



Asian Economic Overview: Focus on South Korea & The Philippines

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Summary Outlook

- ◆ Growth projected to remain at 5.5%
- ◆ Macro prudential policies reduced risks
- ◆ Asia twice as exposed to China
- ◆ Significant structural reforms remain
- ◆ Significant infrastructure deficits remain

ADB, GDP Growth Rate, 2011-2015

Subregion/Economy	2011	2012	2013	2014	2015
Central Asia	6.8	5.6	6.5	6.5	6.5
Azerbaijan	0.1	2.2	5.8	5.0	4.8
Kazakhstan	7.5	5.0	6.0	6.0	6.4
East Asia	8.2	6.6	6.7	6.7	6.7
China, People's Rep. of	9.3	7.7	7.7	7.5	7.4
Hong Kong, China	4.8	1.5	2.9	3.5	3.6
Korea, Rep. of	3.7	2.0	2.8	3.7	3.8
Taipei, China	4.2	1.5	2.1	2.7	3.2
South Asia	6.4	4.7	4.8	5.3	5.8
Bangladesh	6.7	6.2	6.0	5.6	6.2
India	6.7	4.5	4.9	5.5	6.0
Pakistan	3.7	4.4	3.6	3.4	3.9
Sri Lanka	8.3	6.3	7.3	7.5	7.5
Southeast Asia	4.8	5.7	5.0	5.0	5.4
Indonesia	6.5	6.3	5.8	5.7	6.0
Malaysia	5.1	5.6	4.7	5.1	5.0
Philippines	3.6	6.8	7.2	6.4	6.7
Singapore	6.0	1.9	4.1	3.9	4.1
Thailand	0.1	6.5	2.9	2.9	4.5
Viet Nam	5.9	5.2	5.4	5.6	5.8

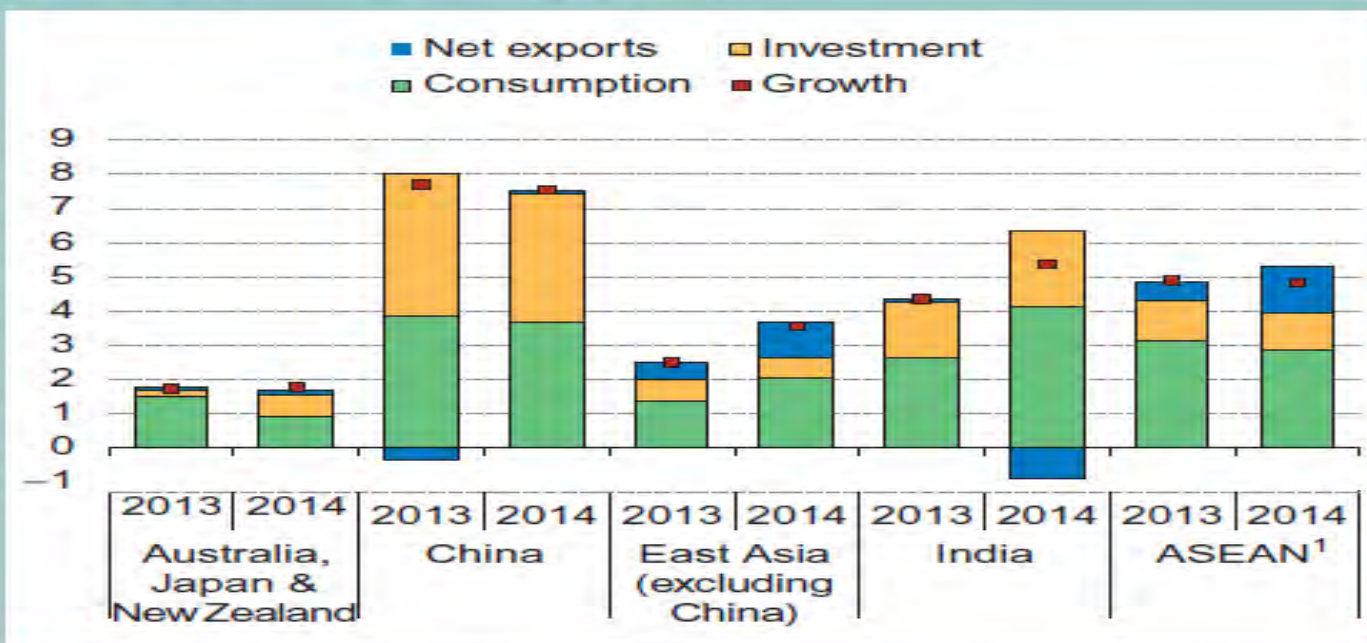
Source: ADB, Asian Development Outlook, 2014

IMF, Contributions to Growth

Figure 1.12

Selected Asia: Contributions to Projected Growth

(Year-over-year; in percentage points)



Sources: IMF, *World Economic Outlook* database; and IMF staff calculations.

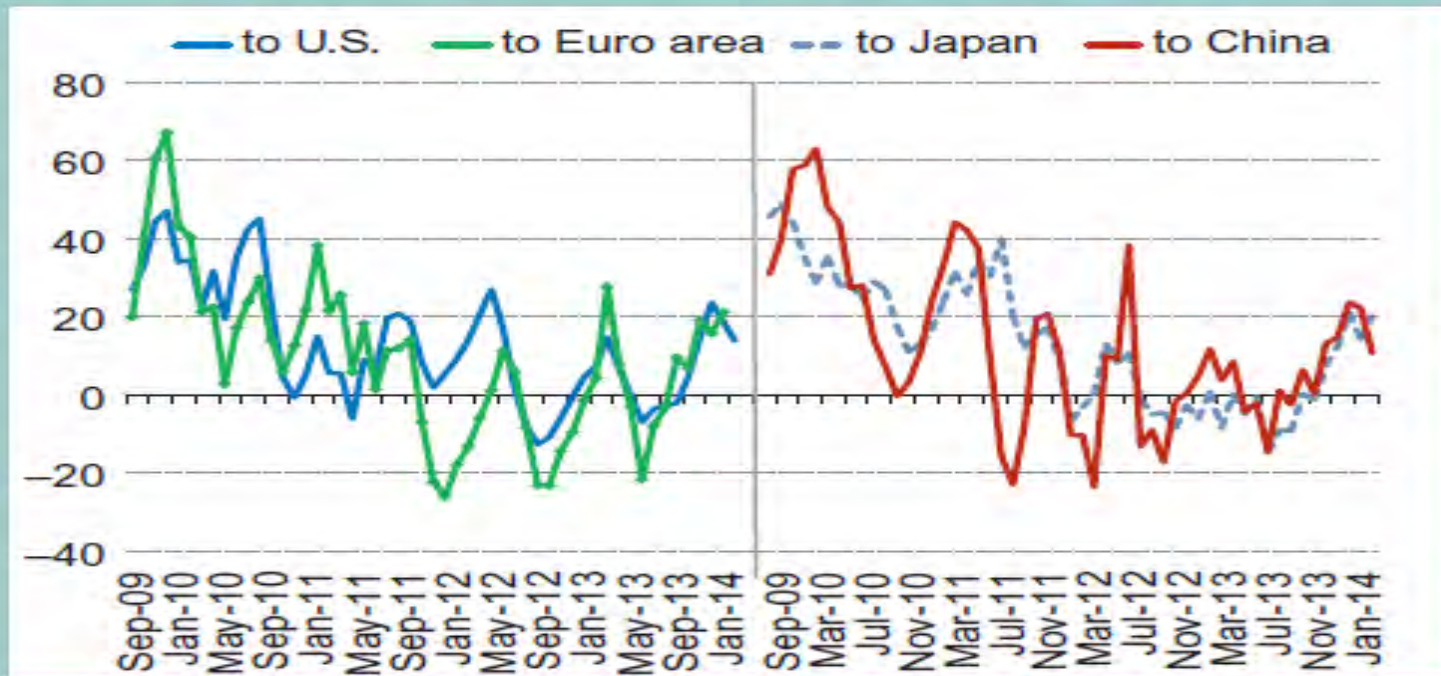
¹ ASEAN includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

Source: IMF, *Regional & Economic Outlook, Asia & Pacific, 2014*

IMF, Asian exports by major destination

Figure 1.7

Selected Asia: Exports to Major Destination¹ (3-month percent change of 3-month moving average; SAAR)



Sources: CEIC Data Company Ltd.; Haver Analytics; and IMF staff calculations.

¹ Selected Asia includes Japan, Malaysia, Thailand, the Philippines, Singapore, and East Asia. Vietnam excluded due to data lag.

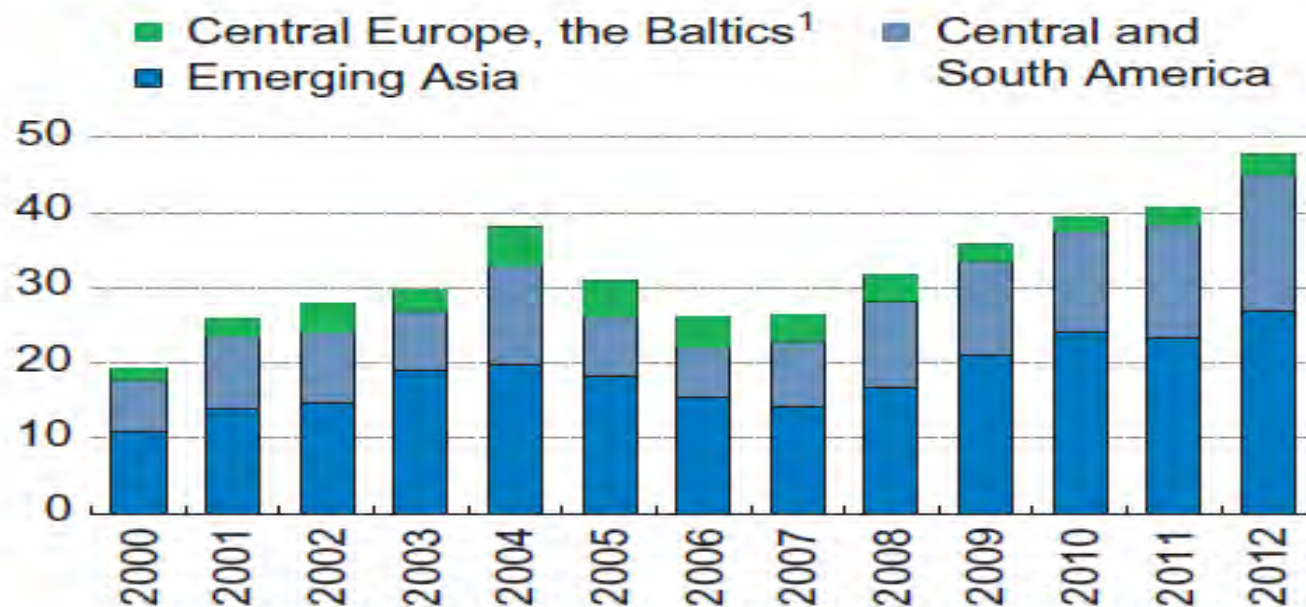
Source: IMF, Regional & Economic Outlook, Asia & Pacific, 2014

UNCTAD, FDI Inflows

Emerging Markets, 2000-12

Emerging Market Economies: Inflows from Foreign Direct Investment, 2000–12

(In percent of world foreign direct investment inflows)



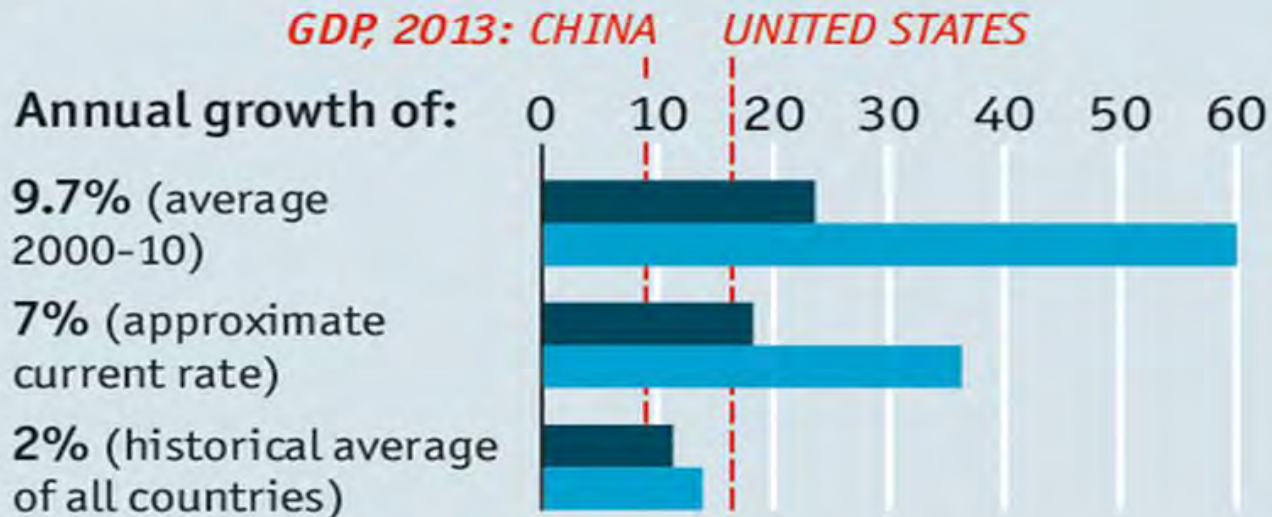
Source: UNCTAD.

¹ The group includes Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

China: Biggest Risk of All

A \$46 trillion difference

Projected size of Chinese economy* by: 2023
\$trn, at various annual rates of 2033
growth in GDP per person



Source: "Asiaphoria meets regression to the mean", L. Pritchett and L. Summers *US dollars, market exchange rates

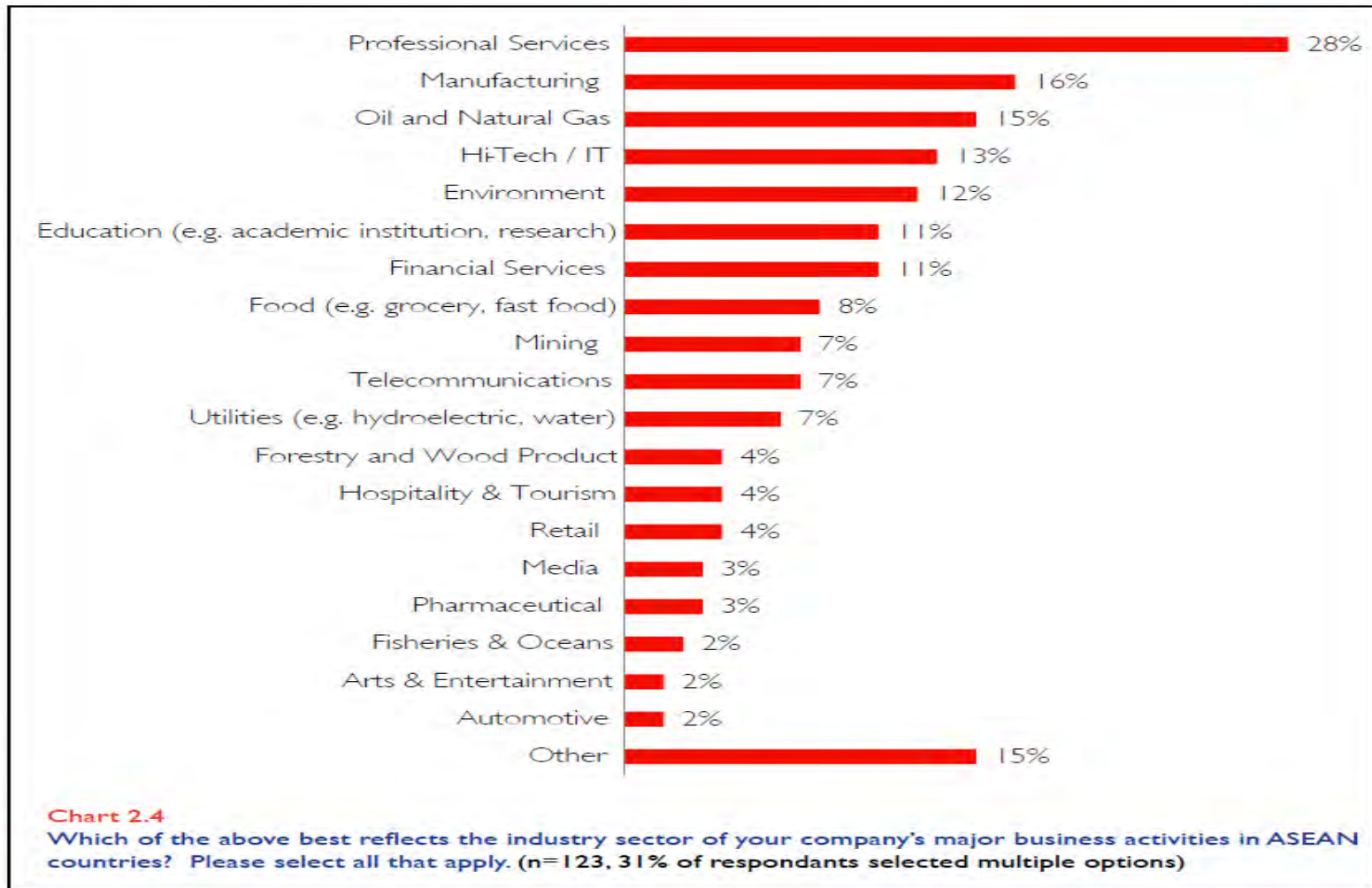
Source: Economist magazine, Oct. 25, 2014



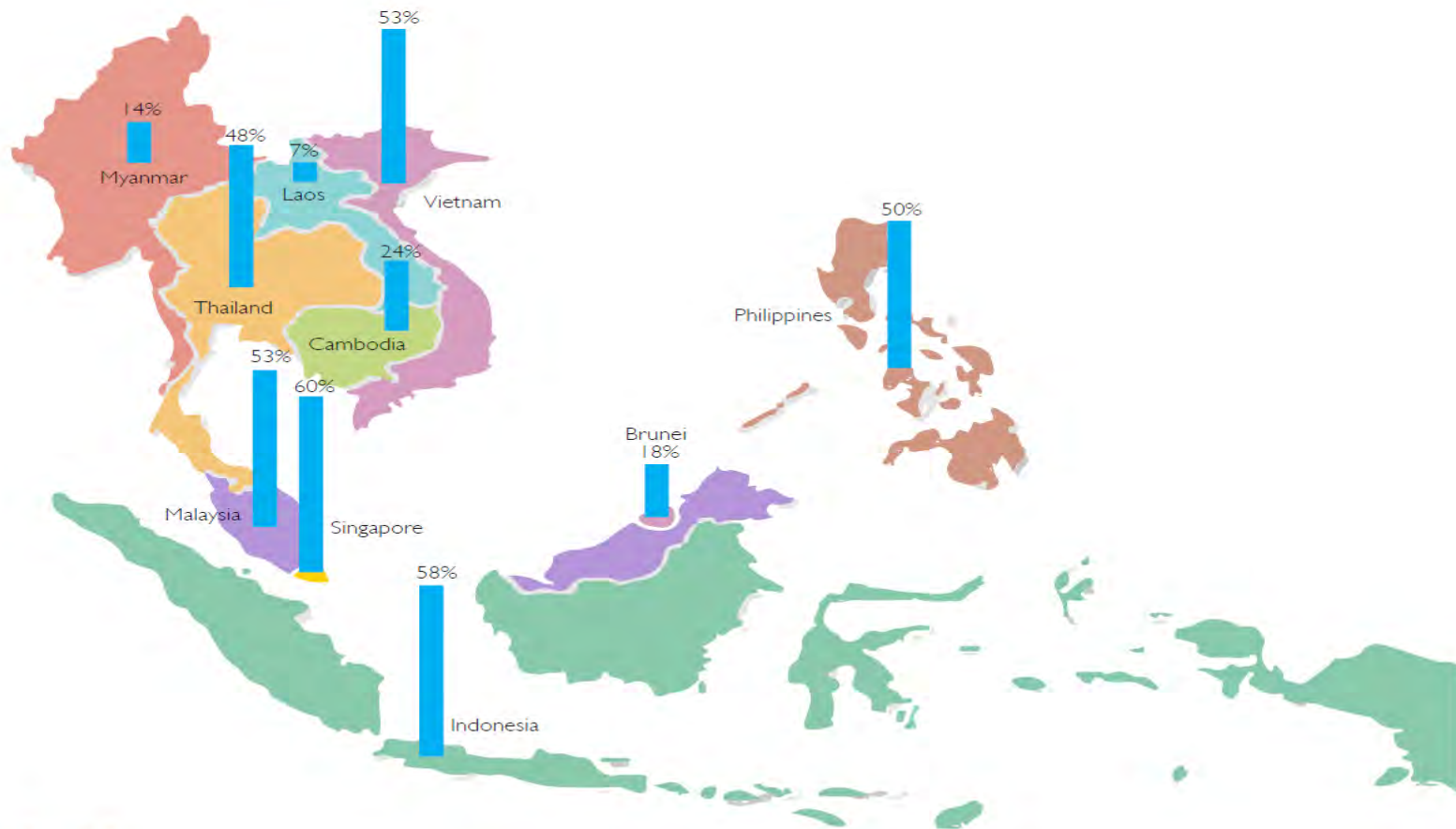
Canadian Business In Asia

APFC, Cdn Business Sectors in ASEAN

Canadian businesses operate in diverse sectors in ASEAN. Almost 30% are in professional services (e.g. consulting or advising), while between 11% and 16% are in varied sectors including manufacturing, oil and gas, Hi-Tech/IT to environment, education, and financial services



APFC, Location of Cdn firms in ASEAN



Map 2.3

In which country(ies) in the ASEAN region does your company currently have business activities? Please select all that apply. (n=122)

APFC, Cdn Business in ASEAN

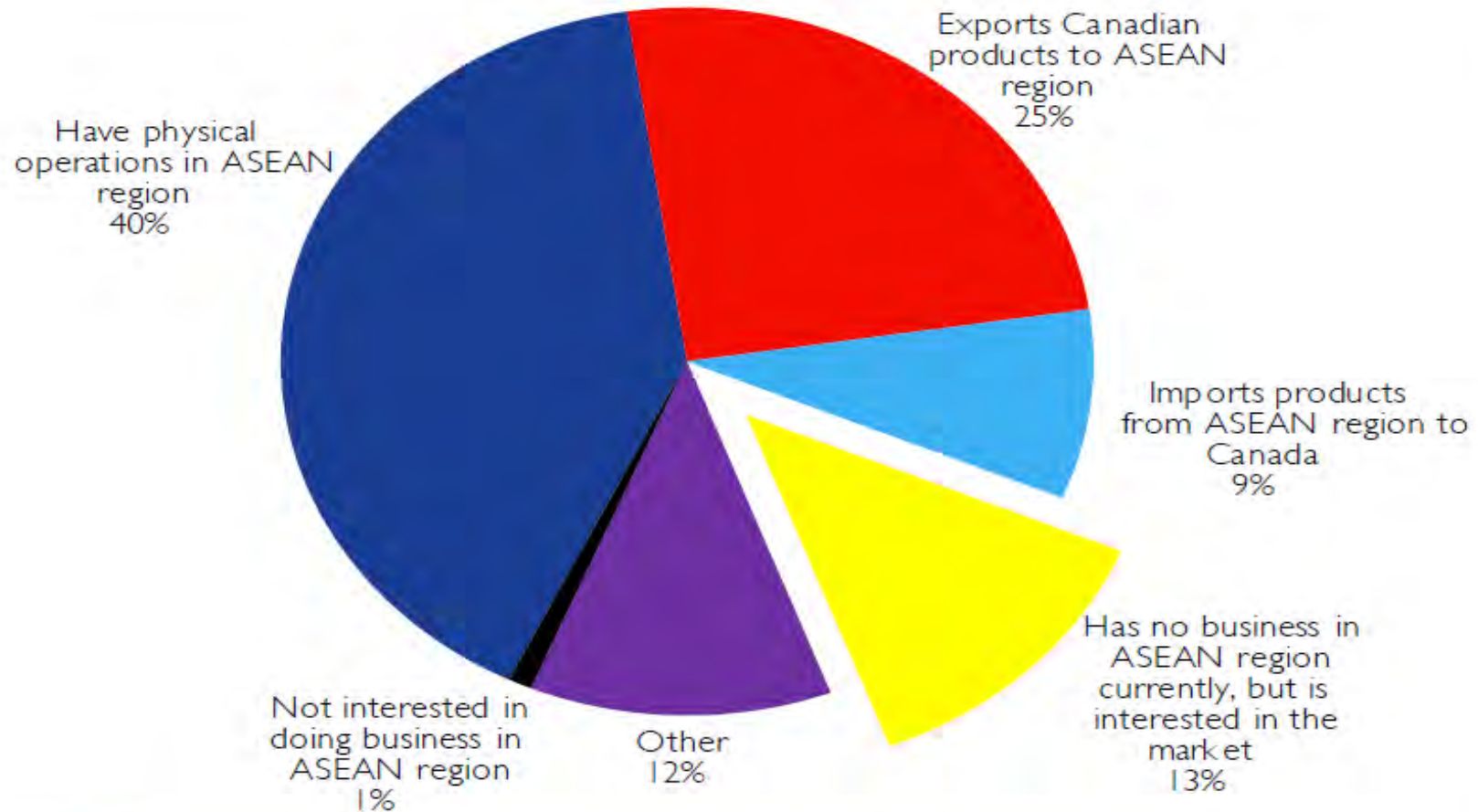


Chart 2.1

Which of the above best describes your company's activities in the ASEAN region? (n=176, 16% of respondents selected multiple options)

APFC, Length of time in Asia-Pacific

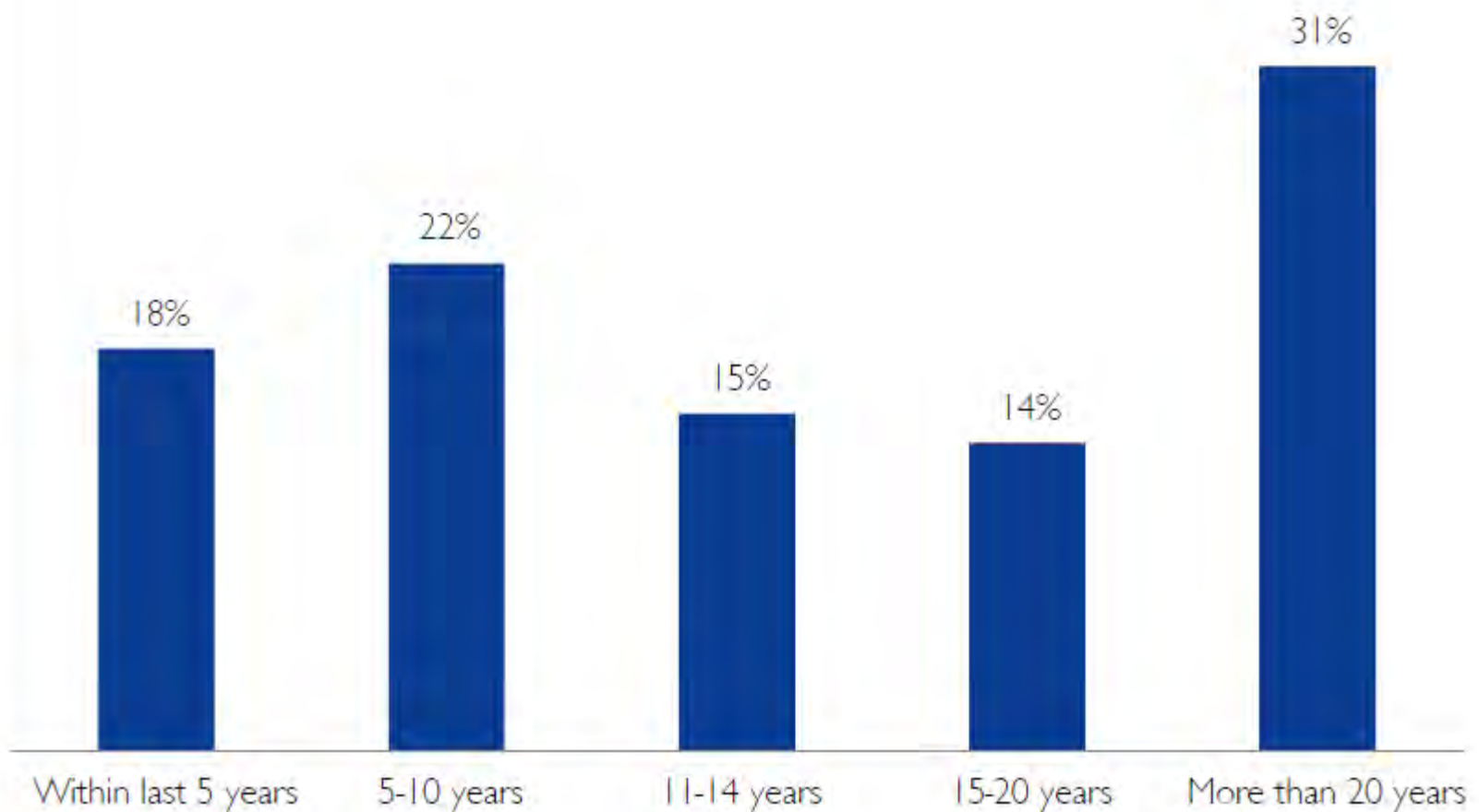


Chart 2.2

In what year did your company start doing business in the ASEAN region? (n=138)



South Korea

Outlook & Opportunities

South Korea Overview

◆ 15th largest in world, 4th largest in Asia

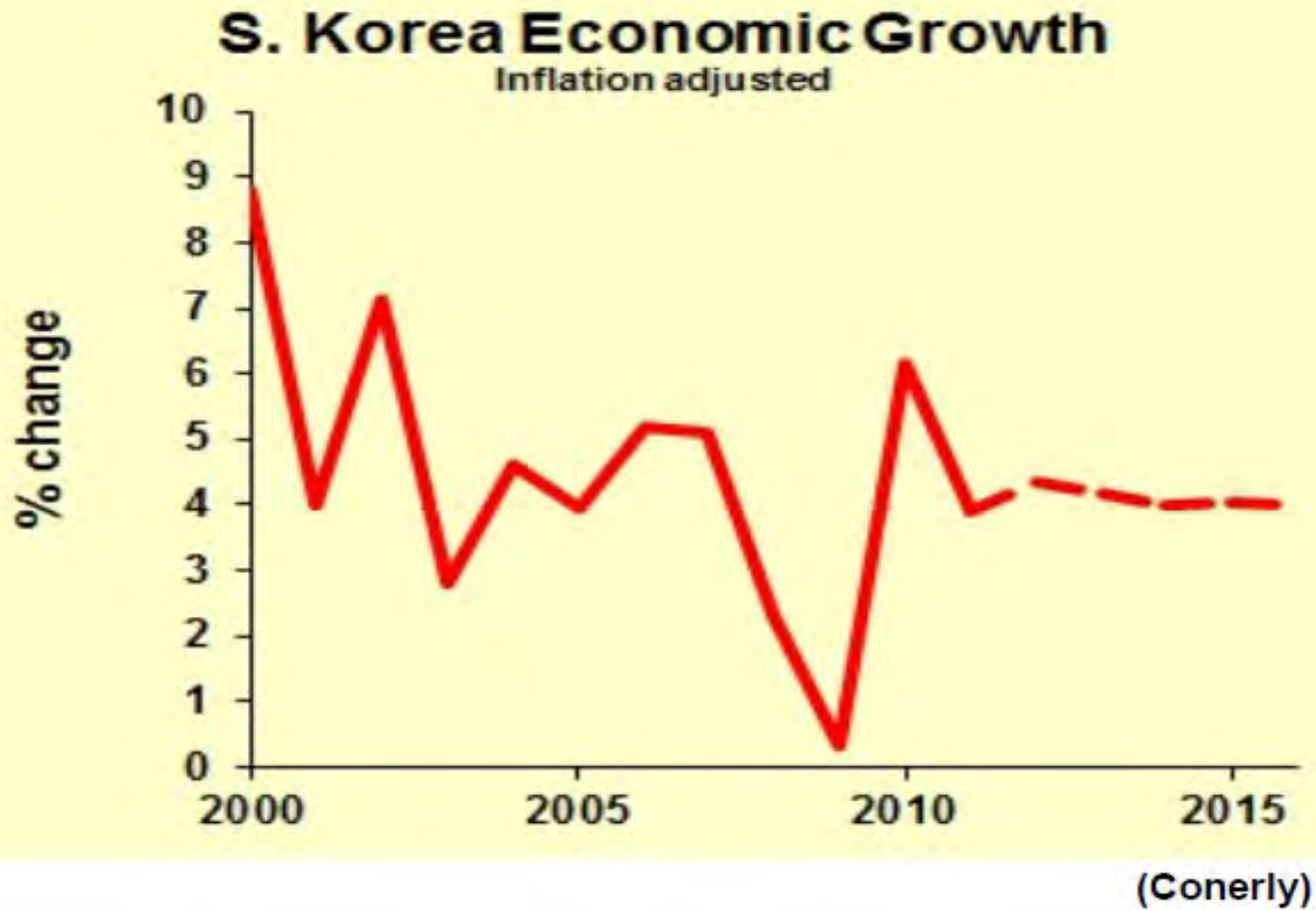
◆ Population: 50 Million

◆ GDP: \$1.25 Trillion

◆ GDP per capita (\$): 25,057

◆ GDP growth: 3.5%

Summers regression to the mean?



South Korea Comparatively



The World's Top 100 Countries

South Korea

Overall

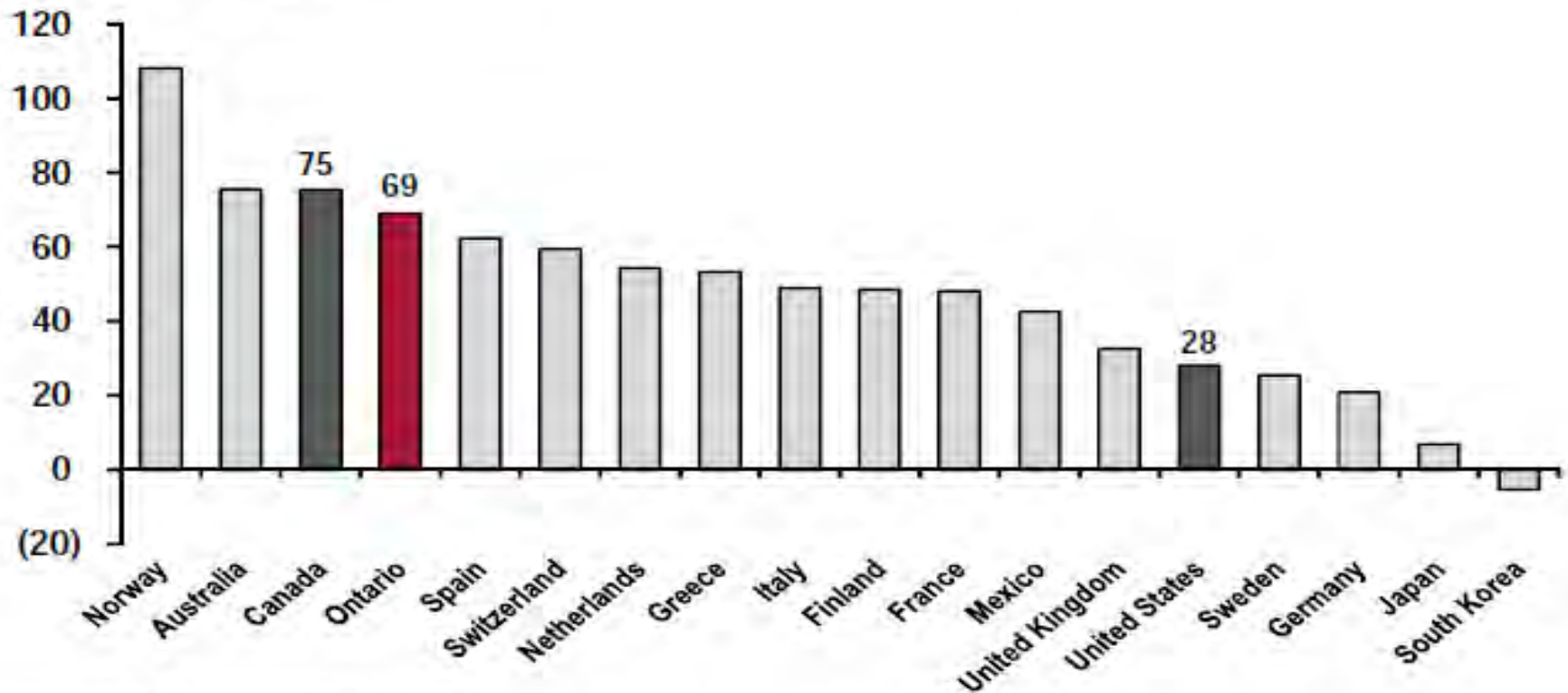
RANK	SCORE
15	83.28

Education	97.9% Literacy rate
Health	71yrs Life expectancy
Quality of Life	31.6% Income inequality (GINI)
Economic Dynamism	\$28.0K Productive growth
Political Environment	79.0 Political stability

Source: Newsweek (August 2010)

OECD, Unit Labour Cost, USD, 1997-2010

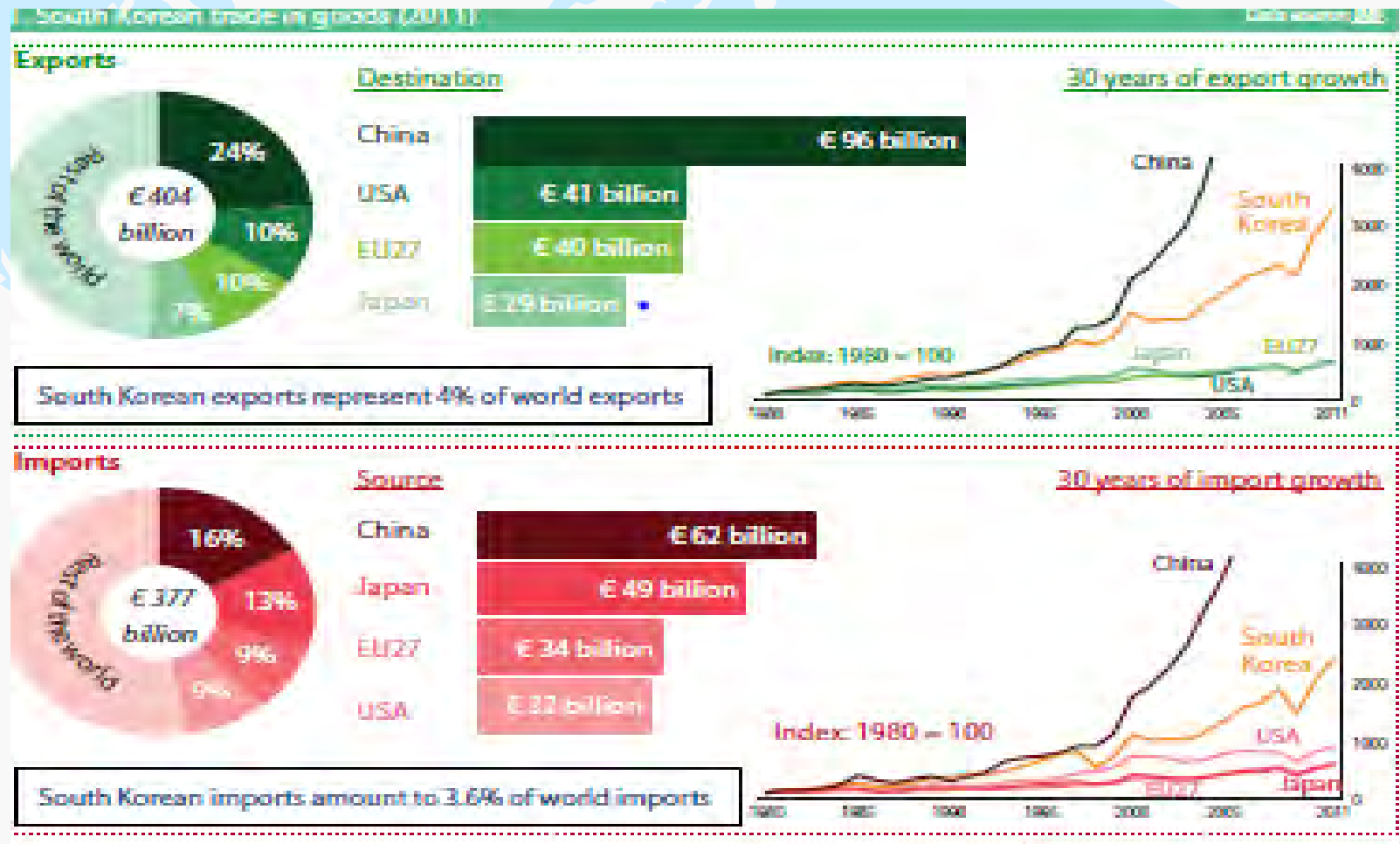
Total Economy Unit Labour Cost, \$ US Market Exchange Rate, 1997-2010
(Per Cent Change)



Note: 2010 or latest available year.

Sources: Organisation for Economic Co-operation and Development and Ontario Ministry of Finance.

South Korea: Imports & Exports



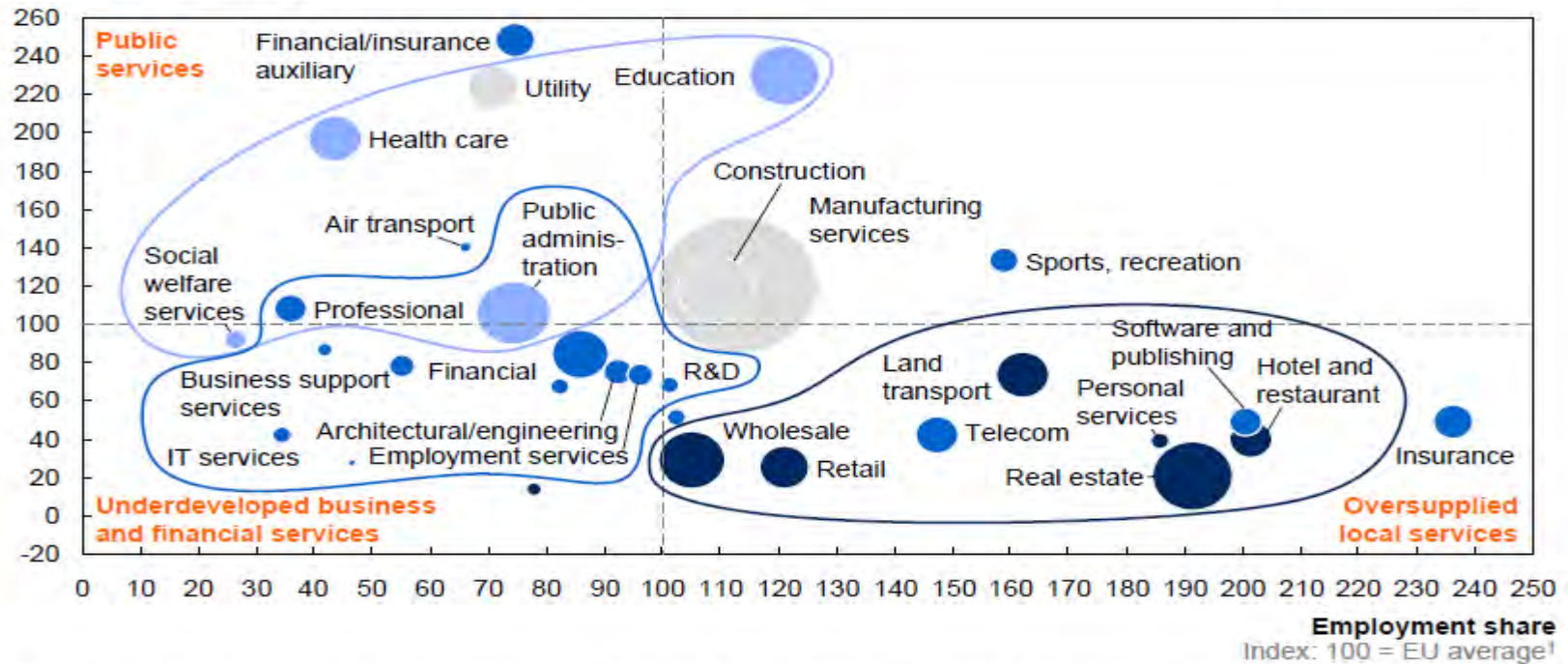
McKinsey, SK – too many low value SMEs

South Korea has too many low value-added local services and few high-value services

Employment share and productivity of Korea vs. EU average, 2009

Productivity

Index: 100 = EU average¹

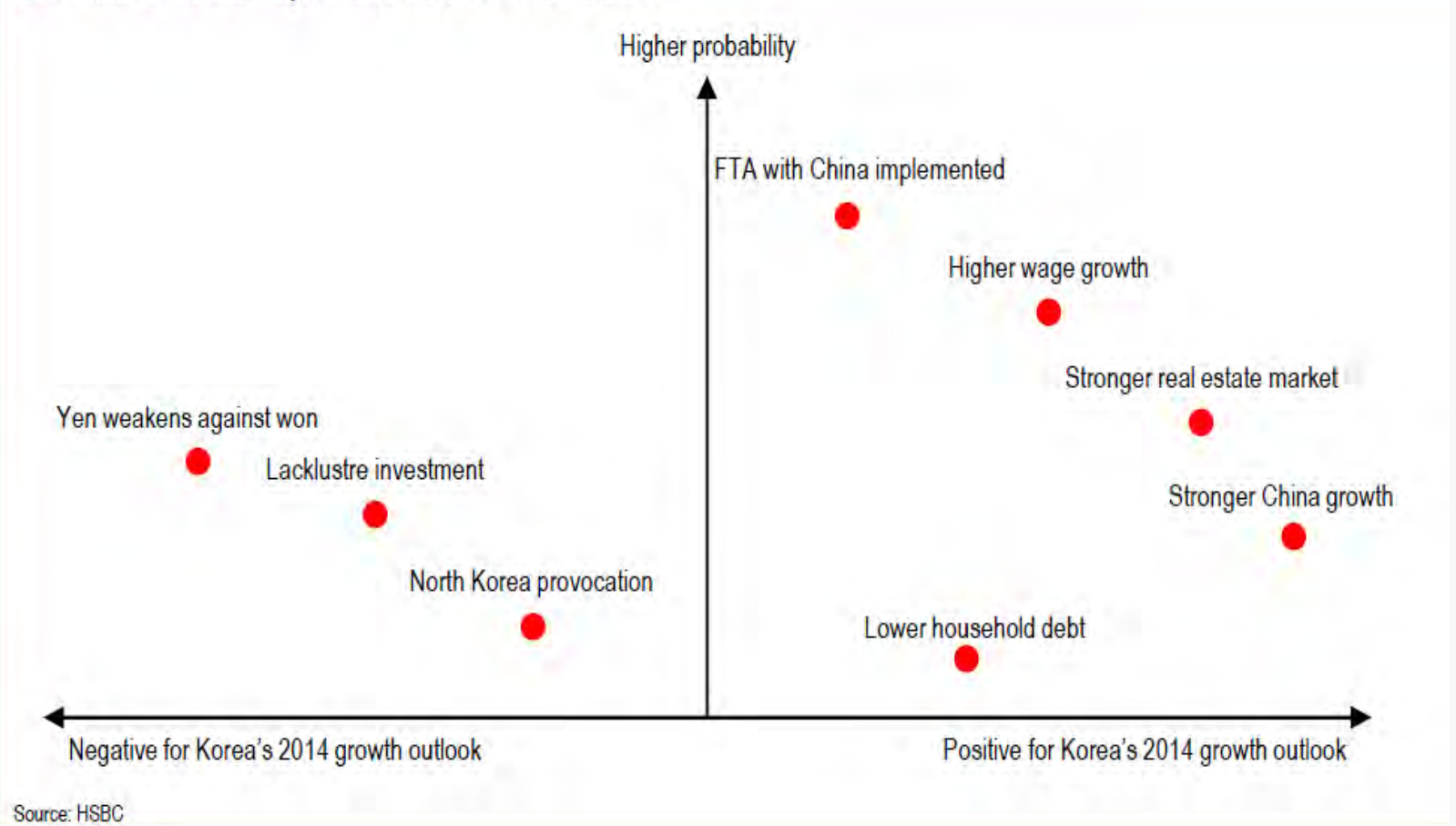


¹ Average of six European countries (Denmark, Finland, France, Germany, Italy, Netherlands) in 2009.

SOURCE: EU KLEMS; OECD STAN (ISIC Rev.4); McKinsey Global Institute analysis

Upside & Downside Risk Outlook

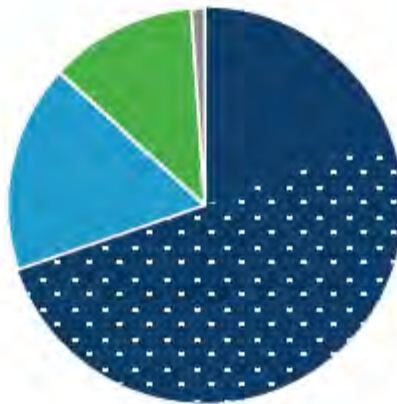
1. Potential events and impact on Korea's 2014 GDP outlook



HSBC Global Research, Korea 2014 Economic Outlook

Canada-SK Trade & Investment, 2010-12

Merchandise exports from Canada to South Korea
(2010-2012)
(value in millions of Canadian dollars)



- Industrial goods, 2,887.0
- Metals and minerals (included in industrial goods), 2,077.5
- Agriculture and agri-food, 707.8
- Forestry and value-added wood products, 501.3
- Fish and seafood, 45.4

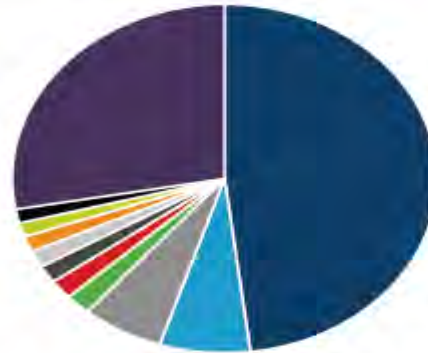
Cdn Exports to South Korea, 2013

Minerals, fuels, oils	32.94%
Ores, slag & ash	10.94%
Woodpulp, paper or paperboard	8.25%
Boilers, mechanical appliances	7.91%
Wood, wood articles & charcoal	6.08%
Aluminum & aluminum articles	5.01%
Electrical machinery & equipment	2.90%
Optical, medical, scientific instrumentation	2.60%
Cereals	2.57%
Meat & edible meat offal	2.49%

Source: <http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home>

Top Cdn Industrial Exports to SK, 2010-12

Top industrial goods exports from Canada to South Korea
(2010-2012 annual average)
(value in millions of Canadian dollars)



- Bituminous coal, 1,386.4
- Copper ores, 199.4
- Aluminum (alloyed and non-alloyed), 179.7
- Nickel oxide sinters, 56.2
- Fertilizer, 52.2
- Uranium, 47.1
- Zinc ores, 45.3
- Airplanes, 41.8
- Unwrought nickel, 37.5
- Pulley tackle and hoist parts, 37.1
- Other, 802.4

Canada-SK FTA Highlights

- ◆ Canada-SK merch trade 2012: \$10.1 B
- ◆ Avg SK tariffs on Cdn goods: 13.3%
- ◆ Avg Cdn tariffs on SK goods: 4.3%
- ◆ Tariff lines to be eliminated by SK: 98.2%
- ◆ Tariff lines to be eliminated by Cda: 97.8%



Overview – The Philippines

Philippines Overview

◆ GDP: \$280.3 Billion or \$2,876 per capita

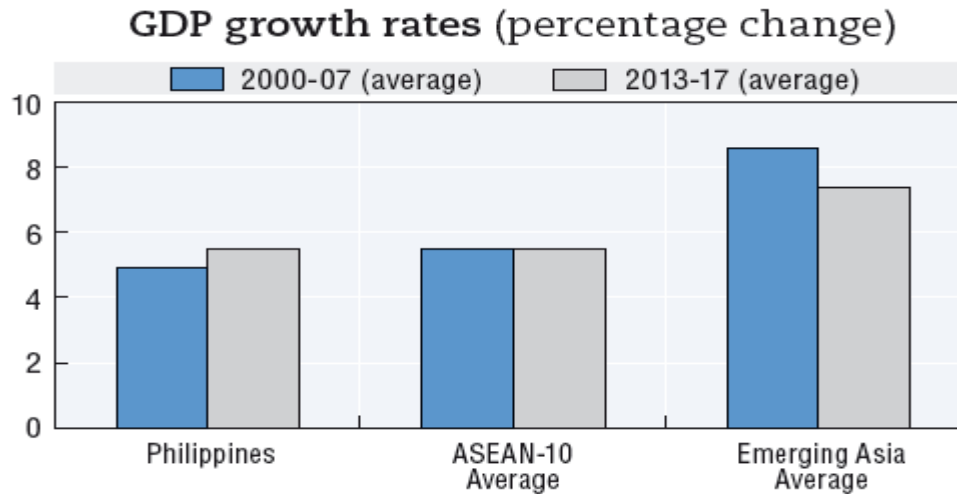
◆ Population: 98 Million

◆ GDP growth: 7.2%

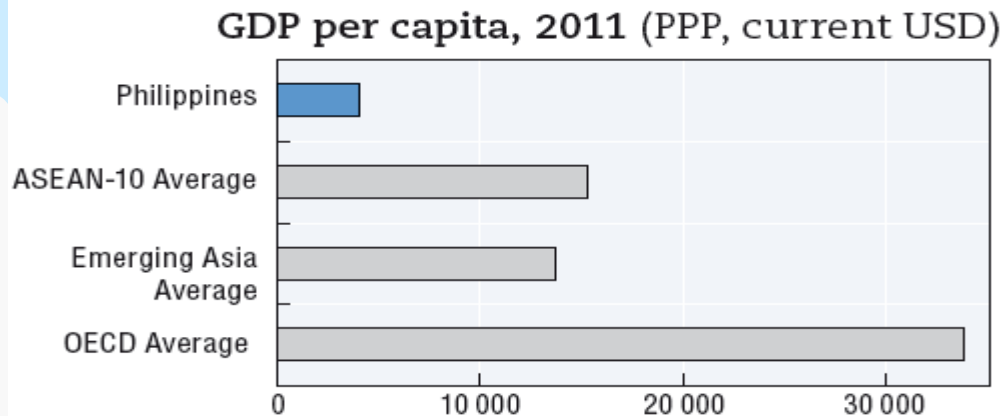
◆ Inflation: 2.9%

◆ Unemployment: 7.1%

Philippines Overview



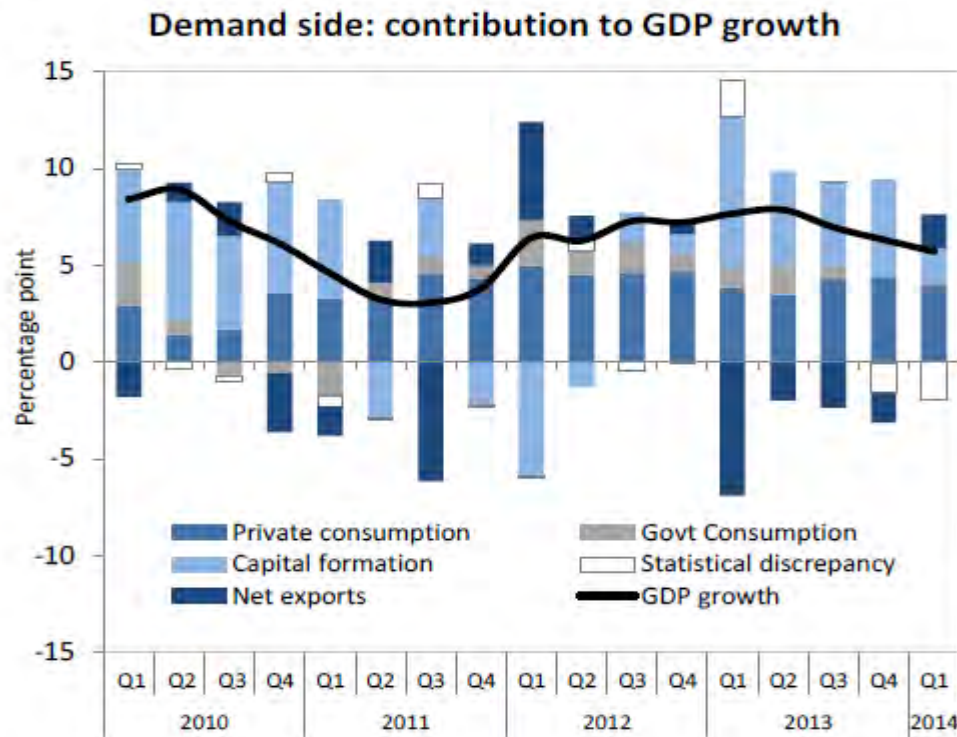
Source: OECD Development Centre, MPF-2013.



Source: IMF and national sources.

World Bank, Philippines Growth

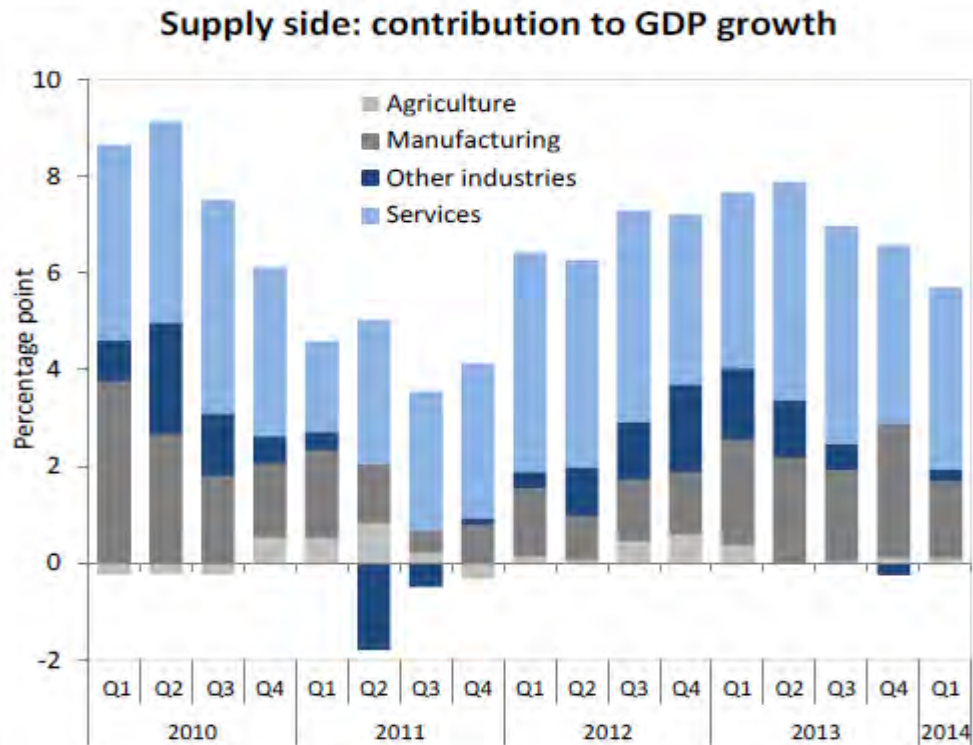
Figure 2. As in previous quarters, private consumption drove growth in Q1 2014, while investment and net exports provided support.



Source: Philippine Statistics Authority (PSA)

World Bank, Philippines Growth

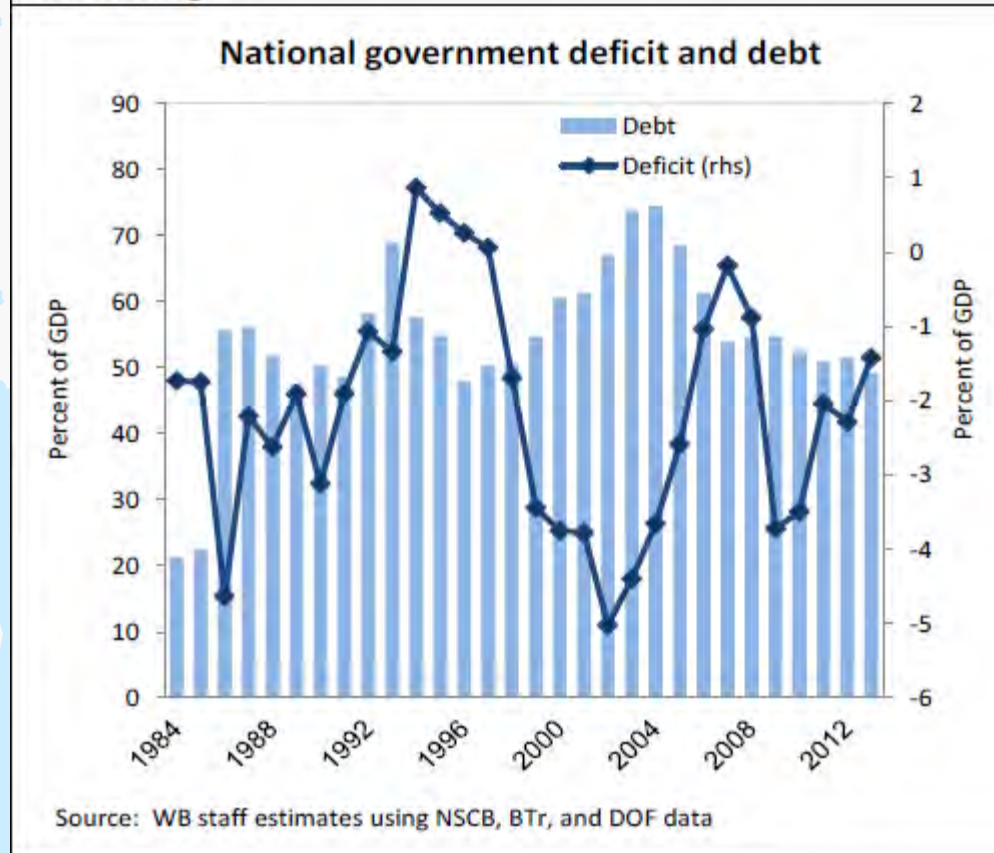
Figure 4. On the supply side, the services sector continued to drive up growth, while agriculture remained weak.



Source: PSA

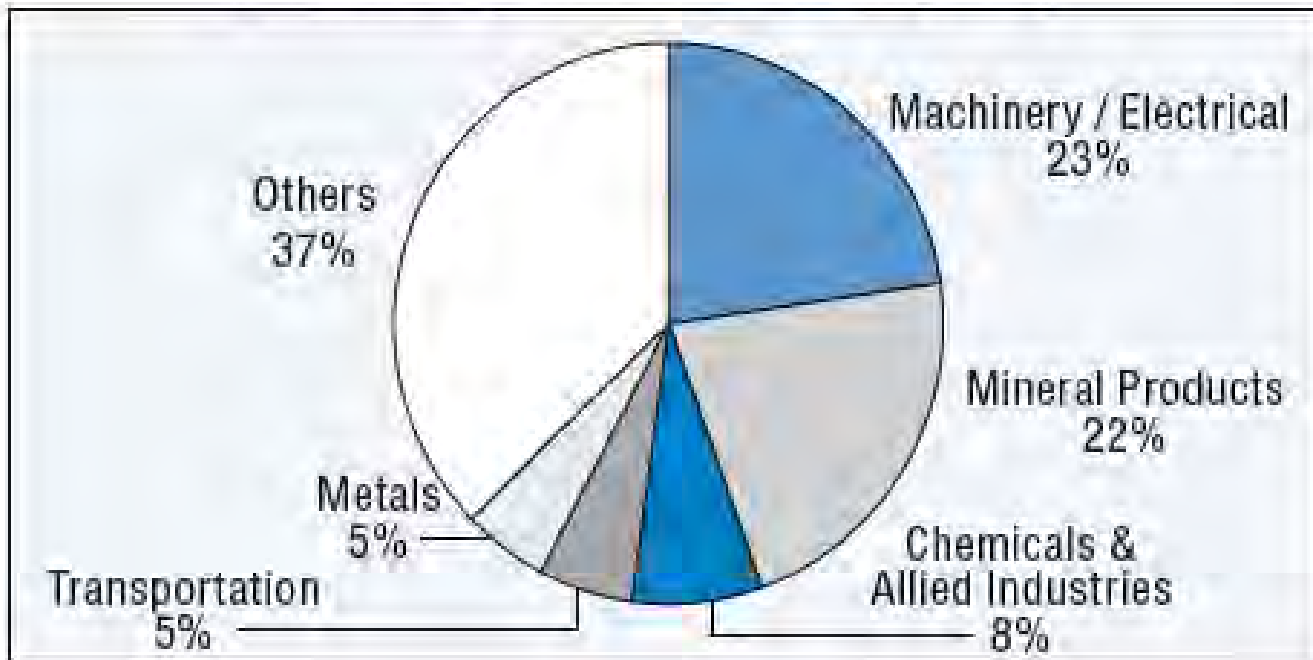
World Bank, Philippines Debt & Deficits

Figure 14. Debt and deficit levels have been declining.



Philippines Composition of Imports

Composition of imports in 2011
(percentage share of total imports)



Cdn trade & investment w/ Philippines, 2013

Canada's merchandise exports to Philippines	\$603.4
Canada's merchandise imports from Philippines	\$1,137.1
Canadian investment in Philippines	Commercially sensitive information
Filipino investment in Canada	Commercially sensitive information

Summary

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- ◆ Europe is Canada's past
 - ◆ America is Canada's present
 - ◆ Asia is Canada's future