Mizuho: Forecasts at a Glance

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GDP

GDP Growth Forecasts (% YoY)

Country	2021		2022				2023				2024		2021 (FY21/22)	2022 (FY22/23)	2023 (FY23/24)	2024 (FY24/25)
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Australia	4.0	4.6	3.1	3.1	6.0	2.6	2.3	2.0	1.8	1.3	1.6	2.0	4.8	3.7	1.8	1.9
China	4.9	4.0	4.8	0.4	3.9	2.9	4.5	5.9	5.4	4.8	4.6	4.9	8.1	3.0	5.2	4.8
India	9.1	5.2	4.0	13.1	6.2	4.5	6.1	6.9	6.1	5.8	5.5	5.3	8.9 (9.1)	6.7 (7.2)	6.2 (6.0)	6.0 (6.3)
Indonesia	3.5	5.0	5.0	5.5	5.7	5.0	5.0	4.7	4.6	4.7	4.8	4.7	3.7	5.3	4.8	4.9
Malaysia	-4.5	3.6	5.0	8.9	14.2	7.0	5.6	3.7	3.2	5.1	4.3	3.8	3.1	8.7	4.4	4.2
Philippines	7.0	7.8	8.2	7.5	7.7	7.1	6.4	5.4	4.8	5.2	5.6	5.7	5.7	7.6	5.5	5.8
Singapore	7.5	6.1	3.9	4.5	4.0	2.1	0.4	1.8	2.2	2.1	2.4	2.2	7.9	3.7	1.6	2.4
Korea	4.0	4.1	3.0	2.9	3.1	1.4	0.9	0.6	0.9	2.1	2.3	2.2	4.0	2.6	1.1	2.2
Taiwan	4.1	5.2	3.9	3.0	3.6	-0.4	-2.9	1.8	1.7	3.7	3.9	1.9	6.5	2.5	1.1	2.5
Thailand	-0.2	1.9	2.2	2.5	4.6	1.4	2.7	2.6	2.0	3.5	3.2	3.0	1.5	2.6	2.7	3.4
Vietnam	-6.2	5.2	5.0	7.7	14.4	5.9	3.3	4.0	4.4	4.8	5.3	5.5	2.6	8.0	4.2	5.5

Growth:

The on-going post-COVID goods-to-services re-balancing amid lingering pent-up consumption flatter the state of demand resilience. *Whereas,* **underlying downside risks to growth are pronounced** on a conspiracy of; i) banking sector/financial stability risks accentuating tightening impact from global rate hikes; ii) headwinds to China's re-opening narrative (from both *geo-political* risks and *structural* domestic impediments); iii) resultant accentuation of global chip industry uncertainties and; iv) OPEC's resistance to significant oil price drop.

The outcomes from the confluence of these risks are **greater opacity, with resultant uncertainties** colliding against **stagflation-like circumstances** (higher prices for the same demand). The **tyranny of such a juxtaposition of risks** is that it **amplifies** the **odds of policy miscalculation** as not only is the *inflation-growth trade-off rendered sharper*, but *threats, to financial stability* and, *from geo-political friction*, are **harder to predict and account for**. And in any case, **stickier and uncomfortably elevated inflation triggering more tightening** from G10 central banks is likely to pose greater headwinds to global growth; if not **elevate the risks of a deeper downturn** on lagged credit transmission.

Our reservations about **China's Q1 growth out-run on "revenge consumption"** are validated amid signs of demand fizzle. Which is why our upward revision to China's growth is merely arithmetic calibration, **not optimistic projections**. Fact is, **China's re-opening rebound is compromised** by *nagging confidence shortfall,* not just a natural *fade,* but *outbound tourism leakage of "revenge consumption"* alongside pre-existing constraints imposed by *elevated leverage* (financial stability risks) and crucially, *intensifying geo-political friction with the US* spilling over into high-tech industries.

Crucially, this means China **should not be misjudged** as having the ability **to materially or meaningfull**y **offset gathering global headwinds.** It is also highly unlikely to be the tide that lifts all boats in EM Asia; **certainly not play the 'White Knight'**. Instead, global tech exposures accentuating risks from global slowdown mean that growth forecasts for Vietnam, Korea and Singapore are most adversely affected; with Australia smarting from knock-on commodity impact.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

Inflation

Inflation Forecast (%YoY)

Country	2021		2022				2023				2024		2021 (FY21/22)	2022 (FY22/23)	2023 (FY23/24)	2024 (FY24/25)
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2				
Australia	3.0	3.5	5.1	6.1	7.3	7.8	7.0	6.2	4.9	3.8	3.5	3.2	2.9	6.6	5.3	3.2
China	0.8	1.8	1.1	2.2	2.7	1.8	1.3	0.5	0.9	1.7	2.3	2.5	0.9	2.0	1.1	2.2
India	5.1	5.0	6.3	7.3	7.0	6.1	6.2	4.3	4.0	5.1	4.5	5.0	5.1 (5.5)	6.7 (6.7)	4.9 (4.5)	4.8(5.0)
Indonesia	1.6	1.8	2.3	3.8	5.2	5.6	5.2	4.1	3.4	2.4	2.4	2.9	1.6	4.2	3.8	3.2
Malaysia	2.1	3.2	2.2	2.8	4.5	3.9	3.6	3.1	2.5	2.1	2.0	2.2	2.5	3.4	2.8	2.2
Philippines	4.1	3.6	3.4	5.5	6.5	7.9	8.3	6.1	4.4	3.5	3.2	3.4	3.9	5.8	5.6	3.6
Singapore	2.5	3.7	4.6	5.9	7.3	6.6	6.1	5.2	4.2	3.4	3.1	3.5	2.7	6.1	4.7	3.3
Korea	2.5	3.5	3.8	5.4	5.9	5.2	4.7	3.4	3.2	3.0	3.4	3.5	2.4	5.1	3.6	3.4
Taiwan	2.3	2.7	2.8	3.5	2.9	2.6	2.6	2.0	2.4	1.9	2.0	1.9	2.0	3.0	2.2	1.8
Thailand	0.7	2.4	4.7	6.5	7.3	5.8	3.9	1.4	1.8	2.3	3.1	3.3	1.2	6.1	2.4	3.2
Vietnam	2.5	1.9	1.9	3.0	3.3	4.4	4.2	2.9	3.6	3.5	3.8	3.6	1.8	3.2	3.6	3.6

Inflation:

The **silver lining** though is that there is **encouraging evidence of broader global dis-inflation is entrenching** as supply-chain kinks ease and pent-up demand surge normalizes. What's more, *despite OPEC+ cuts, energy prices have been reasonably subdued*, allaying concerns of recurrent bouts of energy price shocks. Moreover, *China's deepening producer price deflation* points to **more good-driven dis-inflation in the pipeline**.

That said, the **on-going goods-to-services re-balancing** of global demand means that **core inflation might prove a tad sticky on its moderation path**; especially **as second-round effects transmit via services**. What this means that while peak inflation is pretty much in the rear-view mirror, normalization to pre-COVID rends may not be imminent.

On that note, **EM Asia's dis-inflation may be somewhat more impeded** (at least at the margin) as compared to of the US or most of the G10. Partly, this may be owed to the uncharacteristically lower starting point of inflation. But more prominently, as a *by-product of emphatic tourism revival,* which triggers pass-through via services inflation. What's more, *fiscal strains forcing an erosion of subsidies* could also hamper the relative dis-inflationary trajectory in EM Asia.

Finally, if geo-political risks mount, exacerbating a fragmentation (if not fracturing) of supply-chains, over and above the additional costs (from inefficiencies) of hoarding strategic stockpiles, then a structural lift in baseline inflation will start to becomes a very real threat; challenging assumptions of restoring pre-COVID inflation targets.

On the aside, despite EM Asia's inflation potentially rendered stickier – especially as food shocks from El Nino collides with fading subsidies and hospitality-driven inflation boost – the pertinent point is that **monetary authorities in EM Asia may be less strident about** posturing (much less acting) against **sticky elements of inflation so long *as the headline is getting more subdued.*** Whereas ***in contrast,*** **G10 central bankers may display a greater degree of discomfort with sticky core service inflation *even if headline inflation is cooling*.**

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

Central Bank Forecasts

Central Bank Policy Outlook

Country	Central Bank	2021		2022				2023				2024	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US	**Fed**	**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%**	**5.25-5.50%**	**5.25-5.50%**	**5.25-5.50%**	**4.75-5.00%**
Australia	**RBA**	0.10%	0.10%	0.10%	0.85%	2.35%	3.10%	3.60%	4.10%	4.35%	4.50%	4.50%	4.25%
China	**PBoC**	3.85%	3.80%	3.70%	3.70%	3.65%	3.65%	3.65%	3.55%	3.45%	3.35%	3.35%	3.35%
India	**RBI**	4.00%	4.00%	4.00%	4.90%	5.90%	6.25%	6.50%	6.50%	6.75%	6.50%	6.25%	6.25%
Indonesia	**BI^**	3.50%	3.50%	3.50%	3.50%	4.25%	5.50%	5.75%	5.75%	5.75%	5.75%	5.50%	5.00%
Malaysia	**BNM**	1.75%	1.75%	1.75%	2.00%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	2.75%
Philippines	**BSP**	2.00%	2.00%	2.00%	2.50%	4.25%	5.50%	6.25%	6.25%	6.25%	6.25%	6.00%	5.50%
Singapore	**MAS***	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)		Maintain S$NEER Slope (~2.0% per annum)	
Korea	**BoK**	0.75%	1.00%	1.25%	1.75%	2.50%	3.25%	3.50%	3.50%	3.50%	3.50%	3.25%	3.00%
Taiwan	**CBC**	1.125%	1.125%	1.375%	1.500%	1.625%	1.750%	1.875%	1.875%	1.875%	1.875%	1.750%	1.500%
Thailand	**BoT**	0.50%	0.50%	0.50%	0.50%	1.00%	1.25%	1.75%	2.00%	2.25%	2.25%	2.00%	1.75%
Vietnam	**SBV**	4.00%	4.00%	4.00%	4.00%	5.00%	6.00%	5.50%	4.50%	4.00%	4.00%	4.00%	4.00%

* 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**: The Fed's revealed higher peak (5.50-5.75%) is blunted by bets on a pause, if not pivot, sooner rath rather than later. Any relief though is only in the context of averting financial shocks and attendant capital outflow risks. So Q3 remains "live" for macro-stability pressures revealing inadequate tightening.

- **Australia (RBA)**: April's pause was clearly conditional as May and June hikes have proven. Tightening bias remains, albeit calibrated by China risks cascading via commodites. Whereas cuts are impeded by sticky inflation.

- **China (PBoC)**: Focus on stimulating growth tempered by stability risks suggests scope for further policy easing on paper. This is however likely to be measured (RRR cuts) given; pre-existing debt and stability risks.

- **India (RBI)**: With a cumulative 250bp of hikes since Q2 2022 (to 6.50%), the RBI is on the cusp of terminal rate. To be sure, a further 25bp hike is a close call (maybe even coin toss); and highly data-dependent. But erring on the side of price stability may check rupee-stability risks to greater macro-stability benefit (than growth cost).

- **Indonesia (BI)**: Bank Indonesia has declared that it is done with tightening, and admittedly has dis-inflation to back this up. The risk of a pause is that unforeseen financial shocks may compromise rupiah.

- **Malaysia (BNM)**: The "surprise" 25bp in May just mean that the BNM did not take the gambit of staying on hold; instead tackling sticky inflation head-on, and a data-dependent option to adjust policy accommodation either way.

- **Philippines (BSP)**: BSP pause premised on assertion that far less evidence of peak inflation is required (after 425bp hikes) compared to data to validate inflation re-acceleration to force a hike exposes PHP vulnerabilities.

- **Singapore (MAS)**: MAS' hold in April was in the context of unprecedented rate and amplitude of tightening with three rounds each of S$NEER re-centring higher and slope steepening over five meetings. A pause into 2024 is likely as "intensifying: risks to growth raise the bar for further tightening while elevated inflation hinders easing.

- **South Korea (BOK)**: Despite keeping the doors open for a further 25bps increase, the window and necessity to hike may dissipate after Q2 amid enlarged growth headwinds led by the semiconductor slowdown.

- **Taiwan (CBC)**: Growth risks have held back hikes while inflation risks imply cuts are a high bar .

- **Thailand (BOT)**: Tourism recovery sets up another 25bps hike. Further hikes are challenged if manufacturing falters. Amid easing headline inflation and political uncertainty, BoT has grounds to move cautiously.

- **Vietnam (SBV)**: Sharp economy wide slowdown prompt more easing with fiscal inflation offset.

FX Forecasts

FX Forecasts	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
USD/CNY	6.74 - 7.43 (7.08)	6.65 - 7.26 (6.96)	6.61 - 7.10 (6.83)	6.51 - 7.00 (6.73)	6.51 - 6.90 (6.73)	6.53 - 6.93 (6.75)
USD/INR	80.9 - 85.8 (83.8)	78.2 - 84.5 (82.0)	76.3 - 83.2 (80.4)	75.5 - 82.2 (79.6)	75.5 - 82.3 (79.6)	75.1 - 81.9 (79.2)
USD/KRW	1230 - 1440 (1340)	1180 - 1360 (1280)	1130 - 1290 (1230)	1120 - 1240 (1180)	1110 - 1250 (1160)	1110 - 1210 (1160)
USD/SGD	1.333 - 1.413 (1.368)	1.301 - 1.398 (1.334)	1.293 - 1.393 (1.342)	1.289 - 1.370 (1.325)	1.284 - 1.353 (1.320)	1.279 - 1.354 (1.315)
USD/TWD	29.7 - 32.3 (31.3)	28.2 - 32.1 (30.6)	28.2 - 30.9 (30.0)	28.5 - 30.9 (29.4)	28.5 - 30.6 (29.4)	28.5 - 30.6 (29.4)
USD/IDR	14930 - 16300 (15600)	14700 - 15840 (15000)	14280 - 15360 (14900)	14330 - 15260 (14800)	14420 - 15180 (14600)	14130 - 15340 (14600)
USD/MYR	4.44 - 4.90 (4.68)	4.16 - 4.72 (4.43)	4.16 - 4.51 (4.36)	4.10 - 4.43 (4.28)	4.02 - 4.36 (4.19)	4.01 - 4.35 (4.18)
USD/PHP	55.1 - 60.2 (56.6)	50.5 - 57.0 (53.8)	51.1 - 55.6 (53.5)	50.5 - 55.1 (53.0)	51.3 - 55.4 (52.8)	50.0 - 54.5 (52.5)
USD/THB	33.0 - 36.3 (35.0)	32.0 - 35.2 (33.8)	30.6 - 33.9 (32.8)	31.8 - 34.4 (32.7)	31.6 - 33.8 (32.5)	31.3 - 33.5 (32.2)
USD/VND	23400 - 25000 (24500)	23300 - 24600 (23800)	23600 - 24700 (23700)	23500 - 24400 (23600)	23200 - 23800 (23400)	23200 - 23800 (23400)
AUD/USD	0.605 - 0.690 (0.650)	0.644 - 0.714 (0.685)	0.674 - 0.737 (0.705)	0.691 - 0.757 (0.723)	0.691 - 0.756 (0.720)	0.687 - 0.751 (0.715)

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

- AUD: Admittedly, the RBA's surprise hikes modestly boost at best, if not merely backstop; as adverse China risks amplified via commodity headwinds alongside consumer vulnerabilities keep downside risks in play.
- CNY: Stability is the PBoC's policy priority (tempered by CNY NEER perspectives). But re-opening and geo-political stress continue to pressure amid diminished accretion of FX reserves and higher uncertainty premium. scope for gains. Downside amid capital outflow risks in play for now before scope for rebound.
- INR: The asymmetry of sticky oil amid downturn risks amplify "twin deficit" risks to disadvantage rupee; especially if elevated "risk off" impulses amid global financial ripples. Danger is, oil and domestic relief are overstated
- IDR: Admittedly, organic C/A surplus sparing "twin deficit" woes increases resilience to downside IDR shocks. But early cessation of hikes accentuates rupiah vulnerabilities to financial shocks; even with easing inflation.
- MYR: The BNM's surprise hike bolsters backstop, building on diminished political risk premium. But fiscal strains, and knock on organic demand impact may impede outright MYR bullishness amid commodity soft patches.
- PHP: Front-loaded 425bp of hikes and tourism resumption offer some respite, but do not fully redeem downside risks to PHP from "twin deficits" and fresh risks from oil as well as food. Watch for near-term downside volatility.
- SGD: Even with the absence of tightening in April, objectively hawkish policy settings retains most of S$NEER (relative SGD) outperformance; although sliding CNH translates to SGD (vs USD) downside risks.
- KRW: BoK dilemma and accentuated dent from semiconductor down-cycle accentuate near-term slippage risks, although AI-driven chips turn may help KRW shed under-performer status.
- TWD: Solid C/A surplus and net creditor position bolster; but do not fully buffer from volatile global headwinds.
- THB: Tourism rallies may be interrupted temporarily on politics and global uncertainty/headwinds. But resumption of strength likely further out in 2023-24 as continued tourism recovery reinstate growth multipliers and C/A surplus.
- VND: Stability may be threatened by external demand shocks, thin FX reserves cover and the SBV's cuts.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts Addendum: Broad-based FX Dynamics

Q3 2023: **Fed & Fear Re-surfacing Amid CNH Wobbles**

Hard-to-time (or quantify) after-shocks from financial stability risks into Q3, shortly after Fed hawks disappoint on readiness to reverse course. And the confluence of these factors are likely to re-invigorate USD demand; to the detriment of EM Asia FX that had stretched “relief rallies” in Q2 too far. The perceived policy space in EM Asia (in Q2) to halt tightening may also come home to roost if the Fed sounds hawkish for longer, and/or US-Asia inflation differentials further dis-advantage EM Asia FX.

This may be exacerbated by the wobbles in CNH, which could drag other AXJ along with it, While Beijing is likely to stake steps to underpin CNH stability and infuse more stimulus to buoy the economy, our point that a weaker CNH is a feature, not a bug, of China’s re-opening will not be negated.

And so, CNH traction may continue to be a challenging proposition as hawkish Fed disappoint pivot bets and dominate dovish PBoC. All of these tyo the detriment of AXJ.

Q4 2023: **Global Recession Risks & Goldilocks**

The odds of global downturn will probably begin to show belatedly in the backward-looking data, keeping a lid on EM Asia recovery prospects; even as markets bet on Fed policy inflection. The caveat here being, if Fed stimulus/policy reversal is not emphatic enough, then EM Asia FX gains may also be more measured given the regions dependence on external demand and or sweeping bearish USD impulses for AXJ to rally.

It is worth noting that a “Goldilocks” scenario of downturn that is soft enough not to invoke brutally bearish EM Asia FX dynamics, yet emphatic enough for the Fed to decisively do a U-turn on tightening, will be required for more pronounced resurgence in EM Asia FX. This appears unlikely on a sustained basis; at least early on during the downturn risks.

Q1 2024: **Cautious & Measured Recovery ...**

Modest recovery in EM Asia FX as the Fed starts to relent on how tight policy needs to be maintained. Recession fears also begin to peak, barring worse case outcomes such as unwelcome energy/geo-political shocks, financial contagion and/or policy mis-steps.

Q2 2024: **... Augmented by (Diminishing?) Haven Demand & Differentiated Exposures**

Continuation of measured EM Asia FX recovery, at some points boosted by diminished haven demand ... but mostly measured and differentiated by variable exposures.

For example, tourism boost for THB may prove a helpful boost, and likely a catalyst for relative THB out-performance. Whereas AUD, IDR and MYR may be dampened by commodity exposures if demand drop is more acute. Crucially, "twin deficit" risks such as for INR and PHP render these most vulnerable to financial contagion/capital flight. Finally, the soft chips outlook could render KRW and TWD especially vulnerable to sharp drop if global recession risks prove outsized.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

H2 2024: **Bottoming**

Heading into H2 2024, prospects for more durable bottoming (perhaps even buoyancy) in AXJ begins to surface (albeit in fits and starts). Mainly as a more distinct upturn in the global chips cycle is followed by a more convincing bottoming (and then recovery) in the global manufacturing space.

This should translate into a more compelling proposition for FX reserve accrual by EM Asia amid goods account boost (and attendant improvement in the Current Account). And this flows-driven backstop to FX ought to be further augmented by the Fed's policy inflection (towards less policy constriction, if not easing) that reinstates "carry" to the advantage of EM Asia FX.