

Mizuho: Forecasts at a Glance

Economics & Strategy | Asia ex-Japan

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GDP

GDP Growth Forecasts (% YoY)

Country	2022		2023				2024				2025		2022	2023	2024	2025
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(FY22/23)	(FY23/24)	(FY24/25)	(FY25/26)
Australia	5.8	2.3	2.4	2.0	2.1	1.7	1.5	1.5	1.7	2.0	2.1	2.2	3.7	2.0	1.7	2.2
China	3.9	2.9	4.5	6.3	4.9	5.2	4.4	3.7	4.8	4.8	4.7	4.8	3.0	5.2	4.5	4.3
India	6.2	4.5	6.1	7.8	7.6	7.3	6.9	7.0	6.2	6.4	5.9	5.6	6.7 (7.2)	7.2 (7.4)	6.6 (6.4)	5.8 (5.7)
Indonesia	5.7	5.0	5.0	5.2	4.9	5.2	5.1	4.9	5.0	5.2	4.9	5.0	5.3	5.1	5.0	5.1
Malaysia	14.2	7.0	5.6	2.9	3.3	4.1	4.6	4.5	4.5	4.3	4.5	4.7	8.7	4.0	4.5	4.5
Philippines	7.7	7.1	6.4	4.3	5.9	5.7	5.3	5.6	5.3	5.2	5.4	6.2	7.6	5.6	5.2	6.0
Singapore	4.0	2.1	0.5	0.5	1.0	2.8	2.5	2.3	2.0	2.2	2.3	2.4	3.7	1.2	2.3	2.3
Korea	3.1	1.4	0.9	0.9	1.4	2.2	2.7	2.9	3.2	3.4	2.9	2.8	2.6	1.4	3.0	2.7
Taiwan	3.6	-0.4	-2.9	1.4	2.3	4.1	5.8	4.6	3.4	2.9	3.0	2.8	2.5	1.2	4.1	2.9
Thailand	4.6	1.4	2.7	1.8	1.5	3.5	2.4	3.4	4.0	4.5	4.0	3.6	2.6	2.4	3.6	3.8
Vietnam	14.4	5.9	3.3	4.1	5.3	6.7	5.6	5.5	5.0	5.1	5.2	5.5	8.0	5.1	5.3	5.4

Growth:

As 2024 begins in earnest, **'soft landing' hopes remain high**. Especially as markets converge on the view of *peak rates transitioning to rate cuts* fairly quickly, *fuelled by an ardent belief of "immaculate dis-inflation"*. That this is **in defiance of central banks/Fed pushing back** on the *timing and depth* of cuts to be expected is one thing. **But trouble is, completely averting a global downturn**, constituting a not-so-soft landing, looks like **a rather high bar**.

Point being, **global growth remains liable for a bumpy ride and air-pockets** given a conspiracy of;

- i) lagged policy tightening (and a post-Volcker record at that!);
- ii) moderation in post-pandemic services consumption surge as excess savings are depleted;
- iii) lingering geo-political risks and;
- iv) higher risks of "crowding out" (amid government spending, including military);

Moreover, **global economic prospects are highly uneven** – *both across sectors and geographies*. For one, the macro narrative of **US exceptionalism seemingly unfettered by policy tightening** is in sharp contrast to **China's precarious policy backstop**; as Beijing's **belated stimulus, hobbled by conflicted objectives, falls short of restoring confidence** (that is in woefully short supply). Meanwhile **US Presidential elections may amplify rather than supplant geo-political** (US-China as well as Russia/Gaza conflict) **risks**.

In Europe and UK, **remnant hawkish flex is at odds with recessionary risks** amplified by geo-political vulnerabilities. And that spells accentuated odds of global policy mistake a priori and heightened volatility from uncertainty and/or "competitive pivot" ex-post (on catch down rate cuts). Across global commerce, the **AI-boost provides a stronger basis of semiconductor rebound**, that may lift manufacturing generally. **But** this is **from a very low base**. And in narrow terms that is **unlikely to overturn headwinds elsewhere**.

The upshot is that Fed-led global central bankers' **abilities to achieve a "soft landing" are overstated** as exceptionally **lagged impact from credit tightening underappreciated**; especially as **fizzling post-pandemic consumer boost may be under-accounted for**. Meanwhile **geo-political and fiscal risks loom large** in a world grappling with the dangers of fragmentation that necessarily loses gains from comparative advantages.

Inflation

Inflation Forecast (%YoY)

Country	2022		2023				2024				2025		2022	2023	2024	2025
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(FY22/23)	(FY23/24)	(FY24/25)	(FY25/26)
Australia	7.3	7.8	7.0	6.0	5.4	4.5	3.6	3.3	3.1	3.2	3.1	3.0	6.6	5.6	3.3	3.1
China	2.7	1.8	1.3	0.1	-0.1	-0.4	0.2	0.5	0.9	2.4	2.5	1.9	2.0	0.2	1.0	1.6
India	7.0	6.1	6.2	4.6	6.4	5.3	4.7	5.5	3.9	6.0	6.3	6.0	6.7 (6.7)	5.6 (5.3)	5.0 (5.4)	5.8 (5.6)
Indonesia	5.2	5.6	5.2	4.0	2.9	2.7	3.0	3.3	3.2	2.9	3.0	3.1	4.2	3.7	3.1	3.0
Malaysia	4.5	3.9	3.6	2.8	2.0	1.8	2.2	2.3	3.0	3.1	2.9	2.8	3.4	2.5	2.7	2.4
Philippines	6.5	7.9	8.3	6.0	5.4	4.3	3.7	4.2	4.3	3.9	3.6	3.2	5.8	6.0	4.0	3.1
Singapore	7.3	6.6	6.1	5.1	4.1	3.5	3.1	3.5	3.2	3.5	3.1	2.9	6.1	4.7	3.3	3.3
Korea	5.9	5.2	4.6	3.3	3.1	3.4	3.4	3.6	3.3	3.0	3.1	2.8	5.1	3.6	3.4	3.0
Taiwan	2.9	2.6	2.6	2.0	2.5	2.9	2.8	2.7	2.5	2.3	2.0	1.9	3.0	2.5	2.6	2.0
Thailand	7.3	5.8	3.9	1.1	0.5	-0.4	1.8	2.3	2.4	2.0	1.7	1.6	6.1	1.3	2.1	1.6
Vietnam	3.3	4.4	4.2	2.4	2.9	3.5	3.7	3.6	3.4	3.3	3.8	3.6	3.2	3.3	3.5	3.6

Inflation:

The **silver lining** is that **dis-inflation** dynamics, *if sustained*, appear to be **on track** to reach global central bank targets, and/or within comfort threshold in the next 12-18 months. Crucially, and **exceptionally high peak inflation well behind us**; with headline peaking in 2022 and the sticky core relenting in 2023.

But the danger is that it goes relatively unnoticed that the **outlook on inflation risks is obscured**; with visibility far lower than backward-looking inflation trajectory would suggest. Point being, *neither* the risk of *volatile inflation dynamics, with potential for '70s-style resurgence, nor much sharper than expected dis-inflation* may be confidently ruled out. And being lulled into premature comfort about dis-inflation that amplifies susceptibility to **pitfalls of central bank policy being caught lamentably wrong-footed**.

The key points to note are that **cyclically, two-way inflation risks are accentuated**. On one hand, in the very near-term, *sudden geo-political flares* could unleash *convulsions of cost shocks* via **energy prices/shipping costs**. Especially if a wider spill-over from Gaza to Iran/Lebanon/Red Sea/Straits of Hormuz collide with other aspects of supply side shocks – including **food**. Yet on the other, heading further out into 2024, *adverse demand shocks* from sudden, lagged downturn may set off *dis-inflationary, if not deflationary price forces*.

Interestingly, consequent **inflation risks have the propensity to play out unevenly** across economies. US notably being better buffered against energy shocks given its record crude output, while Europe bears the brunt. **EM Asia's inflation also rendered stickier and more volatile** given generally higher energy and food imports/exposures amid follow-through tourism-induced services inflation pick-up. In addition, **inflation risks/outcomes within EM Asia** are also set to be **far more differentiated**; given

Insofar that this volatile and variable inflation risk has implications on abrupt shifts in real spreads and associated capital outflow/currency stability risks that feedback into imported inflation, this means that there is a certain **risk premium associated with second-guessing and/or leap-frogging the Fed on rate cuts**.

Looking ahead, **geo-political risks add a structural element of inflation** from *supply-chain fragmentation* (if not fracture), over and above security costs entailing *inefficiencies from hoarding* strategic stockpiles as well as circumventing sanctions/restrictions. And so, beyond near-term dis-inflation, the **more durable question is about underlying inflation trends and sustainable/viable central bank inflation targets**.

Central Bank Forecasts

Central Bank Policy Outlook

Country	Central Bank	2022		2023				2024				2025	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US	Fed	3.00-3.25%	4.25-4.50%	4.75-5.00%	5.00-5.25%	5.25-5.50%	5.25-5.50%	5.00-5.25%	4.25-4.50%	3.50-3.75%	3.00-3.25%	3.00-3.25%	2.75-3.00%
Australia	RBA	2.35%	3.10%	3.60%	4.10%	4.35%	4.35%	4.35%	4.00%	3.50%	3.00%	2.75%	2.75%
China	PBoC	3.65%	3.65%	3.65%	3.55%	3.45%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%	3.35%
India	RBI	5.90%	6.25%	6.50%	6.50%	6.50%	6.50%	6.25%	5.75%	5.50%	5.00%	5.00%	5.00%
Indonesia	BI [^]	4.25%	5.50%	5.75%	5.75%	5.75%	6.00%	6.00%	5.50%	5.25%	5.00%	5.00%	4.75%
Malaysia	BNM	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Philippines	BSP	4.25%	5.50%	6.25%	6.25%	6.25%	6.50%	6.50%	6.00%	5.50%	5.00%	4.75%	4.50%
Singapore	MAS [*]	Off-Cycle Re-centring Higher to Prevailing SSNEER	Re-centring Higher to Prevailing SSNEER (S: 2.0%)	Status Quo		Status Quo		S: 2%	S: 2%	S: 1%	S: 0.5%	S: 0.5%	S: 1%
								M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold
								W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold
Korea	BoK	2.50%	3.25%	3.50%	3.50%	3.50%	3.50%	3.50%	3.25%	3.00%	2.75%	2.75%	2.75%
Taiwan	CBC	1.625%	1.750%	1.875%	1.875%	1.875%	1.875%	1.750%	1.500%	1.375%	1.375%	1.375%	1.375%
Thailand	BoT	1.00%	1.25%	1.75%	2.00%	2.50%	2.50%	2.50%	2.00%	1.50%	1.50%	1.50%	1.50%
Vietnam	SBV	5.00%	6.00%	5.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	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.

Starting 2024, the MAS will conduct quarterly meetings (Jan, Apr, Jul, Oct) from bi-annual meetings.

S: Slope (expressed as per annum % appreciation), M: Mid-Point, W: Width of SSNEER

[^] 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:** Ironically, the Fed beginning to consider 2024 rate cuts may still entail precarious policy calculus. Mainly as scope for associated cuts may not coincide (timing) or correspond (in terms of depth) with the Fed. Specifically, shifting inflation differentials and risks of USD strength (from "risk off" and/or "competitive pivot") are critical determinants limiting front-running. For now patience precedes cautious paring of rates later in 2024.
- **Australia (RBA):** While scope for another 25bp hike is retained, more balanced risks suggest a default hold.
- **China (PBoC):** Tensions between addressing deflation risks (amid wider deflationary dynamics from confidence deficit) and ensuring currency stability limit the extent of monetary policy easing. Measured rate (10-30bp) and RRR (25-50bp) cuts, with CNY backstop taking precedence, while fiscal levers are used for boosting growth.
- **India (RBI):** Inflation pullback creates space for reluctant RBI hawks to hold off on further hikes. But on the other hand, inherent inflation volatility and surge in unsecured credit uptake could also dampen rate cuts.
- **Indonesia (BI):** Despite external demand drag (via commodities) and subdued inflation, risks to IDR stability – amid C/A slippage and less favourable real rate spreads – hampers rate cuts until more emphatic Fed lead .
- **Malaysia (BNM):** Prolonged, somewhat discomforting hold, amid policy tensions between ringgit pressures and soft spots/inflation. Measured rate cut room later in 2024 amid semiconductor pick up against subsidy reduction.
- **Philippines (BSP):** Persistent upside risks to inflation amid "twin deficit" vulnerabilities that undermine the PHP (comparatively more than other AXJ) means that the BSP cannot shed inflation vigilance/tightening bias; regardless of the Fed's perceived shifts in stance. Likely to have space only safely after (and less than) Fed cuts.
- **Singapore (MAS):** Current policy restriction to be retained as sticky inflation narrowly edges out non-negligible growth risks. A bout of late-2023 USD weakness increases imported inflation buffer. And so, any policy move in late-2024 more likely to be easing (albeit calibrated via slope) in response to adverse growth shocks.
- **South Korea (BOK):** BoK hikes are done given well-anchored dis-inflation dynamics. Measured cuts in 2024 likely to be determined by the interaction between semiconductor recovery and wider external demand shocks.
- **Taiwan (CBC):** Growth risks have held back hikes while inflation risks imply cuts are a high bar with lower beta.
- **Thailand (BOT):** Absent fresh inflationary shocks, the BoT's next move (albeit committed to an interim hold), will be to cut. Degree and pace of cuts though may be calibrated; as impact of 2024 fiscal transfers are assessed.
- **Vietnam (SBV):** Macro-/VND-stability risks amid stretched fiscal position suggest interim restraint on further cuts.

FX Forecasts

FX Forecasts	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25
USD/JPY	135 - 146 (139)	132 - 141 (135)	132 - 140 (137)	130 - 138 (133)	130 - 137 (132)	129 - 137 (132)
EUR/USD	1.08 - 1.14 (1.12)	1.09 - 1.13 (1.10)	1.08 - 1.12 (1.08)	1.07 - 1.10 (1.07)	1.05 - 1.11 (1.07)	1.05 - 1.12 (1.08)
USD/CNY	7.04 - 7.46 (7.28)	7.17 - 7.57 (7.42)	6.87 - 7.50 (7.18)	6.83 - 7.34 (7.06)	6.76 - 7.13 (6.95)	6.73 - 7.13 (6.95)
USD/INR	81.4 - 85.8 (83.8)	82.2 - 86.2 (84.5)	79.2 - 86.4 (83.5)	78.2 - 84.7 (82.0)	78.0 - 83.6 (80.8)	77.2 - 82.3 (79.6)
USD/KRW	1230 - 1360 (1305)	1220 - 1410 (1325)	1180 - 1350 (1280)	1160 - 1290 (1220)	1150 - 1300 (1200)	1130 - 1230 (1180)
USD/SGD	1.301 - 1.358 (1.338)	1.332 - 1.403 (1.380)	1.310 - 1.395 (1.353)	1.292 - 1.366 (1.328)	1.286 - 1.345 (1.322)	1.304 - 1.370 (1.330)
USD/TWD	30.4 - 32.5 (31.8)	31.2 - 33.8 (32.2)	29.6 - 32.5 (31.5)	29.1 - 31.6 (30.0)	28.6 - 30.7 (29.5)	28.5 - 30.6 (29.4)
USD/IDR	15050 - 15680 (15400)	15080 - 16290 (15710)	15020 - 16160 (15520)	15010 - 15830 (15350)	15010 - 15810 (15200)	14710 - 15970 (15200)
USD/MYR	4.52 - 4.72 (4.62)	4.49 - 4.81 (4.73)	4.42 - 4.77 (4.68)	4.42 - 4.80 (4.61)	4.39 - 4.77 (4.58)	4.37 - 4.72 (4.58)
USD/PHP	53.7 - 56.4 (55.2)	54.6 - 57.4 (56.9)	53.5 - 57.6 (56.0)	52.6 - 56.9 (55.2)	52.7 - 56.9 (54.8)	52.2 - 56.9 (54.8)
USD/THB	34.0 - 36.5 (35.5)	35.0 - 37.6 (36.1)	33.8 - 36.6 (35.2)	33.3 - 36.0 (34.2)	33.1 - 35.4 (34.0)	32.9 - 35.2 (33.8)
USD/VND	23600 - 24700 (24300)	24000 - 24800 (24500)	24000 - 24600 (24100)	23900 - 24400 (24000)	23700 - 24300 (23900)	23700 - 24300 (23900)
AUD/USD	0.627 - 0.706 (0.663)	0.609 - 0.673 (0.645)	0.632 - 0.708 (0.660)	0.643 - 0.698 (0.673)	0.638 - 0.719 (0.685)	0.665 - 0.725 (0.690)

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

- AUD: The RBA's pullback from tightening bias alongside cracks on consumption and adverse China risks amplified via commodity headwinds suggest a downside risks amid volatility; until enduring H2 2024 rebound.
- CNY: Feet-dipping on stimulus and property backstop continues to impose underlying pressures for capital flight. So absent aggressive PBoC support, CNY risks tip to the downside. Absent a bazooka to fire up confidence, CNY may be on a bumpy path; with policy intervention interrupting depreciation bias until weak USD trend overtakes.
- INR: The paradox of a rupee under-performance despite bullish equities amid growth out-run is hard to ignore, but not hard to ascribe. "Twin deficit", fading Russian oil advantage and stretched credit are conspicuous offenders.
- IDR: C/A slip back into deficit amid softer commodities underlines IDR under-performance risks (vs. AXJ. Evolving yield spreads in the context of fiscal stress require BI backstop for IDR for now. Election risks watched, not fretted.
- MYR: China-induced commodity soft spots, risks entailed in political/policy transitions continue to drag on MYR. BNM constraints and deferred electronics turnaround mean ringgit could be prone to be on the backfoot for H1.
- PHP: Despite 450bps of hikes, PHP policy support has waned quickly; given resurgent and upwardly volatile inflation is exacerbated by "twin deficit" vulnerabilities. Durable USD and UST yield retreat awaited for respite.
- SGD: Mostly exhausted intra-band S\$NEER strength and sustained downside risks in the CNH limit scope for near-term relative SGD out-performance; while wider USD trend drives USD/SGD directionality in H1.
- KRW: Despite Fed pivot, real estate credit risks, linked banking spillover induce downside risks in the absence of overriding USD pullback. Entrenched upturn in AI-driven chips to turn KRW around durably later in 2024.
- TWD: Even as elections risks pass, chips turnaround with solid C/A surplus and net creditor position will merely backstop, not induce bullish rallies initially in 2024. Cautious upside later in 2024 if USD retreats durably.
- THB: Tourism tailwinds are being dented by upsized fiscal worries which may not see clarity until early 2024. Various fiscal measures appear to dent investor sentiment and push back THB recovery.
- VND: Front-running Fed rate cuts and inflation-fiscal trade-off mean that VND may remain vulnerable to threats from external demand shocks and thin FX reserves cover; especially if property risks re-emerge.

FX Forecasts Addendum: Broad-based FX Dynamics

Q1 2024: Fed Pivot Bets & Goldilocks

Where earlier we had anticipated pronounced recession risks precipitating from lagged policy tightening to hit in Q1, we have now **pushed out the worst of US recession risks out to mid-/late-2024**. *Nonetheless*, measured *softening in US data* coinciding with *conspicuous absence hawkish references to more hikes by Fed speakers* for could prompt **softening in the Greenback**. In fact, this iteration of **USD pullback that is accompanied by “risk on”** as **“pivot” bets** start seeping into the Fed calculus; especially *as a “Goldilocks” balance of diminished ‘US exceptionalism’ premium baked into the USD; but without compromising soft-landing hopes!*

It is worth noting that the notion of a controlled landing, rather than an unavoidable crash, may help with a **“Goldilocks”-like scenario**; in which, relief from bets on/signs of Fed pivot are not overwhelmed by acute demand for precautionary/haven demand for USD.

But to be clear, **two-way FX volatile will remain a feature**. This could be either on account of;

- i) *Fed push-back that unwinds overdone “pivot” bets* with controlled “risk off” on straight pivot unwind, or;
- ii) *“competitive pivot”*, recognizing the odds of ECB/BoE (and other Major central bank) catch down with Fed pivot; which results in USD pick-up (at the expense of EUR or other Majors).

In essence this recognizes the tensions between aggressive USD shorts and relative US exceptionalism. But that said, the wider Fed pivot relief could lend some traction for EM Asia FX in Q1.

Q2-Q3 2024: Recession Risks!

Although, that support could be brutally reversed into (either side of) mid-2024 as **recession risks from lagged policy tightening hits** more jarringly via credit channels; and potentially via financial shocks. This marks the **critical distinction between;**

- i) **Fed pivot amid a soft-landing** *engineered by “immaculate dis-inflation”* that **spurs “risk on”** and;
- ii) **Un-Goldilocks** outcome of sharp(er) **rate cuts because of mounting hard-landing risks**; in which case, **“risk off”** is triggered, and *USD-UST yield correlations flip to negative*.

The reflex here will be for the refuge of the Greenback regardless of expectations for the Fed to cut rates aggressively. Simply because safety takes precedence over meagre returns. Especially as recession risks cast a long shadow on exports-dependent, economies hobbled further by stagflation-type headwinds crimping domestic buffer. This could further dim economic outlook, hence support for FX via growth-based returns allure. Depending on the degree of financial shocks involved, the flight to safety can vary across EM Asia FX. Higher inflation, debt exposures and “twin deficit risks may be amplified.

What’s more, a sharp appreciation in the JPY, in accordance with “risk off” triggers also means that the funding currency squeeze accentuates downside pressures in EM Asia FX. Interrupted FDI inflows, exacerbated by capital flight underscore the risks of disorderly correction in AXJ, which may not be adequately offset by higher FX reserves.

And so, we expect AXJ on the whole to slip back further amid recession risks; albeit prone to two-way volatility and differentiated outcomes. Modest recovery off extreme sell-off levels in EM Asia FX as aggressive Fed rates cuts starts to coincide with worst-case recession/markets outcome later into Q3 is reasonable; with Fed pulling stops on QE-type stimulus being a decisive turnaround factor for AXJ (mainly on USD slide).

[Q4 2024:](#) **Chasing Rainbows**

Heading into late 2024 is when the narrative of sustained EM Asia FX gains currency (no pun intended). This will be mostly premised on dovish Fed and bottoming global economy conspiring to lift optimism and a flood back into “growth” bets that favour EM assets. And to be sure, the rain need not be decisively over for forward-looking markets to chase rainbows. Just signs of bottoming may be seized upon.

What’s worth mentioning though is that CNH remains a key factor in determining relative levels. Crucially, given lingering economic and geo-political drag, the ability of CNH to regain ground could set the relative marker for various EM Asia FX. This could be an evolving equilibrium with regards to CNH.

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