

Retail Sales Forecast to Grow in Asia/Pacific in First Half 2007

China Leads the Region in Year-on-Year Growth; South East Asian Markets Expected to Perform Well

Singapore, 6 February 2007– Retail sales across Asia/Pacific are expected to show continued growth for the first half of 2007, according to the latest MasterIndex™ of Retail forecast released by MasterCard Worldwide today. China takes the lead with an anticipated 12% year-on-year growth for the first six months, with the South East Asian markets of the Philippines (9.60 %), Thailand (7%) and Malaysia (6.50%) following.

Retail sales growth for Singapore is forecasted to be at 5.20% year-on-year, with total sales valued at an estimated S\$16.97 billion in the first half of the year. Real GDP is expected to grow by 5.2% in 2007. Although the increased GST to 7% will have an impact on private consumption, this will be somewhat offset by a financial package with a fixed period payout geared towards lower and middle income earners.

Current consumer sentiments in Singapore are very optimistic. Its MasterIndex of 82.5 is a further improvement in consumer confidence, and is significantly stronger than six months ago (73.9), a year ago (74.8) and the market Historical Average (65.2).

While the forecast is for positive expansion across the 12 Asia/Pacific markets included in the report, growth rates for the first six months are expected to be more modest than the robust growth two years ago when the consumption revolution in the region drove almost half the markets into double-digit growth year-on-year.

“While continued growth in retail sales is expected across the region, the source of growth varies significantly between markets,” observes Dr. Yuwa Hedrick-Wong, economic advisor of MasterCard Worldwide in Asia/Pacific. “Taiwan’s domestic consumption is basically linked to the performance of its export sector whereas growth in the Philippines has been coming from rising overseas workers’ remittances. In other markets, appreciation in their currencies has also helped. With the exception of China, private household consumption has not contributed as much to overall GDP growth. For the consumption revolution to continue to unfold in Asia, this will need to change,” adds Dr. Hedrick-Wong.

The MasterIndex of Retail’s forecast for the first half of 2007 is shown in the table below.

	Forecast for 1st half of 2007	
	Retail Sales Forecast	Year-on-Year Growth
Australia*	A\$93.45 billion	4.90%
China***	4082.23 billion yuan	12.00%

Hong Kong*	HK\$108.51 billion	3.20%
Indonesia***	190.71 trillion rupiah	4.60%
Japan*	56.62 trillion yen	1.25%
Korea*	71.41 trillion won	3.40%
Malaysia***	36.13 billion ringgit	6.50%
New Zealand*	NZ\$17.76 billion	3.80%
Philippines***	436.21 billion peso	9.60%
Singapore**	SG\$16.97 billion	5.20%
Taiwan*	NT\$1595.42 billion	2.30%
Thailand***	604.64 billion baht	7.00%

(*excludes hospitality, catering and auto sales)

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*** includes wholesale, hospitality, catering, auto sales)

Conducted twice a year in June and December, the MasterIndex of Retail was launched in June 2003 by MasterCard as part of its knowledge leadership initiatives in Asia/Pacific. Combining 10 years of retail sales data¹, factoring in the secular trend of growth of the retail industry, and using the MasterIndex™ of Consumer Confidence as an independent variable², it provides six-month forecasts of retail sales growth in 12 markets: Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.

It is among the MasterCard MasterIndex suite of research products; the others include:

- The flagship MasterIndex™ of Consumer Confidence - the region's most comprehensive and longest running consumer sentiment survey
- The MasterIndex™ of Travel, which combines outbound travel forecasts for the region with a survey of Asian travelers' lifestyle trends
- The MasterIndex™ of Women's Advancement, which compares the socio-economic level of women to men.

NOTE TO EDITORS: *The full report, as well as the MasterIndex of Consumer Confidence, can be found at the website www.masterintelligence.com. A summary of the individual market forecasts is found at the end of this release.*

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About MasterIndex™ of Retail

The 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

¹ Based on official government statistics released in each market.

² Based on detailed analysis, it is determined that the five dimensions of the MasterIndex of Consumer Confidence have different weights in affecting the outcome, which are in turn distinct for each of the Asia/Pacific markets.

entertainment, food and beverage, the hospitality and leisure industry, as well as consumer goods manufacturing.

The analytical foundation of the MasterCard MasterIndex of Retail is based on the development of a set of techniques that have successfully linked the MasterCard MasterIndex™ of Consumer Confidence with retail sales statistics. The survey findings of the MasterCard 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 MasterCard MasterIndex of Retail forecast is one of the MasterCard MasterIndex suite of research products in Asia/Pacific. The other key MasterCard MasterIndex research products include:

- The flagship MasterCard MasterIndex™ of Consumer Confidence - the region's most comprehensive and longest running consumer sentiment survey. Now in its 14th year, the MasterCard 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 MasterCard 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 MasterCard 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 Worldwide

MasterCard Worldwide advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders and merchants worldwide. As a franchisor, processor and advisor, MasterCard develops and markets payment solutions, processes approximately 14 billion payments each year, and provides industry-leading analysis and consulting services to financial institution customers and merchants. Through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard Worldwide serves consumers and businesses in more than 210 countries and territories. For more information go to www.mastercardworldwide.com.

INDIVIDUAL MARKET FORECASTS FOR THE FIRST HALF OF 2007

(Full report is available at www.masterintelligence.com)

- The forecast growth in retail sales for **Australia** is **4.90%** on the previous year, valued at **A\$93.45 billion** for the first half of the year. In spite of the high interest rate environment in 2007, household consumption growth should remain steady at 2.8%.

According to the MasterIndex of Consumer Confidence³ for Australia Consumer sentiments in Australia are currently slightly pessimistic. Its MasterIndex at 45.3 is marginally lower than six months ago (46.5) and a year ago (49.8), and significantly lower than its Historical Average MasterIndex of 56.5.

- **China's** retail sales are poised to expand by **12%** year-on-year to reach an estimated **4082.23 billion Yuan** in the first half of 2007, bolstered by a rise in urban per capita disposable income. Despite monetary tightening policies working its way through the economy, China's real GDP growth is expected to remain strong at 9.8%.

Consumer sentiments in China remain very optimistic. The MasterIndex of Consumer Confidence for China bounced back from its 4 point decline in the last survey and increased by 3 points to 81.2.

- Retail sales growth for **Hong Kong** is expected to be at **3.20%** year-on-year, with total sales valued at an estimated **HK\$108.51 billion** in the first half of 2007. With stronger household consumption helping to offset a modest deterioration in net export growth, real GDP growth is estimated to be at 5.6% in 2007. Real private consumption is likely to stay strong in 2007 underpinned by a strong labor market and household wealth gains from the surging stock market.

Hong Kong's current MasterIndex of 88.8 is the highest ever score for the market with outlook on all five economic indicators being highly positive. The MasterIndex is significantly higher than the market's Historical Average of 53.3.

- Retail sales growth in **Indonesia** for the first half of 2007 is expected to see year-on-year growth of **4.60%** to reach **190.71 trillion Rupiah**. With subsiding inflation and the subsequently lower interest rate environment, real private consumption growth is likely to accelerate in 2007 to 4.0%.

The MasterIndex of Consumer Confidence for Indonesia rebounded back into optimistic territory in this survey, increasing by a respectable 20 points to 62.5. The current MasterIndex is slightly below the market Historical Average of 66.6.

- The forecasted growth in retail sales for **Japan** is **1.25%** on the previous year, valued at **¥56.62 trillion** for the first half of the year. The real GDP outlook (1.9%) for 2007 is weak due to a slump in export growth and a slowing rate of non-residential investment growth.

³ 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.

Consumer confidence in Japan has in the last three consecutive surveys been optimistic. Its current MasterIndex of 68.3 is just marginally below six months ago (68.9) and higher than a year ago (63.0), when Japanese consumers first turned optimistic since the inception of the MasterIndex in October 1993.

- **Korea's** retail sales are expected to expand by **3.40%** with a total value of **\$71.41 trillion won** in the first half of the year. Real GDP growth is forecasted at 4.3% in 2007 due to slackening exports and lukewarm domestic demand. Real private consumption growth is forecasted at 3.7% in 2007, down from last year's 4.1% with real income growth easing and the pace of consumer sentiment recovery remaining weak.

Consumer sentiment for Korea (29.3) remains the lowest in the region, as it was six months ago. While sentiments have improved marginally from six months ago (28.1), it is considerably below a year ago (47.5) as well as the market Historical Average of 52.2. It is the fifth lowest in the market's MasterIndex history.

- **Malaysia's** retail sales growth is expected to increase year-on-year by **6.50%**, to reach an estimated **RM36.13 billion** in the first half of the year. Real GDP growth for 2007 is forecasted lower at 4.1% with the services sector retaking the lead from manufacturing which will face slower export sales in its electronics sector.

The MasterIndex of Consumer Confidence for Malaysia dropped again in this survey, falling by 13.9 points to 37.5 in this survey, its lowest point in 8 years. Decreases in the indicators were across the board - Regular Income (31.9), Stock Market (35.7), Economy (39.2), Quality of Life (39.8) and Employment (41.1).

- For the first half of 2007, retail sales for **New Zealand** are forecasted to grow by **3.80%** year-on-year, reaching **NZ\$17.76 billion** in total sales value. Real GDP growth for 2007 is expected to remain weak at 1.2% as the slowdown in the business sector filters through to the household sector in 2007.

The MasterIndex of Consumer Confidence for New Zealand pushed strongly upwards by 16 points putting the index back into optimistic territory at 61.0 points. The current MasterIndex of 61.0 is slightly ahead of the market's Historical Average of 58.8.

- The **Philippines'** retail sales are estimated to grow by a healthy **9.60%** in the first half of 2007. Total sales value is expected to reach **436.21 billion Pesos**. Real GDP growth in 2007 will slow down to about 4% due to weaker electronics export sales.

The MasterIndex of Consumer Confidence for the Philippines strengthened its position above the neutrality 50 point mark in this survey by a 5.3 point increase to 57.2, its highest level in 8 years.

- **Taiwan's** retail sales are forecasted to grow by **2.30%** year-on-year. Total sales value over the second half of the year is estimated to reach **NT\$1595.42 billion**. Real GDP growth in 2007 is forecasted at 4.1% with net exports as the leading contributor to growth followed by private consumption.

The MasterIndex of Consumer Confidence for Taiwan increased slightly by a marginal 1.7 points to 30.8 in this survey. The outlooks on the economy (28.4),

regular income (31.3) and the stock market (44.7) remained within a point of their previous scores, while the outlook on employment (25.3) and the quality of life (24.1) both increased by 3 to 4 points each.

- Retail sales in **Thailand** are expected to expand by **7.00%** year-on-year, with sales value reaching an estimated **604.64 billion Baht** during the first half of the year. Though the domestic demand situation will remain weak, real GDP growth in 2007 should improve to a forecasted 4.0% from an estimated 3.8 percent growth this year, underpinned by large scale government infrastructure spending which was delayed earlier this year due to political uncertainty.

The MasterIndex of Consumer Confidence for Thailand made a huge rebound from its seven year low in the last survey, surging by 36.5 points to 65.1 in this survey. The outlook on the economy (64.8) posted the largest gain of 46 points, followed closely by the outlooks on quality of life (62.5), employment (62.4), and the stock market (58.7) which increased by 42 points, 40 points and 37 points respectively.

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