

## Risk.Net: Falling Default Risk for China's Banks

February 2019

---

On London's Shaftesbury Avenue, a chain of red lanterns hangs outside a branch of the Bank of China, marking the transition to the Year of the Pig – a symbol of fortune and wealth. But growing economic clouds suggest this will be a nervy year for China's banks.

After growing 6.8% in 2017, China's economy slowed to 6.6% in 2018, according to GDP data released on January 21, with fourth-quarter growth of 6.4% the lowest quarterly rate since 2009. The data stoked fears that a wave of defaults could capsize the country's lenders and sink the global economy at the same time.

Crowd-sourced default probabilities, in contrast, tell a story of growing confidence in China's banks. After a 4% deterioration during 2016 and 2017, credit risk for the 62 banks in our sample actually rebounded 6% during 2018. Across the course of the year, a number of bb-rated banks were effectively upgraded to bbb – where roughly half the group now sits. The proportion of a-rated lenders remained steady.

The improvement may reflect a belief that China's government has the tools and the capacity to support growth for the immediate future, at least – reserve requirements for banks have been cut five times in the past year, part of broader stimulus efforts.

Follow the link below for the full article, where we look at recent data on German financials versus corporates, the global tobacco industry, as well as credit trends among US electrical utilities.

[View original article \(external link\)](#)

---

**Disclaimers:** Credit Benchmark does not solicit any action based upon this report, which is not to be construed as an invitation to buy or sell any security or financial instrument. This report is not intended to provide personal investment advice and does not take into account the investment objectives, financial situation and particular needs of a particular person who may read this report.