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Investments - Flash

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CHINA'S GDP IS NOT SO SENSITIVE TO TARIFFS

Chinese exports to the United States account for only 3% of GDP

China has announced economic incentives in recent months in an attempt to boost domestic demand, while the trade war with the USA rages on. China had prepared for this by adopting a much looser monetary policy, as well as measures to support domestic demand. For several months now, we have been witnessing an improvement in leading indicators and Chinese statistics, pointing both to a revival in industrial activity and to a recovery in the services sector as well. The Chinese government seems to have correctly reoriented its economy towards growth in domestic demand. The trade war is reducing expectations of Chinese GDP growth, despite a rising budget and a managed deficit of 8.5% of GDP. Household sentiment has improved, which points to a positive outlook for consumption in the near future. Construction sector indicators also seem to be benefiting from the government's support measures, which is also a vital development in the overall improvement in sentiment for the Chinese economy. Against this backdrop, the Chinese government has not hesitated to counter US tariffs and test Trump's determination. In fact, the weight of Chinese exports to the USA has become practically negligible if we calculate the impact of exports to the USA (15%) in relation to total exports and the ratio of exports to GDP (20%). A total halt in exports to the USA, without compensation, would only have an impact on 3% of total GDP. Chinese equities have been unfairly penalized by the poor stock market climate of recent weeks, and we believe they now offer better opportunities.