

Daily Flash

Asia

China to allow private capital to invest in SOE's

As was originally reported by China Daily, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued a statement on Thursday which provides general guidelines that pave the way for allowing private investors to participate in the restructuring of SOEs. While specific details were not forthcoming, the guidelines urge SOEs to lift barriers currently blocking private investors from transactions involving SOEs' share-stakes and property rights. Private investors can also establish private equity funds with SOEs in order to invest in strategic emerging industries, or make overseas investments. This announcement is a further sign of the government's focus on SOE reform, as it follows a similar new policy measure that will allow private capital to invest in domestic railways.

China's Ministry of Finance announces new measure to boost consumption

Separately, today China's Ministry of Finance (MoF) announced a new subsidy program to help stimulate consumption. The government will subsidize qualified manufacturers for the sales of energy-saving air conditioners by RMB 240-400 per unit and LCD TVs by RMB100-400 per unit for one year, starting from June 1, 2012. These consumption subsidies have been long expected and are considered effective measures to boost sluggish consumption.

Vietnam's central bank cuts interest rates for the third time in 2012

Vietnam's central bank lowered the repurchase rate, refinancing rate and discount rate today, all by 100 bps, to 11%, 12% and 10% respectively, the third time the central bank has cut interest rates since the start of the year. Inflation has been declining steadily since reaching over 23% y/y in August of last year, and has fallen into the government's 8-9% target in May (8.3% y/y) – also marking the first time inflation has been in single digits since 2010. With the global environment remaining uncertain and the domestic economy under pressure (Vietnam's 1Q GDP growth was 4% y/y, well short of the government's 6% GDP growth target for 2012), there may be more rate cuts in the coming months.

Briefly noted:

- **Thailand's industrial production rose by 0.5% y/y in April** from a revised 2.7% y/y decline last month. Though the outturn was less than expected (consensus: 3.5% y/y), it marked the first positive outturn since August, and combined with a better-than-expected first quarter GDP growth figure released last week (0.3% y/y) suggests that Thailand's post-flood recovery is firming.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	30-May	APR	0.90%	0.20%	--
Private Sector Credit MoM%	31-May	APR	0.40%	0.30%	--
Building Approvals (MoM)	31-May	APR	7.40%	0.30%	--
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-Jun	MAY	53.3	52	--
HSBC Manufacturing PMI	01-Jun	MAY	49.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	31-May	APR	17.30%	16.30%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Jun	MAY	4.50%	--	--
Exports (YoY)	01-Jun	APR	5.50%	--	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	31-May	1Q	6.10%	6.00%	--
Exports YoY%	01-Jun	APR	-5.70%	--	--
Imports YoY%	01-Jun	APR	24.30%	--	--
India May Markit Manufacturing PMI	01-04 JUN	MAY			
Japan	Date	Period	Prior	Cons.	Actual
Jobless Rate	29-May	APR	4.50%	4.50%	--
Industrial Production (MoM)	31-May	APR P	1.30%	0.50%	--
Industrial Production YOY%	31-May	APR P	14.20%	13.70%	--
Capital Spending	01-Jun	1Q	7.60%	1.00%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	31-May	1Q	3.00%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP sa (QoQ)	31-May	1Q	0.90%	2.40%	--
GDP (YoY)	31-May	1Q	3.70%	4.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	31-May	APR	-3.10%	-0.20%	--
Industrial Production (YoY)	31-May	APR	0.30%	0.50%	--
Consumer Price Index (MoM)	01-Jun	MAY	0.00%	0.20%	--
Consumer Price Index (YoY)	01-Jun	MAY	2.50%	2.50%	--
HSBC Manufacturing PMI	01-Jun	MAY	51.9	--	--
Ext Trade - Export (YoY)	01-Jun	MAY	-4.70%	-1.00%	--
Ext Trade - Imports (YoY)	01-Jun	MAY	-0.20%	-2.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01-Jun	MAY	51.2	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Jun	MAY	2.47%	2.70%	--

Indicator of the Week

China: PMI for May (June 1)

Forecast: 51.5

Consensus: 52.0

Prior: 53.3

Weaker-than-expected activity outturns in April are causing the market to reassess expectations regarding the pace of China's growth. The official manufacturing PMI in May is thus expected to provide important signs regarding China's growth momentum. Thursday's flash estimate for private sector PMI (Markit) registered a slight downturn in May, to 48.7% from 49.1% the previous month, showing weak sentiment persists in the economy. Considering this flash outturn, as well as seasonal effects, we expect a decrease in the official PMI for May, however we expect it will remain above the +50 expansion/contraction threshold. That said, the government's recent comments emphasizing that it will help stabilize China's growth through further policy support, along with a stronger PMI outturn for May, could signal a rebound in growth momentum over the course of rest of this year.

Calendar Events

There are no 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.	2361.4	1.2	0.6	7.4	-12.9
	Hong Kong - Hang Seng	18801.0	0.5	-0.6	2.0	-18.7
	Taiwan - Weighted	7136.0	0.9	-0.8	0.9	-19.0
	Japan - Nikkei 225	8593.2	0.1	-0.5	1.6	-9.8
	Korea - Kospi	1824.2	0.5	2.3	-0.1	-13.1
	India - Sensex 30	16428.0	1.3	1.5	6.3	-10.1
	Australia - SPX/ASX 200	4068.0	1.0	-0.1	0.3	-13.2
	Singapore - Strait Times	2787.2	0.5	-0.1	5.3	-11.1
	Indonesia - Jakarta Comp	3918.7	0.4	-0.5	2.5	2.3
	Thailand - SET	1137.5	0.4	0.2	10.9	6.6
	Malaysia - KLCI	1554.9	0.2	1.0	1.6	0.4
Philippines - Manila Comp.	4952.7	0.5	0.0	13.3	15.9	

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)	6.35	-0.01	-0.28	6.36	6.41
	Hong Kong (HKD/USD)	7.76	0.02	0.03	7.76	7.76
	Taiwan (TWD/USD)	29.6	0.03	-0.16	29.55	29.28
	Japan (JPY/USD)	79.36	0.40	-0.06	79.29	78.79
	Korea (KRW/USD)	1173	1.04	-0.36	1182	1190
	India (INR/USD)	55.2	0.29	-0.33	56.39	58.63
	Australia (USD/AUD)	0.99	1.24	-0.36	1.02	1.04
	Singapore (SGD/USD)	1.28	0.49	-0.47	1.28	1.27
	Indonesia (IDR/USD)	9333	1.30	-0.26	9925	10362
	Thailand (THB/USD)	31.6	0.19	-0.89	31.78	32.21
	Malaysia (MYR/USD)	3.15	0.20	-0.42	3.16	3.20
Philippines (PHP/USD)	43.5	0.55	-0.84	43.83	44.30	

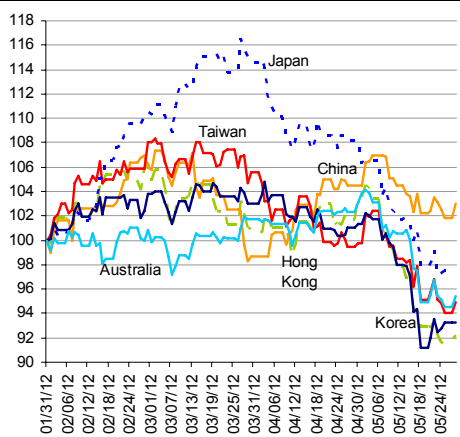
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.50	0.00	0.08	-1.30
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	3.00	0.53	-0.08	-0.88
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.84	0.01	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.25	-0.13	-0.06	-0.13

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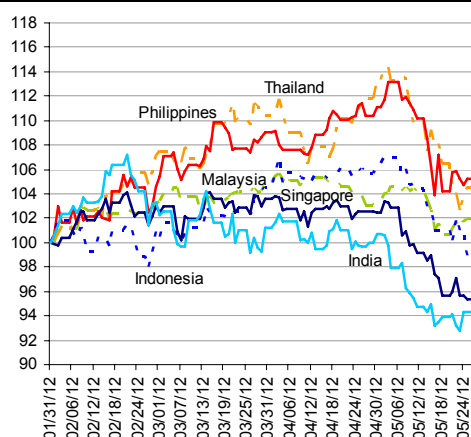
Charts

Chart 9
Stock Markets



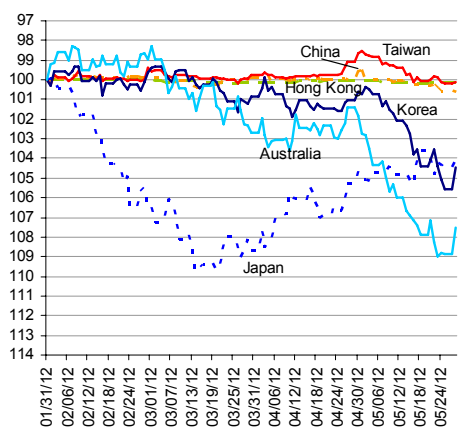
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



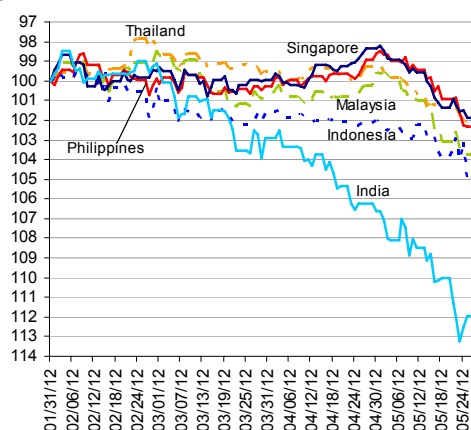
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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