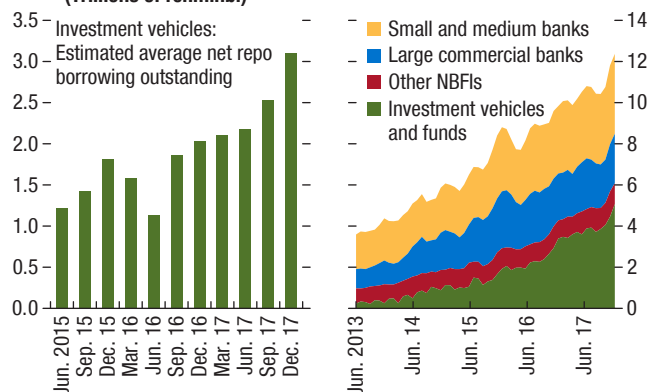


**Figure 1.20. Risks and Adjustment Challenges in Chinese Investment Products**

Investment vehicles are borrowing more ...

**1. Estimated Investment Vehicle Net Repo Borrowing and Interbank Gross Repo Position, by Institution Type (Trillions of renminbi)**

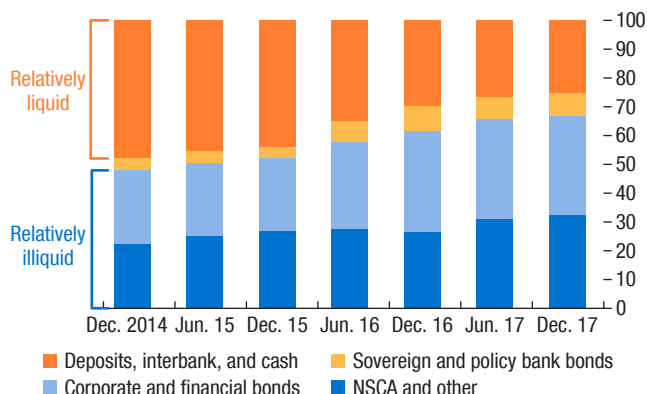


Sources: CEIC; China Central Clearing & Depository Corporation; National Interbank Funding Center; People's Bank of China; Shanghai Clearing House; WIND; and IMF staff calculations.

Note: Gross repo position includes the sum of outstanding month-end cash borrowing and lending positions. "Investment vehicles and funds" includes repo positions by mutual funds (which are net lenders) and other NBFIs not captured in the "Other NBFIs" category. Estimated average repo borrowing outstanding is the People's Bank of China—reported quarterly net repo borrowing volume for all funds, divided by the ratio of nonbank repo volume to month-end position, minus the reported net repo position of public mutual funds and other NBFIs. NBFIs = nonbank financial institution.

... and holding more illiquid assets.

**2. Chinese Investment Vehicles: Bank-Issued Product Portfolio Allocation (Percent)**

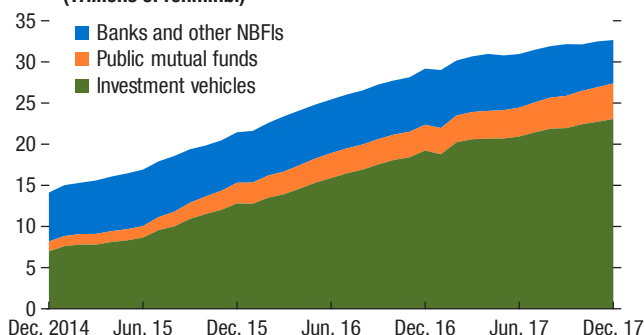


Sources: Bank Wealth Management Registration and Trusteeship Center; and IMF staff calculations.

Note: Due to the lack of available data, data for June 2015 are the interpolation of December 2014 and December 2015 data. "NSCA and other" includes mostly illiquid credit assets but also has derivatives and investment fund shares. NSCA = nonstandard credit asset.

Reforming investment products will further slow credit growth by weakening demand for corporate and financial bond issuance ...

**3. China Bond Market: Corporate and Non-Policy-Bank Financial Bonds Outstanding, by Holder (Trillions of renminbi)**

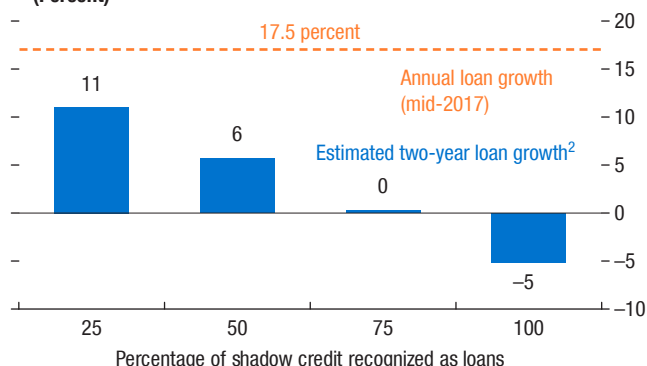


Sources: China Clearing and Depository Corporation; National Interbank Funding Center; People's Bank of China; Shanghai Clearing House; WIND; and IMF staff calculations.

Note: Public mutual fund holdings shown are interpolated semi-annual data. NBFIs = nonbank financial institution.

... and limiting small banks' ability to increase lending without fresh capital.

**4. Chinese Small and Medium Banks: Two-Year Estimated Loan Growth Capacity Given Shadow Credit Recognition Assumption<sup>1</sup> (Percent)**



Sources: Bank financial reports; S&P Global Market Intelligence; and IMF staff calculations.

<sup>1</sup>Shadow credit is defined as 100 percent of banks' investments in third-party unconsolidated structured products and 20 percent of their sponsored non-principal-guaranteed wealth management products. Based on a sample of 25 listed banks with available disclosures. Assumes banks receive no external capital and maintain static capital and profitability ratios. Shadow credit recognition entails raising risk weightings for selected assets to 100 percent from initial weightings of 25 and 0 percent for structured products and wealth management products, respectively.

<sup>2</sup>Growth rates shown are annualized. Negative number indicates loan book would need to shrink to initially accommodate existing shadow credit. Loan growth shown is net of loans converted from existing shadow credit.