

# Asia 2009: What's next? Who's vulnerable?

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**Data sources:** The source for all oil consumption and production data is the US EIA. Monthly import and export data of oil and petroleum products are sourced from CEIC. Current account data for global oil exporting countries comes from IFS. Data for all other charts and tables are CEIC and Bloomberg . Estimates are by DBS Group Research.

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# What's next (US)?

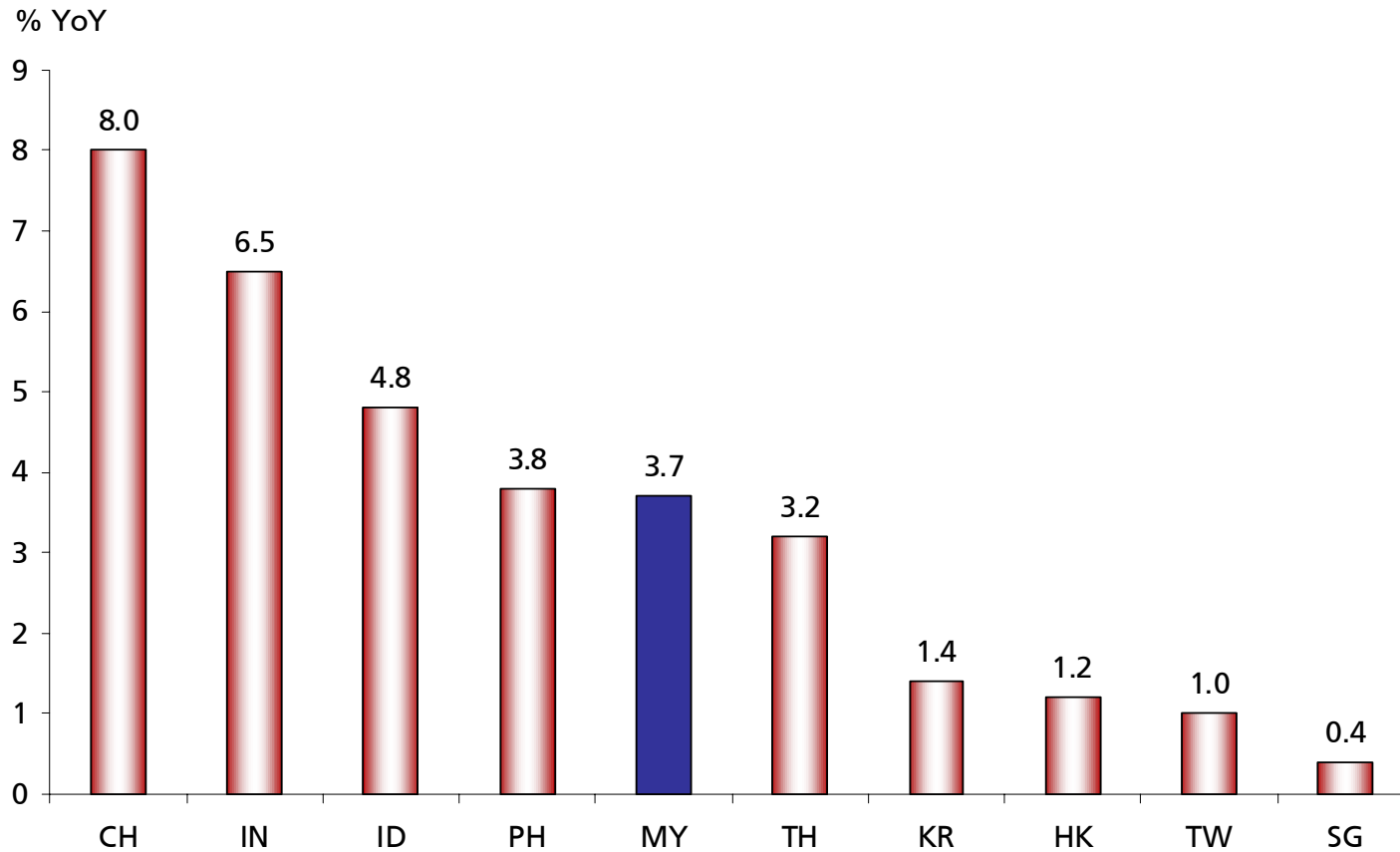
- **A 'real' bank fix such as the RTC in 1989/93**
- **Why not yet? Politics: needs national consensus**
  - This will have to wait for the Obama administration and the 2009 Congress
- **Bank failures, which should hasten a 'real' fix**
  - 500/600 failures would not surprise; 1200 failures in 1989/93
- **More fiscal stimulus – probably \$300bn – \$500bn**
  - 2% to 3.5% of GDP, perhaps more
- **More very weak growth, perhaps modest contraction**
  - Q4 GDP contraction of 3% - 4% (QoQ, saar)
  - 0.5% avg growth in 2009

# What's next (Asia)?

- **Further slowing: 2009 fcast: 3.2%**
  - vs 5% in 2008 and 7% in 2007
- **Who's vulnerable? Just who you'd expect**
  - The little guys: SG, HK
  - The guys who borrowed yen: KR, IN
  - And, if China surprises on the downside, NAsia: KR, TW
- **Asia slowdown is about 2/3 as deep as 2000/01. Why?**
  - The US matters less than before
  - The nature of the downturn – housing vs hi-tech
  - Asia was domestically comatose in 1999-2000
- **Last-in, first-out: Asia to recover more quickly**

# Asia 2009: GDP growth

Asia 10 — 2009 GDP growth forecasts



# Asia 2008 / 2009 GDP growth

Asia 10 — 2008, 2009 GDP growth forecasts

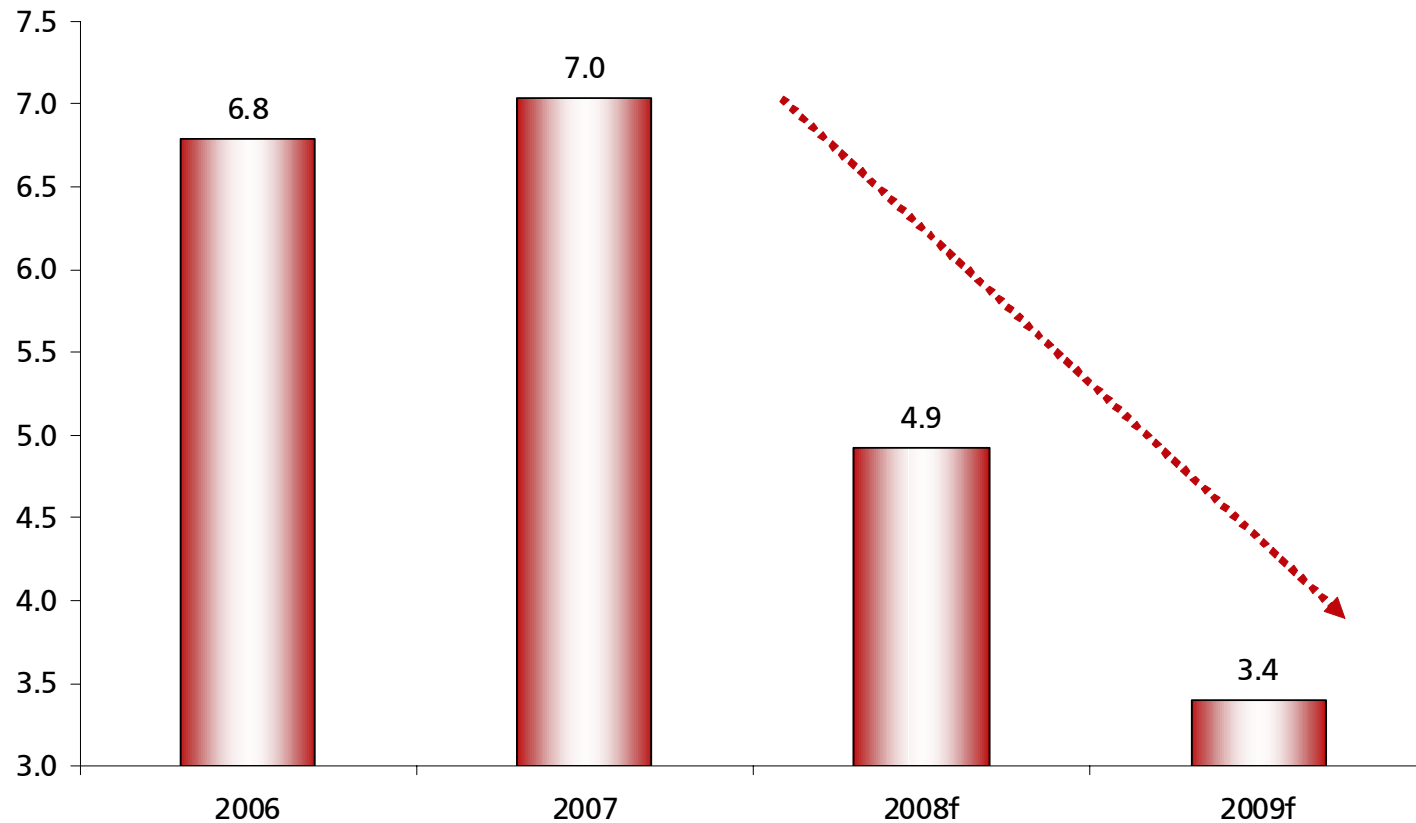
% YoY



# Asia 2009: a further drift

## Asia 10 – GDP growth

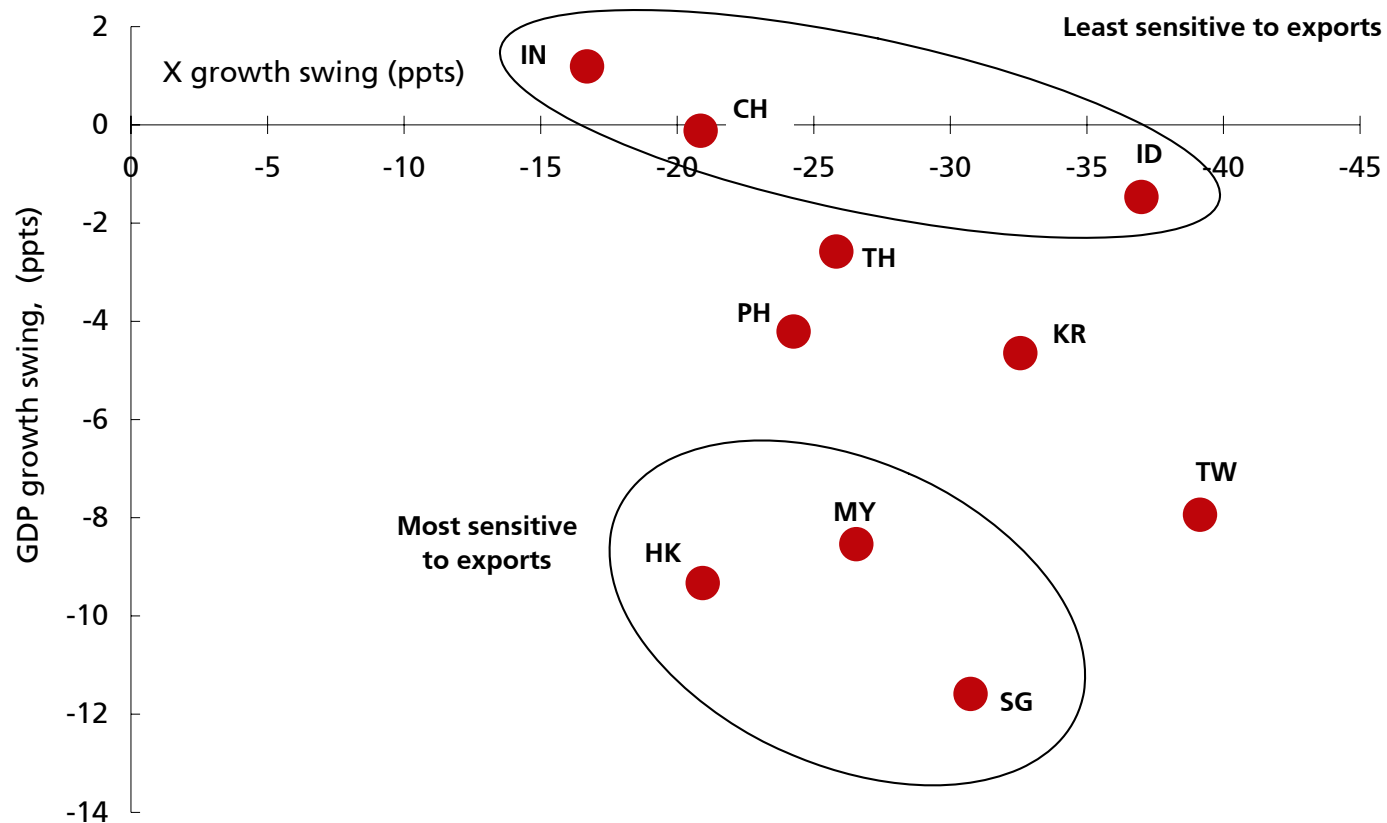
% YoY, simple average



# Asia: who's vulnerable?

## Asia – export swings and GDP swings in 2000-2001 downturn

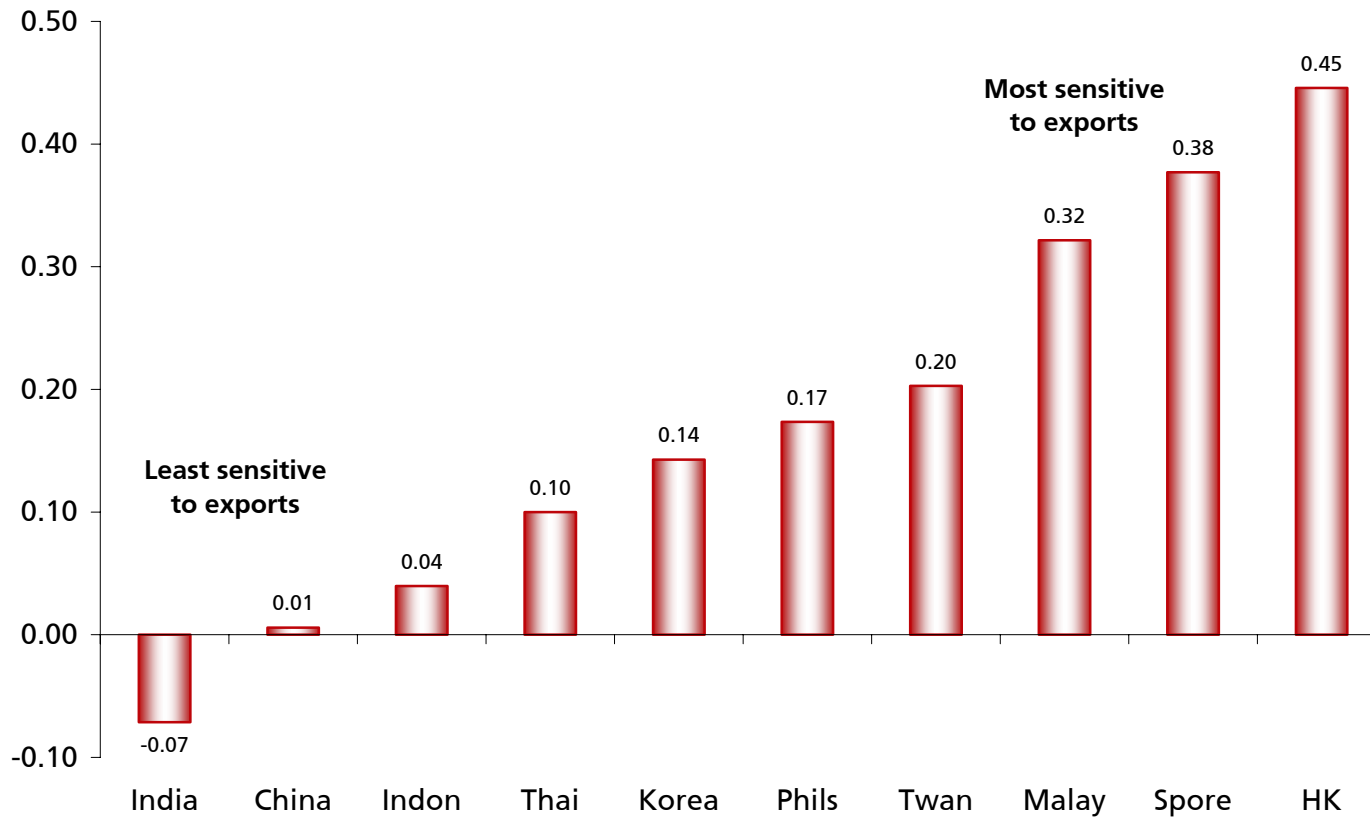
percentage point swings in X and GDP growth, 2000-2001, annual avg data



# Relative sensitivities: 2000/01

## Asia – sensitivity to export swings in 2000-2001 downturn

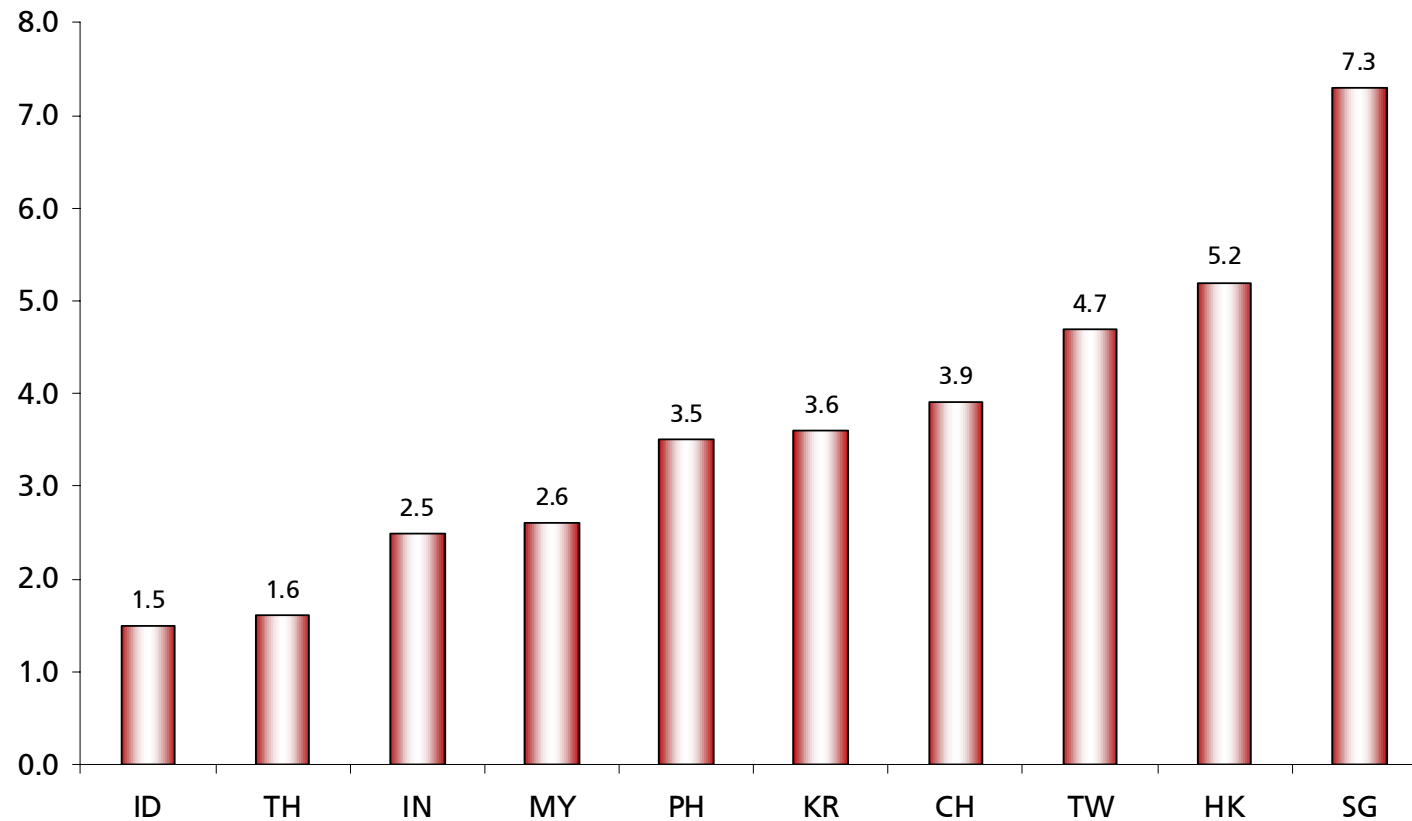
ppt swing in GDP growth per ppt swing in X growth, 2000-2001



# Relative slowdowns: 2007-2009

## Asia 10 – biggest growth swing 2007-2009

drop in GDP growth from 2007 to 2009, percentage points

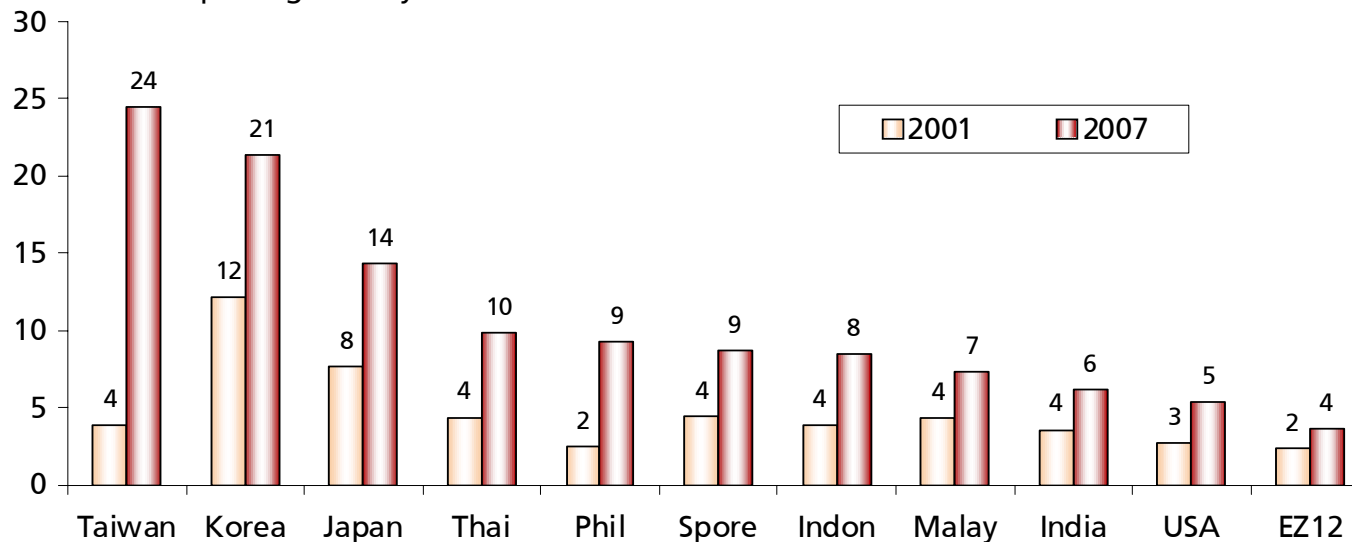


# Vulnerability – other factors

- **Sentiment / portfolio flows**
  - Korea and India hit on the yen carry trade
  - IDR hit for sentiment reasons, not ‘fundamental’ reasons
- **Exposure to China**

## Asia – dependence on China as export destination

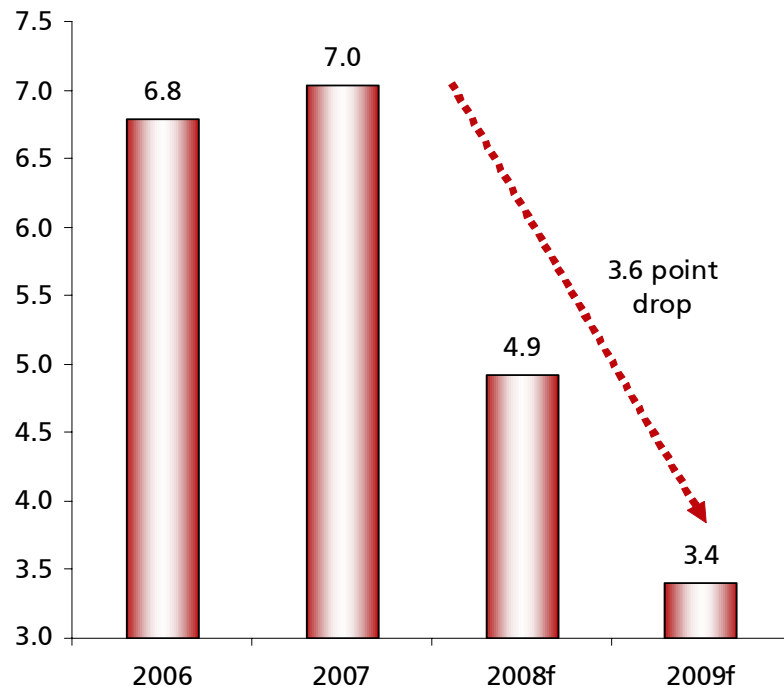
% share of exporting country's total X destined for China



# 2009 slowdown milder than 2000

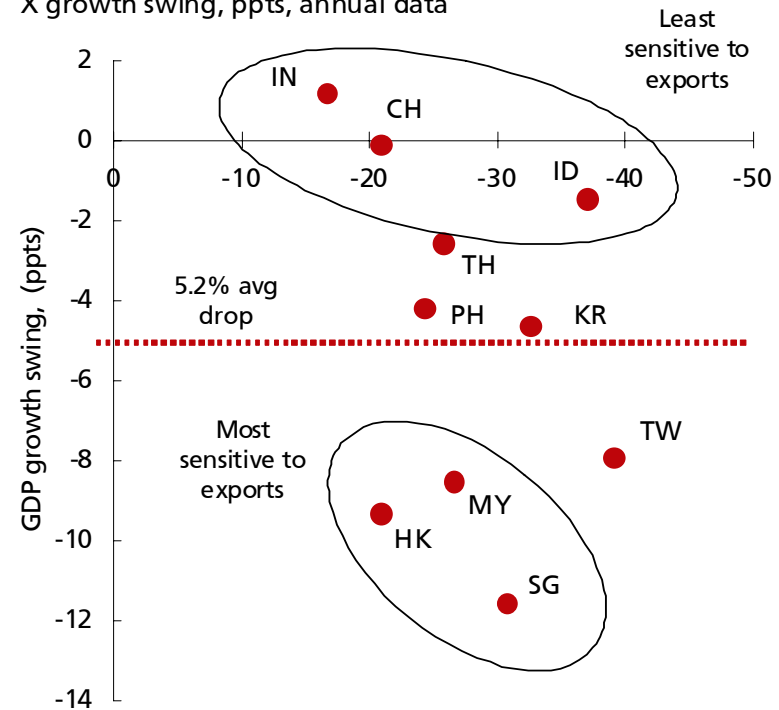
Asia 10 – GDP growth

% YoY, simple average



Asia – X and GDP swings, 2000-2001 downturn

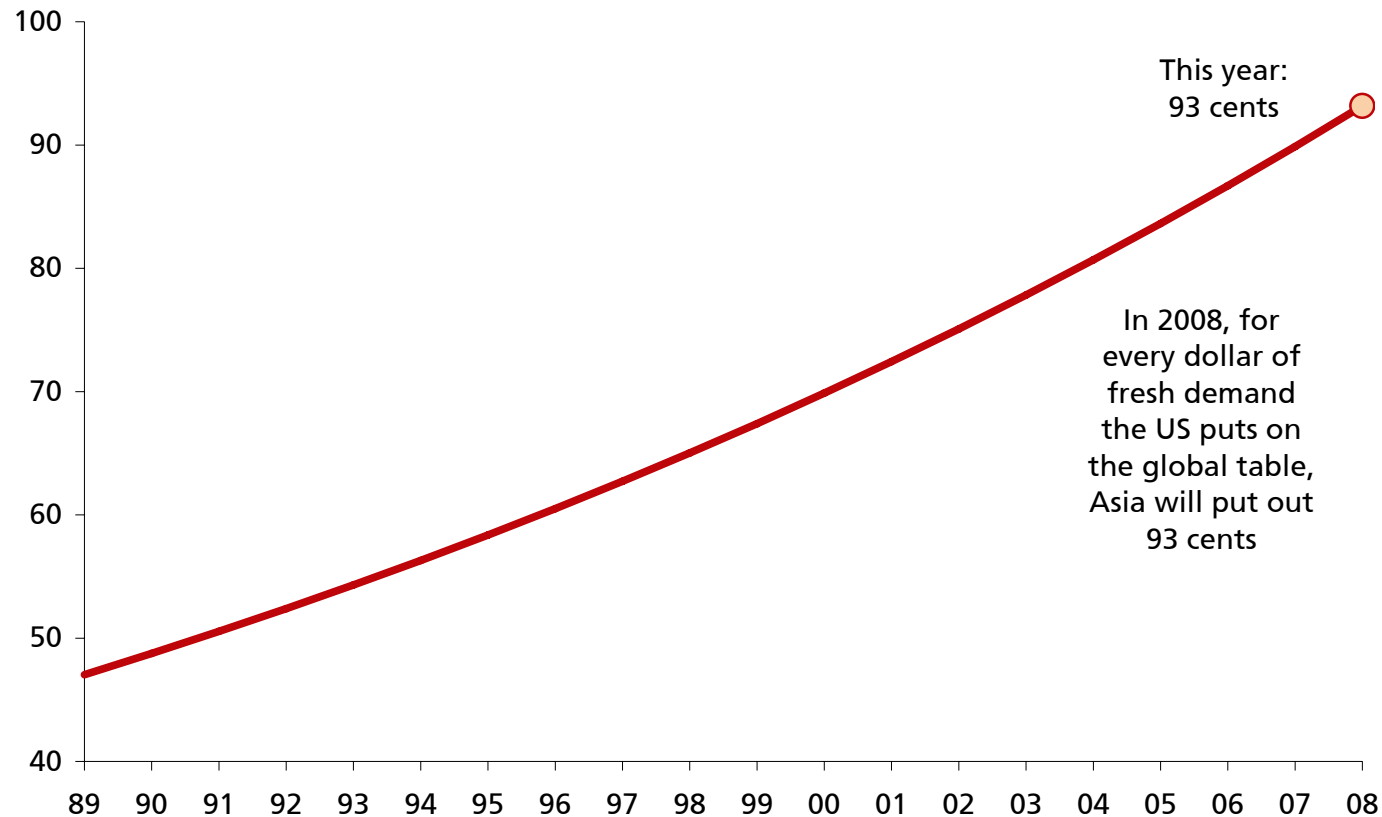
X growth swing, ppts, annual data



# 1. US matters less than ever before

## Asia 10 – domestic demand growth as % of US domestic demand growth

Incremental Asia Dom Dem as % of incremental US Dom Dem, structural terms



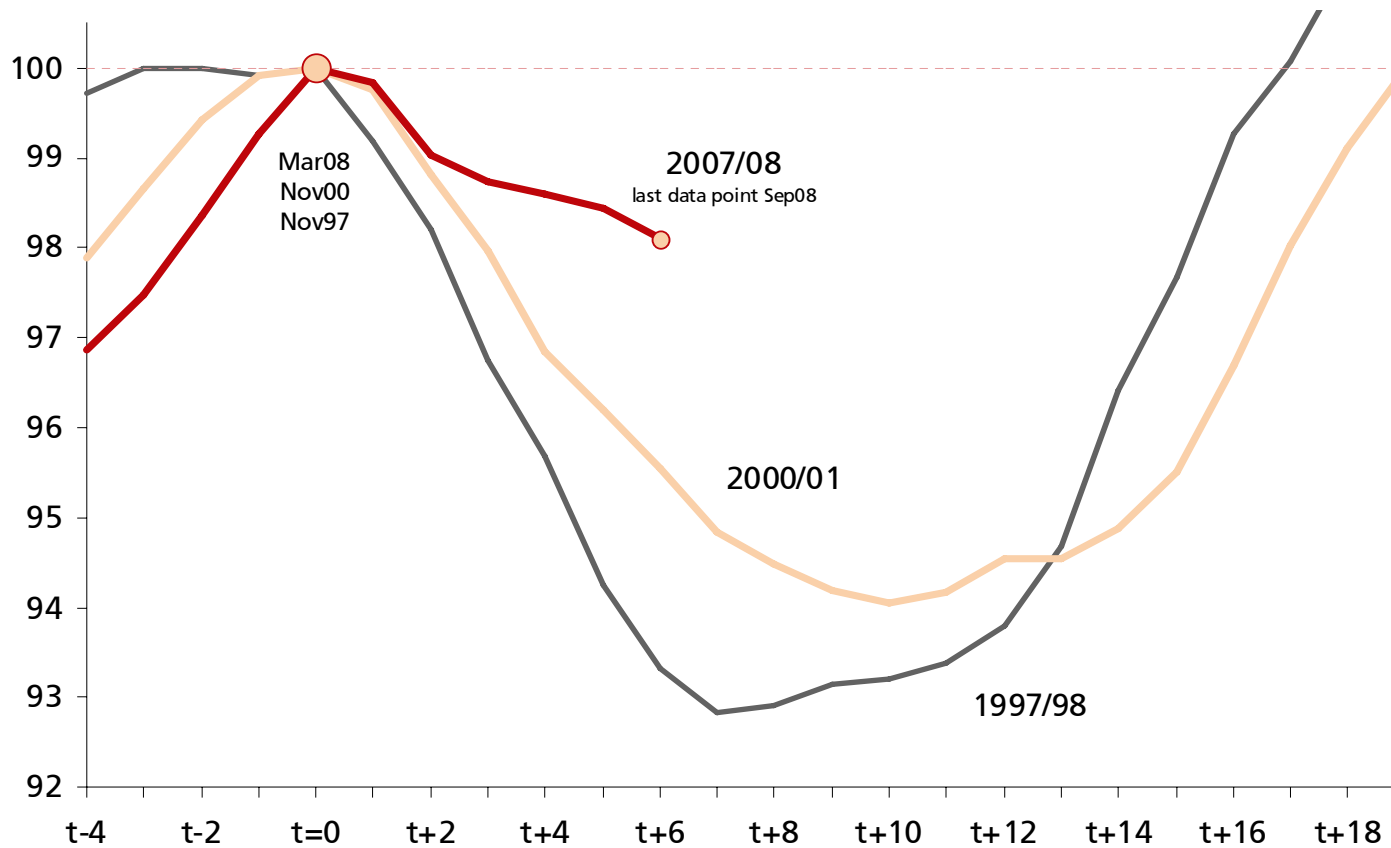
# Slowdown milder than 2000. Why?

- **1. US matters less than ever before**
  - Asia's incremental domestic demand growth now nearly equal to the US
- **2. Housing-led vs hi-tech led**
  - Much more indirect hit to Asia
  - Real vs financial
- **3. Asia not just emerging from crisis as in 99/00**
  - Asia's domestic demand nearly comatose in 1998/99
  - The only growth it enjoyed came from exports / the US tech boom
  - When that went, so did Asia's growth

# Asia: milder slowdown

## Asia 8 – industrial production

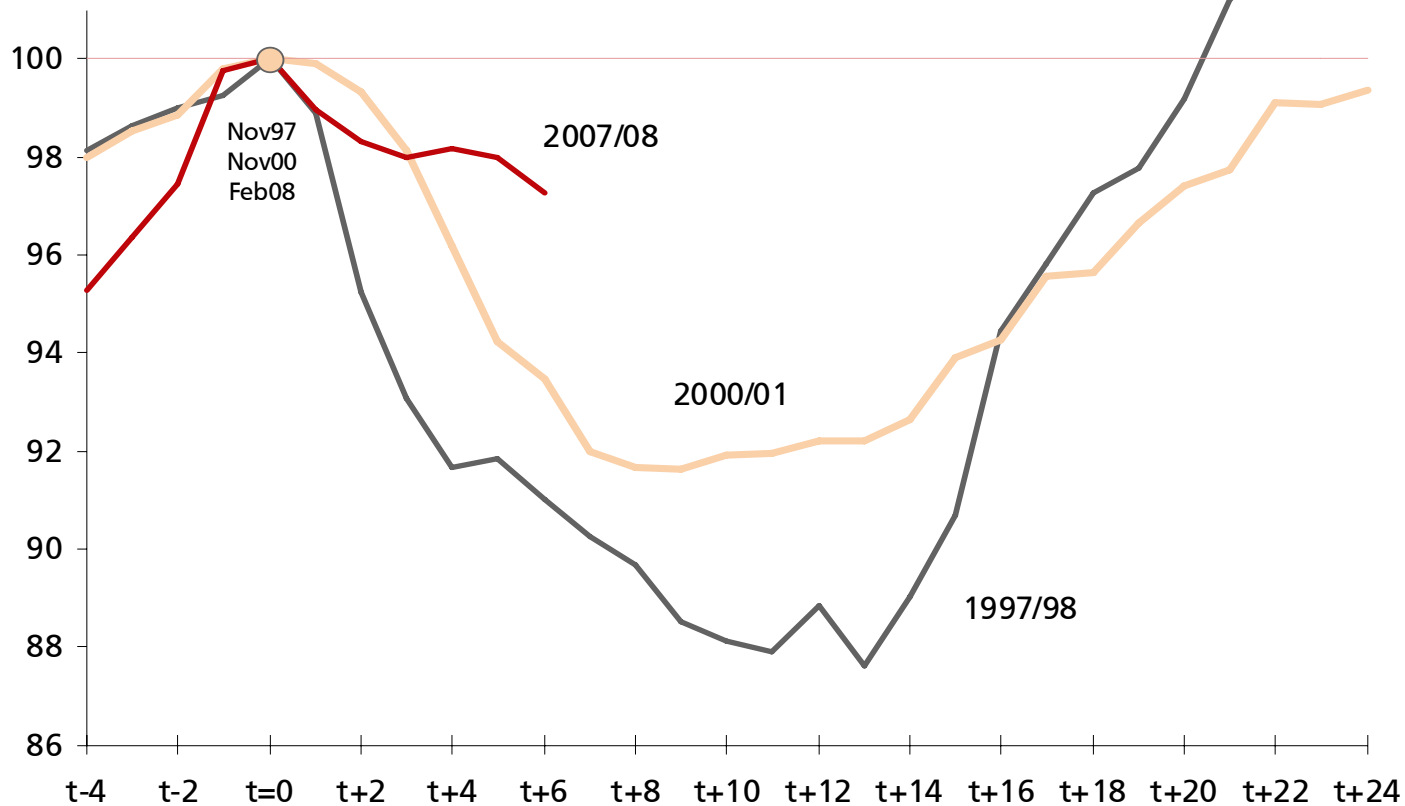
cyclical peak = 100, sa, 3mma, simple avg



# Malaysia: milder slowdown

## Malaysia – industrial production

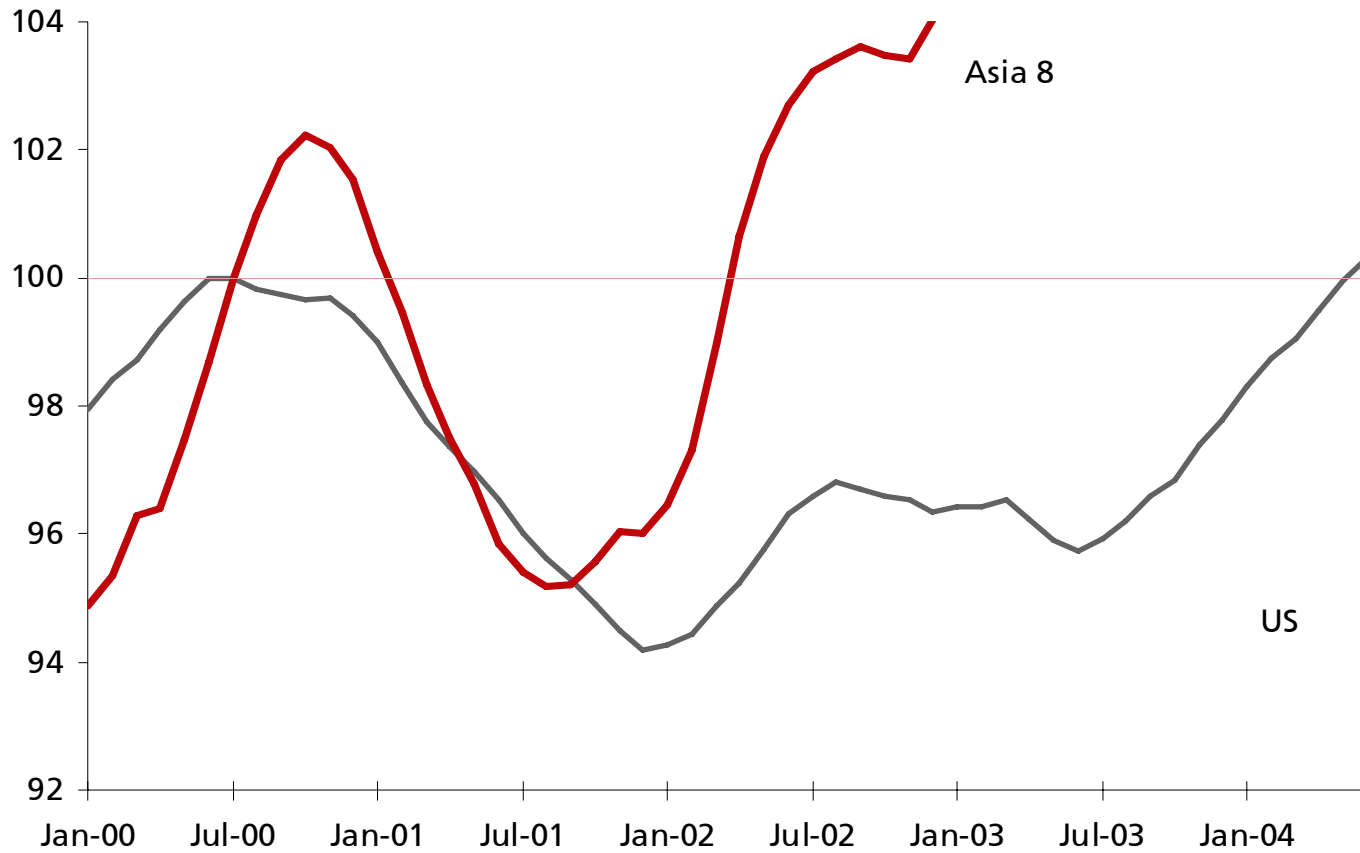
cyclical peak = 100, sa, 3mma



# Asia: recovery before US

## US and Asia – industrial production in 2000/01

cyclical peak = 100, sa, 3mma



# Summary

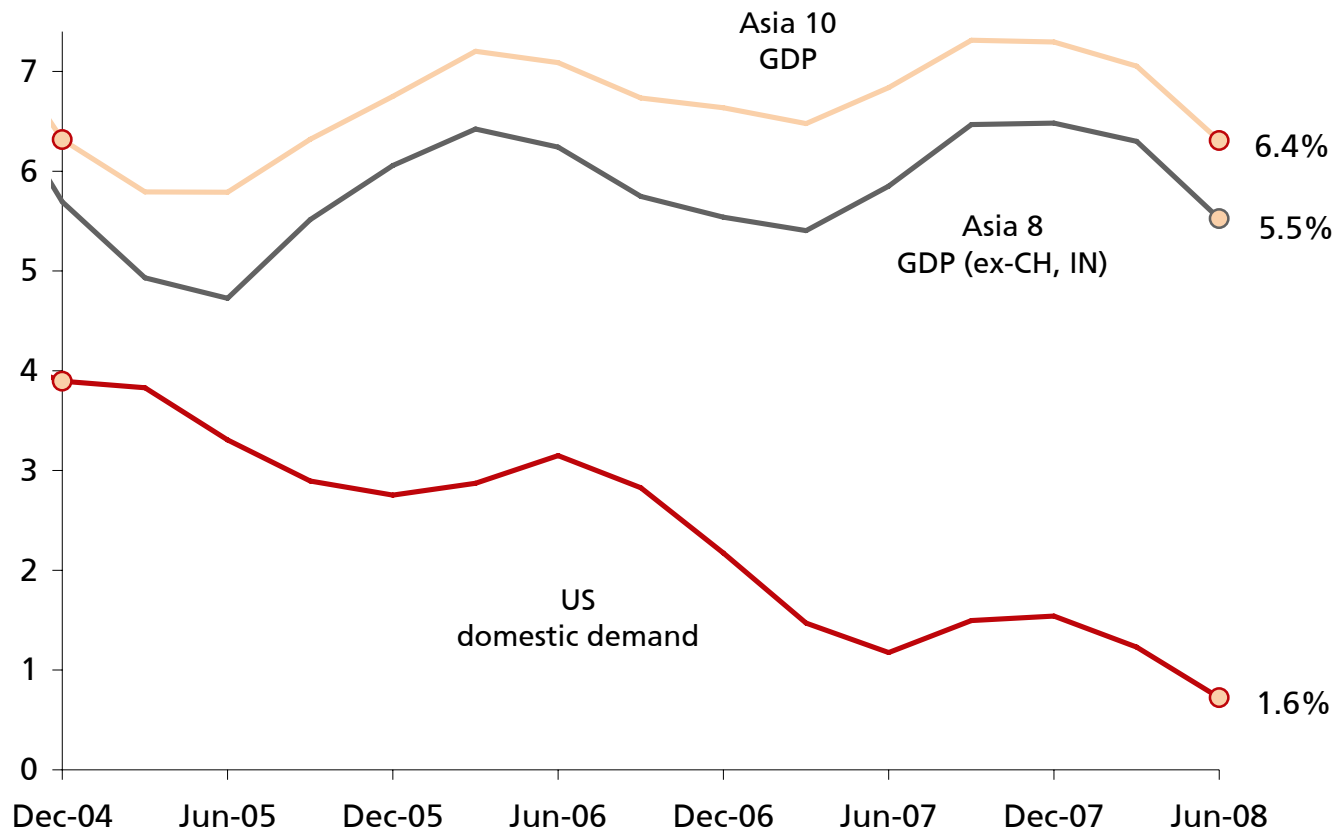
- **US growth view comparatively sanguine**
  - But RTC-style bank fix required
- **Asia to slow further**
- **Who's vulnerable?**
  - The small, the yen borrowers, perhaps the China-linked
- **Asia downturn 1/3 less sharp than 2000/01**
  - US matters less than ever before
  - Housing vs hi-tech
  - Asia was still comatose from 97/98 crisis
- **Last-in, first-out: Asia to recover more quickly**

# Appendix

# US 4-yr slowing; Asia acceleration

## Income and demand growth – Asia & US

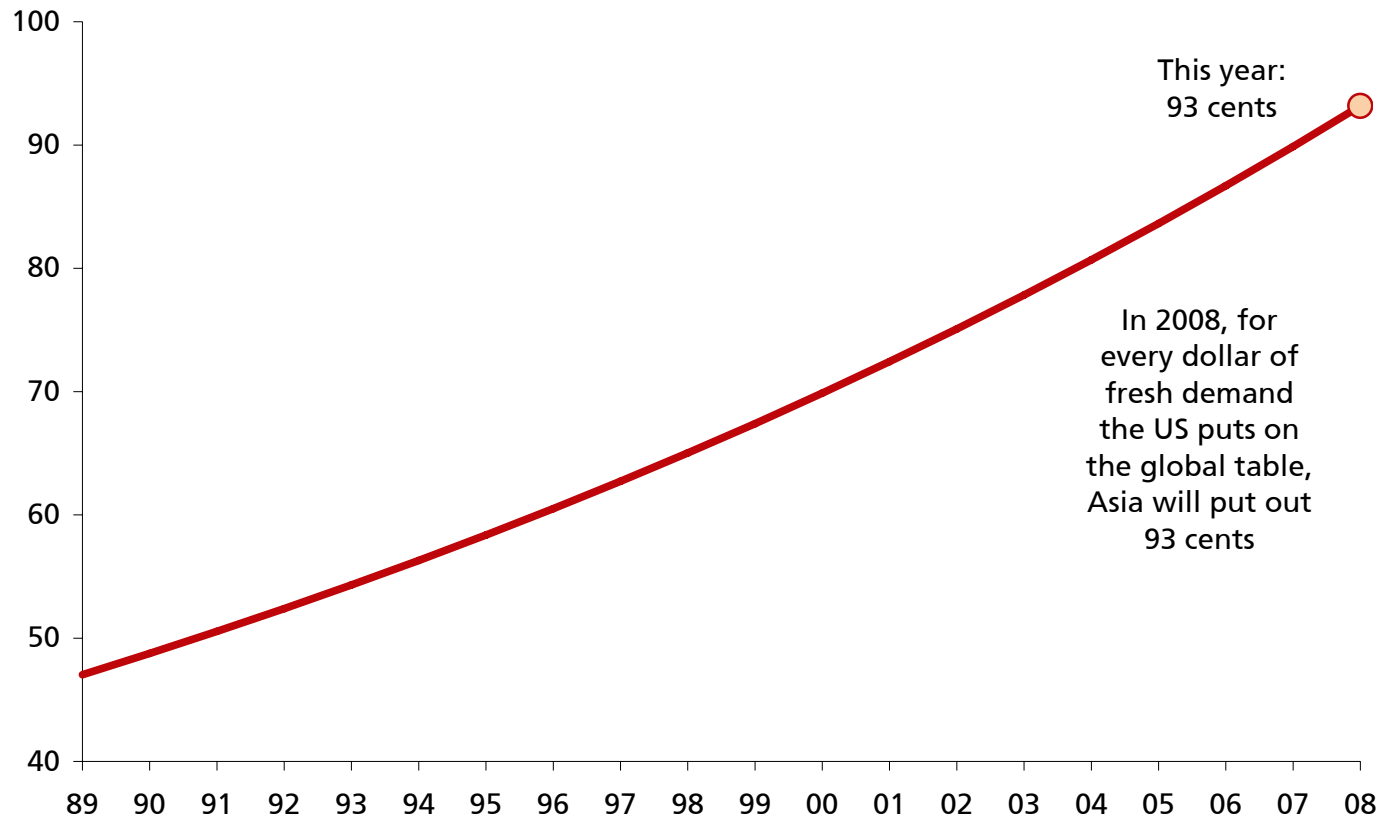
% YoY, 2qma, simple average



# US matters less than ever before

## Asia 10 – domestic demand growth as % of US domestic demand growth

Incremental Asia Dom Dem as % of incremental US Dom Dem, structural terms



# Asian vs US domestic demand: the numbers

- **US domestic demand: \$1.00 “big”, grows at 3% rate**
  - That gives 3 cents of new demand each year
- **If US is \$1.00 “big”, then Asia is 40 cents “big”**
  - China (17 cents), Asia 8 (17 cents), India (6 cents)
- **Asia demand: \$0.40 and it grows at a 7% rate**
  - That gives 2.8 cents of new demand each year
- **Asia/US =  $2.80/3.00 = 0.93$ , or 93 cents on the dollar**

# 2000/01 downturn

## Asia – sensitivity to exports, 2000-2001 downturn

		GDP growth (ann avg)			Export growth (US\$ terms, goods, ann avg)			Ratio
		(1)	(2)	(3) (2)-(1)	(4)	(5)	(6) (5)-(4)	(7) (3)/(6)
		2000 (%)	2001 (%)	Swing ppts	2000 (%)	2001 (%)	Swing ppts	GDP swing to X swing
least	IN	4.0	5.2	1.2	18.8	2.1	-16.7	-0.07
	CH	8.4	8.3	-0.1	27.9	7.0	-20.9	0.01
	ID	4.9	3.5	-1.5	27.7	-9.3	-37.0	0.04
intermed	TH	4.8	2.2	-2.6	19.4	-6.4	-25.8	0.10
	KR	8.5	3.8	-4.7	19.9	-12.7	-32.6	0.14
	PH	6.0	1.8	-4.2	8.7	-15.6	-24.3	0.17
	TW	5.8	-2.2	-7.9	22.0	-17.2	-39.1	0.20
most	MY	8.9	0.3	-8.5	16.1	-10.4	-26.6	0.32
	SG	9.6	-2.0	-11.6	14.7	-16.0	-30.7	0.38
	HK	10.0	0.6	-9.3	5.6	-15.3	-20.9	0.45
G3 countries								
	US	3.7	0.8	-2.9	12.9	-6.9	-19.8	0.15
	JP	2.9	0.2	-2.7	14.0	-15.8	-29.8	0.09
	EZ	4.0	1.9	-2.1	21.5	5.5	-16.0	0.13
Asia 10		7.1	2.2	-4.9	18.1	-9.4	-27.5	0.18
Asia 9		6.9	1.5	-5.5	17.0	-11.2	-28.2	0.19
Asia 8		7.3	1.0	-6.3	16.8	-12.9	-29.6	0.21
G3		3.5	1.0	-2.6	16.1	-5.7	-21.9	0.12

# US: past downturns

## US – historical GDP contractions

NBER declared recessions / dates		percentage point drop in GDP, pk to trough	qtrs of negative growth	qtrs until GDP returned to pk level of 100	weakest qtr of growth	weakest qtr of growth
		(pct pts)	(qtrs)	(qtrs)	(% QoQ, saar)	(% YoY)
1957-58	Aug57-Apr58	-3.7	2/2 or 3/4	5.0	-10.9	-3.0
1960-61	Apr60-Feb61	-1.6	2/3	5.0	-5.2	-1.0
1969-70	Dec69-Nov70	-0.6	2/2	4.0	-4.3	-0.2
1973-74	Nov73-Mar75	-3.1	3/3 or 4/5	8.0	-4.8	-2.3
1980	Jan80-Jul80	-2.2	2/2	4.0	-8.1	0.0
1981-82	Jul81-Nov82	-2.9	2/2 or 3/4	7.0	-6.6	-2.7
1990-91	Jul90-Mar91	-1.3	2/2	7.0	-3.0	-1.0
2000-01	Mar00-Nov01	*	3/5	*	-1.4	0.2
Average (ex-2000/01)		-2.2		5.7	-6.1	-1.5
Current downturn 2007/08		^	1/3	^	-0.3	0.8

\* the GDP level never really fell; it waffled sideways for 5 qtrs

^ no peak/drop yet established

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