

China – 2Q21

Macroeconomic Outlook Report



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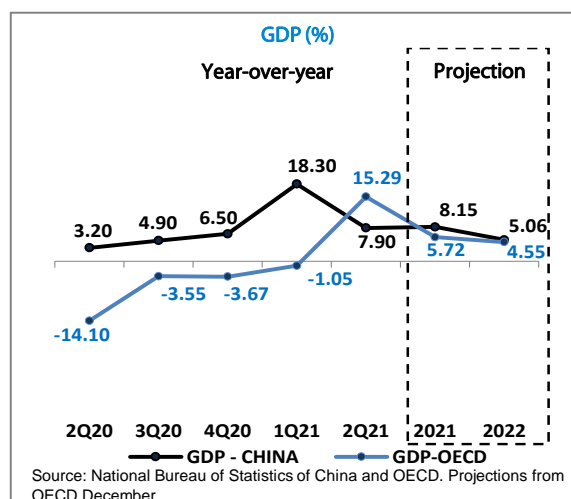
1. General Outlook

China macroeconomic overview

China's economy will post strong growth in 2021, expecting it returns to its pre-COVID trend growth. The structure of aggregate demand is expected to continue to rotate toward private domestic demand. Real consumption growth is projected to gradually return to its pre-COVID-19 trend, supported by the ongoing labor market recovery and improved consumer confidence.

China Macroeconomic overview

- ▶ In the second quarter of the year, the y/y GDP growth rate of China stood at a 7.90% rate, following a 4.70 p.p. increase with respect to 2Q20. However, compared to the previous quarter, growth registered a significant decrease, decreasing 10.40 p.p.. The growth of the Chinese economy was lower than that of the OECD, which reached 15.29% in 2Q21.
- ▶ In its December update, the OECD improved its outlook for the Chinese economy, predicting a 8.15% y/y GDP growth rate for 2021 and 5.06% growth for 2022.
- ▶ Progress in the vaccination process, which has led to a high percentage of immunized people in the country, has contributed to considerable economic growth in the first half of 2021. In this context, domestic demand incremented strongly during this period, which trend upshifted towards its pre-pandemic levels, with a structure which will conduct this performance in favour of private domestic spending. The main cause of this growth is the significant increase of imports, which has been improving since the third quarter of last year.



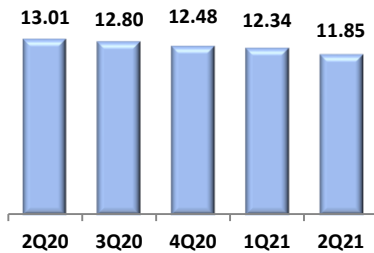
- ▶ During the second quarter of 2021, inflation increased by 1.13 p.p. compared to the previous quarter, recording a 1.10% rate.
- ▶ When compared to the previous quarter, in 2Q21, the unemployment rate decreased by 0.08 p.p., down to a 3.86% rate. It should be noted that due to the recovery experienced by the labor market during this quarter, unemployment was considerably proximate to pre-pandemic levels. Data shows that the labor markets in rural states had been the least affected by unemployment.
- ▶ SHCOMP and HSI closed the quarters with good results, mainly driven trend in the Chinese stock market, except for the technology sector. SHCOMP and HSI increased by 81 points and 167 respectively from the previous quarter.
- ▶ As far as the exchange rate is concerned, the RMB appreciated against the weak US dollar with respect to the previous quarter, with the quarterly average exchange rate standing at 6.43 RMB/\$ in 2Q21.

Banking sector

In the second quarter of 2021, the y/y growth rate of total loans decelerated by 0.49 p.p. when compared to the previous quarter, registering a growth rate of 11.85%. On the other hand, the y/y growth of total deposits also decreased by 0.58 p.p. with respect to 1Q21, reaching a y/y rate of 9.49%. The NPL ratio of the total system decreased by 0.04 p.p. during the second quarter of 2021, registering a rate of 1.76%.

Banking sector

TOTAL LOANS 2Q21 (%)



Source: Federal Deposit Insurance Corporation.

- ▶ During 2Q21, the y/y growth rate of total loans decreased by 0.49 p.p. when compared to the previous quarter, registering a 11.85% growth rate.
- ▶ Non-financial enterprises and government loans growth rate suffered a deceleration of 0.17 p.p. with respect to the first quarter of 2021, down to 10.78% in 2Q21.
- ▶ Moreover, loans to households registered a decrease of 1.21 p.p. when compared to the previous quarter, registering a 15.09% rate in 2Q21.
- ▶ Moreover, loans to other segments registered an increase of 0.56 p.p. in their y/y rate with respect to 1Q21, up to a negative rate of -3.55% during this quarter.

- In the second quarter of the year, total deposits experienced a deceleration of 0.58 p.p. when compared to the previous quarter, registering a 9.49% rate.
- This performance was due to the decreases in the growth rates of non-financial enterprises and household deposits. Furthermore, government deposits' growth rate also decreased during the second quarter of 2021.
- Non-performing loans ratio decreased by 0.04 p.p. with regards to 1Q21, reaching a rate of 1.76% in 2Q21, motivated by the decreases in all types of banks.

2. International Overview

LatAm

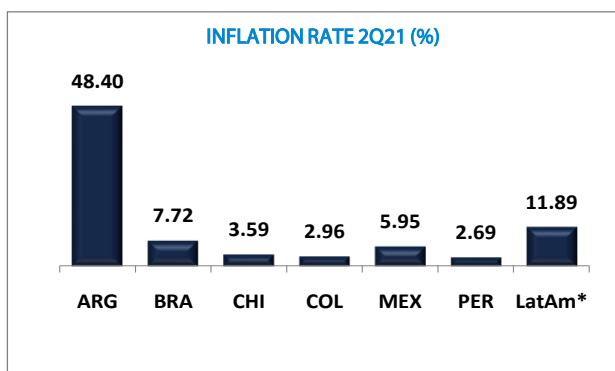
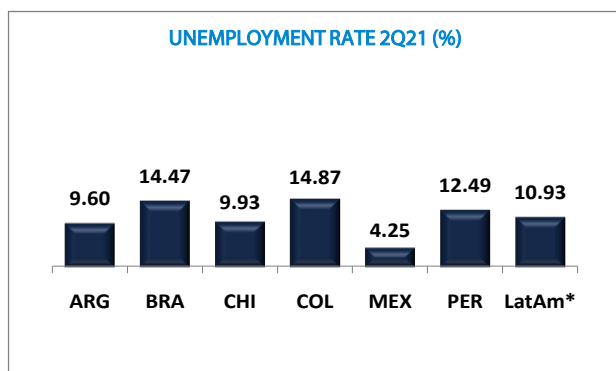
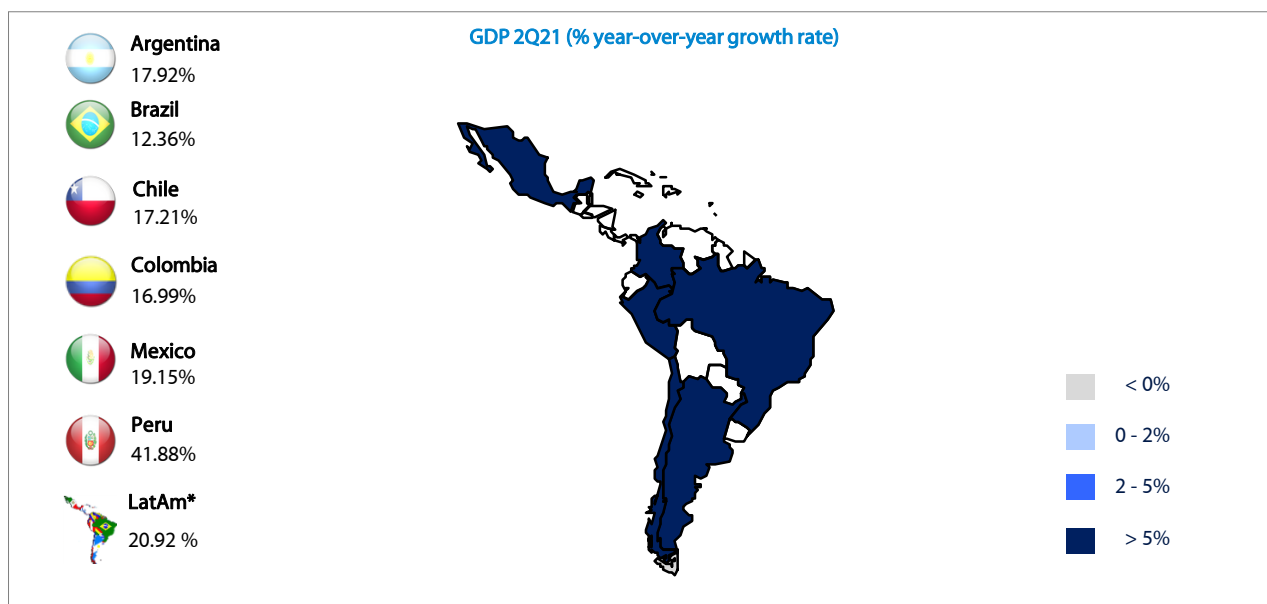
During the second quarter of 2021, all the countries analysed consolidated the recovery that began in the second half of 2020, following the fall in GDP in Latin America during the first half of that year due to the pandemic. In fact, the recovery was more dynamic than in the previous quarter and the economic outlook for 2021 improved. On the other hand, the unemployment rate remained at higher levels than before the pandemic and the inflation rate increased in most countries.

Macroeconomic Overview

- ▶ During the second quarter of 2021, the economic recovery was consolidated in the countries studied, which experienced increases in their GDP compared to the previous quarter. Thus, all these countries achieved a positive year-on-year GDP growth rate. Peru was the country whose year-on-year growth rate accelerated the most compared to the previous quarter, growing 38.07 p.p.. Thus, Peru recorded the highest year-on-year GDP growth rate, reaching a rate of 41.88%.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has upgraded its forecast for Latin American economy for 2021 to 5.20% growth for the region. In addition, growth is expected to reach 2.90% by 2022. This is mainly due to the progress in the global immunization process that has been developing during the second quarter of 2021. However, this expansion will not be enough to ensure sustained growth as the social impacts of the crisis and the region's structural problems have worsened and will be prolonged during the recovery phase. In the same vein, in its May update, the OECD upgraded its forecasts for Mexico and Argentina for 2021, and slightly for Brazil. However, it placed year-on-year GDP growth of Brazil and Mexico for 2021 below the OECD average.
- ▶ According to ECLAC, the Latin American economy continued its recovery during the second quarter of the year, even with greater strength. However, there is a risk of the reactivation coming to a standstill, due to insufficient investment, employment and further environmental deterioration. In addition, it argues that the fiscal measures adopted by the countries have been important, but insufficient in quantity and duration.
- ▶ In terms of inflation, all countries surveyed recorded increases in their inflation rate from the previous quarter. Peru was the country with the lowest inflation rate, at 2.69%. Argentina was the country that registered the highest increment in its inflation rate compared to 1Q21, with an increase of 10.20 p.p. up to 48.40%, again registering the highest inflation rate in this group of countries.
- ▶ During the second quarter of 2021, the labour market continued to be affected by the economic consequences of the pandemic, although in a more moderate way, as Chile, Mexico, Peru and Argentina recorded slight decreases in their unemployment rate compared to 1Q21. In this context, Colombia, after an increase of 0.43 p.p., positioned itself as the country with the highest unemployment rate, at 14.87%. Mexico registered the lowest unemployment rate within all the countries studied, at 4.25%.

Financial Sector

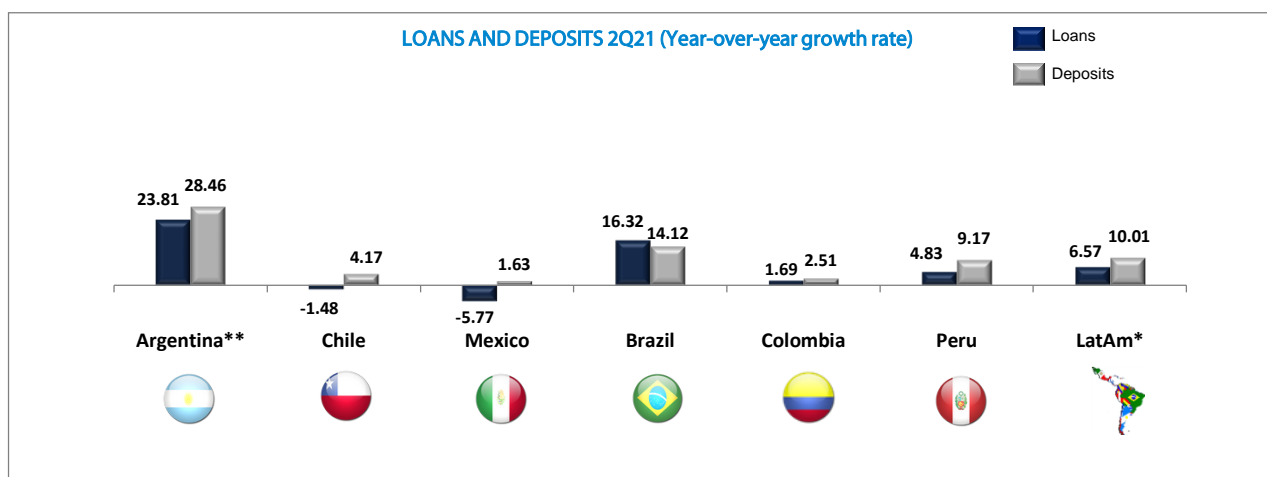
- ▶ In terms of their ratings, all Latin American countries kept their ratings constant in the second quarter of the year, except Colombia, which went from a rating, at S&P and Fitch, of BBB- to BB+ during this period. This rating considers that, while the country has a high capacity to meet its financial obligations, it also faces instability due to uncertainty and exposure to adverse conditions.
- ▶ With regard to economic policies, the introduction of additional stimuli is more limited than in the previous year, in the face of the tightening of global financial conditions and the increase in inflation and its expectations in some countries. Thus, despite the effectiveness of the policies promoted, the public accounts of these countries have deteriorated, with increases in their public deficits, Latin America being the region with the highest external debt in GDP.
- ▶ All the countries analyzed, except Argentina, Chile and Peru, increased the pace of granting credits compared to the previous quarter. Mexico continued to record the slowest year-on-year growth, with a decrease of -5.77%. Regarding deposits, all countries recorded positive year-on-year growth during the period, although their rate declined compared to the previous quarter, except Chile. Chile's growth rate was 4.17%, after an acceleration of 6.15 p.p. compared to 1Q21.



LONG TERM RATINGS 2Q21

	MOODY'S	S&P	FITCH
Argentina	Ca -	CCC+ -	CCC -
Brazil	Ba2 -	BB- -	BB- -
Chile	A1 -	A -	A- -
Colombia	Baa2 -	BB+ ▼	BB+ ▼
Mexico	Baa1 -	BBB -	BBB- -
Peru	Baa1 -	BBB+ -	BBB+ -

▲ Increase since 1Q21
 - Constant since 1Q21
 ▼ Decrease since 1Q21



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.

**Most updated figures available at the date of the release correspond to 1Q21.

2. International Overview

OECD & China

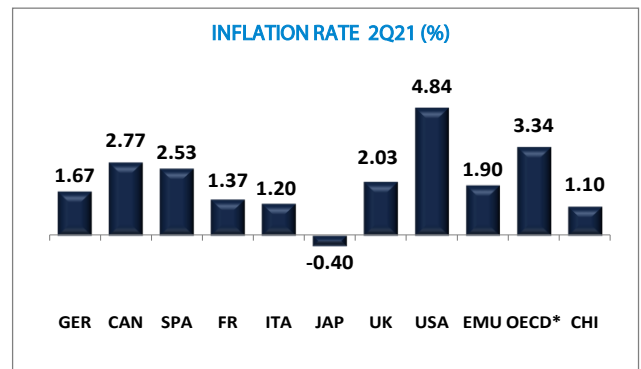
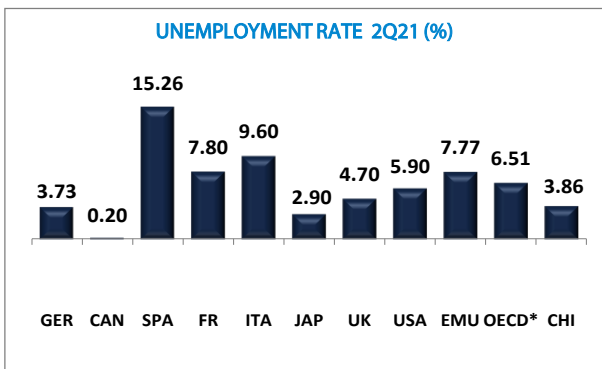
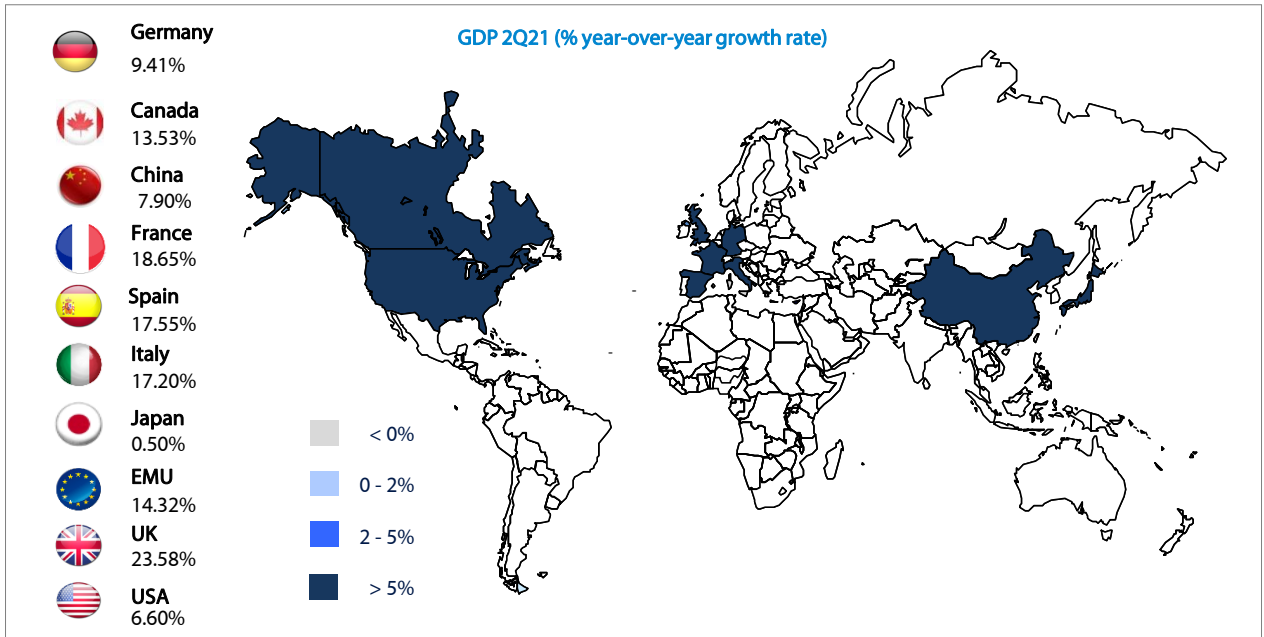
In the second quarter of 2021, the recovery in economic activity in OECD countries strengthened. The progress in the Eurozone's vaccination process led its GDP growth rate to reach positive values, as did Japan's. For its part, the USA consolidated its recovery, presenting a positive GDP rate for the second consecutive quarter. On the other hand, China's rate slowed down compared to 1Q21.

Macroeconomic Overview

- ▶ In the second quarter of 2021, the Eurozone saw the recovery accelerate with a positive GDP rate, due to the progress of immunization in the Eurozone against Covid-19. Consequently, the European Commission expects a positive evolution of the economy marked by an effective virus containment strategy and progress with vaccines. In the same vein, the OECD in its September forecast expects year-on-year GDP growth for 2021 and 2022 to be 5.29% and 4.63%, respectively, improving on its May forecast. Among the countries analysed in the region, all recorded positive year-on-year growth rates during the second quarter of the year. As a result, from the European countries analysed in 2Q21, France and Spain registered the highest year-on-year GDP growth rates (18.65% and 17.55%, respectively).
- ▶ USA consolidated the recovery of its economic activity in this period, reaching a year-on-year GDP growth rate of 6.60%, thus remaining positive after an increase of 6.20 p.p. compared to 1Q21. Moreover, the OECD revised upwards its forecast for 2021 and expects the US economy to grow by 5.96% in 2021 and 3.94% in 2022.
- ▶ The UK recorded the largest change in GDP during this period when compared to the same quarter of the previous year at 23.58%. As a result, growth is estimated at 6.67% in 2021 and 5.22% in 2022.
- ▶ On the other hand, Japan's GDP growth in 2Q21 was 0.50%, 2.00 p.p. higher than in 1Q21. In turn, the OECD estimates GDP growth of 2.53% and 2.08% for 2021 and 2022, respectively.
- ▶ China recorded a lower GDP growth rate during the second quarter of the year compared to 1Q21, with a growth rate of 7.90%, after a decrease of 10.40 p.p. when compared to the previous quarter, however it increased by 4.70 p.p. compared to the same quarter of 2020. In its December forecast, the OECD estimates growth of 8.15% and 5.06% for 2021 and 2022, respectively.
- ▶ In terms of international trade, despite the pandemic, political and trade tensions remained present. China, to mitigate the effects of the tensions it has been dragging with the US since 2018, implemented trade agreements in Asia and Europe. The EU-China CAI would allow for an unprecedented level of investment in China by the EU, helping to level the playing field for Europeans to invest in China. However, the European Parliament agreed in May to freeze the ratification of this agreement.
- ▶ Year-on-year inflation growth in 2Q21 increased for all the economies in question compared to 2Q20, with the exception of Japan and China. The EMU recorded an acceleration of 1.60 p.p. compared to the same period of the previous year. Japan was the only country with a negative inflation rate (-0.40%).
- ▶ The labour market improved slightly during this period, with all countries analysed recording lower unemployment rates compared to the same quarter of the previous year, except Italy, the UK, France and China. Moreover, compared with the previous quarter, all countries except Japan, experienced falls in their unemployment rates.

Financial Sector

- ▶ In terms of their ratings, all the countries analysed kept their ratings constant during 2Q21.
- ▶ In regard to the economic policies of the different countries, it seems that the shared objective of the Fed and the ECB to keep interest rates close to 0.00% will not be maintained in the coming months. While the ECB has reiterated its intention to keep interest rates stable and continue with the PEPP, the Fed expects interest rates to rise in 2022.
- ▶ During this period, year-on-year credit growth slowed down in all countries, except in Canada and Italy, compared to the same quarter of the previous year, China being the country with the highest growth rate (11.85%). Deposit growth declined for all countries compared to 2Q20, with the exception of Italy, which also recorded the second highest year-on-year growth rate (7.88%) after China (9.49%).

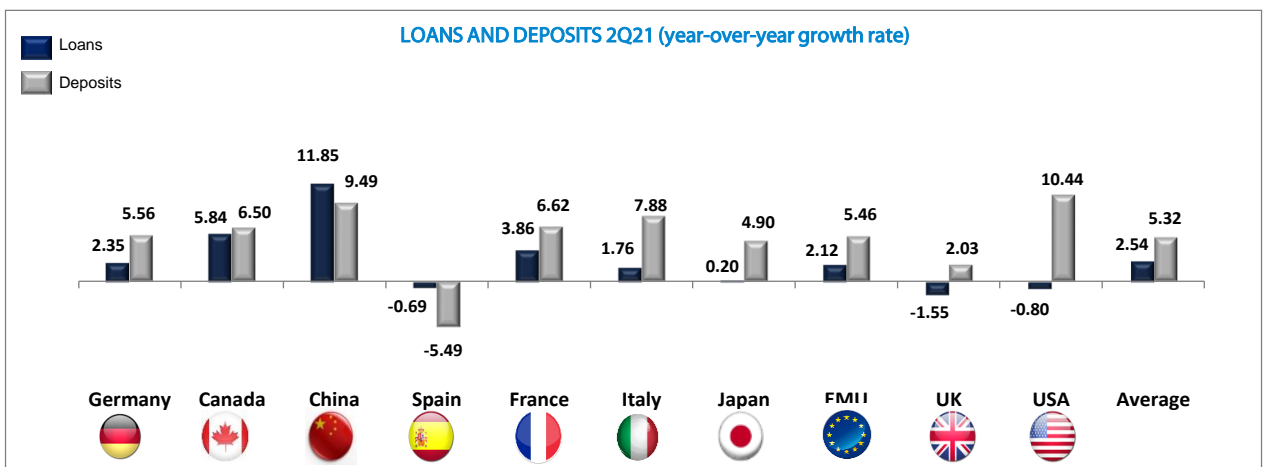


LONG TERM RATINGS 2Q21

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A -	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB -	BBB- -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

Legend for rating changes since 1Q21:

- ▲ Increase since 1Q21
- Constant since 1Q21
- ▼ Decrease since 1Q21



3. China macroeconomic overview

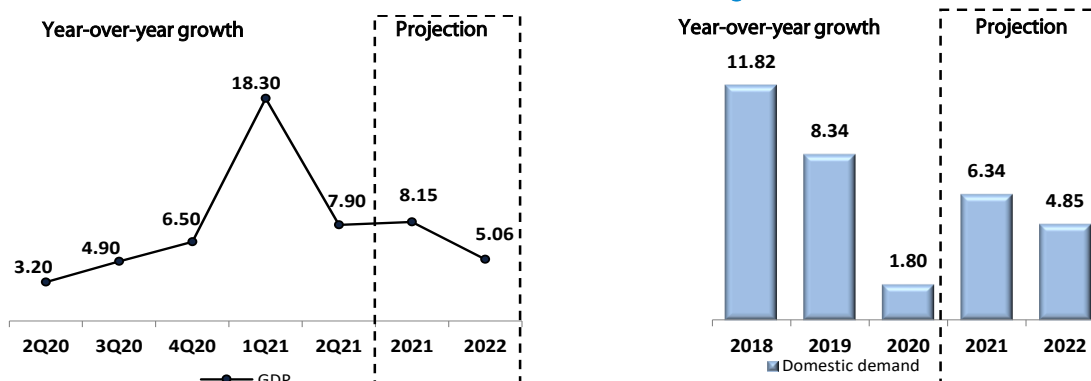
The pace of economic recovery moderated in 2Q21 to 7.90% year-on-year, compared to a record growth rate of 18.30% in 1Q21, mainly due to last year's low base. The gap between supply and demand has narrowed, bringing the economic structure more in balance. However, consumption and investment are still below pre-covid levels.

INDICATOR	2Q20	3Q20	4Q20	1Q21	2Q21	2021	2022
GDP	3.20	4.90	6.50	18.30	7.90	8.15	5.06
INFLATION							
CPI	2.73	2.27	0.07	-0.03	1.10	0.76	1.73
LABOUR MARKET							
UNEMPLOYMENT	3.84	4.19	4.24	3.94	3.86	3.64	3.60
INDICATOR	2016	2017	2018	2019	2020	2021	2022
GDP	6.70	6.85	6.68	6.15	1.95	8.15	5.06
DOMESTIC DEMAND	8.92	11.63	11.82	8.34	1.80	6.34	4.85
PRIVATE CONSUMPTION	10.94	11.09	10.43	9.34	0.00		
PUBLIC CONSUMPTION	9.33	11.21	11.91	8.84	2.64		
GROSS FIXED CAPITAL FORMATION	0.07	12.30	13.08	7.26	3.13		
NET EXPORTS	-24.03	-14.12	-51.61	61.58	132.76		
INFLATION							
CPI	2.01	1.55	2.13	2.90	2.51	0.76	1.73
LABOUR MARKET							
UNEMPLOYMENT	4.04	3.94	3.84	3.63	3.98	3.64	3.60

Source: National Bureau of Statistics of China. Projections correspond to the OECD WEO from December and September 2021.

- ▶ After registering a historic maximum on the Chinese GDP rate in the previous quarter, due to a significant recuperation towards pre-pandemic levels, during 2Q21 China recorded a more moderate GDP rate (7.90%). Nevertheless, in year-to-year comparison, the rate recorded throughout the current quarter was 4.70 p.p. higher.
- ▶ China was the first country affected by the pandemic and sporadic new cases have occurred subsequently. These brought uncertainty to investors, however the development of an effective implementation of a targeted virus-control strategy and the advances on the vaccination process, which has led to a high percentage of immunized people in the country, have contributed to a considerably economic growth during the first semester of 2021.
- ▶ In their latest WEO, the OCED forecasts growth in 2021 of 8.15% as the country has managed to keep the pandemic under control. If true, it would be a significant recovery from the 1.95% GDP growth rate of 2020. As for 2022, China is expected to grow a more modest 5.06%.
- ▶ As for the domestic demand, it tends towards its pre-pandemic levels, with a structure which will conduct this performance in favour of private domestic spending. The main cause of this growth is the significant increase of imports, which has been improving since the third quarter of last year. Moreover, it should be highlighted the major external demand and stronger revenues, offsetting cooling infrastructure and property investment.

GDP and domestic demand interannual growth (%)

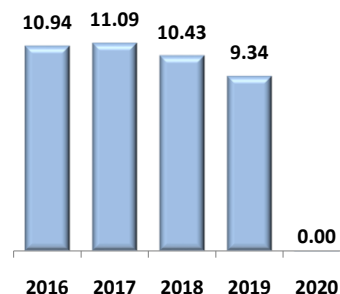


Source: National Bureau of Statistics of China. Projections correspond to the OECD WEO from May and September 2021.

Private consumption has been one of the most affected indicators worldwide and specifically in China during 2020. In terms of inflation, China went from being a deflationary to an inflationary country between the first quarter and the second quarter of 2021.

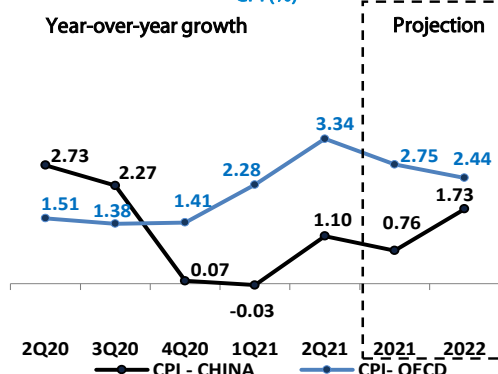
- ▶ The growth rate of private consumption declined significantly during 2020 by 9.34 p.p. when compared to the rate registered in the previous year, down to 0.00%. Private consumption has been one of the most affected indicators worldwide and specifically in China, it still need to recover from the hit caused by the pandemic.
- ▶ Nevertheless, during the first semester of 2021, private consumption's trend has turned into a upwards trendy. The main two reasons which drove this performance is the increasing confidence in consumption from the Chinese population. At the same time, the average household income recovered gained power after the pandemic. These aspects resulted in a considerable contribution to the China's economic activity.
- ▶ Regarding inflation, the CPI growth rate registered an increase of 1.13 p.p. when compared to the previous quarter, registering a rate of 1.10% during 2Q21. The CPI was below the OECD average inflation rate in the second quarter of 2021 (3.34%).
- ▶ According to World Bank Inflation Report of China, it should be highlighted the transition from being deflationary to inflationary throughout the first and the second quarter of the year. Increases in inflation is now a global concern, and the main indicators that rise inflation in China (approximately 75%) are the increases registered for oil and non-oil commodity prices.
- ▶ The OECD expects the Chinese CPI growth to stand at 0.76% in 2021 and increase to 1.73% in 2022.
- ▶ All Chinese Treasury bond yields with maturities lower than 7 years presented interest rates in 2Q21 lower than 3%.
- ▶ When compared to 2Q19, bond yields declined for all maturities, with the largest variation corresponding to 3M and 30Y maturities.
- ▶ When compared to the same quarter of 2020, bond yields increased for all maturities specially for the ones between the range of 6M and 5Y

PRIVATE CONSUMPTION (%)*



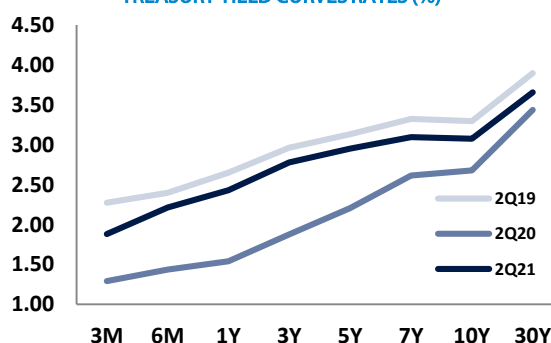
Source: BBVA Research. Only annual data available.
Projections BBVA Research. *Note: Projections for 2021 and 2022 not available

CPI (%)

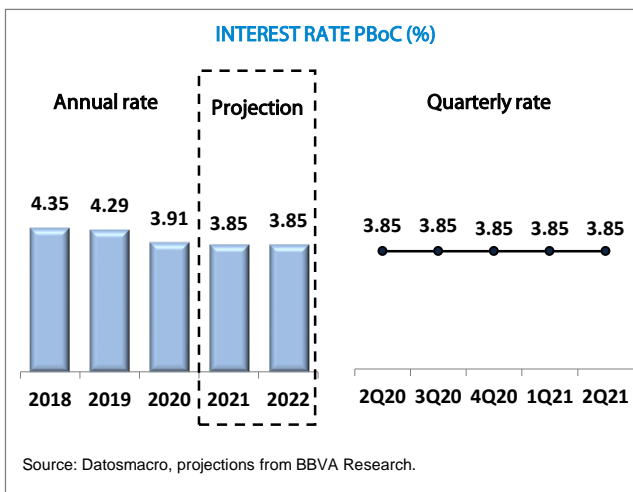


Source: National Bureau of Statistics of China and OECD, projections correspond to the OECD WEO from December 2021.

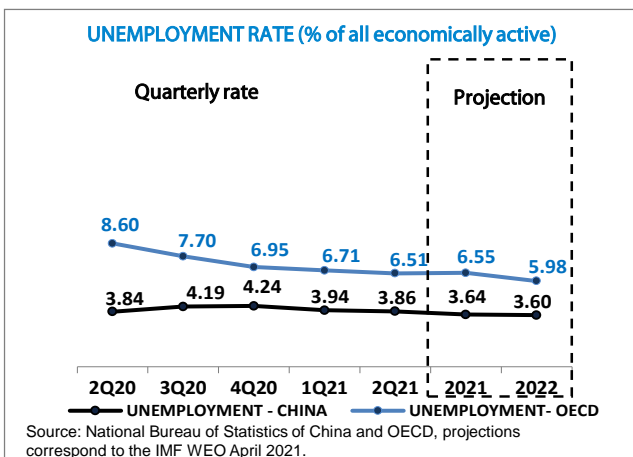
TREASURY YIELD CURVES RATES (%)



Source: PBC and Chinabond.



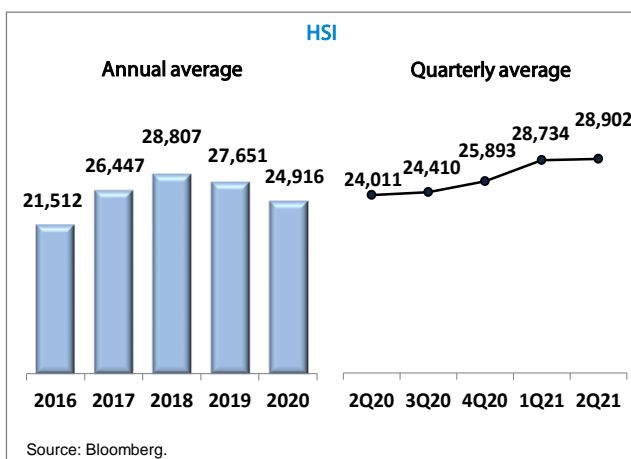
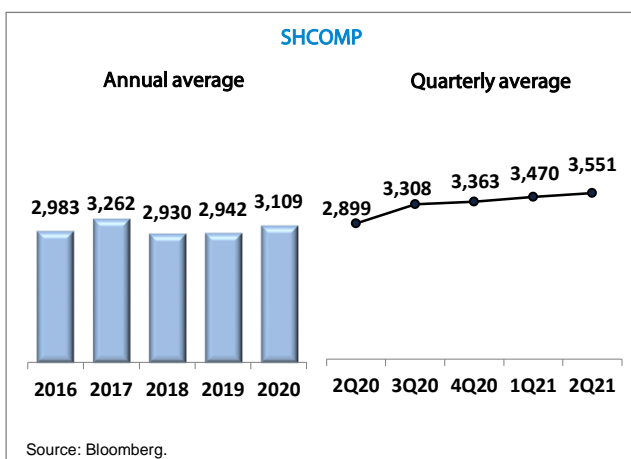
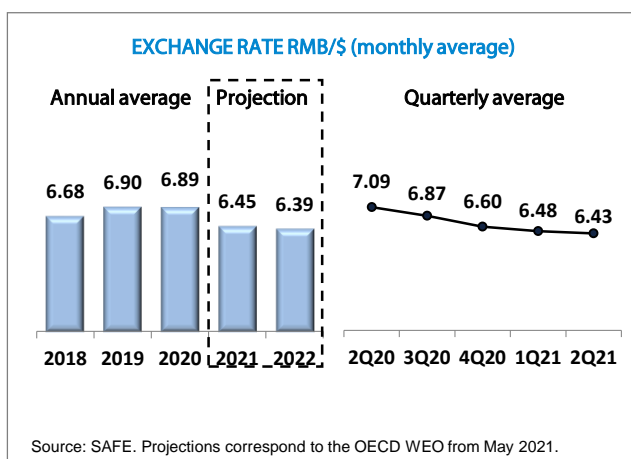
- During the first half of 2021, the PBoC remained the official interest rate constant. In 2Q21, the interest rate stood at 3.85%.
- According to World Bank, the PBoC has used open market operations this year for liquidity management while keeping its key benchmark lending rates on hold for 12 consecutive months. Market interest rates have consequently remained largely flat this year, signaling stable domestic financing conditions.
- Meanwhile for future projections, BBVA Research had concluded that no anticipation of interest rate cut in 2021.



- During the second quarter of 2021, the unemployment rate decreased when compared to 1Q21 but increased when compared to 2Q20, standing at a rate of 3.86%. With respect to 1Q21, the unemployment rate decreased by 0.08 p.p. and increase when compared with the same period of the previous year, by 0.02 p.p.. The unemployment rate was lower than that of the OECD (6.51%) in 2Q21, following the trend of the last quarters.
- The World Bank expects points the Chinese unemployment to a steady recovery of the labor market, with new hiring already approaching the pre-pandemic level in April and the surveyed urban unemployment rate approaching the pre-pandemic level in May.

Following the sharp depreciation of the RMB in 2Q20, the exchange rate has been appreciating over the past year. Regarding the Chinese stock market, it registered a modest increase compared to the one recorded in 1Q21, in a quarter-to-quarter basis, due to certain concerns in the technology sector.

- ▶ The RMB appreciated against the US dollar during 2Q21, reaching an average exchange rate of 6.43 RMB/\$, which represented a decrease of 0.05 RMB per dollar when compared to the previous quarter. This is not surprising as China is leading global recovery, well ahead from the rest of developed economies.
- ▶ According to OECD, the RMB exchange rate is expected to continue its appreciation trend and reach an average of 6.45 RMB per US dollar in 2021 and 6.39 during 2022.
- ▶ During 2Q21 the RMB appreciation continued against the weak US dollar and strong portfolio inflows. To rein in the rapid appreciation of the RMB, the authorities introduced a number of administrative measures, including an increase in the FX reserve requirement ratio for financial institutions. They have also taken multiple measures to relax restrictions on capital outflows to stem the RMB appreciation.
- ▶ During 2Q21, the SHCOMP index (Shanghai index) experienced an increase of 81 points (2.33%) from the level reached in 1Q21, standing at 3,551 points. With regards to the same quarter of the previous year, HSI rose by 22.50% in 2Q21.
- ▶ According to BBVA Research, Chinese authorities hiked interbank rate to alert the soaring stock market before Chinese new year. Moreover, it should be highlighted that in the Chinese market, there were regulatory concerns broadened beyond the technology sector.
- ▶ The HSI (Hong-Kong Index) registered an increase of 167 points when compared to 1Q21. Reaching an average level of 28,902 points in the second quarter of the year, which represented a quarterly rise of 0.58%.
- ▶ With regards to the same quarter of the previous year, HSI rose by 20.37% in 2Q21.

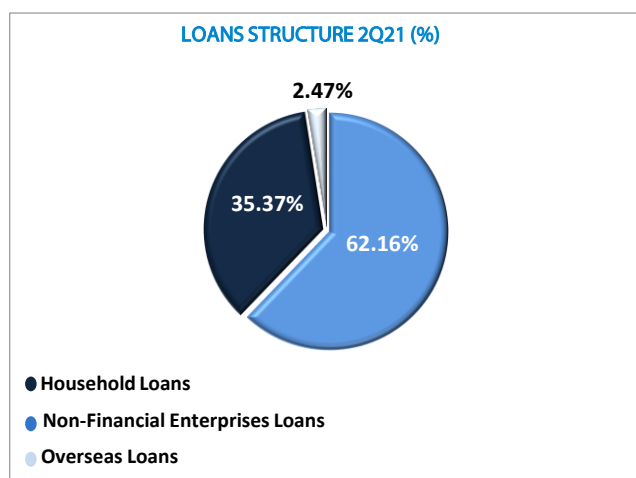


4. Banking sector: general overview

Loans

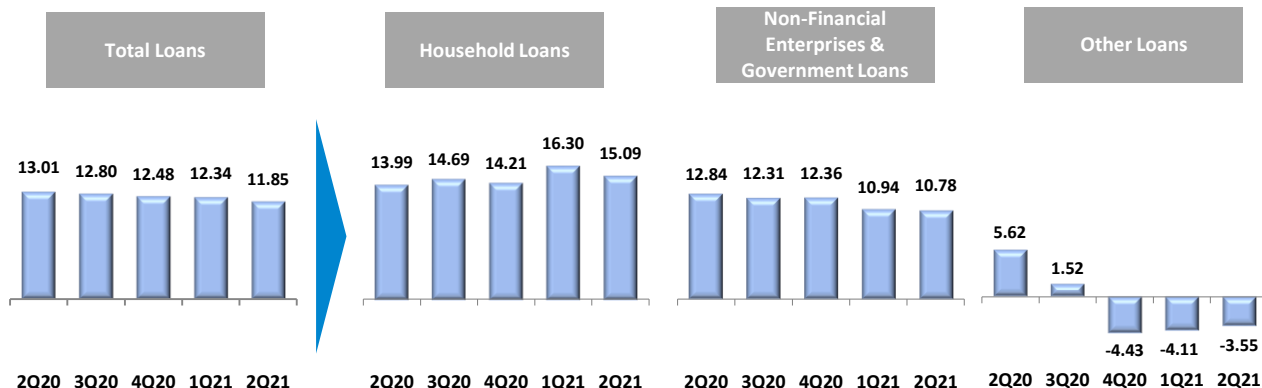
In the second quarter of 2021, the y/y growth rate of total loans decelerated by 0.49 p.p. with respect to the previous quarter, registering a growth rate of 11.85%. As for the distribution of loans, non-financial enterprises and government continued to register the highest share with 62.16% of total loans, while households accounted for 35.37%, and overseas loans represented the remaining 2.47%.

- During 2Q21, the y/y growth rate of total loans decelerated by 0.49 p.p. when compared to the previous quarter, registering a 11.85% year-over-year growth rate.
- Loans to households registered a decrease of 1.21 p.p. with respect to the previous quarter, registering a 15.09% rate in 2Q21.
- Loans to other segments registered a softer growth of 0.56 p.p. in their y/y growth rate with respect to 1Q21, nevertheless it registered negative rate of -3.55% in 2Q21.
- On the other hand, non-financial enterprises and government loans' growth rate suffered a deceleration of 0.17 p.p. with respect to the first quarter of 2021, to 10.78% in 2Q21.



- The distribution of loans in 2Q21 remained very similar to the one registered in the previous quarter.
- Non-financial enterprises and government loans continued registering the largest share (62.16%), having experienced a decrease of 0.11 p.p. in the share. Loans to households recorded an increase of 0.10 p.p. up to a share of 35.37%.
- Finally, other loans experienced an increase of 0.01 p.p. as well, with respect to 1Q21, representing 2.47% over the total loans in the second quarter of 2021.

TOTAL LOANS (Year-over-year growth, %)



Source: People's Bank of China.

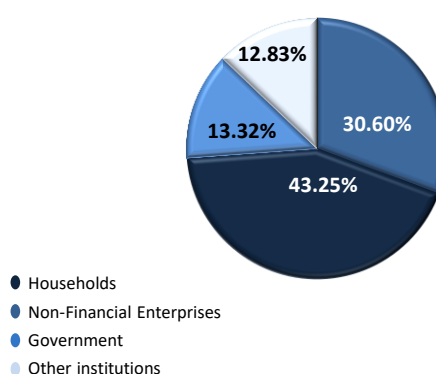
Note: Other loans include loans to non-banking financial institutions (since 2015) + loans to Non-residents.

Deposits

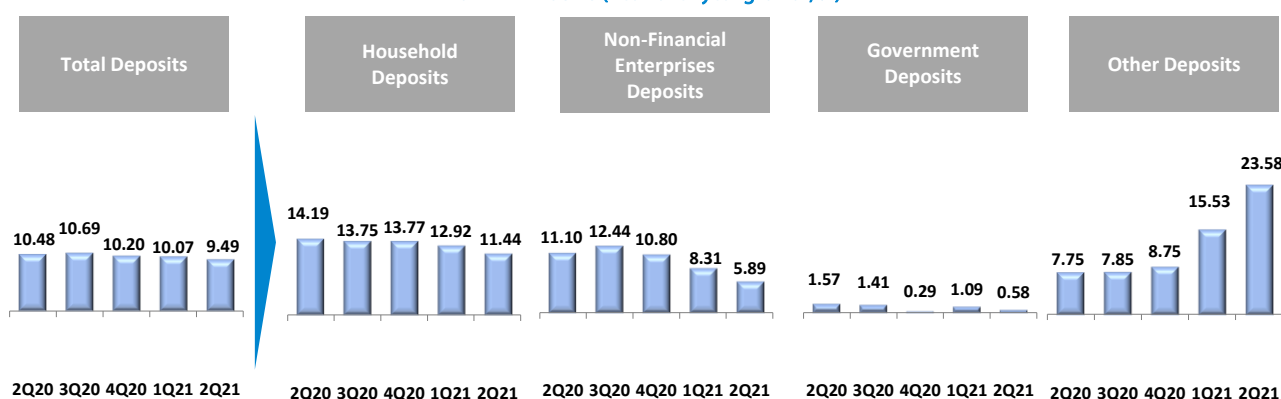
During 2Q21, the y/y growth of total deposits experienced a deceleration of 0.58 p.p. when compared to 1Q21, reaching a y/y rate of 9.49%. Deposits by non-financial enterprises alongside household and government deposits were the main drivers behind this performance. In terms of distribution, households accounted for the majority of deposits with 43.25% of the total, followed by non-financial enterprises (30.60%), government (13.32%) and other institutions (12.83%).

- ▶ During the second quarter of the year, total deposits experienced a deceleration of 0.58 p.p. when compared to the previous quarter, registering a y/y growth rate of 9.49%.
- ▶ This performance was due to the decreases in the growth rates of non-financial enterprises government and household deposits. On the other hand, other deposits' growth rates increased during the second quarter of 2021.
- ▶ The growth rate of household deposits registered a slight decrease of 1.47 p.p. with respect to 1Q21, down to 11.44%.
- ▶ Non-financial enterprises deposits registered the largest variation with respect to 1Q21 (-2.43 p.p.), down to 5.89%.
- ▶ As for deposits by government, they registered a smooth deceleration of 0.51 p.p. in their y/y growth rate when compared to the previous quarter, standing at 0.58% in 2Q21.
- ▶ Other deposits registered an increase of 8.05 p.p. with respect to 1Q21, reaching a 23.58% rate.
- ▶ In terms of distribution, households accounted for the majority of deposits, representing the 43.25% of the total, followed by non-financial enterprises with a share of 30.60%. Government deposits represented the 13.32% of total deposits, and finally, other institutions represented the remaining 12.83%.

DEPOSITS STRUCTURE 2Q21 (%)



TOTAL DEPOSITS (Year-over-year growth, %)



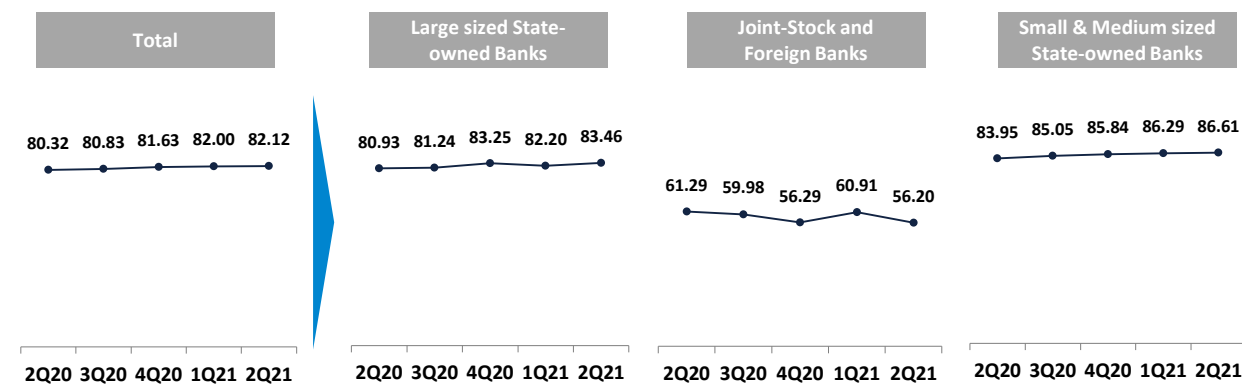
Source: People's Bank of China.

Note: Other deposits includes Non-banking financial institutions deposits (since 2015) + Non-residents deposits.

LTD ratio

During the second quarter of 2021, the LTD ratio of the Chinese financial system increased with respect to 1Q21, reaching a ratio of 82.12%. The ratio increased for all types of entities, except for Joint-stock and foreign banks.

LOANS – TO – DEPOSITS RATIO (%)



Source: People's Bank of China

- ▶ During the second quarter of 2021, the total LTD ratio stood at 82.12%, after experiencing a 0.12 p.p. increase with respect to the first quarter of 2021. This performance was due to a larger increase in the y/y growth volume of total loans (11.85%) than the volume of total deposits (9.49%) when compared to the first quarter of 2021.
- ▶ The LTD ratio of large state-owned banks registered an increase of 1.27 p.p., up to 83.46%. Joint-stock and foreign banks registered a 4.71 p.p. decrease with respect to the previous quarter, down to a ratio of 56.20% in 2Q21. Regarding small and medium state-owned banks, their LTD ratio stood at 86.61%, after an increase of 0.32 p.p. when compared to the first quarter of 2021.

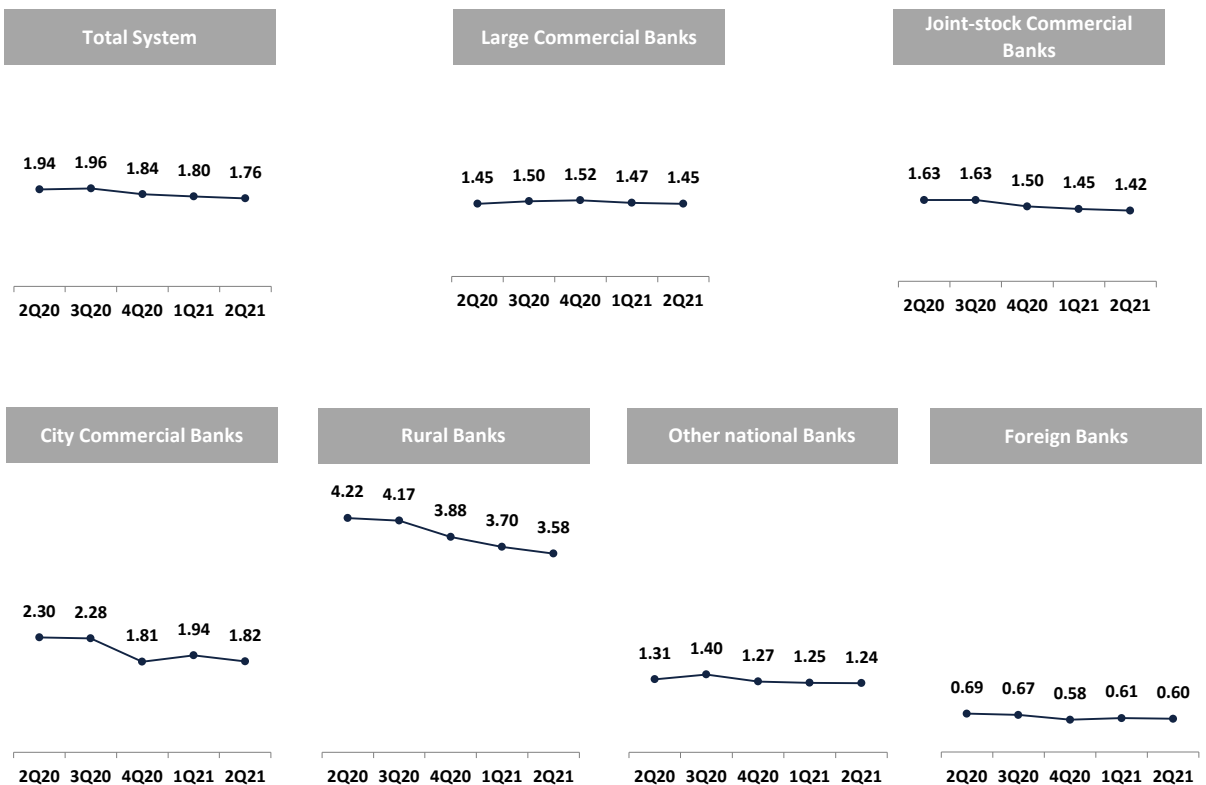


NPL ratio

The NPL ratio for the total system slightly decreased during the second quarter of 2021, down to 1.76%. This was due to all entities recording decreases, comparing to the previous quarter. Foreign banks recorded the lowest NPL ratio while rural banks registered the highest.

- ▶ Non-performing loans ratio decreased by 0.04 p.p. when compared to the previous quarter, reaching a rate of 1.76%.
- ▶ During the second quarter of 2021, large commercial banks experienced an decrease (0.02 p.p.) down to a rate of 1.45%.
- ▶ On the other hand, rural banks registered the strongest decreases in their NPL ratio, leading to a reduction of 0.12 p.p., reaching ratio of 3.58%, as well as city commercial banks recorded a decrease in their NPL of 0.12 p.p., to ratio of 1.82%.
- ▶ Meanwhile, Joint-stock Commercial banks and other national banks decreased of 0.03 p.p. and 0.01 p.p. respectively, to ratios of 1.42% and 1.24% respectively. Finally, Foreign banks registered the lowest NPL ratio of the period (0.60%) after decreasing 0.01 p.p. during the second quarter.

NON-PERFORMING LOANS RATIO (%)



Source: China Banking and Insurance Regulatory Commission.

5. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ National Bureau of Statistics of China:
<http://www.stats.gov.cn/english/>
- ▶ IMF:
<http://www.imf.org/external/index.htm>
- ▶ World Bank: <https://www.worldbank.org/>
- ▶ State Administration of Foreign Exchange (SAFE):
<http://www.safe.gov.cn/>
- ▶ BBVA Research:
<http://www.bbvarsearch.com/KETD/ketd/esp/index.jsp>
- ▶ Bloomberg:
<http://www.bloomberg.com/>
- ▶ Standard & Poor's:
<http://www.standardandpoors.com/>
- ▶ Fitch Ratings:
<http://www.fitchratings.es/>
- ▶ Moody's:
<http://www.moody's.com/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ Bank of Spain:
<http://www.bde.es/bde/es/>
- ▶ Central Bank of the Republic of Argentina:
www.bcra.gov.ar
- ▶ Central Bank of Chile:
www.bcentral.cl
- ▶ Bank of Mexico:
www.banxico.org.mx
- ▶ Central Bank of Brazil:
www.bcb.gov.br

MACROECONOMIC OVERVIEW (Continued)

- ▶ National Administrative Department of Statistics of Colombia (DANE):
<http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia:
<http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela:
www.bcv.org.ve
- ▶ Central Reserve Bank of Peru:
www.bcrp.gob.pe

Appendix

SOURCES

FINANCIAL SECTOR

- ▶ People's Bank of China:
<http://www.pbc.gov.cn/>

GLOSSARY

- ▶ **Efficiency Ratio:** Operating expenses / Total income.
- ▶ **Return On Equity (ROE):** Profit for the period (after tax) / Total equity.
- ▶ **Return On Assets (ROA):** Profit for the period (after tax) / Total assets.
- ▶ **Large Sized State-owned Banks:** ICBC, CCB, ABC, BoC, BDC, Bank of Communications and Postal Savings Bank.
- ▶ **Small & Medium Sized State-Owned Bank:** Local Banks, including City Commercial Banks.
- ▶ **Private Banks:** Joint-stock Commercial Banks and Foreign Banks.



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