

China's Infrastructure Boom Gets Swamped by Property Woes

Bloomberg

Published 08/16/2022, 10:00 PM

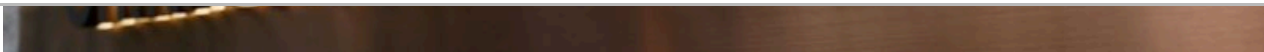
Updated 08/17/2022, 12:36 AM



 View all comments (0) >





Search the website...



(Bloomberg) -- China's infrastructure stimulus is boosting economic activity but it's not large enough to offset the hit to construction caused by the

[Open in App](#)

Nike Q126 Earnings: Will they just do it this time?  

Ask WarrenAI

compared to last year, according to Goldman Sachs calculations based on

official data released this week. That is up from almost zero growth last year, according to the official data.

The expansion is confirmed by satellite images of road construction projects in 13 provinces analyzed by Four Squares Technology Ltd. They estimate the area of roads under construction grew 6.3% in July from the previous year, a turnaround from earlier this year, when it was shrinking.

However, that isn't doing enough to revive China's vast construction sector. Four Squares' data show the area of land covered by construction projects launched in July in the three-largest city regions -- around Beijing, Shanghai and Guangzhou -- fell 44% compared with a year ago.

The total area of land covered by new and ongoing construction in those city regions fell 1% in July compared to a year earlier.

The reason is plunging property investment. A liquidity crisis among China's property developers has led to a plunge in their new projects and put about 5% of existing apartment construction on hold, equivalent to an estimated 500 million square meters of floor space, sparking mortgage strikes by angry homebuyers.

3rd party Ad. Not an offer or recommendation by Investing.com. See disclosure [here](#) or [remove ads](#).

Construction activity is down nationwide as a result, with data from Japanese company Komatsu showing heavy equipment was used less in July than in the same month last year. That drop was also seen in demand for industrial goods last month, with steel output falling to its lowest level since 2018 and cement production down 7% from the previous year.

With Beijing yet to announce a comprehensive plan to ease financial stress in the property sector, there appears to be little hope of an overall construction recovery. Excavator sales, a sign of construction industry expectations, fell 25% in July.

China's local governments have issued a record amount of special bonds mainly used to fund infrastructure investment and Beijing has called on state-

owned policy banks to help steer funding to projects.

The Securities Times said in a commentary Wednesday that infrastructure projects make up almost a fifth of China's total outstanding local currency loans and will continue to be the main recipient of long-term loans to the corporate sector this year.

What Bloomberg Economics Says...

A pickup in China's Covid-19 cases and the deepening housing slump are increasing pressure on consumption and pockets of production, high-frequency data show. The readings support our view that a recovery in the second half of the year could be a struggle.

David Qu, China economist

Infrastructure investment is likely to accelerate further and ultimately grow 10%-13% this year, according to Le Xia, chief Asia economist at Banco Bilbao. Given that infrastructure investment is around 15% of China's total gross domestic product, that could drive 1.5%-2% of total real GDP growth, he estimates.

Advertisement

3rd party Ad. Not an offer or recommendation by Investing.com. See disclosure [here](#) or [remove ads](#).

But a possible double-digit decline in property investment means that the overall contribution of investment -- including in manufacturing facilities -- to GDP could be less than last year's of about 1.1%, he added.

China's infrastructure investment this year has been concentrated in urban infrastructure, water utilities, telecommunications, power generation and healthcare facilities, according to official data, with transport spending growing more slowly.

There are large regional disparities, with Hubei province recording a near 22% increase in fixed-asset infrastructure investment in the first half of the year, while lockdown-hit Shanghai saw that spending fall 38%.


©2022 Bloomberg L.P.

Which stock should you buy in your very next trade?

AI computing powers are changing the stock market. Investing.com's ProPicks AI includes dozens of winning stock portfolios chosen by our advanced AI.

Year to date, 3 out of 4 global portfolios are beating their benchmark indexes, with 98% in the green. **Our flagship Tech Titans strategy doubled the S&P 500 within 18 months**, including notable winners like Super Micro Computer (+185%) and AppLovin (+157%).

Which stock will be the next to soar?


 [Unlock ProPicks AI](#)




 Follow us on
Google News



Latest comments



Write your thoughts about China’s Infrastructure Boom Gets Swamped by Property Woes



Post

[Comment Guidelines](#)

Install Our App

Scan QR code to install app



[Blog](#)

[About Us](#)

[Mobile](#)

[Advertise](#)

[Portfolio](#)

[Help & Support](#)

[Widgets](#)

[Authors](#)

Risk Disclosure: Trading in financial instruments and/or cryptocurrencies involves high risks including the risk of losing some, or all, of your investment amount, and may not be suitable for all investors. Prices of cryptocurrencies are extremely volatile and may be affected by external factors such as financial, regulatory or political events. Trading on margin increases the financial risks.

Before deciding to trade in financial instrument or cryptocurrencies you should be fully informed of the risks and costs associated with trading the financial markets, carefully consider your investment objectives, level of experience, and risk appetite, and seek professional advice where needed.

Fusion Media would like to remind you that the data contained in this website is not necessarily real-time nor accurate. The data and prices on the website are not necessarily provided by any market or exchange, but may be provided by market makers, and so prices may not be accurate and may differ from the actual price at any given market, meaning prices are indicative and not appropriate for trading purposes. **Fusion Media** and any provider of the data contained in this website will not accept liability for any loss or damage as a result of your trading, or your reliance on the information contained within this website.

It is prohibited to use, store, reproduce, display, modify, transmit or distribute the data contained in this website without the explicit prior written permission of Fusion Media and/or the data provider. All intellectual property rights are reserved by the providers and/or the exchange providing the data contained in this website.

Fusion Media may be compensated by the advertisers that appear on the website, based on your interaction with the advertisements or advertisers.

