

**Monitor of Global Responses:  
An Overview of Measures Adopted by Selected Economies  
since the Financial Tsunami**

*Overview*

1. The global financial tsunami has brought the entire world into the worst recession in more than 60 years. In response, economies have unrolled various measures to mitigate the recessionary impact of the financial upheaval<sup>(1)</sup>. Many of these are fiscal and monetary stimulus packages aiming at bringing back financial order, restoring confidence, and re-igniting the growth engine.
2. However, economies cannot rely solely on fiscal stimulus and monetary easing for sustained recovery in the longer run. There have to be structural measures to strengthen infrastructure, such as the legal and financial system, human resources, transport and communications, to enable sustainable recovery and ensure continued growth and development in the longer term.
3. The following attempts to summarize the policy responses of selected economies since the financial tsunami in last September, and to assess the broad implications for growth and development in the longer term.

*Key observations for selected economies*

*(i) The Mainland of China*

4. Since last September, the Chinese Government has introduced abundantly "positive" fiscal stimulus and "moderately easing" monetary policy to offset the negative effect of the external shock by boosting domestic demand and helping business (see *Summary of Measures at Annex*). Very broadly, the fiscal stimulus measures spread through a wide range of economic activities, including building affordable and low-rent housing, enhancing health and education, raising farmers' income by increasing the minimum grain purchase price and farm subsidies.

---

(1) See "A Summary of Measures Adopted by Selected Economies since the Financial Tsunami" at Annex .

5. In helping business, administrative fees, business license application fees, sales tax etc are cut. Processing trade restrictions on some labour-intensive, technology-intensive, energy-efficient and environment-friendly products are removed. Meanwhile, export tax rebates for some light industrial products including electronics, and textiles and clothing have been raised 7 times since last August, to close to full rebate.
6. The monetary measures have helped raise liquidity, with the reserve requirement ratios of state-owned commercial banks so far lowered by 2 percentage points to 15.5% and the other commercial banks by 4.0 percentage points to 13.5%. One-year deposit rates have also been reduced from 4.14% to 2.25%. Driven by the moderately easing monetary policy, M2 rose by 25.7% at the end of May, and total new loans reached Rmb5.8 trillion in the first 5 months of the year, Rmb3.7 trillion more than the new loans in the same period a year earlier.
7. Urban fixed asset investment grew by 32.5% in the first five months of 2009, substantially higher than in the same period last year, at 25.6%. Total retail sales also grew faster, by 16.4% in real terms in the first five months, compared with 14.8% in 2008 as a whole. Industrial value added rose by nearly 9% in May, up from 5.5% in the first four months. Real estate investment by the private sector was almost 12% higher in May, compared with 5% in the first four months. However, exports remained still weak.
8. Of all the measures, the most eye-catching is the Rmb4 trillion fiscal stimulus package announced in November last year. It is believed that a substantial proportion will be spent on infrastructure investment. According to the Ministry of Railway, about Rmb2 trillion have been earmarked for mass transit railroad developments in the next 3 to 10 years<sup>(2)</sup>. Many of these are inter-provincial railroads, with some planned for completion by 2012 and others by 2020.
9. There are also grants and subsidies to encourage consumption, such as supports for urban residents purchasing their first-unit of self-use housing,

---

(2) The inter-provincial rail-roads include the 350 km/hour north-south line from Beijing-Guangzhou-Shenzhen-Hong Kong; the 350 km/hour east-west line from Shanghai-Hangzhou-Changsha-Kunming across central China; the 200 km/hour and above eastern coastal line from Shanghai-Hangzhou-Ningbo-Wenzhou-Xiamen-Shenzhen; the 200 km/hour and above east-west central line along the Yangtze River from Nanjing-Hefei-Wuhan-Yichang-Wanzhou that crosses Zhejiang, Hubei, and Sichuan provinces; and the 200 km/hour and above east/south-central/west line linking Fuzhou-Chongqing-Guiyang-Guangzhou-Nanning and crosses Fujian, Sichuan, Guizhou, Guangdong and Guangxi provinces. In addition, there are a host of domestic city rail-lines at the provincial level. Finally, there is the international rail line connecting PPRD with Vietnam, Myanmar and Laos.

and subsidies for replacement of old automobiles and home electrical appliances. Some of these grants and subsidies are given to farmers to purchase home appliances, targeting at changing the consumption habits of the rural households.

10. Many of these are among the main themes of the "PPRD Regional Cooperative Framework Agreement" and the "Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)", and will remain the focal points of the forthcoming "Twelve Five-Year Plan". The increased spending on health and education, coupled with improved social insurance, is expected to remove a major impediment to consumer spending and will bring fundamental change to consumer behaviour over time. The mass transit railroads will link up cities across provinces, and will greatly enhance inter-provincial transport both in speed and connectivity.
11. With these developments, the mainland of China is likely to enter into another round of face lifting changes. It is envisaged that more balanced growth structure with less reliance on external trade and larger contribution from domestic demand is likely to emerge gradually. The enhancement in transport infrastructure is likely to facilitate further domestic trade, increase time savings, reduce transaction cost, uplift productivity, expand capacity and overall economic efficiency in the longer term.
12. Moreover, the coastal region is more export-oriented, it tends to be harder hit by the global financial crisis. But the fiscal stimulus package in general is evenly distributed among provinces so that its stimulus effect is likely to be more pronounced for the inner and less developed provinces which are less affected by the global financial tsunami. Reflecting this, the first quarter GDP growth of these provinces were higher than the national average GDP growth rate<sup>(3)</sup>.

**(ii) US**

13. In addition to the US\$700 billion "troubled assets relief program" (TARP) introduced late last year, President Obama announced more relief packages and stability plans since he took office in January (see *Summary of Measures at Annex*). In February, US\$787 billion stimulus package was enacted and the "financial stability plan" was put in place to absorb the bad assets from

---

(3) The first quarter 2009 GDP growth of the mainland of China is 6.1%. The corresponding growth rates in the coastal provinces were 5.8% in Guangdong, 3.4% in Zhejiang, 3.1% in Shanghai and 7.4% in Fujian, compared with 12.9% in Guangxi, 13.1% in Hunan and 10.2% in Jiangxi.

struggling banks and to support new loans<sup>(4)</sup>. Also the "homeowner affordability and stability plan" has helped families to restructure or refinance their mortgages to avoid foreclosure and indirectly helping stability of the financial institutions.

14. While TARP should help improve liquidity of the participating institutions, banks receiving government assistance are subject to "stress test" to ensure their financial strength to withstand the vicissitudes in the financial market. Apart from tax relief, the US\$787 billion stimulus package has distributed money to improve health care, education and training, environment with renewable energy development, roads, bridges and mass transit systems. These are basically measures for strengthening the soft and hard infrastructure in preparing the economy for revived competitiveness and sustained growth in the longer term.
15. On the monetary side, the Federal Reserve has revised down the fed fund target rate in 3 times from 2% in October 2008 to 0-0.25% since last December. In March, the Fed announced plans to purchase up to an additional US\$750 billion of agency mortgage-backed securities and US\$300 billion of longer term Treasury securities, signifying the adoption of quantitative easing strategy. This has caused some concern of possible renewed inflationary pressure in due course.
16. With the US economy at the eye of the financial tsunami, a full scale recovery is likely to take longer to achieve. GDP was down by 5.7% in the first quarter at an annual rate, and unemployment rate rose to 9.4% in May. Consumption is still weak, yet retail sales rose by 0.5% in May over April. Consumer Confidence Index recovered markedly from the ebb of 25.3 in February to 54.9 in May. The Leading Economic Index has shown some relative improvement in April.

**(iii) EU**

17. For EU as a whole, the fiscal stimulus package amounts to €200 billion (see *Summary of Measures at Annex*). Apart from tax relief, the state aid rule has been relaxed to allow EU member states greater flexibility in using public money to sustain commercial lending and helping troubled banks to maintain stability in the financial market. In particular, access to finance for SMEs is enhanced. Assistance to eastern European members has also been strengthened, with the fund for emergency lending doubled to €50 billion.
18. The key areas for assistance are the automobile and the construction industries. For some EU members like Spain, Portugal and Germany, the auto industry is among one of the major employers. The other area for support is the environmental

---

(4) The US Treasury announced in February this year plans to use US\$100 billion to leverage up to US\$1 trillion in lending to rebuild lenders' confidence to extend loans.

industry, mainly for the purpose of conserving resources for long term growth and development. As for UK, uplift of human resources through education and training is another area identified for support, perhaps more for its long term implications in fostering sustainable growth.

19. In May, EU has announced measures to tighten bank supervision. The European Systemic Risk Council will be established with central bankers and national regulators to monitor any build up of risks and call for concerted action before the stability of the financial system is threatened. In addition, the European System of Financial Supervisors will be formed to monitor the insurance, banking and securities markets.
20. On monetary policy, interest rate has been cut in 7 times from 4.25% in October last year to 1.0% in May 2009. UK being not in the euro zone has also cut interest rate even more drastically from 5.0% in October last year to only 0.5% since March. The Bank of England has followed the Fed in raising purchase of bonds and private sector assets to increase money flow, while ECB has also announced a plan to purchase covered bonds.
21. Like US, EU is also at the centre of the financial crisis, suffering from severe credit squeeze and falling asset prices. GDP contracted by 4.5% year-on-year in the first quarter of 2009. Nevertheless, economic sentiment seems to have improved lately. Retail sales registered the second consecutive month-to-month increase in April.

*(iv) Asia*

22. The adverse impact of the financial tsunami on the Asian economies was felt mainly through the global liquidity squeeze and the shock effect at the initial phase of the financial crisis. This eventually was spread to the real economy as global demand shrank and external trade declined. Those Asian economies that are more externally-oriented tend to be more hard hit by the financial tsunami.
23. Offsetting the adversity, the Asian economies have adopted broadly similar fiscal stimulus packages, involving inter alia tax relief, liquidity injection to the banking system, increased accessibility to finance for enterprises and special loan guarantees for SMEs, export incentives, infrastructure building, support for green industry, education and training etc. On the monetary fronts, interest rates are generally reduced (see Summary of Measures at Annex).

24. Both Japan and Singapore are heavily reliant on external trade, and both have seen sharp drop in exports in recent months, down by 46.9% and 27.8% respectively in the first quarter of 2009. Over the same period, GDP in the two economies dropped by 8% and 10%. Nevertheless, consumer confidence seems to have picked up somewhat. Broadly similar trends were observed in other Asian economies.

### *Concluding remarks*

25. Policy measures by the various governments to combat the global financial crisis have reduced substantially in number in recent months. The leading economic indicators tend to suggest that the global economy is stabilizing, and consumer confidence is gradually returning.
26. The various governments are now more concerned about consolidating position and monitoring effectiveness of their earlier policy remedies. Both US and EU have started to look more at the structural issues like systemic risks, transparency and consumer protection.
27. It is also interesting to note the growing attention placed on “education and training” and on “environment” as the future source of competitive power. There is rising urge to conserve resources at source, promote the use of clean and renewable energy, and uplift human capital.
28. The large liquidity injection and the quantitative easing in monetary policy in US and the other advanced economies have raised concern about exchange rates and the future role of the US dollar, movements in commodity prices, and possible gathering in inflationary pressures as the world economy recovers in due course.
29. The new round of economic restructuring and large infrastructure building in the mainland of China and the envisaged enhancement in inter-provincial connectivity in transport and communications beg the question of the positioning of Hong Kong in this restructuring and infrastructure building programme. It is important for Hong Kong to augment its relative competitiveness through enhanced connectivity to the Mainland cities. The "PPRD regional cooperative framework agreement" and the "Outline of the Plan for the Reform and Development of PRD (2008-2020)" provide the opportunities and pose the challenges for Hong Kong to heighten its hub role in the region.

## An Overview of Measures Adopted by Selected Economies since the Financial Tsunami

<b>CHINA</b>
<b>Fiscal Measures</b>
<p><b>The RMB 4 trillions fiscal stimulus package (Nov 2008):</b></p> <ul style="list-style-type: none"> <li>■ <b>Social stability and household income measures</b> <ul style="list-style-type: none"> <li>• Housing: building more affordable and low-rent housing (RMB280 billion).</li> <li>• Health and education: enhance health and medical services and strengthen cultural development and education facilities (RMB40 billion).</li> <li>• Raising rural household incomes: increasing minimum grain purchase price and farm subsidies.</li> </ul> </li> <li>■ <b>Infrastructure</b> <ul style="list-style-type: none"> <li>• Transport: accelerate the construction of major transport infrastructure (RMB1,800 billion).</li> <li>• Rural infrastructure: speed up construction (RMB370 billion).</li> <li>• Environmental protection: advance the construction of sewage and wastes treatment facilities and enhance water preservation at source (RMB350 billion).</li> <li>• Disaster rebuilding: speed up reconstruction in areas hit by the May 12 earthquake in Sichuan in 2008 (RMB1,000 billion).</li> </ul> </li> <li>■ <b>Helping industries</b> <ul style="list-style-type: none"> <li>• Enhancing industry: encourage innovation and industrial restructuring and supporting development of hi-tech and services industries (RMB160 billion).</li> <li>• Taxes: extend reforms in value-added tax rules, which could reduce corporate tax burden by RMB120 billion.</li> <li>• Finance: remove loan quotas on commercial banks, and appropriately increase bank credits for priority projects and for smaller enterprises.</li> <li>• Administrative fees on 100 items were cut starting from 2009, reducing government revenue by about RMB19 billion. Areas covered are business license applications, industrial construction, foreign trade, agricultural production, employment and education, etc.</li> </ul> </li> <li>■ <b>Stimulating consumption</b> <ul style="list-style-type: none"> <li>• <b>Subsidies to encourage automobiles and home appliances replacement (Detail plan unveiled in May 2009)</b>  <i>For automobiles:</i> <ul style="list-style-type: none"> <li>* Subsidies granted are based on the existing subsidy policy for replacement of the old automobiles, with wider coverage of products and more funding.</li> <li>* Subsidies are granted for purchasing new vehicles to replace existing medium or light trucks and certain medium-sized passenger cars that exceed certain number of years of operation. In principle, the subsidies will not exceed the acquisition tax of the vehicle of the same type.</li> </ul> </li> </ul> </li> </ul>

*For home appliances:*

\* replacement programme covering five types of home appliances, viz. TV sets, refrigerators, washing machines, air-conditioners and computers, will be launched in Beijing, Shanghai, Tianjin, Jiangsu, Zhejiang, Shandong, Guangdong, Fuzhou and Changsha. A subsidy of 13% of the product price will be provided. A subsidy fund of RMB40 billion was allocated by the Central Government.

• **Subsidies to promote home-ownership**

\* Support residents in buying their first unit of self-use ordinary housing or their first unit of self-use ordinary housing for upgrade in living condition.

■ **Supporting exports**

- Export tax rebates increased for seven consecutive times since August 2008, covering over 7 000 items of products.
- Trade between Guangdong, the Yangtze River Delta, Hong Kong and Macao, and between Guangxi, Yunnan and the ASEAN members will be settled in RMB on a trial basis (Dec 2008).
- Exempt agricultural exports from inspection and quarantine fees, and lower inspection fees for textile and clothing exports in 2009 (Dec 2008).
- Strengthen multilateral/bilateral trade relations, encourage imports, and support exploring business opportunities in emerging markets.
- 10 key industries were selected and specific policies supporting the development of these industries were developed. The 10 key industries include: steel industry (Jan 2009); auto industry (Jan 2009); textile industry (Feb 2009); machinery-manufacturing industry (Feb 2009); shipbuilding industry (Feb 2009); electronics and information industry (Feb 2009); light industry (Feb 2009); petrochemical industry (Feb 2009); nonferrous metal industry (Feb 2009); and logistics industry (Feb 2009).

**Employment creation (Mar 2009)**

- Inject RMB42 billion to promote employment among high school graduates and peasants, town residents with employment difficulty, zero-employment families and workers in disaster areas to get employed, and support independent business start-ups and self-employment.

**Monetary Measures**

**Increase liquidity**

- Lower reserve requirement ratios from 17.5% in September 2008 to 15.5% for the state-owned commercial banks, and 13.5% for the other commercial banks since October 2008.

**Reduce finance cost**

- Reduce one-year deposit rates from 4.14% to currently 2.25% since September 2008.

**Assist SMEs and “Three Rural Issues Project” to access loans**

- Encourage financial institutions to enhance their credit support for SMEs and the “Three Rural Issues”;
- Increase the scale of special funds in various financial support projects for the development of SMEs;
- Implement support policies for the financing, guarantee and interest subsidy in respect of SMEs;
- Encourage local governments to provide support to credit guarantee companies and raise the proportion of loans provided by financial institutions to SMEs;

- Exempt credit guarantee institutions for eligible SMEs from paying the Business Tax;
- Encourage financial institutions to start export credit business;

## US

### Measures to stabilize financial market

#### **Troubled Asset Relief Program (TARP) (Sept 2008)**

- It allows the Treasury to purchase or insure up to US\$700 billion of "troubled" assets.
- This is intended to improve liquidity, and allow participating financial institutions to stabilize their balance sheets and avoid further losses. With a stabilized capital ratios, financial institutions could increase lending again instead of hoarding cash to cushion against unforeseen crisis.

#### **Financial Stability Plan (FSP) (Feb 2009)**

- **Financial Stability Trust (including a Comprehensive Stress Test for Major Banks)**
  - \* Treasury moved capital investments into a separate entity called the Financial Stability Trust, which managed the government's investments in US financial institutions.
  - \* Banks receiving government funds would be subject to "stress test" to ensure that they have adequate financial strength to continue lending and absorbing potential losses that could result from more severe decline in the economy than projected.
  - \* Treasury investments in financial institutions would be made in the form of preferred shares that can be converted to common equity when needed to preserve lending.
- **Public-Private Investment Program (PPIP) (US\$500 Billion-1 Trillion)**
  - \* The PPIP is designed to provide liquidity for troubled assets on the balance sheets of financial institutions.
  - \* This is one of the initiatives arising from the implementation of TARP.
  - \* The program will use US\$75-100 billion in TARP capital and capital from private investors to generate US\$500 billion in purchasing power to buy up the troubled assets, with a potential to expand the purchase to US\$1 trillion over time.

#### **Homeowner Affordability and Stability Plan (HASP) (Feb 2009)**

- The plan will help up to 7-9 million families to restructure or refinance their mortgages to avoid foreclosure.
- The Plan introduced a comprehensive US\$75 billion Homeowner Stability Initiative (HSI) to support low mortgage rates and help refinancing for homeowners suffering from falling home prices.

#### **Consumer and Business Lending Initiative (CBLI) (Up to US\$1 trillion) (Feb 2009)**

- Treasury intended to use US\$100 billion to leverage up to US\$1 trillion in lending to rebuild lenders' confidence to extend credits again.

### Fiscal Measures

#### **The US\$787 billion fiscal stimulus package (Feb 2009):**

- **Distribution of funds:**
  - Tax Relief: US\$288 billion

- State and Local Fiscal Relief: US\$144 billion
- Infrastructure and Science: US\$111 billion
- Protecting the Vulnerable: US\$81 billion
- Health Care: US\$59 billion
- Education and Training: US\$ 53 billion
- Energy: US\$43 billion
- Others: US\$8 billion

■ **Key Measures:**

- Computerize the health records;
- Revive the renewable energy industry and provide the capital for development over the next three years;
- Undertake the largest weatherization program by modernizing 75% of the federal building space and more than one million homes;
- Increase college affordability for students;
- Enact the largest increase in funding of the roads, bridges, and mass transit systems;
- Provide an “Making Work Pay” tax credit for working households, and cut taxes for the families of millions of children through an expansion of the Child Tax Credit.

**Monetary Measures**

- The federal funds rate has been revised down in three times to stay at currently 0-0.25%, since last October.
- Purchase up to an additional US\$750 billion of agency mortgage-backed securities and US\$300 billion of longer-term Treasury securities, signifying the adoption of quantitative easing strategy.

**EU**

**Fiscal Measures**

**The EU-wide €200 billion fiscal stimulus package (Dec 2008)**

- Comprise measures worth 1.5% of EU’s GDP, within both the national budgets of around €170 billion and EU and European Investment Bank (EIB) budgets of around €30 billion.
- Key areas involved:
  - Environment
  - Employment Creation
  - Enhance access to finance for SMEs
  - Assist automobile industry
  - Assist construction industry

<b>Measures to stabilize financial market</b>
<ul style="list-style-type: none"><li>■ Loosen state aid rule<sup>5</sup> to allow EU member states to intervene not only when there is a need to stabilize troubled banks themselves, but also when public money is needed to sustain lending in the financial market (Dec 2008).</li><li>■ Strengthened assistance to eastern European members by doubling the fund for emergency lending to €50 billion (May 2009).</li><li>■ Tighten bank supervision (proposed in May 2009):<ul style="list-style-type: none"><li>• The European Systemic Risk Council will be established, mainly up of central bankers and national regulators, to monitor any buildup of risks and issue call for action before the stability of the financial system is threatened.</li><li>• The European System of Financial Supervisors will be formed to monitor the insurance, banking and securities markets. This will consist of a network of national financial supervisors and new European authorities.</li></ul></li></ul>
<b>Monetary measures</b>
<ul style="list-style-type: none"><li>■ Reduce key interest rate in 7 times from 4.25% to current 1.00% since last October.</li><li>■ Increase purchase of covered bonds to increase money flow.</li></ul>
<b>UK</b>
<b>Fiscal Measures</b>
<b>£20billion fiscal stimulus package in 2008 Pre-budget and further enhancement in 2009 Budget (Nov 2008 and Apr 2009)</b>
<ul style="list-style-type: none"><li>■ Representing around 1% of its GDP. Total public spending is expected to be around £623 billion this year, setting to rise to £654 billion in 2009-10, and £682 billion in 2010-11 (ref. 2008 Pre-budget).</li><li>■ Key areas involved:<ul style="list-style-type: none"><li>• Tax relief</li><li>• Public investment in motorway network, social housing, education, and energy efficiency.</li><li>• Business support</li><li>• Welfare (increase Pension Credit)</li><li>• Support to eligible homeowners in difficulty</li><li>• Environment</li><li>• Employment creation</li></ul></li></ul>
<b>Measures to stabilize financial market</b>
<ul style="list-style-type: none"><li>■ 100% guarantee for all bank deposits</li></ul>

---

<sup>5</sup> The European Commission monitors and controls State Aid in the EU by requiring Member States to notify the Commission in advance of proposed State Aid. This gives the Commission the opportunity to approve or refuse to approve the proposed State Aid. State Aid rules aim to ensure fair competition and a single common market.

- Capital injection into the banking system – purchase shares of the Royal Bank of Scotland, HBOS, Lloyd’s Bank and the Barclays.
    - Acquisition of preference shares from banks receiving capital injections; requirement for banks to support SME and home mortgage loans; and restrictions on bonuses payable to high ranking staff of banks.
  - Provision of commercially attractive loans to banks for onward lending to SMEs
  - Ban on short selling
- (Sep – Nov 2008)

### **Monetary measures**

- Reduce key interest rate in 6 times from 5.0% to current 0.5% since last October.
- Increase purchase of private sector asset purchase to improve the functioning of corporate credit markets.

### **Germany**

#### **Fiscal Measures**

- Two packages of measures worth a total of €82 were announced in November 2008 and January 2009.
- Key areas involved:
  - Tax Relief
  - Public investment in infrastructure
  - Credit guarantee for business
  - Aid to auto industry
  - Employment Creation

#### **Measures to stabilize financial market**

- 100% guarantee for all bank deposits
- Guarantee for interbank borrowing
- Purchase share of major banks
- Ban on short selling

(Sep – Oct 2008)

### **Japan**

#### **Fiscal Measures**

- Three packages of fiscal stimulus were announced in October and December last year, and April this year.
- Three packages together worth approximately ¥90 trillion and equivalent to around 18% of Japan’s GDP in 2008 (all measures included).
- Key areas involved:
  - Tax Relief

- Public Investment in infrastructure (transport links, new runway of airport and advanced technology)
- Business Support
- Welfare (aid unemployed workers and one-off subsidies for families with children aged 3-5)
- Employment Creation
- Healthcare

### **Measures to stabilize financial market**

#### **Provide substantial liquidity to ensure the stability of the financial market**

- Accept lower-grade bonds as collateral for lending facility and started a new lending facility for commercial banks (Dec 2008).
- Inject up to ¥2 trillion into the nation's banks to improve their balance sheet position (Dec 2008).
- Pledge to buy up to ¥1 trillion worth of listed shares held by Japanese banks until April 2010 (Feb 2009).
- Provide up to ¥1 trillion in subordinated loans to financial institutions in an effort to bolster banks' capital ratios and ease strains in Japan's financial system (Mar 2009).

### **Monetary measures**

- Reduce key interest rate from 0.5% to current 0.1% since last October.
- Increase purchase of Japanese Government bonds (JGBs) to increase money flow.

## **Singapore**

### **Fiscal Measures**

#### **Budget 2009 (Jan 2009)**

- A fiscal stimulus package of S\$20.5 billion introduced, with a deficit of S\$14.9 billion or 6.0% of GDP projected for 2009.
- Amongst other things, the Singapore Government will
  - Develop Singapore as a global-city and best-home for its people (S\$4.4 billion).
    - Bringing forward infrastructure projects
    - Rejuvenating public housing estates
    - Enhancing sustainable development programmes
    - Upgrading education and health infrastructure
  - Help Singaporeans stay employed (S\$5.1 billion).
  - Support business cash-flow and strengthen Singapore's competitiveness (S\$2.6 billion).
  - Ensure that viable companies continue to have access to credit to sustain their operations and keep jobs (S\$5.8 billion).

<b>Monetary measures</b>
<ul style="list-style-type: none"><li>■ Re-centred the exchange rate policy band of the nominal effective exchange rate of Singapore dollar (S\$NEER) to the prevailing level, while keeping the width of the band unchanged (the shift of trading band by 1% implies an one-off devaluation of the currency.) (Apr 2009)</li></ul>
<b>Taiwan</b>
<b>Fiscal Measures</b>
<ul style="list-style-type: none"><li>■ A NT\$715 billion fiscal stimulus to create 150,000 new jobs in an effort to reduce unemployment below 4.5% (Feb 2009).</li><li>■ Distribute NT\$ 82.9 billion consumption coupons (Jan 2009).</li></ul>
<b>Monetary measures</b>
<ul style="list-style-type: none"><li>■ Reduce key interest rate in 6 times from 3.0% to 1.25% since last November.</li></ul>
<b>South Korea</b>
<b>Fiscal Measures</b>
<ul style="list-style-type: none"><li>■ A number of fiscal stimulus measures announced over the past months, with focus on safeguarding employment.<ul style="list-style-type: none"><li>• Earmark 5.45 trillion won to help the unemployed and facilitate vocational training to train 150,000 job seekers and create 15,000 jobs (Dec 2008).</li><li>• Inject 5 trillion won into green growth plans to create 960,000 jobs (Jan 2009).</li><li>• Allocate 4.9 trillion won for employment support measures to create 550,000 jobs (Mar 2009).</li></ul></li><li>■ Other measures include<ul style="list-style-type: none"><li>• Tax Relief</li><li>• Public investment in infrastructure (roads, railways etc.)</li></ul></li></ul>
<b>Measures to stabilize financial market</b>
<ul style="list-style-type: none"><li>■ Guarantee for interbank borrowing and foreign currency debts for three years.</li><li>■ Guarantee credit for enterprises in specific industry.</li><li>■ Inject capital into the banking system.</li><li>■ Provide dollar liquidity to support enterprises in obtaining import/export financing.</li></ul> <p>(Sep – Oct 2008)</p>
<b>Monetary measures</b>
<ul style="list-style-type: none"><li>■ Reduce key interest rate in 6 times from 5.25% to current 2.0% since last October.</li></ul>

<b>India</b>
<b>Fiscal Measures</b>
<ul style="list-style-type: none"><li>■ US\$4.1 billion fiscal stimulus plan announced (Dec 2008).<ul style="list-style-type: none"><li>• Build infrastructure</li><li>• Provide export incentives</li><li>• Offer relief to people who have taken out home loans</li></ul></li><li>■ Imposed anti-dumping duty and “safeguard duty” against imports from some neighbouring economies (May 2009)</li></ul>
<b>Measures to stabilize financial market</b>
<ul style="list-style-type: none"><li>■ Inject funding to banks to refinance export credit at favourable interest rates.</li><li>■ Reduce interest rate on Post-shipment Rupee Export Credit.</li></ul>
<b>Monetary measures</b>
<ul style="list-style-type: none"><li>■ Reduce key interest rate in 5 times from 7.5% to current 4.75% since last November.</li></ul>