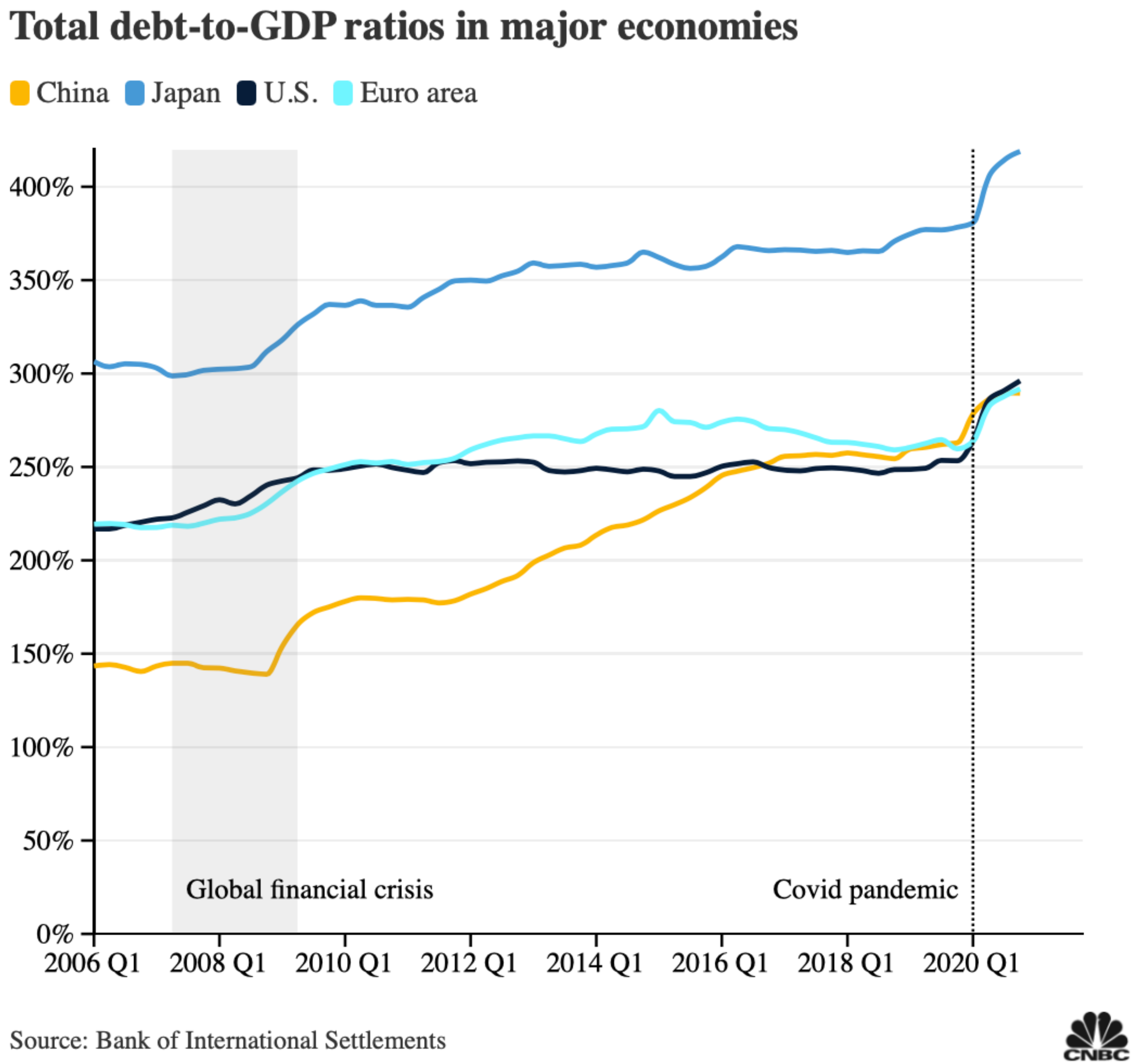
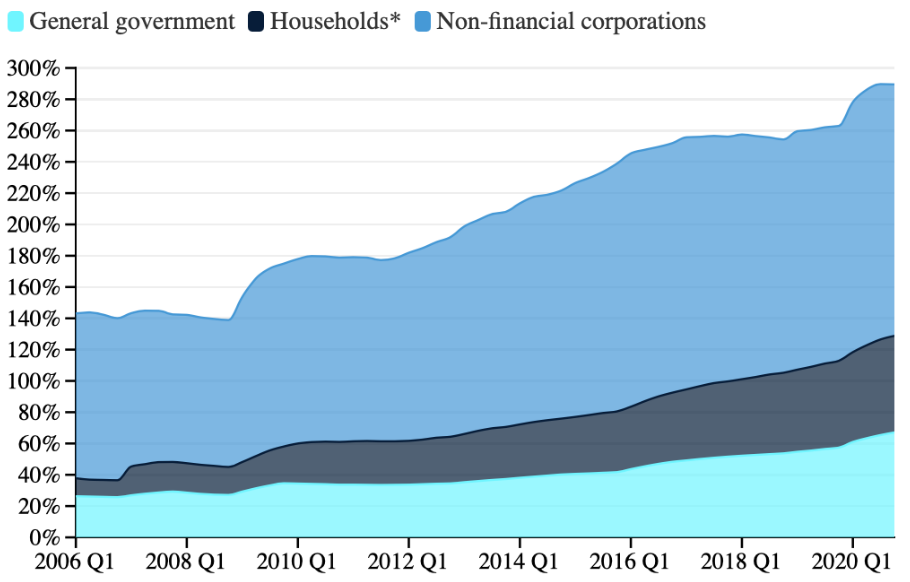
Credit Expansion


Total debt-to-GDP ratios in major economies
China
Japan
U.S.
Euro area
400%
350%
300%
250%
200%
150%
100%
50%
0%
2006 Q1
2008 Q1
2010 Q1
2012 Q1
2014 Q1
2016 Q1
2018 Q1
2020 Q1
Global financial crisis
Covid pandemic
Source: Bank of International Settlements
CNBC

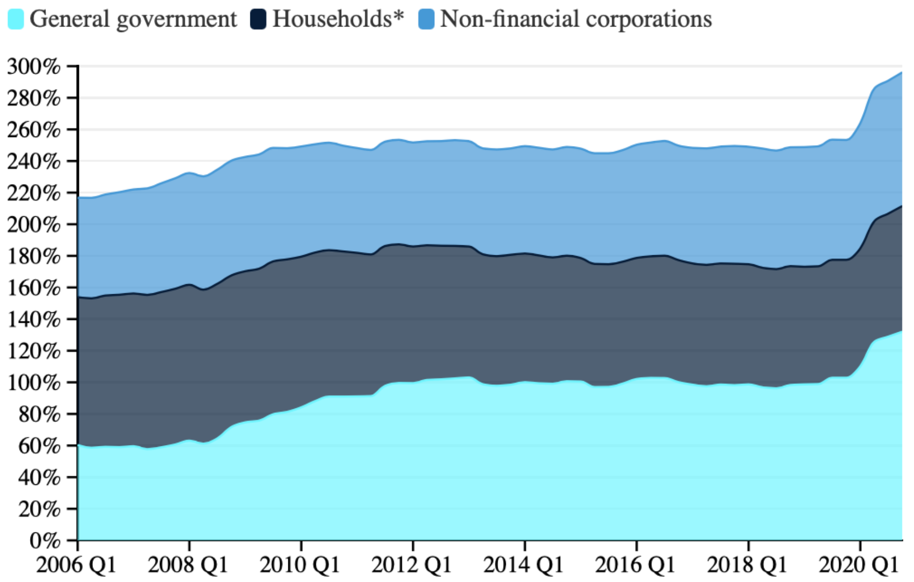
China's domestic debt

Debt-to-GDP ratios of the three main components



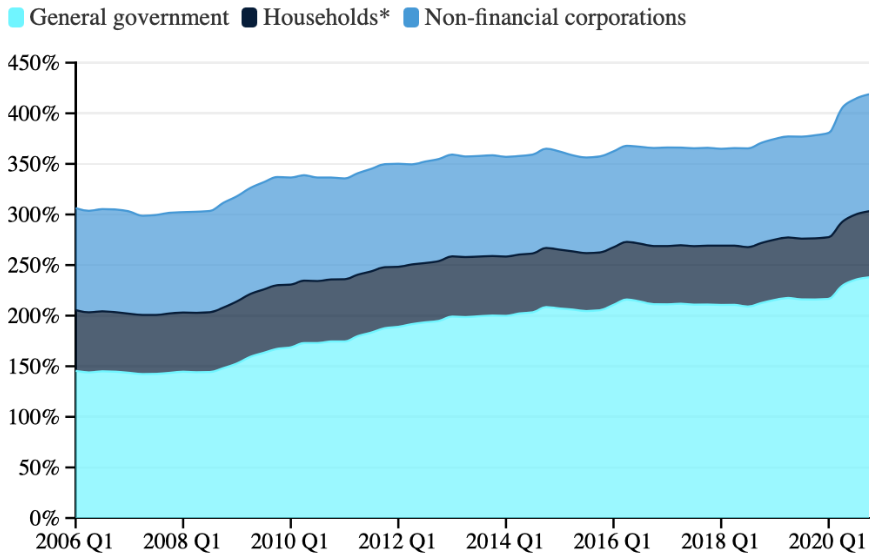
U.S. domestic debt breakdown

Debt-to-GDP ratios of the three main components



Domestic debt in Japan

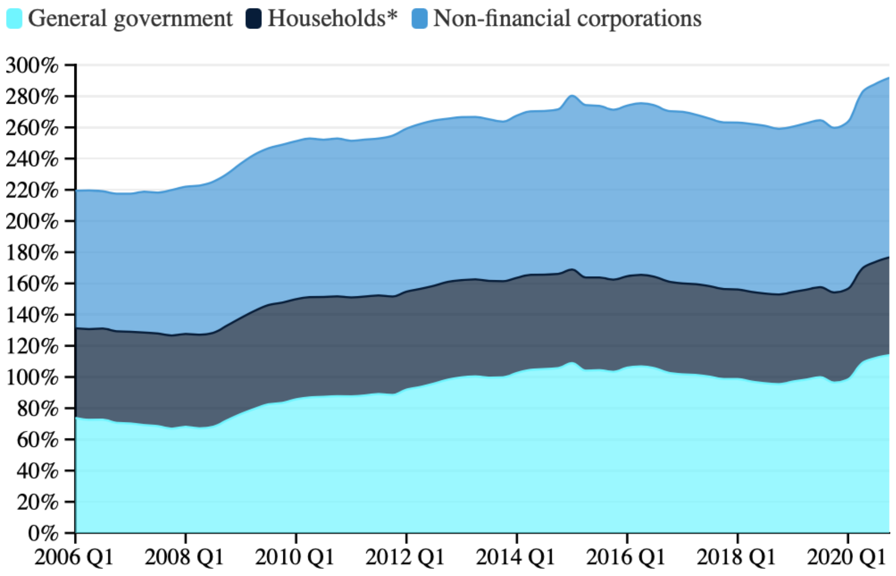
Debt-to-GDP ratios of the three main components



Source: Bank of International Settlements • * Data include non-profit institutions serving households

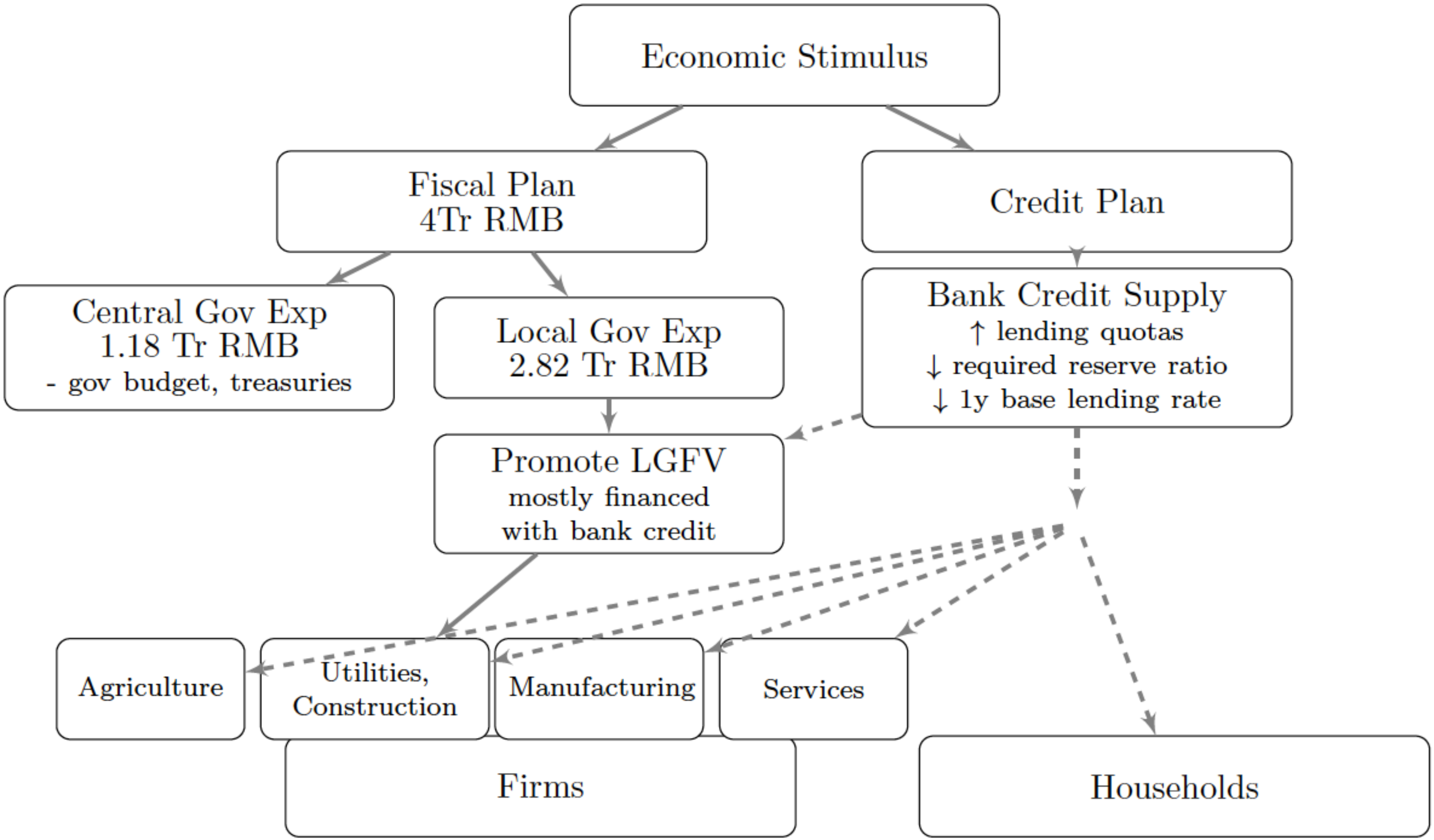
Breakdown of debt in the Euro area

Debt-to-GDP ratios of the three main components



Source: Bank of International Settlements • * Data include non-profit institutions serving households

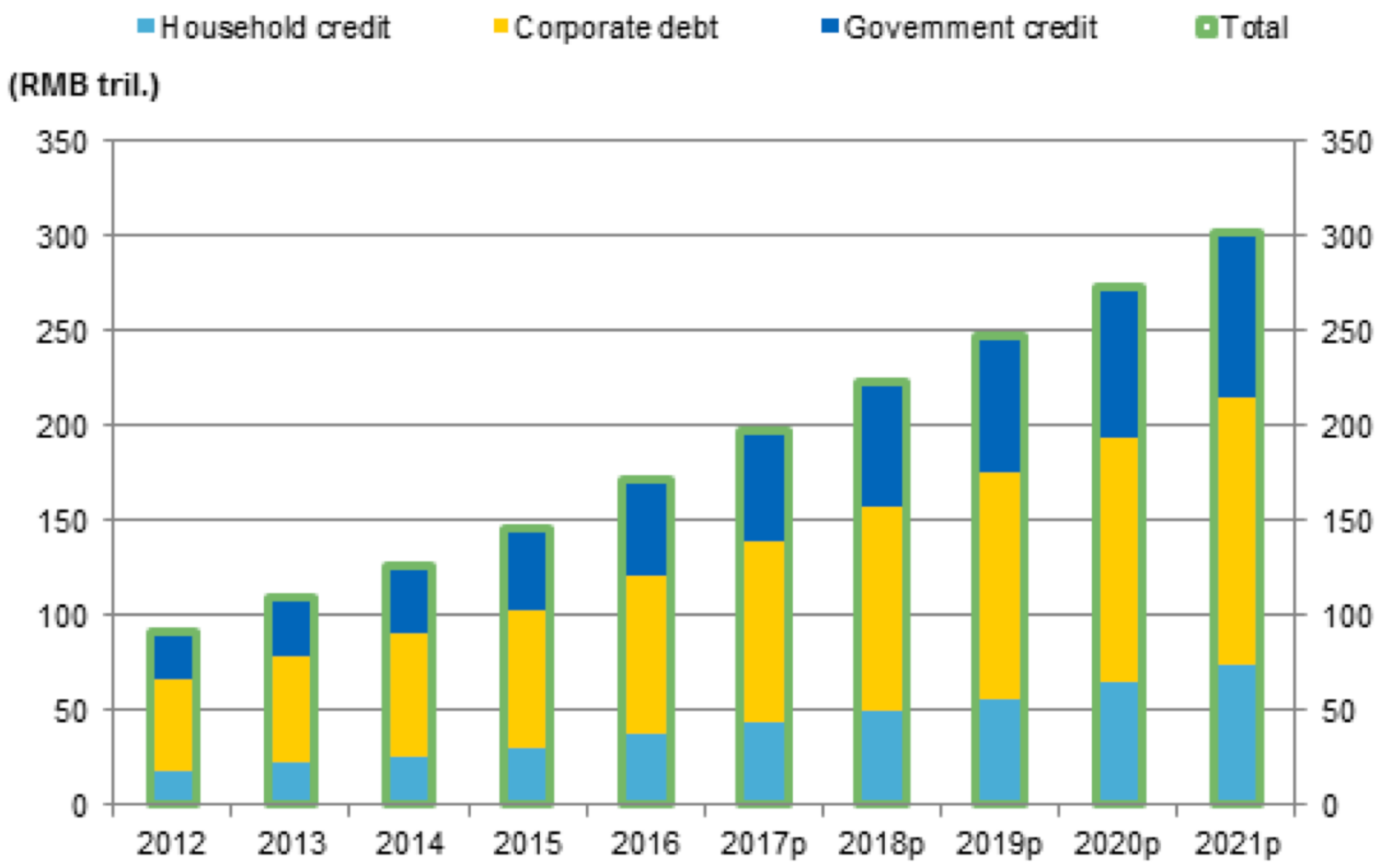
Figure 2: Structure of China Economic Stimulus Plan



Credit, loan, and money

- the unprecedented growth of the Chinese economy was matched by an equally unprecedented credit expansion
- although credit, loans, and money are quite distinct concepts, in practice, they move together very closely in China
- In China, domestic credit is mainly supplied by financial institutions through loans (assets of financial institutions), while most financial institutions strongly rely on deposits (liabilities) to support their lending
- Money refers to holdings of cash and deposits
- Credit expansion in China historically has been accompanied by an expansion of broad money

China Total Credit, Base Case



p--Projection. Source: S&P Global Ratings.

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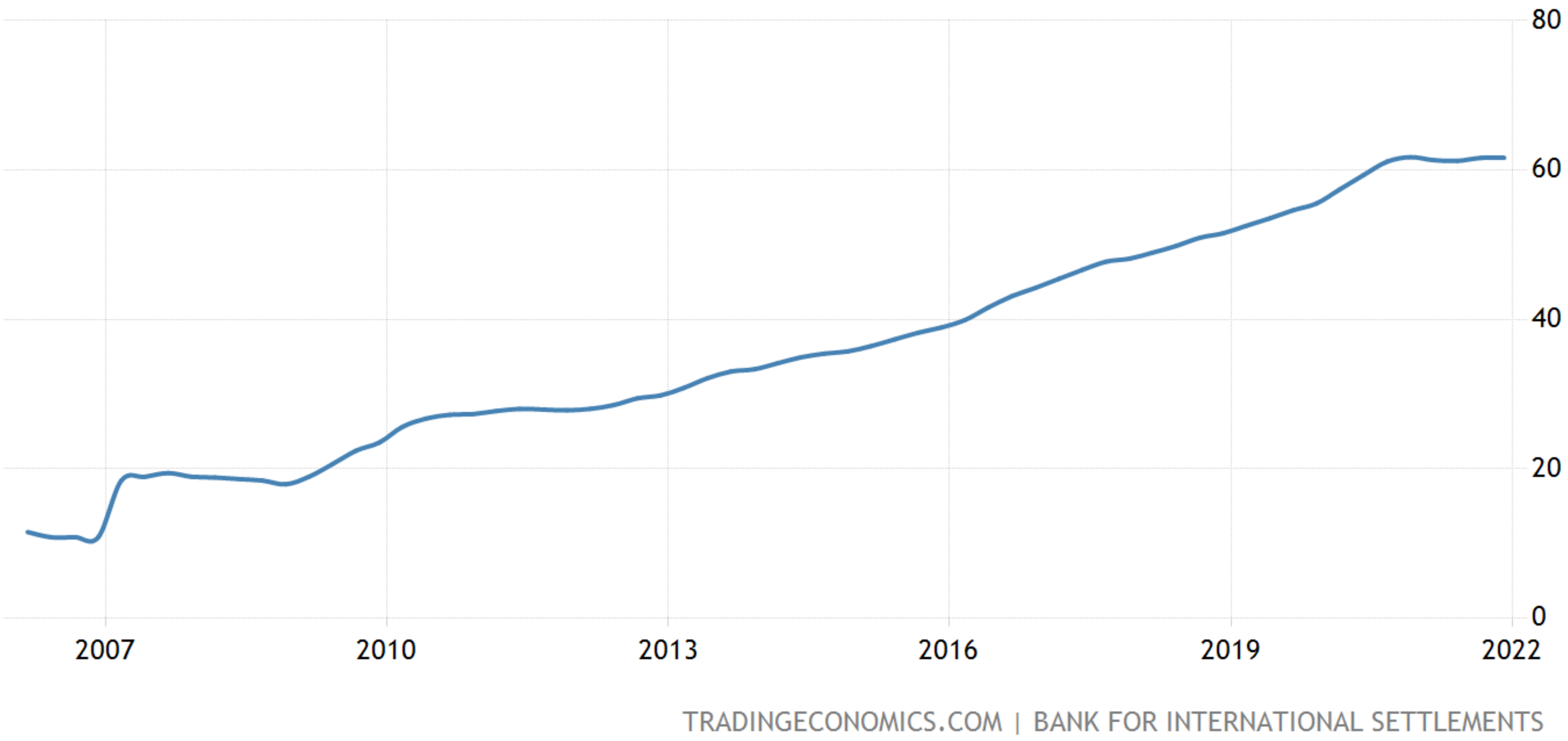
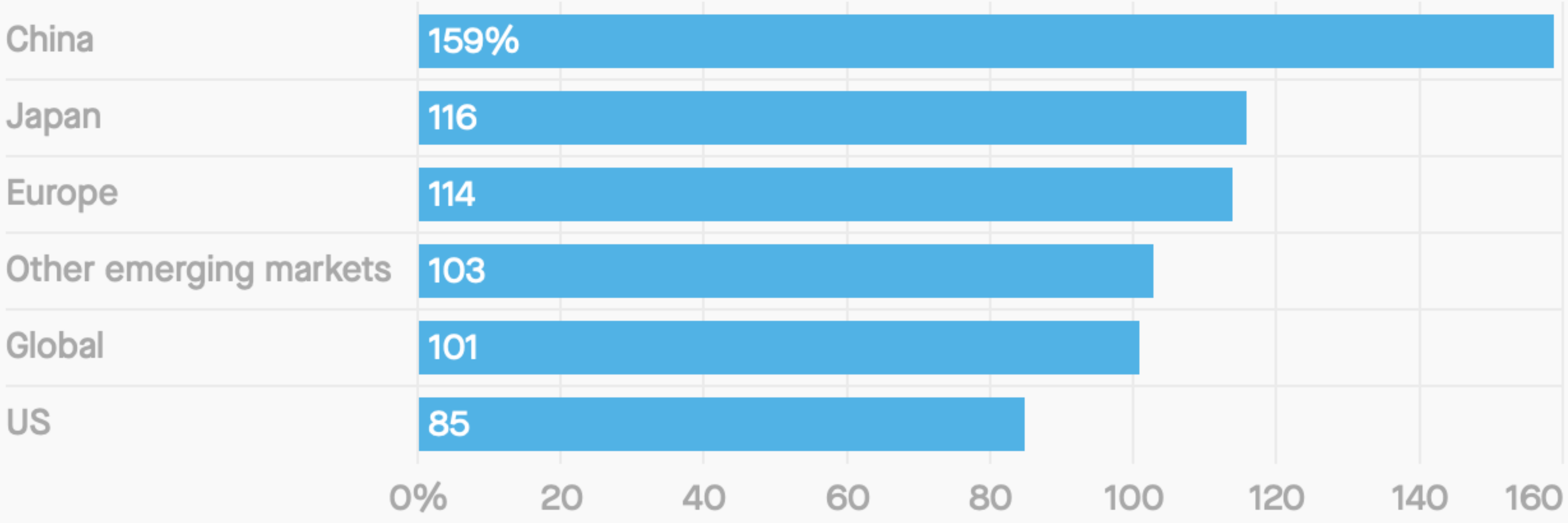
China Households Debt To GDP

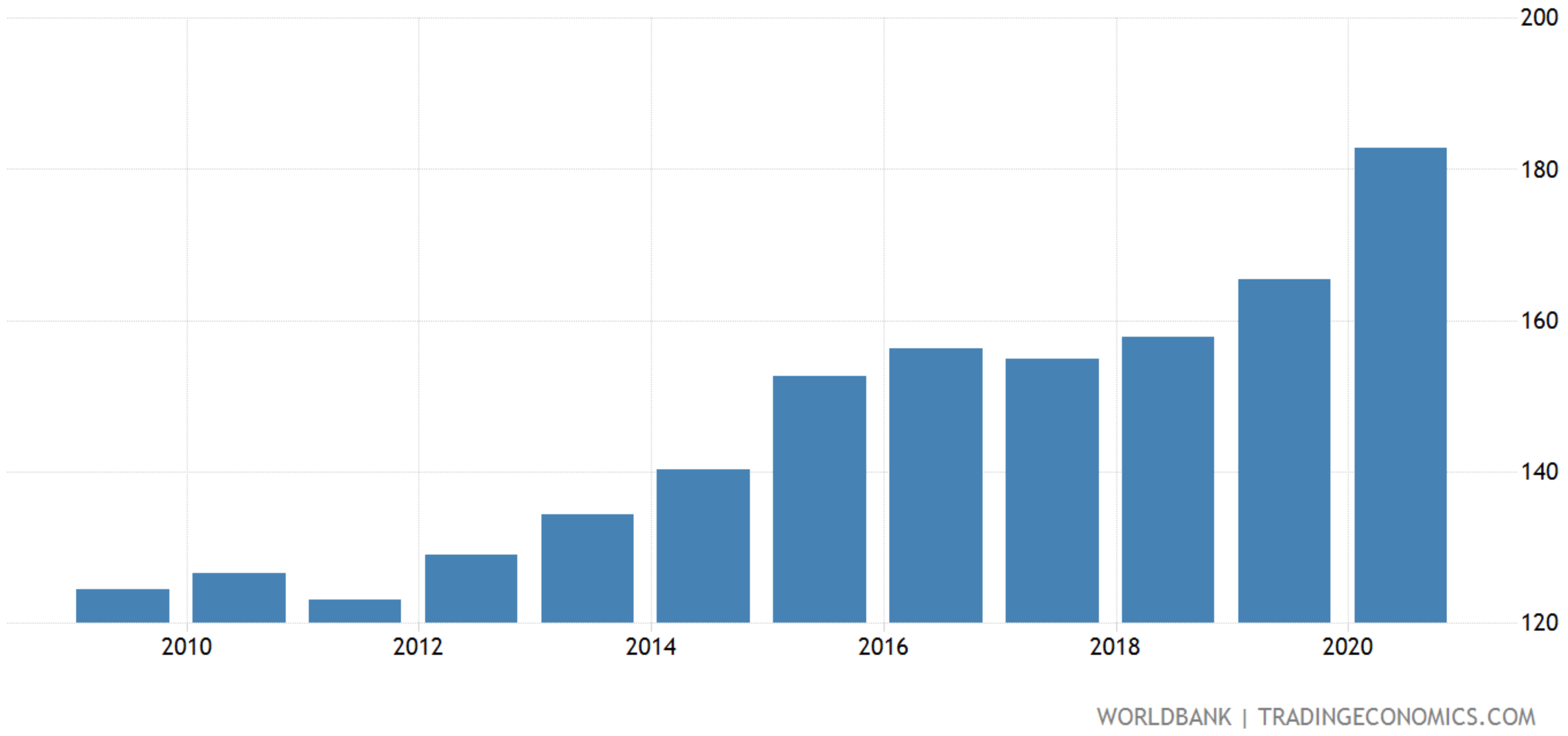


Non-financial corporate debt-to-GDP ratio



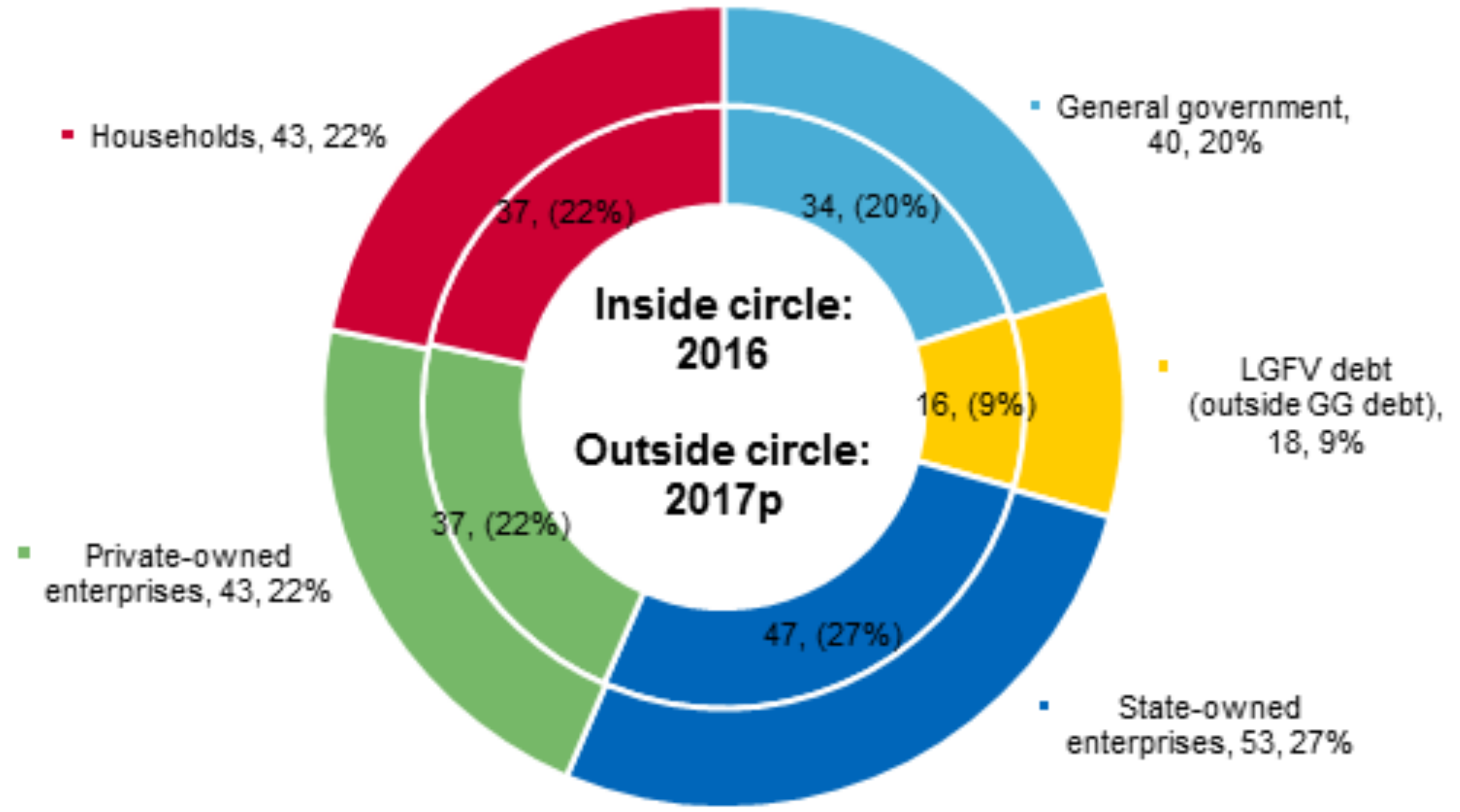
Quartz | qz.com | Data: International Institute of Finance; S&P Global Ratings

China - Domestic Credit To Private Sector (% Of GDP)



Domestic credit to private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment.

China Nonfinancial Credit Mix



First data label number (RMB) refers to renminbi trillion; second, percentage of total debt. GG--General government. LGFE--Local government financing entities. P--Projection. Split between state-owned and private-owned enterprises is based on International Monetary Fund's 2016 estimates in its Country Report No. 17/248 and No. 17/247, People's Republic of China, August 2017. Source: S&P Global Ratings.

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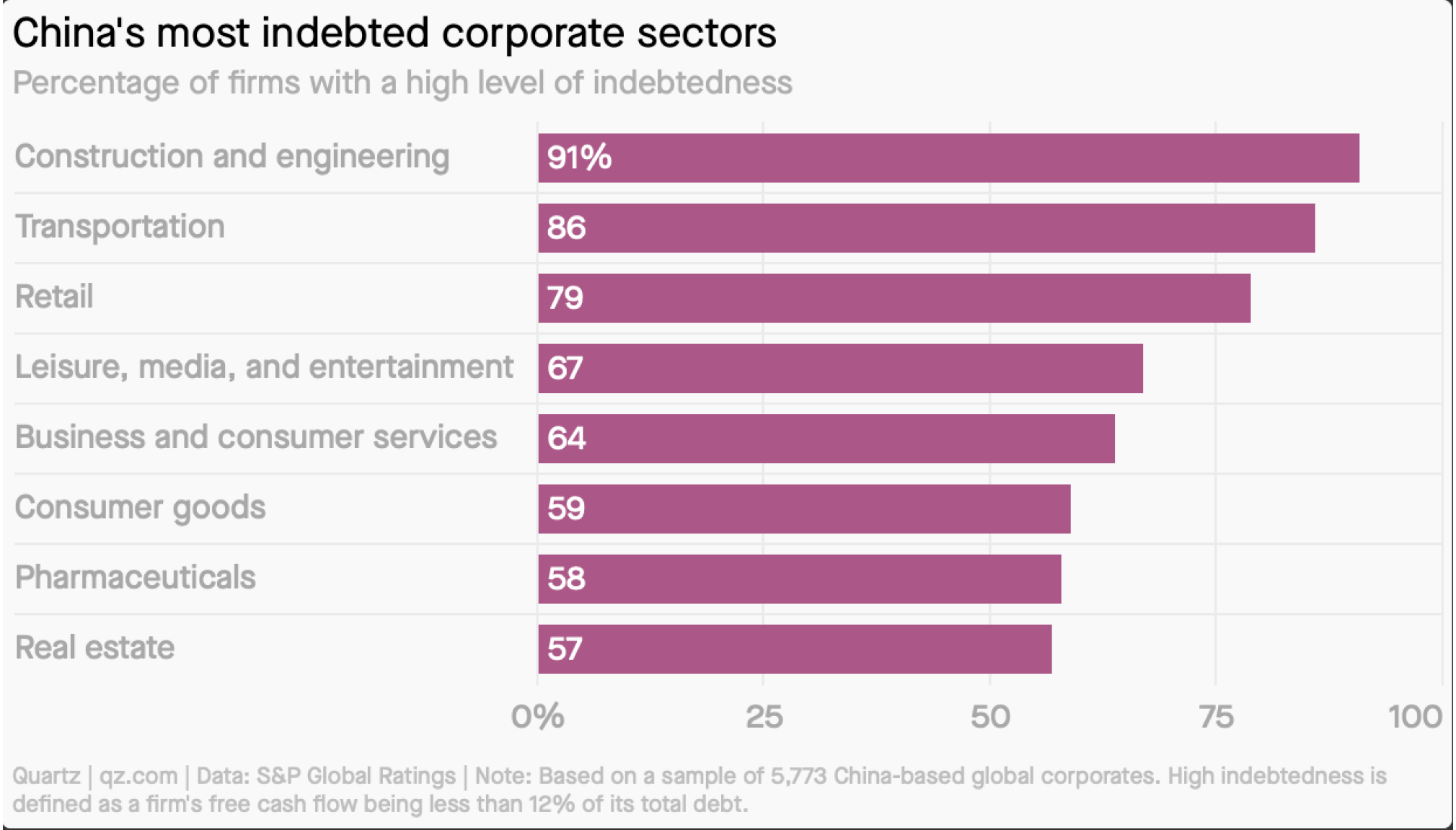
China's most indebted corporate sectors
Percentage of firms with a high level of indebtedness
Construction and engineering
91%
Transportation
86
Retail
79
Leisure, media, and entertainment
67
Business and consumer services
64
Consumer goods
59
Pharmaceuticals
58
Real estate
57
0%
25
50
75
100
Quartz | qz.com | Data: S&P Global Ratings | Note: Based on a sample of 5,773 China-based global corporates. High indebtedness is defined as a firm's free cash flow being less than 12% of its total debt.