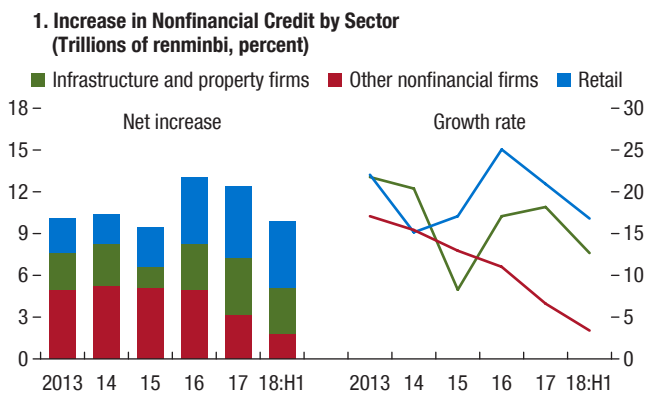
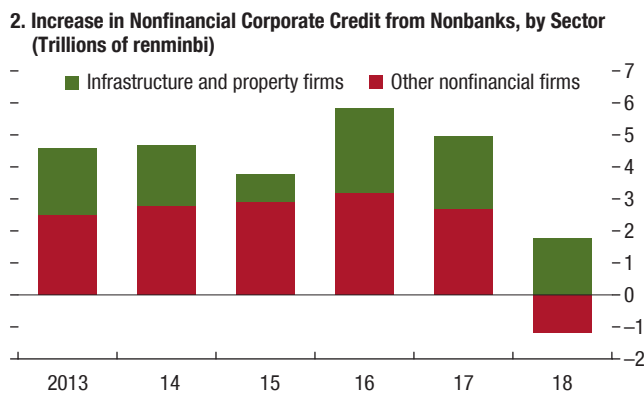


Figure 1.27. China: Impact of Tightening Financial Conditions on Nonfinancial Firms

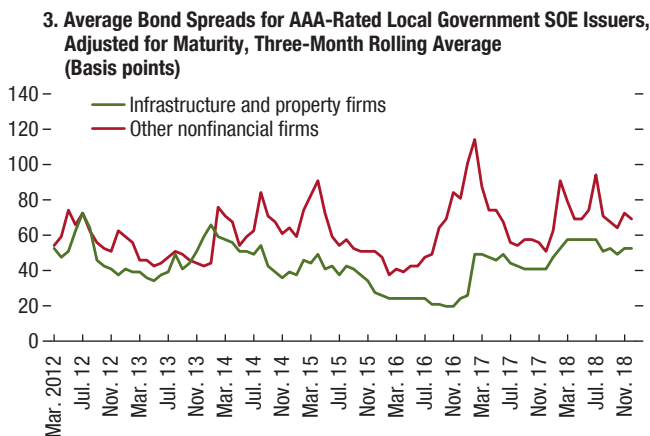
Overall lending to property and infrastructure firms has been resilient ...



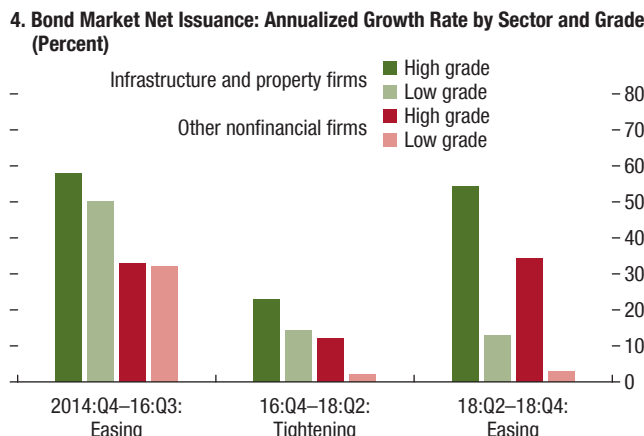
... while nonbank credit to firms in other sectors contracted in 2018.



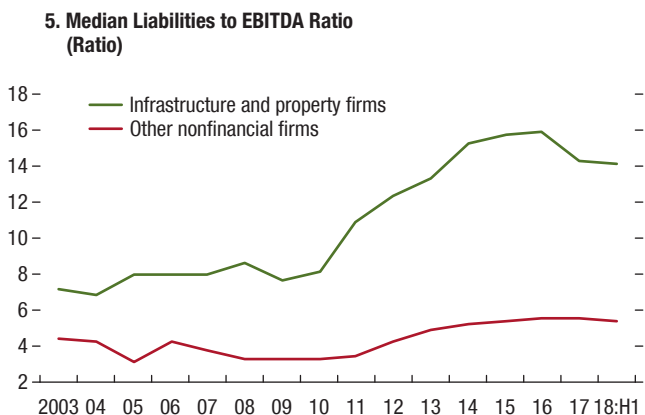
Among similarly rated issuers, infrastructure and property firms enjoy more favorable borrowing conditions ...



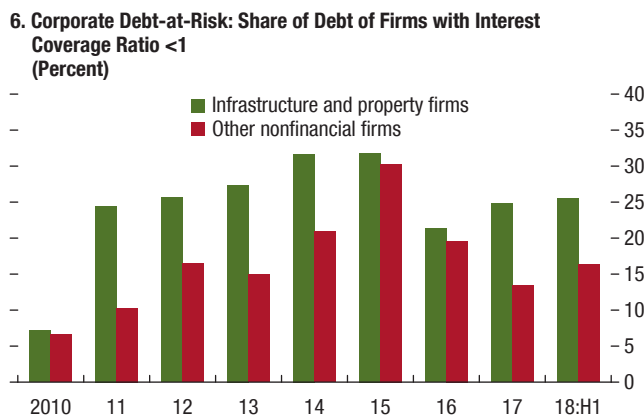
... with greater access to the bond market through the cycle, particularly for lower-rated firms.



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



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



Sources: CEIC; SNL Financial; S&P Global Market Intelligence; Capital 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.