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## Better-Management Newsletter 14 April 2016

**China - economic disaster looking / TBTF US banks in trouble / Global growth is an illusion /**

### **China - economic disaster looking**

What we are seeing in China is the beginning of the sort of economic disaster that only happens once every 100 or so years

The funds fleeing China have been inflating property markets and share prices around the world as China prints tens of trillions of dollars to support the Siamese twin illusions of growth and wealth. In 2015 USD1 trillion left China and the vehicle of choice was property in OECD capital cities...but this is not surprising.

The downturn of construction has taken numerous industries from net importers of raw materials to net exporters of finished products...such as steel and cement. Already steelmakers from UK to the USA are being inundated with cheap Chinese product for which the WTO has no restrictions in place.

Naturally, this downturn will build a huge debt problem...this is just one tiny example...

<http://www.bloomberg.com/news/articles/2016-04-13/china-steelmaker-misses-third-bond-payment-as-defaults-spread>

The Chinese government is going to shortly make 5-6 million workers redundant and for these workers there will be no other jobs because there is no training available for steel workers, building labourers or coal miners.

The environmental issues relating to depleting aquifers and air and water quality continue to cause mayhem in the rural landscape, particularly in China...

[https://www.washingtonpost.com/world/asia\\_pacific/china-report-sounds-alarm-on-groundwater-pollution/2016/04/11/dca88a04-005e-11e6-8bb1-f124a43f84dc\\_story.html#pid=45&dmpenabled=true&csenabled=true&d=zJKxQOG08C-ztAH5NWwz8TI2k6Pl64BOdDwYqYzYL0L9gMNRmvZcnl4cnhgjBaQC](https://www.washingtonpost.com/world/asia_pacific/china-report-sounds-alarm-on-groundwater-pollution/2016/04/11/dca88a04-005e-11e6-8bb1-f124a43f84dc_story.html#pid=45&dmpenabled=true&csenabled=true&d=zJKxQOG08C-ztAH5NWwz8TI2k6Pl64BOdDwYqYzYL0L9gMNRmvZcnl4cnhgjBaQC)

But with subsidised prices for grains yielding domestic grain farmers twice the world price, China has issued twelve months warning of removal of subsidies and that is soon due to take effect....now China has massive stockpiles. So the rural economy may soon take a hit too.

We have been watching as newspaper people from both China and its Hong Kong province have been “disappeared” and we can expect more repression of individual rights as the CCP becomes more and more desperate.

The USA does not have the capability to support the banks in the way they have in the past.

### **TBTF US banks in trouble**

Having fed at the teat of the US Federal Reserve, the TBTF banks cannot understand why the Government is being so “unreasonable”...

<http://www.bbc.com/news/business-36038661>

Watch the bank’s results for the quarter as they come out...those puppies are going to get some big oil write-offs...

<http://www.bbc.com/news/business-36033113>

The thing that is going up everywhere is debt. That is not good...

[http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB\\_Apr\\_13\\_2016\\_3.pdf](http://ggc-mauldin-images.s3.amazonaws.com/uploads/pdf/OTB_Apr_13_2016_3.pdf)

### **Global growth is an illusion**

The measure of GDP is monetary. As a result, the financial engineering suggests there is global growth where there is none. Sure there are winners and losers but all official statisticians are now drinking their own “Koolaid”...

<http://www.bloomberg.com/news/articles/2016-04-12/imf-warns-of-global-stagnation-as-it-cuts-growth-outlook-again>

The IMF will keep cutting but will never get to the end of that until something is done to stop the current rot that starts with diminishing EROEI for energy supplies. And so far there is no sign that will happen. Oil is at the heart of the problem.

Of course 70% of producers are going broke fast – based on prices that are too low to keep even 50% of producer companies in business.

How can prices rise when there is more oil than is needed? This shows the parking lots...

<http://peakoil.com/production/huge-oil-supertanker-lines-forming-worlds-biggest-traffic-jam>

Production went up in USA post 2008 with all those funds from junk bonds...but now it has peaked and is dropping. Yet the glut will take time to disappear...

<http://crudeoilpeak.info/us-shale-oil-peak-in-2015>

Using the figures from EIA and Hills Group...this is how demand growth dropped off...just as the oil price reached nose-bleed highs and all the unconventional oil then came to market...But there is now no growth in usage – just growing inventories...

In reality, no growth in oil supplies means no growth in the economy because everything we move uses oil. Oil is energy. Activity requires energy. GDP just requires that dollars be counted.

And the dumb folks who govern us achieve that by printing more money and reducing its cost..just brilliant. At least, it will be brilliant...until it isn't!