

# Asia Flash

## Asia

### China flash PMI for January weakens on disappointing new orders

As reported earlier this week, China's Q4 GDP came in line with expectations, at a robust 7.7% y/y. However, December activity indicators weakened most notably official PMI (51.0 vs. 51.4 in November) and industrial production (9.7 vs. 10.0 in November). Against this backdrop, a much weaker-than-expected flash HSBC PMI for January (49.6 vs. consensus: 50.3), released today, is raising concerns of a slowdown, all the more so given it is the first sub-50 reading since July 2013. We have expected some slowing of growth in 2014 as government stimulus measures wind down and the authorities push ahead with reforms to address financial fragilities (such as shadow bank lending, rising housing prices, and over-capacity in some sectors). Also, recent volatility in interbank rates – which has prompted liquidity injections by the PBoC in recent days--may be impacting SMEs. Our 2014 growth outlook remains at 7.6%, with downside risks. Nevertheless, caution is in order in interpreting the flash estimate. In addition to the possibility of upward revisions (the final HSBC and official PMIs are due on January 30 and February 1), the coming lunar New Year (beginning January 31) adds distortions to the data.

### Korea Q4 GDP growth meets expectations

As expected, Korea's Q4 GDP growth moderated to 0.9% q/q s.a. (consensus: 0.9%), from 1.1% q/q in Q3 (in year-over-year terms, Q4 growth accelerated to 3.9% from 3.3% in Q3). The outturn brings full-year 2013 GDP growth to 2.8% (up from 2.0% in 2012), and was underpinned by sustained private consumption and exports, which helped offset a decline in construction spending. Even more so than many other Asian economies, Korea is well placed to benefit from the ongoing pickup in demand from the US and EU, as it has a relatively high share of export exposure (about one-fifth) to these overseas markets. We expect GDP growth to rise to 3.7% in 2014. Nevertheless, there are downside risks from weakening domestic demand given high household debt and as fiscal stimulus wears off. With low inflation (1.1% in December vs. BOK's target rate range of 2.5-3.5%), the central bank has room to lower rates if needed (presently at 2.50%).

### Briefly noted:

### Taiwan industrial output jumps on solid manufacturing activity

December industrial production rebounded by a better-than-expected 5.1% y/y (consensus: 1.9% y/y), reversing a -0.5% y/y contraction in November. On a sequential basis after seasonal adjustment, IP increased by 1.8% m/m sa (November: -0.6%) led by strong output in the manufacturing sector (1.9% m/m sa). Together with upbeat forward-looking indicators released earlier this month (especially PMI and export orders) the IP outturn bodes well for a pickup in Taiwan's growth this year (BBVA estimates 2013: 1.9%; 2014: 3.6%) supported by a strengthening external environment.

### Singapore's headline CPI moderates in December

Headline inflation eased to 1.5% y/y in December from 2.6% in November. The bigger-than-expected moderation (consensus: 2.0% y/y) was mainly due to a decline in transport costs, which offset a marginal pickup in food inflation. Average headline inflation rose by 2.4% in 2013, compared to 4.6% in the previous year. Nevertheless, we expect CPI inflation to accelerate in 2014 on rising wage pressures from a tight labor market. This should keep the MAS from easing monetary policy at its next policy meeting in April.

Stephen Schwartz  
Chief Economist for Asia  
stephen.schwartz@bbva.com.hk  
+852 2582 3218

George Xu  
Economist  
george.xu@bbva.com.hk  
+852 2582 3121

With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI QoQ	22 Jan	4Q	1.20%	0.40%	0.80%
CPI YoY	22 Jan	4Q	2.20%	2.40%	2.70%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP SA QoQ	20 Jan	4Q	2.20%	2.00%	1.80%
GDP YoY	20 Jan	4Q	7.80%	7.60%	7.70%
GDP YTD YoY	20 Jan	4Q	7.70	7.70	7.70%
Fixed Assets Ex Rural YTD YoY	20 Jan	Dec	19.90%	19.80%	19.60%
Retail Sales YoY	20 Jan	Dec	13.70%	13.60%	13.60%
Industrial Production YoY	20 Jan	Dec	10.00%	9.80%	9.70%
HSBC/Markit Flash Mfg PMI	23 Jan	Jan	50.5	50.3	49.6
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate SA	20 Jan	Dec	3.30%	3.30%	3.20%
CPI Composite YoY	21 Jan	Dec	4.30%	4.30%	4.30%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	20 Jan	Nov F	5.00%	--	4.80%
All Industry Activity Index MoM	22 Jan	Nov	-0.40%	0.30%	0.30%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	22 Jan	Dec	2.90%	3.10%	3.20%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Imports YoY	24 Jan	Nov	-8.60%	-2.10%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	23 Jan	Dec	2.60%	2.00%	1.50%
Industrial Production YoY	24 Jan	Dec	4.00%	-1.40%	--
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP YoY	23 Jan	4Q P	3.30%	3.90%	3.90%
GDP SA QoQ	23 Jan	4Q P	1.10%	0.90%	0.90%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Export Orders YoY	20 Jan	Dec	0.80%	2.00%	7.40%
Unemployment Rate	22 Jan	Dec	4.15%	4.15%	4.12%
Commercial Sales YoY	23 Jan	Dec	2.51%	1.60%	3.65%
Industrial Production YoY	23 Jan	Dec	-0.50%	1.90%	5.07%
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	24 Jan	Jan	6.04%	6.05%	--
Exports YTD YoY	25-29 Jan	Jan	15.40%	1.10%	--
Retail Sales YTD YoY	25-29 Jan	Jan	12.60%	--	--
Industrial Production YoY	25-29 Jan	Jan	7.00%	--	--

## Calendar Events

<b>Thailand – BoT Benchmark Interest Rate, Jan 22</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	2.25%	2.00%	2.25%

## 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.	2042.2	-0.5	0.9	-3.5	-12.0
	Hong Kong – Hang Seng	22733.9	-1.5	-1.1	-2.5	-3.8
	Taiwan – TAIEX	8595.1	-0.4	-0.2	-0.2	11.0
	Japan – Nikkei 225	15695.9	-0.8	-0.3	-3.7	49.7
	Korea – Kospi	1947.6	-1.2	-0.5	-3.2	-1.7
	India – Sensex 30 *	21364.4	0.1	0.5	0.9	6.7
	Australia – SPX/ASX 200	5263.0	-1.1	-0.9	-1.7	9.9
	Singapore – Strait Times	3100.2	-1.1	-1.3	-2.1	-4.1
	Indonesia – Jakarta Comp	4496.0	0.4	1.9	5.2	1.7
	Thailand – SET	1307.6	1.3	0.5	0.7	-9.1
	Malaysia – KLCI	1808.3	-0.3	-0.9	-3.1	10.6
	Philippines – Manila Comp.	6170.1	0.5	3.1	4.8	1.3

Last update: today, 18:30 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.05	-0.01	0.06	6.10	6.11
	Hong Kong (HKD/USD)	7.76	0.00	-0.05	7.76	7.76
	Taiwan (TWD/USD)	30.3	-0.31	-0.74	30.32	30.19
	Japan (JPY/USD)	104.32	0.19	0.03	104.27	104.01
	Korea (KRW/USD)	1074	-0.60	-0.97	1081	1092
	India (INR/USD)	62.0	-0.24	-0.70	63.26	66.98
	Australia (USD/AUD)	0.88	-0.60	-0.25	1.14	1.16
	Singapore (SGD/USD)	1.28	-0.11	-0.69	1.28	1.28
	Indonesia (IDR/USD)	12165	-0.18	-0.33	12452	13192
	Thailand (THB/USD)	32.9	0.14	-0.32	33.12	33.73
	Malaysia (MYR/USD)	3.33	-0.23	-1.01	3.35	3.40
	Philippines (PHP/USD)	45.3	-0.22	-0.40	45.57	45.80

Last update: today, 18:30 Hong Kong time.

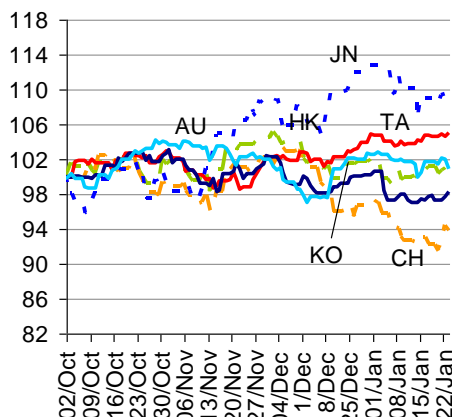
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	5.29	0.09	0.53	-3.71
	Hong Kong (HIBOR/1W)	0.13	0.00	0.01	0.00
	Taiwan (TAIBOR/1W)	0.51	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.55	0.00	0.00	-0.02
	India (MIBOR/7D)	5.30	0.08	0.72	-3.66
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	6.46	0.00	0.04	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

Last update: today, 18:30 Hong Kong time

# Charts

Chart 1

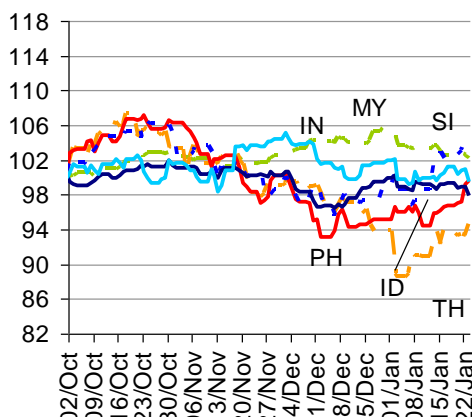
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

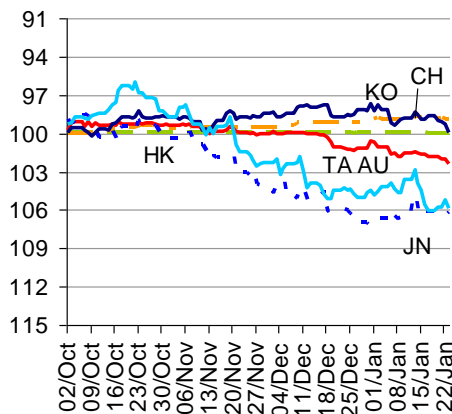
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

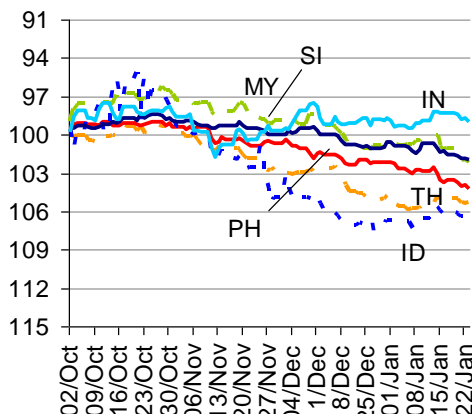
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@bbva.com](mailto:sumedh.deorukhkar@bbva.com)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)



RESEARCH



95/F, International Commerce Centre, One Austin Road West, Kowloon, Hong Kong | Tel.: +852 2582 3111 | [www.bbva.com.hk](http://www.bbva.com.hk)

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on [research.emergingmarkets@bbva.com.hk](mailto:research.emergingmarkets@bbva.com.hk) and we shall immediately take you off the list.