

*Asia-Pacific*  
**Economic Update, 2011**

**Volume 1**

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

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## Preface

Welcome to the 2011 *Asia-Pacific Economic Update (APEU)*. In the spirit of consistency, we provide Volumes 1, 2, and 3 as we did last year. The first volume provides analytical updates, economic outlooks, and key statistics for area of responsibility (AOR) nations and territories. The second volume serves as a lexicon of economic terms that non-economists will find to be useful as they read economic-related literature in the course of their work. The third volume is a collection of three papers that are designed to provide insights on how AOR economies might be improved in the period ahead. Each of these volumes has been fully updated and augmented to meet changing needs.

A new *APEU* feature this year is Volume 4, which is an Energy Supplement. It provides energy profiles and key energy statistics for AOR economies. This volume was prepared by Odette Mucha, a Presidential Fellow who spent the summer of 2011 researching Asia-Pacific energy issues at the U.S. Pacific Command (USPACOM). Ms. Mucha brought a wealth of skills with her to USPACOM from her normal post as a Transportation and Budget Analyst at the Office of Management and Budget in Washington, D.C. If you require basic facts and insights about the energy space within an AOR economy, you will find Volume 4 to be of great benefit. Our challenge going forward is to keep this new volume updated from year-to-year.

Our emphasis in all four volumes is to provide high-quality information on AOR economies, which are increasingly finding that they are the focus of attention for the remainder of world. While Western economies languish with slow growth and deep-seated financial instability, Asian economies continue to forge ahead with high-speed growth that is threatened at the margin by relatively high inflation. An exception is Japan, which is recovering from the devastation caused by the overwhelming March 11, 2011 earthquake and tsunami. Our goal is to provide bite-size, yet sufficient, information so that the USPACOM staff and the wider defense-related community can grasp quickly ongoing conditions in AOR economies. We know that this information will enable more informed and balanced decision-making.

Whether you come to these volumes to obtain facts or analyses about just one economy or many, we invite you to assess the impact that these volumes have on your work. If you find them equal to the task, then let us know. If you find that something is missing, then please let us know as well. Our mandate is to make AOR economic issues user-friendly. However, we can only achieve this outcome by receiving your assessments. Please send your thoughts and comments about the 2011 *APEU* to [Brooks.Robinson@pacom.mil](mailto:Brooks.Robinson@pacom.mil) or call 808.477.9195.

Thanks for the opportunity to serve!

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## Overview

**Introduction.**—Although the 2008-2009 financial and economic crisis and the great recession are well behind us, only selected, mainly Asian economies have experienced sustained recoveries. Much of the Western world saw a brief lurch from the bottom of the recession, then slowing after stimulus spending evaporated. Asian, emerging, and developing economies elsewhere around the world reaped the benefits of their stimulus, but enjoyed too much of a good thing as inflationary pressures built up. Now these countries are nearing the end of an interest rate hiking cycle in an effort to slow inflation and achieve a return to solid growth with moderate inflation.

For too many countries whose economies have slowed, weak growth is compounded by the fact that the stimulus came through debt financing. In many cases, the borrowing was excessive and deficits and debt are now beyond acceptable levels. Whether we consider the U.S. budget crisis, or Greece's hanging on the verge of default, a new financial crisis is unfolding that could create a second downward dip. If a second dip occurs most nations have not the wherewithal to deploy a second round of financial stimulus. More importantly, a second economic downturn or very slow growth in the Western world will undoubtedly affect economic growth elsewhere around the globe.

It is against this backdrop that we consider more specifically and statistically economic conditions around the world and in the U.S. Pacific Command's (USPACOM's) area of responsibility (AOR).

**World Economic Conditions.**—In the September 2011 *World Economic Outlook (WEO)*, the International Monetary Fund (IMF) projects global real gross domestic product (GDP) growth to decelerate to 4.0% in 2011, from 5.1% in 2010. Advanced economies are expected to witness real GDP growth decelerating to 1.6% in 2011 from 3.1% in 2010. Emerging and developing economies are projected to also see real GDP growth decelerating to 6.4% from 7.3%. Advanced economies are expected to experience 2.6% inflation, up from 1.6% in 2010. Emerging and developing Economies are projected to observe inflation accelerate to 7.5% in 2011 from 6.1% in 2010.

For 2012, global real GDP growth is expected to hold steady at 4.0%. Advanced economies are expected to experience 1.9% real GDP growth, while emerging and developing economies' real GDP growth is expected to decelerate to 6.1%. On the inflation front, advanced economies are forecasted to experience a 1.4% increase in consumer prices; emerging and developing economies should see consumer prices decelerate to a 5.9% increase.

**General Conditions in the AOR.**—The *WEO* projects that the Asia-Pacific region's real GDP growth will decelerate to 6.2% in 2011 from 8.2% in 2010. For 2012, real GDP growth is expected to accelerate slightly to 6.6%. Consumer prices are expected to accelerate to 5.3% in 2011 following a 4.1% increase in 2010. For 2012, inflation is expected to decelerate to a 4.0% increase. For the current account, the region's

surplus is expected to drop to 2.9% of GDP in 2011 from 3.3% of GDP in 2010.<sup>1</sup> For 2012, the current account surplus is expected to remain unchanged from the 2011 level.

**Specific Conditions in Large Asia-Pacific Economies.**—China, the AOR's largest economy and the second largest economy in the world, is expected to experience decelerating real GDP growth for 2011 and 2012; inflation is expected to accelerate then decelerate; the current account surplus will likely improve slightly over the period; and the unemployment rate is expected to remain essentially unchanged over the two years. Japan's economy is projected to turn down slightly in 2011 in response to the damage and lost production caused by the March 11, 2011 earthquake and tsunami. However, Japan's economy is expected to grow moderately in 2012. The nation is expected to continue its battle with deflation over the forecast period. The current account surplus is expected to deteriorate slightly in 2011, but to improve somewhat in 2012. Japan's unemployment rate is expected to improve slightly over the two-year period. Like China, India's real GDP growth is expected to decelerate out to 2012. Inflation is expected to cool significantly over the period. Finally, India's current account deficit is expected to improve slightly in 2011 and to maintain that improvement in 2012. Overall, China and India are expected to continue to lead regional and global growth in 2011 and 2012, with Japan contributing to strong but slower growth during 2012.

**Economic Developments and Military Operations.**—China continues to lead the AOR in military spending; both in level and in growth rate. It is this spending and what has been characterized by Japan, Vietnam, and the Philippines as aggressive military behavior in the East and South China Seas that have caused AOR nations to augment their military spending. Table 1 provides estimates of the levels of 2010 spending for the top five militaries in the Asia-Pacific region and the average growth rates over the past three years. Mainly due to the wars in Iraq and Afghanistan, we see that U.S. military spending has also been quite robust over the last three years.

Table 1.—2010 Military spending in 2009 USD for Selected Asia-Pacific Economies and the United States

Line No.	Military	2010 Spending (USD billions)	Three-year moving average real growth rate
1	China	\$ 114.3	10.9%
2	Japan	\$ 51.4	0.3%
3	India	\$ 34.8	6.8%
4	South Korea	\$ 24.3	3.8%
5	Australia	\$ 19.8	5.2%
6	United States	\$687.1	6.1%

<sup>1</sup>The current account is a broader measure than the commonly known trade measure; i.e., merchandise exports and imports. The current account also reflects trade in services, net factor income flows between business operating in the economy, net foreign remittances of workers, and net unilateral transfers of governments.

**Potential Problems.**—The potential for economic problems is apparent across the spectrum of AOR countries—especially for the largest AOR economies. For example, although Japan is expected to experience low-level growth during the second-half of 2011 as it begins its recovery from the March 11<sup>th</sup> earthquake and tsunami, a persistently strong yen could cause exports to grow slower than they would otherwise. In addition, if global energy prices rise, higher expenditures on energy imports could place a significant drag on Japan’s economy as it seeks to replace nuclear power as an important source of electricity.

China’s economy is growing slightly slower than the elevated levels experienced at the onset of the recovery from the global financial and economic crisis. China, too, managed its stimulus through its financial system, and fears are rising concerning nonperforming loans (NPLs). The Chinese Government argues that NPLs will not disrupt its future growth because sufficient reserves have been set aside for this prospective eventuality. Nevertheless, many China watchers continue to point to China’s financial system as a potential weak point.

At the end of the 2011 summer, India was beginning to receive clear evidence concerning a slowing economy in response to its central bank’s efforts to slow inflation by raising interest rates. The fear is that the Reserve Bank of India will overshoot and cause the economy to go into a tailspin. Very slow growth or a downturn, combined with the recent and general concerns about corruption in India, represent a cocktail for which an antidote may prove difficult to identify. That is, economic lethargy and discontent over systemic corruption could make it difficult for the Government of India to engineer an economic reacceleration.

As for most of the remaining AOR economies, higher than target inflation persists. Therefore, central banks will find themselves on the edge trying to determine whether to stand pat with elevated interest rates, to increase interest rates further, or to begin cutting interest rates in order to engineer a soft landing and to produce continued growth.

Finally, a concern for selected AOR economies is that, in response to the financial contagion now ongoing mainly in Europe, international lenders do not withdraw their capital to cover short positions or to fill financial gaps back home. AOR economies that have significant exposure to international lenders may experience financial capital shortages if the financial contagion spreads. The latter outcome could produce macro-instability and hamper economic growth substantially.

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

**Key:**

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

## Australia



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	21.3	21.7	22.0	22.2
2	Population growth rate (% change)	1.9%	2.2%	1.0%	1.2%
3	U.S. dollar per currency unit	0.8391	0.8537	0.7927	0.9200
4	Nominal GDP (\$ billions)	953.7	1,061.0	988.6	1,237.4
5	Nominal GDP per capita (\$)	44,848	48,828	44,999	55,590
6	Real GDP growth rate (% change)	4.6%	2.6%	1.4%	2.7%
7	Purchasing Power Parity GDP (International \$ billions)	793.6	831.9	850.6	882.4
8	Consumer price index (CPI) (% change)	2.3%	4.4%	1.8%	2.8%
9	Trade surplus (deficit) (\$ billions)	(24.2)	(13.3)	(11.6)	10.7
10	Merchandise exports (\$ billions)	141.1	187.0	153.9	212.4
11	Merchandise imports (\$ billions)	165.3	200.3	165.5	201.6
12	Foreign exchange reserves (\$ billions)	26.9	32.9	41.7	42.3
13	Central government surplus (deficit)-to-GDP ratio (percentage)	1.3	(0.8)	(4.1)	(4.9)
14	Central government gross debt-to-GDP ratio (percentage)	9.6	11.7	16.9	20.5
15	Net foreign direct investment (\$ billions)	28.6	13.2	9.6	6.0
16	Unemployment rate	4.4	4.3	5.6	5.2
17	Percent of labor force in agricultural industries (percentage)	3.6	3.6	3.6	3.6
18	Lending interest rate	8.2	8.9	6.0	7.3
19	Defense spending (2009 \$ billions)	17.0	17.6	19.0	19.8

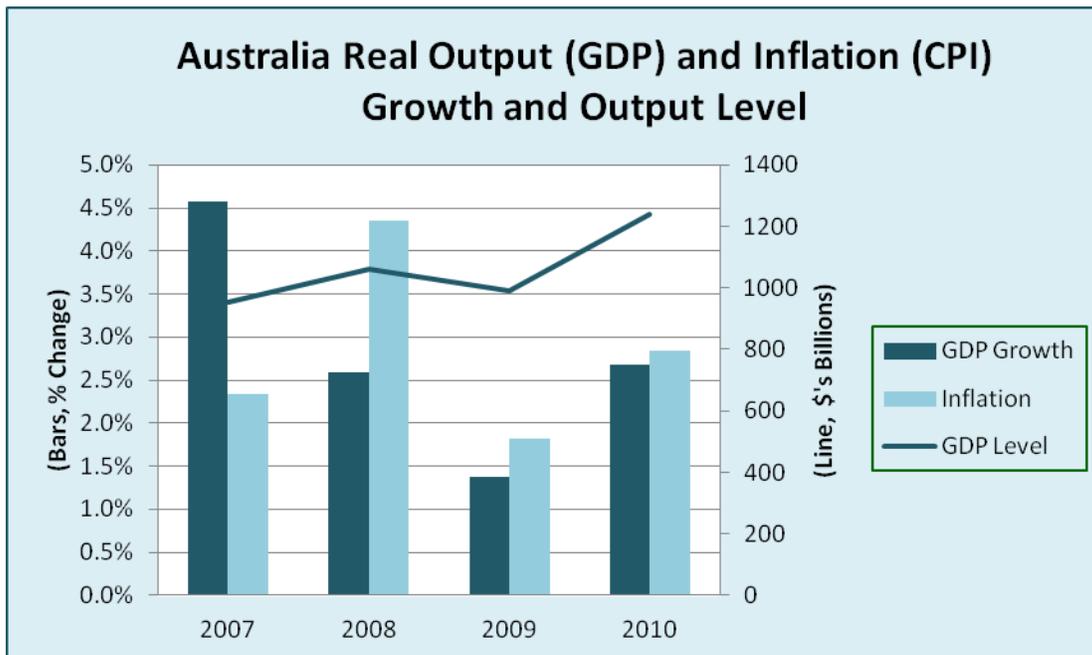
## Analytical Update

For 2011, the *WEO* predicts that Australia's real GDP will decelerate to 1.8% growth from 2.7% growth in 2010. Inflation is expected to rise to 3.5% in 2011 from 2.8% in 2010. Australia's current account balance is expected to improve from a deficit of 2.7% of GDP in 2010 to a deficit that is just 2.2% of GDP. The unemployment rate is expected to drop to 5.0% from 5.2% in 2010. Notably, Australia's economy was affected adversely by dramatic flooding in the wake of Cyclone Yasi in the Queensland northern coastal region in February 2011.

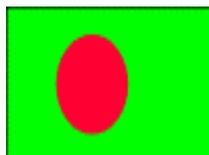
## Economic Outlook

For 2012, Australia's economy is expected to improve in most major categories. Real GDP growth is expected to rise to 3.3%; inflation is expected to slow to 3.3%; and unemployment is expected to drop to 4.8%. One downside for 2012 is likely to be an increasing trade deficit, which is expected to rise to 4.7% of GDP.

Much of the positive developments that are expected in Australia's 2012 economy are attributable to the nation's increasing exports of raw materials, and to the rebuilding associated with repairing the damage caused by the aforementioned floods.



## Bangladesh



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	157.8	160.0	162.2	164.4
2	Population growth rate (% change)	1.5%	1.4%	1.4%	1.4%
3	U.S. dollar exchange rate	69.89	68.55	69.04	70.59
4	Nominal GDP (\$ billions)	74.0	84.5	94.9	105.6
5	Nominal GDP per capita (\$)	469	528	585	642
6	Real GDP growth rate (% change)	6.3%	6.0%	5.9%	6.4%
7	Purchasing Power Parity GDP (International \$ billions)	208.9	226.2	242.1	260.5
8	Consumer price index (CPI) (% change)	9.1%	8.9%	5.4%	8.1%
9	Trade surplus (deficit) (\$ billions)	(7.0)	(10.7)	(8.2)	(11.9)
10	Merchandise exports (\$ billions)	10.2	11.8	12.4	14.2
11	Merchandise imports (\$ billions)	17.3	22.5	20.6	26.1
12	Foreign exchange reserves (\$ billions)	5.3	5.8	10.3	11.2
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(2.6)	(4.6)	(3.7)	(3.1)
14	Central government gross debt-to-GDP ratio (percentage)				
15	Net foreign direct investment (\$ billions)	0.6	1.1	0.7	0.9
16	Unemployment rate				
17	Percent of labor force in agricultural industries (percentage)	45.0	45.0	45.0	45.0
18	Lending interest rate	16.0	16.4	14.6	13.0
19	Defense spending (2009 \$ billions)	0.9	0.9	1.0	1.1

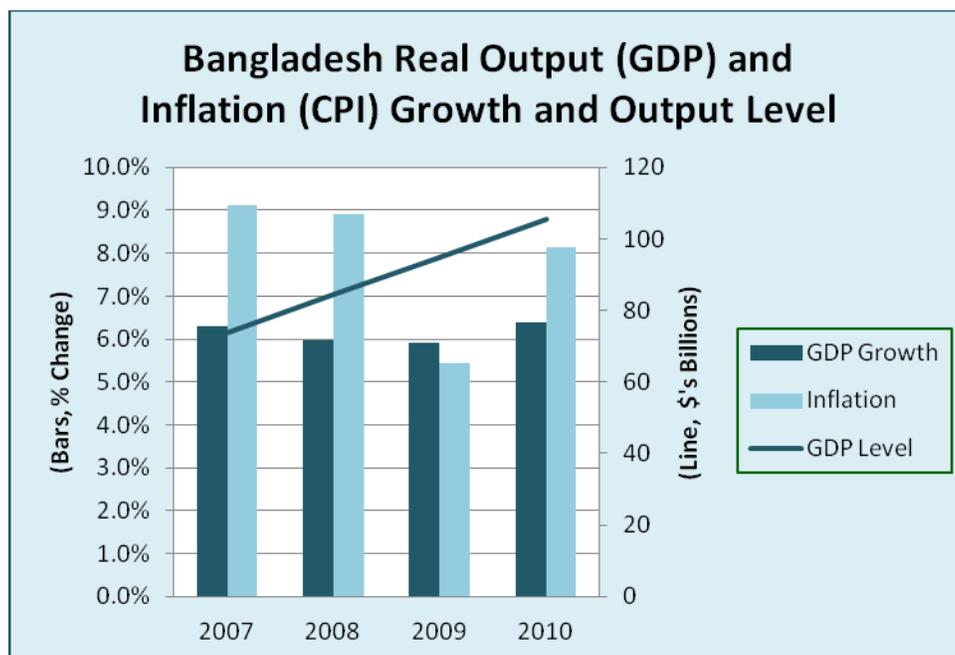
## Analytical Update

Bangladesh's economy continues to maintain a moderately high growth pace relative to its South Asian neighbors. For 2011, real GDP is expected to be essentially unchanged from 2010 at 6.3%. However, inflation is expected to rise to the double-digit level (10.1) in 2011 from 8.1% in 2010. The flattening of economic growth and the rise of inflation may cool the deteriorating trend in the nation's expanding trade deficit. At the moment, Bangladesh continues to benefit from improved political stability and from the migration of manufacturing operations (mainly textile) that seek lower cost production.

## Economic Outlook

Consistent with Asia's efforts to cool inflation, Bangladesh is expected to see its inflation decelerate to just 7.4% during 2012. However, efforts to slow price increases will cause a slowing in real GDP growth to 6.1%. It is unclear whether this turn of events will produce an improvement or deterioration in Bangladesh's trade deficit. Unemployment is expected to rise slightly.

Bangladesh's economy suffers from significant energy shortages; however, the Government of Bangladesh is working closely with India (one of the nation's major donors) to construct power plants that will help address this problem. Amelioration of power shortages and continued political stability should help keep Bangladesh on a solid economic development path. In addition, the building of a bridge across the Padma River that will connect the north central and southwestern portions of the country should help spur economic growth.



## China



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	1,321.3	1,328.0	1,334.7	1,341.4
2	Population growth rate (% change)	0.5%	0.5%	0.5%	0.5%
3	U.S. dollar exchange rate	7.6058	6.9477	6.8307	6.7696
4	Nominal GDP (\$ billions)	3,494.2	4,520.0	4,990.5	5,878.3
5	Nominal GDP per capita (\$)	2,645	3,404	3,739	4,382
6	Real GDP growth rate (% change)	14.2%	9.6%	9.2%	10.3%
7	Purchasing Power Parity GDP (International \$ billions)	7,333.8	8,216.0	9,068.2	10,119.9
8	Consumer price index (CPI) (% change)	4.8%	5.9%	-0.7%	3.3%
9	Trade surplus (deficit) (\$ billions)	261.6	297.0	197.6	182.1
10	Merchandise exports (\$ billions)	1217.8	1428.7	1201.8	1578.3
11	Merchandise imports (\$ billions)	956.2	1131.6	1004.2	1396.2
12	Foreign exchange reserves (\$ billions)	1,534.4	1,953.3	2,425.9	2,876.0
13	Central government surplus (deficit)-to-GDP ratio (percentage)	0.9	(0.4)	(3.1)	(2.3)
14	Central government gross debt-to-GDP ratio (percentage)	19.6	17.0	17.7	33.8
15	Net foreign direct investment (\$ billions)	61.1	56.2	38.5	37.7
16	Unemployment rate	4	4.2	4.3	4.1
17	Percent of labor force in agricultural industries (percentage)	43.0	38.1	38.1	38.1
18	Lending interest rate	7.5	5.3	5.3	5.8
19	Defense spending (2009 \$ billions)	84.1	92.7	110.1	114.3

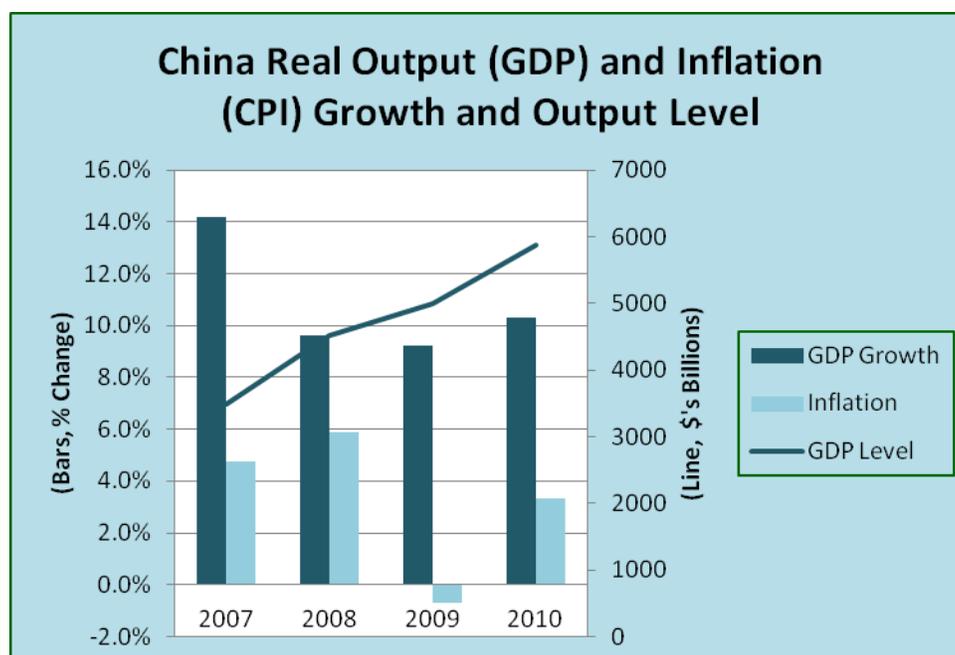
## Analytical Update

Despite the battle to fight higher-than-target inflation, an effort that typically slows growth, China's economy continues to grow quite briskly. For 2011, China's real GDP growth is expected to remain near the double-digit level at 9.5%. Inflation is expected to average 5.5%, compared with 3.3% in 2010. The current account is expected to be essentially unchanged; a surplus that is 5.2% of GDP. China's urban unemployment rate is expected to fall slightly to 4.0% from 4.1% in 2010. However, as we go into the final quarter of 2011, there is evidence that China's domestic economy and the global economy are slowing. China's Purchasing Managers' Index (PMI), which signals

expansion or contraction in the manufacturing sector, has come in below 50 for two consecutive months (August and September of 2011). A reading below 50 signals contraction in the manufacturing sector. In addition, employers in China's southeastern provinces, the heart of the nation's manufacturing sector, are reporting improved hiring conditions; i.e., new hires are available and there is less wage pressure.

## Economic Outlook

For 2012, we expect to see further slowing in China in response to a slowing global economy. Real GDP growth is expected to fall to 9.0%. Inflation is expected to fall back to the 2010 level, 3.3%. The urban unemployment picture is expected to remain unchanged at 4.0%, as workers will be absorbed and productivity is likely to decline. Surprisingly, the *WEO* projects a significant improvement in China's current account to a surplus that is 5.6% of GDP. The *WEO* does not make clear the component of the current account that is expected to improve—although it is not expected that China's merchandise trade surplus will increase so significantly under prevailing world economic conditions.



## Hong Kong



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	7.0	7.0	7.1	7.1
2	Population growth rate (% change)	0.6%	0.8%	0.8%	0.8%
3	U.S. dollar exchange rate	7.802	7.786	7.751	7.769
4	Nominal GDP (\$ billions)	207.1	215.4	209.3	224.5
5	Nominal GDP per capita (\$)	29,784	30,727	29,623	31,516
6	Real GDP growth rate (% change)	6.4%	2.3%	-2.7%	7.0%
7	Purchasing Power Parity GDP (International \$ billions)	294.0	307.5	302.4	327.2
8	Consumer price index (CPI) (% change)	2.0%	4.3%	0.6%	2.3%
9	Trade surplus (deficit) (\$ billions)	(23.1)	(25.8)	(28.8)	(43.0)
10	Merchandise exports (\$ billions)	344.5	362.7	318.5	390.2
11	Merchandise imports (\$ billions)	367.6	388.5	347.3	433.2
12	Foreign exchange reserves (\$ billions)	152.7	182.5	255.8	268.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	8.2	0.1	1.6	4.5
14	Central government gross debt-to-GDP ratio (percentage)	32.8	30.6	33.2	34.6
15	Net foreign direct investment (\$ billions)	-6.7	9.0	-11.6	-7.2
16	Unemployment rate	4.0	3.5	5.2	4.3
17	Percent of labor force in agricultural industries (percentage)				
18	Lending interest rate	7.6	5.3	5.0	5.0
19	Defense spending (2009 \$ billions)				

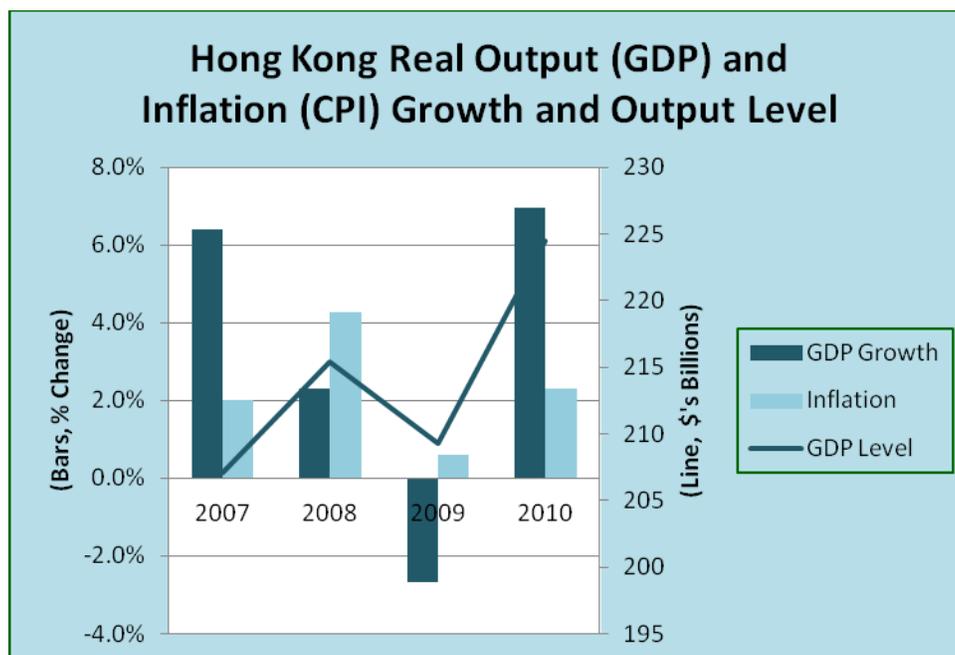
## Analytical Update

Tied to China's back, Hong Kong's economic picture reflects expected conditions in China. Real GDP growth is expected to slow in 2011 to 6.0% from 7.0% in 2010. Inflation is expected to rise to a level identical to China's, 5.5%. However, deterioration is expected in Hong Kong's current account surplus to 5.4% of GDP from 6.2%. The semi-autonomous region's unemployment rate is expected to drop to 3.6% from 4.3% in 2010.

## Economic Outlook

Similarly, Hong Kong's 2012 economic outcomes are expected to be reflective of China's. Real GDP growth is expected to fall further to 4.3%. Inflation is expected to cool to 4.5%. The region's current account surplus is expected to remain essentially unchanged; a surplus that is 5.5% of GDP. Hong Kong's unemployment rate is expected to rise slightly to 3.7% in 2012.

As in China, air is being let out of the real estate market bubble in Hong Kong where the sales prices of housing units and land rose to record levels during 2011. Much of Hong Kong's economic success is linked to China's increasing use of the territory to experiment with internationalizing the former's currency; i.e., conducting trade and financial market transactions that are denominated in yuan. Hong Kong continues to establish itself as a key financial center for China future international economic development.



## India



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	1,142.0	1,158.0	1,174.0	1,190.5
2	Population growth rate (% change)	1.4%	1.4%	1.4%	1.4%
3	U.S. dollar exchange rate	41.18	43.39	48.33	45.65
4	Nominal GDP (\$ billions)	1,152.8	1,251.4	1,264.9	1,632.0
5	Nominal GDP per capita (\$)	1,009	1,081	1,077	1,371
6	Real GDP growth rate (% change)	10.0%	6.2%	6.8%	10.1%
7	Purchasing Power Parity GDP (International \$ billions)	3,111.3	3,377.1	3,643.8	4,057.8
8	Consumer price index (CPI) (% change)	6.4%	8.3%	10.9%	12.0%
9	Trade surplus (deficit) (\$ billions)	(78.7)	(126.3)	(92.3)	(107.0)
10	Merchandise exports (\$ billions)	150.0	194.5	164.9	221.4
11	Merchandise imports (\$ billions)	228.7	320.8	257.2	328.4
12	Foreign exchange reserves (\$ billions)	273.9	254.0	274.7	287.1
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(4.0)	(7.0)	(9.1)	(8.4)
14	Central government gross debt-to-GDP ratio (percentage)	72.7	73.1	69.4	64.1
15	Net foreign direct investment (\$ billions)	8.1	23.1	19.7	10.0
16	Unemployment rate				
17	Percent of labor force in agricultural industries (percentage)	60.0	60.0	52.0	52.0
18	Lending interest rate	13.1	13.3	12.2	10.2
19	Defense spending (2009 \$ billions)	28.8	32.1	35.8	34.8

## Analytical Update

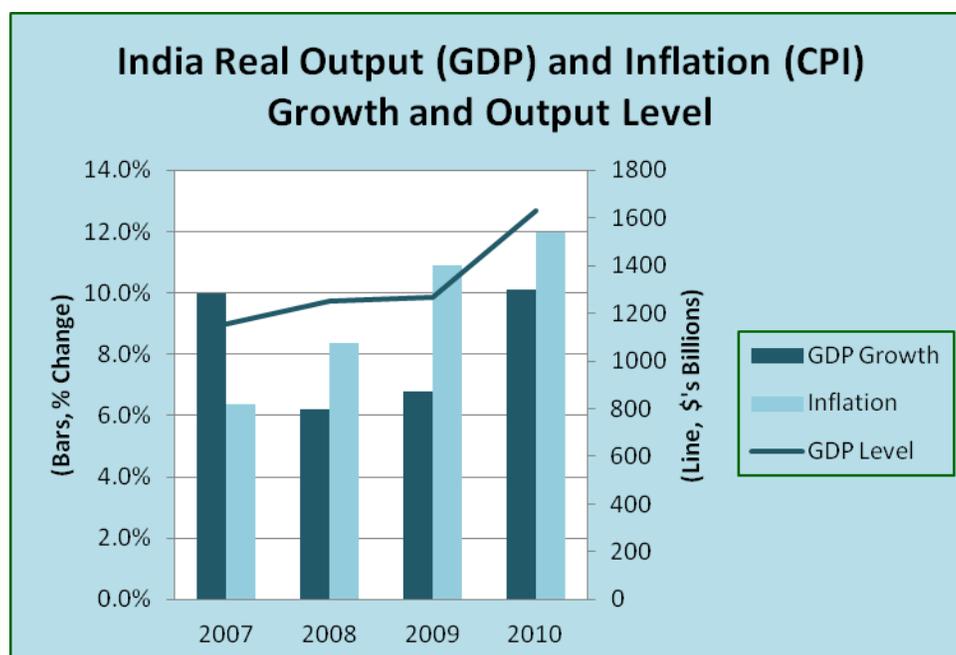
Of the large Asian economies, India has experienced the largest inflation challenge. After 12 Reserve Bank of India (RBI) interest rate raising actions since March of 2010 to slow inflation, it remains stubbornly high. However, like China's, India's industrial output is beginning to turn slightly southward. Nevertheless, India's 2011 economy is expected to end up with real GDP growth at 7.8% after reaching the double-digit level in 2010. Inflation is expected to average 10.6%, after rising to 12.0% in 2010. Finally, India's current account deficit is expected to improve to being 2.2% of GDP; the deficit was 2.6% of GDP in 2010.

## Economic Outlook

The RBI's staunch efforts to control inflation have established all important credibility, which should stand it in good stead during future inflation battles. The RBI is receiving increasing pressure from politicians and entrepreneurs alike to reverse its policy stance and to begin to reduce interest rates in order to spur growth. To date, the RBI has stood pat with its inflation fighting policies.

Accordingly, the *WEO* produced the following forecasts for India's 2012. Real GDP growth is expected to fall further to 7.5%. Inflation is expected to succumb and average 8.6%. The current account deficit is expected to hold steady at the 2011 level (2.2% of GDP).

Once inflation is under control, India still faces the task of improving its physical infrastructure in order to facilitate fast-paced growth. In this regard, see our analysis of India's infrastructure in Volume 3 of the 2011 *APEU* entitled, "Indian Infrastructure: An Important Factor in Faster Growth."



## Indonesia



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	225.6	228.5	231.4	237.6
2	Population growth rate (% change)	1.3%	1.3%	1.2%	2.7%
3	U.S. dollar exchange rate	9,143	9,699	10,390	9,170
4	Nominal GDP (\$ billions)	432.2	511.2	538.5	706.8
5	Nominal GDP per capita (\$)	1,916	2,237	2,327	2,974
6	Real GDP growth rate (% change)	6.3%	6.0%	4.6%	8.1%
7	Purchasing Power Parity GDP (International \$ billions)	840.4	910.7	962.4	1,033.0
8	Consumer price index (CPI) (% change)	6.0%	9.8%	4.8%	5.1%
9	Trade surplus (deficit) (\$ billions)	24.9	12.2	25.8	25.7
10	Merchandise exports (\$ billions)	118.0	139.6	119.6	157.8
11	Merchandise imports (\$ billions)	93.1	127.5	93.8	132.1
12	Foreign exchange reserves (\$ billions)	56.9	51.6	66.1	96.2
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(1.0)	(0.0)	(1.8)	(1.2)
14	Central government gross debt-to-GDP ratio (percentage)	36.9	33.2	28.6	27.4
15	Net foreign direct investment (\$ billions)	2.3	3.4	2.6	10.6
16	Unemployment rate	9.1	8.4	7.9	7.1
17	Percent of labor force in agricultural industries (percentage)	43.0	43.0	42.1	38.3
18	Lending interest rate	13.9	13.6	14.5	13.3
19	Defense spending (2009 \$ billions)	5.3	4.9	4.7	6.0

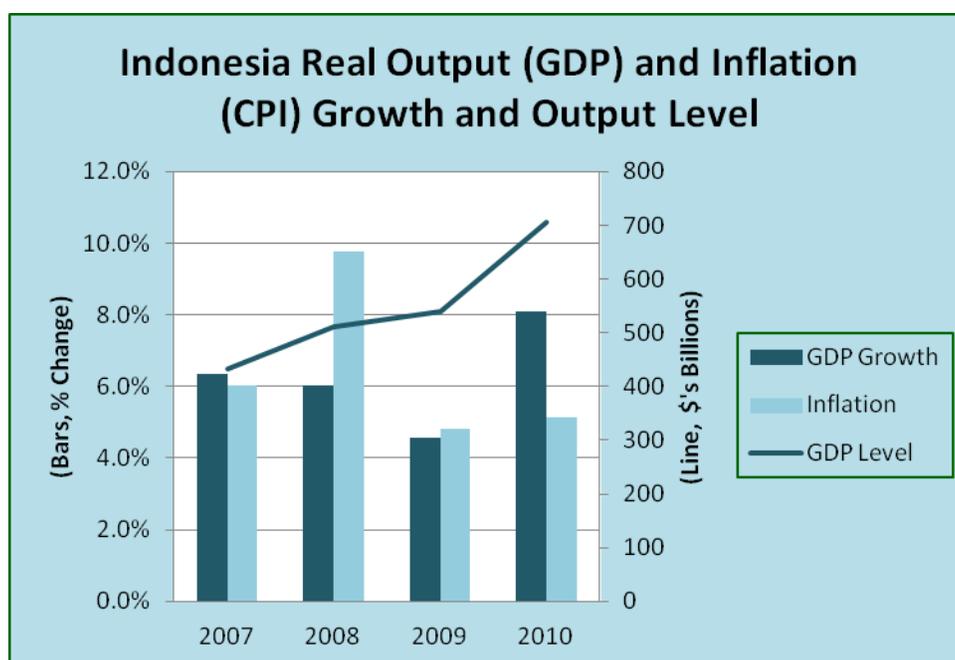
## Analytical Update

Quietly, Indonesia continues to impress investors as a favorable investment destination. The nation's economic outcomes for 2011 are expected to continue to impress. Real GDP growth is expected to increase to 6.4% from 6.1% in 2010. Inflation is expected to average 5.7%, compared with 5.1%. The current account surplus is expected to deteriorate slightly to become 0.2% of GDP. Finally, the unemployment rate is expected to fall to 6.8% in 2011 from 7.1% in 2010.

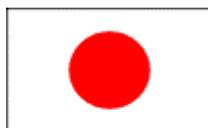
## Economic Outlook

Indonesia's economic outlook continues to look favorable for 2012. In the face of a slowing regional and global economy, real GDP growth is expected to increase slightly slower than in 2011 at 6.3%. Inflation is expected to accelerate to 6.5%. The current account is forecasted to flip to a deficit that is 0.4% of GDP. However, the unemployment rate is expected to drop slightly to 6.6%.

Indonesia's economic success builds on seeming political stability, a relatively firm market for raw materials, and an increasing inflow of foreign direct investment (FDI). Nevertheless, during 2011, Indonesia experienced civil unrest in various regions of the country—mainly due to religious differences and to groups seeking independent status.



## Japan



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	127.8	127.7	127.6	127.6
2	Population growth rate (% change)	0.0%	-0.1%	-0.1%	0.0%
3	U.S. dollar exchange rate	117.76	103.39	93.68	87.78
4	Nominal GDP (\$ billions)	4,378.0	4,879.8	5,033.0	5,458.8
5	Nominal GDP per capita (\$)	34,268	38,216	39,459	42,783
6	Real GDP growth rate (% change)	2.4%	-1.2%	-6.3%	4.0%
7	Purchasing Power Parity GDP (International \$ billions)	4,297.1	4,341.2	4,111.4	4,323.5
8	Consumer price index (CPI) (% change)	0.0%	1.4%	-1.4%	-0.7%
9	Trade surplus (deficit) (\$ billions)	94.5	19.4	30.2	77.4
10	Merchandise exports (\$ billions)	714.2	782.0	580.7	769.8
11	Merchandise imports (\$ billions)	619.7	762.6	550.5	692.4
12	Foreign exchange reserves (\$ billions)	954.0	1,011.0	1,024.0	1,063.0
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(2.4)	(4.2)	(10.3)	(9.2)
14	Central government gross debt-to-GDP ratio (percentage)	187.7	195.0	216.3	220.0
15	Net foreign direct investment (\$ billions)	-51.0	-103.6	-62.8	-57.5
16	Unemployment rate	3.8	4.0	5.1	5.1
17	Percent of labor force in agricultural industries (percentage)	4.6	4.6	4.0	3.9
18	Lending interest rate	0.7	0.9	0.4	0.2
19	Defense spending (2009 \$ billions)	50.9	50.2	51.0	51.4

## Analytical Update

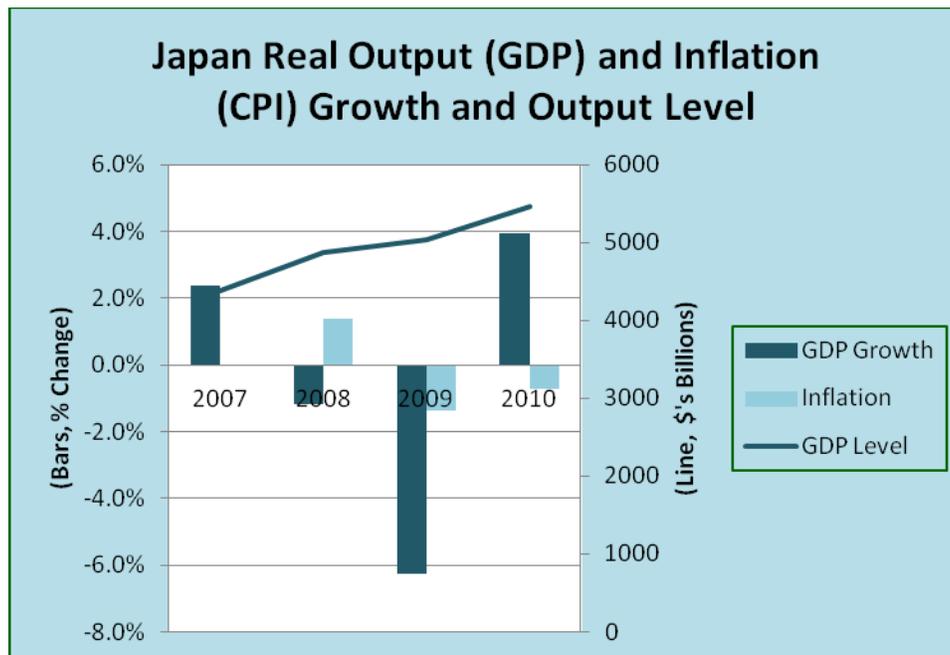
On March 11, 2011, Japan experienced the most destructive earthquake and tsunami on record. The damage caused by these events was valued at over \$300 billion. Production in the automotive, chemical, computer chip, and other industries was slowed or halted because the damage affected dramatically production in the earthquake and tsunami stricken areas. Importantly, a key nuclear power facility (the Fukushima Daiichi Power Plant) was damaged severely, which caused the release of radiation to surrounding areas that had to be evacuated. A cold shutdown of the plant, although expected by the end of 2011, has not been achieved to date. Moreover, the trouble at the Fukushima Daiichi Plant has created an upsurge in opposition to nuclear power.

Leading up to the earthquake and tsunami, Japan had plans to expand its use of nuclear power as a source of electricity from about 30% to 50% over the next 20 years. In addition, in September of 2011, Japan experienced severe damage from Typhoon Roke. These events have affected significantly Japan's economic outcomes for 2011.

Real GDP growth is expected to decline 0.5% during 2011, compared with 4.0% growth in 2010. Deflation is expected to improve slightly to a 0.4% decline in prices, from a 0.7% decline in 2010. Japan's current account surplus is expected to deteriorate slightly to become 2.5% of GDP from 3.6% of GDP in 2010. Favorably, Japan's unemployment rate is expected to fall to 4.9% from 5.1%.

### Economic Outlook

For 2012, the growth that results from Japan's rebuilding effort and the return of the aforementioned industries to full capacity production is expected to be offset somewhat by slowing global economic conditions. Japan's real GDP growth is expected to rise to 2.3%. Deflation is expected to continue at a 0.5% rate. The current account surplus is expected to improve slightly to reach 2.8% of GDP. Finally, Japan's unemployment rate is expected to drop to 4.8%.



## Malaysia



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	27.2	27.5	27.9	28.3
2	Population growth rate (% change)	1.3%	1.3%	1.3%	1.3%
3	U.S. dollar exchange rate	3.435	3.329	3.523	3.218
4	Nominal GDP (\$ billions)	187.0	222.7	193.0	238.0
5	Nominal GDP per capita (\$)	6,879	8,088	6,920	8,423
6	Real GDP growth rate (% change)	6.5%	4.8%	-1.6%	7.2%
7	Purchasing Power Parity GDP (International \$ billions)	360.7	386.5	384.2	416.5
8	Consumer price index (CPI) (% change)	2.0%	5.4%	0.6%	1.7%
9	Trade surplus (deficit) (\$ billions)	29.3	45.3	33.8	34.1
10	Merchandise exports (\$ billions)	176.0	209.7	157.5	198.8
11	Merchandise imports (\$ billions)	146.8	164.4	123.7	164.7
12	Foreign exchange reserves (\$ billions)	101.3	91.5	96.7	106.5
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(2.6)	(3.6)	(5.9)	(5.1)
14	Central government gross debt-to-GDP ratio (percentage)	42.7	42.8	55.4	54.2
15	Net foreign direct investment (\$ billions)	-2.7	-7.8	-6.5	-4.2
16	Unemployment rate	3.2	3.3	3.6	3.3
17	Percent of labor force in agricultural industries (percentage)	13.0	13.0	13.0	13.0
18	Lending interest rate	6.3	5.9	4.8	5.1
19	Defense spending (2009 \$ billions)	4.1	4.2	3.9	3.3

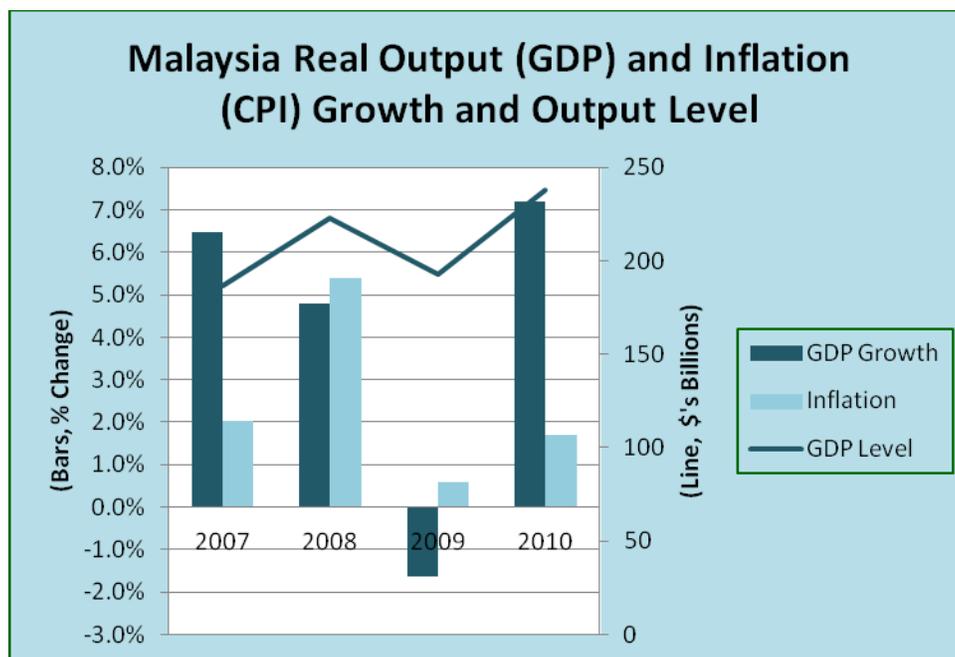
## Analytical Update

Overall, Malaysia's economy is expected to reflect slight weakness in 2011 when compared with its 2010 performance. Real GDP growth is expected to fall to 5.2% from 7.2%. Inflation is expected to rise to 3.2% compared with 1.7% in 2010. The nation's current account surplus is expected to deteriorate slightly to become 11.3% of GDP, compared with a surplus that was 11.5% of GDP in 2010. However, the unemployment rate is expected to fall slightly to 3.2% from 3.3% in 2010.

## Economic Outlook

Economic conditions are expected to maintain pace in Malaysia for 2012. Real GDP growth is expected to increase 5.1%. Inflation is expected to increase just 2.5%. The current account surplus is expected to deteriorate slightly to 10.8% of GDP. Again, however, the unemployment rate is expected to improve to 3.1%.

Malaysia's economy continues to evolve under a new Five Year Plan that was initiated by Prime Minister Najib Razak during the summer of 2010. In addition, Malaysia is benefitting as the member of the Association of Southeast Asian Nations (ASEAN) that exports most to China.



## New Zealand



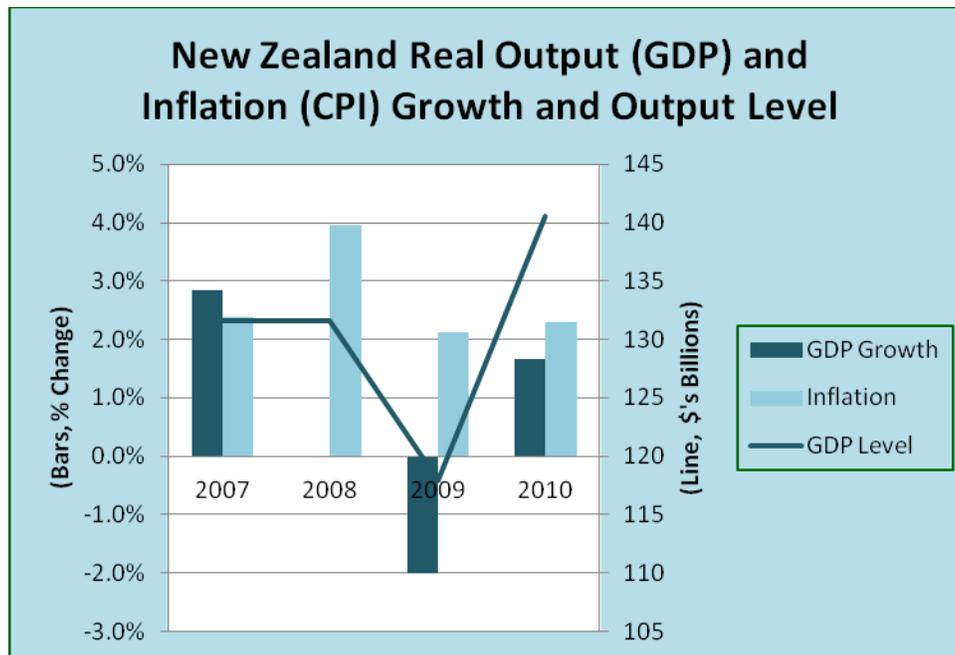
	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	4.2	4.3	4.3	4.4
2	Population growth rate (% change)	1.0%	0.9%	1.1%	1.1%
3	U.S. dollar per currency unit	0.7365	0.7151	0.6358	0.7216
4	Nominal GDP (\$ billions)	131.6	131.6	117.9	140.5
5	Nominal GDP per capita (\$)	31,062	30,777	27,295	32,160
6	Real GDP growth rate (% change)	2.8%	0.0%	-2.0%	1.7%
7	Purchasing Power Parity GDP (International \$ billions)	114.0	116.4	115.3	118.5
8	Consumer price index (CPI) (% change)	2.4%	4.0%	2.1%	2.3%
9	Trade surplus (deficit) (\$ billions)	(3.4)	(3.1)	(0.4)	0.8
10	Merchandise exports (\$ billions)	28.1	30.9	24.9	31.4
11	Merchandise imports (\$ billions)	31.5	34.0	25.3	30.6
12	Foreign exchange reserves (\$ billions)	17.2	11.1	15.6	16.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	2.9	0.6	(3.0)	(5.8)
14	Central government gross debt-to-GDP ratio (percentage)	17.4	20.3	26.1	32.0
15	Net foreign direct investment (\$ billions)	-0.6	4.1	-1.0	0.0
16	Unemployment rate	3.7	4.2	6.2	6.5
17	Percent of labor force in agricultural industries (percentage)	7.0	7.0	7.0	7.0
18	Lending interest rate	11.7	12.2	10.4	10.1
19	Defense spending (2009 \$ billions)	1.2	1.3	1.3	1.4

## Analytical Update

Like Japan, New Zealand experienced earthquake damage in 2011. In fact, Christ Church was the scene of two earth quakes spanning the six months to February of 2011. The earthquake damage was valued at \$10-to-\$15 billion, and the recovery is expected to boost economic growth over the next 10 years. Some of that boost in growth is expected to occur in 2011. Real GDP growth is expected to increase 2.0% from 1.7% in 2010. Inflation is expected to rise to 4.4% compared with 2.3% in 2010. The current account deficit is expected to improve to 3.9% of GDP, compared with a deficit that was 4.1% of GDP in 2010. The unemployment rate is expected to drop slightly to 6.4% from 6.5% in 2010.

## Economic Outlook

Recovery from the earthquakes is expected to shift into high gear during 2012. Real GDP growth is expected to increase at a 3.8% rate. Inflation is expected to decline to just 2.7%. The current account deficit is expected to deteriorate to 5.6% of GDP—no doubt reflecting the importation of inputs for the rebuilding effort. The unemployment rate is expected to fall almost a full percentage point to 5.6%.



## Philippines



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	88.7	90.5	92.2	94.0
2	Population growth rate (% change)	2.0%	2.0%	2.0%	1.9%
3	U.S. dollar exchange rate	46.15	44.44	47.68	45.11
4	Nominal GDP (\$ billions)	149.4	173.6	168.5	199.6
5	Nominal GDP per capita (\$)	1,684	1,919	1,827	2,123
6	Real GDP growth rate (% change)	6.6%	4.2%	1.1%	7.6%
7	Purchasing Power Parity GDP (International \$ billions)	311.1	331.2	338.5	368.5
8	Consumer price index (CPI) (% change)	2.8%	9.3%	3.2%	3.8%
9	Trade surplus (deficit) (\$ billions)	(7.4)	(11.3)	(7.4)	(6.8)
10	Merchandise exports (\$ billions)	50.3	49.2	38.3	51.4
11	Merchandise imports (\$ billions)	57.7	60.5	45.7	58.2
12	Foreign exchange reserves (\$ billions)	33.8	37.6	44.2	62.4
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(1.5)	(1.2)	(3.7)	(3.5)
14	Central government gross debt-to-GDP ratio (percentage)	46.1	46.7	47.1	44.7
15	Net foreign direct investment (\$ billions)	-0.6	1.3	1.6	1.2
16	Unemployment rate	7.3	7.4	7.5	7.2
17	Percent of labor force in agricultural industries (percentage)	36.0	35.0	34.0	33.0
18	Lending interest rate	3.4	5.2	4.2	3.5
19	Defense spending (2009 \$ billions)	1.5	1.3	1.3	1.5

## Analytical Update

Following the March 11, 2011 earthquake and tsunami in Japan, the Philippines appeared to be positioned to benefit because of its trading relationship with Japan.<sup>2</sup> However, it is not transparent that the Philippines-Japan trading relationship has produced significant benefits for the Philippines. For 2011, the Philippines' real GDP growth is expected to increase 4.7%, down from 7.6% growth during 2010. Inflation is

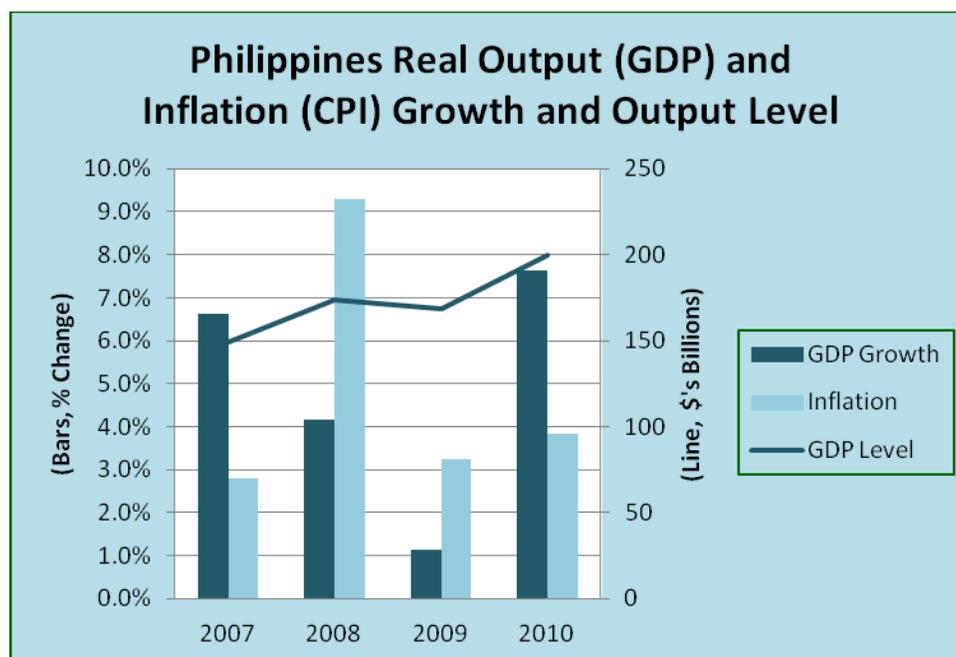
<sup>2</sup> For 2010, Japan was the number-one two-way merchandise trading partner for the Philippines. The expectation was that Japan might increase its imports from the Philippines in response to the earthquake and tsunami.

expected to increase 4.5% during 2011, following 3.8% inflation. The Philippines' current account surplus is expected to deteriorate to 1.7% of GDP from 4.2% of GDP in 2010. The unemployment rate is expected to remain unchanged at 7.2%.

## Economic Outlook

For 2012, the Philippines' real GDP growth is expected to accelerate to 4.9%. Inflation is expected to decelerate to a 4.1% rate. The current account surplus is expected to deteriorate further, falling to 1.3% of GDP. The unemployment rate is expected to remain unchanged at 7.2% for 2012.

In addition to four key economic challenges confronted by the Philippines that we highlighted in the *APEU 2010* ((1) insufficient tax revenues, (2) corruption, (3) poverty, and (4) insufficient FDI), the Philippines also faces at least two security challenges: (1) A well-known ongoing separatist movement in the Southern Mindanao; and (2) increasing aggressiveness by China in the South China Sea over competing territorial claims. The Benigno Aquino, III Administration must manage all of these economic and security challenges effectively if the Philippines is to accelerate growth and continue on a smooth path toward increased economic development.



## Singapore



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	4.8	5.0	5.1	5.2
2	Population growth rate (% change)	5.4%	3.1%	1.8%	1.7%
3	U.S. dollar exchange rate	1.507	1.414	1.454	1.363
4	Nominal GDP (\$ billions)	177.3	189.4	183.3	222.7
5	Nominal GDP per capita (\$)	36,646	37,968	36,110	43,117
6	Real GDP growth rate (% change)	8.8%	1.5%	-0.8%	14.5%
7	Purchasing Power Parity GDP (International \$ billions)	243.1	252.2	252.9	292.8
8	Consumer price index (CPI) (% change)	2.1%	6.6%	0.6%	2.8%
9	Trade surplus (deficit) (\$ billions)	36.1	18.4	24.0	41.1
10	Merchandise exports (\$ billions)	299.3	338.2	269.8	351.9
11	Merchandise imports (\$ billions)	263.2	319.8	245.8	310.8
12	Foreign exchange reserves (\$ billions)	163.0	174.2	187.8	225.7
13	Central government surplus (deficit)-to-GDP ratio (percentage)	10.0	5.3	(0.8)	5.2
14	Central government gross debt-to-GDP ratio (percentage)	85.9	97.2	105.0	96.3
15	Net foreign direct investment (\$ billions)	4.3	8.8	-3.2	18.9
16	Unemployment rate	2.1	2.2	3.0	2.2
17	Percent of labor force in agricultural industries (percentage)				
18	Lending interest rate	5.3	5.4	5.4	5.4
19	Defense spending (2009 \$ billions)	7.2	7.3	7.7	7.7

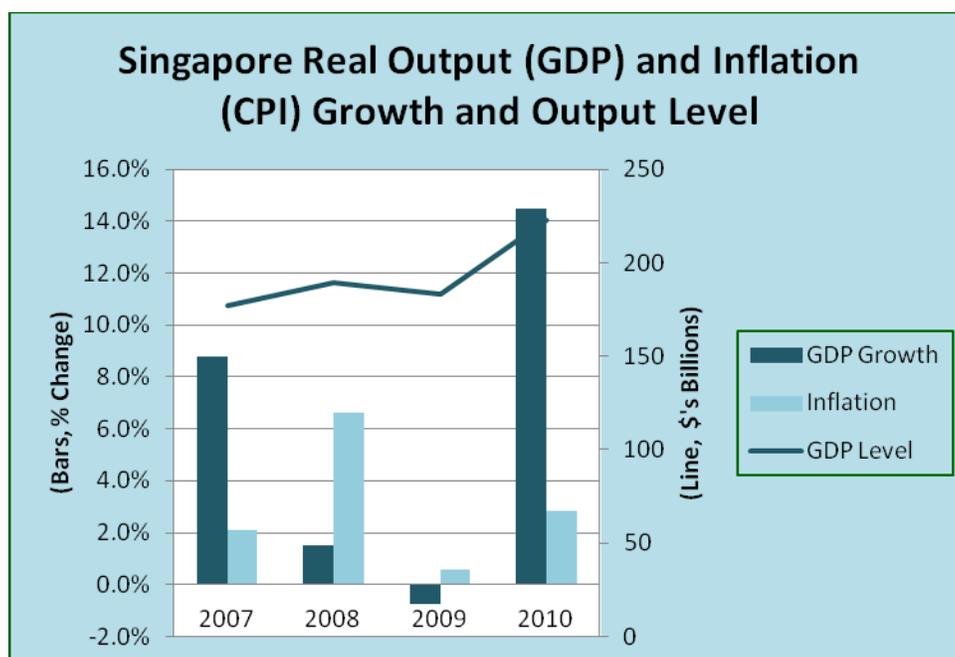
## Analytical Update

Coming into 2011, it was not expected that Singapore would be able to match its 2010 economic performance, and the evidence is that it will not. For 2011, real GDP growth is estimated at 5.3%. Inflation is expected to rise to 3.7% from 2.8% in 2010. The current account surplus is expected to deteriorate slightly to 19.8% of GDP from 22.2% of GDP. The unemployment rate is expected to rise slightly to 2.3%.

## Economic Outlook

For 2012, Singapore real GDP growth is expected to increase 4.3%. Inflation is forecasted to decelerate to 2.9%. The island nation's current account surplus is expected to deteriorate further to 18.5% of GDP. The unemployment rate is expected to hold steady at 2.3%.

Singapore's strong and favorable economic conditions have caused its currency (the Singapore dollar) to rise to record highs against the U.S. dollar during 2011. While a strong currency may slow exports, it is usually an effective tool that prevents the importation of inflation.



## South Korea



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	48.5	48.6	48.7	48.9
2	Population growth rate (% change)	0.3%	0.3%	0.3%	0.3%
3	U.S. dollar exchange rate	928.97	1098.71	1274.63	1155.74
4	Nominal GDP (\$ billions)	1,049.2	931.4	834.1	1,014.5
5	Nominal GDP per capita (\$)	21,653	19,162	17,110	20,756
6	Real GDP growth rate (% change)	5.1%	2.3%	0.3%	6.2%
7	Purchasing Power Parity GDP (International \$ billions)	1,287.9	1,346.8	1,365.3	1,466.1
8	Consumer price index (CPI) (% change)	2.5%	4.7%	2.8%	3.0%
9	Trade surplus (deficit) (\$ billions)	14.6	(13.3)	38.8	41.2
10	Merchandise exports (\$ billions)	371.5	422.0	361.6	466.4
11	Merchandise imports (\$ billions)	356.8	435.3	322.8	425.2
12	Foreign exchange reserves (\$ billions)	262.2	201.2	270.1	291.6
13	Central government surplus (deficit)-to-GDP ratio (percentage)	2.3	1.6	0.0	1.7
14	Central government gross debt-to-GDP ratio (percentage)	30.7	30.1	33.8	33.4
15	Net foreign direct investment (\$ billions)	-17.1	-11.8	-9.7	-12.4
16	Unemployment rate	3.3	3.2	3.7	3.7
17	Percent of labor force in agricultural industries (percentage)	7.2	7.2	7.2	7.3
18	Lending interest rate	6.6	7.2	5.7	5.5
19	Defense spending (2009 \$ billions)	21.7	23.1	24.4	24.3

## Analytical Update

Despite recent high-profile media stories concerning financial fraud at South Korean saving banks and corruption charges being leveled at former high-level political officials, Korea's economy is expected to continue on a solid growth path—albeit down somewhat from its 2010 performance.<sup>3</sup> For 2011, South Korea's real GDP is expected to increase 3.9%, following 6.2% growth in 2010. Inflation is expected to accelerate to 4.5% from 3.0%. The nation's current account surplus is expected to deteriorate to

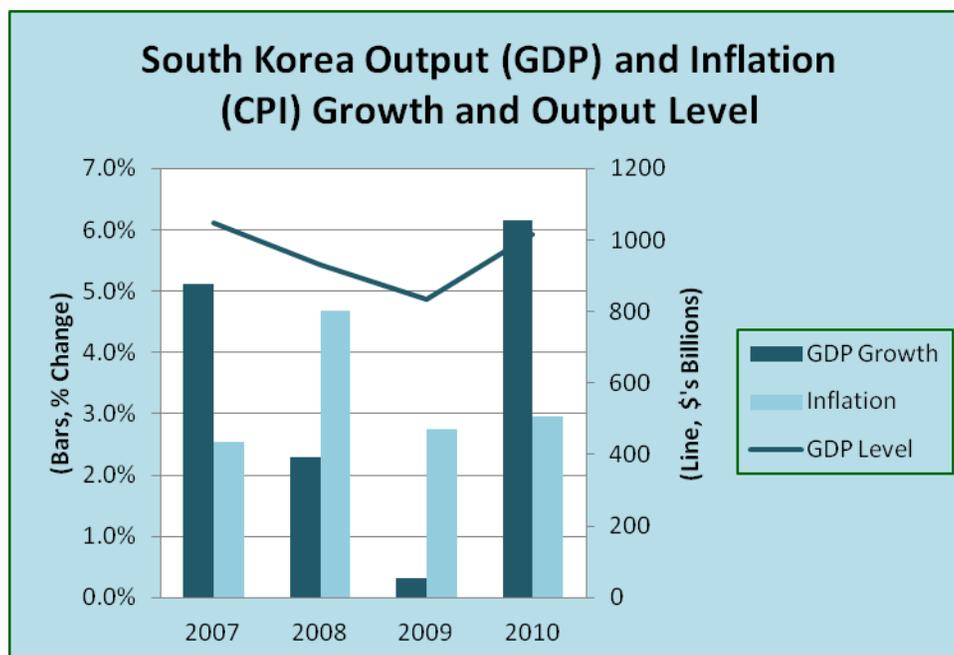
<sup>3</sup>Saving banks comprise a small portion of the South Korea's financial sector. Moreover, regulators contend that South Korean banks have sufficient reserves to address problems that might arise.

1.5% of GDP from 2.8% of GDP. The unemployment rate is expected to improve to 3.3% from 3.7%.

### Economic Outlook

For 2012, South Korea's real GDP growth is forecasted to accelerate to 4.4%. The inflation rate is expected to decelerate to 3.5%. The current account surplus is expected to remain essentially unchanged at 1.4% of GDP. The unemployment rate is estimated to hold steady at 3.3%.

Although South Korea's 2011 and 2012 economic performance appears to be favorable, a September 2011 poll of South Korean citizens indicated a preference for the opposition party's management of economic issues over current President Lee Myung-bak's party. Notably, President Lee's Administration has finalized the KORUS (Korea-U.S.) Free Trade Agreement (FTA), negotiated a new FTA with the European Union, and is in the process of negotiating an FTA with China.



## Sri Lanka



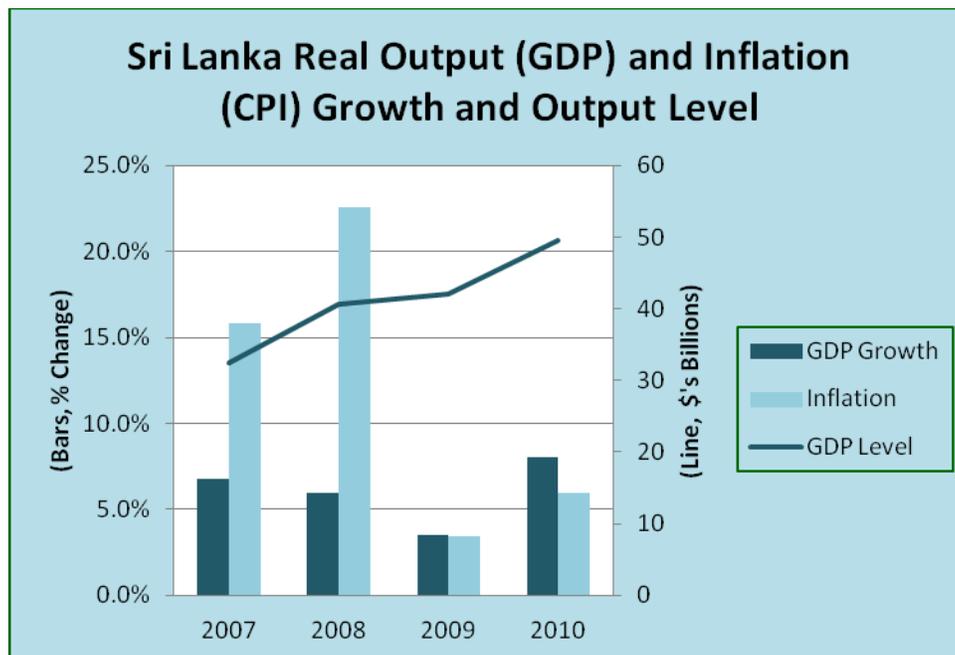
	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	19.9	20.1	20.2	20.4
2	Population growth rate (% change)	0.8%	0.8%	0.8%	0.8%
3	U.S. dollar exchange rate	110.620	108.298	114.909	112.990
4	Nominal GDP (\$ billions)	32.4	40.7	42.0	49.5
5	Nominal GDP per capita (\$)	1,624	2,027	2,077	2,428
6	Real GDP growth rate (% change)	6.8%	6.0%	3.5%	8.0%
7	Purchasing Power Parity GDP (International \$ billions)	85.2	92.3	96.5	105.5
8	Consumer price index (CPI) (% change)	15.8%	22.6%	3.4%	5.9%
9	Trade surplus (deficit) (\$ billions)	(3.6)	(5.8)	(3.0)	(5.2)
10	Merchandise exports (\$ billions)	7.7	8.1	7.1	8.3
11	Merchandise imports (\$ billions)	11.3	14.0	10.0	13.5
12	Foreign exchange reserves (\$ billions)	3.5	2.6	5.4	7.2
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(6.9)	(7.0)	(9.9)	(7.9)
14	Central government gross debt-to-GDP ratio (percentage)				
15	Net foreign direct investment (\$ billions)	0.5	0.7	0.4	0.4
16	Unemployment rate	6.2	6.0	5.9	4.9
17	Percent of labor force in agricultural industries (percentage)	34.3	32.7	32.7	32.7
18	Lending interest rate	17.1	18.9	15.7	10.2
19	Defense spending (2009 \$ billions)	1.3	1.5	1.5	1.3

### Analytical Update

Using aid and international investment flows (particularly from China and India), Sri Lanka continues to produce favorable economic outcomes. For 2011, real GDP growth is expected to increase 7.0%, following 8.0% growth in 2010. However, Sri Lanka's inflation is expected to accelerate to 8.4% following 5.9% inflation during 2010. The nation continues its recovery from a three-decade-long Civil War. Sri Lanka appears to be benefitting from the strong and extended leadership of President Mahinda Rajapaksa.

## Economic Outlook

For 2012, Sri Lanka's relatively small island economy is likely to feel the pinch of a slowing global economy. Real GDP growth is forecast to decelerate to 6.5%. Inflation is also expected to decelerate to 6.6%--reflecting a slowing of domestic and international demand.



## Taiwan



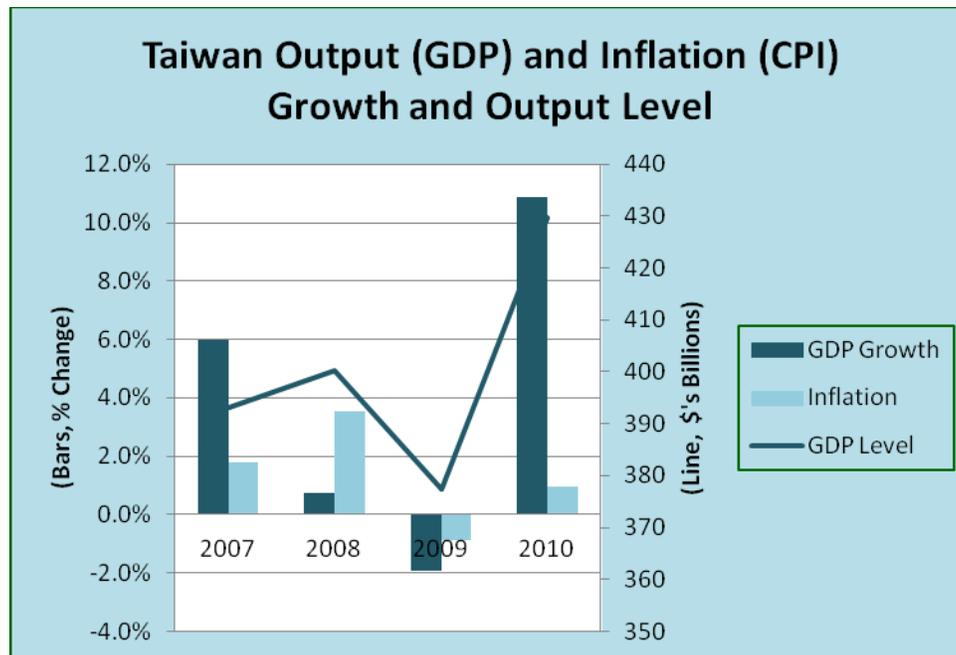
	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	23.0	23.0	23.1	23.2
2	Population growth rate (% change)	0.4%	0.3%	0.4%	0.2%
3	U.S. dollar exchange rate	32.855	31.521	33.020	31.948
4	Nominal GDP (\$ billions)	393.1	400.2	377.5	429.8
5	Nominal GDP per capita (\$)	17,123	17,372	16,326	18,558
6	Real GDP growth rate (% change)	6.0%	0.7%	-1.9%	10.9%
7	Purchasing Power Parity GDP (International \$ billions)	720.5	741.9	735.3	824.7
8	Consumer price index (CPI) (% change)	1.8%	3.5%	-0.9%	1.0%
9	Trade surplus (deficit) (\$ billions)	27.4	15.2	29.3	23.2
10	Merchandise exports (\$ billions)	246.7	255.6	203.7	274.6
11	Merchandise imports (\$ billions)	219.3	240.4	174.4	251.4
12	Foreign exchange reserves (\$ billions)	275.0	296.4	353.0	387.2
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(1.4)	(2.2)	(5.2)	(4.8)
14	Central government gross debt-to-GDP ratio (percentage)	33.3	34.7	38.1	38.6
15	Net foreign direct investment (\$ billions)	-3.3	-4.9	-3.1	-8.7
16	Unemployment rate	3.9	4.1	5.9	5.2
17	Percent of labor force in agricultural industries (percentage)	5.3	5.1	5.1	5.2
18	Lending interest rate	4.3	4.2	2.6	2.7
19	Defense spending (2009 \$ billions)	7.9	8.5	9.0	8.5

## Analytical Update

Although coming back from two consecutive years of weak economic performance, Taiwan's double-digit real GDP growth in 2010 was somewhat surprising and impressive. Part of the 2010 growth was attributable to the Economic Cooperation Framework Agreement (ECFA) that Taiwan penned with China in mid-2010. Growth was expected to return to a more subdued level in 2011. Accordingly, the *WEO* indicates that Taiwan's real GDP growth is expected increase 5.2% in 2011. Inflation is expected to remain subdued at just 1.8%. Taiwan's current account surplus is expected to improve to 11.0% of GDP from 9.3% of GDP in 2010. Taiwan's unemployment rate is expected to also improve during 2011, falling to 4.3% from 5.2% in 2010.

## Economic Outlook

Based on its tight and favored economic relationship with China, Taiwan may be shielded somewhat from the slowing global economy during 2012. Therefore, the WEO forecasts Taiwan's 2012 real GDP growth at 5.0%. Inflation is expected to rise only 1.8%. Taiwan's current account surplus is expected to hold steady at 11.0% of GDP. Finally, Taiwan's unemployment rate is expected to drop slightly to 4.2%.



## Thailand



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	63.0	63.4	63.5	63.9
2	Population growth rate (% change)	0.7%	0.9%	1.0%	1.0%
3	U.S. dollar exchange rate	32.203	32.962	34.310	31.700
4	Nominal GDP (\$ billions)	247.0	272.6	263.7	318.9
5	Nominal GDP per capita (\$)	3,918	4,300	4,151	4,992
6	Real GDP growth rate (% change)	5.0%	2.6%	-2.4%	7.8%
7	Purchasing Power Parity GDP (International \$ billions)	522.3	547.6	540.3	589.0
8	Consumer price index (CPI) (% change)	2.2%	5.5%	-0.8%	3.3%
9	Trade surplus (deficit) (\$ billions)	12.6	(2.8)	17.2	10.8
10	Merchandise exports (\$ billions)	153.9	175.9	152.0	195.4
11	Merchandise imports (\$ billions)	141.3	178.7	134.8	184.6
12	Foreign exchange reserves (\$ billions)	87.5	111.0	138.4	176.1
13	Central government surplus (deficit)-to-GDP ratio (percentage)	0.2	0.1	(3.2)	(2.7)
14	Central government gross debt-to-GDP ratio (percentage)	38.3	37.3	45.2	44.1
15	Net foreign direct investment (\$ billions)	8.4	4.4	0.9	0.7
16	Unemployment rate	1.4	1.4	1.5	1.0
17	Percent of labor force in agricultural industries (percentage)	42.6	42.4	42.4	42.4
18	Lending interest rate	7.1	7.0	6.0	5.9
19	Defense spending (2009 \$ billions)	3.5	4.1	4.9	4.3

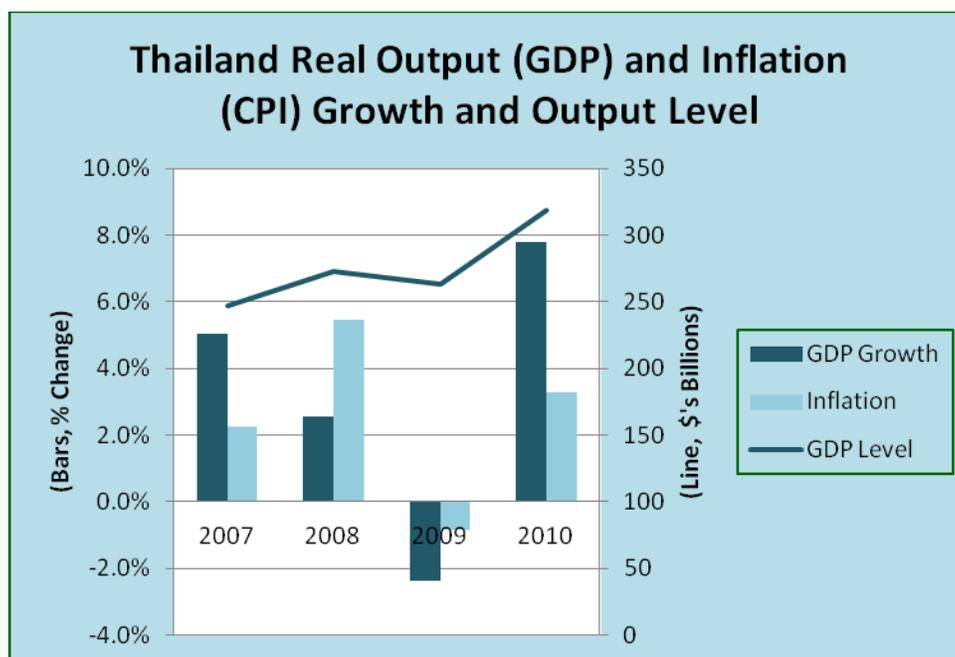
## Analytical Update

Despite the protests, political turmoil, and uncertainty that accompanied the campaign leading up to the election of Thailand's first female Prime Minister, Yingluck Shinawatra, during the summer of 2011, the nation's economy maintained its pace. The *WEO* estimates that Thailand's real GDP growth will increase 3.5% during 2011. The inflation rate is expected to increase to 4.0%. The current account surplus is expected to rise to 4.8% of GDP from 4.6%. Finally, the unemployment rate is expected to rise to just 1.2%.

## Economic Outlook

For 2012, Thailand's real GDP growth is forecasted to accelerate to 4.8%. The inflation rate is expected to accelerate 0.1 percentage point to 4.1%. The nation's current account surplus is expected to deteriorate to 2.5% of GDP. The unemployment rate is expected to remain at 1.2%.

Prime Minister Yingluck, the sister of exiled former Prime Minister Thaksin Shinawatra, has promised to implement various popular programs first espoused by her brother. These programs are expected to be costly, but they should help reduce Thailand's income inequality. A key question for the Government of Thailand is whether these programs will stimulate sufficient economic growth and tax revenues to offset, in a significant way, the programs' costs.



## Vietnam



	Economic Time Series	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010
1	Population (millions)	85.2	86.2	87.2	88.3
2	Population growth rate (% change)	1.2%	1.2%	1.2%	1.2%
3	U.S. dollar exchange rate	16,119	16,548	17,800	19,149
4	Nominal GDP (\$ billions)	71.1	90.3	93.2	103.6
5	Nominal GDP per capita (\$)	835	1,048	1,068	1,174
6	Real GDP growth rate (% change)	8.5%	6.3%	5.3%	6.8%
7	Purchasing Power Parity GDP (International \$ billions)	222.0	241.3	256.8	277.4
8	Consumer price index (CPI) (% change)	8.3%	23.1%	6.7%	9.2%
9	Trade surplus (deficit) (\$ billions)	(14.1)	(18.0)	(12.9)	(12.1)
10	Merchandise exports (\$ billions)	48.6	62.7	57.1	71.7
11	Merchandise imports (\$ billions)	62.7	80.7	69.9	83.8
12	Foreign exchange reserves (\$ billions)	23.7	24.2	16.8	13.4
13	Central government surplus (deficit)-to-GDP ratio (percentage)	(2.5)	(1.2)	(9.0)	(5.7)
14	Central government gross debt-to-GDP ratio (percentage)	44.6	42.9	51.2	52.8
15	Net foreign direct investment (\$ billions)	6.6	9.3	6.9	7.3
16	Unemployment rate	4.6	4.7	6.0	5.0
17	Percent of labor force in agricultural industries (percentage)	56.8	56.8	53.9	53.9
18	Lending interest rate	11.2	15.8	10.1	13.1
19	Defense spending (2009 \$ billions)	2.2	2.2	2.4	2.4

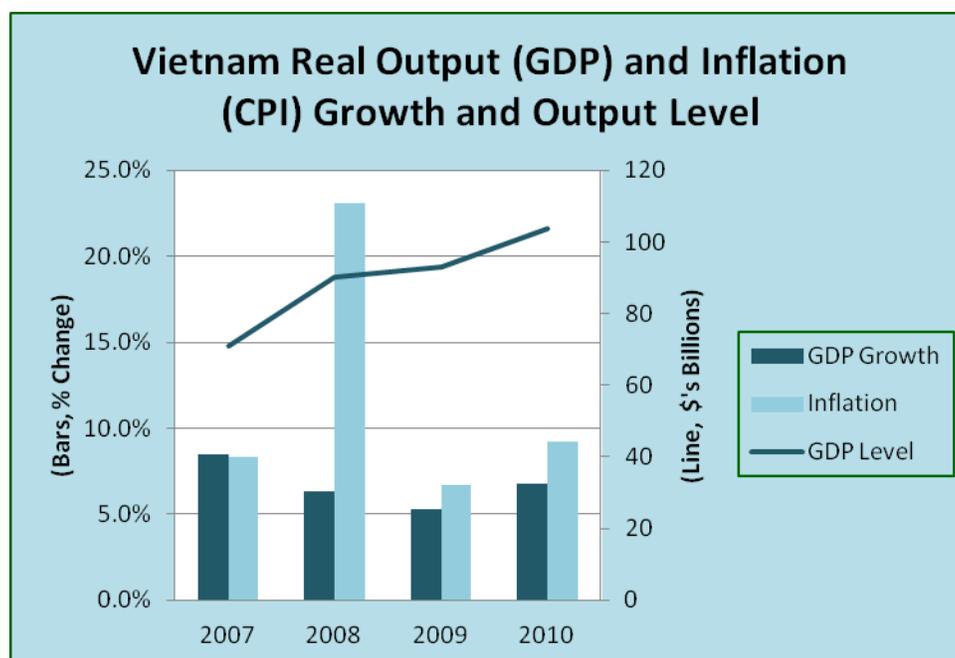
### Analytical Update

In early 2011, Vietnam's National Assembly enacted Resolution 11, which included key provisions for addressing the country's macro-instability. At that time, Vietnam was experiencing high rates of inflation, slowing growth, an expanding trade deficit, diminishing foreign exchange reserves, and a weakening currency. (See our analysis of Vietnam's economic conditions in *APEU 2011* Volume 3 paper entitled, "Economic Conditions in Vietnam: Problems and Prospective Solutions.") By mid-summer, many of Resolution 11's provisions were operational. Given that the IMF suggested certain Resolution 11 provisions, it is not surprising that the *WEO* predicts that Vietnam will

weather its crisis successfully. For 2011, real GDP growth is expected to decelerate one full percentage point to 5.8% from 6.8% in 2010. However, Vietnam's inflation is expected to average 18.8% for 2011—the highest inflation rate in the Asia-Pacific region. The country's current account deficit is expected to deteriorate to 4.7 of GDP from 3.8%. The unemployment rate is expected to remain unchanged at 5.0%.

### Economic Outlook

For 2012, appropriate implementation of Resolution 11 provisions is expected to produce an improvement in Vietnam's economic conditions. Real GDP growth is expected to increase 6.3%. The inflation rate is forecast to decelerate to 12.1%. The current account deficit is expected to improve to 3.8% of GDP. Finally, unemployment is expected to remain unchanged at 5.0%.



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

## Small Nations

## Bhutan



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				1,457		
Population (Thousand)				705		
Real GDP growth (% Change)	17.9	4.7	6.7	8.3	8.1	8.5
Inflation (% Change)	5.2	8.3	8.6	7.0	6.5	5.0

## Brunei Darussalam



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				12,371		
Population (Thousand)				417		
Real GDP growth (% Change)	0.2	-1.9	-1.8	2.6	2.8	2.2
Inflation (% Change)	1.0	2.1	1.0	0.4	1.8	1.2

## Burma



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				45,428		
Population (Thousand)				61,187		
Real GDP growth (% Change)	12.0	3.6	5.1	5.5	5.5	5.5
Inflation (% Change)	32.9	22.5	8.2	8.2	6.7	3.7

## Cambodia



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				11,629		
Population (Thousand)				14,289		
Real GDP growth (% Change)	10.2	6.7	-2.0	6.0	6.7	6.5
Inflation (% Change)	7.7	25.0	-0.7	4.0	6.4	5.6

## Laos



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				6,461		
Population (Thousand)				6,437		
Real GDP growth (% Change)	7.8	7.8	7.6	7.9	8.3	8.4
Inflation (% Change)	4.5	7.6	0.0	6.0	8.7	6.7

## Maldives



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				2,168		
Population (Thousand)				320		
Real GDP growth (% Change)	10.4	10.9	-7.5	7.1	6.5	4.6
Inflation (% Change)	7.4	12.3	4	4.7	12.1	8.4

## Mongolia



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				6,244		
Population (Thousand)				2,755		
Real GDP growth (% Change)	10.2	8.9	-1.3	6.4	11.5	11.8
Inflation (% Change)	8.2	26.8	6.3	10.2	10.2	14.3

## Nepal



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				15,711		
Population (Thousand)				28,185		
Real GDP growth (% Change)	3.4	6.1	4.4	4.6	3.5	3.8
Inflation (% Change)	6.2	6.7	12.6	9.6	9.5	8.0

## Papua New Guinea



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				9,520		
Population (Thousand)				6,497		
Real GDP growth (% Change)	7.2	6.6	5.5	7.0	9.0	5.5
Inflation (% Change)	0.9	10.8	6.9	6.0	8.4	8.7

## Timore-Leste



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				628		
Population (Thousand)				1,067		
Real GDP growth (% Change)	9.1	11.0	12.9	6.1	7.3	8.6
Inflation (% Change)	8.9	7.6	0.1	4.9	10.5	6.0

## Oceania

## Fiji



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				3,109		
Population (Thousand)				890		
Real GDP growth (% Change)	-0.9	1.0	-1.3	0.3	1.5	1.8
Inflation (% Change)	7.7	3.7	5.5	8.4	5.5	5.0

## Kiribati



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				152		
Population (Thousand)				103		
Real GDP growth (% Change)	0.4	-1.1	-0.7	1.8	3.0	3.5
Inflation (% Change)	4.2	11.0	8.8	-2.8	7.7	5.0

## Marshall Islands



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				156		
Population (Thousand)				53		
Real GDP growth (% Change)	3.3	-2.0	0.0	0.5	1.5	1.5
Inflation (% Change)	2.6	14.7	0.5	1.5	2.0	2.5

## Micronesia, Federated States of



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				288		
Population (Thousand)				103		
Real GDP growth (% Change)	-1.9	-2.3	0.4	0.4	0.5	0.6
Inflation (% Change)	3.6	6.8	7.7	3.5	2.0	2.0

## Palau



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				218		
Population (Thousand)				20		
Real GDP growth (% Change)	-4.9	-2.1	1.0	2.0	3.0	3.0
Inflation (% Change)	10.0	6.1	6.0	4.0	3.0	2.0

## Samoa



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				530		
Population (Thousand)				182		
Real GDP growth (% Change)	2.3	4.9	-5.1	-0.2	2.0	2.1
Inflation (% Change)	4.5	6.2	14.4	-0.2	2.9	3.0

## Solomon Islands



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				717		
Population (Thousand)				528		
Real GDP growth (% Change)	10.7	7.3	-1.2	6.5	5.7	6.1
Inflation (% Change)	7.7	17.4	7.1	1.0	6.0	5.0

## Tonga



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				363		
Population (Thousand)				103		
Real GDP growth (% Change)	0.9	1.3	-0.3	0.3	1.4	1.8
Inflation (% Change)	7.5	7.3	3.4	4.0	5.9	4.8

## Vanuatu



Economic Statistics	2007	2008	2009	2010	2011	2012
GDP in current prices (Millions)				693		
Population (Thousand)				239		
Real GDP growth (% Change)	6.5	6.2	3.5	2.2	3.8	4.2
Inflation (% Change)	3.9	4.8	4.3	2.8	2.2	2.9

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