Economics

Chart of the Week: Nowcast shows China's growth easing toward 6%

Group Research

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Radhika Rao
Economist
radhikarao@dbs.com

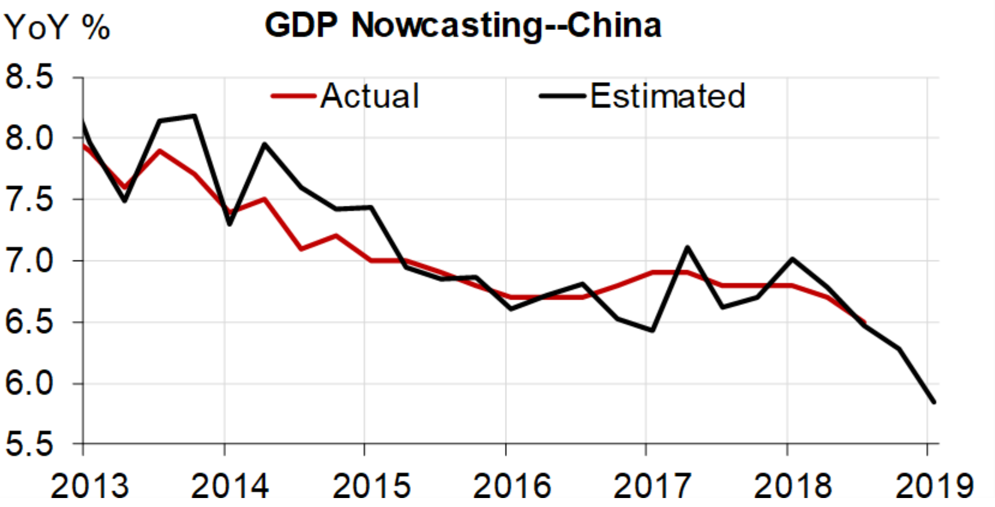
Please direct distribution queries to
Violet Lee +65 68785281
violetleeyh@dbs.com

Key Events:

- *Inflation reports from the region are expected to post weaker headline prints as supply-side pressures ebb.*
- *Taiwan export growth is likely to weaken notably in November.*
- *The Reserve Bank of India is poised to keep rates on hold this week as inflation eases and output gap re-widens.*

Chart of the Week: Nowcast update shows China's real GDP growth easing toward 6% by Q1

Our China Nowcast model shows continued slowing of growth momentum in Asia's largest economy. The model considers a number of data series that are good high frequency proxies for China's quarterly GDP to estimate the momentum of the ongoing and next quarter (this is done by adding data available through end-November with autoregressive moving average model-based forecasts). The latest iteration of the model finds continued weakening of retail sales, trade, and production momentum, with both credit growth and fixed asset investment weak but flat. Putting these together, a sub-6.5% growth looks likely in 4Q2018, while growth could well fall toward 6% (if not lower) in 1Q2019. China's policy makers will most likely counter this growth trajectory with further stimulus measures, in our view.



Source: Bloomberg, Bloomberg Indices, S&P, DBS Group Research

Event	Actual	Consensus	DBS	Previous
Dec 3 (Mon)				
Thailand: CPI (Nov)	0.9% y/y	1.0% y/y	1.1% y/y	1.2% y/y
Indonesia: CPI (Nov)	3.2% y/y	3.2% y/y	3.2% y/y	3.2% y/y
Dec 4 (Tue)				
South Korea: GDP (3Q F)	2.0% y/y	2.0% y/y	2.0% y/y	2.0% y/y
South Korea: CPI (Nov)	2.0% y/y	2.0% y/y	2.3% y/y	2.0% y/y
Dec 5 (Wed)				
Philippines: CPI (Nov)		6.3% y/y	6.3% y/y	6.7% y/y
Malaysia: trade balance (Oct)		MYR10.7bn		-0.3% y/y
-- exports		5.8% y/y		-2.7% y/y
--imports		3.1% y/y		MYR 15.3bn
Taiwan: CPI (Nov)		0.9% y/y	0.9% y/y	1.2% y/y
India: RBI repurchase rate		6.5%	6.5%	6.5%
Dec 7 (Fri)				
Taiwan: trade balance (Oct)		USD3.97bn	USD 3.94bn	USD 3.36bn
-- exports		2.0% y/y	0.6% y/y	7.3% y/y
--imports		11.8% y/y	9.2% y/y	17.6% y/y
Eurozone: GDP (3Q F)		1.7% y/y	1.7% y/y	1.7% y/y
US: Nonfarm payrolls (Nov)		199K	225K	250K
US: unemployment rate (Nov)		3.7%	3.60%	3.7%

India: Since the Reserve Bank of India surprised with an on-hold decision in October, rate hike bets continue to be pared. Inflationary pressures are abating, mainly due to food, which led October inflation to slip to 3.3% YoY, vs target at 4%, with an increasing likelihood that November's will be below 3%. Friday's 3Q growth numbers saw the economy expand by a slower 7.1% YoY, vs 2Q's 8.2%, widening the output gap. There is temporary reprieve on the external front, with rupee appreciating >5% last month and oil prices down by a third between Oct and Nov. With real rates already at elevated levels, there is little urgency for the RBI to tighten policy. We look for a pause this week and rest of FY19, with a downward revision in inflation (prevailing trend is 50-60bps below the central bank's forecast) and lower full-year growth estimate.

Philippines: The Philippines inflation is on tap this week. We believe that the inflation in November eased to 6.3% YoY from 6.7% in the last two consecutive months. The main reason was the fall of oil prices and softer food prices. As oil price is expected to fall further, until at least end of 1Q19, we think that inflation will decelerate further in December and, in 2019, barring another supply side surprise such as oil price. Furthermore, the impact of higher excise taxes due to the first phase of TRAIN will also dissipate after 1Q19. This year we maintain our forecast at 5.3% and in 2019 at 4.7%.

Taiwan: November trade and inflation data will likely show signs of softening. Export growth is expected to fall notably to 0.6% YoY from 7.3% in the previous month. CPI inflation is projected to slow to 0.9% from 1.2%. Technical (high base effect) and cyclical factors (weaker global demand) are expected to drag exports in 4Q, before the impact of US-China trade war emerges early next year. Meanwhile, the sharp correction in global oil prices and the lowering of domestic fuel prices will likely reduce inflation pressures in both upstream and downstream industries this quarter.

Group Research

Economics & Strategy Team

Taimur Baig, Ph.D.
Chief Economist - G3 & Asia
+65 6878-9548 taimurbaig@dbs.com

Nathan Chow
Strategist - China & Hong Kong
+852 3668-5693 nathanchow@dbs.com

Masyita Crystallin, Ph.D.
Economist – Indonesia & Philippines
+62 21-2988-4003 masyita@dbs.com

Joanne Goh
Regional equity strategist
+65 6878-5233 joannegohsc@dbs.com

Neel Gopalakrishnan
Credit Strategist
+65 68782072 neelg@dbs.com

Eugene Leow
Rates Strategist - G3 & Asia
+65 6878-2842 eugeneleow@dbs.com

Chris Leung
Economist - China & Hong Kong
+852 3668-5694 chrisleung@dbs.com

Ma Tieying
Economist - Japan, South Korea, & Taiwan
+65 6878-2408 matieying@dbs.com

Radhika Rao
Economist – Eurozone, India, & Thailand
+65 6878-5282 radhikarao@dbs.com

Irvin Seah
Economist - Singapore, Malaysia, & Vietnam
+65 6878-6727 irvinseah@dbs.com

Samuel Tse
Economist - China & Hong Kong
+852 3668-5694 samueltse@dbs.com

Duncan Tan
FX and Rates Strategist - Asean
+65 6878-2140 duncantan@dbs.com

Philip Wee
FX Strategist - G3 & Asia
+65 6878-4033 philipwee@dbs.com

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