

Figure 1.5.1. Chinese Bond Market Developments

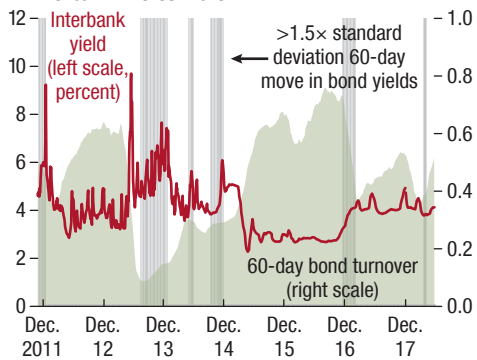
Trading turnover fluctuates more than in other countries ...

1. Annual Growth in Three-Month Average Bond Trading Volumes, by Country and Bond Type (Percent)



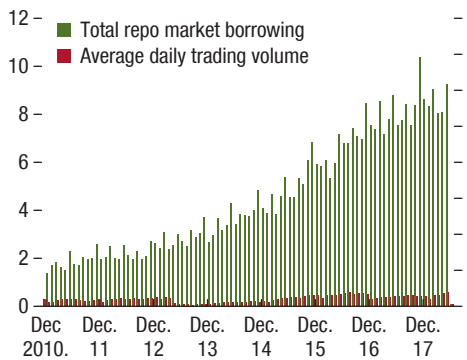
... and volumes tend to fall when interbank rates rise.

2. Rolling 60-Day Sum of Daily Bond Trading to Outstanding Total and One-Month SHIBOR Interbank Interest Rate



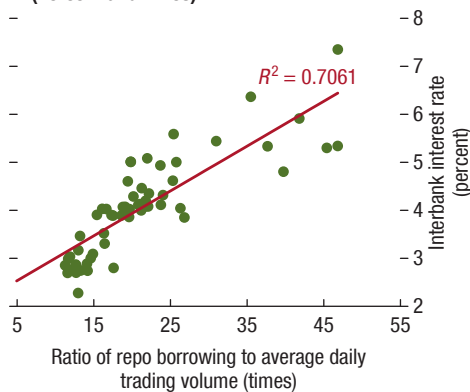
Declines in trading volumes pose risks in the context of growing short-term borrowing ...

3. Chinese Bond Market: Repo Borrowing Outstanding and Trading Volumes (Trillions of renminbi)



... because more borrowing must be rolled over and portfolios become more illiquid, reinforcing upward pressures on short-term interest rates.

4. One-Month SHIBOR Interbank Interest Rate and Repo Borrowing Outstanding Relative to Average Daily Trading Volume, June 2013–June 2018 (Percent and times)



Sources: Bloomberg Finance L.P.; CEIC; ChinaBond; Federal Reserve; Financial Industry Regulatory Authority; WIND Information Co.; and IMF staff calculations.

Note: Government bonds includes policy bank bonds but not local government bonds, which have negligible trading. For panel 2, bond turnover and yields are based on government bonds. SHIBOR = Shanghai interbank offered rate.