

Daily Flash

Asia

Australia aims to deliver a budget surplus in 2012/13

As expected, Australia's government today delivered on its campaign promises to achieve a budget surplus in its 2012/13 budget, aiming to reverse four straight years of budget deficits from fiscal stimulus packages dating to the 2008 global financial crisis. The government is also forecasting small budget surpluses in coming years— part of its strategy of preserving fiscal space for a rainy day by saving dividends from the commodity boom— with a projected surplus of AUD1.5 billion (about 0.1% of GDP) in the 2012/13 fiscal year. The 2012/13 budget plans to cut spending on defense and foreign aid, and also scraps planned tax cuts for companies. The government emphasized that fiscal tightening will protect Australia against global turbulence, help preserve its AAA sovereign credit rating, and provide room for further interest rate cuts by the central bank. The widely expected surplus budget came after Australia posted a larger-than-expected fiscal deficit (AUD 44.4 billion, about 3% of GDP) for the 2011/12 fiscal year. The economy is expected to grow 3% in 2012 on robust mining investment, which will counter expected softness in domestic sectors such as services, manufacturing, and housing.

Malaysia: more fiscal spending, with one-off payments to palm oil producers

Malaysia's PM today announced that the country's Federal Land Development Authority will distribute one-off payments to palm oil producers and their families amounting to MYR 1.69 billion (USD 553 million), according to a government spokesperson. This move is another in a series of fiscal spending measures by the government, which has also included an increase in civil servants salaries and cash handouts to poor households. The government is aiming to boost its spending before voters decide in important general elections, which are expected to be called in the coming months. The increase in fiscal spending has prompted S&P to warn of a potential rating downgrade unless the new government takes measures to control spending and raise revenues after the elections.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	07-May	MAR	0.20%	0.20%	0.90%
Building Approvals (MoM)	07-May	MAR	-7.80%	3.00%	7.40%
Unemployment Rate	10-May	APR	5.20%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
Trade Balance (USD)	10-May	APR	\$5.35B	\$9.90B	--
Exports YoY%	10-May	APR	8.90%	8.50%	--
Imports YoY%	10-May	APR	5.30%	10.90%	--
Consumer Price Index (YoY)	11-May	APR	3.60%	3.40%	--
Industrial Production YTD YoY	11-May	APR	11.60%	11.70%	--
Industrial Production (YoY)	11-May	APR	11.90%	12.20%	--
Retail Sales YTD YoY	11-May	APR	14.80%	14.90%	--
Retail Sales (YoY)	11-May	APR	15.20%	15.10%	--
New Yuan Loans	11-15 MAY	APR	1010.0B	780.0B	--
Money Supply - M2 (YoY)	11-15 MAY	APR	13.40%	13.30%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP sa (QoQ)	11-May	1Q	0.30%	1.30%	--
GDP (YoY)	11-May	1Q	3.00%	1.00%	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	07-May	1Q	6.49%	6.31%	6.30%
GDP Constant Price (QoQ)	07-May	1Q	-1.30%	1.47%	1.80%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-May	MAR	4.10%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	10-May	MAR	¥1177.8B	¥1431.3B	--
Trade Balance - BOP Basis	10-May	MAR	¥102.1B	-¥42.8B	--
Japan Money Stock M2 YoY	11-May	APR	3.00%	2.90%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	09-May	MAR	14.50%	3.00%	--
Industrial Production YoY	10-May	MAR	7.50%	3.20%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-May	MAR	14.60%	11.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	07-May	APR	1.21%	1.41%	1.44%
Total Exports (YoY)	07-May	APR	-3.20%	-3.10%	-6.40%
Total Imports (YoY)	07-May	APR	-5.80%	-2.00%	2.10%

Indicator of the Week

China: Industrial output for April (May 11)

Forecast: 10.0%

Consensus: 12.2%

Prior: 11.9%

Following a string of positive PMI readings, markets have grown more confident in China's near-term growth outlook. Nevertheless, the next monthly batch of activity indicators will be closely watched for indications of the pace and sustainability of the pickup in momentum. In the coming week key indicators include inflation, retail sales, investment, and credit aggregates. We focus here on industrial output, where we expect a slight decline in year-on-year growth terms due to largely to base effects. We continue to expect further policy easing in the months ahead to support domestic demand, with room for provided by contained inflation, although we expect a small uptick in headline inflation to 3.7%y/y in April (from 3.6% in March) due to the lingering effect of recent oil price increases (CPI inflation will be released on May 11).

Calendar Events

South Korea - South Korea 7-Day Repo Rate, May 10

We expect the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

--

Indonesia - Bank Indonesia Reference Rate, May 10

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

Malaysia - Overnight Rate, May 11

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

--

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.	2448.9	-0.1	2.2	11.3	-14.5
	Hong Kong - Hang Seng	20484.8	-0.3	-2.9	11.1	-11.5
	Taiwan - Weighted	7545.7	0.1	0.6	6.7	-15.9
	Japan - Nikkei 225	9181.7	0.7	-4.0	8.6	-6.9
	Korea - Kospi	1967.0	0.5	-0.8	7.7	-8.4
	India - Sensex 30	16546.2	-2.2	-4.5	7.1	-10.7
	Australia - SPX/ASX 200	4314.4	0.3	-2.6	6.4	-9.0
	Singapore - Strait Times	2932.0	0.2	-1.6	10.8	-5.4
	Indonesia - Jakarta Comp	4181.1	0.5	-0.4	9.4	10.1
	Thailand - SET	1231.0	0.3	1.6	20.1	17.1
	Malaysia - KLCI	1590.6	0.4	1.3	3.9	5.0
Philippines - Manila Comp.	5242.1	0.2	0.8	19.9	24.2	

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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	0.00	-0.49	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.02	-0.04	7.76	7.76
	Taiwan (TWD/USD)	29.3	0.03	-0.63	29.22	28.93
	Japan (JPY/USD)	79.78	0.18	0.39	79.71	79.29
	Korea (KRW/USD)	1136	0.25	-0.34	1144	1157
	India (INR/USD)	53.2	-0.53	-0.86	54.25	56.48
	Australia (USD/AUD)	1.01	-0.57	-1.89	1.00	1.02
	Singapore (SGD/USD)	1.25	-0.10	-0.91	1.25	1.24
	Indonesia (IDR/USD)	9238	-0.11	-0.53	9420	9760
	Thailand (THB/USD)	31.0	-0.03	-0.84	31.15	31.56
	Malaysia (MYR/USD)	3.06	-0.08	-0.92	3.07	3.11
Philippines (PHP/USD)	42.3	0.29	-0.34	42.61	42.94	

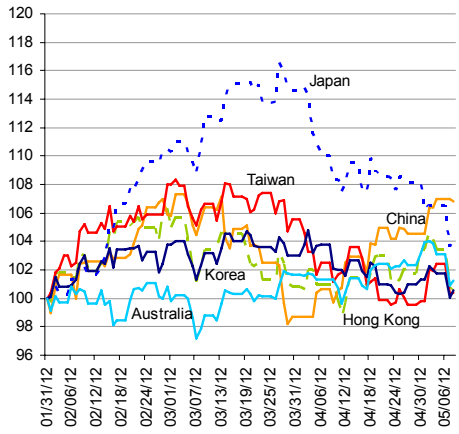
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.70	-0.05	-0.15	-0.40
	Hong Kong (HIBOR/1W)	0.15	0.00	0.04	0.04
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	3.71	-0.26	-0.17	-0.46
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.50	0.06	0.06	-0.31

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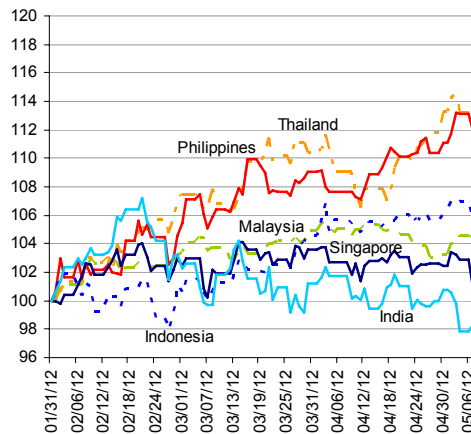
Charts

Chart 9
Stock Markets



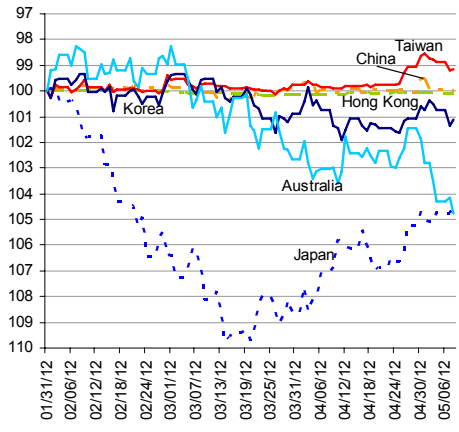
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



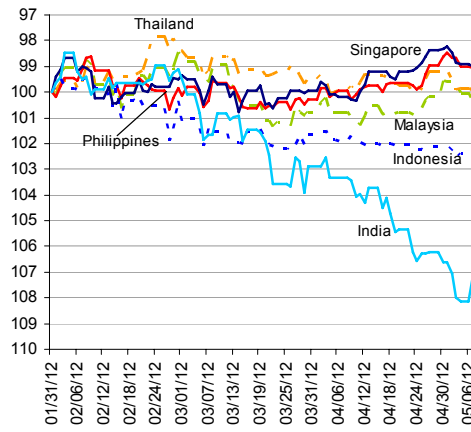
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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