

# Asia Flash

## Asia

### Though missing expectations, China's PMI points to further expansion

The official manufacturing PMI for September, released yesterday, inched up to 51.1 from 51.0 in August. The outturn missed expectations, which had been inflated after a deceptively strong HSBC flash estimate of 51.2 on September 23, which was subsequently revised down to 50.2. Nevertheless, the official outturn showed an improvement over the previous month, and is in line with our expectation of a pickup in GDP growth in H2. We expect Q3 GDP growth to accelerate to 7.7% y/y from 7.5% y/y in Q2, which would bring full-year growth above the authorities' 7.5% target.

### Indonesia August inflation and trade data help ease financial worries

Lower-than-expected inflation (8.4% vs. consensus: 9.0%) and an unexpected monthly trade surplus (\$0.13 billion vs. consensus: -0.49) provided some welcome relief yesterday for Indonesia's battered financial markets. Along with India, Indonesia has been one of the hardest hit economies from the recent fallout of expected QE tapering. The data may help lift confidence that the authorities' recent measures – which include 125bp of cumulative rate hikes by BI and government measures to curtail the current account deficit – are working in the right direction. Bank Indonesia has also been seeking bilateral swap arrangements with trading partners, most recently with China, as a cushion on reserves. While the stock market has recovered from its recent lows, the currency nevertheless remains under pressure. We expect GDP growth to come in at around 5.5% in 2013, down from our previous forecast of close to 6%.

### Japan announces plans to proceed with consumption tax hike

As expected, Japan's Prime Minister Shinzo Abe yesterday confirmed he will go ahead with a planned 3 percentage point hike in the consumption tax to 8% on April 1. The hike is a crucial element of the authorities' efforts to reduce the high fiscal debt burden (around 230% of GDP as of 2013). We welcome the announcement as an important step toward fiscal consolidation and enhancing the prospects that Abenomics will lead to a sustained improvement in medium-term growth. To offset the tax hike's drag on growth in 2014, Mr. Abe also announced a stimulus package of ¥ 6 trillion. The government is set to raise further tax rate to 10% in October 2015. Japan's economy has been showing renewed signs of life, registering growing by around 4% (annual basis) in H1.

### Korean exports disappoint in September

Korean exports – a bellwether for the region given it is the first monthly export release – slipped yesterday into negative territory on a year-over-year basis (-1.5% y/y vs. consensus: 2.5%) from 7.7% y/y the previous month. Some of the fall may be due to fewer working days compared to the same month a year ago, as the daily export value (\$2.24 billion). Meanwhile, other activity indicators have continued to improve, including September PMI (49.7 vs. 47.5 in August). Separately, it was also reported yesterday that headline inflation declined to 0.8% y/y (consensus: 1.2% y/y vs August: 1.3% y/y), the slowest pace in 14 years. The low inflation outturn provides room for further monetary easing, although with interest rates at 2.50% it looks unlikely that the Bank of Korea will make use of the room (the BoK cut rates by 25bp in May). On current trends, we expect the economy to grow by 2.7% in 2013.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales MoM	01 Oct	Aug	0.10%	0.30%	0.40%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	30 Sep	Sep	50.1	51.2	50.2
Manufacturing PMI	01 Oct	Sep	51.0	51.6	51.1
Non-manufacturing PMI	03 Oct	Sep	53.9	--	--
HSBC/Markit Services PMI	04 Oct	Sep	52.8	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales Volume YoY	03 Oct	Aug	8.90%	9.50%	--
Retail Sales Value YoY	03 Oct	Aug	9.50%	10.10%	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	01 Oct	Aug	-6.20%	5.30%	-6.30%
CPI YoY	01 Oct	Sep	8.79%	9.00%	8.40%
Foreign Reserves	03-07 Oct	Sep	\$93.0B	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Markit/JMMA Manufacturing PMI	30 Sep	Sep	52.2	--	52.5
Industrial Production YoY	30 Sep	Aug P	1.80%	0.50%	-0.20%
Retail Trade YoY	30 Sep	Aug	-0.30%	1.00%	1.10%
Jobless Rate	01 Oct	Aug	3.80%	3.80%	4.10%
Tankan Large All Industry Capex	01 Oct	Sep	5.50%	6.00%	5.10%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	04 Oct	Aug	4.50%	4.70%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	04 Oct	Sep	2.10%	2.40%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	30 Sep	Aug	0.90%	2.10%	3.30%
Industrial Production SA MoM	30 Sep	Aug	-0.30%	0.50%	1.80%
CPI YoY	01 Oct	Sep	1.30%	1.20%	0.80%
Exports YoY	01 Oct	Sep	7.70%	2.50%	-1.50%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	01 Oct	Sep	50.0	--	52.0
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	30 Sep	Aug	-1.30%	--	2.50%
CPI YoY	01 Oct	Sep	1.59%	1.55%	1.42%

## Calendar Events

<b>Australia – RBA Cash Rate Target, Oct 1</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%
<b>Japan – BOJ Target Rate, Oct 4</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	0.10%	0.10%	--

## 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.*	2174.7	0.7	-2.1	-4.2	4.2
	Hong Kong – Hang Seng	22984.5	0.5	-0.8	1.4	10.3
	Taiwan – Weighted	8216.5	0.4	-0.8	6.7	6.4
	Japan – Nikkei 225	14170.5	-2.2	-3.1	36.3	61.3
	Korea – Kospi	1999.5	0.0	0.1	0.1	0.2
	India – Sensex 30 *	19517.2	0.7	-2.0	0.5	3.7
	Australia – SPX/ASX 200	5215.6	0.2	-1.1	12.2	17.7
	Singapore – Strait Times	3152.6	-0.9	-1.7	-0.5	2.4
	Indonesia – Jakarta Comp	4387.6	1.0	-0.4	1.6	3.1
	Thailand – SET	1409.0	0.1	-1.9	1.2	7.9
	Malaysia – KLCI	1770.4	0.1	-0.8	4.8	7.2
	Philippines – Manila Comp.	6362.3	2.7	-0.9	9.5	19.0

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\* close today

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.12	0.01	-0.03	6.15	6.19
	Hong Kong (HKD/USD)	7.75	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.6	0.02	0.11	29.42	29.15
	Japan (JPY/USD)	97.40	0.62	1.06	97.34	97.07
	Korea (KRW/USD)	1074	-0.04	0.30	1081	1093
	India (INR/USD)	62.5	0.24	0.49	63.48	67.92
	Australia (USD/AUD)	0.93	-0.52	-0.20	1.08	1.10
	Singapore (SGD/USD)	1.25	-0.02	0.18	1.25	1.25
	Indonesia (IDR/USD)	11357	0.03	1.15	11722	12457
	Thailand (THB/USD)	31.3	-0.32	-0.19	31.47	31.98
	Malaysia (MYR/USD)	3.23	0.24	-0.19	3.24	3.29
	Philippines (PHP/USD)	43.4	-0.21	0.07	43.22	43.32

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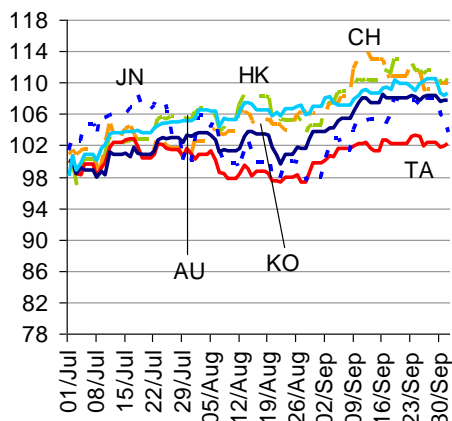
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.20	0.55	0.35	0.46
	Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00
	India (MIBOR/7D)	4.25	-0.92	-0.23	0.42
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	6.07	0.00	0.06	0.28
	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

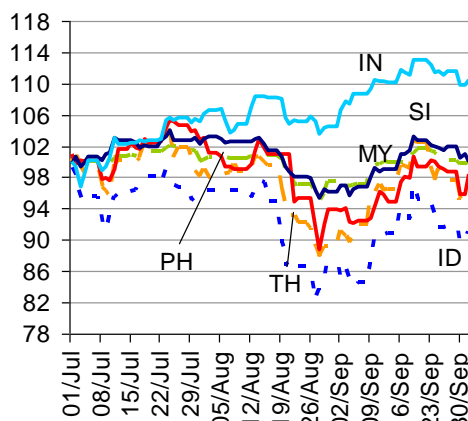
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

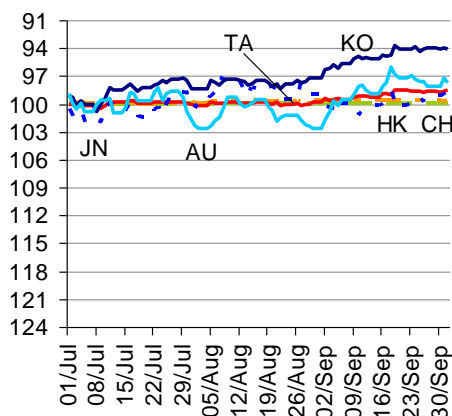
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

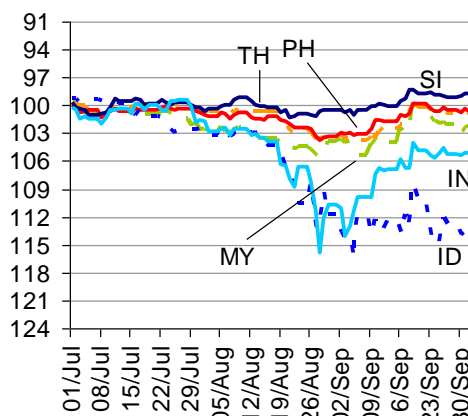
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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