

Asia Flash

Asia

China's government tilts toward growth-supportive measures

At the conclusion of a meeting of the State Council (China's cabinet) yesterday, Premier Li Keqiang announced three measures to support growth: (i) waiver of value-added and business taxes for select SMEs (those with monthly sales below RMB 20 thousand RMB, equivalent to USD 3.3 thousand effective from August 1; (ii) support for exports through simplification of customs procedures, cuts in export taxes and fees, and maintenance of exchange rate stability; and (iii) promotion of public-private partnership to invest in railway and city subway systems. Separately, the State Agency for Foreign Exchange (SAFE) announced a simplification of administrative procedures for settlement of trade in services. The measures are the latest sign of the government's shift toward growth-supportive measures to achieve the 7.5% growth target for this year. Notably, the measures aim to improve efficiency, while avoiding large-scale stimulus spending given the limited scope for such measures and the continued focus on curtailing domestic financial fragilities.

South Korea Q2 GDP beats expectations

Q2 GDP growth increased for a third consecutive quarter, rising to 1.1% q/q, s.a. (2.3% y/y) from 0.8 q/q (1.5% y/y) in Q1, and beating market expectations (BBVA: 0.9% q/q; consensus: 0.7% q/q). The better-than-expected performance was led by a pickup in private and government consumption, most likely due to fiscal stimulus measures adopted in April, with support from May's interest rate cut. Investment and exports also performed reasonably well, albeit moderating from the previous quarter. We maintain our projection of 2.7% for full-year growth in 2013, with headwinds likely to persist from weak external demand. We have been anticipating another interest rate cut in the coming months, although today's strong GDP reading and capital outflow pressures from QE tapering make such a cut somewhat less likely.

Briefly noted:

The Hong Kong Monetary Authority (HKMA) announced two measures today to facilitate RMB liquidity, including i) using its swap line with the People's Bank of China (PBoC) to provide one-day (rather than only one-week) funds to banks, which will be available on the next day (T+1) and ii) using its own RMB funds to offer overnight RMB lending, available on the same day (T+0). These measures could be in response to tight RMB liquidity conditions that emerged last June during China's interbank liquidity squeeze.

Hong Kong June exports disappoint, extending a regional trend

June exports declined by -0.2% y/y (consensus 2.4% y/y) compared to -1.0% y/y in May. The weak outturn reflected sluggish demand across the board, including from the UK (-4.6% y/y), Germany (-3.1% y/y), the US (-3.0% y/y) and China (-0.2% y/y). The trend is consistent with June export readings previously released in other regional economies, such as China (-3.1% y/y), South Korea (-0.9%) and Singapore (-8.9%); Taiwan recorded relatively strong June exports (8.6% y/y), but weak export orders (-3.5%). Bucking the trend, Vietnam today reported that July exports rose by 9.9% y/y in July, from 11.3% y/y in June.

Philippines keeps policy rate on hold for a sixth straight meeting

As expected, the central bank of the Philippines today maintained the overnight borrowing rate at record low of 3.5%, where it has been since the last rate cut in October 2012. We do not anticipate any rate changes this year, although the next move could be up given strong growth and rising inflationary risks from recent peso depreciation.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (QoQ)	24 Jul	2Q	0.40%	0.50%	0.40%
CPI YoY	24 Jul	2Q	2.50%	2.50%	2.40%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24 Jul	Jul	48.2	48.3	47.7
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22 Jul	Jun	3.90%	4.10%	4.10%
Trade Balance	25 Jul	Jun	-44.3B	-46.6B	-49.7B
Exports YoY%	25 Jul	Jun	-1.00%	2.40%	-0.20%
Imports YoY%	25 Jul	Jun	1.70%	2.70%	1.40%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Imports YoY	24 Jul	Jun	10.1	13.8	11.8
Merchnds Trade Exports YoY	24 Jul	Jun	10.1	10.0	7.4
Natl CPI YoY	26 Jul	Jun	-0.30%	0.10%	--
Tokyo CPI YoY	26 Jul	Jul	0.00%	0.20%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Imports (YoY)	25 Jul	May	7.40%	-3.50%	-2.40%
Trade Balance	25 Jul	May	-\$1020M	-\$660M	-\$364M
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Jul	Jun	1.60%	1.80%	1.80%
Industrial Production YoY	26 Jul	Jun	2.10%	-3.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP YoY	25 Jul	2Q P	1.50%	2.00%	2.30%
GDP (QoQ)	25 Jul	2Q P	0.80%	0.80%	1.10%
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22 Jul	Jun	4.19%	4.19%	4.17%
Export Orders (YoY)	22 Jul	Jun	-0.40%	0.60%	-3.50%
Commercial Sales (YoY)	23 Jul	Jun	-1.72%	-0.25%	-0.27%
Industrial Production (YoY)	23 Jul	Jun	-0.27%	2.81%	-0.43%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26 Jul	Jun	-5.25%	1.35%	--
Customs Imports (YoY)	26 Jul	Jun	-2.14%	8.35%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Jul	Jul	6.69%	7.10%	7.29%
Exports YTD (YoY)	25 Jul	Jul	16.10%	16.20%	14.30%
Industrial Production Index YoY	25-31 JUL	Jul	6.50%	--	--
Retail Sales YTD (YoY)	25-31 JUL	Jul	11.90%	--	--

Calendar Events

Philippines - Overnight Borrowing Rate, Jul 25
We expect the benchmark rate to remain unchanged

Current	Cons.	New
3.50%	3.50%	3.50%

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.	2021.2	-0.6	-0.1	-10.9	-5.4
Hong Kong - Hang Seng	21901.0	-0.3	2.6	-3.3	16.0	
Taiwan - Weighted	8163.6	-0.4	-0.4	6.0	17.0	
Japan - Nikkei 225	14562.9	-1.1	-1.7	40.1	74.1	
Korea - Kospi	1909.6	-0.1	1.8	-4.4	7.9	
India - Sensex 30	19804.8	-1.4	-1.6	1.9	17.6	
Australia - SPX/ASX 200	5035.6	0.0	0.8	8.3	22.1	
Singapore - Strait Times	3235.7	-1.2	0.5	2.2	8.2	
Indonesia - Jakarta Comp	4674.1	-0.9	-1.0	8.3	16.8	
Thailand - SET	1456.7	-3.0	-0.1	4.7	22.6	
Malaysia - KLCI	1808.4	-0.1	0.9	7.1	10.6	
Philippines - Manila Comp.	6800.1	-0.1	2.3	17.0	31.7	

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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)	6.13	0.02	0.10	6.21	6.28
Hong Kong (HKD/USD)	7.76	0.00	0.01	7.76	7.75	
Taiwan (TWD/USD)	29.9	0.00	0.14	29.91	29.76	
Japan (JPY/USD)	99.88	0.39	0.55	99.83	99.51	
Korea (KRW/USD)	1116	-0.29	0.90	1122	1132	
India (INR/USD)	59.1	0.00	0.92	60.41	63.84	
Australia (USD/AUD)	0.92	-0.05	-0.13	1.10	1.12	
Singapore (SGD/USD)	1.27	-0.06	-0.10	1.27	1.27	
Indonesia (IDR/USD)	10301	-0.37	-2.34	10807	11487	
Thailand (THB/USD)	31.1	-0.39	-0.26	31.26	31.63	
Malaysia (MYR/USD)	3.20	-0.28	-0.15	3.22	3.26	
Philippines (PHP/USD)	43.4	-0.18	0.02	43.38	43.60	

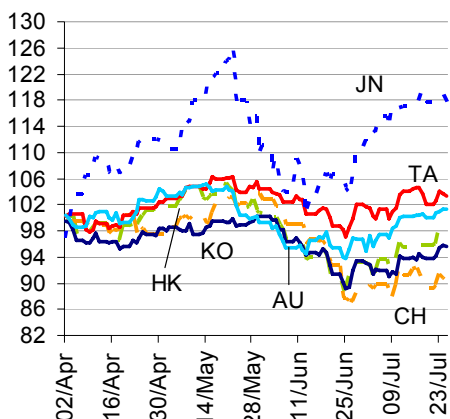
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.40	0.38	0.65	-3.90
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.01	
Taiwan (TAIBOR/1W)	0.53	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	-0.03	
India (MIBOR/7D)	4.11	-1.89	0.11	-3.58	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.17	0.00	0.02	0.61	
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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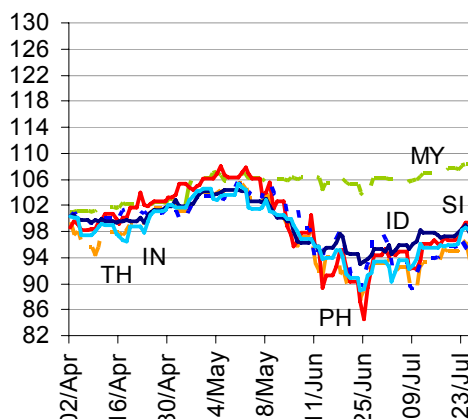
Charts

Chart 1
Stock Markets



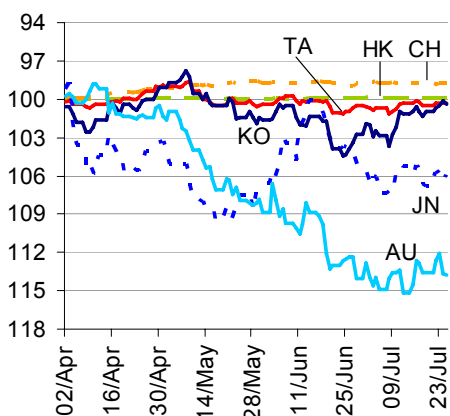
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



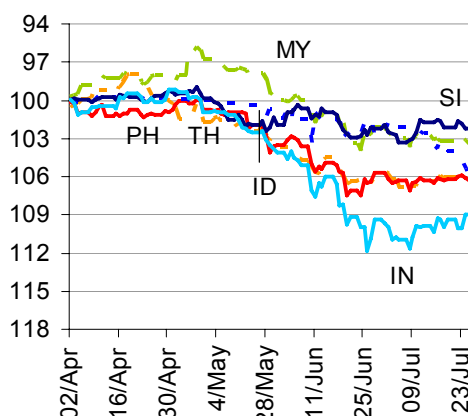
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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