

Daily Flash

Asia

Asian shares were mixed today, as investors eyed risks from the US spending cuts due to take effect. The Shanghai Composite and Hang Seng slid by -0.3% and -0.6% respectively following the decline in China's manufacturing PMI data that was reported today (see below). The focus for next week will be on China's February exports (see Weekly Indicator below), Australia's Q4 GDP as well as policy meetings held in Australia, Indonesia, Japan and Malaysia.

India's Q4 GDP slows on limited fiscal support, leaves room for policy easing

India's real GDP growth slowed sharply in 4Q12 to 4.5% y/y (BBVA: 5.6%, Consensus: 4.9%), down from 5.3% in Q3 and its lowest growth since March 2009, as decelerating services growth and weak agriculture offset a pickup in industrial activity. The Q4 outturn brings India's full year GDP growth to a decade-low 5.2% y/y (BBVA: 5.4%) in 2012. Looking ahead, although sequential consumption and investment indicators suggest a gradual recovery, waning fiscal support and a high trade deficit present downside risks to our 2013 growth projection of 6.5% y/y. For further details, please see our just-released *India Flash*.

China's PMI falls, but remains above the expansionary threshold

China's official NBS manufacturing PMI in February came in lower-than-expected, at 50.1 (consensus and BBVA forecast: 50.5) from 50.4 in January. The PMI series has been distorted by the Chinese New Year in January and February, and we have been cautious about the interpretation of the data. Nevertheless, the fifth consecutive outturn above 50 shows an ongoing, gradual recovery in China, in line with our baseline of 8.0% growth in 2013 (compared to 7.8% in 2012).

Taiwan PMI falls, but remains in expansionary territory

Taiwan's February Markit Manufacturing PMI fell to 50.2 after reaching its fastest pace (51.5) since March 2012 in January. Key sub-components, including production and new orders, all eased from their previous readings; however new export orders increased slightly. The key takeaway is that headline PMI managed to remain above the 50 expansion threshold for a third straight month, despite seasonal influences (Lunar New Year).

Korea's exports decline, highlight a rather subdued economy

South Korea reported its February exports outturn today, the first of the high frequency outturns in the region. Exports fell by -8.6% y/y (consensus: -9.2% y/y) on a stronger won and the effects of less working days in the month due to the Lunar New Year. We expect Korea's economy will gradually improve year on a pickup in the global environment, though a strong won may present headwinds.

Japan inflation: still far from the target

In Japan, inflation fell by -0.3% y/y in January (prior: -0.1%, consensus: -0.2%), revealing the ongoing challenge for the central bank to reach its 2% inflation target. Separate data today showed the job market improved slightly, as the unemployment rate moved lower, to 4.2% (prior: 4.3%, consensus: 4.2%).

Indonesia reports higher inflation; price pressures to become a concern?

Indonesia reported that inflation for February was 5.3% y/y (consensus: 4.8% y/y), a somewhat expected increase that was due to higher food prices and power tariffs. Indonesia will need to focus closely on inflation, as it is expected to remain somewhat high over the next few months, constraining the central bank from announcing further rate cuts to support the economy. We expect inflation to average 5.1% in 2013, and do not expect the central bank to lower rates.

Briefly noted:

- **Thailand's CPI in February edged down to 3.2% y/y** (consensus: 3.3%) from 3.4% in January, supported by a stronger baht (+0.3% in February) and the government's policies to control energy prices.
- **The annual meeting of the Communist Party of China, which took place from Feb 26th to Feb 28th, ended yesterday.** A list of candidates for state leadership positions and a government restructuring plan have been adopted, and will be handed over to parliament's meetings (scheduled opening dates: 12th CPPCC National Committee- March 3rd; 12th National People's Congress- March 5th) for approval.

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

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	--	45.6
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Mar	Feb	50.4	50.5	50.1
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%	4.81%	5.31%
Exports (YoY)	01 Mar	Jan	-9.90%	-1.20%	-1.20%
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	28 Feb	4Q	5.30%	4.90%	4.50%
HSBC-Markit Manufacturing PMI	01 Mar	Feb	53.2	--	54.2
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%	-4.90%	-5.10%
Jobless Rate	01 Mar	Jan	4.30%	4.20%	4.20%
Natl CPI YoY	01 Mar	Jan	-0.10%	-0.20%	-0.30%
Tokyo CPI YoY	01 Mar	Feb	-0.50%	-0.60%	-0.90%
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	28 Feb	4Q	3.00%	--	3.10%
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	-0.50%	5.00%	7.30%
Ext Trade - Export (YoY)	01 Mar	Feb	10.90%	-9.20%	-8.60%
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	--	50.2
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%	3.23%
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	--	48.3

Calendar Events

There are no calendar events scheduled for the week

Indicator of the Week

China: February Exports (March 8th)

Forecast: 14.5% y/y	Consensus: 7.10% y/y	Prior: 25.0% y/y
---------------------	----------------------	------------------

Year-over-year export growth is expected to fall sharply in February due to distortions from the timing of the Chinese New Year, which resulted in fewer working days for the month of February compared to last year (and vice versa for January). Given the distortions, a more meaningful gauge of export growth will be the average for January and February combined, which we expect to reach 20.0% y/y, on improving external demand from the US and other Asian economies (especially ASEAN), and also favorable base effects. An outturn in line with our forecast would point to an improving external environment and could boost confidence in the outlook for China's continued growth momentum. Nevertheless, Europe and Japan are likely to remain drags on the export environment in the coming months, and we remain cautious about the overall growth outlook for 2013, with a forecast of 8%. We expect total export growth of 10% (in US dollar terms), up from 8% in 2012.

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05 Mar	Jan	-0.20%	0.40%	--
Gross Domestic Product (YoY)	06 Mar	4Q	3.10%	3.00%	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03 Mar	Feb	56.2	--	--
Exports YoY%	08 Mar	Feb	25.00%	7.10%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	04 Mar	Jan	8.80%	8.60%	--
Purchasing Managers Index	05 Mar	Feb	52.5	--	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	08 Mar	4Q F	-0.40%	--	--
Current Account Total	08 Mar	Jan	-¥264.1B	-¥626.0B	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Mar	Feb	3.00%	3.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Mar	Feb	50.2	--	--
Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04 Mar	Feb	1.50%	1.60%	--
HSBC Manufacturing PMI	04 Mar	Feb	49.9	49.4	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Mar	Feb	1.15%	2.70%	--
Total Exports (YoY)	07 Mar	Feb	21.80%	-8.10%	--

Upcoming Calendar Events

Australia - RBA Cash Target, Mar 5 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New --
Indonesia - Bank Indonesia Reference Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 5.75%	Cons. --	New --
Japan - BOJ Target Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 0.10%	Cons. 0.10%	New --
Malaysia - Overnight Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New --

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.	2359.5	-0.3	2.0	4.0	-2.7
	Hong Kong - Hang Seng	22880.2	-0.6	0.4	1.0	7.0
	Taiwan - Weighted	7964.6	0.8	0.2	3.4	-1.9
	Japan - Nikkei 225	11606.4	0.4	1.9	11.7	19.6
	Korea - Kospi	2026.5	1.1	0.6	1.5	-0.2
	India - Sensex 30	18932.3	0.4	-2.0	-2.5	7.7
	Australia - SPX/ASX 200	5086.1	-0.4	1.4	9.4	19.5
	Singapore - Strait Times	3269.5	0.0	-0.6	3.2	9.8
	Indonesia - Jakarta Comp	4811.6	0.3	3.5	11.5	21.4
	Thailand - SET	1539.5	-0.1	0.7	10.6	32.1
	Malaysia - KLCI	1637.4	0.0	0.9	-3.0	4.1
	Philippines - Manila Comp.	6642.3	-1.2	-0.3	14.3	34.5

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)	6.22	-0.02	0.26	6.29	6.32
	Hong Kong (HKD/USD)	7.76	0.00	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.6	0.01	-0.06	29.57	29.25
	Japan (JPY/USD)	92.76	-0.22	0.71	92.70	92.37
	Korea (KRW/USD)	1085	-0.15	0.01	1093	1104
	India (INR/USD)	54.8	-0.87	-1.19	55.86	58.37
	Australia (USD/AUD)	1.02	-0.06	-1.08	0.99	1.00
	Singapore (SGD/USD)	1.24	-0.02	-0.10	1.24	1.24
	Indonesia (IDR/USD)	9682	-0.13	0.26	9763	10102
	Thailand (THB/USD)	29.8	0.00	0.17	29.91	30.24
	Malaysia (MYR/USD)	3.10	-0.20	0.16	3.11	3.16
	Philippines (PHP/USD)	40.7	-0.06	0.08	40.63	40.53

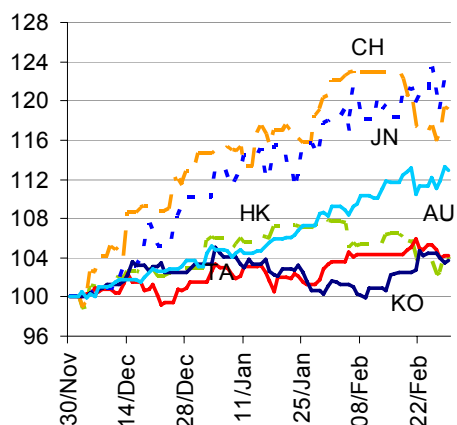
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.50	0.20	1.40	1.10
	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)	4.50	-1.60	1.40	1.17
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.01	-0.01
	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)	1.19	0.13	-0.06	-0.50

Last update: today, 17:00 Hong Kong time

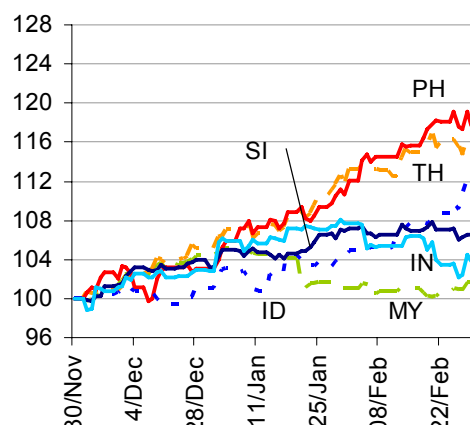
Charts

Chart 1
Stock Markets



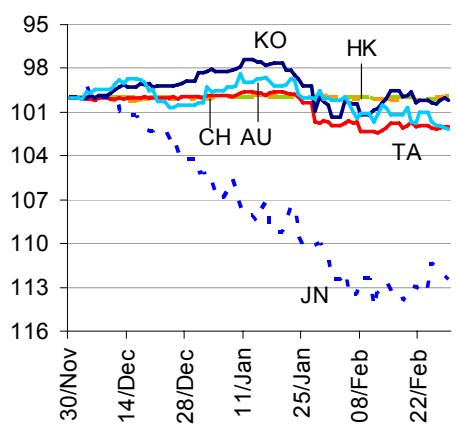
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



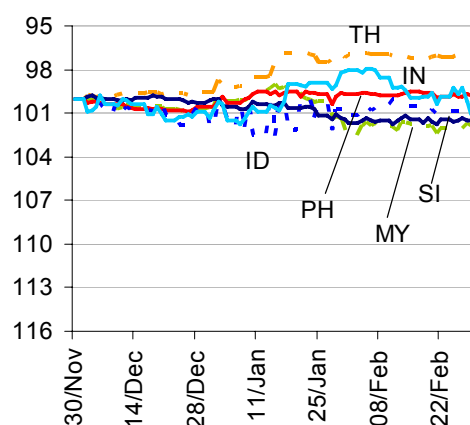
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Weiwei Liu
Economist
carrie.liu@bbva.com

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

Edward Wu
Economist
edward.wu@bbva.com

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk



RESEARCH



10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.