

Asia Flash

Asia

China flash PMI disappoints, but reflect New Year distortions

China's flash HSBC manufacturing PMI declined in February to its lowest level since July, at 48.3 (consensus: 49.5; prior: 49.5). The outturn caused market sentiment to weaken (the Shanghai composite declined by -0.18%, along with declines of -2.15% in Japan and -1.19% in Hong Kong) on persistent worries that growth may be slowing. However, we would not put too much weight on today's outturn given high volatility in the HSBC PMI series and, especially, distortions caused by the shift in the lunar Chinese New Year, which ran this year from end-January to early February; furthermore, the HSBC PMI surveys firms of relatively small size, which have been underperforming due to less accommodative financial conditions. It is noteworthy that credit data released earlier this week were robust, and we await release of the official NBS PMI (BBVA: 50.3; Prior: 50.5); due on March 1. We maintain our projection of 7.6% GDP growth in 2014 (for further details, see our recent *China/Asia Outlook*).

Japanese exports weaken in January on sluggish demand from EM

Export growth in January fell by more than expected to 9.5% y/y (consensus: 12.7% y/y; prior: 15.3% y/y), underscoring risks to Japan's economic pickup, after a disappointing Q4 GDP outturn. By geography, exports to the advanced economies held up well, with exports to the US and EU rising by 21.9% y/y and 20.3% y/y respectively; but exports to emerging markets were sluggish. Meanwhile, imports rose by 25.0% y/y in January, as the weak yen and rising energy prices continued to boost import prices. As a result, the trade deficit in January rose to a record high of ¥2.79 trillion. We expect GDP growth of 1.5% in 2014, with downside risks from weaker than expected exports and the drag on growth from the scheduled 3 percentage point hike in the consumption tax in April.

Briefly noted:

Singapore Q4 GDP revised up on strong manufacturing and services

An upward revision today to final Q4 GDP reveals that the export-oriented economy expanded rapidly in the last quarter, by 6.1% q/q saar (Q3: 0.3%) compared to a preliminary estimate of contraction at -2.7% q/q saar. Manufacturing activity contributed to the encouraging revision, increasing by 10.4% q/q saar (prior: -4.0%). Improvement also came from the service sector thanks to a surge in financial services (19.0% q/q saar) and solid pace in the wholesale & retail sector (6.3% q/q saar). Full-year growth of 2013 now stands at 4.1% compared to 3.7% previously (2012: 1.9%).

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Foreign Direct Investment YoY	17 Feb	Jan	3.30%	2.50%	16.10%
HSBC/Markit Flash Mfg PMI	20 Feb	Feb	49.5	49.5	48.3
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18 Feb	Jan	3.20%	3.20%	3.10%
CPI Composite YoY	21 Feb	Jan	4.30%	4.40%	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized SA QoQ	17 Feb	4Q P	1.10%	2.80%	1.00%
GDP SA QoQ	17 Feb	4Q P	0.30%	0.70%	0.30%
Industrial Production MoM	17 Feb	Dec F	1.10%	--	0.90%
All Industry Activity Index MoM	19 Feb	Dec	0.40%	0.10%	-0.10%
Exports YoY	20 Feb	Jan	15.3	12.7	9.5
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19 Feb	Jan	3.20%	3.30%	3.40%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances YoY	17 Feb	Dec	7.50%	7.00%	9.10%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports YoY	17 Feb	Jan	6.00%	-1.20%	-3.30%
GDP SAAR QoQ	20 Feb	4Q F	0.30%	0.80%	6.10%
GDP YoY	20 Feb	4Q F	5.80%	5.20%	5.50%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP YoY	18 Feb	4Q F	2.92%	2.90%	2.95%
Export Orders YoY	20 Feb	Jan	7.40%	1.30%	-2.80%
Thailand	Date	Period	Prior	Cons.	Actual
GDP Annual YoY	17 Feb	2013	6.50%	2.80%	2.90%
GDP SA QoQ	17 Feb	4Q	1.40%	0.40%	0.60%
GDP YoY	17 Feb	4Q	2.70%	0.30%	0.60%

Markets Data

INDEX	Last price	% change		Year to date	% change over 1 Y
		over a day	over a week		
China - Shanghai Comp.	2138.8	-0.2	1.9	1.1	-10.8
Hong Kong - Hang Seng	22394.1	-1.2	1.0	-3.9	-3.9
Taiwan - TAIX	8524.6	-0.6	0.7	-1.0	6.2
Japan - Nikkei 225	14449.2	-2.1	-0.6	-11.3	26.0
Korea - Kospi	1930.6	-0.6	0.2	-4.0	-4.6
India - Sensex 30 *	20536.6	-0.9	1.7	-3.0	4.6
Australia - SPX/ASX 200	5412.3	0.1	2.0	1.1	6.2
Singapore - Strait Times	3086.6	-0.1	1.5	-2.6	-6.7
Indonesia - Jakarta Comp	4598.2	0.1	2.4	7.6	-0.8
Thailand - SET	1304.0	-1.3	-0.8	0.4	-15.7
Malaysia - KLCI	1827.8	-0.1	0.6	-2.1	13.3
Philippines - Manila Comp.	6352.8	0.9	4.1	7.9	-4.4

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CURRENCY	Spot	% change		Forward 12-3-month	Forward 3-month
		over a day	over a week		
China (CNY/USD)	6.08	-0.13	-0.34	6.12	6.13
Hong Kong (HKD/USD)	7.76	-0.01	0.00	7.75	7.75
Taiwan (TWD/USD)	30.3	-0.06	0.15	30.25	30.03
Japan (JPY/USD)	102.01	0.29	0.16	101.96	101.73
Korea (KRW/USD)	1072	-0.62	-0.56	1081	1092
India (INR/USD)	62.3	-0.08	0.28	63.50	67.22
Australia (USD/AUD)	0.90	-0.32	-0.09	1.12	1.14
Singapore (SGD/USD)	1.27	-0.21	-0.09	1.27	1.27
Indonesia (IDR/USD)	11825	-0.40	1.31	12054	12654
Thailand (THB/USD)	32.6	0.02	-0.02	32.83	33.31
Malaysia (MYR/USD)	3.31	-0.45	0.39	3.33	3.37
Philippines (PHP/USD)	44.8	-0.32	0.24	44.79	44.99

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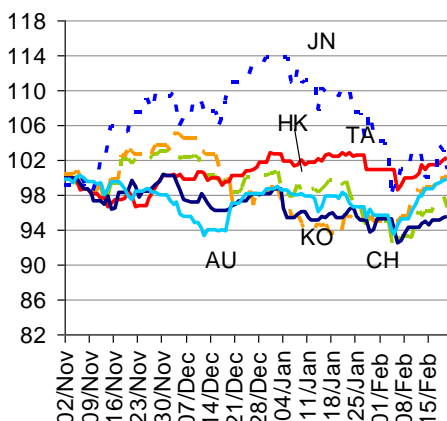
INDEX	Rate	net change		
		over a day	over a week	over a month
China (SHIBOR/7D)	3.75	-0.01	-0.69	-2.61
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.01
Taiwan (TAIBOR/1W)	0.50	0.00	0.00	0.00
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
Korea (KORIBOR/1M)	2.55	0.00	0.00	0.00
India (MIBOR/7D)	3.68	0.12	-1.55	-1.52
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	6.52	0.00	0.02	0.08
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

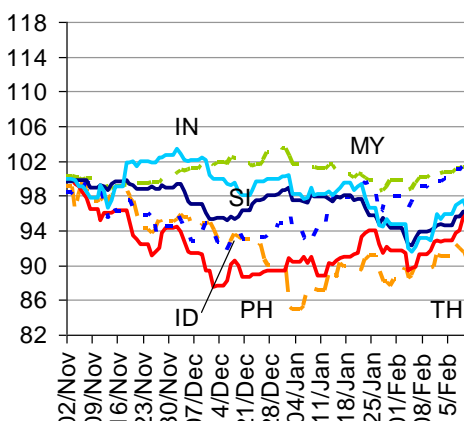
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

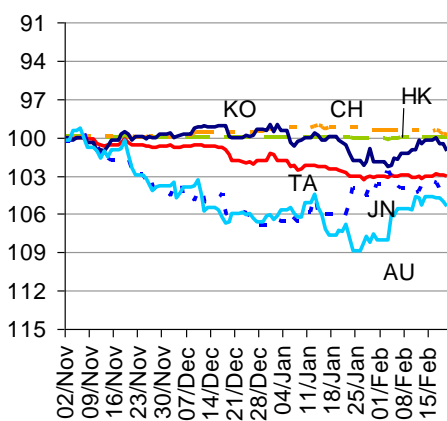
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

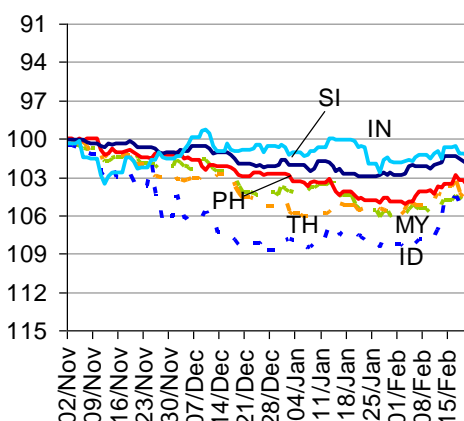
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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