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Macro Roundup Article

Headline: Setser On Rumors Of Decoupling

Article Link: https://twitter.com/Brad_Setser/status/1593286530797289472

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Tweet: Large scale decoupling isn't showing up in the Chinese trade data. Chinese exports to the US rose to 2.5% of GDP in Q3 ‘22, up from about 2.25% on average from 2010 to 2018. @Brad_Setser

Summary: I don't think there has been much of a shift in global supply chains out of China. If you trust the Chinese data -- the Chinese data here may be better, as the US data is influenced by tariff avoidance -- US imports from China are slightly higher (as a share of GDP) than before the trade war. China's overall data tells a story of the reglobalization of China's economy after the pandemic. Exports to GDP had been trending down from 2010 to 2018 -- but have moved up strongly in the past year. And there is no sign that the G-7 has already decoupled from China as a source of supply! (imports from China have boomed in the last 3 years) So decoupling, in my view, is a forecast -- not a current reality. The pandemic increased the world's reliance on China as a source of manufactured supply and increased China's reliance on exports for demand!

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Primary Topic: Savings Glut/Trade Deficit

Topics: China, Savings Glut/Trade Deficit

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