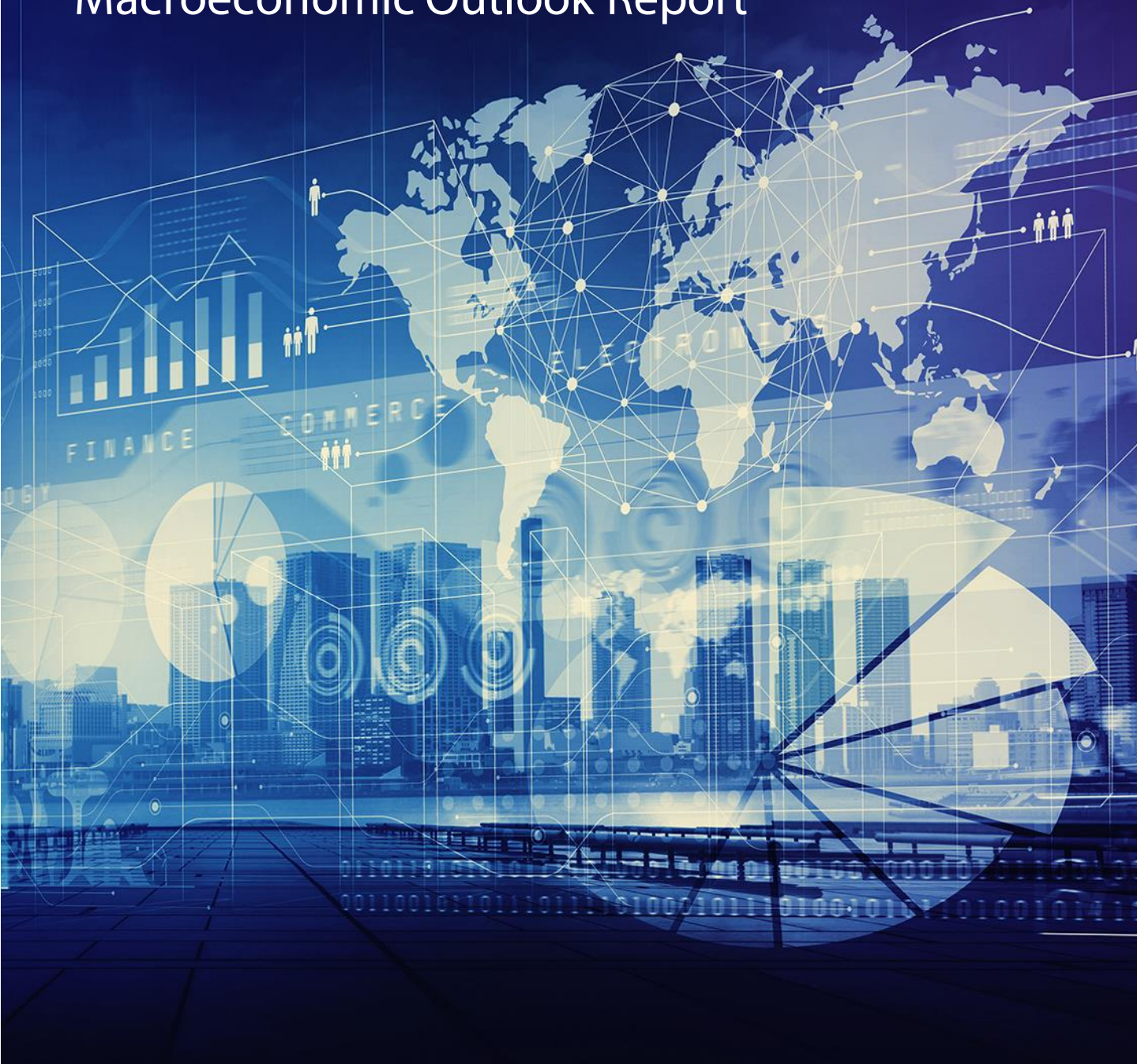


China – 4Q21

Macroeconomic Outlook Report



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Marketing and Communication Department
Management Solutions

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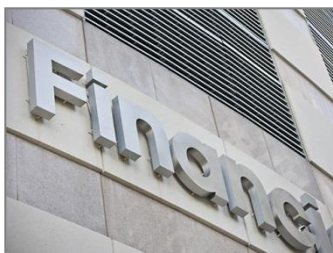
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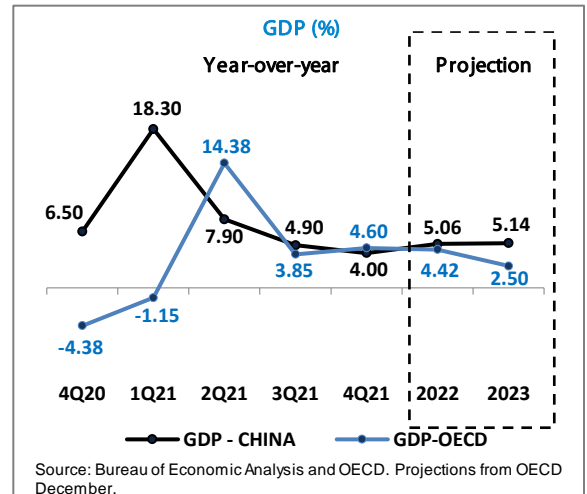
1. General Outlook

China macroeconomic overview

After a solid first semester, economic growth registered a slowdown in the fourth quarter. GDP registered a decrease with respect to 3Q21, however, the OECD expects an increase to 5.06% in 2022, and to 5.14% in 2023. Inflation was maintained at low levels, away from the target rate established by the Central Bank of China (3%) , although recent trends point towards higher CPI rates for 2022 and 2023.

China Macroeconomic overview

- ▶ In the fourth quarter of the year, the y/y GDP growth rate of China stood at a 4.00% rate, 2.5 p.p. lower than in 4Q20. However, compared to the previous quarter, growth only shrank by 0.90 p.p.. The growth of the Chinese economy was slightly below that of the OECD, which stood at 4.60% in 4Q21.
- ▶ The OECD improved its outlook for the Chinese economy in 2022, predicting a 5.06% y/y GDP growth rate, and a higher one for 2023 to 5.14%.
- ▶ After registering a strong rebound during the first quarter of the year, growth was put off due to China's zero-Covid policy which held back the recovery in consumption, led to the collapse of the real state sector, the normalization of exports, and the implementation of regulatory measures.



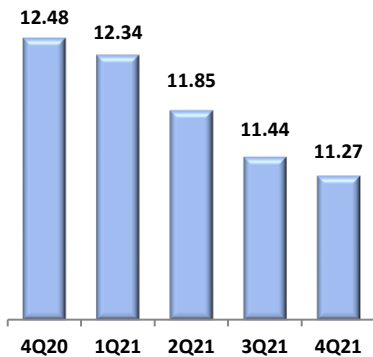
- ▶ World trade growth and commodity prices expected to peak during 2022, powered by the recovery in global output and investment. Global trade growth is projected to moderate to 6.3% in 2022 and slow further to 4.4% in 2023, reflecting a gradually diminishing trade intensity of the global recovery.
- ▶ During the fourth quarter of 2021, inflation increased by 0.93 p.p. compared to the previous quarter, recording a 1.77% rate, due to the rise in commodity prices and persistent supply chain disruptions. Energy prices surged, reflecting sharp increases in natural gas and coal, which has also affected other commodities, especially food, which suggest potentially higher CPI rates in upcoming months.
- ▶ With respect to the previous quarter, in 4Q21, the unemployment rate increased by 0.08 p.p., up to a 3.96% rate. The Chinese government already fulfilled its goal of creating 11 million urban jobs in 2021 within 10 months. Despite a generally stable unemployment rate, Youth unemployment could be affected due to recent regulatory tightening.
- ▶ SHCOMP closed the quarter with positive results with respect to 3Q21, increasing by 81 points from the previous quarter. However, HSI closed with negative results with respect to the previous quarter, decreasing by 1,388 points. This decline was due to concerns regarding China's new growth model, as some key sectors of the Chinese economy are against this target.
- ▶ As far as the exchange rate is concerned, the RMB appreciated against a strong US dollar with respect to the previous quarter, with the quarterly average exchange rate standing at 6.38 RMB/\$ in 4Q21.

Banking sector

In the fourth quarter of 2021, the y/y growth rate of total loans decelerated by 0.17 p.p. when compared to the previous quarter, registering a growth rate of 11.27%. On the other hand, the y/y growth of total deposits also increased by 0.61 p.p. with respect to 3Q21, reaching a y/y rate of 9.26%. The NPL ratio of the total system decreased by 0.02 p.p. during the fourth quarter of 2021, registering a rate of 1.73%.

Banking sector

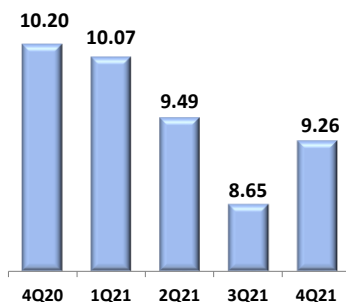
TOTAL LOANS 4Q21 (%)



Source: Federal Deposit Insurance Corporation.

- ▶ During 4Q21, the y/y growth rate of total loans decreased by 0.17 p.p. when compared to the previous quarter, registering an 11.27% growth rate.
- ▶ Non-financial enterprises and government loans growth rate suffered a deceleration of 0.07 p.p. with respect to the third quarter of 2021, down to 10.99% in 4Q21.
- ▶ In addition, loans to households registered a decrease of 0.63 p.p. when compared to the previous quarter, registering a 12.53% rate in 4Q21.
- ▶ Moreover, loans to other segments registered an increase of 2.75 p.p. in their y/y rate with respect to 3Q21, up to a positive rate of 0.87% during this quarter.

TOTAL DEPOSITS 4Q21 (%)



Source: Federal Deposit Insurance Corporation.

- ▶ In the fourth quarter of the year, total deposits experienced an acceleration of 0.61 p.p. when compared to the previous quarter, registering a 9.26% rate.
- ▶ This performance was due to the increases in the growth rates of non-financial entities and government, which increased by 1.14 p.p. and 3.22 p.p. up to 6.09% and 4.23%, respectively. The deposit growth rates of households and other institutions fell to 10.57% and 18.71%, respectively.
- ▶ Non-performing loans ratio decreased by 0.02 p.p. with regards to 3Q21, reaching a rate of 1.73% in 4Q21, motivated by the decreases in all types of banks, except for rural and city commercial banks.

2. International Overview

LatAm

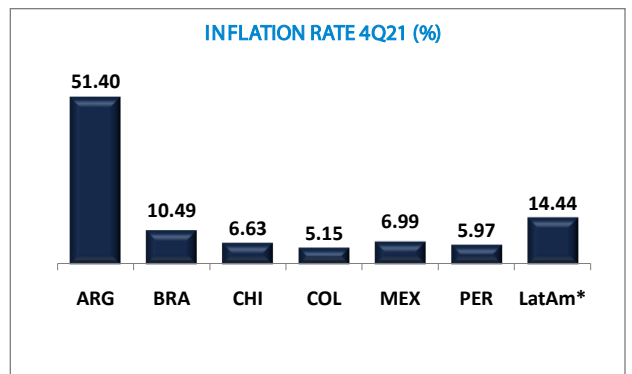
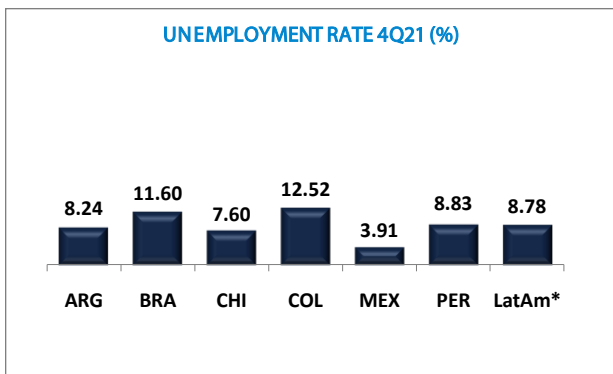
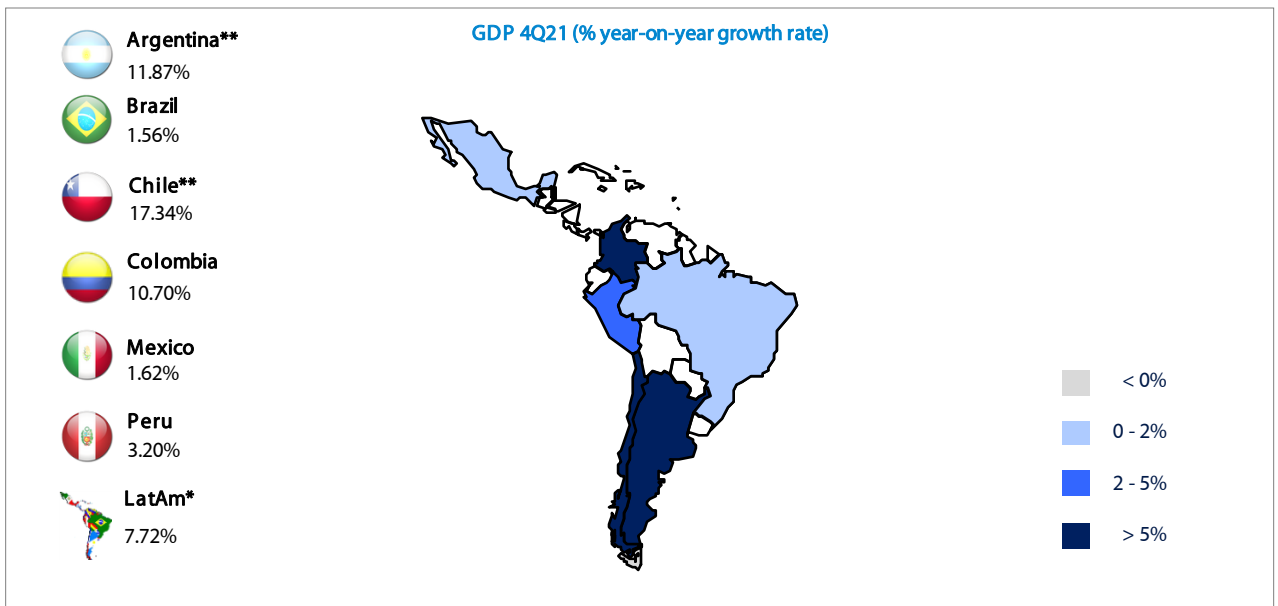
During the fourth quarter of 2021, all the countries analysed continued with their economic recovery despite the deceleration experienced with respect to the previous quarter. This behaviour was mainly explained owing to external demand boost, whose dynamism was hampered by raising inflation, as a result of persistent bottlenecks. On its side, heterogeneous labour market recovery pursued, although at a lower pace than economic activity.

Macroeconomic Overview

- ▶ Economic activity recovery in Latin America was consolidated in the second semester of the year, after being disrupted in almost all countries down to pandemic course. The recovery continues to be heterogeneous by country and is being supported by the favorable evolution of external demand and commodity prices, by the generalized support of economic policies (which, although they have begun to withdraw, maintain an expansive tone) and by financing conditions in the region (which, despite having tightened recently, remain accommodative in historical terms). Colombia* was the country registering the higher year-to-year growth (10.70%) whereas Brazil accounted for the lowest (1.56%).
- ▶ In tln this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has improved its forecast for the Latin American economy for 2022, setting the region's growth at 2.90%. This projection is mainly due to the progress in the global immunization process that has been consolidating during the fourth quarter of 2021. The normalization of the pandemic continues to be the main conditioning element of the recovery. However, according to the IMF, this expansion will not be sufficient to reach pre-covid trends in the medium run as lingering social impacts and the improvement of the labor market, damaged after the crisis, will be prolonged during the recovery phase. In its December update, the OECD placed its forecasts for Argentina, Brazil, Chile and Mexico below the OECD average (3.93%) in 2022, with Colombia being the only country to be above this average with 5.54% for 2022.
- ▶ Inflation has rebounded sharply and in general terms all over the region. Although this rebound appears to be predominantly transitory in nature, the region's central banks have begun a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict monetary policy room for maneuver. Argentina was once again the country with the highest inflation rate at 51.40%, while Colombia posted the lowest price increase with 5.15% inflation in 4Q21.
- ▶ During the fourth quarter of 2021, the labor market continued to recover from the economic consequences of the pandemic, however the negative effects on the labor market are being more persistent than in activity. Most countries fell their unemployment rate compared to 3Q21, with the exception of Argentina. Mexico became the country with the lowest unemployment rate (3.91%) and Colombia with the highest rate (12.52%).

Financial Sector

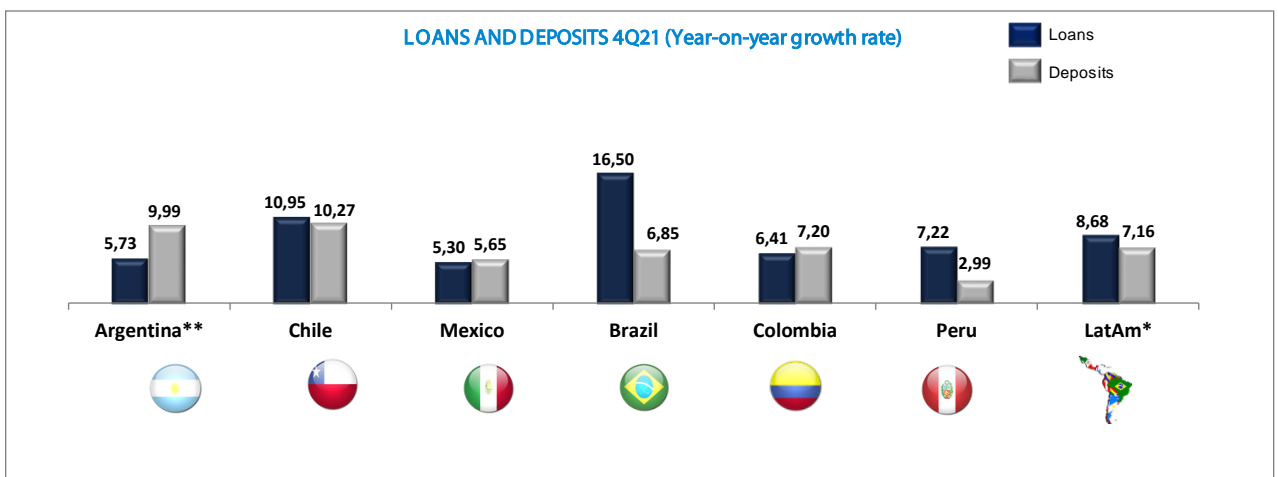
- ▶ When it comes to ratings, all Latin American countries maintained their ratings constant in the fourth quarter of the year, except for Mexico, which went from an S&P rating of BBB to BBB- during this period. This rating considers that, despite the country having a good credit quality and an adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- ▶ Regarding economic policies, the introduction of additional stimulus is more limited than during the previous year, facing the tightening of global financial conditions and the increase in inflation as well as inflation expectations in some countries. Thus, despite the effectiveness of the policies promoted, factors such as the different sectoral structure (for instance, the high importance of tourism for Mexico), the unlike dependence on commodity prices (for example, the dependence of Chile and Peru on the price of copper), the different pace of withdrawal of monetary and fiscal stimuli, or the uneven degree of trade openness, will make a difference in the dynamism of the region's recovery.
- ▶ Finally, there has been a notable slowdown in lending, linked in part to the generalized withdrawal of support programs, with Argentina being the only country to decrease its lending terms. Concerning deposits, all countries undertook positive year-on-year growth during the period, although half of them, Argentina, Brazil, Chile and Peru, decreased their rate with respect to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 3.52 p.p. compared to 3Q21.



LONG TERM RATES 4Q21

	MOODY'S	S&P	FITCH
Argentina	Ca -	CCC+ -	CCC -
Brazil	Ba2 -	BB- -	BB- -
Chile	A1 -	A -	A- -
Colombia	Baa2 -	BB+ -	BB+ -
Mexico	Baa1 -	BBB- ▼	BBB- -
Peru	Baa1 -	BBB+ -	BBB -

▲ Increase since 3Q21
- Constant since 3Q21
▼ Decrease since 3Q21



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
 **Most updated figures available at the date of the release correspond to 4Q21, except for Argentina and Chile (3Q21)

2. International Overview

OECD & China

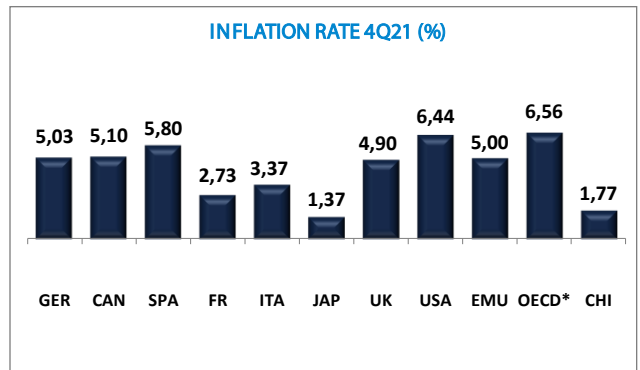
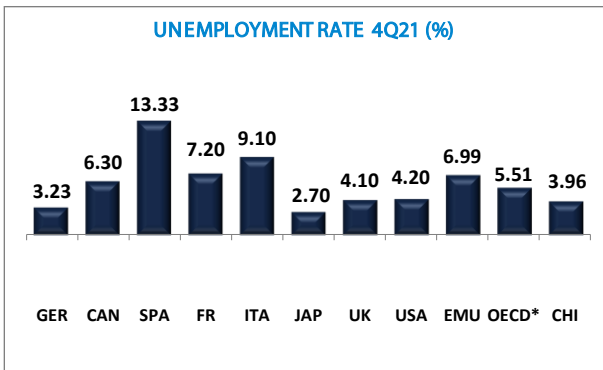
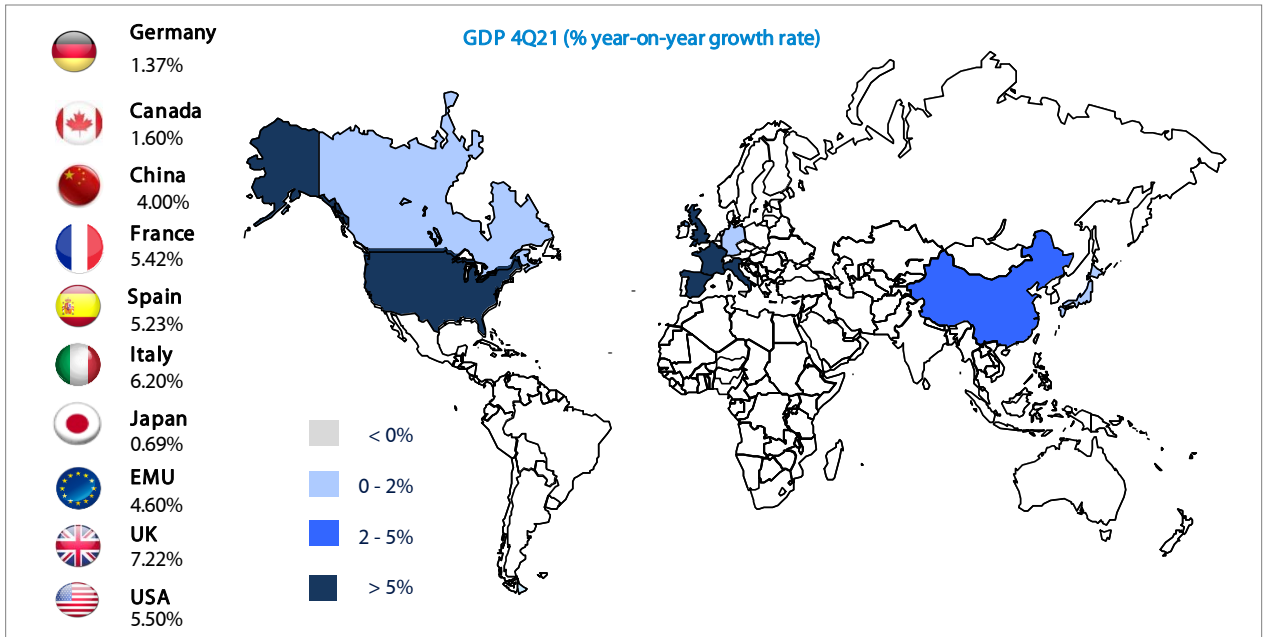
In the fourth quarter of 2021, the recovery of economic activity in OECD countries continued. This performance was explained by private consumption, favored by a consolidation in the vaccination process. However, a slowdown in the dynamism of the economic recovery is expected as a result of a greater persistence of inflationary pressures, due to the rise in energy prices.

Macroeconomic Overview

- ▶ In the fourth quarter of 2021, the Eurozone continued to recover with a year-on-year GDP growth rate (4.60%), accelerating from the previous quarter. Accordingly, the OECD, in its December forecast, envisions year-on-year GDP growth for 2022 and 2023 to reach 4.32% and 2.50%, respectively, down slightly from its September predictions. The European Commission acknowledges a faster-than-expected economic recovery, driven primarily by private consumption, although it highlights the disparity between countries. The labor market continued to improve and is expected to reach pre-pandemic levels by the end of 2022. However, the Commission warns of inflation and its greater persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analyzed in the region, France and Italy recorded the highest year-on-year GDP growth rates (5.42% and 6.20%, respectively).
- ▶ The United States tied the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 5.50%, also accelerating with respect to 3Q21. This greater dynamism of activity was explained by strong domestic demand, driven by private consumption, although the escalation of inflation remains a cause for concern. Meanwhile, the United Kingdom recorded higher GDP growth during this period with respect to the previous quarter, with a rate of 7.22%. However, the British economy was seriously affected at the end of the quarter by the resurgence of new COVID cases, derived from the Omicron variant, thus restricting the dynamism of the services sector.
- ▶ China recorded a lower GDP growth rate during the fourth quarter compared to 3Q21, with a rate of 4.00%. This performance is due to the lowering of interest rates by the Chinese central bank alongside the slowdown in the real estate market, as a result of the fall of Evergrande. Similarly, Japan recorded a shrinkage in its GDP rate in 4Q21 compared to 3Q21, falling from 1.15 p.p. to 0.69%. In 2022, the OECD estimates Chinese and Japanese GDP growth to reach 5.06% and 4.37% respectively.
- ▶ G20 international trade level of merchandises held constant in line with the economic recovery. However, the volume of trade in services was still dampened by border restrictions, mainly affecting tourism and leisure. The Regional Comprehensive Economic Partnership, which will come into effect in January 2022, will promote investment and economic recovery among the Association of Southeast Asian Nations (ASEAN) countries. On the other hand, the ratification of the ICA agreement between the US and China remains stalled as of May 2021, given the recent political tensions. The UK's trade agreements with Australia and New Zealand also stand out as a potential boost to British trade relations on its strategy to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- ▶ In 4Q21, inflation rose in all the economies studied with respect to 4Q20, with the most pronounced increases in Germany and the United States. On its side, the EMU registered an acceleration of 5.30 p.p. compared to 4Q20. China recorded the smallest rise compared to 4Q20, with inflation at 1.77%. Inflation grew at a frenetic pace due to the energy component and to a lesser extent to core inflation.. All economies contracted their labor markets due to the restrictions derived from the new strains, although the recovery is expected to consolidate throughout 2022.

Financial Sector

- ▶ Italy upgraded its S&P rating, increasing its grade from BBB to BBB+, while Spain downgraded its S&P rating from A to A-.
- ▶ Regarding the monetary policies of the different countries, the Fed promoted an imminent interest rate hike of 25 basis points to cope with inflation in early 2022 while the ECB took a more cautious stance and will do so progressively through the withdrawal of its "Emergency Pandemic Purchase Program", scheduled for the end of March 2022.
- ▶ During this period, year-over-year credit growth slowed in all countries except Germany, Canada and Mexico compared to 4Q20, with Argentina being the country with the highest decline rate (-32.61%). As for deposit growth, it declined for all countries compared to 4Q20. Brazil registered the second highest year-on-year decrease rate (-38.02%), right after Argentina (-62.12%).



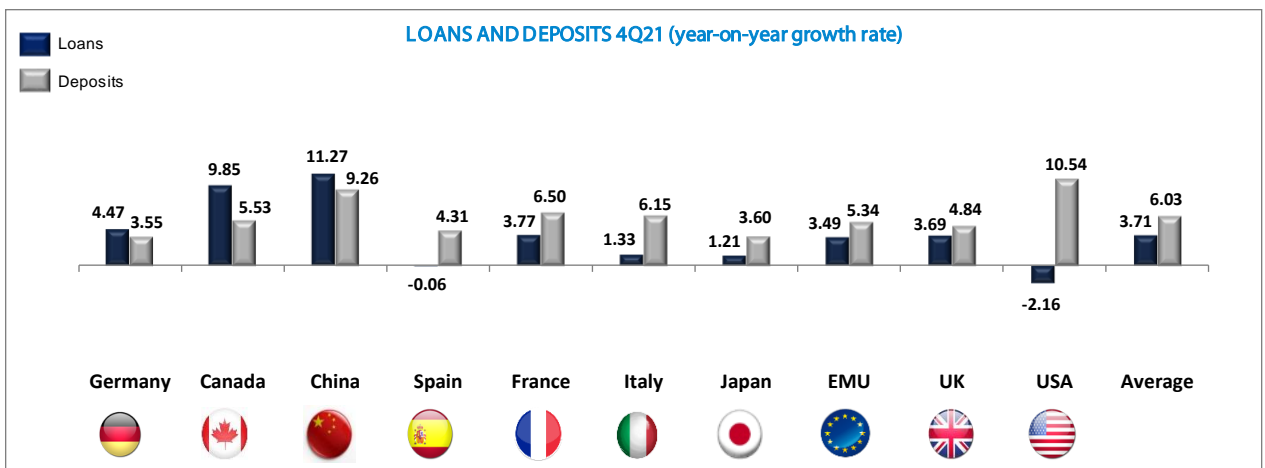
LONG TERM RATINGS 4Q21

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A- ▼	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB+ ▲	BBB -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

▲ Increase since 3Q21

— Constant since 3Q21

▼ Decrease since 3Q21



*OECD aggregate data, latest available data at publication date corresponds to 4Q21

3. China macroeconomic overview

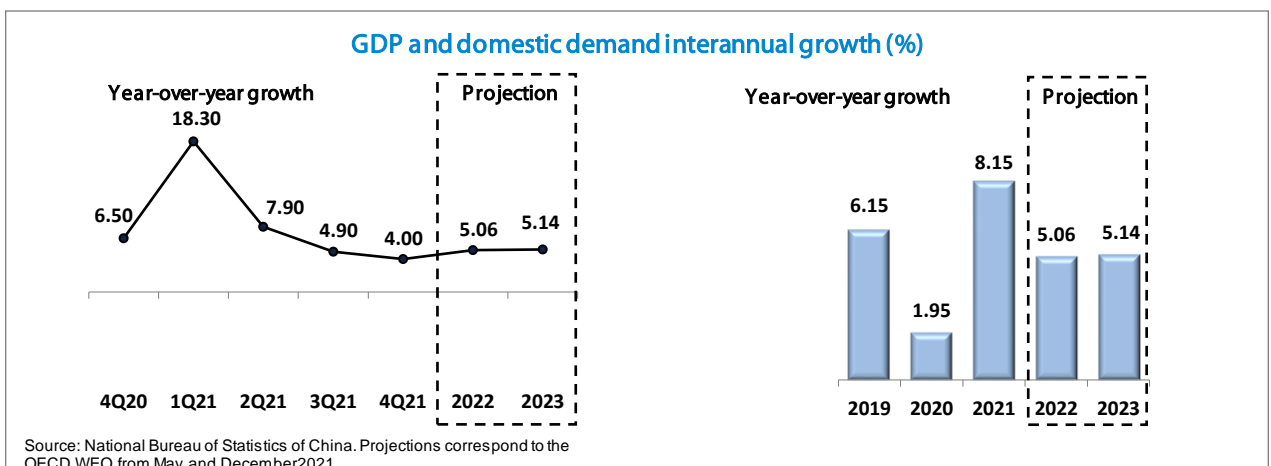
After a strong economic recovery during the first half of 2021, the fourth quarter recorded a slight slowdown in economic momentum. GDP registered a decrease with respect to 3Q21, while unemployment increased to 3.96%, 0.08 p.p. more than in the previous quarter. During 4Q21, inflation increased but it did not reach the target rate of 3%.

INDICATOR	4Q20	1Q21	2Q21	3Q21	4Q21	2022	2023
GDP	6.50	18.30	7.90	4.90	4.00	5.06	5.14
INFLATION							
CPI**	0.07	-0.03	1.10	0.83	1.77	1.73	2.43
LABOUR MARKET							
UNEMPLOYMENT	4.24	3.94	3.86	3.88	3.96	3.70	3.60

INDICATOR	2017	2018	2019	2020	2021	2022	2023
GDP	6.85	6.68	6.15	1.95	8.78	5.06	5.14
DOMESTIC DEMAND*	11.63	11.82	8.34	1.80	0.00	4.85	5.09
PRIVATE CONSUMPTION*	11.09	10.43	9.34	0.00	0.00		
PUBLIC CONSUMPTION*	11.21	11.91	8.84	2.64	0.00		
GROSS FIXED CAPITAL FORMATION*	12.30	13.08	7.26	3.13	0.00		
NET EXPORTS*	-14.12	-51.61	61.58	132.76	0.00		
INFLATION							
CPI**	1.55	2.13	2.90	2.51	0.92	1.73	2.43
LABOUR MARKET							
UNEMPLOYMENT	3.94	3.84	3.63	3.98	3.91	3.70	3.60

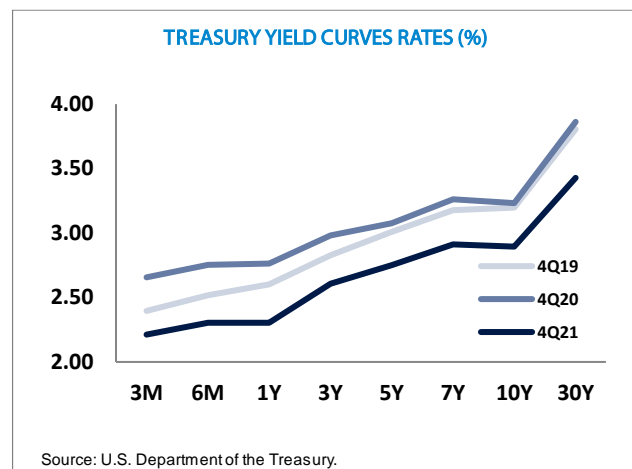
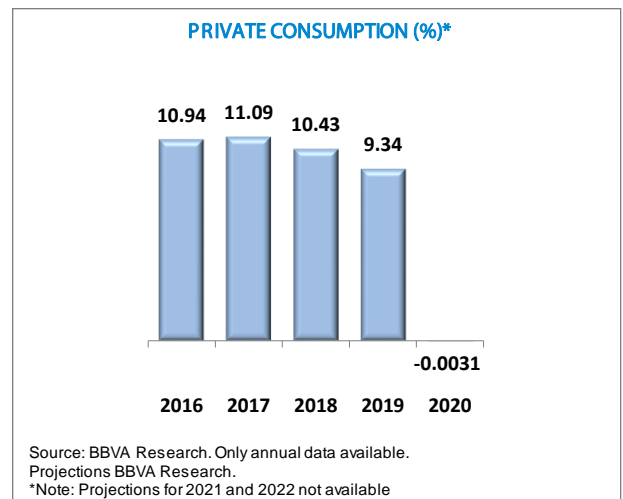
* 2021 data not available at the time of publication of this report. ** Inflation rate target for 2021 of 3%.
 Source: National Bureau of Statistics of China. Projections correspond to the OECD WEO from December 2021.

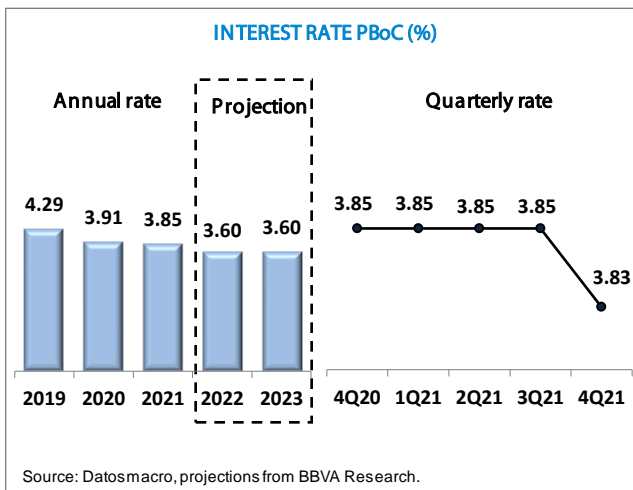
- ▶ After registering a strong rebound during the first half of the year, the Chinese GDP rate was reduced to a more moderate y/y growth rate (4.00%). This reduction was the reflection of China’s zero-Covid strategy which held back the recovery in consumption, led to the collapse of the real state sector, the normalization of exports, and the continuing regulatory measures.
- ▶ The effects of advances in vaccination and the virus-control strategy, which led to strong growth in the first semester, slightly dissipated due to the surge of new more contagious strains such as the Omicron variant. Services and retail sales were affected as consumers have remained cautious due to recurrent Covid outbreaks and despite improving labor market conditions and a recovery in household disposable income.
- ▶ In sight of these trends and the more recent Omicron variant, in its December publication, the OECD reduced the Chinese growth forecasts for 2022 and 2023, as the cyclical boost due to the reopening of the economy starts to fade and macroeconomic support is gradually withdrawn, with a gradually diminishing trade intensity of the global recovery.
- ▶ The OECD expects an increase of the GDP to 5.06% in 2022 and to 5.14% in 2023. In addition, inflation is also expected to rise and move closer to the inflation target rate of 3% established by the Central Bank of China, registering a 1.73% and 2.43% in 2022 and 2023, respectively.



Private consumption* decreased in the third quarter, affected by covid flare-ups and restrictions, almost reaching a 0% rate. Inflation rose to 1.77% in 4Q21, and recent trends point to upcoming CPI rises for 2022 and 2023. Bond yields for all maturities recorded were smaller in 4Q21 than in the same period last year and the year before.

- ▶ The growth rate of private consumption declined significantly during 2020 by 9.34 p.p. compared to the rate registered in the previous year, down to -0.0031%. Private consumption has been one of the most affected indicators worldwide, and specifically in China. This result doesn't imply that private consumption didn't exist, but instead sheds some light on how private consumption was harmed when compared to pre-pandemic levels.
- ▶ During the first semester of 2021, China's private consumption trend saw a sharp rebound due to advances in vaccination, an effective control strategy and the general rise in confidence on behalf of the Chinese population after Covid-19. At the same time, average household incomes recovered from the pandemic. These aspects resulted in a considerable contribution to China's economic activity.
- ▶ During the third quarter, although household disposable incomes continued to recover, general confidence levels decreased due to the spread of more contagious strains such as the Omicron variant, affecting service and retail sales.
- ▶ Regarding inflation, the CPI growth rate registered an increase of 0.93 p.p. when compared to the previous quarter, registering an average rate of 1.77% during 4Q21.
- ▶ This increase in inflation reflects the rise in commodity prices and persistent supply chain disruptions, but leaves room for furthering the governments monetary easing policy to reach the official target of 3%. Energy prices have surged, reflecting sharp increases in natural gas and coal, which has affected other commodities, especially food.
- ▶ The OECD increased their forecast for the Chinese CPI growth in 2022 to 1.73% and in 2023 to 2.43% in 2023.
- ▶ All Chinese Treasury bond yields with maturities lower than 10 years presented interest rates in 4Q21 lower than 3%.
- ▶ In 4Q21, bond yields declined for all maturities in comparison to 4Q20 and 4Q19, although more so for with regards to latter.
- ▶ When compared to the same quarter of 2020, the widest gap in curve rates with those of 3Q21 was in 1-year maturities. On the other hand, when comparing those of 4Q19 and 4Q21, the widest gap studied was in 30-year maturities.





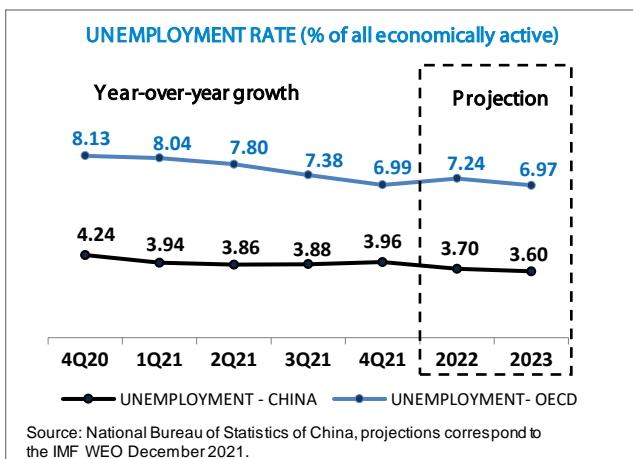
▶ The PBoC slightly reduced the official interest rate to 3.83% rate in 4Q21, which had maintained constant through 2021.

▶ According to the World Bank, the PBOC has used open market operations this year for liquidity management while keeping its key benchmark lending rates on hold for 12 consecutive months. The PBOC stepped up its liquidity support in the second half of 2021 to control contagion risks in the real estate sector, which has enabled keeping stable interest rates. Market interest rates have consequently remained largely flat this year, signaling stable domestic financing conditions.

▶ In contrast to expectations of rising interest rates in other advanced economies, China looks to maintain an easing monetary policy in 2022 to avoid a sudden slowdown in the economic activity.

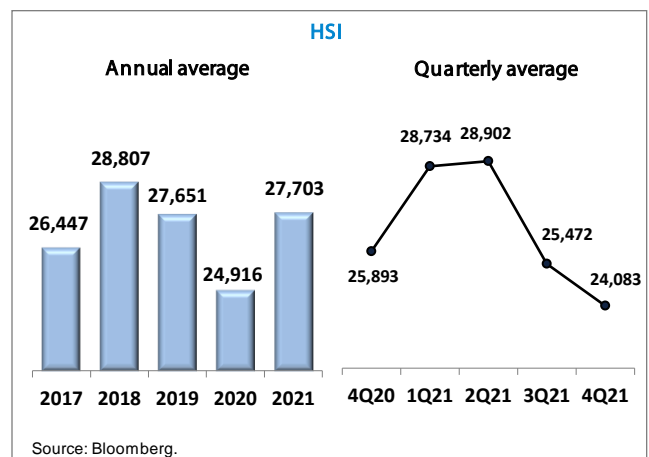
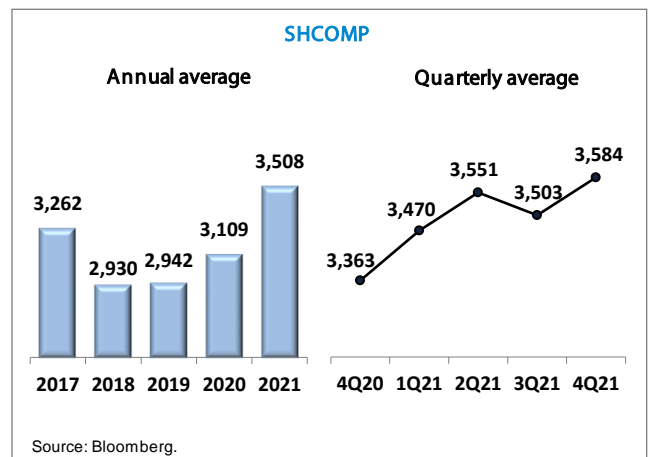
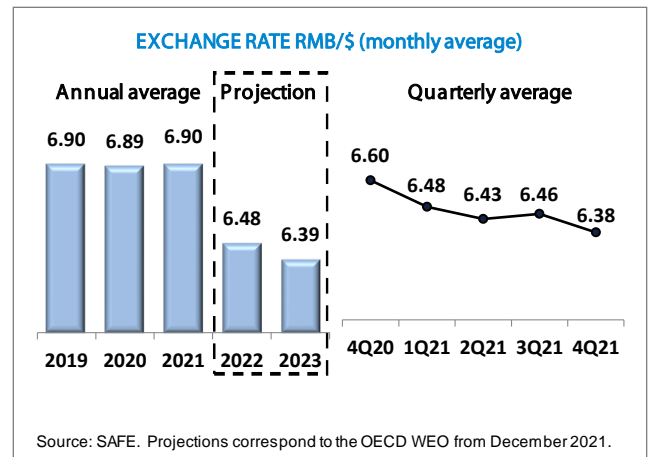
▶ During the fourth quarter of 2021, the unemployment rate slightly increased when compared to 3Q21, but decreased when compared to 4Q20, standing at a rate of 3.96%.

▶ According to the World Bank, China exceeded its yearly target of creating 11 million new urban jobs within the first 10 months of 2021, an improvement compared to the same period last year, although still slightly below pre-pandemic levels. While the overall unemployment rate is stable, youth unemployment may be negatively affected in upcoming months due to tighter regulation in sectors including real estate, private education, ride hailing and other digital services.



During the fourth quarter, the RMB registered a depreciation against the US Dollar, breaking the appreciative trend of the previous quarter. The Chinese stock market SHCOMP registered an increase compared to 3Q21, while the HSI registered a decrease due to concerns about China's new growth model.

- ▶ The RMB appreciated against the US dollar during 4Q21, reaching an average exchange rate of 6.38 RMB/\$, which represented a decrease of 0.08 RMB per dollar when compared to the previous quarter.
- ▶ According to the OECD, the RMB exchange rate is expected to continue its appreciation trend and reach an average of 6.48 RMB per US dollar in 2022 and of 6.39 during 2023. However, BBVA research expects the RMB to USD exchange rate to depreciate in 2022 due to the US tightening measures, a stronger USD and China's easing monetary measures. According to BBVA, China's exchange rate is still managed by the central bank, based on the historical evidence, the PBoC has not allowed the one-way appreciation to last for long.
- ▶ During 4Q21, the SHCOMP index (Shanghai index) experienced an increase of 81 points (2.30%) from the level reached in 3Q21 breaking the negative trend of the previous quarter and rising to 3,584 points. With regards to the same quarter of the previous year, HSI rose by 6.56% in 4Q21.
- ▶ China's new growth model has generated a flurry of regulatory storms in some specific sectors that are against this target, dragged on bond and stock market sentiments in China, leading to portfolio outflows, which has contagion effect to global financial market.
- ▶ The HSI (Hong-Kong index) registered a much sharper decline than the SHCOMP index, falling 1,388 points compared to 3Q21 down to an average level of 24,083 points in the fourth quarter of the year, which represented a quarterly decline of 5.45%.
- ▶ With regards to the same quarter of the previous year, HSI rose by 6.99% in 4Q21.

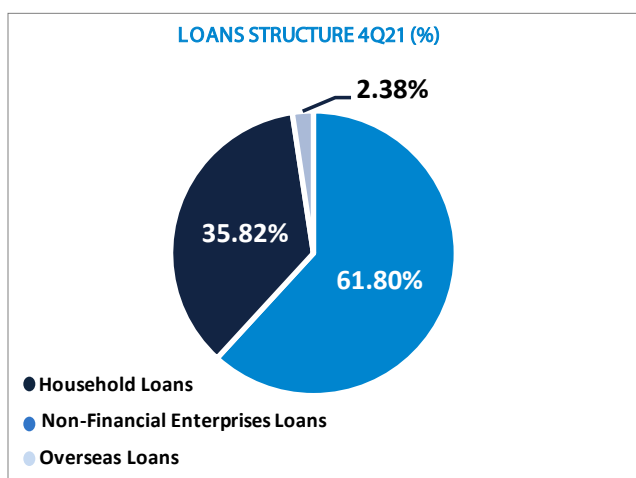


4. Banking sector: general overview

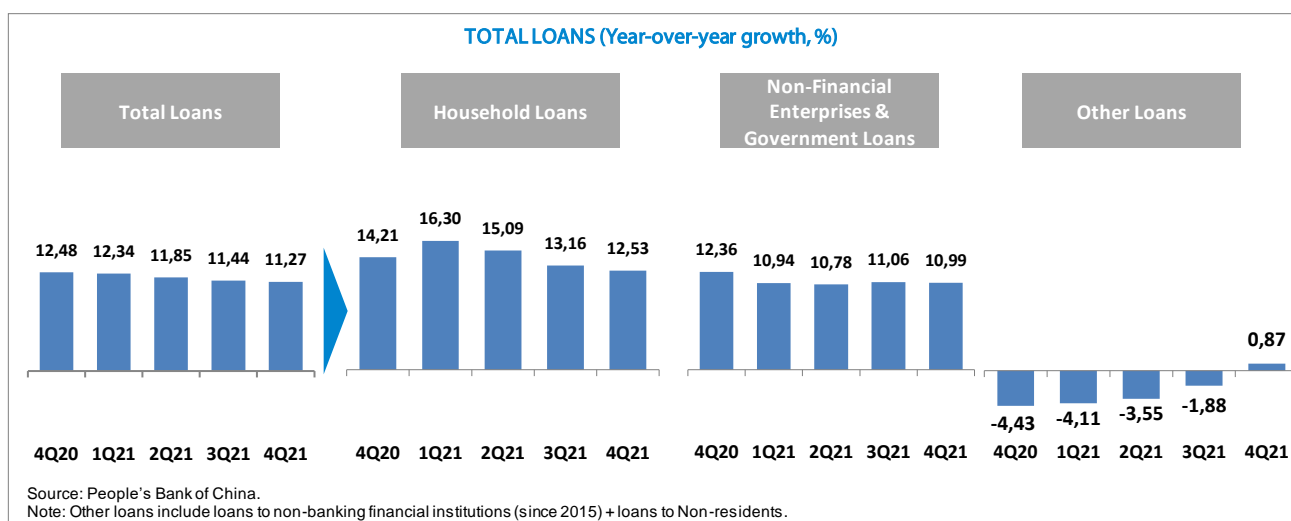
Loans

In the fourth quarter of 2021, the y/y growth rate of total loans decelerated by 0.17 p.p. with respect to the previous quarter, registering a growth rate of 11.27%. As for the distribution of loans, non-financial enterprises loans continued to register the highest share with 61.80% of total loans, while households accounted for 35.82%, and overseas loans represented the remaining 2.38%.

- ▶ During 4Q21, the y/y growth rate of total loans decelerated by 0.17 p.p. when compared to the previous quarter, registering a 11.27% year-over-year growth rate.
- ▶ Loans to households registered a decrease of 0.63 p.p. with respect to the previous quarter, registering a 12.53% rate in 4Q21.
- ▶ Loans to other segments registered an increase of 2.75 p.p. in their y/y growth rate with respect to 3Q21. Achieving a growth rate of 0.87% in the fourth quarter, they returned to positive values after 4 quarters of negative growth.
- ▶ On the other hand, non-financial enterprises and government loans' growth rate saw a slight deceleration of 0.07 p.p. with respect to the third quarter of 2021, down to 10.99% in 4Q21.



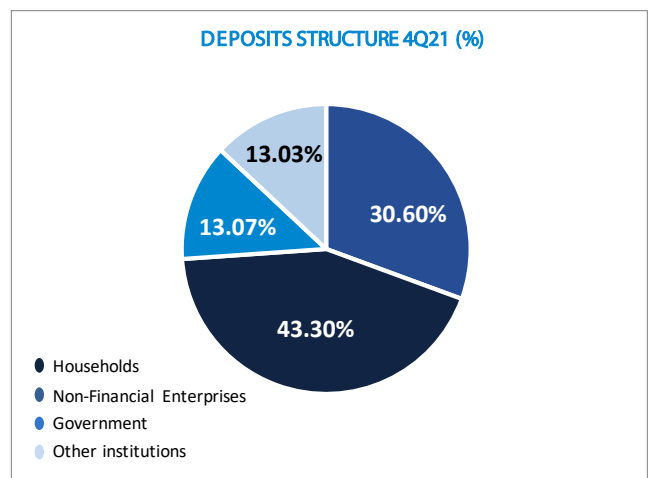
- ▶ The distribution of loans in 4Q21 remained very similar to the one registered in the previous quarter.
- ▶ Non-financial enterprises and government loans continued registering the largest share (61.80%), having experienced a decrease of 0.21 p.p. in the share. Meanwhile, loans to households recorded an increase of 0.26 p.p. up to a share of 35.82%.
- ▶ Finally, other loans experienced a decrease of 0.06 p.p. with respect to 3Q21, representing 2.38% over the total loans in the fourth quarter of 2021.



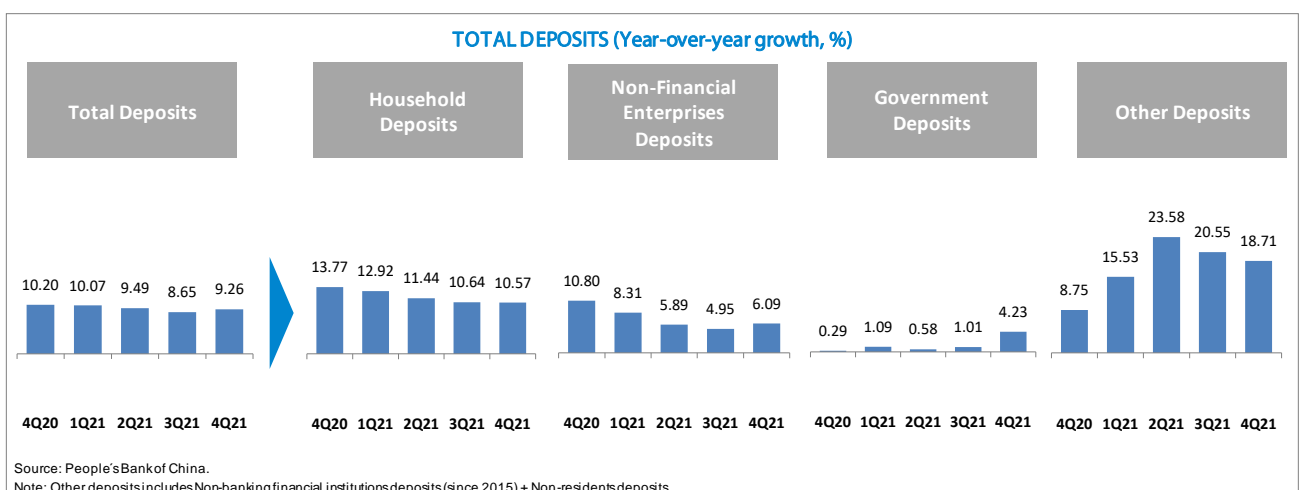
Deposits

During 4Q21, the y/y growth of total deposits experienced an acceleration of 0.61 p.p. when compared to 3Q21, reaching a y/y rate of 9.26%. Deposits by non-financial enterprises alongside government deposits were the main drivers behind this performance. In terms of distribution, households accounted for the majority of deposits with 43.30% of the total, followed by non-financial enterprises (30.60%), government (13.07%) and other institutions (13.03%).

- ▶ During the fourth quarter of the year, total deposits experienced an acceleration of 0.61 p.p. when compared to the previous quarter, registering a y/y growth rate of 9.26%.
- ▶ This performance was due to the increases in the growth rates of non-financial enterprises and government deposits. On the other hand, household and other institutions' deposits decreased during the fourth quarter of 2021.
- ▶ The growth rate of household deposits registered a slight decrease of 0.07 p.p. with respect to 3Q21, down to 10.57%.



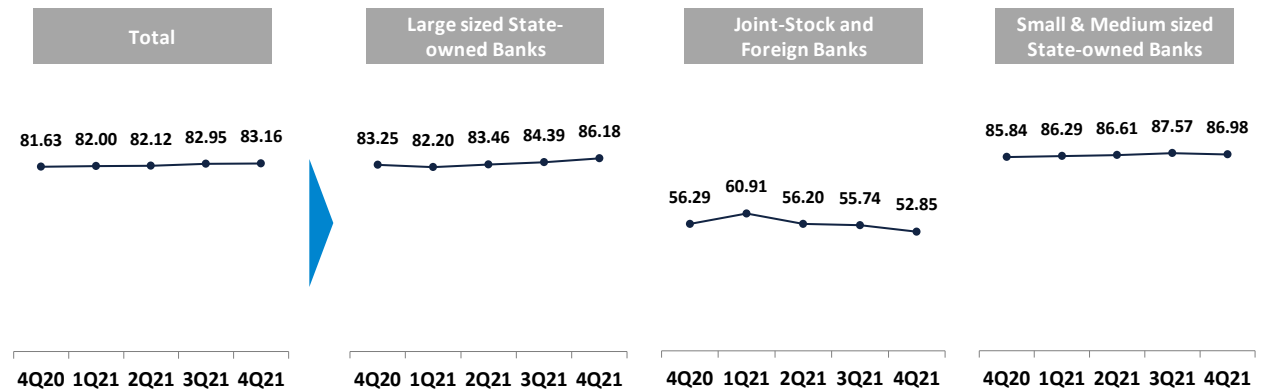
- ▶ Other institutions' deposits registered the largest variation with respect to 3Q21 (-1.84 p.p.), down to 18.71%.
- ▶ As for deposits by government and non-financial enterprises, they registered accelerations of 3.22 p.p. and 1.14 p.p., respectively, in their y/y growth rate when compared to the previous quarter, standing at 4.23% and 6.09% in 4Q21.
- ▶ In terms of distribution, households accounted for the largest share of deposits, representing the 43.30% of the total, followed by non-financial enterprises with a share of 30.60%. Government deposits represented the 13.07% of total deposits, and finally, other institutions represented the remaining 13.03%.



LTD ratio

During the fourth quarter of 2021, the LTD ratio of the Chinese financial system increased once again with respect to the past quarter, reaching a ratio of 83.16%. This increase was driven by large sized State-owned banks, while Joint-stock, Foreign banks and small and medium sized State-owned banks saw their ratio decrease.

LOANS – TO – DEPOSITS RATIO (%)



Source: People's Bank of China

- ▶ During the fourth quarter of 2021, the total LTD ratio stood at 83.16%, after experiencing a 0.21 p.p. increase with respect to the third quarter of 2021. This performance was due to a larger increase in the y/y growth volume of total loans (11.27%) than the volume of total deposits (9.26%) compared to the third quarter of 2021.
- ▶ The LTD ratio of large state-owned banks registered an increase of 1.79 p.p., up to 86.18%. Joint-stock and foreign banks registered a 2.89 p.p. decrease with respect to the previous quarter, down to a ratio of 52.85% in 4Q21. Regarding small and medium state-owned banks, their LTD ratio stood at 86.98%, after a decrease of 0.59 p.p. when compared to the third quarter of 2021.

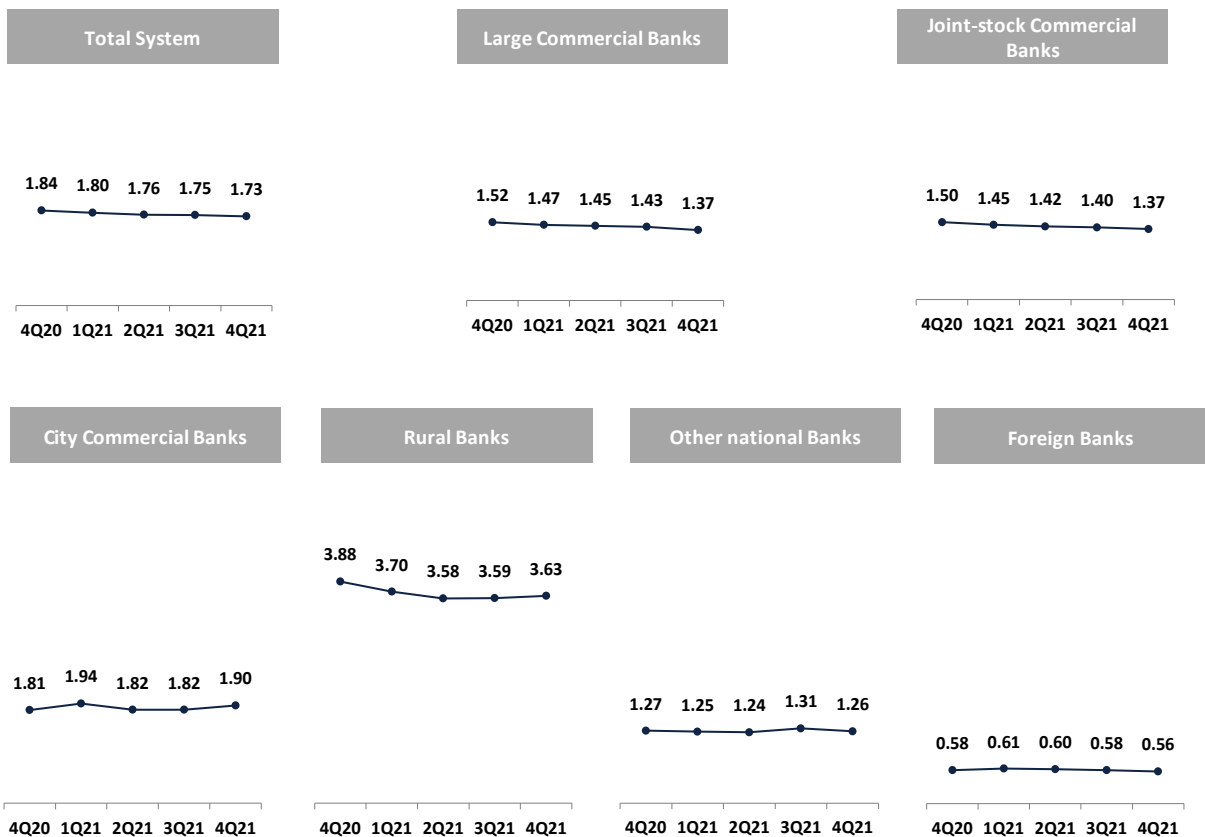


NPL ratio

The NPL ratio for the total system slightly decreased during the fourth quarter of 2021, down to 1.73%. This was due to the decreases recorded by Large Commercial Banks, Joint-Stock Commercial banks, Foreign banks and other national banks in comparison to the previous quarter. Foreign banks recorded the lowest NPL ratio while rural banks registered the highest.

- ▶ Non-performing loans ratio decreased by 0.02 p.p. when compared to the previous quarter, reaching a rate of 1.73%.
- ▶ During the fourth quarter of 2021, large commercial banks, joint-stock commercial banks, foreign banks and other national banks all experienced decreases of 0.06 p.p., 0.03 p.p., 0.02 p.p. and 0.05 p.p. down to rates of 1.37%, 1.37%, 0.56% and 1.26%, respectively.
- ▶ On the other hand, city commercial banks and rural banks recorded increases in their NPL ratio of 0.08 p.p. and 0.04 p.p. up to 1.90% and 3.63%, respectively
- ▶ Foreign banks registered the lowest NPL ratio of the period (0.56%) while rural banks registered the highest (3.63%)

NON-PERFORMING LOANS RATIO (%)



Source: China Banking and Insurance Regulatory Commission.

5. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ National Bureau of Statistics of China:
<http://www.stats.gov.cn/english/>
- ▶ IMF:
<http://www.imf.org/external/index.htm>
- ▶ World Bank: <https://www.worldbank.org/>
- ▶ State Administration of Foreign Exchange (SAFE):
<http://www.safe.gov.cn/>
- ▶ BBVA Research:
<http://www.bbvarsearch.com/KETD/ketd/esp/index.jsp>
- ▶ Bloomberg:
<http://www.bloomberg.com/>
- ▶ Standard & Poor's:
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- ▶ Fitch Ratings:
<http://www.fitchratings.es/>
- ▶ Moody's:
<http://www.moodys.com/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ Bank of Spain:
<http://www.bde.es/bde/es/>
- ▶ Central Bank of the Republic of Argentina:
www.bcra.gov.ar
- ▶ Central Bank of Chile:
www.bcentral.cl
- ▶ Bank of Mexico:
www.banxico.org.mx
- ▶ Central Bank of Brazil:
www.bcb.gov.br

MACROECONOMIC OVERVIEW (Continued)

- ▶ National Administrative Department of Statistics of Colombia (DANE):
<http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia:
<http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela:
www.bcv.org.ve
- ▶ Central Reserve Bank of Peru:
www.bcrp.gob.pe

Appendix

SOURCES

GLOSSARY

- ▶ **Efficiency Ratio:** Operating expenses / Total income.
- ▶ **Return On Equity (ROE):** Profit for the period (after tax) / Total equity.
- ▶ **Return On Assets (ROA):** Profit for the period (after tax) / Total assets.
- ▶ **Large Sized State-owned Banks:** ICBC, CCB, ABC, BoC, BDC, Bank of Communications and Postal Savings Bank.
- ▶ **Small & Medium Sized State-Owned Bank:** Local Banks, including City Commercial Banks.
- ▶ **Private Banks:** Joint-stock Commercial Banks and Foreign Banks.



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Manfred Nolte

Management Solutions Partner APAC
Manfred.Nolte@ms-asia.com

Yu Zhan

Management Solutions Beijing Office
Yu.Zhan@ms-asia.com

Management Solutions (Beijing)

Units 1420, Level 14, China World Office 1
No.1 Jianguomen Wai Avenue,
Chaoyang District, Beijing 100004, China
Tel +(86) 10 65050018
www.managementsolutions.com

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