

Countries and Regions

China

	2005	2006	2007
GDP Growth Rate (%)	10.2	10.5	9.6
Inflation Rate (%)	3.9	4.0	3.9

(Actual figures for 2005)

The Economy in 2006: Double-digit Growth Rate for the Fourth Consecutive Year, Led by Brisk Investment

The Chinese economy is predicted to post a 10.5% growth rate in 2006, led by accelerating investment. Given that the growth rates for the preceding years have been adjusted upward in line with revisions to the national account statistics, this means that the economy will attain double-digit growth rate for the fourth consecutive year since 2003.

Private consumption has remained solid, with retail sales of consumer goods in urban areas and rural areas increasing by 14.1% and 12.8%, for an overall rate of 13.5%, in the January-August period of 2006 over the same period of the previous year. Consequently, real-term private consumption for the year as a whole is estimated to grow by 7.5%. Government consumption is expected to increase by 10.0%.

In order to deal with the overheating of investment that surfaced in 2003, the government began tightening restraints on investment starting in 2004. It eased the restraints slightly in the second half of 2005 for fear that the policy might put a brake on economic growth, but when investment activities became overheated again in the first quarter of 2006, it switched back to tight restraints on investment activities, taking steps including administrative guidance and raising interest rates. Investment in fixed assets in nominal terms increased by 26.8% in the January-October period of 2006 over the same period of the previous year. This rate, which is 4.5 percentage points lower than the growth rate registered in the first half of the year, can be interpreted as revealing the effect of policy measures to restrain excessive investment, but given the fact that investment in real estate development in the first 10-month period of 2006 increased by 24.1% over the same period of the previous year, these policy measures seem to have been less than fully effective in cooling down the excessive investment. Total real-term investment in fixed assets is estimated to grow by 19.6% in 2006.

Customs-cleared U.S. dollar-denominated exports of goods in the January-October period of 2006 increased by 26.9% over the same period one year

earlier, led primarily by thriving exports destined to the advanced economies and Asian countries. The exchange rate of the Chinese renminbi (people's yuan) has remained approximately 3% above the rate registered in 2005, and export prices are also expected to rise by approximately 3%. Total real-term exports for 2006 as a whole are expected to increase by 19.3%, a rate 3.3 percentage points lower than the 22.6% growth rate registered in 2005.

By contrast, customs-cleared U.S. dollar-denominated imports of goods grew by 20.9% in the January-October period of 2006 over the same period of the previous year.

Under the effect of the continuing brisk increase in investment and the solid performance of private consumption, total real-term imports for the year, despite the slightly slowing growth of exports in 2006, are predicted to grow at an accelerating rate of 15.8% compared to the 2005 growth rate of 12.6%.

As a combined effect of the foregoing developments, the Chinese economy is predicted to grow by 10.5% in 2006, led by domestic demand, and in particular by investment. Given the fact that prices remain stable in spite of the accelerating economic growth, the inflation rate of general prices in 2006 is predicted to be 4.0%, a rate just 0.1 percentage point higher than in 2005.

Forecast for the Economy in 2007: 9.6% Growth Under the Effect of the Continuing Restraints on Investment and Slowing Growth of Exports

In 2007, the Chinese economy will be adversely affected by slowing export growth caused by factors such as decreased growth in the advanced economies, the continuation of the government's restraints on investment activities, and adjustments to the export incentive programs, but nonetheless is forecast to register an impressive 9.6% growth rate, even though slowing by 0.9 percentage point from the 2006 rate.

Private consumption will be affected by slowing income expansion, and is forecast to increase by 6.3%, a rate 1.2 percentage points lower than in 2006. Government consumption is expected to expand by 10.0%, the same rate as in the previous year.

Given the prospects that the government's policy to curb investment activities will remain in place in 2007, total investment in fixed assets during the year is forecast to grow by 14.1%, slowing by 5.5 percentage points from the 2006 rate.

The growth rate of exports is expected to slow to 13.4%, under the effect of decreasing growth in the advanced economies. Reflecting the slowing growth of exports

and the deceleration of domestic investment, imports are predicted to grow by 14.0%, a rate 1.8 percentage points lower than in 2006. With exports decelerating by a larger margin than imports, the rate of growth of net external demand will contract significantly. This implies that China's foreign exchange reserves, which topped the US\$1 trillion mark in 2006, will not continue to increase at an accelerating pace in 2007.

As a combined effect of the foregoing factors, the Chinese economy is forecast to continue posting a brisk rate of 9.6% in 2007. The inflation rate of general prices is forecast to be 3.9%, heading toward further stabilization.

South Korea

	2005	2006	2007
GDP Growth Rate (%)	4.0	4.8	4.4
Inflation Rate (%)	0.9	2.5	2.6

(Actual figures for 2005)

The Economy in 2006: Accelerated Growth at 4.8%, Led Mainly by an Upturn in Private Consumption and Equipment Investment

The South Korean economy has been shored up by an upturn in private consumption and by brisk investment in equipment in 2006, and is predicted to grow by 4.8%, accelerating from the 4.0% growth rate achieved in 2005.

Private consumption, after registering net decreases for two consecutive years beginning in 2003 under the effect of increased cases of personal insolvency caused by the excessive issuance of credit cards, moved to a positive growth rate of 3.2% in 2005. In 2006, it has continued this upward trend, led by increased purchases of cars and other consumer durables as well as services, and is estimated to increase by 4.0%.

Corporate investment is picking up, centered on the IT and related industries, and is estimated to increase by 7.3% in 2006, outpacing the 2005 growth rate of 5.1%.

By contrast, increased taxes on real estate and other government measures intended to calm the excessive boom in real estate investment are putting the brake on construction investment, which in the first three quarters of 2006 decreased by 1.7% compared with the same period one year earlier. For 2006 as a whole, construction investment is estimated to decrease by 0.9%, falling further from the small increase rate of 0.4% in 2005. However, construction permits, which are leading indicators for construction investment, have increased sharply, with those for commercial buildings and dwellings, and total construction permits in the January-October period of 2006, increasing by 44%, 41%, and 42%, respectively, over the same period in the previous year. These figures, which suggest a sharp increase in the demand for real estate, signal a recovery in construction investment in the near future. The growth rate of total investment is predicted to be 2.4%, a rate slightly higher than the 2005 rate of 2.3%.

Customs-cleared (U.S. dollar-denominated) exports to China in the January-October period of 2006 increased by a mere 11.7% over the same period one year earlier, a rate considerably lower than the 24.4% increase registered for 2005 as a whole, but those to the United States in the same ten-month period increased by 5.0%

over the previous year, rebounding from the 3.5% decrease registered for 2005 as a whole. Total exports in the January-October period increased by 14.3%, registering a small expansion from the 12% increase for 2005 as a whole. Given that the adverse effects of the appreciating won since the beginning of the year have been cancelled out by the favorable performance of exports in the IT and related industries, real-term exports for 2006 as a whole are expected to increase by 13.1%, a rate 4.6 percentage points higher than in 2005.

Customs-cleared imports increased by 19.6% in the January-October period. Under the effect of the rising prices of crude oil and the appreciation of the won, import prices for 2006 are expected to increase by about 6%. Partly due to the solid increases in investment in equipment and exports, real-term imports are estimated to increase by 13.1%, a rate 6.2 percentage points higher than the 2005 rate of 6.9%.

Summing up the foregoing developments, all the domestic components of the South Korean economy, with the exception of construction investment, which has been faltering, are more or less at the same stage of recovery. Although the increase in net external demand will be smaller than in 2005, it will remain strong, and the economy is predicted to register a growth rate of 4.8% in 2006, a rate higher than the 4.0% registered in 2005. Reflecting rising import prices and other factors, the inflation rate of general prices is estimated to increase by 2.5%, a rate 1.6 percentage points higher than the 0.9% in 2005.

Forecast for the Economy in 2007: Slower Growth at 4.4%, Affected by a Slowing Expansion of External Demand and Equipment Investment

Given the prospects that the growth rate of exports will decrease under the effect of faltering growth in the advanced economies and slowed growth in the Chinese economy, the South Korean economy is forecast to register a growth rate of 4.4% in 2007, a rate 0.4 percentage point lower than in 2006.

Among domestic demand components, private consumption is forecast to increase by 3.6%, slowing from the 2006 rate of 4.0%. Factors including the presidential election scheduled toward the end of 2007 and the apprehension that the export growth rate will continue to decrease will dampen the business sentiment of enterprises for investment spending, and the growth rate of investment in machinery and equipment is forecast to decrease by 1.5 percentage points from the 2006 rate to 5.8%. On the other hand, construction investment, which registered a negative growth rate in 2006, is forecast to bounce back to a moderate positive growth rate of 2.1%. Total

investment is forecast to increase by 3.5%, compared to the 2006 rate of 2.4%.

Even though demand for semiconductor related products will head toward recovery, and the performance of automobile-related industries is projected to be strong, South Korea's exports are expected to increase by 11.7% in 2007, a rate 1.4 percentage points lower than in 2006. Reflecting the slowing growths of both domestic and external demand, the growth rate of imports is also forecast to fall by 1.1 percentage point from the 2006 rate to 12.0%.

As a combined effect of the foregoing factors, the South Korean economy is forecast to grow by 4.4% in 2007, a rate 0.4 percentage point lower than in 2006. Given the prospects that the won will eventually stabilize, and that crude oil prices will remain lower than in 2006, the inflation rate of general prices is forecast to be 2.6%, a rate essentially unchanged from 2006.

Taiwan

	2005	2006	2007
GDP Growth Rate (%)	4.0	4.4	4.1
Inflation Rate (%)	-0.5	-0.5	0.2

(Actual figures for 2005)

The Economy in 2006: 4.4% Growth, Sustained by Solid Exports

Taiwan's economy is predicted to grow by 4.4% in 2006, sustained by solid exports, which will more than offset the effect of faltering domestic demand.

Given the fact that increased cases of credit card default have made banks reluctant to finance personal purchases by consumers, private consumption is predicted to increase by a small 1.3%. Government consumption, dampened by continuing cutbacks on public expenditures as a measure for fiscal rehabilitation, is expected to decrease by 0.3% in 2006.

After posting a large increase of 31% in 2004, private investment began to decrease in the fourth quarter of 2005. Given, however, the fact that investment in machinery and equipment moved from negative to positive growth in the third quarter of 2006, and also given a continuing increase in construction investment, private investment for 2006 as a whole is predicted to increase by 1.6%. Government investment is expected to decrease by 2.8%. Investment by public enterprises is expected to decrease by 3.9%, partly due to the privatization of Chunghwa Telecom and other public enterprises. Consequent upon these factors, gross fixed capital formation for the year is predicted to increase by a small 0.3%.

Customs-cleared U.S. dollar-denominated exports in the January-October period of 2006 increased by 13.8% over the same period of the previous year. Broken down by destination, exports destined to China and Hong Kong, which account for 40% of the total exports, increased by a solid rate of 16%, increasing from the 12% registered for 2005 as a whole, while those to the United States increased by 14%, rising from the 1% increase registered for 2005 as a whole. By product, exports were led by a 26% rise in electronic products, which constitute 25% of total exports.

On the other hand, orders placed for exports, which represent a leading indicator of exports, fell in the second half of the year, and exports are projected to decelerate toward the end of the year. The rise in the export price index (denominated in U.S. dollars) is expected to be small, and real-term exports for 2006 as a whole are

expected to increase by 10.7%.

Customs-cleared U.S. dollar-denominated imports in the January-October period of 2006 increased by 10.8% over the same period one year earlier. Broken down by product, raw materials, which account for 70% of the total imports, increased by 16%, while capital goods decreased by 5% increased in the ten-month period, compared with the same period one year earlier. The import price index (denominated in U.S. dollars) has risen by approximately 7%, under the influence of high crude oil prices, and real-term imports are projected to be held down. Consequent upon these developments, imports are predicted to increase by 6.6%.

As a combined effect of the foregoing developments, Taiwan's economy is predicted to grow by 4.4% in 2006, sustained by solid exports. The inflation rate of general prices is predicted to decrease by 0.5%, reflecting faltering domestic demand, which will more than offset the upward pressure of rising crude oil prices.

Forecast for the Economy in 2007: 4.1% Growth Under the Influence of Slowing External Demand, Despite a Recovery in Domestic Demand

Despite a recovery in domestic demand, Taiwan's economy is forecast to grow by 4.1% in 2007, under the effect of a slowing export expansion caused by decreased world economic growth.

Given the prospects for an easing of the tight credit environment, private consumption is forecast to increase by 2.8%, a rate 1.5 percentage points higher than in 2006. Government consumption is expected to increase by 1.9%.

Although manufacturing companies will continue to make foreign direct investment in China and other countries and to relocate production bases overseas, domestic investment will also register an increase, centered on the IT industry, with the result that private investment is forecast to increase by 3.2%, a rate 1.6 percentage points higher than in 2006. Given the plans by public enterprises to invest in electric power facilities and oil refining facilities during 2007, investment by these enterprises in the year is expected to increase by 7.5%. Government investment is expected to increase by 0.1%. Consequent upon these factors, gross fixed capital formation is forecast to grow by 3.1%, a rate 2.8 percentage points higher than in 2006.

Exports are expected to grow by 7.0%, a rate lower than in 2006, reflecting the slowing external demand. Imports of raw materials will slow under the effect of slowing export growth, and imports are forecast to grow by 5.6%, a rate 1 percentage point higher than in 2006.

As a combined effect of the foregoing factors, Taiwan's economy is forecast to grow by 4.1% in 2007, with domestic demand making up for the decrease in exports. The inflation rate of general prices is forecast to increase by a small 0.2%, bouncing back to a positive rate as a reflection of the recovery in domestic demand.

Hong Kong

	2005	2006	2007
GDP Growth Rate (%)	7.3	6.8	5.9
Inflation Rate (%)	-0.2	-0.1	0.1

(Actual figures for 2005)

The Economy in 2006: 6.8% Growth, Sustained by Expanding Domestic Demand, Despite Decelerating Growth of External Demand

The Hong Kong economy is predicted to grow by 6.8% in 2006, under the effect of expanding domestic demand, despite slowing external demand growth.

Hong Kong's real-term exports of goods grew by 9.6% in the first three quarters of 2006 over the same period one year earlier (same for figures below), a rate lower than the 11.2% growth rate for 2005 as a whole. Domestic exports of goods, which accounted for 6% of total exports of goods in 2005, increased by 17.9 % in the same nine-month period, but re-exports of goods, which took up a large 94% share of total exports of goods in 2005, increased by a much smaller margin of 9.1% in the same nine-month period. Consequently, total exports of goods in 2006 as a whole are expected to grow by 10.0%, a rate 1.2 percentage points lower than in 2005. Stimulated by vigorous offshore trade and the buoyant financial market, exports of services are predicted to grow by 8.6%, a rate virtually the same as in 2005. Consequent upon these factors, Hong Kong's total exports of goods and services are predicted to grow by 9.7%, a rate 1.0 percentage points lower than in 2005.

Under the effect of the accelerating growth of domestic demand, in addition to thriving exports of goods, imports of goods are predicted to increase by 9.6%, a rate 1.0 percentage point higher than the 2005 rate of 8.6%. On the other hand, imports of services, which have been stimulated by the increasing number of people traveling abroad and other factors, are predicted to increase by 5.6%, accelerating from the 2.9% growth rate in 2005. Consequently, total imports of goods and services are predicted to grow by 9.2% in 2006, a rate 1.1 percentage points higher than in 2005.

Among the components of domestic demand, private consumption is solid. Given the improvement in the employment environment brought about by a decrease in the unemployment rate, which hit a five-year low of 4.5% in the August-October period of 2006, along with other factors, private consumption is predicted to increase by 4.7% in 2006, accelerating from 2005's 3.4% rate. Government consumption is expected to

decrease by a small 0.5%, remaining virtually unchanged from the 2005 level.

Although private construction investment registered a negative growth rate of 0.3% in the first three quarters of 2006, private investment in machinery, equipment, and computer software increased by 20.6% in the same period. Consequently, private investment during 2006 as a whole is predicted to grow by 11.6%. With no major new public works projects being launched during 2006, public investment is expected to post an 11.6% decrease in the year, continuing its falling trend in succession to 2005. Total investment is predicted to grow by 8.4%, up 4.3 percentage points from the 2005 rate.

As a combined effect of the foregoing developments, the Hong Kong economy is predicted to grow by 6.8% in 2006. The inflation rate of general prices is predicted to register a 0.1% decrease.

Forecast for the Economy in 2007: 5.9% Growth, Reflecting Moderate Slowdowns in the Growth of Domestic Demand and External Demand

The Hong Kong economy is forecast to grow by 5.9% in 2007, reflecting moderately slowing growths of both domestic demand and external demand.

Given the prospects that the growth rates of the Chinese economy and advanced economies will slow, Hong Kong's exports of goods are expected to grow at a decelerating rate of 8.1%, 1.9 percentage points lower than in 2006. Exports of services are forecast to increase by 7.2%, decreasing by 1.4 percentage points from 2006. Consequent upon these factors, total exports are forecast to grow by 7.9%.

In tandem with the slowing growth of goods exports, imports of goods are also predicted to grow by a reduced rate of 7.7%, 1.9 percentage points lower than in 2006. Imports of services are predicted to grow by 4.8%, a rate 0.8 percentage point lower than in 2006. Consequently, total imports are forecast to grow by 7.4%.

Given the prospect that the employment environment will remain stable, private consumption is forecast to grow by 4.3%, though this represents a slight deceleration from the 2006 rate. Government consumption is expected to increase by 2.0%.

Private investment is forecast to grow by 6.3%, decelerating from the double-digit rate registered in 2006. Given that public investment is expected to decrease by 5.0%, total investment in 2007 is forecast to grow by 5.2%.

As a combined effect of the foregoing factors, the growth rate of the Hong Kong economy in 2007 is forecast to be 5.9%. The inflation rate of general prices is forecast to be 0.1%.

Singapore

	2005	2006	2007
GDP Growth Rate (%)	6.4	8.1	6.1
Inflation Rate (%)	0.6	1.0	0.9

(Actual figures for 2005)

The Economy in 2006: High Growth of 8.1%, Led by Thriving Exports and a Recovery of Domestic Demand

Singapore's economy in 2006, buoyed by both continuing brisk exports and a recovery in domestic demand centered on private investment, is predicted to register a high growth rate of 8.1%.

Customs-cleared, Singapore dollar-denominated domestic exports of non-oil products posted a double-digit growth rate of 12.5% in the January-September period of 2006 over the same period one year earlier (same for figures below). Broken down by destination, although those destined to the EU slowed to a 5% growth rate, those to the United States, which shrunk in 2005, performed well, increasing by 17%, and those to China increased 12% in the nine-month period. Given the fact that domestic exports of oil products have also been strong in succession to 2005, domestic exports for 2006 as a whole are expected to increase by 15.2%.

Among the various components of domestic demand, private investment, which began to rebound rapidly at the end of 2005, continued to perform well in 2006. In addition to a significant expansion of investment in machinery and equipment, construction investment, which had been stagnant, began to increase, though at a moderate pace. The amount of investment commitments in Singapore's manufacturing industry by foreign investors also increased by an impressive margin of 15.5% in the January-September period. Consequent upon these developments, private investment for 2006 as a whole is predicted to post a double-digit growth rate of 12.5%, marking a sharp rebound from the negative growth rate of 1.4% registered in 2005.

Private consumption has remained solid, sustained by the economic expansion and stable employment situation, and is predicted to increase by 3.1% in 2006, compared to the 2.5% rate attained in 2005.

On the other hand, government investment is expected to fall by 10% in 2006, despite a 15% increase in government consumption, both in nominal terms.

Given the announcement of the Monetary Authority of Singapore (MAS) that it

would continue allowing “the nominal effective exchange rate of the Singapore dollar to appreciate modestly and gradually within a certain range of fluctuations,” the Singapore dollar is expected to appreciate by 4.4% against the U.S. dollar for 2006 as a whole. Given the fact that monetary policy remains neutral to economic fluctuations, the money supply, M1, is expected to increase by 8.6%.

As a combined effect of the foregoing developments, the Singapore economy is predicted to register a high growth rate of 8.1% in 2006.

The inflation rate of general prices is predicted to increase by 1.0%, a rate 0.4 percentage point higher than in 2005, reflecting the economic expansion.

Forecast for the Economy in 2007: Growth Will Decelerate but still Remain Solid at 6.1%

In 2007, the economy in Singapore will decelerate from the high growth of the previous year, but will still remain solid at 6.1%.

Worldwide demand for IT-related products and pharmaceuticals is expected to remain stable in 2007. The advanced economies and those of the Asian countries and regions are also expected to remain solid, even if their growth rates will be slightly lower than in 2006. Consequently, domestic exports are expected to increase by 13.5%, if not by as large a margin as in 2006.

Private investment is forecast to grow by 6.6%, decelerating from the double-digit growth rate attained in 2006. Private consumption is forecast to increase by 3.0%, reflecting the solid performance of the economy.

In the area of government expenditures, government consumption is expected to increase by 5%, while government investment is expected to remain essentially unchanged from 2006. The Singapore dollar is expected to appreciate by 1.5% against the U.S. dollar in 2007 as a whole. The money supply is expected to remain neutral to economic fluctuations, and to increase by 7.5%.

As a combined effect of the foregoing factors, Singapore’s economy in 2007 is forecast to register a solid growth rate of 6.1%, though this is 2.0 percentage points lower than the 2006 rate. The inflation rate of general prices is forecast to be just 0.9%.

Indonesia

	2005	2006	2007
GDP Growth Rate (%)	5.6	5.2	5.8
Inflation Rate (%)	13.7	14.1	7.1

(Actual figures for 2005)

The Economy in 2006: Deceleration to 5.2% Growth, Due to Slackening Investment Growth

While exports expanded significantly, the Indonesian economy is predicted to grow by 5.2% in 2006, a rate 0.4 percentage point lower than in 2005, under the effect of sluggish domestic investment.

Private consumption, which has led the overall economy, began to decelerate, and registered a moderate increase of 3.0% in the first three quarters of 2006 over the same period one year earlier. The reduced growth rate was caused primarily by a surge in consumer prices and the rising interest rate, which was triggered by a huge cutback on government subsidies to fuels in October 2005 and the subsequent rise in fuel prices. Given the prospects that consumption will slowly rally toward the end of 2006, under the effect of a stabilization of inflation, private consumption for the year as a whole is predicted to increase by 3.2%. On the other hand, government consumption is expected to grow by 12% in 2006, reflecting the significant increase registered in the first half of the year.

After an impressive average annual growth of 13.6% since the first quarter of 2004, total investment suddenly lost steam following an interest hike implemented in August 2005, and has remained in the doldrums ever since. It rose by less than 2.0% in the first half of 2006 over the same period one year earlier, and then fell into negative growth in the third quarter of the year. Despite the fact that the investment climate is gradually improving thanks to the introduction of policy packages designed to boost investment activities, total investment for 2006 as a whole is predicted to increase by a small 1.5%, a rate remarkably lower than the 2005 rate of 9.9%.

Unlike domestic demand, exports have remained solid since the beginning of 2006. Customs-cleared U.S. dollar-denominated nominal exports in the January-October period increased by 16.4% over the same period of the previous year, with exports of non-oil and non-gas products, which account for almost 80% of total exports, and those of oil and gas products, increasing by 17.9% and 11.1%, respectively.

Since the rupiah has been appreciating against the U.S. dollar, real-term exports for the year as a whole are expected to increase by 15%. On the other hand, real-term imports increased by just 3.9% in the first quarter of 2006 over the same period one year earlier, but accelerated to 8.4% in the second quarter, and further to 9.7% in the third quarter, led by expanding exports. Consequently, they are predicted to grow by 8.2% in the year as a whole.

As a combined effect of the foregoing developments, the Indonesian economy is predicted to grow by 5.2% in 2006. Despite the decrease in import prices due to the appreciation of the rupiah, the inflation rate of general prices in 2006 is predicted to accelerate from the 2005 rate of 13.7% to 14.1% under the effect of the hike in fuel prices implemented at the end of the previous year.

Forecast for the Economy in 2007: 5.8% Growth, Stimulated by an Upswing in Domestic Demand

Given the prospect that domestic demand will recover, the Indonesian economy is forecast to grow by a solid 5.8% in 2007.

Factors such as the dwindling of inflationary pressure and stabilization of the exchange rate are expected to exert a downward pressure on interest rates during 2007. Both consumption and investment, which was weak in 2006, will pick up, with the result that private consumption is forecast to grow by 4.2%, outpacing the 2006 growth rate, and total investment by 8.6%, a rate close to the rate registered in 2005.

Government consumption is expected to expand by 10%, led mainly to by expenditures for improving public services for poverty alleviation, disaster rehabilitation, and those related to educational and welfare programs.

Because the economies of developed countries, such as the United States and Japan, will decelerate slightly, exports, which fared well in 2006, are expected to grow by 8.5%, a rate 6.5 percentage points lower than in 2006. On the other hand, under the effect of expanding domestic demand, imports are forecast to grow by 9.1%.

As a combined effect of the foregoing factors, the Indonesian economy is forecast to grow by 5.8% in 2007. Considering that crude oil prices, whose rise was mainly responsible for pushing up general prices in 2005 and 2006, have been stable since mid-2006, further cutbacks on government subsidization of fuel prices are not likely to take place in 2007. Consequently, the inflation rate of general prices is forecast to decrease sharply from the 2006 rate to a more stable 7.1%.

Thailand

	2005	2006	2007
GDP Growth Rate (%)	4.5	4.8	4.9
Inflation Rate (%)	4.6	5.0	4.4

(Actual figures for 2005)

The Economy in 2006: 4.8% Growth, Led by Sound Exports

The Thai economy is predicted to post a growth rate of 4.8% in 2006, led by sound exports.

Consumer confidence weakened during the first two quarters of 2006, as evidenced, for example, by the fact that sales of automobiles in the January-June period of the year decreased by 3.2% compared to the same period one year earlier partly due to a sharp hike in the price of gasoline, increasing by an average of 28.7% in the same six months over the same period one year earlier. Consequently, the growth rate of private consumption decreased from 3.9% in the first quarter of 2006 to 3.3% and 2.9% in the second and third quarters. The inflation rate of the consumer price index is slowing, but given the fact that the monthly consumer confidence index after July 2004 has continued to decline compared with the same month of the previous year, private consumption in 2006 as a whole is estimated to increase by 3.1%.

The coup d'état that took place in September has left production and distribution activities of the real economy principally unaffected. Public safety also remains virtually unchanged from the pre-coup period. Nonetheless, due partly to the persistent political confusion since the beginning of the year, government consumption is expected to increase by a slowing rate of 4.6%.

Because of delays in the implementation of foreign direct investment and other effects of the political confusion, private investment is estimated to increase by 4.3% in 2006. Public investment, affected by a delay in the Mega Project, a large-scale investment project launched by the previous government, and by other factors, is expected to increase by 4.8%, a rate 6.6 percentage points lower than in 2005. Consequent upon these developments, total investment is predicted to increase by 4.4%.

Customs-cleared U.S. dollar-denominated exports in the January-October period increased by 16.8% over the same period one year earlier. Broken down by destination, exports destined to the ASEAN region, Thailand's largest export market, which held a 21.8% share of the total in 2005, grew by 11.0% in the same ten-month

period, a rate 5.2 percentage points lower than in the same period one year earlier, while exports to China increased by 26.4% in the same period, a rate 2.5 percentage points lower than in the same period one year earlier. The average export price index for the January-October period was 1.7% higher than in the same period one year earlier. Real-term exports in 2006 as a whole are expected to increase by 7.4%.

Customs-cleared U.S. dollar-denominated imports in the January-October period, affected primarily by the rising prices of raw materials, registered a growth rate of 7.9% over the same period one year earlier, though slowing by 18.8 percentage points on a year-to-year comparison. Imports from China increased by 21.0% during the same period, slowing down by 17.8 percentage points from the previous year. The average import price index for the ten-month period increased by 3.0% over the same period one year earlier. Given that the import price index is expected to remain stable at a low level in the fourth quarter of the year and after, reflecting the falling prices of crude oil, real-term imports in 2006 as a whole are predicted to grow by 3.5%.

As a combined effect of the foregoing developments, Thailand's economy is predicted to register a growth rate of 4.8% in 2006. The inflation rate of general prices, under the effect of rising prices of raw materials and other factors in the first half of the year, is estimated to be 5.0%.

Forecast for the Economy in 2007: 4.9% Growth, under the Effect of Accelerating Investment

Thailand's economy is forecast to grow by 4.9% in 2007, sustained by accelerating investment growth, which will more than offset the slowing growth of external demand.

Prices have been on a trend toward stabilization since the latter half of 2006, and will contribute to stabilizing consumption. Private consumption is forecast to increase by 3.1%, the same rate as in 2006.

Given that FDI will begin to expand again as the political situation regains stability, private investment is forecast to grow by 9.0%, a rate 4.7 percentage points higher than in 2006. Given the prospect that public works programs succeeding those of the Mega Project will be launched or resumed, public investment is expected to increase by 7.0%. Consequently, total investment in the year is forecast to increase by 8.5%, a rate 4.1 percentage points higher than in 2006.

Under the effect of slowing growths of the advanced economies and other factors, exports are expected to grow by 7.0%, a rate 0.4 percentage point lower than in 2006. Imports are forecast to increase by 6.0%, led mainly by increased imports of

capital goods triggered by the expanding investment.

As a combined effect of the foregoing factors, Thailand's economy is forecast to register a growth rate of 4.9% in 2007, a rate 0.1 percentage point higher than in 2006. The inflation rate of general prices is forecast to decrease by 0.6 percentage point from the 2006 rate to 4.4%, reflecting the stabilization of raw materials prices.

Malaysia

	2005	2006	2007
GDP Growth Rate (%)	5.2	5.7	5.2
Inflation Rate (%)	4.6	4.7	4.1

(Actual figures for 2005)

The Economy in 2006: 5.7% Growth, Driven by Investments

In 2006, the Malaysian economy is predicted to accelerate from 2005's 5.2% growth rate to 5.7%, under the effect of a sharp upturn in the growth of private investment, which decelerated in 2005, and a large increase in public investment.

Given the strong consumer confidence underpinned by the favorable employment environment and low interest rates, private consumption is estimated to continue growing at a brisk 7.2%, a rate higher than the economic growth rate, though 2 percentage points lower than the 2005 rate of 9.2%.

Given the payment of bonuses to government employees as a means to improve the quality of public services, and other factors, government consumption is expected to grow by 5.5%, a rate almost the same as 2005's 5.4%.

Consequent upon the adoption of a managed floating exchange rate regime in July 2005, the average exchange rate of the Malaysian ringgit appreciated by 3% against the U.S. dollar in the January-November period of 2006 over the rate for 2005 as a whole. This has had the effect of lowering import costs and stabilizing the investment climate for enterprises. Private investment, which increased by 8.5% in 2005, is estimated to increase by an accelerated rate of 10.0% in 2006.

With the launching of the Ninth Malaysia Plan (the 9th five-year plan, abbreviated as 9MP) in 2006, government expenditures are increasing. Public investment, which rose by only 1.9% in 2005, is expected to increase by a large margin of 9.5%, led mainly by investment undertaken by non-financial public enterprises (NFPEs). Total investment is predicted to grow by 9.7%, a rate twice as high as the 2005 rate of 4.8%.

Customs-cleared exports to China performed well in the January-September period, increasing by 25% over the same period of the previous year, but those destined to Japan and the United States did not fare so well, increasing by just 3.1% and 6.8%, respectively. Even though total exports in the January-October period of 2006 increased by 10.0%, a rate slightly lower than the rate of 11.0% registered in 2005 as a whole, the

growth rate of real-term exports for 2006 as a whole is expected to decrease to 8.0% from 2005's 8.6%, reflecting the dampening effect of the ringgit's appreciation.

In the first ten months period, imports, reflecting solid domestic demand, increased by 10.7% compared to the same period of the previous year, led by imports of capital goods and intermediate materials, and are estimated to achieve a growth rate of 9.8% for the year as a whole, a rate 1.8 percentage points higher than the 8.0% in 2005.

As a combined effect of the foregoing developments, Malaysia's economy, though receiving an adverse impact from the shrinking net external demand, has been supported by the thriving domestic demand, and is predicted to grow by 5.7% in 2006, a rate 0.5 percentage point higher than the 5.2% registered in 2005. Given the fact that import prices remain stable, partly offsetting the continuing rises in the prices of crude oil and primary commodities since 2005, the inflation rate of general prices is predicted to be 4.7%, a rate almost the same as the 2005 rate of 4.6%.

Forecast for the Economy in 2007: Stable Growth of 5.2%, Despite Slowing Growth of Both Domestic and External Demand

In 2007, Malaysia's economy is forecast to continue posting a stable growth rate, at 5.2%, though this is 0.5 percentage point lower than the 2006 rate, under the effect of slowing growth of both domestic and external demand.

Consumer confidence will remain strong as the labor market is expected to remain stable. Private consumption is forecast to grow by 5.8%, continuing to outpace the GDP growth rate, though decreasing by 1.4 percentage points from the 2006 rate. Government consumption is expected to expand by 5.4% amid efforts to improve public services.

Exports are expected to increase by 7.0%, slowing by 1 percentage point from the 2006 rate primarily due to slowing growth in the advanced economies.

Given the prospect that import prices will be stable in 2007, combined with other factors, the investment climate will remain favorable during the year. Inflows of FDI will remain solid. The growth rate of private investment in 2007 is forecast to stay at a high 8.3%, though this will be lower than in 2006. As 9MP gets under way, public investment will be boosted primarily by increasing expenditures for development projects, and is expected to increase by 8.0%, continuing to register a high growth rate in succession to 2006. Total investment is forecast to increase by 8.2%, a figure 1.5 percentage points lower than the 2006 rate.

Under the effect of the slowing growth of investment and exports, the growth

rate of imports in 2007 is also forecast to decrease by 1 percentage point from the 2006 rate to 8.8%.

As a combined effect of the foregoing factors, Malaysia's economy will be underpinned by expanding government expenditures, which will partly offset the unfavorable effects of the slowing growth of domestic and external demand. It is forecast to continue registering a stable growth rate of 5.2% in 2007, though decelerating by 0.5 percentage point from the 2006 rate of 5.7%. The inflation rate of general prices is forecast to be 4.1%, a rate 0.6 percentage point lower than in 2006, reflecting declining crude oil prices and the stabilization of the ringgit.

The Philippines

	2005	2006	2007
GDP Growth Rate (%)	5.0	5.5	5.3
Inflation Rate (%)	6.2	5.7	5.3

(Actual figures for 2005)

The Economy in 2006: 5.5% Growth, Based on Expanding Exports and Strong Private Consumption

In 2006 the Philippine economy is estimated to register a growth rate of 5.5%, a rate 0.5 percentage point higher than in 2005, due to the outstanding performance of exports coupled with strong private consumption.

Private consumption, which accounted for approximately 80% of GDP in 2005, is performing better in 2006. This increased private consumption is attributable partly to rising farm household income and partly to a sustained upsurge in overseas remittances from migrant workers, which have registered double-digit high growth rates for four consecutive years. Broken down by item, consumption of foodstuffs and expenditures for transportation and communications increased significantly. Considering that private consumption increased by 5.4% in the first three quarters of 2006 over the same period one year earlier, it is estimated to rise by 5.5% in 2006 as a whole, a rate 0.6 percentage point higher than in 2005. On the other hand, the reenacted budget for 2006 along with the government's prudent spending under fiscal rehabilitation is expected to restrict the growth of government expenditures to just 4%, the same rate as in 2005.

Under the effect of the interest-rate hikes implemented in 2005 and rising uncertainties over the economy in the face of political disorder, total investment, especially in the private sector, has been stagnant since 2005. Looking at investment in the first three quarters of 2006, fixed capital formation for durable equipments, which accounts for approximately 50% of total investment, decreased for three consecutive quarters over the corresponding quarters one year earlier. Private construction investment also lost momentum. As a result, total investment in the first three quarters registered a year-to-year decrease of 2.2%. Although interest rates remain high, there are several encouraging factors, including the improvement of the business confidence index in expectation of better economic conditions in the fourth quarter. Given, therefore, the prospect that investment is likely to start a moderate recovery toward the end of 2006, it is predicted to decrease by only 1.8% for the year as a whole.

On the other hand, customs-cleared, U.S. dollar-denominated exports, which increased by as much as 16.4% in the January-September period of 2006 over the same period one year earlier, have provided the prime propulsion for the Philippine economy along with steadily increasing private consumption. Broken down by product, exports of electronic products, which are a mainstay of the country's exports, continued to thrive, increasing by 11.6%, while those of oil products increased by 90%, reflecting rising crude oil prices. Broken down by destination, exports destined to the Asian region continued to increase steadily, in addition to those destined to Japan and the United States. Real-term exports registered a large 13.7% increase in the first three quarters over the same period one year earlier, even though their growth rate slightly fell in the third quarter under the pressure of the appreciation of the peso's value. Consequently, real-term exports for the year as a whole are expected to increase by 14%, a rate 9.8 percentage points higher than in 2005. By contrast, customs-cleared, U.S. dollar-denominated imports increased by 8.9% in the first nine-month period. Taking the peso's appreciation into consideration, real-term imports for the year as a whole are predicted to grow by 3.0%.

As a combined effect of the foregoing developments, the Philippine economy is predicted to grow by 5.5% in 2006, a rate 0.5 percentage point higher than in 2005. The inflation rate of general prices for the year as a whole is predicted to decrease by a 0.5 percentage point from the 2005 rate to 5.7%, under the effect of the declining prices of foodstuffs, which will more than offset the upward effects of the high price of crude oil and the raise in the value-added tax.

Forecast for the Economy in 2007: 5.3% Growth, Underpinned by an Upturn in Investment Despite Slowing Export Growth

In 2007, the Philippine economy is forecast to maintain a stable growth rate of 5.3%, underpinned by an upturn in investment, in parallel with the slowdown in the growth rate of exports which will be adversely affected by slowing growth in the advanced economies.

Remittances from overseas migrant workers are expected to increase steadily, which will lead to the growth of private consumption by 4.9%. With the government's continuing efforts at fiscal rehabilitation, government consumption is expected to increase by 4.0%, the same rate as in 2006.

It is highly likely that the government will implement an economic stimulus package centered on large-scale public works projects, including transportation

infrastructure, and that interest rates will be cut during 2007 given the stable performance of both the exchange rate and the consumer price index. Thus, investment in both the government and private sectors will bounce back, after having been on the decrease for two years in a row since 2005. Consequently, total investment, which registered a net decrease of 1.8% in 2006, is forecast to return to a positive growth rate of 3.3%.

Since the advanced economies will grow at slowing rates and the peso will appreciate further, exports are expected to grow by 7.5%, slowing from the 2006 growth rate of 14%. On the other hand, imports are forecast to grow by 6.8%, a rate 3.8 percentage points higher than in 2006, reflecting the recovery in investment.

As a combined effect of the foregoing factors, the Philippine economy is forecast to grow by a stable rate of 5.3% in 2007, showing a small change from the 2006 rate. With the expectation that the price of crude oil will decrease while the value of the peso will appreciate, the inflation rate of general prices is forecast to be 5.3%.

Vietnam

	2005	2006	2007
GDP Growth Rate (%)	8.4	8.2	8.4
Inflation Rate (%)	8.0	7.2	6.5

(Actual figures for 2005)

The Economy in 2006: A High Growth Rate of 8.2%, Led by the Industrial and Service Sectors

The Vietnamese economy, which registered an impressive 8.4% growth rate in 2005, is predicted to continue growing by a robust 8.2% in 2006.

Broken down by sector, industry is thriving, registering a 9.9% growth rate in the January-September period of 2006 over the same period one year earlier (same for figures below). Industrial output continued to register double-digit growth, posting a rate of 16.9% in the January-October period of 2006, led by favorable performance in the manufacturing industry. Broken down by type of ownership, output of the non-state sector, consisting mostly of private enterprises, and of the foreign-invested sector increased by significant margins of 22.3% and 19.5%, respectively, compared with the state-owned sector's 9.3%.

Investment, including both domestic and foreign direct investment, is also thriving. The value of newly granted license projects during the January-September period of 2006 hit US\$3.85 billion, a sharp 47.7% increase over the same period of the previous year. US\$2.6 billion, or nearly 70%, of this sum is in the industrial sector. Domestic investment is also expanding in pace with brisk production activities. Total investment is predicted to register a double-digit growth rate of 10.4% in 2006.

Exports also continued increasing, with customs-cleared U.S. dollar-denominated exports in the January-October period of 2006 increasing by 24.2%, compared to the 22.4% registered one year earlier. Included among the export products that enjoyed brisk increases in the ten-month period were crude oil (a 15.9% increase), textile goods (27.2%), footwear (19.9%), aquatic products (23.3%), wood products (25.6%), and electronic products (20.2%). Furthermore, against the backdrop of the rising prices of international commodities, exports of rubber and coffee also increased by significant margins of 86.3% and 37.6%, respectively. Consequent upon these developments, real-term exports in 2006 as a whole are predicted to rise by 17%.

Sustained by the thriving exports and the buoyant investment activities, the

industrial sector is predicted to continue registering a double-digit growth rate of 10.3% in 2006.

The service sector registered 8.0% growth in the first nine months of 2006. Boosted by the strength in the retail and tourist and related businesses, retail sales of goods and services increased by 20.5% in the January-October period of 2006. The transport and communications businesses are also expanding steadily. Consequent upon these factors, the service sector is predicted to register a high growth rate of 8.3% in 2006.

The agriculture, forestry and fishery sector, after posting a 4.0% growth rate in 2005, slowed slightly to 3.3% in the January-September period of 2006. Though outputs of crops such as rubber, coffee, maize, and aquatic products remained solid in 2006, outdoing their respective figures for 2005, the harvest of rice, the staple crop, is predicted to be about the same level as in 2005, under the effect of unfavorable weather conditions and damage by insects. Consequent upon these factors, the agriculture, forestry and fishery sector is predicted to register a growth rate of 3.5% for 2006 as a whole, a rate slightly lower than in 2005.

As a combined effect of the foregoing developments, the Vietnamese economy is predicted to grow by 8.2% in 2006, led by both the industrial and the service sectors. This rate, though 0.2 percentage point lower than the 2005 rate, is nonetheless impressive.

Partly due to the fact that the rate of increase in consumer prices has been lower than in 2005, the inflation rate of general prices in 2006 is predicted to decrease from 8.0% in 2005 to 7.2%.

Forecast for the Economy in 2007: Growth Will Accelerate Further to a High Rate of 8.4%

In 2007, the Vietnamese economy is forecast to continue thriving, attaining a high growth rate of 8.4%.

Vietnam's accession to the World Trade Organization (WTO) toward the end of 2006, which will further accelerate improvements in its investment climate and a further opening of its market, will stimulate a large inflow of FDI in 2007. Given this situation, the growth rate of total investment is forecast to be 10.6%, a rate 0.2 percentage point higher than in 2006. Keeping in step with the continuing investment growth, exports are expected to increase by 18%. Consequent upon these factors, industrial output is forecast to continue to achieve double-digit growth, registering a rate of 10.5%, a rate

0.2 percentage point higher than in 2006.

The service sector is also forecast to continue thriving in 2007. In addition to retailing businesses, which are forecast to enjoy an expansion under the stimulus of increasing private consumption, and the transport and communications businesses, which are expected to receive a boost from the thriving industrial sector, financial and related services are expected to expand. Moreover, FDI to the service sector is expected to increase. Consequent upon these factors, the service sector is forecast to grow by 8.5%, a rate 0.2 percentage point higher than in 2006.

The agriculture, forestry and fishery sector is forecast to grow by 3.7%, given the prospects that the government will continue its policy to help accelerate the sector's development.

As a combined effect of these factors, the Vietnamese economy is forecast to register high growth of 8.4% in 2007, a rate 0.2 percentage point higher than in 2006.

Given the prospects that import prices will increase at a slower rate than in 2006, thereby partly offsetting the continuing economic expansion's upward pressure on prices, the inflation rate of general prices is forecast to decrease from the 7.2% registered in 2006 to 6.5%.

Appendix: Summary Tables of Share and Growth Rates of GDP Expenditures*

China

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	41.6	9.1	7.5	6.3
Government consumption	15.3	10.1	10.0	10.0
Total investment	44.5	17.1	19.6	14.1
Exports	114.9	22.6	19.3	13.4
Imports	-87.7	12.6	15.8	14.0
GDP	100.0	10.2	10.5	9.6

South Korea

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	49.8	3.2	4.0	3.6
Government consumption	12.1	4.3	5.2	5.0
Total investment	28.8	2.3	2.4	3.5
Equipment	16.4	0.4	-0.9	2.1
Construction	10.8	5.1	7.3	5.8
Intangible fixed assets	1.6	3.9	3.0	2.0
Exports	54.1	8.5	13.1	11.7
Imports	-44.7	6.9	13.1	12.0
GDP	100.0	4.0	4.8	4.4

Notes: 1. Exports and imports are those of goods and services.

2. Since no adjustments are made for changes in inventory or statistical errors, the figures do not necessarily add up to 100%.

Taiwan

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	57.6	2.7	1.3	2.8
Government consumption	12.3	0.9	-0.3	1.9
Total investment	19.1	1.2	0.3	3.1
Private investment	14.1	-0.2	1.6	3.2
Government investment	3.2	-0.1	-2.8	0.1
Public enterprise investment	1.8	16.3	-3.9	7.5
Exports	64.8	7.3	10.7	7.0
Imports	-53.6	3.8	6.6	5.6
GDP	100.0	4.0	4.4	4.1

Hong Kong

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	53.1	3.4	4.7	4.3
Government consumption	8.0	-3.1	-0.5	2.0
Total investment	22.7	4.1	8.4	5.2
Private investment	19.8	7.6	11.6	6.3
Public investment	2.8	-16.1	-11.6	-5.0
Exports	181.0	10.7	9.7	7.9
Imports	-164.5	8.1	9.2	7.4
GDP	100.0	7.3	6.8	5.9

Indonesia

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	59.7	4.0	3.2	4.2
Government consumption	7.8	8.1	12.0	10.0
Total investment	22.3	9.9	1.5	8.6
Exports	42.2	8.6	15.0	8.5
Imports	-35.0	12.4	8.2	9.1
GDP	100.0	5.6	5.2	5.8

Thailand

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	54.6	4.3	3.1	3.1
Government consumption	9.2	14.5	4.6	6.0
Total investment	23.5	11.1	4.4	8.5
Private investment	17.6	11.0	4.3	9.0
Public investment	6.0	11.4	4.8	7.0
Exports	66.4	4.4	7.4	7.0
Imports	-56.1	9.3	3.5	6.0
GDP	100.0	4.5	4.8	4.9

Malaysia

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	50.1	9.2	7.2	5.8
Government consumption	14.7	5.4	5.5	5.4
Total investment	26.8	4.8	9.7	8.2
Private investment	12.0	8.5	10.0	8.3
Public investment	14.8	1.9	9.5	8.0
Exports	121.2	8.6	8.0	7.0
Imports	-112.4	8.0	9.8	8.8
GDP	100.0	5.2	5.7	5.2

The Philippines

	2005	2005	2006	2007
	(Share in GDP, %)	(Growth rate, %)	(Growth rate, %)	(Growth rate, %)
Private consumption	78.4	4.9	5.5	4.9
Government consumption	6.5	4.0	4.0	4.0
Total investment	18.4	-2.2	-1.8	3.3
Exports	46.3	4.2	14.0	7.5
Imports	-53.2	2.4	3.0	6.8
GDP	100.0	5.0	5.5	5.3