

Asia Flash

Asia

China August FDI inflows disappoint, but remain robust for the year

FDI inflows were almost flat in August compared to a year ago (0.6% y/y vs. consensus: 12.5% y/y). The data come after a sizable jump in the previous two months (21.7% y/y in Jun-Jul), and the inflows have been resilient year-to-date (+6.4% vs. -3.7% for the full year of 2012). Inflows have grown most notably in the services sector (up 13.5% ytd y/y), and remained sluggish in manufacturing (-3.3% ytd y/y). Meanwhile, outward FDI remains resilient, up by 18.5% ytd y/y (vs. 12.6% in 2012). Since 2012, China has become the world's third largest FDI provider (after the US and Japan), and the US became China's second largest FDI recipient after Hong Kong. On September 6, the US Committee on Foreign Investment approved China's largest-ever purchase of a US company, Smithfield Foods, worth \$4.7 billion. The deal now awaits approval by Smithfield's shareholders.

RBA September policy minutes seen as more dovish

The RBA released the minutes of its September 3 policy meeting today at which it left interest rates unchanged at a record low of 2.50% and maintained a "neutral" stance. Today's minutes hinted at a marginally more dovish tone than the Governor's statement on the day of the meeting. Specifically, after the 225 basis points of interest rate cuts since November 2011 (the last cut was in August this year), the minutes concluded that, "Members agreed that the Bank should again neither close off the possibility of reducing rates further nor signal an imminent intention to reduce them." The AUD depreciated slightly upon the release of the minutes, but rebounded during the day, to stand at 0.93 against the USD, well off its lows of 0.89 reached at end-August. Our strategists expect the AUD to rise further to 0.96 by end-year. While we expect improving data in China to help the economy gain momentum in the coming months, in line with our full-year projection of 2.6%, domestic conditions remain weak on subdued mining activity.

Briefly noted:

Singapore exports weaken in August

Singapore's August non-oil domestic exports (NODX) decelerated to -6.2% (consensus: 2.4% y/y) from a contraction of -1.9% in July, a seventh consecutive month of year-over-year contraction. Electronic products exports underperformed (-9.2% y/y) and non-electronic products exports also softened (-4.7% y/y). Export growth remain weak in most of Singapore's major export markets (especially for EU and South Korea), while China/Hong Kong is a bright spot. The unexpected contraction in August and downward revision in July (prior: -0.7%; revised: -1.9%) suggest more downside risks to the recently upgraded 2013 GDP projections by the government (from 1.0-3.0% to 2.5-3.5%), as external headwinds remain.

Hong Kong's unemployment rate remained unchanged at 3.3% s.a (consensus: 3.3%) for the June-August period, suggesting further tight labor market conditions low outturn of unemployment rate points to a tight conditions.

With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Foreign Direct Investment YoY	17 SEP	Aug	24.10%	12.50%	0.60%
China August Property Prices	18 Sep	Aug	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	17 Sep	Aug	3.30%	3.30%	3.30%
India	Date	Period	Prior	Cons.	Actual
Wholesale Prices YoY	16 Sep	Aug	5.79%	5.70%	6.10%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index MoM	19 Sep	Jul	-0.60%	0.30%	--
Exports YoY	19 Sep	Aug	12.2%	14.5%	--
Imports YoY	19 Sep	Aug	19.6%	18.5%	--
Trade Balance	19 Sep	Aug	-¥1027.9B	-¥1122.5B	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	18 Sep	Aug	2.00%	2.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances YoY	17 Sep	Jul	5.80%	5.70%	6.60%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports YoY	17 Sep	Aug	-1.90%	2.40%	-6.20%
Thailand	Date	Period	Prior	Cons.	Actual
Foreign Reserves	20 Sep	13-Sep	\$168.9B	--	--

Calendar Events

India – RBI Cash Reserve Ratio, Sep 20	Current	Cons.	New
We expect the benchmark rate to remain unchanged	4.00%	4.00%	--
India – RBI Repurchase Rate, Sep 20	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.25%	7.25%	--

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.	2185.6	-2.1	-2.3	-3.7	5.2
Hong Kong – Hang Seng	23180.5	-0.3	0.9	2.3	12.2	
Taiwan – Weighted	8249.8	-0.1	0.5	7.1	6.3	
Japan – Nikkei 225	14311.7	-0.6	0.7	37.7	56.3	
Korea – Kospi	2005.6	-0.4	0.6	0.4	0.2	
India – Sensex 30	19804.0	0.3	-1.0	1.9	6.8	
Australia – SPX/ASX 200	5251.2	0.1	1.0	13.0	19.3	
Singapore – Strait Times	3180.9	0.0	1.8	0.4	3.3	
Indonesia – Jakarta Comp	4517.6	-0.1	3.7	4.7	6.2	
Thailand – SET	1443.8	-0.1	3.6	3.7	12.9	
Malaysia – KLCI	1774.9	0.2	1.6	5.1	8.0	
Philippines – Manila Comp.	6344.1	0.7	4.2	9.1	18.6	

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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	-0.01	-0.01	6.16	6.21
Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75	
Taiwan (TWD/USD)	29.7	0.00	0.19	29.48	29.22	
Japan (JPY/USD)	99.12	-0.04	1.28	99.07	98.79	
Korea (KRW/USD)	1084	-0.19	-0.02	1090	1102	
India (INR/USD)	63.1	-0.36	1.21	64.99	68.39	
Australia (USD/AUD)	0.93	0.28	0.34	1.08	1.10	
Singapore (SGD/USD)	1.26	0.05	0.58	1.26	1.26	
Indonesia (IDR/USD)	11182	1.77	0.47	11581	12331	
Thailand (THB/USD)	31.7	-0.02	1.23	31.93	32.44	
Malaysia (MYR/USD)	3.25	-0.47	0.83	3.26	3.31	
Philippines (PHP/USD)	43.7	-0.10	0.38	43.39	43.62	

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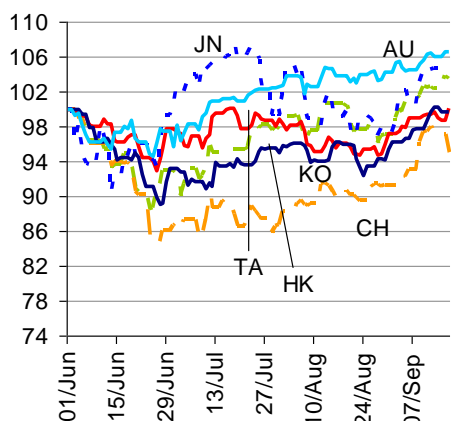
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.60	0.10	0.12	-0.15
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.58	-0.39	-0.12	-0.25	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.00	0.00	0.29	0.68	
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

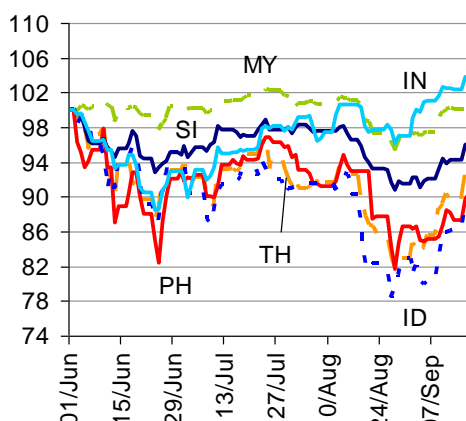
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

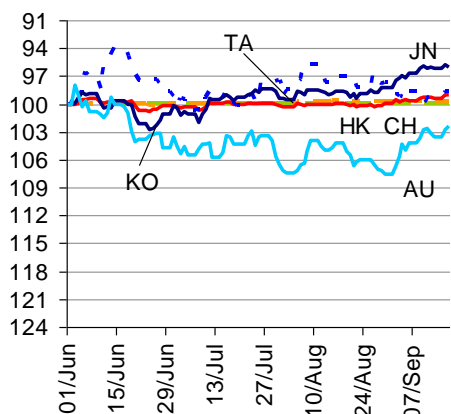
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

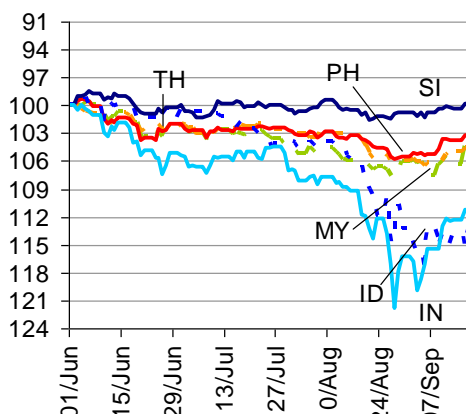
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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