

China: Downward pressures evident; policy response falling short
Singapore: More monetary policy tightening likely
Singapore: Political succession clarified, what will the next steps be?

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China: Downward pressures evident; policy response falling short

- Growth in GDP, industrial production and investment was stronger than expected in 1Q22. But, consumption was severely hit and the portents are for sharply slower growth in 2Q22. Despite easier credit conditions and local government support, home buyers are still not boosting home buying, evidence of the damage done to consumer psychology. An unfavourable feedback loop is developing, whereby deteriorating household sentiment weighs on property demand and therefore real estate investment.
- Policy response is now critical yet appears to us to fall far short of what China needs to stabilise growth. The authorities insist on favouring supply-side measures e.g., tax and fee cuts but without demand-side measures such as cash grants to households, stimulus efforts will be less efficacious.

Singapore: More monetary policy tightening likely

Three factors argue for more monetary tightening in October:

- Global inflation will remain elevated because of continued supply chain disruptions and upward pressures on energy and food prices.
- There will be less slack in the economy due to strong growth in the domestic sectors.
- Inflationary expectations need to be anchored.

Singapore: Political succession clarified, what will the next steps be?

- **Finance Minister Lawrence Wong has been named as successor to Prime Minister Lee Hsien Loong.** The succession process this time did not appear to be as smooth as before but Wong is likely to preside over a united party, having strengthened his claim to leadership through his deft handling of the pandemic.
- There are few signs that Wong's elevation will produce fundamental changes in policy direction in Singapore. Wong has generally adhered closely to Lee's policies and philosophical leanings in his public statements. But there may be changes in style.

Highlights from the CAA Weekly Table:

Asian economic prospects:

- **India could struggle to achieve the strong rebound expected.** Consumption and investment demand remain tepid while monetary tightening and power shortages will exert a drag.
- **South Korea is set to see back-to-back rate hikes:** Incoming BoK Governor Rhee backed recent rate hikes: He sees the need for tight money when inflation is high and inflation expectations are volatile.
- **In Indonesia, rising inflation is beginning to hurt spending:** Consumer confidence is down and retail sales losing momentum.
- **In Malaysia, firming domestic demand should offset weaker external demand:** Indicators of domestic demand are perking up. Infrastructure construction such as the East Coast Rail Line is also regaining momentum.

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	4.75	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	5.4	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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