



Weekly Observatory

November 30th, 2009

Economic and Financial Market Highlights (21st -27th November 2009)

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GDP figures released this week have confirmed that all the Emerging Asia economies have expanded in the third quarter of the year albeit in most cases below the June quarter figure. Thus, doubts remain whether the economic recovery is sustainable as declines in exports have accelerated, denting consumer and business confidence. Nevertheless, industrial output seems to be rising once more after the brief hiatus in September while inflation is picking up in emerging economies although not so in Japan. On the policy front, Malaysia left its benchmark policy rate unchanged and Japan indicated it might reintroduce its corporate debt purchasing program after it expires in March should it be necessary. Strong losses were recorded in all the regions stock markets while most currencies depreciated against the US dollar.

Greater China

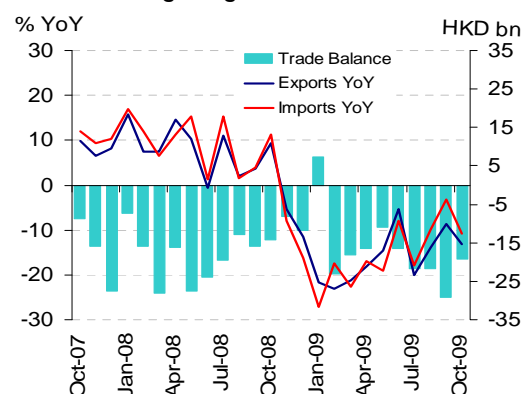
- **China's** state-owned firms' profits in the first 10 months were down 10.6% from a year earlier, a milder rate of decline than the 17.6 % year-on-year (yoy) drop in the first three quarters. Over the previous month, profits rose 9.2% in October, driven by revenue growth in the automotive, property and petrochemical sectors.

- **Hong Kong's** exports fell 13.1% year-on-year in October, a sharper drop than September's 8.6% yoy decline and in line with the markets expectation. This slump in overseas shipments was due to a drop in demand for electronic, telecommunication and clothing goods in Asia. On a seasonally adjusted basis though, exports in the three-month period ending October 2009 actually rose 4.0% from the preceding three months, and thus reversed the 2.2% decline registered in September. Imports meanwhile, were down 10.7% yoy, compared with a year-on-year decrease of 3.1% in September which resulted in a narrowing of the trade deficit to HKD19.2 billion (USD2.47 billion) from HKD29.1 billion.

- **Taiwan's** posted better-than-expected GDP figures when its economy shrank 1.29% in the September quarter from a year earlier (Bloomberg: -2.6% yoy), narrowing from the second quarter's revised 6.85% yoy slump and posting its slowest annual pace of decline this year. Private consumption grew 2.21% from a year earlier--the first on-year growth after a yearlong decline--following the previous quarter's 0.6% drop. Taiwanese authorities have modified their growth prospect for 2009, upgrading them to 2.53% contraction in 2009 from its previous forecast of a 4.04% drop while for 2010, forecast were revised upwards to 4.39% growth from its previous projection of a 3.92% expansion. Quarter-on-quarter, Taiwan's economy slowed its expansion to 2.9% qoq from 4.8% qoq in the June quarter

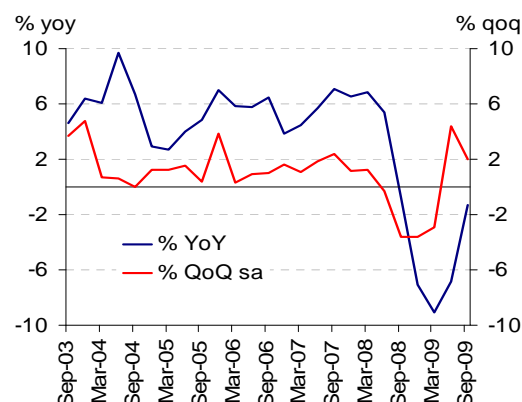
Taiwan's industrial production increased 6.56% year-on-year in

Hong Kong: External Trade



Source: CEIC

Taiwan: GDP Growth



Source: CEIC

October, faster than the 1.01% growth in the previous month. Manufacturing was the main driver in industrial production and offset the contractions posted in mining and quarrying and in electricity production.. Month-on-month, seasonally adjusted factory output slipped 0.5%, having soared 7.0% mom in September.

Taiwan's export orders climbed in October for the first time in 13 months as stronger demand for electronics goods spurred the island's economic recovery. Orders rose 4.4% from a year earlier, after a 3% yoy drop in September. Month-on-month, seasonally adjusted export orders rose 1.5% mom, slowing down on the previous month's 3.7% increase. The positive export order and industrial output figures were reflected on Taiwan's jobless rate, which fell slightly to a seasonally adjusted 5.96% in October from 6.04% in the previous month.

India

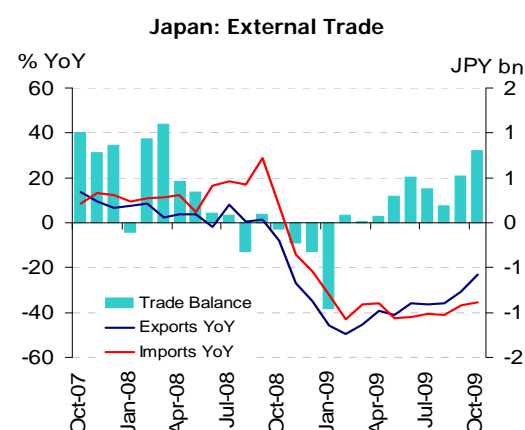
- **India's** inflation rate for primary articles increased to 11% yoy in the week ended 14th of November from 9.9% yoy in the previous week as food prices continue to pressure inflation upwards. Inflation of manufactured good remained unchanged over the previous week at 2.7% yoy while energy prices followed a similar trend, increasing 1.51% yoy, the same pace as in the previous week. As a result, the wholeprice index accelerated to 4.4% yoy from 3.8% yoy in the previous week. Week-on-week (WoW), non-seasonally adjusted inflation crept 0.30% wow, virtually unchanged over the previous week.

Japan/Korea/Australia

- **Japan's** central bank published the minutes of its October 30th monetary policy meeting. Apart from leaving the overnight benchmark rate unchanged at "around 0.1%", the Bank of Japan board members decided to stop buying corporate debt at the end of the year and terminate its special program of providing unlimited collateral-backed loans to banks on March 31st. However, the board members indicated that the central bank might reinstate this policy if it deemed it necessary to support the economic recovery.

Japanese exports plunged 23.2% in October from a year earlier, less than the previous month's 30.6% yoy nose-dive although and beating the consensus forecast of a 27% yoy tumble. Exports to the United States fell 27.6% from a year earlier, down for the 26th consecutive month. The pace of decline slowed from -33.9% in September while shipments to the European Union slumped 29.0%, down for the 15th straight month. The pace of decline was smaller than -38.6% in September. Meanwhile, imports plummeted 35.6% yoy, having after slumping 33.4% yoy in September. As a result, Japan posted in October a trade surplus of JPY807.1 billion (USD9.1 billion). Month-on-month (mom), exports increased for the third consecutive month, accelerating their seasonally adjusted growth to 2.5% mom from 0.6% mom in September and 0.1% mom in August.

Japanese retail sales shrank for the fourteenth month in October, contracting 0.9% year-on-year in October, although sales improved over the 1.3% decline in the preceding month and beat economist's expectation of a 1.6% yoy slump. Sales in large-scale retail stores declined 7.2% yoy, faster than the 5.6% posted in September. At the same time, wholesale sales plummeted 24.4% yoy, after the 27.1% yoy plunge in the prior month. On a monthly basis, seasonally adjusted retail sales slipped 0.9% in October, reversing the previous



Source: CEIC.

months 0.9% gain while wholesale sales climbed a seasonally adjusted 2.5% mom in October after slipping back 2.1% mom in the previous month.

Japan's core consumer inflation rate fell 2.2% yoy in October (Bloomberg: -2.4% yoy), posting the eighth straight year-on-year decline as the costs of gasoline, heating oil and overseas holiday tours continued to show sharp declines from year-earlier levels. But the pace of price drops slowed slightly for the second month in a row, rising from -2.3% yoy in September and the record -2.4% yoy in August as the energy costs were not as far below their summer 2008 peaks than in previous months. Month-on-month, October's seasonally adjusted core inflation rate came in at -0.1%, reversing the previous month's 0.1% mom climb, which had been the first month-on-month increase in half a year.

Meanwhile, Japan's unemployment rate stood at a seasonally adjusted 5.1% in October, down from 5.3% in the previous month and beating the market forecast of 5.4%. This drop in the jobless rate however, is due mostly to workers dropping out of the labour rather than because new job opportunities were created.

- **Korea's** consumer confidence fell in November for the first time in eight months, reflecting concerns about the sustainability of the economic recovery. The sentiment index declined to 113 from 117 in October, the highest reading in more than seven years. An index figure of more than 100 indicates optimists exceed pessimists. The concern about the economic recovery was also reflected in the Business Sentiment Index (BSI), which turned downwards for the first time in nine months, when it slipped 89 points, having reached 92 in the previous month. The BSI measuring manufacturers' outlook for the coming month fell to 85 for December from 93 the previous month. It marks the lowest mark since registering 80 in August and a sharp turnaround from October's two-year high of 94.

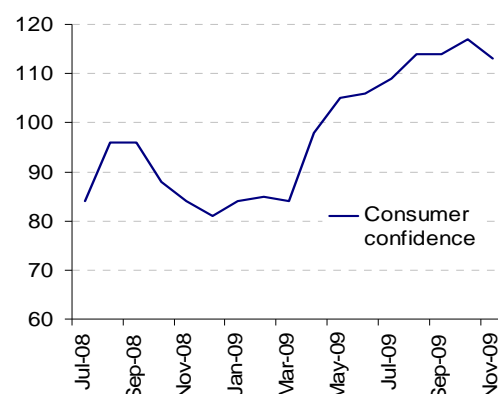
Korea recorded a current account surplus of USD4.9 billion in October, rising slightly from a revised surplus of USD4 billion in September. This increase was due to widening of the goods surplus and a narrowing of the service deficit while the surplus in both the capital account and the transfers account widened over the previous month.

ASEAN

- **Singapore's** industrial output climbed 3.6% year-on-year in October (Bloomberg: 7.5% yoy), rebounding from the upwardly revised 6.3% yoy decrease in the previous month. Output in the electronics, which has the largest share in overall industrial output value, surged 17.7% annually in October, much faster than the 2.4% yoy increase in September. Production in the biomedical manufacturing sector grew 0.8% yoy, reversing some of the 13.9% yoy slump in the previous month. On a monthly basis, industrial output slumped a seasonally adjusted 6.7% in October, slower than the upwardly revised 8.7% mom decrease in the preceding month on the back of falling output in the biomedical industry.

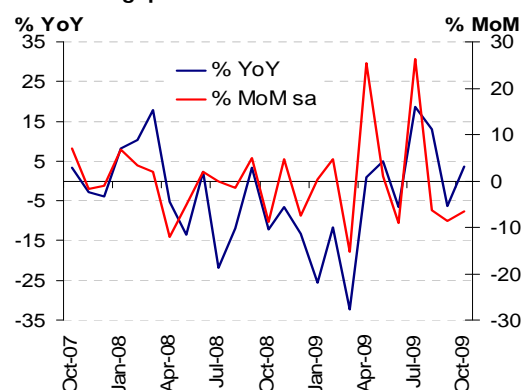
Singapore's consumer prices slipped 0.8% year-on-year in October, faster than a 0.4% fall in the previous month and ahead of economist expectation of a 0.5% yoy drop. The fall in price was due to lower housing costs thanks to lower electricity and gas tariffs as well as cheaper liquefied petroleum gas and a slight contraction in the price

Korea: Consumer Confidence



Source: CEIC.

Singapore: Industrial Production



Source: CEIC

of recreation. Meanwhile, on a seasonally adjusted basis, consumer prices climbed 0.3% in October having remained flat in September.

- **Malaysia's** central bank refrained from raising interest rates, keeping borrowing costs at a record low 2% to support the nation's economic recovery. This is the sixth straight month that policy rates have remained at this level and the decision was inline with the market's expectation. The country's subdued inflation rate gives the central bank room to continue its loose monetary policy aimed at spurring growth.

- **Philippines'** gross domestic product expanded a seasonally adjusted 1.0% sequentially in the third quarter (Bloomberg: 1.3% qoq), slower than the downwardly revised 1.7% qoq growth in the second quarter. Growth in consumption, which was bolstered by higher remittances in peso terms from abroad, was the main growth driver although a slump in manufacturing output partially offset this expansion. On a yearly basis, gross domestic product gained 0.8% in the third quarter, the same rate of growth as in the previous quarter.

Philippine imports in September fell 25.0% yoy from a year earlier, improving on the previous month's 28.3% plunge and leading to the smallest monthly trade deficit since a surplus in November 2008. Electronics, the country's main import, were down 22.1% yoy in September from a year earlier after a revised 21.1% yoy annual drop in August. Export data released a fortnight ago reveal that overseas shipments slumped 18.3% yoy which has led to a trade deficit of USD 34 million, the smallest deficit since November 2008.

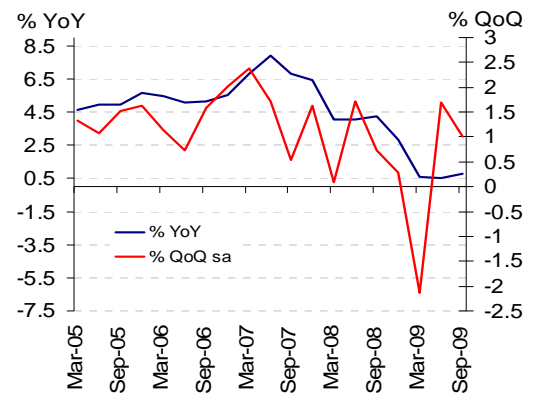
- **Thailand's** economy unexpectedly slowed down its growth rate to a seasonally adjusted 1.3% qoq after expanding 2.2% qoq in the June quarter and below the market's forecast of 2.3% qoq growth. Manufacturing declined 5.9% qoq last quarter, compared with an 8.7% qoq drop in the previous three months while private consumption fell 1.3% qoq, the smallest drop in three quarters and total investment slid 6.3% qoq, easing from a 10.2% qoq fall the previous three months. Over the same quarter last year, GDP contracted 2.8%, improving on the June quarter's 4.9% yoy slump. Thai authorities announced furthermore, that they expect year-on-year growth to recover in the final quarter of the year.

- **Vietnam** raised its benchmark interest rate to 8% from its previous value of 7% and reset its official exchange rate in an attempt to rein in lending, control inflation and stabilize its currency. As a result, the Dong devaluated more than 5% against US dollar. Furthermore, authorities modified the official range in which the Dong can trade, which was narrowed to 3% above or below the new midpoint of VND/USD 17.961, compared to the previous 5% band around a midpoint of VND/USD 17.034.

Asian Financial Markets

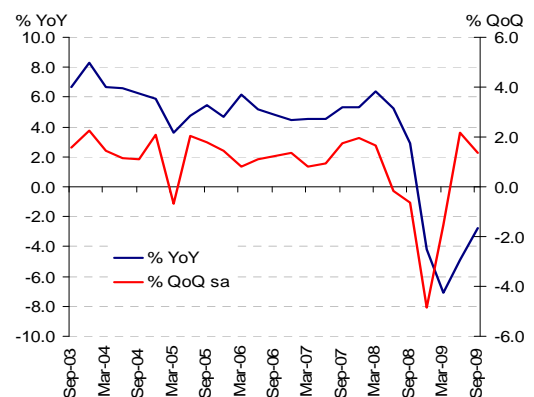
- Strong losses in all Asia-Pacific stock markets after one of Dubai's The biggest losses were posted in China, which plunged 6.4% over the week ended Friday. Hong Kong and Korea both recorded a 5.9% fall while the Japanese index contracted 4.4%, Indonesia lost 3.8% of its value, Taiwan tumbled 2.5%, Australia and India slumped 2.3% while Thailand withdrew 2.1%. Shorter trading week in Japan, which shut on Monday while Singapore and Malaysia stock markets remained closed on Friday due to local festivity and thus have not yet

Philippines: GDP Growth



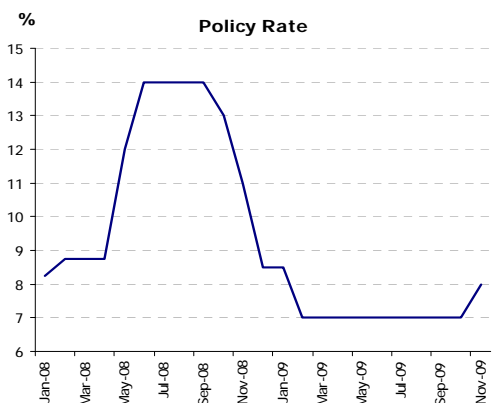
Source: CEIC

Thailand: GDP Growth



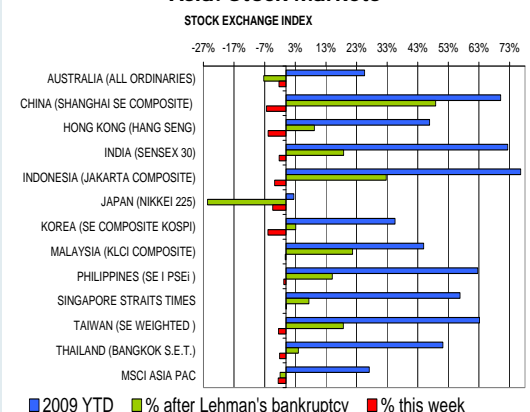
Source: CEIC

Vietnam: Policy Rate



Source: CEIC

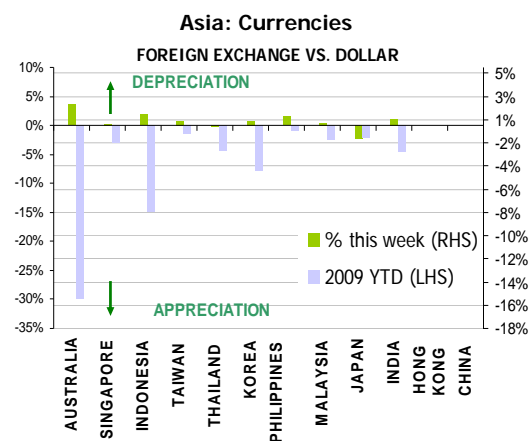
Asia: Stock Markets



Sources: Datastream and Bloomberg.

been affected by the Dubai crisis.

- Most Asia-Pacific currencies lost ground against the US dollar over the week. The best performer was the Japanese yen, which appreciated 2.74% and was the only currency to gain on the US dollar. The Australian dollar was the worst performer, slipping 1.27% and was followed by the Korean won (-1.21%), the Malaysian ringgit (-0.8%), the Indonesian rupee (-0.71%) and the Philippine peso (-0.32%). The rest of currencies remained unchanged over the week.



Sources: Datastream and Bloomberg.

Appendix Tables

1. Financial Markets

a) Stock market

	Stock Index	Weekly average		Week-end	Total turnover
		Level	Level	% change over a week	US\$ bn
China	Shanghai Composite	3224	3096	-6.4	241.9
Hong Kong	Hang Seng	22230	21135	-5.9	49.4
Taiwan	Taiwan Weighted	7678	7491	-2.5	18.8
India	Sensex	16999	16632	-2.3	17.4
Japan	Nikkei 225	9361	9082	-4.4	41.5
Korea	Seoul Composite	1592	1525	-5.9	18.4
Indonesia	Jakarta Composite	2440	2394	-3.8	1.6
Malaysia	KLSE Composite	1271	1271	-0.3	1.2
Philippines	Philippines Composite	3064	3045	-0.8	1.7
Singapore	Straits Times	2779	2762	0.0	4.0
Thailand	SET	686	680	-2.1	2.6
Australia	All Ordinaries	4703	4597	-2.3	24.5

Source: Bloomberg.

b) Foreign exchange market

	Currency	Spot			3-month forward 1/		12-month forward 1/	
		Weekly average level	Week-end level	% change over a week 2/	Weekly average level	Week-end level	Weekly average level	Week-end level
China	(RMB/USD)	6.83	6.83	0.02	6.81	6.81	6.63	6.65
Hong Kong	(HKD/USD)	7.75	7.75	0.00	7.75	7.74	7.73	7.73
Taiwan	(TWD/USD)	32.27	32.33	0.00	31.95	32.05	31.19	31.29
India	(INR/USD)	46.46	46.60	-0.06	46.55	46.76	47.09	47.29
Japan	(JPY/USD)	87.69	86.40	-2.74	87.66	86.36	87.39	86.09
Korea	(KRW/USD)	1159.21	1175.20	1.21	1161.34	1176.30	1170.32	1184.10
Indonesia	(IDR/USD)	9469.60	9535.00	0.71	9574.50	9710.00	10021.75	10155.00
Malaysia	(MYR/USD)	3.39	3.41	0.80	3.39	3.43	3.39	3.42
Philippines	(PHP/USD)	46.95	47.22	0.32	47.31	47.72	47.82	48.22
Singapore	(SGD/USD)	1.38	1.39	-0.05	1.39	1.39	1.39	1.39
Thailand	(THB/USD)	33.20	33.26	0.03	33.27	33.32	33.34	33.39
Australia	(USD/AUD)	0.92	0.90	-1.27	0.91	0.89	0.88	0.86

Notes: 1) Non-Delivered Forward (NDF) for China, Taiwan, India, Korea, Indonesia, Malaysia, Philippines and Thailand.

2) For all currency except Australian Dollar, "+" refers to depreciation in local currency, while "-" means appreciation.

Source: Bloomberg.

c) Money market ^{1/}

	7-day 2/		3-month 3/		1-year 4/	
	Week-end level	b.p. change over a week	Week-end level	b.p. change over a week	Week-end level	b.p. change over a week
China	1.51	5	1.82	-18	-	n.a.
Hong Kong	0.05	0	0.11	-1	0.56	-2
Taiwan	0.17	0	0.61	0	0.93	0
India	3.50	8	4.45	5	n.a.	n.a.
Japan	0.19	0	0.52	0	0.66	0
Korea	2.38	-1	2.79	0	3.97	-2
Indonesia	6.47	3	7.05	0	7.63	6
Malaysia	2.03	0	2.17	0	2.26	1
Philippines	4.88	44	4.63	19	4.31	19
Singapore	0.31	0	0.69	0	0.91	0
Thailand	1.26	0	1.36	-1	1.71	-1
Australia	3.73	-4	3.95	3	-	n.a.

Notes: 1) Inter-bank offer rate, except specified.

2) 14-day MIBOR for India, 7-day inter-bank rate for Malaysia and Singapore, and bank bill rate for Australia.

3) 3-month bank bill rate for Australia.

4) Not available for India, and 1-year bank bill swap rate for Australia.

Source: Bloomberg.

d) Bond market

		3-month 1/		5-year
	Week-end level	b.p. change over a week	Week-end level	b.p. change over a week
China	1.25	-2	3.09	0
Hong Kong	0.04	0	1.48	-6
Taiwan	0.32	0	0.89	1
India	3.23	-3	6.97	7
Japan	-	n.a.	0.54	-5
Korea	2.10	1	4.57	-1
Indonesia	6.79	3	9.12	-16
Malaysia	2.02	-1	3.73	-4
Philippines	4.05	-2	6.41	9
Singapore	0.42	-1	1.33	-1
Thailand	1.53	-1	3.64	31
Australia	4.06	-6	4.94	-16

Notes: 1) Band 4 bond for Malaysia, which is 68 to 91 days to maturity.

Sources: Bloomberg.

2. Week Ahead**a) Data Release Calendar**

Date	Country	Data	for	Previous	Forecast
30-Nov	Japan	Industrial Production YOY%	OCT P	-18.40%	-13.40%
30-Nov	Korea	Service Industry Output YoY	OCT	4.20%	--
30-Nov	Korea	Industrial Production (YoY)	OCT	11.00%	5.80%
30-Nov	India	Qtrly GDP YoY%	3Q	6.10%	6.30%
30-Nov	Thailand	Total Exports YOY%	OCT	-8.30%	--
30-Nov	Thailand	Total Imports YOY%	OCT	-18.20%	--
30-Nov	Thailand	Total Trade Balance	OCT	\$2047M	--
30-Nov	Thailand	Manufacturing Production (YoY)	OCT	0.40%	-0.50%
30-Nov	Thailand	Total Capacity Utilization	OCT	64.7	--
30-Nov	Thailand	Current Account Balance (USD)	OCT	\$1258M	\$1561M
30-Nov	Thailand	Business Sentiment Index	OCT	49	--
30-Nov	Hong Kong	Govt Mthly Budget Surp/Def HK\$	OCT	-14.3B	--
1-Dec	Australia	Building Approvals (YoY)	OCT	11.70%	9.60%
1-Dec	China	PMI Manufacturing	NOV	55.2	55.9
1-Dec	Korea	Ext Trade - Export (YoY)	NOV	-8.50%	22.80%
1-Dec	Korea	Ext Trade - Imports (YoY)	NOV	-16.00%	8.60%
1-Dec	Korea	Ext Trade - Balance in US\$ Mln	NOV	3631	--
1-Dec	Taiwan	HSBC Taiwan Manufacturing PMI	NOV	--	--
1-Dec	China	HSBC Manufacturing PMI	NOV	55.4	--
1-Dec	Hong Kong	Purchasing Managers Index	NOV	54.6	--
1-Dec	Australia	RBA CASH TARGET	01-Dec	3.50%	3.75%
1-Dec	Korea	Consumer Price Index (YoY)	NOV	2.00%	2.20%
1-Dec	India	India November Markit Manufacturing PMI (Table)	02-Nov		
1-Dec	Indonesia	Inflation (YoY)	NOV	2.57%	2.70%
1-Dec	Indonesia	Core Inflation (YoY)	NOV	4.52%	4.47%
1-Dec	Indonesia	Exports (YoY)	OCT	-19.90%	-5.20%
1-Dec	Indonesia	Total Imports (YoY)	OCT	-24.20%	-18.00%
1-Dec	Indonesia	Total Trade Balance	OCT	\$1269M	\$1180M
1-Dec	Thailand	Consumer Price Index (YoY)	NOV	0.40%	1.80%
1-Dec	Thailand	Core CPI YOY	NOV	-0.10%	0.20%
1-Dec	Hong Kong	Retail Sales - Value (YoY)	OCT	2.40%	7.60%
1-Dec	India	Exports YoY%	OCT	-13.80%	--
1-Dec	India	Imports YoY%	OCT	-31.30%	--
2-Dec	Thailand	Benchmark Interest Rate	02-Dec	1.25%	1.25%
2-Dec	Singapore	Purchasing Managers Index	NOV	50.2	--
2-Dec	Singapore	Electronics Sector Index	NOV	49.6	--
3-Dec	Australia	Retail Sales s.a. (MoM)	OCT	-0.20%	0.30%
3-Dec	Indonesia	Bank Indonesia Reference Rate	03-Dec	6.50%	6.50%
4-Dec	Korea	GDP at Constant Price (QoQ)	3Q F	2.30%	--
4-Dec	Korea	GDP at Constant Price (YoY)	3Q F	-2.50%	--
4-Dec	Philippines	CPI (2000=100) (YoY)	NOV	1.60%	2.60%
4-Dec	Malaysia	Exports YoY%	OCT	-24.20%	-10.40%
4-Dec	Malaysia	Imports YoY%	OCT	-20.20%	-13.00%

Sources: Bloomberg and BBVA staff estimates.

b) Economic Events

Date	Country	Issue	Remarks
2-Dec	Thailand	Thai Central Bank Committee Meets on Interest Rates Policy	

Sources: Authorities of those countries and Bloomberg.

3. Memorandum: Key Macroeconomic Indicators

		China	Hong Kong	Taiwan	India	Japan	Korea	Indonesia	Malaysia	Philippines	Singapore	Thailand	Australia
GDP growth (%yoy)	1Q09	6.1	-7.8	-10.1	5.8	-8.6	-4.2	4.4	-6.2	0.6	-9.5	-7.1	0.3
	2Q09	7.9	-3.6	-7.5	6.1	-7.0	-2.2	4.0	-3.9	0.8	-3.3	-4.9	0.6
	3Q09	8.9	-2.4	n.a.	n.a.	-4.5	0.6	4.2	-1.2	0.8	0.6	-2.8	n.a.
CPI inflation (% yoy) 1/	Oct-09	-0.5	2.2	-1.8	1.3	-2.5	2.0	2.6	-1.5	1.6	-0.8	0.4	1.5
Exports (in local currency) (% yoy) 2/	Oct-09	-13.8	-13.1	-4.4	-8.4	-23.2	-19.0	-15.1	-24.2	-16.0	-8.9	-8.4	-21.6
Trade balance (US\$ bn) 3/	Oct-09	24.0	-2.5	3.2	-7.8	8.9	3.6	2.2	2.7	0.0	2.4	2.0	0.0
Industrial production (% yoy) 4/	Oct-09	16.1	-9.5	6.6	9.1	-18.4	11.0	-0.3	-6.0	-3.4	3.6	1.0	-3.8
Retail sales (% yoy) 5/	Oct-09	17.7	1.0	7.9	n.a.	1.7	-4.7	13.4	4.4	n.a.	-13.8	-6.7	4.9
Money supply (M2) (% yoy) 6/	Oct-09	29.4	14.4	6.8	14.3	3.3	10.7	16.4	9.7	5.3	11.3	7.6	6.9
Domestic credit (% yoy) 7/	Oct-09	34.2	-4.1	-1.1	23.2	1.5	7.2	11.2	7.5	1.7	8.3	2.9	1.7
Unemployment rate (%) 8/	Oct-09	n.a.	5.2	6.0	n.a.	5.1	3.4	n.a.	3.6	7.6	2.9	1.2	5.4

Notes: 1) Wholesale prices for India; Q209 figure for Australia;

2) Figure for China is in US dollar term; figure for Australia includes services; Sep-09 figure for India, Indonesia, Malaysia, Philippines, Thailand and Australia

3) Figure for Australia includes services; Aug-09 figures for Indonesia; Sep-09 figure for India, Malaysia, Philippines and Thailand

4) Q209 Figure for Australia; Sep-09 figure for China, India, Japan, Korea, Indonesia, Malaysia, Philippines and Thailand.

5) Not available for India and Philippines; 3Q09 for Malaysia. Sep-09 figure for Hong Kong, Korea, Indonesia, Singapore and Australia

6) Figure for Australia is broad money in national definition; figure for Hong Kong is only counted HK dollar M2; Jul-09 figure for Indonesia; Sep-09 figure for Hong Kong, India, Korea, Philippines, Singapore, Thailand and Australia.

7) figure for Hong Kong is only counted HK dollar M2; Jul-09 figure for Indonesia; Sep-09 figure for Hong Kong, Taiwan, India, Korea, Philippines, Singapore, Thailand and Australia.

8) Not available for India, China, Indonesia; Q209 figure for Malaysia; Jul-09 figure for Philippines; Sep-09 figure for Singapore and Thailand.

Source: CEIC & DataStream