The Outlook for Asian & Australian Economies

Sluggish external demand persists, yet domestic demand-led stable growth is largely sustained

YOKO HAGIWARA, SHOHEI TAKASE
ECONOMIC RESEARCH OFFICE | TOKYO
YUMA TSUCHIYA
ECONOMIC RESEARCH OFFICE | SINGAPORE
MUFG Bank, Ltd.
A member of MUFG, a global financial group

30 SEPTEMBER 2019
(ORIGINAL JAPANESE VERSION RELEASED ON 30 AUGUST 2019)

1. Overview of Asian and Australian Economies

Looking at real GDP growth rate in Apr-Jun in Asia and Australian economies, most economies maintained largely stable growth while the Chinese economy, the largest in the region, showed slower growth from the previous quarter and some of other Asian economies also decelerated from the previous quarter (see table 1). Although an adverse impact of the additional tariffs on Chinese goods appeared to have spread to China's domestic and external demand, the Chinese government has already set a considerable size of economic measures at the National People's Congress (NPC) in March and it is now curbing the scale of the additional economic policies. Instead, it seems to be focusing on the structural reforms which bolster fundamentals in preparation for prolonged trade friction with the US. Meanwhile, other Asian economies excluding China maintained largely stable expansion led by solid domestic demand particularly in private consumption albeit at a slower pace as export growth remained sluggish due to a decrease in exports to China. The Australian economy also seems to continue moderate growth while private consumption is decelerating.

Looking ahead, while the Chinese economy will be forced to decelerate due to an adverse impact of US-China trade friction on domestic and external demand as well as structural investment adjustment pressure, other Asian economies will head toward recovery after the first half of next year supported by completion of an adjustment in global manufacturing sector even facing a mix of sluggish exports, particularly exports to China, and solid private consumption and infrastructure investment for a time. However, caution will be required across the region toward risks such as an abrupt slowdown or downturn in the Chinese economy associated with an escalating US-China trade friction, turmoil in the financial markets caused by investors' risk aversion, and a substantial deterioration in private sector sentiment.

Table 1: Asian Economic Forecasts

(YoY, %)

	2017	2018				2019		2018	2019	2020
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Actual	Forecast	Forecast
Asia 11	6.1	6.3	6.2	5.8	5.7	5.4	5.2	6.0	5.4	5.5
China	6.7	6.8	6.7	6.5	6.4	6.4	6.2	6.6	6.2	6.0
India*	7.7	7.7	8.0	7.0	6.6	5.8	5.0	6.8	6.8	7.0
NIEs	3.1	3.3	3.2	2.2	2.5	1.5	1.7	2.8	1.7	2.1
South Korea	2.8	2.8	2.8	2.0	3.1	1.7	2.1	2.7	2.0	2.2
Taiwan	3.5	3.2	3.3	2.4	1.8	1.7	2.4	2.7	1.9	2.0
Hong Kong	3.4	4.6	3.5	2.9	1.2	0.6	0.5	3.0	0.8	1.8
Singapore	3.6	4.7	4.2	2.4	1.9	1.1	0.1	3.1	1.0	1.9
ASEAN5	5.4	5.5	5.3	5.0	5.2	4.8	4.7	5.2	4.7	4.8
Indonesia	5.2	5.1	5.3	5.2	5.2	5.1	5.0	5.2	5.0	5.1
Thailand	3.9	5.0	4.7	3.2	3.6	2.8	2.3	4.1	2.8	3.1
Malaysia	5.7	5.3	4.5	4.4	4.7	4.5	4.9	4.7	4.4	4.5
Philippines	6.5	6.6	6.2	6.0	6.3	5.6	5.5	6.2	5.8	5.9
Vietnam	7.7	7.5	6.7	6.8	7.3	6.8	6.7	7.1	6.5	6.2
Australia	2.4	3.1	3.1	2.7	2.4	1.7	1.4	2.8	1.9	2.4

Note: *Fiscal year (from April to March)
Source: Individual country statistics, MUFG Bank Economic Research Office

2. Outlook of each country and region

(1) China

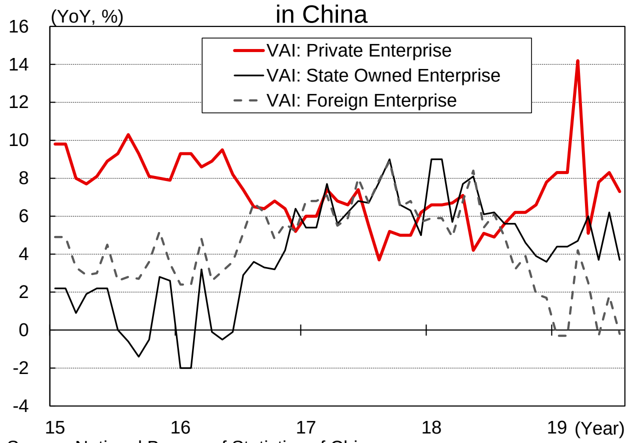
①Summary of Chinese economy and current condition of trade friction with the US

The Chinese economy, having recorded growth of upper +6% YoY until the first half of 2018, started to show deceleration in growth rates in the second half of 2018 and slowed to +6.2% YoY in the latest quarter of Apr-Jun 2019. China's main monthly economic indicators such as exports/imports, fixed assets investment, production, Purchasing Managers' Index (PMI) and retail sales showed deceleration in general. Looking at the Value Added of Industry (VAI), the production index, in particular, the index of foreign enterprise showed a sharper decline compared to those of other enterprises (see chart 1), indicating changes in global supply chains placing a hub in China.

Such deceleration in growth came concurrently with an escalation of trade friction with the US. In addition, prior to this, a tightening of regulations on shadow banking as part of the "deleveraging (trimming excess debt)" policy which started at the end of 2017 is also said to be one of the factors that caused a deterioration of financing environment. Inherently, China was forced to adjust the speed of investment which had been growing at a higher pace as its economy developed, and that is considered to have contributed to prolonged and gradual decline in growth rate, and the authorities' efforts to reduce the debts which are behind the investment also weighed on the economy. Furthermore, its automobile market, now the world's biggest, has been showing a prolonged reactionary decline to the demand boosting measures with tax cut that were implemented until 2017, and motor vehicle sales (cumulative YTD) recorded a double-digit decrease on a YoY basis. It may be no exaggeration to say that the Chinese economy is facing problems both at home and abroad.

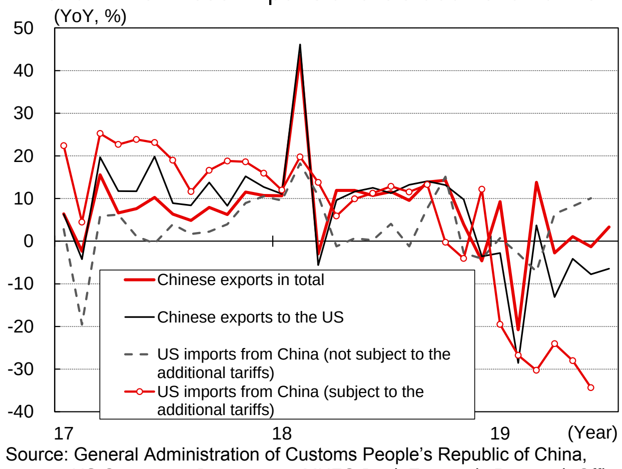
In China, same as in other major economies, firmness in employment can be confirmed by economic indicators such as an unemployment rate. However, some point out the fact that farmer-turned workers who have gone back to their land are not count as the unemployed, and it is difficult to be optimistic about the situation.

Chart 1: Value Added of Industry by enterprise in China



Source: National Bureau of Statistics of China, MUFG Bank Economic Research Office

Chart 2: Chinese Exports and US additional tariffs



Source: General Administration of Customs People's Republic of China, US Commerce Department, MUFG Bank Economic Research Office

Meanwhile, US-China trade friction has been intensifying after a temporary lull. Although the talks resumed at the meeting between US and Chinese leaders at the end of June, the US Trump administration announced on 1 August that the US would impose additional tariffs on a further USD300 billion of Chinese imported goods , equivalent to almost all the remaining items, (so called the fourth round, 10% of additional tariffs, effective on 1 September. The US government announced on 13 August that it would push forwards with imposing additional tariffs on consumer goods, including smartphones and toys, which are heavily dependent on China until 15 December with an eye on Christmas selling season). In response to this, the Chinese government announced on 23 August the retaliatory tariffs of its own (effective on 1 September and 15 December with rates of 5% and 10% respectively) across USD75 billion-worth of imports to the US. This then prompted the US to announce that it would raise the additional tariff rates in the fourth round from 10% to 15%, and also raise existing tariff rates from 25% to 30% on USD250 billion of Chinese imported goods effective on 1 October, quickly escalating the situation.

Looking at the impact of US additional tariffs that have already been imposed based on the US statistics, Chinese imported goods (Chinese exports to the US) decreased by around 30% in total recently (see chart 2). Based on Chinese statistics, Chinese exports to some destinations such as ASEAN have shown an increasing trend, which offset the impact of the decrease in exports to the US, however it is inevitable that headwind to external demand will become stronger with the coverage of tariffs expanding toward next year. Assume that the additional tariffs the US and China impose on each other's imported goods are to be raised to 30% and half of the cost is to be passed on to the US consumers (and the rest is to be borne by Chinese exporters in the form of price cutting), downward pressure to real GDP growth combining a reduction in Chinese exports with a decline in income of Chinese enterprises and households resulting from imposing tariffs to each other is estimated to increase up to around -1.2% point (based on the estimate by the Economic Research Office).

On 5 August, the CNY passed the critical 7.0000 handle against the USD for the first time in 11 years and the US Treasury designated China as a "currency manipulator". It should be considered, however, that the Chinese authorities only let market forces take their effect that drove the exchange rate slightly down amid mounting selling pressure to the CNY. Considering capital outflow risk and an increase in external debt service burden, it appears that a range of the CNY depreciation that the Chinese authorities are willing to tolerate is not so big and will have limited supportive effect on exports.

②The Chinese authorities’ policy response

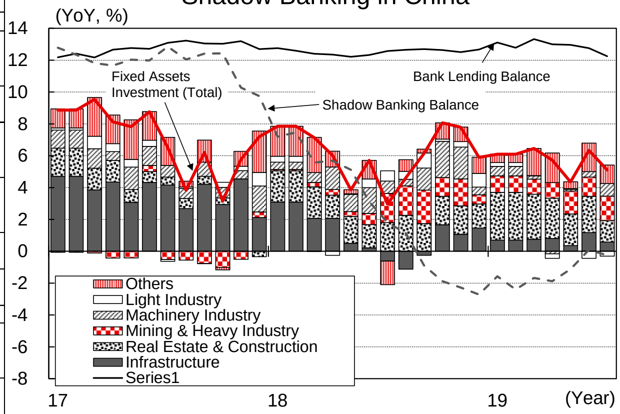
Amid the escalation of US-China trade friction, the Politburo, a top decision-making body of the ruling Communist Party, met on 30 July to discuss economic policy guidance ahead.

Table 2: Summary of economic policy stance ahead (Politburo)

Supply-Side Structural Reform (SSSR)	To deepen SSSR and to upgrade the industrial sector and supply chains
Consumption	To expand consumption by boosting potential domestic demand
Investment	To stabilize manufacturing investment, projects to strengthen vulnerable areas such as refurbishing decrepit housing complex, to accelerate new-type infrastructure construction such as information infrastructure
System and Mechanism Reform	To deepen the System and Mechanism Reform, to increase drive for economic development
Enterprises	To support the development of private enterprises through specific meausres, to solve overdue debts problems, to accelerate liquidation of "zombie companies"
Economic and Trade Friction	To fully implement "six stability (employment, finance, foreign trade, foreign investment, investment and expectation)" policy, and effectively deal with economic and trade friction
Market Openings	To enahnce market openings to foreigners, and to swiftly implement a series of major opening measures
Finance	SSSR in Finance, an increase in mid-to-long term loan to private enterprises
New Markets	Maintainance of tech board "STAR Market"
Property Market	To avoid speculative investment in property market, to implement long term and effective property management mechanism, to refrain from using the property market as a form of short-term stimulus
Employment	To ensure a steady implementation of employment stability policy, focusing on employment of university graduates/migrant workers/military veterans

Source: Chinese government data, MUFG Bank Economic Research Office

Chart 3: Fixed Assets Investment,Bank Lending, Shadow Banking in China



Source: National Bureau of Statistics of China, MUFG Bank Economic Research Office

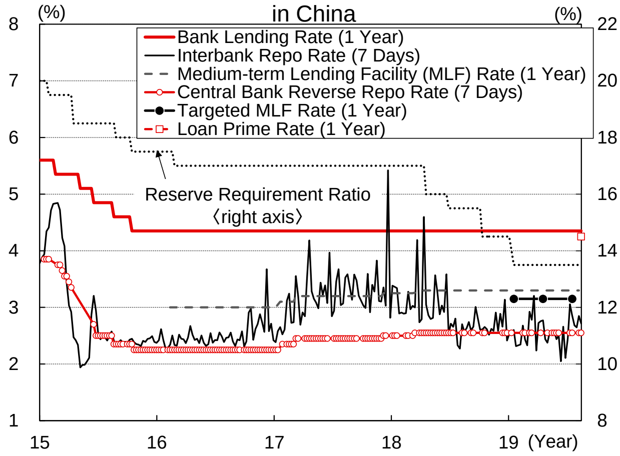
It is notable that it announced policies that are conscious of prolonged trade war with the US as if it was anticipating the subsequent tightening of sanctions by the US. In particular, it stressed that it would promote the economic system reform. On the consumption side, it would seek to lower its dependency on overseas market by boosting domestic market. On the investment side, it would strengthen vulnerable areas and focus on new-type of infrastructure construction such as communications network (see table 2). Meanwhile, it said it would refrain from using the property market as a form of economic stimulus on the lookout for growing debt, taking a cautious stance on short-term additional measures. The Chinese authorities set a considerable size of economic measures (which should boost real GDP growth rate by around +1% point based on the estimate by the Economic Research Office) at the National People’s Congress (NPC) in March, and from their point of view, it is inadvisable to set additional measures prematurely before determining if the initially set economic measures are actually effective, and also it is necessary to establish the systems (see note) for the economic measures to take effect.

Note: For example, one of the main features of the NPC’s stimulus measures is a substantial increase in the issuance quota of local special bonds (bonds that are issued to finance specific project constructions), and this is considered to be a measure against the recent sluggish growth of infrastructure investment (see chart 3). Before this, infrastructure projects would have required the capital (around 20% of total investment) that was to be funded by local governments before undertaking the projects, however the central bank announced in June that it would allow local governments to use some of the funds from special bond issuance as part of the capital to finance qualified major projects, which previously was not allowed due to its concern over debts incurred by local governments. Adding an increase in special bond quota to this, an acceleration of infrastructure investment ahead is expected.

Meanwhile, manufacturing investment has been soft, particularly in light industry, on the back of slowing exports as well as deterioration in financing environment owing to tighter regulations on shadow banking. The Chinese authorities has already instructed to increase loans to private enterprises by banks (not by shadow banking), however it had little effect so far. At the State Council’s executive meeting held on 16 August, it was decided to reform the rate setting mechanism in order to lower lending rates and solve the financing problems. Responding to this, the Peoples' Bank of China (PBC, the central bank) said on the following day that it would announce the Loan Prime Rate (LPR), which is calculated based on lending rates submitted by

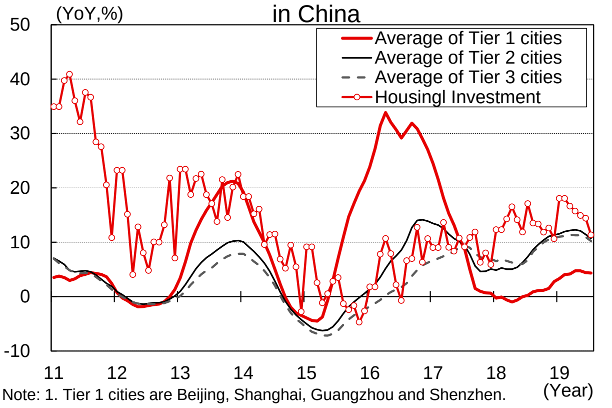
18 banks, on the 20th of every month and instructed banks to switch pricing references for lending from previous Bank Lending Rate to LPR. Nonetheless, the LPR (1 Year) that was actually announced on 20 August was only 0.1% lower than the Bank Lending Rate (1 Year) (see chart 4), and it has little impact on the stance of banks who are the main lenders to state-owned enterprises (SOEs). Further effective measures will be required to improve funding shortages faced by private enterprises, which will boost manufacturing investment.

Chart 4: Interest Rates and Reserve Requirement Ratio in China



Source:People's Bank of China, MUFG Bank Economic Research Office

Chart 5: New Housing Prices and Housing Investment in China



Note: 1. Tier 1 cities are Beijing, Shanghai, Guangzhou and Shenzhen.
2. Tier 2 cities are 31 cities, including municipalities other than tier 1 cities, capital of provincse, capital of sub-provincse.
3. Tier 3 cities are 35 among major 70 cities, excluding Tier 1and 2 cities.
Source: National Bureau of Statistics of China, MUFG Bank Economic Research Office

③Trend and outlook for major domestic demand

It is considered that a prolonged decelerating trend in investment in China will continue to put downward pressue on the economic growth rate for a time. Separately, however, growth of property investment, particularly housing investment which account for most of property investment, had rather been acceleraing from 2016 til the beginning of this year. It has turned to a decelerating trend from the beginning of this year, yet still remained at high level of +11.4% YoY in July (see chart 5). It is unlikely that housing investment will maintain a double-digit growth as there have been increasing cautions by the central government against local governments in the areas where housing market is rather overheated, and the Politburo in July said it would refrain from using the property market as a form of short-term stimulus, as stated above. Nonetheless, housing investment is expected to maintain a solid high single-digit growth as the government will not tolerate downturn in the economy due to destabilization in housing market under the pressure from trade friction with the US, or tighten too much. Considering that infrastructure investment is projected to accelerate as stated above from the policy perspective, investment is likely to support the growth in the next year or so.

Looking at private consumption, deceleration trend is likely to persist amid the prolonged trade friction with the US. Although there were mounting expectations to new measures to stimulate consumption, they were downscaled as short-term measures such as easing of restrictions on new car registration and subsidies to energy-saving household appliances that had been included in the draft measures for the public comment in April were deleted in the final version in June. The 20 measures to promote consumer spending that were announced in August are confined to 1) arranging environment to expand late night service of shops to promote night time economy, 2) requiring local governments to come up with the additional measures to promote easing of restrictions on new car registration and 3) requesting enterprises to promote recycling and supply cheaper energy-saving household appliances, indicating that the government decided to leave some room for further worsening of the economy in the future. However, support to the economy from the income side to some extent is expected as the government is keen to expand the measures to support the employment with an eye on an increase in unemployment, particularly in labor-intensive industry.

It is projected that domestic demand items above as a whole will absorb the downward pressure on growth of around -1% from headwind to external demand such as the trade friction with the US. As a result, it is possible for the economy to achieve the growth of +6.2% YoY in 2019 and +6.0% YoY in 2020 even though it is expected to be exposed to the similar risks derived from overseas next year.

It appears that the Chinese government is trying to accelerate its reform and opening up policy and rush to strengthen its growth in anticipation of prolonged trade friction with the US while taking restrained countermeasures, in contrast to the US escalating its punitive measures to China both in ways of the additional tariffs and the restrictions to individual enterprises. It is anticipated that a slowdown in the Chinese economy will not be substantial but remain modest as the government adjusts the size of stimulus measures by closely observing the economic conditions. However, it is also a fact that there are various political and economic risks surrounding the Chinese economy. For example, 1) in case US' hardline stance toward China would encourage changes of global supply chains by foreign capital enterprises at a faster pace than expected pace, 2) CNY depreciation, 3) capital outflow, 4) in case the protests triggered by the proposed extradition law in Hong Kong and the intensifying response by the authorities could lead to situations beyond control. Close attentions needs to be paid to signs of these risks becoming apparent.

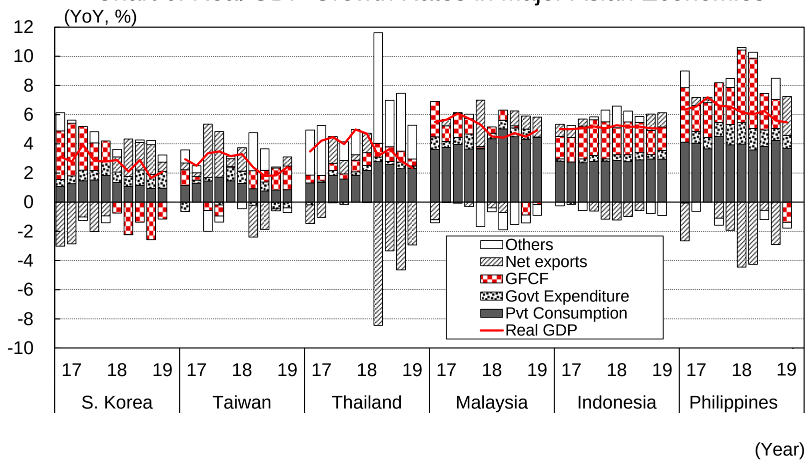
(2) Other Asian Economies

In Asian economies excluding China, solid domestic demand driven by private consumption is supporting the growth while external demand remains sluggish. This is, however, appeared diffently depending on each economy.

In ASEAN economies and India, growth of private consumption and Gross Fixed Capital Formation (GFCF) are high which then absorb the impacts of external demand and relativelly stable growth rates are maintained. Looking at real GDP growth rates, slowdown in growth is evident in Thailand while other economies maintain stable expansion of +5-6% YoY, and the oervall growth rate in the region maintain upper +4% YoY (see chart 6). Looking at the breakdown by expenditure, net exports turned negative in Thailand as exports declined substantially owing to THB appreciation in addition to softening in global manufacturing industry particularly in semiconductor and automobile sectors and Chinese economic slowdown, while net exports had positive contribution in other Asian economies mainly due to decline in imports. Private consumption continues stable expansion of +4-8% YoY in each economy. NIEs economies, on the other hand, are trade-dependent economies and highly dependent on exports to China hence have recently been susceptible to slowdown in the Chinese economy through trading channels. However, with high degree of economy maturity, growth of private consumption remains relatively low and there is little room to absorb negative contribution of sluggish exports. On top of this, there have been downward pressures that are inherent to particular country/region such as reluctance in corporate hiring owing to an increase in minimum wages in South Korea and the intensifying protests triggered by the

proposed extradition law in Hong Kong and the growth in NIEs economies as a whole remained mid +1% YoY range since the beginning of this year.
Meanwhile, monetary situation remains accommodative. A few economies in the region proactively lowered benchmark interest rates amid largely stable currency owing to a rate cut in the US, lower inflation associated with the US rate cut and slower growth rate. In fact, four economies (India, Indonesia, Thailand and Philippines) lowered interest rates in August.

Chart 6: Real GDP Growth Rates in Major Asian Economies



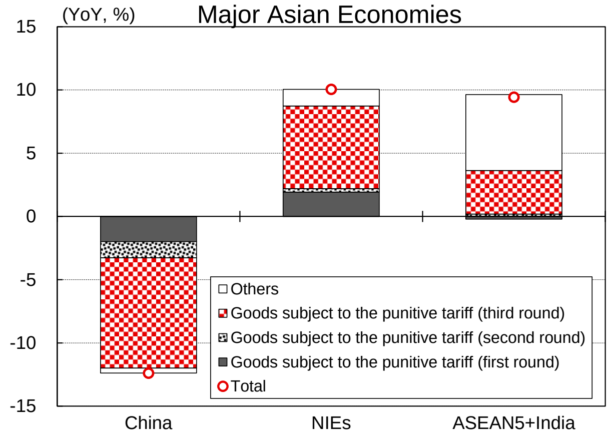
Source: Individual country statistics, MUFG Bank Economic Research Office

Looking ahead, the scenario where once sluggish external demand gradually heads to bottoming out while solid domestic demand supports the economy is likely for the Asian economies excluding China. Although a prolonged US-China trade friction is inevitable, softening in global manufacturing industry can be expected to hit the cyclical bottom in the first half of next year, estimated from semiconductor cycle. On domestic demand side, private consumption is expected to remain solid as income growth will be maintained backed by public support for lower-income group and employment environment will remain favorable with low unemployment rates in the region. In addition, individual governments in the region continue to show proactive stance toward infrastructure investment, which will contribute to an expansion in domestic demand. Furthermore, amid strengthening of monetary easing on a global basis, the authorities in Asia have more room for accommodative monetary policy, which is expected to support private-sector demand.

With regards to US-China trade friction, some point out that it has had a positive impact on Asian exports to the US with some companies shifting production bases and exporting countries from China to other Asian countries in order to avoid the additional tariffs. In fact, looking at Asian exports to the US as the US imports from Asia based on the US statistics, the US imports from China decreased by -12.4% YoY in Jan-Jun while the US imports from NIEs and ones from ASEAN 5 plus India increased by +10.0% YoY and +9.4% YoY respectively in the same period (see chart 7). Looking at the breakdown by item, the items subject to up until the third round of punitive tariffs on Chinese goods had a negative impact on Chinese economy, a positive impact on NIEs economies, and relatively small impact on ASEAN 5 and Indian economies. The US government announced in August that the fourth round of punitive tariffs on almost all the remaining items would be implemented from September (yet placing additional tariffs on items that are highly dependent on China was postponed until December), it appears that the trend of export substitution will be maintained. Meanwhile, it is possible that major ASEAN economies with a high proprtion of items that are subject to the fourth round of punitive tariffs will be positively impacted, offsetting China's negative impacts. (the proportion of items that are subject to the fourth round of punitive tariffs on imported goods to the US: South Korea has around 5% whereas Vietnam and Philippines have relatively high proportion of around 20%).

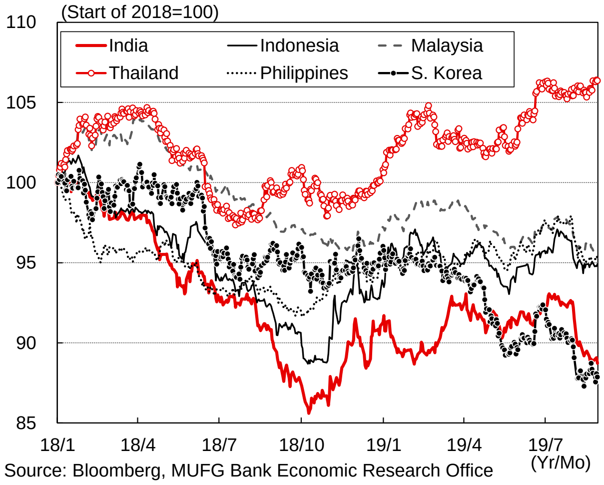
Nevertheless, an escalation of US-China conflict can be risks to Asian economies from various perspectives. Firstly, a further slowdown in the Chinese economy triggered by imposition of the fourth round of punitive tariffs could lead to a further decrease in Asian exports to China. Secondly, the US released a report on macroeconomic and foreign exchange policies of key trading partners where they reviewed the definition of key trading partners and included Vietnam, South Korea, Singapore and Malaysia, among other countries, in the currency monitoring list, which is another friction between Asia and the US. The currencies of some countries such as South Korea, due to the trade structure highly dependent on China, have been depreciating substantially (see chart 8) as the US-China conflict escalated. In case the conflict escalated even further, possibility of making investors more risk averse and leading to further depreciation of the currencies cannot be ruled out. Furthermore, a risk of being designated as a currency manipulator by the US could increase. It is not yet known whether US-China conflict will have a positive impact in total on Asian economies, even with a positive impact of production substitution on exports.

Chart 7: US Imports by Item from Major Asian Economies



Source: The US Commerce Department, MUFG Bank Economic Research Office

Chart 8: USD/Asian Currencies



Source: Bloomberg, MUFG Bank Economic Research Office

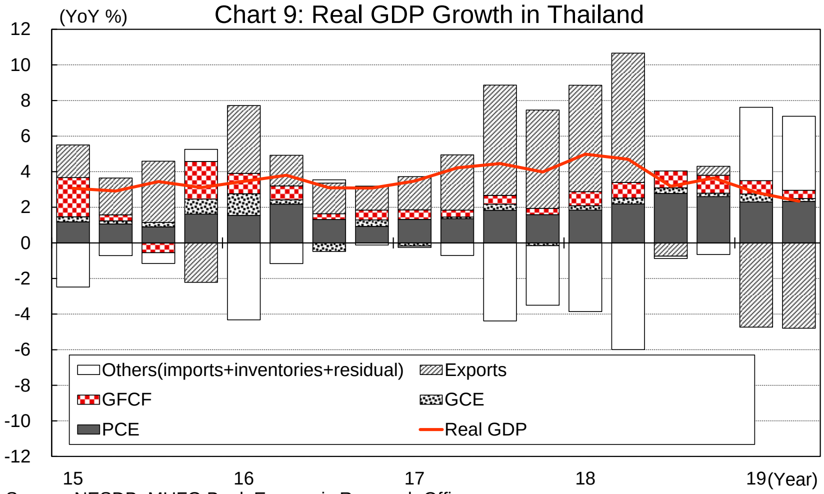
[Thailand]

Thai economy has been generally decelerating since last year. Real GDP growth rate was +2.3% YoY in Apr-Jun, the lowest level since Jul-Sep 2014 (see chart 9). Looking at the breakdown by expenditure, domestic demand remained firm and private consumption in particular maintained high growth of +4.4% YoY on the back of an improving employment and income environment and low-interest rates. Meanwhile, exports recorded -6.1% YoY, substantially declining due to a softening in global production activities and economic slowdown in China.

Looking ahead, the scenario where domestic demand supports the growth will be unchanged as private consumption remains solid on the back of stable employment and income environment and an improving consumer sentiment. In addition, the new economic stimulus measures (worth THB316 billion in total, boosting real GDP growth rate by +0.55 percentage points based on the assumption by Thai finance ministry) will start to contribute to growth toward next year. As a result, real GDP growth rate is expected to record +2.8% YoY in 2019 and slightly accelerate to +3.1% YoY in 2020 while sluggishness in exports hits bottom.

The new Prayuth administration took power in July after the general elections in the lower house of parliament aiming to shift to civilian rule. There has been no major political turmoil although the administration appears to have some issues left to handle the government when the both parties' number of seats came close (the ruling party secured 253 seats in the 500-seat House of Representatives) and the ruling party leads a coalition government in alliance with 18 smaller parties. Major projects such as the development of Eastern Economic Corridor (EEC) are to be implemented and positive effects from infrastructure investment and economic stimulus measures will also continue, contributing the trend of moderate economic expansion.

Chart 9: Real GDP Growth in Thailand



Source: NESDB, MUFG Bank Economic Research Office

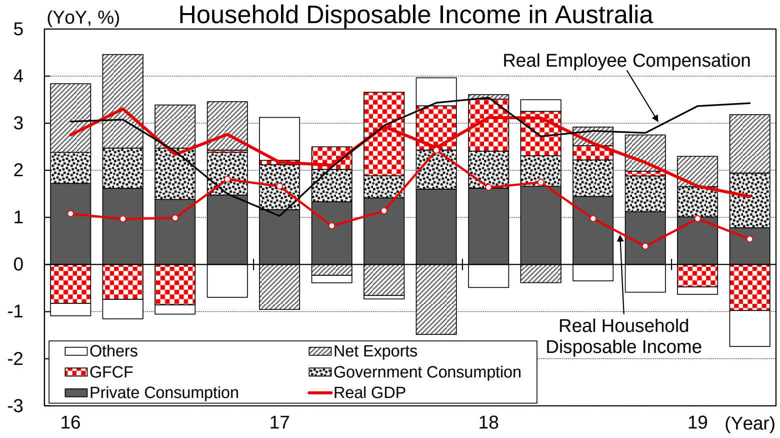
(3) Australia

The Australian economy has been slowing down since the second half of last year mainly due to slower growth of private consumption, and real GDP growth rate in Apr-Jun is likely to remain moderate (see chart 10, translator's note: real GDP growth rate slowed to +1.4% YoY in Apr-Jun, released on 4 September, from +1.7% YoY in Jan-Mar). Looking at private consumption, although labor market remains favorable and employee compensation maintains firmness, growth of household disposable income has been soft due to the recent increase in tax burden and housing prices dropped due to market deterioration since last year after having soared to the level considered a social issue in recent years which caused reverse asset effects mainly on durable goods such as automobiles and household appliances and discretionary items such as dining out, which became a headwind to private consumption. Meanwhile, on external demand side, Australia's exports have been recording a double-digit increase since the middle of last year, as opposed to Asian economies where sluggishness in exports has weighed on growth. Australia's trade structure is mainly comprised of primary commodities such as iron ore and coal (accounting for approximately 80% of total exports), not intricately linked with supply chains of electronic machines industry or automobile industry like ones of Asian economies. In fact, export of iron ore to China, which accounts for 30% of exports, has been boosting total exports, appears to have been positively affected by China's stimulus measures such as infrastructure investment.

Looking ahead, the economic growth rate is likely to remain at around +2% range (annualized basis), albeit decelerating from last year. Firstly, disposable income is expected to head toward improvement owing to the effect of income tax cut (AUD157.9 billion, 8% of GDP) legislation passed in July as tight labor supply and demand is likely to persist. Secondly, housing prices turned upward in some major cities, showing a sign of stabilization as uncertainties over national politics faded after the general election in May. In light of these, a restraining effect on consumption is likely to be eased gradually in the near term. Furthermore, fiscal and monetary policies such as the government's measure to reduce corporate tax, infrastructure projects and 50 bps of cuts altogether in June and July by the Reserve Bank of Australia (RBA, the RBA said it remains willing to ease policy further, if needed) will support domestic demand.

External demand (recent strong exports appear to be supported by exports to China) seemingly carries a high risk amid rapidly increased dependence of exports on China in recent years and concerned prospects for the Chinese economy itself. However, it is assumed that the increasing trend in Australia's exports will be maintained for a time considering that an acceleration of infrastructure investment is expected in China from policy perspective and other economies abroad are also expected to maintain expansionary trend albeit at a slower pace.

Chart 10: Real GDP Growth, Real Employee Compensation and Real Household Disposable Income in Australia



Note: "Real Employee Compensation" = Weekly Wages ÷ Consumer Price x Number of Employees
Source: Australian Bureau of Statistics, MUFG Bank Economic Research Office

(Translated by Makiko Stokes)

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Yoko Hagiwara <youko_hagiwara@mufg.jp>

Shohei Takase <shiyouhei_takase@mufg.jp>

Yuma Tsuchiya <yuma_tsuchiya@sg.mufg.jp >