

## ***Weak exports are holding down the growth rate***

AKI FUKUCHI  
YUMA TSUCHIYA  
ECONOMIC RESEARCH OFFICE

13 MAY 2015

(ORIGINAL JAPANESE VERSION RELEASED ON 30 APRIL 2015)

The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
A member of MUFG, a global financial group

Asian economies have been growing moderately. Looking at the real GDP growth rate for the first quarter of 2015 that have already been announced, Vietnam (+6.0% YoY) showed a high growth, while the growth rate in Singapore (+2.1% YoY) was not much different from the previous quarter, and those in Korea (+2.4% YoY) and China (+7.0% YoY) slowed from previous quarter, in all lacked drive.

Looking at the breakdown, domestic demand is stable mainly in consumption, which supported growth. In Vietnam, retail sales for the first quarter remained stable at +13.9% YoY because of improvement in real household purchasing power brought about by lower inflation rates due to drop in commodity prices (Table 1). Also in Singapore, with a background of favorable employment and income situation, retail sales grew by double digits (up till February). But it should be noted that some countries performed not so well, including Korea, where with a low increase in income and a high level of household debt, consumption continued to remain sluggish.

On the other hand, exports were overall weak, which held down growth. First quarter exports increased at a slower pace or decreased at a faster pace in many countries and regions, compared to the last quarter of 2014. Especially in Malaysia, a net resource export country, exports decreased by 12.4% YoY (up till February) mainly in petroleum related products, and also in Indonesia exports decreased by double digits. By the categories of resource and non-resource items, the decline in resource items stand out, suggesting the effect of drops of commodity prices obviously large. Moreover, it should be noted that non-resource items recently have been decelerating as well although they have been relatively steady (Chart 1). This may be reflecting not only the sluggish European economy but also the economic slowdown in emerging economies including China and resource-rich countries. But exports in Vietnam continued its steady course, mainly in the mobile phones and electronic products, due to investment by foreign capital.

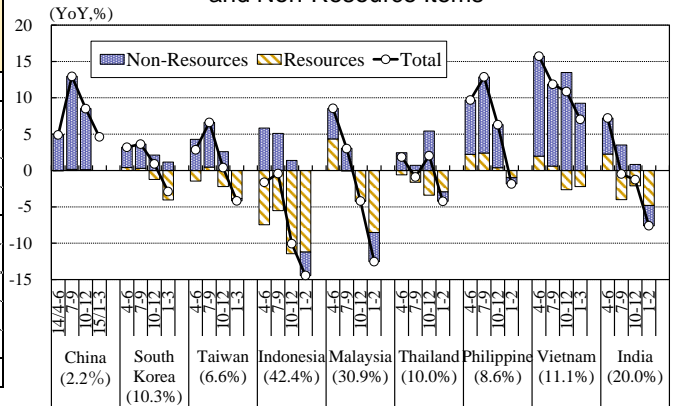
The Asian economy is expected to be supported by domestic demand, especially by a steady consumption while exports to Europe and China will grow at a slow pace. However Thailand, Korea and Malaysia which have already a high level of household debt, require attention, since an increase in consumption backed by debt increases has been becoming harder and increase in repayment obligations would become a burden for consumption.

Table 1: Economic Indicators in Key Asian Countries, Regions

	Retail Sales (YoY %)			Inflation rate (YoY %)			Exports (YoY %)			Export Dependence (%)	
	2014		2015	2014		2015	2014		2015		
	Jul-Sep	Oct-Dec	Jan-Mar	Jul-Sep	Oct-Dec	Jan-Mar	Jul-Sep	Oct-Dec	Jan-Mar		
China	11.9	11.7	10.5	2.0	1.5	1.2	12.9	8.6	4.9	22.7	
N I E S	South Korea	1.4	0.8	▲ 0.6	1.4	1.0	0.6	3.6	0.9	▲ 2.9	50.6
	Taiwan	3.1	1.7	▲ 1.9	1.5	0.8	▲ 0.6	6.6	0.4	▲ 4.2	72.9
	Hong Kong	1.6	0.2	▲ 2.0	4.8	5.1	4.4	5.9	1.2	4.7	220.7
	Shingapore	3.5	6.1	13.5	1.0	▲ 0.0	▲ 0.3	▲ 0.1	▲ 7.1	▲ 13.7	187.6
A S E A N S	Indonesia	15.3	11.0	15.7	4.4	6.5	6.5	2.3	▲ 10.3	▲ 11.4	23.1
	Malaysia	▲ 8.8	3.8	▲ 0.5	3.0	2.8	0.7	3.0	▲ 4.1	▲ 12.4	79.6
	Thailand	1.0	▲ 0.0	▲ 0.0	2.0	1.1	▲ 0.5	▲ 1.8	1.6	▲ 4.8	75.0
	Philippine	37.6	30.3	21.6	4.7	3.6	2.4	12.9	6.3	▲ 1.8	29.1
Vietnam	10.2	15.2	13.9	4.3	2.6	0.7	11.9	10.8	7.0	80.6	
India	16.8	1.8	0.6	6.7	4.1	5.2	1.0	▲ 0.1	▲ 16.1	23.9	

Note: 1. "Retail Sales" for Malaysia, Philippine and India were substituted by Automobiles Sales. For Jan-Mar 2015, NIES, Malaysia and Thailand the numbers are only till Feb.  
 2. "Exports" are in dollars. For Malaysia, Thailand, Philippine the numbers are only till Feb.  
 "Export Dependence" is the ratio of exports against nominal GDP. For Taiwan it is the results of 2013, others are 2014.  
 Source: IMF, individual country statistics, BTMU

Chart 1: Export Values in Asian Economies by Resource and Non-Resource Items



Note: 1. Resources are raw material, mineral fuel, animal & vegetable oil, etc. China has not released the breakdowns of March.  
 2. Figures under countries' name indicates share of resource exports in 2014.  
 Source: Individual country statistics, BTMU

For further details, please contact the Economic Research Office, Bank of Tokyo-Mitsubishi UFJ  
 Chief Manager Ishimaru Tel: 03-3240-3204  
 Directed by Shingo Takeshima <shingo\_takeshima@mufg.jp>  
 Written by Aki Fukuchi <aki\_fukuchi@mufg.jp>  
 Yuma Tsuchiya <yuuma\_tsuchiya@mufg.jp>

This report is intended for information purposes only and shall not be construed as solicitation to take any action such as purchasing/selling/investing financial market products. In taking any action, each reader is requested to act on the basis of his or her own judgment. This report is based on information believed to be reliable, but we do not guarantee its accuracy. The contents of the report may be revised without advance notice. Also, this report is a literary work protected by the copyright act. No part of this report may be reproduced in any form without express statement of its source. This report is also available for viewing online.

