# *Economic Winter*

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## Signs of a Slowing Global Economy: *Evidence in China*

**E**conomic winter is coming, or maybe it is already here - and the Chinese economy is cooling down at an alarming rate.

For more than two decades, the Chinese economy has depended heavily on inexpensive and abundant manual labour. This resource has propelled the country to become the world's leading manufacturer and exporter of goods, its composing about one-fifth of all global trade. Current pressure on the Chinese economy has three main causes: its trade war with the United States, a reduction in domestic demand, and an outbreak of swine fever. According to BBC, 2018 is now the Chinese economy's weakest year in terms of growth since 1990. These causes and the downward trend in Chinese economic growth suggest a bleak future.

The ongoing tariffs from China's trade war with the United States have diminished Chrina's previously robust economy.

China just recently announced that its industrial production has hit a 17 year low in 2019. The government has also made a statement that it will focus on its domestic market, signaling that the economic slowdown is intentional. Chinese President Xi Jimping claims that he is, "trying to shift China towards slower but higher-quality growth," a process that is "complicated by the… impact of U.S. tariffs, which are leading to… a slowdown in exports."

An increase in swine fever, a terminal illness, has "fuelled inflation and increased consumer spending," placing a further weight on the already sinking Chinese economy. As China is the world's largest producer of pork, the economic giant has made several attempts to control the fever by slaughtering and disposing of over one million pigs. The consequent shortage of pork has caused a 46.7% inflation of prices.
In addition to signs of slow growth, trade tensions have caused the present cracks in the Chinese economy to widen. The trade war, swine fever, and an overall slowing global economy have contributed to this domestic downturn. And, as the world's largest exporter's economy stagnates, the world's economy might soon follow.

## Weak Numbers Paint a Gloomy Picture of the Global Economy

**H**istory tells us that after economic expansions, there are natural contractions. For example, after the roaring 1920s in the United States, the Great Depression slammed the breaks on global economic growth. After the soaring economic growth in the post-World War II era, the 1960s and 1970s were dotted with global recessions. The world, overall, has seen slow and steady growth for an unprecedented ten years, starting after the 2008 economic crisis that caused the world economy to shrink. Thus, the question must be posed: Is the world due for a recession?

The ifo institute for economic research based in Munich, Germany recently published troubling findings in their periodic Business Climate Index. They found that, “ The ifo Business Climate Index fell in July from 97.5  to 95.7 points. Companies were less satisfied with their current business situation and are also looking ahead with increased skepticism. The German economy is navigating troubled waters.” The Business Climate Index tries to ascertain to the economic climate of the business world in Germany specifically. However, the same negative results can be found across Europe.

The Italian economy has also disproportionately affected the E.U. economy. Italy has over €2 trillion of debt, which is over $2.2 trillion in USD, and its polarized political environment has prevented compromises on their budget. Italy’s national debt remains greater than their annual economic output.

Italy and Germany both have a real GDP (accounting for inflation) of about 0.1%. A GDP of above 2% is typically considered stable economic growth.

The European Central Bank (ECB) released a stimulus package in September for quantitative easing. In order to do this, the ECB has bought back bonds, increasing the money supply and decreasing interest rates, which will help the average European consumer. The ECB has also cut its funds rate and decreased the interest rate on loans to banks to further increase lending.

This stimulus package represents the Central Bank’s concerns over the state of the European economy. Stimulus packages are released when the economy is on a downturn or shows signs of going into a recession.

The U.S. faces similar problems. Although the GDP remains at a steady 2.3%, it is unusual for the U.S. economy to remain on such unstable ground. The U.S. Federal Reserve recently cut interest rates in a similar effort to the ECB to stimulate lending and the economy.

The U.S. market has historically predicted global economic trends. With China, the United States’ rival economic power, also on a downturn, the global economy will continue to stutter until these two powers’ economies begin to grow again. Overall, both economies suffer due to economic and political tension between the nations, and the international economy stumbles over uncertainty and slowing growth.

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