Figure 1.19. Chinese Banking System and Financial Market Developments and Liabilities

Regulatory tightening has stifled growth in financial sector leverage and in risky investment products...

1. China: Three-Month Changes in Investment Products Outstanding and Small and Medium Banks’ Financial Sector Claims (Trillions of renminbi)

Bank vulnerabilities remain elevated as funding costs rise...

2. Chinese Banks: Tier 1 Capital Ratio and Preprovision Operating Profits to Assets (Percent)

...but capital positions are becoming more stretched and underlying profitability continues to fall.

3. Chinese Bond Prices: Corporate Credit Spreads and Short-Term Unsecured Bank Funding Costs

...and liquidity remains stretched.

4. Chinese Small and Medium Banks: Short-Term Nondeposit Funding and High-Quality Liquid Assets

Sources: Asset Management Association of China; Bloomberg Finance L.P.; CEC; People’s Bank of China; S&P Global Market Intelligence; and IMF staff calculations.

Note: Panel 4 is based on a sample of 10 banks that disclose HQLA and contractual maturities. Short-term is less than three-month contractual maturity or on demand. China’s HQLA definition disallows required reserves held at the People’s Bank of China. CET1 = common equity Tier 1; HQLA = high-quality liquid assets.