JCER/Nikkei Consensus Survey on Asian Economies

April 2018

Survey Date: March 9-28, 2018

Contents

About the Survey

This quarterly consensus survey, launched in March 2016, covers five ASEAN countries – Indonesia, Malaysia, the Philippines, Singapore, and Thailand – and India. It is conducted by the Japan Center for Economic Research (JCER) in cooperation with Nikkei Inc., the publisher of *The Nikkei* and the *Nikkei Asian Review*. The results are disseminated through Nikkei publications and JCER.

It is linked with a similar consensus survey on the Chinese economy conducted by Nikkei and Nikkei Quick News (NQN). The analyses of both surveys are reflected in this report.

Questionnaires were sent to experts across the region on March 9, 2018, and 44 responses were collected by March 28. In addition to their forecast figures, economists' perspectives and outlooks on Asian economies are provided.

■ Overview

April 9, 2018

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Renewed Concern over Trump-Related Risks in Asia

Economists Remain Cautiously Optimistic

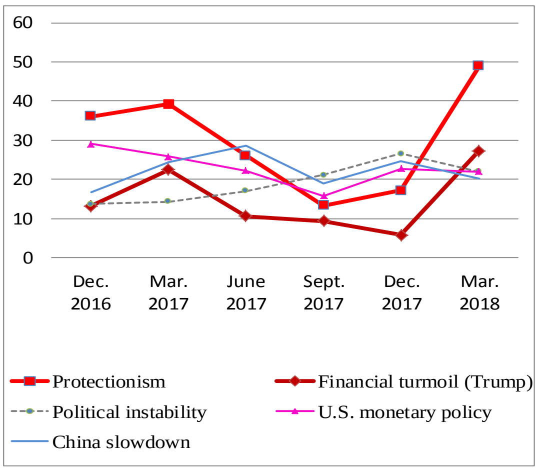
Asian economists continue to project bright outlooks for their economies in 2018 and beyond. Growth forecasts for major Southeast Asian countries were revised upward for 2018, reflecting strong investment and consumption as well as a continuing increase in exports. Growth in India is projected to go up in 2018/19 to more than 7%, recovering from the 6% level in the previous fiscal year, when the economy temporarily stagnated ahead of the introduction of a new tax system. Despite general optimism, economists express renewed concern over the negative impact of U.S. President Donald Trump's policies. Rising protectionism was seen as the greatest risk throughout the region for the first time in a year according to our scoring system. Economists also cited worries related to financial turmoil triggered by his policies.

Highlights of the Survey

- The weighted average of growth forecasts for the ASEAN5 in 2018 was revised upward from the previous survey by 0.1 points to 5.0% as figures for Malaysia, the Philippines, Singapore and Thailand were up. Investment and consumption are expected to be strong. The growth of exports could moderate, but is likely to stay firm.
- The growth projection for India in 2018/19 was 7.4%, up 0.7 points from the estimate of 6.7% in 2017/18, when the economy temporarily stagnated. The 2018/19 figure was unchanged from the previous survey.
- Rise of protectionism was seen as the biggest risk in Singapore, Thailand, Malaysia and India as well as in the combined score of the six countries according to the JCER scoring system.

Economies Have Momentum; Worries Over Protectionism, Financial Turmoil

Changes in Recognition of Risks

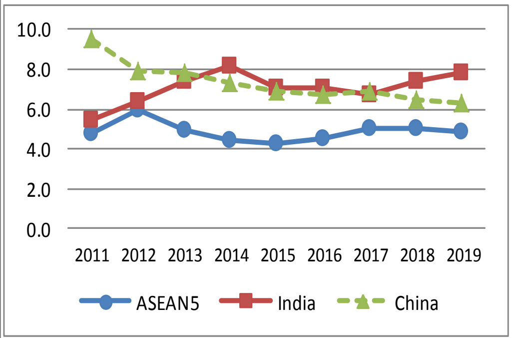


Figures indicate combined score of 6 countries in JCER Risk Signal score system. The score reaches 60 or more when all economists regard an item as a top-three risk.

The economies of the major ASEAN countries remain stable. The growth rate of the ASEAN5 reached 5.0% in 2017, a level not seen in four years. The 2018 growth forecast was revised up by 0.1 point to 5.0%, maintaining the same level as in 2017. The 2018 projection has been upgraded in three consecutive surveys since Sept. 2017.

A rapid increase in exports accelerated growth in the three export-oriented countries – Malaysia, Singapore and Thailand – in 2017. Rates increased by 1.7 points, 1.2 points, and 0.6 points respectively from the previous year. Export expansion may slow in 2018, but is likely to remain steady. Infrastructure and other

Growth rates of ASEAN5, India, China (%)



Forecasts for 2018 onward; India's figures for fiscal year, which begins in April; Source: JCER/Nikkei Consensus Survey, Nikkei/NQN Survey

domestic investment as well as private consumption are seen as robust. "Growth momentum backed by domestic demand would continue to propel the economy well into 2018," according to Wan Suhaimie of Kenanga Investment Bank in Malaysia.

Indonesia and the Philippines are expected to maintain strong growth supported by domestic factors. The average growth forecast for Indonesia in 2018 was 5.4%, up 0.3 points from 2017's figure. "Consumption and government spending are the main drivers of the growth," explains Dendi Ramdani of Bank Mandiri.

The Philippine economy has grown at more than 6% since 2012. Both investment and private consumption are strong. "The Philippine economy is running smoothly on momentum," reports Alvin Ang of Ateneo de Manila University.

The Indian economy slowed down in 2017/18, affected by confusion surrounding the introduction of the new Goods and Services Taxes in July 2017, one of the major reforms of the administration of Prime Minister Narendra Modi. The 2017/18 growth rate was estimated to be 6.7%, down 0.4 points from the previous fiscal year. The forecast recovered by 0.7 points to 7.4% for 2018/19. "The waning impact of demonetization and ironing out of GST related glitches will support domestic activity," says Dharmakirti Joshi of CRISIL in India.

Risks in Focus

Mar. 2018	Dec. 2017
★Protectionism (in Singapore)(score 70)	★Political instability (Thailand) (60)
★Protectionism (Thailand)(63)	
★Inflation (Philippines)(62)	
★U.S. monetary policy (Singapore)(60)	

The figures show the scores of JCER Risk Signal, which is calculated to reach 60 or more when all economists regard an item as one of three biggest risks.

While painting a bright picture, economists also identify emergent concerns. U.S. President Trump on March 22 announced a plan to impose tariffs on goods and services from China as a measure to penalize the country's alleged violation of intellectual property rules. The U.S. also imposed tariffs on steel and aluminum products from various countries. Anxiety over a U.S.-China trade war is mounting.

Asked to identify major risks for their economies in the coming 12 months, economists pointed to the "rise of protectionism" as the greatest risk in Singapore, Thailand, Malaysia and India, second greatest risk in the Philippines, and third greatest risk in Indonesia. In the combined score of the six countries according to the JCER Risk Signal (which reaches 60 or more when all economists regard the item an item as a top-three risk), protectionism topped the rankings for the first time since March 2017. "The Trump tariffs risk increasing protectionism and [threaten] the openness of global markets in a rule-based trading system that the Indian economy needs," says Shekhar Shar of the National Council of Applied Economic Research in India. "Financial turmoil triggered by the policies of U.S. President Trump" was the second greatest risk in the combined score of the six countries.

"Repercussions of U.S. monetary policy" was one of top-three risks in Singapore and Malaysia. Inflation was reported as the biggest risk in the Philippines.

■ Forecasts

1. Economic Growth

	2017	2018				2017	2018	2019	2020
	Q4	Q1	Q2	Q3	Q4				
ASEAN5	5.0	5.0	5.0	4.9	4.9	5.0	5.0	4.9	5.0
		(5.0)	(4.9)	(4.9)			(4.9)	(4.9)	
Indonesia	5.2	5.2	5.3	5.4	5.4	5.1	5.4	5.5	5.7
		(5.2)	(5.3)	(5.4)			(5.4)	(5.5)	
Malaysia	5.9	5.6	5.5	5.3	5.2	5.9	5.4	5.1	4.9
		(5.6)	(5.4)	(5.0)			(5.3)	(5.0)	
Philippines	6.6	6.8	6.8	6.9	6.9	6.7	6.8	6.9	7.1
		(6.7)	(6.9)	(6.8)			(6.7)	(6.8)	
Singapore	3.6	3.1	2.9	2.3	2.6	3.6	2.8	2.6	2.5
		(2.9)	(2.8)	(2.0)			(2.7)	(2.5)	
Thailand	4.0	4.3	4.0	4.0	4.0	3.9	4.1	3.9	4.0
		(4.0)	(3.6)	(4.1)			(3.9)	(3.9)	
India	7.2	7.4	7.7	7.4	7.2	6.7	7.4	7.8	-
		(7.6)	(7.7)	(7.5)		(6.7)	(7.4)	(7.7)	
China	6.8	6.7				6.9	6.5	6.3	6.2
		-							

Year-on-year %; forecasts are for 2018 onward; figures in parentheses represent average forecasts as of the previous survey in December 2017; Annual figures for India are those of fiscal year (April - March); Source: JCER/Nikkei Consensus Survey, Nikkei/NQN Survey, Haver Analytics

India to Return to High Growth Trajectory; ASEAN to Remain Firm

The Indian economy experienced unexpected deceleration last year. The April-June growth rate dropped to 5.7%, the lowest since Jan.-March 2014. The estimated growth rate for 2017/18, which ended March 2018, was 6.7%. Growth clocked below 7% for the first time in four fiscal years.

The slowdown was due to native influence: anticipation of the introduction of the Goods and Services Tax in July 2017. The growth rate increased to 7.2% in Oct.-Dec. 2017, and all respondents agreed that the Indian economy was returning to a high growth trajectory. The average growth forecasts for 2018/19 and 2019/20 were 7.4% and 7.8% respectively. According to Sonal Varma of Nomura India, “we see the continuation of a V-Shaped recovery.”

In ASEAN5, 2018 growth rates for Indonesia, the Philippines and Thailand are expected to rise from their 2017 levels. Alongside continuously strong consumption and investment, local and presidential election-related events could support growth in Indonesia. “Preparations for the 2019 presidential election may help boost spending,” suggests Wisnu Wardana of Bank Danamon in Indonesia.

January’s tax reforms, which reduced income tax rates and increased some excise taxes, are expected to support economic growth in the Philippines. The reforms “are helping to fund public infrastructure projects,” says Euben Paracuelles of Nomura. Economists expect Thailand’s growth to be supported by the continuing rise of exports, investment and tourism.

The growth rates of Malaysia and Singapore could decrease from those recorded in 2017. But they are expected to maintain steady growth.

2. Inflation Rates

	2017	2018				2017	2018	2019	2020
	Q4	Q1	Q2	Q3	Q4				
India	4.6	4.6	5.1	4.8	4.5	3.9	4.7	4.4	-
Indonesia	3.5	3.3	3.7	3.8	3.9	3.8	3.7	3.8	4.0
Malaysia	3.5	2.0	2.6	3.1	3.0	3.8	2.9	2.7	2.6
Philippines	3.0	3.9	4.3	4.4	4.1	2.9	4.2	3.4	3.5
Singapore	0.5	0.5	0.7	1.1	1.1	0.6	0.8	1.1	1.7
Thailand	0.9	0.8	1.4	1.2	1.0	0.7	1.2	1.3	1.7

Year-on-year, in percent; forecasts for 2018 onward except India; India's figures for fiscal year, which starts in April; India's figure for 2017/18 (in 2017 column) forecast.
Source: JCER/Nikkei Consensus Survey, Haver Analytics.

Rise Expected in Philippines, Rural Policy Matters in India

Prices rose significantly in all five ASEAN countries in 2017, due in part to the rise in oil prices. Forecasts differ by country for 2018. Further increase is expected in the Philippines due to "higher oil prices, new taxes, [and a] weaker peso," reports Jojo Gonzales of Philippine Equity Partners. Juniman of Maybank Indonesia speculates that with local and presidential elections scheduled in 2018 and 2019, the rate may decrease in Indonesia as "the government does not raise energy prices in 2018 and continues to [maintain] food prices." Malaysia's rate is expected to decrease. This is partly "due to a stronger ringgit against the USD," says Anthony Dass of AmBank.

Economists foresee an increase in India's inflation rate in 2018/19. One of the important factors, along with oil prices and increasing demand, is the government's rural policy. "The government's measures to compensate farmers with higher minimum support prices would influence food inflation," says CRISIL's Joshi.

3. Unemployment Rates

	2017	2018				2017	2018	2019	2020
	Q4	Q1	Q2	Q3	Q4				
Indonesia	-	5.2	5.2	5.3	5.2	5.5	5.3	5.1	5.2
Malaysia	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.3	3.2
Philippines	5.6	5.4	5.4	5.4	5.2	5.7	5.4	5.1	5.0
Singapore	2.1	2.2	2.2	2.2	2.1	2.2	2.2	2.2	2.2
Thailand	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.0

Year-on-year, in percent; forecasts for 2018 onward.
Source: JCER/Nikkei Consensus Survey, Haver Analytics.

Stable as Economies Grow

Figures could decrease or remain stable in five ASEAN countries thanks to solid economic growth in 2018. "The unemployment rate is expected to improve gradually as the economy grows by at least 6% in the coming years," expects Emilio S. Neri, Jr. of Bank of the Philippine Islands.

4. Exchange Rates (end of the period)

(Domestic Currency / US$)

	2017	2018				2017	2018	2019	2020
	Q4	Q1	Q2	Q3	Q4				
India	63.9	64.6	65.1	65.5	65.6	63.9	65.6	66.7	69.0
Indonesia	13548	13669	13692	13649	13579	13548	13579	13590	13833
Malaysia	4.06	3.91	3.91	3.90	3.88	4.06	3.88	3.77	3.64
Philippines	49.9	51.8	51.5	52.0	52.0	49.9	52.0	52.3	53.1
Singapore	1.34	1.33	1.32	1.34	1.34	1.34	1.34	1.36	1.39
Thailand	32.7	31.6	31.4	31.1	31.3	32.7	31.3	31.1	31.6

Forecast for end of periods for 2018 onward; Some respondents gave year-end forecasts only.
Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

Prospects Vary by Currency

Prospects for the exchange rates of Asian currencies differ by country as the U.S. moves toward further tightening. Stronger rates are expected for Malaysian ringgit and Thai baht in 2018. Suhaimi Ilias of Maybank in Malaysia maintains “a positive outlook on the ringgit on improving domestic factors amid a favorable external environment.” He points to domestic factors including sustained growth and the central bank’s policies. Thammarat Kittisiripat of KT ZIMCO in Thailand says that “economic soundness still supports the Thai baht appreciating.”

The Philippine peso is expected to depreciate against the USD, a move that economists roundly attribute to a widening trade deficit. “The expectation of higher imports on the back of the government’s massive infra spending plan this year is still likely to weigh on the peso,” comments Pauline Revillas of Metrobank. Economists also forecast a weaker Indonesian rupiah and Indian rupee for 2018.

5. Interest Rates (end of the period)

	2017	2018				2017	2018	2019	2020
	Q4	Q1	Q2	Q3	Q4				
India	6.00	6.00	6.00	6.00	6.06	6.00	6.06	6.06	6.08
Indonesia	4.25	4.25	4.29	4.33	4.33	4.25	4.32	4.54	4.92
Malaysia	3.00	3.25	3.25	3.25	3.32	3.00	3.32	3.56	3.56
Philippines	3.00	3.06	3.28	3.38	3.43	3.00	3.43	3.61	3.44
Singapore	1.50	1.39	1.50	1.67	1.80	1.50	1.80	2.15	2.20
Thailand	1.50	1.50	1.50	1.60	1.64	1.50	1.64	1.94	2.50

Three-month SIBOR for Singapore; policy interest rates for other countries; forecasts for 2018 onward.
Some respondents provided year-end forecasts only.
Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

Economists expect rate hikes for all countries after 2018 as the U.S. interest rate is expected to rise. Views diverge on when the hikes are to be made. The Philippine central bank “will most likely increase policy interest rates due to the faster than usual inflation rate,” expects Alvin Ang of Ateneo de Manila University.

■ Risk

All Eyes on Trump

Concern about risks related to U.S. President Trump increased sharply following his March decision to impose tariffs on steel and aluminum products, as well as imported goods from China. “Rise of protectionism” surged as the most dangerous risk in four countries – Singapore, Thailand, Malaysia and India. In the combined JCER Risk Signal score for six countries, protectionism took the top place for the first time since March 2017. It was the fourth largest risk recognized in the previous survey in Dec. 2017.

“We expect the ongoing uncertainties surrounding the Trump administration's trade policies to loom as the key risk in 2018,” reports Wan Suhaimie of Kenanga Investment Bank in Malaysia. Nattaporn Triratanasirikul of Kasikorn Research Center in Thailand warns that “the global trade environment could worsen if trade retaliation from U.S. trading partners is implemented and the U.S. continues to use safeguard policy on other products.” Dendi Ramdani of Bank Mandiri adds that “the potential trade war between the U.S. and China is also worrying due to its implications for Indonesia’s economy.”

“Financial turmoil triggered by policies of U.S. President Trump” was the second greatest risk in Indonesia and third greatest in Singapore. Economists recognized other market-related risks, including “capital outflows” (the greatest risk in Indonesia) and “currency depreciation” (second greatest in the Philippines). “Repercussions of U.S. monetary policy” was regarded as the second greatest risk in Singapore and third in Malaysia.

Changes in Anticipated Risks for Asian Economies in the Coming Twelve Months

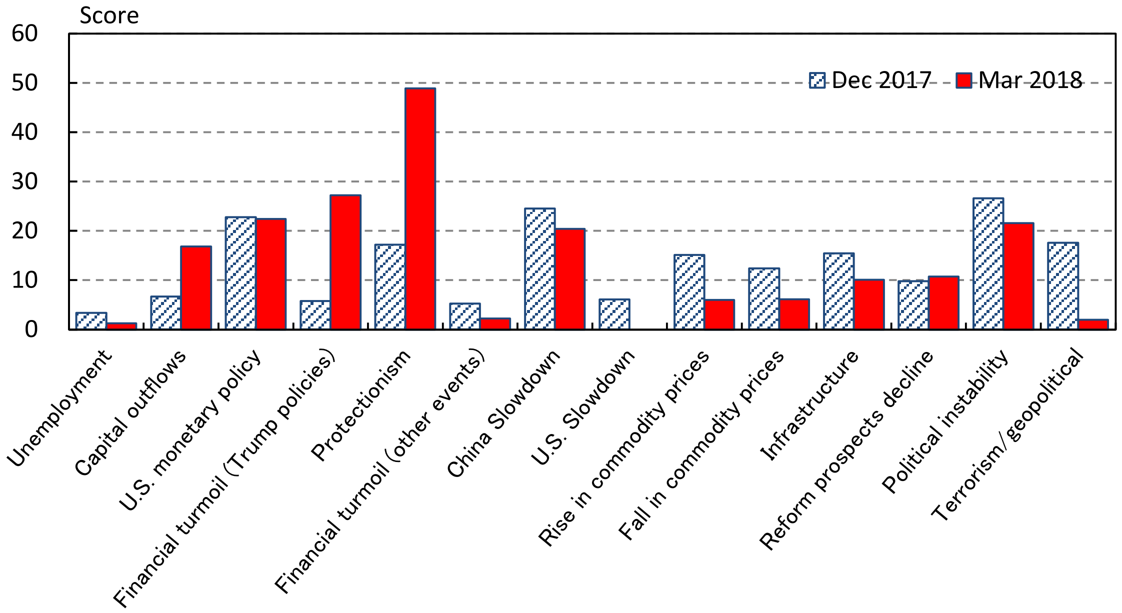
Country	Mar. 2018		Dec. 2017		Sept. 2017	
	Risk	score	Risk	score	Risk	score
Indonesia	1. Capital outflows ☆	50	1. U.S. monetary policy ☆	40	1. Reform prospects decline	44
	2. Financial turmoil from Trump policies ★	47	1. China slowdown	40	2. Capital outflows ☆	40
	3. Protectionism ★	40	1.Fiscal restriction	40	3. Financial turmoil from Trump policies ★	36
Malaysia	1. Protectionism ★	55	1. China slowdown	55	1. U.S. slowdown	60
	2. China slowdown	48	2. U.S. monetary policy ☆	45	2. Electronics exports decline	33
	3. U.S. monetary policy ☆	38	3. Fall in commodity prices ☆	35	2. U.S.monetary policy ☆	33
Philippines	1. Inflation	62	1. Infrastructure	51	1. Infrastructure	70
	2. Currency depreciation ☆	25	2. Political instability	49	2. Reform prospects decline	40
	2. Protctionism ★	25	3. Inflation	40	3. Political instability	33
	2. Infrastructure	25				
Singapore	1. Protectionism ★	70	1. Terrorism/geopolitics	55	1. Terrorism/geopolitics	65
	2. U.S. monetary policy ☆	60	2. Protectionism ★	40	2. Protectionism ★	40
	3. China slowdown	35	3. U.S. monetary policy ☆	25	3. China slowdown	35
	3. Financial turmoil from Trump policies ★	35	3. Infrastructure	25		
			3. High-tech exports slowdown	25		
Thailand	1. Protectionism ★	63	1. Political instability	63	1. Currency appreciation ☆	52
	2. Political instability	53	2. Currency appreciation ☆	37	2. Political instability	48
	3. China slowdown	40	2. China slowdown	37	3. Terrorism/geopolitics	32
India	1. Protectionism ★	40	1. Rise in commodity prices ☆	53	1. Protectionism ★	40
	1. Political instability	40	2. Political instability	48	2. Capital outflows ☆	35
	2. Rise in commodity prices ☆	36	3. U.S. monetary policy ☆	27	2. Reform prospects decline	35

Scores are based on JCER Risk Signal scoring system. Yellow indicates a risk at the “cautious” level; red at the "alarming" level. ★ indicates risks related to U.S. President Donald Trump’s policies. ☆indicates market-related risks. Source: JCER/Nikkei Consensus Survey on Asian Economies

Remarks on the Table and Bar Graph

Risks in the table and the bar graph below are described in simplified expressions. “Currency depreciation” is employed to indicate “Domestic currency depreciates”; “Currency appreciation” for “Domestic currency appreciates”; "Inflation" for “Inflation accelerates/asset bubble”; “Fiscal restriction” for “Fiscal austerity drags on growth”; “Capital outflows” for “Capital outflows/foreign investment slowdown”; “U.S. monetary policy” for “Repercussions of U.S. monetary policy”; “Financial turmoil from Trump policies” for “Financial turmoil triggered by policies of U.S. President Donald Trump”; "Protectionism” for “Rise of protectionism/slowdown or decrease in world trade”; “China slowdown” for “Chinese economy slowdown”; “U.S. slowdown” for “U.S. economy slowdown”; “Infrastructure” for “Infrastructure issues hinder economic activity”; “Terrorism/geopolitical” for “Terrorism/other geopolitical risks”; “Electronics exports decline” for “Downturn in global electronics export cycle”; “High-tech export slowdown” for “Slowdown of high-tech products exports”

Changes in Recognition of Risks



Sharp Rise in Concern Surrounding Protectionism, Financial Turmoil, Capital Outflows

Respondents identified risks for each economy individually, but total risk scores for all six economies were also calculated to reveal trends. The scores show sharp increases in concern regarding “protectionism” and “financial turmoil triggered by policies of President Trump” in the last three months. Anxiety surrounding capital outflows has also increased.

■ Calendar

Drastic Changes in World Trade, North Korea

The past three months have seen a parade of unexpected news. The situation surrounding North Korea has evolved rapidly. The PyeongChang Winter Olympic Games in South Korea provided an impetus for dialogue between the two Koreas. A summit meeting between South and North Korea was scheduled. A U.S.-North Korean summit was agreed. North Korean leader Kim Jong-un visited China to meet President Xi Jinping.

U.S. President Trump's decision to introduce new tariffs has heightened anxiety over protectionism and possible trade war between U.S. and China. China's National Congress adopted a constitutional amendment to drop term limits for Mr. Xi as the country's president. Vladimir Putin was reelected as Russian Presidential as tension increased between Russia and the West over the attempted murder of a former Russian spy in the U.K. Meanwhile, Jerome Powell succeeded Janet Yellen as FRB Chair.

News Related to Asian Economies, from Late December, 2017; Upcoming Events

Dec. 22	U.S. President Trump signs tax reform bill, which includes $1.5tn. tax cut.
Dec. 29	Dow Jones industrial average closes at 24719, up 25% in a year
Jan. 1	North Korean leader Kim Jong-un softens stance in his new year speech
Jan. 1	Tax reform (TRAIN) takes effect in Philippines
Jan 18	China announces 2017 growth rate: 6.9%
Jan. 20	One year after inauguration of President Trump
Jan. 25	Thai parliamentary body postpones enforcement of election law, delay of election likely
Jan. 25	Malaysian central bank raises policy rate by 0.25 points to 3.25%
Jun. 31	President Trump makes State of the Union address: $1.5 tn. investment plan
Feb.1	India announces FT 2018 budget plan: expenditure increases 10%
Feb. 5	Jerome Powell takes oath of office as FRB Chair, succeeds Janet Yellen
Feb. 6	DJ average falls by 1175 on fear of rapid rate hikes, its biggest one-day drop
Feb. 12	Japan govt. decides to reappoint Haruhiko Kuroda as BOJ governor: asks Diet approval
Feb. 19	Winter Olympic Games in Pyeongchang, S. Korea; N. Korea participates
Feb. 19	Singapore announces FY2018 budget plan, policy to increase GST between 2021-25
Mar. 1	U.S. announces import tariffs on steel and aluminum goods: takes effect March 23
Mar. 5	China National Congress convenes (to March 20); 2018 growth target around 6.5%
Mar. 6	South and North Koreans announce planned summit meeting in April
Mar. 8	President Trump agrees to meet North Korean leader Kim Jong-un
Mar. 13	U.S. Secretary of State Rex Tillerson fired by President Trump
Mar. 17	Xi Jinping reelected as Chinese president: constitutional change drops term limit
Mar. 18	Vladimir Putin reelected in Russian presidential election: term continues through 2024
Mar. 21	Fed increases rate by 0.25 points, sets new FF rate target of 1.5-1.75%
Mar. 22	U.S. announces plan to impose tariffs on Chinese imports
Mar. 23	Former South Korean President Lee Myung-bak arrested
Mar. 25	N. Korean leader Kim Jong-un visits China (through March 28), meets Xi Jinping
April 27	S. Korean President Moon Jae-in and N. Korean leader Kim to meet in Panmunjeom
May 1	FED to hold FOMC (to May 2)
in May	U.S. President Trump and N. Korean leader Kim plan to meet
June 12	FED to hold FOMC (to June 13)
June 14	FIFA World Cup in Russia (to July 15)
June 27	Local elections in Indonesia
by Aug.	General election in Malaysia

■ Comments on Economies

➢ Overview, Growth

Country	Comment
Indonesia	"Growth in 2018, 2019 and 2020 would be higher because of investment and consumption growth higher." (Umar Juoro, CIDES)
	"Private consumption … will not grow strongly against its 2017 level." "Investment growth will pick up a bit more on the back of infrastructure spending." (Donald Hanna, CIMB Group)
Malaysia	"Export growth to moderate in 2018 after a strong surge in 2017. Government spending to slow in line with fiscal consolidation. However, GDP growth will continue to be supported by resilient private consumption and investment." (Vincent Loo Yeong Hong, RHB Research)
	"Private consumption will remain the engine of growth. Exports are likely to remain resilient despite a slowdown … in global trade activity." (Manokaran Mottain, Alliance Bank)
Philippines	Economy will be "upbeat on consumption and investments plus prospects of structural reforms." (Jonathan Ravelas, BDO Unibank)
	"Stronger infrastructure spending, PPP & consumer spending due to huge employment gains" and "peso depreciation, taxa cut" are behind increased growth forecast in 2018. (Victor Abola, Univ. of Asia and the Pacific)
	"Expected revenues from the government's Tax Reform for Acceleration and Inclusion (TRAIN) law would ensure that the government has enough spending power for the Build Build Build program and could likely translate to sustained higher GDP growth moving forward." (Pauline Revillas, Metrobank)
Singapore	"Export growth will remain robust and be supported by a second wind of capital investments. However, structural headwinds are intensifying." (Manu Bhaskaran, Centennial Asia.)
	"Increasing trend of export will be maintained backed by growing demand from advanced countries." (Yuma Tsuchiya, MUFG Bank)
Thailand	"Stronger domestic fundamentals and public impetus could propel prospective household consumption." (Somprawin Manprasert, Bank of Ayudhya)
	"Better-than-last-year disbursement performance of government investment budget is expected, which can help support overall growth and also private investment." (Naris Sathapholdeja, TMB Bank)
India	"Slowdown related to GST implementation is over." (Kentaro Konishi, Daiwa Capital Markets India)
	"We believe that a sustained revival in bank credit would be the key in sustaining growth in the next few quarters." (Tirthankar Patnaik, Mizuho Bank)

➢ **Markets, Inflation**

Country	Comment
Indonesia	Fed's plan "to increase fund rate" would "push the capital outflows that give pressure for rupiah to depreciate." (Umar Juoro, CIDES)
	"We do not expect fuel prices to be raised this year as the government appears [to be] bent on maintaining energy prices and proposed higher diesel subsidies." (Euben Paracuelles, Nomura)
Malaysia	"We expect MYR to remain on the strengthening mode against the USD largely supported by the healthy macro fundamentals, strong reserves, room for the OPR to normalize at 3.50% in 2018." (Anthony Dass, AmBank)
Philippines	"Risks remain tilted to the upside on the back of volatile global oil prices and weaker peso. The government's tax reform law is also seen to put pressure on consumer prices in 2018." (Pauline Revillas, Metrobank)
	"The Peso is still expected to weaken mildly and gradually versus the major currencies in the medium term." (Emilio S. Neri Jr.. Bank of the Philippine Islands)
	"The peso weakness is directly because of the trade deficit." "The increasing trade deficit, however, is not a concern" as it means that the economy is "investing more rather than saving." (Carlo Asuncion,Union Bank of the Philippines)
Singapore	"We believe demand-pull inflation pressures remain weak." (Euben Paracuelles, Nomura)
Thailand	"Thai baht is projected to weaken against the US dollar in a medium term." (Amonthep Chawla, CIMB Thai Bank)
India	"The rupee will face pressure from the current account deficit (CAD), which has begun to widen with rising oil and commodity prices and improving domestic consumption demand." (Dharmakirti Joshi, CRISIL)
	"We expect current account deficit to widen in 2018 with pressure on portfolio flows to cover the gap. Growth risks, political risks and inflation risks - are additionally clouding outlook for INR." (Sonal Varma, Nomura India)

➢ **Risk, Structural Issues**

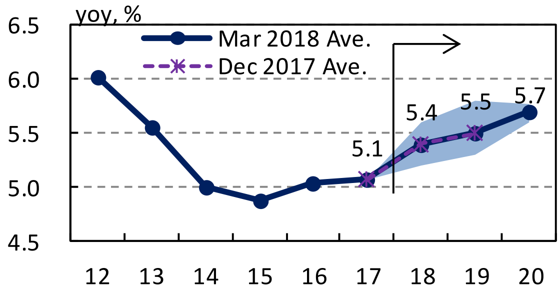
Country	Comment
Indonesia	"As current account deficit deteriorates and direct investment softens, the fundamental of Rupiah hinges more toward capital flows." (Wisnu Wardana. Bank Danamon)
	"Economic dynamism in the domestic front remains intact. Short-term risks to Indonesian economy, in my view, coming mostly from external events." (Donald Hanna, CIMB Grooup)
Malaysia	"A global retreat from cross-border integration would potentially result in negative spillovers on the external demand for Malaysian goods." (Manokaran Mottain, Alliance Bank)
	"Rising trade tensions leading to a full-blown trade war would dampen global trade and world economy and affect the prospects of exports." (Lee Heng Guie, Socio-Economic Research Centre)

Philippines	“Unemployment rate will continue to be stable in the next 3 years.” “One challenge though is the issue on contractualization of workers which contributes to the high underemployment rate in the country.” (Mitzie Conchada, De La Salle Univ.)
Singapore	“The challenges confronting the labor market are likely to result in a slightly higher level of unemployment than in the past, at least for the medium term.” (Randolph Tan, Singapore University of Social Sciences)
Thailand	“Any change in global demand, particularly from trade wars and Trump's policies, could deter Thai economic recovery.” (Amonthep Chawla, CIMB Thai Bank)
India	“A key area of concern for us is the slow transmisison mechanism of monetary policy in India.” (Shekhar Shah, NCAER)

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

Indonesia

➢ Highlights



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth to Maintain 5% Level Through 2020

Economists expect growth rates to increase through 2020 from the 5.1% achieved in 2017; views are unchanged from the previous survey. They see solid consumption and private and public investment as driving forces of the growth. Juniman of Maybank Indonesia expects growth in investment based on "government infrastructure projects, and the expanding role of private investment." Umar Juoro of CIDES stresses higher growth in "investment and consumption."

1. Growth Prospects

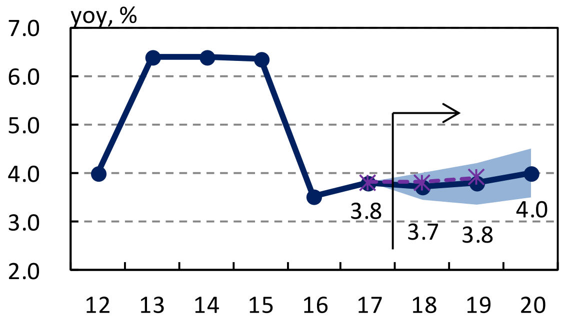
		Average		Max.	Min.
2017	Oct.-Dec.	5.2			
2018	Jan.-Mar.	5.2	(+0.0)	5.4	5.1
	Apr.-Jun.	5.3	(+0.0)	5.6	5.1
	Jul.-Sep.	5.4	(+0.0)	5.6	5.2
	Oct.-Dec.	5.4		5.8	5.3
2017		5.1			
2018		5.4	(+0.0)	5.6	5.2
2019		5.5	(+0.0)	5.8	5.3
2020		5.7		5.8	5.6

Note: Figures in parentheses show change from three months ago.

Elections to Boost Spending

Growth rates were 5.0-5.2% from Q1 to Q4 in 2017. Average forecasts for Q1 maintained the same level. Dendi Ramdani of Bank Mandiri thinks economic growth will be higher in 2018 but "the speed may be moderate." The influence of local and presidential elections scheduled in 2018 and '19 are also expected to sustain growth. Wisnu Wardana of Bank Danamon points out that the campaigns "may help boost spending."

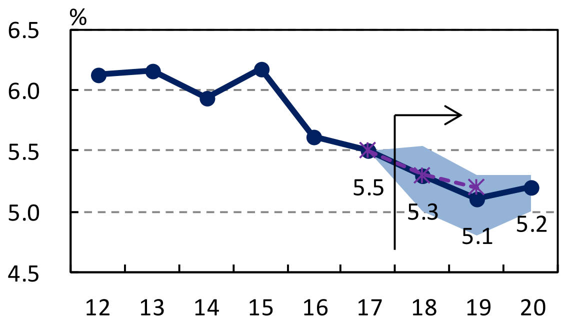
2. Inflation



Outlook Revised Down, Stays in Target Range

The 2018 forecast was revised slightly down from the previous survey. All answers saw the rate staying within the central bank's target range (3-5%) in 2018 and beyond. Fuel prices, one of the key elements in determining the inflation rate, should not rise in 2018 as the government is "bent on maintaining energy prices, and proposed higher diesel subsidies," according to Nomura's Euben Paracuelles. On the risks, Wisnu Wardana of Bank Danamon is monitoring "higher international prices of oil and food."

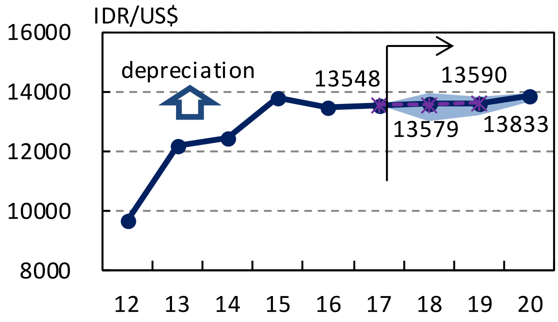
3. Unemployment



Downward Trend to Continue

The unemployment rate is expected to maintain its downward trend through 2020, responding to economic growth. Bank Mandiri's Ramdani feels that "unemployment is moderately improving because of higher economic growth." Juniman of Maybank Indonesia cites infrastructure spending: "Acceleration of infrastructure projects will also absorb a lot of labor," he says.

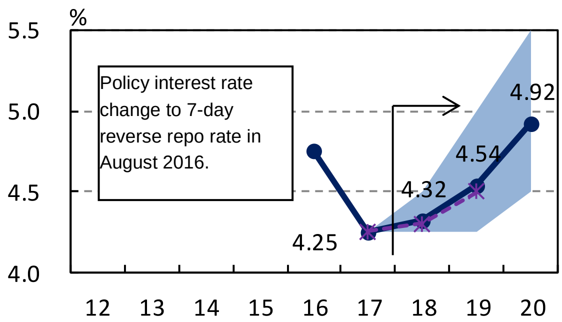
4. **Exchange Rate** (end of the period)



Slight Depreciation Expected

The average forecast expects slight depreciation of the rupiah against the USD toward 2020. "The plan of the Fed to increase its interest rate in the U.S. really triggers financial shock to the bond and capital markets in Indonesia," says Ramdani of Bank Mandiri. Maybank Indonesia's Juniman agrees: "The weakening of the rupiah was due to foreign capital outflow in the stock market and bond market."

5. **Interest Rate** (end of the period)



Views Diverge on Rate Hike in 2018

Bank of Indonesia maintained its policy rate at 4.25% on 22 March. Most respondents indicated that BI would keep the rate unchanged in 2018. Nomura's Paracuelles expects "BI to stand pat through 2018, especially as it is cautious over external risks." Donald Hanna of CIMB does not expect a rate hike, as "core inflation is expected to remain soft." Others see a rate hike in 2018. Umar Juoro of CIDES believes that if the Fed were to increase the fund rate, "it would be followed by BI increasing the policy rate." Economists see rate hikes after 2019.

6. Risks

Rank	Risk	Score
1	Capital outflows/foreign investment slowdown	50
2	Financial turmoil triggered by policies of U.S. President Donald Trump	47
3	Rise of protectionism/slowdown or decrease in world trade	40
4	Domestic currency depreciates	30
5	Repercussions of U.S. monetary policy	17

The score is calculated to reach 60 or more when all economicts regard an item as one of three biggest risks.

Concerns on External Events, Markets

All top-five risks were market-related or of external origin. Donald Hanna of CIMB points out that "short-term risks to the Indonesian economy [are] coming mostly from external events." Ramdani of Bank Mandiri adds that "the higher pace of U.S. interest rate increases means a shock to the Indonesia financial market." He also says that "the potential trade war between the U.S. and China is also worrying."

7. U.S. Monetary Policy and Indonesia

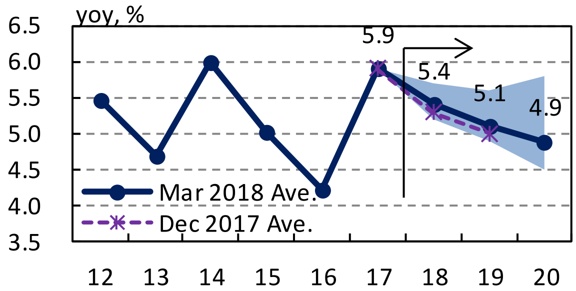
Negative Impacts on Indonesian Economy
・ Capital outflow from indonesian financial markets
・ The rupiah may be depreciated and the inflation rate raised due to pressure on import costs
・ Harmful effect on high import content and dometic market oriented businesses

Watch List Includes Capital Outflows

The survey asked about the impact of U.S. monetary policy on the Indonesian economy. Economists responded with several points to watch carefully. Umar Juoro of CIDES remarks that "the prospect for the Fed to increase the fund rate leads to capital outflow that depreciates the rupiah currency." As Ramdani of Bank Mandiri points out: "businesses that have high import content and are domestic market oriented may be disturbed by the large depreciation."

Malaysia

➢ Highlights



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth Momentum to Continue Beyond 2018

GDP growth in 2017 reached a 3-year high, hitting 5.9%, and exceeded the December consensus forecast. Kenanga IB's Wan Suhaimie expects that "growth momentum backed by domestic demand [will] continue to propel the economy well into 2018." Economists maintained their forecasts of slightly moderated growth for 2018 and 2019. Manokaran Mottain of Alliance Bank points out that "GDP growth is likely to moderate as the economy moves towards becoming a developed country."

1. Growth Prospects

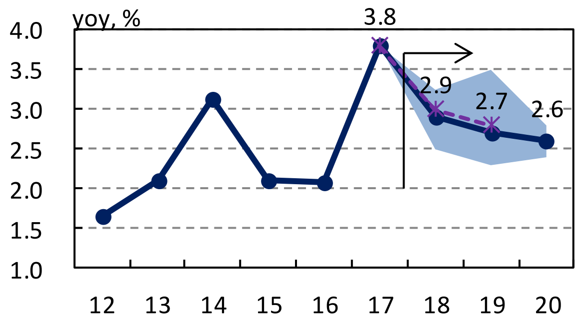
		Average		Max.	Min.
2017	Oct.-Dec.	5.9			
2018	Jan.-Mar.	5.6	(+0.0)	5.8	5.3
	Apr.-Jun.	5.5	(+0.1)	5.7	5.0
	Jul.-Sep.	5.3	(+0.3)	5.4	5.1
	Oct.-Dec.	5.2		5.5	4.9
2017		5.9			
2018		5.4	(+0.1)	5.7	5.2
2019		5.1	(+0.1)	5.6	4.9
2020		4.9		5.8	4.5

Note: Figures in parentheses show change from three months ago.

Better Employment to Boost Consumption

The economy grew at a solid pace of 5.9% in Q4 2017, and robust growth is expected to continue into 2018. Growth will continue to be driven by consumption, lifted by "strong export growth [spilling] over to domestic demand through higher investment spending and increased employment," according to Nomura's Euben Paracuelles, while Maybank's Suhaimi Ilias also suggests positives from "Budget 2018's consumer spending stimulus measures."

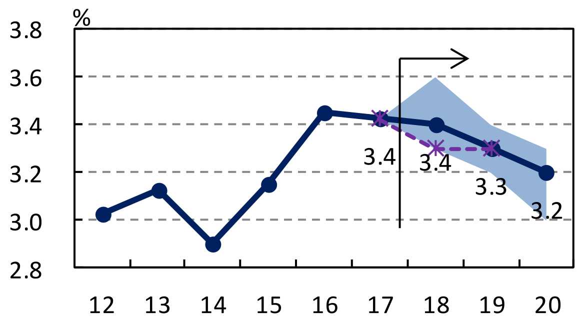
2. Inflation



Headline Inflation to Moderate in 2018

Headline inflation rose sharply to 3.8% in 2017 on higher oil prices, but is expected to moderate in 2018. AmBank Group's Anthony Dass forecasts lower inflation due to factors such as a "stronger ringgit against the USD that helps ease potential upwards pressure on imported prices [and] reduces the pace of transfer pricing from producers to consumers, [and] the high base [effect]."

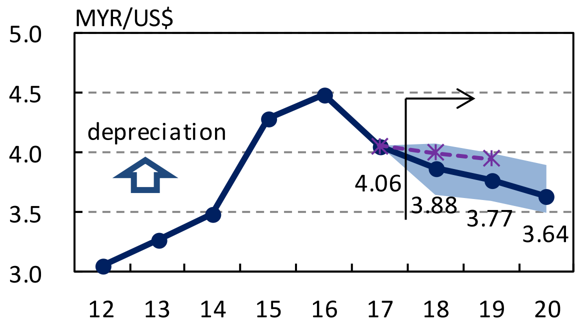
3. Unemployment



Unemployment Rate to Remain Stable

Economists see the 2018 unemployment rate remaining stable at 3.4%. Kenanga's Wan Suhaimie explains that "while we expect growth to moderate [in 2018], we still expect sustained business and investment activities and therefore do not foresee significant changes in corporate and hiring activities," and that "infrastructure activities [will] spur investments and create a conducive employment scene."

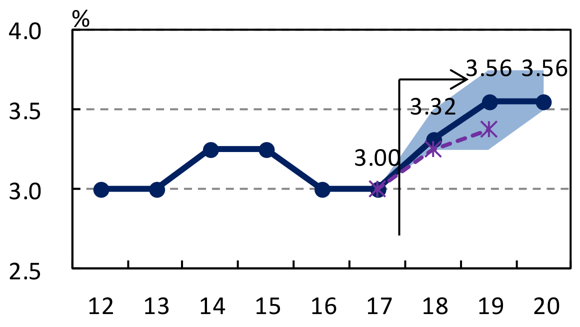
4. Exchange Rate (end of the period)



Ringgit Expected to Strengthen Further

Economists revised their forecasts toward a stronger ringgit, approaching 1USD=3.64MYR in 2020. Maybank's Suhaimi Ilias maintains a positive outlook "due to improving domestic factors amid a favorable external environment [including] sustained growth, BNM initiatives to deepen and broaden domestic financial markets, [and] BNM's pre-emptive move (interest rate hike)." In the near-term, Socio-Economic Research Centre's Lee Heng Guie believes that the "imminent General Election could weigh on the ringgit on cautious investors' sentiment."

5. Policy Interest Rate (end of the period)



Additional OPR Hike Unlikely in 2018

The policy interest rate was raised by 25 basis points to 3.25% in January 2018. Although most economists expect no further changes to be made to the OPR for the rest of the year, RHB Research Institute's Vincent Loo Yeong Hong states that "global major central banks tightening policies should push BNM to hike rates further this year and next, as domestic inflation will also remain elevated."

6. Risks

Rank	Risk	Score
1	Protectionism/slowdown in world trade	55
2	Chinese economy slowdown	48
3	Repercussions of U.S. monetary policy	38
4	Financial turmoil (Trump policies)	33
5	Capital outflows/foreign investment slowdown	28

Increased Risk of Rising Protectionism

The risk of rising protectionism rose rapidly with the recent announcement by the US of global steel and aluminum tariffs, and tariffs against China over alleged intellectual property violations. Socio-Economic Research Centre's Lee Heng Guie is concerned that "rising trade tensions leading to a full-blown trade war would dampen global trade and world economy and affect the prospects of exports."

7. Impact of a Faster-than-expected Fed Rate Hike on Malaysia's Economy

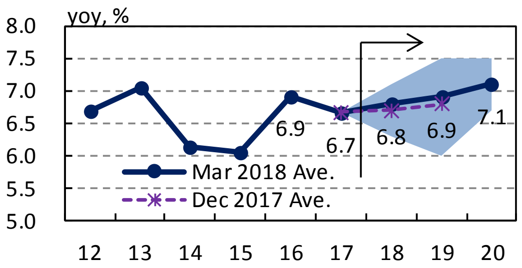
Positive	・Continued US growth will support global economic and trade expansion
Neutral/ mixed	・Limited risk / no material impact
	・Upward pressure on domestic Malaysian rates but also stronger exports
Negative	・Affect decision-making of BNM's rate hikes
	・Volatility in MYR due to capital outflow

Limited Effect, but Risk of BNM Rate Hike

Economists generally agreed that there would "not be much of a material impact," as AmBank Group's Anthony Dass says, regarding the potential impact of an accelerated US rate hike on the Malaysian economy. However, if the BNM follows suit and raises interest rates, RHB Research Institute's Vincent Loo Yeong Hong is concerned that this could "dampen the overall economy and impact property and household sectors." Alliance Bank's Manokaran Mottain says "capital outflow would exert downward pressure on MYR [causing volatility]."

Philippines

➢ Highlights



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth to Accelerate to 7% level by 2020

Economists expect stronger growth in 2018. The growth rate is "expected to be more robust than the previous year (of 6.7%)," says Carlo Asuncion of Union Bank of the Philippines. Many economists foresee the rate hitting the 7% level by 2020. Victor Abola of University of Asia and the Pacific cites "stronger infrastructure spending, PPP and consumer spending due to huge employment" as forces driving growth. The increase of imports due to aggressive public infra plans would worsen net export, but it would be "a manageable drop," says Bank of the Philippine Islands' Emilio S. Neri, Jr.

1. Growth Prospects

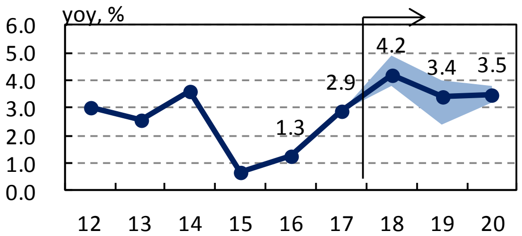
		Average		Max.	Min.
2017	Oct.-Dec.	6.6			
2018	Jan.-Mar.	6.8	(＋0.1)	7.2	6.5
	Apr.-Jun.	6.8	(▲0.1)	7.1	6.5
	Jul.-Sep.	6.9	(＋0.1)	7.1	6.7
	Oct.-Dec.	6.9		7.2	6.6
2017		6.7			
2018		6.8	(＋0.1)	7.1	6.3
2019		6.9	(＋0.1)	7.5	6.0
2020		7.1		7.5	6.7

Note: Figures in parentheses show change from three months ago.

Tax Reform Works as Tail Wind

Economists regard "TRAIN" tax reforms introduced this year as a booster of growth. They are "helping to fund public infrastructure projects while also boosting real household disposable incomes," says Nomura's Euben Paracuelles. MetroBank's Pauline Revillas believes that TRAIN would ensure the government "enough spending power for the Build Build Build program" and that the program "will open more opportunities for the private sector to expand business activities."

2. Inflation

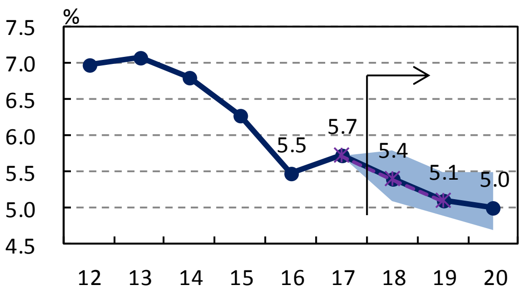


Note: From this survey 2012-based series (previous: 2006-based series).

Jump to Over 4% in 2018, Settling in 2019

There are numerous sources of upward pressure on the inflation rate. Jojo Gonzales of Philippine Equity Partners cites "higher oil prices, new taxes [by TRAIN] and a weaker peso" as primary forces. Economists expect the 2018 rate to exceed 4%, the upper limit of BSP's target range. They foresee the rate falling in 2019 with the vanishing of the effects of TRAIN, which includes the higher fuel excise taxes and fewer exemptions for VAT.

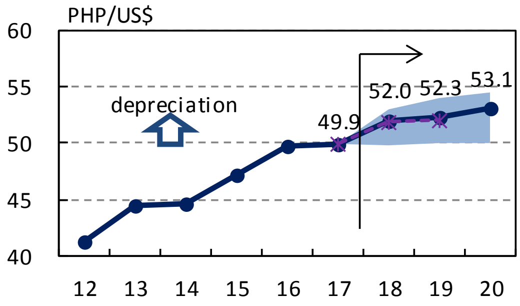
3. Unemployment



Downward Trend to Continue on High Growth

After the slight increase in 2017, the unemployment rate is "expected to improve [decline] gradually as the economy grows by at least 6% in the coming years," Emilio S. Neri, Jr. says. De La Salle University's Mitzie Conchada warns that "one challenge is the issue of contractualization of workers, which contributes to the high underemployment rate in the country."

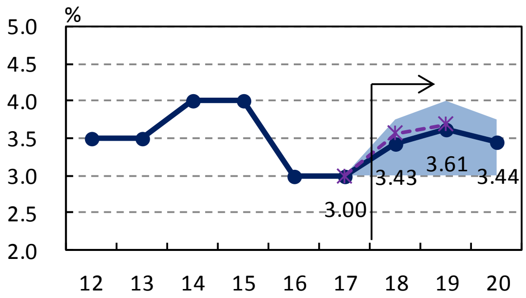
4. Exchange Rate (end of the period)



Depreciation Pressure Gains Steam

Economists predict that the PHP will depreciate slightly in 2020. Jonathan Ravelas of BDO Unibank sees a "widening trade deficit as a result of rising imports due to infra" as a factor in depreciation. Pauline Revillas cites "improving US economic fundamentals and tighter Fed policy." Carlo Asuncion says the increasing trade deficit is not a concern because it means the Philippine economy is "investing more rather than saving."

5. Interest Rate (end of the period)



Views Split on Number of Rate Hikes

Economists' predictions on the number of BSP rate hikes varies from zero to three for 2018. Euben Paracuelles expects "a total 75bp in policy rate hikes this year in response to rising inflation and inflation expectations." Emilio S. Neri, Jr. reports: "Although inflation has moved higher in 2018, the BSP has emphasized that this is just transitory and they expect it to settle within the target range in 2019."

6. Risks

Rank	Risk	Score
1	Inflation accelerates/asset bubble	62
2	Domestic currency depreciates	25
2	Rise of protectionism/ slowdown or decrease on world trade	25
2	Infrastructure issues hinder economic activity	25
5	Repercussions of U.S. monetary policy	21
5	Financial turmoil triggered by policies of U.S. President Donald Trump	21

The score is calculated to reach 60 or more when all economicts regard an item as one of three biggest risks.

Concerns on Inflation Expand

The risk of accelerating inflation rose to first place while PHP depreciation, tied with two other risks, came second. Alvin Ang of Ateneo de Manila University points out that "the faster rise in prices is exacerbated by the weaker currency." Economists are keeping a close eye on the recent heating trend to determine whether it is temporary.

Rise of protectionism and insufficient infrastructure were the two other risks sharing second place. Regarding to the former, Carlo Asuncion remarks that "the external environment is also key because of the direct economic ties of the Philippines separately to China and the United States."

7. US Monetary Policy and the Philippines

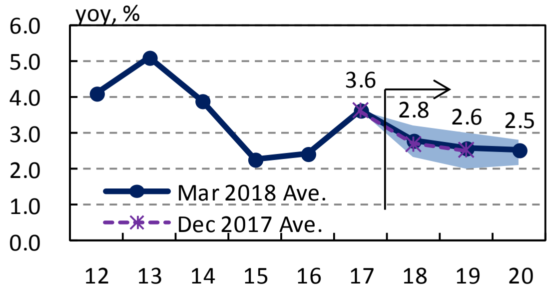
【Effects are limited because...】
・Weaker currency provides additional disposable income to those who receive remittances from overseas workers
・Pass-through effect of the exchange rate to inflation has declined in recent years
・BSP is one of the Asian central banks that have not historically mirrored the U.S. Fed in monetary policy moves

Limited Influence Expected, for Now

Economists are not particularly worried about the Fed's prospected policy rate hikes, which exert depreciation pressure on the PHP. Alvin Ang remarks that they "could lead to higher prices, and the BSP needs to raise rates," but "we do not see that the current growth will be affected." Carlo Asuncion says: "BSP is one of the Asian central banks that have not historically mirrored the US Fed in terms of its monetary policy moves."

Singapore

➢ Highlight



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth to Slow, Concern over Protectionism

Growth is expected to moderate in 2018 from a strong 2017. The average growth forecast for 2018 was 2.8%, down 0.8 points from 2017's result, but it was revised up by 0.1 point from the previous survey. "Some moderation in 2018 is to be expected given the high base effects from the strong export upswing in 2017," says Manu Bhaskaran of Centennial Asia. Concern over protectionism is especially strong here as the economy derives major benefits from a free trade system.

1. Growth Prospects

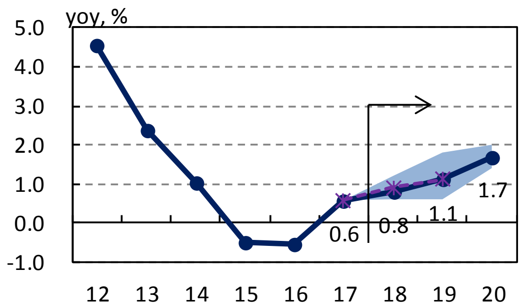
		Average		Max.	Min.
2017	Oct.-Dec.	3.6			
2018	Jan.-Mar.	3.1	(+0.2)	3.3	2.6
	Apr.-Jun.	2.9	(+0.1)	3.3	2.5
	Jul.-Sep.	2.3	(+0.3)	2.8	1.5
	Oct.-Dec.	2.6		3.0	2.0
2017		3.6			
2018		2.8	(+0.1)	3.2	2.3
2019		2.6	(+0.1)	3.0	2.0
2020		2.5		2.8	2.1

Note: Figures in parentheses show change from three months ago.

Exports to Increase, Headwinds Coming

Exports are still strong as MUFG Bank's Yuma Tsuchiya says that the "increasing trend of exports will be maintained." But various headwinds may await. "Structural headwinds are intensifying given the anti-trade and protectionist measures stemming from the U.S.," warns Bhaskaran of Centennial Asia. "Furthermore, monetary tightening could deflate economic vigor somewhat as gyration and adjustment could occur in asset and financial markets," he adds.

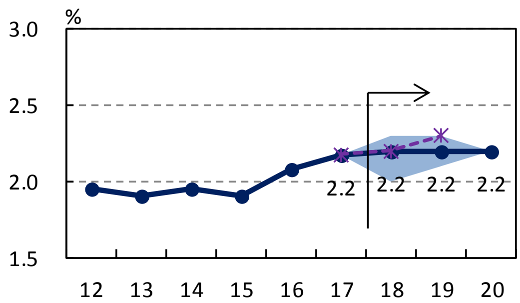
2. Inflation



CPI to Rise Moderately

Singapore's CPI turned positive on average in 2017 following negative figures in 2015 and 2016. Economists predict continued gradual increase in 2018 and beyond. "Inflation remains fairly mild," remarks Randolph Tan of Singapore University of Social Sciences. "We believe demand-pull inflation pressure remains weak," says Nomura's Euben Paracuelles.

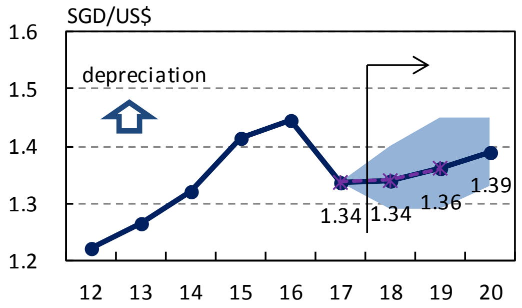
3. Unemployment



Rate to Stay Above 2%

The unemployment rate rose by 0.1 point to 2.2% in 2017 despite strong economic growth. "It takes time to improve" as the rate is a lagging index, explains Yuma Tsuchiya of MUFG Bank. Economists foresee the rate staying flat in 2018 and beyond. Instead they see issues in the longer term. "The challenges confronting the labor market are likely to result in a slightly higher level of unemployment," SUSS's Tan says.

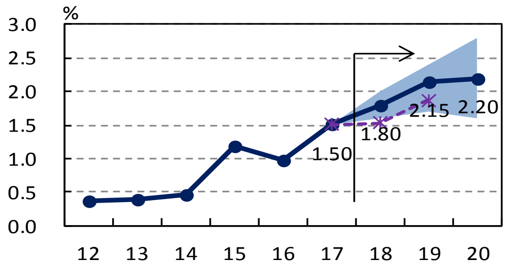
4. Monetary Policy and Exchange Rate (end of the period)



Policy to Move to Appreciation

Singapore manages its monetary policy through foreign exchange rates rather than interest rates. Economists expect the Monetary Authority of Singapore (MAS) to change the policy towards appreciation in the future; their views differ on when it will be changed. The average forecast sees SGD's rate staying flat against the USD in 2018 and slightly weaker after 2019, but the views differ by economist.

5. Interest Rate (end of the period)



Rate to Rise in Global Tightening Moves

As Singapore does not have a policy interest rate, the survey requests forecasts of the SGD Sibor 3-month rate. Centennial's Bhaskaran expects rising rates "as monetary tightening across the global and Asian economies gather further momentum," adding that the "period of ultra-low interest rates [is] likely over."

6. Risks

Rank	Risk	Score
1	Rise of protectionism/slowdown or decrease in world trade	70
2	Repercussions of U.S. monetary policy	60
3	Financial turmoil triggered by policies of U.S. president Donald Trump	35
3	Chinese economy slowdown	35
5	Lack of skills in labor force to support future developing economic requirements	25

Trump-Related Risks Increase

"Protectionism" became the biggest risk replacing "terrorism/geopolitical risks." Repercussions of U.S. monetary policy and financial turmoil triggered by policies of U.S. President Trump, one of the Trump-related risks, followed. "They affect financial markets and world trade trends," says Yuma Tsuchiya of MUFG Bank. Domestically, SUSS's Tan points to the quality of labor skills. "The longer the skills challenges persist, the greater the pressure" for the government to loosen restrictions on foreign manpower, he says.

7. Impact of U.S. Monetary Policy on ASEAN Economies

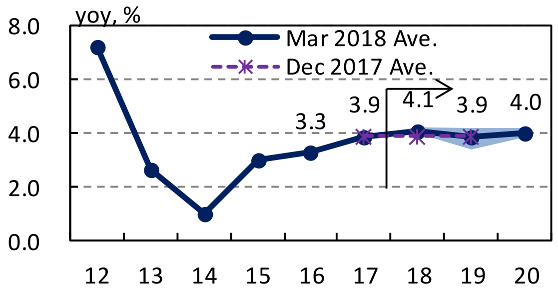
- Economists see the possibility of both positive and negative impacts.
- Negative risks are seen as greater in countries with weak macroeconomic fundamentals and political risks.
- Loose money has supported Asian economies after the global financial crisis. There are hidden risks to these economies.

Bigger Risk for Unsound Economies

The survey asked economists about the impact of U.S. monetary policy on both Singapore and ASEAN economies. On Singapore, Centennial Asia's Bhaskaran foresees that the SGD "will likely remain resilient vis a vis the USD." Capital outflows are a worry for some ASEAN countries. The negative impact would differ by nation and risks are greater in economies with weak fundamentals, economists point out.

Thailand

➢ Highlights



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth Revised Up 0.2 Points to 4.1% in 2018

The average 2018 growth rate is forecast at 4.1%, revised 0.2 points upward from the December survey. "Growth drivers are exports and tourism," says CIMB Thai Bank's Amonthep Chawla. Kasikornbank's Nattaporn Triratanasirikul points out that "downside risk remains with the US trade protectionism policy, which puts pressure on the global trade environment, while negative impact to global trade could be seen if retaliations are taken seriously."

1. Growth Prospects

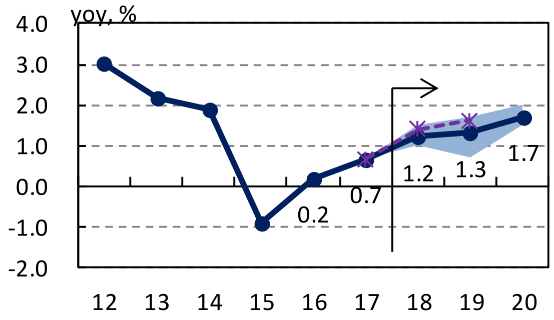
		Average		Max.	Min.
2017	Oct.-Dec.	4.0			
2018	Jan.-Mar.	4.3	(+0.3)	4.4	3.9
	Apr.-Jun.	4.0	(+0.4)	4.1	3.7
	Jul.-Sep.	4.0	(▲0.1)	4.4	3.8
	Oct.-Dec.	4.0		4.6	3.8
2017		3.9			
2018		4.1	(+0.2)	4.2	4.0
2019		3.9	(+0.0)	4.2	3.4
2020		4.0		4.2	3.9

Note: Figures in parentheses show change from three months ago.

Prediction of Slowdown in 2019

The average forecast suggests a slowdown in 2019. Nomura Singapore's Euben Paracuelles projects 3.4% in 2019, down from 4.2 % in 2018. "Private investment remained stubbornly weak," he reports. "Our overall theme of structural domestic headwinds battling with cyclical external tailwinds remains intact." Bank of Ayudhya's Somprawin Manprasert thinks differently: "Sustained strong growth will trickle down to other parts of the economy, especially private investment," he says, forecasting 4.2% in 2019, better than 2018's 4.0%.

2. Inflation



Inflation to Accelerate Toward 2020

The full year outlook for 2018 rises to 1.2%, up 0.5 points from 2017. The forecast sees increased acceleration to 1.7% for 2020. Though CPI in February decelerated to 0.42% from January's 0.68%. Nomura's Euben Paracuelles says that "headline inflation may soon bottom out as the drag from food prices diminishes in the coming months with supply conditions turning less favorable."

3. Unemployment

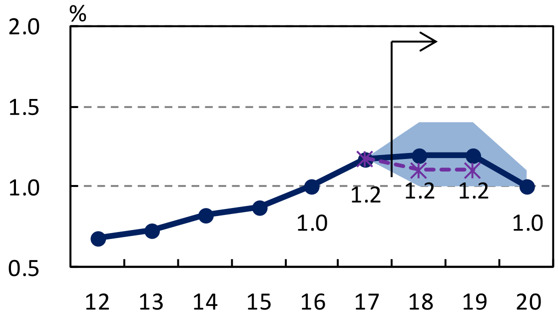
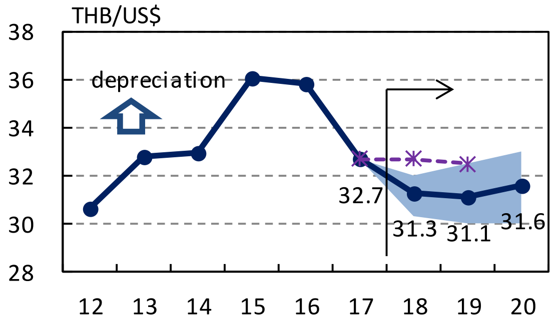


Figure to Hover at 1.2%, Slightly Worse

Unemployment is expected to hover around 1.2% both in 2018 and 2019, at the same level as 2017. However, the forecast worsened a bit from the previous survey's 1.1%. Nattaporn of Kasikornbank reports: "The underlying skill mismatch issue in the Thai labor market is a key reason for an increase in unemployment." KT ZMICO Securities' Thammarat Kittisiripat is "keeping an eye on a recent jump in the jobless rate…that may have an adverse effect on household purchasing power."

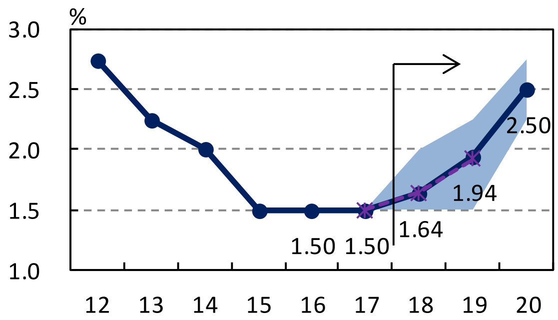
4. Exchange Rate (end of the period)



Baht Appreciation to Continue

The baht has appreciated recently, recording 31.5 baht against the U.S. dollar at the end of February. Most economists expect the strong baht to continue toward 2019, maintaining 31-plus baht. Bank of Ayudhya's Somprawin says the trend of a weaker U.S. dollar against major currencies will continue "because other major countries (Eurozone, Japan) could begin to start policy normalization, and U.S. tax cuts could affect U.S. fiscal position. U.S. twin deficit and Trump policy uncertainties could pressure the U.S. dollar." Kasikornbank's Nattaporn does not expect the baht to be depreciated abruptly: "Due to the current account surplus of around 8% of GDP, international reserves are large enough to cover all external short term obligations." TMB Bank's Naris Sathapholdeja also thinks the Thai baht will continue to gain strength, but says a "faster-than-expected rate hike (5+ hikes) could potentially trigger another recession, which could slow down global growth."

5. Interest Rate (end of the period)



Rate Hike Expectations Strengthen

As the economy strengthens, expectations for interest rate hikes are mounting in 2018. Bank of Ayudhya's Somprawin expects 0.25 point rate rise in 3Q of 2018. "In 2H18, broader economic expansion and a gradual rise in inflation towards the official target of 1-4% would support our view of a rate hike in 2H18." KT ZIMCO expects a hike in 4Q of 2018 and TMB one or two hikes in the later half of 2018. CIMB's Amonthep expects no hike until 2019, saying "The Bank of Thailand is expected to await full and widespread economic recovery before hiking the rate."

6. In Focus for 2018

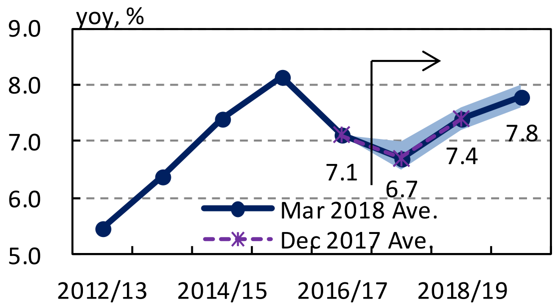
Rank	Risk	Score
1	Protectionism/slowdown in world trade	63
2	Political instability	53
3	Chinese economy slowdown	40
4	Domestic currency appreciates	17
4	Financial turmoil (Trump policies)	17

Protectionism Largest Risk

"Rise of protectionism" emerged as the largest risk. Naris of TMB says that an increase in exports has "historically induced an increase in private investment. Therefore, slowdown in world trade will impact the overall Thai economy." As Thai exports rely much on the Chinese market, "Chinese economic slowdown will have a significant effect on the Thai economy," he adds. The military government may hold a general election by February 2019, up to 3 months delayed from its previous plan. "Political risk" occupies the second position.

India

➢ Highlights



Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Growth to Return to Over 7% in 2018/19

The economic statistics of Oct.-Dec. 2017 indicate recovery from the temporary slowdown in Q2 and Q3. All respondents expect growth of 7% or more in FY2018/19. They generally agree that disruptions caused by demonetization and the introduction of GST have diminished. Emergent concerns include inflation risk triggered by expansion of public expenditure in rural areas and further depreciation of the rupee. Still, economists expect growth to accelerate in 2019/20.

1. Growth Prospects

Real GDP growth (year-on-year, %)

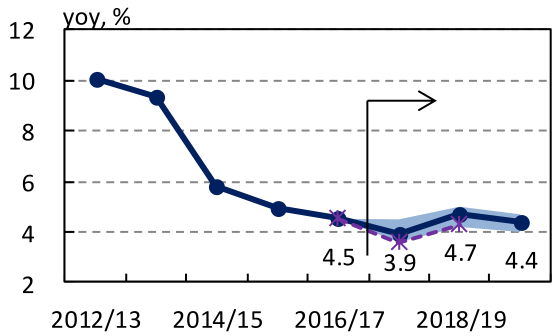
		Average		Max.	Min.
2017	Oct.-Dec.	7.2			
2018	Jan.-Mar.	7.4	(▲0.2)	8.0	6.6
	Apr.-Jun.	7.7	(+0.0)	8.2	7.2
	Jul.-Sep.	7.4	(▲0.1)	7.5	7.1
	Oct.-Dec.	7.2		7.6	6.7
2016/17		7.1			
2017/18		6.7	(+0.0)	7.0	6.5
2018/19		7.4	(+0.0)	7.6	7.2
2019/20		7.8	(+0.1)	8.0	7.6

Note: Figures in parentheses show change from three months ago.

Recovery in Process, Bank Credit is Key

Sonal Varma of Nomura believes the current V-shaped recovery will continue "assisted by ongoing remonetization and exit from GST related disruptions." Thirthankar Patnaik of Mizuho Bank reports: "We believe a sustained revival in bank credit would be the key in sustaining growth in next few quarters." Shekhar Shah of NCAER cites the NPA problem and US trade sanctions as negatives.

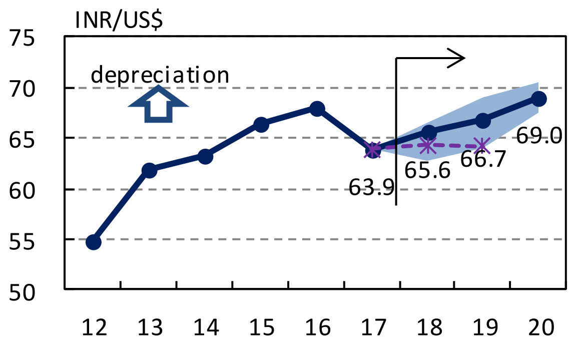
2. Inflation



CPI to Rise in 2018/19 on Various Factors

The average forecast sees CPI rising to 4.7% in 2018/19, up by 0.8 points from the 2017/18 estimate. Rising consumption demand and more expensive oil should drive prices. Dharmakirti Joshi of CRISIL adds: "The government's measures to compensate farmers with higher minimum support process (MSP) could influence food inflation." Kentaro Konishi of Daiwa Capital Markets India, on the other hand, sees "improvement in supply side" as a favorable factor for price stability.

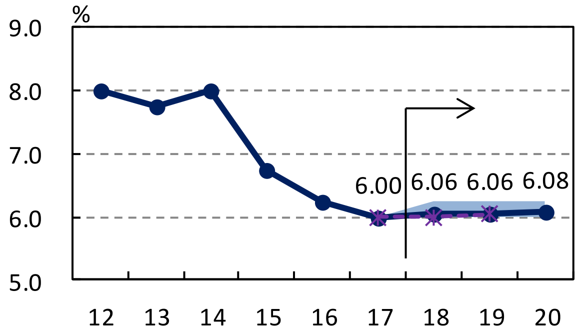
3. Exchange Rate (end of the period)



Moderate Depreciation Foreseen in 2018

Economists share the view that an increasing current account deficit would put pressure on the rupee, leading to moderate depreciation. Joshi of CRISIL says, "Foreign capital inflows, which are needed to finance CAD, face risks from tighter global liquidity." Varma of Nomura also sees political and inflation risks clouding the outlook for the rupee.

4. Policy Interest Rate (RBI Repo Rate) (end of the period)



5. Risks

Rank	Risk	Score
1	Rise of protectionism/slowdown or decrease in world trade	40
1	Political instability	40
3	Rise in commodity prices	36
4	Economic reform prospects decline	32
5	Inflation accelerates/asset bubble	28
6	Rising government debt	16

6. Impact of Reform Policies; Challenges

Evaluation of Reforms
• The downside risks from demonetization and GST are rapidly falling and a cyclical recovery is in the offing, owing to the ongoing remonetization and normalization of GST roll-out. • Aside from the base effects of demonetization and GST, we will see real impact from these reforms. • Short-term indicators such as IIP are continuing to pick up. Investment has also started improving and will rise further with the increase in capacity utilization following pick-up in demand.
Remaining Challenges
• The growth forecast of 7.5% in fiscal 2018/19 is still below the average growth of 7.6% seen in the past 15 years.
• Banking NPAs persist as a worry. • Uncertain times still lie ahead, and while growth upward of 7% is likely, the prospect of a steady, high-growth, multi-year trajectory greater than 8% is uncertain. • Despite green shoots of improvement in the past three months, credit growth remains weak, and asset quality of PSU banks shows little sign of improvement.

Many Expect No Rate Hike in 2018

Most economists foresee RBI keeping the rate unchanged in 2018. Joshi of CRISIL says: “we expect the repo rate to remain unchanged over next six months unless significant upside risks materialize.” Patnaik of Mizuho doubts rate changes are imminent, saying “we would maintain odds of an extended pause on rates.” However, he expects “a back-ended hike in the repo rate by 25bsp” in Oct-Dec. 2018.

Protectionism Concerns Emerge

Concerns about protectionism emerged as the biggest risk, tied with political instability, for the first time since the Sept. 2017 survey. This reflects U.S. President Trump’s decision to impose tariffs on steel and aluminum products, and on Chinese products. Shah of NCAER warns that “increasing protectionism would add to India’s woes.” A rise in commodity prices was the third biggest risk conceived. Joshi of CRISIL says: “Higher commodity prices will increase India’s CAD and retail inflation.”

Reforms Producing Results, NPA in Focus

The survey asked economists for their evaluation of a series of reforms carried out by Prime Minister Modi, and about the challenges that the economy faces. Many answered that the disruptions caused by demonetization and the introduction of GST were diminishing. Konishi of Daiwa says: “We will see the real impact of reforms that have made the economy more efficient and transparent.”

Improvement in the banking sector, including the issue of non-performing assets, is one of the big challenges, according to respondents. Patnaik of Mizuho points out: “We see improving prospects from its current level only when there’s significant change in the banking sector.” Varma of Nomura is also cautious: “The weak balance sheet of banks and corporates remains a drag, and new investment prospects remain subdued.” Sluggish credit growth and political instability are also matters of concern.

■ List of survey respondents

Indonesia		
Maybank Indonesia	Chief Economist	Juniman
Bank Mandiri	Head of Industry and Regional Research Department	Dendi Ramdani
CIDES (Center for Information and Development Studies)	Chairman	Umar Juoro
PT Bank Danamon Indonesia	Economist	Wisnu Wardana
Malaysia		
Maybank	Group Chief Economist	Suhaimi Ilias
RHB Research Institute Sdn Bhd	Senior Manager	Vincent Loo Yeong Hong
Kenanga Investment Bank	Head, Economics Department	Wan Suhaimie Wan Mohd Saidie
AmBank Group	Chief Economist	Anthony Dass
Alliance Bank	Chief Economist	Manokaran Mottain
Socio-Economic Research Centre (SERC)	Executive Director	Lee Heng Guie
Philippines		
Ateneo de Manila University	Director of Economic Research	Alvin Ang
BDO Unibank Inc.	FVP-Chief Market Strategist	Jonathan Ravelas
Philippine Equity Partners Inc.	Head of Research	Jojo Gonzales
Metropolitan Bank & Trust Company (Metrobank)	Research Analyst	Pauline May Ann E. Revillas
Bank of the Philippine Islands	Vice President / Lead Economist	Emilio S. Neri Jr.
University of Asia and the Pacific	Senior Economist	Victor Abola
Union Bank of the Philippines	Chief Economist	Carlo Asuncion
De La Salle University	Associate Dean, School of Economics	Mitzie Conchada
Singapore		
Centennial Asia Advisors	CEO	Manu Bhaskaran
Singapore University of Social Sciences	Director, Centre for Applied Research	Randolph Tan
MUFG Bank, Ltd.	Senior Economist	Yuma Tsuchiya
Thailand		
Kasikorn Research Center	Head-Research of Macroeconomics	Nattaporn Triratanasirikul
KT ZMICO Securities	Senior Economist	Thammarat Kittisiripat
Bank of Ayudhya PCL	Head of Research Division and Chief Economist	Somprawin Manprasert
CIMB Thai Bank Public Company Limited	Head of Research Office	Amonthep Chawla
TMB Bank PCL	Team Head, TMB Analytics	Naris Sathapholdeja
India		
Daiwa Capital Markets India	President and CEO	Kentaro Konishi
CRISIL	Chief Economist	Dharmakirti Joshi
Nomura India	Chief India Economist	Sonal Varma
Mizuho Bank Limited	Chief Strategist and Head of Research, India	Tirthankar Patnaik
National Council of Applied Economic Research (NCAER)	Director-General	Shekhar Shah
For Multiple Countries		
Nomura	Seniror Economist	Euben Paracuelles
Barclays Bank, Singapore	Chief Asia-Pacific Economist	David Fernandez
CIMB Group	Group Chief Economist	Donald Hanna

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