

Il barbiere di Shanghai

Un'opera in tre atti

Rodrigo Zeidan

rz25@nyu.edu

<http://rzeidan.com>



Preambolo

No cars were sold in Shanghai in April as zero-Covid policy hammers activity



By [Laura He](#), [CNN Business](#)

Updated 0406 GMT (1206 HKT) May 17, 2022



TOP STORIES

Primo Atto

Global stagflation

Deflationaty pressure: decelaration of the Chinese economy.
Inflationary pressure: supply chain issues.

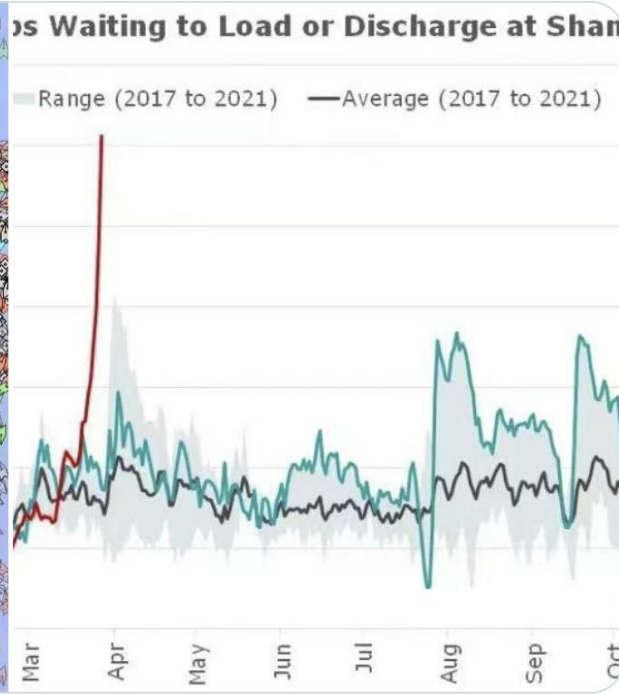
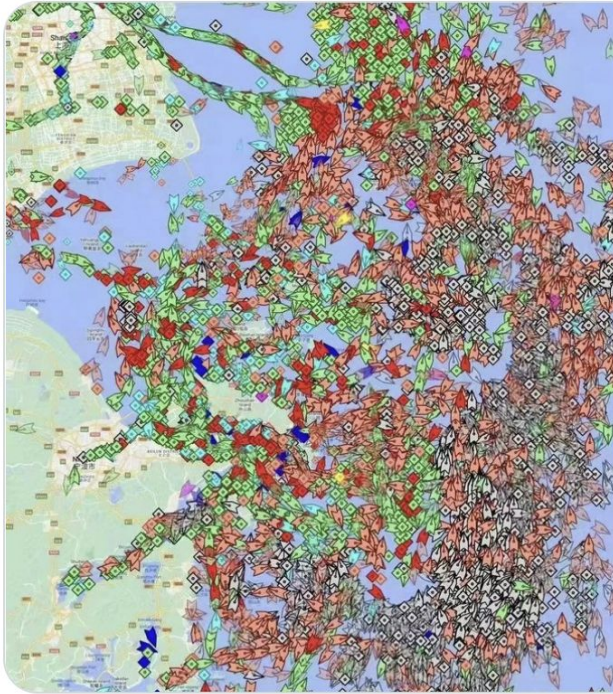


Rodrigo Zeidan

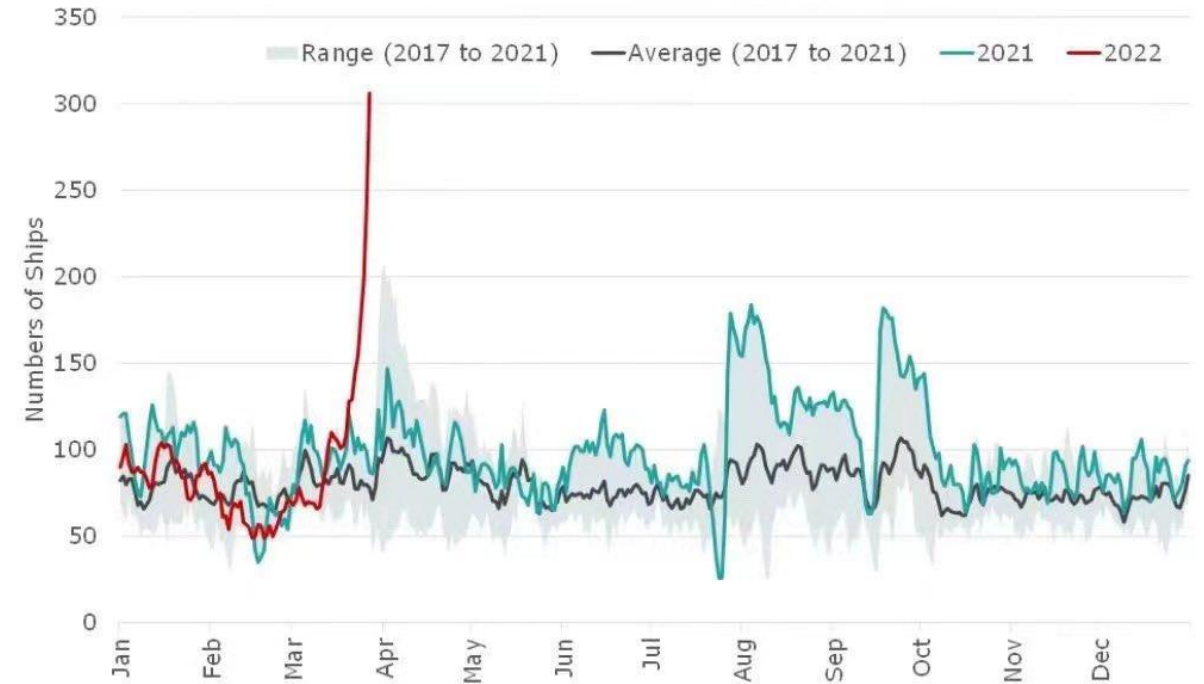
@RodZeidan

Ships waiting to be unloaded in Shanghai.

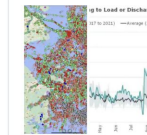
Who is ready for some old supply-side inflation?



Ships Waiting to Load or Discharge at Shanghai



Tweet activity



Rodrigo Zeidan @RodZeidan
Ships waiting to be unloaded in Shanghai.
Who is ready for some old supply-side inflation? pic.twitter.com/aFGllhDVpj

Impressions	2,952,301
Total engagements	306,737
Media engagements	177,286
Detail expands	99,443
Likes	14,516
Profile clicks	8,175
Retweets	5,210
Link clicks	1,831
Replies	258
Follows	18

6:25 PM · Apr 16, 2022 · Twitter for iPhone

||| View Tweet analytics

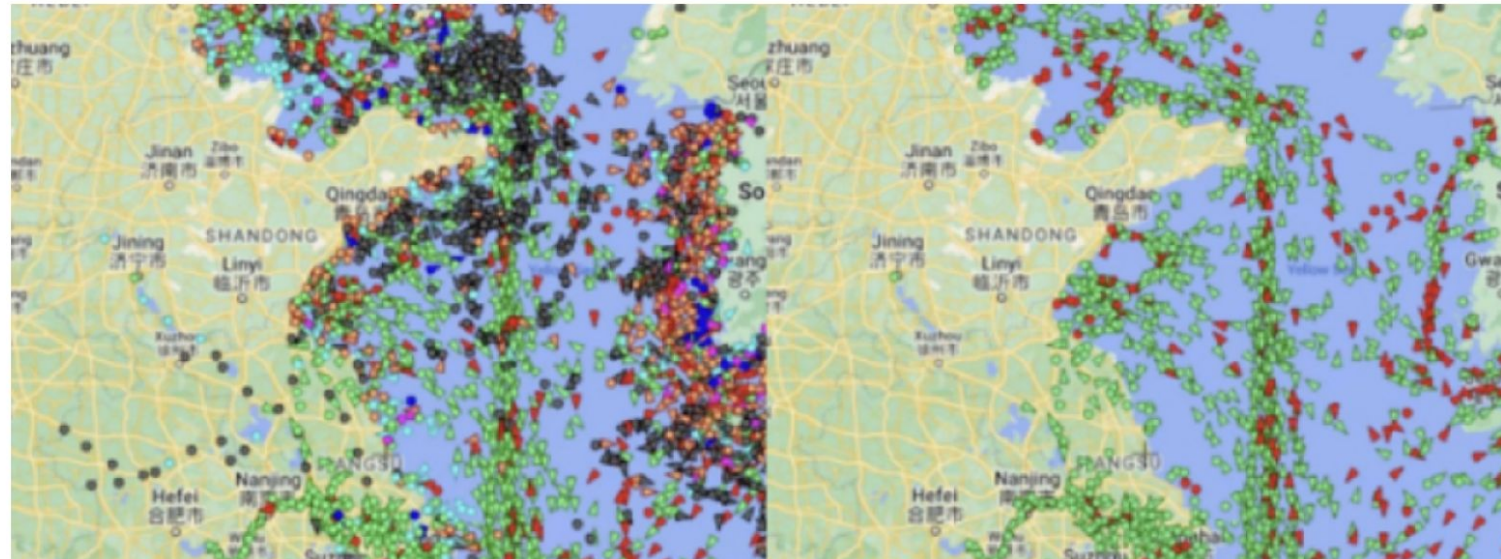
4,513 Retweets 697 Quote Tweets 14.5K Likes

SOURCE / ECONOMY

Is China's COVID control causing congestion at ports? A completely wrong reading of data

By Global Times

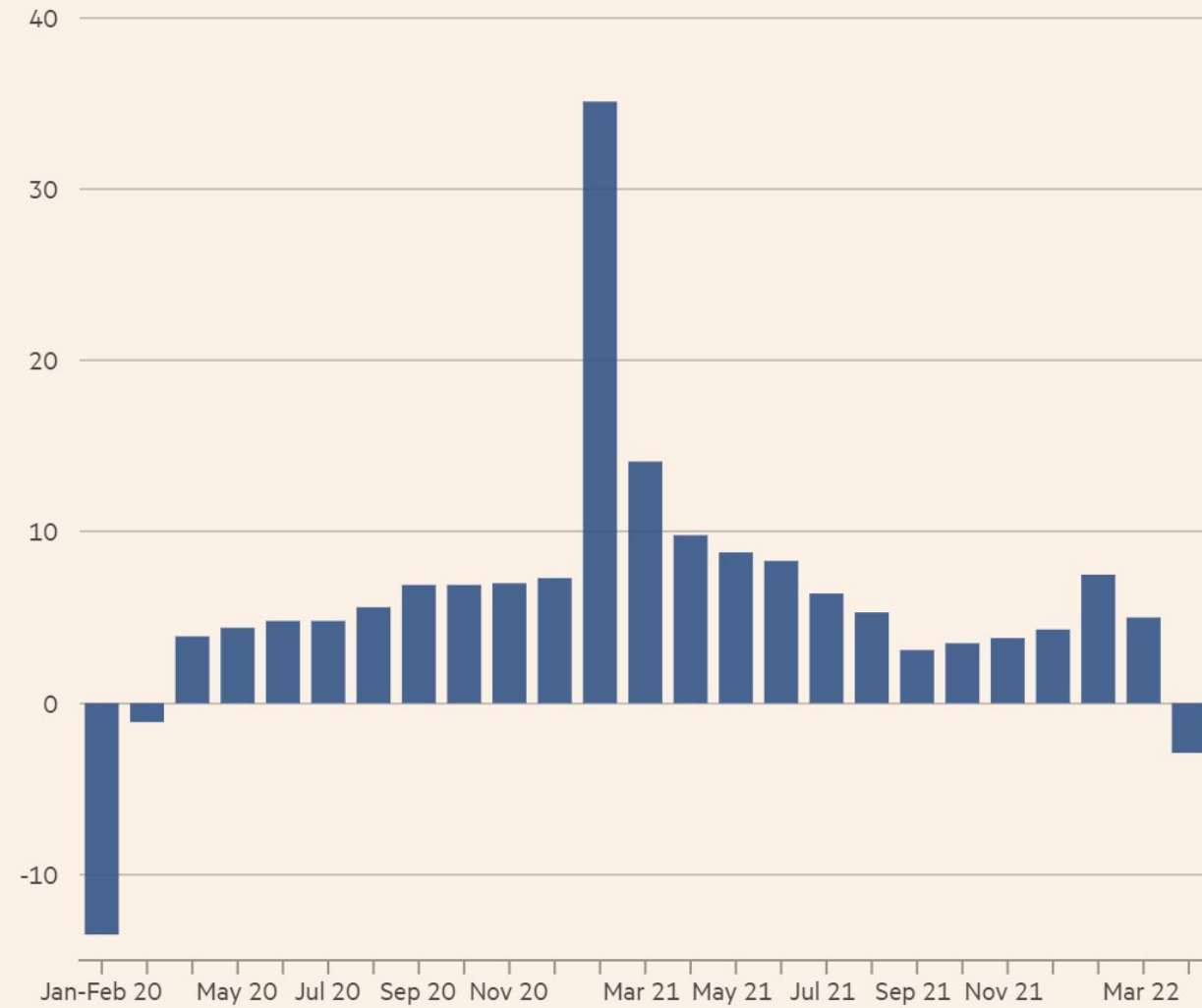
Published: May 09, 2022 01:29 AM



<https://www.globaltimes.cn/page/202205/1265109.shtml>

China's industrial output dropped for the first time since March 2020

Industrial production, year-on-year change (%)

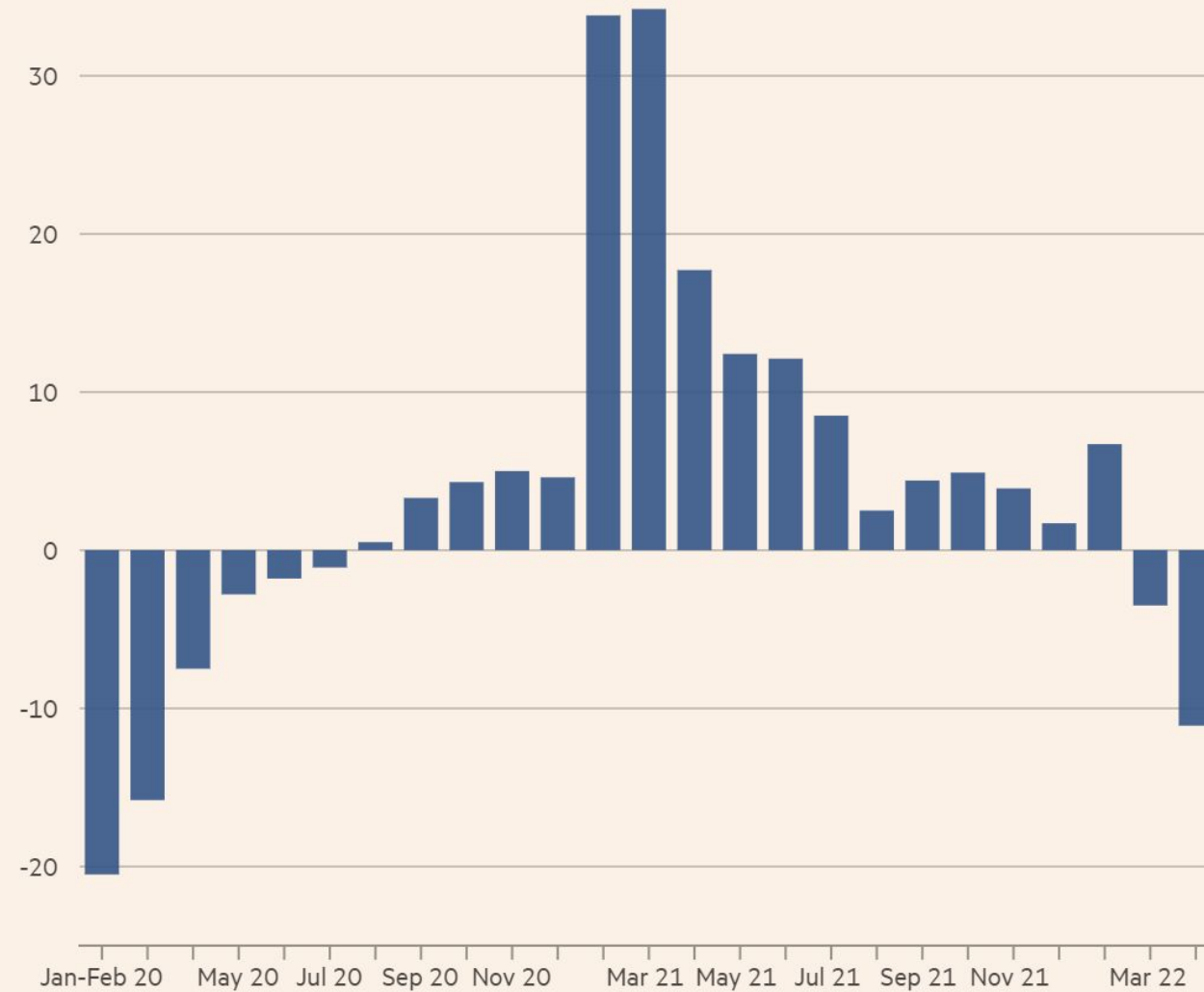


Source: National Bureau of Statistics of China
FT Data: Andy Lin / @imandylin2

FINANCIAL TIMES

China's retail sales suffered a double-digit decline in April

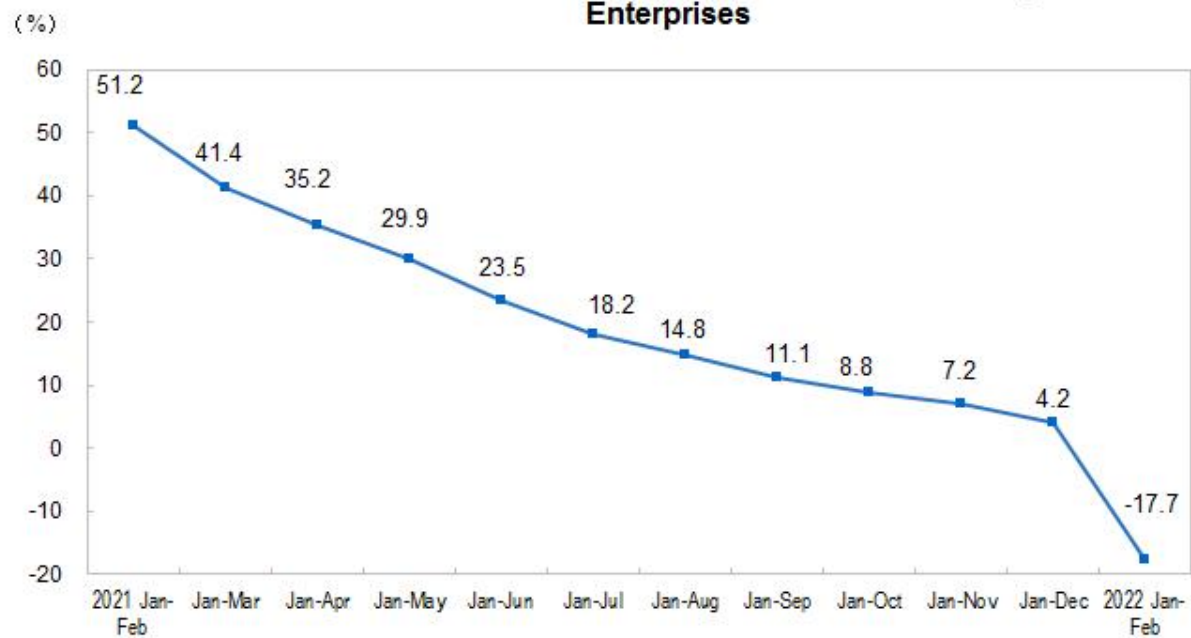
Retail sales, year-on-year change (%)



Source: National Bureau of Statistics of China
FT Data: Andy Lin / @imandylin2

FINANCIAL TIMES

Growth Rate of Sources of Funds for Real Estate Development Enterprises



National Real Estate Climate Index



Secondo Atto

Survey of multinational companies about investments and production in China.

Should we expect a fiscal stimulus, like 2010?

Urban Employment in China (million)

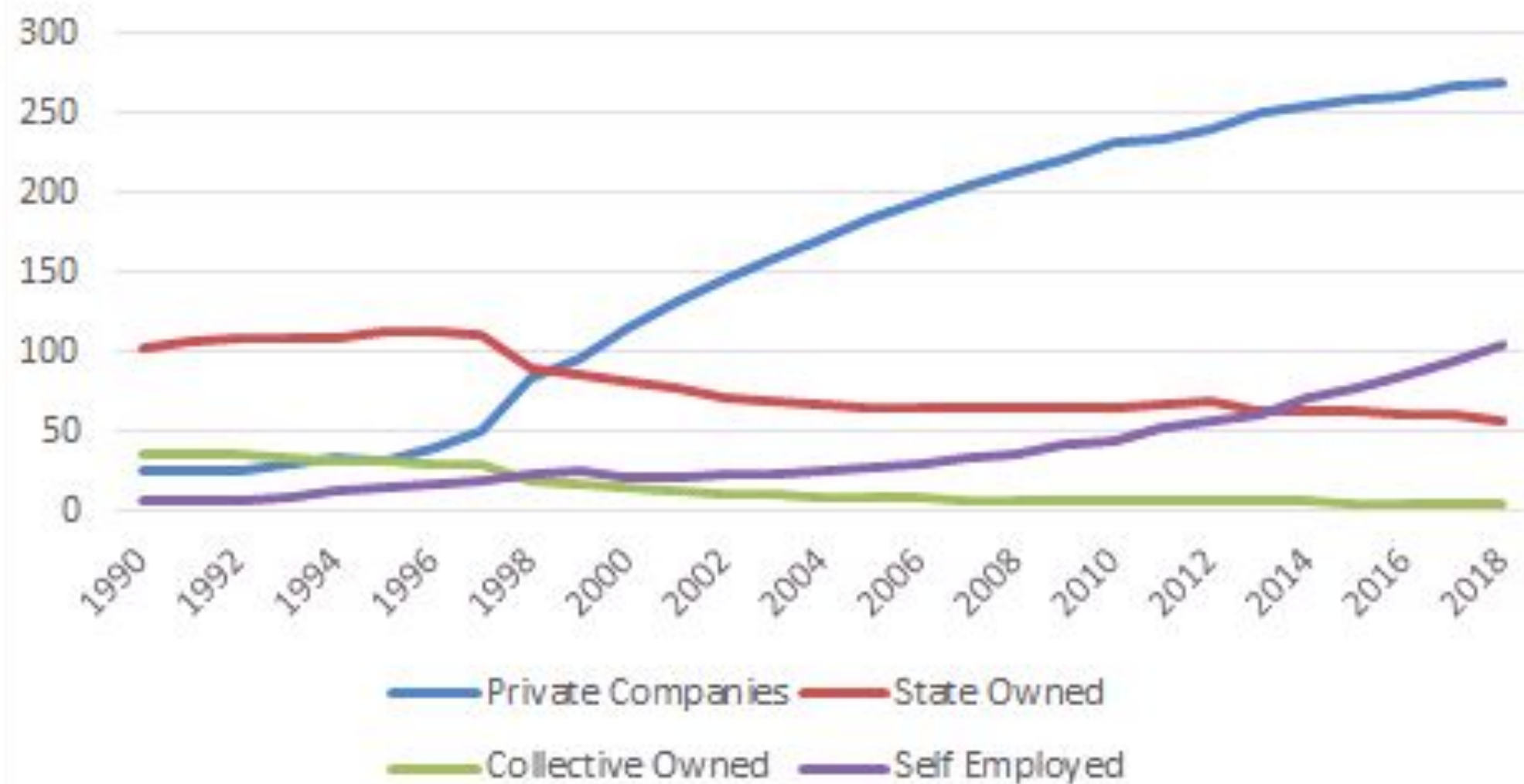
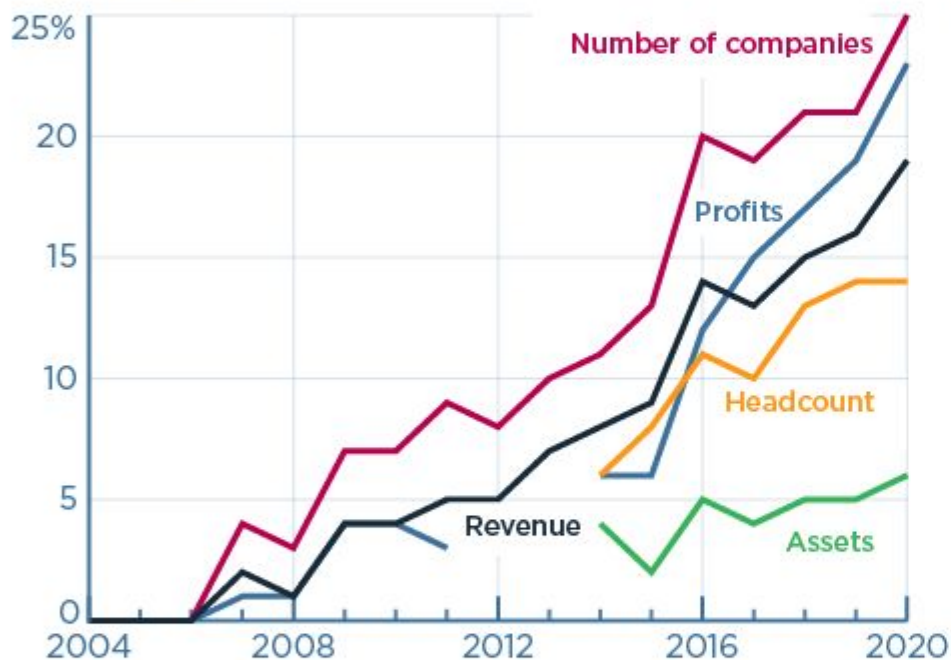


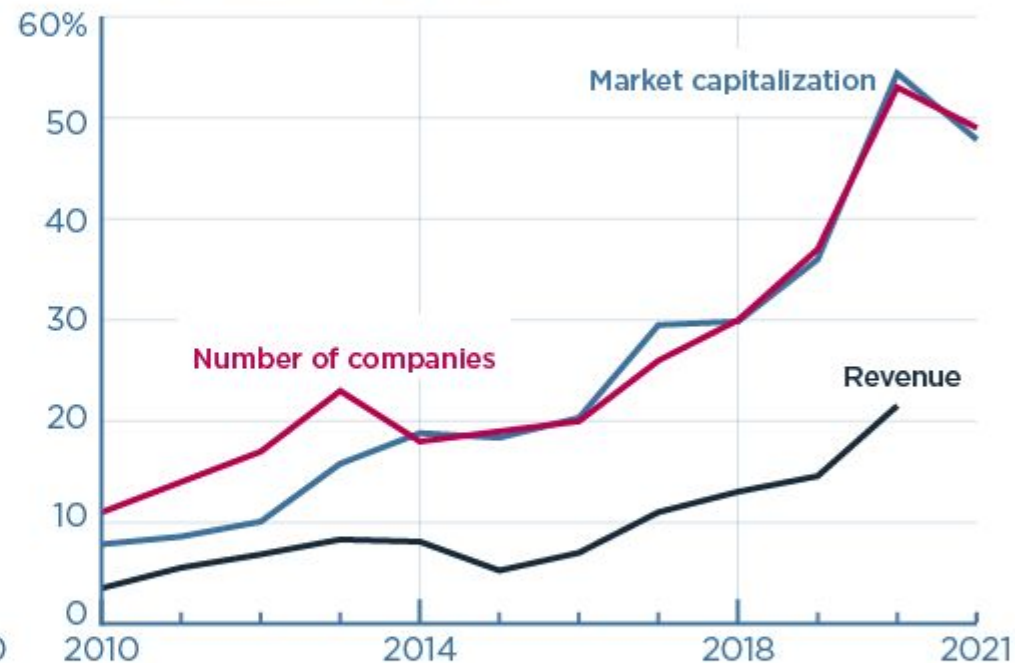
Figure 3

China's private sector is growing across several key metrics

a. Nonpublic firms' share of aggregate metrics for Chinese firms in Fortune Global 500 rankings, 2004-20



b. Nonpublic firms' share of aggregate metrics for China's largest 100 listed firms by market capitalization, 2010-21

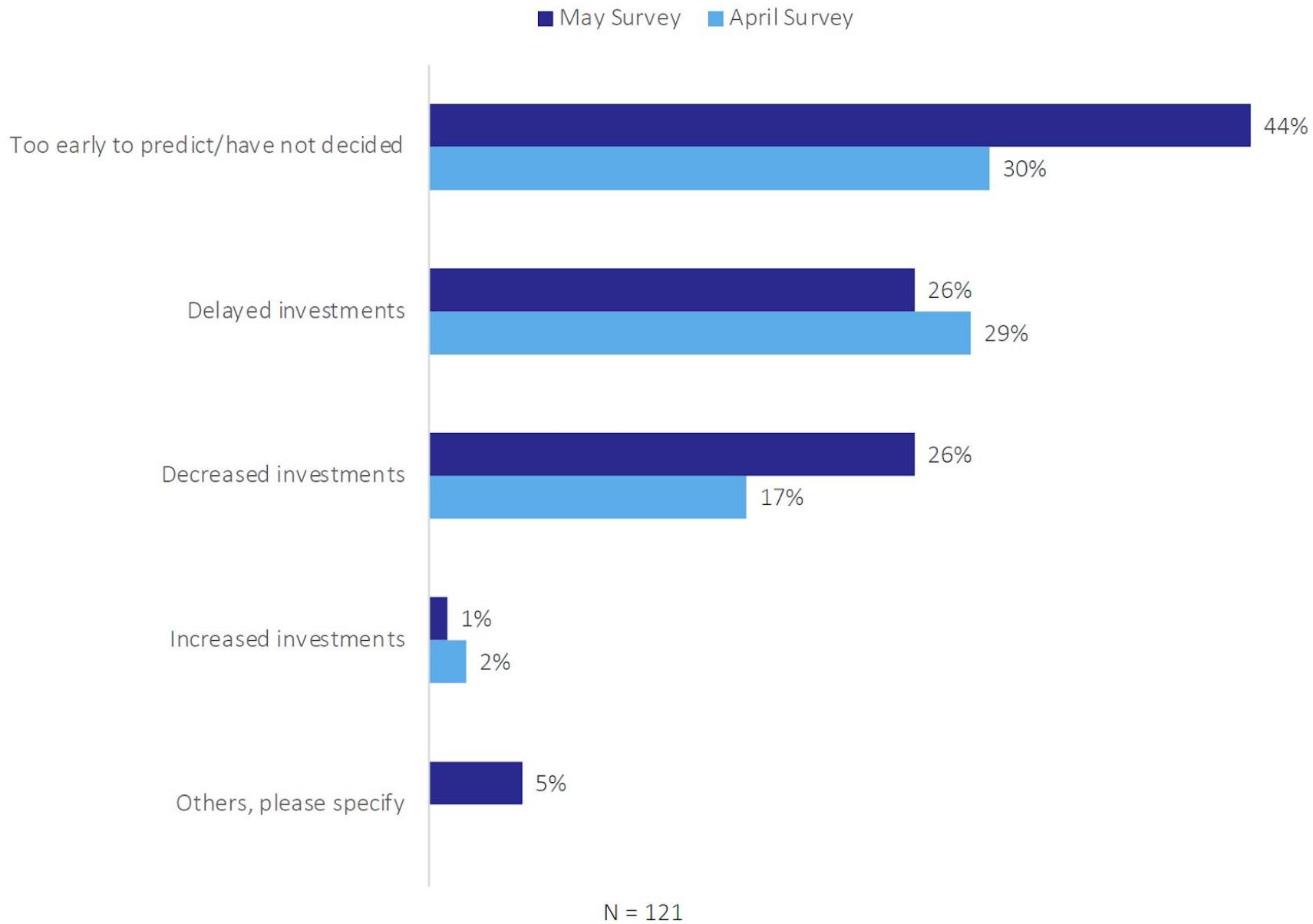


Note: For panel a, profit data are unavailable for 2012 and 2013; headcount and asset data are only from 2014. Dates refer to the applicable year for the metric, not the date of publication of the Fortune ranking. For example, the 2020 revenue data corresponds to the Fortune Global 500 ranking published in August 2021, based on the ranked companies' 2020 revenue. For panel b, 2021 revenue data are not yet available. "Nonpublic" are firms in which state entities hold an equity stake of less than 10 percent.

Sources: Fortune Global 500 rankings; Wind; Bloomberg; authors' calculations.

52% of respondents have either decreased or delayed investments, up 6% from the April survey

What impact has the recent COVID-19 outbreak in China had on your investment plans? (Select one)



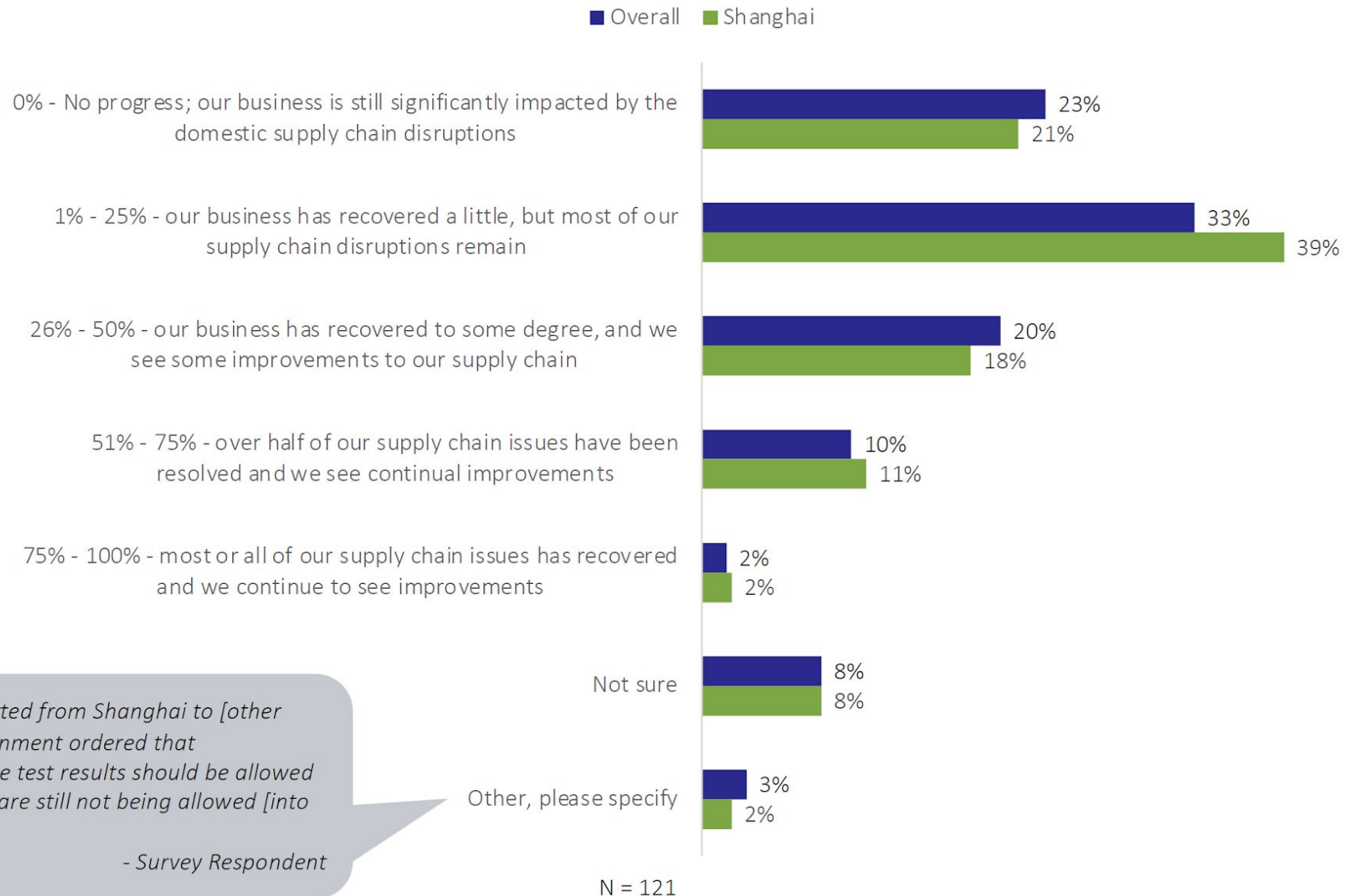
56% report ongoing significant supply chain disruptions, despite recent policy measures

These disruptions are even more pronounced for those with Shanghai operations, of which 60% say the recent policy measures have had no-to-little impact on their business recovery

"Our goods must be land transported from Shanghai to [other cities]. Although the central government ordered that truck drivers with 48-hour negative test results should be allowed on the roads, we find that drivers are still not being allowed [into certain destination cities]."

- Survey Respondent

How effective have the recently released policy measures designed to stabilize supply chains and unify and ease transportation requirements been in supporting your business recovery? (Select one) *

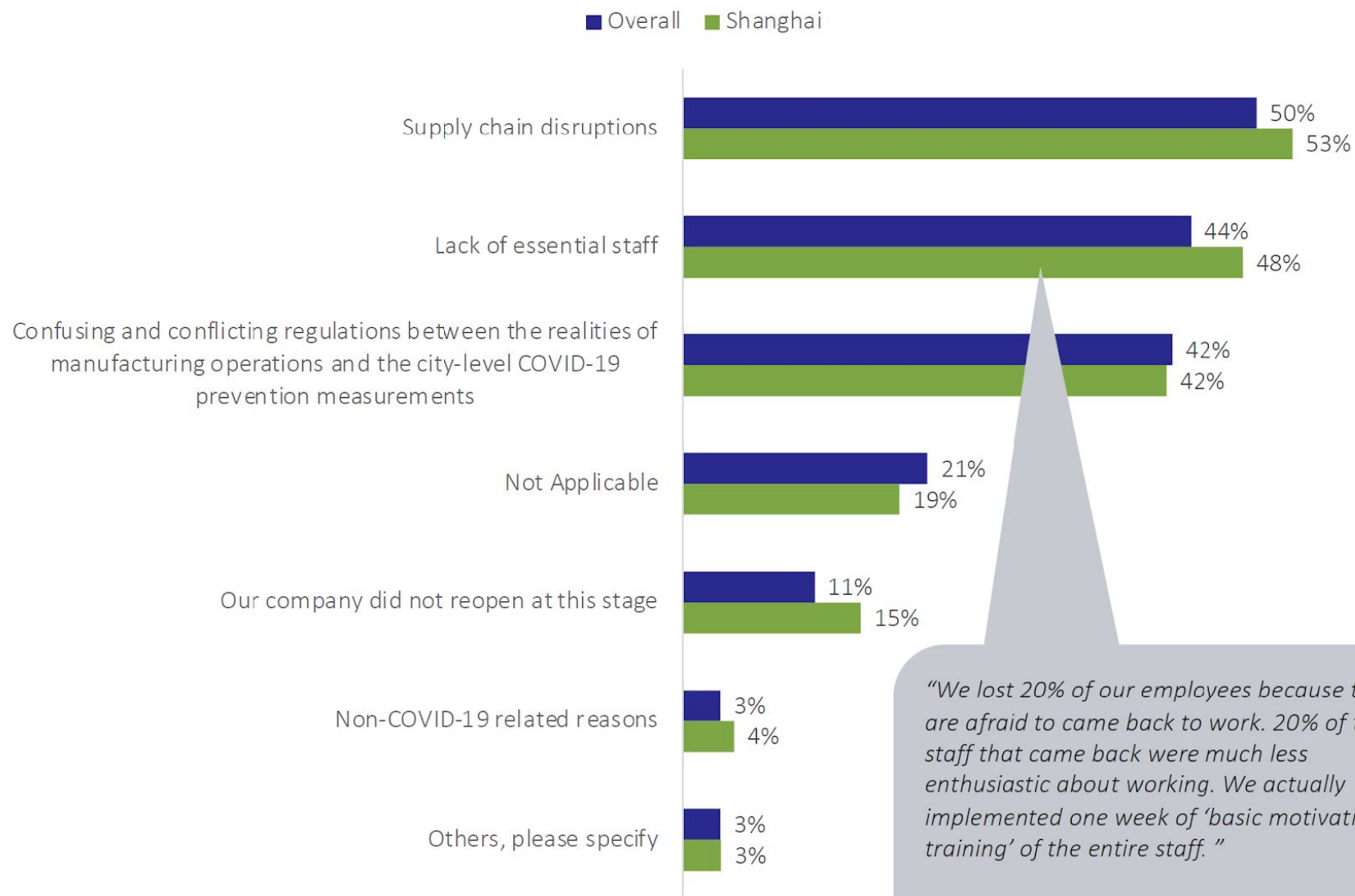


* Newly added question

Supply chain disruptions remain the top challenge for those who have recently partially reopened operations

The operations of 11% of respondents nationwide remain fully closed; That proportion increases to 15% for those with operations in Shanghai

If your company has recently partially reopened operations, what are your biggest challenges at this stage? (Select all that apply)*



"We lost 20% of our employees because they are afraid to come back to work. 20% of the staff that came back were much less enthusiastic about working. We actually implemented one week of 'basic motivation training' of the entire staff. "

-Survey Respondent

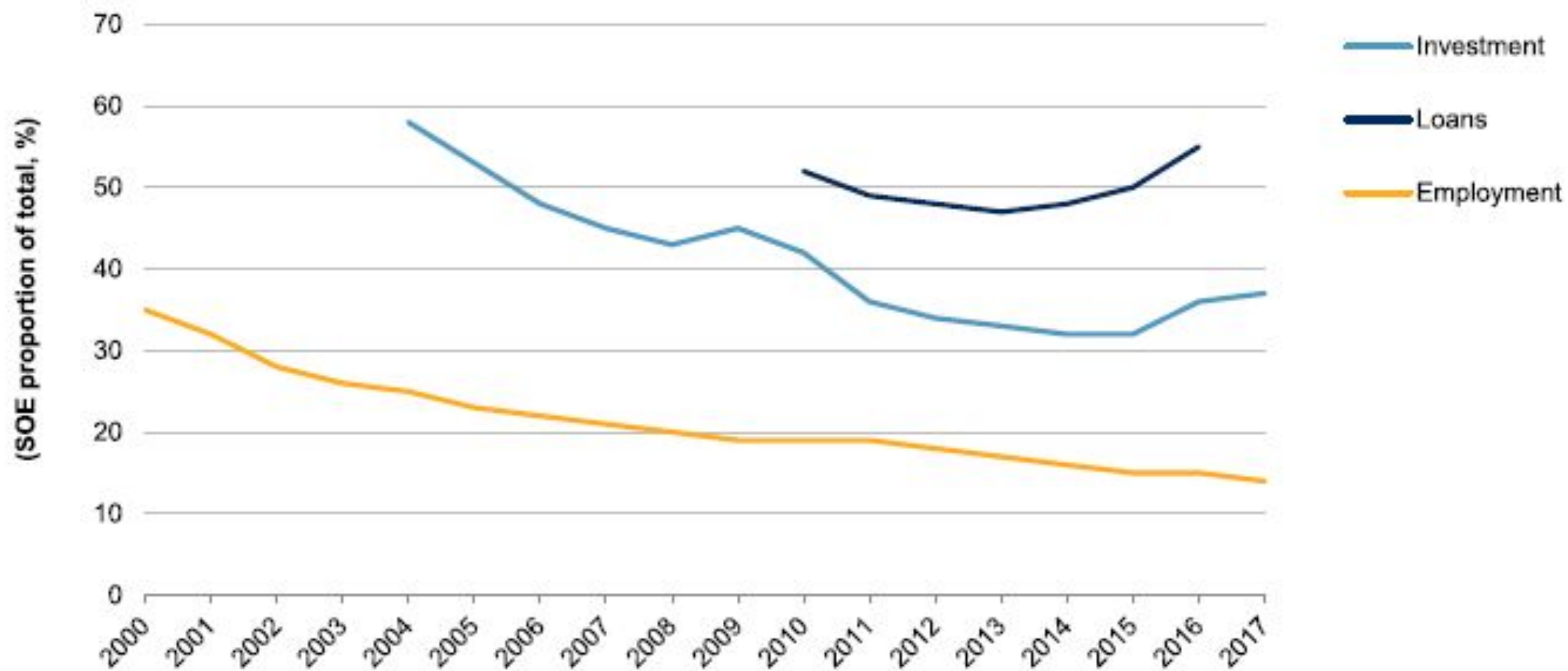
Across all sectors,
HR challenges and
supply chain instabilities
are the top concern

How has the recent COVID-19 outbreak in China impacted your business? (Top three, by sector)

	Consumer	R&I	Services	Tech and R&D
1	Decreased profits & Forced to move to online/remote work (72% for each)	Forced to move to online/remote work & Disrupted supply chain due to disruptions to transportation and shipping networks (86%)	Forced to move to online/remote work (100%)	Disrupted supply chain due to disruptions to transportation and shipping networks (82%)
2	Essential staff including senior executives and engineers unable to travel to China (59%)	Slowed or reduced production because of lack of employees, inability to get supplies, or government-ordered lockdowns (79%)	Essential staff including senior executives and engineers unable to travel to China (68%)	Forced to move to online/remote work (79%)
3	Slowed or reduced production because of lack of employees, inability to get supplies, or government-ordered lockdowns (53%)	Essential staff including senior executives and engineers unable to travel to China (71%)	Decreased profits (50%)	Essential staff including senior executives and engineers unable to travel to China (70%)

China's SOE Footprint

(SOEs as a share of total fixed asset investment, corporate loans, and employment)



Sources: CEIC and S&P Global.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

Terzo atto

We overestimate China in the short-run but underestimate the country in the long-run.

Deglobalization is a choice, not destiny.

China, the grand recession and the grand rebalancing

- Usual suspects:
 - Strained Industrial capacity;
 - Crony capitalism;
 - Ageing labor force;
 - Weak financial institutions;
 - Debt, oh so much debt;
 - Weak human capital and technological developments;
 - Rest of the World (looking at you, Donald and Boris).

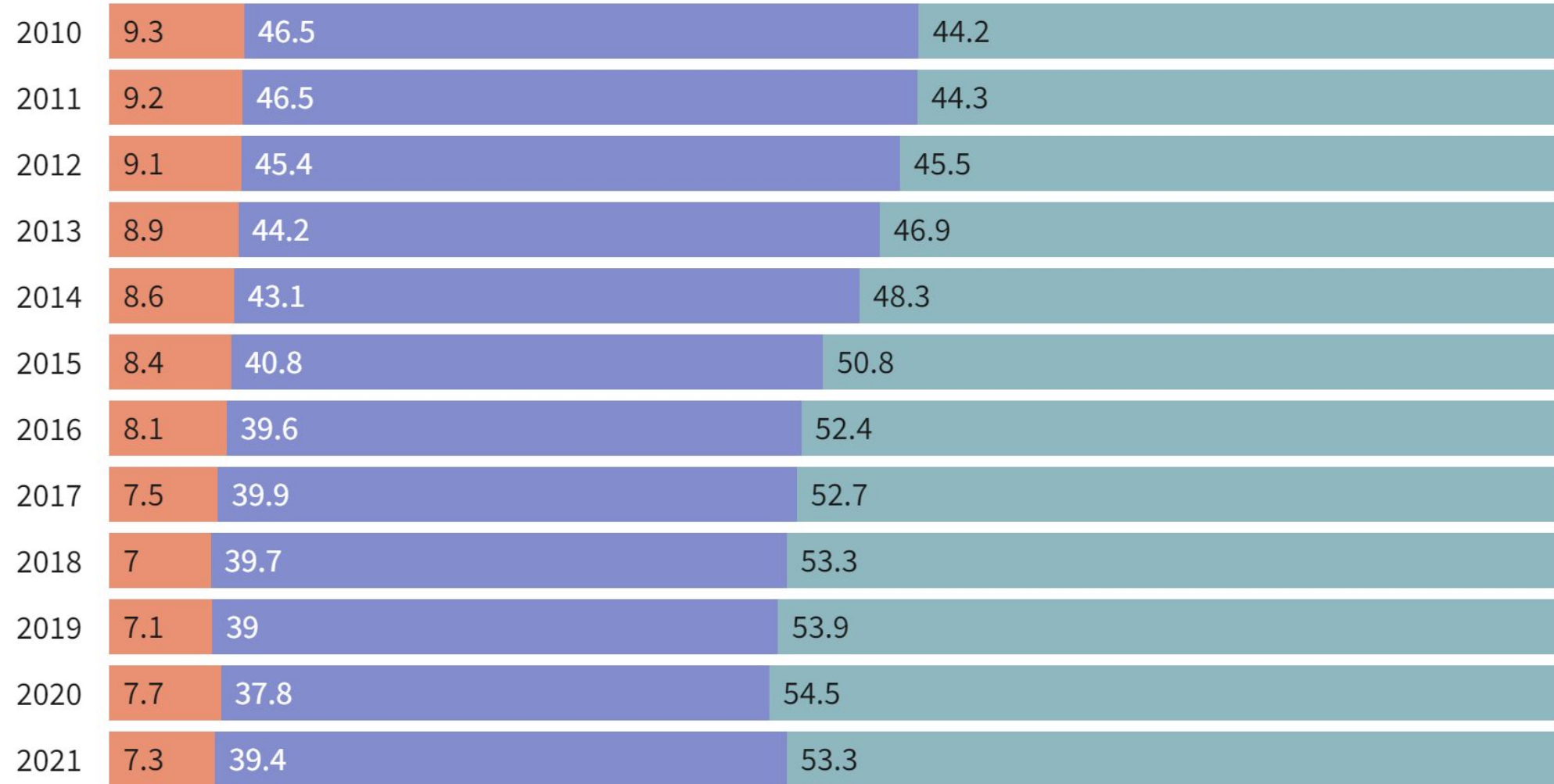
Services per capita in China: U\$4,660 per year.

Services per capita in China: U\$4,660 per year.

Services per capita in US: U\$46,071 per year.

China's GDP by Sector

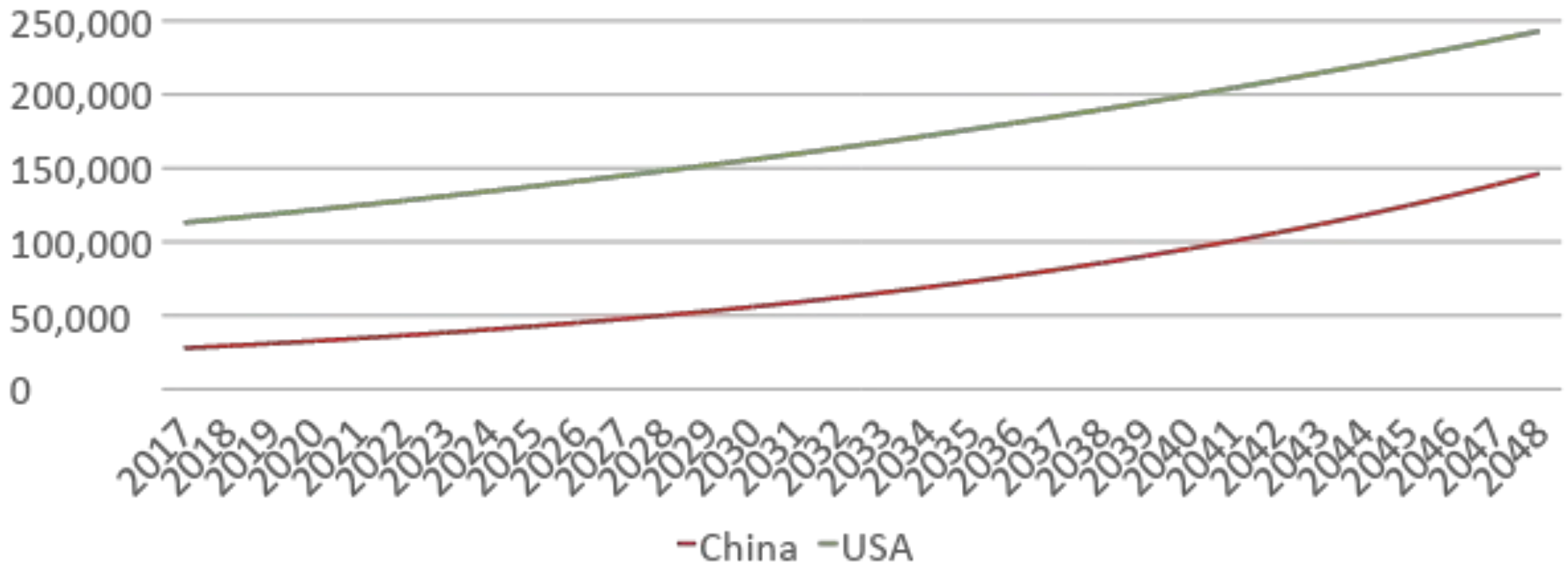
Agriculture Industry Services



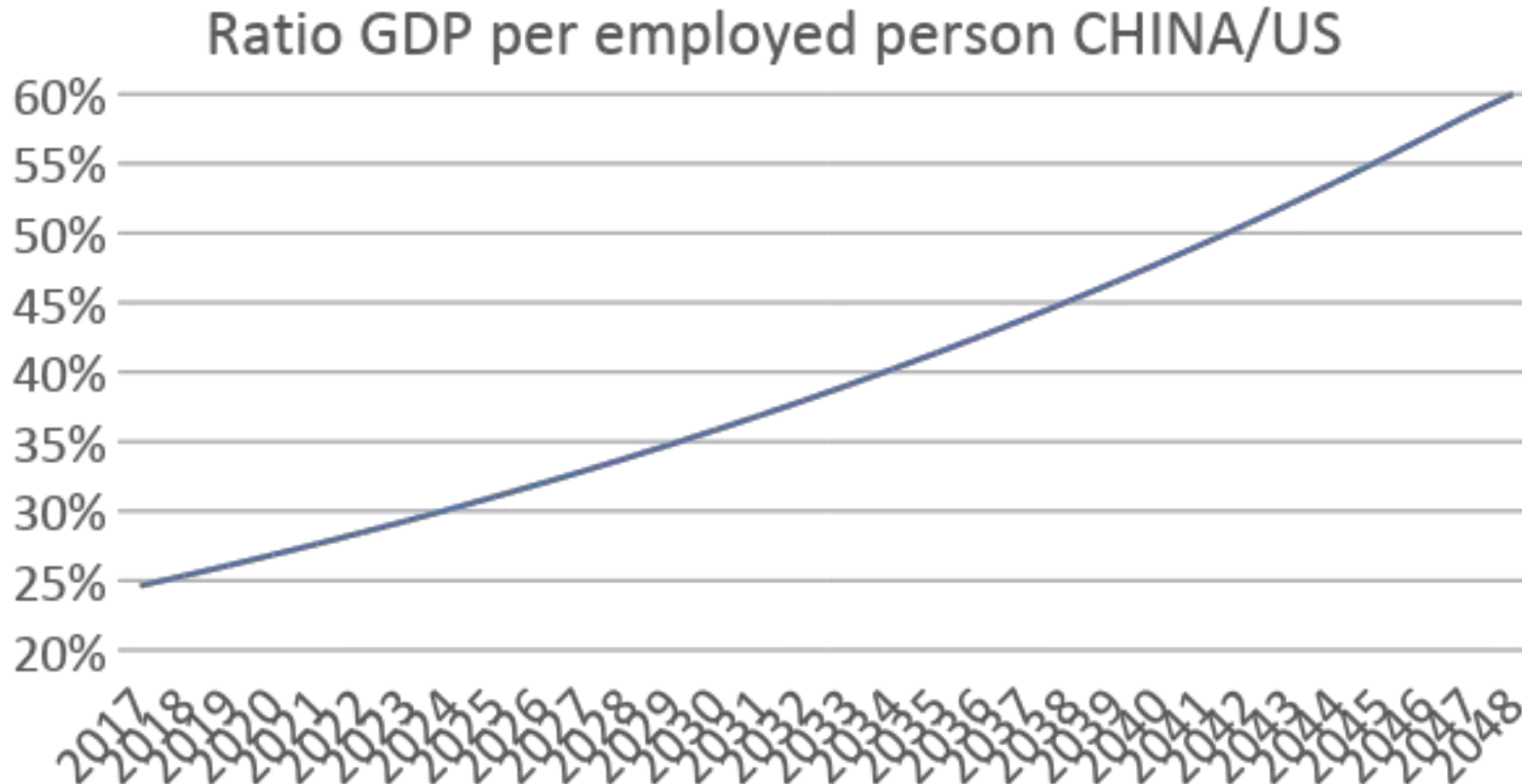
China – Strained Capacity

- Assuming that true barrier is labor productivity ~ 60% of USA.
- Generous assumptions: China is growing very fast (5.5%) but not US (2.5%)

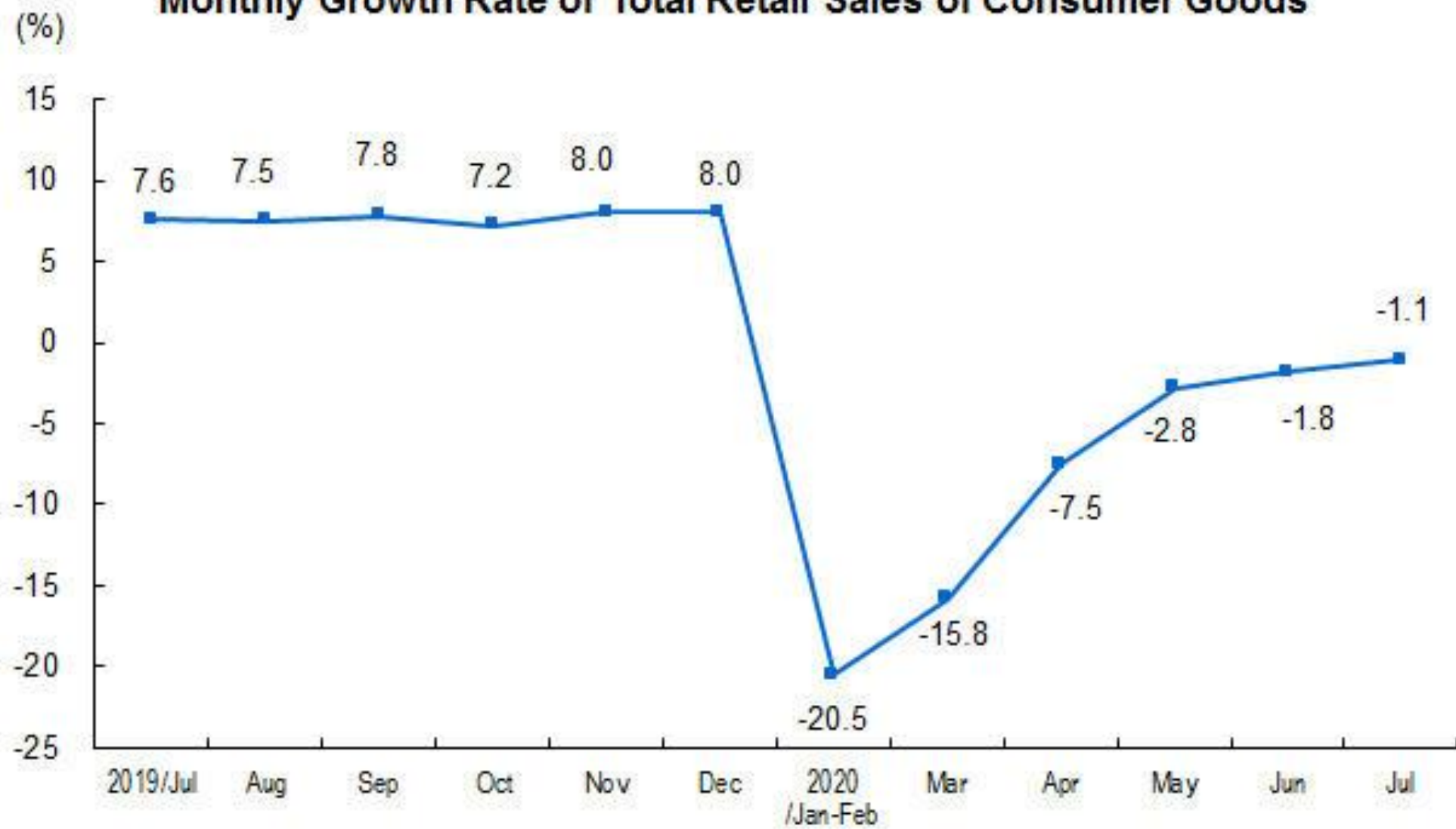
GDP per employed person, USA and China, 2017-2048



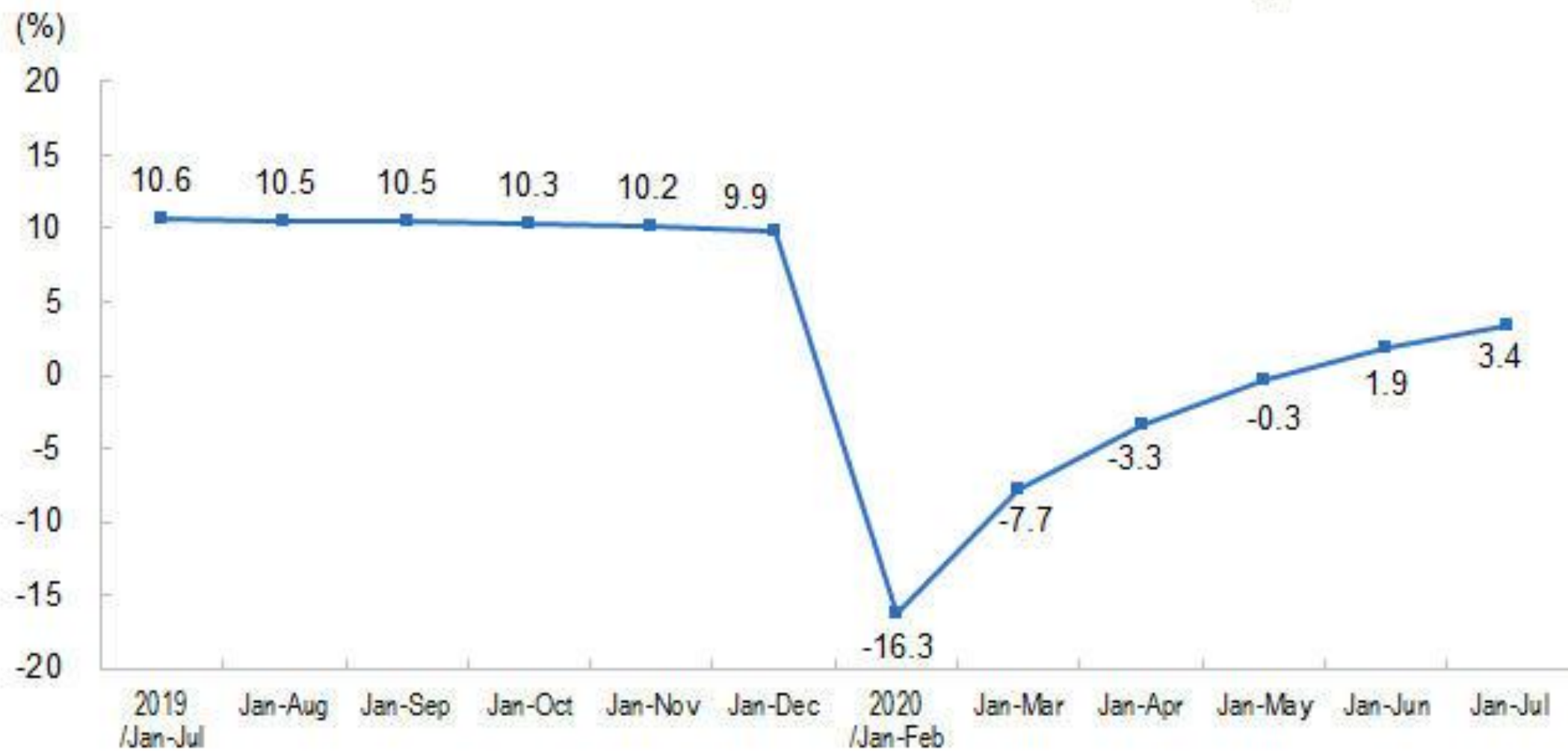
- Assuming that true barrier is labor productivity $\sim 60\%$ of USA.



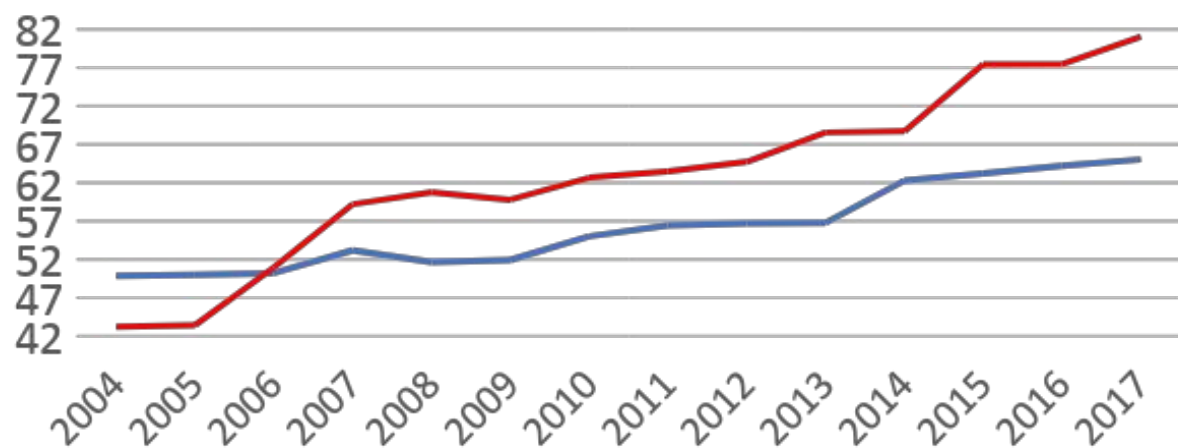
Monthly Growth Rate of Total Retail Sales of Consumer Goods



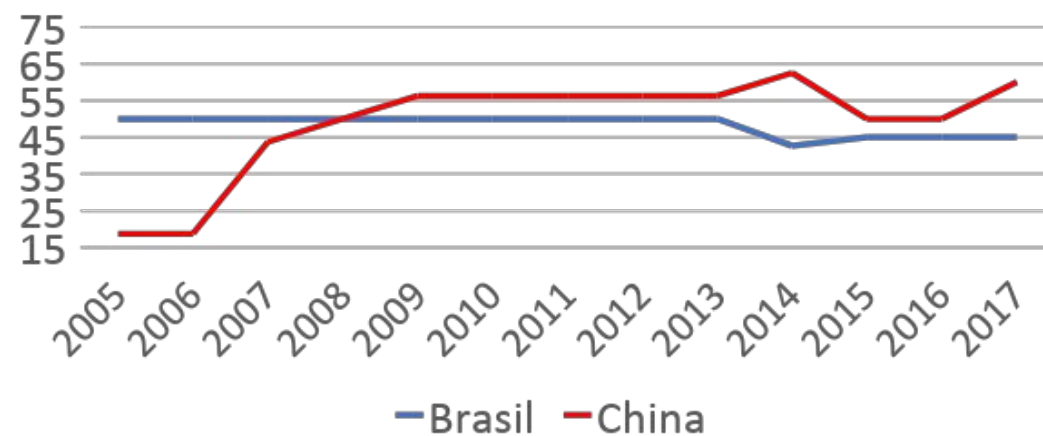
Growth Rate of Investment in Real Estate Development



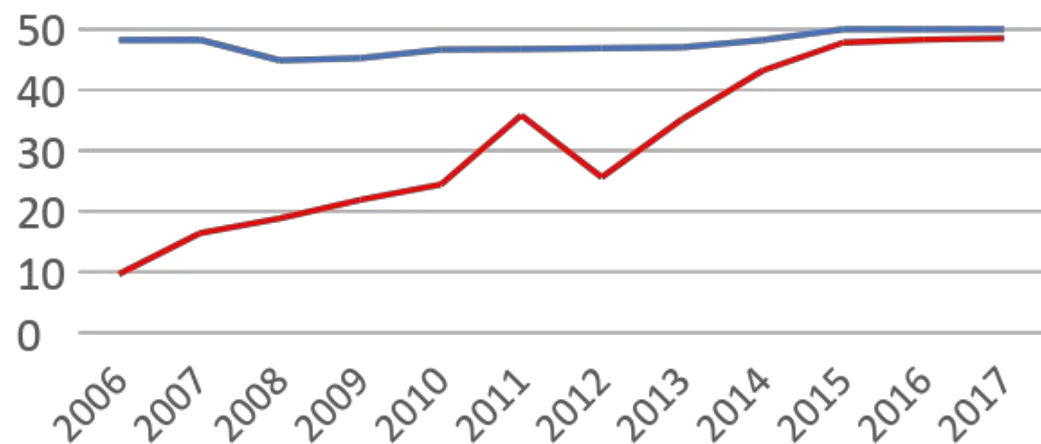
Easiness of opening a business



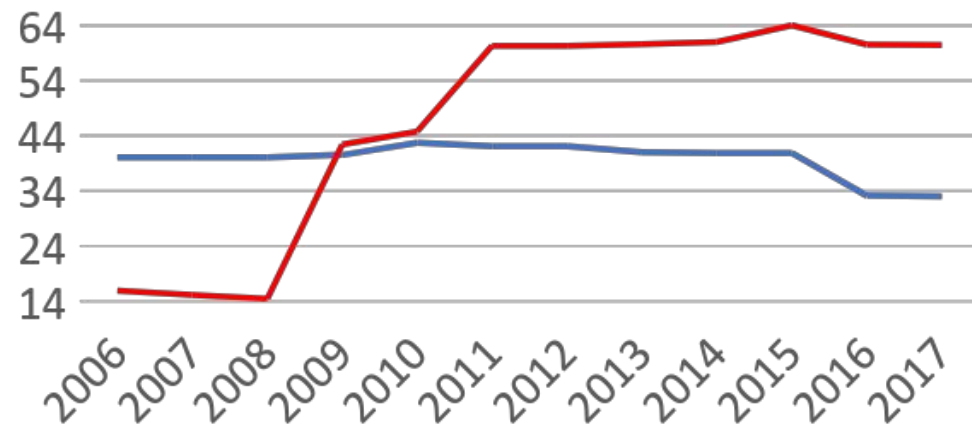
Access to credit



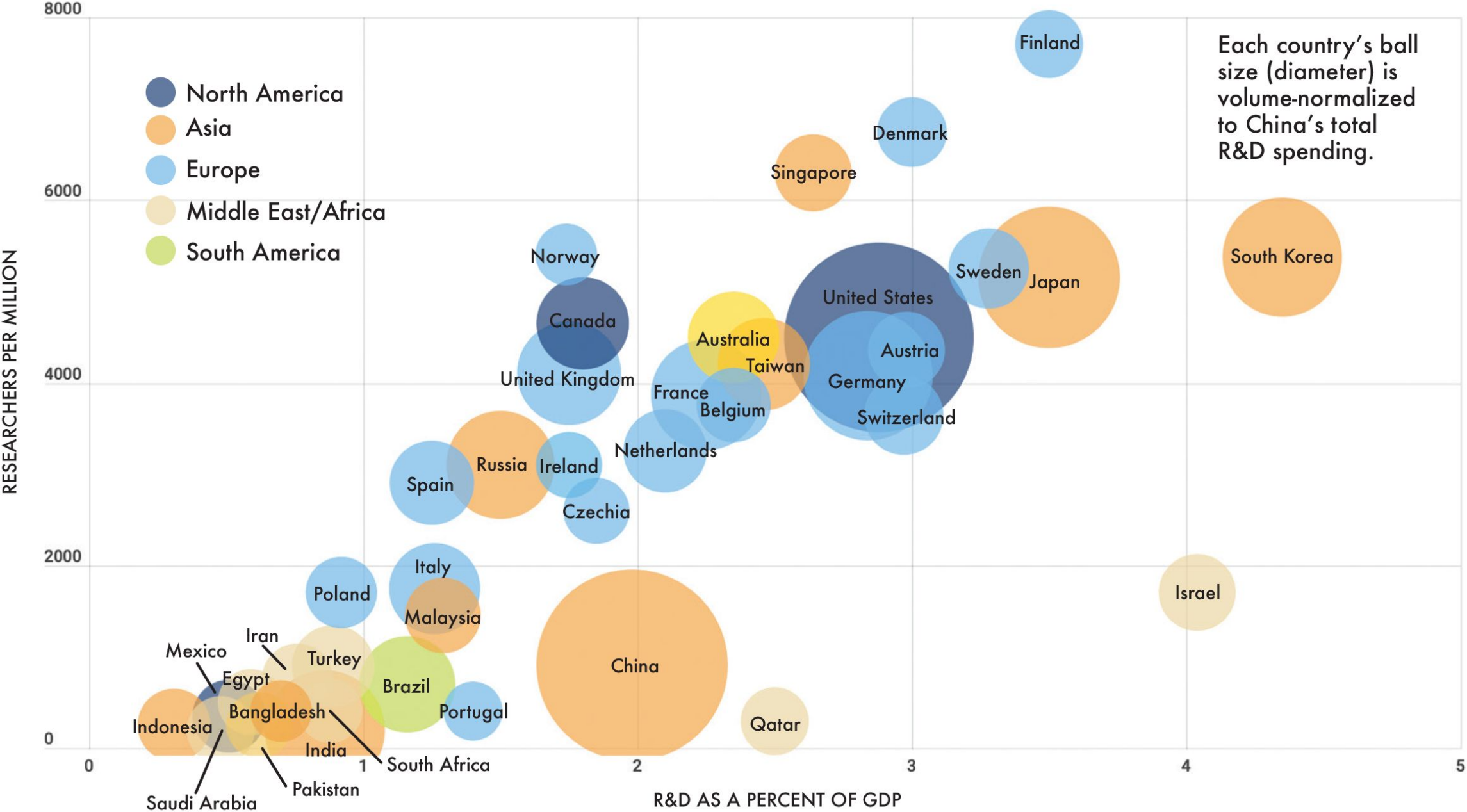
Licence to construction



Easiness of paying taxes



WORLD OF R&D 2021





2017 Actual

2018 Estimated

2019 Forecast

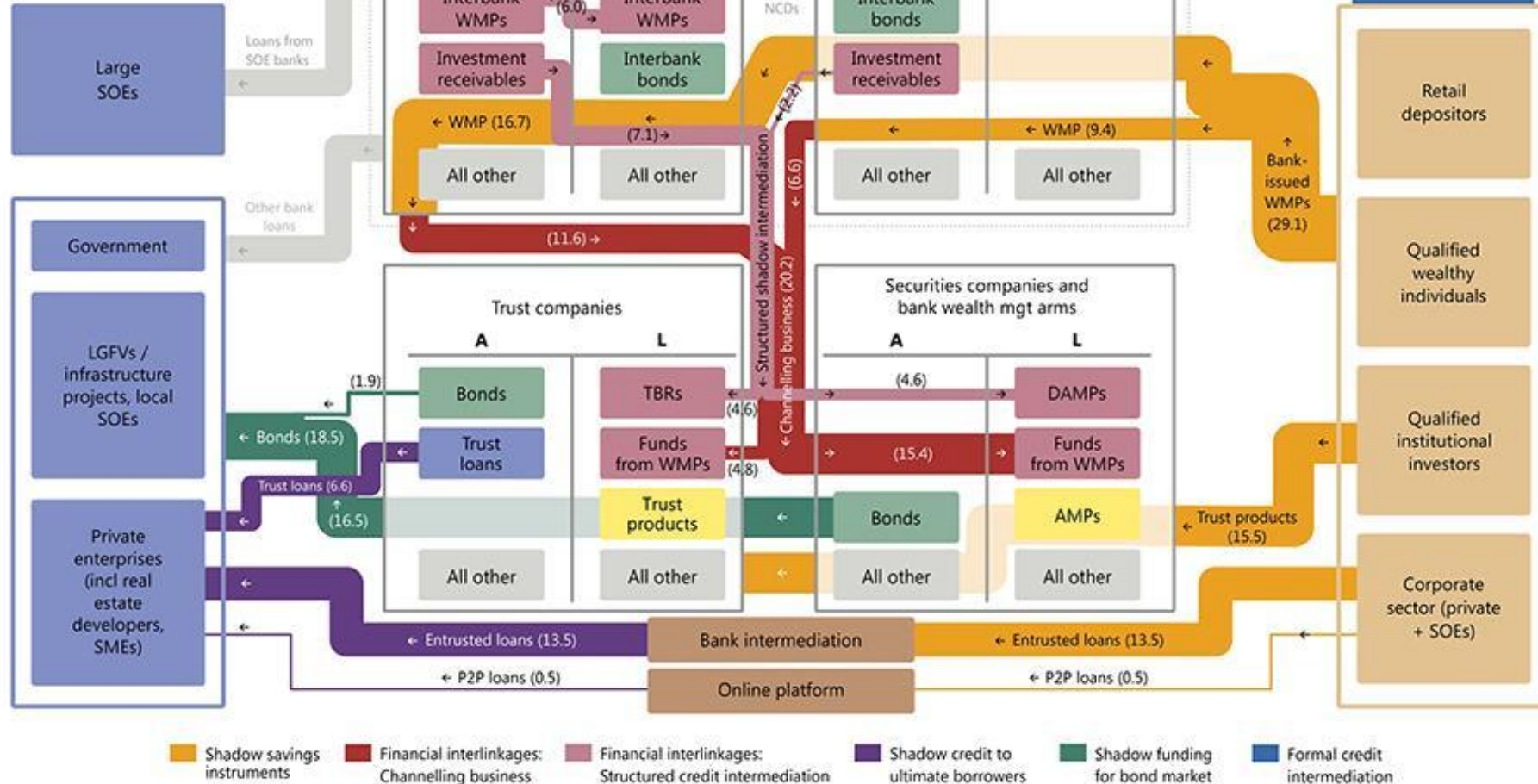
	GDP PPP Bil, USD	R&D as % GDP	GERD PPP Bil, USD	GDP PPP Bil, USD	R&D as % GDP	GERD PPP Bil, USD	GDP PPP Bil, USD	R&D as % GDP	GERD PPP Bil, USD
1 United States	19,360.0	2.83%	537.59	19,921.0	2.84%	565.76	20,458.9	2.84%	581.03
2 China	23,120.0	1.96%	444.82	24,646.0	1.97%	485.53	26,223.3	1.98%	519.22
3 Japan	5,405.0	3.50%	185.53	5,469.9	3.50%	191.45	5,519.1	3.50%	193.17
4 Germany	4,150.0	2.84%	114.84	4,253.8	2.84%	120.81	4,338.9	2.84%	123.22
5 India	9,447.0	0.84%	76.91	10,146.1	0.85%	86.24	10,937.5	0.86%	94.06
6 South Korea	2,027.0	4.30%	85.43	2,087.8	4.32%	90.19	2,148.4	4.35%	93.46
7 France	2,826.0	2.25%	62.13	2,885.4	2.25%	64.92	2,943.1	2.25%	66.22
8 Russia	4,000.0	1.52%	57.81	4,068.0	1.52%	61.83	4,129.0	1.50%	61.94
9 United Kingdom	2,880.0	1.73%	49.16	2,926.1	1.72%	50.33	2,970.0	1.73%	51.38
10 Brazil	3,219.0	1.18%	37.14	3,293.0	1.17%	38.53	3,375.3	1.16%	39.15
11 Canada	1,764.0	1.80%	30.85	1,801.0	1.80%	32.42	1,837.0	1.80%	33.07
12 Australia	1,235.0	2.34%	28.64	1,272.1	2.34%	29.77	1,311.5	2.35%	30.82
13 Taiwan	1,175.0	2.45%	28.20	1,197.3	2.45%	29.33	1,221.3	2.46%	30.04
14 Italy	2,307.0	1.26%	28.39	2,341.6	1.27%	29.74	2,365.0	1.26%	29.80
15 Spain	1,769.0	1.26%	21.81	1,818.5	1.26%	22.91	1,858.5	1.25%	23.23
16 Turkey	2,133.0	0.90%	18.34	2,226.8	0.90%	20.04	2,315.9	0.89%	20.61
17 Netherlands	915.2	2.10%	18.64	944.5	2.10%	19.83	967.2	2.10%	20.31
18 Sweden	521.7	3.31%	16.93	535.3	3.33%	17.82	547.1	3.28%	17.94
19 Switzerland	516.7	2.98%	14.99	528.6	2.98%	15.75	539.2	2.97%	16.01
20 Singapore	513.7	2.62%	13.19%	528.6	2.62%	13.85	542.9	2.64%	14.33

Figure 5

2016 China shadow banking map: stylised structure of claims

Amounts in trillions of RMB

Ultimate borrowers



This book aims to be the most comprehensive textbook about Working Capital Management, Trade Credit, and Supply-Chain Finance by including dozens of applications to enlighten the theoretical concepts about this important financial management field. The leading case study describes how improved working capital practices have led to savings of over US\$1 billion for a listed company. Today, the teaching of these concepts is spread around different disciplines. My goal is to consolidate all aspects of working capital management under one roof and include enough material to make the book accessible to a broad audience, from introductory undergraduate courses to business executives.

Professor Zeidan is Professor of Practice of Business and Finance at New York University Shanghai and Affiliate Professor at Fundação Dom Cabral. He is also Senior Scholar at the Center for Sustainable Business, NYU Stern and a columnist at Folha de S. Paulo, Brazil's leading newspaper.

palgrave
macmillan



The General Model of Working Capital Management
Rodrigo Zeidan

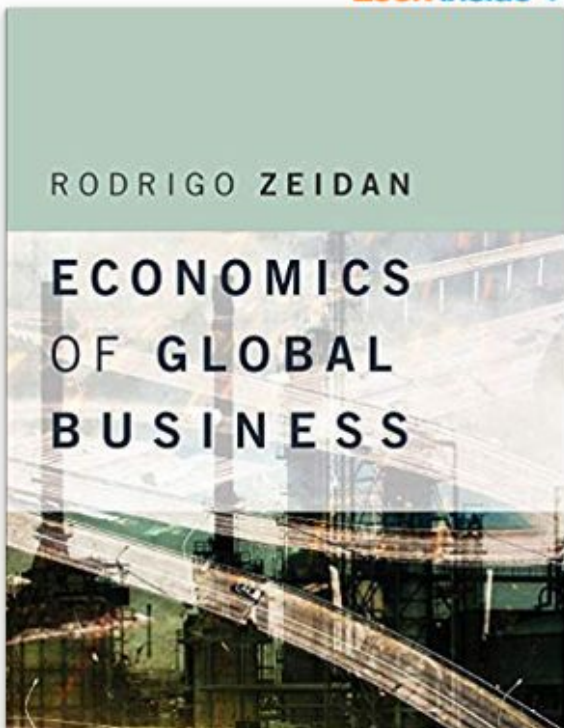
palgrave
macmillan

The General Model of Working Capital Management

Rodrigo Zeidan

palgrave
macmillan

Look inside ↴



Economics of Global Business (The MIT Press)

Paperback – November 13, 2018

by [Rodrigo Zeidan](#) (Author)

★★★★★ 2 ratings

> [See all 2 formats and editions](#)

Kindle
\$61.88

[Claim your \\$5 Kindle credit](#)
[Read with Our Free App](#)

Paperback
\$55.91

8 Used from \$38.98
15 New from \$39.99

A textbook with innovative real-world macroeconomic analyses of timely policy issues, with case studies and examples from more than fifty countries (slides and case studies can be freely downloaded from rzeidan.com/economics-of-global-business/.)

This timely and refreshingly real-world focused textbook examines some of the world's most critical policy issues through a macroeconomics lens. After presenting analytical foundations, modeling tools, and theoretical perspectives, *Economics of Global Business* goes a step further than most other texts, with a practical look at the

Share    


☒ **Buy New** **\$55.91**

Qty: 1 ▾

List Price: \$65.00

In Stock.

Ships from and sold by Amazon.com.

 **Add to Cart**

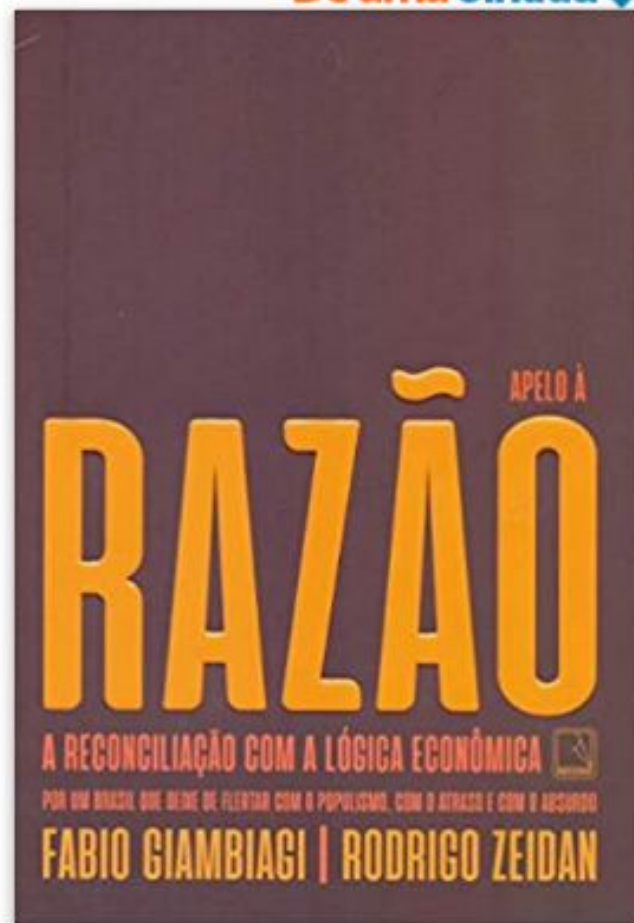
 **Buy Now**

This item does not ship to **Shanghai, China**. Please check other sellers who may ship internationally. [Learn more](#)

 [Deliver to Rodrigo - Shanghai 200122](#)

☐ **Buy Used** **\$38.98**

Dê uma olhada ↴



[Ver todas as 2 imagens](#)

Apelo à razão: A reconciliação com a lógica econômica

(Português) Capa Comum – Edição padrão, Edição padrão, Edição padrão

por [Fabio Giambiagi](#) (Autor), [Rodrigo Zeidan](#) (Autor)

★★★★☆ ~ 7 classificações

[> Ver todos os 2 formatos e edições](#)

Kindle
R\$17,06

Capa Comum
R\$42,88

Leia com nossos **apps gratuitos**

14 Novo(s) a partir de R\$39,90

Este produto não pode ser enviado para o local do seu endereço atual.

Uma análise fundamental da situação econômica do Brasil, com propostas e soluções em meio à crise que o país atravessa. O fracasso da política econômica dos governos petistas e a falência do Estado que se seguiu abriram caminho para a adoção de uma agenda liberal. A velha divisão entre a direita e a esquerda pertence ao passado. O debate hoje é entre intervencionismo e liberalismo. Este livro chega em boa hora. Ele nos traz um excelente diagnóstico da gravidade da situação que

[< Leia mais](#)

RODRIGO ZEIDAN

VIDA DE RICO SEM PATRIMÔNIO




ALTA BOOKS
EDITORA

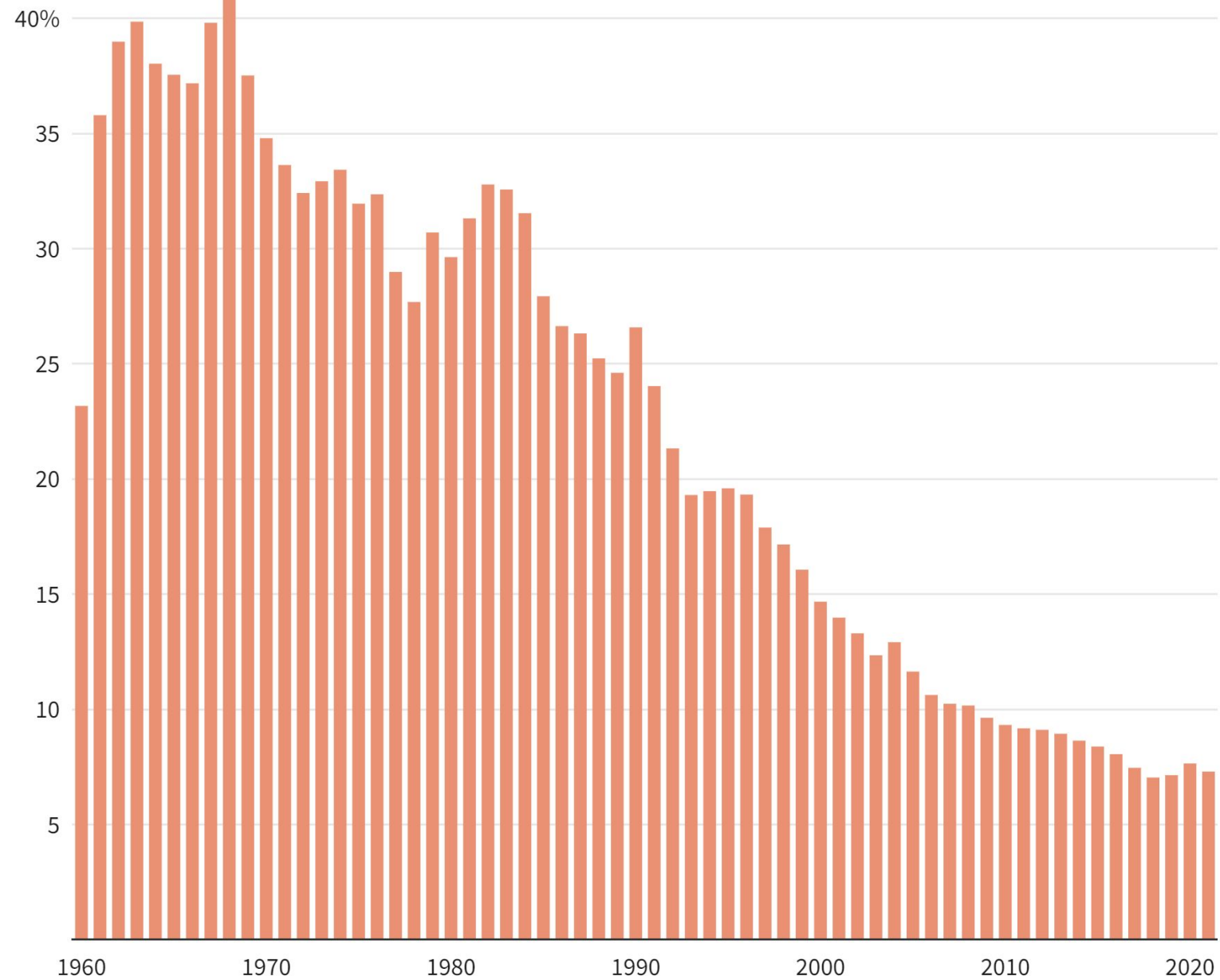
MICHEL FLEURIET
RODRIGO ZEIDAN

O MODELO DINÂMICO DE GESTÃO FINANCEIRA

Contato

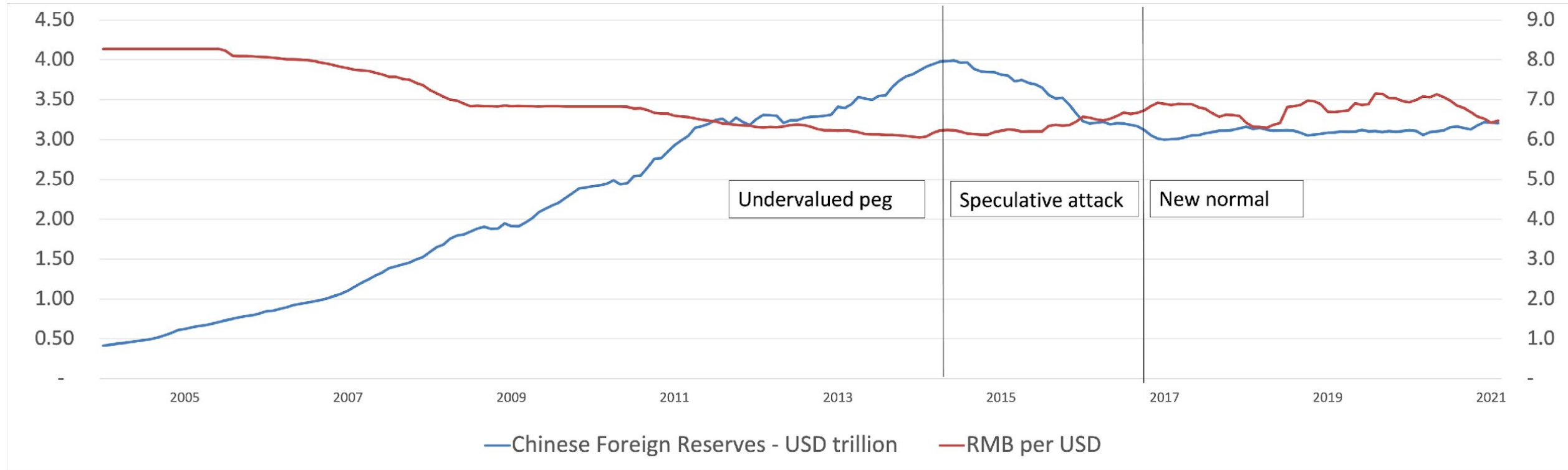
- rz25@nyu.edu
- <http://rzeidan.com>

Agriculture Share of GDP in China

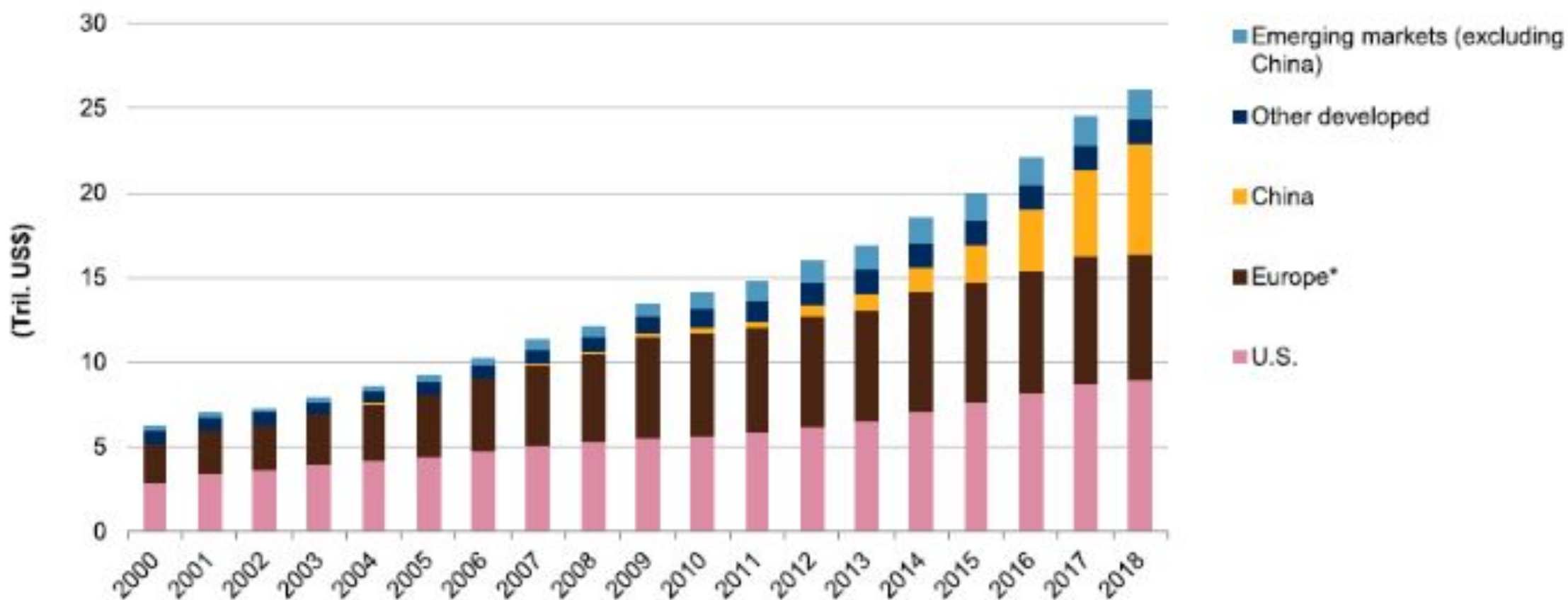


Yuan as global currency?

Chinese reserves (in USD trillions) and RMB per USD exc.rate, 2004-2021



Domestic Financial And Nonfinancial Debt Outstanding (2000-2018)



*Intra-European bond issuance included as domestic issuance. Includes long-term debt only. Data as of Sept. 30, 2018. Sources: S&P Global Fixed Income Research, Thomson Financial, and WIND Information.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

Urban Employment in China (million)

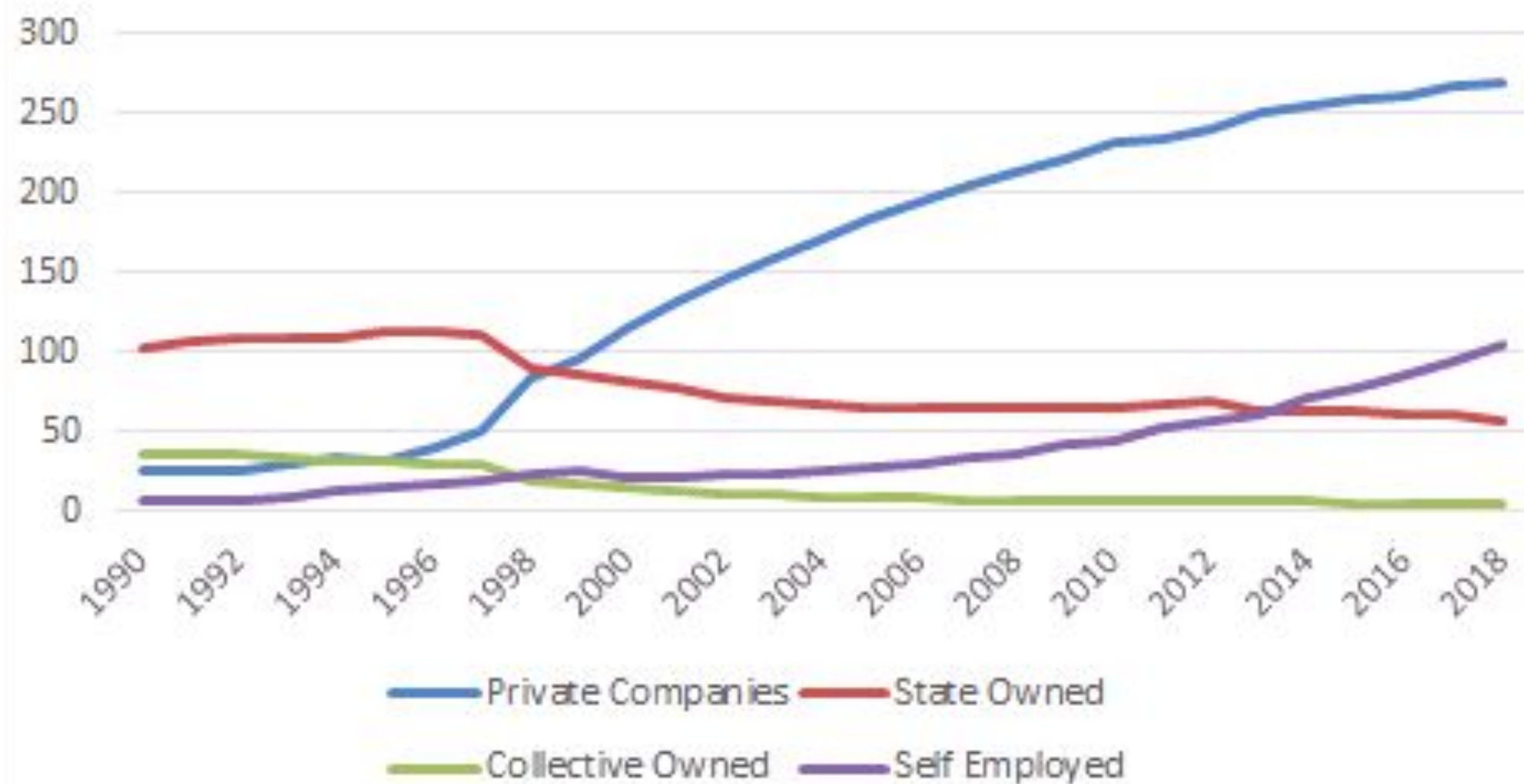
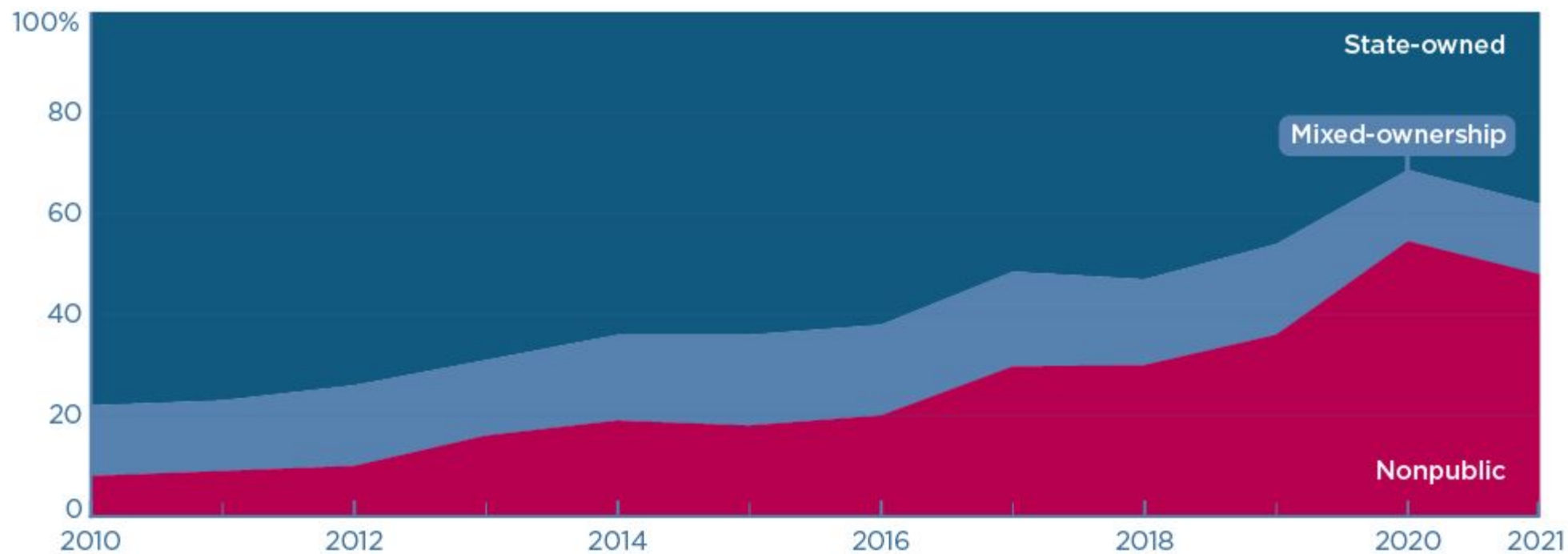


Figure 2

The private sector provides almost half of the total market value of China's largest 100 listed firms

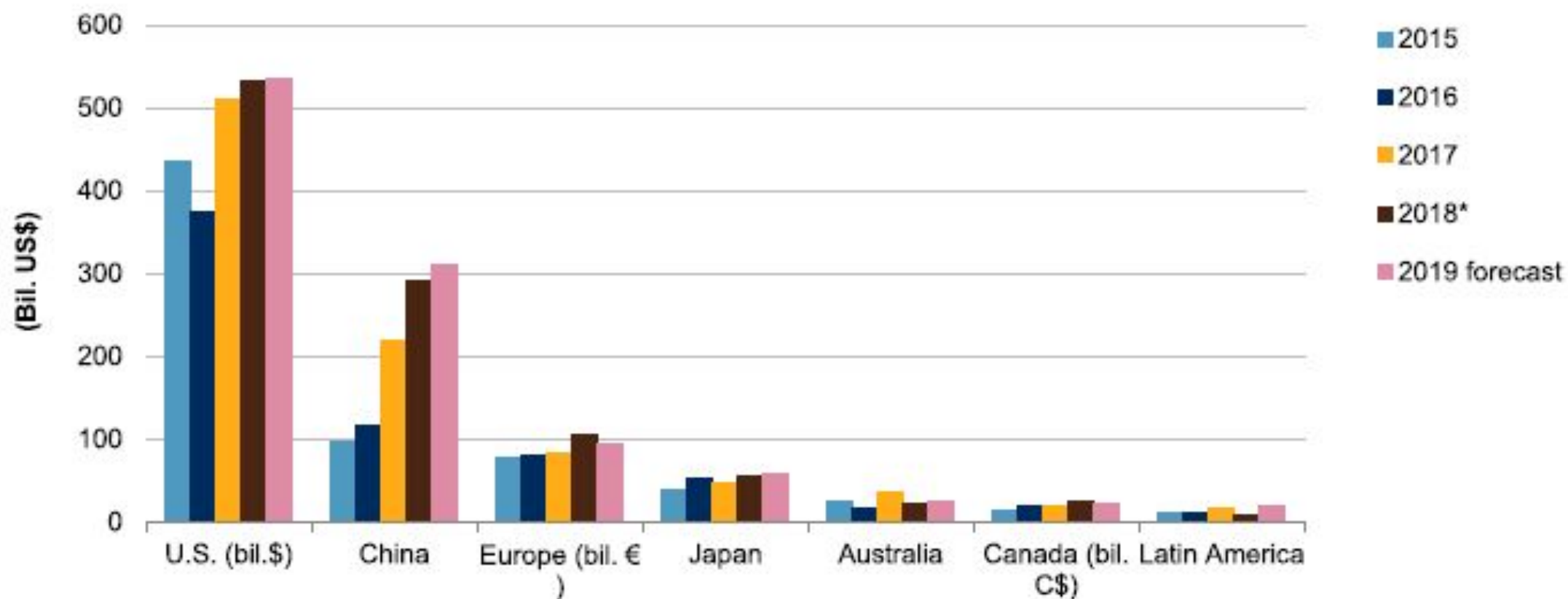
Share of aggregate market capitalization of China's largest 100 listed firms, by ownership, 2010-21



Note: Sample is China's largest 100 listed firms by market capitalization for each year measured at year-end. "Nonpublic" are firms in which state entities hold an equity stake of less than 10 percent. "State-owned" are firms in which the state owns a majority stake. "Mixed-ownership" are firms in which the state owns an equity stake between 10 and 50 percent.

Sources: Wind; authors' calculations.

Global Securitization Issuance

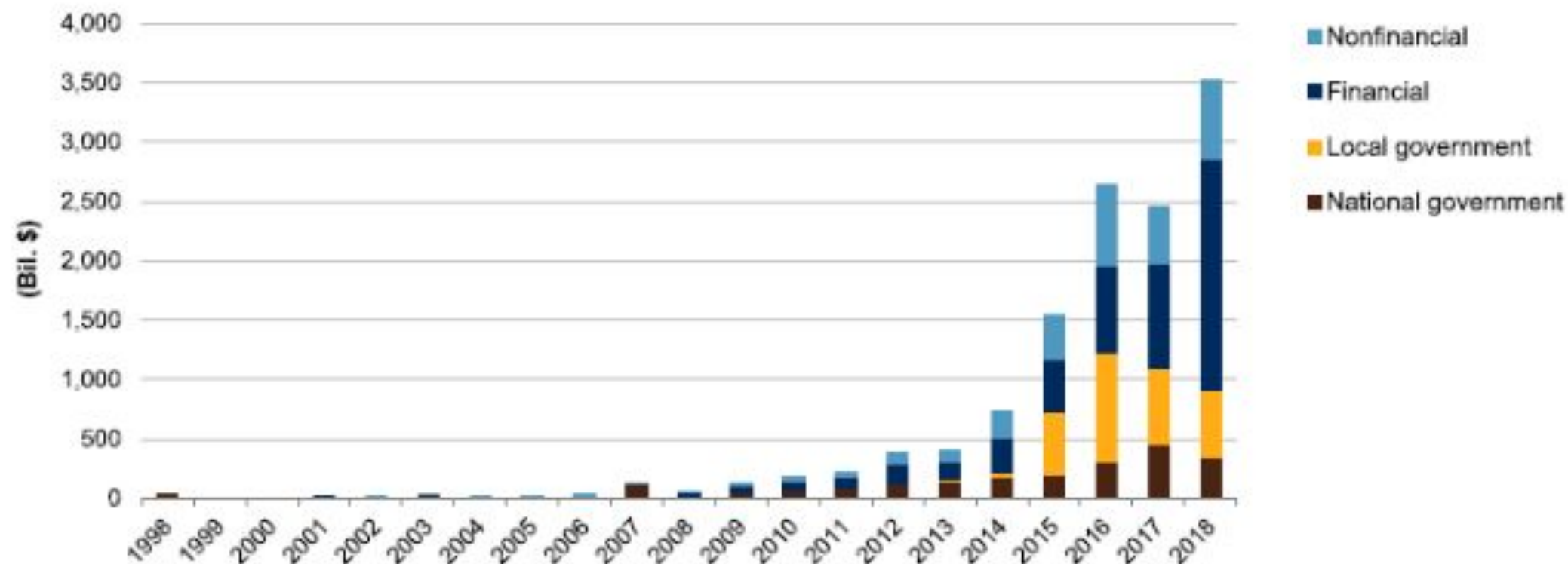


Note: For more information, see "Global Structured Finance Outlook 2019: Securitization Continues To Be Energized With Potential \$1 Trillion In Volume Expected Again," published on Jan. 7, 2019, on RatingsDirect.

*Note that 2018 includes forecasts for the remaining year. Data as of Jan. 7, 2019. Source: S&P Global Ratings.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

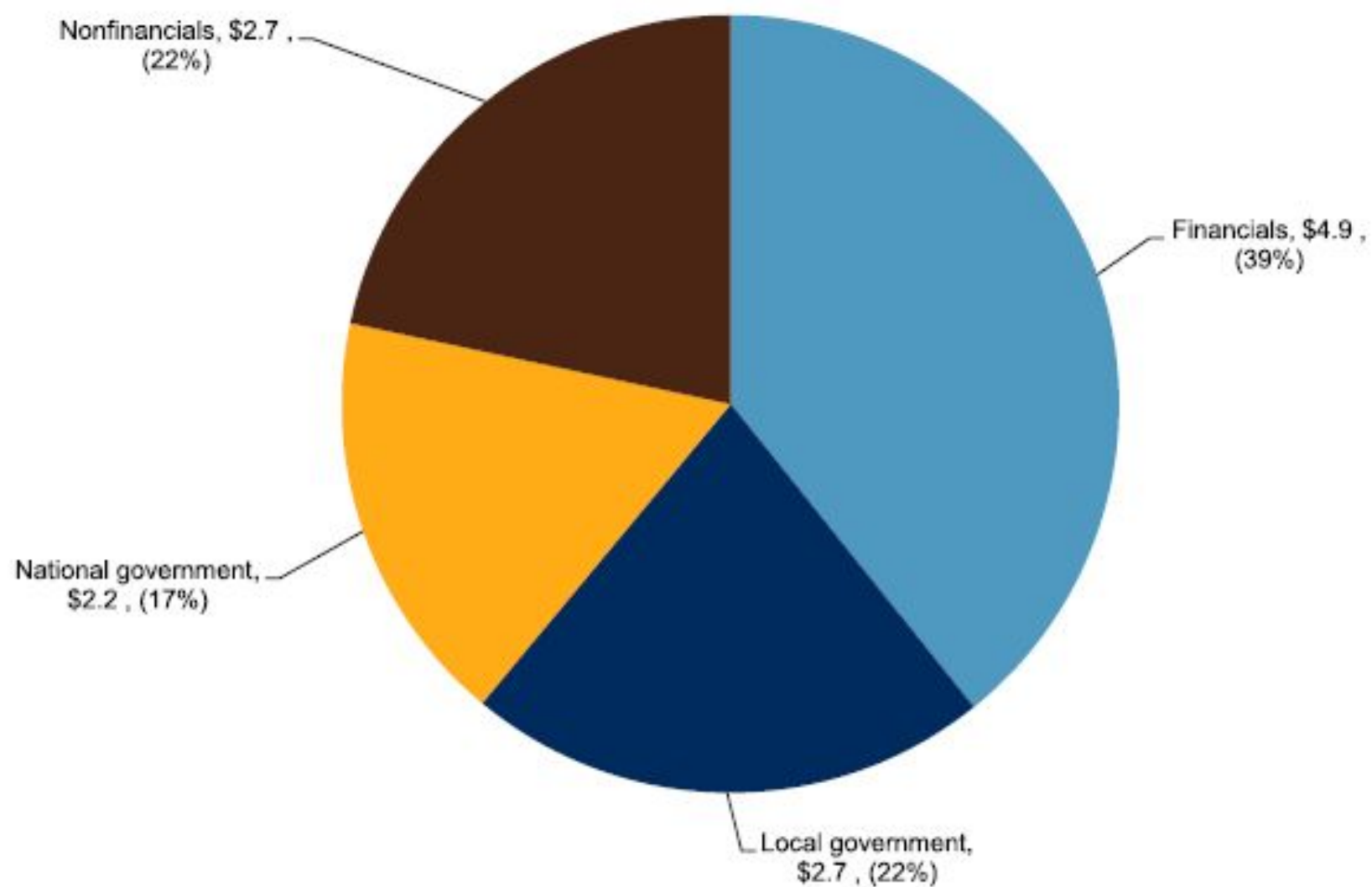
Chinese Domestic New Bond Issuance



Data as of Sept. 28, 2018. Sources: WIND and S&P Global Fixed Income Research.

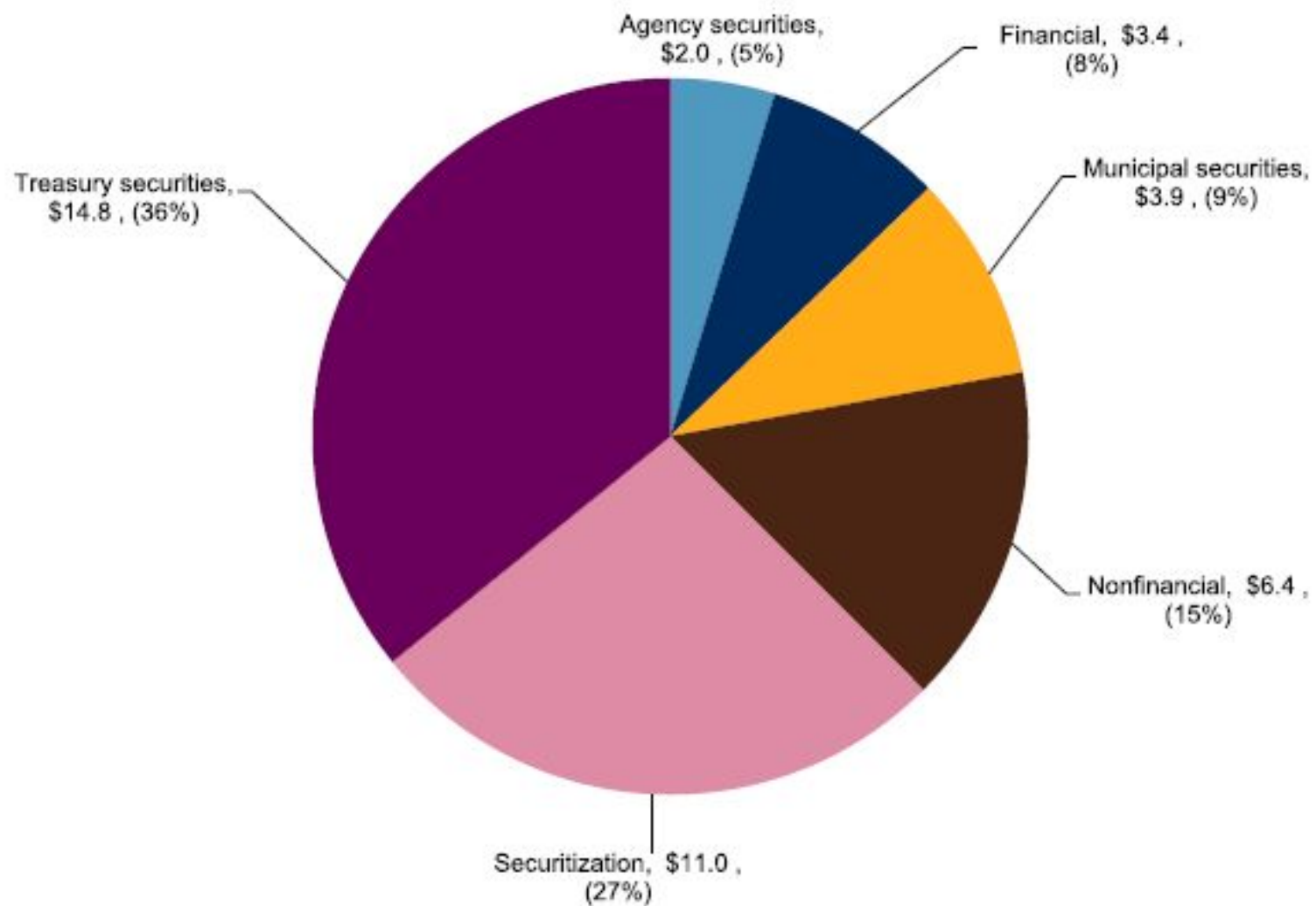
Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

Chinese Distribution Of Debt Outstanding (Tril. \$)



Data as of Sept. 28, 2018. Sources: WIND and S&P Global Fixed Income Research.

U.S. Distribution Of Debt Outstanding (Tril. \$)



Data as of Nov. 30, 2018. Sources: S&P Global Fixed Income Research, Thomson Financial, and SIFMA.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

First: Chinese debt SHOULD be higher – country is growing.

- China's domestic corporate debt market, with debt outstanding of \$6.6 trillion, is the third-largest domestic corporate (financial and nonfinancial) debt market, trailing the nearly \$9 trillion U.S. market and Europe's \$7.4 trillion (considering intra-European debt issuance as domestic funding).
- Local government financing vehicles account for a sizable portion of the interbank market debt outstanding (over 60% by new issue count).

Chinese debt – deleveraging?

From Bloomberg:

- New yuan loans jumped by a record 3.23 trillion yuan (\$481 billion) in January, exceeding estimates
- Shadow financing rose for the first time in 11 months; interbank borrowing climbed to a six-month high
- More than 1,800 new trust products have been sold so far this year, the fastest start since at least 2008, according to Use Trust
- Banks issued 22 percent more wealth-management products in January than the year-earlier period, according to PY Standard
- It's a stark turnaround after a nearly two-year anti-leverage drive that sank Chinese [stocks](#), restrained economic growth, triggered record bond [defaults](#), and pummeled the nation's gargantuan shadow-banking industry.

Trade as % of
GDP

Country Name	1960	1970	1980	1990	2000	2010	2017
East Asia							
China	9%	5%	12%	24%	39%	49%	38%
Hong Kong		179%	178%	226%	248%	405%	375%
Korea, Rep.	15%	33%	66%	51%	68%	96%	81%
Japan	21%	20%	27%	20%	20%	29%	33%
Macao				177%	149%	120%	111%
Mongolia				59%	122%	103%	117%
Taiwan	30%	59%	104%	86%	102%	135%	117%
ASEAN							
Brunei Darussalam			105%	99%	103%	95%	85%
Cambodia	36%	14%	0%	49%	111%	114%	125%
Indonesia	24%	29%	53%	53%	71%	47%	40%
Lao PDR	0%	0%	0%	36%	69%	85%	76%
Malaysia	113%	87%	113%	147%	220%	158%	136%
Myanmar					1%	0%	48%

The Internationalization of the Yuan

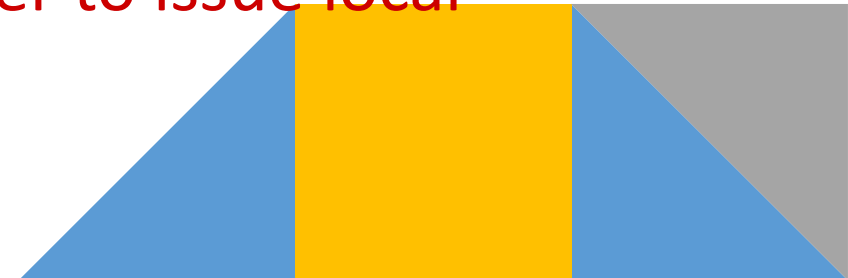
Exchange Rate Regimes:

- ❑ Fully flexible
- ❑ Dirty floating
- ❑ Fixed
- ❑ Currency board (Dollarization)

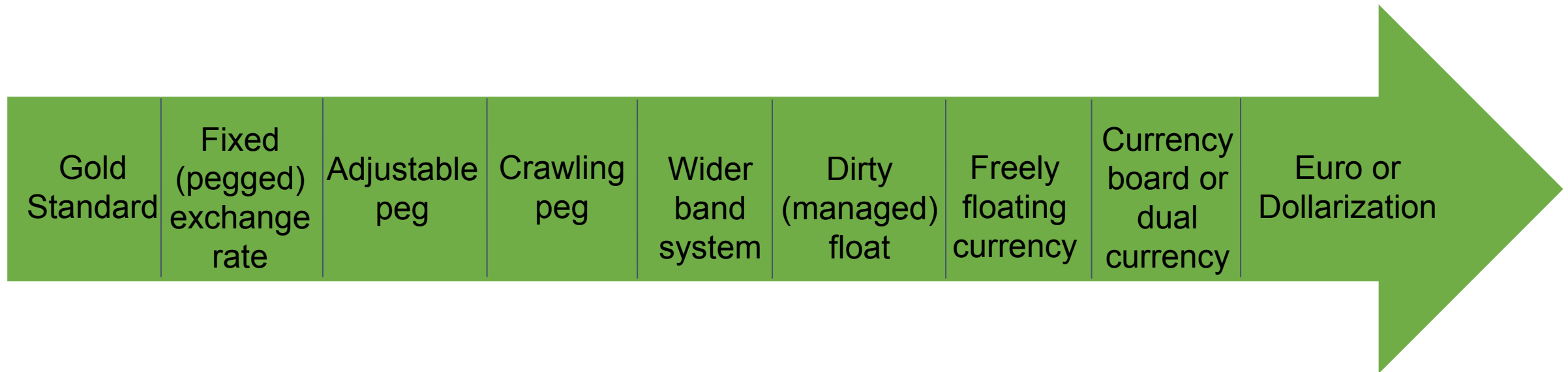


Exchange Rate Regimes:

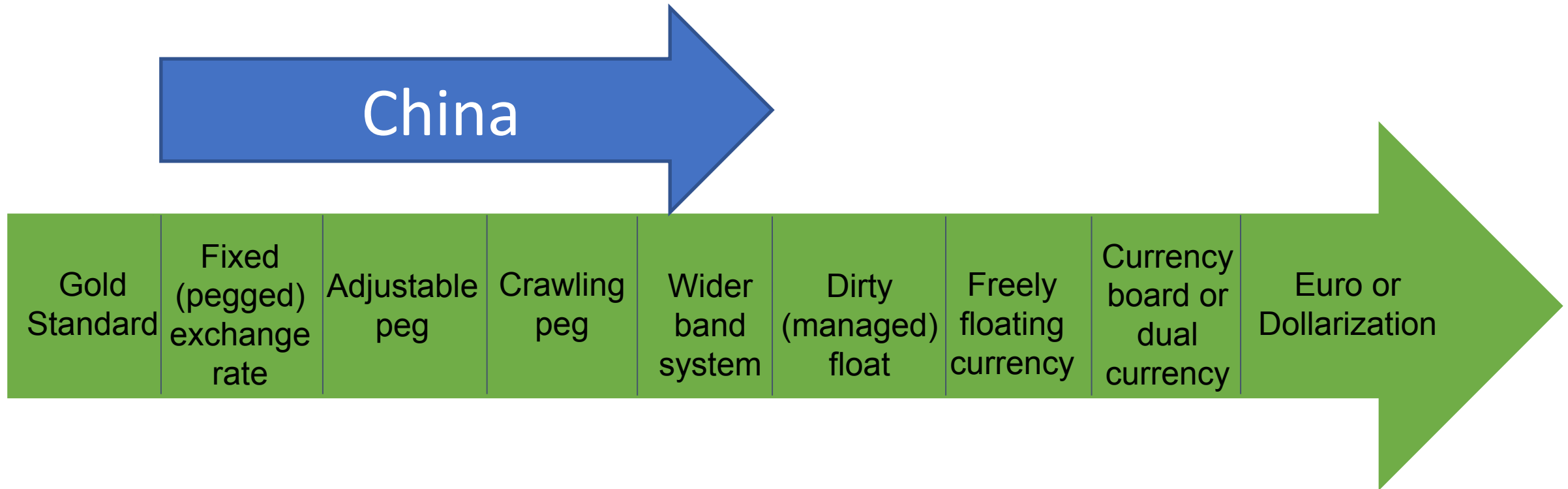
- ❑ Dirty floating
 - ❑ Central banks occasionally intervene in foreign exchange markets that otherwise fluctuate freely
- ❑ Fixed
 - ❑ Central bank determines either the value of the local currency or an interval within which it is traded
- ❑ Currency board (Dollarization)
 - ❑ Countries abandon their ability to print their own currency and use foreign money as legal tender
 - ❑ In this regime the country abandons the power to issue local currency in favor of the greenback.



Exchange rate systems in which the monetary authority has the most autonomy to the least



Exchange rate systems in which the monetary authority has the most autonomy to the least



The trilemma of economic policy

What is the trilemma?

A country can pick only two out of three fundamental options:

- 1) Active monetary policy;
- 2) Fixed exchange rate;
- 3) Free capital flows.

Pursuing all three eventually leads to a speculative attack and the abandoning of the fixed exchange rate regime.



The Trilemma Explained

Given the interest rate parity, if countries try to change interest rates there will be an impact on the currency markets (if there are free capital flows).

In a fixed exchange rate regime, the only way to proceed with an expansionary or contractionary monetary policy is to be able to intervene in the currency market to stem capital outflows or sterilize capital inflows.

Reserves are finite and sterilizing capital inflows has fiscal costs, thus countries cannot maintain fixed exchange rate regimes and at the same time maintain monetary policy autonomy if capital can move freely.




The Trilemma Explained

Eventually agents will start betting heavily that a country cannot maintain a peg and the central bank will capitulate

The only way to maintain a peg with free capital movements is to have an endogenous interest rate. In essence, the central bank can either have a say in the interest rate or exchange rate, but not both, unless it has capital controls.





The Chinese trilemma and the speculative attack on the yuan

China's 2015 Speculative Attack

China grappled with an indirect speculative attack on the yuan in 2015, even though the country had at that time trillions of dollars in reserve.

The country assumed it could maintain tight control over its money supply and its exchange rate and, at the same time, introduce measures to free up the flow of capital.

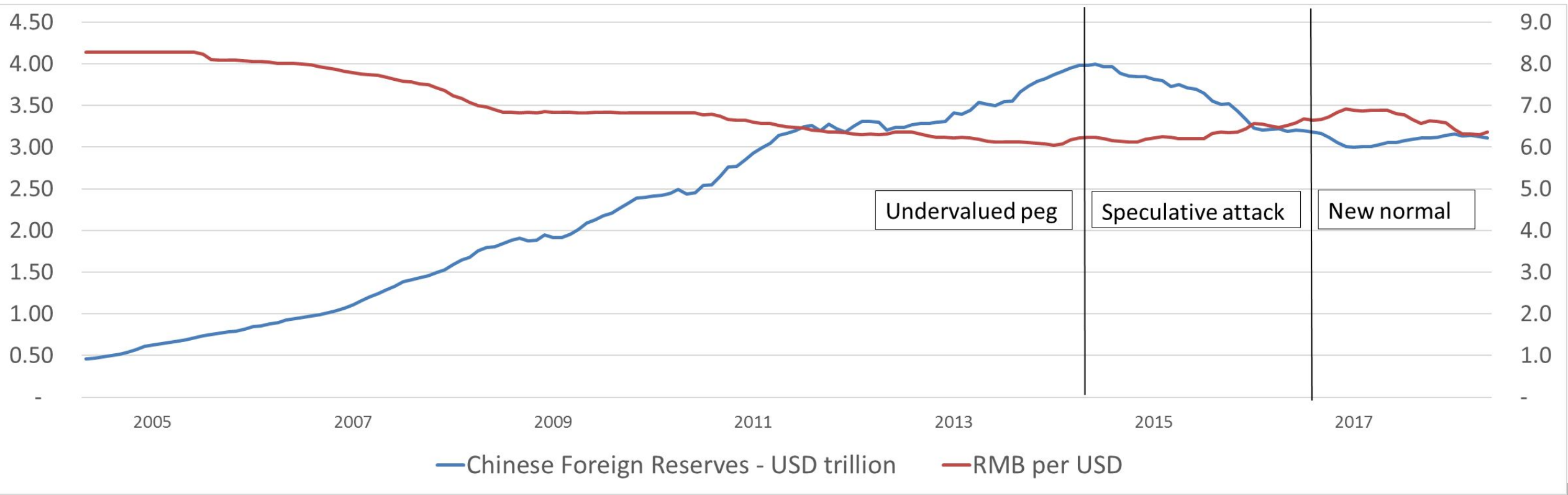


CHINA RESERVES

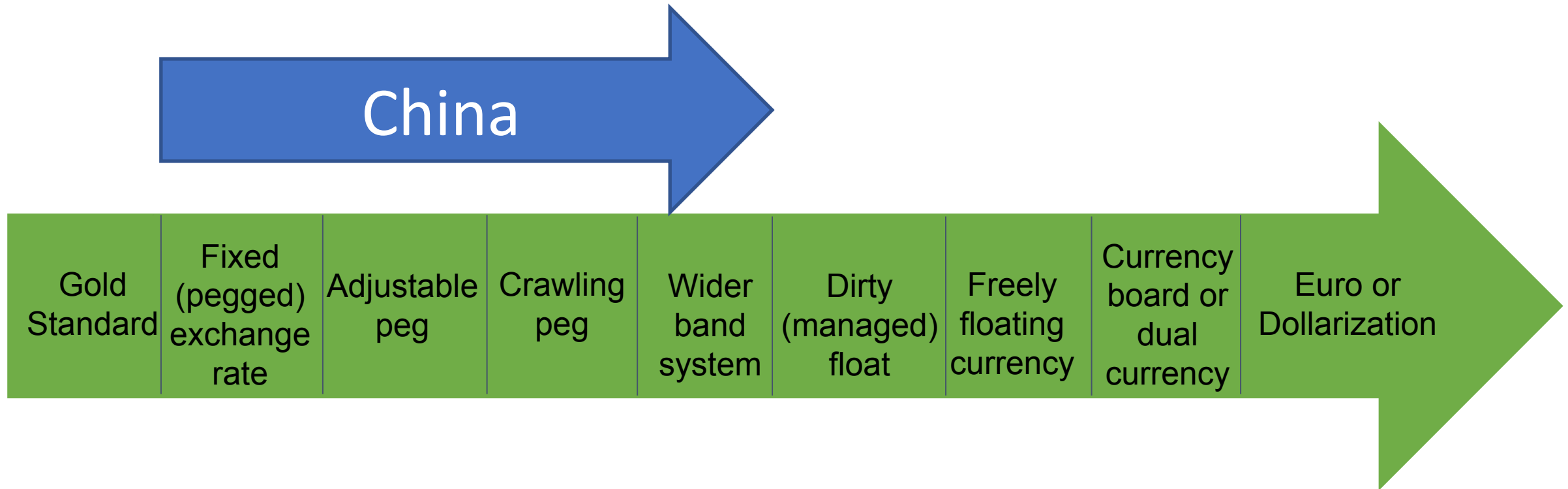
China had an undervalued exchange rate regime for most of its post-reform history. To achieve that, it had to **sterilize capital inflows**, accumulating large foreign reserves.



Chinese reserves (in USD trillions) and RMB per USD exc.rate, 2004-2018



Exchange rate systems in which the monetary authority has the most autonomy to the least



China's 2015 Speculative Attack

A global recession and the fear of a hard landing by the Chinese economy shifted the peg from undervalued to overvalued.

Because the PBOC kept the yuan peg relatively unchanged, the Chinese central bank had to start selling foreign currency to investors and companies that wanted to take their money out of the country.



What Were the Options?

Faced with the assault, Chinese authorities had several options:

- They could make capital controls tighter, impeding or even prohibiting different types of outflows.
- Increase the interest rate to try to bring in more foreign capital.
- Ride the crisis out, until its reserves were close to exhausted.
- Accede to the attack.

They chose the last one.



Repercussions of this Decision

On two days in August 2015 the PBOC allowed the yuan to devalue by 3%. It started a process of mini-devaluations until there were no more net capital outflows. China slowly brought the yuan closer to its shadow price; the price of the yuan if the country had a fully flexible currency regime.

In 2016 after the equivalent of US\$1 trillion was spent on thwarting the speculative attack, the Chinese economy stabilized. Capital outflows or inflows were minuscule, and confidence rebounded.

In 2019 Chinese foreign holdings stand at around \$US3 trillion.



Aftermath

China continues to manipulate its currency, but without real economic effects on the rest of the world.

The yuan is still subject to PBOC's control, but its value does not influence world exporters negatively, because the PBOC keep it close to what it would be if the currency was floating.

The main reason that the PBOC does not allow the currency to completely float is to keep a hold on volatility.

If the country does not continue to move towards currency reform, there will be no internationalization of the Yuan.

