

Should we worry about China?

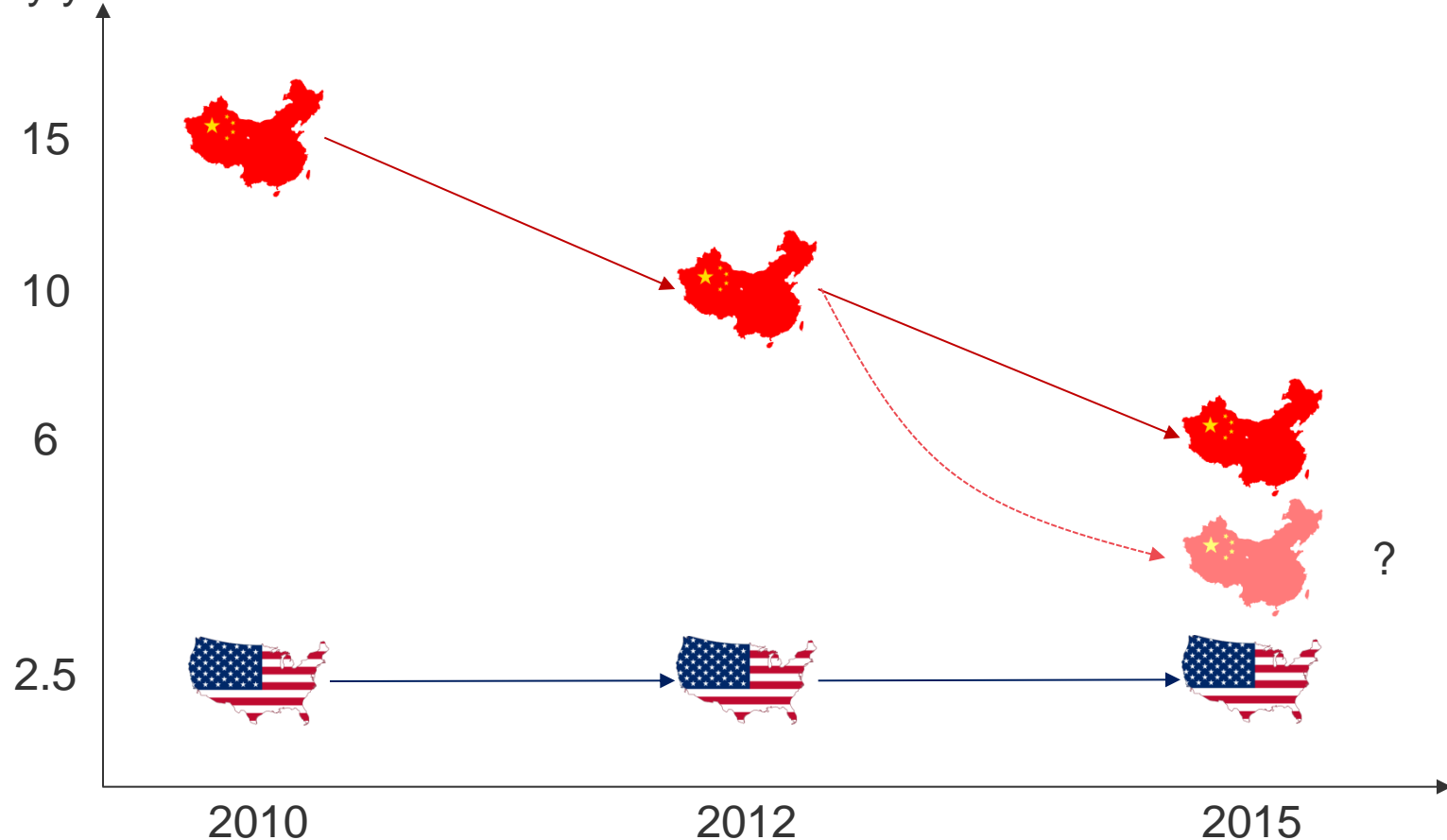
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Analyst Ole André Kjennerud, DNB Markets

China still slowing down

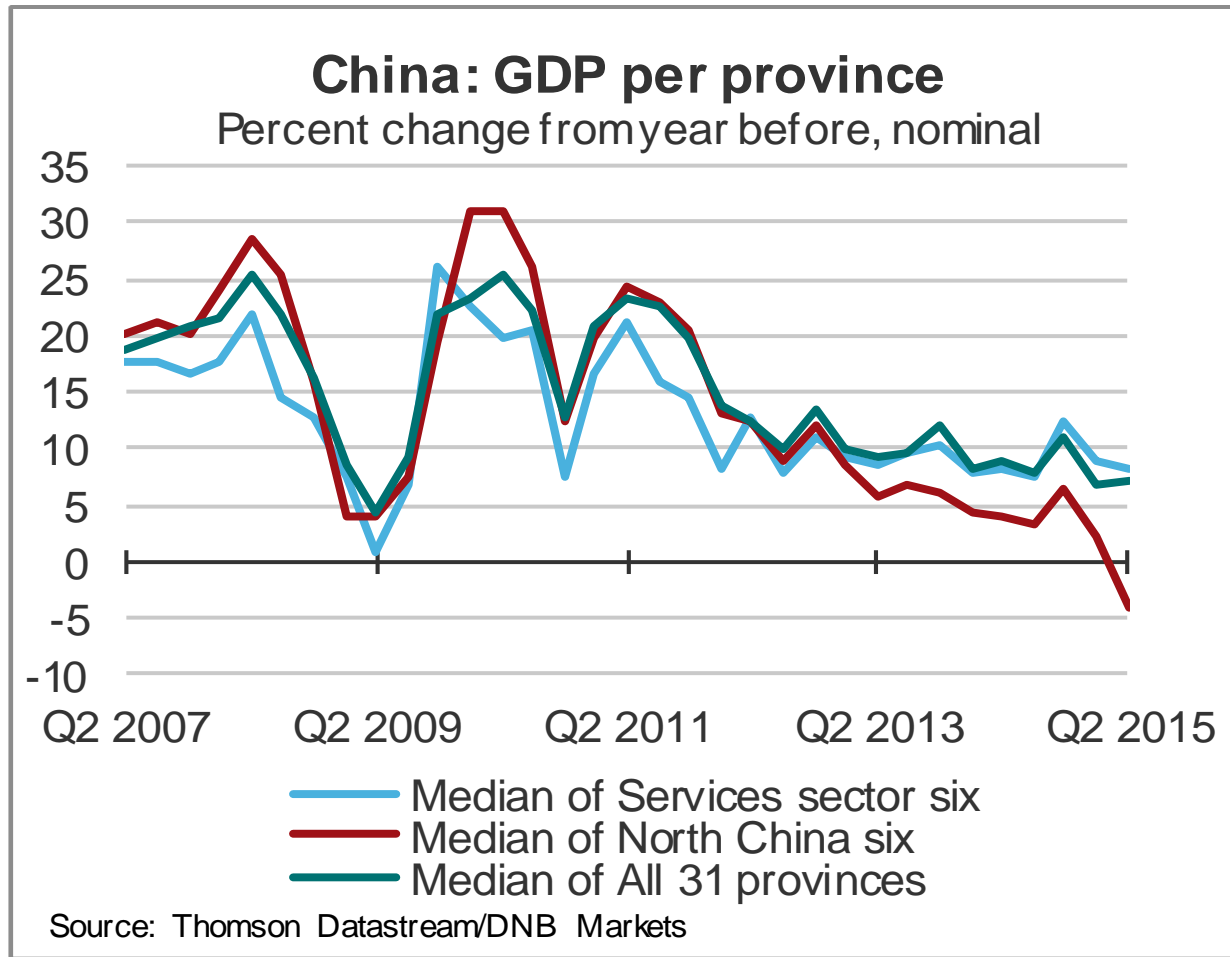
Growth might be exaggerated. If so, we are less China-vulnerable than feared

Industrial output and GDP
y/y in %



Most Chinese provinces still good

But northern areas in recession. Mining and housing-driven downturn

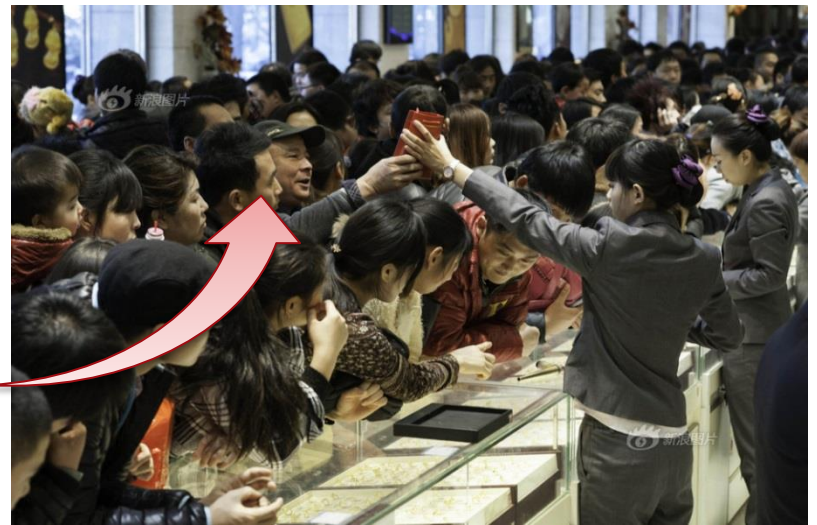


Beijing
Shanghai
Tianjin
Guangdong
Zhejiang
Hainan

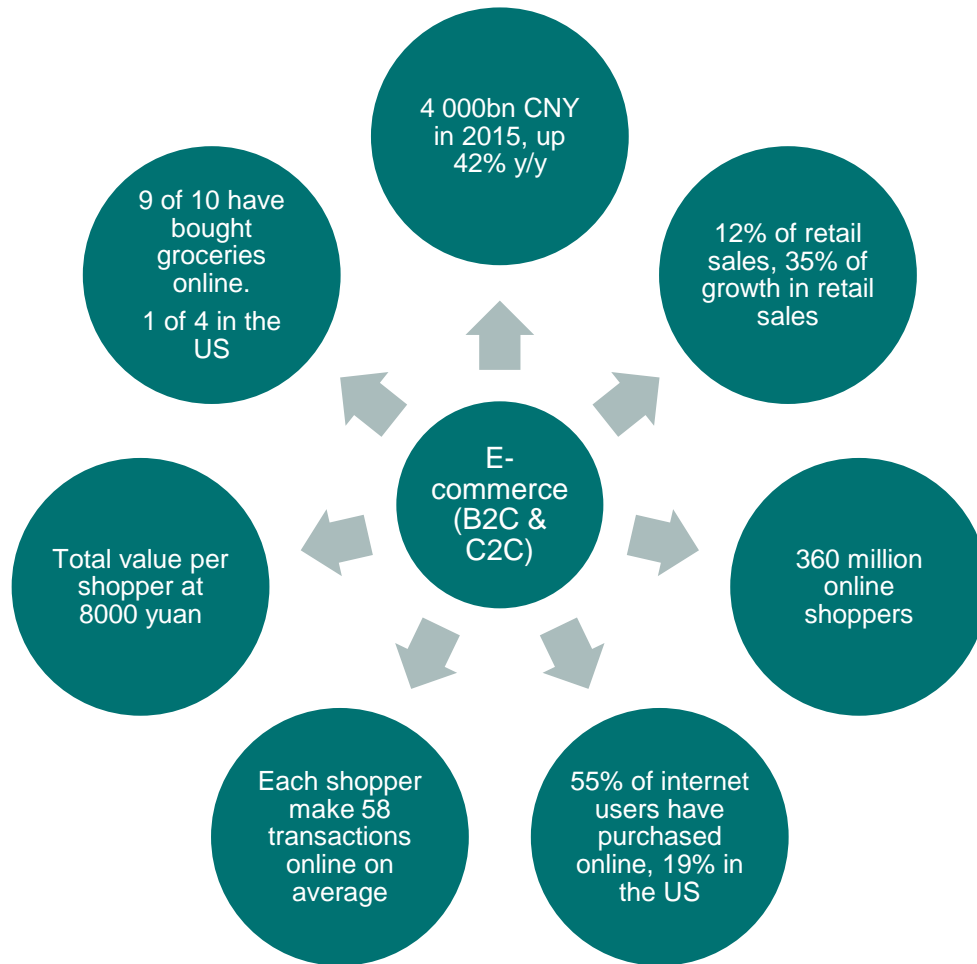
Hebei
Shanxi
Inner Mongolia
Lianing
Jilin
Heilongjiang

Rebalancing is happening

Sales revenues down 15-20% y/y in mining, up 5-10% in household articles



The e-commerce boom



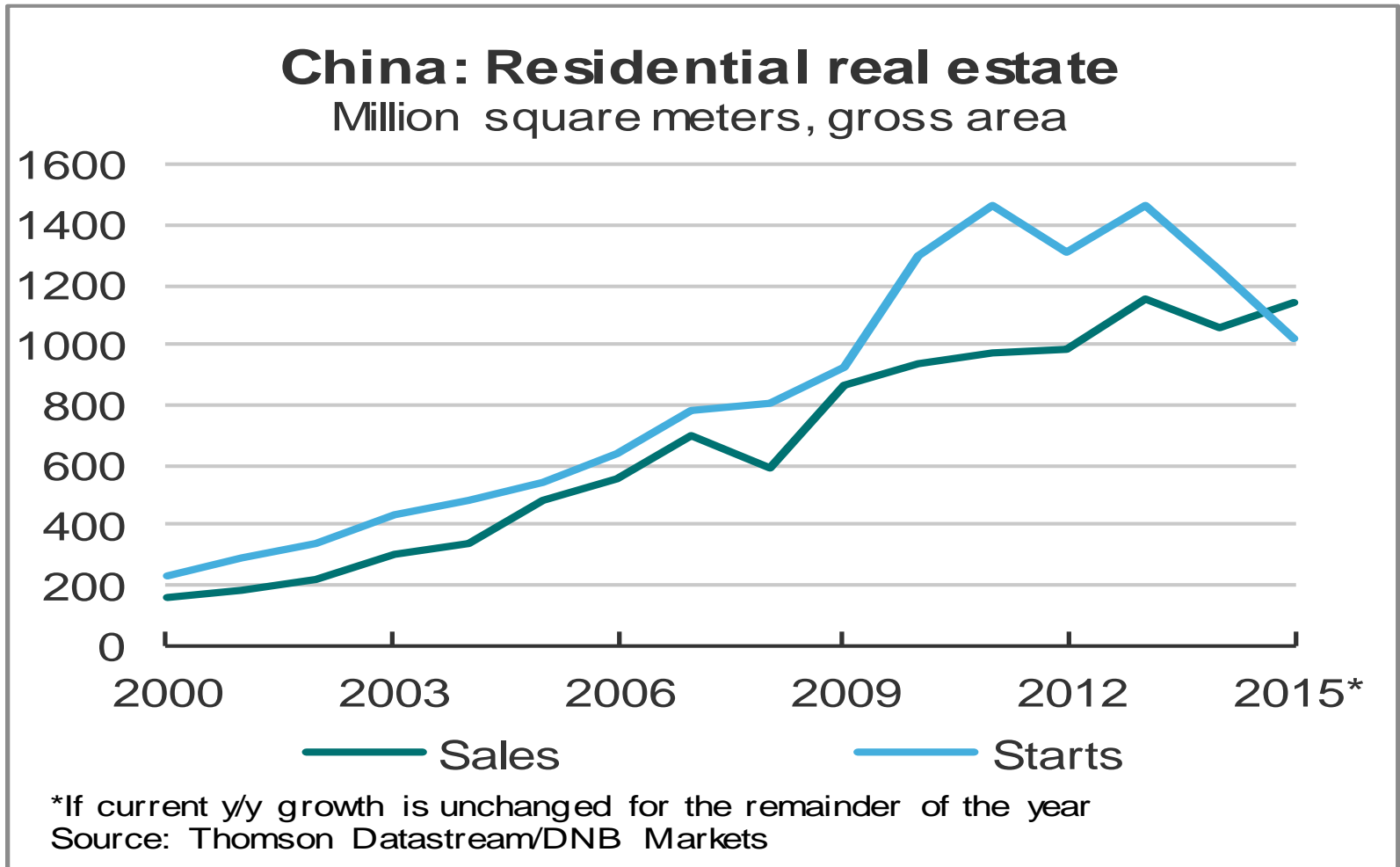
Drivers: Internet penetration (56%) & smartphone penetration (active users = 520m)

Ease of paying online (online banking platforms)

Delivery times (Alibaba has started experimenting with drones)

Wage growth & urbanization

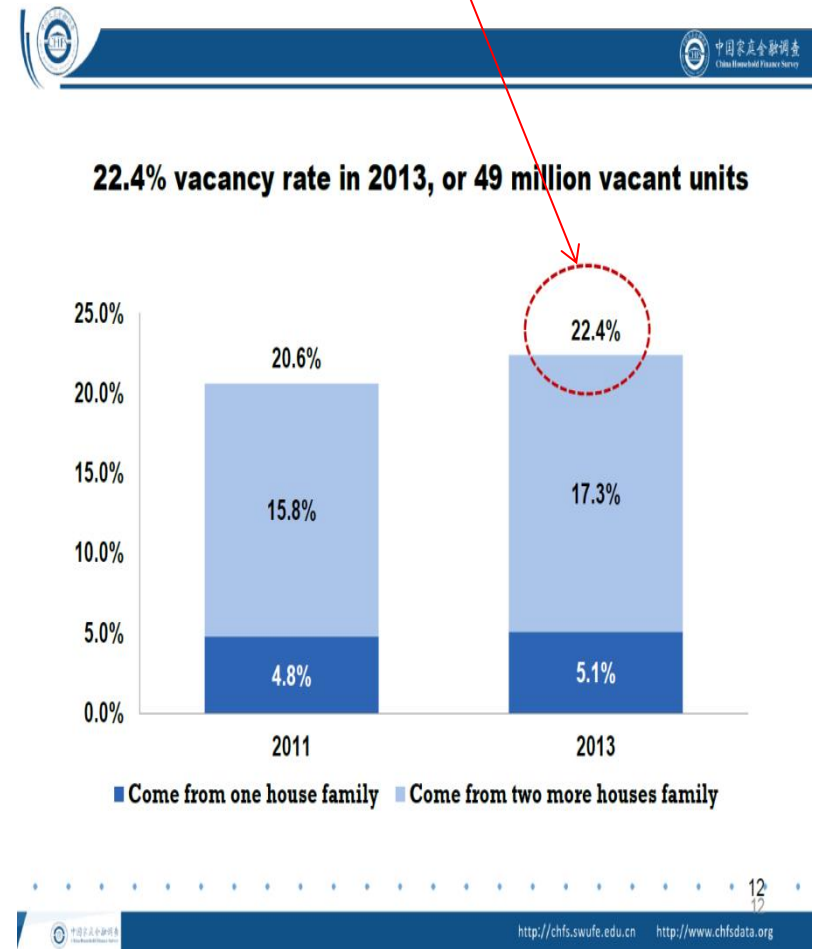
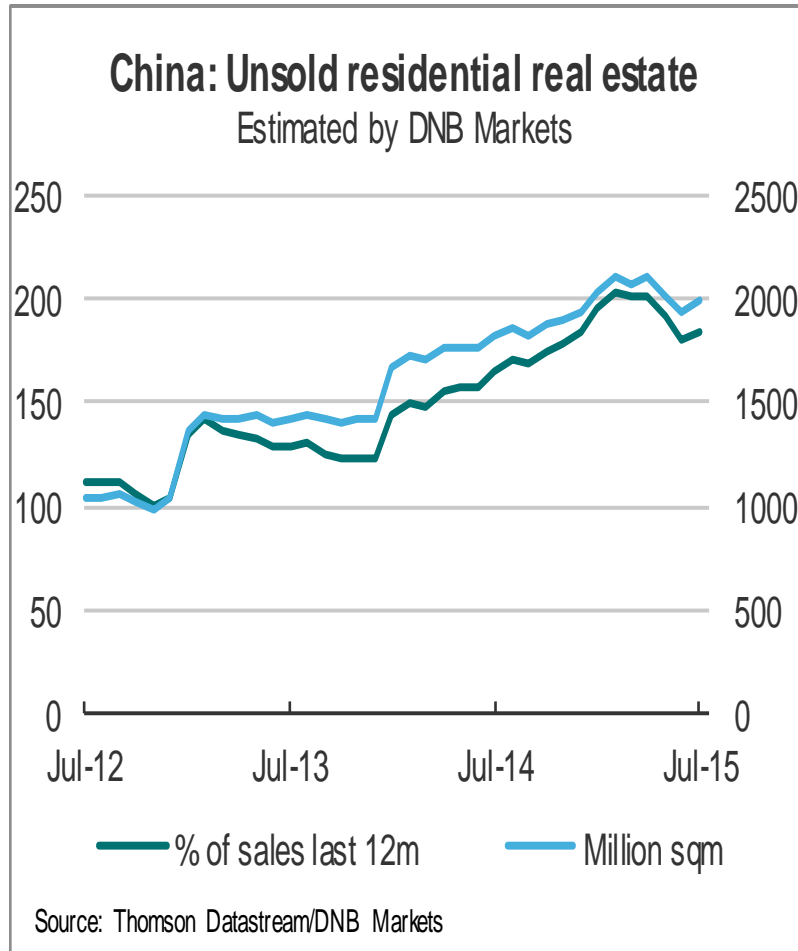
Real estate main driver behind slowdown



Two sources of vacancies

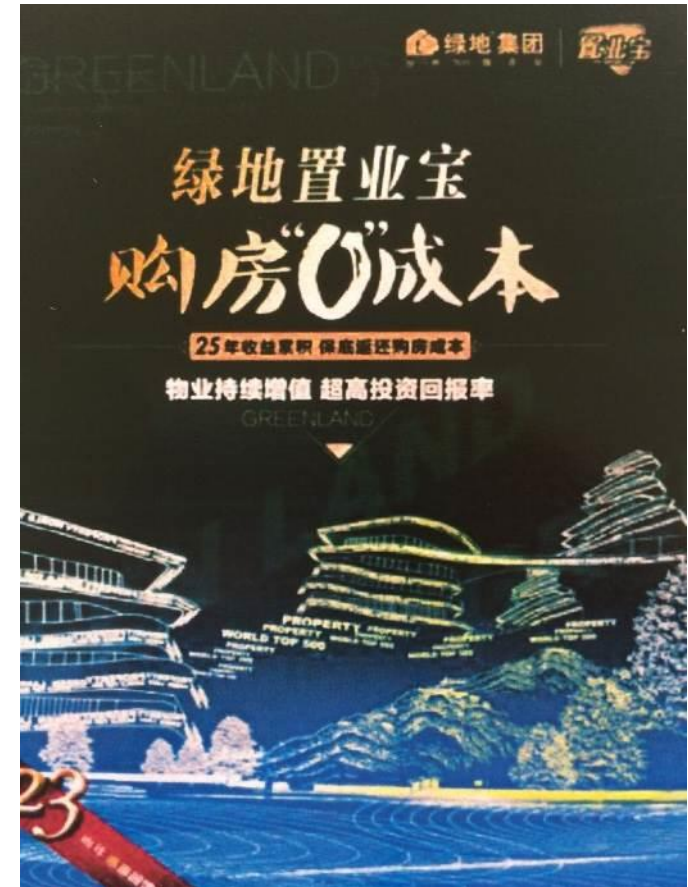
Unsold and speculative purchases

- But suggest that up to 1/3 of sales in 2000s has been speculative.



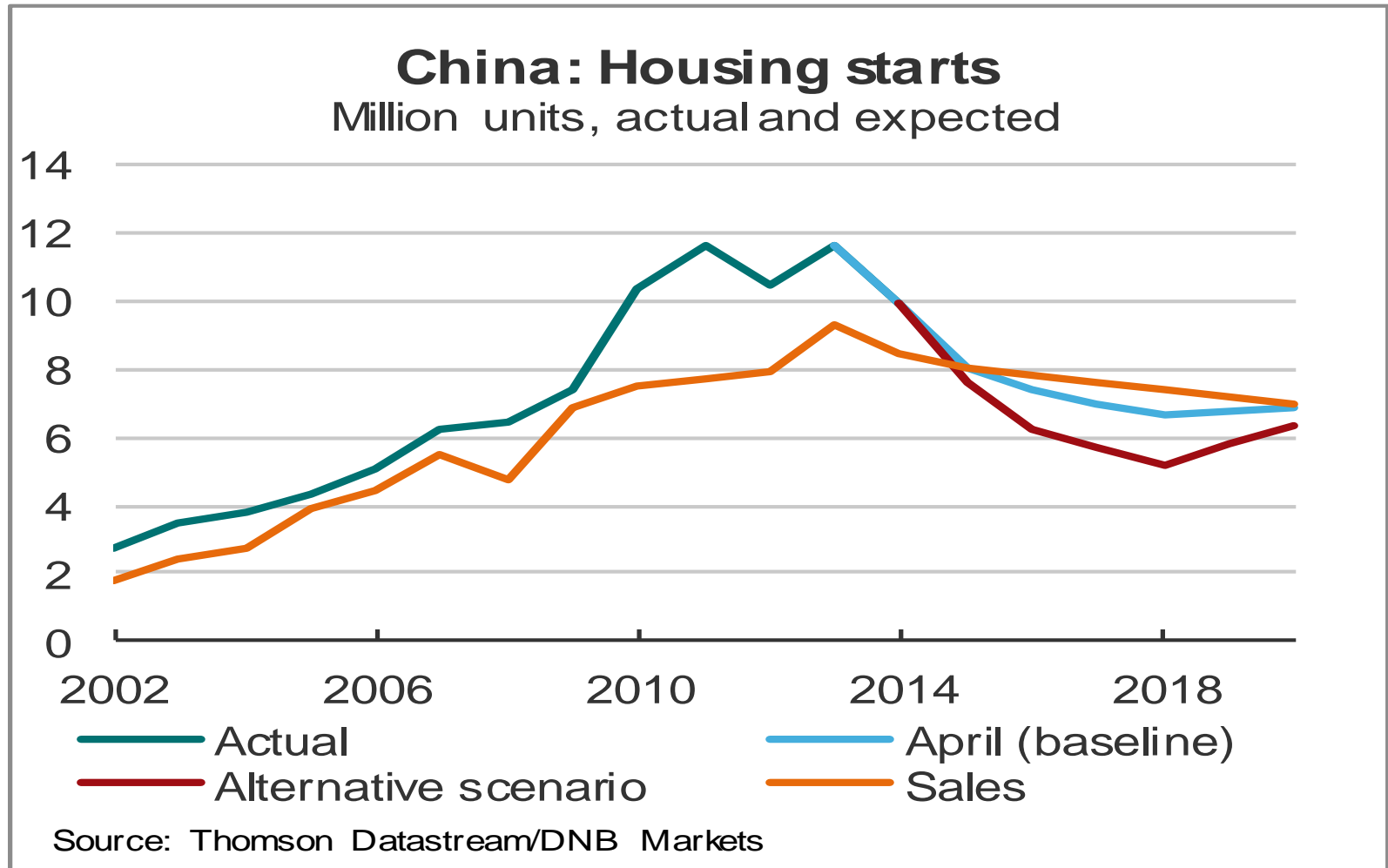
Developers becoming creative

- One large developer:
 - DiChanBao
 - Zhi YeBao: “Buy house for free”



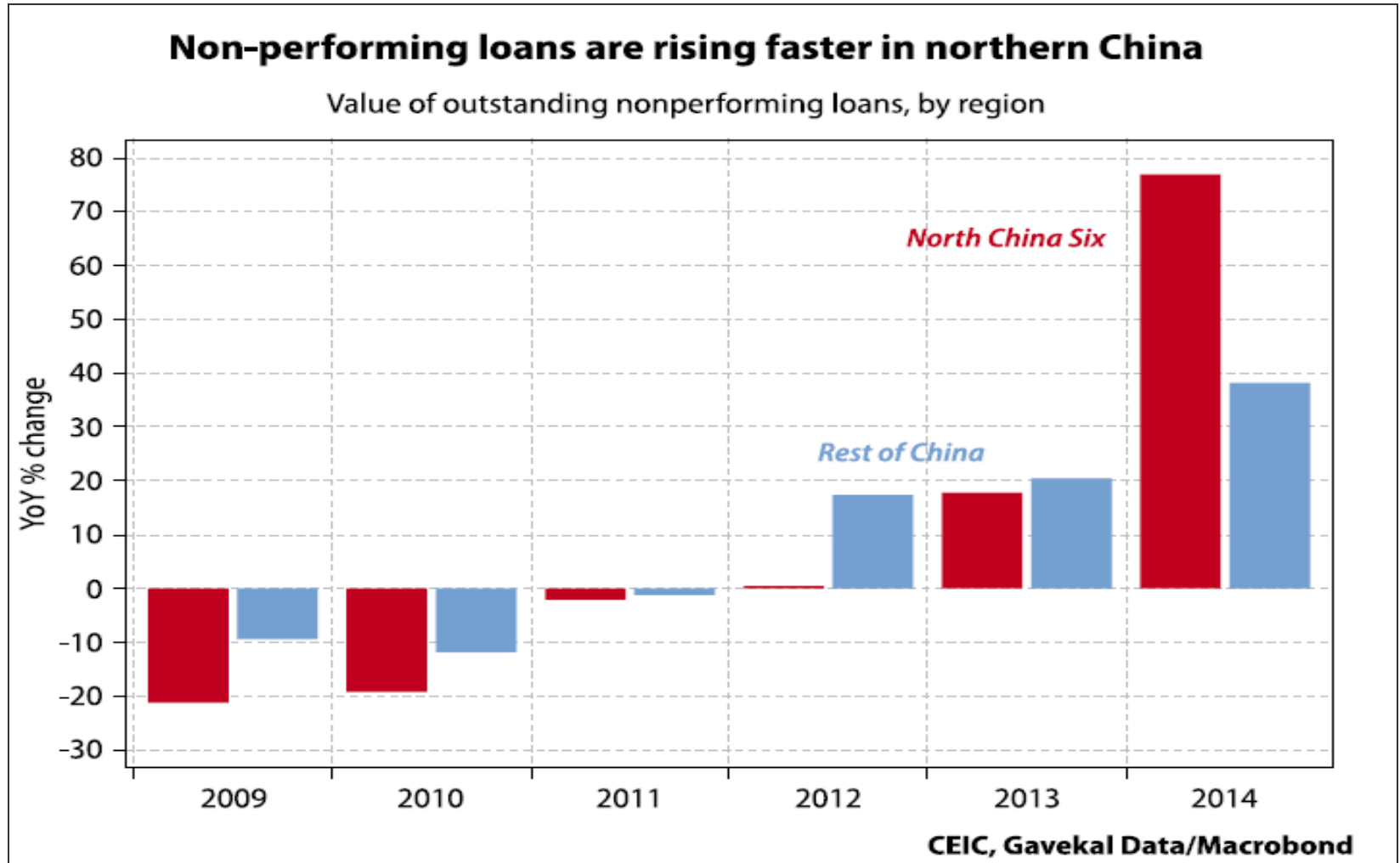
Housing slowdown is structural

Downturn far from over. Super-cycle is over.

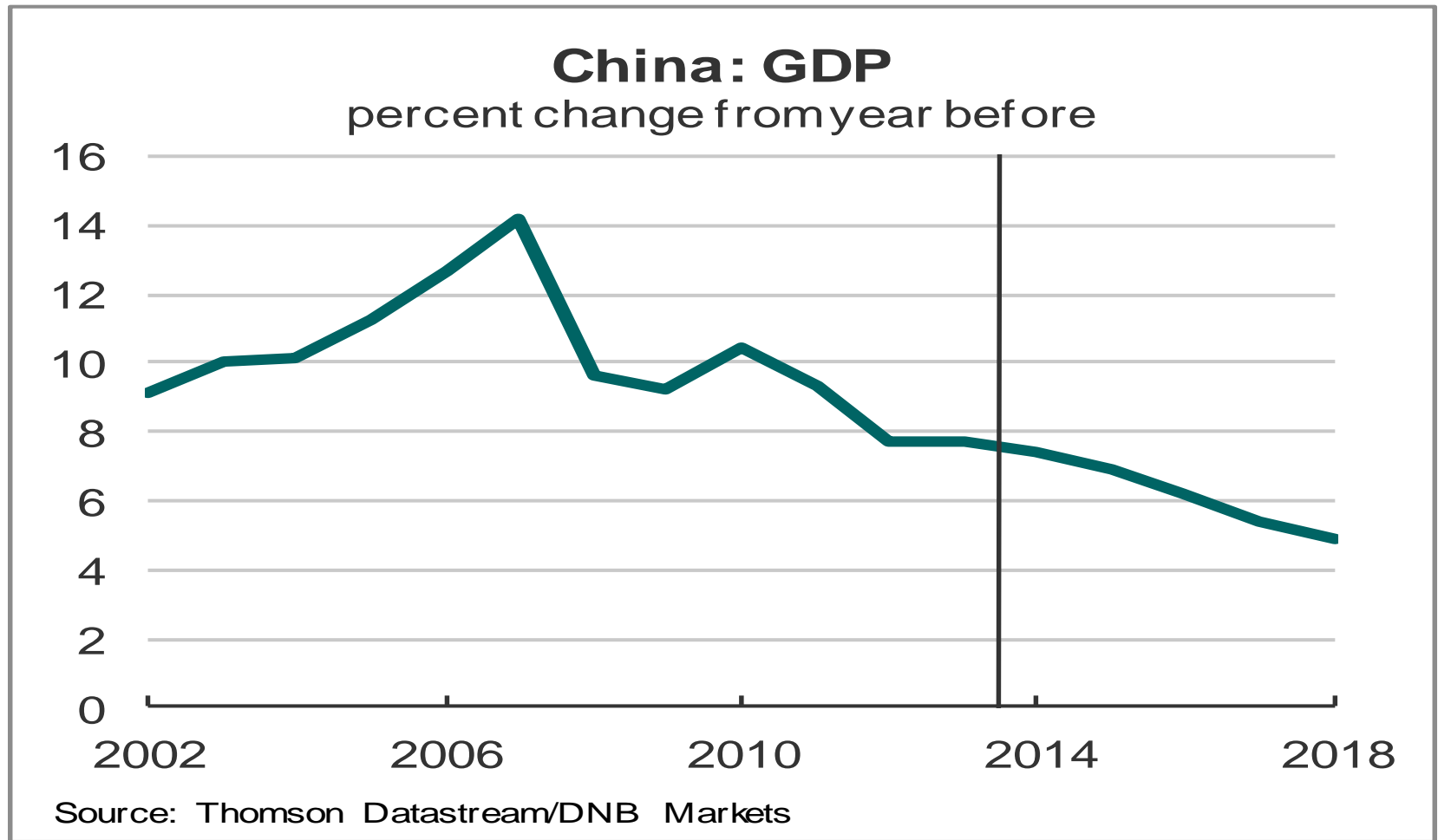


Banking sector already feeling the pain

Sector as a whole exposed via interbank market



Risk has increased, but no crisis for now



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