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中国经济评论：地方债放量，社融增速持稳

China Economics Update: Stable credit growth buoyed by government bonds

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中国 1 月份的新增银行贷款和社会融资总额高于预期。虽然贷款增速如期放缓，但 1 月地方政府债的大规模发行支撑了社融增速企稳。

近几周央行已开始减少流动性注入，预计短期内货币政策会继续维持有限宽松。除非未来几周疫情出现反复且影响了复工复产进程，否则我们认为一季度进一步降息的可能性较小。政府将主要运用差别化的信贷和财政政策来减轻疫情的负面影响。

China's Jan bank loans and total social financing (TSF) came in firmer than expected. While bank lending growth moderated as we expected, buoyant local government bond issuance, which is positive for infrastructure spending, supported overall TSF growth in holding stable.

Monetary easing is likely to remain measured in the near-term. The PBoC has been rolling back liquidity injections in recent weeks. Barring a rebound in the number of virus cases, which would impede the resumption of work in the coming weeks, we see a low probability of further rate cuts in 1Q20F. Targeted credit and fiscal support will be the major approach to mitigating the negative impact of COVID-19 virus.

				Jan 2020			2020F	
Main indicators	**Oct-19**	**Nov-19**	**Dec-20**	**BBG**	**CCBIS**	**Actual**	**BBG**	**CCBIS**
TSF (RMB b)	868	1,993	2,100	4,200	4,190	**5,070**	-	-
New loans (RMB b)	661	1,390	1,140	3,081	2,880	**3,340**	-	19,000
M2 YoY (%)	8.4	8.2	8.7	8.6	8.5	**8.4**	8.5	8.5
Loans YoY (%)	12.4	12.4	12.3	-	-	**12.1**	-	12.4
TSF YoY (%)	10.6	10.7	10.7	-	-	**10.7**	-	10.9

Credit growth held steady again

In Jan, China TSF growth once again held steady at 10.7% YoY, a similar rate to 2H19. In monthly terms, total social financing (TSF) grew over RMB5t, a firmer result than expected (CCBIS: RMB4,190b). Strength in TSF mainly came from the solid pickup in local government bond issuance. Meanwhile, bank lending growth moderated due to slower short-term loan expansion. M2 growth also declined to 8.4% YoY from 8.7% YoY at the end of 2019, largely in line with our expectation (CCBIS: 8.5%).

Bank lending growth continued to ease. Bank loans increased by RMB3,490b in Jan, higher than expected (CCBIS: RMB2,880b). Outstanding bank lending growth slowed to 12.1% YoY in Jan from 12.3% YoY at the end of 2019. That said, long-term bank loans to households and corporates strengthened again, with annual growth picking up to a six-month high of 12.1% YoY, suggesting firm underlying borrowing demand.

Solid bond issuance driven by local project bonds. Net issuance of corporate bonds increased to RMB387b from RMB262b in Dec with a 2H19 average of RMB279b. Government bond issuance, including both CGBs and LGBs, more than doubled that of Dec, rising to RMB761b from RMB374b, driven by buoyant issuance of special local government bonds and boding well for infrastructure spending in coming months.

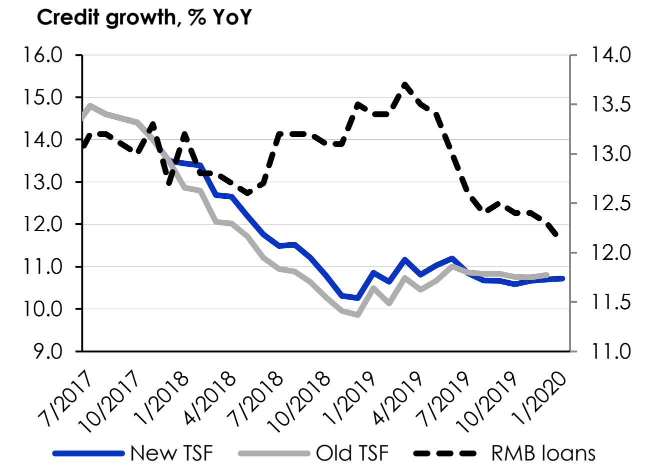
Shadow banking credit rebounded temporarily. Shadow banking credit increased for the first time since Apr 2019 by RMB181b, likely reflecting a seasonal jump at the beginning of the year. Entrusted loans were nearly flat from a month ago. Trust loans increased by RMB43b, the first such increase since mid-2019. Banker's acceptance bills continued to recover for the third straight month, gaining RMB140b in Jan. That said, due to the bigger increase in bills last year, outstanding shadow banking credit declined at a slightly faster pace in Jan, falling 7.9% YoY, compared with a 7.5% YoY decline in Dec 2019. Looking ahead, we believe the deferred deadline for the wealth management product transition will result in a smaller contraction in shadow banking credit in 2020F.

Our view

Broad monetary easing is likely to stay measured as the spread of the virus is contained. After the massive liquidity injection in the first week after the CNY holidays, which helped to stabilize the market, the PBoC reduced its net liquidity injection in the past two weeks, noting the adequacy of interbank market liquidity. In its latest monetary policy report, the central bank reiterated that it would not pursue broad easing while stressing that TSF and money supply expansion should be in line with overall economic growth, and that the impact of the virus outbreak is likely to be transitory.

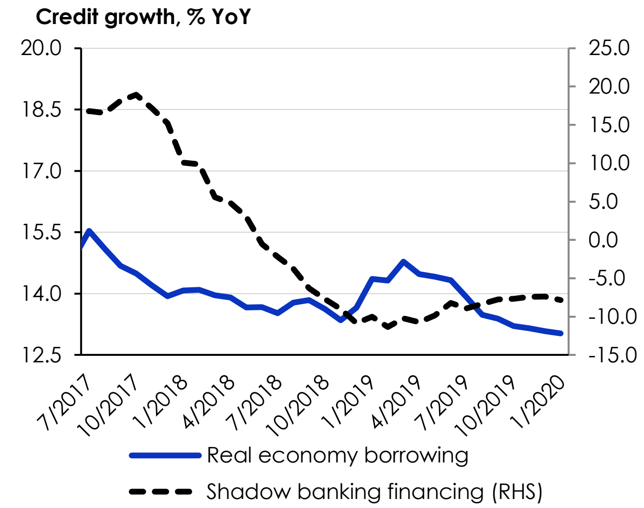
We maintain our view that targeted credit and fiscal support for affected sectors will be the major approach to mitigating the negative impact of the COVID-19 outbreak, as the signs continue to suggest that the spread of the virus is slowing and that economic activity is gradually returning. Following the cut to MLF and LPR rates last month, we see only a low possibility that policy/bank rates will be cut again in 1Q20F. The main risk to our call would be a rebound in the number of virus cases.

Fig 1. Overall credit growth held steady



Source: PBoC,CEIC, CCBIS

Fig 2. Real economy borrowing remained solid



Source: PBoC,CEIC, CCBIS

Monthly loan increases (RMB b)	**Jan 2019**	**4Q18 (avg)**	**1Q19 (avg)**	**2Q19 (avg)**	**3Q19 (avg)**	**4Q19 (avg)**	**Dec 2019**	**Jan 2020**
Households	990	558	603	650	641	583	646	634
- Short term	293	187	143	190	180	147	164	-115
- Long term	697	373	460	457	463	437	482	749
Corporates	2580	399	1495	593	652	410	424	2860
- Short term	592	-69	350	140	0	17	4	770
- Bill financing	516	227	261	132	183	37	26	360
- Medium and long term	1400	223	854	303	453	347	398	634

Monthly TSF increases (RMB b)	**Jan 2019**	**4Q18 (avg)**	**1Q19 (avg)**	**2Q19 (avg)**	**3Q19 (avg)**	**4Q19 (avg)**	**Dec 2019**	**Jan 2020**
Bank loans	3601	881	2,104	1,239	1,261	980	1056	3541
Net corporate bond financing	483	311	309	221	292	266	263	387
Equity financing	29	17	18	22	38	38	43	61
Off-balance-sheet financing	343	-209	20	-167	-279	-162	-146	181
- Entrusted loans	-70	-150	-76	-88	-51	-98	-132	-3
- Trust loans	35	-75	28	3	-67	-80	-109	43
- Banker's acceptance bills	379	15	68	-81	-161	16	95	140

TSF outstanding growth (YoY %)	**Jan 2019**	**4Q18 (avg)**	**1Q19 (avg)**	**2Q19 (avg)**	**3Q19 (avg)**	**4Q19 (avg)**	**Dec 2019**	**Jan 2020**
TSF	10.9	10.0	10.5	10.7	10.7	10.6	10.7	10.7
Loans	13.5	13.2	13.5	13.3	12.5	12.4	12.3	12.1
Net corporate bond financing	11.5	8.4	11.2	11.6	13.2	13.9	13.4	13.1
Equity financing	5.1	6.8	4.6	3.5	4.0	4.5	5.0	5.4
Off-balance-sheet financing	-10.0	-9.3	-10.5	-9.6	-8.3	-7.5	-7.4	-7.9
- Entrusted loans	-11.6	-9.8	-11.3	-10.4	-9.4	-8.1	-7.6	-7.0
- Trust loans	-8.2	-5.4	-8.3	-6.4	-4.3	-3.8	-4.4	-4.3
- Banker's acceptance bills	-8.7	-14.8	-12.2	-13.1	-13.5	-13.2	-12.5	-17.1

** 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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