

THE FULLERTON WEEKLY

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China Credit Growth Slows

China records sharp slowdown in lending

China reported surprisingly low credit numbers in July, the lowest since October 2008 during the global financial crisis. The total social financing (TSF) aggregate plummeted to RMB273.1 billion in July, much lower than the previous month's RMB1,970 billion. Likewise, new loans declined sharply to RMB385.2 billion from RMB1,079.3 billion in the previous month. Despite recent moves by the Chinese government to ease credit, the broad money supply indicator M2 also eased to 13.5%, from 14.7% in June.

Unusually, the People's Bank of China (PBOC) published an announcement to reassure investors that loans and TSF growth are still within a reasonable range. It attributed the below-expectation numbers to high monthly volatility, slower credit demand and the effects of regulatory tightening. July new loans have tended to be seasonally lower given strong loan expansion in June. Financial institutions have also turned more cautious on loan extensions given intensified asset quality pressures, while bankers' acceptances have been affected by increased regulation. The decline in non-bank financing activities such as trust financing was attributed to business adjustments by the PBOC, as it seeks to better control risk in light of recent defaults.

The PBOC also pointed out that daily new loans in the first 10 days of August ranged RMB30-50 billion, corresponding to monthly new loans of RMB630bn-1.05 trillion. It added that it has not changed its monetary policy and will maintain steady credit growth in the coming months. In recent months, the Chinese government has stepped up efforts to stabilize economic growth, selectively loosening credit and encouraging banks to extend more loans. However, although manufacturing and export activities have strengthened or remained stable, the cooling property market remains a drag on China's growth.

EQUITIES

	Value	% w/w Change
Dow Jones Ind. Avg	16,662.9	+0.7
S&P 500	1,955.1	+1.2
MSCI Asia Pac	148.0	+2.7
ASX 200 Index	5,566.5	+2.4
Hang Seng Index	24,954.9	+2.6
Ho Chi Minh Stock Index	604.2	-0.2
Jakarta Comp Index	5,149.0	+1.9
KL Comp Index	1,864.3	+1.3
KOSPI Index ¹	2,063.2	+0.4
Karachi 100 Index ²	28,505.6	-3.0
Sensex 30 Index ¹	26,103.2	+2.0
Shanghai SE Comp Index	2,226.7	+1.5
Stock Exch of Thai Index	1,546.6	+1.7
Straits Times Index	3,314.8	+0.8
Taiwan TAIEX Index	9,206.8	+1.3
TOPIX Index	1,270.7	+3.5

BONDS/CURRENCIES

	Value	% w/w Change
US 10YR Treasuries	2.3397	-8bps
EUR - USD	1.3401	-0.1
USD - JPY	102.36	+0.3
GBP - USD	1.6693	-0.5

COMMODITIES

	Value	% w/w Change
Gold (Spot)	1,304.8	-0.5
Crude Oil (WTI)	97.4	-0.3
RJ/CRB Commodity Index	289.9	-0.9

¹ Last trading price for week ended 14 August

² Last trading price for week ended 13 August

Source: Bloomberg (last trading price for week ended 15 August)

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