

EPISODE
380



CHINA'S GOLDEN DEPRESSION ROLLS ON

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Agenda: China's golden depression

- Nominal economic growth crash
- Endless property crash
- Extend and pretend
- Income growth slowing
- Deflation everywhere
- No pivot to consumption
- No end in sight

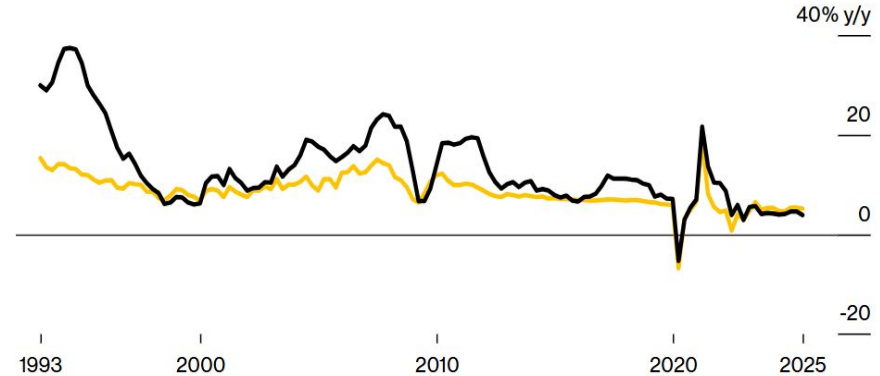
Nominal growth crash

- Chinese nominal growth has crashed from an average of 10% pre-COVID to 4% post-COVID.
- Nominal growth is the economy we live in. This matters to living standards.
- Low nominal growth makes it harder to pay off debt as raw income growth slows.

China Sees Worst Nominal GDP Growth Outside Pandemic

Nominal growth was much slower than headline figure of real GDP in 2Q

✍ Nominal GDP ✎ Real GDP

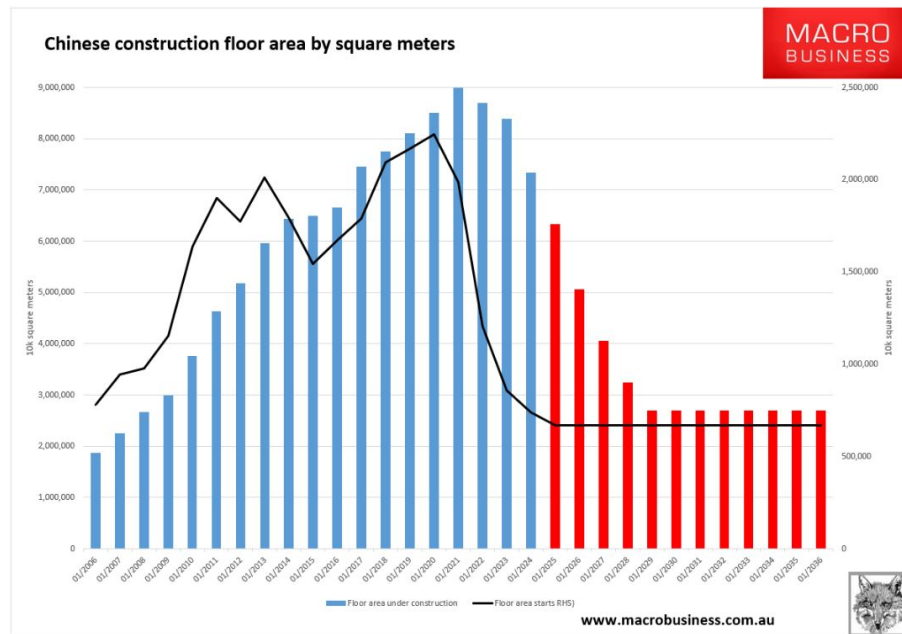


Source: National Bureau of Statistics, Bloomberg

Note: Nominal growth rate was calculated based on current price GDP data published by the NBS.

Endless property crash

- Primary market sales are down by half.
- Primary market starts are down by three-quarters.
- Primary inventory down, but secondary market up. More price falls.
- No end in sight as the Great Overhang of China has five more years to run.
- Likely stimulus is to absorb the inventory of half-built and unsold hulks, not to build more.



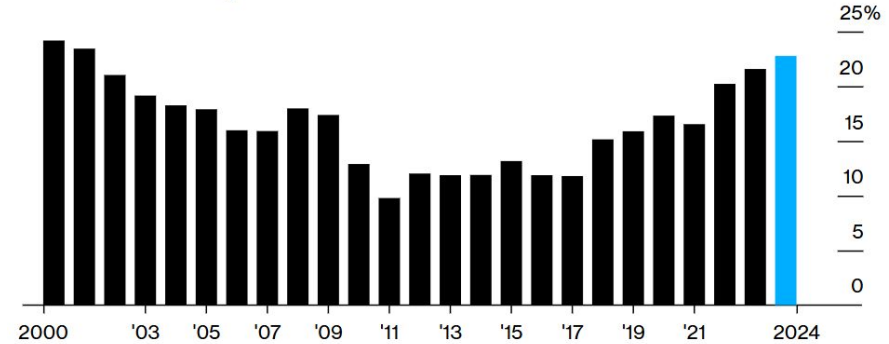
Extend and pretend

- Extend and pretend over financial crisis.
- Costs shifted to the economy from banks.
- Economic stagnation as bad loans accumulate.

China's Industrial Sector Plagued by Worsening Profitability

Share of loss-making firms at the highest level since 2001

■ Share of loss-making industrial firms



Source: National Bureau of Statistics, Bloomberg

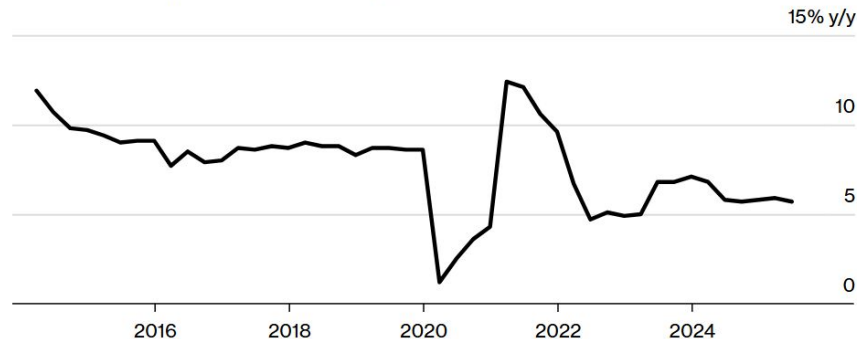
Wage growth slowing

- Real wage growth is slowing.
- Using GDP deflator, it is down to 4%.
- Arguably, the deflator is too high with the PPI at -3.6%.
- This is a big step down for aging Chinese households.

China's Official Wage Growth Remains Weak

Official data on salary expansion rate still far below pre-pandemic level

✓ Household disposable income from wages

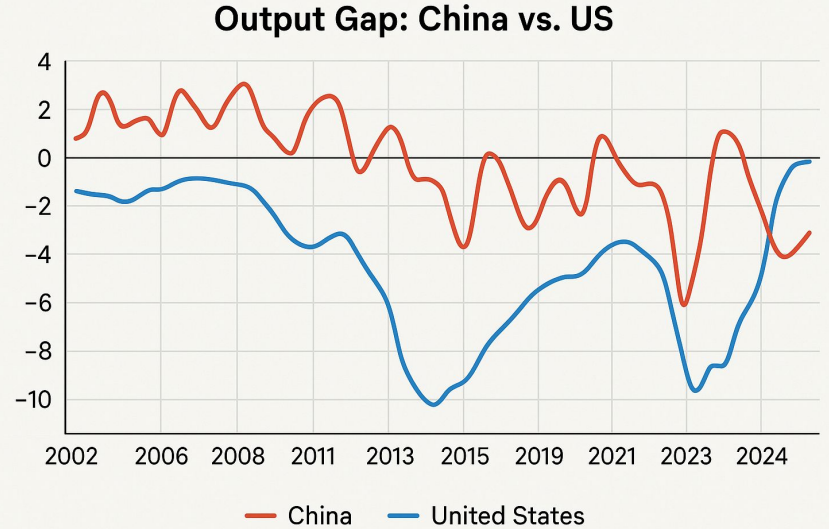


Source: National Bureau of Statistics, Bloomberg

Note: Growth rate is calculated based on nominal wage data published by the NBS.

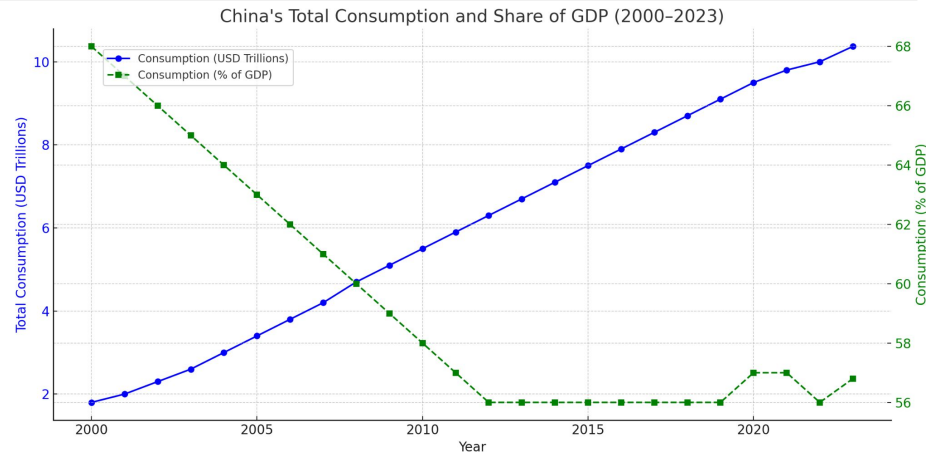
Deflation everywhere

- Overcapacity huge: steel, cars, renewables, consumer goods.
- Wholesale deflation everywhere.
- No end in sight.



No pivot to consumption


- Overcapacity huge.
- Wholesale deflation everywhere.
- Consumption growth has slowed and is barely keeping pace with GDP.
- Very much fiscal- not transfer-driven, so unsustainable.
- Bridges to nowhere instead of negative real interest rates. Same mistake as Japan.
- CCP greed and fear.





Investment implications


- China stagnation not crisis, unless US has a debt crisis, which is unlikely.
- No end in sight, so expect tariff wars to escalate.
- Inflation is sticky in tariff nations. Deflation in non.
- Geopolitical volatility to rise.
- AUD terminally weak.
- ASX avoid miners on falling steel.
- AUD bonds good, if you can navigate Trump. Stay at short end.
- Aussie real estate boom on needless immigration and falling cash rate.


Choose themes to screen from your portfolio away from (i.e. remove stocks)


Climate Change



War



Human Rights



Health


Vices


Animal Rights


Religion


Asset Class


Thematic


Climate Change

- ☐ No Fossil Fuels (Worst Offenders) ⓘ
- ☐ No Fossil Fuels (Any) ⓘ
- ☐ No Coal Seam Gas or Fracking ⓘ
- ☐ No Nuclear Power ⓘ
- ☐ No Old Growth Forest Logging ⓘ

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

| | | | | |
|----------------|----------|--------------|----------|-------|
| Climate Change | War | Human Rights | Health | Vices |
| Animal Rights | Religion | Asset Class | Thematic | |

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Tilts

You can add the below to customise your portfolio

| | | | |
|--------------------------|----------------|------------|--------------|
| Investment Style Factors | Climate Change | Technology | |
| Consumption | Commodities | Military | GICS Sectors |

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



Personalise your portfolio now >



Build Your Portfolio

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Investment Choice

Risk Profile

Build Your Portfolio

Ethical Overlay

Review

Applicants

Bank Details

Compliance

Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

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