

Impact of Global Financial Crisis on Asian Financial Sector



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§1 Direct Impact of subprime related Losses

Subprime-related Writedowns, Losses and Capital Raised of World's Financial Institutions

billions of US\$	2008 1Q		2Q		3Q		4Q		2009 1Q		2Q		3Q		Total (06/4Q~)	
	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital	Loss	Capital
World	229	90	179	202	270	111	397	445	146	253	152	119	41	71	1,703	1,484
Americas	135	63	112	104	205	44	243	267	101	122	103	92	33	16	1,108	776
Europe	82	23	64	84	59	58	149	150	41	112	49	16	8	35	553	597
Japan	8	3	2	3	2	7	2	23	2	13	0	4	0	16	21	74
Other Asia	4	1	2	11	4	2	3	6	2	6	0	8	0	4	21	38

Note: as of December 23, 2009. Includes scheduled capital raising.

Source: Bloomberg

- Direct Impact of subprime problem on Financial Institutions is incomparably small in Asian countries including Japan.

Direct Impact on Financial Institutions in Japan

Holdings of Subprime related financial products

Source: FSA, (Bil. Yen)

	Total	Major Banks	Reginal Banks	Cooperative Financial Institutions
Sep-07	1408	1246	115	47
Dec-07	1519	1388	80	51
Mar-08	1019	933	54	32
Jun-08	958	876	50	32
Sep-08	796	719	46	31
Dec-08	565	496	39	30
Mar-09	450	397	31	22
Jun-09	406	359	28	19
Sep-09	341	306	21	14
Accumulated Loss*	▲ 1046	▲ 958	▲ 53	▲ 35

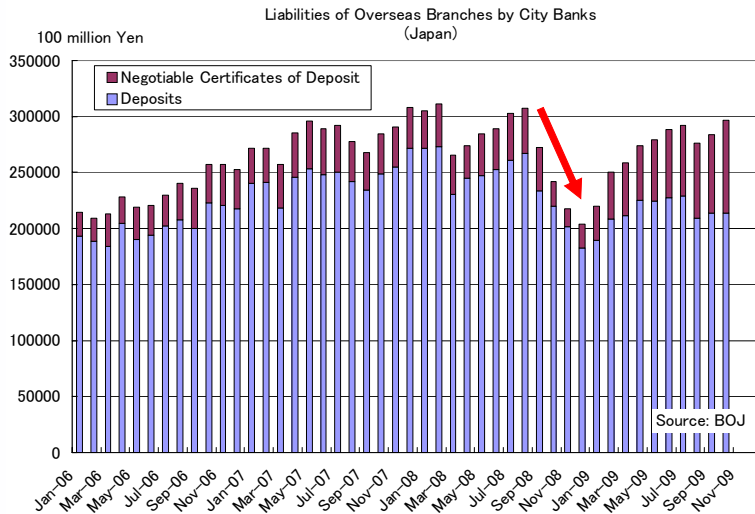
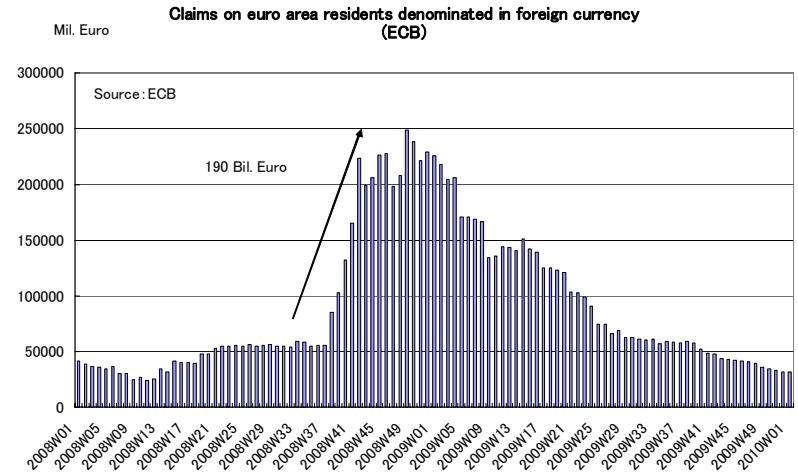
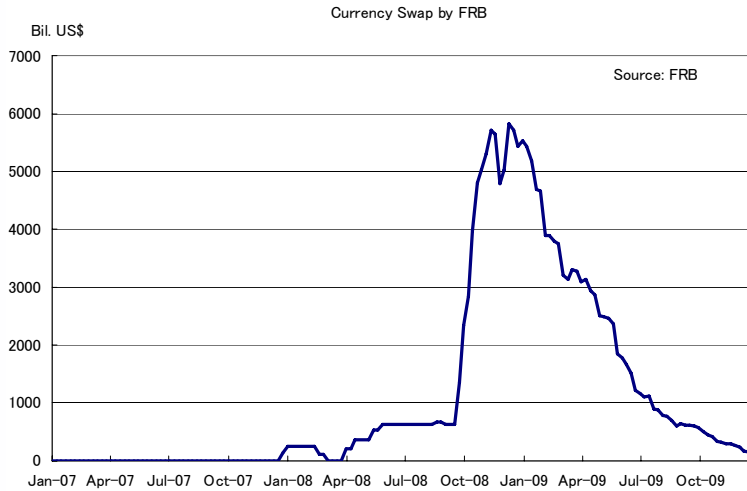
* Since April, 2007

Accumulated Loss(▲) from other financial products, April-2007 through Sep-09

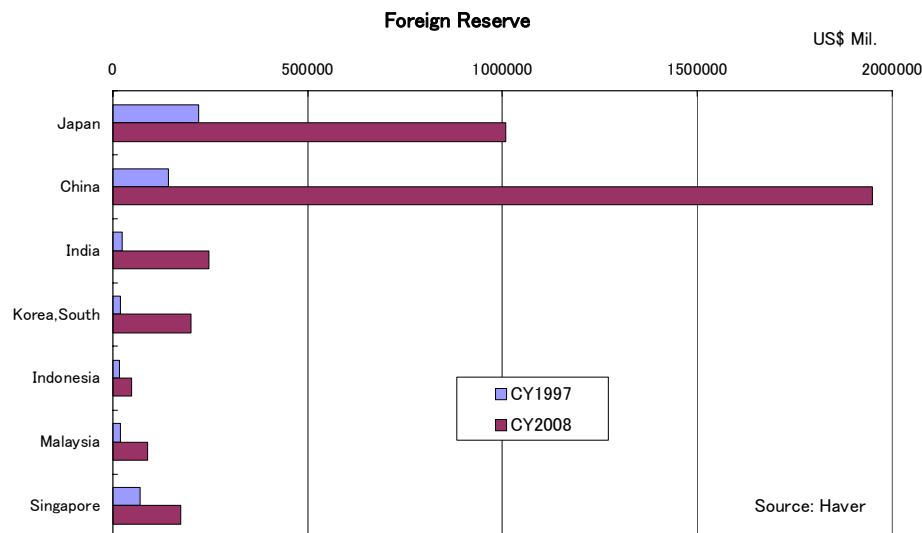
incl. unrepresented loss

CDO, CLO	▲ 1287	▲ 923	▲ 199	▲ 165
RMBS	▲ 307	▲ 354	24	23
CMBS	▲ 109	▲ 104	▲ 7	2
Leveraged Loan	▲ 141	▲ 142	0	1
Total	▲ 1844	▲ 1523	▲ 182	▲ 139

§ Shortage of US Dollar



- 18-Sep-08 FRB enhanced currency swap agreement with ECB (\$110bil.) and Swiss central bank (\$27bil.)
FRB established current swap agreement with Bank of Japan (\$60bil.), Bank of England (\$40bil.) and Ba
- 24-Sep-08 FRB established currency swap agreement with central banks of Australia, Sweden, Denmark and Norway
- 30-Sep-08 FRB enhanced currency swap agreement total to \$620bil.
- 14-Oct-08 FRB abolished the upper limit of current swap with Bank of Japan
- 28-Oct-08 FRB established currency swap agreement with Reserve Bank of New Zealand
- 29-Oct-08 FRB established currency swap agreement with central banks of Brazil, Mexico, Singapore and Korea



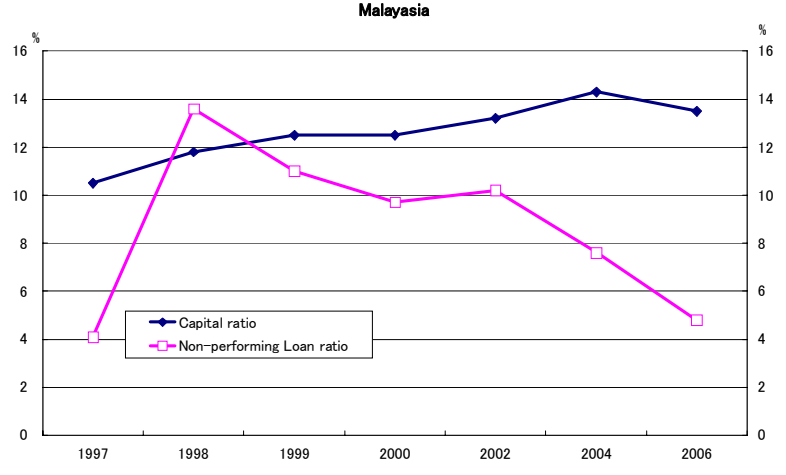
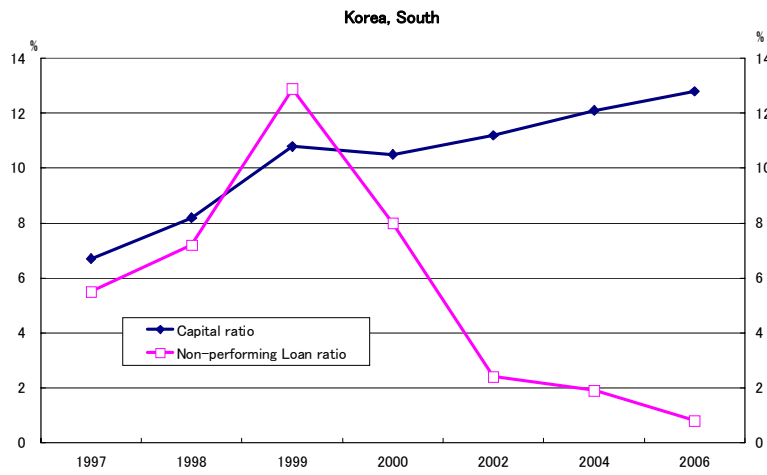
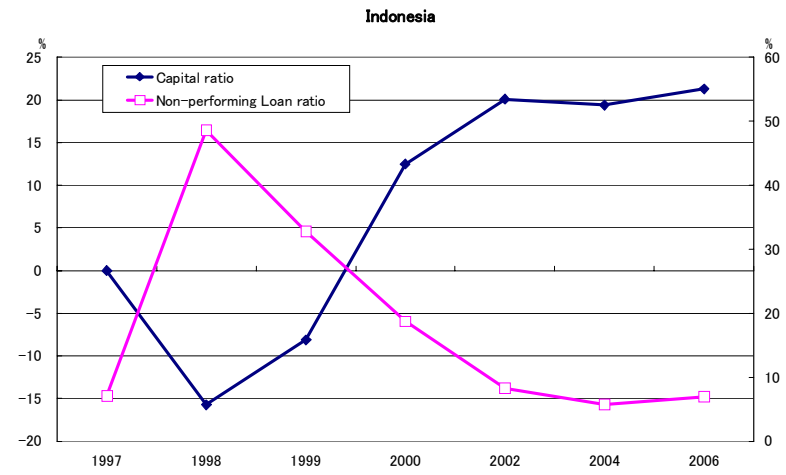
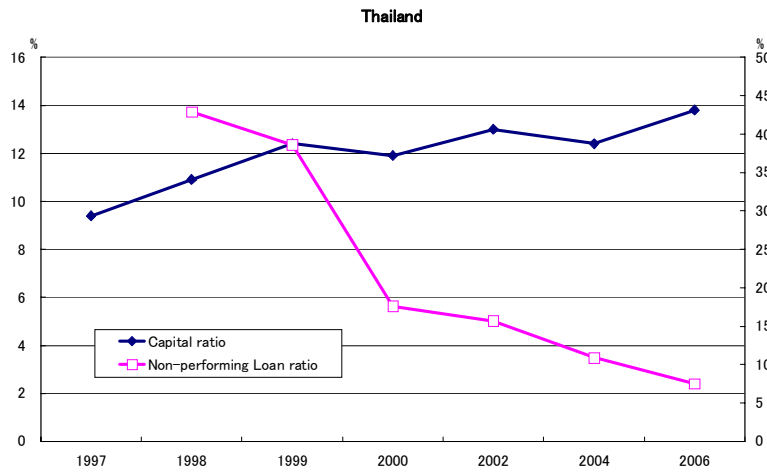
- Recapitalization of Banks

- Consolidation of financial institutions
 - Non-bank finance companies reduced their number: 91 (1996) → 5 (2006)
 - Number of Banks in Indonesia: 237 (1997) → 130 (2007). The Indonesian Banking Restructuring Agency played its roll.

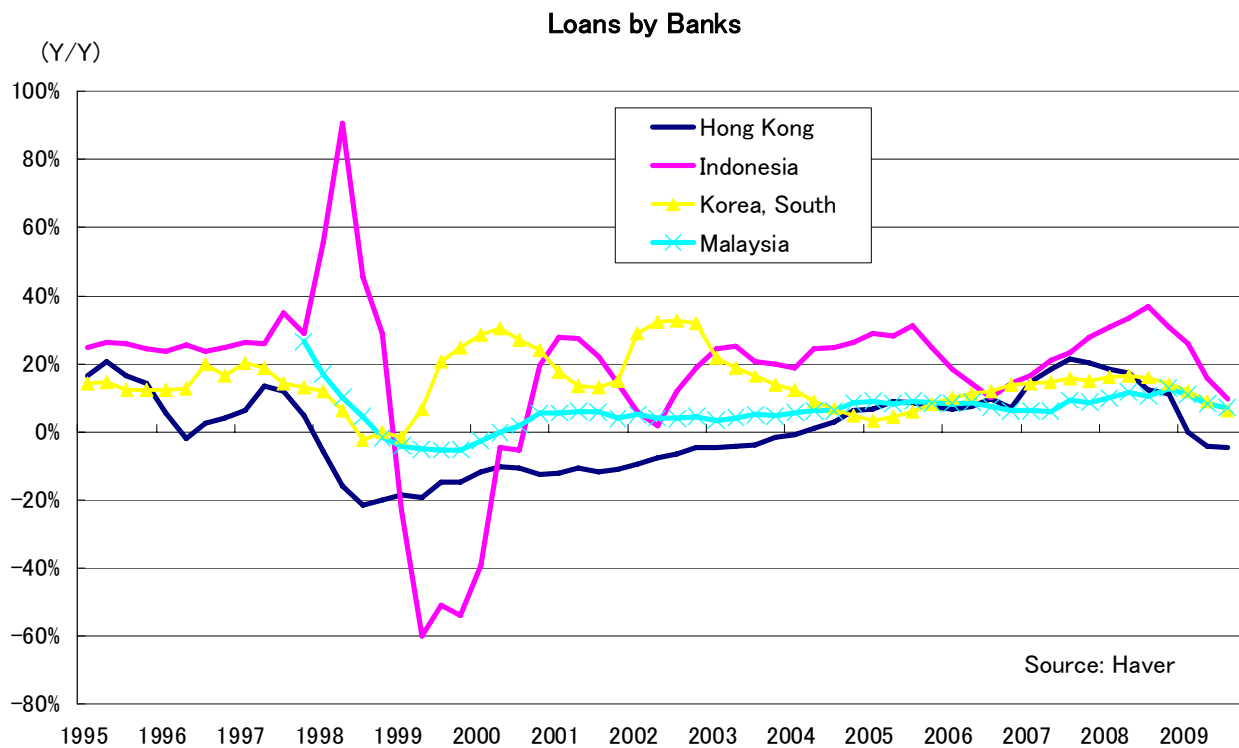
- Introducing more foreign capital and foreign participants into domestic financial sector

- Improvement in supervision
 - Thailand enhanced the authority of the Central Bank but did not establish FSA type government agency. (The Bank of Thailand Act, Financial Institutions Act)

- Enhancement of Insolvency Legislations
 - Introduction or amendment of Bankruptcy Law – Indonesia (1999), Thailand (The Business Rehabilitation Law, 1999)
 - Malaysia Deposit Insurance Corporation (MDIC) and Indonesian Deposit Insurance Institution (DII) were established in September 2005. Deposit Insurance Agency (DIA) in Thailand was established in 2008.

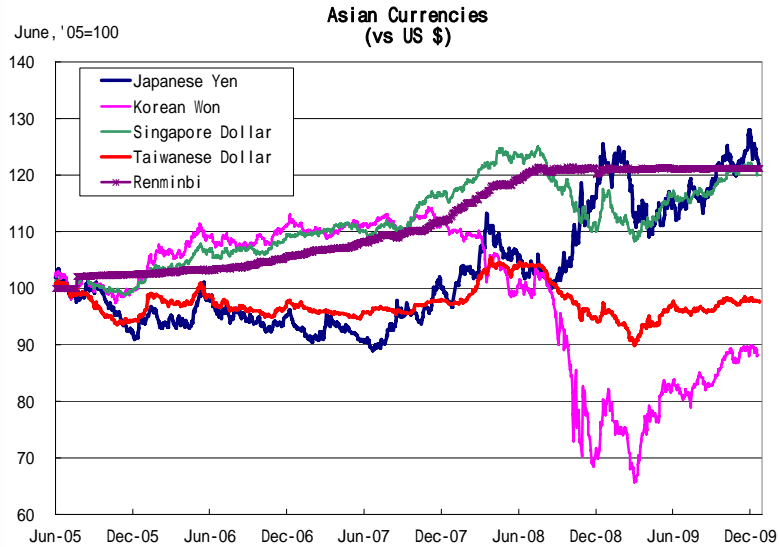


Source: DIR

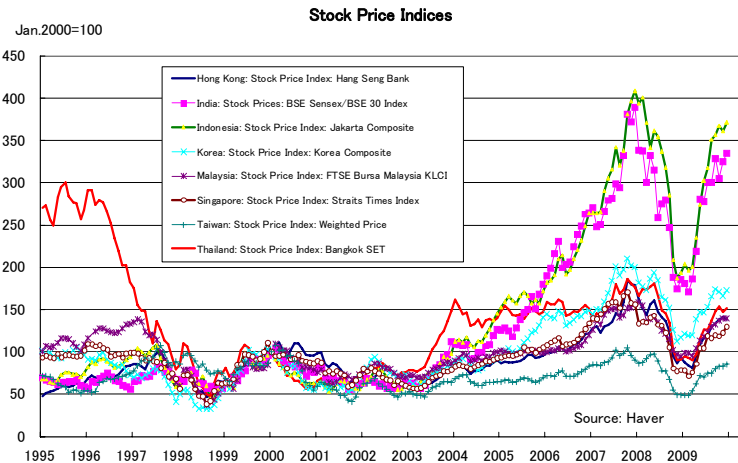


- Bank credit expanded modestly in the post currency crisis period.

§ Impact of the Crisis on Asian Markets

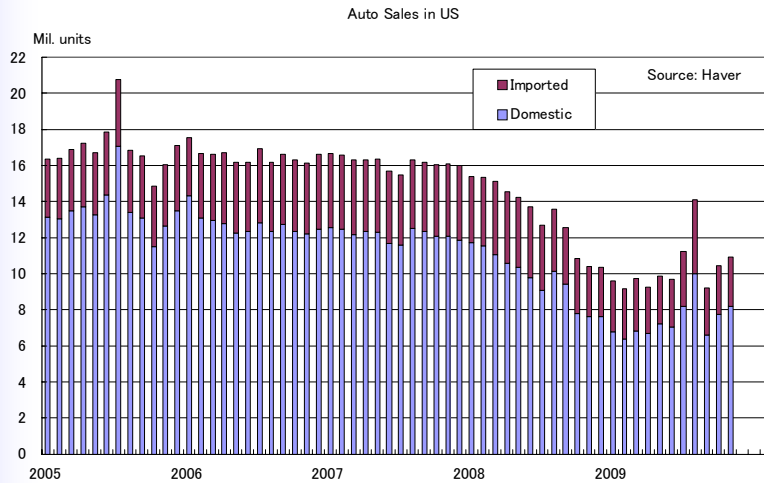


- Financial sectors in Asian countries are “relatively” robust in comparison to U.S. and Europe.
- Exchange rates of Asian currencies have been stable except for Korean Won.
- Asian stock markets were struck by the Lehman Shock but are recovering close to the recent peak of 2007.



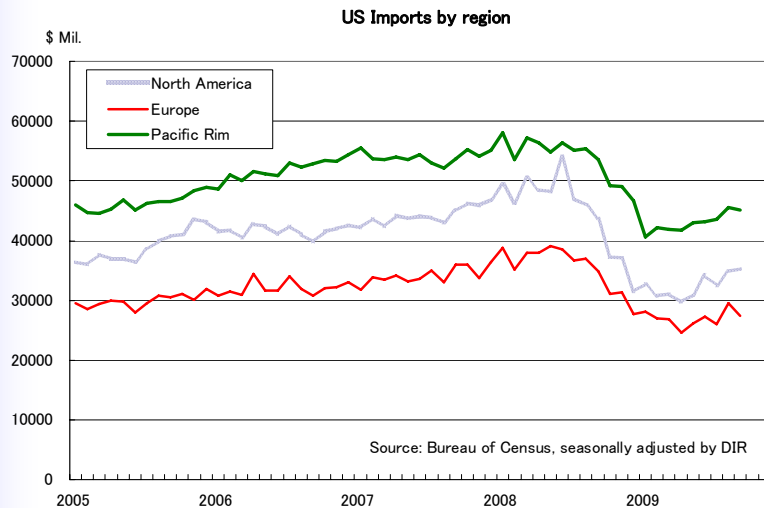
§3 Indirect Impact through Real Economy

-Drastic decrease in demand for autos in U.S.



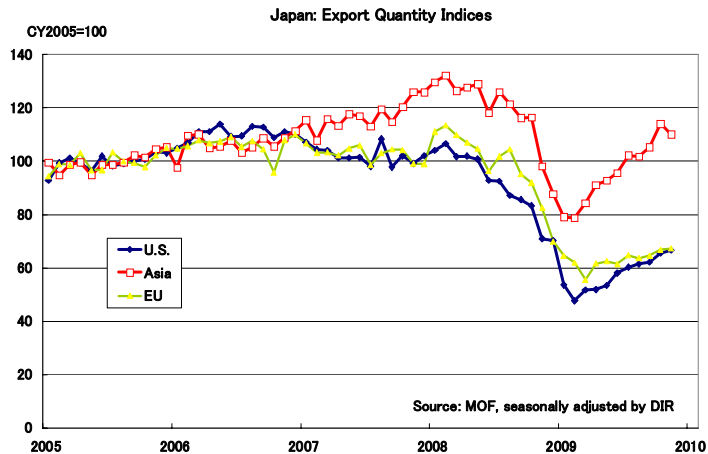
- Total Requirements of auto vehicles is 2.8. 1 unit decrease in auto demand causes 2.8 unit production.
- Induced imports by demand for auto vehicle is 89%. 1 unit decrease in auto demand causes 0.89 unit decrease in imports.

(Source: U.S. I/O Table of 2002, DIR)

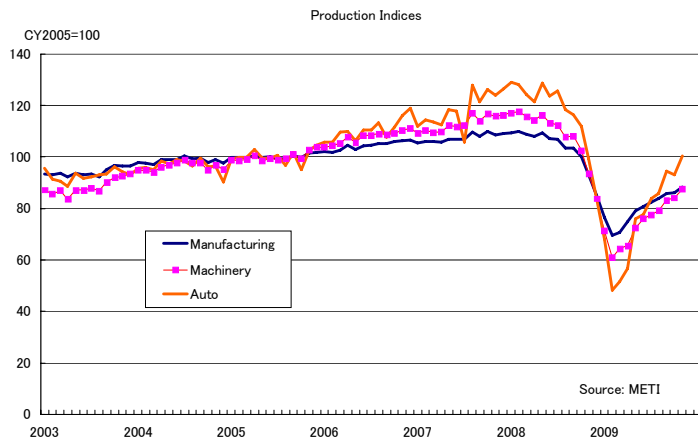


U.S. Imports (custom base)

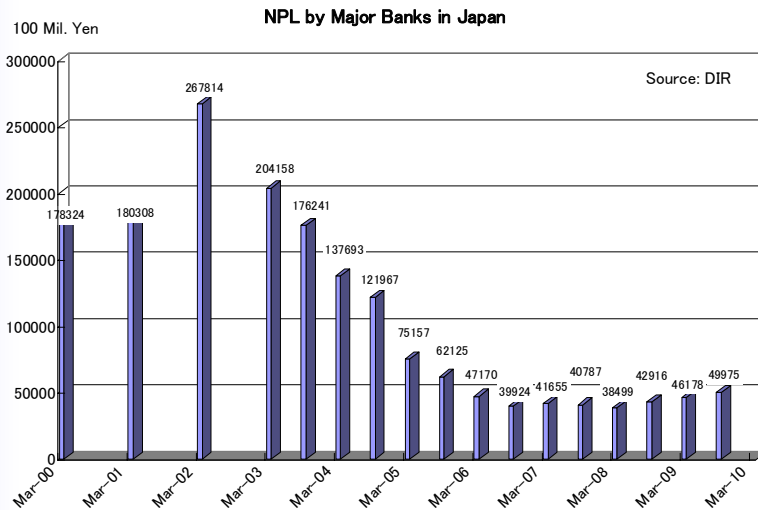
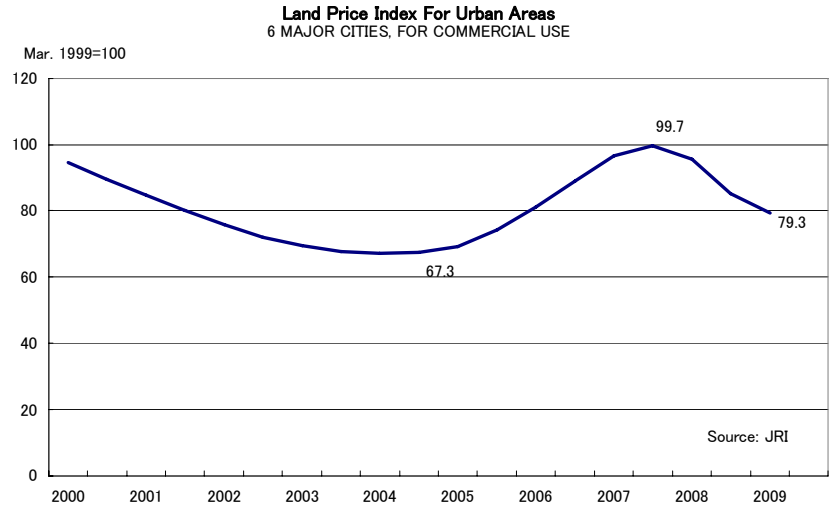
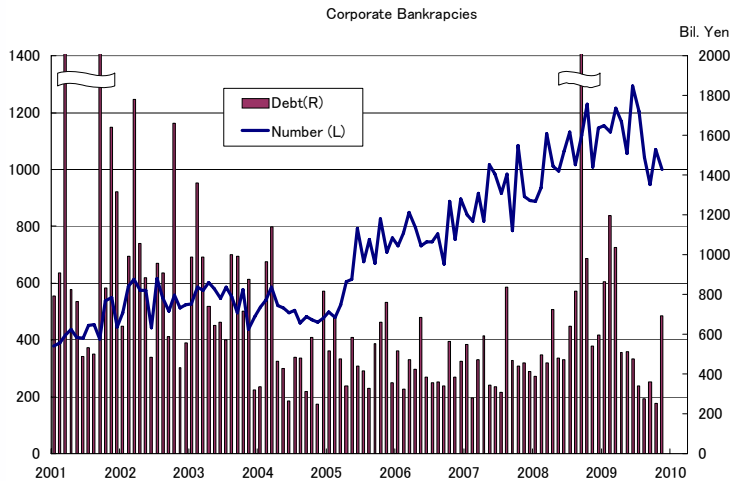
	Pacific Rim (\$ Mil.)	(CHG, Y/Y)	Japan (\$ Mil.)	(CHG, Y/Y)
2008H1	317,377.7	2.9%	73,700.6	2.9%
2008H2	336,564.0	-0.8%	65,561.8	-11.2%
2009H1	242,607.8	-23.6%	42,710.7	-42.0%



- Exports to all regions significantly decreased from the beginning of 2008.
- Decrease in exports led to huge reduction in manufacturing production.
- Exports to U.S. and Europe are recovering modestly. Japan's export oriented industries focus on emerging countries.

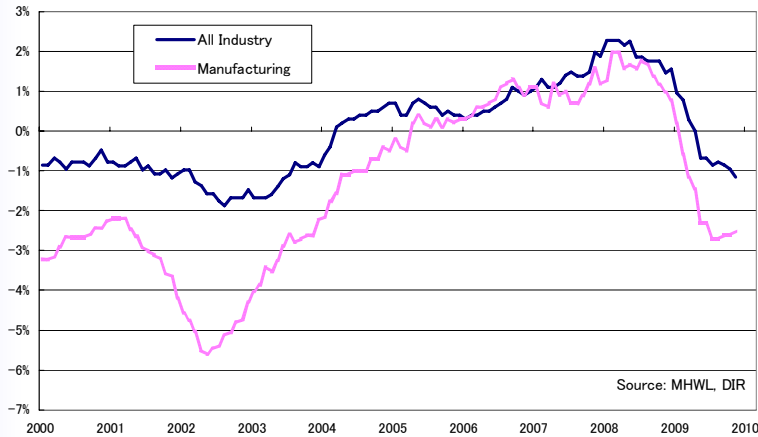


§ NPL in Japan shows only modest increase



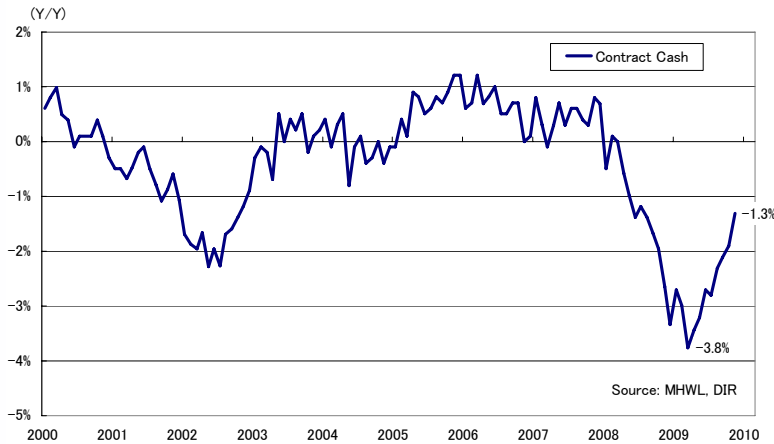
- Despite increase in number of bankruptcies, amount of their debt is not huge.
- Real Estate price appreciation was relatively modest in Japan in the recent business expansion.

Employment Index of Regular Workers



- Reduction in number of workers in manufacturing is being rather modest comparing to the post IT bubble period.
- Wage adjustment is significant.

Nominal Wage Index



- Direct impact of subprime mortgage problem on financial institutions in Asian countries (incl. Japan) is incomparably small compared to western countries.
- Shortage of US dollar caused a liquidity problem to some of Japanese major financial institutions. International corporation of central banks successfully provided liquidity in this emergency.
- Sufficient accumulation of foreign currency reserves among Asian countries prevented 1997 type of currency crisis.
- Financial reform in Asian countries after the 1997 Currency Crisis has introduced more robust financial system in the region.
- Shrink of demand for durable goods, especially autos in U.S. led to drastic decline in manufacturing production in Asian countries.
- Although Japan's economy suffers from huge decrease in exports to U.S. and Europe, the magnitude of its impact on financial market is negligible in comparison to Japan's post-bubble era.