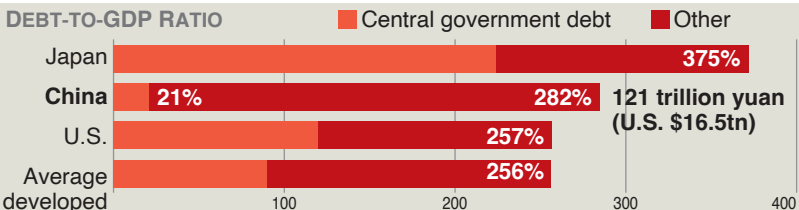


China to tackle debt and property crisis

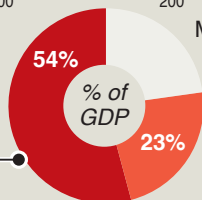
China will hold its twice a decade financial policy conference as it seeks to tackle ballooning local government debt and a property bubble that could cause a crisis in the world's second largest economy

DEBT-TO-GDP RATIO



Local government debt

Up from 62% in 2019 to 77% in 2023, while central government debt still low at 21% of GDP



Majority of debt issued by 3,000 Local Government Financial Vehicles (LGFVs)

Local government – tasked by Beijing with creating growth – over-invested in real estate

Total LGFV debt

\$9tn

Assets: \$18.9tn

Mostly owed to Chinese banks

Mainly land and infrastructure

PROPERTY BUBBLE

Largest part of debt is in construction and real estate

Property sales



Value of China's real estate: 550% of GDP

Downturn in property sector – accounting for 29% of GDP – will affect China's growth

Over-building and falling prices have seen developers like **Country Garden** default on loans

- 1 **Central government could take on debt – but Beijing averse to this**
- 2 **Banks could extend loans, reduce interest rates – but LGFV debt remains**
- 3 **Force LGFVs to sell off assets to pay debts – could crash real estate market in which many Chinese have invested**