

Asia Flash

Asia

Japanese markets stabilized today after yesterday's steep -5.2% drop. In particular, the Nikkei rebounded by 1.4% following the release of better-than-expected April industrial production (see below). Elsewhere in the region, India's Q1 GDP growth outturn matched subdued expectations (see below), but the stock market fell by 2.3%, on market concerns that the RBI may not cut rates as previously expected. China will be in focus over the weekend, with the official May PMI reading due out on Saturday, which we expect to be soft at 49.9 (see Weekly Indicator below), down from 50.6 last month (recall that the Flash HSBC PMI for May was disappointingly low). Also due out tomorrow are Korea April exports.

Japan industrial production accelerates, although deflation remains

Industrial production rose for a fifth consecutive month in April, by 1.7% m/m sa, beating expectations (consensus of 0.6%; prior 0.9%) on improving exports. The data follow better-than-expected retail sales released earlier this week, and for the time being are lifting expectations once again about the growth outlook, in line with our 1.7% full-year growth projection. Meanwhile, April CPI inflation came out in line with expectations at -0.7% y/y (consensus: -0.7%; prior: -0.9%), suggesting a long road ahead (at least two more years) in meeting the Bank of Japan's 2% inflation target. In the coming week, the Japanese government is scheduled to unveil a roadmap for its growth-enhancing structural reforms, the "third arrow" of the Abenomics strategy. At the conclusion of its 2013 Article IV discussions in Japan today, the IMF staff endorsed the BoJ's monetary easing strategy, while underlining the importance of medium-term fiscal consolidation and growth enhancing structural reforms (click [IMF Statement](#)).

India's Q1 2013 GDP meets subdued expectations at 4.8%

First quarter GDP growth inched up to 4.8% y/y (BBVA: 4.7%, Consensus: 4.8%) from an upwardly revised 4.7% (4.5% previously) on favorable base effects and a modest pick up in industrial activity, which offset sluggish services and agriculture growth (for further details see our India Flash). While weak final demand and limited fiscal spending weighed on services output, recent investment reforms alongside aggressive monetary easing (cumulative 75 bps rate cuts since January) helped improve the business environment for manufacturing and construction firms. Looking ahead, gradually improving global demand, combined with softening domestic inflation (WPI inflation of 4.9% in April) and higher capital spending bode well for growth prospects. Delays in policy execution and weak business confidence, however, present near term risks. Sub-par growth is likely to prompt the RBI to implement another 25 bps rate cut on June 17, probably the last for the year. With growth expected to rise in the coming quarters, we maintain our full-year GDP projection of 5.7% y/y in 2013, up from the 2012 outturn of 5.1%.

Briefly Noted

RMB deposits in Hong Kong grew by 9 billion in April (22.6% y/y and 1.3% m/m), marking a seventh consecutive monthly increase. Rising offshore deposits are in part due to the strong performance of the RMB, which has appreciated by 1.6% against USD since the beginning of this year to stand at 6.13 per USD at present.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27 May	Apr	12.10%	--	11.40%
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27 May	Apr	11.20%	9.60%	9.00%
Retail Sales - Value (YoY)	30 May	Apr	9.80%	14.50%	20.70%
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	31 May	1Q	4.70%	4.80%	4.80%
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	29 May	Apr	-0.30%	-0.40%	-0.10%
Jobless Rate	31 May	Apr	4.10%	4.10%	4.10%
Markit/JMMA Manufacturing PMI	31 May	May	51.1	--	51.5
Natl CPI YoY	31 May	Apr	-0.90%	-0.70%	-0.70%
Tokyo CPI YoY	31 May	May	-0.70%	-0.40%	-0.20%
Industrial Production (MoM)	31 May	Apr P	0.90%	0.60%	1.70%
Philippines	Date	Period	Prior	Cons.	Actual
GDP YoY	30 May	1Q	7.10%	6.00%	7.80%
Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	29 May	Apr	\$4927.2M	--	\$3972.2M
Industrial Production (YoY)	30 May	Apr	-2.90%	-0.50%	1.70%
Vietnam	Date	Period	Prior	Cons.	Actual
Industrial Production Index YoY	27 May	May	5.80%	--	6.70%
Retail Sales YTD (YoY)	27 May	May	11.80%	--	11.90%

Calendar Events

Thailand – Benchmark Interest Rate, May 29	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.75%	2.50%	2.50%

Indicator of the Week

China: NBS PMI (May, June 1st)

Forecast: 49.9

Consensus: 50.0

Prior: 50.6

The official NBS manufacturing PMI for May will be closely watched given signs of slowing growth in China. The May HSBC flash PMI estimate (released on May 23) came in much weaker than expected (49.6 vs consensus: 50.4) due to sluggish new orders. In addition, April activity indicators were mixed, with investment and industrial production somewhat weaker than expected. On this basis, we expect the official PMI to be weaker than in April, and to decline to slightly below the 50-expansion threshold. The sluggish indicators have put our 8.0% full-year GDP projection at risk, and we await a batch of May activity indicators (including trade, industrial production, retail sales, investment, and credit data) to be released during the second week of June to reassess the outlook. While growth slowed in Q1 to 7.7% y/y from 7.9% in Q4 2012, credit has been strong and growth is still within the official 7.5% target for the year.

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03 Jun	Apr	-0.40%	0.30%	--
Current Account Balance	04 Jun	1Q	-14678M	-9000M	--
Gross Domestic Product (YoY)	05 Jun	1Q	3.10%	2.70%	--
Gross Domestic Product (QoQ)	05 Jun	1Q	0.60%	0.80%	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Jun	May	50.6	50.0	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05 Jun	May	49.9	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Exports (YoY)	03 Jun	Apr	-13.00%	--	--
Inflation (YoY)	03 Jun	May	5.57%	--	--
HSBC-Markit Manufacturing PMI	03 Jun	May	51.7	--	--
India	Date	Period	Prior	Cons.	Actual
HSBC-Markit Manufacturing PMI	03 Jun	May	51.0	--	--
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base End of period	04 Jun	May	¥155.3T	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07 Jun	Apr	-2.90%	0.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Jun	May	2.60%	2.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	03 Jun	May	50.3	50.5	--
Korea	Date	Period	Prior	Cons.	Actual
Ext Trade - Export (YoY)	01 Jun	May	0.40%	-0.90%	--
Consumer Price Index (YoY)	03 Jun	May	1.20%	1.20%	--
HSBC Manufacturing PMI	03 Jun	May	52.6	--	--
GDP (YoY)	07 Jun	1Q F	1.50%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	03 Jun	May	50.7	--	--
CPI YoY%	05 Jun	May	1.04%	0.74%	--
Total Exports (YoY)	07 Jun	May	-1.90%	-0.80%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03 Jun	May	2.42%	2.40%	--
Vietnam	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	03 Jun	May	51.0	--	--

Upcoming Calendar Events

Australia – RBA Cash Target, Jun 04	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.75%	2.75%	--

Markets Data

STOCK MARKETS	INDEX	Last price	% change		Year to date	% change over 1 Y
			% change over a day	over a week		
	China – Shanghai Comp.	2300.6	-0.7	0.5	1.4	-3.0
	Hong Kong – Hang Seng	22392.2	-0.4	-1.0	-1.2	20.2
	Taiwan – Weighted	8254.8	0.1	0.5	7.2	13.1
	Japan – Nikkei 225	13774.5	1.4	-5.7	32.5	61.2
	Korea – Kospi	2001.1	0.0	1.4	0.2	8.5
	India – Sensex 30	19760.3	-2.3	0.3	1.7	21.8
	Australia – SPX/ASX 200	4926.6	-0.1	-1.1	6.0	20.9
	Singapore – Strait Times	3311.4	-0.7	-2.4	4.6	19.4
	Indonesia – Jakarta Comp	5068.6	-1.2	-1.7	17.4	32.2
	Thailand – SET	1562.1	-1.2	-2.8	12.2	36.8
	Malaysia – KLCI	1769.2	-0.3	-0.2	4.8	11.9
	Philippines – Manila Comp.	7022.0	1.0	-3.4	20.8	37.9

Last update: today, 18:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change		Forward 3-month	Forward 12-month
			% change over a day	over a week		
	China (CNY/USD)	6.13	-0.05	-0.03	6.20	6.26
	Hong Kong (HKD/USD)	7.76	0.00	-0.02	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.15	-0.06	29.98	29.80
	Japan (JPY/USD)	100.51	0.22	0.80	100.46	100.18
	Korea (KRW/USD)	1130	-0.19	-0.23	1136	1146
	India (INR/USD)	56.7	-0.56	-1.85	57.66	60.14
	Australia (USD/AUD)	0.96	-0.90	-0.80	1.05	1.07
	Singapore (SGD/USD)	1.26	-0.57	-0.03	1.26	1.26
	Indonesia (IDR/USD)	9877	-0.70	-1.04	10132	10537
	Thailand (THB/USD)	30.3	-0.53	-1.06	30.48	30.85
	Malaysia (MYR/USD)	3.10	-0.75	-2.04	3.11	3.16
	Philippines (PHP/USD)	42.3	0.05	-1.56	42.51	42.61

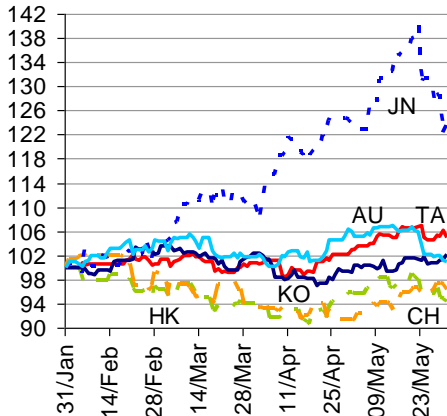
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INTERBANK RATES	INDEX	Rate	net change		
			over a day	over a week	over a month
	China (SHIBOR/7D)	4.77	0.62	0.57	1.67
	Hong Kong (HIBOR/1W)	0.09	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.53	0.00	-0.01	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.58	0.00	0.00	-0.18
	India (MIBOR/7D)	4.98	-0.17	0.83	1.45
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.01	0.00
	Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31

Last update: today, 18:00 Hong Kong time

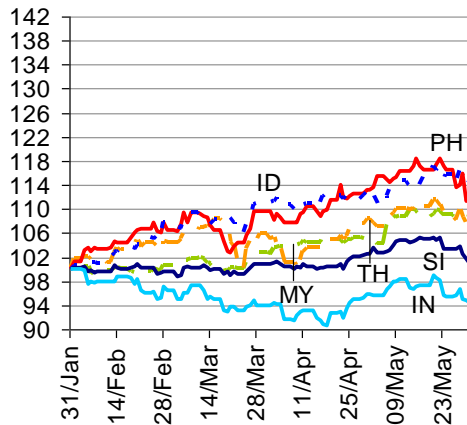
Charts

Chart 1
Stock Markets



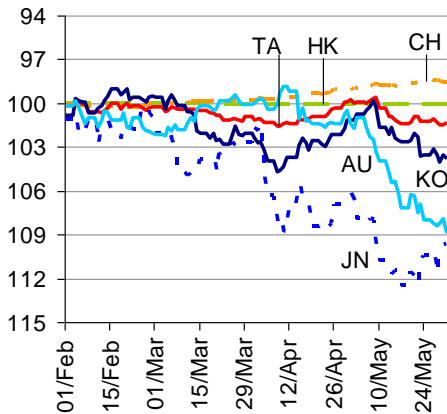
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



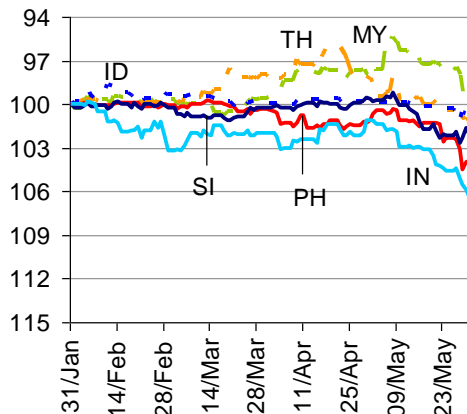
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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