

US–ASEAN summit shows the limits of US outreach to region
China: Taking the pulse of the economy heading into 2Q22
The Philippines: Marcos’ victory reflects failure of EDSA movement to deliver

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US–ASEAN summit shows the limits of US outreach to region

- While just holding the US–ASEAN summit was helpful after years of US neglect, the substance of the meeting fell short of what was needed to strengthen America’s capacity to offset China’s growing influence in ASEAN.
- The small scale of US offerings to ASEAN relative to China likely confirmed in many ASEAN leaders’ minds that the US is structurally unable to match China economically.

China: Taking the pulse of the economy heading into 2Q22

- Lockdowns are taking a toll on the supply–side while depressing domestic demand.
- Monetary data shows that credit easing channels are not working smoothly, despite policymakers’ efforts to steer credit to the real economy.
- At best, therefore, we expect a relatively soft rebound in 2H22, and full–year GDP growth at 3.5%, below the consensus of 4.2%.

The Philippines: Marcos victory reflects failure of the old elite to deliver

- **Marcos won a decisive mandate.** Ferdinand "Bongbong" Marcos Jr secured an outright majority, the largest in Philippines history. For the first time in years, the Presidential victor and his vice–president were from the same ticket.
- **The old elite had failed to deliver the economic goods:** This was why the anti–establishment President Duterte was so popular, despite his controversial conduct. Income inequality has been broadly unchanged since 1985, even as per capital incomes have doubled between 2000–2019.
- **A pleasant economic surprise is possible:** Marcos is likely to appoint respected technocrats to run the economy. He is also likely to be better at overcoming inter–elite obstructions that have blocked much–needed reforms.
- **But there are worries about political development:** The politicisation of state organs, erosion of democratic norms and the pro–China pivot will probably continue unabashedly.

Implications of Recent Developments:

- **As emerging market stresses proliferate, IDR could be next:** The ructions in Turkey and Sri Lanka have raised investor apprehensions about emerging market risks. Indonesia’s Rupiah has been resilient so far, but it could correct as these concerns grow.
- **More signs of Asian resilience:** 1Q22 GDP prints for Indonesia, the Philippines and Malaysia underscore our view that Asia–ex China can be resilient. The geopolitical crisis will definitely undermine export growth to an extent, but domestic demand will remain robust with the release of pent–up demand.
- **Policy implication – timely for Asian central banks to withdraw the punchbowl:** Bank Negara has moved to raise the OPR, which is likely motivated by the need to shore up the embattled Ringgit. The BSP is also poised to tighten in May, given the breakneck 1Q22 GDP print. BI cannot afford to stand pat now that its peers are in a rush to tighten, while reported challenges to the RBI’s independence will not end well for Indian economy.

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	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	3.5	2.3	2.2	2.65	6.40
India	FY21	-7.3	5.5	0.9	4.00	73.1
	FY22	8.8	5.3	-1.0	4.00	74.5
	FY23	7.0	6.3	-3.2	5.30	76.5
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	4.5	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	2.50 (2.25)	4.20
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	2.75	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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