

Daily Flash

Asia

The release of official 2013 macro targets in China were largely in line with expectations (see below), including for GDP growth of 7.5%, and helped reverse market sentiment after yesterday's sharp equity declines. The Shanghai Composite was up by +2.3%, reversing part of yesterday's property-induced sell-off, followed by India (+1.4%), and Australia (+1.3%) – where the RBA kept interest rates on hold, as expected (see below).

China's 2013 macro targets set in line with expectations

The first day of the National People's Congress (which concludes on March 17) brought the release of official 2013 macro targets. Among the highlights are GDP growth (7.5%), average inflation (3.5%), M2 growth (13.0%), and the fiscal deficit (2.0% of GDP). The targets are broadly in line with expectations, as described in our recent quarterly [China Outlook](#). Taken together, the targets signal the new leadership's intention to maintain policy continuity with respect to a mix of "proactive fiscal policy and prudential monetary policy". As expected, the longer-term sections of the report underscored the government's emphasis on the quality of growth, urbanization, and economic rebalancing through a deepening of reforms. For further details, see our [China Flash](#).

The Reserve Bank of Australia leaves rates unchanged at 3.0%

As expected, the RBA kept its policy rate unchanged at 3.0%, citing an improving global economy and signs of favorable impacts on growth from the substantial monetary easing over the past year, when rates were cut by a cumulative 175bps between November 2011 and December 2012. In its statement, the RBA repeated its views from last month regarding improving global prospects and the outlook for domestic inflation being consistent with the medium-term target of 2-3%. It left the door open for further rates cuts, "should that be necessary to support demand." Nevertheless, under our current baseline we do not expect further rate cuts from the RBA during the remainder of the year. The AUD/USD rose slightly following the RBA's announcement back to above 1.02.

India sees more weakness as service sector PMI declines

The service sector expanded at a slower pace in February, with the HSBC service sector PMI falling to 54.2 from 57.5 in January, driven by a decline in new business flows (55.4 vs 58.3 in January). Weakening services sector activity more than offset a pick up in manufacturing PMI for February (54.2 vs 53.2), as released last week. Indian equity shares were up today, as the weak macro-backdrop bolsters expectations of a 25bps repo rate cut by the RBI at its next meeting on March 19, following January's 25bp cut. We expect easier monetary policy coupled with continued policy efforts in order to support a gradual recovery in economic growth, following the announcement last Thursday that Q4 GDP had fallen to a decade-low of 4.5%.

Briefly noted:

- **Philippines inflation rose to a six-month high of 3.4% y/y** (consensus: 3.3% y/y) in February, up from 3.0% y/y in January. The outturn shows rising price pressures on the back of the Philippines' robust growth, led by domestic demand.
- **Taiwan's inflation also rose to 3.0% in February** (consensus: 2.8%) from 1.1% in January, reflecting distortions from the timing of the CNY holidays. Taking a look at the first two months together, headline inflation picked up by 2.1% y/y, mainly driven by food prices.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05 Mar	Jan	-0.40%	0.40%	0.90%
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	--	54.5
Exports YoY%	08 Mar	Feb	25.00%	7.60%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	04 Mar	Jan	9.10%	9.80%	10.50%
Purchasing Managers Index	05 Mar	Feb	52.5	--	51.2
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	08 Mar	4Q F	-0.40%	0.20%	--
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%	3.40%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Mar	Feb	50.2	50.3	49.4
Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04 Mar	Feb	1.50%	1.60%	1.40%
HSBC Manufacturing PMI	04 Mar	Feb	49.9	49.4	50.9
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Mar	Feb	1.13%	2.80%	2.97%
Total Exports (YoY)	07 Mar	Feb	21.80%	-8.10%	--

Calendar Events

Australia - RBA Cash Target, Mar 5 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New 3.00%
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 --

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.

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.	2326.3	2.3	1.4	2.5	-4.9
Hong Kong - Hang Seng	22560.5	0.1	0.2	-0.4	6.1	
Taiwan - Weighted	7932.7	0.8	-0.2	3.0	-0.9	
Japan - Nikkei 225	11683.5	0.3	2.5	12.4	20.5	
Korea - Kospi	2016.6	0.2	0.4	1.0	0.0	
India - Sensex 30	19136.5	1.4	0.6	-1.5	10.2	
Australia - SPX/ASX 200	5075.4	1.3	1.4	9.2	19.1	
Singapore - Strait Times	3248.3	0.3	-0.2	2.6	8.6	
Indonesia - Jakarta Comp	4751.7	-0.2	1.9	10.1	19.2	
Thailand - SET	1549.3	0.6	1.2	11.3	33.8	
Malaysia - KLCI	1642.1	0.4	1.1	-2.8	3.3	
Philippines - Manila Comp.	6711.7	1.1	1.2	15.5	33.4	

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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)	6.22	0.06	0.14	6.29	6.32
Hong Kong (HKD/USD)	7.76	-0.01	0.03	7.75	7.75	
Taiwan (TWD/USD)	29.7	0.13	0.00	29.61	29.29	
Japan (JPY/USD)	93.08	0.43	-1.18	93.02	92.69	
Korea (KRW/USD)	1087	0.57	0.09	1092	1105	
India (INR/USD)	54.7	0.33	-1.08	55.74	58.24	
Australia (USD/AUD)	1.02	0.40	0.08	0.98	1.00	
Singapore (SGD/USD)	1.25	-0.02	-0.56	1.25	1.25	
Indonesia (IDR/USD)	9696	0.19	0.11	9784	10141	
Thailand (THB/USD)	29.8	0.10	0.10	29.93	30.26	
Malaysia (MYR/USD)	3.10	0.20	0.06	3.12	3.16	
Philippines (PHP/USD)	40.7	0.20	0.09	40.70	40.62	

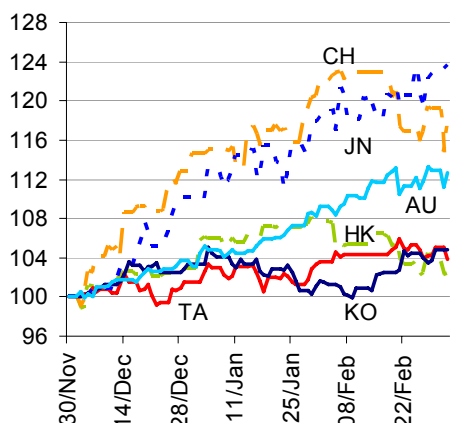
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.20	-1.15	-1.10	-0.80
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.02	
India (MIBOR/7D)	3.15	-1.46	-0.68	-0.85	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	-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)	1.31	0.00	-0.31	0.31	

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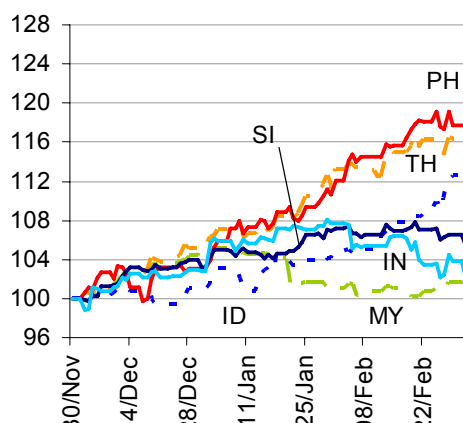
Charts

Chart 1
Stock Markets



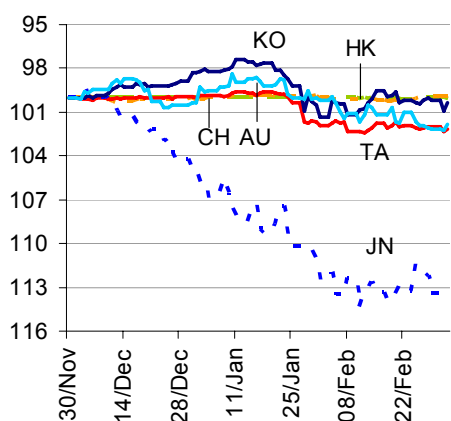
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



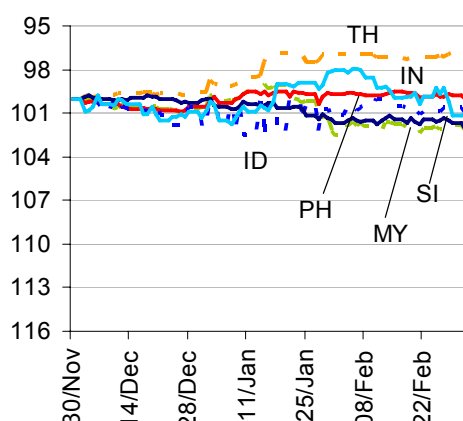
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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