

Daily Flash

Asia

We await tomorrow's release of January inflation and trade data in China, the last key data release prior to the Chinese New Year, when many markets throughout the region will be closed for all (China and Taiwan) or part (Hong Kong, Singapore, and Japan, among others) of next week. While concern among some market analysts has been rising about the threat of inflation in China, we expect tomorrow's release to show a decline (BBVA: 2.0%; consensus: 2.0%) from December's 2.5% y/y outturn due to base effects from the Chinese New Year (CNY) – the week-long holiday occurred last year in January, and begins this year on February 10 (for more, see our Weekly indicator below).

India's Statistics Office lowers FY13 growth forecast to 5.0%

India's Central Statistics Office (CSO), lowered its GDP growth estimate for FY13 (year ending in March) to a weaker-than-expected 5.0% compared with 6.2% last year. This would be the lowest outturn in a decade, driven by a broad-based slowdown but most significantly in the service sector. The estimate would imply that the economy grew by only 4.6% y/y in the second half of FY13. It would also be significantly below consensus expectations (BBVA: 5.6%; consensus: 5.3% - 5.8%) as well as that of the Reserve Bank of India (5.5%). Slowing growth increases the possibility of further easing by the RBI at its next policy meeting in March (after the rate cut in late January). We maintain our expectations of an improving growth outlook for India going forward (6.6% in FY14) amid positive spillovers from policy reforms, a moderation in inflation, and easing monetary policy.

Australia January unemployment stays flat, with weakness below the surface

The unemployment rate stayed flat at 5.4% (consensus: 5.4%), and total employment rose by a better-than-expected 10.4k (consensus: 8.0k). However, the rise in employment was attributed to an increase in part-time jobs (20k) while the economy lost 9.8k full-time jobs, and the labor participation rate fell to 65.0% from 65.1% on possible discouraged-worker effects. The somewhat soft data adds to other recent indicators of sluggish domestic demand (for example, yesterday's disappointing retail sales), and adds further pressure on the RBA to lower interest rates, although we continue to expect the central bank to stay on hold given the pickup in external demand. The AUD has been trading well off of its highs reached in early January, and now stands at 1.03 against the USD.

Taiwan's January exports rise on strong demand from China

Exports increased in January by 21.8% y/y (consensus: 23.2%), from 9.0% y/y in December, due in part to favorable base effects from the timing of the CNY this year. Exports to China and Hong Kong increased notably, by 34.8% and 39.2% y/y respectively, driven by a surge in demand for electronics. Demand from ASEAN also remained resilient. Though the data will need to be combined with February data before drawing any firm conclusions, the outturn is yet another encouraging sign that the region's economies are picking up after bottoming out in Q3 last year.

Briefly noted:

- **Thailand's consumer confidence rises to 72.1 for January** from 70.6, a fifth consecutive monthly gain. In mid-January, the Bank of Thailand raised its economic growth forecast for 2013 from 4.7% to 4.9% on an improving domestic and global environment. The central bank's next policy meeting is scheduled for Feb 20th, when interest rates will likely remain on hold.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	05 Feb	Dec	-2788M	-800M	-427M
Retail Sales s.a. (MoM)	06 Feb	Dec	-0.20%	0.30%	-0.20%
Unemployment Rate	07 Feb	Jan	5.40%	5.50%	5.40%
AiG Perf of Construction Index	07 Feb	Jan	38.8	--	36.2
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	08 Feb	Jan	2.50%	2.00%	--
Exports YoY%	08 Feb	Jan	14.10%	17.00%	--
Trade Balance (USD)	08 Feb	Jan	\$31.62B	\$24.05B	--
Money Supply- M2 (YoY)	08-15 Feb	Jan	13.80%	14.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05 Feb	Jan	51.7	--	52.5
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05 Feb	4Q	6.17%	6.20%	6.11%
Annual GDP	05 Feb	2012	6.49%	6.29%	6.23%
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	08 Feb	Dec	-¥222.4B	-¥141.1B	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	08 Feb	Dec	7.50%	6.40%	--
Exports YoY%	08 Feb	Dec	3.30%	1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Feb	Jan	2.90%	3.00%	3.00%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Feb	Jan	48.6	48.8	50.2
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Feb	Jan	1.60%	1.40%	1.15%
Total Exports (YoY)	07 Feb	Jan	9.00%	23.20%	21.80%
Total Trade balance in US\$ Billion	07 Feb	Jan	\$4.13B	\$3.55B	\$0.47B

Calendar Events

Australia - RBA Cash Rate Target, Feb 05

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	3.00%

Indicator of the Week

China: CPI Inflation for January (February 8)

Forecast: 2.0% yoy

Consensus: 2.1% yoy

Prior: 2.5% yoy

Although recent inflation outturns in China have been mild, an uptick in December, supply disruptions from an unusually cold winter, and the ongoing economic recovery are raising concerns about inflation later in the year. For the time being, however, we do not see inflation as a threat. We expect the CPI outturn for January to fall due to base effects from the Chinese New Year (CNY) effect - the week-long holiday occurred last year in January, and begins this year on February 10. Thereafter, we expect inflation to rise above 3.0% y/y in February (on reverse base effects) and to drift gradually higher to 3.8% by end-year as demand pressures increase. As such, inflation may act as a constraint on further policy easing as the year progresses (no further rate cuts are expected). We will also be watching for January credit and trade data during the week of February 8, while the remaining set of monthly indicators will be delayed to March, when the authorities typically combine two months of data to avoid CNY distortions.

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.	2418.5	-0.7	1.4	6.6	5.5
Hong Kong - Hang Seng	23177.0	-0.3	-2.3	2.3	12.0	
Taiwan - Weighted	7906.7	0.2	0.9	2.7	2.6	
Japan - Nikkei 225	11357.1	-0.9	2.0	9.3	27.4	
Korea - Kospi	1931.8	-0.2	-1.5	-3.3	-2.5	
India - Sensex 30	19553.0	-0.4	-1.7	0.7	11.0	
Australia - SPX/ASX 200	4935.7	0.3	1.2	6.2	15.5	
Singapore - Strait Times	3261.9	-0.4	-0.6	3.0	10.3	
Indonesia - Jakarta Comp	4503.1	0.1	1.1	4.3	13.8	
Thailand - SET	1494.7	-0.4	1.4	7.4	35.7	
Malaysia - KLCI	1619.6	0.3	-0.5	-4.1	5.3	
Philippines - Manila Comp.	6460.0	0.4	3.5	11.1	35.8	

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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)	6.23	-0.02	-0.22	6.30	6.32
Hong Kong (HKD/USD)	7.76	-0.01	0.00	7.75	7.74	
Taiwan (TWD/USD)	29.5	0.10	0.02	29.50	29.20	
Japan (JPY/USD)	93.78	-0.15	-2.21	93.72	93.36	
Korea (KRW/USD)	1088	0.01	0.06	1098	1109	
India (INR/USD)	53.3	-0.17	-0.06	54.14	56.47	
Australia (USD/AUD)	1.03	-0.01	-1.02	0.98	0.99	
Singapore (SGD/USD)	1.24	0.10	-0.02	1.24	1.24	
Indonesia (IDR/USD)	9677	0.24	0.69	9756	10080	
Thailand (THB/USD)	29.8	0.07	0.30	29.89	30.27	
Malaysia (MYR/USD)	3.09	0.17	0.46	3.11	3.15	
Philippines (PHP/USD)	40.7	0.05	0.01	40.60	40.48	

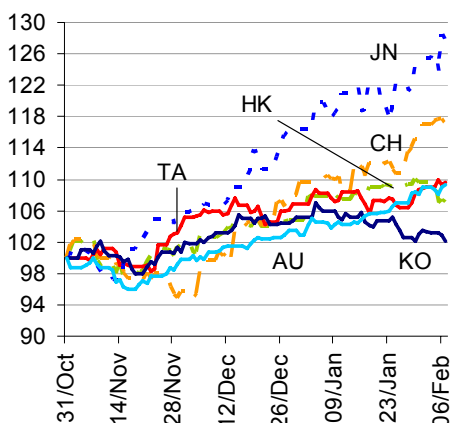
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.10	0.45	0.70	0.90
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.02	
India (MIBOR/7D)	4.45	0.73	1.21	0.95	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.00	
Thailand (BIBOR/1W)	2.78	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.06	0.13	0.13	0.44	

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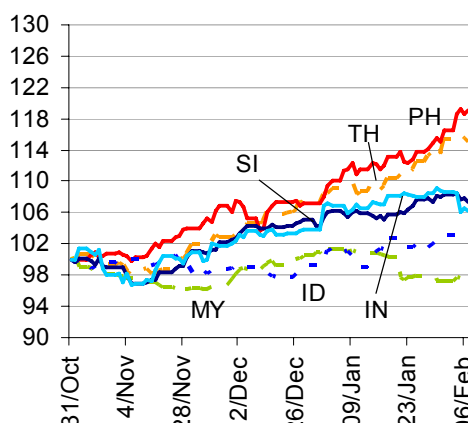
Charts

Chart 1
Stock Markets



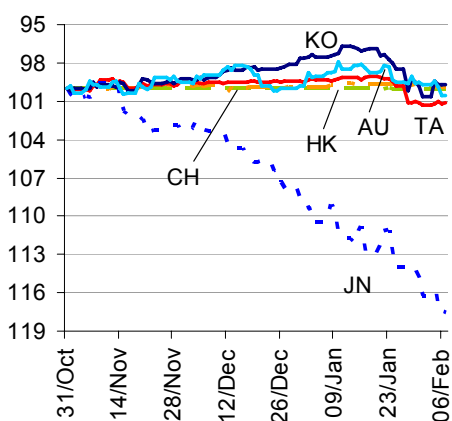
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



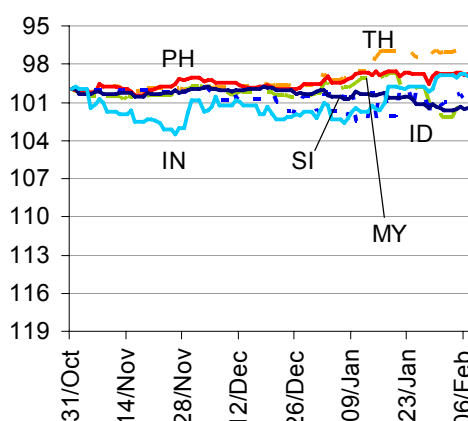
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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