

## China Watch

## TSF growth held up in Jan; financing cost likely to be lowered further

**Exhibit 1: January money and credit data (announced: 9 February 2024)**

Jan new TSF and new loans came in at RMB6,500bn and RMB 4,920bn, beating market consensus

Jan	New Loans	Loan growth	New TSF	TSF growth	M0	M1	M2
	RMB bn	% yoy	RMB bn	% yoy	% yoy	% yoy	% yoy
Actual	4,920	10.4	6,500	9.5	5.9	5.9	8.7
Previous	1,171	10.6	1,940	9.5	8.3	1.3	9.7
Consensus	4,500		5,600			2.9	9.3
BofA Global Research	4,300	10.1	5,400	9.3			9.2

Source: PBoC, Bloomberg, BofA Global Research estimates

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**Financial condition loosened in Jan**

Our estimated BofA China Financial Condition Indicator (FCI) loosened to 95.6 in Jan (vs. 96.1 in the prior month), mostly due to the slightly larger yoy CNY NEER depreciation and lower nominal interest rates (Exhibit 2).

**Jan TSF exceeded expectations; loan growth moderated**

Jan new RMB loans came in at RMB4,920bn (vs. RMB4,900bn in Jan 2023), better than our forecast (RMB4,300bn) and market consensus (RMB4,500bn). New TSF were at RMB6,500bn, also above the market consensus of RMB5,600bn. The yoy growth of outstanding loans moderated slightly to 10.4% (from 10.6% in Dec) and TSF growth remained at 9.5% yoy. M2 growth edged down to 8.7% yoy in Jan, while M1 growth improved to 5.9% (from 1.3% previously), partly due to the shift in LNY holidays.

**Govt bond issuance softened; Household loans picked up**

New RMB loans (RMB4.84tn) contributed the most to the Jan new TSF, while the government bond net issuance softened (RMB295bn vs. RMB414bn previously). On the other hand, both corporate bond and off-balance-sheet financing improved in Jan.

Within RMB loans, household loans increased by RMB980bn, with a notable pick up in MLT household loans (RMB627.2bn), despite the sluggish home sales in Jan (see: [Chartbook](#)). New corporate loans (RM3.86tn) held up, but lower than the same period last year. New MLT loans largely held up (RMB3.31tn), ST loan rose by RMB1.46tn while corporate bill financing fell by RMB973.3bn.

**Lowering financing cost still the key to watch**

The stronger new TSF and new loan data is after a weak print in Dec, and also helped by more working days last month (vs. previous Jan). That said, the outstanding loan growth still saw a moderation in Jan. Since late last month, policy makers have stepped up monetary easing, and delivered a larger-than-expected RRR cut earlier. In the latest PBoC quarterly monetary policy report, it is reported that the weighted average lending rate for new loans in 4Q has dropped to likely only 3.83% (-31bp from 3Q), and a deepening of interest rate marketization reform is expected (likely through further deposit rate cuts). Going forward, we believe once the currency depreciation pressure subsided, more meaningful rate cuts could be materialized, and we have pencilled in a 15bp 1-year LPR cut in 1Q to support growth in the near term (see also: [report](#)).

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**Abbreviations**

6mma: 6-month moving average

MLT: medium-to-long-term

ST: short-term

NEER: nominal effective exchange rate

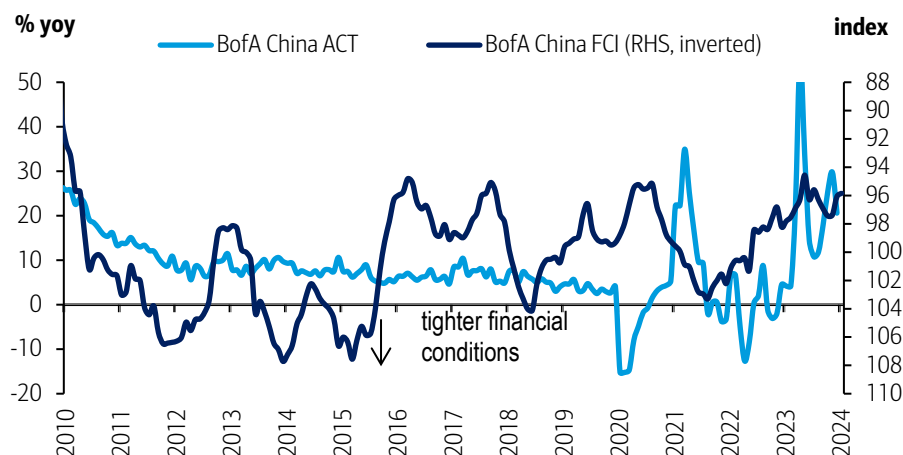
TSF: total social financing

LNY: Lunar New Year

RRR: Reserve Requirement Ratio

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

Estimated Financial Condition Indicator eased to 95.6 in Jan, vs. a revised reading of 96.1 in Dec

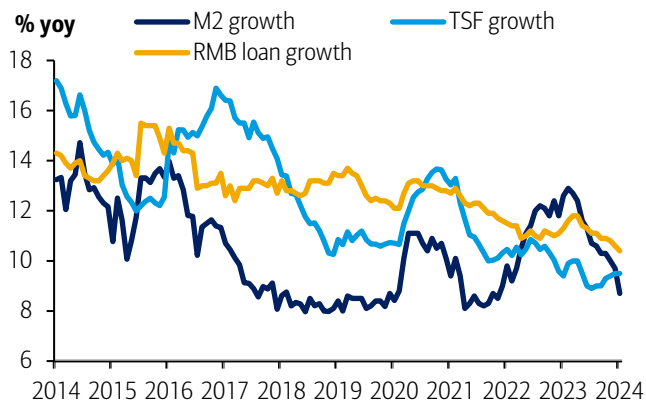


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**Exhibit 3: Growth of M2, TSF and RMB loans**

TSF growth remained steady in Jan while M2 growth fell to 8.7% yoy partly due to the shift in LNY holidays

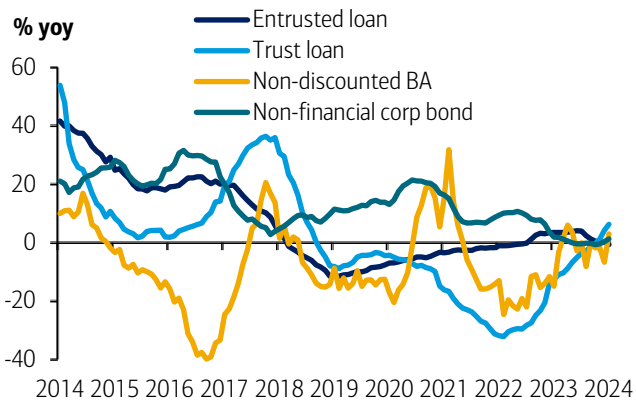


Source: BofA Global Research, CEIC

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

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

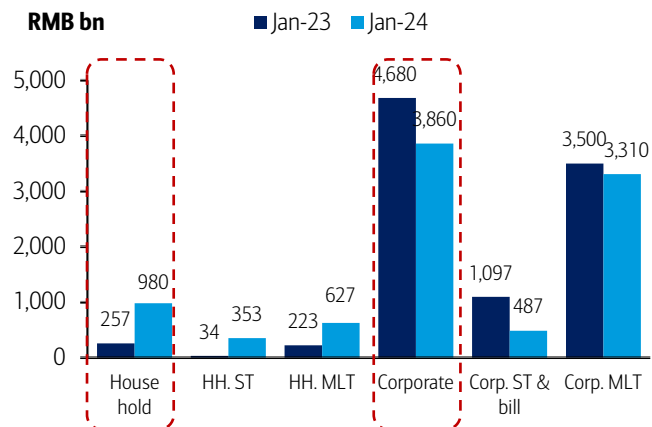


Source: BofA Global Research, CEIC

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**Exhibit 5: New loans breakdown**

New household loans were much higher than that of Jan 2023, while MLT corporate loans & bills came in lower

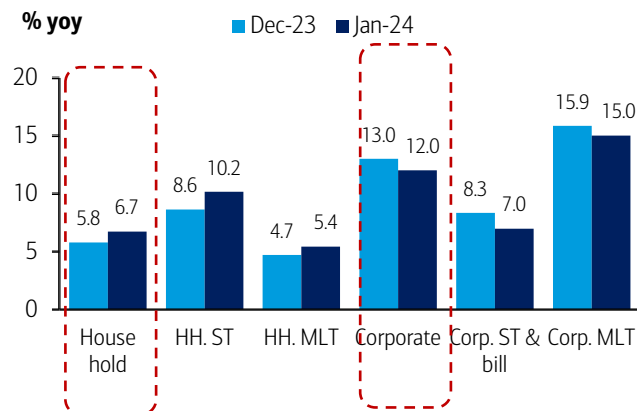


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**Exhibit 6: Loan growth breakdown**

Compared to the previous month, outstanding household loan growth picked up, while corporate loan growth moderated

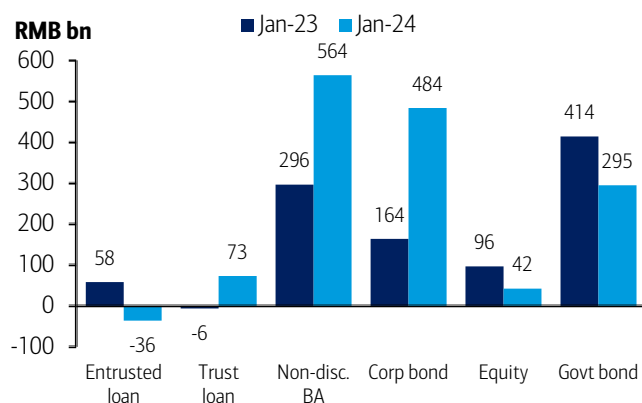


Source: BofA Global Research, CEIC

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**Exhibit 7: TSF breakdown**

Non-disc BA and Corp bond was notably higher than in Jan 2023

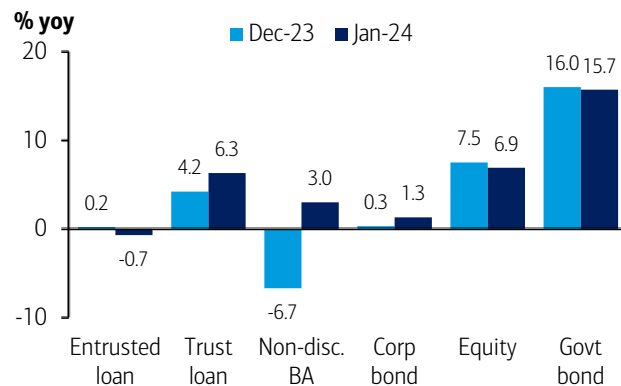


Source: BofA Global Research, CEIC

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**Exhibit 8: TSF growth breakdown**

Growth of non-disc BA rebounded to positive in Jan, while that of equity issuance moderated slightly

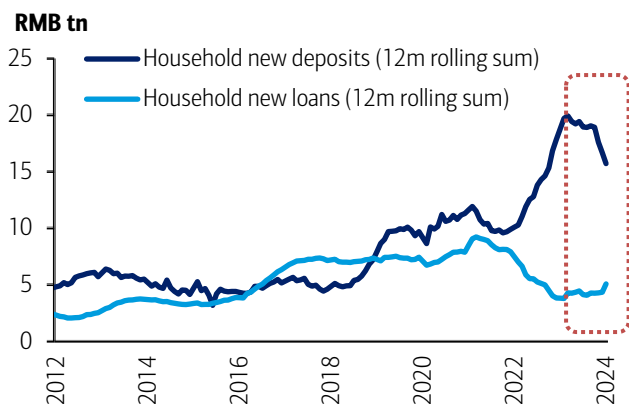


Source: BofA Global Research, CEIC

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**Exhibit 9: Household new deposits and new loans**

New household deposits fell further in Jan



Source: BofA Global Research, Wind

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