

Daily Flash

Asia

Korea's 2Q GDP growth falls short of estimates

Korea's second quarter GDP came in below expectations (2.4% y/y, consensus: 2.5% y/y, BBVA: 2.6% y/y) as weak investment spending and consumption weighed on growth. Sequentially, growth slowed to 0.4% q/q this quarter after 0.9% q/q in the first quarter. To address the ongoing slowdown, Korea has implemented a mix of fiscal and monetary measures in recent weeks. Looking ahead, weakening consumer confidence and expectations of a sluggish global environment suggest that growth will remain under pressure in the coming months. Authorities recently lowered their growth outlook for 2012 to 3.0% (BBVA: 2.9%), below Korea's potential, and given expectations that inflation will likely remain on the low end of policymakers' 2%-4% target there is room for further easing to support growth.

The Philippines surprises with a rate cut

The Philippines became the latest country in Asia to ease monetary policy, with a surprise 25bp interest rate cut today to a record low of 3.75%. According to the central bank, expectations that inflation will remain towards the bottom of the central bank's 3%-5% target range along with weak prospects for global economic activity prompted a "pre-emptive" rate cut. The Philippines' decision follows recent policy easing in China and Korea as Asia's policymakers have increased support for their economies due to the sluggish global environment. We had not anticipated rate cuts during the remainder of the year, but with inflation expected to remain muted in the coming months further rate cuts remain a possibility.

China latest fiscal support measures unveiled in a local spending plan

According to the state's official news agency Xinhua, yesterday the State Council approved a plan to promote the development of six of the country's central provinces. Although the specific support measures are still unknown, one of the six provinces, Hunan, will reportedly unveil an 829 billion yuan (US\$130 billion, or 1.7% of GDP) investment plan containing 195 projects, including investments on airport and subway lines. This scaling up of fiscal support is in line with our projections of economic growth momentum gradually improving in the second half of 2012.

India plans to provide tax break for equity investments

Senior officials from India's finance ministry have stated that India plans to launch a program as early as next week to give tax breaks to domestic investors who invest as much as 50,000 rupees (US\$890) in equities each year. The move is aimed at boosting equity participation and liquidity as well as reducing overall market volatility. Retail investors have withdrawn around 35 bn rupees from domestic equities markets in the first six months of 2012.

Briefly noted:

- **Singapore's industrial production in June surprised to the upside** (7.6% y/y, consensus: 2.8% y/y) due to a surge in pharmaceuticals production. Despite the positive outturn, risks remain tilted to the downside, with the Monetary Authority of Singapore warning in its annual report yesterday that its 1%-3% growth target for this year may be at risk given the high degree of uncertainty over the external environment.

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (QoQ)	25-Jul	2Q	0.10%	0.60%	0.50%
Consumer Prices (YoY)	25-Jul	2Q	1.60%	1.30%	1.20%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24-Jul	Jul	48.2	--	49.5
Industrial Profits YTD YoY	27-Jul	Jun	-2.40%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	23-Jul	Jun	4.30%	4.00%	3.70%
Exports YoY%	24-Jul	Jun	5.20%	1.80%	-4.80%
Imports YoY%	24-Jul	Jun	4.60%	1.50%	-2.90%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	25-Jul	Jun	-¥907.3B	-¥140.0B	¥61.7B
Merchnds Trade Exports YoY	25-Jul	Jun	10.0%	-3.0%	-2.3%
Merchnds Trade Imports YoY	25-Jul	Jun	9.3%	1.1%	-2.2%
Natl CPI YoY	27-Jul	Jun	0.20%	0.00%	--
Natl CPI Ex-Fresh Food YoY	27-Jul	Jun	-0.10%	0.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Trade Balance	25-Jul	May	-\$135M	--	-\$454M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Jul	Jun	0.20%	-0.10%	0.00%
CPI (YoY)	23-Jul	Jun	5.00%	5.10%	5.30%
Industrial Production MoM SA	26-Jul	Jun	1.80%	-0.80%	3.90%
Industrial Production YoY	26-Jul	Jun	6.60%	2.80%	7.60%
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Jul	2Q P	0.90%	0.50%	0.40%
GDP (YoY)	26-Jul	2Q P	2.80%	2.50%	2.40%
Current Account in US\$ Million	27-Jul	Jun	\$3611.8M	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	23-Jul	Jun	4.25%	4.30%	4.24%
Industrial Production (YoY)	23-Jul	Jun	-0.21%	0.50%	-2.44%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	25-Jul	Jun	7.68%	4.50%	-2.50%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Jul	Jul	6.90%	5.70%	5.35%
Exports YTD (YoY)	26-Jul	Jul	22.20%	--	19.00%

Calendar Events

Thailand - Benchmark Interest Rate, July 25 We expected the benchmark rate to remain unchanged	Current 3.00%	Consensus 3.00%	New 3.00%
Philippines - Overnight Borrowing Rate, July 26 We expected the benchmark rate to remain unchanged	Current 4.00%	Consensus 4.00%	New 3.75%

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.	2126.0	-0.5	-2.7	-3.3	-21.3
	Hong Kong - Hang Seng	18892.8	0.1	-3.4	2.5	-16.3
	Taiwan - Weighted	6970.7	-0.1	-2.5	-1.4	-20.7
	Japan - Nikkei 225	8443.1	0.9	-4.0	-0.1	-16.4
	Korea - Kospi	1782.5	0.7	-2.2	-2.4	-17.8
	India - Sensex 30	16639.8	-1.2	-3.7	7.7	-10.1
	Australia - SPX/ASX 200	4147.7	0.6	-1.4	2.2	-9.3
	Singapore - Strait Times	3004.6	0.5	-0.8	13.5	-5.7
	Indonesia - Jakarta Comp	4004.8	0.1	-2.2	4.8	-3.1
	Thailand - SET	1172.9	-1.3	-3.3	14.4	4.6
	Malaysia - KLCI	1623.9	-0.7	-1.3	6.1	4.0
	Philippines - Manila Comp.	5152.6	-0.2	-0.7	17.9	15.4

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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)	6.38	0.07	-0.18	6.37	6.44
	Hong Kong (HKD/USD)	7.76	0.01	-0.02	7.75	7.75
	Taiwan (TWD/USD)	30.1	0.23	-0.48	30.06	29.78
	Japan (JPY/USD)	78.13	0.04	0.59	78.04	77.67
	Korea (KRW/USD)	1147	0.36	-0.67	1153	1162
	India (INR/USD)	56.0	0.35	-1.48	57.00	59.35
	Australia (USD/AUD)	1.03	0.33	-0.82	0.98	1.00
	Singapore (SGD/USD)	1.25	0.10	-0.06	1.25	1.25
	Indonesia (IDR/USD)	9503	0.05	-0.45	9626	10002
	Thailand (THB/USD)	31.7	-0.16	-0.09	31.84	32.24
	Malaysia (MYR/USD)	3.17	0.14	-0.56	3.18	3.22
	Philippines (PHP/USD)	42.2	-0.04	-0.95	42.26	42.54

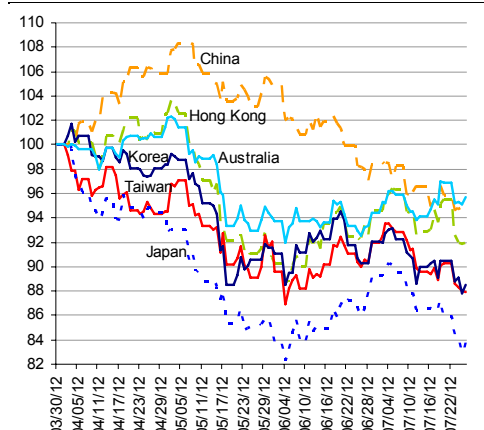
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.38	0.03	-0.17	-0.88
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.05	-0.01	-0.04	-0.29
	India (MIBOR/7D)	3.60	-2.44	0.08	-0.88
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.16	-0.01	-0.01	0.02
	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)	2.44	0.69	-0.44	-1.25

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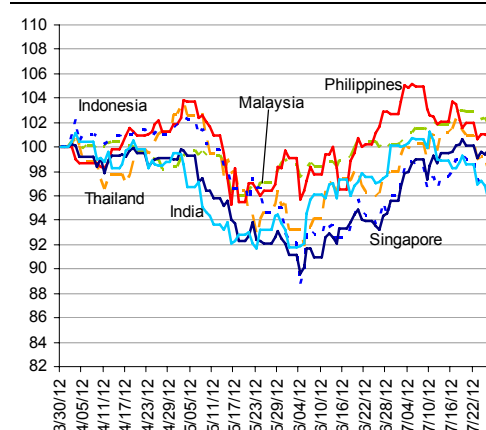
Charts

Chart 9
Stock Markets



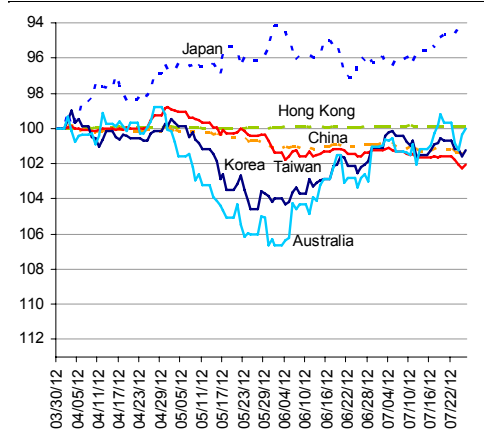
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



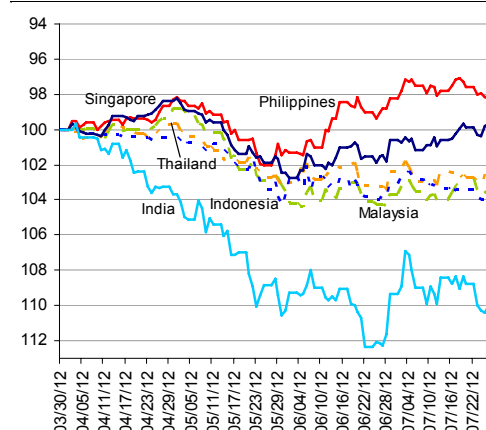
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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