

Daily Flash

Asia

Stock markets were broadly lower today due in part to worries of a further slowdown in China, following today's disappointing data releases (below). Korea (-1.4%) and Hong Kong (-1.3%) led the market declines. Other countries in the region have also been reporting weaker-than-expected data outturns lately, with disappointing figures from India (IP) and Hong Kong (GDP) increasing prospects of further policy easing, as discussed below. The focus next week will be Japan, with the release of first quarter GDP and industrial production data.

China's weak April indicators reinforce expectations of policy easing

As reported today in our [China Flash](#), April's monthly batch of activity indicators were generally weaker than expected, dashing hopes of an imminent growth rebound, and raising expectations of further policy easing. Taken together, export and import outturns (released yesterday) and industrial production for April (9.3% y/y vs. consensus: 12.2% and BBVA: 10.0%) indicate that the slowdown of Q1 is continuing. As described in our just-released [China Economic Outlook](#), we maintain our full-year growth projection of 8.3% on expectations of a gradual rebound during the course of 2012 from supportive policies and as global conditions improve. However, risks are tilted to the downside given slowing momentum and the uncertain external environment.

Hong Kong's first quarter GDP slows on exports

Hong Kong's GDP growth slowed to 0.4% y/y in the first quarter (consensus: 1.1% y/y) from a 3.0% expansion the previous quarter. The slowdown was mainly due to weakening exports (-5.7% y/y for the quarter); however, the domestic sector (including both private consumption and investment) remains resilient, providing a partial offset against the weakness in exports. Looking ahead, while downside risks remain elevated given the external environment, we are maintaining our projection of full year GDP growth of 2.9% in 2012.

Contraction in India's March IP adds to regional growth worries

India's factory activity slipped by -3.5% y/y in March (consensus: +1.7% y/y) from +4.1% in February, driven by a contraction in manufacturing (-4.4% y/y) and mining activity (-1.3% y/y). The outturn means that for fiscal year 2012 (the year ending March 2012) IP growth was a lackluster 2.5% y/y compared to 8.2% y/y in fiscal year 2011. After the announcement, the SENSEX ended down -0.8% on the day, and for the week the index retreated by 2.0%. We believe that given the slow pace of investment policy reforms, downside risks to growth remain high in India. Attention will now turn to April's WPI inflation outturn, due on Monday, for cues regarding monetary policy. We expect the RBI to ease policy rates by another 50 bps (to 7.50%) over the course of this year.

Briefly noted:

- Malaysia left interest rates unchanged at 3%, as expected.
- Next week will feature the release of several important economic indicators in Japan, including Q1 GDP (see Weekly Indicator below).

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

William Fitchett
Economist
william.fitchett@bbva.com.hk
+852 2582 3246

With contributions from the BBVA Research Asia Team

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%	3.40%
Industrial Production YTD YoY	11-May	APR	11.60%	11.70%	11.00%
Industrial Production (YoY)	11-May	APR	11.90%	12.20%	9.30%
Fixed Assets Inv. Excl. Rural YTD (YoY)	11-May	APR	20.90%	20.50%	20.20%
Retail Sales YTD YoY	11-May	APR	14.80%	14.90%	14.70%
Retail Sales (YoY)	11-May	APR	15.20%	15.10%	14.10%
New Yuan Loans	10-15 MAY	APR	1010.0B	780.0B	681.80B
Money Supply - M2 (YoY)	10-15 MAY	APR	13.40%	13.30%	12.80%
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP sa (QoQ)	11-May	1Q	0.30%	1.30%	0.40%
GDP (YoY)	11-May	1Q	3.00%	1.00%	0.40%
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%	--	-3.50%
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%	2.60%
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

Japan: Q1 GDP growth (May 17)

Forecast: 0.7% q/q sa

Consensus: 0.9%q/q sa

Prior: -0.2% q/q sa

After a disappointing fourth quarter in 2011 on supply disruptions from floods in Thailand, Japan's economy is expected to have rebounded in the first quarter of this year on improving exports and increased capital spending. Recent activity indicators such as industrial production and exports also point to a normalization of supply chains and production from last year's devastating earthquake and tsunami. A succession of four supplementary reconstruction budgets (totaling about 4% of GDP) continue to boost investment, and the BOJ is continuing to ease monetary policy through quantitative easing. Looking ahead, we expect the economy to expand about 2% in 2012 despite ongoing power shortages from the closure of nuclear plants and global headwinds.

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 expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

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.	2395.0	-0.6	-2.3	8.9	-16.9
	Hong Kong - Hang Seng	19964.6	-1.3	-5.3	8.3	-14.3
	Taiwan - Weighted	7401.4	-1.1	-3.9	4.7	-17.9
	Japan - Nikkei 225	8953.3	-0.6	-4.6	5.9	-9.2
	Korea - Kospi	1917.1	-1.4	-3.6	5.0	-11.5
	India - Sensex 30	16288.8	-0.8	-3.2	5.4	-12.4
	Australia - SPX/ASX 200	4285.1	-0.2	-2.5	5.6	-10.4
	Singapore - Strait Times	2883.4	-0.7	-3.6	9.0	-9.2
	Indonesia - Jakarta Comp	4114.1	-0.5	-2.4	7.6	7.2
	Thailand - SET	1189.1	-0.1	-4.1	16.0	8.1
	Malaysia - KLCI	1584.3	-0.2	-0.4	3.5	3.1
	Philippines - Manila Comp.	5158.1	-0.7	-2.6	18.0	19.0

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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	0.06	-0.07	6.33	6.36
	Hong Kong (HKD/USD)	7.76	-0.02	-0.05	7.76	7.76
	Taiwan (TWD/USD)	29.4	-0.13	-0.56	29.29	29.01
	Japan (JPY/USD)	79.91	0.03	-0.08	79.84	79.39
	Korea (KRW/USD)	1147	-0.37	-1.31	1155	1168
	India (INR/USD)	53.6	-0.34	-0.24	54.62	56.68
	Australia (USD/AUD)	1.00	-0.36	-1.34	1.00	1.03
	Singapore (SGD/USD)	1.25	-0.04	-0.51	1.25	1.25
	Indonesia (IDR/USD)	9198	0.65	0.17	9455	9789
	Thailand (THB/USD)	31.2	-0.29	-0.87	31.37	31.79
	Malaysia (MYR/USD)	3.07	-0.09	-0.97	3.09	3.13
	Philippines (PHP/USD)	42.5	-0.22	-0.45	42.87	43.27

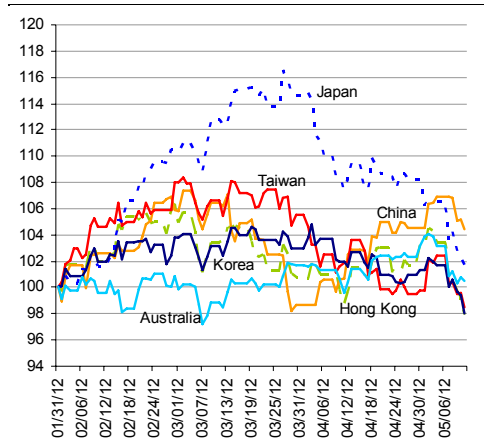
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.20	-0.06	-0.65	-0.60
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.04
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	2.64	-0.56	-1.31	-1.44
	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	0.00	0.19	-0.19

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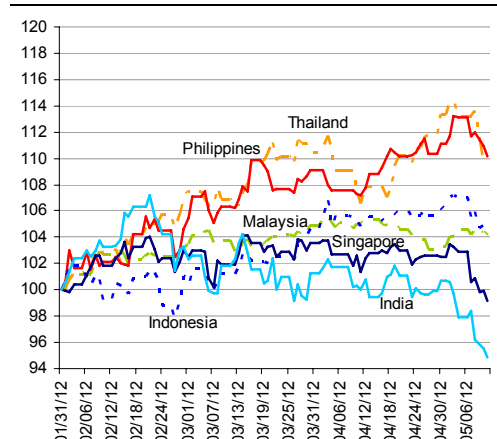
Charts

Chart 9
Stock Markets



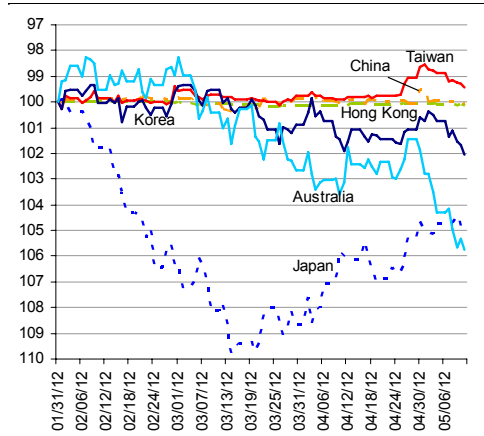
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



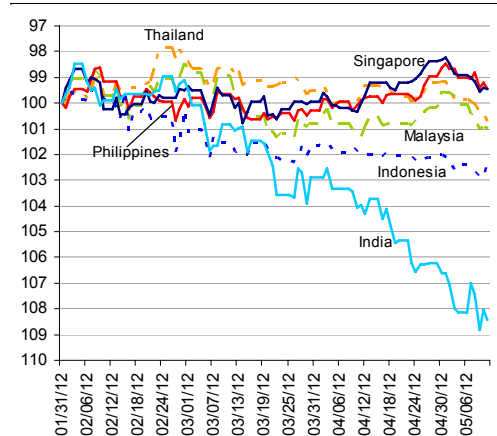
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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

BBVA

RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

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