

Daily Flash

Asia

Renewed signs of political stability in Italy following inconclusive national elections served as a reminder of the external risks still facing Asian economies. Following the sharp falls in US markets, Asian markets fell today (Nikkei -2.3%; Hang Seng -1.4%). The yen regained its safe haven characteristics in volatile trading, reaching its strongest levels in almost one month in intra-day trading, before levelling off to around 92 per USD. Here in Hong Kong, we await tomorrow's Q4 GDP release (consensus: 2.4% y/y; BBVA: 2.5% y/y), and the FY2013 budget speech (see below).

Another fiscal surplus in Hong Kong increases pressure for relief measures

Hong Kong's Financial Secretary, John Tsang, will deliver his first budget speech under the new administration of CY Leung that began on July 1, 2012. The government is expected to announce another large surplus (HKD 55bn, or 2.7% of GDP) – the seventh in a row – for the current fiscal year ending in March. The outturn puts pressure on the government to roll over existing relief measures including an income tax rebate, utility tariff subsidies and the offering of inflation-linked bonds. The government may also unveil new measures to assist low-income households. The budget will be finalized after a public consultation period and submitted to the Legal Council for approval in early April.

Strong export orders in Taiwan improve growth prospects

January export orders increased by 18.0% y/y (consensus: 17.6%), up from 8.5% in December.

The outturn points to improving growth momentum. Nevertheless, caution is in order given distortions from the Chinese New Year timing. On a sequential basis, export orders decreased by -3.2% m/m sa. Orders from Europe declined, while demand from ASEAN countries remained resilient, as did orders from China/HK and the US.

Singapore's IP posts a surprise contraction

Industrial production fell by -0.4% y/y in January (consensus: 5.2% y/y) on weak demand for electronics. The outturn follows a -0.6% y/y contraction in December and underscores the challenges facing Singapore's economy as it seeks to rebound from weak GDP growth of 1.3% in 2012. We expect growth to gradually pick up during 2013, but the first half outlook remains subdued.

Briefly noted:

- **In Vietnam, February retail sales increased by 10.9% y/y**, up from 8.1% in January on an improving service sector. Industrial production, however, fell by -10.1% after a rise of 21.1% in January, but it was largely distorted by the timing of the Lunar New Year.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
AiG Performance of Mfg Index	01 Mar	Feb	40.2	--	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Mar	Feb	50.4	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	25 Feb	Jan	14.40%	19.20%	17.60%
GDP (YoY)	27 Feb	4Q	1.30%	2.50%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01 Mar	Feb	4.57%	--	--
Exports (YoY)	01 Mar	Jan	-9.80%	--	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	28 Feb	4Q	5.30%	4.90%	--
February Markit Manufacturing PMI	01 Mar	Feb	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	27 Feb	Jan	0.30%	-1.60%	--
Industrial Production YoY	28 Feb	Jan P	-7.90%	-4.80%	--
Jobless Rate	01 Mar	Jan	4.20%	4.20%	--
Natl CPI YoY	01 Mar	Jan	-0.10%	-0.20%	--
Tokyo CPI YoY	01 Mar	Feb	-0.60%	-0.60%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	28 Feb	4Q	3.00%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	25 Feb	Jan	4.30%	4.00%	3.60%
Industrial Production YoY	26 Feb	Jan	-0.60%	5.20%	-0.40%
Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	28 Feb	Jan	0.80%	5.80%	--
Ext Trade - Export (YoY)	01 Mar	Feb	10.80%	-9.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	26 Feb	Jan	4.21%	4.20%	4.20%
Export Orders (YoY)	26 Feb	Jan	8.50%	17.60%	18.00%
Industrial Production (YoY)	27 Feb	Jan	2.39%	17.57%	--
Commercial Sales (YoY)	27 Feb	Jan	1.74%	7.78%	--
HSBC Manufacturing PMI	01 Mar	Feb	51.5	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	27 Feb	Jan	13.45%	13.20%	--
Consumer Price Index (YoY)	01 Mar	Feb	3.39%	3.30%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	25 Feb	Feb	43.20%	--	23.9%
Retail Sales YTD (YoY)	26 Feb	Feb	8.10%	--	10.90%
Industrial Production Index YoY	26 Feb	Feb	21.10%	--	-10.10%
HSBC Manufacturing PMI	01 Mar	Feb	50.1	--	--

Calendar Events

There are no calendar events scheduled for the week

Indicator of the Week

India: Q4 2012 GDP Growth (February 28)

Forecast: 5.6% y/y	Consensus: 4.9% y/y	Prior: 5.3% y/y
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India's economic growth likely slowed to a decade low in 2012, amidst concerns about the slowing momentum of reforms, high and sticky inflation, and twin deficits on the current and fiscal accounts. Nevertheless, there are signs of optimism given recent trends of moderating inflation, lower interest rates and financial conditions and renewed policy efforts. Against this backdrop, the fourth quarter GDP outturn will be watched for signs of an improving growth outlook. Consumption and investment indicators suggest that the economy is gradually bottoming out although limited fiscal support and a high trade deficit would likely weigh. The latest growth outturn together with the FY14 central government budget to be released on the same day will be key inputs for the RBI at its March 19th policy meeting where we expect another rate cut, following the 25bp cut in January. We expect India's GDP growth to improve from 5.4% y/y for full year 2012 to 6.5% y/y in 2013.

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.	2293.3	-1.4	-3.8	1.1	-6.0
	Hong Kong - Hang Seng	22519.7	-1.3	-2.7	-0.6	5.2
	Taiwan - Weighted	7880.9	-0.8	-1.0	2.4	-1.0
	Japan - Nikkei 225	11398.8	-2.3	0.2	9.7	18.2
	Korea - Kospi	2000.0	-0.5	0.7	0.1	-1.0
	India - Sensex 30	19087.6	-1.3	-2.8	-1.7	6.5
	Australia - SPX/ASX 200	5003.6	-1.0	-1.5	7.6	16.2
	Singapore - Strait Times	3258.0	-0.9	-1.1	2.9	9.4
	Indonesia - Jakarta Comp	4663.0	-0.7	1.3	8.0	19.7
	Thailand - SET	1528.0	-0.8	0.3	9.8	33.3
	Malaysia - KLCI	1624.2	-0.2	0.6	-3.8	4.2
	Philippines - Manila Comp.	6630.7	-1.3	0.2	14.1	35.5

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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)	6.23	0.06	0.24	6.30	6.33
	Hong Kong (HKD/USD)	7.76	-0.02	-0.05	7.75	7.75
	Taiwan (TWD/USD)	29.7	-0.10	-0.25	29.62	29.29
	Japan (JPY/USD)	91.94	-0.13	1.77	91.88	91.56
	Korea (KRW/USD)	1088	-0.15	-0.64	1096	1109
	India (INR/USD)	54.1	-0.50	0.09	55.14	57.59
	Australia (USD/AUD)	1.03	0.00	-0.95	0.98	1.00
	Singapore (SGD/USD)	1.24	0.04	-0.23	1.24	1.24
	Indonesia (IDR/USD)	9707	-0.04	0.02	9789	10136
	Thailand (THB/USD)	29.9	-0.07	0.07	29.99	30.33
	Malaysia (MYR/USD)	3.10	-0.16	-0.11	3.12	3.16
	Philippines (PHP/USD)	40.8	-0.18	-0.31	40.68	40.58

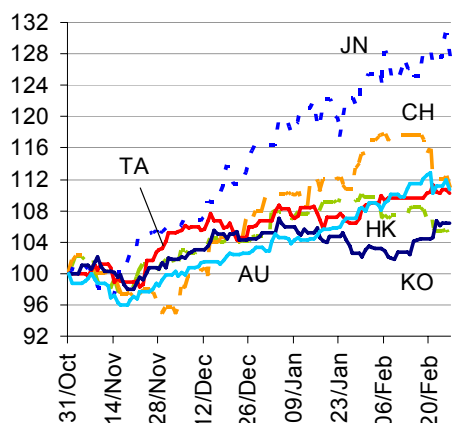
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.00	0.67	1.00	1.00
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.76	0.00	-0.01	-0.02
	India (MIBOR/7D)	3.83	0.73	0.86	1.13
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.00	-0.02
	Thailand (BIBOR/1W)	2.77	0.00	0.00	-0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.63	0.31	0.50	0.31

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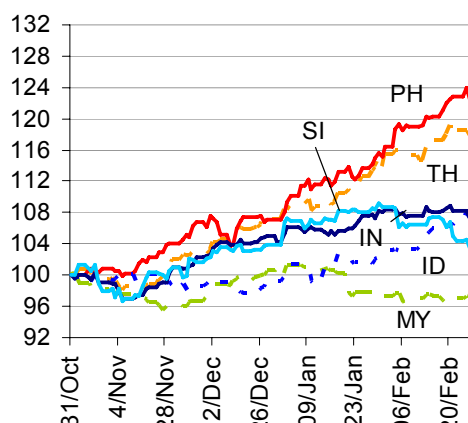
Charts

Chart 1
Stock Markets



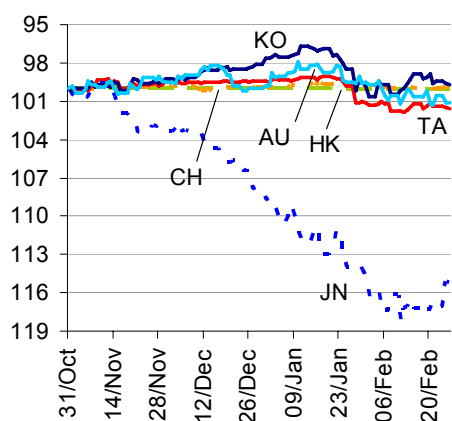
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



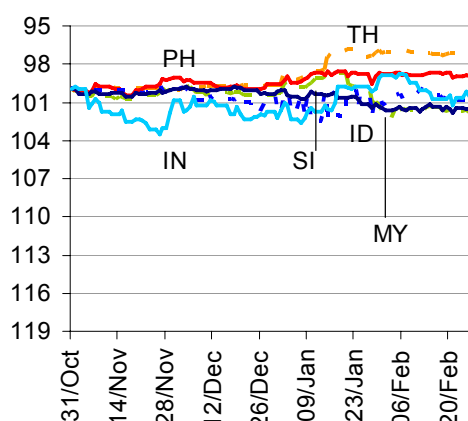
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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