

Global Risk Watch Newsletter

Widening Populism is Becoming an Annoying Imbalance for World Economy, etc.

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<<index>>

[1. # Widening Populism is Becoming an Annoying Imbalance for World Economy \(Tsuyoshi Oyama\)](#)

[2. # Panama Papers: a New Seed of Headache for the Financial Services Industry? \(Koichi Iwai\)](#)

3. # Another Sign of Real Estate Bubble in China (Yasuhiro Sobue)

[4. Seminars, Conference & Publications](#)

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3.Highlight of Indicator for this Month

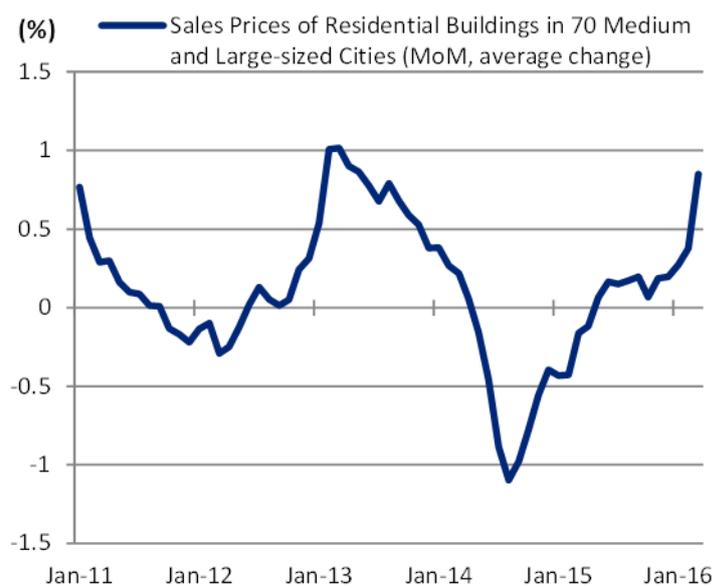
Another Sign of Real Estate Bubble in China (Yasuhiro Sobue, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

The real estate market in China has once again shown signs of overheating. Chart 1 indicates the growth of sales prices of residential building in 70 major cities (month –on-month 70 cities average change), with March figures surged to the highest level since May in 2013. Particularly, major cities such as Beijing, Shanghai and Shenzhen saw a major increase of over 3% month-on-month. Moreover, prices are rising at nearly 90% of the city, thus rising housing prices in major cities have spread to regional cities. Recently, political support can be said to be the driving force of the rising housing prices. The National People’s Congress (NPC) held in March, have indicated a stance of underpinning the economy by fiscal stimulus, and People’s Bank of China also ease down-payment requirements on mortgage.

By observing the money-supply, particularly the growth of M1 (Chart 2) that indicate balance on cash currency and demand deposits have soared significantly, reflected excessive liquidity in the market. Certainly, this would be

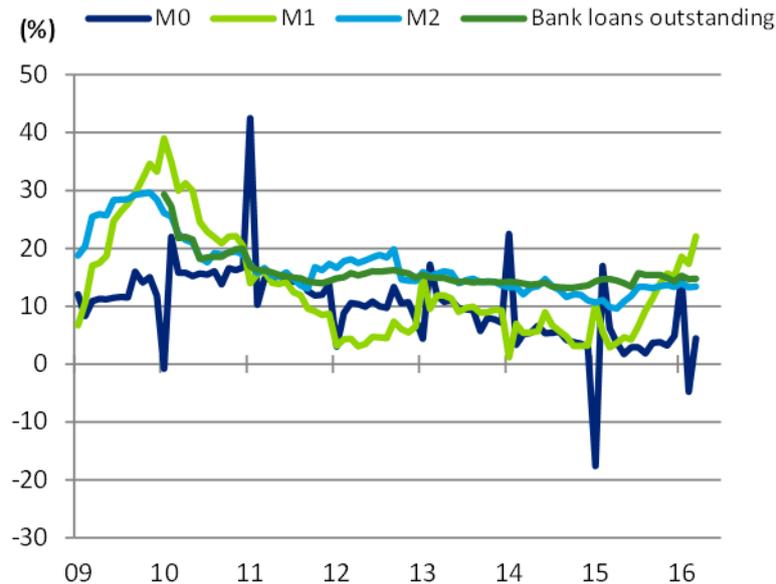
related to the surge in housing prices. Although, the pressure of economic slowdown was weakening by the expansion of a series of fiscal and monetary policies, while signs of a real estate bubble have begun to emerge sporadically; perhaps this suggests the difficulties face by the Chinese government to steer its policy management going forward.

Chart 1 : China: Sales Prices of Residential Buildings in 70 Medium and Large-sized Cities (MoM 70 cities average change)



Source: National Bureau of Statistics of China

Chart 2 : China: Money supply and bank loans outstanding



Source: People's Bank of China

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