



Corporate debt in China

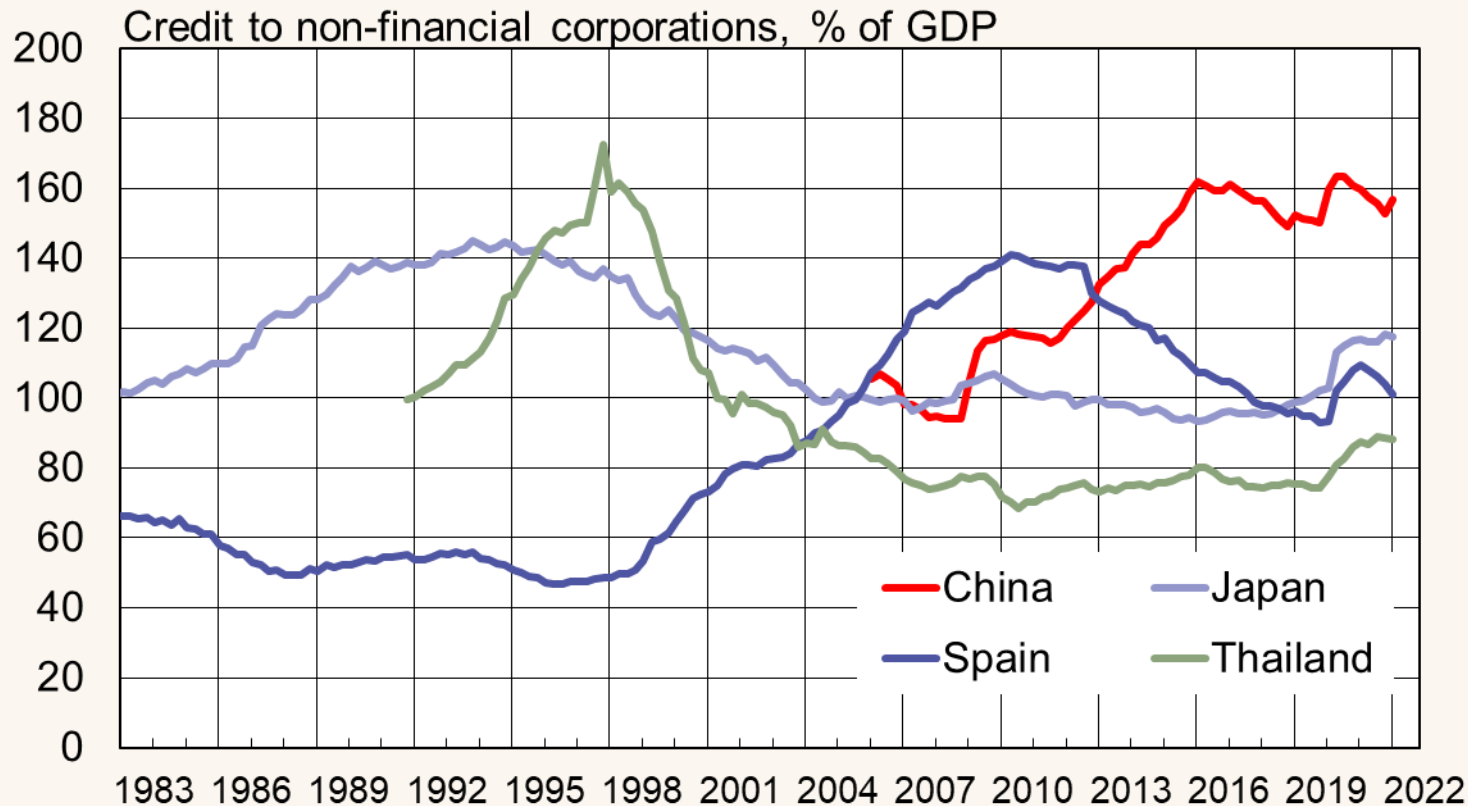
Debt and Innovative Finance in the Developing World

BOFIT and UNU-WIDER

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Eeva Kerola
Suomen Pankki

China has accumulated a massive amount of corporate debt, equivalent to ~30 % of global total

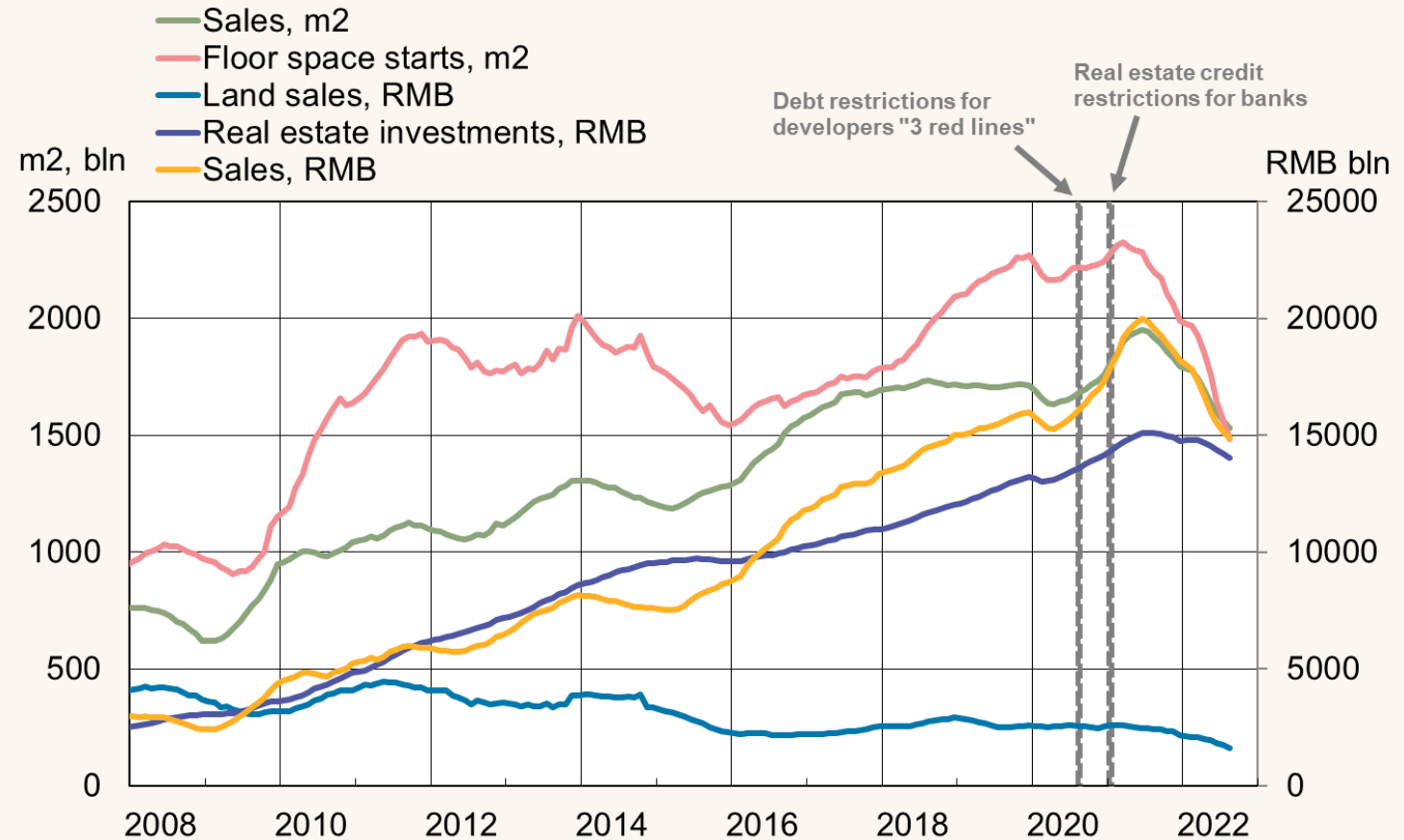


- Started with a huge stimulus during 2008-2009 GFC, focusing on infrastructure investment
- Local governments play a part in corporate debt through LGFVs, as direct borrowing from banks or issuing bonds was prohibited
- Almost 60 % of Chinese corporates highly indebted, 1/2 in property construction
- Debt levels this high have elsewhere sparked some kind of economic slowdown and deleveraging process

Source: BIS.

Escaping the corporate debt trap is difficult

- It's difficult to lower debt without letting growth rates decrease as well
 - Especially problematic in China with tight GDP growth targets
 - Difficulty of the task currently visible in real estate sector
- Significantly reining China's corporate debt levels would require a fundamental rejigging of the economic model



Sources: National Bureau of Statistics, BOFIT.



Thank you!

suomenpankki.fi