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## China Financials | Asia Pacific

## Higher government bond issuance offsets slower loan growth in Dec

Full-year TSF growth came in at 9.5% for 2023, with government bond issuance serving as a main support as loan and deposit growth moderated. We continue to believe TSF growth will moderate to 8-9% in 2024 amid an investment slowdown and LGFV tightening.

**2023 TSF growth was 9.5%, a slight pickup from November, helped by government bond issuance as we expected:** TSF added Rmb1.94tn in December, up Rmb634bn YoY. Government bond issuance at Rmb928bn served as a main support, up Rmb647bn YoY, due to low base in Dec 2022 and local refinancing bond issuance under the LGFV swap program. This could be evidenced in weak corporate bond issuance, which saw a net decrease of Rmb263bn in December, down Rmb396bn MoM. As we highlighted in our recent [LGFV tracker reports](#), the incremental tightening on LGFV financing could last longer, likely to 1Q24, and broader than the market expects. In the meantime, new RMB loans added Rmb1.1tn in December, or Rmb335bn lower than Dec 2022, with a continued slowdown on the corporate side.

**Corporate loan growth continued to moderate despite year-end window dressing:** Mid- to long-term corporate loan growth remained weak with new L/T corporate loans down 29% vs. Dec 2022 likely also impacted by LGFV tightening. Discounted bills increased at a higher rate than the same period last year, likely due to year-end window dressing to meet window guidance. Domestic corporate loan growth has decelerated continuously since May following much stronger than usual loan front-loading in early 2023. Household loan growth was supported by a recovery in consumption, despite still weak mortgage demand due to sluggish property sales in December.

**Household deposit growth further dropped to 13.8% from 14.9% in November on a gradual shift to other assets:** This suggests that WMPs could gradually recover, benefiting retail-oriented banks. In addition, corporate deposit growth accelerated to 5.5%, which could be driven by 1) allocation of funds from government bond issuance for LGFV debt repayment, and 2) slowdown in investments by local SOEs during LGFV tightening. M1 growth stabilized at 1.3% but M2 growth further moderated to 9.7%, decelerating since the very beginning of 2023.

**We continue to believe that TSF growth will moderate to 8-9% in 2024:** With the continued slowdown in investment activity and LGFV tightening and gradually moderating window guidance to banks, we think credit growth in 2024 will slow amid a moderate consumption recovery, as we analyzed in our [2024 Outlook report](#).

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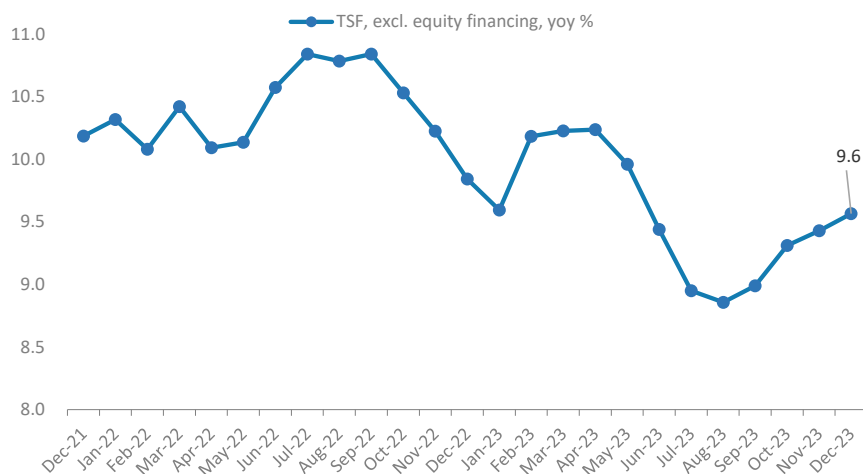
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## Key Exhibits

**Exhibit 1:** YoY growth in TSF (excluding equity financing) slightly up to 9.6% in December



Source: PBOC, Morgan Stanley Research

**Exhibit 2:** Headline TSF growth picked up to 9.5% in December, supported by government bond issuance

	Total Social Financing (Balance)					
	December-23		November-23		October-23	
	Rmb bn	yoy	Rmb bn	yoy	Rmb bn	yoy
<b>Total Social Financing</b>	<b>378,090</b>	<b>9.5%</b>	<b>376,390</b>	<b>9.4%</b>	<b>374,170</b>	<b>9.3%</b>
Loans in RMB	235,480	10.4%	234,370	10.7%	233,260	10.7%
Loans in FX	1,660	-9.8%	1,720	-16.9%	1,780	-16.4%
Entrusted loans	11,270	0.3%	11,270	0.2%	11,310	0.4%
Trust loans	3,900	4.0%	3,870	1.3%	3,850	-0.3%
Undiscounted bankers' acceptance	2,490	-6.4%	2,670	-1.8%	2,650	-1.9%
Corporate bond	31,110	0.3%	31,480	-0.4%	31,440	-0.7%
Government bond	69,790	15.9%	68,860	14.9%	67,710	14.3%
Non-fin enterprise equity financing	11,430	7.4%	11,380	8.5%	11,340	8.9%

Source: PBOC, Morgan Stanley Research. Note: PBOC added loans originated by consumer finance company, bank WM subsidiary and financial investment company to RMB loans since Jan 2023 within TSF, and the growth rate is adjusted on a comparable basis

**Exhibit 3:** New TSF added Rmb1.94tn, up Rmb634bn yoy, driven by new government bond issuance of Rmb928bn.

	Total Social Financing (Flow)						
	December-23			November-23	December-22	December-21	
	Rmb bn	YoY	MoM	Rmb bn	Rmb bn	Rmb bn	
<b>Total Social Financing</b>	<b>1,940</b>	<b>634</b>	<b>(515)</b>	<b>2,455</b>	<b>1,306</b>	<b>2,358</b>	
Loans in RMB	1,105	(335)	(7)	1,112	1,440	1,035	
Loans in FX	(64)	103	(28)	(36)	(167)	(65)	
Entrusted loans	(4)	6	34	(39)	(10)	(42)	
Trust loans	35	111	15	20	(76)	(455)	
Undiscounted bankers' acceptance	(187)	(132)	(207)	20	(55)	(142)	
Corporate bond	(263)	226	(396)	133	(489)	217	
Government bond	928	647	(223)	1,151	281	1,167	
Non-fin enterprise equity financing	51	(94)	15	36	144	185	

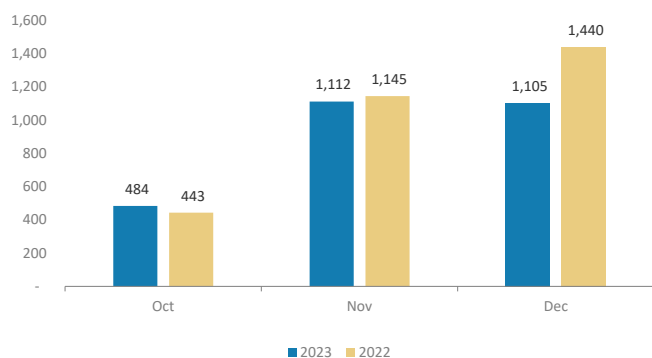
Source: PBOC, Morgan Stanley Research

**Exhibit 4:** Mid- to long-term corporate loan growth remained weak, down 29% YoY. Household loan growth was supported by recovery in consumption, despite still weak mortgage demand.

	December-23	December-22	Change - %	Change - Rmb bn	YTD 2023	YTD 2022	Change - %	Change - Rmb bn
<b>Total RMB loans</b>	<b>1,170</b>	<b>1,400</b>	<b>-16%</b>	<b>(230)</b>	<b>22,744</b>	<b>21,304</b>	<b>7%</b>	<b>1,440</b>
Total household loans	222	175	27%	47	4,330	3,830	13%	500
S/t loans	76	(11)	-772%	87	1,780	1,080	65%	700
L/t loans	146	187	-22%	(40)	2,550	2,750	-7%	(200)
Total corporate loans	892	1,264	-29%	(372)	17,910	17,090	5%	820
S/t corp. loans	(64)	(42)	53%	(22)	3,920	3,030	29%	890
Bill financing	150	115	31%	35	341	2,960	-88%	(2,619)
Mid-L/t corp. loans	861	1,211	-29%	(350)	13,570	11,060	23%	2,510

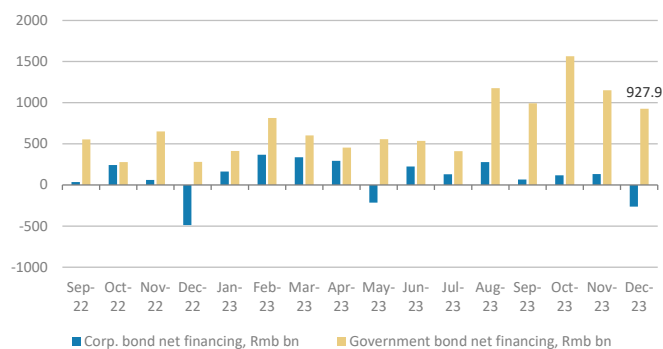
Source: PBOC, CEIC, Morgan Stanley Research

**Exhibit 5:** New RMB loans were Rmb1.1tn in December, down Rmb335bn YoY



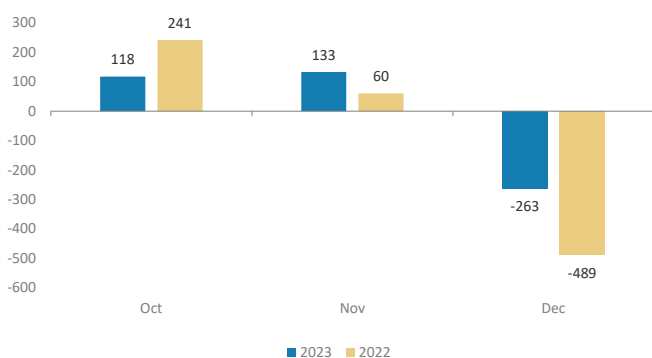
Source: PBOC, Morgan Stanley Research

**Exhibit 6:** Government bond issuance was Rmb928bn in December



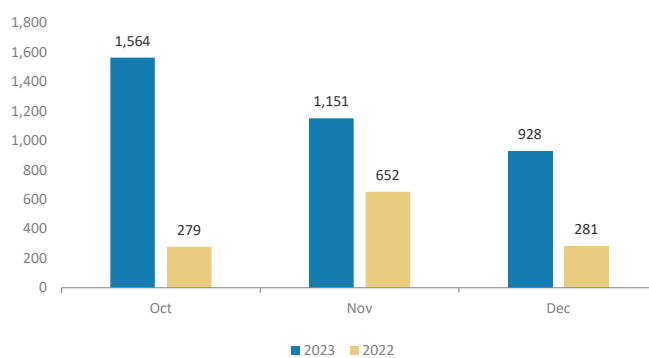
Source: PBOC, Morgan Stanley Research

**Exhibit 7:** Corporate bond issuance decreased Rmb263bn in December



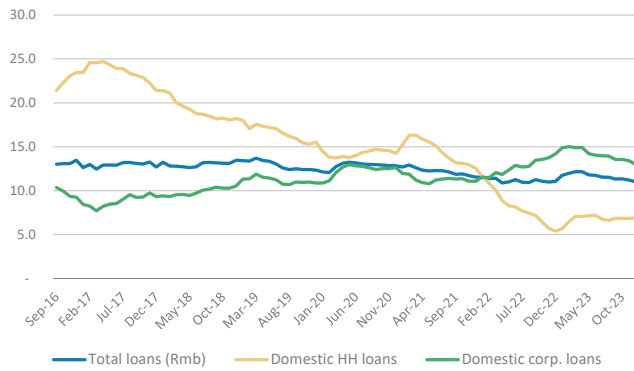
Source: PBOC, Morgan Stanley Research

**Exhibit 8:** Monthly government bond financing was up Rmb647bn YoY in December



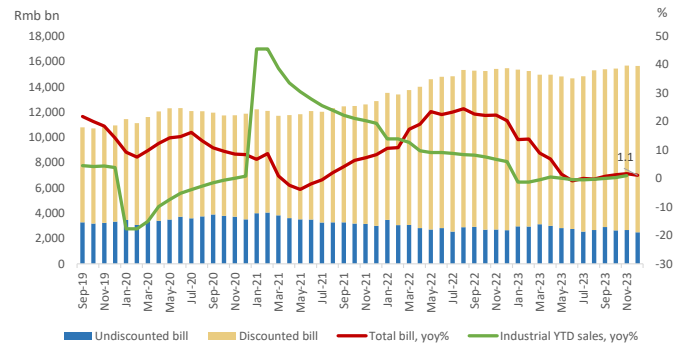
Source: PBOC, Morgan Stanley Research

**Exhibit 9:** Total RMB loan growth was 11.2% in December



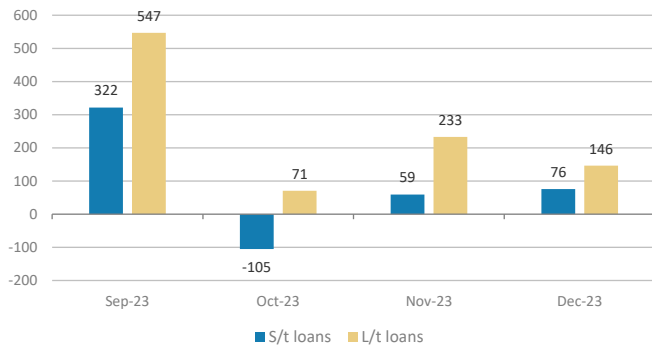
Source: PBOC, CEIC, Morgan Stanley Research

**Exhibit 10:** Balance of total bill financing was up 1.1% YoY in December



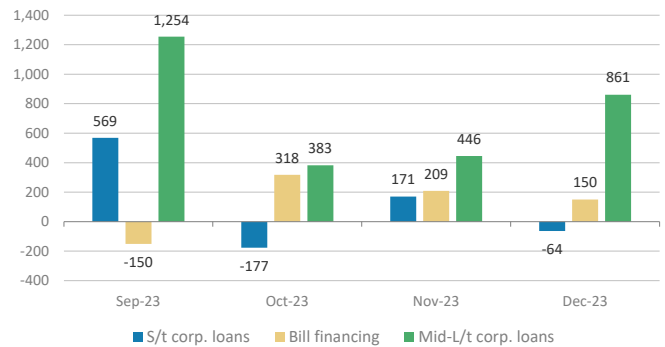
Source: PBOC, CEIC, Morgan Stanley Research

**Exhibit 11:** Long-term household loans slightly picked up MoM in December



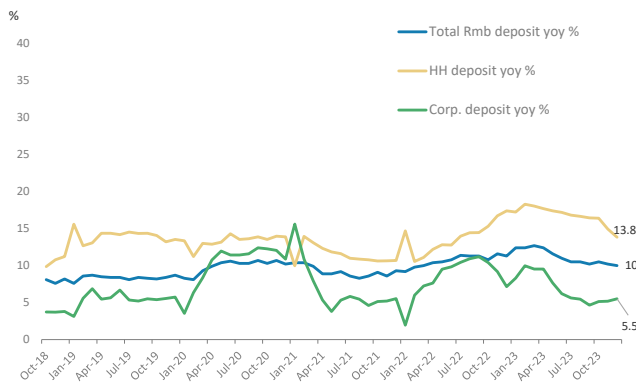
Source: PBOC, CEIC, Morgan Stanley Research

**Exhibit 12:** New medium- to long-term corporate loans were Rmb861bn



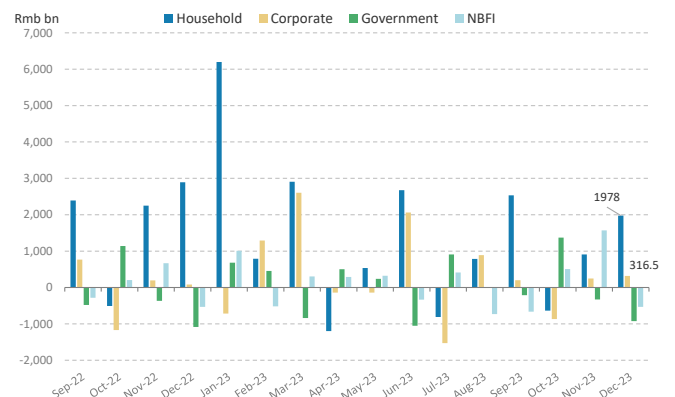
Source: PBOC, CEIC, Morgan Stanley Research

**Exhibit 13:** Household deposit growth further dropped to 13.8%, while corporate deposit growth accelerated to 5.5%



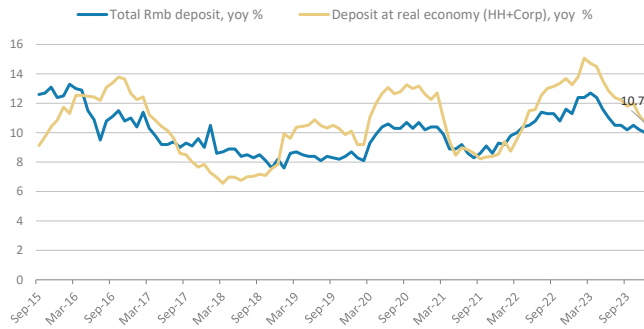
Source: PBOC, Morgan Stanley Research

**Exhibit 14:** Household and corporate deposits were up Rmb1,978bn and Rmb316.5bn, respectively, in December



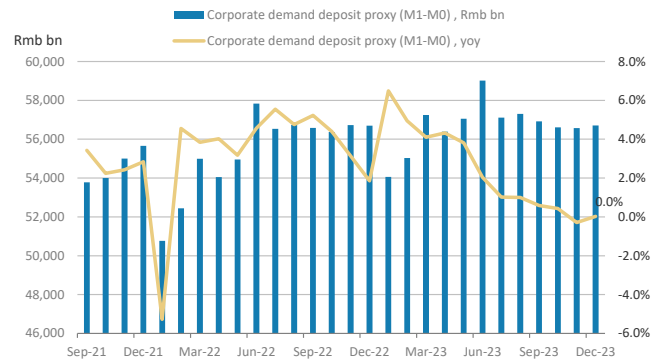
Source: PBOC, Morgan Stanley Research

**Exhibit 15:** Household and corporate deposits grew 10.4% YoY in December



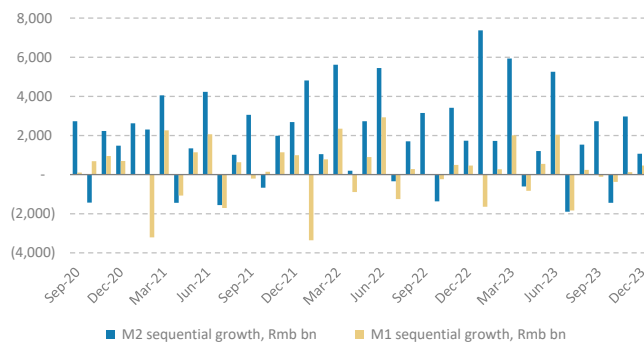
Source: PBOC, Morgan Stanley Research

**Exhibit 16:** Corporate demand deposit proxy (M1-M0) remained yoy stable in December



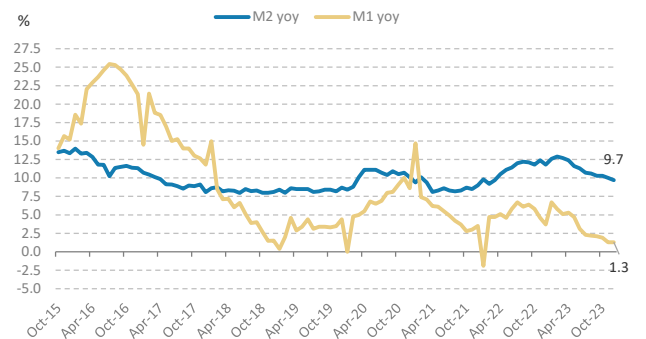
Source: PBOC, Morgan Stanley Research

**Exhibit 17:** M1 were sequentially higher while M2 were sequentially lower in December



Source: PBOC, Morgan Stanley Research

**Exhibit 18:** M1 growth were stable at 1.3% YoY while M2 growth declined to 9.7% YoY, in December



Source: PBOC, Morgan Stanley Research

## Valuation Comps

Exhibit 19: Valuation comparison

		Ticker	Price	P/E		P/B		Div Yield		ROE		ROA	
				23E	24E	23E	24E	23E	24E	23E	24E	23E	24E
<b>Chinese Banks</b>													
<b>H Share Banks</b>													
ABC	OW	1288.HK	2.95 HKD	3.5	3.3	0.35	0.33	8.9	9.3	11.3	10.9	0.7	0.7
ICBC	OW	1398.HK	3.69 HKD	3.3	3.2	0.35	0.32	9.3	9.5	11.0	10.4	0.9	0.8
CCB	OW	0939.HK	4.55 HKD	3.1	3.0	0.34	0.31	9.6	10.0	11.4	10.7	0.9	0.8
BOC	OW	3988.HK	2.93 HKD	3.5	3.4	0.36	0.34	9.2	9.5	10.6	10.4	0.7	0.7
BoCom	UW	3328.HK	4.74 HKD	3.6	3.5	0.34	0.32	9.1	9.4	9.9	9.5	0.6	0.6
PSBC	OW	1658.HK	3.53 HKD	3.8	3.8	0.39	0.39	8.5	8.5	11.1	10.3	0.5	0.5
CMB	OW	3968.HK	26.20 HKD	4.2	4.0	0.64	0.57	7.2	7.6	16.0	15.0	1.3	1.3
Citic	EW	0998.HK	3.75 HKD	2.6	2.4	0.27	0.25	11.8	12.4	10.8	10.7	0.7	0.7
Minsheng	OW	1988.HK	2.63 HKD	3.3	3.0	0.20	0.19	9.1	10.0	6.1	6.4	0.4	0.4
Everbright	UW	6818.HK	2.27 HKD	2.8	2.7	0.23	0.22	11.5	11.8	10.1	9.4	0.7	0.6
CRCB	UW	3618.HK	3.00 HKD	2.8	2.7	0.25	0.24	8.4	7.2	9.3	9.1	0.8	0.8
<b>Average</b>				<b>3.3</b>	<b>3.2</b>	<b>0.34</b>	<b>0.32</b>	<b>9.3</b>	<b>9.5</b>	<b>10.7</b>	<b>10.3</b>	<b>0.7</b>	<b>0.7</b>
<b>A Share Banks</b>													
PingAn	OW	000001.SZ	9.19	3.8	3.5	0.44	0.39	3.4	4.2	12.1	11.8	0.9	0.9
Industrial	OW	601166.SS	14.69	3.8	3.6	0.44	0.40	7.4	7.9	11.7	11.7	0.8	0.8
SPDB	UW	600000.SS	6.50	6.3	6.6	0.32	0.30	3.7	3.6	5.1	4.7	0.3	0.3
Huaxia	UW	600015.SS	5.84	3.5	3.4	0.32	0.29	7.2	7.3	9.4	9.0	0.6	0.6
ABC	EW	601288.SS	3.70	4.8	4.6	0.49	0.45	6.4	6.7	11.3	10.9	0.7	0.7
ICBC	EW	601398.SS	4.81	4.7	4.6	0.50	0.46	6.5	6.6	11.0	10.4	0.9	0.8
CCB	EW	601939.SS	6.55	4.9	4.7	0.52	0.49	6.2	6.4	11.4	10.7	0.9	0.8
BOC	EW	601988.SS	4.03	5.3	5.1	0.55	0.51	6.0	6.2	10.6	10.4	0.7	0.7
BoCom	UW	601328.SS	5.81	4.9	4.8	0.47	0.44	6.6	6.8	9.9	9.5	0.6	0.6
CMB	OW	600036.SS	28.54	4.9	4.6	0.74	0.66	6.2	6.5	16.0	15.0	1.3	1.3
CITIC	UW	601998.SS	5.59	4.2	4.0	0.44	0.41	7.2	7.6	10.8	10.7	0.7	0.7
Minsheng	EW	600016.SS	3.74	5.3	4.9	0.32	0.31	5.6	6.2	6.1	6.4	0.4	0.4
Everbright	UW	601818.SS	2.97	3.9	3.8	0.33	0.31	8.2	8.3	10.1	9.4	0.7	0.6
Ningbo	OW	002142.SZ	19.67	5.3	4.8	0.75	0.66	2.8	3.1	15.1	14.6	1.0	0.9
Chengdu	OW	601838.SS	11.78	3.6	3.2	0.64	0.56	8.4	9.4	19.1	18.8	1.1	1.1
Beijing	EW	601169.SS	4.68	4.0	3.9	0.38	0.36	7.6	7.9	9.8	9.6	0.6	0.6
Hangzhou	EW	600926.SS	10.19	4.2	3.7	0.60	0.52	5.9	6.7	15.4	14.9	0.8	0.8
<b>Average</b>				<b>4.6</b>	<b>4.3</b>	<b>0.49</b>	<b>0.44</b>	<b>6.2</b>	<b>6.6</b>	<b>11.5</b>	<b>11.1</b>	<b>0.8</b>	<b>0.7</b>

Source: Refinitiv, Morgan Stanley Research estimates; closing prices as of January 12, 2024

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## Global Stock Ratings Distribution

(as of December 31, 2023)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1346	37%	266	41%	20%	605	39%
Equal-weight/Hold	1668	46%	317	49%	19%	717	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	598	17%	61	9%	10%	224	14%
Total	3,615		644			1547	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

## Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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## INDUSTRY COVERAGE: China Financials

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/12/2024)
<b>Chiyao Huang</b>		
China International Capital Corp. Ltd. (3908.HK)	O (01/06/2023)	HK\$10.12
China Merchants Securities Co Ltd (600999.SS)	U (09/29/2022)	Rmb12.95
China Merchants Securities Co Ltd (6099.HK)	E (12/07/2021)	HK\$6.13
CITIC Securities Co. (6030.HK)	E (05/20/2022)	HK\$16.10
CITIC Securities Co. (600030.SS)	E (05/20/2022)	Rmb19.52
East Money Information Co Ltd (300059.SZ)	E (08/16/2022)	Rmb12.95
Futu Holdings Ltd (FUTU.O)	E (01/04/2024)	US\$47.79
Galaxy Securities (6881.HK)	E (02/27/2020)	HK\$3.98
Galaxy Securities (601881.SS)	U (09/29/2022)	Rmb11.18
GF Securities (000776.SZ)	U (05/20/2022)	Rmb13.91
GF Securities (1776.HK)	E (01/06/2023)	HK\$8.35
Haitong Securities (6837.HK)	U (06/03/2020)	HK\$4.01

Haitong Securities (600837.SS)	U (06/03/2020)	Rmb8.89
HTSC (601688.SS)	E (05/20/2022)	Rmb13.61
HTSC (6886.HK)	E (02/27/2020)	HK\$9.85
Noah Holdings Ltd (NOAH.N)	O (07/27/2022)	US\$12.29
<b>Richard Xu, CFA</b>		
Agricultural Bank of China Limited (601288.SS)	E (05/07/2019)	Rmb3.70
Agricultural Bank of China Limited (1288.HK)	O (10/19/2020)	HK\$2.95
Bairong Inc. (6608.HK)	O (05/04/2021)	HK\$12.28
Bank of Beijing Co Ltd (601169.SS)	E (08/17/2022)	Rmb4.68
Bank of Chengdu Co Ltd (601838.SS)	O (08/17/2022)	Rmb11.78
Bank of China Limited (601988.SS)	E (05/07/2019)	Rmb4.03
Bank of China Limited (3988.HK)	O (01/10/2020)	HK\$2.93
Bank of Communications (3328.HK)	U (05/20/2022)	HK\$4.74
Bank of Communications (601328.SS)	U (09/05/2014)	Rmb5.81
Bank of Hangzhou Co Ltd (600926.SS)	E (08/17/2022)	Rmb10.19
Bank of Ningbo Co. Ltd (002142.SZ)	O (08/17/2022)	Rmb19.67
China Cinda Asset Management (1359.HK)	E (07/07/2016)	HK\$0.73
China CITIC Bank Corporation Limited (601998.SS)	U (09/05/2014)	Rmb5.59
China CITIC Bank Corporation Limited (0998.HK)	E (05/12/2023)	HK\$3.75
China Construction Bank Corp. (0939.HK)	O (10/11/2012)	HK\$4.55
China Construction Bank Corp. (601939.SS)	E (05/07/2019)	Rmb6.55
China Everbright Bank Co Ltd (6818.HK)	U (05/12/2023)	HK\$2.27
China Everbright Bank Co Ltd (601818.SS)	U (05/20/2022)	Rmb2.97
China Merchants Bank (600036.SS)	O (01/07/2019)	Rmb28.54
China Merchants Bank (3968.HK)	O (09/20/2018)	HK\$26.20
China Minsheng Banking Corp. (600016.SS)	E (05/12/2023)	Rmb3.74
China Minsheng Banking Corp. (1988.HK)	O (05/12/2023)	HK\$2.63
Chongqing Rural Commercial Bank (3618.HK)	U (05/12/2023)	HK\$3.00
CITIC Ltd (0267.HK)	E (03/16/2018)	HK\$7.55
Hua Xia Bank (600015.SS)	U (06/30/2015)	Rmb5.84
Industrial and Commercial Bank of China (1398.HK)	O (08/09/2013)	HK\$3.69
Industrial and Commercial Bank of China (601398.SS)	E (09/19/2022)	Rmb4.81
Industrial Bank Co. Ltd. (601166.SS)	O (02/25/2019)	Rmb14.69
Lufax (LU.N)	E (12/01/2022)	US\$2.54
Ping An Bank (000001.SZ)	O (05/07/2019)	Rmb9.19
Postal Savings Bank of China Co Ltd (1658.HK)	O (11/01/2016)	HK\$3.53
Qifu Technology Inc (QFIN.O)	O (08/25/2020)	US\$15.24
Shanghai Pudong Development Bank (600000.SS)	U (12/07/2021)	Rmb6.50

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\* Historical prices are not split adjusted.