

# Asia Flash

## Asia

*Japan's Q1 GDP beat expectations (below), in the latest sign that Abenomics is working to improve growth prospects. Tomorrow is a public holiday here in Hong Kong and South Korea. Next week's focus will be on Japan's trade data and the next BoJ policy meeting (May 22<sup>nd</sup>) where, despite no changes expected in the BoJ's aggressive easing campaign, we await an update on the central bank's outlook. In addition, Taiwan export orders and Thailand Q1.GDP will be watched.*

### Positive signs on Japan's growth, as Q1 GDP beats expectations

Q1 GDP grew by 3.5% saar (consensus: 2.7%). On a non-annualized basis, GDP grew by 0.9% q/q sa, accelerating from 0.3% in 2012 Q4. Growth was boosted by private spending and exports, with the latter benefiting from the yen's depreciation. However, non-residential investment slowed, suggesting caution among the business sector. Looking ahead, we expect the economy to maintain improving growth trends, in line with our full-year GDP growth projection of 1.7%.

### China FDI inflows slow in April, below expectations

FDI inflows moderated to 0.4% y/y, down from the improvement in February and March (6.3% and 5.7% y/y, respectively). The outturn brings year-to-date inflows to 1.2% y/y (USD 38.3 bn), thanks to resilient investment in the services sector, which has been expanding at a faster pace than overall GDP growth. FDI inflows from the US and EU held up well through April, increasing by 33.2% and 29.7% y/y ytd respectively. At the same time, outward FDI (non-financial sector) grew by 27% y/y ytd (USD 29.5 bn) as China's economies continue with their outward-looking strategy.

### More broadly, capital inflows rise on expectations of RMB appreciation

In data reported yesterday, net foreign exchange purchases of domestic financial institutions (including the PBoC) amounted to RMB 294 billion in April, up from 236 billion in March. Net purchases have been positive for five consecutive months spurred by capital inflows and expectations of RMB appreciation, resulting in a reversal of capital outflows seen in 2012.

### India's central bank introduces inflation indexed bonds

The Reserve Bank of India, yesterday announced the launch of inflation indexed bonds starting June 4<sup>th</sup>. The first tranche of bonds will carry a 10-year maturity. The new bonds will have a fixed coupon rate with the principal amount linked to inflation based on the Wholesale Price Index (WPI). The decision to introduce inflation linked bonds was first announced in February with the central government budget with an intention of protecting domestic household savings from elevated inflation and providing incentives for households to save in financial instruments rather than physical gold, which had caused the import bill to swell -- rising gold imports, alongside oil imports has been a key cause of India's record high current account deficit (6.7% of GDP in 4Q12).

### Australia's government postpones budget surplus on economic slowdown

On May 14 the government released the 2013/14 Commonwealth Budget (budget year starting July 1). The budget proposes a deficit of 1.1% of GDP, down from 1.3% in 2012/2013. Australia continues to maintain healthy public finances, with net public debt of only 10.0% of GDP. The government had previously expected to return the budget to surplus in the current fiscal year, but concerns about a two-speed economy has slowing growth momentum as the mining boom loses steam have undermined these plans. Separately, on the monetary policy on May 7 the RBA cut its interest rate to a record low of 2.75%, capping a total of 200 bps of rate reductions since November 2011.

Briefly noted:

### Malaysia's Q1 GDP outturn disappoints

Malaysia's economy expanded at a much slower pace of 4.1% y/y compared with the 6.5% last quarter, and well below consensus expectations of 5.5%. Private spending and investment remained robust, but government spending lost momentum, and external demand was weak. This is the first time in seven quarters that growth has fallen to 5%. Nevertheless, we remain optimistic about the outlook given expectations of continued strong domestic demand, in line with our full-year GDP forecast at 4.8%.

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)  
+852 2582 3218

Weiwei Liu  
Economist  
[carrie.liu@bbva.com.hk](mailto:carrie.liu@bbva.com.hk)  
+852 2582 3243

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>
Retail Sales (YoY)	13 May	Apr	12.60%	12.80%	12.80%
Fixed Assets Inv Excl. Rural YTD YoY	13 May	Apr	20.90%	21.00%	20.60%
Industrial Production (YoY)	13 May	Apr	8.90%	9.40%	9.30%
Actual FDI (YoY)	16 May	Apr	5.70%	6.20%	0.40%
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Composite Interest Rate	17-18 MAY	Apr	0.25%	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Wholesale Price Index YoY	14 May	Apr	5.96%	5.45%	4.89%
Exports YoY%	13 May	Apr	7.00%	--	1.70%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Tertiary Industry Index (MoM)	15 May	Mar	1.20%	-0.70%	-1.30%
Gross Domestic Product (QoQ)	16 May	1Q P	0.30%	0.70%	0.90%
GDP Annualized	16 May	1Q P	0.20%	2.70%	3.50%
Industrial Production (MoM)	16 May	Mar F	0.20%	--	0.90%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP YoY%	15 May	1Q	6.50%	5.50%	4.10%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Overseas Remittances (YoY)	15 May	Mar	6.00%	6.90%	3.00%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales (YoY)	15 May	Mar	-3.00%	-2.50%	-7.40%
Non-oil Domestic Exports (YoY)	17 May	Apr	-4.80%	-1.90%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	15 May	Apr	3.20%	3.20%	3.10%

## Calendar Events

### Indonesia - Reference Rate, May 14

We expect the benchmark rate to remain unchanged

**Current**  
5.75%

**Cons.**  
5.75%

**New**  
5.75%

## Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23 May	May	50.4	50.3	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	20 May	Apr	3.50%	3.50%	--
CPI - Composite Index (YoY)	21 May	Apr	3.60%	3.60%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21 May	Mar	0.60%	--	--
Merchnds Trade Imports YoY	22 May	Apr	5.6	7.1	--
Merchnds Trade Exports YoY	22 May	Apr	1.1	4.8	--
Merchnds Trade Balance Total	22 May	Apr	¥364.0B	¥639.0B	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	22 May	Apr	1.60%	1.70%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 May	Apr	3.50%	--	--
Industrial Production YoY	23 May	Apr	-4.10%	--	--
GDP (YoY)	23 May	1Q F	-0.60%	-0.50%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20 May	Apr	-6.60%	-1.30%	--
Unemployment Rate - sa	22 May	Apr	4.18%	4.20%	--
Commercial Sales (YoY)	23 May	Apr	-0.65%	1.28%	--
Industrial Production (YoY)	23 May	Apr	-3.28%	-0.52%	--
GDP - Constant Prices (YoY)	24 May	1Q F	1.54%	1.50%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product (YoY)	20 May	1Q	18.90%	5.20%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 May	May	6.61%	--	--

## Upcoming Calendar Events

### Japan - BOJ Target Rate, May 22

We expect the benchmark rate to remain unchanged

Current	Cons.	New
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## 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.	2251.8	1.2	0.8	-0.8	-4.0
Hong Kong - Hang Seng	23082.7	0.2	-0.6	1.9	19.8	
Taiwan - Weighted	8390.1	0.9	1.3	9.0	16.0	
Japan - Nikkei 225	15037.2	-0.4	6.0	44.7	70.9	
Korea - Kospi	1986.8	0.8	0.4	-0.5	7.9	
India - Sensex 30	20247.3	0.2	1.5	4.2	26.3	
Australia - SPX/ASX 200	5165.7	-0.5	-0.6	11.1	24.0	
Singapore - Strait Times	3452.3	0.3	0.6	9.0	21.9	
Indonesia - Jakarta Comp	5078.7	-0.2	-0.2	17.7	27.6	
Thailand - SET	1617.9	-0.7	-0.2	16.2	38.1	
Malaysia - KLCI	1766.7	-0.9	0.0	4.6	15.0	
Philippines - Manila Comp.	7310.9	-1.1	1.8	25.8	50.3	

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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)	6.15	-0.05	-0.29	6.21	6.24
Hong Kong (HKD/USD)	7.76	-0.02	-0.05	7.76	7.75	
Taiwan (TWD/USD)	29.9	-0.16	-1.75	30.02	29.80	
Japan (JPY/USD)	102.57	-0.31	-1.93	102.52	102.26	
Korea (KRW/USD)	1117	-0.16	-2.26	1122	1130	
India (INR/USD)	54.8	-0.04	-1.02	55.56	57.95	
Australia (USD/AUD)	0.98	-0.84	-2.74	1.03	1.04	
Singapore (SGD/USD)	1.25	-0.53	-1.52	1.25	1.25	
Indonesia (IDR/USD)	9752	-0.04	-0.35	9882	10279	
Thailand (THB/USD)	29.8	0.00	-0.91	29.93	30.31	
Malaysia (MYR/USD)	3.01	-0.39	-1.33	3.03	3.07	
Philippines (PHP/USD)	41.3	-0.15	-1.11	41.25	41.22	

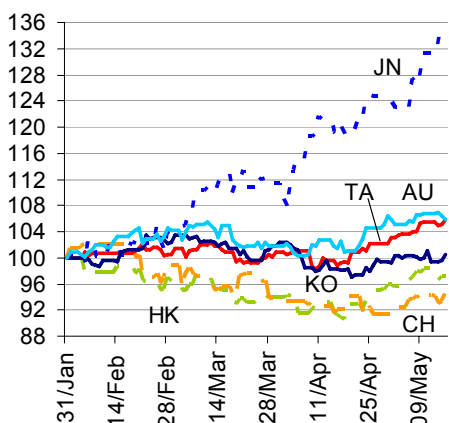
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.15	0.38	0.15	0.10
Hong Kong (HIBOR/1W)	0.09	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.53	-0.01	-0.01	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.57	0.01	-0.19	-0.17	
India (MIBOR/7D)	3.21	0.14	-0.40	0.18	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.27	0.00	0.00	-0.01	
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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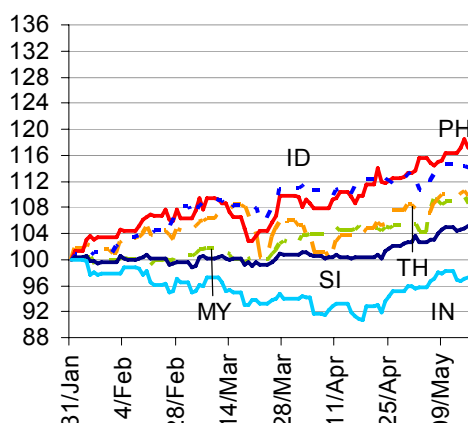
# Charts

Chart 1  
Stock Markets



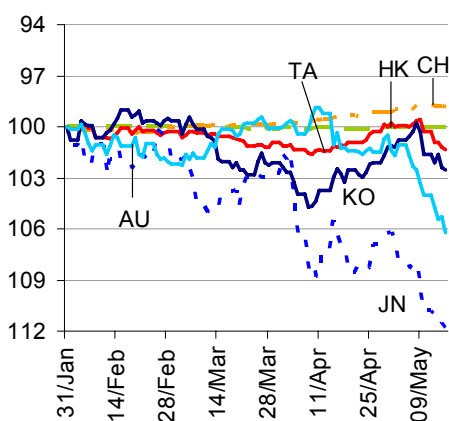
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



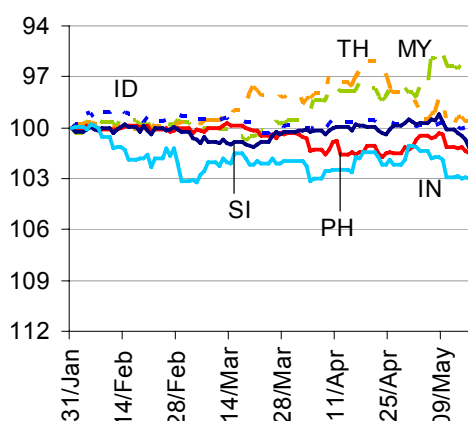
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Weiwei Liu  
Economist  
[carrie.liu@bbva.com](mailto:carrie.liu@bbva.com)

Edward Wu  
Economist  
[edward.wu@bbva.com](mailto:edward.wu@bbva.com)

**BBVA** | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | [www.bbva.com.hk](http://www.bbva.com.hk)

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