

# Asia Flash

## Asia

### South Korea unveils fiscal stimulus package

The government today unveiled its long-anticipated supplementary budget, worth \$15.4 billion, or 1.3% of GDP. According to the Ministry of Finance it will raise the 2013 fiscal deficit to 1.8% of GDP, from the 0.3% deficit previously planned, and raise GDP growth by 0.3% in 2013. The stimulus aims to reinvigorate growth (which fell to a disappointing 1.5% y/y in Q4 2012) through new job creation, raising consumer confidence, and support for regional economies. The stimulus is timely, as the Korean economy remains under pressure from sluggish external demand, the weakening Japanese Yen, and tensions with North Korea. We expect the Bank of Korea to cut interest rates in the coming months, after remaining on hold for the past 6 months.

### Moody's lowers China and Hong Kong's sovereign outlook to stable

Moody's today affirmed China's government bond rating of AA3 but lowered the outlook to "stable" from "positive" on concerns of increasing local government debt and rapid credit growth. The announcement follows a downgrade by Fitch Ratings last week on China's long-term local currency credit rating by one notch to A+ for similar reasons. We share concerns about rising domestic fragilities, which we view as challenges over the medium-term (for more on our views, see [Banking Watch](#)) In view of Hong Kong's economic dependence on China, Moody's also today lowered its outlook for Hong Kong from positive to stable, while reaffirming its Aa1 rating.

### Reserve Bank of Australia minutes

In its minutes from the April 5 monetary policy meeting, when the RBA kept interest rates unchanged, as expected, at 3.00%, the central bank underscored that it remains in "wait-and-see" mode as it evaluates the impact of last year's rate cuts on domestic activity: "interest-sensitive parts of the economy were responding to the historically low levels of lending rates and it remained likely that this had further to run". The RBA minutes also stressed drags on the economy, including a high exchange rate, waning growth of mining investment, and fiscal consolidation. In this regard, it underlined the scope for further easing if needed, all the more so given the benign inflation outlook. Looking ahead, we expect the RBA to keep policy rates unchanged, unless downside risks to the global economy materialize.

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With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	15 Apr	Mar	--	10.10%	8.90%
Fixed Assets Inv Excl. Rural YTD YoY	15 Apr	Mar	21.20%	21.30%	20.90%
Retail Sales YTD YoY	15 Apr	Mar	12.50%	12.30%	12.40%
Real GDP (YoY)	15 Apr	1Q	7.90%	8.00%	7.70%
Actual FDI (YoY)	16-18 APR	Mar	6.30%	1.90%	--
China Property Prices	18 Apr	Mar	--	--	--
<b>Hong Hong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate SA	18 Apr	Mar	3.40%	3.40%	--
Composite Interest Rate	18 Apr	Mar	0.25%	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Wholesale Prices YoY%	15 Apr	Mar	6.84%	6.27%	5.96%
Exports YoY%	18-22 APR	Mar	4.20%	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (MoM)	15 Apr	Feb F	-0.10%	--	0.60%
Merchnds Trade Exports YoY	18 Apr	Mar	-2.9	0.2	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	17 Apr	Mar	1.50%	1.60%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Overseas Remittances (YoY)	15 Apr	Feb	8.00%	7.40%	6.00%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales (YoY)	15 Apr	Feb	-2.00%	-3.50%	-2.70%
Non-oil Domestic Exports (YoY)	17 Apr	Mar	-30.60%	-5.20%	--

## Calendar Events

There are no calendar events scheduled for this 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.	2194.8	0.6	-1.4	-3.3	-6.9
Hong Kong - Hang Seng	21672.0	-0.5	-0.9	-4.3	5.1	
Taiwan - Weighted	7801.1	0.5	0.9	1.3	0.9	
Japan - Nikkei 225	13221.4	-0.4	0.2	27.2	39.6	
Korea - Kospi	1922.2	0.1	-0.3	-3.7	-3.5	
India - Sensex 30	18751.8	2.1	2.9	-3.5	9.3	
Australia - SPX/ASX 200	4950.8	-0.3	-0.5	6.5	15.1	
Singapore - Strait Times	3291.6	0.2	-0.2	3.9	10.0	
Indonesia - Jakarta Comp	4945.3	1.0	0.9	14.6	19.3	
Thailand - SET	1527.3	0.7	-0.1	9.7	30.6	
Malaysia - KLCI	1700.5	0.2	0.6	0.7	6.4	
Philippines - Manila Comp.	6786.3	-0.8	0.8	16.7	32.6	

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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)	6.18	0.06	0.31	6.24	6.26
Hong Kong (HKD/USD)	7.76	0.00	0.02	7.76	7.75	
Taiwan (TWD/USD)	29.9	-0.07	0.43	29.81	29.53	
Japan (JPY/USD)	97.90	-1.15	1.14	97.85	97.54	
Korea (KRW/USD)	1115	0.48	2.17	1119	1129	
India (INR/USD)	54.3	0.66	0.58	55.12	57.64	
Australia (USD/AUD)	1.04	0.53	-1.15	0.97	0.99	
Singapore (SGD/USD)	1.24	0.23	0.25	1.24	1.24	
Indonesia (IDR/USD)	9717	-0.03	0.01	9802	10184	
Thailand (THB/USD)	29.0	0.34	-0.31	29.16	29.51	
Malaysia (MYR/USD)	3.04	0.00	-0.12	3.06	3.10	
Philippines (PHP/USD)	41.3	-0.15	-0.32	41.23	41.17	

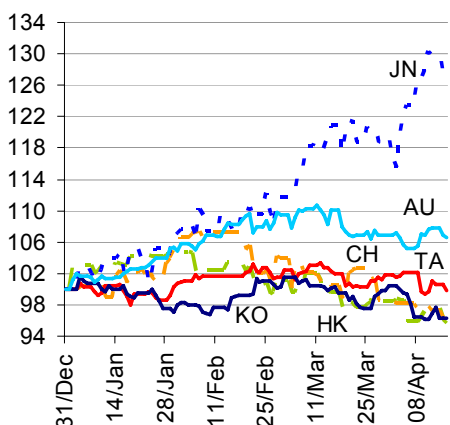
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.05	0.05	0.01	-0.35
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.74	0.00	0.01	-0.02	
India (MIBOR/7D)	3.03	0.06	-0.25	-0.34	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	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	

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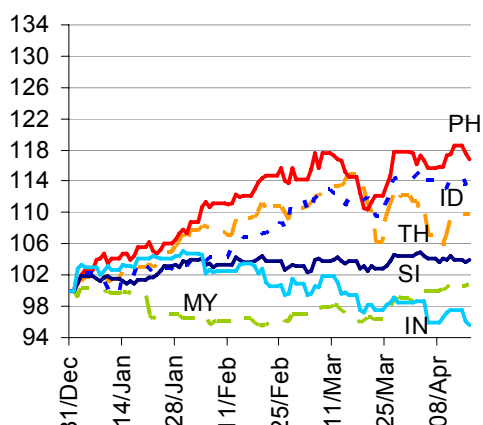
# Charts

Chart 1  
Stock Markets



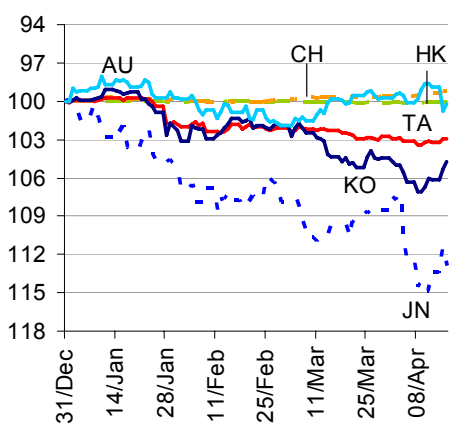
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



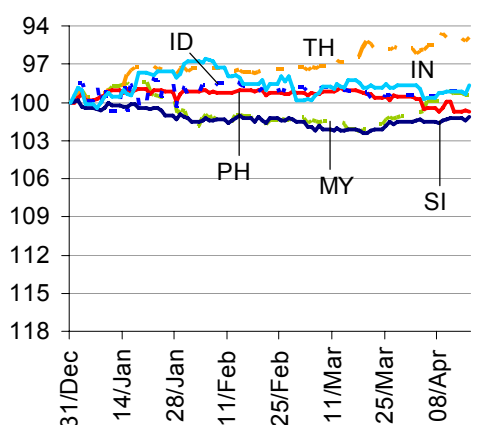
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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