Corporate debt in China

Debt and Innovative Finance in the Developing World
BOFIT and UNU-WIDER
28.10.2022
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

Credit to non-financial corporations, % of GDP

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
Thank you!
suomenpankki.fi