

Daily Flash

Asia

Although Hong Kong, where we produce the Daily Flash, remains shrouded in thick fog for a second straight week, the latest stream of regional economic data is helping to make things feel a little bit brighter. Another encouraging monthly PMI outturn in China, strong capital spending data in Japan, and robust export outturns in Korea were just some of the positive indicators released today. Nevertheless, regional stock markets finished mixed on concerns about the external outlook. Also, current data releases need to be interpreted cautiously given distortions from the Lunar New Year effect. We continue to expect regional growth momentum to bottom out in the next 1-2 quarters (see [Asia Outlook](#)).

China's February PMI outturn signals sustained growth

As reported in our [China Flash](#) earlier today, the official Purchasing Managers Index (PMI) for February increased to 51.0% from 50.5% in January, broadly in line with expectations (BBVA 51.1%, consensus 50.9%). The outturn is encouraging as it provides further evidence that the economy is averting a hard landing and, importantly, shows a reversal in recent weakness in export demand, although that may be partly seasonal. We expect sequential growth momentum to bottom out in Q1, leading to full-year growth of 8.3% in 2012.

Japan's capital spending surged in Q4 2011

Data released by Japan's Ministry of Finance today shows that capital spending increased by +4.9% y/y, well ahead of the consensus forecast of a -7.4% decline. This is the first gain in three quarters. The outturn, together with the better-than-expected January IP data reported yesterday, is helping to boost confidence in Japan's lagging recovery. The capital spending data suggest that the previous disappointing Q4 GDP outturn (-2.3% saar) could be revised upward.

Korean exports for February beat expectations, but remain under pressure

Korea's exports—which are widely watched as the region's first monthly trade release and given the economy's leading position in the global supply chain— posted a better-than-expected increase of 22.7% y/y in February (consensus: 19.0% y/y). Optimism, however, was tempered after combining the outturn with January data to eliminate distortions from the Lunar New Year. On this basis, exports rose by 6.8% y/y, down from 11.5% y/y in December.

The Philippines cuts interest rates

The Philippines cut interest rates by 25bps for the second consecutive meeting, to 4.0%. Easing monetary policy and expansionary fiscal policy are being implemented to counter the global slowdown in the Philippines' export-dependent economy.

Briefly noted:

- **Inflation outturns in Thailand and Indonesia were benign at 3.4% y/y and 3.6%, respectively (consensus: 3.5% and 3.8%).** However, rising oil prices are generating concerns of an acceleration in the months ahead.
- **India's January exports grow 10% y/y**, providing some optimism on the growth outlook following yesterday's disappointing Q4 GDP outturn.

- **Hong Kong retails sales volume for January was disappointing** (9.1% y/y vs. consensus: 16.8%), but were probably distorted by the Lunar New Year effect.
- **The People's Bank of China (Shenzhen branch) denied reports** (see yesterday's Daily Flash) that it is allowing Shenzhen banks to engage in cross-border RMB remittance services.

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

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

William Fitchett
Economist
william.fitchett@bbva.com.hk
+852 2582 3246

With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Private Sector Credit YoY%	29-Feb	JAN	3.50%	3.60%	3.50%
Retail Sales s.a. (MoM)	29-Feb	JAN	-0.10%	0.30%	0.20%
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-Mar	FEB	50.5	50.9	51.0
HSBC Manufacturing PMI	01-Mar	FEB	48.8	--	49.6
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	01-Mar	JAN	23.40%	24.00%	14.90%
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Mar	FEB	3.65%	3.80%	3.56%
Inflation NSA (MoM)	01-Mar	FEB	0.76%	0.30%	0.05%
Exports (YoY)	01-Mar	JAN	2.20%	15.20%	6.10%
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	29-Feb	4Q	6.90%	6.30%	6.10%
India February Markit Manufacturing PMI	01-Mar	FEB	57.5	--	56.6
Exports YoY%	01-Mar	JAN	6.70%	--	10.10%
Imports YoY%	01-Mar	JAN	19.80%	--	20.30%
Japan	Date	Period	Prior	Cons.	Actual
Markit/JMMA Manufacturing PMI	29-Feb	FEB	50.7	--	50.5
Industrial Production (MoM)	29-Feb	JAN P	3.80%	1.50%	2.00%
Industrial Production YOY%	29-Feb	JAN P	-4.30%	-1.60%	-1.20%
Capital Spending	01-Mar	4Q	-9.80%	-6.50%	7.60%
Jobless Rate	02-Mar	JAN	4.60%	4.50%	--
Natl CPI YoY	02-Mar	JAN	-0.20%	-0.10%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	27-Feb	4Q	3.10%	--	3.00%
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	29-Feb	JAN	-0.90%	-0.50%	3.30%
Industrial Production (YoY)	29-Feb	JAN	2.80%	-4.60%	-2.00%
Ext Trade - Export (YoY)	01-Mar	FEB	-6.60%	17.50%	22.70%
Ext Trade - Imports (YoY)	01-Mar	FEB	3.60%	20.80%	23.60%
Consumer Price Index (MoM)	02-Mar	FEB	0.50%	0.40%	--
Consumer Price Index (YoY)	02-Mar	FEB	3.40%	3.10%	--
HSBC Manufacturing PMI	02-Mar	FEB	49.2	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01-Mar	FEB	48.9	--	52.7
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Mar	FEB	3.38%	3.50%	3.35%
Consumer Price Index NSA (MoM)	01-Mar	FEB	0.39%	0.50%	0.37%
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	27-Feb	FEB	-11.10%	--	24.80%
Industrial Production Index YoY	29-Feb	FEB	-2.40%	--	22.10%

Indicator of the Week

China: Industrial output for January-February (March 9)

Forecast: 11.5%

Consensus: 12.4%

Prior: 12.8%

It is difficult this week to choose a single indicator given a number of important data releases scheduled this coming week in China, including inflation, industrial production, retail sales, exports and new loans. We select industrial production for the combined months of January and February given existing uncertainties about recent growth momentum (the data are to be released for the combined months given distortions from the Chinese New Year). Data so far this year has generally been encouraging, with PMI outturns in January and February remaining above the 50-level expansion/contraction threshold, although other indicators, such as electricity consumption suggest weakness. We expect industrial production to moderate slightly, but remain strong given signs of robust manufacturing orders. At the same time, we expect inflation to moderate further, to around 3.2% y/y in February (from 4.5% in January), which should provide room for further policy support such as cuts in the required reserve ratio.

Calendar Events

Philippines - Overnight borrowing rate, March 1

There was a 25bps cut in the overnight borrowing rate

Current

4.25%

Consensus

4.00%

New

--

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.	2426.1	-0.1	0.7	10.3	-16.9
	Hong Kong - Hang Seng	21388.0	-1.3	0.0	16.0	-8.6
	Taiwan - Weighted	8118.3	0.0	2.5	14.8	-7.0
	Japan - Nikkei 225	9707.4	-0.2	1.2	14.8	-9.7
	Korea - Kospi	2030.3	1.3	0.1	11.2	4.7
	India - Sensex 30	17552.3	-1.1	-2.9	13.6	-4.8
	Australia - SPX/ASX 200	4255.5	-1.0	-0.7	4.9	-11.8
	Singapore - Strait Times	2978.8	-0.5	0.4	12.6	-2.9
	Indonesia - Jakarta Comp	3962.3	-0.6	0.1	3.7	12.8
Thailand - SET	1165.0	0.4	2.2	13.6	17.1	
Malaysia - KLCI	1573.5	0.2	1.1	2.8	4.7	
Philippines - Manila Comp.	4938.6	0.8	0.9	13.0	30.5	

Last update: today, 17.45 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)	6.30	-0.10	-0.03	6.29	6.29
	Hong Kong (HKD/USD)	7.76	0.01	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.4	-0.21	0.45	29.38	29.10
	Japan (JPY/USD)	81.07	0.10	-1.32	81.00	80.60
	Korea (KRW/USD)	1117	0.22	1.12	1126	1137
	India (INR/USD)	49.2	-0.35	0.01	50.23	52.18
	Australia (USD/AUD)	1.08	0.32	0.46	0.94	0.97
	Singapore (SGD/USD)	1.25	0.23	0.43	1.25	1.25
	Indonesia (IDR/USD)	9101	-0.86	-0.62	9188	9520
Thailand (THB/USD)	30.5	-0.20	-0.56	30.65	30.96	
Malaysia (MYR/USD)	3.00	-0.24	0.37	3.02	3.05	
Philippines (PHP/USD)	42.9	-0.29	-0.26	42.93	43.21	

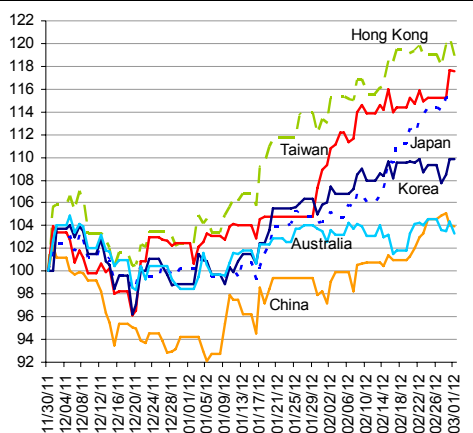
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.27	-0.20	-1.73	-1.08
	Hong Kong (HIBOR/1W)	0.12	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	3.27	-0.41	-2.58	-1.08
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.82	0.00	0	0
	Thailand (BIBOR/1W)	3.01	0.00	0.00	0.00
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	3.50	0.06	0.06	-0.44	

Last update: today, 17.45 Hong Kong time

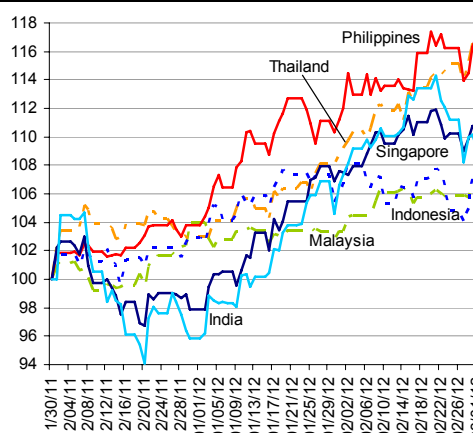
Charts

Chart 9
Stock Markets



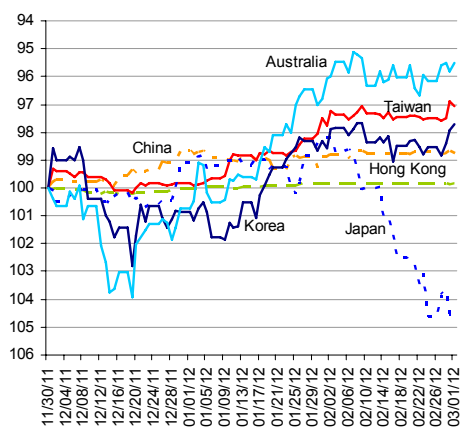
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



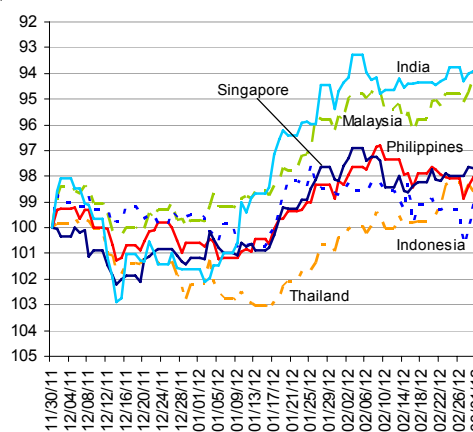
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@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.