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中国经济评论：5 月信贷重回温和复苏轨道

China Economics Update: Credit growth resumes its modest recovery

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5 月社融和 M2 数据与我们比市场略低的预期一致。社融增速在 4 月下滑至 10.4%后微升至 10.5%，高于 2018 年底的低点 9.8%，显示信贷周期仍在回暖。

分项看，信贷增速微升主要源于影子银行信贷的收缩继续放慢，而银行贷款保持稳定。受市场风险偏好下降影响，5 月企业债净发行有所放缓。

我们预计信贷增速年内将继续温和走高至 11-12%。虽然流动性环境比年初有所收紧，但实际利率保持低位，流动性水平仍较宽松。另外政府项目上马也会提升信贷需求。特别是随着专项债新政出台，预计未来几个月地方专项债和相关融资均有所将上升。

China's total social financing (TSF) and M2 growth came in-line with our expectations, but were slightly lower than consensus. TSF growth picked up to 10.5% in May after dipping to 10.4% in Apr, remaining higher than the trough of 9.8% at the end of 2018.

The slight acceleration of credit growth was mainly driven by the slower contraction of shadow banking credit. Bank lending remained stable. Corporate debt issuance slowed in May, reflecting increasing risk aversion.

We expect credit growth to pick up modestly to 11-12% this year. This will be supported by a tighter but still-accommodative liquidity stance and strong public borrowing. The latest policies will see special local government bond issuance accelerate and related financing to pick up in the coming months.

				May 2019			2Q 2019F		2019F	
Main indicators	**May-18**	**Mar-19**	**Apr -19**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**	**BBG**	**CCBIS**
TSF (RMB b)	951.8	2,860	1,360	1,450	1,400	**1,400**	-	-	-	-
New loans (RMB b)	1,150	1,690	1,020	1,300	1,350	**1,180**	-	-	-	18,500
M2 YoY (%)	8.3	8.6	8.5	8.6	8.5	**8.5**	8.3	8.4	8.4	8.5
Loans YoY (%)	12.6	13.7	13.5	-	-	**13.4**	-	13.3	-	13.6
TSF YoY (%)	11.6	10.7	10.4	-	-	**10.5**	-	-	-	11.8

Source: Bloomberg, CCBIS estimates

Credit growth stable despite softer corporate bond issuance

TSF picked up further, in-line with our expectation

Total social financing (TSF) came to RMB1.4t in May, slightly below market expectation but in-line with our forecast (BBG median: RMB1,450b, CCBIS: RMB1,400b). Outstanding TSF growth picked up by 0.1ppt to 10.5% YoY in May.

Solid TSF data was underpinned by robust bank loans, which climbed to RMB1,180b in May from RMB1,020b in Apr, though below market and our expectations (BBG median: RMB1,300b, CCBIS: RMB1,350b). Outstanding bank lending growth ticked down to 13.4% in May from 13.5% in Apr. Bank lending to both corporates and households improved from the previous month and was similar to the levels in last May. Corporate short-term loans rebounded after a visible decline in the previous month, while corporate medium- and long-term borrowing remained robust. Meanwhile, household long-term borrowing was also stronger than the previous month and same month last year, in-line with a continued recovery of property sales.

However, net issuance of both corporate bonds and LG special bonds slowed. Net corporate bond issuance came in at only RMB47.6b in May, down visibly from RMB357.0b in Apr. Net issuance of local government project bonds dipped to RMB125b, softer than the previous reading of RMB167b and average monthly level of RMB180b in 1Q.

Shadow banking financing fell at a slower pace

Shadow banking credit fell by RMB145.3b, similar to the decline of RMB142.7b the previous month, a modest pace compared with the average decline of RMB280b in 2H18. The smaller contraction of entrusted loans was offset by large declines in trust loans and banker's acceptance bills. Outstanding shadow banking credit contracted at a slower pace on a positive base effect.

Our indicator of real economy borrowing, comprising of bank loans, corporate bonds and LGBs, eased 0.1ppt to 14.3% YoY. The growth rate in Apr-May was largely stable from 1Q, but higher than the 9.8% at end-2018.

M2 growth held unchanged at 8.5% YoY in May, largely in-line with expectations. Corporate and household deposits registered higher increases compared with Apr and last May, but the increase of non-bank financial institution deposits slowed. Separately, fiscal deposits (not included in M2) were also higher than in last May.

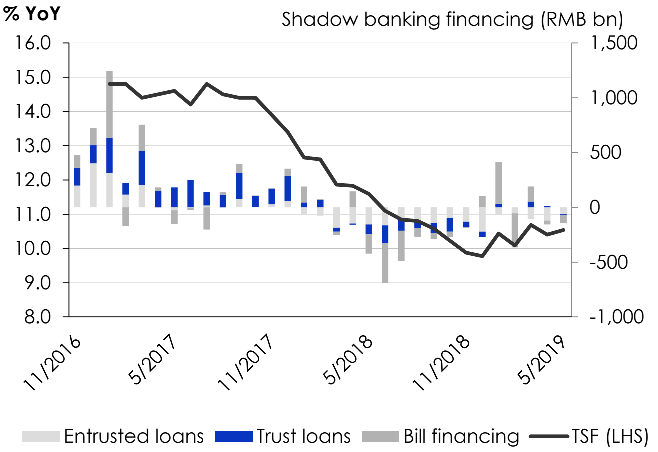
Our view

We expect credit data to stay solid, despite some tightening of liquidity since late Mar as interbank rates moved higher. During the last week of May, the PBoC increased its net injections following tighter funding conditions for smaller banks, driving key interbank rates to drop back to a low level of 2.5% (Fig 2). But as liquidity concerns dissipate we expect further policy accommodation to be limited. We expect the credit cycle to warm up further, underpinned by a slower deleveraging process and solid borrowing demand from the real economy, with TSF growth to accelerate further to around 11-12% by the end of this year.

In particular, we expect the issuance of special local government bonds (LGBs) to accelerate in the coming months, supporting a pickup in infrastructure investment. Infrastructure investment growth bottomed out in 3Q18, but the recovery this year has been slow. The central government introduced new measures to support financing on 10 Jun; special LGBs can now be used as equity capital for key national infrastructure projects. By our estimates, this has the potential to bring in additional funding of c.RMB1.4t for infrastructure investments[2]. However, the use of such a scheme will be selective by design, and it will take time for the funding to be in place. We maintain our expectation of a gradual acceleration of infrastructure to around 10% this year.

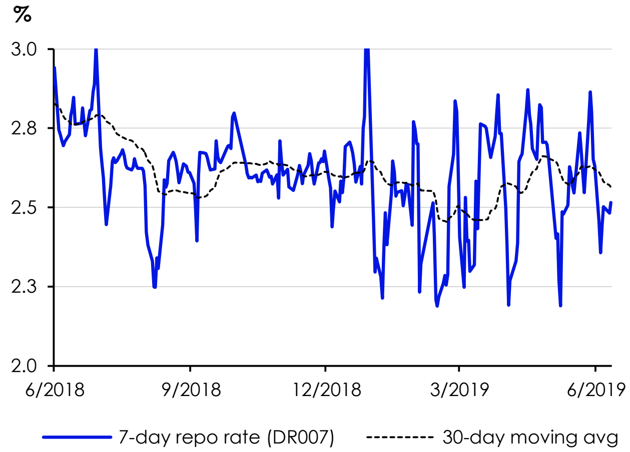
[2] Infrastructure Construction: More scope for special gov't bonds to rescue growth (11 Jun)

Fig 1. TSF growth trended up from 1Q



Source: PBoC,CEIC, CCBIS

Fig 2. Interbank rate has dropped back



Source: PBoC,CEIC, CCBIS

Monthly loan increases (RMB b)	**May 2018**	**1Q18 (avg)**	**2Q18 (avg)**	**3Q18 (avg)**	**4Q18 (avg)**	**1Q19 (avg)**	**Apr 2019**	**May 2019**
Households	614	582	617	696	558	603	526	663
- Short term	222	156	211	250	187	143	109	195
- Long term	392	430	403	443	373	460	417	468
Corporates	526	1028	693	648	399	1495	347	522
- Short term	-59	200	91	-56	-69	350	-142	121
- Bill financing	145	-18	147	274	227	261	187	113
- Medium and long term	403	816	423	403	223	854	282	252

Monthly TSF increases (RMB b)	**May 2018**	**1Q18 (avg)**	**2Q18 (avg)**	**3Q18 (avg)**	**4Q18 (avg)**	**1Q19 (avg)**	**Apr 2019**	**May 2019**
Bank loans	1,117	1,632	1,284	1,286	881	2105	840	1,209
Net corporate bond financing	-38	179	160	190	278	302	357	48
Equity financing	44	43	41	20	17	18	26	26
Off-balance-sheet financing	-421	-45	-375	-348	-210	20	-143	-145
- Entrusted loans	-157	-110	-156	-120	-150	-76	-120	-63
- Trust loans	-90	25	-87	-93	-75	28	13	-5
- Banker's acceptance bills	-174	41	-131	-136	15	68	-36	-77
Net issuance of LG project bonds	101	26	95	445	32	180	168	125

TSF outstanding growth (YoY %)	**May 2018**	**1Q18 (avg)**	**2Q18 (avg)**	**3Q18 (avg)**	**4Q18 (avg)**	**1Q19 (avg)**	**Apr 2019**	**May 2019**
TSF	11.6	12.4	11.5	10.7	10.0	10.4	10.4	10.5
Loans	12.6	12.9	12.7	13.2	13.2	13.5	13.5	13.4
Net corporate bond financing	8.3	4.5	8.0	7.6	8.0	10.5	10.5	10.6
Equity financing	11.7	13.0	11.6	9.8	6.8	4.6	3.8	3.4
Off-balance-sheet financing	2.9	8.4	2.3	-4.1	-9.2	-10.6	-10.7	-10.0
- Entrusted loans	-3.4	1.0	-3.5	-6.4	-9.8	-11.3	-10.9	-10.2
- Trust loans	16.0	27.4	15.4	3.8	-5.2	-8.5	-7.7	-7.5
- Banker's acceptance bills	0.9	2.3	-1.3	-11.2	-14.8	-12.2	-15.6	-14.0

** LG = local government*
Source: CEIC, CCBIS

Rating definitions:

Outperform (O) – expected return > 10% over the next twelve months
Neutral (N) – expected return between -10% and 10% over the next twelve months
Underperform (U) – expected return < -10% over the next twelve months

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