

Can Asia ex-China continue to be resilient?

India: This is as good as it gets for the economy

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Can Asia ex-China continue to be resilient?

- Asia ex-China has been relatively resilient this year despite the harsher global environment. We believe that the re-opening of the developing Asian economies ex-China will outweigh the headwinds, thus allowing this resilience to continue.
- As the pandemic eases, restrictions are being relaxed, and domestic demand reviving. Open borders will allow tourism to recover and labour market frictions to ease. Continued firmness in tech exports and higher commodity prices plus growing foreign investment and infrastructure spending will also add to growth momentum as the year progresses.
- China is the single biggest risk: it can succeed in suppressing covid infections but only at a high economic cost. But with the labour market poised to weaken further, and growing social discontent, the authorities will have no choice but to shift away from covid-zero policies and to implement much more aggressive stimulus measures – eventually. More monetary tightening is another risk as it will slow global demand and create financial market stresses.
- Overall, growth in developing Asia can remain relatively resilient. Those that pursue credible policies will be able to buffer themselves better against higher financial risks.

India: This is as good as it gets for the economy

- Corporate India booked a robust earnings season for 1Q22, which is a product of the sanguine macro backdrop and the release of pent-up demand with the easing of most restrictions. However, this may be as good as it gets for the economy.
- The bevy of backward-looking indicators – manufacturing and services PMI, GST collections and mobility trends – suggest the economic momentum will hold up in 1Q22.
- However, several headwinds loom large. The heat wave has exacerbated the coal and power shortages, impinging on industrial activity. It also threatens India's wheat output, and export restrictions are increasingly a possibility.
- There are also concerns that the monsoon season could disappoint with the proliferation of extreme weather conditions. Last, capacity utilisation rates remain low, holding back the capex drive, despite the buoyant earnings season. We present our revised forecast for India:

Implications of Recent Developments:

- **Asian political risks:** Results of today's Philippines presidential election will be known in a few days' time. In Hong Kong, a new Chief Executive opens the possibility of a reset in the city after three tumultuous years. John Lee appears to appreciate the importance of re-establishing re-opening Hong Kong's links with the world. He will act to stop the exodus of talent and business functions to competitors such as Singapore.
- **Asian economic prospects:** High-frequency data point to improving vigour in the Philippine economy with the release of pent-up demand following the easing of restrictions. With inflation overshooting its target, expect the central bank to raise rates beginning in June.

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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	2020	-7.3	5.5	0.9	4.00	73.1
	2021	8.8	6.3	-1.5	4.00	75.8
	2022	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	-0.5	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	2.25	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 (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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