

# ASIA: THIS TIME IS DIFFERENT

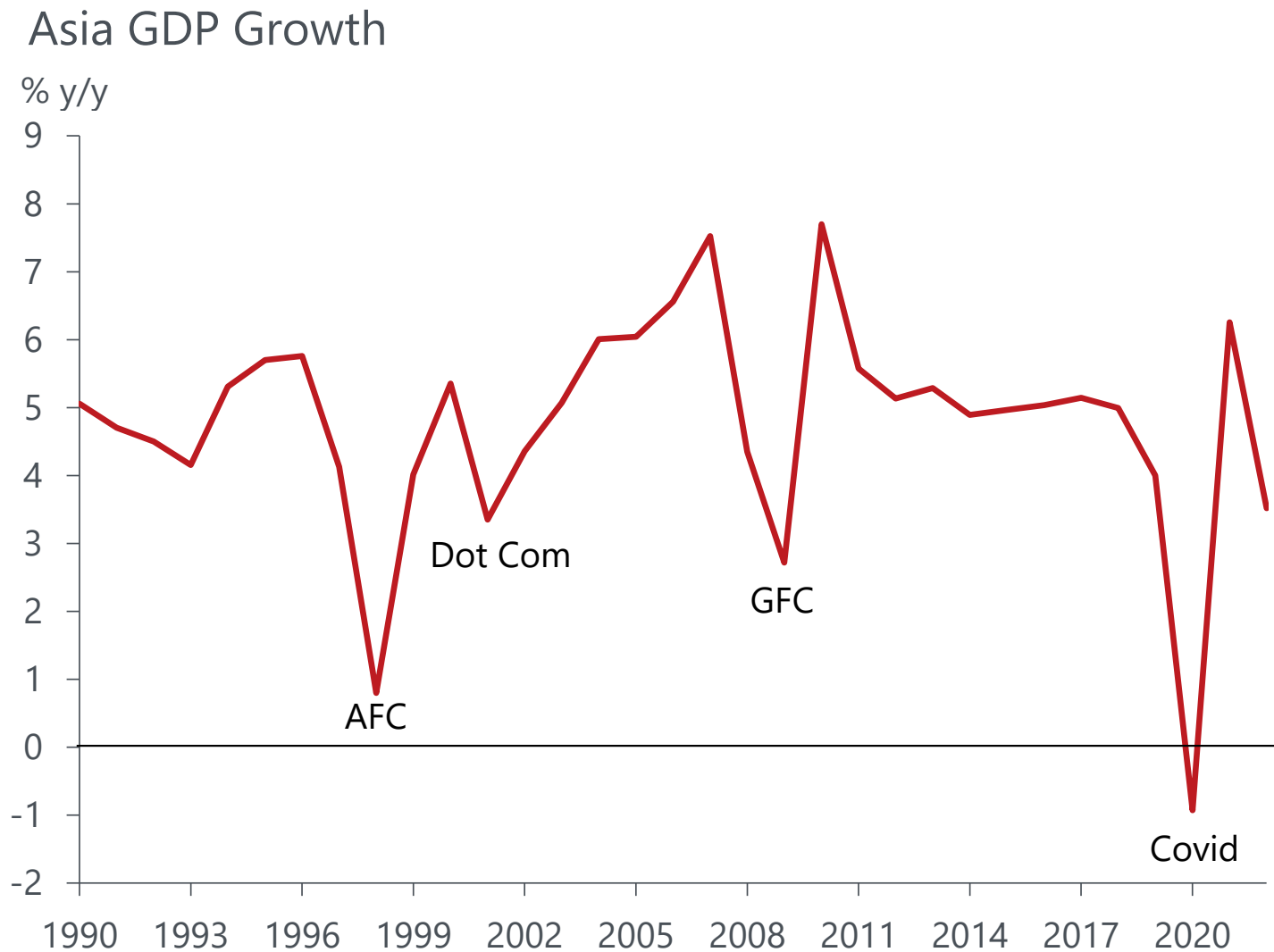
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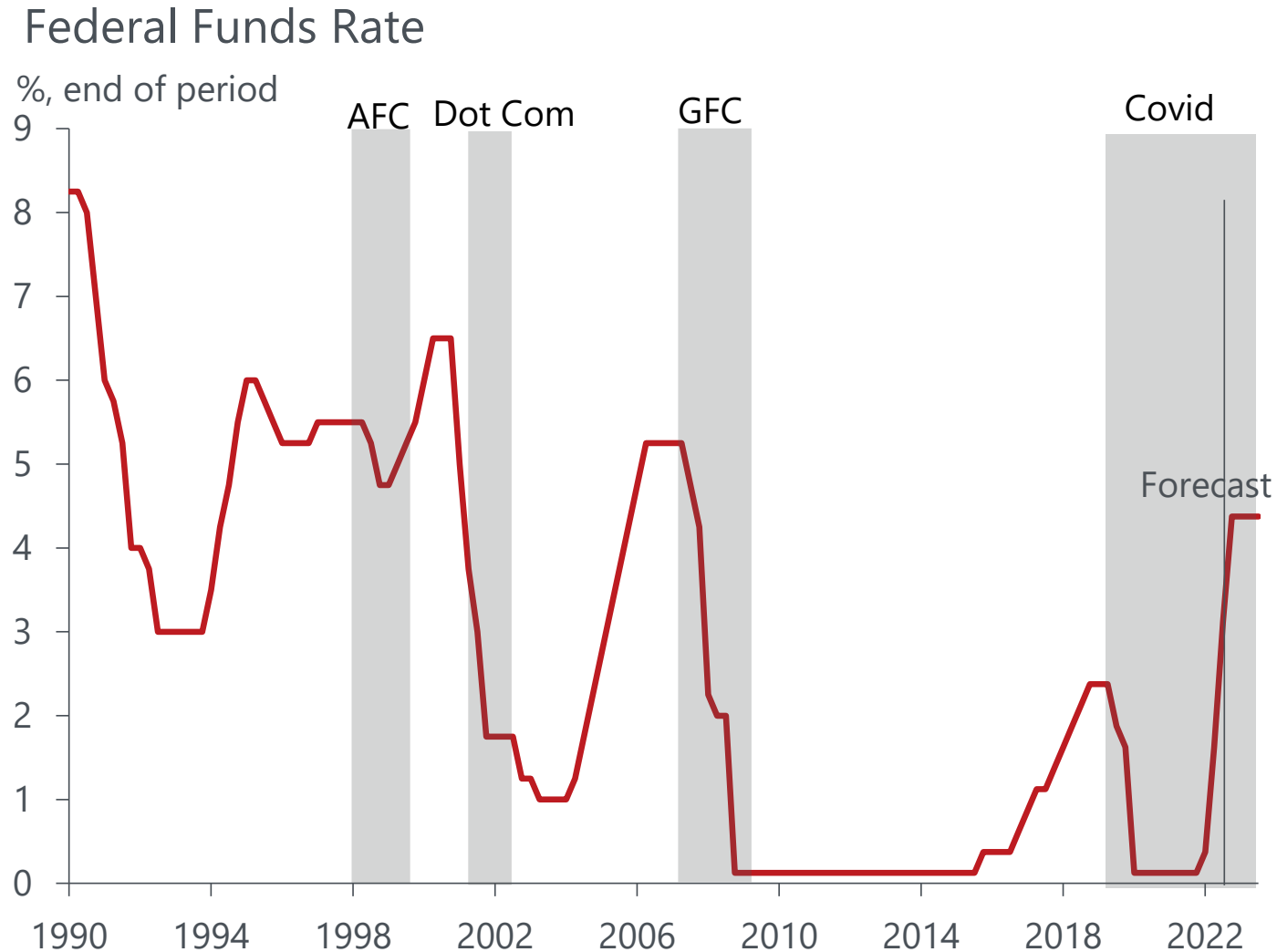


# Asia is no stranger to crises... but it has always bounced back quickly



Source: Oxford Economics/Haver Analytics

# The Fed has usually been cooperative, if not actively helpful



Source: Oxford Economics/Haver Analytics

# There was always support from Chinese growth



Source: Oxford Economics/Haver Analytics

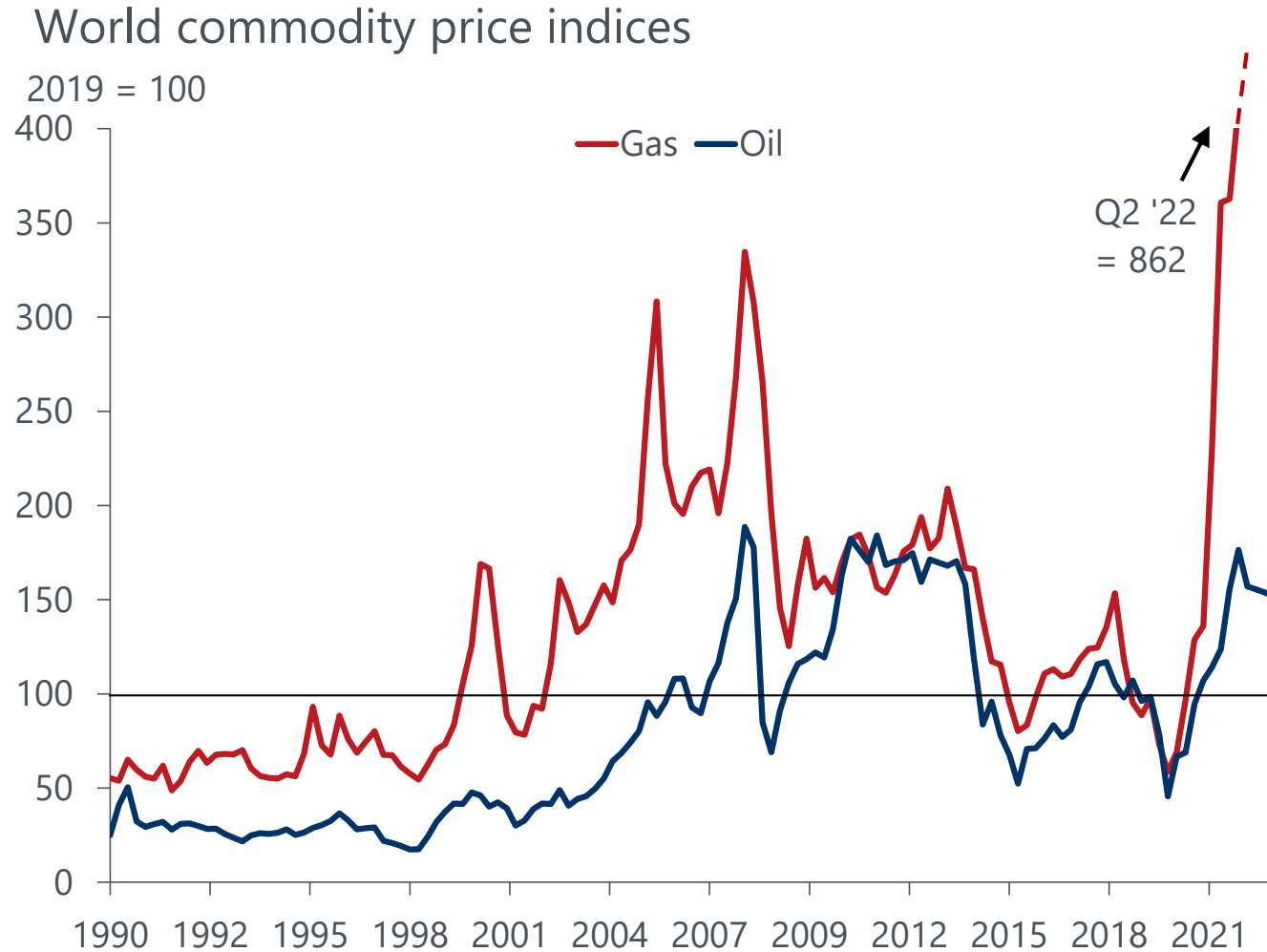
# This time is different... demand has been hit...

Global GDP growth



Source: Oxford Economics/Haver Analytics

# Plus, there has been a supply shock...



Source: Oxford Economics/Haver Analytics

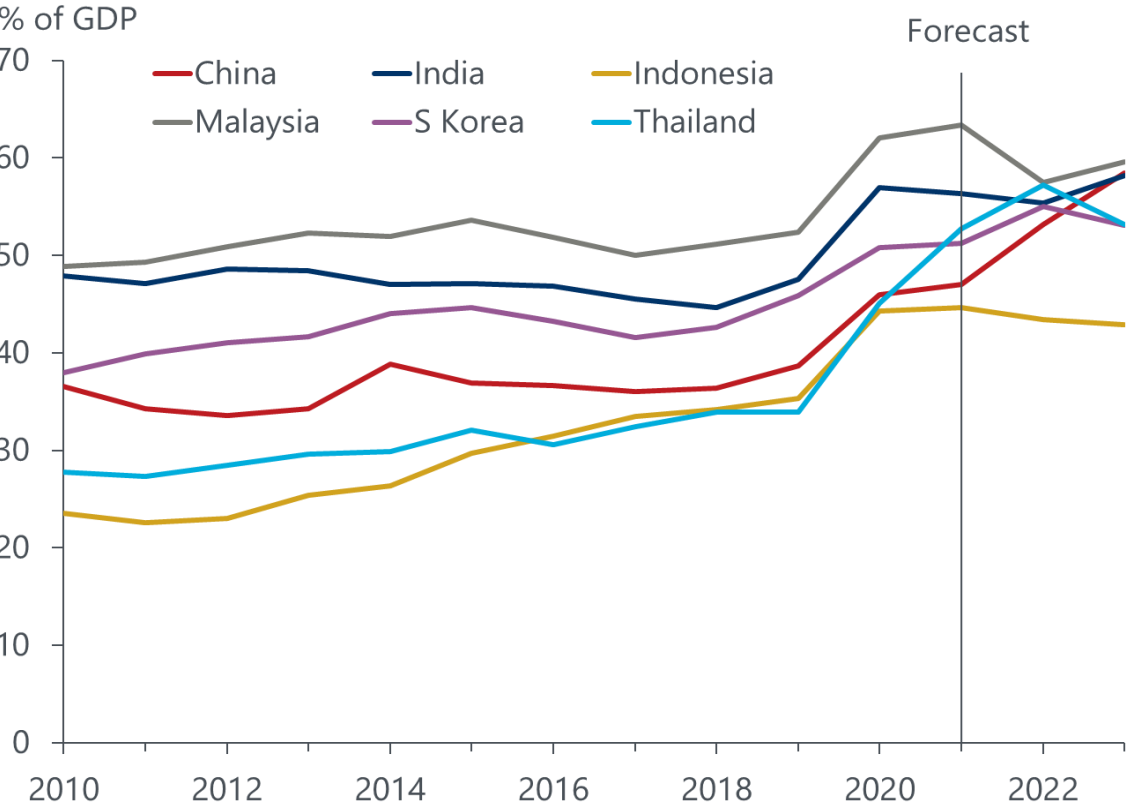
# Asia will need to deal with the debt hangover

Global Debt (US\$ trillion)								
	Households		Firms		Government		Total	
	2Q19	2Q22	2Q19	2Q22	2Q19	2Q22	2Q19	2Q22
USD trn	47	56.6	135.2	157.7	70	85.8	252.2	300.1
Change in USD	9.2		22.5		15.8		47.5	
Change in %	20.4%		16.6%		22.6%		19.0%	

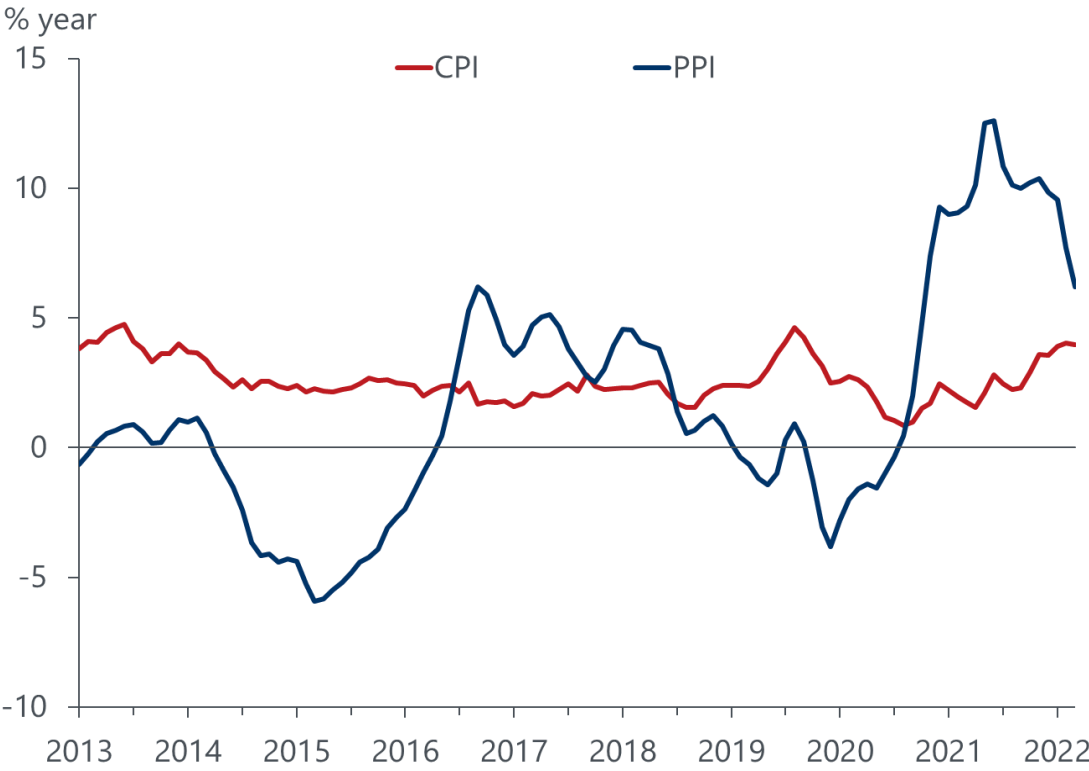
Source: Oxford Economics, Haver, IMF

# Fiscal and monetary policy will be constrained

Asia: Gross government debt



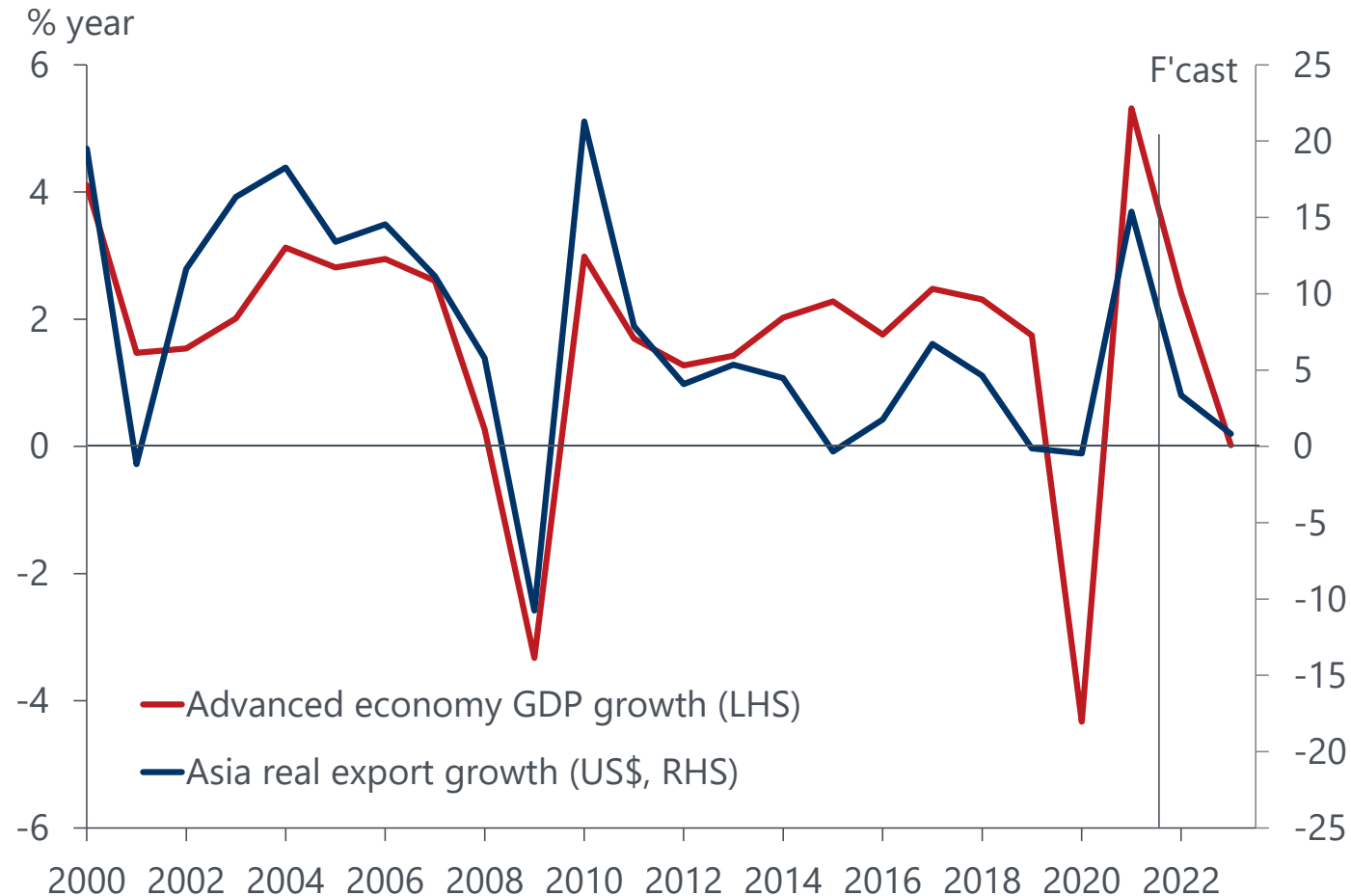
Asia: Inflation





# Amid a deteriorating outlook for external demand...

Growth in advanced economies and Asian exports

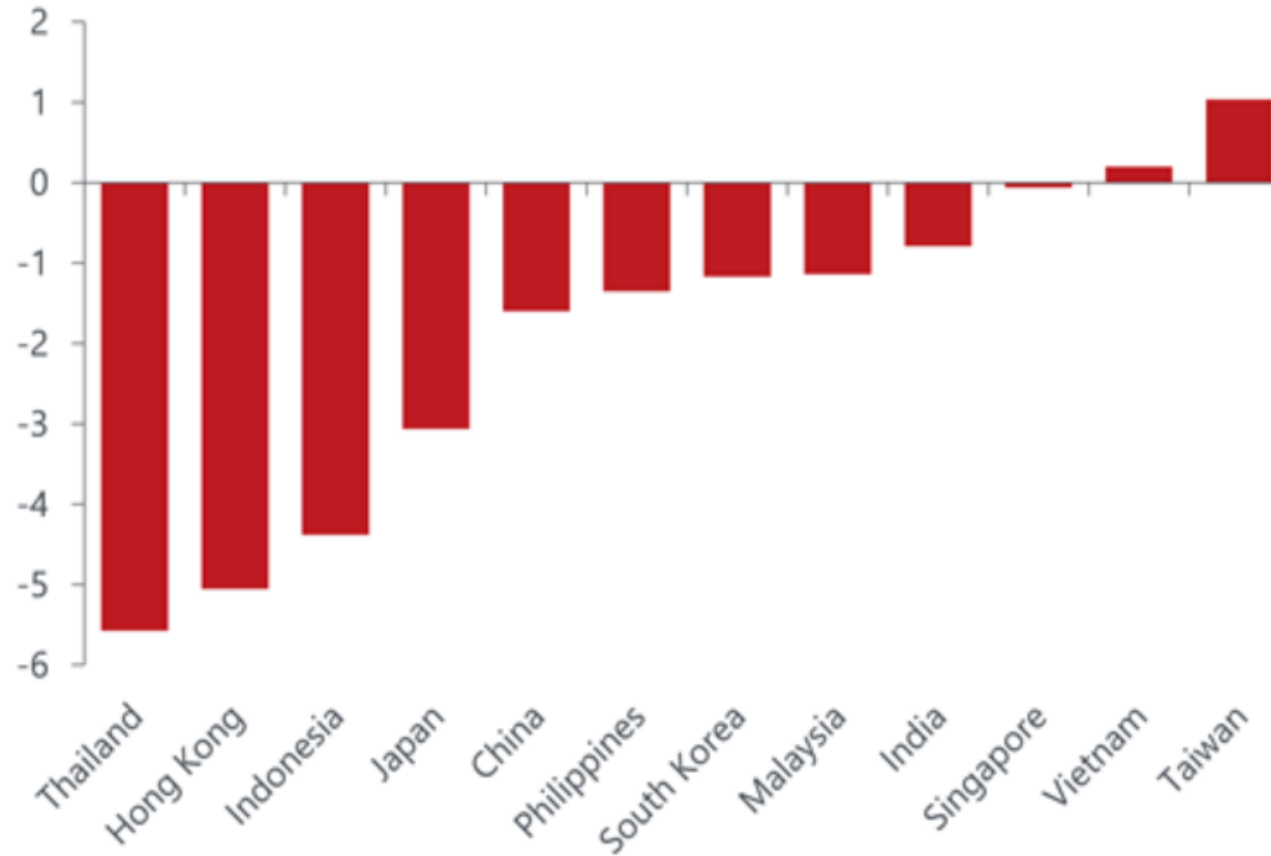


Source: Oxford Economics/Haver Analytics

# Most places are likely to cease closing their output gaps

Asia: Estimated output gaps in Q4 2022

% of GDP



# Likely Outcome – Medium term

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- **Growth:** weak recovery from crisis after base effects fade
- **Inflation:** almost totally from the supply side; that goes, inflation goes, but...
- **Current accounts:** Likely to worsen as exports slow and domestic demand moderates by less
- **Rates:** No demand-pull pressure to raise but need to keep inflation expectations under check and need to take on some of the burden of adjustment from rising US rates. Right now, the exchange rate is taking on most of the burden of adjustment
- **Exchange rates:** Weaker; as long as USD stays strong.