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# REUTERS ASIA CORPORATE SENTIMENT SURVEY

DEC 2010

China and India are optimistic, but caution prevails in corporate Japan.  
Australian firms show positive bias

DECEMBER 2010



REUTERS

# REUTERS ASIA CORPORATE SENTIMENT HIGHER IN Q4

By **TIM KELLY AND KEVIN LIM**  
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**B**USINESS SENTIMENT at Asia's leading companies rebounded in the fourth quarter as corporations shrugged off concern that the debt crisis unfolding on Europe's fringes will hobble global growth.

The Reuters Asia Corporate Sentiment Index rose to 77 in the quarter from 69 in the third quarter, the second highest reading since Reuters began collecting data in June 2009.

"There's sloshes of liquidity going around. People feel rich, companies see people are still spending and that overrides some of the headwinds such as the problems in Europe," said Song Seng Wun, a Singapore-based regional economist at CIMB, Malaysia's second largest bank.

The index remained well above the 50 mark that separates positive from negative outlooks, with sentiment especially strong in the resources, financial and property industries that have benefited from robust growth within Asia and strong inflows of cash into the region.

Sentiment in the technology sector, more exposed to the global economic cycle, however remained the most cautious.



A labourer smiles as he finishes his shift of unloading coal at a power plant in Shenyang, Liaoning province November 4, 2010. REUTERS/Sheng Li

Japanese corporates were **the most wary** about the outlook for their business, while fast-growing China and India remained among the most upbeat.

Sentiment in Australia and Southeast Asia was mostly positive with strong growth within Asia calming fears of a fresh global recession as Europe buttresses its decade-old common currency with emergency loans to Ireland.

**RESOURCES CONFIDENT**

Five of eight companies polled were positive about the six-month outlook, two very positive, and one negative about the business outlook. Robust demand from China continues to underpin demand in the sector.

**FINANCIALS UPBEAT**

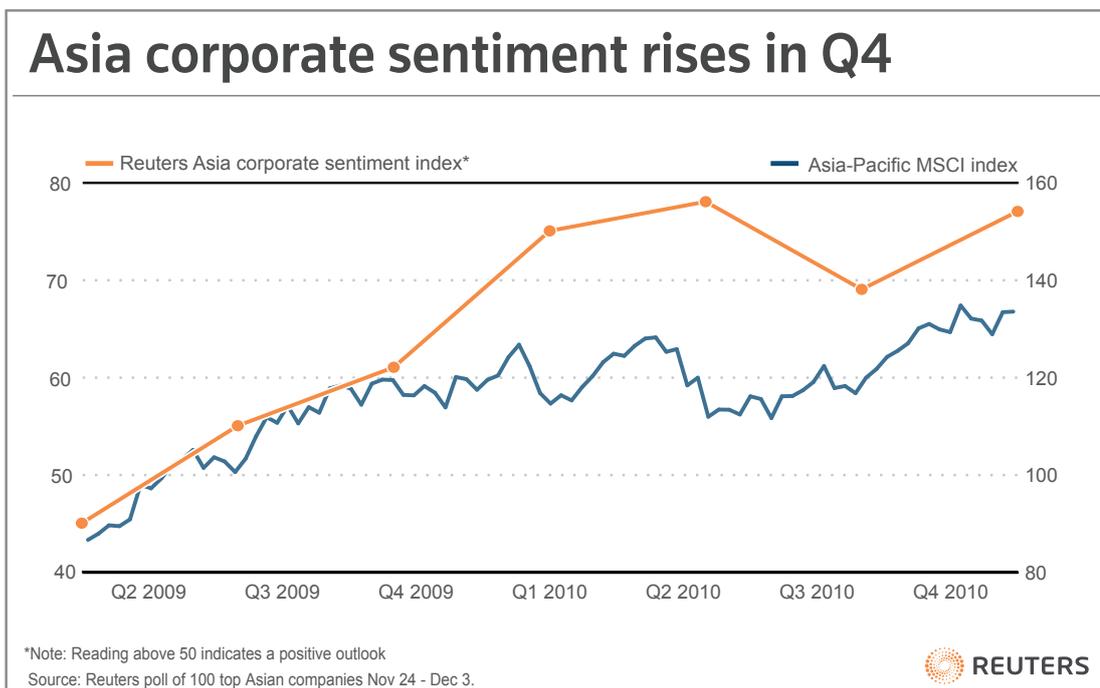
Just over half of the 13 financial firms polled were positive about the business outlook, while four firms were neutral and one was negative. Most of the positive responses came from China, India and Southeast Asia, where economic growth has been strong.

**PROPERTY HAPPY**

Three of the firms in the sector were positive, one was very positive and one was neutral. Analysts say the sector still offers value although growth in the property market should slow next year.

**TECH CAUTIOUS**

More than half of the 16 firms in the poll said they were neutral about the 6-month outlook, 5 were positive, while 1 company, from Japan, was negative.



The Reuters Asia Corporate Sentiment Index was compiled from a survey of top company executives between Nov. 24 and Dec. 3. Reuters polled 100 major firms in the following industries: airlines, autos, building, drugs, financial, food, property, resources, retail, shipping and technology.

Of the 71 companies in the survey, 36 viewed the six-month outlook for their business as 'positive', 10 percent more of respondents than in September, with six 'very positive' and 25 firms 'neutral'. Only four held a 'negative' outlook.

CIMB's Song said the risks for Asian businesses remain. "There's a degree of over-exuberance which some companies may regret in 2011," he said.

Analysts say one example of this is a proposal by China to spend up to \$1.5 trillion over five years to transition its emerging economy into a technology leader.

China's economic expansion continues in the meantime at only a slightly diminished pace, rising by 9.6 percent in the quarter to Sept. 30.

Chinese firms in the survey remained sanguine about the six-month business outlook, with six of the eight companies positive or very positive.

In Australia more than half of the 11 firms polled were upbeat. But the majority of those in the financial sector said they were neutral, which may reflect worries about slow loan growth and plans to tighten bank regulation.

**RESOURCES, PROPERTY CHEERFUL**

Resource companies, that fill their holds with coal, steel and other fuel and metals, including Coal India, the



A labourer directs a crane to lift pipes at a steel market in Taiyuan, Shanxi province September 29, 2010. Reuters/Stringer

world's largest coal miner, remained one of the most upbeat sectors in Asia for a second quarter running. For these companies, the story is mostly about China and its thirst for commodities such as coal and iron ore.

The prospects for the Chinese economy also helped boost sentiment in the property sector despite efforts by the Chinese government to cool the housing market

Developers are, so far, brushing off the risk of tighter lending as they look for new opportunities in second tier Chinese metropolises, says Suan Teck Kin, a China economist at United Overseas Bank.

"The tightening measures are there but there is also the perception that the government won't let the property

**INDIA CHEERS**

Six of the eight respondents were positive about the outlook, while two were very positive. India has been hit by a spate of corruption scandals in recent months, but this does not appear to have hurt sentiment in the fast-growing economy.

**CHINA STRONG**

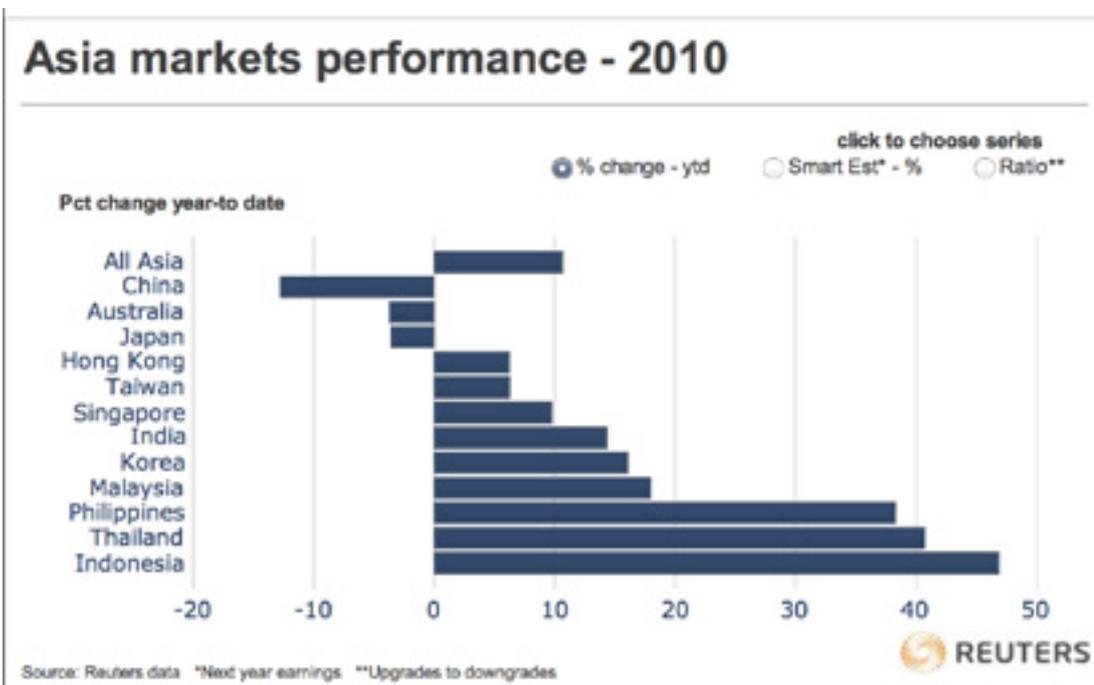
Five Chinese firms were positive about the business outlook, while one was very positive and two were neutral. China's economy remains strong despite efforts to cool growth.

**AUSTRALIA UPBEAT**

Six of the 11 firms polled were positive, one was very positive, while four were neutral. Three of the neutral responses came from the financial sector, which may reflect concerns about plans to tighten bank regulation.

**JAPAN WARY**

More than half of the 23 firms surveyed were neutral about the six-month outlook. Five were positive and three - a financial firm, a tech company and a drug maker - were negative. Strength in the Japanese yen and slowing exports have hurt sentiment.



Source: Reuters data. \*Next year earnings \*\*Upgrades to downgrades  
Reuters graphic /Catherine Trevethan 07/12/10

market collapse either," said Suan.

This is keeping property developers, such as CapitaLand, Southeast Asia's biggest property developer, optimistic, analysts said.

Elsewhere, sentiment among airlines and automakers such as Japan's Mitsubishi Motors Corp, which participated in the poll, was generally upbeat.

One sector that saw a shift towards a slightly more positive stance was retail.

Sentiment for retailers regionwide including Japan's two biggest store operators, Seven & I Holdings and Aeon Co Ltd improved from the last quarter, with none feeling negative about their businesses for the coming six months.

Aeon's Chief Executive Motoya Okada in October revealed a plan to double operating profit through Asia expansion and predicted the retail market in Asia over the next 10 years would rival that of the United States.

#### INDIA SMILES, JAPAN FROWNS

As in China, strength in the domestic economy continued to underpin upbeat sentiment among Indian firms in the poll, which included outsourcing firm Infosys and State Bank of India, India's largest lender.

Six of eight Indian firms in the poll were positive, with two very positive despite a **spate of corruption scandals** that have shaken the business community.

In its most recent quarter India's gross domestic product jumped by a better-than-expected 8.9 percent and the government is expected to upwardly revise its growth forecast for the financial year that ends in March 2011.

Elsewhere in Asia, concerns that economic growth was stalling and that a European debt crisis may bite undermined sentiment in Japan and South Korea.

In Japan and South Korea, factory output in October shrank. Japanese companies **cut production** by the



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biggest margin since February 2009, while their South Korean rivals produced less for a third straight month.

Companies in Japan, home to many of the tech sector's biggest firms, were the most cautious in the region.

More than half the corporations surveyed were neutral in their outlook and three were negative.

The mood among Japan's manufacturers tumbled in December and their optimism is seen vanishing in three months, a Reuters poll on Tuesday showed.

"The yen has appreciated too far and there's much weaker external demand. The other problem is deflation and corporations don't like to expand their business in such an environment," said Naoki Kamiyama, chief equity strategist at Deutsche Securities in Tokyo.

The caution in Japan was reflected in the technology sector, where poll participants included Japan's printer and camera maker Canon Inc, chipmaker Toshiba Corp and Taiwan's leading PC vendor Acer Inc.

Among the 16 companies that responded to the poll, 10 adopted a neutral stance. (Additional reporting by Reuters reporters in Asia; Editing by Dhara Ranasinghe and Jean Yoon)

#### KOREA MIXED

Of the four companies that participated, two were positive about the six-month business outlook, one was neutral and one was negative. Since June, corporate sentiment in South Korea has steadily turned more cautious as worries about the global economy and tensions with North Korean take a toll.

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#### FOR COMMENTS AND QUERIES:

Jean Yoon  
 Editor, Asia Company News  
[jean.yoon@thomsonreuters.com](mailto:jean.yoon@thomsonreuters.com)

Dhara Ranasinghe  
 Senior Sub-Editor, Asia company news  
[dhara.ranasinghe@thomsonreuters.com](mailto:dhara.ranasinghe@thomsonreuters.com)

COVER PHOTO: Shoppers walk past a billboard for fashion label Gucci in central Beijing December 7, 2010. REUTERS/David Gray

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