EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Artcile

Headline: Chinese Property Is Beyond Repair. How Can Creditors Delay Its Collapse?

Article Link: https://www.ft.com/content/f1ee18a0-69d6-4243-9a1d-934ec9ae96f2

Author(s)	Bryce Elder
Publication	Financial Times
Publication Date	December 08, 2023

Tweet: China's "slow motion financial crisis" wasn't that slow, as highlighted by a recent Barclays report. In the aftermath of Evergrande half of China's major developers have defaulted on at least $140bn of dollar bonds.

Summary: Barclays argues, "Stripping out Evergrande, we estimate that an average 30% haircut of the total interest-bearing debts for the other 26 POE developers may be required to: 1) improve EBITDA coverage ratios to more than 1.5x; and 2) lower debt/EBITDA ratios to 8x or below, assuming 6% average interest costs, 15% EBITDA margin, and normalised contracted sales at the 2022 level. Moreover, if only offshore creditors have to bear the cost of the restructuring (ie, no haircuts on onshore debts), then we estimate the potential debt haircuts would need to increase to around 70% for offshore debts, assuming offshore debt accounts for 50% of interest-bearing debts." Related: The Debt Supercycle Comes to China and China Begins Nationwide Push to Reveal Hidden Government Debt and China's Age Of Malaise

Primary Topic: Business Cycle

Topics: Business Cycle, Database, GDP, News article

Permalink: https://www.edwardconard.com/macro-roundup/chinas-slow-motion-financial-crisis-wasnt-that-slow-as-highlighted-by-a-recent-barclays-report-in-the-aftermath-of-evergrande-half-of-chinas-major-developers-have-defaulted-on-at-least-1?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/12/BarCap-FT.png