

China Watch

Both TSF and loan growth softened in Feb after the strong print in Jan

Exhibit 1: February money and credit data (announced: 15 Mar 2024)

Feb new TSF and new loans came in at RMB1,558bn and RMB 1,450bn, trailing market consensus

Feb	New Loans	Loan growth	New TSF	TSF growth	M0	M1	M2
	RMB bn	% yoy	RMB bn	% yoy	% yoy	% yoy	% yoy
Actual	1,450	10.1	1,558	9.0	12.5	1.2	8.7
Previous	4,920	10.4	6,502	9.5	5.9	5.9	8.7
Consensus	1,550		2,340			2.0	8.8
BofA Global Research	1,600	10.2	2,500	9.3			8.7

Source: PBoC, Bloomberg, BofA Global Research estimates

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Financial condition tightened in Feb

Our estimated BofA China Financial Condition Indicator (FCI) tightened to 96.3 in Feb (vs 95.7 in the prior month), as the slowdown in TSF growth more than offset the impacts from CNY NEER depreciation and the lower nominal interest rates (Exhibit 2).

Feb TSF well below expectations; loan growth moderated

Feb new RMB loans came in at RMB1,450bn (vs RMB1,810bn in Feb 2023), trailing the market consensus (RMB1,550bn). New TSF were only at RMB1,558bn, well below the market consensus of RMB2,340bn, mostly due to the weak off-balance-sheet financing. The yoy growth of outstanding RMB loans also moderated to 10.1% (from 10.4% in Jan) and TSF growth softened to 9.0% yoy (from 9.5% previously). M2 growth stayed at 8.7% yoy in Feb, while M1 growth dropped to 1.2% (from 5.9% previously), partly due to the shift in LNY holidays.

Household loans dropped; TSF weakened across the board

New RMB loans within TSF (RMB980bn) remained the biggest component of the Feb new TSF. In other categories, the government bond net issuance came in at RMB601bn, higher than last month (RMB295bn), but smaller than that of Feb 2023 (RMB814bn). Off-balance sheet financing dropped by RMB329bn (vs. +RMB601bn previously).

Within RMB loans (RMB1.45tn), household loans declined by RMB591bn in Feb, driven by a steeper drop in short-term loans after the LNY holiday. New MLT household loans also contracted amid weak home sales in Feb. Meanwhile new corporate loans came in at RMB 1.57tn, mostly contributed by MLT loans (RMB1.29tn).

The weak household credit demand remained key to watch

The weak new TSF data in Feb is partly due to the LNY calendar shift, and partly due to slower issuance of both corporate and government bonds. In our view, it is important to keep a close watch on slower loan growth, especially household loans. That said, the silver lining is that the share of corporate MLT loan in total corporate loans still held up, suggesting corporate credit demand remaining resilient. In the NPC Government Work Report, it is highlighted that the government will issue special ultra-long treasury bonds to help enhance security capacity in key areas this year. We expect the TSF growth to be supported by the bond issuance going forward, while the drag from household credit demand remained the key to watch.

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Abbreviations

6mma: 6-month moving average

MLT: medium-to-long-term

ST: short-term

NEER: nominal effective exchange rate

TSF: total social financing

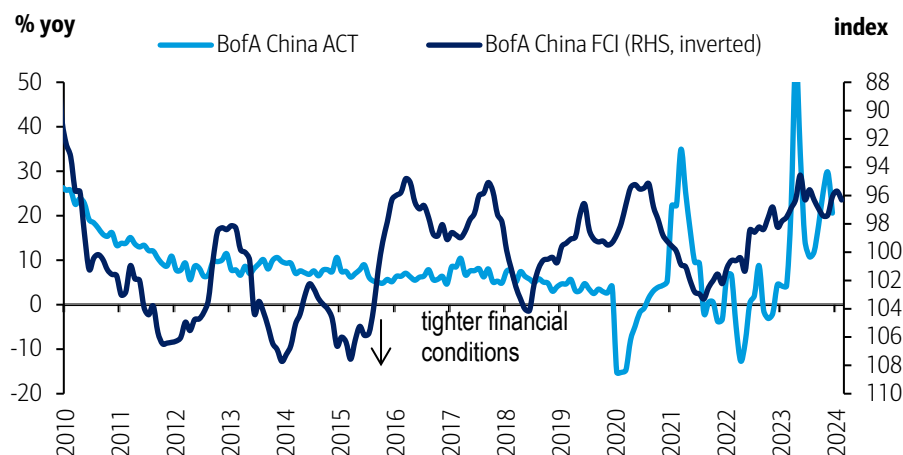
LNY: Lunar New Year

RRR: Reserve Requirement Ratio

NPC: National People's Congress

Exhibit 2: BofA China Financial Condition Indicator (FCI) and Activity Coincident Indicator (ACT)

Estimated Financial Condition Indicator tightened to 96.3 in Feb, vs. a revised reading of 95.7 in Jan

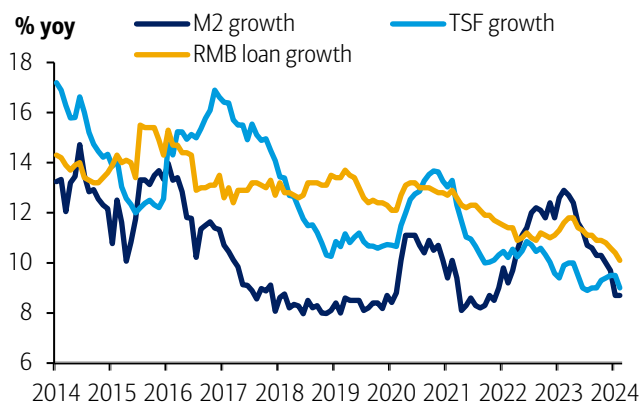


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Exhibit 3: Growth of M2, TSF and RMB loans

M2 growth remained steady in Feb while TSF growth fell to 9.0% yoy partly due to the shift in LNY holidays

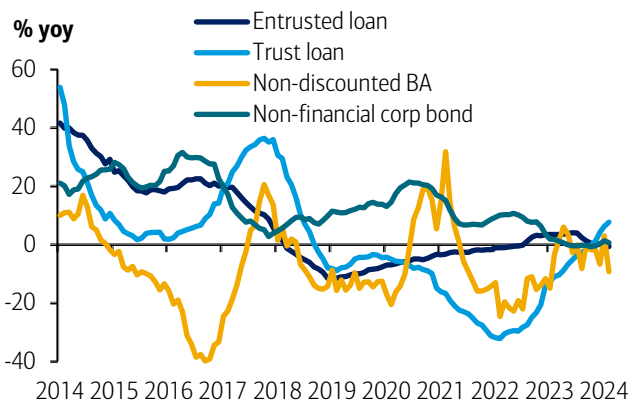


Source: BofA Global Research, CEIC

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Exhibit 4: Growth of bonds and off-balance sheet credit

Growth of non-discounted banker's acceptance (BA) fell in Feb, while that of trust loans picked up further

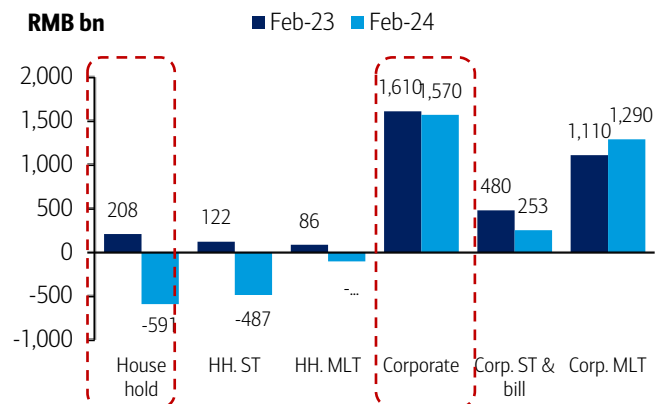


Source: BofA Global Research, CEIC

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Exhibit 5: New loans breakdown

New household loans were much lower than that of Feb 2023, while MLT corporate loans & bills improved

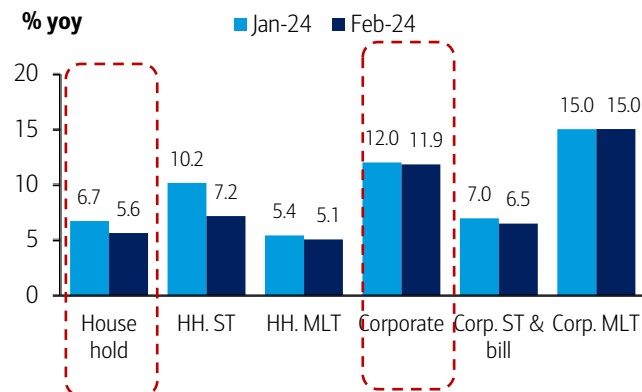


Source: BofA Global Research, CEIC

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Exhibit 6: Loan growth breakdown

Compared to the previous month, both outstanding household loan and corporate loan growth moderated

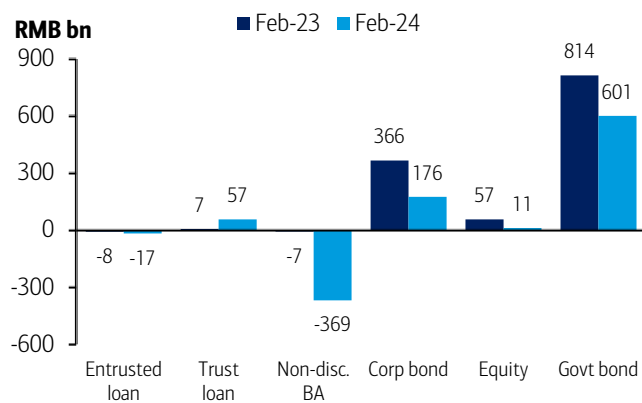


Source: BofA Global Research, CEIC

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Exhibit 7: TSF breakdown

Govt bond remained resilient in Feb 2024, but still below last Feb's level

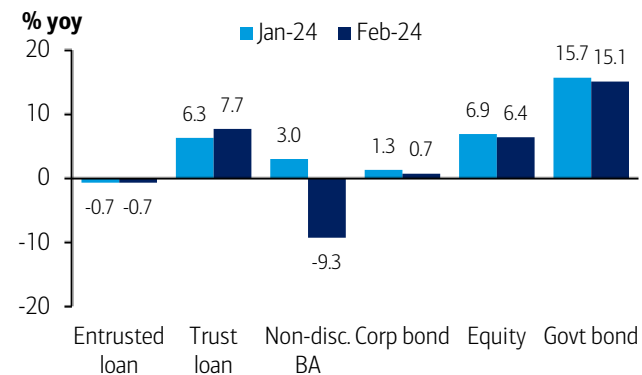


Source: BofA Global Research, CEIC

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Exhibit 8: TSF growth breakdown

Growth of non-disc BA fell notably in Feb, while that of trust loan trended up

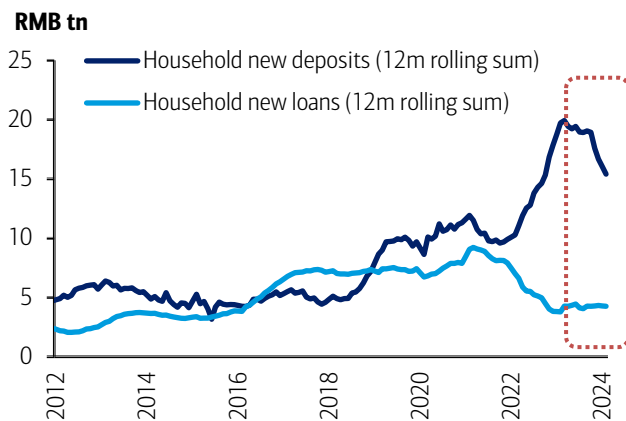


Source: BofA Global Research, CEIC

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Exhibit 9: Household new deposits and new loans

New household deposits fell further in Feb



Source: BofA Global Research, Wind

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