<u>China gets it ‘negative’ this time – Moody’s Report</u>

Moody's downgraded China's credit ratings from "stable" to "negative." The reduction is in response to recent economic concerns, including as a manufacturing slump exacerbated by the Covid-19 outbreak. China implemented a "Zero-Covid" policy, which stated that any report of instances would result in complete lockdowns, in an effort to stop the virus's spread thereby severely impacting economic activity. Along with the continued shrinkage of the property sector, the projection revision also takes into account the heightened risks associated with structurally and persistently reduced medium-term economic growth.

Due to the strong demand for homes, China's real estate market had years of boom before encountering significant funding constraints. Large real estate companies like Country Garden and Evergrande have recently fallen behind on their loan payments due to a decline in demand. Concerns have been raised regarding the potential impact on the overall economy. Voices have raised over the government's budget because it could need to intervene and spend billions of dollars to actively support these sectors. According to Moody's, the nation's GDP will grow by 4.0% annually in 2024 and 2025 and 3.8% on average from 2026 to 2030.

However, China's long-term local and foreign currency issuer ratings of A1 were maintained by Moody's. Nonetheless, a downgrade may occur in the future due to the lowering of the outlook. The Chinese economy was downgraded from Aa3 to A1 in 2017, which was the most recent downgrading. The Chinese Finance Ministry were quick to respond this by issuing a statement that "Moody's concerns about China's economic growth prospects, fiscal sustainability, and other aspects are unnecessary".

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