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Sixty Percent Of China's Rich Want To Leave The Country

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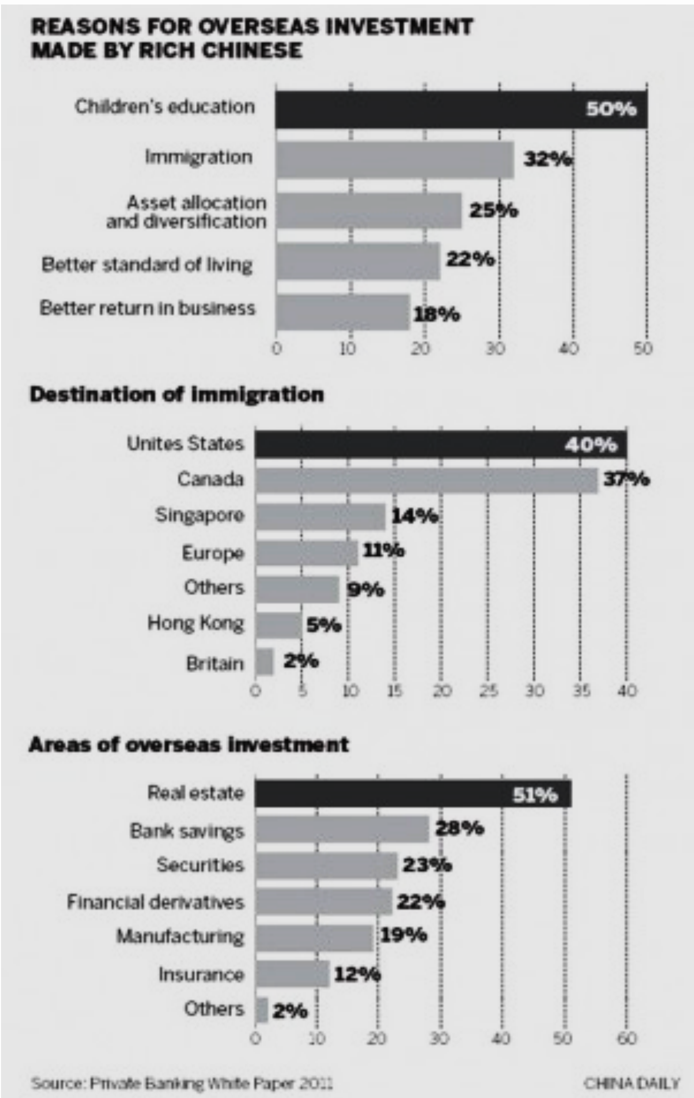
About 60 percent of the rich Chinese people, each of whom has a net asset of at least 60 million yuan ($9.44 million), said they intended to migrate from China, a report has found.
About 14 percent of them have either already migrated from China or have applied for migration.

Victor Shih (@vshih2) noticed this article and tweeted it, surprised that China Daily would deign to print it. Here's the chart.

Wouldn't this fit with his story regarding Chinese capital flight? In April, I highlighted his theory on the fragile state of China's FX reserves. The bullet points are as follows:



- China has three structural causes of capital flight. First, wealth in China is highly concentrated. Using three different methodologies based on survey data, data on large share holders of listed company, and data on the total financial and real estate assets in China, the wealthiest 1% urban households command between 2 and 5 trillion USD in wealth.
- A 20% reallocation of this wealth overseas would cause a substantial but likely controllable drainage of China's foreign exchange reserve.
- A 30-40% reallocation of this wealth overseas would see the depletion of China's foreign exchange reserve by close to 1 trillion USD or more.
- Second, underground banks, false trade invoicing, and now an experimental scheme to allow individual investors to invest overseas provide multiple channels for capital to circumvent China's exchange control.
- Third, real deposit interest rates are negative and will remain so in the foreseeable future, thus prompting wealthy households to speculate overseas on a large scale if relative returns suddenly decrease in China.
- If the top 1% of households in China reallocates 1 trillion USD of their wealth overseas, the central bank then will be faced with a choice between large scale quantitative easing and an illiquid banking system.
- In the short term, China's only recourse to reduce the volatile state of its foreign exchange reserve is to bring real interest rates back to positive territory.

This does bear watching. Hopefully, Dr. Shih will have a post up on this at some point.