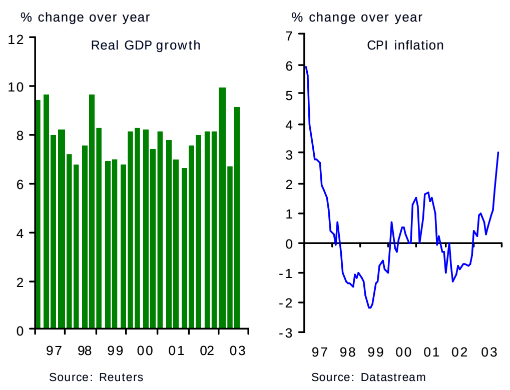
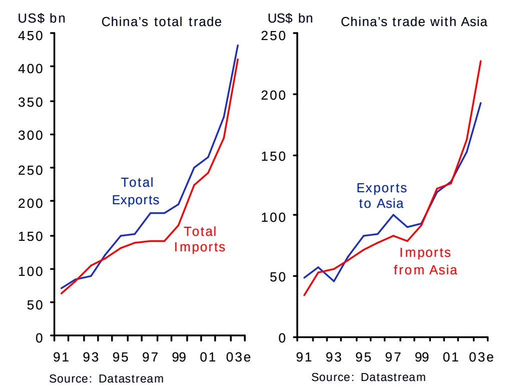
19 December 2003

Country Update: China

Strong growth exposing supply constraints and booosting prices



China's hectic growth pulls in imports, boosting Asia in particular



- China has reported strong GDP growth throughout 2003, with only a relatively minor blip in the SARS-affected second quarter. Over the year to the third quarter, GDP expanded 9.1%, and full year growth is expected to be around 8½, or perhaps even higher.
- There is concern that the economy may be heading into a phase of overheating, in which strong demand bumps up against supply constraints in sectors such as power, transport, coal and grains. In recent years, demand has been boosted by public spending and foreign investment. In 2003, these drivers have been supplemented by a rapid expansion of domestic credit, which rose 23.3% over the year to October.
- The first obvious impact of expanding credit was on prices of luxury apartments, particularly in Shanghai. The authorities responded in July by tightening the rules on lending for such apartments. More recently, in September, the bank reserve requirement was raised from 6% to 7% to restrict credit generally.
- Inflation has risen to 3% over the year to November, but the CPI in China is not a good gauge of overheating. With the prices of many goods and services fixed by the state, excess demand may be reflected in shortages rather than rising prices. Also, manufacturers with excess capacity and facing rising input costs may be unable to raise their product prices, and forced to take the impact on their profits.
- A strong rise in imports is both a symptom of, and a safety valve for overheating. China's imports in the first 11 months of 2003 were up by 40% over the same period in 2002. Exports grew 33% over the same period. Imports from the rest of Asia were particularly strong, providing a boost to the region.

Economic data and debt statistics

China	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	7.8	7.1	8.0	7.5	8.0	8.5	7.8	7.5
Inflation (yr av, %)	-0.8	-1.5	0.3	0.7	-0.8	0.9	2.0	5.0
Budget Balance (% of GDP)	-3.0	-4.0	-3.6	-3.0	-2.9	-2.6	-2.4	
Current Account (% of GDP)	3.3	2.1	1.9	1.5	2.7	0.8	0.4	
External Debt (US$ bn)	144	152	146	170	179	198	212	
Ext Debt/GDP Ratio (%)	15.1	15.3	13.5	14.7	13.8	14.4	14.0	
Ext Debt/Exports Ratio (%)	67.5	66.2	49.8	54.9	47.7	42.7	38.2	
Short term debt/Reserves (%)	11.6	9.6	7.8	20.4	19.0			
Debt Service Ratio (Paid) (%)	8.6	11.7	9.3	7.8	6.3			
Debt Service Ratio (Due) (%)	8.6	11.7	9.3	7.8	6.3	5.2	4.7	
Foreign Exchange Reserves (US$ bn)	149	158	168	216	291	389*		
Import Cover (months)	11.0	10.0	8.1	9.7	10.8			

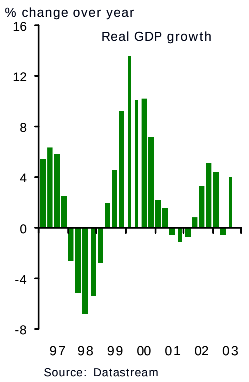
*: September 2003

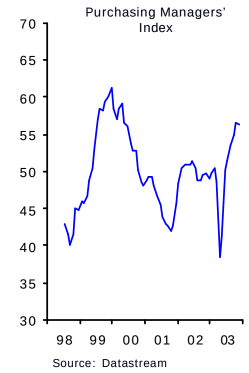
Sources: IMF, Economist Intelligence Unit, ANZ Bank

19 December 2003

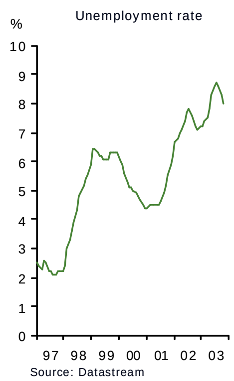
Country Update: Hong Kong

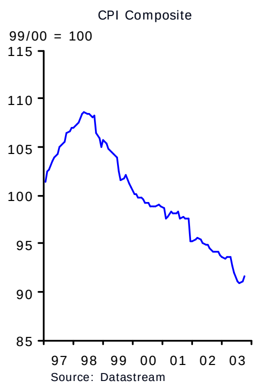
Economy rebounds after SARS





Unemployment eases from its peak while CPI deflation continues





- The economy has rebounded strongly after the SARS-induced dip in April and May. GDP rose by a seasonally adjusted 6.4% in the third quarter after a 3.3% drop in the second quarter. Forecast growth for the full year has been revised back up to 2½% compared with 2¾% expected before the SARS outbreak.
- The purchasing managers' index (a diffusion index, which, when above 50, represents an improving outlook for the manufacturing sector) collapsed in April, but by June had returned to 50 and has risen further in subsequent months.
- Business and consumer sentiment have been boosted by the free trade agreement with China, to take effect in January 2004, and the sharp rise in share prices. (Share prices rose almost 50% between the low in late April and highs in mid-December before news of a SARS case in Taiwan precipitated a fall.)
- The unemployment rate reached 8.7% over the three months to July - the highest level in 30 years. It has subsequently eased to 8%, measured over the three months to October.
- The collapse in demand during the SARS epidemic triggered aggressive discounting and pushed the CPI down sharply in May, June and July. There has been a minor recovery in prices since then, in line with a rebound in retail sales volume which was up 4.6% over the year to October. Nevertheless, annual inflation is still negative at –2.7% over the twelve months to October.

Economic data and debt statistics

Hong Kong	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-5.0	3.4	10.2	0.5	2.3	2.5	3.5	3.0
Inflation (yr av, %)	2.9	-4.0	-3.7	-1.6	-3.0	-2.9	-2.2	0.5
Budget Balance (% of GDP)	-1.8	0.8	-0.6	-5.0	-4.9	-6.8	-4.1	
Current Account (% of GDP)	2.7	7.5	5.5	7.5	10.9	10.8	10.0	
External Debt (US$ bn)	38.3	43.8	53.1	48.6	48.3	53.3	58.7	
Ext Debt/GDP Ratio (%)	23.2	27.3	32.1	29.9	29.9	33.1	34.1	
Ext Debt/Exports Ratio (%)	14.9	17.0	17.9	17.2	16.8	17.3	17.1	
Short term debt/Reserves (%)	17.9	17.2	18.6	16.6	16.4			
Debt Service Ratio (Paid) (%)	1.2	1.9	2.0	2.5	2.1			
Debt Service Ratio (Due) (%)	1.2	1.9	2.0	2.5	2.1	1.9	1.9	
Foreign Exchange Reserves (US$ bn)	89.7	96.2	107.5	111	112	112*		
Import Cover (months)	5.2	5.7	5.5	6.0	5.8			

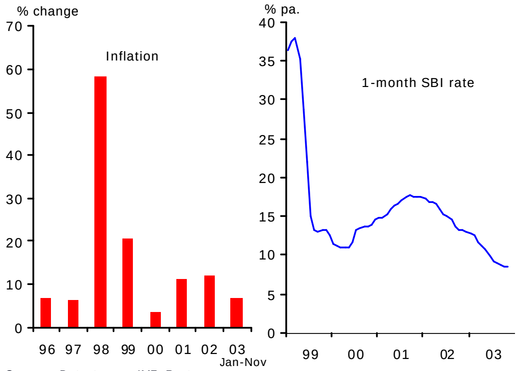
*: September 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

19 December 2003

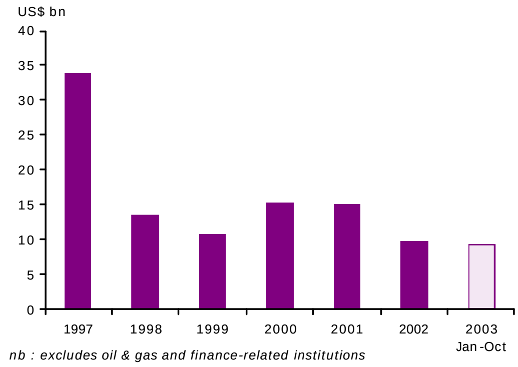
Country Update: Indonesia

Inflation and interest rates moderate



Sources: Datastream, IMF, Reuters

Foreign investment approvals pick up in 2003



nb : excludes oil & gas and finance-related institutions

Source : Investment Coordinating Board (BKPM)

- Legislative elections are due on 5 April 2004 and the first round of the country's first-ever direct presidential elections is scheduled for 5 July 2004 with a run-off on 20 September. The lead-up to the presidential elections is likely to be fraught with political jostling for support and strategic alliance-building, adding to uncertainty as the country treads new ground in terms of a direct vote for the presidency. However, our main case scenario assumes that the outcome will not produce a dramatic macroeconomic policy shift in a bid not to undo the efforts of the past two years to lift Indonesia's political and economic profile. This is particularly significant as Indonesia's loan arrangement with the IMF concludes at the end of the year.
- The economy has been growing at a 3½-4% pace in year-on-year terms, over the past four quarters, with private consumption being the main driver of growth. Real GDP expanded by 3.9% over the year to Q3 2003. A slightly higher rate of growth of 4½% is forecast for 2004, supported by a pick-up in external demand.
- Annual inflation has eased over the course of the year, dropping to 5.3% in November, the lowest rate since mid-2000, thanks largely to a strong rupiah and relatively stable food prices. Interest rates have fallen considerably with the 1-month SBI rate easing from over 17% in late 2001 to around 8½% currently.
- While these indicators bode well for economic activity, weak long-term foreign investment inflows continue to impede growth prospects. For the first ten months of 2003, foreign direct investment approvals stood at US$9.3 bn, up 36.6% from the same period in 2002, but this pales in comparison with an average of over US$30 bn per year between 1994 and 1997. Heightened competition from other low-cost production sites as well as corporate governance and security issues remain serious challenges to attracting much-needed foreign capital.

Economic data and debt statistics

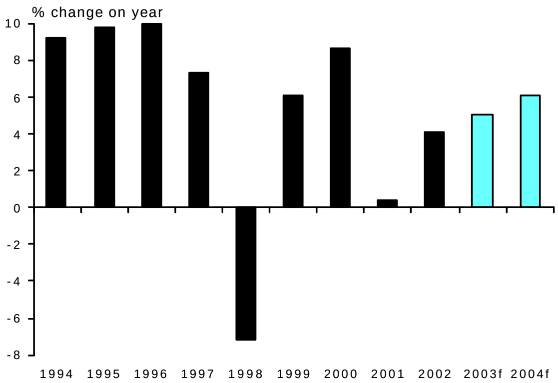
Indonesia	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-13.1	0.8	4.9	3.5	3.7	4.2	4.5	4.7
Inflation (yr av, %)	58.4	20.5	3.7	11.5	11.9	6.7	6.5	6.0
Public Sector Balance (% of GDP)	-2.9	-1.1	-2.8	-1.2	-1.6	-1.9	-1.2	
Current Account Balance (% of GDP)	4.3	4.1	5.2	4.9	4.3	3.9	2.8	
External Debt (USD bn)	151.2	151.0	144.1	135.7	132.7	133.2	132.6	
External Debt/GDP Ratio (%)	158.5	107.3	94.6	96.1	76.7	61.8	53.7	
External Debt/Exports Ratio (%)	262.0	256.6	194.0	205.9	196.4	193.0	187.6	
Short-term Debt/Reserves (%)	88.6	75.7	79.4	80.0	65.4			
Debt Service Ratio (Paid) (%)	31.7	30.0	22.5	23.6	20.7			
Debt Service Ratio (Due) (%)	36.4	36.5	24.0	25.1	20.7	17.8	19.4	
International Reserves (USD bn)	22.7	26.4	28.5	27.2	31.0	32.8*		
Import Cover (g & s) (months)	6.2	7.5	6.2	6.5	7.0			

*: September 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

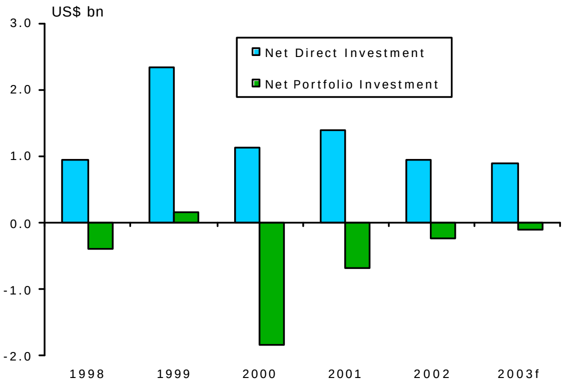
Country Update: Malaysia

Real GDP growth is expected to reach 6% in 2004



Source: Datastream, ANZ Bank

Levels of foreign investment inflows are disappointing



Source: Institute of International Finance

- There was a smooth political hand-over at end-October 2003 when Deputy Prime Minister Abdullah Ahmad Badawi succeeded Prime Minister Mahathir Mohamad who had held the position for 22 years. It is considered unlikely that Prime Minister Badawi, who is widely regarded as a more conciliatory politician than his predecessor, will make any significant changes to economic policy. The fixed exchange rate peg of MYR3.80 to the US dollar is likely to remain in place for the foreseeable future unless the decline in the US dollar becomes disorderly or China unexpectedly makes a significant change to its exchange rate policy.
- Real GDP rose by over 2% on a seasonally-adjusted basis between the second and third quarters, with annual real GDP growth rising to 5.2%. The quarterly result was the strongest amongst the East Asian economies that were not badly affected by the SARS outbreak and has prompted a significant upward revision in ANZ's full-year growth projection for 2003 to 5%. Malaysia has an open economy and economic growth prospects are being bolstered by recovery in its major exports markets, and by the boost to export competitiveness provided by US dollar depreciation. Real GDP growth is expected to be around 6% in 2004.
- Better growth prospects should allow Malaysia to significantly reduce its budget deficit. The September budget envisages a reduction in the deficit to 3.3% of GDP in 2004 and a balanced budget by 2006. However, recent economic data shows stronger recovery both domestically and globally than had been expected so there is an opportunity to make progress in shifting fiscal policy back towards a neutral setting.

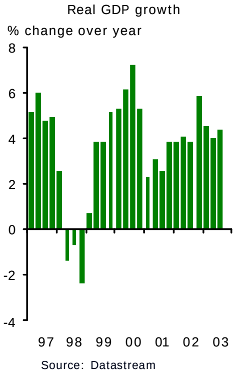
Economic data and debt statistics

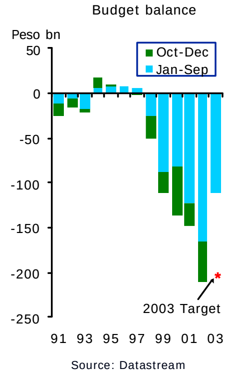
Malaysia	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-7.2	6.1	8.6	0.4	4.1	5.0	6.1	6.0
Inflation (yr av, %)	5.3	2.8	1.5	1.4	1.8	1.1	1.5	2.0
Budget Balance (% of GDP)	-1.8	-3.2	-5.8	-5.5	-5.5	-4.6	-3.3	
Current Account (% of GDP)	13.2	15.9	9.4	8.3	6.4	7.3	5.3	
External Debt (USD bn)	42.4	41.9	41.8	43.4	46.4	48.4	50.0	
External Debt/GDP Ratio (%)	58.8	52.9	46.4	49.3	48.9	48.2	45.9	
External Debt/Exports Ratio (%)	49.8	42.6	36.4	41.4	42.4	44.0	43.7	
Short-term Debt/Reserves (%)	33.1	19.7	15.7	16.7	21.8			
Debt Service Ratio (Paid) (%)	7.1	4.9	5.6	6.0	5.8			
Debt Service Ratio (Due) (%)	7.1	4.9	5.6	6.0	5.8	5.7	6.1	
International Reserves (USD bn)	25.6	30.6	29.5	30.5	34.2	43.7*		
Import Cover (g & s) (months)	4.5	4.8	3.8	4.2	4.5			

* October 2003
Sources: IMF, Economist Intelligence Unit, ANZ Bank

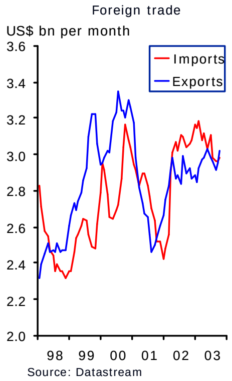
Country Update: Philippines

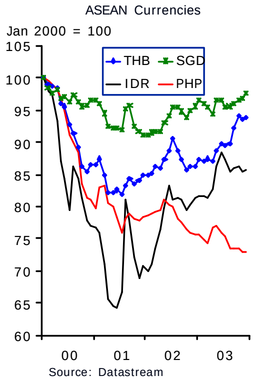
Budget deficit is tracking below last year, and is set to meet 2003 target.





Exports remain sluggish, despite historically low level of peso





- GDP expanded by 4.4% in the year to the third quarter, driven by private consumption. The growth rate for the fourth quarter is expected to be somewhat weaker, partly reflecting a high year-earlier base, and ANZ expects full year growth to be about 3¼ to 3½%.
- The fiscal position has deteriorated every year since 1997, and has been a major factor undermining foreign investor confidence. This year, at last, there are signs of progress in reversing this trend. For the first nine months of 2003, the deficit was P111 bn, compared with P166.5 bn in the corresponding period of last year. It would appear that the government is well on track to achieving a full-year deficit below its P202 bn target.
- After recovering sharply in late-2001, exports from the Philippines have been sluggish for almost two years. In the first ten months of 2003, exports were up by 3% on the corresponding period of 2002, while most other countries in the region enjoyed a significantly stronger pickup. Reports suggest that Philippines is losing ground to China in global electronics markets.
- A backward glance at the movements in the peso over the past four years is instructive. In the final months of the Estrada presidency (late-2000), the peso fell sharply amid the prevailing political uncertainty. However after the leadership transition, the peso never recovered, as investors began to focus on the budget deficit, the security situation, corruption and inefficiency, and a deteriorating trade performance. Indeed, in past two years the peso has continued to drift against a weakening US dollar, in contrast to other regional currencies (excluding those that are pegged), which have been trending upwards.

Economic data and debt statistics

Philippines	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-0.6	3.4	6.0	3.0	4.4	3.3	3.3	4.0
Inflation (yr avg, %)	9.7	6.6	4.3	6.1	3.1	3.1	3.6	4.0
Budget Balance (% of GDP)	-1.9	-3.7	-4.1	-4.0	-5.3	-4.9	-4.8	
Current Account (% of GDP)	2.4	9.4	8.4	1.8	5.4	2.0	1.8	
External Debt (US$ ban)	48.3	53.0	50.4	52.4	53.6	57.2	60.7	
Ext Debt/GDP Ratio (%)	73.7	69.2	67.3	72.7	68.7	74.6	75.0	
Ext Debt/Exports Ratio (%)	99.4	98.2	91.2	109.3	101.9	106.8	104.9	
Short term debt/Reserves (%)	77.9	43.4	45.6	45.0	41.5			
Debt Service Ratio (Paid) (%)	9.7	11.9	12.2	16.2	14.5			
Debt Service Ratio (Due) (%)	9.7	11.9	12.2	16.2	14.5	14.0	13.5	
Foreign Exchange Reserves (US$ ban)	9.2	13.2	13.1	13.4	13.1	12.9*		
Import Cover (months)	3.3	4.9	4.5	5.1	5.1			

*: September 2003

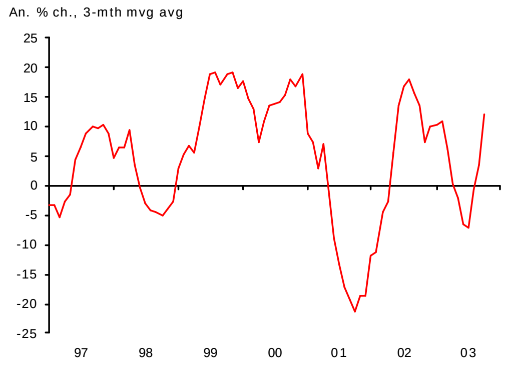
Sources: IMF, Economist Intelligence Unit, ANZ Bank

ANZ

19 December 2003

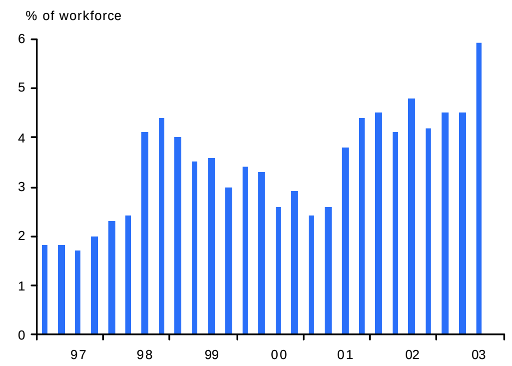
Country Update: Singapore

Industrial production rebounds



Sources: Economic Development Board and Datastream

Unemployment accelerates in 2003



Source : Ministry of Manpower

- The economy recovered from its sharp SARS-induced decline to be 1.7% higher over the year to Q3 2003. A rebound in industrial production, continued growth in the financial and retail/wholesale sectors and an anticipated recovery in the hotel and restaurants sector should lift growth to around 1% in 2003.
- Unemployment was sharply higher at 5.9% in September from 4.5% in June, the worst rate since the mid-1980s. While remaining relatively high by Singapore standards, the deterioration in the unemployment rate, however, is likely to abate as the labour market responds to improved economic conditions in 2004. Nevertheless, growing capital-intensive production, intense competition from cheaper offshore sites (eg. China), which has seen the relocation of some labour-intensive manufacturing, and a not-so-flexible workforce in terms of job aspirations and remuneration, underscore the structural issues that beset the labour market.
- Inflation is low, at around 0.5% in 2003, and is likely to edge up in 2004 partly reflecting a 1% point increase in the Goods and Services Tax to 5% from January. However, the inflation environment is likely to remain subdued.
- After three years of weak economic performance, real GDP growth is forecast to accelerate to around 5¾% in 2004, underpinned by strengthening external demand. Foreign direct investment continued to flow in at a respectable rate in 2003 despite a lacklustre global economic environment. For the first three quarters of 2003, Singapore secured S$4.7 bn worth of foreign net investment commitments in manufacturing. This was only about 13% lower than for the same period in 2002.

Economic data and debt statistics

Singapore	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-0.9	6.4	9.4	-2.4	2.2	1.1	5.8	5.0
Inflation (yr av, %)	-0.3	0	1.4	1.0	-0.4	0.5	1.0	1.5
Public Sector Balance (% of GDP)	2.5	0.5	2.0	1.6	-1.1	-1.1	0.7	
Current Account Balance (% of GDP)	24.1	20.3	17.4	21.1	21.5	29.0	25.0	
External Debt (USD bn)	14.2	15.1	15.5	14.2	14.2	14.9	15.3	
External Debt/GDP Ratio (%)	17.3	18.6	16.9	16.8	16.3	16.5	16.0	
External Debt/Exports Ratio (%)	10.0	9.7	8.5	8.7	8.2	8.2	7.9	
Short-term Debt/Reserves (%)	3.6	7.8	7.1	6.9	6.3			
Debt Service Ratio (Paid) (%)	1.3	2.2	2.3	2.4	2.1			
Debt Service Ratio (Due) (%)	1.3	2.2	2.3	2.4	2.1	2.0	2.0	
International Reserves (USD bn)	74.9	76.8	80.1	75.4	82.0	90.8*		
Import Cover (g & s) (months)	8.0	7.5	6.4	7.0	7.2			

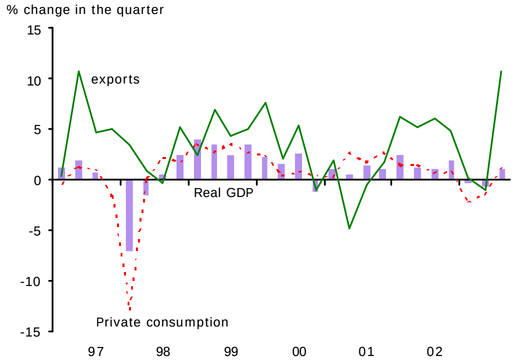
*: September 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

Country Update: South Korea

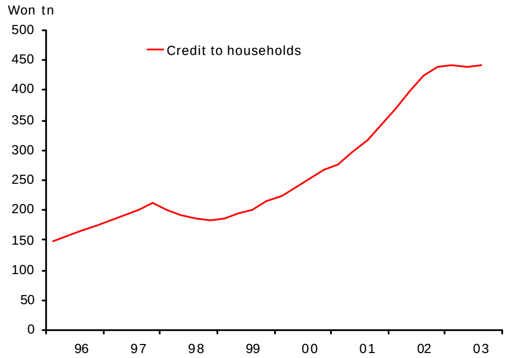
19 December 2003

Economy emerges from recession in Q3 2003



Source : Datastream

Consumer credit growth flat in 2003



Sources : Datastream and Bank of Korea

- The economy emerged from a recession in the third quarter with real GDP growing by 1.1% in the quarter to be 2.1% higher over the year. Growth was underpinned by a pick-up in exports, which offset sluggish domestic demand. The outlook is for stronger economic growth as external demand gains momentum. Real GDP is forecast to expand by around 5½% in 2004 after an estimated 2½% in 2003.

- A recovery in private consumption, however, is likely to be gradual, weighed down by record household indebtedness. Credit to households ballooned from KRW183.6 tn at end-1998 to KRW439.9 tn as at September 2003 although its pace has slowed considerably in 2003 following more stringent lending criteria. Investment, on the other hand, is expected to respond to improved export demand but labour unrest and political uncertainty are likely to be mitigating factors. There has been a significant increase in strike action in 2003, which has disrupted production.

- President Roh's leadership has been severely undermined by a series of scandals involving former aides. In addition, the split of the ruling Millennium Democratic Party in September and the President's subsequent departure from the party has diminished his support base in the opposition-dominated parliament. For the first time in almost 50 years, parliament secured a two-thirds majority to overturn a Presidential veto of a bill to investigate corruption allegations against his former aides. With parliamentary elections due in April 2004, economic reform is likely to take a backseat. President Roh's term in office is also uncertain amidst weak political support (his presidency ends in February 2008). Nevertheless, while the uncertain political climate will cloud the economic and investment environment, it is unlikely to destabilise the economy as no major policy shifts are expected.

Economic data and debt statistics

South Korea	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-6.6	10.9	9.3	3.2	6.3	2.5	5.4	5.6
Inflation (yr av, %)	7.5	0.8	2.3	4.1	2.8	3.5	3.0	3.0
Public Sector Balance (% of GDP)	-4.2	-2.7	1.3	1.3	3.8	-0.4	0.6	
Current Account Balance (% of GDP)	12.7	6.0	2.7	1.9	1.3	1.4	1.3	
External Debt (USD bn)	149.1	137.3	129.9	114.9	122.1	131.3	131.2	
External Debt/GDP Ratio (%)	47.0	33.8	28.1	26.8	25.6	25.4	23.3	
External Debt/Exports Ratio (%)	92.7	78.2	60.8	61.3	61.8	60.1	56.0	
Short-term Debt/Reserves (%)	73.0	56.2	43.6	38.8	38.1			
Debt Service Ratio (Paid) (%)	13.2	24.9	11.5	14.2	7.6			
Debt Service Ratio (Due) (%)	13.2	24.9	11.5	14.2	7.6	6.6	6.7	
International Reserves (USD bn)	52.0	74.0	96.1	102.8	121.3	143.2*		
Import Cover (g & s) (months)	5.4	6.2	6.0	7.2	7.9			

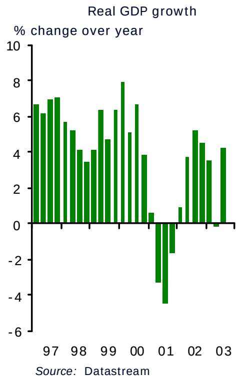
*: October 2003

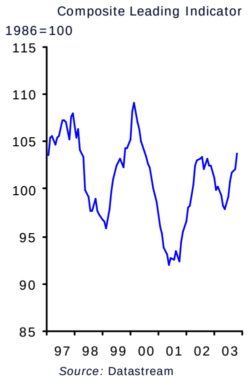
Sources: IMF, Economist Intelligence Unit, ANZ Bank

Country Update: Taiwan

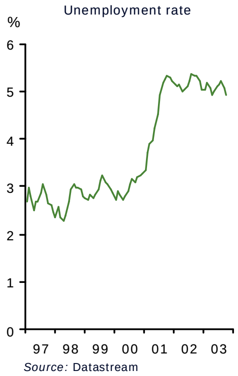
19 December 2003

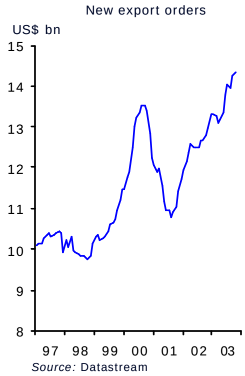
Economy rebounds after SARS; stronger growth likely next year





Growth is driven by exports, while unemployment remains high





- After shrinking by a seasonally adjusted 2.3% in the SARS-affected second quarter, the economy rebounded by 5.5% in the third, bringing over-the-year growth to 4.2%. The composite leading indicator has turned decisively upwards, but is still well below previous peaks. ANZ expects full-year growth for 2003 at around 2¾.
- The approaching election to be held on 10 March 2004, and the referendum to be held on the same day, will dominate news in coming months. The issue of independence for Taiwan is seen as a vote-winner, but China is indicating disapproval of any discussion on the matter. As the campaign proceeds, there is a risk that antagonism across the straits could intensify.
- Perhaps with an eye to the elections, the government has announced plans for 10 major infrastructure projects costing some US$14 bn. The programme is unlikely to give an early boost to the economy, as funding will need to be approved by the opposition-dominated legislature.
- Exports in the 11 months to November were 9.5% higher than in the corresponding period of 2002. However this statistic obscures the way exports have built momentum through the year, and were running at an annual growth rate of 16% by November. A high level of export orders bodes well for sustained growth next year.
- Despite the improving economy, unemployment remains stubbornly high. The latest reading (October) was 4.9%, not much below the peak level of 5.35% seen in August 2002. Annual inflation continues to hover around or below zero. The average for the first eleven months of 2003 was -0.3%.

Economic data and debt statistics

Taiwan	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	4.6	5.4	5.9	-2.2	3.5	2.8	4.8	3.0
Inflation (yr av, %)	1.7	0.2	1.3	0.0	-0.2	-0.3	0.3	0.3
Budget Balance (% of GDP)	-3.3	-5.9	-4.5	-6.6	-4.9	-4.7	-4.6	
Current Account (% of GDP)	1.3	2.9	2.9	6.4	9.1	8.4	6.7	
External Debt (US$ bn)	30.0	26.8	36.5	35.5	45.1	51.8	54.8	
Ext Debt/GDP Ratio (%)	11.2	9.3	11.8	12.6	16.0	18.4	18.2	
Ext Debt/Exports Ratio (%)	22.5	18.4	20.6	23.5	27.9	30.4	30.4	
Short term debt/Reserves (%)	21.4	15.3	24.7	21.5	21.9			
Debt Service Ratio (Paid) (%)	2.4	2.0	2.0	3.2	2.6			
Debt Service Ratio (Due) (%)	2.4	2.0	2.0	3.2	2.6	3.2	3.4	
Foreign Exchange Reserves (US$ bn)	90	106	107	122	162	197*		
Import Cover (months)	9.2	10.2	8.3	12.0	15.3			

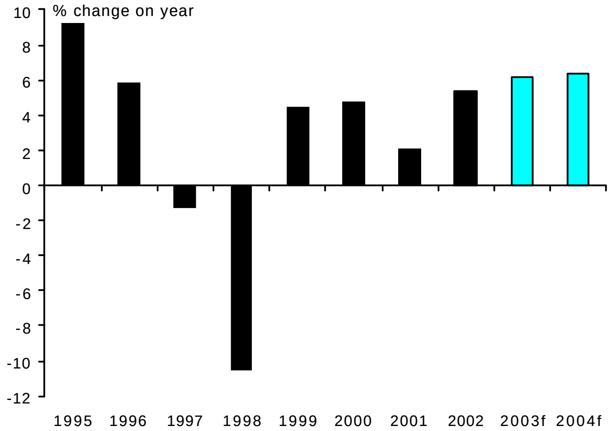
*: October 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

19 December 2003

Country Update: Thailand

Thailand's growth is expected to reach around 6.5% in 2004



Sources: Datastream, ANZ Bank

The authorities are trying to stem the baht's rise against the US dollar

Source: Datastream

- Seasonally-adjusted quarter-on-quarter GDP growth recovered from 0.6% in Q2 to 1.8% in Q3, with annual growth rising from 5.7% to 6.3%. Full-year growth is expected to be around 6.2% in 2003, up from 5.4% in 2002 and the strongest annual increase since 1995. The strong performance of exports has provided a basis for faster economic growth in 2003. It is worth noting, however, that the strong Q3 result was mainly due to a very strong rise in inventories; net exports and government consumption contracted on a quarter-to-quarter basis and private consumption rose only slightly.
- Prime Minister Thaksin expects even faster economic growth over coming years and projects that real GDP will rise by 8% and 10% respectively in 2004 and 2005. With the stock market rising by 94% between end-2002 and mid December 2003, and real estate prices also rising strongly, such ambitious forecasts are exacerbating fears of economic overheating and the development of speculative bubbles in financial markets. The authorities recognise this risk, but seem unsure about the timing and scale of new controls designed to curb speculative stock market trading.
- Global economic recovery and continued strong growth in China are positive for Thai exports in 2004. The authorities are however becoming concerned about the impact of a stronger baht (up by almost 9% against the depreciating US dollar between end-2002 and mid-December 2003) on export competitiveness and have introduced measures to curb its rise.

Economic data and debt statistics

Thailand	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	-10.5	4.5	4.8	2.1	5.4	6.2	6.4	5.6
Inflation (yr av, %)	8.1	0.3	1.6	1.7	0.6	1.8	1.8	1.4
Budget Balance (% of GDP)	-2.7	-2.6	-2.2	-2.6	-1.4	-0.2	-0.5	
Current Account (% of GDP)	12.7	10.1	7.6	5.4	6.0	5.3	5.2	
External Debt (USD bn)	104.9	96.8	79.7	67.4	60.0	54.1	54.5	
External Debt/GDP Ratio (%)	93.8	78.9	65.0	58.4	47.4	40.6	36.5	
External Debt/Exports Ratio (%)	148.5	127.4	90.9	82.9	69.0	59.3	54.2	
Short-term Debt/Reserves (%)	102.9	68.7	46.5	40.9	36.9			
Debt Service Ratio (Paid) (%)	18.0	21.3	16.0	24.7	16.8			
Debt Service Ratio (Due) (%)	18.0	21.3	16.0	24.7	16.8	17.5	10.6	
International Reserves (USD bn)	28.8	34.1	32.0	32.4	38.0	39.2*		
Import Cover (g & s) (months)	7.1	7.3	5.4	5.6	6.2			

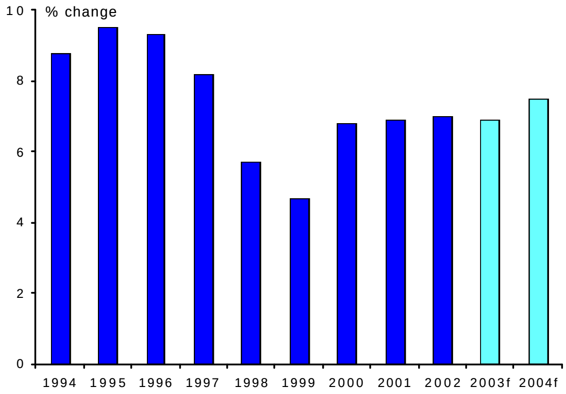
* October 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

19 December 2003

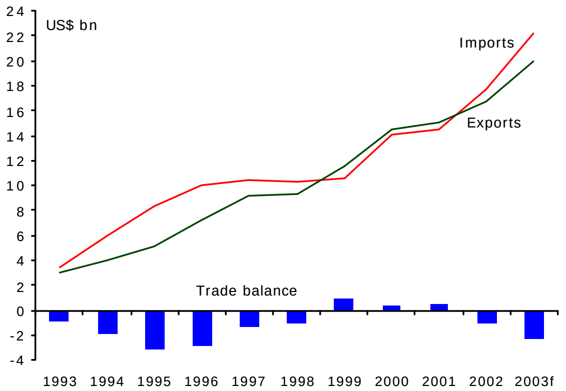
Country Update: Vietnam

Real GDP growth is steady around 7% according to official figures



Sources: IMF, ANZ Bank

The visible trade deficit continued to deteriorate in 2003



Source: Economist Intelligence Unit

- The economy expanded by 7.1% in the first 9 months of 2003 from the corresponding year-earlier period. Manufacturing and construction rose by 10.2% over this period, while services rose by 6.5%, the slower pace at least partly reflecting the adverse impact of SARS on tourism in Q2.
- GDP growth is expected to be sustained around 7% per annum over the next year or two, but concerns are mounting that growth could slow unless economic reform is speeded up. The IMF has reiterated that commercially-based decision-making in the state-owned enterprise and banking sectors is a key requirement to sustain solid economic growth. Regulatory and transparency issues also continue impede economic modernisation. The IMF has suspended disbursement of its current facility until central bank accounting reforms are implemented, but recent reports suggest that this particular obstacle should be overcome within the next few weeks. Faster reform is also needed to secure WTO membership by 2005, which would be particularly beneficial to the textiles sector and would significantly boost Vietnam's appeal to foreign investors.
- The US dollar value of exports during January-September was up by 25.4% from the year-earlier period. Imports rose by almost 32% so there was a sharp rise in the visible trade deficit and a current account deficit of 1.7% of GDP in 2002 is expected to be succeeded by one of around 5% in 2003.
- The US overtook Japan to become Vietnam's largest export market in 2002 and exports to the US are reported to have doubled in the first 9 months of 2003. Vietnam is now mounting determined efforts to encourage greater US investment in Vietnam, which continues to be held back by the difficult operating environment.

Economic data and debt statistics

Vietnam	1998	1999	2000	2001	2002	2003f	2004f	2005f
Economic growth (%)	5.8	4.8	6.8	6.9	7.0	7.0	7.5	7.0
Inflation (yr av, %)	7.3	4.2	-1.7	-0.4	3.8	3.0	4.0	4.0
Budget Balance (% of GDP)	-0.1	-1.6	-2.8	-2.9	-3.0	-3.9	-4.0	
Current Account (% of GDP)	-3.9	4.1	3.5	2.1	-1.7	-4.9	-5.1	
External Debt (US$ bn)	10.5	10.7	12.8	12.6	13.3	15.2	16.8	
External Debt/GDP Ratio (%)	38.7	37.3	41.2	38.2	38.1	40.8	41.6	
External Debt/Exports Ratio (%)	86.9	75.4	73.4	69.3	67.1	64.7		
Short-term Debt to Reserves (%)	49.6	23.8	27.1	21.3	19.5			
Debt Service Ratio (Paid) (%)	13.1	10.8	7.4	6.5	6.6			
Debt Service Ratio (Due) (%)	13.1	10.8	7.8	6.5	6.6	6.5	6.6	
International Reserves (US$ bn)	2.0	3.3	3.4	3.7	4.1	5.8*		
Import Cover (g & s) (months)	1.8	2.9	2.4	2.5	2.3			

* August 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:
Australia and New Zealand Banking Group Limited ABN 11 005 357 522
10th Floor 100 Queen Street, Melbourne 3000, Australia
Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:
Australia and New Zealand Banking Group Limited
ABN 11 005 357 522
Minerva House, PO Box 7, Montague Close, London, SE1 9DH, United Kingdom
Telephone+ 44 171 378 2121 Fax+44 171 378 2378

UNITED STATES OF AMERICA by:
ANZ Securities, Inc. (Member of NASD and SIPC)
6th Floor 1177 Avenue of the Americas
New York, NY 10036, United States of America
Tel: +1 212-801-9160 Fax: +1 212-801-9163

NEW ZEALAND by:
ANZ Banking Group (New Zealand) Limited.
Level 10 215-229 Lambton Quay Wellington, New Zealand
Telephone +64 4 496 7000, Fax +64 4 496 7360