Stock prices in China are sliding — in some cases more than 30% from a year ago

Warm-Up Questions:

1. Have you or someone you know ever invested in the Chinese stock market? What was the experience like?

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LEILA FADEL, HOST:

U.S. stocks have been soaring in recent weeks, but in China the market has been headed in the opposite direction. Indexes of Chinese shares have had a rough start to the year, and they're down 20%, 30% or even more from 12 months ago. The government in Beijing is starting to pay attention. But as NPR's John Ruwitch reports from Shanghai, turning things around won't be easy.

JOHN RUWITCH, BYLINE: In a stock trading hall at a **brokerage** called Red Tower Securities, retirees gather in the afternoon to swap rumors and make a few trades. It's cold, wet and gray outside, and the mood inside isn't much better. Investor Zhang Huijuan says it's been **brutal**.

ZHANG HUIJUAN: Lots of people have lost money.

RUWITCH: She starts pointing at a **gaggle** of her friends.

HUIJUAN: She lost money, she lost money, she lost money.

RUWITCH: China's benchmark CSI 300 index is down more than 5% since the start of the year, and it's off about 45% since its peak in early 2021. By some estimates, $6 trillion have been **wiped out** in the slide. Zhang's friend feels the pain.

UNIDENTIFIED INVESTOR: How can you have a good Lunar New Year without money? Our kids have been **laid off**, they're unemployed, and here we are stuck in this market.

RUWITCH: The Lunar New Year, China's biggest holiday, is just **around the corner**. But analysts say this problem is going to take a lot longer to fix. Robin Xing is chief China economist at Morgan Stanley.

ROBIN XING: As economists, we tend to believe stock market is a **proxy** of economy.

RUWITCH: Xing says the Chinese economy faces a number of problems, but the most concerning for markets is deflation. The consumer price index is up, but he points to a thing called the GDP deflator. It's a measure of inflation that includes investment along with prices.

XING: It has been in negative territory for three quarters in a row. That's the longest and the deepest deflation since the 1998 Asian financial crisis.

RUWITCH: The worst deflation in a generation. Xing says it's driven by weak demand. That's been **underpinned** by **sluggish** economic growth **in the wake of** the pandemic and government policies to reduce debt, especially in real estate. Businesses have been cutting back on spending and hiring. The authorities in China have been taking **piecemeal** steps to revive the economy, and lately they've stepped up efforts to stop the bleeding in the stock market. Winnie Wu is China strategist at Bank of America in Hong Kong.

WINNIE WU: I think for the past week or so, these policies coming out, it sends a message that government cares about the market.

RUWITCH: China's cabinet **pledged** more forceful measures to boost confidence in the market. Regulators limited short selling, and Bloomberg News reported that the authorities are preparing a stabilization fund worth around $280 billion to **prop up** shares. So far, the effects have been limited, but Wu says she thinks government intervention will ultimately work, at least like it did in 2015 during the market's last big nosedive.

WU: This time, it's probably the same thing in the sense that these policies are good enough to stop the downslide, but it's not good enough - or it's not even intended - to drive a rally or drive a big bull market.

RUWITCH: For that, she says, China has to address its **macroeconomic** challenges, deflation, a property crisis, low confidence and consumption, and unanswered questions about what sectors are going to propel the Chinese economy into the future. Thirty-five-year-old Alex Wang thought he had that figured out. In 2020, he put some of his savings into mutual funds focused on new energy, pharmaceuticals and liquor. He says he doubled his money by the next year but has lost it all since and then some.

ALEX WANG: No. I won't invest anymore. This kind of lesson you only need to learn once.

RUWITCH: For the moment, though, he's holding onto his shares, waiting for the market to bounce just a little so he can sell.

Vocabulary and Phrases:

1. **Brokerage**: A company that buys and sells stocks, bonds, and other securities for its clients.
2. **Brutal**: Extremely difficult or unpleasant.
3. **Gaggle**: A disorderly or noisy group of people.
4. **Around the corner**: Happening very soon.
5. **Proxy**: A figure that can be used to represent the value of something in a calculation.
6. **Underpinned**: Supported or justified.
7. **Sluggish**: Slow-moving or inactive.

8. **In the wake of**: Following (an event) as a consequence.

9. **Piecemeal:** Done or made in a gradual way; one piece at a time.

10. **Pledged**: Formally promised or committed.

11. **Prop up**: Support or prevent from falling.

12. **Macroeconomic:** Relating to the branch of economics concerned with large-scale or general economic factors, such as interest rates and national productivity.

Comprehension Questions:

1. What is the current state of the Chinese stock market according to the report?

2. Why is the Lunar New Year mentioned in relation to the stock market's performance?

3. What major economic problem is China facing that is affecting the stock market?

4. What measures has the Chinese government taken to address the decline in the stock market?

5. Who is Alex Wang, and what was his experience with investing in the stock market?

Discussion Questions:

1. Why do you think stock markets are important indicators of a country's economic health?

2. Discuss the impact of deflation on an economy. How does it affect everyday people?

3. The government has taken steps to stabilize the stock market. Do you think government intervention in financial markets is a good idea? Why or why not?

4. Alex Wang's story highlights the risks of investing. What lessons can be learned from his experience?

5. Considering the macroeconomic challenges mentioned, what sectors do you think could drive the Chinese economy in the future? Why?