

Daily Flash

Asia

China's CEWC concludes, with growth still the priority

China's Central Economic Working Conference (CEWC) took place over the weekend, where its new leaders set the tone for economic policy in 2013. As anticipated, they pledged to maintain the continuity and stability of current policies so as to keep growth at a "steady and healthy" pace. However, no specific targets for GDP growth or for total credit growth were given in the meeting. We project their 'target' growth rate will be 7.5% and expect it will be announced on or before the National Congress next March. Additionally, the authorities also reiterated their desire to push forward with economic reforms. We anticipate that the authorities might accelerate the reforms after the National Congress, when the new party leaders formally take their administrative positions.

To stimulate domestic demand, China will lower key import tariffs

According to the Ministry of Finance, the State Council has approved to apply lower import tariffs on 780 items in 2013, more than the 730 items allowed such status in 2012. Most of the new items on the list focus on either improve on the quality of consumer goods, support technological innovation, or facilitate industrial upgrades. Lowering import tariffs in such a manner is in line with the proactive fiscal stance of the government, which is seeking to boost domestic demand, contributing to China's economic restructuring over the medium term.

Japan's LDP wins elections decisively; paves way for increased spending

Japan's Liberal Democratic Party (LDP) scored a decisive victory over the Democratic Party of Japan (DPJ) in the election on Sunday, resulting in a LDP-led coalition holding a decisive two-thirds majority in the lower house. Such a majority will give Shinzo Abe, the leader of the LDP and now the country's next prime minister, the votes to override the opposition-led upper house. Abe has advocated more public spending and "unlimited" easing monetary policy to boost the economy, which has slipped into technical recession. In response to Sunday's events, the Nikkei index rose by 1.0% and the yen fell by -0.3% (to 83.8/USD) today. We project Japan's economy to contract again in the coming quarter before returning to growth of about 1.0% in 2013, from about 2.0% in 2012. In the nearer-term, the Bank of Japan will likely expand its asset purchasing program by 5-10 trillion yen at its monthly monetary meeting on Thursday, December 20.

India: Government sees moderate acceleration in India's growth

According to India's mid-year economic review, released today, the government expects a moderate growth acceleration in the 2nd half of fiscal year 2013 (October 2012-March 2013). GDP growth for FY13 is expected to be between 5.7%-5.9% y/y (BBVA est: 5.8%), revised lower from 7.6% y/y previously. To achieve target growth, supportive fiscal and monetary policies will be needed along with steps to address structural supply-side bottlenecks. Meanwhile, inflation is expected to ease to around 6.8%-7.0% y/y (7.2% y/y in November) by the end of March 2013. On the fiscal front, the government acknowledged the challenges in containing the deficit to 5.3% of GDP, but reiterated its commitment towards fiscal consolidation. Meanwhile, the upcoming week promises to be important for India with regards to policy reforms, with key legislations on land acquisition, banking, insurance and pensions to be tabled in parliament for approval.

Singapore's exports fall in November; upcoming FTA with EU is announced

Singapore reported that non-oil domestic exports (NODX) for November fell by -2.5% y/y (consensus: 1.7% y/y) on weak global demand for its electronics. The outturn was reported one day after Singapore and the European Union completed talks on a new free-trade pact that is expected to be signed in the spring of 2013. Under the agreement, Singapore will eliminate tariffs on European-made goods as well as eliminate technical barriers to trade in sectors including electronics, while the EU will eliminate tariffs on all imports from Singapore over five years.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 DEC	Nov	-0.20%	-3.10%	--
China November Property Prices	18-Dec	Nov	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Dec	Nov	3.40%	3.40%	--
CPI - Composite Index (YoY)	20-Dec	Nov	3.80%	3.80%	--
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	18-Dec	18-Dec	4.25%	4.00%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	19-Dec	Nov	¥549.0B	¥1035.1B	--
Merchnds Trade Exports YoY	19-Dec	Nov	-6.5	-5.5	--
All Industry Activity Index (MoM)	19-Dec	Oct	-0.30%	0.20%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Dec	Nov	1.30%	1.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	17-Dec	Oct	5.90%	6.00%	8.50%
Unemployment Rate	18-Dec	Oct	7.00%	--	--
Balance of Payments	19-Dec	Nov	\$604M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Dec	Nov	7.90%	1.70%	-2.50%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Dec	Nov	3.16%	3.70%	--

Indicator of the Week

Taiwan: Export orders for November (December 20)

Forecast: 2.4% y/y

Consensus: 3.7% y/y

Prior: 3.2% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Export orders' upbeat reading in October reflected solid demand from the US and Europe, mainly due to the year-end holiday season. We expect such impact to moderate in the following month. On the other hand, China's recent activity indicators point to a rebound in the fourth quarter, which will partially support the orders performance. The risks from weak global demand remain, and the pace of recovery is expected to be mild and gradual. We also expect the central bank of Taiwan to keep the benchmark rate on hold during the upcoming policy meeting, given the abundant liquidity in the economy and improved growth outlook.

Calendar Events

Japan - General Election, December 16

India - Repo Cutoff Yield, December 18

We expect the benchmark rate to remain unchanged

Current	Consensus	New
8.00%	8.00%	--

South Korea - Presidential Election, December 19

Taiwan - Benchmark Interest Rate, December 19

We expect the benchmark rate to remain unchanged

Current	Consensus	New
1.88%	1.88%	--

Japan - Benchmark Interest Rate, December 20

We expect further unconventional easing

Current	Consensus	New
0.10%	0.10%	--

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.	2160.3	0.5	3.7	-1.8	-2.9
Hong Kong - Hang Seng	22513.6	-0.4	1.1	22.1	23.1	
Taiwan - Weighted	7631.3	-0.9	0.3	7.9	12.5	
Japan - Nikkei 225	9828.9	0.9	3.1	16.2	17.0	
Korea - Kospi	1983.1	-0.6	1.3	8.6	7.8	
India - Sensex 30	19249.4	-0.4	-0.8	24.6	24.3	
Australia - SPX/ASX 200	4573.4	-0.2	0.3	12.7	10.0	
Singapore - Strait Times	3158.7	-0.3	1.4	19.4	18.8	
Indonesia - Jakarta Comp	4315.9	0.2	0.3	12.9	14.5	
Thailand - SET	1359.1	0.0	1.8	32.6	31.4	
Malaysia - KLCI	1648.6	-0.2	1.0	7.7	12.4	
Philippines - Manila Comp.	5623.9	-1.5	-2.3	28.6	30.6	

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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)	6.24	0.14	0.05	6.29	6.32
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.1	-0.02	0.07	28.87	28.56	
Japan (JPY/USD)	83.75	-0.27	-1.66	83.69	83.45	
Korea (KRW/USD)	1072	0.21	0.62	1078	1091	
India (INR/USD)	54.8	-0.51	-0.47	55.60	57.96	
Australia (USD/AUD)	1.05	-0.27	0.48	0.96	0.97	
Singapore (SGD/USD)	1.22	-0.11	0.07	1.22	1.22	
Indonesia (IDR/USD)	9699	-0.05	-0.68	9774	10101	
Thailand (THB/USD)	30.6	0.03	0.10	30.75	31.16	
Malaysia (MYR/USD)	3.06	-0.03	0.13	3.07	3.11	
Philippines (PHP/USD)	41.1	0.07	-0.27	41.02	41.03	

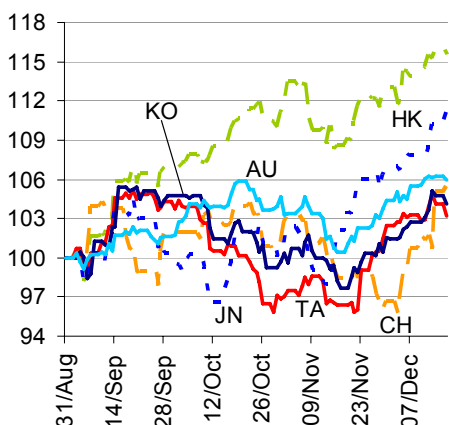
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.06	0.06	0.04	0.14
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.57	0.00	0.00	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.79	0.00	0.01	0.01	
India (MIBOR/7D)	3.36	0.36	0.13	0.46	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.30	0.01	0.02	0.02	
Thailand (BIBOR/1W)	2.78	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	0.56	0.31	-0.13	-1.81	

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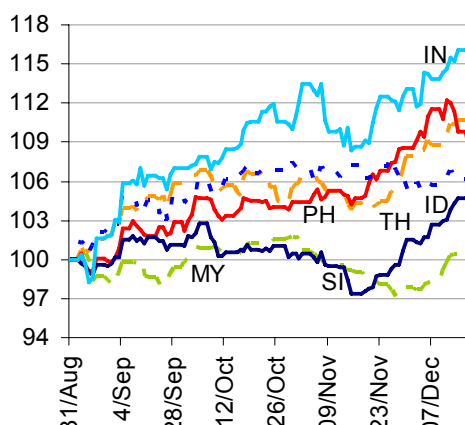
Charts

Chart 1
Stock Markets



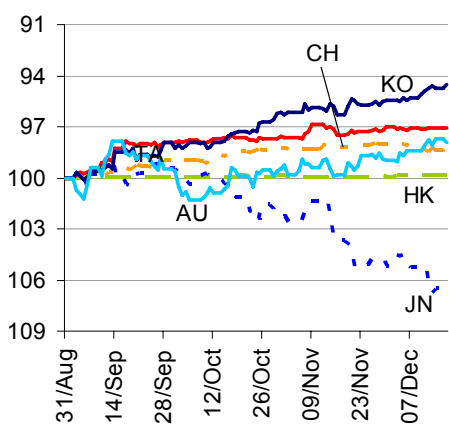
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



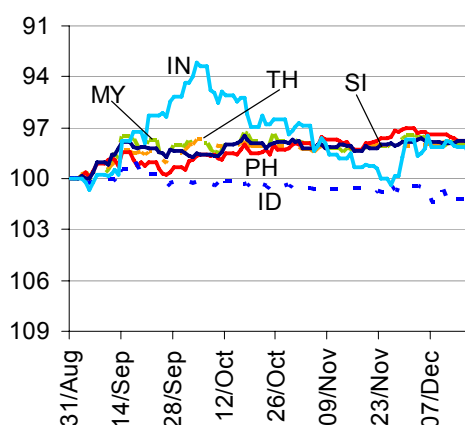
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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