

# China Economy

## A mild rebound in credit growth

Overall credit growth showed tentative signs of stabilisation as outstanding social financing growth climbed thanks to strong government bond issuance. However, renminbi loans continued to slow down, especially household loans as the new housing market and consumer demand remained weak. Recent policy signals of continued support to the stock market, housing market and household consumption might bolster economic activity and credit demand in the next several months. In addition, the PBOC may cut RRR by 50bps soon in 2Q25 and LPRs by 20bps in 2H25. 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.

■ **Growth of social financing flow accelerated thanks to government bond issuance.** The growth of outstanding social financing (SF) edged up to 8.2% in Feb (all in YoY terms unless otherwise specified) from 8% in Jan, as the SF flow expanded from 9% growth to RMB7.1trn in Jan to 49.3% to RMB2.2trn, although missing market expectation at RMB2.65trn. Government bond issuance extended its rapid growth to 182% in Feb at RMB1.7trn, thanks to the fiscal expansion as broad deficit is expected to widen by RMB2.4trn in 2025. Corporate bond issuance also increased 19.6% to RMB170bn in Feb, as business credit demand gradually bottomed out. New RMB loans to the real economy fell back into negative territory, declining by 33.4% YoY to RMB650bn, after recording the first positive YoY growth in 15 months in January. Excluding CNY distortions, SF flow increased by 16.6% in 2M25, driven by a 167% surge in government bond issuance and a 7.2% rise in corporate bond issuance, while RMB loans to the real economy saw a moderate growth of 0.9%. The M1 supply, which once majorly reflected corporate business vitality and now better captures overall liquidity of money under new calibre, moderated to 0.1% in Feb from 0.4%. M2 remained flat at 7% in Feb, as fiscal deposits notably surged.

■ **New RMB loans missed expectations.** Growth of outstanding RMB loans inched down to 7.3% in Feb from 7.5%, while the new RMB loans dropped from 4.3% growth to RMB5.1trn in Jan to -30.3% to RMB1.01trn in Feb, falling short of market expectations at RMB1.24trn. It declined 3.6% in 2M25. Household loan flows recorded a net decline of RMB389bn in Feb, with short-term loans decreasing by RMB274bn and M&L-term loans by RMB115bn. In 2M25, household loan flows contracted by 86%, as flow of short-term loans remained in negative territory for both months, while M&L-term loans fell by 27.7%, indicating persistently weak consumer demand. New loans to the corporate sector dropped to -33.8% at RMB1.04trn in Feb. In 2M25, new loans to the corporate sector increased by 7.2%, driven by a rise in short-term loans, while M&L loans declined by 13%, possibly due to the impact of the LGFV debt swap.

■ **Credit growth may mildly rebound this year.** The Chinese policymakers have signaled continued policy support to local governments, housing market and durable consumers. The PBOC may cut RRR by 50bps soon in 2Q25 and LPRs by 20bps in 2H25. Credit growth might see a mild rebound in 2025 thanks to more proactive fiscal policy, a stabilization of housing sales and a recovery in durables consumption. 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**

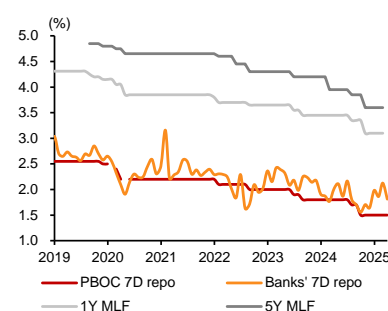
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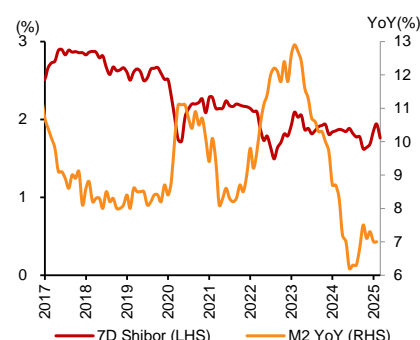
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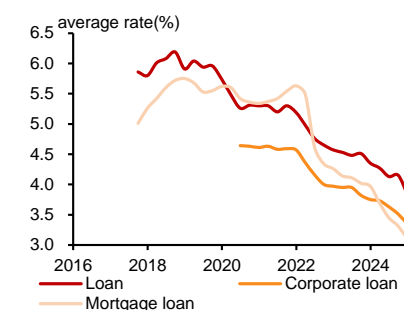
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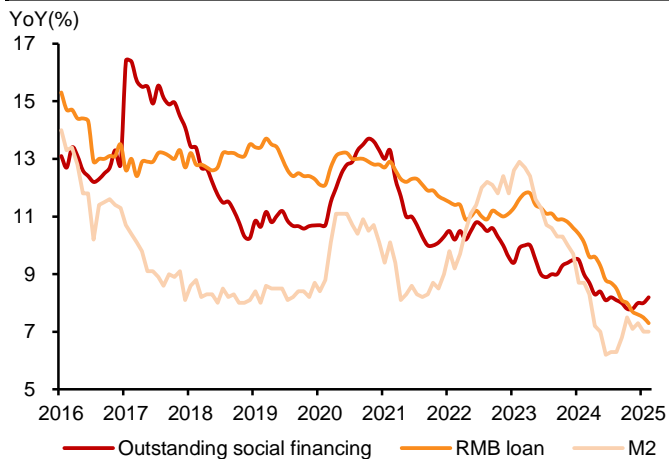
Source: Wind, CMBIGM



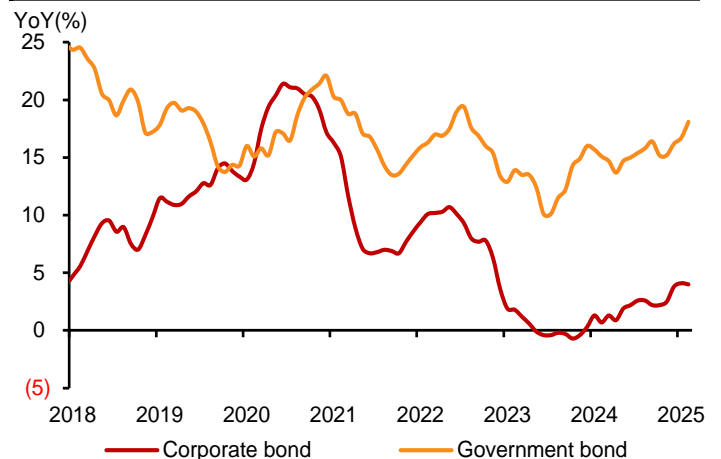
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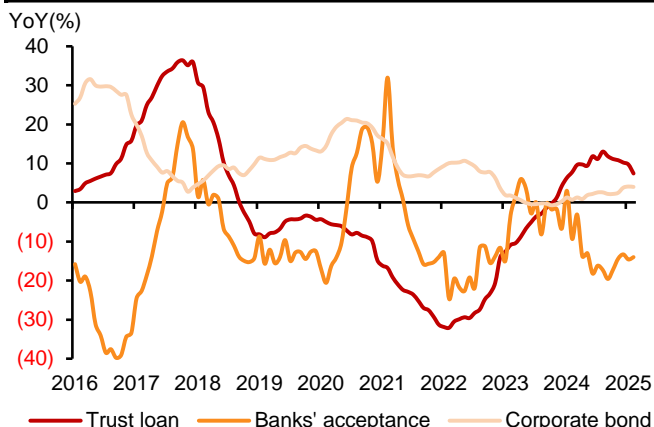
Source: Wind, CMBIGM

**Figure 1: Growth of outstanding social financing**

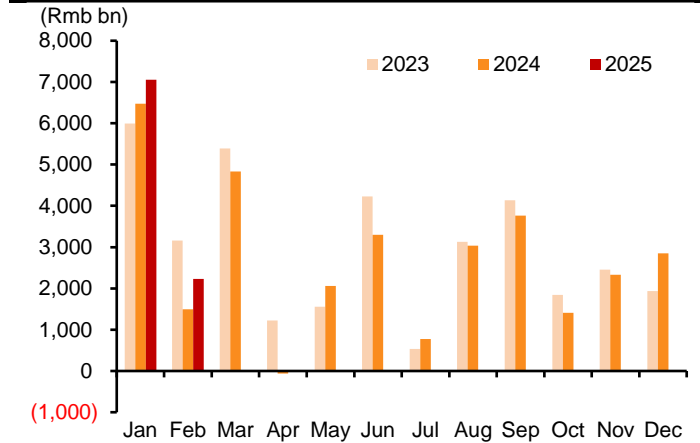
Source: Wind, CMBIGM

**Figure 2: Growth of outstanding bond financing**

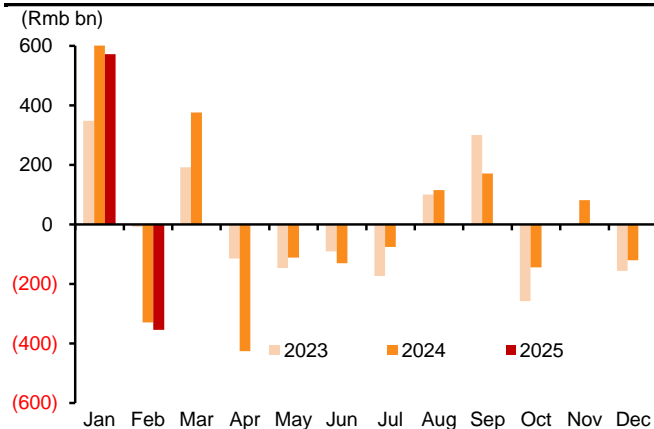
Source: Wind, CMBIGM

**Figure 3: Growth of outstanding OBS financing**

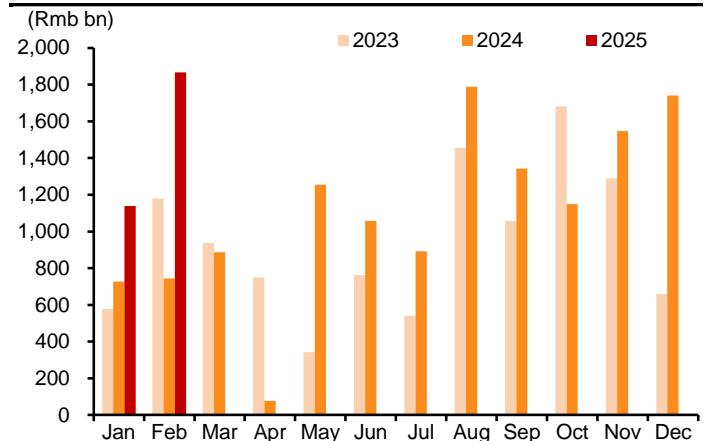
Source: MoF, CMBIGM

**Figure 4: Total social financing**

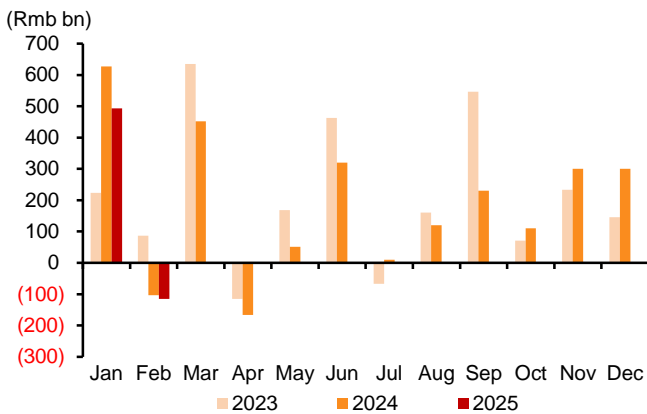
Source: MoF, CMBIGM

**Figure 5: OBS financing**

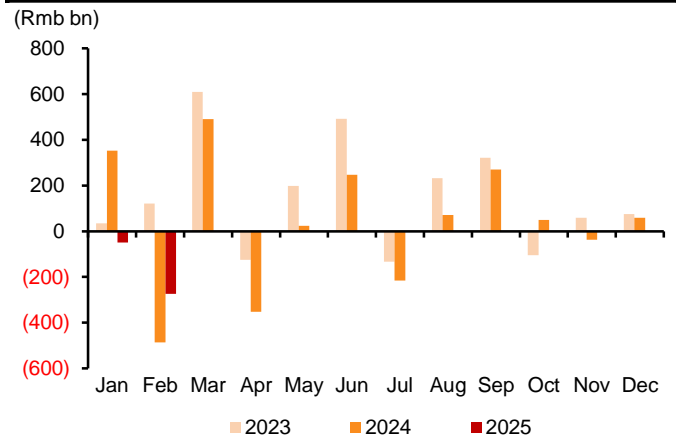
Source: Wind, CMBIGM

**Figure 6: Bond financing**

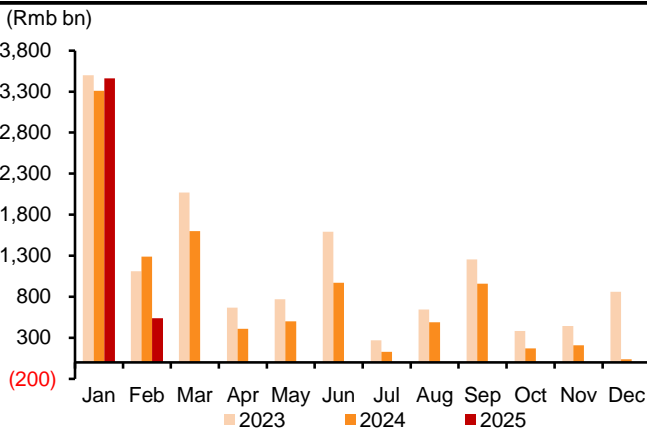
Source: Wind, CMBIGM

**Figure 7: New M&L term loans to households**

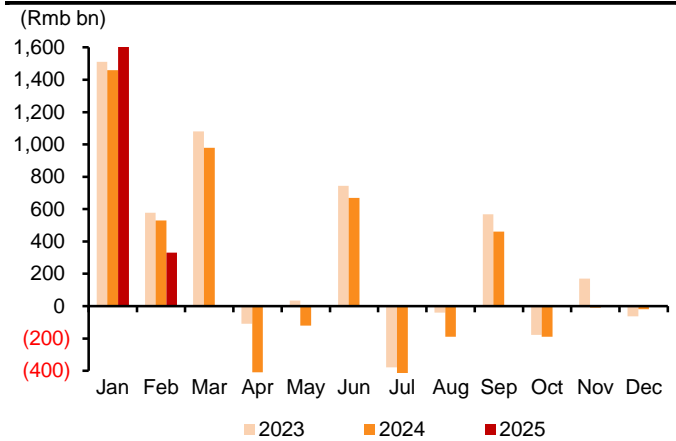
Source: Wind, CMBIGM

**Figure 8: New short-term loans to households**

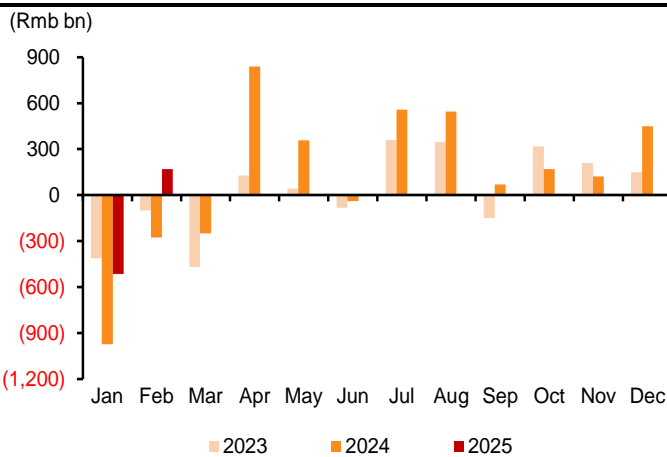
Source: Wind, CMBIGM

**Figure 9: New M&L term loans to enterprises**

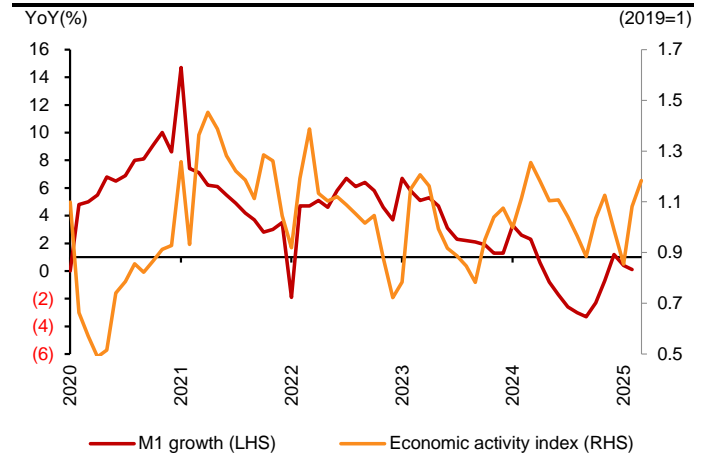
Source: Wind, CMBIGM

**Figure 10: New short-term loans to enterprises**

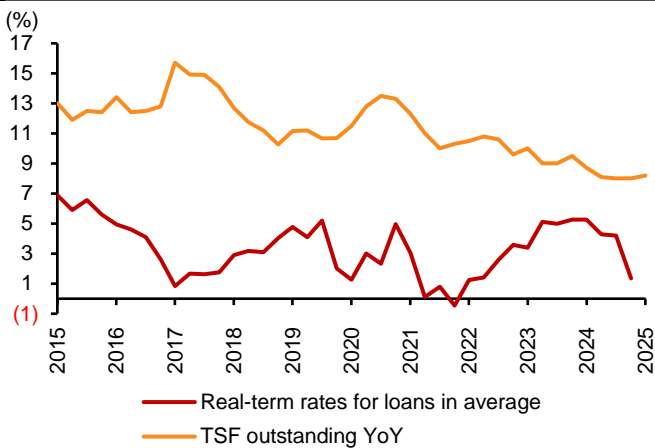
Source: Wind, CMBIGM

**Figure 11: Bill financing to enterprises**

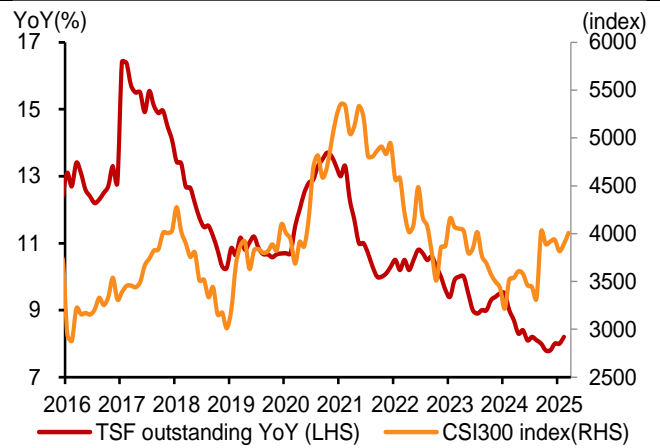
Source: Wind, CMBIGM

**Figure 12: M1 growth & economic activity index**

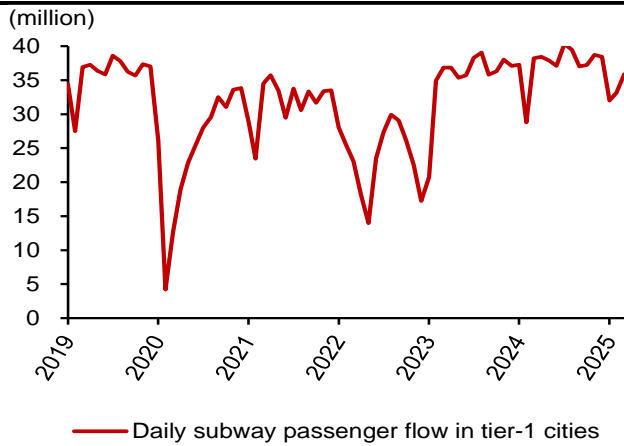
Source: Wind, CMBIGM

**Figure 13: Real-term loan rates & TSF growth**

Source: Wind, CMBIGM

**Figure 14: TSF growth & CSI300 index**

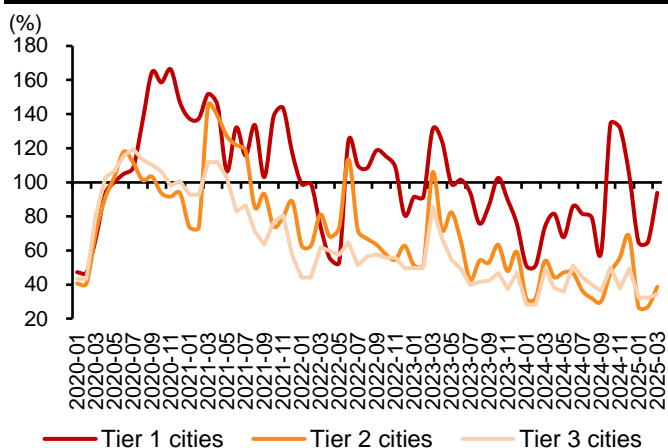
Source: Wind, CMBIGM

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

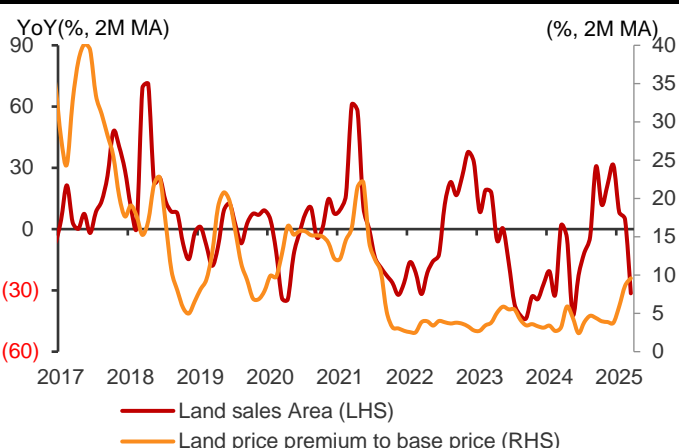
Source: Wind, CMBIGM

**Figure 16: New mortgage & housing sales**

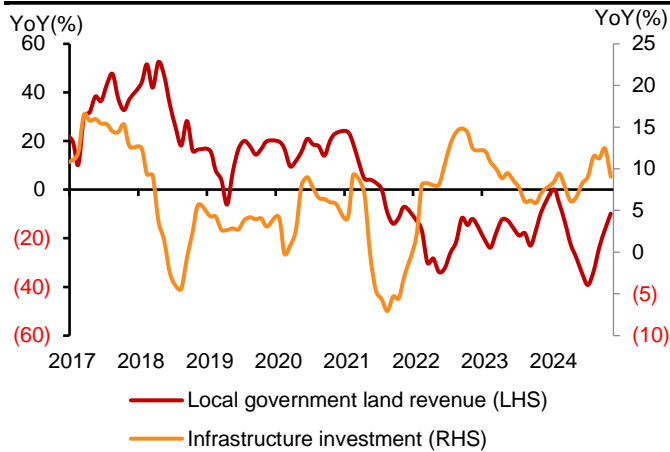
Source: Wind, CMBIGM

**Figure 17: Housing sales recovery rates compared to 2019**

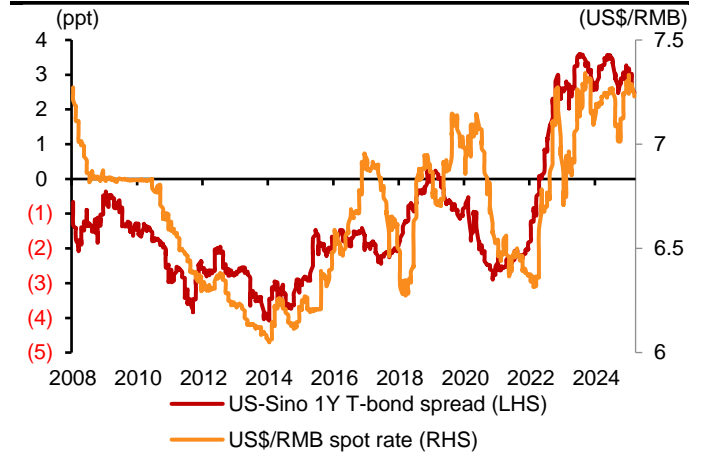
Source: Wind, CMBIGM

**Figure 18: Growth of land sales**

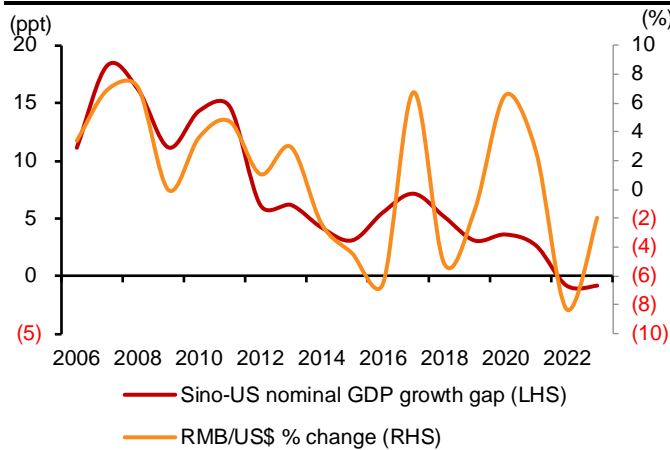
Source: Wind, CMBIGM

**Figure 19: Infrastructure investment**

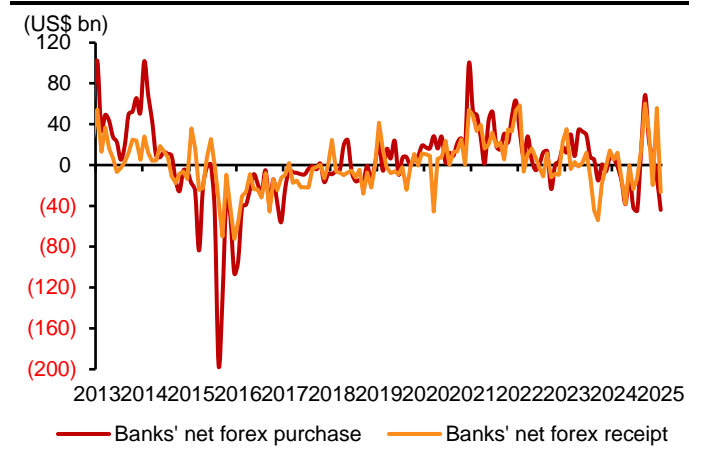
Source: Wind, CMBIGM

**Figure 20: US-China interest spreads**

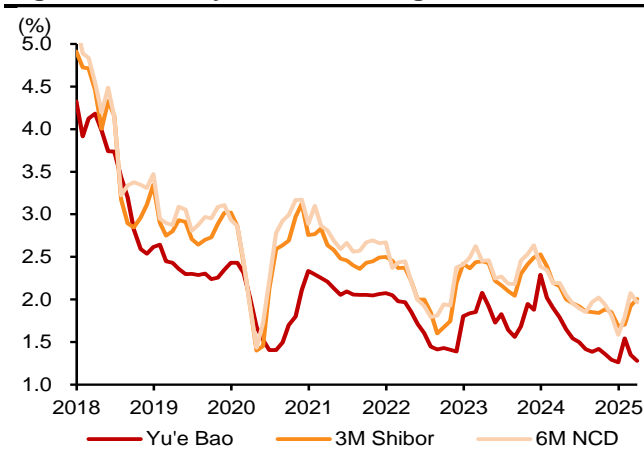
Source: Wind, CMBIGM

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

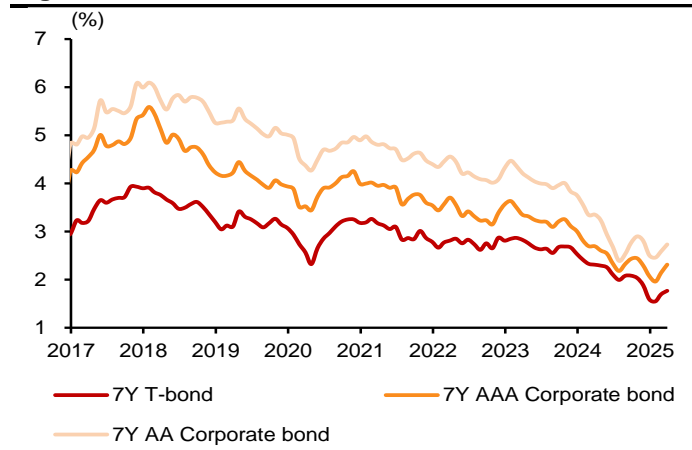
Source: Wind, CMBIGM

**Figure 22: Net forex inflow**

Source: Wind, CMBIGM

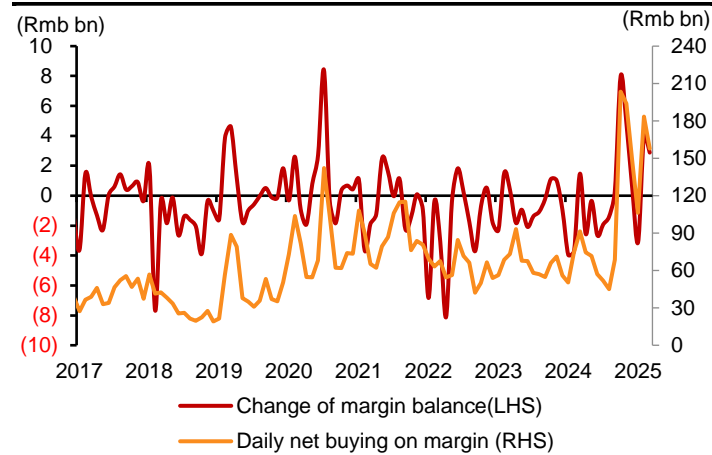
**Figure 23: Money market funding cost**

Source: Wind, CMBIGM

**Figure 24: Bond market rates**

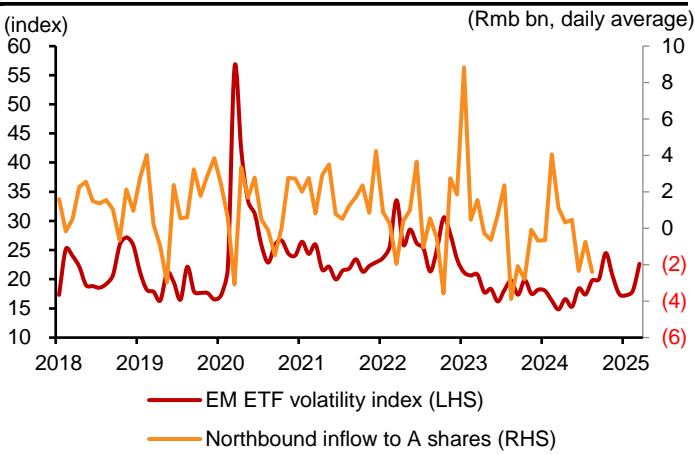
Source: Wind, CMBIGM

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



Source: Wind, CMBIGM

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



Source: Wind, CMBIGM

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