Movement in China and Germany

The stock markets saw a price correction in September. Triggered by concerns about the solvency of Evergrande, a Chinese real estate developer, the entire stock market lost some ground. On the back of China's importance for the global economy, there are fears that the entire national economy could run into a weak phase of economic growth, affecting the rest of the world. Reports of power cuts in the Middle Kingdom are fueling greater concerns.

It is clear, however, that the communist party is changing its orientation. It may be fair to say that the trade dispute with China triggered by former U.S. President Donald Trump has heralded a turning point. While for a long time the United States watched China's growth process rather impassively, the country has now become the central field of American foreign policy, since Joe Biden took office at the latest. This is by no means just a matter of economic issues. Increasingly, the military rivalry between the two countries is becoming the focus of attention. The formation of an Anglo-Alliance under the name of AUCUS, which certainly caused anger and disappointment in France, was the most recent perceptible expression of such developments.

President Xi caused a stir with his attacks on prominent large companies such as Alibaba, Tencent and Didi. Under the slogan 'prosperity for all', the CP wants the population to have a greater share in the development of prosperity in China. The video game industry and private education companies have been targeted in particular by the regime.

Recently, the giant empire has reported lower growth rates. The same applies to the German economy. However, the reason for Germany's weak growth is by no means the situation in China, but home-grown structural problems. These include the high tax burden in Germany and the further increase in energy costs, which have now become a significant disadvantage for Germany as a business location. Even worse is the issue of demographics. An aging population coupled with an unfavorable migration structure is increasingly causing a Japanization of Europe's largest economy. If this parallel is true, then a permanent zero interest rate policy can be assumed for the very long term. It can only be a cold comfort that many other member states of the European Union do not look any better.

The German elections, which are now behind us, do not make the situation any easier. After sixteen years of social democratization, Chancellor Merkel's legacy is a CDU that is worn out in terms of personnel and program, and there is no denying the parallel with the end of Helmut Kohl's term in office. But let's not forget that Kohl was followed by Gerhard Schröder, who, after two years of chaos, became the most important economic reformer after Ludwig Erhard with Agenda 2010.

Sincerely yours,

Fund managers and co-investors

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This text was originally published in German.

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