

JCER/Nikkei Consensus Survey on Asian Economies

December, 2017

Survey Date: November 29 - December 15, 2017

Appendix

■ Risk

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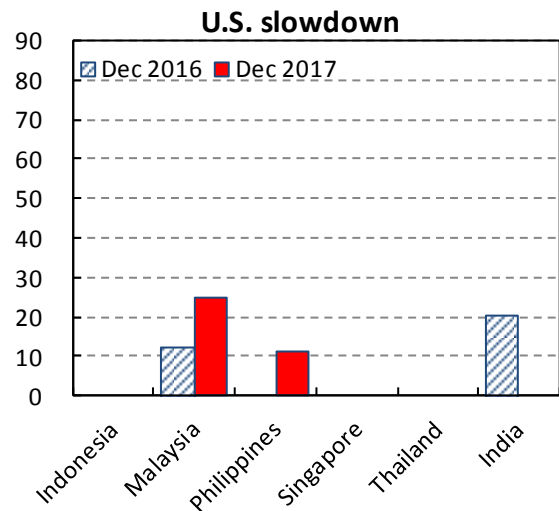
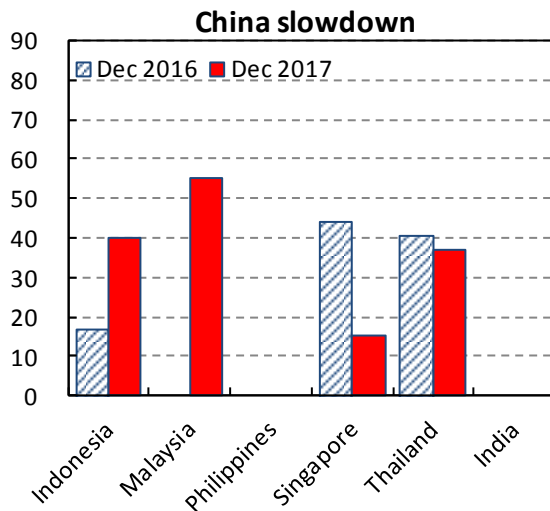
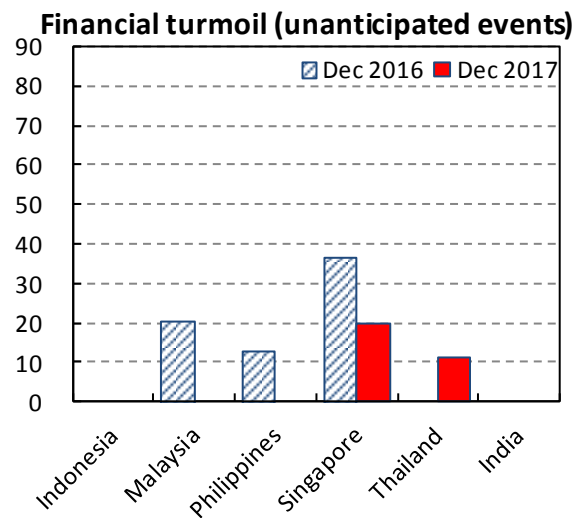
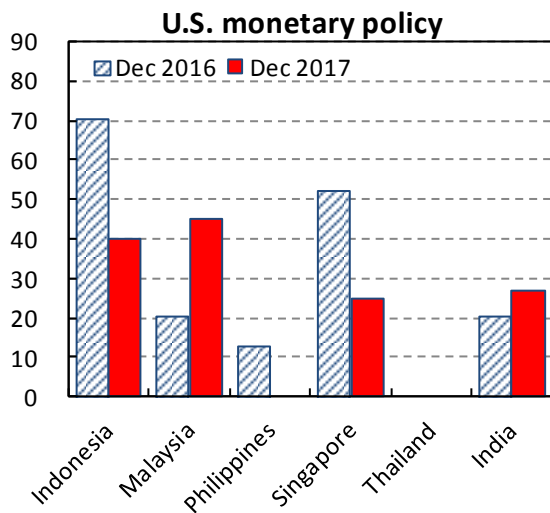
■ Comments

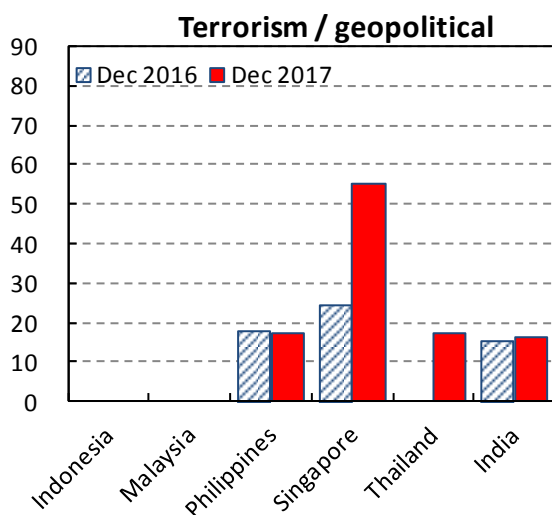
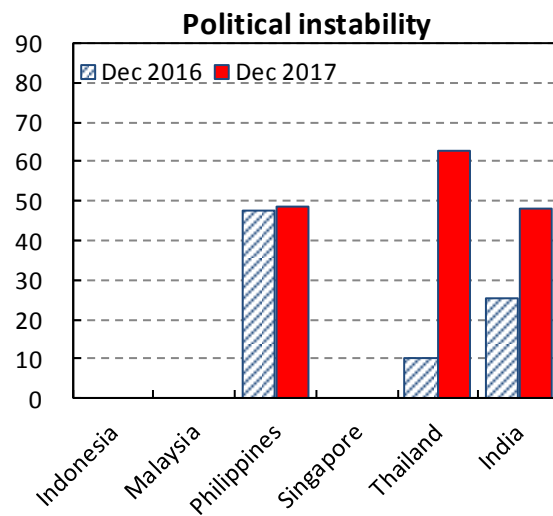
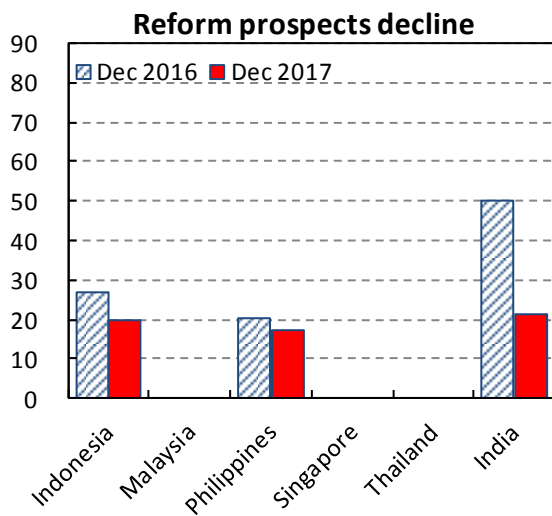
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■ Risk

JCER’s metric provides various data pertaining to risks for Asian economies. Changes in how economists identify major risks are scored by country. The degree of variation between the particular risks identified for one country versus the total average for all countries is also clarified.

Changes in the Identification of Major Risks (by country)



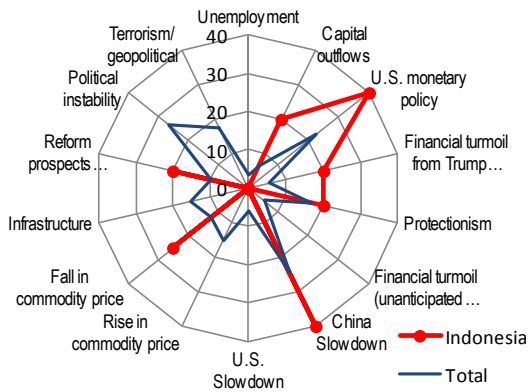


While the perceived threat of protectionism has somewhat faded since the December 2016 survey, fears about political instability have grown or at least remain significant, especially in Thailand and the Philippines. Thailand and Malaysia are to hold general elections in 2018, and India in 2019 after State Assembly elections in 2018. In the Philippines, President Duterte declared liberation of Marawi City from ISIS-affiliated militants in October, but President’s pressure on Chief Justice is said to be casting shadow over judicial independence.

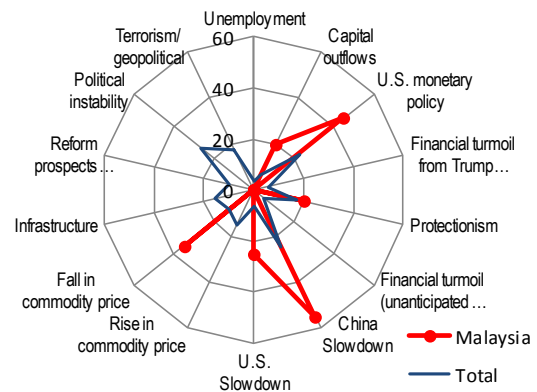
Chinese economy’s slowdown is among the greatest risks perceived by economists in Asia, especially in Malaysia, Indonesia and Thailand. Many economists see China’s growth is likely to slow down in the coming years. Concerns over normalization of the U.S. monetary policy have diminished over a year, but still remain big in Malaysia, Indonesia and other economies. Some fear that it may create volatility in global financial markets or trigger massive capital outflows from the region.

Difference in Identification of Risks

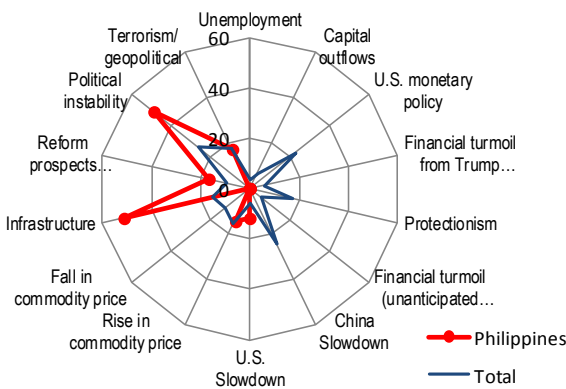
Indonesia



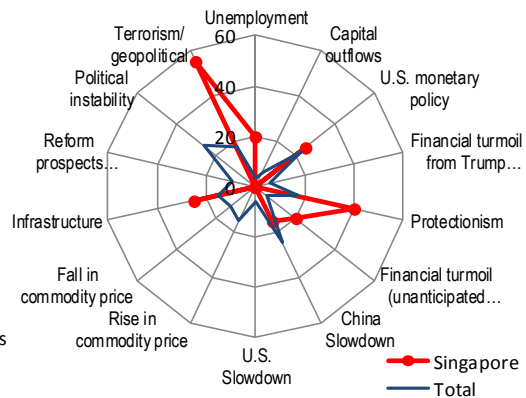
Malaysia



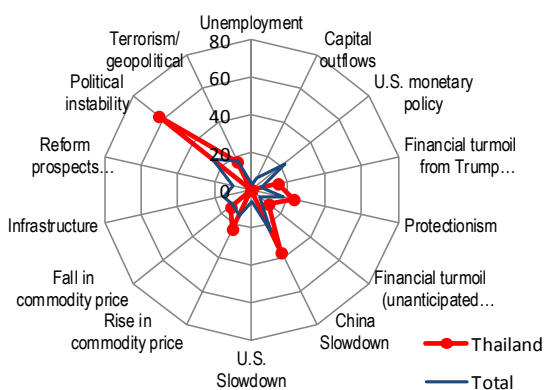
Philippines



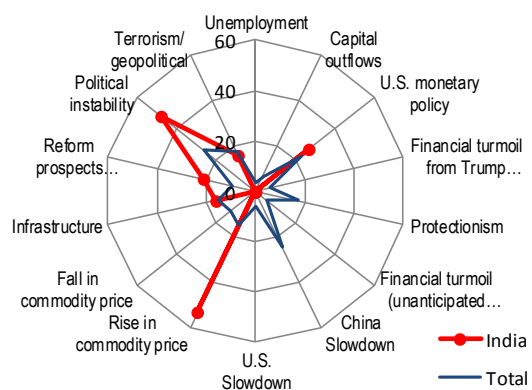
Singapore



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

- 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	“Local government election may help pour in money into the system and support consumption, but the process and output should be monitored on whether it effects political and economic stability” (Wisnu Wardana, Bank Danamon Indonesia)
Malaysia	“The expiration of reduction in Employee Fund Contribution (EPF) after December 2017 may remove a catalyst for household consumption expansion in 2018. However, its impact may be cushioned by the 2 ppts reduction of personal income tax rates, along with other expansionary measures introduced in the Budget 2018” (Wan Suhaimie, Kenanga IB)
Philippines	“A pick-up in global growth and the tech cycle should supplement already strong domestic demand conditions” (Euben Paracuelles, Nomura)
	“Increased government spending [is] seen as well as broad based growth from household spending and investments” (Jonathan L. Ravelas, BDO Unibank)
Singapore	“The main engine powering the better-than-expected growth has so far been narrowly based” (Randolph Tan, SUSS)
Thailand	“We judge that 2018 will remain a tug-of-war between cyclical tailwinds and structural domestic forces that are gradually worsening” (Euben Paracuelles, Nomura)
	“EEC initiative is a key project aimed at achieving long-term goals in the National Strategy and targets in the National Reform plans” (Somprawin Manprasert, Bank of Ayudhya)
India	“Demonetization is likely to have hurt employment in the short-term as labor-intensive sectors such as construction and manufacturing witnessed a growth slowdown in the immediate months following demonetization” (Dharmakirti Joshi, CRISIL)

➤ Markets, Inflation

Country	Comment
Indonesia	“Upside risk from our forecast may come from food inflation amid increasing global food prices” (Wisnu Wardana, Bank Danamon Indonesia)
Malaysia	“The outlook [of ringgit] is further buoyed by sustained current account surplus (vs previous fear of current account turning into deficit), firmer crude oil price and BNM's signal of upside bias in OPR next year” (Suhaimi Ilias Maybank Investment Bank)
	“We see the ongoing North Korea nuclear crisis to add volatility to the ringgit movements in the medium term” (Wan Suhaimie, Kenanga IB)
Philippines	“The Peso may continue to depreciate due to the substantial trade deficit of the Philippines caused by the country's heavy importation of capital goods and materials for the government's infrastructure plan” (Emilio Neri, Bank of the Philippine Islands)
	“... assume stable rates [of peso] due to better exports and lesser imports of capital” (Alvin Ang, Ateneo de Manila University)
Singapore	“Recently CPI has been picking up mainly in food and transportation and will accelerate moderately even though continuation of the decline in housing price” (Yuma Tsuchiya, The Bank of Tokyo-Mitsubishi UFJ)

Thailand	“The THB is projected to weaken against the USD along capital outflows, induced by US rate hikes and tax cuts whereas the Thai policy rate is projected to remain unchanged till the end of 2018” (Amonthep Chawla, CIMB Thai)
	“Even though Fed rate hikes and balance sheet reduction will induce some fund outflows, we expect the net outflows to be minimal. This is because of Thai robust fundamentals especially the external sector, i.e. exports of goods and services. Therefore, we expect a continually strong THB against USD” (Naris Sathapholdeja, TMB Bank)
India	“We expect RBI to maintain status quo on key policy rates” (Tirthankar Patnaik, Mizuho Bank)

➤ **Focuses in 2018, Risk, Structural issues**

Country	Comment
Indonesia	“The first risk in the next coming months is the fall in commodity prices as Indonesia is largely depending on commodity” (Dendi Ramdani, Bank Mandiri)
Malaysia	“The 11th Malaysia plan mid-term review would provide updates on government policy direction and implementation going forward until 2020, as Malaysia rides the digital economy revolution” (Suhaimi Ilias, Maybank Investment Bank)
Philippines	“Inflationary pressures and government debt” are the “issues to watch since tax reform might be weak so government will borrow and put pressure on interest rates and prices” (Alvin Ang, Ateneo de Manila University)
Singapore	“Geopolitical risks, such as the North Korean nuclear issue and the Rohingya crisis, continue to present a growing and uncertain major foreign policy challenge to both Singapore and ASEAN” (Randolph Tan, SUSS)
	“The risks for Singapore economy are changing external environments. For example, trends in US monetary policy and geopolitical risks related to North Korea” (Yuma Tsuchiya, BTMU)
Thailand	“We aim to have a closer look into technology disruption which is coming fast in areas that already affect businesses and thus create winners and losers” (Phacharaphot Nuntramas, Siam Commercial Bank Economic Intelligence Center)
	“Thai exports, both goods and services, rely quite heavily on Chinese market, therefore, Chinese economic slowdown will have a significant effect on Thai economy” (Naris Sathapholdeja, TMB Bank)
India	“The administrative issues related to GST which had hurt business activity are still being resolved, and it remains to be seen how soon the economic activity will recover from the short-term disruptions created by it” (Dharmakirti Joshi, CRISIL)
	“Anything related to general election will be key to monitor” (Kentaro Konishi, Daiwa Capital Markets India)

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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