

Daily Flash

Asia

Further declines in China's housing prices

China's official 70-city housing price index for the month of February was released over the weekend, showing a seventh consecutive month-on-month decline. In particular, the data show that prices of new homes declined in 45 cities, broadly similar to last month, when 48 cities showed price declines. On a sequential basis, we estimate that nationwide housing prices declined by 0.2%, making for a cumulative decline of a rather modest 1.2% since prices began falling last July. Given its large contribution to overall investment, the housing sector has been of intense interest as market participants try to gauge risks of a hard landing in China. We continue to view recent developments in the housing market so far as rather benign, in line with our expectations of modest price declines this year, although price declines have been somewhat larger in individual markets where overvaluation has been most significant, including Beijing, Shenzhen and Shanghai. Chinese policymakers have recently emphasized that they will persist with measures to ensure housing affordability.

India's FY13 central government budget receives mixed reviews

Market participants have reacted coolly to India's new budget presented last Friday. While the budget is a step in the right direction of fiscal consolidation, and is based on credible assumptions (see [here](#)), overall market reaction has been muted due to a lack of reform initiatives to stimulate flagging growth. India's stock market has declined by 2.3% since Friday.

Briefly noted:

- [Hong Kong's unemployment rate, seasonally adjusted, edged up to 3.4% in February](#), from an exceptionally low 3.2% in the previous period. The uptick is a sign of slowing growth due to global headwinds, although overall domestic demand remains strong.
- [Australia's central bank Governor Glenn Stevens delivered a speech today](#) in Hong Kong in which he highlighted Asia's fast growth, and the structural challenges facing the Australian economy. His remarks were in line with our recent views as described in our recent report on the [Australian outlook](#).
- [China announced today that it will raise retail gasoline and diesel prices once again](#), as oil prices continue to rise. Although inflation has been declining, the price increases, if they continue, could exert upward pressure on inflation in coming months.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	22-25 MAR	MAR	49.7	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Mar	FEB	3.20%	3.30%	3.40%
Bal of Paymts - Overall	22-Mar	4Q	\$23.56B	--	--
CPI - Composite Index (YoY)	22-Mar	FEB	6.10%	5.00%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-Mar	JAN	1.30%	-0.70%	--
Merchnds Trade Balance Total	22-Mar	FEB	-¥1475.0B	-¥120.0B	--
Merchnds Trade Exports YoY	22-Mar	FEB	-9.3	-6.5	--
Merchnds Trade Imports YoY	22-Mar	FEB	9.8	8.2	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	21-Mar	FEB	2.70%	2.30%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Mar	FEB	\$864M	--	\$588M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Mar	FEB	0.90%	0.30%	--
CPI (YoY)	23-Mar	FEB	4.80%	5.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Mar	FEB	-8.63%	13.00%	--
Unemployment Rate - sa	22-Mar	FEB	4.19%	4.20%	--
Industrial Production (YoY)	23-Mar	FEB	-16.46%	8.52%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Mar	MAR	16.40%	--	--
Exports YTD (YoY)	24-31 MAR	MAR	24.80%	--	--
Imports YTD (YoY)	24-31 MAR	MAR	11.80%	--	--

Indicator of the Week

Singapore: CPI Inflation for February (March 23)

Forecast: 5.0% y/y

Consensus: n/a

Prior: 4.8% y/y

The inflation outturn will be closely watched ahead of the Monetary Authority of Singapore's next semi-annual policy meeting, scheduled for mid-April. Inflation moderated in January after hovering above 5% y/y since June. Despite the recent increase in oil prices, the authorities have officially kept their 2012 inflation forecast of between 2.5%-3.5% y/y. A high inflation outturn would make the MAS more likely to stay on hold at the April policy meeting by leaving the current slope (estimated at 1%) and center of its exchange rate band unchanged. The recent improvement in the global environment also makes it less likely that the MAS will ease policy, despite the ongoing slowdown in Singapore's growth momentum. We expect inflation will remain elevated during the first half of the year, before moderating in the second half (BBVA Forecast: 3.0% y/y for 2012).

Calendar Events

Thailand - Benchmark Interest Rate, March 21

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

--

Taiwan - Benchmark Interest Rate, March 22

We expect the benchmark rate to remain unchanged

Current

1.875%

Consensus

1.875%

New

--

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.	2410.2	0.2	-1.0	9.6	-17.1
	Hong Kong - Hang Seng	21115.3	-1.0	-0.1	14.5	-5.3
	Taiwan - Weighted	8043.9	-0.1	1.5	13.7	-4.2
	Japan - Nikkei 225	10142.0	0.1	2.5	19.9	10.2
	Korea - Kospi	2047.0	0.6	2.2	12.1	3.3
	India - Sensex 30	17273.4	-1.1	-1.8	11.8	-3.4
	Australia - SPX/ASX 200	4290.8	0.3	2.2	5.8	-7.3
	Singapore - Strait Times	2990.1	-0.7	0.9	13.0	1.8
	Indonesia - Jakarta Comp	4024.7	-0.1	0.9	5.3	15.2
	Thailand - SET	1189.5	0.0	3.4	16.0	18.6
	Malaysia - KLCI	1573.6	0.1	0.6	2.8	4.6
Philippines - Manila Comp.	5127.0	-0.4	3.1	17.3	33.5	

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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)	6.32	0.00	0.06	6.32	6.32
	Hong Kong (HKD/USD)	7.76	0.01	-0.06	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.06	-0.03	29.45	29.21
	Japan (JPY/USD)	83.17	0.31	-1.13	83.10	82.73
	Korea (KRW/USD)	1122	0.31	0.15	1130	1143
	India (INR/USD)	50.2	0.01	-0.40	51.29	53.37
	Australia (USD/AUD)	1.06	-0.08	0.63	0.95	0.98
	Singapore (SGD/USD)	1.26	-0.05	0.18	1.26	1.26
	Indonesia (IDR/USD)	9128	0.05	0.45	9194	9515
	Thailand (THB/USD)	30.7	-0.07	-0.26	30.87	31.28
	Malaysia (MYR/USD)	3.05	0.05	-0.75	3.07	3.10
Philippines (PHP/USD)	42.9	0.26	-0.54	43.12	43.55	

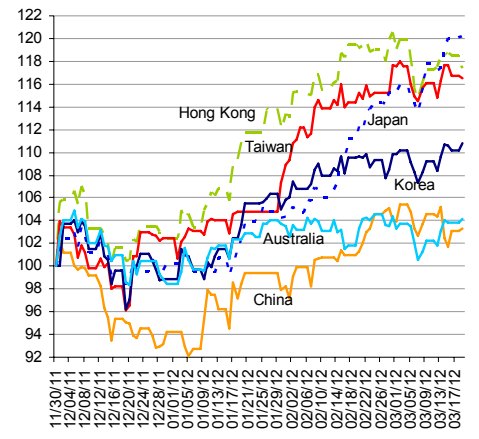
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.88	-0.02	-0.12	-2.62
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.03
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	2.90	0.00	-0.20	-2.39
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.01	0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.81	0.13	0.13	0.25

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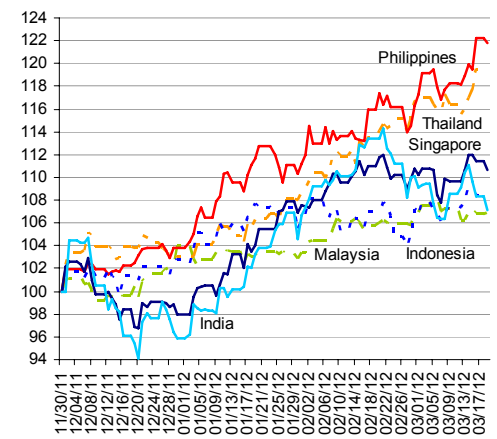
Charts

Chart 9
Stock Markets



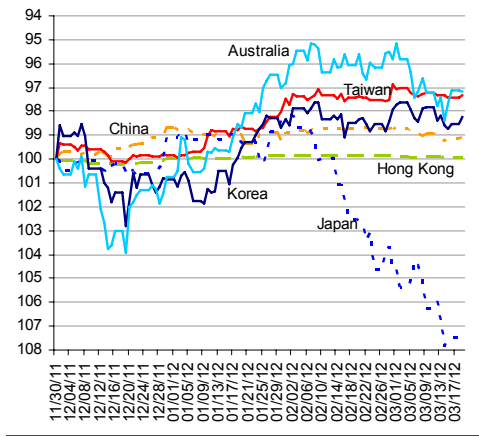
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



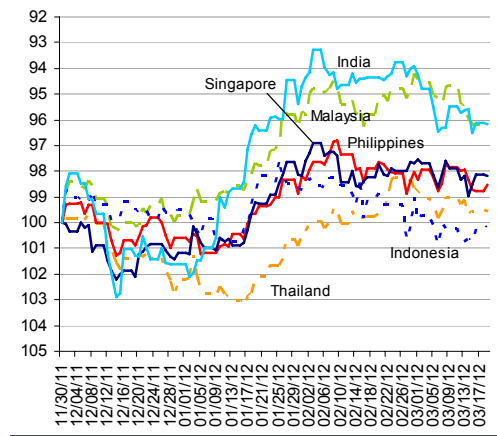
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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