

JCER/Nikkei Consensus Survey on Asian Economies

April 2018

Survey Date: March 9-28, 2018

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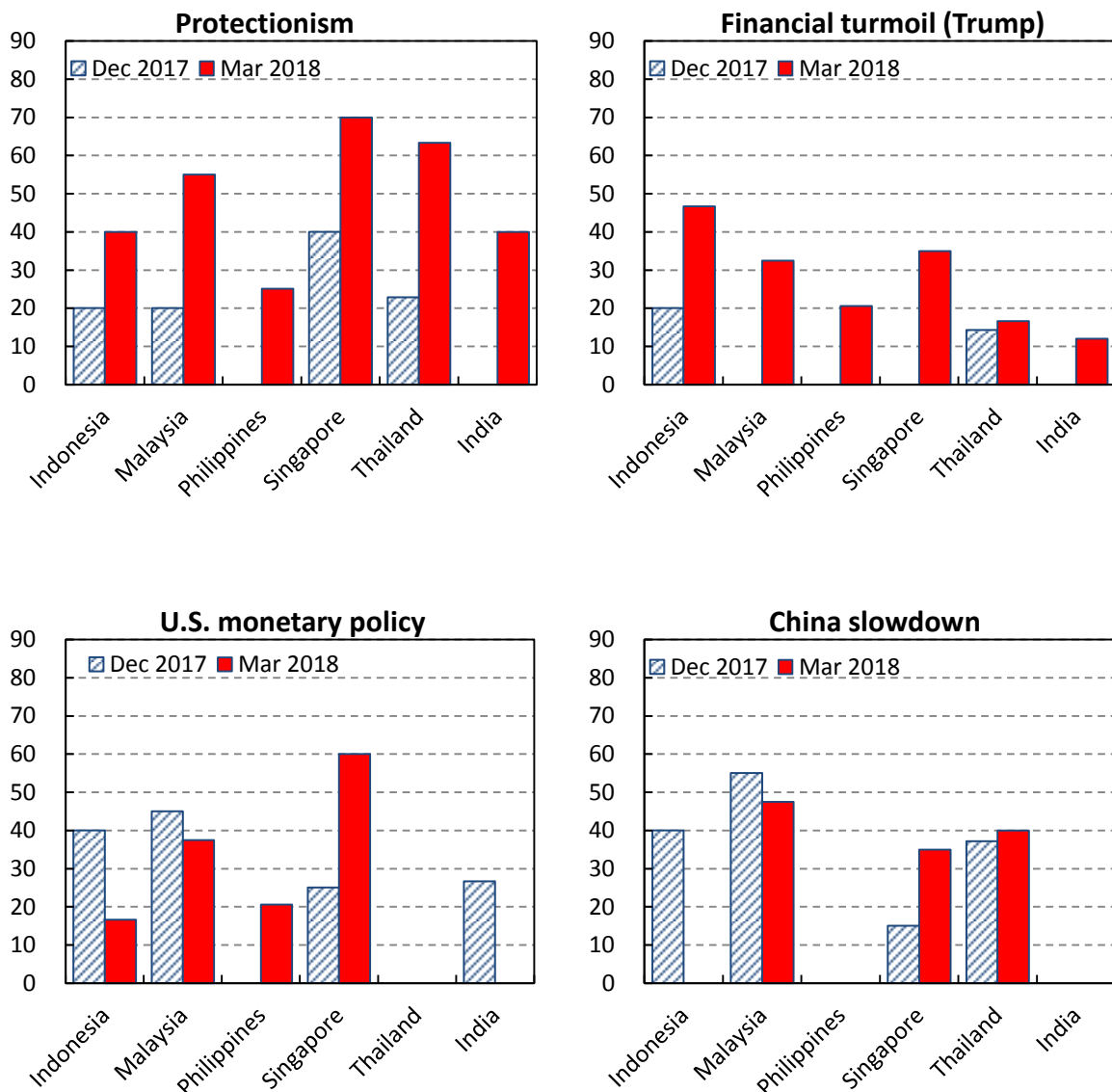
■ Risk

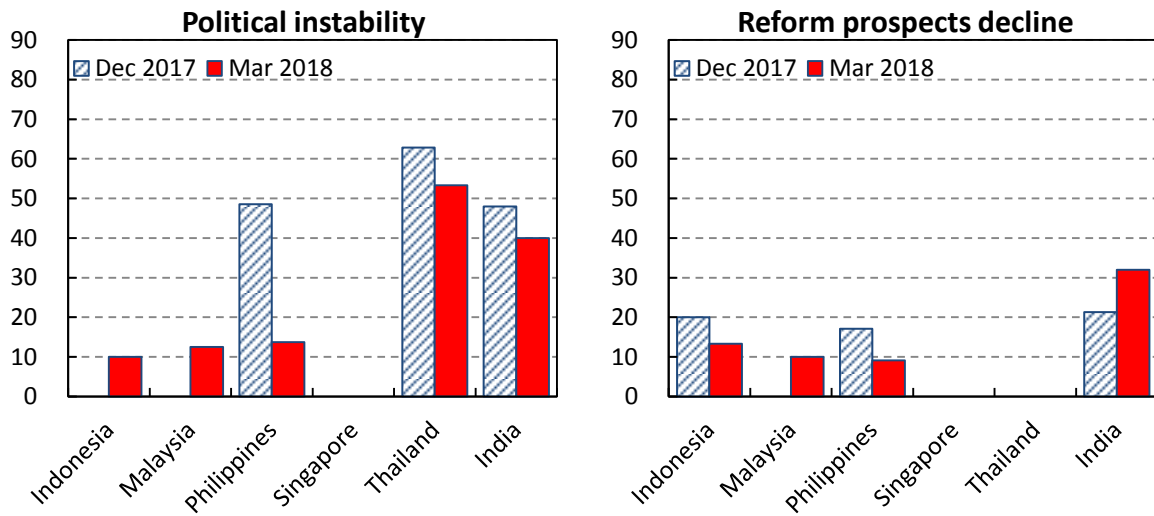
➤ Changes in the Identification of Major Risks

JCER’s metric provides various data pertaining to risks for Asian economies. Changes in how economists identify major risks are scored by country.

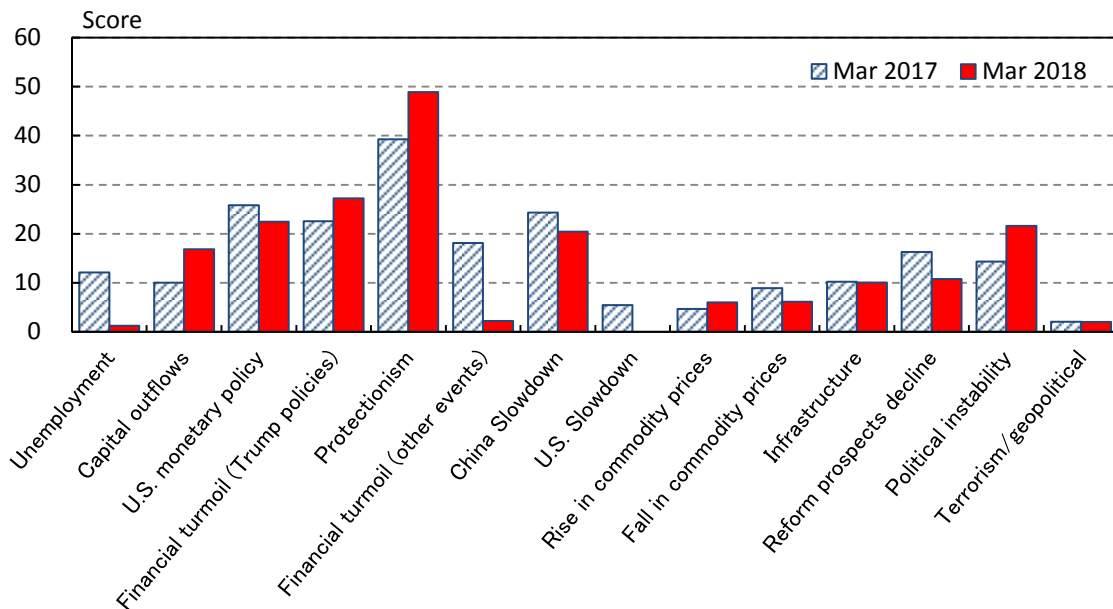
Economists have changed significantly their recognitions on risks in the past three months. The risk scores for “rise of protectionism” and “financial turmoil triggered by policies of U.S. President Trump” have increased in all six countries.

Changes in the Identification of Major Risks in the past 3 months (by country)

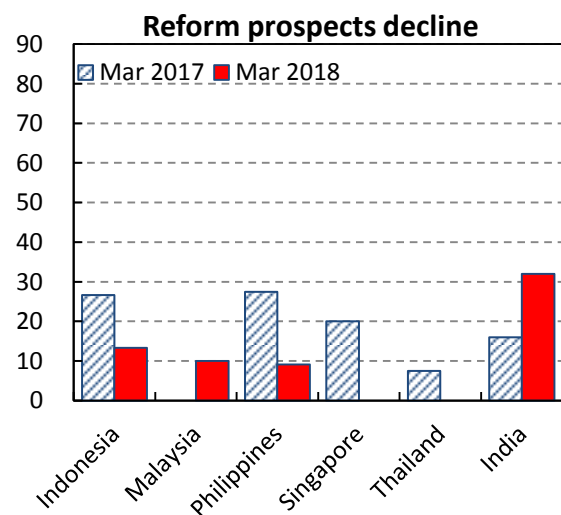
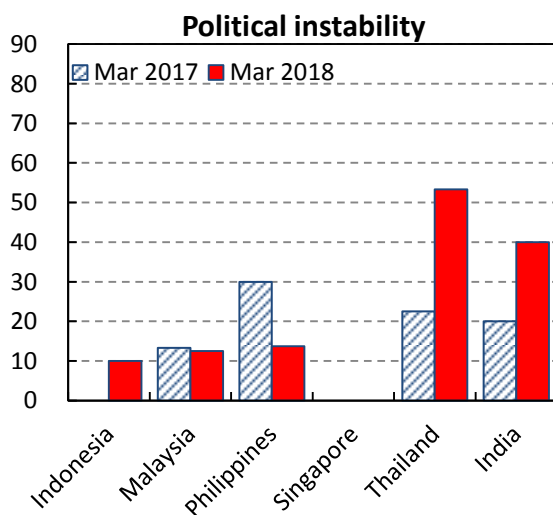
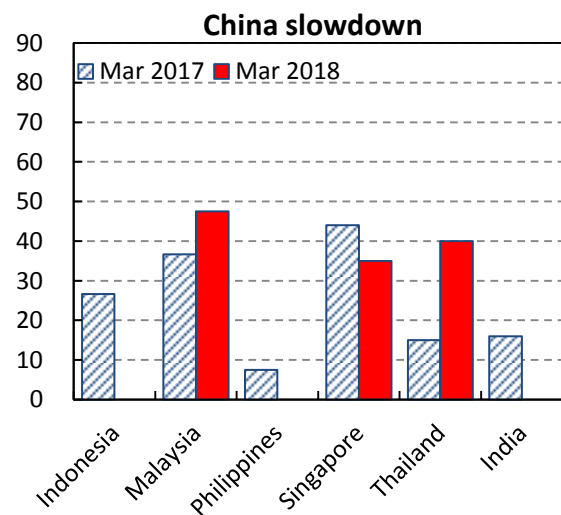
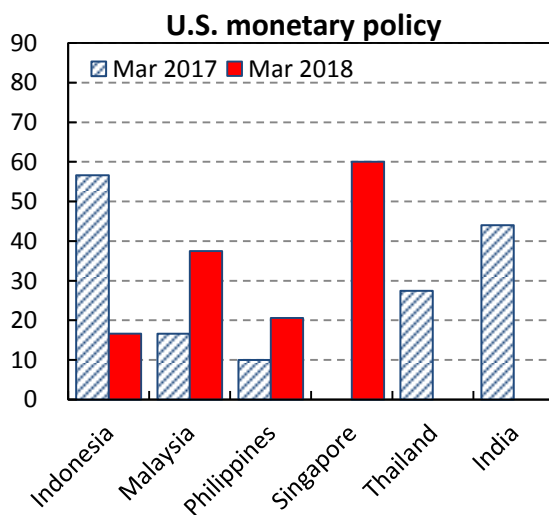
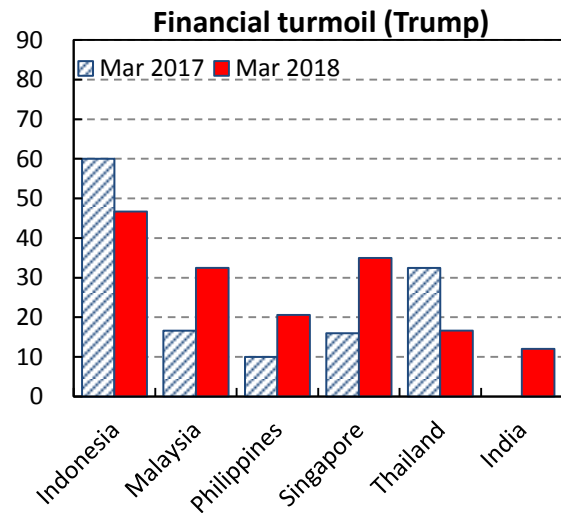
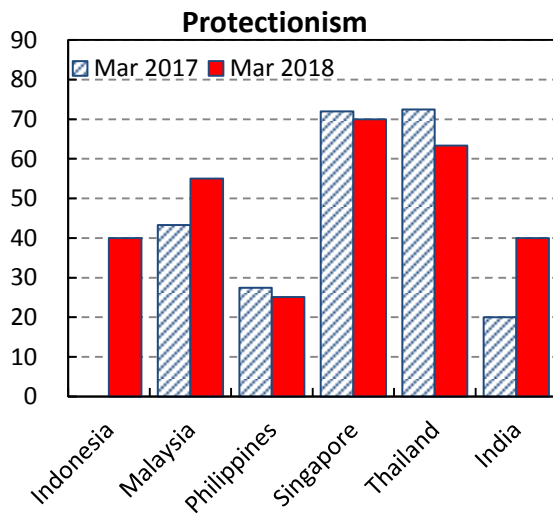




Changes in the Identification of Major Risks in the past 12 months (combined score of 6 countries)



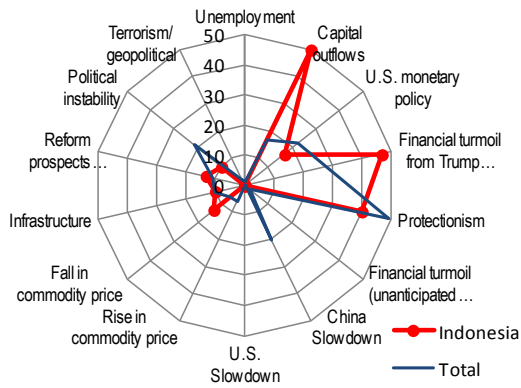
(by country)



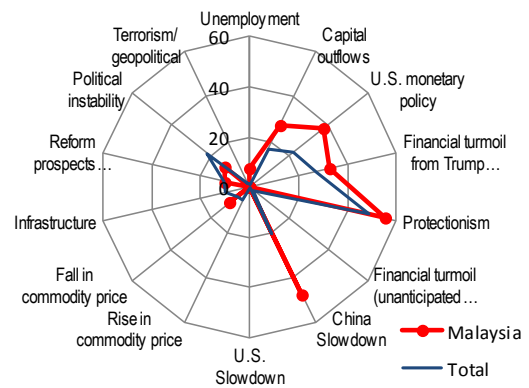
➤ **Difference in Identification of Risks**

The degree of variation between the particular risks identified for one country versus the total average for all countries is also clarified.

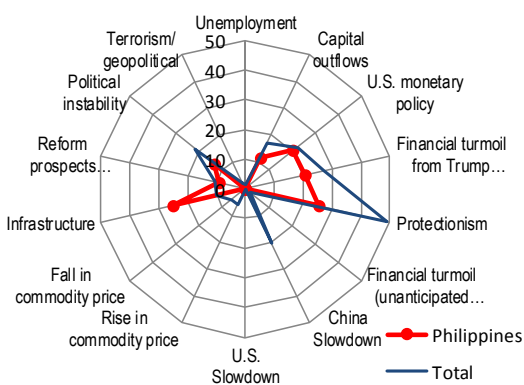
Indonesia



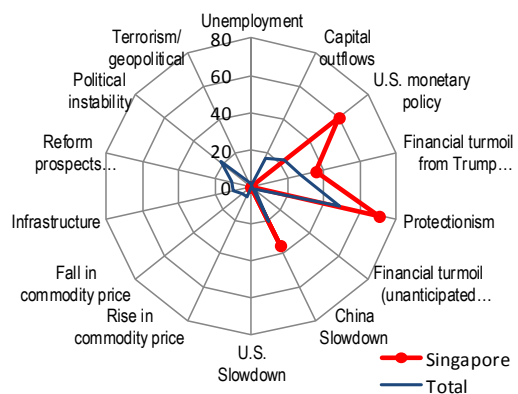
Malaysia



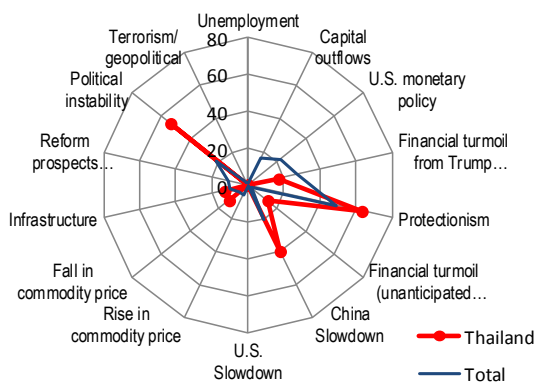
Philippines



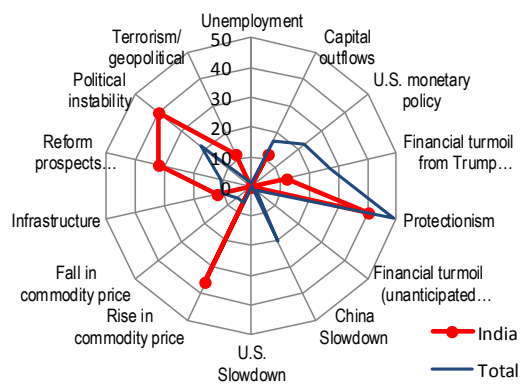
Singapore



Thailand



India



Note: The charts above do not show all the risk items in the survey.
See the table on next page for the full list of risk items.

➤ Key Economic Risks in the Coming 12 Months

	Indonesia	Malaysia	Philippines	Singapore	Thailand	India
Domestic currency depreciates	4		2			
Domestic currency appreciates					4	
Inflation accelerates/asset bubble			1			5
Disinflation/deflation						
Rising unemployment						
Overheated labor market						
Rising government debt						
Fiscal austerity drags on growth						
Rising households or corporate debt						
Capital outflows/foreign investment slowdown	1	5				
Repercussions of U.S. monetary policy	5	3	5	2		
Financial turmoil triggered by policies of U.S. president Donald Trump	2	4	5	3	4	
Rise of protectionism/slowdown or decrease in world trade	3	1	2	1	1	1
Financial turmoil triggered by unanticipated events outside of the U.S.						
Chinese economic slowdown		2		3	3	
U.S. economic slowdown						
Japanese economic slowdown						
Slowdown in other Asian countries						
Rise in commodity prices						3
Fall in commodity prices						
Infrastructure issues hinder economic activity			2			
Economic reform prospects decline						4
Political instability					2	1
Terrorism/other geopolitical risks						
(Other)						
Lack of skills in labor force to support future requirement				5		

- The figures show risk rankings for each economy.

- Ranks based on point system: 5 points for No.1 risk cited, 4 points for No. 2 risk, 3 points for No. 3 risk.

■ Comments on Economies (additional)

➤ Overview, Growth Prospects

Country	Comment
Indonesia	“On the demand side, investment improved on the back of government infrastructure projects and the expanding role of private investment. Meanwhile, private consumption growth may improve due to the increasing purchasing power.” (Juniman, Maybank Indonesia)
Malaysia	“Continued 5%-plus real GDP growth for Malaysia, driven by continued growth in private consumption, public consumption and gross fixed capital formation on expansions in both private investment and public investment.” (Suhaimi Ilias, Maybank)
	“We expect GDP growth to remain robust at 5.5% this year, albeit slowing from 5.9% in 2017, as strong export growth should spill over to domestic demand through higher investment spending and increased employment, which should boost consumption.” (Euben Paracuelles, Nomura)
Philippines	“It is expected that growth performance of the domestic economy will improve or be sustained in the next two-three years.” (Mitzie Conchada, De La Salle University)
Singapore	“We forecast 2018 GDP growth of 2.5%, much slower than 2017’s 3.6%. Despite an expansionary fiscal stance in FY18, the booming tech sector masks several domestic industries still stifled by structural headwinds.” (Euben Paracuelles, Nomura)
Thailand	“Key drivers are continued broad-based improvement of exports (both goods and services), and to a lesser extent, domestic investment and consumption.” (Thammarat Kittisiripat , KT ZMICO)
	“Our overall theme of structural domestic headwinds battling with cyclical external tailwinds remains intact, keeping growth relatively stable and external balances in surplus.” (Euben Paracuelles, Nomura)
	“Growth drivers are exports and tourism.” (Amonthep Chawla, CIMB Thai)
India	“2018/19 is also an election year. As of now, consumption expenditure has remained the driver of growth, and despite some recovery, investment and export growth need to strengthen further.” (Shekhar Shah, NCAER)
	“The downside risks from demonetisation and GST are rapidly falling, and a cyclical recovery is on the offing from the ongoing remonetisation and normalisation of GST roll-out.” (Sonal Varma, Nomura India)

➤ Markets, Inflation

Country	Comment
Indonesia	“Inflation is still low due to demand is not so strong yet.” (Dendi Ramdani, Bank Mandiri)
	“Global quantitative tightening will drive for stronger major currencies. We have reason to believe that there may be greater impact to local bond and currency when ECB starts its quantitative tightening.” (Wisnu Wardana, Bank Danamon)

Malaysia	“CPI is highly dependent on the global crude oil price as the transport sector makes up 14.6% of the CPI basket.” (Manokaran Mottain, Alliance Bank)
	“We expect Bank Negara Malaysia's recent Overnight Policy Rate hike and the solid economic fundamentals of the economy to be well supportive of a stronger Ringgit trend this year. However, we do expect some resistance to the Ringgit's potential upside on the back of lingering external risk.” (Wan Suhaimie, Kenanga IB)
	“In the near-term, imminent General Election 14 could weigh on the ringgit on cautious investors' sentiment ahead of the election results.” (Lee Heng Guie, SERC)
Philippines	“A pick-up in inflation, owing to the surge in global oil prices and higher taxes on fuel, food and other commodities is seen in 2018.” (Emilio S. Neri Jr., Bank of the Philippine Islands)
	“Bangko Sentral is slow to hike rates in 2018.” (Jojo Gonzales, Philippine Equity Partners)
Singapore	“We expect MAS to shift from the presently neutral stance to a gradually appreciating S\$NEER policy band to stay ahead of the curve and rein in overheating pressures stemming from the sustained growth.” (Manu Bhaskaran, Centennial Asia)
Thailand	“We expect the Baht will continue its appreciation trend in the first half of the year as dollar index remains weak. Towards the year end, Baht would be on a reverse trend.” (Nattaporn Triratanasirikul, Kasikorn Research Center)
India	“There is some concern about the impact of the government's announcement of increases in the MSP in agriculture, though there is no clear story as yet about its impact.” (Shekhar Shah, NCAER)
	“While the odds a summer hike have certainly risen, we would maintain odds of an extended pause on rates, with increasingly hawkish commentary in the next few months. We maintain expectations of a back-ended hike in the repo rate (25bps) in Q3FY19.” (Tirthankar Patnaik, Mizuho Bank)

➤ Risk, Structural issues

Country	Comment
Indonesia	“Economic reform is slowing down as Indonesia is in the year of politics.” (Umar Juoro, CIDES)
Malaysia	“Trade protectionism and China slowdown is biggest threat to Malaysia that relies on strong export growth to drive its economy with China as largest trade partner.” (Vincent Loo Yeong Hong, RHB Research Institute)
Philippines	“The country's growth trajectory in 2018 will depend largely on the success of government's planned expenditures in infrastructure.” (Emilio S. Neri Jr., Bank of the Philippine Islands)
	“Inflation levels feeds into the decision of the BSP to raise rates that eventually makes sure that economic growth is sustained.” (Carlo Asuncion, Union Bank of the Philippines)
Singapore	“Given Singapore's dependence on trade, the potential challenges on that front signaled by the US moves on tariffs point to a weakening of growth in the medium term.” (Randolph Tan, SUSS)

Thailand	<p>“Downside risk remains with the US trade protectionism policy, which put pressure on the global trade environment while the negative impact to global trade should be seen if the retaliations are taken seriously.” (Nattaporn Triratanasirikul, Kasikorn Research Center)</p>
Thailand	<p>“We expect headline inflation to gradually increase in 2Q18 on the back of nationwide minimum wage hikes in April, higher household purchasing power boosted by measures to assist low-income earners (via second phase of state welfare card), and improving domestic demand (reflected by rising core inflation).” (Somprawin Manprasert, Bank of Ayudhya)</p>
India	<p>“A sharp rise in oil prices will increase India's current account deficit, since India is a net importer of oil. It will also have an indirect impact of increasing government's fiscal deficit.” (Dharmakirti Joshi, CRISIL)</p> <p>“The weak balance sheet of banks and corporates remain a drag, as corporate credit growth and new investment prospects remain subdued. Its resolution will be a key factor in sustaining the momentum of the existing recovery.” (Sonal Varma, Nomura India)</p>

These are additional comments on the table in pages 10 -12 of the report.

See the list of survey respondents on page 25 of the report for official names and titles.

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