Economics

# Chart of the Week: Rising auto and credit card loan delinquencies in the US

**Economics/Strategy**

Group Research

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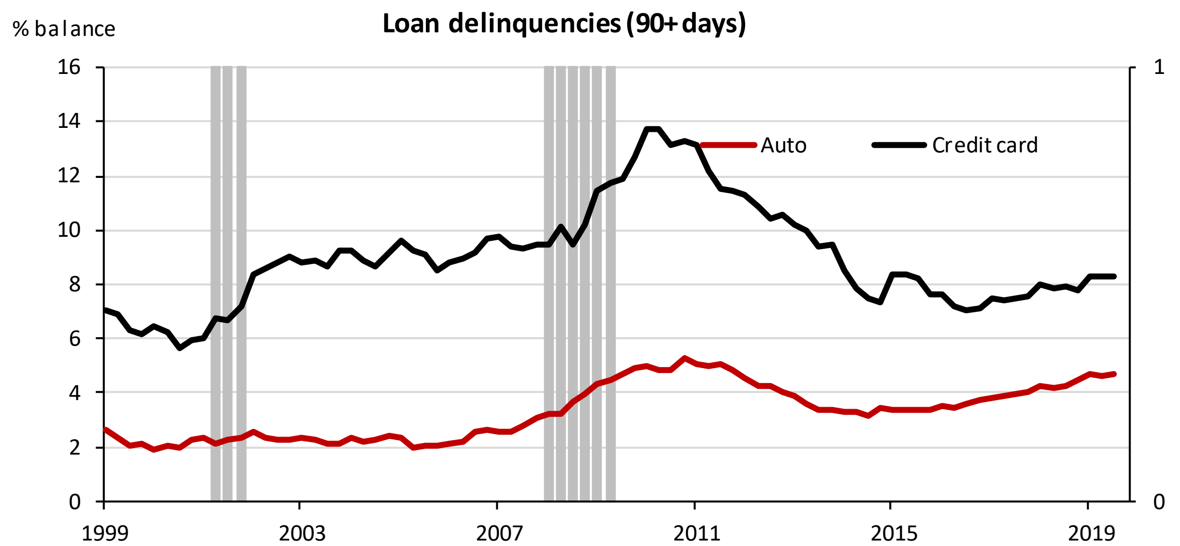
**Key Events:**

- *China's GDP should have slowed to 5.8% in 4Q19 from 6.0% 3Q19.*
- *Inflation rate of India is expected to breach the upper end of the 2-6% target range.*
- *Non-oil domestic exports of Singapore is forecast to increase 2.5%yoy, up from a decline of 5.9% previously.*

## Chart of the Week: Watch out, US consumers are not well

Strong wealth effect due to record high asset prices, substantial policy interest rate cuts and injection of central bank liquidity last year, steadily improving labour markets, and sustained wage growth, US consumers are finding support on all fronts. And yet, their default rates on car and credit card loans have been rising steadily. Auto loans default rates are particularly elevated, nearly the same level as what was seen in the aftermath of the global financial crisis. These developments take some of the shine away from the US macro picture, which ought to be bright across the board. They also suggest that the beneficial impact of macro improvements has been unevenly distributed.




Source: New York Fed, DBS

Note: shaded areas denote recession.

| Event | Consensus | DBS | Previous |
|---|---|---|---|
| **Jan 13 (Mon)** | | | |
| India: CPI (Dec) | 6.7% y/y | 6.7% y/y | 5.5% y/y |
| | | | |
| **Jan 14 (Tue)** | | | |
| US: CPI (Dec) | 2.4% y/y | 2.2% y/y | 2.1% y/y |
| China: exports (Dec) | 2.9% y/y | 1.0% y/y | -1.3% y/y |
| - imports | 9.6% y/y | 6.0% y/y | 0.3% y/y |
| - trade balance | USD45.7bn | USD49.2bn | USD38.7bn |
| | | | |
| **Jan 15 (Wed)** | | | |
| India: exports (Dec) | N/A | -4.7% y/y | -0.3% y/y |
| - imports | N/A | -10.3% y/y | -12.7% y/y |
| - trade balance | N/A | -USD11.5bn | -USD 12.1bn |
| Indonesia: exports (Dec) | -2.2% y/y | -1.1% y/y | -5.7% y/y |
| - imports | -5.0% y/y | -8.2% y/y | -9.2% y/y |
| - trade balance | -USD430mn | USD70mn | -USD1330mn |
| | | | |
| **Jan 16 (Thu)** | | | |
| US: retail sales (Dec) | 0.3% m/m sa | 0.2% m/m sa | 0.2% m/m sa |
| | | | |
| **Jan 17 (Fri)** | | | |
| China: GDP (4Q) | 6.0% y/y | 5.8% y/y | 6.0% y/y |
| China: industrial production (Dec) | 5.9% y/y | 6.3% y/y | 6.2% y/y |
| China: retail sales (Dec) | 7.9% y/y | 7.8% y/y | 8.0% y/y |
| China: fixed asset investment (Dec) | 5.2% y/y | 5.2% y/y | 5.2% y/y |
| Singapore: non-oil domestic exports (Dec) | -2.0% y/y | 2.5% y/y | -5.9% y/y |
| South Korea: BOK 7-Day Repo Rate | 1.25% | 1.25% | 1.25% |

**China:** The economic activities should have stabilized somewhat in December. The NBS Manufacturing PMI, an early indicator, stayed in the expansion zone of 50.2 for two consecutive months. Exports growth is expected rebound to 1.0% YoY from -1.3% in November as additional tariff from the US was on hold. Likewise, imports should jump to 6.0% from 0.3% due to both reviving domestic and external demand. As such, industrial production is expected to edge up to 6.3% from 6.2%. Headline fixed asset investment growth is forecasted to remain stable at 5.2% after rounds of liquidity injection through MLFs. Yet, retail sales growth is expected to slow to 7.8% from 8.0% due to the relatively high unemployment rate (5.1%). The GDP growth of 4Q is therefore forecasted to drop orderly to 5.8% in 4Q19 from 6.0% in 3Q19, and conclude the year at 6.1%.

**India:** Inflation and trade numbers are due this week. December inflation is expected to breach the upper end of the 2-6% target range, firmest since Aug14. Our forecast is for the headline to rise 6.7% YoY from 5.5% the month before. Besides base effects, a double-digit rise in food inflation owing to a 30-300% spike in vegetables (four staple variants), ~20% on the year rise in pulses and firmer protein items. This spurt might be partially offset by a seasonally weak housing component, while fuel inches up. Core inflation is likely to stay stable around 3.5% YoY. The RBI is on a prolonged pause even after the first advance reading of the government’s estimates put FY20 growth at 5%, weakest since the global financial crisis. A build-up in price pressures will be watched closely, even though dominated by the supply-driven food segment at this juncture. The central bank is, instead, keen to push transmission and meaningfully lower borrowing costs in midst of surplus liquidity.

**Singapore:** Non-oil domestic exports for Dec19 due this week will likely bring some glimmer of hope. Expectation is for a 2.5% YoY increase, up from a decline of 5.9% previously. This will mark the first month of expansion after nine consecutive months of decline. Electronics could provide some impetus due to restocking and new demand for parts and components for 5G implementation across the globe, as well as broadening of usage of new technologies such as IoT, AI, driverless vehicles etc. Indeed, electronics indicators such as the growth in semiconductor equipment billings has registered the first expansion since Oct18 while semiconductor shipments have risen by a healthy 12.8% from the trough in Apr19. A turnaround in the electronics cluster is in the making, which could help to drive export growth.

**South Korea:** The Bank of Korea is expected to hold the 7D repo rate steady at 1.25% this week. The pressure for the BOK to cut rates to support growth has been reduced, thanks to the improvement in overseas economic conditions, bottoming-out of the electronics cycle, and easing of China-US trade tensions. Manufacturing PMI bounced back to 50.1 in Dec19, the first positive reading over eight months. The decline in exports narrowed to single digit rate in Dec19, for the first time in seven months. On the other hand, the room of rate cuts is diminishing, due to the rise in international oil prices and the rebound in domestic property prices. CPI inflation has risen to 0.7% YoY in Dec19 from the bottom of -0.4% in Sep19 and is likely to touch the 1% level soon this month as oil prices surge. To contain the rise in property prices, the Korean government has introduced a fresh round of regulations in Dec19, including tighter mortgage rules. Against this backdrop, we think the chance of additional rate cuts this year is falling and maintain our baseline forecast for rates to stay flat in 2020.

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**Sources**: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations).