

# ANZ Economic Monthly

## A month of politics and oil

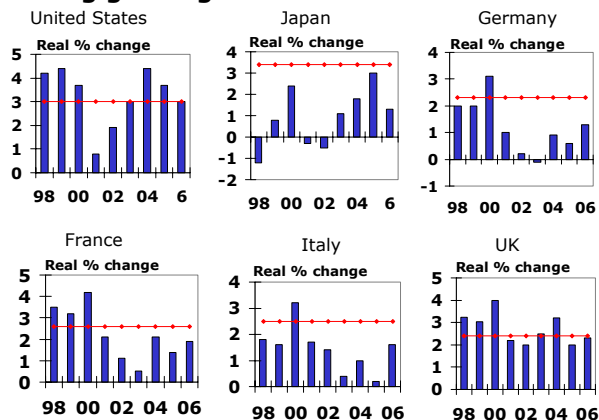
- Hurricane Katrina has pushed oil to a new high
- Focus in the next month will be on evidence – lacking thus far – that oil prices are denting consumer confidence in the US, Australia, NZ and elsewhere
- Elections in New Zealand and Japan in September will dominate regional headlines
- Currency markets are returning to fundamentals

Hurricane Katrina's assault on the Gulf of Mexico at the end of August set oil rigs, and prices, adrift. The spot price for West Texas Intermediate (WTI) rose to over US\$70/bbl on 30 August, or a 25% nominal increase since the end of the second quarter. The fact that oil prices have reached yet another record level prompted renewed concerns about prospects for "permanently" higher oil prices and the potential impact on growth and inflation in Australia, New Zealand and Asia.

## A fundamental review

In all of the hype about the damage that high oil prices inflict on the global economy, it is worthwhile to review the fundamental factors contributing to higher oil prices as well as some of the potential reasons why prices have not yet significantly impacted growth or inflation in the region. A review of the fundamentals behind the oil price phenomenon – both cause and effect – leaves some doubt as to whether even US\$70/bbl will have anything more than a marginal impact on the major regional economies.

### Strong global growth – from the US & China



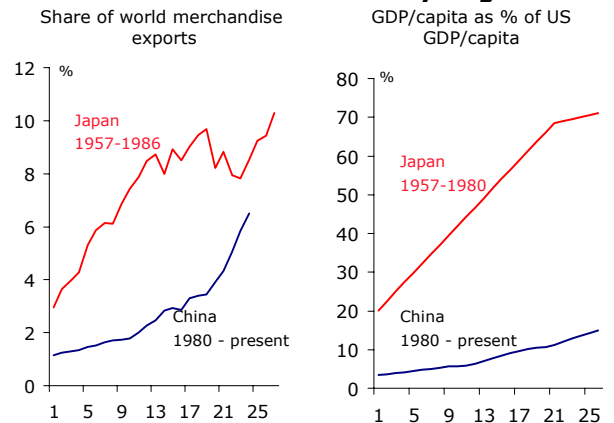
Sources: National agencies, Datastream, OECD and Economics@ANZ

The series of charts above show growth trends in the G6 economies (Canada excluded). What is notable here is that aside from the United States,

all the major developed economies are growing at well below their 30-year average pace. Yet, global GDP rose by 5% last year – the fastest rate of expansion in 20 years – and according to our current projections will continue to grow at above its 30-year average rate of about 3.75% through the end of 2007. That will make for 5 consecutive years of above-average global growth.

The reason that the global economy continues to perform so well is the incredibly symbiotic economic relationship between the United States and China. Through the massive US current account deficit, the savings of Chinese residents are financing the consumption by Americans of incredibly cheap Chinese products. Exports, primarily of manufactured goods, account for nearly 40% of China's GDP. As long as demand from the US consumer remains in place, China's economic expansion will continue at a strong rate. Although the 9.5% growth China recorded in the first half of the year will need to temper, a comparison of China's recent economic history with that of Japan post-WWII – when Japan initiated its period of export-led growth – shows China potentially still has a long way to go.

### China still has some way to go



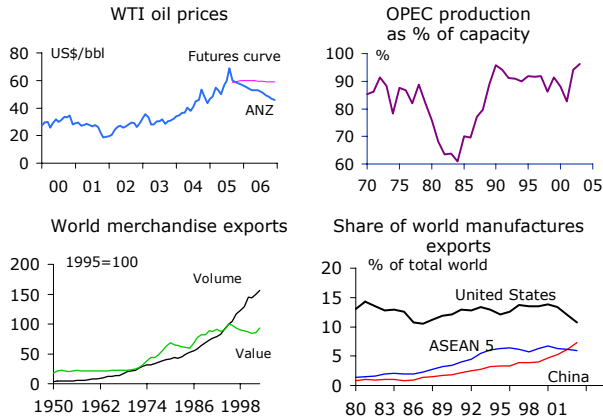
Source: Datastream, Angus Maddison *The World Economy* on OECD database

## The impact on prices

China's growing role in the global economy has two important price impacts. First, there is a demand shock associated with any commodity required to fuel China's growing manufacturing sector – eg oil, coal and iron ore. The demand shock has forced prices on these commodities up, and very rapidly. Second, there is a supply shock associated with China's extremely low cost basis in its manufacturing sector. This means that the price

of any good that China chooses to produce is forced inexorably downward around the world.

**Upward pressure on oil, downward pressure on goods**



Source: BP Statistical Review of Energy 2005; OPEC Monthly Oil Report; World Trade Organisation, Datastream

The charts above highlight the impact of China on the price of commodities versus the price of goods. Data from the WTO show that while the volume of world manufactures exports has risen 50% since 1995, the value of those goods has been flat. For consumers, petrol price increases may well be offset by consumer goods price decreases.

To the extent that consumers are protected from first round effects of higher oil prices, it is feasible to believe that private sector consumption can remain strong as long as wages are stable. The outlook for wages in turn depends upon the extent to which employers are willing to reduce margins in the face of price pressures. Here is the final China effect: manufacturers competing with Chinese firms will continue to be under pressure. The only sectors thus far immune are those in which China does not yet compete.

**Evidence of the low impact of oil prices**

At some point, higher oil prices have the potential to derail the fundamentally strong outlook for global growth – but we do not yet appear to have reached that point. The table in the next column highlights this phenomenon. In the left hand column are the actual 2004 results for growth and inflation for the major Asian economies, ex-Japan. The second column shows the results of a simulation for 2005 conducted by the Asia Development Bank on the impact of an average price of WTI of US\$40/bbl through the end of this year (using the Oxford Economic Forecasting model). These results are very similar to our expectations for growth for this year, but our forecasts are based on a US\$50/bbl oil price.

Central bank forecasts across the region are broadly in line with our projections, but of course the average price year-to-date is now US\$54/bbl –

or 35% higher than the price used in the ADB simulations. In addition to little additional impact on growth from the 35% difference, inflation is markedly lower than in the simulation. This can largely be attributed to the relative strength of regional currencies in the first half of the year, which helped keep a lid on inflation expectations.

**Asia shrugs off higher oil prices**

	2004 Result Avg: US\$41/bbl	2005 Simulation At US\$40/bbl	2005 ANZ Forecast Avg: US\$50/bbl
<b>GDP GROWTH</b>			
China	9.5	8.7	9.0
Indonesia	5.1	5.2	5.5
Japan	2.6	2.1	1.7
Korea	4.6	4.0	3.8
<b>Asia ex-Japan</b>	<b>8.1</b>	<b>7.3</b>	<b>7.3</b>
<b>INFLATION</b>			
China	3.9	5.2	1.6
Indonesia	6.1	7.4	7.6
Japan	0.0	0.7	0.0
Korea	3.5	4.3	3.7
<b>Asia ex-Japan</b>	<b>3.2</b>	<b>4.3</b>	<b>2.8</b>

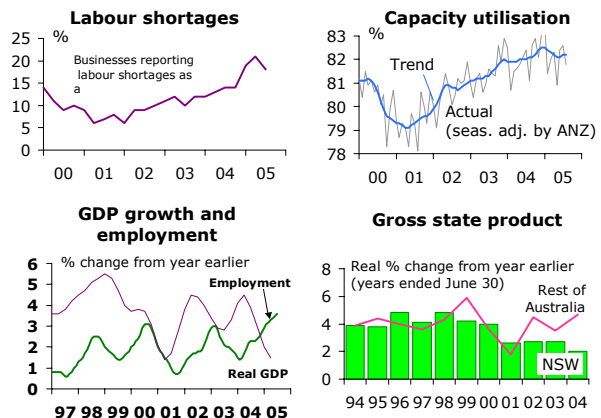
Sources: Simulations taken from Cyn-Young Park, "Higher Oil Prices: Asian Perspectives and Implications 2004-2005," ADB ERD Policy Brief; Datastream, ANZ Bank

Indeed, Q2 GDP results have generally been above expectations. Malaysia and Indonesia were the exception due to the removal of fuel subsidies.

**Impact in Australia and New Zealand**

Australia and New Zealand, being at a similar point in the business cycle to the United States, are experiencing similar trends. Growth is stable albeit somewhat below trend, current account deficits are large and bond yields are low. Employment is strong despite weaker GDP growth, but the strong currencies have helped dampen inflation. The RBA's most recent monetary policy statement removed its tightening bias, as labour shortages and capacity utilisation edged down off their recent highs. The one-shot rate hike in the first half appears to have taken the froth off the real estate market, as housing prices in capital cities has decelerated gradually.

**Australia reflecting global trends**



Source: Datastream, ANZ Bank

One noticeable trend in the Australia economy – again reflecting global structural change – is the diverging prospects for growth across the states, with economic activity across the resource rich belt in west and northeast (WA, NT and QLD) clearly outpacing that of the manufacturing corridor along the southeast coast (NSW and VIC). Tasmania has experienced a small positive effect from China.

## Monitor sentiment, and prices

Our forecasts continue to anticipate a global soft landing, with US growth falling to 3.7% in 2005 from 4.2% last year, and China also moderating from 9.5% to 9.0% this year. Second quarter results confirm a gradual slowdown, as global GDP growth has ebbed from 5% at end-2004 to about 4.4% currently. We continue to expect global growth to slow to 4.2% by the end of the year.

Under this scenario, demand for oil should decline, particularly since the US and China accounted for more than half of the increase in consumption last year. Prices should follow the downward trend in demand, but concerns about supply – due to weather, geopolitical tensions or a multitude of other factors – could easily prevent this from occurring. For the time being, however, we will continue to use an average price of US\$50/bbl for our forecasts for this year and next year. In terms of oil's impact on growth and inflation, perhaps the most important indicator to monitor is US consumer confidence. The August reading of 103.2, higher than the 102 expected, would seem to indicate confidence remains high despite the rise in energy prices over the month.

## And now, politics

The upcoming elections in New Zealand and Japan in September are far from ho-hum. In NZ, the 17 September elections could result in a minority coalition government due to the Maori Party. In Japan, the 11 September elections could prove a watershed for the Liberal Democratic Party.

## Minority coalition for NZ?

New Zealand's political scene is dominated by the Labour Party (the left) and the National Party (the right), but both parties are essentially centrist. Collectively, they typically capture roughly 80% of votes, which is insufficient to gain a majority in parliament. The inevitable result has been a coalition government. Historically, fringe parties (Greens, Progressive on the left, United Future and NZ First in the middle ground) account for the remainder and form part of any coalition.

Labour (Helen Clark) and National (Don Brash) are neck and neck in the polls, with 40-45% support. The Greens (6%) could gain seats, and the

Progressives and United Future may win a seat. All are Labour coalition parties. NZ First – a National partner – is polling around 6%. The Labour coalition is thus marginally across the 50% threshold for a majority coalition.

NZ has a "mixed member proportion" election system, which means that 60 of the 120 seats in parliament are determined by regional elections (first past the post), and the other half by a party preference vote. The party vote determines how many seats each party will have in parliament, with 5% support needed to gain a seat.

There is a complicating factor in this election. The Maori Party has good support in the polls, and may gain in the Maori electoral seats (but registering only 1 percent in the party vote). If this occurs, the size of parliament could be increased to around 125 seats. Moreover, the Maori Party expressed intention of staying in opposition, which implies that a coalition would need to gain close to 52-53% of the registered vote to gain a majority.<sup>1</sup> This hurdle may prove too high, and a minority coalition is looking like a distinct possibility.

The key issue in the election has been taxes and expenditure priorities. Labour is campaigning on targeted assistance to low-income families, more health spending and other offers of greater social support. National's platform focuses on tax cuts with a package that offers marginally more economic upside but less social support.

In reality, however, there is little differentiation between a red (Labour) and blue (National) hue, and the election is unlikely to be of much economic consequence. The key nucleus of policies that underpin New Zealand's medium-term growth potential reside in an independent central bank, flexibility within the labour market, a floating currency, and the Public Finance Act. These are so well enshrined in New Zealand's legislative framework that it is difficult to envisage any change. Given the strong framework, perhaps the overarching aim of the new government should be to first do no wrong.

At the margin, the prospect of a minority coalition may add a layer of political risk. But as far as government decision-making ability is concerned, policy paralysis may in fact assist the first law of policy-making: do no wrong!

## The future for Japan's LDP

The upcoming election in Japan has a great deal of economic significance, albeit mostly in the medium term. While ostensibly about the failure of the upper house of parliament to pass Prime Minister

<sup>1</sup> If Parliament increases in size to 125 seats, any majority will require 63 seats of the 120 seats allocated according to the party vote.

Koizumi's postal privatisation bill, what is really at stake is the future of the LDP and its traditional support for a level of government involvement in the economy that has strangled productivity.

At the surface, Koizumi's gamble to call snap elections on the rejection of the bill would seem a rash act. The snap elections are for the lower house, which passed the privatisation bill, and so do not remove the LDP rebels in the upper house who rejected it. The bill itself is only a baby step in the reform of Japan Post, which is the largest savings bank in the country and has been a useful mechanism for financing politically-based projects. Moreover, Koizumi himself is scheduled to step down as head of the LDP in September 2006.

At a deeper level, however, what the snap elections represent is Koizumi's last great effort to modernise the LDP. By kicking out the lower house rebels of the "old guard" and replacing them with political outsiders rather than party hacks, Koizumi has turned the snap election into a referendum on the future direction of the LDP. Should the LDP retain control of the lower house, as polls currently indicate, Koizumi will have proven to his party colleagues that voters support change in the party, and change to the economic policy framework.

### Polls and projected lower house seats

Yomiuri poll results 17-19 August	53.2% for Koizumi cabinet
8-9 August	47.7% for Koizumi cabinet
Asahi poll results 29 August	24% LDP; 16% DPJ
22 August	29% LDP; 13% DPJ
Projected LDP seats after 11 Sept elections	221-222 (average projected by political analysts)
Current number LDP seats	212
Projected Komeito seats	27-31
Projected coalition seats	248-253 out of 480
Current coalition seats	246
Koizumi self-declared minimum	241

Source: Wire services

Although any benefit to the economy from an increase in the reformist tilt of the government would be a long-term proposition, a Koizumi victory would likely provide a near-term boost to sentiment. Failure to gain sufficient seats for Koizumi to remain in office or – less likely – a victory by the opposition DPJ could bring about a decline in confidence as uncertainty over reform and public financial management would increase.

The elections come in the midst of a resurgence of economic activity in Japan that has the appearance of a possible return to steady growth. Although August's data on employment and consumer confidence was disappointing, a number of indicators point to a sustained upturn in domestic demand. Exports are also performing well, and the

combination of stronger consumption and net export expansion is likely to bring about upside surprises for the Japanese economy through the end of the year, particularly in the event of a Koizumi victory.

### A word on currencies

Finally, a short comment on the currency markets. At the beginning of July, we published a note pointing out that currencies across Asia all reached their weakest point against the US dollar for the year to date in that first week of the second half. Our expectation was for the weakening to continue due to declining trade surpluses on the one hand and the rising differential with US interest rates on the other. Both of these fundamental factors played out in July, but China's 21 July announcement on a shift in the regime for the CNY changed the trend and currencies strengthened against the USD through much of August.

However, in our view the fundamental factors that would support a stronger US dollar are still very much present. Higher oil prices will lead to lower trade surpluses across the Asian region, and also an expectation in the foreign exchange markets that growth and inflation will be affected (even with lack of evidence to prove the point). There is little doubt that the US Federal Reserve will continue its measured pace of interest rate increases, with an increasing number of analysts now speculating that the Fed may move beyond "neutral" in 2006 given still low longer term yields.

The return of a stronger US dollar trend appeared at the end of August for the Australian and NZ dollars as well as the Asian currencies. Our forecasts call for another leg down by year-end, as seen in the table on Page 7.

The Indonesian rupiah has weakened dramatically over the past few weeks. In our view this is not reflective of regional trends, but rather particular issues in the Indonesian economy related to low real interest rates and speculation on the removal of fuel subsidies. For further discussion on the rupiah, please see, "Highlights of Research Trip to Indonesia," dated 25 August 2005.

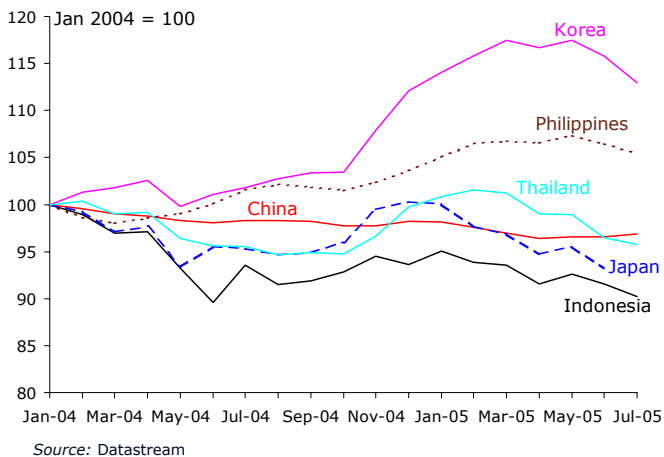
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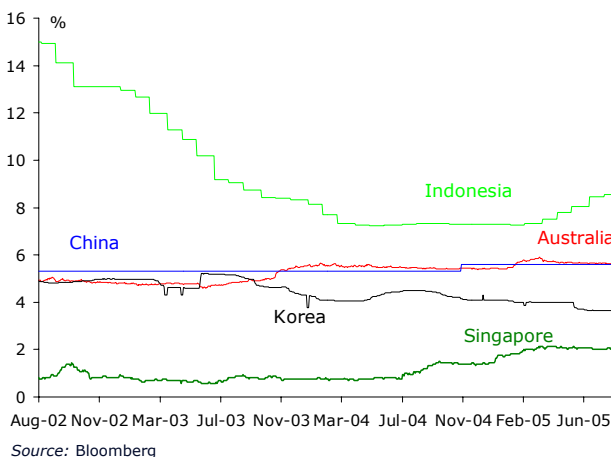
*With input from Saul Eslake, Chief Economist and Cameron Bagrie, Head of NZ Market Economics & Strategy*

# Financial Markets Update

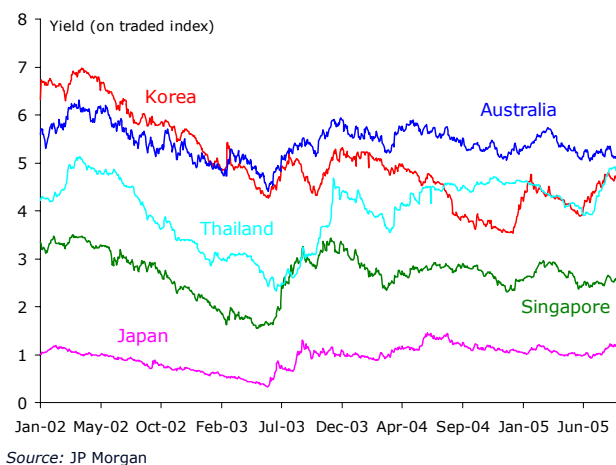
Real Exchange rates, US\$ per local currency unit, indexed



Interest rates



Government Bond Index



## Exchange rates

- The rupiah weakened dramatically at the end of August, prompted by falling real interest rates, increased volatility in the local market due to new FX regulations and ongoing speculation on possible reduction of fuel subsidies. A 75 bps rate hike and additional liquidity measures were helping to stem the currency's slide at end August.
- A small but steady uptick in inflation across much of Asia has brought about a weakening of real exchange rates. Nominal rates were stronger for much of the month following China's revaluation announcement on 21 July, but a return to a weakening trend has begun.
- Korea and the Philippines feature the strongest currencies on a RER basis.

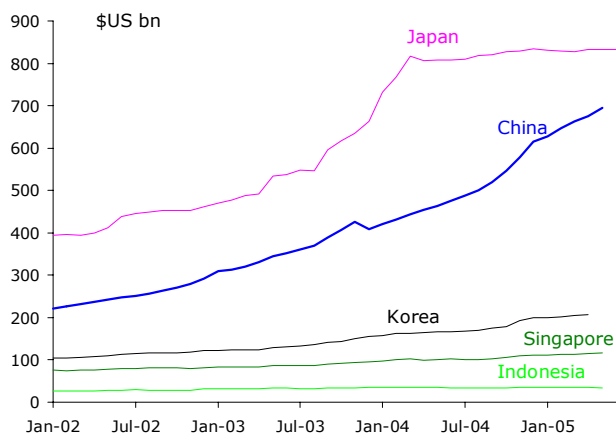
## Interest rates

- The chart at left highlights policy interest rates across the region which have been flat or risen only marginally this year. Real rates in some cases have fallen as inflation has outpaced nominal rate increases.
- Against the backdrop of a moderation in domestic demand, rates in Australia and New Zealand are expected to remain on hold for the rest of this year.
- Indonesia dominated headlines in August after Bank Indonesia raised rates by 75 bps. Inflation has risen more rapidly, so even after this rise real interest rates are still below 2%.
- With the Federal Reserve expected to continue to raise rates by 25 bps at every meeting through year end, rate differentials vs Asia will continue to rise.

## Bond markets

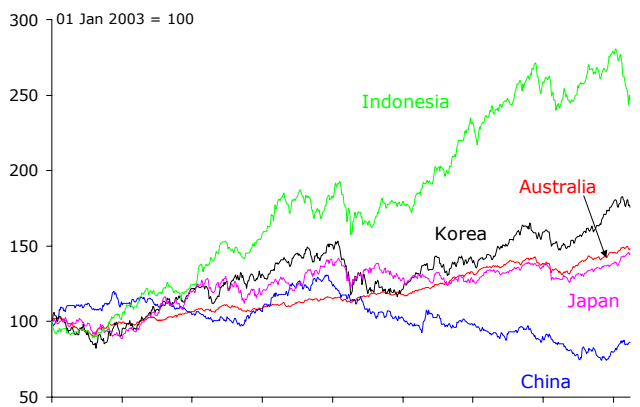
- The chart at left shows the yield on traded government bonds included in JP Morgan's Government Bond Index (GBI) of local currency bonds.
- The uptick in yields in Korea and Thailand over the past few months suggests the Asia risk premium may be on the rise, reflecting slower growth, higher inflation and a steady increase in public sector debt levels.
- The contrast with Australia is interesting. Australia's yields remain low as they continue to trade off of the US yield curve. Long-term yields in the US remain low as US Treasuries are still benefiting from strong overseas buying from public and private sector entities.

International reserves



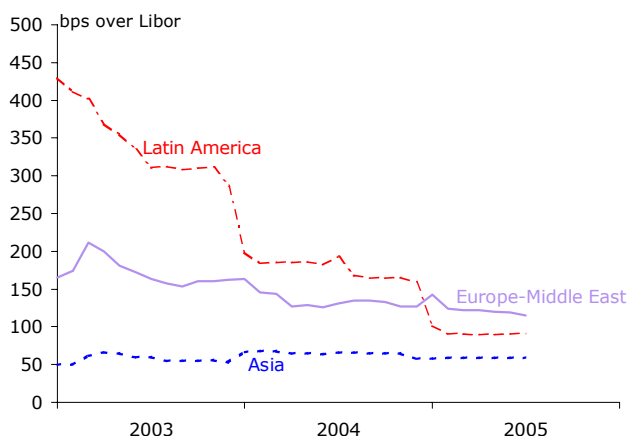
Source: Datastream

Share price indices



Source: Datastream

Trade Finance Credit Spread



Source: LTP Trade Finance Index, LTP Risk Management

## International reserves

- Aside from China, the pace of international reserve accumulation has slowed markedly over the past few months, on the back of lower balance of payments surpluses and weaker currencies.
- Japan remains the largest holder of foreign reserves internationally, but China's stock of reserves could overtake Japan should the pace of China's accumulation remain at recent levels.
- Reserve data is available for only some economies for July, but shows as expected that the weakness of regional currencies for much of the month meant reserves remained basically flat.
- August data will reveal the extent to which China's FX announcement on 21 July attracted capital flows back into Asia.

## Equity markets

- Negative sentiment brought on by the expectation of higher inflation and soaring oil prices and its impact on the Indonesian economy has taken its toll on the stockmarket, which shed 16% in the month of August. Bank Indonesia's decision to lift interest rates caused the market to rally by 4% in a single day.
- Sentiment in Japan remains favourable with the Nikkei-225 breaching the 12,000 level in mid-August for the first time since April 2004. A Koizumi victory on 11 Sept would likely cause a further rally.
- The Australian stockmarket continues to perform well, underpinned by the resource boom.
- Korea's strong equity market performance would appear to refute assumptions that the economy is being squeezed by higher oil prices.

## Trade finance

- The chart at left shows that the trade finance spread for Asia has been fairly steady over the past few years and at a reduced level compared with Latin America and Europe-Middle East.
- The low foreign currency risk spread largely reflects Asia's stronger macroeconomic position following the crisis of the late 1990s.
- Growing intra-Asian trade, with China being among the top exports markets for the rest of Asia, coupled with US demand have also underpinned exports and kept risk spreads low.
- The decline in the risk premium for trade finance reflects reduced risk perceptions across developing countries, which has reduced the global cost of capital.

## FX and policy interest rate forecasts

	July 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jun 06	Dec 06
China								
USD/CNY, eop	8.11	8.10	8.08	8.06	8.05	8.03	7.91	7.78
AUD/CNY, eop	6.16	6.05	5.90	5.75	5.61	5.30	5.18	5.06
Short term rates*	5.6	5.6	5.6	5.6	5.6	5.6	5.3	5
Hong Kong								
USD/HKD, eop	7.77	7.77	7.78	7.78	7.78	7.79	7.79	7.78
AUD/HKD, eop	5.90	5.67	5.54	5.40	5.27	5.14	5.10	5.06
Short term rates**	4.5	4.5	4.75	4.75	4.75	4.75	4.5	4
Indonesia								
USD/IDR, eop	9,805	10,250	10,500	10,000	9,850	9,825	9,663	9,500
AUD/IDR, eop	7,454	7,655	7,666	7,134	6,862	6,485	6,329	6,175
Short term rates***	8.5	9.5	10.25	10.75	10.75	10.5	9	8
Korea								
USD/KRW, eop	1,027	1,039	1,042	1,045	1,048	1,050	1,058	1,065
AUD/KRW, eop	781	776	761	746	730	693	693	692
Short term rates****	3.25	3.25	3.25	3.25	3.25	3.25	3	3
Malaysia								
USD/MYR, eop	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.7
AUD/MYR, eop	2.9	2.8	2.7	2.7	2.6	2.5	2.4	2.4
Short term rates****	2.7	2.7	2.7	2.7	2.7	2.5	2.5	2.25
Philippines								
USD/PHP, eop	56.1	56.3	56.4	56.5	56.6	56.8	56.9	57.0
AUD/PHP, eop	42.7	42.0	41.2	40.3	39.4	37.5	37.3	37.1
Short term rates****	7	7	7	7	7	7	6.75	6.75
Singapore								
USD/SGD, eop	1.66	1.69	1.67	1.67	1.68	1.68	1.69	1.70
AUD/SGD, eop	1.26	1.26	1.22	1.19	1.17	1.11	1.11	1.11
Short term rates <sup>+</sup>	2	2.1	2.2	2.2	2.2	2.1	2.1	2.1
Taiwan								
USD/TWD, eop	32.0	32.8	32.3	32.4	32.6	32.5	32.8	33.0
AUD/TWD, eop	24.3	24.5	23.6	23.1	22.7	21.5	21.5	21.5
Short term rates <sup>+++</sup>	2	2	2.1	2.1	2.25	2.25	2.1	2
Thailand								
USD/THB, eop	41.7	41.4	42.3	42.6	42.8	43.0	41.5	40.0
AUD/THB, eop	31.7	30.9	30.9	30.4	29.9	28.4	27.2	26.0
Short term rates <sup>++</sup>	2.75	2.75	3	3.25	3.25	3.25	3	2.75
Vietnam								
USD/VND, eop	15,868	15,877	15,973	16,015	16,058	16,100	16,250	16,400
AUD/VND, eop	12,062	11,857	11,662	11,425	11,187	10,626	10,644	10,660
Japan								
USD/JPY, eop	112.3	111.7	115.0	115.3	115.7	116.0	116.7	118.0
AUD/JPY, eop	85.4	83.4	84.0	82.3	80.6	76.6	76.4	76.7
Short term rates	0	0	0	0	0	0	0	0
Australia								
AUD/USD, eop	0.76	0.75	0.73	0.71	0.70	0.66	0.66	0.65
Short term rates <sup>^</sup>	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
New Zealand								
NZD/USD, eop	0.68	0.69	0.67	0.65	0.64	0.60	0.57	0.55
AUD/NZD, eop	1.11	1.09	1.09	1.09	1.09	1.11	1.14	1.18
Short term rates <sup>^</sup>	6.75	6.75	6.75	6.75	6.75	6.75	6.5	6

\*:One-year base lending rate; \*\*: HKMA discount rate; \*\*\*: One-month lending rate; \*\*\*\*: Overnight rate

+ : 3-month rate; ^ : cash rate; ++ : 14-day repo rate; +++ : discount rate

**Real GDP Growth (%)**

	2004	2005f	2006f	2007f
<b>Australia</b>	3.2	2.4	3.3	3.4
<b>China</b>	9.5	9.0	8.2	7.8
<b>Hong Kong</b>	8.2	5.5	3.2	3.3
<b>Indonesia</b>	5.1	5.5	6.1	5.6
<b>Japan</b>	2.6	1.7	1.5	1.3
<b>Korea</b>	4.6	3.8	4.6	4.2
<b>Malaysia</b>	7.1	4.9	5.4	5.7
<b>New Zealand</b>	4.8	2.3	2.0	3.0
<b>Philippines</b>	6.1	4.6	4.1	4.1
<b>Singapore</b>	8.4	4.5	4.8	4.5
<b>Taiwan</b>	5.7	3.0	4.5	4.5
<b>Thailand</b>	6.1	3.7	4.9	5.0
<b>Vietnam</b>	7.7	7.1	7.2	7.1

**Nominal GDP (US\$ bn)**

	2004	2005f	2006f	2007f
<b>Australia</b>	620.4	659.6	622.0	683.6
<b>China</b>	1653.0	1,853.6	2,114.4	2,358.8
<b>Hong Kong</b>	163.0	171.8	179.1	187.0
<b>Indonesia</b>	257.6	281	325	350
<b>Japan</b>	4675.5	4,692	4,546	4,861
<b>Korea</b>	681.5	814.0	852.6	880.7
<b>Malaysia</b>	118.3	125.7	135.6	145.4
<b>New Zealand</b>	98.5	105.1	91.6	97.3
<b>Philippines</b>	84.5	97.2	104.3	113.2
<b>Singapore</b>	106.9	111	117	125
<b>Taiwan</b>	206.0	336	357	385
<b>Thailand</b>	163.4	178	197	216
<b>Vietnam</b>	46.0	50	53	57

**Inflation (%)**

	2004	2005f	2006f	2007f
<b>Australia</b>	2.3	2.7	3.0	2.0
<b>China</b>	3.9	1.6	2.2	3.9
<b>Hong Kong</b>	-0.4	0.8	1.2	1.0
<b>Indonesia</b>	6.1	7.6	6.5	5.6
<b>Japan</b>	0.0	0.0	0.4	0.6
<b>Korea</b>	3.5	3.7	3.2	2.8
<b>Malaysia</b>	1.4	2.8	2.4	1.6
<b>New Zealand</b>	2.7	2.9	2.6	1.9
<b>Philippines</b>	4.9	7.5	6.8	6.5
<b>Singapore</b>	1.7	0.2	0.5	0.5
<b>Taiwan</b>	1.6	1.9	1.5	1.2
<b>Thailand</b>	2.8	3.5	2.7	2.0
<b>Vietnam</b>	7.8	8.0	7.0	6.0

**Fiscal Balance (% of GDP)\***

	2004	2005f	2006f	2007f
<b>Australia</b>	0.8	0.8	0.8	0.8
<b>China</b>	-2.3	-2.0	-1.8	-1.9
<b>Hong Kong</b>	1.7	0.7	-0.4	-1.4
<b>Indonesia</b>	-1.5	-1.2	-1.1	-0.9
<b>Japan</b>	-7.1	-6.9	-6.5	n.a.
<b>Korea</b>	-0.9	-1.5	-1.8	-1.5
<b>Malaysia</b>	-5.0	-4.8	-4.5	-3.5
<b>New Zealand</b>	5.3	3.9	4.0	2.9
<b>Philippines</b>	-3.9	-3.4	-3.5	-3.4
<b>Singapore</b>	-0.2	0.1	0.1	0.1
<b>Taiwan</b>	-3.1	-3.3	-4.0	-3.7
<b>Thailand</b>	0.1	-1.2	-1.7	-1.4
<b>Vietnam</b>	-3.0	-3.9	-4.2	-4.3

**Current Account (% of GDP)**

	2004	2005f	2006f	2007f
<b>Australia</b>	-6.4	-6.2	-6.2	-6.4
<b>China</b>	4.2	4.0	3.1	1.9
<b>Hong Kong</b>	9.9	9.3	5.6	2.1
<b>Indonesia</b>	1.1	1.6	1.0	0.7
<b>Japan</b>	3.7	3.3	3.0	2.5
<b>Korea</b>	4.0	2.2	2.2	1.7
<b>Malaysia</b>	12.6	9.5	5.9	4.1
<b>New Zealand</b>	-6.4	-6.8	-6.8	-6.4
<b>Philippines</b>	4.0	3.6	3.6	3.5
<b>Singapore</b>	26.1	24.5	24.0	23.0
<b>Taiwan</b>	6.9	4.9	4.4	4.0
<b>Thailand</b>	4.5	-0.3	-1.5	-0.8
<b>Vietnam</b>	-2.2	-4.7	-5.7	-5.2

**Foreign Exchange Reserves (US\$ bn)**

	2004	2005f	2006f	2007f
<b>Australia</b>	35.8	n.a.	n.a.	n.a.
<b>China</b>	609	735	700	660
<b>Hong Kong</b>	123.6	125	118	105
<b>Indonesia</b>	34.9	34.5	35.5	36.0
<b>Japan</b>	833.9	n.a.	n.a.	n.a.
<b>Korea</b>	199.8	215.5	236.7	230
<b>Malaysia</b>	66.6	78.0	75.6	70.2
<b>New Zealand</b>	5.3	n.a.	n.a.	n.a.
<b>Philippines</b>	13.5	13.8	13.6	13.4
<b>Singapore</b>	112.2	120	124	126
<b>Taiwan</b>	241.7	260	265	270
<b>Thailand</b>	48.7	48	49	51
<b>Vietnam</b>	6.8	7.0	7.2	7.5

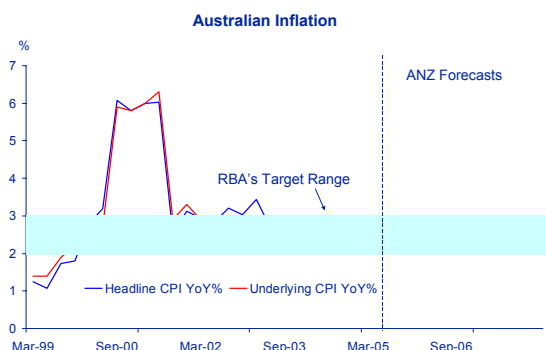
\*Fiscal balance for Australia, New Zealand, Malaysia and Singapore corresponds to fiscal year.

Long Term Foreign Currency Debt Ratings

Investment Grade		Sub-Investment Grade	
Moody's	S&P	Moody's	S&P
<b>Aaa</b>	<b>AAA</b>	<b>Ba1</b>	<b>BB+</b>
Australia Canada France Germany Japan	Australia Canada France Germany Singapore	Bulgaria Costa Rica Egypt Morocco Romania Panama	Egypt El Salvador India Morocco Romania
New Zealand Singapore United Kingdom United States	United Kingdom United States	<b>Ba2</b>	<b>BB</b>
<b>Aa1</b>	<b>AA+</b>	Colombia Fiji Guatemala Jordan	Colombia Costa Rica Jordan Panama Peru
Belgium	Belgium New Zealand	<b>Ba3</b>	<b>BB-</b>
<b>Aa2</b>	<b>AA</b>	Peru Vietnam	Brazil Cook Islands Guatemala Philippines Serbia Turkey Ukraine Vietnam
Italy	<b>AA-</b>		
<b>Aa3</b>	<b>AA-</b>		
Cayman Islands Taiwan	Hong Kong Italy Japan Taiwan		
<b>A1</b>	<b>A+</b>	<b>B1</b>	<b>B+</b>
Czech Republic Hong Kong Hungary Macau Qatar UAE	Qatar Kuwait	Brazil Papua New Guinea Philippines Suriname Turkey Ukraine	Ghana Indonesia Pakistan Venezuela
<b>A2</b>	<b>A</b>	<b>B2</b>	<b>B</b>
China Cyprus Israel Kuwait Poland	Chile Cyprus Korea Saudi Arabia	Honduras Indonesia Pakistan Venezuela	Papua New Guinea Uruguay
<b>A3</b>	<b>A-</b>	<b>B3</b>	<b>B-</b>
Korea Malaysia	China Czech Republic Hungary Israel Malaysia	Argentina Belize Bolivia Lebanon Uruguay	Argentina Bolivia Lebanon Paraguay Suriname
<b>Baa1</b>	<b>BBB+</b>	<b>Caa1 and below</b>	<b>CCC and below</b>
Chile Mexico South Africa Thailand	Oman Poland Thailand South Africa	Cuba Ecuador Nicaragua Paraguay	Belize Ecuador
<b>Baa2</b>	<b>BBB</b>		
Saudi Arabia Mauritius Oman Tunisia	Mexico Tunisia		
<b>Baa3</b>	<b>BBB-</b>		
El Salvador India Russia	Bulgaria Russia		

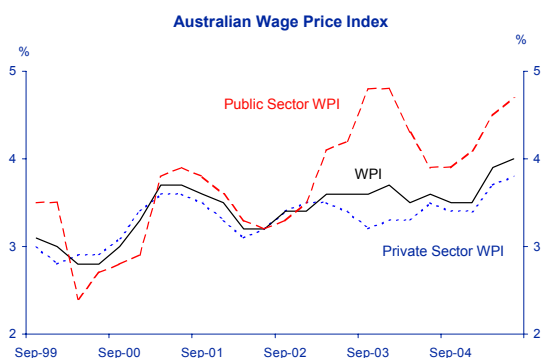
# Country Update Australia

## Inflation remains contained ...



Source: ABS, Economics@ANZ

## ... but wages creeping up



Source: ABS

- The latest round of inflation data confirms modest inflationary pressures, with the June quarter CPI rising 0.6% and 2.5% over the year. Measures of underlying inflation remain muted, and in the lower half of the RBA's 2% to 3% target range. Upstream price pressures also eased in the June quarter. Final stage PPI rose 0.8%, which saw the annual rate fall to 3.4%, well below the most recent peak of 4.3% in the December quarter 2004.
- While inflation is contained, a tight labour market means wages pressures are gradually building and becoming more widespread across the economy. The wage price index, the RBA's preferred measure of trends in wages growth, rose 1.1% in the June quarter, to be up 4.0% over the year, the highest annual rate since the series began in 1997. Wages growth is highest in those industries facing strong demand, such as mining and construction, however wages are creeping up across the board.
- The RBA signalled a move to a neutral bias in the latest Quarterly Statement on Monetary Policy. Despite strong global economic growth, the clear slowing in household spending and debt accumulation over the past 12 months combined with moderate inflation outcomes so far this year suggest the current stance of monetary policy is about right. While the official forecast for underlying inflation to rise to around 3% by mid next year is unchanged, the RBA no longer see the risks skewed to the upside.
- Economic data released over August shows that the Australian households are weathering the effects of high oil prices. Retail sales were flat in July coming after strong sales in May and June, while housing market indicators continue to suggest a soft landing in this part of the economy.

*Kristina Jawerth*

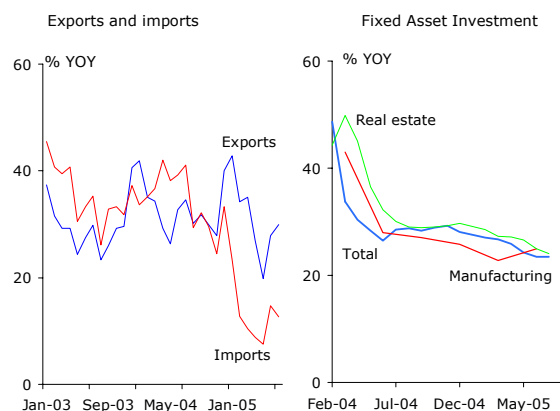
## Economic data – Australia

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Building Approvals, 000's	13.4	13.4	13.2	12.7	13.1	14.1	14.1	12.8
Retail Sales, % YOY	3.3	3.2	4.0	3.0	2.4	2.9	3.0	3.0
Exports, % YOY	13.8	13.2	15.6	13.8	15.7	16.3	8.5	15.8
Imports, % YOY	13.8	14.3	17.0	15.3	10.4	10.3	5.3	6.8
Trade Balance, AUD bn	-2.37	-2.38	-2.29	-2.45	-1.47	-1.47	-1.40	-1.46
Foreign Exchange Reserves, US\$ bn	36.9	35.9	34.7	36.4	40.5	42.3	42.9	43.4
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	3.2	4.5	4.1	4.4	2.9	1.5	1.9	na
- Private consumption	4.4	5.6	6.4	5.9	5.6	4.2	3.4	na
- Government consumption	4.5	3.3	4.1	3.4	3.5	3.6	2.2	na
- Gross fixed capital expenditure	11.0	5.7	7.5	10.6	6.8	12.8	11.1	na
Consumer Price Index, % YOY	2.6	2.4	2.0	2.5	2.3	2.6	2.4	2.5
Current Account, AUD bn	-13.1	-12.2	-10.5	-11.9	-15.6	-16.0	-13.1	-12.5
Capital Account, AUD bn	12.3	12.0	11.4	11.3	15.5	15.9	13.6	11.8

Sources: Bloomberg, RBA, ANZ Bank

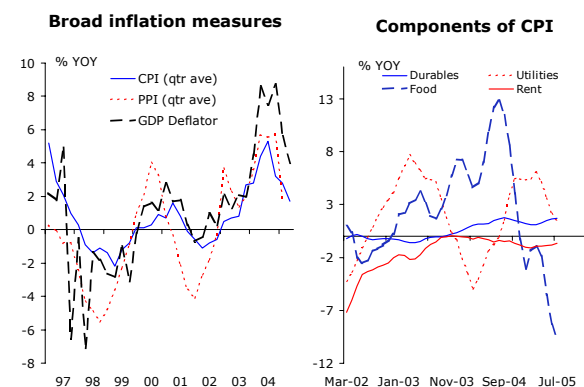
# Country Update China

## Growth dependent upon investment and exports



Sources: National agencies, Datastream.

## Disinflation gaining steam?



Sources: Datastream, Economics@ANZ.

- China's incredible rate of growth appears to be continuing unabated, with the tradeables sector and fixed asset investment still growing strongly. Exports were up 28.7% YOY in July, slightly below consensus forecast but still an incredible result after similar gains over the past three years. Fixed asset investment was up 27% YOY in July.
- Administrative measures introduced this year have done little to stem the torrid pace of investment. Interestingly, actual FDI has contracted slightly this year – down 7.8% YOY in the seven months to July. However, contracted FDI continues to grow at nearly 20% YOY. Local government expenditure remains high, and along with foreign capital inflows into sectors such as real estate is driving the overall investment levels.
- The one shimmer of a soft landing came in industrial production, which rose only 16.1% in July, the slowest pace since February. One data point must be viewed with caution, however. Retail sales growth remained at just under 13% YOY in July, virtually unchanged from June levels. The implication is that the pattern of growth remains very uneven.
- Slack consumption combined with clear indications of disinflation will have the authorities concerned that China is entering another deflationary bust cycle. The CPI remains under 2%, implying that there has been deflation on a month-to-month basis since February. The PPI is also headed to under 5%. In response, the authorities have allowed the monetary base to expand at a faster rate, with M2 up 16.3% YOY in July. It is the first time M2 growth has risen above 16% since June 2004.
- The authorities keep announcing new measures to stem capital inflows and reduce liquidity pressures, for example once again raising the rate on foreign currency deposits this month. The pace of reserve accumulation is the key indicator on external liquidity pressures going forward.

Amy Auster

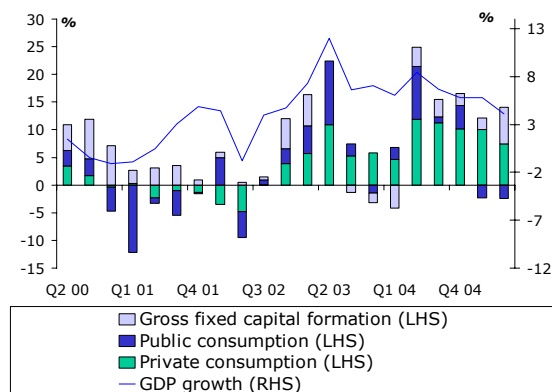
## Economic data -China

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	26.1	44.8	14.7	25.8	29.2	32.3	34.4	31.8
Retail Sales, % YOY	14.5	11.5	15.8	13.9	12.2	12.8	12.9	12.7
Consumer Price Index, % YOY	2.4	1.9	3.9	2.7	1.8	1.8	1.6	1.8
Exports, % YOY	32.7	42.1	30.1	32.7	31.8	30.3	30.6	28.7
Imports, % YOY	24.6	23.9	-5.1	18.8	16.4	14.9	15.1	12.7
Trade Balance, US\$ bn	11.1	6.5	4.4	5.6	4.4	9.0	9.7	10.4
Foreign Exchange Reserves, US\$ bn	609.9	623.7	642.6	659.1	670.8	691.0	711.0	na
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	9.6	9.9	9.8	9.6	9.1	9.5	9.4	9.5
- Primary sector	2.8	2.5	4.5	4.9	5.5	6.3	4.6	5.0
- Secondary sector	12.6	12.7	11.6	11.5	11.1	11.1	11.1	11.2
- Tertiary sector	6.6	7.8	8.0	8.1	8.1	8.3	7.5	7.8
Nominal GDP, US\$ bn	358.5	371.9	382.4	402.6	420.9	447.0	430.5	453.8
Current Account, US\$ bn	48.3	50.9	46.1	51.6	76.1	100.8	128.6	103.8
FDI, US\$ bn	10.0	13.3	12.2	19.1	14.8	15.3	13.4	15.2

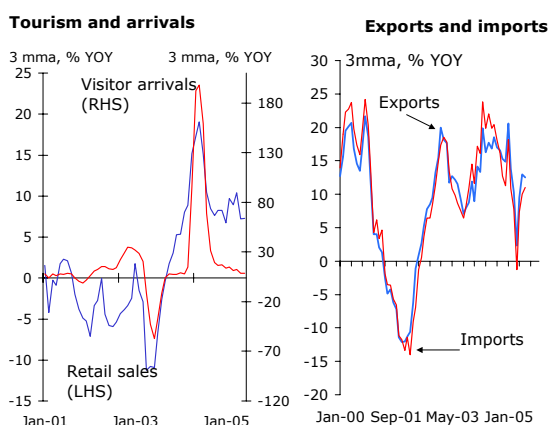
Sources: Datastream, Bloomberg

# Country Update: Hong Kong

## Growth coming from investment and private consumption



## Economy still running pretty strong



- Real GDP rose 6.6% YOY in the second quarter, stronger than consensus forecast but broadly in line with our expectations. We still expect growth to reach 5.5% this year. Activity in the second quarter was boosted by a pronounced rise in gross fixed capital expenditure and a slight increase in net exports. The strong pace of growth last quarter underlines Hong Kong's increasing ties with the mainland, as the economy benefited from continued strong growth in China.
- The government has warned that higher oil prices could yet curtail growth prospects. However, the source of demand for exports out of Hong Kong is also the source of rising demand for oil – specifically, China – which explains why exports appear to be keeping pace with oil imports.
- The return of a booming real estate market is making an important contribution to the economy via consumer sentiment and higher returns on asset wealth. Housing rental prices appear to be rising faster than inflation and wage growth, according to local surveys, and expectations are for current trends to continue at least through 2005. Restrictions on land for further development have helped to increase demand for housing in already congested areas.
- Indicators for July show continued strength, with unemployment remaining at 5.7% while the labour force expanded by 1.5% YOY. Exports were up 8.1% YOY in July after rising more than 11% in the second quarter.
- Disneyland opens in Hong Kong on 12 September, and will likely provide a further boost to the tourism sector, which is already booming particularly with arrivals from the mainland.
- Given that inflation remains well contained, the HKMA may well avoid raising rates despite a rising differential with the US. There is however the risk of a catch-up rate rise in Q3.

Amy Auster

## Economic data – Hong Kong

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Visitor Arrivals, %YOY	16.3	8.3	20.0	5.7	11.9	7.5	5.8	na
Retail Sales, % YOY	8.8	4.1	16.4	6.2	8.6	7.1	6.2	na
Consumer Price Index, % YOY	0.4	-0.2	1.1	1.2	0.8	0.9	1.4	1.4
Exports, % YOY	12.7	34.3	-5.7	3.4	7.8	17.0	12.9	na
Imports, % YOY	10.3	36.7	-11.2	2.4	3.8	16.1	10.8	na
Trade Balance, US\$ bn	-1.1	-0.3	-1.3	-1.8	-1.3	-1.2	-0.9	na
Foreign Exchange Reserves, US\$ bn	123.6	124.7	123.9	122.4	122.6	122.4	122.0	121.9

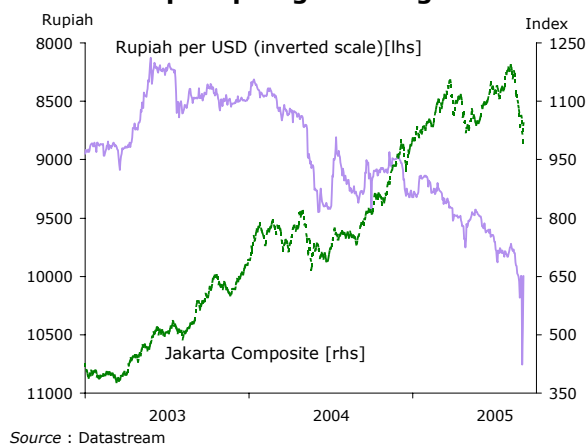
  

Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	4.1	4.9	7.1	12.1	6.8	7.1	6.0	6.6
- Private consumption	0.1	3.9	5.7	10.8	5.2	5.8	4.4	2.7
- Government consumption	0.5	5.5	5.7	0	-1.3	-1.7	-4.8	-2.3
- Gross fixed capital expenditure	0.8	2.7	5.1	11.5	2.1	-1.4	0.4	3.5
Nominal GDP, US\$ bn	38.9	39.5	40.4	40.8	40.4	41.4	41.9	na
Current Account, US\$ bn	5.5	4.2	2.1	1.0	6.7	6.5	4.3	na
Capital Account, US\$ bn	-0.2	-0.3	0.0	0.0	-0.2	-0.1	na	na

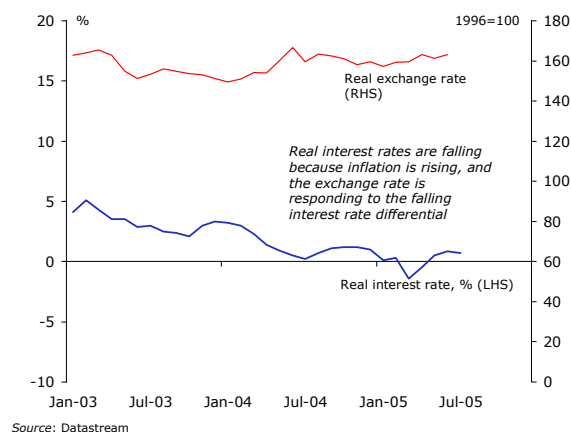
Source: Datastream

# Country Update: Indonesia

## Rupiah plunges in August



## The rupiah has followed the real interest rate ..... down



- A 75 bps rate hike on 30 August has helped to stem the currency's slide, which saw the rupiah breach USD/IDR11,500, a level last seen in May 2001. The rate hike and additional measures to reduce rupiah liquidity while raising USD availability caused the currency and equity markets to rally, and the rupiah ended August at USD/IDR10,250. The negative trend has been broken for now. However, some of the factors that contributed to the sell off remain – eg, uncertainty about the removal of fuel subsidies and low real interest rates (still under 2%). New regulations in the local market aimed at reducing "speculative" activity have instead increased volatility as liquidity in the market has become very thin, and this will be an ongoing issue unless the regulations are changed.
- The ructions in the local market have not yet caused us to revise our macro forecasts for Indonesia, although we downgraded our 2005 growth forecast to 5.5% from 6.0% due to lower than expected Q2 growth. What is happening in the local market is not related to the fundamental economy, which remains pretty strong, but rather is the result of speculation about the removal of fuel subsidies and BI's lagged response to rising inflation expectations resulting from the subsidy issue. Another hike at the 8 September monetary policy meeting will be required to ensure that the August currency weakness does not pass through to CPI. Should this hike take place, it could reduce inflation expectations rapidly and allow for nominal rates to fall quite quickly without risking our growth outlook.
- Our new forecasts call for BI to raise its one-month policy rate to 10.75% by October from 9.5% currently. Should this transpire and oil prices come off, as we expect, we still believe that real GDP growth could hit 6% next year and inflation could be contained. Should drift remain the prevailing theme, however, growth will decline below the 5.5% level and inflation will drift upward to 8-9%, particularly if oil prices are higher than we expect.

Amy Auster

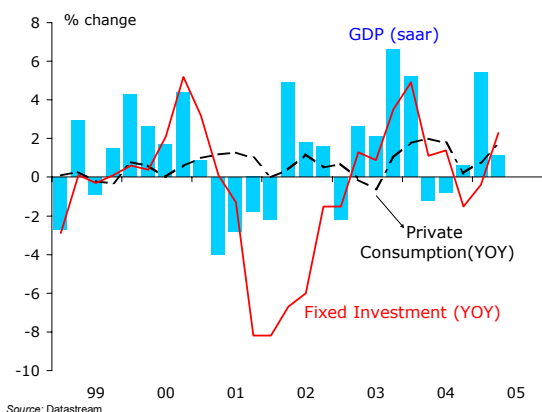
## Economic data - Indonesia

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	5.8	7.2	4.6	10.0	na	na	na	na
Motor cycle sales, % YOY	46.8	37.3	29.3	33.7	30.7	35.0	44.4	36.8
Consumer Price Index, % YOY	6.4	7.3	7.2	8.8	8.1	7.4	7.4	7.8
Exports, % YOY	26.6	21.6	30.0	44.8	28.7	28.5	13.4	na
Imports, % YOY	66.7	19.9	17.5	43.5	41.5	44.8	24.7	na
Trade Balance, US\$ bn	1.8	2.1	2.4	2.4	1.8	2.2	2.0	na
Foreign Exchange Reserves, US\$ bn	34.9	34.8	35.1	34.6	34.9	33.2	na	na
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	4.3	5.1	4.4	4.4	5.1	6.5	6.2	5.6
- Private consumption	3.9	4.9	5.6	5.3	5.1	3.8	3.2	3.5
- Government consumption	9.7	12.3	11.1	5.2	-4.0	-3.3	-8.7	-6.2
- Gross fixed capital expenditure	-2.0	-0.5	12.4	13.7	18.7	18.0	13.9	13.0
Nominal GDP, US\$ bn	61.0	61.9	63.4	62.9	64.1	67.2	68.4	69.0
Current Account, US\$ bn	2.14	2.39	-2.22	2.25	2.77	0.32	2.47	na
Capital & Financial Account, US\$ bn	-0.63	0.83	1.63	-0.69	0.98	1.08	-0.64	na

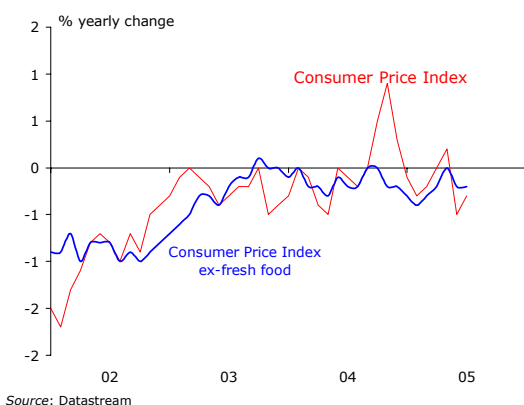
Sources: Bloomberg, Datastream, Bank Indonesia

# Country Update: Japan

## Economy performs well in June quarter, assisted by domestic demand



## Deflation persists



- The Japanese economy continued its good run of late with GDP growth turning in at a 1.1% annualized pace in the June quarter. While below market expectations, this is still a strong result, coming as it does after March quarter growth of 5.4% annualized (revised up from 4.9%) and at a time when oil prices have reached new records.
- July data on household spending and retail sales were disappointing. However, the unemployment rate, although up, largely reflected an expansion in the workforce and other labour market indicators such as the job offers-to-applicants ratio remain at healthy levels suggesting that the recovery in domestic demand is likely to be sustained.
- Voters are headed for the polls on 11 September following PM Koizumi's decision to dissolve the lower house and call for an early election when parliament rejected his plan to privatise the state postal service. Japan Post, which operates a postal savings and life insurance scheme, is the world's largest financial institution with assets amounting to 80% of GDP and is the largest holder of government bonds, holding ¥140tn debt. Approval ratings for PM Koizumi have improved steadily but the main concern for the Liberal Democratic Party is whether it will be able to retain its lower-house majority.
- The rejection of the plan to privatize the state postal service and the calling of an early election are not likely to have a significant negative impact on Japan's short-run prospects. Higher oil prices remain the biggest risk, although our forecast remains for the Japanese economy to expand by around 1¾% in 2005.
- The Bank of Japan is unlikely to change its loose monetary policy stance anytime soon given that core inflation (ie. excluding fresh food) fell in July for a second month. However, the outlook is for prices to rise by end-2005 and into 2006 as domestic demand remains resilient.

*Katie Dean & Jasmine Robinson*

## Economic data - Japan

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	1.8	2.2	3.7	2.2	1.5	-0.9	0.2	-0.1
Retail Sales, % YOY	-1.0	2.4	-2.7	0.3	3.8	2.9	3.0	0.6
Consumer Price Index, % YOY	0.3	-0.1	-0.3	-0.2	0.0	0.2	-0.6	-0.3
Exports, % YOY	6.3	7.8	4.1	5.5	6.4	1.1	5.5	na
Imports, % YOY	10.6	11.6	9.9	13.9	18.5	15.9	12.0	na
Trade Balance, US\$ bn	106	112	99	92	75	76	84	na
Foreign Exchange Reserves, US\$ bn	824.3	821.2	820.5	818.6	824.2	823.9	825.0	na

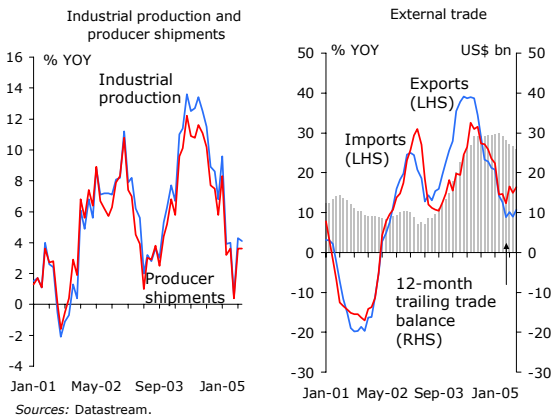
  

Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	1.0	2.2	4.1	3.2	2.4	0.9	1.0	1.5
- Private consumption	-0.6	1.0	1.8	2.0	1.8	0.2	0.8	1.7
- Government consumption	0.9	0.9	2.1	3.0	2.5	3.0	2.3	1.4
- Gross fixed capital expenditure	6.0	11.0	8.3	7.0	7.3	0.9	6.3	5.3
Nominal GDP, US\$ bn	4245	4617	4736	4603	4586	4774	4865	4866
Current Account, US\$ bn	147	159	173	171	171	174	171	165
Capital Account, US\$ bn	-1.9	-2.6	-8.5	-1.1	-2.5	-7.0	-4.7	-2.7

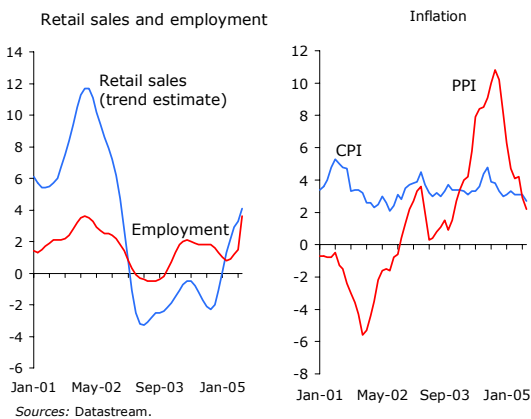
Source: Datastream

# Country Update: Korea

## Output steady on domestic and external demand



## Tame inflation shows slack in domestic economy



- Data through the end of July show continued strong external demand, particularly from the US. The external sector continues to contribute to the economy, despite worsening terms of trade. Oil prices pushed up import prices by 3.6% YOY while export prices fell 6.6% YOY in July, but the trade balance registered a US\$1.9 bn surplus in July nonetheless. To the extent that high oil prices increase the demand out of the US for more fuel-efficient vehicles, Korean car manufacturers could actually benefit from a short term spike in oil prices. Hyundai Motor said July overall sales were up 11% YOY, with domestic sales up 19% YOY.
- The domestic economy continues to be reasonably positive, with business surveys showing steady expectations and retail sales continuing to rise. Department store sales rose in July for the sixth consecutive month and services industry output rose 2.6% YOY in July, slightly above the 2.4% pace recorded in June.
- Improved external and domestic demand has not increased inflation expectations, with the CPI in July rising a less than expected 2.5%. The Bank of Korea accordingly left monetary policy unchanged at its 11 August meeting, with the overnight call rate remaining at 3.25%.
- The government continues to be positive on the economy's outlook, projecting growth will accelerate to 5% in the second half of the year. Their positive outlook is based in large part on a favorable outlook for domestic consumption as the improvement in household balance sheets continue.
- We project 3.3% growth for Q3 and 4.1% for Q4, bringing the full year growth rate to 3.8%. Higher oil prices have the potential to negatively impact consumer sentiment, but would have to rise further above US\$70/bbl for WTI and remain there for some time. In our view the bigger risk to consumer sentiment is the behaviour of property prices if, as anticipated, the government announces new measures to dampen what it views as speculative activity in the real estate market.

Amy Auster

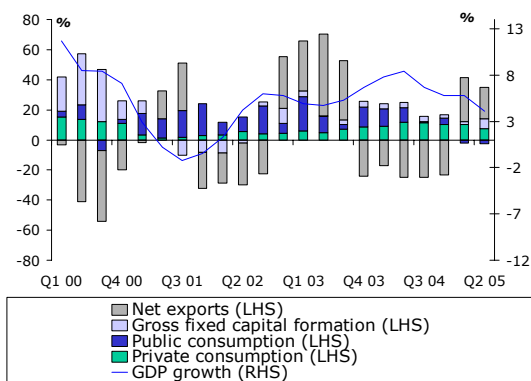
## Economic data - Korea

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	4.6	14.3	-7.3	4.9	3.9	4.2	4.1	na
Retail Sales, % YOY	1.3	-3.3	10.3	6.1	5.5	4.6	3.7	na
Consumer Price Index, % YOY	3.0	3.1	3.3	3.1	3.1	3.1	2.7	2.5
Exports, % YOY	17.6	18.2	6.6	13.0	6.6	11.1	9.6	11.4
Imports, % YOY	19.0	19.8	5.1	19.0	12.6	18.0	14.2	16.9
Trade Balance, US\$ bn	2.2	3.0	2.0	1.2	1.7	2.0	2.6	1.9
Foreign Exchange Reserves, US\$ bn	198.2	198.8	201.3	204.6	205.6	205.3	204.2	204.9
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	2.4	4.2	5.2	5.6	4.9	3.0	2.8	3.4
- Private consumption	-2.0	-2.3	-1.3	-0.5	-0.7	0.5	1.4	2.7
- Government consumption	3.7	3.8	3.0	4.2	2.9	1.9	3.2	4.2
- Gross fixed capital expenditure	2.7	4.3	2.2	4.3	3.0	-1.2	0.1	2.0
Nominal GDP, US\$ bn	153.8	158.8	163.2	166.1	170.4	181.8	191.4	na
Current Account, US\$ bn	3.7	7.3	6.1	7.0	7.1	7.4	6.0	2.8
Capital Account, US\$ bn	-0.4	-0.3	-0.4	-0.5	-0.4	-0.5	-0.5	-0.7

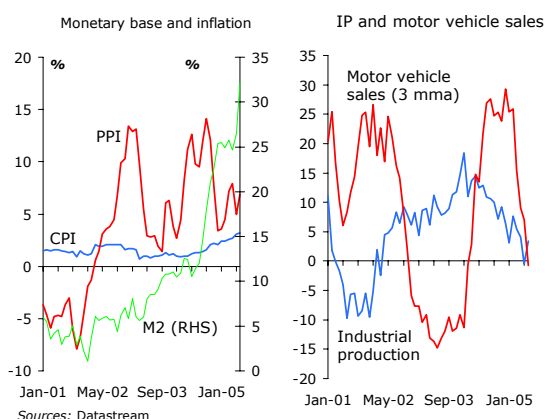
Source: Datastream

# Country Update: Malaysia

## Composition of GDP growth



## Inflation rising as consumption and production soften



- Growth for the second quarter came in at 4.1% YOY, below consensus forecasts of above 5% as well as our forecast of 4.8%. The main cause of slower than expected growth was a slackening in private consumption, which rose by only 7.4% YOY in the quarter versus double-digit growth in each of the previous four quarters. Public consumption was negative on a year-on-year basis as the government cut spending in order to compensate for the higher cost of its fuel subsidy. The fiscal deficit for the quarter was 2.3% of GDP. Net exports, while smaller than in the first quarter, still made a decent contribution to growth. Most encouragingly, gross fixed capital formation rose 6.7% YOY after average growth of only 2.8% over the previous four quarters.
- We have slightly downgraded our forecast for full year 2005 growth from 4.6% to 4.4%, which is below the consensus forecast of 5.0%. Our projection is based on the view that the government's removal of fuel subsidies will limit the ability of private consumption to return to growth of 10% or above. Further, we expect softness seen in the semiconductor industry to remain in the coming months – value-added in industry rose only 3.2% YOY in the second quarter – which will negatively affect the manufacturing sector.
- M2 rose a dramatic 30% YOY in July after an average pace of 26% YOY over the first six months of the year. Unsurprisingly, inflation has ticked upward to 3% or above over the past three months. Bank Negara has kept its overnight policy rate on hold, and local economists have argued that interest rates should not respond to cost push inflation from higher oil prices. With PPI at 6.9% YOY in June from 7.9% YOY in April, however, it would seem domestic credit growth is also to blame for rising inflation.
- External demand remains strong with exports up more than 10% YOY in the second quarter, and the trade surplus expanding to US\$5.6 bn. Improved terms of trade from high oil prices continue to support demand for consumer as well as capital imports.

Amy Auster

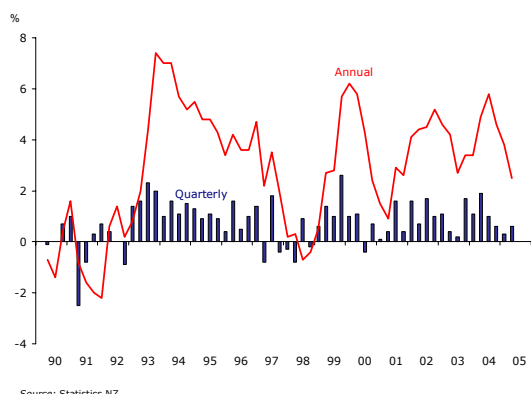
## Economic data - Malaysia

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	6.4	3.1	7.6	5.5	4.1	-0.4	3.4	na
Motor Vehicle sales, % YOY	50.0	23.3	29.4	21.6	6.7	17.3	1.8	na
Consumer Price Index, % YOY	2.1	2.4	2.4	2.6	2.7	3.1	3.2	3.0
Exports, % YOY	12.9	10.8	13.6	16.4	9.9	10.9	11.7	na
Imports, % YOY	15.1	9.4	11.6	9.6	4.7	14.1	6.1	na
Trade Balance, US\$ bn	1.7	2.0	1.9	2.7	2.2	1.7	2.0	na
Foreign Exchange Reserves, US\$ bn	66.7	69.6	71.8	72.4	73.7	74.9	75.2	78.7
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	5.3	6.9	7.8	8.3	6.7	5.8	5.6	4.0
- Private consumption	7.0	8.6	8.9	11.9	11.2	10.2	10.1	7.4
- Government consumption	3.2	13.3	11.8	9.5	1.1	4.2	-2.3	-2.4
- Gross fixed capital expenditure	3.2	3.6	3.5	3.5	3.2	2.3	2.0	6.7
Nominal GDP, US\$ bn	25.9	27.2	28.2	29.3	30.2	30.7	31.0	31.7
Current Account, US\$ bn	3.4	2.8	3.8	3.3	4.4	3.4	5.5	na
Capital & Financial Account, US\$ bn	0.1	-0.6	2.3	0.0	-0.9	2.7	0.9	na

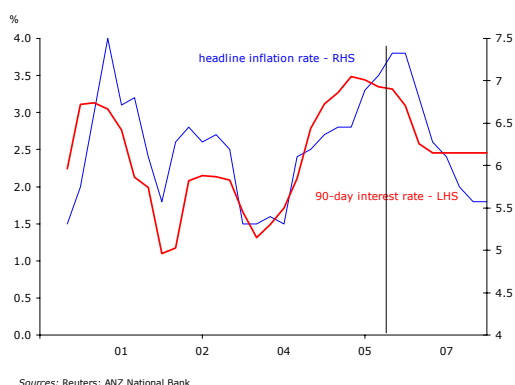
Sources: Datastream, Bloomberg

# Country Update: New Zealand

## Growth is slowing...



## But interest rates are unlikely to change soon



- Inflation and excess demand with the economy continue to shape the business cycle. Capacity pressures are apparent across a range of gauges with the unemployment rate (3.7%) the lowest in the OECD and capacity utilisation running near all time highs. This is manifesting in demand-pull inflation pressure, particularly within the housing sector, across cost-push areas such as wages and unit labour costs. The headline inflation rate has risen to 2.8% and core inflation looks set to rise through the top of the 1-3% policy band. Moreover, higher petrol prices will propel the headline inflation rate towards 4%. Economic momentum needs to moderate to remove excess demand pressure.
- Growth has slipped below the trend rate of 3% in response to tighter monetary conditions and attempts to alleviate excess demand pressure within the economy. Whilst momentum remains solid, persistent inflation pressures are sowing the seeds on a material period of sub-trend growth.
- We continue to expect growth of around 2.5% in 2005 and a subsequent moderation to 2% in 2006. Monetary policy is expected to remain in its current restrictive policy setting until mid-2006 and until firm evidence of receding inflation pressure emerges.
- Economic risks at this juncture of the economic cycle carry more downside risk than up. Rising petrol prices are placing a squeeze on household income and profitability. However, we find it difficult to get too bearish economic prospects given the potential for the NZ dollar, interest rates, and fiscal policy to act as shock-absorbers if economic prospects deteriorate too far and point to a hard landing.
- Prospects for the NZ dollar remain leveraged to the US dollar. A closing yield differential, receding growth in the New Zealand economy, and easing commodity prices should see the NZ dollar lower over the coming 12 months.

*Cameron Bagrie*

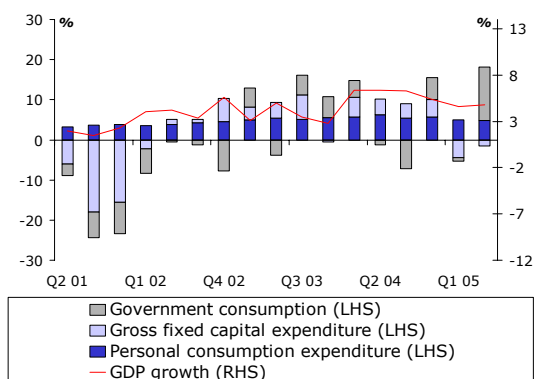
## Economic data – New Zealand

Monthly data	Dec 05	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun05	Jul05
Retail Sales, % YOY	8.0	4.4	6.9	6.5	6.7	7.0	7.3	n.a.
Building consents (% YOY)	-7.5	-29.0	-15.2	-0.3	-36.4	-22.3	-38.2	-15.4
Exports, % YOY	10.8	10.8	5.8	0.5	3.9	-12.4	-5.1	n.a.
Imports, % YOY	9.3	-2.2	14.0	9.2	1.9	11.8	-0.3	n.a.
Trade Balance, US\$ bn	-0.38	-0.21	-0.08	-0.14	-0.11	-0.04	-0.37	n.a.
Quarterly data	Sep 03	Dec 03	Mar 03	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	3.4	3.4	4.9	5.8	4.6	3.8	2.5	n.a.
- Private consumption	5.8	5.6	7.0	5.9	6.1	5.4	5.1	n.a.
- Government consumption	2.4	4.3	5.5	6.9	4.5	8.1	6.1	n.a.
- Gross fixed capital expenditure	12.1	11.3	18.9	15.5	10.9	8.1	3.2	n.a.
Nominal GDP, US\$ bn	21.7	23.8	22.8	24.1	26.0	26.7	21.7	n.a.
Current Account, US\$ bn	-5.7	-5.6	-6.3	-6.8	-8.1	-9.3	-10.3	n.a.
Consumer Price Index, annual % change	1.5	1.6	1.5	2.4	2.5	2.7	2.8	2.8

Sources: Statistics NZ, ANZ National Bank

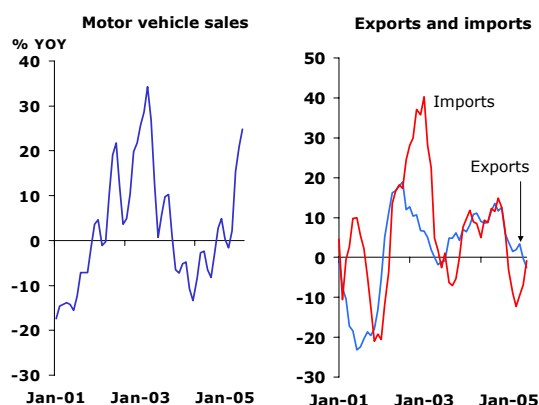
# Country Update: Philippines

## Political uncertainty has not affected sentiment



Sources: Datastream

## Consumption contributes to rising trade deficit



- The evidence is in that the Philippines economy is shaking off political uncertainty: Real GDP expanded by 4.8% YOY in the second quarter, a faster rate than the consensus forecast of 4.5% and our consensus forecast of 4.0%. The performance lifts our year-end forecast to 4.5% from 4.2% previously, and underscores the strong outturn for the global economy last quarter.
- Government consumption rose strongly in the quarter – up more than 13% YOY – but consumption remains the key to growth given it contributes more than 80% of GDP. High overseas worker remittances are a continuing source of support, while on the supply side the agricultural sector also performed well in the second quarter. Net exports continue to represent a small drag on growth. Our year-end forecast is still below the 5% projected by the government.
- With consumption still strong, high oil prices also do not appear to be negatively impacting inflation. Inflation declined to 7.1% YOY in July from 8.4% at the beginning of the year, allowing the central bank to keep its policy rate unchanged at 7.0%. While Bangko Sentral has not ruled out a rate increase later in the year, declining inflation expectations and continued stability of the peso should allow interest rates to remain on hold for now.
- High oil prices and the consumption boom are leading to greater deterioration in trade balances. The June trade deficit hit US\$653 mn, the largest monthly deficit in a year. The overall balance of payments position remains strong due to the overseas workers remittances, however.
- The political situation has reached a temporary lull, but may well heat up again in Q4 as debate about a new constitution begins. The new economic team is in place and continues with fiscal consolidation. The important event to watch in September will be a decision on the Extended VAT from the Supreme Court. A partial or complete allowance on EVAT would be positive for public finances over the medium term

Amy Auster

## Economic data - Philippines

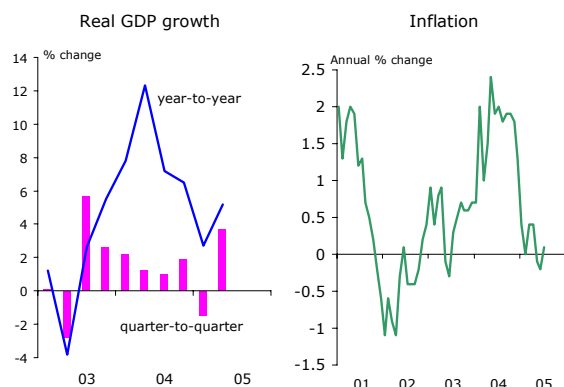
Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Manufacturing Production, %YOY	9.8	0.7	2.2	-0.9	4.6	6.2	0.0	na
Motor Vehicle sales, % YOY	2.3	-5.7	-1.2	13.6	33.9	15.6	25.1	0.6
Consumer Price Index, % YOY	8.6	8.4	8.5	8.5	8.5	8.5	7.6	7.1
Exports, % YOY	2.9	15.4	-0.6	-2.8	8.8	1.1	1.0	na
Imports, % YOY	-0.9	-2.1	-4.8	-4.0	6.5	9.4	6.0	na
Trade Balance, US\$ mn	222.0	170.0	132.0	-179.0	-451.0	-289.0	-653.0	na
Foreign Exchange Reserves, US\$ bn	13.0	12.7	13.5	13.7	13.9	14.7	n/a	15.0

Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	5.2	4.9	6.3	6.0	6.5	5.3	4.6	4.8
- Private consumption	5.2	5.5	5.7	6.3	5.5	5.7	5.0	4.9
- Government consumption	5.0	5.4	4.1	-1.2	-7.2	5.6	0.6	13.2
- Gross fixed capital expenditure	7.2	0.7	5.0	4.0	3.6	4.3	-4.4	-1.5
Nominal GDP, US\$ bn	19.8	20.2	20.5	21.2	21.9	22.5	23.1	24.1
Current Account, US\$ bn	1.1	1.0	0.1	1.1	1.4	1.7	0.6	n/a
Capital Account, US\$ mn	-1.2	-1.1	-0.5	0.2	-1.2	-1.2	0.6	n/a

Sources: Datastream, Bloomberg

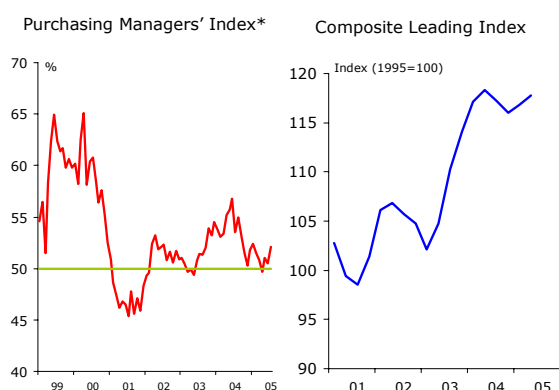
# Country Update: Singapore

## Economy rebounds in second quarter



Sources: Datastream, Ministry of Trade & Industry, Singapore, ANZ Bank

## Economy expected to gain momentum in second half



\*: A reading above 50 indicates that the manufacturing economy is generally expanding.

Sources: Datastream, Singapore Institute of Purchasing & Materials management, ANZ Bank

- The economy grew by a better-than-expected rate of 5.2% in Q2 2005, in year-on-year terms, thanks largely to stronger manufacturing activity.
- Partial indicators suggest that the economy is likely to gain momentum through the second half. The Purchasing Manager's Index has stayed above 50 since April and the composite leading index rose a further 0.9% in the second quarter following a 0.7% increase in Q1 2005. Net investment commitments in manufacturing were S\$4.3 bn for the first half of 2005, up 15% from the corresponding period in 2004.
- Exports have had a strong start to the second half. Non-oil domestic exports for July exceeded forecasts, signalling a possible return to stronger growth after the soft patch in May and June. Non-oil domestic exports, which account for around 40% of total exports, rose by 4.4% from July 2004, in Singapore dollar terms. The overall trade balance, came in slightly stronger in July compared with the previous month.
- We have lifted our GDP forecast for 2005 to 4½% from 3¾%, reflecting the stronger-than-expected second quarter outcome and an anticipated pick-up in performance in the manufacturing sector, particularly in the electronics and biomedical segments.
- Annual inflation was positive in July, due in part to higher utilities and rates charges and petrol price-induced increase in transport costs. While remaining benign, inflation is expected to edge up in the second half as higher production costs and petrol prices filter through.
- On the political front, incumbent President S R Nathan secured another six-year term after potential candidates failed to meet the criteria for the post. Parliamentary elections are not due till 2007 but could be called earlier.

*Jasmine Robinson*

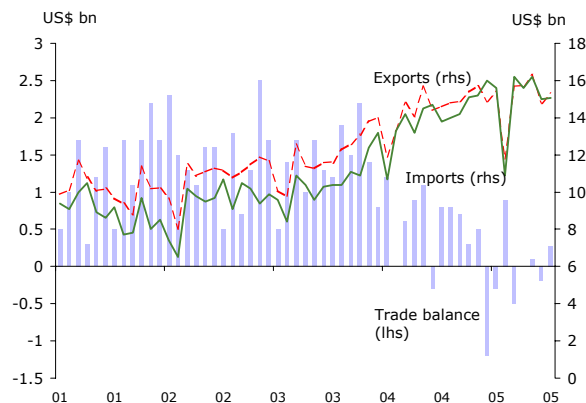
## Economic data - Singapore

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	32.3	11.0	-10.6	9.1	4.6	2.2	11.6	5.9
Retail Sales, % YOY	3.0	11.5	-4.7	13.6	13.0	6.7	9.5	na
Consumer Price Index, % YOY	1.3	0.4	0.0	0.4	0.4	-0.1	-0.2	0.1
Exports, % YOY	20.6	19.1	8.0	16.9	12.7	15.6	11.9	11.2
Imports, % YOY	17.7	23.5	7.4	16.7	12.5	11.7	15.9	7.1
Trade Balance, US\$ bn	2.1	0.6	1.7	1.0	1.0	1.7	1.2	1.3
Foreign Exchange Reserves, US\$ bn	112.2	111.4	113.2	112.9	115.3	115.9	na	na
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	2.4	5.6	7.9	12.3	7.2	6.5	2.7	5.2
- Private consumption	0.4	3.4	7.9	12.8	7.2	6.6	2.7	2.3
- Government consumption	-9.4	3.4	5.1	-6.4	-6.4	-1.0	11.6	-1.5
- Gross fixed capital expenditure	0.6	-0.7	11.9	10.8	10.0	0.2	-5.1	-4.3
Nominal GDP, US\$ bn	23.4	24.2	26.2	26.1	26.0	28.6	28.1	29.0
Current Account, US\$ bn	7.4	6.7	5.8	6.3	7.9	7.9	7.5	9.2
Capital & Financial Account, US\$ bn	-3.0	-6.8	-0.1	-3.7	-7.5	-1.8	-5.7	-2.8

Sources: Bloomberg, Datastream, MTI, Economic Survey of Singapore

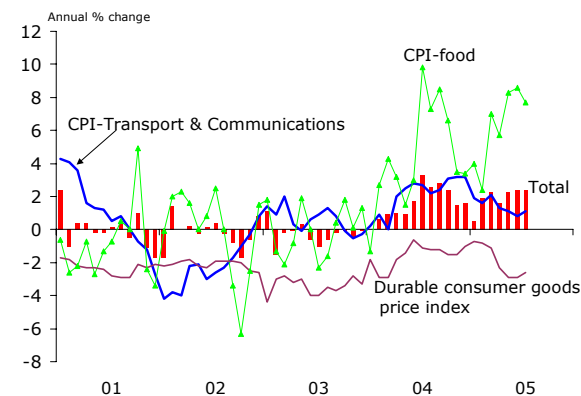
# Country Update: Taiwan

## Sharp reduction in trade surplus in 2005



Source: Datastream

## Inflation steady in July



Source: Datastream

- Real GDP expanded by 3% in year-on-year terms in the second quarter after 2.5% growth in Q1 2005. Domestic demand gained momentum with private consumption rising by 3.2% year-on-year, up from 3% in the first quarter, while government spending was up 0.9%, the first increase since March quarter 2004. Exports also picked up, growing by 2% from 1.2% in the first quarter but remained relatively sluggish compared with the robust pace of expansion recorded in 2004. We expect real GDP to grow at a faster pace in the second half assisted by a global upturn in technology demand. Real GDP is forecast to expand by around 3% in 2005 from 5.7% in 2004.
- The trade balance moved back to a surplus in July after a deficit in June. Imports continued to expand at a strong pace due largely to high oil prices but exports picked up in July, growing by 5% in year-on-year terms, partly reflecting a gradual recovery in IT demand. However, the trade balance for the first seven months of this year came in at a marginal surplus of US\$0.4 bn in contrast to US\$4.5 bn during January-July 2004.
- Annual inflation stayed at 2.4% in July. Transport and communications costs edged up and are likely to see further growth as oil prices continue to climb but price pressures were partly offset by slower growth in food prices and a persistent decline in costs of consumer durables.
- On the political front, Lien Chan, long-time Kuomintang (KMT) leader stepped down as chairman in August. Taipei Mayor Ma Ying-jeou was elected to the leadership and faces the challenging task of strengthening KMT's alliance with the People First Party led by James Soong and presenting a stronger front ahead of the presidential elections in 2008.

Jasmine Robinson

## Economic data – Taiwan

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production, %YOY	-0.7	13.3	-13.3	-0.2	0.9	-1.3	1.3	-1.1
Retail Sales, % YOY	4.6	5.3	6.9	7.7	4.6	4.2	na	na
Consumer Price Index, % YOY	1.6	0.5	1.9	2.3	1.6	2.3	2.4	2.4
Exports, % YOY	6.1	29.4	-11.0	6.1	11.0	4.0	2.7	5.0
Imports, % YOY	21.3	46.5	-17.5	14.1	18.6	11.4	2.1	9.4
Trade Balance, US\$ bn	-1.17	-0.26	0.86	-0.45	0.03	0.13	-0.17	0.28
Foreign Exchange Reserves, US\$ bn	241.7	242.7	246.6	251.1	252.6	253.2	253.6	253.6

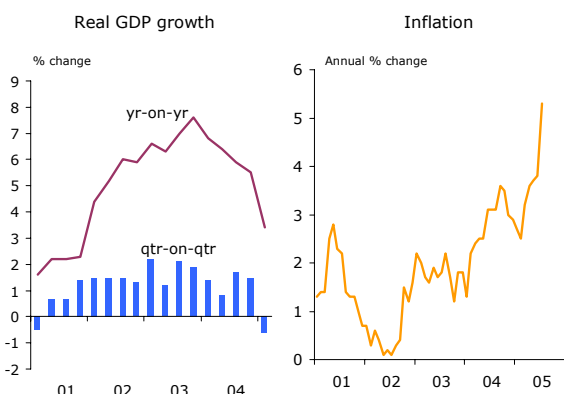
  

Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	4.2	5.9	6.7	7.9	5.3	3.3	2.5	3.0
- Private consumption	1.8	2.5	3.7	4.3	1.4	3.3	3.0	3.2
- Government consumption	1.3	0.8	0.6	-0.9	-1.6	-0.6	-1.0	0.9
- Gross fixed capital expenditure	-3.6	5.8	13.6	19.4	13.7	14.9	11.9	8.8
Nominal GDP, US\$ bn	72.7	74.2	76.2	76.2	75.8	77.8	82.4	81.8
Current Account, US\$ bn	6.8	8.0	5.9	5.6	5.3	1.8	4.2	1.7
Capital Account, US\$ bn	-8.0	-6.4	-5.7	-4.9	-4.8	-4.4	-5.2	-4.0

Sources: Bloomberg, Datastream, National Statistics

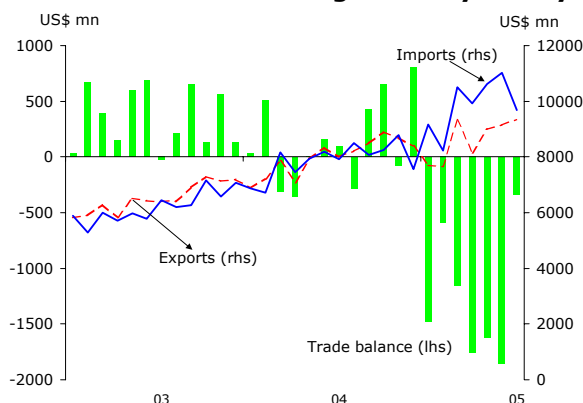
# Country Update: Thailand

## Growth moderates but inflation accelerates



Sources: Datastream, ANZ Bank

## Trade deficit narrows significantly in July



Source: Datastream

- In a bid to give the administration's standing a boost, PM Thaksin Shinawatra reshuffled the cabinet in August, changing 17 of the 35 portfolios. However, all but 4 appointments were ministerial swaps. The government's popularity has suffered amidst escalating unrest in the southern provinces and a deceleration in economic activity exacerbated by higher retail fuel prices.
- The government imposed new emergency powers in July to help quell violence in the south but this hardline approach was met with much criticism. However, the government now appears to be adopting a "softer" stance when it recently announced its intention of providing cable TV services in shops and community centres with programmes including news and sport to encourage sport and other interests among the youth.
- On the economic front, inflation continues to be concern. Annual inflation jumped to a seven-year high of 5.3% in July following the decision to scrap remaining fuel subsidies and float diesel prices (gasoline prices were floated in October) from 13 July. The outlook is for inflation to edge higher as the impact of higher fuel prices filters through. The Bank of Thailand (BOT) raised the 14-day repurchase (repo) rate by 25 basis points to 2.75% in July. This was the sixth increase since August 2004. The BOT is likely to maintain a tightening bias despite the softer economic growth outlook as upward pressure on prices persists.
- The trade deficit narrowed significantly in July, assisted by a jump in exports while growth in imports eased, reflecting in part a reduction in crude oil and steep purchases.

Jasmine Robinson

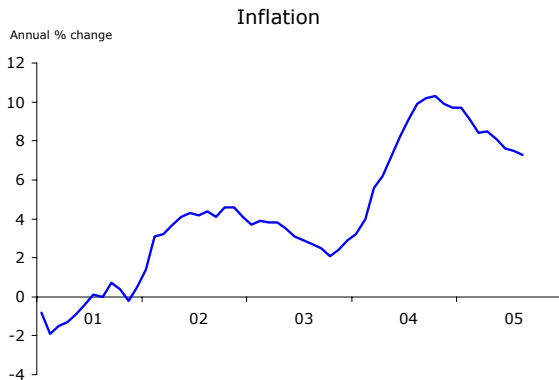
## Economic data - Thailand

Monthly data	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Manufacturing Production, %YOY	6.4	3.9	-1.1	8.4	5.7	8.5	9.1	na
Car Sales, % YOY	13.0	17.6	-4.1	24.1	9.0	21.9	25.6	12.0
Consumer Price Index, % YOY	2.9	2.7	2.5	3.2	3.6	3.7	3.8	5.3
Exports, % YOY	16.8	10.9	5.5	20.3	13.1	12.5	9.4	na
Imports, % YOY	2.9	33.6	22.0	29.8	30.0	36.4	35.4	na
Trade Balance, US\$ bn	0.9	-1.3	-0.5	-1.1	-1.5	-1.76	-1.88	na
Foreign Exchange Reserves, US\$ bn	48.7	47.8	48.5	47.5	48.1	47.1	na	na
Quarterly data	Sep 03	Dec 03	Mar 04	Jun 04	Sep 04	Dec 04	Mar 05	Jun 05
Real GDP, % YOY	6.7	7.9	6.7	6.3	6.0	5.5	3.4	na
- Private consumption	5.6	7.5	6.2	5.6	5.6	5.4	4.6	na
- Government consumption	4.5	8.4	5.9	5.1	0.8	4.9	15.9	na
- Gross fixed capital expenditure	11.3	19.4	16.8	12.9	12.6	15.2	15.1	na
Nominal GDP, US\$ bn	36.2	38.7	40.1	40.3	40.3	42.7	44.0	na
Current Account, US\$ bn	1.81	2.46	2.16	0.64	1.47	3.02	-1.5	na
Capital & Financial Account, US\$ bn	-1.5	-2.0	-1.6	0.3	0.4	1.3	0.5	na

Sources: Bloomberg, Datastream, ANZ Bank

# Country Update: Vietnam

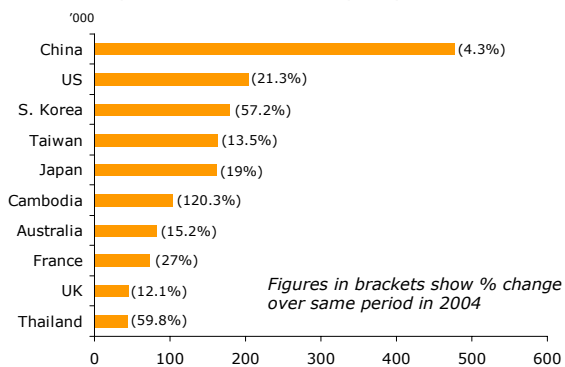
## Inflation eases



Sources: Datastream, ANZ Bank

## Strong growth in Visitor arrivals

Top 10 markets – January-July 2005



Source: General Statistics Office of Vietnam

- The Vietnam economy continues to perform strongly with partial indicators, such as industrial production, retail sales, tourist arrivals and foreign direct investment, suggesting that growth will remain healthy through the rest of the year and 2006.
- Foreign direct investment for the first eight months of this year is estimated to have totalled US\$3.5 bn, representing a year-on-year increase of 49.2%. The investment climate is expected to improve further as Vietnam prepares to join the WTO and as the government continues with its reforms. Entry into the WTO by the end of 2005 does not appear likely given that Vietnam has yet to conclude bilateral agreements with some 20 members and further reforms are needed. However, the marked progress made this year to achieve that goal is likely to see Vietnam become a member in 2006.
- Tourist arrivals were up 23.8% during January-July 2005 compared with the same period in 2004. While China and the US, its two largest markets, posted healthy growth, there has been a surge of visitors from Russia, Spain and Cambodia which more than doubled during this period
- Exports are estimated to have risen by 18.7% in the January-August period, to US\$20.4 bn, lifted by strong crude oil receipts. Other exports such as coal and wood-based products also grew strongly during this period. The lack of refining facilities, however, has contributed to a sharp rise in imports to US\$24.2 bn. The trade deficit is estimated to have widened to close to US\$4 bn during the January-August period.
- Inflation continued to ease. Annual inflation in August was 7.3% compared with a high of 8.5% in April, thanks largely to slower growth in food prices.

Jasmine Robinson

## Economic data - Vietnam

Monthly data	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05
Industrial Production <sup>+</sup> , %YOY	32.4	16.1	14.4	15.1	15.4	15.6	16.0
Retail Sales <sup>+</sup> , % YOY	19.1	18.5	18.5	18.7	18.8	18.9	19.0
Consumer Price Index, % YOY	9.7	9.1	8.4	8.5	8.1	7.6	7.5
Exports <sup>+</sup> , % YOY	19.6	16.2	16.2	23.2	20.4	17.4	18.1
Imports <sup>+</sup> , % YOY	18.3	24.2	18.5	22.4	21.2	22.0	20.5
Trade Balance <sup>*</sup> , US\$ bn	-0.2	-0.8	-1.1	-1.8	-2.6	-3.6	na
Tourist Arrivals <sup>+</sup> , %YOY	4.4	12.4	22.8	20.1	19.4	23.7	23.8
China, number of visitors <sup>*</sup>	-	-	211,930	246,066	302,439	408,817	478,195
US, number of visitors <sup>*</sup>	-	-	94,787	115,161	134,243	166,875	204,051

Quarterly data	H1 2005	FDI <sup>*</sup>
Real GDP <sup>+</sup> , % YOY	7.6	Value
Agriculture, forestry, fishery, % YOY	4.2	3.5 <sup>^</sup>
Industry & construction, % YOY	9.5	
Services, % YOY	7.6	

+ : January-to date vs same period in previous year

\*: January to date    ^: US\$ bn

Source: General Statistics Office of Vietnam

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