

Asia Flash

Asia

China's February PMIs point to slowing, but still stable growth

The official NBS PMI for February, released on March 1, declined in line with expectations to 50.2 (consensus: 50.1; prior: 50.5). We had expected the outturn to decline from the previous month, especially after the disappointing HSBC flash estimate released on February 20 -- the final HSBC manufacturing reading, issued today, came in at 48.5 (flash: 48.3; prior: 49.5). At this stage, we would not put too much weight on these readings, and they may be distorted by the shift in the lunar Chinese New year (the holiday began on January 31, about two weeks earlier than last year). On a more positive note, the official NBS service sector PMI for February, released today, rebounded to 55.0 from 53.4 in January, suggesting that domestic activity is still reasonably strong, and continuing a trend of rising services output in GDP (as a share of GDP, services has surpassed manufacturing, and rose to 46.1% in 2013). Our projection of full-year GDP growth remains at 7.6%. We will be watching for a batch of post-New Year economic indicators due in the coming week, including exports, investment, retail sales, and industrial production, which will be released for the combined months of January/February.

Slowing Q4 momentum in India brings full-year growth to a 10-year low

According to data released on Friday, Q4 GDP growth slowed in line with expectations, to 4.7% y/y (BBVA: 4.7%; Prior: 4.8%) as industrial output shrunk and agriculture growth disappointed, outweighing a pick-up in the services sector. The outturn brings India's full-year GDP growth for 2013 to 4.7% y/y, its lowest since 2003, and down from 5.1% in 2012. High inflation, rising interest rates and policy reform delays have undermined consumption and private investment. Furthermore, public capital expenditure has been curtailed to keep a check on a rising fiscal deficit. Nevertheless, we believe the economy will gradually pick up from here (see [India Economic Watch](#)). In particular, inflation has been moderating, the current account deficit has narrowed and the rupee has stabilized, all of which makes it more likely that the RBI's tightening cycle has ended (we expect rates to stay unchanged at 8.0% at the RBI's next policy meeting on April 1). We expect growth in 2014 to rise to 5.1% y/y, based on an acceleration in H2 as investment reforms take effect and greater clarity emerges after national elections in May. Continued progress on these fronts would allow GDP growth to rise toward 7% in the next few years.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
GDP SA QoQ	05 Mar	4Q	0.60%	0.70%	--
GDP YoY	05 Mar	4Q	2.30%	2.50%	--
Retail Sales MoM	06 Mar	Jan	0.50%	0.40%	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03 Mar	Feb	53.4	--	55.0
HSBC/Markit Manufacturing PMI	03 Mar	Feb	49.5	48.5	48.5
Exports YoY	08 Mar	Feb	10.60%	7.80%	--
CPI YoY	09 Mar	Feb	2.50%	2.10%	--
PPI YoY	09 Mar	Feb	-1.60%	-1.80%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales Value YoY	03 Mar	Jan	5.70%	7.80%	14.50%
Retail Sales Volume YoY	03 Mar	Jan	6.10%	7.50%	16.80%
Indonesia	Date	Period	Prior	Cons.	Actual
Exports YoY	03 Mar	Jan	10.20%	2.80%	-5.80%
CPI YoY	03 Mar	Feb	8.22%	7.94%	7.75%
India	Date	Period	Prior	Cons.	Actual
HSBC/Markit Manufacturing PMI	03 Mar	Feb	51.4	--	52.5
Japan	Date	Period	Prior	Cons.	Actual
Capital Spending YoY	03 Mar	4Q	1.50%	4.90%	4.00%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY	07 Mar	Jan	14.40%	6.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Mar	Feb	4.20%	4.30%	--
Korea	Date	Period	Prior	Cons.	Actual
CPI YoY	04 Mar	Feb	1.10%	1.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Exports YoY	07 Mar	Feb	-5.30%	7.80%	--
CPI YoY	05 Mar	Feb	0.76%	0.20%	--
Thailand	Date	Period	Prior	Cons.	Actual
CPI YoY	03 Mar	Feb	1.93%	1.91%	1.96%

Calendar Events

Australia - RBA Cash Rate Target, Mar 4	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	--
Malaysia - BNM Overnight Policy Rate, Mar 6	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.00%	3.00%	--

Indicator of the Week

China: February Exports (March 8th)

Forecast: 8.5% y/y

Consensus: 7.8% y/y

Prior: 10.6% y/y

China's exports appear to be picking up on robust advanced demand from advanced economies, especially the EU and US. A stronger than expected export outturn in January was met with skepticism, given recent distortions from over-invoicing, the shift in Chinese New Year timing, and weak export outturns in other Asian economies such as Korea and Taiwan. Nevertheless, China's recent export trends have been encouraging, and we expect a continued gradual improvement in the coming months in view of the improving global economy. As such, we project exports in 2014 to grow by 8-10%, compared to an outturn of 8% in 2013. This should support continued GDP growth momentum (BBVA: 7.6% for 2014).

Markets Data

INDEX	Last price	% change			
		over a day	over a week	Year to date	over 1 Y
China - Shanghai Comp.	2075.2	0.9	-0.1	-1.9	-12.0
Hong Kong - Hang Seng	22500.7	-1.5	0.5	-3.5	-1.7
Taiwan - TAIX	8602.0	-0.4	0.0	-0.1	8.9
Japan - Nikkei 225	14652.2	-1.3	-1.2	-10.1	26.2
Korea - Kospi	1964.7	-0.8	0.8	-2.3	-3.0
India - Sensex 30 *	20928.7	-0.9	1.1	-1.1	10.6
Australia - SPX/ASX 200	5384.3	-0.4	-1.0	0.6	5.9
Singapore - Strait Times	3087.5	-0.7	-0.6	-2.5	-5.6
Indonesia - Jakarta Comp	4584.2	-0.8	-0.9	7.3	-4.7
Thailand - SET	1340.0	1.1	3.0	3.2	-13.0
Malaysia - KLCI	1824.7	-0.6	-0.2	-2.3	11.4
Philippines - Manila Comp.	6407.5	-0.3	1.8	8.8	-3.5

Last update: today, 17:30 Hong Kong time

CURRENCY	Spot	% change		Forward	
		over a day	over a week	Forward 12-3-month	Forward 3-month
China (CNY/USD)	6.15	-0.01	-0.78	6.14	6.16
Hong Kong (HKD/USD)	7.76	0.00	-0.02	7.76	7.76
Taiwan (TWD/USD)	30.3	-0.03	0.18	30.25	30.04
Japan (JPY/USD)	101.32	0.47	1.17	101.27	101.03
Korea (KRW/USD)	1070	-0.24	0.42	1076	1088
India (INR/USD)	62.0	-0.36	0.13	63.13	66.84
Australia (USD/AUD)	0.89	0.07	-1.16	1.13	1.15
Singapore (SGD/USD)	1.27	0.04	-0.36	1.27	1.27
Indonesia (IDR/USD)	11593	0.15	0.48	11776	12396
Thailand (THB/USD)	32.6	0.03	-0.03	32.79	33.33
Malaysia (MYR/USD)	3.28	-0.15	0.06	3.30	3.35
Philippines (PHP/USD)	44.7	-0.15	-0.25	44.78	45.00

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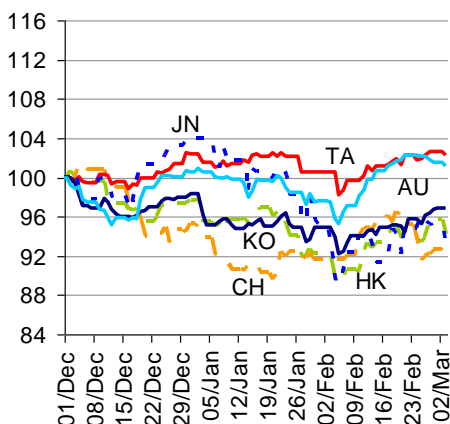
INDEX	Rate	net change		
		over a day	over a week	over a month
China (SHIBOR/7D)	3.10	-0.43	0.02	-1.88
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.01
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
Korea (KORIBOR/1M)	2.55	0.00	0.00	-0.01
India (MIBOR/7D)	3.30	-0.23	-0.10	-2.20
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	6.53	0.00	0.01	0.03
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, 17:30 Hong Kong time

Charts

Chart 1

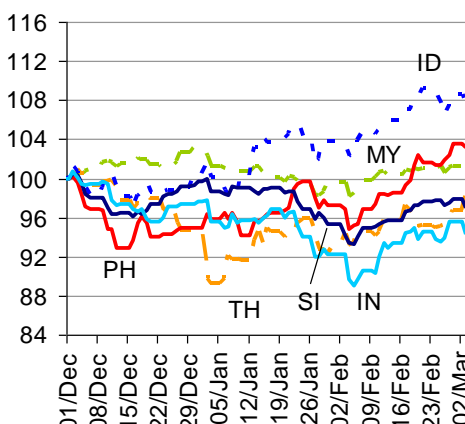
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

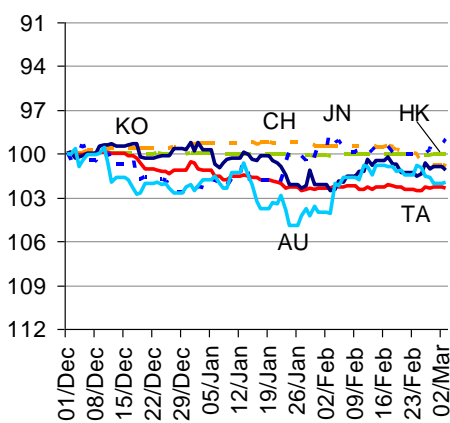
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

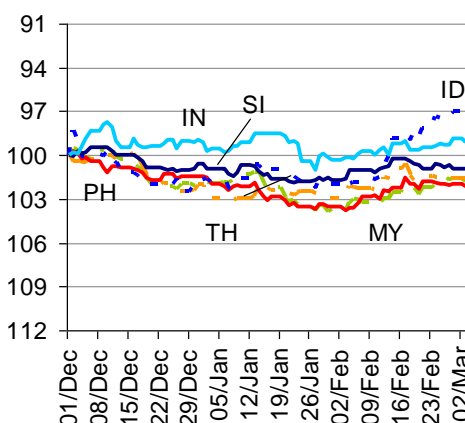
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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