

Macro Roundup Article

Headline: [What if China Manufactures a Sugar High?](#)

Article Link: <https://libertystreeteconomics.newyorkfed.org/2024/03/what-if-china-manufactures-a-sugar-high/>

Author(s)	Ozge Akinci, Hunter Clark, Jeff Dawson, Matthew Higgins, Silvia Miranda-Agrippino, Ethan Noy
Publication	Federal Reserve Bank of New York
Publication Date	March 25, 2024

Tweet: A @NewYorkFed analysis argues that higher-than-expected growth in Chinese manufacturing driven by credit expansion would likely drive meaningful upward pressure on U.S. inflation through rising global commodity and intermediate goods prices.

Summary: We believe any period of manufacturing-led growth would prove unsustainable over the medium term—thus our characterization of the scenario as involving a “sugar high.” A sustained focus on manufacturing will lead to low returns and a new cycle of bad debt. The scope for manufacturing-led growth will also be limited by trading partners’ willingness to absorb a new flood of Chinese products. In this connection, China’s manufacturing trade surplus now stands at a massive \$1.6 trillion, more than 10% of GDP. Our sugar-high scenario assumes that there will be no new restrictions over the near term. The materialization of this upside scenario could generate persistently higher inflation in the U.S. over the next two years. The boost in Chinese demand generates higher demand for foreign goods, including both final goods and intermediate inputs. This pushes up U.S. exports while generating significant upward pressure on global commodity and intermediate goods prices. Related: China’s Record Manufacturing Surplus and A Second Dose of Trump On Trade Would Differ From The First and China’s Excess Savings Are A Danger

Primary Topic: Inflation

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

Permalink: <https://www.edwardconard.com/macro-roundup/a-newyorkfed-analysis-argues-that-higher-than-expected-growth-in-chinese-manufacturing-driven-by-credit-expansion-would-likely-drive-meaningful-upward-pressure-on-u-s-inflation-through-rising-global?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/03/Notable-Rotation-In-Credit-Allocation.png>