

Daily Flash

Asia

China's Q2 non-performing loans increase, but not yet a concern

China's Banking Regulation Commission (CBRC) released data today on non-performing loans (NPL) for the second quarter, showing a third consecutive increase in nominal terms, to RMB 456.6 billion as of end-June, an increase of 4.2% q/q. However, given loan growth, the NPL ratio remained unchanged at 0.9%. We expect NPLs to rise more steeply in the coming quarters due to the legacy of rapid loan growth in 2008-09, along with slowing GDP growth. Though not yet a concern, rising NPLs, along with narrowing lending margins, are likely to put pressure on banks' high profit levels over the next few years (please refer to our recent *China Banking Watch* for details).

Contraction in Singapore retail sales as weak external demand spills over

Singapore's June retail sales fell short of expectations (-0.9% y/y, consensus: 0.1% y/y), providing the latest evidence of spillovers from slowing exports to domestic demand. Singapore's government recently lowered the top end of its 2012 GDP forecast downwards, to 2.5% from 3.0% previously, a sign that authorities are lowering expectations of a growth rebound in the second half (BBVA: 2.6%). Looking ahead, data outturns will be watched closely over the coming months, for signs of a possible easing of policy by the Monetary Authority of Singapore at its next semi-annual meeting in October, despite still-high inflation of 5.3% y/y in June.

Malaysia's Q2 GDP exceeds expectations as inflation eases

Malaysia's second quarter GDP growth accelerated to 5.4% y/y in the second quarter, from a revised 4.9% y/y the previous quarter, beating estimates (consensus: 4.6% y/y). Despite ongoing weakness in exports, resilient domestic demand (partially boosted by government spending) and a jump in investment underpinned the economy's growth in the second quarter. The positive outturn eases pressure on the central bank to cut rates amid the global downturn, with the bank's governor stating today that the current interest rate level continues to support growth. CPI inflation was also released, at 1.4% y/y in July (consensus: 1.6%) from 1.6% y/y the month before, marking the lowest rate in more than two years. Malaysia's central bank also stated that the country's growth will be towards the upper range of their estimate in 2012 of 4%-5% (BBVA: 4.2%). The authorities did state, however, that the main risks to the economy are related to growth, rather than inflation, given the uncertainties in the global environment.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 AUG	Jul	-6.90%	-2.50%	--
China July Property Prices	18-Aug	Jul			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	16-Aug	Jul	3.20%	3.30%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	14-Aug	Jul	7.25%	7.20%	6.90%
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	13-Aug	2Q P	4.70%	2.30%	1.40%
Gross Domestic Product (QoQ)	13-Aug	2Q P	1.20%	0.60%	0.30%
GDP Deflator YoY	13-Aug	2Q P	-1.30%	-0.80%	-1.10%
Tertiary Industry Index (MoM)	14-Aug	Jun	0.70%	-0.30%	0.10%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	15-Aug	Jul	1.60%	1.60%	1.40%
GDP YoY%	15-Aug	2Q	4.70%	4.60%	5.40%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Aug	Jun	5.10%	--	4.20%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-Aug	Jun	0.50%	0.10%	-0.90%
Non-oil Domestic Exports (YoY)	17-Aug	Jul	6.80%	4.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	16-Aug	Jul	3.20%	3.30%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	17-Aug	2Q F	-0.16%	-0.16%	--

Calendar Events

There are no calendar events scheduled for this week.

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.	2118.9	-1.1	-1.9	-3.7	-19.3
	Hong Kong - Hang Seng	20052.3	-1.2	-0.1	8.8	-1.0
	Taiwan - Weighted	7467.7	-0.2	2.0	5.6	-4.5
	Japan - Nikkei 225	8925.0	-0.1	0.5	5.6	-1.8
	Korea - Kospi	1957.0	1.3	3.7	7.2	9.1
	India - Sensex 30	17728.2	0.5	0.7	14.7	5.3
	Australia - SPX/ASX 200	4281.2	-0.3	-0.7	5.5	0.0
	Singapore - Strait Times	3062.1	-0.8	-0.2	15.7	6.5
	Indonesia - Jakarta Comp	4142.0	0.5	1.3	8.4	4.6
	Thailand - SET	1225.5	-0.1	1.4	19.5	12.8
	Malaysia - KLCI	1653.8	0.1	1.1	8.0	10.3
Philippines - Manila Comp.	5266.7	0.0	-0.8	20.5	21.6	

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)	6.36	-0.05	-0.02	6.37	6.44
	Hong Kong (HKD/USD)	7.76	0.00	-0.02	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.08	-0.04	29.94	29.65
	Japan (JPY/USD)	78.96	-0.28	-0.67	78.88	78.52
	Korea (KRW/USD)	1133	-0.24	-0.37	1139	1151
	India (INR/USD)	55.7	-0.57	-1.06	56.75	59.17
	Australia (USD/AUD)	1.05	-0.16	-0.94	0.96	0.99
	Singapore (SGD/USD)	1.25	-0.22	-0.32	1.25	1.25
	Indonesia (IDR/USD)	9513	-0.26	-0.36	9655	10060
	Thailand (THB/USD)	31.6	-0.22	-0.22	31.72	32.13
	Malaysia (MYR/USD)	3.13	-0.33	-0.77	3.14	3.17
Philippines (PHP/USD)	42.2	-0.56	-1.14	42.25	42.53	

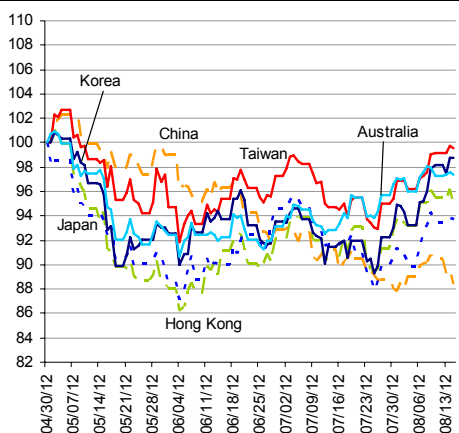
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	0.07	0.10	0.07
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	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)	3.04	0.00	0.01	-0.06
	India (MIBOR/7D)	3.60	-0.24	0.35	0.26
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.46	0.06	0.27	0.29
	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)	2.19	0.06	0.75	-0.69

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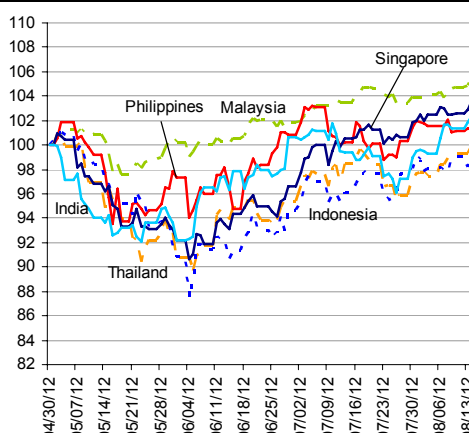
Charts

Chart 9
Stock Markets



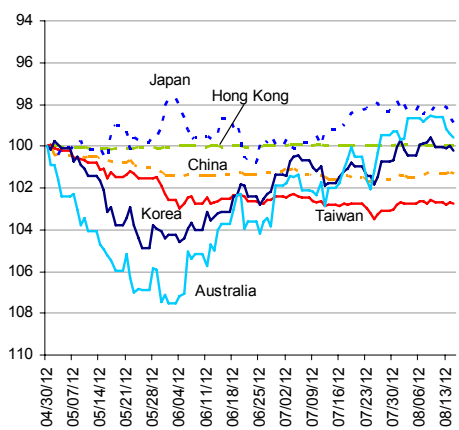
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



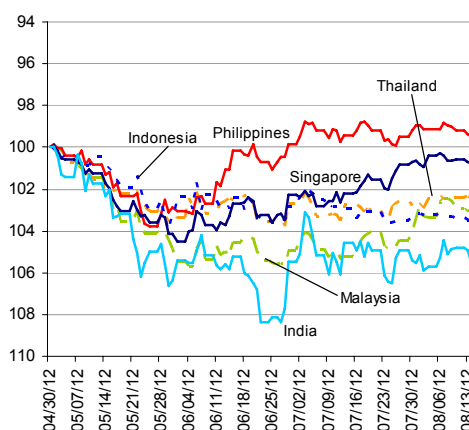
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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