

**Monthly Monitor of Global Responses to the
Financial Tsunami by Selected Economy
(for 29 November 2008 to 14 January 2009)**

(i) Key points

- **Over the past few weeks, industrialised economies announced a new round of comprehensive stimulus packages (*US, France, Germany and Japan*)⁽¹⁾. A number of emerging markets (*Argentina, Indonesia, India, Brazil and Chile*) initiated similar move.**
- **For *US*, the President-elect proposed a two-year stimulus package of US\$775 billion in tax cuts and infrastructure spending⁽²⁾, although the budget deficit was forecasted to reach US\$1.2 trillion even without counting the proposal.**
- ***For the mainland of China* (Mainland), the Central Government unveiled more details about measures to encourage domestic demand and buttress growth. These include the 30 measures announced on promoting financial development, and restating the support of developing RMB business in Hong Kong.**
- **On strengthening regional development, the Central Government further set out the 12-year development plan to transform the Pearl River Delta (PRD) into a regional centre, with the international financial centre role of Hong Kong reaffirmed. Economic co-operation of Guangdong with Hong Kong and Macao would be further enhanced with advanced implementation of some of the initiatives under CEPA. Ten preferential policies for Taiwan-funded enterprises in the Mainland would also help foster closer cross-straits cooperation.**

(1) *The UK government unveiled a second bank rescue plan designed to bolster the stability of the UK financial system, and to revive confidence and capacity to lend, in order to support the recovery of the economy. In this new plan, the British Treasury will set up an insurance program aiming at protecting financial institutions against exposure to exceptional future credit losses on certain portfolios of assets most affected by the current economic conditions.*

(2) *Democrats in Congress proposed to revise up the spending increases and tax cuts to US\$825 billion on 15.1.2009 after US President-elect Obama announced his stimulus package on 5.1.2009. Of the revised package, US\$550 billion would be in spending to create jobs and US\$275 billion in tax cuts. A significant sum of money goes to state education, health care and infrastructure, accounting for roughly 46% of the total. The legislation is expected to be discussed by mid-February.*

- **Bailout policies were put forward for different pillar industries, *inter alia*, auto industry (US, Mainland, Canada, France and Portugal), steel industry (Mainland) and oil enterprises (Russia).**
- **Projects with specific targets have also been drawn up, including additional spending on infrastructure (Australia), implementation of environmentally-friendly plans (South Korea) and further support for the unemployed (Mainland, UK).**
- **US and Japan cut interest rates further to record-low of 0-0.25% and 0.1% respectively, heralding the era of zero interest rate. UK and South Korea also saw rates down to historical low. Elsewhere, monetary policy was also eased.**

(ii) Details of Measures

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CHINA – NATIONAL POLICIES

<p>The Central Economic Work Conference, taking place between 8-10.12.2008, proposed 5 key tasks for the 2009 economic agenda</p>	<p>The 5 tasks include:</p> <ul style="list-style-type: none"> • To continue to implement the “active” fiscal policy and the “moderately loose” monetary policy; • To further develop the rural agricultural economy to ensure adequate supply of agricultural products and sustained increase in farmers’ income; • To promote strategic adjustments to economic structure; • To deepen reform and opening-up to strengthen institutional framework conducive to scientific development, and; • To make more effort to safeguard social stability.
<p>The Ministry of Finance summarised a series of major finance work for 2009 at the National Finance Work Conference on 5.1.2009</p>	<p><u>Key points of major finance work:</u></p> <p>(1) Macroeconomic adjustment</p> <ul style="list-style-type: none"> • Increase government’s public investment in infrastructure. • Boost consumption demand in the rural areas by raising subsidies for the acquisition of electrical home appliances and agricultural machinery. • Fully introduce the consumption-based value-added tax (VAT). • Tax relief <ul style="list-style-type: none"> - Allow deductions of Receipts Tax of the VAT on the acquisition of new machinery and equipment from sales tax payment. - Continue to waive temporarily income tax on interests derived from savings deposits, and lowering stamp duty on securities transactions etc. - Lower housing transaction tax. - Improve policies on export tax rebates and tariffs, and support the export of labour-intensive, high-tech and high value-added products. • Cancel and cease collection of administrative institutional fees of 100 items. • Tax concessions and preferential treatment to promote the development of Small and Medium Enterprises (SMEs). <p>(2) Rural reform and development</p> <ul style="list-style-type: none"> • Continually increase inputs in the “Three Rural Issues” (“三農”): <ul style="list-style-type: none"> - Substantially increase investment in the construction of rural infrastructure and the development of social enterprises; - Support the establishment of a sound financial services system in rural areas; and - Tax incentives and subsidies on interest payment and insurance premium. <p>(3) Social well-being</p> <ul style="list-style-type: none"> • Promote education and development of cultural industries. • Increase investment in and step up the construction of subsidised flats, particularly the low-rent housing. • Speed up the development of medical and healthcare industries. • Encourage people to start their own businesses. • Strengthen employment assistance.

	<p>(4) Economic transformation and regional coordinated development</p> <ul style="list-style-type: none"> • Tax concessions to promote technology and innovation by enterprises. • Increase investment to promote energy conservation and emissions reduction. • Make effective use of the China Clean Development Mechanism Fund, and actively support the implementation of China’s National Climate Change Programme. <p>(5) Fiscal and tax system reform</p> <ul style="list-style-type: none"> • Explore the development of a national budgetary system comprising budgets for public finance, state-owned capital management, government funds and social security. • Carry out tax reform on refined oil products, abolish the relevant levies and properly broaden the scope of taxation for resource tax. • Support reforms on sewage and waste treatment and waste disposal charges, etc. <p>(6) Financial management</p> <ul style="list-style-type: none"> • Enhance the development of a fiscal legal system and implement strict budgetary control. <p>(7) External financial exchanges and cooperation</p> <ul style="list-style-type: none"> • Adopt stringent management of loans made to international financial institutions and foreign governments. Strengthen the monitoring of external debt indicators and risk management guidance at the local level. • Promote institutionalised and long-term China-US Strategic Economic Dialogue. • Deepen East Asian financial cooperation and promote cooperation in the Greater Mekong Sub-region and mid-Asia. • Promote economic cooperation by making good use of G20 and other multilateral platforms and forums for financial dialogue. • Participate actively in the new Doha Round of the WTO trade negotiation.
Financial Services	
Allowed banks to make M&A loans	The China Banking Regulatory Commission (CBRC) released the “Risk Management Guidelines on Merger and Acquisition (M&A) Loans of Commercial Banks” (《商業銀行併購貸款風險管理指引》) setting standards for qualified commercial banks to make M&A loans to meet increasing corporate borrowing needs through M&A financing.
30 measures to promote economic development through financial services	<p>The General Office of the State Council raised “Several Opinions on Promoting Economic Development through Financial Services”(《國務院辦公廳關於當前金融促進經濟發展的若干意見》), covering 9 areas and a total of 30 measures.</p> <p><u>Keys Points:</u></p> <ul style="list-style-type: none"> • Improving credit services: <ul style="list-style-type: none"> - 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 eligible credit guarantee institutions for SMEs from paying the Business Tax. - Encourage financial institutions to start export credit business. - Strengthen support for the rural financial policies and channel more credit capital into rural areas.

	<ul style="list-style-type: none"> - Support residents in buying their first unit of self-use ordinary housing or their first unit of self-use ordinary housing for improvement purposes. - Support the development of business of automobile consumption credit and broaden the financing channels of automobile financial companies. • Developing future and bond market: <ul style="list-style-type: none"> - Support qualified enterprises to use capital markets to carry out mergers and reorganization. - Promote the steady development of futures markets and introduce new futures commodities as soon as possible. - Expand the size of bond issue. Allow Hong Kong enterprises or financial institutions which engaged in more Mainland businesses to issue RMB bonds in Hong Kong. • Enhance the function of insurance: <ul style="list-style-type: none"> - Develop “rural insurance” as well as housing, automobile consumption-related, construction workers and engineering insurance businesses. Research on the opening up of short-term export credit insurance market and support export trade. - Encourage insurance companies to purchase government bonds, financial bonds, corporate bonds and corporate debts. Steadily take forward the investment by insurance companies in state-owned leading enterprises equity, particularly those of the energy and resource industries. - Actively develop insurance businesses such as individuals and group retirement planning insurance. • Creating new financing methods and widening financing channels for businesses: <ul style="list-style-type: none"> - Allow commercial banks to provide M&A loans for enterprises both in the Mainland and abroad. - Widen financing channels for real estate enterprises. - Enhance tax incentive policies to promote the development of venture investment enterprises. - Permit the development of asset-based credit risk management tools in the inter-bank bond market on a trial basis for loans to SMEs, agricultural-related loans and special loans for the nation’s major construction projects. • Improving foreign exchange management. <ul style="list-style-type: none"> - Support the development of RMB business in Hong Kong and increasing the use of RMB in cross-border trade settlement to minimize exchange rate risks in external economic activities.
Measure on inter-bank bond market	The People’s Bank of China announced on 7.1.2009 to lift the restriction that the actual issuance amount of bonds to be traded and circulated in the inter-bank bond market shall be no less than RMB 500 mn in order to further propel the healthy development of the inter-bank bond market.
CBRC adjusted some of the credit policies to facilitate steady and healthy	The CBRC issued a notice to adjust some of the credit policies to facilitate steady and healthy economic development. Details are as follow: <ol style="list-style-type: none"> (1) Encourage qualified commercial banks to start M&A loan business. (2) Urge major banking institutions (including policy banks, state-owned commercial banks, joint-stock commercial banks) to set up specialized agencies for small business financing.

economic development	<p>(3) Banks to work out differentiated credit policy and performance assessment policy to expand their rural lending portfolio.</p> <p>(4) Encourage banks to consider rescheduling of loans and render credit support for certain eligible enterprises which are facing temporary operating or financial difficulties due to the global financial crisis.</p> <p>(5) The scope of lending for individual projects will be extended.</p> <p>(6) Support will be given to facilitate assignment of credit assets.</p> <p>(7) Exemption from complying with the loan-to-deposit ratio will be duly given to qualified small and medium banks.</p> <p>(8) Support innovative approach of loan guarantee and consumer credit insurance protection mechanism.</p> <p>(9) Implement loan accountability system.</p> <p>(10) Support innovative business development of trust companies and financial companies.</p>
Industrial Polices and SME Support	
Measures to support key industrial sectors and enhance credit guarantee services for SMEs	<p>The Ministry of Industry and Information Technology announced 7 measures to support key industrial sectors to boost output. These include:</p> <ul style="list-style-type: none"> • Cut tax on key industries; • Strengthen financial support to key industrial enterprises; • Encourage M&As of enterprises in important sectors etc. <p>Separately, the Ministry has also issued a “Circular on Supporting and Guiding the SME Credit Guarantee Agencies in Strengthening Their Credit Guarantee Services to Ease the Difficulties of SMEs in Production and Operation” (the Circular) (《關於支援引導中小企業信用擔保機構加大服務力度 緩解中小企業生產經營困難的通知》) which calls on administrative departments at all levels to support and guide the credit guarantee agencies of SMEs in strengthening their credit guarantee services.</p>
New measures to relieve difficulties facing export enterprises	<p>At its executive meeting on 24.12.2008, the State Council announced policies and measures to relieve the difficulties facing export enterprises.</p> <p><u>Key points:</u></p> <ul style="list-style-type: none"> • Increase export tax rebates for some mechanical and electrical products with high technical contents and value-added; and expand the coverage of the Foreign Trade Development Fund; • Encourage the transfer of processing trade to the central and western regions; • Trade between Guangdong, the Yangtze River Delta, Hong Kong and Macao, and between Guangxi, Yunnan and ASEAN members will be settled in RMB on a trial basis; • Encourage foreign investment in hi-tech, energy-saving, environmental protection and modern service industries; • Introduce 24-hour customs and immigration inspection and quarantine services by appointment. The exemption of agricultural exports from inspection and quarantine fees, and lowering of inspection fees for textile and clothing exports will continue in 2009; • Strengthen multilateral/bilateral trade relations, encourage imports, and support exploring business opportunities in emerging markets.

Relax restriction on processing trade	<p>W.e.f. 1.1.2009:</p> <ul style="list-style-type: none"> • 1,730 items were no longer restricted from foreign investment. These products, ranging from textiles to plastic goods, accounted for 77% of the products formerly designated as restricted; • 27 product items, mainly in the metal and non-ferrous sectors, would no longer be banned from foreign investment in processing trade.
Stimulus packages for the steel and auto industries approved	<p>The State Council approved a stimulus package on 14.1.2009 to help the steel and auto industries to weather the international financial crisis. The government is expected to release supportive policies in due course for eight other industries, including shipbuilding, petrochemicals and textiles.</p> <p><u>Key measures for the steel industry:</u></p> <ul style="list-style-type: none"> • Strictly control the increase in the steel-making capacity and continue closing down low-tech mills; • Adopt a flexible tax policy on steel exports; • Encourage restructuring of steel-makers and cultivate competitive large-scale steel groups; • Allocate a special fund for technology upgrades, research and innovation, restoring order in the iron-ore imports sector and increasing steel consumption in the domestic market. <p><u>Key measures for the auto industry:</u></p> <ul style="list-style-type: none"> • Sales tax on vehicles with engines of less than 1.6L will be halved and exchange of old vehicles for new ones with smaller engines will be subsidized to boost the auto industry; • A total of RMB 5 bn (about US\$731 mn) will be set aside as subsidy for farmers to exchange the old vehicles for new ones. Sales tax will be cut from 10% to 5% from 20.1.2009; • Support alternative-energy vehicles by promoting mass production of electric-powered cars in large and medium-sized cities; • In the next 3 years, the government will provide RMB 10 bn (US\$1.5 bn) to automakers to help upgrade their technology and develop alternative energy vehicles.
Tax Relief	
Further adjustments to import and export tax rules	<p>The State Council approved making further adjustments, w.e.f. 1.1.2009, to import and export tax rules, mainly involving areas such as tax rates for most-favoured-nations, annual provisional tax rates, agreed tax rates, preferential tax rates, tax rules and tax denominations.</p>
Increase the export tax rebates for 553 types of mechanical and electrical products	<p>Export tax rebates for 553 items of high-tech and high value-added mechanical and electrical products with effect from 1.1.2009 were increased. This is the 4th consecutive export tax rebate hike within six months⁽³⁾.</p>

(3) Taken together, export tax rebates were raised for over 7 000 items of products so far.

Property Market	
Policy initiatives to boost the healthy development of property market endorsed	<p>On 17.12.2008, the State Council endorsed policy initiatives to boost the healthy development of the property market.</p> <p><u>Key Points:</u></p> <ul style="list-style-type: none"> • Build subsidized houses and renovate rural homes in dangerous condition. • Encourage home buying by offering preferential policy for the first time home-buyers with loans. • Introduce concessionary policy for business tax on home sale for a tentative period of 1 year. • Increase credit support for construction of small and medium houses within the low-to-middle price range, particularly when the construction projects in progress. • Abolish real estate tax in accordance with statutory procedures.
Boost Domestic Demand	
7 major measures to invigorate circulation and boost consumption	<p>On 31.12.2008, the General Office of the State Council announced “Opinions of the General Office of the State Council on Invigorating Circulation and Boosting Consumption” (《國務院辦公廳關於搞活流通擴大消費的意見》), introducing 7 major measures to invigorate circulation and boost consumption.</p>
Employment and Social Security	
Further efforts to prevent and resolve the problem of wage default by enterprises	<ul style="list-style-type: none"> • The Ministry of Human Resources and Social Security and other departments called for further efforts to prevent and resolve the problem of wage default by enterprises. Key measures include the further development of the wage guarantee fund system by extending its scope covering enterprises in construction, transport, water resources, etc.
Agricultural Sectors	
Second phase of the “Subsidized household appliance programme” (“家電下鄉”計劃) launched	<p>The second phase of this subsidy programme, launched on 1.12.2008, would last for a tentative period of 4 years. The home electric appliances for the rural families include color TV sets, refrigerators, washing machines and mobile phones. A subsidy of 13% of the product price will be provided.</p>
4 measures to improve agricultural sector	<p>The National Development and Reform Commission (NDRC) will implement 4 major measures to increase agricultural investment and strengthen the regulation of agricultural product markets. A larger part of this year’s approval investment would be used to deal with the “Three Agricultural Issues” (“三農”). Key measures include improving the regulation of the agricultural product markets to prevent wild fluctuations of the prices of farm product prices and to increase the income of farmers.</p>

Regional Cooperation	
<p>10 preferential policies to strengthen the Cross-Straits cooperation</p>	<p>On 21.12.2008, the Mainland announced 10 preferential policies and measures to strengthen the Cross-Straits cooperation.</p> <p><u>Key Measures:</u></p> <ul style="list-style-type: none"> • The Mainland will work with several large banks to jointly improve the financing services for Taiwan-funded enterprises. The capital provided will exceed RMB 100 bn; • The Mainland's policies on finance, taxation and credit for supporting SMEs also apply to Taiwan-funded SMEs; • Support Taiwan-funded enterprises in participating in Mainland's construction projects to boost domestic demand; • Encourage Taiwan-funded enterprises to participate in national and regional science and technology projects; • Promote the sustainable development of Taiwan-funded enterprises in the Mainland and assisting them in restructuring; • Support Mainland enterprises to participate in economic construction projects in Taiwan according to the needs of Taiwan; • Promote cross-straits cooperation in tapping and exploitation of new energy, facilitating the modernisation of traditional Chinese medicines, electronic information industry and other industries that can complement each other's strengths; • Extend the sales of Taiwan's live and fresh agricultural produce in the Mainland, and provide greater convenience in inspection and quarantine; • Allow eligible Taiwan residents to practise law in the Mainland.
<p>Blueprint for further economic and social cooperation between the Pearl River Delta region, Hong Kong, Macao and Taiwan unveiled</p>	<p>On 8.1.2009, the NDRC unveiled the “Reform and Development Plan of the Pearl River Delta Region” (2008-2020), which provides a blueprint for further economic and social cooperation between the Pearl River Delta (PRD) region, Hong Kong, Macao and Taiwan. Under the plan, the PRD would become a “globally competitive” metropolis circle of Guangdong, Hong Kong and Macao by 2020, complementing each other's strengths.</p> <p><u>Key Points:</u></p> <ul style="list-style-type: none"> • Services industries: The plan encourages Guangdong, Hong Kong and Macao to cooperate in developing service industries with the aim of strengthening the role of Hong Kong as a centre for international finance, trade, shipping, logistics, high-value added services and that of Macao as a global tourism/leisure centre. • Processing trade: The Central Government will fully support Hong Kong and Macao's processing trade enterprises in the PRD region to extend their industrial chains and, to develop advanced manufacturing industries, for industrial transformation and upgrading. • Infrastructure: The Central Government also supports Guangdong's integration with Hong Kong and Macao in the areas of urban planning, rail transit networks, information networks, energy base networks and urban water supply. It also supports the speeding up of construction of the Guangzhou - Shenzhen - Hong Kong Passenger Line, an early start of construction of the Hong Kong - Zhuhai - Macao Bridge, the Shenzhen Eastern Corridor and the expressway linking the Shenzhen Western Corridor Hong Kong Section; the pressing ahead of the planning and development of the Liantang/Heung Yuen Wai boundary control point and the pushing ahead of the Hong Kong - Shenzhen Airport Cooperation Project.

	<ul style="list-style-type: none"> • Livelihood: The Central Government encourages Guangdong, Hong Kong and Macao to cooperate in the areas of education, health care, social security, culture, crisis management and intellectual property protection so as to provide Hong Kong and Macao residents with the convenience of working and living in the Mainland. A green and quality PRD Life Circle would also be jointly developed. • Guangdong was encouraged to devise regional cooperation plans with Hong Kong and Macao through consensus. • Economic cooperation with Taiwan: the PRD region is to strengthen economic and trade cooperation with Taiwan through existing Taiwan-funded enterprises in the region, and further explore cooperation areas. The plan also calls for closer cooperation with Taiwan in the areas of economic and trade, high technology, advanced manufacturing, modern agriculture, tourism, technology innovation, education, health care, social security and culture. It also aimed at pushing forward the construction of the Jinwan Taiwan Farmers Venture Park in Zhuhai and the Foshan West Coast Agricultural Trial Area.
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CHINA – REGIONAL POLICIES

Guangdong	
RMB 2.2 bn to support SMEs	<p>Guandong Province decided to allocate an additional RMB 2.2 bn in 2009 to support the development of SMEs. The supportive measures include:</p> <ul style="list-style-type: none"> • providing an additional RMB 1 bn as a one-off special fund to support SMEs by offering them loan interest discounts or subsidies for technical improvement and innovation; • injecting RMB 1 bn to establish credit guarantee organizations to provide credit guarantee and re-guarantee services for important infrastructures and loans to SMEs; • allocating an additional RMB 200 mn in special export expansion fund expanding general export trade.
Reduce unemployment insurance premium	<p>Starting from New Year’s Day, the unemployment insurance premium in Guangzhou will be reduced by 90%. The premium paid by enterprises will go down from 2% to 0.2% and that by individuals from 1% to 0.1%. This will reduce the burden of enterprises and individuals by RMB 1.5 bn and RMB 600 mn each year respectively.</p>
RMB 2 bn to help Hong Kong and Macao-funded SMEs	<p>An annual budget of RMB 1 bn for 2009 and 2010 will be used to subsidize processing trade enterprises in their efforts to upgrade and to relocate them in parks for industrial transformation. Hong Kong and Macao-funded enterprises will be given priority.</p>
New measures to protect labour	<p>The Guangdong Provincial Labour and Social Security Bureau launched a number of measures on 31.12.2008 to combat wage default to ensure that workers “get paid for their labour”. In particular, key measures include exploring the possibility of setting up a collaborative enforcement mechanism among Guangdong, Hong Kong and Macao by placing media advertisements in Hong Kong and Macao or commissioning local labour law enforcement agencies to serve legal instruments on wage-default operators.</p>

<p>Guangdong requested enterprises to communicate and coordinate with the labour unions, employees and the local labour security department in advance before lay-off</p>	<p>In a guideline issued recently, the Guangdong Municipal Labour & Social Security Bureau calls on enterprises to avoid or reduce massive lay-off as far as possible. Where lay-off is unavoidable and the number of employees to be laid off at one go is more than 20 or less than 20 but representing more than 10% of the total number of employees, such enterprises are requested to communicate and coordinate with the labour unions, employees and the local labour security department in advance.</p>
<p>Shanghai</p>	
<p>Reduced court costs</p>	<p>Shanghai's High People's Court announced that local firms that meet certain conditions will be subject to reduced court costs, or have their expenses delayed or exempted.</p>
<p>Beijing</p>	
<p>4 measures to stabilize income and employment of rural labour force</p>	<p>Starting from 1.1.2009, Beijing would adopt 4 measures to promote the rural labour force to work in the secondary and tertiary industries in order to increase farmers' income, and stabilize and expand their employment.</p> <p><u>Key Points:</u></p> <ul style="list-style-type: none"> • Offer small amount secured loans of not more than RMB 50,000 and RMB 200,000 to farmers operating individually owned businesses and starting small enterprises respectively. As for the former, the administrative fee would be waived if the repayment is made within 3 years. • In order to enhance employment opportunities of farmers, the Beijing government would raise the levels of subsidy on vocational skills training for Beijing farmers from RMB 400 to RMB 550 per capita and on business start-up training from RMB 400 to RMB 1,329 per capita.

INDUSTRIALISED ECONOMIES

US	
Measures for the Automotive Industry	
Put forward a rescue package for the giant automakers	<ul style="list-style-type: none"> • President Bush announced a US\$17.4 bn rescue package on 19.12.2008. According to the package, the Treasury Department would make loans available from the Troubled Asset Relief Program (TARP) to assist the domestic auto industry in becoming financially viable. The auto manufacturers will be provided with US\$13.4 bn in short-term financing from TARP. An additional US\$4 bn would be made available in February 2009. • On 29.12.2008, Treasury further announced that it would purchase US\$5 bn in senior preferred equity with an 8% dividend from GMAC LLC, the financial services arms of General Motors (GM), as part of a broader program to assist the domestic automotive industry. Additionally, Treasury has agreed to lend up to US\$1 bn to GM so that GM can participate in a rights offering at GMAC in support of GMAC's reorganization as a bank holding company.
Set out guidelines of Automotive Industry Financing Program	<ul style="list-style-type: none"> • Treasury published the guidelines of Automotive Industry Financing Program on 31.12.2008, which was considered to open the door of taxpayer financing beyond loans already committed to the automotive industry. Under the Program, Treasury will determine the form, terms, and conditions of any investment made on a case-by-case basis. It may also invest in any financial instrument, including debt, equity, or warrants, that determined to be a troubled asset to prevent a significant disruption of the American automotive industry.
President-elect's Proposed Stimulus Packages	
Announced the US\$775bn 2-year emergency fiscal stimulus package	<p>President-elect Barack Obama announced the US\$775bn 2-year emergency fiscal stimulus package to revive the contracting US economy on 5.1.2009. The plan includes infrastructure investments and up to \$300 bn in tax cuts. It is estimated that the package would create 4 mn jobs.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • Tax relief: Tax cuts or credits of up to US\$300 bn, with a special emphasis on low to mid-income earners. • For workers: \$500 tax rebates for most individuals (\$1,000 for couples) would be distributed by withholding less from paychecks over a five-month period. • For businesses: a one-year tax credit would be awarded to companies hiring new workers, and other incentives would be provided for business investing in new equipment. • Support businesses: Firms incurring losses last year would also be allowed to take a credit against profits dating back five years instead of two years as presently allowed.
Others	
Fed New York began purchasing fixed-rate mortgage-backed securities	The purchase started on 5.1.2009. This program, first announced on 25.11.2008, is intended to support the mortgage and housing markets and foster improved conditions in financial markets more generally.

guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae	
The Federal Reserve Board announced two changes to the Money Market Investor Funding Facility (MMIFF)	<p>The announcement was made on 7.1.2009.</p> <p>(1) the set of institutions eligible to participate in the MMIFF⁽⁴⁾ was expanded from U.S. money market mutual funds to a number of other money market investors, including U.S.-based securities-lending cash-collateral reinvestment funds, portfolios, and accounts (securities lenders); and U.S.-based investment funds that operate in a manner similar to money market mutual funds, such as certain local government investment pools, common trust funds, and collective investment funds.</p> <p>(2) the Board authorized the adjustment of several of the economic parameters of the MMIFF, including the minimum yield on assets eligible to be sold to the MMIFF, to enable the program to remain a viable source of backup liquidity for money market investors even at very low levels of money market interest rates.</p>

UK	
Adjusted downward the fee of the Credit Guarantee Scheme	<p>The Government announced proposals for changes to the Credit Guarantee Scheme⁽⁵⁾ on 15.12.2008 by adjusting the fees paid by participating institutions for use of the Government guarantees. This will lead to those institutions paying a lower – but still commercial – fee for use of the Scheme, thereby reducing their cost of funding under the scheme. This in turn will support their ability to continue to extend credit to the economy. The Scheme was also lengthened from 3 to 5 years, ending in April 2014.</p>
Financial Services Authority (FSA) proposed to extend its temporary disclosure regime for significant net short positions until 30.6.2009	<p>Currently a disclosure must be made if a net short position exceeds 0.25% of a relevant firm's issued shared capital, with further disclosures required if there are any changes in the position. Under the FSA's proposals, further disclosures would only be required at 0.1% bands (e.g. as a net short position reached 0.35%, 0.45% and so on). The scope of the disclosure obligations continues to apply only to stocks in UK financial sector companies.</p>

(4) The MMIFF, became operational on 24.11.2008, is designed to serve as a source of liquidity to money market mutual funds and other eligible money market investment vehicles, thereby increasing their ability to meet redemption requests and their willingness to invest in money market instruments, particularly term money market instruments.

(5) The Scheme was announced on 13.10.2008. The basic principle was to charge a commercial fee for the guarantee, to ensure that the taxpayer was properly remunerated for the risk involved. Following the announcement of the scheme and the Government's proposals for recapitalising the banks, the positive market reaction has reduced the risk premium (or credit default swaps) of UK banks. As a result the Government decided to look again at the pricing structure of the scheme to ensure it continued to reflect commercial terms.

<p>Invest £0.5 bn to provide more support to long-term unemployed</p>	<p>The Government pledged on 12.1.2009 to provide more support to jobseekers who are unemployed for more than 6 months. The proposals will see £0.5 bn invested over two years, funded by new money released by the Treasury.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • Extra funds for “Jobcentre Plus” to provide every jobseeker who has been out of work for six months more intensive and personalised support; • Incentives of up to £2,500 paid to employers to recruit and train unemployed people; • new training places - extra funding for training places to help unemployed people get new skills, to maximise their chances of getting jobs from the 500,000 vacancies in the economy; • work-focused volunteering options - opportunities to volunteer, to help people back into work habits; • help to set up a business - advice on creating a business plan, plus funding for the first months of trading
<p>New Opportunities White Paper set out new measures to boost skills, fair access to education and work</p>	<p>The Government set out new measures to boost skills, fair access to education and work in its New Opportunities White Paper released on 13.1.2009. Under the plans, the number of career development loans available for people who want to undertake training and develop their skills will be raised. The new loans are also being made more attractive by reducing the headline interest rates and allowing people to apply for loans of up to £10,000 to study at colleges, universities and private training providers - an increase from the current limit of £8,000.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • guarantee that all young people from low income backgrounds with the potential to succeed at higher education are given a structured package of mentoring, advice and support to get to university; • work with 11 selective universities to increase outreach work to identify talented students from disadvantaged backgrounds to offer them the chance; • require universities to publish details of what they are doing to raise aspirations and identify talent among young people from all backgrounds; make it simpler to go to university after an apprenticeship; • pilot new earned rights of £500 for people who have taken over 5 years out of work to care for children or adults for skills training to get them back into work; • pilot offering up to £500 for low income families on working tax credit to get training; • encourage companies to use Train to Gain funding to train agency workers they hire, even though they are not their permanent employer; • promote supported work and employment for people with learning difficulties; • create up to 10 new apprenticeship training associations across the country by the end of 2009, delivering up to 15,000 apprenticeship places by 2014/15; • expand employer-led Group Training Associations to offer apprenticeships in sectors with low proportions of apprentices such as small businesses (SMEs) or with a high recruitment of graduates, and; • increase the number of apprenticeships available in the public sector.

EU	
State aid rules loosened for approving national bank rescue plans	The new rules allow EU member states to intervene not only when there is a need to stabilize troubled banks themselves, but also when public capital is needed to sustain lending to the real economy.
EU leaders sealed the agreement on the jointly fund €200 bn economic stimulus package on 12.12.2008	Under the stimulus plan, member countries would pump on average the equivalent of 1.5% of GDP into their economies in order to temper the impact of a global recession.

France	
Announced a €26 bn (US\$33 bn) stimulus package	<p>The package was announced on 4.12.2008, representing a total of 1.3% of GDP and will add 0.6% to 2009 growth.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • Increase investment by €10.5 bn: including €4 bn in new government funds in research, defense and infrastructure, €2.5 bn of new funding from state to local governments and increase investment from state-owned companies; • Tax relief: quicken the reimbursement of sales tax, provide tax credits on research spending and on corporate profit levies, and other commitments to companies for a total amount of €11.4 bn; • Allocate €1.8 bn to the housing sector: including €800 mn to build or renovate public housing and €600 mn for zero-interest loans for the purchase of new homes; buy 30,000 homes at discount prices from property developers, and; providing loans to help first-time home buyers; • €220 mn for households to buy new cars: Until the end of next year, drivers will get a €1,000 rebate if they scrap a vehicle older than 10 years and purchase a light truck or new car emitting less than 160 grams of carbon dioxide per kilometers; • Establish a €6 bn fund to strengthen the capital of “strategic” companies; • Car-making industry: The sovereign fund would inject €200 mn and PSA Peugeot Citroen and Renault SA would provide about €100 mn to create a €300 mn pool to help the carmakers. The car-loan units of carmakers would have access to a total of up to €1 bn of 8% interest loans, similar to those provided by the government to French banks; • For workers: Companies with fewer than 10 employees would get a break on payroll charges on 2009 hires, costing the state an estimated €700 mn. This amounts to a monthly break of €180 for a company hiring an employee on the minimum wage. The government would also spend an extra €500 mn retraining for newly unemployed in 25 distressed areas;

	<ul style="list-style-type: none"> • For impoverished people: About 3.8 mn people will get a one-off €200 check in April 2009.
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Germany	
Spend an extra €50 bn (US\$66.8 bn) in 2009-2010	<p>German Chancellor Angela Merkel's coalition agreed to spend an extra €50 bn (US\$66.8 bn) in 2009-2010, its second attempt in 2 months to stem the worst recession. The plan comes after approval of a €32-bn package in November 2008.</p> <p>The new plan comprises a mixture of subsidies, tax relief for families and construction investment. It includes about €6 bn in infrastructure investment and lower taxes, €1.5 bn in aid for the auto industry and a fund of €100 bn to provide credit guarantees to struggling businesses.</p> <p>Tax relief measures would amount to a total of €2.9 bn in 2009 and €6.0 bn from 2010. The entry level tax rate is to go down slightly, tax-free thresholds will be raised and changes will be made to tax brackets. The package also includes a one-off €100 bonus in children's allowance, and a €2,500 payment for consumers that buy a new low-emission car.</p>

Australia	
Announced an A\$4.7 bn (US\$3.2 bn) nationwide building package	<p>The national infrastructure projects and the assistance to business announced on 12.12.2008 would boost the level of GDP and help create up to 32,000 jobs.</p> <p><u>Key points:</u></p> <p>Infrastructure</p> <ul style="list-style-type: none"> • Inject A\$1.2 bn in new funds into the Australian Rail Track Corporation; • Bring forward A\$711 mn in road spending to this financial year and next; • Invest A\$1.6 bn in universities and TFE (Technical and Further Education) infrastructure. <p>Tax changes</p> <ul style="list-style-type: none"> • 10% temporary investment allowance to encourage capital investment by Australian businesses; • 20% cut in the next quarterly pay-as-you-go (PAYG) tax installment for 1.3 mn small businesses.

Canada	
Announced a rescue package of US\$3.3 bn for automakers	<p>The bailout loans comprised CAN\$3 bn (US\$2.5 bn) to General Motors (GM) and CAN\$1 bn (US\$825 mn) to Chrysler. The plan corresponds to around 20% of the US support package.</p>

Japan	
Accept lower-grade bonds for loans	The Bank of Japan has begun accepting BBB or higher-rated corporate debt on 9.12.2008 and started a new lending facility for commercial banks in January 2009.
Stimulus plan increased to ¥10 tn	Japan announced to allocate ¥10 tn (US\$110 bn) to buoy the economy on 12.12.2008 , an amount that includes ¥6 tn already announced in October. Under the plan, the government would devote ¥1 tn to aid unemployed workers, including housing assistance. The allocation would also include about ¥3 tn in fresh spending that needs to be financed by the budget for the next fiscal year.
Legislation passed to allow government to inject ¥2 tn to banks	Japan passed legislation allowing the government to inject as much as ¥2 tn (US\$22 bn) into the nation's banks as plummeting stock-market eroded their capital and weakened their ability to lend.

Spain	
€1 bn stimulus plan announced	The package intended to create 300-thousand jobs in 2009. €8 bn has been earmarked for local infrastructure projects.

Italy	
€80 bn stimulus plan announced	Under the plan, the Government would: <ul style="list-style-type: none"> • Make one-time cash payments of €2.4 bn to Italy's poorest families; • Force banks to limit mortgage rates; • Corporate tax breaks; • Controls on toll-road and utility rate increases, and; • Underwrite bank debt to help lenders boost capital levels.

Sweden	
23 bn Swedish kronor (US\$2.7 bn) stimulus plan announced	The financial package consists of slightly more than 8 bn Swedish kronor (US\$1 bn) for 2009, almost the same amount for 2010, and about 5 bn kronor for 2011.

New Zealand	
Central Bank broadened the range of securities accepted	<p>To bolster financial system liquidity and improve the market for the securities:</p> <ul style="list-style-type: none"> • The Reserve Bank will accept investment grade, New Zealand-dollar-denominated corporate bonds in its market operations; • The Central Bank has broadened the range of securities it will accept, including residential mortgage-backed securities and bonds issued by government agencies to ease pressure on system liquidity amid a global tightening in credit.

Portugal	
€900 mn subsidy scheme for automobile industry	<p><u>Key measures:</u></p> <ul style="list-style-type: none"> • Enhance the competitiveness of the Portuguese automobile industry and create 10 000 jobs in the industry; • Strengthen the financial support to companies in the industry by providing them a special loan amounting to €200 mn to facilitate their export business; • A purpose-specific fund of €150 mn established to expedite the restructuring of individual companies; • Provide funds for the industry to increase their investment in technology and innovation, and; • Boost demand for automobiles.
€2.2 bn stimulus plan announced	<p>The economic stimulus package includes modernising schools, boosting jobs and funding exporters.</p> <p><u>Key measures:</u></p> <ul style="list-style-type: none"> • €800 mn on “fiscal incentives” including credit lines to support exporters; • €500 mn set aside for schools; • €250 mn for energy installations; • €80 mn for employment programs.

Ireland	
Invest €5.5 bn in 3 of Ireland’s major banks	<p>The Irish Finance Ministry announced that the Anglo Irish Bank would receive €1.5 bn, while Bank of Ireland and Allied Irish Banks PLC would each get €2 bn.</p>

ASIAN ECONOMIES

South Korea	
Provide liquidity into the banking system	
Inject 1 tn won to banks	South Korea's Financial Services Commission (FSC) announced its plan to inject 1 tn won (US\$690 mn) in public funds on 3.12.2008 to prevent the collapse of savings banks.
Provide funds worth US\$3 bn to banks	The Bank of Korea (BOK) has provided funds worth US\$3 bn to local banks to ease their credit crunch on 9.12.2008. The fund is a part of a currency swap deal forged between South Korea and the US in October, in which the US Federal Reserve agreed to offer maximum US\$30 bn to the BOK.
Invest 1.65 tn won in 3 state-run banks	This action, announced on 16.12.2008, aimed at improving their capital adequacy ratio. Korea Development Bank and Industrial Bank of Korea would receive 500 bn won (US\$375.76 mn) each, while 650 bn won (US\$488.49 mn) to be invested into the Export-Import Bank of Korea.
200 tn won be released into the market by 5 state-run financial firms to provide liquidity	According to the Financial Services Commission (FSC), South Korea's five state-run financial firms would encourage lenders to extend loans of 130 tn won (US\$92.3 bn) to households and companies as part of efforts to ease credit crunch and boost the economy. The public financial firms would also increase credit guarantees by 14 tn won (US\$9.94 bn) to 66 tn won (US\$46.86 bn) in 2009.
Measures for unemployed and green plans	
Earmark 5.45 tn won to help the unemployed and facilitate vocational training	The funding would be used for training some 152,000 job seekers and creating 15,000 new jobs in the social services sector to assist the elderly and working mothers.
Inject 5 tn won (US\$3.8 bn) into green growth plans	<p>Prime Minister announced that the Korean government will inject 5 tn won (US\$3.8 bn) into green growth plans for the next 4 years and 960,000 new jobs will be created under the plan.</p> <p>39 tn won has been budgeted for 9 core projects, which are expected to create as many as 690,000 jobs. A further 11 tn won has been allocated for 27 subsidiary projects that would create 270,000 jobs. The plan further aims at introducing LED to 20% of public facilities by 2012. The number of environmentally-friendly vehicles, including hybrid cars, low-pollution automobiles and natural gas buses, will be raised to 68,000.</p>

Others	
Operate an Emergency Economic Committee composed of economic officials	The Emergency Economic Committee will tackle major issues as job creation, enhanced support for SMEs, financial restructuring and the reinforcement of the social safety net. It will also run a vice-ministerial level Working Committee. The Working Committee will carve out agendas which will be discussed by the emergency committee and coordinate differing opinions among relevant ministries.

Indonesia	
New measure to support export trade	Bank Indonesia has issued a new rule that commercial banks may sell export receivables , the monies owed to an exporter by the importer, to the central bank . This new rule shortened the time for an exporter to get payment, which typically can be as long as 6 months, and may help reduce demand for foreign currencies and selling pressure on the rupiah.
Earmarked Rp 50 tn (US\$4.9 bn) for a stimulus package	The stimulus would in part come in the form of tax reliefs, direct funding for certain business sectors worst hit by the crisis, additional financing schemes for infrastructure projects and net safety programs. The Government expected that the funding could help the economy grow by as much as 5% in 2009 and keep the unemployment rate flat.

Vietnam	
Measures announced to support SMEs	<p>The government announced measures to help small and medium-sized companies and create employment.</p> <ul style="list-style-type: none"> • Interest rate subsidies equivalent to 4% discount on the current commercial bank lending rates for small and medium enterprises; • Unemployment reduction programs and housing development; • Tax exemptions and credit guarantees for offshore loans, and; • State investment in infrastructure to boost economic growth.

India	
Support small enterprises	To enhance credit delivery to the employment-intensive micro and small enterprises sector, the India Central Bank has decided to provide refinance of Rs. 7,000 crore (US\$1.45 bn) to the Small Industries Development Bank of India.
New measure to support export trade	In view of the difficulties faced by exporters on account of the weakening of external demand, the India Central Bank decided that the interest rate on Post-shipment Rupee Export Credit up to 180 days will not exceed the benchmark prime lending rates minus 2.5%.
US\$4.1 bn stimulus plan announced	The money will be spent on building infrastructure, providing export incentives, helping banks and offering relief to people who have taken out home loans.

Subsidize home mortgage	India's state-run banks will offer loans at lower rates to home seekers borrowing as much as 2 mn rupees (US\$41,600) to boost demand. State-run banks will also cap the interest rate for home loans up to 500,000 rupees at 8.5%, and the rate will be limited to 9.25% for loans between 500,000 rupees and 2 mn rupees.
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OTHERS

Argentina	
A new 13.2 bn-peso (US\$3.9 bn) stimulus plan announced on 4.12.2008	<ul style="list-style-type: none"> • Provide 3.5 bn pesos loans for purchases of goods such as washing machines and refrigerators; • Offer 3.1 bn pesos to help the auto industry by offering financing to people who has never bought a new car before; • Banks, including the state-owned Banco de Inversion y Comercio Exterior SA, will offer loans at fixed rates of 11% for one year to help finance exports and investments; • Taxes on wheat and corn exports will decline to 23 percent and 20 percent, respectively, and; • Cut the tax one additional percentage point each time production exceeds certain fixed limits by one mn tons.
Increased spending for the November stimulus plan	The Government decided on 16.12.2008 to further increase spending on public works to 111 bn pesos (US\$32 bn), up from the 71 bn-peso plan announced on 26.11.2008. About 57 bn pesos of the stimulus package will be spent in 2009 on projects ranging from schools to highways.

Brazil	
New stimulus plan announced	The plan would cut taxes by 8.4 bn reais (US\$3.6 bn) to revive the slowing economy. It also allowed the central bank to use international reserves to help Brazilian companies repay dollar debts, thus easing pressure on the weakening local currency.

Russia	
Increase tariff rate for imported vehicles	Starting from 2009, the rate of import duties on foreign-made new vehicles and vehicles less than three years old will be adjusted to 30%, and for vehicles 3-5 years old, the rate will be adjusted to 35%. The adjustment covers tractors, trucks and cars, and the new customs duties will be imposed for nine months. The current rate of import duties on new vehicles is 25%.

Provide financial support to major companies	1,500 companies in Russia may receive financial support as part of the government's efforts to stabilize the slowing economy. The state may buy equity stakes in key companies, restructure tax debts and provide loans and guarantees.
Offer loan to oil enterprises	Russian government would grant a loan totaling 3.5 tn roubles to support local oil enterprises.
Reduce corporate tax	<ul style="list-style-type: none"> • Russian corporate tax will be cut by 4% to 20% w.e.f. 1 January 2009; • Companies will pay tax on their actual profits as opposed to the “paper profits” displayed in company accounts; • Value-added tax (VAT) rules changed and it will accelerate refunds to businesses and simplify the advance VAT payment process; • Investment depreciation allowance will also be increased to 30% from 10% of the cost of fixed assets.

Chile	
Increase spending by US\$4 bn	<p>The plan would lead to the first deficit in six years in a bid to create jobs and stimulate growth as the economy falters. The plan is expected to allow the economy to grow between 2% and 3% this year, creating 100,000 jobs.</p> <p>Under the plan, the government will inject US\$1 bn into state-owned copper producer Codelco, the world's biggest miner of the metal. The government will also subsidize jobs for young people on low incomes, hand out 40,000 peso (US\$62) bonuses to 1.7 mn families and spend an extra US\$700 mn on public works.</p>

MULTILATERAL COOPERATION

<p>China and US</p>	<p>The 5th Strategic Economic Dialogue (SED) between China and the US ended on 5.12.2008 in Beijing.</p> <p><u>Key Points:</u></p> <p>Trade and Investment</p> <ul style="list-style-type: none"> • China, through the Export-Import Bank of China, is providing US\$8 bn in short-, medium-, and long-term trade finance facilities for exports of Chinese goods and services to emerging markets. • US, through the U.S. Export-Import Bank, announced its intention to provide US\$4 bn in new short-term trade finance facilities and US\$8 bn in new medium- and long-term trade finance facilities for exports of U.S. goods and services to emerging markets. <p>Macroeconomic Cooperation & Financial Services</p> <ul style="list-style-type: none"> • China will allow foreign incorporated banks in China to trade bonds in the inter-bank market, both for their customers and for their own accounts, on the same basis as the Chinese banks, and, in exceptional circumstances, allow qualified foreign banks to increase their liquidity either through guarantees or foreign currency loans from overseas affiliates on a temporary basis, notwithstanding short-term external debt quotas.
<p>China, Japan and Korea</p>	<ul style="list-style-type: none"> • The People’s Bank of China, the Bank of Japan and the Bank of Korea have agreed to hold Governors’ meetings on a regular basis to exchange views on regional economic and financial developments as well as topics of common interest concerning central banking. • The three banks decided to set up this Tripartite Governors’ Meeting to strengthen the existing process of informal dialogue among the three Governors that has taken place for many years.
<p>China and Korea</p>	<p>China and South Korea had reached a consensus on signing a bilateral agreement on a currency swap involving RMB 180 bn of credit.</p>
<p>International Monetary Fund</p>	<ul style="list-style-type: none"> • IMF approved a 27-month Special Drawing Rights 1.52 bn (US\$2.35 bn) Stand-By Arrangement for Latvia on 23.12.2008 to support the country’s program to restore confidence and stabilize the economy. • IMF separately agreed to provide a US\$2.5 bn credit line to Belarus to cope with the global financial crisis. Belarus asked for assistance from the IMF to shore up the country’s international reserves and provide a “safety-cushion” to stabilize the economy during the global financial crisis.

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OVERVIEW OF GLOBAL KEY MONETARY POLICY (for 29 November 2008 to 14 January 2009)

Economy	Announcement Date		Interest rates	Latest	Required reserve ratio
Key Economies					
China: one-year lending rate	22.12	↓	0.27%	5.31%	↓ 0.50%
United States: federal funds rate	16.12	↓	0.75-1.00%	0.00- 0.25%	
United Kingdom: official bank rate paid on commercial bank reserves	04.12	↓	1.00 %	2.00%	
	08.01	↓	0.50%	1.50%	
European Central Bank: interest rates on the marginal lending facility	04.12	↓	0.75%	3.00%	
Australia: cash rate	01.12	↓	1.00%	4.25%	
Canada: overnight rate	09.12	↓	0.75%	1.50%	
Japan: uncollateralized overnight call rate	19.12	↓	0.20%	0.10%	
Asia					
Thailand: one-day repo rate	03.12	↓	1.00%	2.75%	
	14.01	↓	0.75%	2.00%	
India: repo rate under the Liquidity Adjustment Facility	06.12	↓	1.00%	6.50%	
	02.01	↓	1.00%	5.50%	
South Korea: call rate	11.12	↓	1.00%	2.00%	
	08.01	↓	0.50%	2.50%	
Taiwan: rediscount rate	11.12	↓	0.75%	2.00%	
	08.01	↓	0.5%	1.50%	
Indonesia: Benchmark Interest Rate	04.12	↓	0.25%	9.25%	
	07.01	↓	0.5%	8.75%	
Philippine: overnight deposits rate for banks	18.12	↓	0.50%	5.50%	
Vietnam: base interest rate	03.12	↓	1.00%	10.00%	↓ 2.00%
	18.12	↓	1.50%	8.50%	
Others					
New Zealand: official cash rate	04.12	↓	1.50%	5.00%	
Sweden: repo rate	04.12	↓	1.75%	2.00%	
Switzerland: 3-month LIBOR target range	10.12	↓	0.50%	0.00-1.00%	
Denmark: lending rate	04.12	↓	0.75%	4.25%	
	19.12	↓	0.50%	3.75%	