Economics

Money Supply

M1 Rebounds, But Credit Demand Remains Weak

- Oct 26's M1 growth rebounded to 4.4% yoy (+1.2ppt mom), above consensus of 3.5% yoy, while M2 growth eased slightly to 7.1% yoy (-0.1ppt mom), pointing to firmer transactional demand for money.
- New bank loans contracted by Rmb0.10t, missing consensus of Rmb0.08t, dragged by household loans (-Rmb0.43t) and bills financing (-Rmb0.31t), though corporate medium- to long-term loans held up at Rmb0.16t (+Rmb0.13t yoy).
- New TSF of Rmb1.14t missed consensus of Rmb1.45t, but government bond issuance lifted outstanding TSF growth to 7.2% yoy (+0.1ppt mom), while outstanding bank loans growth slipped further to 4.7% yoy (-0.1ppt mom). Overall, October's data is market neutral.

Our View

- **M2 growth eased by 0.1ppt to 7.1% yoy in Oct 26,** slightly below Bloomberg's consensus forecast of 7.2% yoy. This extends the deceleration to a fifth consecutive month and marks the slowest pace since Mar 25. In contrast, M1 money supply growth rebounded to 4.4% yoy from 3.2% yoy in September, well above market expectations of 3.5% yoy and the highest since May 26. The rebound was partly supported by a lower base. However, the beat against consensus points to firmer transactional demand for money, with the gap between M2 and M1 growth narrowing to 2.7ppt from 4.0ppt as funds moved from time deposits into demand deposits. M0 growth edged up to 10.7% yoy (+0.1ppt mom).
- **Banks recorded a net loan repayment of Rmb0.10t in Oct 26,** reversing from September's Rmb1.08t increase and missing Bloomberg's consensus estimate of Rmb0.08t, as well as the Rmb0.22t recorded in Oct 25. This is the third monthly contraction this year. New household loans fell to -Rmb0.43t (-Rmb0.43t mom), with long-term borrowing down Rmb0.16t despite the mortgage interest subsidy on new first-home loans that took effect on 1 October. New corporate & government loans slowed to Rmb0.19t (-Rmb0.95t mom), as bills financing contracted by Rmb0.31t against an increase of Rmb0.50t a year ago. Medium- to long-term corporate loans held up at Rmb0.16t, above Oct 25's Rmb0.03t.

Key Monetary Indicators

(yoy % chg)	Oct 26	Consensus	Sep 26	Aug 26
M0 Money Supply	10.7	-	10.6	11.2
M1 Money Supply	4.4	3.5	3.2	4.1
M2 Money Supply	7.1	7.2	7.2	7.5
Outstanding Bank Loans	4.7	-	4.8	4.9
Outstanding Total Social Financing	7.2	-	7.1	7.2
New Bank Loans (Rmbt)	-0.10	0.08	1.08	0.06
New Total Social Financing (Rmbt)	1.14	1.45	3.55	1.66

Source: Wind, PBOC, UOB Kay Hian

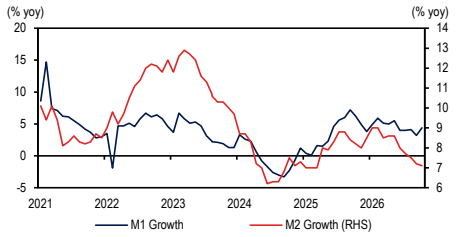
- **Oct 26's new TSF fell to Rmb1.14t from Sep 26's Rmb3.55t,** missing Bloomberg's consensus of Rmb1.45t but above Oct 25's Rmb0.82t. New government bond issuance of Rmb1.18t (-Rmb0.35t mom) exceeded the entire TSF increase and was more than double Oct 25's Rmb0.49t, lifting its growth to 14.4% yoy (+0.7ppt mom). This offset renminbi loans within TSF of -Rmb0.58t. Corporate bond growth picked up to 9.6% yoy (+0.3ppt mom), and entrusted loans growth rose to 1.7% yoy (+0.2ppt mom), consistent with recent NDRC's efforts to improve financing for FAI projects. The contraction

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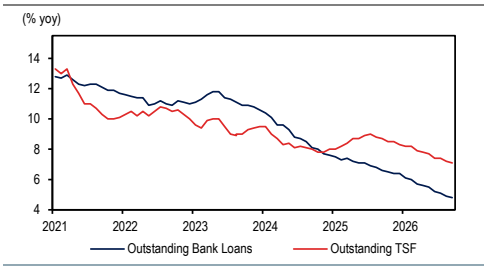
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M1 And M2 Growth



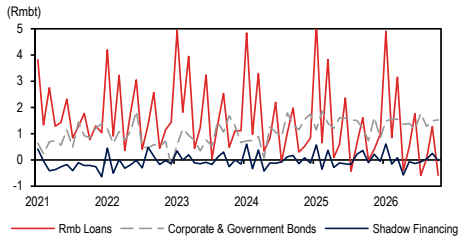
Source: PBOC, UOB Kay Hian

Outstanding Credit Growth



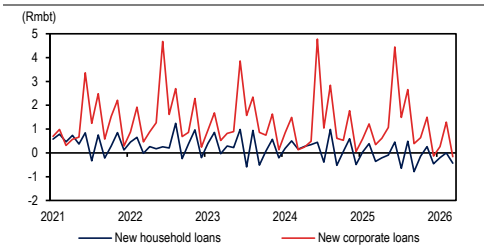
Source: PBOC, UOB Kay Hian

New TSF



Source: PBOC, UOB Kay Hian

New Bank Loans



Source: PBOC, UOB Kay Hian

in bank acceptances narrowed to -4.4% yoy (+4.4ppt mom), while trust loans growth turned negative at -0.6% yoy (-1.3ppt mom).

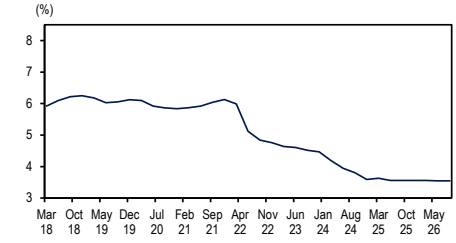
- **Outstanding bank loans growth slipped to 4.7% yoy (-0.1ppt mom) in Oct 26,** a new trough, while outstanding TSF growth edged up to 7.2% yoy (+0.1ppt mom), the first pickup since Jul 25. Overall, credit growth continues to moderate, with the widening gap between TSF and bank loan growth reflecting the reliance on government bond issuance. The PBOC kept the LPRs unchanged in Oct 26, its 17th consecutive hold, but lowered its policy rate anchor to 1.25% from 2 November. Looking ahead, the fully deployed Rmb800b of policy financial instruments should support corporate lending into year end, but household credit demand has yet to respond to the mortgage subsidy. Overall, October's data reflects the limits to monetary easing and the need for more proactive fiscal policies and economic reform.

Outstanding TSF

(yoy % chg)	Oct 26	Sep 26	Aug 26	2025
Renminbi Loans	4.6	4.8	5	**6.3**
Forex Loans	9.0	6.4	3.1	**-18.0**
Entrusted Loans	1.7	1.5	1.0	**1.3**
Trust Loans	-0.6	0.7	1.9	**8.6**
Bank Acceptances	-4.4	-8.8	-5.1	**-0.3**
Corporate Bond	9.6	9.3	9.7	**6.0**
Government Bond	14.4	13.7	13.5	**17.1**
Equity Issuance	5.5	5.8	5.7	**4.1**

Source: Wind, PBOC, UOB Kay Hian

Mortgage Loan



Source: PBOC, UOB Kay Hian

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