

Daily Flash

Asia

Japan data mixed, as the government seeks consumption tax hike

Japan released a batch of data today pointing to mixed signs of further recovery. March PMI rose to 51.1 from 50.5 in February, while the unemployment rate in February declined to 4.5% (consensus: 4.6%), and consumer spending increased their spending by 2.3% y/y in February (consensus: -0.5%, January: -2.3%). Industrial production, however, disappointed, at -1.2% m/m (consensus: 1.3%). March headline inflation rose to 0.3% y/y (consensus: 0.0%). The Japanese cabinet has approved a bill for submission to Parliament which would double the consumption tax to 10% by 2015. The bill faces opposition in Parliament, but is a crucial step toward putting Japan's fiscal position back on a sound footing given the high public debt, which stands at around 200% of GDP.

Korean industrial production beats expectations

Korean industrial production surprised to the upside, at 14.4% y/y in February (consensus: 10.0% y/y), after contracting by 2.1% y/y in January. This means that both exports and IP performed better than expected in February, Korea's economy may be in the process of bottoming out, although the rebound we anticipate for the second half of the year remains highly dependent on the strength of the global recovery.

China's banks report strong 2011 earnings growth

Over the past week, China's five largest state-owned banks reported strong profit growth for full-year 2011, of 25-30% (at the lower end of expectations). The strong performance is attributable to the favorable pricing positions, despite last year's monetary tightening, and gains from wealth management products. However, bank shares declined for the week (despite a rebound today) on weak industrial profit growth and concerns about the growth and profit outlook for 2012.

2012 Boao Forum for Asia to begin on April 1

The Boao Forum for Asia, an annual conference founded in 2001, will begin in China this weekend, under the theme, "Change the world in Asia: towards a healthy and sustainable development." Chinese Vice Premier Li Keqiang will attend the opening ceremony and is reported to be meeting with Wu Den-yih, Taiwan's Vice President-elect, on Sunday morning, according to the official KMT webpage. The coming meeting may focus on cross-strait economic cooperation, with possible discussions regarding bilateral currency settlements.

Briefly noted:

- **A number of important indicators will be released in the coming days**, including China's March PMI (see Weekly Indicator below) and Korean inflation data; Australia will hold its monetary policy meeting on April 3, where we expect rates to remain unchanged, although a rate cut cannot be ruled out.
- **Protests and political jostling are continuing across Indonesia over a planned increase in fuel prices to take effect on April 1.**

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With contributions from the BBVA Research Asia Team

Calendar Indicators

| | | | | | |
|--------------------------------------|-------------|---------------|--------------|--------------|---------------|
| Australia | Date | Period | Prior | Cons. | Actual |
| Private Sector Credit MoM% | 30-Mar | FEB | 0.20% | 0.30% | 0.40% |
| Private Sector Credit YoY% | 30-Mar | FEB | 3.50% | 3.30% | 3.50% |
| China | Date | Period | Prior | Cons. | Actual |
| PMI Manufacturing | 01-Apr | MAR | 51 | 50.6 | -- |
| HSBC Manufacturing PMI | 01-Apr | MAR | 49.6 | -- | -- |
| Hong Kong | Date | Period | Prior | Cons. | Actual |
| Exports YoY% | 27-Mar | FEB | -8.60% | 4.90% | 14.0% |
| Imports YoY% | 27-Mar | FEB | -10.50% | 9.80% | 20.80% |
| Retail Sales - Volume (YoY) | 29-Mar | FEB | 9.10% | 16.60% | 10.10% |
| India | Date | Period | Prior | Cons. | Actual |
| Current Account Balance | 31-Mar | 4Q | -- | -- | -- |
| Japan | Date | Period | Prior | Cons. | Actual |
| Retail Trade MoM SA | 29-Mar | FEB | 4.10% | 0.00% | 2.00% |
| Retail Trade YoY | 29-Mar | FEB | 1.90% | 1.40% | 3.50% |
| Jobless Rate | 30-Mar | FEB | 4.60% | 4.60% | 4.50% |
| Natl CPI YoY | 30-Mar | FEB | 0.10% | 0.00% | 0.30% |
| Natl CPI Ex Food, Energy YoY | 30-Mar | FEB | -0.90% | -0.90% | -0.60% |
| Industrial Production YOY% | 30-Mar | FEB P | -1.30% | 3.70% | 1.50% |
| Singapore | Date | Period | Prior | Cons. | Actual |
| Industrial Production MoM SA | 26-Mar | FEB | 3.30% | 5.00% | -1.10% |
| Industrial Production YoY | 26-Mar | FEB | -8.80% | 16.20% | 12.10% |
| M2 Money Supply (YoY) | 30-Mar | FEB | 9.90% | -- | 9.50% |
| South Korea | Date | Period | Prior | Cons. | Actual |
| GDP (QoQ) | 30-Mar | 4Q F | 0.40% | -- | 0.30% |
| GDP (YoY) | 30-Mar | 4Q F | 3.40% | -- | 3.30% |
| Industrial Production (MoM) | 30-Mar | FEB | 3.30% | -0.30% | 0.80% |
| Industrial Production (YoY) | 30-Mar | FEB | -2.00% | 10.00% | 14.40% |
| Ext Trade - Export (YoY) | 01-Apr | MAR | 22.70% | 2.90% | -- |
| Thailand | Date | Period | Prior | Cons. | Actual |
| Mfg. Production Index ISIC NSA (YoY) | 28-Mar | FEB | -15.15 | -6.00 | -3.40 |
| Customs Exports YoY | 28-Mar | FEB | -6.00% | -5.00% | 0.90% |
| Vietnam | Date | Period | Prior | Cons. | Actual |
| Exports YTD (YoY) | 28-Mar | MAR | 24.80% | -- | 23.60% |
| Imports YTD (YoY) | 28-Mar | MAR | 11.80% | -- | 6.90% |
| GDP Constant Prices YTD (YoY) | 29-Mar | 1Q | 5.90% | -- | 4.00% |
| Industrial Production Index YoY | 29-Mar | MAR | 22.10% | -- | 6.50% |

Indicator of the Week

China: PMI for March (April 1)

| | | |
|----------------|-----------------|-------------|
| Forecast: 51.0 | Consensus: 50.6 | Prior: 51.0 |
|----------------|-----------------|-------------|

The official PMI outturn will be closely watched following recent indications of a further slowing in growth momentum. The private sector flash PMI estimate came in weaker than expected on March 22, raising expectations of a decline in the forthcoming PMI outturn after 3 consecutive months of a pick-up. Although underlying growth momentum is weakening, we expect the official PMI to remain unchanged from the previous month due to a seasonal rebound from the Chinese New Year in January. A more significant set of indicators will be released in mid-April, including Q1 GDP, industrial production, retail sales, and investment.

Calendar Events

No calendar events scheduled for this week.

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. | 2262.8 | 0.5 | -3.7 | 2.9 | -23.4 |
| | Hong Kong - Hang Seng | 20555.6 | -0.3 | -0.5 | 11.5 | -12.3 |
| | Taiwan - Weighted | 7933.0 | 0.8 | -1.8 | 12.2 | -8.2 |
| | Japan - Nikkei 225 | 10083.6 | -0.3 | 0.7 | 19.3 | 3.9 |
| | Korea - Kospi | 2014.0 | 0.0 | -0.6 | 10.3 | -3.7 |
| | India - Sensex 30 | 17404.2 | 2.0 | 0.2 | 12.6 | -9.8 |
| | Australia - SPX/ASX 200 | 4335.2 | -0.1 | 1.5 | 6.9 | -10.1 |
| | Singapore - Strait Times | 3010.5 | 0.5 | 0.7 | 13.8 | -2.7 |
| | Indonesia - Jakarta Comp | 4121.6 | 0.4 | 2.0 | 7.8 | 13.2 |
| | Thailand - SET | 1196.8 | -0.6 | 0.2 | 16.7 | 13.9 |
| | Malaysia - KLCI | 1596.3 | 0.7 | 0.7 | 4.3 | 4.2 |
| | Philippines - Manila Comp. | 5107.7 | 0.4 | 1.3 | 16.8 | 26.9 |

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 | 0.13 | 0.14 | 6.32 | 6.33 |
| | Hong Kong (HKD/USD) | 7.76 | 0.00 | 0.05 | 7.76 | 7.76 |
| | Taiwan (TWD/USD) | 29.5 | 0.19 | 0.24 | 29.42 | 29.17 |
| | Japan (JPY/USD) | 82.05 | 0.50 | 0.37 | 81.98 | 81.60 |
| | Korea (KRW/USD) | 1133 | 0.34 | 0.20 | 1139 | 1152 |
| | India (INR/USD) | 50.9 | 0.96 | 0.53 | 51.96 | 53.89 |
| | Australia (USD/AUD) | 1.04 | 0.21 | -0.59 | 0.97 | 1.00 |
| | Singapore (SGD/USD) | 1.26 | 0.17 | 0.34 | 1.26 | 1.25 |
| | Indonesia (IDR/USD) | 9146 | 0.40 | 0.56 | 9270 | 9609 |
| | Thailand (THB/USD) | 30.8 | 0.16 | -0.32 | 31.01 | 31.45 |
| | Malaysia (MYR/USD) | 3.06 | 0.11 | 0.35 | 3.08 | 3.11 |
| | Philippines (PHP/USD) | 42.9 | 0.16 | 0.08 | 43.25 | 43.64 |

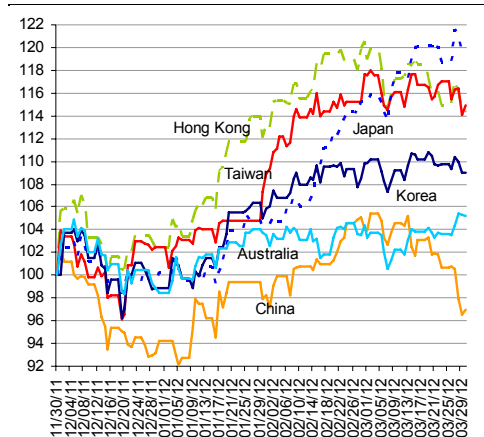
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-----------------|-------------------------|------|--------------------------|---------------------------|----------------------------|
| | China (SHIBOR/7D) | 3.70 | 0.20 | 0.53 | 0.23 |
| | Hong Kong (HIBOR/1W) | 0.11 | 0.00 | 0.00 | -0.01 |
| | Taiwan (TAIBOR/1W) | 0.65 | 0.00 | 0.00 | 0.00 |
| | Japan (TIBOR/1Y) | 0.76 | 0.00 | 0 | 0 |
| | Korea (KORIBOR/1M) | 3.38 | 0.00 | 0.00 | 0.00 |
| | India (MIBOR/7D) | 3.71 | -0.14 | 0.72 | 0.03 |
| | Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | -0.06 |
| | Indonesia (JIBOR/1W) | 3.81 | 0.01 | 0 | 0 |
| | Thailand (BIBOR/1W) | 3.02 | 0.00 | 0.00 | 0.01 |
| | Malaysia (KLIBOR/1W) | 2.90 | 0.00 | 0.00 | 0.00 |
| | Philippines (PHIBOR/1W) | 3.44 | 0.00 | -0.13 | 0.00 |

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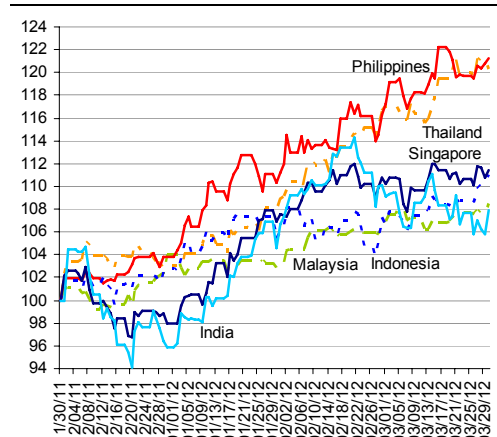
Charts

Chart 9
Stock Markets



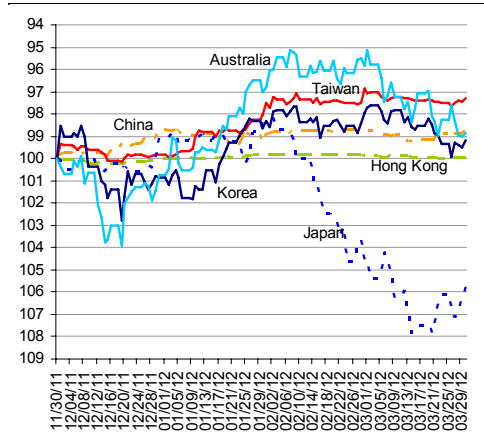
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



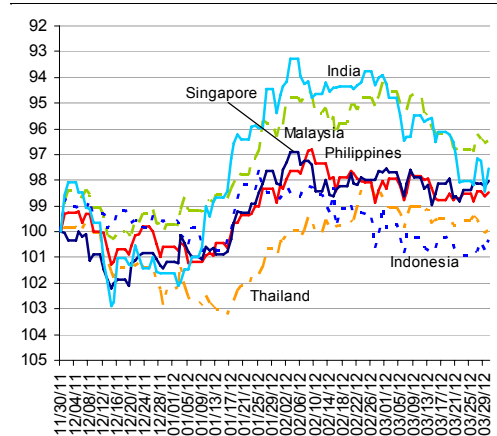
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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