

Daily Flash

Asia

China Flash PMI edges down, remaining below the expansion threshold

China's flash estimate of the private sector PMI (Markit) in May, released today, registered a slight downturn to 48.7% from 49.1% in April, mainly due to weakness in new orders. This outturn suggests that sentiment on China's growth momentum remains weak, following the weaker-than-expected outturns of economic activity indicators in April. Encouragingly, the Chinese government is stepping up its efforts to stabilize growth momentum through supportive policies, including monetary easing, and in our view remains on a soft-landing path.

In India, gasoline price hike may add to inflationary pressures

Indian retail oil companies increased petrol prices by INR 6.28 per litre (11-12%) last night. The price adjustment was seen as necessary by the companies given elevated crude oil prices, recent rupee depreciation, and heavy losses. However, the price hike is expected to put additional upward pressure on headline WPI inflation (7.2% y/y in April), which will leave authorities with a difficult decision in deciding on whether to cut interest rates further (after cutting by 50bps in April).

Vietnam: inflation slows to single-digits

Vietnam's inflation declined for a ninth straight month in May to 8.3% y/y (consensus: 8.9% y/y), marking the first time the inflation rate has fallen under 10% since 2010. The slowdown is largely due to a high base effect, but food prices are also falling, and the government has taken measures to help ease inflation over the past few months - including yesterday, when the government lowered fuel prices for the second time this month to reflect the recent decline in international oil prices (in stark contrast with last night's events in India). After a tightening cycle last year, the government reversed its monetary policy this year, twice cutting rates by 100 bps (200bps total). Easing inflation and mounting concerns over a growth slowdown are increasing the likelihood of further rate cuts.

Korean household debt contracts, broadly seen as a positive

Outstanding household debt fell in the first quarter for the first time since 2009 (to 911.4 trillion won, from 911.9 trillion won the previous quarter), signaling a slowdown in consumer demand for loans. Total outstanding household loans from commercial banks contracted by 2.7 trillion won (US\$2.3bn). In Korea, household debt levels remain among the highest in the world, so the outturn is likely to be welcomed by authorities.

Briefly noted:

- **Hong Kong's exports slow, outlook remains challenging.** Hong Kong released its trade data for April today, which show that exports and imports grew by 5.6% y/y (consensus: 6.2% y/y) and 5.0% y/y (consensus: 4.1% y/y) respectively. Looking ahead, the challenging external environment is likely to continue weighing on Hong Kong's exports in the coming months.

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	24-May	MAY	49.3	--	48.7
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22-May	APR	4.90%	4.70%	4.70%
Exports YoY%	24-May	APR	-6.80%	6.20%	5.60%
Imports YoY%	24-May	APR	-4.70%	4.10%	5.00%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-May	MAR	-0.10%	-0.10%	-0.30%
Merchnds Trade Balance Total	23-May	APR	-¥82.5B	-¥470.8B	-¥520.3B
Merchnds Trade Exports YoY	23-May	APR	5.90%	11.80%	7.90%
Natl CPI YoY	25-May	APR	0.50%	0.40%	--
Natl CPI Ex-Fresh Food YoY	25-May	APR	--	0.10%	--
Natl CPI Ex Food, Energy YoY	25-May	APR	-0.50%	-0.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-May	APR	2.10%	2.10%	1.90%
GDP YoY%	23-May	1Q	5.20%	4.60%	4.70%
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-May	APR	0.80%	0.30%	0.50%
CPI (YoY)	23-May	APR	5.20%	5.20%	5.40%
Industrial Production MoM SA	25-May	APR	2.70%	0.60%	--
Industrial Production YoY	25-May	APR	-3.40%	4.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	21-May	APR	-1.58%	0.50%	-3.52%
Unemployment Rate - sa	22-May	APR	4.14%	4.13%	4.19%
Industrial Production (YoY)	23-May	APR	-3.42%	-1.67%	-2.33%
GDP - Constant Prices (YoY)	25-May	1Q F	0.36%	0.40%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	21-May	1Q	-10.70%	10.00%	11.00%
Gross Domestic Product (YoY)	21-May	1Q	-9.00%	-0.50%	0.30%
Customs Exports (YoY)	25-May	APR	-6.50%	6.40%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-May	MAY	10.50%	8.90%	8.30%
Exports YTD (YoY)	24-31 MAY	MAY	22.10%	--	--

Indicator of the Week

China: PMI for May (June 1)

Forecast: 51.5	Consensus: 52.1	Prior: 53.3
<p>Weaker-than-expected activity outturns in April are causing the market to reassess expectations regarding the pace of China's growth. The official manufacturing PMI in May is thus expected to provide important signs regarding China's growth momentum. Thursday's flash estimate for private sector PMI (Markit) registered a slight downturn in May, to 48.7% from 49.1% the previous month, showing weak sentiment persists in the economy. Considering this flash outturn, as well as seasonal effects, we expect a decrease in the official PMI for May, however we expect it will remain above the +50 expansion/contraction threshold. That said, the government's recent comments emphasizing that it will help stabilize China's growth through further policy support, along with a stronger PMI outturn for May, could signal a rebound in growth momentum over the course of rest of this year.</p>		

Calendar Events

Japan - BOJ Target Rate, May 23	Current	Consensus	New
We expected the benchmark rate to remain unchanged	0.10%	0.10%	0.10%

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.	2351.0	-0.5	-1.2	6.9	-15.0
	Hong Kong - Hang Seng	18666.4	-0.6	-2.8	1.3	-17.9
	Taiwan - Weighted	7124.9	-0.3	-3.2	0.7	-18.6
	Japan - Nikkei 225	8563.4	0.1	-3.5	1.3	-9.6
	Korea - Kospi	1814.5	0.3	-1.7	-0.6	-12.0
	India - Sensex 30	16222.3	1.7	0.9	5.0	-9.9
	Australia - SPX/ASX 200	4055.8	-0.3	-2.4	0.0	-12.4
	Singapore - Strait Times	2779.5	0.0	-1.5	5.0	-10.7
	Indonesia - Jakarta Comp	3984.9	0.1	-1.5	4.3	5.3
	Thailand - SET	1125.8	1.4	-4.1	9.8	5.8
	Malaysia - KLCI	1548.3	0.6	0.3	1.1	1.1
	Philippines - Manila Comp.	4904.2	-0.5	-2.2	12.2	16.0

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)	6.35	-0.17	-0.32	6.36	6.40
	Hong Kong (HKD/USD)	7.76	0.01	0.07	7.76	7.76
	Taiwan (TWD/USD)	29.6	-0.22	-0.27	29.52	29.26
	Japan (JPY/USD)	79.38	0.11	-0.13	79.31	78.79
	Korea (KRW/USD)	1180	-0.62	-1.44	1185	1195
	India (INR/USD)	55.7	0.49	-2.23	56.92	59.15
	Australia (USD/AUD)	0.98	0.40	-1.04	1.03	1.05
	Singapore (SGD/USD)	1.27	0.27	-0.16	1.27	1.27
	Indonesia (IDR/USD)	9268	0.98	0.60	9786	10204
	Thailand (THB/USD)	31.6	-0.16	-0.73	31.75	32.17
	Malaysia (MYR/USD)	3.15	-0.25	-1.36	3.17	3.20
	Philippines (PHP/USD)	43.7	-0.60	-1.90	43.98	44.44

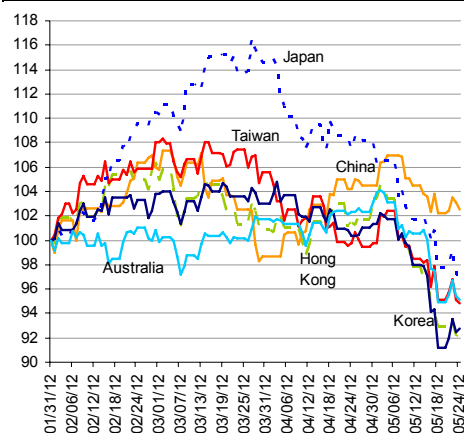
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.23	-0.19	-0.47	-1.58
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	2.23	-1.27	-0.49	-1.72
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.83	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)	3.44	0.00	-0.19	-0.13

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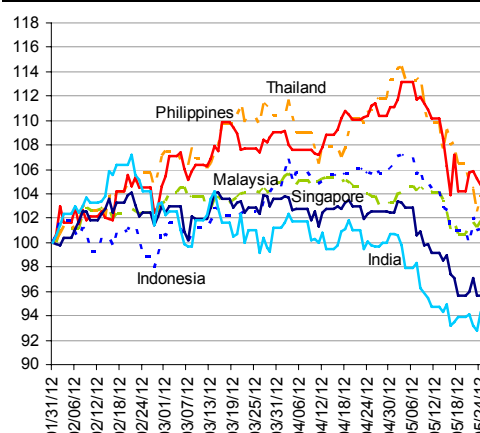
Charts

Chart 9
Stock Markets



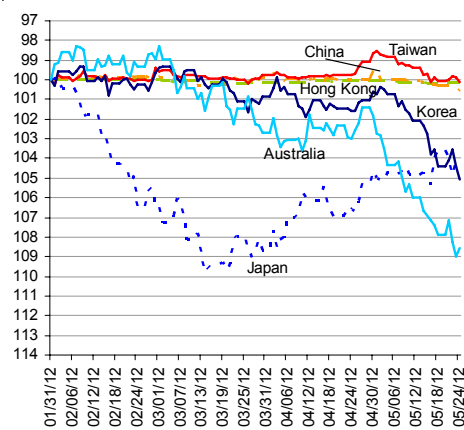
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



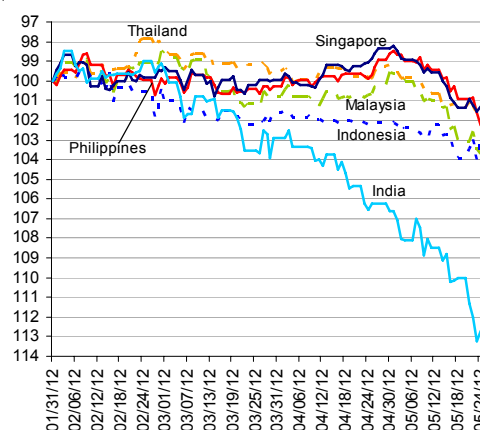
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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