

Opinion | [Columnist](#)

China's Slowdown Isn't Xi's Biggest Problem

The Chinese leader could soon find himself staving off two different economic crises. One threatens his hold on power.

By [Minxin Pei](#)

August 23, 2023 at 3:00 PM CDT

Listen 4:23



The Chinese proverb, “disasters come in pairs,” aptly describes the dilemma facing President Xi Jinping. China’s real economy is stuck in neutral. Growth slumped to a paltry 0.8% in the second quarter. Youth unemployment is so high the government has stopped releasing the embarrassing figures. Analysts are warning that the country’s four-decade growth miracle has ended and China may never surpass the US to become the world’s leading economy.



It is too early to tell whether China is facing such a “Lehman Moment.” But the odds of a full-blown banking crisis have grown significantly because of the implosion of the real-estate sector and the mounting financial distress of local governments. The recent liquidity crisis suffered by Zhongzhi Enterprise Group Co. Ltd., a giant financial conglomerate with roughly \$137 billion in assets, has raised fears of wider problems in China’s \$3 trillion shadow banking sector.