

Asia Flash

Asia

A strong set of October data released over the weekend has bolstered confidence in China's near-term growth prospects (see below). The data come as investors await tomorrow's conclusion of the Third Plenary Meeting amidst high expectations of reforms to rebalance growth toward a more sustainable and healthy mix of domestic demand. Also on tap for the coming week are monetary policy meetings in Indonesia and Korea, where we expect rates to stay on hold. For more on the region's policies and growth prospects, see our latest [China/Asia Outlook](#) and summary below.

China indicators bolster confidence in growth outlook

October activity indicators released over the weekend suggest that recent pickup in growth momentum is continuing in Q4. Industrial production edged up to 10.3% y/y (consensus: 10.0%) from 10.2% in September, while investment (19.4% y/y) and retail sales (13.3% y/y; consensus: 13.4%) held up relatively well. The data come on top of reasonably strong exports (5.6% y/y; consensus: 1.7%) on improving demand from advanced economies. In contrast, monthly credit data released today was lower than expected, with Total Social Financing (the broadest measure of credit) easing to RMB 856 bn (consensus: 1138 bn) from RMB 1400 bn in September. The outturn may reflect efforts by the PBoC to restrict credit out of concern for rising financial fragilities, which could, in turn lead to slightly softer growth in Q4 and early 2014. This would be in line with our full-year projection of 7.7% in 2013 and 7.6% in 2014. Inflation has picked up, but at 3.2% y/y (consensus: 3.3%) in October remains with the government targets.

Asian growth to pickup in 2014, with divergent trends

In our latest quarterly [China/Asia Outlook](#) published today, we note that economic performance across the Asia region has continued to diverge. Growth has picked up in North Asia, especially in China and Japan. But it has weakened elsewhere, most notably in India and Indonesia where volatility in capital flows brought on by expectations of QE tapering has revealed structural weaknesses in the form of current account deficits and fragile investment climates. More recently, regional market sentiment and growth outturns have improved with the delay in QE tapering, pickup in China's growth momentum, and continued recoveries in the US and EU. This has provided breathing room for policymakers in several countries to undertake further policy adjustments and structural reforms. Consistent with our recent quarterly Outlooks, our baseline continues to build in a gradual improving trend in growth given an expected strengthening of the external environment. However, downward revisions to the growth outlooks in India (4.2% in 2013 and 4.6% in 2014) and Indonesia (5.6% in 2013 and 5.8% in 2014) more than offset small upgrades for Japan (1.9%) and China (7.7%) in 2013, resulting in a modestly lower growth outlook for the region as a whole compared to our last quarterly update.

Briefly noted:

India trade deficit widens in October

The trade deficit widened in October to USD 10.6 bn from USD 6.8 bn in September on seasonal import demand. Nevertheless, overall external developments remained positive with exports up by 13.5% y/y from 11.2% in September, for a fourth consecutive month of double-digit growth, supported by currency depreciation and improving external demand from the US, EU and China.

Meanwhile, import growth has continued to contract (-14.5% y/y vs -18.1% in September). We expect the full-year current account deficit to amount to 4.2% of GDP compared to -5.0% in 2012. In line with a general strengthening trend for the USD, the rupee depreciated today to 63.2 per USD, its weakest level in almost two months.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Aggregate Financing RMB	11 Nov	Oct	1404.9B	1115.0B	856.4B
New Yuan Loans	11 Nov	Oct	787.0B	580.0B	506.1B
Money Supply M2 YoY	11 Nov	Oct	14.20%	14.20%	14.30%
Foreign Direct Investment YoY	14-18 Nov	Oct	4.90%	5.70%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP YoY	15 Nov	3Q	3.30%	3.30%	--
GDP SA QoQ	15 Nov	3Q	0.80%	0.80%	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY	11 Nov	Oct	11.20%	--	13.50%
CPI YoY	12 Nov	Oct	9.84%	9.90%	--
Industrial Production YoY	12 Nov	Sep	0.60%	3.50%	--
Wholesale Prices YoY	15 Nov	Oct	6.46%	6.94%	--
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index MoM	12 Nov	Sep	0.70%	0.20%	--
Machine Orders MoM	13 Nov	Sep	5.40%	-2.00%	--
GDP Annualized SA QoQ	14 Nov	3Q P	3.80%	1.70%	--
GDP SA QoQ	14 Nov	3Q P	0.90%	0.40%	--
Industrial Production YoY	14 Nov	Sep F	5.40%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Nov	Sep	2.70%	2.50%	1.00%
GDP YoY	15 Nov	3Q	4.30%	4.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Exports YoY	12 Nov	Sep	20.20%	2.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP SAAR QoQ	10-17 Nov	3Q F	-1.00%	-0.40%	--
GDP YoY	10-17 Nov	3Q F	5.10%	5.20%	--
Retail Sales YoY	15 Nov	Sep	-7.80%	-3.70%	--
Korea	Date	Period	Prior	Cons.	Actual
Unemployment rate SA	13 Nov	Oct	3.00%	3.00%	--

Calendar Events

Indonesia – Bank Indonesia Reference Rate, Nov 12	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.25%	7.25%	--
Korea – BoK 7-Day Repo Rate, Nov 14	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	--

Indicator of the Week

Japan: preliminary Q3 GDP growth (November 14th)

Forecast: 2.4% q/q saar

Consensus: 1.7% q/q saar

Prior: 3.8% q/q saar

Japan's economy probably slowed in Q3 after the rapid pace in the first half of the year at around 4.0% saar for two consecutive quarters. While domestic demand appears to have remained strong, including an encouraging pickup in investment spending from Q2, external appears to have weakened temporarily, especially from within Asia and other emerging economies. Note, however, that Japan's preliminary GDP readings are often revised significantly due to updates to investment figures. We expect full-year growth in 2013 of 1.9%, boosted by aggressive fiscal and monetary stimulus under the first two "arrows" of Abenomics. We expect growth to slow in 2014, to 1.5%, with the outlook for the medium term heavily dependent on the success of the government in implementing structural reforms to raise potential growth, as envisaged in the "third arrow".

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.	2109.5	0.2	-1.9	-7.0	2.0
Hong Kong – Hang Seng	23069.9	1.4	-0.5	1.8	7.9	
Taiwan – TAIEX	8182.6	-0.6	-2.1	6.3	12.2	
Japan – Nikkei 225	14269.8	1.3	0.5	37.3	62.9	
Korea – Kospi	1977.3	-0.4	-2.4	-1.0	3.8	
India – Sensex 30 *	20491.0	-0.8	-3.3	5.5	9.7	
Australia – SPX/ASX 200	5387.1	-0.3	-0.1	15.9	20.7	
Singapore – Strait Times	3186.7	0.3	-0.5	0.6	5.9	
Indonesia – Jakarta Comp	4441.7	-0.8	0.2	2.9	2.5	
Thailand – SET	1405.9	0.1	1.3	1.0	8.9	
Malaysia – KLCI	1804.2	0.0	-0.3	6.8	9.9	
Philippines – Manila Comp.	6265.2	-1.4	-4.3	7.8	14.6	

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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)	6.09	-0.01	0.11	6.14	6.16
Hong Kong (HKD/USD)	7.75	-0.02	-0.02	7.75	7.75	
Taiwan (TWD/USD)	29.6	-0.36	-0.38	29.48	29.22	
Japan (JPY/USD)	99.17	-0.12	-0.57	99.11	98.87	
Korea (KRW/USD)	1072	-0.70	-0.89	1079	1091	
India (INR/USD)	63.2	-1.21	-2.38	65.18	69.11	
Australia (USD/AUD)	0.94	-0.23	-1.55	1.07	1.09	
Singapore (SGD/USD)	1.25	-0.10	-0.42	1.25	1.25	
Indonesia (IDR/USD)	11563	-1.30	-1.79	11892	12637	
Thailand (THB/USD)	31.6	-0.37	-0.98	31.87	32.40	
Malaysia (MYR/USD)	3.20	-0.67	-0.84	3.22	3.26	
Philippines (PHP/USD)	43.6	-0.90	-0.63	43.44	43.37	

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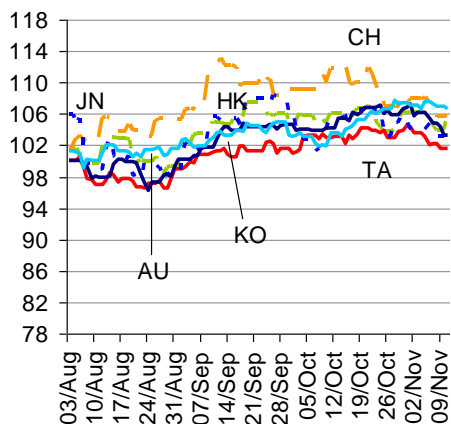
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.78	-0.16	-0.10	-0.52
Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.87	-0.08	-2.13	0.77	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	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

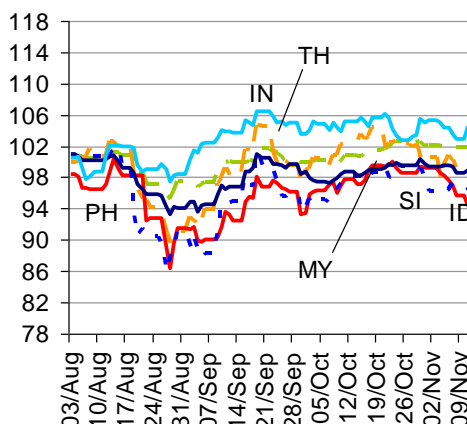
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

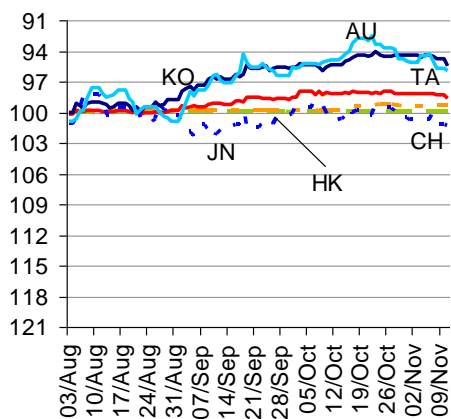
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

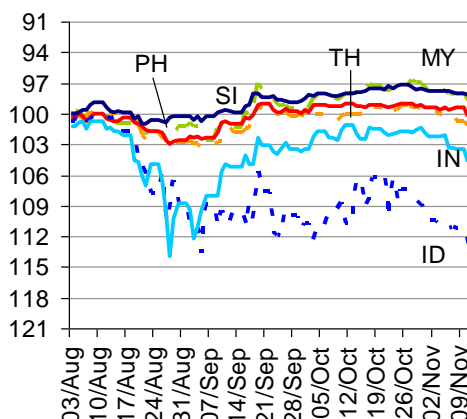
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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