



中国社会科学院世界经济与政治研究所  
Institute of World Economics and Politics, CASS

# **CDB: Born Bankrupt, Born Shaper**

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## CDB facilitates growth through

- not only infrastructure financing,
- but also institutional improvement.



- 1 Born bankrupt in 1990s
- 2 Changes in last two decades
- 3 CDB as a shaper to financial system
- 4 CDB as a role of counter-cyclical
- 5 Concluding remarks

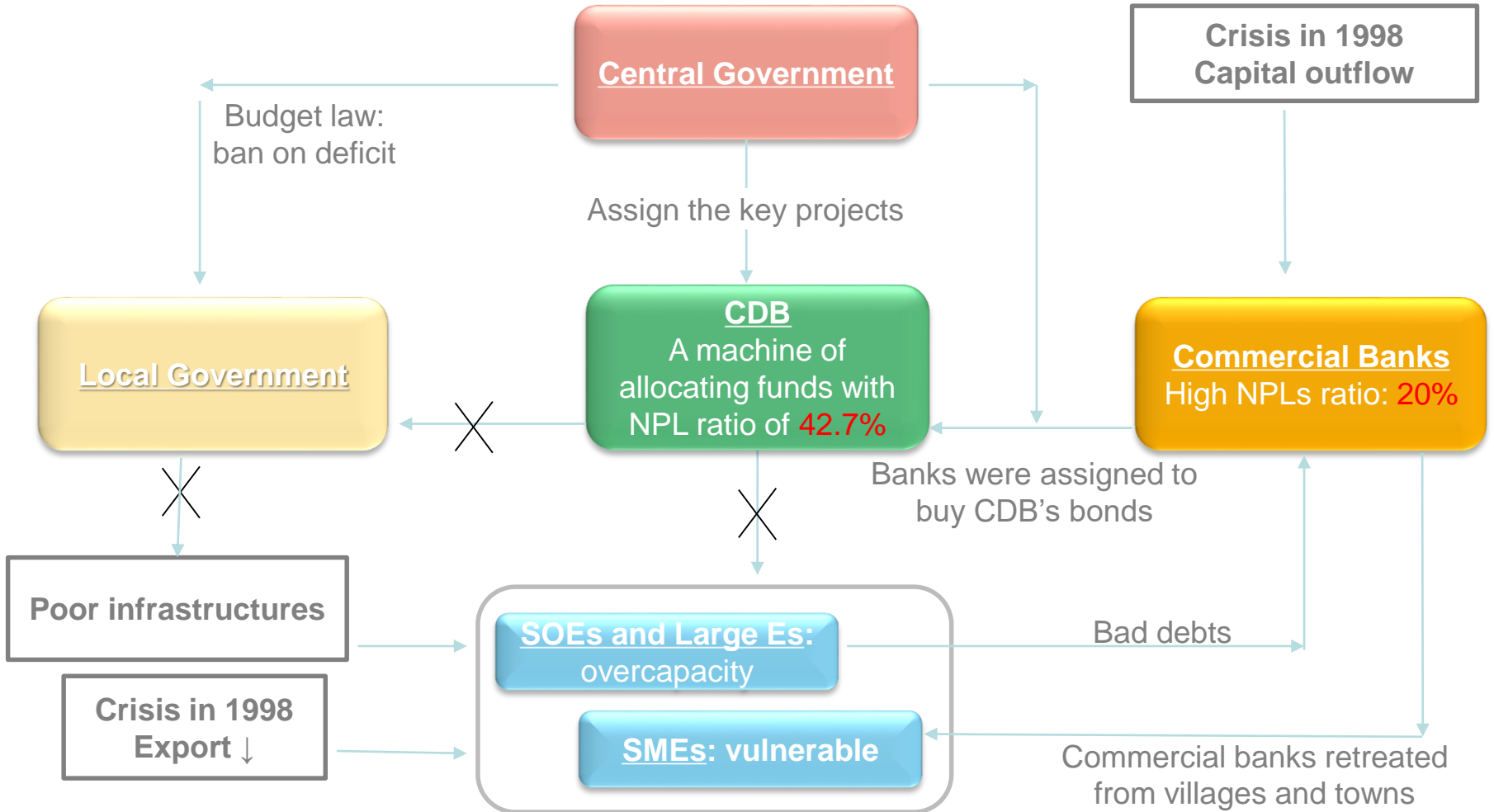


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# 1 Born bankrupt in 1990s



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# Why LGBs are forbidden since 1994?

## Local government

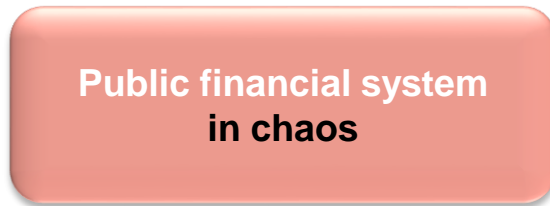
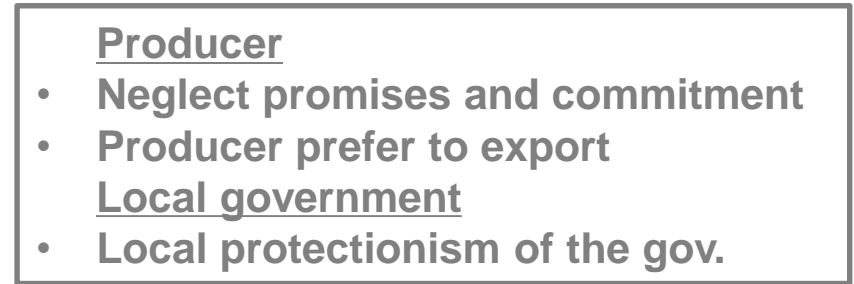
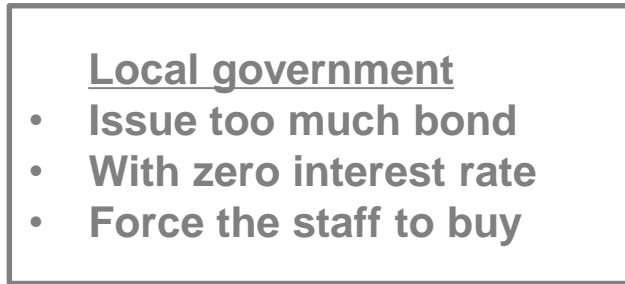
- Issue too much bond
- With zero interest rate
- Force the staff to buy

## Producer

- Neglect promises and commitment
  - Producer prefer to export
- ## Local government
- Local protectionism of the gov.

**Public financial system  
in chaos**

**Private financial system  
in disorder**





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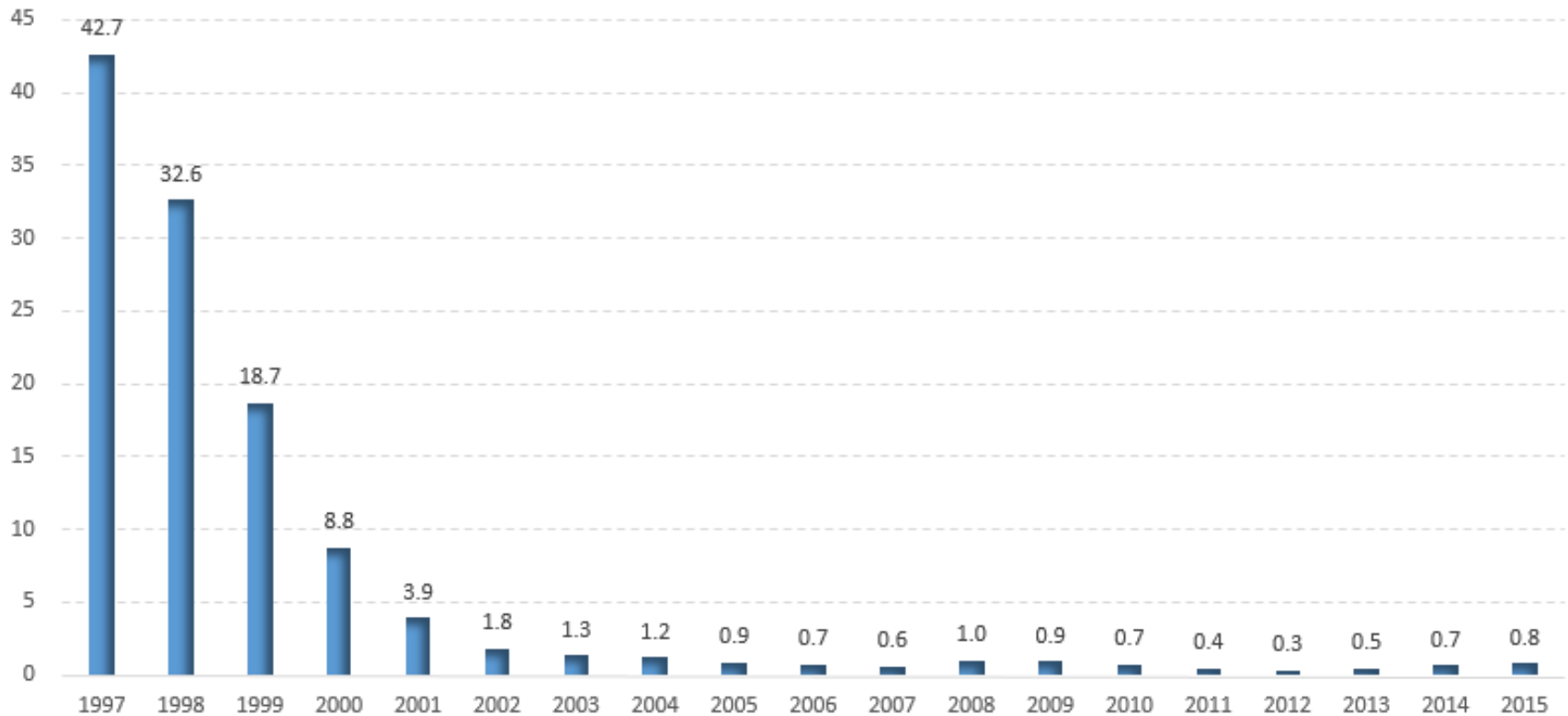
## **2 Changes in last two decades**





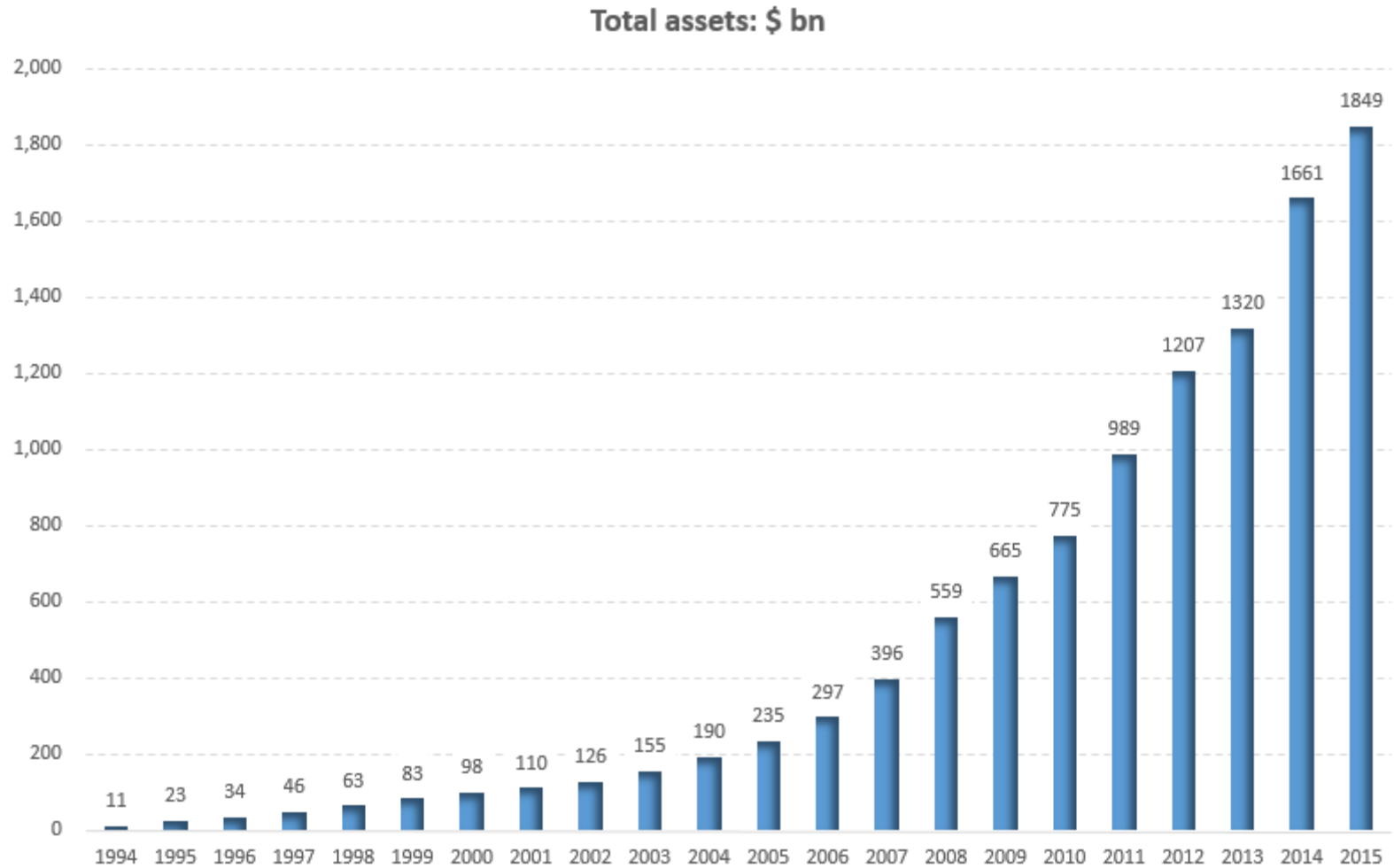
## 2 Changes in last two decades

NPL ratio: %





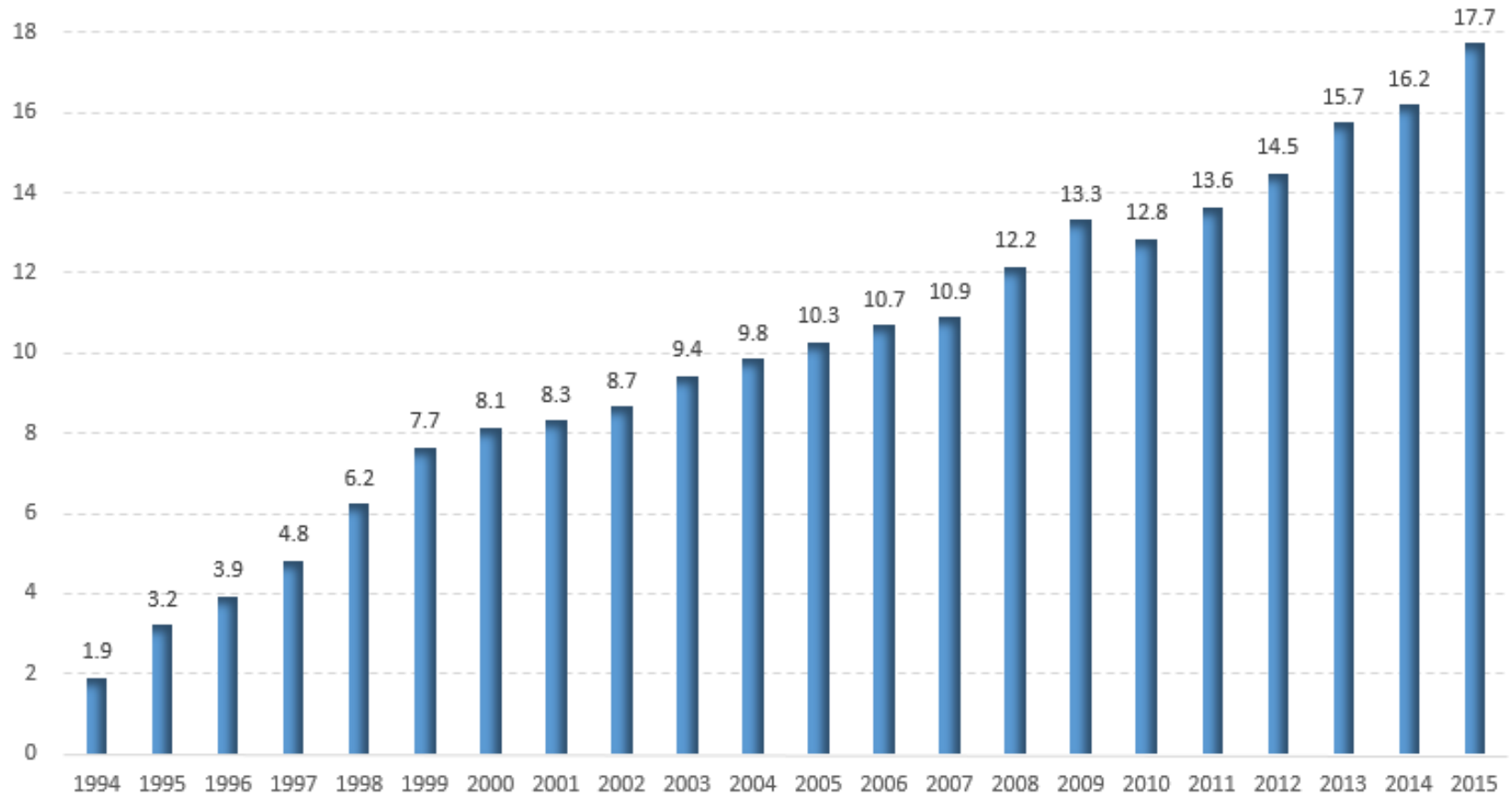
## 2 Changes in last two decades





## 2 Changes in last two decades

CDB's Assets to GDP ratio: %



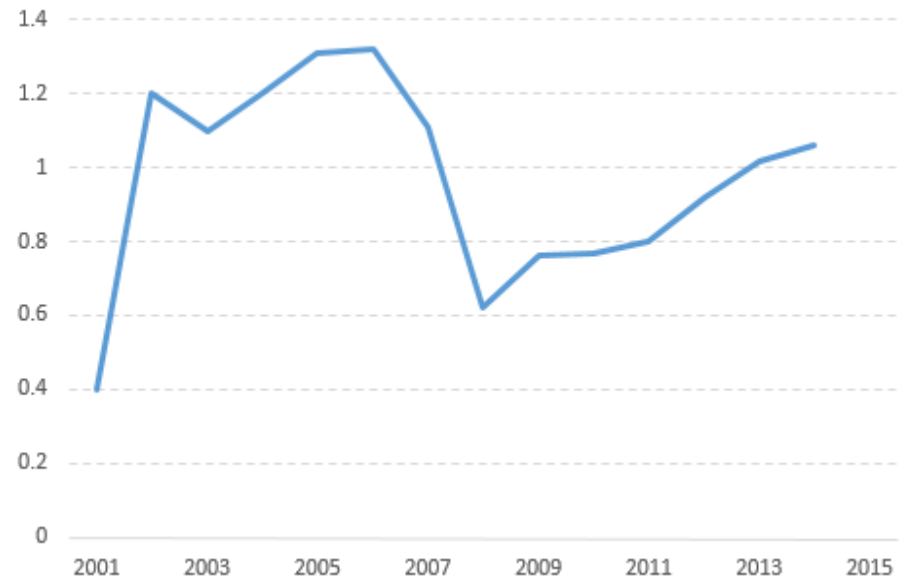


## 2 Changes in last two decades

Capital adequacy ratio : %



ROA : %





## 2 Changes in last two decades

|       | Tangible infrastructure      | Intangible infrastructure<br>esp. Financial system |
|-------|------------------------------|--|
| 1990s | Poor                         | Poor   |
| 2000s | Developed in most areas      | Development with distortions<br>(Launched by CDB)  |
| 2010s | Need furthermore development | More aggressive financial reforms<br>(Beyond CDB)  |

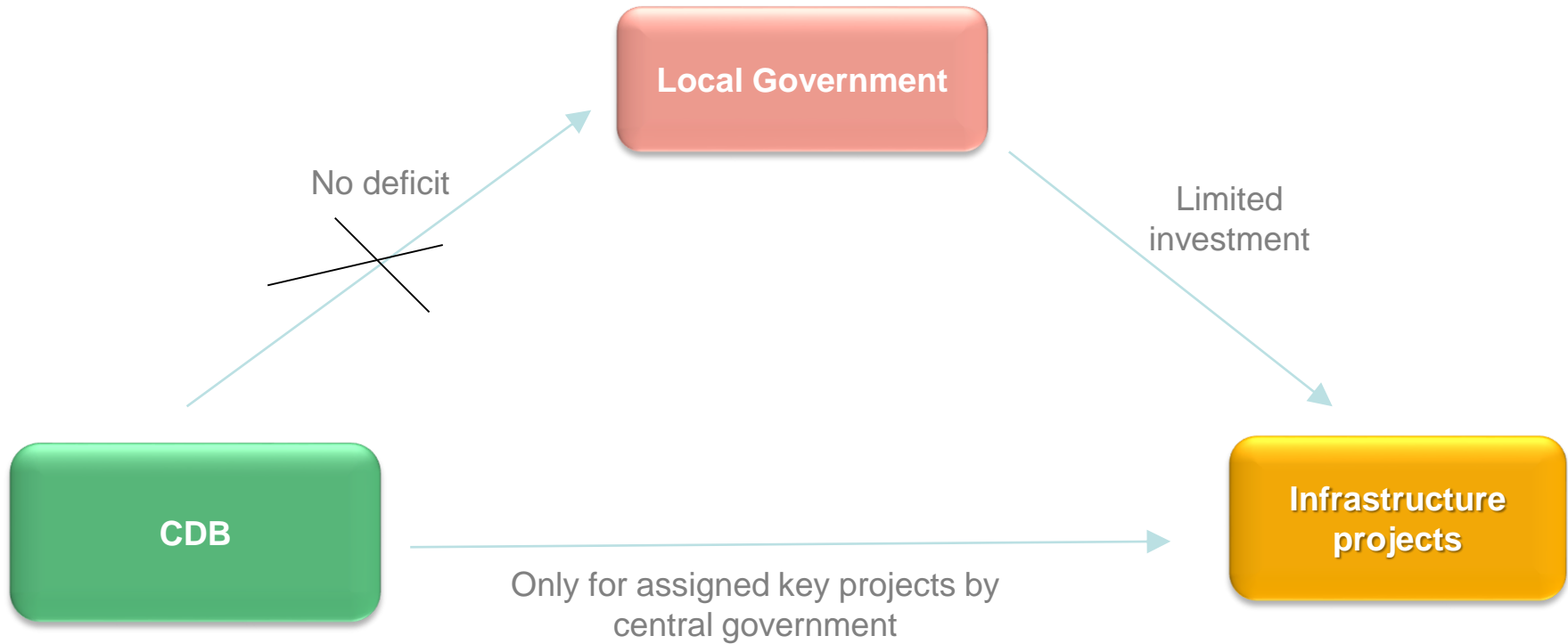


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## **3 CDB as a shaper to financial system** to the infrastructure financing system without reforms

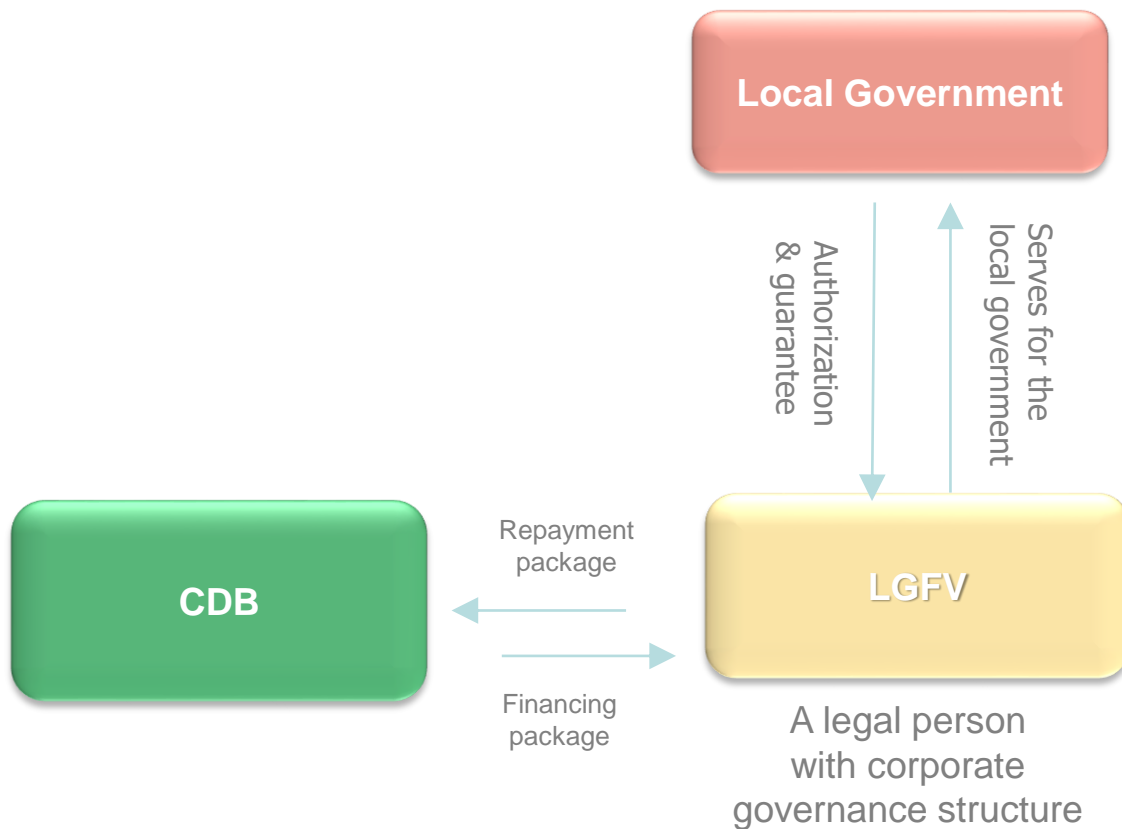


### 3 CDB as a shaper





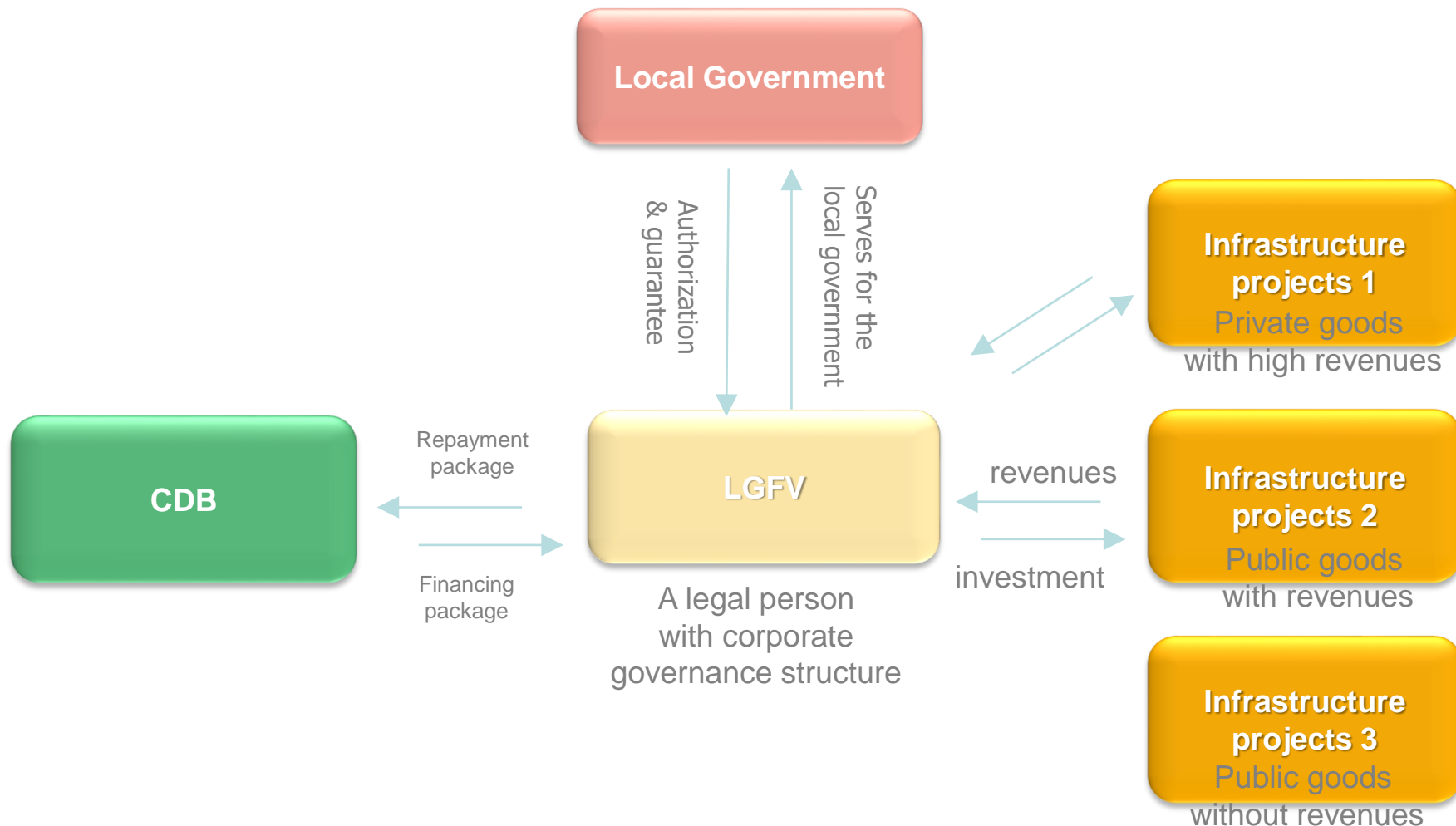
### 3 CDB as a shaper





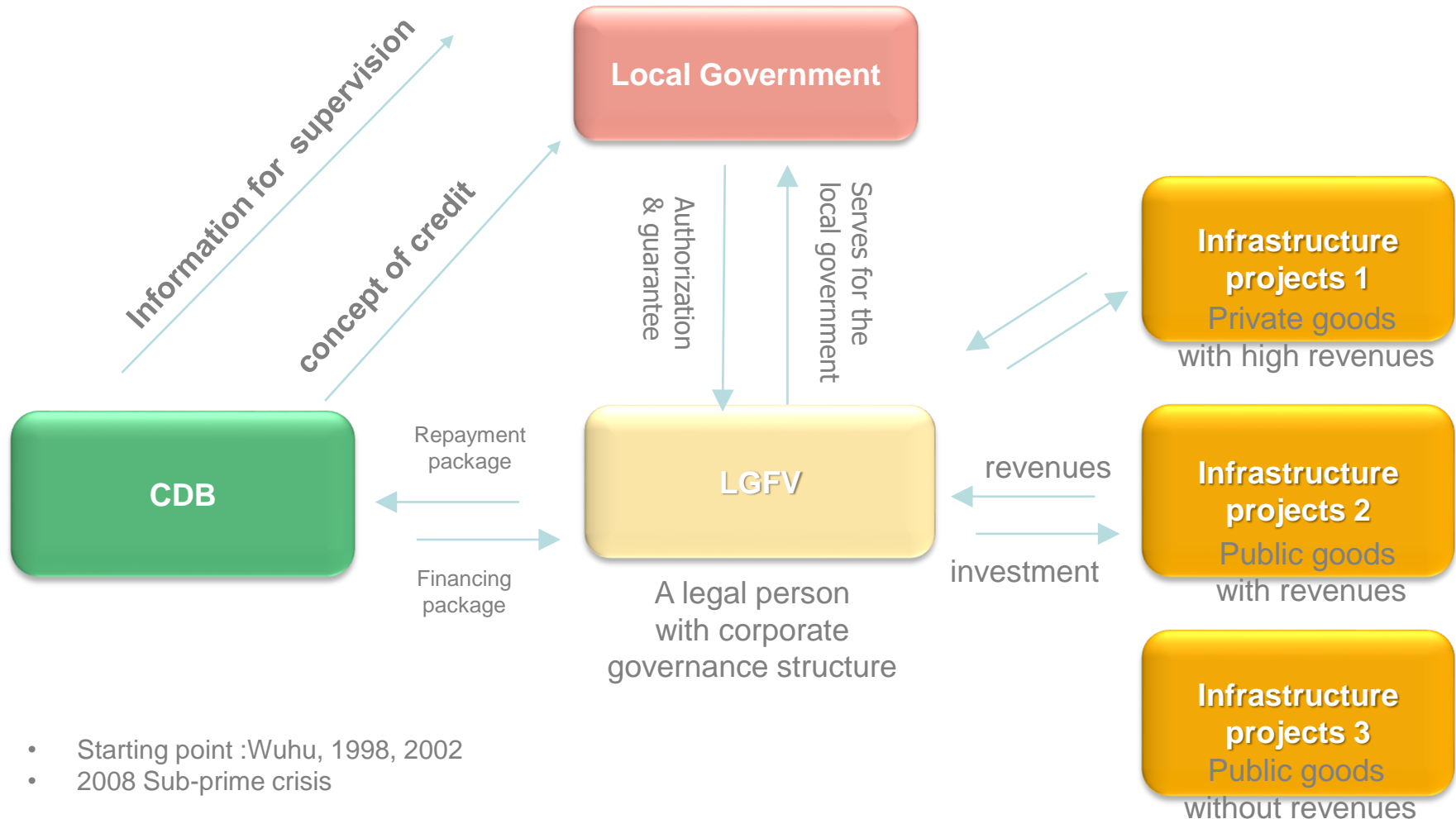


### 3 CDB as a shaper





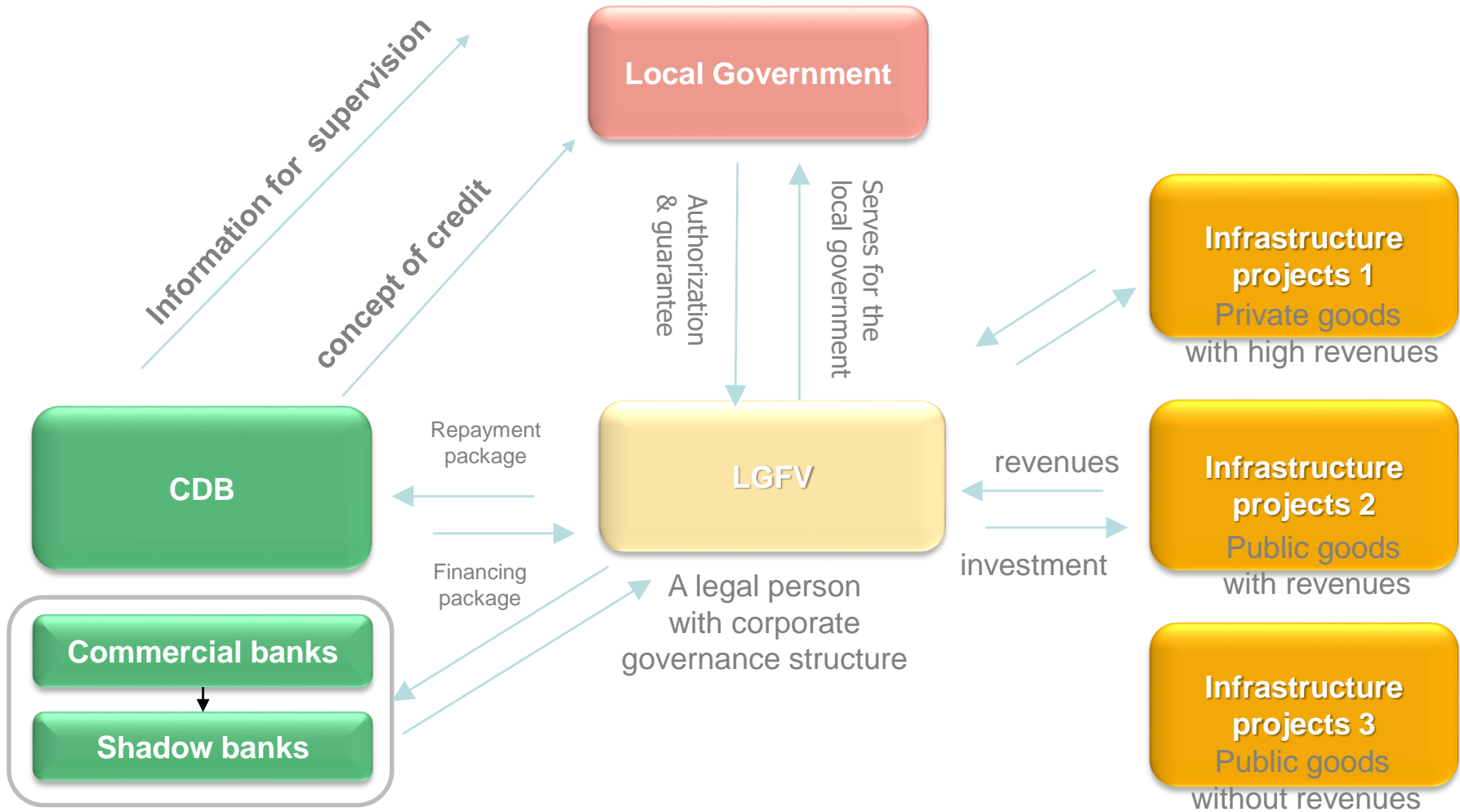
### 3 CDB as a shaper



- Starting point :Wuhu, 1998, 2002
- 2008 Sub-prime crisis

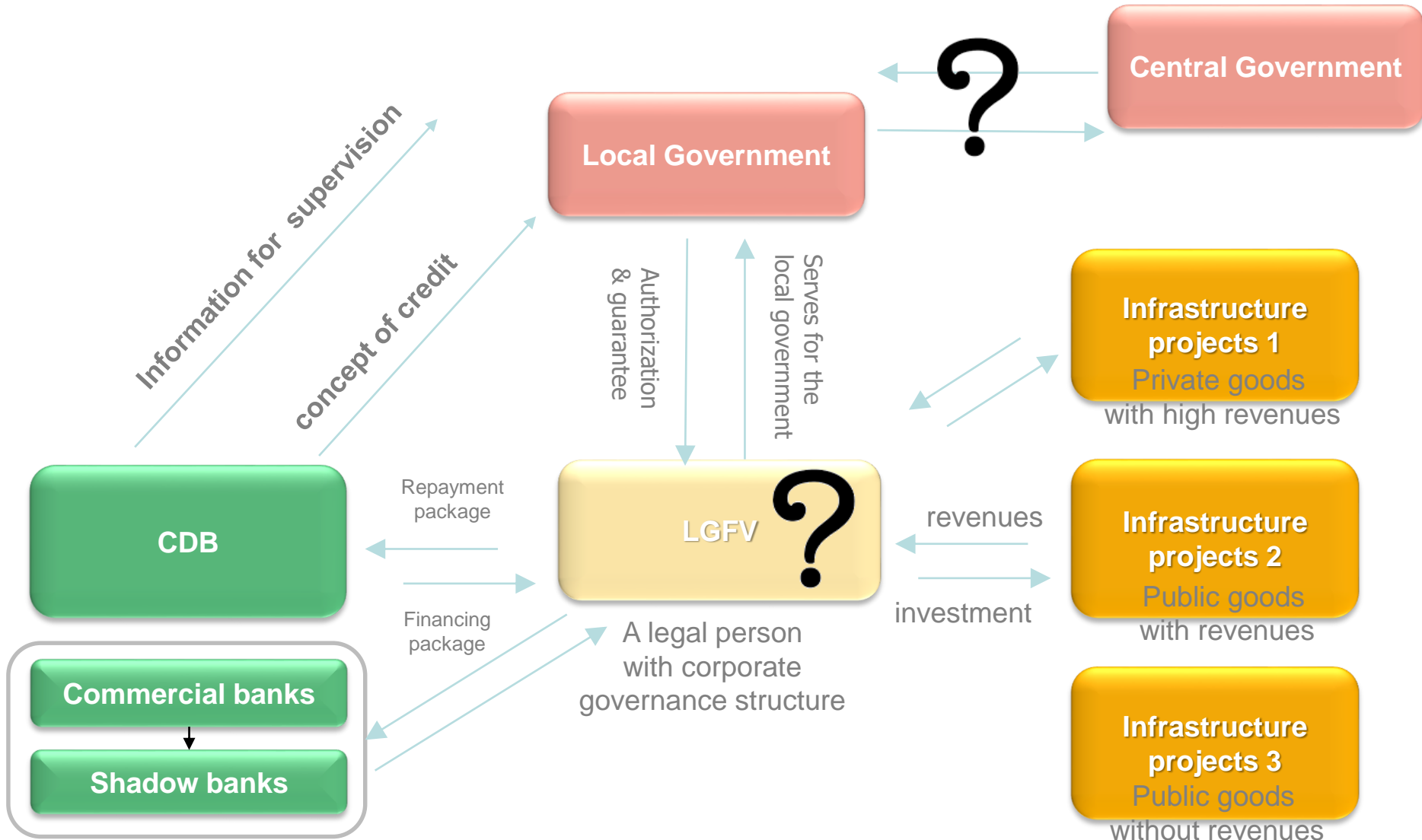


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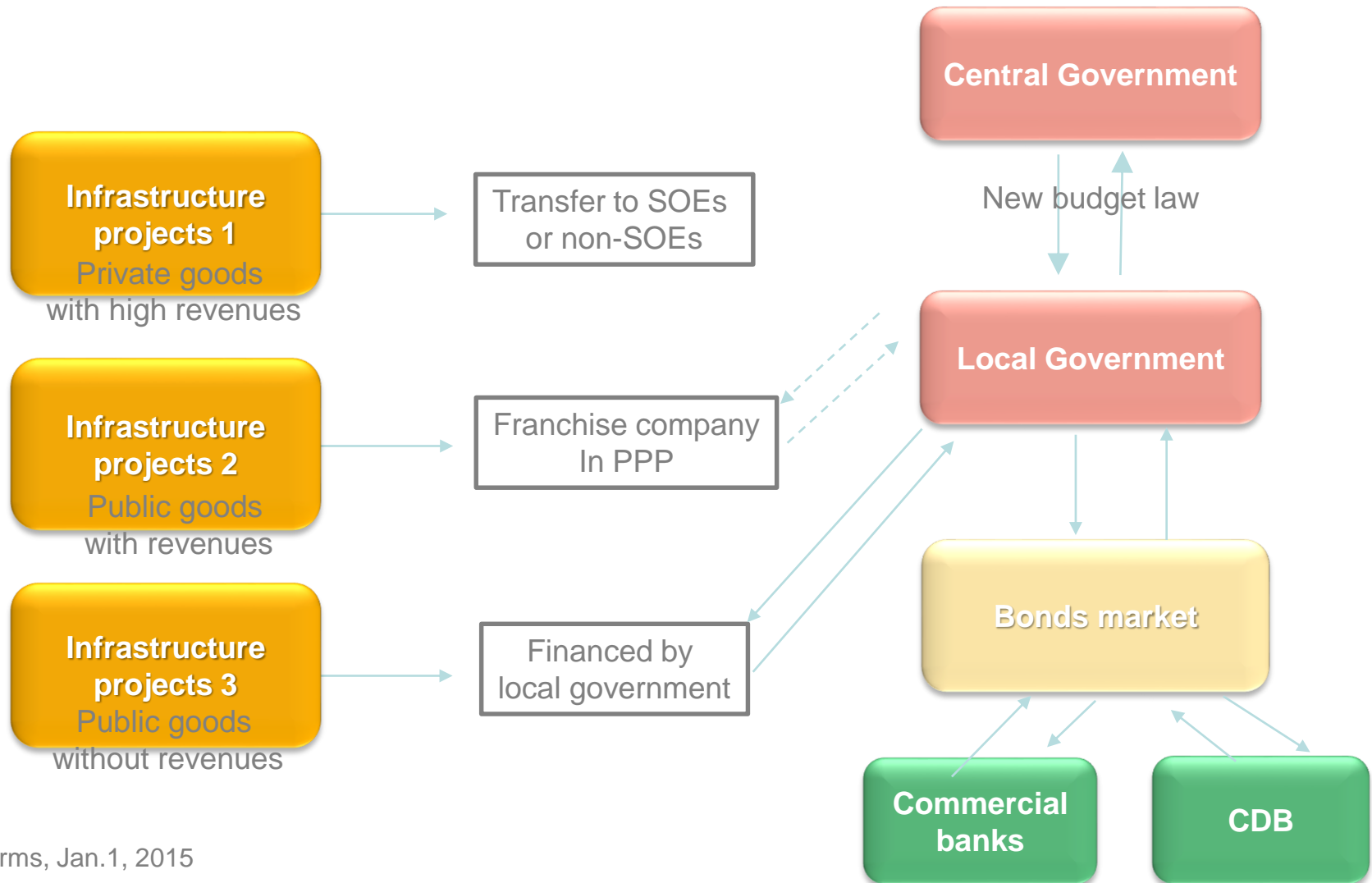


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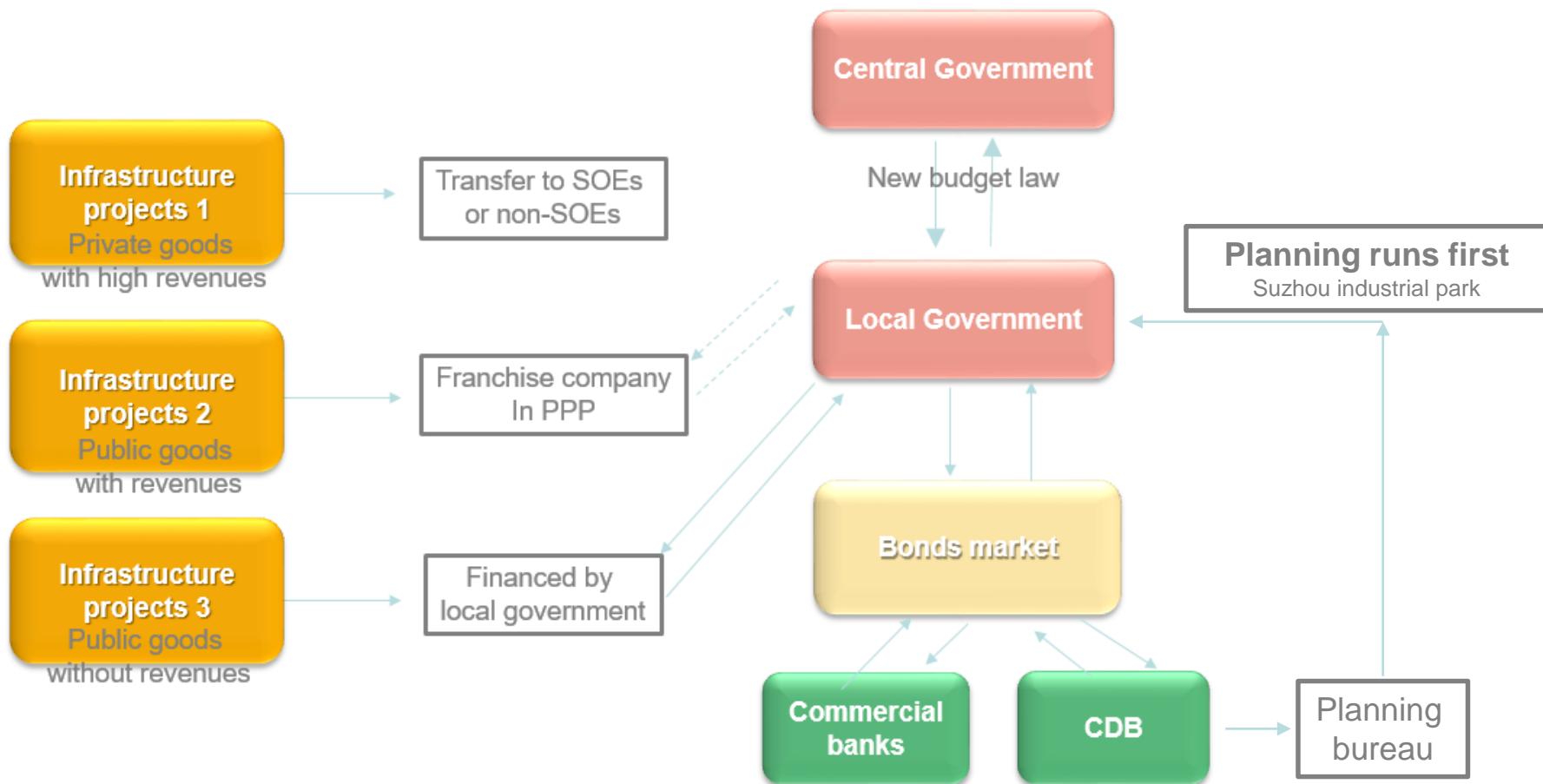
### 3 CDB as a shaper



- Reforms, Jan.1, 2015



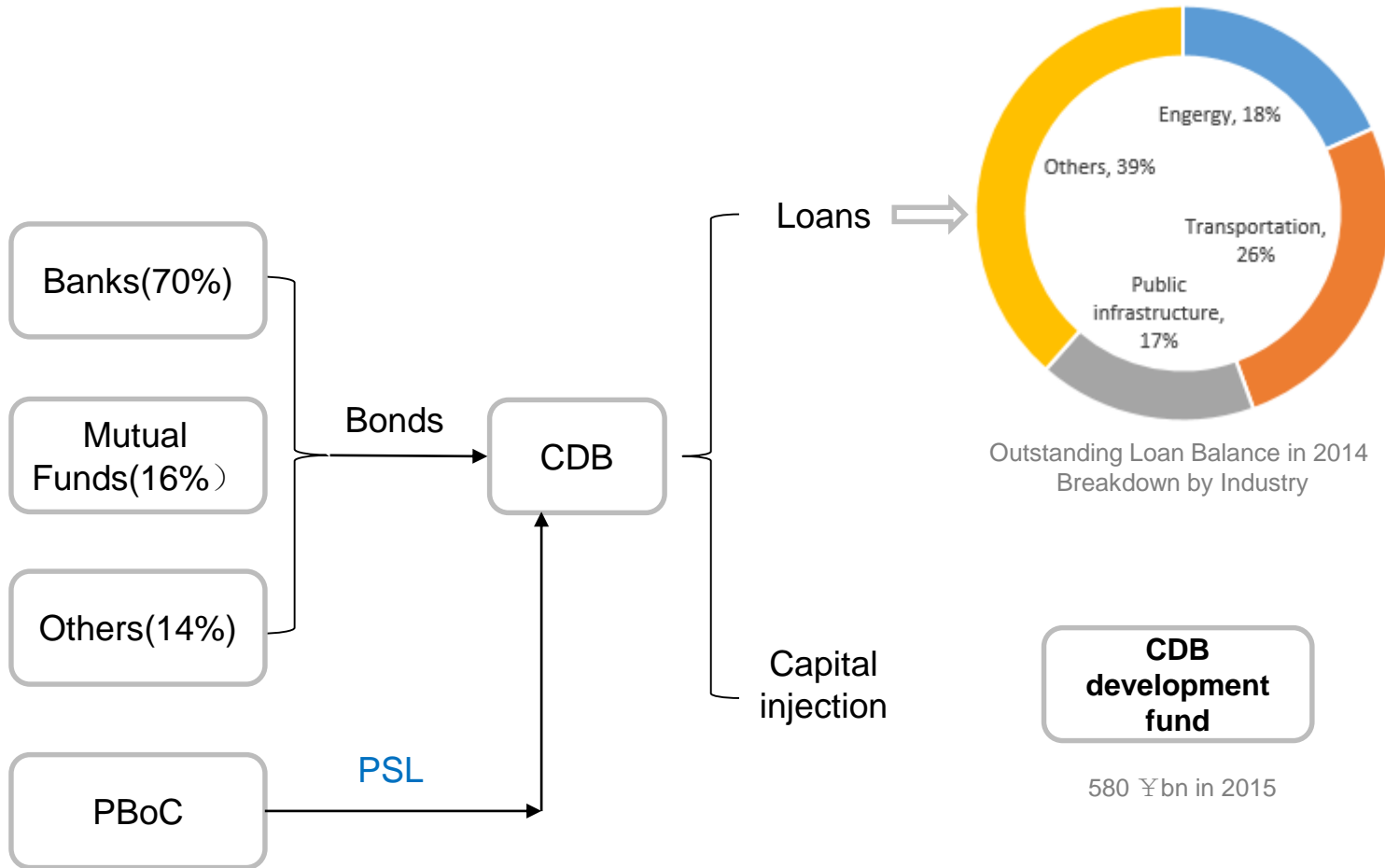
### 3 CDB as a shaper





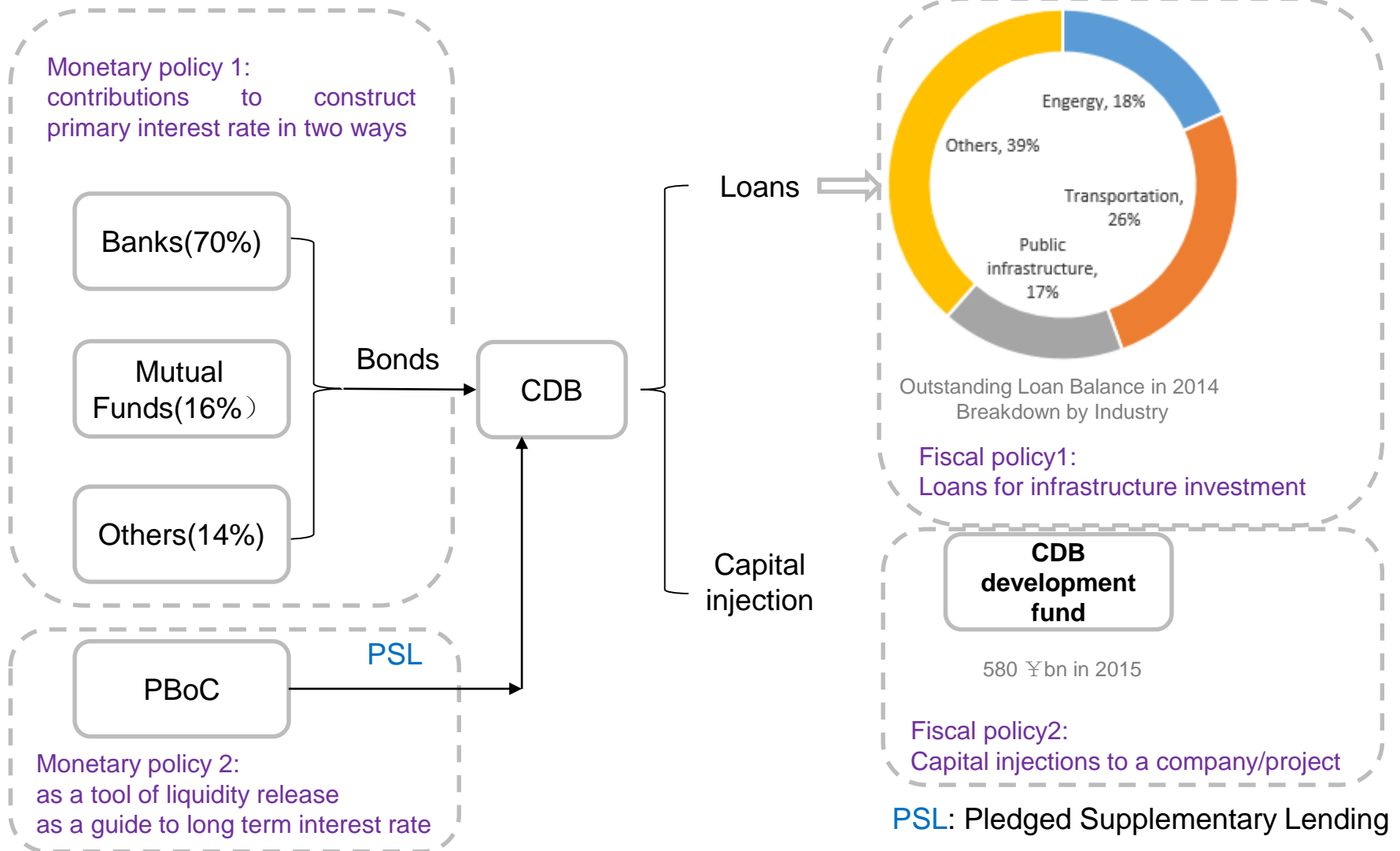
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## **4 CDB as a role of counter-cyclical**



PSL: Pledged Supplementary Lending





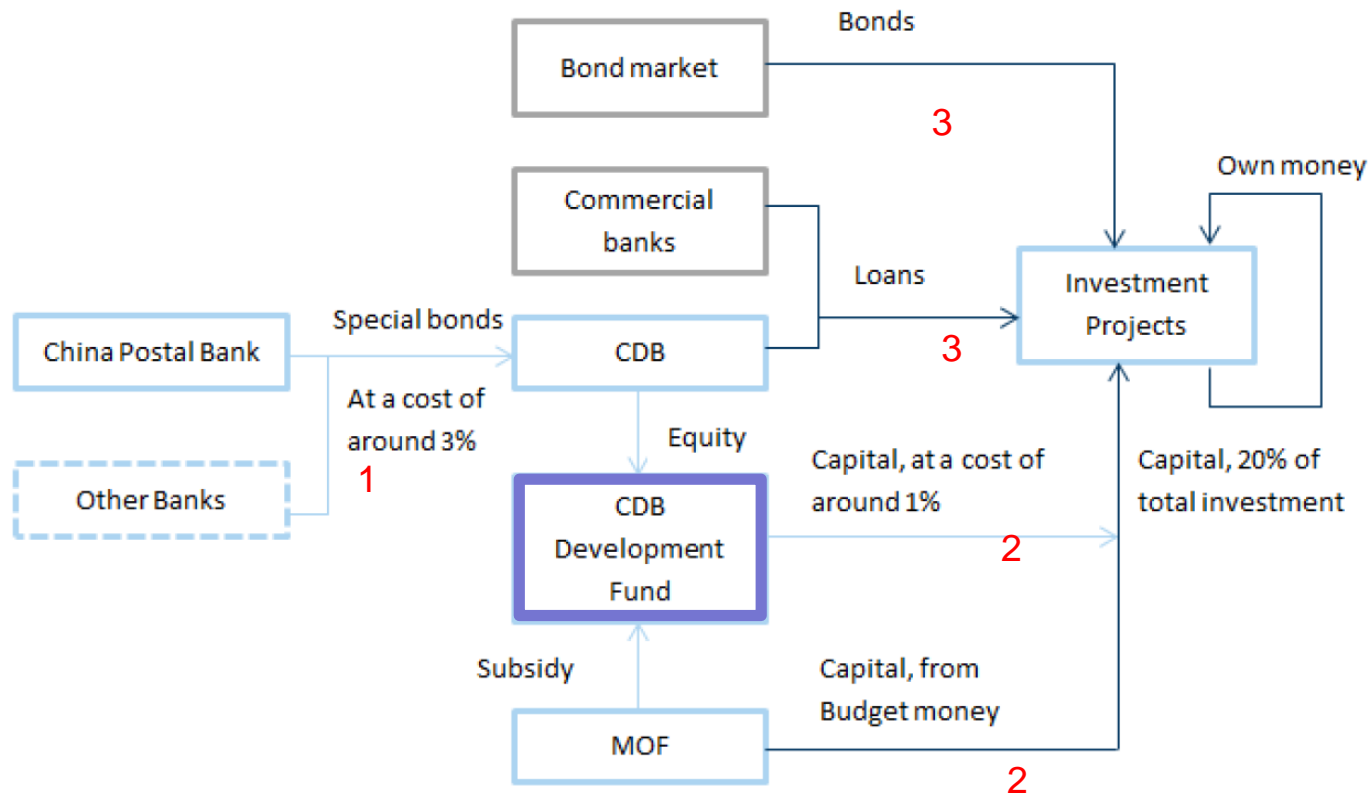


- Fiscal policy1: Loans for infrastructure investment, growth rate





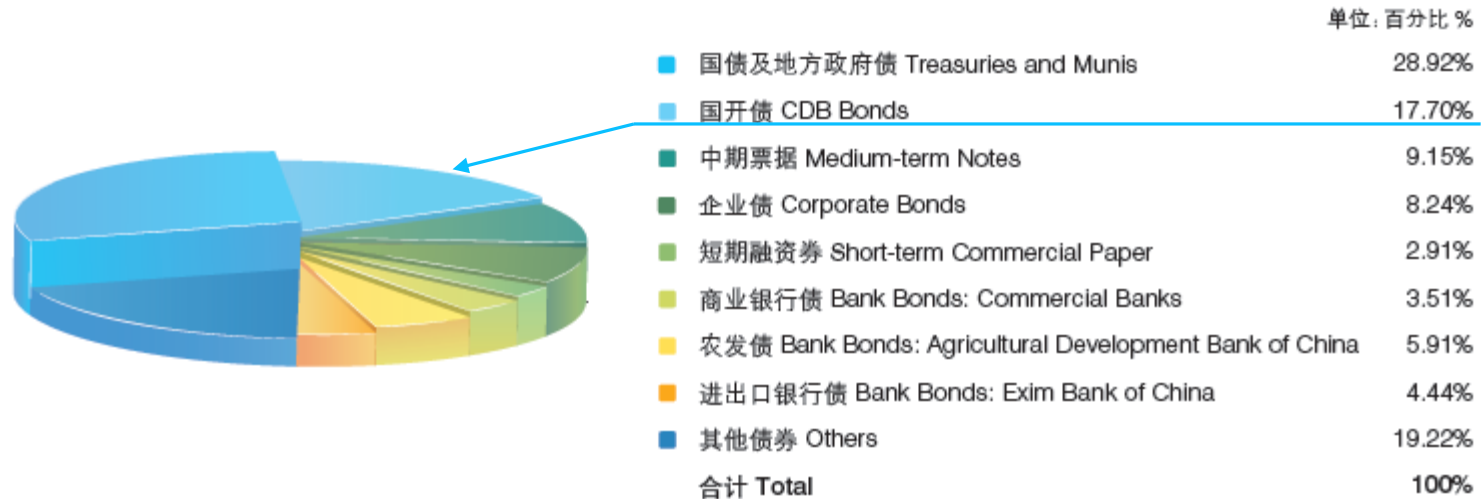
- Fiscal policy2: Capital injections to a company/project





- Monetary policy 1:  
contributions to construct primary interest rate in two ways

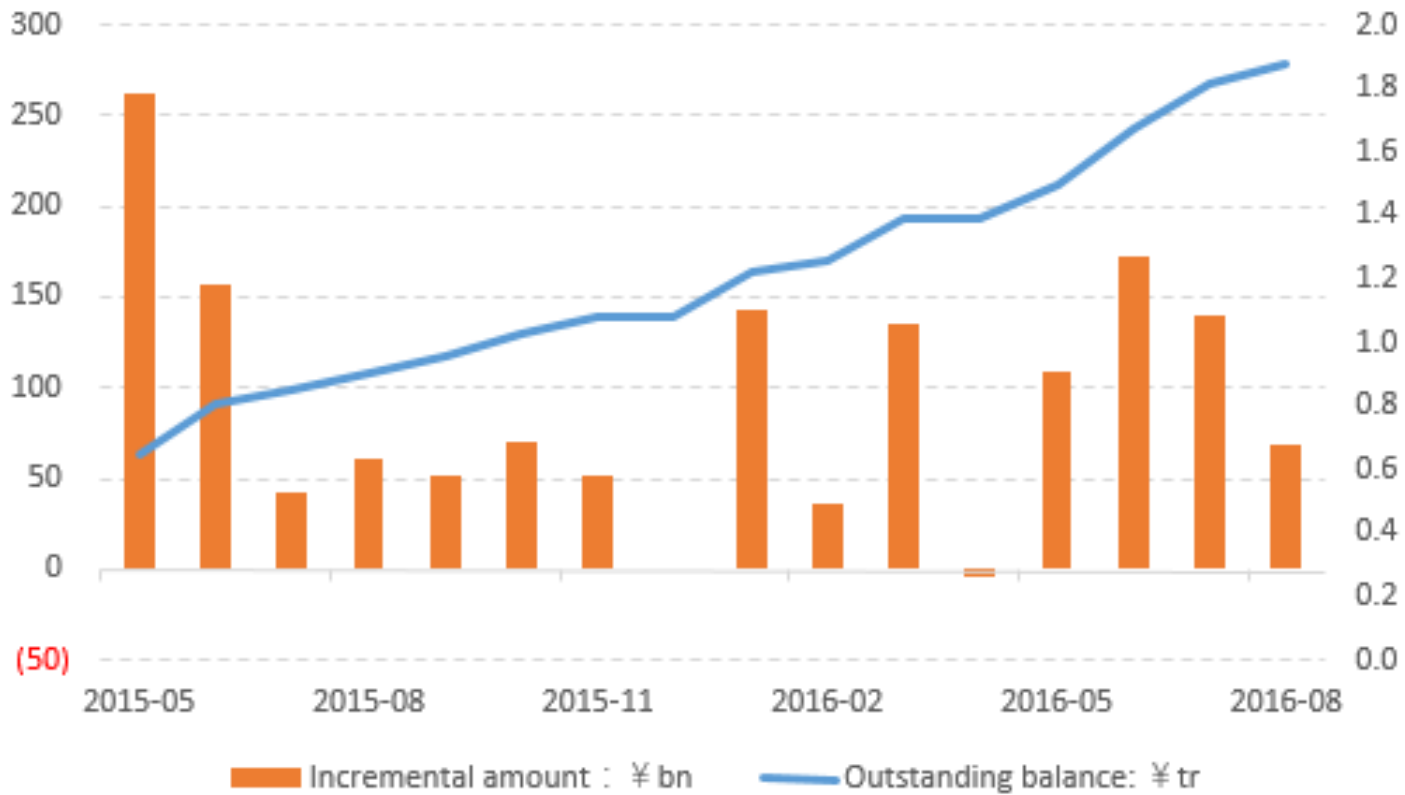
Renminbi Debts by Market Share in 2014



- An application of Shibor: floating rate bonds based on Shibor, 74% of them are issued by CDB.
- CDB's interest rate itself as a kind of bench mark in the market



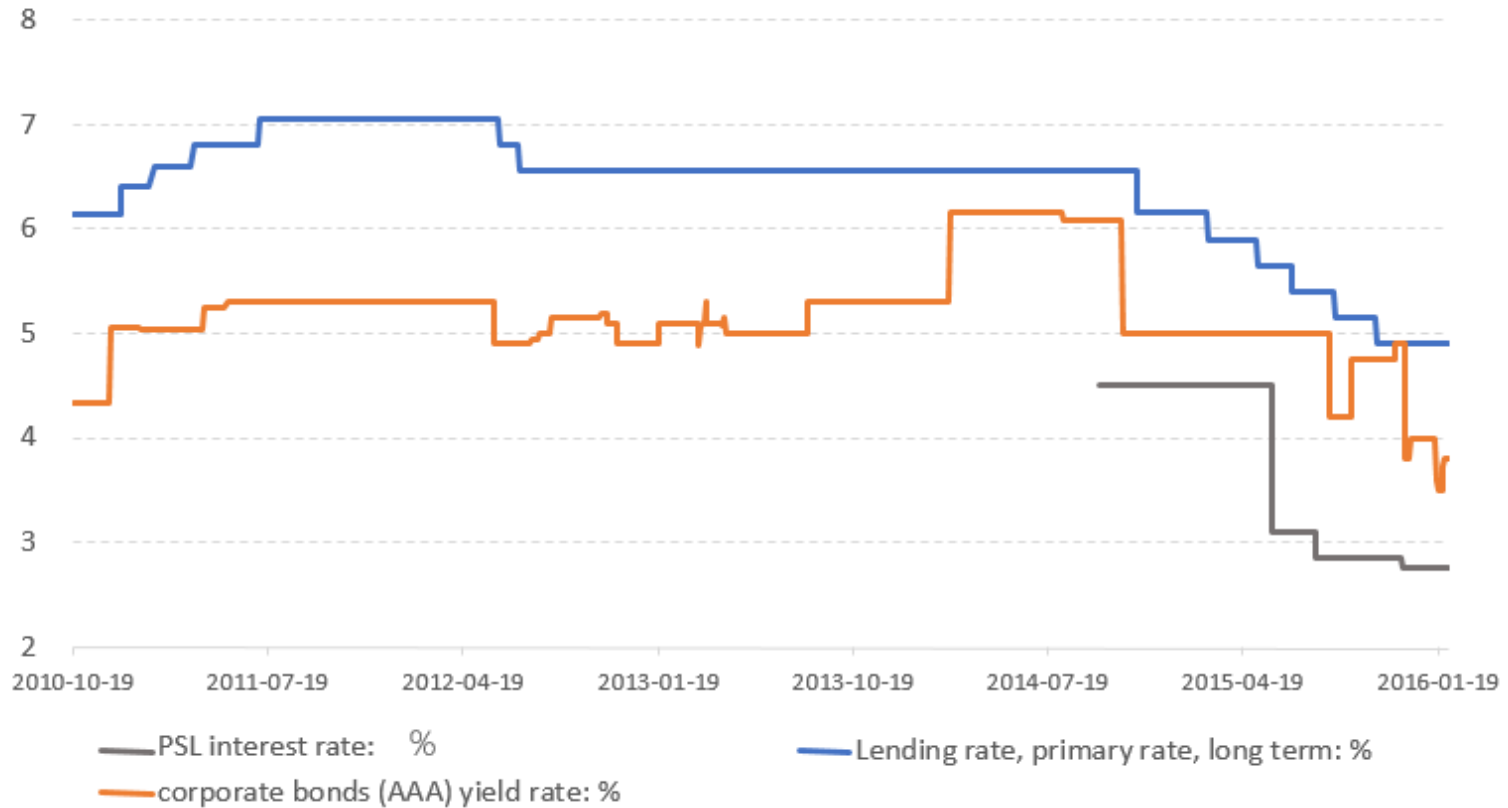
- Monetary policy 2.1  
**PSL as a tool of liquidity release**





- Monetary policy 2.2

## PSL interest rate as a guide to long term interest rate





## 5. Concluding remarks

- CDB

- born bankrupt in 1990s.
- realized a tremendous leap in 2000s.
- A most important contribution,  
is to revamp the financial market with institution innovations.
- The innovations (LGFV) caused new problems, which lead to substantial fiscal reforms in China.
- With its significant role in the market, CDB exert its counter-cyclical tools to facilitate fiscal-and-monetary policy effects.
- Now CDB is facing the pressure to promote green development, industrial upgrading, inclusive finance...



Born bankrupt, born shaper  
a story applies not only to CDB.

More shapers lead to more changes.