MasterCard International

Press Release

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MasterIndex™ of Retail Forecasts Slower Retail Sales Growth in Asia/Pacific in First Half of 2006

Two out of the 12 Asia/Pacific Markets - Hong Kong and Japan - are Predicated to Improve in Year-on-Year Growth

Hong Kong, 27 March 2006 - Retail sales growth across most Asia/Pacific markets is expected to weaken for the first half of 2006, according to the latest MasterIndex™ of Retail forecast released by MasterCard International. Only Hong Kong and Japan, out of the 12 Asia/Pacific markets, are to improve in year-on-year at a modest 4.2% and 3% respectively. The remaining 10 Asia/Pacific markets included in the report are predicted to see growth of retail sales slow down in the first six months of 2006.

Retail sales growth for Hong Kong is expected to be at 4.2% year-on-year, with total sales valued at an estimated HK$103.09 billion in the first half of 2006. This is against the backdrop of rising private consumption amid stronger consumer sentiment and improving employment prospects, as well as strong tourism arrivals. Real GDP growth is forecast to moderate to 4.8% in 2006. The latest MasterIndex of Consumer Confidence for Hong Kong remained relatively unchanged at 85.8 points in very optimistic territory and reaching its highest point since 2000.

China and the Philippines will take the lead with double-digit growth in retail sales, both at an anticipated 12% year-on-year for the first six months, followed by Malaysia (8.8%) and Singapore (7.5%). The remaining less bullish markets include Thailand (4%), Indonesia (3.9%), New Zealand (3.6%), Taiwan (2.9%), Australia (2.5%) and Korea (2.3%).

"The forecast result of a slowdown in retail sales growth in Asia is not surprising given the steadily rising interest rates, higher world price of oil, and continuing uncertainty due to the bird flu and persistent terrorism threats," observed Dr. Yuwa Hedrick-Wong, economic advisor to MasterCard in Asia/Pacific. He pointed out further that "the interest rate cycle will likely peak by mid-2006 and we should see a stronger showing in retail sales by the end of this year."

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The MasterIndex of Retail's forecast for the first half of 2006 is shown in the table below:

	Actual for 2005	**Forecast for 1st half 2006**	
	Year-on-year Growth	**Retail Sales**	**Year-on-year Growth**
Australia*	3.8%	A$87.42 billion	2.5%
China	13.2%	3.32 trillion yuan	12.0%
Hong Kong*	3.4%	HK$103.09 billion	4.2%
Indonesia	14.6%	169.84 trillion rupiah	3.9%
Japan*	1.5%	57.42 trillion yen	3.0%
Korea*	4.5%	67.23 trillion won	2.3%
Malaysia	10.5%	33.49 billion ringgit	8.8%
New Zealand*	6.5%	NZ$16.92 billion	3.6%
Philippines	14.5%	391.28 billion peso	12.0%
Singapore**	8.4%	SG$15.6 billion	7.5%
Taiwan*	5.8%	NT$1578.28 billion	2.9%
Thailand	5.3%	539.72 billion baht	4.0%

*(*forecast excludes hospitality, catering and auto sales)*
*(** forecast excludes hospitality and catering, includes auto sales)*

FORECASTS FOR OTHER MARKETS FOR FIRST HALF OF 2006
(Full report is available at www.mastercard-masterindex.com)

- **China's** retail sales are poised to expand by **12%** year-on-year, to reach an estimated **3.32 trillion Yuan** in the first half of 2006, bolstered by strong domestic demand. China's real GDP growth is expected to moderate to 7-8% this year.

  The MasterIndex of Consumer Confidence for China remained unchanged at 82.3. The outlook on the economy, regular income, quality of life and employment remained very strong, while the outlook on the stock market (53.9) and employment (78.9) increased by an average of 3 points.

- **Taiwan's** retail sales are forecasted to grow by **2.9%** year-on-year. Total sales value over the first half of the year is estimated to reach **NT$1,578.28 billion**. Real GDP is expected to slow down to 1.6% in 2006.

  The MasterIndex of Consumer Confidence for Taiwan dropped by a further 12 points to 26.6, its lowest level in 3 years. The outlook on employment was the most pessimistic, with all other indicators below the 40 point mark.

- The forecast growth in retail sales for **Australia** is **2.5%** on the previous year, valued at **A$87.42 billion** for the first half of the year. This is against the backdrop of an expected deceleration of real GDP growth to 1.2% this year as household consumption and dwelling construction slows down.

The MasterIndex of Consumer Confidence[1] for Australia (49.8) continued its downtrend, dropping from optimistic levels to below the 50 point mark for the first time since 2003. The greatest confidence drop was in the outlook on regular income followed by that of the economy, while sentiment on the stock market was sole factor that showed a rise in optimism.

- Retail sales in **Indonesia** for the first half of 2006 are expected to see year-on-year growth of **3.9%** to reach **169.84 trillion Rupiah**. The economic momentum driven by investment last year is expected to slow with real GDP forecast to be 4% for 2006.

  The MasterIndex of Consumer Confidence for Indonesia fell by a tremendous 31.8 points to 39.0 putting it back into the pessimistic territory of 2 years ago due to the unpopular removal of fuel subsidies. Only the outlook on regular income remained in optimistic territory; the sentiment on all other economic indicators was pessimistic.

- The forecasted growth in retail sales for **Japan** is **3.0%** on the previous year, valued at **¥57.42 trillion** for the first half of the year. Economic expansion in 2005 led by private consumption, and a reversal in the declining wages and employment trend, will continue, and real GDP growth is forecast to be 2% for the year.

  The MasterIndex of Consumer Confidence for Japan rose by 17.6 points to 63 placing it firmly in optimistic territory for the first time since this survey series began 12 years ago. The largest gain was from the outlook on quality of life, followed closely by the outlook on the economy, employment and regular income.

- **Korea's** retail sales are expected to expand by **2.3%** with a total value of **$67.23 trillion won** in the first half of the year. Real GDP growth is projected to come in at 4.8% in 2006 on the back of improving exports and a recovery in private consumption.

  The MasterIndex of Consumer Confidence for Korea moderated down by 6.7 points to 47.5 after its massive 25 point rebound in the last survey. Confidence in the economy registered a substantial drop, followed by the outlook on employment. The outlook on regular income and the stock market remained optimistic.

- **Malaysia's** retail sales are expected to increase year-on-year by **8.8%**, to reach an estimated **RM33.49 billion** in the first half of the year. Buoyant domestic demand underpinned by the continued strength of private consumption will support GDP growth, with real GDP growth expected to come in at 4.1% this year.

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[1] The MasterIndex of Consumer Confidence provides an average score in the range of 0 to 100 of five economic variables (regular income, the economy, stock market, quality of life, employment). A reading of 50 indicates neutrality. Scores above 50 are in the optimistic range; scores below 50 are in the pessimistic range.

The MasterIndex of Consumer Confidence for Malaysia halted its two year downtrend by increasing to 68.7. The largest gains were made in the more optimistic outlook on the economy, regular income and stock market.

- For the first half of 2006, retail sales for **New Zealand** are forecasted to grow by **3.6%** year-on-year, reaching **NZ$16.92 billion** in total sales value. Real GDP growth is expected to continue to decelerate to 2.2% in 2006 as domestic demand growth weakens, in a record high benchmark rate environment.

  The latest MasterIndex of Consumer Confidence for New Zealand dropped to 42.5 with the anticipation of a slowdown in the economy next year, putting it into pessimistic territory for the first time in 5 years.

- The **Philippines'** retail sales are estimated to grow by a healthy **12.0%** in the first half of 2006. Total sales value is expected to reach **391.28 billion Pesos**. Private consumption remains the main driver of Philippine economic growth, although real GDP is expected to slow down to 2.6% this year.

  The MasterIndex of Consumer Confidence for Philippines ceased its 2 year slide and remained unchanged at its record lowest level in 12 years at 28.9 points. All indicators except for the outlook on regular income (56.5) remain well inside pessimistic territory.

- Retail sales growth for **Singapore** is forecast to be at **7.5%** year-on-year, with total sales valued at an estimated **S$15.6 billion** in the first half of the year. With a strong retail sector and healthy tourism arrivals in general, real GDP is expected to be 4.5% in 2006.

  The MasterIndex of Consumer Confidence for Singapore (74.8) improved in optimism to reach the highest level since the end of 2000. The most significant moves were the outlooks on employment (81.3) and the stock market (78.1).

- Retail sales in **Thailand** are expected to expand by **4.0%** year-on-year, with sales value reaching an estimated **539.72 billion Baht** during the first half of the year. Thailand's real GDP is forecast to slow further to 3% this year, against a slowdown in household consumption, household loans and private consumption.

  The MasterIndex of Consumer Confidence for Thailand dropped by 12.5 points to 47.9 putting it in pessimistic territory for the first time since 2001. The outlook on employment, stock market, the economy and the quality of life fell, while sentiment on regular income remained the only indicator in the optimistic range.

NOTE TO EDITORS: The full report, as well as the MasterIndex of Consumer Confidence, can be found at the website www.mastercard-masterindex.com.

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About MasterIndex™ of Retail

MasterIndex of Retail is a short-term forecast of retail sales growth in 12 key Asia/Pacific markets – Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand. The forecasting is done twice a year, in June and December, to provide powerful predictive market intelligence that is highly relevant not only to wholesale and retail industries, but to sectors such as entertainment, food and beverage, the hospitality and leisure industry, as well as consumer goods manufacturing.

The analytical foundation of the MasterIndex of Retail is based on the development of a set of techniques that have successfully linked MasterCard's MasterIndex™ of Consumer Confidence with retail sales statistics. The survey findings of the MasterIndex of Consumer Confidence are used as a leading indicator of how consumers may act in terms of retail spending over the six-month period ahead. Thus, a link is made between consumer sentiment and actual consumer behavior.

The MasterIndex of Retail forecast is one of MasterCard's MasterIndex suite of research products in Asia/Pacific. The other key MasterIndex research products include:

The flagship MasterIndex™ of Consumer Confidence **-** the region's most comprehensive and longest running consumer sentiment survey. Now in its 13th year, the MasterIndex of Consumer Confidence has demonstrated its predictive precision and has proved to be an excellent barometer of the consumer pulse in this region. Today, the survey is much sought after by analysts, academics and decision-makers in financial institutions, government agencies and multinational organizations.

The MasterIndex™ of Travel encompasses a six month forecast of outbound travel for 12 markets (Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Thailand) and a survey of business and personal travel trends among the urban middle class across the region.

The MasterIndex™ of Women's Advancement, which compares the socio-economic level of women to men in 13 markets using four key indicators: participation in the labor force, tertiary education, managerial positions and above median income.

MasterIndex information relates to retail and consumer economic trends only and does not constitute a projection of the business or financial performance of MasterCard Incorporated or its affiliates.

About MasterCard International

MasterCard International is a leading global payments solutions company that provides a broad variety of innovative services in support of our global members' credit, deposit access, electronic cash, business-to-business and related payment programs. MasterCard manages a family of well-known, widely accepted payment card brands including MasterCard®, Maestro® and Cirrus® and serves financial institutions, consumers and businesses in over 210 countries and territories. The MasterCard award-winning Priceless®

advertising campaign is now seen in 105 countries and in 48 languages, giving the MasterCard brand a truly global reach and scope. For more information go to www.mastercardinternational.com.