

Asia Flash

Asia

Disappointing Q1 GDP and March activity indicators in China (see [China Flash](#) and below) sent regional financial markets sharply lower today. The outturns raise fresh questions about the strength of China's economic pickup, causing a number of analysts to lower their growth estimates for 2013 (for our part, we are maintaining our 8.0% projection). The decline in Asian equity markets was led by the Nikkei (-1.6%), Hang Seng Index (-1.3%) and Shanghai Composite (-1.1%). The commodity-sensitive Australian dollar weakened on the announcement, depreciating to 1.04/USD, a decline of 1.0% for the day. Meanwhile, the yen's depreciation reversed course, gaining 0.3% against the USD to around 98 per USD on safe haven effects.

China Q1 GDP and March activity indicators disappoint

First quarter GDP growth came in at a weaker-than-expected 7.7% y/y (consensus: 8.0% y/y; BBVA: 8.2%), down from 7.9% y/y in Q4 2012 on weak investment (see [China Flash](#) for details). We attribute the weak Q1 GDP outturn to policy uncertainty that may have dampened investment, along with sluggish domestic demand momentum. In addition, a set of monthly activity indicators for March released today were also below expectations, including industrial production (8.9% y/y vs. consensus: 10.1%) and fixed asset investment (20.9% y/y, ytd vs. consensus: 21.3%), while retail sales growth was in line with expectations (12.6% y/y vs. consensus: 12.6%) and credit growth, released last week, exceeded expectations. Although downside risks have risen, on balance we believe our 8.0% GDP projection for 2013 remains achievable, given strong credit growth and still-low inflation (2.1% y/y in March). The latter should provide room for policies to remain stimulative as the authorities balance support for the economy against risks of domestic financial fragilities.

India March inflation drops to 3-year low, lifting expectations of policy easing

India's wholesale price inflation (WPI) fell sharply to 6.0% y/y (consensus: 6.4%) from 6.8% in February, its lowest since November 2009 amid a broad-based let up in price pressures. Core inflation eased for the seventh successive month to 3.4% y/y from 3.8% previously, signaling continued weak pricing power. The latest inflation outturn coupled with recent disappointing activity indicators, supports the case for another 25 bps cut in the repo rate by the Reserve Bank of India at its next policy meeting on May 3 following similar cuts in its last two policy meetings.

Despite disappointing Q1 GDP, Singapore keeps monetary policy on hold

Singapore's preliminary first quarter GDP was released last Friday, surprising to the downside at -1.4% saar (consensus: +1.7%) after growing by +3.3% in 4Q 2012. Despite the weak outturn (which is subject to revision), the Monetary Authority of Singapore (MAS), which uses an exchange rate based monetary framework, decided to, "maintain the modest and gradual appreciation path of the S\$NEER policy band, with no change to its slope, width, and the level at which it was centred." The MAS said it expects growth to improve through the rest of 2013 on a gradual recovery of external demand, and "tightness in the labour market" that could add to inflationary pressures (4.9% y/y in February).

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	15 Apr	Mar	--	10.10%	8.90%
Fixed Assets Inv Excl. Rural YTD YoY	15 Apr	Mar	21.20%	21.30%	20.90%
Retail Sales YTD YoY	15 Apr	Mar	12.50%	12.30%	12.40%
Real GDP (YoY)	15 Apr	1Q	7.90%	8.00%	7.70%
China Property Prices	18 Apr	Mar	--	--	--
Actual FDI (YoY)	15-18 APR	Mar	6.30%	1.90%	--
Hong Hong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18 Apr	Mar	3.40%	3.40%	--
Composite Interest Rate	18 Apr	Mar	0.25%	--	--
India	Date	Period	Prior	Cons.	Actual
Wholesale Prices YoY%	15 Apr	Mar	6.84%	6.27%	5.96%
Exports YoY%	15-18 APR	Mar	4.20%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	15 Apr	Feb F	-0.10%	--	0.60%
Merchnds Trade Exports YoY	18 Apr	Mar	-2.9	0.2	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	17 Apr	Mar	1.50%	1.60%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15 Apr	Feb	8.00%	7.40%	6.00%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Apr	Feb	-2.00%	-3.50%	-2.70%
Non-oil Domestic Exports (YoY)	17 Apr	Mar	-30.60%	-5.20%	--

Calendar Events

There are no calendar events scheduled for this week.

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.	2181.9	-1.1	-1.3	-3.8	-7.5
	Hong Kong - Hang Seng	21772.7	-1.4	0.3	-3.9	5.2
	Taiwan - Weighted	7763.5	-0.7	0.1	0.8	-0.3
	Japan - Nikkei 225	13275.7	-1.6	0.6	27.7	37.7
	Korea - Kospi	1920.5	-0.2	-2.0	-3.8	-4.4
	India - Sensex 30	18357.8	0.6	-0.4	-5.5	7.4
	Australia - SPX/ASX 200	4967.9	-0.9	1.3	6.9	14.9
	Singapore - Strait Times	3284.4	-0.3	0.0	3.7	9.9
	Indonesia - Jakarta Comp	4894.6	-0.9	-0.1	13.4	17.7
	Thailand - SET	1527.3	0.7	-0.1	9.7	30.6
	Malaysia - KLCI	1697.8	0.0	0.6	0.5	5.9
	Philippines - Manila Comp.	6837.8	-0.8	1.6	17.6	34.1

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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)	6.19	0.08	0.27	6.25	6.26
	Hong Kong (HKD/USD)	7.76	-0.01	0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.26	0.44	29.81	29.53
	Japan (JPY/USD)	97.87	0.51	1.52	97.81	97.50
	Korea (KRW/USD)	1120	0.80	1.76	1123	1134
	India (INR/USD)	54.6	-0.21	-0.11	55.53	58.09
	Australia (USD/AUD)	1.04	-1.06	-0.15	0.97	0.99
	Singapore (SGD/USD)	1.24	-0.07	0.36	1.24	1.24
	Indonesia (IDR/USD)	9714	0.00	0.38	9790	10159
	Thailand (THB/USD)	29.1	-0.10	0.52	29.20	29.55
	Malaysia (MYR/USD)	3.04	-0.04	0.58	3.06	3.10
	Philippines (PHP/USD)	41.3	0.15	0.12	41.16	41.09

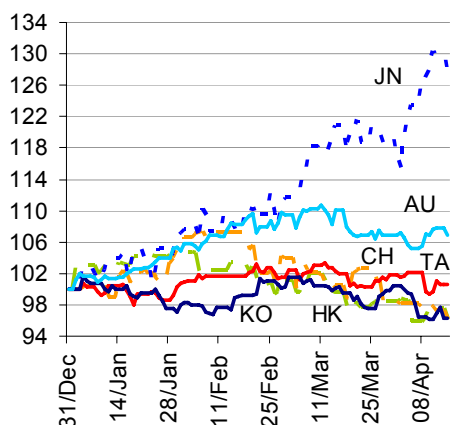
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	-0.22	-0.40
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.55	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.74	0.00	0.00	-0.02
	India (MIBOR/7D)	2.97	0.72	-0.13	-0.40
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.00
	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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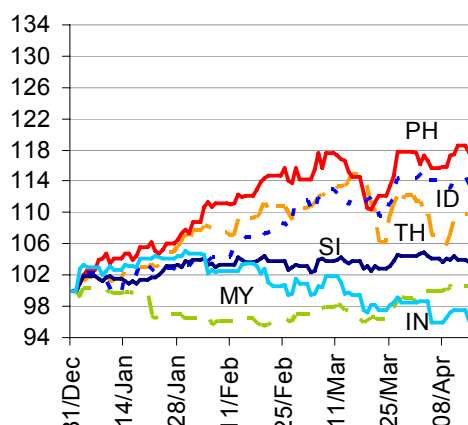
Charts

Chart 1
Stock Markets



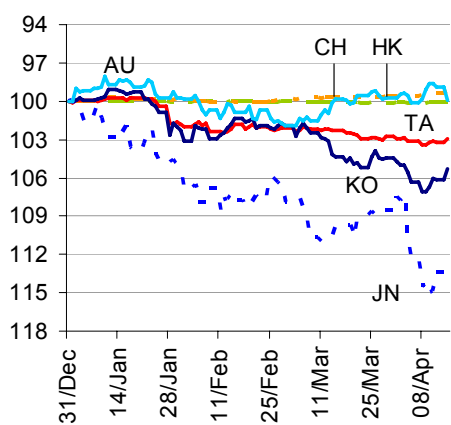
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



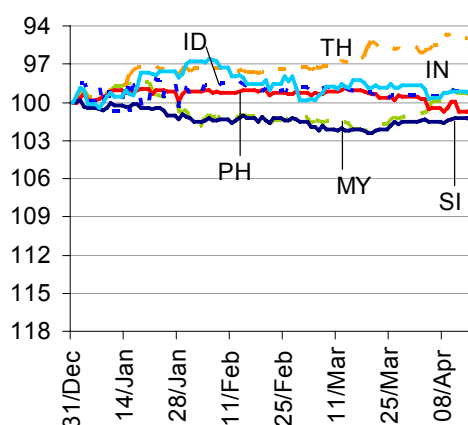
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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