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Nota di contenuto	Cover; Contents; I. Introduction; II. Modeling the Spillover Effects; III. Domestic Feedback; Table; Table 1. Impacts one year after a 1-percent exogenous decline in China's real estate investment: Selected China Indicators; IV. Global Spillover; Table 2. Impacts one year after a 1-percent exogenous decline in China's real estate; Table 3. Impacts one year after a 1-percent exogenous decline in China's real estate investment: Trade Indicators; Table 4. Impacts one year after a 1-standard-deviation exogenous decline in China's real estate investment: Selected Commodity Prices; V. Conclusion ReferencesAppendix; A: The China-G20 Macro Financial FAVAR; B: Data Transformation and Sources
Sommario/riassunto	Real estate investment accounts for a quarter of total fixed asset investment (FAI) in China. The real estate sector’s extensive industrial and financial linkages make it a special type of economic activity, especially where the credit creation process relies primarily on collateral, like in China. As a result, the impact on economic activity of a collapse in real estate investment in China—though a low-probability event—would be sizable, with large spillovers to a number of China’s trading partners. Using a two-region factor-augmented vector autoregression model that allows for interaction between China and the rest of the G20 economies, we find that a 1-percent decline in China’s real estate investment would shave about 0.1 percent off China’s real GDP within the first year, with negative spillover impacts to China’s G20 trading partners that would cause global output to decline by roughly 0.05 percent from baseline. Japan, Korea, and Germany would be among the hardest hit. In that event, commodity prices, especially metal prices, could fall by as much as 0.8–2.2 percent below baseline one year after the shock.