

# Asia Flash

## Asia

### **“Third Plenum” concludes in China, amidst expectations of “decisive” reforms**

China’s Third Plenum meeting concluded today with media reports flagging the passage of a widely anticipated blueprint for reforms. The official Communiqué is to be released shortly and we will report on further details tomorrow. In the meantime, state-run media are reporting that the results will contain “decisive” reforms in the economic area, to be implemented in the next 5-10 years. To facilitate implementation, it is expected that a leadership team will be appointed to oversee the overall design and progress of reforms.

### **A surprise rate hike in Indonesia**

After pausing last month, Bank Indonesia (BI) today resumed its tightening campaign with a 25bp rate hike in order to contain the current account deficit and support the currency against further downside pressures. Under Governor Agus Martowardojo, who took office in May this year, BI has now hiked rates by 175bps since June, to 7.50%, following an administered fuel price increase and episode of currency volatility and capital outflows from earlier expectations of QE tapering. Today’s move came as a surprise given signs that inflation has begun to ease (falling to a lower-than-expected 8.3% y/y in October), and that the current account deficit may be narrowing on a slowdown in GDP growth (5.6% y/y in Q3, reflecting five consecutive quarters of slowing growth). As in India, the Indonesian authorities have been taking advantage of the breathing space provided by the delay in QE tapering to make policy adjustments to reduce the economy’s vulnerability to capital outflows once tapering begins, most likely in early 2014. We expect GDP growth of 5.6% in 2013, rising to 5.8% in 2014.

### **The Philippines copes with post-typhoon disruption as costs are tallied**

The Philippines continues to struggle with relief efforts after a massive typhoon, one of the world’s strongest on record to make landfall, devastated parts of the central region of the country on November 8. The death toll continues to climb with media predictions indicating it could eventually mount to 10,000 lost lives or higher (as of the time of writing, the official death toll stood at 1,744). Beyond the horrific loss of life, officials expect that disruptions will have some short-term impact on GDP growth, which has until now been among the highest in Asia, reaching 7.6%y/y in the first half of 2013. Given the location of the damage, it is expected that the typhoon will mainly affect the country’s agricultural output. We had previously projected that growth in the Philippines would reach 7.0% for full-year 2013, and we will reassess our forecast as further details are known. As has happened in the wake of other natural disasters in the region, recovery spending may eventually provided a boost to investment spending, most likely to be seen in 2014.

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With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP YoY	15 Nov	3Q	3.30%	3.20%	--
GDP SA QoQ	15 Nov	3Q	0.80%	0.70%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Tertiary Industry Index MoM	12 Nov	Sep	0.60%	0.20%	-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%	--	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	11 Nov	Sep	2.70%	2.50%	1.00%
GDP YoY	15 Nov	3Q	4.30%	4.70%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	12 Nov	Sep	20.20%	2.00%	4.90%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales YoY	15 Nov	Sep	-7.80%	-4.50%	--
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment rate SA	13 Nov	Oct	3.00%	3.00%	--

## Calendar Events

<b>Indonesia – Bank Indonesia Reference Rate, Nov 12</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
	7.25%	7.25%	7.50%
<b>Korea – BoK 7-Day Repo Rate, Nov 14</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	2.50%	2.50%	--

## Indicator of the Week

Japan: preliminary Q3 GDP growth (November 14<sup>th</sup>)

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.	2126.8	0.8	-1.4	-6.3	2.3
Hong Kong – Hang Seng	22901.4	-0.7	-0.6	1.1	6.9	
Taiwan – TAIEX	8195.3	0.2	-0.8	6.4	12.8	
Japan – Nikkei 225	14588.7	2.2	2.6	40.3	68.1	
Korea – Kospi	1995.5	0.9	-0.9	-0.1	5.0	
India – Sensex 30 *	20281.9	-1.0	-3.3	4.4	8.6	
Australia – SPX/ASX 200	5393.1	0.1	-0.7	16.0	21.2	
Singapore – Strait Times	3180.3	-0.2	-0.8	0.4	5.7	
Indonesia – Jakarta Comp	4380.6	-1.4	-1.0	1.5	1.4	
Thailand – SET	1413.1	0.5	-0.2	1.5	9.2	
Malaysia – KLCI	1794.8	-0.5	-0.7	6.3	9.6	
Philippines – Manila Comp.	6324.2	0.9	-3.0	8.8	15.6	

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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	0.00	0.15	6.14	6.16
Hong Kong (HKD/USD)	7.75	-0.01	-0.02	7.75	7.75	
Taiwan (TWD/USD)	29.6	-0.09	-0.55	29.53	29.27	
Japan (JPY/USD)	99.72	-0.56	-1.22	99.66	99.41	
Korea (KRW/USD)	1071	0.09	-0.96	1080	1092	
India (INR/USD)	63.7	-0.67	-3.20	65.64	69.58	
Australia (USD/AUD)	0.93	-0.40	-1.95	1.08	1.10	
Singapore (SGD/USD)	1.25	-0.16	-0.69	1.25	1.25	
Indonesia (IDR/USD)	11605	-0.36	-2.15	11968	12713	
Thailand (THB/USD)	31.6	0.13	-1.01	31.87	32.36	
Malaysia (MYR/USD)	3.21	-0.28	-1.14	3.23	3.28	
Philippines (PHP/USD)	43.8	-0.43	-1.33	43.76	43.70	

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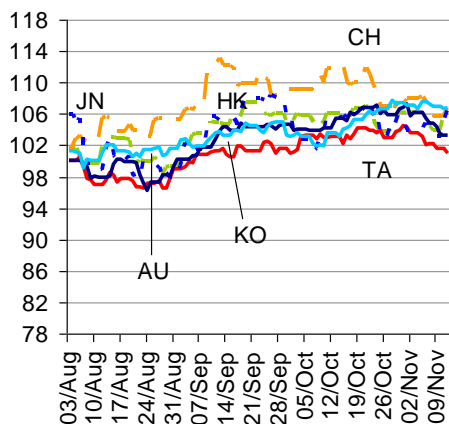
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.55	-0.23	-0.33	-0.70
Hong Kong (HIBOR/1W)	0.13	-0.01	-0.01	-0.01	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.60	-0.27	-0.93	0.50	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.11	0.01	0.01	0.01	
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

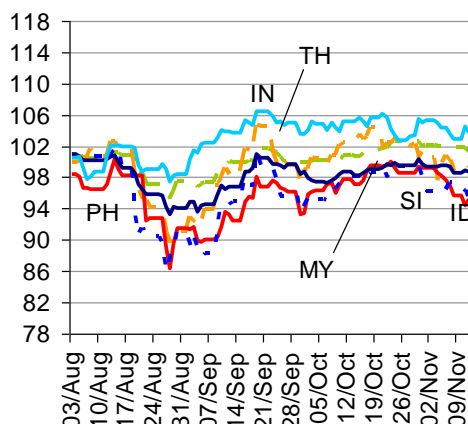
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

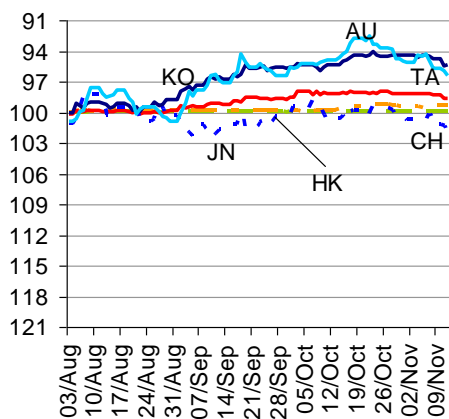
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

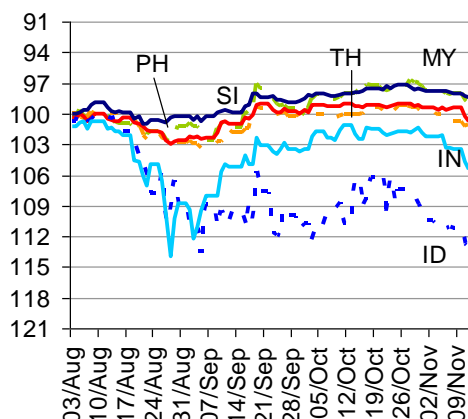
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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