

Asia Flash

Asia

Among today's economic data releases was an upside surprise for Korea's Q1 GDP growth (see below), helping to lift sentiment following a string of recent disappointing industrial production and GDP outturns in much of Asia. Looking ahead, the Bank of Japan's monetary policy meeting tomorrow will be watched – not for further easing measures, which are unlikely after the larger-than-expected announcement of April 4 – but for possible improvements to the BoJ's half-yearly outlook for growth and inflation.

An upside surprise to Korea's Q1 GDP, despite weak consumption

Q1 GDP growth accelerated to 0.9 q/q s.a (BBVA: 0.4%; consensus: 0.7) from 0.3 in the final quarter of last year. In year-over-year terms, the outturn came to 1.5%, the same as last quarter. The better-than-expected outturn was due to a pickup in public spending, and strong investment (2.9% q/q, s.a.) and exports (3.2% q/q, s.a.), which returned to positive growth from declines in Q4 2012 (-1.6% and -1.1%, respectively). On a discouraging note, however, private consumption declined by -0.3% q/q in Q1, compared to a 0.8% q/q growth of Q4 2012. Looking ahead, we expect that external headwinds will continue to weigh on South Korea's external sector, while domestic demand will be supported by the recent fiscal stimulus measures. While we have anticipated another rate cut by the Bank of Korea in the coming months, the Q1 GDP outturn may now make this less likely (the BoK has been on hold at 2.75% since November). We expect the Korean economy to grow by 2.7% in 2013, up from 2.0% in 2012.

China's balance of payments record a surplus in Q1

The current account recorded a surplus of USD 55.2 bn in Q1 (around 2.9% of GDP), up from USD 45.1 bn in the Q4 2012. The Q1 outturn reflects 18.4% export growth for the quarter. The capital and financial account also recorded a surplus, of USD 101.8 bn in Q1 2013. As a result, foreign exchange reserves rose to US\$3.44 trillion as of end-March, an increase of USD 157 billion for the quarter. The currency has also continued appreciating, to around 6.17 per USD at present. We expect the current account to register a surplus of 2.8% for the full year, compared to a downwardly revised outturn of 2.3% in 2012. China's current account surplus has narrowed from a peak of 10.1% in 2007, reflecting both rebalancing of the economy and cyclical factors due to sluggish external demand.

Briefly noted:

Hong Kong exports exceed expectations in March, growing by 11.2% y/y

(consensus 9.3% vs February -16.9% y/y). For the first quarter as a whole, exports grew by 4.0% y/y. Recent export growth has been underpinned by demand from emerging market neighbors, in particular Taiwan (+19.4%), Singapore (+8.3%) and the Mainland (+6.3%), while exports to advanced economies remain weak, such as the UK (-10.1%), Germany (-6.5%) and Japan (-3.1%).

As expected, the Philippines' central bank kept interest rates unchanged today at 3.5%, but lowered the special deposit account rate by 50bps to help reduce capital inflows. Just a week ago, the Central Bank also announced new rules on FX transaction which aims to facilitate capital outflows.

ASEAN leaders ended a two day summit in Brunei with progress towards facilitating trade and investment in an ASEAN Economic Community by the end of 2015. The 10-members were also reported to have stepped up efforts to engage China in talks to resolve maritime tensions.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	24 Apr	1Q	2.20%	2.80%	2.50%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23 Apr	Apr	51.6	51.4	50.5
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22 Apr	Mar	4.40%	3.70%	3.60%
Exports YoY%	25 Apr	Mar	-16.90%	9.30%	11.20%
Japan	Date	Period	Prior	Cons.	Actual
Natl CPI YoY	26 Apr	Mar	-0.70%	-0.80%	--
Tokyo CPI YoY	26 Apr	Apr	-1.00%	-0.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 Apr	Mar	4.90%	3.60%	3.50%
Industrial Production YoY	26 Apr	Mar	-16.60%	-3.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	25 Apr	1Q P	0.30%	0.70%	0.90%
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22 Apr	Mar	4.16%	4.18%	4.18%
Export Orders (YoY)	22 Apr	Mar	-14.50%	1.90%	-6.60%
Industrial Production (YoY)	23 Apr	Mar	-11.61%	1.80%	-3.28%
Commercial Sales (YoY)	23 Apr	Mar	-6.00%	1.00%	-0.70%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23 Apr	Mar	-5.83%	2.34%	4.55%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Apr	Apr	6.64%	6.95%	6.61%
Exports YTD (YoY)	25-Apr	Apr	19.70%	19.50%	16.90%
Retail Sales YTD (YoY)	25-Apr	Apr	11.70%	--	11.80%
Industrial Production Index YoY	25-Apr	Apr	5.60%	--	5.80%

Calendar Events

Japan - BOJ Target Rate, Apr 26

We expect the benchmark rate to remain unchanged

Current	Cons.	New
0.10%	--	--

Philippines - Overnight Borrowing Rate, Apr 25

We expect the benchmark rate to remain unchanged

Current	Cons.	New
3.50%	3.50%	3.50%

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.	2199.3	-0.9	0.1	-3.1	-8.6
Hong Kong - Hang Seng	22401.2	1.0	4.1	-1.1	8.5	
Taiwan - Weighted	8021.8	0.0	3.0	4.2	6.1	
Japan - Nikkei 225	13926.1	0.6	5.3	34.0	45.7	
Korea - Kospi	1951.6	0.8	2.7	-2.3	-0.5	
India - Sensex 30	19405.2	1.2	3.5	-0.1	12.8	
Australia - SPX/ASX 200	5102.4	1.7	2.0	9.8	17.0	
Singapore - Strait Times	3337.7	0.5	1.3	5.4	12.0	
Indonesia - Jakarta Comp	4994.5	-0.3	-0.4	15.7	20.0	
Thailand - SET	1574.3	1.3	2.9	13.1	31.0	
Malaysia - KLCI	1706.3	-0.1	0.0	1.0	8.0	
Philippines - Manila Comp.	6995.5	0.3	2.0	20.3	34.4	

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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)	6.17	0.12	0.17	6.23	6.24
Hong Kong (HKD/USD)	7.76	0.01	0.01	7.76	7.75	
Taiwan (TWD/USD)	29.7	0.33	0.66	29.58	29.29	
Japan (JPY/USD)	99.13	0.38	-0.97	99.08	98.78	
Korea (KRW/USD)	1112	0.50	1.04	1113	1123	
India (INR/USD)	54.2	0.41	-0.36	54.94	57.53	
Australia (USD/AUD)	1.03	0.32	0.11	0.98	0.99	
Singapore (SGD/USD)	1.24	0.32	-0.19	1.24	1.24	
Indonesia (IDR/USD)	9718	0.01	-0.02	9790	10167	
Thailand (THB/USD)	29.1	-0.62	-1.54	29.28	29.63	
Malaysia (MYR/USD)	3.04	0.35	-0.12	3.05	3.10	
Philippines (PHP/USD)	41.2	0.11	-0.01	41.23	41.17	

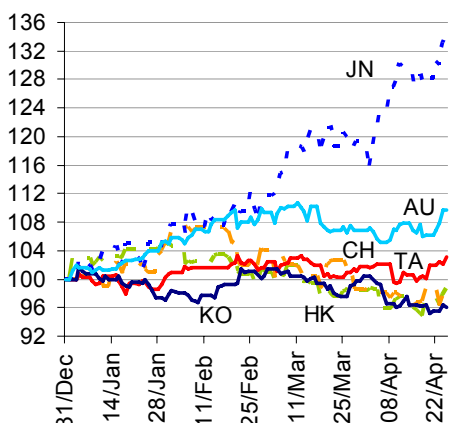
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.95	0.29	1.85	1.95
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.54	0.00	-0.01	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.01	0.01	
India (MIBOR/7D)	4.50	-0.34	1.60	0.60	
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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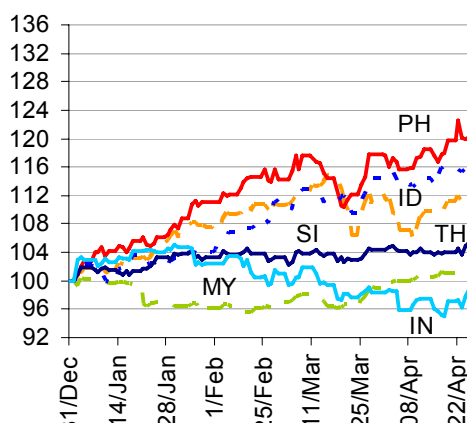
Charts

Chart 1
Stock Markets



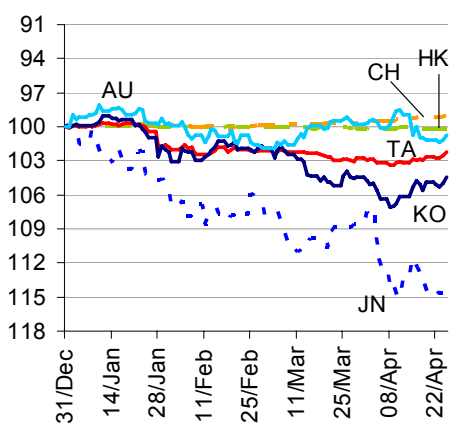
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



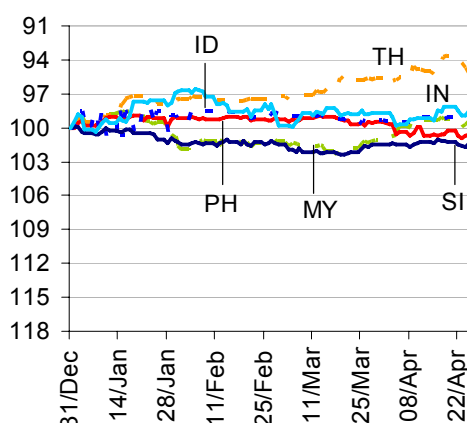
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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