



By: Tomorrow's Affairs Staff

Evergrande – the end of an era and a message to the world



The Chinese construction company China Evergrande Group was officially **delisted** from the Hong Kong Stock Exchange on 25 August. This marked the end of the biggest bankruptcy in the history of the Chinese property **sector**.

It symbolically ended an era in which unlimited borrowing was the basis for the development of the largest emerging economy.

At the time of the collapse, Evergrande **had** liabilities worth more than 340 billion dollars, and the list of creditors included banks, funds, construction companies, and millions of households that had bought flats in advance.

The liquidation process, which was ordered back in January 2024, **took** a year and a half, and the delisting from the Hong Kong stock exchange confirms that the Chinese authorities will not keep companies alive without a sustainable future.

For global markets, this event is far more than a local Chinese problem. Evergrande is a reflection of how Beijing is balancing three objectives: protecting social stability, maintaining investor confidence and preventing another property bubble.

At the same time, the delisting is a signal that the Chinese **model** of "growth through cement" is finally exhausted, and the consequences of the spillover are being felt in both Europe and the United States.

Estimates place the expected yields for offshore creditors below 5 per cent, whereas domestic (onshore) creditors and home buyers enjoy a privileged position.

Beijing stresses that the order of payments is a political category: first the citizens, then the local projects, and only at the end the international investors.

The crisis is not yet over with Evergrande

Evergrande is the best-known name, but by no means the only one.

Country Garden, once considered a reliable private property developer, **announced** at the end of August that it expects a loss of between 18.5 billion and 21.5 billion yuan for the first half of 2025. Furthermore, the agreement with the banking group regarding offshore debt indicates that it is merely a temporary solution, not a permanent one.

Beijing, Shanghai, and Shenzhen have only experienced a slight stabilisation

Data from China's National Bureau of Statistics confirms that new home prices **fell** by 0.3 per cent in July compared to the previous month.

Second- and third-tier cities experience particularly pronounced declines, whereas Beijing, Shanghai, and Shenzhen have only experienced a slight stabilisation.

The trend has been negative for more than two years in a row and clearly shows that the problem is not limited to individual companies, but that demand is structurally weakened.

Beijing's political response

In 2020, the Chinese authorities **introduced** the "three red lines" rule, which limits the debt-to-equity ratio of developers.

This effectively broke the debt spiral that had financed growth for years. However, the consequences are much more serious than originally expected.

The authorities openly admit that the "completion of housing" takes priority over payments to creditors

Over the past two years, Beijing has had to **change** its tactics and begin to ease the

conditions: the minimum down payment for buyers has been lowered, mortgage rates have been liberalised, and targeted credit lines have been introduced for the completion of construction sites.

All this has only one aim – to ensure the delivery of housing to ordinary citizens and thus maintain social stability. The authorities openly admit that the "completion of housing" takes priority over payments to creditors.

This is a political decision that clearly prioritises social stability over legal equality.

What does the delisting from the HKEX mean?

By delisting Evergrande, Hong Kong and Beijing are sending a signal to international capital that insolvent and unreformed companies will no longer have a place in the market.

This is an attempt to restore investor confidence in the transparency of the financial markets.

Investors will demand clear guarantees and stricter conditions

For foreign creditors, however, the message is less encouraging: their position is fundamentally weaker than that of domestic actors, and the possibility of recovering investments is almost symbolic.

In practice, this will mean a higher risk premium for future issues by Chinese companies, especially those operating in the international capital markets.

Investors will demand clear guarantees and stricter conditions, and the reduced willingness to buy Chinese debt could limit funding sources for the entire sector.

Macroeconomic implications

The construction sector **contributed** between 25 and 30 per cent to China's GDP when indirect effects are included. Today, this contribution is significantly lower, and the slower growth of the construction industry has a number of consequences.

Declining property values reduce households' sense of prosperity and limit consumption. Local budgets are suffering from the fact that income from property sales is no longer as generous as it used to be, which restricts investment by cities and provinces.

Although the support measures can stimulate demand to a modest degree, stabilisation is naturally slow and limited to the largest cities - World Bank

Banks have become more cautious and are reducing lending, which is slowing down the economy as a whole.

In June, the World Bank **came** to the conclusion that, although the support measures can stimulate demand to a modest degree, stabilisation is naturally slow and limited to the largest cities.

In other words, China will only gradually overcome this crisis, with the risk that smaller cities will remain in decline in the long term.

Implications for Europe

The European Union is directly affected through several channels. Firstly, through the demand for industrial raw materials.

Weaker Chinese construction activity means less consumption of steel, aluminium and copper, which has an impact on European manufacturers.

Engineering and mechanical engineering companies that have equipped Chinese

construction sites for decades are now faced with a decline in orders and have to look for alternative markets.

The lower demand for energy in the construction industry is lowering prices in the short term

The energy sector is also feeling the consequences: the lower demand for energy in the construction industry is lowering prices in the short term but in the long term raises the question of new Chinese priorities - investments in the energy transition and infrastructure outside of residential construction.

The EU must monitor this development closely, as it could mean a redirection of Chinese investment into areas in which European companies want to maintain a technological edge.

Implication for the United States

Due to its low engagement with Chinese developers, the US experiences the least direct impact. But the indirect impact is significant.

The US capital markets see China's property sector as a symbol of systemic risk. Evergrande's delisting and offshore creditor losses are fuelling scepticism about Chinese debt issuance and affecting global capital flows.

Chinese companies, lacking domestic demand, are pushing ever more aggressively into foreign markets

Weaker Chinese demand is also reflected in global commodity prices and is impacting US inflation and the Federal Reserve's monetary policy.

At the same time, Chinese companies, lacking domestic demand, are pushing ever more aggressively into foreign markets, resulting in increasingly intense competition in the global housing and infrastructure project industry.

This is leading to new tensions in developing countries where US and Chinese interests already overlap.

The currency dimension

In 2025, the yuan is weak but tightly **controlled**. China's central bank uses the daily exchange rate as an instrument to prevent sharp devaluations and capital outflows.

However, the weak yuan serves as a buffer for Chinese exporters, particularly during the implementation of new US tariffs.



It is the end of a model of Chinese development based on the endless expansion of cities and the artificial stimulation of demand for housing

The exchange rate has thus become an instrument of industrial policy – a means of compensating for the losses caused by the collapse of the property market.

It represents an additional risk for foreign investors: in addition to the legal uncertainty surrounding debt collection, there is now currency uncertainty, which may further reduce the attractiveness of the Chinese capital market.

Evergrande is more than just a corporate story about incompetent management and excessive

debt. It is the end of a model of Chinese development based on the endless expansion of cities and the artificial stimulation of demand for housing.

Delisting from the stock market is an act of closing an era, but no guarantee of a stable start to a new one.

The most important message, however, comes from China itself: the government prioritises citizens and social stability over creditors and market rules.

This is a fundamental lesson for anyone considering future investment in China – capital is welcome, but only as long as it fits into the political framework and does not jeopardise the fundamental goal: the controlled stability of society.