

**BBVA**

RESEARCH

Economic Analysis
9 November 2012

Daily Flash

Asia

Strong data releases in China (see below) failed to reverse negative sentiment across the region as spillovers from the US continued to weigh on markets. The Nikkei and Hang Seng led today's equity losses, with each down by -0.9%. Trade data in China will be released tomorrow (see Weekly Indicator below), along with credit aggregates next week. We will also be watching for Q3 GDP outturns in Hong Kong, Japan, and Malaysia in the week ahead.

China's October data point to improving growth momentum

Today's release of October activity indicators provides further evidence of a pickup in growth (click [here](#) for further details). Fixed asset investment, retail sales, and industrial production all rose from the previous month, by slightly more than expected. Property sales and real estate investment also picked up in October. The data come after an encouraging set of indicators in September, and last week's release of the official PMI, which rose back to above the 50 threshold for the first time in 3 months. At the same time, October CPI inflation released today came in below expectations at 1.7% y/y (BBVA: 2.0%; consensus: 1.9%) on moderating food prices. We see room for further policy easing in the coming months, especially after the ongoing leadership transition is completed.

Korea holds interest rates, as expected; no further cuts anticipated this year

The Bank of Korea kept interest rates on hold at 2.75%, as expected, after cutting by 25bps last month. In its statement, the BoK highlighted that despite weak growth, "exports appear to be emerging from their downtrend and consumption and investment have turned around." With inflation running at the lower end of the 2-4% target range, there is room for further cuts if needed; nevertheless, we expect the BoK to remain on hold (especially with the upcoming Presidential election scheduled in December), unless there is a further deterioration in the external environment.

Malaysia's exports surprisingly rise in September

Malaysia's exports rose by 2.6% y/y in September (consensus: -2.9% y/y) recovering from two months of declines (August: -4.5% y/y). A rise in electronic and petroleum products boosted September's outturn, while by region, the rise in exports was mainly due to improving demand from Asia and the US. Malaysia's industrial production for September, released yesterday, also surprised to the upside; both outturns support the central bank's decision yesterday to refrain from cutting interest rates on 'the sustained expansion in domestic activity.'

Briefly noted:

- **Indonesia's Q3 balance of payments of data showed a narrowing of the current account deficit** to \$5.3 billion from \$7.7bn in Q2 on slowing import growth. The emergence of a current account deficit this year has led to worries of overheating, and has been a factor for the weakness in the Indonesian rupiah, which has depreciated by 6.1% against the USD this year. Otherwise, the capital account recorded strong inflows in Q3, including FDI, resulting in an overall BoP surplus of \$0.8 billion.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	0.50%
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	5.40%
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03-Nov	Oct	53.7	--	55.5
HSBC Services PMI	05-Nov	Oct	54.3	--	53.5
Consumer Price Index (YoY)	09-Nov	Oct	1.90%	1.90%	1.70%
Producer Price Index (YoY)	09-Nov	Oct	-3.60%	-2.70%	-2.80%
Industrial Production (YoY)	09-Nov	Oct	9.20%	9.40%	9.60%
Industrial Production YTD YoY	09-Nov	Oct	10.00%	9.90%	10.00%
Fixed Assets Inv Excl. Rural YTD YoY	09-Nov	Oct	20.50%	20.60%	20.70%
Retail Sales (YoY)	09-Nov	Oct	14.20%	14.40%	14.50%
Retail Sales YTD YoY	09-Nov	Oct	14.10%	14.10%	14.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	49.6	--	50.5
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05-Nov	3Q	6.37%	6.17%	6.17%
GDP Constant Price (QoQ)	05-Nov	3Q	2.80%	3.26%	3.21%
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	08-Nov	Sep	-3.30%	-2.10%	-4.30%
Machine Orders YOY%	08-Nov	Sep	-6.10%	-4.90%	-7.80%
Current Account Total	08-Nov	Sep	¥454.7B	¥761.8B	¥503.6B
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥413.5B	-¥471.3B
Japan Money Stock M2 YoY	09-Nov	Oct	2.40%	2.40%	2.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	08-Nov	Sep	-0.70%	0.60%	4.90%
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	3.30%
Exports YoY%	09-Nov	Sep	-4.50%	-2.90%	2.60%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.50%	3.10%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	48.3
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Nov	Oct	2.96%	2.39%	2.36%
Total Exports (YoY)	08-Nov	Oct	10.40%	1.90%	-1.90%

Indicator of the Week

China: Exports for October (November 10)

Forecast: 10.0% y/y

Consensus: 10.0% y/y

Prior: 9.9% y/y

Following an upside surprise in September, exports for October are expected to register another good outturn in year-on-year terms. However, in contrast to last month, the strength of the projected outturn for October is due entirely to base effects, as exports dipped in the month a year ago. Looking ahead, exports will continue to face external headwinds, as evidenced at the twice-yearly Canton Export Fair which concluded a few days ago, in which new export orders declined by -13.7% y/y. Recent domestic indicators, however, are showing an improvement on stronger domestic demand; this is helping to offset the external weakness, and Q4 GDP growth is projected to strengthen. We expect policy easing to continue in the months ahead, once the leadership selection process now underway is completed.

Calendar Events

Australia - RBA Cash Target, November 6

We expected the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.00%

New

3.25%

Malaysia - Overnight Rate, November 8

We expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Indonesia - BI Reference Rate, November 8

We expected the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

South Korea - 7-Day Repo Rate, November 9

We expected the benchmark rate to remain unchanged

Current

2.75%

Consensus

2.75%

New

2.75%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Trade Balance (USD)	10-Nov	Oct	\$27.67B	\$27.30B	--
Exports YoY%	10-Nov	Oct	9.90%	10.00%	--
Imports YoY%	10-Nov	Oct	2.40%	3.40%	--
New Yuan Loans	10-15 NOV	Oct	623.2B	590.0B	--
Money Supply - M2 (YoY)	10-15 NOV	Oct	14.80%	14.50%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP (YoY)	16-Nov	3Q	1.10%	1.70%	--
GDP sa (QoQ)	16-Nov	3Q	-0.10%	0.60%	--
India	Date	Period	Prior	Cons.	Actual
CPI (YoY)	12-Nov	Oct	9.73%	--	--
Industrial Production YoY	12-Nov	Sep	2.70%	2.80%	--
Monthly Wholesale Prices YoY%	14-Nov	Oct	7.81%	7.90%	--
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index (MoM)	12-Nov	Sep	0.40%	-0.10%	--
Gross Domestic Product (QoQ)	12-Nov	3Q P	0.20%	-0.90%	--
GDP Annualized	12-Nov	3Q P	0.70%	-3.40%	--
Machine Tool Orders (YoY)	12-Nov	Oct P	-2.80%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
GDP YoY%	16-Nov	3Q	5.40%	4.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Nov	Sep	7.60%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	11-18 NOV	3Q F	-1.50%	--	--
GDP (YoY)	11-18 NOV	3Q F	1.30%	--	--
Retail Sales (YoY)	15-Nov	Sep	3.20%	3.90%	--
Non-oil Domestic Exports (YoY)	16-Nov	Oct	-3.40%	2.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	14-Nov	Oct	3.10%	3.10%	--

Upcoming Calendar Events

No calendar events are scheduled for the upcoming 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.	2069.1	-0.1	-2.3	-5.9	-18.1
	Hong Kong - Hang Seng	21384.4	-0.8	-3.3	16.0	6.8
	Taiwan - Weighted	7293.2	0.7	1.1	3.1	-3.6
	Japan - Nikkei 225	8757.6	-0.9	-3.2	3.6	0.0
	Korea - Kospi	1904.4	-0.5	-0.7	4.3	-0.2
	India - Sensex 30	18674.5	-0.9	-0.4	20.8	7.6
	Australia - SPX/ASX 200	4462.0	-0.5	0.0	10.0	2.7
	Singapore - Strait Times	3009.6	-0.1	-1.0	13.7	5.3
	Indonesia - Jakarta Comp	4333.6	0.1	-0.1	13.4	12.3
	Thailand - SET	1288.5	-0.4	-1.4	25.7	33.1
	Malaysia - KLCI	1641.1	0.0	-0.9	7.2	10.2
	Philippines - Manila Comp.	5468.8	0.4	0.8	25.1	25.8

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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)	6.24	0.00	-0.02	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.0	0.38	0.79	28.83	28.57
	Japan (JPY/USD)	79.37	0.13	1.34	79.29	79.02
	Korea (KRW/USD)	1088	0.17	0.27	1093	1104
	India (INR/USD)	54.6	-0.38	-1.42	55.43	57.72
	Australia (USD/AUD)	1.04	0.06	0.72	0.97	0.99
	Singapore (SGD/USD)	1.22	0.14	0.13	1.22	1.22
	Indonesia (IDR/USD)	9634	-0.02	-0.03	9712	10089
	Thailand (THB/USD)	30.7	0.10	0.36	30.81	31.22
	Malaysia (MYR/USD)	3.06	-0.06	-0.32	3.08	3.12
	Philippines (PHP/USD)	41.1	-0.03	0.26	41.02	41.02

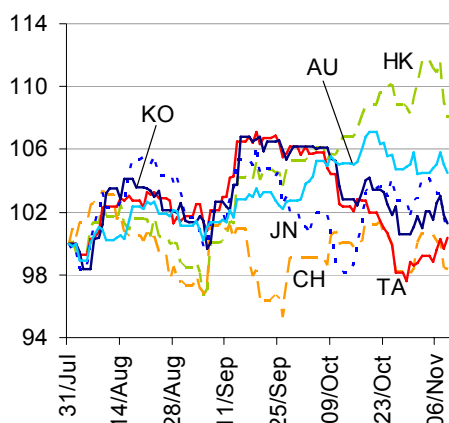
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.10	-0.24	-0.33	-0.66
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.59	0.00	-0.01	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.23
	India (MIBOR/7D)	3.11	-0.24	-0.33	-0.65
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	-0.01	0.04
	Thailand (BIBOR/1W)	2.78	0.00	0.00	-0.24
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.44	0.13	-0.19	-0.06

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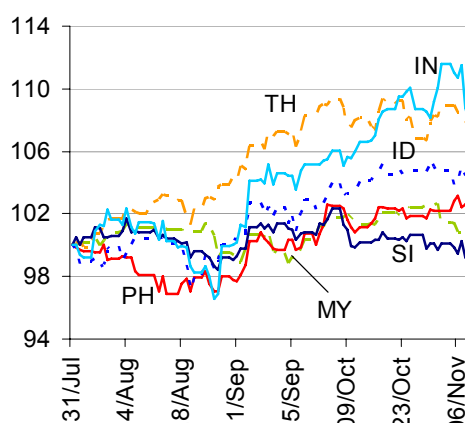
Charts

Chart 1
Stock Markets



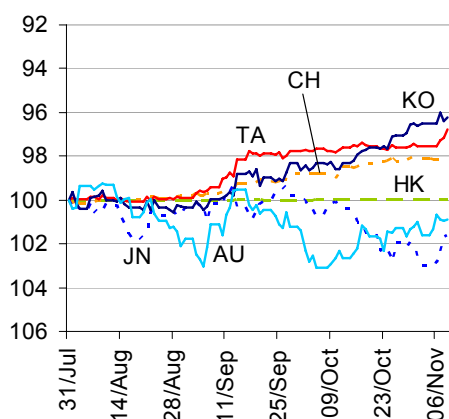
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



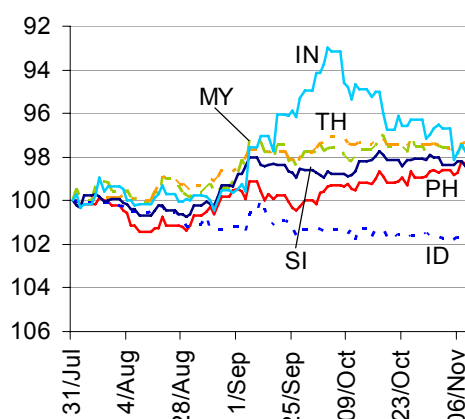
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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