

Asia Flash

Asia

Korea Q3 GDP growth in line with regional resilience

Just a week after China reported a strong Q3 GDP outturn, GDP growth in Korea of 1.1% q/q, s.a. came in line with our expectations, and slightly ahead of the consensus (0.8% q/q). Growth was flat compared to Q2, and rose to 3.3% on a year-over-year basis. The good news is that growth was sustained even as fiscal stimulus measures wore off, marked by an improvement in private consumption and facilities investment. However, external demand was weak, with exports of goods and services falling by 0.9% q/q, s.a. We maintain our projection of 2.7% for full-year growth in 2013.

Japan sees success in raising inflation, as markets await structural reforms

Japan's headline inflation rose to a higher-than-expected 1.1% y/y in September (consensus: 0.9%; prior: 0.9%), the highest since November 2008, on a continued rise in energy prices. Meanwhile, core inflation was flat at 0.7% y/y (August: 0.8%). Headline inflation, while rising, is still far short of the Bank of Japan's 2% target by end 2014. Today's outturn adds further evidence of the success of Abenomics, coming just a few days after the BoJ upgraded its assessment of all regional economies in its quarterly Sakura Report citing solid demand and signs of improvement in jobs and income. That said, the market focus has shifted to the implementation of structural reforms and medium-term growth prospects.

The People's Bank of China announces new Prime Lending Rate

The PBoC today announced it will create a new market-based reference rate based on bank's prime lending rates. The interest rate floor was removed last July, making the PBoC's benchmark lending rate less meaningful. The new prime lending rate will be calculated daily as a weighted average of nine banks' actual lending rates, and is meant to assist banks in pricing their loans. Creation of the new rate may be seen as an effort to enhance the role of the market in determining interest rates as financial market liberalization proceeds. In the meantime, the next crucial step toward interest rate liberalization remains to remove the deposit rate cap, which we do not expect before 2015.

Briefly noted:

Singapore industrial output exceeded expectations for September, rising by 9.3% y/y (consensus: 5.7% y/y) from 4.0% y/y in August. On sequential basis after seasonal adjustment, IP increased by 3.7% m/m sa, reversing the declines of three straight months, thanks to strong production of computer peripherals and other electronic products. The pickup of manufacturing activity could lead to a modest upward revision to Q3 GDP (preliminary estimate -1.0% q/q saar), when the final figures are released in mid-November.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
CPI QoQ	23 Oct	3Q	0.40%	0.80%	1.20%
CPI YoY	23 Oct	3Q	2.40%	1.80%	2.20%
China	Date	Period	Prior	Cons.	Actual
September Property Prices	22 Oct	Sep	--	--	--
HSBC/Markit Flash Mfg PMI	24 Oct	Oct	50.2	50.4	50.9
Industrial Profits YTD YoY	27 Oct	Sep	12.80%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI Composite YoY	21 Oct	Sep	4.50%	4.40%	4.60%
Exports YoY	24 Oct	Sep	-1.30%	-3.00%	1.50%
Japan	Date	Period	Prior	Cons.	Actual
Imports YoY	21 Oct	Sep	16.0%	19.9%	16.5%
Exports YoY	21 Oct	Sep	14.6%	15.6%	11.5%
All Industry Activity Index MoM	21 Oct	Aug	0.40%	0.20%	0.30%
Natl CPI YoY	25 Oct	Sep	0.90%	0.90%	1.10%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	25 Oct	Sep	1.90%	2.50%	2.60%
Philippines	Date	Period	Prior	Cons.	Actual
Imports YoY	25 Oct	Aug	8.70%	3.60%	6.90%
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Oct	Sep	2.00%	2.00%	1.60%
Industrial Production SA MoM	25 Oct	Sep	-1.10%	0.50%	3.70%
Industrial Production YoY	25 Oct	Sep	4.00%	5.70%	9.30%
South Korea	Date	Period	Prior	Cons.	Actual
GDP SA QoQ	25 Oct	3Q P	1.10%	0.80%	1.10%
GDP YoY	25 Oct	3Q P	2.30%	3.10%	3.30%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders YoY	21 Oct	Sep	0.50%	0.40%	2.00%
Unemployment Rate	22 Oct	Sep	4.19%	4.20%	4.18%
Commercial Sales YoY	23 Oct	Sep	-0.60%	-0.65%	1.31%
Industrial Production YoY	23 Oct	Sep	-0.57%	0.10%	1.06%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports YoY	25 Oct	Sep	3.90%	0.50%	-7.10%
Customs Imports YoY	25 Oct	Sep	-2.10%	3.60%	-5.20%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Oct	Oct	6.30%	6.50%	5.92%
Exports YTD YoY	25 Oct	Oct	15.70%	--	15.20%

Calendar Events

Philippines – BSP Overnight Borrowing Rate, Oct 24	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.50%	3.50%	3.50%

Indicator of the Week

China: NBS manufacturing PMI for October (November 1st)

Forecast: 51.3% y/y

Consensus: 51.1% y/y

Prior: 51.1% y/y

After a pickup in Q3 GDP to 7.8%y/y from 7.5% in Q2, induced in part by mini stimulus measures, the lingering question is how sustainable the rise in growth momentum will be in the coming quarters. Indeed September activity indicators show a slight moderating trend. Against this background, the official manufacturing PMI will be closely watched as an early indicator of growth momentum in Q4. Based on the latest HSBC flash PMI for October, which rose to 50.9 from 50.2 the previous month, we expect to see a further rise in momentum. Looking further ahead, however, the strength of the recovery may be constrained by the government's efforts to slow down credit growth and curtail financial risks. On this basis, we expect a modest slowdown in GDP growth to 7.6% y/y in Q4, bringing full-year growth for 2013 to 7.7%. We expect growth of 7.6% in 2014, with downside risks.

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Nov	Oct	51.1	51.1	--
HSBC/Markit Manufacturing PMI	01 Nov	Oct	50.2	50.6	--
Non-manufacturing PMI	03 Nov	Oct	55.4	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales Value YoY	31 Oct	Sep	8.10%	--	--
Retail Sales Volume YoY	31 Oct	Sep	7.20%	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Trade Balance	01 Nov	Sep	\$132M	--	--
Imports YoY	01 Nov	Sep	-5.70%	--	--
Exports YoY	01 Nov	Sep	-6.30%	--	--
CPI YoY	01 Nov	Oct	8.40%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	29 Oct	Sep	0.90%	0.50%	--
Jobless Rate	29 Oct	Sep	4.10%	4.00%	--
Industrial Production MoM	30 Oct	Sep P	-0.90%	1.80%	--
Industrial Production YoY	30 Oct	Sep P	-0.40%	5.60%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment rate SA	31 Oct	3Q P	2.10%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production SA MoM	30 Oct	Sep	1.80%	-0.40%	--
Industrial Production YoY	30 Oct	Sep	3.30%	1.70%	--
Imports YoY	01 Nov	Oct	-3.60%	1.80%	--
Exports YoY	01 Nov	Oct	-1.50%	3.00%	--
CPI YoY	01 Nov	Oct	0.80%	1.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP YoY	31 Oct	3Q P	2.49%	2.59%	--
Thailand	Date	Period	Prior	Cons.	Actual
CPI YoY	01 Nov	Oct	1.42%	--	--

Upcoming Calendar Events

India – RBI Cash Reserve Ratio, Oct 29	Current	Cons.	New
We expect the benchmark rate to remain unchanged	4.00%	4.00%	--
India – RBI Repurchase Rate, Oct 29	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.50%	7.75%	--
Japan – BOJ Target Rate, Oct 31	Current	Cons.	New
We expect the benchmark rate to remain unchanged	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.	2133.0	-1.4	-2.8	-6.0	1.5
Hong Kong – Hang Seng	22698.3	-0.6	-2.7	0.2	4.1	
Taiwan – TAIEX	8346.6	-0.8	-1.1	8.4	14.9	
Japan – Nikkei 225	14088.2	-2.7	-3.3	35.5	55.6	
Korea – Kospi	2034.4	-0.6	-0.9	1.9	5.7	
India – Sensex 30 *	20683.5	-0.2	-1.0	6.5	10.3	
Australia – SPX/ASX 200	5386.3	0.3	1.2	15.9	19.4	
Singapore – Strait Times	3205.2	-0.4	0.4	1.2	4.8	
Indonesia – Jakarta Comp	4580.8	-0.3	0.8	6.1	5.6	
Thailand – SET	1454.9	-0.8	-1.0	4.5	12.1	
Malaysia – KLCI	1817.6	-0.1	1.0	7.6	8.7	
Philippines – Manila Comp.	6539.8	-0.7	-1.0	12.5	21.0	

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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)	6.08	-0.03	0.21	6.13	6.15
Hong Kong (HKD/USD)	7.75	0.02	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.4	0.13	0.12	29.20	28.93	
Japan (JPY/USD)	97.26	0.02	0.47	97.20	96.96	
Korea (KRW/USD)	1062	-0.10	-0.11	1069	1081	
India (INR/USD)	61.6	-0.16	-0.50	63.02	66.74	
Australia (USD/AUD)	0.96	-0.34	-0.90	1.05	1.07	
Singapore (SGD/USD)	1.24	0.09	0.23	1.24	1.24	
Indonesia (IDR/USD)	11015	1.23	-1.01	11174	11784	
Thailand (THB/USD)	31.1	0.19	-0.10	31.23	31.69	
Malaysia (MYR/USD)	3.16	0.13	-0.02	3.15	3.19	
Philippines (PHP/USD)	43.0	0.12	0.07	42.72	42.73	

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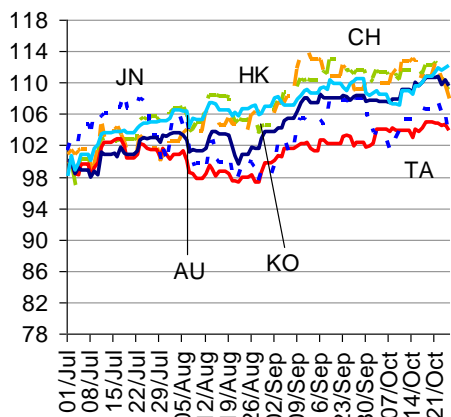
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.80	0.10	1.33	0.95
Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.01	0.00	0.00	
India (MIBOR/7D)	4.89	-1.61	0.61	0.27	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	0.00	0.00	0.09	
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

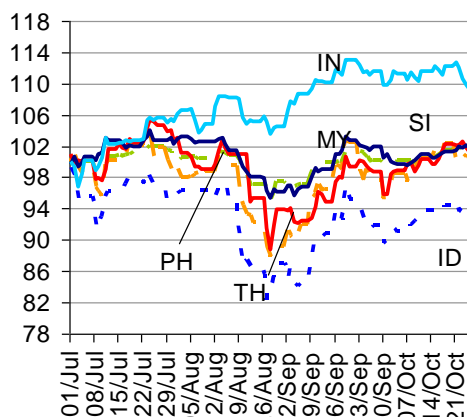
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

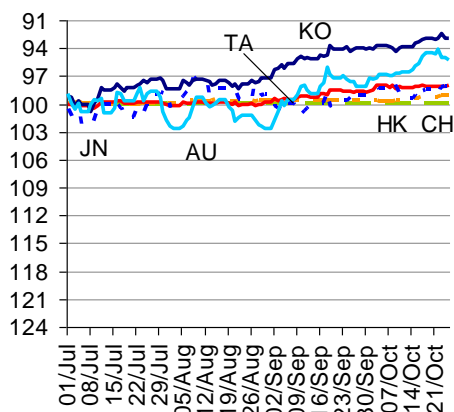
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

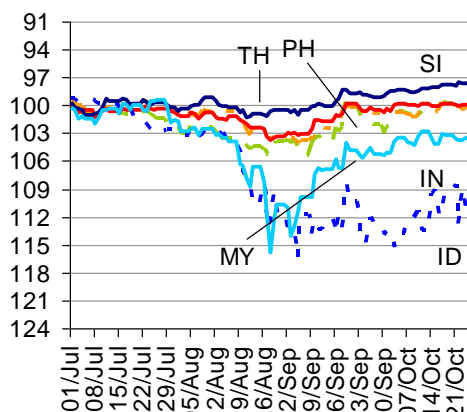
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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