

Lending to China surges \$92bn as banks shrug off debt bubble fears

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LENDING by international banks to China surged in the first quarter of the year, new data from an influential central bankers' body shows, reflecting increasing confidence in the country despite fears of a debt bubble in the

world's second-largest economy.

Cross-border bank assets lent to emerging economies grew by eight per cent year-on-year in the three months to March, with China accounting for more than half of that growth, according to the Bank for International Settlements (BIS).

The increase in emerging markets helped drive global

cross-border banking assets up by \$427bn (£328bn) in the first three months of 2017 to reach \$27.7 trillion in total, a two per cent year-on-year increase.

Assets lent to emerging markets accounted for \$151bn of the increase, the largest step-up since the start of 2014. Some \$92bn of that was lent to China.

Cross-border lending to China totalled \$850bn at the end of March 2017, although this remained 23 per cent lower than its September 2014 peak of \$1.1 trillion.

BIS itself has urged caution on Chinese growth, saying that pressures are building up into a situation similar to the run-up to the global financial crisis.

Chinese authorities are alert to the growing debt levels, according to Daryl Liew, head of portfolio management at Reyl Singapore.

He said: "I would expect these figures to moderate in the second quarter as the government has since tightened liquidity conditions to reduce leverage in the financial system."

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