



# Ravinsky Wealth Management Group



## Recent Posts



### China's next act in a changing economic order

As nations move away from the post-Cold War period of intense globalization, how will the world's manufacturing powerhouse adapt to the new economic paradigm?



### Commercial real estate and the economy

We examine the post-pandemic challenges facing the commercial office space market, and the potential economic impacts of recent trends.

## Market Insights

The second half of the summer saw more subdued price action with both equity and bond markets showing a slight decline. Investors' immediate attention is likely on takeaways from a major conference of global central bank leaders and third-quarter results from Canadian banks. We will unpack these developments and circle back with key insights in the weeks to come. Below, we focus on deepening concerns over China's economic health.

China, as the world's second largest economy and populace, has a significant impact on global growth. Earlier this year, there was optimism that China's post-pandemic reopening would bolster global growth, especially when other economies were bracing for deceleration due to rising interest rates. But reality unfolded differently. The initial rebound in manufacturing, exports, industrial, and consumer activity began to fade after the first quarter of the year and has since been uninspiring.

There are several longer-term issues facing China: demographics, geopolitical strains, policy uncertainty, and the retreat from globalization. Yet, we don't view these as directly responsible for the present economic malaise. Instead, we would point to cyclical factors such as weak consumer demand and an export market affected by the global demand shift from goods to services.

A primary concern is the deteriorating property sector. In 2020, the government clamped down on the sector to reign in over-leverage, over-building, and inflated home prices. Since then, the housing market has faced significant headwinds. Revenues from home sales and pre-sales, the largest source of funding for Chinese property developers, have been shrinking. This has translated into financing challenges for some of the sector's largest players like Evergrande (which recently filed for bankruptcy protection) and Country Garden (which failed to make payments on some of its bonds earlier this month).

These stresses have created hesitancy among Chinese homebuyers, with some worried that pre-paid homes will fail to materialize and others anticipating that prices will continue to fall. This backdrop helps to explain the more general reticence of Chinese consumers. The property sector makes up approximately two-thirds of their wealth and roughly a quarter of their country's annual economic output. In other words, the primary asset for many households and one of China's most important economic engines are stagnating. Concurrently, signs of weakness beyond the housing market are dampening consumer confidence more broadly.



## Global Insight Monthly

Perspectives from the  
Global Portfolio Advisory  
Committee



## First Home Savings Account



## Online Services



David Ravinsky



Alex Tsapekis



Jo-Anne MacKenzie

Revitalizing China's growth will hinge on skillful policy interventions and the evolution of trade dynamics. The Chinese government has rolled out a host of small and largely incremental measures, and we anticipate more policy relaxations in the upcoming months. But any future intervention may underwhelm relative to the bolder action seen globally in recent years.

Despite prevailing pessimism, it's important to put things into context. Forecasts place China's growth just shy of 5% this year – a rate that still outpaces many developed nations. And it's poised to be the top contributor to global growth in the next decade. As China charts a new path towards sustainable growth, relying less heavily on infrastructure and housing, it will run into its fair share of opportunities and challenges alike. It appears we are witnessing one such period now.

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Sincerely,

The Ravinsky Wealth Management Group

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