

# Why Does China Need More Debt?

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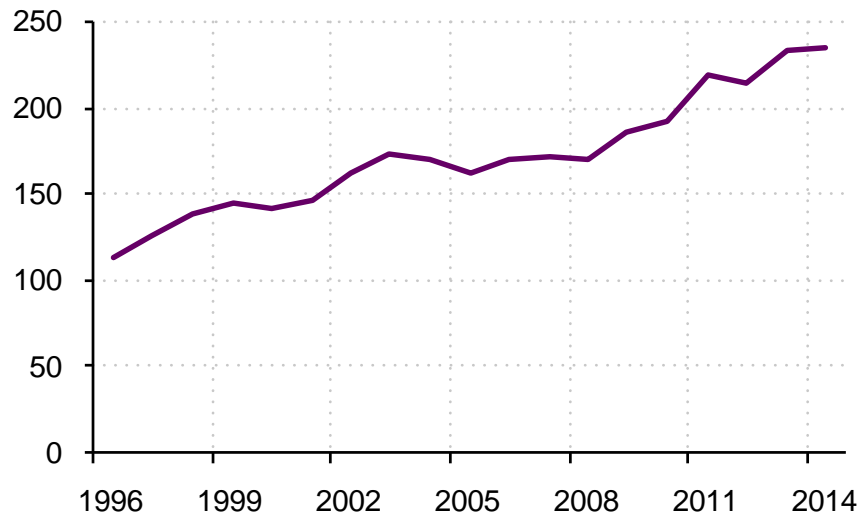
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# Debt in China is rising, especially in the non-financial corporate sector

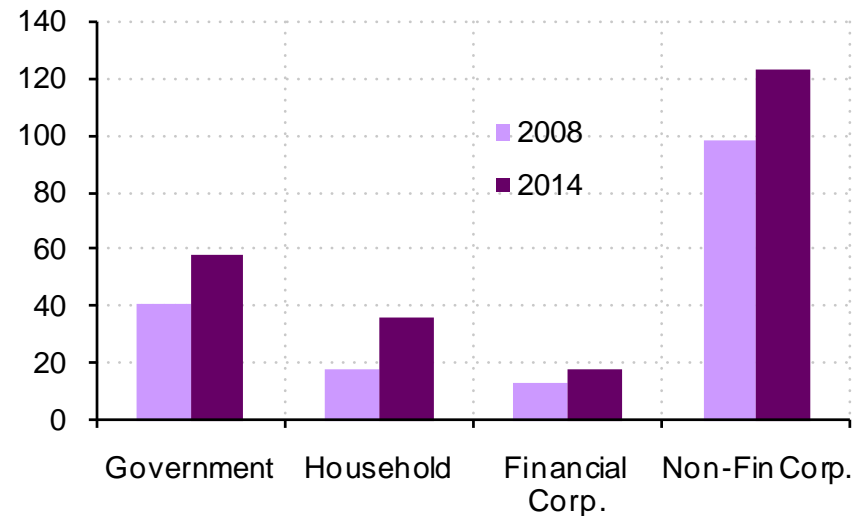
## Total debt of China

### Total debt as % of China's GDP



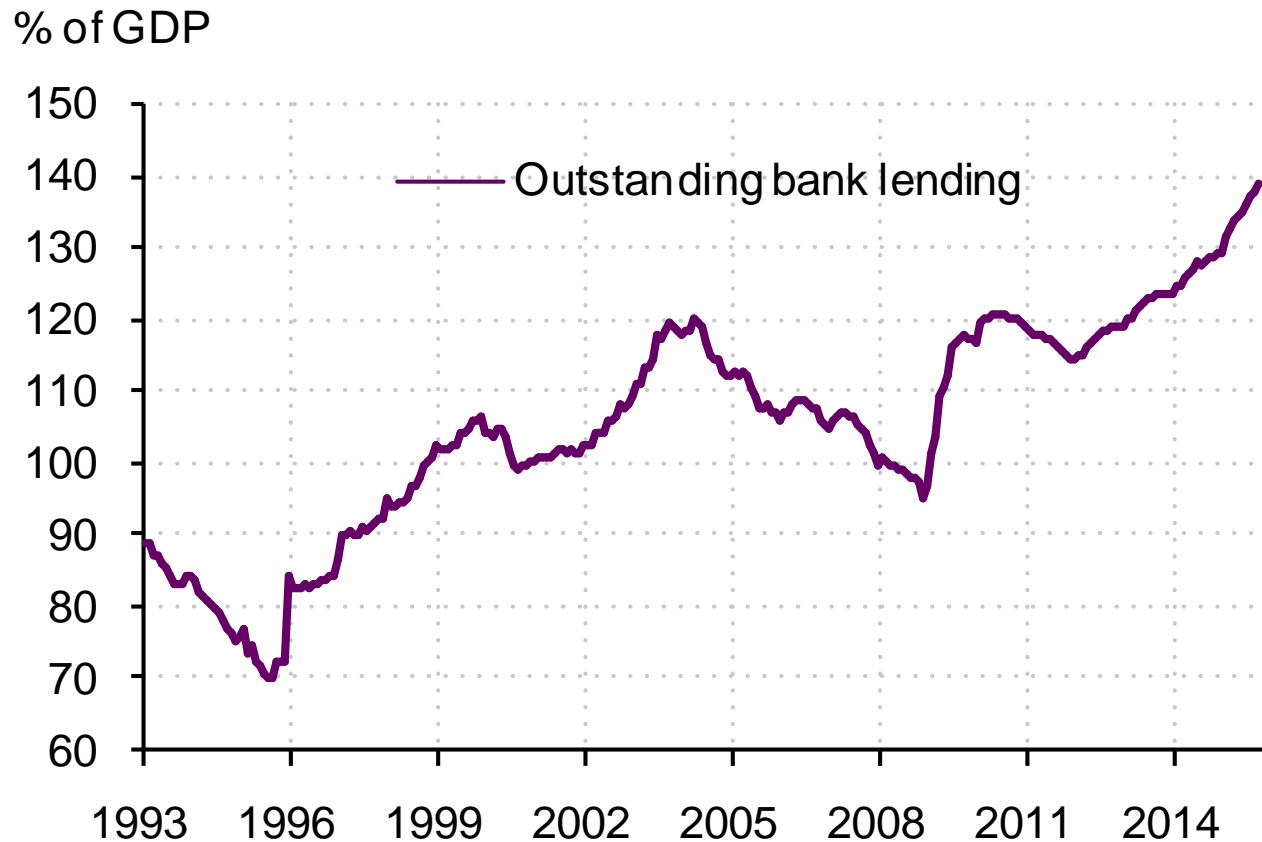
## Debt by sector in China

### Sectorial debt as % of China's GDP



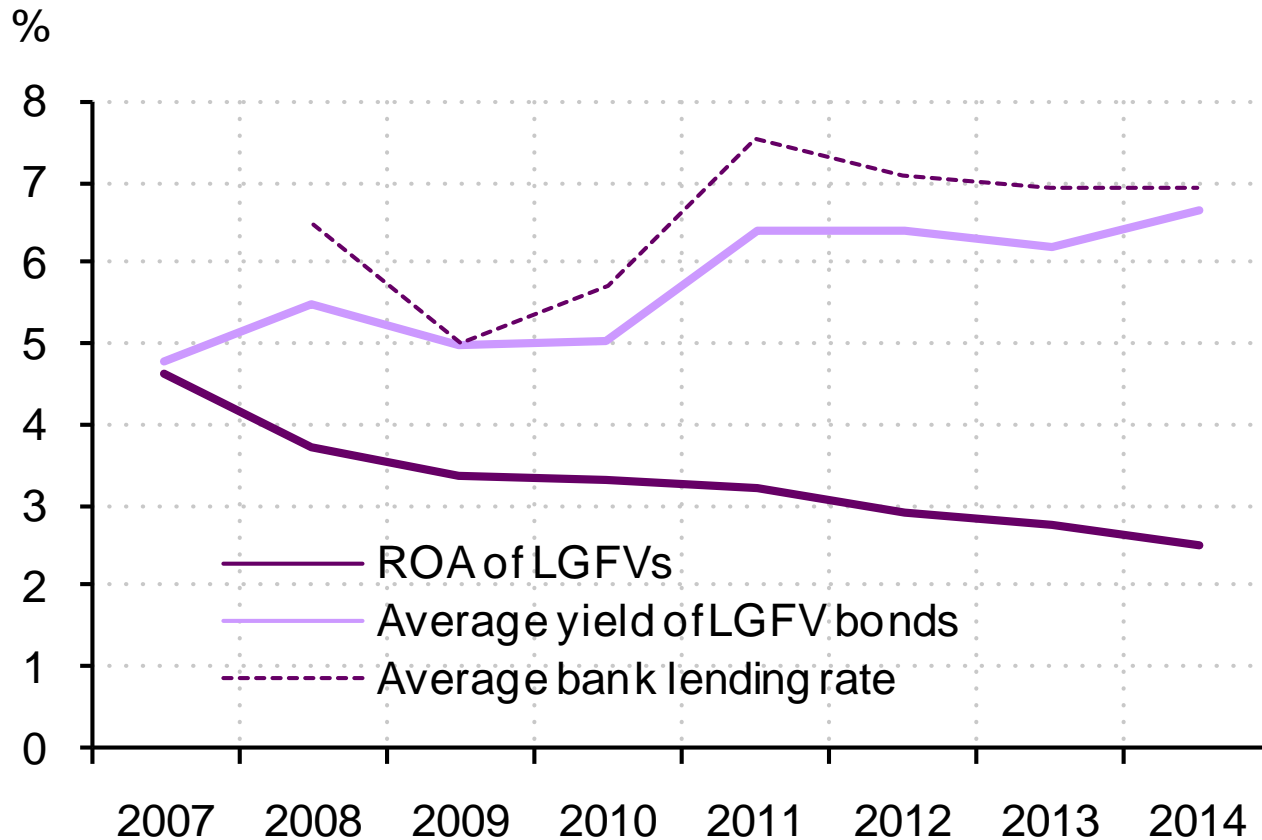
Source: CASS

# Bank lending in China in also rose fast in recent years



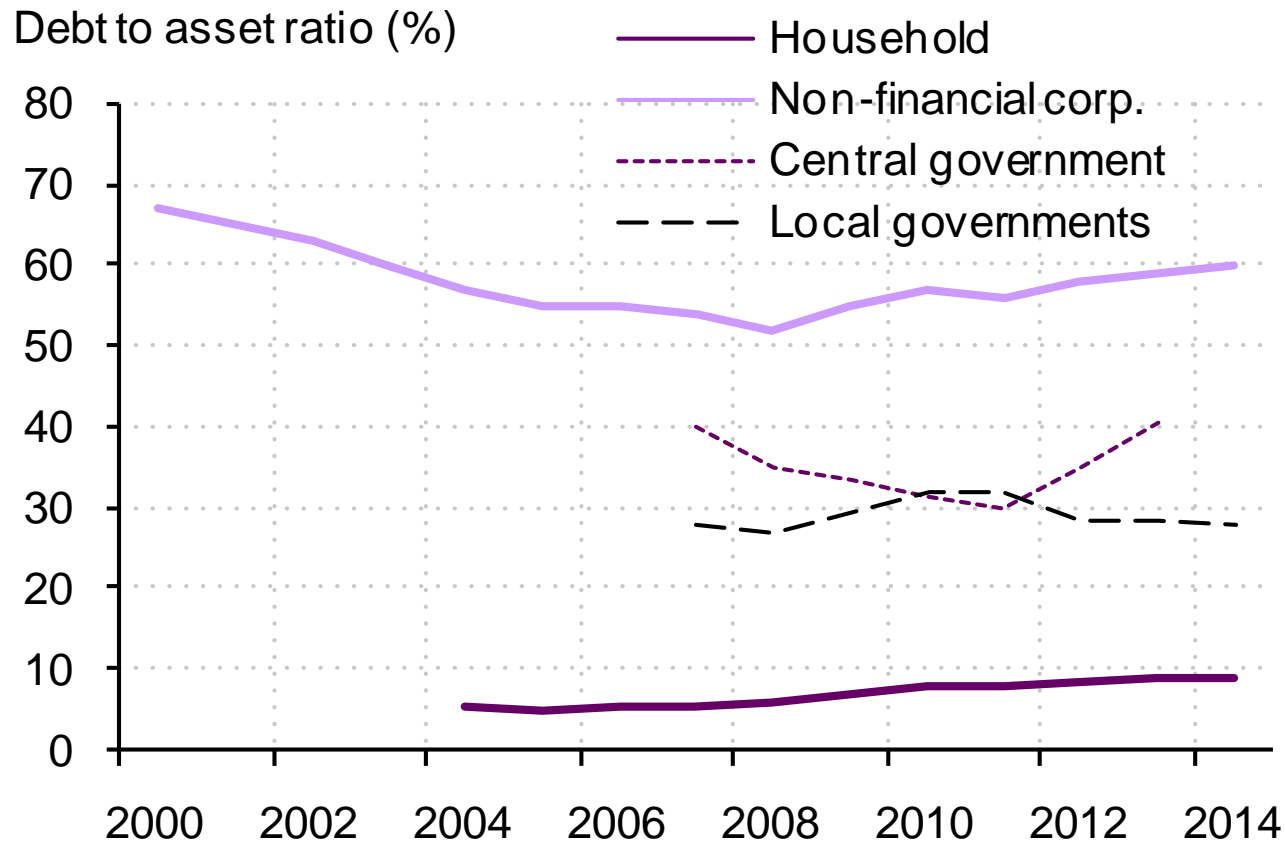
Source: Wind

# LGFVs look like a Ponzi Game, as their rate of return falls short of funding costs



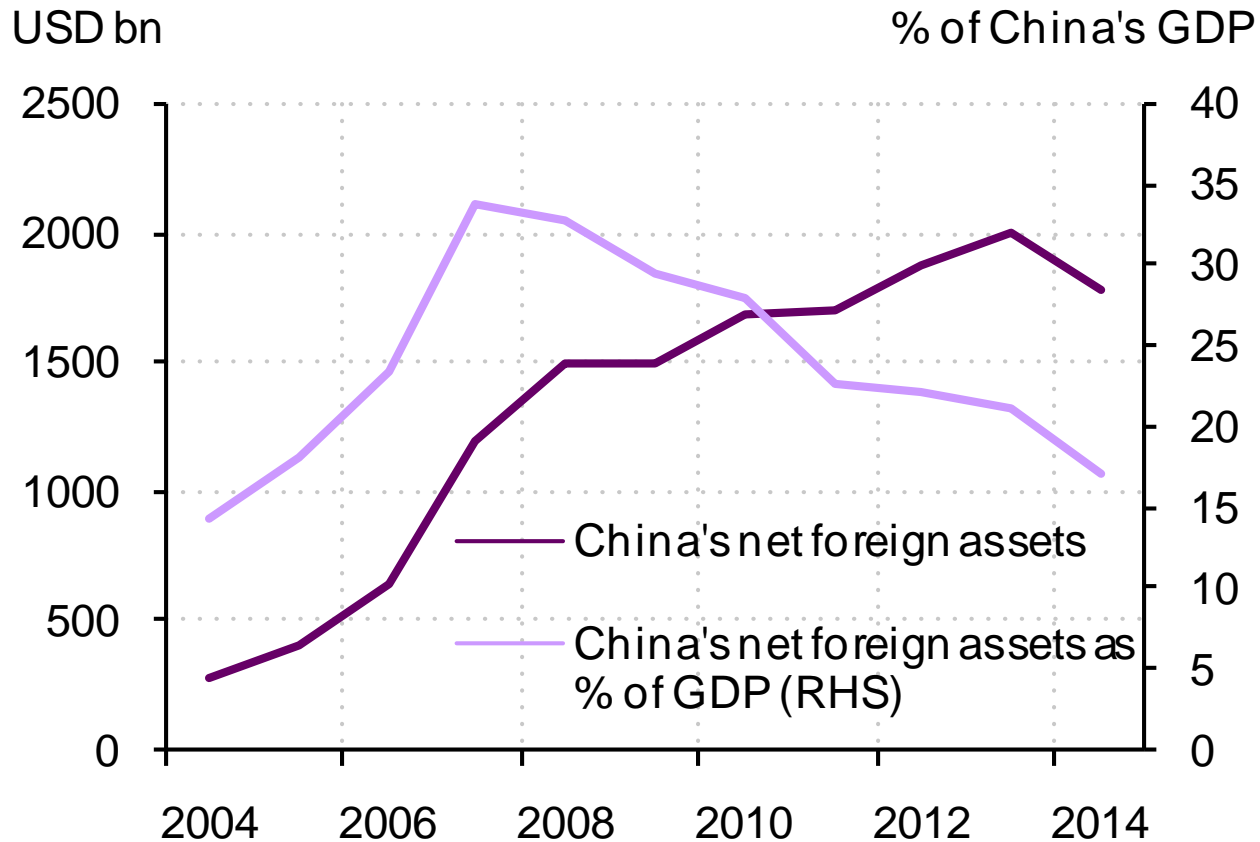
Source: Wind

# Debt to asset ratio remains largely stable in all sectors in China



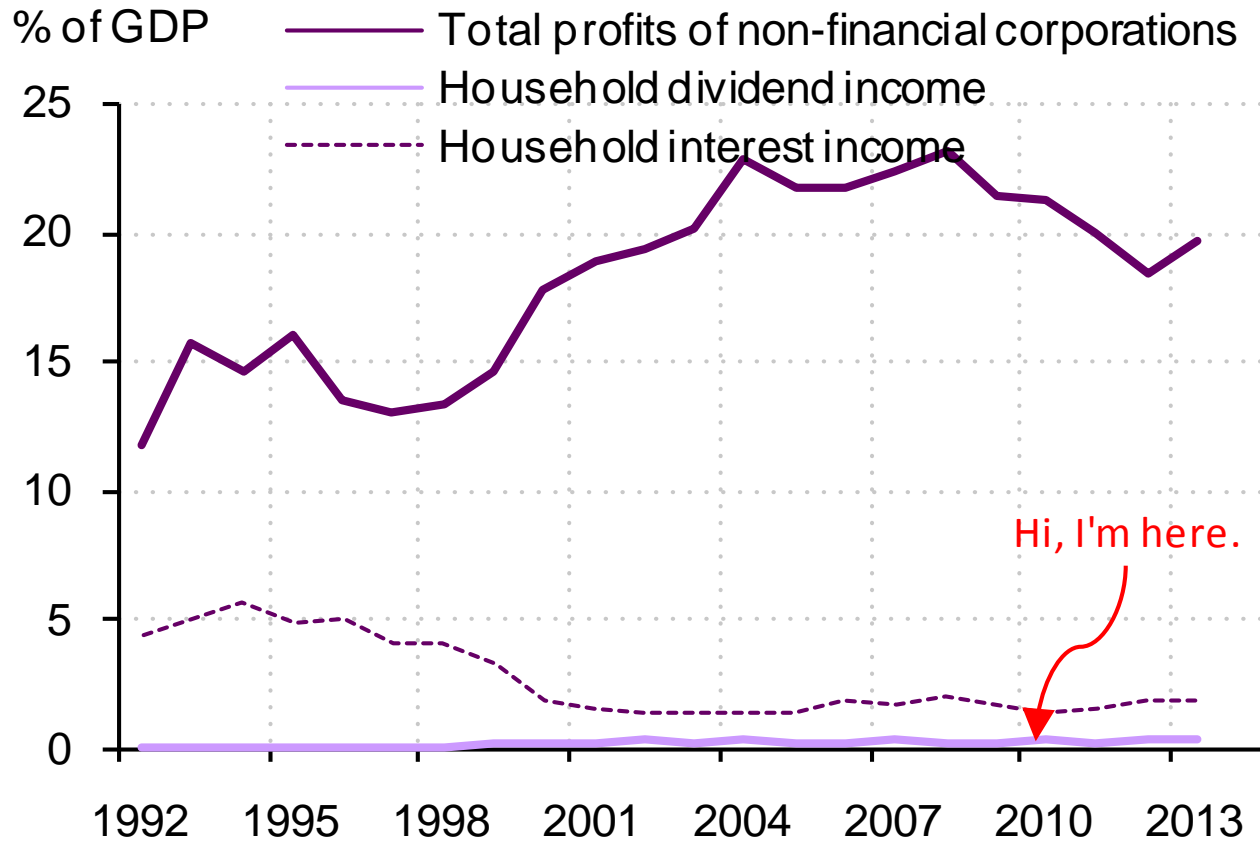
Source: CASS

# China continues to have huge net foreign assets



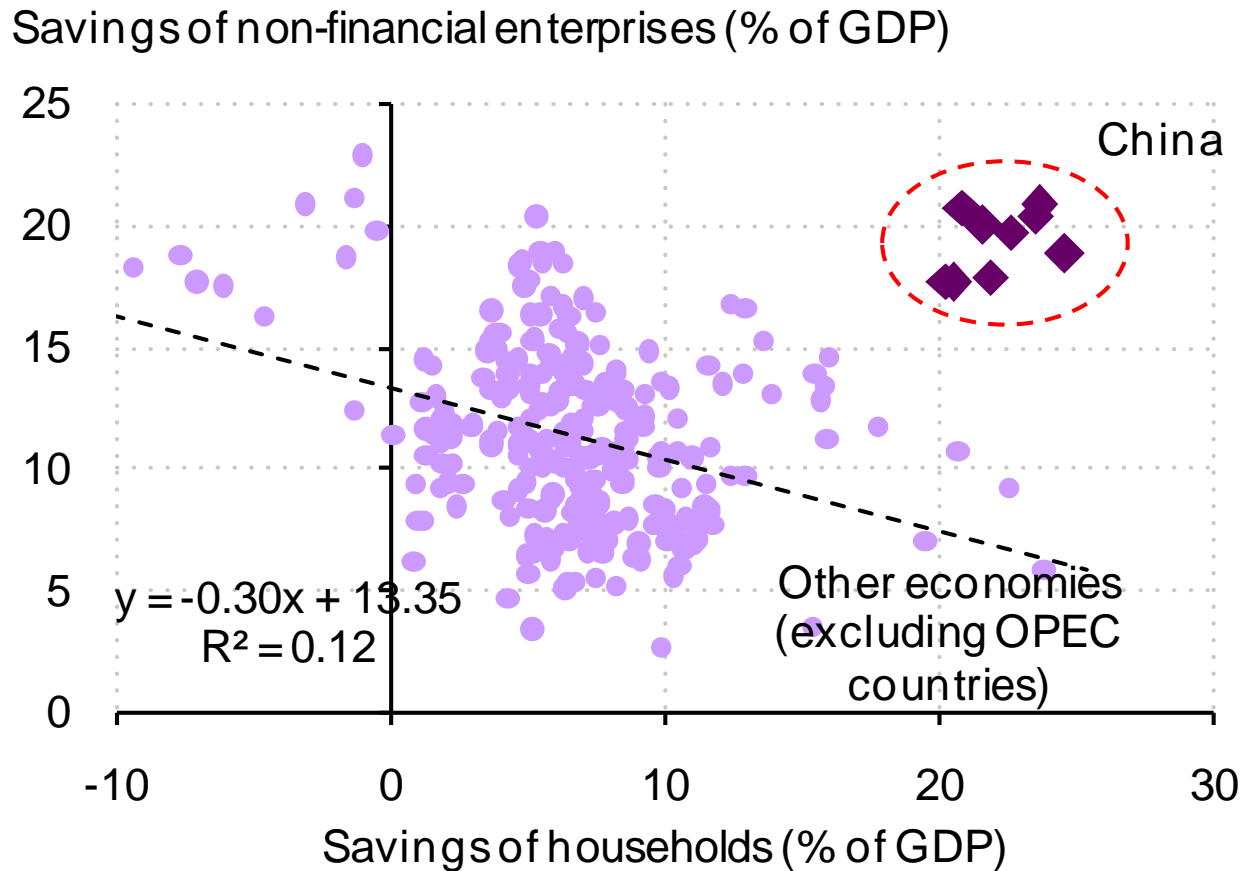
Source: CEIC

# China's corporate sector distributes little of its profits to households



Source: CEIC

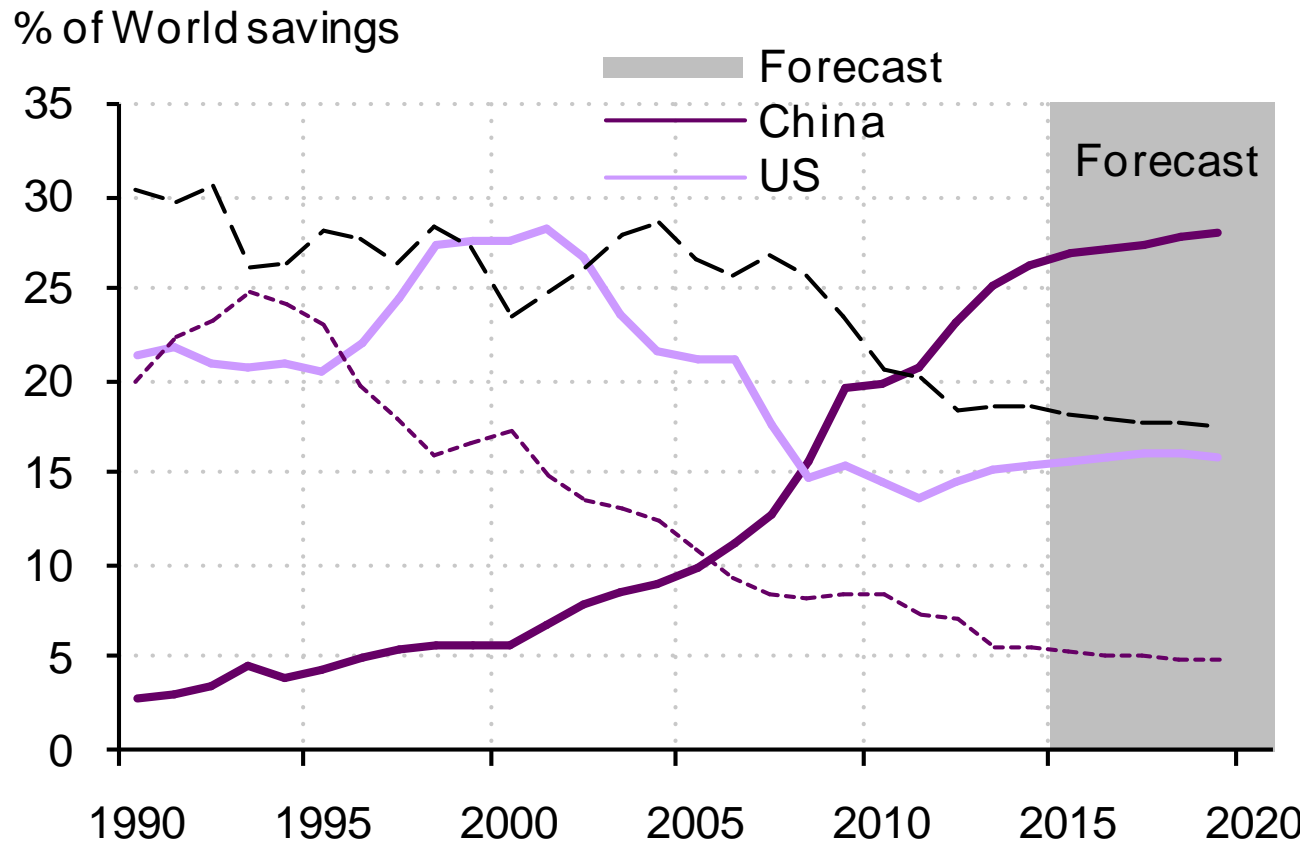
# The broken link between household savings and corporate savings in China



Source: UN



# Without more debt in China, who can balance China's savings



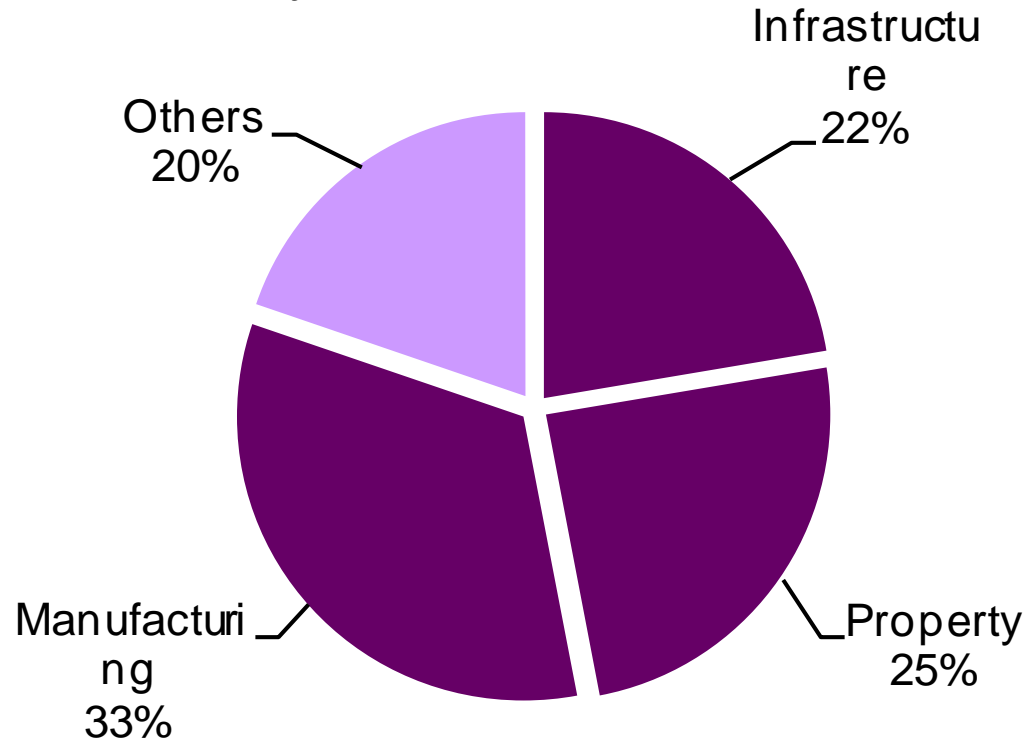
Source: IMF

Forecast made by IMF.

# Chinese government will increase its leverage to boost infrastructure investment

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*Composition of FAI in year 2014*



Source: IMF

Forecast made by IMF.

## Speaker's bio

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# Thank you

Dr. Xu Gao is the Chief Economist of China Everbright Securities Co. Ltd. He is also a part-time research fellow of Peking University, and a member of the China Chief Economist Forum. He is also a columnist for various financial media. Before joining Everbright in 2011, Gao worked with the UBS as a senior economist. Prior to that, he was an economist with the World Bank. He also spent 2 years with the IMF first as a research assistant and then as a part-time economist. Gao holds a Ph.D. in economics from Peking University, and Master and Bachelor degrees in Engineering from Southwest Jiaotong University.