

# Chart of the Day



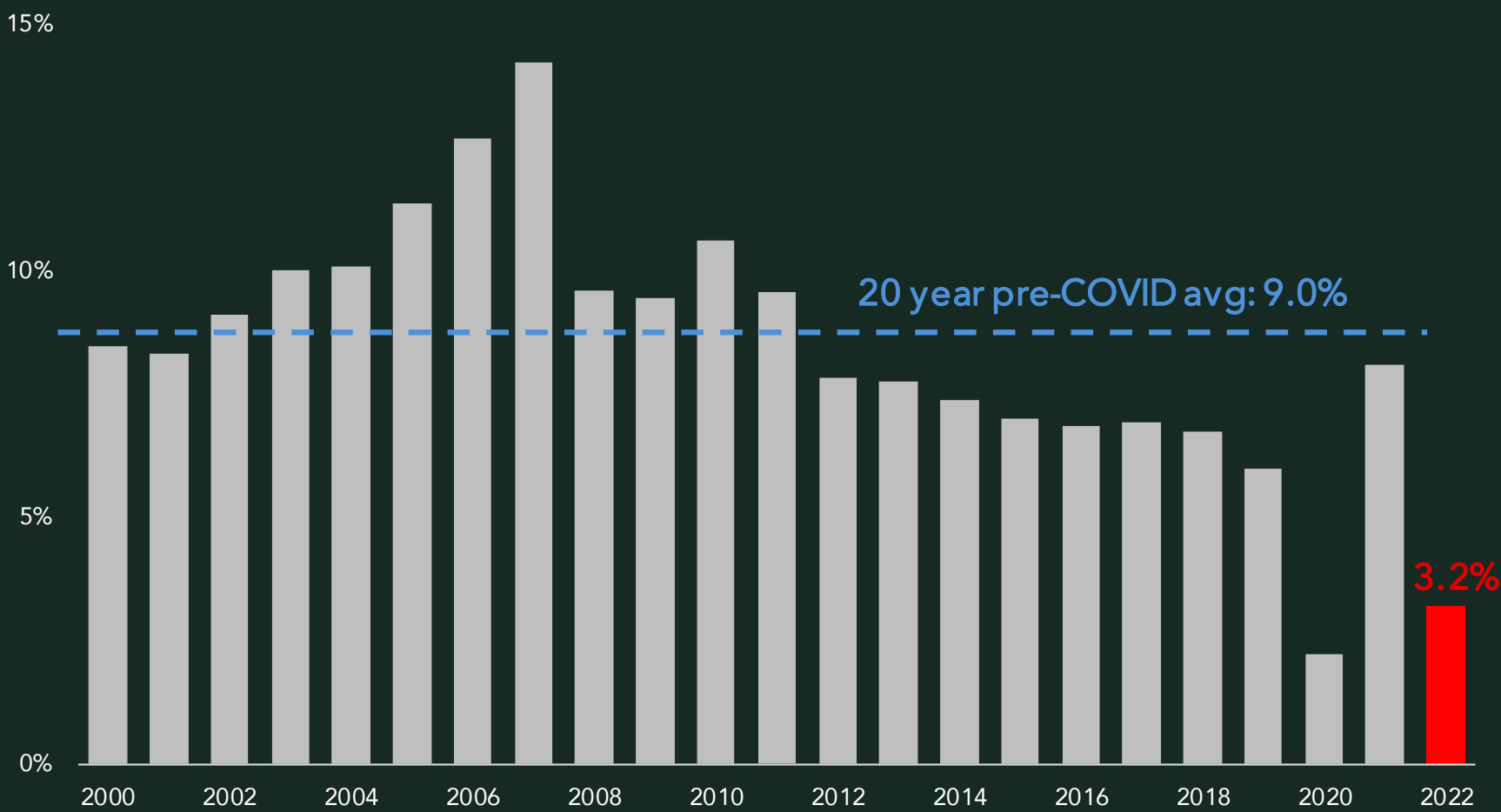
In an important political year for Xi Jinping, China's growth has plummeted to the lowest levels in decades. A strong government sector, albeit with questions on policy effectiveness, and a weak private sector, are likely to persist as long as COVID policy uncertainty continues. Policy divergence (easing) should ensure continued RMB weakness for the rest of this year.



## Key Drivers of China Slowdown

- Domestic property sector (excess supply, developer defaults, mortgage boycotts)
- Zero COVID policy uncertainty
- Tepid Chinese consumer
- Weak export momentum (weak global GDP, high inflation, pivot to services)
- Slow progress on productivity-enhancing reforms (SOEs, debt)
- Limited effectiveness of monetary and fiscal policy (local gov't, weak demand)
- US-China policy tension & decoupling

## China GDP growth, y/y



Source: (1) Oxford Economics. Data as of August 19, 2022.

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