HSBC Holdings plc

Asia Economy

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The world's local bank

Decoupling, on credit: Prospects for 2010 and beyond

Frederic Neumann, Managing Director, Co-head of Asian Economic Research

Forward-looking statements

- **This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report. Past performance cannot be relied on as a guide to future performance.**

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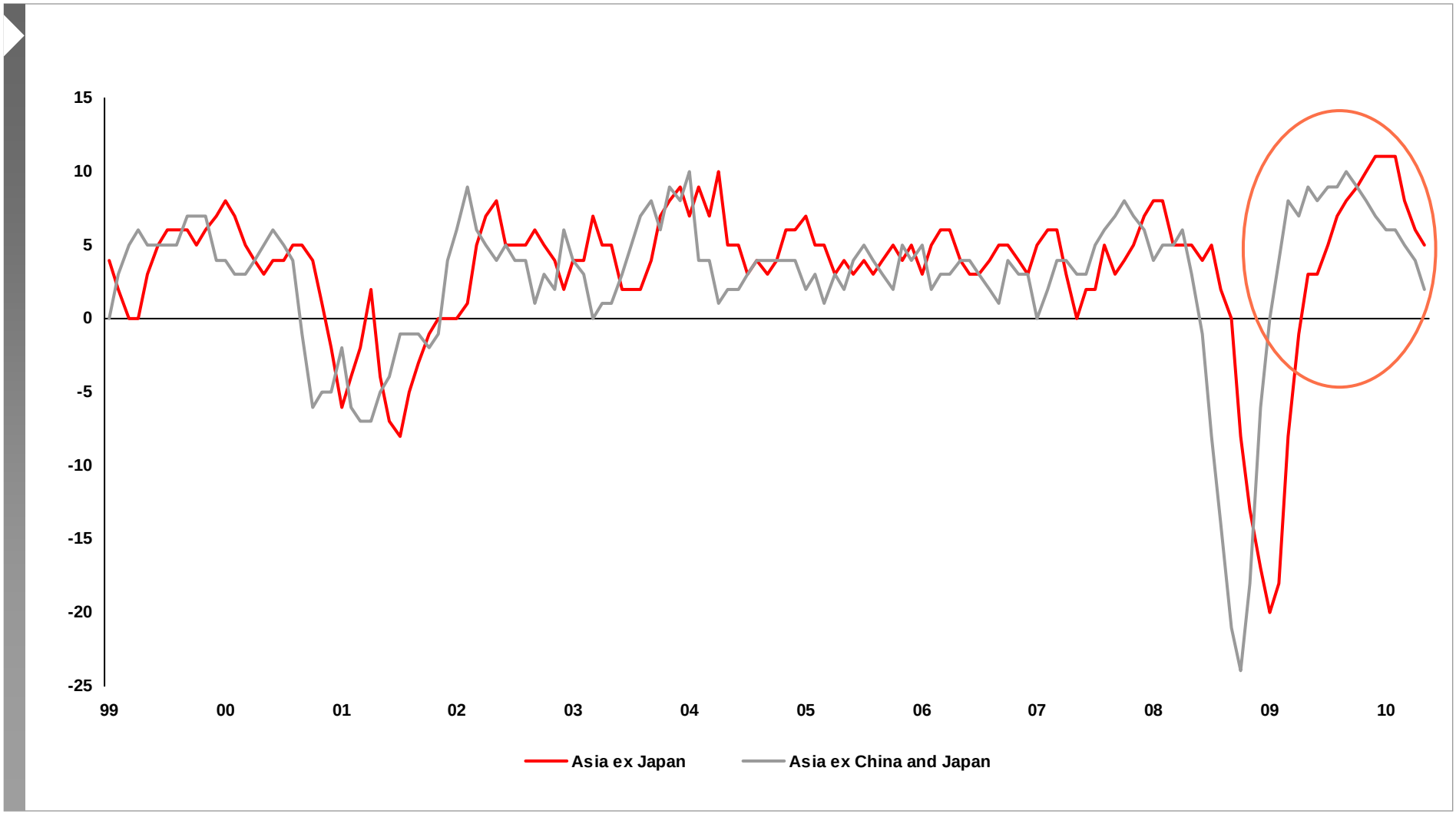
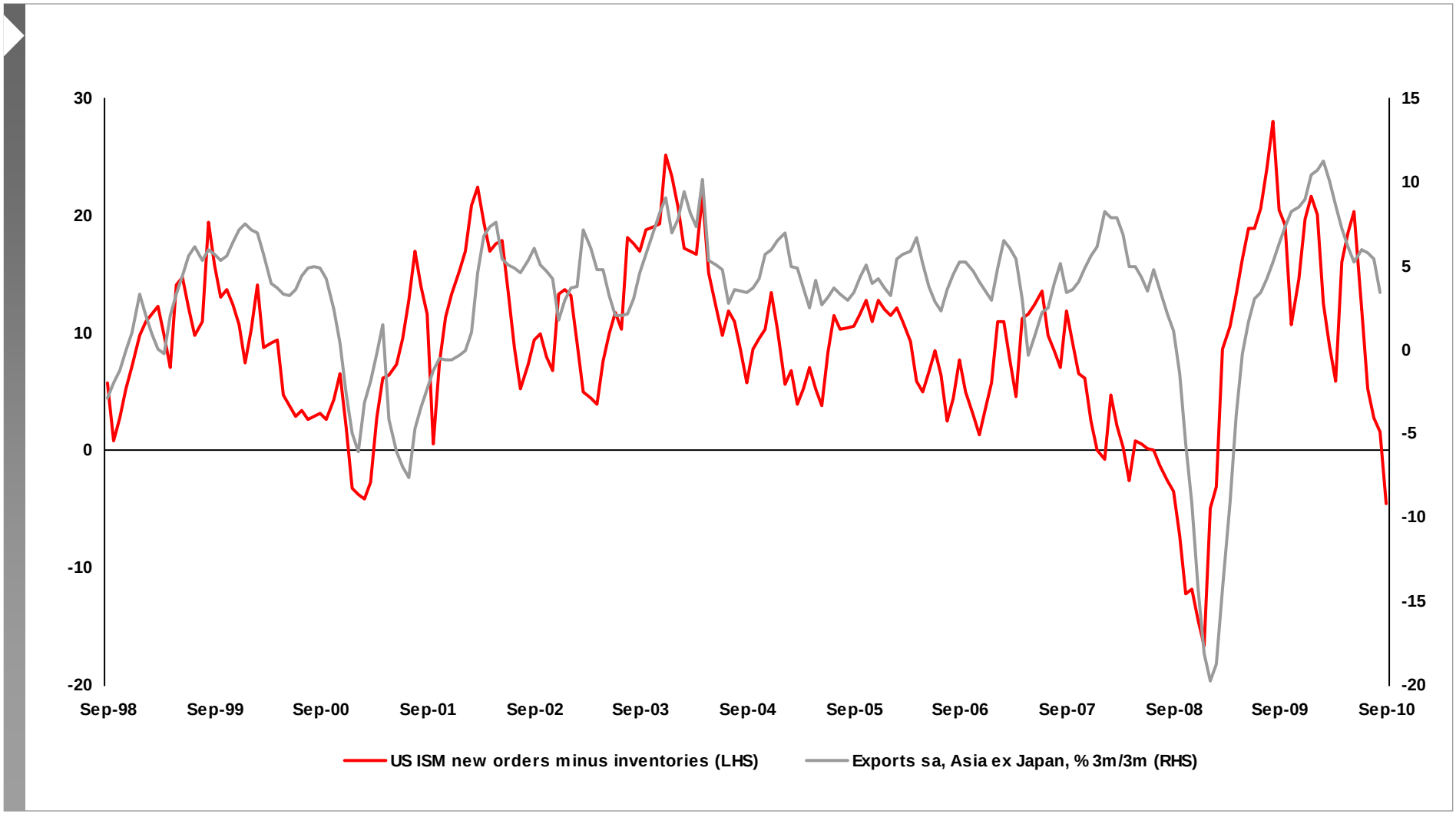
Export growth across Asia already slowing sharply



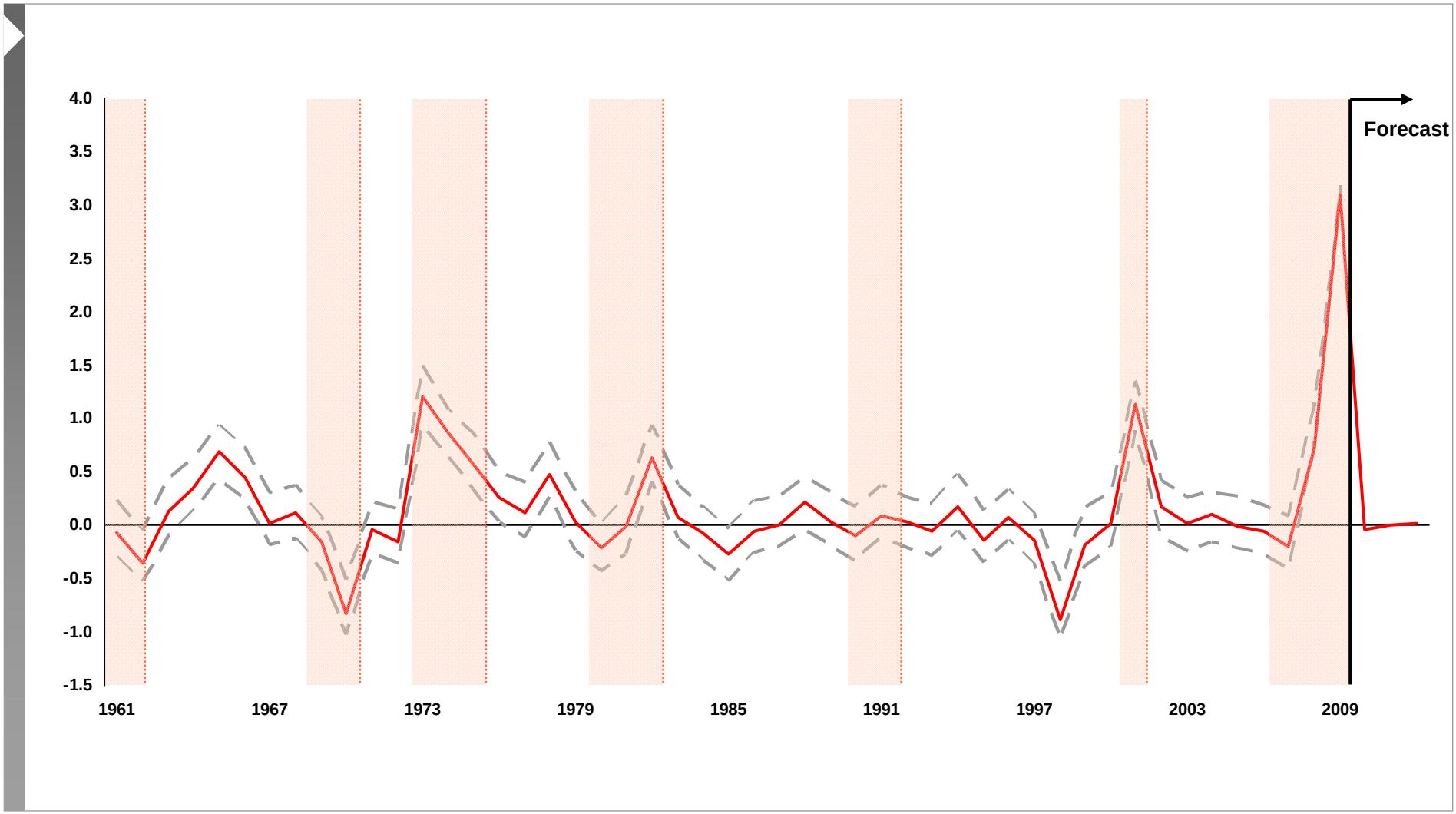
Note:
(1) Source: CEIC and HSBC

Weaker US means softer shipments to the US



Note:
(1) Source: CEIC and HSBC

Business cycle co-movement between Asia ex Japan and US usually rises during recessions

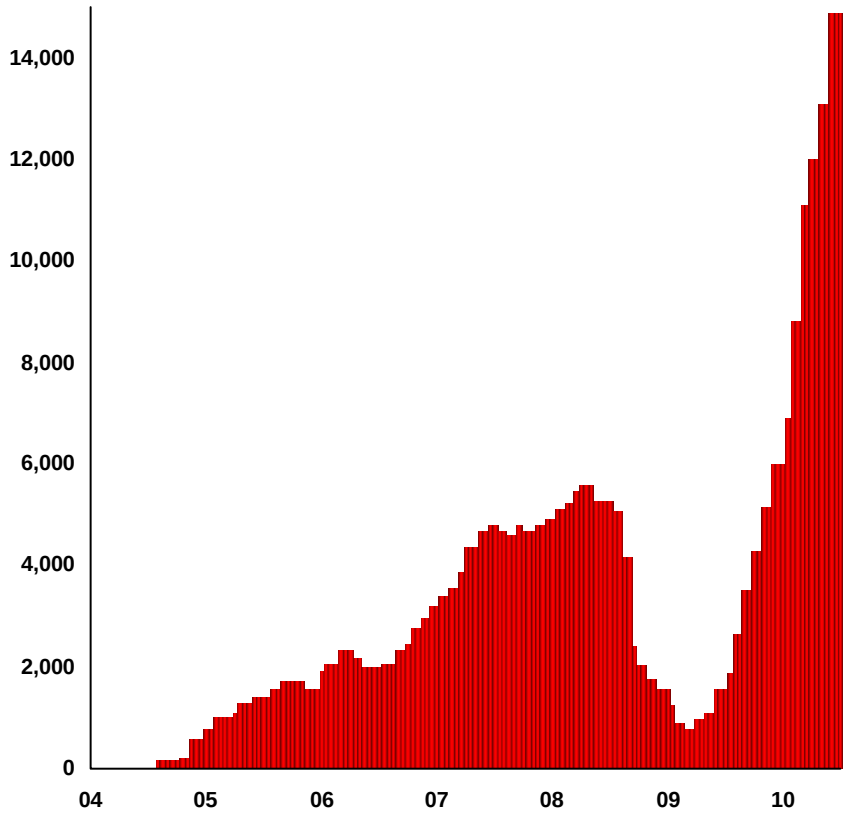


Note:
(1) Source: HSBC

Capital pouring into Asia

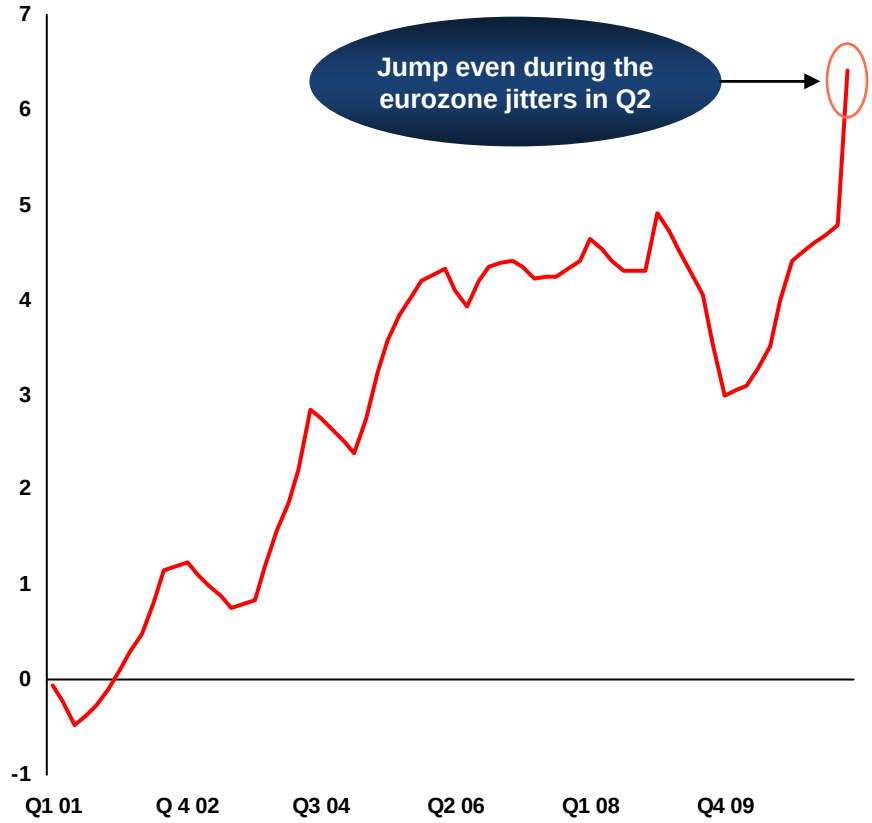
EM Asia local currency bond investments

(USDm, cumulative since 2004)



Portfolio capital inflows as a % of GDP Asia

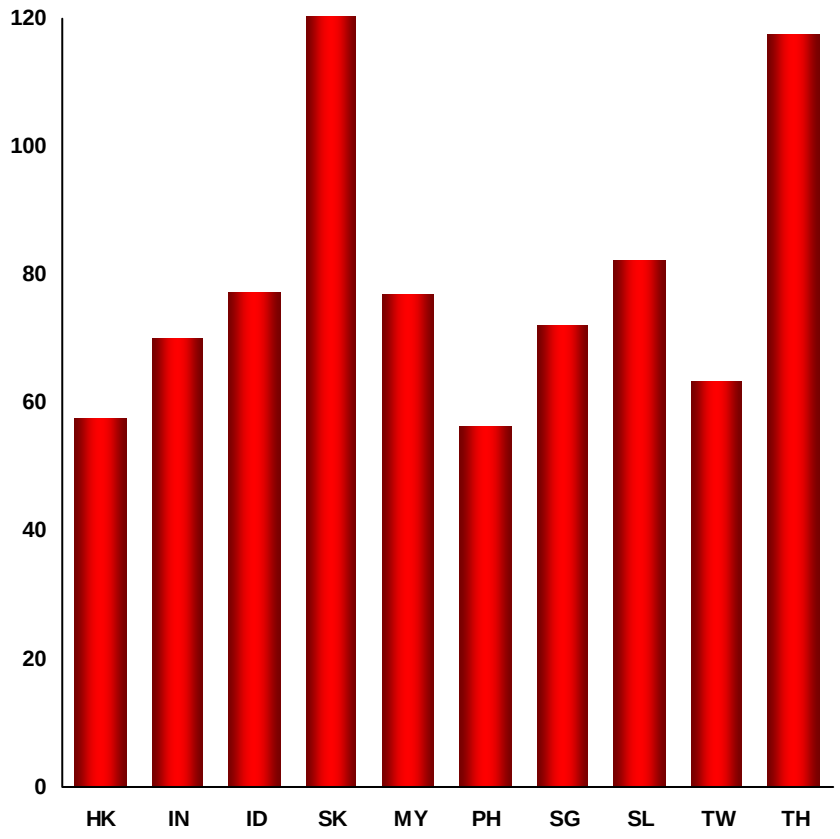
ex CH, HK and SG (% of GDP)



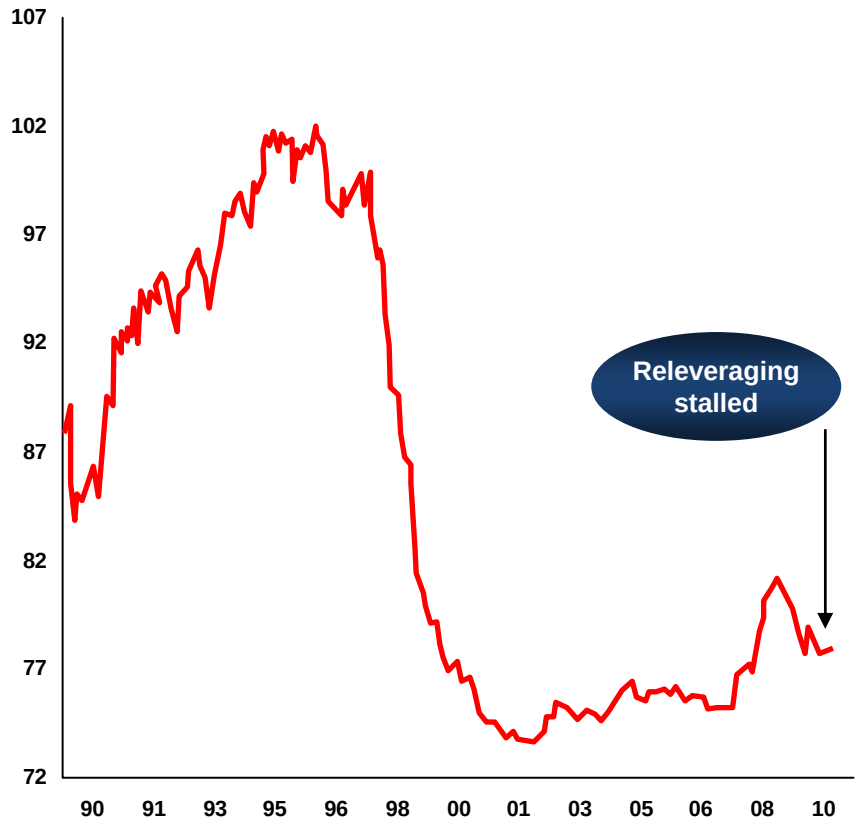
Note:
(1) Source: EPFR, IFS

Loan-to-deposit ratios well below 100 in most cases

Loan-to-deposit ratios (%, 2009)

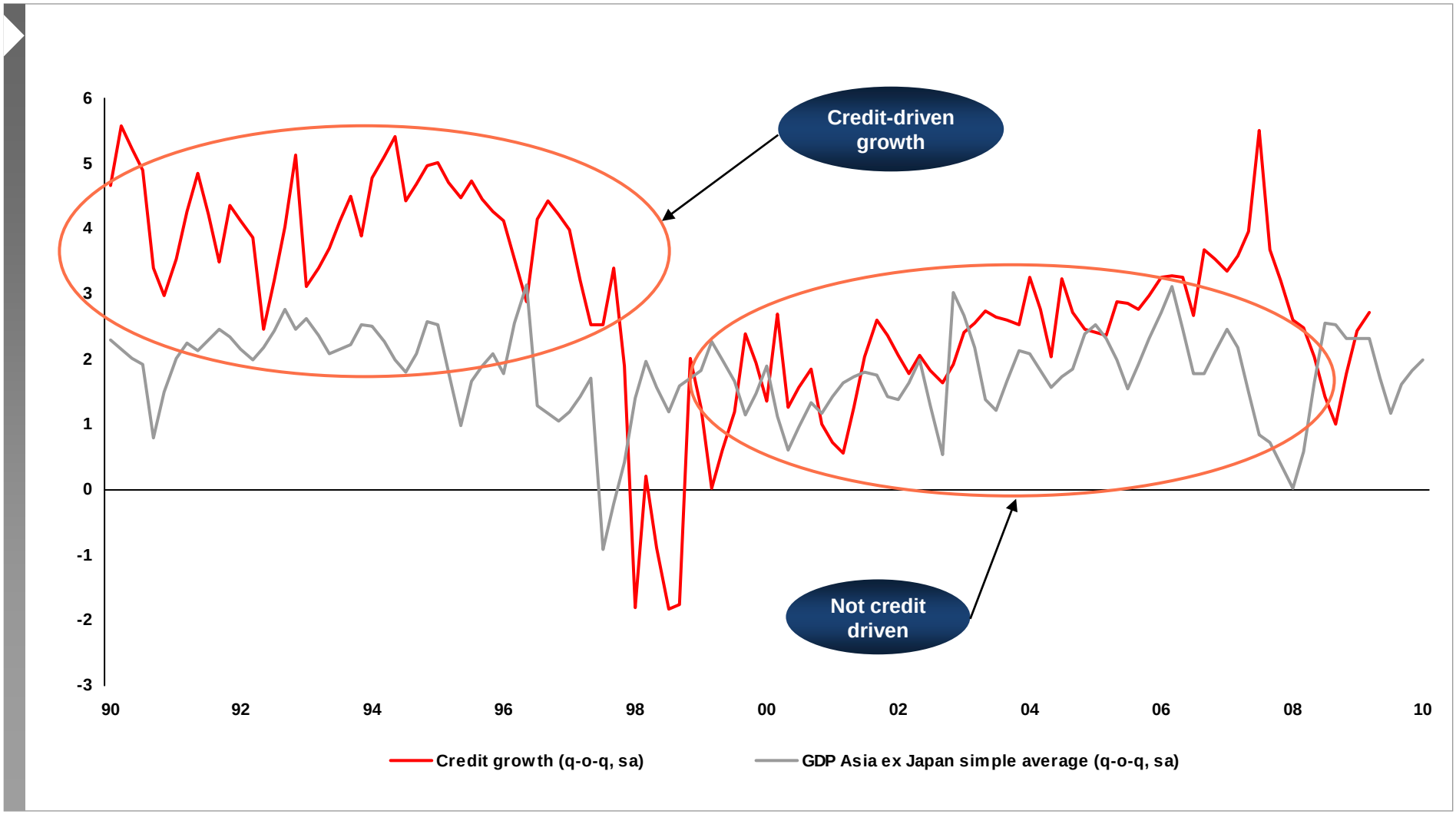


Asia ex Japan: Loan-to-deposit ratio (simple average)



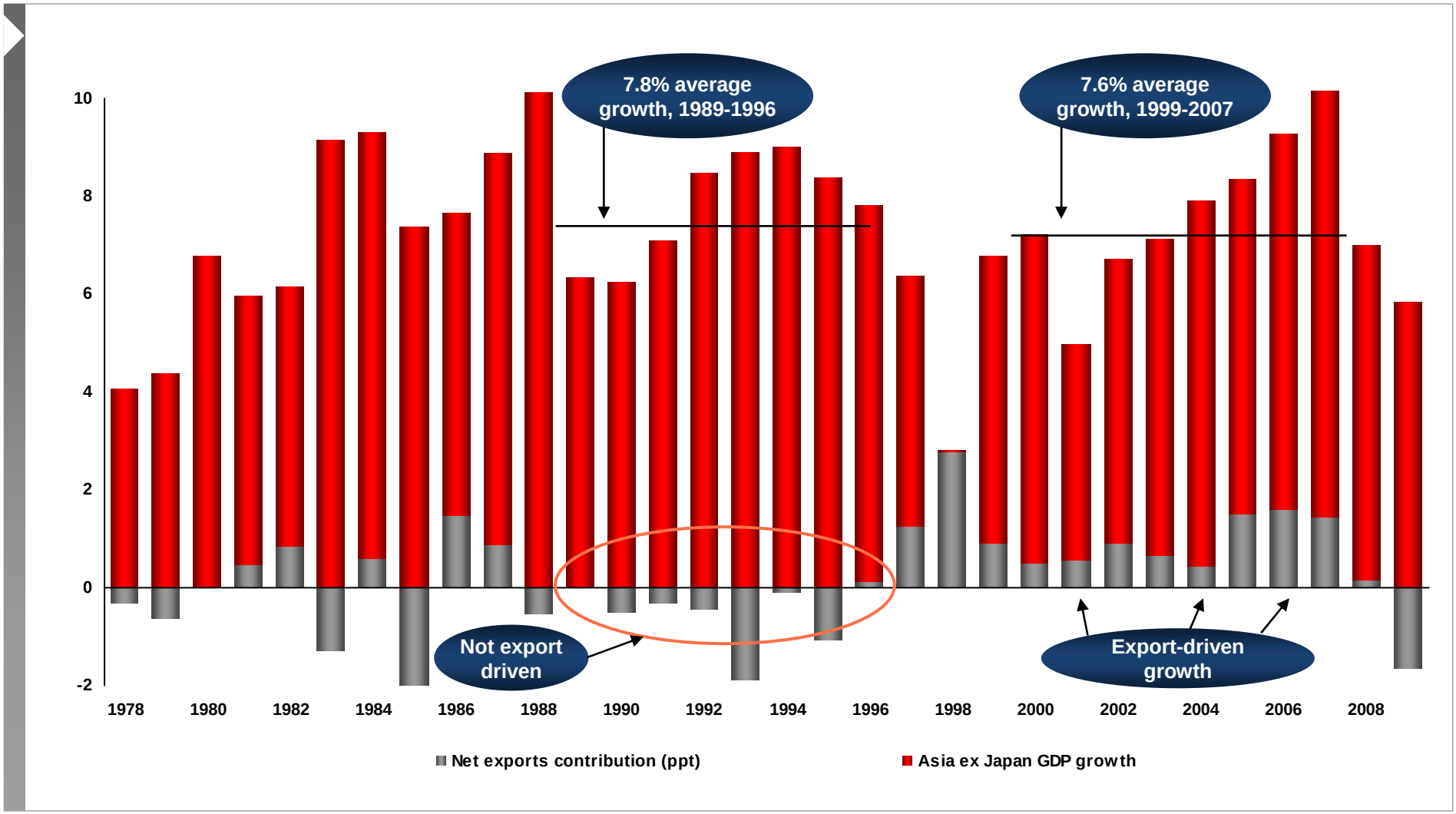
Note:
(1) Source: CEIC and HSBC

Credit growth was high in the early 1990s, fell back after the Asian Crisis



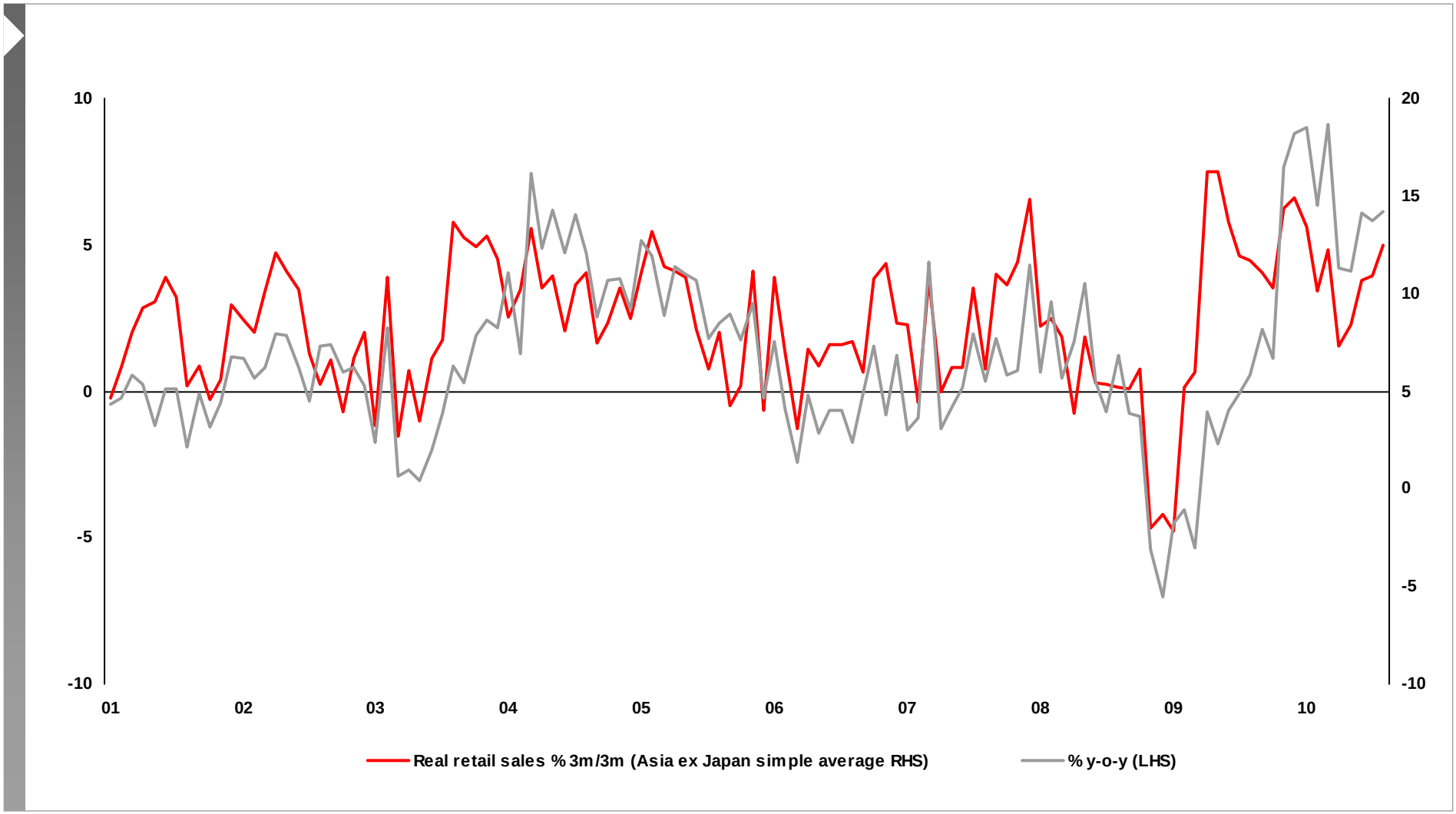
Note:
(1) Source: CEIC and HSBC

Back in the 1990s, economies were credit not export dependent



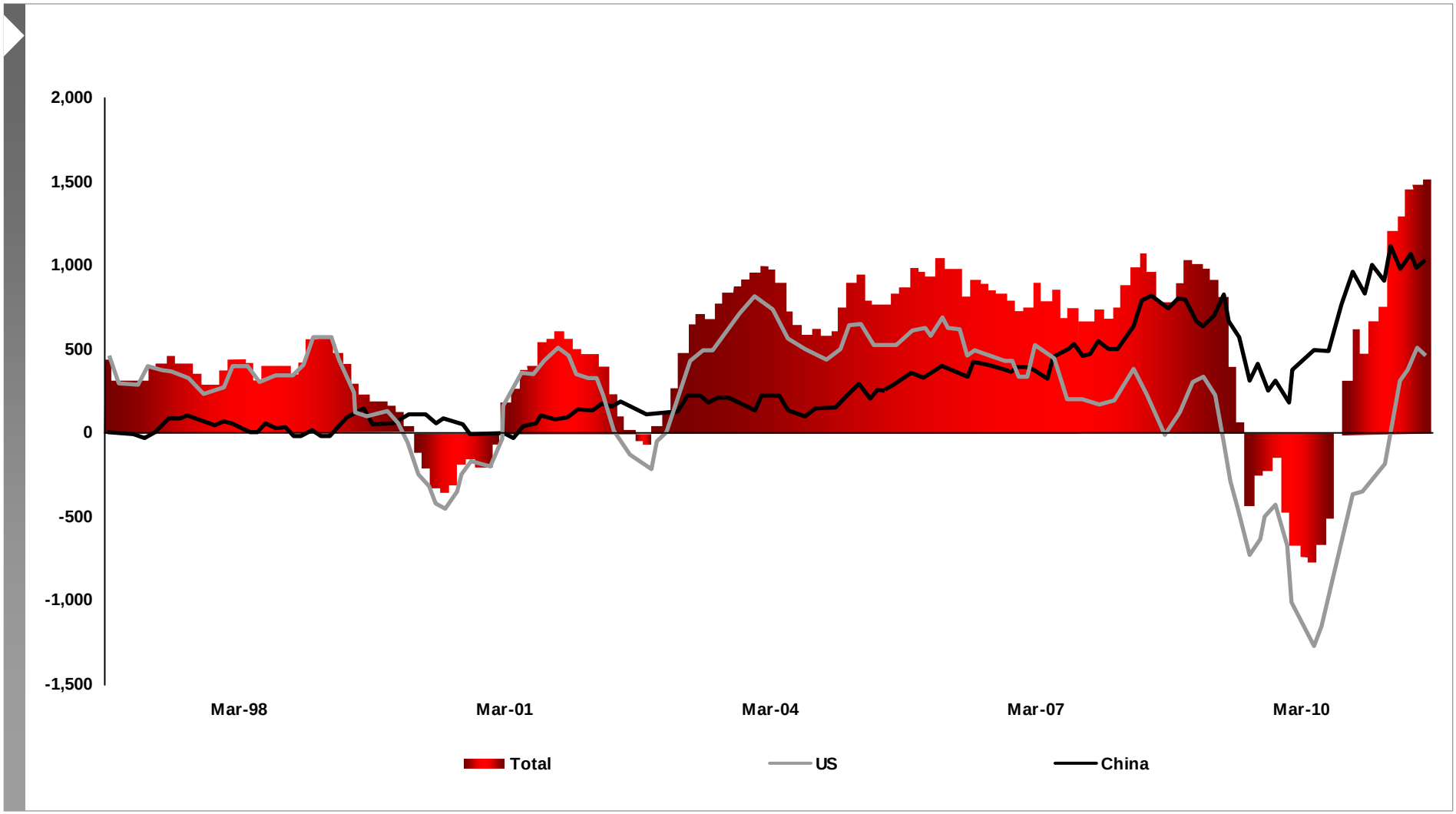
Note:
(1) Source: CEIC and HSBC

Asian retail sales show no sign of slacking off



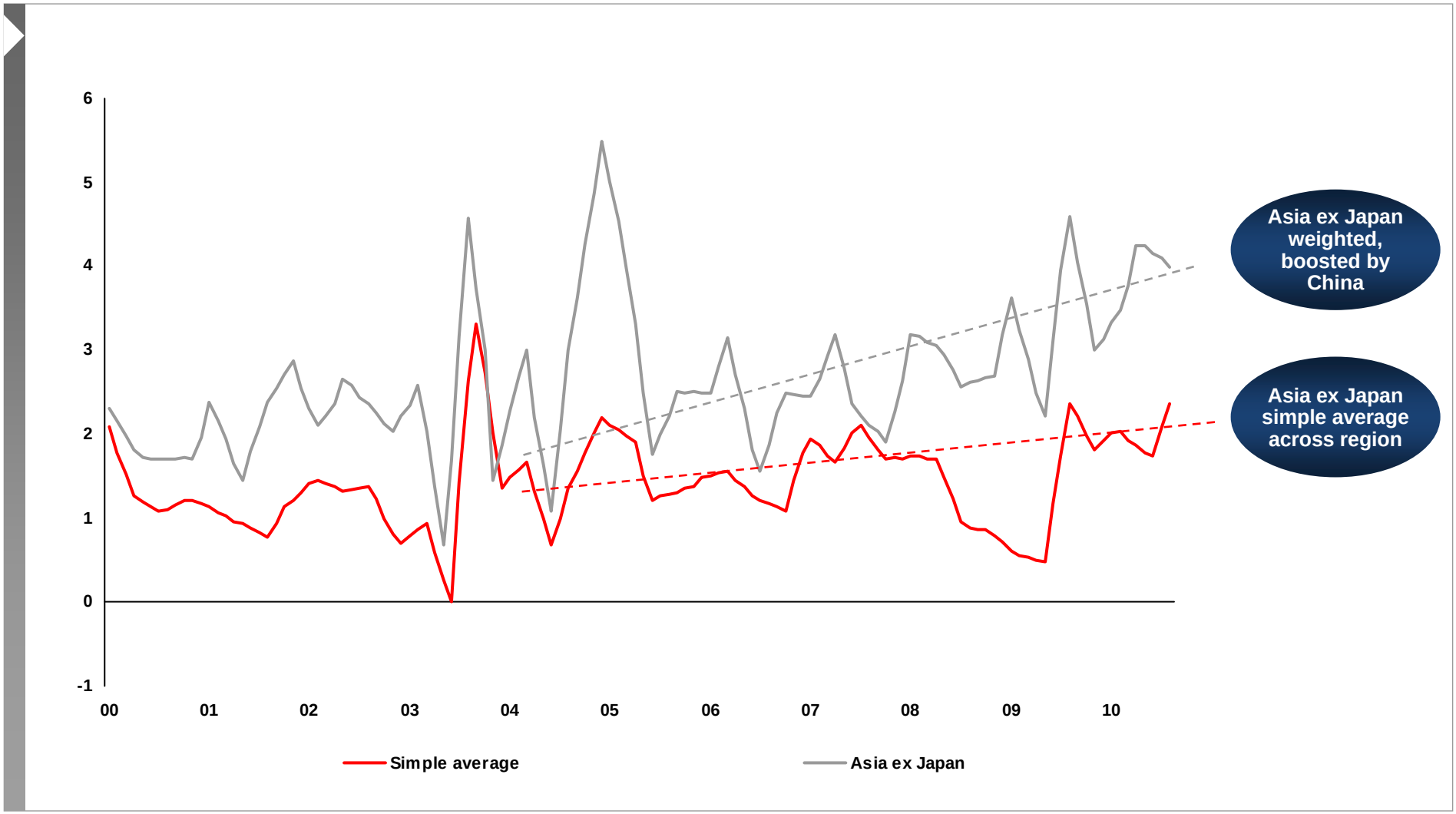
Note:
(1) Source: CEIC and HSBC

Incremental electronic retail sales (USDm over previous year)



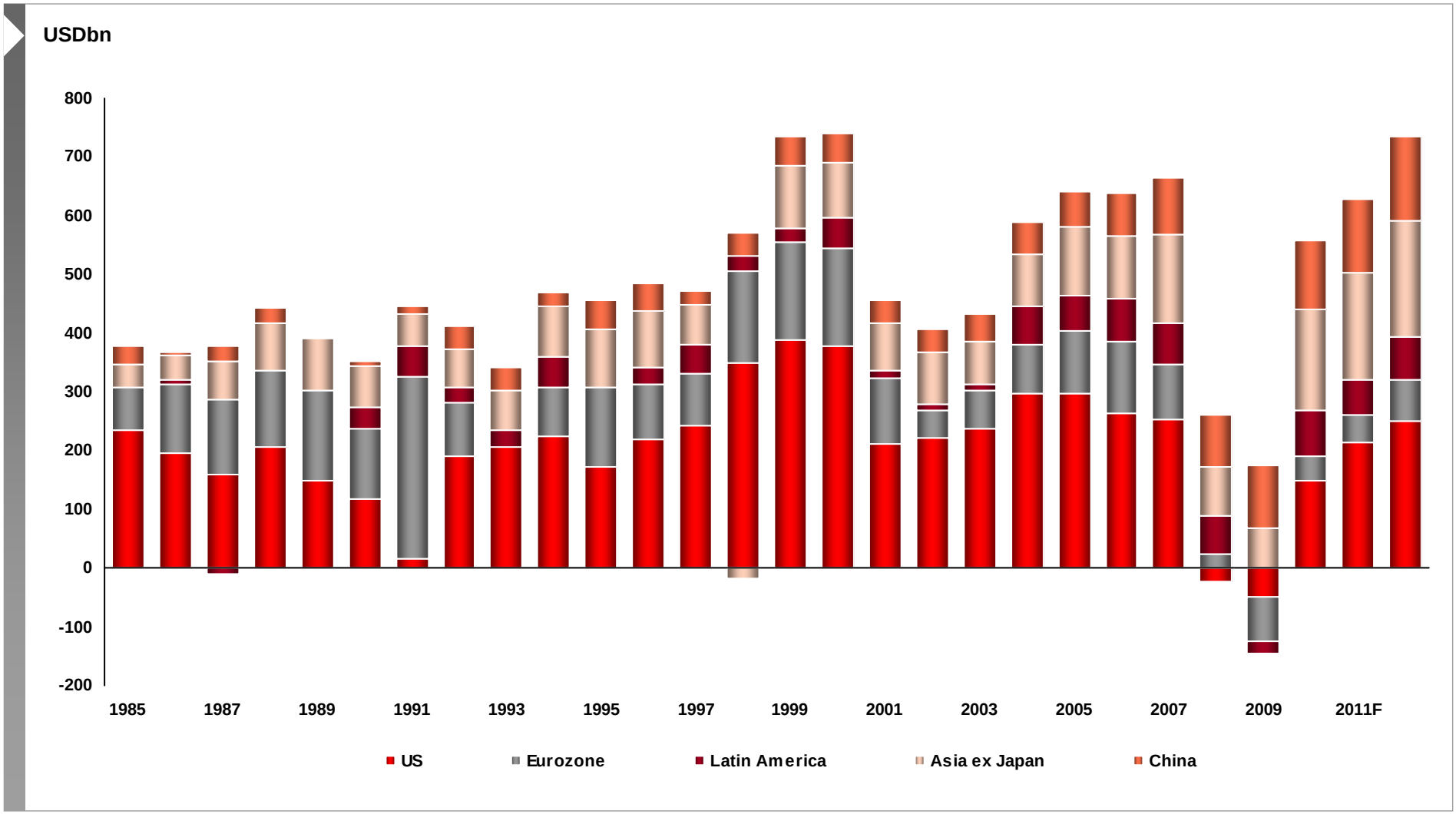
Note:
(1) Source: CEIC and HSBC

Consumption growth accelerating on a trend basis (% q-o-q, sa)



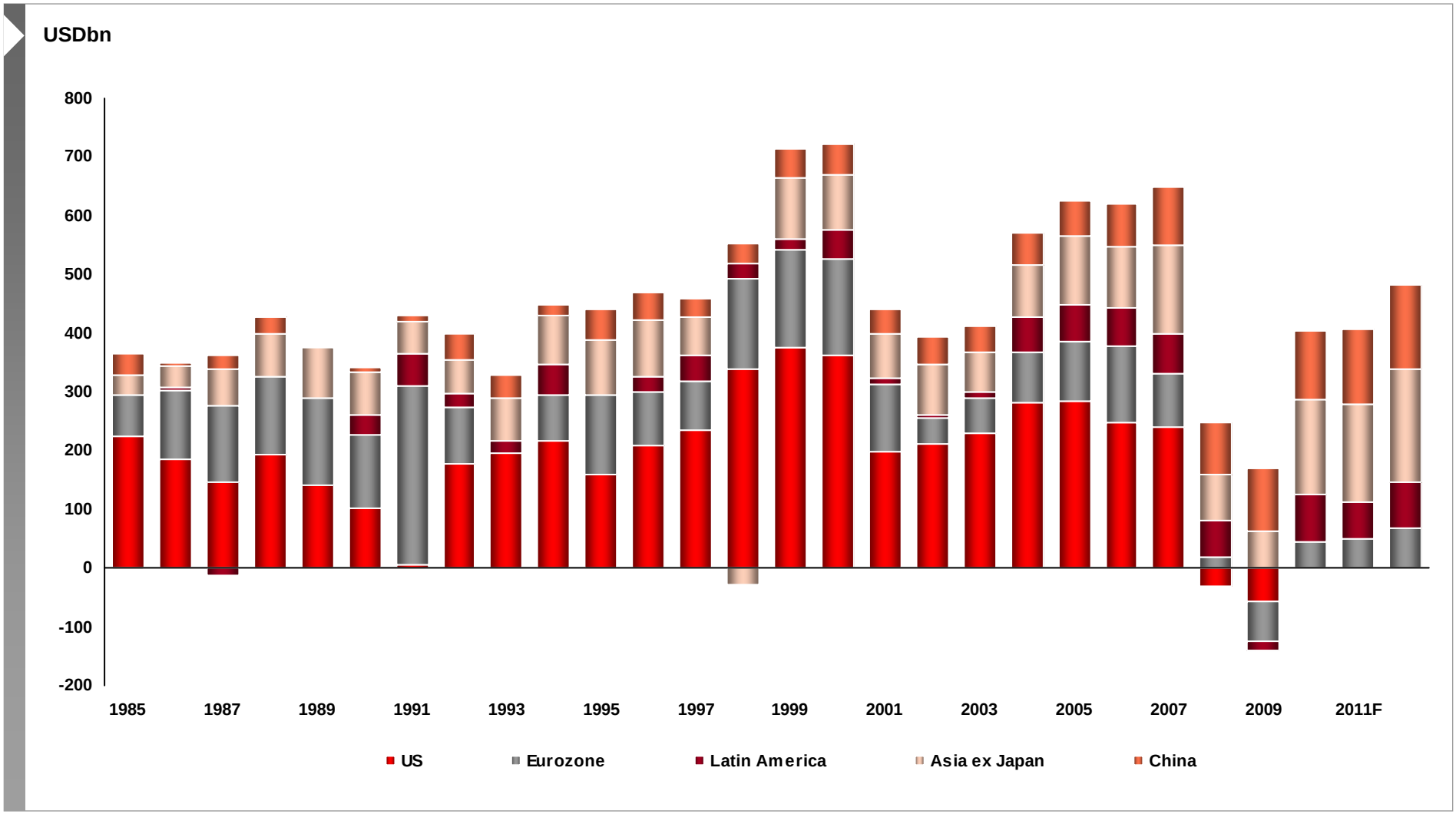
Note:
(1) Source: CEIC and HSBC

Incremental household spending rising again



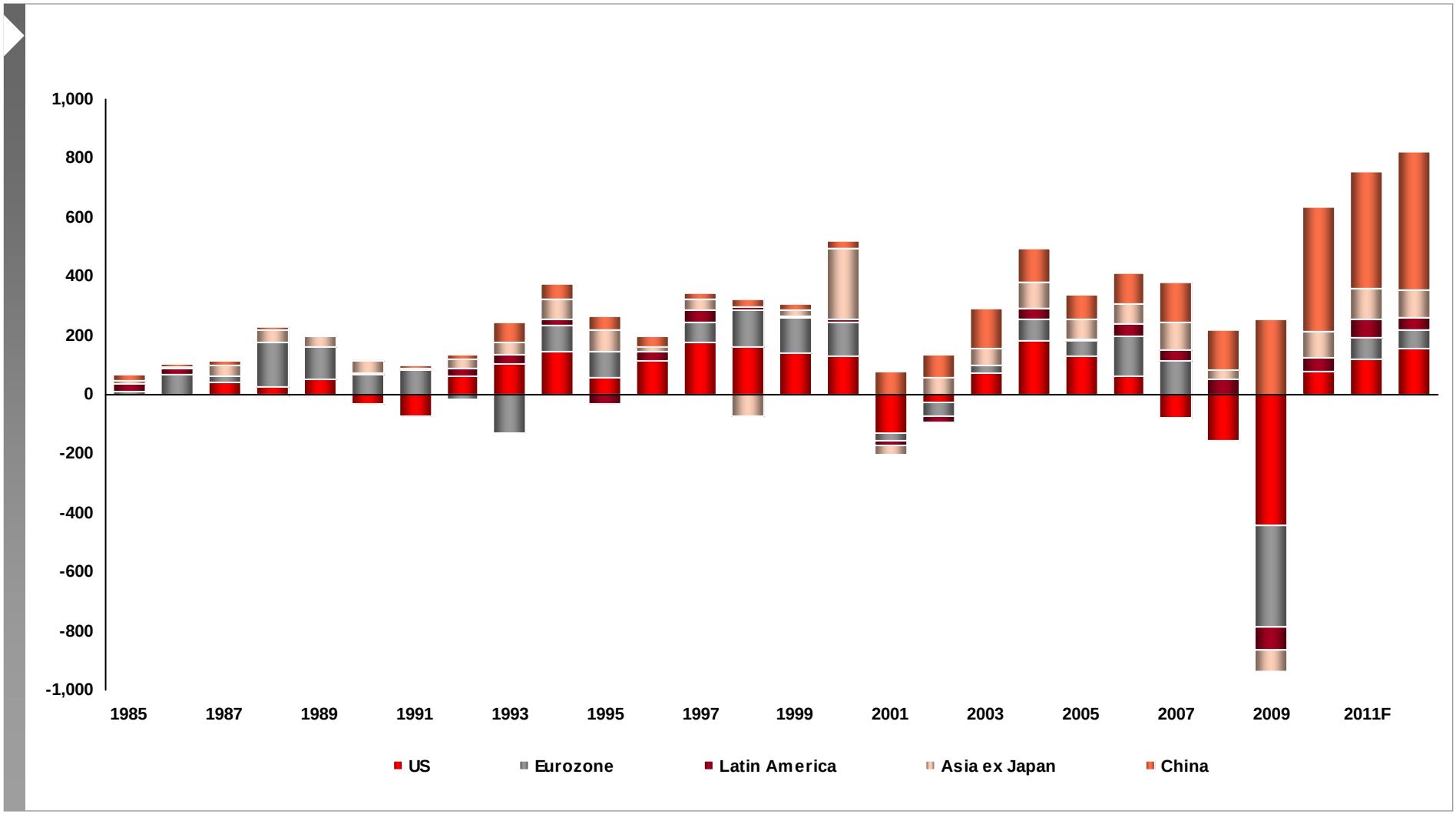
Note:
(1) Source: CEIC and HSBC

With zero US incremental spending, the world will go on



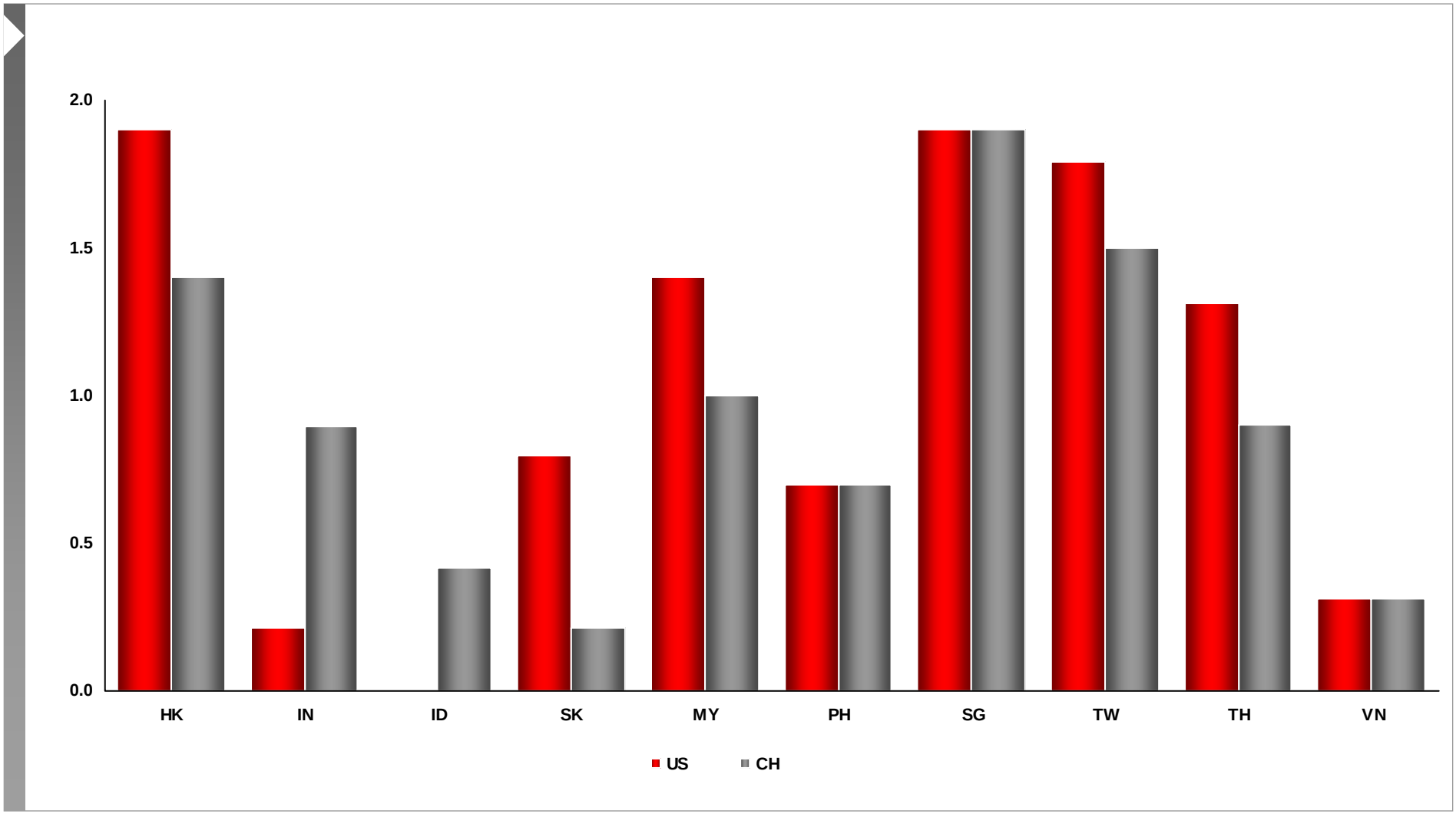
Note:
(1) Source: CEIC and HSBC

China dominates incremental investment spending



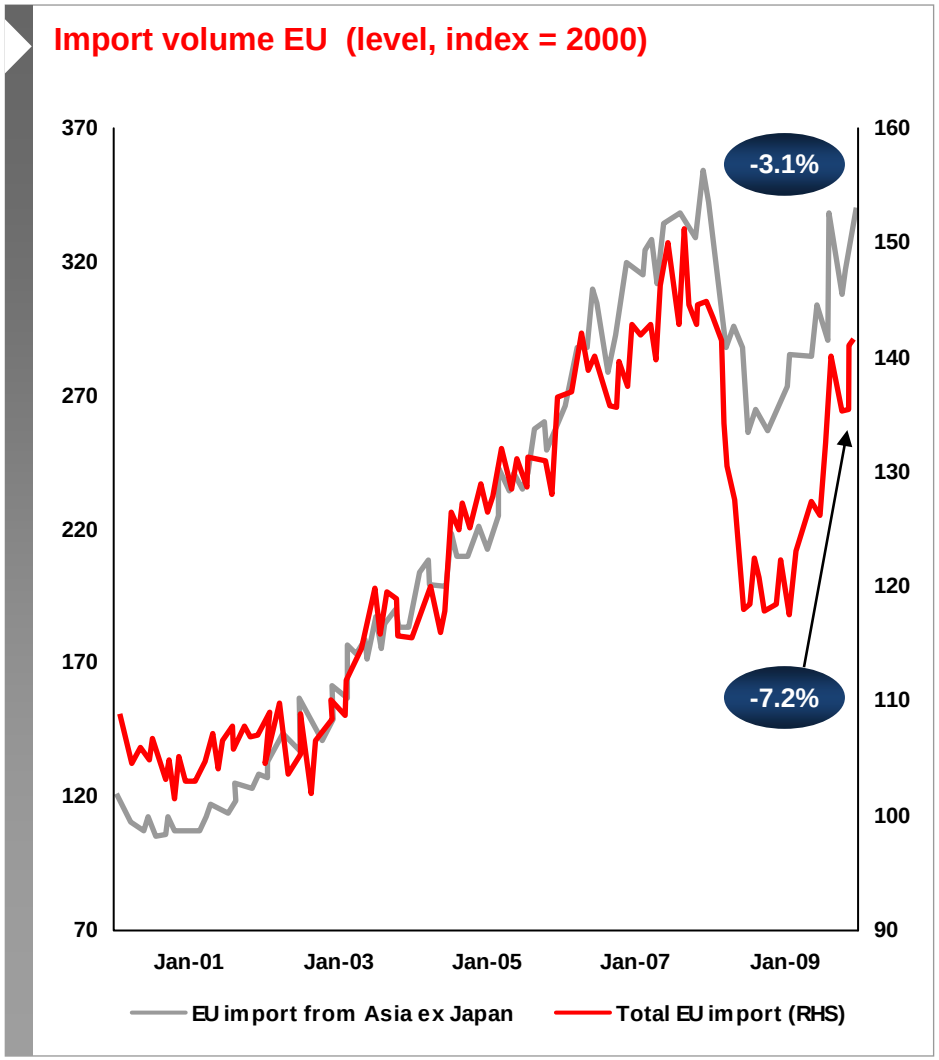
Note:
(1) Source: CEIC and HSBC

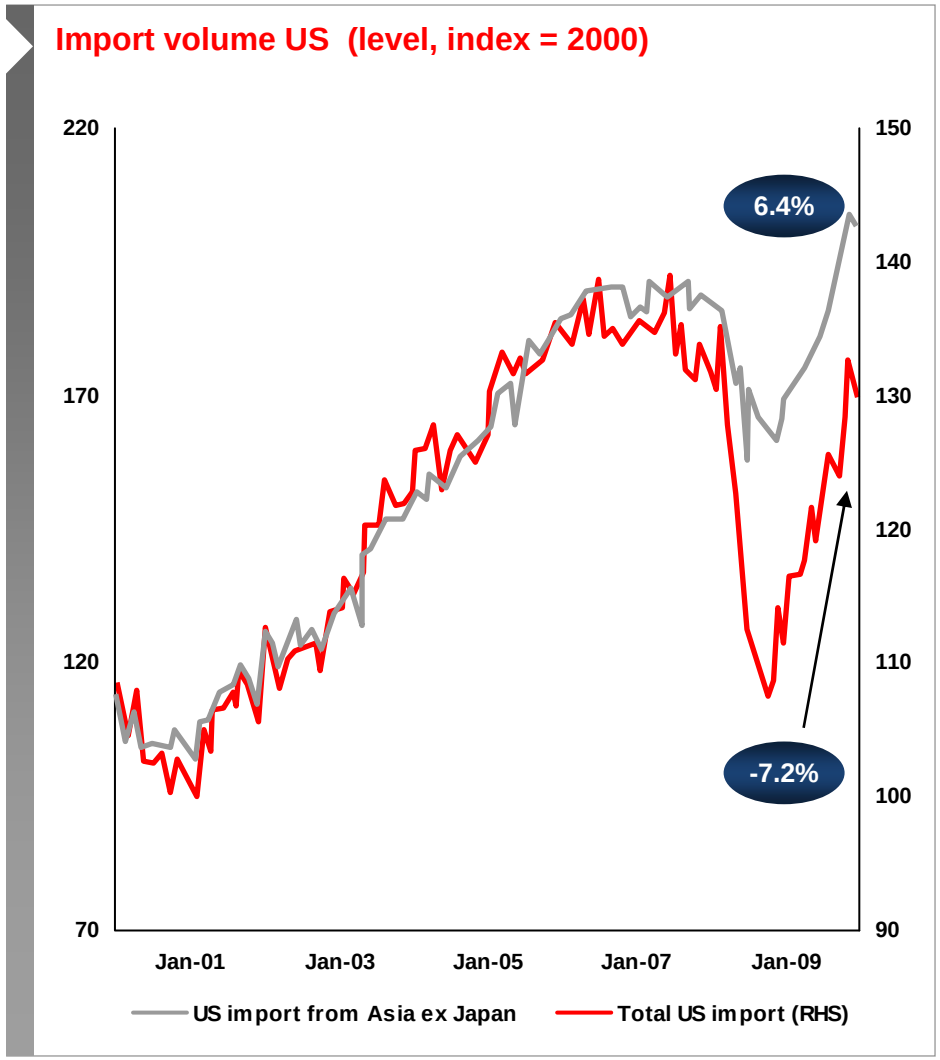
Growth elasticities with China as high as with US in most cases



Note:
(1) Source: CEIC and HSBC

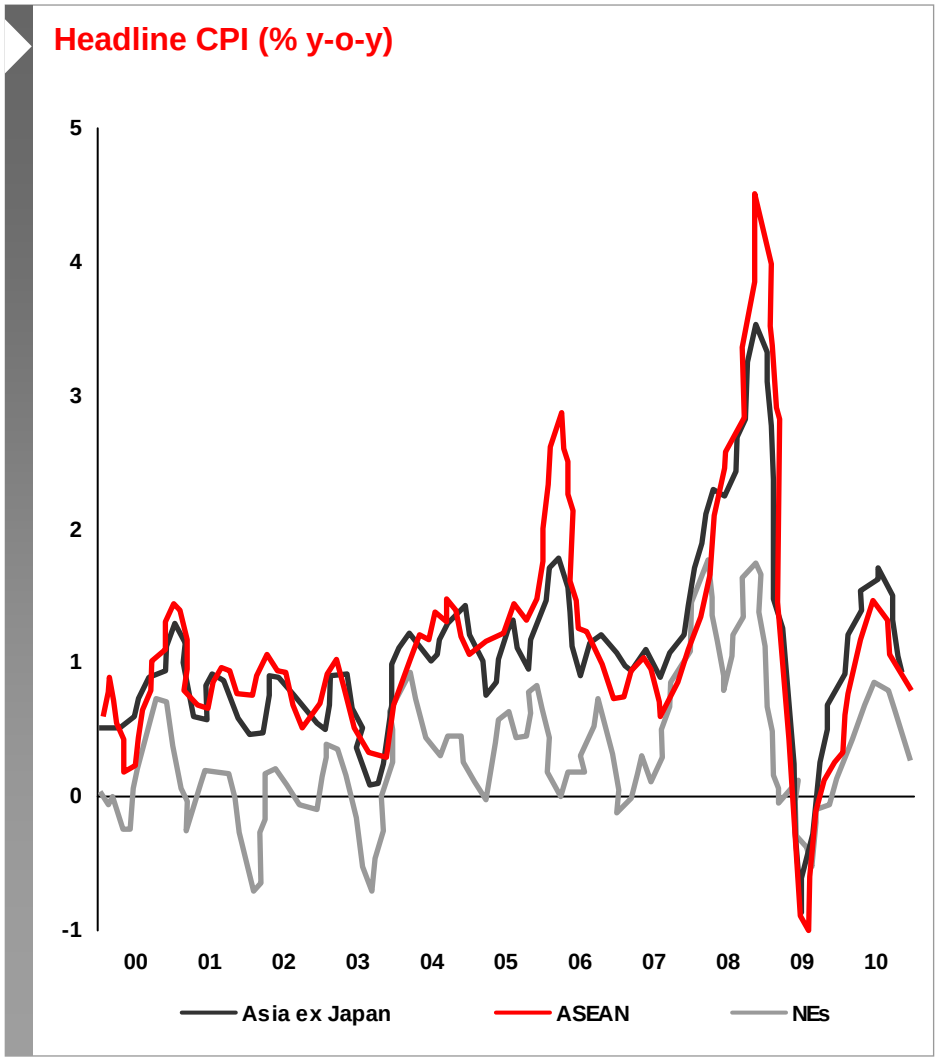
Asia still gaining market share in the West

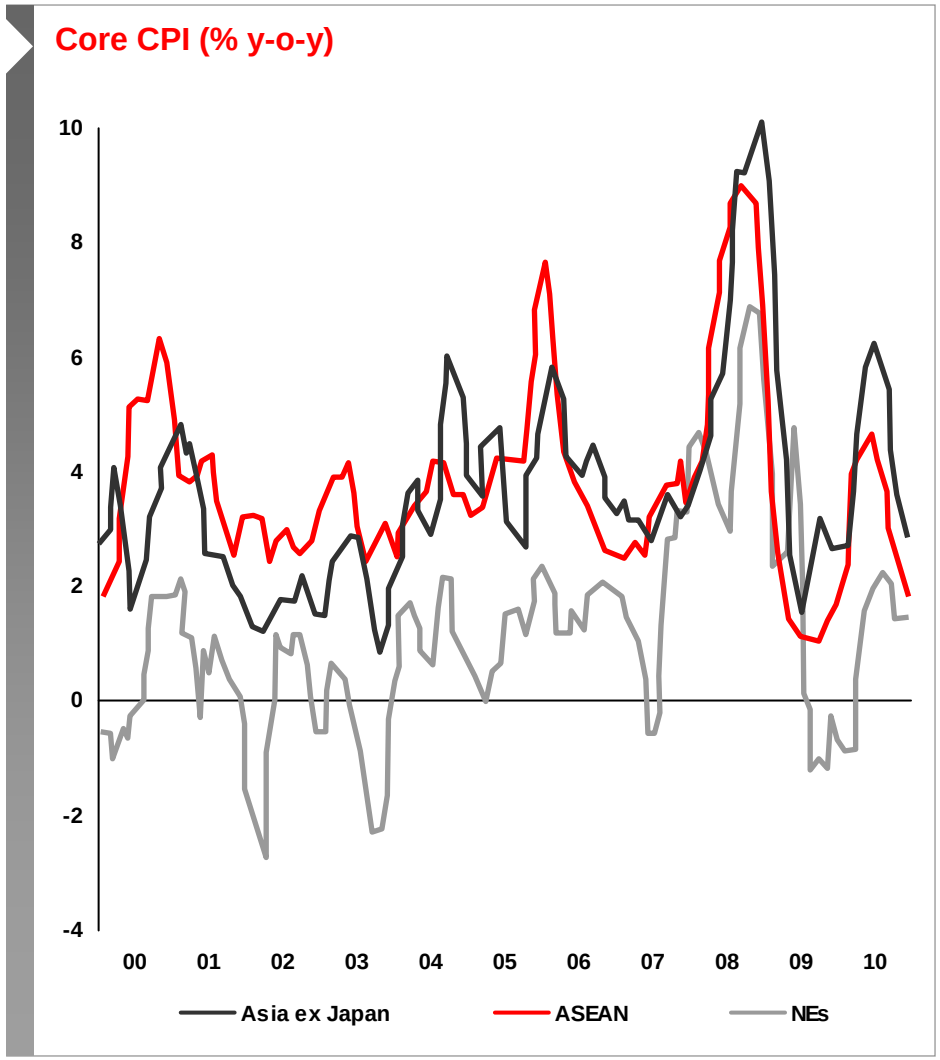




Note:
(1) Source: CEIC and HSBC

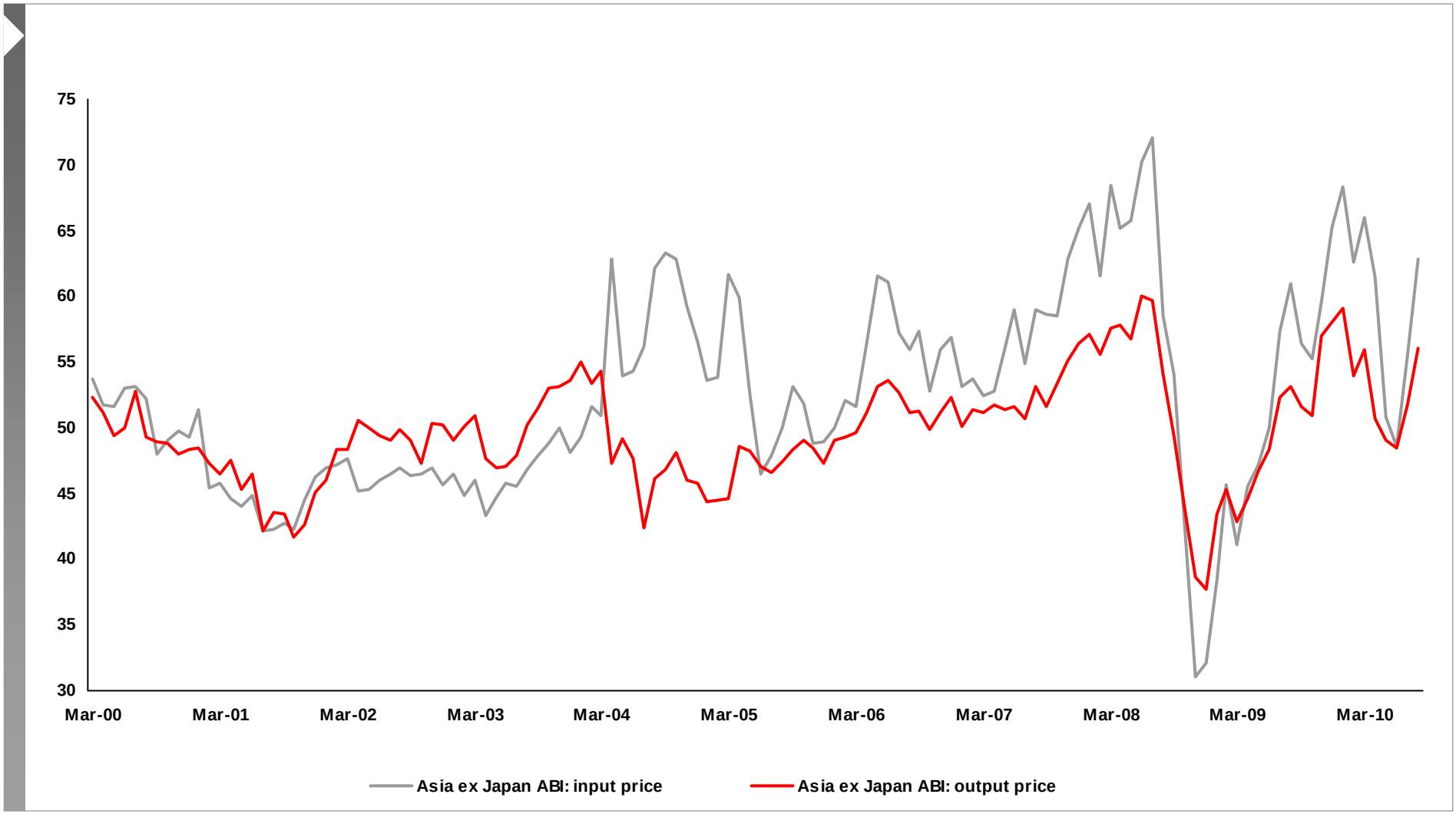
Headline and core inflation slowing rapidly…





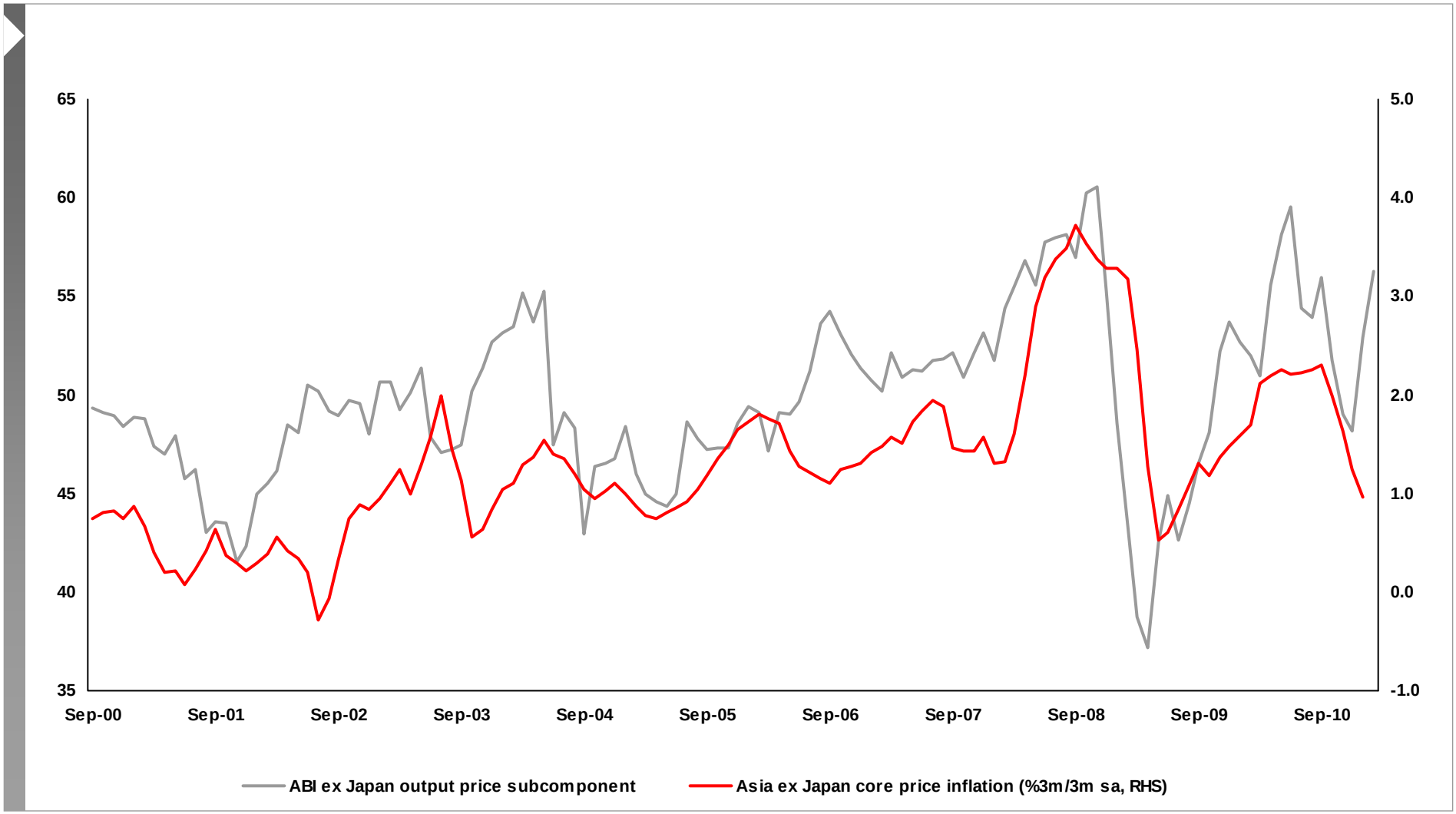
Note:
(1) Source: CEIC and HSBC

…but input and output prices rising again, inflation next?



Note:
(1) Source: CEIC and HSBC

Core price inflation set to pick up again



Note:
(1) Source: CEIC and HSBC

Policy rates expected to go up gradually, except in India and Australia

	Policy rate (% pa, end)								Bp rise by	
	Q1 10	Q2 10	Q3 10	Q4 10F	Q1 11F	Q2 11F	Q3 11F	Q4 11F	End 2010	End 2011
Australia	4.00	4.50	4.50	4.75	5.00	5.25	5.50	5.75	25	125
New Zealand	2.50	2.75	3.00	3.00	3.00	3.25	3.50	3.75	0	75
China	5.31	5.31	5.31	5.31	5.31	5.31	5.31	5.31	0	0
Hong Kong	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0	0
India	5.00	5.25	6.00	6.25	6.50	7.00	7.25	7.50	25	150
Indonesia	6.50	6.50	6.50	6.50	7.25	7.25	7.25	7.25	0	75
Japan	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00	-10	-10
Korea	2.00	2.00	2.25	2.50	2.75	3.00	3.00	3.25	25	100
Malaysia	2.25	2.50	2.75	2.75	2.75	2.75	2.75	2.75	0	0
Pakistan	12.50	12.50	13.50	14.00	14.00	14.00	14.00	14.00	100	100
Philippines	4.00	4.00	4.00	4.00	4.00	4.25	4.50	4.50	0	50
Singapore	0.65	0.56	0.30	0.50	0.70	0.80	0.90	1.10	-19	41
Sri Lanka	9.75	9.75	9.00	9.00	9.00	9.00	9.50	10.00	0	100
Taiwan	1.250	1.375	1.500	1.500	1.500	1.500	1.680	1.750	0	25
Thailand	1.25	1.25	1.75	2.00	2.00	2.00	2.00	2.00	25	25
Vietnam	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	0	0

Denotes hike Denotes cut

Note:
(1) Source: CEIC and HSBC

HSBC GDP growth forecasts (current vs. August 2010)

	2009 actual	2010 (old)	2010F (new)	2010F consensus	2011F (old)	2011F (new)	2011F consensus	2012F
Australia	1.3	3.4	3.4	3.3	4.1	4.1	3.4	3.9
New Zealand	-0.6	1.9	1.4	2.6	2.0	2.6	3.3	3.7
China	9.1	10.0	10.0	9.9	8.9	8.9	9	8.6
Hong Kong	-2.7	5.4	5.4	5.7	4.7	4.7	4.5	4.3
India	7.4	8.8	8.8	8.3	8.3	8.3	8.3	8.0
Indonesia	4.5	6.1	6.1	6.0	6.4	6.4	6.1	6.4
Japan	-5.2	3.0	3.0	3.0	1.0	0.7	1.3	1.5
Korea	0.2	5.8	6.0	6.1	4.3	4.1	4.2	4.6
Malaysia	-1.7	7.1	7.3	7.1	5.2	5.2	4.9	5.0
Pakistan	4.4	4.0	2.8	3.5	3.6	4.2	4.5	4.0
Philippines	1.1	5.9	5.9	6.3	4.6	4.6	4.7	5.6
Singapore	-1.3	13.2	13.2	14.5	4.6	4.6	4.8	6.0
Sri Lanka	3.5	7.0	7.0	6.5	7.2	7.2	6.6	7.5
Taiwan	-1.9	7.3	7.3	8.1	4.9	4.9	4.2	3.8
Thailand	-2.3	7.6	7.9	7.5	5.3	5.3	4.3	4.1
Vietnam	5.1	7.0	7.0	6.8	6.2	7.5	6.9	7.8
Asia ex JP	6.0	8.7	8.7	8.7	7.5	7.5	7.5	7.3
Asia ex JP and CN	2.5	7.3	7.3	7.3	6.0	6.0	5.8	5.9
Asia ex JP, CN and IN	0.5	6.6	6.7	6.9	5.0	5.0	4.8	5.0

Denotes forecast cut Denotes forecast upgrade Denotes HSBC below consensus Denotes HSBC above consensus

Note:
(1) Source: CEIC and HSBC

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Issuer of report

The Hongkong and Shanghai Banking Corporation Limited
Level 19, 1 Queen's Road Central
Hong Kong SAR
Telephone: +852 2843 9111
Telex: 75100 CAPEL HX
Fax: +852 2801 4138
Website: www.research.hsbc.com

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