

*Asia-Pacific  
Economic Update, 2009*

**Volume 1**

**Analytical Updates, Economic Outlooks, and Key Statistics  
for Area of Responsibility Countries**

**Brooks B. Robinson, Ph.D.**

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Camp H.M. Smith  
Honolulu, Hawai'i 96861**

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## ***Preface***

This begins a new era for the *Asia-Pacific Economic Update (APEU)*. We address for the first time critical economic issues that are related to the current global financial and economic crisis that began to unfold in 2008. It also marks the tenure of Admiral Timothy J. Keating as Commander of the United States Pacific Command (U.S. PACOM). Finally, this 2009 *APEU* represents the first of what is to become an annual series; in the past, the *APEU* was a biennial publication.

Like past *APEUs*, Volume 1 features profiles of nations with historical data and analysis. However, we have streamlined the analysis by focusing on outlooks, and only provide a brief update of the most recent year's economic developments. Volume 2 will now be a lexicon of selected economic concepts and terms that are often confronted by military officials who read sources that discuss the economies of area of responsibility (AOR) nations. It is not designed to provide a comprehensive list of economic concepts and terms and their definitions. On the other hand, for the concepts and terms that are included, the volume not only presents definitions, but in most cases, it reflects interpretations and real-life examples that enable readers who are likely to be non-economists to fully comprehend the concepts and terms and to apply them beyond the *APEU* itself.

The *APEU* is designed as a three-volume work. However, Volume 3 is not produced for 2009; time and resources were unavailable to produce the volume. We intend to produce Volume 3 beginning in 2010, and it will feature articles concerning important AOR economic issues.

The *APEU* is intended as a resource of unclassified information for researchers and those simply interested in the economics of Asia-Pacific Region nations. We invite readers to inform us if they find that we have left some area uncovered, or if our coverage of certain areas is insufficient. Our goal is to improve the *APEU* each year and to meet the highest standards in the process. Please send your comments to [brooks.robinson@pacom.mil](mailto:brooks.robinson@pacom.mil). We welcome your comments.

## Foreword

As we finalize the *Asia Pacific Economic Update (APEU) 2009*, the economics of area of responsibility (AOR) nations reflect diverse patterns and outcomes. For example, Japan and Singapore are just exiting (i.e., they are experiencing quarter-to-quarter growth) extended economic recessions. Indonesia is experiencing slow growth and relatively high unemployment. Economic and political conditions in Nepal and Thailand have produced civil actions and pushed these nations slightly toward civil instability. On the other hand, China, India, and Vietnam are growing solidly—albeit at moderated paces when compared with their accelerated expansions during the years 2002-2007. These nations face little prospect of economic, political, or civil instability. Yet, due to the interconnectedness of AOR nations, the latter nations are not immune from their neighbors' difficulties. Just as terrorism can be exported across borders, certain adverse economic outcomes can filter across borders and cause problems for nations that have experienced a smoothly functioning economy.

The forecast for Asia is that the few economies that remain in recession will see the onset of recovery toward the end of 2009 and into 2010. AOR nations that have continued to grow slowly through the global economic crisis should see growth in their economies accelerate during the same period. Enough monetary and fiscal stimulus has been injected into economies to accelerate growth. Questions remain, however, concerning the strength of the recovery and its sustainability.

Most nations believe that, in concert, AOR nations will recover and begin a new and extended period of economic growth and prosperity. In the main, nations have not over-extended themselves by running up large deficits in order to stimulate their economies. Therefore, nations should be able to use the returns from growth to extend the cycle as opposed to siphoning off a portion of those returns to service high debt levels. Moreover, nations inked monetary and trade agreements (ASEAN + 3, + 2, currency swaps, etc.) during the economic crisis that will help further accelerate growth during, and after, the recovery. Overall, the outlook is favorable for most AOR nations.

Part 1 of Volume 1 provides country-by-country analyses of 16 large AOR economies for the past four years along with forecasts for 2009 and 2010.<sup>1</sup> This is accomplished primarily via standardized and easily readable and interpretable data tables. We augment the statistics with charts and brief textual “Analytical Updates” that summarize events leading up to the late summer of 2009 when the *APEU* was released. The Analytical Updates highlight key events that characterize recessions or economic slowing in the countries. We also note major efforts by nations to stimulate their economies using monetary and/or fiscal policies. “Economic Outlooks” provide

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<sup>1</sup> By large, we mean economies that have nominal (market price) GDP values greater than \$50 billion. Economies with GDP of less than \$50 billion at market prices are considered small.

forecasts of real growth, of price change, and details concerning important, expected economic developments.<sup>2</sup>

For 19 small (see footnote 1) economies, statistical tables are presented in Part 2 that reflect key actual and forecasted data values that characterize the size and nature of economic growth and inflation in these economies.<sup>3</sup> Unfortunately, up-to-date statistics are not available for certain AOR nations; e.g., Nauru and Tuvalu.

As noted in the preface, Volume 2 is a new *APEU* feature. It provides definitions and applications of selected economic concepts and terms that enable readers to fully comprehend economic events in the AOR. In addition, we believe that it can serve as a handy desk reference for those who encounter and must analyze economic concepts, terms, and issues on a day-to-day basis.

Also as noted in the preface, we are not releasing Volume 3 during 2009, but plan to issue in 2010 a collection of essays on high visibility economic topics that have captured the attention of AOR country analysts.

What we know about economics in the 21<sup>st</sup> century is that conditions change rapidly. Therefore, the *APEU 2009* is not intended as a definitive source that provides a complete and final analysis of economic conditions in the AOR. Rather, it provides facts about recent and current economic conditions and short-term forecasts that serve as a starting point for analyzing ongoing economic conditions in AOR countries as new events unfold.

This is clearly a streamlined version of previous *APEUs*. It facilitates easy capture of general economic conditions in AOR countries. It does not provide the thorough historical analysis presented in earlier *APEUs*. However, given the nature of the Internet today, readers should find it relatively easy to obtain detailed historical analysis of general and specific economic events in AOR countries via the Internet.

Our primary goal for future *APEUs* that will be presented in the current format is to provide statistical, definitional, conceptual, and analytical information about the economics of AOR countries in one place so that readers can avoid spending an inordinate amount of time assembling this information from a variety of sources. Therefore, we view the *APEU* as a resource that will facilitate a quick and easy understanding of economic conditions in the AOR, and that will provide a solid background for conducting more extensive analyses.

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<sup>2</sup> Forecasts are primarily from the International Monetary Fund's *World Economic Outlook*, which was released in April of 2009; <http://www.imf.org/external/pubs/ft/weo/2009/01/index.htm>.

<sup>3</sup> The data provided in Part 2 tables are also from the *World Economic Outlook*.

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## *The 2008 – 2009 Financial and Economic Crises*

The origin of the 2008 – 2009 global financial and economic crises is controversial. Leading candidates include the easy money policy of the U.S. Federal Reserve Board during the early years of the decade to lift the nation out of recession after the “Dot.com” bubble burst; the events of 9/11; the over selling of sub-prime real estate mortgages; and the complex financial instruments that obfuscated inherent risks. Irrespective of the actual origin, the fact remains that Western nations slowly awakened during 2008 to an emerging crisis that found key financial institutions (mainly investment and mortgage banks) unable to meet their obligations to investors.

As the press grappled with this story, it fueled fear in the minds of investors in share markets and engendered widespread panic. Sale was the order of the day; even short-sale if you can. Consequently, from October of 2007 until October of 2008, over \$4 trillion of market capitalization evaporated in U.S. share markets. Share markets around the world followed suit. Certain Asia-Pacific stock exchanges lost up to 60% of their value. Widespread loss of market capitalization inverted Tobin’s Q for many firms—making formerly sound companies non-viable business entities. These firms, in turn, began to shrink their labor force; more than six million U.S. jobs were lost from December of 2007 until the writing of this volume in September of 2009.

The loss of jobs and income forced a retrenchment of U.S. consumers, who decided that they could not continue to be the consumer of last resort for the world. Mortgage defaults and home foreclosures skyrocketed. Consumer spending cooled. Saving began to rise. The effects of these actions were felt world wide as the growth in U.S. imports slowed dramatically. As a major source of goods for the U.S. market, Asia-Pacific countries were hard-hit by these developments. In certain cases, exports from Asia-Pacific nations declined during 2008 by as much as 50%. Not only did exports to the U.S. slow or dry up as a destination, the same was true of European Union nations, as the latter economies turned down.

In response to these turn of events, nations in the West and the East began to initiate economic stimulus programs to slow downturns or to reaccelerate growth. The economic stimulus included everything from increased spending by central governments on infrastructure, healthcare, education, and technology projects; to placing money directly in the hands of consumers through “tax rebate” checks; and to the extension of financial guarantees and cash bailouts to firms that were considered to be “too big to fail.” Monetary authorities joined the fray by lowering interest rates aggressively, and flooding domestic markets with liquidity. In addition, central banks around the world collaborated to implement currency swap arrangements to ensure that sufficient liquidity was available for international transactions. By the end of 2008, most Western, developed nations were experiencing contractions in real gross domestic product (GDP). Several Asia-Pacific nations also experienced downturns; the remainder witnessed a marked decline in growth.

While international financial organizations, such as the International Monetary Fund (IMF), the World Bank (WB), and the Asian Development Bank (ADB), continued to revise down their expectations for global economic growth, they also continued to differentiate their expectations for the Asia-Pacific. Generally, the outlook for the Asia-Pacific Region was brighter. This result follows the wise reforms that were undertaken by Asia-Pacific nations following the 1997 – 1998 Asian Financial Crisis. That crisis caused Asia-Pacific nations to build precautionary foreign exchange reserves, eliminate non-performing loans from the balance sheets of financial institutions, and to implement improved financial governance.

The 2008-2009 Financial and Economic Crises has been a “coming out party” for the emerging market nations of Asia. China showed the world that it could conduct a very successful major international event (the 2008 Summer Olympics) amidst the crisis. Moreover, it used its expansive treasure chest of foreign exchange reserves (\$2.0 plus trillion by the summer of 2009) to implement a \$586 billion economic stimulus package. China also adopted a very loose monetary policy and extended over \$1.0 trillion in new domestic loans during the first half of 2009. Finally, China helped keep the U.S. financial system afloat by continuing to purchase U.S. debt. India, too, has surprised the world with its ability to hold up growth during the crisis. Japan, because it depends on the Western world to purchase Japanese manufactured products, has been less able to sustain growth—its exports fell by as much as 40% during 2009. The growing importance of these nations in world economic affairs became crystal clear during the G-20 Summit in London during the spring of 2009. Probably the most telling sign was the willingness of Chinese leadership, in collaboration with Russia, to buck the status quo on trade and international currency issues.

By mid-2009, there was considerable evidence that economic stimulus was producing positive effects in many Asia-Pacific Region nations: Growth was beginning again or reaccelerating, technical recessions were skirted, and downturns were shallower than originally anticipated. The key quandary facing these nations is whether they will experience a “V-shaped” or a “W-shaped” recovery. The fear is that nations will see a surge in economic growth in response to the economic stimulus that has been injected, but that the surge will not be sustained. Consequently, additional stimulus may have to be injected to extend accelerated growth. On the other hand, the stimulus and the concomitant borrowing may cause interest rates and inflation to rise, which could stifle growth and lead to another slowing or downward economic cycle.

The 2008 – 2009 Financial and Economic Crises constitute a set of great lessons learned that will enable the increasingly integrated world economies to weather future storms. Generally, the response of Asia-Pacific nations has been toward improved coordination, collaboration, and planning to ensure that they become even more prepared for adverse economic circumstances in the future. This is evidenced by the new Chang Mai Initiative that was inked by ASEAN plus 3, and by ASEAN finance ministers’ pledge to establish a \$450 billion infrastructure fund to finance projects in ASEAN nations. Asia-Pacific nations are moving forward, and the success that was first

anticipated for the 1990's appears to be surfacing during the first decade of the 21<sup>st</sup> century.

*Part 1: Key Statistics, Analytical Updates, and Economic Outlooks for 16 Large Asia-Pacific Nations and Territories*

**Key:**

**Numerical values in red are estimates.**

**Yellow shaded cells indicate that data were unavailable.**

## Australia



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	20.4	20.7	21.1	21.5
2	U.S. dollar exchange rate	0.762	0.754	0.839	0.852
3	GDP in current prices (\$ billions)	712.0	755.5	909.8	1,009.4
4	Current price GDP per capita	34,837	36,412	43,091	46,969
5	Real GDP growth rate (% change)	2.8%	2.8%	4.0%	2.3%
6	Industrial production index (2000=100)	109.1	108.4	113.4	117.8
7	Consumer price index (CPI) (% change)	2.7%	3.5%	2.3%	4.4%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	(13.1)	(9.0)	(16.6)	(4.1)
10	Exports-goods & services (\$ billions)	137.8	157.9	182.8	236.0
11	Imports-goods & services (\$ billions)	150.9	166.9	199.3	240.1
12	Foreign exchange reserves (\$ billions)	59.0	69.6	30.5	47.5
13	Central government surplus (deficit) (\$ billions)	3.1	15.7	30.2	22.7
14	Central government debt-to-GDP ratio				
15	Foreign direct investment (\$ billions)	(42.0)	37.0	53.0	55.8
16	Unemployment rate	5.0%	4.8%	4.4%	4.3%
17	Labor force growth rate (%)	3.1%	2.3%	2.3%	2.1%
18	Percent of labor force in agricultural industries				
19	Central bank benchmark interest rate	5.5%	6.0%	6.6%	6.1%
20	Net foreign remittances (\$ billions)				

Primary source: Australian Bureau of Statistics; <http://www.abs.gov.au/>.

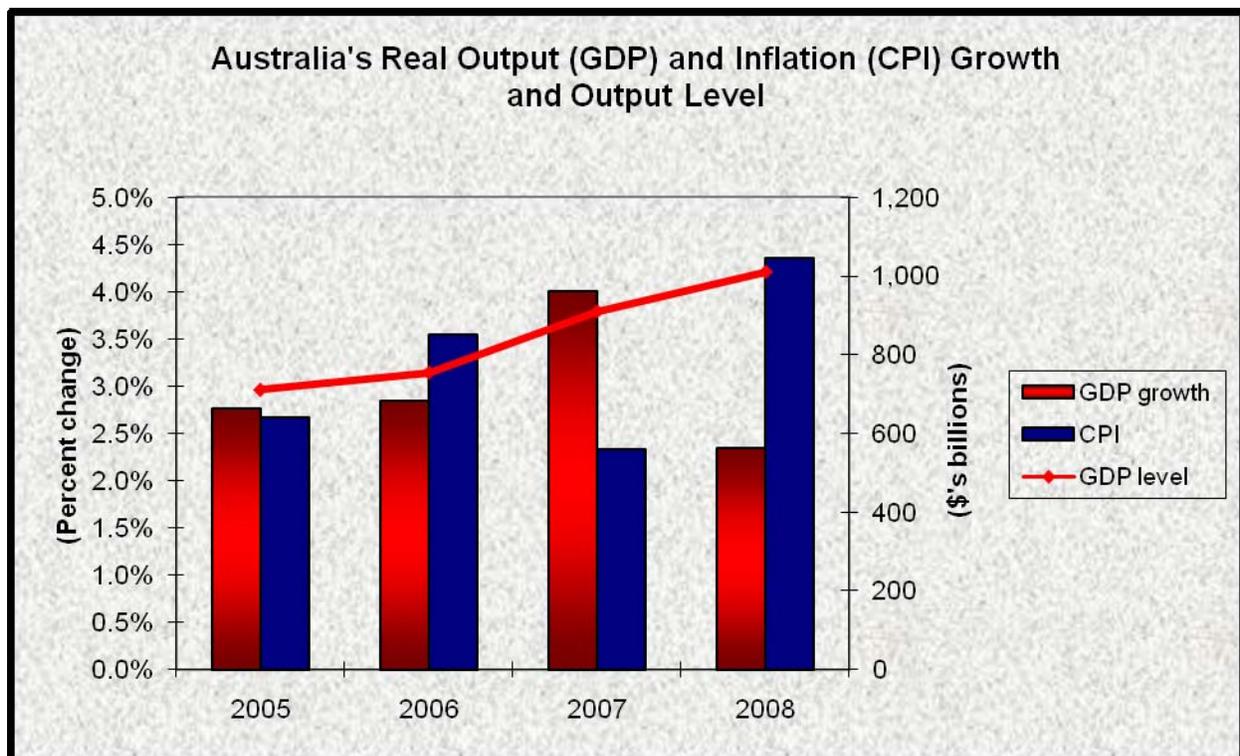
### Analytical Update

Amidst the global financial and economic crises, Australia's economy has skirted a recession (two consecutive quarters of real gross domestic product (GDP) growth), but has slowed to a crawl. To avoid a recession, Australia adopted an economic stimulus program (about \$30 billion) that featured "cash in the hands of consumers." This approach bolstered consumer spending and raised consumer and business confidence.

The loss of revenue caused by a slow economy and the economic stimulus program forced borrowing by the Government of Australia, which is expected to produce record debt levels through 2014. In addition, the Rio Tinto episode with Australia's number one trading partner, China, forced speculation that the nation's exports of raw materials might slow in the coming period.

### Economic Outlook

Australia's economy is expected to be flat in 2009 (either grow or contract slightly), and to swing up slightly during 2010. Inflation is expected to increase at a 1.0%-to-2.0% rate over the period. As Western and Asian nations' economies recover and create demand for Australia's abundant mineral resources and primary products, the country's economic outlook will brighten.



## Bangladesh



Line No.	Economic Time Series*	Calendar 2005-6	Calendar 2006-7	Calendar 2007-8	Calendar 2008-9
1	Population (millions)	138.8	140.6	142.4	144.2
2	U.S. dollar exchange rate	67.08	69.03	68.6	68.8
3	GDP in current prices (\$ billions)	62.0	68.4	79.6	89.4
4	Current price GDP per capita	447	487	559	620
5	Real GDP growth rate (% change)	6.6%	6.4%	6.2%	5.9%
6	Industrial production index (1988-89=100)	328.4	360.3	384.8	432.3
7	Consumer price index (CPI) (% change)	7.2%	7.2%	9.9%	6.7%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	(3.9)	(4.7)	(6.7)	(8.8)
10	Exports-good & services (\$ billions)	11.8	13.5	16.2	18.1
11	Imports-goods & services (\$ billions)	15.6	18.3	22.9	26.9
12	Foreign exchange reserves (\$ billions)	3.5	5.1	6.1	6.0
13	Central government surplus (debt) (\$ billions)	-2.6	-2.4	-3.7	-5.3
14	Central government debt-to-GDP ratio	0.423	0.409	0.380	0.357
15	Foreign direct investment (\$ billions)	45.3	52.5	44.6	59.9
16	Unemployment rate				
17	Labor force growth rate (%)				
18	Percent of labor force in agricultural industries				
19	Central bank benchmark interest rate	5.0%	5.0%	5.0%	5.0%
20	Net foreign remittances (\$ billions)	4.8	6.0	7.9	9.7

Primary Source: Bangladesh Bureau of Statistics; <http://www.bbs.gov.bd/>.

\*--Bangladesh's fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>.

### Analytical Update

Bangladesh welcomed a new central government in December of 2008, which is continuing to develop and implement an economic program that meets short- and long-term needs. Specifically, the nation requires an immediate boost to its economy, while at the same time it requires a sound long-term strategy for development. In addition a

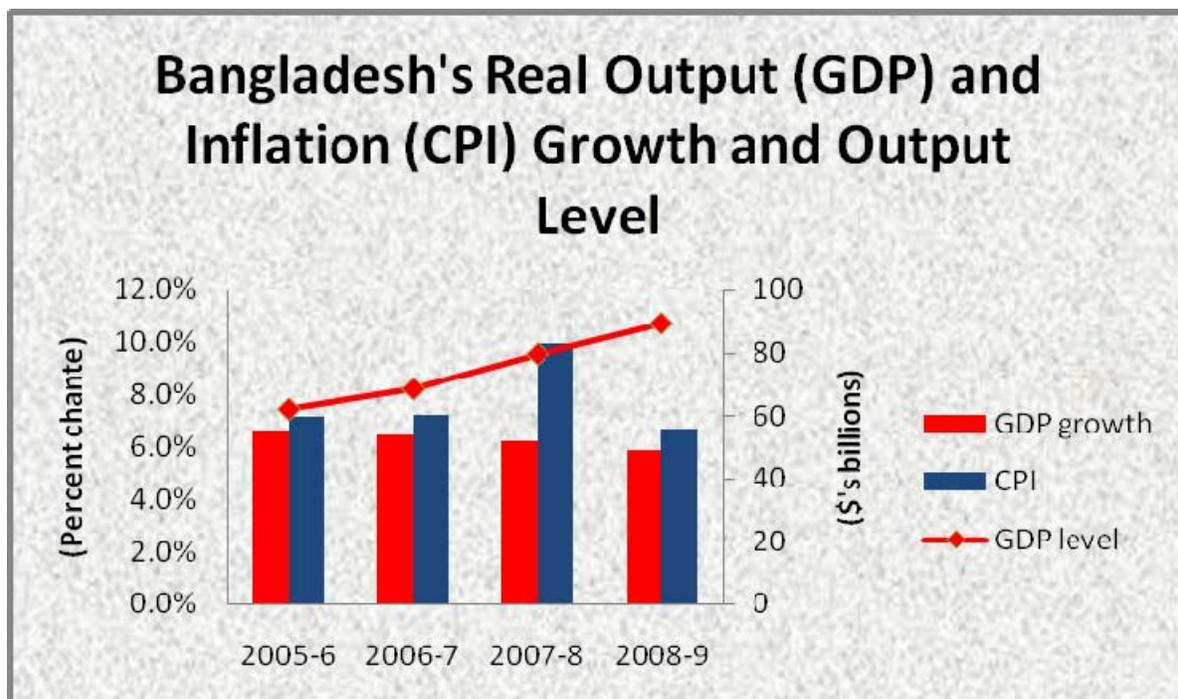
February mutiny by Bangladesh's Border Rifles (a security force) resulted in the loss of nearly 100 lives and disrupted the economic flow of the nation—particularly in and around Dhaka.

Because Bangladesh's economy is in the developmental stage, it was not tightly integrated with Western financial markets and, therefore, was not affected significantly by the global financial crisis. Although economic growth slowed in early 2009, textile industries within the nation's manufacturing sector have continued to grow during the global economic crisis mainly because the wage structure in those industries is very competitive.

In the late spring of 2009, the new government developed and began implementation of a modest economic stimulus program that features mainly infrastructure spending. However, the nation does not have a stellar track record of implementing spending plans timely and effectively, and it remains to be seen whether economic stimulus funds are expended according to plans.

### Economic Outlook

Expectations are that Bangladesh's economy will grow around 5.0% during 2009 and 2010, and that prices will increase at about a 6.0% rate during the period. These estimates are very much subject to the new government's ability to implement its new economic policies effectively.



## China



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	1,307.6	1,314.5	1,321.3	1,328.0
2	U.S. dollar exchange rate	8.194	7.972	7.606	6.948
3	GDP in current prices (\$ billions)	2,302.8	2,780.4	3,461.0	4,416.4
4	Current price GDP per capita	1,761	2,115	2,619	3,326
5	Real GDP growth rate (% change)	10.4%	11.6%	13.0%	9.0%
6	Industrial production index				
7	Consumer price index (CPI) (% change)	1.8%	1.5%	4.8%	5.9%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	102.2	178.3	265.2	301.0
10	Exports (\$ billions)	764.6	973.3	1,228.7	1,444.9
11	Imports (\$ billions)	662.4	795.0	963.5	1,143.8
12	Foreign exchange reserves (\$ billions)	818.8	1,066.3	1,528.2	1,959.7
13	Central government surplus (debt) (\$ billions)	(27.8)	(20.9)	20.3	(30.9)
14	Central government debt-to-GDP ratio	.149	.146	.142	.130
15	Foreign direct investment (\$ billions)	63.5	69.5	83.5	72.1
16	Unemployment rate	2.1%	2.0%	1.8%	1.8%
17	Labor force growth rate (%)	0.8%	0.8%	0.8%	0.8%
18	Percent of labor force in agricultural industries				
19	Central bank benchmark interest rate	5.6%	6.1%	6.9%	5.3%
20	Net foreign remittances (\$ billions)				

Primary source: National Bureau of Statistics of China; <http://www.stats.gov.cn/english/>.

### Analytical Update

As Asia's final assembler of manufactured products, China was hit hard by the global economic downturn. While China did not experience an economic recession, its economy slowed substantially—from double-digit growth to less than 6.0% during the fourth quarter of 2008. To reverse the slowdown, China adopted a \$586 billion stimulus program in 2008 that is to be expended over two years. In addition, China implemented

very easy monetary policy that produced over \$1 trillion in new loans during the first half of 2009.

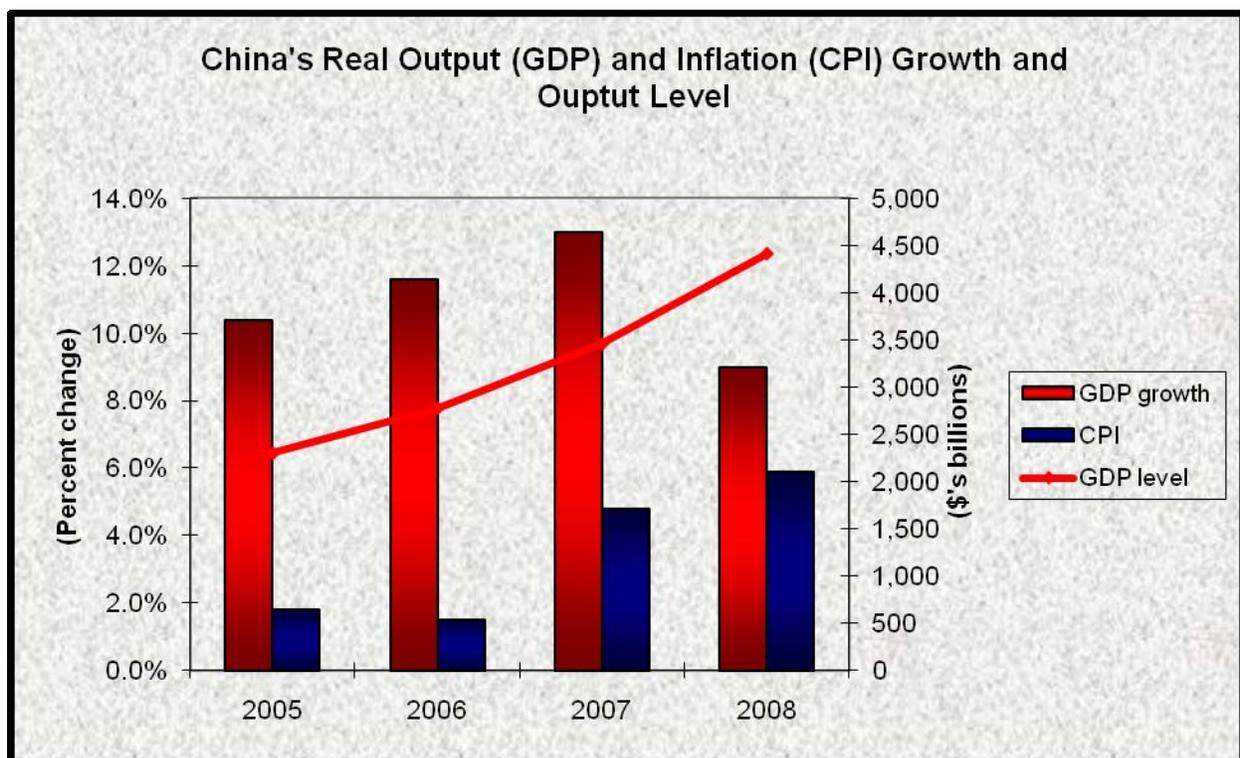
The Government of China called for 8.0% growth during 2009, and the nation experienced 6.1% and 7.9% growth during the first and second quarters of 2009, respectively. China must average 9.0% growth during the second half of 2009 to reach its goal. The current concern is whether China can sustain the 2009 growth spurt that has been fueled by the investment sector, with some expansion of consumer spending. Can China return to, and maintain, very strong (double-digit) growth without a major contribution from its exports sector, which has been a drag on the economy in 2009?

Notably, China has over \$2.0 trillion in foreign exchange reserves to use in navigating its economy to an appropriate growth trajectory.

### Economic Outlook

Certain economists are predicting a W-shaped versus a V-shaped recovery for China. That is, they expect the current surge to stall because sufficient demand may not be generated by China's trading partners. In this case, the Government of China will be called upon to implement a second round of economic stimulus.

International economic organizations are predicting that China's economy will grow around 7.5% during 2009 and about 8.5% during 2010. Inflation will hover in the 0.5% to 1.0% range over the period.



## Hong Kong



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	6.8	6.9	6.9	7.0
2	U.S. dollar exchange rate	7.777	7.768	7.801	7.787
3	GDP in current prices (\$ billions)	177.8	189.9	207.1	215.3
4	Current price GDP per capita	26,093	27,698	29,899	30,863
5	Real GDP growth rate (% change)	7.1%	7.0%	6.4%	2.4%
6	Industrial production index (2008=100)	106.4	108.7	107.2	100.0
7	Consumer price index (CPI) (% change)	1.0%	2.0%	2.0%	4.3%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	22.1	21.6	22.4	23.3
10	Exports-goods & services (\$ billions)	353.2	390.4	430.7	457.5
11	Imports-goods & services (\$ billions)	331.1	368.7	408.3	434.2
12	Foreign exchange reserves (\$ billions)	124.3	133.2	152.7	182.5
13	Central government surplus (debt) (\$ billions)	1.4	1.6	12.9	7.7
14	Central government debt-to-GDP ratio	.009	.009	.008	.008
15	Foreign direct investment (\$ billions)	0.0	0.0	0.1	0.1
16	Unemployment rate	5.6%	4.8%	4.0%	3.6%
17	Labor force growth rate (%)	0.6%	1.1%	1.6%	0.5%
18	Percent of labor force in agricultural industries				
19	Central bank benchmark interest rate	4.3%	3.9%	3.4%	1.5%
20	Net foreign remittances (\$ billions)				

Primary source: Census and Statistics Department; <http://www.censtatd.gov.hk/home/index.jsp>.

### Analytical Update

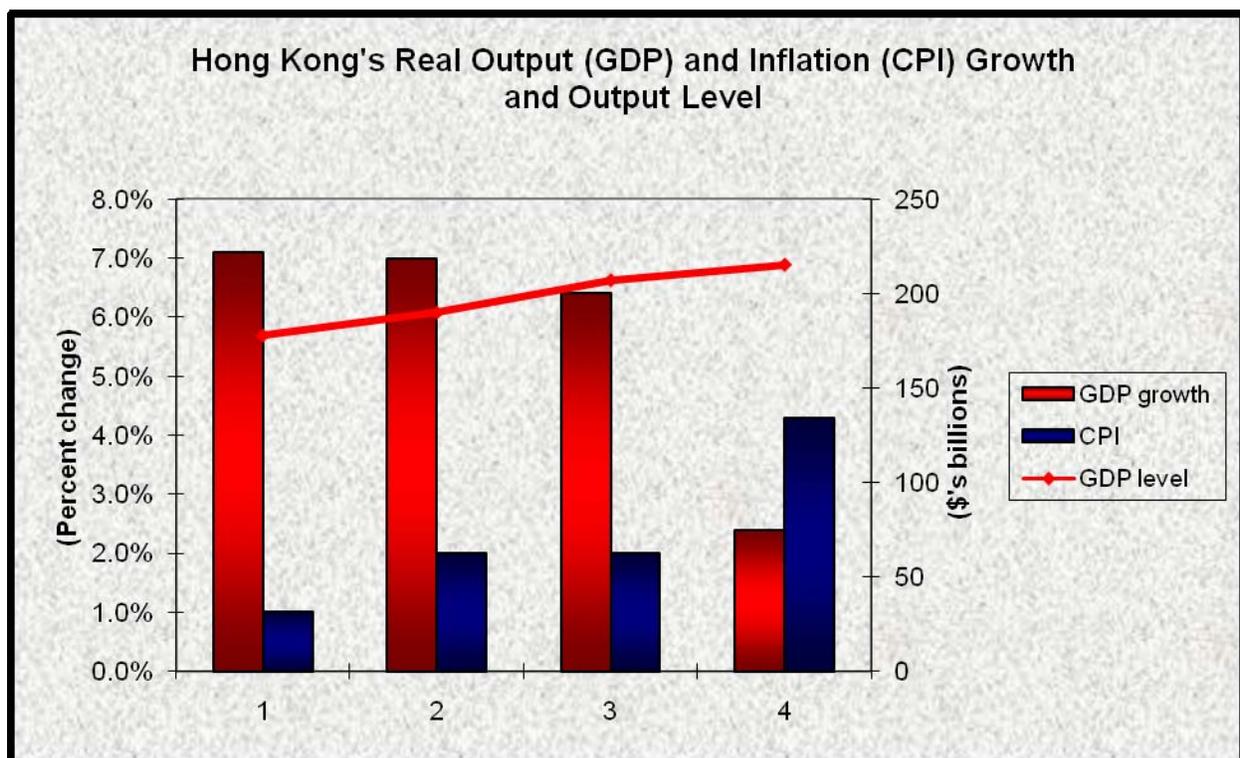
Hong Kong entered a recession during the 2008 – 2009 global financial and economic crises. It experienced a direct hit from the collapse of Western financial institutions, as a considerable number of Hong Kong residents invested in bonds that were issued by Lehman Brothers. While those financial concerns were resolved amicably, Hong

Kong's broader economy slumped; falling from over 6.0% growth in 2007 to less than 2.5% growth in 2008. On a year-over-year basis, Hong Kong's real gross domestic product (GDP) turned down in the fourth quarter of 2008, and has remained in negative territory to date.

In response to the downturn, Hong Kong, through its Monetary Authority, Implemented an economic stimulus program valued at \$100 billion to create jobs and to extend loan guarantees.

### Economic Outlook

Hong Kong's economy is expected to contract at least 4.0% during 2009, but to return to positive real GDP growth during 2010. Inflation will not be a problem for Hong Kong during this period; it is expected to rise about 1.0% during both years.



## India



Line No.	Economic Time Series*	Calendar 2005-6	Calendar 2006-7	Calendar 2007-8	Calendar 2008-9
1	Population (millions)	1,106	1,122	1,138	1,226
2	U.S. dollar exchange rate	44.100	45.333	41.293	45.902
3	GDP in current prices (\$ billions)	645.1	688.3	824.0	891.4
4	Current price GDP per capita	583.3	613.4	724.1	727.1
5	Real GDP growth rate (% change)	9.7%	8.8%	9.1%	6.1%
6	Industrial production index (1994-95=100)	221.5	247.1	268	284.3
7	Consumer price index (CPI) (% change)	4.2%	6.8%	6.4%	8.3%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	(16.3)	(23.9)	(35.8)	(72.2)
10	Exports-goods & services (\$ billions)	126.3	148.8	166.9	195.3
11	Imports-goods & services (\$ billions)	142.6	172.7	202.7	267.4
12	Foreign exchange reserves (\$ billions)	136.0	176.1	273.9	256.4
13	Central government surplus (debt) (\$ billions)	(91.5)	(154.5)	(262.7)	(295.5)
14	Central government debt-to-GDP ratio	.794	.814	.851	.851
15	Foreign direct investment (\$ billions)	9.0	22.1	32.4	21.2
16	Unemployment rate				
17	Labor force growth rate (%)				
18	Percent of labor force in agricultural industries				
19	Central bank benchmark interest rate	10.3%	12.3%	12.3%	13.8%
20	Net foreign remittances (\$ billions)	24.5	27.9	40.8	36.7

Primary source: Ministry of Statistics and Programme Implementation; <http://www.mospi.gov.in/>.

\*--India's fiscal year runs from April 1<sup>st</sup> through March 31<sup>st</sup>.

### Analytical Update

During 2008, the ruling Congress Party in India implemented social programs (including food and energy subsidies, subsidies to farmers, and a farm loan forgiveness program), which helped facilitate a victory for the party during the spring 2009 election. At the same time, those programs had a stimulative effect on India's economy. Therefore,

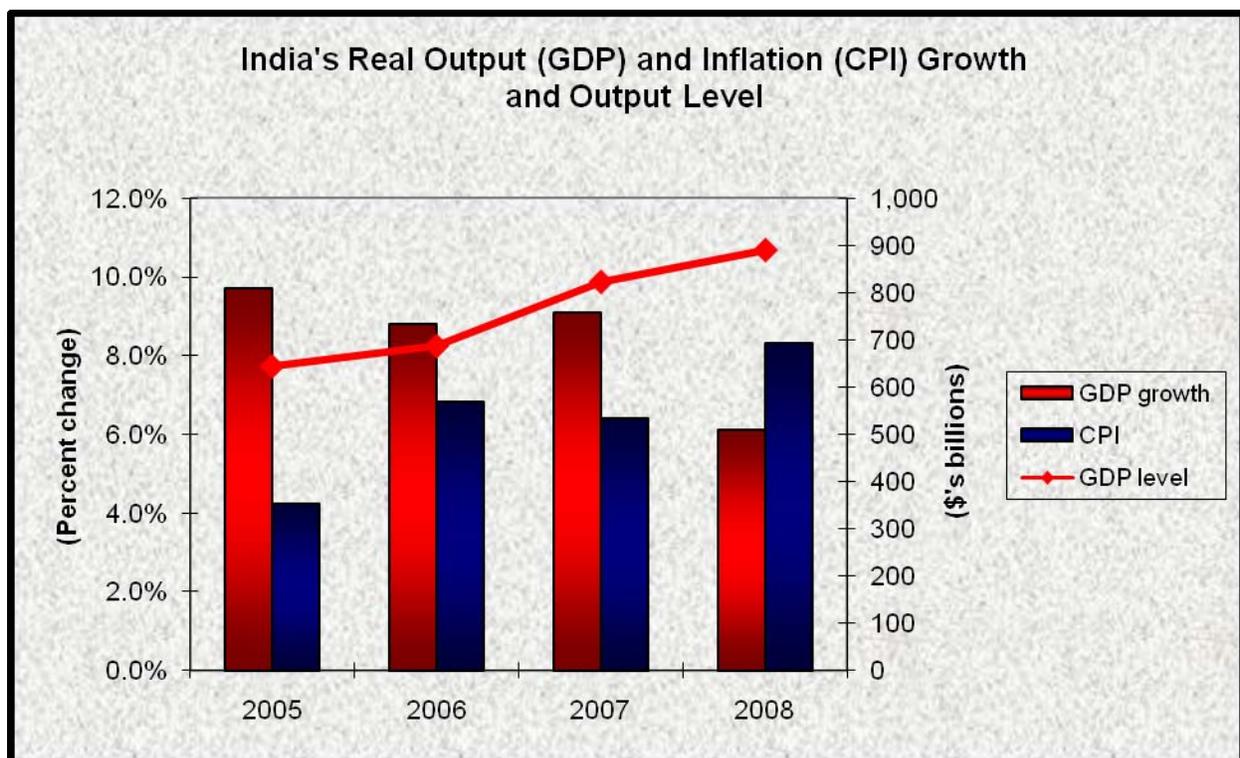
when India's economy began to slow in response to the global economic downturn, the nation benefited from the early economic stimulus just mentioned.

India's economy slowed from 9.1% growth in 2007-8 to just 6.1% in 2008-9. To counteract the slowing economy, the government of India announced a very modest \$4 billion economic stimulus plan in December of 2008. In addition, India's strong bout of inflation (India experienced double-digit inflation during certain months of the 2008-9 fiscal year), eased in early 2009, and the Bank of India was able to lower interest rates, which also helped stimulate India's economy.

During 2009, India entered into nuclear energy agreements with the United States and international organizations, which should enable the country to increase its production of electricity—something that is viewed as a major hurdle to faster growth. India's newly elected government is also planning a major roads building infrastructure program that should also improve future prospects for more rapid economic growth.

### Economic Outlook

India's economy is expected to grow about 5.5% during 2009 and about 7.0% during 2010. However, the Government of India predicts 7.0% growth for 2009-10 and 9.0% for 2010-11—although poor monsoon rains during the summer of 2009 will likely constrain 2009-10 growth. Inflation is expected to increase at about a 6.0% rate during 2009-10, but slow to about a 4.0% rate during 2010-11.



## Indonesia



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	219.9	222.7	225.5	228.8
2	Rupiah-U.S. dollar exchange rate	9,850	9,197	9,376	11,092
3	GDP in current prices (\$ billions)	281.7	363.1	421.2	446.6
4	Current price GDP per capita (\$s)	1,281	1,630	1,868	1,952
5	Real GDP growth rate (% change)	5.7%	5.5%	6.3%	6.1%
6	Industrial production index (2000=100)	118.9	116.9	123.4	127.1
7	Consumer price index (CPI) (% change)	17.3%	6.6%	6.7%	11.1%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	28.0	39.7	39.6	7.8
10	Exports-goods & services (\$ billions)	85.7	100.8	114.1	137.0
11	Imports-goods & services (\$ billions)	57.7	61.1	74.5	129.2
12	Foreign exchange reserves (\$ billions)	34.7	42.6	56.9	54.6
13	Central government surplus (debt) (\$ billions)	(1.4)	(4.3)	(6.2)	(7.3)
14	Central government debt-to-GDP ratio	.162	.106	.081	.064
15	Foreign direct investment (\$ billions)	5.1	17.7	20.1	14.3
16	Unemployment rate (%)	11.2%	10.3%	9.1%	8.4%
17	Labor force growth rate (%)	2.9%	0.6%	2.1%	2.5%
18	Percent of labor force in agricultural industries (%)	44.0%	42.1%	41.2%	40.3%
19	Central bank benchmark interest rate (%)	8.2%	11.6%	8.2%	8.5%
20	Net foreign remittances (\$ billions)				

Primary source: Statistics Indonesia; <http://www.bps.go.id/eng/>.

### Analytical Update

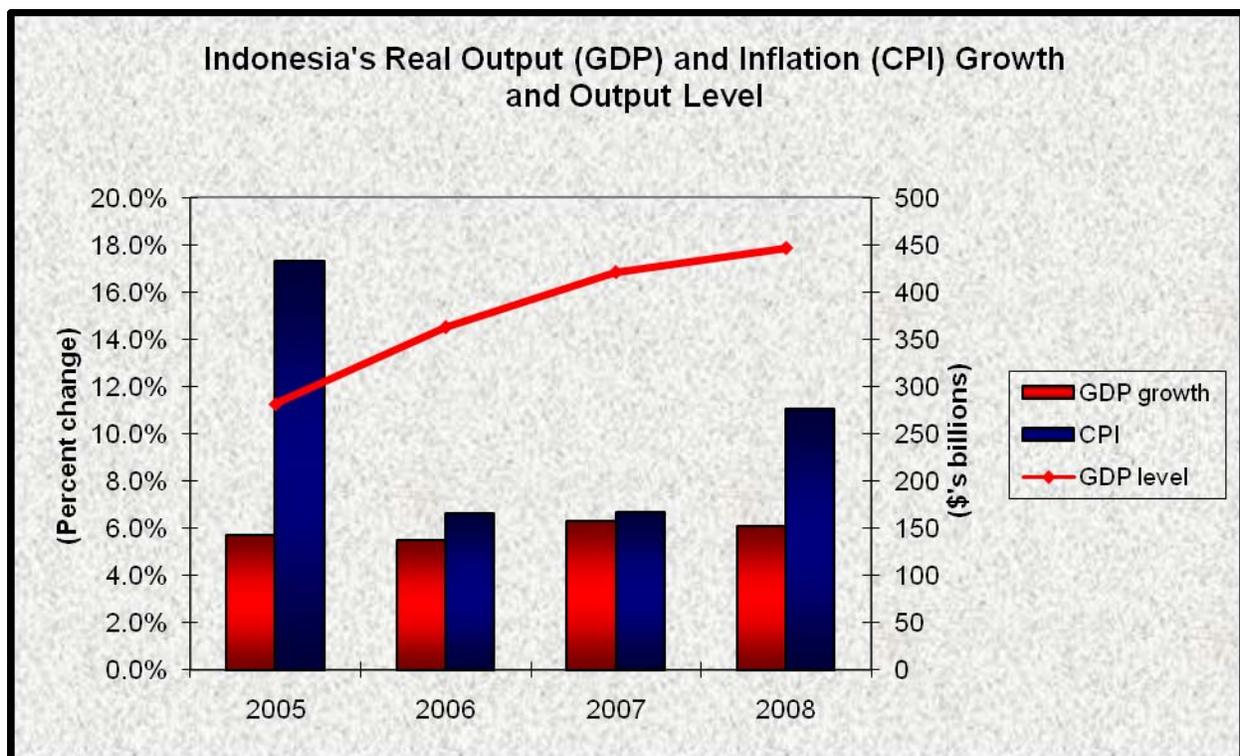
During 2008, Indonesia's economy slipped to 6.1% real growth from 6.3% during 2007. The nation both benefitted from, and was hurt by the run-up in world oil prices. While it was able to export oil at record high prices, the Government of Indonesia found it imperative to subsidize consumer energy expenditures. Similarly, Indonesia was affected positively and negatively by the run-up in food commodity prices: It

experienced a surprisingly good palm oil crop and was able to benefit from the very firm prices for palm oil exports. On the other hand, the price of rice, an important food staple in Indonesia, rose to record levels and the subsidies were in order.

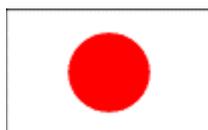
Because the Indonesian economy is not very reliant on exports of manufactured goods, and because its financial system is not highly integrated with world financial markets, the nation was not affected dramatically by the first wave of the 2008-2009 Financial and Economic Crises. Nevertheless, Indonesia was not immune to the crises, and began to reflect impacts from the crisis in late 2008. In response, Indonesia implemented a modest \$11.2 billion (about 2.5% of GDP) economic stimulus package—mainly for infrastructure projects.

### Economic Outlook

Expectations for Indonesia's economic growth for 2009 and 2010 are 2.5% and 3.5%, respectively. Inflation is expected to moderate to about 6.0% during 2009 from about 11.0% in 2008. For 2010, inflation is expected to decelerate to about 5%. Indonesia will count on increased domestic demand, firm world oil and gas prices, and general strengthening of demand for its remaining export products (electrical appliances, plywood, textiles, and rubber) to help lift its economy back to trend growth rates (just under 6% for the period 2005-8).



## Japan



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	127.8	127.8	127.8	127.7
2	Yen-U.S. dollar exchange rate	110.204	116.285	117.778	103.357
3	GDP in current prices (\$ billions)	4,552.8	4,363.1	4,379.5	4,908.9
4	Current price GDP per capita	35,633	34,148	34,276	38,443
5	Real GDP growth rate (% change)	1.9%	2.0%	2.4%	-0.7%
6	Industrial production index (2005=100)	1.4%	4.4%	2.8%	-3.3%
7	Consumer price index (CPI) (% change)	-0.3%	0.3%	0.0%	1.4%
8	CPI, less food and energy (% change)	-0.4%	-0.4%	-0.3%	0.0%
9	Trade surplus (deficit) (\$ billions)	79.0	68.0	91.7	20.0
10	Exports-goods & services (\$ billions)	595.8	647.1	712.6	783.9
11	Imports-goods & services (\$ billions)	516.8	579.1	621.0	763.9
12	Foreign exchange reserves (\$ billions)	846.9	895.3	973.4	1,030.6
13	Central government surplus (debt) (\$ billions)	-31.3	-27.5	-25.4	-33.2
14	Central government debt-to-GDP ratio	1.047	1.041	1.050	1.106
15	Foreign direct investment (\$ billions)	-47.4	-66.0	-60.1	-107.1
16	Unemployment rate (%)	4.4%	4.1%	3.9%	4.0%
17	Labor force growth rate (%)	0.1%	0.1%	0.2%	-0.3%
18	Percent of labor force in agricultural industries (%)	4.0%	3.8%	3.8%	3.8%
19	Central bank benchmark interest rate (%)	0.0%	0.1%	0.5%	0.5%
20	Net foreign remittances (\$ billions)	-0.132	-2.472	-2.579	-2.86

Primary source: Statistics Bureau, Ministry of Internal Affairs and Communications;  
<http://www.stat.go.jp/english/index.htm>.

### Analytical Update

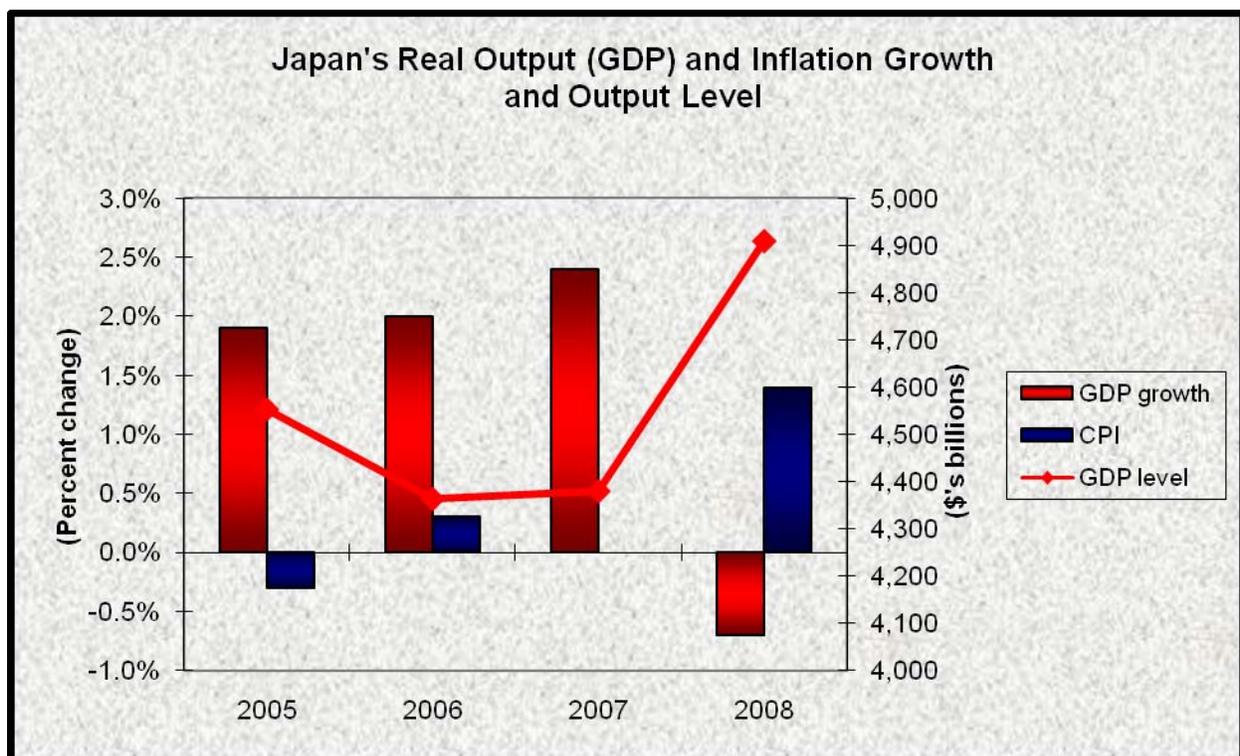
According to the Government of Japan, the nation's economy fell into recession in November of 2007. On a year-over-year basis, Japan experienced four consecutive quarters of negative real GDP growth ending with the first quarter of 2009 (on a quarter-over-quarter basis, Japan experienced five consecutive quarters of negative growth).

Amidst the political instability that has wracked Japan (the nation has witnessed a series of Prime Ministers of short duration), various economic stimulus packages have been put forward. The most recent estimate is that economic stimulus programs totaling over \$1.3 trillion in value (actual spending and guarantees) are being implemented. The spending is being directed at traditional infrastructure projects, at easing credit to small-to-moderate-sized enterprises, and at placing money in the hands of consumers. In addition, the Government of Japan has extended hundreds of billions dollars in the form of guarantees to financial institutions to stabilize weak firms, to firm-up the private bond market, and to bailout those firms that could not survive the crisis on their own.

The most important source of Japan's economic weakness has been its exports. On a year-over-year basis, Japan's exports have fallen over 40% in certain months at the end of 2008 and at the beginning of 2009. At the same time, Japan's currency, the yen, has been very strong—rising against all other major international currencies during the latter half of 2008 and well into 2009. By mid-2009, Japan has seen a slowing of the decline in exports, and there are signs that the economic stimulus is taking hold.

### Economic Outlook

Government officials are anticipating positive, albeit weak, economic growth during the second half of 2009. For the year, the expectation is that Japan's economy could contract as much as 6.0%. For 2010, Japan is expected to see 1.0-to-2.0% growth. On the price front, the forecast is for 1.5% deflation during 2009, with inflation turning positive again (less than 0.5%) during 2010.



## Malaysia



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	26.1	26.6	27.2	27.7
2	U.S. dollar exchange rate	3.787	3.666	3.436	3.331
3	GDP in current prices (\$ billions)	138.0	156.7	186.2	221.7
4	Current price GDP per capita	5,280	5,881	6,853	7,997
5	Real GDP growth rate (% change)	5.3%	5.8%	6.2%	4.6%
6	Industrial production index (2005=100)	100.0	105.0	107.2	107.8
7	Consumer price index (CPI) (% change)	3.0%	3.6%	2.0%	5.4%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	31.5	34.8	37.9	51.2
10	Exports-goods & services (\$ billions)	162.0	182.7	205.8	229.8
11	Imports-goods & services (\$ billions)	130.6	147.9	168.0	178.5
12	Foreign exchange reserves (\$ billions)	70.0	79.2	97.7	95.3
13	Central government surplus (debt) (\$ billions)	2.3	4.3	4.9	1.9
14	Central government debt-to-GDP ratio	.380	.380	.380	.380
15	Foreign direct investment (\$ billions)	4.1	6.1	8.5	7.2
16	Unemployment rate	3.5%	3.3%	3.2%	3.3%
17	Labor force growth rate (%)	0.6%	2.1%	2.5%	1.3%
18	Percent of labor force in agricultural industries	14.6%	14.6%	14.8%	14.0%
19	Central bank benchmark interest rate	2.4%	2.4%	2.4%	2.4%
20	Net foreign remittances (\$ billions)				

Primary source: Department of Statistics Malaysia; <http://www.statistics.gov.my/eng/>.

### Analytical Update

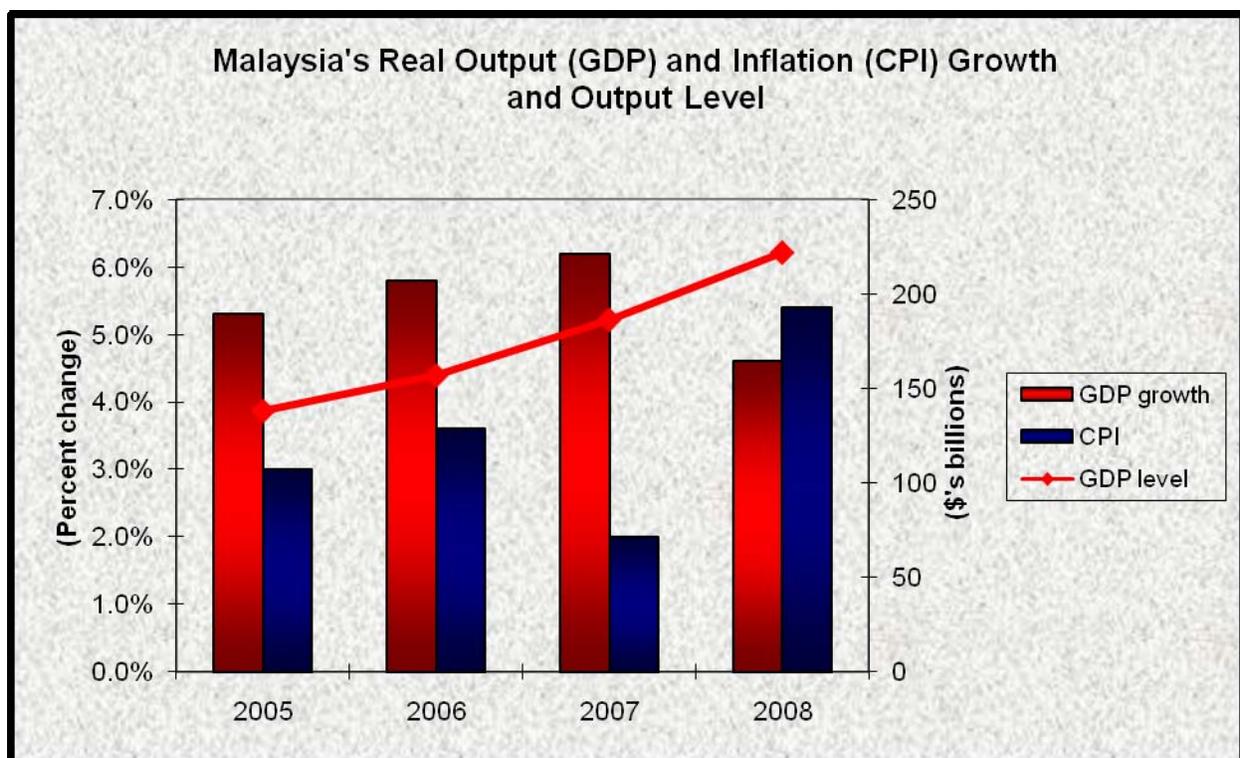
All of Malaysia's important industries have been adversely affected by the global economic downturn: High technology goods, petroleum and natural gas, and primary products (especially palm oil). In response to its contracting economy, the Government of Malaysia implemented its largest ever (\$16.5 billion) economic stimulus program

during 2009. The program was designed to create jobs and stimulate consumer spending.

Singapore is Malaysia's number one trading partner; therefore, Singapore's economy must recover before Malaysia can expect to return to trend growth, which was 5.5% during 2005-8.

### Economic Outlook

Malaysia's economy is expected to contract up to 3.5% during 2009, before rising to 1.5% growth during 2010. Inflation is expected to increase slightly less than 1.0% during 2009, before rising to a 2.5% rate during 2010.



## New Zealand



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	4.1	4.2	4.2	4.3
2	U.S. dollar exchange rate	1.47	1.42	1.29	1.73
3	GDP in current prices (\$ billions)	102.0	110.8	128.5	102.9
4	Current price GDP per capita	24,604	26,402	30,307	24,047
5	Real GDP growth rate (% change)	3.8%	3.0%	1.8%	3.1%
6	Industrial production index				
7	Consumer price index (CPI) (% change)	3.0%	3.4%	2.4%	4.0%
8	CPI, less food and energy (% change)	2.7%	2.6%	2.1%	1.8%
9	Trade surplus (deficit) (\$ billions)	(2.5)	(2.2)	(1.5)	(1.9)
10	Exports-goods & services (\$ billions)	29.2	33.0	38.5	32.6
11	Imports-goods & services (\$ billions)	31.7	35.2	40.1	34.5
12	Foreign exchange reserves (\$ billions)	8.9	14.1	17.2	11.2
13	Central government surplus (debt) (\$ billions)	4.8	5.0	4.5	3.3
14	Central government debt-to-GDP ratio	.225	.217	.206	.246
15	Foreign direct investment (\$ billions)	1.6	8.6	2.9	1.8
16	Unemployment rate	3.7%	3.8%	3.6%	4.2%
17	Labor force growth rate (%)	2.5%	2.2%	1.6%	1.2%
18	Percent of labor force in agricultural industries	7.1%	7.1%	7.2%	6.9%
19	Central bank benchmark interest rate	6.8%	7.3%	7.9%	7.6%
20	Net foreign remittances (\$ billions)				

Primary source: Reserve Bank of New Zealand; <http://www.rbnz.govt.nz/statistics/>.

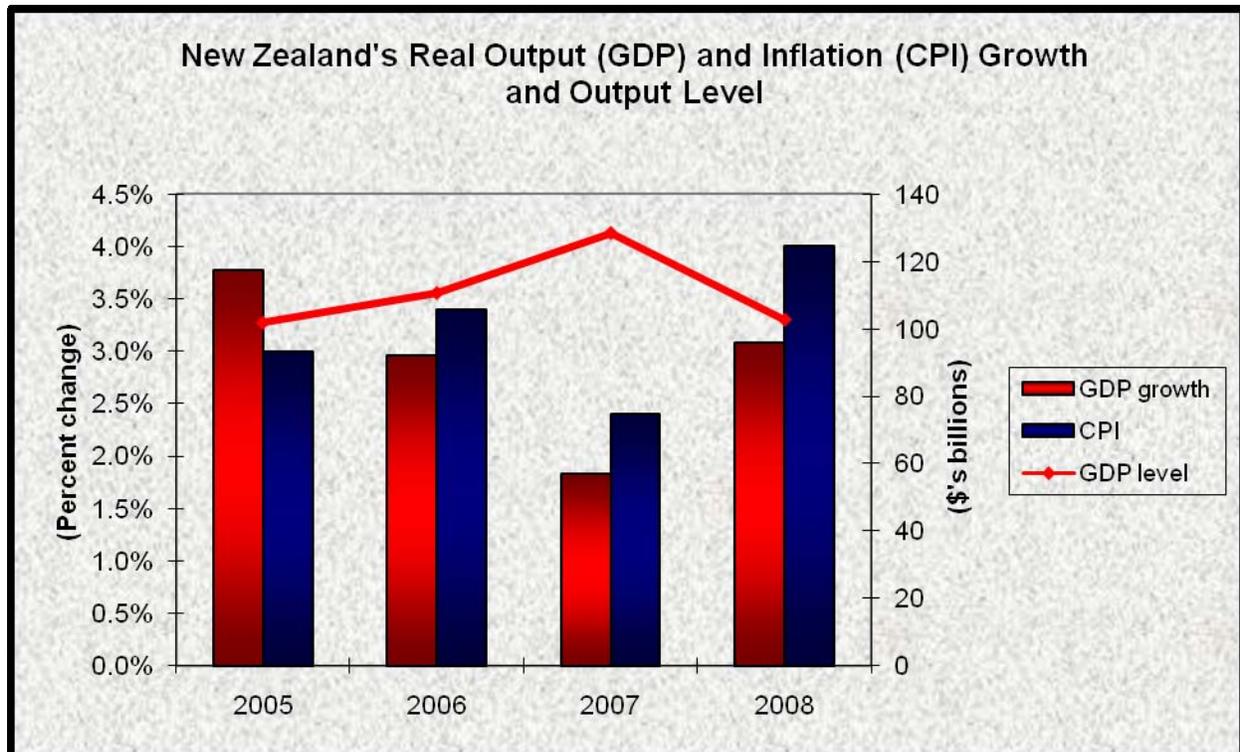
### Analytical Update

During the current business cycle, New Zealand's economy turned down during the second quarter of 2008, and it has remained in negative territory to date. The nation has experienced widespread weakness in demand for its services and agricultural products. The Government of New Zealand has failed to implement a stimulus program that would jerk the economy out of the doldrums. In addition, New Zealand must await

an economic strengthening in Australia, New Zealand's number one trading partner, before it can expect to see a rise in its own economy.

### Economic Outlook

New Zealand's economy is expected to contract around 2.5% during 2009, and return to a 0.5%-to-1.0% growth path during 2010. Inflation is expected to be tame at about 1.0% during 2009 and 2010.



## Philippines



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	85.3	87.0	88.7	90.5
2	Peso-U.S. dollar exchange rate	55.09	51.31	46.15	44.47
3	GDP in current prices (\$ billions)	98.8	117.6	144.1	168.6
4	Current price GDP per capita	1,159	1,352	1,624	1,864
5	Real GDP growth rate (% change)	5.0%	5.4%	7.2%	4.6%
6	Industrial production index				
7	Consumer price index (CPI) (% change)	7.6%	6.2%	2.8%	9.3%
8	CPI, less food and energy (% change)	7.0%	7.0%	2.8%	5.6%
9	Trade surplus (deficit) (\$ billions)	(6.2)	(4.4)	(5.0)	(9.1)
10	Exports-goods & services (\$ billions)	41.3	47.4	50.5	49.1
11	Imports-goods & services (\$ billions)	47.4	51.8	55.5	58.3
12	Foreign exchange reserves (\$ billions)	18.5	23.0	33.8	18.6
13	Central government surplus (debt) (\$ billions)	(2.7)	(1.3)	(0.3)	(1.5)
14	Central government debt-to-GDP ratio	.714	.638	.558	.563
15	Foreign direct investment (\$ billions)	1.7	2.8	(0.6)	1.3
16	Unemployment rate (%)	7.4%	7.9%	6.3%	7.4%
17	Labor force growth rate (%)	1.0%	1.0%	1.0%	1.0%
18	Percent of labor force in agricultural industries (%)				
19	Central bank benchmark interest rate (%)	7.08%	7.39%	6.36%	5.78%
20	Net foreign remittances (\$ billions)	10.7	12.5	13.3	14.5

Primary source: National Statistical Coordination Board; <http://www.nscb.gov.ph/>.

### Analytical Update

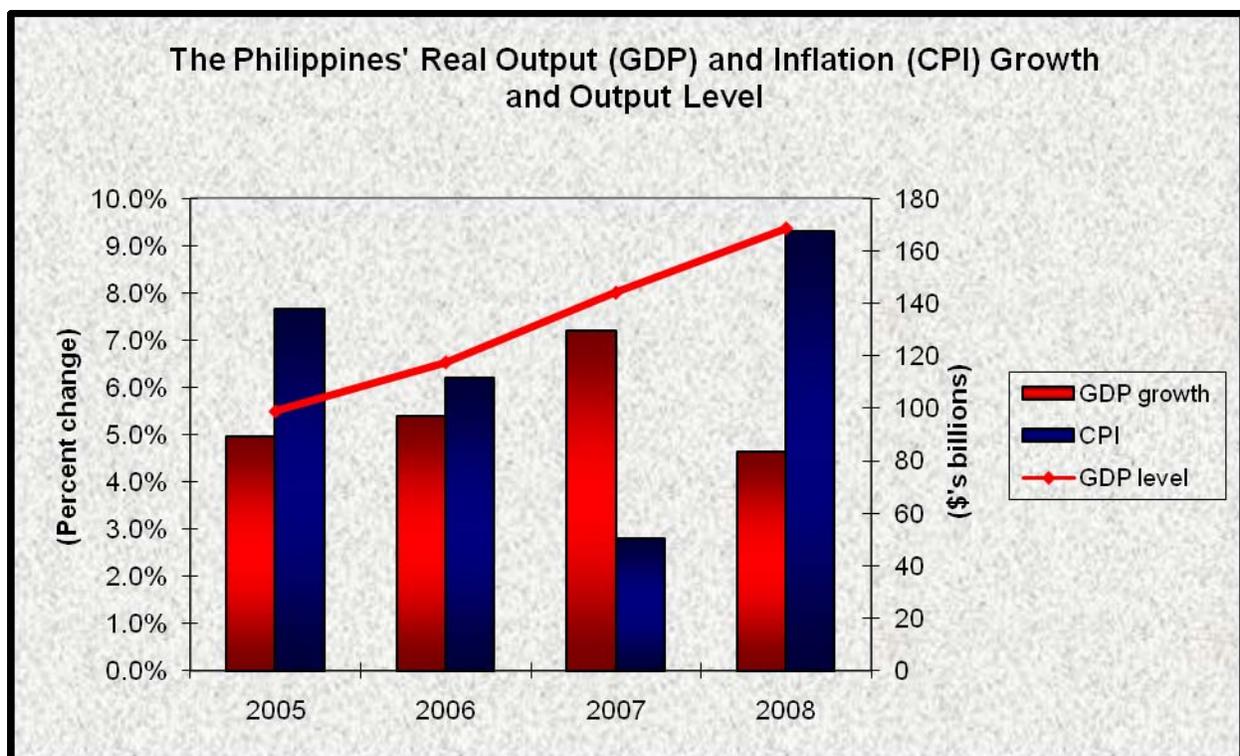
The Philippine economy is characterized by a small export sector, strong public and service sectors, and sizeable inflows of foreign remittances from over four million Philippine residents working abroad. These conditions helped minimize the impact of the 2008 – 2009 Financial and Economic Crises on the Philippine economy. A key factor is that many Philippine foreign workers are employed in “recession-proof occupations” (health, education, and childcare), which have enabled these workers to

retain their jobs during the crises. Nevertheless, the crises caused the Philippine economy to slow from 7.2% growth during 2007 to just 4.6% during 2008. In addition, the nation experienced relatively high-level inflation—rising to 9.3% during 2008.

In response to the economic crisis, the Government of the Philippines adopted a modest \$6.0 billion (about 3.5% of GDP) economic stimulus package in 2008 that was aimed primarily at infrastructure projects.

### Economic Outlook

The Philippine economy is experiencing increased impacts from the economic crises during 2009. Forecasts predict a 0.0%-to-2.0% contraction in the Philippine economy, while inflation is expected to slow to about 3.5%. Economic prospects are expected to brighten for 2010 as regional economies experience recovery and draw on more Philippine workers, and as firms from Western economies expand their use of services produced in the Philippines. That is, the Philippines should see about 1.0% growth in 2010, but inflation may rise to about 4.5%.



## Singapore



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	4.3	4.4	4.6	4.8
2	Singapore dollar-U.S. dollar exchange rate	1.665	1.589	1.507	1.415
3	GDP in current prices (\$ billions)	120.9	139.2	166.9	181.9
4	Current price GDP per capita (\$s)	28,349	31,625	36,380	37,600
5	Real GDP growth rate (% change)	7.3%	8.4%	7.8%	1.1%
6	Industrial production index (2007=100)	84.4	94.4	100.0	95.8
7	Consumer price index (CPI) (% change)	0.5%	1.0%	2.1%	6.5%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	29.6	33.1	36.3	18.3
10	Exports-goods & services (\$ billions)	229.8	271.6	299.0	337.0
11	Imports-goods & services (\$ billions)	200.2	238.5	262.7	318.7
12	Foreign exchange reserves (\$ billions)	115.8	131.5	155.6	176.9
13	Central government surplus (debt) (\$ billions)	8.0	13.2	19.8	17.0
14	Central government debt-to-GDP ratio (%)	.994	.934	.930	.992
15	Foreign direct investment (\$ billions)	14.4	27.7	31.6	22.7
16	Unemployment rate (%)	3.4%	2.7%	2.3%	2.2%
17	Labor force growth rate (%)	1.1%	9.6%	4.5%	8.5%
18	Percent of labor force in agricultural industries (%)				
19	Central bank benchmark interest rate (prime lending rate, %)	5.3%	5.3%	5.3%	5.4%
20	Net foreign remittances (\$ billions)				

Primary source: Singapore Department of Statistics; <http://www.singstat.gov.sg/>.

### Analytical Update

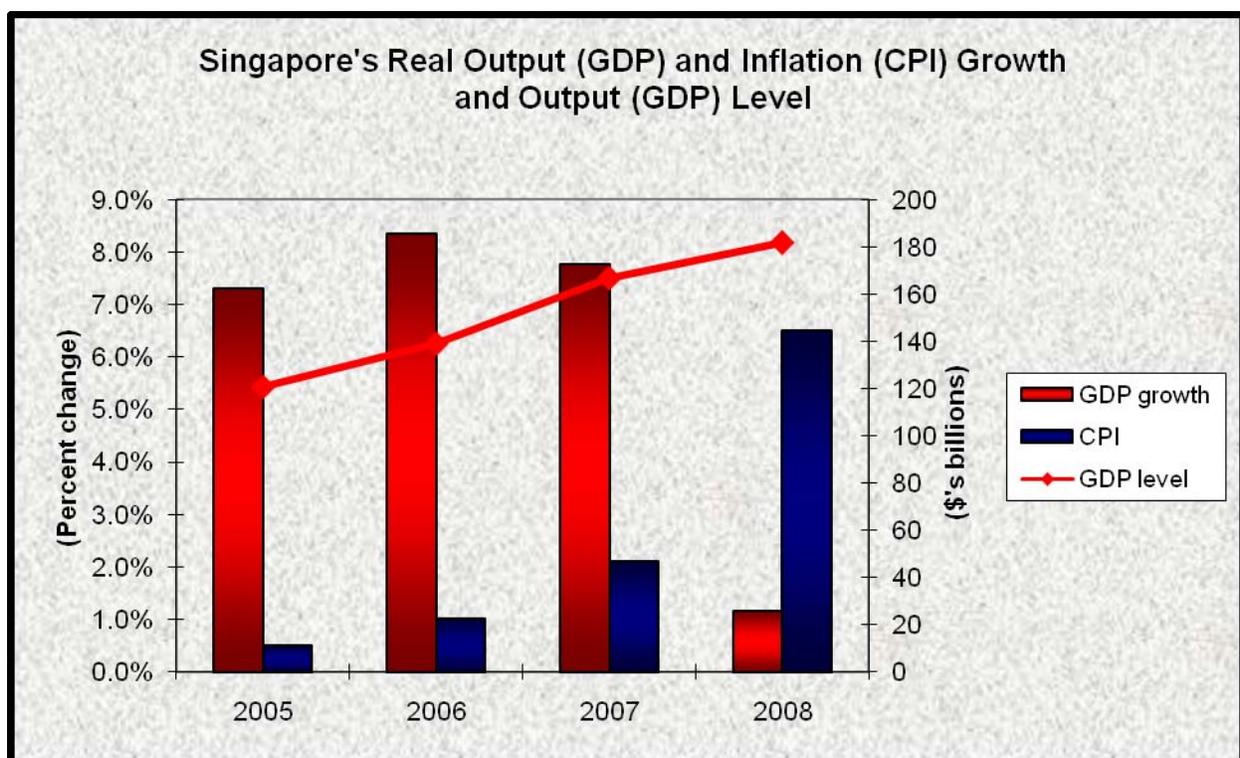
Singapore's economy is heavily export oriented: Normally, the value of exports of goods and services nears or exceeds 200% of GDP at market prices. Consequently, when exports to Singapore's trading partners began to decline in response to the global

financial and economic crisis, growth in Singapore's real GDP slowed dramatically—from 7.8% in 2007 to just 1.1% in 2008. Simultaneously, like many other Asia-Pacific Region nations, Singapore suffered a sharp acceleration in inflation—from 2.1% in 2007 to 6.5% in 2008.

Although the fast-paced inflation has abated significantly during the first half of 2009, Singapore's exports have continued to fall precipitously, leading to an almost 20.0% decline in real GDP during the first quarter (year-over-year). In response to this contraction, Singapore implemented a \$4.5 billion job credit program in 2009 to slow the rate of job loss.

## Economic Outlook

The forecast is for Singapore's real GDP to contract 10.0% during 2009, and to turn up slightly in 2010. Inflation will be mild in 2009 (0.0%) and in 2010 (1.0%). Singapore's export-dependent economy is not expected to fully recover until its trading partners return to their growth trends—possibly in 2011. The economic stimulus program that Singapore operationalized in response to the financial and economic crises, along with other actions taken by the Government of Singapore, are expected to produce a record-setting budget deficit for 2009, and continuing into 2010. This is an especially unfavorable outcome because Singapore has an existing high debt-to-GDP ratio.



## South Korea



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	48.1	48.3	48.5	48.6
2	Won-U.S. dollar exchange rate	1026	959	929	1087
3	GDP in current prices (\$ billions)	843.1	947.1	1049.8	941.6
4	Current price GDP per capita	17,515	19,610	21,665	19,372
5	Real GDP growth rate (% change)	4.0%	5.2%	5.1%	2.2%
6	Industrial production index (2005=100)	100.0	108.4	115.9	119.4
7	Consumer price index (CPI) (% change)	2.8%	2.2%	2.5%	4.7%
8	CPI, less food and energy (% change)	2.3%	1.8%	2.4%	4.2%
9	Trade surplus (deficit) (\$ billions)	22.8	13.1	15.9	(11.7)
10	Exports-goods & services (\$ billions)	331.1	375.9	440.1	497.7
11	Imports-goods & services (\$ billions)	308.3	362.7	424.3	509.4
12	Foreign exchange reserves (\$ billions)	210.4	239.0	262.2	201.2
13	Central government surplus (debt) (\$ billions)	22.6	24.7	32.6	14.3
14	Central government debt-to-GDP ratio	.295	.322	.321	.289
15	Foreign direct investment (\$ billions)	1.0	1.2	1.2	0.9
16	Unemployment rate	3.7%	3.5%	3.2%	3.2%
17	Labor force growth rate (%)	1.4%	1.0%	1.0%	0.5%
18	Percent of labor force in agricultural industries	0.2%	0.2%	0.2%	0.2%
19	Central bank benchmark interest rate	3.3%	4.2%	4.8%	4.8%
20	Net foreign remittances (\$ billions)				

Primary source: Bank of Korea; [http://ecos.bok.or.kr/EIndex\\_en.jsp](http://ecos.bok.or.kr/EIndex_en.jsp).

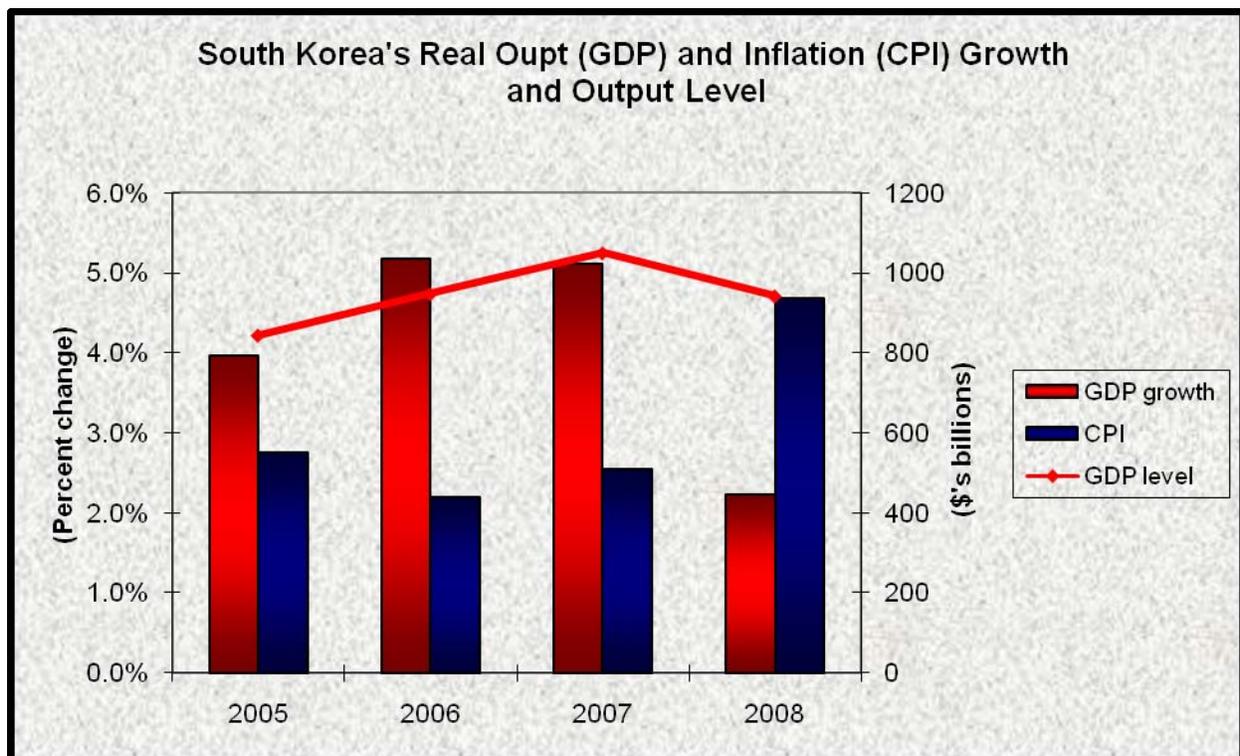
### Analytical Update

Financially, South Korea experienced the unwinding of a large volume of loans that were sourced internationally during the 2008 – 2009 financial and economic crises. The unwinding these loans produced a significant devaluation of South Korea's currency, the won. In the real economy, South Korea's exports declined sharply. In response to

its weakened financial and real economy, the Government of South Korea implemented multiple stimulus programs valued at more than \$50 billion during the fall of 2008. In addition, a \$15 billion fund was established to recapitalize local banks and \$1.2 billion was invested to shore up state-owned banks during 2009. After contracting 3.4% during the fourth quarter of 2008, South Korea's economy grew slowly during the first and second quarters of 2009 (quarter-over-quarter) due, in part, to the stimulus.

## Economic Outlook

Even with the slow quarter-over-quarter growth in the first and second quarters of 2009, the South Korean economy could contract up to 3.0% on a year-over-year basis. For 2010, the economy is expected to increase 1.5% or more. During this period, inflation is expected to rise about 2.0% in 2009 and 3.0% in 2010. Because China is South Korea's number one trading partner, the fate of South Korea's economy is determined in a significant way by the growth of China's economy—which has been a pleasant surprise.



## Sri Lanka



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	19.7	19.9	20.0	20.2
2	Rupee-U.S. dollar exchange rate	100.5	104.0	110.6	108.3
3	GDP in current prices (\$ billions)	24.4	28.3	32.4	40.7
4	Current price GDP per capita (\$s)	1,241	1,421	1,617	2,014
5	Real GDP growth rate (% change)	6.2%	7.7%	6.8%	6.0%
6	Industrial production index (1997=100)	142.3	150.4	160.3	162.3
7	Consumer price index (CPI) (% change)	11.0%	10.0%	15.8%	22.6%
8	CPI, less food and energy (% change)	10.3%	8.5%	7.7%	13.6%
9	Trade surplus (deficit) (\$ billions)	(2.2)	(3.1)	(3.3)	(5.5)
10	Exports-goods & services (\$ billions)	7.9	8.5	9.5	10.1
11	Imports-goods & services (\$ billions)	10.1	11.6	12.8	15.6
12	Foreign exchange reserves (\$ billions)	4.2	4.0	5.0	3.8
13	Central government surplus (debt) (\$ billions)	(2.0)	(2.3)	(2.5)	(3.1)
14	Central government debt-to-GDP ratio	.906	.878	.850	.811
15	Foreign direct investment (\$ billions)	0.2	0.5	0.5	0.7
16	Unemployment rate (%)	7.2%	6.5%	6.0%	5.2%
17	Labor force growth rate (%)	0.4%	5.0%	-2.1%	2.5%
18	Percent of labor force in agricultural industries (%)	30.3%	32.2%	31.3%	33.0%
19	Central bank benchmark interest rate (%)	15.0%	15.0%	15.0%	15.0%
20	Net foreign remittances (\$ billions)	1.9	2.2	2.5	2.9

Primary source: Department of Census and Statistics; <http://www.statistics.gov.lk/>.

### Analytical Update

Despite the global financial and economic crises and a 26-year-long civil war, Sri Lanka's economy remained resilient and experienced positive, albeit somewhat slower, growth through 2008. In fact, with exports accounting for only about 25% of GDP at market prices, Sri Lanka has not been especially hard hit by the financial and economic

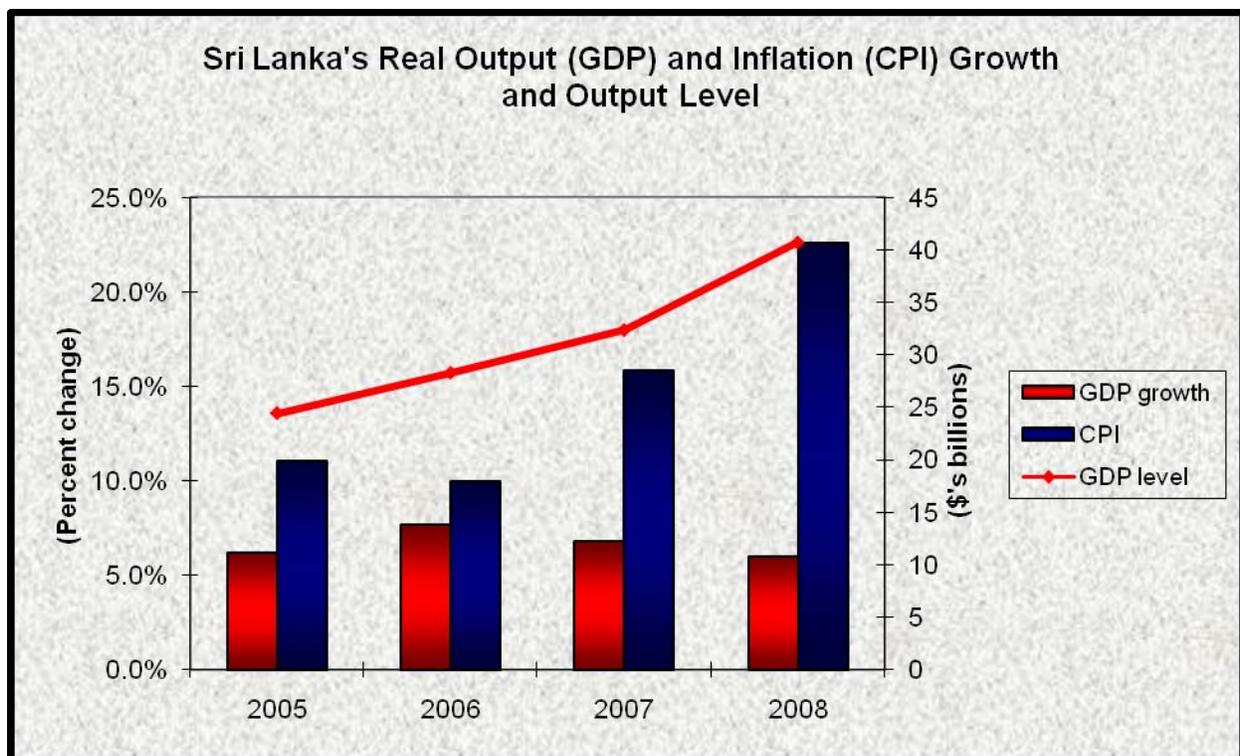
crises. The major effect has been reduced levels of foreign direct investment (FDI)—more a result of Sri Lanka's recently concluded civil war than the financial and economic crises. A key problem area in Sri Lanka's economy has been very high inflation, which began to moderate in 2009.

The Government of Sri Lanka increased spending on the war in order to conclude it in the late spring of 2009. The central government's deficit and debt tell this story. The debt and the related debt-service requirements will serve as a drag on Sri Lanka's economy for some time to come.

In July of 2009, the International Monetary Fund (IMF) approved a \$2.5 billion standby facility to assist Sri Lanka with its recovery from the war. In addition, now that the war has ended, Sri Lanka is counting on a surge in FDI to help kick-start its economy.

### Economic Outlook

The forecast for Sri Lanka's real GDP growth is 2.2% for 2009 and 3.5% for 2010. Similarly, inflation is expected to slow in 2009 to 6.0%, before rising again above 10.0% in 2010. If Sri Lanka is able to keep inflation in check, to garner increased FDI as anticipated, to hold government spending to reasonable levels, and to prevent a resurgence of dissident activity, then its prospects for economic stabilization and growth are good.



## Taiwan



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	22.7	22.8	22.9	23.0
2	New Taiwan dollar--U.S. dollar exchange rate	32.167	32.531	32.842	31.517
3	GDP in current prices (\$ billions)	356.1	366.3	384.7	391.6
4	Current price GDP per capita	15,671	16,057	16,800	17,029
5	Real GDP growth rate (% change)	4.2%	4.8%	5.7%	0.6%
6	Industrial production index (2006=100)	95.5	100.0	107.8	105.9
7	Consumer price index (CPI) (% change)	2.3%	0.6%	1.8%	3.5%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	15.1	20.6	28.8	18.0
10	Exports-goods & services (\$ billions)	228.7	255.3	282.7	291.2
11	Imports-goods & services (\$ billions)	213.7	234.6	253.9	273.2
12	Foreign exchange reserves (\$ billions)	253.3	266.1	270.3	291.3
13	Central government surplus (debt) (\$ billions)	(7.2)	(5.8)	(3.8)	(5.9)
14	Central government debt-to-GDP ratio	.310	.305	.283	.298
15	Foreign direct investment (\$ billions)	1.3	1.5	1.5	1.4
16	Unemployment rate	4.1%	3.9%	3.9%	4.1%
17	Labor force growth rate (%)	1.1%	1.2%	1.2%	1.3%
18	Percent of labor force in agricultural industries	5.9%	5.5%	5.3%	5.1%
19	Central bank benchmark interest rate	4.3%	4.8%	5.4%	5.3%
20	Net foreign remittances (\$ billions)				

Primary sources: National Statistics Republic of China; <http://eng.stat.gov.tw/mp.asp?mp=5>.

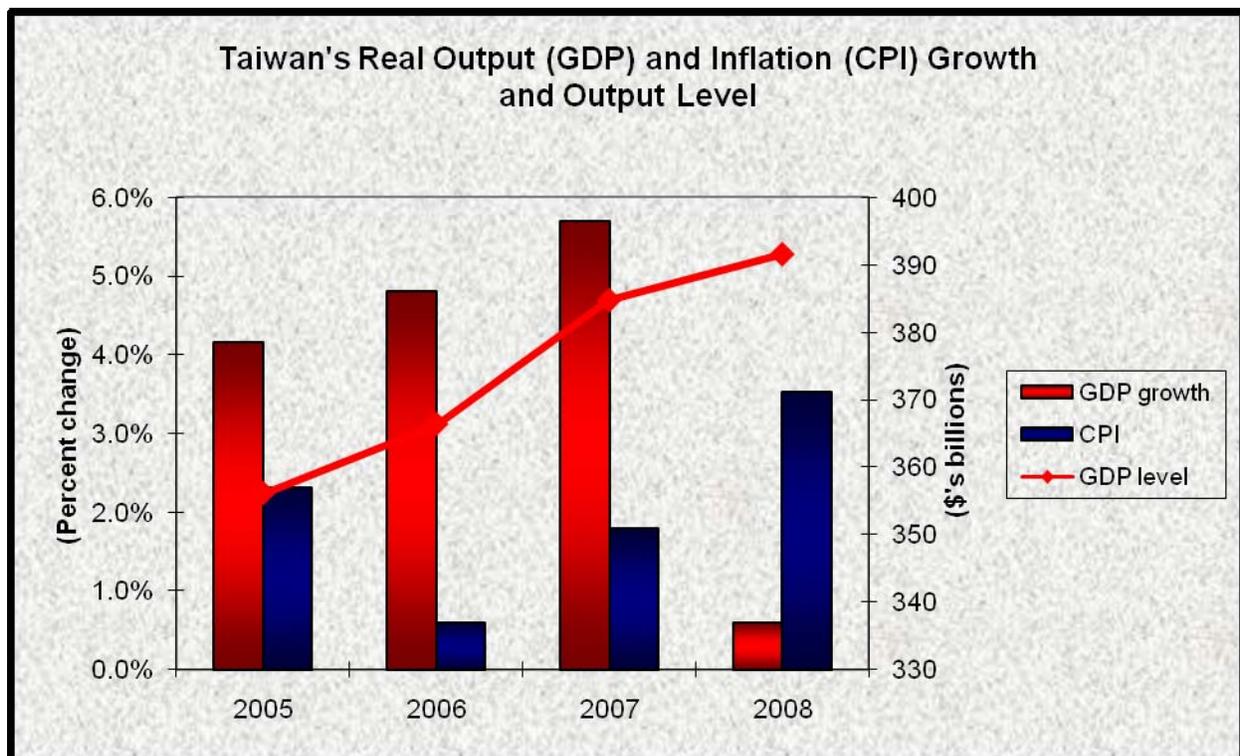
### Analytical Update

Taiwan's economy was devastated by the 2008 – 2009 economic crisis. Real gross domestic product (GDP) growth decelerated from nearly 6.0% during 2007 to less than 1.0% during 2008. Taiwan's economy began contracting during the third quarter of 2008, and has not returned to positive growth. Taiwan's export sector was hardest hit

by the global economic downturn. China is Taiwan's number one trading partner, and the latter's exports slowed substantially as the former's economy decelerated in 2008. In response to the economic downturn, the Government of Taiwan enacted a \$21 billion stimulus program during the fall of 2008 that featured tax cuts, transfers to taxpayers, and infrastructure spending. In addition, Taiwan began to pursue vigorously a free trade agreement with China during 2009 to ensure future economic growth and prosperity.

### Economic Outlook

The outlook is for Taiwan's economy to contract about 7.0% during 2009, before returning to barely positive growth during 2010. Prices are expected to decline 2.0% (deflation) during 2009, and then to increase 1.0% during 2010.



## Thailand



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	62.4	62.8	63.0	63.4
2	Baht-U.S. dollar exchange rate	40.246	37.876	32.212	32.970
3	GDP in current prices (\$ billions)	176.3	206.7	262.9	276.2
4	Current price GDP per capita	2,825	3,290	4,171	4,357
5	Real GDP growth rate (% change)	4.5%	5.1%	4.8%	2.6%
6	Industrial production index (2001=100)	149.8	159.3	172.2	180.9
7	Consumer price index (CPI) (% change)	4.5%	4.7%	2.3%	5.5%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	(2.3)	7.2	20.1	7.6
10	Exports-goods & services (\$ billions)	129.5	151.9	192.8	225.7
11	Imports-goods & services (\$ billions)	131.7	144.6	172.7	218.2
12	Foreign exchange reserves (\$ billions)	52.1	66.9	87.4	111.0
13	Central government surplus (debt) (\$ billions)	(0.9)	2.9	(5.3)	(2.7)
14	Central government debt-to-GDP ratio	.365	.334	.315	.317
15	Foreign direct investment (\$ billions)	8.0	9.5	11.2	9.8
16	Unemployment rate	1.8%	1.5%	1.4%	1.4%
17	Labor force growth rate (%)	1.0%	1.1%	1.4%	1.2%
18	Percent of labor force in agricultural industries	39.8%	39.7%	39.5%	39.7%
19	Central bank benchmark interest rate	2.6%	4.6%	3.8%	3.3%
20	Net foreign remittances (\$ billions)				

Primary source: National Statistical Office of Thailand; <http://web.nso.go.th/index.htm>. Bank of Thailand; <http://www.bot.or.th/>.

### Analytical Update

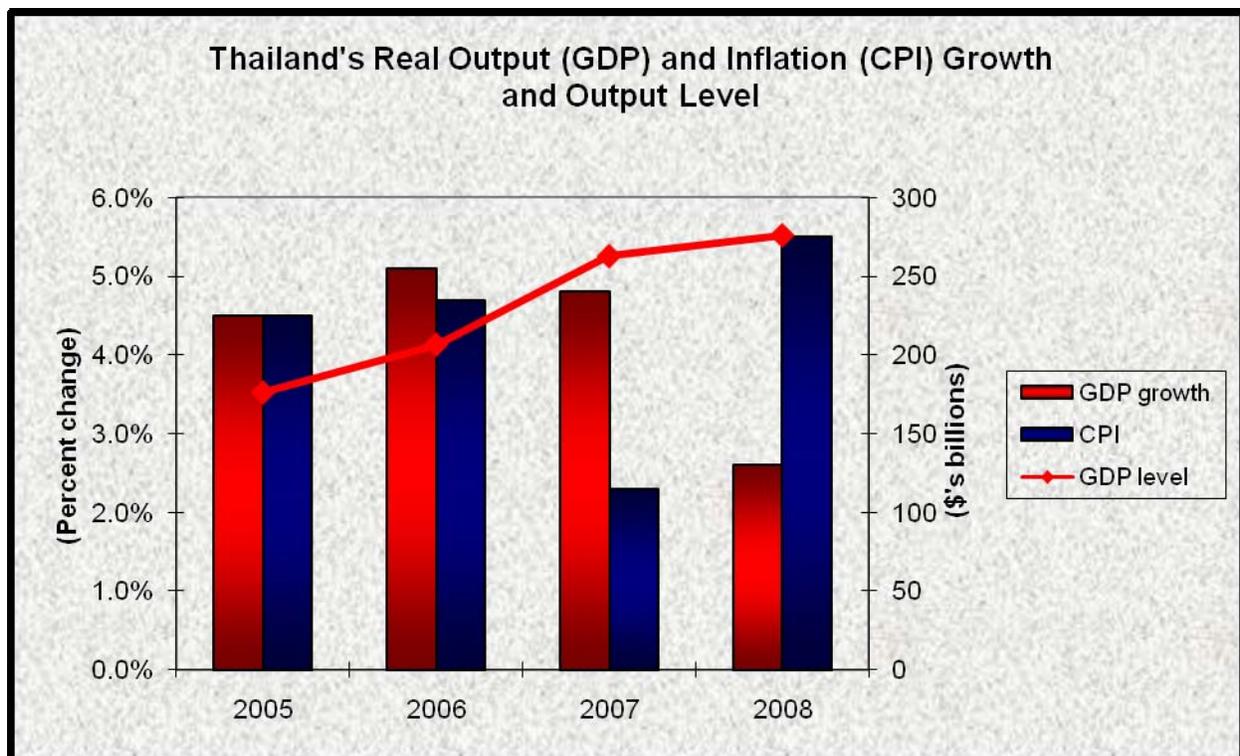
Thailand's economy was hit by a "double-whammy" during the current business cycle. The global economic downturn slowed demand for Thailand's goods and services. In addition, civil unrest that began in the fall of 2008 has continued to the current period.

The civil unrest disrupted economic operations in the country, and dissuaded tourists and likely investors from participating in Thailand's economy.

The Government of Thailand responded to its slowing economy by approving a \$3.3 billion economic stimulus program in the spring of 2009 that was aimed primarily at the poor and middle-class.

### Economic Outlook

Thailand's economy is expected to contract up to 3.0% during 2009, and then return to 1.0% growth during 2010. The nation is expected to experience essentially no inflation during 2009, but prices are likely to rise at a 3.5% rate during 2010.



## Vietnam



Line No.	Economic Time Series	Calendar 2005	Calendar 2006	Calendar 2007	Calendar 2008
1	Population (millions)	83.1	84.1	85.2	86.2
2	U.S. dollar exchange rate	15916	16055	16010	17433
3	GDP in current prices (\$ billions)	52.7	60.7	71.5	84.8
4	Current price GDP per capita	634.5	721.2	839.1	983.2
5	Real GDP growth rate (% change)	8.4%	8.2%	8.5%	6.2%
6	Industrial production index (1994=100)	117.1	116.8	116.7	113.9
7	Consumer price index (CPI) (% change)	8.3%	7.5%	8.3%	23.0%
8	CPI, less food and energy (% change)				
9	Trade surplus (deficit) (\$ billions)	(4.3)	(5.1)	(14.1)	(18.0)
10	Exports-goods only (\$ billions)	32.4	39.8	48.6	62.7
11	Imports-goods only (\$ billions)	36.8	44.9	62.7	80.7
12	Foreign exchange reserves (\$ billions)	9.2	13.6	23.7	23.2
13	Central government surplus (debt) (\$ billions)	(2.2)	(1.8)	(5.0)	(4.3)
14	Central government debt-to-GDP ratio	.440	.459	.497	.455
15	Foreign direct investment (\$ billions)	3.3	4.1	8.0	11.6
16	Unemployment rate	5.3%	4.8%	4.6%	4.7%
17	Labor force growth rate (%)	2.3%	1.9%	1.9%	1.7%
18	Percent of labor force in agricultural industries	57.1%	55.4%	53.9%	52.6%
19	Central bank benchmark interest rate	7.8%	8.3%	8.3%	11.1%
20	Net foreign remittances (\$ billions)				

Primary source: General Statistics Office of Vietnam; [http://www.gso.gov.vn/default\\_en.aspx?tabid=491](http://www.gso.gov.vn/default_en.aspx?tabid=491).

### Analytical Update

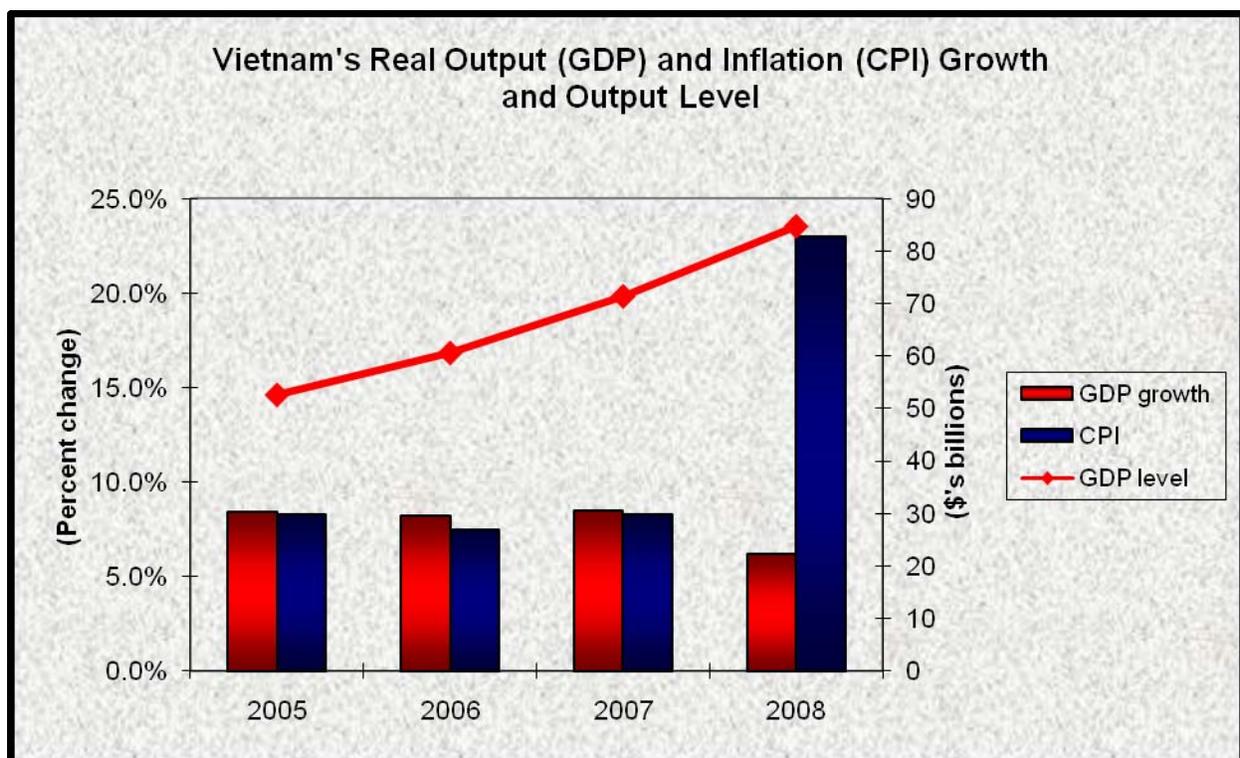
Vietnam's economy has been affected adversely by the global economic downturn—but to a somewhat lesser degree than many other economies in the Asia-Pacific Region. Vietnam's exports declined substantially in response to the global downturn. However, Vietnam's access to financial capital via foreign direct investment and loans from other

nations and international financial organizations enabled the country to extend development plans and to implement large road and infrastructure projects, which helped bolster economic growth. In addition, Vietnam implemented a \$1 billion economic stimulus program that extended tax breaks to businesses.

Another important factor in Vietnam's economy during 2008 and into 2009 was high inflation. Inflation reached 23.0% in 2008, and the Bank of Vietnam used a variety of policy tools to bring inflation under control; those efforts were assisted by an already slowing economy.

### Economic Outlook

The early economic outlook for Vietnam was for 3.0% growth during 2009 and 4.0% growth in 2010. However, economic performance during the first half of 2009 portends a somewhat higher level of growth. Inflation is expected to recede to 6.0% in 2009 and to 5.0% in 2010.



*Part 2: Real GDP and Inflation with Forecasts for 19  
Small Asia-Pacific Nations and Territories*

## Small Nations

### Bhutan



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	7.0%	8.8%	17.9%	6.6%	5.7%	6.6%
Inflation	5.3%	5.0%	5.2%	7.7%	5.0%	4.0%

### Brunei



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	0.4%	4.4%	0.6%	-1.5%	0.2%	0.6%
Inflation	1.1%	0.2%	0.3%	2.7%	1.2%	1.2%

### Burma



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	13.6%	13.1%	11.9%	4.5%	5.0%	4.0%
Inflation	10.7%	26.3%	32.9%	26.4%	22.0%	20.0%

## Cambodia



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	13.3%	10.8%	10.2%	6.0%	-0.5%	3.0%
Inflation	5.8%	4.7%	5.9%	19.7%	5.2%	1.4%

## Laos



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	7.1%	8.4%	7.5%	7.2%	4.4%	4.7%
Inflation	7.2%	6.8%	4.5%	7.6%	0.2%	2.6%

## Maldives



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	-4.6%	18.0%	7.2%	5.7%	-1.3%	2.9%
Inflation	3.3%	3.5%	7.4%	12.3%	3.7%	5.5%

## Mongolia



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	7.3%	8.6%	10.2%	8.9%	2.7%	4.3%
Inflation	12.5%	4.5%	8.2%	26.8%	10.1%	7.9%

## Nepal



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	3.1%	3.7%	3.2%	4.7%	3.6%	3.3%
Inflation	4.5%	8.0%	6.4%	7.7%	11.1%	2.3%

## Papua New Guinea



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	3.6%	2.6%	6.5%	7.0%	3.9%	3.7%
Inflation	1.8%	2.4%	0.9%	10.7%	8.2%	5.0%

## Timore-Leste



<b>Economic Statistics</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Real GDP growth	6.2%	-5.8%	8.4%	12.8%	7.2%	7.9%
Inflation	1.8%	4.1%	8.9%	7.6%	4.0%	4.0%

## Oceania

## Fiji



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	0.7%	3.3%	-6.6%	0.2%	-1.8%	1.2%
Inflation	2.4%	2.5%	4.8%	8.0%	4.0%	4.0%

## Kiribati



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	0.0%	3.2%	-0.5%	3.4%	1.5%	1.1%
Inflation	-0.4%	-1.5%	4.2%	11.0%	9.1%	2.8%

## Marshall Islands



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	1.7%	0.8%	2.3%	1.2%	1.8%	2.0%
Inflation	3.5%	5.3%	2.9%	5.5%	3.5%	3.0%

## Micronesia, Federated States of



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	-0.5%	-1.6%	-3.6%	-1.0%	0.5%	2.0%
Inflation	4.1%	4.4%	3.6%	5.0%	3.0%	2.5%

## Palau



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	5.5%	3.0%	2.5%	2.0%		
Inflation	3.2%	4.8%	3.0%	4.2%		

## Samoa



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	6.0%	1.8%	6.0%	4.5%	4.0%	3.5%
Inflation	1.9%	3.8%	6.0%	7.1%	5.1%	4.3%

## Solomon Islands



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	5.0%	6.1%	10.2%	7.3%	4.0%	3.4%
Inflation	7.1%	11.1%	7.7%	18.2%	10.5%	3.3%

## Tonga



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	5.4%	0.6%	-3.2%	1.2%	2.6%	1.9%
Inflation	9.7%	7.0%	5.1%	14.5%	12.3%	6.1%

## Vanuatu



Economic Statistics	2005	2006	2007	2008	2009	2010
Real GDP growth	6.5%	7.4%	6.8%	6.6%	3.0%	3.5%
Inflation	1.2%	2.0%	3.9%	4.8%	4.3%	3.0%

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