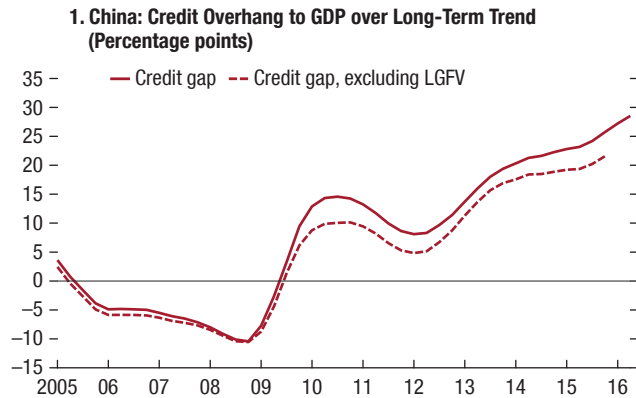


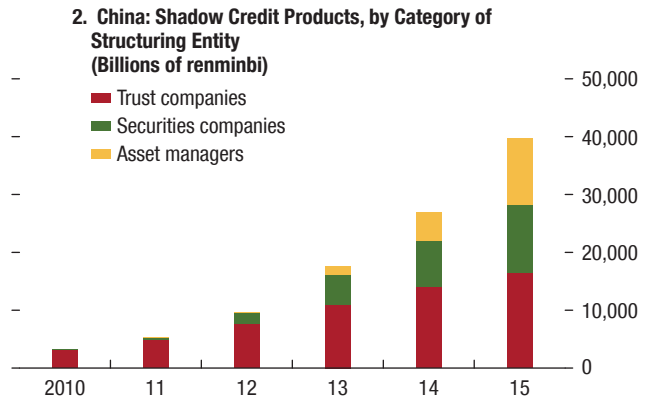
Figure 1.26. China: Credit Overhang and Shadow Credit

China's credit overhang is rising ...



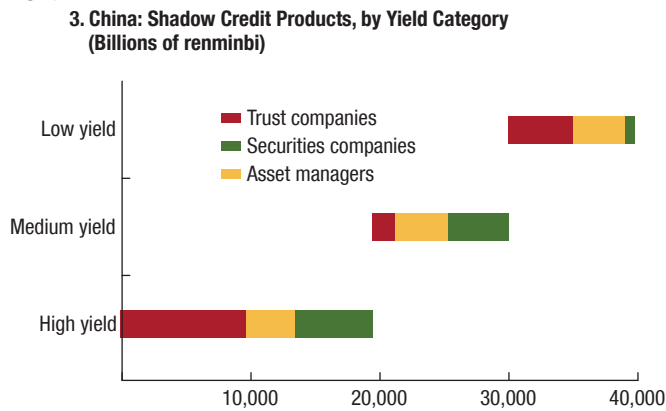
Sources: Bank for International Settlements; Haver Analytics; IMF, World Economic Outlook database; and IMF staff estimates.
 Note: Based on a one-sided Hodrick-Prescott filter with a smoothing parameter of 400,000. LGFV = local government financing vehicle.

... as the proliferation of shadow credit products adds to financial sector vulnerabilities.



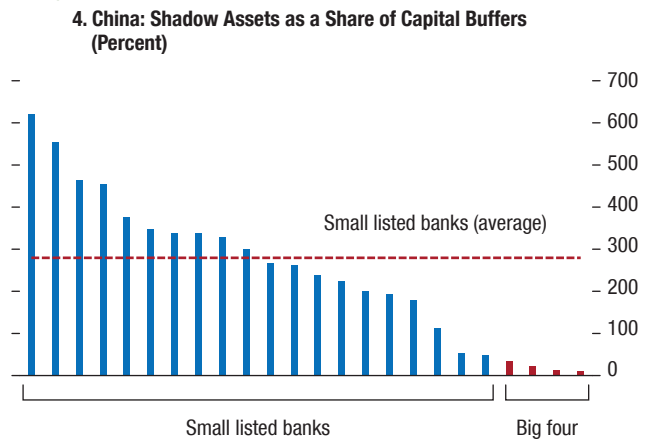
Source: CEIC.

About half of outstanding shadow credit products carry a relatively high yield ...



Sources: ChinaBond; China Trustee Association; Morgan Stanley; WIND; and IMF staff estimates.

... while small banks are heavily exposed to shadow credit as a share of capital buffers.



Sources: Bank financial statements; and IMF staff estimates and analysis.
 Note: Big four = Agricultural Bank of China, China Construction Bank, China Development Bank, and Industrial and Commercial Bank of China.