

**BBVA**

RESEARCH

Economic Analysis  
16 March 2012

# 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.

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With contributions from the BBVA Research Asia Team

## Calendar Indicators

|                                |             |               |              |              |               |
|--------------------------------|-------------|---------------|--------------|--------------|---------------|
| <b>Australia</b>               | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Home Loans MoM                 | 13-Mar      | JAN           | 2.30%        | -0.60%       | -1.20%        |
| Consumer Inflation Expectation | 15-Mar      | MAR           | 2.50%        | --           | 2.70%         |
| <b>China</b>                   | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| China February Property Prices | 18-Mar      |               |              |              |               |
| <b>Hong Kong</b>               | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Industrial Production (YoY)    | 13-Mar      | 4Q            | 0.20%        | --           | -2.20%        |
| <b>India</b>                   | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| 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%         |
| <b>Japan</b>                   | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| 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%        |
| <b>Malaysia</b>                | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Industrial Production YoY      | 12-Mar      | JAN           | 3.00%        | 0.90%        | 0.20%         |
| <b>Philippines</b>             | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Total Exports (YoY)            | 13-Mar      | JAN           | -20.70%      | -18.50%      | 3.0%          |
| Overseas Remittances (YoY)     | 15-Mar      | JAN           | 6.20%        | --           | 5.40%         |
| <b>Singapore</b>               | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| 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%         |
| <b>South Korea</b>             | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Unemployment Rate (SA)         | 14-Mar      | FEB           | 3.20%        | 3.20%        | 3.70%         |
| <b>Thailand</b>                | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| 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**  
8.50%

**Consensus**  
8.50%

**New**  
8.50%

#### Japan - BOJ Target Rate, March 13

The BOJ target rate remained unchanged

**Current**  
0.10%

**Consensus**  
0.10%

**New**  
0.10%

## Markets Data

| STOCK MARKETS | INDEX                      | Last price | % change<br>over a day | % change<br>over a week | Year to<br>date | % change<br>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                 |

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| FOREIGN EXCHANGE MARKETS | CURRENCY              | Spot  | % change<br>over a day | % change<br>over a week | Forward<br>3-month | Forward<br>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               |

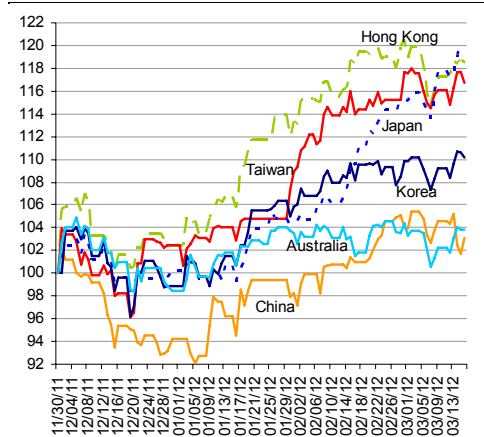
Last update: today, 17.45 Hong Kong time.

| INTERBANK RATES | INDEX                   | Rate | net change<br>over a day | net change<br>over a week | net change<br>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                       |

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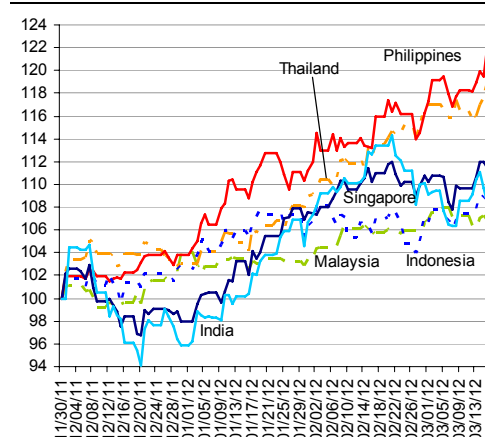
# Charts

Chart 9  
Stock Markets



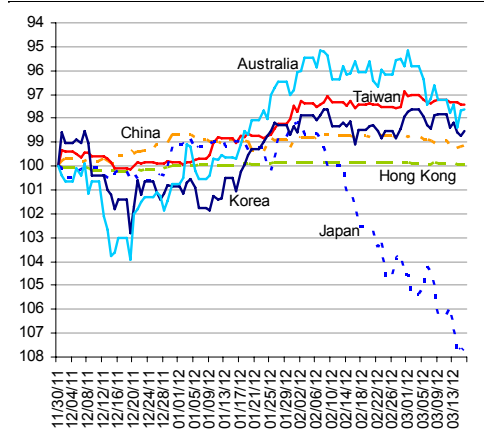
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



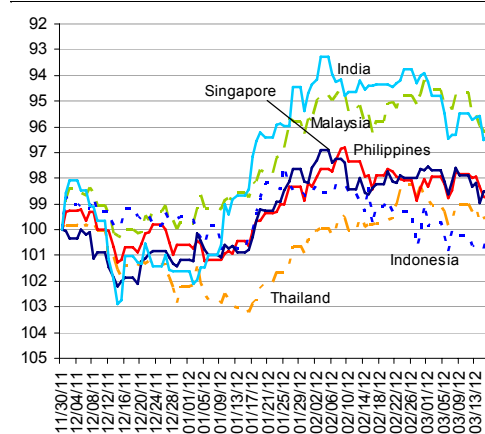
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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