

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.**

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
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	

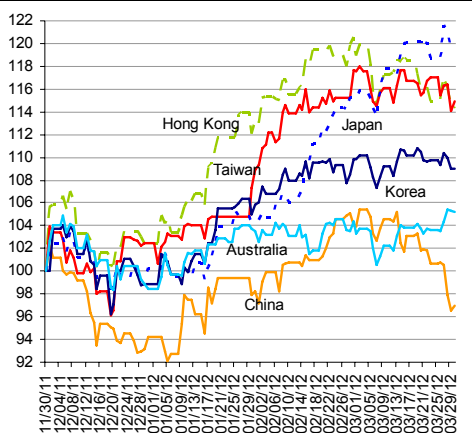
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.70	0.20	0.53	0.23
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	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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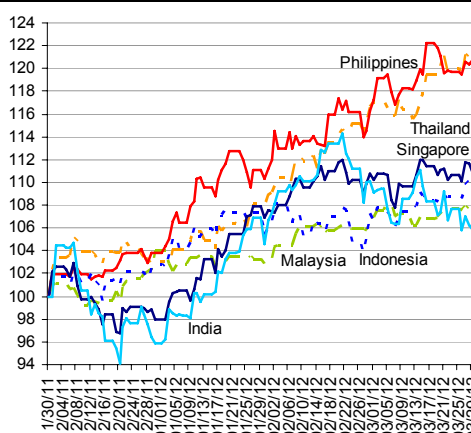
Charts

Chart 9
Stock Markets



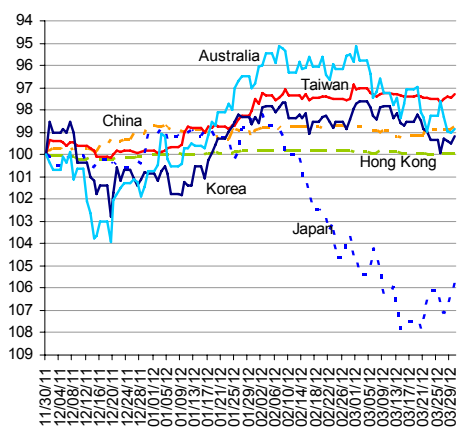
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



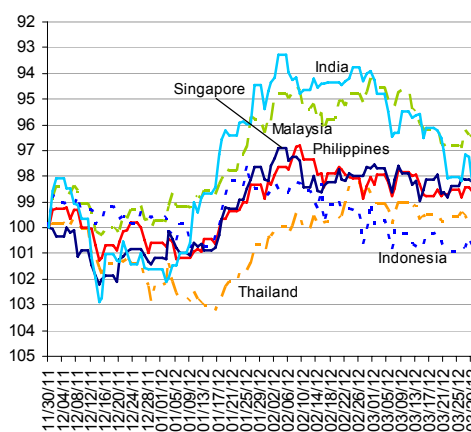
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
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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

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