

# Mizuho: Forecasts at a Glance

Economics & Strategy | Asia ex-Japan

18 October – 3 November 2022

Vishnu Varathan, Head, Economics & Strategy

Lavanya Venkateswaran, Market Economist

Tan Boon Heng, Market Economist

## GDP

GDP Growth Forecasts (% YoY)

Country	2021				2022				2023				2021 (FY21/22)	2022 (FY22/23)	2023 (FY23/24)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
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 Average	2020 (FY20/21)	2021 (FY21/22)	2022 (FY22/23)	2023 (FY23/24)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
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.**

## 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	<b>Fed</b>	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	<b>RBA</b>	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	<b>PBoC</b>	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	<b>RBI</b>	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	<b>BI<sup>^</sup></b>	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	<b>BNM</b>	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	<b>BSP</b>	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	<b>MAS<sup>*</sup></b>	Status Quo		Restore a "Slight" SSNEER Slope (0.5% per annum)		Unscheduled "Steeper" Slope to 1.0% p.a.	Re-center Mid-Pt Higher & "Slightly" Increase SSNEER Slope (1.5% p.a.)	Off-Cycle Re-centering Higher to Prevailing SSNEER	Re-centering Higher to Prevailing SSNEER (Maintain Slope 1.5% p.a.)	Maintain SSNEER Slope (~1.5% per annum)		Maintain SSNEER Slope (~1.5% per annum)	
Korea	<b>BoK</b>	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	<b>BoT</b>	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	<b>SBV</b>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

<sup>\*</sup> 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.

<sup>^</sup> 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.

## 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 exacerbating 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.

### Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

### Disclaimer

Unless otherwise stated, all views or opinions herein are solely those of the author(s) as of the date of this publication and are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, and are subject to change without notice. This publication has been prepared by Mizuho solely from publicly available information. Information contained herein and the data underlying it have been obtained from, or based upon, sources believed by us to be reliable, but no assurance can be given that the information, data or any computations based thereon are accurate or complete. This publication provides general background information only. It is information in summary form and does not purport to be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

**Singapore:** Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

**Japan:** Mizuho is authorised and regulated by the Financial Services Agency of Japan.

**United Kingdom / European Economic Area:** In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**United States:** This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd