

Asia Flash

Asia

Japan Q2 GDP weakens on slower investment spending

A weaker-than-expected Q2 GDP outturn today dented surging hopes of a quick recovery in Japan, and raised new questions about whether the government would allow a planned consumption tax hike to go ahead as scheduled in 2014. Q2 GDP rose at an annualized rate of 2.6% s.a. (consensus: 3.8%; BBVA: 2.6%), and the Q1 outturn was revised down to 3.8% (from a previous estimate of 4.1%). The outturn was influenced by a further contraction in capital spending. In contrast, private consumption was robust. While today's outturn disappointed the consensus forecast, it was in line with our expectations (we project full-year growth of 1.7%) given the expansionary fiscal and monetary policies underlying "Abenomics". The crucial missing component of the strategy is implementation of the structural reform agenda, the so-called "third arrow". In addition, markets are looking for medium-term fiscal consolidation (given a public debt burden of over 200% of GDP), of which the consumption tax hike is a key element. The stock market fell today by -0.7%, and the yen depreciated to 96.7.

Briefly noted:

Singapore final Q2 GDP revised upward

The final reading surprised to the upside to 3.8% y/y (Consensus: 3.5% y/y; Q1: 0.2% y/y) from the preliminary reading of 3.7% y/y. On a sequential basis GDP increased by 15.5% q/q saar (up from the advanced estimate: 15.2%) compared to 1.7% q/q saar in Q1. The better-than-expected outturn was due to an upward revision in services output. The Ministry of Trade and Industry (MTI) today revised its 2013 full-year growth forecast to 2½%-3½% from 1%-3% previously on expectations of improving external demand. There is now some upside potential to our 2.3% growth projection for 2013.

India trade deficit improves in July on export pick up

India's July trade deficit narrowed to USD 12.2 bn (USD 17.5 bn in July 2012) as exports pick up 11.6%y/y to USD 25.8 bn, snapping two successive months of decline, while imports fell by 6.2% y/y to USD 38.1 bn. Looking ahead, an improving external demand outlook coupled with slowing imports of oil and gold bode well for India's current account deficit although the recent sharp rupee depreciation presents a key upside risk. We expect India's Current account deficit to improve to 4.3% of GDP in 2013 from 5.0% in 2012. Nevertheless, the rupee remains near a record low, at 61.2 per USD.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Foreign Direct Investment YoY	14-18 AUG	Jul	20.10%	14.00%	--
China Property Prices	18 Aug	Jul	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP YoY	16 Aug	2Q	2.80%	3.20%	--
GDP SA QoQ	16 Aug	2Q	0.20%	0.40%	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY	12 Aug	Jul	-4.60%	--	11.60%
Imports YoY	12 Aug	Jul	-0.40%	--	-6.20%
Industrial Production YoY	12 Aug	Jun	-1.60%	-1.10%	--
CPI YoY	12 Aug	Jul	9.87%	9.70%	--
Wholesale Prices YoY	14 Aug	Jul	4.86%	5.00%	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production MoM	12 Aug	Jun F	-3.30%	--	-3.10%
GDP SA QoQ	12 Aug	2Q P	0.90%	0.90%	0.60%
GDP Annualized SA QoQ	12 Aug	2Q P	3.80%	3.60%	2.60%
Machine Orders MoM	13 Aug	Jun	10.50%	-7.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Exports YoY	13 Aug	Jun	-0.80%	8.10%	--
Overseas Remittances YoY	15 Aug	Jun	5.30%	5.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP YoY	12 Aug	2Q F	3.70%	3.50%	3.80%
GDP SAAR QoQ	12 Aug	2Q F	15.20%	14.20%	15.50%
Retail Sales YoY	15 Aug	Jun	3.20%	3.80%	--
Non-oil Domestic Exports YoY	16 Aug	Jul	-8.80%	-3.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate	14 Aug	Jul	3.20%	3.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP YoY	16 Aug	2Q F	2.27%	2.30%	--

Calendar Events

Indonesia - BI Reference Rate, Aug 15

We expect the benchmark rate to remain unchanged

Current
6.50%

Cons.
6.50%

New
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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.	2101.3	2.4	2.5	-7.4	-3.1
Hong Kong - Hang Seng	22271.3	2.1	0.2	-1.7	10.6	
Taiwan - Weighted	7903.4	0.6	-2.9	2.6	6.2	
Japan - Nikkei 225	13519.4	-0.7	-5.2	30.1	52.0	
Korea - Kospi	1884.8	0.2	-1.6	-5.6	-3.2	
India - Sensex 30	18947.0	0.8	-1.1	-2.5	7.9	
Australia - SPX/ASX 200	5108.7	1.1	-0.1	9.9	19.4	
Singapore - Strait Times	3232.2	0.1	-0.3	2.1	5.9	
Indonesia - Jakarta Comp	4597.8	-0.9	0.4	6.5	12.1	
Thailand - SET	1432.3	-1.0	0.8	2.9	17.5	
Malaysia - KLCI	1784.6	0.3	0.4	5.7	9.1	
Philippines - Manila Comp.	6443.8	0.6	-1.4	10.9	22.6	

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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)	6.12	0.00	0.04	6.19	6.26
Hong Kong (HKD/USD)	7.76	0.01	0.02	7.75	7.75	
Taiwan (TWD/USD)	30.0	-0.04	-0.10	29.90	29.76	
Japan (JPY/USD)	96.71	-0.52	1.64	96.65	96.36	
Korea (KRW/USD)	1114	-0.11	0.03	1120	1130	
India (INR/USD)	61.1	-0.35	-0.33	62.51	66.05	
Australia (USD/AUD)	0.92	-0.56	2.52	1.10	1.12	
Singapore (SGD/USD)	1.26	-0.39	0.54	1.26	1.26	
Indonesia (IDR/USD)	10293	-0.25	-0.43	10631	11311	
Thailand (THB/USD)	31.2	0.06	0.51	31.39	31.78	
Malaysia (MYR/USD)	3.25	-0.31	-0.52	3.26	3.31	
Philippines (PHP/USD)	43.7	-0.46	-0.48	43.66	43.89	

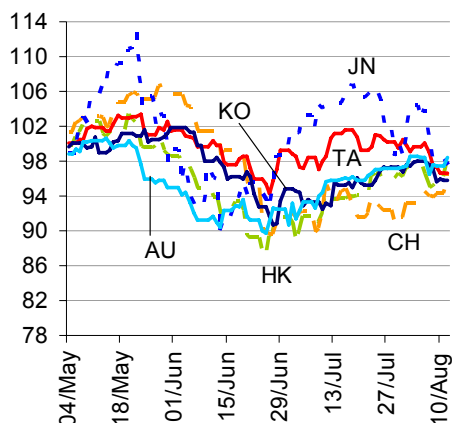
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.65	0.02	-0.22	-0.15
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.52	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.08	0.78	-0.27	0.28	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.25	-0.08	0.00	0.08	
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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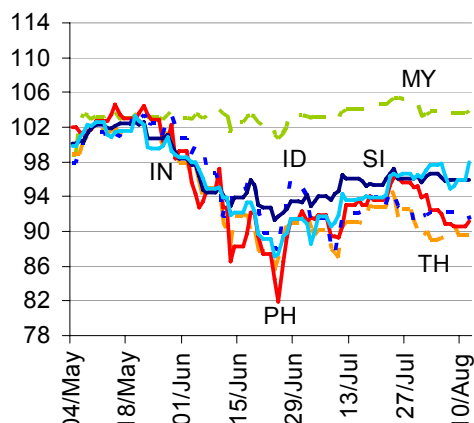
Charts

Chart 1
Stock Markets



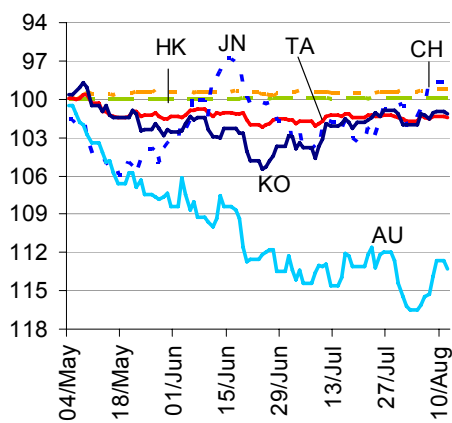
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



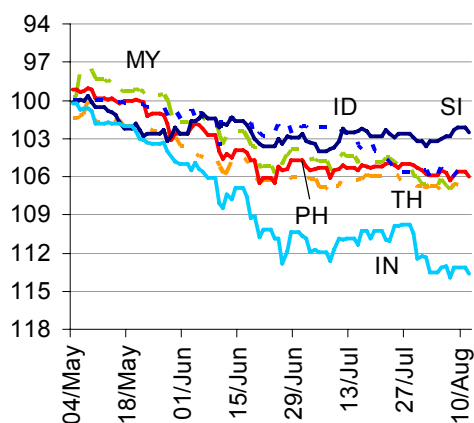
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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