



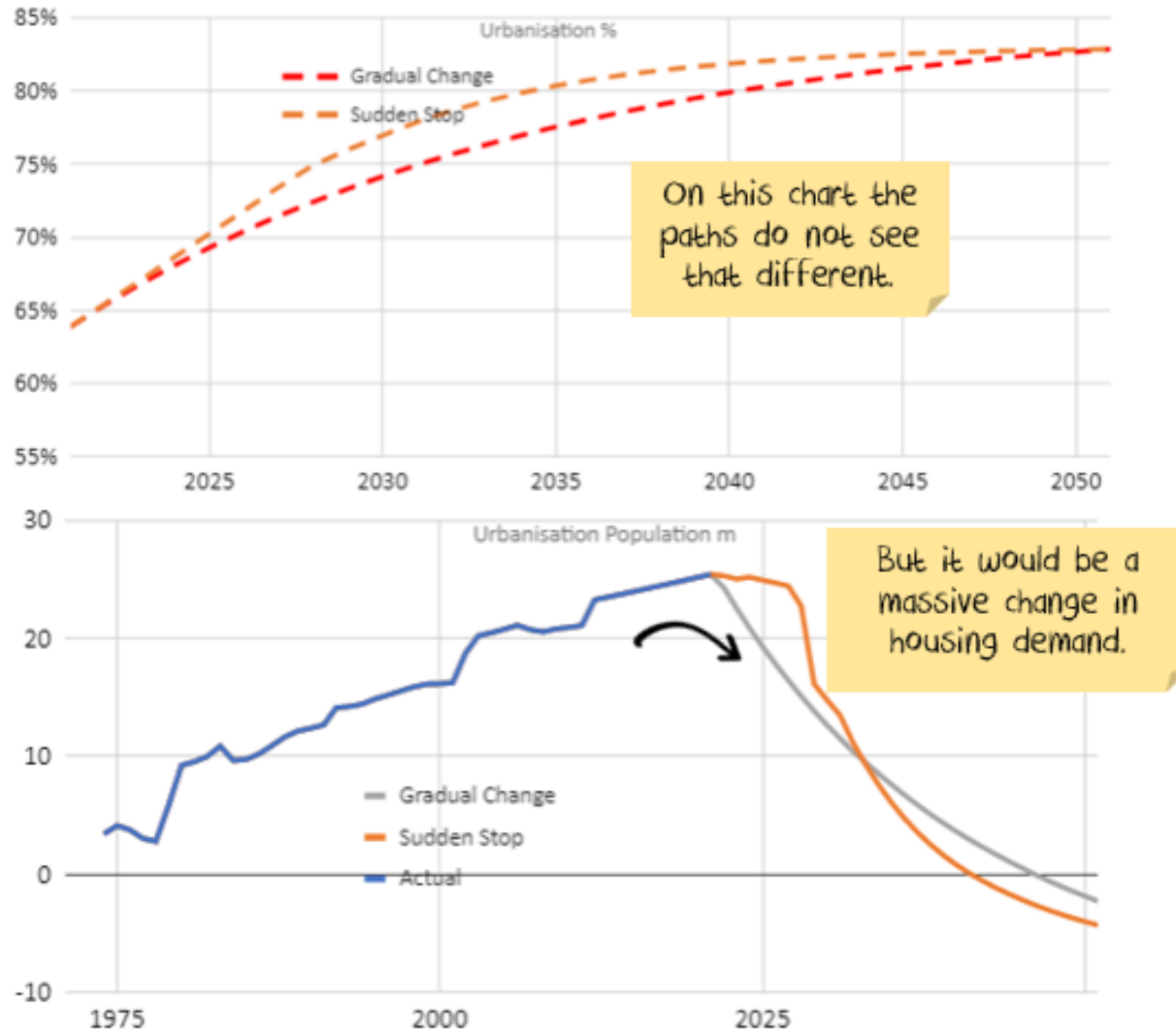
THE NEW (ECONOMIC) CHINESE CONTAGION



Agenda: The New Economic Contagion

- Evergrande a symptom, not a cause
- World wages rebounding
- But structural changes are muddying the water
- Australia has different issues
- Investment implications

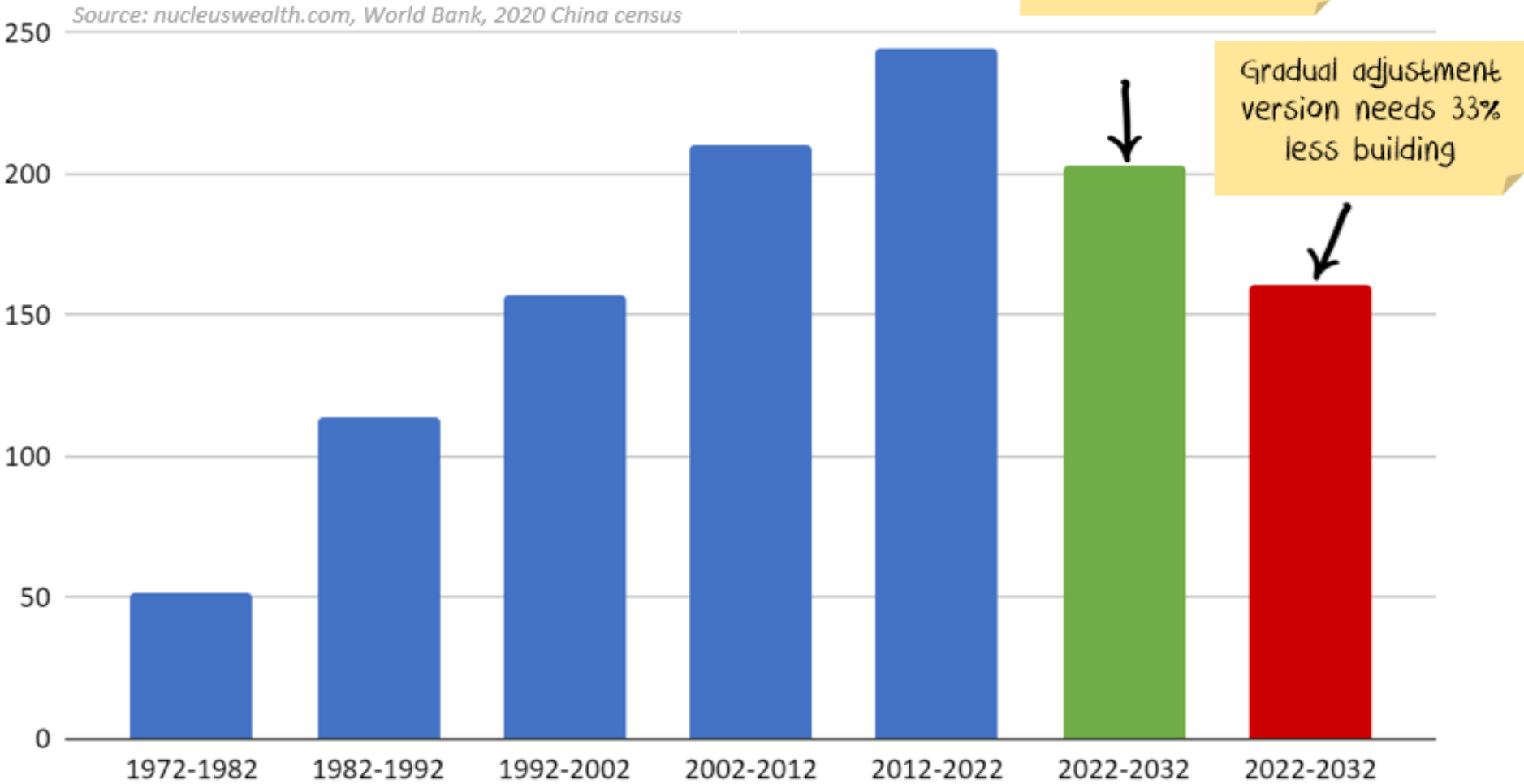
Urbanisation



Source: World Bank, 2020 China Census, Nucleus Wealth

Urbanisation

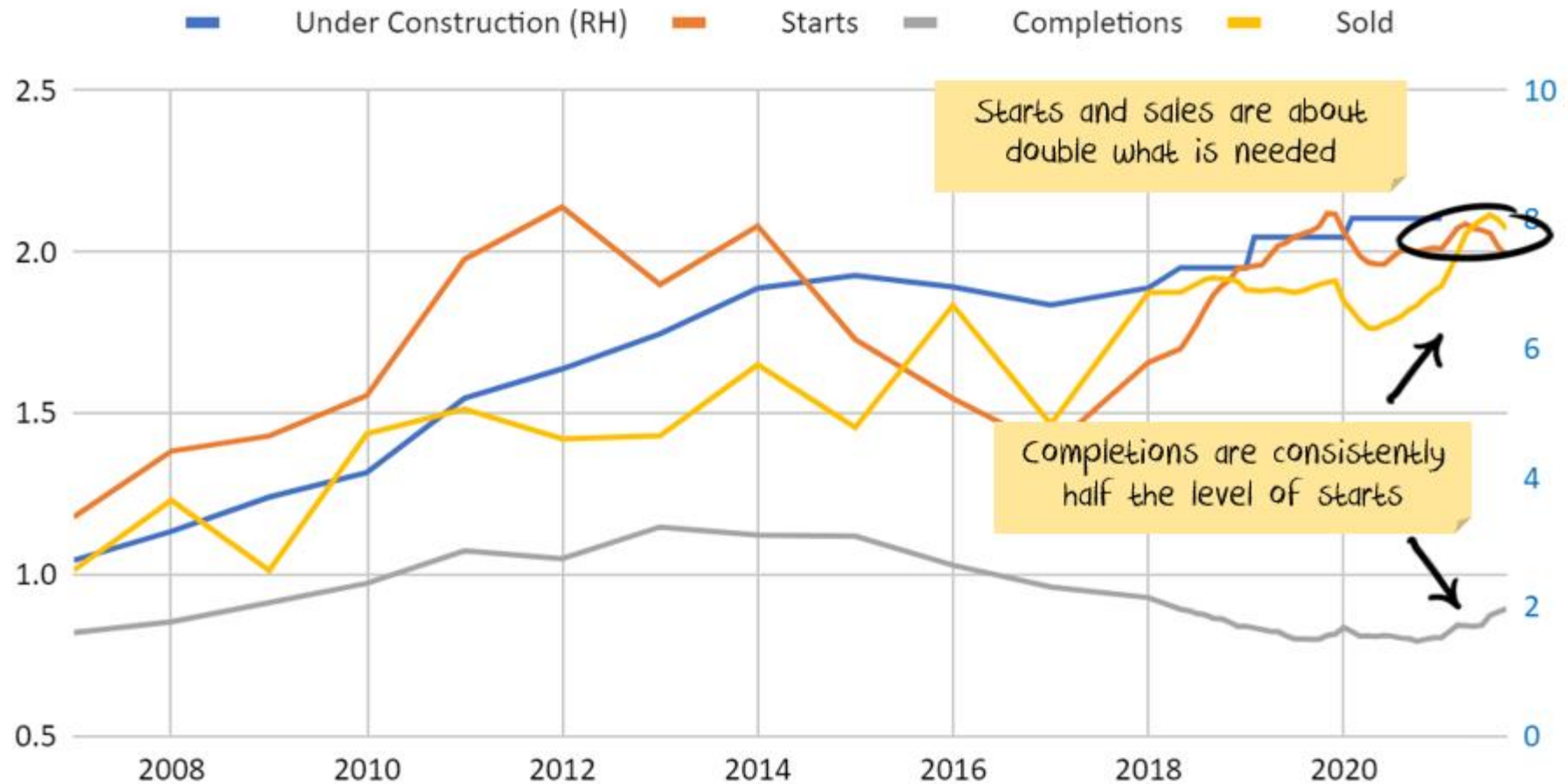
China: Change in Urban Population (m)



Building

Apartments per new urban household

Source: stats.cn, Nucleus Wealth



Residential Floorspace starts (rolling 12m)

Source: stats.gov.cn, Nucleus Wealth

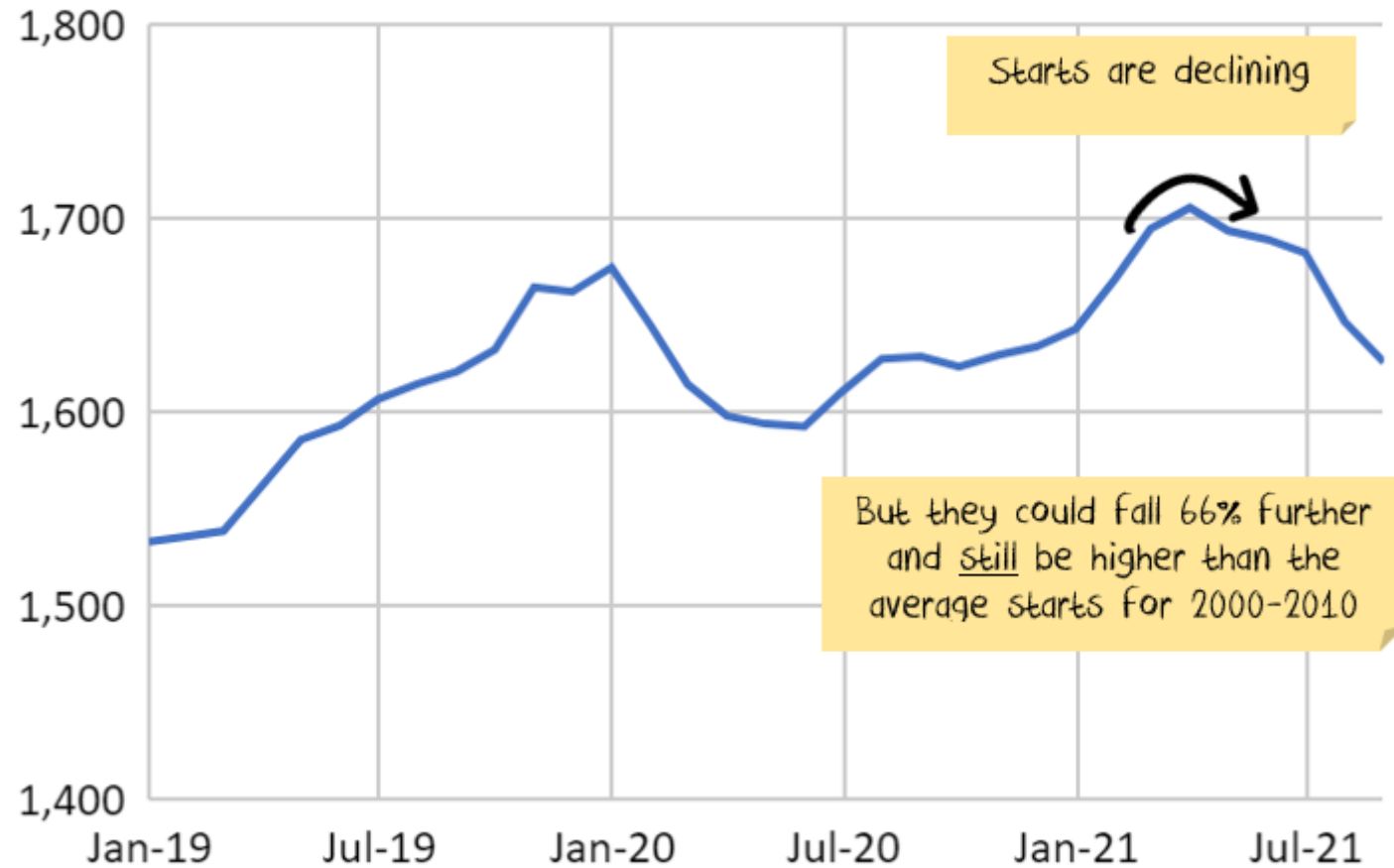
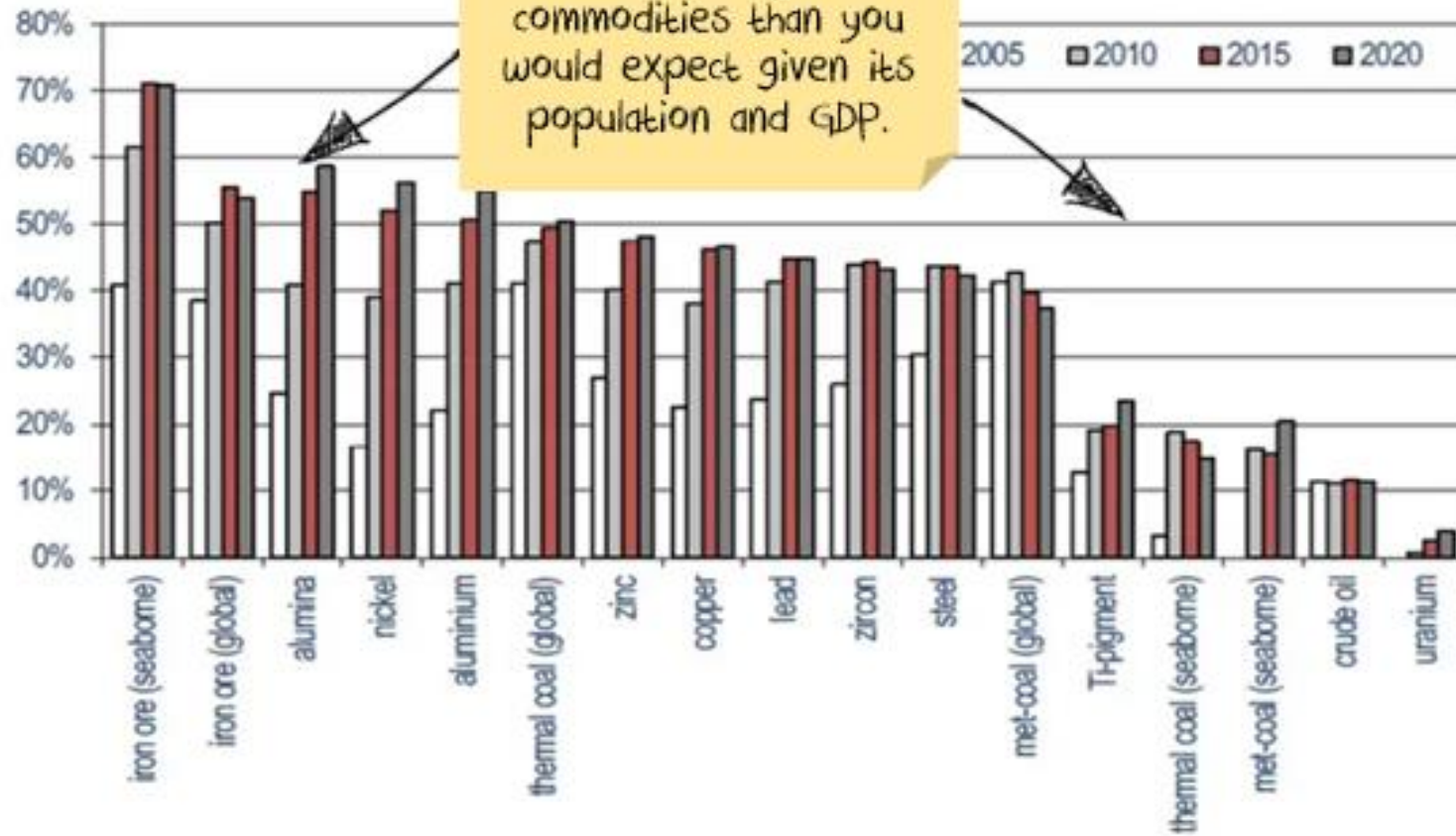


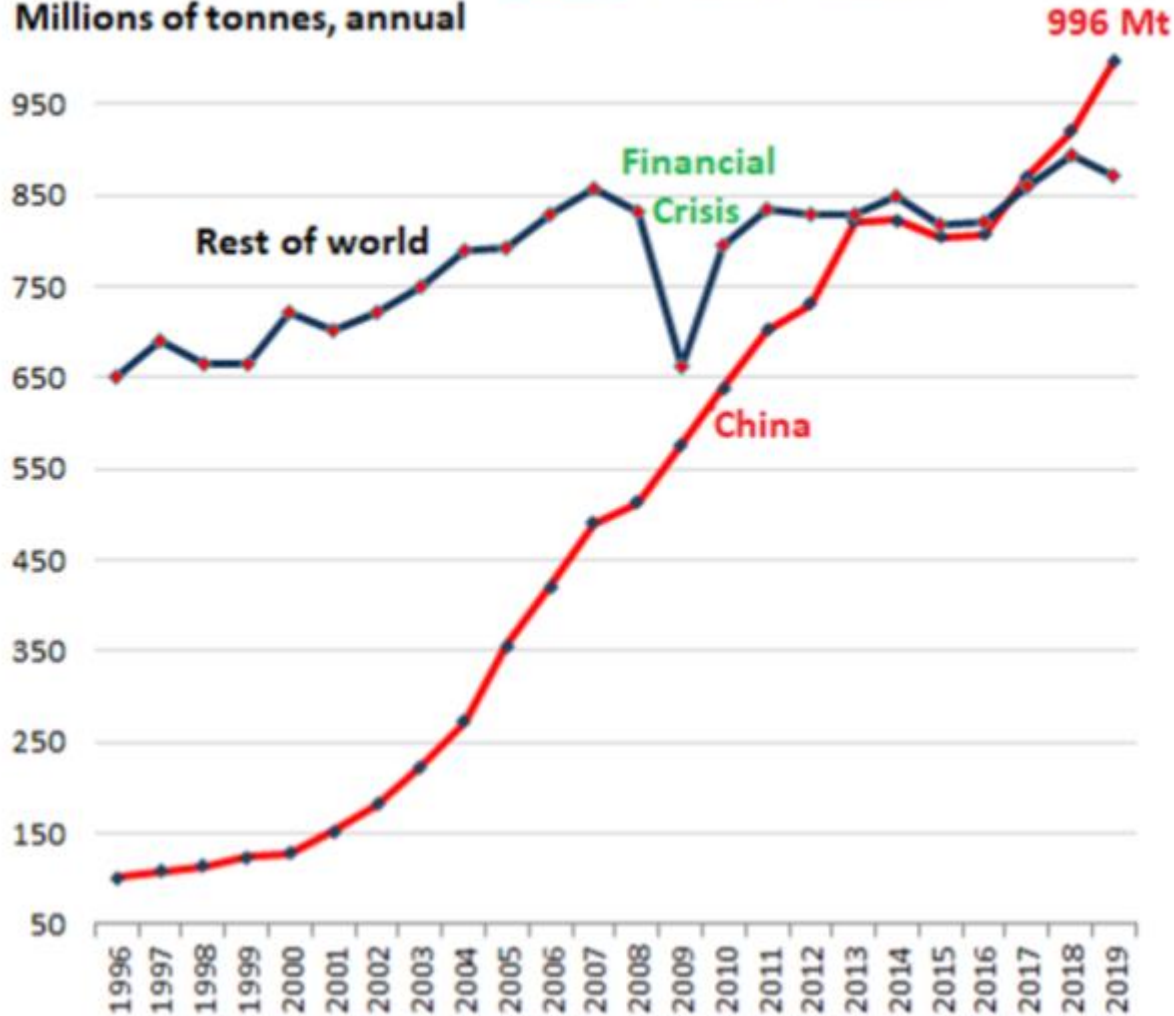
Exhibit 2: China's %-share of global commodities' demand



Source: WM, WBMS, IHS, Platts, Bloomberg, Morgan Stanley Research; sorted on 2015 data

Building

Crude Steel Production: China v. Rest of World
Millions of tonnes, annual

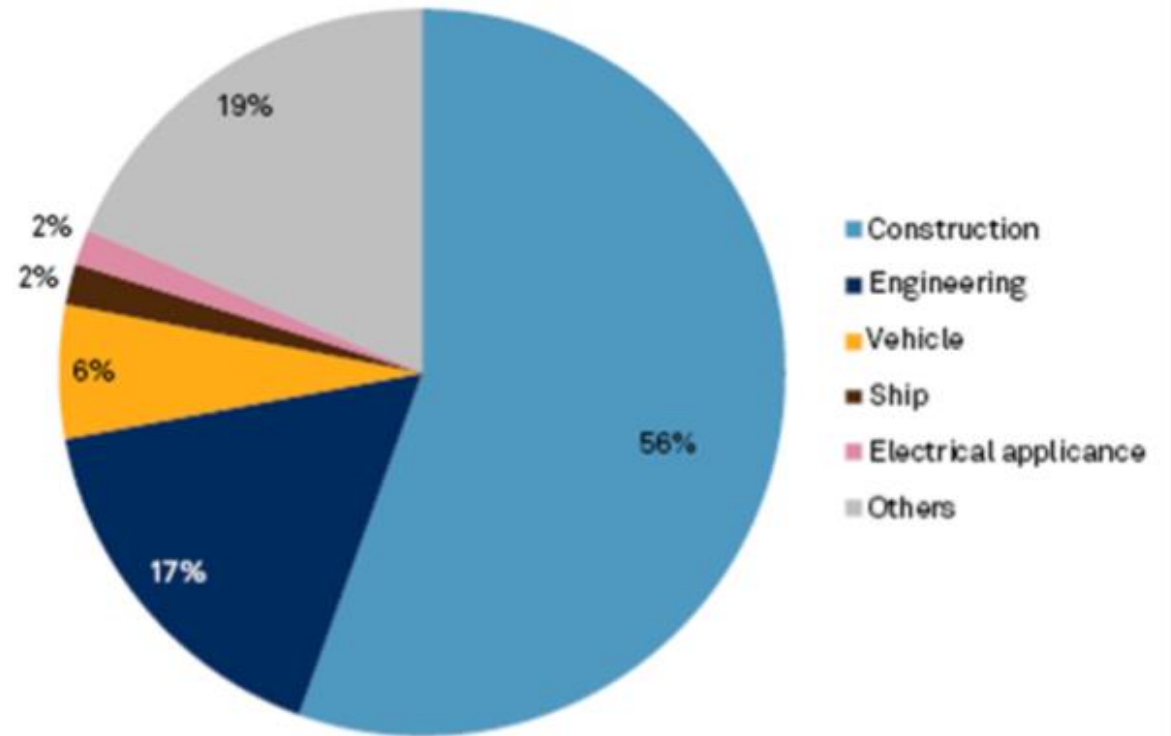


Source: wordsteel

WOLFSTREET.com

Construction sector accounts for most of Chinese steel end-use demand (%)

2019 Chinese steel demand = 875 million tonnes



Data as of March 2, 2020.

Numbers estimated by China Iron and Steel Industry Association.

Sources: S&P Global Market Intelligence; China Iron and Steel Industry Association

One of Many

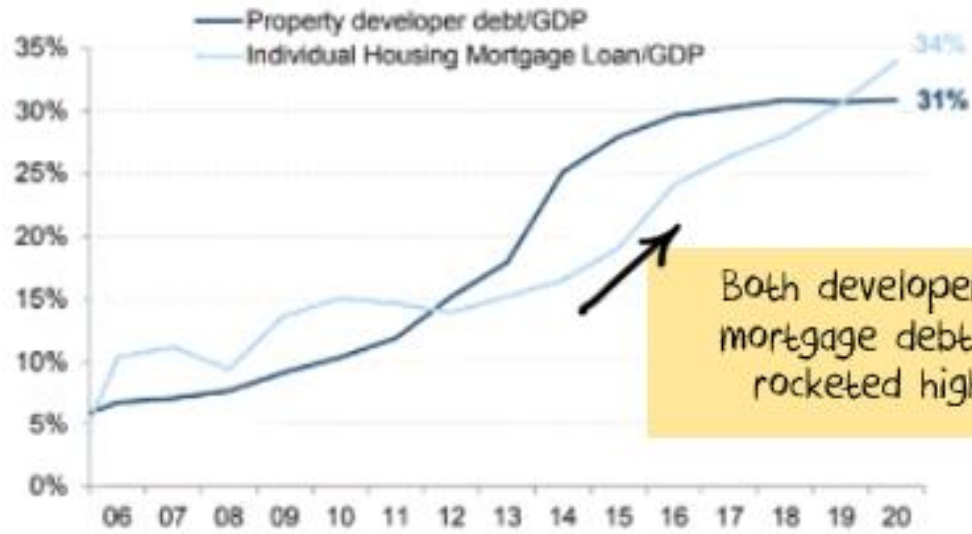
Entity Name	Enterprise Value (USD b)	Market Cap (USD b)		Price Change			EPS Revisions						Revenue Revisions					
				1w	1m	1q	1 week		1 month		1 quarter		1 week		1 month		1 quarter	
							FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
China Evergrande Group	114,119	4,528	96%	17.6%	-38.9%	-74.4%	0.0%	-3.5%	-75.8%	-37.0%	-76.3%	-36.0%	0.0%	-1.6%	-20.7%	-17.4%	-20.2%	-16.2%
China Vanke Co., Ltd.	75,525	36,687	51%	10.5%	0.9%	-12.5%	0.0%	0.0%	-6.0%	-5.7%	-5.6%	-6.4%	0.0%	0.0%	-0.4%	-0.6%	-1.5%	-2.3%
Poly Developments and Holdings Group Co., Ltd.	71,357	25,254	65%	5.1%	21.7%	12.4%	0.0%	0.0%	-1.3%	-5.5%	3.5%	-7.3%	0.0%	0.0%	0.0%	-1.2%	0.9%	0.2%
Longfor Group Holdings Limited	60,297	26,657	56%	8.7%	-5.4%	-22.7%	-0.1%	-0.2%	-0.5%	-0.8%	-1.2%	-2.0%	-0.3%	-0.3%	-0.8%	-0.3%	-0.2%	-0.1%
Country Garden Holdings Company Limited	58,446	22,052	62%	8.4%	-9.5%	-14.1%	0.0%	0.0%	-0.9%	-1.4%	-6.0%	-6.7%	0.0%	0.0%	0.1%	-0.4%	0.6%	-0.8%
Sunac China Holdings Limited	52,332	8,912	83%	5.7%	-23.2%	-45.5%	0.0%	0.0%	-6.2%	-9.0%	-7.1%	-9.5%	0.0%	0.0%	-0.9%	-1.7%	-0.5%	0.4%
China Resources Land Limited	58,909	28,538	52%	7.0%	7.8%	-5.5%	0.0%	0.0%	0.2%	0.2%	1.7%	1.7%	0.0%	0.0%	0.1%	0.2%	0.7%	1.1%
Greenland Holdings Corporation Limited	48,695	9,216	81%	2.2%	6.2%	-10.7%	0.0%	0.0%	1.7%	2.3%	0.3%	3.8%	0.0%	0.0%	4.4%	6.6%	1.1%	6.1%
China Overseas Land & Investment Limited	46,547	24,692	47%	7.6%	-0.9%	-3.6%	0.0%	0.0%	-0.2%	-0.5%	0.3%	-2.2%	0.0%	0.0%	0.1%	-0.3%	1.7%	-1.0%
Shimao Group Holdings Limited	31,435	6,321	80%	-1.4%	-10.3%	-29.9%	0.0%	0.0%	-4.7%	-5.9%	-5.4%	-6.9%	0.0%	0.0%	-0.7%	-1.2%	-0.4%	-1.5%
Seazen Holdings Co., Ltd	26,432	12,731	52%	11.5%	8.8%	-13.2%	0.0%	0.0%	-0.9%	-0.2%	-0.4%	0.2%	0.0%	0.0%	-0.6%	0.6%	-2.9%	0.0%
Guangzhou R&F Properties Co., Ltd.	23,940	2,507	90%	8.1%	-20.4%	-41.8%	-0.3%	-5.4%	-4.1%	-11.1%	-35.7%	-33.6%	-0.8%	-1.2%	-1.4%	-2.4%	-6.2%	-5.9%
CIFI Holdings (Group) Co. Ltd.	22,490	5,341	76%	8.7%	-2.5%	-18.0%	0.0%	0.0%	-0.9%	-1.3%	-4.3%	-6.8%	0.0%	0.0%	0.2%	0.1%	0.2%	-0.8%
China Jinmao Holdings Group Limited	22,289	4,124	81%	6.8%	0.4%	-5.9%	1.9%	1.5%	-1.8%	-2.0%	-6.7%	-5.8%	-0.3%	0.0%	1.1%	-1.0%	3.1%	1.2%
Gemdale Corporation	24,827	8,023	68%	9.8%	12.7%	11.5%	0.0%	0.0%	-2.1%	-5.0%	-0.9%	-9.1%	0.0%	0.0%	8.0%	4.0%	8.6%	5.2%
Seazen Group Limited	22,139	4,875	78%	5.7%	-11.2%	-16.9%	0.0%	0.0%	-7.2%	-2.8%	1.6%	-0.5%	0.0%	0.0%	-0.7%	2.8%	8.8%	5.0%
Jinke Property Group Co., Ltd.	18,873	4,125	78%	10.9%	8.0%	-12.9%	0.0%	0.0%	-4.9%	-4.8%	-4.0%	-6.2%	0.0%	0.0%	0.2%	1.0%	1.4%	2.6%
Logan Group Company Limited	16,259	5,444	67%	9.9%	-17.8%	-34.0%	0.0%	0.0%	-1.2%	-3.4%	-8.0%	-13.0%	0.0%	0.0%	-0.8%	-2.1%	-2.1%	-6.0%
Yango Group Co., Ltd	15,291	2,727	82%	0.0%	-2.1%	-18.6%	0.0%	0.0%	0.0%	0.0%	-3.3%	-5.5%	0.0%	0.0%	0.0%	0.0%	-4.5%	-4.9%
Agile Group Holdings Limited	14,772	3,558	76%	7.8%	-18.5%	-30.8%	0.0%	0.0%	-2.0%	-3.0%	-5.5%	-10.6%	0.0%	0.0%	0.3%	0.0%	-2.4%	-2.5%
Jiangsu Zhongnan Construction Group Co., Ltd	14,205	2,671	81%	1.8%	-1.5%	-23.6%	0.0%	0.0%	-1.7%	-5.4%		-6.8%	0.0%	0.0%	0.3%	-0.1%	-3.6%	-3.8%
RiseSun Real Estate Development Co.,Ltd	11,117	3,291	70%	3.2%	2.7%	-14.1%	0.0%	0.0%	0.0%	-17.9%	-2.1%	-34.6%	0.0%	0.0%	0.0%	-10.9%	4.0%	-21.6%

Source: S&P Capital IQ, Nucleus Wealth

Funding

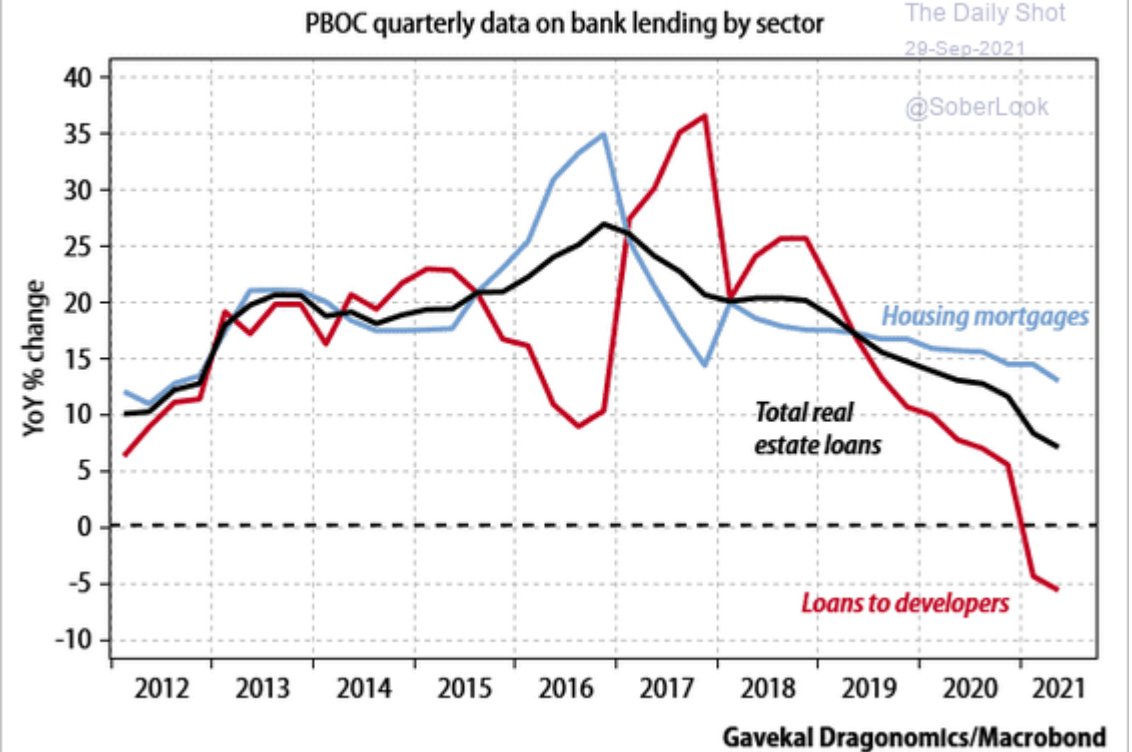


Funding



Source: Bloomberg, Wind, PBOC, China Trustee Association, Asset Management Association of China, Gao Hua Securities Research

Regulators forced a sharp cutback in lending to property developers



Investment implications

- Caution the by-word
- Growth scare key issue
- Growth, Value or other factors?
- Australian income shock
- AUD lower

Viewer question of the week:

Is Evergrande the tip of the iceberg?

Drop your answers in the comments

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