

China Watch

December TSF growth picked up, but loan growth slowed

Exhibit 1: December money and credit data (announced: 12 January 2024)

Dec new TSF was RMB1,940bn, trailing market consensus; new loans also came in weaker than expected

Dec	New Loans RMB bn	Loan growth % yoy	New TSF RMB bn	TSF growth % yoy	M0 % yoy	M1 % yoy	M2 % yoy
Actual	1,170	10.6	1,940	9.5	8.3	1.3	9.7
Previous	1,090	10.8	2,455	9.4	10.4	1.3	10.0
Consensus	1,350		2,162			1.5	10.1
BofA Global Research	1,200	10.7	2,340	9.7			10.0

Source: PBoC, Bloomberg, BofA Global Research estimates

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Financial condition loosened in Dec

Our revised BofA China Financial Condition Indicator (FCI) loosened to 96.4 in Dec (vs. 97.7 in the prior month), as the higher 6mma monthly new TSF yoy growth and slight yoy CNY NEER depreciation offset slightly higher nominal interest rates (Exhibit 2).

Dec loan growth slowed; new TSF trailed expectations

Dec new RMB loans came in at RMB1,170bn (vs. RMB1,400bn in Dec 2022), largely in line with our forecast (RMB1,200bn) but weaker than the consensus estimate (RMB1,350bn). New TSF was at RMB1,940bn, trailing both our estimate (RMB2,340bn) and consensus forecast (RMB2,162bn). The yoy growth of outstanding loans edged down to 10.6%, while that of outstanding TSF picked up to 9.5%. M2 growth decelerated to 9.7% yoy while M1 growth stayed flat at 1.3%.

Govt bonds drove TSF growth; household loans picked up

New RMB loans (RMB1,105bn) accounted for the biggest part of the Dec new TSF. Another driver was government bond net issuance (RMB928bn), which was supported by the issuance of additional RMB1tn treasury bonds announced earlier.

Within RMB loans, household loans increased by RMB222bn, with the most coming from MLT household loans (RMB146bn, slightly lower than 187bn in last Dec). This is consistent with the pick-up in new home sales in the 2H of Dec. New corporate loans (RMB892bn) still held up, though new MLT loans (RMB861bn) were less compared with last Dec (RMB1,211bn). Corporate bill financing rose by RMB150bn while ST loans fell.

Expect more policy support to stabilize credit growth

The slower loan growth and sluggish M1 growth in Dec point to still weak overall credit demand. Yet, it is encouraging to see that household loans started to stabilize and MLT corporate loans still held up well. In our view, with the currency depreciation pressure subsiding recently, the PBoC may see slightly more room to ease monetary policy in the near term. The recent comments by Mr. Zou Lan, director of the PBoC's monetary policy department, indicate further RRR cuts are likely this year. The reactivation of PSL tool and liquidity injections by the PBoC in recent weeks also underscore better coordination between monetary and fiscal policies. We expect more policy support to stabilize credit growth in 2024.

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Refer to important disclosures on page 4 to 5.

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Abbreviations

6mma: 6-month moving average

MLT: medium-to-long-term

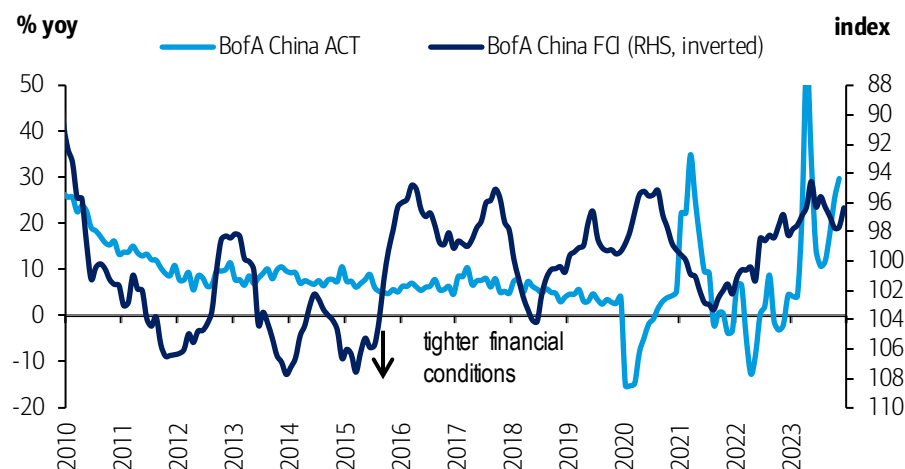
ST: short-term

NEER: nominal effective exchange rate

TSF: total social financing

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

Financial Condition Indicator eased to 96.4 in Dec, vs. 97.7 in Nov

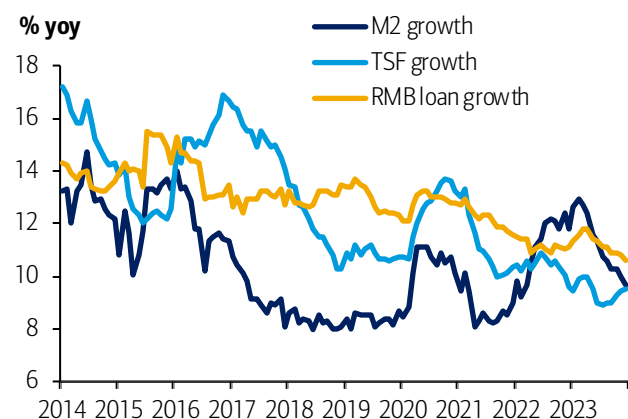


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Exhibit 3: Growth of M2, TSF and RMB loans

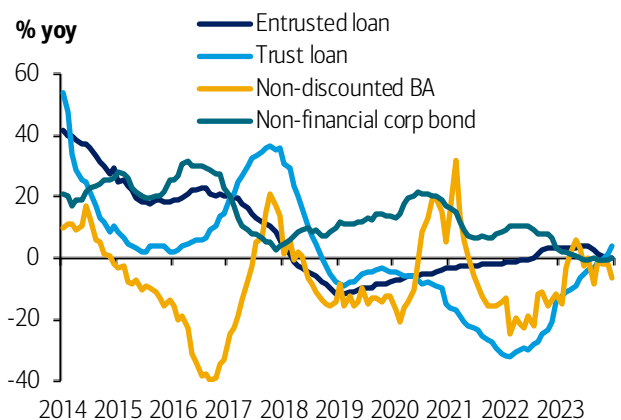
TSF growth inched up in Dec while M2 growth fell to 8.3% yoy

**Source:** BofA Global Research, CEIC

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

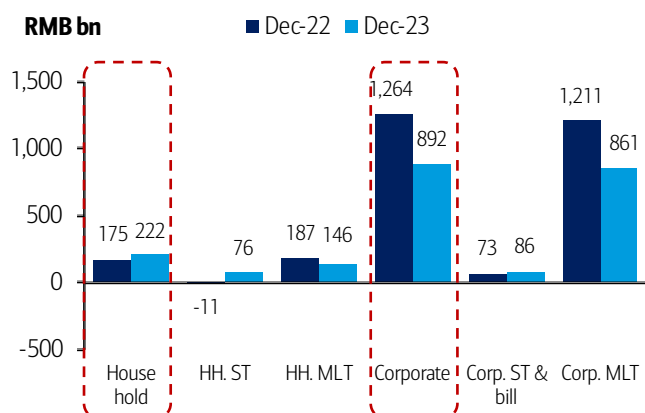
Growth of non-discounted banker's acceptance (BA) slowed notably in Dec, while that of trust loans picked up

**Source:** BofA Global Research, CEIC

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Exhibit 5: New loans breakdown

New household loans were higher than in Dec 22, while MLT corporate loans & bills came in lower

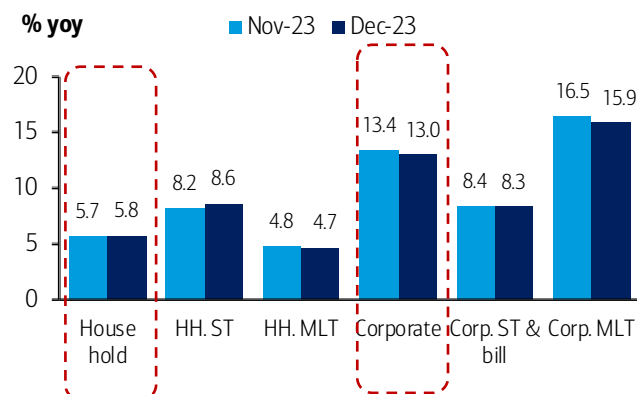


Source: BofA Global Research, CEIC

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Exhibit 6: Loan growth breakdown

Compared to the previous month, outstanding household loan growth inched up, while corporate loan growth edged down

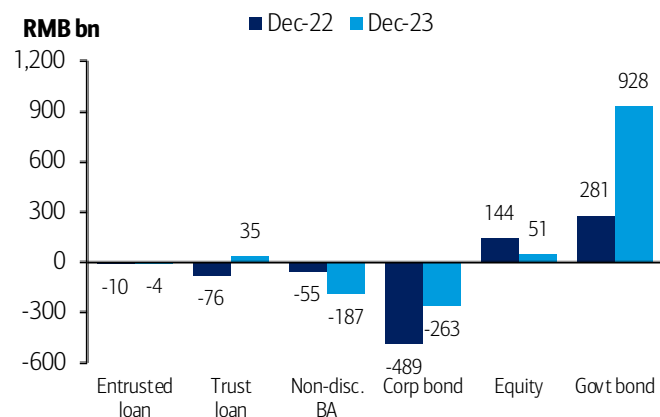


Source: BofA Global Research, CEIC

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Exhibit 7: TSF breakdown

Government bond issuance was notably higher than in Dec 2022

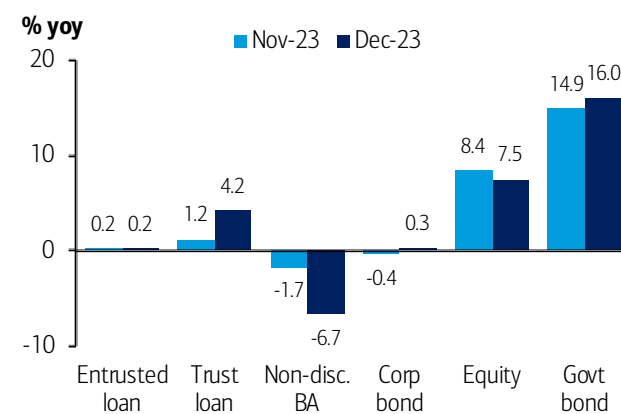


Source: BofA Global Research, CEIC

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Exhibit 8: TSF growth breakdown

Growth of trust loans picked up further in Dec, while that of equity issuance moderated slightly

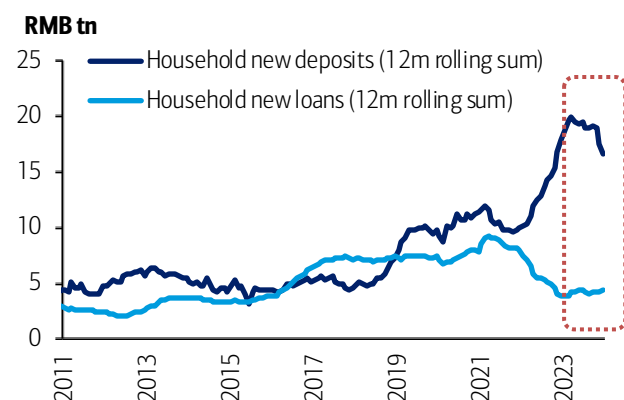


Source: BofA Global Research, CEIC

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Exhibit 9: Household new deposits and new loans

New household deposits edged down but still at elevated level



Source: BofA Global Research, Wind

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