Summary Report: China's Financial Leasing Industry

China's financial leasing industry has contracted since 2022 as tighter regulation and slower economic growth reduced the number of market participants and outstanding leasing contract balance. The pace of contraction is nevertheless moderating, while stronger issuers continue to benefit from broad capital-market access and falling funding costs. The industry's credit risk is expected to remain stable over the coming year, supported by continued shareholder capital injections, moderate leverage, as well as generally adequate asset quality.

Industry Contraction and Intensifying Competition

China's leasing market comprises financial leasing companies regulated as non-bank financial institutions and commercial leasing companies established by non-financial institutions. The number of leasing companies continued to decline to 7,020 at end-June 2025, with foreign leasing companies accounting for the majority, while the number of financial leasing companies remained broadly stable.

The outstanding leasing contract balance decreased in both 2023 and 2024, but the annual rate of decline narrowed from 3.59% to 3.19%. At end-June 2025, the outstanding contract balance was approximately RMB5.424 trillion, only 0.66% below the level of end-2024. Financial leasing companies continued to expand their contract balances modestly and retained a funding-cost advantage compared with commercial leasing companies, while facing competition from other financial institutions.

Capital-Market Access Favors Highly Rated Issuers

Highly rated leasing companies remained the main participants in both the corporate bond and asset-backed securities ("ABS") markets in 2025. 'AAA' issuers accounted for 89.22% of corporate bond issuance and 88.34% of ABS issuance, while 'AA+' issuers represented 9.78% and 2.79%, respectively. Lower-rated and unrated companies made limited use of unsecured credit instruments and relied more on ABS. Overall funding costs fell significantly with the weighted-average coupon rate of bonds issued by leasing companies declining by 40 basis points to 1.97% in 2025 from 2.37% in 2024. The average coupon rate was 1.93% for 'AAA' issuers, 2.31% for 'AA+' issuers, and 2.60% for 'AA' issuers in 2025.

Regulation Reinforces Asset-Based Leasing and Real-Economy Support

Regulation has become more granular and stringent since 2025, guiding that leasing transactions should combine financing with the genuine use of leased assets. The National Financial Regulatory Administration introduced a new supervisory rating framework for financial leasing companies, assessing corporate governance, capitalization, risk management, professional capability, and information technology. These ratings are linked to supervisory intensity, with distressed institutions facing the lowest rating category.

Furthermore, the policy taking effect in January 2026 requires financial leasing companies to focus on their core business and strengthen verification of asset eligibility, ownership transfer, and the authenticity of underlying financing and usage needs in sale-and-leaseback transactions. Provincial measures have also tightened supervision, such as implementing negative lists, setting minimum paid-in capital requirements, intensifying related-party transaction monitoring, etc., while offering support for green finance, ABS issuance, and specialized operating leases.

Credit Risk Remains Stable

In the short term, leasing companies face liquidity and profitability pressures due to reliance on debt borrowing with significant short-term debt, and impairment provisions. While risks are present, the low interest rate environment helps keep liquidity manageable, though earnings remain under strain from provisions and volatile investment returns.

Over the long term, continued shareholder capital injections should strengthen capitalization and keep leverage at moderate levels, while non-performing asset ratios are expected to remain low. Funding costs may decline further, and successful business transformation should improve structures and creditworthiness. Overall, credit risk is expected to remain steady in the coming year.

Note: This report is an executive summary. For full details, please refer to the original report "2026 年融资租赁行业分析" published by China Lianhe Credit Rating Co., Ltd.

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