asian market giant in the past year. Still, business is cautiously urging the government to reconsider the moves or implement mitigation strategies.

Silver Linings

The positive, according to Bloomberg, is that some local analysts expect the "slump to be less harsh than previous ones" because low inventories are expected to keep demand relatively higher.

Responding to the news, Oxford Economics released an advisory note that said: "The relatively low stock of unsold housing limits the risk of a major downturn. We think the most likely scenario is a contained short-term downturn."

1800 Pembrook Drive, Suite 350 | Orlando, Florida 32810
+1 407 875 9989

www.nairealvest.com