

Daily Flash

Asia

Asian equities regained momentum today after Ben Bernanke's remarks from yesterday eased concerns of an early end to the Fed's bond-buying program, and better-than-expected US data on consumer confidence and home sales was released. Japan's Nikkei, however, fell by -1.3% on the yen's strength (+0.3%, to 91.7/USD). Looking ahead, the focus tomorrow will be on India's 4Q GDP (see our Weekly Indicator below), along with January IP outturns from Japan and Korea.

Hong Kong's GDP picks up in the fourth quarter; annual budget released

Hong Kong's Q4 GDP grew by 2.5% y/y, an outturn that was in line with expectations (BBVA: 2.5% y/y; consensus: 2.4% y/y) and an increase from 1.4% y/y the previous quarter. For 2012, however, GDP growth moderated to 1.4%, down from 4.9% in 2011. Despite weak growth, the government still garnered a fiscal surplus of HKD 65bn for the year, comparable to last year's (HKD 67 bn). Meanwhile, financial secretary John Tsang delivered the budget today, and suggested that (despite subdued growth) Hong Kong's surplus should be used in a disciplined way, before announcing HKD 33bn worth of relief measures to boost the economy - down sharply from HKD 80bn last year. The relief measures include an income tax rebate and utility tariff subsidies. He also stated that Hong Kong will likely post GDP growth of between 1.5-3.5% in 2013.

India's Economic Survey hints at improving prospects

Ahead of the unveiling of India's new Union Budget, the Indian government released its Economic Survey for FY13 (year ending March) today, which outlined a pickup in the country's growth outlook, a benign inflation trajectory, and also highlighted the need for further policy reforms to support investment. The Economic Survey is a key annual document from the government, which reviews past economic performance, highlights policy initiatives and charts medium term prospects for the economy. The survey expects annual GDP growth to range between 6.1% - 6.7% in FY14, up from an estimated 5.0% in FY13, while WPI inflation is expected to average between 6.2%-6.7% y/y. The survey expressed concerns over India's widening deficits in the current and fiscal account, and called for widening the tax base and prioritizing expenditures as key ingredients for a credible, medium-term fiscal consolidation plan.

Japan's weak retail sales underscore ongoing domestic travails

Retail sales in Japan declined in January by -1.1% y/y (prior: 0.3%, consensus: -1.5%), indicating that domestic demand remains weak despite an improving external sector. In other news, the expected nominee to be the next Bank of Japan governor, Haruhiko Kuroda, has been supported by the opposition party, as the deputy secretary-general of the DPJ said today Kuroda "is all-in-all a very capable candidate." Kuroda is believed to have a policy view consistent with PM Shinzo Abe, who advocates greater stimulus to support Japan's economy.

Briefly noted:

- **Taiwan's industrial production increased in January by 19.2% y/y** (consensus: 16.8%), up from 2.0% in December on a pickup in manufacturing - the seventh consecutive month that IP has increased.
- **Thailand's exports in January rose by a more-than-expected 16.1% y/y** (consensus: 13.4%), up from December's 13.5% increase, due to a stronger external demand for agricultural products.

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	1.40%	2.40%	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%	-1.50%	-1.10%
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	2.05%	16.80%	19.17%
Commercial Sales (YoY)	27 Feb	Jan	1.49%	7.78%	7.71%
HSBC Manufacturing PMI	01 Mar	Feb	51.5	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	27 Feb	Jan	13.45%	13.40%	16.09%
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.	2313.2	0.9	-3.5	1.9	-5.5
	Hong Kong - Hang Seng	22577.0	0.3	-3.1	-0.4	6.4
	Taiwan - Weighted	7898.0	0.2	-1.6	2.6	-0.8
	Japan - Nikkei 225	11254.0	-1.3	-1.9	8.3	16.8
	Korea - Kospi	2004.0	0.2	-1.0	0.4	0.6
	India - Sensex 30	19200.3	1.0	-2.3	-1.2	10.1
	Australia - SPX/ASX 200	5036.6	0.7	-1.2	8.3	18.0
	Singapore - Strait Times	3263.5	0.3	-1.4	3.0	10.7
	Indonesia - Jakarta Comp	4716.4	1.1	1.8	9.3	22.2
	Thailand - SET	1529.7	0.0	-0.2	9.9	34.8
	Malaysia - KLCI	1624.1	0.0	0.7	-3.8	4.2
	Philippines - Manila Comp.	6616.3	-0.2	-0.5	13.8	37.9

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.23	0.04	0.18	6.29	6.32
	Hong Kong (HKD/USD)	7.76	0.01	-0.05	7.75	7.75
	Taiwan (TWD/USD)	29.7	0.10	-0.37	29.58	29.26
	Japan (JPY/USD)	91.71	0.29	2.03	91.65	91.32
	Korea (KRW/USD)	1084	0.32	-0.57	1093	1105
	India (INR/USD)	53.7	0.75	0.70	54.65	57.15
	Australia (USD/AUD)	1.02	-0.32	-0.59	0.99	1.01
	Singapore (SGD/USD)	1.24	-0.06	-0.02	1.24	1.24
	Indonesia (IDR/USD)	9680	0.28	0.04	9748	10095
	Thailand (THB/USD)	29.8	0.00	0.10	29.96	30.30
	Malaysia (MYR/USD)	3.10	0.07	-0.13	3.12	3.16
	Philippines (PHP/USD)	40.7	0.04	-0.29	40.68	40.58

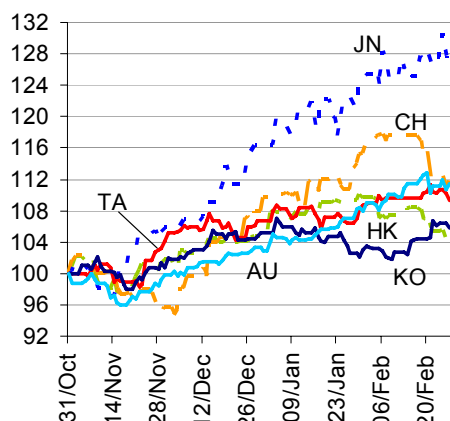
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.60	0.60	1.50	1.60
	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)	4.22	0.39	0.77	1.52
	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)	1.69	0.06	0.38	0.38

Last update: today, 17:00 Hong Kong time

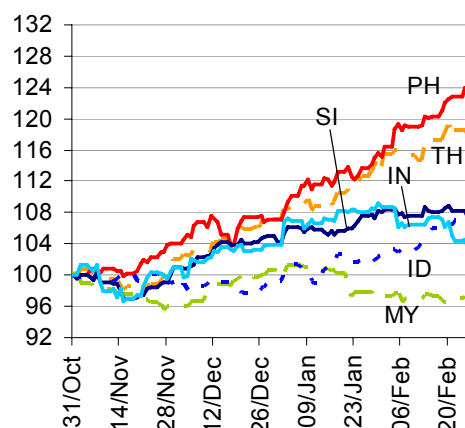
Charts

Chart 1
Stock Markets



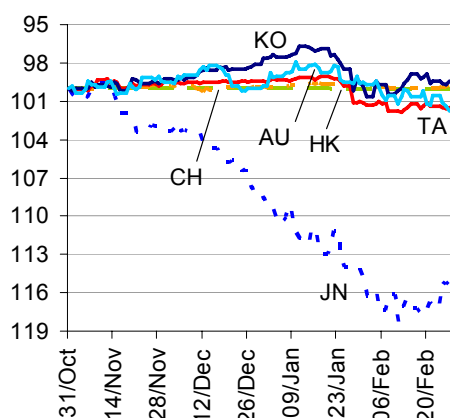
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



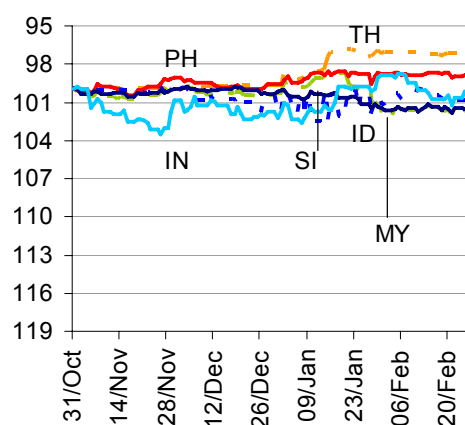
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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