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## China Economics

# China's debt resolution: tackling LGFV and property debt risks

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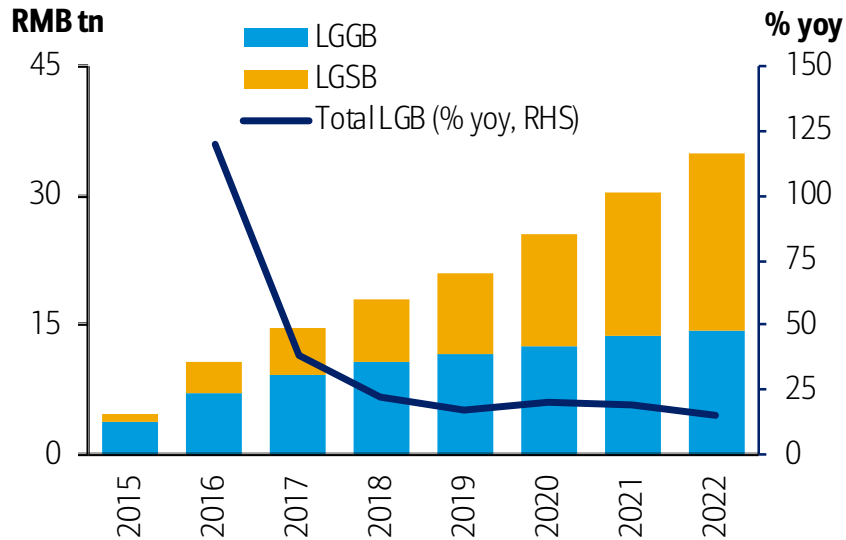


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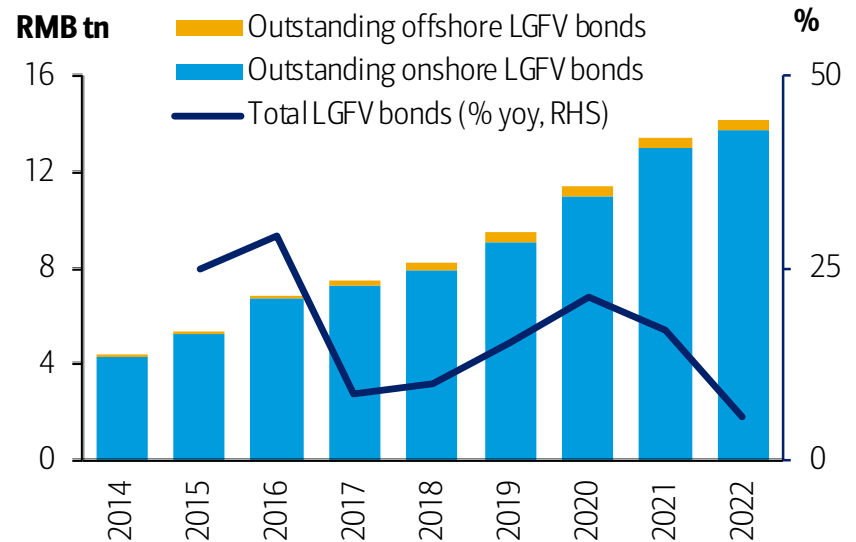


# Defusing LGFV debts is key to contain recession risks (1): how much is at risk?

**Total outstanding amount of local govt bonds were RMB34.9tn at end-2022**



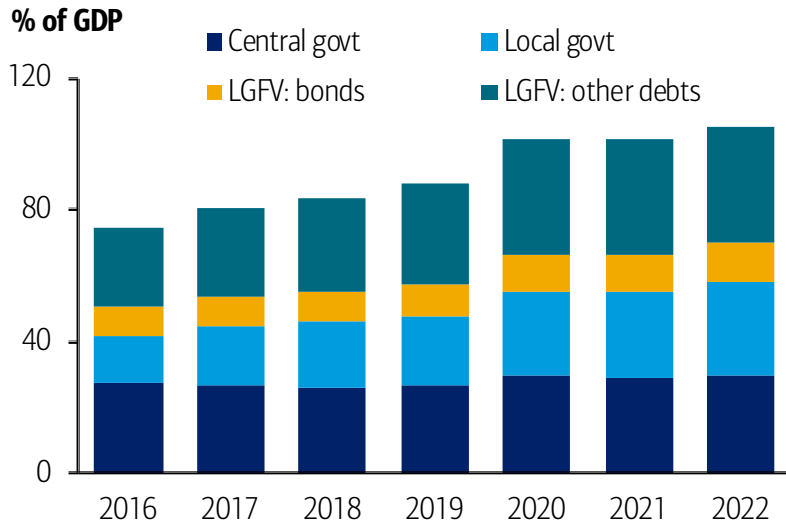
**Total LGFV bonds grew rapidly to RMB13.7tn in 2022**



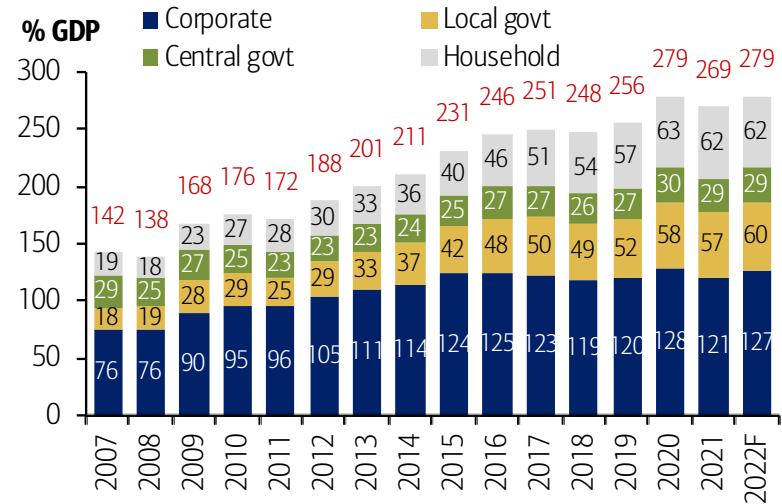


# Defusing LGFV debts is key to contain recession risks (2): local government leverage rose steadily over time

### LGFV and local government debts expanded over time while central government debt ratio remained steady



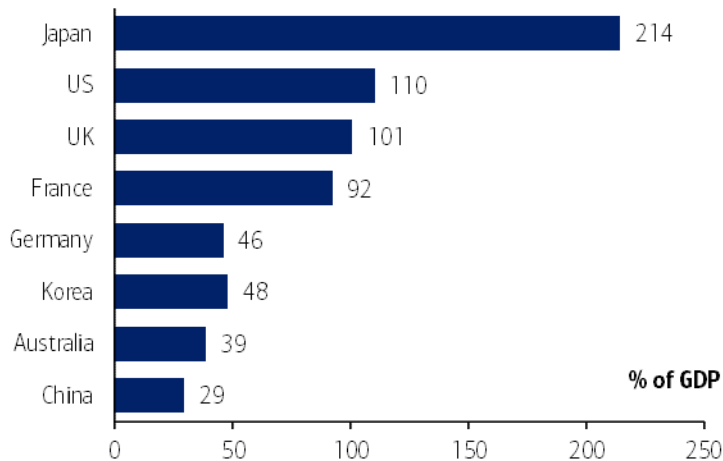
### Overall debt ratio increased during the past few years on the back of slow growth



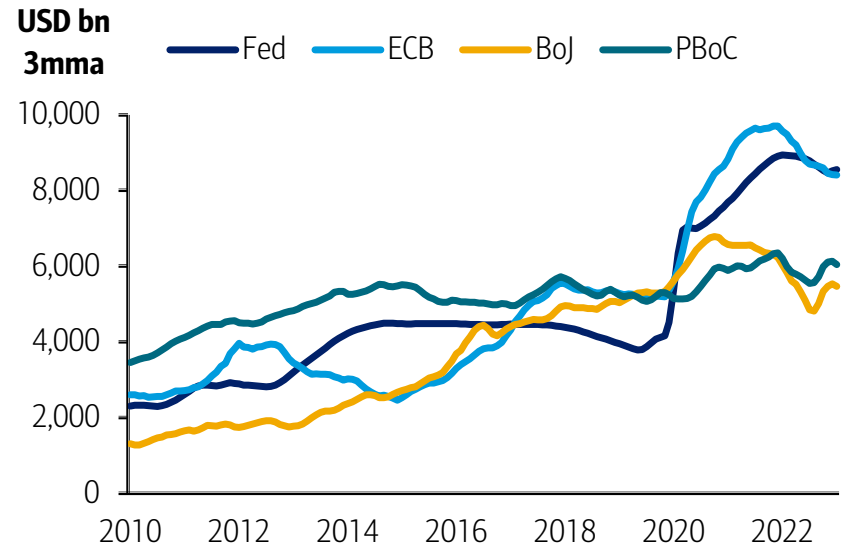


# Defusing LGFV debts is key to contain recession risks (3): Central government has room to lever up

The central government has room to lever up...



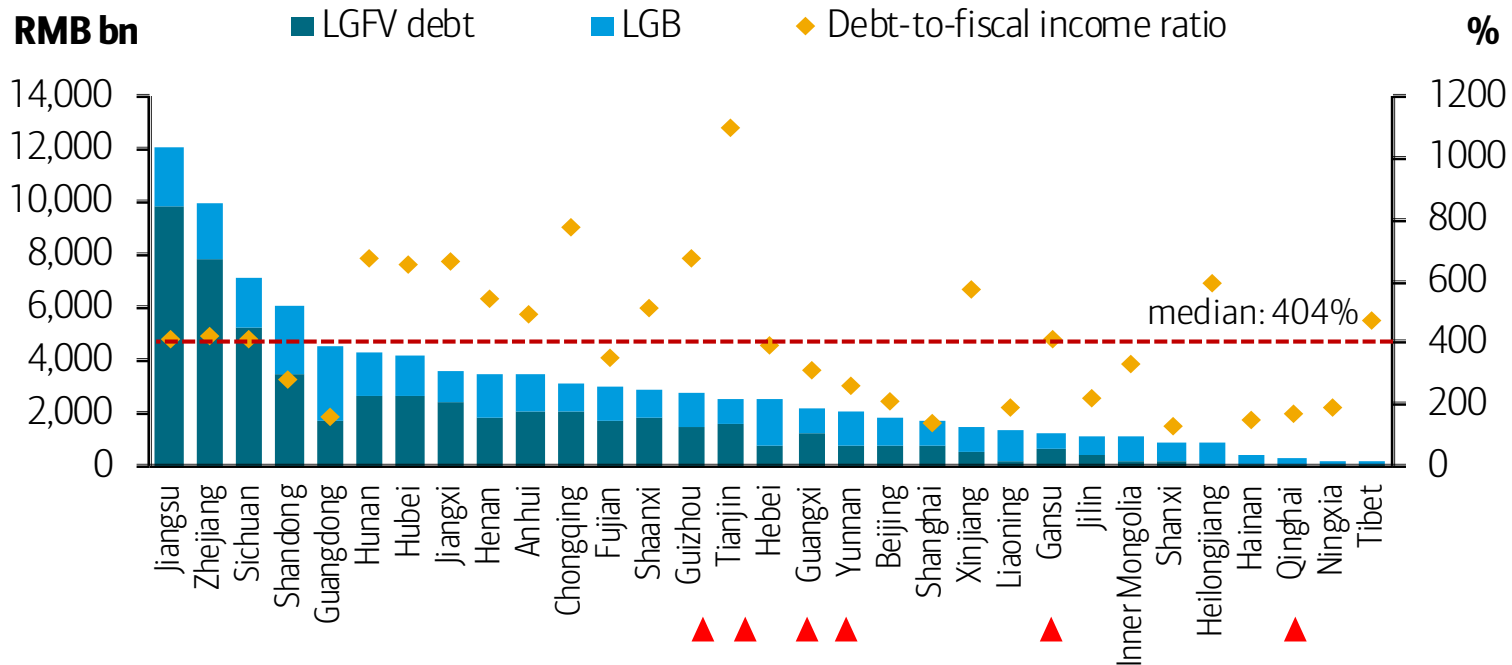
... and the PBoC did not expand its balance sheet much during the past three years





# Defusing LGFV debts is key to contain recession risks (4): Weak provinces suffer from higher funding costs & debt-payment burden

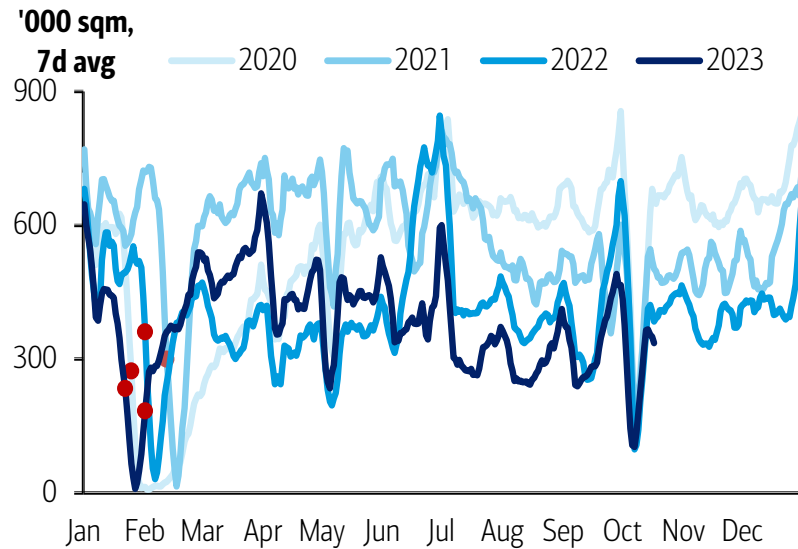
## Tianjin, Guizhou and Gansu have high debt-to-fiscal income ratio



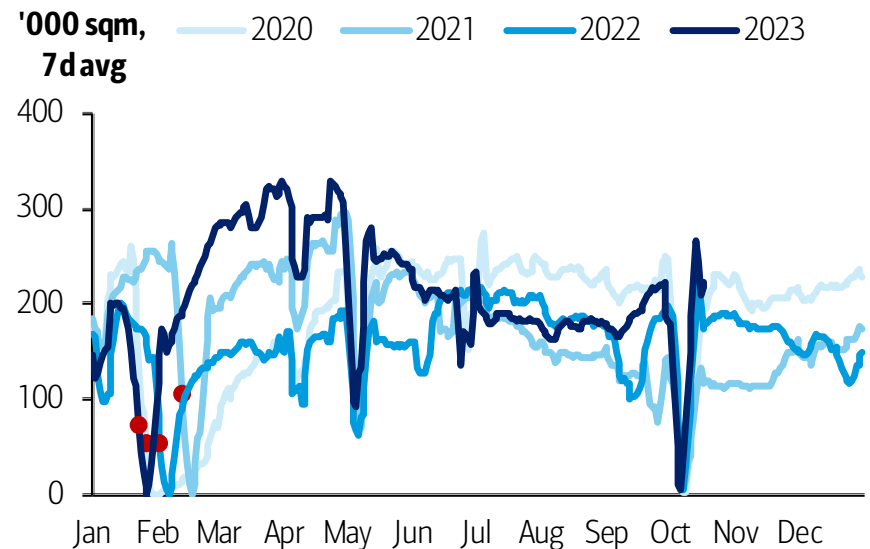
# Property market not back on firm footing yet (1): Sales recovered slowly after the policy relaxation



**Sales in 30 major cities picked up after policy easing**



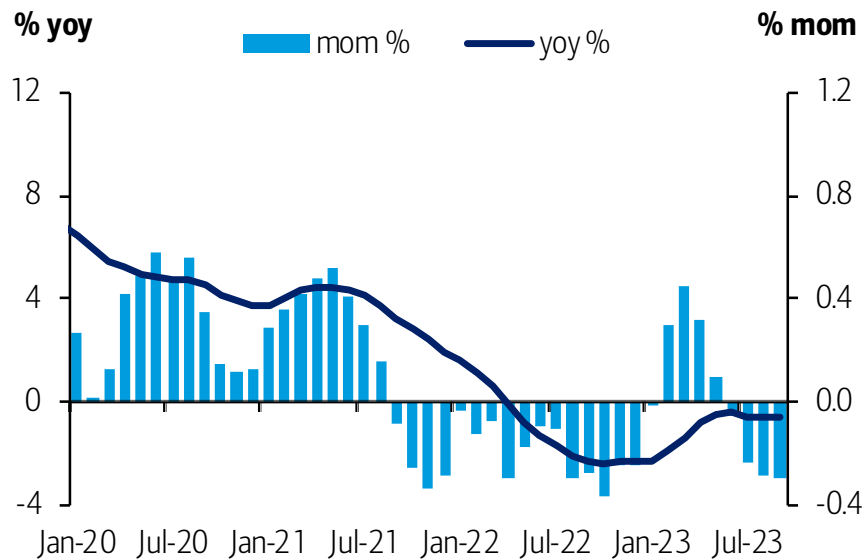
**Secondary home sales in 10 key cities has returned to above 2022 level**



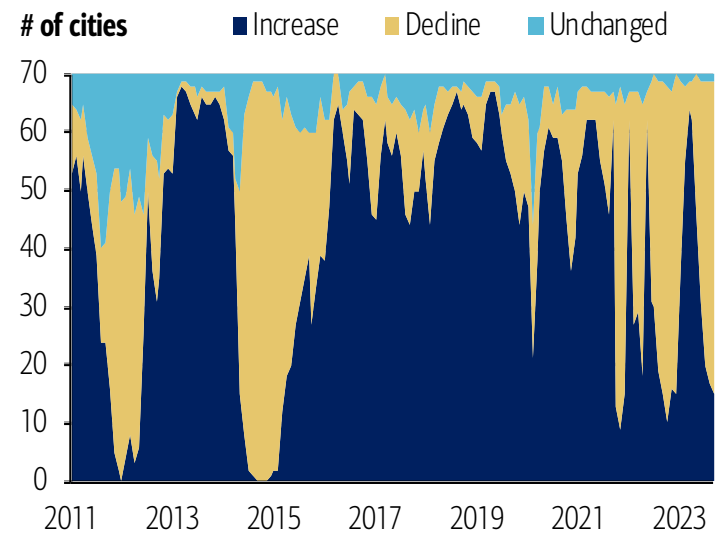
# Property market not back on firm footing yet (2): Home price stability is key



### New home prices dropped mom since June...



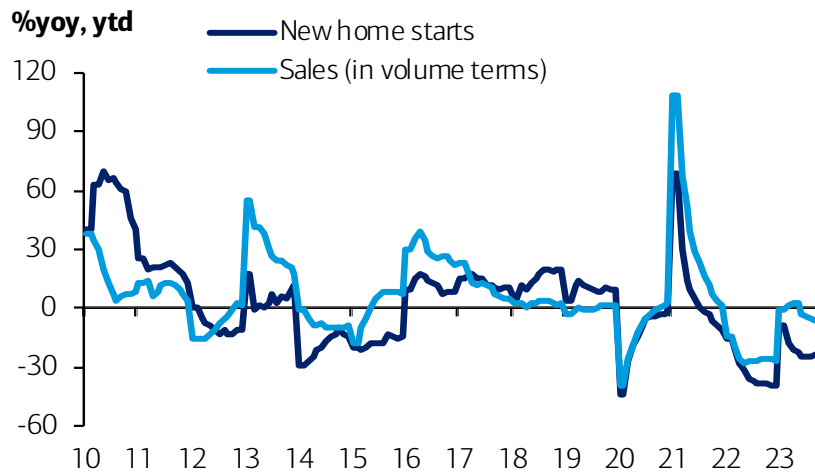
### ... and fewer cities saw home price increases



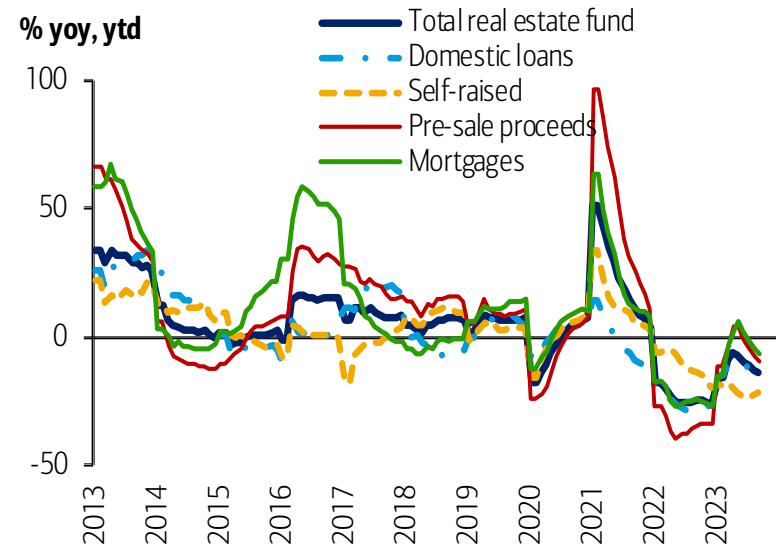


# Property market not back on firm footing yet (3): real estate funding is still under stress

## New home starts and sales haven't improved significantly after the policy easing since Aug



## Real estate funding is still under stress

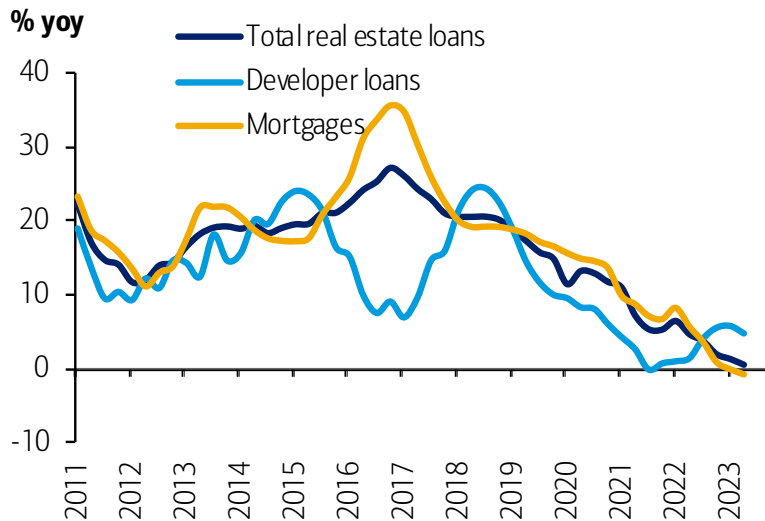




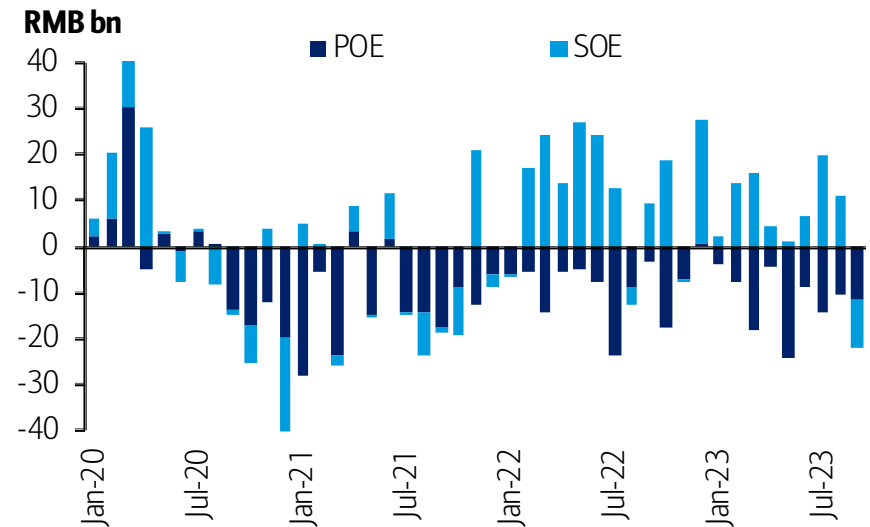


# Property market not back on firm footing yet (4): Developers still face funding constraints

### Real estate loan growth slowed further



### Developers still face financing constraints in bond market





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