

JCER/Nikkei Consensus Survey on Asian Economies

December 2017

Survey Date: November 29-December 15, 2017

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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 November 29, 2017, and 43 responses were collected by December 15. In addition to their forecast figures, economists' perspectives and outlooks on Asian economies are provided.

■ Overview

December 25, 2017

Survey date: November 29-December 15, 2017

ASEAN5 Outlook Up Again, India Recovering to 7% 2018 in Focus: Elections, US Monetary Policy, Geopolitics

Following the previous survey in September, economists revised their 2017 and 2018 growth forecasts upward for major Southeast Asian countries, reflecting prolonged strong exports of electronic goods and spillover effects on domestic economies. The forecast for India in 2017/18 was downgraded once again to below 7% as the disruption accompanying the introduction of Goods and Service Taxes was heavier than expected, but the economy is regaining power and the growth rate could return to more than 7% in 2018/19. Asked what most draws their attention in 2018, economists chose general and local elections in Malaysia, Thailand, Indonesia, and India.

Highlights of the Survey

- The weighted average of growth forecasts for the ASEAN5 in 2017 was revised upward from the previous survey by 0.2 points to 5.0%, as figures for Malaysia, the Philippines, Singapore and Thailand were up. This follows upward revisions in the last four surveys, following March 2017. The forecast for 2018 was also revised upward by 0.1 point to 4.9%.
- The growth estimate for India in 2017/18 was revised downward by 0.3 points to 6.7% due to a slowdown in the April-June period, attributed to temporary stagnation before the introduction of the new tax system. Figures are expected to rebound to 7.4% for 2018/19.
- Recognized risks were diverse. Political instability, U.S. monetary policy, geopolitical risks, and Chinese economic slowdown were among the major risks conceived.

Brighter Picture For Now, with a “Year of Politics” Ahead

The picture of the Asian economy is brightening—for now. The U.S., European, and Chinese economies have grown more steadily than expected. Financial turmoil has not materialized, while the U.S. and Europe have moved toward tightening. Protectionism and other risks related to U.S. President Donald Trump have not harmed the world economy so far. The semiconductor boom is continuing beyond initial expectations.

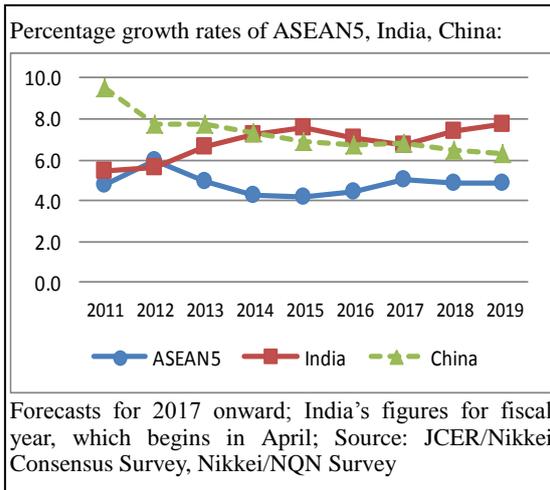
In Focus for 2018

Developments and events that will draw economists' attention in the coming year

Economy	Focus
Indonesia	Local elections, politics
Malaysia	General election
Philippines	Infrastructure and govt. spending Financial markets, monetary policies
Singapore	Labor markets, immigration
Thailand	General election, politics
India	Local elections, politics

The economies of the Association of Southeast Asian Nations are reaping the benefits of this global economic climate. Growth forecasts for the ASEAN5 were revised upward by 0.4 points and 0.2 points for 2017 and 2018 respectively from the June survey conducted six months ago.

Improvements are especially notable in export-oriented Malaysia, Singapore and Thailand. Their 2017 forecasts were revised upward by 0.4, 0.7, and 0.3 points respectively from the previous survey. For 2018, the figures each improved by 0.4



points. “Buoyant global demand will continue to support the export-led expansion of the Singaporean economy,” comments Manu Bhaskaran of Centennial Asia. “The Thai economy is projected to grow at a faster pace amid robust exports and tourism,” says Amonthep Chawla of CIMB Thai Bank.

Strong domestic factors are likely to spur continued growth for Indonesia and the Philippines. Their growth forecasts for 2017 are 5.1 and 6.7% respectively, and 5.4 and 6.7% for 2018. “We expect GDP growth to rise in 2018, driven by higher investment spending which is already gaining momentum,” comments Euben Paracuelles of Nomura on Indonesia.

India’s situation is somewhat different. The negative impact of the introduction of GST was greater than expected. The growth rate in the April-June quarter fell to 5.7%, the lowest in more than three years. The economy, however, looks to be bottoming out as July-September growth recovered to 6.3%.

Risks Identified

Dec. 2017	Sept. 2017
<p>★ Political Instability (in Thailand) (score 63)</p>	★ Infrastructure (Philippines)(70)
	★ Geopolitical Risks (Singapore)(64)
	★ US Economy Slowdown (Malaysia) (60)

Figures indicate JCER Risk Signal score, which reaches 60 or more when all economists regard as an item as a top-three risk.

Nomura India’s Sonal Varma explains: “After the two major disruptions of demonetization and GST, we believe the Indian economy is now on the cusp of cyclical recovery and that these reforms will be positive for economic growth in the long term.”

Risks identified by economists were more diverse than before. The biggest risks differed by country. Political instability is one of the risks shared among several countries. It was the biggest risk in Thailand and the second biggest risks in India and the Philippines. U.S. monetary policy was considered one of three greatest risks in Indonesia, Malaysia, Singapore, and India. “Terrorism/geopolitical risks” was the biggest threat in Singapore.

Rising protectionism and other U.S. President Trump-related risks, the center of concern in the December 2016 and March 2017 surveys, have receded.

The December survey also asked economists about developments and events that will draw their attention in 2018. Elections took center stage in Malaysia, Thailand, Indonesia, and India. Malaysia and Thailand will have general elections by August and November, respectively, while Indonesia will have nationwide local elections in June. India will have several important local elections in the coming year. A presidential election in Indonesia and a general election in India are scheduled in 2019, and campaigns would start in 2018.

The elections may have far-reaching implications. “While the 14th Malaysian general election might generally boost public spending and domestic demand, the uncertainties will add volatility to the financial market and economy as a whole,” expects Wan Suhaimie of Kenanga IB in Malaysia.

■ Forecasts

1. Economic Growth

	2017		2018			2016	2017	2018	2019
	Q3	Q4	Q1	Q2	Q3				
ASEAN5	4.9	5.3 (4.8)	5.0 (4.7)	4.9 (4.7)	4.9	4.4	5.0 (4.8)	4.9 (4.8)	4.9 (4.8)
Indonesia	5.1	5.3 (5.3)	5.2 (5.3)	5.3 (5.4)	5.4	5.0	5.1 (5.2)	5.4 (5.5)	5.5 (5.5)
Malaysia	6.2	5.7 (5.0)	5.6 (4.8)	5.4 (5.0)	5.0	4.2	5.8 (5.4)	5.3 (4.9)	5.0 (4.6)
Philippines	6.9	6.7 (6.8)	6.7 (6.6)	6.9 (6.7)	6.8	6.9	6.7 (6.5)	6.7 (6.7)	6.8 (6.9)
Singapore	5.2	2.9 (2.5)	2.9 (2.3)	2.8 (2.2)	2.0	2.0	3.4 (2.7)	2.7 (2.3)	2.5 (2.3)
Thailand	4.3	4.2 (3.6)	4.0 (3.6)	3.6 (3.1)	4.1	3.2	3.9 (3.6)	3.9 (3.5)	3.9 (3.4)
India	6.3	7.4 (7.5)	7.6 (7.7)	7.7 (7.7)	7.5	7.1	6.7 (7.0)	7.4 (7.6)	7.7 (7.8)
China	6.8 (6.7)	6.7 -	- -	- -	-	6.7	6.8 (6.8)	6.5 (6.4)	6.3 (6.2)

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

Spillover Effects of Exports, Infrastructure Investment Support Growth

2017 growth rates are expected to be significantly higher than 2016 results in Malaysia, Thailand, and Singapore. Improvements were ignited by the expansion of exports, but the benefits have spilled over into domestic economies. Many economists expect the trends to continue. “We expect momentum to remain strong next year, buttressed by stronger domestic fundamentals,” comments Somprawin Manprasert of Bank of Ayudhya, Thailand. “A sustained export upswing would result in broader recovery of household consumption and business investment.”

Infrastructure investment is playing an important role in most countries. “Domestic demand [is] regaining strength as government infrastructure spending is accelerating,” says Victor Abola of the University of Asia and the Pacific in the Philippines.

Even after repeatedly revising their forecasts downward for 2017/18, economists retain optimism for the future of the Indian economy. Tirthankar Patnaik of Mizuho Bank stresses that “one would expect a reasonable pick up in Q3[FY] (Oct.-Dec. 2017) and Q4FY (Jan.-March 2018)” as the economy adjusts to the GST (introduced in July 2017), and the negative effects of demonetization, (carried out in November 2016) fade away. CRISIL’s Dharmakirti Joshi echoes this view: “Growth will continue to be consumption-led in the second half of fiscal 2018 (Oct. 2017-March 2018) backed by near-normal monsoon, softer interest rates, and inflation.” The average growth forecast for 2019/20 is 7.7%.

2. Inflation Rates

	2017		2018			2016	2017	2018	2019
	Q3	Q4	Q1	Q2	Q3				
India	3.0	4.0	4.2	4.7	4.4	4.5	3.6	4.3	4.2
Indonesia	3.8	3.5	3.3	3.6	3.8	3.5	3.8	3.8	3.9
Malaysia	3.8	3.5	2.2	2.8	3.1	2.1	3.9	3.0	2.8
Philippines	3.1	3.3	3.4	3.6	3.7	1.8	3.2	3.5	3.4
Singapore	0.4	0.7	0.7	0.9	1.0	-0.5	0.6	0.9	1.1
Thailand	0.5	1.0	1.2	1.7	1.6	0.2	0.7	1.4	1.6

Year-on-year, in percent; forecasts for 2017 onward; India's figures for fiscal year, which starts in April.

Source: JCER/Nikkei Consensus Survey, Haver Analytics.

Prices Trend Upward in the Philippines, Singapore, and Thailand

Prices are rising sharply in 2017 in five ASEAN countries. Forecasters expect a further rise in 2018 in the Philippines, Singapore, and Thailand, responding to both a possible increase in oil prices and economic expansion. For the Philippines, planned tax reforms including a hike in excise taxes will be a factor in raising the rate. Jonathan Ravelas of BDO Unibank in the Philippines sees rising prices linked to a “gradual rise in inflation seen as an impact of tax reform,” as well as “rising commodity prices and foreign exchange adjustments,” particularly in the second half of 2018.

The figures are expected to maintain the same level in Indonesia. A decrease is expected after 2018 in Malaysia following a sharp rise in 2017. The rate could stay low in India in 2017/18 “as food inflation remains in control, supported by a good monsoon forecast, good crop production in 2016/17, and benign global food prices,” says CRISIL's Joshi.

3. Unemployment Rates

	2017			2018		2016	2017	2018	2019
	Q2	Q3	Q4	Q1	Q2				
Indonesia	5.5	5.4	5.3	5.2	5.3	5.6	5.6	5.3	5.2
Malaysia	3.4	3.4	3.4	3.4	3.3	3.5	3.4	3.3	3.3
Philippines	5.5	5.4	5.5	5.4	5.4	5.5	5.7	5.4	5.1
Singapore	2.1	2.2	2.2	2.2	2.3	2.1	2.2	2.2	2.3
Thailand	1.3	1.1	1.2	1.1	1.1	1.0	1.2	1.1	1.1

Year-on-year, in percent; forecasts for 2017 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. “The jobless rate is stable amid employment and income growth, led by manufacturing and services sectors,” explains Suhaimi Ilias, of Maybank Investment Bank of Malaysia.

Some economists refer to the quality, not quantity, of jobs. “Employment is still very much in informal sectors,” says Umar Juoro of CIDES in Indonesia. Statistics are unavailable for India.

4. Exchange Rates (end of the period)

(Domestic Currency / US\$)

	2017			2018		2016	2017	2018	2019
	Q2	Q3	Q4	Q1	Q2				
India	65.4	64.6	64.4	64.0	63.9	68.0	64.8	64.3	64.2
Indonesia	13492	13493	13525	13553	13563	13436	13502	13547	13609
Malaysia	4.23	4.13	4.09	4.08	4.05	4.49	4.13	4.00	3.95
Philippines	51.1	51.0	51.3	51.4	51.9	49.8	50.9	51.9	52.0
Singapore	1.36	1.36	1.34	1.33	1.33	1.45	1.36	1.34	1.36
Thailand	33.4	33.0	32.6	32.4	32.2	35.8	33.0	32.7	32.5

Forecast for end of periods for 2017 onward; Some respondents gave year-end forecasts only.

Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

U.S. Monetary Policy in Focus

The average forecast figures expect appreciation of currencies against the U.S. dollar for India, Malaysia, and Thailand, and depreciation for Indonesia and the Philippines. It should be noted that expectations differ not only by country but also by economist.

U.S. monetary policy is one of the factors affecting rates. “The impact of tightening U.S. monetary policy by either raising the benchmark interest rate or reducing the balance sheet,” says Juniman of Maybank Indonesia, “makes the U.S. dollar appreciate against the rupiah.”

5. Interest Rates (end of the period)

	2017			2018		2016	2017	2018	2019
	Q2	Q3	Q4	Q1	Q2				
India	6.00	6.00	6.00	6.00	6.00	6.25	6.00	6.00	6.04
Indonesia	4.25	4.25	4.17	4.25	4.25	4.75	4.25	4.30	4.50
Malaysia	3.00	3.00	3.21	3.25	3.25	3.00	3.00	3.25	3.38
Philippines	3.00	3.03	3.11	3.22	3.34	3.00	3.08	3.57	3.68
Singapore	1.12	1.20	1.27	1.40	1.51	0.97	1.20	1.53	1.87
Thailand	1.50	1.50	1.50	1.53	1.53	1.50	1.50	1.64	1.92

Three-month SIBOR for Singapore; policy interest rates for other countries; forecasts for 2017 onward.

Some respondents provided year-end forecasts only.

Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

Economists expect rate hikes for all countries except India after 2018. “Interest rate rises are expected to occur in line with Fed normalization,” predicts Randolph Tan of the University of Social Sciences in Singapore. For India, Nomura’s Sonal Varma says: “We expect the RBI to stay on hold through 2018 given our view of an improving growth outlook, CPI inflation above the 4% target, and higher oil prices.”

■ Risk

Diverse Risks Recognized

The survey revealed considerable diversity in the risks facing each nation. The greatest risks across six countries include political instability, U.S. monetary policy, and terrorism/geopolitical risks. Concerns over these three risks were shared by the respondents in multiple countries.

Concerns over a slowdown of the Chinese economy were also widely shared. It was the biggest risk in Malaysia and Indonesia (tied with two other risks) and the third biggest risk in Thailand. “China is a very important export destination for Indonesia, and it is becoming a risk,” warns Dendi Ramdani of Bank Mandiri of Indonesia.

Problems arisen from a shortage of infrastructure were seen as the largest risk in the Philippines. “Infrastructure development is critical to sustain the country's economic growth,” observes Emilio S. Neri, Jr. of Bank of the Philippine Islands. Alvin Ang of Ateneo de Manila University finds that “government expenditures [are] not enough to increase infrastructure.”

A rise in commodity prices was the biggest risk for India, while a fall in commodity prices was the third biggest risk for Malaysia. Inflation/asset bubble emerged as the third biggest risk in the Philippines, rising from the fourth in the previous survey and reflecting recent upward trends of prices there.

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

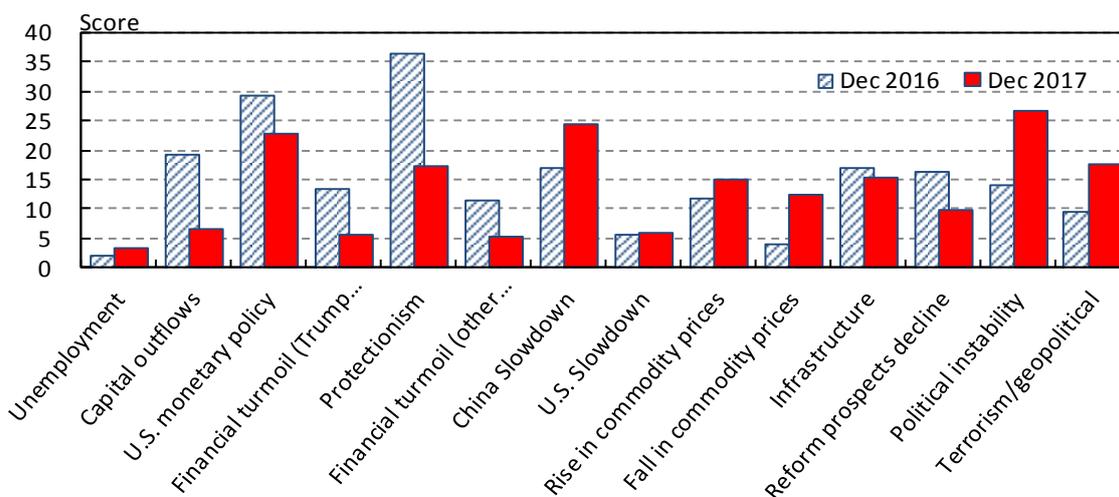
Country	Dec. 2017		Sept. 2017		June 2017	
	Risk	score	Risk	score	Risk	score
Indonesia	1. US monetary policy	40	1. Reform prospects decline	44	1. Reform prospects decline	49
	1. China slowdown ☆	40	2. Capital outflows ☆	40	2.U.S. monetary policy ☆	43
	1.Fiscal restriction	40	3. Financial turmoil from Trump policies ★	36	3.Fall in Commodity prices ☆	40
Malaysia	1. China slowdown	55	1. U.S. slowdown	60	1.Fall in commodity prices ☆	50
	2. US monetary policy ☆	45	2. Electronics exports decline	33	2.U.S. slowdown	43
	3. Fall in commodity prices ☆	35	2. U.S.monetary policy ☆	33	3.China Slowdown	30
Philippines	1. Infrastructure	51	1. Infrastructure	70	1. Infrastructure	55
	2. Political instability	49	2. Reform prospects decline	40	2. Terrorism/ geopolitical	43
	3. Inflation	40	3. Political instability	33	3. Political Instability	25
Singapore					3. China slowdown	25
					3. Inflation	25
	1. Terrorism/geopolitics	55	1. Terrorism/geopolitics	65	1.Protectionism ★	60
	2. Protectionism ★	40	2. Protectionism ★	40	2.China slowdown	48
	3. US monetary policy ☆	25	3. China slowdown	35	3.U.S. slowdown	44
Thailand	3. Infrastructure	25				
	3. High-tech exports slowdown	25				
	1. Political instability	63	1. Currency appreciation ☆	52	1. Political instability	49
India	2. Currency appreciation ☆	37	2. Political instability	48	2.China slowdown	34
	2. China slowdown	37	3. Terrorism/geopolitics	32	3. Protectionism ★	26
	1. Rise in commodity prices ☆	53	1. Protectionism ★	40	1. U.S. monetary policy ☆	52
	2. Political instability	48	2. Capital outflows ☆	35	2. Protectionism ★	40
	3. US monetary policy ☆	27	2. Reform prospects decline	35	3. Reform prospects decline	36

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 appreciation” is employed to indicate “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



Respondents identified risks for each economy individually, but total risk scores for all six economies were also calculated to reveal trends.

■ In Focus for 2018

Elections and Other Concerns

This survey asked economists about the developments and events that will draw their attention in 2018. General and local elections, as well as related political developments, are of greatest interest in Malaysia, Thailand, Indonesia, and India. In Indonesia, the impact of nationwide local elections in June “can lead to increased political pressure,” says Juniman of Maybank Indonesia. “On the other hand, this election can also increase private spending and government spending that can drive economic growth.” According to Nomura India’s Sonal Varma, the local elections “will be seen, rightly or wrongly, as a referendum on Prime Minister Modi's performance.”

On the Economist’s Radar in 2018

Economy	Focus
Indonesia	*Local elections, politics Infrastructure, Investment
Malaysia	*General election
Philippines	*Infrastructure and govt. spending *Financial markets, monetary policies Tax reforms Inflation pressure Monetary policy Politics
Singapore	*Labor markets, Immigrants Housing markets Exports
Thailand	*General election, politics Eastern Economic Corridor US economy and monetary policy Thai monetary policy
India	*Political developments

Remark: items with * draw biggest attention from economists for each economy.

Besides elections and politics, “infrastructure and government spending” is a matter of major interest in Indonesia and the Philippines. “In relation to massive infrastructure development, [the Indonesian government] is now facing [a struggle] to find financing sources, which are becoming more limited,” says Dendi Ramdani of Bank Mandiri in Indonesia.

Issues related to labor markets, human resources, and immigration are raised in Singapore. Randolph Tan of University of Social Sciences diagnoses a “lack of skills in the labor force to support future economic development requirements” as a big risk for the country. He expects new debate on the issue as “Singapore's main concerns will go back to its economic fundamentals, especially the contentious population and immigration debate.”

■ Calendar

New Fed Chair, U.S. Midterm Elections, China’s New Government Team

Elections are scheduled not only in Asian countries but also in other parts of the world. Russia, Mexico, and Brazil will have presidential elections. U.S. politics will undoubtedly see a shake-up with midterm elections in sight as President Trump’s term enters its second year.

Markets will be sensitive to the policies and moves of new Fed chair Jerome Powell after his taking office in early February. China will stare the new government teams in March under Xi Jinping’s second term. The tension in the Middle East will surely persist, while the crisis over the North Korean nuclear issue is also likely to prolong.

News Related to Asian Economies, from the Past Three Months Through 2018

Oct.1	Catalunya referendum in Spain: crisis deepens thereafter
Oct. 18	China Communist Party holds National Congress; 6 th generation leaders not appointed
Oct. 22	Japan ruling parties win general election, increasing chance of constitution amendment
Oct. 26	ECB decides further reduction of asset purchase
Nov. 21	Zimbabwe President Mugabe steps down
Dec.6	US President Trump recognizes Jerusalem as Israel’s capital
Dec. 13	FRB cuts rate by 0.25 points, sets new FF rate target of 1.25-1.5%
Dec. 15	EU permits trade talks with UK to commence in Brexit negotiation
Jan. 20	One year since inauguration of U.S. President Trump
Feb.	Jerome Powell to replace Yellen as FED chair
Feb. 9	Winter Olympic Games in Pyeongchang, S. Korea; N. Korea attendance not clear
Mar.	China National Congress
Mar. 11	Russian presidential election
April 8	Bank of Japan governor Kuroda’s term expires
June 14	FIFA World Cup games in Russia (through July 15)
June 27	Local elections in Indonesia
July	Presidential election in Mexico
by Aug.	General election in Malaysia
Nov. 7	US midterm elections
Nov.	Presidential election in Brazil
by Nov.	General election in Thailand

■ Comments on Economies

➤ Overview, Growth

Country	Comment
Indonesia	“We've seen a steady pick-up in real gross domestic savings per capita, which should provide additional financing for household consumption after 2 year lag” (Wisnu Wardana, Bank Danamon)
	“The pace of investment was supported by improved perceptions of both foreign and domestic investors, especially after S&P upgraded Indonesia's debt rating to investment grade” (Juniman, Maybank Indonesia)
Malaysia	“The upward revisions essentially reflect higher growth forecasts for services, manufacturing and agriculture sectors on the supply-side” (Suhaimi Ilias Maybank Investment Bank)
	“As a net exporter of oil and an even larger net exporter of LNG – the price of which is closely linked to oil – Malaysia stands out as a clear-cut winner in the region from higher oil prices” (Euben Paracuelles, Nomura Singapore)
Philippines	“The economy is expected to expand by at least 6% every year due to sustained consumer spending and higher infrastructure investment. The implementation of the tax reform program will provide additional boost to household spending” (Emilio S. Neri, Jr. Bk of the Philippine Islands)
Singapore	“The pace of economic expansion is moderately by restraining domestic demand” (Yuma Tsuchiya, The Bank of Tokyo-Mitsubishi UFJ)
	“Growth will likely remain narrowly based, still led by the semiconductor-related segments” (Euben Paracuelles, Nomura)
Thailand	“We expect above 4% for GDP growth next year. This is largely attributable to continued broad-based improvement of exports, and to a lesser extent, domestic investment and consumption” (Thammarat Kittisiripat, KT ZMICO Securities)
	“A Thai merchandise export growth will continue to uplift overall economic growth in the next 2 years, accompanied by tourism which will continue to be one of the most important economic drivers” (Naris Sathapholdeja, TMB Bank)
	“Some firms have adopted automation technology to tackle a labor shortage problem, then partly causing a rising number of unemployed persons” (Nattaporn Triratanasirikul, Kasikornbank)
India	“Slowdown related to GST implementation is now over and we saw recovery after July 2017” (Kentaro Konishi, Daiwa Capital Markets India)

➤ **Markets, Inflation**

Country	Comment
Indonesia	“Pressure for Rupiah depreciation is higher in the next coming months” (Dendi Ramdani, Bank Mandiri)
Malaysia	“Moving forward, we expect some upward pressures on the transportation index due to higher global oil prices” (Wan Suhaimie Wan Mohd Saidie, Kenanga IB)
Philippines	“We expect headline inflation to surprise the central bank target to the upside in 2018, partly driven by higher oil prices combined with the impact of tax reform” (Euben Paracuelles, Nomura)
	“The hiking cycle [of interest rate] will start in Q1 2018” (Victor A Abola Univ. of Asia and the Pacific)
Singapore	“With both domestic and external sources of price pressures absent, inflation remains fairly mild” (Randolph Tan, SUSS)
Thailand	“Inflation is expected to be gradual supported by increase in oil prices while both raw food and core inflation remain subdued” (Phacharaphot Nuntramas, Siam Commercial Bank Economic Intelligence Center)
	“Stronger domestic demand leads to higher consumer prices” (Thammarat Kittisiripat, KT ZMICO)
India	“We do not expect the balance sheet normalization program of the US Federal Reserve to have a significant impact on foreign capital inflows as the pace of normalization is expected to be gradual” (Dharmakirti Joshi, CRISIL)
	“With a positive macro and political environment with reforms, credible monetary and fiscal policy, favorable FX valuations, basic balance surplus amid portfolio inflows; and FX intervention limited to dampen volatility, we are positive on the INR” (Sonal Varma, Nomura India)

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

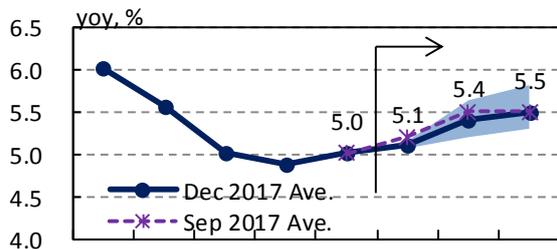
Country	Comment
Indonesia	“The prospect of higher the Fed fund rate can give impact for higher capital outflow” (Umar Juoro, CIDES)
Malaysia	“UMNO and Barisan's relative showing in the upcoming election will matter for the economy through the extent to which a better performance allows UMNO and PM Najib to focus more on fiscal probity and investment (win-win politics) relative to social transfers and coalition building through pork barrel politics (zero-sum politics)” (Donald Hanna, CIMB Group)
Philippines	“If geopolitical factors cause oil prices to rise above \$60/bbl, it raise inflation rates” (Victor Abola, Univ. of Asia and the Pacific)
Singapore	“Singapore is highly open and export-oriented, any fallout threatening global trade flows will certainly impinge on Singapore's growth prospects” (Manu Bhaskaran, Centennial Asia)
Thailand	“Volatility could come from election outcome scheduled to be held by Nov. 18” (Amonthep Chawla, CIMB Thai)
	“Political instability may cause the ongoing government policies/ reforms to be interrupted” (Nattaporn Triratanasirikul, Kasikornbank)

India	“It remains to be seen how government's plan to recapitalize public sector banks will be implemented, how it will affect government finances, and whether it will boost banking sector and spur lending activity” (Dharmakirti Joshi, CRISIL)
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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.

1. Growth Prospects

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

		Average	Max.	Min.
2017	Jul.-Sep.	5.1		
	Oct.-Dec.	5.3 (+0.0)	5.5	5.1
	Jan.-Mar.	5.2 (▲0.1)	5.5	5.1
2018	Apr.-Jun.	5.3 (+0.1)	5.6	5.2
	Jul.-Sep.	5.4	5.6	5.2
2016		5.0		
2017		5.1 (▲0.1)	5.2	5.1
2018		5.4 (▲0.1)	5.6	5.2
2019		5.5	5.8	5.3

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

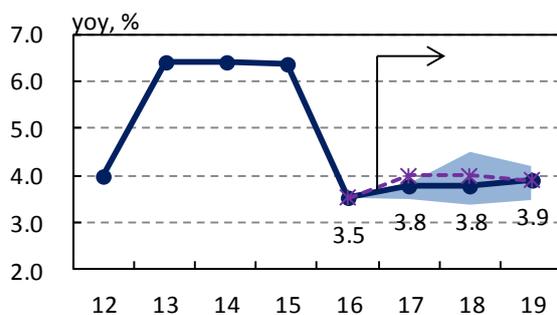
Growth to Remain Over 5% Through 2019

Economists expect growth rates to increase through 2019 from the 5.0% notched in 2016; views have not changed from the previous survey. They see solid consumption and investment as driving forces behind the growth. Nomura’s Euben Paracuelles expects growth will speed up, “driven by higher investment which is already gaining momentum.” Umar Juoro of CIDES believes that strong investment and exports will “continue to 2018.”

Budget Restraint, Elections Affect Economy

Growth rates from Q1 to Q3 were 5.0-5.1% in 2017. Dendi Ramdani of Bank Mandiri thinks growth in Q3 was “below expectations.” Slow growth, he feels, is behind the deceleration of government spending due to budget restraints.. Average forecast for Q4 is slightly higher. “The impact of Christmas and New Year celebrations will boost private consumption,” expects Juniman of Maybank Indonesia. For 2018, economists predict that local elections in June could affect the economy, with Juniman pointing out that they “can increase private spending.”

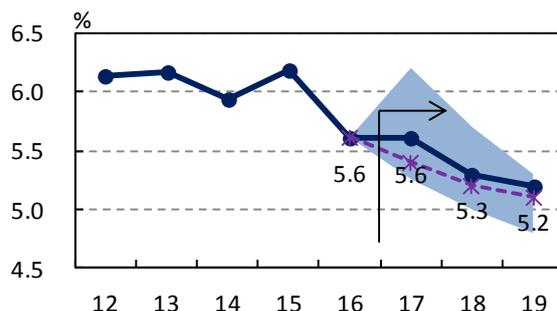
2. Inflation



Outlook Revised Down, Slight Hike Expected

The forecast for 2017 was revised downward from the previous survey. Bank Mandiri’s Ramdani understands that “inflation is lower than the expectation” as demand is weaker than expected. The average forecast sees a slight increase in inflation for 2018. “We expect higher CPI inflation in 2018 as fuel prices will likely be hiked,” says Nomura’s Paracuelles. The rate recorded a historic low in 2016, then began to rise gradually after 2017.

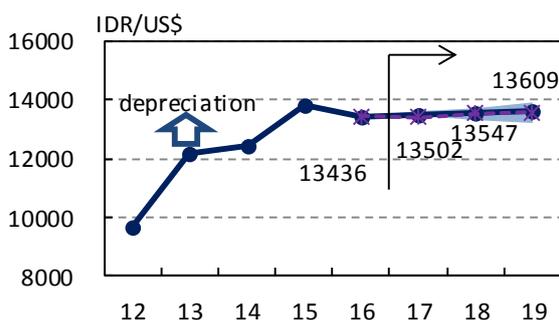
3. Unemployment



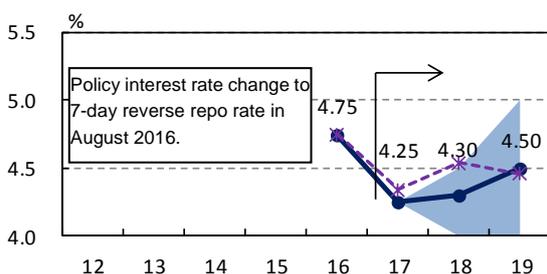
Continued Decrease as Economy Grows

The unemployment rate is expected to decrease through 2019, responding to economic growth. “Acceleration of infrastructure projects will also absorb a lot of labor,” says Juniman of Maybank Indonesia. Ascertaining the actual situation in this field is not an easy task. As Umar Juoro of CIDES points out, “employment is still very much in the informal sector.”

4. Exchange Rate (end of the period)



5. Interest Rate (end of the period)



6. Risks

Rank	Risk	Score
1	Repercussions from U.S. monetary policy	40
1	Chinese economy slowdown	40
1	Fiscal austerity drags on growth	40
4	Fall in commodity prices	25

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

7. In Focus for 2018

Regional Elections
Preparation of general and presidential election in 2019
Fiscal reforms aimed at raising tax revenue
Bureaucratic reform to improve investment climate
IMF-World Bank Annual Meeting on 12-14 October in Bali
Asian games on 18 August Jakarta-Palembang

Average Predicts Slight Depreciation

The average forecast expects slight depreciation of Rupiah against USD towards 2019. “Pressure for Rupiah depreciation is higher in the coming months as capital outflows from the capital market and bond market,” says Ramdani of Bank Mandiri. Juniman of Maybank Indonesia adds: “The impact of tightening US monetary policy... makes the USD appreciate against the rupiah.”

Views of Rate Hikes

Bank of Indonesia decreased its policy rate in August and September to boost the economy amid low inflation rates. Ramdani of Bank Mandiri thinks: “Bank Indonesia does not have much room anymore to lower the interest rate” as the U.S. and other countries raise rates. Umar Juoro of CIDES believes “BI would likely adjust the policy rate upward.” Nomura’s Paracuelles disagrees: “BI is done with policy rate cuts and will remain on hold throughout 2018,” he says.

Foreign Economic Risks Arising

The risks recognized were rather scattered in this survey. “Repercussions from US monetary policy,” “Chinese economy slowdown,” and “fiscal austerity drags on growth” were the three biggest risks. “The prospect of a higher Fed fund rate can [encourage] higher capital outflow,” says Umar Juoro of CIDES on U.S. monetary policy. “Political instability” was not viewed as a big risk, although the upcoming regional elections were seen as events in focus.

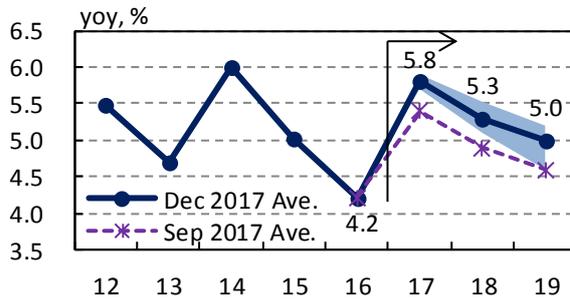
Political Events are Key in 2018

Regional elections drew the attention of many economists. The elections “can lead to increased political pressure,” says Juniman of Maybank Indonesia.

Ramdani of Bank Mandiri focuses on the government revenue and tax reforms. “Revenue is the main problem of the government budget... the government should implement tax reform in order to increase tax revenue,” he stresses. The Asian games, to be held in Jakarta in August, and the IMF-World Bank Annual meeting in Bali in October also drew attention.

Malaysia

➤ Highlights



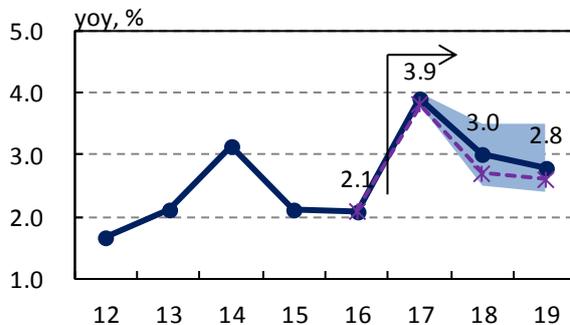
Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

1. Growth Prospects

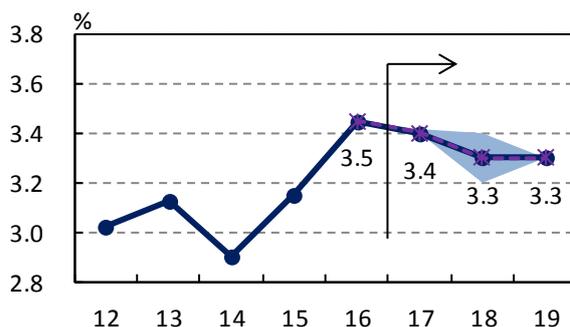
		Average	Max.	Min.
2017	Jul.-Sep.	6.2		
	Oct.-Dec.	5.7 (+0.7)	6.0	5.5
2018	Jan.-Mar.	5.6 (+0.8)	6.0	5.3
	Apr.-Jun.	5.4 (+0.4)	6.2	4.9
	Jul.-Sep.	5.0	5.3	4.5
2016		4.2		
2017		5.8 (+0.4)	5.9	5.7
2018		5.3 (+0.4)	5.5	5.1
2019		5.0 (+0.4)	5.2	4.6

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

2. Inflation



3. Unemployment



Growth Expected to Exceed 5% until 2019

GDP growth is expected to strengthen to 5.8% in 2017 “with both domestic and external engines firing,” as Nomura’s Euben Paracuelles puts it. He also notes that “Malaysia stands out as a clear-cut winner in the region from higher oil prices.” Looking forward, growth is expected to maintain its 5% level until 2019, albeit lower than 2017, representing a 0.4-0.5% point upward revision from the September survey.

Expansionary Budget May Add Support

6.2% growth in 3Q2017 surprised on the upside again, beating the expectation of 5.4% as of September. Moving into 2018, Kenanga IB’s Wan Suhaimie is mindful that “the expiration of the reduced Employee Fund Contribution after December 2017 may remove a catalyst for household consumption expansion,” but he thinks “its impact may be cushioned by the reduction of personal income tax rates and other expansionary measures introduced in the Budget 2018.”

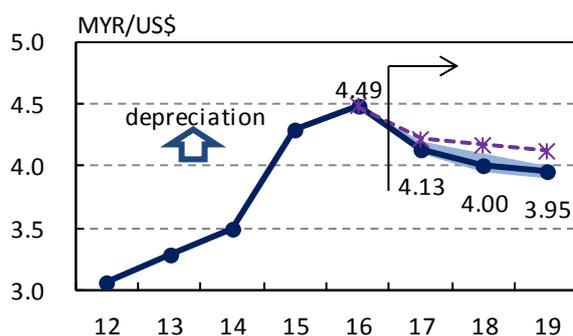
Upward Pressure from Oil Prices

The inflation outlook has been revised slightly upward to 3% in 2018. Maybank’s Suhaimi Ilias sees inflation “driven by cost-push factors, especially with the advance in global crude oil prices keeping domestic fuel prices firm.” Meanwhile, Wan Suhaimie believes the impact will be manageable since “Putrajaya (the government) raised the possibility of reintroducing subsidies for retail fuel prices in the event of fuel prices breaching the RM2.50/litre for three consecutive months.”

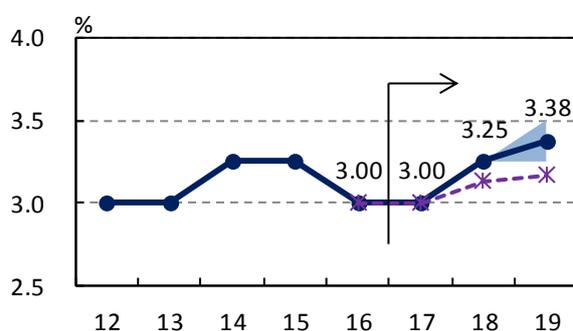
Gradual Improvement in Sight

Most economists see the unemployment rate gradually improving toward 3.3% in 2018, in line with previous forecasts in September. The unemployment rate is “stable amid employment and income growth, led by manufacturing and services sectors,” says Maybank’s Suhaimi Ilias.

4. Exchange Rate (end of the period)



5. Policy Interest Rate (end of the period)



6. Risks

Rank	Risk	Score
1	Chinese economy slowdown	55
2	Repercussions of U.S. monetary policy	45
3	Fall in commodity prices	35
4	Inflation accelerates/asset bubble	25
4	U.S. economy slowdown	25

7. In Focus for 2018

✓ The 14th Malaysian general election
<Others>
• New minimum wage policy
• OPR hike
• Mid-term review of the 11th Malaysia Plan
• Spillover of exports into domestic demand
• Crude oil movements

Expected to Strengthen toward 1USD=4MYR

Continued global economic recovery should be “favorable for currencies of trade-related economies including Malaysia,” says Maybank’s Suhaimi Ilias. He adds that “the outlook is further buoyed by sustained current account surplus, a firmer crude oil price, and BNM’s signal of upside bias in OPR next year.” Meanwhile, Kenanga IB’s Wan Suhaimie sees “the ongoing North Korea nuclear crisis to add volatility to the ringgit movements in the medium term.”

A Hike Is Likely in 2018

After no change in the Overnight Policy Rate in 2017, all responding economists expect a hike in 2018, driven by “concerns over financial imbalance risks,” according to Nomura’s Euben Paracuelles and “stronger than expected economic growth,” according to Wan Suhaimie. Wan expects that a hike “may also help to cushion the impact of a possible outflow of capital as well as to defend the ringgit.” Wan and Paracuelles expect the hike in 1Q18 while Suhaimi Ilias sees May 2018 as the earliest possible timing after the general election, which he expects to take place in 1Q18.

Concerns from Overseas

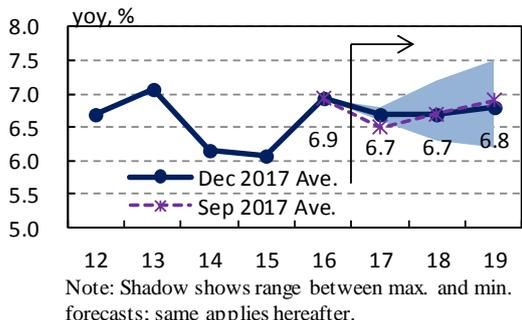
Risks of overseas origin, including Chinese and U.S. economic slowdowns, U.S. monetary policy, and a fall in commodity prices, continue to dominate among the greatest risks identified by economists. Inflation was raised as another leading risk. Suhaimi Ilias points out that a “rise in commodity prices...could have potential adverse impact on domestic consumer spending.”

Eyes on General Election

The general election to be held by August is identified by every economist as the important focus in 2018. CIMB’s Donald Hanna says the ruling parties’ “showing in the upcoming election will matter for the economy through the extent to which a better performance allows UMNO and PM Najib to focus more on fiscal probity and investment (win-win politics) relative to social transfers and coalition building through pork barrel politics (zero-sum politics).”

Philippines

➤ **Highlight**



Bright Growth Prospects Reinforced

Many economists have maintained or upgraded already bright forecasts for the Philippine economy. The growth rate is expected to rise gradually, approaching 7% toward 2019. The main engine is robust domestic demand. Jonathan Ravelas of BDO Unibank says “increased government spending [is seen], as well as broad based growth from household spending and investments.” Although some economists were dubious of the government’s bold infrastructure plans, concerns seem to be dissipating. As of 2018, implementation of the tax reform program “will provide an additional boost to household spending,” says Bank of the Philippine Islands’ Emilio S. Neri, Jr.

1. Growth Prospects

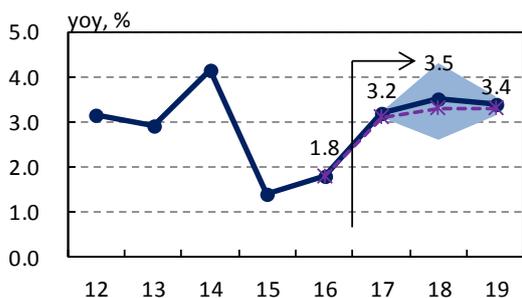
		Average	Max.	Min.
2017	Jul.-Sep.	6.9		
	Oct.-Dec.	6.7 (▲0.1)	7.0	6.5
2018	Jan.-Mar.	6.7 (+0.1)	7.2	6.4
	Apr.-Jun.	6.9 (+0.2)	7.3	6.5
	Jul.-Sep.	6.8	7.1	6.5
2016		6.9		
2017		6.7 (+0.2)	6.8	6.6
2018		6.7 (+0.0)	7.2	6.3
2019		6.8 (▲0.1)	7.5	6.2

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

Some See Over 7% Growth in 2018

Reflecting recent good economic performance as seen in the 6.9% growth rate in 3Q 2017, some economists expect over 7% growth in 2018 and/or 19, a figure not recorded since 2013. “A pick-up in global growth and the tech cycle should supplement already strong domestic demand conditions,” remarks Nomura’s Euben Paracuelles. Victor Abola of University of Asia and the Pacific points out that “continued double-digit growth of exports” will also boost the Philippine economy.

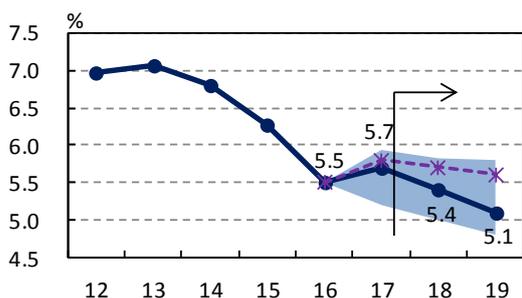
2. Inflation



Upward Pressure from Weak Peso, Tax Reform

Inflation is expected to exceed the 3% level after 2017 (from 1.8% in 2016) because of the weaker peso and recovering commodity prices. In addition, tax reforms will put upward pressure on prices because, says Victor Abola, “higher fuel excise taxes and fewer exemptions for VAT [Value Added Tax] will take effect in January 2018.” Some economists predict that the inflation rate will surpass the central bank’s (BSP) target range (2-4%).

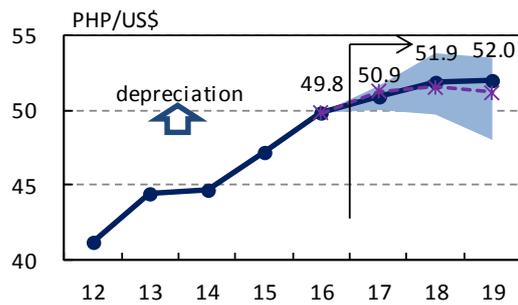
3. Unemployment



Down Trend Reflects Strong Economic Growth

The unemployment rate is expected to fall gradually until 2019. “Increased domestic demand spending and exports will generate more jobs,” foresees Victor Abola. Emilio S. Neri, Jr. predicts that “improvement in infrastructure and lower tax rates will attract foreign companies to the country, which will create more jobs eventually.”

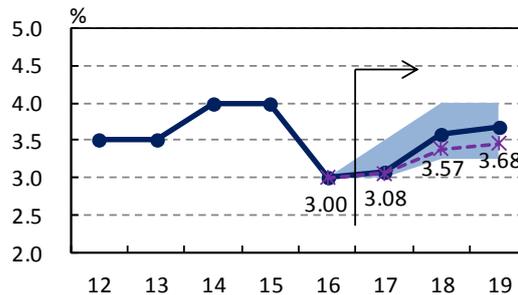
4. Exchange Rate (end of the period)



Average View: Slow Depreciation

The average forecast expects slow depreciation of PHP against the US dollar due to “expectations of further rate hikes in the US and further weakness in the country’s [the Philippines’] current account [balance],” as Jonathan Ravelas explains. A sharp fall, however, is not expected. “The return of foreign investors to the stock market on improved profit prospects would temper the pressure,” says Victor Abola.

5. Interest Rate (end of the period)



At Least One Rate Hike Expected in 2018

All respondents see BSP raising the policy interest rate at least once in 2018 because of intensifying inflation risk “due to pressure from tax reform,” points out Alvin Ang of Ateneo de Manila University. Nomura’s Paracuelles expects that “BSP will not be able to look through the risk of headline inflation breaching its target in 2018” adding: “expect BSP to hike its policy rate by a total 100bp to 4.0% at a rate of one 25bp hike per quarter.”

6. Risks

Rank	Risk	Score
1	Infrastructure issues hinder economic activity	51
2	Political instability	49
3	Inflation accelerates/asset bubble	40
4	Domestic currency depreciates	17
4	Economic reform prospects decline	17
4	Terrorism/other geopolitical risks	17

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

Growing Concern on Inflation

Inflation risk, fourth place in the previous survey in September, rose to third place. Alvin Ang reports: “People want lower prices, and this is reflected in lower consumption.” Insufficient infrastructure was the biggest concern for the fourth consecutive survey. “Philippines need to improve its infrastructure in order to achieve GDP growth above 7 %,” says Emilio S. Neri, Jr.

Political instability took second place. Although a year and a half have passed since President Duterte’s inauguration, many economists remain unable to confirm his ability to achieve economic policies.

7. In Focus for 2018

【Fiscal policy】
Tax reform
Infrastructure spending
【Monetary policy】
Inflation pressures
Monetary tightening cycle

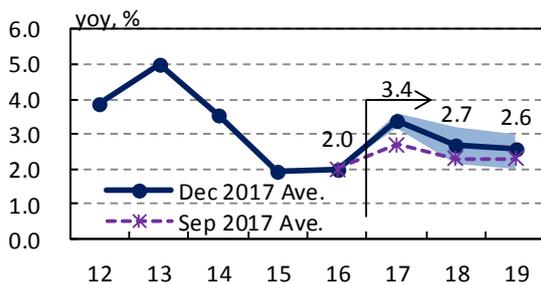
※Answers two or more economists picked up

Tax Reform: A Hot Issue

Policies of a public sector composed of fiscal and monetary institutions are the centerpiece of focus for economists in 2018. On the fiscal side, progress of tax reform plans is a hot issue. The reform plans aim to increase tax revenues as a whole and extend infrastructure projects, which can boost the Philippines’ economic competitiveness in the mid-term. On the monetary policy side, how BSP copes with the recent inflation pressures is the main theme.

Singapore

➤ **Highlight**



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

Outlook Improves Again for '17 and Beyond

Growth prospects for 2017 were revised upward by as much as 0.7% from the previous survey, rising to 3.4% and representing the fourth consecutive upward revision. Exports, which have exceeded expectations, drive this improvement. “Buoyant global demand will continue to support the export-led expansion,” says Manu Bhaskaran of Centennial Asia. Growth in 2018 and 2019 could lag behind 2017, but the figures for these years were also revised upward.

1. Growth Prospects

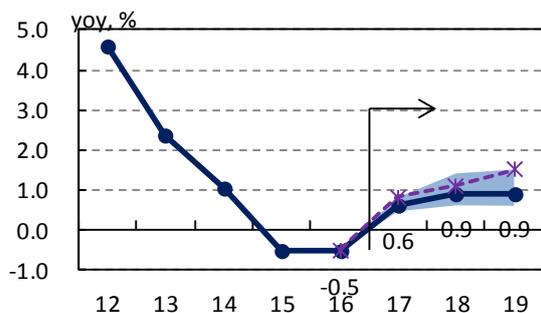
		Average	Max.	Min.
2017	Jul.-Sep.	5.2		
	Oct.-Dec.	3.0 (+0.5)	4.0	2.1
2018	Jan.-Mar.	2.9 (+0.6)	3.5	2.5
	Apr.-Jun.	2.6 (+0.4)	3.3	2.3
	Jul.-Sep.	2.1	2.8	1.1
2016		2.0		
2017		3.4 (+0.7)	3.6	3.2
2018		2.7 (+0.4)	3.2	2.2
2019		2.6 (+0.3)	3.0	2.0

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

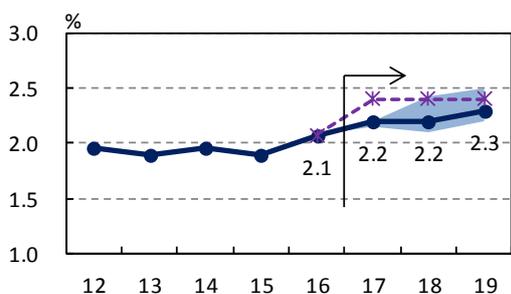
Growth to Remain Narrowly Based

The recent recovery of Singapore’s economy has depended heavily on exports, and especially on semiconductor sectors. “Growth will likely remain narrowly based,” Euben Paracuelles of Nomura predicts. Randolph Tan of Singapore University of Social Science sees the increase in growth as cyclical. Yuma Tsuchiya of Bank of Tokyo-Mitsubishi UFJ sees “restraining domestic demand” influencing a gradual slow down in growth after 2018.

2. Inflation



3. Unemployment



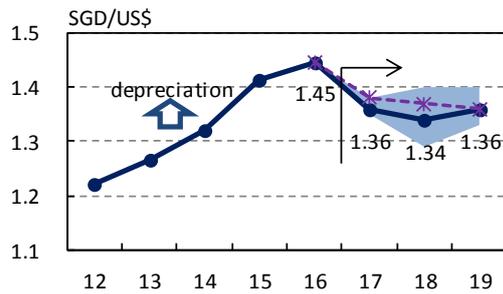
CPI to Rise Moderately

Singapore’s CPI is turning positive on average in 2017 following negative figures in 2015 and 2016. Economists predict continued gradual increase towards 2019. “Inflation remains fairly mild,” says SUSS’s Randolph Tan. “Recently CPI has been picking up mainly in food and transportation,” says BTMU’s Tsuchiya, adding that the rate “will accelerate moderately.”

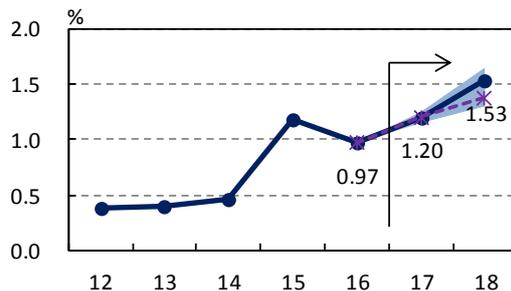
Rate Increasing Despite Strong Growth

The unemployment rate is rising in 2017 despite strong economic growth. “The labor market thus far has not benefited much from the external uplift, says Centennial’s Bhaskaran. Economists see the rate staying flat or rising toward 2019. SUSS’s Tan stresses that “the main factor underlying the effect on employment is skills,” explaining that if the available labor pool cannot fill skills needs, the unemployment rate will not improve with economic growth.

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



5. Interest Rate (end of the period)



6. Risks

Rank	Risk	score
1	Terrorism/other geopolitical risks	55
2	Rise of protectionism/slowdown or decrease in world trade	40
3	Repercussions of U.S. monetary policy	25
3	Infrastructure issues hinder economic activity	25
3	High-tech exports slow	25

7. In Focus for 2018

Issues related to Labor Markets, Immigrants
✓ Labor market recovery
✓ Revisit population and immigration debate
✓ Wage growth
✓ Structural unemployment
✓ Economic restructuring and skills deficits
Other Issues
✓ Real estate market situation
✓ Cost competitiveness
✓ Exports

Average View: Gradual Rise of SGD

Singapore manages its monetary policy through foreign exchange rates rather than interest rates. Centennial’s Bhaskaran expects the Monetary Authority of Singapore (MAS) to change the policy towards appreciation in April 2018; others do not. The average forecast sees gradual appreciation of SGD against USD in 2018, but the views differ by economist.

Increase Likely as U.S. Tightens Policy

As Singapore does not have a policy interest rate, the survey requests forecasts of the SGD Sibor 3-month rate. All respondents expect it to rise through 2019 as U.S. interest rates increase. SUSS’s Tan thinks that “interest rate rises are expected to occur in line with Fed normalization.”

Concern Over Geopolitical Risks

Following the last survey in September, “terrorism/ other geopolitical risks” was the biggest risk. “Geopolitical risks are high and rising and could derail global economic vigor,” says Bhaskaran of Centennial. BTMU’s Tsuchiya sees “changing external environments” as concerns and cites US monetary policy and geopolitical risks related to North Korea as examples. Concerns on protectionism remain strong.

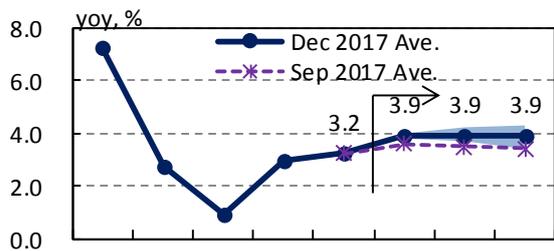
Monitoring Labor Markets, Immigration

The survey asked economists about the developments and events that will draw their attention in 2018. Topics related to labor markets were deemed important for Singapore’s economy. Nomura’s Paracuelles suggests “structural unemployment” while Centennial’s Bhaskaran identifies “labor market recovery.” SUSS’s Tan focuses on the “population and immigration debate.”

For ASEAN economies, the situation of the Chinese economy drew respondents’ attention. Other answers included connectivity within ASEAN, the South China Sea issue, and the foreign policy of ASEAN.

Thailand

➤ **Highlight**



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

Growth Revised Up by 0.3 Points to 3.9% in '17

The average 2017 growth rate is forecast at 3.9%, revised 0.3 points upward from the September survey. Bank of Ayudhya's Somprawin Manprasert raised his forecast to 4.0% from 3.8%, adding that the rate is "well above post-crisis growth trends." CIMB Thai Bank's Amonthep Chawla expects the economy to "grow at a faster pace amid robust exports and tourism, while private investment is expected to rebound moderately in line with rising confidence of investors on political stability."

1. Growth Prospects

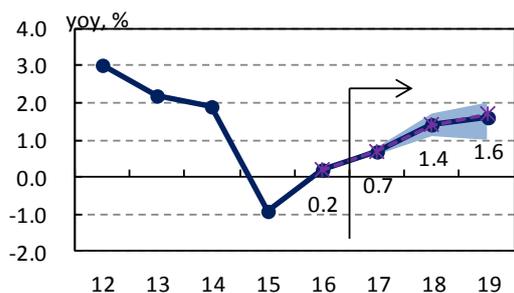
		Average	Max.	Min.
2017	Jul.-Sep.	4.3		
	Oct.-Dec.	4.2 (+0.6)	4.6	4.0
2018	Jan.-Mar.	4.0 (+0.4)	4.4	3.7
	Apr.-Jun.	3.6 (+0.5)	4.1	2.0
	Jul.-Sep.	4.1	5.3	3.7
2016		3.2		
2017		3.9 (+0.3)	4.0	3.8
2018		3.9 (+0.4)	4.2	3.7
2019		3.9 (+0.5)	4.3	3.4

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

Growth to Accelerate in 2018, 2019

Growth prospects for 2018 and 2019 will accelerate. TMB Bank's Naris Sathapholdeja projects a conservative 3.8% in 2018 and a positive 4.0% in 2019. "Private consumption, restrained partly by existing high household debt, will grow at a gradual pace. Private investment is expected to be boosted fully in 2019 by government promotion of the Eastern Economic Corridor." Nomura Singapore's Euben Paracuelles feels that "Robust global growth and external demand will likely boost export- and tourism-related sectors. The underlying domestic demand picture will likely remain mixed at best."

2. Inflation



Forecast Rises Toward 2019

The outlook for the full year 2017 remains 0.7%, unchanged from the previous survey. Kasikornbank's Nattaporn Triratanasirikul remarks: "Looking into 2018, we have expected that Thai inflation will gradually rise to an average above 1%, caused by increases in transportation cost and labor cost, while energy prices tend to contribute a positive effect, though at a marginal level."

3. Unemployment

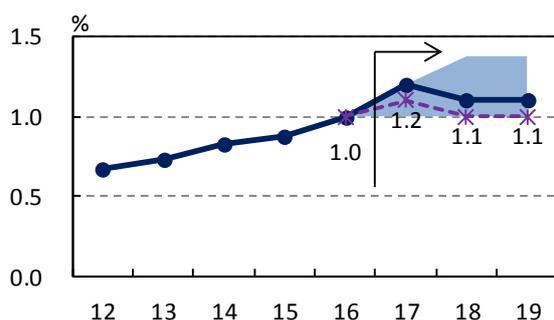
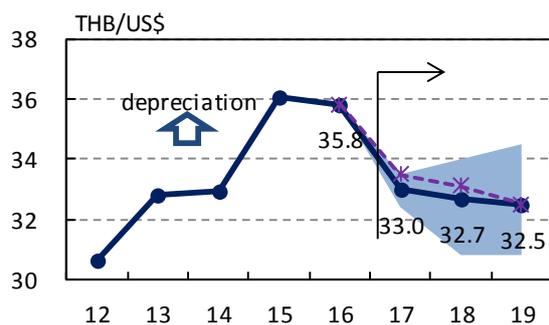


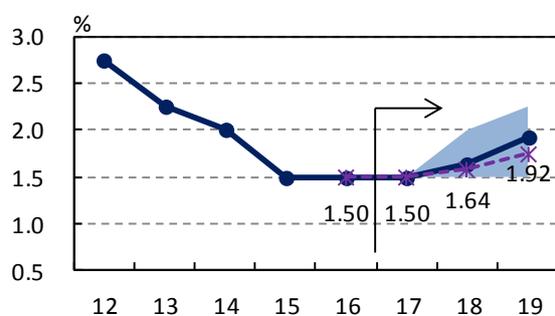
Figure to Hover at 1.1-1.2%, Slightly Worse

The unemployment rate will hover around 1.1-1.2% toward 2019, slightly worsened from the previous survey's 1.0-1.1%. According to Nattaporn of Kasikornbank, "Given technological transition coupled with labor mismatch problems in the Thai labor market, some firms have adopted automation technology to tackle a labor shortage problem, partly causing a rising number of unemployed persons."

4. Exchange Rate (end of the period)



5. Interest Rate (end of the period)



6. In Focus for 2018

Rank	Risk	Score
1	Political instability	63
2	Domestic currency appreciates	37
2	Chinese economy slowdown	37
4	Rise of protectionism/slowdown or decrease in world trade	23
4	Rise in commodity prices	23
6	Terrorism/other geopolitical risks	17

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

Average View: Appreciation to Continue

The baht has appreciated recently, and the average respondent expects the strong baht to continue toward 2018 and 2019. Naris of TMB says: “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 robust Thai fundamentals, especially in the external sector, i.e. exports of goods and services.” Opposed, CIMB’s Amonthep expects a weakening baht in the future, saying: “Going forward, trade surplus is projected to decline amid lower exports and higher imports which could induce the THB to move in the direction of capital flows.”

Rate Hike Expectations Strengthen

As the economy strengthens and inflation progresses, interest rate hikes are expected toward 2019. Naris of TMB expects two hikes in 2018 “due to the continual expansion of the Thai economy and the beginning of a global monetary tightening trend.” But he thinks “the rate hikes may be constrained by a delayed recovery of private investment.” Nomura’s Paracuelles, however, thinks there will be no hike until 2019, saying: “The Bank of Thailand has been able to withstand government pressure to cut policy rates in 2017.”

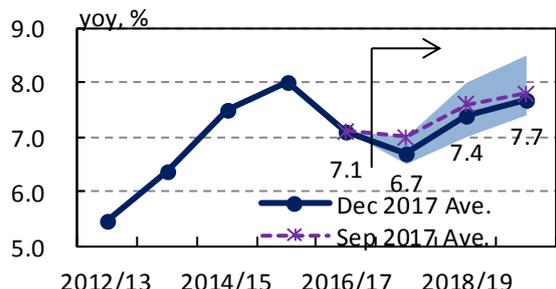
Political Instability Largest Risk Again

“Political instability” is regarded as the largest risk again, pushing “baht appreciation” into second. The military government is to hold a general election in November 2018. CIMB’s Amonthep thinks the “election outcome... could lower confidence of consumers and investors if the path is uncertain.” Nattaporn of Kasikornbank voices concerns that “political instability may cause the ongoing government policies/reforms to be interrupted.” KT ZMICO Securities’ Thammarat Kittisiripat lists appreciation of baht owing to a “stronger economic outlook plus markets disappointed in Trump’s stimulus policy” as the greatest risk.

Asked about his focus in 2018, Siam Commercial Bank’s Phacharaphot Nuntramas says “technology disruption.” “We aim,” he says, “to have a closer look into technology disruption, which is coming fast in areas that already affect businesses and thus create winners and losers.”

India

➤ **Highlights**



2012/13 2014/15 2016/17 2018/19
 Note: Shadow shows range between max. and min. forecasts; same applies hereafter.

Downgrade in 2017/18, Recovery in 18/19

Economists revised their forecasts for 2017/18 downward reflecting weaker-than-expected results (only 5.7%) in April-June 2017. The average figure is 6.8%, the first year below 7% in 4 FYs. The slowdown was mainly due to the disruption caused by GST, introduced in July 2017. Many economists believe that the economy has already bottomed out and expect the economy to grow at 7.0% or more for 2018/19.

1. Growth Prospects

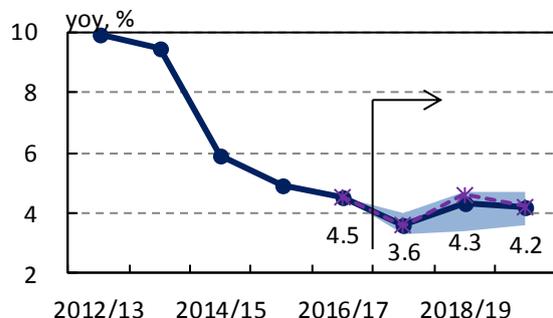
		Average	Max.	Min.
2017	Jul.-Sep.	6.3		
	Oct.-Dec.	7.4 (▲0.1)	8.5	6.7
2018	Jan.-Mar.	7.6 (▲0.1)	8.2	7.2
	Apr.-Jun.	7.7 (+0.0)	8.4	7.0
	Jul.-Sep.	7.5	7.8	7.0
2016/17		7.1		
2017/18		6.7 (▲0.3)	7.0	6.5
2018/19		7.4 (▲0.2)	8.0	7.0
2019/20		7.7 (▲0.1)	8.5	7.4

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

GST Shock Fading Out

Economists expect economic recovery as the negative impact of GST fades. Thirthankar Patnaik of Mizuho Bank foresees growth around 6.7% in 2017/18 “driven by a revival in the manufacturing sector.” Kentaro Konishi of Daiwa Capital Markets India says: “Slowdown related to GST implementation is now over and we saw recovery after July 2017.”

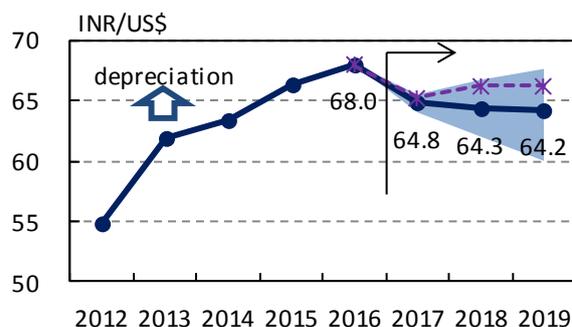
2. Inflation



Rate to Stay Below 4% this FY, Then Rise

All respondents forecast that CPI would stay at or below 4% in 2017/18 thanks partly to a good monsoon, which stabilizes food prices. They see higher inflation in 2018/19. Dharmakirti Joshi of CRISIL explains, “some upside in inflation from higher global oil prices and pick-up in domestic demand possible.” In the middle term, Konishi of Daiwa expects that a “good impact from reform like GST can be seen in supply side...and these will reduce inflation pressure.”

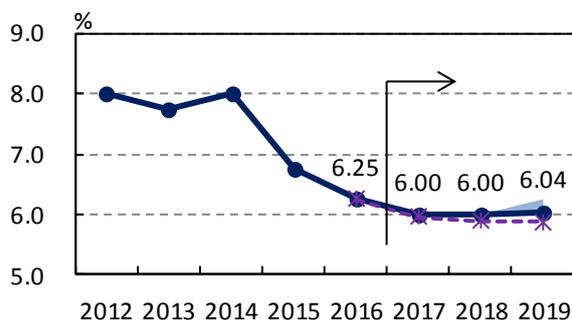
3. Exchange Rate (end of the period)



Both Stronger and Weaker Rupee Possible

Economists expect the Indian rupee to float around 64.0-65.0 against the USD at the end of 2017. Views for 2018 and after differ by economist. Sonal Varma of Nomura states that “with a positive macro and political environment with reforms, we are positive on the INR.” Joshi of CRISIL adds that “the currency is likely to receive pressure from the higher current account deficit (CAD), as import growth is expected to be stronger than export growth.”

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



5. Risks

Rank	Risk	Score
1	Rise in commodity prices	53
2	Political instability	48
3	Repercussions of U.S. monetary policy	27
4	Fiscal austerity drags on growth	21
4	Rising household or corporate debt	21
4	Economic reform prospects decline	21

6. In Focus for 2018 (special question)

Events
<ul style="list-style-type: none"> •Forthcoming local assembly election for eight states including Karnataka and Rajasthan •Implementation of bank recapitalisation plan •Settling of GST-related issues and disruptions •Recover in corporate earning and private sector investment
Check Points
<ul style="list-style-type: none"> •General election-related news under close scrutiny •Risk of early elections in Q4 2018 •Higher oil prices can increase fiscal burden, impacting government developmental expenditure •Heavy political calendar implies multiple event risks, each viewed as a referendum on PM Modi's performance

No Policy Changes Expected for Now

RBI cut the policy rate by 0.25 points to 6.0% in August. Respondents see no additional rate cut in 2017. As Patnaik of Mizuho comments, “inflation dynamics seem to have taken a turn for a higher trajectory. We expect RBI to maintain status quo on key policy rates.” The situation could alter if economic conditions change. Joshi of CRISIL warns that “there could be room for a rate cut if the downside risks to growth materialize.”

Commodities and Politics are Top Two

“Rise in commodity prices” and “political instability” were the two biggest risks identified by economists. “Protectionism” and “capital outflows” were the greatest concerns in the previous survey in September. “India imports 70% of its oil requirement; hence every USD10/bbl change in oil price adds 0.4% of GDP to the current account deficit”, Varma of Nomura explains.

Local Elections and Reforms in Focus

The survey asked economists about the developments and events that will draw their attention in 2018. Local elections are of greatest interest for them. India will have elections in 8 states, including Karnataka and Rajasthan in 2018. These elections are seen as “test matches” for the 2019 general election. Varma of Nomura speculates that “the Lok Sabha (general) elections are not due until April/May 2019, but we see a risk of early elections being held in Q4 2018.”

Economists are also interested in the development of economic reforms. Joshi of CRISIL also points out that “the administrative issues related to GST which had hurt business activity are still being resolved.” The bank capitalization plan also draws attention.

Daiwa’s Konishi focuses on corporate earnings. “The market has been waiting on earning recovery and after many reforms,” he says. “Now corporations need to show some improvement to back up relatively higher valuations.”

■ 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 Investment Bank	Chief Economist	Suhaimi Ilias
CIMB	Group Chief Economist	Donald Hanna
Kenanga Investment Bank	Head, Economics Department	Wan Suhaimie Wan Mohd Saidie
Philippines		
Ateneo de Manila University	Professor	Alvin Ang
BDO Unibank Inc.	Chief Market Strategist	Jonathan L. Ravelas
Philippine Equity Partners	Head of Research	Jojo Gonzales
ING Bank Philippines	Senior Economist	Jose Cuyegkeng
Bank of the Philippine Islands	Lead Economist	Emilio S. Neri, Jr.
Univ. of Asia & the Pacific	Senior Economist	Victor A. Alba
Singapore		
Centennial Asia Advisors	CEO	Manu Bhaskaran
Singapore University of Social Sciences	Director, Center for Applied Research	Randolph Tan
The Bank of Tokyo-Mitsubishi UFJ	Senior Economist	Yuma Tsuchiya
Thailand		
Siam Commercial Bank - Economic Intelligence Center	Senior Vice President	Phacharaphot Nuntramas
Kasikorn Research Center	Head Research	Nattaporn Triratanasirikul
KT ZMICO Securities Co. Ltd	Economist	Thammarat Kittisiripat
Bank of Ayudhya PCL	Chief Economist	Somprawin Manprasert
CIMB Thai	Head of Research	Amonthep Chawla
TMB Bank	Team Head of 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 & Head of Research, India	Tirthankar Patnaik
For Multiple Countries		
Nomura	Senior Economist	Euben Paracuelles
Barclays Bank	Managing Director, Research	David Fernandez
HSBC	-	-

The Survey Team

Project leaders

Kiyoshi Kusaka, Principal Economist, JCER

Kenji Yuasa, Principal Economist, JCER

Reports

Overview	Kiyoshi Kusaka, Principal Economist, JCER Kengo Tahara, Principal economist, JCER
Indonesia	Hiroyuki Motegi, Economist JCER Kiyoshi Kusaka, Principal Economist, JCER
Malaysia	Kengo Tahara, Principal Economist, JCER
Philippines	Kazuya Manabe, Economist, JCER Kengo Tahara, Principal Economist, JCER
Singapore	Kiyoshi Kusaka, Principal Economist, JCER
Thailand	Masashi Uehara, Principal Economist, JCER
India	Go Yamada, Principal Economist, JCER

Coordinator

Yoko Kondo, Administrative section, JCER

Japan Center for Economic Research (JCER)

Nikkei Building 11F

1-3-7 Otemachi, Chiyoda-ku, Tokyo 100-8066, Japan

Tel: + 81-3-6256-7710