

Global Macro Outlook 2020 – China in 2020

How will China's economy perform in the year ahead?

At the end of 2019, economic data out of China began to show some important improvements and that's a critical part of our “better 2020” macro environment narrative.

Global markets of course have taken note improvements in China mean better global trade activity, more global manufacturing, plus a variety of monetary and fiscal stimulus measures do appear to be providing some important support. But in our view, the biggest risk to the global economy in 2020 is renewed weakness in China.

This is an economy that continues to suffer from a host of issues. Two in particular: for one, the recovery in China's property market appears shallow. It isn't likely to provide the support to the Chinese economy that we witnessed during 2013 or 2016, and secondly, we expect financial conditions will continue to remain tight as Beijing focuses on reigning in credit fueled stimulus, moving away from monetary policy.

For the Asia region as a whole, a tepid recovery in China, weak Chinese demand implies an “L-shape” recovery as opposed to the strong resurgence of growth that we might've seen in past cycles. It also means that the Asian economy is likely to lag the European and U.S. improvements.