

## **Increase in Lending Needed in China**

China's central bank recently directed the nation's commercial banks to significantly increase lending. This comes on the heels of the government last month reporting the lowest quarterly economic growth in almost thirty years. Overall, the economy continues to show significant signs of slowing, and the central government remains focused on stimulating growth. This has remained the case since early last year, though, and the government's ongoing inability to fully remedy the situation remains concerning. While any future stimulus measures will on the surface be positive developments, it remains troubling that growth has continued to slow and it is questionable if the central government will ultimately be able to fully stabilize the economy this year.

It remains a large issue that lending growth has slowed significantly compared to last year's growth (June/July's record low SHIBOR lending rates also remains very significant to us ). The first six months of this year have seen lending increase year-on-year by only 7%. In comparison, the first six months of last year experienced growth of 13%. Also of note is that during all of 2018, lending increased year-on-year by 20%. Overall, it has remained a large issue for the central government that lending growth has slowed sharply this year. SHIBOR rates having to be set at decade lows recently was a sign of stress and reluctance of banks to lend. Recent months have also seen two separate banks (Baoshang Bank and Bank of Jinzhou) bailed out, and roughly twenty other banks are also reportedly now late publishing their annual reports. All is not well with China's banking system, and unfortunately for the central government a large increase in lending is still needed to help stabilize the economy.

Jeffrey Landsberg | Managing Director  
[Commodore Research & Consultancy](#)

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