

China Policy

Credit policy should remain accommodative with some fine-tuning

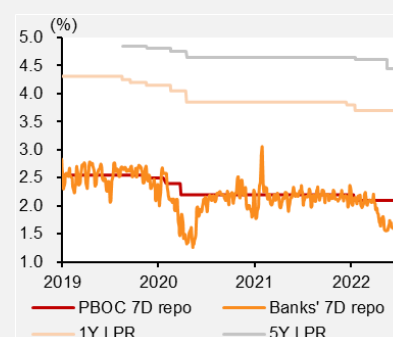
China's credit growth continued to rebound as credit supply was accommodative and credit demand gradually recovered. New mortgage, consumer loans and long-term corporate loans all improved as housing sales, durable consumption and infrastructure investment rebounded. Looking forward, monetary policy should remain accommodative with some fine-tuning in 2H22. Money market rates may mildly rise, while the possibility of further LPR cuts should be low. M2 and outstanding social financing may further pick up, yet the upside room should noticeably decline.

- New credit continued to rebound as credit supply was accommodative and credit demand recovered.** Total social financing rose 39.7% YoY in June after increasing 42.9% YoY in May. New renminbi loans to real sector and government bond financing respectively increased 32% and 115.6% in June, compared to the growth of 27.5% and 57.9% in May. The sharp increase of new credit was due to three factors. First, credit supply was accommodative. The PBOC maintained easing liquidity condition and guided banks to expand their credit supply. Second, credit demand recovered as housing and auto sales beat expectations in June amid reopening economies. Third, local governments were guided to accelerate their special bond financing for infrastructure investment to support the growth.
- New mortgage, consumer credit and long-term corporate loans improved as housing sales, durable consumption and infrastructure investment rebounded.** New medium & long-term loans to households rose from RMB104.7bn in May to RMB416.7bn in June. They dropped by 19.2% YoY in June, compared to the YoY decline of 76.3% YoY in May. New short-term loans to households jumped 22.3% YoY in June, up from the increase of 1.9% in May. New medium to long-term loans to corporate rose 73.3% in June after dropping 15% in May, as infrastructure investment maintained strong growth and business capex improved.
- Monetary policy should remain accommodative with some fine-tuning.** As economic growth should remain below potential growth, monetary policy should remain accommodative in 2H22. But the uptrend of consumer inflation and GDP growth may cause some fine-tuning in monetary policy in future. Money market rates may mildly rise and the possibility of further LPR cuts should be low. M2 and outstanding social financing may further pick up, yet the upside room should noticeably decline. Local government bond financing should sharply decline in 2H22 as local governments used most of their quotas in the first half year. Policy banks may expand their loan supply to partially offset the effect on social financing.

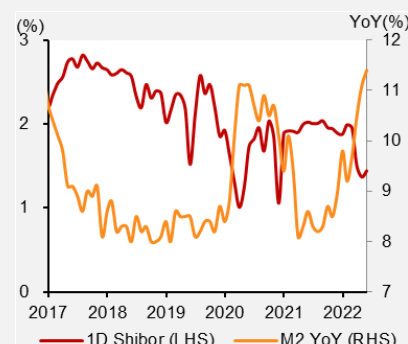
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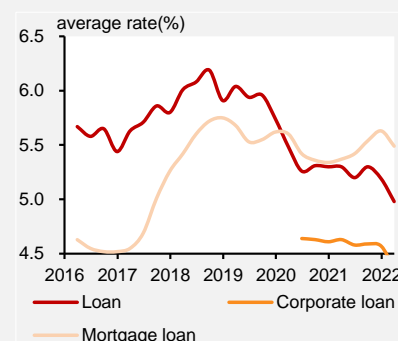
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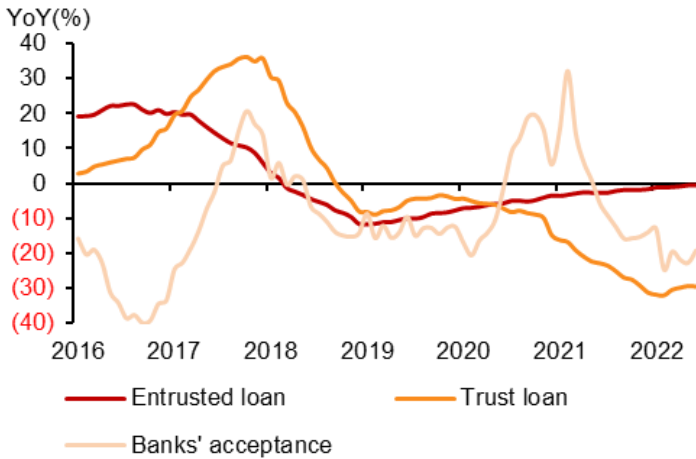
Source: Wind, CMBIGM



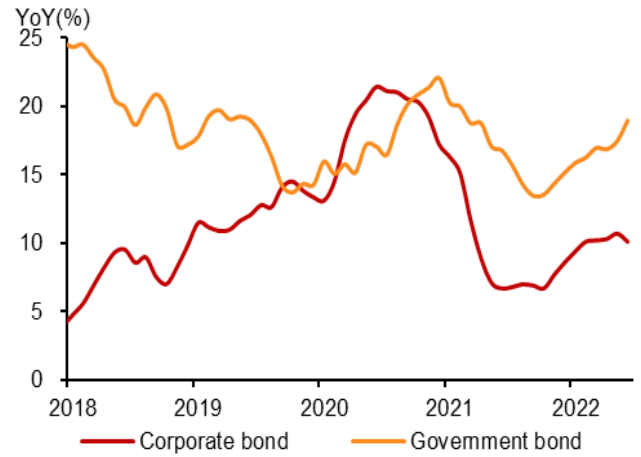
Source: Wind, CMBIGM



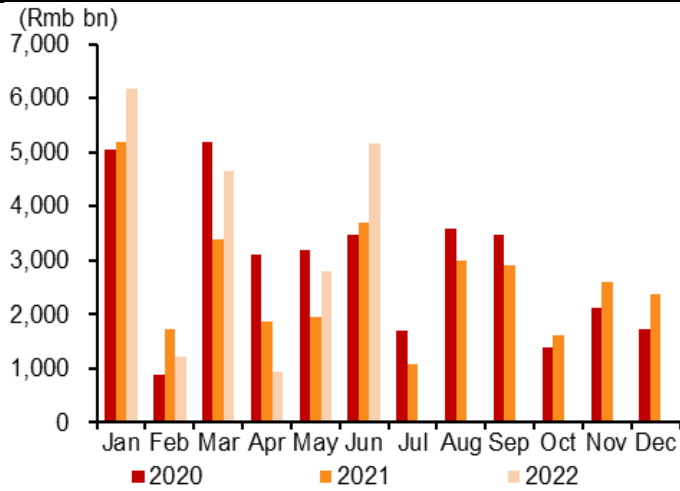
Source: Wind, CMBIGM

Figure 1: Growth of outstanding OBS financing

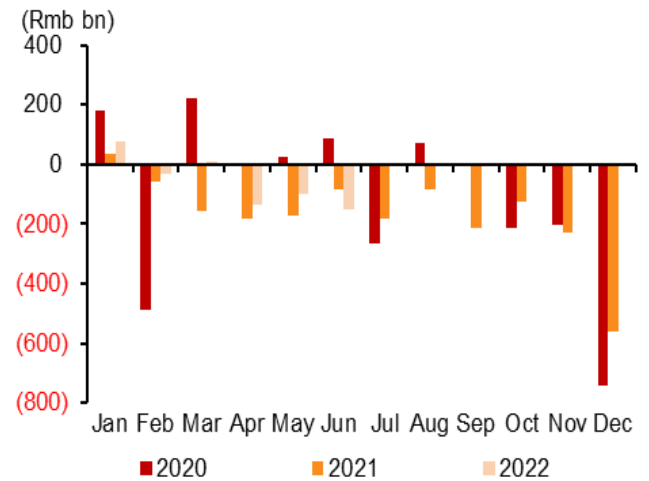
Source: Wind, CMBIGM

Figure 2: Growth of outstanding bond financing

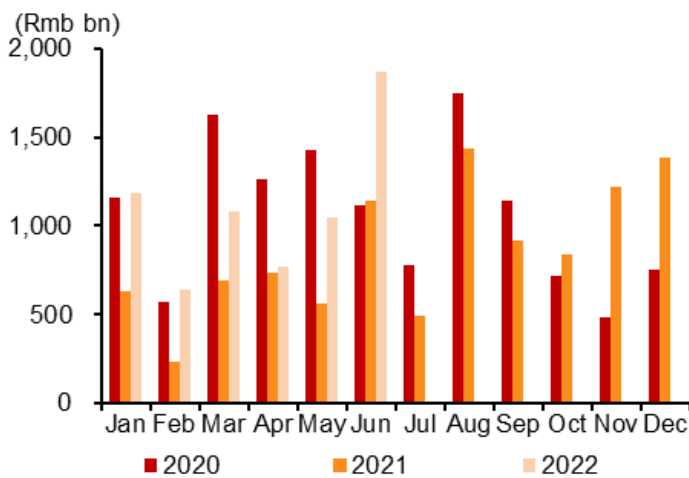
Source: Wind, CMBIGM

Figure 3: Total social financing

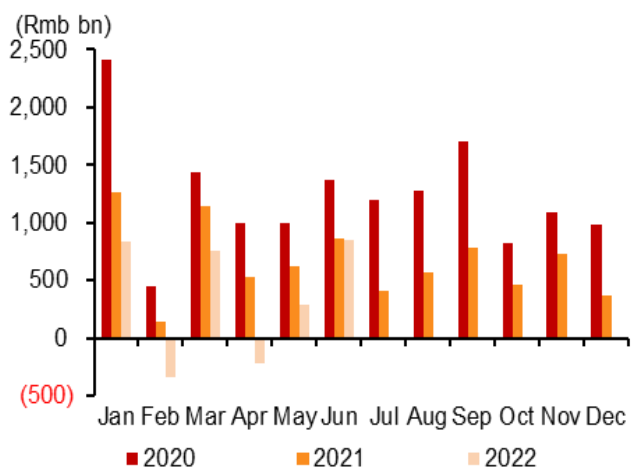
Source: MoF, CMBIGM

Figure 4: OBS financing

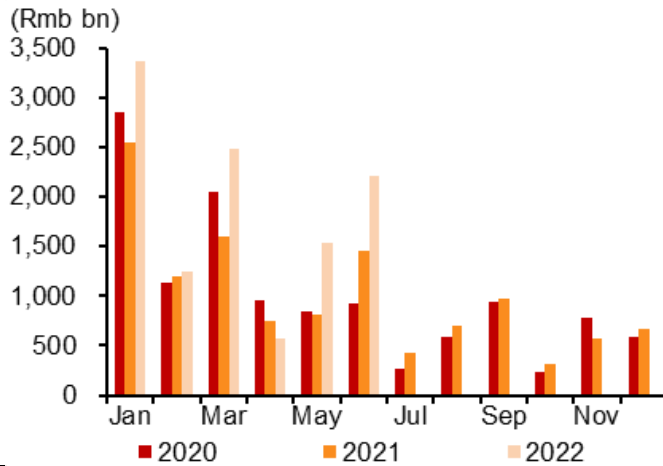
Source: MoF, CMBIGM

Figure 5: Bond financing

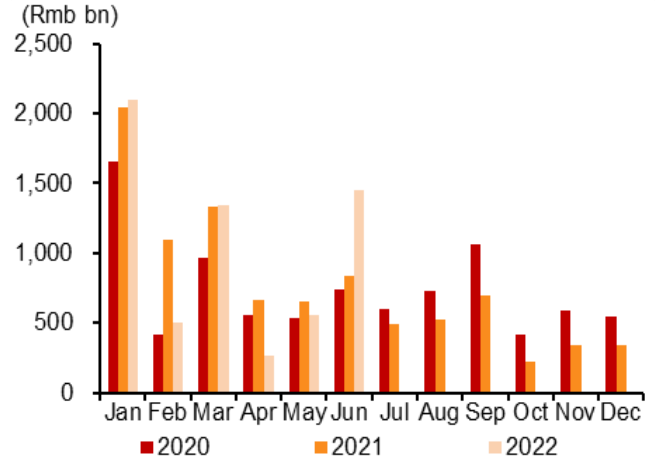
Source: Wind, CMBIGM

Figure 6: New loans to households

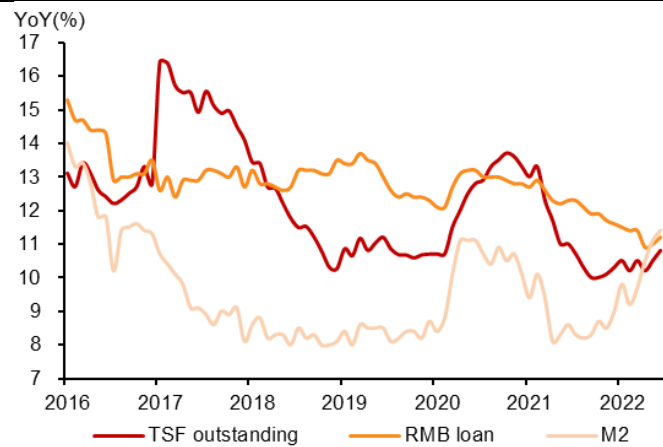
Source: Wind, CMBIGM

Figure 7: New loans to enterprises

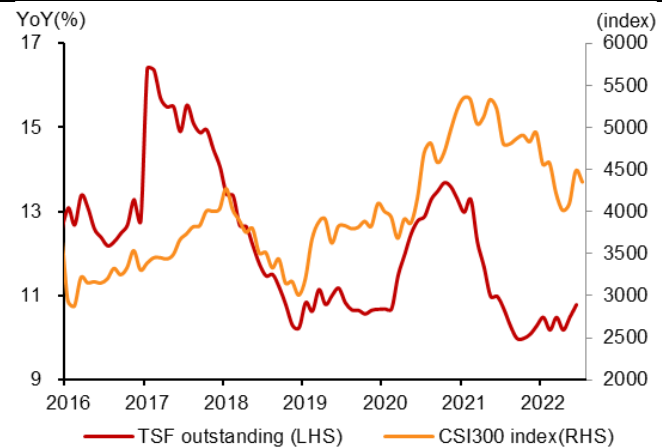
Source: Wind, CMBIGM

Figure 8: New M&L term loans to enterprises

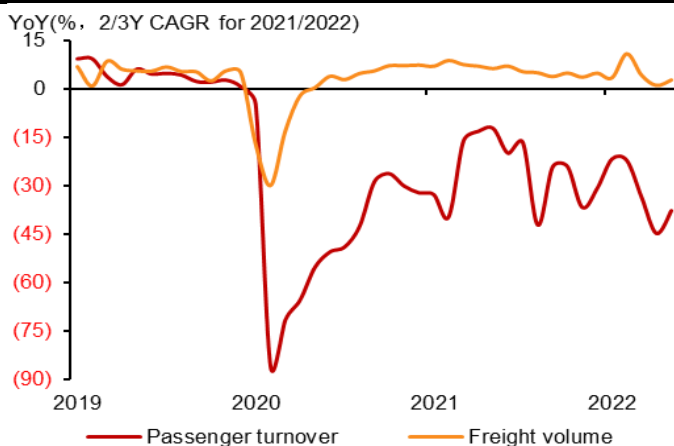
Source: Wind, CMBIGM

Figure 9: Growth of credit & money supply

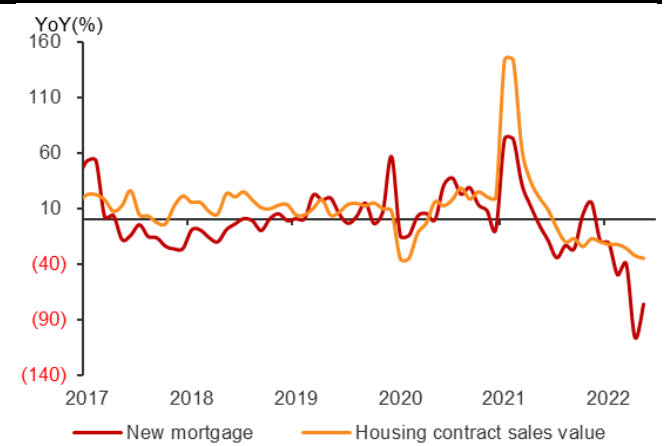
Source: Wind, CMBIGM

Figure 10: Social financing growth & CSI300 Index

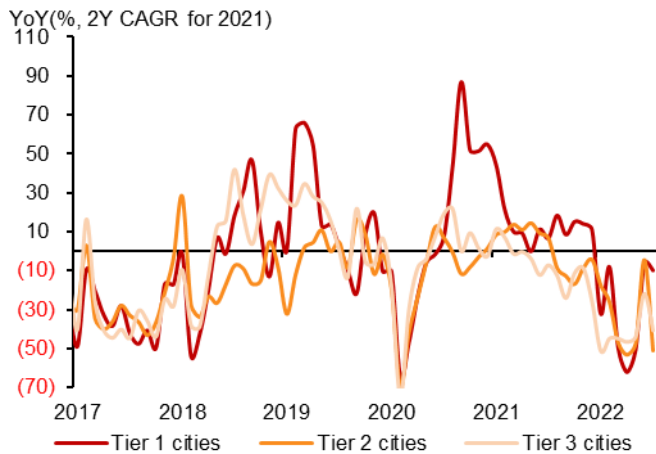
Source: Wind, CMBIGM

Figure 11: Growth of passenger & freight volume

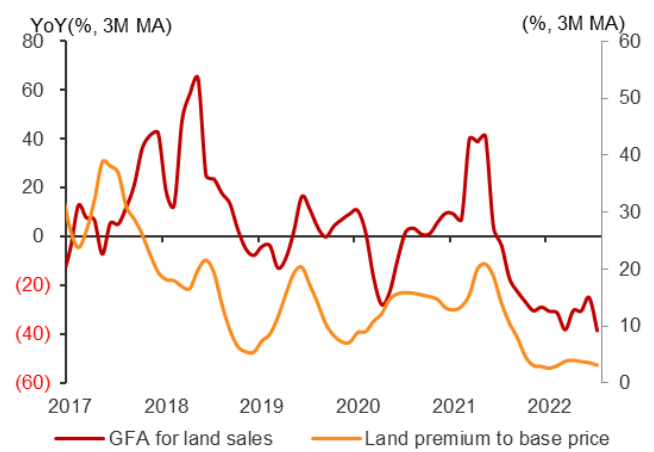
Source: Wind, CMBIGM

Figure 12: New mortgage & housing sales

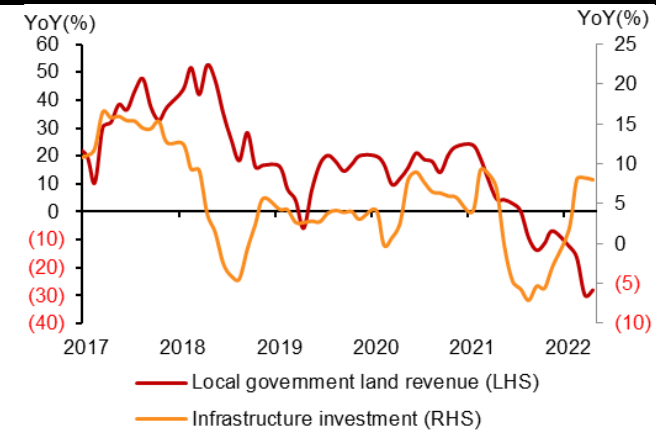
Source: Wind, CMBIGM

Figure 13: Growth of housing sales by cities

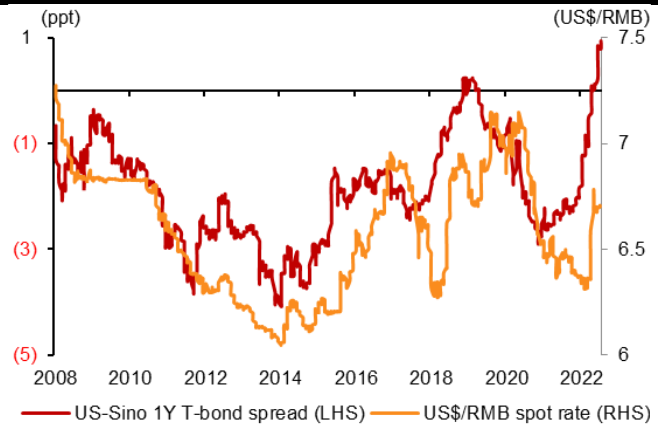
Source: Wind, CMBIGM

Figure 14: Growth of land sales

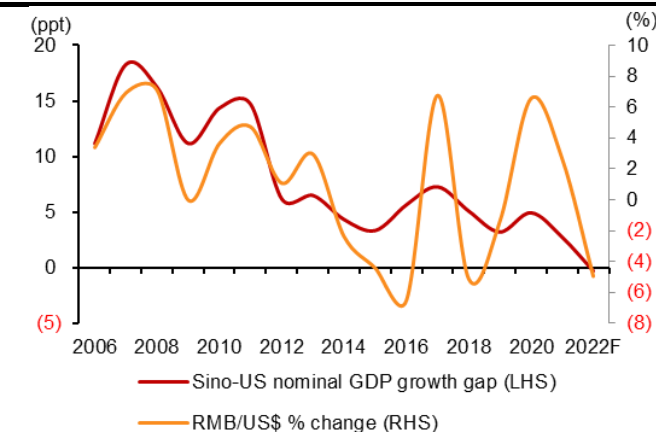
Source: Wind, CMBIGM

Figure 15: Land revenue & infrastructure investment

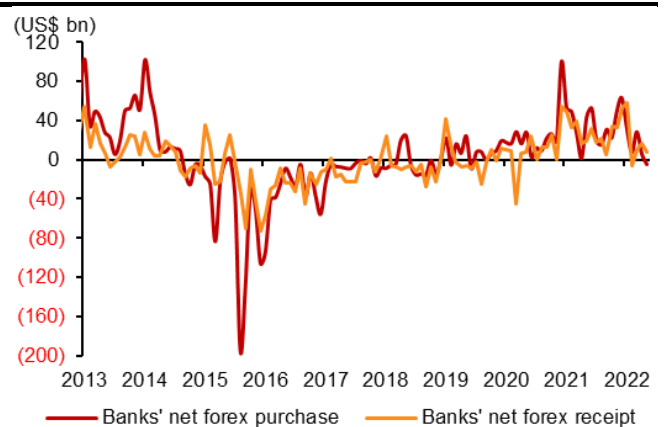
Source: Wind, CMBIGM

Figure 16: US-Sino interest spreads

Source: Wind, CMBIGM

Figure 17: Sino-US growth gap & RMB/US\$ change

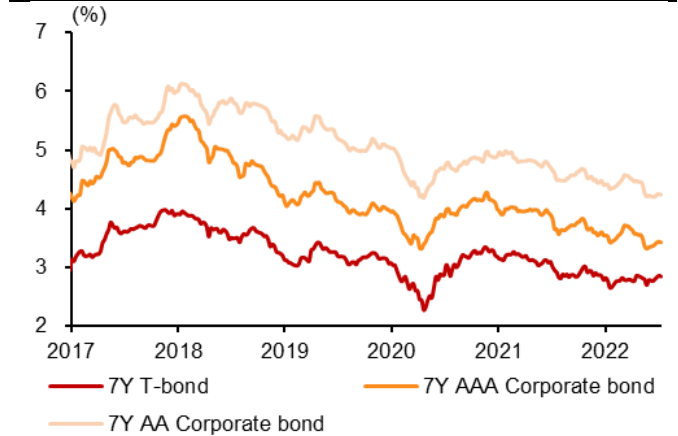
Source: Wind, CMBIGM

Figure 18: Net forex inflow

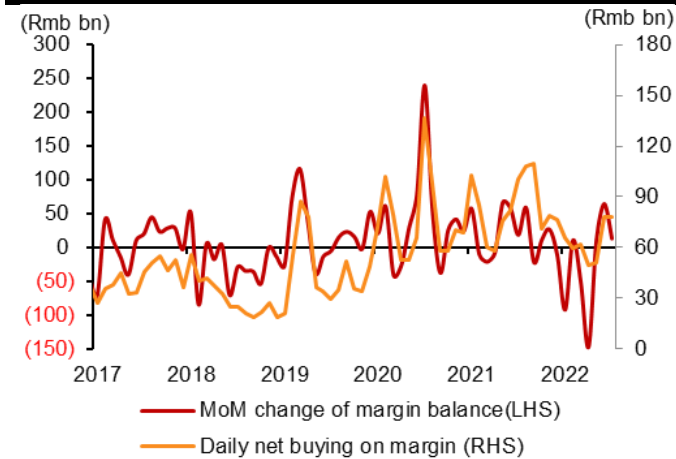
Source: Wind, CMBIGM

Figure 19: Money market funding cost

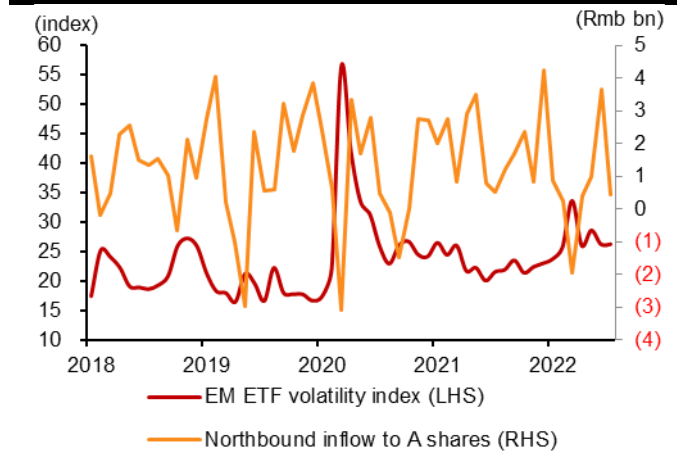
Source: Wind, CMBIGM

Figure 20: Bond market rates

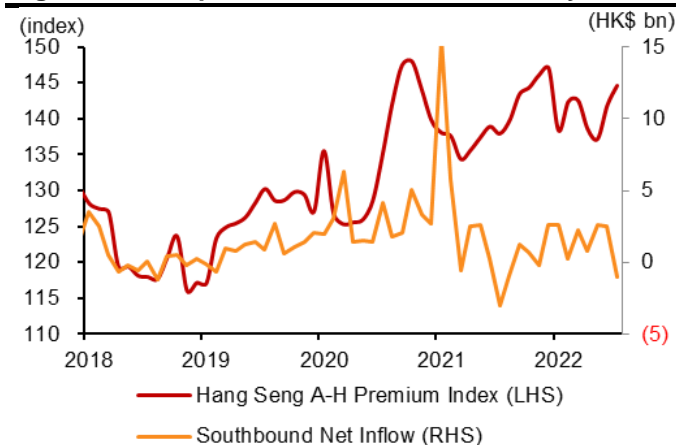
Source: Wind, CMBIGM

Figure 21: Margin trading in A share market

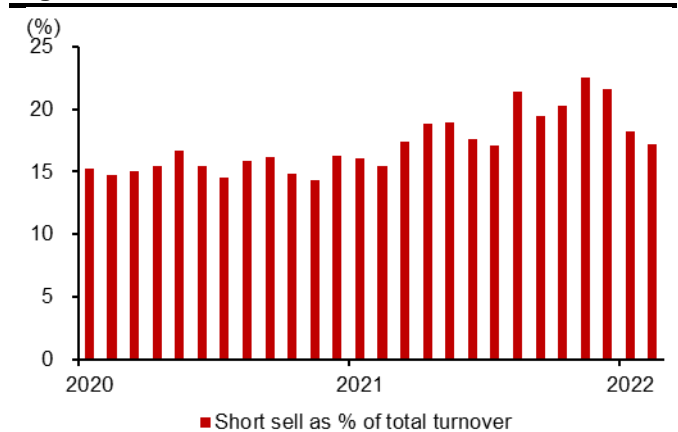
Source: Wind, CMBIGM

Figure 22: EM volatility & northbound daily inflow

Source: Wind, CMBIGM

Figure 23: A/H premiums & southbound daily inflow

Source: Wind, CMBIGM

Figure 24: HK Stock Short Sell Ratio

Source: Wind, CMBIGM

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