

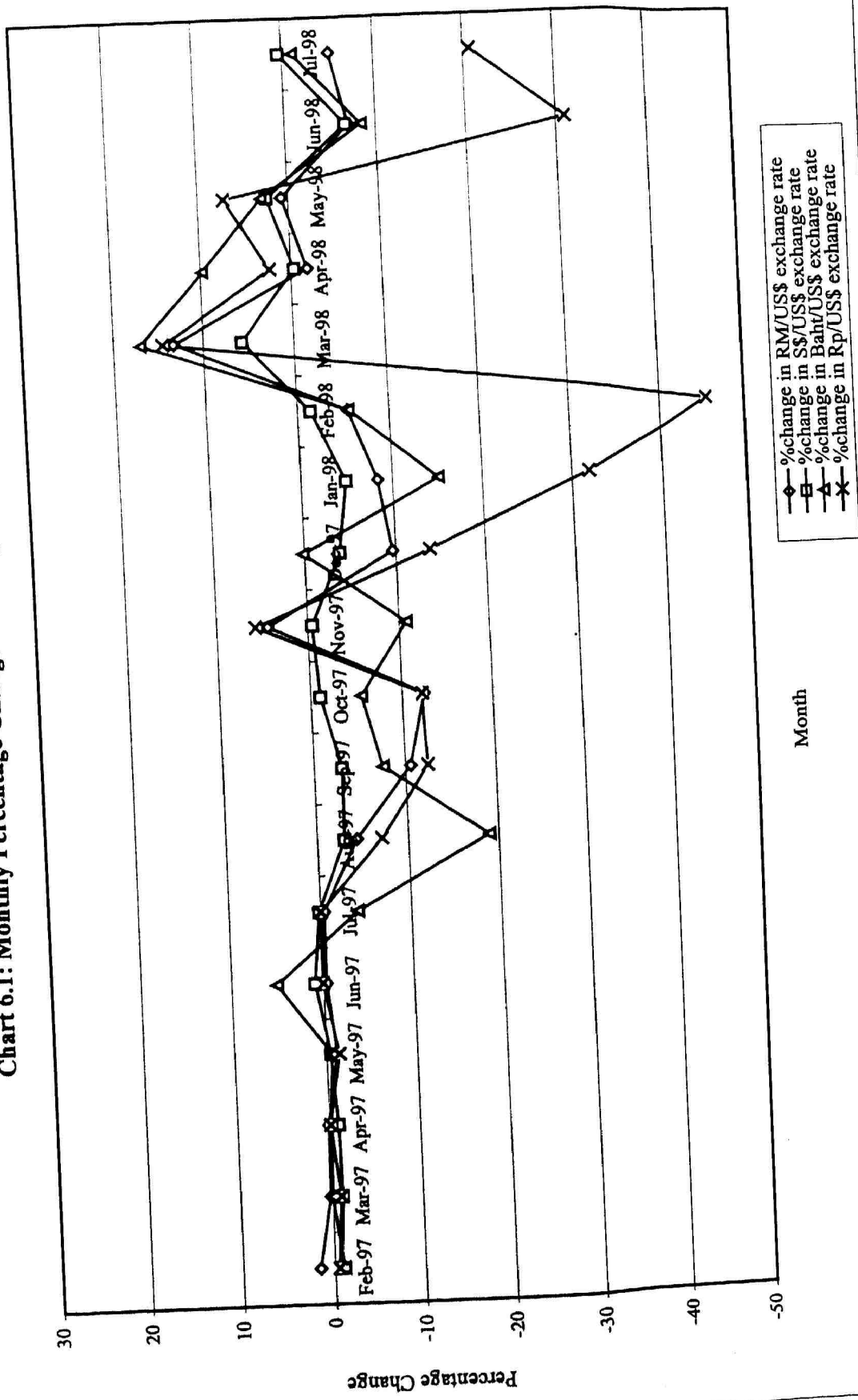
Chapter 6

Effects of the Financial Crises

6.1 The Foreign Exchange Rate

The financial crises have been very damaging to the local currencies and stock markets. Charts 6.1-6.4 trace the monthly percentage of currency depreciation of the four countries. For the period February 1997 to February 1998, the Indonesia rupiah has suffered the worst in the crises, depreciating as much as 76.4%. The Thai baht depreciated by 49.2%, the Malaysia ringgit depreciated by 39.6% and the Singapore dollar depreciated by 17.6% for the same period, after which they recovered slightly. While the Singapore dollar has depreciated at a more gradual pace, the other currencies have experienced rapid depreciation. The recovery did not last and volatility was again the case with Indonesia undergoing deeper depreciation by July 1998. The rupiah was trading at Rp5, 484.84 against the greenback in beginning of January 1998 before sliding to Rp14, 650.04 in early July 1998. The baht however somewhat strengthened against the greenback by July 1998 from B48.15 against the greenback in early January 1998 to B42.45 against the greenback in July 1998. The value of the ringgit and the Singaporean dollar remain about the same from January 1998 by July 1998. The ringgit hovered around RM4 to a US dollar and the Singaporean dollar, around S\$1.70 to a US dollar.

Chart 6.1: Monthly Percentage Change in Foreign Exchange Rate



Source: Extel Compact

6.2 Stock Market Performance

Chart 6.5 trace the stock market performances of each country from January 1997 to May 1998. Stock exchange in the four countries has been very volatile, with rapid downtrend from April 1997. Thailand started the downturn earlier. Its stock exchange was already declining in January 1997. The performance of stock market can be taken as a barometer of confidence on the economy of the country. The markets hit the bottom at the end of 1997 for Indonesia in the period under review but is still very volatile. For the other countries, the bourses are still having the downtrend. There was an upturn in February 1998 for all countries but this did not persist. All markets are thus still very volatile.

Chart 6.2 Kuala Lumpur Stock Exchange Composite Index

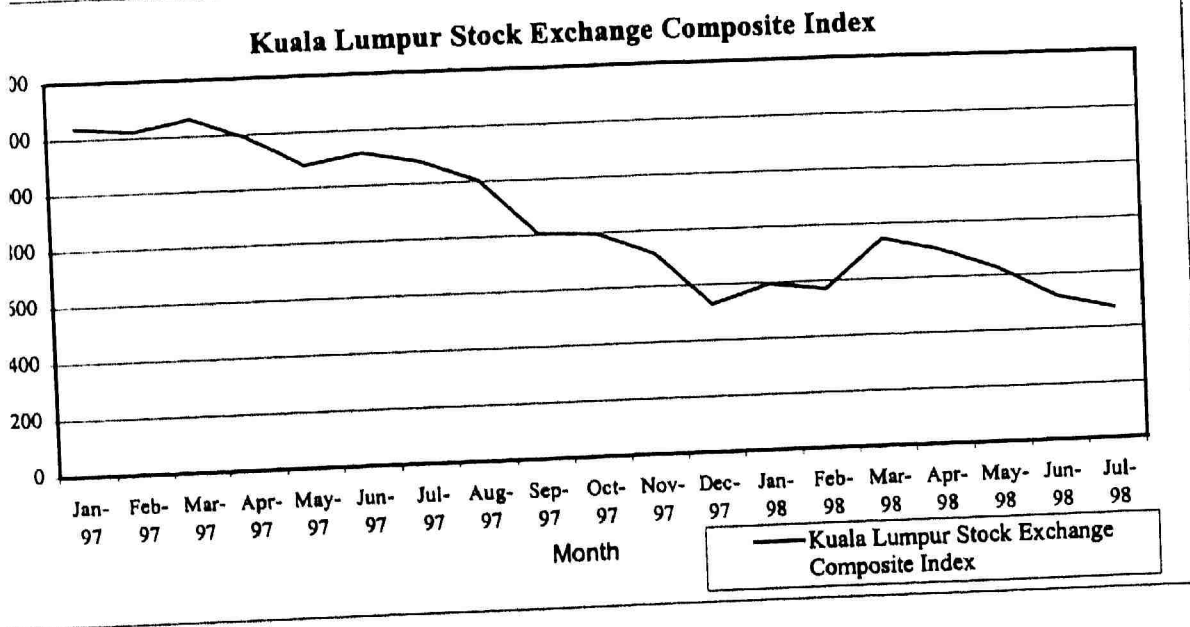


Chart 6.3 Straits Times Industrial Index

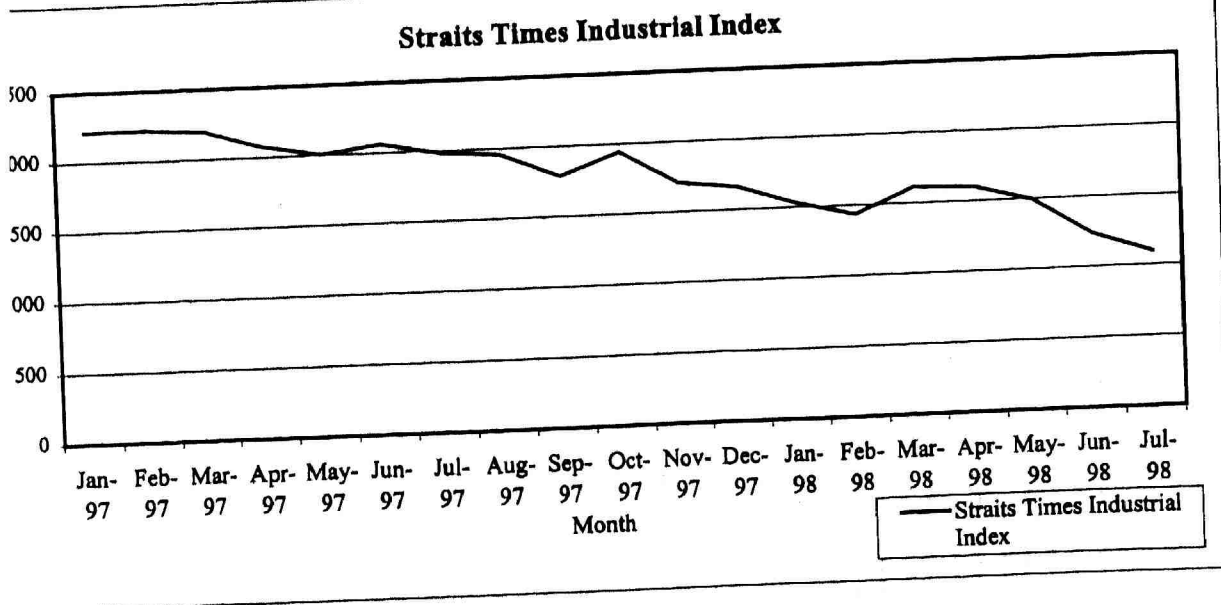


Chart 6.4 Stock Exchange of Thailand

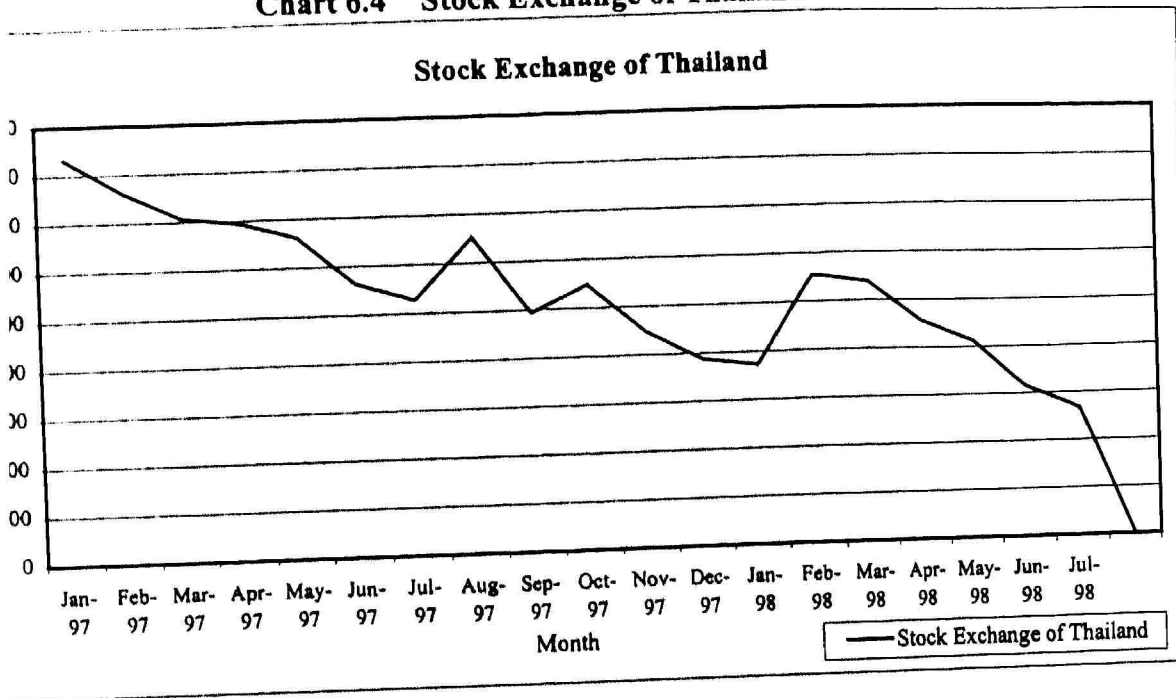
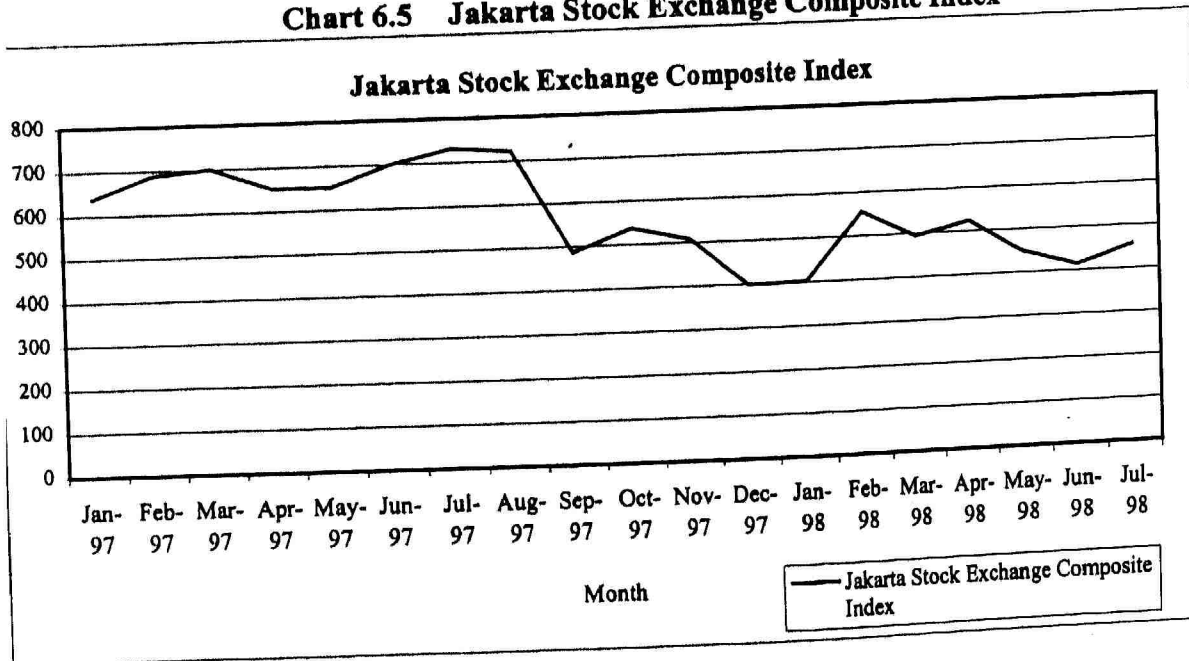


Chart 6.5 Jakarta Stock Exchange Composite Index



Source: Extel Compact Disk

6.3 Gross Domestic Product Growth Rate

Table 6.1 Quarterly GDP Growth Rates in 1998

	First Quarter	Second Quarter
Malaysia	-2.8	-6.8
Singapore	6.1	1.6
Thailand¹	-21.1	-13.5
Indonesia	-7.9	-16.5

Note: ¹ manufacturing production growth
Source: The Star, June 1998, New Straits Times, August 1998,
Bank of Thailand, Singapore Department of Statistics,
Central Bureau of Statistics, Indonesia.

Only Singapore managed to obtain a positive GDP growth in both quarters of 1998 although the second quarter's growth was much lower. All other countries had negative GDP growth. The scenario worsened in the second quarter except for Thailand which has a lower negative manufacturing production growth compared to the same period last year. Both Thailand (manufacturing production growth) and Indonesia have double digit negative growth rate while Malaysia had a single negative growth rate.