

Asia Flash

Asia

Another disappointing activity indicator in China - today's Flash HSBC PMI (below) - sent Asian markets downward, led by the Shanghai (-2.6%), the Philippines (-1.9%) and Hong Kong (-1.1%). The commodity-sensitive Australian dollar also fell to around 1.025 against the USD, and has depreciated by about 2.5% since the release of China's disappointing Q1 GDP outturn on April 15.

China HSBC Flash PMI adds to concern over growth momentum

The Flash PMI estimate fell by more-than-expected in April to 50.5 (consensus: 51.5) from 51.6 in March (the Flash estimate covers 85-90% of the total sample). The export order index was especially disappointing, declining to 48.6 from 50.5 in March. Although still above the 50-expansion threshold, coming after a disappointing Q1 GDP outturn (7.7% y/y) (see [China Flash](#)) today's estimate adds to pessimism about China's growth momentum amidst rising domestic financial fragilities that could constrain the authorities' willingness to implement further stimulus. Nevertheless, we expect growth to improve over the coming quarters in line with our full-year 8.0% GDP growth projection for 2013 as policies remain supportive and as the external environment gradually picks up. In the meantime, we await the release of the official NBS PMI on May 1 (BBVA: 50.5; prior 50.9), which covers a larger sample size of larger and more domestically-oriented firms.

Residents of Southwestern China still struggling in earthquake aftermath

Ya'an city, in the south-western Sichuan province, was hit by a strong 7.0 magnitude earthquake on April 20, taking the lives of 193 people and injuring more than 10,000. Rescue operations continue. As tragic as the earthquake is in terms of human suffering, the impact on China's nationwide economy will be very limited given the remoteness of the affected region (accounting for 0.07% of China's GDP). The region was hit by an even stronger earthquake in 2008.

India economic advisory committee pegs GDP growth at 6.4% y/y

In its annual review document on the Indian economy, the prime minister's economic advisory body has estimated India's GDP growth to pick up to 6.4% y/y in FY14 (year ending March 2014) (BBVA: 6.1% y/y) from a decade low of 5.0% in FY13. Inflation is expected to remain at around 6.0% y/y, and the current account and fiscal deficit are expected to ease. Importantly, the committee's benign outlook is based on expectations of further policy reforms to revive the investment climate.

Taiwan industrial output and export orders disappoint in March

Industrial production fell by -3.28% y/y (consensus: +1.8% y/y) on weak manufacturing, especially in the machinery and automobiles & auto parts sectors. On a sequential basis after seasonal adjustment, first quarter IP declined by -0.97% q/q sa from Q4 2012. Meanwhile Export orders in March, which was released yesterday, declined by -6.6% y/y (consensus: +1.9% y/y), on weak demand from advanced economies, which was only partially offset by continued growth from the ASEAN market. The softness of Taiwan's growth momentum puts our 3.5% full-year growth projection at some risk.

Briefly noted:

Singapore inflation eased to 3.5% y/y in March (consensus: 3.6%) after a sharp increase of 4.9% y/y in February. The outturn validates the Monetary Authority of Singapore's decision last week at its 6-monthly policy meeting to keep the monetary stance on hold, despite tight labor markets and price pressures.

Thailand's March exports surprise to the upside at 4.55% y/y (consensus: 2.34%). Along with other peers in the ASEAN region, the Thai economy is a bright spot in Asia, with GDP growth expected to reach 4.7%, after last year's outturn of 6.4%. The Thai baht has been among the region's best performers this year, having appreciated by around 6% against the USD on strong capital inflows.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	24 Apr	1Q	2.20%	2.80%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23 Apr	Apr	51.6	51.4	50.5
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22 Apr	Mar	4.40%	3.70%	3.60%
Exports YoY%	25 Apr	Mar	-16.90%	9.30%	--
Japan	Date	Period	Prior	Cons.	Actual
Markit/JMMA Manufacturing PMI	26 Apr	Apr	50.4	--	--
Natl CPI YoY	26 Apr	Mar	-0.70%	-0.80%	--
Tokyo CPI YoY	26 Apr	Apr	-1.00%	-0.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 Apr	Mar	4.90%	3.60%	3.50%
Industrial Production YoY	26 Apr	Mar	-16.60%	-3.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	25 Apr	1Q P	0.30%	0.60%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22 Apr	Mar	4.16%	4.18%	4.18%
Export Orders (YoY)	22 Apr	Mar	-14.50%	1.90%	-6.60%
Industrial Production (YoY)	23 Apr	Mar	-11.61%	1.80%	-3.28%
Commercial Sales (YoY)	23 Apr	Mar	-6.00%	1.00%	-0.70%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23 Apr	Mar	-5.83%	2.34%	4.55%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Apr	Apr	6.64%	6.95%	--
Exports YTD (YoY)	25-30 APR	Apr	19.70%	19.50%	--
Retail Sales YTD (YoY)	25-30 APR	Apr	11.70%	--	--
Industrial Production Index YoY	25-30 APR	Apr	5.60%	--	--

Calendar Events

Japan - BOJ Target Rate, Apr 26

We expect the benchmark rate to remain unchanged

Current	Cons.	New
0.10%	--	--

Philippines - Overnight Borrowing Rate, Apr 25

We expect the benchmark rate to remain unchanged

Current	Cons.	New
3.50%	3.50%	--

Indicator of the Week

South Korea: Q1 Preliminary GDP (April 25th)

Forecast: 0.4% q/q, s.a.

Consensus: 0.6 % q/q, s.a.

Prior: 0.3 % q/q, s.a.

Q1 GDP growth is expected to remain subdued in the face of weak external demand, loss of competitiveness from the depreciation of the Japanese Yen, and falling business confidence from tensions with North Korea. Full-year growth in 2012 registered a modest 2.0%, as domestic demand, especially investment, remained weak. More recently, high frequency indicators of industrial production and exports have been on the weak side, while retail sales have held up somewhat better. To stimulate demand, the government has announced a 1.3% of GDP fiscal stimulus package estimated to add 0.3ppts to growth in 2013. We also expect the Bank of Korea to lower interest rates by 25bps in the remainder of the first half of this year. Taking account of the policy stimulus effects, we maintain our full-year projection of 2.7% in 2013 with downside risks from the uncertain external environment and tensions with the North.

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.	21845	-2.6	-0.5	-3.7	-8.5
Hong Kong - Hang Seng	21806.6	-1.1	0.6	-3.8	5.7	
Taiwan - Weighted	7942.8	-0.3	1.8	3.2	6.2	
Japan - Nikkei 225	13529.7	-0.3	2.3	30.2	41.8	
Korea - Kospi	1918.6	-0.4	-0.2	-3.9	-2.7	
India - Sensex 30	19167.0	0.0	4.4	-1.3	12.1	
Australia - SPX/ASX 200	5016.2	1.0	1.3	7.9	15.3	
Singapore - Strait Times	3284.4	-0.7	-0.2	3.7	10.9	
Indonesia - Jakarta Comp	4975.3	-0.4	0.6	15.3	19.7	
Thailand - SET	1553.0	-0.4	1.7	11.6	30.6	
Malaysia - KLCI	1700.4	-0.4	0.0	0.7	7.4	
Philippines - Manila Comp.	6982.4	-1.9	2.9	20.1	35.2	

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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)	6.18	0.05	0.07	6.24	6.26
Hong Kong (HKD/USD)	7.76	-0.01	-0.03	7.76	7.76	
Taiwan (TWD/USD)	29.8	0.03	0.26	29.74	29.46	
Japan (JPY/USD)	98.68	0.56	-1.16	98.63	98.33	
Korea (KRW/USD)	1121	-0.17	-0.52	1126	1135	
India (INR/USD)	54.4	-0.44	-0.44	55.22	57.78	
Australia (USD/AUD)	1.03	-0.22	-1.33	0.98	1.00	
Singapore (SGD/USD)	1.24	-0.04	-0.47	1.24	1.24	
Indonesia (IDR/USD)	9731	-0.15	-0.14	9818	10206	
Thailand (THB/USD)	28.8	-0.52	0.42	28.99	29.33	
Malaysia (MYR/USD)	3.06	-0.27	-0.55	3.07	3.12	
Philippines (PHP/USD)	41.4	-0.24	-0.14	41.37	41.30	

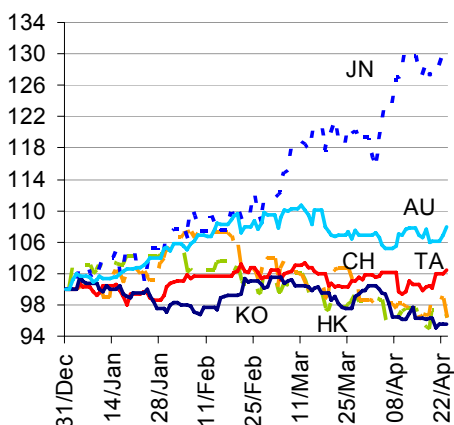
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.60	0.90	0.80
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.75	0.00	0.01	0.00	
India (MIBOR/7D)	4.20	0.78	1.17	1.23	
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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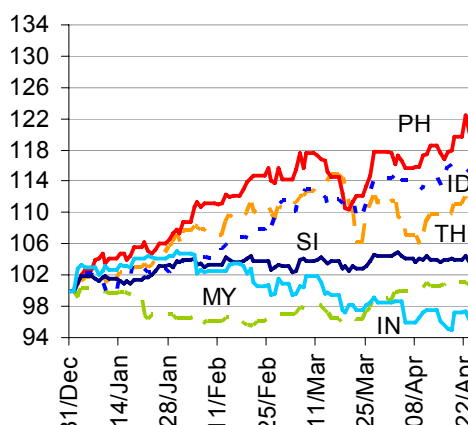
Charts

Chart 1
Stock Markets



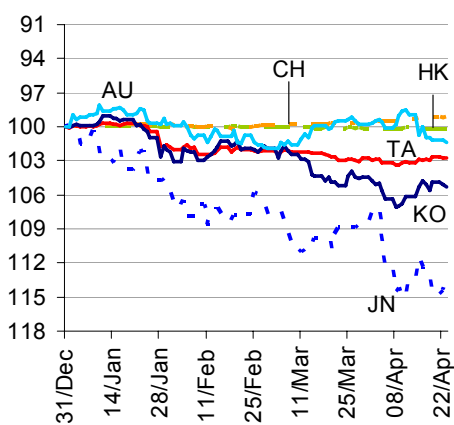
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



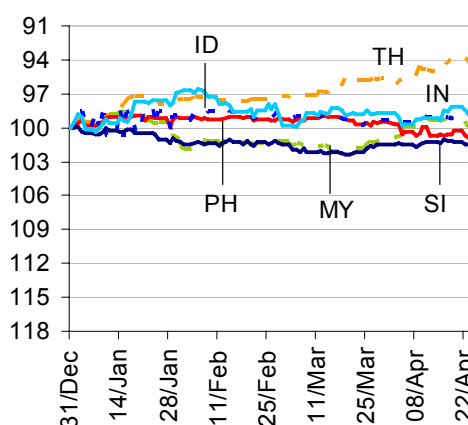
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
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Source: BBVA Research and Bloomberg

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