Changes in the Chinese Property Market: An indicator of the difficulties faced by local authorities

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ABSTRACTS

For the past decade, China has faced an extremely sharp rise in property prices and increasingly large investments made in this sector. Although some economists consider this change to be no more than the result of the increase in urban salaries that has gone hand-in-hand with China's strong economic growth, this article will show that it is in fact a "property bubble" resulting from the speculative activities of certain economic agents operating in this sector. Local authorities play a major role in this, especially in their efforts to increase their income, and their behaviour needs to be analysed in order to better understand that a bursting of this bubble might expose economic problems of a far deeper structural nature than those usually identified.

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Keywords: budgetary deficit, decentralisation., land, Property market, speculative bubble

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