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Better-Management Newsletter 10 June 2015

Is China's boom sinking? / Greek bailout?? / More kicking the can / When will electricity replace oil for transport?

Is China's growth for real?

China grows its currency base with every overseas sale of goods and services, ensuring that their exporters only receive Renminbi for their exports. More injections of cash and credit and up go the share markets again. Meantime exports fall and imports fall even more...so what does that tell us about the true state of the PRC's economy?...from Seeking Alpha...

” **China's exports fell** for a third month in May, while imports slumped the most in three months, underscoring a sluggish domestic environment in need of more stimulus. Annual exports in May fell 2.5% while imports plunged 17.6%, data from the General Administration of Customs showed on Monday. Many analysts have already penciled in sub-7% growth for the second quarter, raising the risk that the government will not meet its full-year growth target of around 7%. Shanghai closed **up 2.2%**.”

And... http://seekingalpha.com/article/3241036-china-containerized-freight-index-collapses?source=email_macro_view_eco_11_40&ifp=0

China is becoming worried about deflation. So much for economic growth? From Seeking Alpha...

“**As China's boom surpasses** the headiest days of the U.S. Internet bubble, signs of excess are cropping up everywhere. Mainland speculators have borrowed a record \$348B to bet on further gains, price-to-earnings ratios have climbed to the highest levels in five years, while Chinese exchanges have created \$6.5T in just 12 months of trading. The economy, meanwhile, is mired in its weakest expansion since 1990. Chinese shares face their next big test later today, when index provider MSCI decides whether mainland securities are eligible for indexes used by \$9.5T of funds worldwide.

Meanwhile, China's inflation in May came in lower than expected, offering more evidence that Asia's largest economy is stalling and suggesting more stimulus may be on the way. China's CPI rose 1.2% from the year-earlier period, slightly below the 1.3% forecast and below the 1.5% rise in April. Producer prices fell for the 38th straight month, slumping 4.6% from a year earlier.”

China is not travelling too well.

The G8 -1 (Russia) is meeting to sort out some thorny problems in world affairs, but the biggest concern is the medicine we may be forced to take by the climate change activists...from Seeking Alpha...

“[Leaders from the G7 industrial nations](#) are scheduled to meet in the Bavarian Alps for a second day of a summit overshadowed by Greece's debt crisis and ongoing violence in Ukraine. On Sunday, leaders focused on global growth, climate change and the TTIP free trade agreement being negotiated between Washington and the EU. Today, the summit will discuss militant threats from groups like Islamic State and Boko Haram.”

Greek bailout??

As if the G7 can change Greek strategies...

<http://www.telegraph.co.uk/finance/economics/11660220/World-leaders-plead-with-Greece-to-make-bargain-as-time-is-very-short.html>

But Greece may get to kick the can down the road as the Government tries to avoid “excessive austerity”...from Seeking Alpha...

“[Greece and its creditors](#) are discussing an extension of the country’s bailout program through March 2016, *WSJ* reports, in an attempt to break the current impasse over reforms and austerity measures. According to sources, Athens would get access to €10.9B (\$12.3B) in aid - originally set aside to prop up Greek banks - to help stay solvent over the proposed extension. Greece's current bailout program ends on June 30.”

More kicking the can

Everywhere we look globally there has been QE and lowered interest rates...we may even be getting lower rates soon from the NZ reserve bank...

<http://wolfstreet.com/2015/06/05/get-used-to-selloffs-central-bankers-say-as-they-fret-about-the-terrifying-moment-when-liquidity-evaporates/>

Liquidity is everything when a crash first happens...but when will the next one be?

Then there is the Middle East that seems to go from bad to worse (an excellent summary below)...

https://www.stratfor.com/weekly/net-assessment-middle-east?utm_source=freelist-f&utm_medium=email&utm_term=Gweekly&utm_campaign=20150609&utm_content=readmoretext&mc_cid=8d197b37a6&mc_eid=f6520e17b6

The pronouncements about the caliphate covering much of Iraq and Syria begs the question of how they are run in order to hold so much territory...

<http://www.bbc.com/news/world-middle-east-32829096>

When will electricity replace oil for transport?

A new peak in conventional crude did occur in December 2014 ...for the month...the problem is that officials record substitutes for crude oil as if it were the real thing.

http://seekingalpha.com/article/3241996-a-new-peak-in-conventional-crude-oil-production?source=email_macro_view_com_7_26&ifp=0

For shale exploration, the hopes of governments around the world were pinned on USGS reports of there being geological formations elsewhere throughout the world that mirrored plays, like the Texas Permian and Eagle Ford plays and the North Dakota's Bakken. Unfortunately, just as these major light tight oil shale plays are reaching maximum daily output, the biggest of the shale opportunities are being discounted - like California, Poland and minor other opportunities...

<http://www.bizjournals.com/houston/news/2015/06/08/conocophillips-ends-search-for-shale-gas-in-poland.html>

So how will the hubris of the world's major nations play out when they ban all fossil fuels by 2100?

<http://www.bbc.com/news/science-environment-33055651>

and

<http://www.theguardian.com/world/2015/jun/08/g7-leaders-agree-phase-out-fossil-fuel-use-end-of-century>

Unfortunately we humans and most species are carbon based life forms, so I expect the only way for Angela to achieve her objective is with massive human die-back by 2100. Yeah right!

Frankly, the industrial age of oil will be over before 2040 let alone 2050. But meantime, a major user of oil is having its market slowly eroded. For electric vehicles, the energy storage capacity, cost and recharge times still rank as an issue but on fuel price alone, where the US Government provides incentives, electric vehicles are becoming progressively more popular....

<http://oilprice.com/Alternative-Energy/Renewable-Energy/Electric-Vehicles-To-Become-Mainstream-In-Short-Period-Of-Time.html>

Even so, the ICE powered vehicles are increasing globally – e.g. by more than 50 million cars per year - so they will keep pressure on for more oil products.

There is of course the story of the kiwi (Ian Wright) who was in at the start of the Tesla factory...retrofits with electric drive trains may become huge business once electrical energy storage improves...

<http://triblive.com/business/headlines/8489643-74/trucks-electric-wright#axzz3cR4ibbd9>