The monthly *Regional Cooperation and Integration (RCI) Information Pack* monitors RCI news and events under the Asian Development Bank’s (ADB) four RCI pillars: (i) cross-border infrastructure, (ii) trade and investment, (iii) money and finance, and (iv) regional public goods. It also presents high-frequency monetary, financial, and trade indicators, which—taken together—can help monitor economic links between the economies of Asia and the Pacific and major partners outside the region. The RCI Information Pack is published by ADB, produced by the Office of Regional Economic Integration (OREI).

RCI NEWS AND EVENTS

RCI News and Events keeps track of activities and events related to regional cooperation and integration (RCI) covering ADB’s 48 regional members. It follows initiatives under ADB’s four RCI pillars: (i) cross-border infrastructure, (ii) trade and investment, (iii) money and finance, and (iv) regional public goods.

MONETARY, FINANCIAL, AND TRADE INDICATORS

Monetary, Financial, and Trade Indicators offers a picture of the economic links between economies of Asia and the Pacific and major partners outside the region. Leading indicators are tracked monthly and include recent historical trends to help assess individual economies’ growth prospects and potential vulnerabilities. The economies covered include the 10 members of the Association of Southeast Asian Nations (ASEAN)—Brunei Darussalam, Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam; Azerbaijan; Bangladesh; the People’s Republic of China; Hong Kong, China; India; Kazakhstan; the Republic of Korea; Pakistan; Sri Lanka; Taipei, China; Tajikistan; and Uzbekistan. The advanced economies of the eurozone, Japan, and the US are also included.

SPECIAL FEATURE

The Special Feature explores a relevant economic or RCI issue affecting the region.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

Note:
In this publication, “$” refers to US dollars.
RCI NEWS AND EVENTS

- ASEAN turned 46 in August; heading toward 2015 ASEAN Community milestone.
- Asian central banks strengthen financial cooperation.
- ASEAN symposium discusses role of PPPs in expanding regional connectivity.
- RCEP and TPP trade talks advance; PRC, Japan, Republic of Korea resume FTA talks.
- ASEAN stock markets promote ASEAN as an asset class.
- Developing Asia boosts renewable energy initiatives.

MONETARY, FINANCIAL, AND TRADE INDICATORS

- Global stocks down, oil prices up as fears of QE tapering and Syria strike mount.
- Remittance growth generally improves.
- Most Asian currencies depreciate on flight to safety.
- Consumer price growth remained stable in Asia, within several exceptions.
- Policy rates remained unchanged despite market volatility, except in Indonesia.
- Growth in bank lending has started to weaken.
- Industrial production growth largely unchanged for major exporters; up in the Philippines.
- Export and import growth continues to decline in most of Asia, except for the NIEs.
- Q2 GDP growth stabilized across much of Asia; slightly improving for the NIEs.

SPECIAL FEATURE: Asian Currency and Equity Market Volatility

- Asian equity and currency markets exhibited high volatility since the release of the May 2013 US Fed meeting minutes offered a signal of QE tapering.
- Although volatility has not reached 2008 levels—after the collapse of Lehman Brothers’—most Asian economies are approaching levels recorded during the April 2010 Greece bailout and May 2011 US debt ceiling crises.
- After the US Fed’s QE announcement, South and Southeast Asia saw a steep rise in standard deviation of exchange rates and equity returns; while Central and East Asia had more modest upticks.

\(^1\)Covers August news and data.
RCI News and Events follows regional initiatives under ADB’s four RCI pillars: (i) cross-border infrastructure, (ii) trade and investment, (iii) money and finance, and (iv) regional public goods.

IN THE NEWS

ASEAN turned 46 in August; heading toward 2015 ASEAN Community milestone. The Association of Southeast Asian Nations (ASEAN) celebrated its 46th anniversary 8 August; Secretary-General Le Luong Minh said ASEAN’s essence was "really about the ASEAN peoples building a Community and a future together". The 45th ASEAN Economic Ministers’ meeting, held 19 August in Brunei Darussalam, discussed the ASEAN Economic Community (AEC) and progress on goods and services trade, investment, and consumer protection, among others. Ministers also stressed the need for progress in regional integration and stability in intraregional trade and foreign direct investment.

ASEAN boosts ties with New Zealand; reviews CLMV integration. ASEAN representatives visited New Zealand 11–16 August to strengthen official ties. New Zealand newly launched its ASEAN Strategy to encourage business to shift their focus on the ASEAN market. ASEAN also began its Mid-Term Review (MTR) of the Initiative for ASEAN Integration Work Plan II, which focuses on providing assistance to ASEAN’s newer members—Cambodia, Lao People’s Democratic Republic (Lao PDR), Myanmar and Viet Nam, together known as CLMV. Representatives from the Mekong Institute, which carries out the MTR, met at the ASEAN Secretariat in Jakarta, Indonesia 13–16 August to begin work.

Asian central banks strengthen financial cooperation. Bank Negara Malaysia and the Hong Kong Monetary Authority met 28 August to tackle bilateral economic and financial issues such as financial market development in both economies. They also discussed offshore renminbi transactions and the internationalization of Islamic finance. Bank Indonesia and the Bank of Japan extended their Bilateral Swap Arrangement (BSA) 29 August, designed to strengthen coordination between central banks in addressing financial shocks. The $12 billion BSA became effective end-August. It was announced as part of Indonesia’s measures to curb inflation, stabilize the rupiah, and reduce its current account deficit.

ASEAN symposium discusses role of PPPs in expanding regional connectivity. The 4th ASEAN Connectivity Symposium—“Partnering Private Sector for ASEAN Connectivity”—was held in Bandar Seri Begawan, Brunei Darussalam 27 August. The meeting focused on public-private partnerships (PPPs) and their role in implementing the Master Plan on ASEAN Connectivity. Discussions centered on (i) identifying the right policy environment and regulatory framework for PPPs; (ii) learning PPP best practices from various regions; and (iii) exploring the potential for private sector involvement in ASEAN Connectivity projects. The ASEAN Secretary-General stressed the importance of increasing private investment to address the massive financing needs for ASEAN Connectivity projects.

US Helsinki Commission discusses CAREC progress in Afghanistan. ADB briefed a US congressional commission on ADB’s work with the Central Asian Regional Economic Cooperation (CAREC) and multilateral institutions on the $21 billion Silk Road rehabilitation in Central Asia and Afghanistan. The 31 July briefing, "The New Silk Road Strategy: Implications for Economic Development in Central Asia," was organized by the Commission on Security and Cooperation in Europe, also known as the US Helsinki Commission.

SAARC expands energy cooperation; bids to enlarge scope of visa exemption scheme. On 14 August, South Asian Association for Regional Cooperation (SAARC) Secretary-General Ahmed Saleem presented ADB’s Nepal Country Director a SAARC Study on the South Asia Power Exchange, published by ADB in June. The study examines SAARC collaboration on energy as a sequel to a previous study published in March 2010. Meanwhile, the SAARC Secretary-General spoke at a 13 August meeting of the Core Group of Immigration and Visa Experts at the SAARC Secretariat in Kathmandu, Nepal. The group aims to expand the scope of the SAARC Visa Exemption Scheme, which currently limits the number of people allowed visa-free travel within the subregion.
Multi-billion dollar GMS investments discussed. Ministers and senior government officials from the six Greater Mekong Subregion (GMS) members met 7 August to discuss multi-billion dollar projects and activities under the Regional Investment Framework, designed to widen and deepen GMS economic corridors. Projects will likely include energy and power market integration, environment and biodiversity, agriculture, human resource development, tourism, transport, urban development, and trade facilitation.

TRADE AND INVESTMENT

RCEP and TPP trade talks advance. The first ministerial meeting of the Regional Comprehensive Economic Partnership (RCEP) was held in Brunei Darussalam 19 August, followed by the 19th round of Trans-Pacific Partnership (TPP) negotiations 22-23 August. RCEP ministers discussed results of the Trade Negotiating Committee and trade working group meetings. Meanwhile, TPP members noted progress in addressing issues on market access, government procurement, labor, and disputes, among others.

Pacific holds regional workshop on trade in services. On 5-8 August in Port Villa, Vanuatu, the World Trade Organization (WTO) and the Office of the Chief Trade Advisor (OCTA) held a regional workshop on trade in services. OCTA is a regional organization that provides technical advice on regional and multilateral trade issues to Pacific Island Forum members. The workshop was to deepen understanding of WTO disciplines for services trade and their potential impact on national and regional trade policies.

PRC, Japan, Republic of Korea resume FTA talks. The second round of trilateral talks between the People’s Republic of China (PRC), Japan, and the Republic of Korea was held 13-16 August to tackle cargo and services trade, rules of origin, customs procedures, trade remedies, intellectual property rights, and e-commerce. Meanwhile, the PRC and Republic of Korea are scheduled to begin their 7th round of bilateral free trade agreement (FTA) negotiations in September.

MONEY AND FINANCE

ASEAN stock markets promote ASEAN as asset class. At the 19th ASEAN Exchanges CEOs Meeting 16 August in Manila, Philippines, officials from seven ASEAN stock markets discussed strategies to promote ASEAN as an asset class. Key initiatives include an enhanced ASEAN website, marketing of ASEAN Stars (a selection of the top 180 ASEAN blue chip stocks), and an Invest ASEAN retail road show. Similarly, the Philippine Stock Exchange (PSE), the Singapore Exchange, and the Bankers Association of the Philippines signed Memorandum of Agreements (MOAs) extending the deadline for the planned merger of the PSE and Philippine Dealing System from 18 August to 30 November.

Brunei Darussalam and Australia agree to share tax information. An agreement signed 7 August by Brunei Darussalam and Australia provides for the exchange of information on taxes. The two economies reiterated their commitment to promote transparency and reaffirmed their strong trade and economic ties.

Thailand Focus 2013 highlights connecting GMS stock markets. The Stock Exchange of Thailand and its partners held Thailand Focus 2013 in Bangkok, Thailand 28-30 August. Under the theme “Connecting to New Investment Frontiers," the forum showcased stock exchanges and listed companies in the GMS. Aside from showcasing Thailand’s desire to become GMS capital market hub, the meeting brought together officers of the stockmarkets of Cambodia, Lao PDR, Thailand, and Viet Nam.

Republic of Korea shares debt management expertise with Viet Nam. The Debt and Asset Trading Company of Viet Nam signed an MOA with the Korea Asset Management Corporation 29 July on effective debt management and enterprise restructuring. The MOA is also aimed at enhancing sustainable development in both countries.
REGIONAL PUBLIC GOODS

Developing Asia boosts renewable energy initiatives. The Indonesian government and ADB are building a cross-border power transmission line linking West Kalimantan with Sarawak, Malaysia. The project should bring cleaner, greener hydroelectricity to West Kalimantan and add 8,000 households to its power grid. A PRC firm, Hydro-China International Engineering Company Limited, is constructing a $120 million 50-megawatt wind energy project at Gharo in Sindh, Pakistan, to be completed by June 2015. In the PRC, The National People’s Congress is calling for greater support for the development of renewable energy given challenges in planning, procurement, subsidies, and technology.

Asia promoting more solar energy. On 1 August, Pakistan and the PRC signed an agreement on energy cooperation. Under the agreement, PRC’s TBEA, an energy company, will build a 1000-megawatt solar plant in Cholistan, Pakistan. Hanergy Holdings Group Co Ltd, a solar company from the PRC is collaborating with Swedish home furniture giant Ikea Group on a grid-connected solar power generation project for all of the Ikea stores in PRC as well as Ikea’s selected suppliers. In the Philippines, a $70 million 20-megawatt solar power plant is set to be built in Laoag City, Ilocos Norte. At least 13,000 solar panels requirement are initially planned to be used for the construction of the solar power plant within 60 to 70 hectares of lands located in the towns of Badoc and Vintar. As initial step, a Memoranda of Understanding were signed August 10 between Korean energy company EC Cobuy Philippines, Inc. and the local government of Ilocos Norte.

SEPTEMBER 2013 EVENTS

- 2 September: Meeting for Best Practices on HIV/AIDS in ASEAN (Malacca, Malaysia)
- 2–4 September: G20 Sherpas’ Meeting and Joint Meeting with Finance Deputies; G20 Finance Ministers’ Deputies Meeting (St. Petersburg, Russia)
- 8–12 September: ASEAN Senior Officials’ Meeting (SOM), Senior Economic Officials’ Meeting, Joint Preparatory Meeting, ASEAN Plus Three SOM, East Asia Summit SOM (Brunei Darussalam)
- 10–11 September: Asia Pacific Trade Facilitation Forum 2013 (Beijing, PRC)
- 10–12 September: 16th CAREC Energy Sector Coordinating Committee Meeting (Almaty, Kazakhstan)
- 12 September: UNESCAP Regional Meeting on Development of Regional Arrangements for the Facilitation of Cross-border Paperless Trade (Beijing, PRC)
- 12 September: Publication Launch for ADB-WHO Managing Regional Public Goods for Health—Community Based Dengue Control (Manila, Philippines)
- 17–19 September: APEC Senior Finance Officials Meeting and Finance Deputies’ Meeting (Bali, Indonesia)
- 18 September: 12th CAREC Customs Cooperation Committee Meeting (Astana, Kazakhstan)
- 20 September: 13th CAREC Transport Sector Coordinating Committee Meeting (Astana, Kazakhstan)
- 20 September: APEC Finance Ministers’ Meeting (Bali, Indonesia)
- 20–24 September: 10th ASEAN-PRC Expo and 10th ASEAN-PRC Business and Investment Summit (Nanning, PRC)
- 23–27 September: 31st ASEAN Ministers on Energy Meeting and its Meeting with Dialogue Partners (Bali, Indonesia)
- 23–27 September: 2nd RCEP Trade Negotiating Committee Meeting (Brisbane, Australia)
- 27–28 September: Consultation Meeting with CAREC National Focal Points (Bangkok, Thailand)
MONETARY, FINANCIAL, AND TRADE INDICATORS

GLOBAL MARKETS
- Equity Indexes—eurozone, Japan, and the United States
- Equity Indexes—Emerging Markets
- Commodity Price Indexes
- 10-yr Government Bond Yields—eurozone, Japan, and the United States

FINANCIAL INDICATORS
Equity Indexes
- ASEAN-4 plus Viet Nam
- Kazakhstan
- NIEs and People’s Republic of China
- South Asia

Remittances
- Inward Remittances—Southeast Asia
- Inward Remittances—South Asia
- Inward Remittances from the Middle East—Bangladesh, Pakistan, and the Philippines
- Outward Remittances—Kazakhstan

MONETARY INDICATORS
Exchange Rate Indexes
- ASEAN-4 plus Viet Nam
- Central Asia
- NIEs and People’s Republic of China
- South Asia

Headline Inflation
- ASEAN-4 plus Viet Nam
- Central Asia
- NIEs and People’s Republic of China
- South Asia

Policy Rates
- ASEAN-4 plus Viet Nam
- Central Asia
- NIEs and People’s Republic of China
- South Asia

OUTPUT INDICATORS
Industrial Production
- ASEAN-4 plus Viet Nam
- Central Asia
- NIEs and People’s Republic of China
- South Asia

Trade Growth
- Total Exports
- ASEAN-4
- India
- People’s Republic of China

GDP Growth—G3
- G3
- US
- eurozone
- Japan

GDP Growth—Asia
- ASEAN-4 plus Viet Nam
- Central Asia
- NIEs and People’s Republic of China
- South Asia

SPECIAL FEATURE
VULNERABILITY INDICATORS
- Assessment of Financial Vulnerabilities
- Assessment of External Vulnerabilities

KEY INDICATORS
GLOBAL MARKETS

Global stocks down, oil prices up as fears of QE tapering and Syria strike mount. Stock markets in both developed and emerging economies declined in August as fears of tapering quantitative easing (QE) led to massive capital flight. Emerging markets were particularly affected as major economies such as India and Indonesia faced high volatility (see Special Feature). Europe’s index was slightly up—but still below 2010 levels—on news its recession has ended. A flight-to-quality drove gold and metal prices up. Oil prices continued their rise on fears over supply due to the threat of US military strikes on Syria.

**Equity Indexes**

<table>
<thead>
<tr>
<th>Equity Indexes</th>
<th>G3 (Jan 2011 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurozone</td>
<td>July 2011 = 100</td>
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<tr>
<td>Japan</td>
<td>July 2011 = 100</td>
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<tr>
<td>United States</td>
<td>July 2011 = 100</td>
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</tbody>
</table>

1Monthly average equity indexes refer to Morgan Stanley Capital International (MSCI), European Monetary Union (EMU) Index for eurozone, Nikkei 225 Index for Japan, and Dow Jones Industrial Average Index for the United States. Data up to 30 August 2013.

Source: ADB calculations using data from Datastream.

**Equity Indexes**

<table>
<thead>
<tr>
<th>Equity Indexes</th>
<th>Emerging Markets (Jan 2011 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI Emerging Asia</td>
<td>July 2011 = 100</td>
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<tr>
<td>MSCI Emerging Europe</td>
<td>July 2011 = 100</td>
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<tr>
<td>MSCI Emerging Latin America</td>
<td>July 2011 = 100</td>
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</tbody>
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Source: ADB calculations using data from Datastream.

**Commodity Price Indexes**

<table>
<thead>
<tr>
<th>Commodity Price Indexes</th>
<th>(Jan 2011 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (Brent)</td>
<td>July 2011 = 100</td>
</tr>
<tr>
<td>All metals</td>
<td>July 2011 = 100</td>
</tr>
<tr>
<td>Gold</td>
<td>July 2011 = 100</td>
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<tr>
<td>Wheat</td>
<td>July 2011 = 100</td>
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<tr>
<td>Rice</td>
<td>July 2011 = 100</td>
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</tbody>
</table>

Note: Data up to 30 August 2013.

Source: ADB calculations using data from Bloomberg.

**10-yr Government Bond Yields—G3**

<table>
<thead>
<tr>
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<th>G3 (Jan 2011 = 100)</th>
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<tbody>
<tr>
<td>eurozone</td>
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<td>United States</td>
<td>July 2011 = 100</td>
</tr>
</tbody>
</table>

Note: Data up to 30 August 2013.

Source: ADB calculations using data from Bloomberg.
**EQUITY INDEXES**

**Most South and Southeast Asian indexes retrenched.** Large foreign capital outflows exposed structural imbalances in India and several Southeast Asia economies, driving equity indexes down with rising volatility (see page 16). Positive economic data for the PRC; Hong Kong, China; and Republic of Korea lifted their stock indexes. Pakistan defied the trend, its index consistently up on rising demand from institutional buyers.

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**Equity Indexes**

**—ASEAN-4 plus Viet Nam**

(Jan 2011 = 100)

**Equity Index**

(Jan 2011 = 100)

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**Equity Indexes**

**—NIEs and People’s Republic of China**

(Jan 2011 = 100)

**Equity Indexes**

**—South Asia**

(Jan 2011 = 100)

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1 Monthly average, data up to 30 August 2013.

Source: ADB calculations using data from Bloomberg.

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1 Monthly average, data up to 30 August 2013.

Source: ADB calculations using data from Bloomberg.

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1 Monthly average, data up to 30 August 2013. For PRC, stock price indexes of combined Shanghai and Shenzhen composites weighted by their market capitalization in US dollars.

Source: ADB calculations using data from Bloomberg.
**REMITTANCES**

**Remittance growth back up except in Bangladesh.** Remittance inflows improved in most Asian economies, partly encouraged by weaker exchange rates (see page 8). Growth in inflows to Bangladesh continued to slow as the taka continued to appreciate, and they are expected to fall further in August due to Eid-ul-Fitr celebrations.

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**Inward Remittances—Southeast Asia**

(y-o-y, %)

- Indonesia
- Philippines
- Thailand


Source: ADB calculations using data from CEIC and Haver Analytics.

**Inward Remittances—South Asia**

(y-o-y, %)

- Bangladesh
- India
- Pakistan
- Sri Lanka


Source: ADB calculations using data from CEIC and Haver Analytics.

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**Inward Remittances from Middle East—Bangladesh, Pakistan, and Philippines**

(y-o-y, %)

Notes: Based on 3-month moving averages. Middle East includes Bahrain, Kuwait, Qatar, Saudi Arabia, and United Arab Emirates.

Source: ADB calculations using data from CEIC.

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**Outward Remittances—Kazakhstan**

(y-o-y, %)

Note: Based on quarterly data.

Source: ADB calculations using data from CEIC.
EXCHANGE RATES

Most Asian currencies depreciate on flight to safety. Capital outflows in response to the prospect of QE tapering in the US brought currency values down across much of South and Southeast Asian. India and Indonesia were hit the most. The flight-to-quality saw currencies in the PRC, Japan, and Republic of Korea appreciate.

**Exchange Rate Indexes—ASEAN-4 plus Viet Nam**
($ per unit of local currency, Jan 2011 = 100)

- Indonesia
- Malaysia
- Philippines
- Thailand
- Viet Nam

Note: An increase means appreciation. A decrease means depreciation. Data up to 30 August 2013.
Source: ADB calculations using data from Datastream.

**Exchange Rate Indexes—Central Asia**
($ per unit of local currency, Jan 2011 = 100)

- Azerbaijan
- Kazakhstan
- Tajikistan
- Uzbekistan

Note: An increase means appreciation. A decrease means depreciation. Data up to 30 August 2013.
Source: ADB calculations using data from Datastream.

**Exchange Rate Indexes—NIEs and People’s Republic of China**
($ per unit of local currency, Jan 2011 = 100)

- PRC
- Republic of Korea
- Singapore
- Taipei, China

Note: An increase means appreciation. A decrease means depreciation. Data up to 30 August 2013.
Source: ADB calculations using data from Datastream.

**Exchange Rate Indexes—South Asia**
($ per unit of local currency, Jan 2011 = 100)

- Bangladesh
- India
- Pakistan
- Sri Lanka

Note: An increase means appreciation. A decrease means depreciation. Data up to 30 August 2013.
Source: ADB calculations using data from Datastream.
Consumer price growth remained stable in Asia, except in Indonesia and Hong Kong, China. Indonesia’s inflation rose to a 4-year high mainly due to higher costs of imported goods caused by rupiah depreciation. Should the rupiah continue to weaken, inflation could reach double-digits by year-end on its rising import bill. Hong Kong, China’s inflation rose to its highest level this year due to rising housing and rental costs.
POLICY RATES

Policy rates remained unchanged despite market volatility, except for Indonesia. Most Asian countries used their international reserves to stabilize currencies instead of hiking key rates (see page 18 on the decline of import cover). Indonesia used both strategies to temper its huge currency volatility. For the third consecutive month, Bank Indonesia raised its key rate, bringing it to 7.0% in August from 5.75% in May.

![Policy Rates—ASEAN-4 plus Viet Nam](image1)

![Policy Rates—Central Asia](image2)

![Policy Rates—NIEs and People’s Republic of China](image3)

![Policy Rates—South Asia](image4)

RHS = right-hand scale.

1 Bank Indonesia rate (Indonesia); overnight policy rate (Malaysia); reverse repo (repo) rate (Philippines); one-day repo rate (Thailand); and refinancing rate (Viet Nam). Data as of 30 August 2013. Source: Datastream.

1 Refinancing rate (Azerbaijan); repurchase (repo) rate (Kazakhstan). Data as of 30 August 2013. Source: Datastream.

1 One-year lending rate (PRC), Hong Kong base rate (Hong Kong, China); the Bank of Korea base rate (Republic of Korea); and discount rate (Taipei, China). Data as of 30 August 2013. Source: Datastream.

1 Repurchase (repo) rate (India); discount rate (Pakistan); and Sri Lanka Central Bank repurchase rate (Sri Lanka). Data as of 30 August 2013. Source: Datastream.
BANK LENDING

Growth in bank lending has started to weaken. Financial markets volatility due to QE tapering fears, moderated bank lending growth. In Kazakhstan, lending growth declined significantly as the banking system tries to manage bad loans. High bank lending growth in most Asian economies was seen as feeding higher home prices.

Bank Lending Growth\(^1\)—ASEAN-4 plus Viet Nam (y-o-y, %)

Bank Lending Growth\(^1\)—NIEs and People’s Republic of China (y-o-y, %)

Bank Lending Growth\(^1\)—South Asia and Kazakhstan (y-o-y, %)

House Price Growth—East and Southeast Asia (y-o-y, %)

\(^1\)Data refer to commercial bank loans (Indonesia and Thailand); commercial bank loans and advances (Malaysia); commercial and universal bank loans net of RRAs (Philippines); and claims on private sector of banking institutions (Viet Nam). Data for Indonesia and the Philippines until June 2013; Viet Nam until May 2013. Source: ADB calculations using data from CEIC.

\(^1\)Data refer to credit of deposit money banks (Bangladesh), commercial bank loans (Sri Lanka), domestic credit (India and Pakistan), and loans of other depository corporations (Kazakhstan). Data for India until March 2013; data for Pakistan and Sri Lanka until April 2013. Source: ADB calculations using data from CEIC for Bangladesh, and Sri Lanka; ADB calculations using data from Haver for India and Pakistan.

\(^1\)Data refer to authorized institutions’ loans and advances (Hong Kong, China); commercial and specialized bank loans (Republic of Korea); domestic banking unit loans and advances (Singapore); and domestic bank loans and advances (Taipei, China). Data for Republic of Korea until June 2013. Source: ADB calculations using data from CEIC and Bank of Korea.

\(^1\)Data refer to credit of deposit money banks (Bangladesh), commercial bank loans (Sri Lanka), domestic credit (India and Pakistan), and loans of other depository corporations (Kazakhstan). Data for India until March 2013; data for Pakistan and Sri Lanka until April 2013. Source: ADB calculations using data from CEIC for Bangladesh, and Sri Lanka; ADB calculations using data from Haver for India and Pakistan.

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INDUSTRIAL PRODUCTION

Industrial production growth largely unchanged for major exporters; up in the Philippines. Higher industrial production contributed to Philippine growth in the second quarter (see page 15). Thailand’s decline in industrial production contributed to its technical recession. With export growth also relatively flat, production remained relatively unchanged for most major exporters. PRC’s manufacturing growth—stable at around 9%—is seen as a sign the economy can reach its target growth rate for 2013.

**Industrial Production Growth**

- **ASEAN-4 plus Viet Nam**
  - Industrial production growth remains largely unchanged for major ASEAN exporters.
  - Thailand’s decline in industrial production contributed to its technical recession.

- **Central Asia**
  - Industrial production growth for Central Asian economies shows some variability.

- **NIEs and People’s Republic of China**
  - Manufacturing growth is stable at around 9% for PRC.

- **South Asia**
  - Industrial production growth for South Asian economies shows some recovery.

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**Notes:**
13-month moving average. Data for Thailand until July 2013; data for Indonesia, Malaysia, and the Philippines until June 2013. Source: ADB calculations using data from CEIC.
TRADE GROWTH

Export and import growth continues to decline in most of Asia, except for the NIEs. Export growth eased further in July as global demand remained weak. Import growth from developed economies remained subdued despite improved economic conditions. Weak exports by India contributed to its widening current account deficit. The sharp fall in India’s imports from ASEAN-4 underscored its economic problems. PRC imports from the NIEs weakened, but remained at double-digits, pulling up export growth.

**Total Exports\(^1\) by Origin**
(y-o-y, %)

![Total Exports Chart](image)

ASEAN-4 = Indonesia, Malaysia, Thailand, and the Philippines. PRC = People’s Republic of China. IND = India. NIEs = Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. Data for ASEAN-4 until June 2013.

\(^1\)13-month moving average.

Source: ADB calculations using data from CEIC.

**Import Growth\(^1\) by Origin—ASEAN-4**
(y-o-y, %)

![Import Growth Chart](image)

ASEAN-4 = Indonesia, Malaysia, Thailand, and the Philippines. PRC = People’s Republic of China. G3 = EU, Japan, and US. IND = India. NIEs = Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China.

\(^1\)13-month moving average.

Source: ADB calculations using data from CEIC.

**Import Growth\(^1\) by Origin—India**
(y-o-y, %)

![Import Growth Chart](image)

ASEAN-4 = Indonesia, Malaysia, the Philippines and Thailand. PRC = People’s Republic of China. NIEs = Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China. G3 = EU, Japan, and the US.

\(^1\)13-month moving average.

Source: ADB calculations using data from CEIC.

**Import Growth\(^1\) by Origin—People’s Republic of China**
(y-o-y, %)

![Import Growth Chart](image)

ASEAN-4 = Indonesia, Malaysia, the Philippines and Thailand; G3 = EU, Japan, and the United States; IND = India; NIEs = Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China.

\(^1\)13-month moving average.

Source: ADB calculations using data from CEIC.
**GDP GROWTH—G3**

**Economic sentiment improved in the US and Eurozone; remains stable in Japan.** The US economy grew 1.7% (q-o-q, saar) in the second quarter driven by improved private investment and consumption. Net exports and government consumption continue to drag down US growth. After six quarters, the eurozone finally left its recession with a 1.08% (q-o-q, saar) growth in 2Q 2013. Exports and private consumption were the main drivers of growth. In Japan, revised figures show a more robust annualized growth of 4.1% in 1Q and 3.8% in 2Q (q-o-q, saar) due mainly to private consumption.

---

**Contributions to GDP Growth**

**—United States**

1. **Personal Consumption**
2. **Private Domestic Investment**
3. **Net Exports**
4. **Government Consumption**

**—eurozone**

1. **Private Consumption**
2. **Investment**
3. **Government Consumption**
4. **Net Exports**
5. **Statistical Discrepancy**

**—Japan**

1. **Private Consumption**
2. **Investment**
3. **Government Consumption**
4. **Net Exports**
5. **Statistical Discrepancy**

---

**Sources:**
GDP GROWTH—ASIA

Q2 GDP growth stabilized across much of Asia; slightly improving for the NIEs. The economies of PRC, India, Indonesia, Malaysia, and the Philippine had robust GDP growth in the second quarter. Thailand entered a technical recession in Q2 due to weak exports and a decline in domestic consumption. The NIEs growth rose in Q2 mainly due to higher export growth. Despite the economic turmoil, GDP growth for most of Asia should continue as G3 economies improve.

GDP Growth\(^1\)—ASEAN-4 plus Viet Nam
(y-o-y, %)

GDP Growth\(^1\)—Central Asia
(y-o-y, %)

GDP Growth\(^1\)—NIEs and People’s Republic of China
(y-o-y, %)

GDP Growth\(^1\)—South Asia
(y-o-y, %)

\(^{1}\)Based on quarterly data.
Source: ADB calculations using data from CEIC.
SPECIAL FEATURE: Asian Currency and Equity Market Volatility

Asian equity and currency markets exhibited high volatility since the release of the May 2013 US Fed meeting minutes offered a signal of QE tapering. Although volatility has not reached 2008 levels—after the collapse of the Lehman Brothers’—most Asian economies are approaching levels recorded during the April 2010 Greece bailout and May 2011 US debt ceiling crisis. After the Fed’s QE announcement, South and Southeast Asia saw a steep rise in standard deviation of exchange rates and equity returns while Central and East Asia saw more modest increases.

1 3-month rolling standard deviation of daily change in US dollar exchange rates. Data up to 30 Aug 2013
Source: ADB calculations using data from Bloomberg.

PRC= People’s Republic of China,
# Assessment of Financial Vulnerabilities

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Note: The latest figure is compared to the indicator’s long-run average (2000-2012). Green font implies a decline in vulnerability; red means an increase in vulnerability.

GDP = gross domestic product, y-o-y = year-on-year, – = unavailable.

1Latest International Monetary Fund Article IV Consultation projections of overall primary balance (excludes interest and investment income) for Brunei Darussalam and of overall balance (including grants and off-budget investment expenditures) for Lao People’s Democratic Republic (Lao PDR). Data for Bangladesh; Hong Kong, China; India; Lao PDR; Pakistan; Singapore; Sri Lanka; Taipei, China; and Thailand are fiscal year.

2Central government debt for Indonesia, Republic of Korea, and Taipei, China; federal government debt for Malaysia; and national government debt for the Philippines.

3Data are projections for Indonesia and Lao PDR; estimates for Viet Nam. 2011 figures for Kazakhstan and Sri Lanka, 2010 for Pakistan.

4Loans to private sector and non-financial institutions; and deposits (demand, time, savings, foreign currency, bond, and money market instruments—where available) of banking institutions, deposit money banks, and other depository corporations of each economy.

5Data for Brunei Darussalam and Cambodia refer to claims on private sector and nonbank financial institutions of other depository corporations; for People's Republic of China to financial institution loans; Hong Kong, China to domestic credit; Indonesia to commercial bank loans; Republic of Korea to loans of commercial and specialized banks; Lao People’s Democratic Republic to claims on private sector of deposit money banks; Malaysia to commercial bank loans and advances; Philippines to commercial and universal bank loans net of reverse repurchase arrangements; Singapore to loans and advances of domestic banking units; Taipei, China to domestic banks’ loans and advances; Thailand to commercial bank loans; and Viet Nam to claims on private sector of banking institutions.

## Assessment of External Vulnerabilities

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Note: The latest figure is compared to the indicator’s long-run average (2000–2012). Green font implies a decline in vulnerability; red means an increase in vulnerability.

GDP = gross domestic product, y-o-y = year-on-year, – = unavailable.

$^1$ Data are estimates for Brunei Darussalam, Cambodia, Japan, Republic of Korea, Lao People’s Democratic Republic (Lao PDR), and Myanmar.

$^2$ Short-term external debt includes loans and credits due and debt securities due within a year as defined in the Joint External Debt Hub. 2Q2012 for Lao PDR, 3Q2012 for Kazakhstan and Viet Nam. Data start 2004 for all countries.

$^3$ Data for Brunei Darussalam, Philippines, Taipei,China; and Thailand refer to broad money; for Bangladesh, Cambodia, People’s Republic of China; Hong Kong, China; Indonesia, Kazakhstan; Republic of Korea; Lao PDR; Malaysia; Pakistan; and Sri Lanka refer to M2; for Myanmar and Viet Nam to money plus quasi-money; for India M3.

$^4$ Refers to number of months of goods imports that can be covered by official reserves, computed as reserves (excluding gold) divided by the 12-month moving average of goods imports (cost of insurance, freight). Latest month when reserves data is available. Import data may be earlier, the same, or later than period indicated.

$^5$ Foreign liabilities and assets of banking institutions, deposit money banks, and other depositary corporations.

### Key Indicators

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<th>JPN</th>
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Note: — = data unavailable; US=United States; JPN=Japan; EUZ=eurozone; BAN=Bangladesh; PRC=People's Republic of China; HKG=Hong Kong, China; IND=India; INO=Indonesia; KAZ=Kazakhstan; KOR=Republic of Korea; MAL=Malaysia; PAK=Pakistan; PHI=Philippines; SIN=Singapore; SRI=Sri Lanka; TAP=Taipei, China; THA=Thailand; VIE=Viet Nam.

<sup>1</sup>GDP=gross domestic product. Refers to 2013 Q1 for EUZ, KAZ, SRI, and US. Fiscal year 2012 (ended June 2012) for BAN and PAK. <sup>2</sup>Refers to Industrial/Manufacturing Production. EUZ and US data are seasonally adjusted. Refers to April 2013 for BAN; May 2013 for PKG and SRI; June 2013 for IND, INO, MAL, PHI, and EUZ; August 2013 for VIE; 2012 Q3 for HKG.<sup>3</sup>Refers to April 2013 for PHI; SIN, THA, and VIE. Refers to US Dow Jones Ind Avg; JPN Nikkei 225; EUZ United Kingdom FTSE 100; BAN Dhaka; PRC-Shanghai Composite; HKG Hang Seng; IND BSE 100; IND JCI; KOR KOSPI; MAL KLCI; PAK KSE100; PHI PSEi; SIN STI; SRI Lanka CSEALL; TAP TWSE; THA SET; and VIE VNINDEX. Data for BAN until August 28.<sup>4</sup>Refers to August 2013 for INO, KAZ, KOR, SRI, THA, and VIE. <sup>5</sup>Refers to US Dow Jones Ind Avg; JPN Nikkei 225; EUZ United Kingdom FTSE 100; BAN Dhaka; PRC-Shanghai Composite; HKG Hang Seng; IND BSE 100; IND JCI; KOR KOSPI; MAL KLCI; PAK KSE100; PHI PSEi; SIN STI; SRI Lanka CSEALL; TAP TWSE; THA SET; and VIE VNINDEX. Data for BAN until August 28. <sup>6</sup>Refers to Industrial/Manufacturing Production. EUZ and US data are seasonally adjusted. Refers to April 2013 for BAN; May 2013 for PKG and SRI; June 2013 for IND, INO, MAL, PHI, and EUZ; August 2013 for VIE; 2012 Q3 for HKG. <sup>7</sup>Refers to Industrial/Manufacturing Production. EUZ and US data are seasonally adjusted. Refers to April 2013 for BAN; May 2013 for PKG and SRI; June 2013 for IND, INO, MAL, PHI, and EUZ; August 2013 for VIE; 2012 Q3 for HKG. <sup>8</sup>Refers to June 2013 for PHI, SIN, THA, and VIE; August 2013 for VIE; 2012 Q1 for MAL. <sup>9</sup>Refers to August 2013 for INO, KAZ, KOR, SRI, THA, and VIE. <sup>10</sup>Refers to US Dow Jones Ind Avg; JPN Nikkei 225; EUZ United Kingdom FTSE 100; BAN Dhaka; PRC-Shanghai Composite; HKG Hang Seng; IND BSE 100; IND JCI; KOR KOSPI; MAL KLCI; PAK KSE100; PHI PSEi; SIN STI; SRI Lanka CSEALL; TAP TWSE; THA SET; and VIE VNINDEX. Data for BAN until August 28.<sup>11</sup>Refinancing rate.

Source: ADB calculations using data from CEIC, Bloomberg, Datastream, European Central Bank, Eurostat, International Monetary Fund, Reuters, and national sources.