

Macro Roundup Article

Headline: [Pettis On China's Export Strategy](#)

Article Link: <https://twitter.com/michaelxpettis/status/1720309803799503050>

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Tweet: Noting manufacturing is 27% of China's GDP relative to 18% of global GDP, @michaelxpettis argues that China's aggressive export strategy will likely drive increased political stress around trade policy particularly in Europe.

Summary: Chinese policy-makers are trying to prevent property-sector contraction from forcing them to cut back on overall investment by shifting investment from the degraded property sector towards manufacturing. But manufacturing already accounts for an outsized 27% of China's GDP, compared to 14% for the rest of the world, and absorbs a huge amount of low-cost investment. What's more, its biggest constraint is weak demand, not scarce capital. What is more, while expansion in property must be absorbed internally, expansion in manufacturing can only be absorbed internally if there is an equivalent expansion in consumption. Otherwise, it must be absorbed by the rest of the world. China comprises roughly 18% of global GDP but already accounts for 30% of global manufacturing. If manufacturing replaces property as the engine of economic activity, this suggests China's share of global manufacturing must rise faster than its share of global GDP. Related: EU To Launch Anti-Subsidy Probe into Chinese Electric Vehicles and China's Auto Export Wave Echoes Japan's in the '70s and Breaking Down China's Manufacturing

Primary Topic: China

Topics: China, GDP, Op-Ed/Blog Post, Trade (not deficits)

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