

Daily Flash

Asia

China credit aggregates show healthy expansion

The People's Bank of China (PBoC) today announced a bunch of credit and monetary indicators, containing some encouraging signs of monetary easing. The outstanding loans rose by RMB 1.0 trillion (15.7% y/y) in March, well above market consensus (RMB 798 billion), bringing the Q1 total to RMB 2.46 trillion which is broadly in line with our projected full-year target of RMB 8 trillion. Accordingly, money supply, measured by M2, accelerated in March to 13.4% y/y (consensus: 13.0% y/y) from 13.0% y/y in February. On the other hand, the Chinese authorities continued to clamp down on informal lending activities. As a result total social financing, which combines both new loans and informal lending through banks, only rose by 1.9% y/y in March. Furthermore, China's foreign reserves rose to USD 3.31 trillion as of end-March from USD 3.18 trillion at end-December. This reversed the small decline (USD - 20 billion) registered in Q4 2011, implying that the pressure of capital outflow has largely alleviated in Q1. All in all, the new loans and M2 outturns indicate that the monetary policy has shifted to easing, but still in a measured way, and the return to increases in foreign reserves should be interpreted as good news because it helps to provide more liquidity in the banking sector. We expect more easing measures in the coming months including more cuts in RRR and, probably, interest rates.

Indonesia kept today its policy rate unchanged at 5.75%

Today Bank Indonesia (BI) kept its policy rate unchanged at 5.75% for the second consecutive month, as inflationary troubles persist. Headline inflation rose to 3.97% y/y in March from 3.56% in February, the first increase in seven months as oil prices surged. "Current BI rate is still consistent with inflationary pressures", Bank Indonesia said in its press release. Recently Indonesian lawmakers have rejected a fuel price hike proposed by the government, but have given it the power to act if the crude oil price exceeds the budgeted USD 105 per barrel by 15% for over six months. In its press release, Bank Indonesia said it will "continue to strengthen monetary operation and macro prudential policy" in response to "the possibility of temporary inflationary pressures" arising from the government's fuel price policy. Bank Indonesia has so far cut policy rates by a total of 100 bps since October 2011, in order to support economic growth.

Briefly noted:

- **India's February industrial production index grew at a modest 4.1% y/y** pace in February from a downwardly revised 1.1% y/y growth in the previous month, reflecting ongoing growth moderation. The 3 month moving average, which gives a less volatile view, suggests IP growth moderated to 2.6% y/y in February from 3.2% in January. Today's IP data along with next week's WPI inflation outturn for March would be key inputs for the RBI at its policy meeting on April 17th, where we expect the RBI to cut the benchmark repo rate by 25 bps to 8.25%.
- **Shenzhen, a southern Chinese metropolis adjacent to Hong Kong, will implement a package of financial innovations** to support the development of a pilot zone, Qianhan, in which corporations will be allowed to borrow RMB-denominated funds from Hong Kong, according to media reports. This is a new push to internationalize RMB and expected to create new business opportunities for Hong Kong banks.
- **China will release tomorrow a number of important economic indicators**, namely its Q1 GDP growth (see Weekly indicator below), March industrial production and retail sales. Singapore will also release its Q1 GDP growth data. Meanwhile, Korea and Singapore will hold their regular monetary policy meetings tomorrow. We expect Korea to keep interest rates steady and Singapore to keep the current appreciation path of the Singapore dollar unchanged at around +1%.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Employment Change	12-Apr	MAR	-15.4K	6.5K	44.0K
Unemployment Rate	12-Apr	MAR	5.20%	5.30%	5.20%
China	Date	Period	Prior	Cons.	Actual
Foreign Exchange Reserves	12-Apr	MAR	\$3181.1B	\$3200.0B	\$3305.0B
New Yuan Loans	12-Apr	MAR	710.7B	797.5B	\$1010.0B
Money Supply - M2 (YoY)	12-Apr	MAR	13.00%	13.00%	13.40%
Producer Price Index (YoY)	09-Apr	MAR	0.00%	-0.30%	-0.30%
Consumer Price Index (YoY)	09-Apr	MAR	3.20%	3.40%	3.60%
Trade Balance (USD)	10-Apr	MAR	-\$31.48B	-\$3.15B	\$5.35B
Exports YoY%	10-Apr	MAR	18.40%	7.00%	8.90%
Imports YoY%	10-Apr	MAR	39.60%	9.00%	5.30%
Industrial Production YTD YoY	13-Apr	MAR	11.40%	11.30%	--
Industrial Production (YoY)	13-Apr	MAR	--	11.60%	--
Real GDP YTD (YoY)	13-Apr	1Q	9.20%	8.40%	--
Real GDP (QoQ)	13-Apr	1Q	2.00%	1.90%	--
Real GDP (YoY)	13-Apr	1Q	8.90%	8.40%	--
Retail Sales (YoY)	13-Apr	MAR	--	15.10%	--
Actual FDI (YoY)	14-18 APR	MAR	-0.90%	-13.60%	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Apr	FEB	6.80%	6.70%	4.10%
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	09-Apr	FEB	¥437.3B	¥1120.0B	¥1177.8B
Machine Orders (MoM)	11-Apr	FEB	3.40%	-0.80%	4.80%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	10-Apr	FEB	0.40%	15.30%	14.50%
Industrial Production YoY	10-Apr	FEB	0.20%	5.00%	7.50%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	12-Apr	FEB	3.00%	1.70%	14.60%
Singapore	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	13-Apr	1Q A	-2.50%	6.80%	--
GDP (YoY)	13-Apr	1Q A	3.60%	1.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Apr	MAR	3.70%	3.60%	3.40%
Taiwan	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	09-Apr	MAR	10.30%	-4.50%	-3.20%

Indicator of the Week

China: GDP for Q1 (April 13)

Forecast: 8.7% yoy

Consensus: 8.4% yoy

Prior: 8.9% yoy

Q1 indicators present mixed readings on underlying growth momentum, as production, retail sales, and aggregate liquidity moderated more than expected for Jan-Feb, and PMI for Q1 kept strengthening. We anticipate GDP growth to slow, but only modestly, to 8.7% in Q1 2012 from 8.9% in Q4 2011. Moreover, sequential growth momentum is likely to bottom out in Q1 on supportive fiscal and monetary policies, in line with our full-year GDP growth projection of 8.3%. We expect another 100-150bp cuts in the RRR in the coming quarters, and up to two interest rate cuts depending on the external outlook. In addition to GDP, a number of important monthly indicators will also be released this week, including industrial production, investment, retail sales, and credit aggregates.

Calendar Events

Japan - BOJ target rate, April 10

We expected the target rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

0.10%

Indonesia - Bank Indonesia reference rate, April 12

We expected the reference rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

South Korea - 7-Day repo rate, April 13

We expect the repo rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

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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.	2350.9	1.8	2.1	6.9	-22.2
	Hong Kong - Hang Seng	20327.3	0.9	-0.9	10.3	-15.2
	Taiwan - Weighted	7662.9	0.1	0.3	8.4	-12.2
	Japan - Nikkei 225	9524.8	0.7	-2.5	12.6	-0.3
	Korea - Kospi	1986.6	-0.4	-1.6	8.8	-6.4
	India - Sensex 30	17332.6	0.8	-1.5	12.1	-10.0
	Australia - SPX/ASX 200	4280.6	0.8	-1.3	5.5	-12.6
	Singapore - Strait Times	2978.1	1.1	-0.2	12.5	-5.1
	Indonesia - Jakarta Comp	4139.5	0.2	0.1	8.3	11.3
	Thailand - SET	1169.5	1.3	-3.4	14.1	7.8
	Malaysia - KLCI	1601.3	0.3	0.5	4.6	4.9
	Philippines - Manila Comp.	5046.8	0.6	-1.3	15.4	20.2

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.31	0.01	0.10	6.32	6.34
	Hong Kong (HKD/USD)	7.76	0.01	0.01	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.06	-0.06	29.43	29.14
	Japan (JPY/USD)	81.00	-0.17	1.69	80.92	80.49
	Korea (KRW/USD)	1140	0.36	-1.16	1147	1161
	India (INR/USD)	51.5	-0.19	-0.82	52.64	54.77
	Australia (USD/AUD)	1.04	0.88	0.89	0.97	1.00
	Singapore (SGD/USD)	1.25	0.25	0.38	1.25	1.25
	Indonesia (IDR/USD)	9182	-0.10	-0.17	9260	9575
	Thailand (THB/USD)	30.8	0.16	0.52	30.99	31.43
	Malaysia (MYR/USD)	3.07	0.40	-0.12	3.08	3.11
	Philippines (PHP/USD)	42.7	0.12	0.25	42.90	43.28

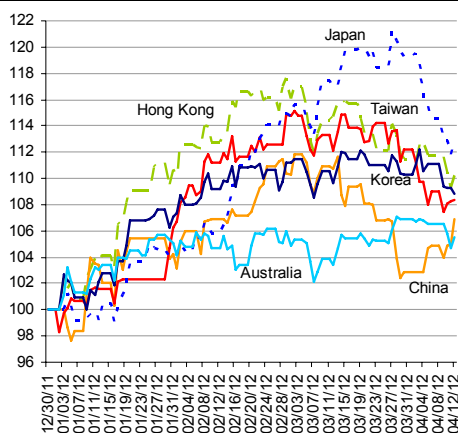
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.00	-0.30	1.00
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.85	-0.23	-0.42	0.75
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	3.81	0.00	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)	3.69	0.06	-0.13	0.13

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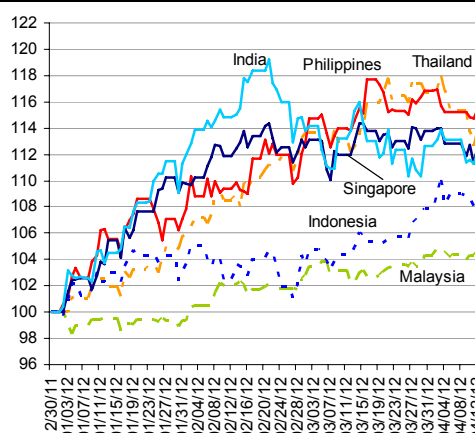
Charts

Chart 9
Stock Markets



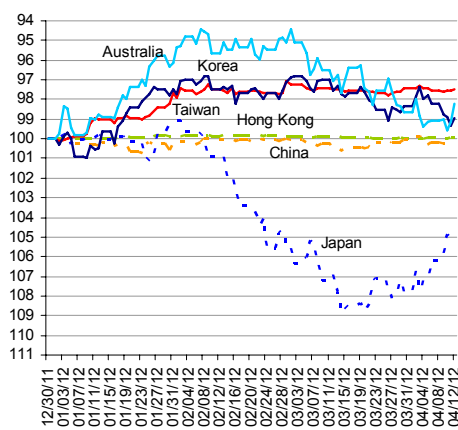
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



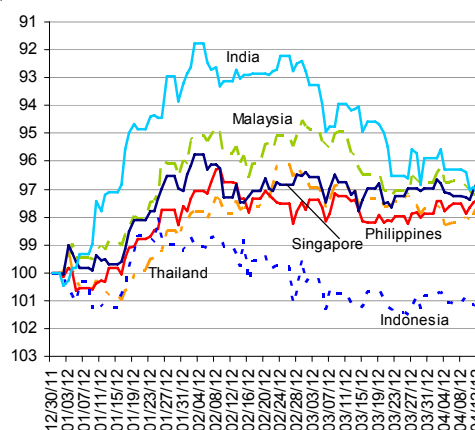
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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