

Economics Briefs

China's Economic Growth Remains Driven by New Infrastructure

In spite of claims across the trans-Atlantic financial and other media of an “indefinite delay” in Chinese economic data releases, China issued its third-quarter economic report immediately following the CPC National Congress, and *before* that of the United States, for example. GDP growth was reported at 3.9% in the past 12 months (not as a “rate,” as GDP is reported elsewhere). It was lowered by the COVID lockdowns and global sanctions and dislocations, but more than half a percent higher than Wall Street pundits expected. Industrial production had grown 6.3%; fixed asset investment by 5.9% (showing new infrastructure to be the continued driver); exports by 5.7% but imports by only 0.3%. Real estate property sales were way down, about -15%.

Infrastructure investment continues to be the focus for increasing productivity and raising domestic demand for new technologies. This is the strength which China can use to center its response to the attack by the U.S. military-industrial complex to deny it the most advanced semiconductor chips. Most of the applications for these most advanced chips are seen as military and cyber-military, so that the Biden Administration is urged to think that it is guaranteeing U.S. military superiority over China by this use of the power simply of financial sanctions. But China is more likely to keep its own nano-chip industrial development going by the demands of its new infrastructure, space exploration, and fission-fusion energy development.

S&P Reports Euro Economy Shrinking, Criticizes ECB

The Standard and Poor's Purchasing Managers' Index for October for the Eurozone was published at 47.1, well down into contraction, with the Manufacturing Index even lower at 46.6. (below 50 for a survey indicates economic contraction). The overall index for Germany's economy was easily the worst, at 44.1 and falling.

“The situation economically is getting worse quite rapidly,” said the S&P chief economist Chris Williamson. “These numbers pose downside risk to a lot of people's forecasts, notably the ECB's.”

The United States purchasing managers' index survey figures are also in contraction in October, though less sharply than those of Europe. Williamson had this to say about that:

“The U.S. economic downturn gathered significant momentum in October, while confidence in the outlook also deteriorated sharply. The decline was led by a downward lurch in services activity, fueled by the rising cost of living and tightening financial conditions. While output in manufacturing remains more resilient for now, October saw a steep drop in demand for goods, meaning current output is only being maintained by firms eating into backlogs of previously placed orders.... No surprise to see firms cutting back sharply on their input buying to prepare for lower output in coming months.”

India-Russia Trade Keeps On Multiplying

Trade between India and Russia in

just five months of this year was 40% more than in all of the prior year. Indian imports of oil and fertilizer are the reason, according to *The Indian Express* Oct. 21. The bilateral trade was valued at \$18.23 billion in the first five months of the fiscal year 2022-23 (from April to August) according to the India's Department of Commerce. The total annual bilateral trade for the previous year, fiscal 2022, was \$13.12 billion; for fiscal 2021, it had been \$8.14 billion.

Russia's oil exports to Turkey have also been increasing and reached their high of the year in October.

The 'Green Deal' Palms a Card

In the comedy of tragic errors called European “Green Deal” energy policy, this development was going to happen sooner rather than later. A wind farm in Germany is being dismantled to make room for expansion of a lignite coal mine, [reported](#) OilPrice.com Oct. 26. Both the Garzweiler coal mine and the adjacent wind farm are owned by the German utility giant RWE. The North Rhine-Westphalia state energy ministry was not happy. RWE spokesman Guido Steffen was quoted in *The Guardian*, “We realize this comes across as paradoxical. But that is as matters stand.” In announcing in September that the coal mine would be expanded, RWE said,

“The three lignite units [coal-fired power plants it is reopening—ed.] each have a capacity of 300 megawatts (MW). With their deployment, they contribute to strengthening the security of supply in Germany during the energy crisis and to saving natural gas in electricity generation.”

With the protest mood spreading in Germany, perhaps next they will start pulling up fields of solar cells to plant food crops!

What's Happening to Fertilizer Production in Europe: An Example

Yara International, whose normal production is 2 million metric tons annually, announced that its production of ammonia fertilizer dropped from 81% of capacity in the second quarter to 57% in the third, and will drop further to 35% in the fourth quarter if natural gas prices stay at sky-high levels. Its website says that

“Yara fertilizer plants are located all over Europe, in close vicinity to seaports and rivers to enable efficient transportation: Montoir, Ambès and Le Havre in France, Brunsbüttel and Rostock in Germany, Tertre in Belgium, Sluiskil in the Netherlands, Ravenna in Italy, Porsgrunn and Glomfjord in Norway to name only a few.”

Fertilizer production in Europe as a whole is down more than 50% from the first quarter to the third, one of a number of commodities whose production has dropped that far.

This will affect crop yields in the Spring 2023 growing season.

Bloomberg Lets Uncomfortable Derivatives Fact into ‘Reassurance’ Piece

Roughly 25% of the “assets” of the biggest pension funds worldwide are in the form of “alternatives”—hedge funds and derivative bets according to the strategy called liability-driven investment (LDI), which opened up the UK-headquartered pension funds to a bailout-averted collapse Sept. 27-28. In a Bloomberg [piece](#) Oct. 23, this basic reality is admitted. These pension

funds include the monsters leading King Charles’ “warlike mobilization” for zero carbon, through the various coalitions of “green finance” which Mark Carney and Michael Bloomberg have boasted to manage assets in amounts like “\$230 trillion.”

For 25 years (“alternatives” were just 7% of their assets in 2000) these funds have been amassing many trillions of dollars in illiquid “assets,” which are now losing value as interest rates rise and derivatives go negative, and are difficult to sell. And this is really what distinguishes them from all the pension funds at places like big steel plants, coal companies, municipalities, etc. which missed out on the new derivatives house of cards and actually *declared* their bankruptcy over the past generation.

“This could pose a problem” was as far as any “expert” quoted in the Bloomberg article was willing to go. “LDI Chaos Likely to Hurt Private Equity and Property Allocations” was actually written to reassure markets that everything which needs to be done to restore those funds to perfect health, is now being swiftly seen to by their alert and careful administrators. It is full of absurd lulling phrases like “solvency is not an issue” (just how, then, did those UK funds become insolvent that night of Sept. 27, as asserted by the Bank of England in an Oct. 5 letter to Parliament?).

German City’s Letter to Chancellor Seeks Emergency Economic Action

Presented first at the Oct. 24 “Monday rally” of 400 citizens of the city of Waren an der Müritz (State of Mecklenburg) last Monday, an open letter to German Chancellor Olaf Scholz and to Mecklenburg Prime Minister Manuela Schwesig addresses the threat of inflation and energy supply uncertainty

leading to an economic depression in 2023. The letter was drafted and approved by the City Council and Mayor of Waren (21,000 inhabitants); it was, according to sources, inspired by the Peace Initiative Open Letter of the Hanseatic city of Stralsund, but it leaves out the general political picture, probably to have the support of the entire Council, and instead emphasizes the precarious economic situation.

The letter tells the national and state leaders, in part, “The worsening situation is leaving many citizens with great anxiety. An optimistic view of the future is becoming increasingly difficult. Many companies fear for their existence and thus also for our city and region.... The imminent danger of recession in the coming year requires non-bureaucratic assistance for citizens, businesses and municipalities, and swift national action to secure the energy supply situation in Germany.”

The letter demands:

“Creation of affordable prices for energy and food. Reduction of taxes on energy—uncompromisingly and immediately! ... Suspension of the merit order principle as long as there is no oversupply on the electricity markets. [The merit order sets the price for *all* energy sources equal to the *highest price* for any source at the EEX speculative energy trading exchange in Leipzig—ed.] ... Immediate relief measures to preserve all companies and businesses. The small and medium-sized business sector was and remains the economic engine in the region of our country. It must be protected in order to prevent insolvencies.... Stable network conditions for our electricity and gas grids, so that there will be no weeks and months with an undersupply of electricity and gas.”

Mayors of some 25 cities and towns in this eastern German region signed the Waren letter in the week after Oct. 24.