Chinese Banking System Overview

Chinese banks will operate in an economy where authorities focus towards balancing their efforts between promoting deleveraging and sustaining growth. A more accommodative policy stance will help stabilize banks’ asset quality and benefit their funding cost. However, it also suggests that the country’s exposure to high economy-wide leverage will still be slow to reduce.

Deleveraging and de-risking campaign slows growth of shadow banking, while bank loans grow steadily.

Reported asset quality indicators remain stable with elevated asset risk among weaker borrowers.

A more accommodative policy stance will stabilize funding and liquidity conditions, but indicates further deleveraging is likely to be slow.