Mizuho: Forecasts at a Glance

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MIZUHO

GDP

GDP Growth Forecasts (% YoY)

Country	2021				2022				2023				2017-19	2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Avg	(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	2.4	4.8	3.7	2.0
China	18.3	7.9	4.9	4.0	4.8	0.4	3.9	3.7	3.2	5.7	4.2	3.9	6.5	8.1	3.1	4.3
India	2.5	20.1	8.4	5.4	4.1	13.5	6.3	4.8	4.6	6.2	5.2	5.4	5.8	8.3 (8.7)	6.9 (6.9)	5.3 (5.6)
Indonesia	-0.7	7.1	3.5	5.0	5.0	5.4	5.7	5.6	5.3	5.2	5.1	5.0	5.1	3.7	5.5	5.1
Malaysia	-0.5	16.1	-4.5	3.6	5.0	8.9	14.2	6.5	4.9	5.1	3.3	5.4	5.0	3.1	8.6	4.7
Philippines	-3.8	12.1	7.0	7.8	8.2	7.5	7.6	6.5	6.3	6.2	6.1	6.0	6.2	5.7	7.4	6.2
Singapore	2.0	15.8	7.5	6.1	3.9	4.5	4.1	2.4	2.2	2.8	2.3	2.3	3.1	7.9	3.7	2.4
Korea	1.9	6.0	4.0	4.1	3.0	2.9	3.1	1.9	2.1	2.1	2.3	2.6	2.8	4.0	2.6	2.3
Thailand	-2.6	7.5	-0.3	1.9	2.3	2.5	4.5	3.3	3.2	3.4	4.0	4.0	3.5	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	7.1	2.6	7.3	5.7

Growth: **Growth prospects are turning 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 offsetting slip in 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. The UK has averted financial catastrophe but is not absolved of economic hardship ahead. **Consequent aggregate global demand destruction** is set to hit export-driven EM Asia economies already struggling with cost-shocks. And a **strong USD, despite recent moderation, alongside sharply higher US rates magnifies headwinds via financial instability risks**.

Inflation

Inflation Forecast (%YoY)

Country	2021				2022				2023				2017-19	2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Average	(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	2.9	6.8	4.3
China	0.0	1.1	0.8	1.8	1.1	2.2	2.7	2.6	2.9	2.5	2.2	2.1	2.2	0.9	2.2	2.4
India	4.9	5.6	5.1	5.0	6.3	7.3	7.0	6.5	6.4	6.0	6.1	6.6	3.9	5.1 (5.5)	6.8 (6.8)	6.3 (6.4)
Indonesia	1.4	1.5	1.6	1.8	2.3	3.8	5.2	5.7	5.5	4.5	3.3	2.2	3.3	1.6	4.2	3.8
Malaysia	0.5	4.2	2.1	3.2	2.2	2.8	4.5	4.2	3.0	2.6	2.3	2.1	1.8	2.5	3.4	2.5
Philippines	4.0	4.0	4.1	3.6	3.4	5.5	6.5	7.2	6.4	4.8	4.1	3.9	3.8	3.9	5.7	4.8
Singapore	0.8	2.3	2.5	3.7	4.6	5.9	7.3	6.3	5.7	4.1	3.3	2.4	0.5	2.7	6.0	3.9
Korea	1.4	2.5	2.5	3.5	3.8	5.4	5.9	6.4	5.6	3.5	3.2	3.0	1.3	2.4	5.5	3.8
Thailand	-0.5	2.4	0.7	2.4	4.7	6.5	6.5	6.5	5.7	3.6	3.1	2.7	0.8	1.2	6.1	3.8
Vietnam	0.3	2.7	2.5	1.9	1.9	3.0	3.3	4.2	4.4	4.0	3.6	3.5	3.3	1.8	3.1	3.9

Inflation: Admittedly, **inflationary forces are set to recede**, led by energy and helped by base effects. Moreover, there are encouraging signs of peaking US inflation. **Nonetheless, inflation is too elevated for comfort or policy reversals**. What's more, **sticky core inflation amplify second-round effects.** Whilst US-type wage-price spiral risks are not uniformly prevalent as a global phenomenon, lingering supply-side constraints, second round energy pass-through and food inflation remain problematic for many economies. And OPEC+ cuts and persistent Russia-Ukraine risks suggest inflation risk remain at the fore. 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%**	**4.75-5.00%**	**5.00-5.25%**	**5.00-5.25%**	**4.75-5.00%**
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%	5.50%	5.50%	5.50%	5.50%	5.50%
Malaysia	**BNM**	1.75%	1.75%	1.75%	1.75%	1.75%	2.00%	2.50%	2.75%	3.00%	3.00%	3.00%	3.00%
Philippines	**BSP**	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%	4.25%	5.50%	5.50%	5.50%	5.50%	5.50%
Singapore	**MAS***	Status Quo		Restore a "Slight" S$NEER Slope (0.5% per annum)		Unscheduled "Steeper" Slope to 1.25% p.a.	Re-center Mid-Pt Higher & "Slightly" Increase S$NEER Slope (2.0% p.a.)	Off-Cycle Re-centring Higher to Prevailing S$NEER	Re-centring Higher to Prevailing S$NEER (Maintain Slope 2.0% p.a.)	Maintain S$NEER Slope (~2.0% per annum)		Maintain S$NEER Slope (~2.0% 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%	6.50%	6.50%	6.50%	6.00%	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 flagging persistence of high rates even as pace of hikes slow, pose a challenge to EM Asia central banks. Specifically by dialling up macro-stability risks asssociated with tightening too little. Follow-through hikes may moderate with the Fed, but FX/macro risks remain.

- **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 190bps of rate hikes (including inter-meeting) since April, the RBI may dial back on pace to a 35bp in December; but another 25bp hike in early-2023 remains on the table for 6.50% “terminal rate”.

- **Indonesia (BI)**: A solid Q3 GDP print as well as increased IDR depreciation pressures could force BI to keep its eye on a 50bp in November, before potentially dialling back to 25bp in December.

- **Malaysia (BNM)**: Uncertainty ahead of closely fought election, highly negative BNM-Fed interest rate differentials will keep BNM on its toes. Another 25bp in Q1 2023 is a given but BNM may need to up the ante to support MYR.

- **Philippines (BSP)**: A well publicised 75bp hike in lockstep with the Fed may backstop PHP depreciation pressures but fundamentally elevated inflation and ‘twin defict’ concerns means BSP may need to do more.

- **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)**: A contrarian view of stopping and allow policy transmission at 3.25% may prevail if housing prices continue slipping and Fed rates peak at Dec Dot plot below 5.5%.

- **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 two front loaded 100bps point moves, 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. Upside room while available may remain limited.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts

FX Forecasts	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
USD/CNY	6.92 - 7.41 (7.22)	6.86 - 7.34 (7.06)	6.75 - 7.07 (6.92)	6.85 - 7.36 (7.08)	6.66 - 7.16 (6.88)	6.60 - 7.00 (6.82)	6.56 - 6.96 (6.78)
USD/INR	79.2 - 84.0 (82.6)	79.7 - 84.6 (81.8)	76.9 - 82.2 (79.8)	79.3 - 86.3 (83.6)	76.8 - 83.6 (81.0)	76.3 - 83.2 (80.4)	75.5 - 82.3 (79.6)
USD/KRW	1250 - 1400 (1330)	1250 - 1390 (1300)	1240 - 1360 (1290)	1320 - 1440 (1380)	1310 - 1430 (1360)	1220 - 1320 (1270)	1210 - 1320 (1265)
USD/SGD	1.357 - 1.432 (1.403)	1.358 - 1.441 (1.388)	1.347 - 1.397 (1.382)	1.360 - 1.451 (1.398)	1.347 - 1.431 (1.384)	1.337 - 1.415 (1.374)	1.329 - 1.407 (1.366)
USD/IDR	14870 - 17000 (15830)	14970 - 16240 (15650)	15040 - 16160 (15500)	15370 - 16640 (15880)	15120 - 16430 (15620)	14860 - 16120 (15350)	14790 - 16050 (15280)
USD/MYR	4.24 - 4.87 (4.55)	4.45 - 4.70 (4.51)	4.18 - 4.60 (4.45)	4.41 - 4.77 (4.62)	4.31 - 4.65 (4.50)	4.24 - 4.60 (4.42)	4.18 - 4.54 (4.36)
USD/PHP	55.3 - 59.6 (58.2)	56.7 - 59.6 (57.8)	55.1 - 59.2 (57.5)	56.2 - 60.5 (58.8)	54.7 - 59.2 (57.5)	53.8 - 58.7 (56.5)	53.8 - 58.7 (56.5)
USD/THB	33.1 - 35.7 (35.3)	33.8 - 36.1 (34.8)	32.7 - 35.6 (34.6)	32.7 - 35.8 (34.6)	33.5 - 35.8 (34.4)	33.1 - 35.4 (34.0)	32.9 - 35.2 (33.8)
USD/VND	24300 - 25100 (24750)	24000 - 24900 (24400)	24100 - 24700 (24300)	24600 - 25200 (24680)	24300 - 24800 (24400)	24000 - 24600 (24250)	23800 - 24400 (24050)
AUD/USD	0.648 - 0.717 (0.670)	0.656 - 0.744 (0.685)	0.640 - 0.721 (0.690)	0.631 - 0.703 (0.665)	0.656 - 0.722 (0.690)	0.667 - 0.730 (0.695)	0.675 - 0.738 (0.703)

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

- AUD: Fed-RBA divergence amid housing market risks and recession/China headwinds amplified by commodity channels could rein in AUD rebound instinct; traction into 2023 may be disrupted if recession fears overtake.
- CNY: Volatility jacked up by Zero-COVID concerns on one hand and re-opening hopes alongside property market relaxation measures on the other. Moreover, policy divergence also challenges unfettered CNH traction.
- 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 82-84 cannot be ruled out on worse case capital flight risks.
- IDR: Despite reprieve from late-Q3/early-Q4 sell-off, rupiah downside risks are not negated merely on USD pullback. Instead, China risks may compound Fed hawks if caught wrong-footed. Cautious traction in early-2023.
- MYR: With political uncertainty having abated, the risk premium on MYR has receded. But risks from global headwinds and commodity channels remain. And economic/fiscal challenges will also interrupt/stifle MYR upside.
- PHP: PHP underperformance while mitigated, will not be fully absolved. Twin deficit risks could temper China re-opening hopes. Meanwhile, BSP provides backstop, not a blank cheque for PHP.
- SGD: Despite recent USD backdown tempering USD/SGD levels, fresh CNY and EUR setback remain a threat 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 will not be fully reversed, and certainly not in a linear fashion as headwinds to global demand compound sticky inflation amid household debt risks holding back KRW recovery tghrough 2023.
- THB: Tourism recovery boost THB though sustained recovery may only kick-off properly in 2023 and near term 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

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