2024

ABA NEWSLETTER

January Issue

ASIAN BANKERS ASSOCIATION

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ABA Announcements

40th ABA General Meeting and Conference to be held on November 18-19 in Taipei

The Asian Bankers Association (ABA) is pleased to inform members that the **40th ABA General Meeting and Conference** is scheduled to take place on **November 18-19, 2024** in Taipei, Taiwan, with the CTBC Bank Co. Ltd. as co-organizer.

As in previous years, the two-day event is designed to once again provide another valuable platform for ABA members to meet and network with each other, as well as to exchange views with invited experts on:

a. Current trends and developments in the regional and global markets that are expected to have a significant impact on the banking and financial sector of the region

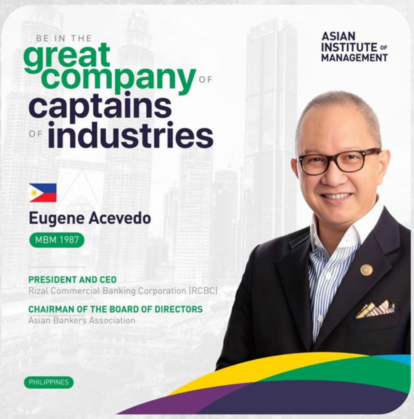
b. How industry players can address the challenges - and take full advantage of the opportunities - presented by these developments.

We are, therefore, counting on members' valuable participation for the successful outcome of our annual gathering this year.

In the meantime, in preparation for the 2024 Conference, the **ABA Planning Committee** is scheduled to meet virtually on **March 13, 2024, at 2:00 pm, Taipei time**. The main agenda is to discuss and finalize the Conference theme and topics, Conference format and program, possible line-up of speakers, and other related matters.

Should members have questions or are interested to attend the virtual meeting, please do not hesitate to contact the Secretariat at aba@aba.org.tw or teresaliu@aba.org.tw.

Immediate Past Chairman Eugene S. Acevedo recognized by The Asian Institute of Management



Immediate Past Chairman of the Asian Bankers Association (ABA) Mr. Eugene S. Acevedo, President and CEO of the Rizal Commercial Banking Corporation (RCBC), has recently been recognized by The Asian Institute of Management (AIM) as one of its prominent alumni cited for their outstanding accomplishments in leading their organizations to success and pursuing excellence and innovation in their respective fields, contributing to positive change and transformation.

The AIM is a management school and research institution in Makati, Philippines. Established in partnership with Harvard Business School, it is one of the few business schools in Asia to be internationally accredited with the Association to Advance Collegiate Schools of Business.

Former ABA Chairman Eugene Acevedo Named Among "People of the Year 2024"

Immediate ABA Past Chaiman Mr. Eugene S. Acevedo, President and CEO o Rizal Commercial Banking Corporation (RCBC) from the Philippines has been named by the renowned publication People Asia among those in its list of "People of the Year 2024"

The list includes outstanding individuals whose work made a difference in their respective industries and have emphatically influenced the lives of many. People Asia is a Philippine publication that features inside stories on public servants, business leaders, celebrities, icons and more movers and shakers.

Mr. Acevedo said that he was grateful for the honor that "rightfully belongs to the 6,400 dedicated RCBC bankers who give our customers great service."

Dubbed as "The Consummate Banker in the People Asia story, Mr. Acevedo – who is also the current Chairman of the ABA Advisory Council - was recognized for championing the bank's financial inclusion efforts and digital expansion. Under his leadership, RCBC emerged as the country's fastest-growing bank, leapfrogging from eight position in 2018 to fifth in 2022 in the list of the Philippines' largest privately-

ABA Announcements

owned banks in terms of assets.

Mr. Acevedo emphasized the bank's advocacy to making banking accessible and relevant to millions of Filipinos in underserved and unbanked segments of Philippine society, noting that RCBC strongly supports the Bangko Sentral ng Pilipinas' vision of onboarding 70 percent of adult Filipinos and digitizing 50 percent of retail payments by the end of 2023.

He said the bank is also investing heavily in supporting micro, small, and medium enterprises through ts recently launched RCBC B oz mobile application, The latest digital solution provides a wide array of services for budding entrepreneurs.

Mr. Acevedo said that are working tirelessly to make loans and credit accessible to entrepreneurs as Filipinos often face high entry barriers in traditional formal loaning and credit systems.

He further highlighted RCBC ATM Go, platform of almost 6,000 mobile devices servicing 100 percent of all provinces nationwide. It acts as a handheld ATM that facilitates withdrawals, deposits, and bills payments, among many other banking services. CRBC ATM Go is part of RCBC's Barangayan Banking, providing convenient and relevant digital solutions for communities that suffer limited digital penetration.

The bank has also embarked on a sustainability venture by not only focusing ion financial access to marginalized groups, but also by being the first Philippine bank to divest from coal towards cleaner energy alternatives,

Training Programs

Short-Term Visiting Program to be hosted by SMBC

The Asian Bankers Association (ABA) would like to cordially invite representatives from member banks to participate in the upcoming Short-Term Visiting Program to be hosted by Sumitomo Mitsui Banking Corporation (SMBC) on February 20-21, 2024 in Tokyo, Japan.

The primary objective of ABA's short-term visiting program is to provide member banks the opportunity to study and undergo training on specific aspects of the operations and facilities of the more advanced host banks (such as SMBC). The idea is to enable the visitors to: (i) enhance and upgrade their technical skills and knowledge in specific areas such as international banking, treasury activities, investment, and foreign exchange in the distinct and peculiar social, economic and business environment of the host country, and (ii) gain first-hand knowledge of the operations and work procedures of the host bank's various line departments.

The training program is scheduled to take place at the SMBC Head Office East Tower.

Members are encouraged to take advantage of this opportunity to learn from SMBC's experience in several key banking operations.

Seamless Asia Conference

The Asian Bankers Association (ABA) is inviting members and colleagues to the Seamless Asia Conference to be held in Suntec Singapore on February 20-21, 2024.

Organized by Terrapinn, a global events company promoting innovation and technology, the Conference will discuss Payments, E-Commerce & Banking, the three sectors on which Asia's future digital economy will be built. This event offers the chance to learn from and partner and connect with experts and make great strides towards the future of Asia's banking, payments, e-commerce and retail.

Over two days, some 200 plus speakers will cover the big ideas, market disruptors and new industry trends in payments, banking, and e-commerce.

The event will also include an exhibition which will feature cutting-edge technologies, ground-breaking start-ups, and the most innovative solutions in the space.

There will be unlimited networking opportunities for you to do business and to understand Asia's digital commerce ecosystem.

Furthermore, participating ABA members will benefit from 20% discount on the registration fee. Interested ABA members are requested to contact the ABA Secretariat at aba@aba.org.tw to avail of the 20% discount code prior to your registration.

For further details, visit Seamless Asia's website.

Training Programs

ABA & Fintelekt Virtual Workshop on "Red Flags in Anti-Money Laundering"

The Asian Bankers Association (ABA) and Fintelekt Advisory Services, an official ABA Knowledge Partner, wish to invite fellow bank members and friends to join a virtual workshop on "Red Flags in Anti-Money Laundering" on February 2, 2024 at 10AM-12PM Singapore Time.

The world of AML is complex with a lot of different moving components. For AML staff, it is vital not only to understand the importance of red flags and techniques to apply them, but also the impact that they have on roles and responsibilities within the financial institution. Understanding when red flags occur and how they are investigated properly, could mean the difference between incurring regulatory enforcement and doing the right thing for your institution.

In this instructor-led live virtual workshop (delivered via Zoom), the trainer Mr. Justin Muscolino, International Regulatory Compliance Training Expert, will discuss the background of AML and changing regulatory expectations and the types of red flags that staff may encounter during day-to-day roles while providing real-life examples and case studies.

(1) WHO SHOULD PARTICIPATE?

The programme is relevant for staff from the AML Compliance, Regulatory Compliance, Financial Crime, Audit, Legal, Strategy, and Corporate Governance teams.

(2) TRAINING TOPICS

- Trends and understanding of the current AML environment
- The types of red flags that may arise and their impact on the organisation
- Regulatory implications for not identifying red flags
- Looking ahead to challenges and risks in 2024

(3) LEARNING OBJECTIVES

- Understand the significance of red flags and their impact on roles and responsibilities
- Effective application of red flag techniques
- Understand the crucial role of investigating red flags and the potential consequences
- Real-life application through examples and case studies

(4) REGISTRATION FEE

Participation Fee is USD 50 per person (Includes access to recording and Certificate of Completion). ABA members can avail 2 free registrations per institution for this workshop. To get nominated under the free registration, please contact the ABA liaison at your Bank.

Please share this invitation with your colleagues in your own organization to provide them the opportunity to gain a better understanding of money laundering and terrorism finance risks in banking operations. Interested parties can register here.

About the Speaker

Justin Muscolino brings over 20 years of wide-ranging experience in compliance, training and regulations. He has previously worked as Head of Compliance Training function for Macquarie Group, UBS, JPMorgan Chase, Bank of China, and GRC Solutions. Justin also runs his own Compliance Training company focusing on US and international regulations.

Justin also worked for Financial Industry Regulatory Authority (FINRA), a US regulator, where he created Examiner University to train examiners on how to perform their function. He also serves as an advisor for the Global Compliance Institute (GCI) and instructs at the Barret School of Business and various compliance training providers.

News Update

Mizuho aims to hasten Renewable Energy Technology

With global attention being paid to increasing renewable energy to mitigate global warming, Japan should put its technological advancements in offshore wind farms, hydrogen power and carbon recycling to best use to enhance its global competitiveness, Mizuho Financial Group Inc. said in a recent report.

"The focus for net-zero carbon emissions is to advance electrification. And the question is how we can boost renewable energy production for that," Yasuhiko Ushikubo, Senior Executive Officer and Group Chief Sustainability Officer for Mizuho Financial Group, said in a recent interview with The Japan Times.

In the Dec. 11 report on sustainability and how Japan show ramp up its industrial competitiveness, Mizuho Financial Group said the country needs to accelerate technological innovation and structural business reform. For that to happen, engaging in three fields – offshore wind, hydrogen and carbon recycling – is a strong option. "When it comes to renewables, the first thing we have to do is gear up on offshore wind farms," Ushikubo said.

To significantly increase the generation of renewable electricity, Japan should take advantage of its surrounding waters and further develop technologies for floating offshore wind farms, he said.

In multiple areas in the Sea of Japan, wind could generate large amounts of electricity, he said. Building giant solar power farms on land, on the other hand, is much harder because two-thirds of the country is mountainous, with problematic slopes

News Update

Yasuhiko Ushikubo, Senior Executive Officer and Group Chief Sustainability Officer, Mizuho Financial Group

and the risk of landslides after heavy rains.

Unlike northern parts of Europe, where shallow coastal waters are suitable for installing fixed-bottom wind turbines, Japan's narrower continental shelf makes it better suited for floating turbines, he said.

Japanese companies have made technological advances in the offshore wind power business, including in the manufacturing of turbine components, floating buoys and electrical systems such as submarine cables and offshore substations, as well as in providing services for operation and maintenance. Although the production of wind turbines is currently dominated by manufacturers in other countries, such as Denmark, Germany, Spain and China, "considering all of the factors, it will be a huge business," Ushikubo continued. "Japanese companies need to develop their technologies further and secure supply chains so they can gain global competitiveness."

The second key business for future zero emissions is hydrogen. As an alternative to fuels like liquefied natural gas, oil and coal that can still produce the high temperatures needed to make steel and other raw materials, hydrogen is a potential option, he said.

What Japan needs to do is to develop technologies for more efficient electrolysis of water, cargo ships for hydrogen and lower-cost hydrogen stations for fuel cell vehicles. Carbon capture and recycling is another type of technology that Japan can further develop for decarbonizing, he said. The problem, however, is that it takes time for these businesses to bear fruit. Many offshore wind farms are still in the planning stage and most of them will be operational only after 2030. Also, in the case of floating wind farms a big remaining hurdle is that the cost of generating power remains relatively high.

Experts say the world must reduce carbon emissions significantly by 2030 to limit the global average temperature increase to 1.5 degrees Celsius above the pre-industrial era, one of the targets set in the 2015 Paris Agreement. Aiming to accelerate carbon reduction, this year's closely watched United Nations Climate Change Conference in Dubai, commonly referred to as COP28, led to an agreement in December to transition away from fossil fuels, triple renewable energy capacity by 2030 and increase climate financing for the most vulnerable.

Ushikubo evaluated the agreement positively because it mentions transitioning away from fossil fuels and tripling renewables, despite the fact that the conference was hosted by an oil-producing country, the United Arab Emirates, but he conceded there were some concerns. "I can hardly say that it produced a bit step forward, and each part of the agreement needs further discussions," he said. "Since each member country has a largely different stance, I expect the next conference, COP29, to continue facing a tough time."

Until the 2030s, when Japan's floating wind farms will start operating, the country needs to take every possible step to reduce carbon emissions, he said – rooftop solar panels, standing offshore wind turbines, the careful resumption of nuclear power and the development of co-firing ammonia at coal-burning power plants.

As a financial institution, we will support such transitions by financing technologies with future potential," Ushikubo said, adding that Mizuho will also compile policy proposals for the government and provide a wide range of solutions, including consulting for its business clients.

The Japan Times

Hong Kong launches export credit risk index across five markets and three industries

Global business data provider Dun & Bradstreet (D&S) launched an export credit risk index on January 3, targeting three key export industries relevant to Hong Kong suppliers, including electrical appliances, electronics, and textiles and clothing.

The creation of the index is in partnership with statutory body Hong Kong Export Credit Insurance Corporation (HEDCIC), which was established in 1966 under the Hong Kong Export Credit Insurance Corporation Ordinance, and is guaranteed by the Hong Kong government.

The index aims to serve local exporters by providing both a macroeconomic overview together with export credit insurance business data regarding the buyers' overseas market. Currently the index covers Canada, mainland China, Germany, the UK and US.

"This index represents a comprehensive macroeconomic overview curated by a team of country and region intelligence experts, economists and data specialists, a spokesperson for D&B said.

He highlighted that on a macro scale, exporters could utilize the data to gauge information around economic outlooks, market potential and regulatory environments.

"This is crucial for strategic planning and ensuring business continuity amidst fluctuating economic conditions," he said. The spokesperson added there are currently no plans to expand beyond the five markets that the index covers.

News Update

In its first index report issued at the same time, the reading for mainland China across three sectors stood at 7.1 in Q3 2023, marking a slight drop from 7.3 of the previous quarter. The largest number in the index is 10, which represents the lowest risk, while 1 means the highest risk.

Analysis suggested that while foreign brands have struggled to compete with local suppliers, the government is welcoming the higher participance of overseas players in the market. Meanwhile, it pointed out that the supply environment "has worsened" for the tech and electronic sector due to ramped up export controls of high-end chips.

Meanwhile, the HKECIC is said to provide aggregated insurance business input, covering buyers' claim data and payment difficulty data.

Payment History

The spokesperson explained that the payment difficulty level of a buyer is assessed mainly based on an analysis of history payment difficulty patterns and categorization to payment default frequencies.

Additional information, such as recent industry or sector trends, are then incorporated into the data to generate more up-to-date and accurate readings.

"Through this refined approach, our indices provide a more accurate, timely, and industry-specific assessment of credit risk, aiding businesses in making informed credit and investment decisions."

The latest record from Hong Kong's Census and Statistics Department shows that mainland China remains the biggest destination of Hong Kong exports, taking in HK$225.7 billion ($28.9 billion) out of HK$386.6 billion in total in November 2023. Other major export markets include the US, India, Taiwan, Vietnam and Japan, among others.

The city's exporters witnessed a challenging year in 2023, with year-on-year total exports reading negative for nine consecutive months since January. However, there are some signs of a recovery with Hong Kong recording a 7.4% export rise in November, compared with the same month in 2022. The November figures followed a 1.4% increase in October and ended a 17-month decline.

Commenting on the index launch, Terence Chiu, commissioner at KHECIC, said the press release: "Hong Kong exporters had been facing hard times in recent year. In view of the geopolitical complexity and a more volatile global environment. The index can provide insights and support Hong Kong exporters in strengthening their risk management."

HK/ASEAN trade deal expansion

In another move for Hong Kong's trade, on January 9, Hong Kong's secretary for commerce and economic development Algenron Yau signed a protocol to amend its free trade agreement with the Association of Southeast Asian Nations (ASEAN) to expand coverage from around 200 products to 600. Products included items such as jewellery, medicament, food and textile products.

Yau said: "ASEAN is Hong Kong's second-largest trading partners in merchandise trade with a total trade volume of around HK$1.294 billion in 2022, representing a growth of over 38% since the signing of the FTA in 2017. Our burgeoning trade has been uplifted by the FTA, signifying the latter's importance in consolidating our position as an international trade centre."

Corporate Treasurer

KEB Hana Bank Tackling Low Birth Rate

KEB Hana Bank CEO Lee Seung-lyul (right) and Financial Supervisory Service Governor Lee Bok-hyun pose for a photo after the lender was named an Excellent Institution for Promotion of Coexistence and Cooperation in 2023 by the financial regulator on January 17, 2024. The award was given in recognition of the bank's efforts to help resolve the country's low fertility rate by launching a savings product that provides preferential interest rates for parents and pregnant women.

Korea Herald

News Update

IMF team meets Sri Lanka Finance and Energy Ministers

The International Monetary Fund team in Sri Lanka, headed by Peter Breuer, met with the country's state finance minister and other officials on January 17, 2024.

"Had an important mid-mission review meeting on the IMF programme with senior mission chief Peter Bruer and the team. Discussed the progress made towards achieving the goals and overcome challenges encountered," Shehan Semasinghe said on X.

"Further discussed the adherence to policy frameworks, and agreed upon timelines. Emphasised on the importance of strengthening ongoing collaboration with the IMF for successful programme execution to strengthen the economy."

Breuer also met with Minister of Power and Energy Kanchana Wijesekera who said on X; "Senior Mission Chief for Sri Lanka Peter Breuer and other officials of the IMF visited the Ministry of Power and Energy today.

"We discussed the reforms implemented by the Government on the Electricity and Energy sectors, cost reflective fuel pricing formulas and electricity tariffs, tariff revisions, forensic audits, balance sheets, impact from taxes and sectoral reforms."

Officials of the Ministry, CPC and Finance Ministry participated at the meeting.

Economy Next

Taiwan central bank unveils coins to mark Year of the Dragon

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Economy Next

Peza taps RCBC, Sumitomo for investment promotion

Two major financial firms on January 24 signed up as investment promotion partners of the Philippine Economic Zone Authority (Peza), as the agency ramped up joint efforts with the private sector to grow its investment portfolio this year.

To help in such efforts, the Peza onboarded the Yuchengco-led Rizal Commercial Banking Corp. (RCBC) and Japanese financial giant Sumitomo Mitsui Banking Corp. (SMBC).

"This [partnership] is targeted to spur economic development, continuously positioning the country as an attractive investment destination characterized by agility and responsiveness to the needs and demands of our dynamic investors," Peza Director General Tereso O. Panga.

"The concerted efforts of our

News Update

esteemed investment promotion partners will actively encourage and increase investments, especially those from Japanese companies," Panga said during the signing ceremony held at the Peza headquarters in Pasay City.

Investment potentials

SMBC managing executive officer Yuichi Nishimura said this will be a good opportunity to strengthen existing ties between the Philippines and Japan.

"We would like to support Peza's various activities collaborating with RCBC and foster valuable partnerships between us," Nishimura said.

Meanwhile, RCBC president and chief executive officer Eugene S. Acevedo expressed their commitment to foster the Philippines' economic development by attracting and supporting foreign direct investments.

"Five decades ago, in 1974, we were the first local bank to establish a Japan desk," Acevedo said. "This year, we are celebrating 50 years of being a leading player in the Japanese market, having built a strong foundation and lasting relationships that have withstood economic crises and even the COVID-19 pandemic.

RCBC and SMBC noted a lot of potential in future investments in the manufacturing and the renewable energy sectors.

The tripartite agreement was forged as Peza set a goal this year of growing its investment approvals by at least 15 percent from the P175.7 billion worth of new and expansion projects approved in 2023.

Based on Peza data, Japan is the top source of foreign investments in Philippine ecozones, accounting for 27.34 percent of total inflows.

Inquirer Business

Special Features

Asia's cross-border payments in 2024: Greater Connectivity and Global Reach

Geopolitical trends, technological advancement and industry evolution will remain the three key areas within the global cross-border payment landscape in 2024, global payments data information service provider FXC Intelligence has predicted.

Across 15 trends, under the three categories, several are set to stand out for Asia's markets in 2024, Lucy Ingham, head of content and editor-in-chief at FX Intelligence said.

"The cross-border payments landscape in Asia is extremely diverse, so what is true for one country or sub-region will not necessarily be true for another," she noted.

However, despite the diversity, Asian markets are becoming increasingly interconnected, Ingham said. She cited Project Nexus led by the Bank of International Settlements (BIS) as an example. Nexus saw an interconnected cross-border payment platform established between Indonesia, the Philippines, Singapore, Thailand and Malaysia, in the middle of 2023.

"We expect to see more focus on making systems more interoperable between countries, ultimately increasing the ease with which money can move across the continent," she said.

Code-based payments

The FXC team is also predicting a comeback in interest in QR code-based payment systems, which has put Asia in a favourable position and ahead of the game.

Southeast Asia (SEA) markets have witnessed strong growth in QR code usage, thanks to the increase of smartphone penetration and the development of the digital economy, including the use of e-wallets, a Boston Consulting Group (BCG) report pointed out.

While ASEAN markets are looking to increase QR code usage in cross-border scenarios, FXC is pointing out that more western markets might be willing to test out QR codes due to the low barrier of entry and the simplicity of use. Asian payment companies could therefore see a "significant increase" in global presence, Ingham said.

"As a result, while we expect the Asian market to continue to grow internally, many players in this space can also expect increased opportunities abroad alongside increased opportunities at home," she added.

Some other upcoming trends in cross-border payment the team predicted include:

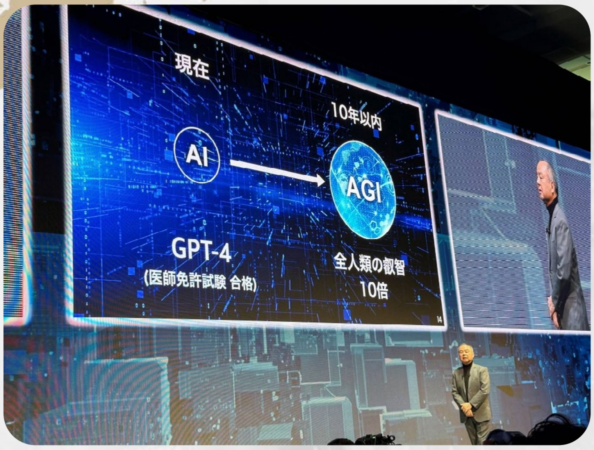
Geopolitical and Social Changes: De-dollarisation, or a shift away from the US dollar in major markets, including Russia and China, will lead to a shift in key trade corridors, brining both opportunities and challenges for different currencies to be used for trades. Small and medium sized enterprises (SMEs) are conducting cross-border transactions on a greater scale, with SEA being one of the emerging market hubs of this trend, driving growth in new business segments.

Technological Developments: The speediness of payments will become more important, even for traditionally slow business-to-business (B2B) transactions, driven by increased technological capabilities and partnership-led solutions. Central bank digital currencies (CBDCs) are receiving popularity and support is growing, especially in Asia. More positive developments are expected across 2024.

Industry Evolution: Traditional financial institutions are investing in their capabilities to serve B2B payments, as a response to challenges from non-traditional payment service providers. Consolidation and restructuring will continue among third-party providers, extending the emphasis on profitability and cost-cutting in 2023.

Corporate Treasurer

Generative AI could speed up Digital Transition



When Japanese business mogul Masayoshi Son, who founded SoftBank Group, took the stage at his firm's event in October 2023, he spoke passionately about the boom in generative artificial intelligence, and asked a question: "Please raise your hand if you use Chat GPT almost every day for work?"

Seeing that the people who did was less than 10% of the audience, Son castigated the remainder: "This is bad! If you didn't raise your hand, you should be repentant and rethink your life."

"Whether you like it or not, the AI revolution will come," Son said, adding that he has been heavily using the chatbot developed by OpenAI.

Generative AI stole the show in the tech sector in 2023, with Son an many business leaders touting it as the next big thing, urging people to get onboard with the technology to avoid being left behind.

In Japan, both the public and private sectors have been somewhat slow to make progress on using digital technology to boost productivity and transform business models, but the rise of generative AI may be impetus for them to play catch up.

In a report about Japan's strategy for its digital industries released in June 2023, the Ministry of Economy, Trade and Industry said that – amid the rise of generative AI, quantum computing and other game-changing technologies – now is the "last chance" for the nation's industries to realize a digital transformation.

"Being left out from this trend would be an existential matter," the report said.

In recent years, "digital transformation" has been a buzzword, with the use of AI being one of the key aspects.

"But in my view, the progress has been slow in terms of effectively integrating it into daily operations," said Shimpei Miyoshi, partner at PwC Consulting, who is well-versed in data analytics and AI.

One of the reasons for the limited steps forward ahs been Japan's conservative corporate culture, which is risk-averse and engenders caution about new tools such as AI, Miyoshi pointed out.

Before generative AI rose to prominence, AI was only used by a small pool of data scientists and engineers, since its processes and logic were too complicated for people who weren't tech savvy to understand, he said. For instance, even if companies produced sales projections or marketing strategies using AI, decision-makers were doubtful of the results because it was difficult to explain how such conclusions had been reached.

As for generative AI, many firms initially grappled with how to integrate it into their work – or whether to use the chatbot at all – as they were concerned that the new tool might entail some serious risks, including leakage of sensitive information.

Yet the situation appears to be changing.

In a survey conducted by PwC in the spring, 44% of the 238 respondents said they did not know about generative AI at all, and only 10% said they had used it. But another survey from the fall showed just 4% of the 912 respondents did not know what generative AI was, while 73% said they had used it.

What's monumental about generative AI is that its user interface is simple, with many tools including ChatGPT being text-based chatbots that don't require technical skills, such as programming, to use then.

Still, even a Japanese tech powerhouse like NEC was initially cautious, as it was unclear whether generative AI was really a game-changing technology, which would entrail some risks.

"Our employees were wondering whether they could use generative AI for their work and there were quite a lot of discussions," said Toshifumi Yoshizaki, Chief Digital Officer at the company.

Over 20,000 workers have used the generative AI system, helping them to, for example, drastically cut the time it takes to prepare documents and put together minutes of meetings.

NEC has also its generative AI system to beef up cybersecurity by having it analyze the results of cyberthreat examinations and create fake spam emails to train employees.

"The situation has completely has completely changed in just about six months," Yoshizaki said.

Based on a conviction that generative AI will be an essential part of daily business for any company, NEC has developed its own enterprise-focused generative AI system called Cotomi.

Cotomi is better at processing Japanese than some major chatbots developed overseas, the firm claims.

Taking advantage of this Japanese aptitude, NEC plans to produce versions of Cotomi that are tailored toward different industries, such as manufacturing and health care, with the chatbot able to understand sector-specific terms. NEC is aiming for ¥50 billion ($455 million) in sales from its generate AI business over three years.

Still, there is a question of how far companies will push such tools. Many firms tend to take a superficial approach to digitalization, being satisfied with simply promoting paperless or holding meetings online, rather than focusing on a deeper transformation of their business or working style.

In that sense, the accessibility of generative AI – which is used by typing in questions or commands – means that users can grow more confident as they use it and work more

Municipal officials in Yokosuka, Kanagawa Prefecture, use ChatGPT as they work at city hall in June.

efficiently. That is actual digital transformation, Yoshizaki said.

PwC's Miyoshi said that while enhancing the efficiency of existing tasks is critical, business operators should also review the necessity f them, since improving the efficiency of activities with the little value won't actually help boost a company's productivity.

What is important for companies, Miyoshi said, is to seek out the unique opportunities that only generative AI is capable of providing.

Based on conversations with clients, "we think that companies that can drastically improve work efficiency and also find ways to produce value that only generative AI can will be able to grow a lot."

Generative AI is also driving digital transformation in the public sector, which is notorious for antiquated practices and being slow to change. For instance, the use of hanko seals and fax machines drew flak for hampering efforts to minimize bureaucracy during the pandemic.

But there are exceptions: In April, the city of Yokosuka in Kanagawa Prefecture became first municipality to run a trial of ChatGPT for its administrative operations.

"For promotional purposes, we were aiming to become the first local government to use ChatGPT," said Kohei Ota, an official at the city's digital government promotion office.

Yokosuka was not necessarily a laggard in terms of using technology to improve efficiency. For instance, the city is known for having digitalized various administration services, such as the issuing of residence certificates.

The city was able to act quickly on generative AI because it was fairly easy to incorporate ChatGPT's functionality into a chat tool that the city was already using. The city's mayor also saw the potential of generative AI and instructed his officials to consider how ChatGPT could be useful.

The one-month trial targeting the entire city office, which employs about 3,800 officials, turned out to be quite positive. A survey answered by 433 staffers found that about 80% of them thought ChatGPT helped improve efficiency, and 76% said they would like to continue using it.

ChatGPT has become a regular work tool in Yokosuka, with the volume of processed text staying at around 20 million characters a month.

"I often hear from other municipalities that people are really keen to use generative AI tool at first, but many lose motivation after a while," Ota said.

"To be honest, we had expected that the level of usage would decrease, so we have been focusing on keeping officials motivated by publishing newsletters and running training sessions and contests."

Generative AI has also helped Yokosuka ease some time-consuming administrative tasks.

For example, a number of workers at the fire department are unaccustomed to clerical work, so it takes time for them to write documents that are organized and easy to understand. But they have been able to do this more quickly based on drafts ChatGPT produces.

Some city officials have even been asking ChatGPT to suggest new policy ideas, including on how to bolster local tourism, generating possible initiatives that they would not have been able to come up with otherwise.

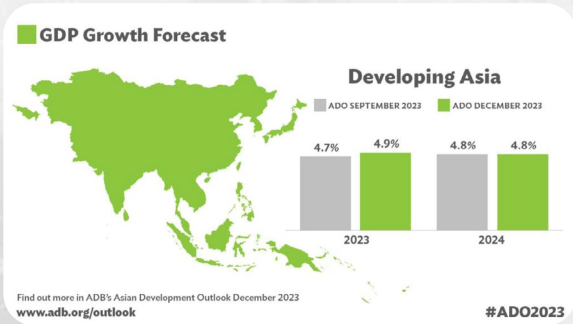
Yokosuka is sharing its experience with ChatGPT and the resulting know-how with other municipalities, with the aim of helping generative AI spread more widely in the public sector.

"There is only so much one municipality can do with its knowledge and know-how, so we want to cooperate with others," Ota said.

"We are hoping that this will eventually lead to promoting digital transformation at local governments nationwide."

Japan Times

Developing Asia's 2023 Growth Outlook Upgraded to 4.9%



The Asian Development Bank (ADB) has raised its economic forecast for developing economies in Asia and the Pacific, after robust domestic demand drove higher-than-expected growth in the People's Republic of China (PRC) and India.

The regional economy is expected to grow 4.9% this year, compared with a previous forecast of 4.7% in September, according to the Asian Development Outlook (ADO) December 2023, released today. The outlook for next year is maintained at 4.8%.

The PRC's economy is projected to expand by 5.2% this year, compared with a previous forecast of 4.9%, after household consumption and public investment boosted growth in the third quarter. The growth outlook for India has been raised to 6.7% from 6.3% following faster-than-expected expansion in July-September, driven by double-digit growth in industry. The upgrades for the PRC and India more than offset a lowering of the forecast for Southeast Asia, caused by lackluster performance in the manufacturing sector.

Special Features

"Developing Asia continues to grow at a robust pace, despite a challenging global environment," said ADB Chief Economist Albert Park. "Inflation in the region is also gradually coming under control. Still, risks remain, from elevated global interest rates to climate events such as El Niño. Governments in Asia and the Pacific need to remain vigilant to ensure that their economies are resilient, and that growth is sustainable."

The region's inflation outlook for this year has been lowered to 3.5% from an earlier projection of 3.6%, according to ADO December 2023. For next year, inflation is expected to edge up to 3.6%, compared with a previous forecast of 3.5%.

The growth outlook for Southeast Asia this year has been lowered to 4.3% from 4.6%, amid weak demand for manufacturing exports. The outlook for economies in the Caucasus and Central Asia has been raised slightly, while projections for Pacific economies are unchanged.

Risks to the outlook include persistently elevated interest rates in the United States and other advanced economies, which could contribute to financial instability in vulnerable economies in the region, especially those with high debt. Potential supply disruptions caused by the El Niño weather pattern or the Russian invasion of Ukraine could also rekindle inflation, particularly regarding food and energy.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.

ADB

Member Personalities

HNB Finance appoints Rajive Dissanayake as Chairman

HNB FINANCE PLC announces the appointment of Rajive Dissanayake as the new Chairman of the company, effective from January 8, 2024. Dissanayake succeeds eminent banker Dilshan Rodrigo, former Chairman and HNB Executive Director/COO, who served the board since 2021.

In his capacity as Chairman, Dissanayake is poised to steer HNB FINANCE through a dynamic landscape, aligning the company with evolving market trends and ensuring sustained growth. His proven track record and expertise are expected to fortify HNB FINANCE'S position in the financial services sector, enhancing its capabilities to meet the diverse needs of its clientele.

As a Non-Independent, Non-Executive Director of the Board of Directors of HNB FINANCE since 2017, Dissanayake has previously chaired the Board Audit Committee and the Board Integrated Risk Management Committee. Currently serving as the Chairman of the Board Strategic and Investment Review Committee, he brings a wealth of experience to the helm.

Dissanayake, who boasts over two decades of experience in banking and capital markets, currently holds the position of Deputy General Manager SME & Micro Finance at Hatton National Bank PLC,. He has previously functioned in the capacities of Chief Financial Officer and Chief Strategy Officer at Hatton National Bank PLC, being an integral part of the corporate management team for over eight years.

In addition to his role at HNB FINANCE, Dissanayake serves as a Director of Acuity Partners (Pvt.) Ltd, Lanka Venture PLC and Lanka Energy Fund PLC. A distinguished professional, he is a CFA Charter holder, Fellow Member of the Chartered Institute of Management Accountants, and a Chartered Global Management Accountant. Dissanayake also holds a Bachelor's Degree in Business Administration from the University of Colombo.

HNB

RCBC executive feted in 'Oscars' of Philippine marketing industry

Rizal Commercial Banking Corporation (RCBC)'s Executive Vice President and Chief Innovations and Inclusion Officer Lito Villanueva was feted with the highly coveted Outstanding Achievement for Marketing Management in the Agora Awards held last January 19, 2024 at Shangri-La The Fort, Manila.

Launched in 1979, the Agora Awards is the Philippine Marketing Association's annual recognition of the marketing prowess of individuals and organizations and their contributions to the development of the marketing profession in the country. Dubbed the "Oscars of Marketing" in the country, it is considered as one of the most prestigious accolades given in the field of marketing in the Philippines.

Villanueva clinched the award after going through a thorough and competitive screening process by a panel of judges that included leading marketing leaders, industry visionaries, and

Member Personalities

past Agora awardees. The RCBC Executive was recognized for exhibiting marketing excellence in developing, launching, and scaling innovative digital solutions such as RCBC Pulz, RCBC Diskartech, and RCBC ATM Go under the RCBC Moneybela Barangayan Banking physical-digital or phygital blended banking experience.

Villanueva is spearheading the bank's massive digital transformation journey as the head of the RCBC Digital Enterprise and Innovations Group. Under his leadership, the digital solutions that he and his team developed were considered among the growth pillars of RCBC's immense growth being the Philippines' fastest-growing bank, leapfrogging from 8th position in 2018 to 5th position in 2022 in the list of the country's largest privately-owned banks in terms of assets.

Villanueva said that the recognition is a testament to the skills, talents, and diligence of RCBC and its people in finding solutions that are not only innovative but relevant to every Filipino, here and abroad.

"Sustainability and inclusion are the main tenets of an organization towards achieving success. RCBC has tirelessly exhibited its ingenuity and never-ending commitment to making the wildest ideas into reality for the betterment of all Filipinos and the country. This is not my achievement alone, I share it with my digital and marketing teams, the whole bank, and its employees, as it is teamwork that has enabled RCBC to continuously reap the fruits of hard work and out-of-the-box thinking. In RCBC, we make things happen, now," said Villanueva.

"The marketing profession is one of the most valuable endeavors that anyone can be involved in. The Agora Awards recognizes the indispensable role that marketers play in making solutions such as digital banking accessible and engaging to every Filipino," added Villanueva.

RCBC emerged as the fastest-growing bank in the country, leapfrogging from eighth position in 2018 to fifth in 2022 in the list of the Philippines' largest privately owned banks in terms of assets. Among its global and local recognitions include a four-peat award as the Philippines' Best Bank for Digital by Asiamoney, the Eye on Innovation Award by Gartner, YouTube Challenger Award for its viral and out-of-the-box digital ad campaigns generating combined views of over 17 million, Grand Champion for Digital Payments and Financial Inclusion by the Bankers Institute of the Philippines, and Number 1 in the Philippine Best Customer Service 2023 survey by the Philippine Daily Inquirer and global research firm Statista.

Business Mirror

Among Member Banks

BEA Becomes First Bank Headquartered in Hong Kong to Join Net-Zero Banking Alliance

The Bank of East Asia, Limited ("BEA") has become the first bank headquartered in Hong Kong to join the Net-Zero Banking Alliance ("NZBA"), an industry-led, UN-convened alliance of banks worldwide, committed to aligning their lending and investment portfolios with net zero emissions by 2050 or sooner, in line with the most ambitious temperature targets set by the Paris Climate Agreement.

With more than 130 members from 45 countries, representing more than 40% of global banking assets, NZBA is a critical step in the mobilisation of the financial sector for climate change mitigation. It recognises the vital role of banks in supporting the global transition of the real economy to net zero emissions, encompassing both operational and attributable emissions.

"BEA has made steady progress over the past two years in terms of aligning our business activities with the goals of the Paris Agreement," said Mr. Brian Li, Co-Chief Executive of BEA and Chairman of BEA's ESG Steering Committee. "In addition to developing net zero roadmaps for our operational and business activities, we have made commitments to be net zero in our operations by 2030 and net zero in our financed activities by 2050."

In 2023, BEA started measuring the emissions of its high carbon-emitting sector portfolios, and this year, the Bank began setting Group targets for these sectors. The first set of reduction targets, for the energy and power sectors, will be disclosed in the BEA Group's 2023 ESG Report. "Having carried out essential groundwork, we are prepared to make stronger net zero commitments. We are delighted to join NZBA, and we look forward to playing our role in the global fight against climate change," Mr. Li added.

As a member of NZBA, BEA is required to set scenario-based 1.5 °C-aligned interim targets for 2030 or sooner for priority sectors, as well as publish the absolute emissions and emissions intensity of those priority sectors and disclose progress against a board-level reviewed transition strategy annually.

BEA

Among Member Banks

SBI launches special fixed deposit (FD) scheme

State Bank of India (SBI), the country's largest Bank has launched a special fixed deposit (FD) scheme. SBI Green Rupee Term Deposit (SGRTD) has been launched to mobilise funds to support environment-friendly initiatives and projects, thereby fostering the growth of a green finance ecosystem in India, as per the release shared by the bank.

"We are happy to launch the SBI Green Rupee Term Deposit Scheme, a testament to our commitment to sustainable finance. By offering this innovative product, we stride towards fulfilling the ambitious goal of the Government of India of making our nation net carbon zero by 2070, fostering a greener and environmentally responsible financial future for all," said Dinesh Khara, Chairman, SBI.

Here are ten things to know about SBI Green Rupee Term Deposit (SGRTD): 1) Eligibility, 2) Tenors, 3) How to invest? 4) Interest rate for retail deposits, 5) Interest rate for bulk deposits, 6) Additional benefit for senior citizens, 7) Pre-mature withdrawal, 8) Maturity instructions, 9) Loan facility, and 10) TDS.

Mint

Mizuho eyes U.S. deal to power private markets growth

Mizuho Financial Group plans to dramatically ramp up its expansion into private markets to tap growing demand from Japanese institutional investors, an echo of the boom that unfolded in the U.S. two decades ago, according to a top executive.

The lender's $460 billion (¥68.1 trillion) money-management arm is considering buying a stake in a U.S. or European firm specializing in alternative investments, Noriyuki Sato, the head of asset management at Japan's third-largest bank, said in an interview. The company aims to boost alternative assets under management fivefold to ¥20 trillion in less than 10 years, he said.

"Demand is really great," Sato said, pointing to Japanese pension funds and regional banks. "It's very similar to a situation in the U.S. around 2005, when money flooded into alternative assets."

Japan's financial giants are looking toward the U.S. as they blind out business lines to make better use of their vast balance sheets and relationships with institutional investors in their home country. In 2023, Mizuho acquired New York based investment bank Greenhill in a $550 million deal to offer more advice on global mergers.

Mizuho is already one of Asia's biggest money managers, according to Thinking Ahead Institute, a trade body representing asset owners. But globally it's still overshadowed by powerhouses such as BlackRock and Apollo Global Management.

The focus on alternatives is part of a broader plan to increase total assets under management to $1 trillion in eight years, Sato said. Much of the firm's asset-management business is housed in Asset Management One, a joint venture with insurer Dai-ichi Life Holdings.

Private markets can offer a cushion to institutional investors when inflation investors when inflation and interest rates surge, as they did in recent years, sending prices on stocks and bonds swinging.

Mizuho would rather acquire or team up with companies specialized in private equity and private debt than poaching individual fund managements, Sato said.

The firm is prepared to pay up if it sees the right opportunity in private markets, he said. After all, many firms are targeting that sector – and private credit in particular.

"Private debt houses in the U.S. are in a growth phase, so they are expensive," Sato said. "Still, there are cases in which their valuations can be justified."

In recent weeks, Japan's major banks have rushed to announce growth plans for asset management, responding to the government's campaign to drum up public interest in investment in financial products.

As part of his economic revival plans, Prime Minister Fumio Kishida pitched the industry as a key conduit to mobilize roughly $14.5 trillion in household assets into investments that can fuel the country's productivity and innovation.

Sato predicts companies and households are indeed likely to change longstanding behaviors as deflation coms to an end, as inflation threatens to diminish the value of their cash holdings.

In addition to new client money flow, he expects a surge in Japanese stocks and other asset prices to boost the assets Mizuho manages for customers.

While index funds are a popular vehicle to attract Japanese retail investors, Mizuho aims to build out actively managed funds as a way to differentiate from rivals, Sato said. The bank is readying to offer more interest rate-related investment products given a return of investor appetite for them as the central bank is set to normalize monetary policy, he said.

Japan also las behind in compensation for fund mangers, he said. That's a longstanding issue in a country where an egalitarian workplace culture makes it difficult to lavish rewards on top performers.

Japan Times

MUFG Support for Earthquake Relief in Hokuriku, Japan

MUFG extends its deepest sympathy to all those affected by the recent Noto Peninsula Earthquake.

As a joint effort with five MUFG Group companies (MUFG Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Securities Holdings Co., Ltd., Mitsubishi UFJ NICOS Co., Ltd., and ACOM CO., LTD.), MUFG will donate a total of 50 million yen to support relief efforts.

MUFG sincerely wishes for the earliest possible recovery and reconstruction of the affected areas.

MUFG

Among Member Banks

Jefferies and SMBC Expand and Strengthen Strategic Alliance, Broadening Joint Business Efforts Across EMEA

Jefferies Financial Group, Inc. ("Jefferies") and Sumitomo Mitsui Financial Group, Inc. ("SMFG") group companies including Sumitomo Mitsui Banking Corporation ("SMBC") and others (collectively, "SMBC Group") announced today that they have signed a memorandum of understanding to further expand their global strategic alliance to now include enhanced collaboration across Europe, the Middle East and Africa ("EMEA") on future corporate and investment banking business opportunities.

In support of the initial strategic alliance in 2021, SMBC provided $2.25 billion in financing to Jefferies and purchased approximately 4.5% of the issued and outstanding common shares of Jefferies. In April 2023 the alliance was further bolstered by SMBC announcing its intention to raise its economic ownership to up to 15% on an as converted and fully diluted basis, which if effected would result in SMBC becoming one of Jefferies' most significant shareholders.

The Jefferies-SMBC strategic alliance commenced in 2021 in the U.S. and Japan and was significantly expanded in the U.S. in 2023, broadening the scope of collaboration in M&A advisory services, increasing collaboration across the firms' equities and debt capital markets businesses, and launching a joint coverage model for designated investment grade clients. The alliance has now been further extended to formally cover EMEA in these business areas. Jefferies and SMBC have already been collaborating to deliver client solutions for over two years and this latest step enhances the alliance across EMEA. The extended arrangement will benefit clients through the collective global insights and capabilities delivered from the comprehensive corporate and investment banking product and advisory platform offered by the two firms.

SMBC

Maybank offers Flood Relief Assistance to affected customers nationwide

Maybank announced that it is offering Flood Relief Assistance to individuals, SMEs and other non-retail customers affected by floods arising from heavy rainfall recently. The relief assistance is aimed at easing the financial burden of Maybank customers impacted by the floods.

The Flood Relief Assistance is designed to address the challenges the flood victims are facing and will include, amongst others, deferment of financing/loan repayment, a reduction in monthly instalment or extension of repayment tenure.

All applications will be evaluated on a case-by-case basis.

Additionally, the Bank is also offering waiver of fees and charges for selected services, such as replacement of debit cards, ATM cards or cheque books lost or damaged during the floods.

Maybank

PNB donates computers to students of Cavite State University

Aligned with its thrust in corporate social responsibility to help students gain access to a quality learning environment, Philippine National Bank (PNB) turned over computer units to Cavite State University on December 1, 2023.

The activity was led by PNB President Florido Casuela, Information Technology Group (ITG) Head and FSVP Michael Morallos, and Special Assistant to the President and CEO on IT Matters SVP Constantino Yap. A total of 10 repurposed desktop computers and two laptops were donated by the Bank to the beneficiary school.

Since 2019, PNB has been donating repurposed computers to non-governmental organizations (NGOs) and public schools. By advocating the reuse of computers, the Bank continuously sustains its environmental, social, and educational programs.

"Our role as responsible corporate citizen is to help uplift our communities," Casuela said. "Providing quality education is a structural foundation for building a nation's future. This donation will help in Cavite State University's transformative efforts in providing additional computing devices for students as they navigate a world that is increasingly reliant on technology."

For his part, Morallos said that this is PNB's way of ensuring that its resources are efficiently used and managed as part of its commitment to the environment. "ITG is one with PNB in ensuring that we reduce our environmental footprint to help protect the planet and to be good stewards of the Bank's resources."

Yap enthused that he has been supportive of PNB ITG's corporate social responsibility projects since 2015, which aligns with President Casuela's mission, "Think as One, Do as One" or "TODO".

During the ceremony, Cavite State University's Department of Information Technology Head Professor Alma Defiesta expressed her gratitude for the Bank's support and shared a quote from an educator, Jerry Blumengarten – "Technology gives the quietest student a voice." She added that nowadays digital technology supports online teaching and learning. "We can't deny that we live in a competitive world where we have to make sure we do not fall behind. It is essential that we stay up-to-date," said Prof. Defiesta.

As part of its sustainability agenda, PNB remains committed to helping its communities and protecting the environment through significant initiatives that imbibe responsible corporate citizenship.

PNB

Among Member Banks

RCBC raises $400 million from sustainability bonds

Yuchengco-led Rizal Commercial Banking Corporation (RCBC) marked a successful return to the U.S. dollar debt markets, raising $400 million after the pricing of its 5-year Senior Unsecured Fixed Rate Sustainability Bonds.

In a disclosure to the Philippine Stock Exchange, the bank said the sustainability bond issuance will be via a drawdown under its $3-billion Medium Term Note Program.

The Notes, rated Baa3 by Moody's, will be issued at 99.543 with a coupon of 5.500 percent per annum and a maturity date of January 18, 2029. The Notes will be issued under the Sustainable Finance Framework of RCBC.

Manila Bulletin

Doha Bank Sponsors the Doha International Equestrian Tour 2024

Doha Bank is proud to announce its sponsorship of the Doha International Equestrian Tour 2024, hosted by the Qatar Equestrian Federation at Al Shaqab. This prestigious event will unfold over four weeks, commencing from January 11 and concluding on February 17, 2024, showcasing the skills of riders from around the globe.

The tour features show jumping competitions across four categories, expected to draw a diverse audience of equestrian enthusiasts from both inside and outside Qatar.

In an official statement, Doha Bank emphasised the significance of the tour, themed "Where Nobility Meets History." The bank applauded the event as a manifestation of the profound connection between Qatar's ancient equestrian heritage and its well-established traditions. It also highlighted Qatar's global and regional prominence in organising international courses, tours, and events across various sports.

Sheikh Abdulrahman bin Fahad Al Thani, the Group CEO, underscored the importance of supporting and preserving the heritage and national identity of Qatar through initiatives like sponsoring the Doha Tour. This sponsorship aligns with Doha Bank's broader commitment to social responsibility, demonstrating the bank's dedication to contributing to sporting and social events, as well as promoting environmental preservation.

Yousef Abdulla Almeer, Doha Bank's Director of Strategy and Marketing, expressed the bank's pride during the press conference dedicated to the tour. He conveyed hopes for the competition's success, anticipating a high level of performance and widespread attendance of equestrian enthusiasts from both Qatar and beyond. Almeer extended his best wishes for success to the riders from the State of Qatar, known for their consistently remarkable and honourable performances.

Doha Bank

DBS/POSB extends weekly hawker meal subsidies for another six months amid rising costs

DBS/POSB is extending its year-long 5 million Hawker Meals initiative for another six months till 26 July 2024, subsidising a total of 7.5 million hawker meals over 18 months. Singaporeans and residents can continue to enjoy cashback of up to SGD 3 when they are among the first 100,000 to use the PayLah! app to scan and pay for their meals every Friday at over 11,600 hawker stalls with SGQR codes island-wide.

Mr Han Kwee Juan, Acting Chief Information Officer and Singapore Country Head at DBS, said: "We're heartened that the weekly hawker meal subsidies have made a positive impact on our customers and hawkers over the past year. While we do see cautious signs of recovery on the horizon for 2024, we're aware that ongoing economic uncertainties and inflation continue to be a concern for many. Our hope is that the subsidies will continue to provide some relief to those looking to better manage their everyday expenses and support our hawkers."

Anchored in DBS/POSB's commitment to give back to the community, the weekly hawker meal subsidies were first launched in February 2023 as part of the bank's suite of support measures for customers amid rising everyday expenses. To intensify support for the low-income and underserved, the bank also announced last August that it is committing up to SGD 100 million per year over the next 10 years to improve their lives and livelihoods, and foster a more inclusive society.

Close to five million hawker meal subsidies have been redeemed so far. Among those who redeemed the subsidies, 33% are senior citizens and/or earning less than SGD 2,500 a month.

The extension of hawker meal subsidies is the latest in a series of community efforts by the bank. Recent initiatives include DBS Foundation's strategic partnerships with SG Enable (SGE) and the Ministry of Social and Family Development (MSF) to improve the lives and livelihoods of persons with disabilities and lower-income families respectively, and equip them with the support, know-how and opportunities to face the future with greater confidence.

DBS

Among Member Banks

Bank of Taiwan Wins the "National Sustainable Development Awards"

Bank of Taiwan (BOT)'s proactive efforts in materializing sustainability have earned the recognition of numerous domestic and international awards. On November 30, 2023, BOT won the "National Sustainable Development Awards" from the National Council for Sustainable Development.

According to BOT, participating in the national award for the first time and winning it serves as a testament to Chairman Lyu's words "Keep on doing the good things and the right things, and one will achieve optimal results." In addition to endowing colleagues with honor, the bank also strives to fulfill its commitments to sustainable development through the three major sustainability strategies of "We care for the people", "We strengthen the resilience for the society" and "We drive for the net-zero future".

As global climate change intensifies, the topics of ESG, sustainability, and net zero have become a worldwide concern. BOT not only proclaims its resolution in keeping abreast of international trends in realizing corporate sustainability by signing the Equator Principles (EP) and Task Force on Climate-Related Financial Disclosures (TCFD), but also endeavors to lower carbon emissions through environmental management, GHG reduction, green procurement, and green buildings in a bid to contribute to environmental sustainability. Furthermore, BOT is dedicated to building a comprehensive human resources management system and creating a happy, harmonious workplace that offers a sense of mission and cohesion. BOT engages in the restoration of historical buildings by integrating local culture to grow with the communities. BOT also vigorously gives back to society by taking action to engender positive influence on society.

Looking ahead, BOT will continue to reduce the environmental impact of its operations and the finance sector by taking action, thereby becoming a promoter of sustainability to help Taiwan achieve the net zero target by 2050. Additionally, the bank will strive to enhance the resilience of its assets to become the bedrock of the government and industry, as well as stabilize financial development. Meanwhile, BOT will care about the welfare of customers, employees, and the general public, and proactively realize its corporate social responsibilities and social engagement to generate more warm, positive energy.

Bank of Taiwan

Cathay United Bank business repositioning targeting consumer finance in Vietnam

Cathay United Bank announced the enlargement of its consumer finance segmentation, identifying Vietnam as its second home due to the country's growing significance in the worldwide supply chain.

Benny Miao, Executive Vice President, Head of Southeast Asia Region, Cathay United Bank (CUB), unveiled the strategic business repositioning at the Jan. 4 event.

Digital infrastructure, digital services, and talent preservation and growth comprise the three pillars of CUB's repositioning strategy in Vietnam. The objective of the first pillar of CUB is to enhance and stabilize digital systems and data infrastructure.

By means of digital services, CUB establishes a stable and long-lasting partnership with the second pillar, thereby enhancing the quality of service provided to consumers. In conclusion, human resources are a critical component of CUB's operations in every market. Particular emphasis is placed by the bank on identifying, developing, and training local talent.

After 18 years of operation in Vietnam, CUB expands its service offering to include financial solutions for personal customers as the initial stage in implementing this strategy. In the past, Cathay United Bank was engaged in a variety of activities, including trade finance, cash administration, and international payments...

The bank underwent a significant change as a result of the scale expansion, which aimed to provide diverse financial solutions and comprehensive banking services to numerous market segments.

Corporate finance remains the bank's core activity, which consists of supplying capital to Taiwanese investors and facilitating the participation of local clients in international finance.

CUB is dedicated to supporting engagement in local community development via a range of initiatives, with a particular emphasis on educational support for students and future generations, in addition to its financial services commitments.

Furthermore, the bank implemented a new workspace in Ho Chi Minh City featuring an open layout and employing over 120 individuals from across the nation.

Leaders of the CUB are optimistic about the repositioning strategy because the organization has a digital consumer finance infrastructure and system that has been developed over the course of 50 years across 233 branches and offices worldwide.

Cathay Financial Holdings developed the first Cathay Development Center (CDC) in Southeast Asia in Vietnam, which supports Cathay's Southeast Asian offices and subsidiaries. In terms of future strategy, CUB will develop digital services to support user convenience.

In a market ripe with potential, encompassing a population about to exceed 100 million and rapidly expanding internet penetration, CUB aims to position itself as a versatile digital technology bank, dedicated to delivering optimal products and experiences to end-users in Vietnam.

"Vietnam is Cathay United Bank's second home. As a universal bank, we endeavor to offer a wide range of comprehensive products and services," Lu Wei Chieh, General Manager of CUB HCMC Branch, stated.

To strengthen its commitment to Vietnam's markets and communities, CUB has been implementing the Elevated Tree Program in Vietnam alongside its own in Taiwan to provide assistance and care for disadvantaged students.

Simultaneously, CUB is also supporting college graduates to pursue a master's degree in Taiwan, where they will be offered employment after graduating and returning home to Vietnam. These efforts create a sustainable cycle of positivity, where students can utilize their acquired expertise and experience in Taiwan to serve their communities back home.

VN Express

Among Member Banks

Land Bank's Digital Finance Wins Interbank Service Innovation Award and Special Contribution Award

Land Bank's dedicated efforts in promoting TWQR (Taiwan Pay Common QR Code Payment Specification) has received wide recognition from the public. At the "2023 Conference on Financial Information Systems", the Bank was honored with the "Interbank Service Innovation Award" and "Special Contribution Award" in the E-payment Flow Business Category by Financial Information Co., Ltd. (FISC).

Land Bank has been promoting Taiwan Pay at its 150 branches and headquarters with the FISC for some time. Taiwan Pay can be used to pay for daily consumption, transportation, and utility bills. This year, the promotion of TWQR kick started by effectively integrating various QR Code payments in the market. Furthermore, in response to the post release duty payment measure initiated by the Ministry of Finance the Bank has been actively promoting "E-Import Duty Guarantee" in order to abolish paper guarantees. This will help customs carry out investigations and provide convenient services to the public with smart technology, and institutionalize security and transparency. For our long-term efforts, we were honored with the "2023 Interbank Service Innovation Award" by the FISC.

In addition, on par with the government's universal cash payment policy in April this year, we also launched the "Withdraw $6,000 for a chance to win 60,000 points (equivalent to NT$6000)" and "deposit NT$6,000 to enjoy a high interest rate" promotions to boost the benefits of the policy. This has won the Bank the "2023 Special Contribution Award" from the FISC.

Land Bank of Taiwan

Bangkok Bank launches 20-billion-baht Bualuang Transformation Loan program to support SMEs

Bangkok Bank President Chartsiri Sophonpanich said that the economy and business environment are changing rapidly and continuously which is a result of digitalization, regionalization, and urbanization. Bangkok Bank recognizes the need to help customers adapt to various changes as the Bank's strategy is to support the Thai business sector to be more competitive and ready to expand business in foreign markets to benefit from being part of the global supply chain. In this regard, the Bank has launched the Bualuang Transformation Loan program with a total credit line of 20 billion baht with a fixed interest rate of 5% per year and a repayment term of up to five years to assist two groups of SME customers: a group that continues to be impacted by issues that emerged during the Covid-19 pandemic and requires continuous assistance to help their businesses thrive again, and a group that needs funds to invest in transforming their business to cope with digital transformation, transitioning to the Next Normal, technology changes, higher energy prices, and other disruptive factors, so that they can increase their competitiveness and create long-term sustainable growth.

"Bangkok Bank places great emphasis on taking care of all customer groups as a trusted partner and reliable friend who stays close to them so that we can get through this crisis together. Bualuang Transformation Loan is a special loan program to provide assistance to SME customers in addition to our existing loan assistance programs. For the group that needs to get the loan to recover their business, the Bank is not only offering loans, but also continuing to closely monitor and evaluate the situation and provide advice to customers accordingly. Another group is SME customers who need to adjust their business to the current situation and the various opportunities it provides. For this group, we will focus on supporting investment to improve or procure machinery, equipment and tools, as well as systems and processes, in three key areas of business transformation: digital technology, green business, and innovation. This will help enhance their business potential by increasing their competitiveness and ability to deliver sustainable growth."

Mr. Chartsiri said: "Amid this global economic volatility, Bangkok Bank is ready to take action to support customers to overcome challenges and difficulties together. If the situation changes and our customers require further support for other reasons, we will consider providing assistance in addition to this special loan program."

Bangkok Bank

Vietcombank leads the top 10 best banks in 2024

Vietcombank continues to lead the ranking of the top 10 best banks in 2024 (Decision Lab Best Bank Rankings 2024) announced by Decision Lab.

Decision Lab Best Bank Rankings 2024 is based on more than 18,000 interviews with Vietnamese consumers, collected daily from YouGov's online survey community in Vietnam, through YouGov BrandIndex brand health monitoring solution.

Despite a turbulent year in the financial industry, banks' brand health index has still improved. Regarding this index, Vietcombank increased by 3.8 points compared to the previous year. This year's results confirm the important role of brand health, a comprehensive index that reflects consumer trust and satisfaction.

Through the Ranking, it can be seen that, amid market fluctuations, consumers tend to look for reputable banks that have been proven over many years.

From there, it shows that Vietcombank continues to be firmly in the No. 1 position, a strong national brand and trusted by customers no matter how challenging the market is, creating a solid stepping stone for the development of the bank.

Tap Chi Tai Chinh

Among Member Banks

Agribank on the journey towards ESG and sustainable development

Agribank is implementing many practical action programs to implement ESG synchronously and effectively from the Board of Directors to each employee, creating great momentum, contributing to protecting the environment, combating climate change, and towards sustainable development.

In the past few years, Vietnam has always proactively and actively implemented many activities according to international commitments and agreements to respond to climate change, towards sustainable development. In particular, at the 26th, 27th and 28th UN Climate Change Conferences, Vietnam reaffirmed its strong commitment to the net zero emissions target by 2050.

In order to implement the guidelines, policies and orientations of the Government and the State Bank of Vietnam on green banking development as well as towards international standards on sustainable development, Agribank is implementing many practical action programs to implement ESG synchronously and effectively from the Board of Directors to each employee, creating great momentum, contributing to protecting the environment, combating climate change, towards sustainable development.

Determining to implement ESG on all three pillars of Environment, Society and Governance, Agribank is implementing specific solutions for ESG implementation, including: the establishment of a Steering Committee and an ESG Implementation Support Team consisting of senior personnel and a professional team to conduct research and implement synchronous and effective ESG management practices in all aspects of Agribank's operations; integration of environmental and social risk management in Agribank's business activities and general risk management program as per roadmap; not granting new loans or restricting credit for projects, production, business and service plans belonging to industries and business lines in Agribank's list of industries and business lines excluded or limited in granting credit; strengthening communication, training, and education to spread the idea of sustainable development in the entire Agribank system from the Board of Directors to each employee, and actively communicating to customers about ESG awareness and sustainable development; promoting the implementation of financial inclusion, digital transformation, and sustainable product and service development; good implementation of gender equality work, activities of social security and for the community.

From the above specific steps, Agribank has achieved preliminary results in the journey of implementing ESG and towards sustainable development.

Agribank

Banking and Finance Newsbriefs

Hong Kong

Hong Kong's banks set road map to phase out paper payment in their embrace of e-payments

The use of cheques in the city could end as the Hong Kong Association of Banks (HKAB) works out a road map this year to phase it out amid an irreversible shift to electronic payments.

Electronic payment methods have taken off, said Luanne Lim, chairwoman of HKAB, pointing to PayMe, Faster Payment System (FPS) and e-wallets such as Alipay and WeChat Pay.

"It is time to consult the industry and develop a transition road map for the demise of the cheque," said Lim in her first media briefing after taking over the role at HKAB in January 2024.

Three years of Covid has pushed the public towards digital payments, leading to a decline in the use of cheques, said Lim, who is also the Hong Kong CEO of HSBC. The HKAB's chairmanship is rotated annually between the bosses of HSBC, Standard Chartered and Bank of China (Hong Kong), the three note-issuing banks in the city.

Lim said it had not yet been decided if the payment method would be totally phased out. The issue will be discussed by a task force set up by the HKAB to explore various possibilities and options to work out a road map to encourage cheque users to shift to digital payments.

There are concerns about what options would be available to cheque users, she said.

Cheque transactions in Hong Kong shrank to HK$488.6bil (RM295.48bil or US$62.5bil) in December, a decline of 13% year on year, according to data from Hong Kong Interbank Clearing.

Lim said the HKAB this year will organise visits to South-East Asian countries to build connections and explore new opportunities, with the first trip to Thailand at the end of this month.

As the macro economy continues to be full of uncertainties, it is imperative to promote Hong Kong and build relationships in overseas markets, she said.

The HKAB will explore opportunities in the Middle East after signing a cooperation agreement with the United Arab Emirates in December.

Anti-fraud, talent training, and fintech development are on the HKAB's development agenda this year, Lim said.

The Star

Banking and Finance Newsbriefs

India

Indian banking system is well-placed to support India's growth story: RBI Governor

The Indian banking system is well-placed to support India's growth story in the years ahead, RBI Governor Shaktikanta Das said.

The governor noted that RBI took a series of initiatives on the regulatory and supervisory fronts during the last five years, while banks themselves, to their credit, responded to the challenges by strengthening their internal defence mechanisms.

"As a result of these concerted efforts, there has been a gradual and consistent turnaround in the Indian banking system despite multitude of headwinds emanating from Covid-19, geopolitical conflicts and sharp monetary policy tightening in almost every country in the world," Das said at a BFSI summit hosted by a publishing house.

The governor emphasised that all key indicators of scheduled commercial banks (SCBs), namely, capital adequacy, asset quality and profitability have shown improvement in the last four years.

The capital adequacy of banks has increased by 181 basis points (bps) from 14.8 per cent as on March 31, 2020 to 16.6 per cent as on September 30, 2023. The asset quality has also steadily improved with gross non-performing assets decreasing from 8.3 per cent to 3.3 per cent and the provisioning coverage ratio increasing from 81.2 per cent to 91.9 per cent during the same period.

The profitability, as reflected in the Return on Assets and Return on Equity, too, has shown an increase of 119 bps and 1131 bps, respectively. The liquidity coverage ratio (LCR) of SCBs was comfortable at 135.4, much above the minimum stipulation of 100.

"The credit growth has now become broad-based and backed by the strong fundamentals of the financial institutions. The financial indicators of non-banking financial companies are also in line with that of the banking system as per the latest available data. On the whole, India's banking sector has emerged stronger from the unprecedented challenges of the recent years," Das said.

The governor underscored that data on private equity flows into the digital lending space after the issuance of guidelines on digital lending (issued in September 2022) and on First Loss Default Guarantee (FLDG) (issued in June 2023) demonstrates the faith of investors on the Indian digital lending story and the belief that, going forward, digital lending under the regulatory gaze of the Reserve Bank will spur the fintech sector even more.

The aforementioned guidelines cover prudential concerns and other salient facets of outsourcing, business conduct, data privacy and digital lending operation.

"The regulatory objective was to rein in the negative externalities while retaining the salutary effects of innovative digital business models," Das said.

Das observed that post pandemic, digital lending has seen an exponential rise in various emerging economies, including India. There has been an increase in scale and velocity of digital credit.

"At the same time, it has raised a host of business conduct issues. Consequently, various regulatory dilemmas have emerged wherein a balanced approach had to be taken.

"It was necessary to weigh the customer benefits brought in by innovative business models of fintech on one side and the emerging business conduct and regulatory concerns on the other," the governor said.

The Hindu Business

Japan

OECD urges BOJ to gradually raise interest rates

The Bank of Japan should gradually raise short-term interest rates and make its bond yield control policy more flexible, if inflation stays around its 2% target and is accompanied by sustained wage growth, the OECD said.

While the BOJ made tweaks to yield curve control (YCC) in 2023 to loosen its tight grip on long-term interest rates, markets could challenge the policy again if inflation remains above its 2% target and global yields go up, it said.

The central bank should thus continue efforts to make YCC more flexible, such as by raising the 10-year bond target or moving to a short-term yield target, the OECD said

The BOJ should also gradually raise short-term rates from early 2024 if inflation stays around its 2% target, wage growth accelerates and the output gap closes, the OECD said in its 2024 report on Japan.

"Japan is at a turning point, with inflation more likely to settle durably around the 2% inflation target than at any time since its inception," the report said on the prospects for achieving the BOJ's price target that was introduced in 2013.

"Greater flexibility in the conduct of yield curve control and a gradual modest increase in the short-term policy interest rate are warranted, based on projections of sustained inflation and wage dynamic," it said.

With inflation having exceeded 2% for well over a year, many market players expect the BOJ to pull short-term interest rates out of negative territory in 2024 in a historic shift away from its prolonged ultraloose monetary policy.

Any such move would follow steps the BOJ took in 2023 to phase out YCC, a policy that sets a 0% target for the 10-year government bond yield, such as by watering down a rigid 1% cap set for the yield to a loose reference.

BOJ Gov. Kazuo Ueda has stressed the bank's resolve to keep ultra-loose policy settings intact until sustained achievement of 2% inflation, accompanied by durable wage rises, comes into sight.

OECD Secretary-General Mathias Cormann said it was understandable that the BOJ would be keen to gather as much data as possible in judging whether Japan is ready for higher rates.

But he said the OECD was "perhaps more optimistic that inflation will more durably settle around 2%, even though the pace of price growth will likely slow somewhat in 2024.

"Monetary policy can gradually and modestly begin tightening," he said during a news conference.

The OECD warned that uncertainty around Japan's inflation outlook was "exceptionally large." While a slowdown in the global economy could weigh on wages, a tighter labor market could lead to higher-than-projected wage growth, it said.

"In this context, the key challenge facing the BOJ is how to durably achieve its inflation target without significantly overshooting" it's inflation target, while safeguarding financial stability, the report said.

In the event of a rate hike by the BOJ, policymakers must be vigilant to potential spillovers on domestic and global financial stability, the OECD said.

"Communicating the current and future monetary stance clearly and in a timely manner is also key," it added.

Japan Times

Singapore

Singapore banks to improve anti-scam money lock features; activated on 38,000 accounts so far

Singapore banks will continue to improve on the design of their money-locking features over the coming months, said the director of the Association of Banks in Singapore (ABS) on Friday, Jan 12.

DBS, Southeast Asia's largest lender, said that customers will soon no longer have to set up a new bank account to lock up their funds - a move introduced in November as a safeguard against scams.

Currently, DBS and UOB customers have to set up new accounts to use the banks' money-locking features. OCBC customers do not have to set up a new account.

In response to CNA's queries, ABS director Ong-Ang Ai Boon said there has been "growing interest and adoption" of the money-locking features.

"While the money lock approach taken by various banks varies, they share a similar objective of protecting customers from scams by adding a layer of safeguard should their digital access to bank accounts be compromised," she added.

"Banks will continue to iterate and improve on the design of the money lock over the coming months, based on customer feedback."

The money-locking features have been activated on about 38,000 accounts, with more than S$3.2 billion (US$2.4 billion) of savings set aside, said Deputy Prime Minister Lawrence Wong on January 10 in a written answer to a parliamentary question.

CNA

Taiwan

Taiwan central bank seeks to reassure markets as currency slides

Taiwan's central bank has issued rare statements reassuring investors following a sharp devaluation of the New Taiwan Dollar since the start of the year.

The central bank posted a statement on Facebook on January 17 and said remarks made by U.S. central bank officials have impacted the world's currencies, and said the Taiwan dollar had weakened as a result. The New Taiwan Dollar has depreciated by 2.7% against the U.S. Dollar since Jan. 1, per CNA.

The bank said the U.S. announcement would not cut interest rates as expected, causing the U.S. dollar to appreciate sharply, and devaluing Taiwan's currency. The bank also said that international tensions were affecting the value of Taiwan's currency.

It said that incidents in the Middle East involving Houthi Rebels bombing of a U.S. container ship had also affected the global economy and increased inflation concerns.

Taiwan has also experienced large capital outflows in recent days. On January 17, foreign investors withdrew NT$78.2 billion (US$2.48 billion) from Taiwan's stock market, marking the third largest stock selloff ever in a single day.

The central bank also sought to calm market concerns on January 16 and said that Japanese, Korean, and Thai currencies have all depreciated more than Taiwan's against the U.S. dollar this year.

Taiwan News

Banking and Finance Newsbriefs

Thailand

Thai Prime Minister requests regular meetings with central bank governor

Thai Prime Minister Srettha Thavisin has put forward the suggestion of holding weekly meetings with Bank of Thailand Governor Sethaput Suthiwartnarueput. This proposal comes after the two of them met at Government House to discuss various economic aspects including the general economic situation, inflation, interest rates, and the "digital wallet" scheme.

The prime minister expressed disagreement with the central bank's decision to increase the policy rate, citing a contrast with the steady decline in inflation. The central bank's Monetary Policy Committee had unexpectedly raised the policy rate to 2.50% in September 2023, which was reconfirmed in November.

The prime minister stated that the meeting helped in increasing understanding of each other's roles. He emphasized that he did not intervene in the central bank's affairs or issue any orders to the governor. He also expressed the desire to have more regular meetings, possibly on a weekly basis, with the central bank governor to avoid any criticism of pressure application.

Thailand Business News

Vietnam

2023 a fruitful year for large banks, mixed for others in Vietnam

Despite the economic downturn, large banks have announced excellent results for 2023 and met all the targets they set for themselves.

BIDV's total assets as of December 31 were worth VNĐ2.26 quadrillion, the highest in the industry.

Its deposits grew by 16.5 per cent to VNĐ1.89 quadrillion, and loans outstanding by 16.66 per cent to VNĐ1.75 quadrillion.

The bad debts ratio was well under control at 1.1 per cent.

The consolidated pre-tax profit grew by 18.8 per cent to VNĐ27.4 trillion.

Agribank also said its total assets exceeded the VNĐ2 quadrillion mark.

Its deposits exceeded VNĐ1.88 quadrillion and loans outstanding were more than VNĐ1.55 quadrillion.

Pre-tax profits are expected to grow by 14.5-15 per cent and all safety ratios fall within the State Bank of Vietnam (SBV)'s mandatory threshold.

Đỗ Thanh Sơn, deputy general director of VietinBank, said the lender's total assets are worth more than VNĐ2 quadrillion, a 12.5 per cent increase.

Its deposits were up 13.7 per cent at VNĐ1.5 quadrillion, and were in line with credit growth to ensure excellent liquidity ratios.

VietinBank's non-interest income also grew and credit quality improved with a bad debt ratio of only 1.15 per cent and high bad debt provisioning of 160 per cent.

Vietcombank, without announcing profit figures, said it has achieved its targets. It had announced a target of a 15 per cent rise in pre-tax profits, and if it indeed achieved it, its profit should be nearly VNĐ43 trillion.

General director Nguyễn Thanh Tùng said deposits had risen by 12.1 per cent to VNĐ1.41 quadrillion, and loans outstanding by 10.6 per cent to VNĐ1.27 quadrillion.

Vietcombank Securities Company forecast a profit growth of around 10 per cent for the banking industry in 2024, but expected a divergence in the performance, saying large banks would see growth but some small ones would continue to see a fall, even have negative growth.

Lending interest rates would continue to decline as banks have to compete to attract quality customers, which would impact profit margins in 2024, it said.

Industry insiders said though banks achieved their targets in 2023, they continue to face many challenges.

Sơn said unpredictable market developments have been making it difficult for VietinBank to control asset quality, recover bad debts and handle risks.

Business activities are shrinking due to a decrease in demand in key markets such as the US and Europe, and so there is a decline in demand for funds.

Though demand deposits increased in the last few months, they remain at a low level, which is putting pressure on capital costs and banks' efforts to reduce lending interest rates.

Vietnam News

Publications

Managing Digital Risks: A Primer

This publication analyzes the risks of digital transformation and shows how context-aware and integrated risk management can advance the digitally resilient development projects needed to build a more sustainable and equitable future.

The publication outlines ADB's digital risk assessment tools, looks at the role of development partners, and considers issues including cybersecurity, third-party digital risk management, and the ethical risks of artificial intelligence. Explaining why many digital transformations fall short, it shows why digital risk management is an evolutionary process that involves anticipating risk, safeguarding operations, and bridging gaps to better integrate digital technology into development programs.

Publication Details: [ADB]

Asian Development Outlook (ADO) December 2023: Growth Upbeat, Price Pressures Easing

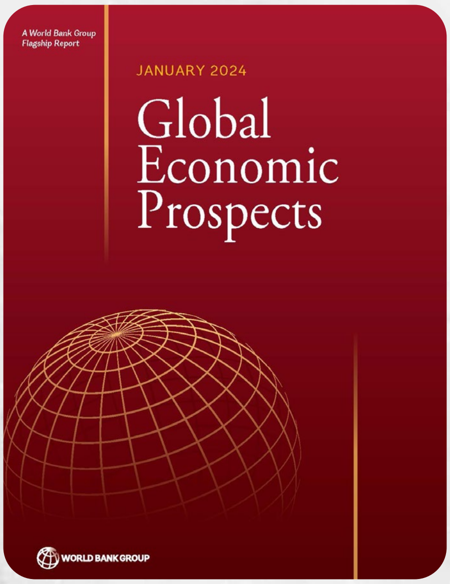
Developing Asia's outlook remains upbeat despite global challenges. The 2023 growth forecast is revised up from September's projection, to 4.9% from 4.7%, on robust domestic demand. The 2024 forecast is maintained at 4.8%.

Healthy domestic demand, strong remittances, and recovering tourism are underpinning economic activity, which continued to expand even as inflation moderated. These drivers offset the drag from a worsening export performance and the lagged effects of monetary policy tightening, and they are expected to continue fostering growth in the region in 2024. Downside risks are mainly associated with higher-for-longer interest rates in advanced economies. Possible supply disruptions from El Niño and the Russian invasion of Ukraine could renew energy and food security challenges and rekindle inflation.

Publication Details: [ADB]

Publications

Global Economic Prospects



Global growth is set to slow further this year, amid the lagged and ongoing effects of tight monetary policy, restrictive financial conditions, and feeble global trade and investment. Downside risks to the outlook include an escalation of the recent conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, weaker-than-expected activity in China, trade fragmentation, and climate-related disasters. Against this backdrop, policy makers around the world face enormous challenges. Even though investment in emerging market and developing economies (EMDEs) is likely to remain subdued, lessons learned from episodes of investment growth acceleration over the past seven decades highlight the importance of macroeconomic and structural policy actions and their interaction with well-functioning institutions in boosting investment and thus long-term growth prospects.

Commodity-exporting EMDEs face a unique set of challenges amid fiscal policy procyclicality and volatility. This underscores the need for a properly designed fiscal framework that, combined with a strong institutional environment, can help build buffers during commodity price booms that can be drawn upon during subsequent slumps in prices. At the global level, cooperation needs to be strengthened to provide debt relief, facilitate trade integration, tackle climate change, and alleviate food insecurity.

Global outlook. Global growth is expected to slow to 2.4 percent in 2024—the third consecutive year of deceleration—reflecting the lagged and ongoing effects of tight monetary policies to rein in decades-high inflation, restrictive credit conditions, and anemic global trade and investment. Near-term prospects are diverging, with subdued growth in major economies alongside improving conditions in emerging market and developing economies (EMDEs) with solid fundamentals. Meanwhile, the outlook for EMDEs with pronounced vulnerabilities remains precarious amid elevated debt and financing costs. Downside risks to the outlook predominate. The recent conflict in the Middle East, coming on top of the Russian Federation's invasion of Ukraine, has heightened geopolitical risks. Conflict escalation could lead to surging energy prices, with broader implications for global activity and inflation. Other risks include financial stress related to elevated real interest rates, persistent inflation, weaker-than-expected growth in China, further trade fragmentation, and climate change-related disasters.

Against this backdrop, policy makers face enormous challenges and difficult trade-offs. International cooperation needs to be strengthened to provide debt relief, especially for the poorest countries; tackle climate change and foster the energy transition; facilitate trade flows; and alleviate food insecurity. EMDE central banks need to ensure that inflation expectations remain well anchored and that financial systems are resilient. Elevated public debt and borrowing costs limit fiscal space and pose significant challenges to EMDEs—particularly those with weak credit ratings—seeking to improve fiscal sustainability while meeting investment needs. Commodity exporters face the additional challenge of coping with commodity price fluctuations, underscoring the need for strong policy frameworks. To boost longer-term growth, structural reforms are needed to accelerate investment, improve productivity growth, and close gender gaps in labor markets.

Regional prospects. Although some improvements in growth are expected in most EMDE regions, the overall outlook remains subdued. Growth this year is projected to soften in East Asia and Pacific—mainly on account of slower growth in China—Europe and Central Asia, and South Asia. Only a slight improvement in growth, from a weak base in 2023, is expected for Latin America and the Caribbean. More marked pickups in growth are projected for the Middle East and North Africa, supported by increased oil production, and Sub-Saharan Africa, reflecting recovery from recent weakness. In 2025, growth is projected to strengthen in most regions as the global recovery firms.

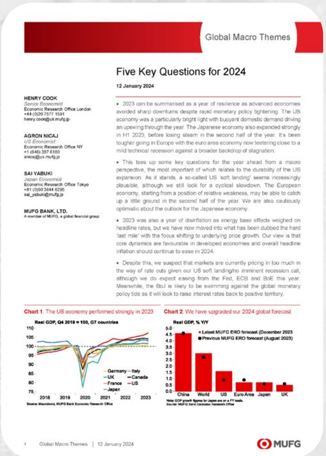
The Magic of Investment Accelerations. Investment powers economic growth, helps drive down poverty, and will be indispensable for tackling climate change and achieving other key development goals in emerging market and developing economies (EMDEs). Without further policy action, investment growth in these economies is likely to remain tepid for the remainder of this decade. But it can be boosted. This chapter offers the first comprehensive analysis of investment accelerations—periods in which there is a sustained increase in investment growth to a relatively rapid rate—in EMDEs. During these episodes over the past seven decades, investment growth typically jumped to more than 10 percent per year, which is more than three times the growth rate in other (non-acceleration) years.

Countries that had investment accelerations often reaped an economic windfall: output growth increased by about 2 percentage points and productivity growth increased by 1.3 percentage points per year. Other benefits also materialized in the majority of such episodes: inflation fell, fiscal and external balances improved, and the national poverty rate declined. Most accelerations followed, or were accompanied by, policy shifts intended to improve macroeconomic stability, structural reforms, or both. These policy actions were particularly conducive to sparking investment accelerations when combined with well-functioning institutions. A benign external environment also played a crucial role in catalyzing investment accelerations in many cases.

Fiscal Policy in Commodity Exporters: An Enduring Challenge. Fiscal policy has been about 30 percent more procyclical and about 40 percent more volatile in commodity-exporting emerging market and developing economies (EMDEs) than in other EMDEs. Both procyclicality and volatility of fiscal policy—which share some underlying drivers—hurt economic growth because they amplify business cycles. Structural policies, including exchange rate flexibility and the easing of restrictions on international financial transactions, can help reduce both fiscal procyclicality and fiscal volatility. By adopting average advanced-economy policies regarding exchange rate regimes, restrictions on cross-border financial flows, and the use of fiscal rules, commodity-exporting EMDEs can increase their GDP per capita growth by about 1 percentage point every four to five years through the reduction in fiscal policy volatility. Such policies should be supported by sustainable, well-designed, and stability-oriented fiscal institutions that can help build buffers during commodity price booms to prepare for any subsequent slump in prices. A strong commitment to fiscal discipline is critical for these institutions to be effective in achieving their objectives.

Detail Publication: World Bank Group

MUFG Economic Research Office: 2024 outlook report


Global Macro Themes

Five Key Questions for 2024

12 January 2024

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- 2023 can be summarised as a year of resilience as advanced economies avoided sharp downturns despite rapid monetary policy tightening. The US economy was a particularly bright light with buoyant domestic demand driving an upswing through the year. The Japanese economy also expanded strongly in H1 2023, before losing steam in the second half of the year. It's been tougher going in Europe with the euro area economy now teetering close to a mild technical recession against a broader backdrop of stagnation.
- This tees up some key questions for the year ahead from a macro perspective, the most important of which relates to the durability of the US expansion. As it stands, a so-called US 'soft landing' seems increasingly plausible, although we still look for a cyclical slowdown. The European economy, starting from a position of relative weakness, may be able to catch up a little ground in the second half of the year. We are also cautiously optimistic about the outlook for the Japanese economy.
- 2023 was also a year of disinflation as energy base effects weighed on headline rates, but we have now moved into what has been dubbed the hard 'last mile' with the focus shifting to underlying price growth. Our view is that core dynamics are favourable in developed economies and overall headline inflation should continue to ease in 2024.
- Despite this, we suspect that markets are currently pricing in too much in the way of rate cuts given our US soft landing/no imminent recession call, although we do expect easing from the Fed, ECB and BoE this year. Meanwhile, the BoJ is likely to be swimming against the global monetary policy tide as it will look to raise interest rates back to positive territory.

Chart 1: The US economy performed strongly in 2023

Source: Macrobond, MUFG Bank Economic Research Office

Chart 2: We have upgraded our 2024 global forecast

Note: GDP growth figures for Japan are on a FY basis.
Source: MUFG Bank Economic Research Office

1 Global Macro Themes | 12 January 2024

MUFG

Mitsubishi UFJ Financial Group (MUFG) Economic Research Office issued its 2024 outlook report titled "Five Key Questions for 2024," in which contributors Henry Cook, Senior Economist, London; Agron Nicaj, U.S. Economist, New York; and Sai Yabuki, Japan Economist, Tokyo, explore major global macro themes for the next 12 months.

2023 can be summarized as a year of resilience as advanced economies avoided sharp downturns despite rapid monetary policy tightening. The U.S. economy was a particularly bright light with buoyant domestic demand driving an upswing through the year. The Japanese economy also expanded strongly in H1 2023, before losing steam in the second half of the year. It's been tougher going in Europe with the euro area economy now teetering close to a mild technical recession against a broader backdrop of stagnation.

This tees up some key questions for the year ahead from a macro perspective, the most important of which relates to the durability of the U.S. expansion. As it stands, a so-called U.S. 'soft landing' seems increasingly plausible, although we still look for a cyclical slowdown. "We expect real GDP growth to weaken in the first half of 2024, but for consumers to have enough strength, bolstered by a strong labor market, to keep consumption growth in positive territory," writes Nicaj.
The European economy, starting from a position of relative weakness, may be able to catch up a little ground in the second half of the year. We are also cautiously optimistic about the outlook for the Japanese economy.

Despite this, we suspect that markets are currently pricing in too much in the way of rate cuts given our U.S. soft landing/no imminent recession call, although we do expect easing from the Fed, ECB and BoE this year. Meanwhile, the BoJ is likely to be swimming against the global monetary policy tide as it will look to raise interest rates back to positive territory.

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