

# Asia Flash

## Asia

### China's strong January exports ease worries of a slowdown

January exports surged by a surprising 10.6% y/y (consensus: 0.1% y/y; December: 4.1% y/y), underscoring improving external demand. In year-over-year terms exports rose to the US (10.7%), EU (19.2%), ASEAN (18.4%), and Japan (16.0%), while exports to Hong Kong -- the main source of over-invoicing last year intended to disguise capital inflows -- fell by -18.3% y/y. The strong export outturn might data distortions and monthly volatility, all the more so as January export outturns in other Asian economies such as Taiwan (-5.3% y/y) and Korea (-0.2% y/y) have been less than stellar. Nevertheless, it should help allay worries of a slowdown which have been reignited, unnecessarily in our view, by disappointing PMI outturns. Import growth also surprised to the upside (10.8% y/y vs consensus: 4.0%), providing evidence of robust domestic demand. The monthly trade surplus widened to USD 31.9 bn in January from USD 25.0 bn in December (the trade surplus amounted to USD 260 billion for 2013 as a whole), which should add further impetus for currency appreciation (the RMB currently stands at 6.06 per USD, compared to 6.05 at end-2013). We expect GDP growth of 7.6% in 2014, down only slightly from the 7.7% outturn in 2013 as financial fragilities and reforms generate near-term headwinds.

### India's trade deficit improves slightly in January

Helping to boost sentiment, India's January trade data narrowed further as declining exports (-18.1% y/y) offset subdued export performance (+3.8% y/y). The trade deficit amounted to USD 9.9 bn, compared to USD 10.1 bn in December. Imports contracted for an eighth straight month, dragged by weak domestic demand. Going forward, we expect the current account deficit to narrow (BBVA est: -2.2% of GDP for FY14 vs -4.8% in FY13) which should help supporting the currency, which has been stable at around 62.2 per USD.

### Growth momentum accelerates in Malaysia

Q4 GDP beat expectations, following similarly upbeat growth outturns in Indonesia and the Philippines. Specifically, Q4 Malaysian growth rose to 5.1% y/y (consensus: 4.8%; BBVA: 4.7%) from 5.0% in the third quarter, bringing full-year growth to 4.7% in 2013 compared to 5.6% in the previous year. The pickup was driven by resilient domestic demand. We expect growth momentum to be sustained at 5.1% in 2014, which could prompt interest rate hikes by the central bank in H2. Headwinds could emerge from the renewed volatility and tighter financial conditions.

### Briefly noted:

#### Korea's unemployment rate rises

South Korea's seasonally adjusted unemployment rate inched up by 0.1% to 3.2% in January (December 3.1%). Nevertheless, a total of 705,000 new jobs were created in January, up from 322,000 a year earlier and up from 560,000 the previous month, implying a modest recovery in economic growth. Looking ahead, we expect that Korean labor market will remain tight as the economy gains traction.

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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>
Unemployment Rate	13 Feb	Jan	5.80%	5.90%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	12 Feb	Jan	4.30%	0.10%	10.60%
Imports YoY	12 Feb	Jan	8.30%	4.00%	10.00%
Money Supply M2 YoY	12-15 Feb	Jan	13.60%	13.20%	--
Aggregate Financing RMB	12-15 Feb	Jan	1232.2B	1900.0B	--
New Yuan Loans	12-15 Feb	Jan	482.5B	1100.0B	--
PPI YoY	14 Feb	Jan	-1.40%	-1.60%	--
CPI YoY	14 Feb	Jan	2.50%	2.40%	--
Foreign Direct Investment YoY	14-18 Feb	Jan	3.30%	2.50%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	11 Feb	Jan	3.50%	--	3.80%
CPI YoY	12 Feb	Jan	9.87%	9.20%	--
Industrial Production YoY	12 Feb	Dec	-2.10%	-1.10%	--
Wholesale Prices YoY	14 Feb	Jan	6.16%	5.65%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Machine Tool Orders YoY	12 Feb	Jan P	28.10%	--	39.60%
Tertiary Industry Index MoM	12 Feb	Dec	0.80%	-0.30%	-0.40%
Machine Orders MoM	12 Feb	Dec	9.30%	-4.00%	-15.70%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	10 Feb	Dec	3.80%	5.30%	4.80%
GDP YoY	12 Feb	4Q	5.00%	4.80%	5.10%
GDP Annual YoY	12 Feb	2013	5.60%	4.70%	4.70%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	11 Feb	Dec	18.90%	10.40%	15.80%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales YoY	14 Feb	Dec	-8.70%	-7.00%	--
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment rate SA	12 Feb	Jan	3.10%	3.00%	3.20%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	10 Feb	Jan	1.20%	-0.50%	-5.30%

## Calendar Events

<b>Indonesia - Bank Indonesia Reference Rate, Feb 13</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	7.50%	7.50%	--
<b>Korea - BoK 7-Day Repo Rate, Feb 13</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

### India: January Wholesale Prices Inflation (February 14<sup>th</sup>)

Forecast: 6.5% y/y

Consensus: 5.6% y/y

Prior: 6.2% y/y

Taming high inflation in order to ensure sustainable medium term growth has been a top priority for the Reserve Bank of India, which delivered a surprise 25 bps rate hike on January 28th, in turn bringing the cumulative rate hikes to 75 bps since September 2013. While domestic demand remains subdued and primary food inflation is moderating on the back of a bumper crop, a weak rupee coupled with evidence of increased pass through of input costs by producers poses upside risk to core inflation. Against this backdrop and given recent hikes in fuel prices, we expect the January WPI inflation outturn to inch higher. Lingering inflation pressures could prod RBI to tighten policy rates further at its next meeting on April 1st, although our base case forecast expects the benchmark repo rate to stay stable at 8.0% over 1H14.

## Markets Data

INDEX	Last price	% change		Year to date	% change over 1 Y
		over a day	over a week		
China - Shanghai Comp.	2110.0	0.3	2.9	-0.3	-13.3
Hong Kong - Hang Seng	22285.8	1.5	4.8	-4.4	-4.0
Taiwan - TAIX	8510.9	1.0	3.0	-1.2	7.6
Japan - Nikkei 225	14800.1	0.6	5.7	-9.2	32.7
Korea - Kospi	1935.8	0.2	2.4	-3.8	-0.5
India - Sensex 30 *	20448.5	0.4	0.9	-3.4	4.5
Australia - SPX/ASX 200	5310.1	1.1	4.7	-0.8	7.1
Singapore - Strait Times	3035.5	0.2	2.5	-4.2	-7.2
Indonesia - Jakarta Comp	4496.3	0.6	2.6	5.2	-1.1
Thailand - SET	1314.1	1.4	2.6	1.2	-11.7
Malaysia - KLCI	1825.6	0.1	2.2	-2.2	12.4
Philippines - Manila Comp.	6112.3	0.1	3.5	3.8	-5.4

Last update: today, 18:30 Hong Kong time

CURRENCY	Spot	% change		Forward 12-3-month	Forward 3-month
		over a day	over a week		
China (CNY/USD)	6.06	-0.04	-0.04	6.10	6.11
Hong Kong (HKD/USD)	7.76	0.01	0.08	7.75	7.75
Taiwan (TWD/USD)	30.3	0.15	0.02	30.17	30.00
Japan (JPY/USD)	102.43	0.20	-0.96	102.38	102.15
Korea (KRW/USD)	1063	0.78	1.44	1066	1077
India (INR/USD)	62.1	0.21	0.79	63.24	66.96
Australia (USD/AUD)	0.90	0.12	1.56	1.11	1.13
Singapore (SGD/USD)	1.27	0.18	0.23	1.27	1.26
Indonesia (IDR/USD)	12088	0.50	0.88	12269	12954
Thailand (THB/USD)	32.5	0.61	0.69	32.76	33.33
Malaysia (MYR/USD)	3.32	0.31	-0.08	3.34	3.38
Philippines (PHP/USD)	44.8	0.52	1.11	44.83	45.04

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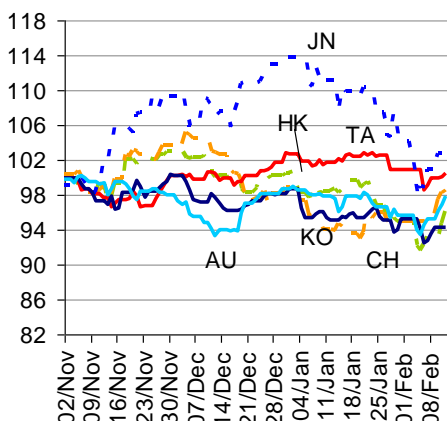
INDEX	Rate	net change		
		over a day	over a week	over a month
China (SHIBOR/7D)	5.18	-0.02	-0.23	1.14
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
Taiwan (TAIBOR/1W)	0.50	0.00	0.00	0.00
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
Korea (KORIBOR/1M)	2.55	0.00	0.00	0.00
India (MIBOR/7D)	5.19	-0.01	0.08	1.12
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	6.50	0.00	0.00	0.10
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

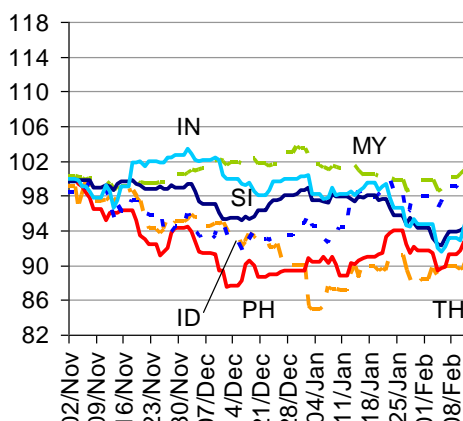
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

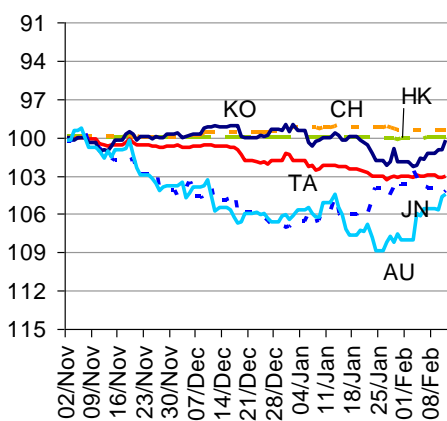
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

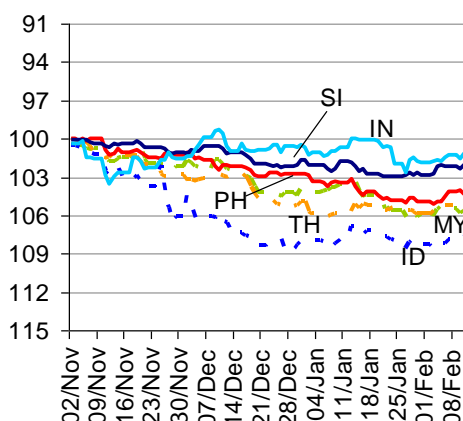
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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