Shenzhen Credit Analysis

Lijia, Josef, Ammar, Yuexin

Note: For all slides, unless a footnote is provided, information is sourced from the Shenzhen Offering Circular published in 2024.

Debt and Liquidity (40%)

Debt Burden:

$$\frac{\text{Total Debt}}{\text{Population}} = \frac{269.24 \times 10^9 \, \text{RMB}}{17.7901 \times 10^6} \approx 15\,134.26 \, \text{RMB/capita}$$

Debt-to-Revenue Ratio:

- Local General Revenue: 65.46%
- Total Public Revenue: 45.84%

Debt-to-GDP Ratio:

$$\frac{269.24 \times 10^9 \, \text{RMB}}{3460.64 \times 10^9 \, \text{RMB}} \approx 7.78\%$$

Liquidity: 6 billion yuan reserve fund, within the 1-3% of budgeted expenditures [a]

Debt & Liquidity Score (out of 100): 83

[a]: Shenzhen Finance Bureau (2023), `https://szfb.sz.gov.cn/zwgk/zjxx/zfyjs/content/post_11560218.html`

Budget Outlook (30%): Revenue

Local Revenue Composition:

Component	Amount (¥B)	Share (%)
Tax Revenue [a]	346.77	84.3
Major Taxes [a]	156.20	38.0
Other Tax Revenue [a]	190.57	46.3
Non-tax Revenue [a]	64.52	15.7
Total Local Revenue	411.29	100.0

Key Fiscal Metrics:

- Revenue Self-Sufficiency:

$$\frac{\text{Local Revenue}}{\text{Total Expenditure}} = \frac{411.29 \times 10^9 \, \text{RMB}}{587.41 \times 10^9 \, \text{RMB}} = 70.02\%$$

[a]: Shenzhen Finance Bureau (2023), https://szfb.sz.gov.cn/zwgk/zjxx/zfyjs/content/post_11560218.html
Tax categories: Major taxes include VAT, CIT, PIT, LVAT, and DIT; Other taxes comprise deed tax, land transfer fees, and similar revenues; Non-tax revenues include fees for services and special funds.

Budget Outlook (30%): Expenditures

Expenditure Structure and Fiscal Strength:

Component	Amount (¥B)	% of Total	% of Category
Social Services [a]	330.34	56.2	100.0
Education [a]	100.14	17.0	30.3
Healthcare [a]	61.94	10.5	18.8
Social Security [a]	30.39	5.2	9.2
Other Social Services [a]	137.87	23.5	41.7
Infrastructure & Development [a]	140.90	24.0	–
Debt Service [a]	14.3	2.4	–
Other Expenditure [a]	63.19	10.8	–
Total Expenditure	587.41	100.0	–

Budget Score (out of 100): 88

[a]: Shenzhen Finance Bureau (2023), https://szfb.sz.gov.cn/zwgk/zjxx/zfyjs/content/post_11560218.html

Economy (20%)

Indicator	Value	Share (%)	Growth (%)
Primary Industry	2.47[c]	0.1	2.6
Secondary Industry	1,301.53[c]	37.6	6.5
Tertiary Industry	2,156.64[c]	62.3	5.6
Total GDP	3,460.64[c]	100.0	6.0
Population (million)	17.79	–	0.736[s]
GDP per capita	194,527[c]	–	–

Table: Shenzhen Economic Composition and Key Indicators (2023)

Sector Definitions:

- Primary: Agriculture, forestry, animal husbandry, and fisheries
- Secondary: Manufacturing, construction, utilities
- Tertiary: Services, including finance, retail, logistics, and technology

[c]: RMB in billions   [s]: Statista 2024

Strategic Industries:

$$\frac{\text{Strategic Emerging Industries Value Added}}{\text{Total GDP}} = \frac{1448.97 \times 10^9 \, \text{RMB}}{3460.64 \times 10^9 \, \text{RMB}} \approx 41.9\%$$

Trade Balance:

$$\frac{(\text{Exports} - \text{Imports})}{\text{GDP}} = \frac{2455.21 \times 10^9 \, \text{RMB} - 1415.86 \times 10^9 \, \text{RMB}}{3460.64 \times 10^9 \, \text{RMB}} \approx 30.0\%$$

Intellectual Property: 1st in China, 20th consec. year with 15,900 international patent apps

Economy Score (out of 100): 99

Governance (10%)

Category	Assessment
Fiscal Policy	Tax breaks target small business & innovation
Financial Planning	District-level control with 3-year plans
Capital Use	Project bonds with success monitoring
Debt Management	Bonds only for projects, not daily operations
Transparency	Top 10 in China, monthly public reporting
Social Funds	Pension & unemployment funds kept separate
Environmental	Carbon laws with green finance support
Cybersecurity	China's first local personal data (user opt-ins) law[g]
Auditing	Internal checks only, no external audit

Governance Score (out of 100): 80

[g]: Shenzhen Development Research Center (2021), http://drc.sz.gov.cn/ywb/drcnews/DRCxw/content/post_8942479.html

Anchor Rating: Sovereign & Sub-sovereign Linkage

China's Sovereign Rating: A1/A+ (Moody's/S&P/Fitch)

Shenzhen's Credit Profile:

- AAA (Chinese Agencies)
- Global rating potential exceeds China's due to:
    - **Credit Enhancement:** Central government support acts as a credit floor.
    - **Fiscal Resilience:** 70% local revenue self-sufficiency.
    - **Regional Integration:** Strong ties within Greater Bay Area, insulating from sovereign risk.
    - **Economic Diversification:** High-tech, IP, skilled workforce.

Source: Zheng Chongming, "Risk Buffering of Shenzhen Sample under Central-Local Relations," Gansu Administrative Institute Journal, 2022, CNKI.

Overall Judgment: Credit Recommendation

Weighted Score Calculation: 87.4 out of 100
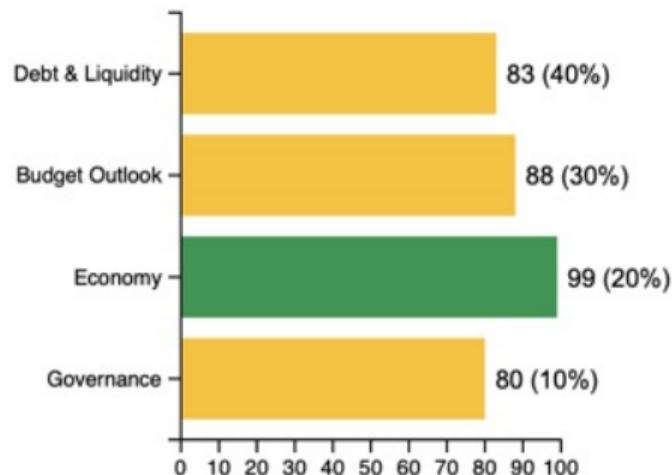
Credit Recommendation: AA+

Key Strengths: economic fundamentals, low debt burden, robust revenue self-sufficiency
Watch Points: no external audit procedures, central government transfer dependency

Works Cited

- Shenzhen Finance Bureau. (2023). Annual Budget Report. Retrieved from https://szfb.sz.gov.cn/zwgk/zjxx/zfyjs/content/post_11560218.html
- Textor, C. (2024, March). Population of Shenzhen, China 2022, by district. Statista.
- Zheng Chongming. (2022). Risk Buffering of Shenzhen Sample under Central-Local Relations. Gansu Administrative Institute Journal.
- Shenzhen Municipal People's Government. (2024, August 16). Publication of the Offering Circular.
- Shenzhen Development Research Center (2021). Retrieved from http://drc.sz.gov.cn/ywb/drcnews/DRCxw/content/post_8942479.html