



East and Southeast Asia: In Pursuit of Growth

Tuesday, May 1, 2012

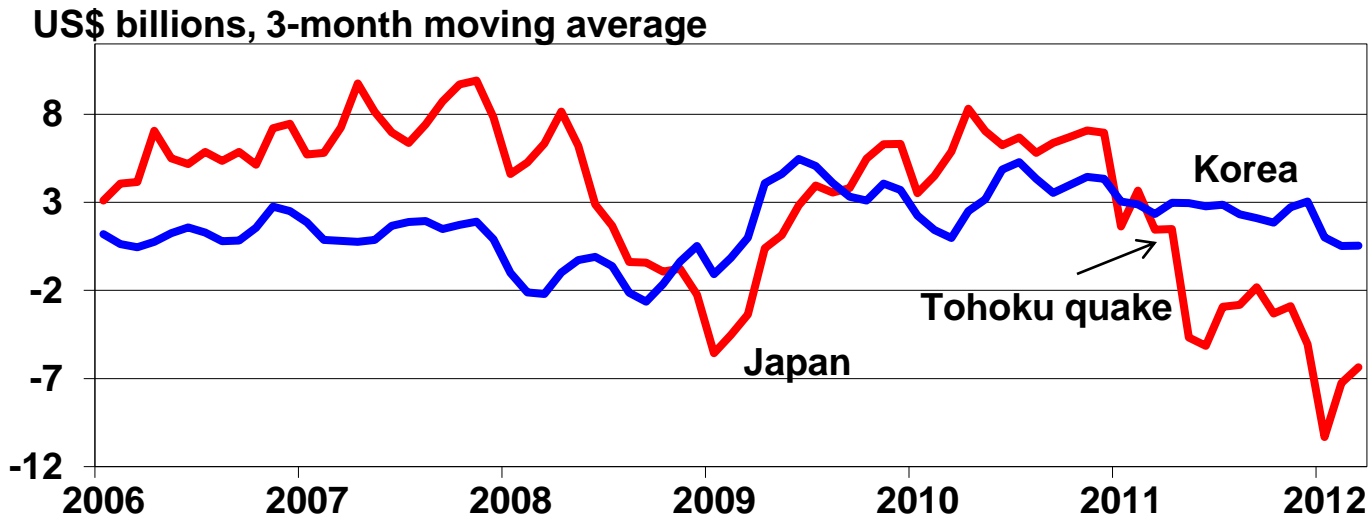
8:00 AM - 9:15 AM



Japan and Developing Asia: Real GDP growth

	2007	2008	2009	2010	2011	2012p	2013p
Japan	2.4	-1.2	-6.3	4.4	-0.7	1.9	1.5
Developing Asia	9.6	6.6	6.0	9.1	7.2	6.9	7.3
Central Asia	10.8	5.0	3.2	6.6	6.2	6.1	6.2
East Asia	10.7	6.8	6.7	9.8	8.0	7.4	7.7
China	14.2	9.6	9.2	10.4	9.2	8.5	8.7
Hong Kong	6.4	2.3	-2.7	7.0	5.0	3.0	4.5
S. Korea	5.1	2.3	0.3	6.2	3.6	3.4	4.0
Taiwan	6.0	0.7	-1.8	10.7	4.0	3.4	4.6
South Asia	7.2	4.8	7.5	7.8	6.4	6.6	7.1
Southeast Asia	4.9	2.3	1.4	7.9	4.6	5.2	5.7
Indonesia	6.3	6.0	4.6	6.2	6.5	6.4	6.7
Malaysia	6.5	4.8	-1.6	7.2	5.1	4.0	5.0
Philippines	6.6	4.2	1.1	7.6	3.7	4.8	5.0
Singapore	8.8	1.5	-1.0	14.8	4.9	2.8	4.5
Thailand	5.0	2.5	-2.3	7.8	0.1	5.5	5.5
Vietnam	8.5	6.3	5.3	6.8	5.9	5.7	6.2
The Pacific	5.0	5.4	4.2	5.5	7.0	6.0	4.1

Japan's falling trade balance



Economic impacts of Japan's recent earthquake

Comparison with the aftermath of 1995 Kobe quake



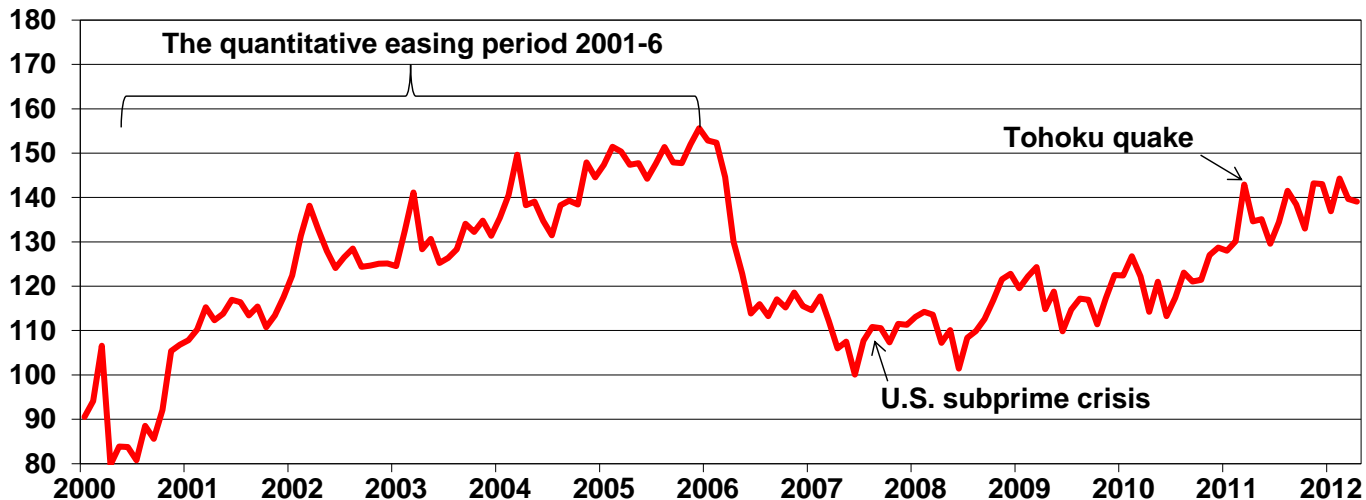
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	2011 Tohoku quake	1995 Kobe quake
Damage	US\$195-305 billion (3.6-5.7% of GDP)	US\$100 billion (~ 2% of GDP)
Death toll	13,895 (13,864 missing)	6,434
Cost to private insurance	US\$14-33 billion	US\$783 million
National budget for reconstruction	\$12 billion from current budget. Much more in FY 2011.	\$38 billion over 2 fiscal years
Ten-year government bond yield	1.29% in February, 2011 1.25% in March, 2011	4.2% in 1994 3.5% in 1995 1.7% in 1999

Sources: Bloomberg, National Police Agency of Japan, U.S. Congressional Research Service, World Bank.

BOJ will continue powerful monetary easing

Bank of Japan's Asset (Yen trillions)



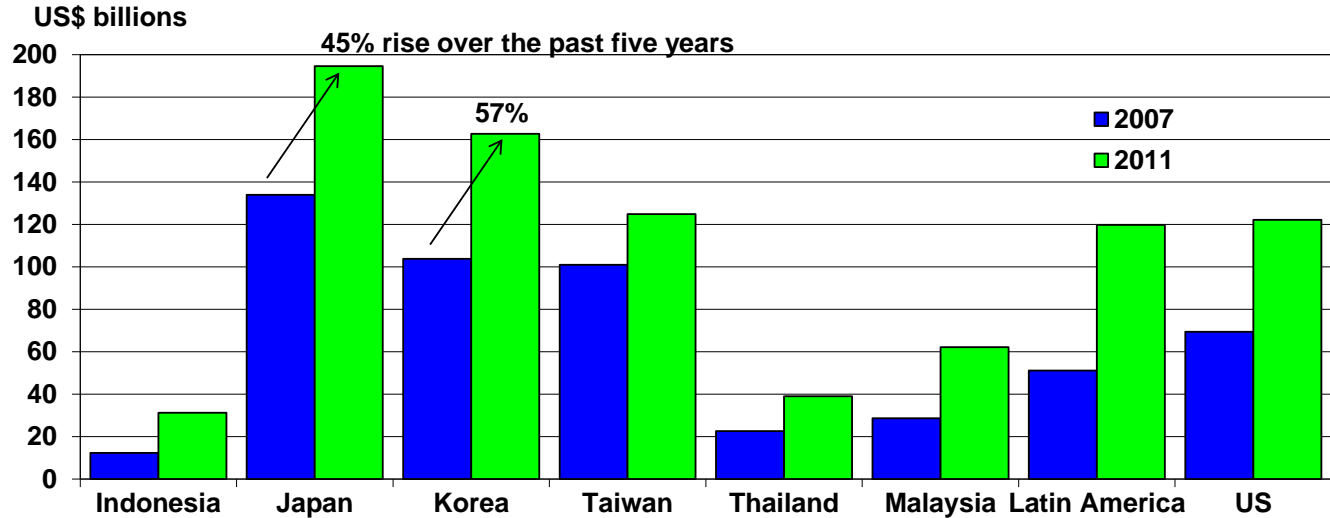
Source: Bloomberg and Bank of Japan.

S. Korea rapidly increased exports to China

2007 vs. 2011



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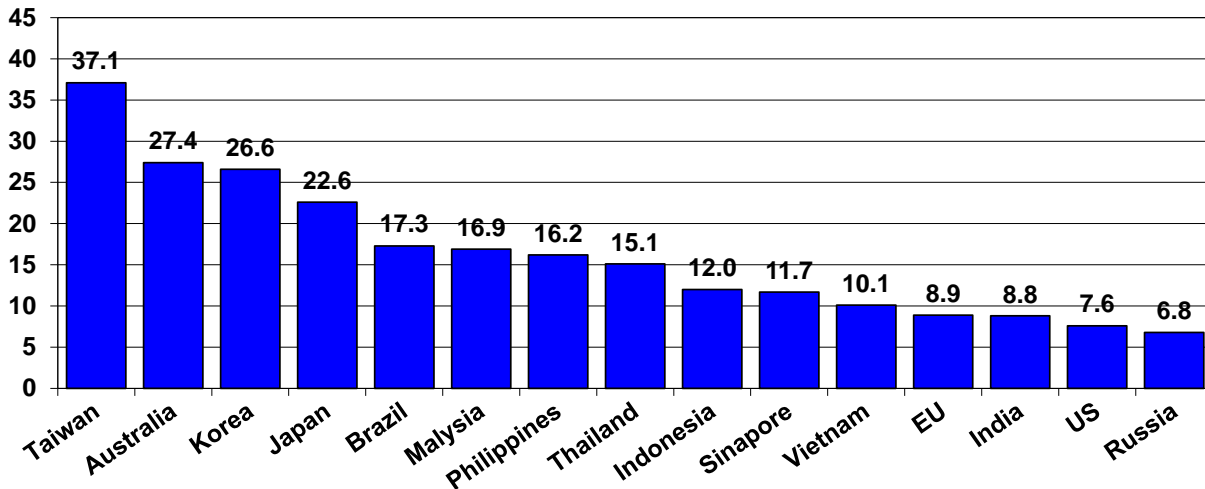


Source: Datastream



How important is China as an export market?

Share of total exports, 2011 (percent)

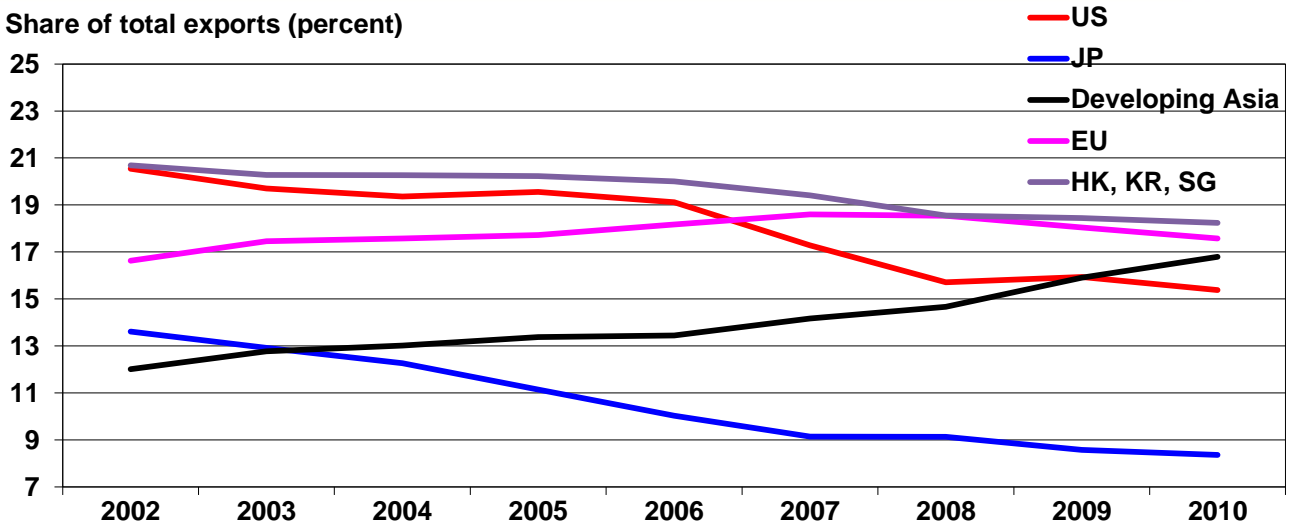


Expanding intra regional trade

Developing Asia's exports to world, 2002-10

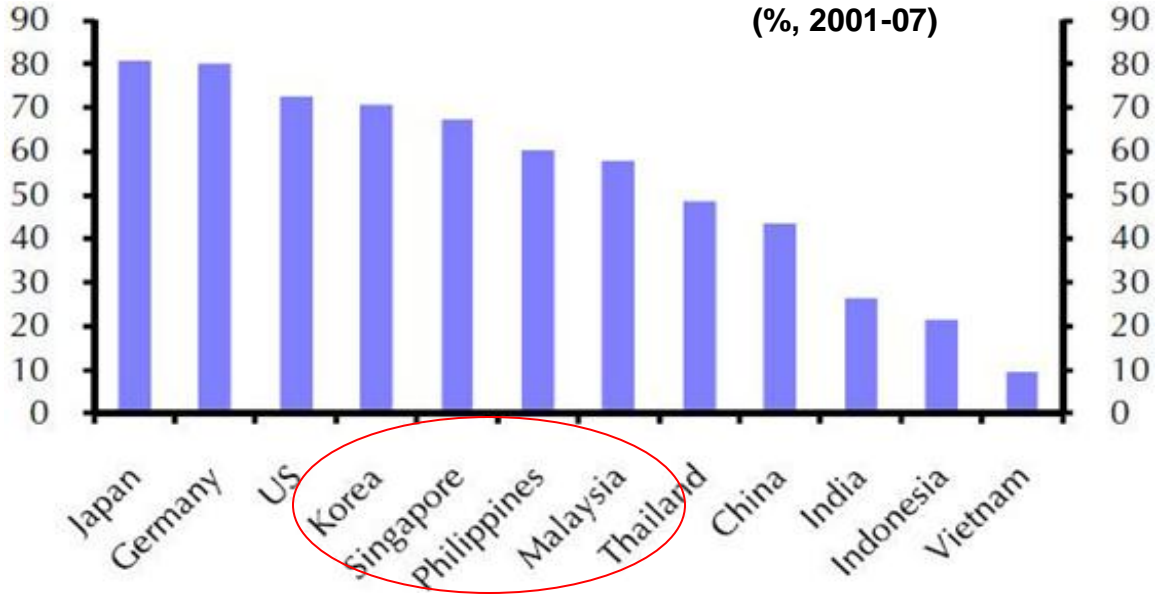


Share of total exports (percent)



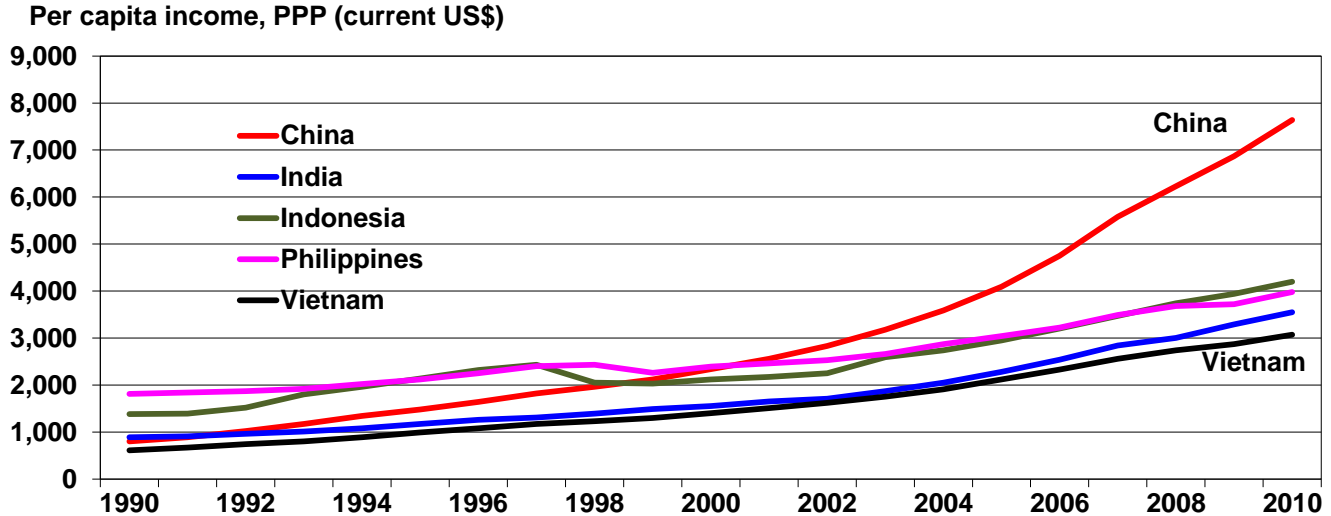
China's tech advance squeezes Thailand...?

Proportion of exports ranked in the top half of goods by sophistication





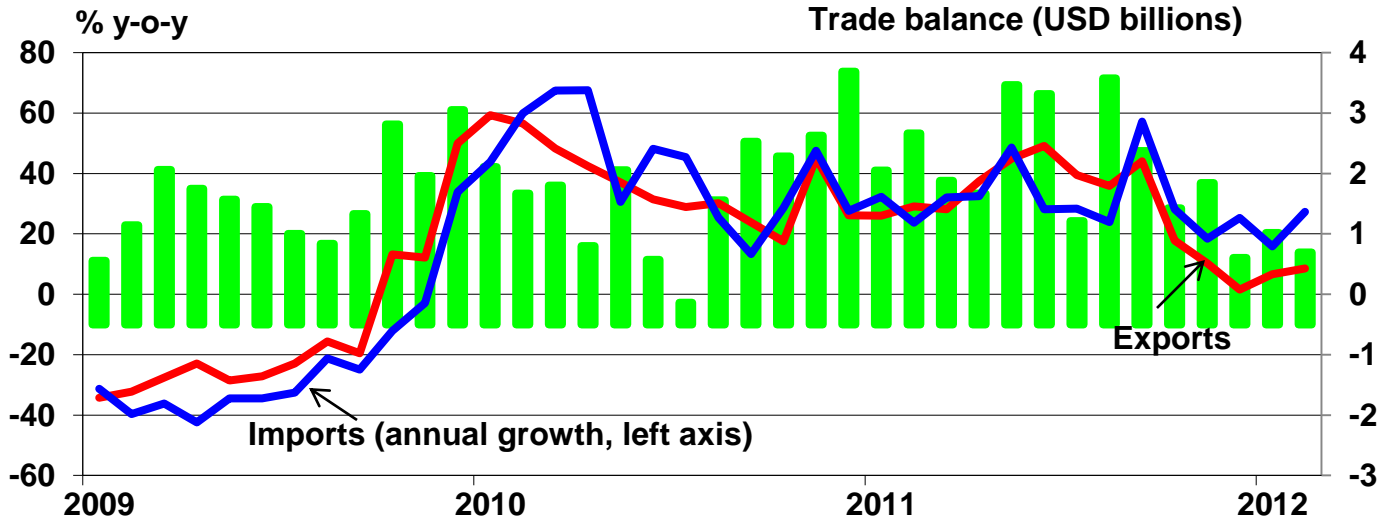
Vietnam is the next China?



Source: WDI

External wobbles have spilled over to Indonesia

...leading to a big decline in the trade surplus



Source: Bloomberg

But Indonesia's economy expanded at 6.5%

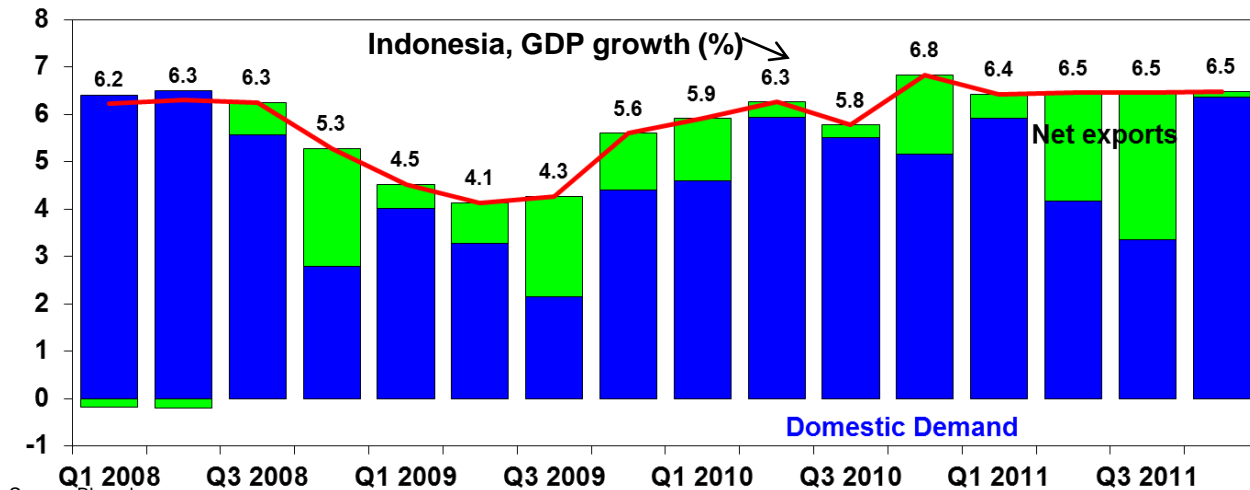
Supported by the domestic engine



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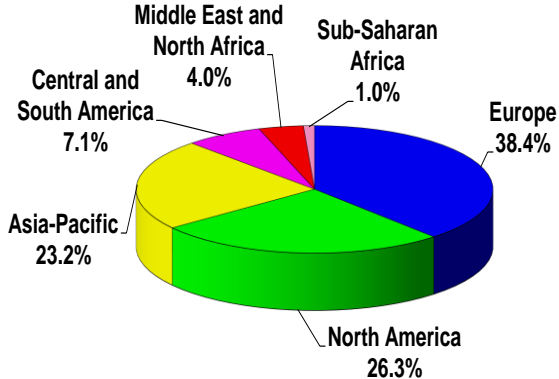
% y-o-y contribution

Domestic orientation shelters more than many of its Asian peers

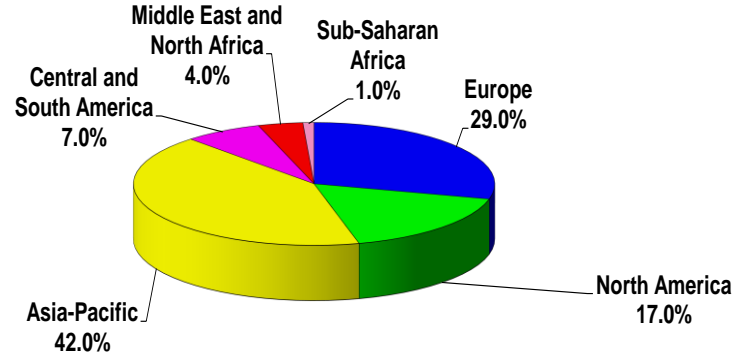


Asia's middle class is emerging, Twice the US share of spending by 2020

Share of Global Middle Class Spending, 2009



Projected share, 2020



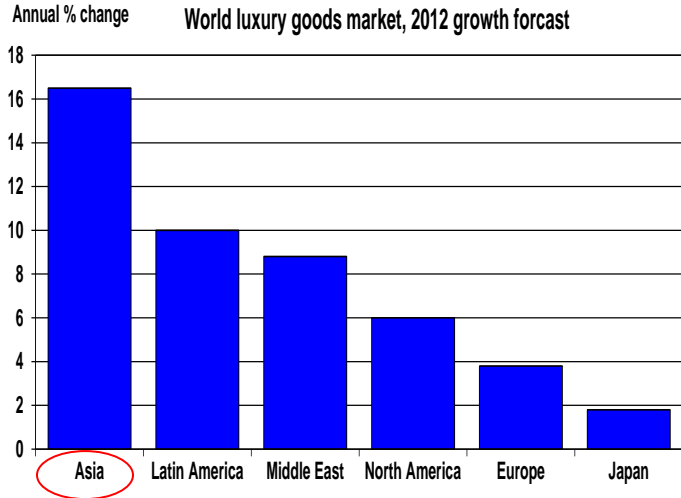
Source: Homi Kharas, "The Emerging Middle Class in Developing Countries," OECD working papers (2010)

Note: the global middle class is defined as those households with daily expenditures between USD10 and USD100 per person in 2005 PPP dollars.

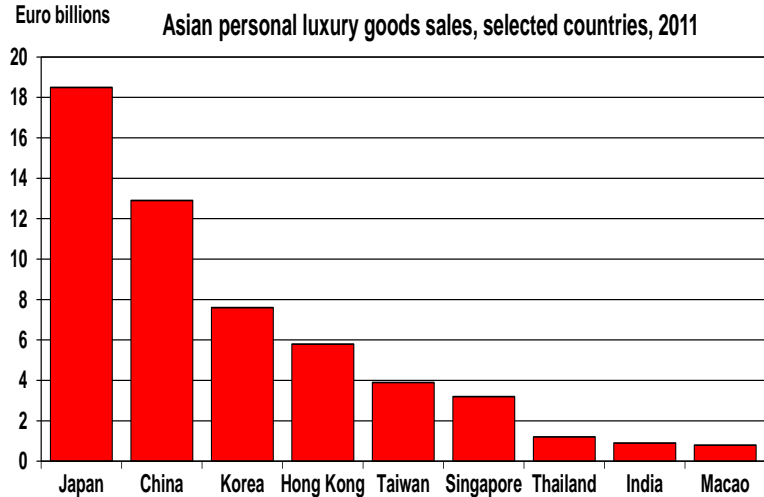
Luxury market in Asia is exploding



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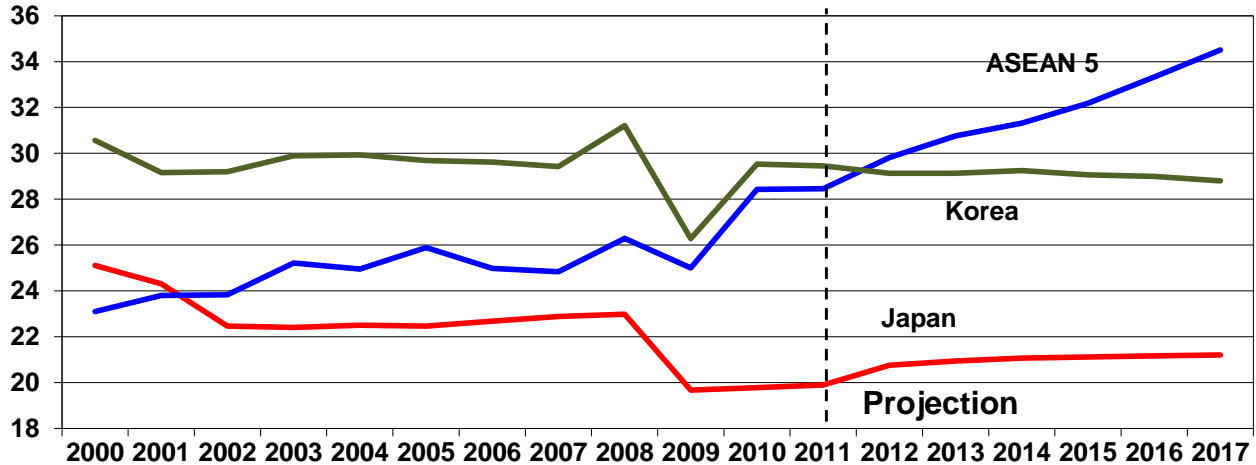
Source: Bain & Company; Fondazione Altgamma



Investment remains a key driver of growth



Fixed investment as a percent of GDP

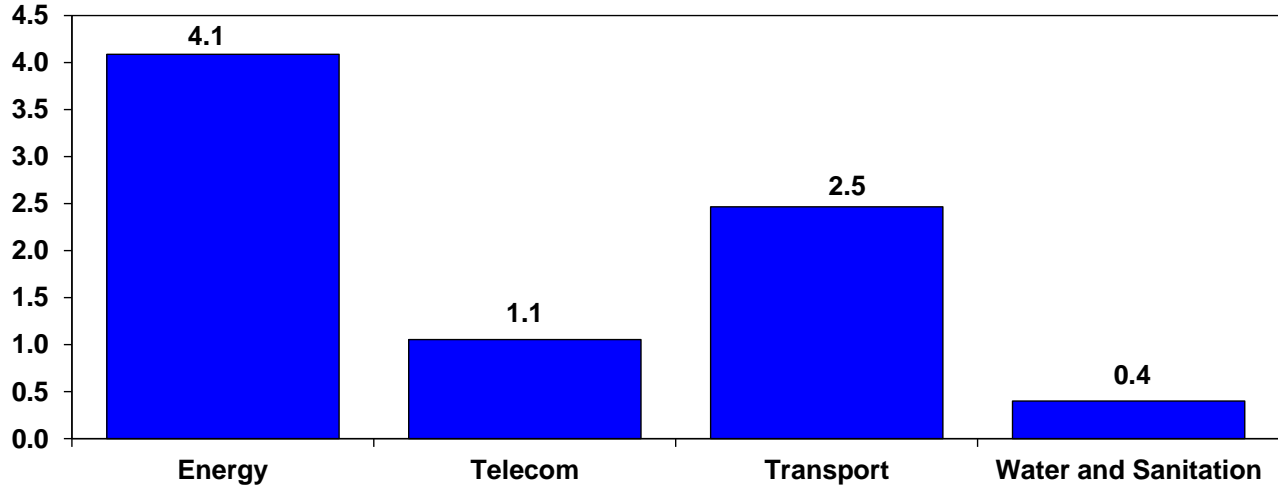


Source: IMF's World Economic Outlook (2012).

Note: ASEAN 5 comprises the Philippines, Indonesia, Malaysia, Thailand and Vietnam

Over \$8 trillion will be committed to infrastructure projects across Asia* in 2010-20

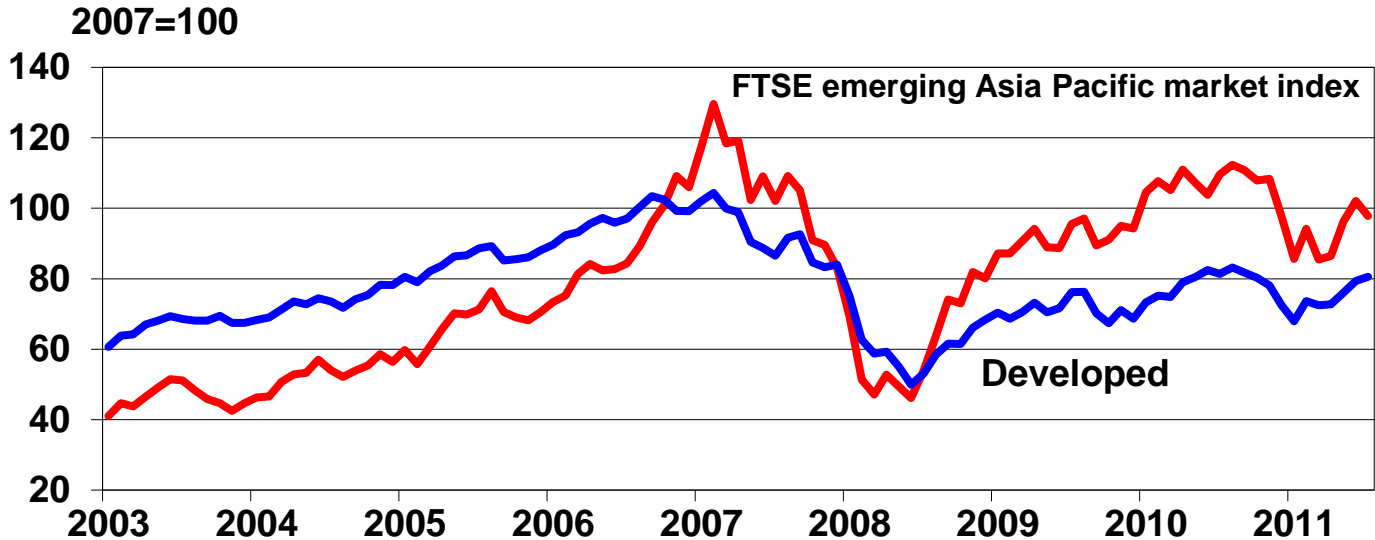
Asia's infrastructure investment needs by major sector, 2010-2020 (US\$ trillions)



Source: Asian Development Bank; World Bank Private Participation in Infrastructure (PPI) Database;

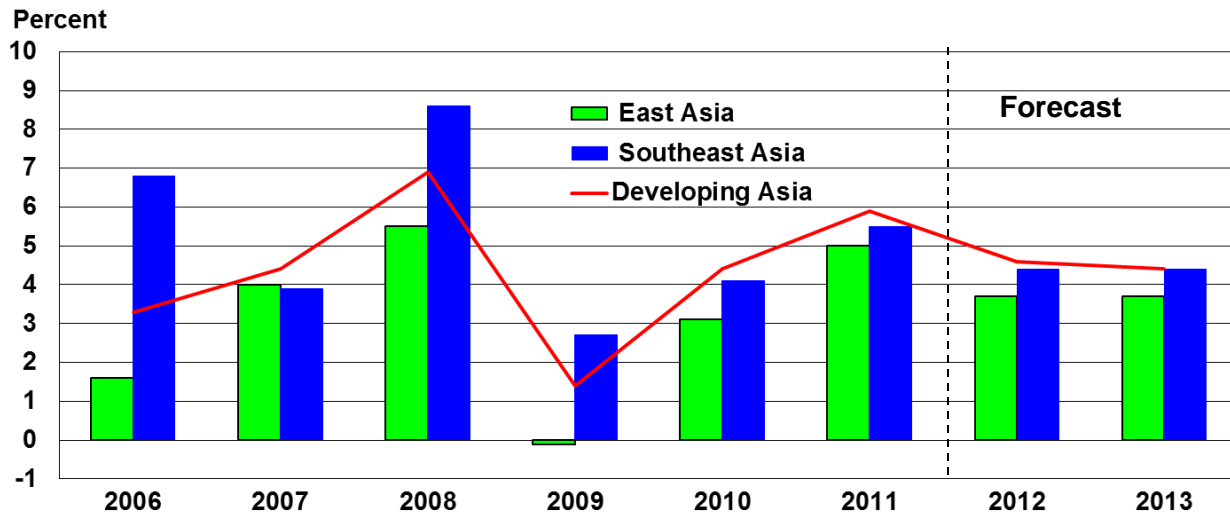
Note: * denotes China, India, and ASEAN

Capital is flowing back in emerging Asia markets



Source: Bloomberg

Oil supply disruptions could erupt price spikes



Too much liquidity, again?

Foreign investments in developing Asia



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