

THEMATIC

China housing policy: better late than never

The latest support measures the Chinese governments announced on housing have sought to re-establish lifelines for struggling developers, clarifying that credit forbearance would not be considered as stepping on the red lines. After sharp deleveraging over a year, stabilising the market is now the priority.



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On 11 November, China's PBoC and CBIRC (Banking and Insurance Regulatory Commission) jointly **released** the **Notice on Implementing Current Financial Support for Stable and Healthy Development of Property Market**, with **16 points of policy measures** guiding financial institutions to support the property market.

This is the first high-level comprehensive policy package introduced since the outbreak of the property sector crisis. It provides unprecedented specific instructions in the banking and financial market to address various hot issues, including **financing for real estate companies, supporting project delivery, solutions for distressed companies and projects, protecting mortgage borrowers, and supporting rental housing.**

We found that many of the policies in the notice have already been carried out, but the notice reinforces them with more standardised and detailed guidance for implementation. Meanwhile, several policies in the notice are brand-new and provide solutions to some of the most important problems.

In our view, the notice demonstrates a strong supportive signal from the financial side that the government is changing its stance: 1) from scattered support to more

comprehensive and practical measures; 2) from demand-side stimulus to also engaging supply-side support; and 3) from project-level support to also including company-level solutions. The notice tries to consolidate the policies and involve all the related stakeholders and gives more clear guidance to encouraging financial institutions to implement the old/new policies in a more pragmatic fashion. **That said, what matters is implementation by financial institutions, and we still need to take a case-by-case approach in terms of single-name analysis.** The notice reaffirms that the targets are the companies that "have a healthy financials in general but face short-term liquidity difficulty".

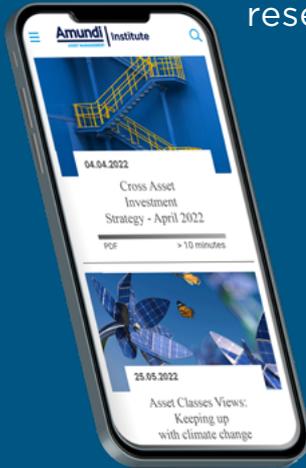
For the overall market, the notice on 11 November further reduces the tail risk of a systemic crisis. In fact, Chinese governments have been easing up on the demand side since a year ago. Household financing conditions have been relaxed significantly. Reassured by additional supports from the governments, we expect household confidence to improve and maintain the view that home sales are likely to stabilise towards yearend (see **Where is China heading to?**).

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The new policy pack reduces further the tail risk of a systemic crisis

Category	Policy point
Keep stable and orderly financing for the real estate sector	1. Stabilise construction loans for developers
	2. Support reasonable demand for personal mortgages
	3. Stabilise funding for construction companies
	4. Support extensions of existing loans
	5. Maintain stable bond financing, assist good-quality developers in issuing bonds
	6. Keep stable trust loan financing
Financial services for project delivery	7. Support policy banks to provide special loans for project delivery
	8. Encourage complementary financing from financial institutions to aid delivery
Risk mitigation of distressed developers	9. Support financing for project M&A
	10. Explore market-oriented supporting measures
Protect legal rights of housing finance customers	11. Encourage bilateral negotiation of mortgage extensions
	12. Protect personal credit scores
Phased adjustment to some financial management regulations	13. Extend the regulatory transition period for exposure limits of real estate loans
	14. Phase in optimisation of M&A financing policy
Support rental housing financing	15. Optimise rental housing funding services
	16. Broaden funding channels for the rental housing market

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