

China's Economic Crossroads: Global Tensions, Local Impact & Emerging Markets

Global Finance · Answer Key · 8 Questions

1. What has been the primary driver of the decline in China's foreign direct investment (FDI) inflows in recent years, according to IMF analysis?

- A) Increased competition from emerging markets
- B) Higher economic policy uncertainty and geopolitical risk**
- C) A significant decrease in global demand for Chinese goods
- D) Stricter environmental regulations impacting foreign businesses

2. In 2024, how did China's GDP growth rate compare to that of the European Union?

- A) China's growth rate was lower than the EU's.
- B) Both China and the EU experienced similar growth rates.
- C) China's GDP growth rate was 5%, while the EU's was 1.1%.**
- D) The EU's growth rate was 5%, while China's was 1.1%.

3. What is a significant challenge facing China's manufacturing industry in 2024, according to recent reports?

- A) An oversupply of skilled labor
- B) The ongoing housing market crisis and nearshoring trends**
- C) A decrease in global demand for technological components
- D) Increased government subsidies for all manufacturing sectors

4. What is the primary goal of China's digital yuan (e-CNY) initiative on the international stage?

- A) To replace all foreign currencies in international trade
- B) To provide a secure alternative for cryptocurrency transactions
- C) To internationalize the yuan and establish standards for CBDCs**
- D) To solely facilitate domestic retail payments and reduce cash usage

5. Which factor has significantly contributed to the weakening of China's export demand in the face of continuous Federal Reserve interest rate hikes?

- A) Increased consumer spending in China
- B) A decrease in U.S. demand for goods and rising loan costs**
- C) Strengthened RMB exchange rate making exports more expensive
- D) Reduced global shipping capacity affecting delivery times

6. What is a key characteristic of China's real estate market downturn, particularly in tier 3 cities?

- A) Rapidly increasing property prices and new construction
- B) A sustained rise in property values despite economic slowdowns
- C) Falling property prices and an exodus of young people and jobs**
- D) Increased foreign investment in property development

7. Despite global supply chain disruptions, what factor makes it difficult for companies to diversify manufacturing away from China?

- A) Limited availability of raw materials outside China
- B) China's experienced talent pool, established supply chains, and robust infrastructure**
- C) Higher labor costs in alternative manufacturing hubs
- D) Lack of interest from alternative Asian manufacturing locations

8. What is a notable impact of the interest rate differential between China and the US on China's credit market?

- A) Corporations are increasingly financing in USD due to lower costs.
- B) There has been a decline in USD loans as corporations favor RMB for lower funding costs.**
- C) China's central bank has raised its policy rates to match the US.
- D) Foreign investment in Chinese bonds has significantly increased.