

International business

Business



Teacher Summary: Understanding China Slowdown For decades, Chinese economy had been bullish consistently registering almost a double digit growth. The bullishness of its economy even resulted to overtaking Japan as the second largest economy in the world. Everybody thought that it will last forever, until recently. Signs of Chinese economy slowdown has been seen with several indicators hinting that the Chinese economy is not on its usual robust self. One of the most telling signs of Chinese economic slowdown is the inventory of steel is up by 39% indicating that there is a decline in construction activities. Vehicle and real estate consumption was also in a decline falling 1.3% in January with an 80% vacancy in the tourist destination of Haikou and Sanya indicating that there is not much extra cash floating around.

The reason attributed behind the Chinese economic slowdown is the lessening of its stimulus spending. The latest stimulus program that had been implemented was three years ago and Chinese authorities are not seemed keen on implementing another stimulus spending again. It is now seemed aware that the previous stimulus spending activities resulted in overbuilding that they are now cautious to overspend so as not to add to the already massive overcapacity of the Chinese economy that would run the risk of overheating.

As an alternative, the Chinese government are encouraging investment from private enterprises. Although it is not admitting that it is wary of the seeming decline of its growth, China is now more concern with maintaining its growth so that it will not slide to a decline.

Reference

Roberts, Dexter (May 31, 2012). Understanding the China Slowdown.
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