1 June 2016

Essential Asia

National Australia Bank

In this issue

The dollar strikes back

Talking Points

- **The firmer USD environment looked less wobbly in May and consequently, paved the way for a uniform slide in Emerging Market currencies.**
- **Price actions in EM currencies look set to be driven by event and policy risks in DM in coming weeks.**
- **The PBoC has been allowing the RMB to appreciate somewhat, in line with the recovery in the DXY, but with much less volatility.**

Recent Reports

- 26 May 2016 – FX Strategy Trade Idea: Carry carries the day
- 16 May 2016 – Chinese Economic Update
- 10 May 2016 – China in Charts: Juggling growth, lending and the RMB

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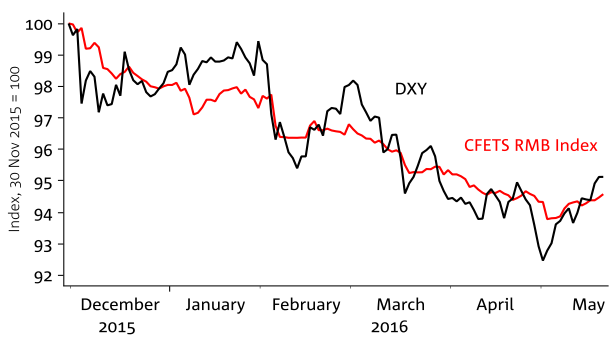
Trade recommendations

Entry Date	Currency pair	Recommendation	Opening level	Target	Stop	Comment
May 26	USD/KRW 6m NDF	Long	1184.65 (spot ref 1181.60)	1280 (spot)	1145 (spot)	Open position
May 26	USD/TWD 6M NDF	Long	32.58 (spot ref 32.56)	33.60 (spot)	32.00 (spot)	Open position
May 26	USD/THB 6M FWD	Long	35.81 (spot ref 35.62)	37.50 (spot	34.80 (spot)	Open position
May 26	USD/SGD 6M FWD	Long	1.3799 (spot ref 1.3768)	1.4400 (spot ref)	1.3500 (spot)	Open position
May 26	MYR/INR 6M NDF	Short	16.88 (spot ref 16.50)	15.20 (spot)	17.20 (spot)	Open position

Chart of the month



Source: NAB, Bloomberg

Policy Rates

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Korea	1.50	1.50	1.75	2.00	2.00
Thailand	1.50	1.50	1.50	1.75	2.00
Malaysia	3.25	3.25	3.50	3.75	3.75
India	6.75	6.50	6.25	6.25	6.25
Indonesia	7.00	7.00	7.00	7.00	6.75
China	4.10	3.85	3.85	3.85	3.60

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Sell in May, but don't go away

- **The firmer USD environment looked less wobbly in May and consequently, paved the way for a uniform slide in Emerging Market currencies.**
- **The South African Rand and the Colombian Peso led the underperformances with nearly 10% and 6.8% depreciation against the USD respectively.**
- **Price actions in EM currencies look set to be driven by event and policy risks in DM in coming weeks.**

The recovery the USD and oil prices look more convincing and sustainable in May. Interestingly, in the G10 FX space, AUD and CAD were the main losers, signifying the falling impact of the oil price's influence. In Asia, the outperformers in April reversed to be the biggest losers vs the USD in May (Chart 1). It does appear that the conviction for a firmer USD overwhelms that of the prospect of further recovery in oil prices.

Based on recent FX positioning survey poll by Reuters for the two weeks ending 12 May, long USD positions were starting to build up against CNY, KRW, SGD, TWD and MYR. Central banks in Asia have kept policy rates unchanged in May, with the exception of the Philippines. The air of caution towards developed markets' monetary policy directions has understandably thickened. After the BoJ's disappointment and the RBA's 25bp rate cut, Fed rate hike expectations have headed in the opposite direction with increased pricing in of a June hike, catalysed by the April FOMC minutes.

Inflation monster in hybernation

The absence of inflationary pressure appears to be a global phenomenon. Arguably, headline consumer prices may be showing signs of recovery, as some supply side pressures are emerging due to drought conditions. However, any signs of consumption demand led recovery in prices are still some way off. The atypical policy decision by the RBA to cut rates when economic activities are recovering was primarily motivated by the disinflationary environment. Six of the G10 economies are experiencing below target inflation rates and in Asia, China, the Philippines, Korea and Thailand have undershot their respective targets as well. Chart 2 shows that most of Asia have lower inflation performances in 2016 relative to recent history.

Interestingly for China, the deflationary trend appears well entrenched in the online shopping department. Keen price competition in the online space has boosted the popularity of online shopping for even the most basic goods as well as services (for example cab rides). The price war and market share grabbing strategies have depressed prices and this phenomenon is expected to persist in the coming year or so.

Is Asia heading towards a policy trap?

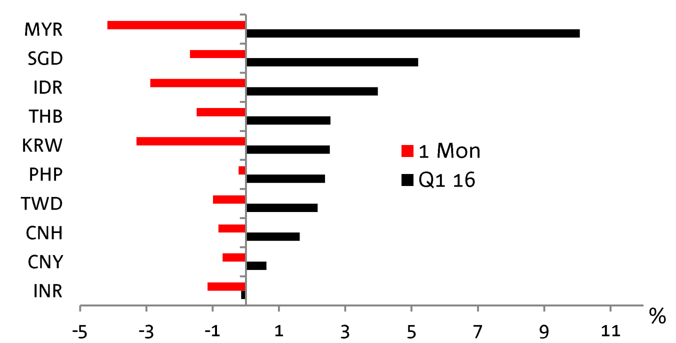
Both growth and inflation profiles are yet encouraging for a hiking cycle in Asia. However, the risk of further growth slippage and deflation is unpalatable, so most regional governments are tilted towards a more accommodative fiscal and monetary policy. A gradual Fed hike cycle may be supportive of such policy stances, but even then, the effectiveness of more monetary easing and fiscal spending are increasingly questionable, as evidenced in Japan and Europe.

No summer love for Asian currencies

Again looking at Chart 2, the central banks with a relatively greater urgency to implement more monetary easing are India, Indonesia, Thailand and Singapore. Thailand and understandably, Singapore, are expected to rely on the currency as a policy tool and support our call for higher USD/SGD and USD/THB to 1.40 and 37.0 by end 2016 respectively.

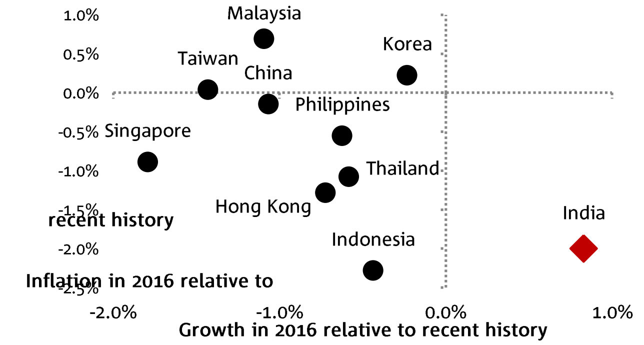
Elsewhere, KRW weakness may be more entrenched going forward, with the firmer USD environment as an instrumental backdrop. A downward growth revision to below 3% may be on the way, as the export sector has registered negative yoy growth for the past sixteen months. The leaning of the state-run National Pension Service toward investing US$ 40bn overseas could also dent the KRW's prospects. A recent biannual systemic risk survey by the Bank of Korea highlighted a few key risks for the financial systems including China's slower economic growth, the rising possibility of default by Korean companies and household debt.

Chart 1: Q1 2016 biggest winners underperformed in April



Source: NAB, Bloomberg

Chart 2: Sub-trend growth and inflation in Asia



Source: NAB, Bloomberg

China Spotlight: Not crazy, just a little unwell

- **April's sharp reduction in new loans and TSF overall, after the glut in Q1, appears to reflect front loading of fiscal and monetary stimulus.**
- **Stimulus is still of a targeted nature and the authorities do not appear to be panicking. However, a relapse to the old stimulus model and/or the formation of a property bubble have to be watched out for.**
- **The PBoC has been allowing the RMB to appreciate somewhat, in line with the recovery in the DXY, but also against a backdrop of a return of demand for outflows.**

Front loading is what it looks like

April's economic data sheds some light on what's going on with the surge in lending in Q1, and it appears that the answer is front loading of economic stimulus. This runs counter to the fears that the authorities were panicking and reverting to the old model of broad, indiscriminate spending or lending.

Beijing's announcement of increased spending on transport infrastructure to the tune of 7% of GDP over 3 years is also in line with a medium term plan for improving connectivity. Investment data continues to point to increased spending on key reform areas and suggests that the authorities are still focused on steering the economy onto a different path.

Money, money, money…

The pullback in new lending in April, following the surge in new RMB loans in Q1 2016, suggests that stimulus spending has been front loaded. Total Social Financing (TSF) growth fell from around 40% yoy for Jan-Mar to 28% for Jan-Apr. New RMB loan growth similarly fell from 29% yoy to 18%. Corporate bond issuance also decelerated from 210% yoy to 160%. The authorities indicated that the deceleration in new RMB loans was partly due to a shift in local government borrowing to the municipal bond market.

There has been some brouhaha about the increase in municipal bond issuance to RMB 1.06tn in April from RMB 0.79tn in March and RMB 0.17tn in February. The modest increase in municipal bond issuance in April does not change the fact of a pullback in lending in April and seems to be little more than a red herring.

Property price acceleration a possible risk

One area that requires some attention though is the property sector. Since the lowering of the deposit ratio for property purchases in early February, the number of the 70 major cities seeing MoM price rises has risen from 38 in January to 62 in March and 65 in April. On a YoY basis, only 46 cities have prices in positive territory and overall prices are still only up 6.2% yoy. However, the pace at which sequential price rises are spreading, the situation could get out of hand if the authorities are not careful.

Follow the money trail

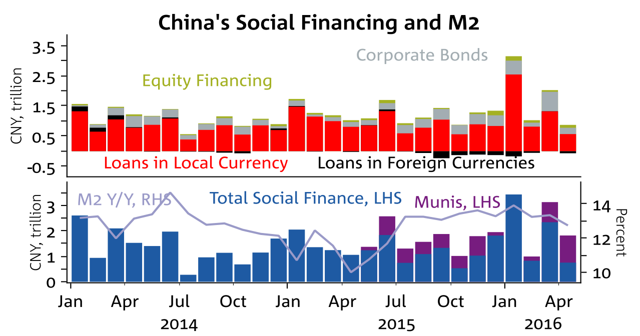
Despite the recovery in property prices, Fixed Asset Investment (FAI) data suggests that the authorities are still gradually trying to redirect lending to where it matters. As a share of total FAI, the real estate sector saw its share fall to 24.9% in April 2016 from 26.4% in March and 25.4% in April 2015. For infrastructure FAI, its share is now 18.2%, compared to 17.9% and 16.9% respectively. The likely increase in transport investment is in turn likely to increase the share of FAI going to infrastructure.

More clarity emerges on the RMB management regime

Since December 2015 when the CFETS released details of the RMB measured as an index of a basket of trade partner currencies, the CFETS RMB Index (CRMBX) has been managed very much in line with the DXY, albeit in a much narrower range. Up till April, the DXY's gradual fall has been fortuitous for the PBoC as it provided cover for a gradual depreciation in the RMB.

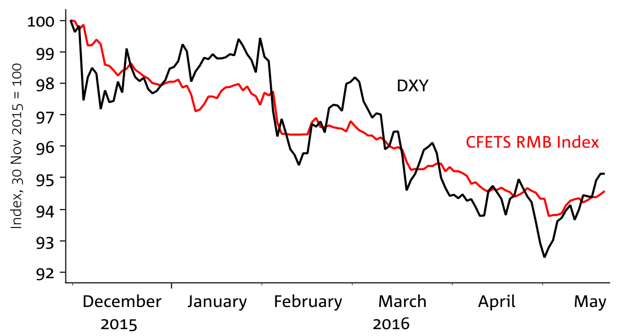
Since then though, the DXY's rebound appears to be matched by the CRMBX so this suggests, for the moment, that the PBoC not averse to letting the RMB appreciate along the USD, albeit with a far smaller degree of volatility. The allowance of RMB appreciation though also coincides with some evidence of a resumption of a demand for outflows. Hints of this come in the form of both a surge in imports from Hong Kong in April, and a resumption of a decline in foreign currency loans in April. Also, the CNH-CNY gap widened in May and suggests that demand for outflows remains quite resilient so it is quite likely that the authorities will tolerate continued appreciation in the broad RMB.

Chart 1: Lending decelerates in April



Source: NAB, Macrobond

Chart 2: RMB Index tails the DXY but at a distance



Source: NAB, Bloomberg, Macrobond

Korea Spotlight: Stepping out is a "lose-won" strategy

- **In addition to the existing negative factors, the KRW gets additional headwinds from outward investments drive by local pension fund.**
- **Weak macro prospects persist as China risks come to the fore from growth as well as potential changes to MSCI index.**

The KRW was the second worst performer in May, having depreciated 4.1% against the USD, just slightly less than the MYR, which fell nearly 5%. The BoK left policy rate unchanged in May, as expected by most in the markets, and the language was cautious and more dovish. May appeared to be a continuation of the mildly bearish view after the parliamentary elections. The additional drag factor domestically was local news report that state-run National Pension Service (NPS) is poised to pour more than $40bn into overseas equities and bonds in the next five years.

National Pension Service's outward drive

According to local media, the National Pension Service (NPS) is taking the "stepping out" strategy to the next level, by raising its allocation to overseas equities by 4% point to 20% by 2020. This will be facilitated by shaving 2% points off domestic equity exposure to 18%, and also cutting domestic bond holdings from 54.8% to 42-44%. Korea's low rate regime and the prospect of further rate cuts have catalysed the move, which will accordingly align the NPS with the government's recent drive to encourage overseas investment. The impact on Korea's financial markets will be quite meaningful and broad-based.

As of February this year, the fund is valued at about KRW 520tn, and more than half are in domestic fixed income. Assuming USD 8bn worth of new overseas equities investments each year, some drawdowns from the fund's KRW 268.6tn (USD 228bn) domestic bond portfolio as well as mirrored actions by local lifers and fund managers, the overall impact on currency movements will be quite prominent and sustainable.

Amongst various possible market impacts, will be an increase in selling activities in government bonds (44.8% of fixed income portfolio), keeping bond yields supported. Korean lifers' are expected to move in the same direction and based on data from Korea Life Assurance Association, Korean lifers' overseas investments amount to 7.3% of total assets, near the peak of 7.5% in 2009 and still some way off from the limit of 30%. The path ahead suggests that capital outflows will be a persistent feature in the next few years and the endorsement by the authorities for NPS and lifers to invest overseas provide an alternative avenue for the KRW to weaken structurally.

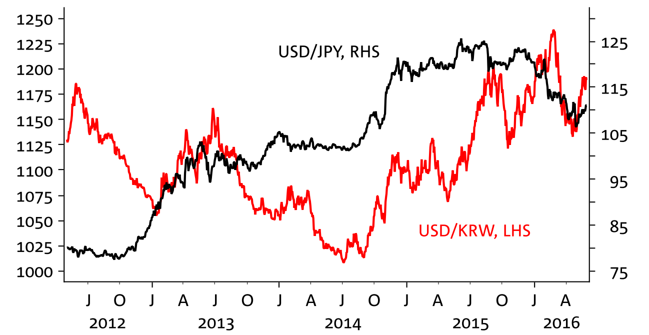
Total Fund	Weight (%)
Domestic Equities	18
Overseas Equities	13.3
Domestic Fixed Income	52.7
Overseas Fixed Income	4.4
Alternatives	11.1
Cash Equivalence	0.2
Others	0.2

China is a risk and a threat

In the meantime, Korea is also preparing for inflow of global funds into Korean assets in the event of an upgrade by MSCI to developed market status from emerging market. The Financial Services Commission (FSC) is trialling a single account, called an omnibus, for foreigners buying and selling Korean equities from 25 May through September. MSCI's annual review of its stock indexes will be released in June. However, there is a risk that the inclusion may not happen this year. Not only that, but there is the added threat that outflows may be triggered instead if China's A-shares are added to MSCI's Emerging markets index, before Korea gets developed markets status.

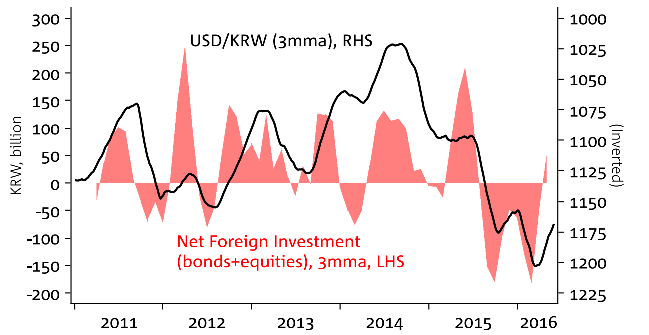
The economy has been facing repeated growth downgrades, the latest being top state-run think tank Korea Development Institute (KDI), which shaved its 2016 GDP projection to 2.6% from 3%, citing a continued slump in exports and sluggish demand at home and abroad. This was the most pessimistic outlook yet offered by a local institute. The BoK is predicting 2.8% in its latest quarterly revision released last month, while the International Monetary Fund forecast a 2.7 percent expansion. On the back of these growth pessimism is China's growth risks and a recent BoK survey of 78 financial experts including some based abroad revealed that 73% of respondents say China slowdown is a key systemic risk to Korea's financial systems.

Chart 1: KRW gaining competitiveness against the JPY



Source: NAB, Bloomberg, Macrobond

Chart 2: Korea's portfolio flows impact the currency



Source: NAB, Macrobond

India Spotlight: Better signals for reforms and Rajan

- **Investment continues to flag somewhat although consumer sentiment remains strong. Further easing is still possible but later in the year.**
- **Reform momentum has picked up with the new bankruptcy law but more will be needed to have a market impact.**
- **A recent sell off in INR bonds has seen the USD/INR rise somewhat but the RBI is likely to start selling the pair around 68.**

The flagging momentum with reforms and the weakening investment sentiment has of late seen India seen some of the lustre gained after the election of Narendra Modi as Prime Minister. Some recent policy developments though might slowly revive the optimism in the Indian economy.

The recent successful passage of the new bankruptcy law recently is a bit of a surprise, coming against the backdrop of the failure to push through legislation to introduce a Goods and Services Tax (GST).

In addition to the benefits that the revisions to the bankruptcy law brings, its passage seems to have been aided by cooperation with the central bank. This cooperation might suggest that the recent talk about the Reserve Bank of India (RBI) governor Raghuram Rajan possibly not getting a second term, is a little exaggerated.

The market seems to be focused on the lack of rate cuts in the near term and bond outflows seem to have been a significant factor in pushing the USD/INR higher. However, the RBI might be lurking not too far away.

Momentum continues to ebb

Monthly data continues to point to economic activity slowing somewhat, especially with investment. Capital goods production continues to slow quite sharply, falling 15% yoy in March. The RBI's Industrial Outlook Survey also reflects this weakness, although the index still remains in expansionary territory. This is also mirrored in the Markit PMI, which indicates weakening sentiment, albeit still in expansionary territory.

Consumption sentiment though is somewhat more resilient. Consumer durables production remains much stronger, growing close to 9% yoy in March but even this has slowed from the almost 17% yoy in December 2015.

It's quite likely that the stabilisation of both CPI inflation and the INR over 2014 and 2015 have contributed to the resilience of the consumer. Inflation recently crept back up and April 2016 saw inflation jump from 4.8% to 5.4%. This in turn has seen the market start to price out the likelihood of another rate cut in the near term. NAB's economist John Sharma has been projecting the second rate cut this year to come no sooner than September and that is looking to be on the mark.

Signs of life in reforms

The Modi government's failure to push the GST bill through the legislature had deflated the earlier business confidence in the government's ability to reform the economy. However, late May's surprise passage of the new consolidated Insolvency and Bankruptcy Code could go towards reviving some of that confidence. India is currently ranked 136th for "resolving insolvency" by the World Bank, behind China at 55th and Indonesia at 77th.

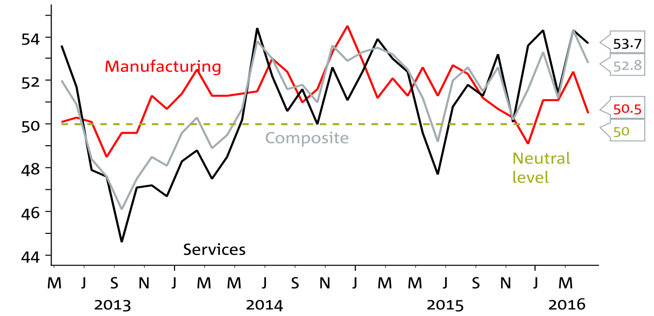
According to the RBI, distressed loans accounts for around 11% of bank assets but other estimates place it as high as 20%. The new bankruptcy code could retire at least 12 pieces of outdated legislation, in addition to streamlining the entire bankruptcy resolution process.

Rajan removal rumors might now subside

One other important repercussion is that it implies that the threat of the government not re-appointing RBI Governor Raghuram Rajan for a second term, is probably overblown. The bankruptcy law seems to have been passed so smoothly in part because of actions by the RBI to increase the penalties for holding onto distressed assets, thus incentivizing banks to pressure legislators to push through these reforms. The level of successful cooperation would suggest that relations with the government are better than some are making them out to be.

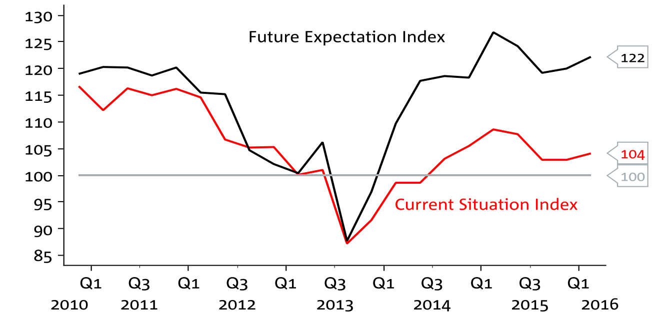
Rajan, whose current term ends on 3 September 2016, has been credited with taming inflation and stabilizing the INR. An influential member of the ruling Bharatiya Janata Party in the Upper House recently called for the removal of Rajan, claiming that he had sufficient support within the BJP to block Rajan's re-appointment.

Chart 1: PMI indicates sentiment still strong



Source: NAB, Macrobond

Chart 2: Consumer sentiment still quite resilient



Source: NAB, Macrobond

Singapore Spotlight: Staying calm and watching the Fed

- **Q1 final GDP growth came in in line with the advance estimate but the sector breakdown indicates a continuation of the slowdown through much of 2016.**
- **MAS' easing of lending conditions for motor vehicles might be getting more comfortable with leverage levels and similar moves in the property sector might follow in a few months.**
- **With key risk events on the horizon, MAS is likely to remain cautious with regards to monetary policy decisions.**

Q1 GDP came in pretty much in line with the advance estimate, rising 1.8% yoy and 0.2% qoq saar. The sequential sectoral breakdown though suggests that growth looks like it's biased lower in the near term at least. Q1 2016's QoQ growth was largely bolstered by sectors like manufacturing that are structurally on the downtrend in Singapore, while key sunrise industries are flagging at the moment.

The Monetary Authority of Singapore (MAS) eased the lending restrictions on motor vehicles. These had been tightened in 2013 and MAS said that easing demand leading to a moderation in the price of Certificates of Entitlement (COEs) had given them sufficient comfort to ease lending. While the link might be somewhat tenuous, there might be some speculation that the property sector is next in line for a little help.

The outlook for next few months is likely to be for a stronger USD on the back of improving US growth and the pricing in of a gradual increase in US interest rates.

Q1 growth supported by the wrong sectors

Manufacturing rose 23.3% qoq saar while services fell 6% qoq saar, led by wholesale & retail trade falling 10.3% qoq saar and finance falling 15.2% qoq saar. Finance did rise a very strong 34% qoq saar in Q4 so Q1 could have simply been some degree of payback, but there are risks that this could be stretched out given the general ambivalence towards EM Asia assets and the tightening of regulatory requirements in Singapore in particular. Manufacturing on the other hand has been very volatile and might not be entirely a reliable sector, even with the relatively more supportive currency policy by the MAS post-April.

The one area of robustness is construction, rising 6% and 10.9% qoq saar in Q4 2015 and Q1 2016 respectively, spurred on by fairly robust government spending that began in Q3 2015. The weakness in finance might also be an ill portent for financial inflows and in turn also for the SGD.

Easing vehicle financing rules might not be a precursor

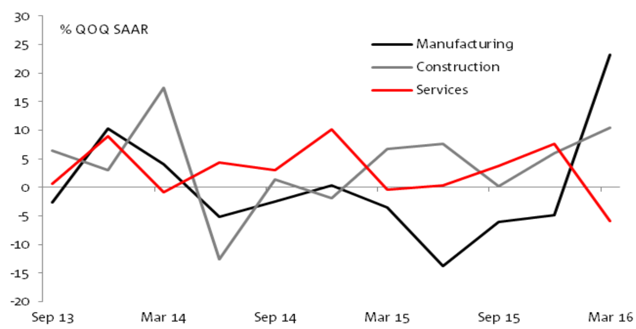
MAS cited the fall in the inflation contribution of Private Road Transport (PRT) to CPI inflation as the main reason for its easing of lending restrictions first introduced in 2013. Essentially, the authorities lowered the loan-to-value (LTV) by 10bps and also increased the maximum loan tenure from 5 to 7 years. This will inevitably spark some speculation that lending restrictions in the housing market are next in line. However, this expectation might be a bit premature at this juncture.

From November 2013 to April 2016, the PRT component fell 11.3% but the Accommodation component has only fallen 5.7%. Admittedly, this is just a rough gauge but the authorities are, if anything, likely to be a lot more cautious when it comes to the risk of a reflating of the bubble conditions. The authorities are also rather leery of the risks of debt servicing stress when the local banks start pricing in an upward (albeit gradual) trajectory in US rates into domestic loan rates. The authorities will likely want to wait for the next few US Fed hikes to be digested by the markets before considering easing lending conditions in the domestic housing sector.

SGD policy likely to remain unchanged for some time

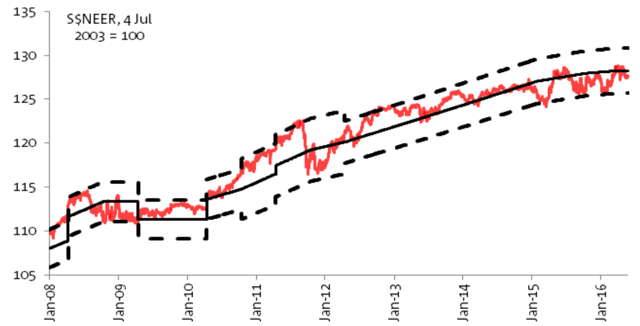
MAS most recently (after the final GDP release) reaffirmed that they felt that the monetary policy stance remains appropriate. Despite the weakness in the Q1 GDP number, MAS will probably try not to rock the boat through the rest of 2016 with the US Fed likely to hike once or twice before the end of the year. At the moment, with fiscal policy already in expansionary mode, the MAS probably has some breathing room.

Chart 1: Fall in vacancies worries authorities



Source: NAB, CEIC

Chart 2: S$NEER hovers slightly below mid-point



Source: NAB, Bloomberg

Selected Indicators

Table 1: NAB Asian FX Forecasts

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
USD/CNY	6.55	6.60	6.65	6.60	6.55	6.55	6.50	6.50
USD/IDR	13500	13600	13700	13700	13600	13500	13300	13200
USD/INR	67.5	67.0	67.0	66.0	65.0	64.0	63.0	62.0
USD/KRW	1175	1190	1220	1200	1200	1180	1150	1100
USD/MYR	4.30	4.35	4.40	4.40	4.40	4.38	4.35	4.30
USD/PHP	46.8	47.0	47.2	47.0	46.6	46.2	46.0	46.0
USD/SGD	1.38	1.39	1.40	1.39	1.38	1.38	1.37	1.37
USD/THB	36.0	36.5	37.0	37.0	37.5	37.5	37.5	37.0
USD/TWD	33.0	33.2	33.5	33.5	33.2	33.0	32.7	32.5

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
AUD/CNY	4.78	4.69	4.59	4.55	4.45	4.39	4.42	4.49
AUD/IDR	9855	9656	9453	9453	9248	9045	9044	9108
AUD/INR	49.3	47.6	46.2	45.5	44.2	42.9	42.8	42.8
AUD/KRW	858	845	842	828	816	791	782	759
AUD/MYR	3.14	3.09	3.04	3.04	2.99	2.93	2.96	2.97
AUD/PHP	34.2	33.4	32.6	32.4	31.7	31.0	31.3	31.7
AUD/SGD	1.01	0.99	0.97	0.96	0.94	0.92	0.93	0.94
AUD/THB	26.28	25.92	25.53	25.53	25.50	25.13	25.50	25.53
AUD/TWD	24.09	23.57	23.12	23.12	22.58	22.11	22.24	22.43

Table 2: NAB Key FX Forecasts

		Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Australian Dollar	AUD/USD	0.73	0.71	0.69	0.69	0.68	0.67	0.68	0.69
New Zealand Dollar	NZD/USD	0.67	0.65	0.63	0.62	0.62	0.62	0.64	0.65
Japanese yen	USD/JPY	109	110	111	111	112	113	112	112
Euro	EUR/USD	1.14	1.12	1.11	1.10	1.10	1.10	1.10	1.12
British Pound	GBP/USD	1.46	1.45	1.45	1.44	1.44	1.44	1.45	1.45
Swiss Franc	USD/CHF	0.97	0.99	1.02	1.04	1.04	1.04	1.05	1.03
Canadian Dollar	USD/CAD	1.34	1.39	1.45	1.44	1.44	1.45	1.45	1.44
Chinese New Yuan	USD/CNY	6.55	6.60	6.65	6.60	6.55	6.55	6.50	6.50

Table 3: NAB Asia Macro Forecasts

Average annual growth in GDP (%)	2013	2014	2015	2016	2017
Hong Kong	3.1	2.5	2.5	2.6	2.6
Indonesia	5.6	5.0	4.8	4.5	4.5
Singapore	4.4	2.9	2.2	2.9	2.9
Taiwan	2.2	3.9	0.9	0.5	0.5
Thailand	2.7	0.8	2.8	3.8	3.8
Malaysia	4.7	6.0	6.1	4.3	4.3
S Korea	2.9	3.3	2.6	2.9	2.9
Philippines	7.1	6.1	5.8	5.7	5.7
Total	**4.2**	**4.1**	**3.6**	**3.5**	**3.5**
China	7.7	7.3	6.9	6.7	6.5
India	6.4	7.1	7.5	7.6	7.4

Table 4: NAB Key Macro Forecasts

Country/region	2011	2012	2013	2014	2015	2016	2017
United States	1.6	2.2	1.5	2.4	2.4	2.2	2.3
Japan	-0.4	1.7	1.6	-0.1	0.6	1.1	0.9
Euro-zone	1.7	-0.8	-0.2	0.9	1.4	1.7	1.9
United Kingdom	2.0	1.2	2.2	2.9	2.2	2.2	2.2
Emerging Asia	4.4	4.6	4.2	4.1	3.6	3.6	3.8
Latin America	4.9	2.5	2.6	0.9	-0.4	-0.3	1.2
China	9.3	7.8	7.7	7.3	6.9	6.7	6.5
Canada	3.0	1.9	2.0	2.5	1.2	1.7	2.0
Australia	2.7	3.5	2.0	2.6	2.3	2.7	3.0
New Zealand	1.8	2.4	2.3	3.3	2.2	1.8	2.0
India	7.9	4.9	6.4	7.1	7.5	7.6	7.4
Africa	5.4	4.4	5.2	5.0	3.5	4.0	4.0
Eastern Europe	5.4	1.4	2.9	2.8	3.0	2.9	2.6
Middle East	3.9	4.8	2.4	2.8	2.5	2.5	2.5
Other advanced	3.3	2.0	2.2	2.8	2.3	2.4	2.6
World	**4.39**	**3.38**	**3.27**	**3.32**	**2.92**	**3.02**	**3.27**

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