

# Asia Flash

## Asia

### **Korea announces its own “third arrow” to boost medium-term growth**

In an announcement reminiscent of Japan’s recent efforts to revive its economy, President Park Geun-hye of Korea yesterday announced a “three-year economic innovation plan” aiming to lift medium-term growth, labor participation, and per capita income. Specific targets include a 4% annual GDP growth rate (compared with 2.8% in 2013), 70% labor participation rate (up from 65% at present), and per capita income of \$40,000 (up from \$28,000 at present). The plan aims to open more sectors to private investment, such as railroads and public housing. It also hopes to boost service sector productivity by increasing R&D investment and promoting business start-ups. The envisaged goals and reforms are realistic, and a step in the right direction in our view, although more could be done to boost Korea’s growth potential, such as reducing the role of conglomerates (Cheabul) and increasing the flexibility of the SME sector. That said, Korea is bright spot in Asia, having significantly reduced its external vulnerability and reliance on short-term debt since the global financial crisis, and positioning itself to take advantage of the ongoing pickup in the US and EU. We expect GDP growth to rise to 3.6% in 2014 and to 4.0% 2015.

### **Hong Kong Q4 GDP rises, as govt budget turns to targeted relief measures**

Fourth quarter GDP rose to 1.1% s.a q/q (3.0% y/y) from 0.7% in Q3, in line with expectations, bringing full-year growth for 2013 to 2.9% (BBVA: 3.1%). Growth in 2013 picked up from the previous year (1.5%) on improving external demand and robust private consumption. Today also featured the annual budget speech, in which the government maintained its GDP growth forecast at 3-4% (BBVA: 3.7%). For a tenth year in a row, the government expects a surplus, of 0.9% of GDP in FY2013/14 (year ending in March), down from 1.6% in FY 2012/2013. For 2014/15, the government plans to retain various relief packages, but on a more limited and more targeted basis than in the past, by reducing public housing subsidies and a property tax waiver, as well as eliminating untargeted electricity subsidies. Key themes focused on the impact of ageing population on future growth and revenue, as well as efforts to maintain Hong Kong’s competitiveness as an international hub. Details can be found at <http://www.budget.gov.hk/2014/index.html>.

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## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
China January Property Prices	24 Feb	Jan	--	--	--
Manufacturing PMI	01 Mar	Feb	50.5	50.0	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	25 Feb	Jan	0.00%	-1.00%	-0.40%
GDP YoY	26 Feb	4Q	2.80%	3.00%	3.00%
GDP SA QoQ	26 Feb	4Q	0.70%	1.10%	1.10%
GDP Annual YoY	26 Feb	2013	1.40%	3.00%	2.90%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP YoY	28 Feb	4Q	4.80%	4.70%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Natl CPI YoY	28 Feb	Jan	1.60%	1.30%	--
Markit/JMMA Manufacturing PMI	28 Feb	Feb	56.6	--	--
Jobless Rate	28 Feb	Jan	3.70%	3.70%	--
Industrial Production MoM	28 Feb	Jan P	0.90%	2.80%	--
Retail Trade YoY	28 Feb	Jan	2.50%	3.80%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	24 Feb	Jan	1.50%	1.50%	1.40%
Industrial Production YoY	26 Feb	Jan	6.40%	6.50%	3.90%
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	28 Feb	Jan	2.60%	-1.50%	--
Exports YoY	01 Mar	Feb	-0.20%	2.70%	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	24 Feb	Jan	5.55%	-4.50%	-1.78%
Commercial Sales YoY	24 Feb	Jan	3.65%	0.29%	2.06%
Unemployment Rate	26 Feb	Jan	4.14%	4.10%	4.07%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Customs Exports YoY	25 Feb	Jan	1.87%	-0.35%	-1.98%
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	24 Feb	Feb	5.45%	5.10%	4.65%
Exports YTD YoY	26 Feb	Feb	-10.80%	2.10%	12.30%
Industrial Production YoY	26 Feb	Feb	3.00%	--	15.20%

## Indicator of the Week

### China: February Manufacturing PMI (March 1<sup>st</sup>)

**Forecast: 50.3**

**Consensus: 50.0**

**Prior: 50.5**

After a disappointing HSBC flash PMI outturn for February (48.3; prior: 49.5), activity indicators will be closely watched for signs of an economic slowdown in China. Although production at smaller firms (which take up a relatively large share of the HSBC PMI) appears to be struggling, we expect activity at larger firms to continue performing well; meanwhile, improving exports and robust credit data in January suggest that growth remains on track. It is also worth noting that PMIs and other activity indicators are heavily influenced by distortions from the lunar Chinese New Year holiday (which took place two weeks earlier than last year). We therefore expect only a small decline in the February official PMI.

## Markets Data

INDEX	Last price	% change		Year to date	% change over 1 Y
		over a day	over a week		
China - Shanghai Comp.	2041.3	0.3	-4.7	-3.5	-11.0
Hong Kong - Hang Seng	22437.4	0.5	-1.0	-3.7	-0.4
Taiwan - TAIEX	8600.9	0.3	0.3	-0.1	9.1
Japan - Nikkei 225	14971.0	-0.5	1.4	-8.1	31.3
Korea - Kospi	1970.8	0.3	1.4	-2.0	-1.5
India - Sensex 30 *	20987.0	0.6	1.3	-0.9	10.4
Australia - SPX/ASX 200	5437.0	0.1	0.5	1.6	8.7
Singapore - Strait Times	3088.3	-0.5	0.0	-2.5	-5.1
Indonesia - Jakarta Comp	4532.7	-1.0	-1.3	6.0	-2.8
Thailand - SET	1304.6	0.1	-1.2	0.5	-14.7
Malaysia - KLCI	1822.6	-0.6	-0.4	-2.4	12.2
Philippines - Manila Comp.	6322.6	0.4	0.4	7.3	-4.6

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)	6.12	-0.02	-0.78	6.13	6.15
Hong Kong (HKD/USD)	7.76	0.03	-0.04	7.76	7.76
Taiwan (TWD/USD)	30.3	0.20	-0.04	30.20	29.98
Japan (JPY/USD)	102.39	-0.15	-0.08	102.34	102.11
Korea (KRW/USD)	1065	0.72	0.04	1072	1084
India (INR/USD)	62.1	-0.16	0.27	63.16	66.83
Australia (USD/AUD)	0.90	-0.18	0.03	1.12	1.14
Singapore (SGD/USD)	1.26	-0.04	-0.08	1.26	1.26
Indonesia (IDR/USD)	11648	0.15	1.12	11874	12479
Thailand (THB/USD)	32.5	0.06	0.18	32.74	33.26
Malaysia (MYR/USD)	3.27	0.29	0.73	3.29	3.34
Philippines (PHP/USD)	44.6	0.04	0.02	44.64	44.84

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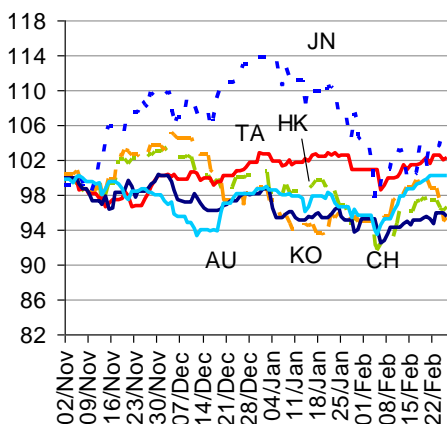
INDEX	Rate	net change		
		over a day	over a week	over a month
China (SHIBOR/7D)	3.08	-0.20	-0.57	-1.64
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.01
Taiwan (TAIBOR/1W)	0.50	0.00	0.00	0.00
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
Korea (KORIBOR/1M)	2.55	0.00	0.00	0.00
India (MIBOR/7D)	3.06	-0.91	-0.50	-1.37
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	6.52	0.00	0.00	0.05
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

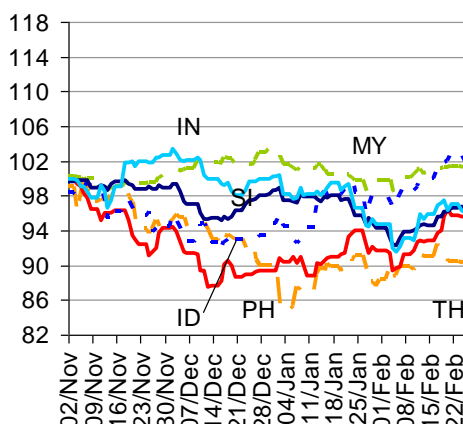
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

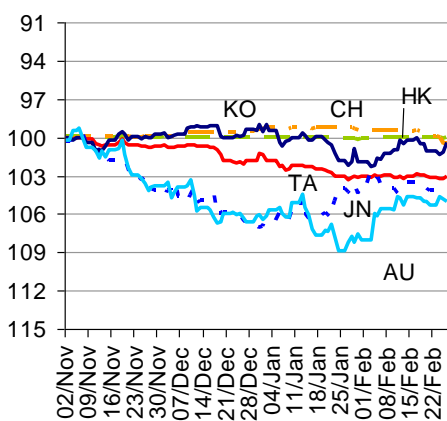
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

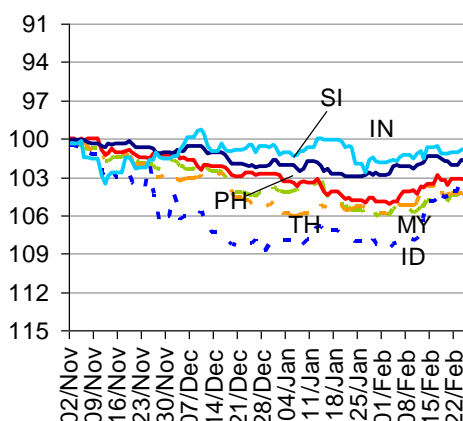
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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