



Transformation
Growth

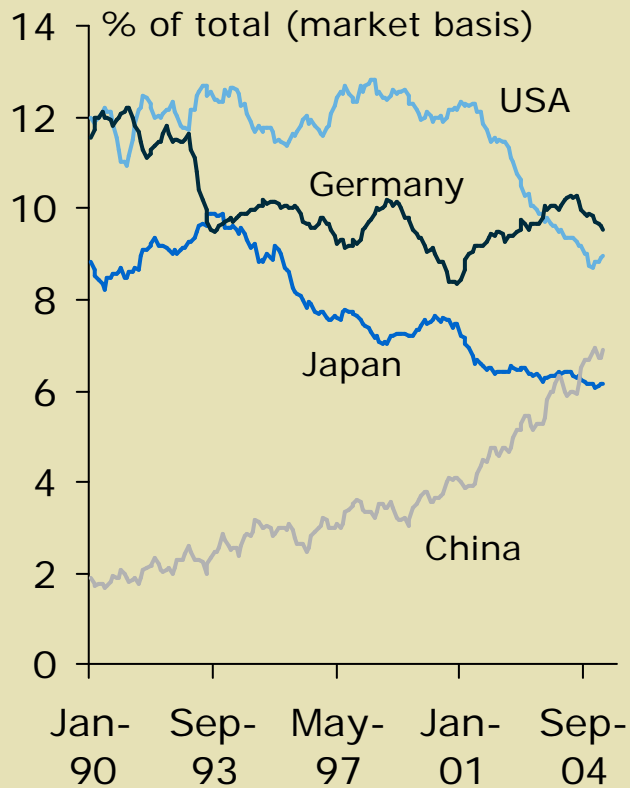
Focus on Asia

Amy Auster
23 November 2005

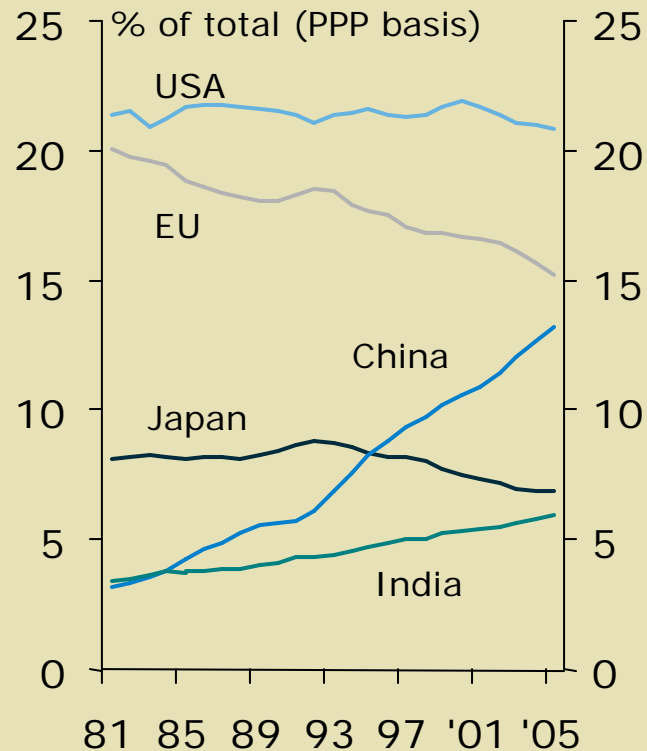
ANZ

Asia's growing role in the global economy

Share of global exports

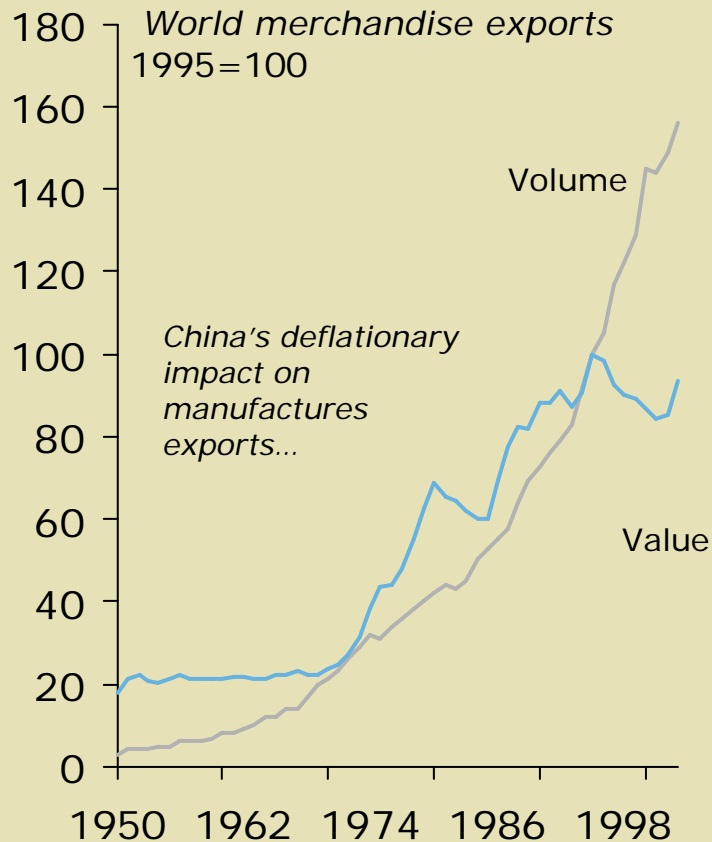


Share of global economy

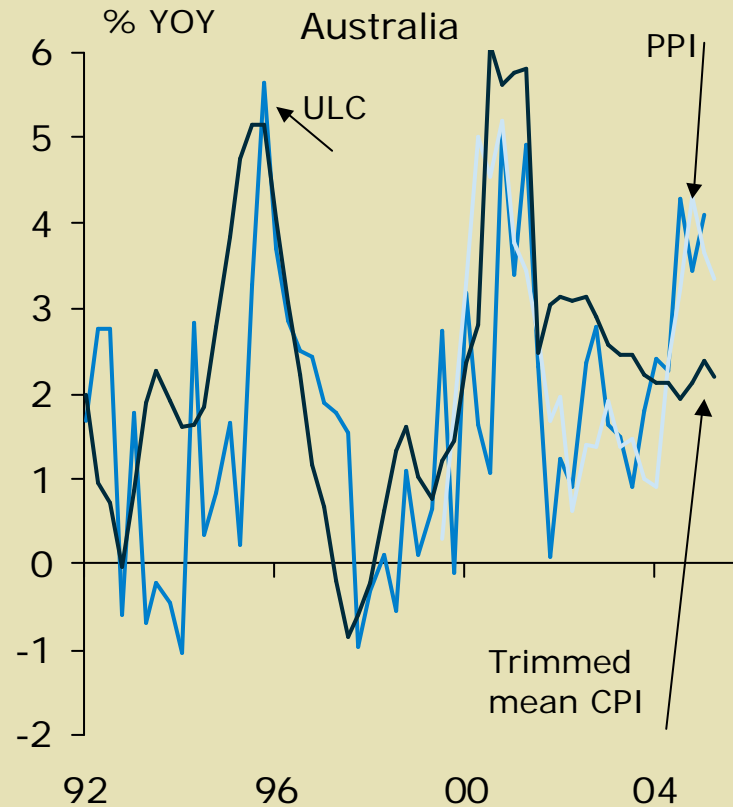


China effect #1 – Manufactured good deflation

Manufactured goods deflation

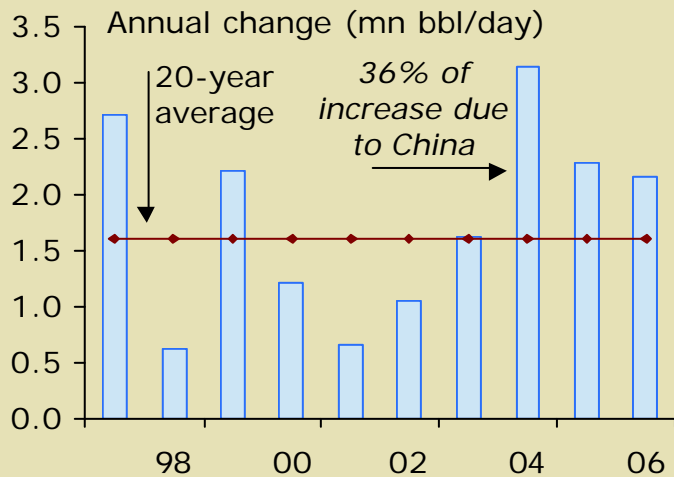


Producers competing globally

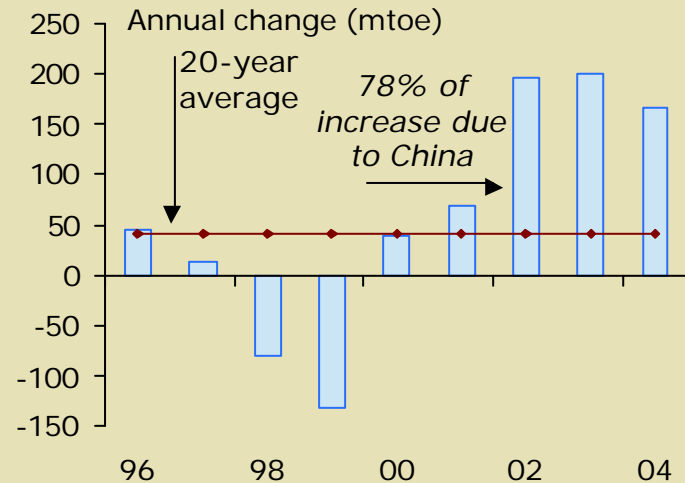


China effect #2 – commodity price inflation

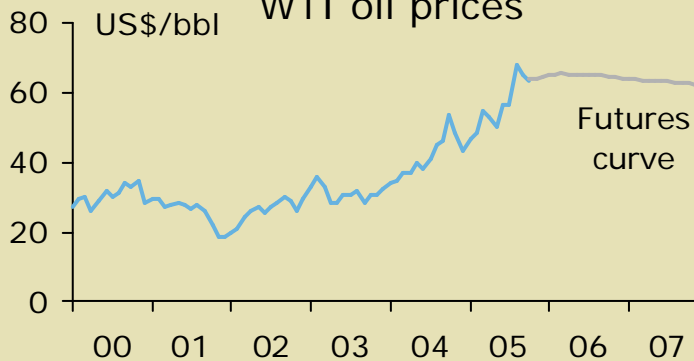
Global oil demand



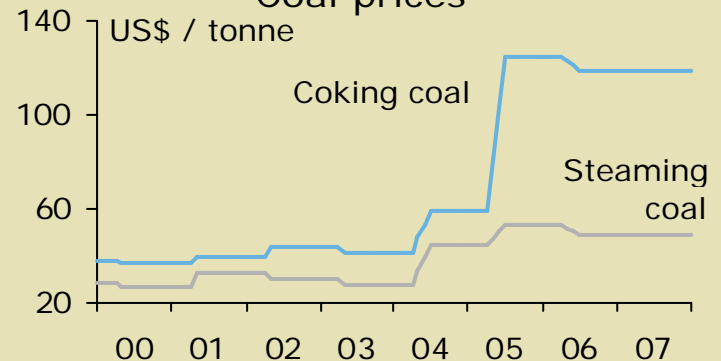
Global coal demand



WTI oil prices



Coal prices



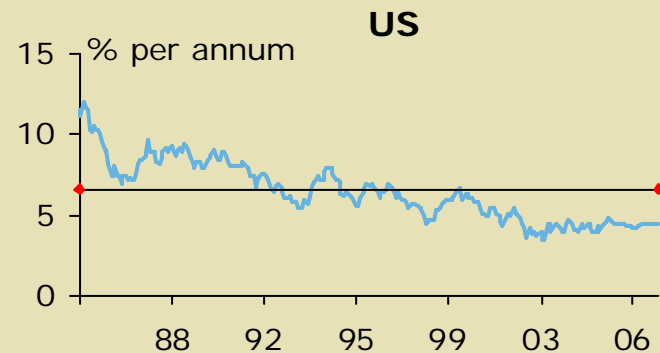
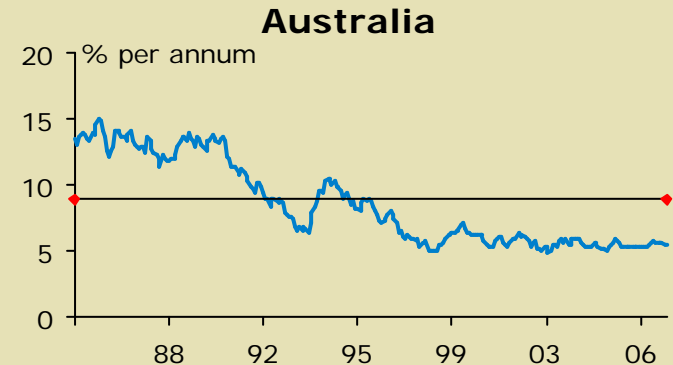
China (and Asia) effect #3 – low long term interest rates

Global FX reserves



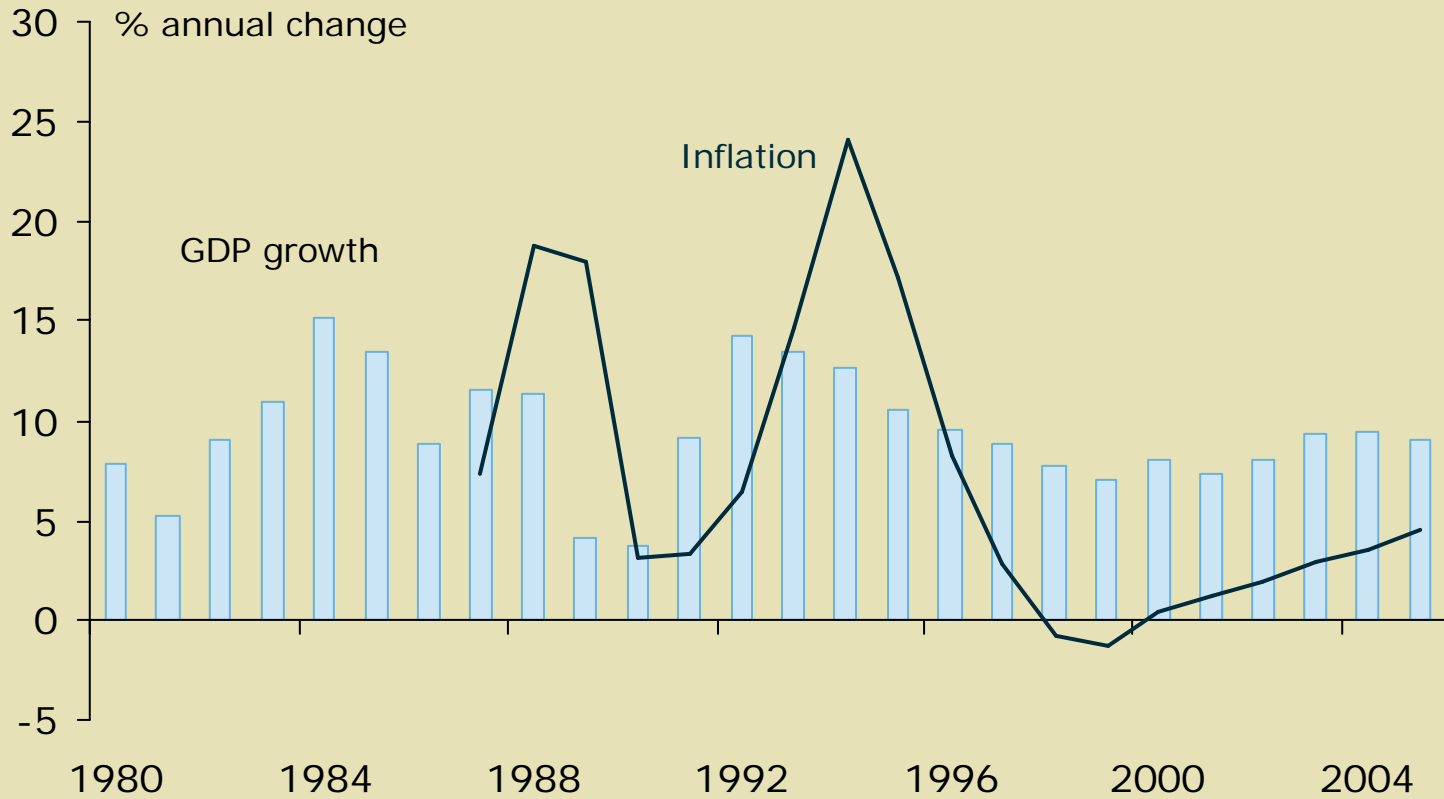
Sources: IMF, BIS

10-yr gov't bond yield against 20-year average



The potential to bust

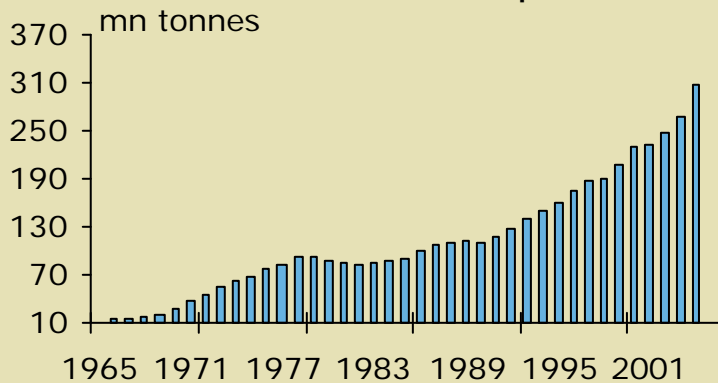
China's GDP growth and inflation



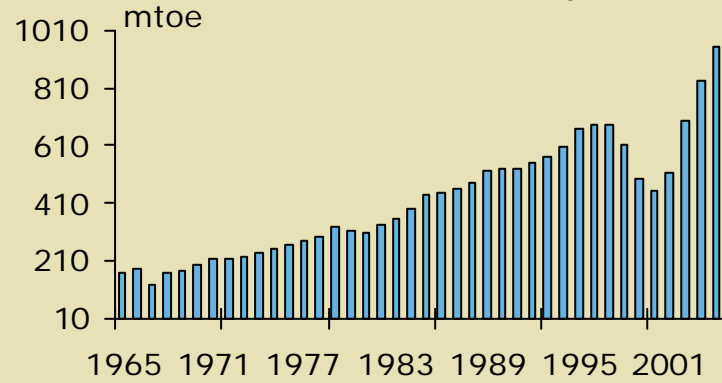
Sources: Datastream

The implications of a bust

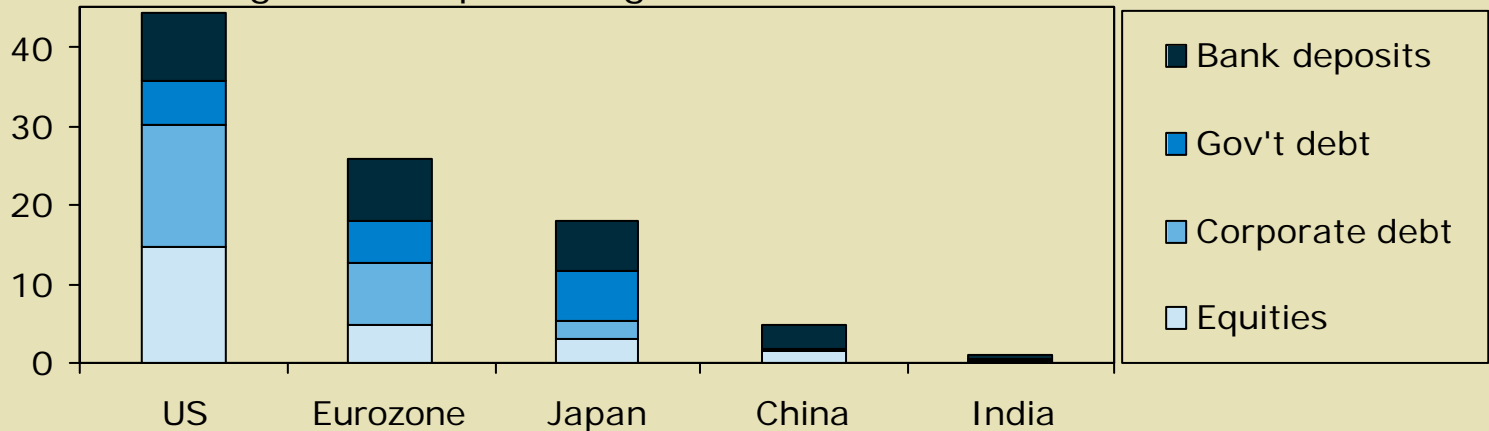
China's oil consumption



China's coal consumption



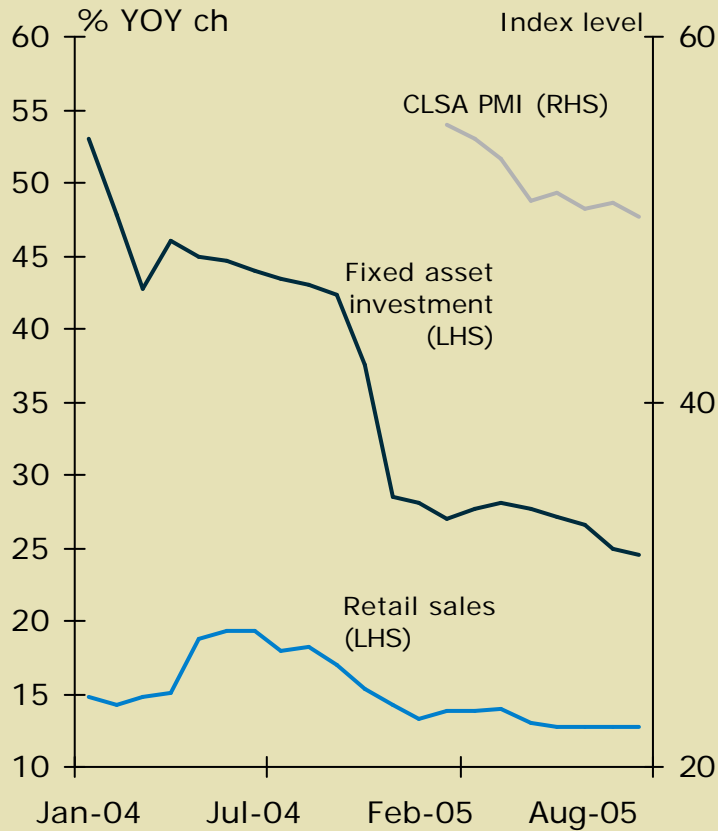
Regional composition global financial stock, 2003 US\$ tr



Sources: McKinsey, BP Statistical Handbook

Projection #1: China's soft landing on its way

Leading indicators

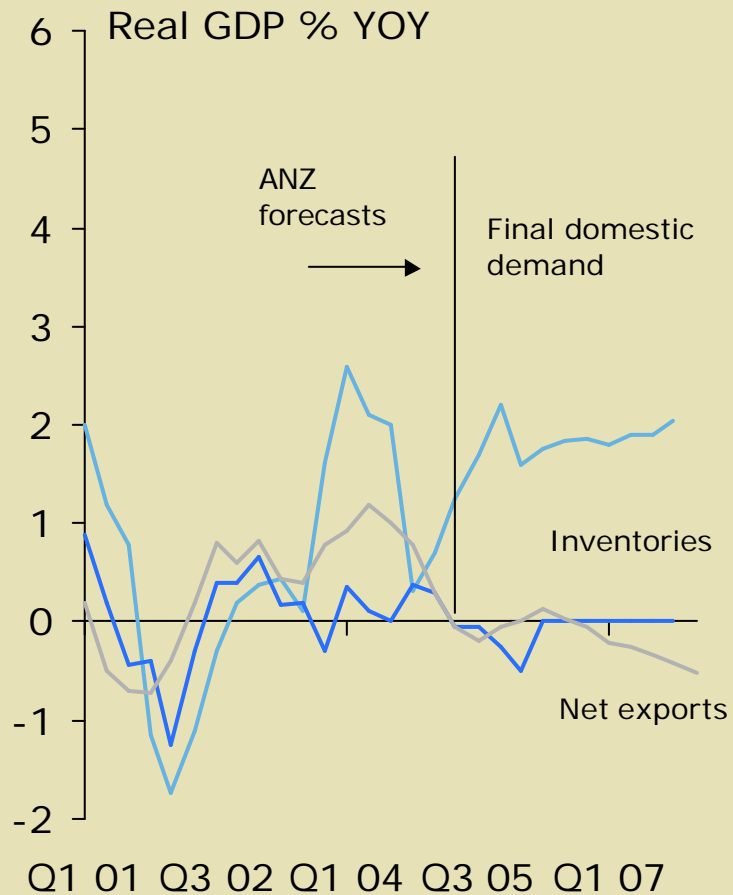


Exports and imports



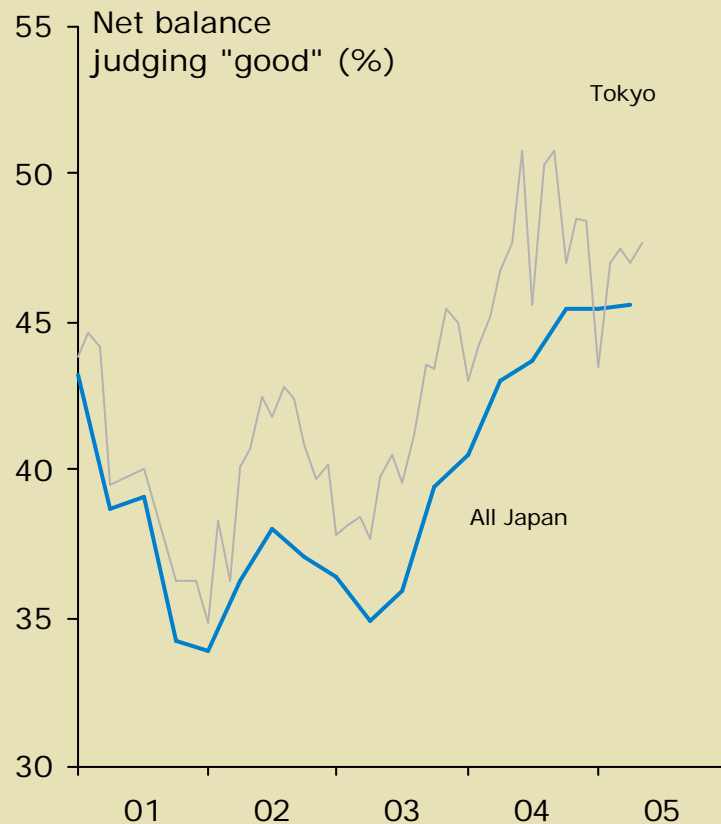
Projection #2: Japan renewed centre of demand

Contribution to GDP growth



Sources: Datastream

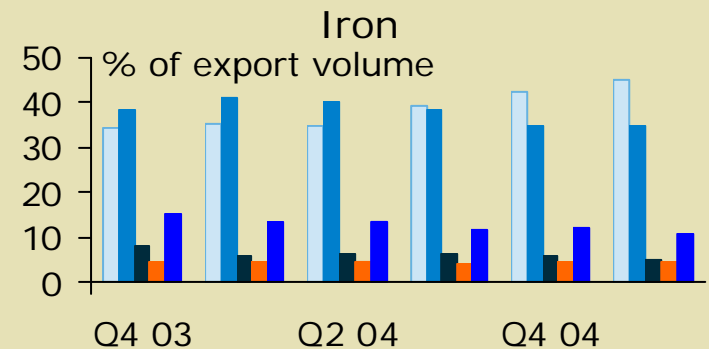
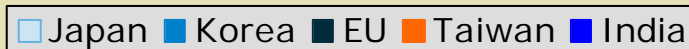
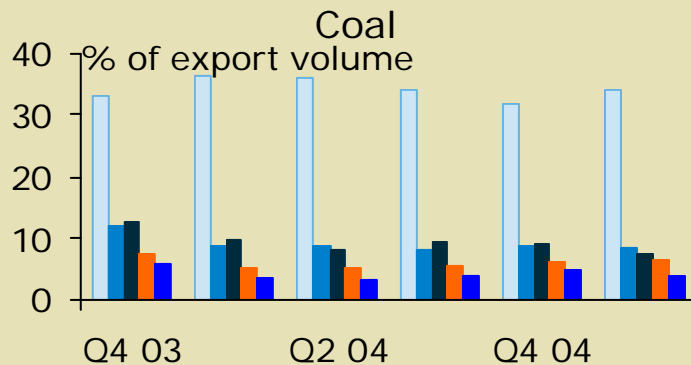
Consumer confidence



Australia's commodities have a growing market

Australia's top commodities, by value, % of total exports (03/04)

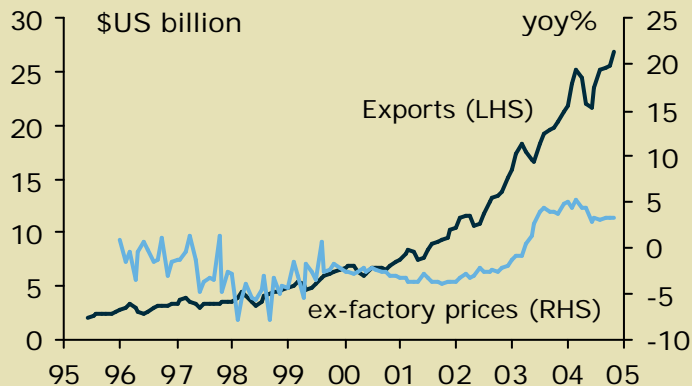
Coal, black	20.7
Petroleum and products	16.7
Iron	13.9
Gold	10.5
Aluminium	7.1
Alumina	7.0
Copper	4.1
Nickel	6.0
Zinc	2.4



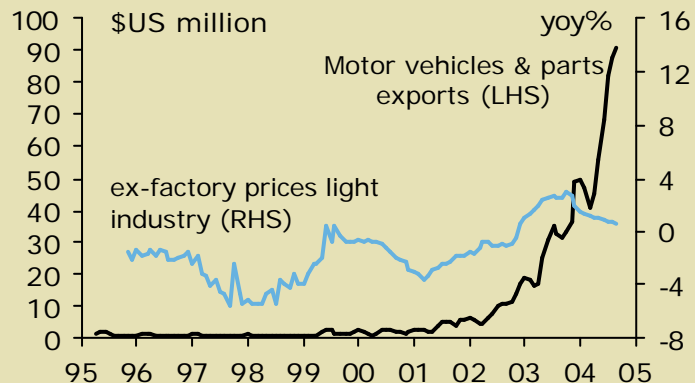
Sources: Datastream; ABARE; Economics@ANZ

Australian manufacturers face competition

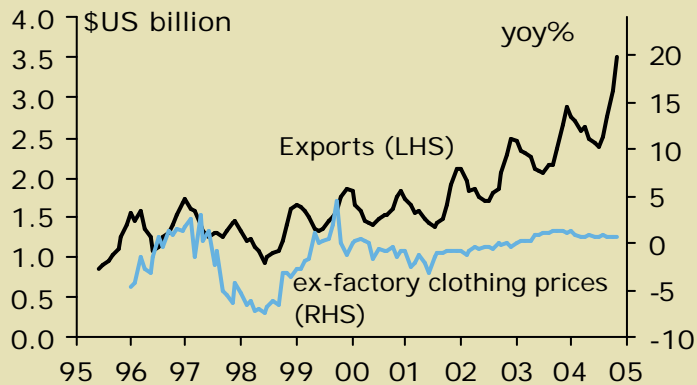
China's machinery & electronics



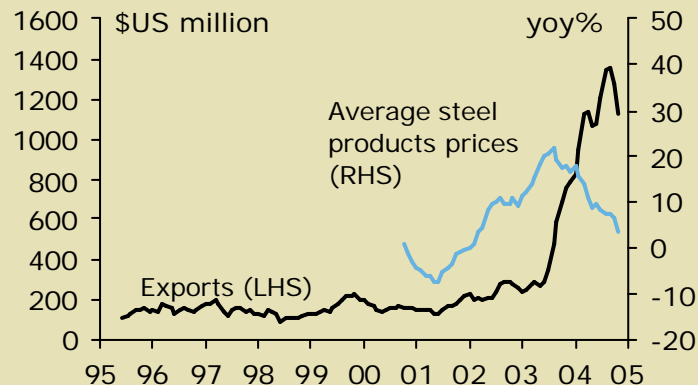
China's light industry



China's textiles



China's steel products



Source: Datastream

Services sector a major opportunity

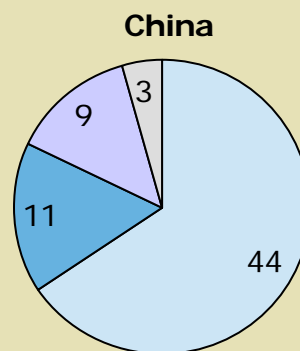
Productivity in services, US\$ p.c.*

USA	76,785
Taiwan	67,524
Hong Kong	62,884
Australia	58,726
Japan	56,471
Singapore	47,345
Korea	37,452
Malaysia	26,145
Thailand	17,480
Philippines	12,916
India	12,709
China	9,813
Indonesia	8,694

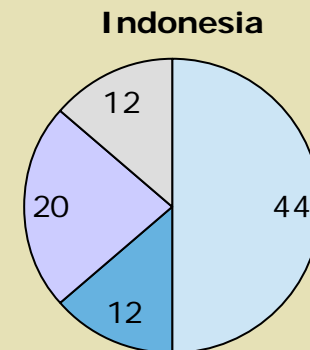
*Related GDP per person employed, US\$

Source: IMD World Competitiveness Yearbook, 2005

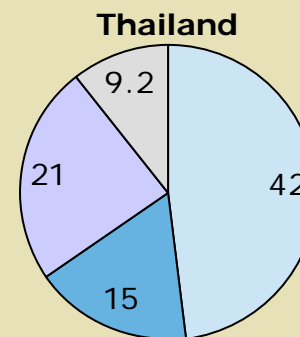
Employment by sector



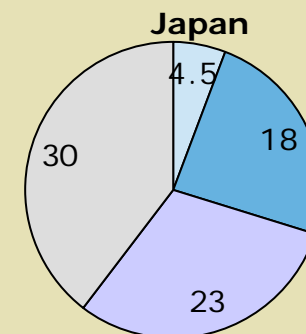
□ Agr □ Manuf
 □ Retail/accom □ Services



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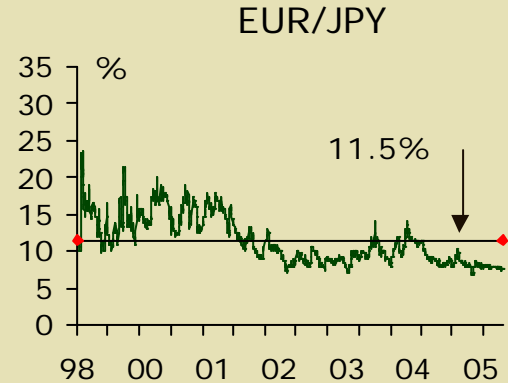
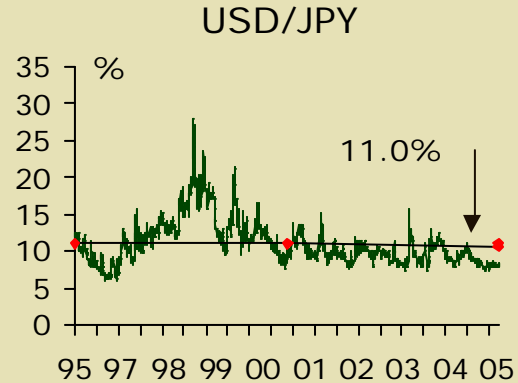
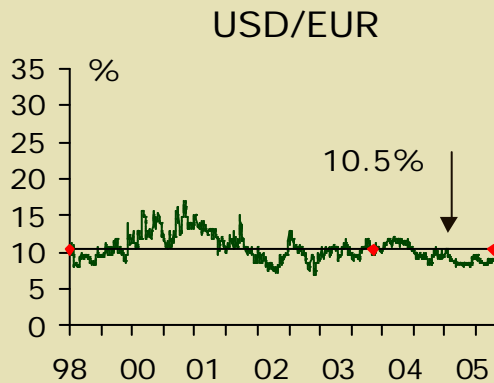
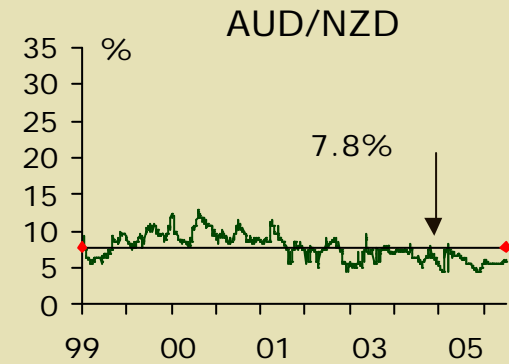
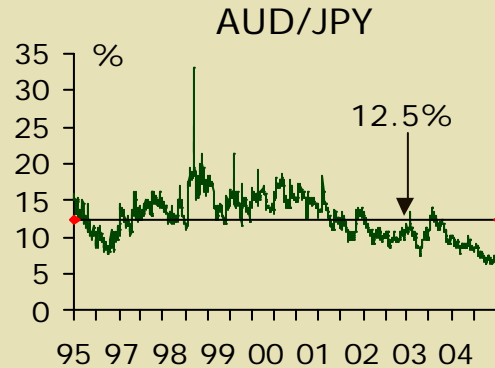
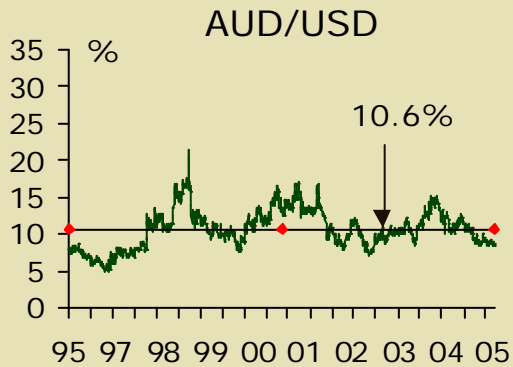
□ Agr □ Manuf
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Financial market volatility will rise again

1-month currency options time series plotted against long-term historic average

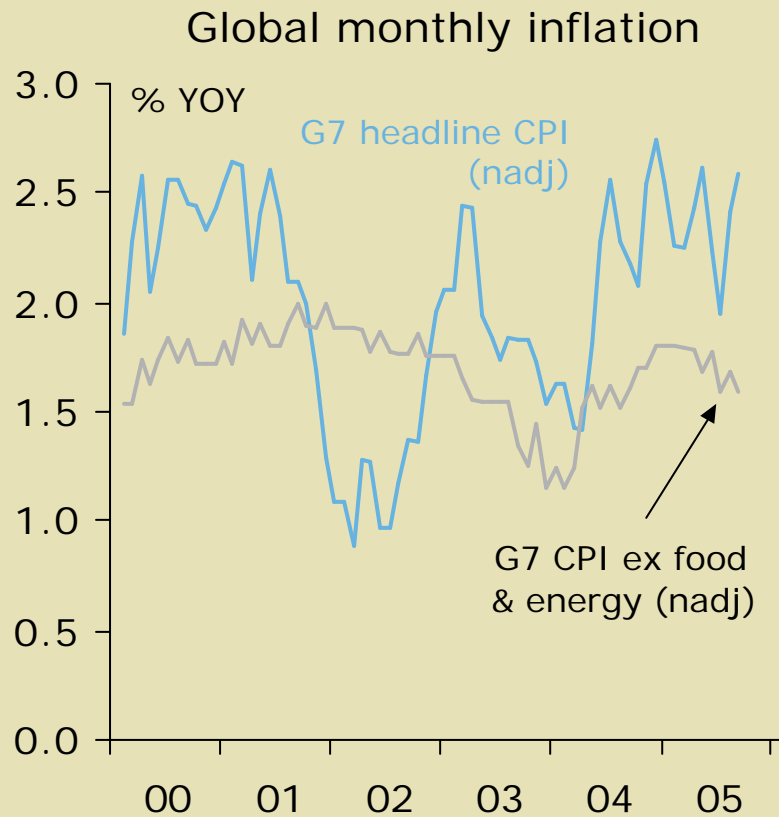
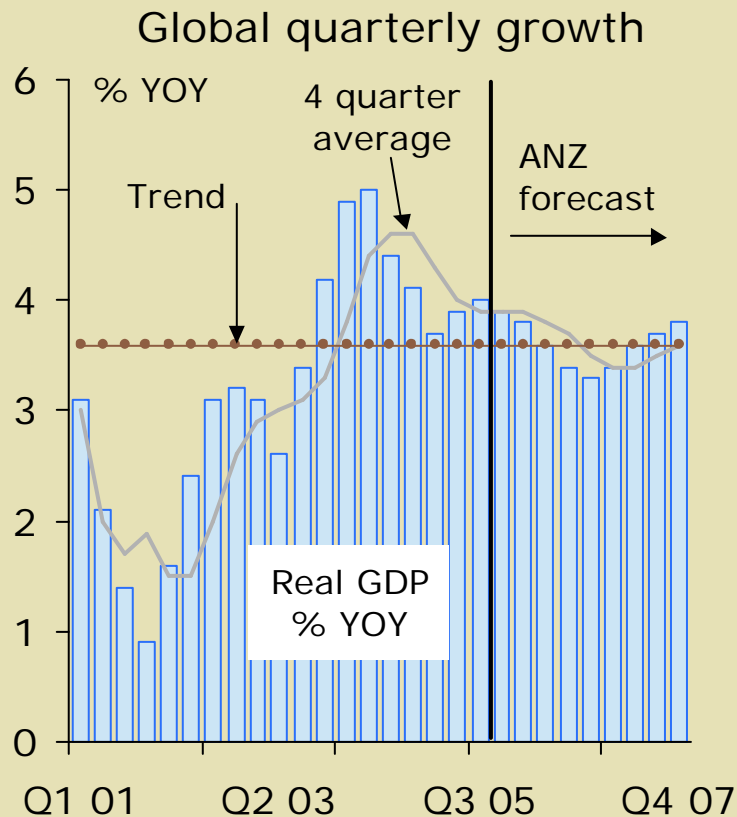


World financial market forecasts

	Oct 2005*	Dec 2005	Jun 2006	Dec 2006
US Fed funds rate	3.75	4.25	4.50	4.50
RBA cash rate	5.5	5.5	5.5	5.75
Bank of Japan call rate	0.00	0.00	0.00	0.25
European Central Bank refi rate	2.00	2.00	2.25	2.50
Bank of England refi rate	4.5	4.50	4.50	4.50
US 10-year bond yield	4.55	4.75	4.40	4.20
US\$ - ¥	115.9	120	119	111
€ - US\$	1.20	1.17	1.10	1.20
£ - US\$	1.78	1.70	1.67	1.69
US\$ - SwFr	1.28	1.31	1.33	1.27
AUD – US\$.751	.740	.68	.70
NZD – US\$.70	.68	.58	.60

* actual

Forecast is for solid global growth and low inflation



Note: GDP based on 50 countries aggregated using 'purchasing power parity' weights. Inflation based on CPI in the G7 countries aggregated on a PPP basis.

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

China and Japan will underpin regional growth

	% change in real GDP from previous year			
	2004	2005	2006	2007
United States	4.2	3.6	3.2	2.9
Japan	2.6	2.3	2.0	1.9
Euro area	1.7	1.2	1.3	1.8
Australia	3.3	2.5	3.4	3.6
New Zealand	4.8	2.3	1.7	2.8
China	9.5	9.3	8.0	7.8
Korea	4.6	3.7	3.5	3.0
Indonesia	5.1	5.4	5.6	5.5
Thailand	6.1	3.6	3.8	4.1
Hong Kong	8.2	6.2	3.3	3.3
Malaysia	7.1	4.6	4.1	3.8
Singapore	8.4	4.7	4.5	4.5
East Asia excl Japan	8.1	7.5	6.6	6.3
World	5.0	4.3	4.0	3.8

* Weighted by GDP in US\$ at purchasing power parity exchange rates.
Sources: national agencies; IMF; Economics@ANZ.

Asia currency forecasts

	Oct 2005*	Dec 2005	Jun 2006	Dec 2006
US\$ - ¥	115.9	120	119	111
US\$ - Yuan	8.08	8.03	7.91	7.78
US\$ - Won	1 041	1 055	1 040	1 030
US\$ - NT\$	33.5	33.8	34.2	33.0
US\$ - Rupiah	10 115	10 000	9 750	9 500
US\$ - Baht	40.7	42.0	42.5	41.5
US\$ - HK\$	7.75	7.75	7.79	7.78
US\$ - Ringgit	3.78	3.75	3.71	3.69
US\$ - S\$	1.69	1.71	1.70	1.67
US\$ - Peso	54.9	56.0	56.5	55.5
US\$ - Dong	15 901	16 100	16 250	16 400
US\$ - Rupee	44.1	45.5	43.0	42.0

* actual

ANZ