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China: Policy has already started to loosen at a macro level; positive for domestic demand growth

Policy has already started to loosen.

The Premier clearly signalled a change in the macro economic policy stance.

Monetary and fiscal policies both saw changes shortly afterwards.

This is **an aggregate loosening** instead of just a targeted one.

Drivers for the policy stance change:

- Rising concerns on growth/employment, especially amid external slowdown.
- Falling inflation as a result of policy tightening and pork price normalization.

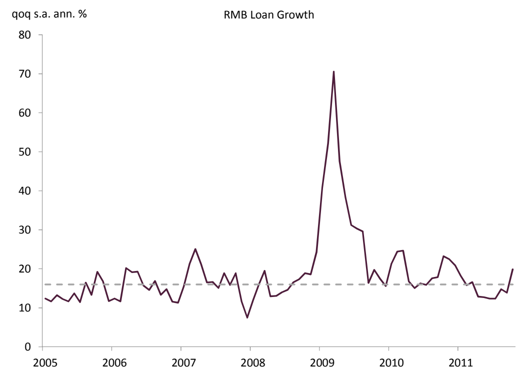
Future policy actions:

- RRR/interest rate/exchange rate/fiscal policy.

Implication:

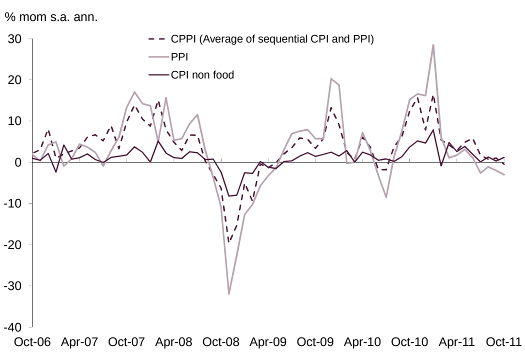
- Seesaw relationship between exports and domestic policy will be positive for domestic demand growth though the lever is likely to be lower.
- Infrastructure fixed asset investment is likely to see the most visible change because of a low base in recent months.

China: Sequential loan growth



Source: CEIC, GS Global ECS Research.

China: Sequential inflation below long-term trend level



Source: CEIC, GS Global ECS Research.

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The economics research team would like to acknowledge intern, Tiffany Qiu for her contribution to this publication.

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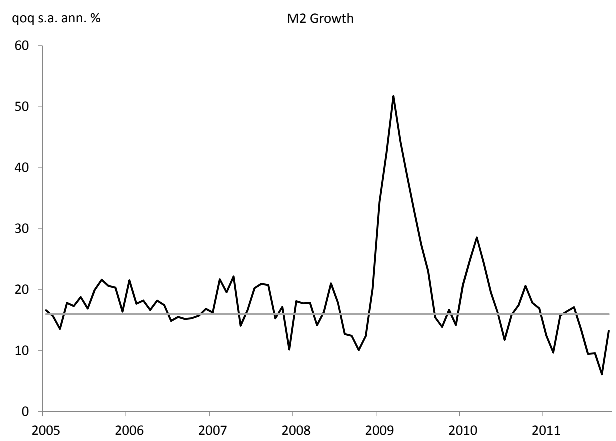
Policy tone has clearly changed

Premier Wen stated that policy will be adjusted modestly on October 25 while hosting a conference with local government officials. He reiterated that point on October 29 during a State Council meeting. While the tone of the Premier's comments seems to be very mild, we think the signal to change was very clear, which hasn't always been the case in the past as senior officials often make subtle changes such as adding or omitting certain phrases such as "*maintaining continuity and stability in policy making*" to hint a change in policy.

Policy implementation has started to change as well

As potentially important as the statements are, it is actual policy actions which ultimately matters for the real economy. In China, sometimes the two do not necessarily match each other. In mid-2009 for example, despite a lack of significant change in the official policy tone, the actual policy implementation was tightened significantly as marked by the downward slope in loan and M2 growth which was roughly as steep as the upward slope during the period of record loosening (see Exhibit 1).

Exhibit 1: M2 growth



Source: CEIC, GS Global ECS Research.

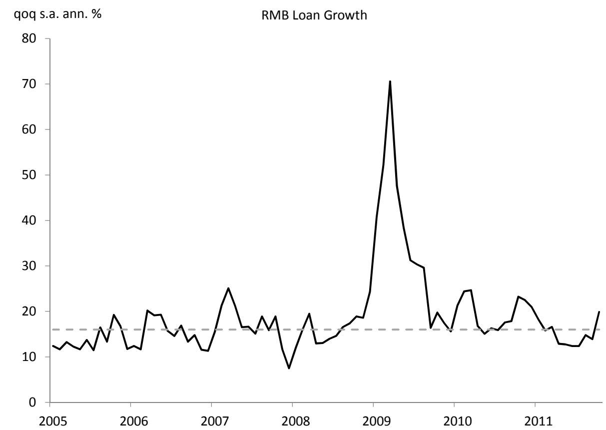
Following the Premier's comments, we have seen on the **monetary policy** front, the People's Bank of China (PBOC) injecting liquidity on a net basis into the interbank market (Rmb162 billion since October 25) via **open market operations** (OMOs) which resulted in a fall in interbank interest rates. The central bank also cancelled the 3-year bill issuance (the duration of the bill used is of secondary importance at best compared with the amount of bills issued though there is a tendency for the PBOC to use longer-term bills to lock up liquidity "deeper" as supposed to short-term bills when they are in tightening mode) and lowered the yield of PBOC bills. More importantly, the amount of loans supplied in October was significantly higher than it was in September (Rmb587 billion vs. Rmb470 billion). We believe this still does not fully reflect the intention of the government as the policy change occurred in late-October and some banks did not have sufficient preparation in advance which limited their actual lending for the month. For November and December, we expect larger amounts of lending than it was in October which would mark a significant loosening in loan controls compared with 2Q2011 and 3Q2011.

On the **fiscal policy** front, the Ministry of Finance (MOF) raised the thresholds eligible to pay the VAT and operation tax which will benefit small firms, this came into effect on November 1. We believe the magnitude of these tax cuts is likely to be limited (the MOF did not give an estimate) it was a step in the direction highlighted by the Premier earlier on. Furthermore, further tax cuts are likely to be rolled out in the coming months as well.

This loosening is different from the so-called "targeted loosening" in the sense that it is an aggregate loosening instead of just sector-specific supporting policies

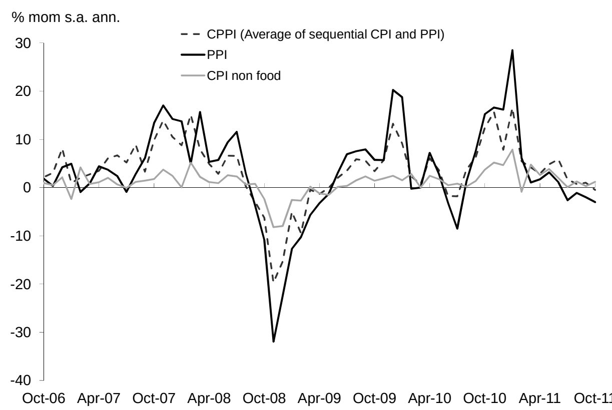
Since the middle of the year, there have been expectations for a targeted loosening, in the form of support given to specific sectors in the economy such as social housing, ethnic minority regions in western China, water management, and SMEs. However, while many of these policy changes did occur, it is the overall level of liquidity which matters most for the macro economy since without changes in aggregate liquidity supply, a targeted loosening will be offset by an untargeted tightening. Judging from the amount of liquidity supplied in 3Q2011 especially in September, that is what we got indeed. This tighter-than-expected overall policy stance was mostly because the PBOC was asserting its hawkish view on actual policy making and the China Banking Regulatory Commission's (CBRC) actions to crack down on discount bills related to rural cooperate banks while more senior policy makers did not have strong differing views. However, given the changes in growth and inflation, we believe their views likely changed as well. From a political perspective, the Premier has spoken clearly on the change in policy direction implying that monetary authorities are under pressure to act accordingly.

Exhibit 2: Sequential loan growth



Source: CEIC, GS Global ECS Research.

Exhibit 3: Sequential inflation below long-term trend level



Source: CEIC, GS Global ECS Research.

Two main drivers for the policy stance change: Lower concerns on inflation and higher concerns on growth and employment, especially in light of the worsening of external economic environment

Rising inflation was the reason why we had the policy tightening in the first place. Headline yoy CPI inflation has been moderating since reaching its peak in July reaching 5.5% in October. Since the end of October, high frequency data on food prices have continued to trend down on a yoy basis. Equally important, sequential non-food CPI inflation has been stable at around 1% mom s.a. ann. over the past 4 months which is below its long-term trend of 1.5%. We expect November and December CPI to be in the mid-4% level. The average of CPI and PPI (CPPI), which we use as a proxy for broader inflationary pressures in the economy, fell to 0% in October from 16% in November 2010 (see Exhibit 3).

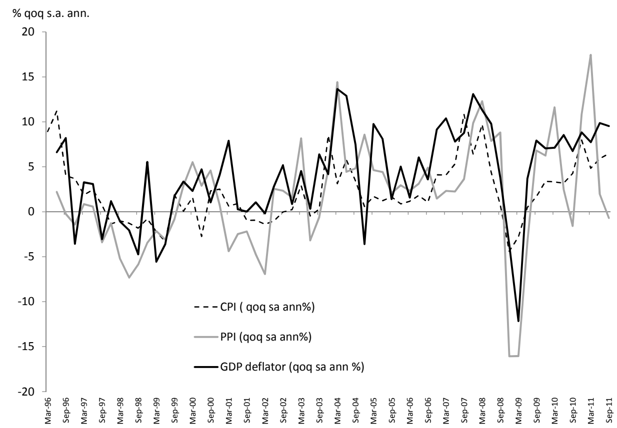
While there is some debate regarding the reliability of the CPI, especially in light of the higher level of the implicit GDP deflator, we believe 1) the gap between the GDP deflator and CPPI mostly reflected the part of services which are not controlled by the government (upstream freight transportation for example, which is not directly captured by either the CPI nor the PPI); 2) while the level is meaningful, its trend is more important. The latter is similar to that of the "CPPI proxy" and already went down in 3Q2011 on a sequential basis despite the fact the qoq CPI still went up (though one has to treat the GDP deflator data very carefully as there is no official data on this and the deflator data used in the market is the residual of two series [nominal and real] of often debatable GDP data) (see Exhibit 4).

The fall in inflation in recent months has been partially driven by fundamental factors in terms of weaker aggregate demand. But the normalization in pork prices was also important. Exhibit 5 shows pork prices made a large contribution to CPI inflation which was the main reason why the CPI surprised on the upside over the past two quarters. As the most important source of protein, pork accounts for 3%-4% of the overall CPI basket. As a result, when its prices fluctuated between -8.6% yoy (January 2010) and +57.1% yoy (June 2011), the impact on headline CPI inflation was large. We hold the view that pork prices are to a large extent driven by fundamental factors. Exhibit 6 highlights the correlation between pork prices and steel prices. Such a correlation is best explained by a common demand driver for these two series instead of sector-specific supply and demand drivers. Having said that, pork price has its specific behavior pattern as well. When pork prices start to rise very rapidly as a result of a demand driver and specific supply-side issues (disease and crackdown on contaminated pork), many pig farmers would tend to hoard pigs which reduces short-term supply to the market and this pushes prices to an even higher level that is over and beyond what is warranted by fundamental factors. However, higher prices and profitability eventually lead to stronger supply. Once expectations for overall inflation and pork prices start to fall, the reverse mechanism occurs and pig farmers attempt to sell their pigs before prices fall even further.

Rising concerns on growth/employment, especially amid external slowdown

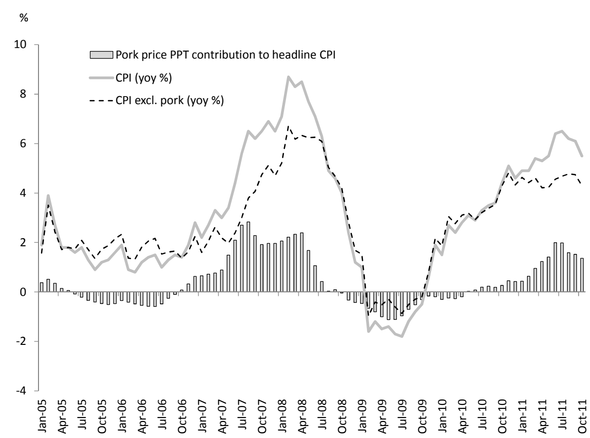
When the government started to tighten policy, growth was very strong. Although strong growth was not the driver of policy tightening in the sense that if there had been no inflation the government probably would not have tightened, the absence of concerns on slow growth and the employment situation made it easier for the government to make the tightening decision. Activity growth especially exports growth have shown a clear downward trend in recent months. The fall in exports has

Exhibit 4: CPI, PPI and GDP deflator



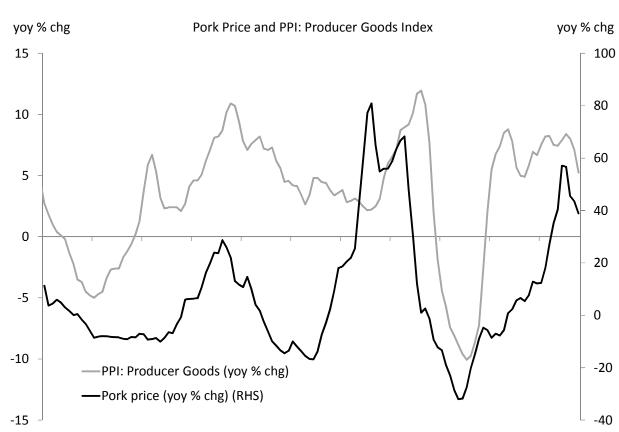
Source: CEIC, GS Global ECS Research.

Exhibit 5: Pork price contribution to CPI inflation



Source: CEIC, GS Global ECS Research.

Exhibit 6: Pork price and PPI: Producer Goods Index



Note: PPI: Producer Goods is a sub-index of PPI and it has 3 smaller sub-indexes: Mining, Raw Material and Manufacturing.
Source: CEIC, GS Global ECS Research.

been especially visible which reminds policy makers the risks of a repeat of 2008 (see Exhibit 7).

Meanwhile, the official and HSBC/Markit PMIs, which measures sequential growth as they ask purchasing managers changes in different areas relative to the previous month, have been trending down to around the 50% threshold in October (see Exhibit 8). The HSBC/Markit PMI dipped below 50% in September. While it recovered slightly in October, the official PMI unexpectedly fell to 50.4%, down from 51.2% in September, much lower than the expected 51.8%. While this fall could be because of the result of seasonal effects, it still raised attention among policy makers.

Lastly, after half a year of sub-trend growth, there is growing micro evidence on the ground that reflected the effects of the slowdown. While there is no reliable measure on unemployment in China, the employment sub-index of the PMI showed a clear downward trend (see Exhibit 9) which is consistent with increasing anecdotal reports of migrant workers losing their jobs on railway projects and not getting paid.

For those looking for a policy loosening from China, the simple rule of news on growth is "bad is good", since bad news tends to push policy makers to loosen policy as it has often been the case in the past.

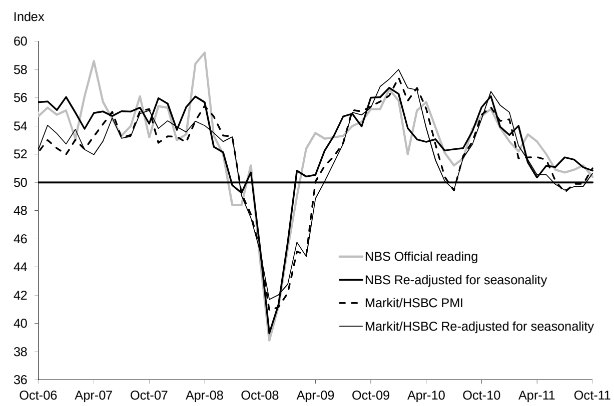
In terms of the policy changes we are expecting:

- We expect **credit controls** to become less stringent and annual credit supply to reach around Rmb7.5 trillion. This implies slightly more than Rmb600 billion per month in November and December versus Rmb522 billion in the same period of 2010. Next year's credit supply is dependent on a number of uncertain factors but assuming the slowdown in external demand is relatively mild, we think Rmb8.7 trillion of credit supply should be largely sufficient to boost domestic demand growth to reach the 8.6% forecast that we have. Note this Rmb8.7 trillion is not a "target" the PBOC will set at the start of the year. Indeed, the PBOC intentionally did not specify a loan target at the start of the year because it is better to be flexible with credit supply in light of the changes in other sources of liquidity such as FX inflows. The actual implementation of credit controls suggests the PBOC was implicitly targeting a loan supply slightly more than Rmb7 trillion rather than the Rmb7.5 trillion that we are forecasting now. Likewise, we think it is likely that the PBOC will not set an official loan quota for next year and the Rmb8.7 trillion is what we think will likely to be allowed in the end.

Exhibit 7: Nominal exports growth

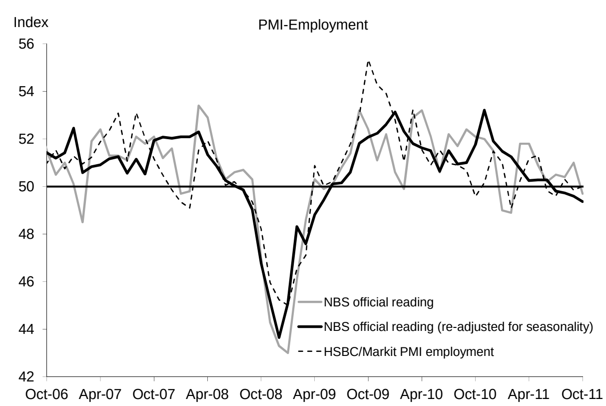
Source: CEIC, GS Global ECS Research.

Exhibit 8: Headline PMIs trending down



Source: CEIC, Haver, GS Global ECS Research.

Exhibit 9: PMI: Employment



Source: CEIC, Haver, GS Global ECS Research.

- We believe **reserve requirement ratio (RRR)** changes are of secondary importance given liquidity in the banking system is not the main biding constraint on overall credit supply (it is tight for some smaller banks but it is of secondary importance). Whether they will be changed depends on the amount of FX inflows which are hard to predict. There have been some talks about a net outflow in October which if continued will require more liquidity injections by the PBOC though the news cannot be verified as official data on this is still not released. Besides, even if the PBOC needs to inject liquidity, it can choose between more low profile means such as OMOs or the dynamic differentiated RRR system and the recent broadening of RRR base (these two RRR-related measures have been very opaque and hence low profile if changed). Only if growth conditions become worse and the government wants to send a clear signal will the normal RRR be used, in our view.

- Benchmark **interest rates** are likely to be put on hold for now and modest cuts are likely if external economic conditions continue to worsen. The bar to cut interest rates is high because there is still a perceived negative real interest rate given the 5.5% yoy CPI inflation and 3.5% deposit rate (this is the popular though strictly speaking inaccurate way of calculating real rates as it is the expected yoy CPI in the same month of 2012 which matters) and cutting rates more will make it even more negative. Even if we are optimistic in terms of the downward trend in the CPI, it is still likely to be above 4% yoy by the end of 2011. In 2012, as headline inflation is expected to come off, especially to a level below the benchmark deposit rate of 3.5% (we believe this is likely to happen in 2Q2012), there are likely to be some rate cuts and we are forecasting two cuts of 25 bp in 2012.

- We expect a slower pace of **currency appreciation** until the end of the year as a result of the expected slowdown in export growth during the period and (to a lesser extent) lower inflationary pressures. After appreciating at an annualised rate of 5.7% so far this year, we expect a slowdown to 3% on annualized basis for the rest of the year, and so around 5.3% for the year as a whole (compared to our 6% forecast). Our expectation for appreciation in 2012 as a whole remains unchanged at 4%. This reflects the still relatively slow appreciation of 3% per annum earlier in the year, given that export growth remains weak and net exports will likely fall again, and possibly turn slightly negative (as in 1Q2011). The fall is partially on seasonality and partially on fundamental factors, such as weaker external demand and stronger domestic demand from domestic policy loosening. However, as sequential growth in external demand recovers throughout the year, China's export growth should recover and net exports are likely to rise again, which should alleviate the Chinese government's concerns and result in a moderately faster appreciation of 5% per annum. In the case of a dramatic fall in exports or/and dramatic rise in the USD TWI, a halt to the appreciation against the USD cannot be ruled out. While a temporary depreciation against the USD cannot be completely ruled out either especially if the USD appreciates rapidly, the likelihood of a sustained depreciation as sometimes factored in the NDF market is of extremely low probability in our view.

- We expect **fiscal policy** to become looser as well as the result of tax cuts and more expenditure. However, there are two common misconceptions about the changes in the fiscal balance which often lead to overly high expectations for fiscal loosening before the end of the year. One that is often discussed is the net swing in the fiscal balance during the last months of the year from typically a fiscal surplus by November to a sizeable deficit in December and the corresponding fall in fiscal deposits as a net liquidity loosening. To the extent this kind of swing occurs every year, it is just a seasonal pattern which is already reflected in the final variables we care about in terms of growth and inflation. It is only the release of fiscal deposits over and beyond the normal pattern that we would consider as a loosening. Secondly, when estimating the amount of fiscal release, many often assume that the end-of-the-year fiscal deficit should be largely on par with the budget deficit (Rmb900 billion for this year) set at the start of the year. If so, it would imply a net balance of Rmb2.23 trillion deficit during the last two months of this year which is indeed much over and beyond the normal amount (the net changes in 2008, 2009 and 2010 were only Rmb1.61, Rmb1.80 and Rmb1.67 trillion respectively). However, we think this assumption is not correct because China's fiscal balance has an element called the "budget stabilization fund" which can "soak up" the unused funding to be used in following years or vice versa. Hence the MOF does not need to spend such a large amount in order to reach its budget deficit target. Indeed, the MOF is very concerned about the "rush to spend" which is often criticized by the public. As a result, we believe the MOF will likely spend more relative to previous years because of very strong income growth year-to-date and the looser policy stance but not in the order of Rmb400-600 billion compared with previous years. Exactly how much will be spent is difficult to predict in advance though we believe a Rmb100-200 billion net injection is more likely.

Exhibit 10: FAI breakdown table

yoy % chg	2008	2009	2010	2011 ytd	2011E	2012E
Real FAI	**17.2**	**32.9**	**20.9**	**18.1**	**16.0**	**16.8**
Manufacturing	21.7	29.2	23.4	24.8	23.2	23.5
Infrastructure	12.7	44.6	14.3	3.6	5.2	17.5
Real estate	12.0	18.5	29.6	24.3	18.2	3.0
Others	22.7	37.1	19.3	23.4	18.2	18.5
Real FAI under GDP(a.k.a. real GFCF)	**9.7**	**23.3**	**11.9**	-	**10.7**	**10.9**

Note: (1) Breakdowns are not available for GFCF data. (2) There is a large gap between the two series because of a number of reasons such as land sales expenditure is included in FAI data but not GFCF since it has not value added. As a result, strictly speaking one cannot simply calculate the share of certain investment as a x% in GDP by assuming GFCF and FAI data have similar breakdowns.
Source: CEIC, GS Global ECS Research.

Headline GDP growth is likely to stay largely stable with a modest uptick, but domestic demand growth is likely to accelerate

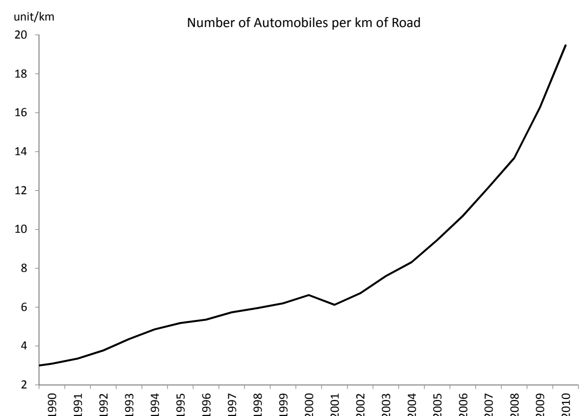
There are considerable levels of uncertainty in terms of sequential headline GDP growth going forward, because it will be dependent on the tug of war between policy loosening and external demand weakening. Our estimate is given the expected slowdown in the US and the EU and policy loosening, headline growth is likely to be able to hold up at 8.5% and 8.6% on a qoq s.a. ann. basis in 4Q2011 and 1Q2012 respectively compared with 8.5% in 3Q2011.

Within the largely stable GDP headline, the growth driver will likely be shifting towards domestic demand growth as a result of the domestic loosening. That is to say we are likely to see the seesaw relationship between exports and domestic demand growth though the lever is likely to be lower this time compared with 2008 because of various concerns on leverage (see *China edging towards a softer macro policy stance*, Asia Economics Flash, October 27, 2011).

Within domestic demand, we believe fixed asset investment (FAI) growth will see particularly visible impact. Consumption growth tends to be pro-cyclical and since we are only expecting a modest acceleration in overall growth, it is likely to accelerate only slightly as well. The government has taken no tangible actions so far to boost consumption with the exception of the adjustments to the personal income tax which became effective this September (the MOF estimated the impact to be Rmb160 billion on an annualized basis). Even if they do implement stimulus measures, the impact on overall consumption over time is likely to be relatively muted because measures to boost the consumption of certain goods and services often comes at the expense of other goods and services that could have been consumed (as well as the same goods and services to be consumed at a later date).

Within FAI we see the most upside in infrastructure investments (see Exhibit 10). One key starting point of the discussion is the expected acceleration based on the current state of infrastructure building is abnormally low. That slow growth is the result of the lack of funding as a result of policy tightening and is now viewed as a

Exhibit 11: Number of automobiles per km of road

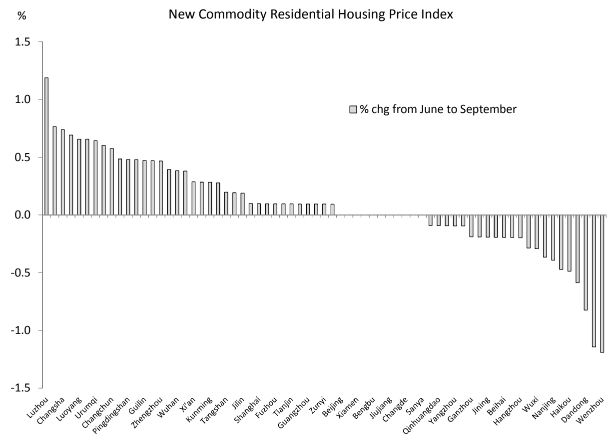


Source: CEIC, GS Global ECS Research.

problem by the government. To take railway investment as a example, funding difficulties, which started when the Minister of Railways was investigated and was exacerbated following the tragic train crash in Zhejiang Province in May, resulted in very substantial declines (at the trough -60% yoy in August). While it is highly likely that railway investments will be significantly slower than the 50%-60% growth we saw in recent years as an intentional policy shift by the government, we believe the government's intention is to slow it to a normal level (perhaps on par with real GDP growth). In any case, the -60% growth is certainly posing risks for the government in terms of employment (railway investments employ several million migrant workers) and social stability (which is always a focus area, if not the top concern for the leadership), as well as other problems in terms of debt and waste. The key assumption we are making here is the majority of the investments are economically sensible (there are undoubtedly some investments which make neither business nor economic sense, especially those in the western part of the country which is often more dependent on direct government financing, as supposed to bank financing via investment vehicles). Exhibit 11 shows the ratio of number of automobiles per km of road which has been rising even after the boost to infrastructure construction during the post-crisis period. This explains the anecdotal evidence of growing traffic jams in most Chinese cities and suggests the majority of investments are warranted.

Property investments growth on the other hand is likely to slow down as a result of continued tightening in the property space which is probably the most notable exception to the overall loosening in economic policy. If anything, the latest changes in Zhuhai suggests it tends to be stepped up in terms of geographic coverage. This is because the current tightening package is just about sufficient in achieving its goal of “preventing an overly rapid rise in property prices” in first/second tier cities, and a loosening of policy may well lead to a significant rebound in property prices which is something the government has wanted to prevent. While there has been media reports about property prices correcting in some places such as Shanghai and Beijing, especially in the outskirts such as Tongzhou District east of Beijing, other cities such as Zhuhai which did not have purchasing restrictions were still seeing higher prices and at the national level property prices are probably best described as largely stable (see Exhibit 12). The concern for the government is that if policy is loosened, then there could be risk of a significant rebound in property prices. In previous rounds of property tightening, the government often backed off after several months over concerns of potential negative impact on investments and overall economic growth as the property industry is viewed as a “key supporting industry” of the whole economy. However, that phrase has gone completely missing in the statements made by senior policy makers which we think reflects the change in thinking at the top level. In our view, this change could be because of the stepping up of social housing investments which might have given the government the confidence in terms of the need to support economic growth. We expect private property investments growth to slow down next year as the growth of new property starts has been slowing. On the other hand, although social housing will still make a positive contribution to overall property investments, we think it will not be sufficient to fully offset the slowdown in private property investments (note the fact that social housing and private property investment growth are both expected to slow down itself does not necessarily imply slower total growth, i.e., we can have slower growth in both separately yet the headline growth can still pick up as long as the level of social housing investments growth is sufficiently higher than private investment and its share in total property investments is sufficiently large. However, although this effect from larger social housing construction exists, we believe it is insufficient to boost total property investments growth to the level seen this year).

Exhibit 12: New commodity residential housing prices showed mixed performance



Source: CEIC, GS Global ECS Research.

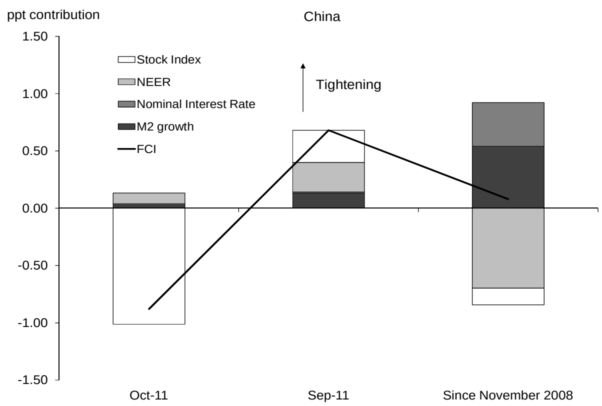
Lastly, we expect manufacturing investments growth to hold up largely stable as a result of offsetting forces from slower exports growth/investments and property investments on the one hand and faster infrastructure FAI growth, slightly faster consumption growth (as a result of policy measures such as the personal income tax cut) and looser monetary policy (some companies are restrained from making more investments now because of the monetary controls) on the other hand.

Yu Song

Appendix: FCI contribution charts for Asia ex Japan

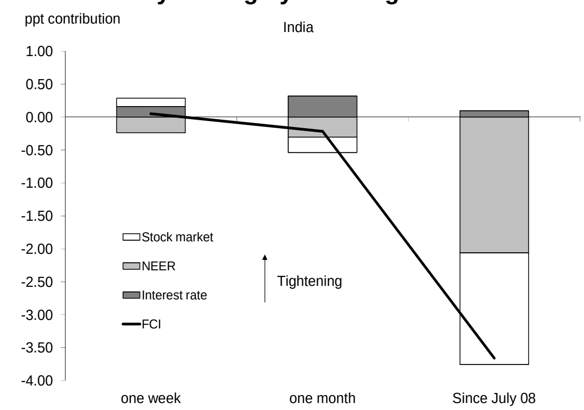
This section tracks the tightening of financial conditions in the region as measured by the Financial Conditions Index (FCI) that we have constructed for each country. The charts below show the contribution to the tightening/loosening of the FCI by the subcomponents of interest rates, nominal effective exchange rates (NEER) and equity markets (for more detail, please refer to *Financial conditions tightening in Asia—further policy responses needed to mitigate additional downside risks*, Asia Economics Flash, November 14, 2008).

China: FCI loosened due to strong stock market



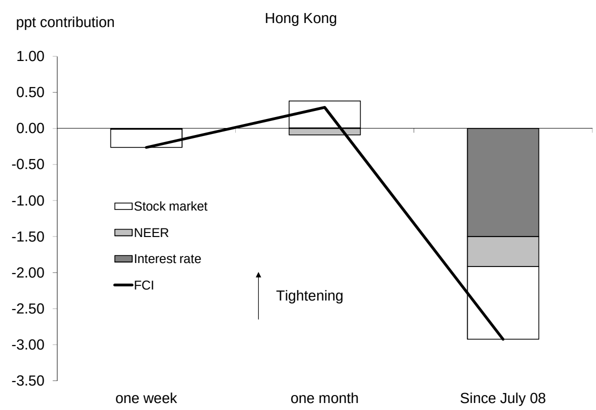
Source: Bloomberg, CEIC, GS Global ECS Research.

India: FCI stayed roughly unchanged



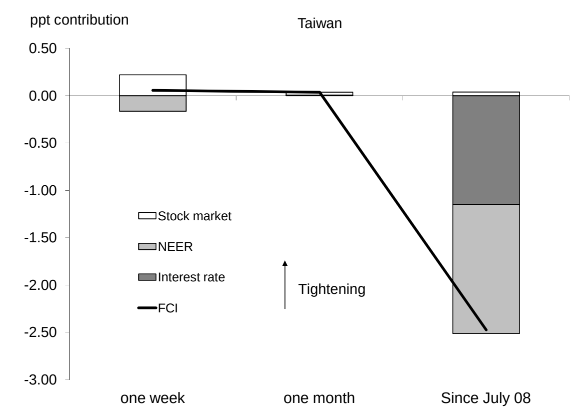
Source: Bloomberg, CEIC, GS Global ECS Research.

Hong Kong: FCI loosened due to stronger stock market



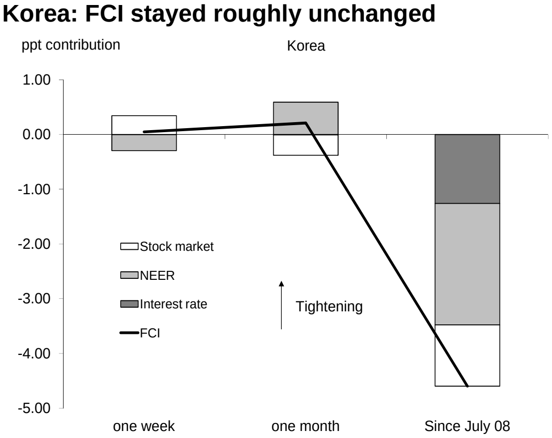
Source: Bloomberg, CEIC, GS Global ECS Research.

Taiwan: FCI tightened slightly on weak stock market



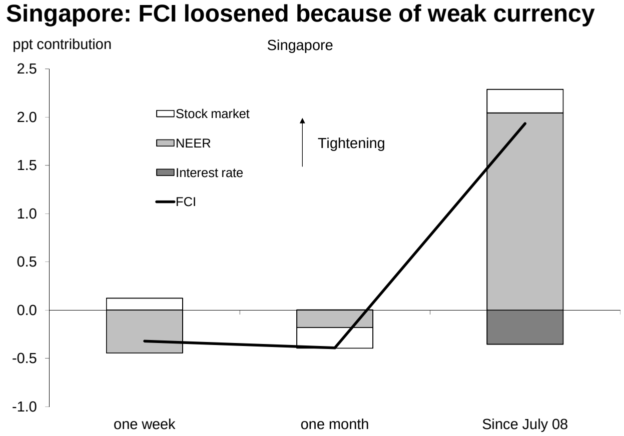
Source: Bloomberg, CEIC, GS Global ECS Research.

Korea: FCI stayed roughly unchanged



Source: Bloomberg, CEIC, GS Global ECS Research.

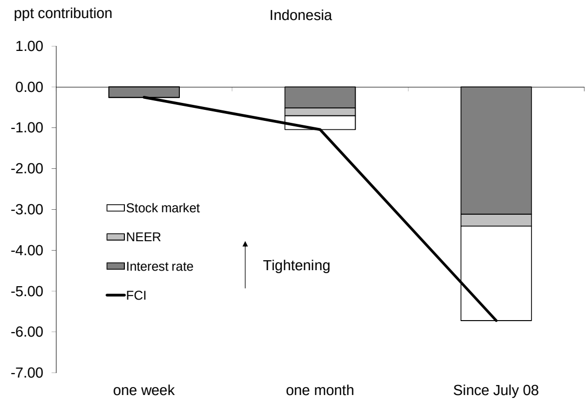
Singapore: FCI loosened because of weak currency



Source: Bloomberg, CEIC, GS Global ECS Research.

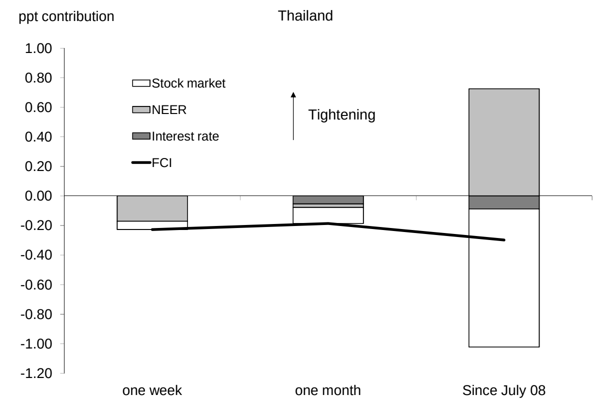
Appendix: FCI contribution charts for Asia ex Japan…continued

Indonesia: FCI loosening driven by rate cuts



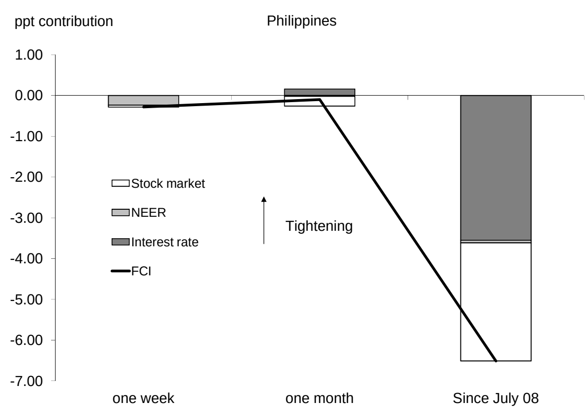
Source: Bloomberg, CEIC, GS Global ECS Research.

Thailand: FCI loosened on weak currency and strong stock market



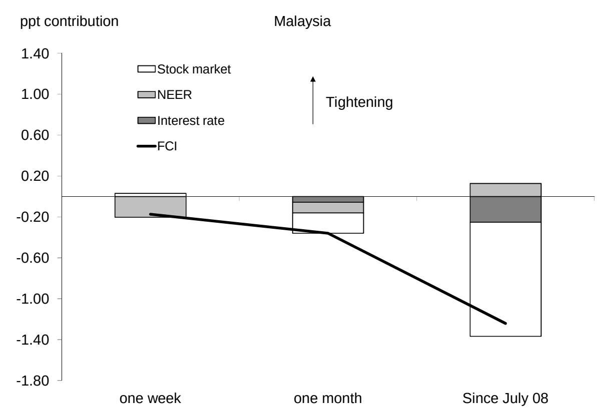
Source: Bloomberg, CEIC, GS Global ECS Research.

Philippines: FCI loosened slightly because of weaker currency



Source: Bloomberg, CEIC, GS Global ECS Research.

Malaysia: FCI loosened due to weak currency

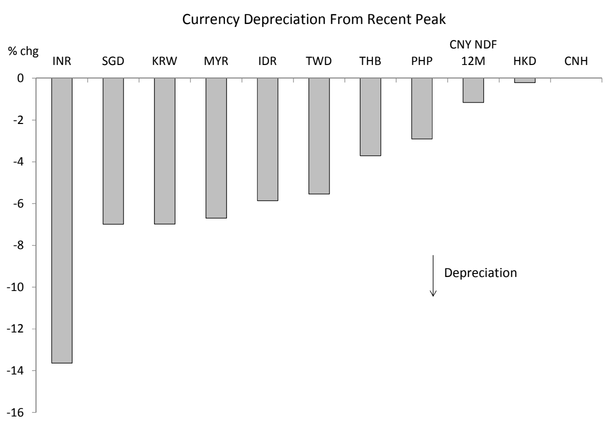


Source: Bloomberg, CEIC, GS Global ECS Research.

Regional Key Economic and Financial Indicators

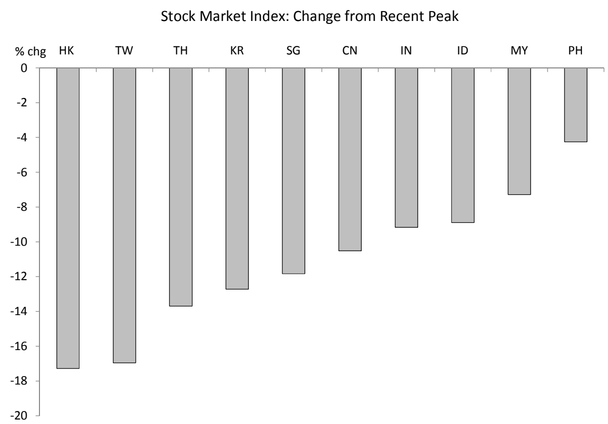
These are the key economics and financial indicators that we continue to keep a close eye on amidst the ongoing global financial crisis, as discussed in our Asia Economics Analyst 08/20 issue published on October 27, 2008. Going forward, we will continue to provide updates on these key metrics.

INR & SGD have depreciated most from the recent peak



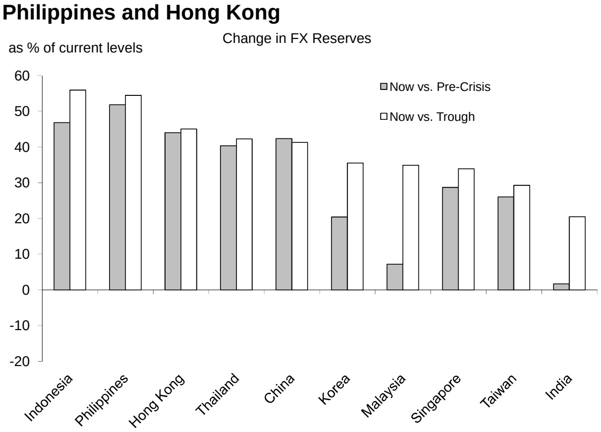
Note: USD spot rates. Recent strongest point selected from June 2011 till today.
Source: Bloomberg, GS Global ECS Research.

Equity markets have fallen the most in Hong Kong and Taiwan since the recent peak



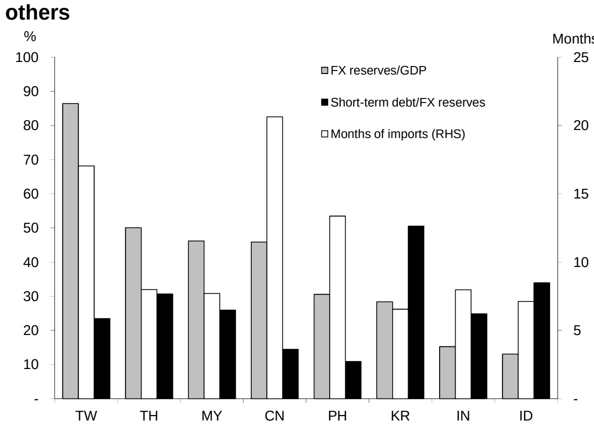
Note: Recent peak selected from June 2011 till today.
Source: Bloomberg, GS Global ECS Research.

Reserves have increased the most for Indonesia, the Philippines and Hong Kong



Note: Pre-crisis refers to July 1, 2008 levels. Trough selected from August 2008 onwards.
Source: CEIC, GS Global ECS Research.

Short-term debt: Korea still a touch more exposed than the others



Source: CEIC, GS Global ECS Research.

Short-term credit indicators have improved since peak stress days

%	Policy rate	3m bank borrowing	Short corp borrowing rate	3m T bills
China	6.56	5.7	6.56	3.16
Hong Kong	-	0.3	5.00	0.11
Singapore	-	0.4	4.25	0.32
Taiwan	1.875	0.4	2.88	0.40
Malaysia	3.00	3.2	6.60	2.90
Thailand	3.50	3.5	7.25	3.36
Korea	3.25	3.6	3.65	3.57
Philippines	6.50	2.9	7.80	1.32
India	8.50	9.3	11.00	8.63
Indonesia	6.00	5.4	11.95	6.00

Short bank rates: China: SHIBOR; Hong Kong: 3-month HIBOR, CEIC, Indonesia: 3-month JIBOR, Korea: 3-month certificate of deposit, Malaysia: 3-month KLIBOR, Philippines: 3-month PHIBOR, Singapore: 3-month SIBOR, Taiwan: 31-90 day commercial paper, Thailand: 3-month BIBOR, India: 3-month MIBOR.

Policy rates: China: 1-year lending rate, Indonesia: 1-month SBI rate, Korea: 7-day repo, Malaysia: overnight policy rate, Philippines: repo rate, Taiwan: rediscount rate, Thailand: 1-day repo, India: repo rate.

Short-term corporate borrowing rate: China: 1-year lending rate; India: Base LR, Korea: 6-month corp bond; Singapore: PLR, Malaysia: Base LR, Indonesia: Base LR; Thailand: Min LR; Taiwan: Base LR; Hong Kong: Best LR.

Source: Bloomberg, GS Global ECS Research.

External and fiscal stresses vary widely

	Current Account as % of GDP (2011F)	Fiscal balance as % of GDP (2011F)	Total debt as % of GDP (2010)	Public debt as % of GDP (2010)
China	4.7	-1.4	136.3	17.7
India	-3.5	-8.2	125.1	69.2
Korea	1.6	-0.6	111.8	30.9
Taiwan	8.1	-2.5	159.9	36.7
Singapore	17.2	-0.7	-	97.2
Malaysia	9.0	-5.4	168.9	54.2
Indonesia	0.2	-1.0	54.7	26.9
Thailand	5.1	-3.0	129.8	44.1
Philippines	3.5	-2.8	-	61.9

Note: Singapore fiscal number refers to primary balance.
Source: IMF, CEIC, GS Global ECS Research.

Statistical Appendix

Interest Rate Outlook

(%)		Current Nov 14	3-Month Horizon Forward	3-Month Horizon Forecast	6-Month Horizon Forward	6-Month Horizon Forecast	12-Month Horizon Forward	12-Month Horizon Forecast
Japan	3M	0.20	0.40	0.40	0.40	0.40	0.40	0.40
NJA								
ASEAN								
Indonesia	3M	5.37	5.89	7.14	6.00	7.14	6.15	7.14
Malaysia	3M	3.24	3.31	3.25	3.47	3.25	3.01	3.25
Philippines	3M	2.76	2.66	3.75	2.32	4.00	2.51	4.50
Thailand	3M	2.77	2.77	3.25	2.80	3.25	2.82	3.25
Singapore	3M	0.38	0.52	0.34	0.67	0.34	0.74	0.34
China	3M	3.16	NA	NA	NA	NA	NA	NA
India	3M	8.45	8.33	8.19	7.74	8.44	7.29	8.69
NIE								
Hong Kong	3M	0.29	0.57	0.40	0.61	0.40	1.29	0.50
Korea	3M	3.57	3.48	3.48	3.39	3.81	3.34	3.81
Taiwan	3M	0.80	1.06	0.92	0.81	1.04	0.86	1.23

Hong Kong: 3M HIBOR, CEIC, Bloomberg (GINAY91), **India:** 91D T-bill, **Indonesia:** 3M JIBOR, CEIC, **Korea:** 3M certificate of deposit, CEIC, **Malaysia:** 3M KLIBOR, CEIC, **Philippines:** 3M T-bill, CEIC, **Singapore:** 3M Interbank, CEIC, **Taiwan:** 61-90D New Taiwan dollar, Secondary, Bloomberg (NTSEC90), **Thailand:** 3M BIBOR, GS estimates, **China:** 3M PBOC Bill yield.

Exchange Rate Outlook

(Local per USD)	Current Nov 14	3-Month Horizon Forward	3-Month Horizon Forecast	6-Month Horizon Forward	6-Month Horizon Forecast	12-Month Horizon Forward	12-Month Horizon Forecast
Japan	77.1	77.0	77.0	76.8	76.0	76.4	74.0
NJA							
ASEAN							
Indonesia	8,980	9,105	8,800	9,240	8,700	9,535	8,600
Malaysia	3.14	3.16	3.12	3.17	3.08	3.19	3.04
Philippines	43.5	43.5	43.0	43.4	42.4	43.4	41.8
Thailand*	30.8	31.0	30.6	31.2	30.3	31.4	30.0
Singapore	1.29	1.29	1.28	1.29	1.26	1.29	1.24
China	6.34	6.35	6.29	6.35	6.25	6.35	6.12
India	50.4	51.2	47.5	51.7	47.0	52.6	46.0
NIE							
Hong Kong	7.78	7.78	7.80	7.77	7.80	7.76	7.80
Korea	1,127	1,133	1,100	1,136	1,070	1,137	1,037
Taiwan	30.2	30.2	29.6	30.1	29.0	29.9	28.5

* Forecasts are for onshore Thai baht.

Global Macroeconomic Outlook

	2009	2010	2011E	2012E	2010 1Q	2010 2Q	2010 3Q	2010 4Q	2011 1Q	2011 2QE	2011 3QE	2011 4QE	2012 1QE	2012 2QE	2012 3QE	2012 4QE
Real GDP Growth (% yoy)																
Advanced Economies	-3.8	2.9	1.5	1.3	2.5	3.1	3.3	2.7	2.0	1.4	1.3	1.3	1.2	1.3	1.3	1.5
United States	-3.5	3.0	1.8	1.6	2.2	3.3	3.5	3.1	2.2	1.6	1.6	1.5	1.6	1.6	1.5	1.6
Euroland	-4.2	1.7	1.6	0.1	0.9	2.0	2.0	2.0	2.4	1.6	1.4	1.0	0.1	0.0	0.0	0.3
Japan	-6.3	4.0	-0.6	2.2	5.7	3.1	5.0	2.2	-1.0	-1.1	-1.0	0.1	1.8	2.9	2.2	1.9
CPI Inflation (% yoy, avg.)																
Advanced Economies	0.1	1.5	2.7	1.8	1.6	1.5	1.4	1.6	2.3	2.8	3.0	2.7	2.1	1.7	1.7	1.7
United States	-0.3	1.6	3.2	2.2	2.4	1.8	1.2	1.2	2.2	3.3	3.8	3.6	2.8	2.3	1.9	1.9
Euroland	0.3	1.6	2.6	1.4	1.1	1.6	1.7	2.0	2.5	2.8	2.7	2.4	1.8	1.1	1.3	1.5
Japan	-1.3	-0.7	0.1	0.1	-1.2	-0.9	-0.8	0.1	0.0	0.3	0.1	-0.1	0.0	0.1	0.1	0.3
Interest Rates (% p.a. eop.)																
Fed funds	0.12	0.18	0.10	0.10	0.14	0.09	0.08	0.18	0.14	0.09	0.08	0.10	0.10	0.10	0.10	0.10
UST 10-year	3.84	3.31	2.25	2.75	3.83	2.94	2.51	3.31	3.45	3.16	1.93	2.25	2.25	2.50	2.50	2.75
Euro 3m interest rate	0.72	1.02	1.15	1.20	0.66	0.69	0.88	1.02	1.10	1.25	1.65	1.15	1.18	1.18	1.20	1.20
Exchange Rates (eop.)																
USD/EUR	1.39	1.33	1.40	1.53	1.38	1.27	1.29	1.36	1.37	1.44	1.36	1.44	1.50	1.53	1.55	1.55
JPY/USD	93.5	87.8	79.8	74.8	90.7	92.0	85.9	82.6	82.3	81.6	78.3	77.0	76.0	75.0	74.1	74.0
WTI Oil (average $)	61.9	79.7	104.9	120.0	77.4	79.4	77.0	85.2	94.6	102.3	108.0	110.0	115.0	120.0	120.0	125.0

Central Bank Watch

Country	Likely Decision / Reasons	Date of Next Policy Meeting
UNITED STATES	The Federal Reserve cut the Fed Funds rate to a range of 0%-0.25% on December 16, 2008. We expect the Fed to keep the funds rate near 0% through the end of 2012.	December 13
JAPAN	The Bank of Japan lowered the overnight call rate to a range of 0%-0.10% on October 5, 2010. We expect the Bank of Japan to keep the policy rate near 0% through the end of 2012.	December 21
EUROLAND	The European Central Bank cut its policy rate by 25 bp to 1.25% on November 3, 2011. We expect the European Central Bank to cut the policy rate by 25 bp in December.	December 8
KOREA	The Bank of Korea kept the 7-day repo rate on hold at 3.25% on November 11, 2011. We continue to believe that the policy rate will remain on hold for a foreseeable future. No hikes are likely given the slowing growth momentum and sustained uncertainties relating to Eurozone sovereign credit issues.	December 8
INDIA	The Reserve Bank of India hiked both the repo and reverse repo rates by 25 bp to 8.50% and 7.50% respectively on October 25, 2011. We continue to think that the Reserve Bank of India is done with its rate hiking cycle.	December 16

Main Economic Indicators

	GDP						Inflation					
	2009	2010	2011E	2012E	Latest	(yoy)	2009	2010	2011E	2012E	Latest (yoy)	
Pan Asia*	4.3	8.4	6.0	6.3	6.2	(2Q)	0.5	3.6	4.8	3.0	5.2	(Sep)
NIE + ASEAN-5	0.2	7.7	4.4	3.9	4.4	(2Q)	1.9	3.1	4.1	3.5	4.0	(Sep)
ASEAN-5	1.2	7.7	4.7	4.4	4.8	(2Q)	2.3	3.8	4.6	4.1	4.4	(Sep)
Indonesia	4.6	6.1	6.2	5.2	6.5	(2Q)	4.8	5.1	5.5	5.2	4.4	(Oct)
Malaysia	(1.6)	7.2	4.6	4.2	4.0	(2Q)	0.6	1.7	3.2	2.6	3.4	(Sep)
Philippines	1.1	7.6	4.4	4.0	3.4	(2Q)	3.2	3.8	4.5	3.7	5.3	(Oct)
Thailand	(2.3)	7.8	2.3	4.0	2.6	(2Q)	(0.9)	3.3	3.8	3.6	4.2	(Oct)
Singapore	(0.8)	14.5	4.6	3.2	5.9	(3Q)	0.6	2.8	5.0	3.2	5.5	(Sep)
Japan	(6.3)	4.0	(0.6)	2.2	0.0	(3Q)	(1.4)	(0.7)	0.1	0.1	0.0	(Sep)
China	9.2	10.4	9.1	8.6	9.1	(3Q)	(0.7)	3.3	5.4	3.1	5.5	(Oct)
India (FY Basis)	7.9	8.4	7.0	7.4	7.7	(2Q)	3.8	9.6	8.8	5.1	9.7	(Sep)
NIE	(0.8)	7.6	4.1	3.4	4.1	(2Q)	1.4	2.3	3.7	2.8	3.0	(Oct)
Hong Kong	(2.7)	6.8	5.2	3.8	4.3	(3Q)	0.6	2.4	5.3	3.8	3.9	(Oct)
Korea	0.3	6.2	3.7	3.4	3.4	(3Q)	2.8	3.0	4.4	3.3	3.9	(Oct)
Taiwan	(1.9)	10.8	4.4	3.2	5.0	(2Q)	(0.9)	1.0	1.5	1.5	1.2	(Oct)
	3 M Interest Rates						**Exchange Rates**					
ASEAN-5												
Indonesia	7.1	6.6	5.3	5.3	5.4		9400	8991	8800	8600	8980	
Malaysia	2.2	3.0	3.3	3.3	3.2		3.42	3.08	3.12	3.04	3.14	
Philippines	3.9	0.8	2.7	2.7	2.8		46.4	43.9	40.8	40.3	43.5	
Thailand	1.4	2.2	3.6	3.6	2.8		33.3	30.2	30.6	30.0	30.8	
Singapore	0.7	0.4	0.3	0.3	0.4		1.40	1.29	1.28	1.24	1.29	
Japan	0.5	0.4	0.4	0.4	0.2		93.5	87.8	79.8	74.8	77.1	
China	—	—	—	—	—		6.83	6.62	6.31	6.07	6.34	
India (FY basis)	4.4	7.3	8.7	7.7	8.5		45.1	44.7	47.0	46.0	50.4	
NIE												
Hong Kong	0.1	0.3	0.3	0.5	0.3		7.76	7.77	7.80	7.80	7.78	
Korea	2.9	2.8	3.7	3.7	3.6		1168	1139	1100	1030	1127	
Taiwan	0.4	0.7	0.8	0.8	0.8		32.0	30.4	29.6	28.5	30.2	

*Pan Asia includes India.

GDP and inflation are annual averages. Interest rates and exchange rates refer to end-period. Figures in bold indicate recent revisions.

Hong Kong: 3M HIBOR, CEIC, Bloomberg (GINAY91), **Indonesia**: 3M JIBOR, CEIC, **Korea**: 3M certificate of deposit, CEIC, **Malaysia**: 3M KLIBOR, CEIC, **Philippines**: 3M T-bill, CEIC, **Singapore**: 3M Interbank, CEIC, **Taiwan**: 61-90D New Taiwan dollar, Secondary, Bloomberg (NTSEC90), **Thailand**: 3M BIBOR, CEIC. **India:** 91 D T-bill

Asia in a Nutshell

	Present Situation	Key Issues
CHINA	China's exports growth moderated to 15.9% yoy in October, from 17.1% yoy in September. The implied month-on-month; seasonally-adjusted; annualized (mom s.a. ann.) growth rate was 0.6%, up from the -40.2% recorded in September. October IP growth fell to 13.2% yoy, from 13.8% yoy in September. This implies a sequential growth of 6.2% mom s.a. ann. in October, down from 17.9% mom s.a. ann. in September. On the inflation front, China's October CPI inflation fell to 5.5% yoy, from 6.1% yoy in September. Month-on-month growth fell to 2.1% mom s.a. ann. in October, down from 4.0% mom s.a. ann. in September. PPI inflation fell to 5.0% yoy in October, from 6.5% yoy in September.	Based on our global growth forecasts, we still expect further downward pressures from external demand in the coming months. We believe the policy stance has been loosened modestly since late-October and we expect further mild loosening going forward. All else being equal, relatively stable exports reduce the extent of the easing compared to an alternative scenario of a more rapid fall in exports growth. It also tends to support continued currency appreciation. The much-stronger-than-expected imports growth probably reflected the early effects of this loosening. While inventory restocking likely played a role as well, we see it to be at least partially the result of expectations for a policy loosening.
HONG KONG	Hong Kong's 3Q2011 GDP expanded by 4.3% yoy, after growing 5.3% yoy in 2Q2011. Sequentially, GDP growth increased 0.4% qoq; annualized (ann.), after contracting 1.6% qoq. ann. in 2Q2011. Private consumption and investments held up, offsetting the anemic growth seen in the exports sector. Meanwhile, we estimate that fixed investment expanded 16.0% qoq, ann. in 3Q2011, compared to an expansion of 21.0% qoq, ann. previously. Growth in goods exports remained weak, while exports of services continued to grow at a steady state.	We continue to hold the view that the next major steps in expanding RMB offshore businesses are: 1) to establish more efficient channels for "two-way" RMB flows between Hong Kong and the onshore markets; and 2) more development of financial products denominated in RMB in Hong Kong. Financial Secretary John Tsang has recently said that the RQFII scheme and the ETF constituted of Hong Kong stocks (to be listed in China) are now in their final stages of preparation. These schemes could possibly be launched before the end of this year.
INDIA	India's October HSBC PMI rebounded to 52.0 from 50.4 in September, a rebound after six months of slackening activity. India's IP growth fell sharply to 1.9% yoy in September, lower than the 3.6% yoy reading in August. Sequentially, IP declined by 0.6%, mom s.a. in September almost as much as the decline of 0.7%, mom s.a in August. India's merchandise exports growth slowed down to 36.4% yoy in September, from 44.3% yoy in August. In April-September, the average export growth rate was 52.1% yoy. Sequentially, exports grew only 3.2 % qoq s.a. compared to the 5.7% qoq s.a. growth in the previous month.	With a sharp slowdown in activity, we continue to believe that there is downward pressure on core inflation. As such, we expect WPI inflation to slow to 5.3% by April 2012. The RBI has signalled that the probability of another rate hike in December is low and the latest IP print supports that view. We continue to expect the RBI to cut policy rates by 100 bp in FY13. Global headwinds affecting capital flows will likely keep the balance of payments situation challenged in our view. Our USD/INR forecasts are currently at 47.5, 47 and 46 on 3, 6 and 12-month horizons, largely driven by our forecasts of USD weakness rather than INR strength.
INDONESIA	Indonesia's 3Q2011 real GDP growth came in at 6.5% yoy. We estimate that on a sequential basis, GDP grew 5.6% quarter on quarter; seasonally-adjusted; annualized (qoq; s.a. ann.) in 3Q2011. Headline growth was boosted by rise in private consumption as well as exports. Indonesia's October headline CPI inflation eased to 4.42% yoy versus 4.61% yoy in September. On a month-on month basis, headline CPI inflation fell 0.12%, versus a rise of 0.27% in September. Core CPI inflation moderated to 4.43% yoy in October from 4.93% yoy in September.	BI surprisingly cuts the benchmark interest rate by another 50 bp to 6.00% on November 10, following on from its 25-bp cut last month. The BI rate is now at a historic low of 6.00%. We believe that further rate cuts ahead are dependent on inflation prints and global risk sentiment. Our rate forecast prior to BI's surprising move was for a total of 50 bp in cuts by early-2012. After this move, we are currently reviewing our rate forecasts from here—with the risks to the external environment rising and inflation trends expected to remain benign, further moderate rate cuts could still be in the offing, especially if markets prove relatively stable.
KOREA	Korea's exports growth slowed in October as expected, but still increased sequentially. Exports rose 9.3% yoy, down from 18.8% yoy in September. On the inflation front, Korea's headline CPI inflation fell sharply to 3.9% yoy in October, from 4.3% yoy in September. Sequentially, headline inflation was down 0.2% mom, the first decline since December 2010. It is also notable that core inflation declined 0.2% mom, the sharpest decline since December 2004, and rose 3.7% yoy from 3.9% yoy in September.	We continue to believe that the policy rate will remain on hold for a foreseeable future. No hikes are likely given the slowing growth momentum and sustained uncertainties relating to Eurozone sovereign credit issues. At the same time, we do not expect any rate cuts since the current rate remains accommodative and inflation pressure is likely to stay high for a while given a recent fall in the KRW and pent-up pressure for administered prices including electricity, natural gas and public transportation tariffs.

Asia in a Nutshell (Cont'd)

	Present Situation	Key Issues
MALAYSIA	Malaysia 2Q2011 real GDP growth came in at 4.0% yoy, moderating from 4.9% yoy in 1Q2011. We estimate that on a sequential basis, GDP expanded by 3.7% qoq; seasonally-adjusted; annualized (s.a. ann.), after the 5.9% qoq s.a. ann. expansion in 1Q2011. Our forecast is for GDP to rise 4.9% yoy in 3Q2011 from 4.0% yoy growth in 2Q2011, partly boosted by the normalization in the external sector following Japan supply-chain disruptions in 2Q2011. Meanwhile, Malaysia's latest September CPI inflation printed 3.4% yoy, up from 3.3% yoy in August. Headline inflation rise mainly driven by food while transport growth continued to ease. Growth in the food component increased to 5.0% yoy, from 4.6% yoy in August.	BNM kept the policy rate unchanged at 3.00% on November 11. The central bank cites that the domestic economy improved in 3Q2011, due primarily to stronger domestic demand. We will get further indication of growth in 3Q2011 upon release of the GDP numbers on November 18. The government recently revised lower its GDP growth forecast range for 2011 to between 5%-5.5% from 5%-6% previously. Our GDP growth forecasts for 2011 and 2012 are at 4.6% and 4.2% respectively. Meanwhile, we expect CPI inflation to average 3.2% for this year, within the upper range of the official forecast of 3.5%. Growth worries stemming from external uncertainties are rising while inflationary pressures remain sticky in the near term.
PHILIPPINES	The Philippines' exports posted a sharp decline of 27.4% yoy in September, after falling 13.7% yoy in August. This marks the largest yoy fall since September 2009. On a sequential basis, we estimate that exports fell 6.5% mom s.a. in September, after a decrease of 10.4% mom s.a. in the previous month. In terms of product breakdown, electronics exports remained the main driver of the weakness. The Philippines' headline CPI inflation rose to 5.2% yoy in October using 2006 as a base year, up from 4.8% yoy in the previous month. Based on 2000 prices, October headline inflation increased to 5.3% yoy versus 4.6% yoy in September.	We expect BSP to maintain on hold for the rest of the year, and throughout 2012. The external performance of the Philippines has disappointed so far this year, affected by the supply-chain disruptions from the Japan earthquake, and more fundamentally, weak growth in electronic exports which consist mostly of lower-value-added products. We currently forecast GDP growth to slow from 4.4% this year to 4.0% next year, on the back of weakening global growth. This compares to the consensus expectations of 4.4% and 4.6% for 2011 and 2012 respectively as compiled by Consensus Economics.
SINGAPORE	Singapore's September IP rose 12.8% yoy, following growth of 22.8% yoy in August. On a seasonally-adjusted; month-on-month basis (non-annualized), IP fell 0.7% in September, after a 4.5% rise in August. Pharmaceutical production continued to see strong growth of 92.3% yoy following the 161.6% yoy surge in August. However, this sector is highly volatile and is not expected to drive a sustained rise in overall production. Underlying trend continued to portrayed weakness, especially in electronics. The advanced 3Q2011 GDP number showed that the economy skirted a "technical recession" with growth of 1.3% qoq annualized. September CPI inflation moderated to 5.5% yoy from 5.7% yoy in August. On a seasonally-adjusted; mom basis, CPI inflation in September was flat compared to the previous month.	Our full-year 2011 GDP growth forecast is at 4.6% while we see further slowing to 3.2% in 2012, driven mainly by the expected slowdown in global demand. Headline CPI inflation is likely to remain elevated at around the 5% level for the next few months with the main drivers likely to be accommodation and transport. There is also potential upside risks to food prices given the recent floods from around the region. On the other hand, global oil prices have eased while we also expect a less positive output gap going forward on slowing growth, which will contribute to easing price pressures. We believe headline CPI will start easing off more visibly early next year (partly on base effects). We expect headline CPI inflation to average 3.2% in 2012, after averaging an expected 5.0% in 2011.
TAIWAN	Taiwan's advance 3Q2011 GDP growth came in at 3.4% yoy, compared to 5.0% yoy in 2Q2011. On a seasonally-adjusted; quarter-on-quarter; annualized (qoq ann.) basis, this implies a sequential decline of 1.1%, after an expansion of 0.7% in 2Q2011. The government lowered its 2011 annual GDP growth forecast to 4.56% yoy from 4.81% yoy previously. Taiwan's export growth came in at 11.7% yoy in October, compared with 9.9% yoy in September. On a month-over-month; seasonally-adjusted basis, exports decreased 0.5% in October, after an increase of 4.7% in September.	We currently forecast GDP growth to be 4.4% and 3.2% for 2011 and 2012 respectively. Our overall cautious stance on the Taiwanese economy is based on two key factors: 1) a very high beta to the global economic cycle; 2) little room for monetary policy maneuvering and limited potential impact from further easing in the current downturn. More specifically, we believe monetary policy would be ineffective due to poor policy rate transmission and its limited impact on simulating investment demand. We expect the central bank to stay on hold for the rest of the year and throughout 2012.
THAILAND	Thailand's 2Q2011 real GDP growth moderated to 2.6% yoy, after expanding a revised 3.2% yoy in 1Q2011. On a sequential basis, real GDP dipped 0.2% qoq (0.8% annualized); seasonally adjusted in 2Q2011 from 2% qoq (8.1% annualized growth) in 1Q2011. Thailand's October headline CPI inflation rose to 4.19% yoy, above the 4.03% yoy in September. Core CPI inflation held steady at 2.89% yoy versus the 2.92% in September. Higher food prices were the main driver, while energy continued to ease. We were anticipating higher food prices on the back of the floods over October.	The BOT kept rates unchanged at 3.50% on October 19. On the floods, the BOT acknowledged the potential hit to growth in 4Q2011 but highlighted the potential recovery in the quarters ahead on reconstruction. We have revised our 2011 GDP growth forecast to 2.3% from 3.8% and lifted our 2012 forecast to 4.0% from 3.6%. We expect activity to remain suppressed into 1Q2012, with reconstruction providing a significant life from 2Q2012 onwards. On inflation, there are upside price pressures from food prices and additional reconstruction spending. Our current forecast is for the BOT to remain on hold for now.

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Key Things to Watch

We expect China's official PMI to hold up largely flat in November. In India, GDP is likely to grow 6.8% yoy in 2QFY12. In Taiwan, export orders growth is likely to pick up slightly, while the exports outlook remains dim. In Singapore, sticky price pressures are likely to persist from the interest-sensitive components of the CPI basket. On the central bank front, we expect Bangko Sentral ng Pilipinas to stay on hold to maintain an accommodative policy stance. In the US, the ISM data would be key to watch.

China PMI (Nov) (Dec 1)	The PMI to hold up largely flat ▪ We expect the official PMI to hold up largely flat in November. There is no strong seasonal bias in November. The underlying sequential activity growth probably was largely unchanged as a result of the offsetting forces of stronger domestic demand growth and slowing exports growth.
India GDP (2QFY12) (Nov 30) Trade (Oct) (Dec 1)	GDP to grow 6.8% yoy in 2QFY12 ▪ We expect GDP growth for 2QFY12 to come at 6.8% yoy on the account of a normal monsoon but poor industry and services sector growth. All coincident indicators of growth are suggesting a slowdown. For FY12, we are expecting GDP to grow at 7.0%.
Korea Industrial production (Oct) (Nov 30) CPI (Nov) (Dec 1) Trade (Nov) (Dec 1)	Further slowdown in industrial production ▪ We expect industrial production to have slowed down further in October on weak global growth momentum. ▪ The yoy inflation for November should rebound to above 4% due to a strong base effect but the scheduled revision of CPI baskets, a regular rebalancing every 5 years that was effective since November, could reduce the level of inflation retroactively. ▪ We expect exports to remain resilient on emerging market demand. Annual exports growth could rebound in November from a dip in October, given the signs of seasonally-strong holiday spending in the US.
Taiwan Export orders and current account balance (Oct) (Nov 21) Industrial production (Oct) (Nov 23) GDP (3Q) (Nov 24)	Export orders to pick up slightly ▪ We expect October export orders growth to pick up to 3.5% yoy, from 2.7% yoy in September. The Bloomberg consensus is expecting 3.8% yoy growth.
Singapore GDP (3Q) (Nov 21) CPI (Oct) (Nov 23) Industrial production (Oct) (Nov 25)	Sticky price pressures to persist ▪ We expect October CPI inflation to come in at 5.3% yoy, slightly above the Bloomberg consensus expectation of 5.2% yoy. We continue to expect sticky price pressures from interest-sensitive components of the CPI basket, e.g., Certificate of Entitlement prices. Previously, September CPI inflation came in at 5.5% yoy.
Philippines GDP (3Q) (Nov 28) Central bank policy meeting (Dec 1)	Policy rate to stay on hold ▪ We expect Bangko Sentral ng Pilipinas to keep the policy rate on hold in the next policy meeting. This is consistent with the Bloomberg consensus forecast.
Thailand GDP (3Q) (Nov 21) Central bank policy meeting (Nov 30) CPI (Nov) (Dec 1)	A pickup in yoy GDP growth in 3Q, while the 4Q outlook remains dim ▪ We expect 3Q2011 GDP growth to come in at 4.1% yoy. The GDP impact from the flood damages will be mainly reflected in 4Q2011. GDP growth came in at 2.55% yoy in 2Q2011. For 2011, we expect GDP growth to come in at 2.3%.
Malaysia GDP (3Q) (Nov 18) CPI (Oct) (Nov 23)	GDP growth to be higher in 3Q2011 ▪ We expect 3Q2011 GDP growth to come in at 4.9% yoy, versus the Bloomberg consensus expectation of 4.5% yoy. Previously, 2Q2011 growth came in at 4% yoy. For 2011, we expect GDP to grow 4.6%.
US GDP (3Q) (Nov 22) Durable goods orders (Oct) (Nov 23) FOMC minutes (Nov 23) ISM (Nov) (Dec 1)	The November ISM would be key to watch for the latest trends in manufacturing ▪ The headline reading for October's ISM was weak, although the composition of the report was favorable. Notably, the new orders/inventories gap rose to +5.7 during the month from -2.4 previously. The November ISM would be key to watch for the latest trends in manufacturing.

Additional things to watch: **Hong Kong CPI (Oct)** (Nov 22); **RMB deposits (Oct)** (Nov 30); **retail sales (Oct)** (Dec 1), **Indonesia CPI (Nov)** (Dec 1).