

# Daily Flash

## Asia

### Australia weak Q4 GDP raises growth concerns

Australia's fourth quarter GDP expanded by a weaker-than-expected 0.4% q/q s.a. (consensus: 0.8% q/q s.a.). For the year as a whole, growth reached 2.0%. The main drag on fourth quarter growth was weak investment, especially in the housing sector, and slowing private consumption. The outturn dampened investor sentiment, with the Australian stock market falling by 1.5% and the AUD extending its recent losses against the USD, to 1.057. The outturn comes just a day after the Reserve Bank of Australia held interest rates unchanged, and may increase prospects for a rate cut in the coming months.

### S&P warns that India's rating hinges on curbing the fiscal deficit

IS&P ratings agency has said that its outlook hinges on India's ability to reduce its fiscal deficit and implement growth-enhancing policies. The report comes against the backdrop of the disappointing performance by the ruling Congress Party in state elections this week, which may make it difficult for the government to implement unpopular structural reforms. Currently S&P's sovereign rating for India is right at investment grade, at BBB- with a stable outlook; a rating cut to below investment grade would be a big blow to investor confidence. In the meantime, the week ahead will be eventful as investors eye the February inflation outturn for cues on the what will happen at the March 15th RBI policy meeting, and attention is also turning towards the Union Budget on March 16 in order to see what India unveils regarding fiscal consolidation and growth-supportive policy reforms.

### Indonesia to hike subsidized fuel prices

In a revised budget submission to Parliament, Indonesia's government is reportedly preparing to raise fuel prices in a bid to contain widening subsidy outlays amidst rising international oil prices. The last significant increases were in 2005 and 2008. Together with a proposed electricity tariff hike, a fuel price increase could add significantly to inflation this year, which has otherwise been declining (3.6% y/y in February). We expect Bank Indonesia to stay on hold at tomorrow's policy meeting.

### Briefly noted:

- **The State Bank of Vietnam** said yesterday that it will lower interest rates by 100 bps "in the next few days",
- **Indonesia and Korea will hold policy meetings tomorrow**, with both expected to remain on hold.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
TD Securities Inflation MoM%	05-Mar	FEB	0.20%	--	0.10%
Current Account Balance	06-Mar	4Q	-5637M	-8050M	-8374M
Gross Domestic Product (QoQ)	07-Mar	4Q	1.00%	0.80%	0.40%
Gross Domestic Product (YoY)	07-Mar	4Q	2.50%	2.40%	2.30%
Unemployment Rate	08-Mar	FEB	5.10%	5.20%	--
Trade Balance	09-Mar	JAN	1709M	1500M	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	09-Mar	FEB	4.50%	3.40%	--
Industrial Production YTD YoY	09-Mar	FEB	13.90%	12.30%	--
Industrial Production (YoY)	09-Mar	FEB	12.80%	12.50%	--
Retail Sales YTD YoY	09-Mar	FEB	17.10%	17.60%	--
Retail Sales (YoY)	09-Mar	FEB	18.10%	17.30%	--
Exports YoY%	10-Mar	FEB	-0.50%	32.00%	--
Imports YoY%	10-Mar	FEB	-15.30%	30.20%	--
New Yuan Loans	11-15 MAR	FEB	738.1B	750.0B	--
Money Supply - M2 (YoY)	11-15 MAR	FEB	12.40%	12.80%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Mar	FEB	51.9	--	52.8
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
India February Markit Services PMI	05-Mar	FEB	58.0	--	56.5
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Deflator YoY	08-Mar	4Q F	-1.60%	-1.60%	--
GDP Annualized	08-Mar	4Q F	-2.30%	-0.60%	--
Gross Domestic Product (QoQ)	08-Mar	4Q F	-0.60%	-0.20%	--
Current Account Total	08-Mar	JAN	¥303.5B	¥320.0B	--
Machine Tool Orders (YoY)	08-Mar	FEB P	-6.90%	--	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	07-Mar	JAN	6.10%	2.10%	0.40%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	06-Mar	FEB	3.90%	3.20%	2.70%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Mar	FEB	48.7	49.4	50.4
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	05-Mar	FEB	2.37%	1.30%	0.25%
Total Exports (YoY)	07-Mar	FEB	-16.80%	9.50%	10.30%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY%)	09-14 MAR	JAN	-2.10%	--	--
Current Account Balance (USD)	09-14 MAR	JAN	\$1940M	\$1500M	--

## Indicator of the Week

### China: Industrial output for January-February (March 9)

Forecast: 11.5%

Consensus: 12.5%

Prior: 12.8%

It is difficult this week to choose a single indicator given a number of important data releases scheduled this coming week in China, including inflation, industrial production, retail sales, exports and new loans. We select industrial production for the combined months of January and February given existing uncertainties about recent growth momentum (the data are to be released for the combined months given distortions from the Chinese New Year). Data so far this year has generally been encouraging, with PMI outturns in January and February remaining above the 50-level expansion/contraction threshold, although other indicators, such as electricity consumption suggest weakness. We expect industrial production to moderate slightly, but remain strong given signs of robust manufacturing orders. At the same time, we expect inflation to moderate further, to around 3.2% y/y in February (from 4.5% in January), which should provide room for further policy support such as cuts in the required reserve ratio.

## Calendar Events

### Australia - RBA cash target, March 6

The benchmark cash target remained unchanged

Current	Consensus	New
4.25%	4.25%	4.25%

### South Korea - 7-day repo rate, March 8

We expect the 7-day repo rate to remain unchanged

Current	Consensus	New
3.25%	3.25%	--

### Indonesia - Bank Indonesia Reference rate, March 8

We expect the reference rate to remain unchanged

Current	Consensus	New
5.75%	--	--

### Malaysia - Overnight rate, March 9

We expect the overnight rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

## 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.	2394.8	-0.6	-1.4	8.9	-20.1
	Hong Kong - Hang Seng	20627.8	-0.9	-4.9	11.9	-11.5
	Taiwan - Weighted	7903.1	-0.4	-2.7	11.8	-9.3
	Japan - Nikkei 225	9576.1	-0.6	-1.5	13.3	-8.8
	Korea - Kospi	1982.2	-0.9	-1.1	8.6	0.1
	India - Sensex 30	17145.5	-0.2	-3.4	10.9	-5.9
	Australia - SPX/ASX 200	4143.7	-1.5	-3.6	2.1	-13.6
	Singapore - Strait Times	2913.2	-0.6	-2.7	10.1	-5.0
	Indonesia - Jakarta Comp	3942.5	-0.6	-1.1	3.2	10.7
	Thailand - SET	1153.2	-0.4	0.6	12.5	15.0
	Malaysia - KLCI	1574.8	-0.9	0.3	2.9	3.9
Philippines - Manila Comp.	4921.4	-0.9	0.5	12.6	26.6	

Last update: today, 17.45 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.31	-0.03	-0.26	6.31	6.31
	Hong Kong (HKD/USD)	7.76	-0.01	-0.09	7.76	7.76
	Taiwan (TWD/USD)	29.5	-0.09	-0.53	29.49	29.24
	Japan (JPY/USD)	80.76	0.16	0.48	80.68	80.29
	Korea (KRW/USD)	1125	-0.19	-0.52	1131	1143
	India (INR/USD)	50.3	0.10	-2.58	51.39	53.32
	Australia (USD/AUD)	1.06	0.18	-1.49	0.96	0.98
	Singapore (SGD/USD)	1.26	0.29	-0.68	1.26	1.26
	Indonesia (IDR/USD)	9118	0.78	-1.04	9261	9624
	Thailand (THB/USD)	30.8	0.16	-1.01	30.91	31.27
	Malaysia (MYR/USD)	3.03	-0.20	-1.15	3.05	3.08
Philippines (PHP/USD)	42.9	0.28	-0.45	43.13	43.41	

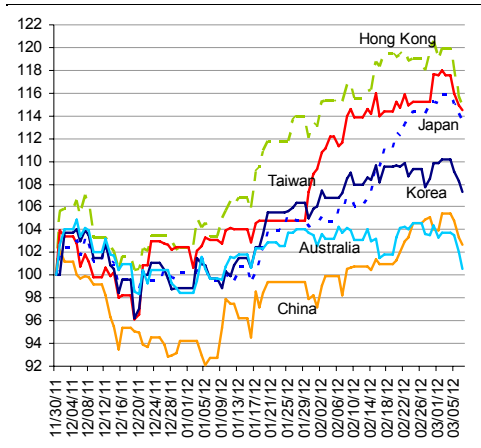
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.10	-0.03	-0.17	-0.40
	Hong Kong (HIBOR/1W)	0.12	-0.01	-0.01	-0.05
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	3.10	-0.03	-0.58	-0.40
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.01	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.81	0.00	0.38	0.13

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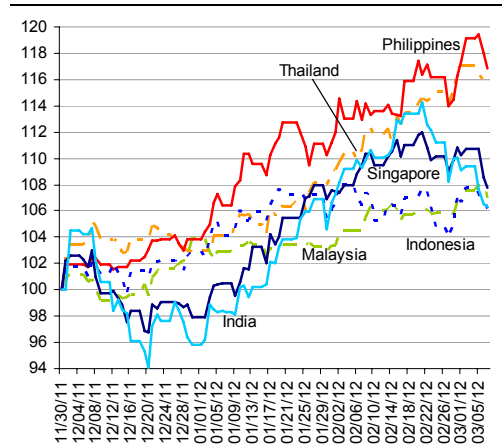
# Charts

Chart 9  
Stock Markets



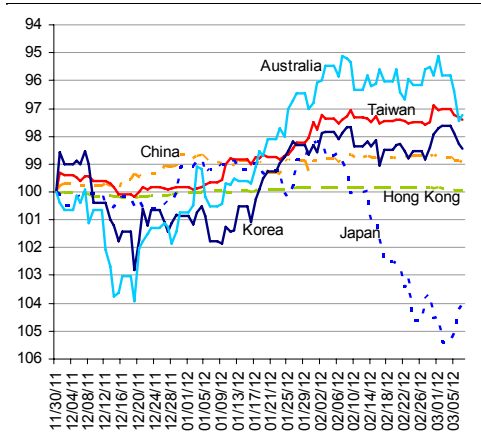
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



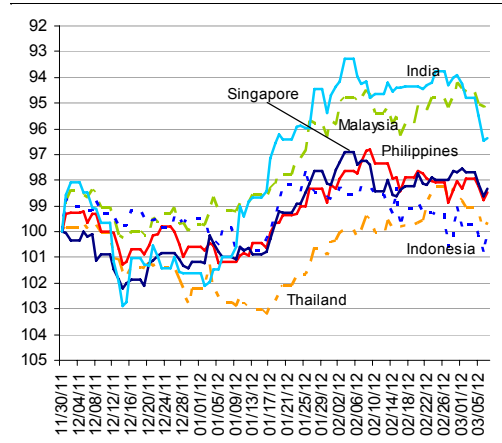
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



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Chart 12  
Foreign Exchange Markets



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