Figure 1.27. China: Impact of Tightening Financial Conditions on Nonfinancial Firms

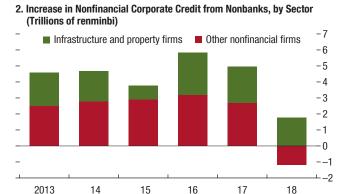
Overall lending to property and infrastructure firms has been resilient ...

1. Increase in Nonfinancial Credit by Sector (Trillions of renminbi, percent) ■ Infrastructure and property firms
■ Other nonfinancial firms
■ Retail 18 --30 Net increase Growth rate 15--25 12--20 g. -15 6 -103 -5 · N

Among similarly rated issuers, infrastructure and property firms enjoy more favorable borrowing conditions ...

17 18:H1

... while nonbank credit to firms in other sectors contracted in 2018.



... with greater access to the bond market through the cycle, particularly for lower-rated firms.

15

## 3. Average Bond Spreads for AAA-Rated Local Government SOE Issuers. Adjusted for Maturity, Three-Month Rolling Average (Basis points)

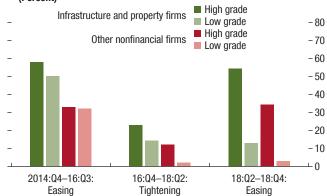
2013 14

15 16 17 18:H1



However, property and infrastructure firms tend to be more leveraged ...

## 4. Bond Market Net Issuance: Annualized Growth Rate by Sector and Grade (Percent)



... and have a larger weak tail of firms than in other sectors.

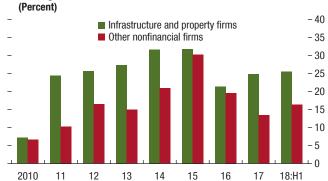
## 5. Median Liabilities to EBITDA Ratio (Ratio)

2013 14

15 16



6. Corporate Debt-at-Risk: Share of Debt of Firms with Interest Coverage Ratio <1



Sources: CEIC; SNL Financial; S&P Global Market Intelligence; Captial IQ database; Wind Information Co; and IMF staff calculations. Note: In panel 1, data are based on sector allocations for bank-disclosed loans, corporate bonds, and trust company assets under management. In panel 2, data are based on corporate bonds and trust company assets under management. In panel 4, high grade is defined as AAA-rated firms (at origination), and low grade are firms rated AA+ or lower. In panel 6, firm-level interest expense is estimated using the median cost of funding (interest expense divided by interest-bearing debt) from each sector grouping and time period. Panels 5 and 6 are based on a sample of 3,700 Chinese firms from the Capital IQ database. EBITDA = earnings before interest, tax, depreciation, and amortization; SOE = state-owned enterprises.