

China Economy

Credit demand gradually improves

Credit demand recovered in Jan as growth rates of social financing and new RMB loans beat market expectations. Government bond issuance remained robust while corporate credit demand has finally recovered. As leading indicators, Chinese stocks, credit growth and housing market in higher-tier cities all started to rebound from 4Q24, pointing to a probable recovery of the China economy in 2025. Amid the pledge to further support domestic economy and offset Trump 2.0 shock, China would maintain accommodative monetary policy with possible RRR cuts by 50bps and LPR cuts by 20-30bps in 2025. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024.

■ **Social financing flow continued to improve.** The growth of outstanding social financing (SF) remained flat at 8% YoY (all in YoY terms unless otherwise specified) in Jan, while the SF flow rose 9% to RMB7trn after rising 47.5% to RMB2.9trn in Dec, beating market expectation at RMB6.6trn. Government bond issuance continued to accelerate, rising 135.5% to RMB693bn in Jan, as MOF has allocated the 2025 LG debt quota in advance. New RMB loans to the real sector increased YoY for the first time in 15 months, rising 7.8% to RMB5.2trn in Jan compared to RMB840.2bn in Dec, while corporate bond issuance also expanded by 3.1% to RMB445.4bn. The M1 supply, once mainly reflecting corporate business vitality, now better captures overall liquidity of money under the new calibre, which moderated to 0.4% from 1.2%. M2 also edged down to 7% in Jan from 7.3% dragged by the decline of corporate and non-bank financial institutions deposits.

■ **New RMB loans rebounded driven by corporate credit demand.** Growth of outstanding RMB loans edged down to 7.5% in Jan from 7.6%, while the new RMB loans rose 4.3% to RMB5.1trn, following the 15.4% dip to RMB990bn in Dec. New loans to households dropped by 54.7% to RMB443.8bn distorted by the Chinese New Year. New loans to the corporate sector rebounded by 23.8% in Jan to RMB4.8trn, as M&L term loans rose by 4.5%, the first positive YoY growth after 11 months, to RMB3.46trn, possibly boosted by strong early-year performance pressure in the banking system and more room for the leverage up in corporate sector after the government debt resolution. We might need another month to better examine the trend excluding the CNY distortions.

■ **Credit demand may gradually improve amid policy stimulus.** Credit demand in the corporate sector has finally shown signs of stabilization following the policy stimulus, which has already boosted government bond financing and long-term borrowing from households. Chinese stocks, credit growth and housing market in higher-tier cities as leading indicators for the business cycle have rebounded since 4Q24, pointing to a probable recovery of the China economy in 2025. Amid the pledge to further support domestic economy and offset Trump 2.0 shock, China would maintain accommodative monetary policy with possible RRR cut by 50bps and LPR cuts by 20-30bps in 2025. Outstanding social financing and loans may pick up 8.2% and 7.7% at end-2025 after rising 8% and 7.6% at end-2024.

Frank Liu

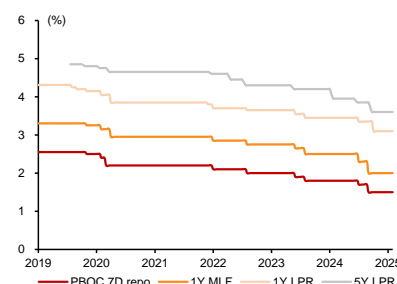
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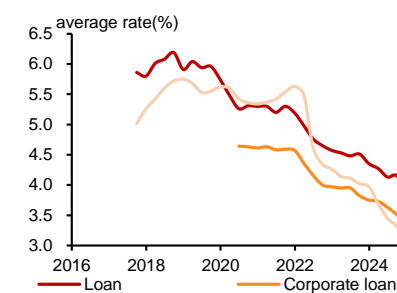
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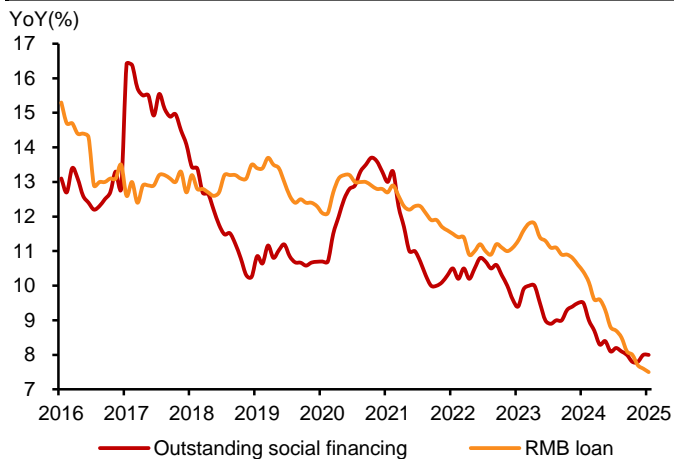
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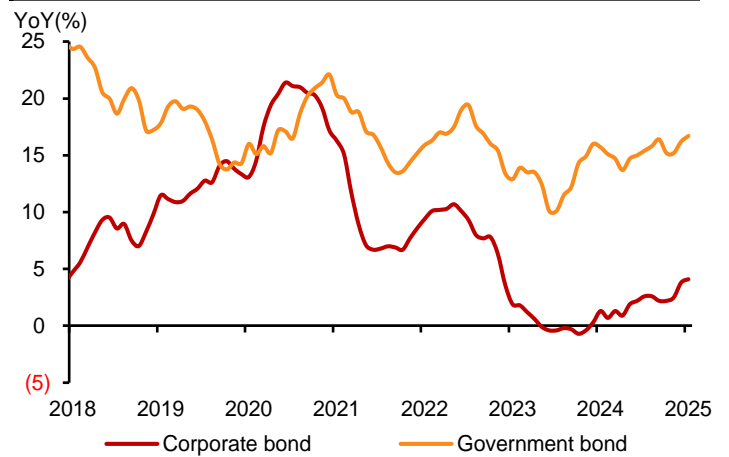
Source: Wind, CMBIGM



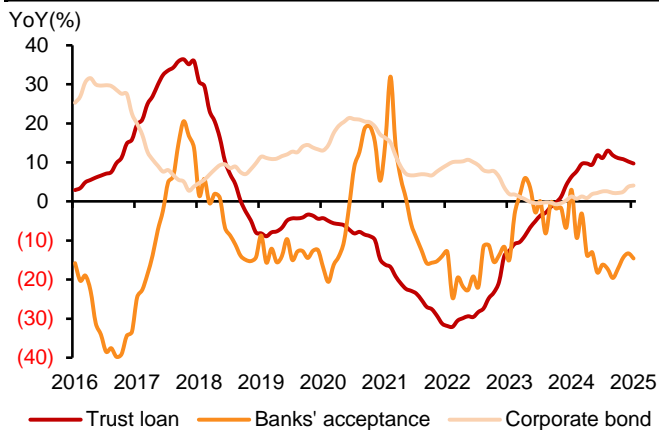
Source: Wind, CMBIGM

Figure 1: Growth of outstanding social financing

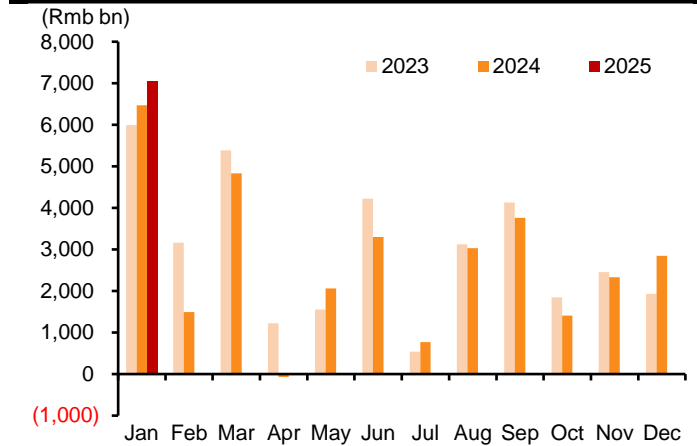
Source: Wind, CMBIGM

Figure 2: Growth of outstanding bond financing

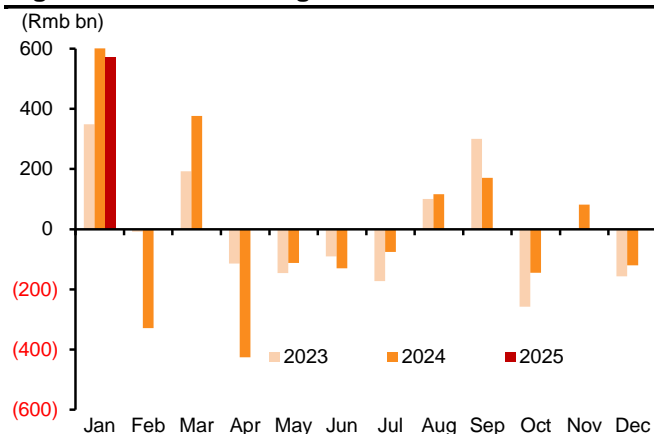
Source: Wind, CMBIGM

Figure 3: Growth of outstanding OBS financing

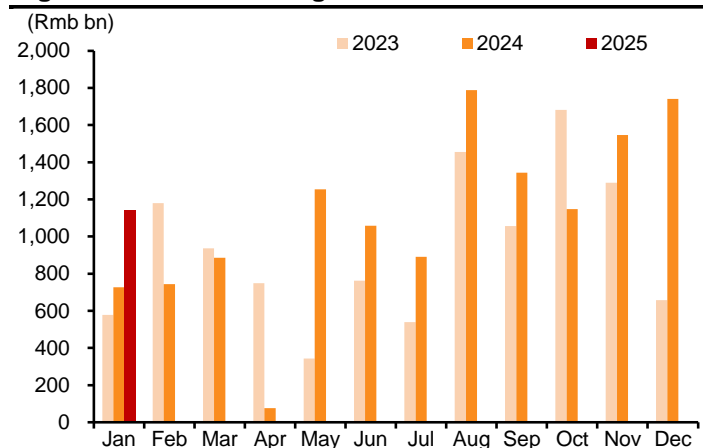
Source: MoF, CMBIGM

Figure 4: Total social financing

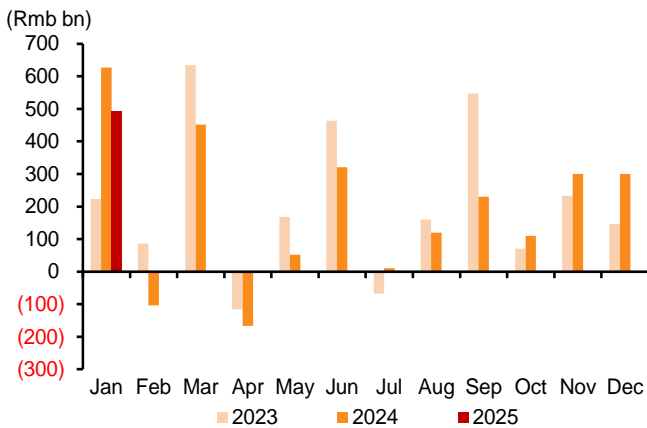
Source: MoF, CMBIGM

Figure 5: OBS financing

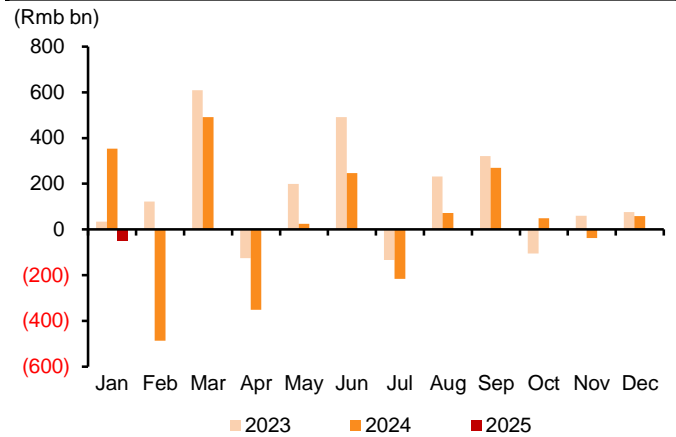
Source: Wind, CMBIGM

Figure 6: Bond financing

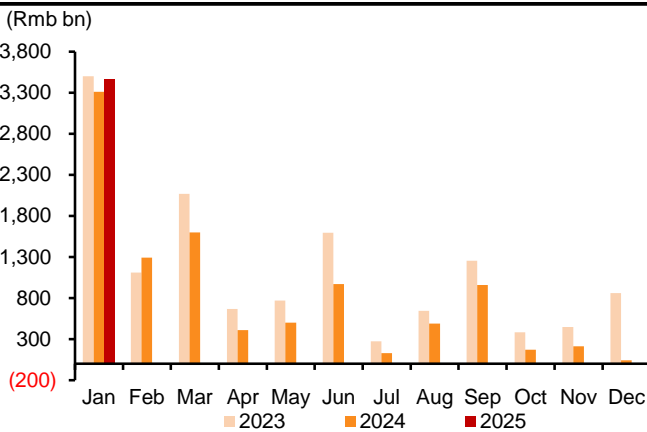
Source: Wind, CMBIGM

Figure 7: New M&L term loans to households

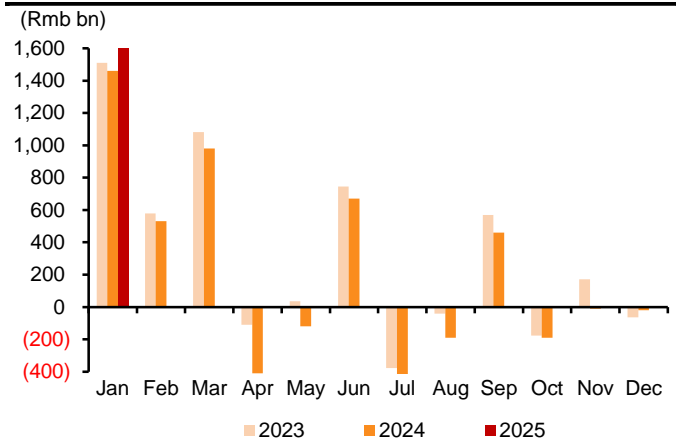
Source: Wind, CMBIGM

Figure 8: New short-term loans to households

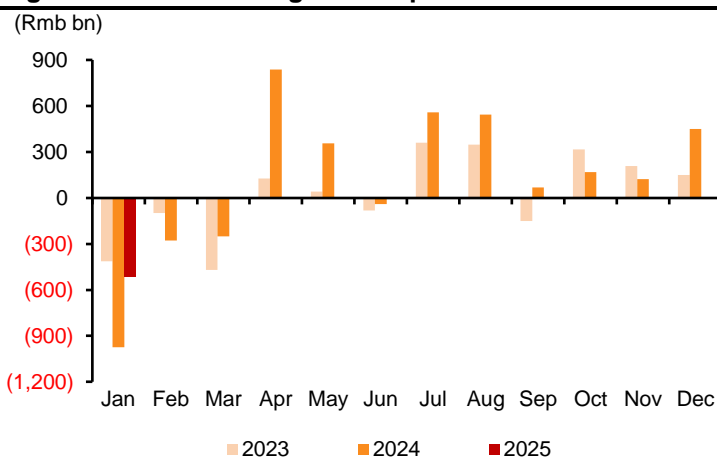
Source: Wind, CMBIGM

Figure 9: New M&L term loans to enterprises

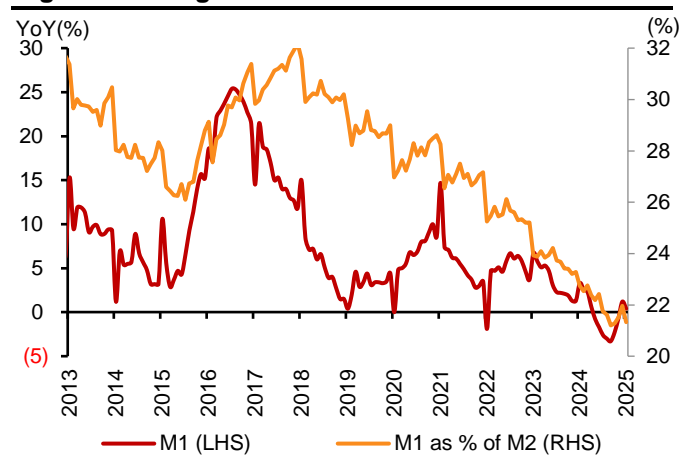
Source: Wind, CMBIGM

Figure 10: New short-term loans to enterprises

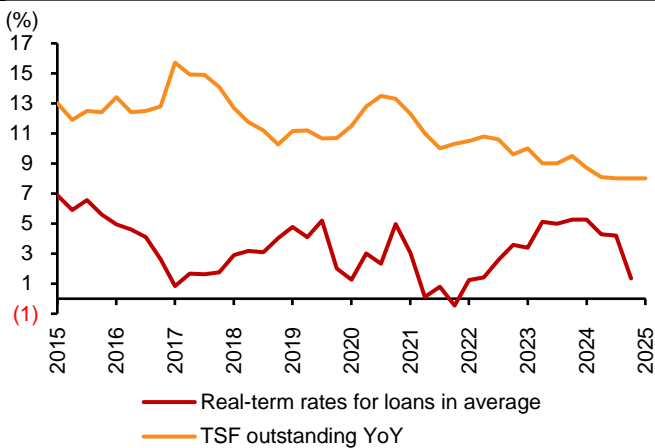
Source: Wind, CMBIGM

Figure 11: Bill financing to enterprises

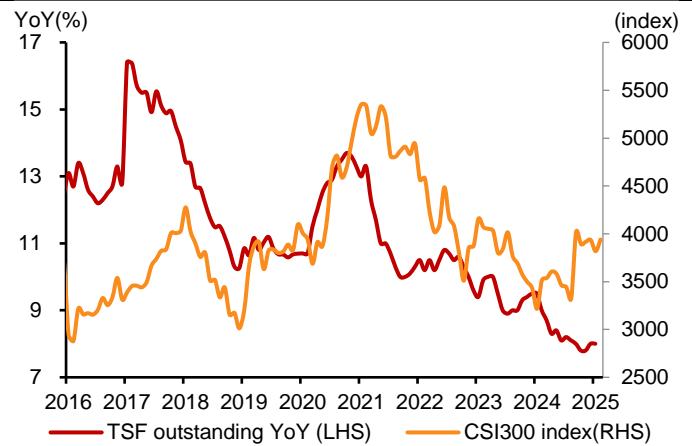
Source: Wind, CMBIGM

Figure 12: M1 growth & M1 as % of M2

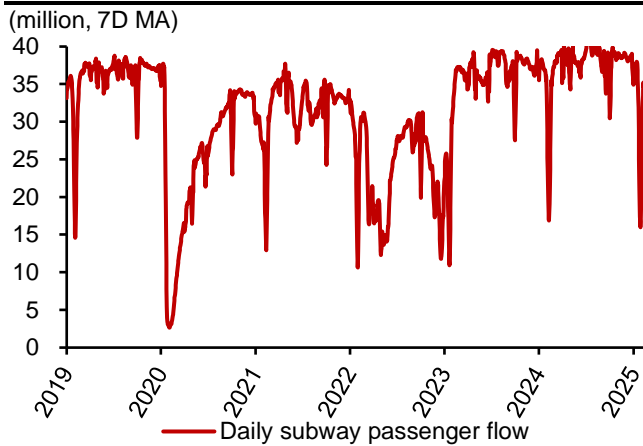
Source: Wind, CMBIGM

Figure 13: Real-term loan rates & TSF growth

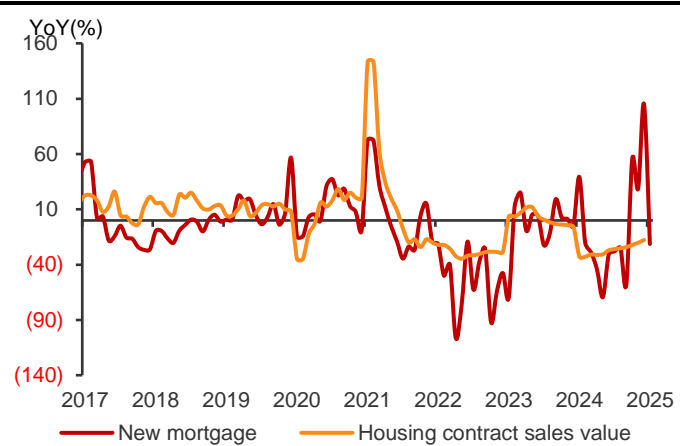
Source: Wind, CMBIGM

Figure 14: TSF growth & CSI300 index

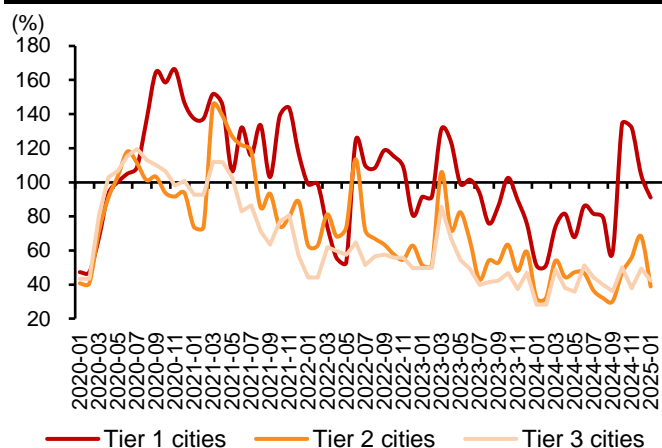
Source: Wind, CMBIGM

Figure 15: Daily domestic traffic flow in tier-1 cities

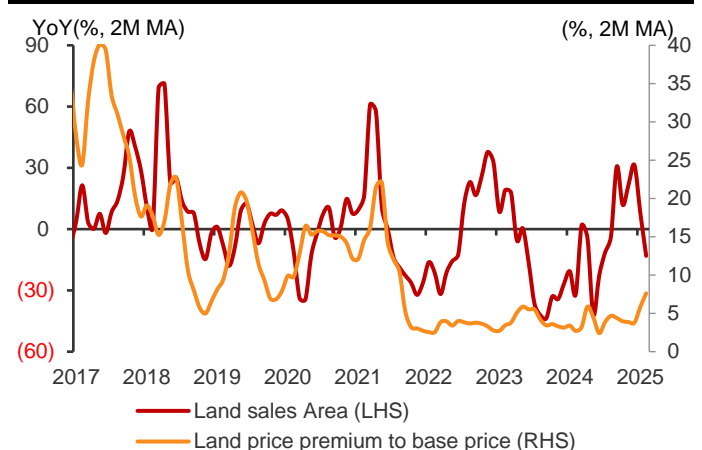
Source: Wind, CMBIGM

Figure 16: New mortgage & housing sales

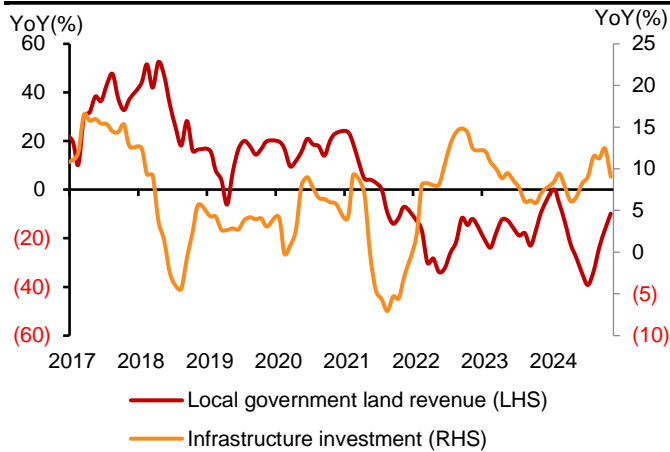
Source: Wind, CMBIGM

Figure 17: Housing sales recovery rates compared to 2019

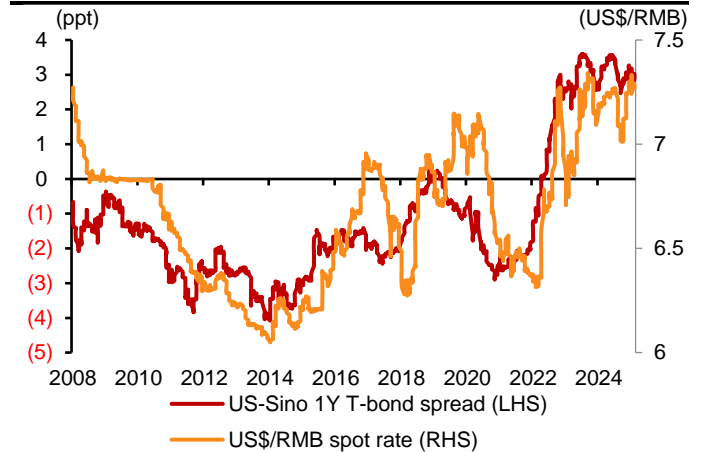
Source: Wind, CMBIGM

Figure 18: Growth of land sales

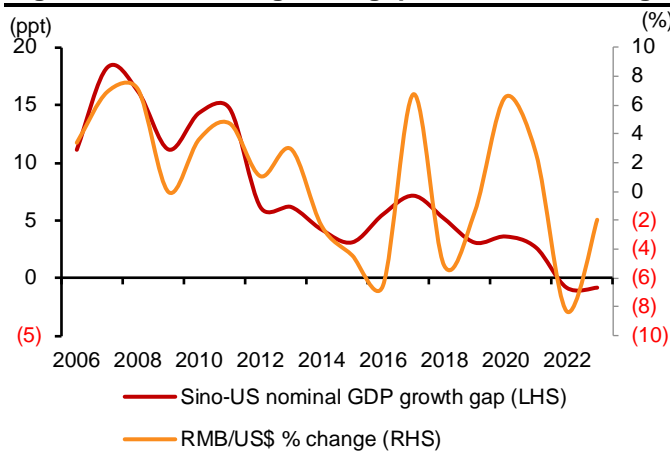
Source: Wind, CMBIGM

Figure 19: Infrastructure investment

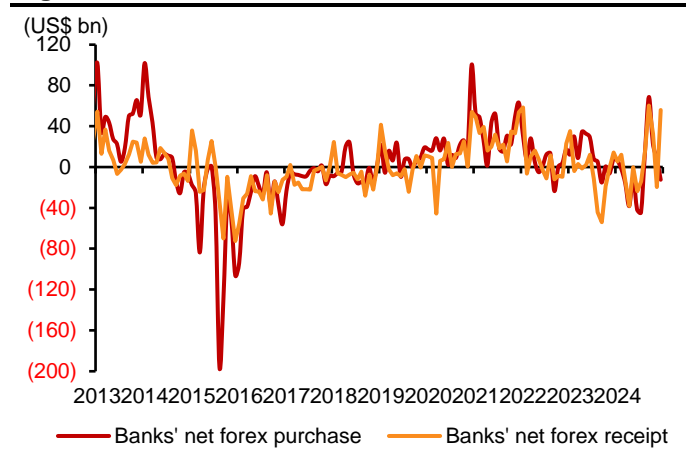
Source: Wind, CMBIGM

Figure 20: US-China interest spreads

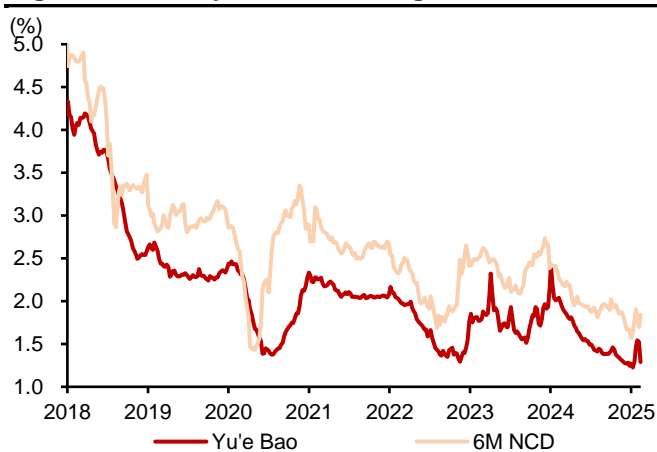
Source: Wind, CMBIGM

Figure 21: China-US growth gap & RMB/US\$ change

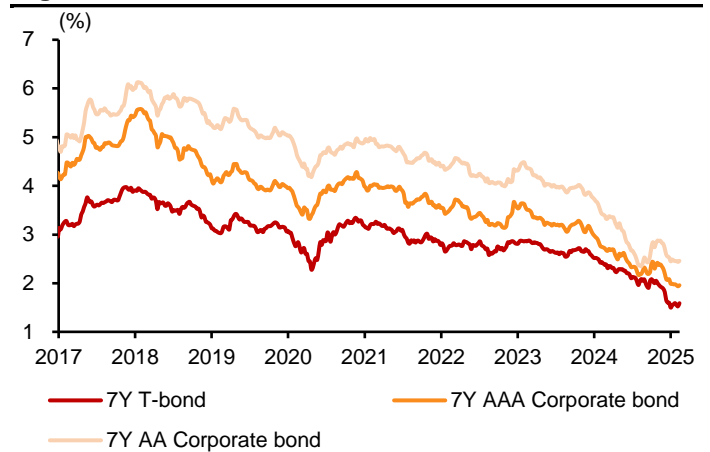
Source: Wind, CMBIGM

Figure 22: Net forex inflow

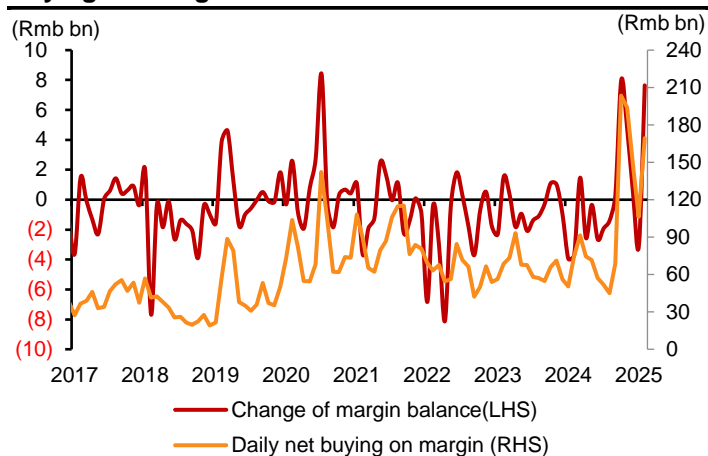
Source: Wind, CMBIGM

Figure 23: Money market funding cost

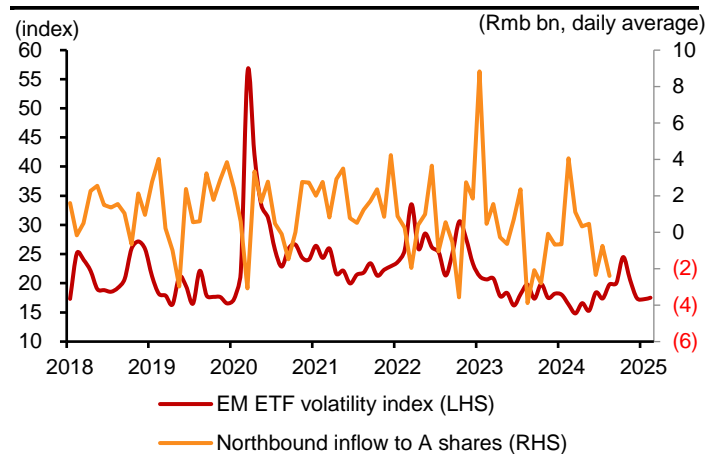
Source: Wind, CMBIGM

Figure 24: Bond market rates

Source: Wind, CMBIGM

Figure 25: Change of margin balance and daily net buying on margin


Source: Wind, CMBIGM

Figure 26: EM volatility and northbound flow to A-shares


Source: Wind, CMBIGM

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