

# Asia Flash

## Asia

### Japanese government releases details of 2014 stimulus package

The government yesterday announced details of its ¥5.5 trillion (1.1% of GDP) stimulus package aimed at offsetting a drag on GDP growth from the scheduled 3-percentage point hike in the sales tax in April (from 5.0% to 8.0%). The stimulus plan had been announced in October at the time of the decision to proceed with the tax hike, with details to be announced in December. As announced yesterday, the stimulus package will consist of ¥1.4 trillion in infrastructure spending for the 2020 Tokyo Summer Olympic Games, ¥3.1 trillion in continued reconstruction spending following the March 2011 earthquake and tsunami, ¥0.6 trillion in subsidies to low income groups, and ¥0.3 trillion in spending on job creation for young and female workers. Importantly, the package is to be financed in a way to avoid a further rise in public debt (which stands at over 230% of GDP), by tapping into revenue overruns from 2013 and using “special funds”. On balance, the stimulus package may come as a disappointment to those who were expecting bolder measures, as it lacks incentives to boost private investment and counts some spending that had been previously planned. While the forthcoming tax hike poses some risks to growth momentum – all the more so after a disappointing Q3 outturn (1.9% saar from 3.8% in Q2) – we believe it is an important and necessary step toward ensuring medium-term fiscal sustainability. In the meantime, we are awaiting implementation of much needed structural reforms (the “third arrow” of Abenomics). We expect GDP growth of 1.9% and 1.5% in 2013 and 2014, respectively.

### Briefly noted:

#### Free Trade Agreement signed between Australia and Korea

The Australian government announced the signing yesterday of a free trade agreement with South Korea. Approval is still needed by the two countries’ legislators. Korea is Australia’s third largest trading partner, with two-way trade totalling USD 28.76 billion in 2012, while Australia is Korea’s sixth largest. The agreement eliminates tariffs over the next ten years on agricultural, manufactured, and natural resource goods.

#### Malaysian exports show continued improvement for October

October export growth rose to 9.6% y/y (consensus: 6.1% y/y; September: 5.6%). China and Europe remain the main drivers behind resilient growth. The October reading suggests that external demand has continued to improve in the fourth quarter after a disappointing first half of the year, when exports contracted by minus 4.0% y/y.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales MoM	03 Dec	Oct	0.90%	0.40%	0.50%
GDP SA QoQ	04 Dec	3Q	0.70%	0.70%	0.60%
GDP YoY	04 Dec	3Q	2.40%	2.60%	2.30%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	02 Dec	Nov	50.9	50.5	50.8
Non-manufacturing PMI	03 Dec	Nov	56.3	--	56.0
HSBC/Markit Services PMI	04 Dec	Nov	52.6	--	52.5
Imports YoY	08 Dec	Nov	7.60%	7.00%	--
Exports YoY	08 Dec	Nov	5.60%	6.50%	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	02 Dec	Nov	8.32%	8.45%	8.37%
Exports YoY	02 Dec	Oct	-6.90%	-2.60%	2.60%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Capital Spending YoY	02 Dec	3Q	0.00%	3.60%	1.50%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	06 Dec	Oct	5.60%	6.10%	9.60%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	05 Dec	Nov	2.90%	3.50%	3.30%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	02 Dec	Nov	0.70%	1.00%	0.90%
GDP SA QoQ	05 Dec	3Q F	1.10%	--	1.10%
GDP YoY	05 Dec	3Q F	3.30%	--	3.30%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	05 Dec	Nov	0.64%	1.00%	0.67%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	02 Dec	Nov	1.46%	1.82%	1.92%

## Calendar Events

<b>Australia – RBA Cash Rate Target, Dec 03</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%

## Indicator of the Week

### China: Industrial production for November (December 10<sup>th</sup>)

Forecast: 10.3% y/y	Consensus: 10.1% y/y	Prior: 10.3% y/y
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After picking up in Q3, China's growth momentum appears to have been sustained in recent months as indicated by a strong official PMI for November (51.4, the same as the previous month). Sentiment has been further lifted by the conclusion of the Third Plenum meeting and its resulting reform blueprint. Output is also being sustained by the lingering effects of mini-stimulus measures adopted earlier in the year, and external demand is gradually improving. We therefore expect manufacturing activity to have remained strong in November, which would bode well for our full-year growth projection of 7.7% for 2013 (based on Q4 growth of 7.6%-7.7%). A set of other monthly activity indicators will also be released in the coming week, including inflation (BBVA: 3.0%), investment (BBVA: 20.0% ytd), retail sales (BBVA: 13.4%), and credit aggregates. We will also be watching for the Central Economic Work conference in which it is expected that the government will set next year's growth target (likely in the 7.0%-7.5% range).

## 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.	2237.1	-0.4	0.7	-1.4	10.2
Hong Kong – Hang Seng	23743.1	0.1	-0.6	4.8	6.7	
Taiwan – TAIEX	8367.7	-0.1	-0.5	8.7	9.8	
Japan – Nikkei 225	15299.9	0.8	-2.3	47.2	60.3	
Korea – Kospi	1980.4	-0.2	-3.2	-0.8	1.6	
India – Sensex 30 *	20988.6	0.1	0.9	8.0	7.7	
Australia – SPX/ASX 200	5186.0	-0.2	-2.5	11.6	15.0	
Singapore – Strait Times	3114.2	-0.3	-2.0	-1.7	1.2	
Indonesia – Jakarta Comp	4180.8	-0.9	-1.8	-3.1	-2.6	
Thailand – SET	1357.4	-1.4	-0.2	-2.5	2.1	
Malaysia – KLCI	1827.0	0.1	0.8	8.2	13.0	
Philippines – Manila Comp.	6014.9	-0.3	-3.1	3.5	4.4	

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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)	6.08	0.15	0.19	6.12	6.13
Hong Kong (HKD/USD)	7.75	-0.01	-0.03	7.75	7.75	
Taiwan (TWD/USD)	29.6	0.07	0.04	29.48	29.23	
Japan (JPY/USD)	102.20	-0.40	0.23	102.13	101.90	
Korea (KRW/USD)	1058	0.16	0.03	1064	1075	
India (INR/USD)	61.6	0.28	1.39	62.94	66.71	
Australia (USD/AUD)	0.91	-0.03	-0.53	1.11	1.13	
Singapore (SGD/USD)	1.25	-0.06	0.13	1.25	1.25	
Indonesia (IDR/USD)	11964	0.01	0.01	12361	13191	
Thailand (THB/USD)	32.3	-0.41	-0.88	32.71	33.21	
Malaysia (MYR/USD)	3.23	-0.17	-0.30	3.25	3.29	
Philippines (PHP/USD)	43.9	-0.25	-0.43	43.84	43.73	

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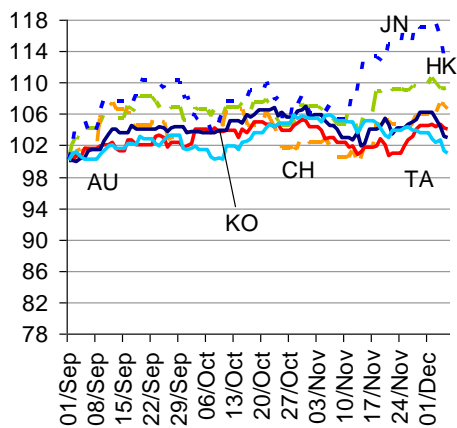
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.55	0.00	-0.11	0.67
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.01	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.65	0.10	-0.08	0.77	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.48	0.00	-0.02	0.38	
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

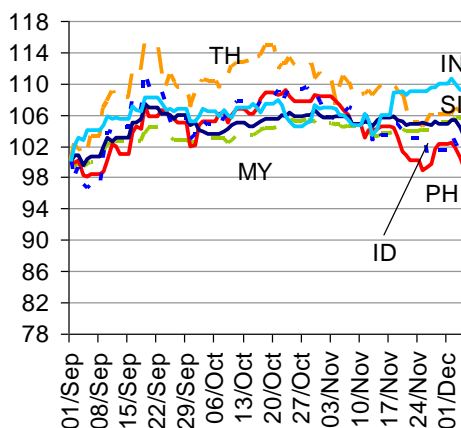
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

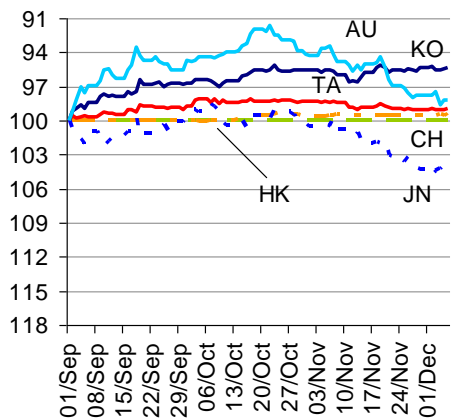
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

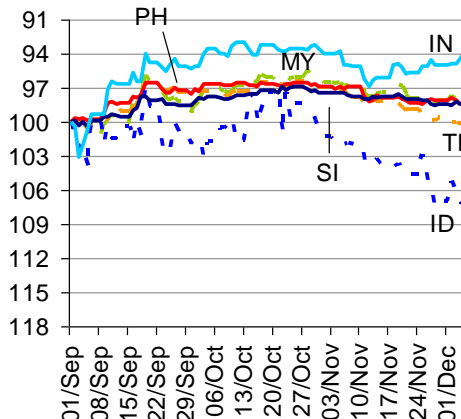
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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