

Asia Flash

Asia

Indonesian Q3 GDP slows after rate hikes and lower commodity prices

As expected, Indonesia's Q3 GDP growth slowed for a fifth consecutive quarter. According to data released today, Q3 GDP growth came in at 5.6% y/y (consensus: 5.6%; BBVA: 5.4%) compared to 5.8% in Q2. The outturn was broadly in line with expectations, which had factored in the impact of recent interest rate hikes on consumer and business spending, as well as the drag from lower commodity prices (Indonesia is a commodity producer). Bank Indonesia hiked rates by a cumulative 150bps between June-September to counter a burst in inflation after an administered fuel price increase last June, and more recently to stem external pressures brought on by a widening current account deficit and expectations of QE tapering by the Fed. The delay in QE tapering, and measures to stem the current account deficit (including BI's rate hikes), have helped to reduce external pressures, and the rupiah has stabilized at around 11,500 per USD, still well below the level of 9,700 that prevailed earlier in the year. We expect growth to slow further in Q4, before rebounding thereafter, which would bring full year GDP to around 5.6% in 2013 and 2014.

Australia keeps rates on hold as expected

At yesterday's monthly policy meeting, the Reserve Bank of Australia kept its policy rate unchanged at 2.50%. In its accompanying statement, the RBA repeated previous statements, "the economy has been growing a bit below trend" but expressed some confidence that the 225 bps rate cuts since November 2011 were "supporting interest sensitive spending and asset values". Indeed, recent data show a pickup in retail sales and the housing market. Importantly, however, the RBA expressed increasing concern about an "uncomfortably high" level of the currency, which stands at around 95 against the USD. The RBA's views on the currency have prompted expectations of another rate cut in early 2014, although we have not yet factored it into our baseline given signs that the domestic economy is improving.

Briefly noted:

Taiwan inflation remains subdued

Headline inflation eased to a lower-than-expected 0.6% y/y in October (consensus: 1.05% y/y) from 0.8% y/y in September. While such low inflation may become a concern to the central bank, with GDP growth projected at 2.3% for 2013 we do not expect a rate cut; however, Q3 growth (1.6% y/y disappointed to the downside), and any further signs of weakness could shift the central bank's policy, which has been on hold since June 2011 at 1.875%.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	04 Nov	Sep	0.50%	0.40%	0.80%
Unemployment Rate	07 Nov	Oct	5.60%	5.70%	--
China	Date	Period	Prior	Cons.	Actual
HSBC/Markit Services PMI	05 Nov	Oct	52.4	--	52.6
Exports YoY	08 Nov	Oct	-0.30%	1.90%	--
Imports YoY	08 Nov	Oct	7.40%	7.40%	--
Trade Balance	08 Nov	Oct	\$15.21B	\$24.28B	--
Industrial Production YoY	09 Nov	Oct	10.20%	10.00%	--
Retail Sales YoY	09 Nov	Oct	13.30%	13.40%	--
Fixed Assets Ex Rural YTD YoY	09 Nov	Oct	20.20%	20.20%	--
CPI YoY	09 Nov	Oct	3.10%	3.30%	--
PPI YoY	09 Nov	Oct	-1.30%	-1.40%	--
Aggregate Financing RMB	10-15 Nov	Oct	1404.9B	1137.5B	--
New Yuan Loans	10-15 Nov	Oct	787.0B	580.0B	--
Money Supply M2 YoY	10-15 Nov	Oct	14.20%	14.20%	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP QoQ	06 Nov	3Q	2.61%	3.01%	2.96%
GDP YoY	06 Nov	3Q	5.83%	5.60%	5.62%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY	08 Nov	Sep	12.40%	5.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Nov	Oct	2.70%	3.20%	2.90%
Singapore	Date	Period	Prior	Cons.	Actual
GDP SAAR QoQ	10-17 Nov	3Q F	-1.00%	--	--
GDP YoY	10-17 Nov	3Q F	5.10%	5.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Nov	Oct	0.84%	1.05%	0.64%
Exports YoY	07 Nov	Oct	-7.00%	-0.90%	--

Calendar Events

Australia – RBA Cash Rate Target, Nov 05	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%
Malaysia – BNM Overnight Policy Rate, Nov 07	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.00%	3.00%	--

Indicator of the Week

China: Exports for October (November 8th)

Forecast: 1.5% y/y

Consensus: 1.9% y/y

Prior: -0.3% y/y

An improvement in external demand has been one of the factors leading to an upturn in China's near term growth momentum. However, September exports were disappointing, with a surprise contraction of -0.3% y/y due in part to weaker demand from ASEAN economies which were hit hard in previous months by expectations of QE tapering in the US. Beyond that, exports have become increasingly difficult to interpret due to a distorted base effect from over-invoicing last year, which has given rise to lower year-over- export growth rates. Looking ahead, we expect exports to improve gradually in line with our outlook for the global economy. The coming week will also feature important monthly indicators, including industrial production, retail sales, investment, and inflation (November 9) and credit aggregates (November 10-15).

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.	2139.6	-0.8	-1.0	-5.7	1.6
Hong Kong – Hang Seng	23036.9	0.0	-1.1	1.7	5.0	
Taiwan – TAIEX	8282.0	0.2	-2.2	7.6	14.4	
Japan – Nikkei 225	14337.3	0.8	0.1	37.9	59.7	
Korea – Kospi	2013.7	0.0	-2.2	0.8	4.4	
India – Sensex 30 *	20894.9	-0.4	-0.2	7.6	11.0	
Australia – SPX/ASX 200	5433.8	0.0	0.1	16.9	21.2	
Singapore – Strait Times	3205.3	0.0	-0.8	1.2	6.2	
Indonesia – Jakarta Comp	4449.8	0.6	-2.5	3.1	3.4	
Thailand – SET	1435.0	1.4	0.3	3.1	10.3	
Malaysia – KLCI	1803.1	-0.2	-0.7	6.8	9.0	
Philippines – Manila Comp.	6477.3	-0.6	-1.0	11.4	18.3	

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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)	6.09	0.11	0.02	6.14	6.16
Hong Kong (HKD/USD)	7.75	0.00	0.02	7.75	7.75	
Taiwan (TWD/USD)	29.4	-0.05	-0.04	29.32	29.05	
Japan (JPY/USD)	98.60	-0.10	-0.09	98.54	98.30	
Korea (KRW/USD)	1061	0.02	-0.06	1067	1079	
India (INR/USD)	62.3	-1.09	-1.71	64.06	67.71	
Australia (USD/AUD)	0.95	0.25	0.50	1.06	1.08	
Singapore (SGD/USD)	1.24	0.01	-0.20	1.24	1.24	
Indonesia (IDR/USD)	11410	-0.47	-2.06	11725	12425	
Thailand (THB/USD)	31.3	0.09	-0.50	31.45	31.94	
Malaysia (MYR/USD)	3.18	-0.23	-1.05	3.19	3.24	
Philippines (PHP/USD)	43.3	-0.21	-0.43	43.10	43.03	

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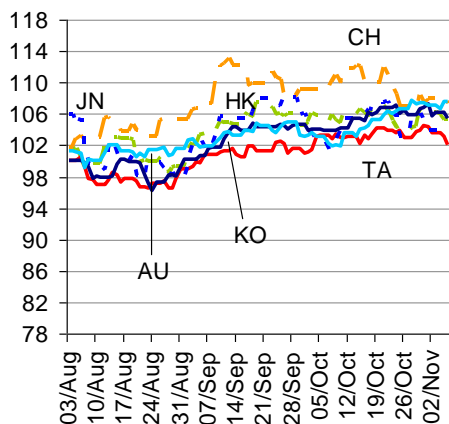
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.88	-0.35	-0.73	-0.32
Hong Kong (HIBOR/1W)	0.14	0.00	0.01	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.88	-0.65	-2.27	-0.37	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	0.00	0.00	0.02	
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

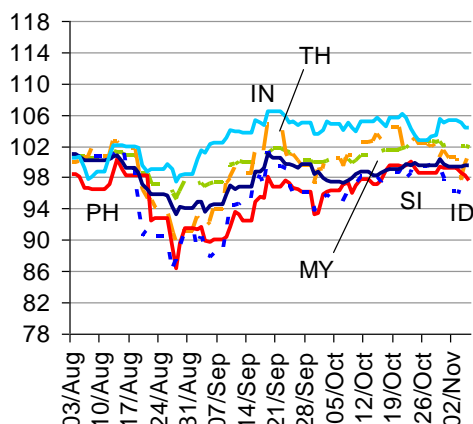
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

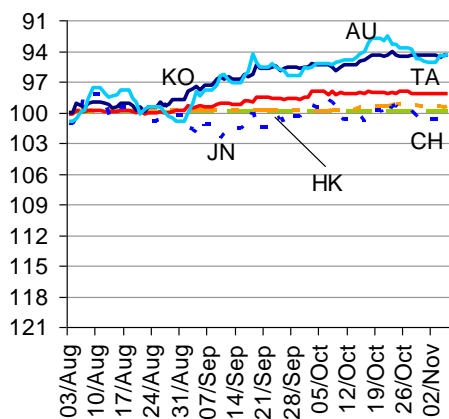
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

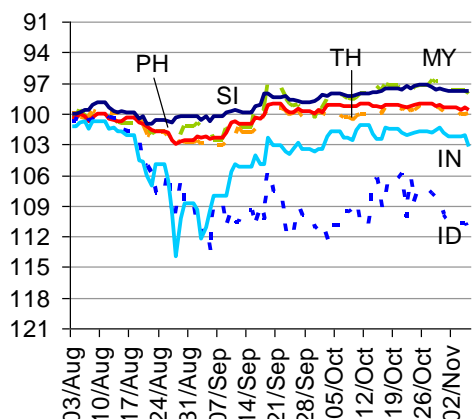
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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