

ECONOMICS – CHINA

Money Supply

Confidence Boost Needed For Policy Sustenance To Work

Though money supply came in above expectations, April's far-weaker-than-expected credit expansion illustrated the significant downside risks lockdowns have on the economy. M1 and M2 grew to 5.1% yoy and 10.5% yoy respectively, while new lending sapped to Rmb0.65t. The data reinforces our view that boosting market confidence is important to give traction to policy support, though we still expect the PBOC to take quick action to loosen the policy further to help cushion growth.

WHAT'S NEW

- Credit slumps on stringent lockdown measures.** Following the PBOC's reiteration to provide timely market support, M1 and M2 grew to 5.1% yoy and 10.5% yoy respectively, both coming in above consensus estimates. Amid this, the headline numbers were almost as bad as the figures we saw in Feb 20, when a nationwide lockdown was in effect. New total social financing (TSF) slumped to Rmb0.91t, down sharply from Rmb4.65t previously, mirroring the declines in new bank loans of Rmb0.65t, highlighting the difficult financing conditions for both households and businesses. Consequently, outstanding bank loans and TSF growth reversed its previous gains, softening to 10.9% yoy and 10.2% yoy, but we expect it to improve in the months ahead as government bond issuance accelerates.

KEY MONETARY INDICATORS

(yoy % chg)	Apr-22	Consensus	Mar-22	Feb-22
M0 Money Supply	11.4	-	9.9	5.8
M1 Money Supply	5.1	5.0	4.7	4.7
M2 Money Supply	10.5	9.9	9.7	9.2
Outstanding Bank Loans	10.9	-	11.4	11.4
Outstanding Total Social Financing	10.2	-	10.6	10.2
New Bank Loans (Rmbt)	0.65	1.53	3.13	1.23
New Total Social Financing (Rmbt)	0.91	2.22	4.65	1.19

Source: Wind, PBOC, UOB Kay Hian

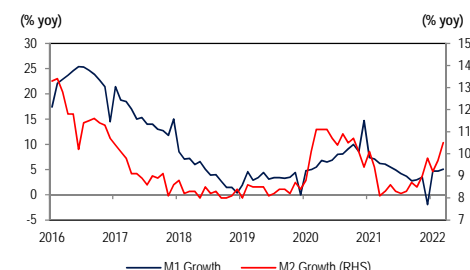
- COVID-Zero undermines growth stimulus measures.** April's reading shows monetary policy easing is at work but also highlighted that the key lies not in expanding money supply but credit demand. Between inflation, rate hikes and the war, hardline adherence to COVID-Zero will remain as the biggest overhang for businesses and households, given its inability to forecast an end to the recurring disruptions. The much talked about monetary stimulus initiatives hinted by the PBOC's 1Q22 monetary policy report may help to shore up market confidence, but it would not be as potent as easing of virus curbs. Nonetheless, our banking analyst expects the central bank to cut its one-year medium-term lending facility (MLF) rate by 10bp in the coming days and reserve requirement ratio (RRR) again in 2H22.

OUTSTANDING TSF

(yoy % chg)	Apr-22	Mar-22	2021	2020
Renminbi Loans	10.7	11.3	11.6	13.2
Forex Loans	4.4	0.7	6.3	-0.6
Entrusted Loans	-0.8	-1.0	-1.6	-3.4
Trust Loans	-29.9	-30.5	-31.3	-14.8
Bank Acceptances	-21.8	-19.5	-14.0	5.3
Corporate Bond	16.9	10.2	8.6	17.2
Government Bond	16.9	17.0	15.2	22.1
Equity Issuance	15.2	14.9	15.0	12.1

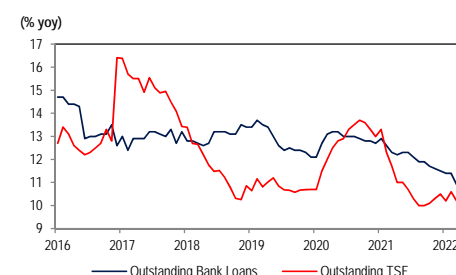
Source: Wind, PBOC, UOB Kay Hian

M1 & M2 GROWTH



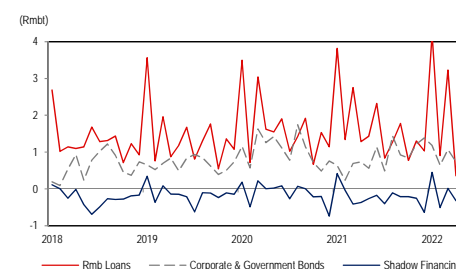
Source: People's Bank of China (PBOC), UOB Kay Hian

OUTSTANDING CREDIT GROWTH



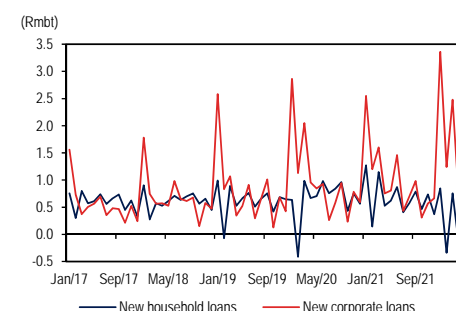
Source: PBOC, UOB Kay Hian

NEW TSF BREAKDOWN



Source: PBOC, UOB Kay Hian

NEW BANK LOANS BREAKDOWN



Source: PBOC, UOB Kay Hian

ANALYST(S)

Carolyn Ching
+852 2236 6761
carolyn.ching@uobkayhian.com.hk

Tham Mun Hon, CFA
+852 2236 6799
munhon.tham@uobkayhian.com.hk

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