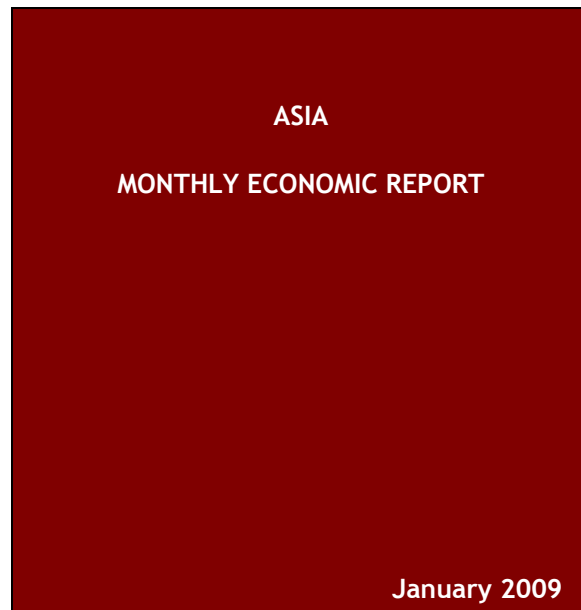




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JANUARY - HIGHLIGHTS

ECONOMIC TRENDS

Across the whole of Asia economies have slumped. According to the Asian Development Bank, aggregate gross domestic product growth for Asia excluding Japan, is forecast to fall to 5.8% in 2009, down from 6.9% in 2008 and 9% in 2007.

Real gross domestic product growth forecast (%)					
	2007	2008 _e	2009	Worst 2009	2010
China	13.0	9.0	6.5-7.0	5.5-6.0	7.8-8.3
India	9.0	7.2-7.7	5.8-6.3	4.7-5.2	7.0-7.5
Thailand	4.8	3.0-3.5	1.0-1.5	(0.2) -0.3	2.8-3.3
Malaysia	6.3	4.3-4.8	1.8-2.3	(0.2) -0.3	3.5-4.0
Indonesia	6.3	5.6-6.1	4.0-4.5	3.0-3.5	5.5-6.0
Philippines	7.3	4.6	2.2 - 2.7	0.5	3.7-4.2
Vietnam	8.4	6.2	4.5-5.0	2.5-3.0	6.0-6.5
Australia	4.3	1.7-2.2	0.3-0.8	(1.0) - (0.5)	1.7 -2.2

e = estimated Source: Standard & Poors

To battle the slow-down, nearly all countries have implemented stimulus packages and as a short-term macro-economic fix, the additional funds seem to be working.

Some economic movement

Early January shipping costs went up, which points to a higher demand for commodities and could be an early sign that global trade is beginning to revive.

There is also renewed activity in the infrastructure sector. This is not surprising as most stimulus packages will be largely spent on labour-intensive infrastructure development. This will benefit the whole of Asia quite significantly with better transport, improved roads and more affordable housing.

Angry unemployed are a big threat

These activities will ensure some employment and that is a good thing too. About four-fifths of South Asian workers are classified as working poor, with almost 60% earning less than US\$1.25 per day. The current economic crisis may result in an additional 95 million people falling back into this group. Especially freshly graduated young people may find themselves without jobs.

This is augmented further by a massive reverse migration as thousands of migrant workers from Asia that are returning home because they lost their jobs. Many Asian families depend on the money migrant workers send back home. For instance, India receives US\$40 billion annually, while the Philippines get US\$ 18 billion and Indonesia US\$ 5 billion. Estimates suggest that the worldwide stock of migrants from Asia exceeds 30 million, with 2 million workers heading abroad for work every year. Remittances to South Asia have been growing at 15% annually since 2001. Dissatisfied (young) people tend to be volatile and could fuel social unrest across the region that can have serious political and security implications.



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Furthermore, it has to be remembered that most Asian countries do not have a good record when it comes to disbursement of government funds. Corruption, cronyism, building things that nobody needs and environmental destruction are very common side-effects of government largesse. This could result in exacerbated income inequality and making Asia's economic and social imbalances even worse.

In addition, to support growth, monetary policy is the main tool available to the various authorities in Asia. The monetary measures currently implemented of tax breaks, subsidies and other financial stimuli will result in long-term increased public debt. To service these debts most governments will have to increase taxes as soon as the economy is more stable again.

Double dip risk

Taking the above in consideration, it is clear that the challenge will be in two or three years' from now, when the funds are spent. If no sustainable employment has been created and if demand, both export as well as domestic, has not been secured, there is a real risk of a double-dip in about three years.

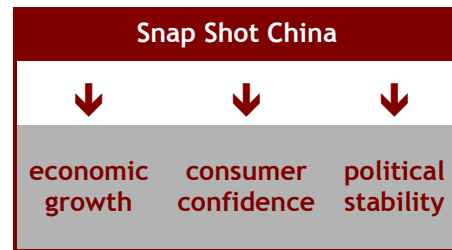
Currency movements		Units per USD			Units per Euro		
Country	Local	27-Jan-08	27-Dec-08	27-Jan-09	27-Jan-08	27-Dec-08	27-Jan-09
Australia	AUD	1.134	1.470	1.509	1.664	2.066	1.997
China	CNY	7.213	6.843	6.840	10.582	9.621	9.060
India	INR	39.400	48.433	48.870	57.806	68.095	64.748
Indonesia	IDR	9,344.650	11,156.500	11,066.172	13,710.075	15,685.434	14,643.492
Malaysia	MYR	3.242	3.447	3.552	4.756	4.847	4.703
New Zealand	NZD	1.298	1.733	1.892	1.905	2.436	2.506
Philippines	PHP	40.770	47.540	47.148	59.815	66.839	62.451
Thailand	THB	31.586	34.939	34.933	46.342	49.122	46.301
Vietnam	VND	16,019.500	16,949.000	17,422.600	23,503.132	23,829.374	23,139.967



CHINA

ECONOMIC TRENDS

On 26th January, China said goodbye to the Year of Rat and celebrated the arrival of its New Year, appropriately named the Year of the Ox. Appropriate because 2009 will be a perilous year for China, in which it will need the strength of an Ox as well as its doggedness.



Threat of social unrest remains

% quarterly GDP growth	
Q4-07	11.2%
Q1-08	10.6%
Q2-08	10.1%
Q3-08	9.0%
Q4-08	6.8%

The global economic crisis has dampened China’s annual growth to a seven-year low of 9% and only 6.8% in the last quarter. In the past couple of months, thousands of factories have closed, leaving at least 30 million people without jobs (depending who is counting). This joblessness is fuelling an already simmering dissatisfaction among the general population over corruption, poor public services, and the vast gap between rich and poor.

This is leading to protests across the country and controlling it appears to become more and more difficult.

To make the situation even more precarious, China is looking at number of upcoming anniversaries, all marking significant events in recent Chinese history, and each one of these could turn into a catalyst to create significant social and political revolt. Especially the young adult children of migrant workers, who are used to a relative level of luxury and the comforts of urban life, could become a particular source of instability if left without schools or jobs.

Date	Anniversary
March 10	50 th of the Tibet debacle
April 25	10 th of the Falungong protests
May 4	90 th of the pro-democracy student movement
June 4	20 th of the crackdown on the Tiananmen movement
October 1	60 th of the foundation of the People's Republic

The government is only too aware of this, and tries to crackdown on anything and anybody that could possibly constitute a threat. Whether this will result in further discontent remains to be seen as, at the same time, the Chinese government also enjoys great support among the layers of society that feel the authorities have made China a power to reckon with.

2009 growth no more than 7%

Nonetheless these pressures should be taken as a serious threat to Chinese leadership, especially as the end is nowhere near. For 2009 as well as 2010, growth is expected to be between 5 and 7%. After that growth may pick up again and some believe that China could still grow at an average of 9% annually until 2020, if it sheds growing government cost and lifts consumer-spending. This however, will not be easy, at least not in the short term because to stimulate consumer spending, the government has to spend to create jobs and support industries.



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Some of this seems to pay off. In the last week of January, on the back of demand for raw materials for steel-making from China, the Baltic Dry Index (BDI) showed its highest increase in the past three months. A gain in the BDI typically means increased economic activity. Still, one should not be too hopeful as the index is still 92% down from its all-time high of 11,793 touched last May.

Nonetheless, it is realistic to expect that the government-endorsed investments through the large stimulus interventions will have some positive effect on the economy in the short term but probably not sufficient to turn the country around.

The main problem remains Chinese exports. The quickest way to get the Chinese economy back on track would be to get exports rolling again but with all three of its top customers, the US, Europe and Japan, being in recession at the same time, this is not going to happen anytime soon. To stimulate domestic consumption will take time, especially as, even for those with a job, income is low. Without exports and domestic consumption it will be difficult to kick-start industries. So while government's investment in infrastructure will provide some relief in the short term, China will need its export demand to get out of the current crisis.

No clear direction yet

To see how China will fare, it makes sense to keep an eye on the status of its currency. By lowering the value of the Yuan, China could stimulate exports. However, this would make Chinese imports more expensive and to produce, China cannot do without imports of raw materials as well as energy products. Should China decide to increase the value of its currency, it would face the opposite problem whereby the export demand would weaken even further and production may shift permanently from China to cheaper destinations like Bangladesh; the benefit would be that its import bill would be controlled.

2009 vehicle sales to decline

The central government has also announced that the sales tax for cars with smaller engines of less than 1.6 liters will be halved to 5%. The new tax could save small-car buyers an estimated US\$300 to US\$750. Cars with engine sizes below 1.6 liters made up 60 percent of total vehicle sales in China in 2008. The authorities further declared that farmers who replace their aging three-wheelers and trucks with light commercial vehicles will be subsidized.

Short-term Forecast China		
↓	↓	↓
economic growth	consumer spending	vehicle sales

While these incentives combined with the January cut in the fuel prices are unlikely to turn the vehicle market around, it may provide sufficient sales to stay afloat. At the moment it is expected that the Chinese vehicle industry will decline 3.6% in 2009, very modest by regional standards.



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INDIA

ECONOMIC TRENDS

Like almost every other country in the world, India is struggling with a slowing economy, inflation and unemployment.

Growth in India's economy has slowed for two straight quarters, and the government is forecasting an expansion of between 6.5 and 7% for this fiscal year, ending on March 31st. This is the weakest growth since 2003 and it is expected that the situation will continue to worsen in the next two to three quarters.

Snap Shot India		
↓	↓	=
economic growth	consumer confidence	political stability

India's exports tumbled 9.9% to US\$11.5 billion in November from a year earlier after contracting 12.1% in October, the first decline in seven years. Industrial production rose only 2.4% in November, after dropping 0.3% in October, the first contraction in 15 years. India's industrial production grew 3.9% between April and November, almost half of the 9.2% during the same period in the previous year.

India tries hard

The government is trying to support growth by continuing to loosen monetary policy, adding stimulus packages and reducing consumer costs. Since its 16-year high in August, inflation has halved to 5.6%, allowing further room to lower the interest rates and cuts in the region of 1 percentage point are expected. The decline in fuel prices also comes as a relief to India, which relies on overseas purchases to meet three-quarters of its energy needs. Prime Minister Manmohan Singh, facing elections before May, chose to pass some of these reductions on to the consumer and lowered the cost of petrol, diesel and kerosene.

The government needed these opportunities as it has limited resources to spend. India's fiscal deficit during April to December stood at 2.18 trillion rupees (US\$44.5 billion). This is considerably higher than the target of 1.33 trillion or 2.5% of gross domestic product, and with the government's intention to spend an extra 1.47 trillion rupees during this financial year to stimulate a slowing economy, it will increase even further.

Image tarnished

Another headache for the government is the fast-rising unemployment. It is estimated that in the past quarter some 1 million people lost their jobs. In such an environment, the announcement in early January that the top management of India's fourth-largest IT company, Satyam, had cooked the books could barely have come at a worse time. Trying to attract investment in these times is difficult for any country so having India's star IT industry tarnished by such a scandal does not help.



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Interestingly, although critics are quick to point out that the Satyam debacle is caused by corporate malfeasance and fraud, probably the main reason behind the scandal is not deficient corporate regulatory systems but a lack of educated people to implement, follow-up and enforce corporate governance. This is also bares India's largest weakness: its inability to instruct and train sufficient people fast enough to support and supervise its industrial and corporate growth. For this reason, similar incidents may still surface. In an attempt to preserve its image as a reliable IT and business process destination, the government has gone into a Public Relations overdrive, rather than tackling the cause of the problem.

But still not so bad

Nonetheless, India's situation is not as dire as some other countries in the region. Contrary to China and some ASEAN countries, where the recession leads to protests against the government, in India the downturn is bringing people together and the mood is more 'we will beat this together'.

Even the anger caused by the November terrorist attacks in Mumbai and the disappointment of the world not supporting India is being put aside in favour of focusing resources on limiting the effects of the global slump. The elections, planned for April or May, are likely to lead to some localised demonstrations, but most likely nothing major. The worst that may happen is that the elections will result in a weak coalition government.

High potential for agricultural top year

While some forecast that in 2009 the Indian economy will grow by no more than 5.5%, this is not a foregone conclusion. Everybody now focuses on export and industries which are in the public eye but it should also not be forgotten that some 65% of India's population still depend on agricultural output. While this part of the population lagged during the fast-paced growth of the last years, in times of recession agriculture is one of the few areas where world-wide growth is expected.

So the news that India is forecasted to harvest record crops of wheat and rice for a second year in a row is promising. For the moment, the government is likely to keep the agricultural export curbs it introduced last year to prevent inflation from rising again but after the elections in May the export ban maybe lifted. If so and if the harvests indeed turn out to be good, India may do better than expected.

Although a little early, the fact that one of India's leading tractor and agricultural machinery manufacturers Escorts registered a sales increase of 16.7% in the last quarter of 2008 is a hopeful sign. A bountiful harvest would drive an increase in light commercial vehicle and motorcycle sales in the third quarter of 2009.

Short-term Forecast India		
↓	↓	↓
economic growth	consumer spending	vehicle sales

Vehicle sales are weak: the passenger car segment dropped by 4.6% and light commercial vehicle sales by 20.5% in January 2009. Heavy goods vehicles were hit much harder, down 60% over January 2008. Poor business sentiment and lack of credit are affecting Ashok Leyland and Tata in particularly.



THAILAND

ECONOMIC TRENDS

Thailand's prime minister, elected in December, is still on his post. This does not mean that Thailand is out of political trouble. Effectively Thailand is still being ruled by the same military group that grabbed power from Thaksin Shinawatra through a *coup* three years ago.

Snap Shot Thailand		
↓	↓	↓
economic growth	consumer confidence	political stability

How much longer will he be prime minister?

Abhisit Vejjajiva became Thailand's prime minister with the support of the military and the royalist People's Alliance for Democracy (PAD), the party that protested for months against Thaksin Shinawatra and two pro-Thaksin governments. Mr Vejjajiva is now in a precarious position in which he is almost entirely at the mercy of these two parties.

Throughout January there have been incidences, including the treatment of Burmese Rohingya immigrants and the jailing of several political opponents, from which it is clear that Vejjajiva has little control over the armed forces and that the democratic principles of which Thailand is so proud are being undermined.

Taking this into account, the protests held by the pro-Thaksin supporters of the United Front for Democracy against Dictatorship (UDD) on Saturday 31st January did not come as a surprise. Some 30,000 protesters demanded new elections within 15 days or face bigger street demonstrations. The Vejjajiva government has rejected the demands, so further disarray is imminent and it is highly unlikely that this government will sit out 2009, especially not since Mr Shinawatra, who is in exile at the moment, has announced that he would be willing to return to Thailand to serve as prime minister.

Politics kills economic hopes

Obviously, such a political mess is not doing anything for the economy. Surveys indicate that business confidence is at an all-time low and corporate Thailand expects conditions to deteriorate further in the first half of 2009. Overall foreign direct investment dropped 12.5% during the first 10 months of 2008.

All other indicators also show poor performance. In December, exports, which make up 70 percent of gross domestic product, contracted for a second month, falling 16% from a year earlier to US\$11.5 billion. In 2009 exports are expected to continue to shrink by as much as 8.5%.

Manufacturing output fell 18.8% in December following a 7.7% drop a month earlier. Overall Thailand's gross domestic product is estimated to have shrunk 3.5% in the last quarter.



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To top it all, the decline in demand for imported goods in December, especially consumer products which fell by 2.5%, indicates the economy is slowing down very fast indeed and is likely to enter into recession later this quarter.

The Thailand government needs to take action but apart from easing monetary policy by cutting its benchmark interest rate to 2%, it is doing little else. Promises are being made, including a 117 billion-baht stimulus package in addition to 40 billion baht in tax breaks but with the current political situation it is difficult to pass the measures through parliament for approval, let alone implement them.

Automotive industry will continue to suffer

With vehicle sales dropping 2.5% in 2008 and an expected drop of 16% for 2009, the automotive industry is among those hardest hit. In the last quarter, motorcycle sales increased by only 8% compared with 16.2% in the quarter before.

Short-term Forecast Thailand		
↓	↓	↓
economic growth	consumer spending	vehicle sales

Overall, private consumption in the fourth quarter slowed as could be witnessed by an increase of only 0.1% in the value-added tax collection against 16.1% in the previous quarter.



MALAYSIA

ECONOMIC TRENDS

While the Malaysian government put on a brave face last month, this month with all indicators pointing downwards, even they had to admit that the economic situation is not good.

The 7-billion ringgit (US\$1.9 billion) stimulus package launched in November equates to around 1% of gross domestic product, but has so far failed to have a noticeable effect on the economy. The government is expected to announce a second stimulus package in the tune of 7 to 10 billion ringgit. This will increase the fiscal deficit from 4.8% to about 5.5% of the gross domestic product.

Snap Shot Malaysia		
↓	↓	↓
economic growth	consumer confidence	political stability

Long-term industrial damage foreseen

However, a higher deficit may not be the worst. One of Malaysia’s bigger worries should be the possibility that the electronics industry, its leading industrial sector, may largely move out of the country. The global slowdown as significantly reduced the demand for electronic goods and a large number of electronic companies in Malaysia are scaling back or, like Intel and Western Digital (the world's second-largest hard-disk maker), even closing down completely. There is a good chance that when the economy picks up again, these companies will be not restart in Malaysia but move to cheaper locations.

Electrical and electronic products make up some 40% of Malaysia’s exports. In November, total Malaysian exports fell by 5% as compared to the same month in 2007. Of this, the exports of electrical and electronic products fell 16%. The sector is expected to lay off some 20% of its workers in the coming 3 months.

Last month, the unemployment projection for 2009 was 4.5% but with the recent developments the situation is looking bleaker and a rate of 6% this year is almost certainly on the cards. This would be the highest level of unemployment in more than 20 years. Malaysia has a working population of 11 million people. To ease the expected job shortage, more than 100,000 Indonesians are expected to be sent home by the end of the year, out of 2 million migrant workers.

Lower interest rates do not interest consumers

Such a level of unemployment is obviously affecting consumer spending. Maybank, the country’s biggest lender, has reported significant weakness in consumer lending, notably through credit cards as well as mortgages. Although the central bank has still some leeway to ease monetary policy and cut interest rates, one should not expect this to rekindle consumer expenditure as everybody is far too careful to spend.



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This is evident in the automotive industry too. The Malaysian Automotive Association has now reported that it expect the total industry volume to fall 12.4% to 480,000 units in 2009.

Malaysia Automotive Association (MAA) forecast 2009 - 2013						
	2008	2009	2010	2011	2012	2013
Passenger vehicles	497,459	436,800	445,900	459,550	482,300	506,415
Commercial vehicles	50,656	43,100	44,100	45,450	47,700	50,085
Total industry volume	548,115	480,000	490,000	505,000	530,000	556,500
Growth	12.50%	-12.40%	2%	3%	5%	5%

Politics ignore economic needs

Besides the global, regional and local slow-down, the Malaysian economy is further compromised by an ongoing political battle. In January, deputy premier Najib Razak who will take over from Prime Minister Abdullah Badawi in March, has lost a second parliamentary by-election (the first one was lost last August). This loss emphasises the weak position of the current government which is not helping an economy that needs decisive guidance. As in Thailand, as long as this political wrestle continues, one can not expect the economy to recover.

Short-term Forecast Malaysia

↓ ↓ ↓

economic growth consumer spending vehicle sales



INDONESIA

ECONOMIC TRENDS

In December, Indonesia reported the slowest growth in seven years. For 2009, the economy is forecasted to expand between 4.5% and 4.7% as compared to 6.2% this year.

Snap Shot Indonesia		
↓	↓	=
economic growth	consumer confidence	political stability

Lower exports less of a threat

Indonesia's exports dropped 20.6% in December from a year ago. Even though this is a large drop, as compared to some of its neighbours, the Indonesian economy depends much less on exports, representing around a third of the country's gross domestic product.

Another plus point is that, despite the global slow-down, Indonesia remains politically relatively stable. Although there has been an increase of demonstrations lately, this is common in the run-up to the polls.

Rerun of 2005 elections?

The 2009 presidential poll has the same candidates as the previous election in which current president Susilo Bambang Yudhoyono faces opponent and former president Megawati Sukarnoputri.

One of the main challenges for the current as well as the next government is that it not only needs to create employment in the face of a falling economy but it also needs to ensure that food inflation remains low as the average Indonesian household spends around 54% of income on food. This is high compared to other countries in the region where the figure is between 33% and 45%.

At the moment, keeping food prices low is quite feasible as commodity prices are low. In fact, in January the overall consumer price index rose less than expected and inflation slowed. This is giving the central bank more room to cut interest rates, reducing its benchmark interest rate by half a percentage point to 8.25% and it has hinted that another reduction is likely early next month.

However, to increase employment is difficult and will depend largely on the disbursement of the US\$6.32 billion stimulus package announced by the government last month. Unfortunately, Indonesia is generally not very good at disbursing funds efficiently.

Remittances likely to shrink

But even if the government manages to increase domestic employment, it will be difficult to compensate for the loss of remittances earned abroad. Indonesia receives annually US\$ 5 billion in funds sent by Indonesian workers abroad. As worldwide people are being made redundant, it is expected that remittances will fall as well.



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But for now consumers are not budging

With these prospects it is understandable that the average Indonesian is spending very carefully. This is also evident in vehicle sales. Most automotive sales in Indonesia are financed by loans and, even though interest rates have fallen, at the moment people are not looking for monthly additional outlays while at the same time financing houses are very cautious in sanctioning loans.

Short-term Forecast Indonesia		
↓	↓	↓
economic growth	consumer spending	vehicle sales

For 2009 domestic total vehicles sales may drop by as much as 57%, while passenger cars could fall by about 30%. Motorcycle sales are expected to drop by 32% to 4.2 million units in 2009 from 2008's 6.21 million, a 32% increase over 2007.



PHILIPPINES

ECONOMIC TRENDS

Will the Philippines manage to ride out the global economic storm with few consequences? The opinions are divided.

Snap Shot Philippines		
=	=	=
economic growth	consumer confidence	political stability

The economic miracle?

Compared to other nations, the Philippines has been holding its own. The Philippines government is even expecting a growth of between 4 and 5% in 2009! While this is not very spectacular under normal circumstances, at the moment it is not bad at all compared to the rest of the region. In the fourth quarter of 2008, the economy grew with 4.5% and the government expects this growth to continue for at least the first six months of 2009.

As mentioned last month, there are worries. There is no denying that the crisis is affecting the profits of many companies but so far, many have adopted measures which allow them to cope.

Domestic spending

Also, consumers are cautious but they are still spending. In fact, the Philippines is possibly the only country in the region where domestic demand has been sufficiently compensated for the loss in exports.

In the last quarter of 2008, exports contracted by 9.2% but the economy held steady. The loss in exports was compensated by an increase of manufacturing for the domestic market. Manufacturing grew with 3.2% as compared to 2.6% in the fourth quarter of 2007.

Nonetheless, several agencies have lowered their prospects for the Philippines. Both the International Monetary Fund and Standard & Poor's have downgraded their projection for the country's economic growth this year to around 2%.

Remittances: once its strength now its weakness

One important driver for Filipino household spending is the continuing flow of remittances sent by overseas Filipinos which climbed 27.9% in the last quarter of 2008. This is also the country's Achilles' heel. Many overseas Filipinos are employed in manufacturing and construction, both sectors which are under pressure in many countries. While it is still too soon to predict to what extent this will really affect the Filipinos, there are some predictions which forecast a drop of 20 to 25% year-on-year in 2009. If such a drop would indeed occur, a significant cut-back in household spending will be the result.

The only positive automotive market in Asia

At moment, at least in the automotive industry there is no evidence of this yet. Vehicle sales in the Philippines have gone up by 6% (to 124,000 units) in 2008



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from 2007 sales, the highest since the Asian crisis in 1997. In 2008 there has been an increase in sales of smaller and fuel-efficient vehicles.

Another sign of good health is that the local vehicle industry does not foresee any significant lay-offs. On the contrary, some are even hiring including Toyota and Mitsubishi. The picture is less positive for automotive component manufacturers companies that depend on exports where there are redundancies due to decreasing in orders from client companies, particularly Thailand.

For 2009 the vehicle sales are forecasted to grow with 2 to 4% only, partly caused by expected price increases to compensate for the weaker peso. Car prices are now first quoted in US dollars and Japanese yen, depending on the nationality of the manufacturer, before they are sold in the local currency.

Short-term Forecast Philippines		
↓	↓	↓
economic growth	consumer spending	vehicle sales

Vehicle sales, as with other sales and investments, depend partly on interest rates. Again differing from other countries, while the Philippines central bank is cautiously reducing its interest rates on the back of lower inflation, lending rates are still high at 7%. Some more cuts are expected but are unlikely to reach the low levels seen elsewhere.



VIETNAM

ECONOMIC TRENDS

The government of Vietnam believes the worst has passed and that by May 2009, growth will resume.

Authorities too optimistic

This may be optimistic. In January, exports, which account for 70% of Vietnam's gross domestic product, have fallen over 24% percent to US\$3.8 billion as compared to the same month last year.

Industrial production fell 8.6% for the month of January, leaving industrial output 4.4% lower compared to January 2008. Foreign direct investment is down 90% from January 2008 and the tourist sector contracted 12% year-on-year.

This is putting the government's target of a 6 to 6.5% growth of the gross domestic product in 2009 under pressure. Last year, growth already fell to 6.2% from 8.5% in 2007. The International Monetary Fund expects that growth in Vietnam will be closer to 5%.

To help the economy, Vietnam's government has announced a US\$ 6 billion stimulus package. Some of these funds are used to provide a 4% interest rate subsidy on loans used for projects in high-priority sectors. The subsidies are available to local companies from January 2009 and will be in place for a maximum of 12 months. This has also allowed the currency, the Vietnamese dong, to slip in value, in theory making exports more competitive.

To encourage further borrowing Vietnam's central bank plans to cut interest rates further this year. The interest rates have already been cut six times in the past three months.

Essential energy not supported

Interestingly, while the government is trying to revive the domestic market, it appears to forget to support one of the most essential ingredients to kick start an economy - energy. The current domestic petrol price in Vietnam stands at VND 11,000 per litre, equivalent to the world's petrol price of March 2007. With global crude prices dropping with 70 to 77% there is scope for a significant price reduction but no such cuts planned.

Overall in 2008 vehicle sales rose 37% to more than 110,000 units but in December sales fell 23% against the same month in 2007. The whole of 2009 is expected to be very difficult year for the automotive sector and could result in 20 to 30% of the workforce being laid off.

Snap Shot Vietnam		
↓	↓	↓
economic growth	consumer confidence	political stability



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Some tax benefits for the automotive sector

The government halved the sales tax on cars to 5% with effect from February 1. For vehicle assemblers this works out to about 4.5% of operating costs. In Vietnam more than 60% of the vehicle retail prices consist of taxes and duties paid to the government. Most automotive companies have decided to pass the saving on to the customer in the form of a 4% discount. However prices are likely to increase again late March as from 1st of April customers will have to pay a special consumption tax of 45 to 60% on vehicles with less than 9 seats.

Short-term Forecast Vietnam		
↓	↓	↓
economic growth	consumer spending	vehicle sales



OCEANIA

ECONOMIC TRENDS

Australia

With six of Australia’s main export destinations in recession, the Australian economy is in deep trouble and for 2009 is forecasted to grow with no more than 0.5% and possibly only 0.25%.

Snap Shot Oceania		
↓	↓	=
economic growth	consumer confidence	political stability

Unemployment rose to a two-year high of 4.5% in December from 4% in the month before. These job cuts have contributed to eroded consumer confidence and lower demand for credit and house prices.

Nervousness sets in...

In a near-desperate move, Australia has announced it will increase its stimulus package to A\$42 billion (US\$27 billion). About a third of this will be cash handouts to families dwelling in the lower economic echelons of society. A similar strategy last year showed an increase in domestic spending after two months. The rest of the funds will be spent on infrastructure projects.

In addition the central bank continues to cut the interest rates which have now reached the lowest benchmark position in more than four decades. Naturally this will significantly hit the treasury and result in deficits in the region of A\$ 118 billion over the coming four years.

...but brave face is kept

Despite this rather cheerless scenario, the government as well as the central bank are quite confident that they will be able to stave off a recession and both are expecting 2.5% economic growth in 2010.

The automotive industry is less confident. In December vehicle sales increased by 1.8% but the January industry figures showed that sales had fallen 6.3%.

Two wheels rather than four

One industry that seems to fare well under the current economic climate is the two-wheeler sector. Australians seem to prefer two wheels over four, with the rise in motorcycle and scooter sales matched by a decline in the number of new cars hitting the road. In 2008 that 134,112 motorcycles, scooters and two-wheeled all-terrain vehicles were sold, an increase of 3.2% over the previous record set in 2007.



New Zealand

New Zealand is well and truly in a recession and the government acknowledges that it expects to remain in a recession for some time to come. For how long exactly is still a large question mark. Some predict renewed economic activity within the next six months while others believe New Zealand will be in the doldrums for at least 18 months longer.

All indicators deep down

In the last quarter of 2008, unemployment in New Zealand rose to 4.6%, a five-year high and it is predicted to increase to 7.5% by mid-2010. Obviously rising unemployment is curbing consumer spending.

Not surprisingly, credit card spending continued to fall and in December hit the longest prolonged decline in over a decade. Such pessimism is likely to continue as 56% of consumers expect the economy will get worse.

Similar to other countries, the central bank has slashed its interest rates to 3.5% and the government is introducing lower taxes and other financial stimuli hoping to get the economy back on track.

As elsewhere, New Zealand’s deficits are widening faster and more than expected. The trade deficit is increasing due to slow exports and is likely to swell further during at least the first six months of the year. Exports make up about 30% of New Zealand’s gross domestic product. Overall exports rose just 4.5% from a year earlier.

On the back of lower domestic consumption, imports fell for the second straight month to a seven-month low. Imports of fuel and crude oil fell 16% and used-vehicle imports fell too to 14% in December 2008 and by 42% as compared to January last year.

Overall used-car registrations fell 25% during 2008. The fall is not only caused by lower demand but also due to new, stricter emission standards.

In December, new car sales fell 6.1% from a year earlier, although this showed some signs of stability after a 27% fall in November. Over the whole of 2008, sales of new cars fell 5%.

Short-term Forecast Oceania		
↓	↓	↓
economic growth	consumer spending	vehicle sales

Some hope for increased vehicle sales

Interestingly, the expectation is that in the coming months sales may rise a little as consumers will take advantage of the current low prices. Manufacturers have announced that vehicle prices will rise significantly throughout 2009 to make up for the weakened New Zealand dollar.