

Daily Flash

Asia

Weaker-than-expected trade outturns raise questions about China's growth

April export and import outturns for April were weaker than expected, reviving market concerns about global growth and the strength of China's domestic demand. Exports and imports grew by 4.9% and 0.3% y/y, respectively (consensus: 8.5% y/y and 10.9% y/y). For exports, Europe continued to be the main source of weakening demand. Meanwhile, imports for both processing trade and for final usage in China declined, indicating not only the effects of external headwinds, but also weaker domestic demand. China's equity markets were relatively muted in response to the data outturns, while the RMB finished flat on the day. We will watch for tomorrow's release of April CPI inflation, industrial production, investment, and retail sales (see Weekly Indicator below) for a more comprehensive picture of the pace of growth momentum. In the meantime, we maintain our outlook of a gradual pickup in China's growth momentum, based on the recent strengthening of PMI indicators and increasing fiscal and monetary policy support.

Korea and Indonesia leave rates unchanged

As expected, the Bank of Korea left interest rates on hold for an 11th straight month, at 3.25%. While policymakers cited concerns over external risk factors, namely in Europe, the main message was that they expect the global environment to gradually improve over the coming months, and that a bias towards "normalizing" interest rates (read: rate cuts are not imminent at this stage) is the most appropriate policy stance. Also as expected, Bank Indonesia kept its interest rate steady at 5.75% today. After having lowered rates by 100bps since October, room for further easing appears severely limited given rising inflation expectations, which have been further exacerbated by recent weakness in the rupiah (currently 9,258/USD, near a two-year low). Authorities feel the current path of inflation is 'manageable,' though we think the central bank is likely to begin raising rates by the end of the year in order to keep inflation in check.

Japan reports current account surplus, increase in imports

Japan's current account surplus declined by -8.6% y/y to 1,589 trillion yen (consensus: 1,431 trillion yen) in March. Imports increased by a seasonally adjusted 9.3% m/m, as the country seeks alternative energy supplies to replace nuclear power, and as post-quake reconstruction boosts demand for materials and equipment. Meanwhile, exports increased 3.3% m/m sa, primarily due to an increase in demand from the US. As a result, the trade deficit widened to -372 billion yen for the month. Japan is expected to record trade deficits in the coming months as imports are expected to continue to rise, while external demand may remain weak; however, the current account is expected to remain in surplus due to strong investment income, remaining at around 2% of GDP. The better-than-expected current account outturn underscores Japan's economic rebound and provides near-term support for the yen's strength.

Briefly noted:

- **In addition to the data releases coming tomorrow from China**, Hong Kong will report its Q1 GDP data, India will report its March industrial output and Malaysia will hold its monetary policy meeting, where we expect rates to remain unchanged.

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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%	4.90%
China	Date	Period	Prior	Cons.	Actual
Trade Balance (USD)	10-May	APR	\$5.35B	\$9.90B	\$18.43B
Exports YoY%	10-May	APR	8.90%	8.50%	4.90%
Imports YoY%	10-May	APR	5.30%	10.90%	0.30%
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%	--
Fixed Assets Inv. Excl. Rural YTD (YoY)	11-May	APR	20.90%	20.50%	--
Retail Sales YTD YoY	11-May	APR	14.80%	14.90%	--
Retail Sales (YoY)	11-May	APR	15.20%	15.10%	--
New Yuan Loans	10-15 MAY	APR	1010.0B	780.0B	--
Money Supply - M2 (YoY)	10-15 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	¥1589.4B
Trade Balance - BOP Basis	10-May	MAR	¥102.1B	-¥42.8B	¥4.2B
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%	-0.10%
Industrial Production YoY	10-May	MAR	7.50%	3.30%	0.60%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-May	MAR	14.60%	11.00%	-1.20%
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 expected the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

3.25%

Indonesia - Bank Indonesia Reference Rate, May 10

We expected the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

Malaysia - Overnight Rate, May 11

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

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.	2410.2	0.1	-1.2	9.6	-16.6
	Hong Kong - Hang Seng	20227.3	-0.5	-4.8	9.7	-13.3
	Taiwan - Weighted	7484.0	0.1	-2.3	5.8	-17.1
	Japan - Nikkei 225	9009.7	-0.4	-3.6	6.6	-8.2
	Korea - Kospi	1944.9	-0.3	-2.5	6.5	-9.1
	India - Sensex 30	16420.1	-0.4	-4.3	6.2	-11.3
	Australia - SPX/ASX 200	4295.6	0.5	-3.0	5.9	-9.1
	Singapore - Strait Times	2903.6	0.1	-3.2	9.7	-8.0
	Indonesia - Jakarta Comp	4133.6	0.1	-2.1	8.2	8.8
	Thailand - SET	1190.7	-1.4	-3.9	16.1	9.7
	Malaysia - KLCI	1588.1	0.2	0.3	3.7	4.2
	Philippines - Manila Comp.	5192.1	-0.4	-2.0	18.8	20.7

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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	-0.07	-0.14	6.33	6.36
	Hong Kong (HKD/USD)	7.76	0.01	-0.05	7.76	7.76
	Taiwan (TWD/USD)	29.4	-0.02	-0.50	29.23	28.93
	Japan (JPY/USD)	79.64	0.00	0.68	79.57	79.13
	Korea (KRW/USD)	1142	-0.17	-1.16	1150	1163
	India (INR/USD)	53.6	0.51	-0.26	54.59	56.56
	Australia (USD/AUD)	1.01	0.44	-1.65	1.00	1.02
	Singapore (SGD/USD)	1.25	0.17	-0.54	1.25	1.25
	Indonesia (IDR/USD)	9258	0.01	-0.29	9457	9792
	Thailand (THB/USD)	31.1	0.00	-0.58	31.29	31.71
	Malaysia (MYR/USD)	3.07	0.11	-1.16	3.09	3.12
	Philippines (PHP/USD)	42.4	0.21	-0.54	42.74	43.13

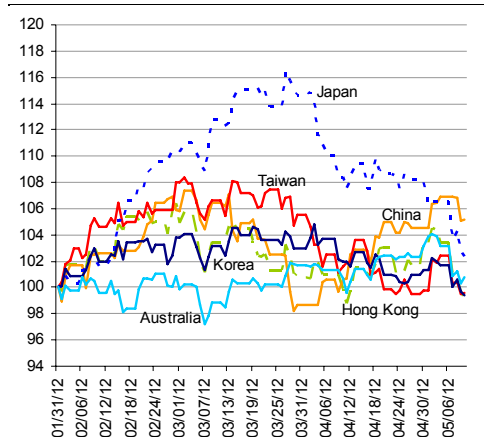
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.26	-0.06	-0.59	-0.44
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.04
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	3.20	-0.11	-0.67	-0.90
	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	0.31	-0.13

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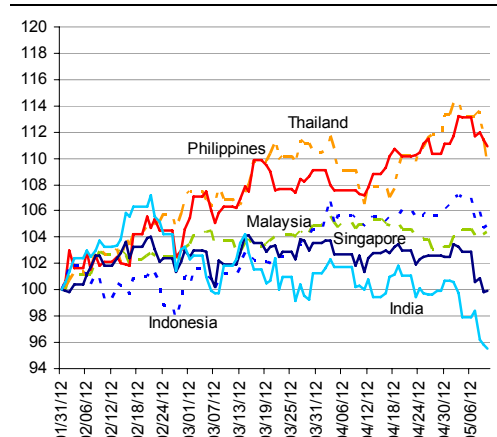
Charts

Chart 9
Stock Markets



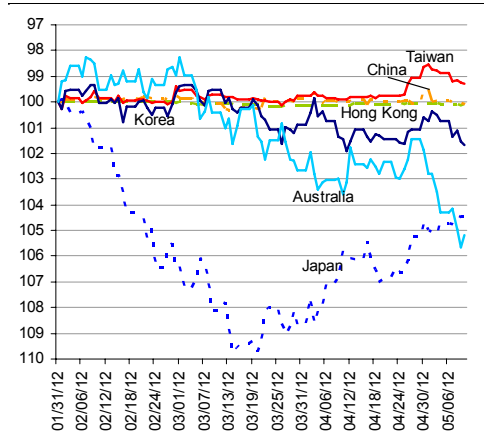
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



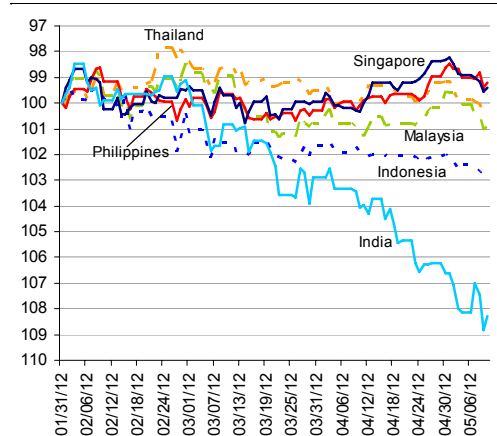
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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