Macro Roundup Artcile

Headline: What Happens in China Does Not Stay in China

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Summary: Panel A in figure 1 illustrates the credit impulse as a share of China's GDP. It highlights that the Chinese authorities have long used credit to stabilize the economy as they have long faced a tradeoff between strong economic growth and financial stability objectives. That said, the GFC stands out as a period of massive credit stimulus, amounting to 25% of GDP. To size China's credit measures in a global context, panel B in figure 1 illustrates China's credit impulse as a share of global GDP. It shows that prior to the GFC, China's credit measures represented a small share of global GDP. However, with China's rise in the global economy, the quantitative importance of China's credit policies has risen as well. Indeed, China's last three stimulus episodes each accounted for around 1.5% of global GDP.

Primary Topic: Business Cycle

Topics: Business Cycle, Data, Fiscal Policy, GDP, Government Spending, Government/NGO

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