



CCBI SECURITIES | RESEARCH

中国经济评论：信贷增速持稳**China Economics Update: Credit cycle – steady as she goes**

中国 12 月银行贷款和信贷增速持稳，与总体杠杆弱增长的趋势一致。社融数据较高主要是因为人民银行调整了社融口径，新纳入了国债和地方政府一般债券，但新口径下的社融增速与旧口径的走势基本一致。

我们预计 2020 年信贷增速不会显著走高，但央行可能会继续保持政策宽松，包括采取小幅降息等。近期降准之后，我们认为之后再降准的可能性下降。

China's bank lending and credit growth was steady in Dec, in line with overall soft leverage growth. The large TSF figure reflects a revision in methodology, with TSF now including all government bonds. However, the historical trend is comparable to the old methodology.

We do not expect a significant acceleration in credit growth in 2020F although the PBoC may continue to indicate policy accommodation, including small rate cuts. Following the recent RRR cut, we see a lower chance of a subsequent cut.

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| Main indicators | Dec-18 | Oct-19 | Nov-19 | Dec 2019 | | | 2020F | |
|-------------------|--------|--------|--------|----------|-------|--------|-------|--------|
| | | | | BBG | CCBIS | Actual | BBG | CCBIS |
| TSF (RMB b) | 1,797 | 868 | 1,993 | -- | -- | 2,100 | - | - |
| New loans (RMB b) | 1,080 | 661 | 1,390 | 1,200 | 1,150 | 1,140 | - | 19,000 |
| M2 YoY (%) | 8.1 | 8.4 | 8.2 | 8.3 | 8.2 | 8.7 | 8.2 | 8.3 |
| Loans YoY (%) | 13.5 | 12.4 | 12.4 | - | - | 12.3 | - | 12.4 |
| TSF YoY (%) | 10.3 | 10.6 | 10.7 | - | - | 10.7 | - | 10.9 |

Credit growth held steady

TSF growth was flat in Dec after accounting for recent methodological changes. In Dec, the PBoC revised its methodology for calculating TSF. Going forward it will incorporate central government bonds (CGB) and general local government general bonds (LGB). These two components are now combined with local government special bonds that were already accounted for in TSF. The new category is called "government bonds". TSF growth calculated using the new method was flat at 10.7% YoY vs 10.7% YoY growth in Nov based on both the old and new methods.

New loan growth moderates, in line with our expectation. Bank loans increased by RMB1,140b in Dec, in line with our estimate but below the market expectation (BBG median: RMB1,200b, CCBIS: RMB1,150b). Adjusting for seasonality, long-term bank loans to households and corporates strengthened in both MoM and YoY terms while short-term loans and bill financing by corporates softened. Outstanding bank lending growth edged down to 12.3% YoY vs 12.4% YoY in Nov and 12.5% YoY in 3Q19, partly due to the high base a year ago.

Net issuance of corporate bonds slowed moderately to RMB262b in Dec compared with RMB333b in Nov and RMB292b in 3Q19 while government bond issuance (including both CGBs and LGBs) rebounded to RMB345b vs a RMB24.7b decline in the previous month. **Our indicator of real economy borrowing** (including bank loans, corporate bonds and local government bonds) edged down 0.1 ppt to 13.1% YoY in Dec vs 13.4% YoY in 3Q19.

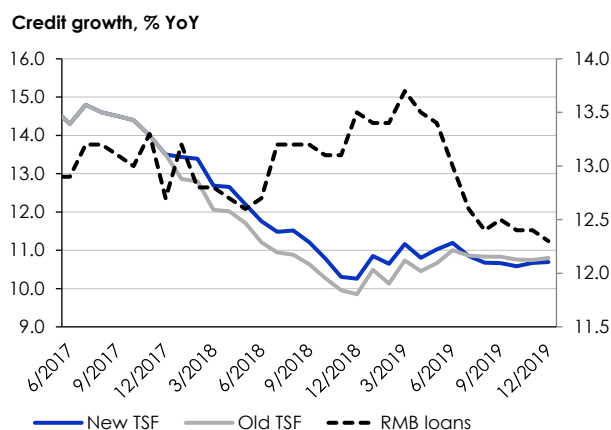
Shadow banking credit continues to decelerate. Shadow banking credit declined RMB145.6b in Dec on top of a RMB106b decline the previous month. Entrusted loans and trust loans both contracted more than they did the previous month and were higher than the average decline in 3Q19. In contrast, banker's acceptance bills continued to recover, with an average increase of RMB16b in 4Q19 vs an average decline of RMB161b in 3Q19. Outstanding shadow banking credit declined at a slower pace in 4Q (down 7.5% YoY) than in 3Q (down 8.3% YoY).

Our view

We expect credit growth to remain soft. Although China's policy stance has tilted towards the dovish side since 4Q19, we are not convinced that policymakers have eased policy controls on leverage growth. We expect steady overall credit growth in 2020F, including an increase in government bond issuances.

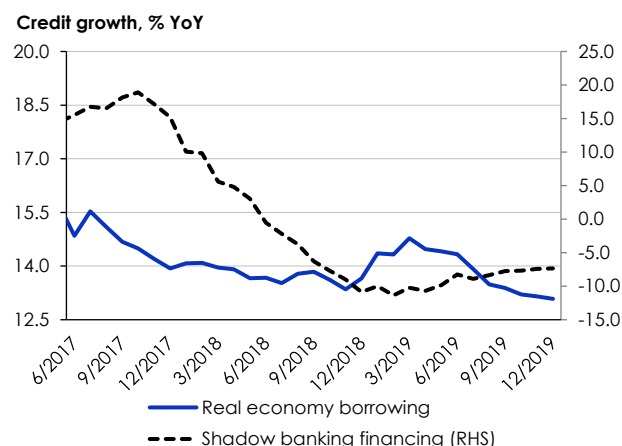
PBoC likely to continue to signal an easing bias. The PBoC continues to stress its intention of reducing borrowing costs for the real economy. According to officials, bank lending rates have already fallen in 4Q, with the average lending rate of new loans (ex-mortgage and bills financing) declining notably to 5.74% in Dec from 5.96% in 3Q, suggesting that the 16 bp decline in LPR since Aug had been passed through to lending rates. The policy drive to lower debt servicing costs is likely to result in policy rate cuts in the near-term. Meanwhile, following the RRR cut in Dec, the central bank noted that there is ample liquidity in the system and less room for RRR cuts. On balance, OMO rate cuts are more likely than RRR cuts in the near term, in our view.

Fig 1. Credit growth held steady



Source: PBoC, CEIC, CCBIS

Fig 2. Shadow banking financing declined slower in 4Q



Source: PBoC, CEIC, CCBIS

| | Dec 2018 | 4Q18 (avg) | 1Q19 (avg) | 2Q19 (avg) | 3Q19 (avg) | 4Q19 (avg) | Nov 2019 | Dec 2019 |
|---------------------------------------|----------|------------|------------|------------|------------|------------|----------|----------|
| Monthly loan increases (RMB b) | | | | | | | | |
| Households | 455 | 558 | 603 | 650 | 641 | 583 | 683 | 646 |
| - Short term | 152 | 187 | 143 | 190 | 180 | 147 | 214 | 164 |
| - Long term | 308 | 373 | 460 | 457 | 463 | 437 | 469 | 482 |
| Corporates | 469 | 399 | 1495 | 593 | 652 | 410 | 679 | 424 |
| - Short term | -79 | -69 | 350 | 140 | 0 | 17 | 164 | 4 |
| - Bill financing | 340 | 227 | 261 | 132 | 183 | 37 | 62 | 26 |
| - Medium and long term | 198 | 223 | 854 | 303 | 453 | 347 | 421 | 398 |
| Monthly TSF increases (RMB b) | | | | | | | | |
| Bank loans | 858 | 881 | 2,104 | 1,239 | 1,261 | 980 | 1338 | 1056 |
| Net corporate bond financing | 390 | 311 | 309 | 221 | 292 | 266 | 333 | 263 |
| Equity financing | 13 | 17 | 18 | 22 | 38 | 38 | 52 | 43 |
| Off-balance-sheet financing | -168 | -209 | 20 | -167 | -279 | -162 | -106 | -146 |
| - Entrusted loans | -221 | -150 | -76 | -88 | -51 | -98 | -96 | -132 |
| - Trust loans | -49 | -75 | 28 | 3 | -67 | -80 | -67 | -109 |
| - Banker's acceptance bills | 102 | 15 | 68 | -81 | -161 | 16 | 57 | 95 |
| TSF outstanding growth (YoY %) | | | | | | | | |
| TSF | 10.3 | 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 | 12.4 | 12.3 |
| Net corporate bond financing | 9.8 | 8.4 | 11.2 | 11.6 | 13.2 | 13.9 | 13.8 | 13.4 |
| Equity financing | 5.4 | 6.8 | 4.6 | 3.5 | 4.0 | 4.5 | 4.5 | 5.0 |
| Off-balance-sheet financing | -10.9 | -9.3 | -10.5 | -9.6 | -8.3 | -7.5 | -7.4 | -7.4 |
| - Entrusted loans | -11.5 | -9.8 | -11.3 | -10.4 | -9.4 | -8.1 | -8.2 | -7.6 |
| - Trust loans | -8.0 | -5.4 | -8.3 | -6.4 | -4.3 | -3.8 | -3.7 | -4.4 |
| - Banker's acceptance bills | -14.3 | -14.8 | -12.2 | -13.1 | -13.5 | -13.2 | -12.7 | -12.5 |

* 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****Analyst certification:**

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