

### ECONOMICS – CHINA

## Money Supply

Credit Climbs But More Stimuli Needed To Fight Growth Slump

**March's stronger-than-expected credit growth provided timely support to a quickly worsening economy suffering from widespread COVID-19 outbreaks. China's M1 and M2 growth recovered to 4.7% yoy and 9.7% yoy respectively, while Rmb3.13t of new loans and Rmb4.65t of new TSF were extended. Given the substantial downward pressure facing the economy, we expect the PBOC to deliver more and quicker stimulus measures to cushion growth.**

### WHAT'S NEW

- **Faster loan growth...** M1 growth grew to 4.7% yoy in Mar 22, while M2 growth came in at 9.7% yoy. This was on the back of the better-than-expected surge in new total social financing (TSF) of Rmb4.65t, which partly reflected seasonal tendencies for financing to speed up following the Lunar New Year holidays. But we note that the increase, powered by government bond financing and corporate lending, is much stronger than what seasonality would suggest, thanks to regulators' push for faster loan extensions. This, in turn, quickened the growth in outstanding TSF to 10.6% yoy, from 10.2% yoy in Feb 22. It also puts credit growth back on an upward trend after logging three consecutive months of slowdown.

### KEY MONETARY INDICATORS

(yoy % chg)	Mar-22	Consensus	Feb-22	Jan-22
M0 Money Supply	9.9	-	5.8	18.5
M1 Money Supply	4.7	4.4	4.7	-1.9
M2 Money Supply	9.7	9.2	9.2	9.8
Outstanding Bank Loans	11.4	-	11.4	11.5
Outstanding Total Social Financing	10.6	-	10.2	10.5
New Bank Loans (Rmbt)	3.13	2.75	1.23	3.98
New Total Social Financing (Rmbt)	4.65	3.55	1.19	6.17

Source: Wind, PBOC, UOB Kay Hian

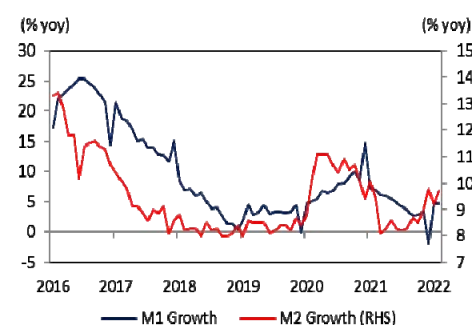
- **...but recovery remains uneven.** Front-loaded fiscal stimulus drove government bond issuance higher at 17% yoy in March, while regulators' push for faster loan extensions also reflected surges in corporate loans (Mar 22: Rmb2.48t). The recovery in loan financing for both companies and households remains largely concentrated in short-term loans, while long-term loans were still lower than their respective levels last year. Business and consumer sentiment remain weak due to uncertainty surrounding China's COVID-19 situation, a property market slump, potential slowdown in global growth due to the Federal Reserve's interest rate hikes and the ongoing Russia-Ukraine conflict.
- **More out-of-the-box thinking needed to boost loan demand.** March's data indicated that monetary policy easing is at work but also highlighted that monetary policy lies not in expanding money supply but credit demand. This means that along with the broad-based monetary easing, including another round of RRR cuts and trimming of the costs of the one-year medium-term lending facility (MLF), more targeted support will be needed to boost market confidence in 2Q22.

### OUTSTANDING TSF

(yoy % chg)	Mar-22	2021	2020
Renminbi Loans	11.3	11.6	13.2
Forex Loans	0.7	6.3	-0.6
Entrusted Loans	-1.0	-1.6	-3.4
Trust Loans	-30.5	-31.3	-14.8
Bank Acceptances	-19.5	-14.0	5.3
Corporate Bond	10.2	8.6	17.2
Government Bond	17.0	15.2	22.1
Equity Issuance	14.9	15.0	12.1

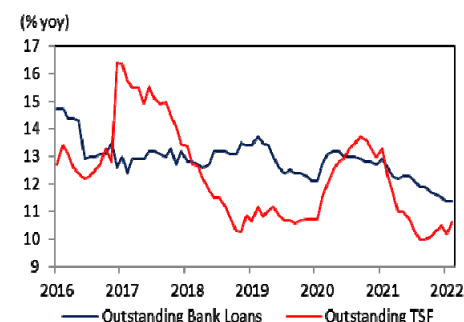
Source: Wind, PBOC, UOB Kay Hian

### M1 & M2 GROWTH



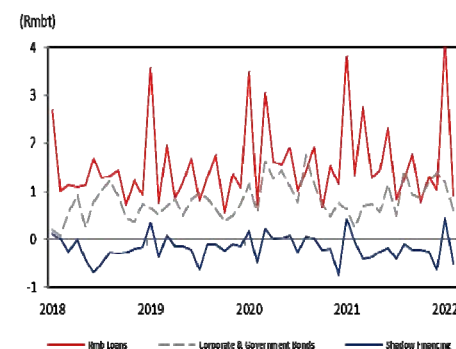
Source: People's Bank of China (PBOC), UOB Kay Hian

### OUTSTANDING CREDIT GROWTH



Source: PBOC, UOB Kay Hian

### BANK LOANS DRIVING INCREASE IN TSF



Source: PBOC, UOB Kay Hian

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