

Economics

Money Supply

New Credit Misses As Loan Growth Hits New Low

- June's M1 growth fell to 4.0% yoy (-1.5ppt mom), missing Bloomberg's consensus estimate of 4.9% yoy, while M2 growth slowed to 8.0% yoy (-0.6ppt mom), also below consensus of 8.5% yoy.
- New bank loans rebounded to Rmb1.61t from May's Rmb0.52t on quarter-end seasonality but missed consensus estimate of Rmb1.95t. New TSF rose to Rmb3.36t, also fell short of the Rmb3.71t consensus estimate.
- Outstanding bank loans growth slipped to 5.2% yoy (-0.3ppt mom), marking another record low, while outstanding TSF growth dropped to 7.4% yoy (-0.3ppt mom), showing no signs of stabilisation in the credit downturn. While the PBOC's expanded liquidity toolkit in late-June paves the way for potential LPR cuts, fiscal support remains key to reviving credit demand.

Our View

- **M2 growth slowed by 0.6ppt to 8.0% yoy in Jun 26**, below Bloomberg's consensus forecast of 8.5% yoy and marking the slowest pace of the year. M1 money supply growth fell more sharply to 4.0% yoy from 5.5% yoy in May 26, largely missing market expectation of 4.9% yoy. The pullback in M1 relative to M2 suggests that transactional demand for money remains subdued and reinforces our view that May 26's improvement was largely base-driven rather than a genuine pick-up in activity.
- **Banks added Rmb1.61t in new loans in Jun 26**, rebounding from May 26's Rmb0.52t on quarter end seasonality, but missing Bloomberg's consensus estimate of Rmb1.95t and well below the Rmb2.24t recorded in Jun 25, pointing to continued softness in underlying credit demand. New household loans returned to positive territory at Rmb0.26t (+Rmb0.41t mom), while new corporate & government loans rose to Rmb1.36t (+Rmb0.80t mom), led by short-term (+Rmb0.72t mom) and medium-to-long term (+Rmb0.58t mom) loans, partly offset by a Rmb0.44t mom decline in bills financing. Both segments remained below their Jun 25 levels.

Key Monetary Indicators

(yoy % chg)	Dec 25	Consensus	Nov 25	Oct 25
M0 Money Supply	11.8	-	11.9	12.2
M1 Money Supply	4.0	4.9	5.5	5.0
M2 Money Supply	8.0	8.5	8.6	8.6
Outstanding Bank Loans	5.2	-	5.5	5.6
Outstanding Total Social Financing	7.4	-	7.7	7.8
New Bank Loans (Rmbt)	1.61	1.95	0.52	-0.01
New Total Social Financing (Rmbt)	3.36	3.71	2.03	0.62

Source: Wind, PBOC, UOB Kay Hian

- **Jun 26's new TSF rose to Rmb3.36t from May 26's Rmb2.03t**, missing Bloomberg's consensus of Rmb3.71t and below Jun 25's Rmb4.20t. Government bond issuance growth moderated further to 14.2% yoy (-0.9ppt mom), though it remains the largest driver of TSF expansion. Meanwhile, corporate bond growth accelerated to 8.9% yoy (+0.5ppt mom) and equity issuance rose to 5.0% yoy (+0.3ppt mom), consistent with the ongoing shift towards non-bank channels as bank credit weakens.
- **Outstanding bank loans growth slipped to 5.2% yoy (-0.3ppt mom) in Jun 26**, marking another record low, while outstanding TSF growth fell to 7.4% yoy

Analyst(s)

Tham Mun Hon, CFA

munhon.tham@uobkh.com

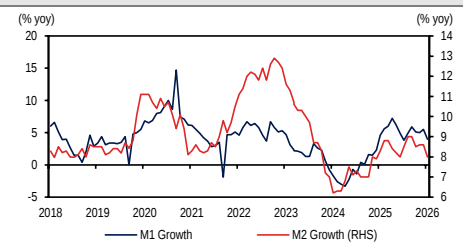
+852 2236 6799

Claire Wang

claire.wang@uobkh.com

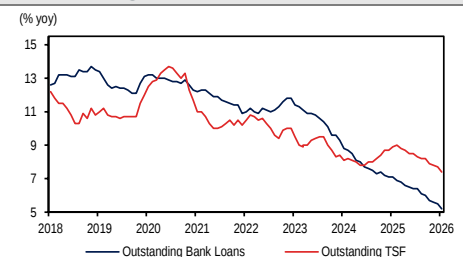
+852 2236 6761

M1 And M2 Growth



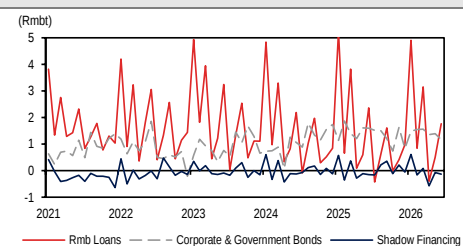
Source: PBOC, UOB Kay Hian

Outstanding Credit Growth



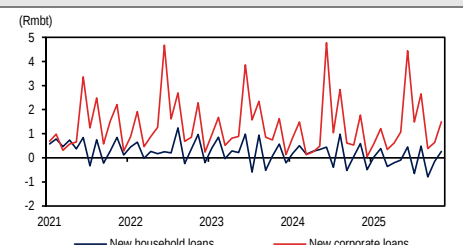
Source: PBOC, UOB Kay Hian

New TSF



Source: PBOC, UOB Kay Hian

New Bank Loans



Source: PBOC, UOB Kay Hian

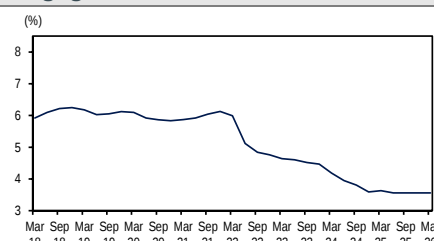
(-0.3ppt mom). Overall, the credit downturn has yet to show signs of stabilisation. Looking ahead, the PBOC's expanded liquidity toolkit, including its first overnight reverse repo operations in late-Jun 26, should help lower funding costs and pave the way for potential LPR cuts as early as Jul 26. That said, lower rates alone are unlikely to revive private credit demand; fiscal support remains key to arresting the credit downturn.

Outstanding TSF

(yoy % chg)	Jun 26	May 26	Apr 26	2025
Renminbi Loans	5.3	5.5	5.6	6.3
Forex Loans	-2.9	-4.3	-3.8	-18.0
Entrusted Loans	0.5	0.0	-0.1	1.3
Trust Loans	4.0	7.1	7.4	8.6
Bank Acceptances	-2.8	-6.2	-7.9	-0.3
Corporate Bond	8.9	8.4	8.3	6.0
Government Bond	14.2	15.1	15.6	17.1
Equity Issuance	5.0	4.7	4.6	4.1

Source: Wind, PBOC, UOB Kay Hian

Mortgage Loan



Source: PBOC, UOB Kay Hian

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."