

Asia Flash

Asia

Acceleration of China credit growth reduces likelihood of policy loosening

November credit aggregates exceeded expectations, with new loans of RMB 624 bn (consensus: 580; prior: 506) and "total social financing" (TSF, a broader measure of credit) of RMB 1.2 trillion RMB (consensus: 920 bn; prior: 856.4 bn). The data are generally consistent with strong activity indicators released yesterday (see our *China Flash*), pointing to continued growth momentum. Among the major components of TSF, bank loans, trust loans and entrust loans all registered rapid growth. The latter two components are important parts of China's shadow banking system, and as such could raise concerns about a further build-up of financial risks. The strong credit data might also help explain why interbank interest rates have continued rising – the 7-day repo rate has risen by around 50bps over the past two months to the 4-6% range at present – and may prompt the PBoC to keep liquidity on a tight leash.

Japan machinery orders for October exceed expectations

Machine orders rose by 17.8% y/y (consensus: 5.0%; prior: 11.4%), providing some welcome relief to worries that investment spending may be slowing, after a disappointing downward revision to Q3 GDP growth in recent days to 1.1% saar, from outturns of 4.5% in Q1 and 3.6% in Q2. Along with signs of improving exports, the data may bode well for a rebound of Q4 GDP growth (BBVA: 3.5-4.0% saar).

India November trade deficit narrowed, as imports sink to a 30-month low

The trade deficit declined to USD 9.2 bn (USD 10.5 bn in October) led by a sharp drop in imports (-16.4% y/y vs -15% in October) even as export growth disappointed (+5.9% y/y vs. +13% previously). An improvement in India's external balances, including a decline in the current account deficit in 3Q13 (-1.2% of GDP vs -4.9% in 2Q13), are placing India in a better position to weather expectations of QE tapering, after severe pressures emerged earlier in the year.

Briefly noted:

Korea unemployment rate declines in November

South Korea's unemployment rate edged down to 2.9% (consensus: 3.0%) in November from 3.0% in the previous month, pointing to continued tight labor market conditions. The data are likely to keep the Bank of Korea on hold at 2.50% at tomorrow's monthly policy meeting.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	12 Dec	Nov	5.70%	5.80%	--
China	Date	Period	Prior	Cons.	Actual
CPI YoY	09 Dec	Nov	3.20%	3.10%	3.00%
PPI YoY	09 Dec	Nov	-1.50%	-1.50%	-1.40%
Industrial Production YoY	10 Dec	Nov	10.30%	10.10%	10.00%
Fixed Assets Ex Rural YTD YoY	10 Dec	Nov	20.10%	20.00%	19.90%
Retail Sales YoY	10 Dec	Nov	13.30%	13.20%	13.70%
New Yuan Loans	11 Dec	Nov	506.1B	580.0B	624.6B
Money Supply M2 YoY	11 Dec	Nov	14.30%	14.20%	14.20%
Aggregate Financing RMB	11 Dec	Nov	856.4B	920.0B	1230.0B
Foreign Direct Investment YoY	14-18 Dec	Nov	1.20%	1.10%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Dec	3Q	0.30%	--	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY	11 Dec	Nov	13.50%	--	5.90%
CPI YoY	12 Dec	Nov	10.09%	10.00%	--
Industrial Production YoY	12 Dec	Oct	2.00%	-1.20%	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized SA QoQ	09 Dec	3Q F	1.90%	1.60%	1.10%
GDP SA QoQ	09 Dec	3Q F	0.50%	0.40%	0.30%
Tertiary Industry Index MoM	10 Dec	Oct	0.00%	0.10%	-0.70
Machine Orders MoM	11 Dec	Oct	-2.10%	0.70%	0.60%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Dec	Oct	1.00%	0.80%	1.70%
Philippines	Date	Period	Prior	Cons.	Actual
Unemployment Rate	10 Dec	Oct	7.30%	--	6.50%
Exports YoY	10 Dec	Oct	5.10%	8.30%	14.00%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales YoY	13 Dec	Oct	-5.90%	-5.90%	--
Unemployment rate SA	13 Dec	3Q F	1.80%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment rate SA	11 Dec	Nov	3.00%	3.00%	2.90%
Taiwan	Date	Period	Prior	Cons.	Actual
Exports YoY	09 Dec	Nov	-1.50%	2.00%	0.00%

Calendar Events

Indonesia – Bank Indonesia Reference Rate, Dec 12 We expect the benchmark rate to remain unchanged	Current 7.50%	Cons. 7.50%	New --
Philippines – BSP Overnight Borrowing Rate, Dec 12 We expect the benchmark rate to remain unchanged	Current 3.50%	Cons. 3.50%	New --
South Korea – BoK 7-Day Repo Rate, Dec 12 We expect the benchmark rate to remain unchanged	Current 2.50%	Cons. 2.50%	New --

Indicator of the Week

India: Wholesale Prices Inflation for November (December 16th)

Forecast: 6.8% y/y

Consensus: 7.0% y/y

Prior: 7.0% y/y

India is one of the few economies in Asia struggling to keep inflation down (Indonesia is another). Recent months have seen a firming up of inflation pressures in India, led by the impact of weather related disruption in primary food supply, in particular for vegetables and fruits, and the pass through effect from currency depreciation. These forces have kept inflation elevated despite back-to-back policy rate hikes and slowing GDP growth. Against this backdrop, the November WPI inflation outturn will be a key input for the Reserve Bank of India in assessing the inflation outlook at its December 18 policy meeting, where we expect the RBI to stay on hold.

Markets Data

STOCK MARKETS	INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
	China – Shanghai Comp.	2204.2	-1.5	-2.1	-2.9	6.2
Hong Kong – Hang Seng	23338.2	-1.7	-1.6	3.0	4.5	
Taiwan – TAIEX	8433.8	-0.1	0.2	9.5	10.8	
Japan – Nikkei 225	15515.1	-0.6	0.7	49.3	62.9	
Korea – Kospi	1978.0	-0.8	-0.4	-1.0	0.7	
India – Sensex 30 *	21171.4	-0.4	2.2	9.0	9.2	
Australia – SPX/ASX 200	5104.3	-0.8	-3.2	9.8	11.5	
Singapore – Strait Times	3060.7	-0.7	-3.2	-3.4	-1.8	
Indonesia – Jakarta Comp	4271.7	-0.1	0.7	-1.0	-1.1	
Thailand – SET	1369.4	0.1	-0.4	-1.6	2.6	
Malaysia – KLCI	1842.8	-0.1	1.1	9.1	12.3	
Philippines – Manila Comp.	5888.7	0.0	-3.5	1.3	1.0	

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.07	-0.01	0.31	6.11	6.12
Hong Kong (HKD/USD)	7.75	-0.01	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.6	-0.01	0.16	29.39	29.13	
Japan (JPY/USD)	102.49	0.35	-0.13	102.43	102.19	
Korea (KRW/USD)	1052	0.00	0.79	1057	1068	
India (INR/USD)	61.3	-0.44	1.22	62.55	66.37	
Australia (USD/AUD)	0.91	-0.39	0.95	1.10	1.12	
Singapore (SGD/USD)	1.25	-0.13	0.34	1.25	1.25	
Indonesia (IDR/USD)	11991	-0.59	-0.04	12364	13204	
Thailand (THB/USD)	32.1	0.00	0.50	32.35	32.84	
Malaysia (MYR/USD)	3.22	-0.26	0.26	3.23	3.27	
Philippines (PHP/USD)	44.1	0.42	-0.53	44.11	44.02	

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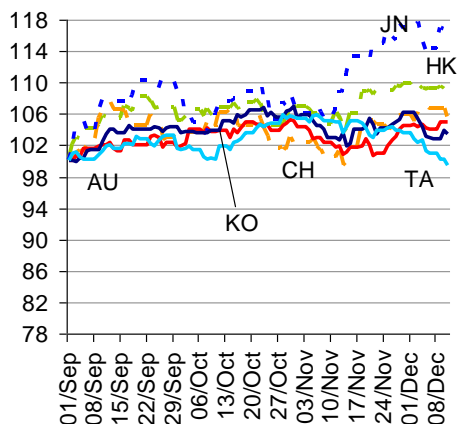
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.30	-0.10	-0.25	0.52
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.33	0.43	-0.34	0.46	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.46	0.00	-0.02	0.36	
Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31	

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Charts

Chart 1

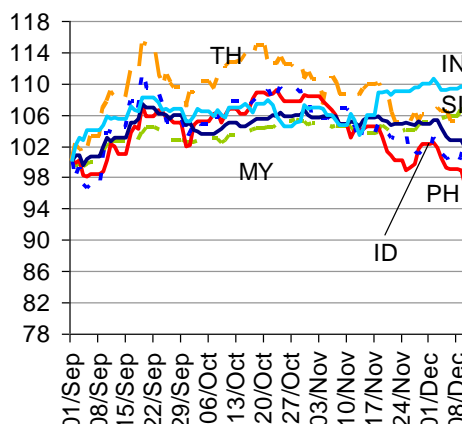
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

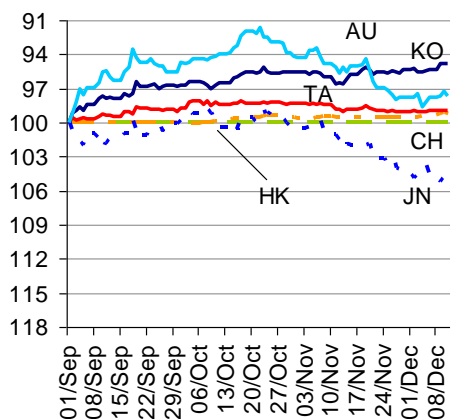
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

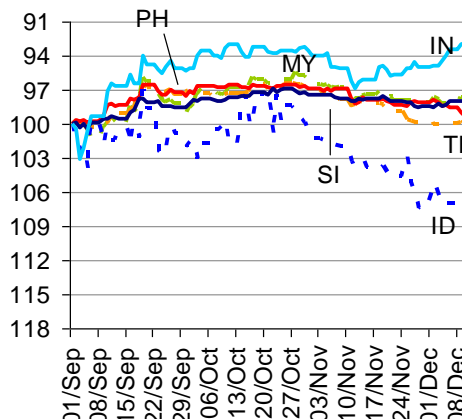
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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