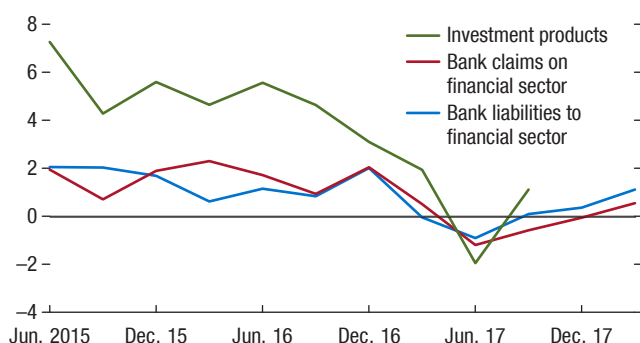


**Figure 1.19. Chinese Banking System and Financial Market Developments and Liabilities**

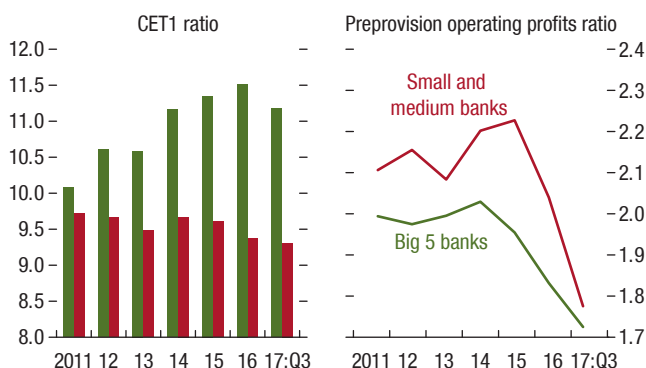
Regulatory tightening has stifled growth in financial sector leverage and in risky investment products ...

**1. China: Three-Month Changes in Investment Products Outstanding and Small and Medium Banks' Financial Sector Claims (Trillions of renminbi)**



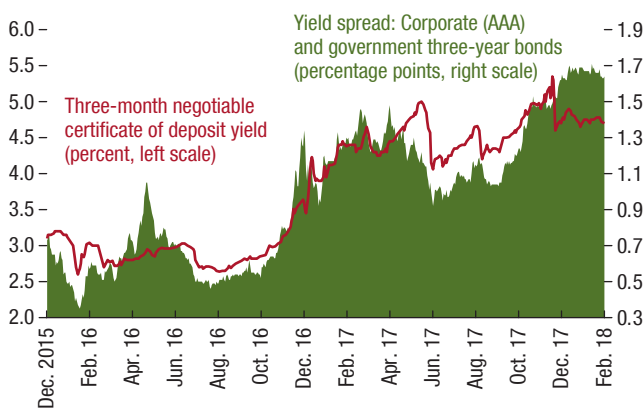
... but capital positions are becoming more stretched and underlying profitability continues to fall.

**2. Chinese Banks: Tier 1 Capital Ratio and Preprovision Operating Profits to Assets (Percent)**



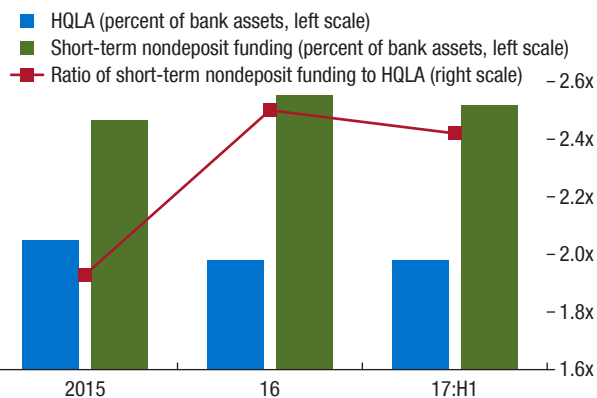
Bank vulnerabilities remain elevated as funding costs rise ...

**3. Chinese Bond Prices: Corporate Credit Spreads and Short-Term Unsecured Bank Funding Costs**



... and liquidity remains stretched.

**4. Chinese Small and Medium Banks: Short-Term Nondeposit Funding and High-Quality Liquid Assets**



Sources: Asset Management Association of China; Bloomberg Finance L.P.; CEIC; People's Bank of China; S&P Global Market Intelligence; and IMF staff calculations. Note: Panel 4 is based on a sample of 10 banks that disclose HQLA and contractual maturities. Short-term is less than three-month contractual maturity or on demand. China's HQLA definition disallows required reserves held at the People's Bank of China. CET1 = common equity Tier 1; HQLA = high-quality liquid assets.