

# Slowing China is a manageable risk for Canada

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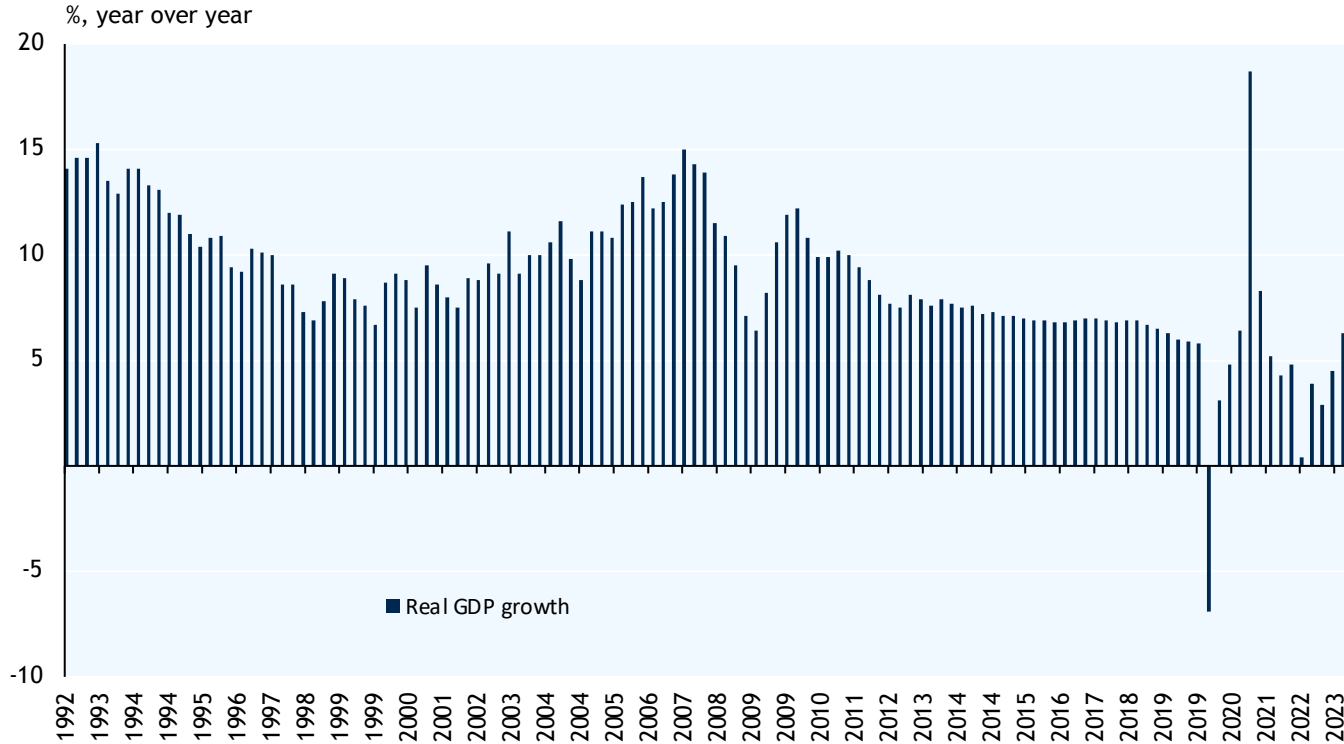
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## Growth in Chinese economy losing steam

# Growth in Chinese economy losing steam

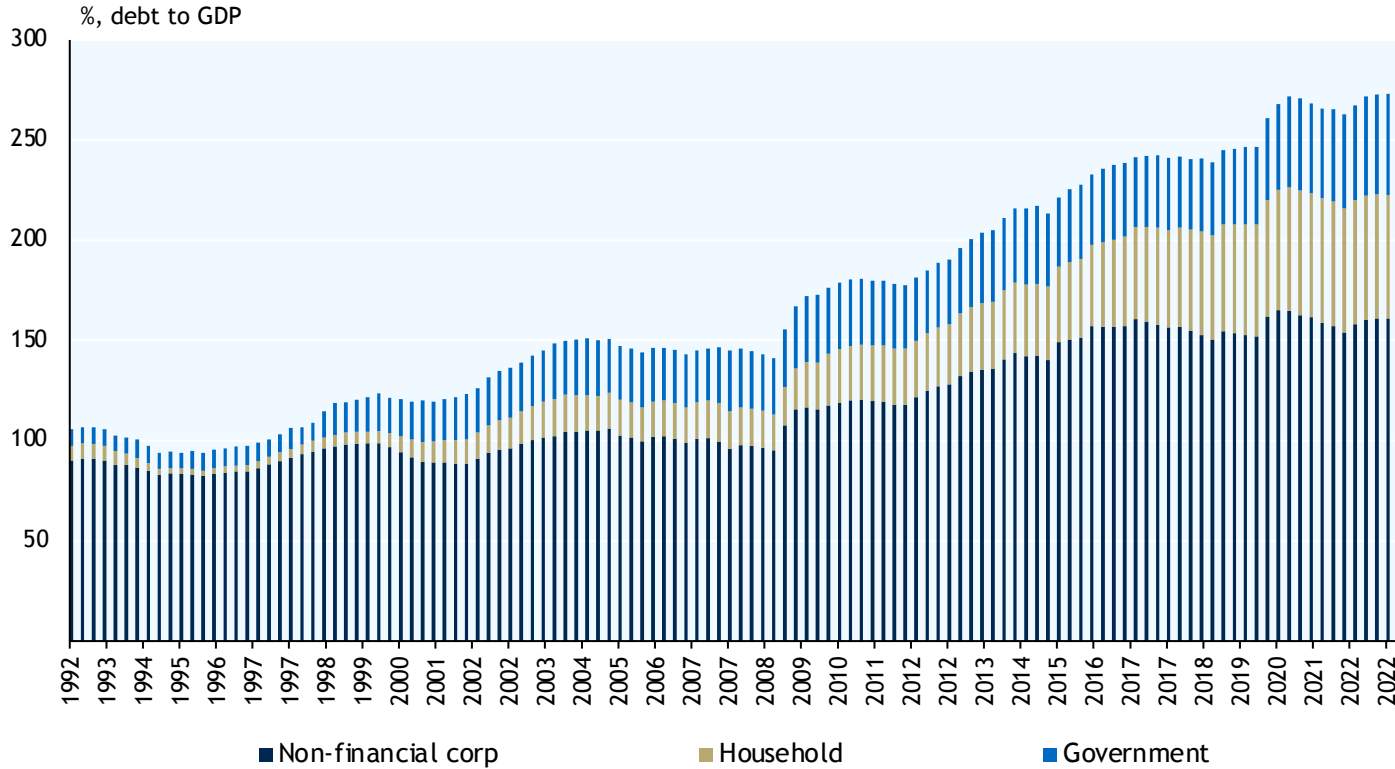
## China's economic growth



Source: China National Bureau of Statistics, RBC Economics

# Debt levels are mounting in China

## China's debt to GDP by sector

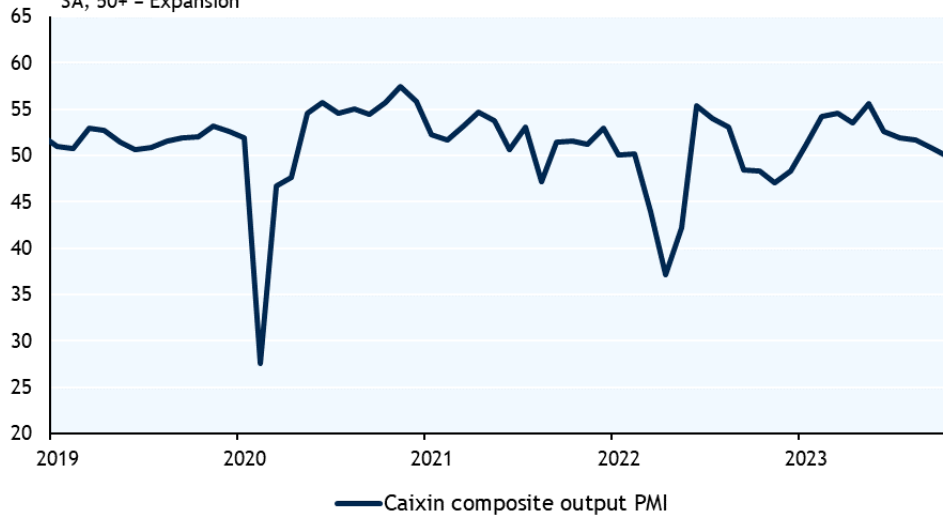


Source: Center for National Balance Sheets, RBC Economics

# Sentiment cooling among firms & consumers

## Composite PMI index signals lower output

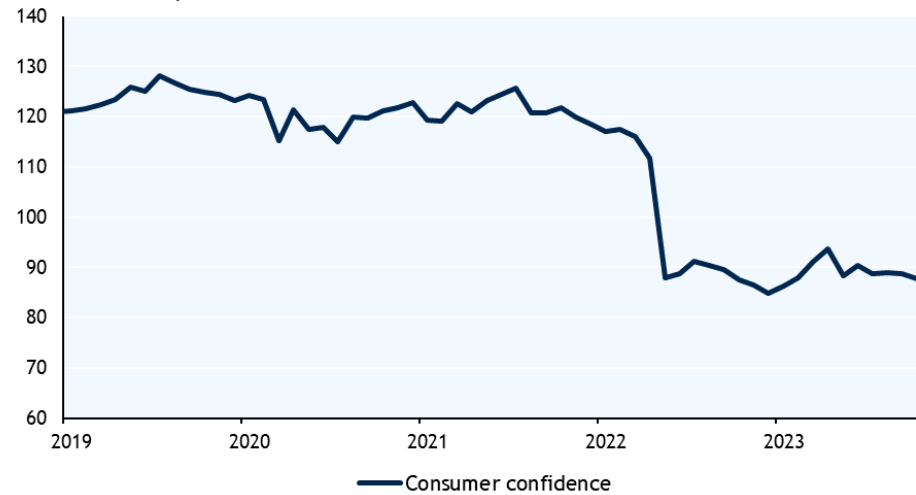
SA, 50+ = Expansion



Source: Caixin, S&P Global, RBC Economics

## Consumer confidence tanking in China

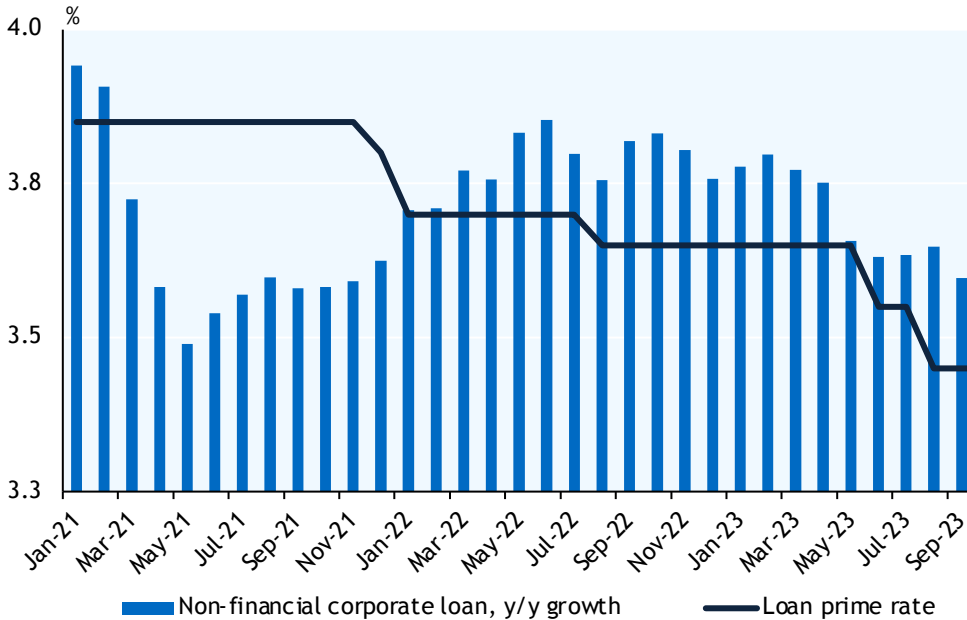
SA, 100+ = Optimistic



Source: China National Bureau of Statistics, RBC Economics

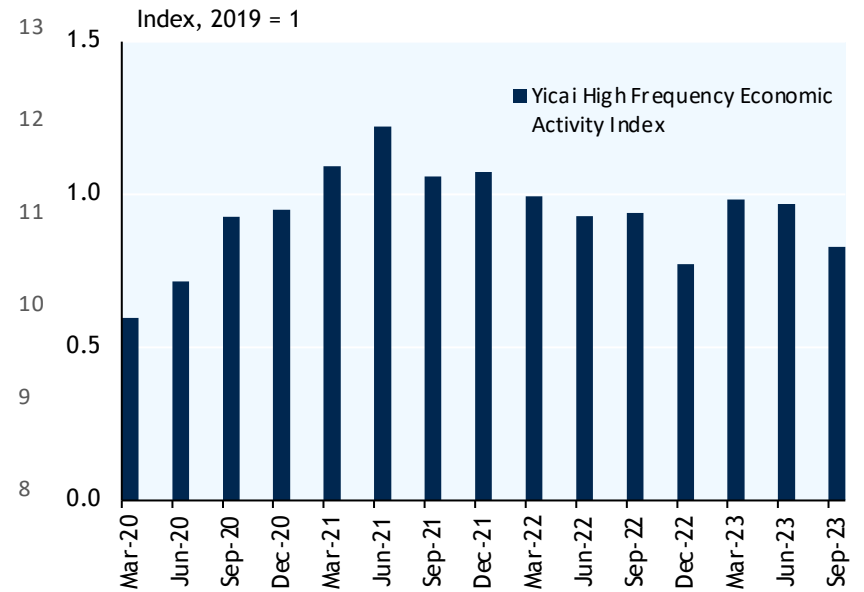
# Borrowing softening among other indicators

## Corporate loans and interest rates in China



Source: China National Bureau of Statistics, PBoC, RBC Economics

## High frequency economic activity index



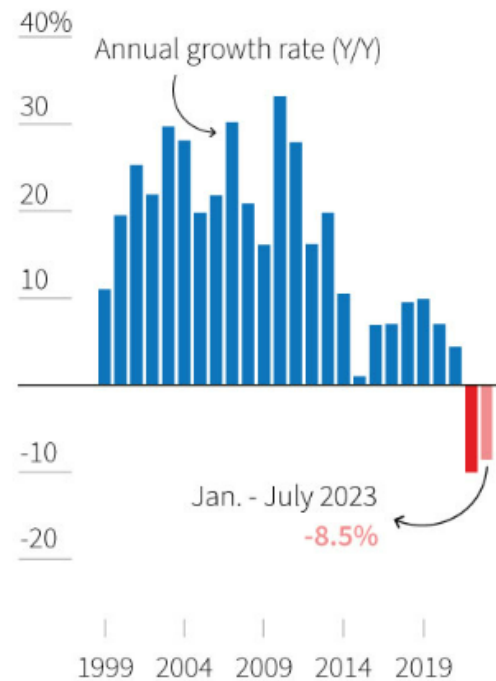
Source: Yicai Research Institute, RBC Economics

# Risks related to property sector piling on

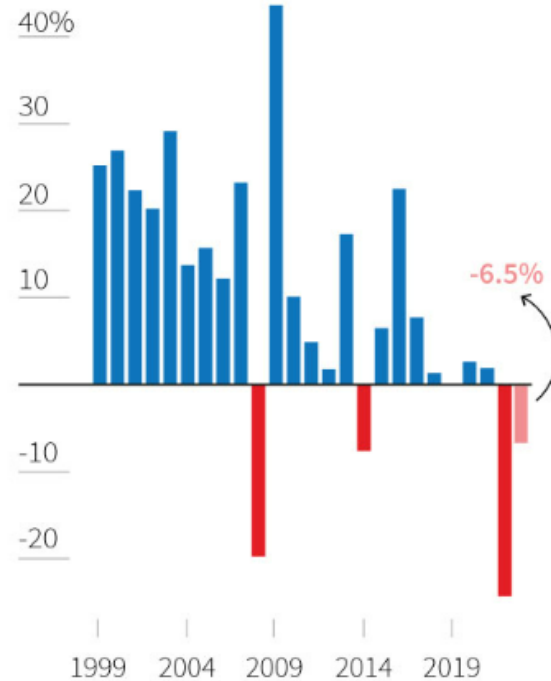
## China property sector slump

China's property investment, sales, and funds raised by property developers slid in January - July 2023 after a sharp fall in 2022.

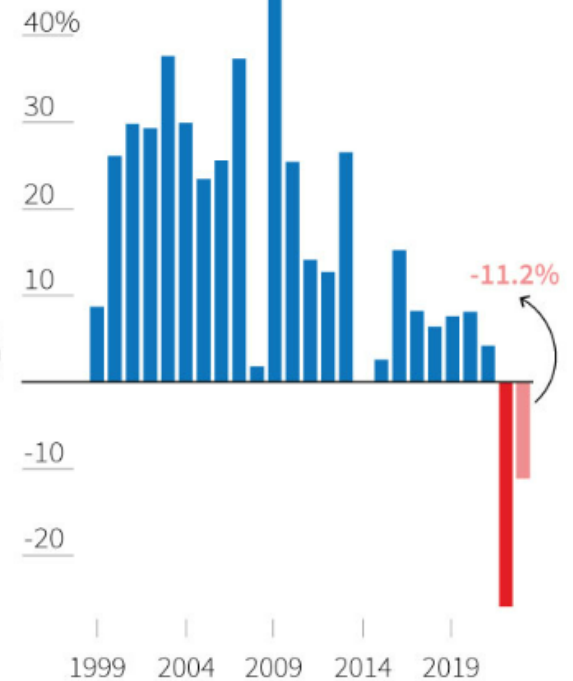
**PROPERTY INVESTMENT**



**PROPERTY SALES BY FLOOR AREA**

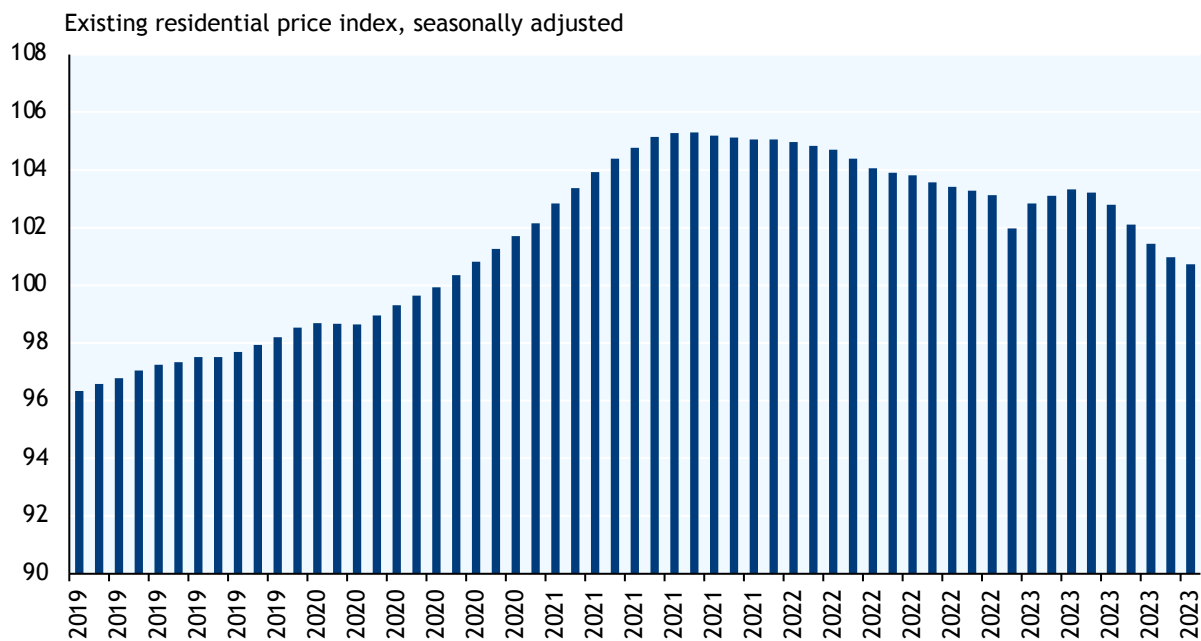


**FUNDS RAISED BY DEVELOPERS**



# Home prices pulling back moderately

## Existing home prices in China

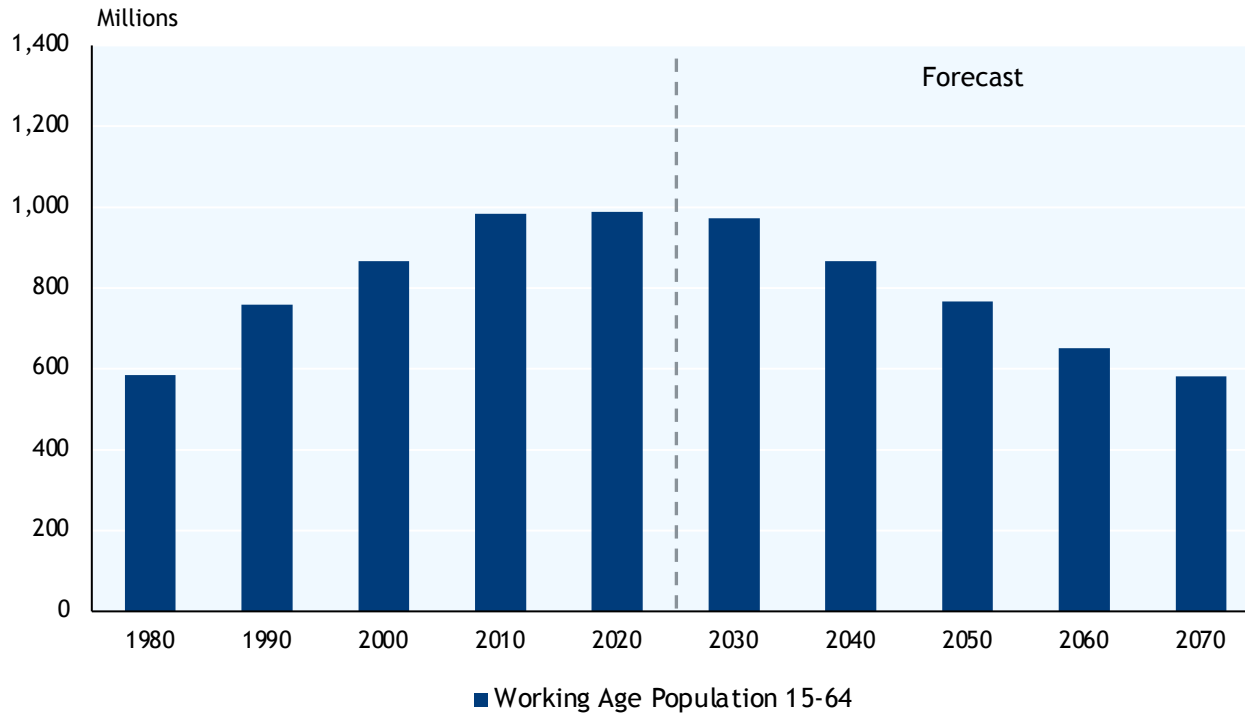


Source: China National Bureau of Statistics, RBC Economics



# Structural demographic headwinds looming

## China's working age population



Source: United Nations, RBC Economics

Slowing China in the short-run is a manageable  
risk for Canada

# Canada-China trade has grown significantly

## Canada's goods and services trade with China

billions of C\$

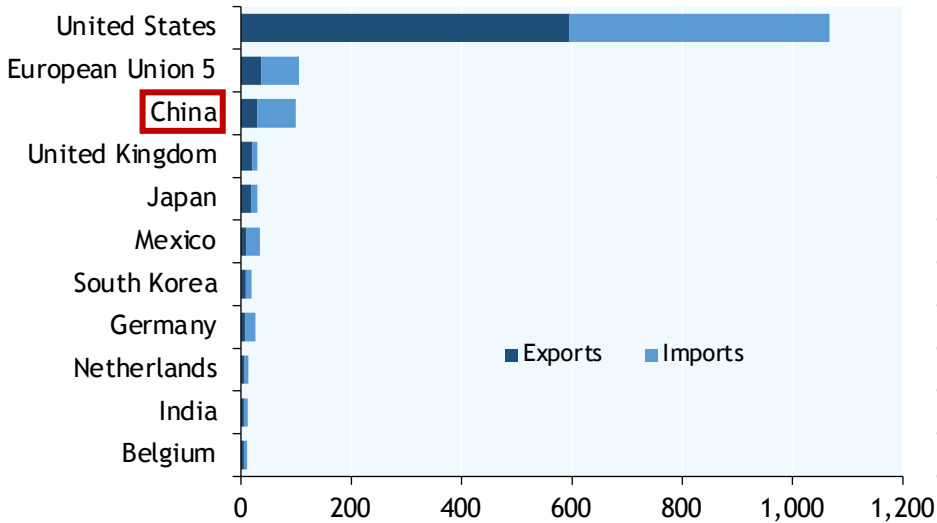


Source: Statistics Canada, RBC Economics

# Direct trade ties with China are limited

Canadian bilateral merchandise trade

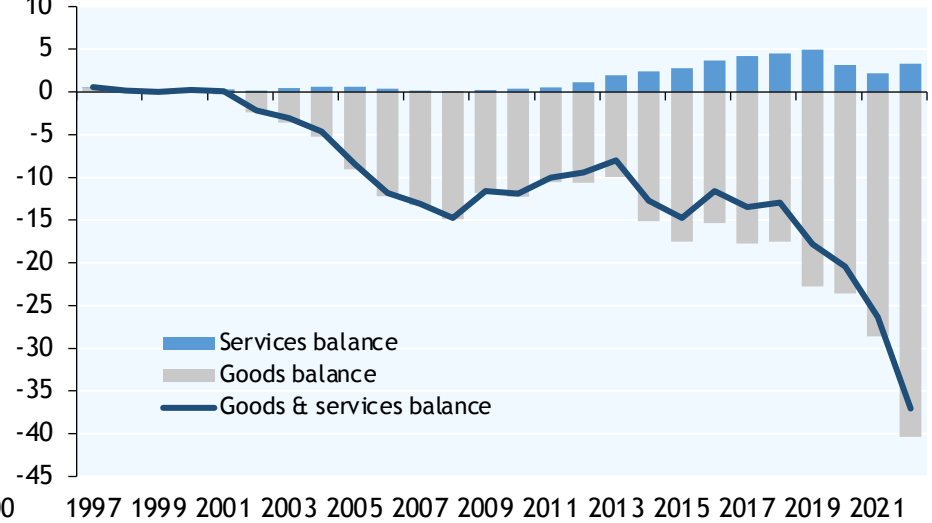
2022, billions of C\$



Source: Statistics Canada, RBC Economics

Canada's goods and services trade balances with China

billions of C\$

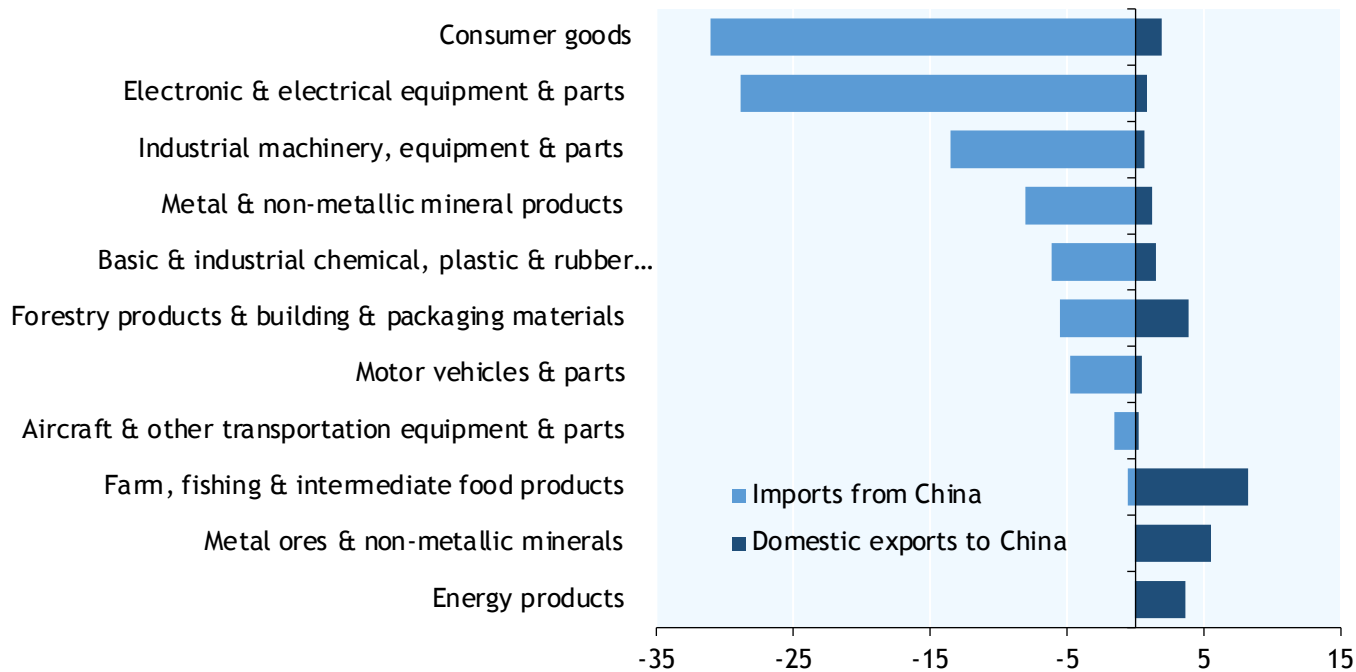


Source: Statistics Canada, RBC Economics

# Targeted exposure to slowing Chinese demand

## Canadian goods trade with China by product category

billions of C\$, 2022

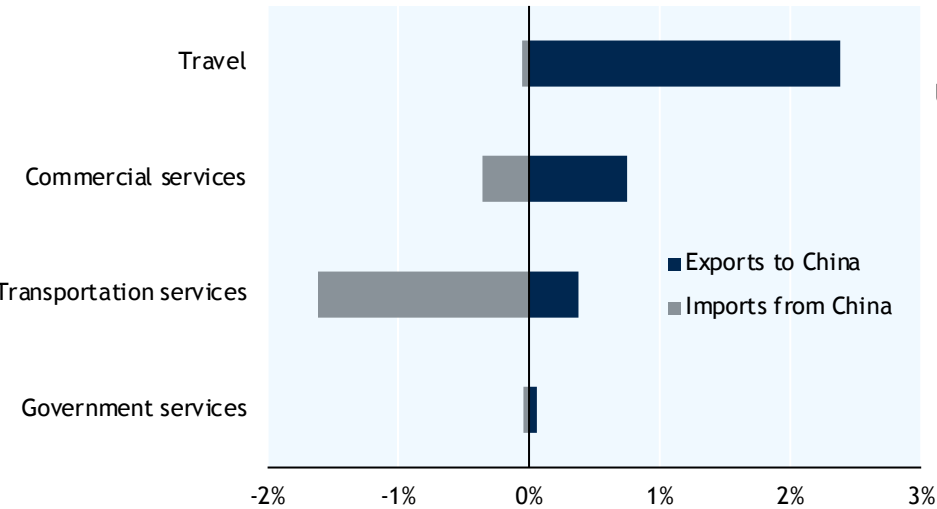


Source: Statistics Canada, RBC Economics

# Services trade and FDI aren't as significant either

## Canada-China services trade

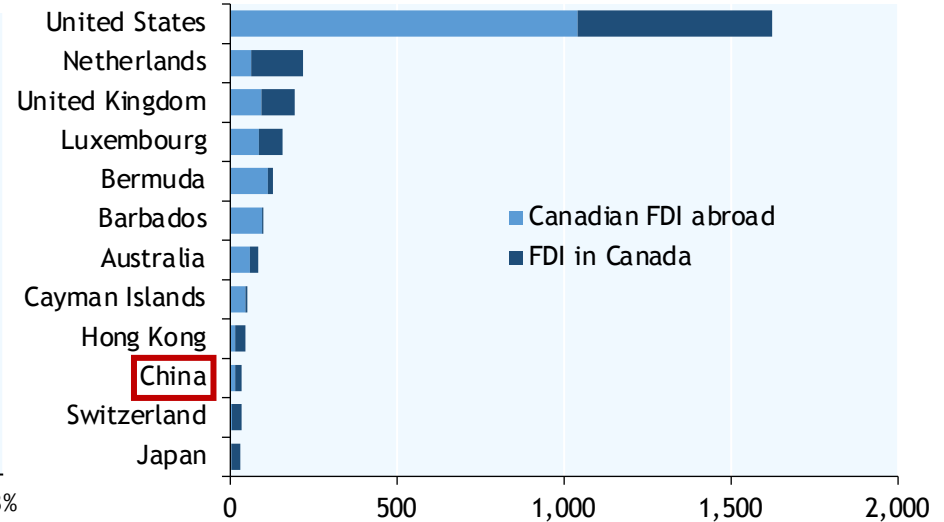
% contribution to share of total trade flows



Source: Statistics Canada, RBC Economics

## Canadian bilateral foreign direct investment

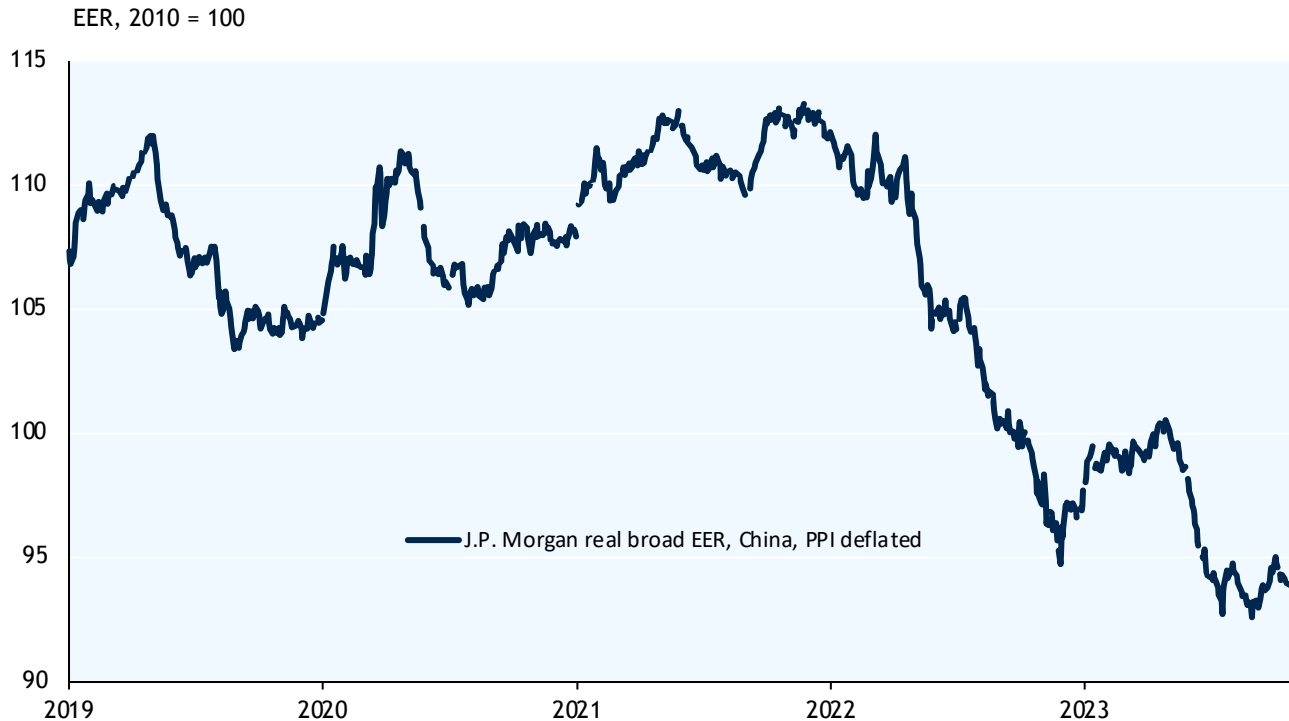
2022 stock, billions of C\$



Source: Statistics Canada, RBC Economics

# Slowing Chinese demand can be dis-inflationary for Canada

## Chinese Yuan on a trade weighted basis

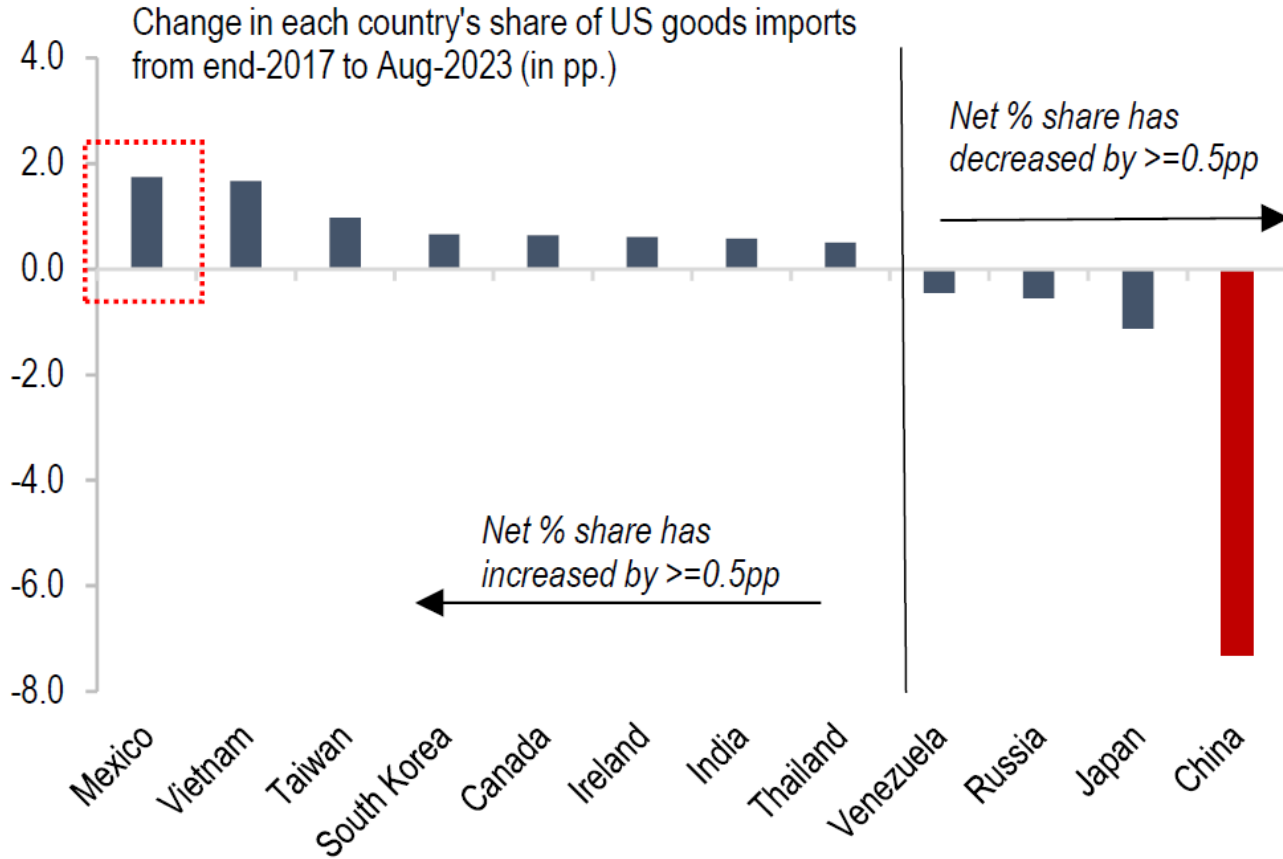


Source: J.P. Morgan, RBC Economics

Longer term decoupling won't be easy



# Not much near-shoring's been done so far

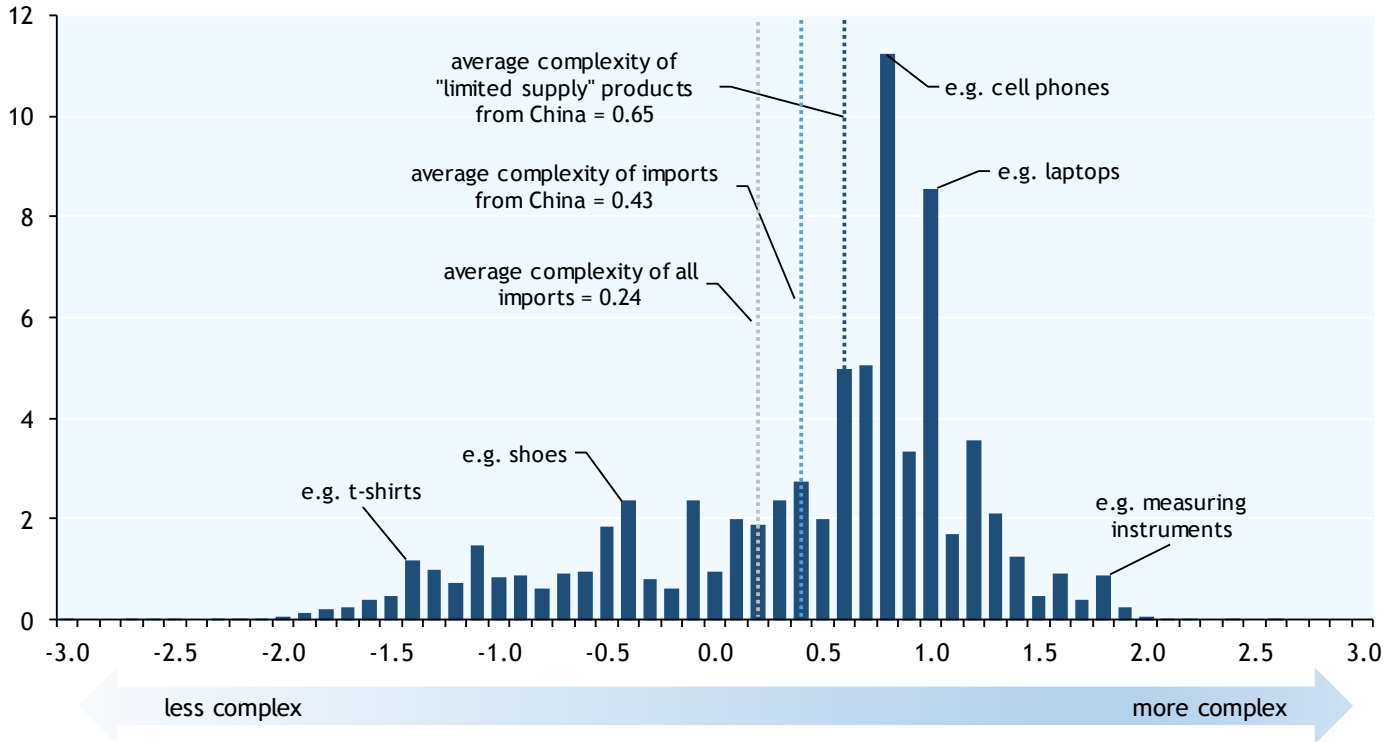


Source: RBCCM; Haver Analytics

# Imports from China rank high in complexity

## Imports from China by product complexity

imports (billions of C\$) by PCI index (average=0; standard deviation=1)

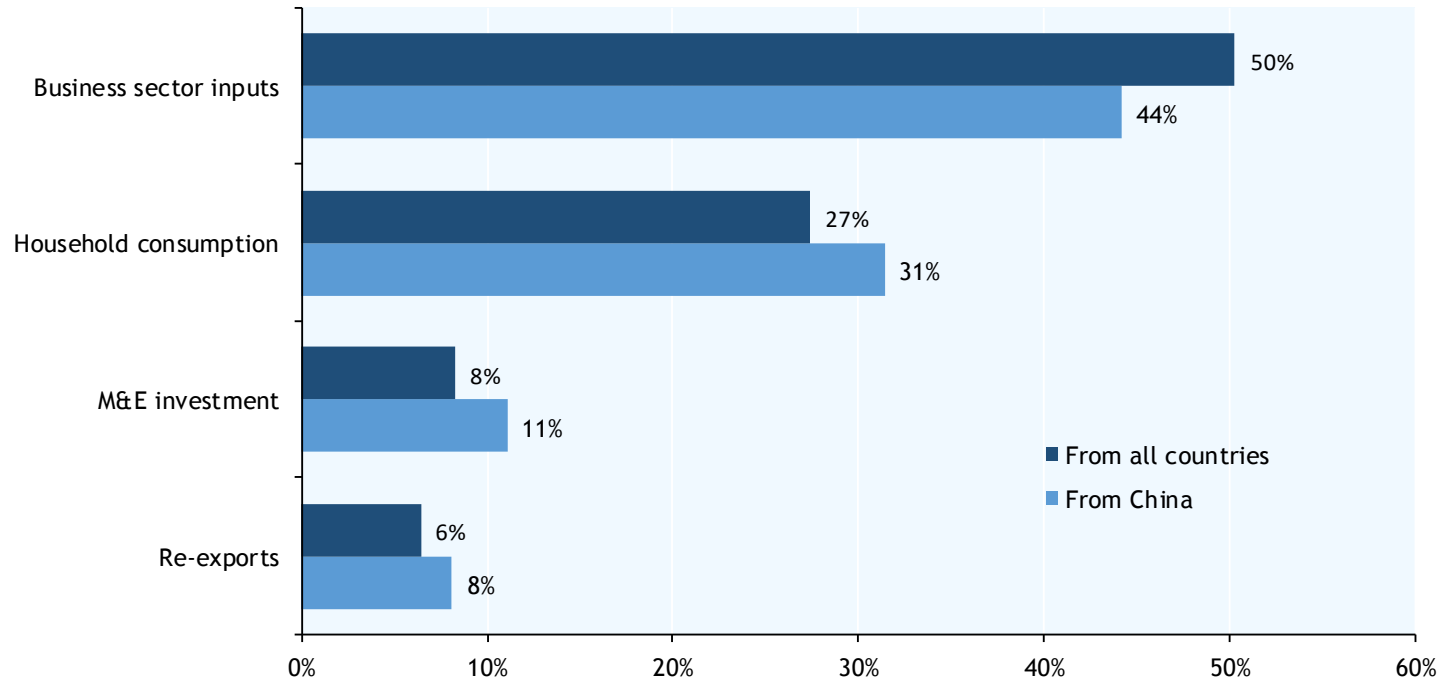


Source: Atlas of Economic Complexity, Statistics Canada, RBC Economics

# Business sector inputs led Chinese imports

## Canadian imports by category of use (top categories)

share of Chinese imports

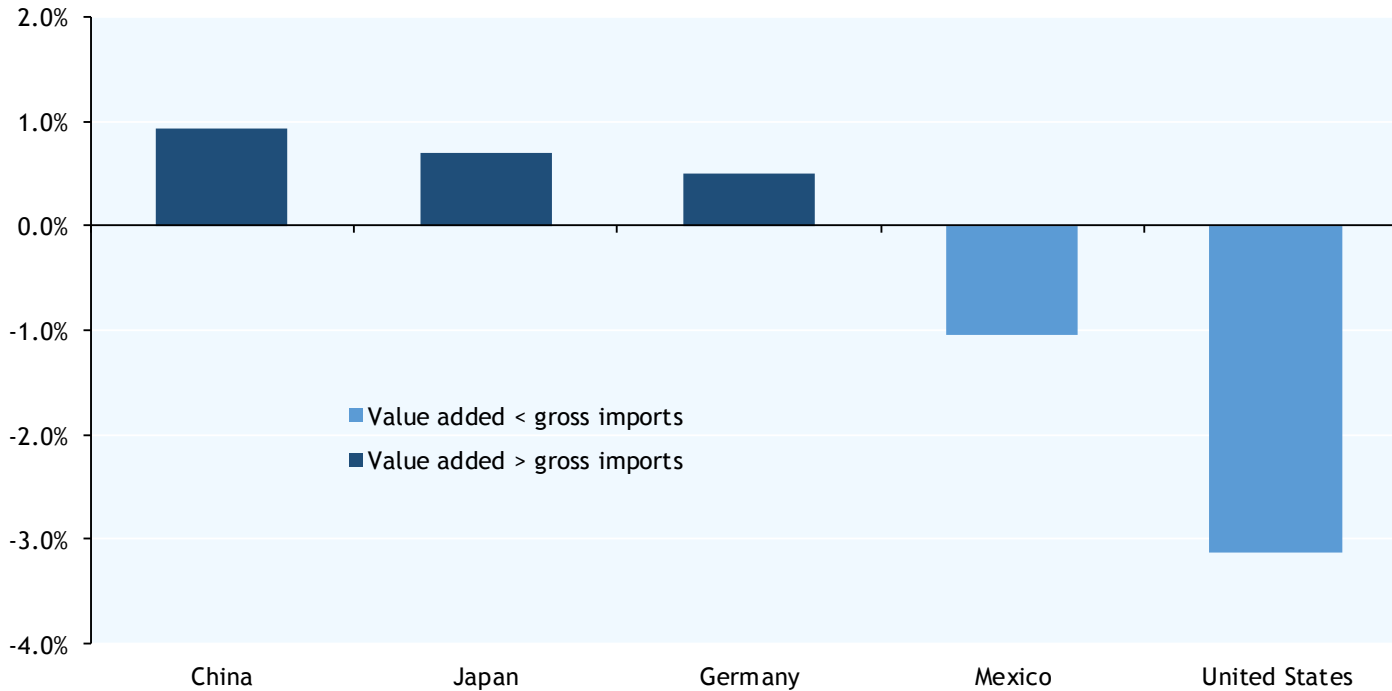


Source: Statistics Canada, RBC Economics

# Little risk from “hidden” imports

## Canada's "hidden" imports, select trading partners

value added import share less gross import share



Source: OECD TiVA, RBC Economics

**For more information please visit:**  
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