

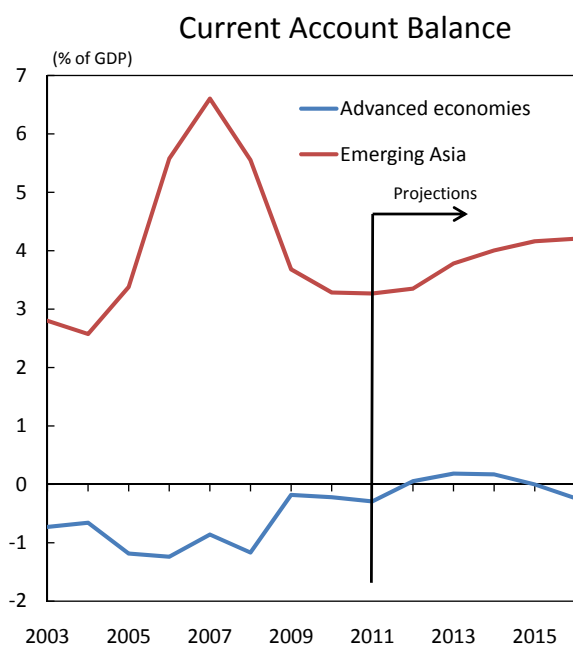
Asian Markets at the Crossroads



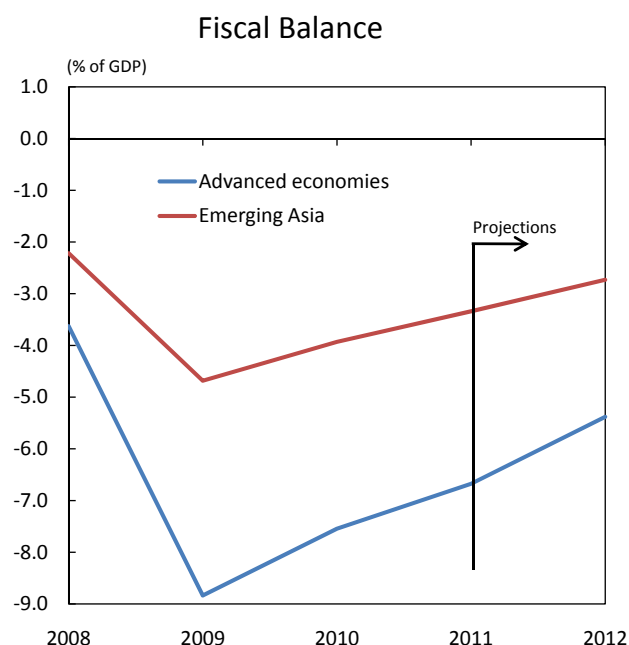
Kiyohiko G. Nishimura
Deputy Governor
Bank of Japan

(Chart 1)

Asia's Resilience: Current Account Balance and Fiscal Balance



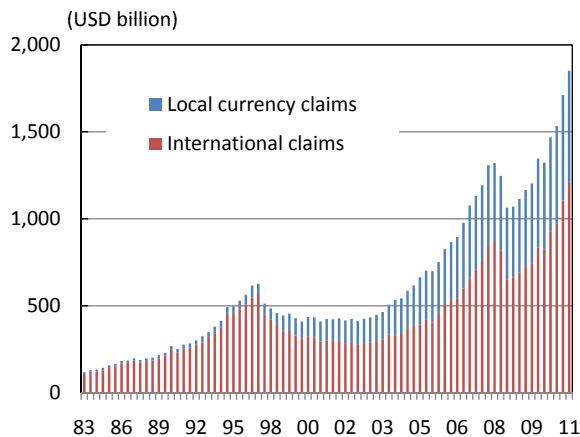
(Note) Advanced economies is the weighted average of 34 countries.
Emerging Asia is the weighted average of 27 countries.
(Source) IMF World Economic Outlook Database, September 2011



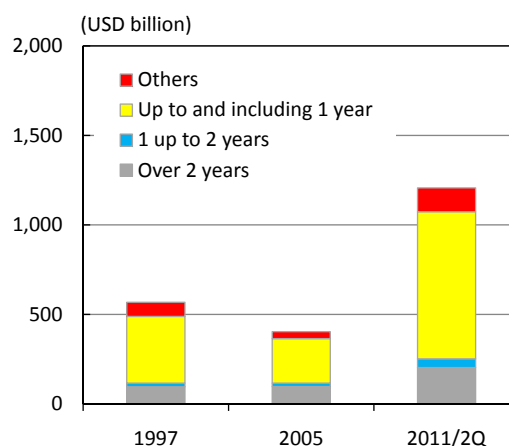
(Note) Advanced economies is the weighted average of 30 countries.
Emerging Asia is the weighted average of 7 countries.
(Source) IMF Fiscal Monitor Database, September 2011

Asia's Vulnerabilities: Double Mismatch

International Claims and Local Currency Claims on Local Residents



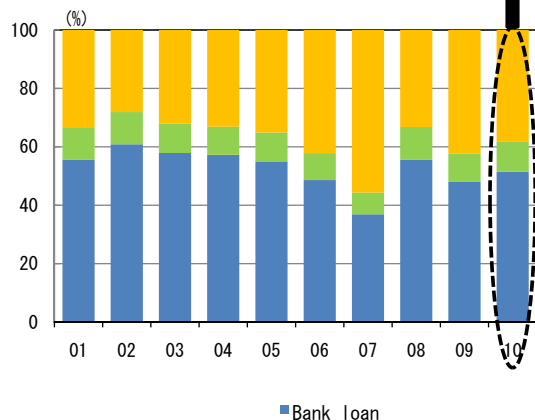
International Claims by Maturity



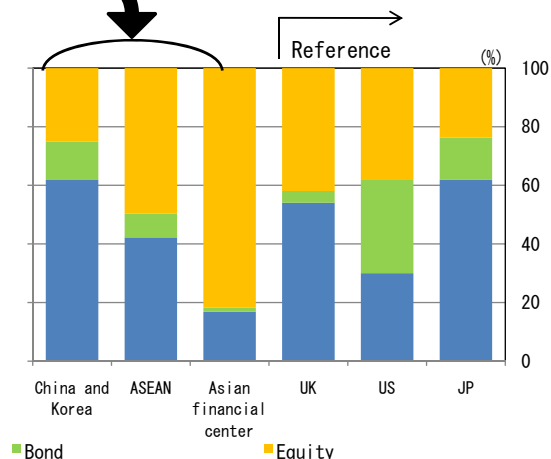
(Note) Local currency claims are the local currency denominated claims held by local branches/subsidiaries of foreign banks on residents. International claims are the claims (denominated mainly in foreign currencies) held by foreign banks on residents and the foreign currency denominated claims held by local branches/subsidiaries of foreign banks on residents. All figures are the aggregate of ASEAN countries, China, and Korea. (Source) BIS Consolidated Banking Statistics

Asia's Vulnerabilities: Underdeveloped Bond Market

Asia (ex. Japan)



Asian Countries and Region



(Note) Asia is the aggregate of China, Hong Kong, Korea, Indonesia, Singapore, Malaysia, the Philippines, and Thailand. Bank loan is the loans by domestic banks. Bond is the local currency bonds issued by local residents. Equity is the market capitalization. ASEAN is the aggregate of Indonesia, Malaysia, the Philippines, and Thailand. Asian financial center is the aggregate of Hong Kong and Singapore. (Source) IMF; BIS; WFE

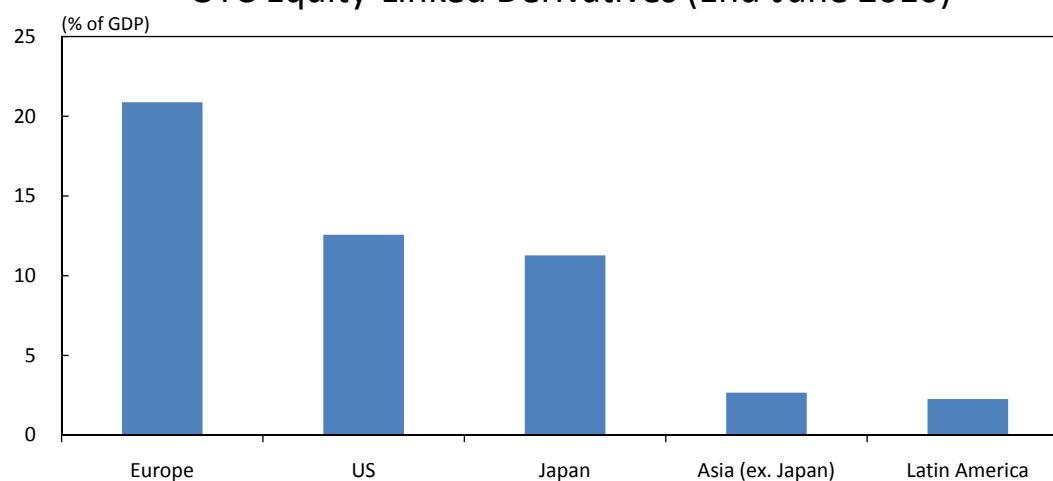
Asia's Vulnerabilities: Underdeveloped Securitization Market

	Asia (ex. Japan)	Japan
% Change in Newly Issued Amount from 2006 to 2011		
Corporate Bonds	376.4%	25.0%
Securitized Products	-10.7%	9.5%
Securitized Products / Corporate Bonds (Newly Issued Amount in 2011)	3.5%	28.7%

(Source) Dealogic DCM Analytics

Asia's Vulnerabilities: Underdeveloped Derivatives Market

Notional Amounts Outstanding of
OTC Equity-Linked Derivatives (End-June 2010)

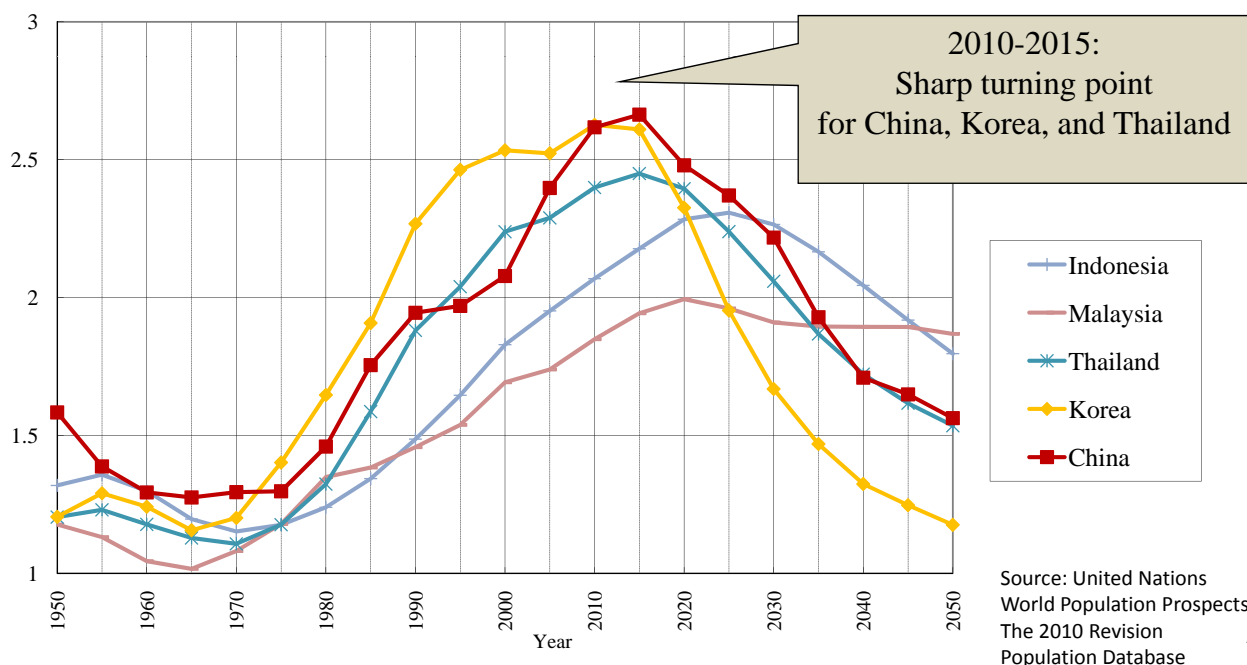


(Note) 2009 GDP data is used for Cuba and North Korea. GDP data of Estonia, Bolivia, Colombia, Guatemala, Suriname, Cambodia, Fiji, Laos, Maldives, Myanmar, Nepal, and Papua New Guinea are estimates. GDP data of Latin America do not include the Falkland Islands (Islas Malvinas).

(Source) BIS Triennial Central Bank Survey 2010; Bloomberg; IMF World Economic Outlook Database, September 2011; United Nations

Population Dividends: Some Will See a Sharp Turn

Inverse Dependency Ratio: Ratio of Working-Age Population to the Rest = How many people of working age have to provide for one dependent person?

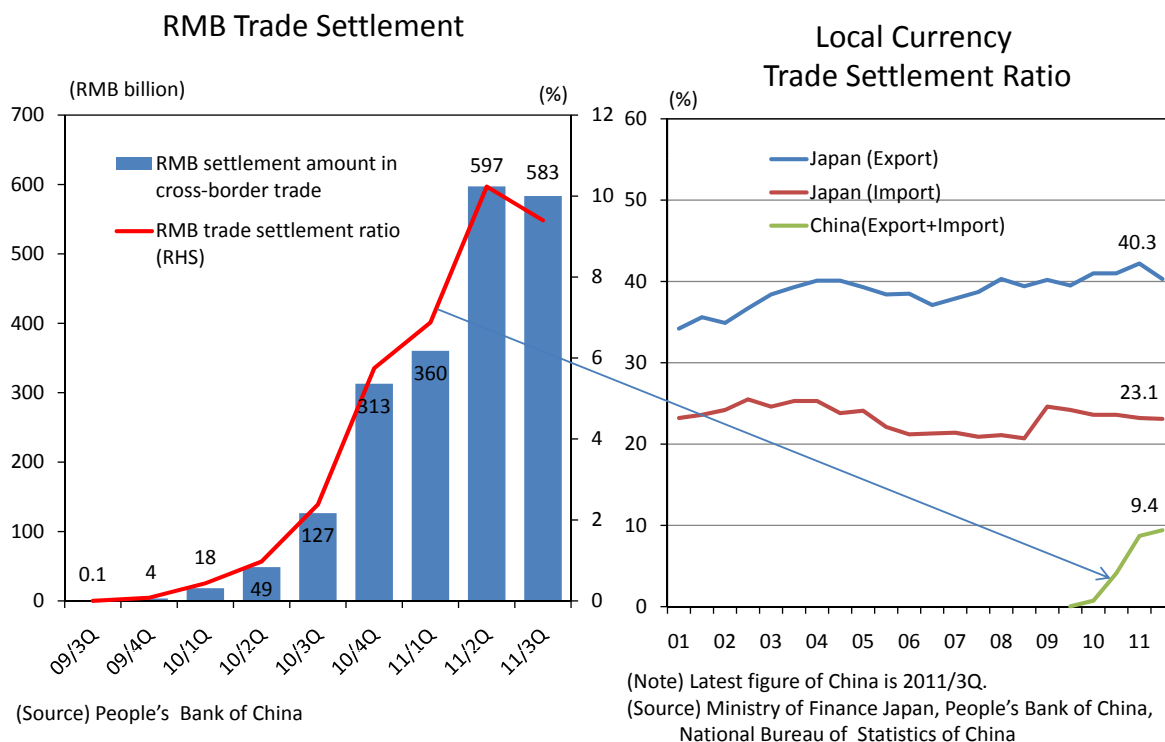


Financial Inclusion

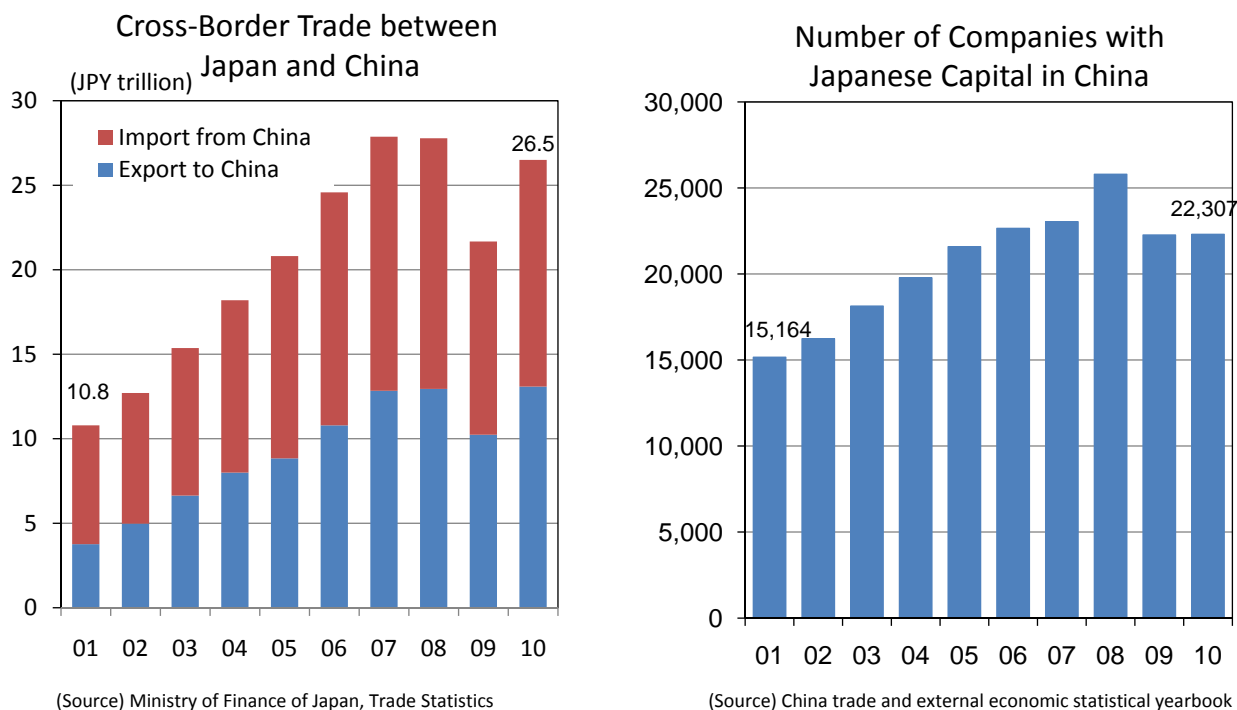
- No access to formal financial services
 - 2.5 billion working-age adults (over half the world's adult population)
 - 11-17 million formally registered SMEs (45-55% of total <25-30 million>)

(Source) Global Partnership for Financial Inclusion

JPY and RMB as Settlement Currencies



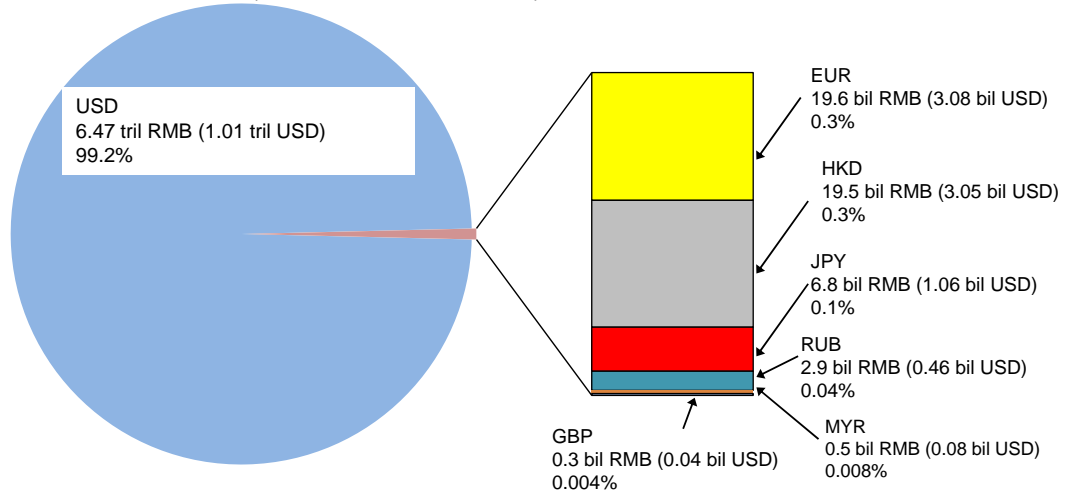
Deepening Trade Relationship between Japan and China



Direct Exchange Market between JPY and RMB

Trade Amount at Shanghai Inter-Bank Spot FX market (RMB / FX)

Total: 6.52 trillion RMB (Around 1.02 trillion USD)



(Note) Australian Dollar and Canadian Dollar started to be traded against RMB in November 2011.
(Source) People's Bank of China, "China monetary policy report," 2011/3Q

End



Dusk at the BOJ Courtyard