

China: A moment of danger – and a turning point for policy?
Ukraine and Asia: Longer term impacts

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China: A moment of danger – and a turning point for policy?

- Covid infections in Shanghai are following a similar trajectory to that experienced by Hong Kong earlier: a major surge could see stringent lockdowns and a painful economic downturn.
- A policy turning point has been reached: There are clear signs of “stealth easing” in the property sector. The State Council is now pressing ahead with other easing measures as well. However, policy blind spots remain and could detract from an effective response.

Ukraine and Asia: Longer term impacts

- The Asian Development Bank’s revised forecasts for emerging Asian economies are in line with our view of a relatively resilient region. The ADB even revised upwards its expectations for growth in Taiwan and Singapore.
- The key question is the longer term implications of the Ukraine crisis. We look in particular at the prospects for the globalisation which has so greatly benefited emerging Asia. Prior to the recent crises, globalisation had held up reasonably well: trade in goods may have lost some momentum but other dimensions of globalisation – financial flows, migration and remittances and cross-border digital flows – have continued to expand even in the face of repeated crises. This tells us that globalisation has powerful support.
- There will be headwinds to globalisation. The trend towards self-sufficiency, protectionism and inward policies will hurt. However, there are offsetting forces as well such as technology which can help sustain cross-border flows of goods, services, capital, people and data.
- China’s leaders must be acutely aware of the country’s strategic vulnerabilities that have been exposed by the Ukraine crisis. They will focus unremitting efforts to overcome what is to them intolerable exposure to western pressure. That will make for a more difficult geo-political environment for emerging Asia.
- Countries such as Vietnam that get the basics right will do relatively better in this new order.

Highlights from the CAA Weekly Table:

Asian political risks:

- A strong backlash against suggestions by some leaders that Indonesia’s President Jokowi should be allowed a third term which is currently not allowed by law, ensures that the effort to overturn constitutional norms will not make headway.

Asian economic prospects:

Three trends emerge from recent data in the region.

- First, the export picture is darkening moderately, with new export orders weakening.
- Second, inflation has picked up, but from a low base. Overall, central banks in the region are not likely to hurry towards monetary tightening, however.
- Third, despite the export picture, there are positive signs for growth in the region. In India, services activity is strengthening even as investment remains tepid. In the Philippines, there are more signs of an upswing, with industrial production and exports both doing well.

CAA Latest table of forecasts

	Year	Growth (%)	Inflation (%)	Current Account (% of GDP)	Policy rate (%)	Currency (vs USD)
China	2020	2.3	0.1	1.9	2.95	6.53
	2021	8.1	1.8	2.8	2.95	6.36
	2022	3.2	2.3	2.2	2.65	6.40
India	2020	-7.3	5.5	0.9	4.00	73.1
	2021	8.8	5.3	-1.0	4.00	74.5
	2022	7.0	5.6	-2.0	4.70	76.0
Indonesia	2020	-2.1	1.7	-0.4	3.75	14,050
	2021	3.7	2.0	0.3	3.50	14,300
	2022	5.3	3.8	-0.8	4.00	14,200
Korea	2020	-0.9	0.5	4.6	0.50	1,085
	2021	4.0	4.0	5.0	1.00	1,188
	2022	2.5	3.5	3.9	2.00	1,250
Taiwan	2020	3.1	-0.2	14.1	1.125	28.0
	2021	6.1	3.0	14.6	1.125	27.5
	2022	3.8	2.2	13.8	1.50	27.0
Hong Kong	2020	-6.1	-0.6	6.9	-	7.75
	2021	6.4	2.1	5.9	-	7.80
	2022	1.5	3.0	5.0	-	7.80
Singapore	2020	-5.4	0.0	17.6	-	1.32
	2021	7.1	4.0	17.0	-	1.35
	2022	5.0	3.3	16.1	-	1.31
Malaysia	2020	-5.6	-1.4	4.2	1.75	4.02
	2021	3.1	2.5	4.0	1.75	4.18
	2022	6.0	2.8	3.7	2.25	4.10
Philippines	2020	-9.6	3.5	3.1	2.00	48.0
	2021	5.6	4.4	-1.8	2.00	50.9
	2022	6.8	4.1	-2.5	2.50	52.0
Thailand	2020	-6.1	-0.8	3.5	0.50	30.0
	2021	1.0	1.5	0.3	0.50	33.0
	2022	4.0	2.5	6.0	0.50	31.0
Vietnam	2020	2.8	3.2	3.7	4.00	23,080
	2021	3.0	2.5	5.5	4.00	23,300
	2022	7.0	2.0	6.5	3.50	23,050

Source: Centennial Asia Advisors. Forecasts for India are on the basis of the fiscal year ending March. Figures in parentheses refer to previous forecast. Figures in red indicate a downgrade; green signal an upgrade.

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