BBVA | RESEARCH

Economic Analysis
26 September 2012

Daily Flash

Asia

The sell-off in global markets sparked by renewed concerns about the global growth outlook and the effectiveness of recent central bank actions spilled into Asia today. Equity markets in the region extended their declines that began late last week, led by the Nikkei (-2.0%) and the Shanghai Composite (-1.2%). The declines were exacerbated by ongoing tensions between Japan and China over disputed islands, following announcements by Japanese automakers of a cutback in production at their Chinese factories and concerns over possible disruptions to supply chains. We will be watching Japan and South Korea industrial output data for August due to be released on Friday for further leads on the pace of the regional growth slowdown.

Singapore industrial production falls, adding to case for monetary easing

Singapore's industrial production for August surprised to the downside, declining by -2.2% y/y (consensus: +1.0% y/y) on weaker electronics production (-7.3% y/y). Coming after Singapore reported a disappointing outturn last week for its non-oil domestic exports in August, today's outturn increases the chances of a technical recession in Singapore, though Singapore's IP is notoriously volatile due to biomedical output. On the balance, given these disappointing outturns and a decline in August inflation, there is an increasing likelihood of policy easing by the Monetary Authority of Singapore - by slowing the pace of currency appreciation -when it holds its semi-annual policy meeting in mid-October.

IMF publishes annual report on Indonesia, commending country for resilient growth

The IMF released its annual Article IV report on Indonesia yesterday. The IMF staff commended Indonesia for its sound economic management, the resilience of its financial system, and its prudent fiscal policies. Looking ahead, however, the report highlighted several risks, primarily due to the European crisis, and also called for more to be done domestically – especially with fiscal and structural reforms - in order to help sustain economic growth. In addition, according to the report Indonesia should utilize fiscal policies, rather than monetary policy, to support its economy should economic conditions worsen. We agree that cutting interest rates is not recommended in the near term given the likelihood that inflation will rise in coming months on resilient domestic demand and possible spillover effects from QE3.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Sep	Aug	-2.70%	--	--
HSBC Manufacturing PMI	29-Sep	Sep	47.6	--	--
Hong Kong	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Exports YoY%	25-Sep	Aug	-3.50%	-4.80%	0.60%
Imports YoY%	25-Sep	Aug	-1.80%	-3.50%	0.90%
Japan	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Industrial Production (MoM)	28-Sep	Aug P	-1.00%	-0.50%	--
Industrial Production YOY%	28-Sep	Aug P	-0.80%	-3.40%	--
Jobless Rate	28-Sep	Aug	4.30%	4.30%	--
Natl CPI YoY	28-Sep	Aug	-0.40%	-0.50%	--
Tokyo CPI YoY	28-Sep	Sep	-0.70%	-0.60%	--
Retail Trade YoY	28-Sep	Aug	-0.80%	-0.30%	--
Singapore	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
CPI (MOM) - NSA	24-Sep	Aug	0.20%	0.50%	0.60%
CPI (YoY)	24-Sep	Aug	4.00%	3.80%	3.90%
Industrial Production YoY	26-Sep	Aug	1.90%	1.00%	-2.20%
Industrial Production MoM SA	26-Sep	Aug	-9.10%	0.00%	-2.30%
South Korea	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Industrial Production (YoY)	28-Sep	Aug	0.30%	0.70%	--
Industrial Production (MoM)	28-Sep	Aug	-1.60%	-0.40%	--
Current Account in US$ Million	28-Sep	Aug	$6103.8M	--	--
Taiwan	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Industrial Production (YoY)	24-Sep	Aug	-0.02%	-0.60%	1.89%
Unemployment Rate - sa	24-Sep	Aug	4.25%	4.28%	4.29%
Thailand	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Customs Exports (YoY)	25-Sep	Aug	-4.46%	-5.80%	6.95%
Customs Imports (YoY)	25-Sep	Aug	13.73%	-5.60%	-8.78%
Vietnam	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Exports YTD (YoY)	27-Sep	Sep	17.80%	--	--
CPI (YoY)	24-Sep	Sep	5.04%	5.15%	6.48%

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.	2004.2	-1.2	-3.1	-8.9	-16.3
Hong Kong – Hang Seng	20527.7	-0.8	-1.5	11.4	17.9
Taiwan – Weighted	7669.6	-0.8	-1.4	8.4	11.5
Japan – Nikkei 225	8906.7	-2.0	-3.5	5.3	6.4
Korea – Kospi	1980.4	-0.6	-1.4	8.5	19.8
India – Sensex 30	18616.7	-0.4	0.7	20.5	16.0
Australia – SPX/ASX 200	4361.6	-0.3	-1.3	7.5	12.9
Singapore – Strait Times	3046.7	-0.7	-0.9	15.1	14.8
Indonesia – Jakarta Comp	4180.2	-1.1	-1.5	9.4	26.1
Thailand – SET	1274.6	-1.0	-0.8	24.3	41.0
Malaysia – KLCI	1619.3	0.0	-1.6	5.8	21.6
Philippines – Manila Comp.	5292.6	-0.6	-0.5	21.1	42.2

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)	6.30	0.06	0.13	6.36	6.42
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
Taiwan (TWD/USD)	29.4	-0.26	-0.21	29.38	29.13
Japan (JPY/USD)	77.67	0.17	0.91	77.61	77.27
Korea (KRW/USD)	1121	-0.14	-0.56	1125	1136
India (INR/USD)	53.5	-0.14	1.02	54.08	56.28
Australia (USD/AUD)	1.04	-0.23	-1.09	0.97	0.99
Singapore (SGD/USD)	1.23	-0.22	-0.59	1.23	1.23
Indonesia (IDR/USD)	9624	-0.44	-0.78	9752	10136
Thailand (THB/USD)	31.0	-0.13	-0.58	31.13	31.55
Malaysia (MYR/USD)	3.08	-0.38	-0.72	3.10	3.13
Philippines (PHP/USD)	41.9	-0.12	-0.74	42.08	42.20

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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)	3.70	-1.05	-0.70	0.05
Hong Kong (HIBOR/1W)	0.17	0.00	0.02	0.04
Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.02
India (MIBOR/7D)	3.85	-0.93	0.52	0.19
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	4.24	0.00	0.00	-0.10
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)	1.88	-0.44	0.75	0.38

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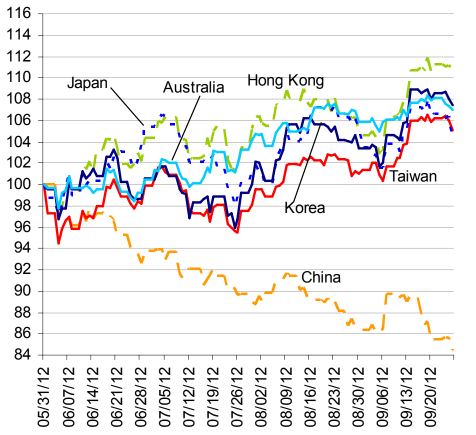
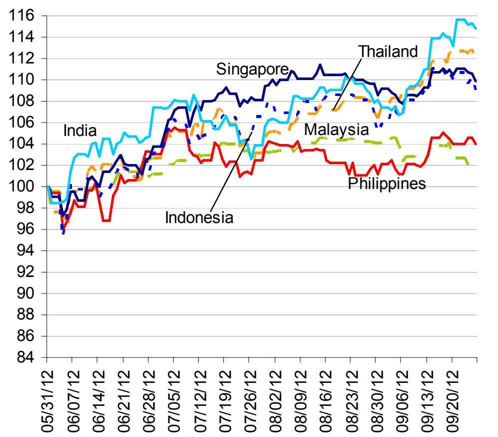
Charts

Chart 1
Stock Markets



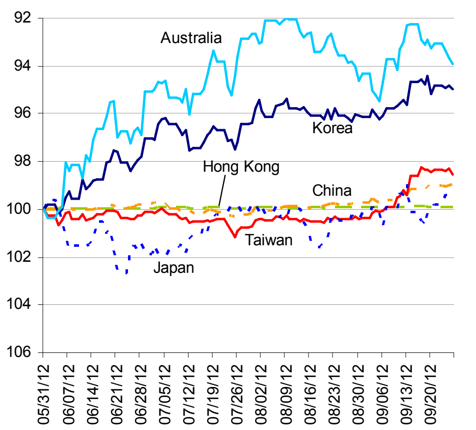
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



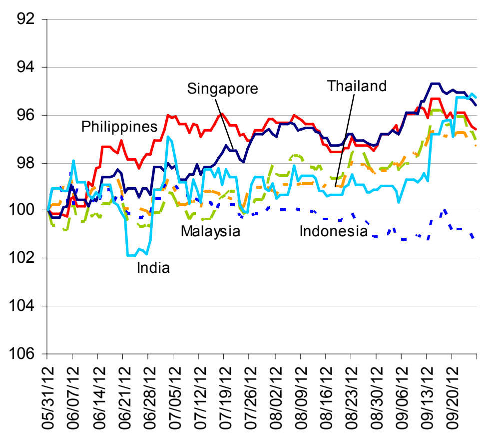
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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