

Charts:	<a href="#">GDP</a>	<a href="#">Export</a>	<a href="#">Retail Sales</a>	<a href="#">Unemployment</a>			
Country Data:	<a href="#">Australia</a>	<a href="#">China</a>	<a href="#">Hong Kong</a>	<a href="#">India</a>	<a href="#">Indonesia</a>	<a href="#">Japan</a>	<a href="#">Korea</a>
	<a href="#">Malaysia</a>	<a href="#">New Zealand</a>	<a href="#">Philippines</a>	<a href="#">Singapore</a>	<a href="#">Taiwan</a>	<a href="#">Thailand</a>	

## THIS QUARTER'S HIGHLIGHTS:

### CURRENT ECONOMIC OUTLOOK IN ASIA-PACIFIC

The outlook for the Asia Pacific growth is bright for 2007 even if slightly less rosy than in 2006, with China and India leading the pack in economic growth. Asia's strong growth is based on sound fundamentals, particularly the growing integration of China and India into the world economy, which is providing a massive stimulus to Asia and the world, while at the same time pushing up commodity prices. Potential risks for Asia include the prospect of a US slowdown which would weaken Asian export growth and affect export-driven economies like Malaysia, Singapore, Taiwan and Thailand, as well as the wild card of energy costs.

### NORTH ASIA:

China's economy expanded by about 10.6% as a whole in 2006 with exports largely driving the economy. The weaker US economy in 2007 would have a dampening effect on China's exports, though this factor will be more than offset by strong domestic consumption, FDI inflows and investment levels. In a bid to rebalance the economy away from investment and exports and towards consumption, measures were taken in Q406 to raise interest rates and to slow credit growth. However, the impending Chinese Communist Party congress in late 2007 and Beijing Olympics in 2008 will discourage the government from taking measures to restrain growth too much. Overall growth is estimated to remain high at around 9.5% in 2007. China's inflation reached 2.8% YOY in Dec 06 and is likely to average 2.7% in 2007-2008.

Japan's economy expanded by 2.9% over 2006, largely driven by increasing corporate investments and strong global demand for Japanese exports. The robust export growth led to investment growth of 3.2% in 2006, as export-driven Japanese companies remain bullish. The relatively weaker yen in 2006 resulted in Japan's merchandise trade surplus shrinking to ¥8.1 trillion from ¥8.7 trillion in 2005. Nonetheless, domestic demand and residential investment are expected to recover strongly over the next two years. Prime minister Shinzo Abe's opinion poll ratings have fallen drastically since he took office in September 2006 and blunders within his own administration have caused certain amount of political uncertainty, though no major impact is expected in the commercial and consumer sectors for 2007.

Taiwan's economy grew by an estimated 4.6% in 2006, driven largely by external demand. The external sector, however, will face more challenges as export growth slows to an estimated 5.2% in 2007. Relations between the ruling Democratic Progressive Party and the main opposition parties will remain tense especially as the Dec 07 Parliament Election draws closer. As such, investment expanded weakly in 2006 as political instability undermined business sentiments. Taiwan's industrial output contracted by 1.7% YOY in Dec 06, with its manufacturing sector suffering most, contracting 2% YOY in 2006. Private consumption grew by 1.5% in 2006 and is expected to pick up in 2007.

After seeing an economic growth of 5% in 2006, South Korea's real GDP is estimated to fall to 4.4% in 2007. South Korea's political instability has caused much uncertainties for domestic and foreign businesses in Q406 and this is likely to be exacerbated in 2007. The government's inability to alleviate concerns on the health of its SME sector (a major employer in Korea) has caused consumer confidence to dip in Q406. However government tax breaks targeted at SMEs are expected to stimulate spending in this sector in 2007. China will remain as a key driver of South Korea's export growth, though the strong won versus the US dollar would reduce the attractiveness of Korean exports to the USA and China in 2007.

Hong Kong's economic growth reached an estimated 6.8% in 2006 but is expected to slow down in 2007 given the global market slowdown and the country's high reliance on exports. Strong business confidence, strong tourism inflows from China, government investment and a tight labor market will drive brisk growth in 2007. Donald Tsang will most likely retain his post as Chief Executive in the coming 2007 elections and the country will continue to focus on leveraging on the growth of China as its key economic policy. Government expenditure is forecasted to rise by about 2.2% in 2007 following several years of constrained public expenditure. Consumer prices rose by 2.3% YOY in Q406, bringing the average inflation rate to an eight-year high of 2%.

### ASEAN & INDIA:

India's economic boom will continue, although the pace of growth is likely to drop to about 8% in fiscal 2007/08 (April-March). Indian growth will be driven by healthy domestic consumption (which in turn is driving explosive growth in the organized retail sector), strong services exports and growth in manufacturing. Its industrial output grew by 14.4% in November 2006 from a year earlier, the fastest pace of growth in more than a decade. However, industrial output growth is expected to fall to 8.1% in 2007, in line with the slowing global economy and lower domestic demand. Business sentiments in India reached a 5-year high in fiscal 2006/2007 but growth of commercial businesses is expected to dip following the recent suspension of SEZs applications. The Indian economy is increasingly at risk of overheating with its inflation rate reaching 6.2% in 2006 and this is expected to remain high at 6.1% in 2007.

Thailand continues to struggle with the aftermath of the military coup in late 2006. The country's political instability has caused considerable damage to its economy and its real GDP growth is estimated to have slowed to 4.2% in Q406, owing to weak consumption and investment growth. Consumers and businesses are likely to remain wary of the military-installed interim government. The commercial sector will further dampen growth in the economy due to the weakness in the economies of Thailand's major trading partners. Despite this, consumption growth is likely to pick up in 2007 with an expected easing of inflation. Moreover, the export sector, while affected by poor business confidence, a stronger baht and a weaker global economic outlook, remains competitive in key sectors such as food, electronics and automobiles.

The Philippines' political situation improved in Q406 and its economic performance has picked up with growth of about 5.2% in 2006 compared to 5% in 2005. This growth is largely attributed to the recovery in the agricultural sector while strong export demand and strong growth in private consumption has boosted the economy. However, export growth is likely to slow in 2007, as the global demand for electronic goods moderates - electronic goods exports account for nearly two-thirds of total exports. The slowdown, however, is likely to be offset by robust private consumption growth due to the high inflow of remittances from Filipinos working overseas.