BEA 東亞銀行

Market Commentary **19 August 2026**

PBoC Retains Accommodative Stance While Signalling Measured Easing

Summary:

- The Q2 MPR reaffirmed a moderately accommodative stance, reiterating that ample room remains to step up support as conditions required.
- The report noted that loan growth alone is a less complete gauge of financial support, with bond and equity financing taking a larger share of total financing to the real economy.
- We expect further policy rate and RRR reductions in 2H 2026, alongside structural and more measured monetary tools.

The People's Bank of China's (PBoC) Q2 Monetary Policy Report (MPR) broadly reaffirmed a moderately accommodative policy stance, while indicating that ample room remains available to step up support as conditions require. The report noted that the foundation of the recovery still needs to be consolidated, particularly given the persistent imbalance between relatively strong supply and effective demand that has yet to be fully restored. With GDP growth at 4.7% year-on-year (YoY) in 1H 2026 and 4.3% in Q2, the PBoC has scope to deliver further policy support at a measured pace. Since July, the central bank has described domestic growth as "overall stable, moving towards new, high-quality growth drivers," compared with "stable with continued progress" in Q1. The reference to "structural divergence" among domestic challenges also acknowledges that growth is uneven across sectors, with emerging industries expanding faster than traditional ones.

The report content is modestly more supportive than the July Q2 Monetary Policy Committee (MPC) press conference statement. It pledged to “formulate and roll out pragmatic and effective incremental easing measures in a timely manner” and to “step up counter-cyclical adjustment”. The latter is the clearest signal in the document that monetary easing could be intensified to strengthen growth momentum if growth or inflation weakens further, as the wording is now used to describe intended policy approach rather than measures taken. These phrases are also consistent with the July Politburo statement, indicating close coordination across the policy framework.

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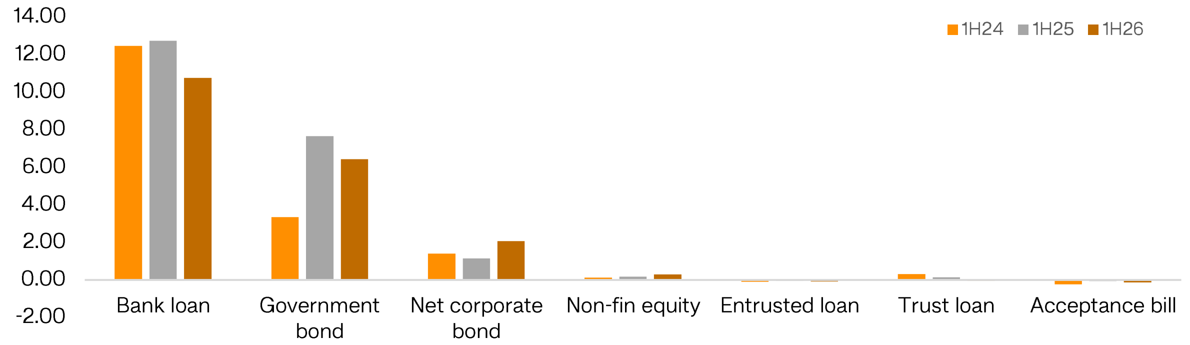
Slower But Higher-Quality Financing Growth as the New Norm

The PBoC appears increasingly comfortable with moderate loan growth, as direct financing has increased steadily. The report stated that "slower but higher-quality" loan growth is set to become part of the new normal. RMB loan growth moderated to 5.2% YoY in June, while total social financing (TSF) growth remained higher at 7.4%. In 1H 2026, new RMB loans to the real economy remained substantial at RMB 10.8 trillion (tn), while bonds and equity accounted for a growing share of incremental financing.

New Social Financing by Type (RMB tn, ytd)

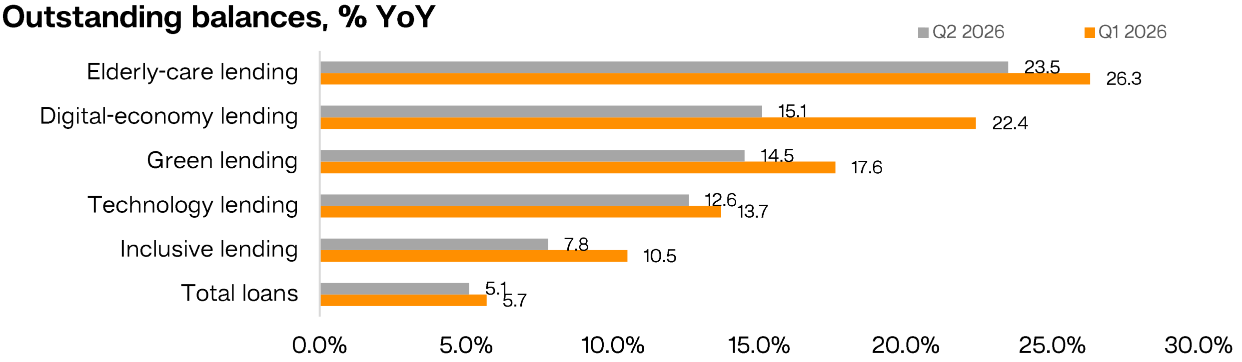


Source: PBoC; BEA Economic Research

Bond and equity financing are playing a growing role amid the transition in the financing system. New enterprise bond and equity financing reached around RMB 2.4 tn in 1H 2026, roughly RMB1 tn more than a year earlier. At the corporate level, the increase in bond and equity financing more than offsets the moderation in bank lending. Taken together, aggregate corporate financing recorded a rise of RMB 13.5 tn in 1H 2026. The PBoC accordingly encourages assessing bank lending alongside bond and equity financing rather than in isolation.

Structural tools remain the principal channel of support, with targeted lending outgrowing aggregate credit in Q2. Monetary policy continues to be favourable for key development areas. The Q2 MPR reiterated its structural easing stance to support domestic demand by directing credit toward priority sectors such as technological innovation, the green transition, elderly care, service consumption, and small & medium enterprises, aligning with the PBoC's 'Five Priority Areas of Financial Services' (金融五篇大文章). Notably, the RMB 1 tn relending facility, established in January 2026 to support private micro, small & medium-sized firms, has seen rapid take-up, reaching an outstanding balance of around RMB 800 bn at end-July, roughly 80% of quota. The quota for the sci-tech innovation and technological upgrading facility was also raised to RMB 1.2 tn in January 2026.

Loan growth by priority lending category
Outstanding balances, % YoY



Source: PBOC; BEA Economic Research

The property market consolidation remains a headwind for household credit expansion. Household loan balances declined 1.3% YoY in June and fell by RMB 367 bn in 1H, consistent with the ongoing adjustment in the property sector and in household balance sheets. Slower aggregate loan growth therefore reflects both the long-term change in financing structure and the subdued pace of household credit demand.

2H 2026 Policy Outlook: Ample Policy Room Preserved

The PBoC has signalled a continued accommodative stance with ample policy room preserved. The PBoC Deputy Governor Zou Lan stated at a press conference on 15 July that the central bank retains a toolkit of available monetary tools, including reserve requirement ratio (RRR), reverse repos, medium-term lending facility and bond operations. The remarks indicated that the PBoC stands ready to deploy additional policy measures to support economic growth if warranted. Recent indicators point to a moderating growth pace in some sectors. While bank loans are a less complete gauge of support amid a structural transition to direct financing, reducing borrowing costs remains a more direct channel to support the economy. With the annual growth target of 4.5-5.0% in view, we expect further reductions in policy rates and RRR by the PBoC in 2H 2026, alongside targeted tools supporting high-quality growth drivers.

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