China Securitization Performance Watch 4Q 2024

Modest growth driven by burgeoning asset classes

S&P Global Ratings

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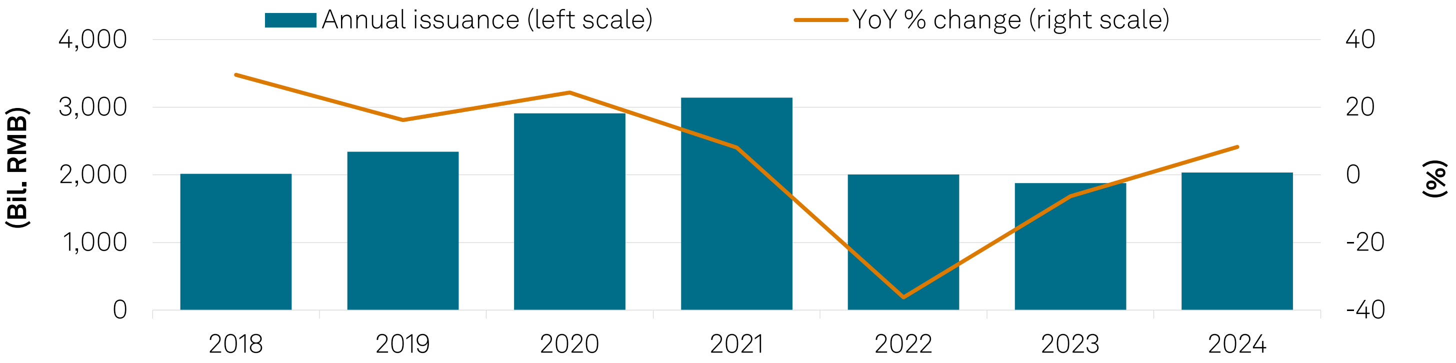
This report does not constitute a rating action

Key Takeaways

Modest increase in securitization issuance in 2024



Main sectors to watch

0	**28%**	**41%**	**13%**
RMBS: zero issuance	**Auto loan ABS*** issuance decrease (YoY)	**Consumer loan ABS*** issuance decrease (YoY)	**MSE loan ABS*** issuance decrease (YoY)

Data includes issuance under the credit asset securitization (CAS) scheme managed by the NFRA and the PBOC, the securitization scheme managed by the China Securities Regulatory Commission (CSRC), and the asset-backed notes (ABN) scheme managed by China's National Association of Financial Market Institutional Investors (NAFMII). RMB--Chinese renminbi. MSE--Micro and small enterprises. *Under CAS scheme only. Source: WIND; compiled by S&P Global Ratings.

- New securitization issuance grew by 8.3% year-on-year (YoY) in 2024 to Chinese renminbi (RMB) 2,033 billion (US$282 billion). Issuance in China's structured finance market should stay flat in 2025.
- Issuance trends diverged across asset types. Consumer ABS, MSE loan ABS, and quasi-REITs issuances generally exhibited strong momentum, in contrast with auto loan ABS and RMBS.
- Collateral performance remains mixed in the fourth quarter. Collateral performance across asset classes will continue to hold up across rated transactions in 2025, though the underlying performance drivers will vary (see "China Structured Finance Outlook 2025: A Few Sectors Take Off Amid Overall Stagnant Issuance," published Jan. 8, 2025).

Key Changes in 4Q 2024

China's growth is supported by stimulus measures, but the horizon is blurred by U.S. trade shift

While China's stimulus measures should support growth, we expect its economy to be hit by U.S. trade tariffs. We lowered our 2025 GDP growth forecast for China to 4.1% from 4.3%.

Modest sales growth is likely amid fragile consumer confidence. China's light vehicle sales to grow by 0%-3% annually in 2025-2026 after 0%-2% growth in 2024. Unit sales largely flat YoY in the first eight months of 2024.

Domestic electric vehicle sales growth to slow. Sales to rise 10%-20% a year over 2025-2026, after increasing about 30% in 2024. Local brands will continue to dominate, with EV penetration to rise to 45%-50% in 2025-2026 from 40% in 2024.

China's property sector may have finally found its bottom. Surging secondary sales will help this market stabilize toward the second half of 2025. Sales (primary and secondary) will likely hit about RMB 17 trillion in 2025, roughly equal to the 2024 level.

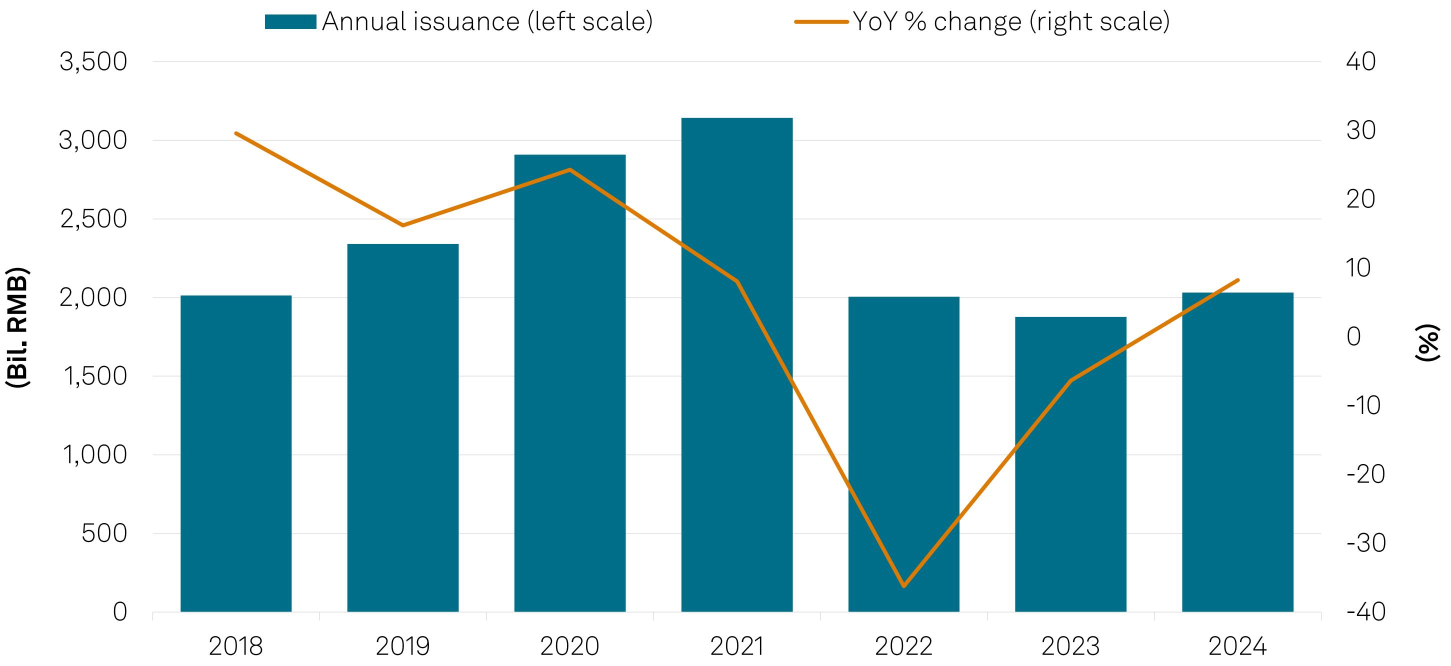
We expect 2025 retail sales growth to outperform GDP expansion, a reversal from 2024. The government's targeted trade-in program boosted retail sales in 2024. Beijing will likely roll out similar stimulus of an equivalent size in 2025.

EV--Electric vehicle. Source: S&P Global Ratings.

Issuance And Coupon Trends

New Issuance Trends

Modest increase in securitization issuance in 2024



Data includes issuance under the CAS scheme managed by the NFRA and the PBOC, the securitization scheme managed by the China Securities Regulatory Commission (CSRC), and the asset-backed notes (ABN) scheme managed by China's National Association of Financial Market Institutional Investors (NAFMII). YoY--year-on-year. Source: WIND; compiled by S&P Global Ratings.

- New securitization issuance grew 8.3% YoY to RMB2,033 billion (US$282 billion) in 2024. We believe this indicated robust funding needs and the demand to securitize assets to lighten balance sheets in several sectors such as consumer loan ABS, MSE loan ABS, and quasi-REITs.
- Meanwhile, issuance in historically dominant segments remained constrained in 2024. RMBS issuance remained halted, and auto loan ABS under CAS scheme declined 28% YoY.
- We expect issuance in China's structured finance market to stay flat at RMB2 trillion in 2025, given a slow economic recovery.

Issuance Trends For Different Schemes

Issuance trends vary under different schemes

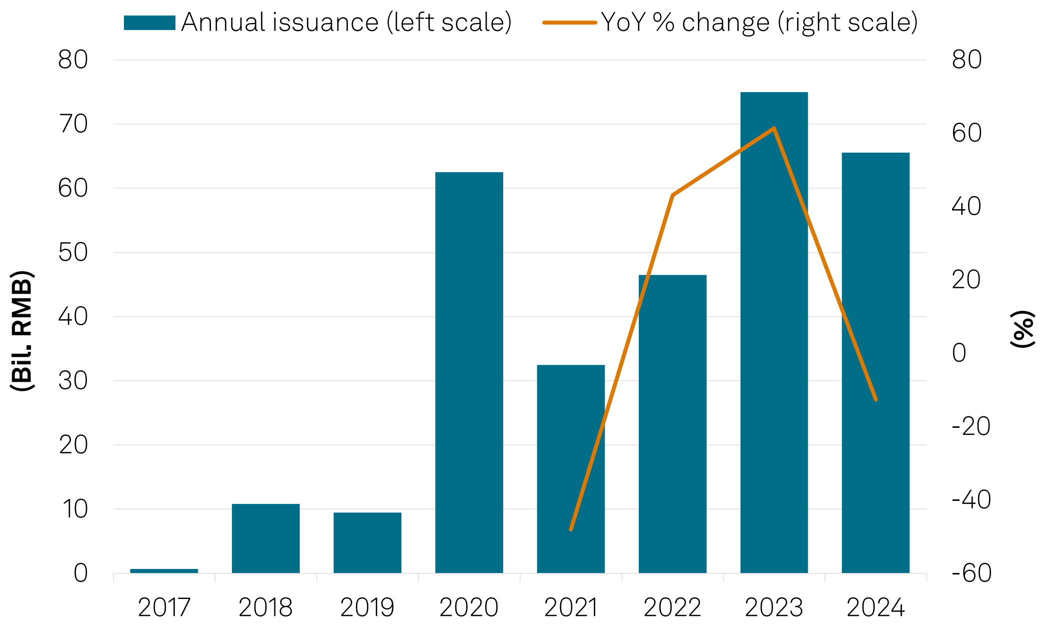
NAFMII--China's National Association of Financial Market Institutional Investors; CSRC--China Securities Regulatory Commission; NFRA--National Financial Regulatory Administration; PBOC--The People's Bank of China. Source: WIND; compiled by S&P Global Ratings.

- CAS managed by NFRA and the PBOC totaled RMB270 billion in 2024, down 23% YoY. This is mostly due to a slowdown in auto loan ABS and consumer loan ABS issuance.
- Issuance under the CSRC scheme remained stable, with a slight increase to RMB1,238 billion in 2024, equivalent to a YoY increase of 3%.
- Issuance under the NAFMII scheme surged to RMB524 billion in 2024, jumping 63% YoY.
- NAFMII issuance has gained greater prominence relative to 2023, indicating evolving regulatory dynamics. Consumer loan ABN was a strong growth driver in 2024, accounting for 27% of total issuance under NAFMII.

Other Top Trends To Watch

We assigned a 'AAA (sf)' rating to an equipment lease ABS in late 2024, and expect more to come in 2025

MSE loan ABS issuance dropped 13% YoY



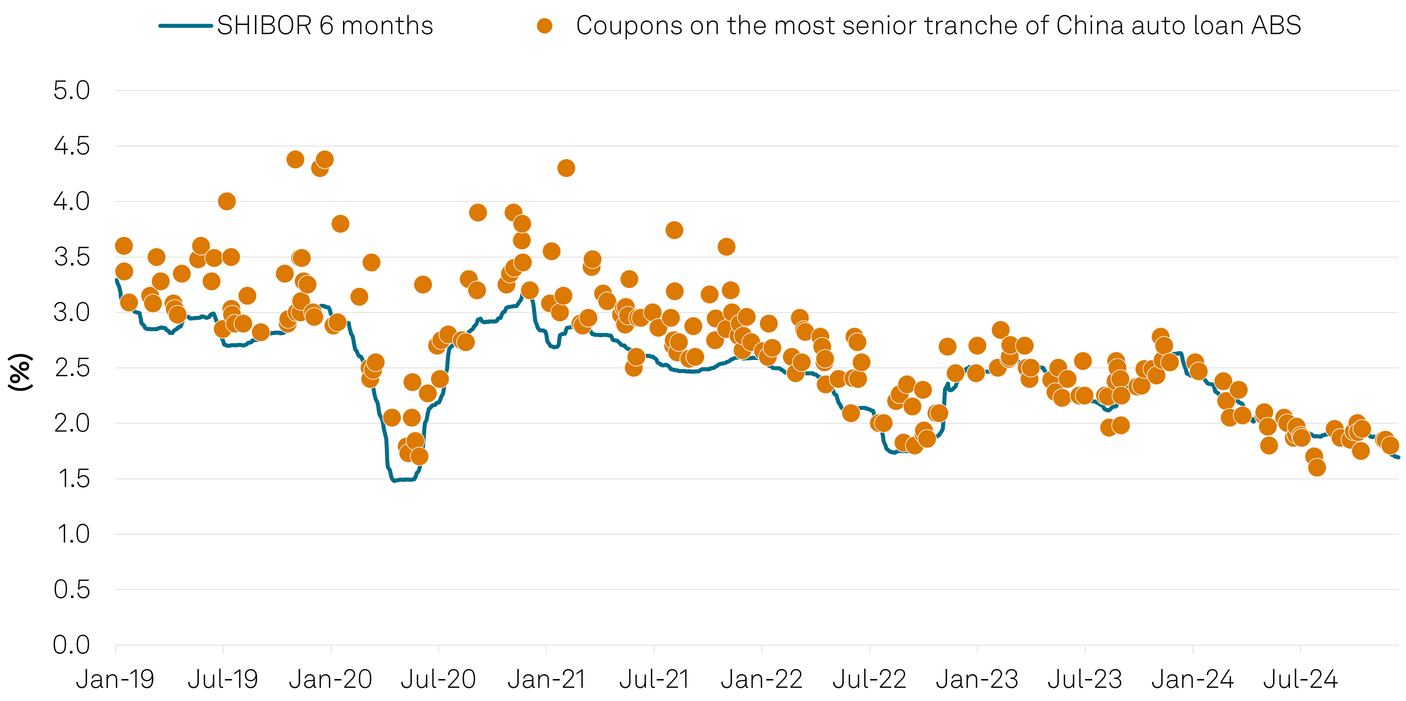
MSE--Micro and small enterprises. Data includes ABS issued under the CAS scheme managed by the NFRA and the PBOC. Source: WIND; compiled by S&P Global Ratings.

Lease-backed securitization gaining popularity

Source: WIND; compiled by S&P Global Ratings.

Auto Loan ABS Yields

Coupons on the most senior tranches of China auto loan ABS remained stable



Only coupons of Class A or Class A1 of the transaction are included. Sources: National Interbank Funding Center, Chinabond; compiled by S&P Global Ratings.

- The one- and five-year loan prime rates (LPRs) remained unchanged at 3.1% and 3.6%, respectively in the last quarter of 2024.
- The six-month Shanghai Interbank Offered Rate (SHIBOR) continued to drop, to 1.7% in December from 1.9% in September.
- Coupons on the most senior tranches of auto loan ABS remained stable at 1.8%-2.0% in 4Q 2024. Nonetheless, repeated issuances priced in December-January were at least 10 basis points lower than their recent transactions priced in October.
- Future yield trend will depend on policy initiatives. PBOC announced that it will adopt monetary easing in 2025, which may lower required reserve ratios or interest rates.

Auto Loan ABS

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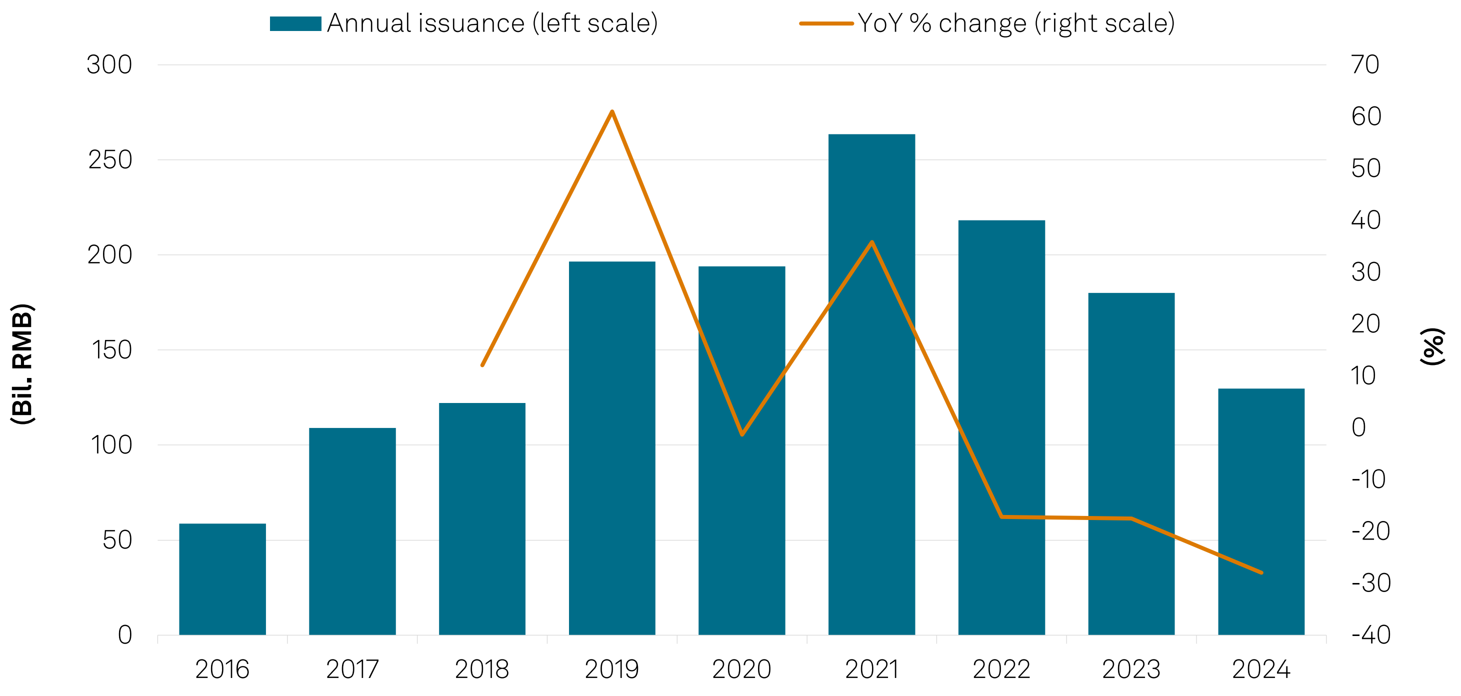
Auto Loan ABS Issuance

Decline in issuance volume for three consecutive years

Slowing auto sales and loan originations dragged issuance



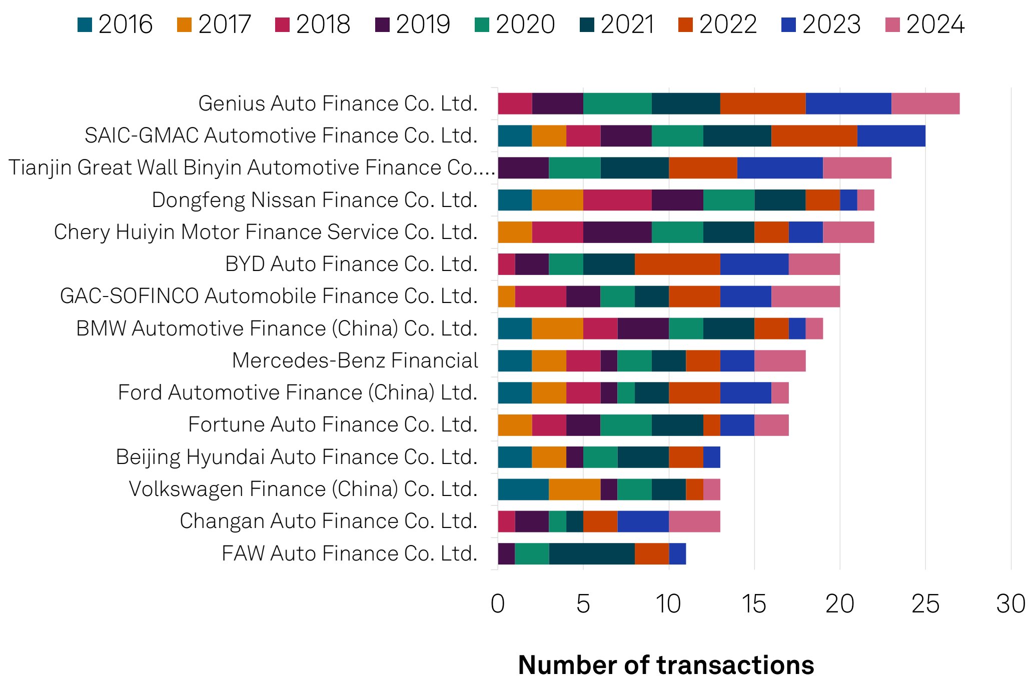
Data includes ABS issued under the CAS scheme managed by the NFRA and the PBOC. Source: WIND; compiled by S&P Global Ratings.

- Auto loan ABS issuance under the CAS scheme fell 28% in 2024 to RMB130 billion. The number of transactions issued dropped to 32 from 38 in 2023.
- Slow growth in auto sales, falling loan penetration, and active issuance of financial debentures likely contributed to the drop.
- To cope with intensifying competition from banks, some auto finance companies have launched more customized offerings such as longer-tenor, low loan-to-value, and value-added products.
- Auto ABS issuance looks set to decline further in 2025, considering our projection of flat light vehicle sales, dropping auto loan penetration rate, and fierce bank competition in loan origination.

Auto Loan ABS Issuance

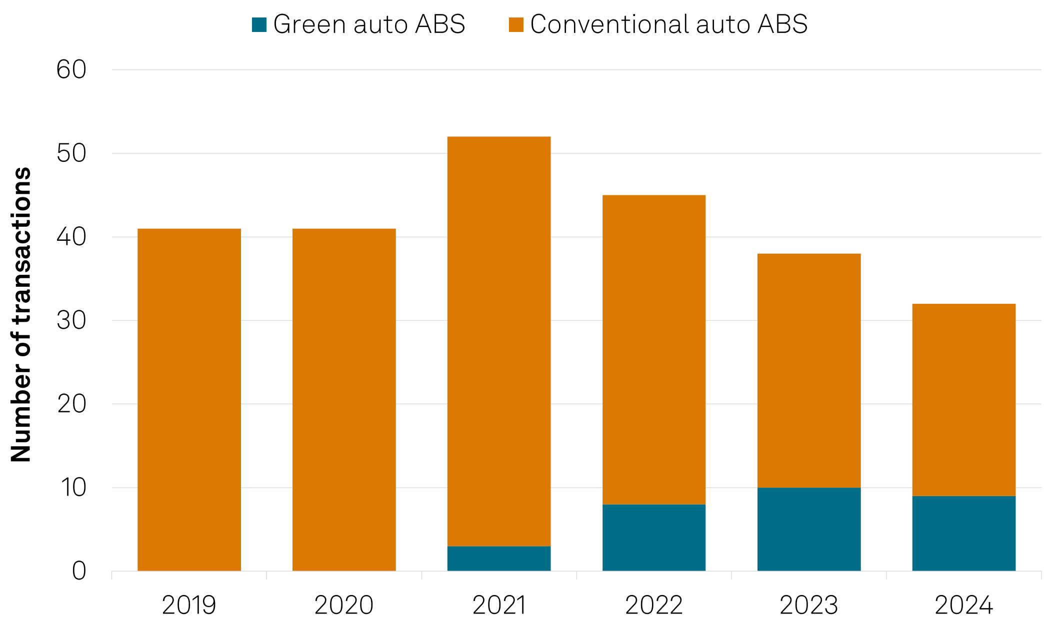
Green ABS issuance momentum stabilizing, favored mainly by a limited number of sponsors

Number of auto loan ABS transactions by key originators



Data includes ABS issued under the CAS scheme managed by the NFRA and the PBOC.
Source: WIND; compiled by S&P Global Ratings.

Green auto ABS made up 28% of all auto ABS issuance in 2024



Data includes ABS issued under the CAS scheme managed by the NFRA and the PBOC.
Source: WIND; compiled by S&P Global Ratings.

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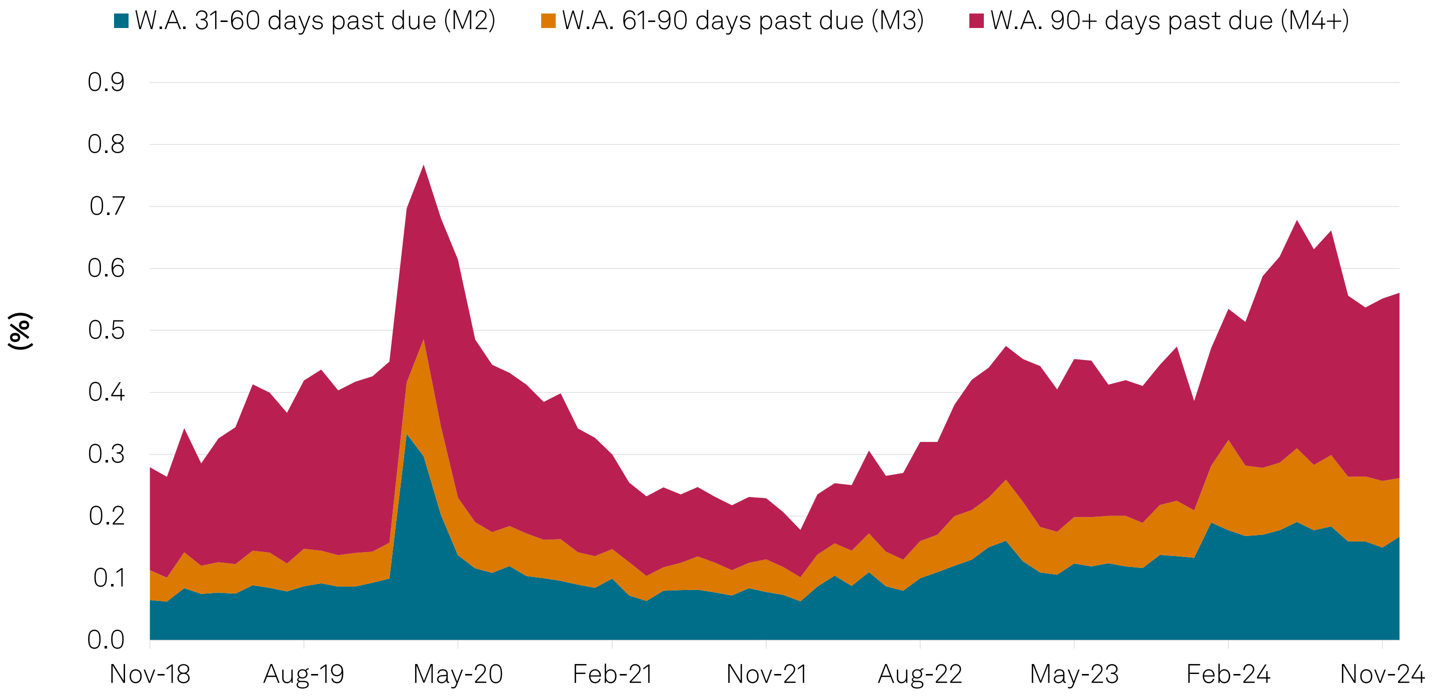
Auto Loan ABS Performance

Weighted-average asset delinquency rates are somewhat stabilizing

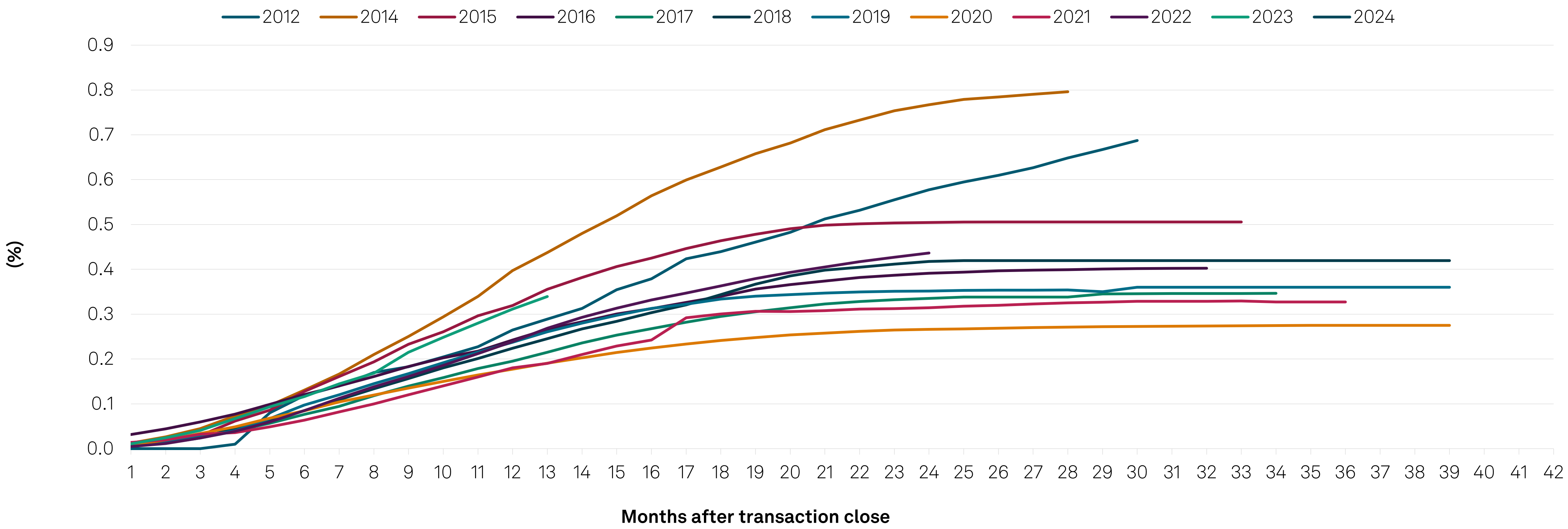


Data as of Dec. 31, 2024. The delinquency rates of the first three months after transaction close are excluded. W.A.--Weighted average.
Sources: Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

- Early arrears of auto loan ABS were stable in 4Q 2024. W.A. 61-90 days delinquency rate dropped by 1 basis point to 0.09% in December from September.
- Delinquency rate narrowed because a few of the worst-performing transactions have been paid down.
- Transactions' performance varied, reflecting originators' underwriting and loan characteristics.
- We expect arrears to remain elevated in 2025, due to underwhelming economic recovery and the easing of regulatory standards for auto loan underwriting.
- As of December, there are 62 auto loan ABS outstanding, with an aggregate pool size of RMB148 billion.

Auto Loan ABS Performance

Cumulative default rates stayed below 0.5% for 2016 and later vintages

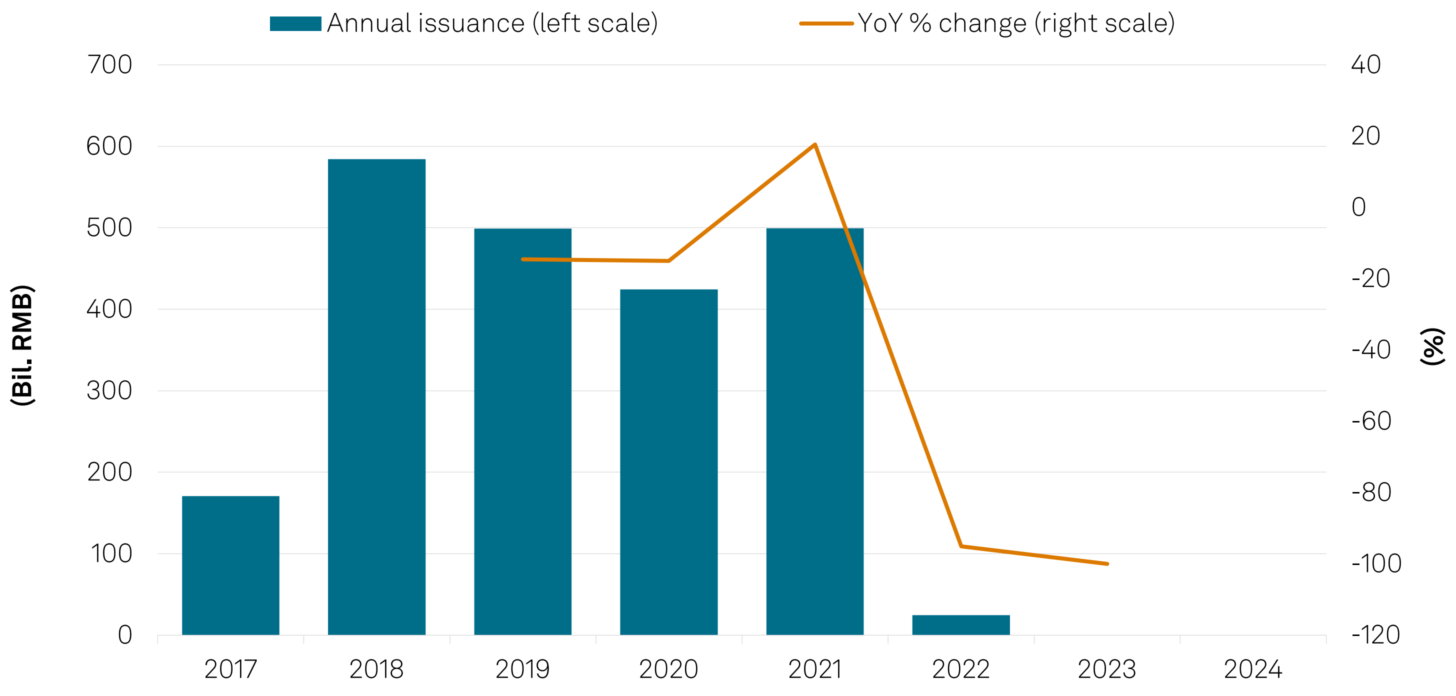


Data as of Dec. 31, 2024. Transactions closed in the past two months or so are not included. The definition of default may vary from deal to deal.
Sources: Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

RMBS

RMBS Issuance

Issuance remains stalled; prospects depend on sector fundamentals



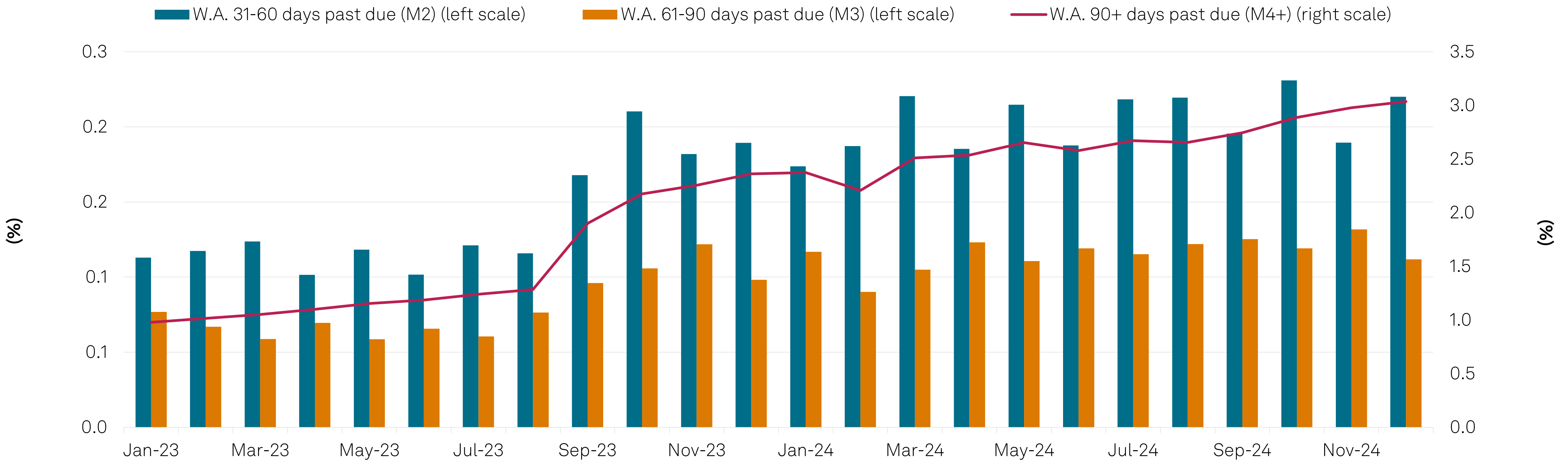
Data includes RMBS issued under the CAS scheme managed by the NFRA and the PBOC. Source: WIND; compiled by S&P Global Ratings.

- RMBS issuance has been absent since February 2022.
- We expect RMBS issuance to remain stalled in 2025, considering a persistent downturn in the property market and sluggish mortgage originations in China.
- In our view, issuance will not resume until the property market recovers meaningfully and mortgage loan origination picks up for a few quarters.
- While stimulus measures announced by the Chinese government in the fourth quarter of 2024 provide some support to the property market, it will take time for these policies to have a significant impact.

RMBS Performance

Delinquency ratios for all outstanding RMBS

As of December, there are 203 RMBS outstanding, with an aggregate pool size of RMB 239 billion



Data as of Dec. 31, 2024. W.A.--Weighted average. Sources: Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

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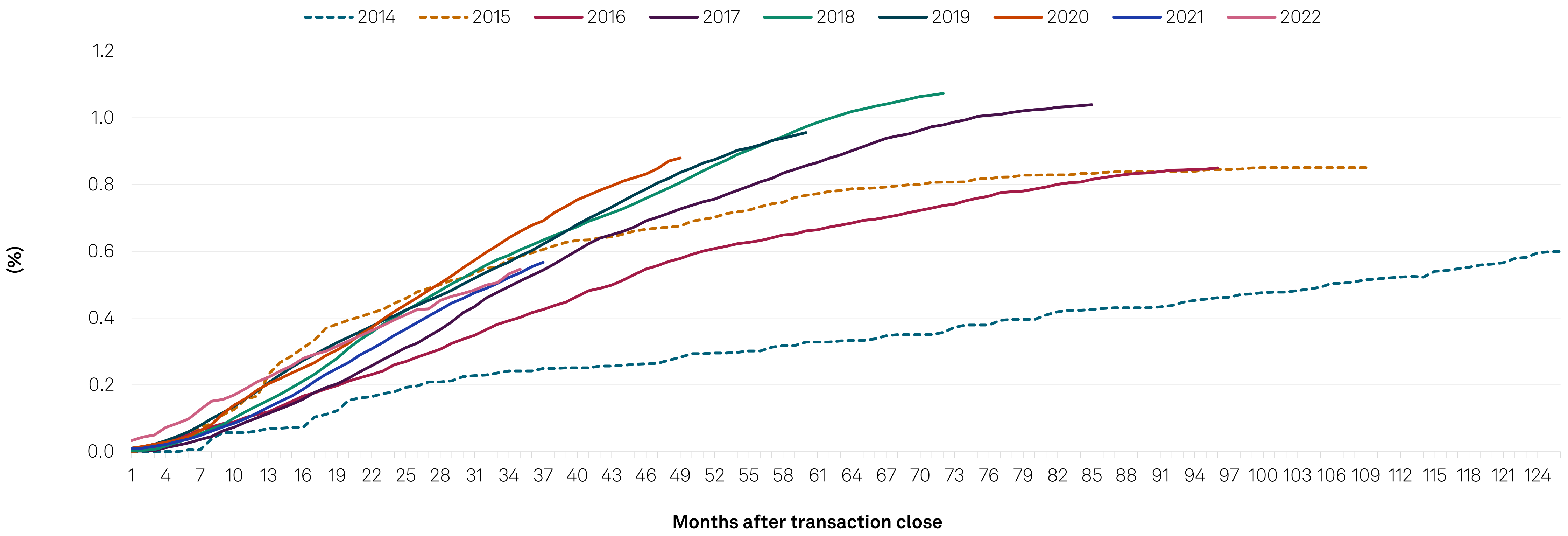
RMBS Performance

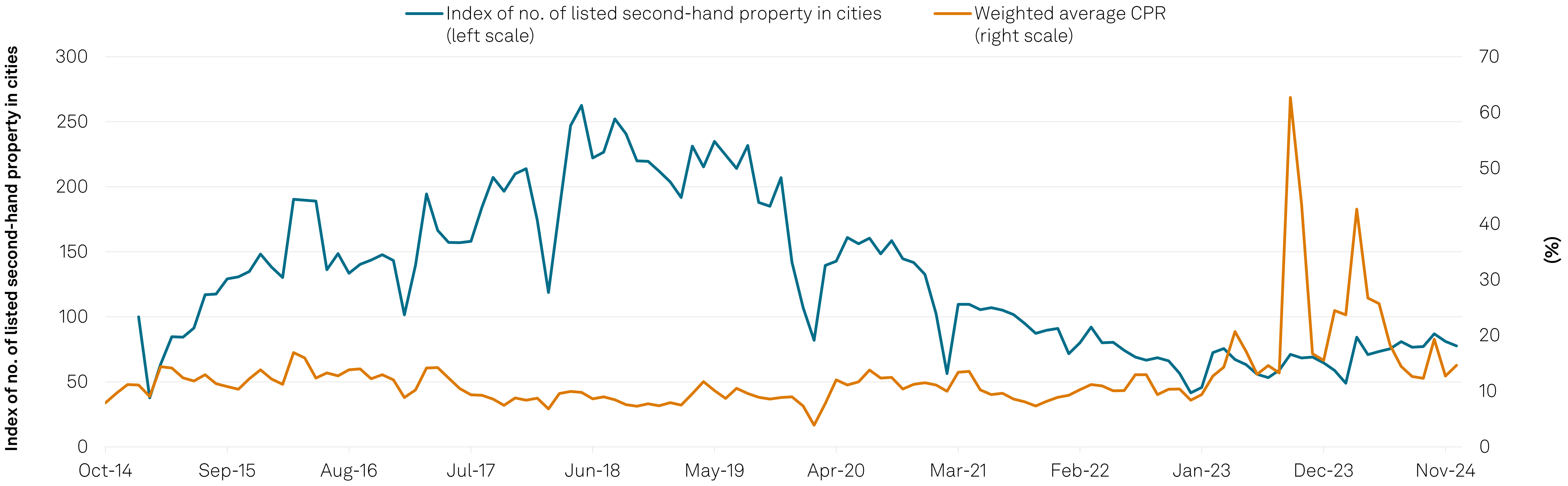
Cumulative default rates of annual vintages



Data as of Dec. 31, 2024. The definition of default may vary from deal to deal. Number of transactions in 2014, 2015, and 2022 vintages were less than 10 transactions. There have been no RMBS issuances after 2022. Sources: Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

RMBS Performance

Weighted-average CPR and listed second-hand property index remain stable in the past quarter

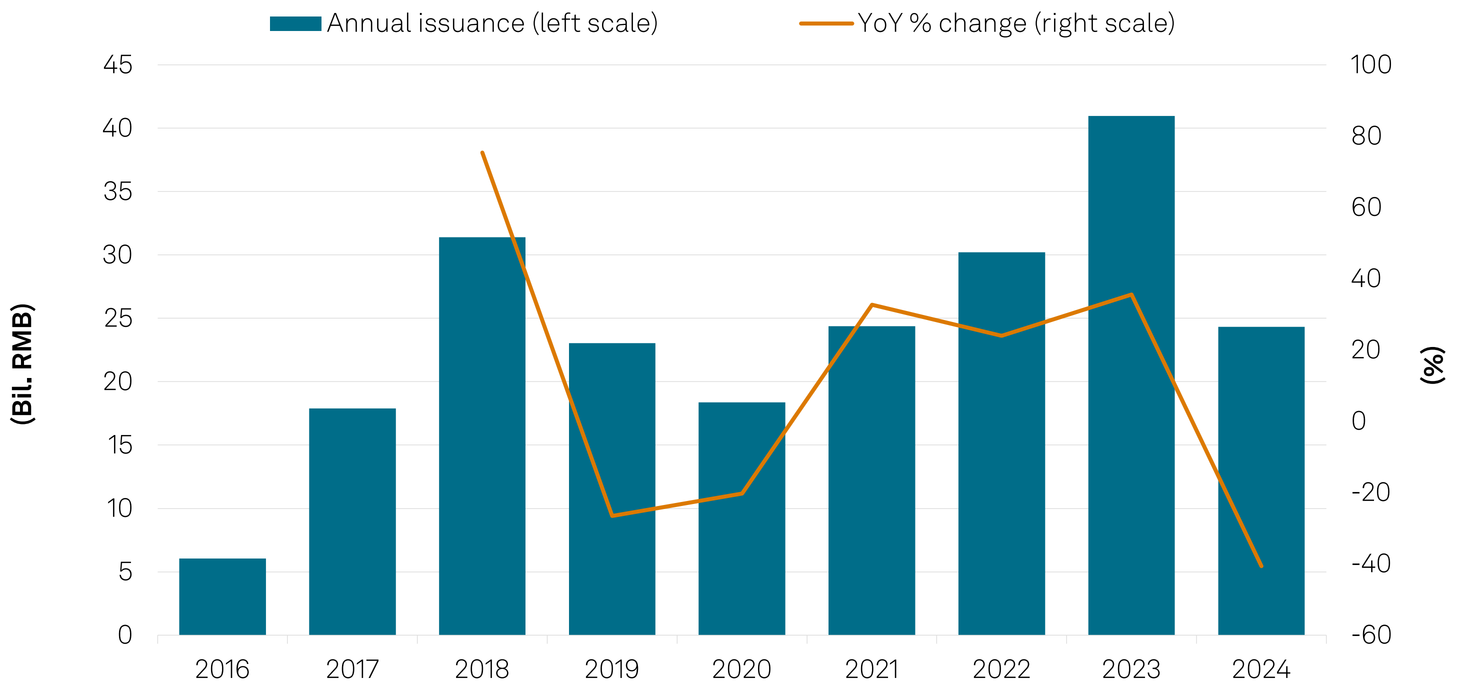


CPR--Constant prepayment rate. The first month CPR after transaction closing is excluded. Sources: WIND; Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

Consumer Loan ABS

Consumer Loan ABS Issuance

Issuance volume under CAS scheme dropped in 2024

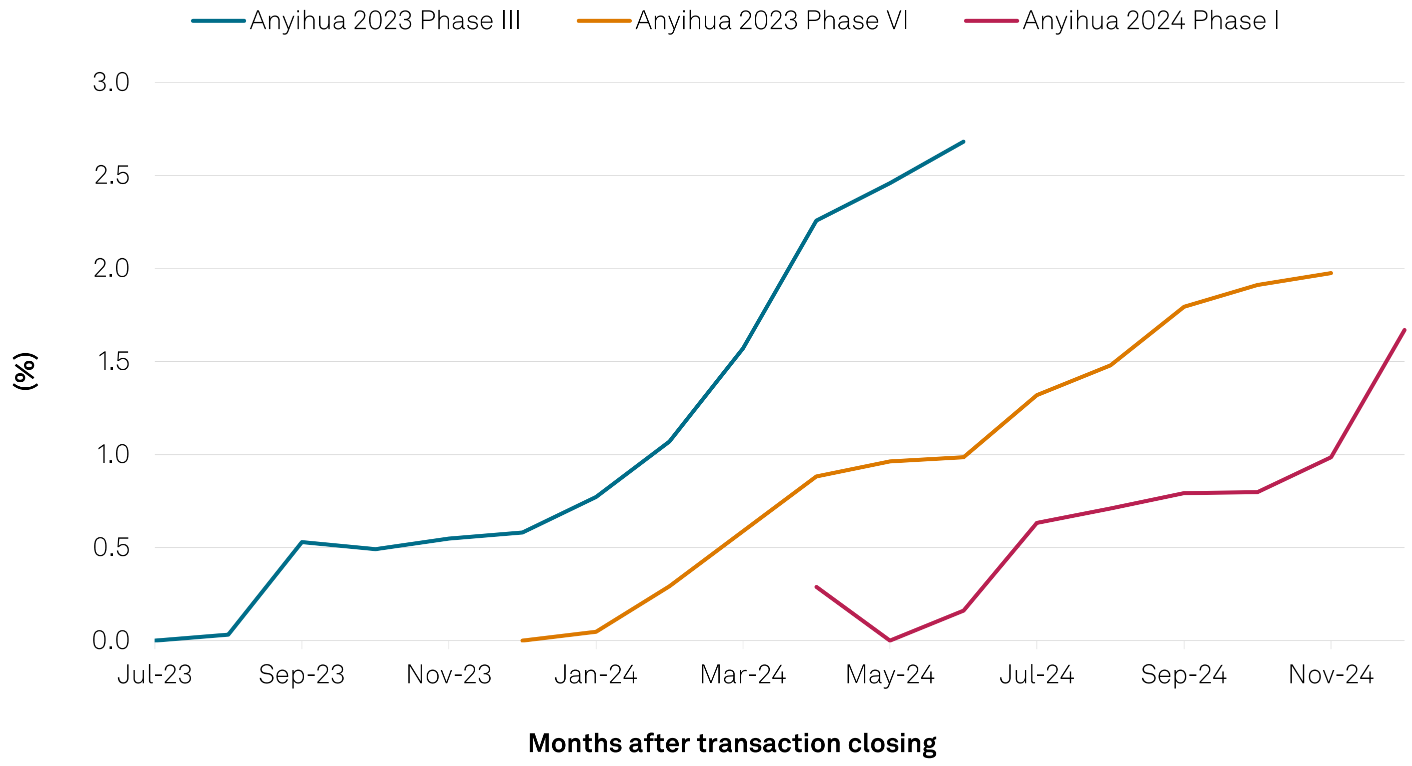


Data includes ABS issued under the CAS scheme managed by the NFRA and the PBOC. Source: WIND; compiled by S&P Global Ratings.

- Consumer loan ABS under CAS scheme saw a YoY drop of 41% in 2024 to RMB24 billion. We attribute the decline to issuers shifting to financial debentures as an alternative fundraising channel.
- When combining the issuance of credit ABS with financial debentures issued by licensed consumer finance companies, the aggregate volume soared 80% to RMB76.7 billion in 2024 from RMB42.5 billion in 2023.
- Consumer finance ABS has been growing significantly since 2021. We believe that this sector will expand in 2025, underpinned by China's policy initiatives, originators' increased funding needs, and growing investor interest in this asset class. The ABN registered with NAFMII and ABS issued on exchanges will likely tap a broader base of offshore investors during 2025.

Consumer Loan ABS Performance

M3 ratios of rated consumer loan ABS



Sources: Trustee reports published on Chinabond's website; compiled by S&P Global Ratings.

- The delinquency rates of consumer loan ABS tend to be higher and more volatile than most auto loan ABS, based on our observation of selected transactions. This volatility is generally mitigated by the relatively high credit enhancement level in consumer loan ABS.
- For the Anyihua series that we rate, excess spreads can also be used to purchase new loans during the revolving period. This would create further overcollateralization and increase the credit enhancement of the rated notes.
- As of Dec. 31, 2024, credit support provided for the class A notes of Anyihua 2024 Phase I that we rate exceeded 60%.

Annual Review* In January - December 2024

Transaction name	Date
Bavarian Sky China 2022-1	1/30/2024
Autopia China 2022-2 Retail Auto Mortgage Loan Securitization Trust	2/26/2024
Anyihua 2023 Phase III Personal Consumption Loan Asset Backed Securities	3/18/2024
Silver Arrow China 2023-1 Retail Auto Loan Asset Backed Notes Trust	3/26/2024
Silver Arrow China 2022-1 Retail Auto Loan Asset Backed Notes Trust	3/26/2024
Generation 2023-1 Retail Auto Mortgage Loan Securitization	3/26/2024
Jianyuan 2020-2 Residential Mortgage Backed Securities	3/26/2024
Jianyuan 2020-12 Residential Mortgage Backed Securities	3/26/2024
Generation 2023-2 Retail Auto Mortgage Loan Securitization	6/17/2024
Bavarian Sky China 2022-2	6/26/2024

*In an annual review, S&P Global Ratings reviews current credit ratings against the latest issuers/issues performance data as well as any recent market developments. Annual reviews may, depending on their outcome, result in a referral of a credit rating for a committee review, which may result in a credit rating action. The above list is not an indication of whether or not a credit rating action is likely in the near future.

The key elements underlying the credit rating can be found in the issuer's latest related publication. Additionally, for each issuer/issues listed above, S&P Global Rating's regulatory disclosures (PCRs) can be accessed on the relevant page on www.spglobal.com/ratings by clicking on Regulatory Disclosures underneath the current credit ratings.

Annual Review* In January - December 2024 Cont'd

Transaction name	Date
Fuyuan 2022-2 Retail Auto Mortgage Loan Securitization Trust	6/26/2024
Ruize Tianchi 2023 Phase I Retail Auto Mortgage Loan Securitization Trust	7/12/2024
Fuyuan 2023-2 Retail Auto Mortgage Loan Securitization Trust	7/18/2024
Silver Arrow China 2022-2 Retail Auto Loan Asset Backed Notes Trust	9/26/2024
Silver Arrow China 2023-2 Retail Auto Loan Asset Backed Notes Trust	9/26/2024
Generation 2023-3 Retail Auto Mortgage Loan Securitization	9/27/2024
Zhaoyin HeJia 2020-5 Residential Mortgage Backed Securitization Trust	9/27/2024
Zhong Ying Wan Jia 2021-5 Residential Mortgage Backed Securities	11/28/2024
Generation 2023-5 Retail Auto Mortgage Loan Securitization	12/18/2024

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Related Research

- Surging Secondary Sales To Stabilize China Property In 2025, Jan. 22, 2025
- Asia-Pacific Consumer Outlook 2025: Some Pain, Some Gain, Jan. 21, 2025
- China Structured Finance Outlook 2025: A Few Sectors Take Off Amid Overall Stagnant Issuance, Jan. 8, 2025
- Economic Outlook Asia-Pacific Q1 2025: U.S. Trade Shift Blurs The Horizon, Nov. 24, 2024
- China Property Watch: Charting A Path To Stabilization, Oct. 18, 2024
- China Auto: Survival Of The Fittest, Oct. 17, 2024
- A Primer On China's Micro And Small Enterprise Lease ABS Market, Oct. 10, 2024
- Update On A Comparative Overview Of Select China Consumer Loan ABS, Aug. 9, 2024
- Credit FAQ: What's Behind Our First 'AAA (sf)' Rating Assigned To Chinese Exchange ABS?, May 9, 2024
- How We Rate China Leasing Securitizations, Oct. 12, 2023
- What's Behind The First 'AAA (sf)' Rating Assigned To Chinese Consumer Finance ABS?, Aug. 24, 2023
- A Primer On China's Consumer Loan ABS Market, June 9, 2023
- A Primer On China's MSE Loan ABS Market, May 10, 2023
- A Primer On China's Equipment Lease ABS Market, March 2, 2023

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