



THOMSON REUTERS

INSEAD

JAPAN/CHINA/INDIA/AUSTRALIA/KOREA/TAIWAN/SINGAPORE/MALAYSIA/INDONESIA/THAILAND/PHILIPPINES

- Shipping sees a gain in confidence
- Indonesia is the most positive
- Thailand remains in the doldrums

Thomson Reuters/INSEAD Asia Business Sentiment Survey

Asia Business Sentiment Index rises for the third consecutive quarter

By Miyoung Kim

Asia's top companies have become more optimistic about their business outlook with the retail and shipping industries rebounding sharply in the second quarter of 2013, the latest Thomson Reuters/INSEAD Asia Business Sentiment Survey shows.

The Thomson Reuters/INSEAD Asia Business Sentiment Index <RACSI> climbed six points to 71 in June, its highest level in five quarters and the third consecutive quarterly rise. A reading above 50 indicates a generally positive outlook.

Global economic uncertainty remains the biggest business risk across most countries and sectors. But 44 percent of the 91 companies that participated in the poll are now positive about their outlook, up from 30 percent in the prior quarter.

Corporate sentiment in China, the world's second-largest economy, remained unchanged at its record low of 50 for two consecutive quarters as companies worried about rising costs and global economic uncertainty.

"If you go back a year ago, there is a lot of concern about the global economy - a hard landing in China, a collapse in Europe, and a double dip in the U.S. Some of those fears are still around, but they have certainly faded over the course of last year," said Shane Oliver, chief economist at AMP Capital Investors.

"So whilst companies in Asia still worry about China, it's about whether the growth is 7.5 percent or 7.8. Some of the more extreme fears that were seen a year ago continue to fade, showing a gradual pick-up in company optimism."

INDONESIA, JAPAN, AUSTRALIA, SOUTH KOREA GAIN

Corporate sentiment in Japan showed solid improvement with the index rising to the highest level in three years as aggressive monetary stimulus has started to revive its economy.

Of the 19 Japanese respondents, which included Daiichi Sankyo Co Ltd, Toshiba Corp, Hitachi Ltd and Sharp Corp, five were positive

on their outlook and 14 were neutral. In the previous survey, only one out of 22 participants was positive.

Australia and Indonesia saw big improvements in their outlook and were among the most optimistic economies in Asia.

Australia continued to improve in the second quarter, driving the country's sentiment index to its highest level since the first quarter 2012, although more participants were worried about the global economy.

"From a general point of view, it has a lot to do with the currency, interest rates going down, and the offshore news has been better," said Stephen Walters, chief economist at JP Morgan in Sydney.

"Of the three the currency is probably the main one. When the currency was over parity, it was quite painful for a lot of firms. So it follows when the currency is below parity they will feel a little bit less under pressure."

On the downside, business sentiment in India fell to its weakest level in more than three years, weighed down by worries about rising costs, while Thailand's sentiment index dropped to an all-time low of 42 from 60.

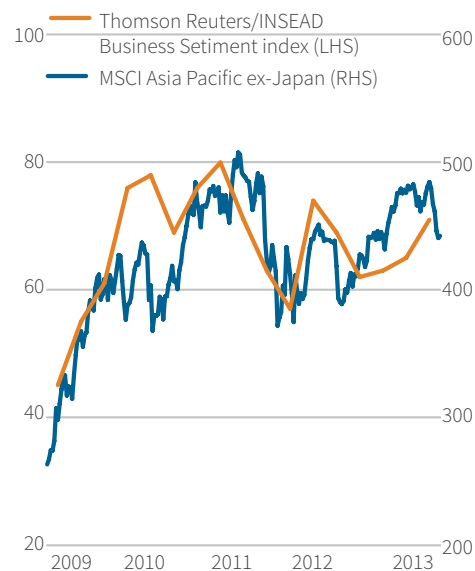
SHIPPING, PROPERTY, TECH UPBEAT

Broken down by sector, most industries showed steady growth, with property turning in its highest reading in more than two years. Sentiment in food, drugs and the resources industries fell.

Sentiment among shipping firms turned sharply upbeat, helping the sector register the best showing since the first quarter of 2012.

"Perhaps optimism is creeping back simply because we're tired of being pessimistic," said Tim Huxley, chief executive of Wah Kwong Maritime Transport Holdings Ltd in Hong Kong.

"Seriously, we are seeing a degree of optimism as there is a belief that the industry is working through its self-inflicted over-supply issues and that there might be some balance in



2014. It could prove to be a false dawn if there is too much ordering of new ships though."

Huxley said there was hope for an improvement in bulk-carrier rates in the fourth quarter with iron ore restocking. He also said crude oil tankers have been able to maintain rate gains with owners resisting charter demands for lower prices.

Retail sentiment climbed the most after shipping to 69 from 50, while the technology industry's recovery gained momentum, climbing to its highest level in more than a year.

Confidence among food and beverage companies fell to 75 from the previous survey's record high of 88, as currency volatility and rising costs posed risks.

Additional reporting by Maggie Lu Yueyang in SYDNEY and Ranjit Gangadharan in MUMBAI.

REUTERS INSIDER





A man uses binoculars as he monitors stock movements in Shenyang. **REUTERS PHOTO/Stringer**

Highlights

BY ECONOMY

AUSTRALIA: KEEPS IMPROVING (75 VS 63)

Business confidence among companies in Australia continued to improve in the second quarter, driving the country's sentiment index to its highest level since the first quarter of 2012, although more participants were worried about the global economy.

Of the 14 respondents, seven companies were positive while the other seven were neutral about the business outlook. In the previous quarter when there were eight respondents, two were positive and six were neutral.

CHINA: STILL AT ALL-TIME LOW (UNCHANGED AT 50)

Corporate sentiment in China remained subdued after a drop in March, as companies worried about global economic uncertainty and rising costs. All 11 respondents were neutral on their business outlook with the index flat at a record low of 50.

Five companies said the world economy was their biggest concern, three blamed rising costs and one cited regulatory uncertainty. Three said they saw increased orders while seven said new orders remained the same.

INDIA: WEAKEST IN 3-1/2 YRS (63 VS 80)

Worries about rising costs continued to weigh on business sentiment in India, pulling the index down to the lowest level since December 2009.

Of four respondents, two were positive, one neutral and one negative, the first time a company reported a negative response since the December 2011 survey. Three companies said rising prices were the biggest challenge, while one cited other risks.

JAPAN: JUMPS TO 3-YR HIGH (63 VS 50)

Business sentiment in Japan jumped to the highest level in three years, although companies were still worried about the global economic uncertain environment, volatile currency fluctuations and rising costs.

Of the 19 respondents five were positive on the outlook and 14 were neutral. In the previous survey, only one out of 22 participants was positive.

S.KOREA: SIGNIFICANTLY IMPROVED (64 VS 50)

Business confidence among companies in South Korea significantly improved in the June quarter, climbing to the highest since the second quarter of 2011. Of seven respondents, including Hyundai Heavy Industries Co Ltd, five were neutral about their outlook and two were positive. It was the first time companies reported positive responses in a year.

TAIWAN: PULLS BACK FROM 1-YR HIGH (67 VS 88)

Taiwan's corporate sentiment index pulled back from a one-year high in the last quarter, as global

economic uncertainties weighed. Only one out of three respondents was positive in their outlook, compared with three positive responses out of four in the previous survey. The other two were neutral.

All three participants saw economic uncertainty as the biggest risk. Only one company reported increased orders, while two said sales remained the same.

Acer Inc and Yuanta Financial Holdings Co were among those taking part in the survey.

S.E. ASIA: MIXED

Business confidence in Southeast Asia was mixed in the second quarter, with Indonesian companies unanimously turning positive and Thailand's sentiment index dropping to an all-time low.

INDONESIA (100 VS 75)

Indonesia, the region's biggest economy, improved significantly in business confidence as all nine respondents were positive on their outlook, up from three in the previous quarter.

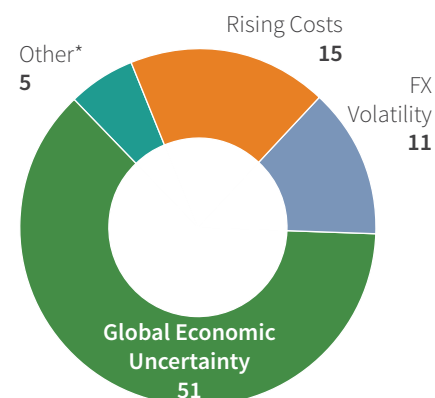
THAILAND (42 VS 60)

Of six companies in Thailand, five were neutral and one was negative, compared with one out of five respondents with a positive outlook in the previous three months.

SINGAPORE (83 VS 61)

Singapore's confidence improved from the previous reading of 61, with four still concerned about the global economy.

Biggest perceived risks to business outlook



Reuters; 82 respondents

*Includes policy changes, regulations and infrastructure etc.

FINANCIALS: GATHERING MOMENTUM (INDEX AT 78 VS 70 IN Q1)

The upbeat mood among financial companies gained strength, driving the index to its highest level since the first quarter of 2011 when it stood at 83. Nine participants reported a positive outlook, while seven were neutral.

Most said the global economy was the biggest risk. Taiwan's Yuanta Financial Holdings Co Ltd and Malaysia's AmBank participated in the survey.

PROPERTY: BEST AMONG ALL SECTORS (INDEX AT 83 VS 75 IN Q1)

The index for property companies rose to its highest since the fourth quarter of 2010, with seven of the eight respondents saying they saw an increase in orders. Six companies said uncertain economic conditions posed the biggest risk to their outlook. Vista Land & Lifescapes Inc of the Philippines were among the participants.



An employee walks on top of an oil tank at a Sinopec refinery **REUTERS PHOTO/Stringer**

Highlights

BY SECTOR

TECH: OPTIMISM IMPROVES (INDEX AT 75 VS 67 IN Q1)

More technology companies were upbeat about their businesses even as global economic uncertainties, rising costs and foreign exchange volatility were their major concerns. Eight participants were positive on the outlook while the remaining eight were neutral.

Respondents included Japan's Hitachi Ltd, SoftBank Corp and Toshiba Corp, Taiwan's Acer and Globe Telecom Inc of the Philippines.

SHIPPING: STEAMS AHEAD (80 VS 50)

Sentiment among shipping companies turned sharply upbeat, helping the sector register its best showing since the first quarter of 2012.

AUTOS: BUMPY ROAD (56 VS 50)

The coast is not clear yet for automakers to hit the accelerator. While two participants were positive, six were neutral and one was negative, indicating ongoing risks from economic uncertainty and currency swings. In the earlier survey, all nine participants were neutral.

FOOD: COOLS FROM RECORD HIGH (75 VS 88)

Confidence among food and beverages companies came off the previous survey's

record high as currency volatility and rising costs posed risks.

But the outlook still looked firmly upbeat with two respondents reporting an increase in orders while an equal number said they remained the same as in the previous quarter. Japan's Asahi Breweries and Kirin Brewery were among those polled.

DRUGS: LOWEST SINCE Q1 2011 (60 VS 63)

Currency volatility and rising costs weighed down the outlook for drugmakers. Four respondents were neutral, one was positive and there were none with a negative outlook.

While two companies reported an increase in orders, three said they remained at the same level. Japan's Takeda Pharmaceutical Co Ltd, Daiichi Sankyo Co Ltd and Indonesia's Kalbe Farma took part in the survey.

RESOURCES: RISING COSTS TAKE TOLL (66 VS 73)

The outlook for resource companies was dented by global economic concerns, rising costs and volatile currencies. While six participants were upbeat about their prospects, nine were neutral and one negative. Eleven respondents

said employment levels were the same as the previous quarter, three said employment had fallen while two said they had added jobs.

Indonesia's Bumi Resources, Asia's biggest thermal coal exporter, and Australia's Oil Search Ltd were among the respondents.

RETAIL: REBOUNDS SHARPLY (69 VS 50)

The index for retail companies climbed the most after shipping as three participants reported a positive outlook, compared with none in the previous survey. Five were neutral and no one was negative.

Rising costs and the economy were the prime concerns for the respondents, which included Japan's Fast Retailing Co Ltd and Taiwan's President Chain Store Corp.

BUILDING: GOING STEADY (UNCHANGED AT 50)

All four companies polled reported a neutral outlook, with new orders or sales at the same level as in the previous survey.

While two companies cited uncertain economic conditions as their biggest worry, two said there were other risks.



A businessman rides an escalator in Tokyo **REUTERS PHOTO/Torun Hanai**



A man walks on a street in Tokyo in February 2013 **REUTERS PHOTO/ Yuya Shino**

FOR MORE INFORMATION, CONTACT:

EDITOR: MATT DRISKILL

matthew.driskill@thomsonreuters.com

PUBLISHING: CATHERINE TREVETHAN

catherine.trevethan@thomsonreuters.com

COVER PHOTO: A worker walks among containers, waterfront Tokyo

REUTERS PHOTO/ Issei Kato

© Thomson Reuters 2013. All rights reserved. Reproduction or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks and trademarks of Thomson Reuters and its affiliated companies.

Links

Previous polls



Sept 2012



Dec 2012



Mar 2013



THOMSON REUTERS

INSEAD

The Business School
for the World®