

ECONOMIC OUTLOOK: BRACE FOR A HARD LANDING



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The Global Outlook: A Very Different Post Pandemic Environment

- Demand rebound was quick, but supply slow to respond
- Russia invasion of Ukraine triggered upheaval in commodities market. Investments in traditional energy sector had been low.
- Structural changes due to de-globalisation and shift to net zero
- Collateral damage from central bank tightening to rein in inflation

Different Regional Challenges

United States

- Domestic demand is too strong
- Inflation is number one concern for the Fed
- Willing to do what it takes to bring inflation back to 2% target

Europe

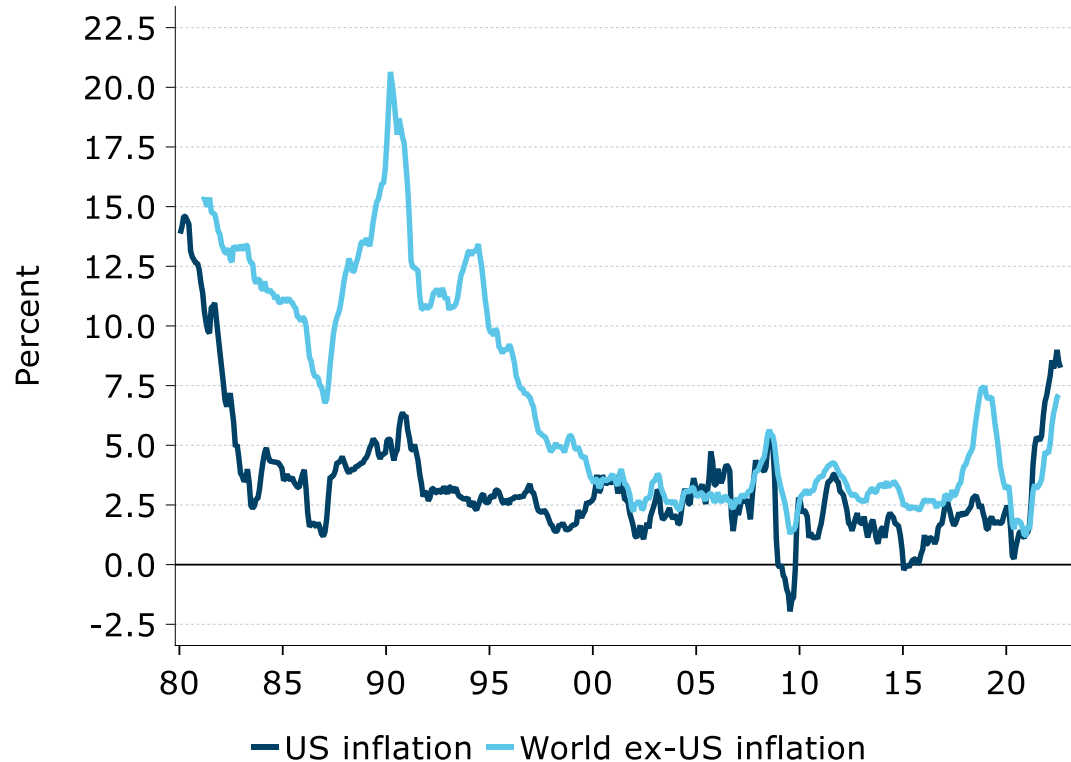
- Negative impact from Russia-Ukraine conflict
- Energy crisis
- Fiscal worries for highly indebted countries

China

- Property market crisis
- Strict zero-COVID policy
- Rising tensions with the US

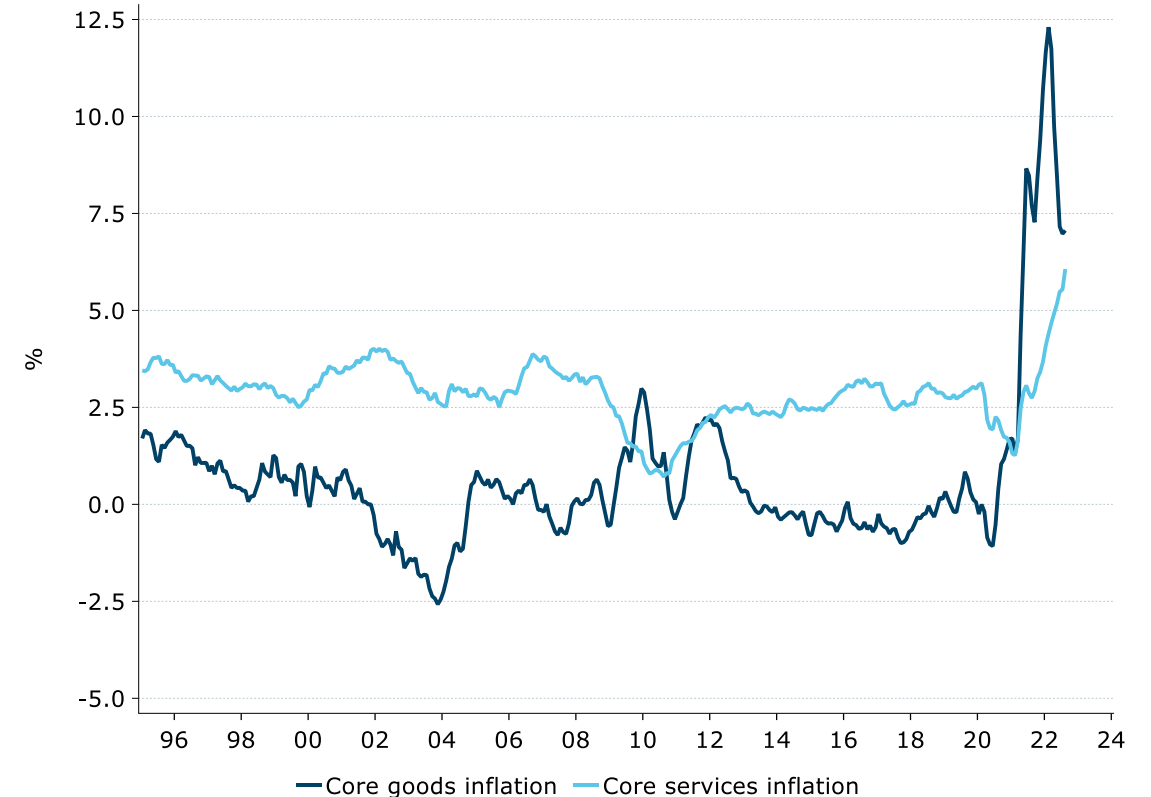
US: Persistently High Inflation

It's been a while since US inflation was above the rest of the world



Source: BLS, Macrobond, ANZ Research

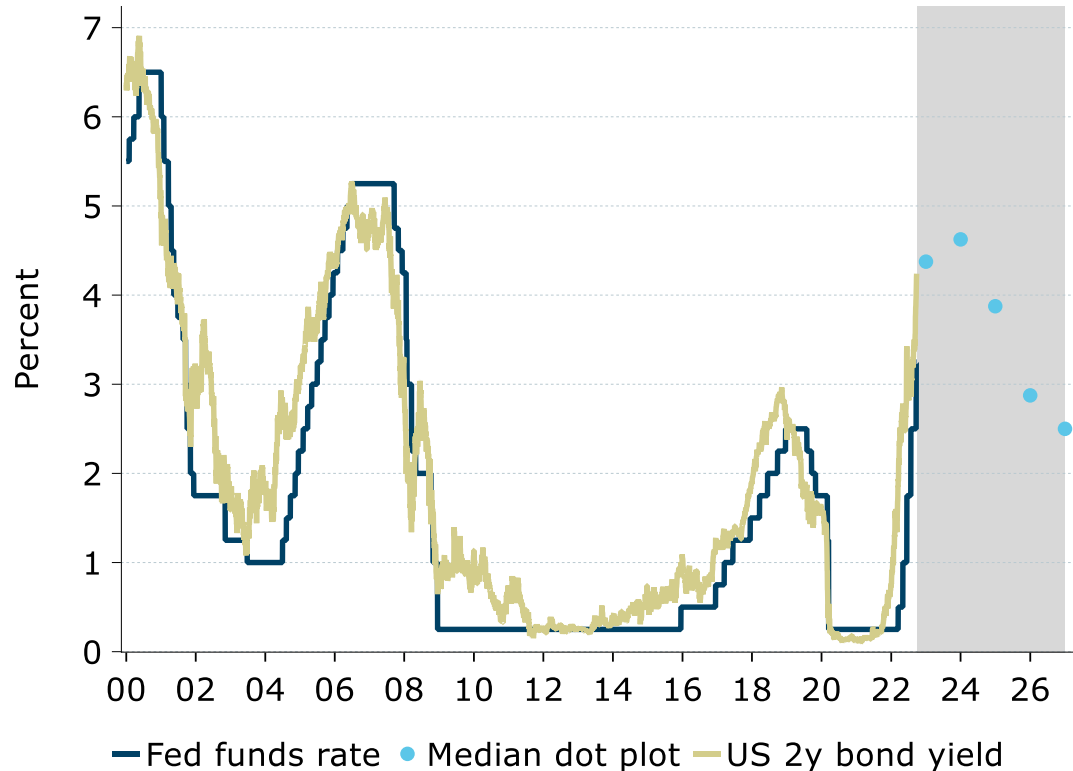
The shift from goods to service consumption is providing the tailwind to core inflation



Source: BLS, Bloomberg, Macrobond, ANZ Research

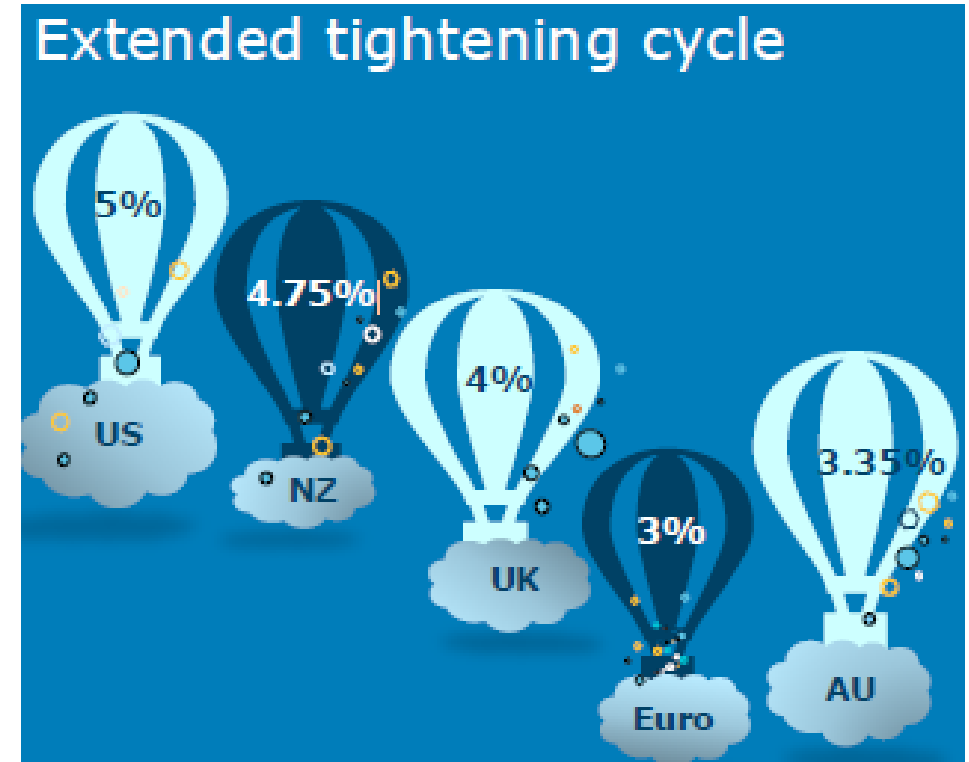
The US Fed Set to Take Interest Rates to Restrictive Levels

The Fed set to take rates well above long-run neutral



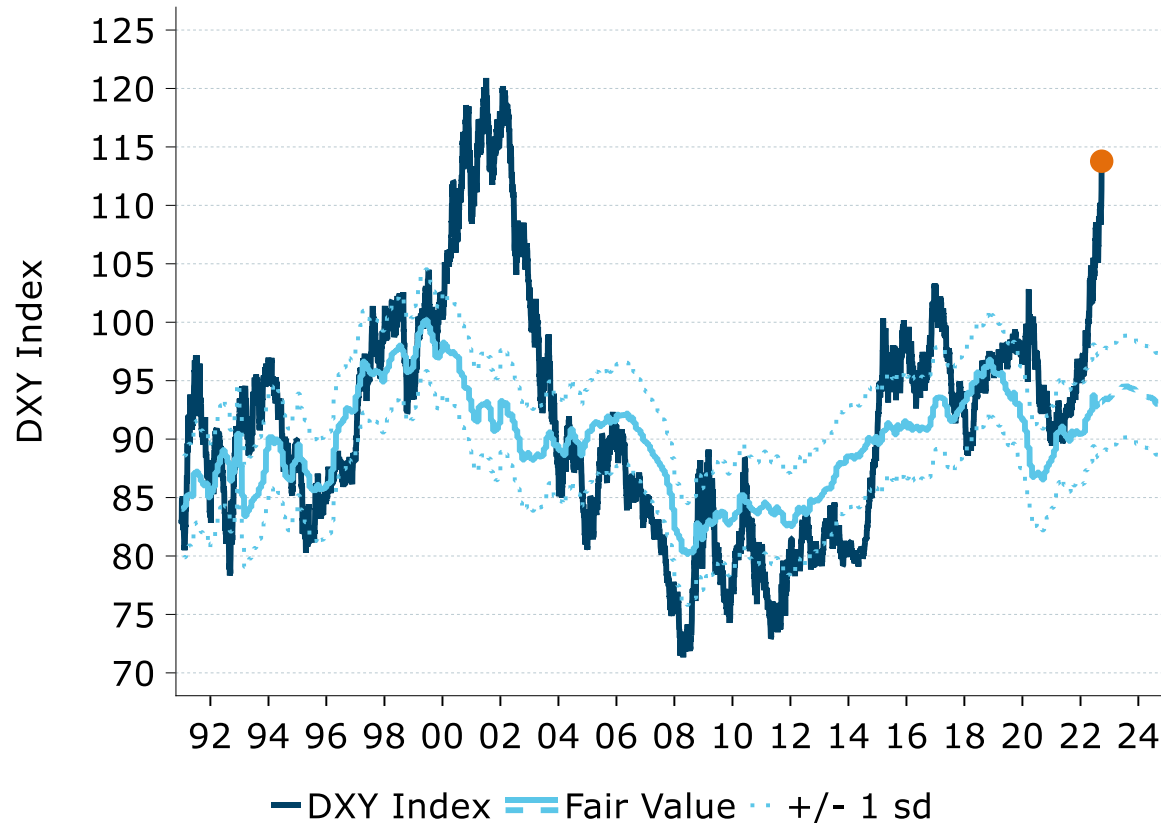
Source: Fed, Bloomberg, Macrobond, ANZ Research

US to be a high yielder by end of the year



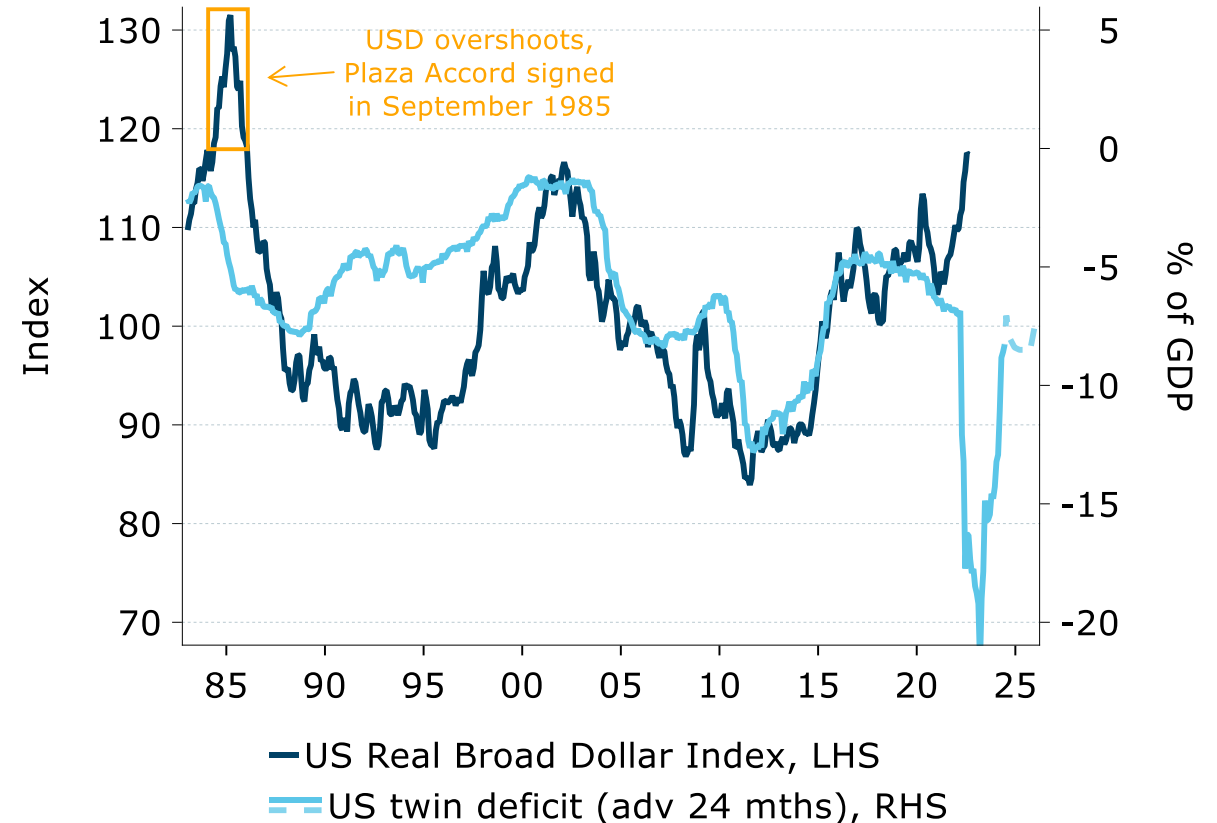
King Dollar – No Other Currency Comes Close

USD is overvalued, but hard to go against the trend



Source: Bloomberg, Macrobond, ANZ Research

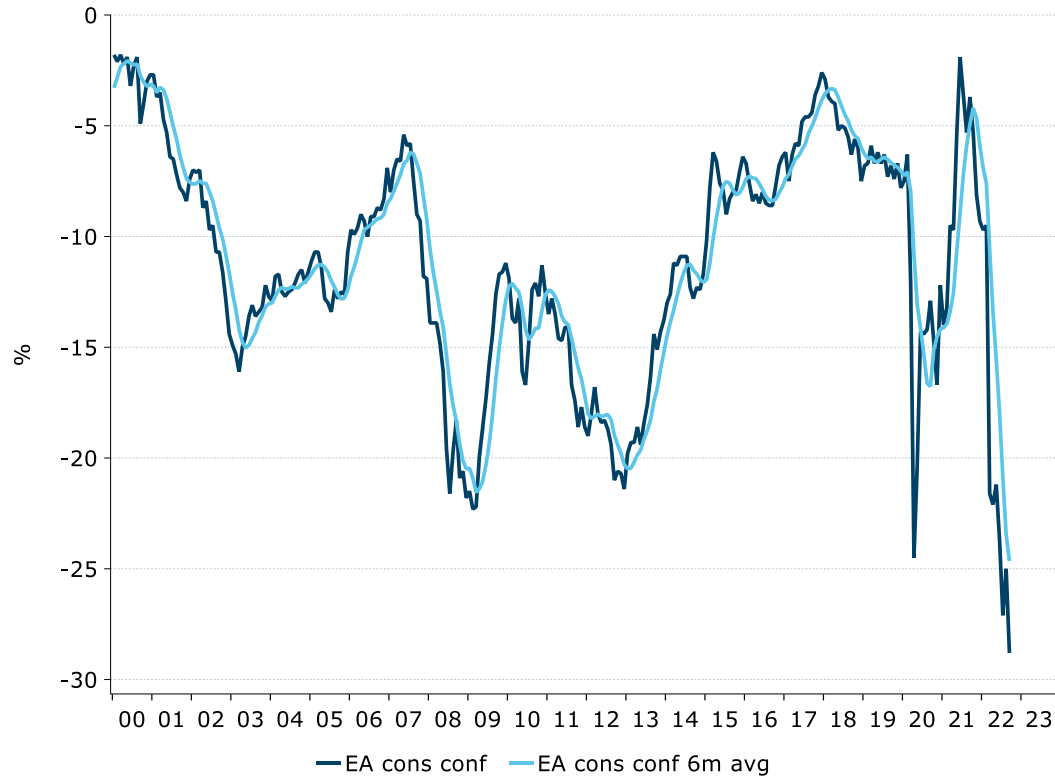
Large twin deficits to eventually weigh on the USD



Source: Fed, BLS, IMF, Bloomberg, Macrobond, ANZ Research

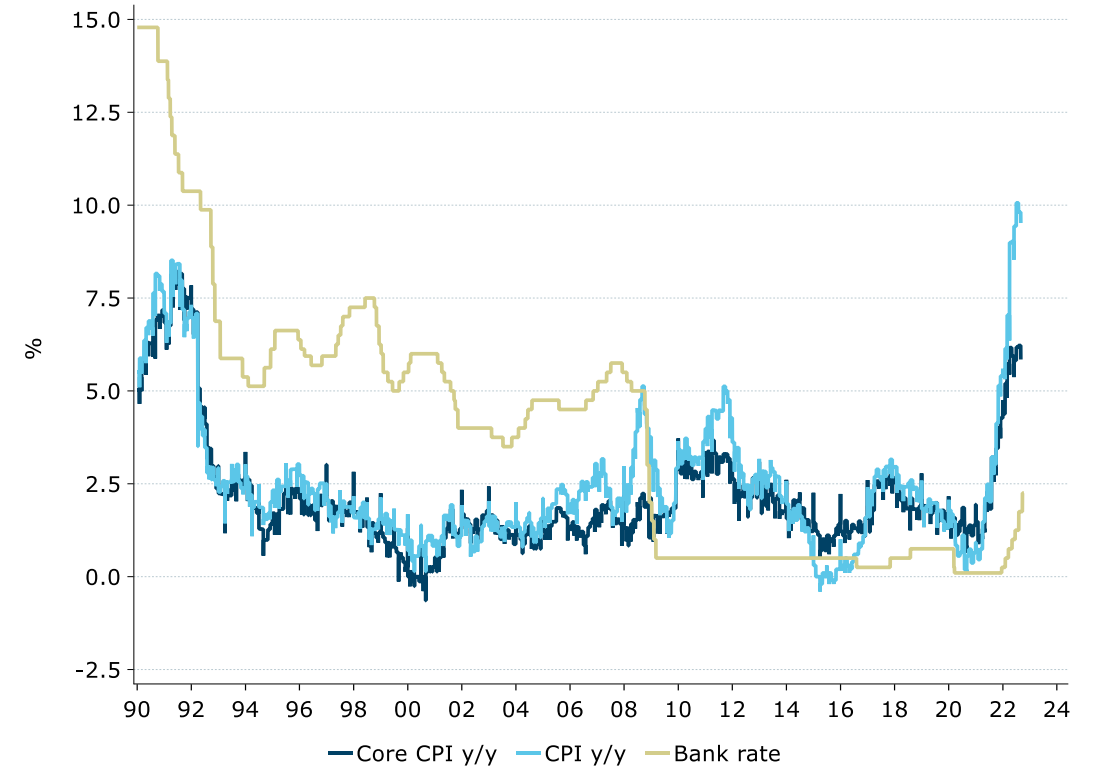
Europe: Challenging Times

Euro area consumer confidence plummets



Source: DG ECFIN, Macrobond, ANZ Research

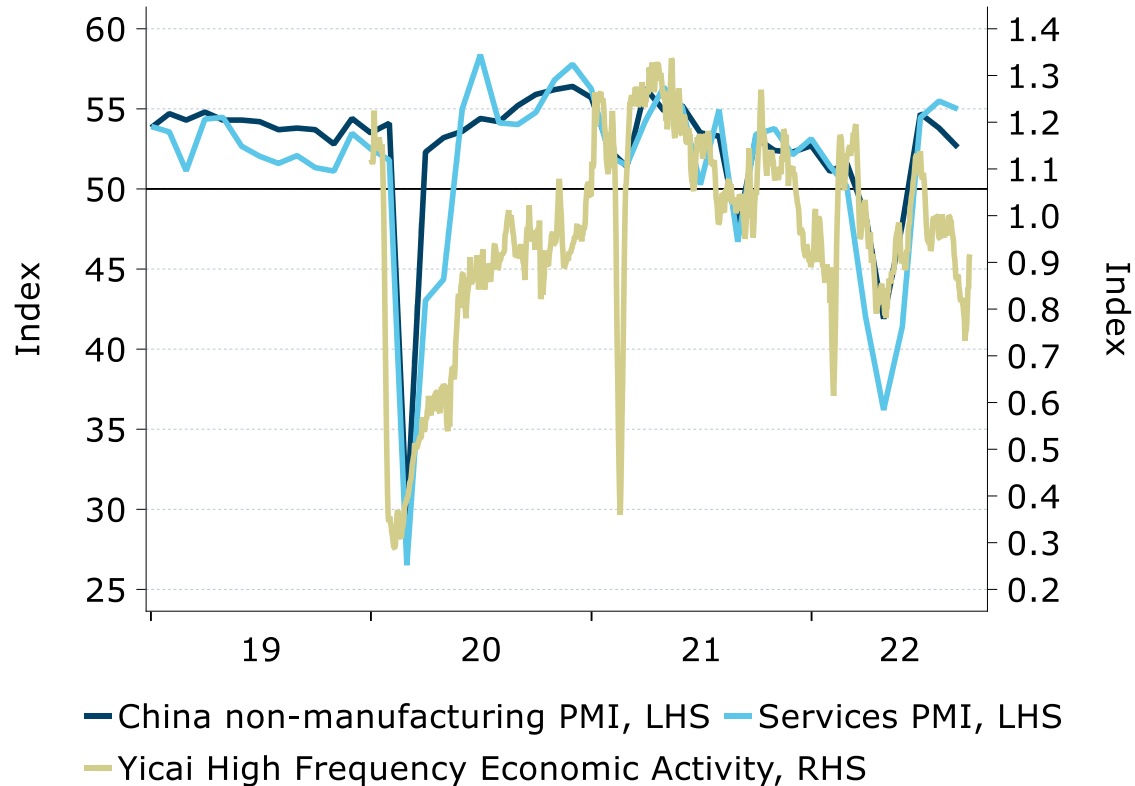
UK: sliding into cost-of-living recession



Source: ONS, BoE, Macrobond, ANZ Research

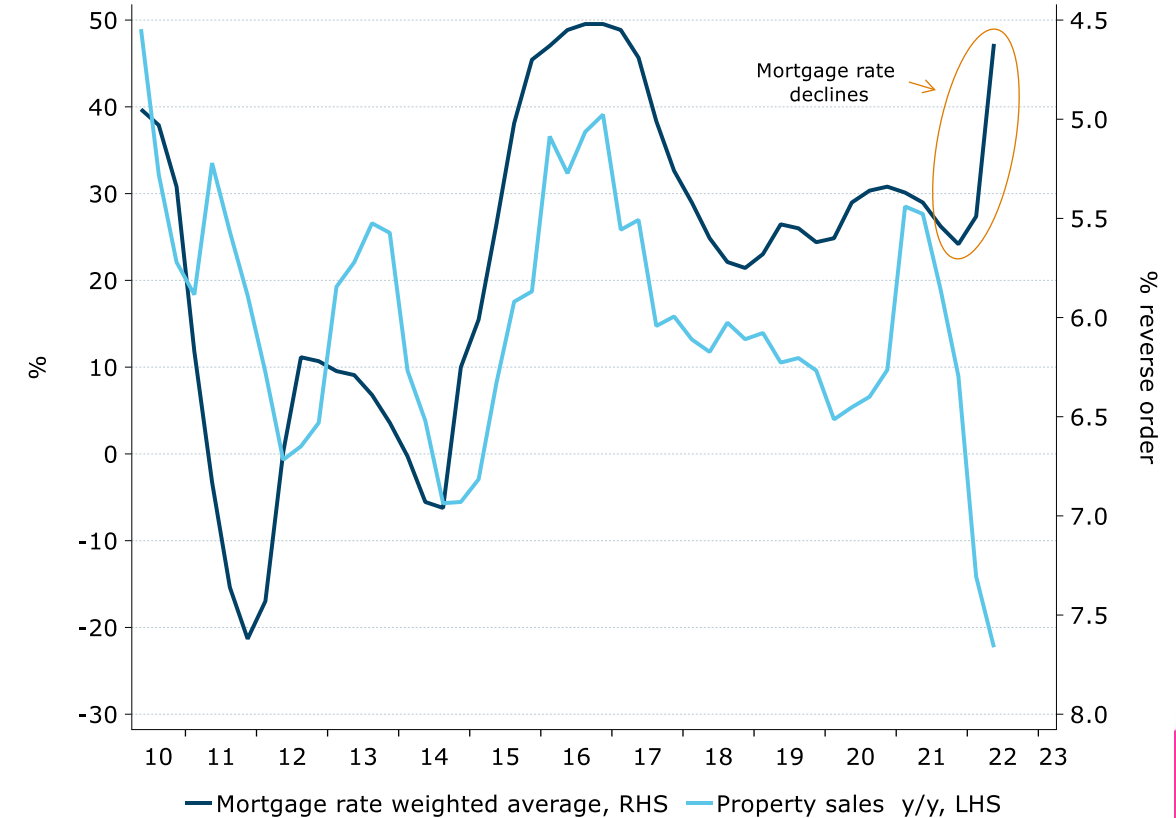
Will we see a policy shift in China after the party congress?

Hard for activity to rebound when you are forced into lockdowns



Source: YICAIRI, IHS Markit, CFLP, Bloomberg, Macrobond, ANZ R

Property buyers did not react positively to interest rate cuts



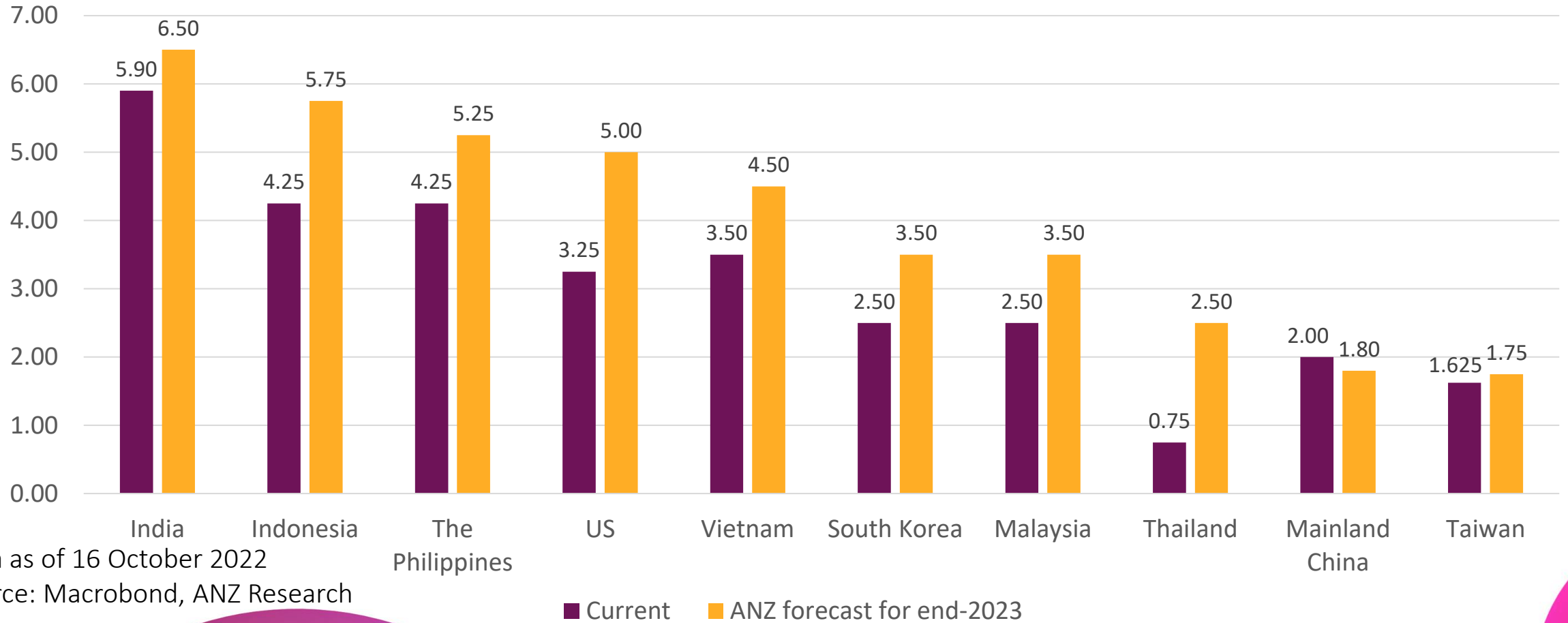
Source: PBoC, Bloomberg, Macrobond, ANZ Research

Asia Ex-China: Deep in the Global Crossfire

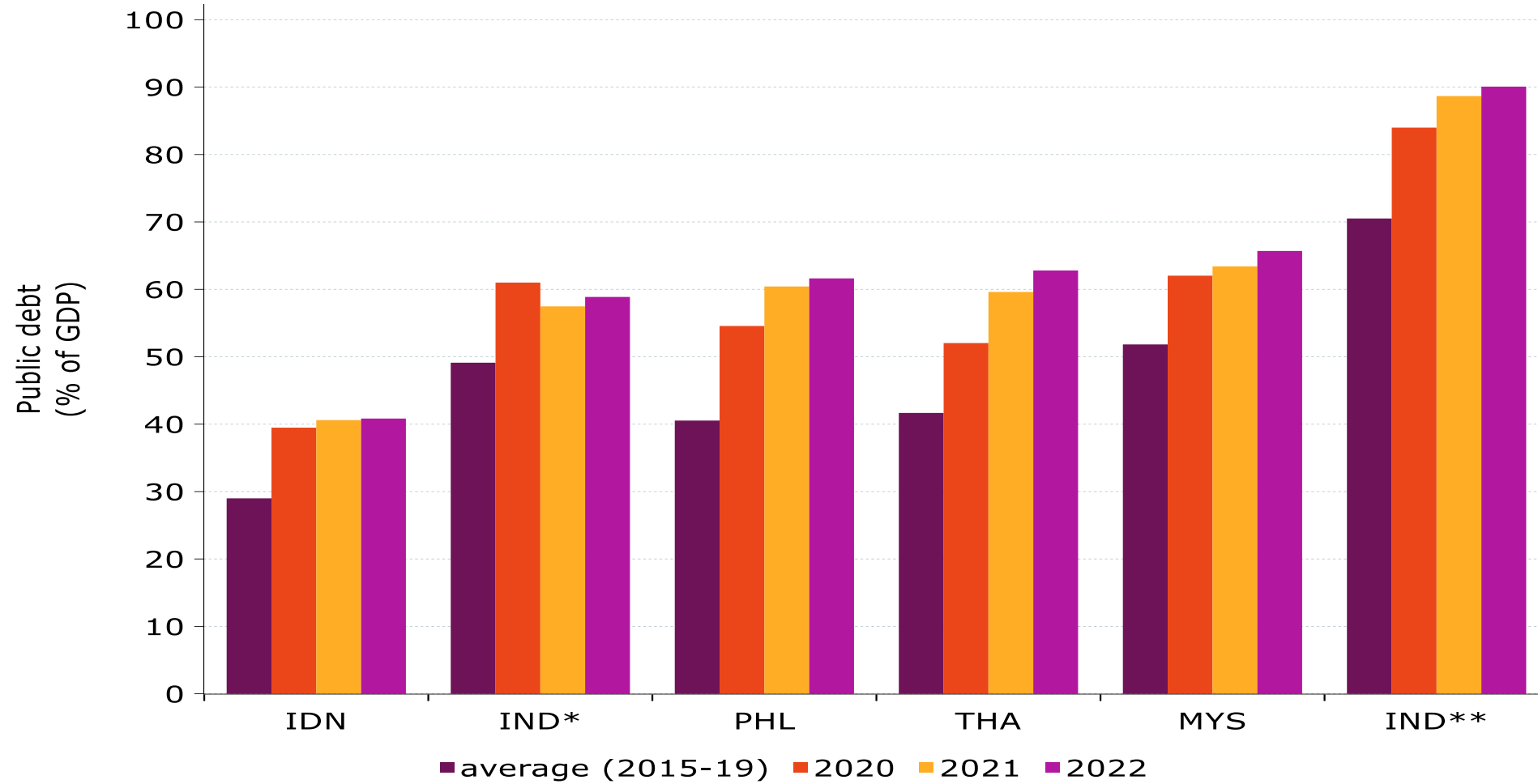
- Growth headwinds are rising: fading global demand, elevated domestic inflation and a deeper monetary tightening cycle.
- Government spending can provide minor counter-cyclical support as fiscal metrics have deteriorated.
- Inflation has peaked but its shift back into official target ranges will be drawn out.
- Asian currencies will remain under pressure. On a relative basis, North Asian currencies are likely to underperform their South Asian counterparts.

Region's Hiking Cycle to Significantly Deepen

Central banks' policy rates: Asia vs. the US



Counter-Cyclical Fiscal Capacity is Limited

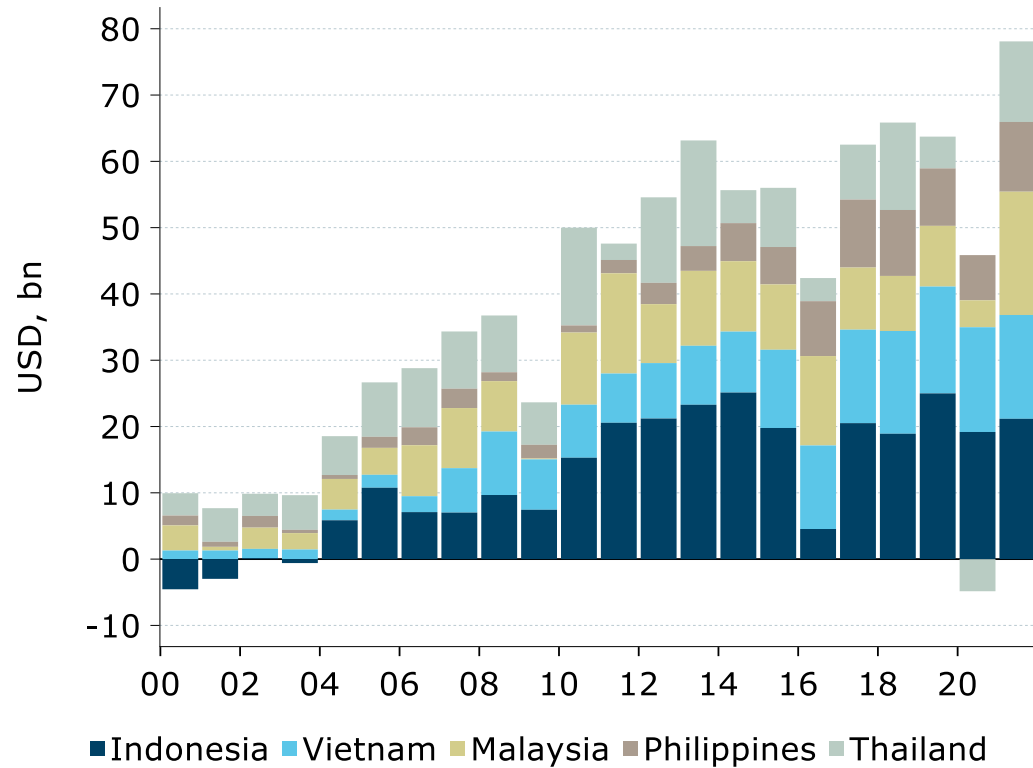


*Consolidated, **Central government

Source: National stats boards, Macrobond, ANZ Research

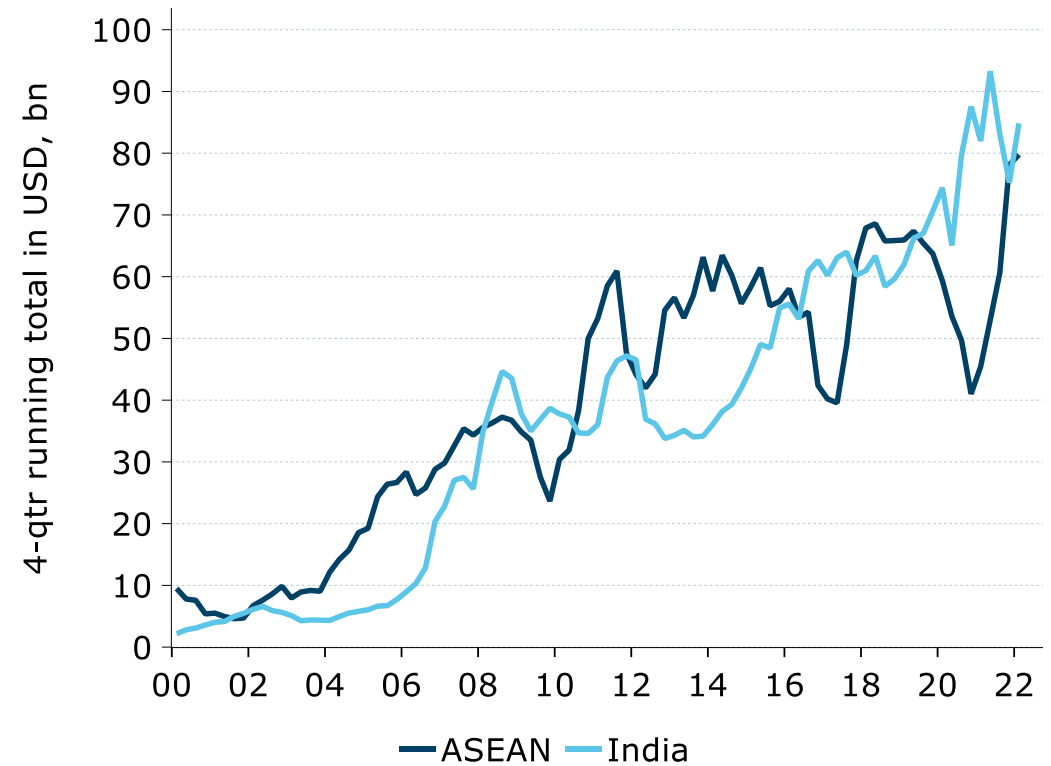
Foreign Direct Investment Flows Have Been Resilient

Strong rebound in inward FDI inflows into ASEAN



Source: National Sources, Macrobond, ANZ Research

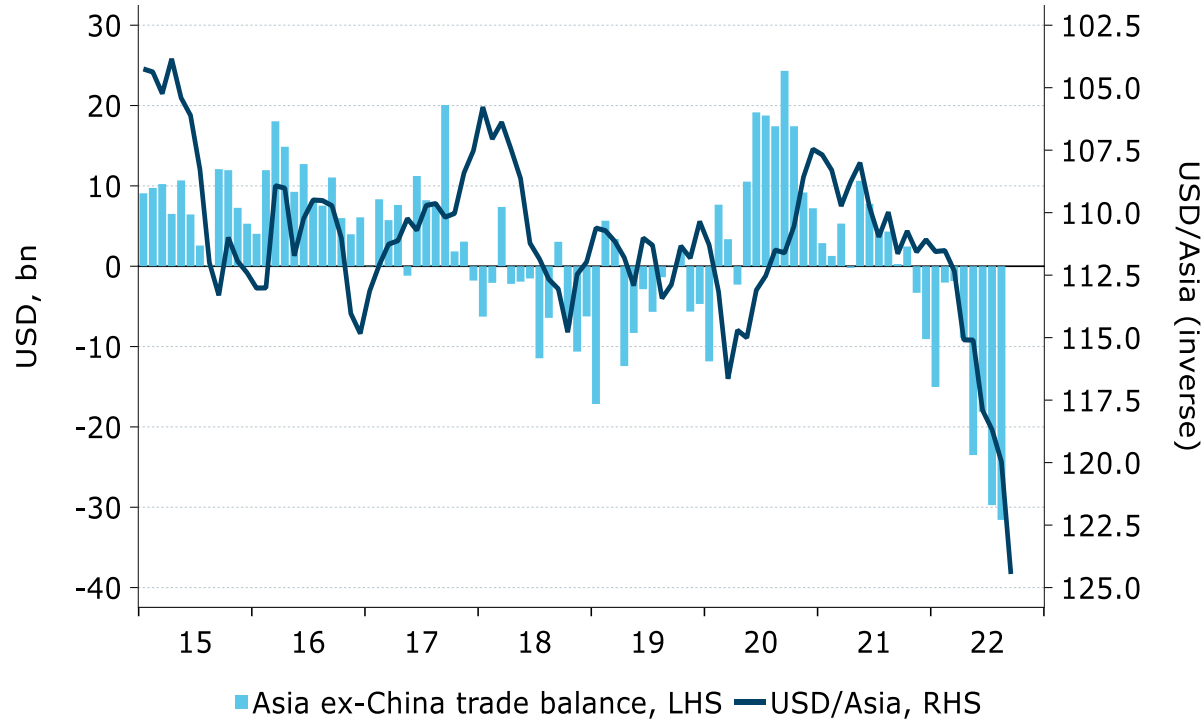
India has seen a continued marked rise in FDI inflows



Source: State Bank of Vietnam, BI, IMF, DOSM, BSP, BOT, RBI, etc.

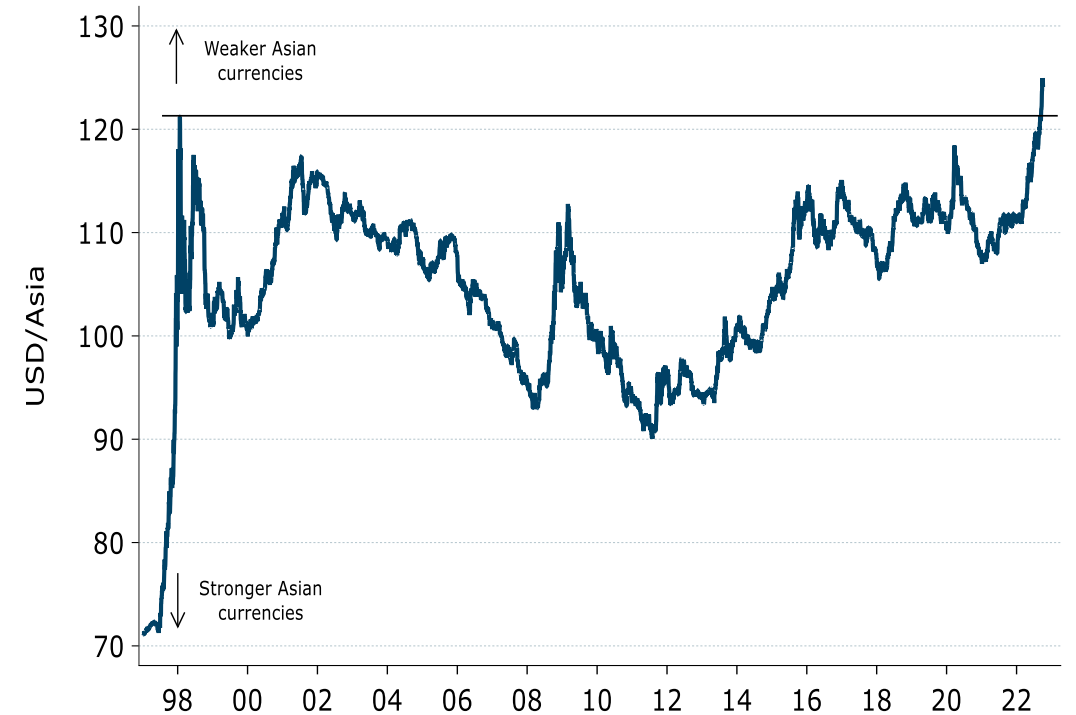
Asian Currencies Under the Pump

Asia's worsening external position is contributing to currency weakness



Source: Official sources, Bloomberg, Macrobond, ANZ Research

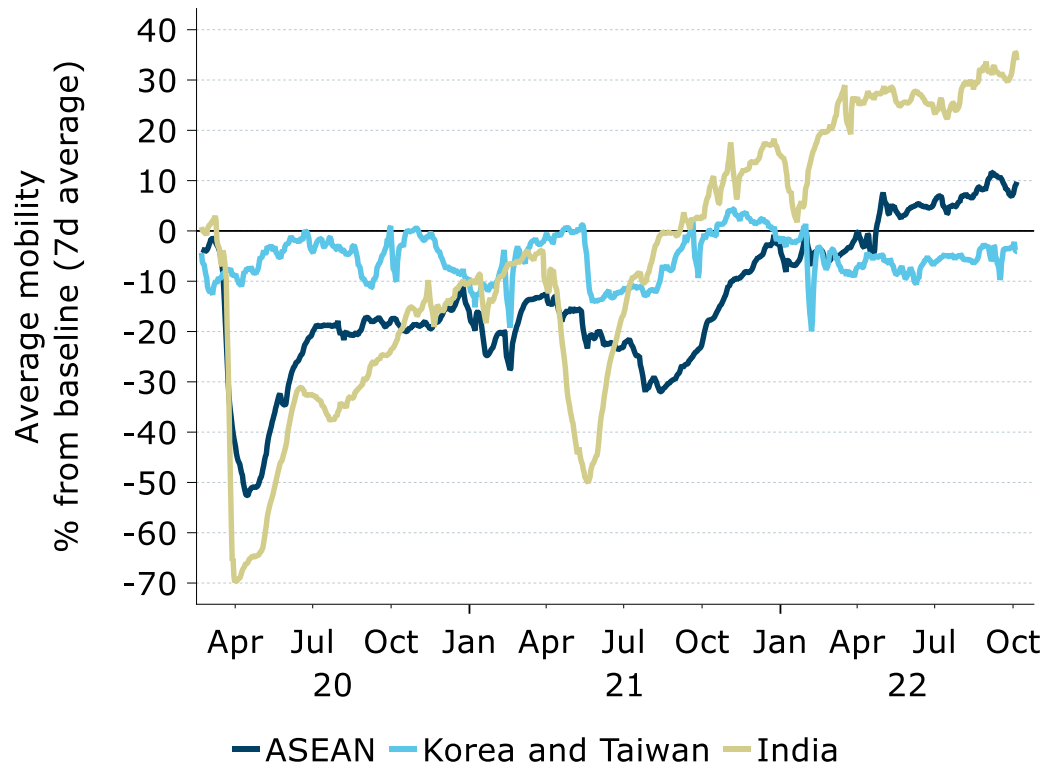
Asian currencies surpass the weakest point during the Asian Financial Crisis



Source: Bloomberg, Macrobond, ANZ Research

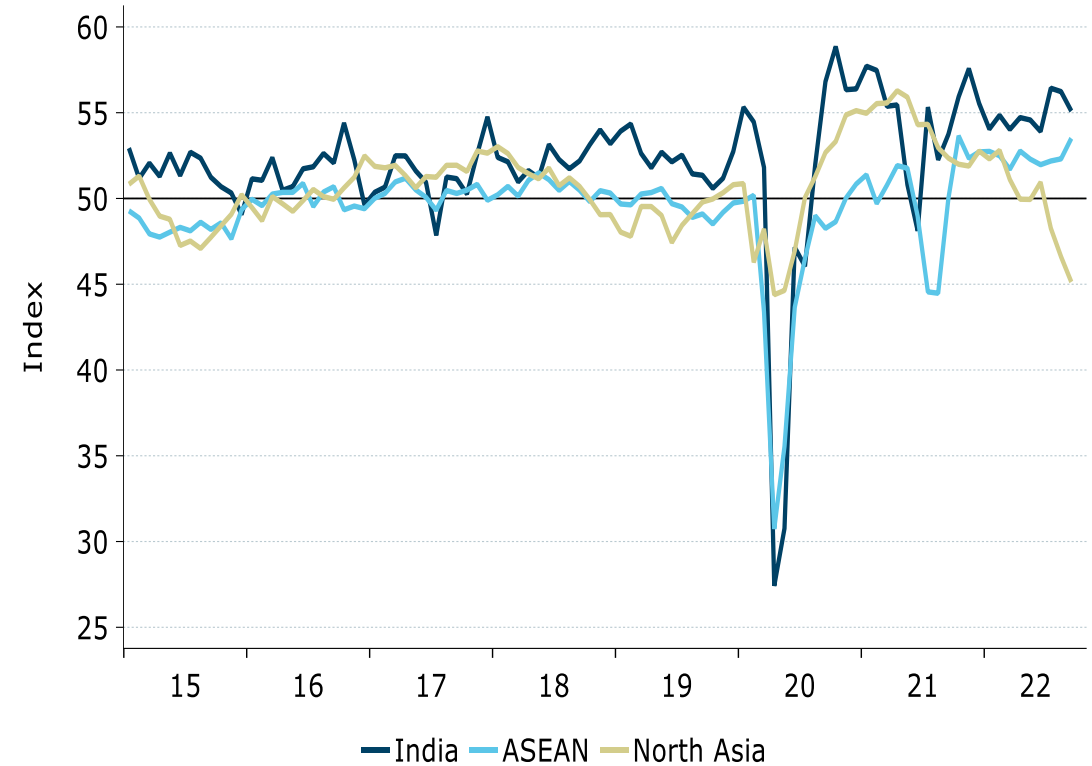
Divergence in Asia – North vs South/SEA Divide

Google mobility



Source: Google, Bloomberg, Macrobond, ANZ Research

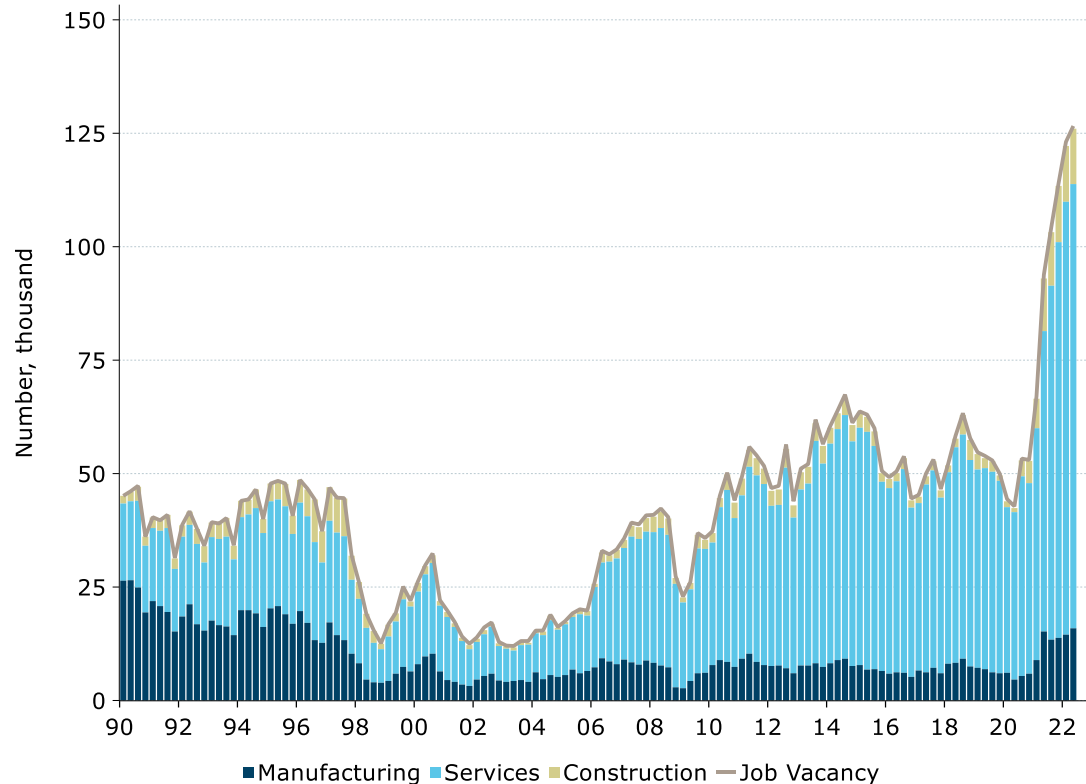
Manufacturing PMI



Source: IHS Markit, Bloomberg, Macrobond, ANZ Research

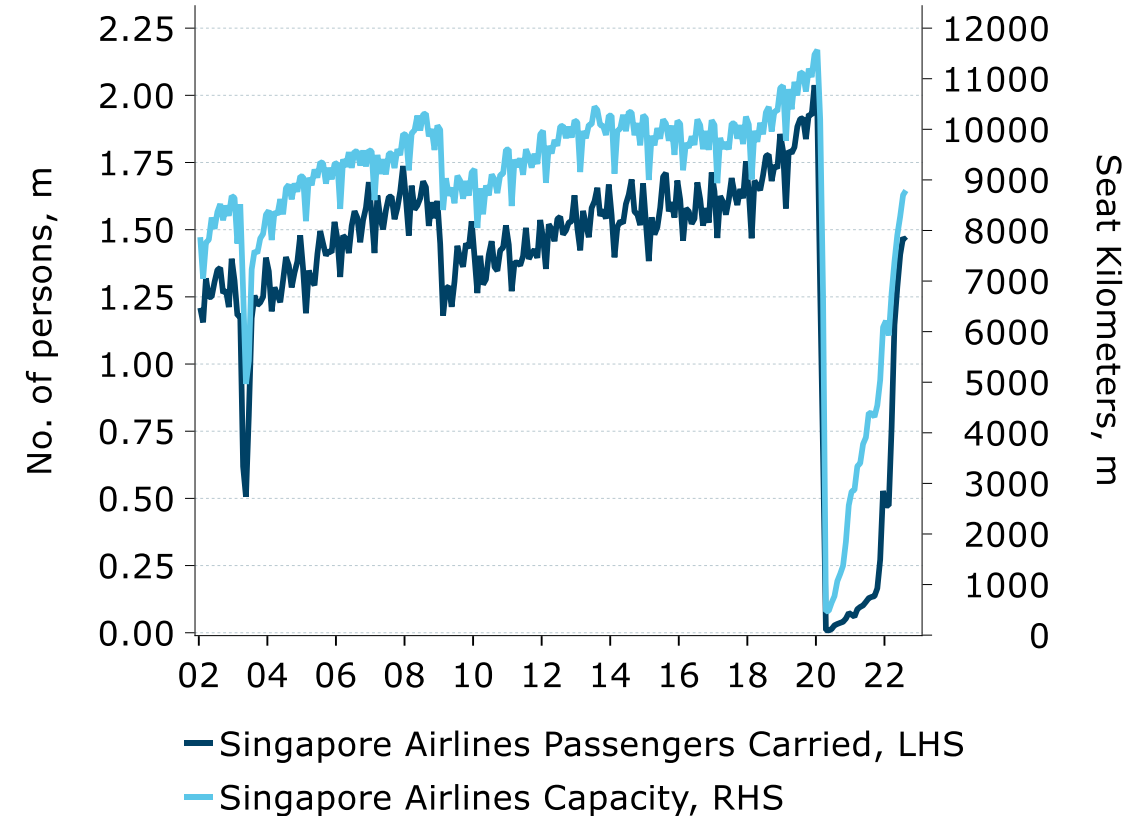
Singapore: Elevated Inflation to Keep MAS on Tightening Bias

Record number of vacancies, especially in the services sector



Source: MOM, Bloomberg, Macrobond, ANZ Research

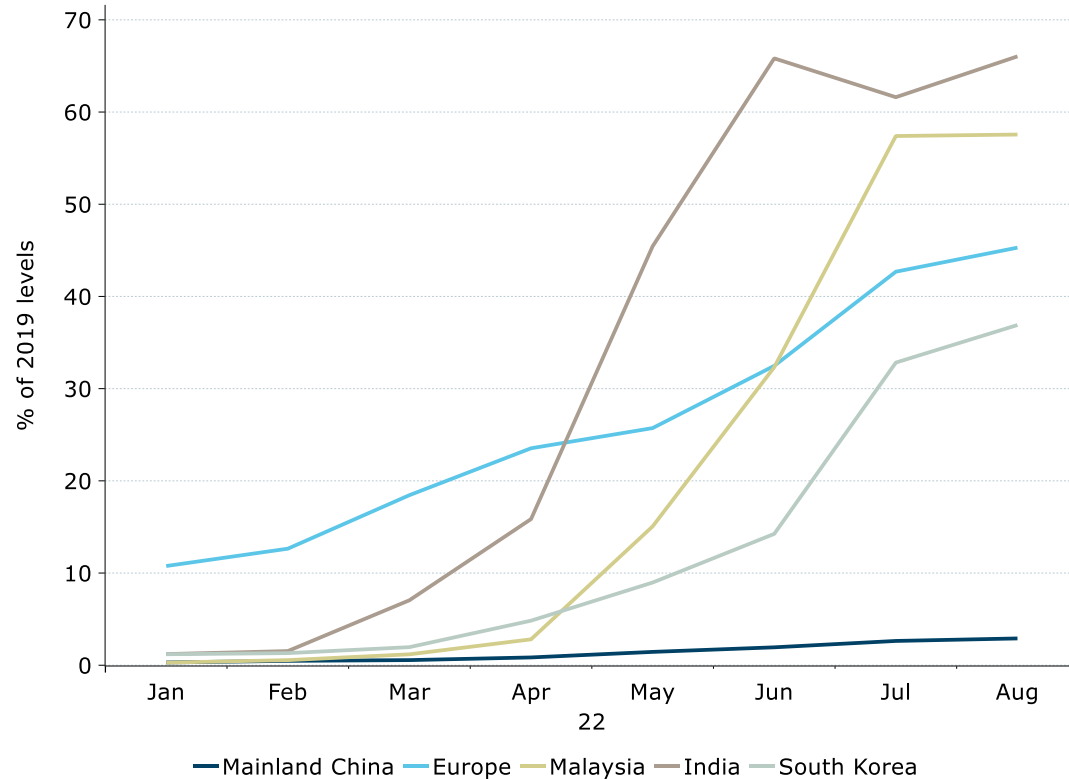
International air travel bouncing back



Source: Singapore Airlines Group, Macrobond, ANZ Research

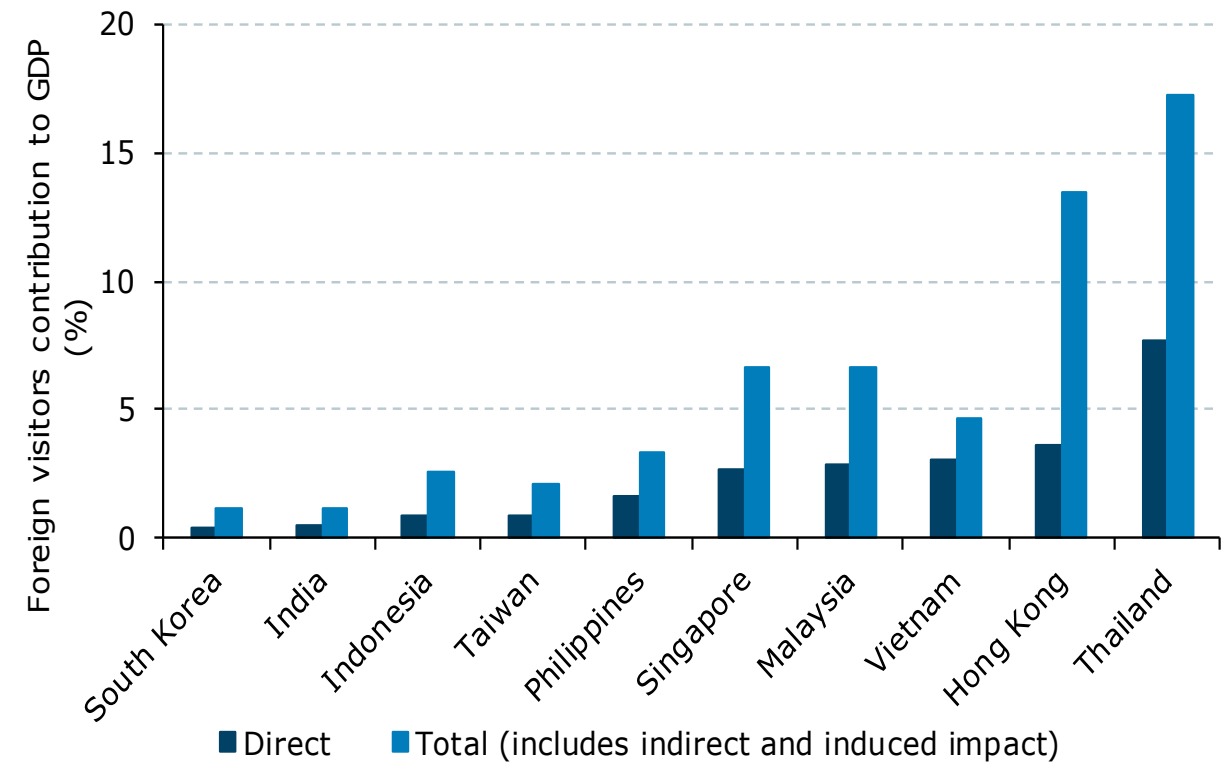
Thailand: A Resurgent Tourism Sector

Tourist arrivals by key source markets

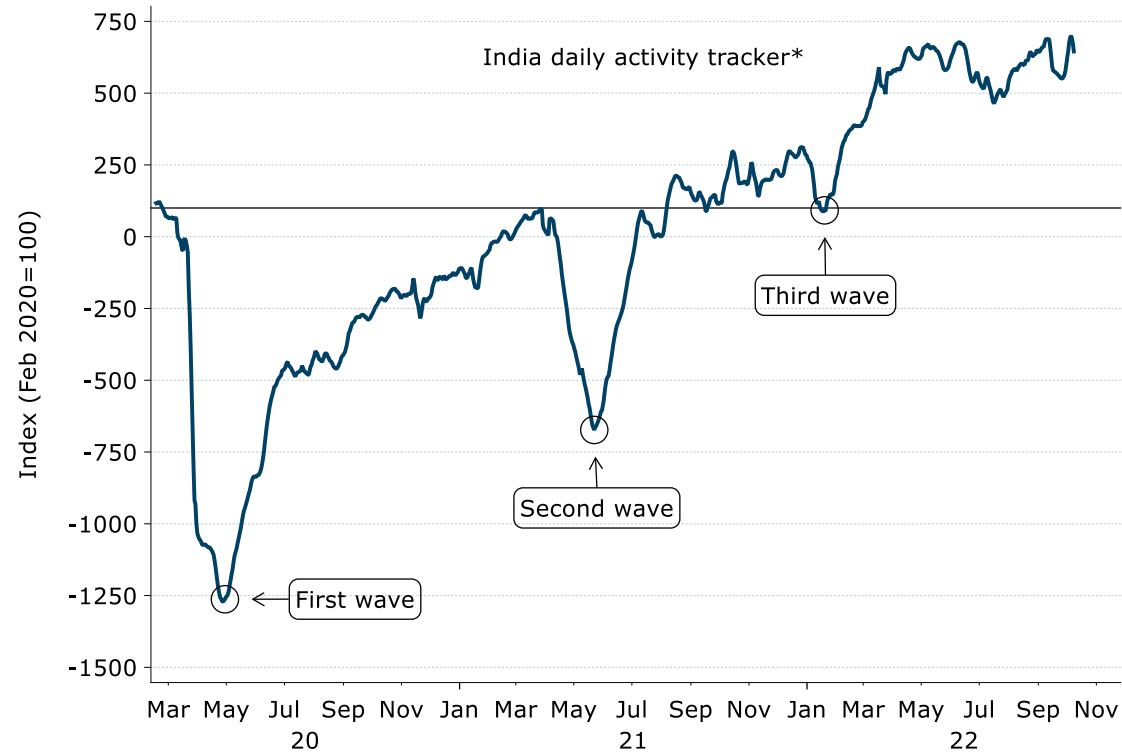


Source: MOTs, Macrobond, ANZ Research

Foreign visitors' contribution to GDP



Overall recovery in domestic activity is strong



*A combination of mobility, power consumption, and employment variables
All variables in 7dma format
Source: CMIE, POSOCO, Google, Bloomberg, Macrobond, ANZ Research

Investments could rise



Source: Kiel Institute, Shanghai Shipping Exchange, Bloomberg, Macrobond, ANZ Research

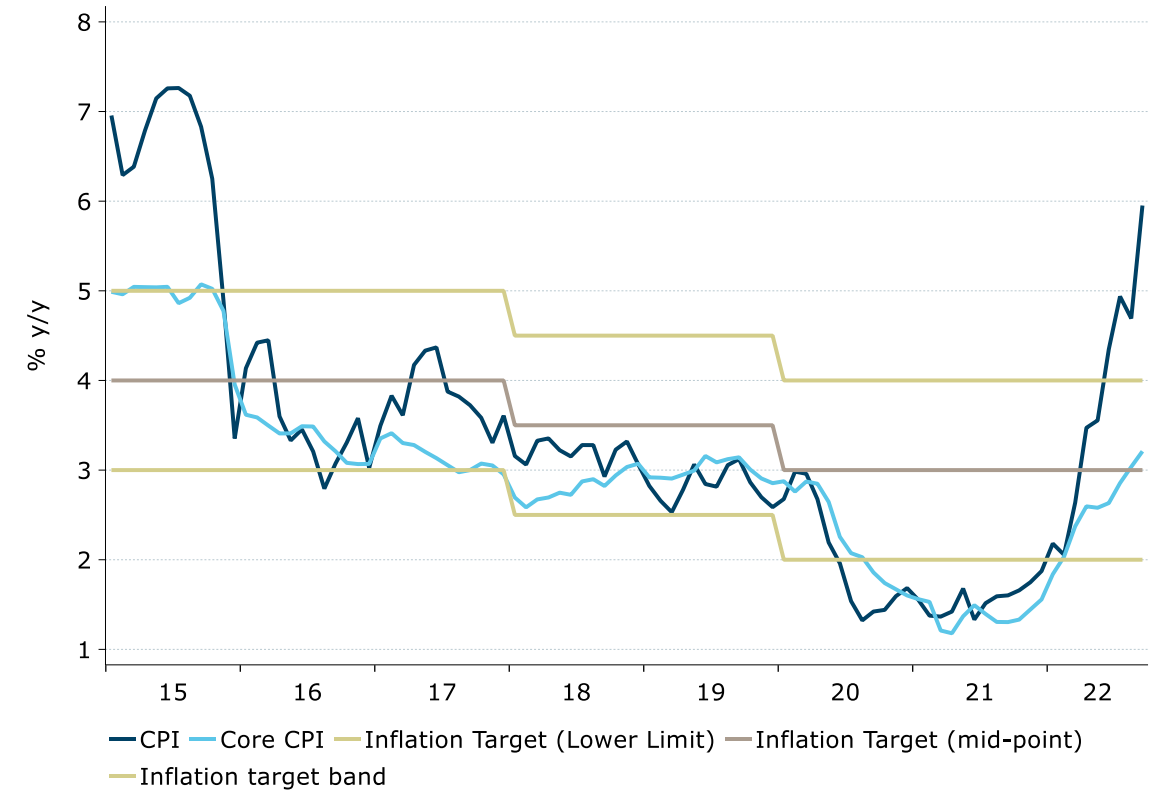
Indonesia: Commodity Tailwind

High prices of key commodity exports...



Source: Bloomberg, Macrobond, ANZ Research

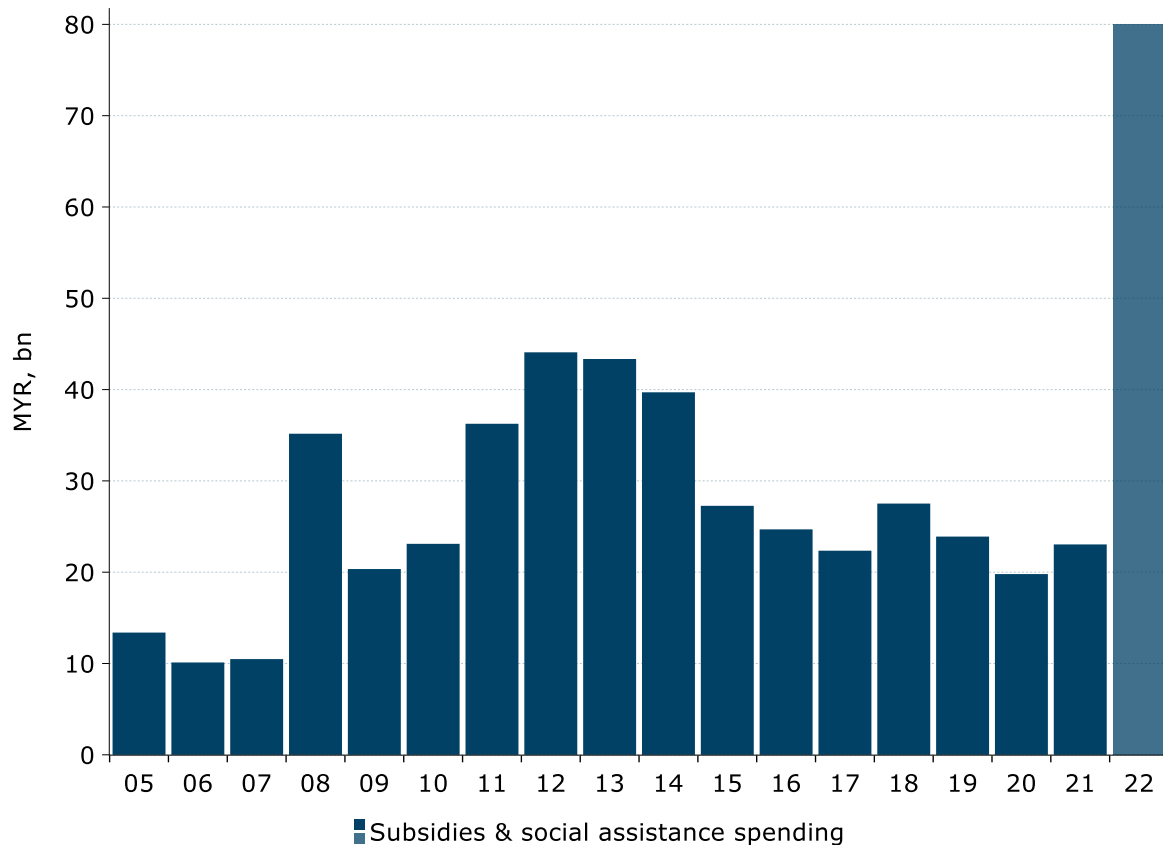
... could not shield consumers from fuel price hikes for long



Source: BPS, BI, Bloomberg, Macrobond, ANZ Research
Sep. 2022 based on latest BI weekly survey

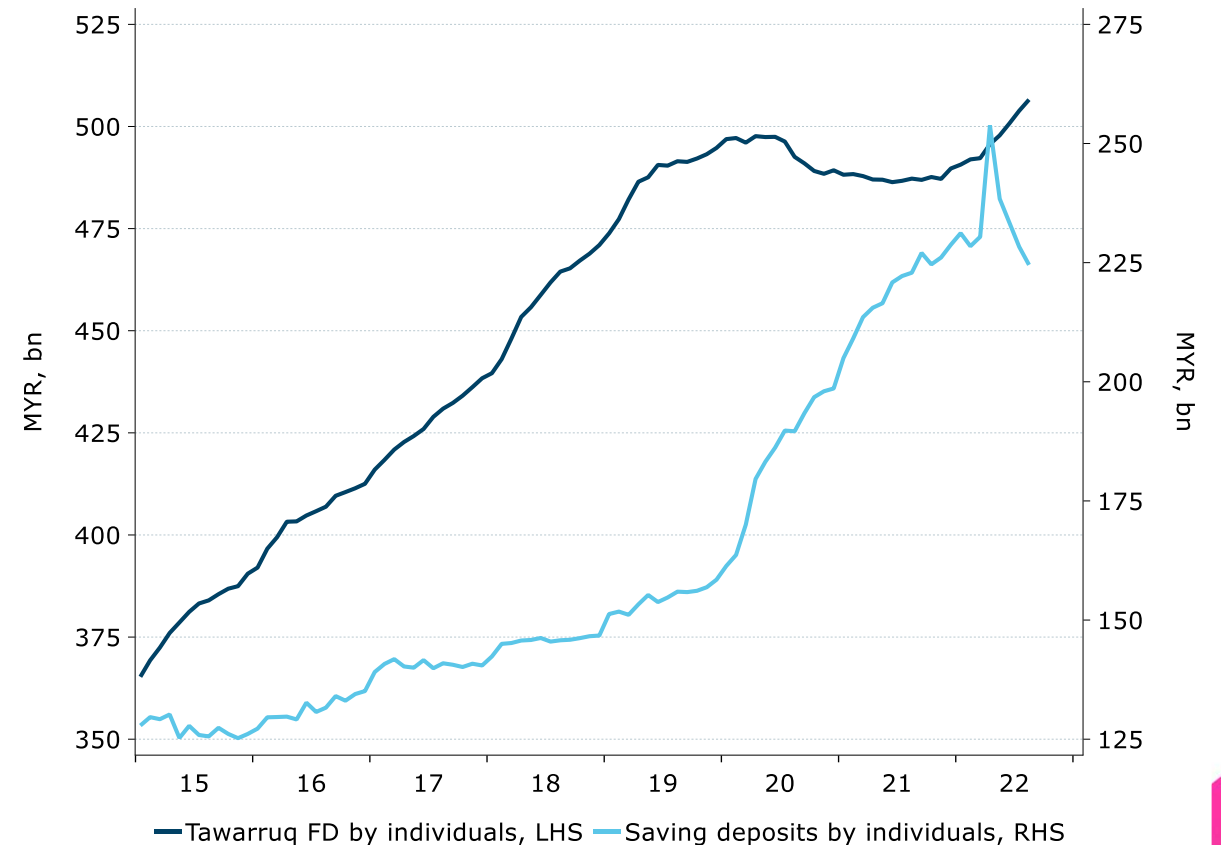
Malaysia: External Advantages are Abating

Fuel subsidy rationalization in the cards for 2023



Source: BNM, Macrobond, ANZ Research

Household savings still at solid level



Source: BNM, Macrobond, ANZ Research

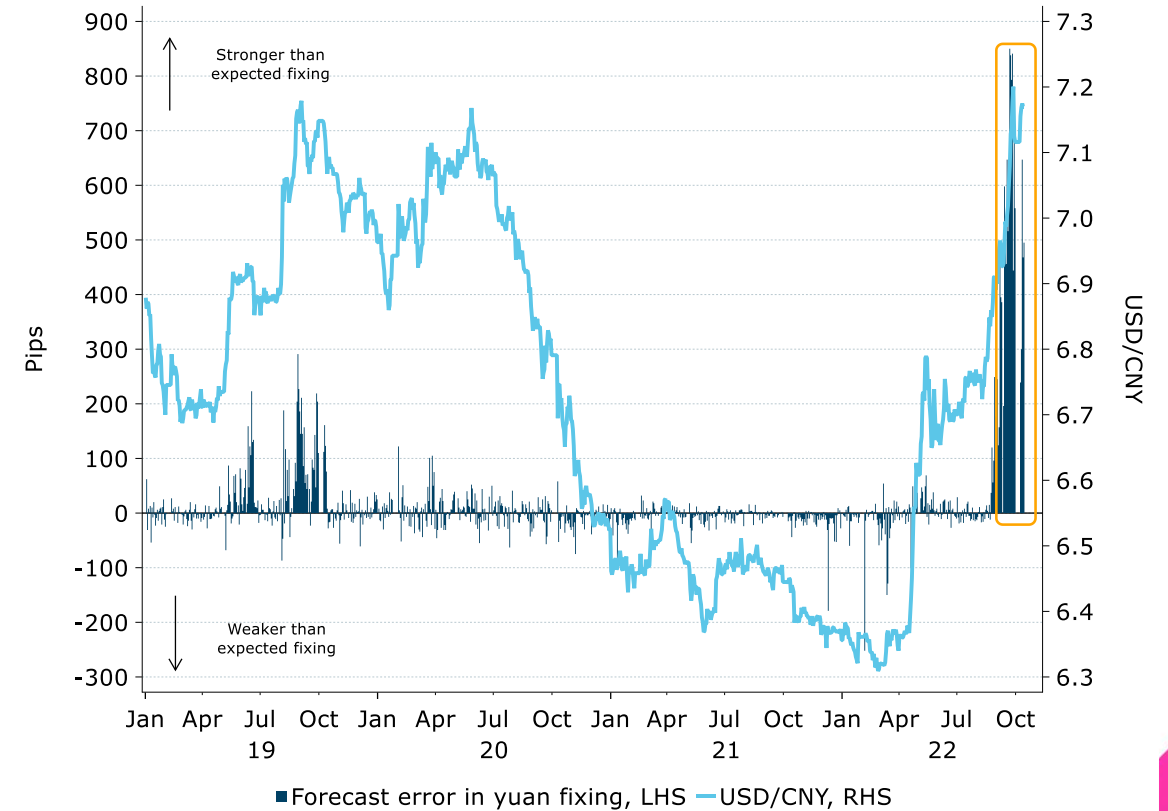
China: Deflation Risk is Looming

China's port activity is trending down



Source: Kiel Institute, Shanghai Shipping Exchange, Bloomberg, Macrobond, ANZ Research

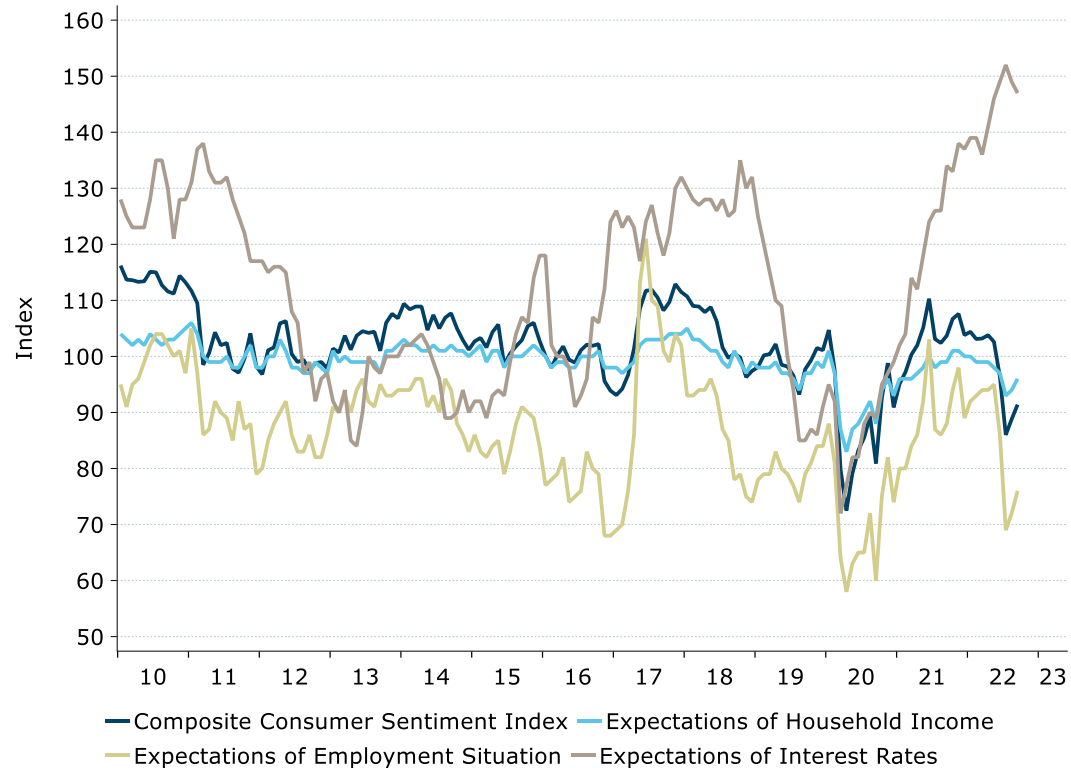
Daily yuan fixings have been set stronger to slow depreciation pace



Source: Bloomberg, Macrobond, ANZ Research

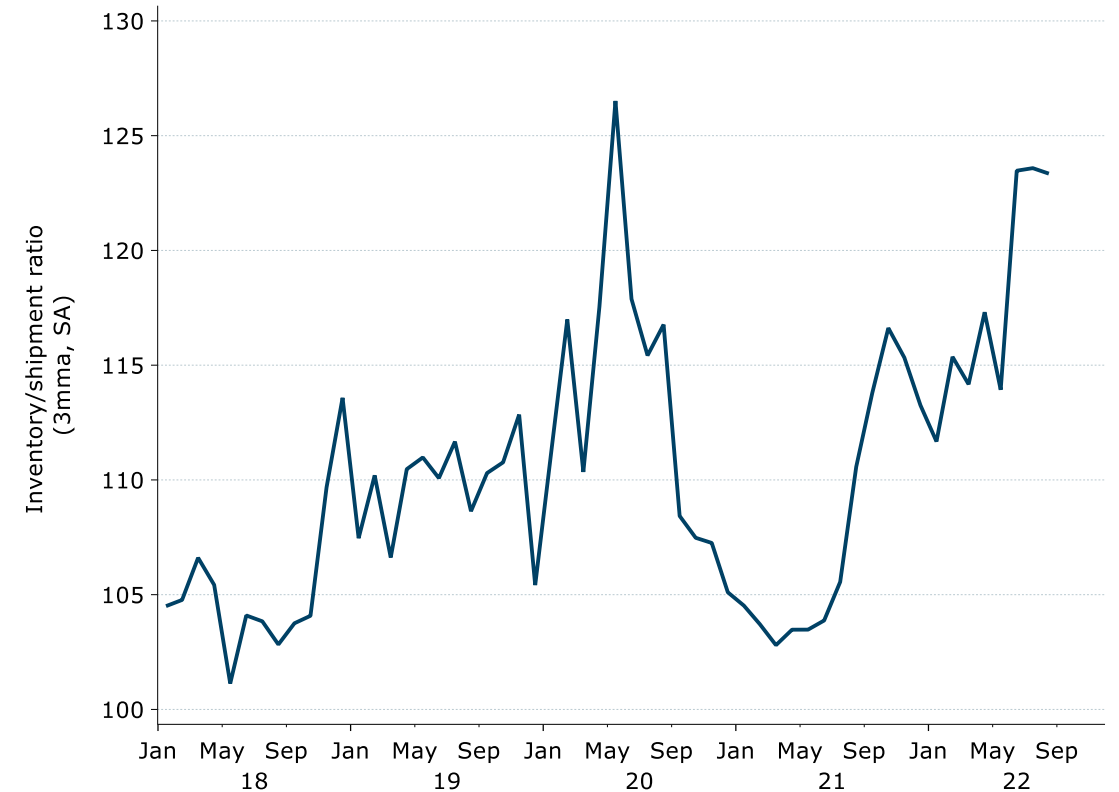
South Korea: Sputtering Growth Engines

Multiple drivers for the fall in consumer sentiment



Source: BOK, Bloomberg, Macrobond, ANZ Research

Rising inventory-to-shipment ratio



Source: KOSTAT, BOK, KCS, Macrobond, ANZ Research

Brace for a Challenging

GDP and CPI forecasts

	GDP growth (%)					CPI Inflation (%)				
	2020	2021	2022(f)	2023(f)	2024(f)	2020	2021	2022(f)	2023(f)	2024(f)
Mainland China	2.2	8.1	3.0	4.2	4.0	2.5	0.9	2.3	2.0	1.8
India*	-6.6	8.7	6.7	6.1	6.5	6.2	5.5	6.5	4.8	4.5
South Korea	-0.7	4.1	2.6	1.0	1.5	0.5	2.5	5.2	3.3	1.9
Taiwan	3.4	6.6	2.9	1.9	2.2	-0.2	2.0	3.0	1.6	1.2
Hong Kong	-6.5	6.3	-0.7	1.7	1.3	0.3	1.6	2.1	2.2	2.1
Singapore	-4.1	7.6	3.5	1.5	2.2	-0.2	2.3	6.0	4.5	3.0
Indonesia	-2.1	3.7	5.3	4.7	5.0	2.0	1.6	4.5	5.0	3.7
Malaysia	-5.5	3.1	7.3	3.8	3.9	-1.1	2.5	3.5	4.9	2.3
Thailand	-6.2	1.5	3.3	3.5	3.8	-0.8	1.2	6.3	3.3	1.6
Philippines	-9.5	5.7	6.5	4.8	5.1	2.5	3.8	5.6	4.2	3.0
Vietnam	2.9	2.6	7.0	5.0	6.2	3.2	1.8	3.4	3.7	2.6
EM Asia	0.0	7.3	3.6	4.1	4.1	2.5	1.7	3.3	2.7	2.3
EM Asia ex-China & India	-2.4	4.4	3.8	2.7	3.1	0.7	2.1	4.6	3.6	2.4

*India: Years refer to fiscal years ending in March of the following calendar year. Eg 2019 is year-ending March 2020.

HICAP

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Last updated: 1 September 2022

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