

# Asian growth outlook and themes

October 2010

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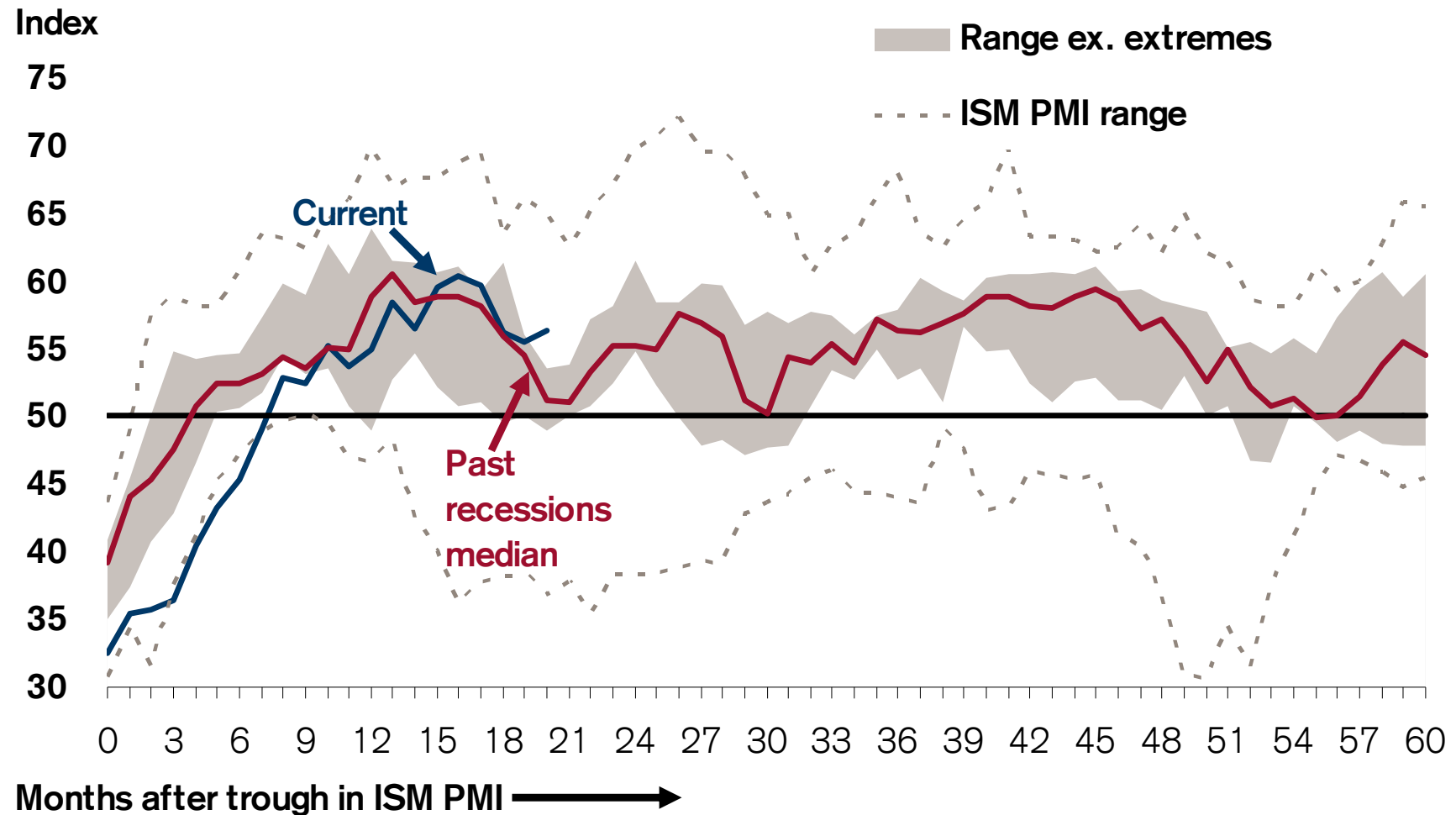
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# Global themes and Asia

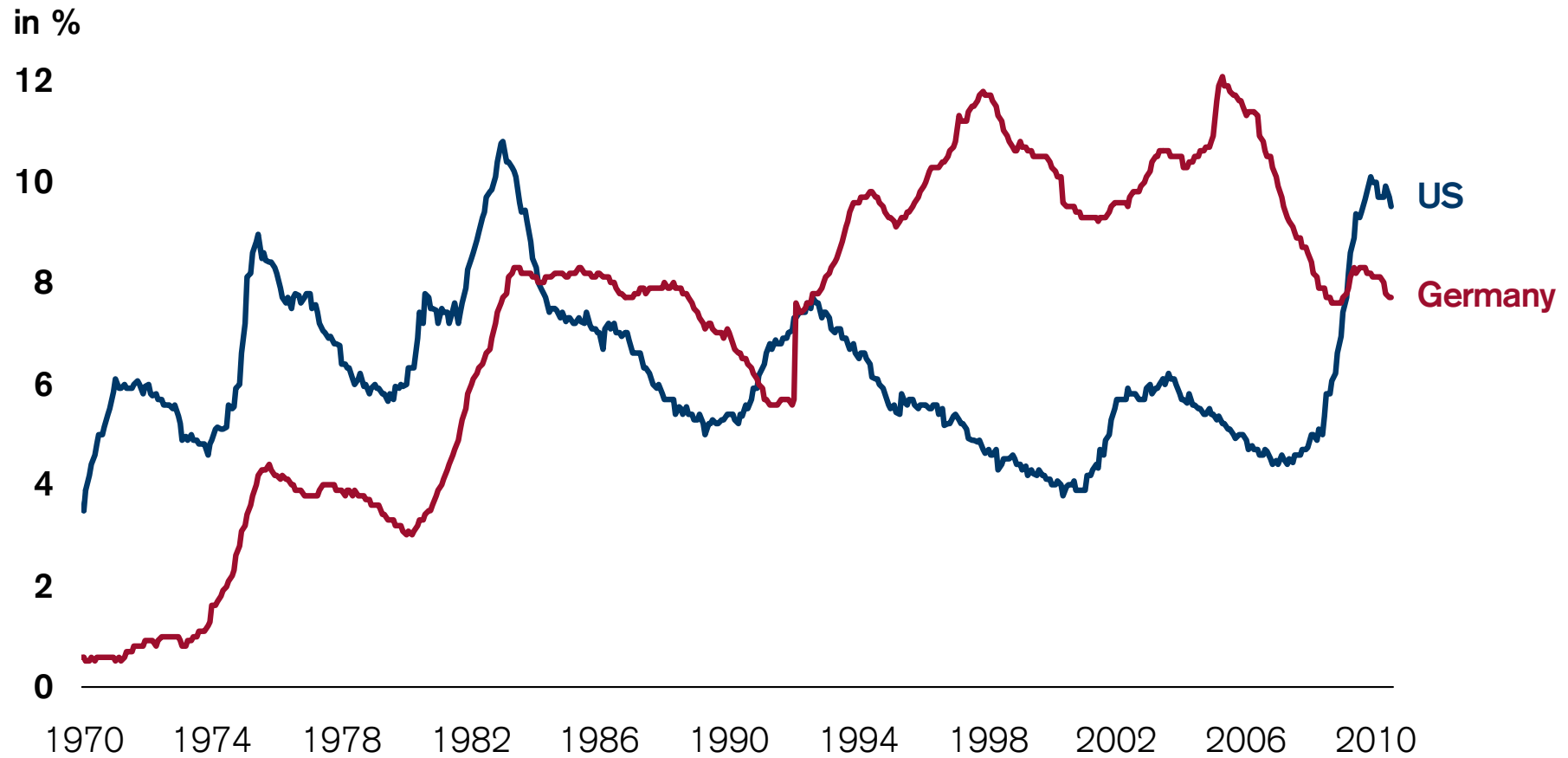
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# Pullback in ISM PMI consistent with history



Source: Datastream, Credit Suisse

# Unemployment rate

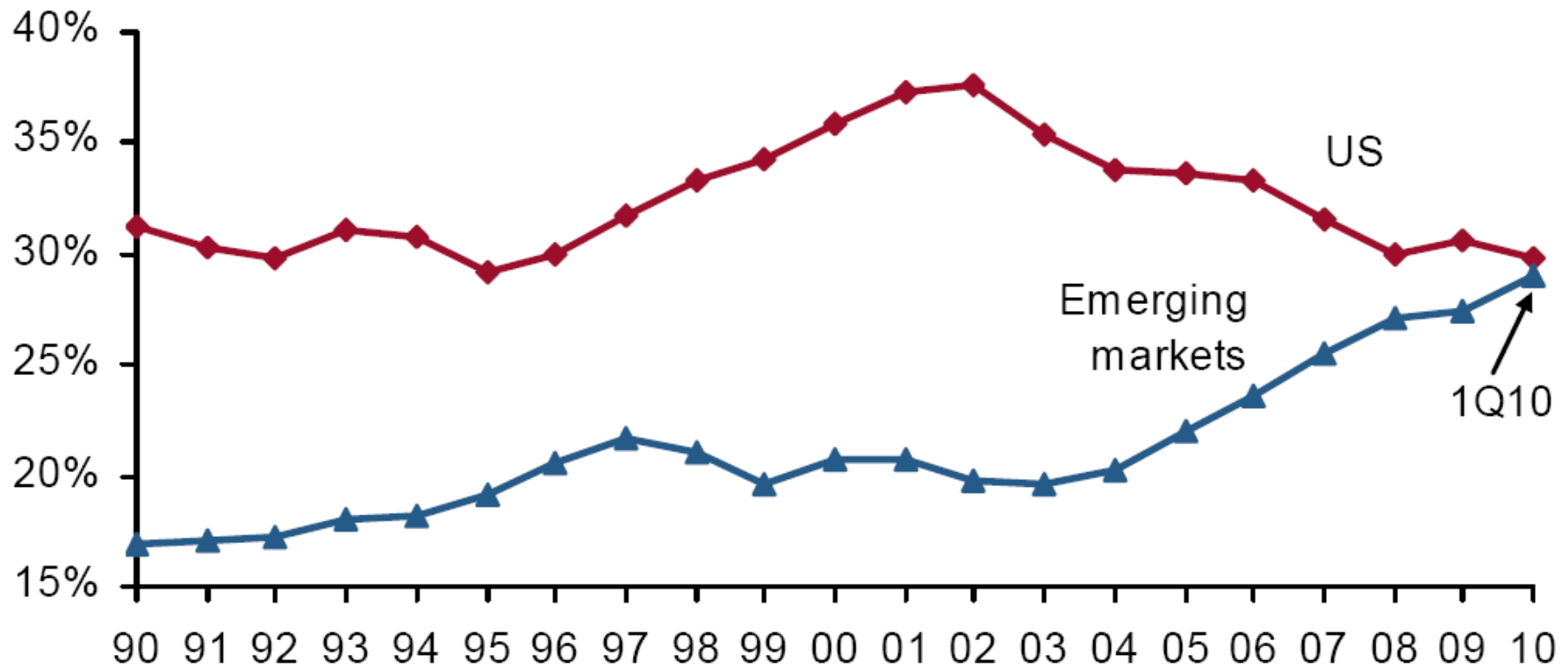


Last data point: 1/7/2010

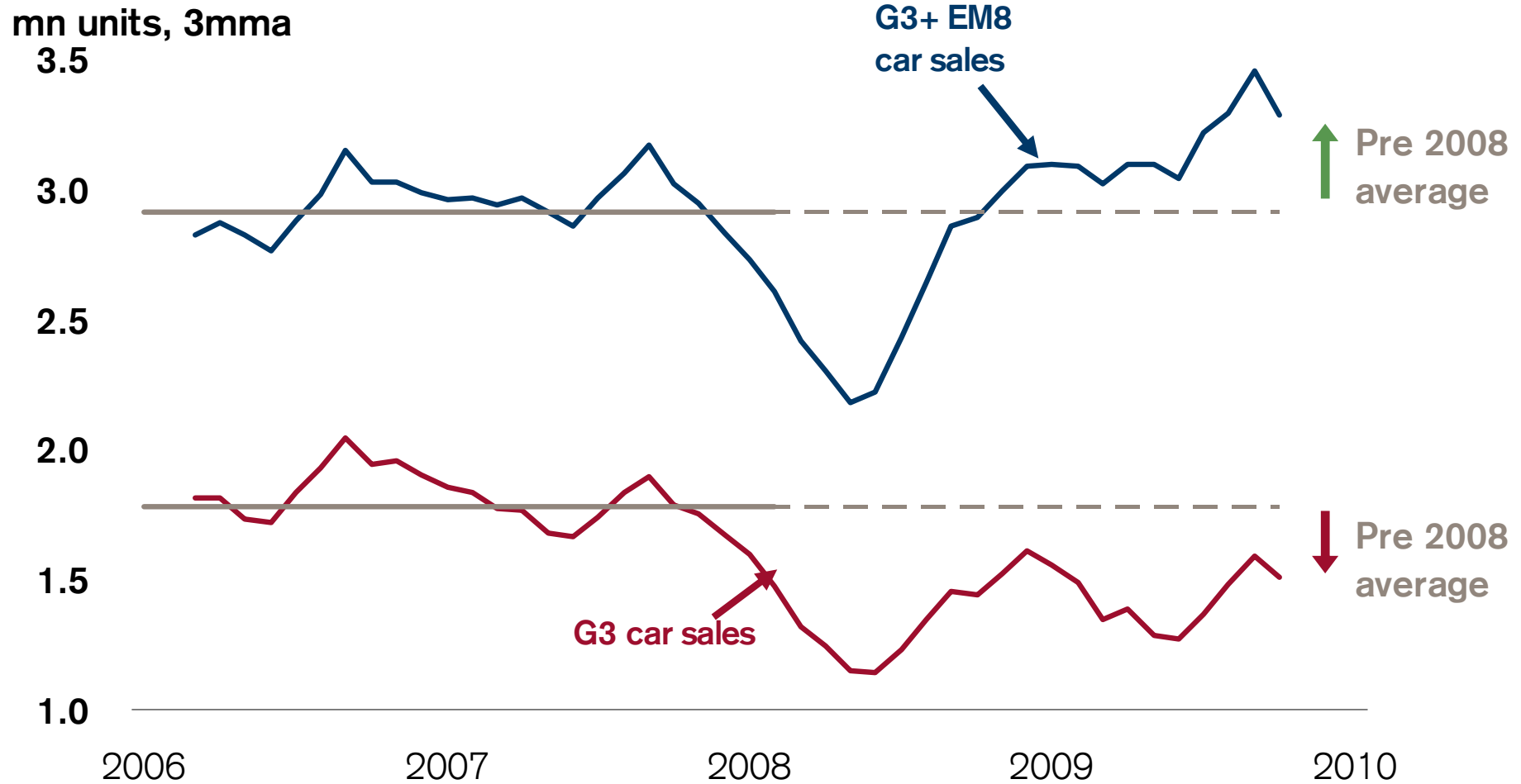
Source: OECD, Datastream, Credit Suisse / IDC

# Shares of World Private Consumption

Consumption data in USD



# G3 & EM8 car sales



Last data point: G3: 30/6/2010; G3 + EM8: 30/6/2010;

Source: DataStream, Credit Suisse

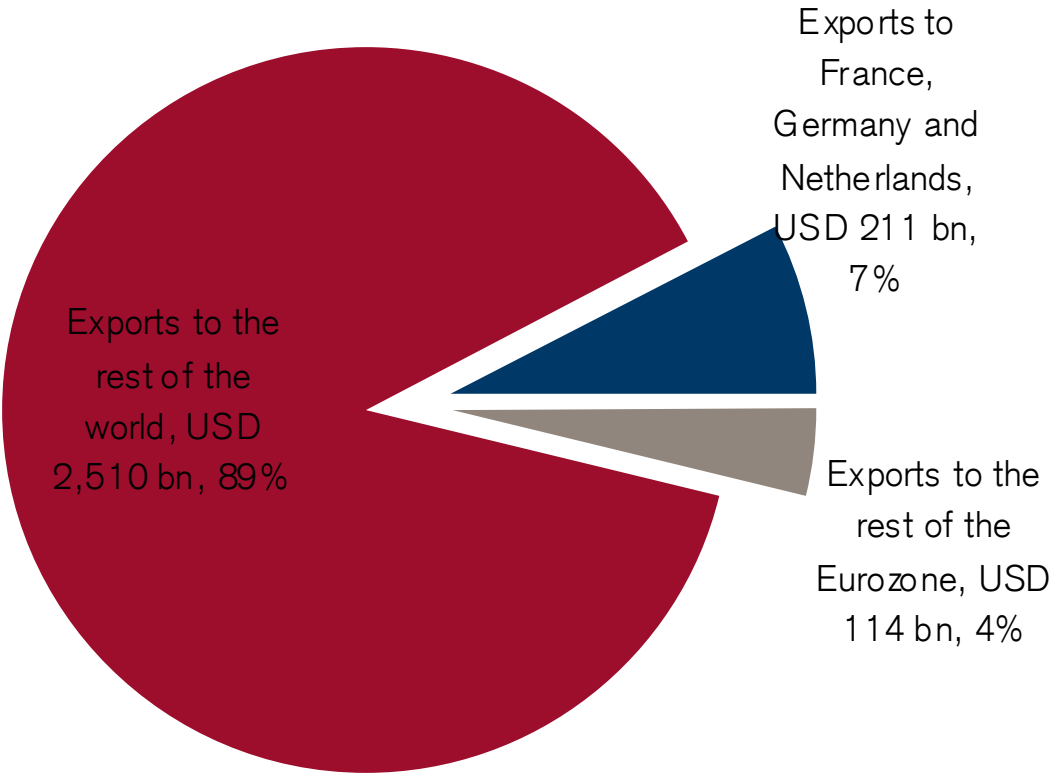
## Greek fiscal consolidation plan very ambitious

### Largest 3-year fiscal consolidations in OECD since 1995 (increase in budget balance, % of GDP)

Norway (2003-2006)	11.2
Slovak Republic (2003-2006)	9.5
Iceland (2003-2006)	9.1
Sweden (1995-1998)	8.5
Czech Republic (1995-1998)	8.5
Netherlands (1995-1998)	8.3
Finland (1997-2000)	8.2
Germany (1995-1998)	7.5
<b>Greece (2009-2012)</b>	<b>7.4</b>

Source: OECD, Greek Finance Ministry, Credit Suisse

# Asia is minimally exposed to peripheral Europe

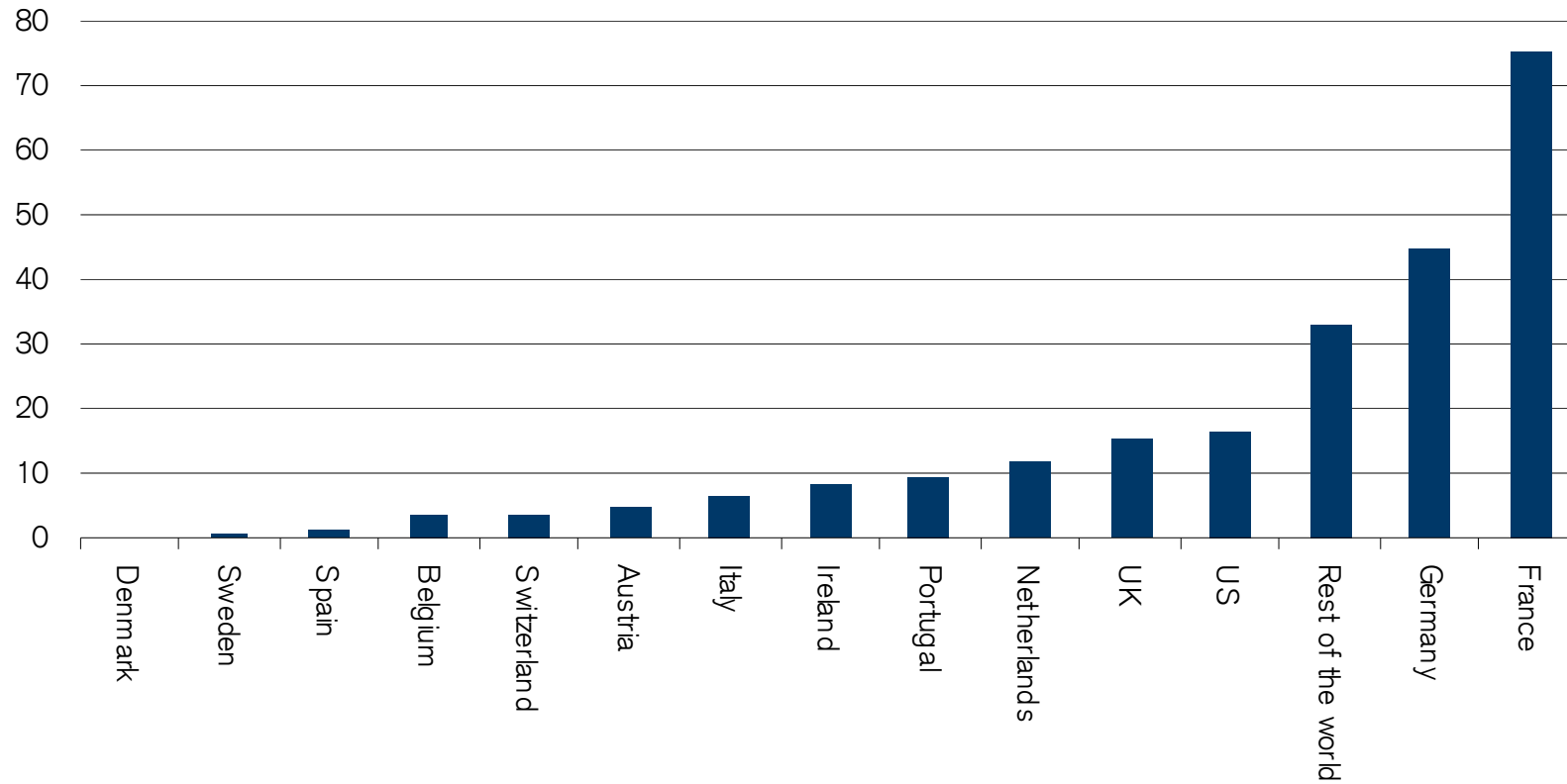


Source: Datastream, Credit Suisse / IDC



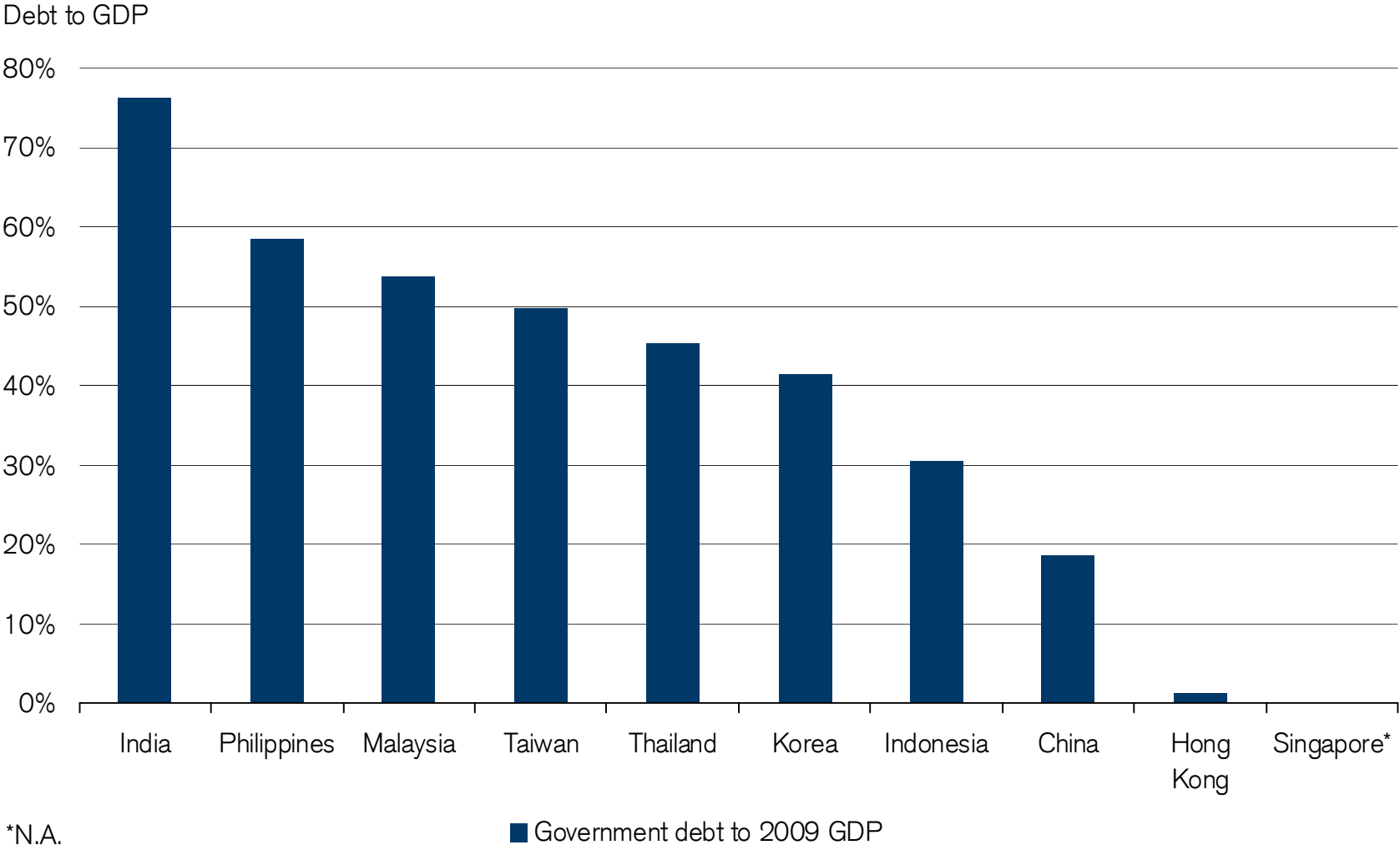
# Foreign banks exposure to Greece

USD bn, data for Q4 2009



Source: BIS, Credit Suisse

# Asia's governments have strong fiscal positions

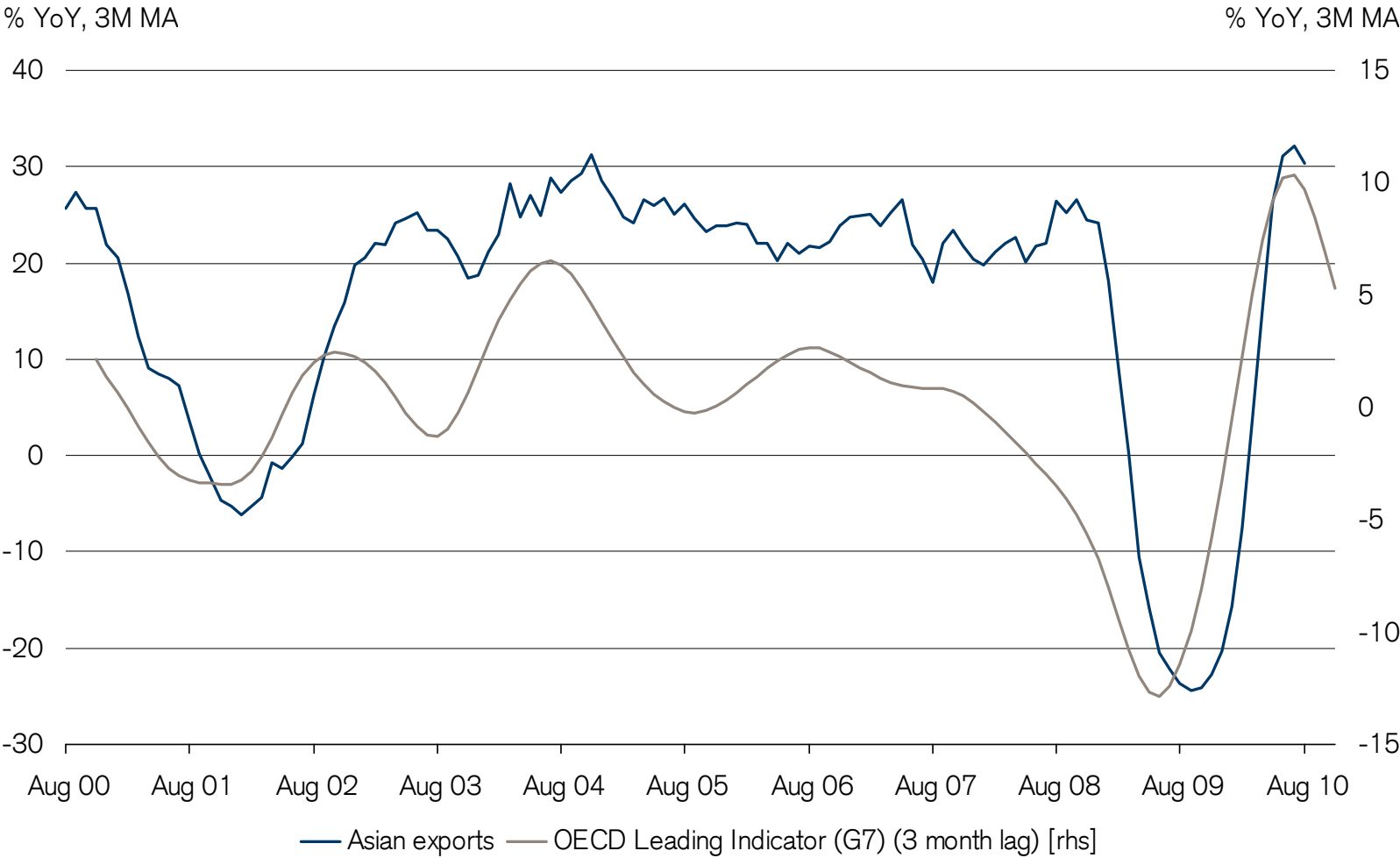


Source: Bloomberg, Credit Suisse



# Asian outlook and themes

# Asian exports have reached a peak, moderation to follow

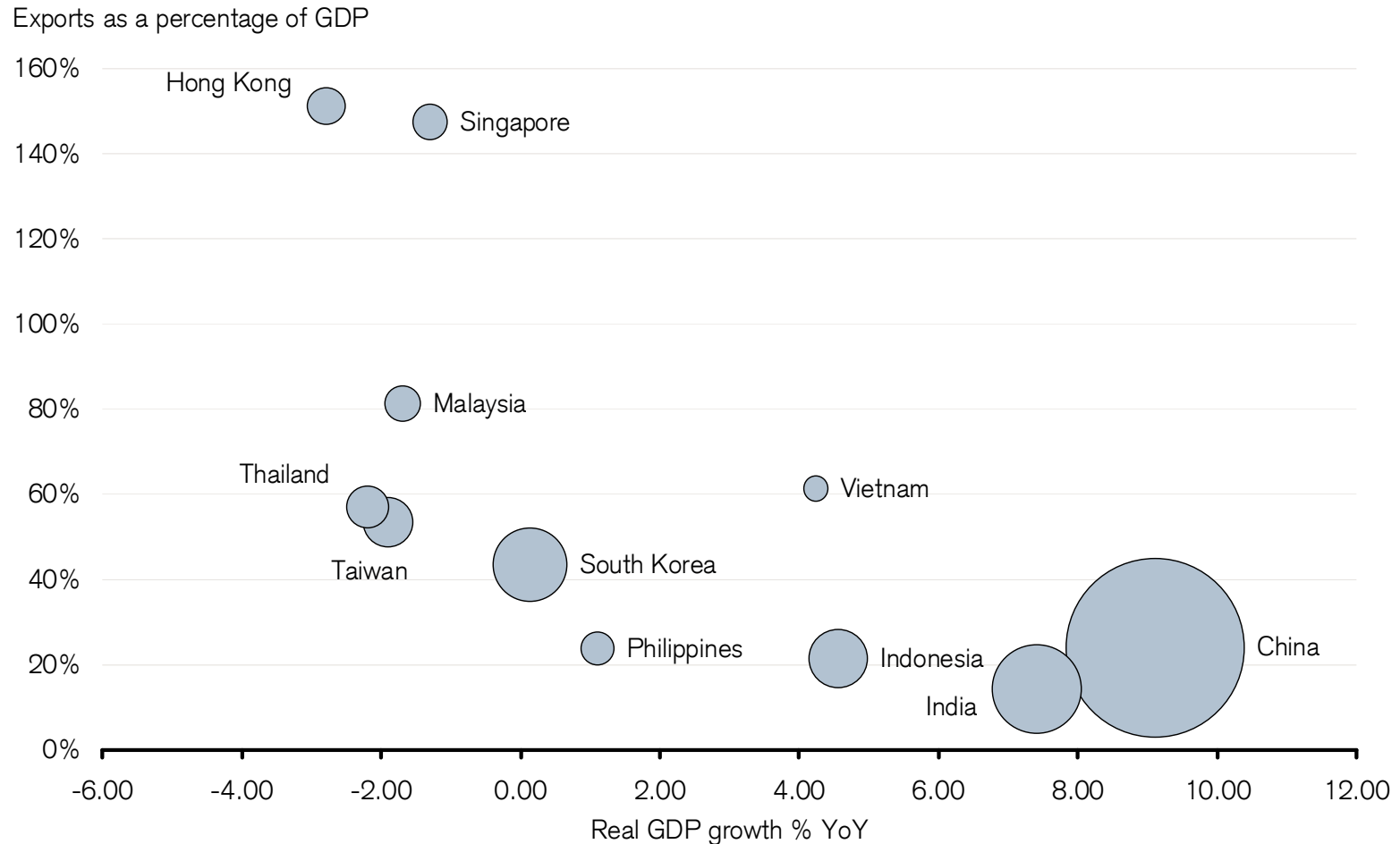


Last data point: 13.10.2010

Source: Datastream, Credit Suisse / IDC

# Sizeable domestic demand is key pillar to drive Asia growth

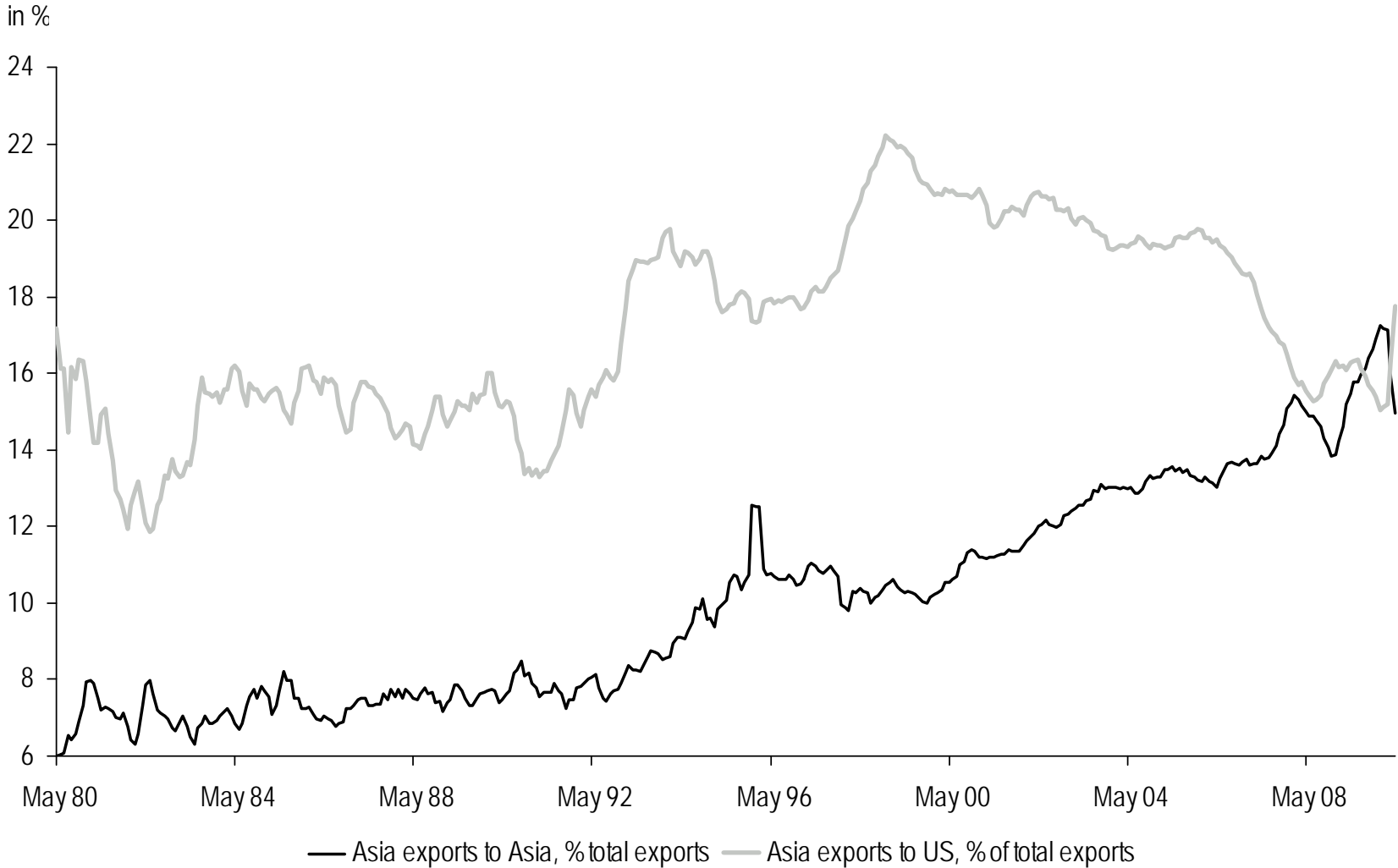
## 2009 GDP growth rates, nominal GDP sizes and trade openness



Last data point: 30.09.2010

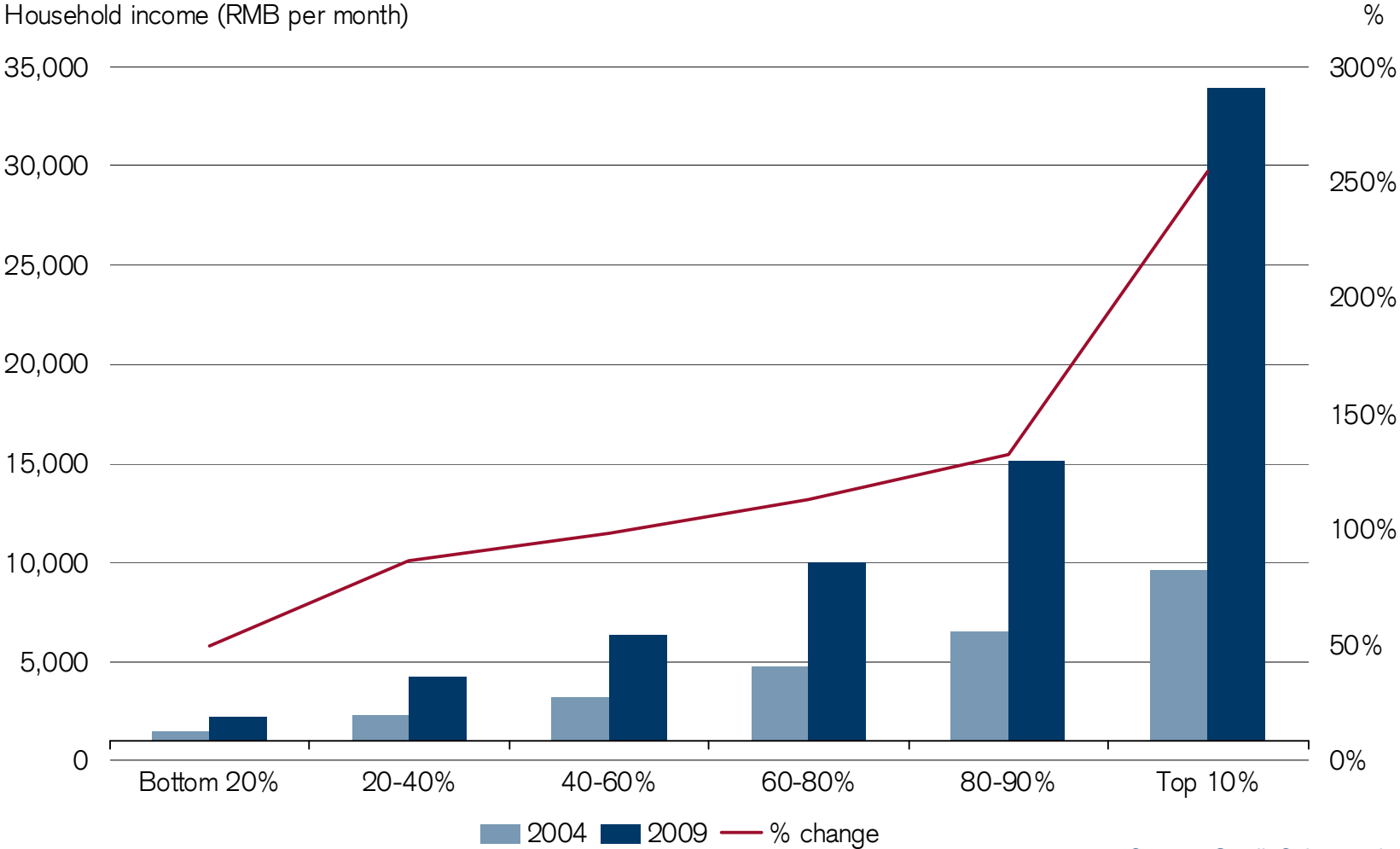
Source: Bloomberg, Credit Suisse / IDC

# Asia is increasingly more resilient



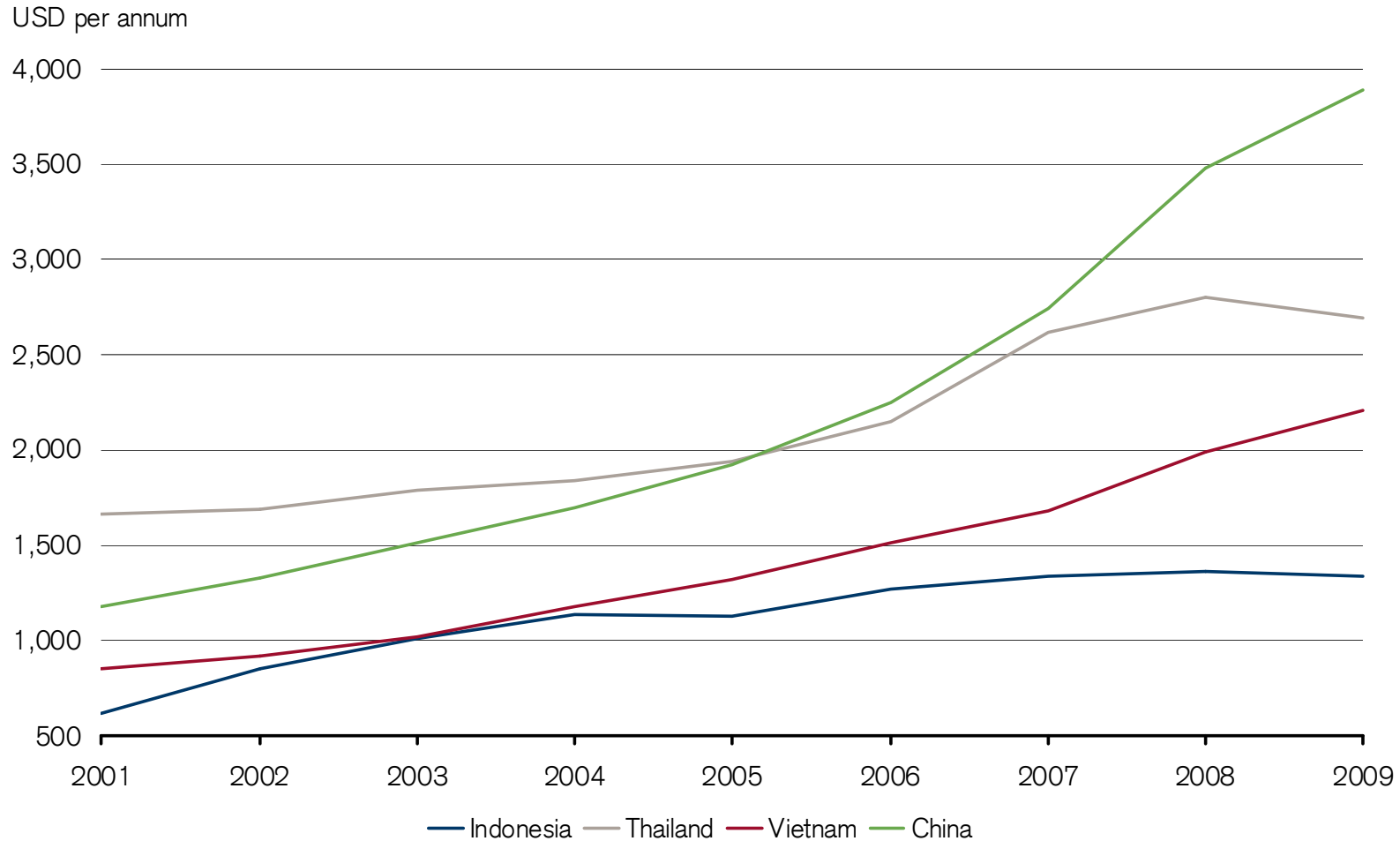
Source: Datastream, Credit Suisse / IDC

# China shifting from production to consumption led growth



Source: Credit Suisse estimates

# Manufacturing wages in China now outstrip those of Indonesia, Vietnam and Thailand



Source: CEIC, Credit Suisse

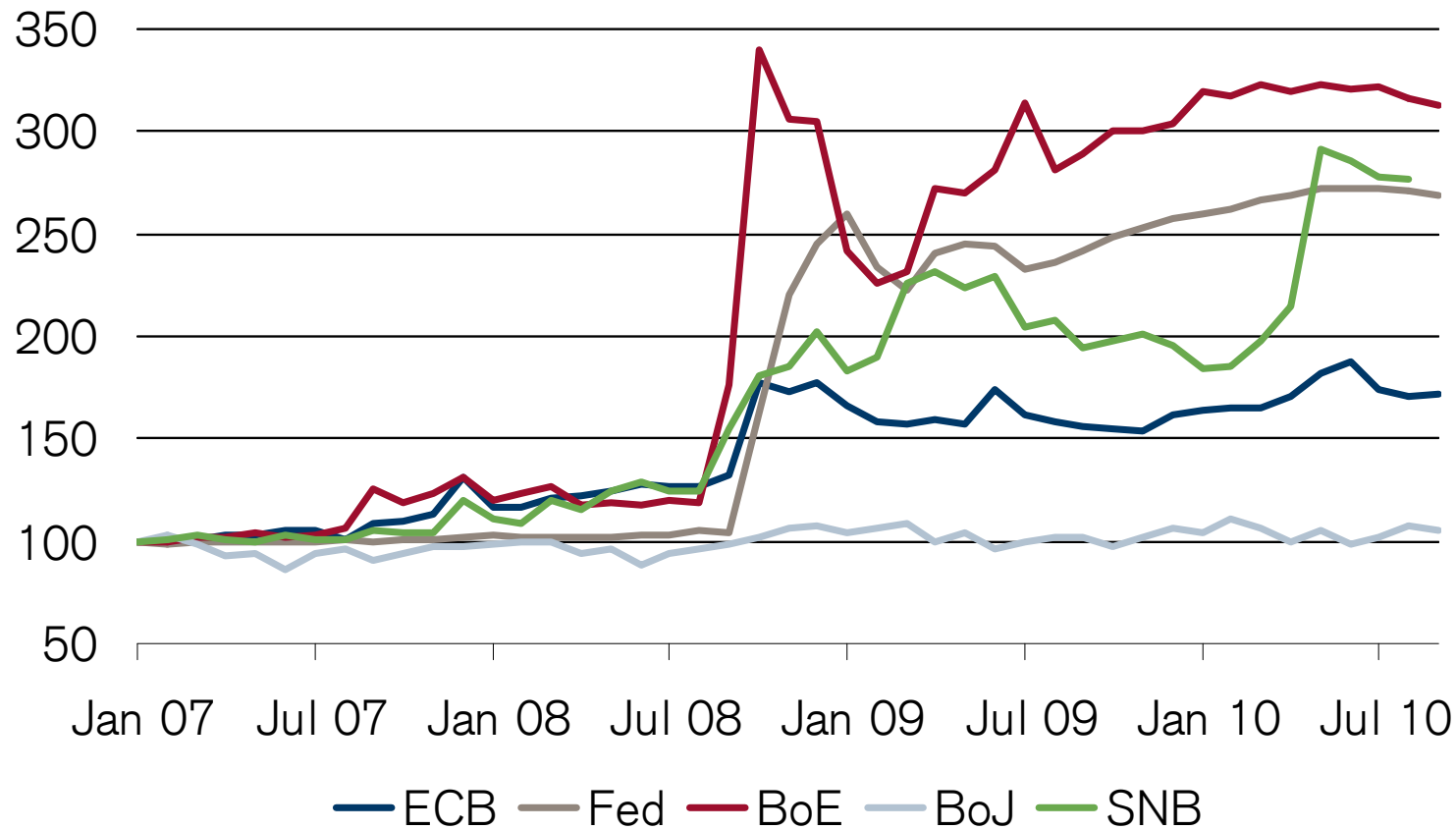




## Near term risks for Asia

# Our USD, your problem

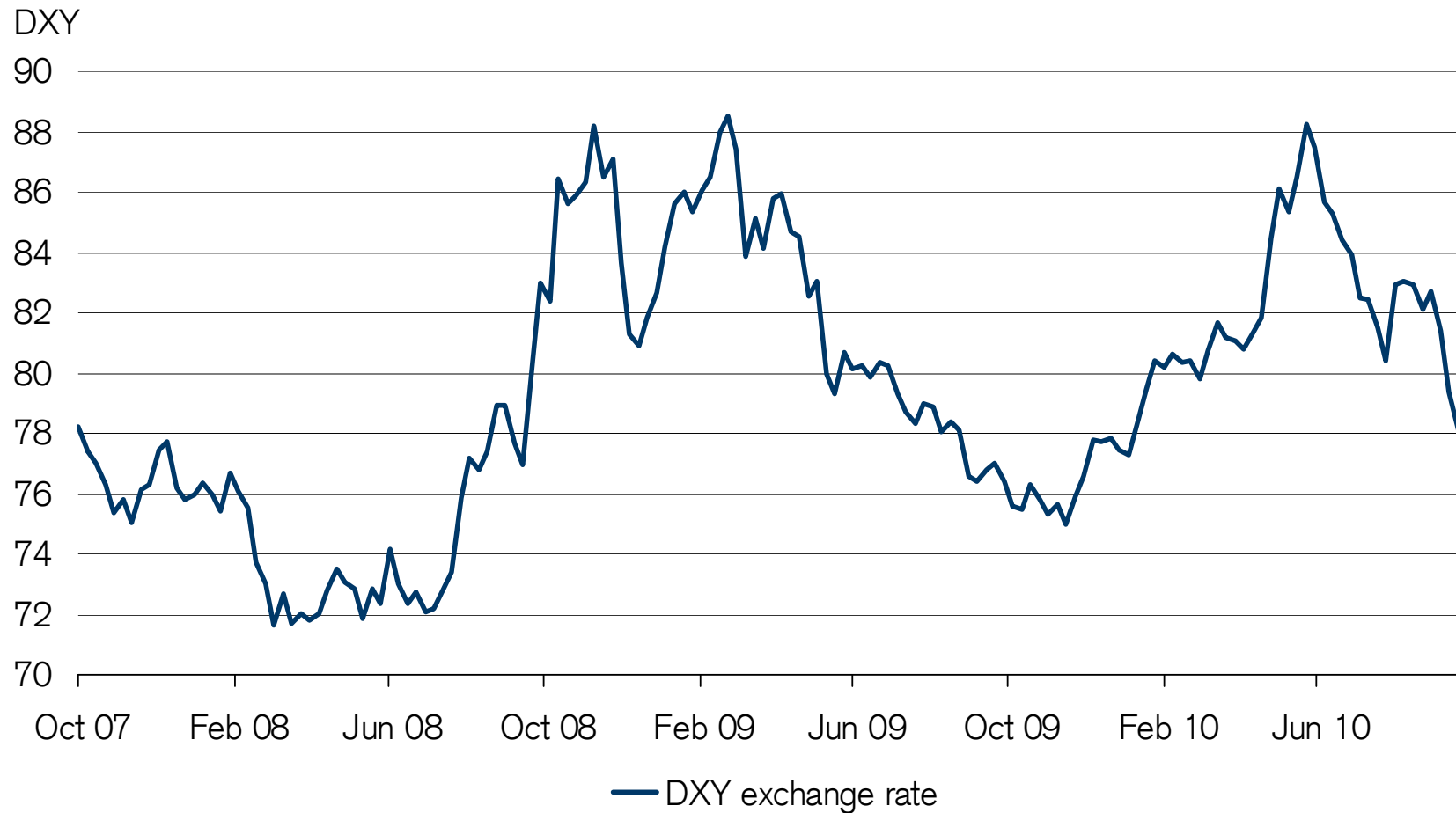
central bank assets, indexed, 01.01.2007 = 100



Last data point: 08.10.2010

Source: Bloomberg, Credit Suisse / IDC

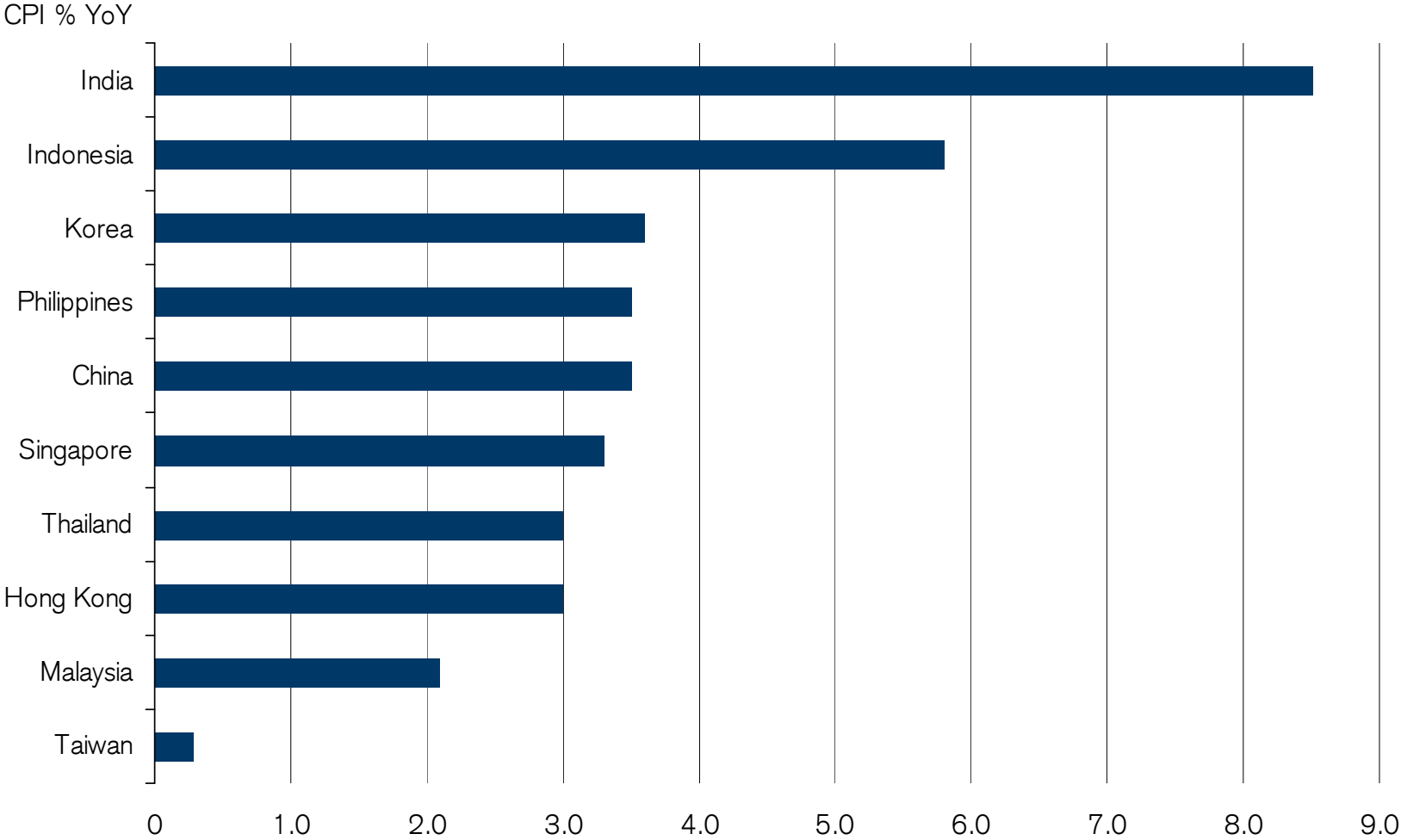
# USD is fundamentally weak due to Quantitative Easing



Last data point: 05.10.2010

Source: Bloomberg, Credit Suisse / IDC

# Inflation will be double faceted in Asia in 2010

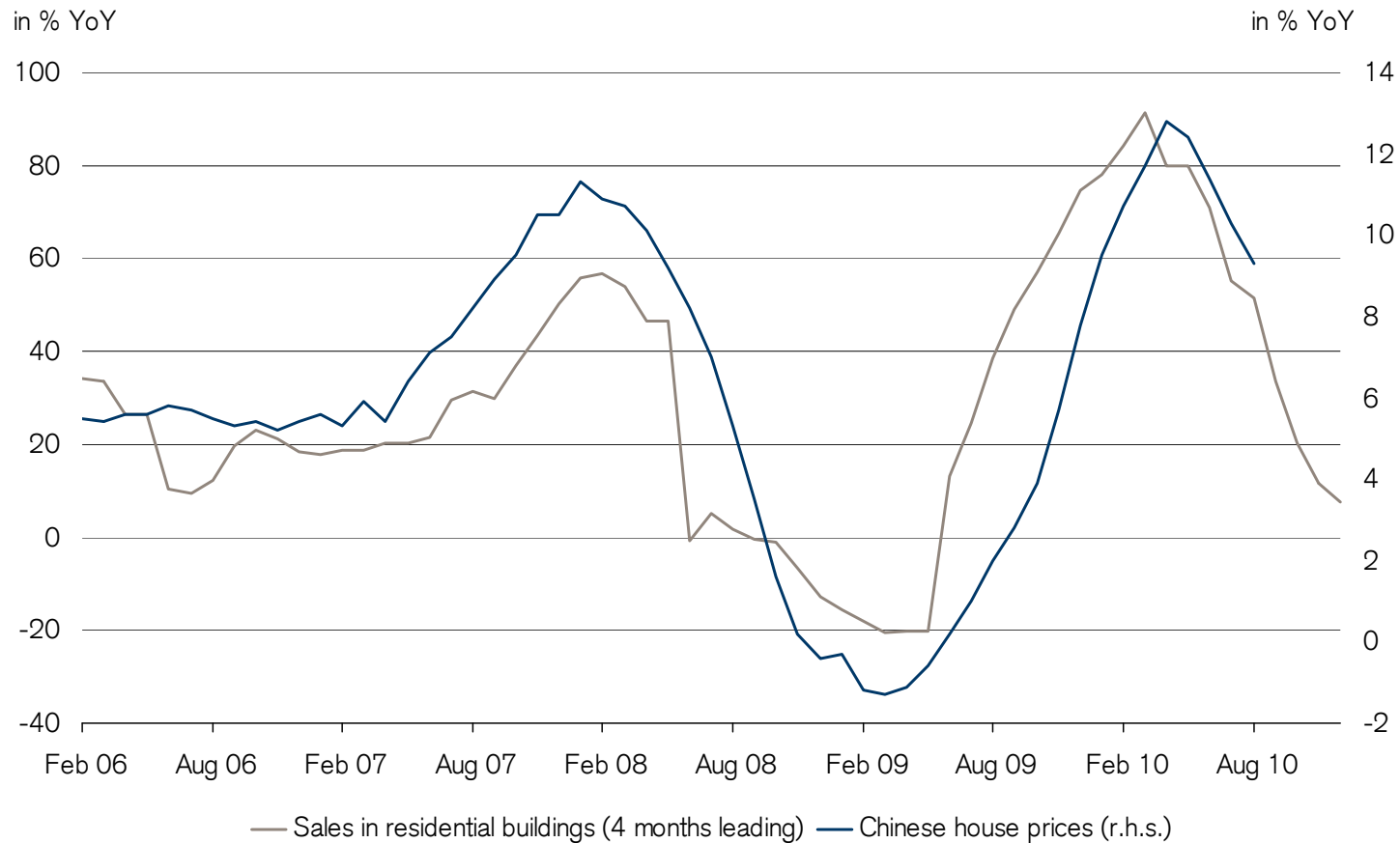


Last data point: 13.10.2010

Source: Bloomberg, Credit Suisse / IDC

# China's monetary tightening starts to cool housing market

Softening sales suggest that prices will head further south



Last data point: 31.08.2010

Source: Bloomberg, Credit Suisse / IDC

## How significant is the CNY 6-8 trn LGFV debt exposure?

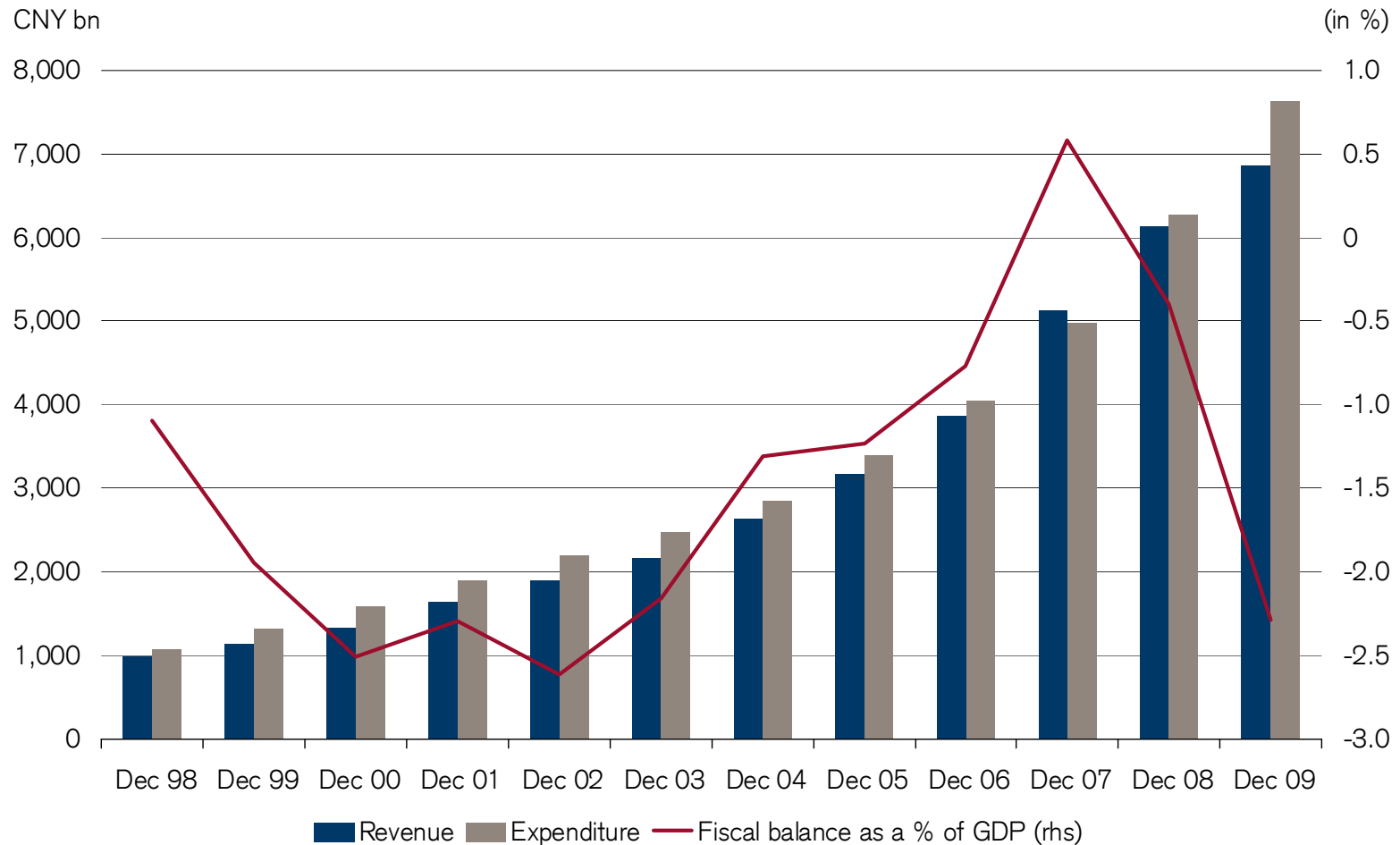
China has not run out of policy options, there is still time to address this problem

	As a % of (low est.)	As a % of (high est.)
GDP	18%	24%
Total loans base	15%	20%
New CNY loans	63%	83%
China banks' equity base	135%	180%
Fiscal income	90%	123%

Source: Bloomberg, Credit Suisse

# China's fiscal policy is healthy

A portion of these LGFV debt could be transferred from banks to the state



Last data point: 31.12.2009

Source: Bloomberg, Credit Suisse / IDC

# Asian currencies to gain due to rates, flows and CNY



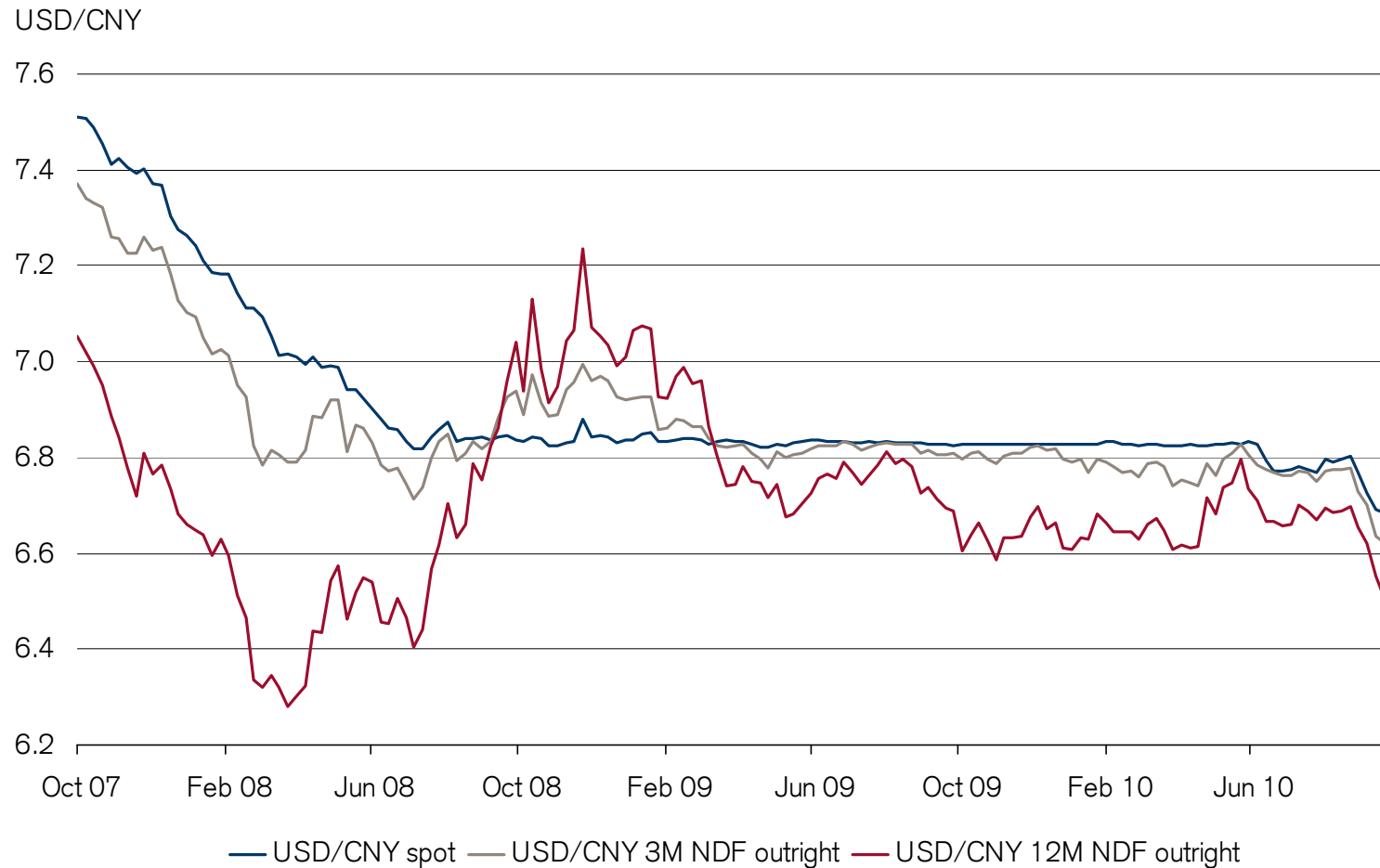
Last data point: 08.10.2010

Source: Bloomberg, Credit Suisse / IDC



# CNY to see modest gains of 5% versus USD in 2011

Markets are pricing USD/CNY at 6.43 in 12M, we see USD/CNY at 6.40 in 12M

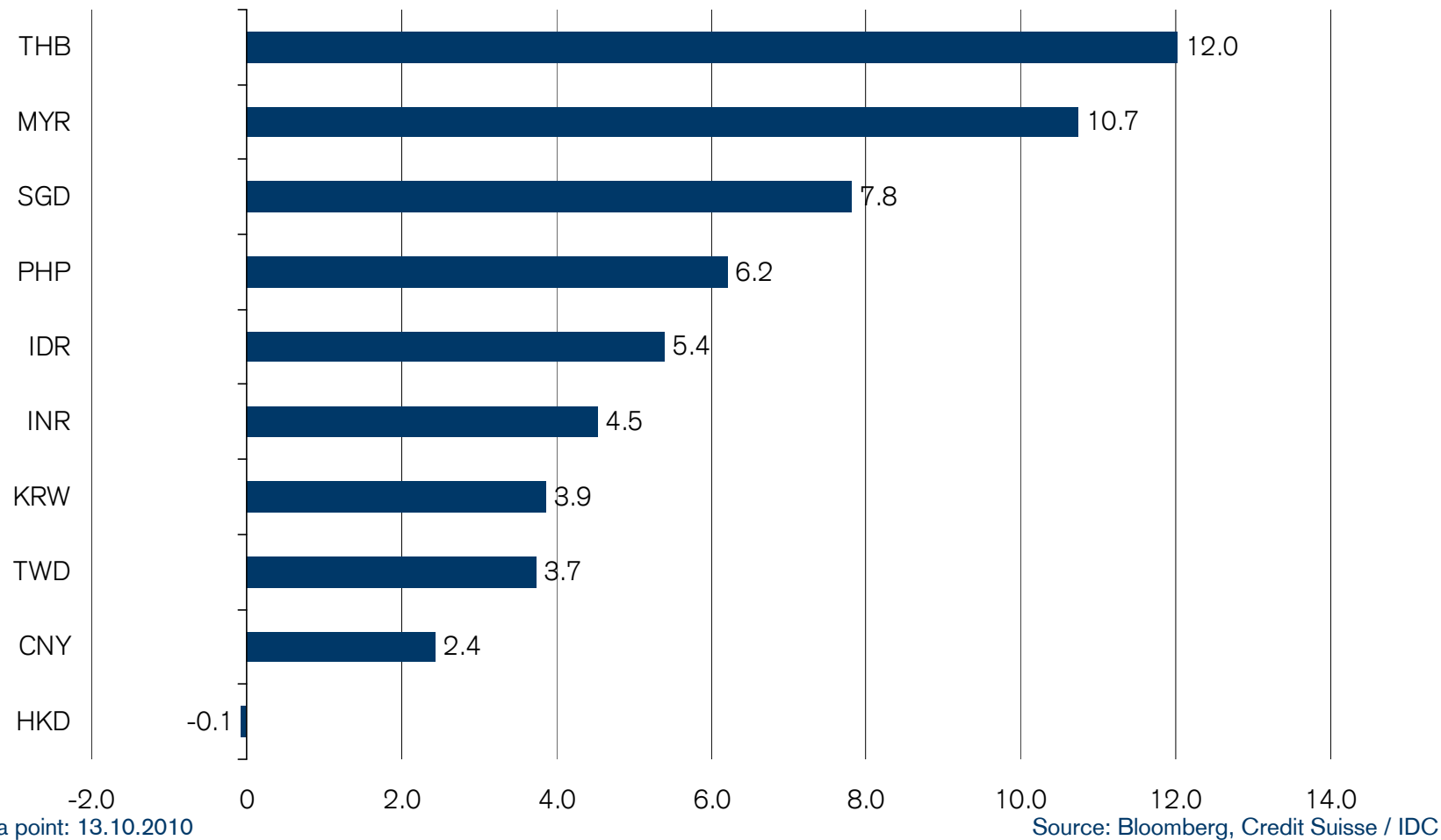


Last data point: 08.10.2010

Source: Bloomberg, Credit Suisse / IDC

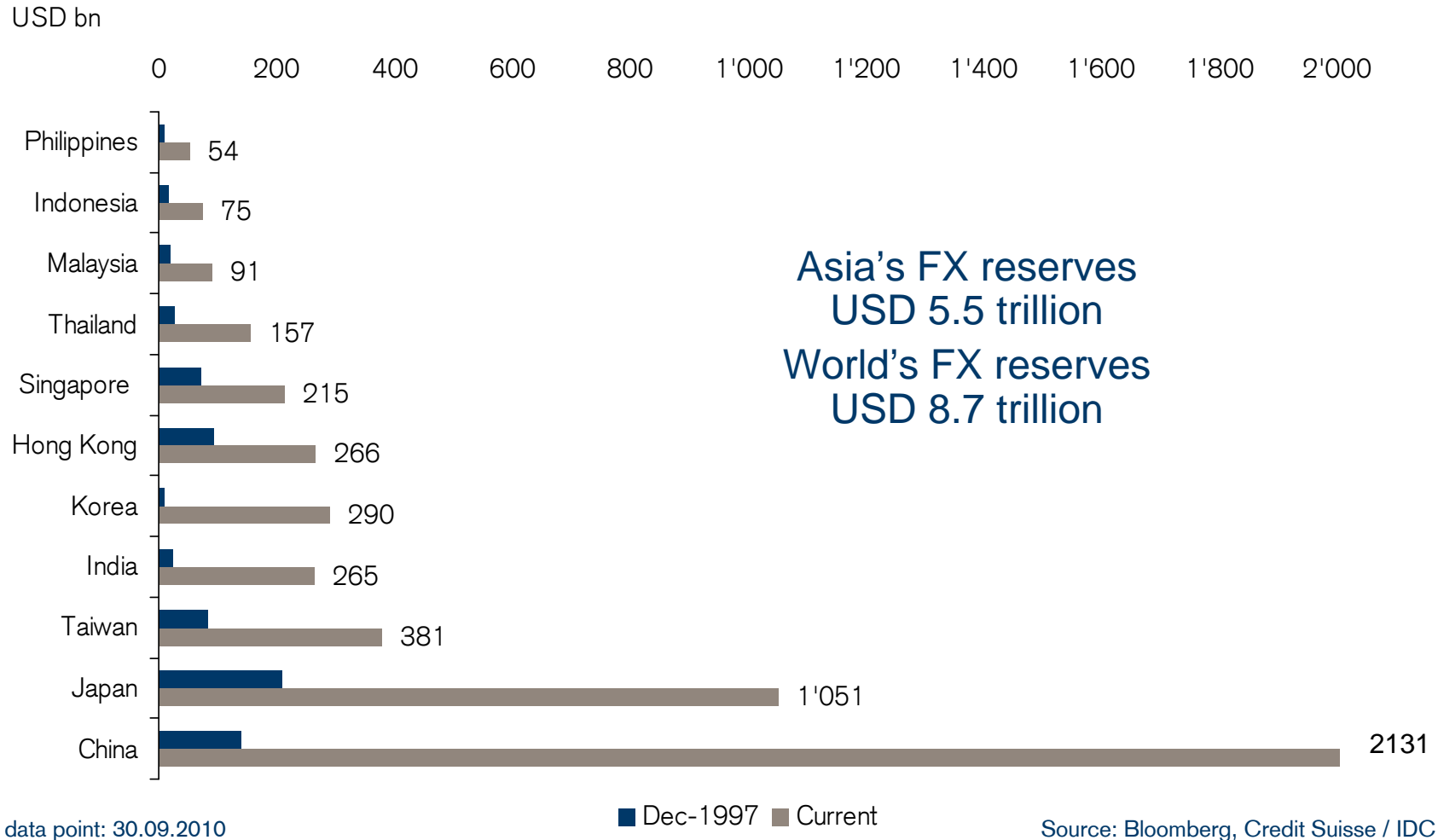
# Our Asian favourites are KRW, IDR and INR

Asian currency performance year-to-date versus USD

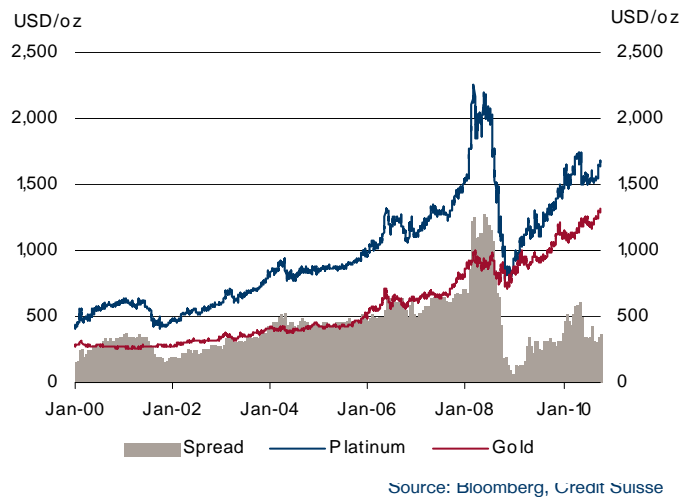
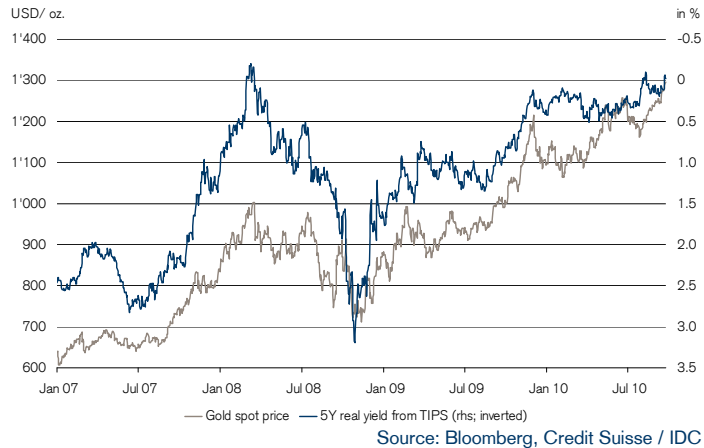


# Currency reserves increased six-fold since 1997

Strong current account surpluses offer stability and diversification benefits



# Gold and platinum prices have further upside



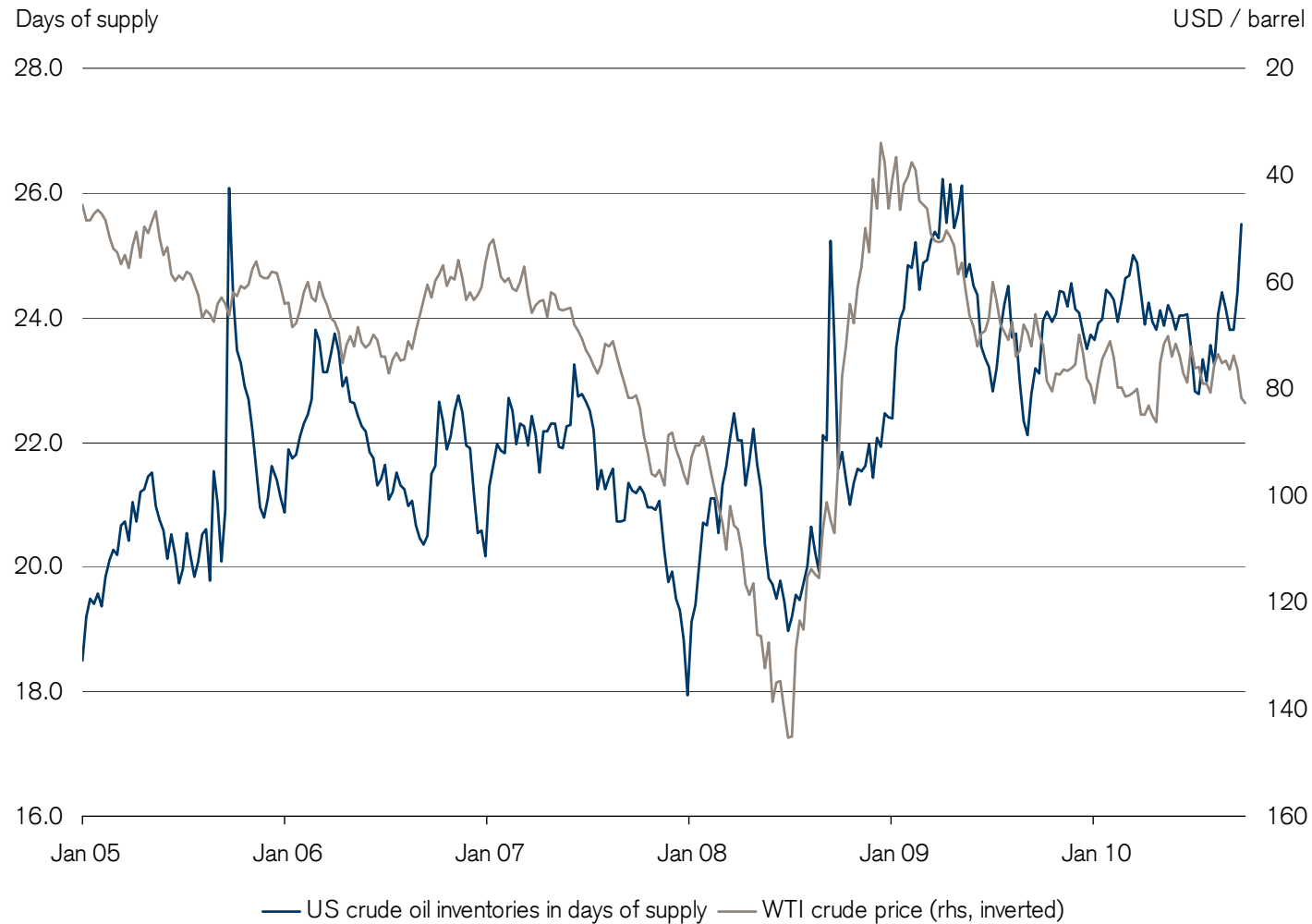
## Gold

- Gold prices reached new highs above USD 1,350, driven by strong investment demand.
- Low interest rates are supportive as opportunity costs to hold non-yielding asset are low and are likely to stay low for quite some time.
- Renewed pressure on the USD provides additional support.
- Our gold price outlook remains constructive as both fundamentals and technicals point to further strength, although uptrend could lose momentum going forward.

## Platinum

- Platinum is our preferred market within precious metals due to strong fundamentals and its cyclical aspects.
- Demand is growing on the back of recovering car sales volumes, particularly in emerging markets, as platinum is mainly used for catalytic converters in cars.
- Supply is constrained by structural problems in the South African mining industry, which provides about 75% of global supply.
- We expect platinum to outperform gold over 12 months

# Oil prices are capped by high inventory levels



Last data point: 08.10.2010

Source: Bloomberg, Credit Suisse / IDC

## CSPB Asia macro forecasts

Asia Pacific	GDP growth		Average CPI		Policy rates		
	2010E	2011E	2010E	2011E	Current	3M	12M
<b>China</b>	10.0	8.8	3.1	3.5	5.56	5.56	6.56
<b>Hong Kong</b>	5.7	4.8	2.5	2.8	-	-	-
<b>India</b>	8.2	8.5	9.0	6.5	6.00	6.25	7.25
<b>Indonesia</b>	5.8	6.0	5.3	6.0	6.50	6.50	7.75
<b>Malaysia</b>	7.8	5.3	1.8	2.3	2.75	2.75	3.50
<b>Philippines</b>	7.0	4.7	4.0	4.3	4.00	4.00	4.75
<b>Singapore</b>	13.6	5.2	2.5	2.2	-	-	-
<b>South Korea</b>	6.0	4.3	2.8	3.2	2.25	2.50	3.50
<b>Taiwan</b>	10.0	5.2	0.8	1.8	1.50	1.63	2.25
<b>Thailand</b>	8.3	4.5	3.3	3.0	1.75	1.75	2.75
^FY ending March							

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