Financial Risk in China

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Paper presented at the International Symposium on Housing and Financial Stability in China.
Hosted by the Chinese University of Hong Kong, Shenzhen
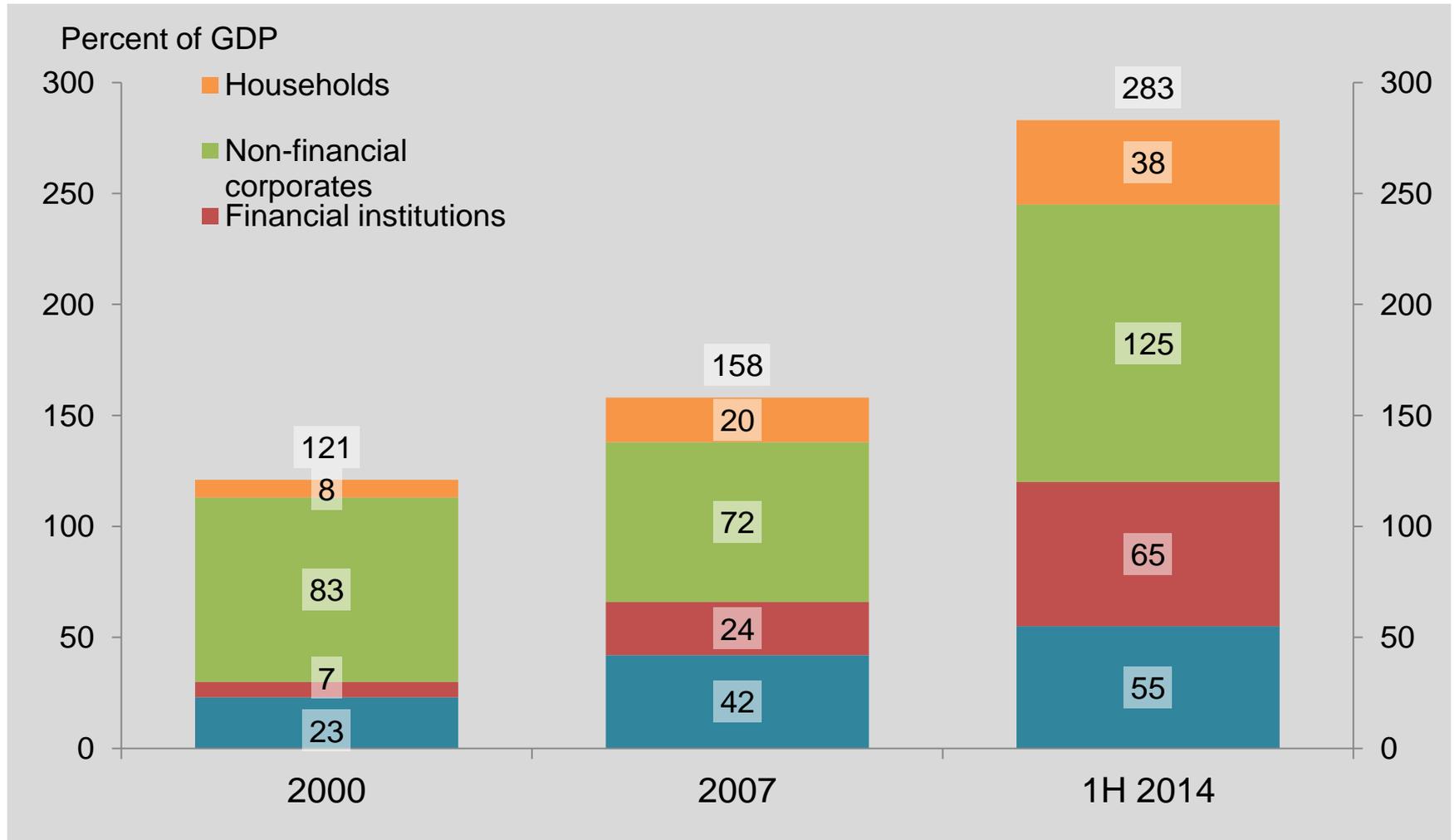Shenzhen, China—December 18-19, 2015

Financial Risk in China

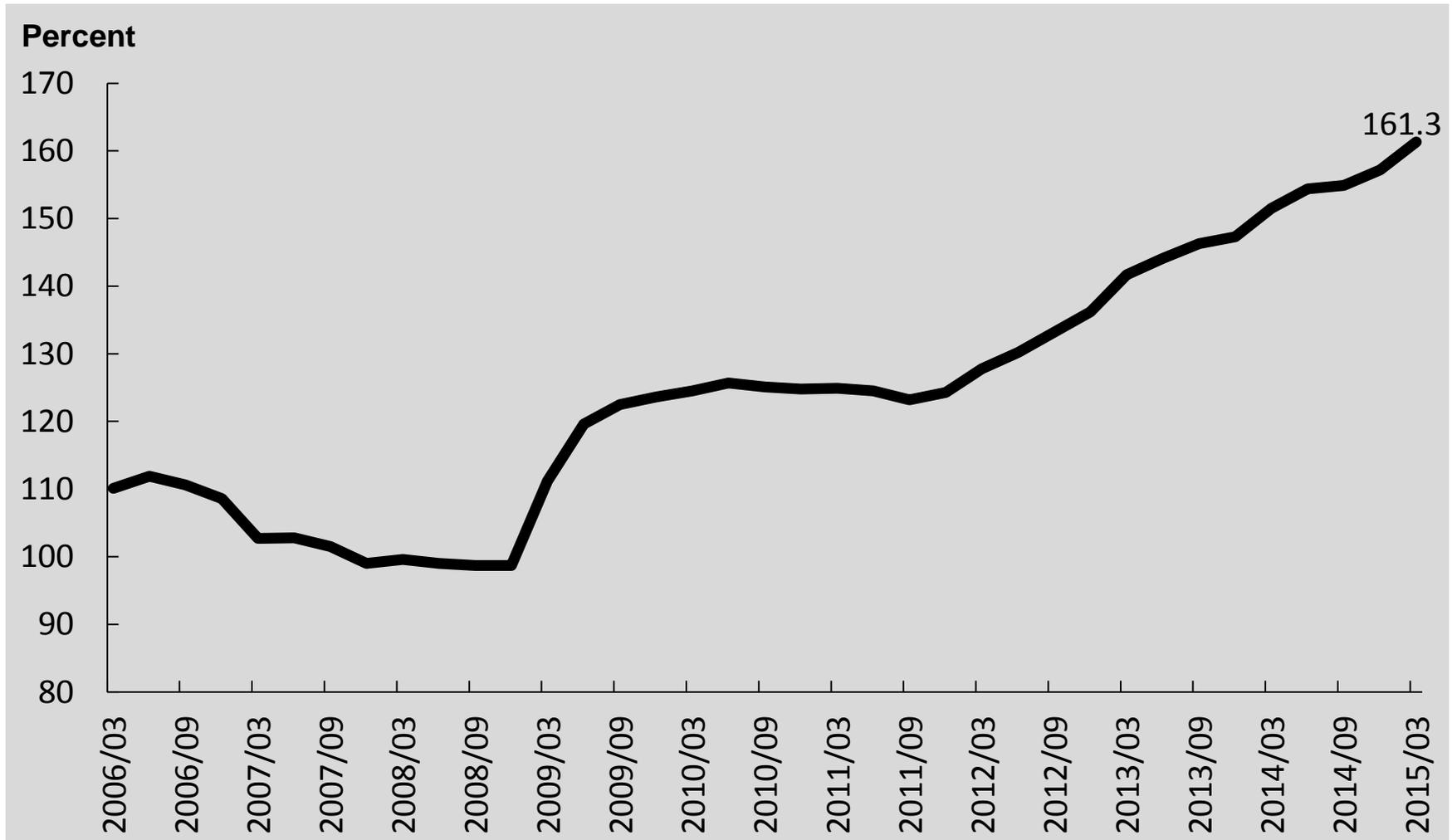Housing and Financial Stability in China
IMF-Princeton-CUHK Shenzhen Forum

December 18-19, 2015
Shenzhen

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Total Leverage, 2000-1H 2014

Percent of GDP

- Households
- Non-financial corporates
- Financial institutions

Category	2000	2007	1H 2014
Total	121	158	283
Households	8	20	38
Non-financial corporates	83	72	125
Financial institutions	7	24	65
(Blue segment)	23	42	55

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Non-Financial Corporate Credit to GDP Ratio 1Q 2006 – 1Q 2015

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Household Debt, 2003 - 2014

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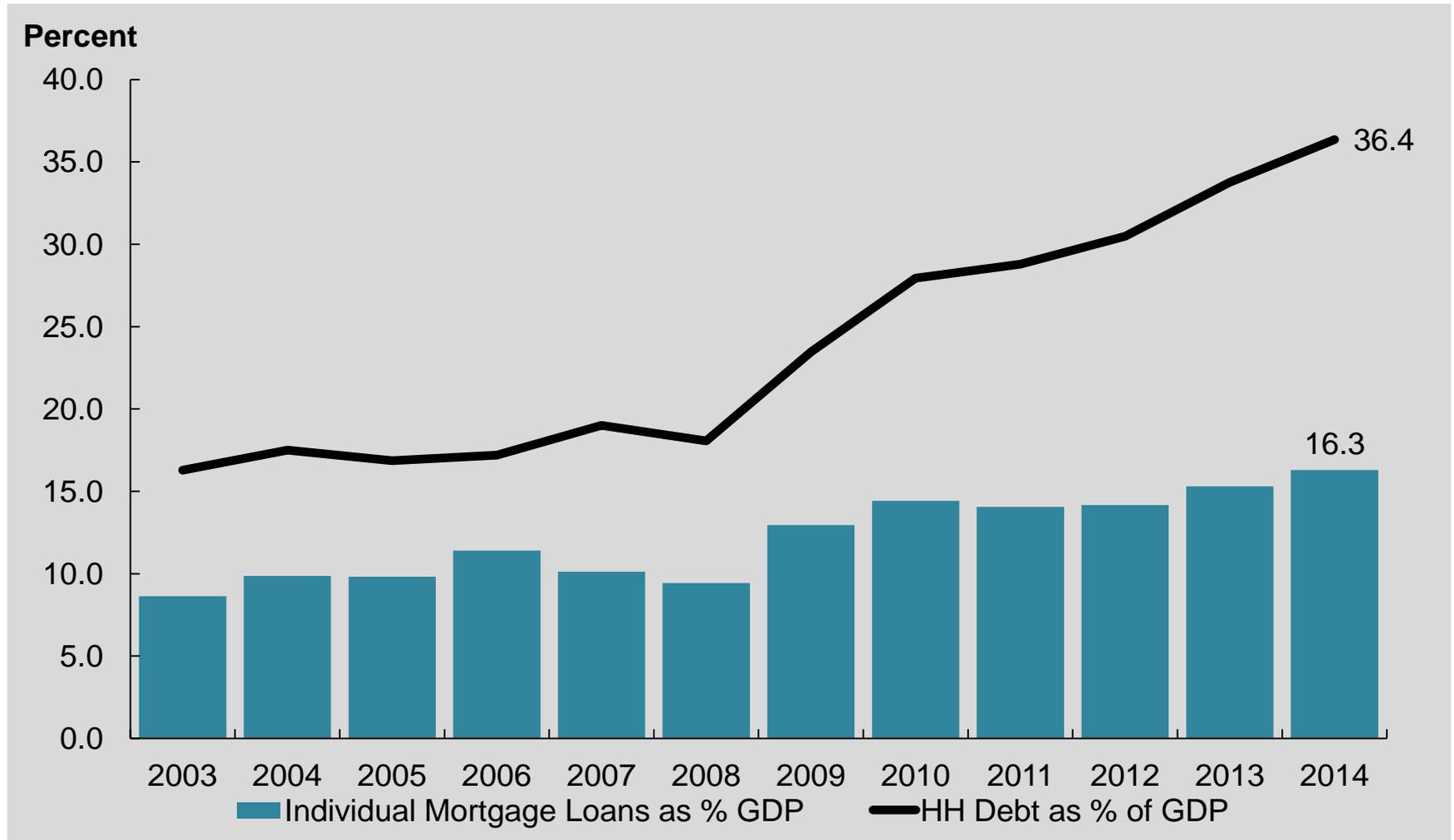
Leverage Ratio of Industrial Firms, 1998 - 2014

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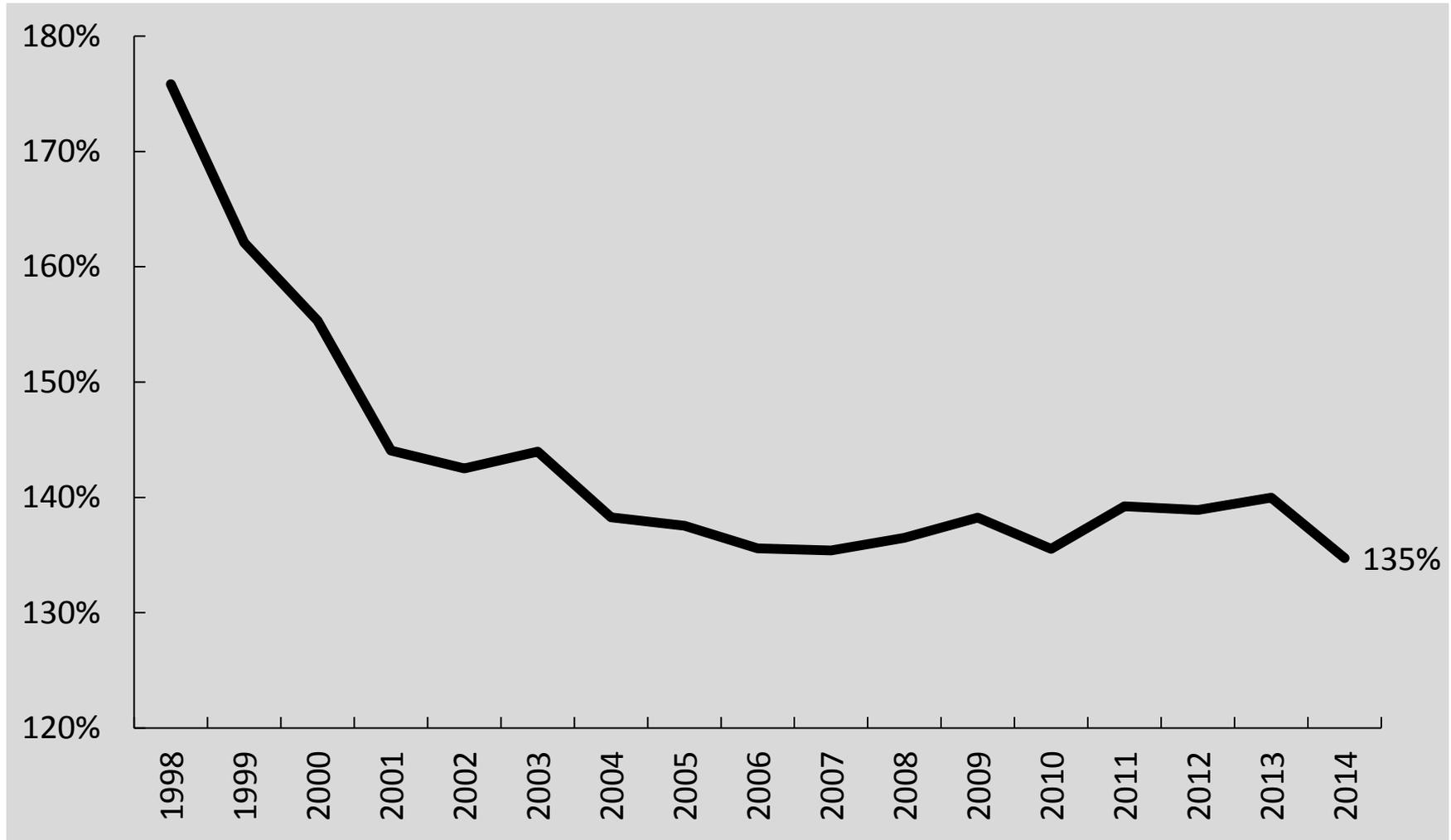
Leverage Ratio of Industrial Firms by Ownership, 1993 - 2014

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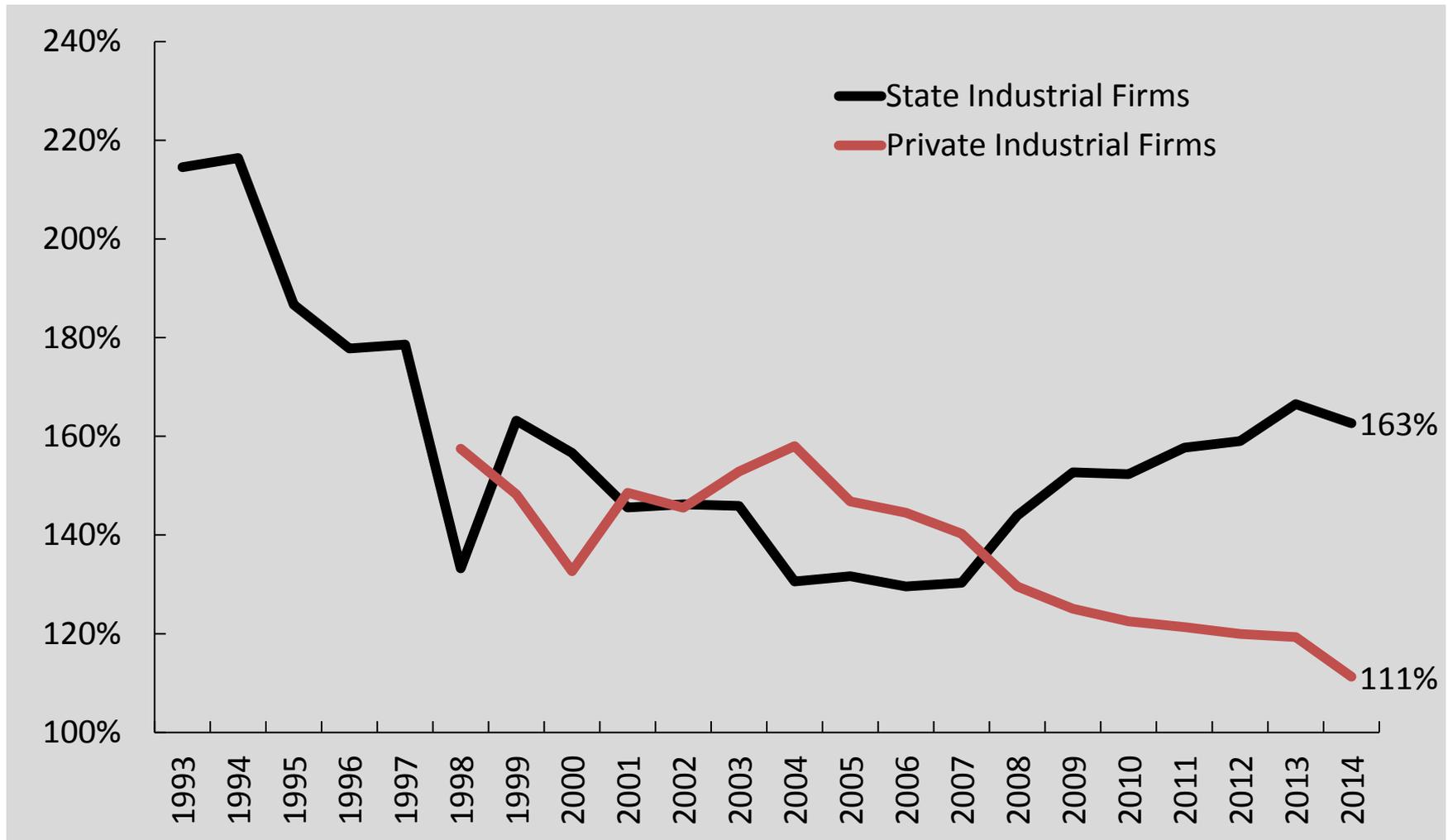
Leverage Ratio of State Firms, 2003 - 2013

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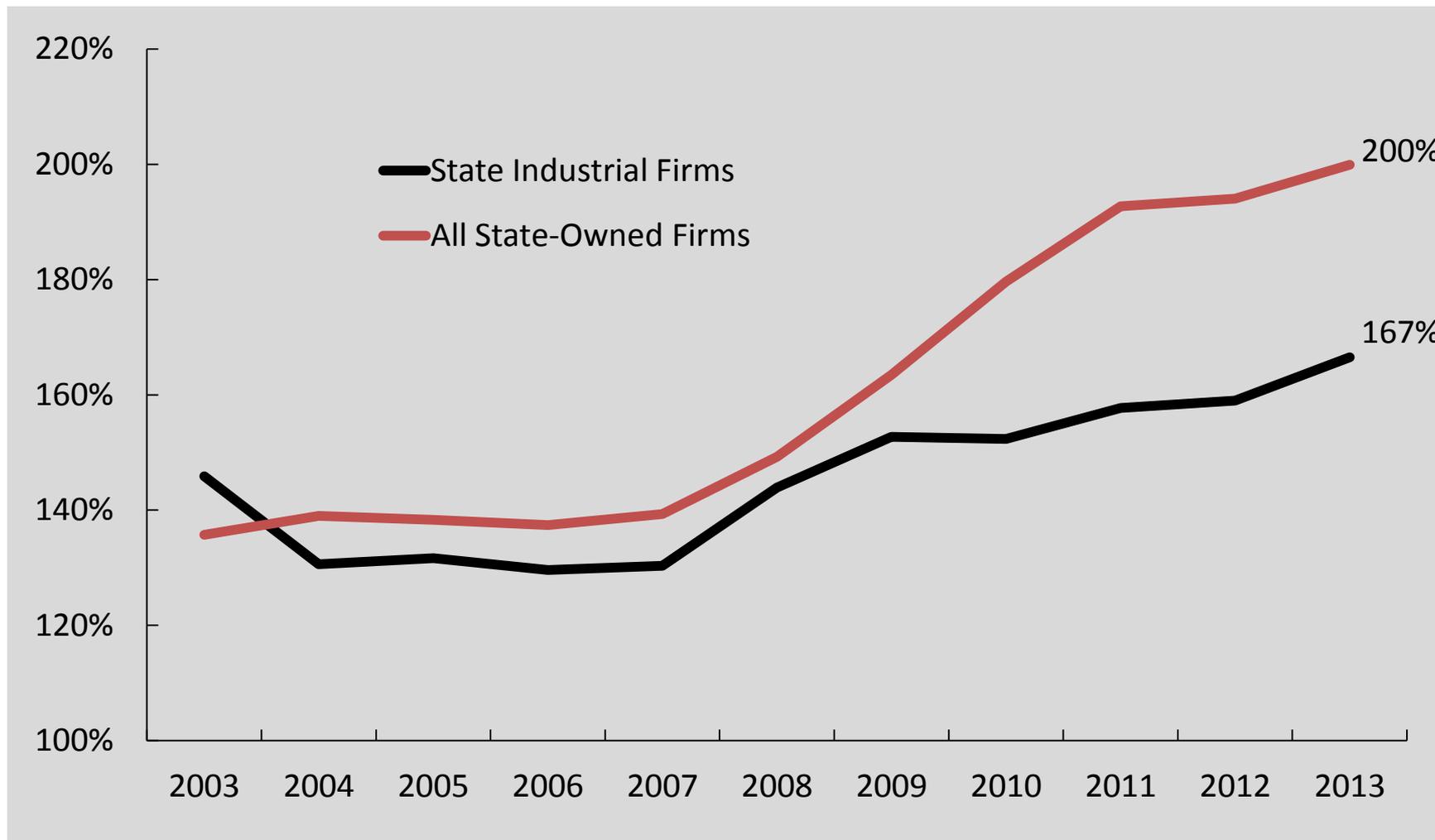
Profit Margins of Industrial Firms, 1998 – Oct 2015

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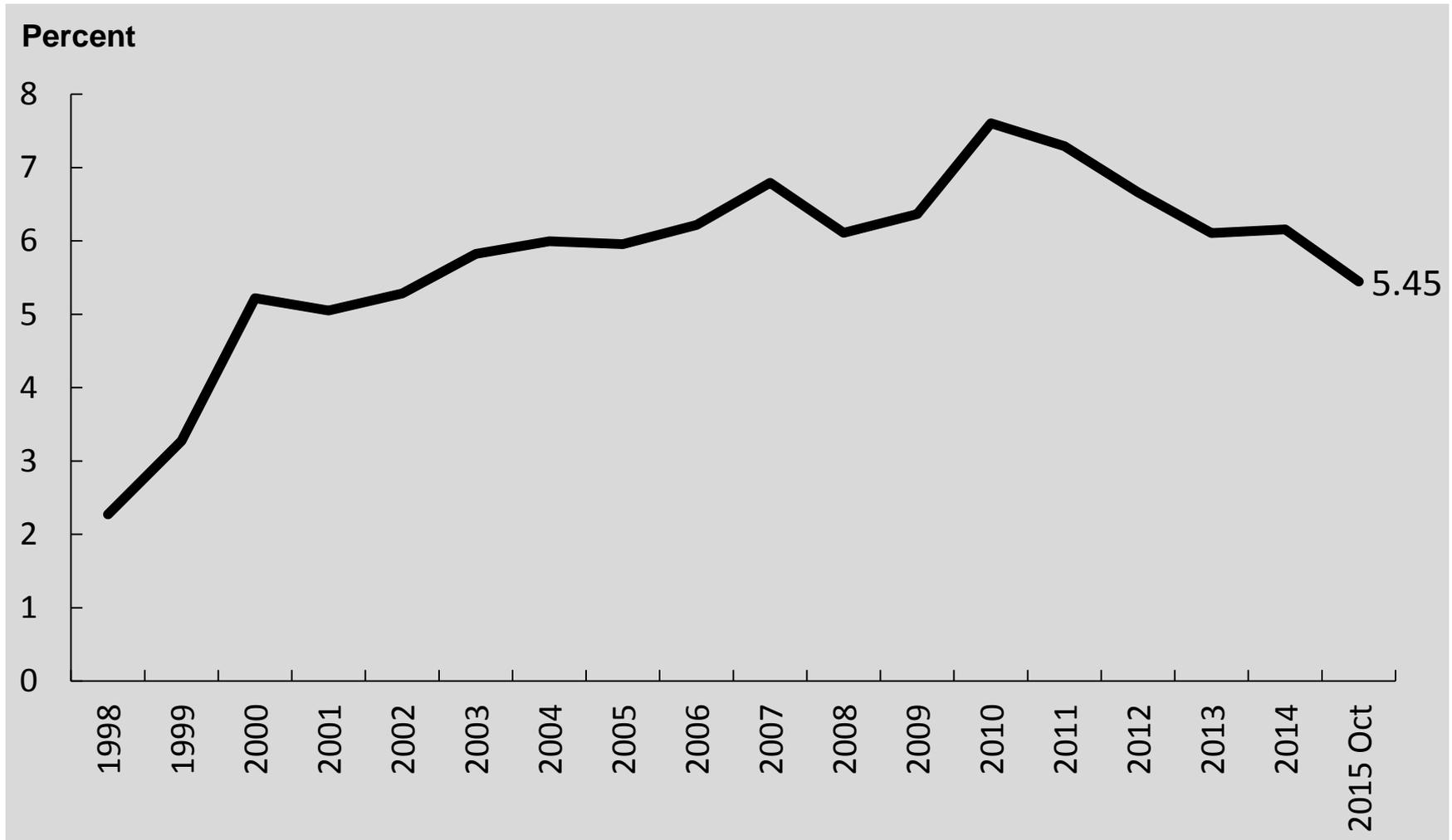
Loan-to-Deposit Ratio, Jan 2010 to Oct 2015

Percent

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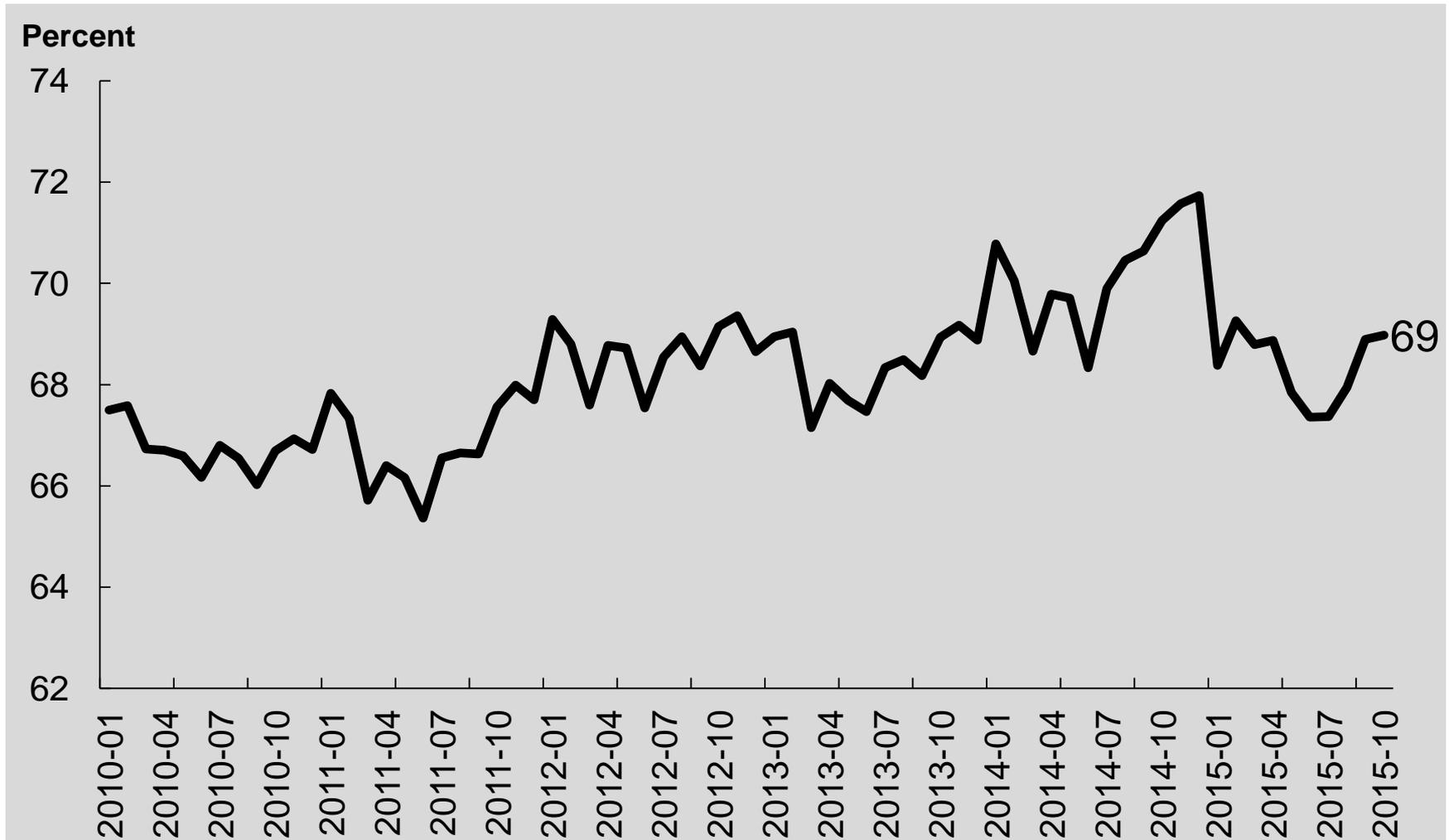
Credit Growth, Jan 2013 – Oct 2015

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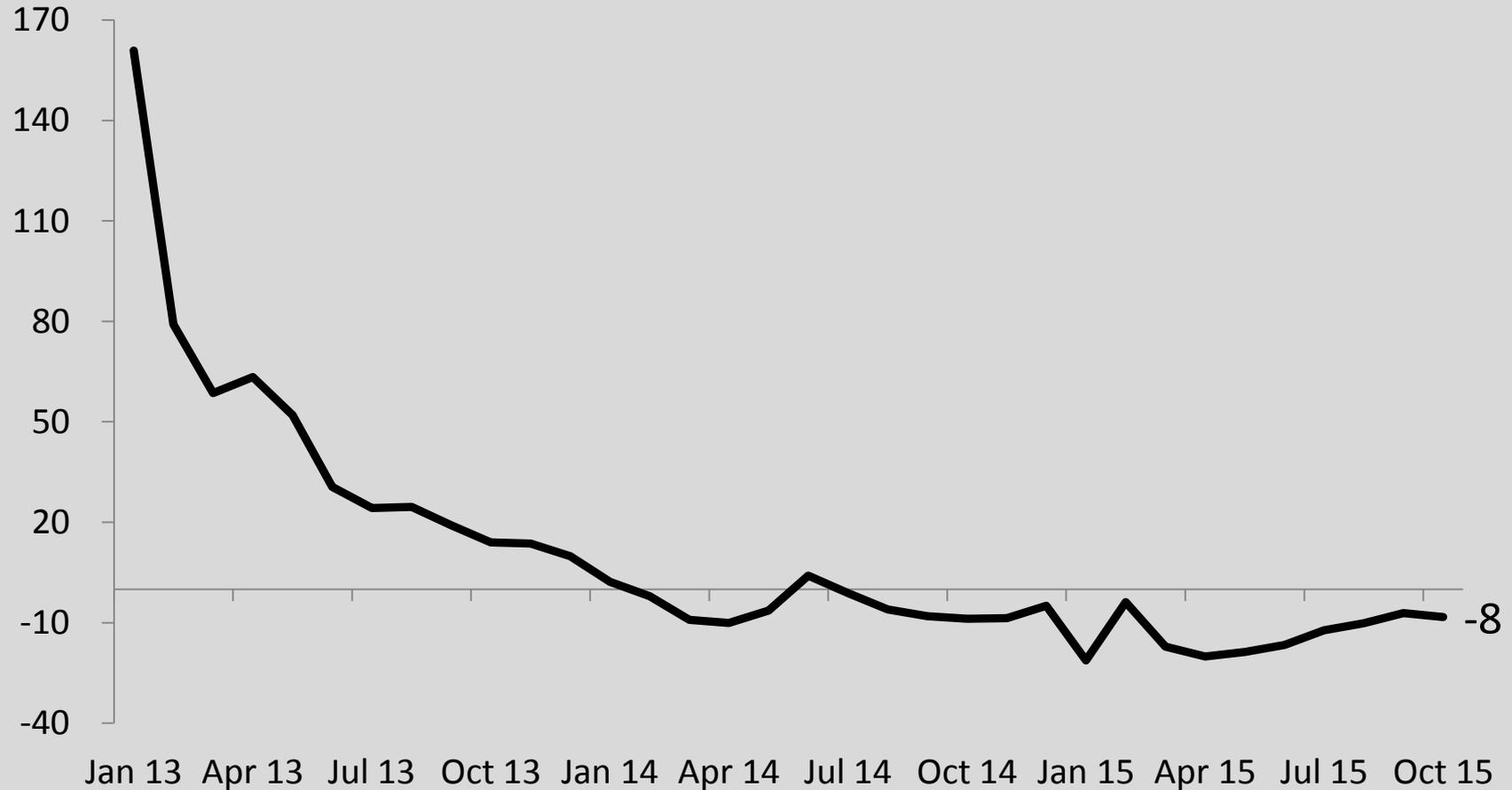
Bank Credit Flows as a Share of Credit Flows, Jan 2009 – Oct 2015

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Flow of bank loans to enterprises by ownership, 2010 - 2013

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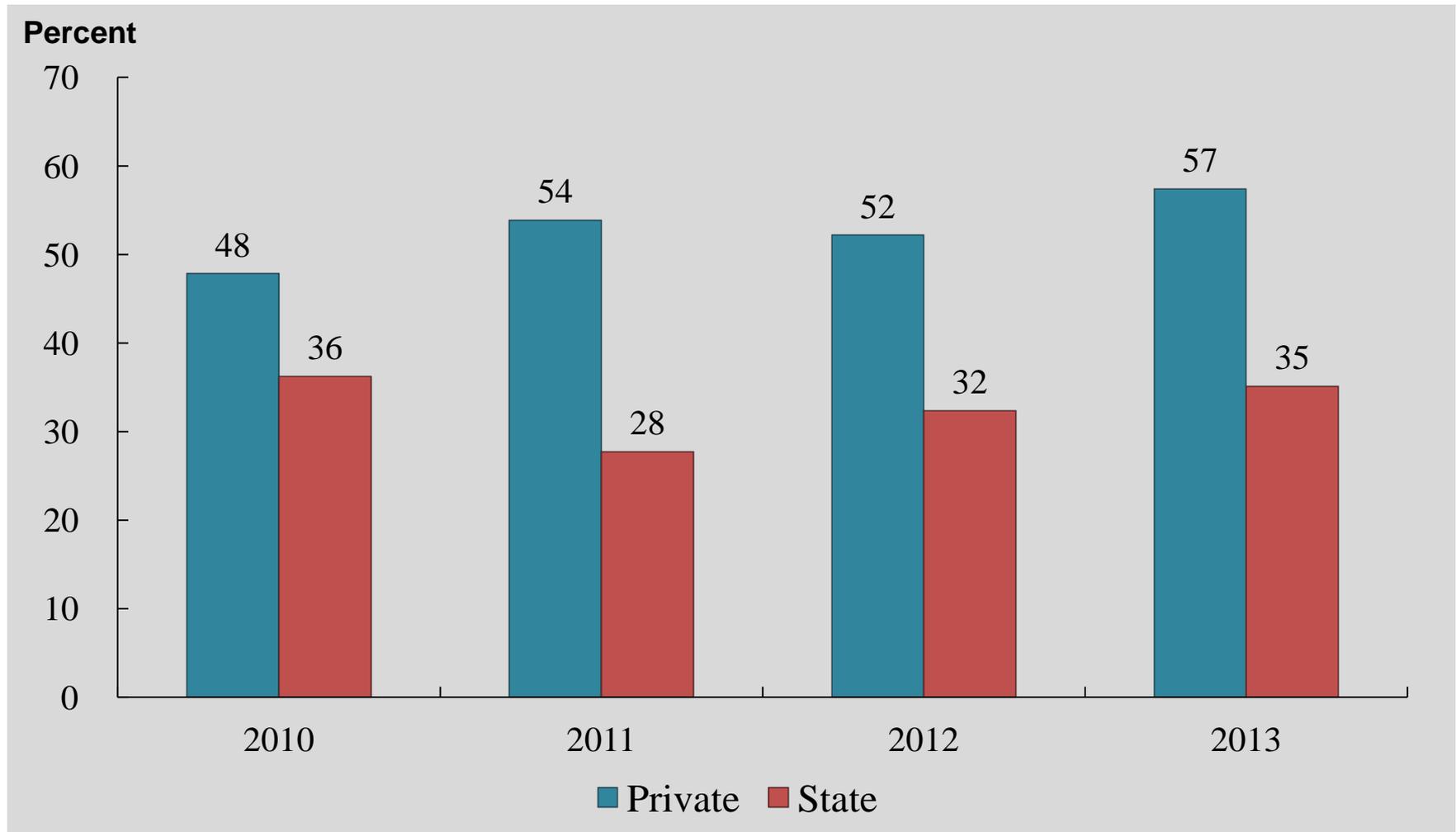
Takeaways

1. Financial risks are rising, but probably overstated

- Little currency mismatch
- Household debt is not a potential source of instability

2. Main source of risk is State-owned enterprises

- They show the sharpest rise in leverage
- They exhibit the sharpest decline in profitability

3. Authorities are responding

- Credit growth is slowing
- Macroprudential measures are reducing the share of credit extended by non-bank financial institutions (shadow banks)

4. Banks are shifting their lending to more credit worthy customers

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