

# Economic outlook for Asia

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## Presentation to International Conference of Commercial Bank Economists

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**ANZ**

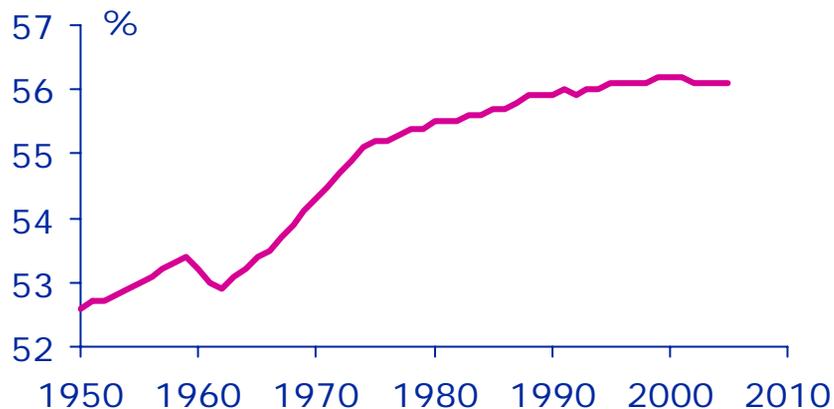
**Madrid, Spain**  
**4<sup>th</sup> July 2007**

[www.anz.com/go/economics](http://www.anz.com/go/economics)

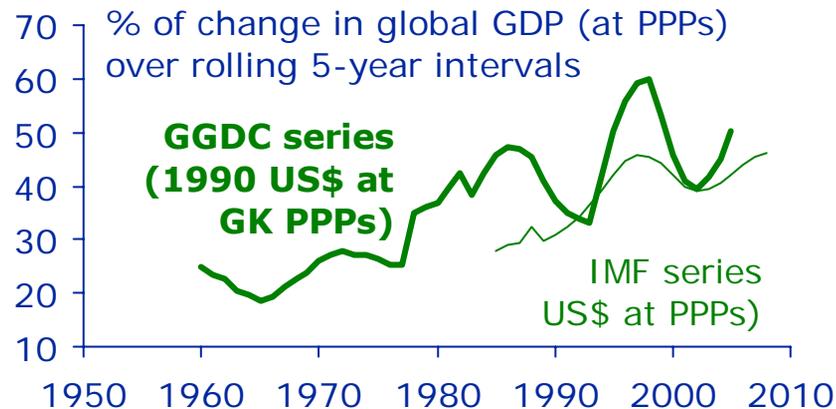
*economics@*

# Asia's share of the world's population has peaked but its share of the global economy is still rising

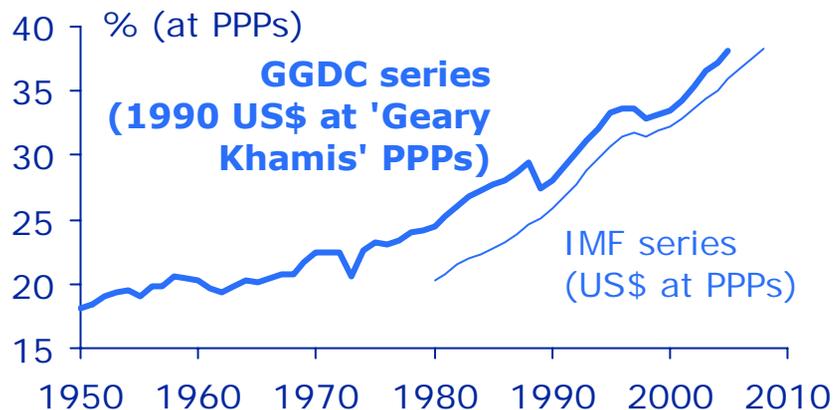
## Share of global population



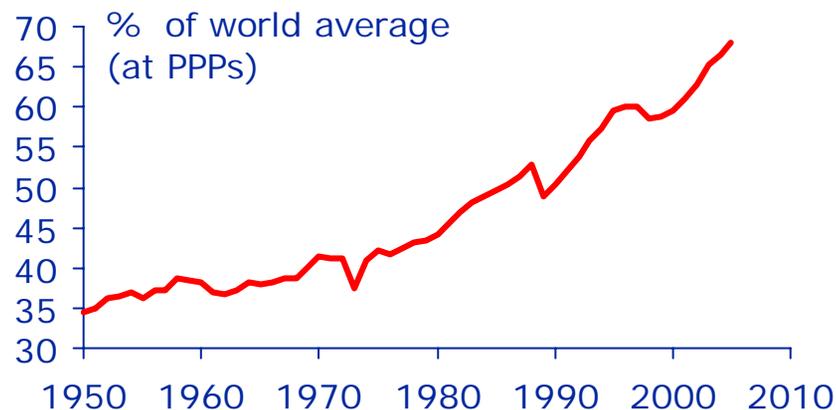
## Share of global GDP growth



## Share of global GDP



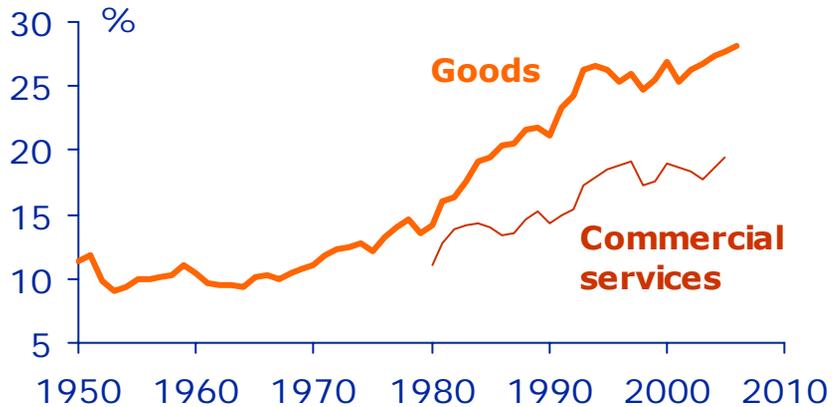
## Per capita GDP



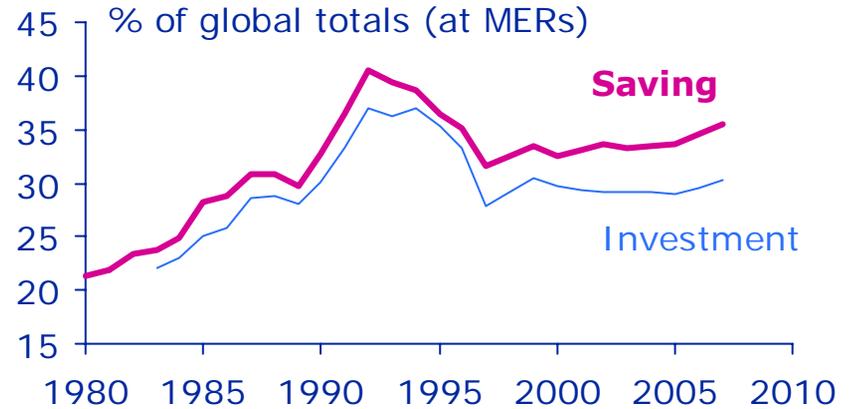
Sources: Groningen Growth and Development Centre & The Conference Board *Total Economy Database* January 2007; IMF *World Economic Outlook Database*

# Asia accounts for a rising share of trade, saving, capital flows and reserves

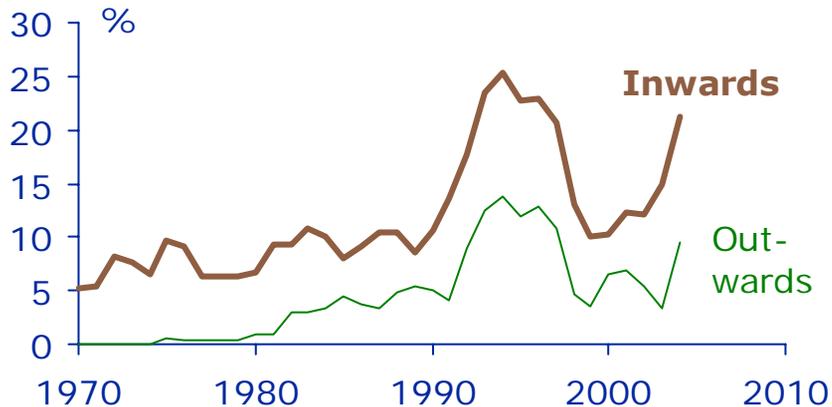
## Share of global exports



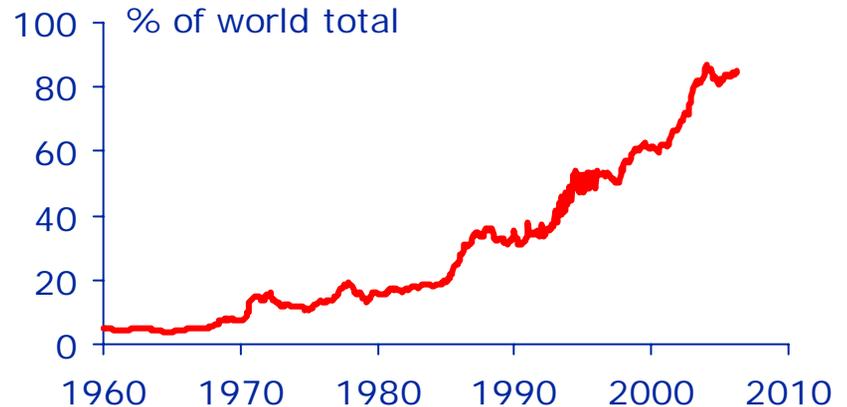
## Share of global saving & investment



## Share of global FDI flows



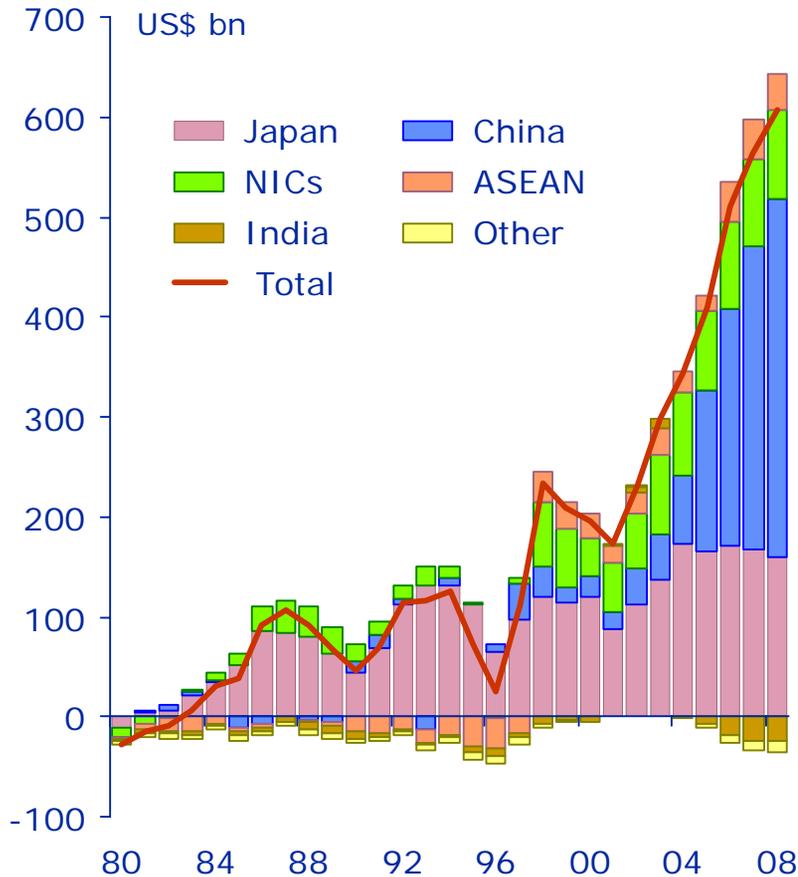
## Share of FX reserves



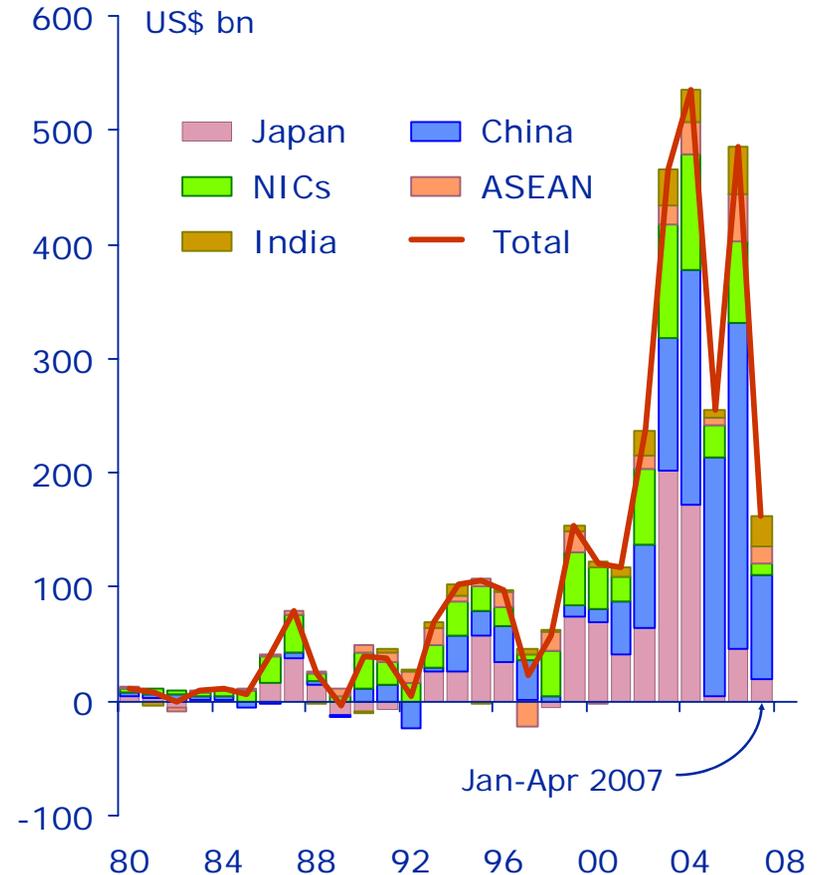
Sources: WTO Statistical Database; UNCTAD, *World Investment Report 2006*; IMF, *World Economic Outlook Database April 2007* and *International Financial Statistics*; Economics@ANZ.

# Asia is the source of much of the world's surplus capital – mostly now through central banks

## Asian current account surpluses



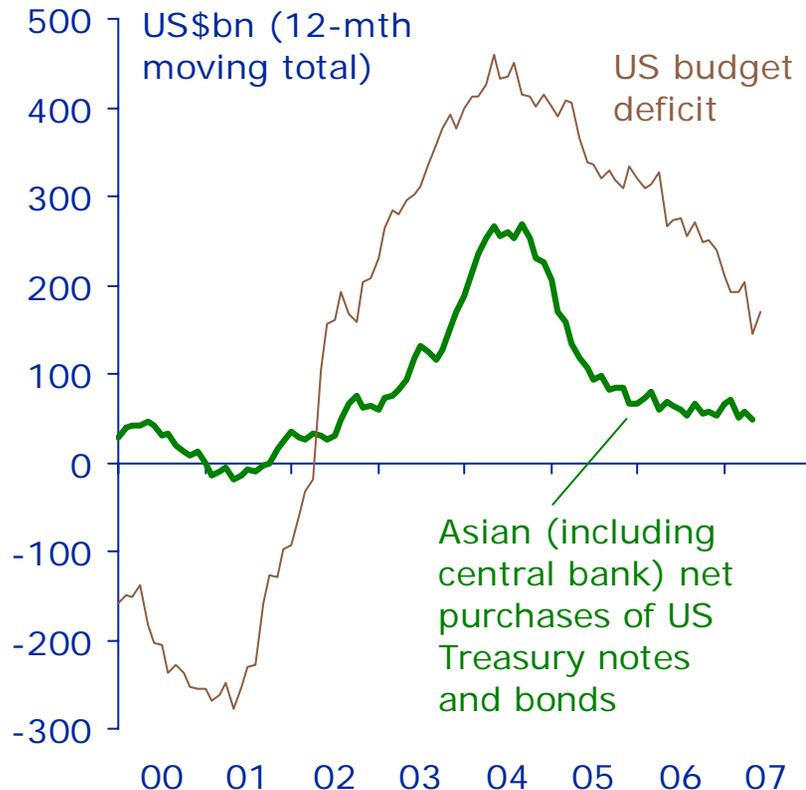
## Annual change in Asian foreign exchange reserves



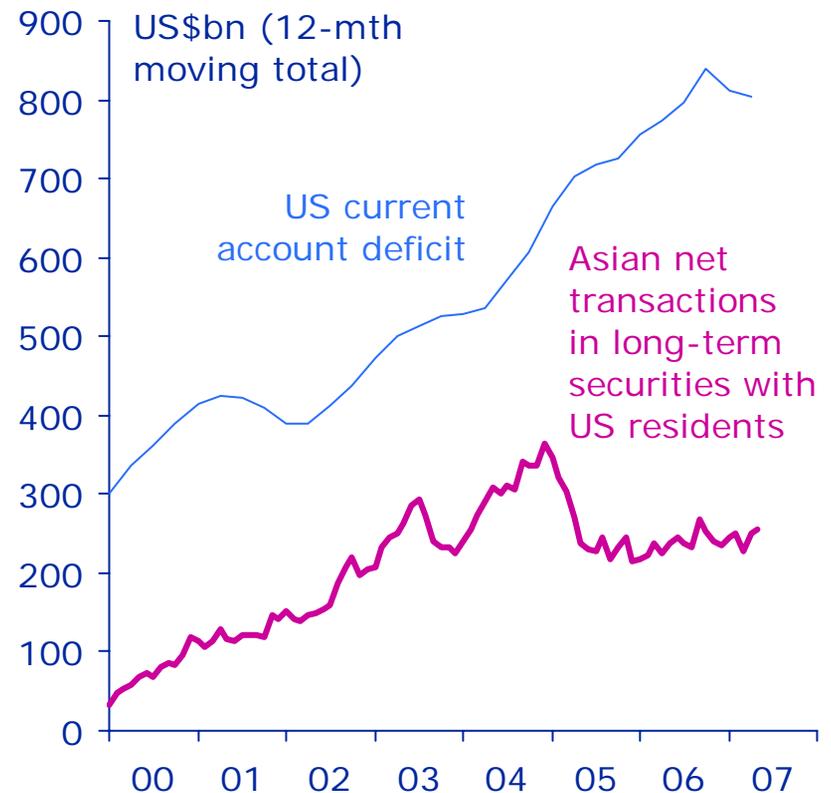
Note: 'NICs' are Korea, Taiwan, Hong Kong & Singapore. 'ASEAN 4' are Indonesia, Thailand, Philippines & Malaysia. Sources: IMF World Economic Outlook database April 2007; central banks.

# Asian central banks and private investors have financed a large proportion of US deficits

## Asian purchases of US Treasury bonds



## Asian securities transactions with US residents

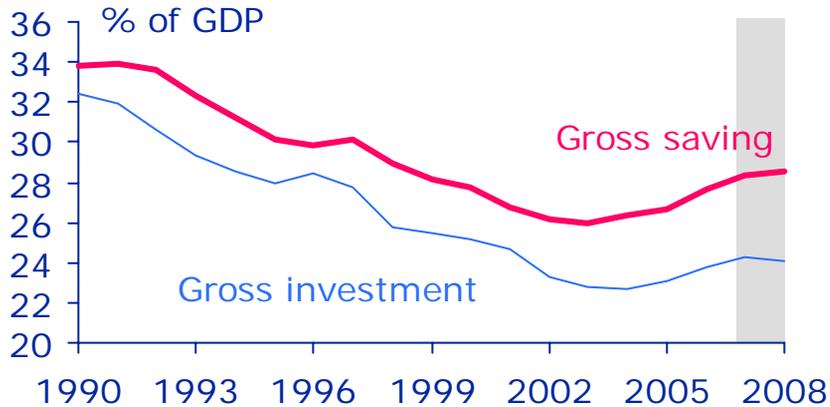


*Note:* US Treasury International Capital ('TIC') System data is based on the identity of the foreign counterparty to transactions with US reporting entities and hence may not capture the full extent of transactions with particular groups such as 'Asian purchasers'. In the TIC system 'Asia' includes 'Asian oil exporters' such as Saudi Arabia, Iran and UAE which have been excluded in this chart.

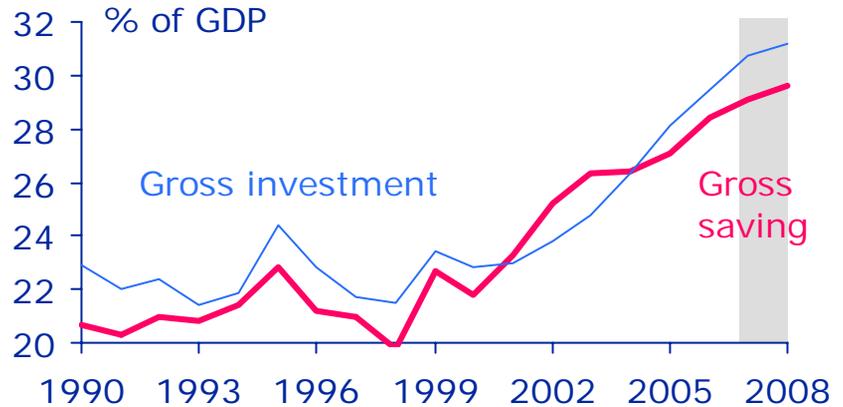
*Sources:* US Treasury; US Bureau of Economic Analysis;

# Contrasting trends gross saving and investment across Japan, China, India and other economies

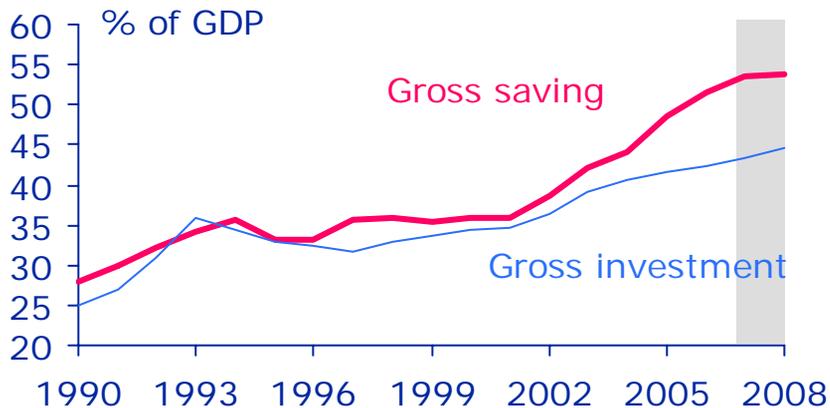
## Japan



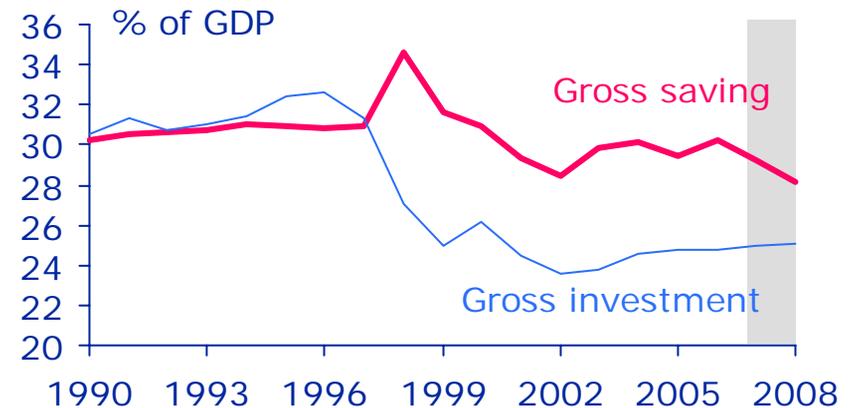
## India



## China



## Smaller East Asian economies\*

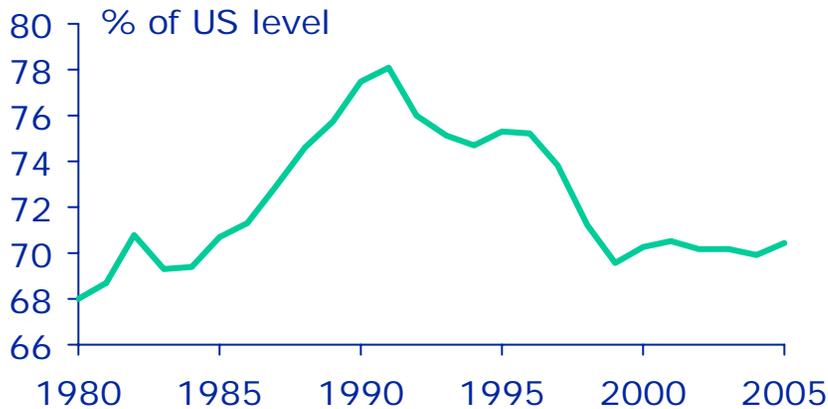


\* For more detail see Slide 43. *Note:* Gross saving calculated as gross investment plus the current account balance (as a p.c. of GDP).

# Contrasting trends in productivity growth between China & India and other Asian economies

## GDP per person employed

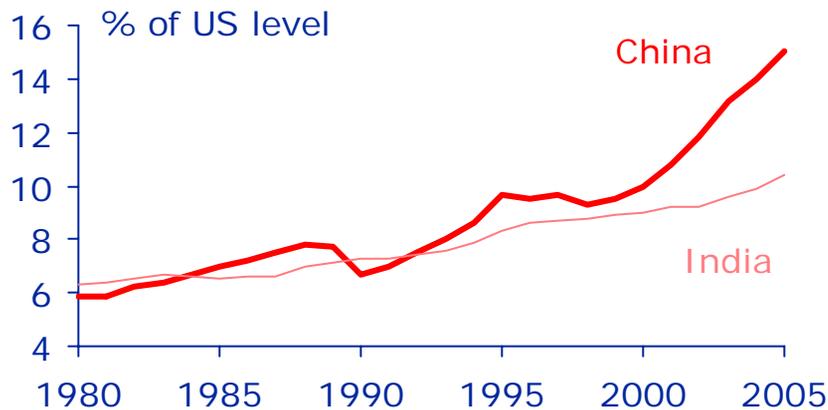
### Japan



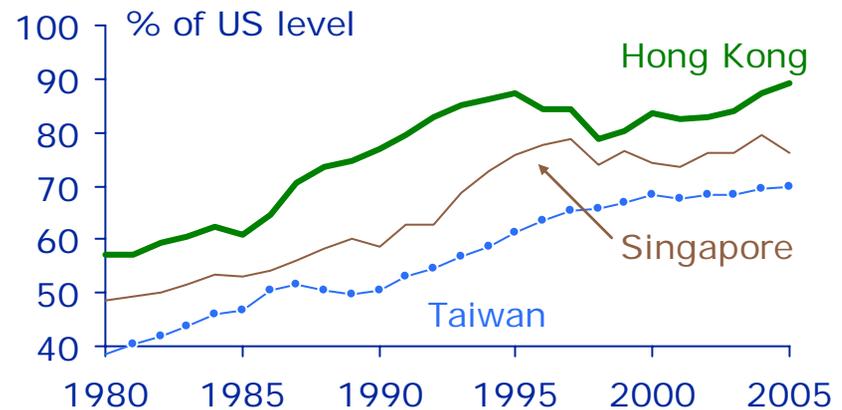
### 'Asian crisis' economies\*



### China and India



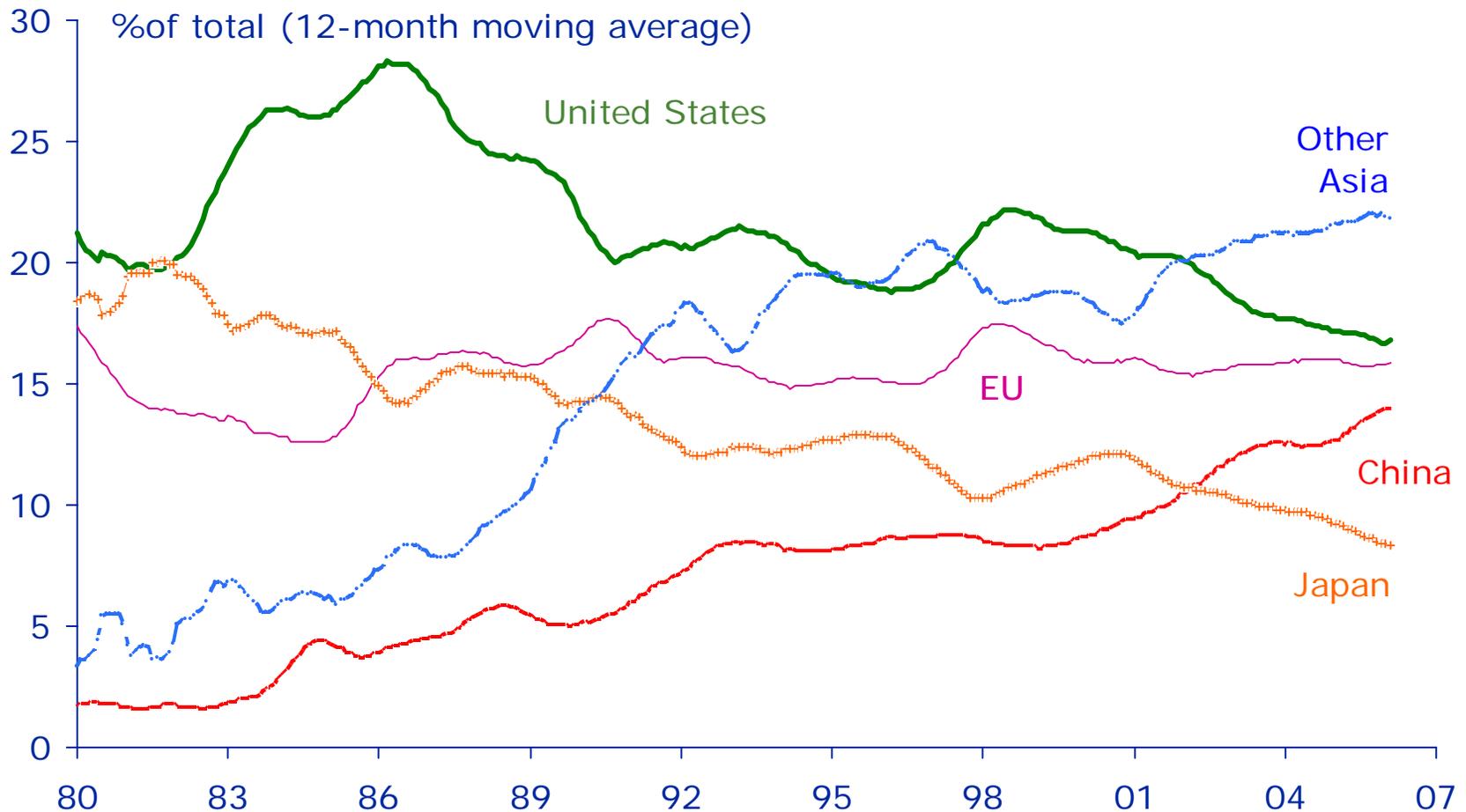
### Smaller Asian economies†



\* Korea, Indonesia, Thailand, Malaysia and Philippines. Sources: Groningen Growth and Development Centre, *Total Economy Database* January 2007; Economics@ANZ.

# Asia is becoming less dependant on the US as an export market

## Destination of Asian merchandise exports

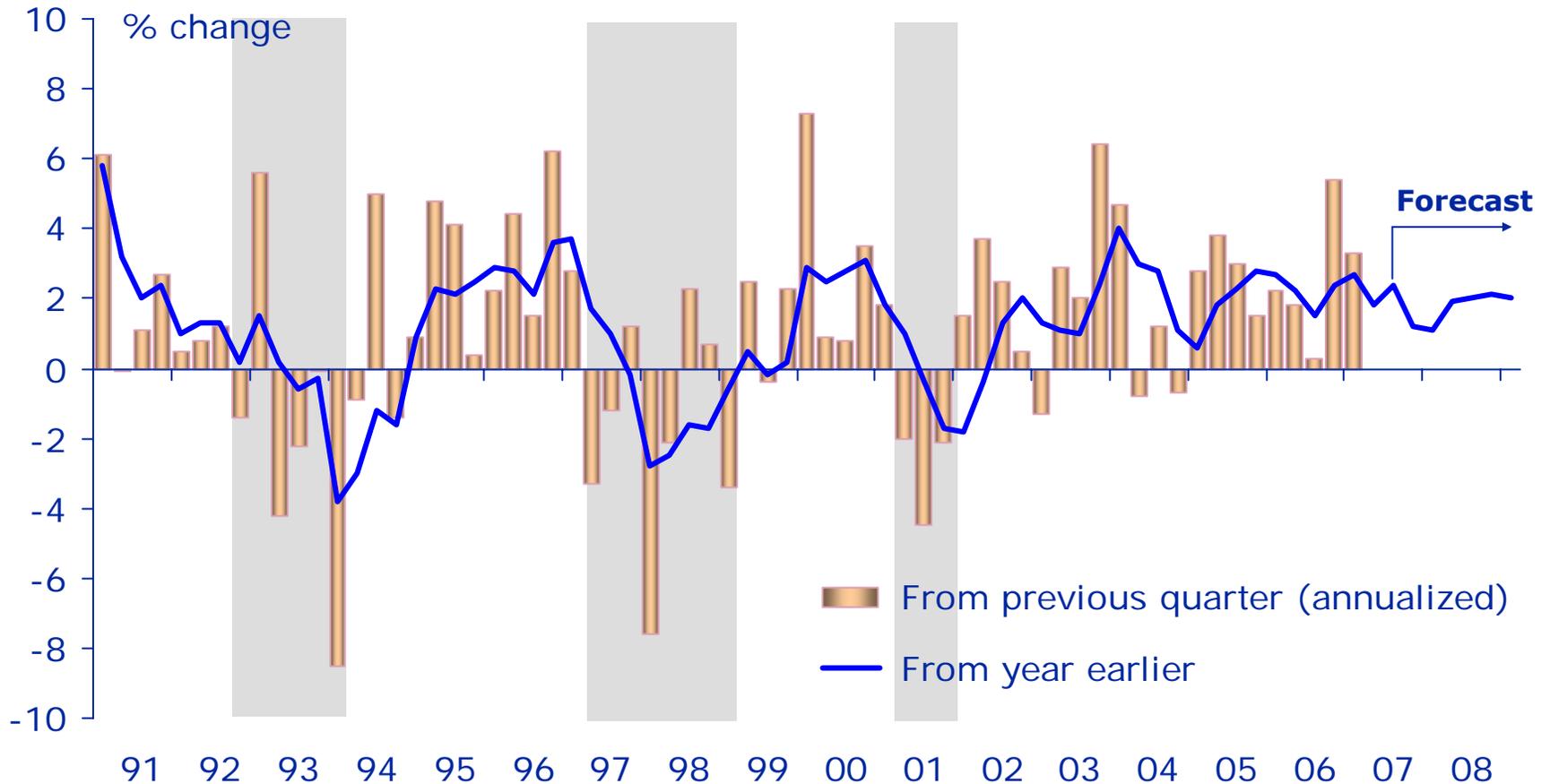


# Japan

- **Japan is experiencing its longest episode of economic growth since the collapse of the 1980's 'bubble economy'**
  - **but it's a weak recovery by historical standards driven largely by business investment and exports**
- **The Japanese corporate sector and the financial system have largely recovered from the 1980s excesses and their aftermath**
  - **however households remain cautious (despite improving labour market conditions) given weak income growth**
- **Deflation has not yet been eradicated**
  - **hopes this time last year of a return to positive inflation rates have not been fulfilled – obliging the BoJ to move very slowly in 'normalizing' monetary policy settings**
- **Diversification by households into foreign currency assets (prompted by persistently low interest rates) is the main factor behind on-going weakness in the yen**
  - **the 'carry trade' is magnifying this trend**
- **Japanese politics are in for a period of uncertainty after this month's Upper House election**
  - **PM Abe will stand down and reform momentum could stall entirely if the LDP loses its Upper House majority (as seems quite likely)**
- **Japan faces a tougher demographic challenge than any other advanced economy**

# Japan's longest period of sustained growth since the 'bubble' era is continuing

## Japanese real GDP growth



Note: Shaded periods denote recessions.

Source: Economic & Social Research Institute (ESRI).

# ... but growth has been very weak by comparison with earlier 'boom' periods

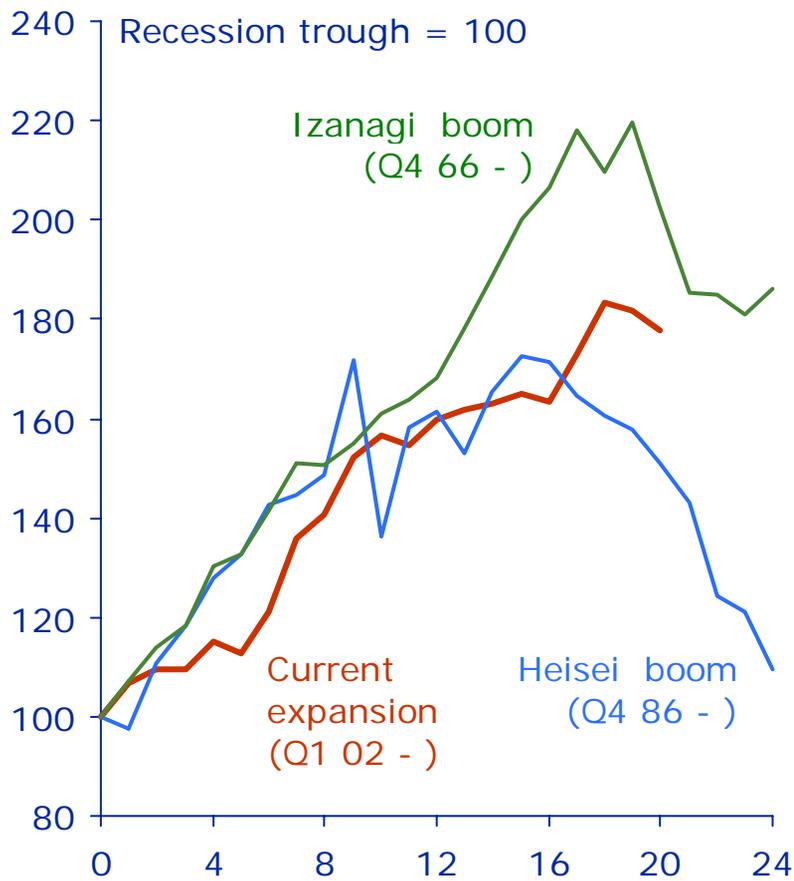
## Real GDP growth in three cycles



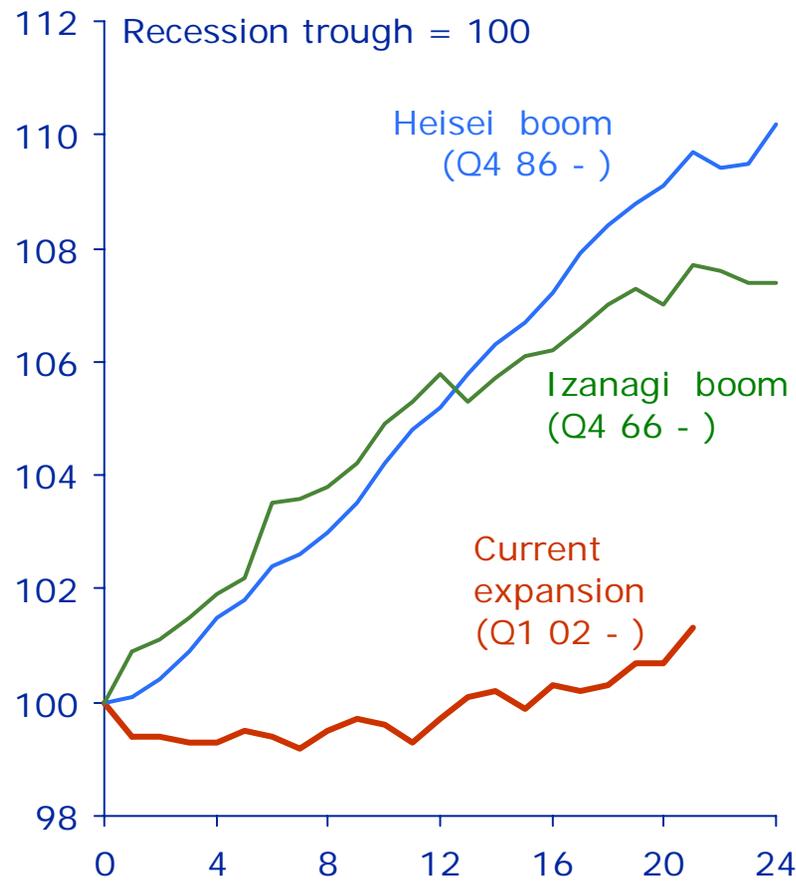
Sources: ESRI; Economics@ANZ.

# A striking contrast between profit and jobs growth in the current and previous expansions

## Real corporate profits



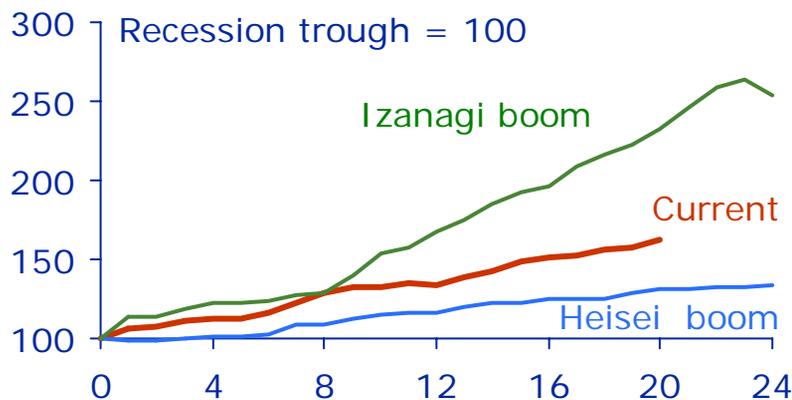
## Employment



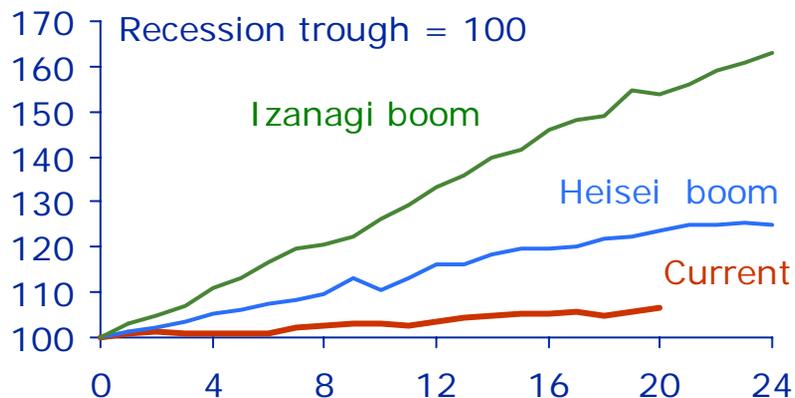
Note: real profits are operating profits deflated by the GDP deflator. Sources: ESRI; Home Ministry; Economics@ANZ.

# Household and consumer spending have been particularly weak compared with previous cycles

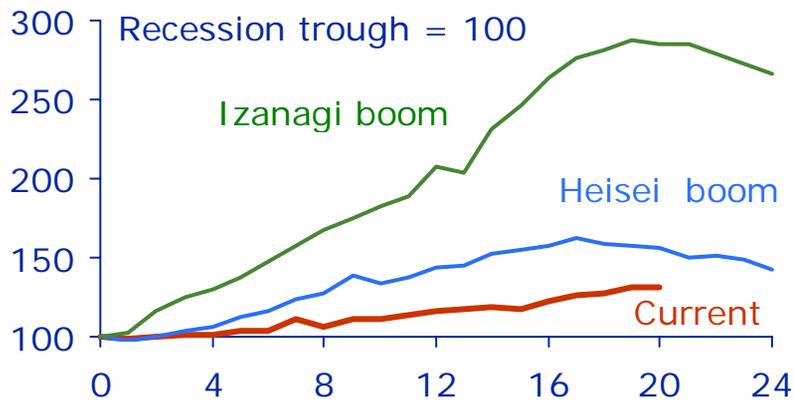
## Exports



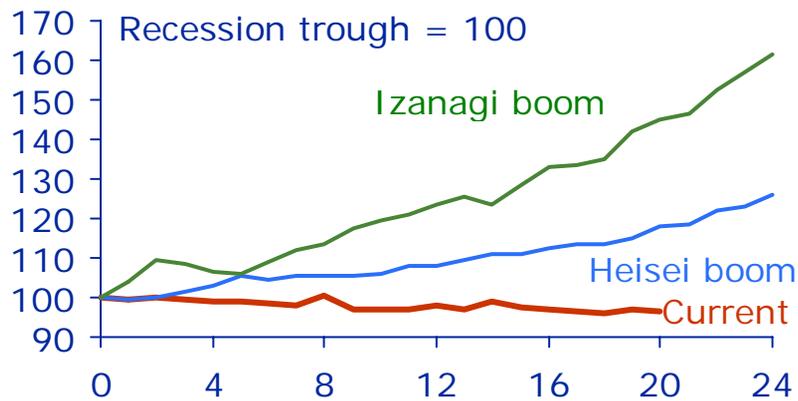
## Consumer spending



## Business investment



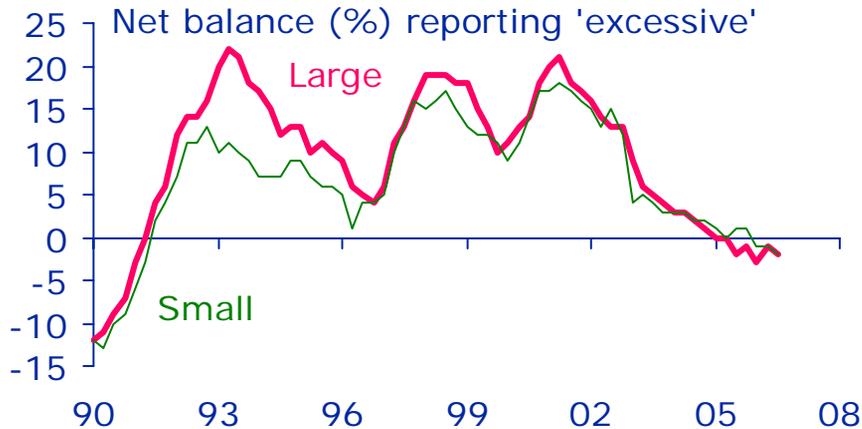
## Public spending



Sources: ESRI; Economics@ANZ.

# Japan's corporate sector has worked off the 'four excesses' created by the 1980s 'bubble' ...

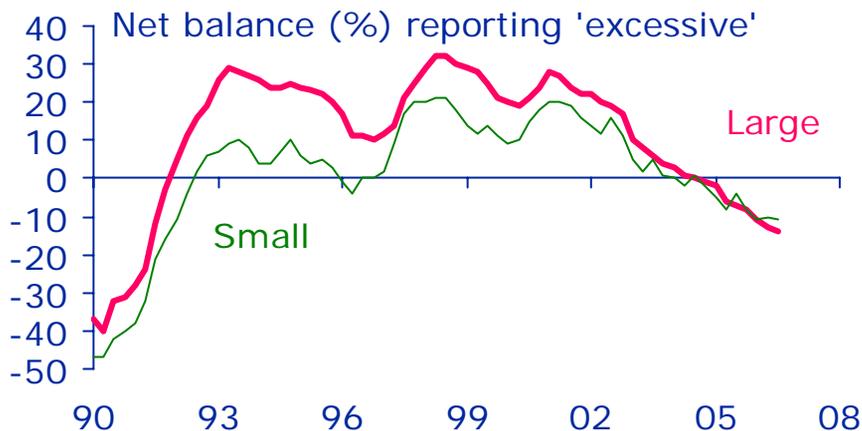
## Excess capacity



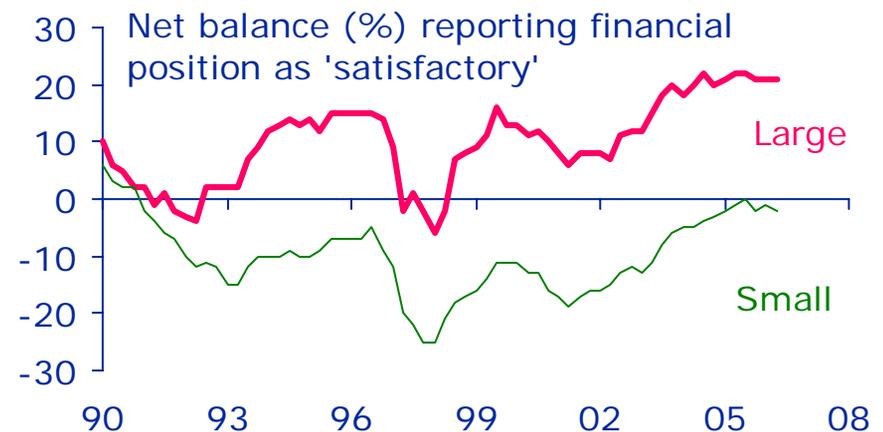
## Excess inventories



## Excess labour

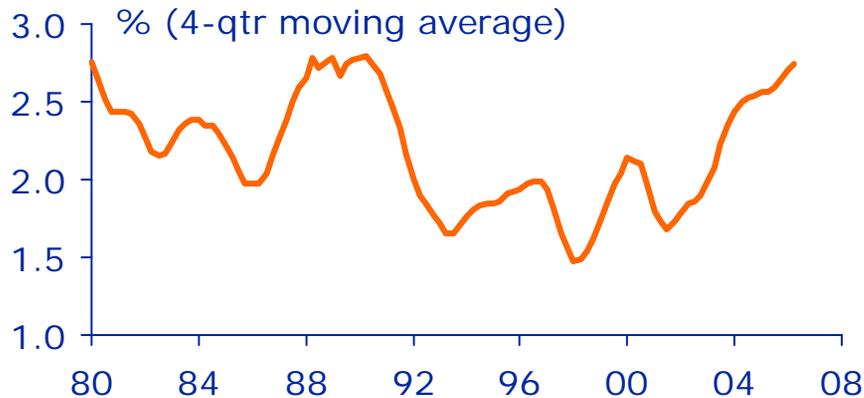


## Excess debt

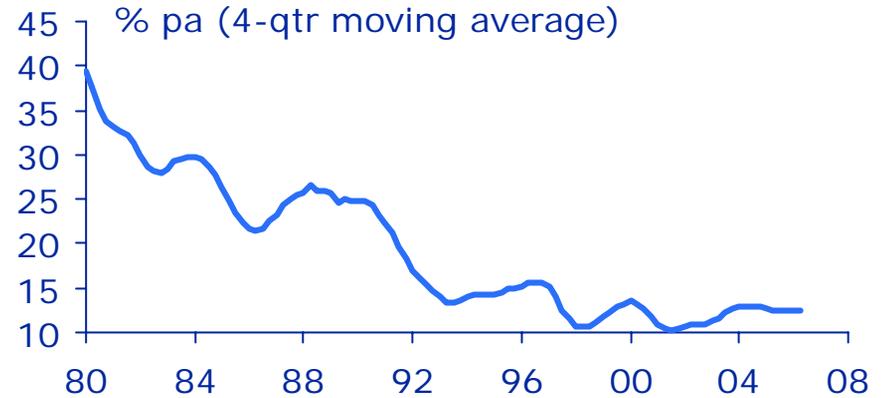


# ... and is now in its strongest financial position since the mid-1980s

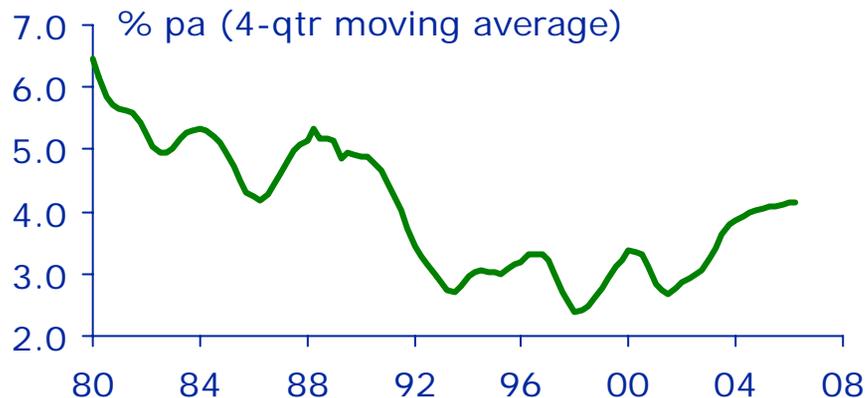
## Corporate profit share of GDP



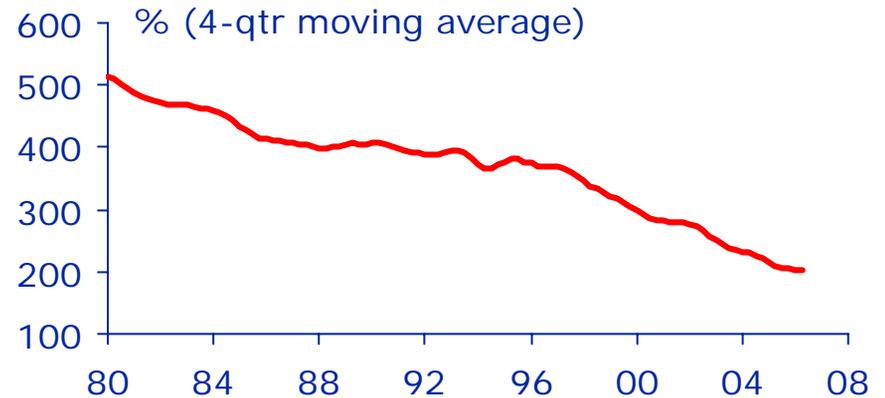
## Rate of return on equity



## Rate of return on assets



## Debt-equity ratio



# Capital spending has been rising strongly for over three years but may have peaked this year

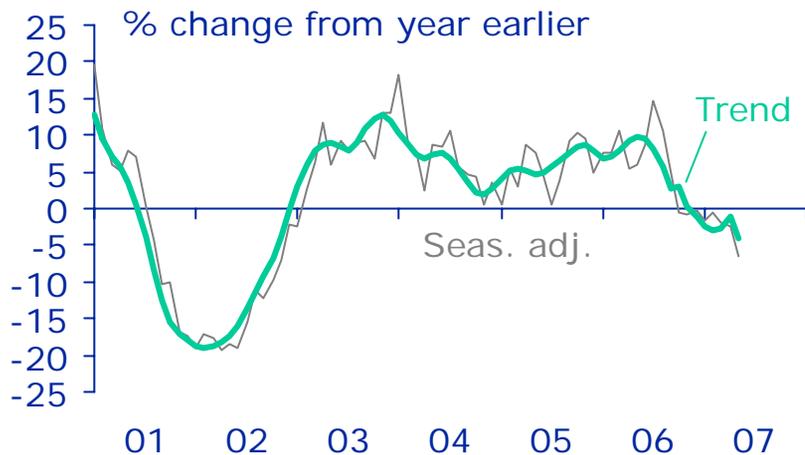
## Business investment



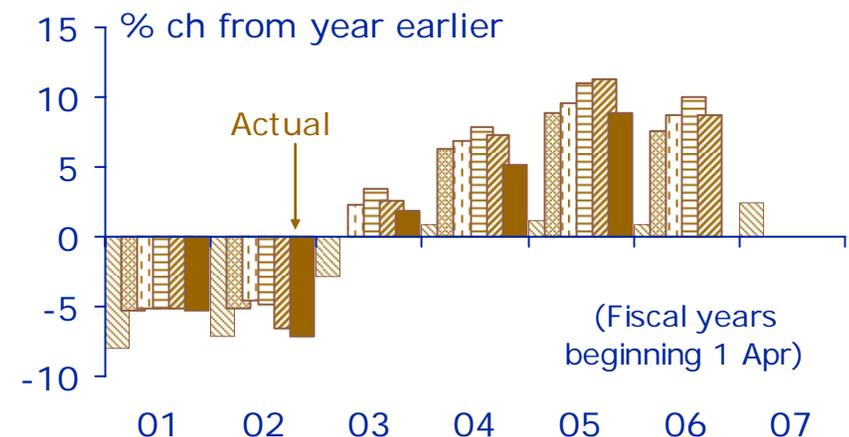
## Manufacturing capacity



## Machinery orders

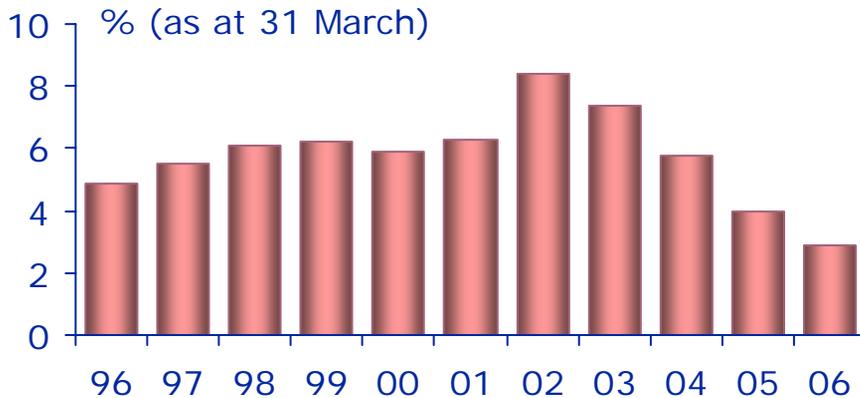


## Successive capex estimates



# The banking system has largely dealt with its bad loan problem and is now lending again

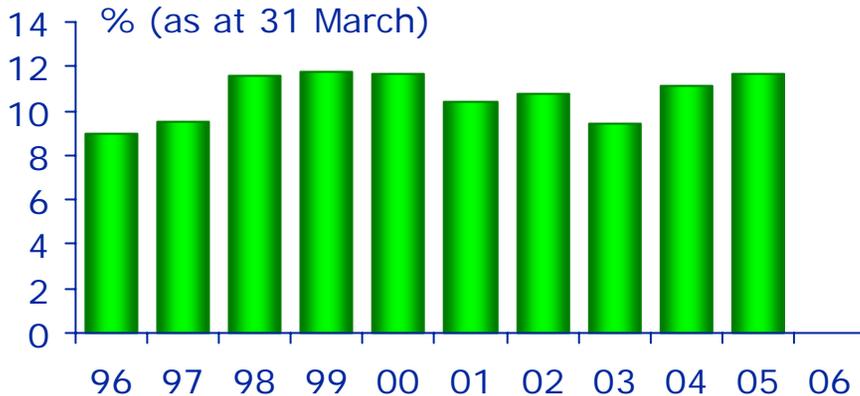
## Banks' NPL ratio



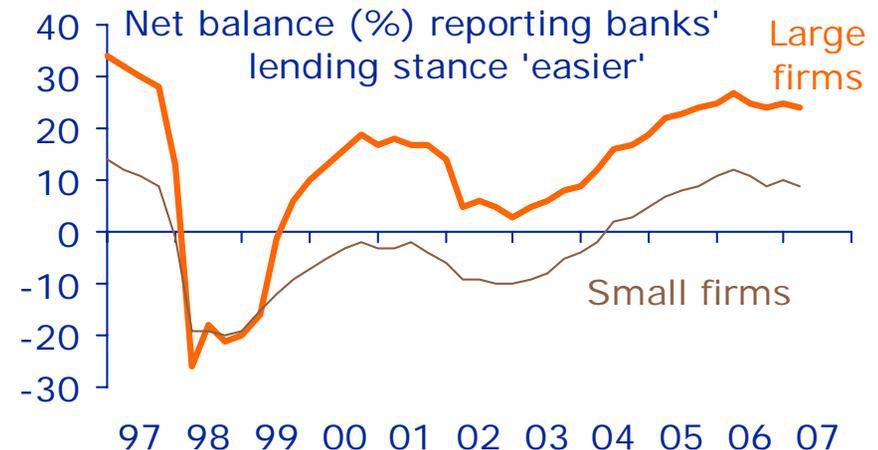
## Bank lending



## Banks' capital adequacy ratio

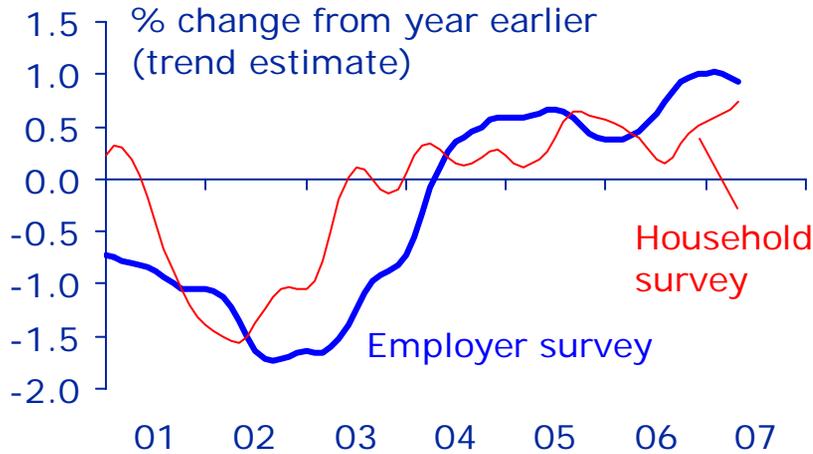


## Tankan bank lending judgement



# Employment growth is strengthening, resulting in a noticeable tightening in the labour market

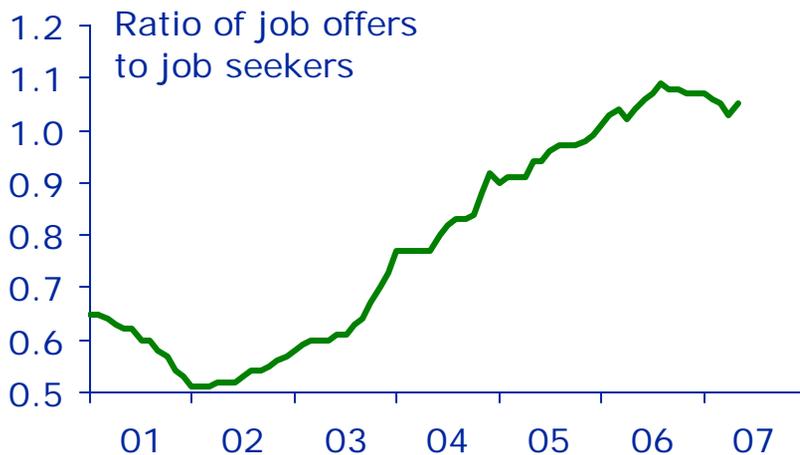
## Employment



## Unemployment rate



## 'Job offers ratio'

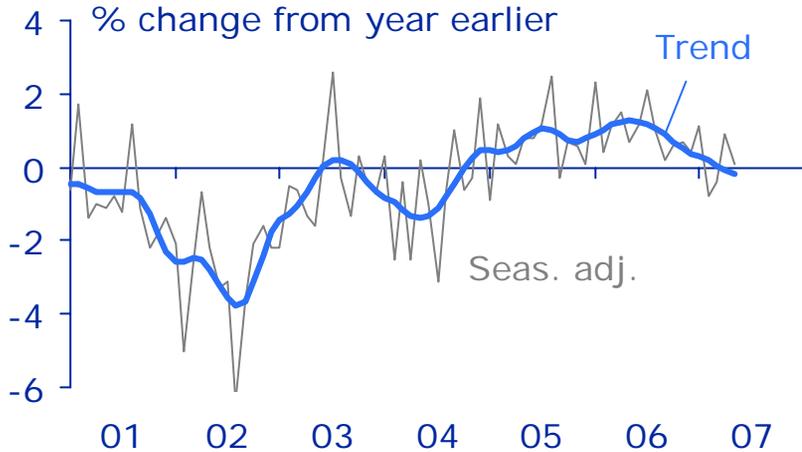


## Participation rate



# But employee earnings are still growing very slowly, so household finances remain pressured

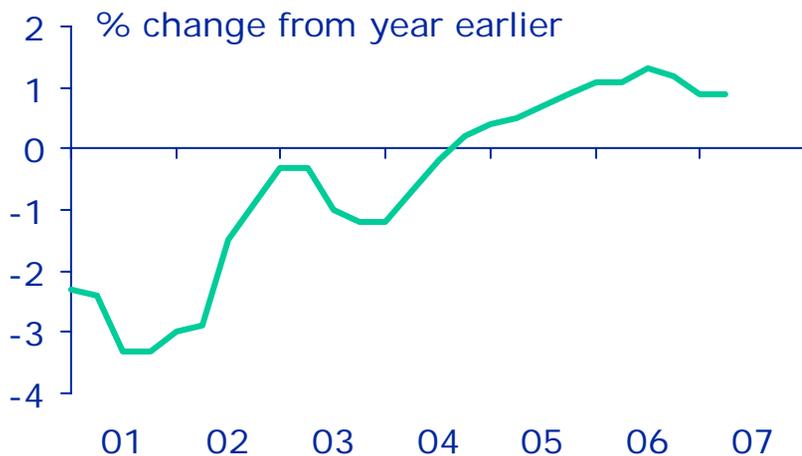
## Employee cash earnings



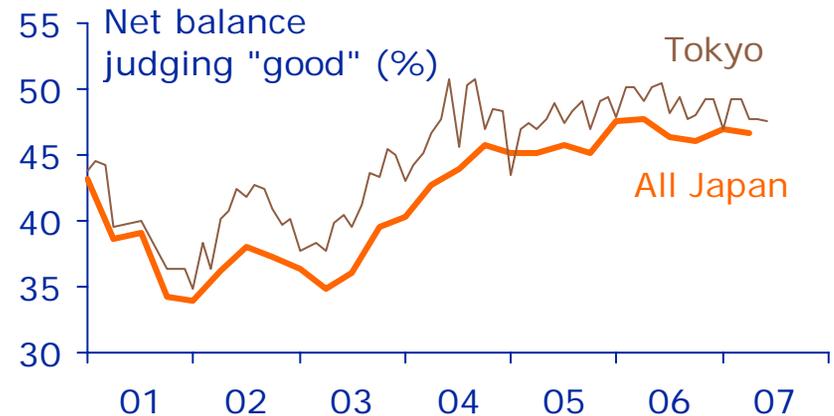
## Household saving rate



## Household disposable income

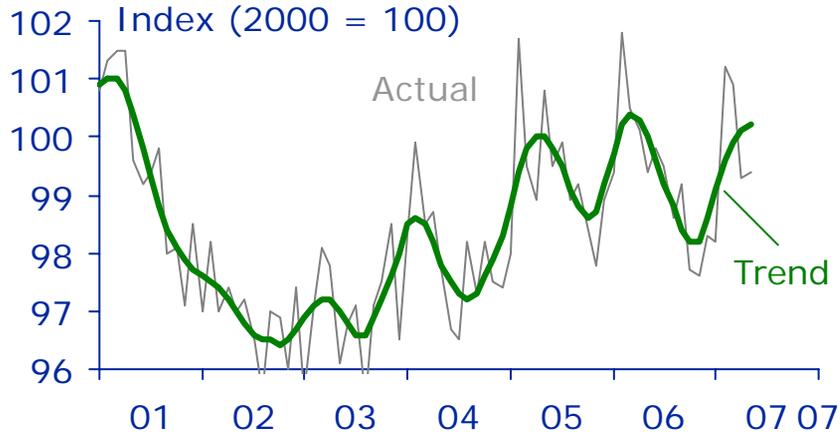


## Consumer confidence

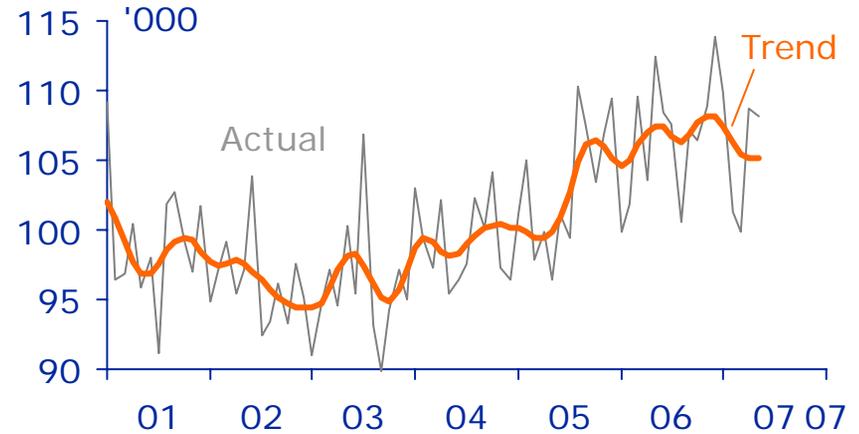


# As a result, household spending has remained sluggish

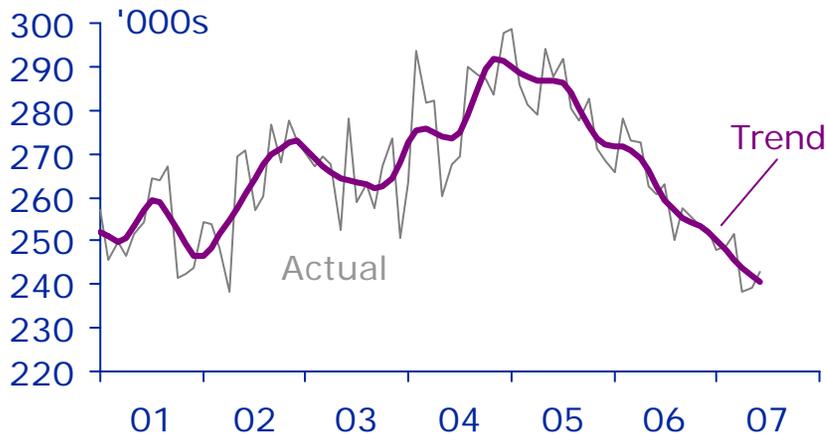
## Retail sales volume



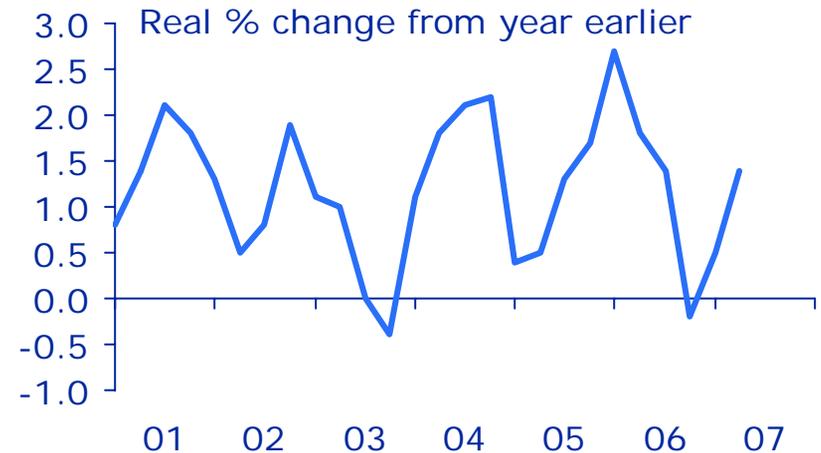
## Housing starts



## Passenger car sales

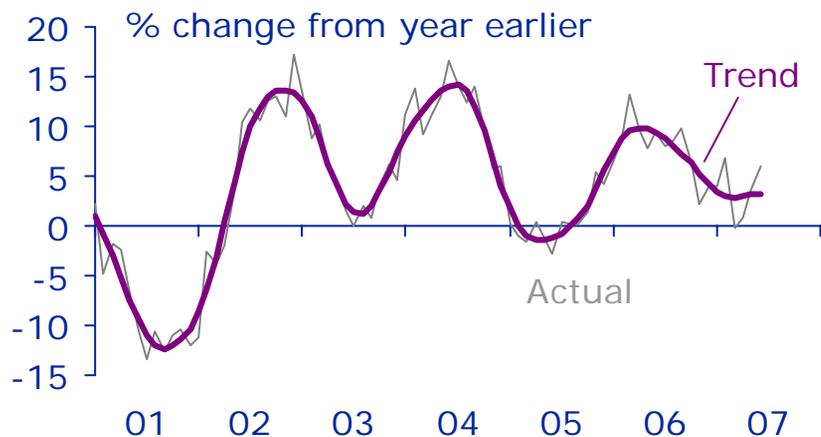


## Household consumption spending



# Japan's trade surplus is rising despite slowing exports and deteriorating terms of trade

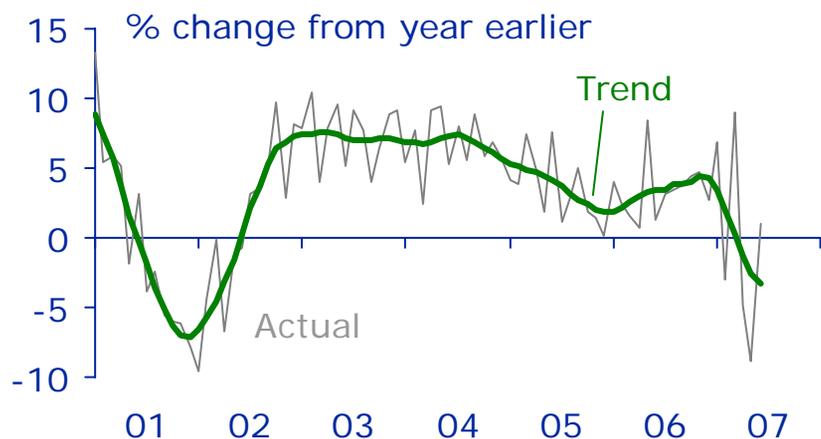
## Export volumes



## Terms of trade



## Import volumes



## Trade surplus



# Rising short-term capital outflows appear to be more than offsetting the current account surplus

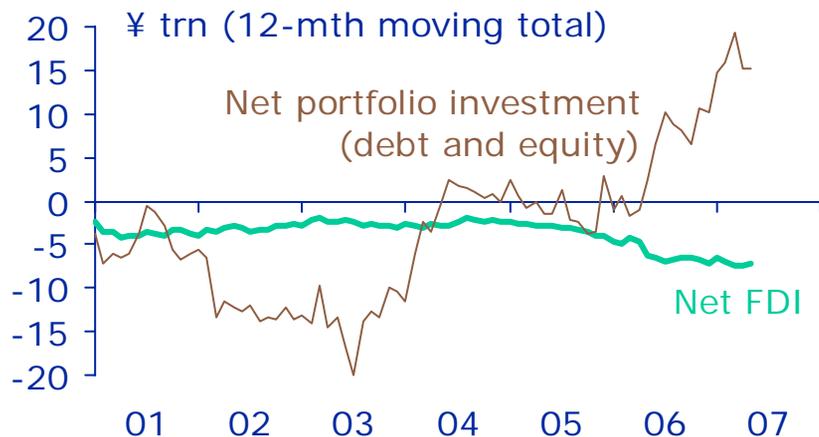
## Current account balance



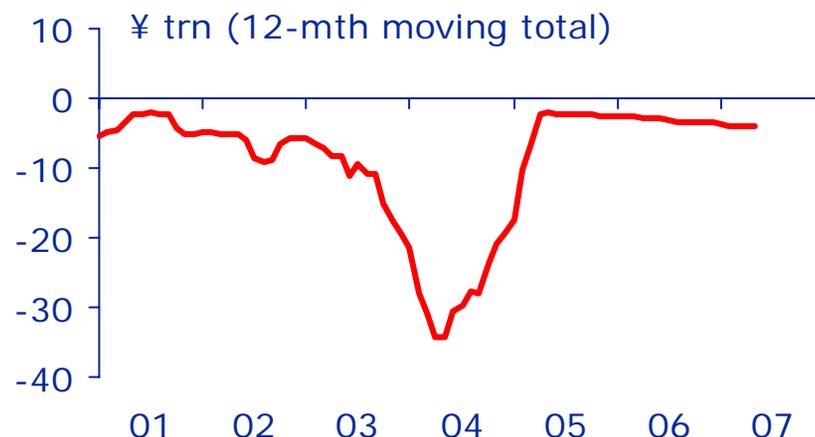
## Other private capital flows



## Direct and portfolio investment



## Change in official reserve assets



# Capital outflows (including the so-called 'carry trade') keeping the yen weak

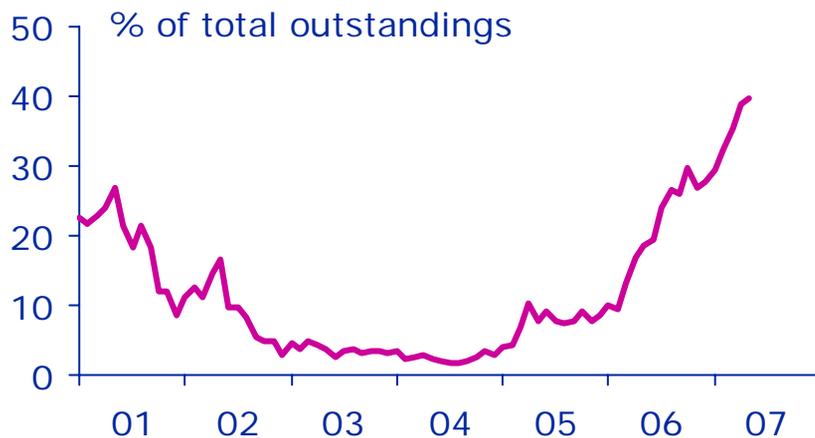
## Net open yen positions on IMM



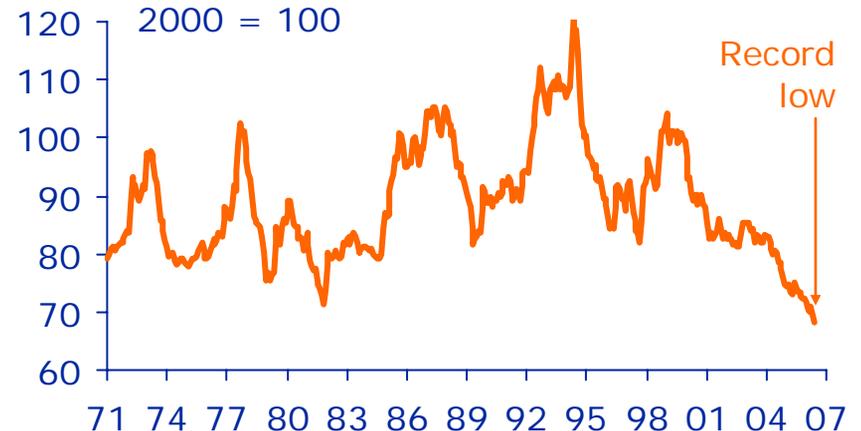
## Yen vs US\$



## Foreign banks' call money borrowings

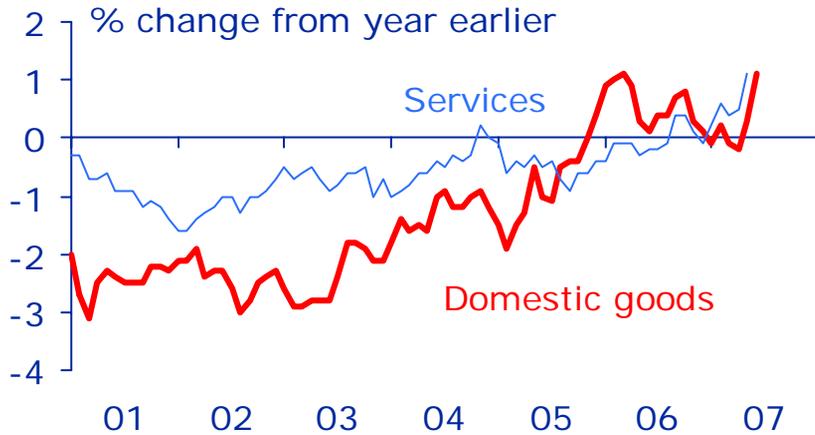


## Real trade-weighted yen

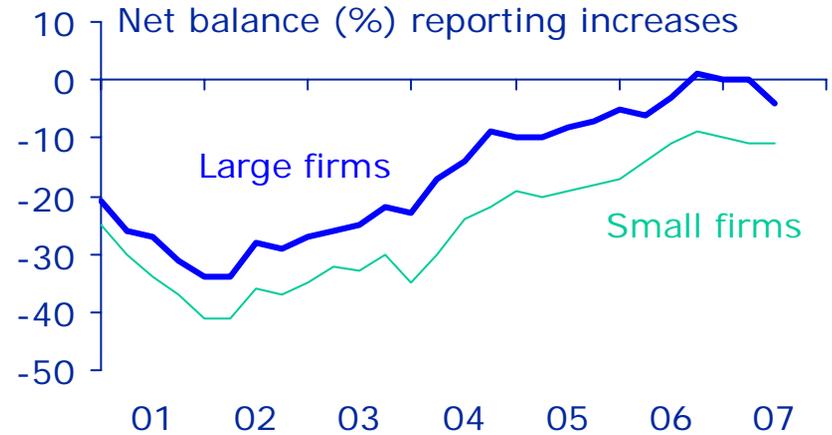


# Contrary to appearances this time last year deflation hasn't completely disappeared

## Corporate prices



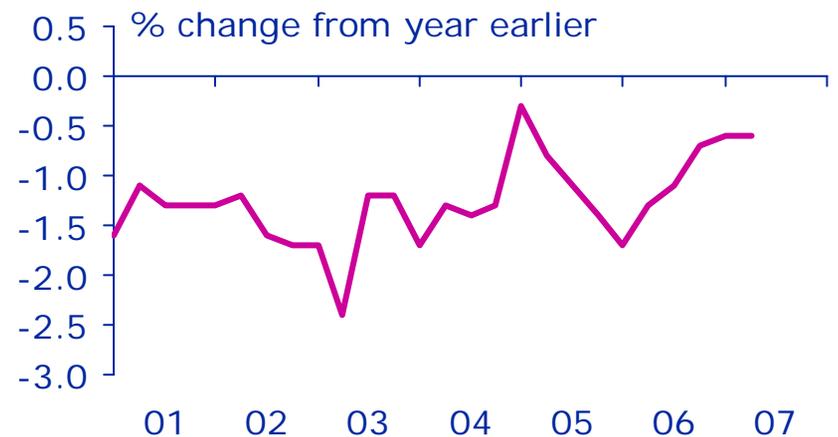
## Output prices judgement



## Consumer prices

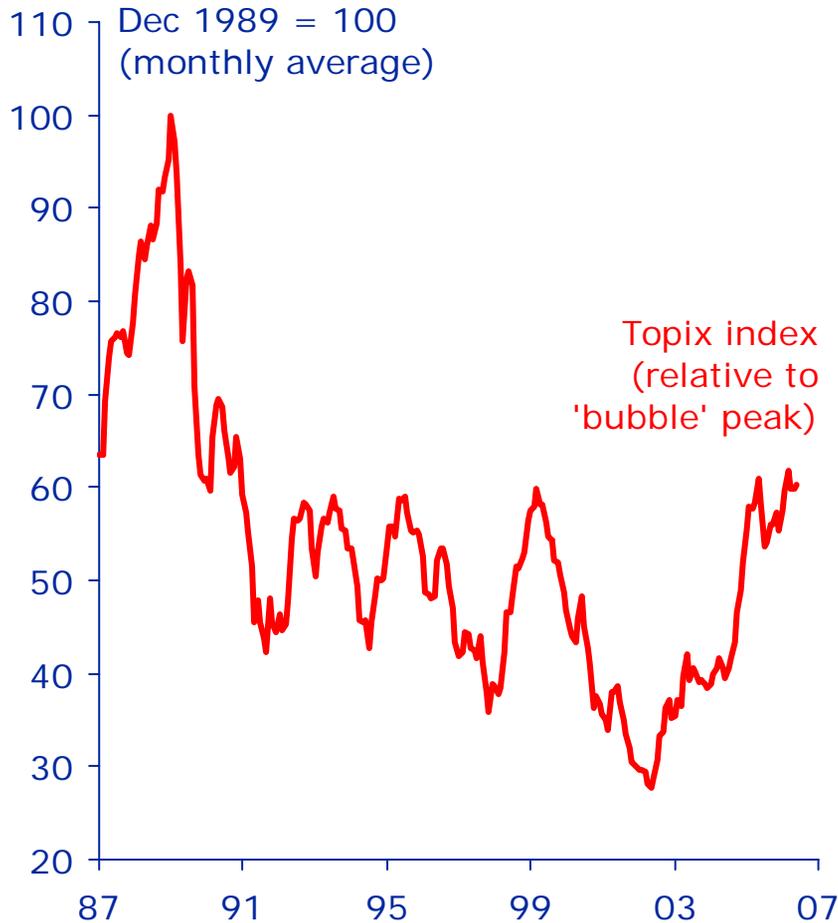


## GDP price deflator

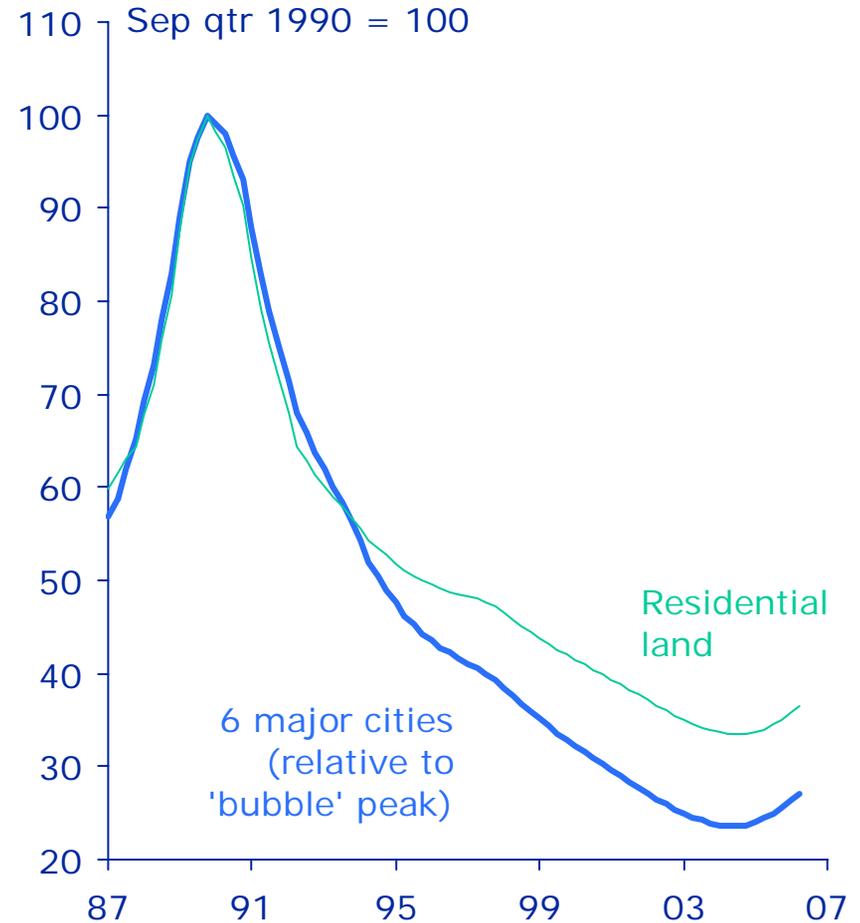


# Share and more recently land prices have been rising

## Share prices



## Land prices



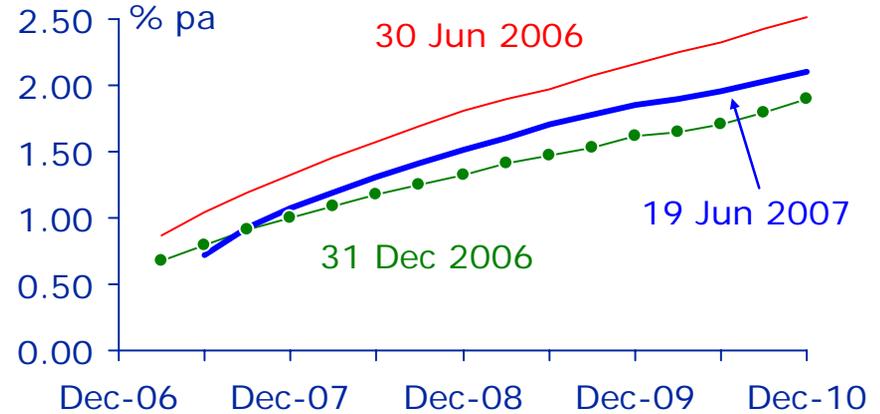
Sources: Thomson Financial Datastream; National Land Agency.

# Bank of Japan will move very slowly in 'normalizing' monetary policy

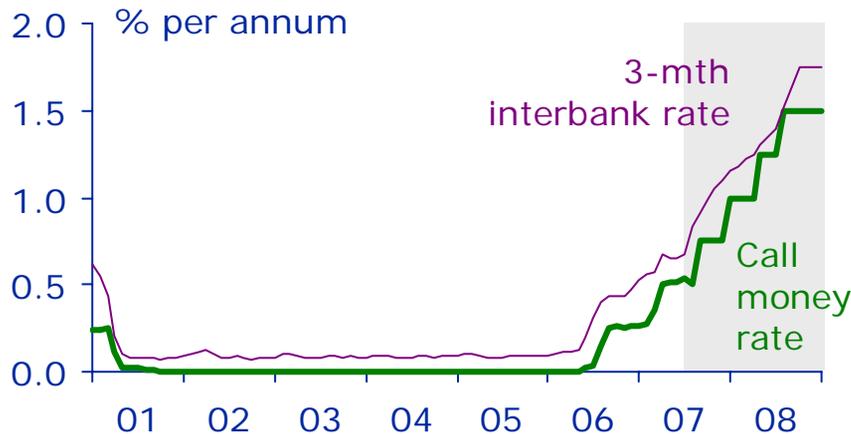
## Banks' current balances at BoJ



## 90-day Tibor futures



## Short-term interest rates

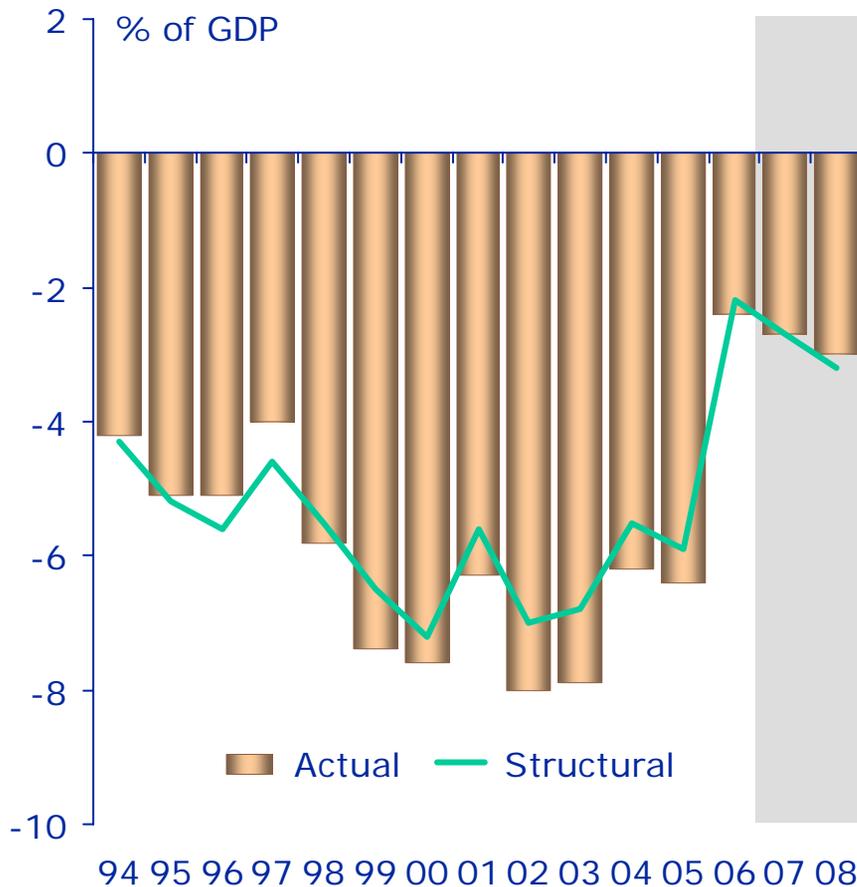


## Long-term interest rates

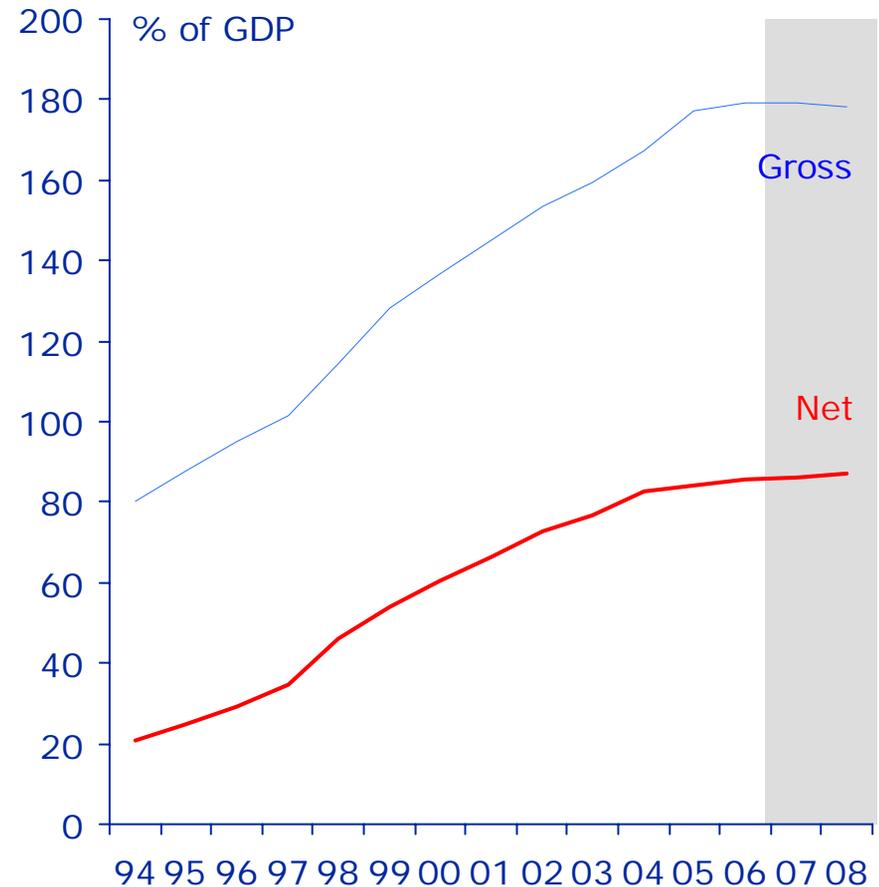


# Japan has made substantial progress in stabilizing its fiscal position but more needs to be done

## Government financial balance

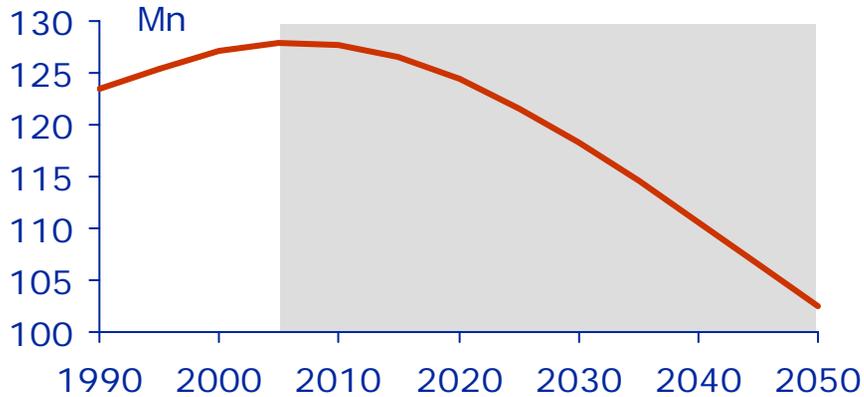


## Government debt

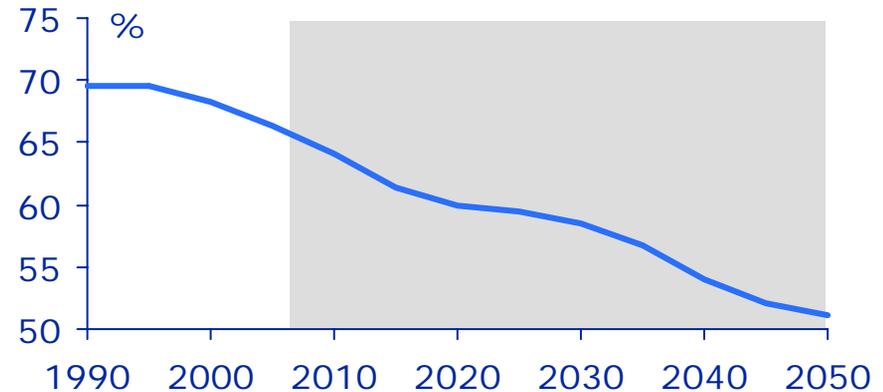


# Demographic change will have a bigger impact on Japan than any other advanced economy

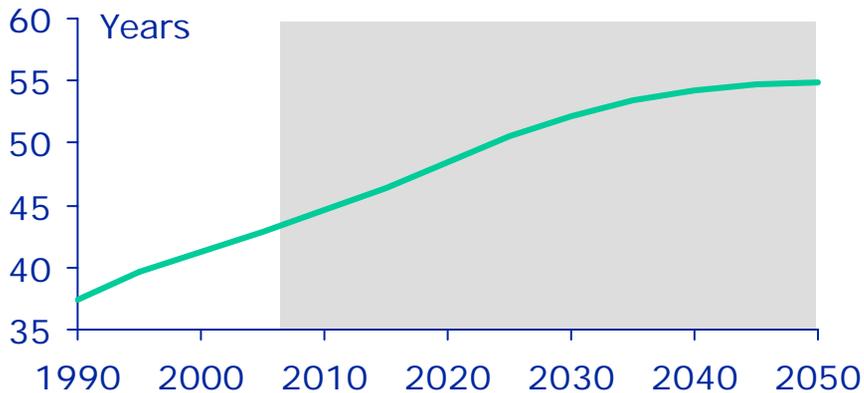
## Population



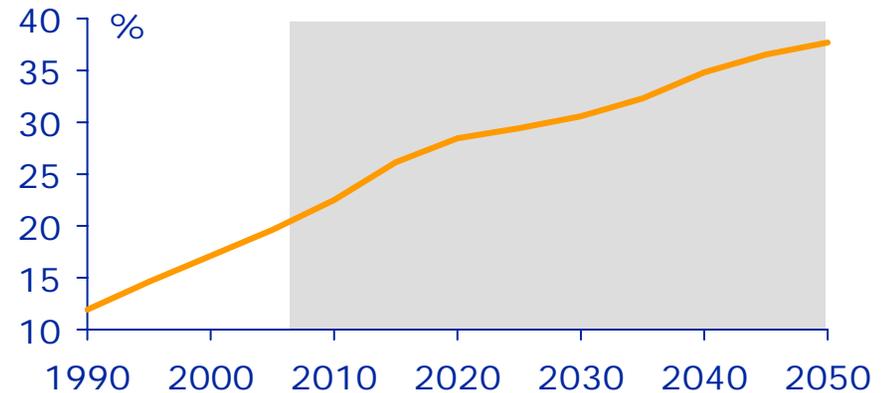
## Pc of population aged 15-64



## Median age



## Pc of population aged 65+



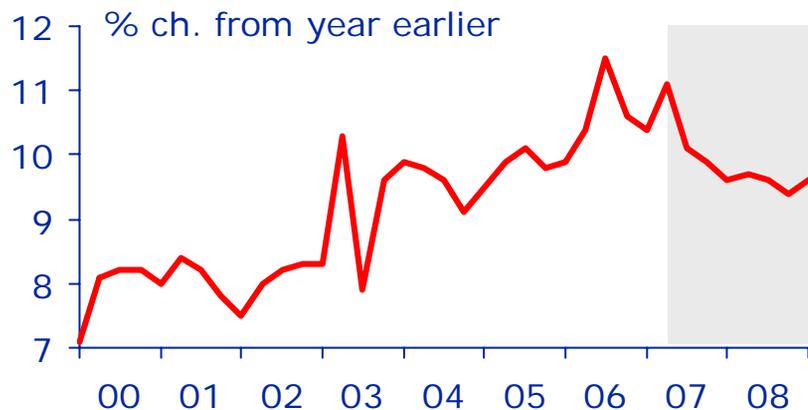
Source: UNESCO, *World Population Prospects: The 2006*

# China

- **China's economy is continuing to grow at a rapid (10%+) pace despite repeated efforts by the authorities to slow it down**
  - **Premier Wen Jiabao (on 16 March this year) characterized China's growth as 'unstable, imbalanced, uncoordinated and unsustainable'**
- **Recent rise in inflation is largely due to rising food (especially meat) prices and is not primarily a symptom of 'excess demand'**
  - **although Chinese export prices appear also to have stopped falling**
- **Authorities have relied on 'token' changes to monetary policy settings and administrative measures in attempting to contain liquidity growth and its consequences**
  - **interest rates on deposits are still negative in real terms while lending rates are well below nominal GDP growth**
  - **increased bank reserve requirements are ineffective given that reserve holdings already exceed minimum requirements**
- **Stockmarket is a 'bubble' but its bursting would have only limited consequences for the real economy**
- **Currency policy is the main source of liquidity growth**
  - **but authorities will resist pressure for one-off revaluation or more rapid appreciation, preferring other measures (such as allowing greater capital outflows, or removing tax-breaks for foreign investors)**
- **Some serious thought is being given to introducing dividend requirements for SOEs – which would get to the heart of the excess saving/investment problem**

# China's GDP growth rate remains above 10% pa despite ostensible efforts to slow it down

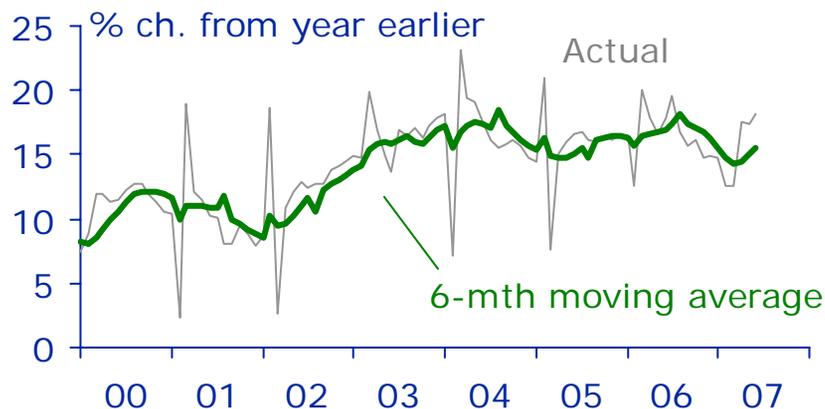
## Real GDP



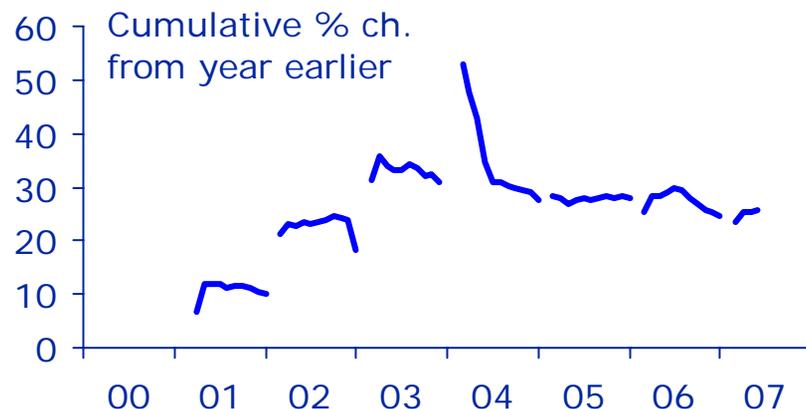
## Retail sales



## Industrial production



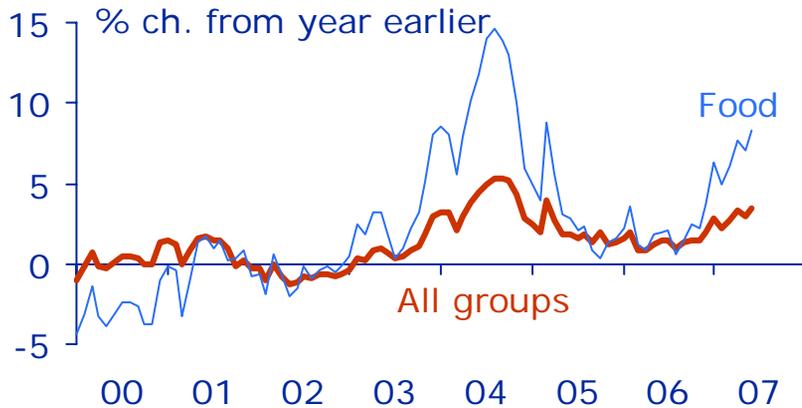
## Fixed asset investment



Note: IP and retail sales figures for January and February in some years distorted by shifts in timing of New Year holidays.  
Source: China National Statistics Bureau

# Rising CPI inflation largely the result of higher meat prices – but export prices are rising too

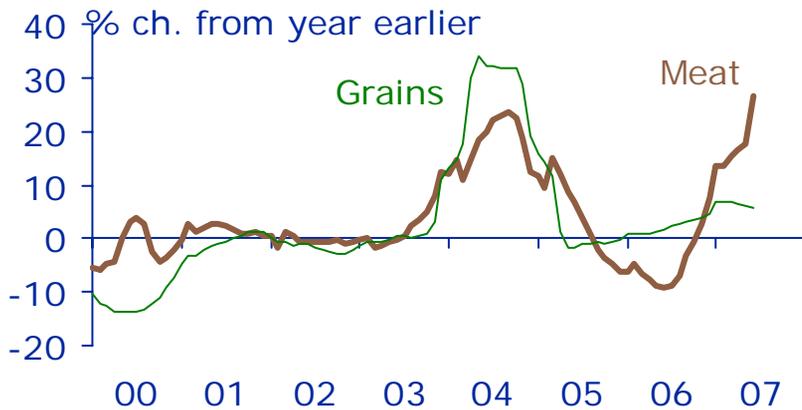
## Consumer prices



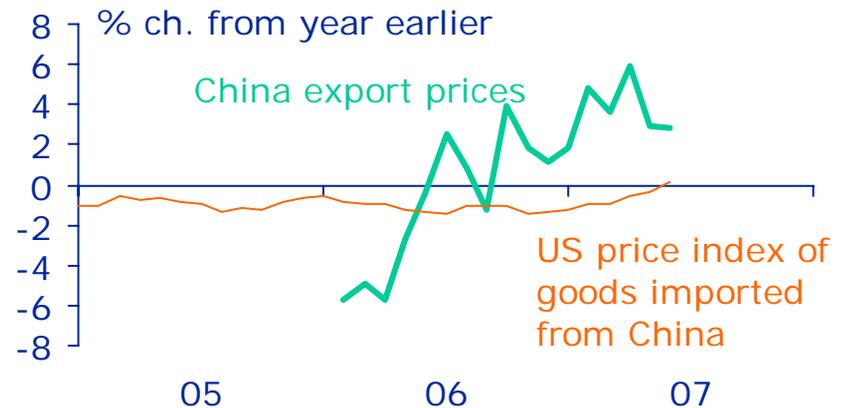
## Producer prices



## Consumer food prices



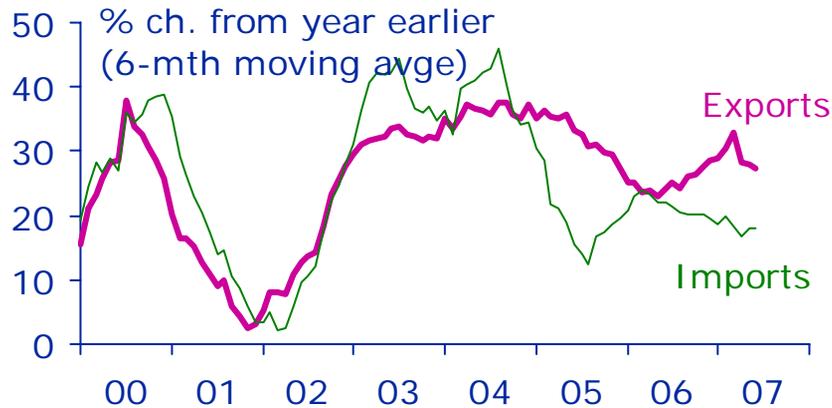
## Export prices



Sources: China National Statistics Bureau;  
US Commerce Department.

# China's external accounts continue to be a major source of liquidity generation

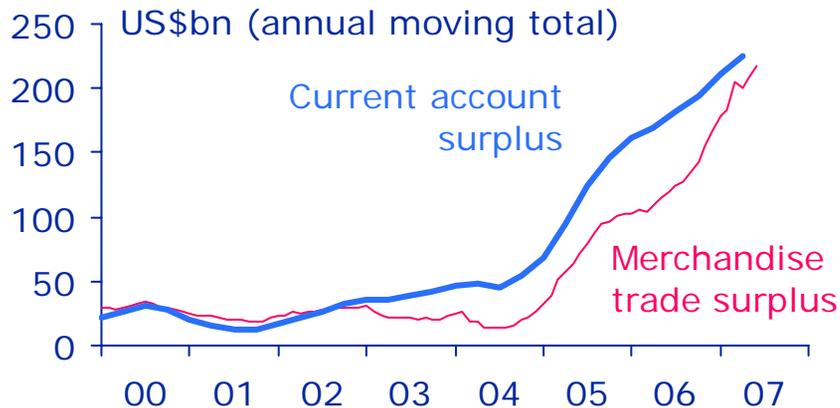
## Merchandise trade



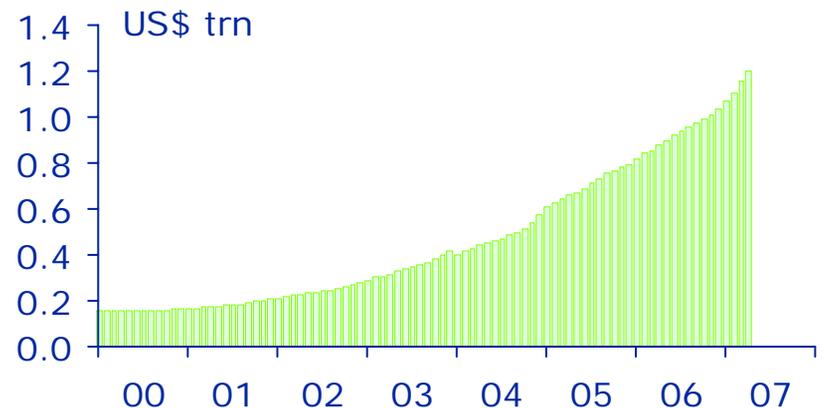
## Foreign direct investment



## Current account surplus



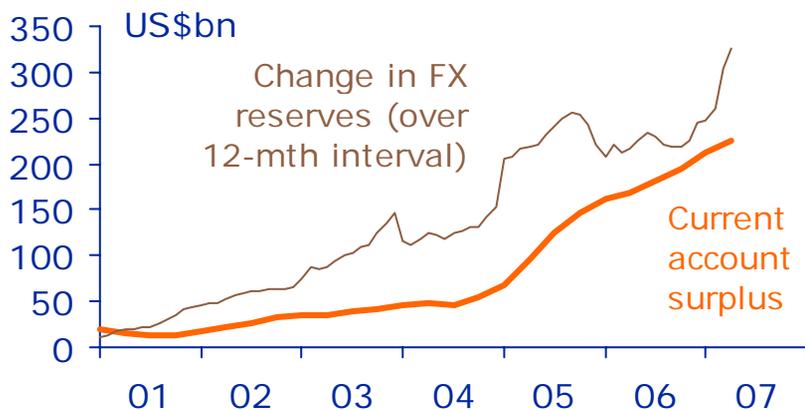
## Foreign exchange reserves



Sources: China National Statistics Bureau; OECD; People's Bank of China.

# Increased reserve requirements and modest rate increases haven't stemmed credit growth

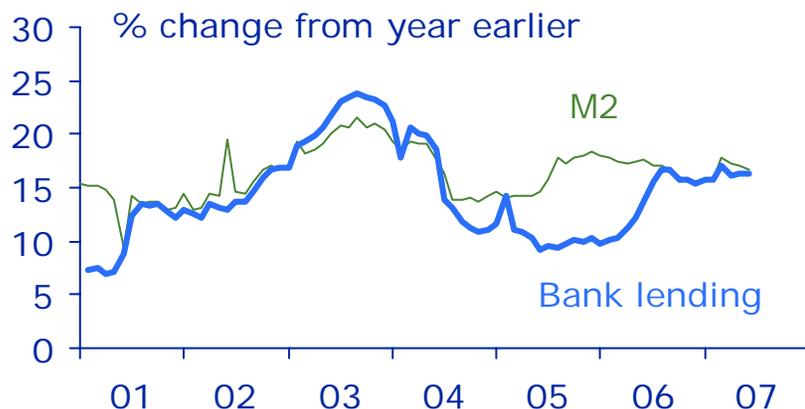
## Increase in FX reserves



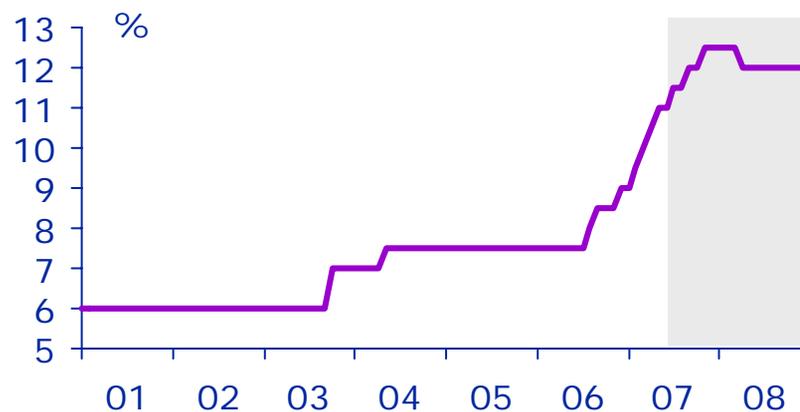
## Interest rates



## Money supply and bank lending



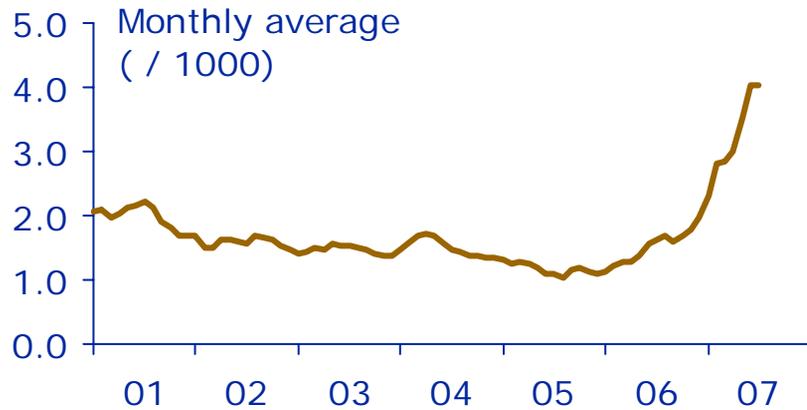
## Banks required reserves ratio



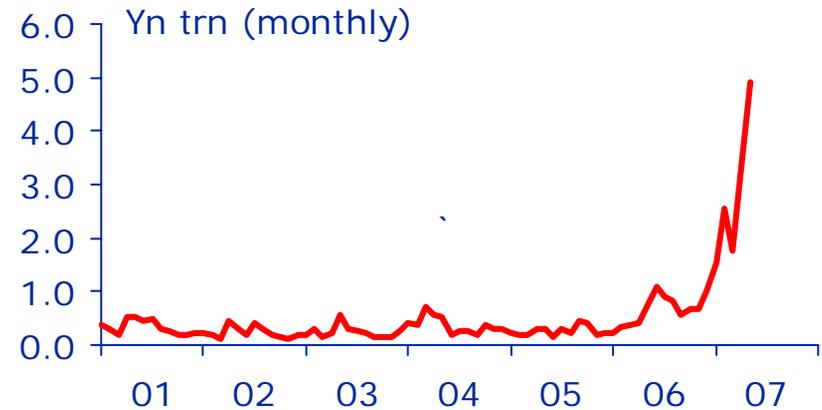
Source: China National Statistics Bureau; People's Bank of China; Thomson Financial Datastream.

# Chinese authorities are also concerned about bubble-like developments in the equity market

## Shanghai composite index



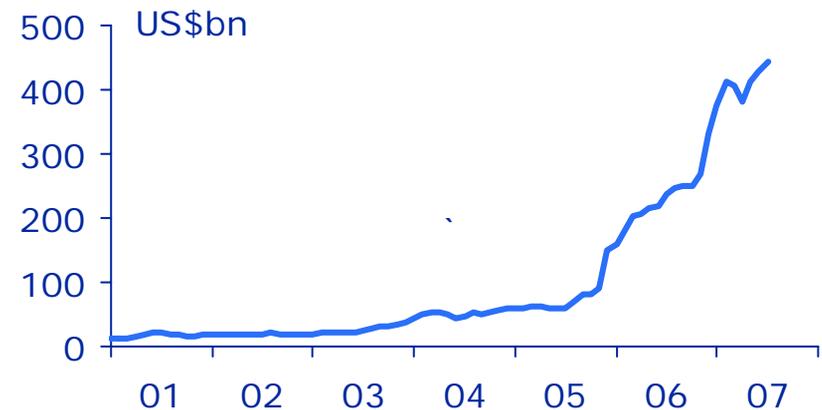
## Shanghai turnover



## Shanghai p/e ratio

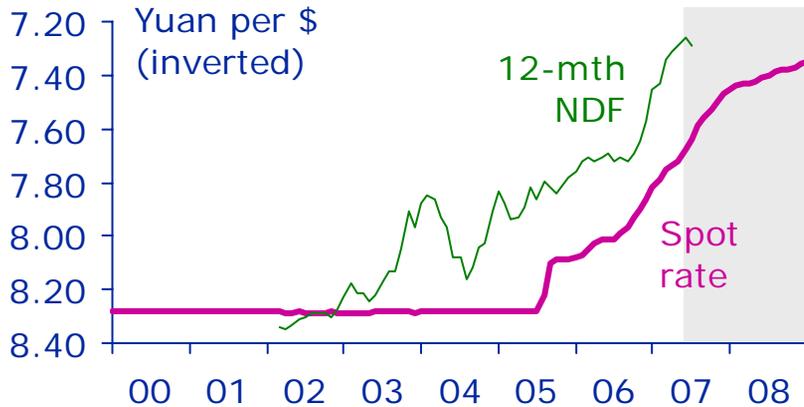


## Shanghai market capitalization



# China will eventually have to let the yuan rise more strongly – for its own reasons, not the US's

## Yuan vs US\$



## Yuan real effective rate



Sources: Thomson Financial Datastream;  
JP Morgan Chase

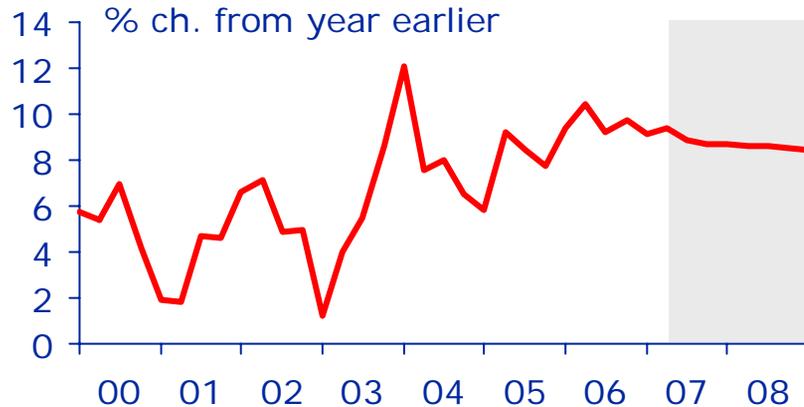
- The US Treasury (correctly) concluded that China was not manipulating its currency for the purpose of 'gaining unfair competitive advantage in international trade'
- However China's reluctance to let the yuan appreciate more rapidly is making it impossible to achieve its macroeconomic policy objectives and is fuelling asset price bubbles
- For the time being China is seeking to offset pressure on the yuan by intervention and allowing more capital outflow
- Eventually however (and at a time of its own choosing) China will either engineer a discrete revaluation or allow 'market forces' to achieve the same outcome

# India

- **India's economy has experienced growth rates almost as rapid as China's over the past three years**
- **But unlike China, India has been showing some signs of 'over-heating', suggesting that India's 'speed limit' is lower than China's**
  - **consumer price inflation exceeding 6% pa over the past year**
  - **and the emergence of the world's ninth largest current account deficit**
- **The policy response needed to be (and has been) stronger than in China**
  - **interest rates raised 1½ pc pts over the past 18 months (though lending rates remain below nominal GDP growth)**
  - **rupee allowed to rise 13% against the dollar over past 12 months**
  - **plus some more questionable measures such as a ban on wheat exports**
- **Despite an apparent peak in wholesale price inflation, monetary policy is unlikely to be eased any time soon**
- **India has what should be much more favourable demographics than China ...**
  - **India's population will surpass China's within 20 years and a much higher proportion of it will be of working age**
- **... but India lags well behind China in developing its 'human capital' through appropriate investment in health, education and infrastructure**

# Macro-economic strains associated with excess demand more obvious in India than China

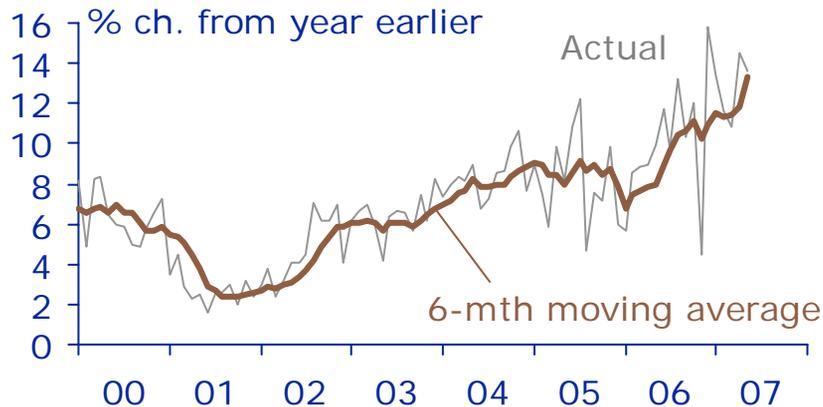
## Real GDP



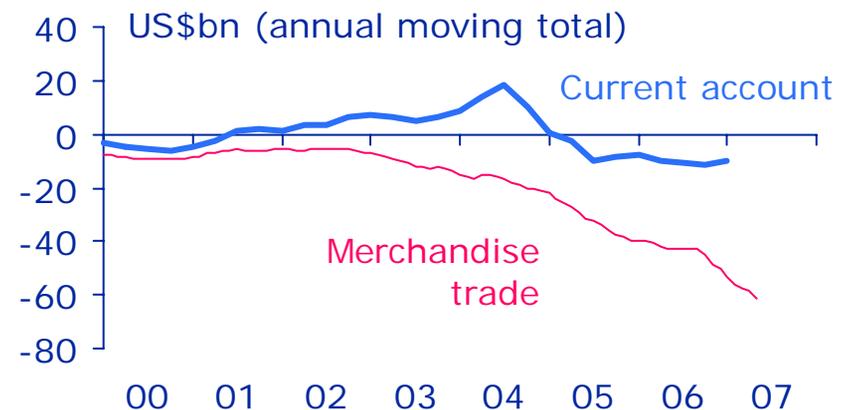
## Inflation



## Industrial production

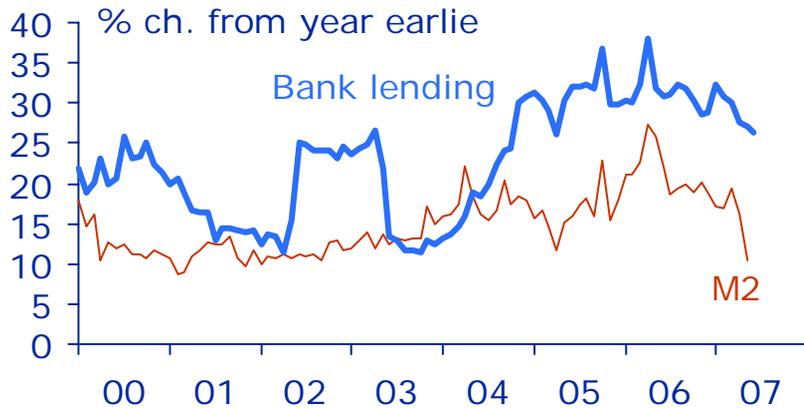


## Current account balance



# Greater tolerance of currency appreciation has allowed RBI monetary policy to be more effective

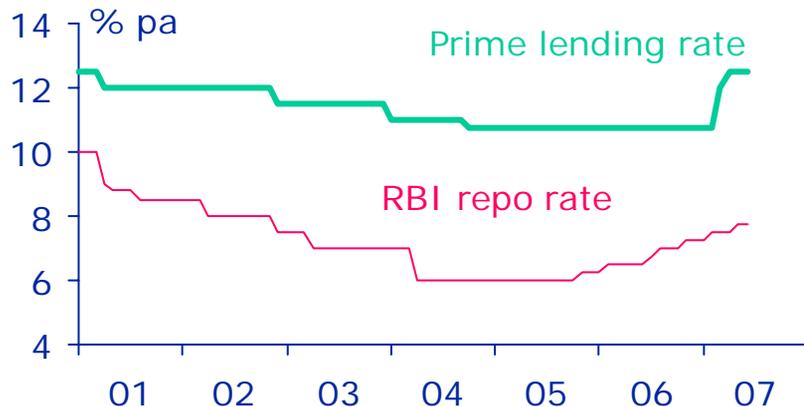
## Money and credit



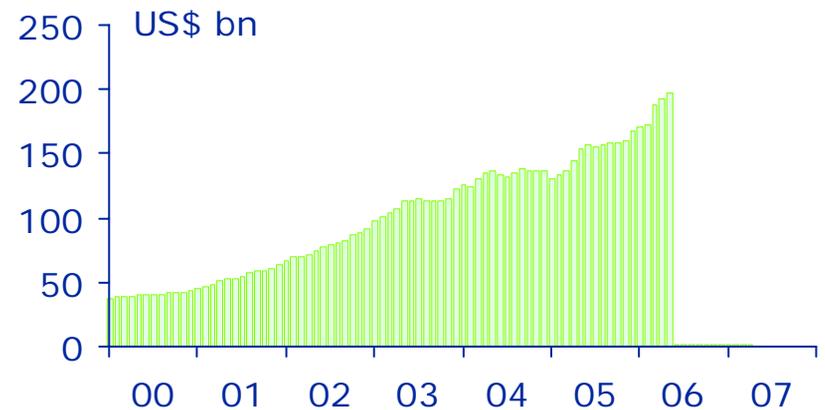
## Rupee vs US\$



## Interest rates



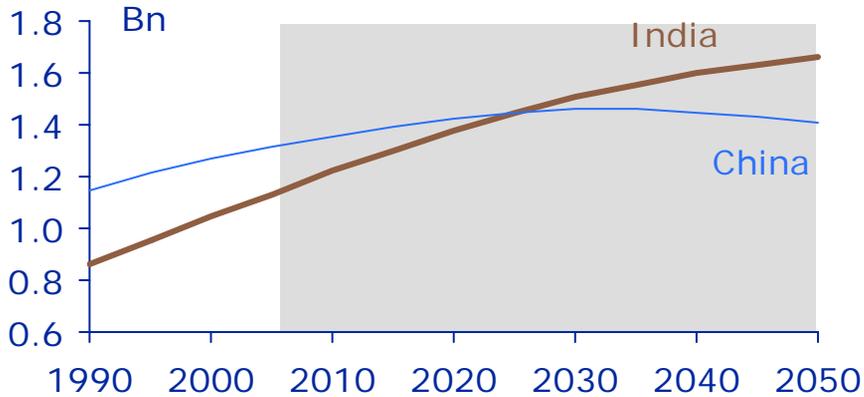
## Foreign exchange reserves



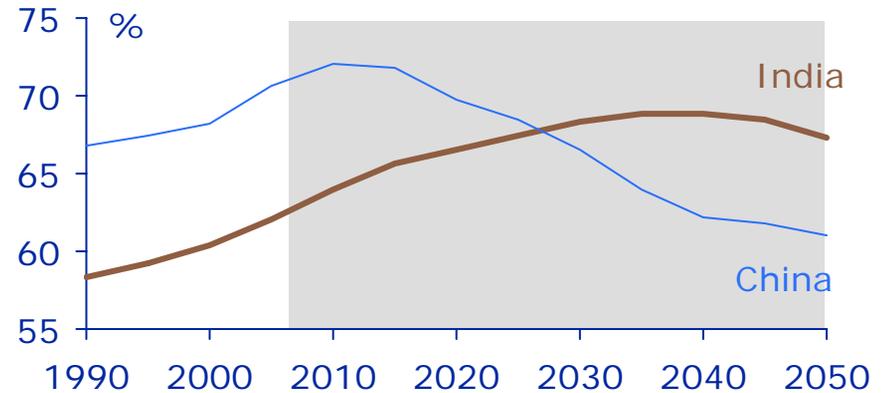
Sources: Reserve Bank of India; Thomson Financial Datastream

# India's demographic profile is potentially a major advantage over China ...

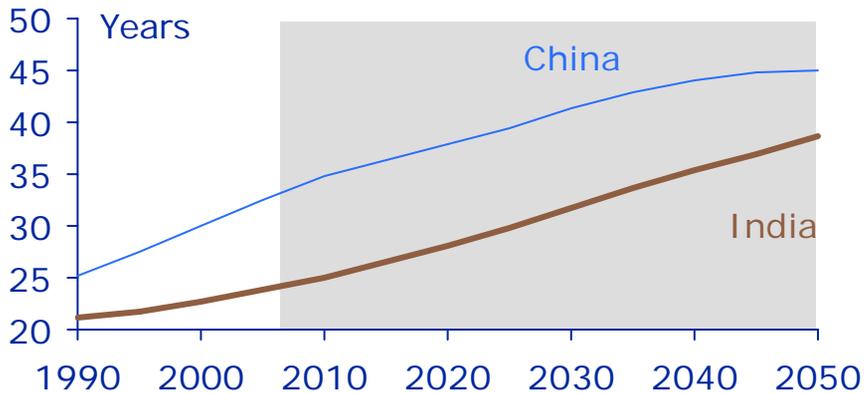
## Population



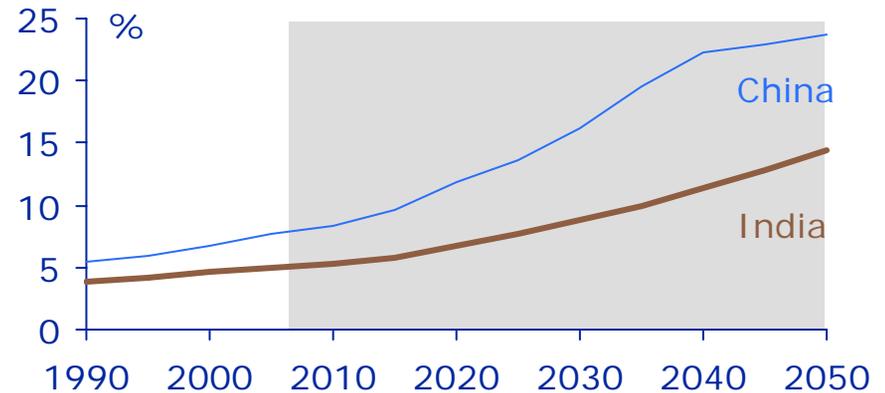
## Pc of population aged 15-64



## Median age



## Pc of population aged 65+



Source: UNESCO, *World Population Prospects: The 2006*

Revision.

## ... but India lags a long way behind China in developing its 'human capital'

	China	India
<b>Infant mortality (% of births, 2004)</b>	<b>26</b>	<b>62</b>
<b>Probability at birth of surviving to 65 (%) -</b>		
<b>Males born 2000-05</b>	<b>74.2</b>	<b>59.2</b>
<b>Females born 2000-05</b>	<b>81.3</b>	<b>67.4</b>
<b>1 yr olds immunized against TB (% , 2004)</b>	<b>94</b>	<b>73</b>
<b>Population with access to -</b>		
<b>Improved sanitation</b>	<b>44</b>	<b>33</b>
<b>Improved drinking water</b>	<b>77</b>	<b>86</b>
<b>Adult literacy (% , 2004)</b>	<b>90.9</b>	<b>61.0</b>
<b>Cell phones per 1000 population (2003)</b>	<b>258</b>	<b>44</b>
<b>Internet users per 1000 population (2003)</b>	<b>73</b>	<b>32</b>
<b>No of procedures to start a business (2006)</b>	<b>13</b>	<b>11</b>
<b>Rigidity of employment index (2006)</b>	<b>24</b>	<b>41</b>
<b>No of days to enforce a debt (2006)</b>	<b>292</b>	<b>1,420</b>

Sources: UNDP Human Development Report 2006;

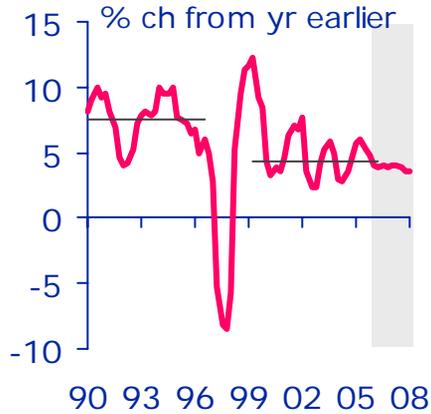
# Smaller East Asian economies

- The economies affected by the financial crisis of a decade ago have never completely recovered from it
  - on average, growth rates over the past five years have been three-quarters of their average over the five years prior to the crisis
- Governments of countries affected by the financial crisis have sought to 'buy insurance' against a recurrence by
  - suppressing investment (by 5-6 pc pts of GDP), running large current account surpluses and accumulating large stockpiles of FX reserves
- The rising inflation experienced by most smaller Asian economies during 2005 and 2006 has since been reversed through a combination of tighter monetary policy and currency appreciation
  - interest rates have begun falling and in most cases will fall further
  - some countries (particularly Korea and Thailand) are again worrying about exchange rate strength (and in Thailand damaging market confidence by their attempts to prevent it), while Taiwan by contrast is worried about capital outflows and persistent currency weakness
- Political uncertainties weigh on Thailand, Korea, Taiwan and (to some extent) Indonesia
- Improvements in Indonesia and the Philippines are under-appreciated by the global investment community
  - in particular Indonesia merits inclusion in the so-called 'BRICs'
- By contrast Vietnam's strong economic performance is (rightly) attracting significant investor interest

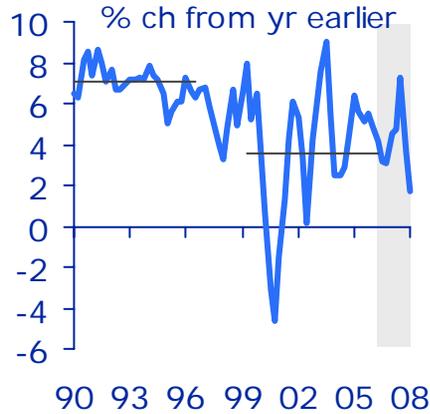
# Among the smaller East Asian economies only the Philippines has regained its pre-crisis growth rate

## Real GDP growth: smaller East Asian economies

**Korea**



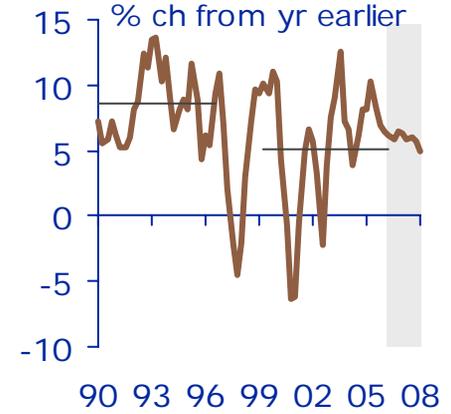
**Taiwan**



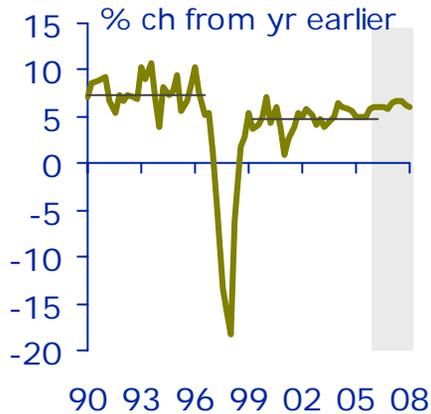
**Hong Kong**



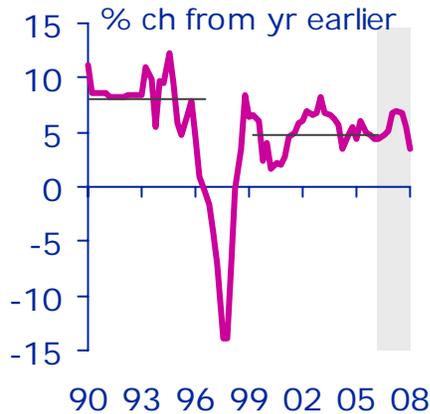
**Singapore**



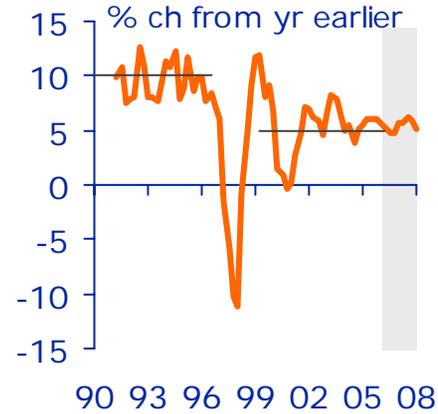
**Indonesia**



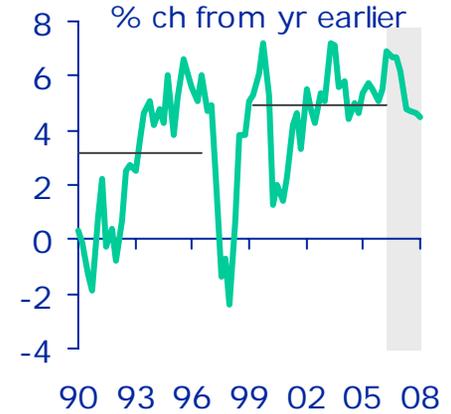
**Thailand**



**Malaysia**



**Philippines**



Note: horizontal lines show average annual growth rates for Q2 1990 – Q2 1997

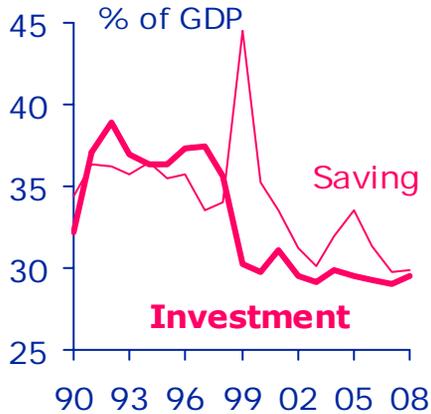
and Q1 2000 – Q1 2007. Sources: National statistical agencies

42 and central banks; Datastream; Economics@ANZ.

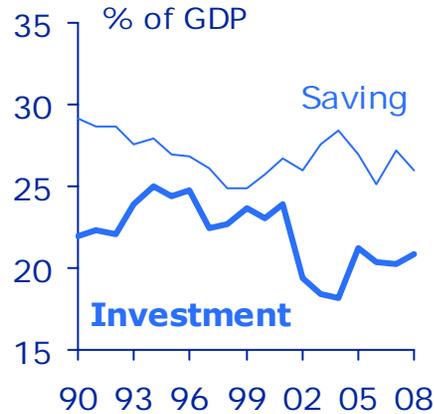
# Investment has fallen (in some cases massively) as a share of GDP since the crisis ...

## Gross investment and saving as percentages of GDP

**Korea**



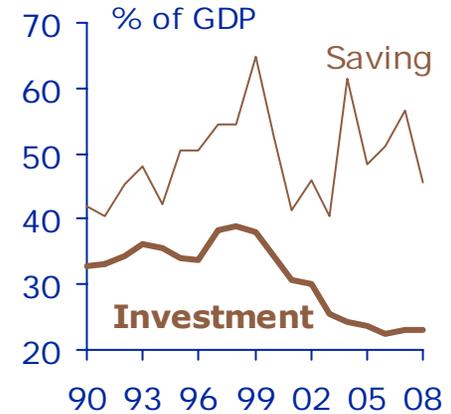
**Taiwan**



**Hong Kong**



**Singapore**



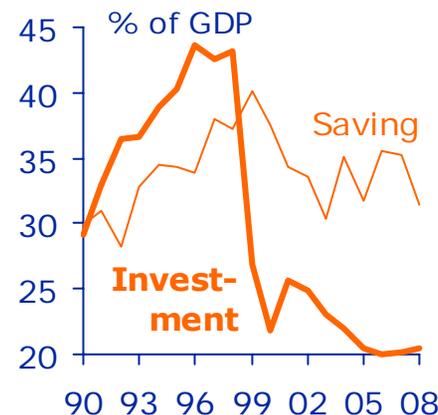
**Indonesia**



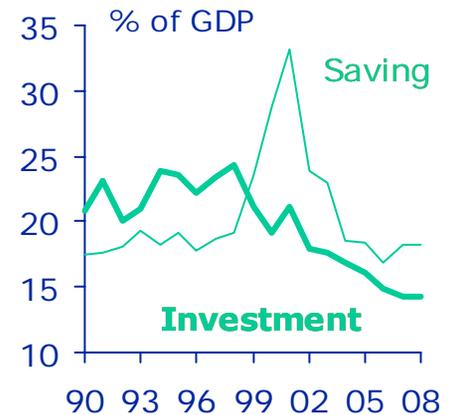
**Thailand**



**Malaysia**



**Philippines**

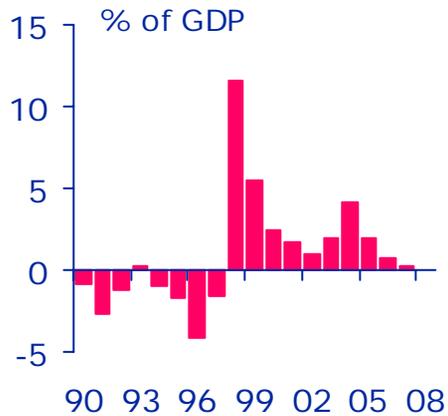


Sources: Economist Intelligence Unit; Economics@ANZ.

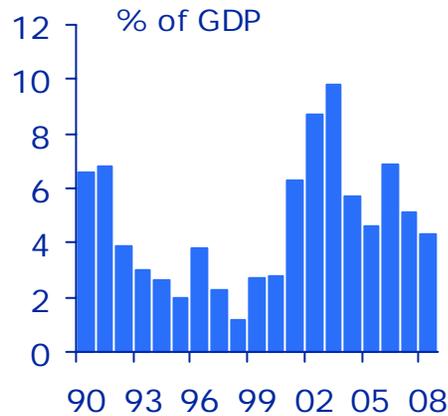
# ... which is the main 'structural' reason for the swing in these countries' current accounts

## Current account balances as percentages of GDP

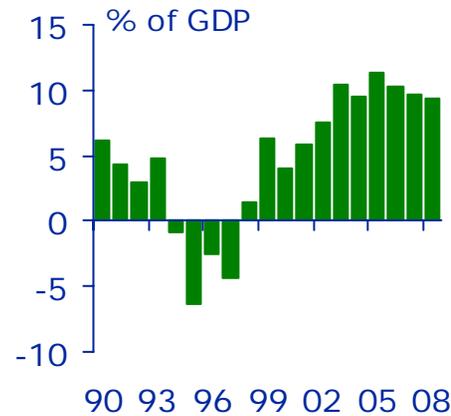
### Korea



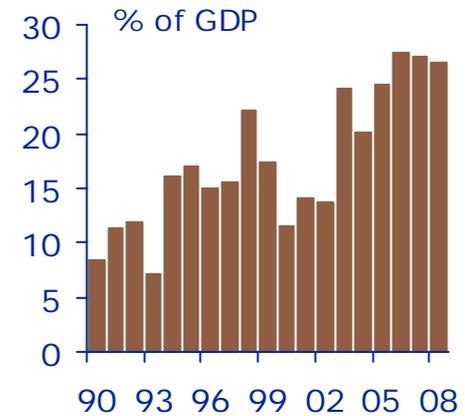
### Taiwan



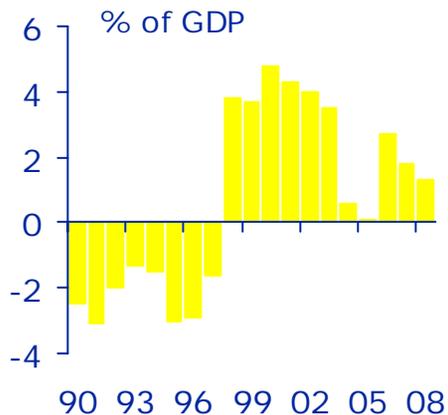
### Hong Kong



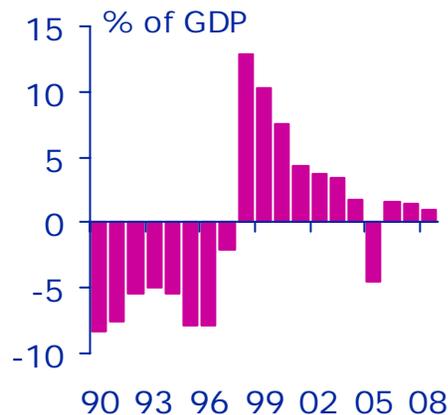
### Singapore



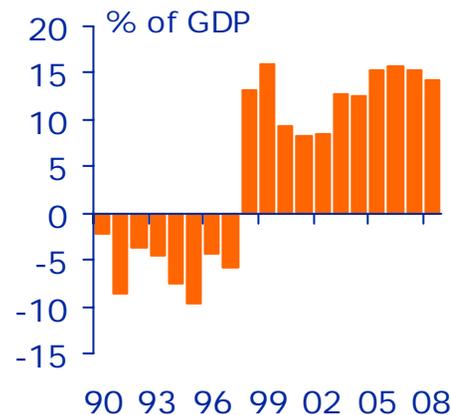
### Indonesia



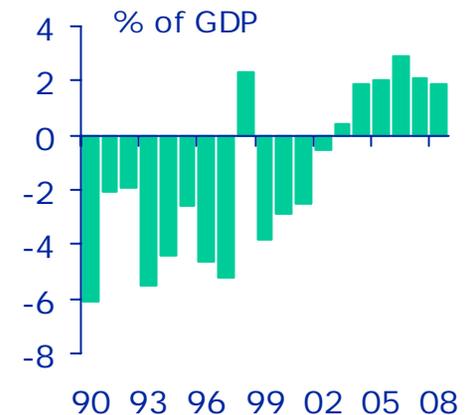
### Thailand



### Malaysia



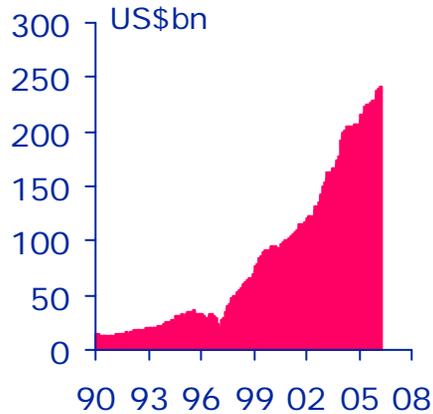
### Philippines



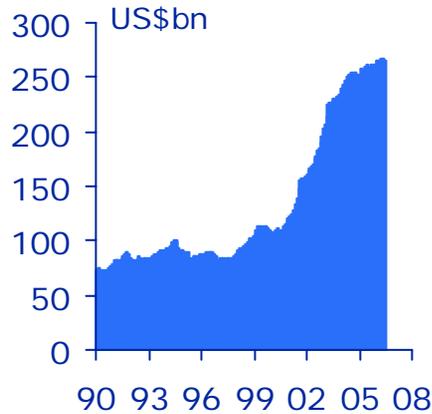
# Large external surpluses have allowed these countries to accumulate substantial FX reserves

## Foreign exchange reserves

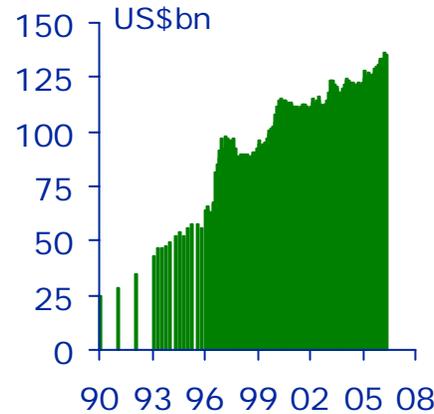
### Korea



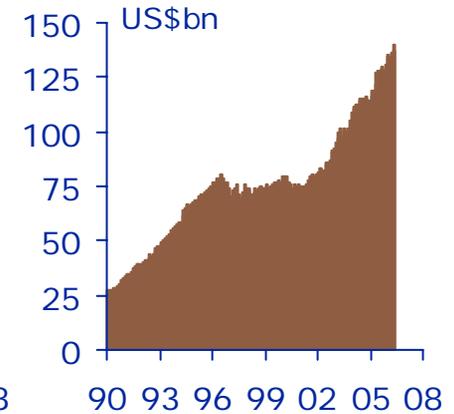
### Taiwan



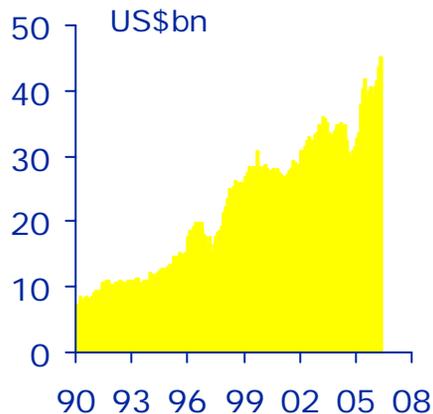
### Hong Kong



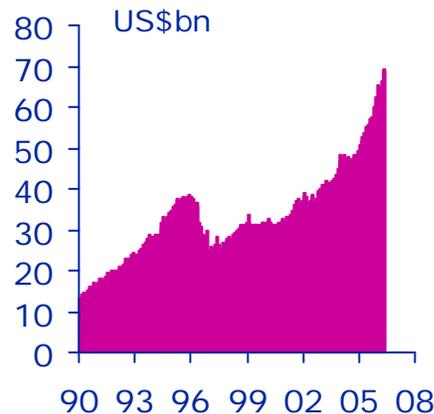
### Singapore



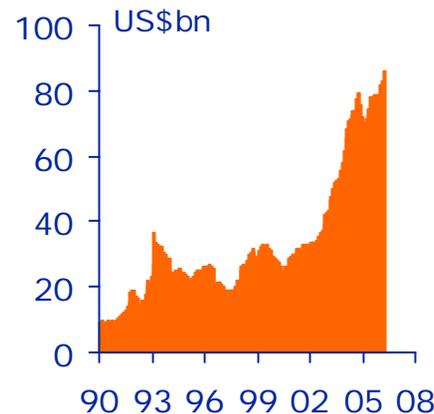
### Indonesia



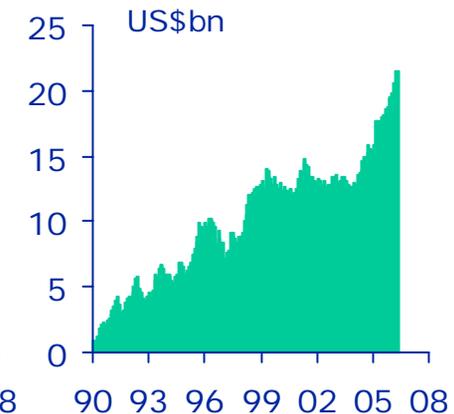
### Thailand



### Malaysia



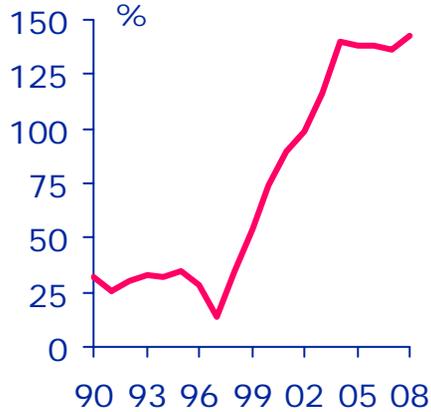
### Philippines



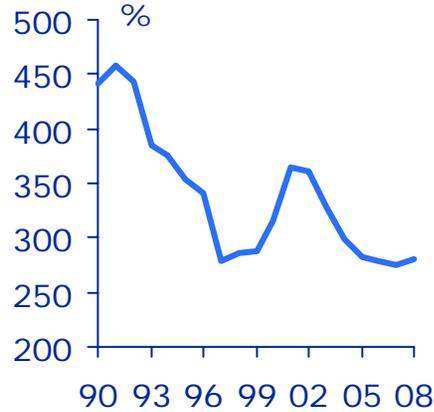
# All the smaller East Asian economies now have very comfortable FX reserve positions

## Ratio of FX reserves to gross foreign debt

### Korea



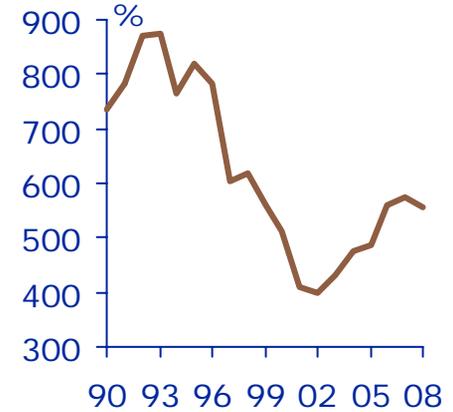
### Taiwan



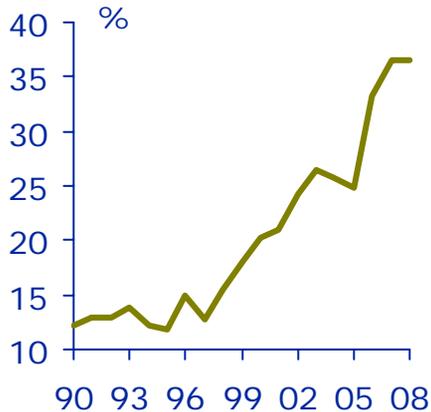
### Hong Kong



### Singapore



### Indonesia



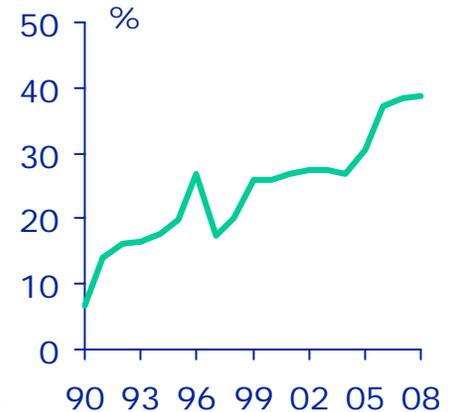
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### Malaysia



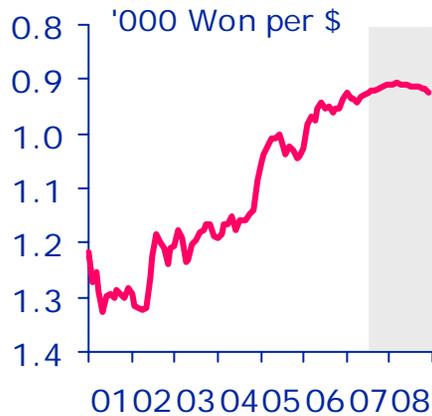
### Philippines



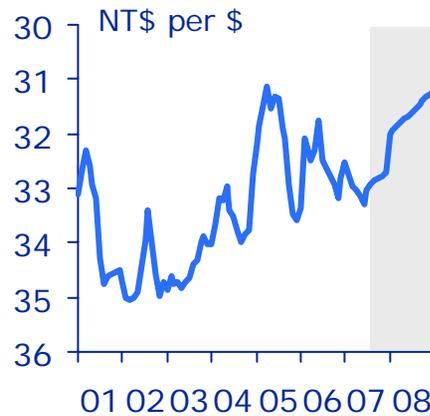
# Most central banks have allowed their currencies to rise (Korea & Thailand have tried to cap theirs)

## Smaller East Asian currencies vs US dollar

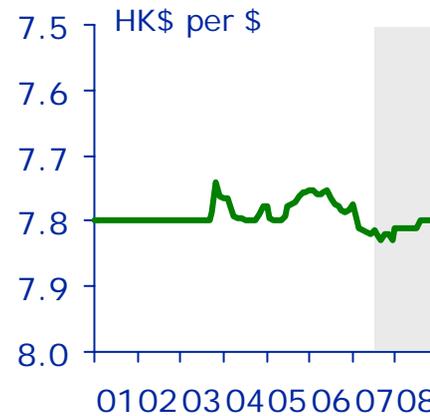
### Korea



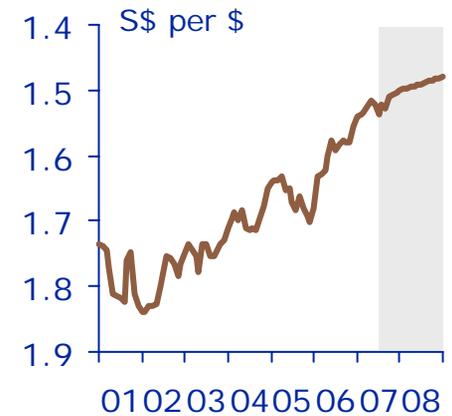
### Taiwan



### Hong Kong



### Singapore



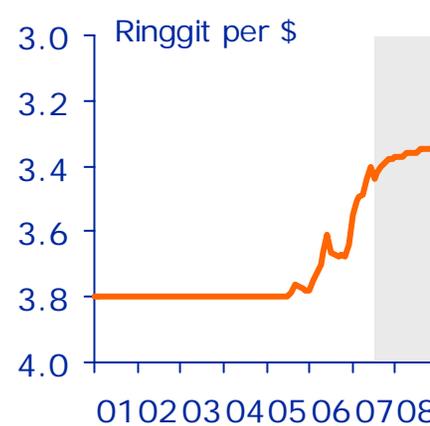
### Indonesia



### Thailand



### Malaysia



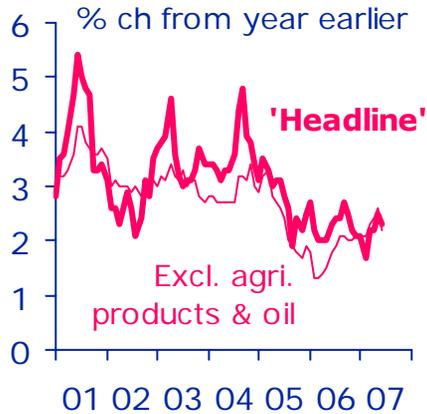
### Philippines



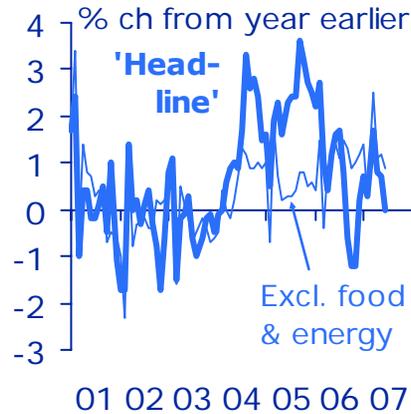
# Currency appreciation and tighter monetary policy have set inflation on a downward path

## Consumer prices

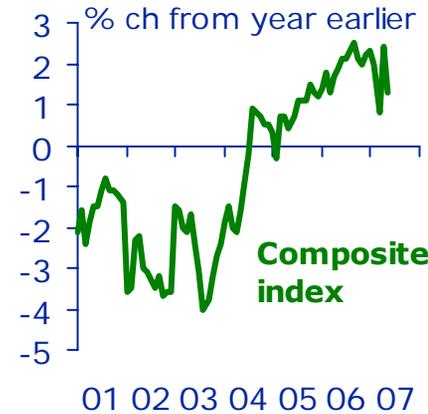
### Korea



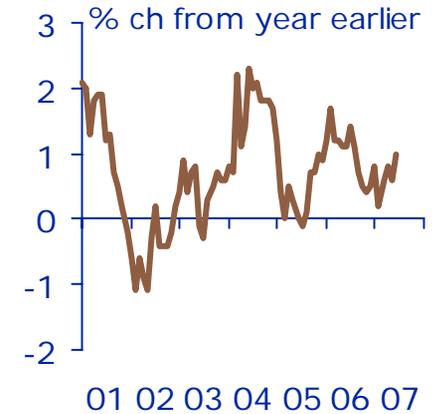
### Taiwan



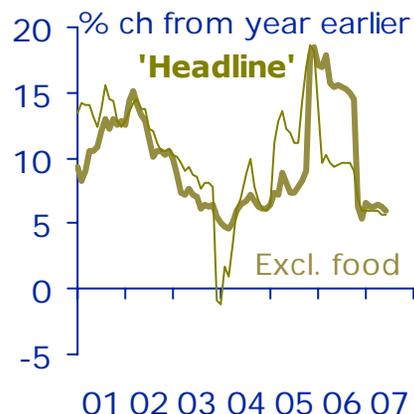
### Hong Kong



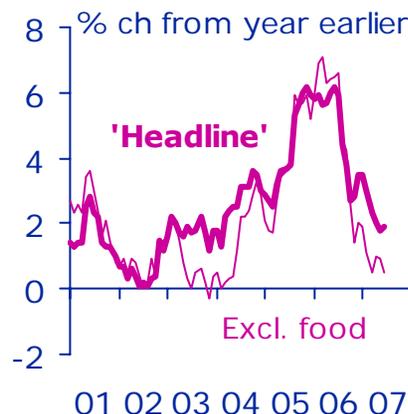
### Singapore



### Indonesia



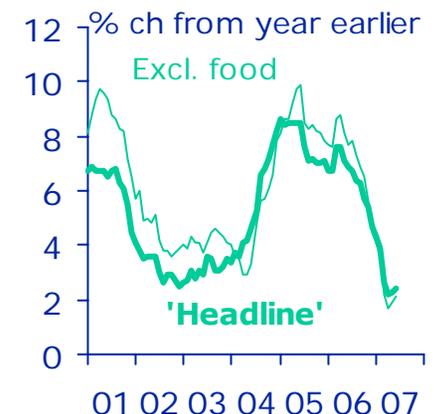
### Thailand



### Malaysia



### Philippines



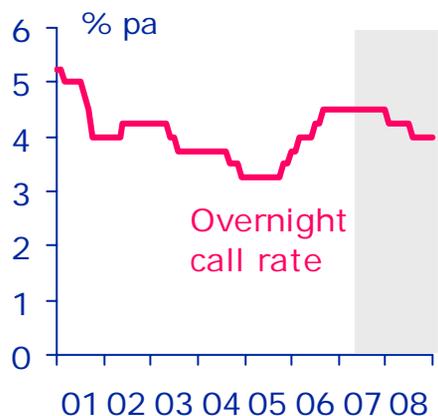
Note: Inflation rates in Indonesia, Thailand & Malaysia were elevated during 2006 by the abolition or reduction in fuel price subsidies.

Sources: National statistical agencies and central banks.

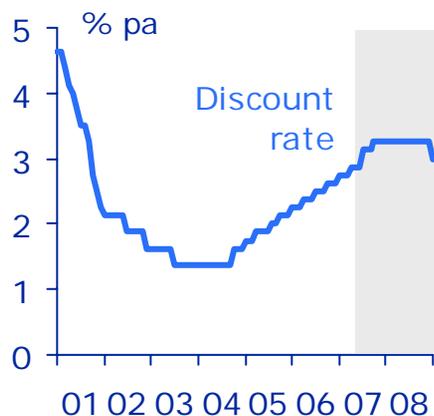
# Lower inflation and in some cases exchange rate objectives point to declining interest rates

## Monetary policy indicator interest rates

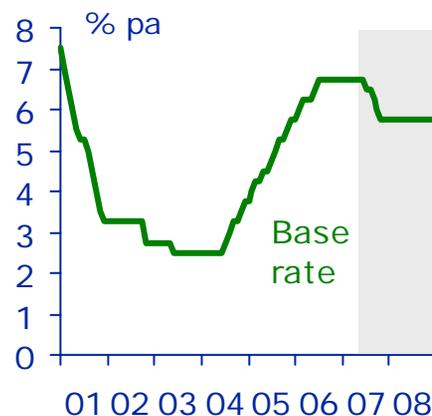
### Korea



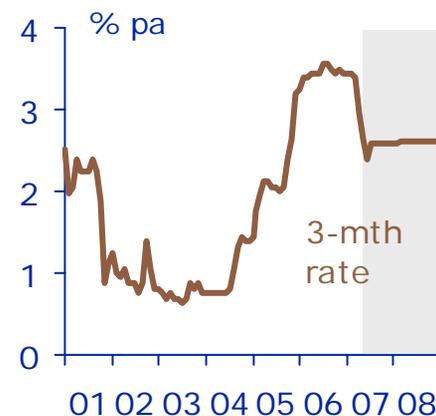
### Taiwan



### Hong Kong



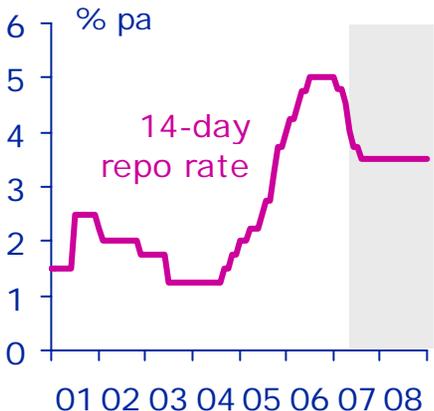
### Singapore



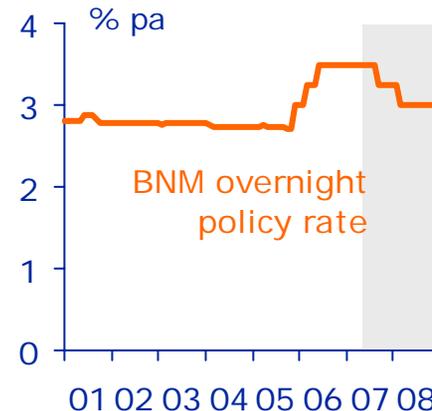
### Indonesia



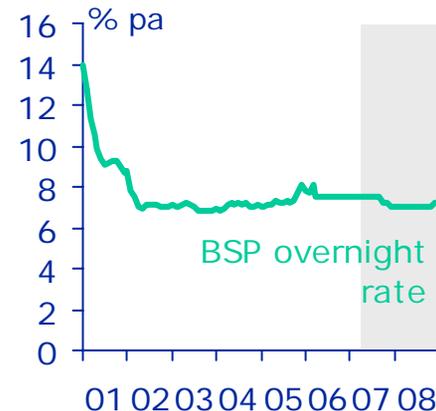
### Thailand



### Malaysia

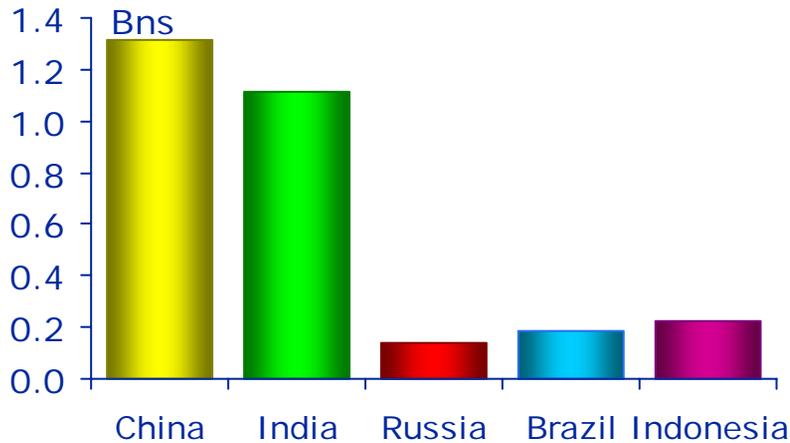


### Philippines

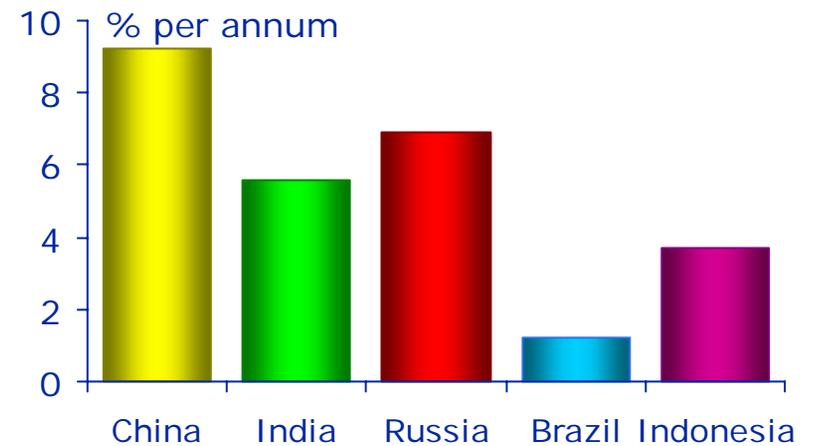


# Indonesia is entitled to be considered among the so-called 'BRICs'

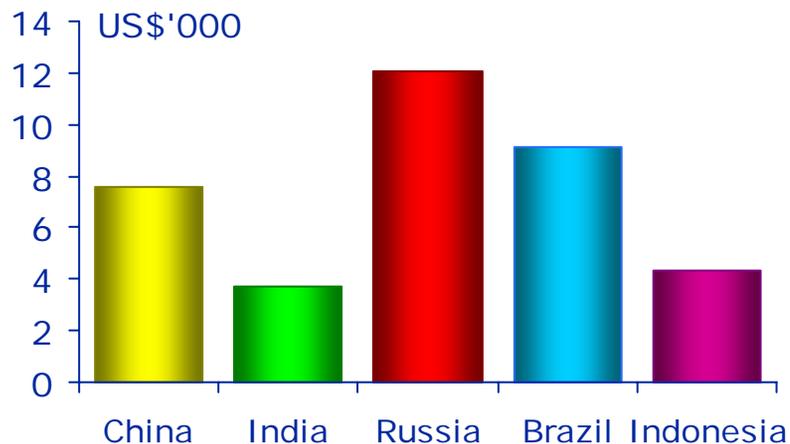
## Population, 2006



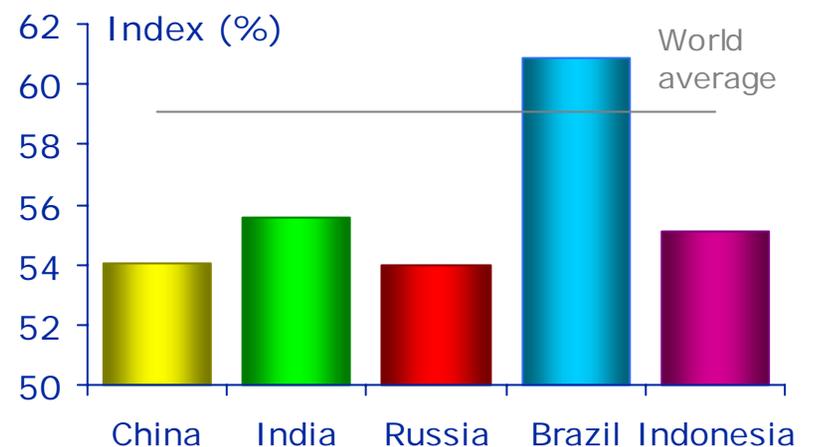
## Real GDP growth, 2001-06



## Per capita GDP, 2006



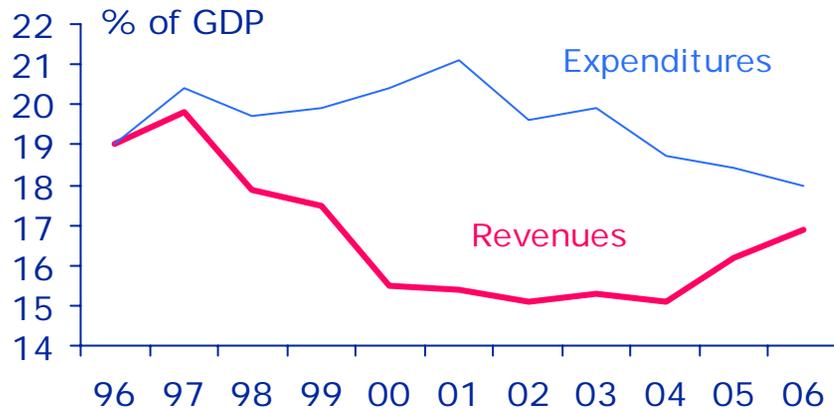
## 'Economic freedom' 2006



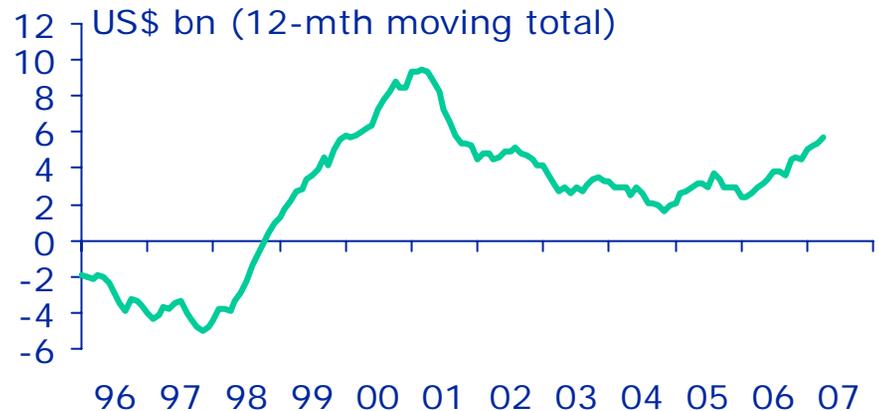
Source: IMF World Economic Outlook April 2007 database;  
The Heritage Foundation Index of Economic Freedom.

# The Philippines is significantly improving its fiscal and external financial position

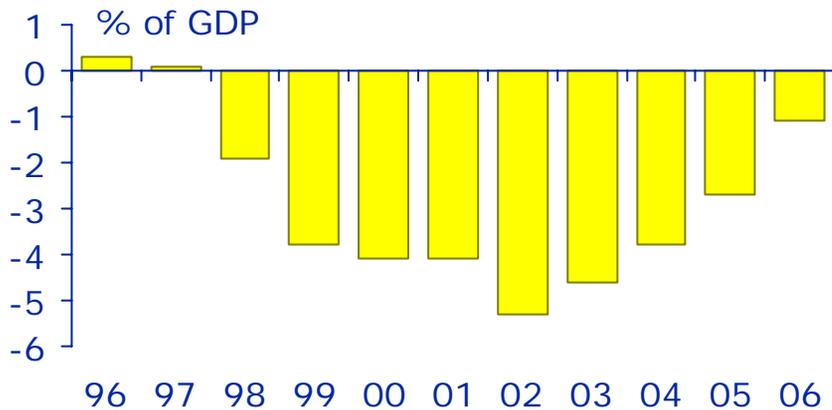
## Government revenue & outlays



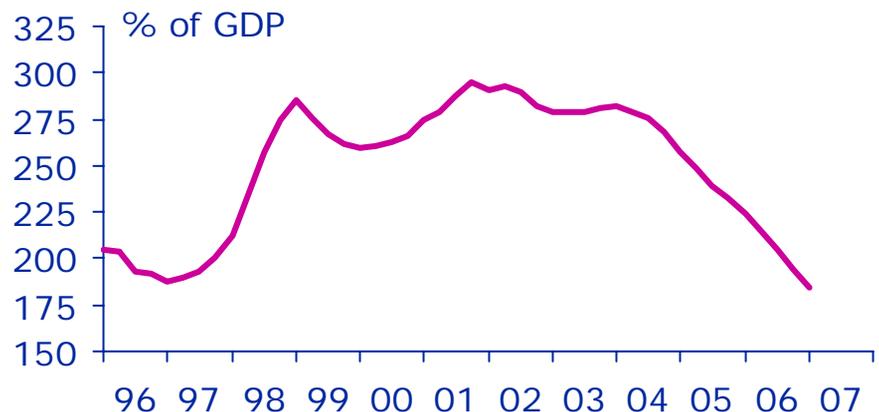
## Current account balance



## Budget balance

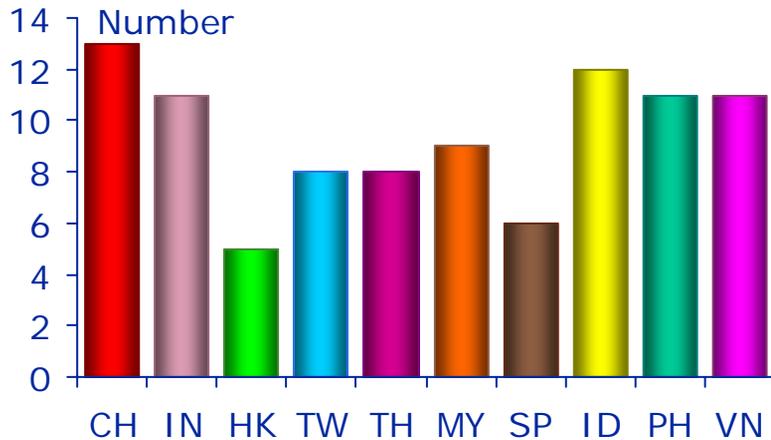


## Gross foreign debt

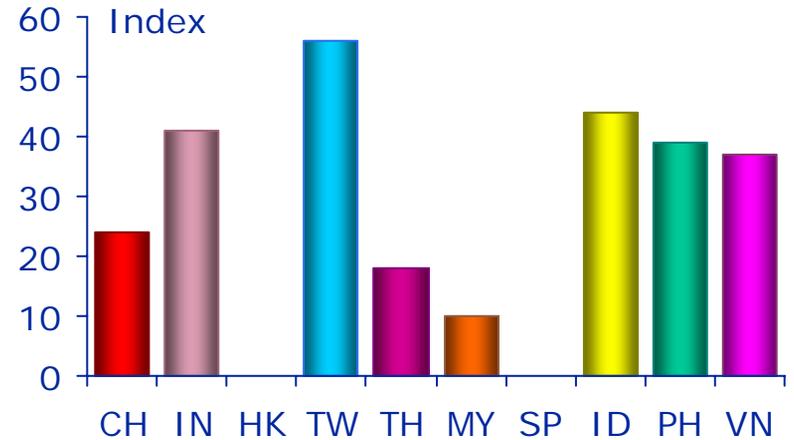


# Indonesia and the Philippines have a lot to do to become more attractive to business

## Procedures to start a business



## Rigidity of employment index\*



## Days to start a business



## Days to enforce a contract

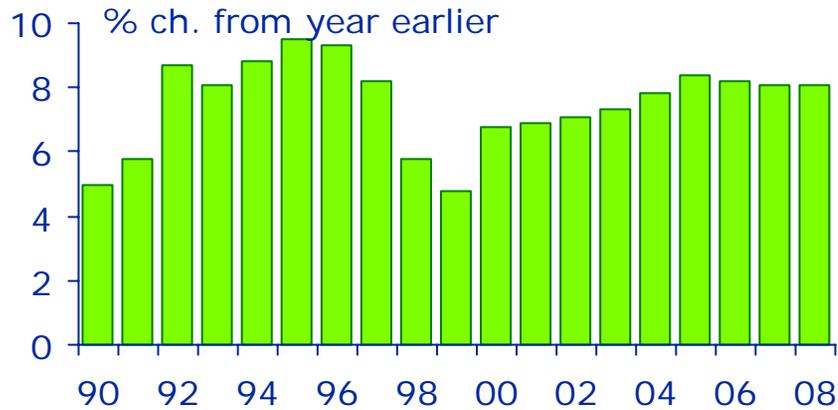


\* Index runs 0-100 with 100 being most rigid.

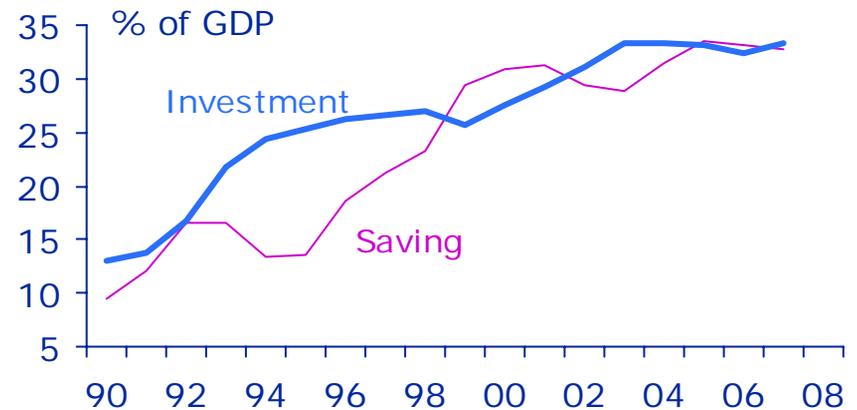
Source: World Bank, *Doing Business 2006* database.

# Vietnam is Asia's third most rapidly-growing economy, after China and India

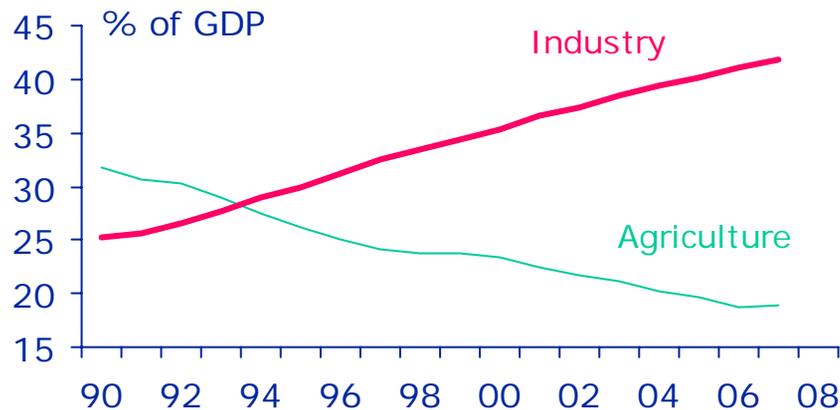
## Real GDP



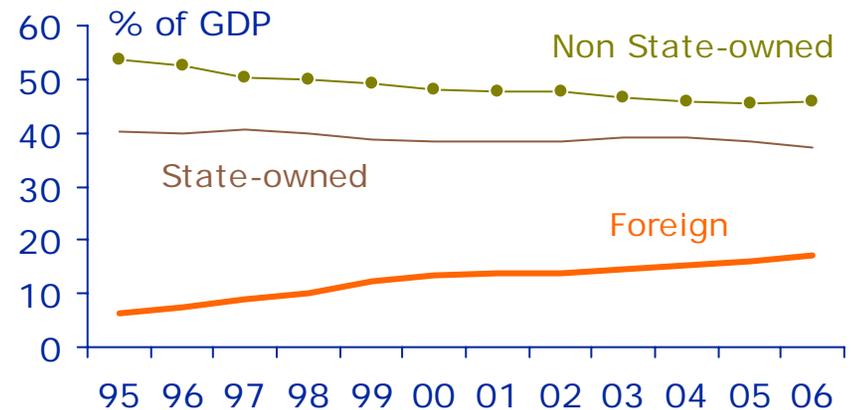
## Saving and investment



## Shares of GDP

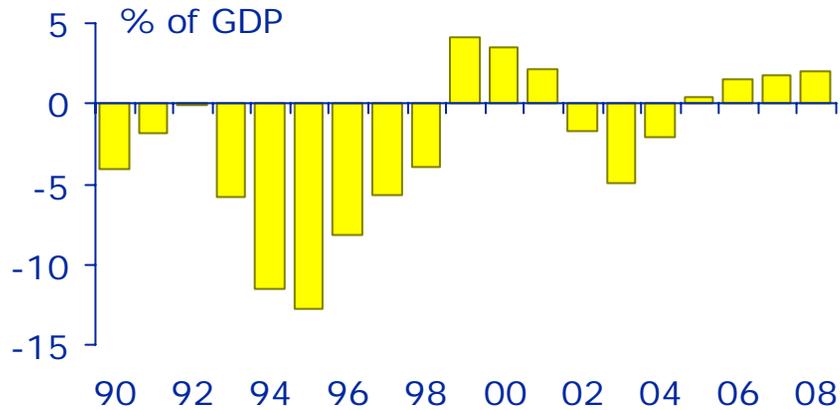


## GDP by form of ownership



# Vietnam's external and domestic fundamentals have improved significantly over the past decade

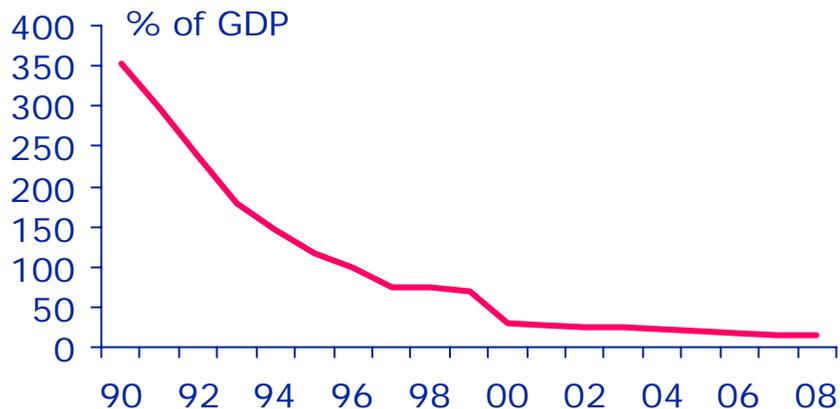
## Current account balance



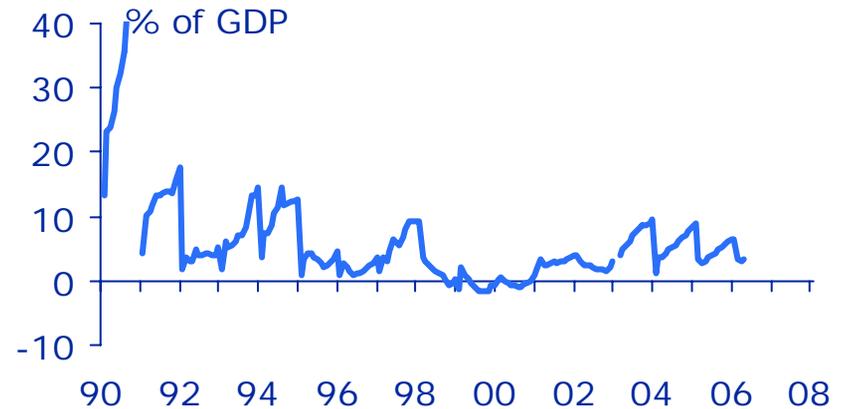
## Exports



## Net foreign debt



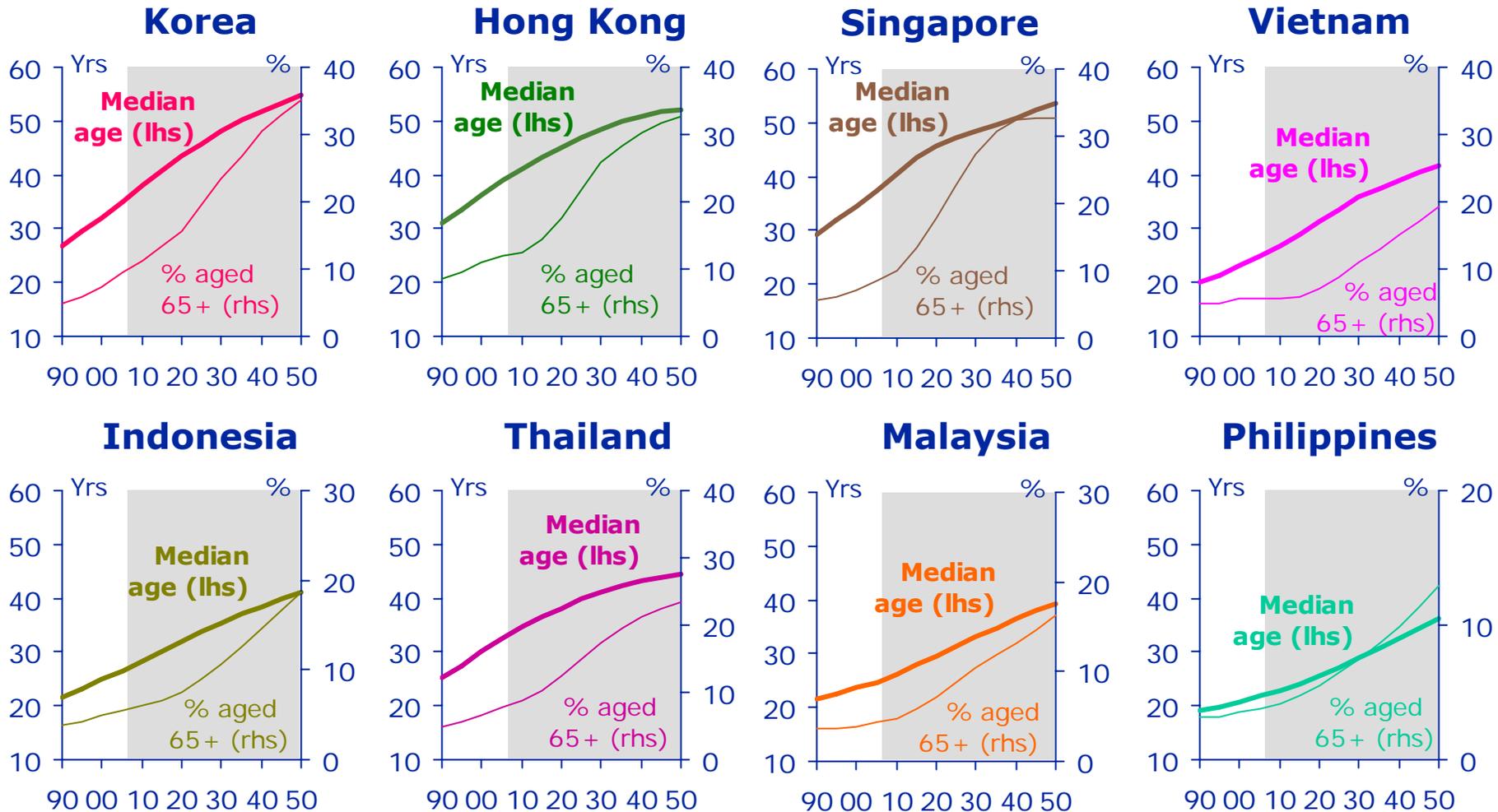
## Inflation



Sources: Economist Intelligence Unit; General Statistical Office of Vietnam; Economics@ANZ.

# The richer Asian economies have much more challenging demographic profiles

## Median age and % of population in retirement age groups



Source: UNESCO, *World Population Prospects: The 2006 Revision*.

# Key risks for Asia

- **Rising protectionism in the US (and possibly Europe also)**
  - a majority of the current Congress appears to favour imposing tariffs on imports from China – and whoever wants to be President after January 2009 may feel obliged to pander to this mood
  - unilateral tariffs on imports from China would redistribute the US deficit from China to other countries (including other Asian countries) but would also lead to higher US inflation and interest rates and lower US and global growth
  - and would induce retaliation in a form which could lead to destabilizing capital flows and currency swings
- **'Excess liquidity' in Asian financial systems and asset price bubbles**
  - prompted by excessive reserve accumulation and resistance to exchange rate appreciation and/or excessively loose monetary policy
  - potentially leading to macroeconomic instability and renewed banking system problems
- **Political uncertainty and / or unfavourable political trends**
  - particularly in Japan, Thailand (where an election is supposed to be held by November) and Taiwan (Presidential election March 2008)
  - Likely positive outcome from December's Korean presidential election
- **Extended or abrupt slowdown in the US**
  - although Asia is less directly dependent on the US as a market than hitherto there are still strong indirect linkages via China

# Summary of the Asian economic outlook (1)

Real GDP growth (% pa)	2005	2006	2007	2008
Japan	1.9	2.2	2½	2
China	10.2	10.7	10¼	9½
Korea	4.0	5.0	4½	4¼
Taiwan	4.0	4.6	4	3½
Hong Kong	7.3	6.8	6½	6¼
Indonesia	5.6	5.6	6	6½
Thailand	4.5	5.0	4¼	5½
Malaysia	5.2	5.9	5½	5¾
Singapore	6.4	7.9	6¼	5½
Philippines	5.0	5.4	6½	4½
Vietnam	8.4	8.2	8	8
East Asia ex Japan & China	5.1	5.5	5¼	5¼
India <sup>(a)</sup>	8.5	9.4	8¾	8

(a) Fiscal years beginning 1 April

## Summary of the Asian economic outlook (2)

Inflation (% pa)	2005	2006	2007	2008
Japan	-0.2	0.0	½	1
China	1.8	1.5	3¼	3
Korea	2.8	2.7	3¼	3½
Taiwan	2.3	0.6	1½	2
Hong Kong	0.9	2.0	1¾	2¼
Indonesia	10.5	13.3	6	5
Thailand	4.5	4.7	2	2¼
Malaysia	2.9	3.6	2	2¼
Singapore	0.5	1.0	1	1¾
Philippines	7.8	6.3	4	5
Vietnam	8.2	7.5	7	6¾
India <sup>(a)</sup>	4.2	6.0	6	5½

(a) Fiscal year beginning 1 April

## Summary of the Asian economic outlook (3)

Current account (% of GDP)	2005	2006	2007	2008
Japan	3.6	3.7	3½	2½
China	7.2	9.5	10	9½
Korea	2.4	1.7	1¼	1
Taiwan	4.7	5.8	5½	6
Hong Kong	11.4	9	8	8½
Indonesia	0.1	2.6	1½	1
Thailand	-4.5	1.6	2½	1½
Malaysia	15.3	15.8	15¼	15
Singapore	24.5	27.5	25	24
Philippines	2.4	5.0	4	5
Vietnam	0.9	1.5	1¾	2
India <sup>(a)</sup>	-0.9	-1.7	-2¼	-2¾

(a) Fiscal year beginning 1 April

# Asian interest rate outlook

Rate (% pa)	Dec 2006*	Jun 2007*	Dec 2007	Jun 2008	Dec 2008
Japan call rate	0.25	0.50	1.00	1.25	1.50
China 1 yr base rate	6.12	6.57	6.75	7.02	6.75
Korea call rate	4.50	4.50	4.50	4.25	4.00
Taiwan discount rate	2.75	3.13	3.25	3.25	3.00
Hong Kong discount rate	6.75	6.50	5.75	5.75	5.75
Indonesia BI rate	9.75	8.75	8.00	8.00	8.00
Thailand 14-d repo rate	5.00	4.00	3.50	3.50	3.50
Malaysia overnight rate	3.50	3.50	3.25	3.00	3.00
Singapore 3-mth rate	3.44	2.58	2.60	2.60	2.60
Philippines reverse repo	7.50	7.50	7.25	7.00	7.25
India reverse repo	7.25	7.75	7.75	7.75	7.75

# Asian currency outlook

Currency values per US\$	Dec 2006*	Jun 2007*	Dec 2007	Jun 2008	Dec 2008
Yen	116	122	125	126	123
China	7.81	7.62	7.45	7.40	7.30
Won	930	925	910	910	925
NT\$	32.6	33.0	32.0	31.5	31.0
HK\$	7.78	7.82	7.80	7.80	7.80
Rupiah	8 995	8 900	8 500	8 300	8 100
Baht	35.5	34.5	36.0	37.0	38.0
Ringgit	3.53	3.43	3.37	3.35	3.33
S\$	1.54	1.53	1.50	1.49	1.48
Peso	49	46	45	48	52
Dong	16 050	16 100	16 100	16 200	16 250
Rupee	44.3	40.0	39.5	39.8	40.0