

Daily Flash

Asia

The highlight in Asia today was the announcement of India's Budget for the next fiscal year (below). The government is aiming to trim the deficit to 5.1%, in line with our estimates. The government decided to focus on fiscal consolidation and a reasonable set of assumptions that make the new target credible.

India's Union Budget for FY13 announced today

The budget represents a step in the right direction in terms of its fiscal prudence, although it falls short of any measures to stimulate slowing growth. The central government deficit target of 5.1% of GDP for FY13 is aimed to lower the deficit to a realistic goal, in line with our expectations, from an upwardly revised 5.9% outturn in FY12, a number which exceeded the original budget target of 4.6%. The lower deficit target would be driven by actions to boost revenues, particularly through tax measures and a check on non-investment related expenditure

PBoC reports strengthening capital inflows, tighter credit conditions

The PBoC reported today that yuan positions at Chinese banks from sales of foreign exchange to the central bank rose from the previous month. After accounting for the trade deficit in February and FDI inflows, the rising forex level may imply that portfolio capital has started to flow back into China after signs outflows over the past four months. Also today, the PBoC announced that the outturn of total social financing (TSF), a broad credit measure defined as the sum of credit extended through various vehicles (including bank loans, trust loans, entrust loans, and bank acceptances) for February was RMB1.0trn. Combining January and February figures, (which helps eliminate distortions from the Chinese New Year), the TSF showed a decrease of 17% compared to the first two months of 2011. The decline in the TSF reflects that credit conditions remain tight, which makes further policy easing more likely.

Briefly noted:

- **Singapore: Non-oil domestic exports (NODX) surge in February.** Singapore's NODX grew by 30.5% y/y in February due to increased shipments of electronics and pharmaceuticals. The data should be viewed carefully, however, due to the effects of the Chinese New Year. Importantly, NODX to Europe and the US showed over-year increases of 11.9% and 48.1% y/y, respectively, in the latter case reversing a trend of negative over-year growth in exports that had persisted since last June.
- **The Philippines Stock Index hits a record high.** The Philippines' index is up 16.9% (to 5,145.89) this year as optimism grows over the country's economic growth prospects. Strengthening domestic demand, increased government spending and positive US data are contributing to the rise.

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

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Home Loans MoM	13-Mar	JAN	2.30%	-0.60%	-1.20%
Consumer Inflation Expectation	15-Mar	MAR	2.50%	--	2.70%
China	Date	Period	Prior	Cons.	Actual
China February Property Prices	18-Mar				
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	13-Mar	4Q	0.20%	--	-2.20%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Mar	JAN	1.80%	2.10%	6.80%
Monthly Wholesale Prices YoY%	14-Mar	FEB	6.55%	6.70%	6.95%
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	12-Mar	JAN	-7.10%	2.30%	3.40%
Machine Orders YOY%	12-Mar	JAN	6.30%	4.40%	5.70%
Tertiary Industry Index (MoM)	13-Mar	JAN	1.40%	0.20%	-1.70%
Industrial Production (MoM)	14-Mar	JAN F	2.00%	--	1.90%
Industrial Production YOY%	14-Mar	JAN F	-1.20%	--	-1.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Mar	JAN	3.00%	0.90%	0.20%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	13-Mar	JAN	-20.70%	-18.50%	3.0%
Overseas Remittances (YoY)	15-Mar	JAN	6.20%	--	5.40%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	15-Mar	4Q F	2.00%	--	2.00%
Retail Sales (YoY)	15-Mar	JAN	4.20%	-1.30%	1.70%
Retail Sales (MoM) sa	15-Mar	JAN	-2.40%	-1.50%	1.70%
Non-oil Domestic Exports (YoY)	16-Mar	FEB	-2.10%	16.20%	30.50%
Non-oil Domestic Exp SA (MoM)	16-Mar	FEB	0.90%	5.00%	6.20%
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	14-Mar	FEB	3.20%	3.20%	3.70%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports YOY%	15-Mar	JAN	-2.10%	0.00%	-6.00%
Customs Imports YOY%	15-Mar	JAN	19.60%	6.40%	-4.20%

Indicator of the Week

Singapore: CPI Inflation for February (March 23)

Forecast: 5.0% y/y

Consensus: n/a

Prior: 4.8% y/y

The inflation outturn will be closely watched ahead of the Monetary Authority of Singapore's next semi-annual policy meeting, scheduled for mid-April. Inflation moderated in January after hovering above 5% y/y since June. Despite the recent increase in oil prices, the authorities have officially kept their 2012 inflation forecast of between 2.5%-3.5% y/y. A high inflation outturn would make the MAS more likely to stay on hold at the April policy meeting by leaving the current slope (estimated at 1%) and center of its exchange rate band unchanged. The recent improvement in the global environment also makes it less likely that the MAS will ease policy, despite the ongoing slowdown in Singapore's growth momentum. We expect inflation will remain elevated during the first half of the year, before moderating in the second half (BBVA Forecast: 3.0% y/y for 2012).

Calendar Events

Australia - Reserve Bank Board - Bulletin March Quarter 2012, March 15

India - India REPO Cutoff Yld, March 15

The benchmark repo rate remained unchanged

Current	Consensus	New
8.50%	8.50%	8.50%

Japan - BOJ Target Rate, March 13

The BOJ target rate remained unchanged

Current	Consensus	New
0.10%	0.10%	0.10%

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.	2404.7	1.3	-1.4	9.3	-17.9
	Hong Kong - Hang Seng	21317.9	-0.2	1.1	15.6	-6.1
	Taiwan - Weighted	8054.9	-0.8	0.5	13.9	-3.2
	Japan - Nikkei 225	10129.8	0.1	2.0	19.8	11.4
	Korea - Kospi	2034.4	-0.5	0.8	11.4	3.9
	India - Sensex 30	17466.2	-1.2	-0.2	13.0	-4.9
	Australia - SPX/ASX 200	4276.2	0.0	1.5	5.4	-6.2
	Singapore - Strait Times	3010.7	-0.5	1.6	13.8	1.3
	Indonesia - Jakarta Comp	4028.5	-0.3	0.9	5.4	14.1
	Thailand - SET	1189.6	1.6	2.7	16.0	18.0
	Malaysia - KLCI	1571.4	-0.5	-0.5	2.7	5.3
Philippines - Manila Comp.	5145.9	2.3	3.3	17.7	32.7	

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)	6.32	0.10	-0.18	6.33	6.33
	Hong Kong (HKD/USD)	7.76	-0.01	-0.07	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.01	-0.18	29.48	29.22
	Japan (JPY/USD)	83.73	-0.19	-1.52	83.66	83.27
	Korea (KRW/USD)	1126	0.18	-0.70	1133	1146
	India (INR/USD)	50.3	0.12	-0.93	51.43	53.42
	Australia (USD/AUD)	1.05	0.08	-0.41	0.96	0.99
	Singapore (SGD/USD)	1.26	0.05	-0.60	1.26	1.26
	Indonesia (IDR/USD)	9133	0.51	0.03	9267	9596
	Thailand (THB/USD)	30.7	0.07	-0.52	30.87	31.27
	Malaysia (MYR/USD)	3.06	0.01	-1.60	3.07	3.11
Philippines (PHP/USD)	43.1	-0.04	-0.95	43.43	43.86	

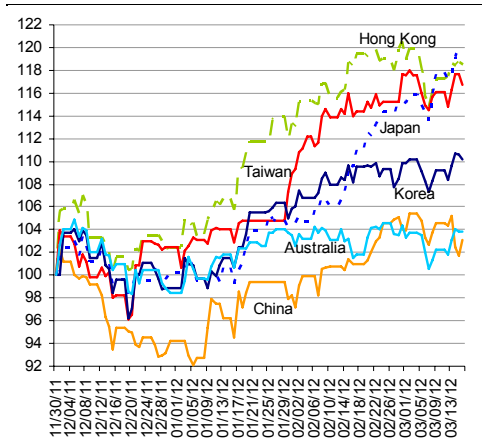
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.90	0.03	-0.10	-1.60
	Hong Kong (HIBOR/1W)	0.11	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)	2.90	0.01	-0.07	-1.45
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.02	0	0
	Thailand (BIBOR/1W)	3.02	0.01	0.01	0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.69	-0.06	0.13	0.81

Last update: today, 17.45 Hong Kong time

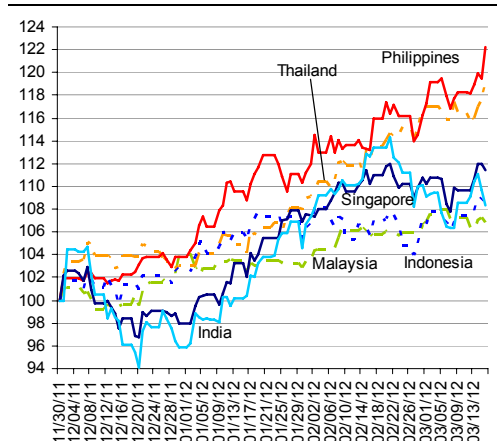
Charts

Chart 9
Stock Markets



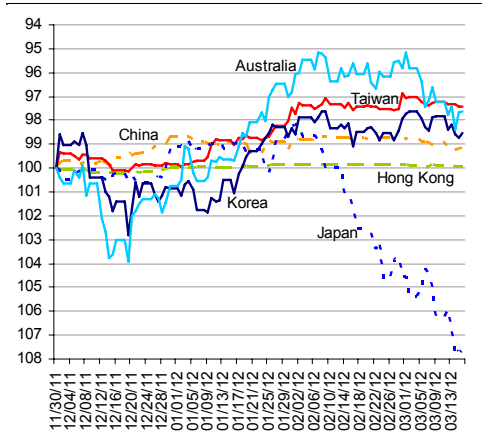
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



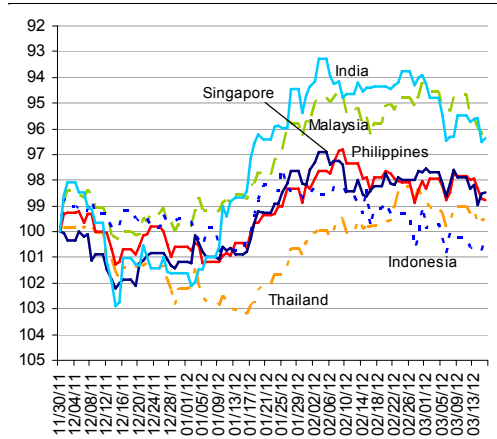
Source: BBVA Research and Bloomberg

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.