

Evergrande and related woes in China

Research Webcast

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Banking that matters.



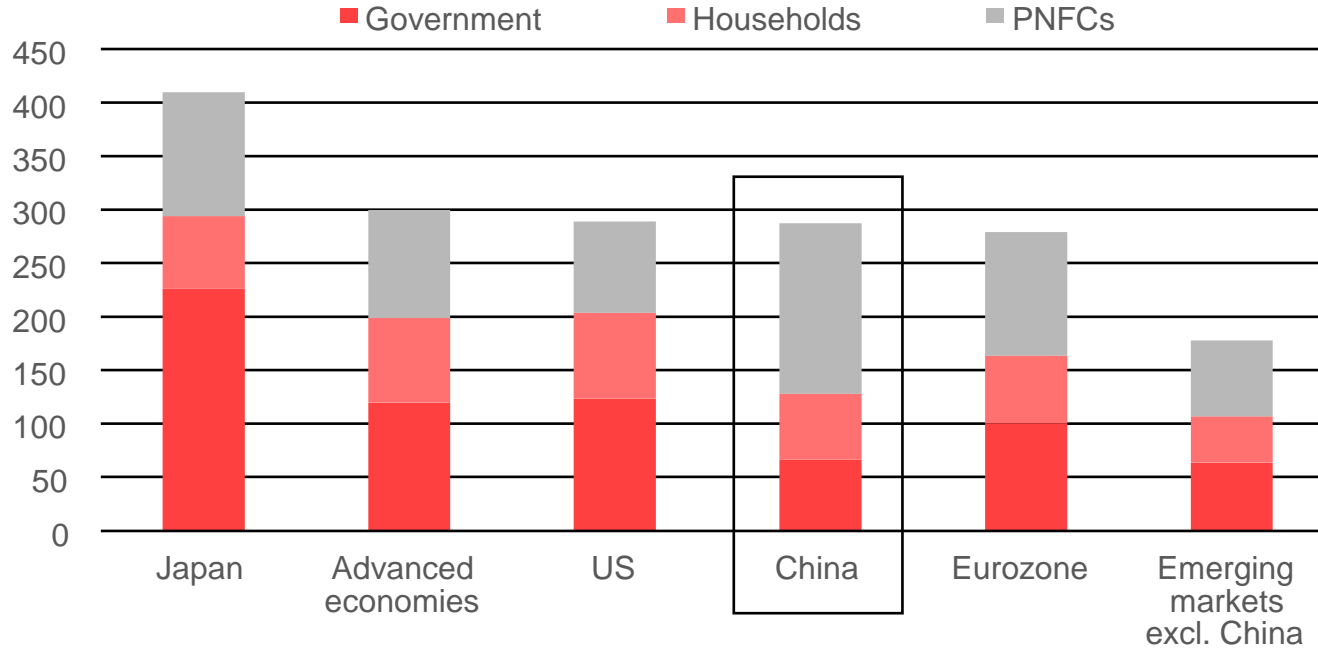
Summary of views

- What's behind China's and Evergrande's woes?
 - Very high corporate debt, particularly for an EM, much of it in the property sector
 - Regulatory crackdown on many sectors; “three red lines” policy for property developers
 - China likely to ringfence Evergrande's bad debts and restructure the company. But debt-fueled real estate boom/busts rarely end well
- How worried should we be about contagion?
 - Financial linkages are limited
 - The risk of contagion via global growth and trade is significant
 - ECB and Fed policy unlikely to be affected for the time being



China's longstanding corporate debt problem

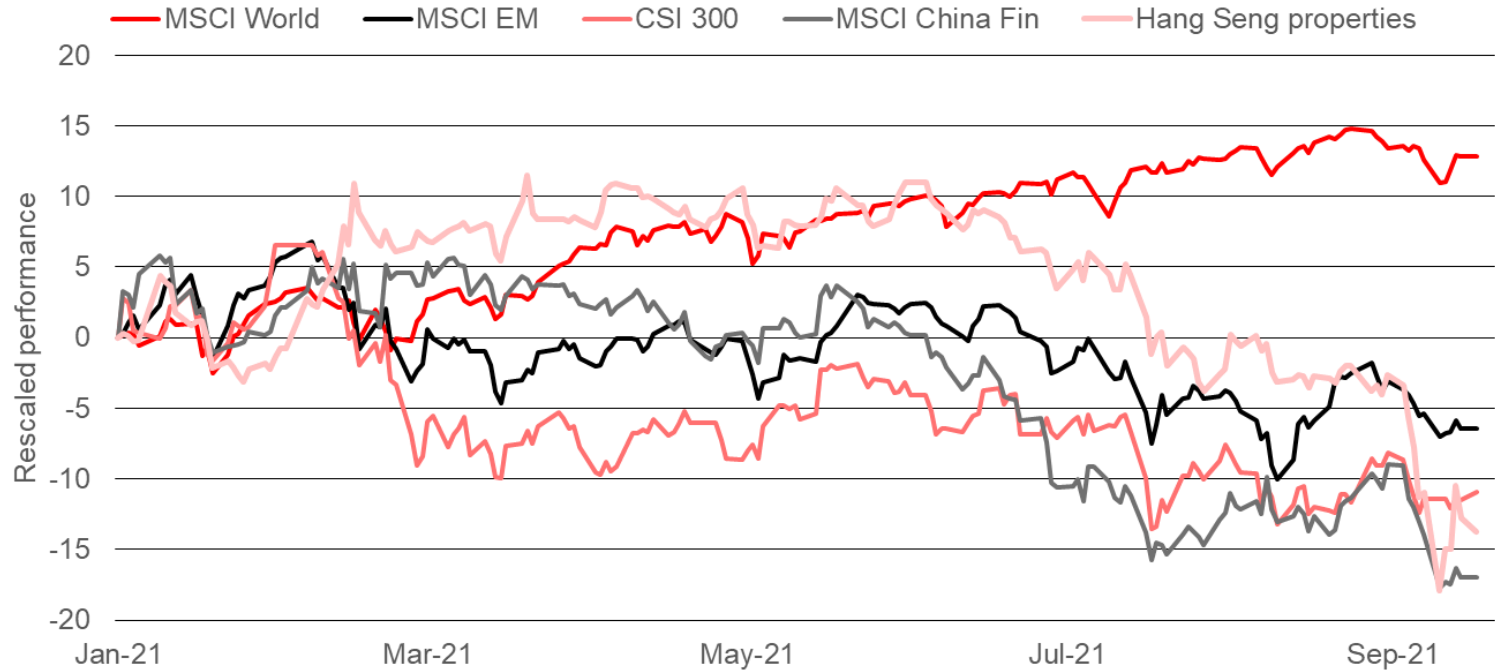
Credit to the non-financial sector, % of GDP, 1Q21



Source: BIS, UniCredit Research



Increased market volatility

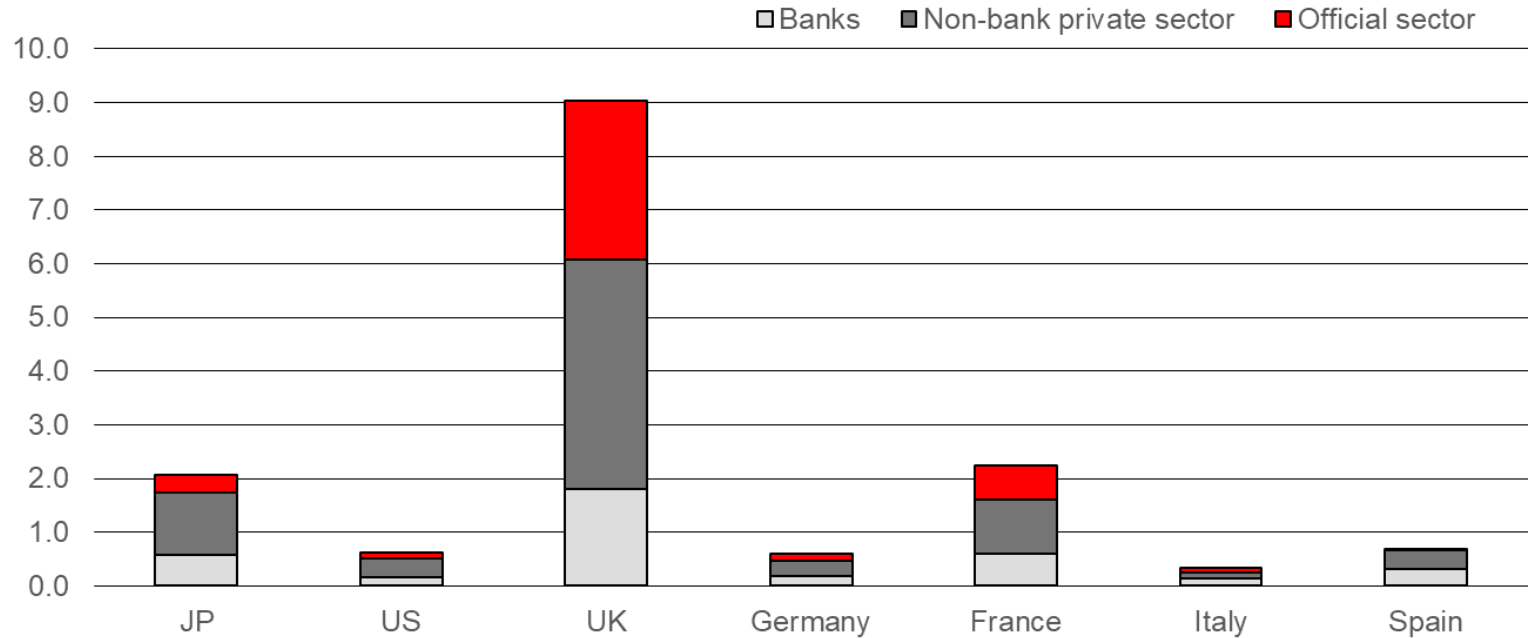


Source: Bloomberg, UniCredit Research



Limited exposure through banks

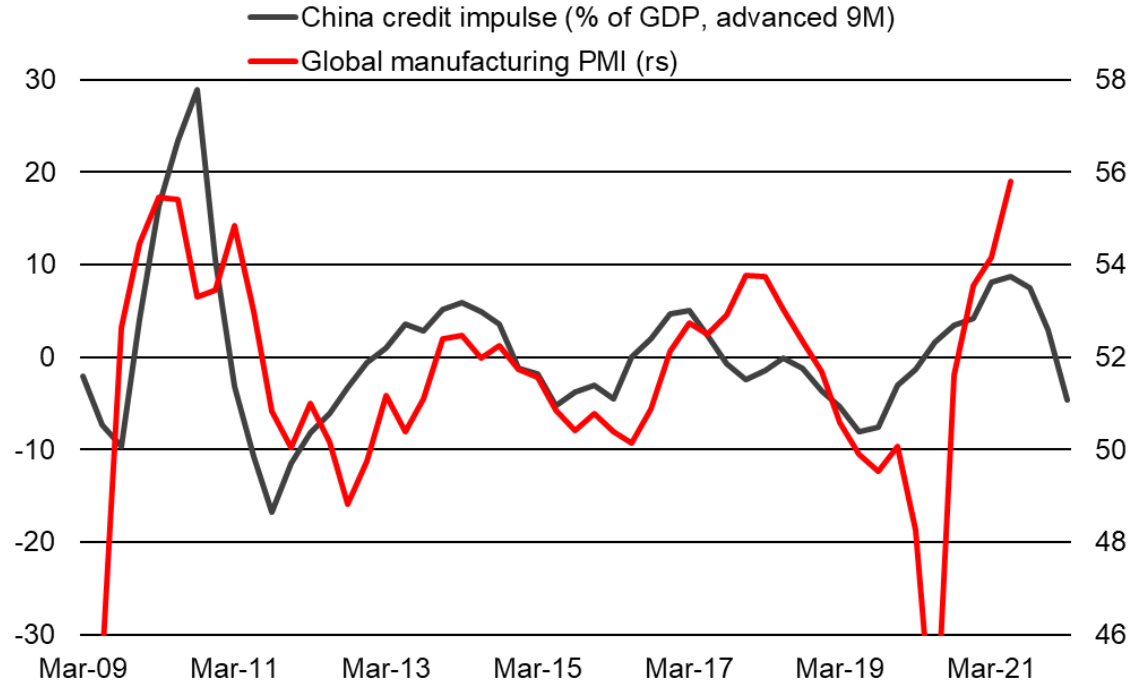
Bank exposure to Chinese counterparties (% of national GDP)



Source: BIS, UniCredit Research



How the world dances to China's credit cycle

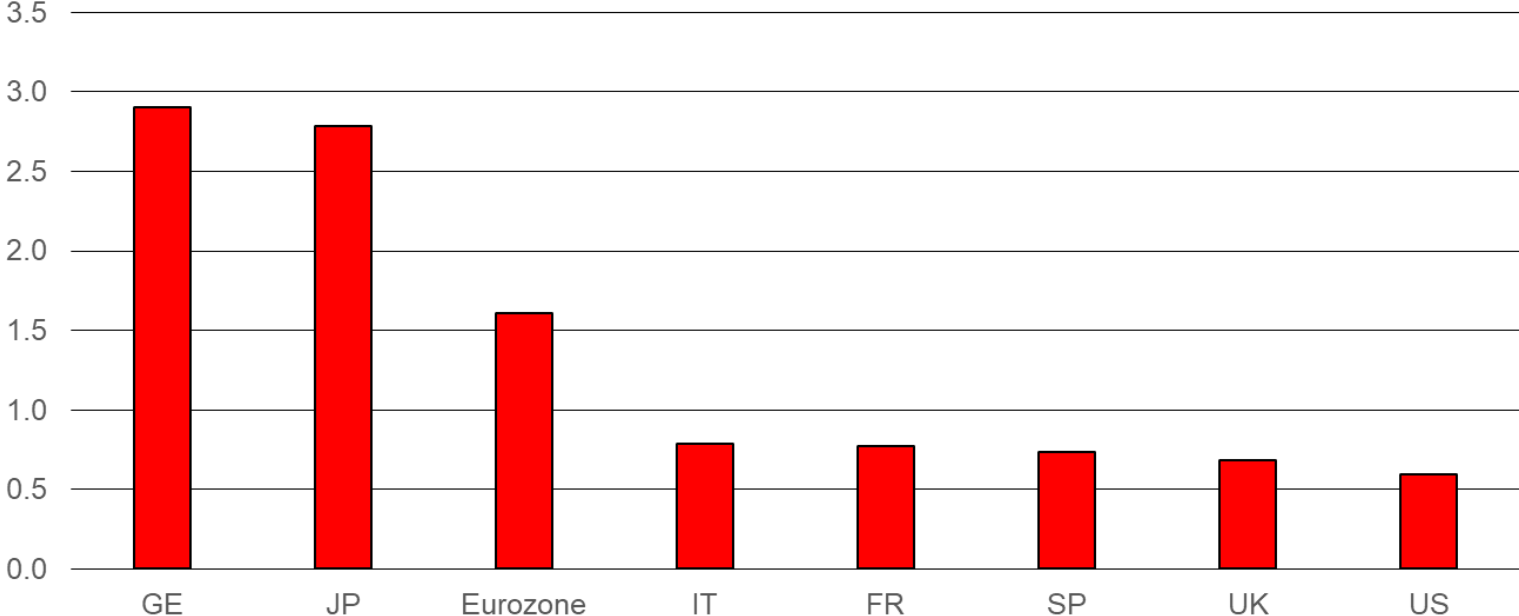


Source: BIS, IHS Markit, NBS, UniCredit Research



Trade exposure is more significant for some than others

Export of goods to China (% of national GDP)



Source: IMF, UniCredit Research



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