Mizuho: Forecasts at a Glance

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GDP

GDP Growth Forecasts (% YoY)

Country	2021				2022				2023				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(FY21/22)	(FY22/23)	(FY23/24)
Australia	1.4	9.6	3.9	4.2	3.3	3.8	5.8	2.4	2.2	2.0	1.9	1.9	4.8	3.7	2.0
China	18.3	7.9	4.9	4.0	4.8	0.4	3.3	3.7	3.2	5.7	4.2	3.9	8.1	3.1	4.3
India	2.5	20.1	8.4	5.4	4.1	13.5	6.1	5.0	4.2	5.3	5.5	6.2	8.3 (8.7)	6.9 (6.9)	5.3 (5.9)
Indonesia	-0.7	7.1	3.5	5.0	5.0	5.4	5.0	5.0	4.8	4.9	4.8	4.8	3.7	5.1	4.8
Malaysia	-0.5	16.1	-4.5	3.6	5.0	8.9	8.6	5.8	4.7	4.7	4.5	4.1	3.1	7.0	4.5
Philippines	-3.8	12.1	7.0	7.8	8.3	7.4	6.7	6.5	6.0	5.9	5.6	5.6	5.7	7.2	5.8
Singapore	2.0	15.8	7.5	6.1	3.9	4.5	4.4	2.6	3.1	2.4	3.2	3.1	7.6	3.8	3.0
Korea	1.9	6.0	4.0	4.1	3.0	2.9	2.8	1.9	2.1	2.1	2.3	2.6	4.0	2.6	2.3
Thailand	-2.6	7.5	-0.3	1.9	2.3	2.5	4.4	3.3	3.2	3.4	4.0	4.0	1.6	3.1	3.6
Vietnam	4.7	6.6	-6.2	5.2	5.0	7.7	14.4	1.0	6.0	6.0	4.8	6.1	2.6	7.3	5.7

Growth: **Post-FOMC growth prospects look gloomier**, as **higher-for-longer rates** from an ardently hawkish Fed **accentuates recession risks**. Upshot being, **pre-existing stagflation-type forces** assaulting the global economy are **exacerbated by** a Fed drawing on Volcker-era lessons **colliding with OPEC+ supply cuts to prop up elevated crude prices**. Meanwhile, Euro-zone is lurching into a recession amid devastating energy shocks. And an ECB set to respond more forcefully to inflation will perversely intensify economic pain. In the UK, the U-turn on "mini-budget" has only avoided financial catastrophe but not absolve upcoming economic hardship. **Consequent aggregate global demand destruction** is set to hit export-driven EM Asia economies already struggling with cost-shocks. And a strong **USD alongside sharply higher US rates magnifies headwinds via financial instability risks**.

Inflation

Inflation Forecast (%YoY)

Country	2021				2022				2023				2017-19	2020	2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Average	(FY20/21)	(FY21/22)	(FY22/23)	(FY23/24)
Australia	1.1	3.8	3.0	3.5	5.1	6.1	7.8	8.3	6.6	4.7	3.3	2.6	1.8	0.9	2.9	6.8	4.3
China	0.0	1.1	0.8	1.8	1.1	2.2	2.9	3.3	3.1	2.5	2.2	1.9	2.2	2.5	1.3	2.4	2.4
India	4.9	5.6	5.1	5.0	6.3	7.3	7.0	7.0	6.6	5.7	6.0	6.2	3.9	6.6 (6.2)	5.1 (5.5)	6.9 (6.9)	6.1 (6.1)
Indonesia	1.4	1.5	1.6	1.8	2.3	3.8	5.2	5.9	5.6	4.3	2.7	1.3	3.3	2.0	1.6	4.3	3.4
Malaysia	0.5	4.2	2.1	3.2	2.2	2.8	4.6	4.1	2.9	2.5	2.2	2.1	1.8	-1.1	2.5	3.4	2.4
Philippines	4.0	4.0	4.1	3.6	3.4	5.5	6.5	6.3	5.5	3.9	3.2	3.6	3.8	2.4	3.9	5.4	4.0
Singapore	0.8	2.3	2.5	3.7	4.6	5.9	7.3	5.8	5.6	3.9	3.3	2.4	0.5	-0.2	2.7	5.9	3.8
Korea	1.4	2.5	2.5	3.5	3.8	5.4	5.9	6.4	5.6	3.5	3.2	2.8	1.3	0.5	2.4	5.5	3.8
Thailand	-0.5	2.4	0.7	2.4	4.7	6.5	6.5	6.9	5.7	3.6	3.1	2.5	0.8	-0.8	1.2	6.4	3.7
Vietnam	0.3	2.7	2.5	1.9	1.9	3.0	3.3	4.1	3.8	3.5	3.6	3.5	3.3	3.2	1.8	3.1	3.6

Inflation: Even with headline inflation easing in the US and some other large global economies, **rising core inflation points to underlying stickiness of price pressures.** This comes from elevated wage pressure, supply-side constraints and second round energy price effects. **While global recession risks have softened global crude prices**, OPEC+ cuts and persistent Russia-Ukraine risks make for uncomfortably high energy inflation. Especially as **lagged pass-through of energy inflation via utilities and food are further accentuated by a strong USD**. Moreover, weather-induced disruptions and spots of capacity/supply-chain kinks render inflation sticky. **Crucially, amplified inflation expectations channels adds to persistence of inflation risks.**

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

Central Bank Forecasts

Central Bank Policy Outlook

Country	Central Bank	2021				2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US	Fed	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.00-0.25%	0.25-0.50%	1.50-1.75%	3.00-3.25%	4.25-4.50%	4.50-4.75%	4.75-5.00%	4.75-5.00%	4.50-4.75%
Australia	RBA	0.10%	0.10%	0.10%	0.10%	0.10%	0.85%	2.35%	3.10%	3.35%	3.35%	3.35%	3.35%
China	PBoC	3.85%	3.85%	3.85%	3.80%	3.70%	3.70%	3.65%	3.50%	3.50%	3.50%	3.50%	3.50%
India	RBI	4.00%	4.00%	4.00%	4.00%	4.00%	4.90%	5.90%	6.25%	6.50%	6.50%	6.50%	6.50%
Indonesia	BI^	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	4.25%	5.00%	5.25%	5.25%	5.25%	5.25%
Malaysia	BNM	1.75%	1.75%	1.75%	1.75%	1.75%	2.00%	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%
Philippines	BSP	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	4.25%	5.00%	5.25%	5.25%	5.25%	5.25%
Singapore	MAS*	Status Quo		Restore a "Slight" S$NEER Slope (0.5% per annum)		Unscheduled "Steeper" Slope to 1.0% p.a.	Re-center Mid-Pt Higher & "Slightly" Increase S$NEER Slope (1.5% p.a.)	Off-Cycle Re-centring Higher to Prevailing S$NEER	Re-centring Higher to Prevailing S$NEER (Maintain Slope 1.5% p.a.)	Maintain S$NEER Slope (~1.5% per annum)		Maintain S$NEER Slope (~1.5% per annum)	
Korea	BoK	0.50%	0.50%	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.25%	3.25%	3.25%	3.25%
Thailand	BoT	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	1.00%	1.25%	1.75%	1.75%	1.75%	1.75%
Vietnam	SBV	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

* The MAS conducts monetary policy via FX. Specifically it adopts a trade-weighted SGD appreciation at "modest and gradual" (estimated to be 2% per annum) pace as default.
^ BI shifted to the 7 Day repurchase rate as the benchmark rate in August 2016. This by default constituted 125 bps reduction from the last policy rate

- **EM Asia Central Banks**: An aggressively hawkish Fed is increasingly becoming a key consideration for EM Asia central banks' tightening bias; as capital outflows/macro-stability risks grow. We expect more follow-through hikes; although at the margin pace of hikes may slow.

- **Australia (RBA)**: A slowdown in rate hike magnitude to 25bp is cognisant of housing risks and China headwinds. Tight labour market conditions increasingly shift terminal rate peak to 3.35%.

- **China (PBoC)**: Defying the wider global tightening cycle with its active policy stimulus, further calibrations to lower rates will be complemented by "guidance" for credit extension to the real economy/SMEs.

- **India (RBI)**: With 140bps of rate hikes (including inter-meeting) since April, the RBI may dial back on pace; but at least another 60bp of tightening by early-2023 is required; possibly more if food inflation strikes hard.

- **Indonesia (BI)**: A 50bp hike in September, in line with our expectations, may be reason enough for BI to dial back the ante to 25bp; however, IDR depreciation pressures could force larger magnitude hikes down the road.

- **Malaysia (BNM)**: Political risks, fading commodity price tailwinds and MYR depreciation pressures make for a perfect storm that could push BNM into a 50bp hike in November.

- **Philippines (BSP)**: Sticking with large hikes of either 50bp or 75bp may be prudent for BSP given the significant PHP underperformance. That said, these will prove merely backstops as 'twin deficit' fundamental hit home.

- **Singapore (MAS)**: After their October 2022 re-centering (and restraint on slope increments), the MAS looks to be increasingly wary of two-way risks. As such, the status quo with a keen eye to evolving risks is expected. The policy calculus also turns more symmetric as downside global recession risks grows.

- **South Korea (BOK)**: While 2 more 25bp rate hikes are on the cards in 2022, slowing growth will force the BoK to grapple with neutral and contemplate a pause in 2023. A hawkish Fed will drag BoK's rate above 3.0%.

- **Thailand (BOT)**: While the BoT's preference is for gradual and measured normalisation, a 50bp hike will not surprise, given a negative rate rate differential. Ceiling for 1.75% remains the limit as debt servicing burden and growth are still key worries, though the Fed threat may pull rates higher.

- **Vietnam (SBV)**: With a front loaded 100bps point move, the risks from stronger USD has taken center stage as we remain watchful for more hikes if Fed peak rates shift above September Dot Plot.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts

FX Forecasts	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23
USD/CNY	6.79 - 7.32 (7.18)	6.73 - 7.24 (7.06)	6.78 - 7.31 (6.95)	6.64 - 7.13 (6.86)	6.66 - 7.16 (6.88)
USD/INR	80.0 - 84.9 (83.5)	79.7 - 84.6 (81.8)	76.4 - 81.7 (79.3)	73.6 - 80.1 (77.6)	74.5 - 81.1 (78.5)
USD/KRW	1360 - 1530 (1450)	1370 - 1530 (1430)	1350 - 1480 (1405)	1320 - 1440 (1378)	1310 - 1430 (1360)
USD/SGD	1.379 - 1.456 (1.426)	1.382 - 1.440 (1.413)	1.347 - 1.429 (1.382)	1.341 - 1.430 (1.378)	1.347 - 1.431 (1.384)
USD/IDR	14790 - 16910 (15750)	14880 - 16140 (15550)	14940 - 16050 (15400)	14710 - 15930 (15200)	14520 - 15780 (15000)
USD/MYR	4.56 - 5.24 (4.90)	4.79 - 5.05 (4.85)	4.50 - 4.95 (4.79)	4.50 - 4.87 (4.71)	4.49 - 4.84 (4.68)
USD/PHP	57.9 - 61.4 (60.0)	58.2 - 61.1 (59.2)	56.0 - 60.2 (58.5)	55.4 - 59.7 (58.0)	55.1 - 59.2 (57.5)
USD/THB	36.3 - 39.1 (38.7)	37.4 - 39.9 (38.5)	36.1 - 39.3 (38.2)	36.0 - 39.3 (38.0)	36.8 - 39.4 (37.8)
USD/VND	24100 - 24900 (24500)	24000 - 24900 (24400)	24100 - 24700 (24300)	24100 - 24700 (24200)	24000 - 24500 (24100)
AUD/USD	0.600 - 0.663 (0.620)	0.605 - 0.687 (0.632)	0.599 - 0.675 (0.646)	0.621 - 0.692 (0.655)	0.633 - 0.697 (0.666)

Note: For FX forecasts, level in parentheses pertains to period end forecasts; and the period's range precedes this.

- AUD: Further Fed-RBA divergence amid housing market risks and recession/China headwinds amplified by commodity channels could keep AUD on the back foot; before scope for traction into 2023.
- CNY: Amid the mid-October NPC, a stable CNY is arguably desired, but bullish USD and lingering China risks will challenge this. USD/CNY is bound to test higher amid calibrated CNY NEER dips; but pullback in 2023.
- INR: Oil impact buffer is already accounted for, whereas deteriorating C/A and eroding FX reserve buffer amid Fed headwinds pose tipping risks; Break-out of 82-75 cannot be ruled out on worse case capital flight risks.
- IDR: After being relatively resilient through to Q3, IDR depreciation has increased into October. Whether 'catch-down' or more fundamentally driven, the risk is for further currency depreciation as the strong USD bias persists.
- MYR: Political uncertainty ahead of the elections in Q4 will worsen the outlook excaberating already significant capital outflow risks given the Fed's hawkishness as well as moderating commodity tailwinds.
- PHP: PHP underperformance is unlikely to be reversed into Q4 as fundamental 'twin deficit' concerns persists. Hikes by the BSP will backstop this further depreciation to some extent but will not be able to force a U-turn.
- SGD: A conspiracy of CNY and EUR setback amid USD strength to drag SGD (1.44-1.46 risks) as S$NEER policy lift may have limited boost from hereon; and a rich S$NEER too limits relative SGD out-performance.
- KRW: Weakness persist as dire terms of trade continues to weigh on their industrial complex while the BoK's best efforts unable to overcome widening interest rate differentials. More room for recovery in 2023.
- THB: Tourism recovery will backstop THB slips though sustained slow recovery may only kick-off early-2023 and outperformance remains limited as energy import costs remains high. China-reopening still the wildcard.
- VND: Strong growth and contained inflation enables regional outperformance but does not imply immunity from strong USD trends. With a widening of the trading band from +/- 3% to +/- 5%, catch-down risks should be watched, especially as CNY and KRW rumble pressures for now.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources