

China Policy

New loans picked up amid credit policy easing

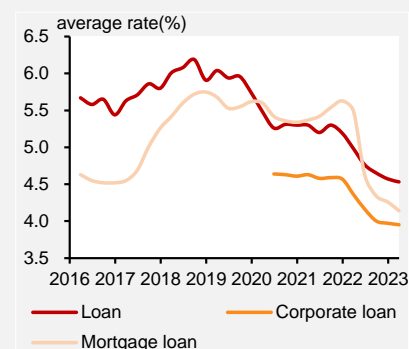
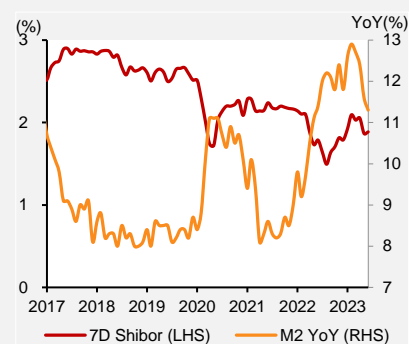
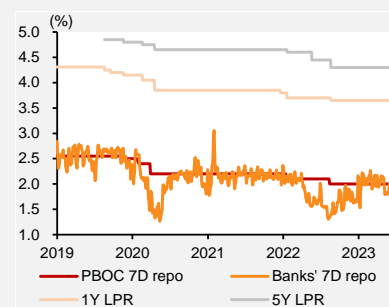
China's new loans picked up in June as consumer credit and business operation loans improved amid credit policy easing. The PBOC cut LPRs by 10bps in June while service sectors like transportation, catering, accommodation, healthcare and recreations continued to recover. However, total social financing softened as off-balance-sheet financing and bond issuance remained weak. New mortgage and long-term business loans also slowed in YoY growth rates as housing sales and private business capex was sluggish. As the economy continues to weaken with rising deflation pressure, the policymakers may further loosen credit supply and property policy in 2H23. The PBOC may further cut deposit rates and RRR with guidance for banks to expand credit supply to real sector. Meanwhile, most cities may loosen property policy with possible declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase.

- Social financing slowed as credit demand remained weak.** The YoY growth of outstanding social financing continued to soften from 9.5% at end-May to 9% at end-June, with the growth of outstanding renminbi loans down from 11.3% to 11.2%. Social financing flow dropped by 18.7% YoY (all in YoY terms unless otherwise specified) in June after declining 45.3% in May. Breaking down by item, new renminbi loans to real sector significantly improved with the YoY change rates rising from -33% in May to 6%. Off-balance-sheet (OBS) financing remained negative. Gov't bond financing dropped by 66.8% in June after declining 47.4% in May, posting downside pressure for infrastructure investment. Corporate bond financing turned back to positive in June as corporate loans presented with much lower financing costs.
- New loans to households continued to grow with slowdown of pace.** New loans to households grew 13.6% in June after rising 27.1% in May. The YoY growth of new M&L term loans slowed from 60.8% to 11.1%, as housing sales remained weak in June. However, new short term loans picked up 14.8% in June after rising 8% in May thanks to recovery in consumption of telecom equipment and some services. Looking forward, loans to households may continue to improve in term of YoY growth as we expect a moderate recovery of housing sales and consumption in 2H23.
- New corporate loans improved especially in the short term.** New loans to enterprises rose 3.1% in June after dropping 44.1% in May thanks to a significant improvement of new short term loans. However, the growth of new M&L term loans to enterprises slowed from 38.7% in May to 9.9% in June. Bill financing remained low as credit demand of SMEs was still weak. Looking forward, short-term loans to corporates may gradually improve as service activity continues to recover. But M&L loans may be relatively weak as private businesses are cautious to increase capex.
- China may further ease credit supply and property policy to boost the growth.** As the economy continues to weaken with rising deflation pressure, the policymakers may further loosen credit supply and property policy in 2H23. The PBOC may further cut deposit rates and RRR with guidance for banks to

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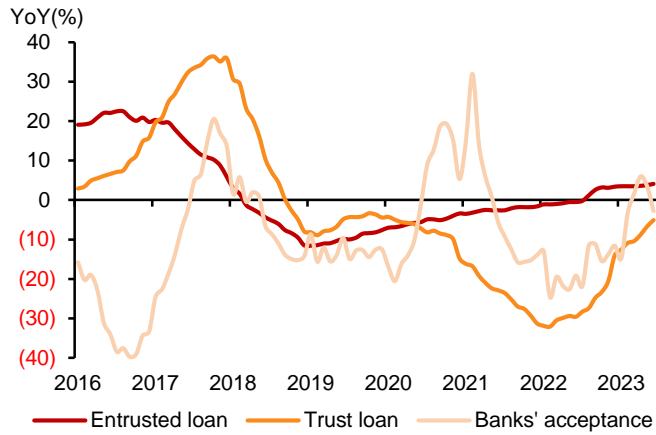
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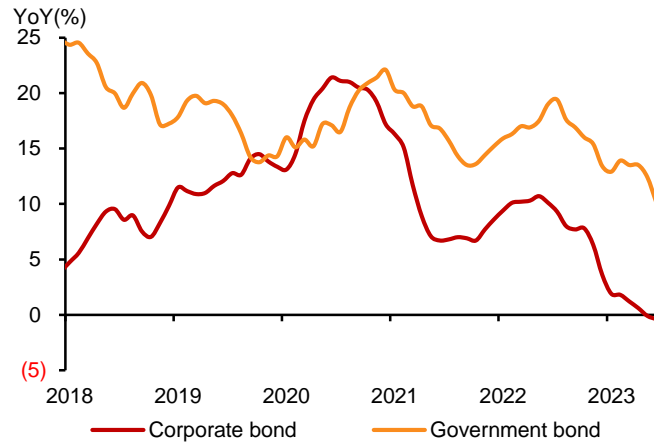
expand credit supply to real sector. Meanwhile, most cities may loosen property policy with possible declines in down-payment ratios and mortgage rates for first-home and second-home buyers. In addition, credit and fiscal support for hard-technology and high-end manufacturing sectors may further increase.

Figure 1: Growth of outstanding OBS financing



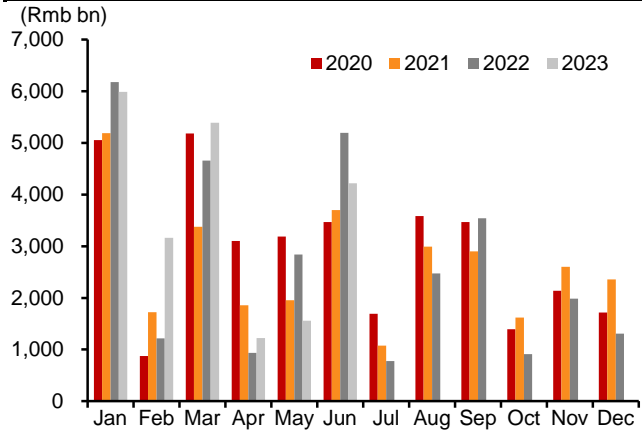
Source: Wind, CMBIGM

Figure 2: Growth of outstanding bond financing



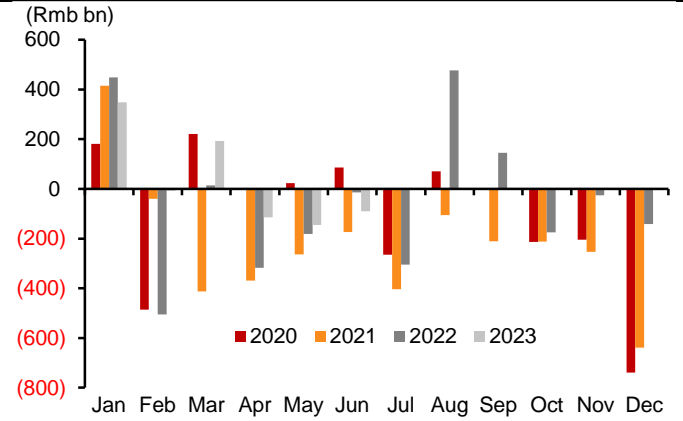
Source: Wind, CMBIGM

Figure 3: Total social financing



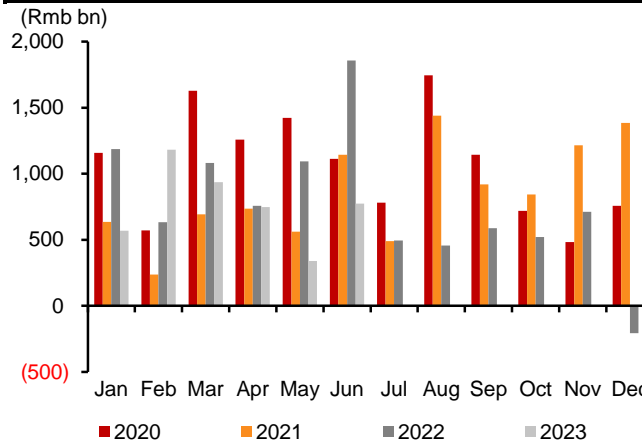
Source: MoF, CMBIGM

Figure 4: OBS financing



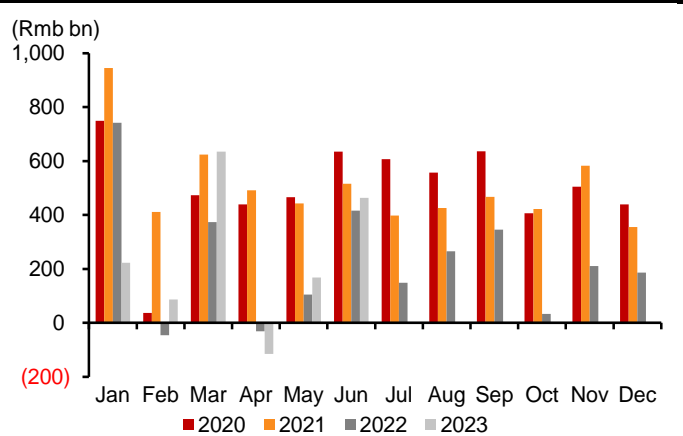
Source: MoF, CMBIGM

Figure 5: Bond financing



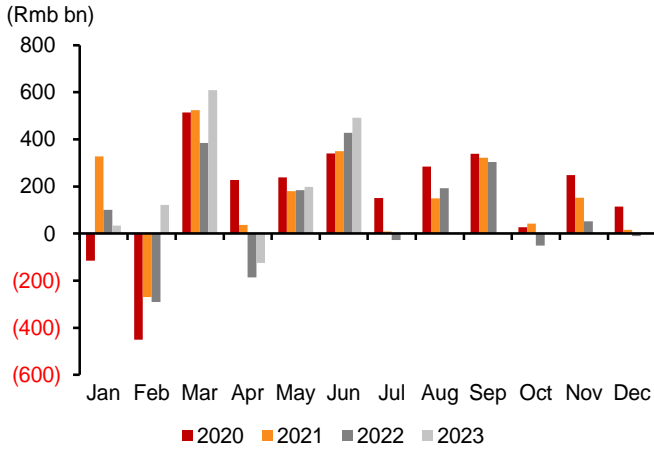
Source: Wind, CMBIGM

Figure 6: New M&L term loans to households



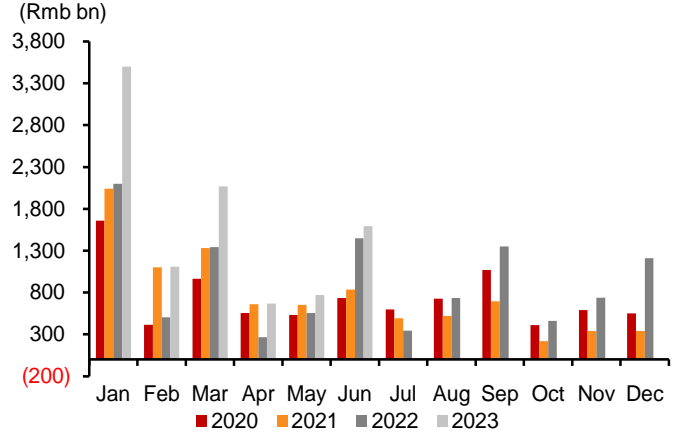
Source: Wind, CMBIGM

Figure 7: New short term loans to households



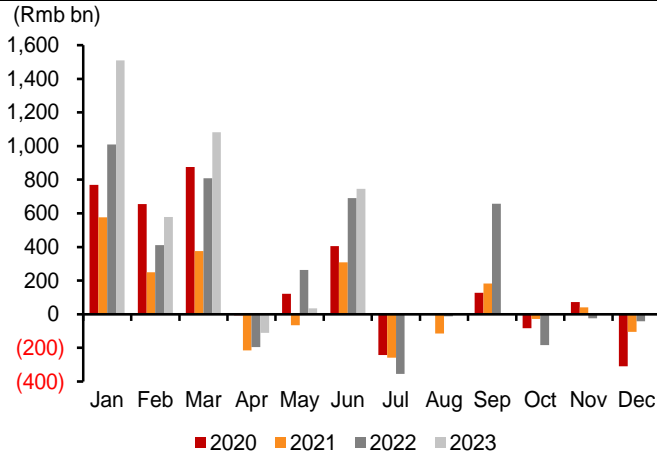
Source: Wind, CMBIGM

Figure 8: New M&L term loans to enterprises



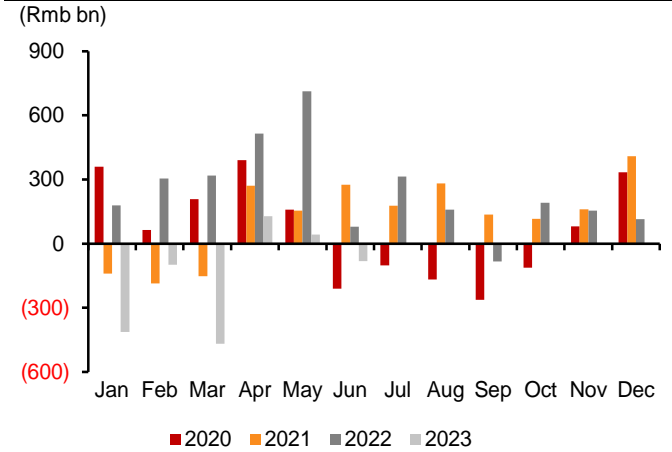
Source: Wind, CMBIGM

Figure 9: New short term loans to enterprises



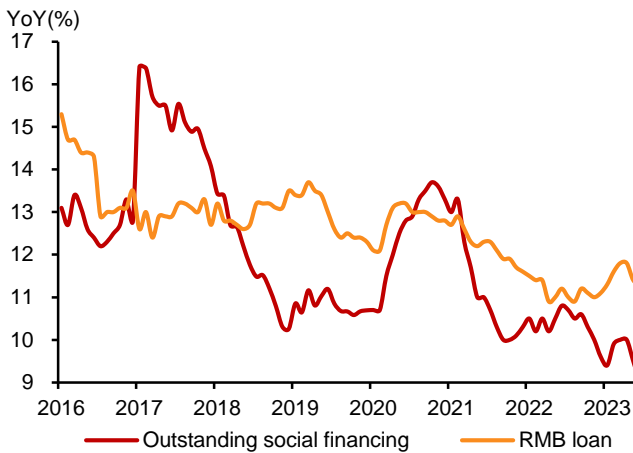
Source: Wind, CMBIGM

Figure 10: Bill financing to enterprises



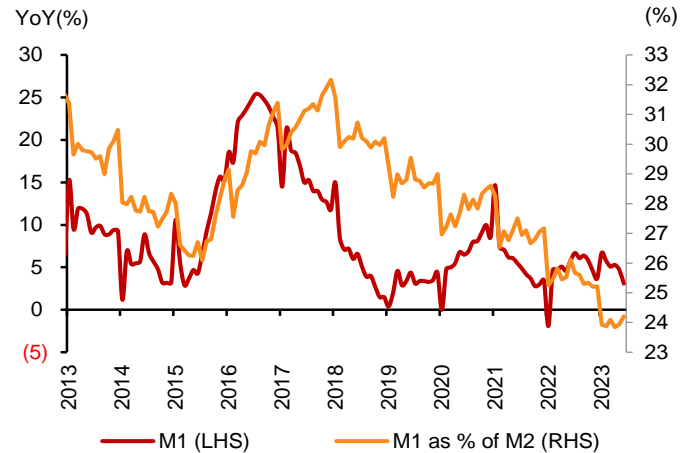
Source: Wind, CMBIGM

Figure 11: Growth of credit & money supply



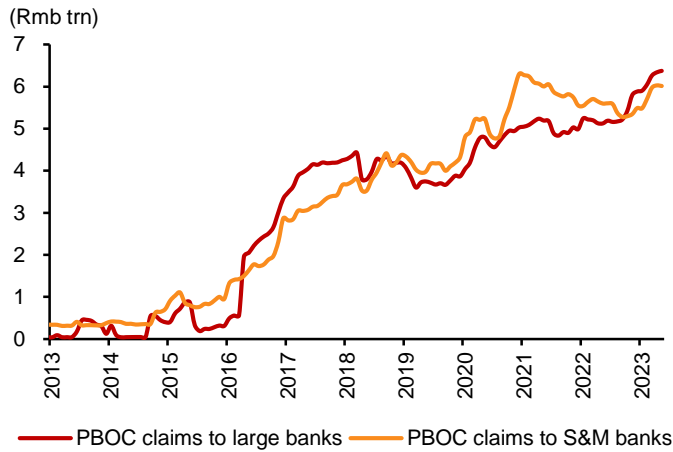
Source: Wind, CMBIGM

Figure 12: M1 growth & M1 as % of M2



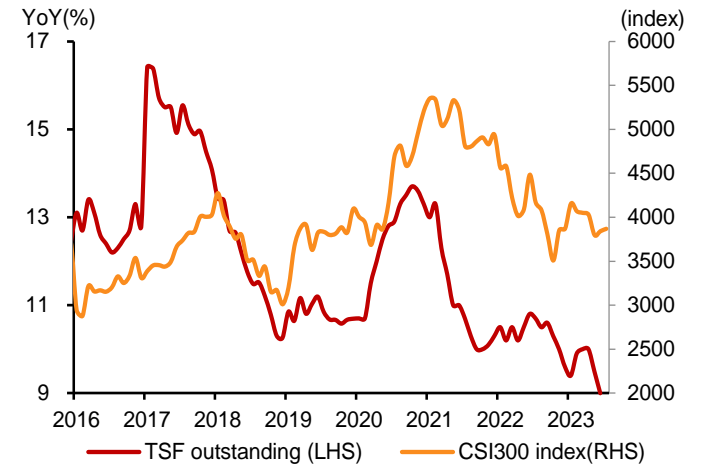
Source: Wind, CMBIGM

Figure 13: PBOC claims to large and S&M banks



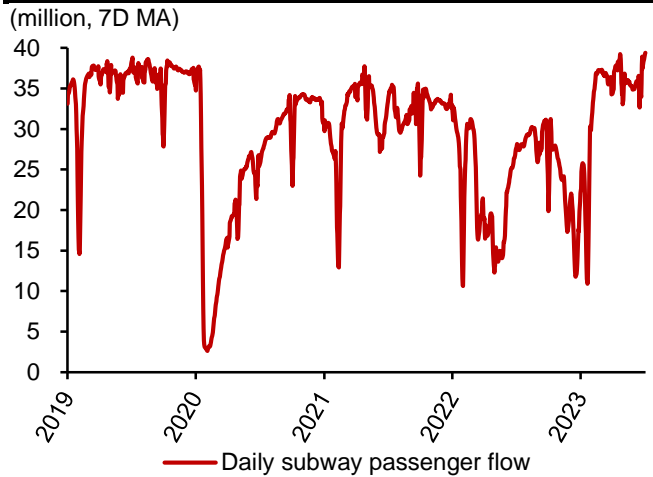
Source: Wind, CMBIGM

Figure 14: Total social financing & CSI300 index



Source: Wind, CMBIGM

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



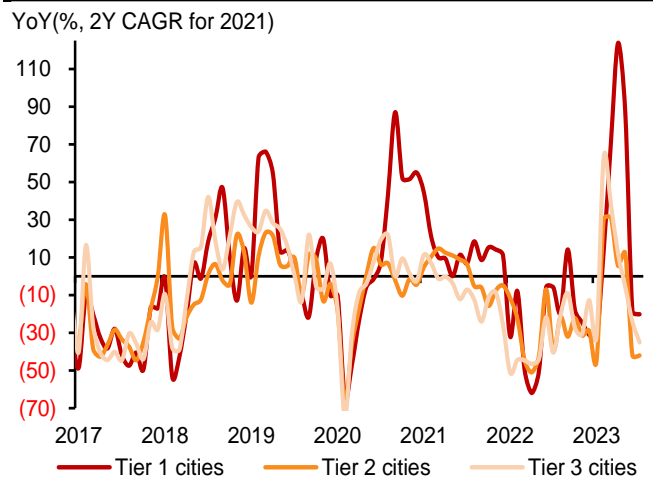
Source: Wind, CMBIGM

Figure 16: New mortgage & housing sales



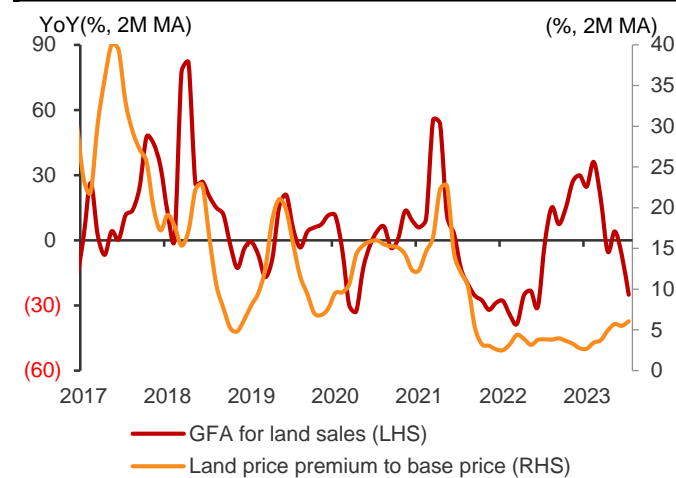
Source: Wind, CMBIGM

Figure 17: Growth of housing sales by cities



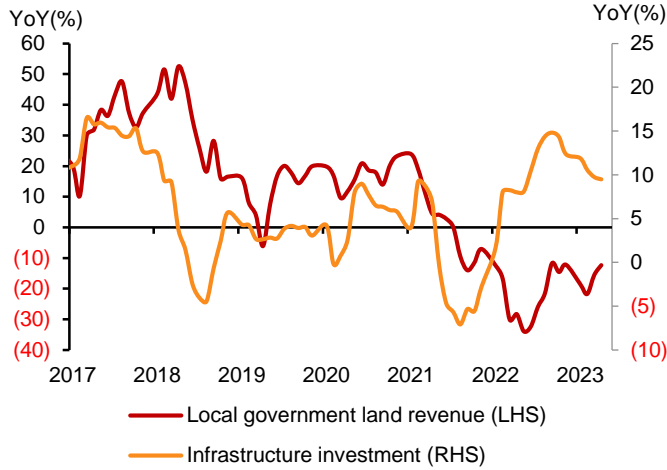
Source: Wind, CMBIGM

Figure 18: Growth of land sales



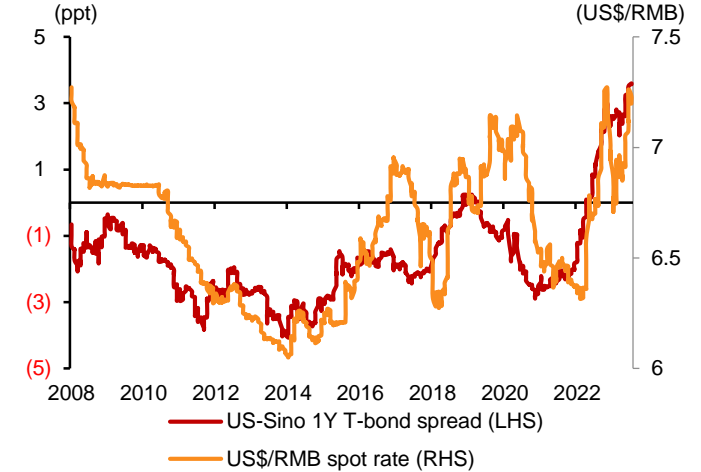
Source: Wind, CMBIGM

Figure 19: Infrastructure investment



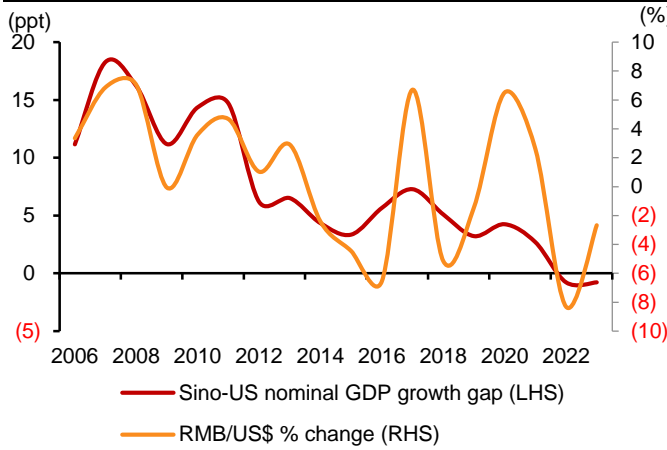
Source: Wind, CMBIGM

Figure 20: US-Sino interest spreads



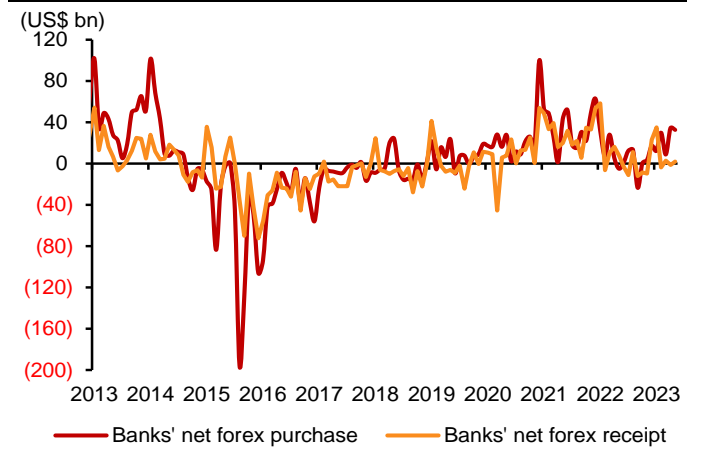
Source: Wind, CMBIGM

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



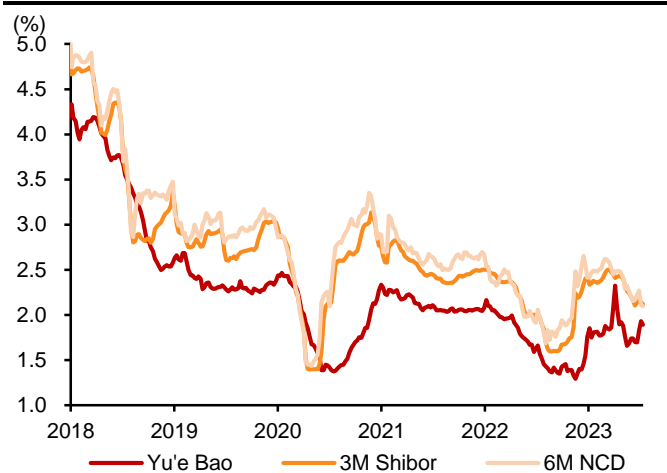
Source: Wind, CMBIGM

Figure 22: Net forex inflow



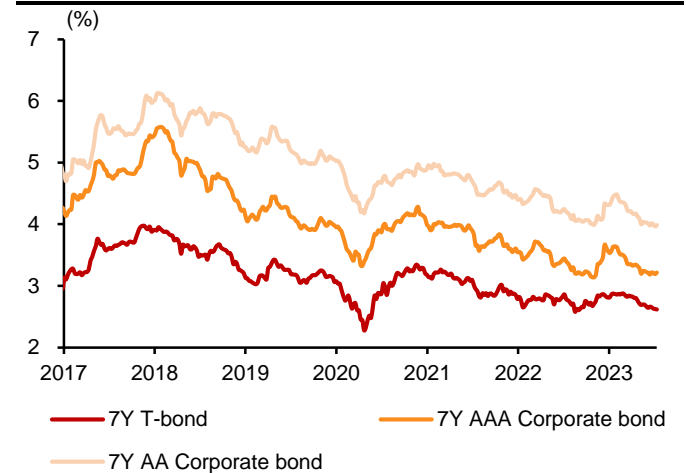
Source: Wind, CMBIGM

Figure 23: Money market funding cost



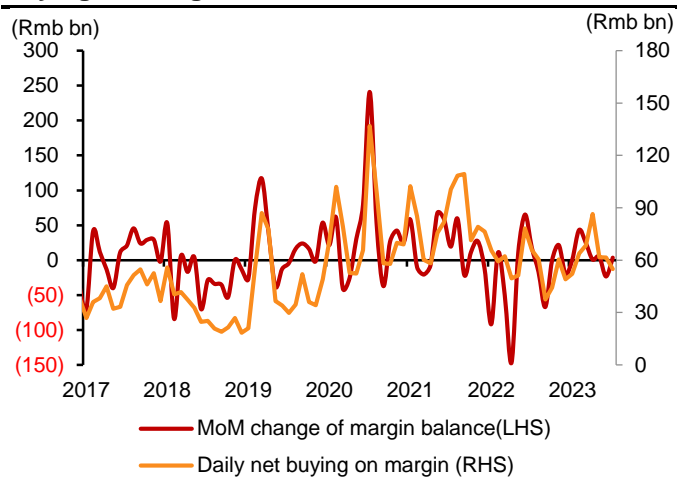
Source: Wind, CMBIGM

Figure 24: Bond market rates



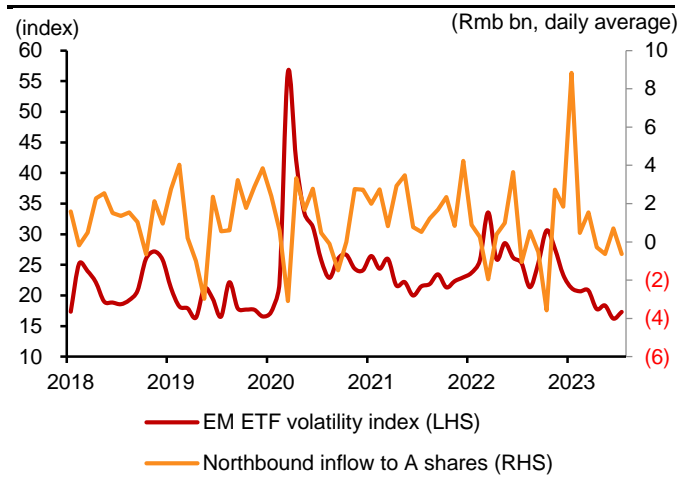
Source: Wind, CMBIGM

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



Source: Wind, CMBIGM

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



Source: Wind, CMBIGM

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