

Daily Flash

Asia

Japan's government approves FY2013 budget guidelines

Japan's government approved the outline for its FY2013 budget (ending March 2014) today, which will focus on promoting growth in areas like clean technology and healthcare. The government will limit spending to 71 trillion yen (15% of GDP), the same as last year, seeking to avoid an increase in public debt (which already exceeds 200% of GDP) by cutting spending in areas like public works. The budget comes after an important consumption tax bill was passed last Friday by parliament, which will help steer Japan towards fiscal consolidation. The government also released its 2012 and 2013 growth forecasts of 2.2% and 1.7%, respectively, which were broadly in line with both the Bank of Japan and our own forecasts (BBVA: 2.4% and 1.4% respectively in 2012-13). We expect Japan's growth to improve over the remainder of the year, though risks remain to the downside on heightened global headwinds.

Singapore's exports rise, supported by strong intraregional demand

Singapore's non-oil domestic exports (NODX) showed a better-than-expected increase of 5.8% y/y in July (consensus: 5.0% y/y) as petrochemicals and electronics shipments remained resilient. Intraregional trading partners provided support for Singapore's NODX, with demand remaining particularly strong from China (8.3% y/y), Hong Kong (53.1% y/y) and Indonesia (13.0% y/y). Singapore's growth has slowed in recent quarters as its exports-reliant economy has come under pressure, but we expect a slight rebound in growth in the coming months on the back of resilient domestic consumption and a slight improvement in trade.

India announces measures to boost capital markets, expand market reach

India's capital markets regulator, SEBI, announced a series of reforms to revive the mutual fund industry, increase retail participation in initial public offerings (IPOs) and facilitate fund-raising activity by companies. These include allowing cash transactions in mutual fund schemes up to Rs 20,000, assuring a minimum lot of shares to investors in IPOs, and allowing electronic issuance of IPOs. The measures are expected to be supplemented by the Finance Ministry in order to further support and deepen capital markets in India. Foreign institutional flows into India have picked pace in recent months amid renewed hopes of policy reforms to revive slowing growth. Thus far this year, India has attracted USD 11bn in foreign funds, highest among Asian economies.

Taiwan revises down its 2012 GDP growth forecast on global headwinds

Taiwan's final Q2 GDP came out at -0.18% y/y, slightly lower than the preliminary estimate (-0.16%). Importantly, the government downgraded its full year forecast to 1.7% y/y from its prior assessment of 2.1% in late July (BBVA: 2.0%). Declining exports have caused Taiwan to be one of the hardest hit economies in the region. Looking ahead, Taiwan's economy is still expected to bottom out in the second half of the year, but it will face challenges given uncertainties about the pace of the global recovery.

The upcoming economic calendar will be highlighted by China's release of monthly property price data tomorrow. Taiwan will release export orders data for July on Monday (see Weekly Indicator below), and China's Flash PMI will be published on Thursday. For the rest of next week's data, please see the Weekly Calendar below.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	16-Aug	Jul	-6.90%	-2.50%	-8.70%
China July Property Prices	18-Aug	Jul			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	16-Aug	Jul	3.20%	3.30%	3.20%
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%	5.00%	5.80%
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	16-Aug	Jul	3.20%	3.30%	3.10%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	17-Aug	2Q F	-0.16%	-0.16%	-0.18%

Indicator of the Week

Taiwan: Export Orders for July (August 20th)

Forecast: -2.9% y/y	Consensus: -3.0% y/y	Prior: -2.6% y/y
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Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Recent disappointing export outturns around the region, including for July in China, have focused attention on the region's export slowdown due to the weak external environment. Taiwan's export sector has been especially weak, with double-digit declines from a year earlier across major export destinations in July. We expect the growth of export orders to contract for a fifth consecutive month in August, reflecting high exposure of Taiwan's medium and upper stream industries amid current global downturn. Sluggish demand from Europe and China is likely to continue.

Calendar Events

There are no calendar events scheduled for this week.

Upcoming Week's Calendar

China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23-Aug	Aug	49.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	21-Aug	Jul	3.70%	3.40%	--
India	Date	Period	Prior	Cons.	Actual
CPI (YoY)	21-Aug	Jul	10.02%	--	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-Aug	Jun	-0.30%	0.20%	--
Merchnds Trade Balance Total	22-Aug	Jul	¥61.7B	¥270.0B	--
Merchnds Trade Exports YoY	22-Aug	Jul	-2.3	-2.7	--
Merchnds Trade Imports YoY	22-Aug	Jul	-2.2	3	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	20-Aug	Jul	\$14M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Aug	Jul	0.00%	--	--
CPI (YoY)	23-Aug	Jul	5.30%	4.50%	--
Industrial Production MoM SA	24-Aug	Jul	3.90%	-4.00%	--
Industrial Production YoY	24-Aug	Jul	7.60%	6.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Aug	Jul	-2.62%	-2.98%	--
Unemployment Rate - sa	22-Aug	Jul	4.24%	4.30%	--
Industrial Production (YoY)	23-Aug	Jul	-2.44%	-1.70%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	20-Aug	2Q	11.00%	2.00%	--
Gross Domestic Product (YoY)	20-Aug	2Q	0.30%	3.10%	--
Customs Exports (YoY)	20-22 AUG	Jul	-2.50%	-3.10%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Aug	Aug	5.35%	--	--
Exports YTD (YoY)	24-31 AUG	Aug	19.00%	--	--
Retail Sales YTD (YoY)	26-31 AUG	Aug	18.70%	--	--

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.	2114.9	0.1	-2.5	-3.8	-18.7
	Hong Kong - Hang Seng	20116.1	0.8	-0.1	9.1	-0.9
	Taiwan - Weighted	7467.9	-0.3	0.4	5.6	-3.5
	Japan - Nikkei 225	9162.5	0.8	3.0	8.4	1.2
	Korea - Kospi	1946.5	-0.6	0.3	6.6	2.8
	India - Sensex 30	17701.3	0.2	0.8	14.5	5.1
	Australia - SPX/ASX 200	4370.1	0.9	2.2	7.7	1.5
	Singapore - Strait Times	3062.1	0.0	0.3	15.7	8.3
	Indonesia - Jakarta Comp	4160.5	0.4	0.7	8.9	5.2
	Thailand - SET	1223.5	-0.1	0.5	19.3	11.9
	Malaysia - KLCI	1649.8	0.0	0.3	7.8	9.8
	Philippines - Manila Comp.	5206.8	-0.2	-1.1	19.1	20.0

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)	6.36	0.12	0.03	6.37	6.45
	Hong Kong (HKD/USD)	7.76	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.01	-0.13	29.97	29.68
	Japan (JPY/USD)	79.48	-0.16	-1.51	79.41	79.05
	Korea (KRW/USD)	1134	-0.01	-0.34	1140	1152
	India (INR/USD)	55.7	0.14	-0.74	56.71	59.21
	Australia (USD/AUD)	1.05	-0.58	-1.20	0.97	0.99
	Singapore (SGD/USD)	1.25	-0.21	-0.65	1.25	1.25
	Indonesia (IDR/USD)	9519	-0.07	-0.36	9674	10121
	Thailand (THB/USD)	31.5	-0.06	-0.06	31.66	32.07
	Malaysia (MYR/USD)	3.13	-0.15	-0.50	3.15	3.18
	Philippines (PHP/USD)	42.4	-0.30	-1.19	42.41	42.69

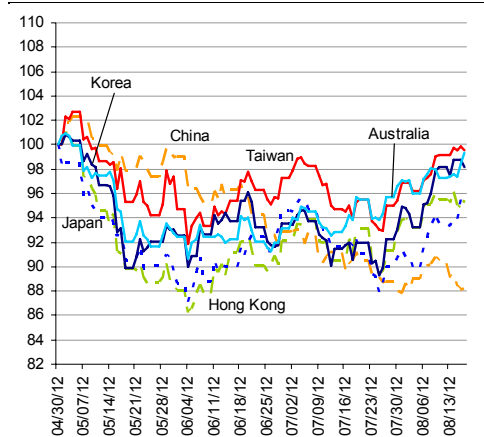
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.95	0.44	0.65	0.65
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.00	-0.05
	India (MIBOR/7D)	4.40	0.85	1.10	1.10
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.49	0.03	0.29	0.32
	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)	0.81	-1.31	0.19	-0.69

Last update: today, 17.45 Hong Kong time

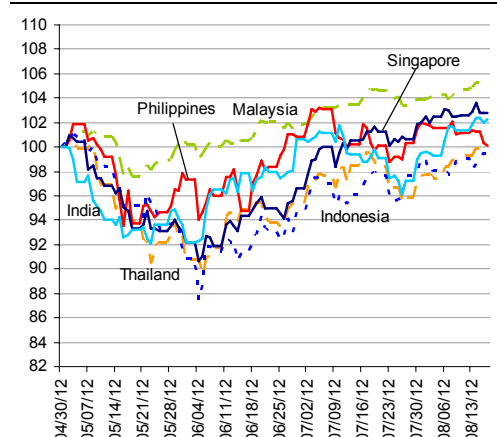
Charts

Chart 9
Stock Markets



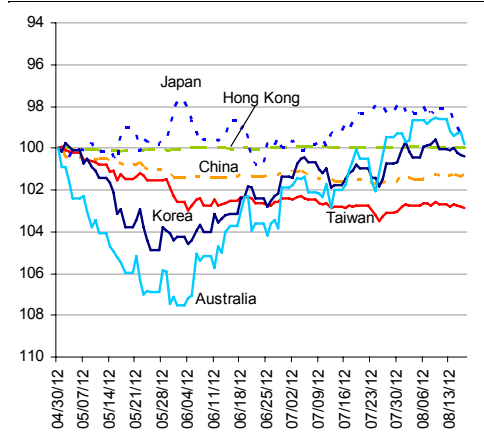
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



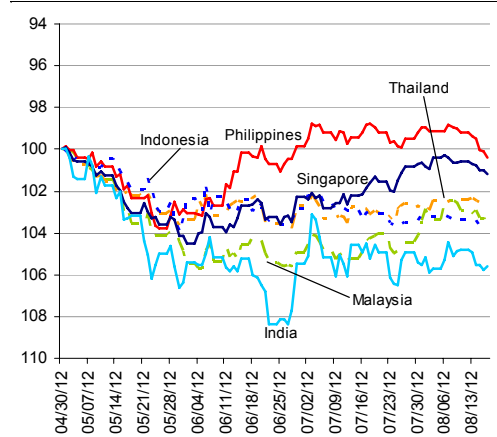
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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