

Daily Flash

Asia

Markets were sharply lower in Asia today. The financial media attributed the declines to news from the first day of China's National People's Congress (NPC) that the authorities have lowered the official GDP target for 2012 to 7.5% from 8.0% in previous years (see below). However, the growth target was in line with expectations (the 5-year Plan announced last year had already set a 7% growth target as an average for 2011-15), and is widely viewed as a floor rather than a target. It is therefore difficult for us to attribute today's declines to this bit of news.

China's official 2012 GDP growth target is set at 7.5%, as expected

The National People's Congress (NPC) opened today, and will run through March 14. Key events are marked by today's presentation of the government's Work Report, followed by distribution of the central government budget and economic work plans for discussion by delegates. The most significant development so far is the announcement of official 2012 targets for GDP growth (7.5%), inflation (4.0%), budget deficit (1.5%), and M2 growth (14.0%). These were all in line with expectations. Importantly, the GDP growth target, while lower than the 8.0% of previous years, is a floor rather than target per se (GDP outturns have consistently been above the official targets). As such, the target is consistent with our 8.3% growth projection for 2012. That said, the lower growth target may be indicative of a focus on rebalancing and other issues on the quality of growth, rather than achieving high growth as an end in itself. The Work Report also highlighted key policy priorities as flagged in the 5-year Plan, along with a re-emphasis on "proactive fiscal and prudent monetary policies" and commitment to a more flexible exchange rate mechanism (see [NPC](#) for details.)

Briefly noted:

- **Korea's foreign exchange reserves rose to a record high in February, of \$315.8 billion**, up by \$4.5 billion from January due to valuation gains and interest earnings, according to the Bank of Korea.
- **Vietnam approves a bank restructuring plan, aiming to lower banks' NPL ratios to below 3% by 2015.** The plan involves using government funds to purchase collateralized bad debt from banks.
- **Taiwan's February inflation rate came in lower than expected, at 0.25% y/y** (consensus: 1.3% y/y) from 2.37% in January, with food, clothing and traveling costs the major categories seeing a sequential decline after the CNY holidays.
- **The Reserve Bank of Australia is expected to keep interest rates unchanged** at its policy meeting scheduled for tomorrow (March 6).

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
TD Securities Inflation MoM%	05-Mar	FEB	0.20%	--	0.10%
Current Account Balance	06-Mar	4Q	-5637M	-8050M	--
Gross Domestic Product (QoQ)	07-Mar	4Q	1.00%	0.70%	--
Gross Domestic Product (YoY)	07-Mar	4Q	2.50%	2.30%	--
Unemployment Rate	08-Mar	FEB	5.10%	5.20%	--
Trade Balance	09-Mar	JAN	1709M	1500M	--
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Mar	FEB	4.50%	3.40%	--
Industrial Production YTD YoY	09-Mar	FEB	13.90%	12.30%	--
Industrial Production (YoY)	09-Mar	FEB	12.80%	12.50%	--
Retail Sales YTD YoY	09-Mar	FEB	17.10%	17.60%	--
Retail Sales (YoY)	09-Mar	FEB	18.10%	17.30%	--
Exports YoY%	10-Mar	FEB	-0.50%	32.00%	--
Imports YoY%	10-Mar	FEB	-15.30%	30.20%	--
New Yuan Loans	11-15 MAR	FEB	738.1B	750.0B	--
Money Supply - M2 (YoY)	11-15 MAR	FEB	12.40%	12.80%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Mar	FEB	51.9	--	52.8
India	Date	Period	Prior	Cons.	Actual
India February Markit Services PMI	05-Mar	FEB	58.0	--	56.5
Japan	Date	Period	Prior	Cons.	Actual
GDP Deflator YoY	08-Mar	4Q F	-1.60%	-1.60%	--
GDP Annualized	08-Mar	4Q F	-2.30%	-0.60%	--
Gross Domestic Product (QoQ)	08-Mar	4Q F	-0.60%	-0.20%	--
Current Account Total	08-Mar	JAN	¥303.5B	¥320.0B	--
Machine Tool Orders (YoY)	08-Mar	FEB P	-6.90%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Mar	JAN	6.10%	3.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Mar	FEB	3.90%	3.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Mar	FEB	48.7	49.4	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Mar	FEB	2.37%	1.30%	0.25%
Total Exports (YoY)	07-Mar	FEB	-16.80%	9.10%	--
Thailand	Date	Period	Prior	Cons.	Actual
Total Exports (YoY%)	09-14 MAR	JAN	-2.10%	--	--
Current Account Balance (USD)	09-14 MAR	JAN	\$1940M	\$1500M	--

Indicator of the Week

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

Forecast: 11.5%

Consensus: 12.5%

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

Australia - RBA cash target, March 6

We expect the cash target to remain unchanged

Current

4.25%

Consensus

4.25%

New

--

South Korea - 7-day repo rate, March 8

We expect the 7-day repo rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

--

Indonesia - Bank Indonesia Reference rate, March 8

We expect the reference rate to remain unchanged

Current

5.75%

Consensus

--

New

--

Malaysia - Overnight rate, March 9

We expect the overnight rate to remain unchanged

Current

3.00%

Consensus

3.00%

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.	2445.0	-0.6	-0.1	11.2	-16.9
	Hong Kong - Hang Seng	21265.3	-1.4	0.2	15.4	-9.2
	Taiwan - Weighted	8004.7	-1.4	0.6	13.2	-8.9
	Japan - Nikkei 225	9698.6	-0.8	0.7	14.7	-9.3
	Korea - Kospi	2016.1	-0.9	-0.2	10.4	0.6
	India - Sensex 30	17362.9	-1.6	-0.5	12.3	-6.1
	Australia - SPX/ASX 200	4263.0	-0.2	-0.1	5.1	-12.4
	Singapore - Strait Times	2991.8	-0.1	1.5	13.1	-2.3
	Indonesia - Jakarta Comp	3984.9	-0.5	3.2	4.3	12.5
	Thailand - SET	1158.0	-0.6	2.0	12.9	16.3
	Malaysia - KLCI	1589.2	0.3	1.9	3.8	4.4
	Philippines - Manila Comp.	5030.6	0.3	4.8	15.1	29.6

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)	6.31	-0.13	-0.08	6.30	6.29
	Hong Kong (HKD/USD)	7.76	-0.06	-0.10	7.76	7.76
	Taiwan (TWD/USD)	29.5	-0.21	0.33	29.44	29.16
	Japan (JPY/USD)	81.21	0.74	-0.74	81.14	80.77
	Korea (KRW/USD)	1119	-0.27	0.95	1124	1136
	India (INR/USD)	49.8	-0.66	-1.19	50.89	52.86
	Australia (USD/AUD)	1.07	-0.34	-0.58	0.94	0.97
	Singapore (SGD/USD)	1.26	-0.37	-0.10	1.26	1.25
	Indonesia (IDR/USD)	9124	-0.39	0.49	9228	9586
	Thailand (THB/USD)	30.7	-0.23	-0.59	30.78	31.16
	Malaysia (MYR/USD)	3.02	-0.50	0.16	3.03	3.07
	Philippines (PHP/USD)	42.8	-0.26	0.64	43.05	43.35

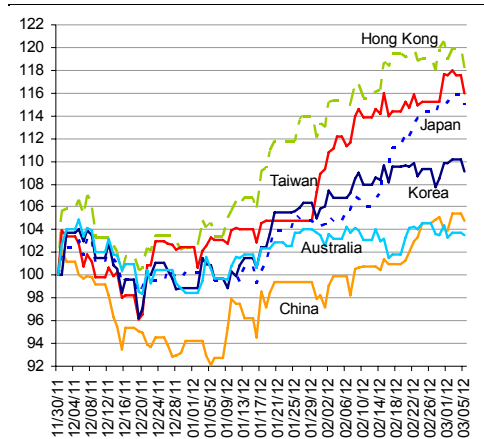
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.15	-0.12	-0.32	-0.15
	Hong Kong (HIBOR/1W)	0.12	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	3.15	0.61	-0.95	-0.16
	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)	3.69	0.06	0.13	-0.13

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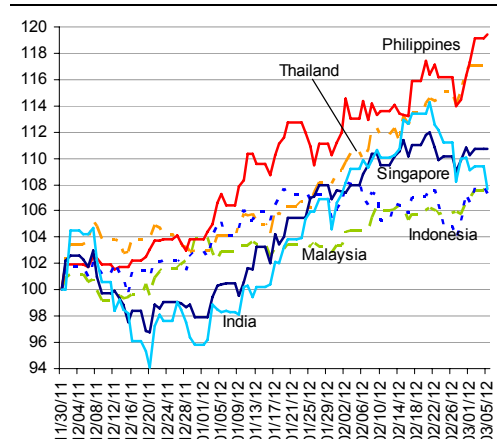
Charts

Chart 9
Stock Markets



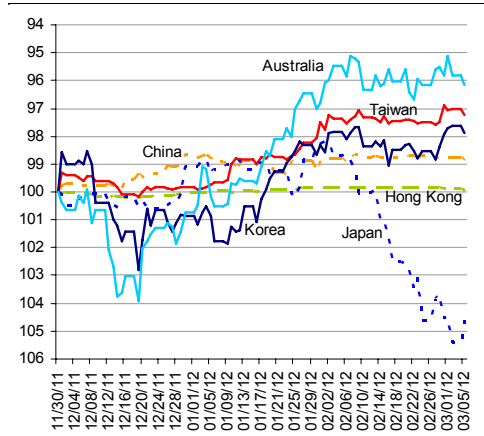
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



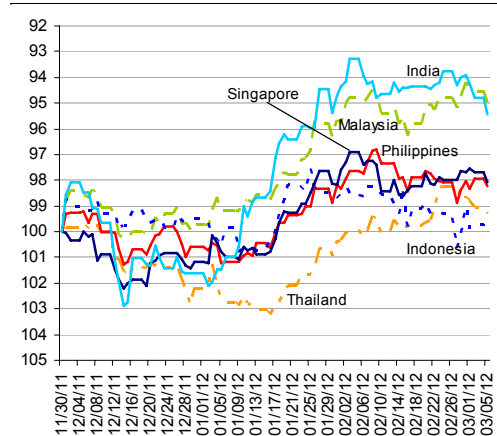
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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