# JCER/Nikkei Consensus Survey on Asian Economies

April 2019

Survey Date: March 8-27, 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 8, 2019, and 49 responses were collected by March 27. In addition to their forecast figures, economists' perspectives and outlooks on Asian economies are provided.

## ■ Overview

April 8, 2019
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# Outlook Down Again as Trade War Impact Spreads

## Concerns Persist over U.S.-China Tensions, Markets, Politics

Asian economists revised their growth forecasts downward again as the negative influence of the U.S.-China trade war has manifested in weakened exports throughout the region. The 2019 growth forecast for the ASEAN5 was 4.6%, marking the third consecutive downward revision since the September 2018 survey. Figures for export-oriented Thailand and Singapore were down. The Indian economy is expected to maintain growth of over 7%, but projections were revised downward for both fiscal 2019/20 and 2020/21. The softening of U.S. monetary policy may encourage new momentum for growth, but U.S.-China tensions and the slowdown of the Chinese economy persist as major risks. Political uncertainty is also seen as a risk, especially in India and Thailand.

**Highlights of the Survey**

- The weighted average of growth forecasts for ASEAN5 in 2019 was 4.6%, revised downward by 0.1 point from the previous survey in December 2018. The figure falls short of the growth rate achieved in 2018 by 0.2 points.
- 2019 projections were revised downward for Singapore and Thailand, due largely to weaker exports. The projection for the Philippines was also lowered, affected by the delay of budget implementation; growth outlooks for Indonesia and Malaysia remain unchanged.
- Growth projections for India were 7.1% for fiscal 2019/20 and 7.2% for 2020/21, revised down by 0.2 points and 0.3 points respectively. The downward revisions reflect political uncertainty.
- U.S.-China tensions over trade and high-tech issues, along with a Chinese economic slowdown, are seen as major risks. Uncertainty remains in the financial markets; political instability is seen as a key risk in India, Thailand, and Indonesia.

**U.S.-China Conflict Continues; U.S. Monetary Policy Eased**

The past three months have again brought significant developments for the world and Asian economies. U.S.-China tensions over trade and high-tech issues, which began in March 2017 with U.S. President Donald Trump's decision to impose additional import tariffs on Chinese goods, have entered their second year. Trade talks continue to avoid escalating the conflict, but the future remains uncertain. Chinese economic growth slowed to 6.6% in 2018, and further deterioration is feared in 2019. International institutions revised their 2019/20 world economic outlooks downward.

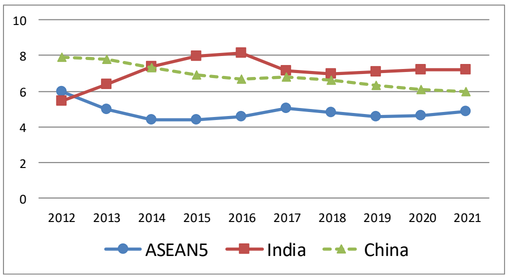
The direction of U.S. financial policy has turned dovish. The Fed has signaled that it will not raise the policy rate this year. Thailand held a general election in late March to form a new civilian government. India and Indonesia entered the final stages of campaigns for the coming general and presidential elections.

**Risks in Focus**

| Mar. 2019 | Dec. 2018 |
|---|---|
| ★U.S.-China tensions (Singapore)(Score100)<br>★U.S.-China tensions (Thailand)(83)<br>★U.S.-China tensions (Malaysia)(73) | ★Protectionism (Thailand)(Score83)<br>★U.S.-China relations/ protectionism (Singapore)(65) |
| ★China slowdown (Singapore)(80) | ★Fall in commodity prices (Malaysia)(64) |
| ★Political instability (India)(76)<br>★Political instability (Thailand)(63) | |

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.

**Growth Rates of ASEAN5, India, China**




Forecasts for 2019 onward except India; in percent; India's figures for fiscal year, which begins in April; Source: JCER/Nikkei Consensus Survey, Nikkei/NQN Survey

The 2019 growth projection for ASEAN5 was revised downward as the figures for the Thailand, Singapore, and the Philippines were all down. Outlooks were lowered for Thailand and Singapore due to weaker exports. "We expect Thai economic growth to slow down on weaker exports, given the more visible impact of a global economic slowdown and the negative impact of U.S.-China trade protectionism" in the first half of 2019, comments Somprawin Manprasert of Bank of Ayudhya in Thailand.

In Singapore, the negative influence of U.S.-China tensions "is already visible from the trade figures," according to Randolph Tan of the Singapore University of Social Sciences. For Malaysia, another export-oriented economy, the 2019 forecast was unchanged, partly because it had already been lowered in the past two surveys. The current figure falls short of the 2018 mark by 0.2 points. "The economy is expected to grow moderately in 2019," observes Anthony Dass of AmBank.

The situation in the Philippines stands apart in this survey. The 2019 growth forecast was lowered by 0.3 points to 6.4%, due largely to the delay in implementing budget spending. The figure is 0.2 points higher than the figure for 2018. Jonathan Ravelas of BDO Unibank suggests both positives and negatives: "Easing inflationary pressure and an improving interest rate outlook are likely to be supportive of GDP growth," he writes, while cautioning that "U.S.-China trade tensions…and an abrupt slowdown in Chinese growth pose downside risks."

The Indonesian economy is expected to grow by 5.2% in 2019, unchanged from the previous survey and staying flat from the 2018 result. Pressure for rupiah depreciation and interest rate hikes, which mounted last year, has retreated. Political uncertainty should resolve with the conclusion of the presidential and general elections. "After the presidential and parliamentary election in April, investment and consumption should grow," remarks Umar Juoro of the Habibie Center in Indonesia.

**Political Uncertainty in India**

The growth forecast for India's fiscal 2019/20 was 7.1%, marking a 0.1-point rise from the estimate for 2018/19, but still down by 0.2 points from the previous survey. Nomura India's Sonal Varma highlights "tight financial conditions, global economic slowdown, political risks, and cyclical slowdown" as factors in forming her modest projection.

India will hold a general election from April to May. The outcome is uncertain, and "political instability" loomed largest among the risks identified for the nation's economy. "Political instability or uncertainty is likely to be a serious risk with elections about to start and outcomes not as certain," says Shekhar Shah of NCAER in India. Dharmakirti Joshi of CRISIL in India believes that "private sector investments should start looking up once the electoral uncertainty is out of the way."

In an economy that is heavily dependent on agriculture, many economists see the uncertain monsoon as a factor influencing India's future growth.

This survey has altered the wording of some risk items to properly reflect developments within the world and Asian economies. “Slowdown or decrease in trade triggered by U.S.-China tensions surrounding trade and/or high-tech issues” or “U.S.-China tensions” in shortened form, was used in place of “rise of protectionism/slowdown or decrease in world trade” as in previous surveys. It was the biggest risk conceived in all countries except India, where “political instability” ranked highest. Concerns over the “Chinese economy slowdown” are also on the rise.

## ■ Forecasts

### 1. Economic Growth

| | 2018 | 2019 | | | | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| ASEAN5 | 4.5 | 4.3<br>(4.5) | 4.4<br>(4.6) | 4.7<br>(4.7) | 4.8 | 4.8 | 4.6<br>(4.7) | 4.6<br>(4.8) | 4.8 |
| Indonesia | 5.2 | 5.1<br>(5.2) | 5.0<br>(5.2) | 5.2<br>(5.3) | 5.3 | 5.2 | 5.2<br>(5.2) | 5.3<br>(5.4) | 5.4 |
| Malaysia | 4.7 | 4.5<br>(4.4) | 4.5<br>(4.5) | 4.5<br>(4.6) | 4.5 | 4.7 | 4.5<br>(4.5) | 4.5<br>(4.7) | 4.9 |
| Philippines | 6.3 | 6.1<br>(6.4) | 6.3<br>(6.7) | 6.3<br>(6.5) | 6.5 | 6.2 | 6.4<br>(6.7) | 6.5<br>(6.7) | 6.8 |
| Singapore | 1.9 | 1.7<br>(2.3) | 2.1<br>(2.2) | 2.6<br>(2.5) | 3.0 | 3.2 | 2.4<br>(2.5) | 2.4<br>(2.4) | 2.8 |
| Thailand | 3.7 | 3.3<br>(3.5) | 3.4<br>(3.6) | 4.1<br>(4.1) | 3.9 | 4.1 | 3.7<br>(3.9) | 3.7<br>(3.8) | 3.8 |
| India | 6.6 | 6.5<br>(6.8) | 6.6<br>(6.9) | 7.1<br>(7.4) | 7.4 | 7.0<br>(6.7) | 7.1<br>(7.3) | 7.2<br>(7.5) | 7.2 |
| China | 6.4 | 6.2 | − | − | − | 6.6 | 6.3<br>(6.2) | 6.1<br>(6.1) | 6.0 |

Year-on-year %; forecasts are for 2019 onward except India; figures in parentheses represent average forecasts as of the previous survey in December 2018; Annual figures for India are those of fiscal year (April - March); Source: JCER/Nikkei Consensus Survey, Nikkei/NQN Survey, Haver Analytics

**Focus on Trade Talks, Monetary Easing, Elections, and El Nino**

Although economic situations differ by country, economists in all six countries share the view that their economies will be significantly influenced by the progress of U.S.-China trade talks. Respondents are also united in their expectation of positive effects from the softening of U.S. financial policies, and in their concern with political developments in their own countries.

Nattaporn Triratanasirikul of Kasikorn Research Center in Thailand projects a recovery of the Thai economy in the in the second half in 2019, saying that “we expect to see growth in second half of the year above 4.0%.” She also acknowledges external risks. “We are still aware,” she notes, “of downside risks from China's economic slowdown and the unresolved trade war.” Suhaimi Ilias of Maybank Investment Bank in Malaysia foresees sustained growth of 4.9% for the Malaysian economy in 2019, but makes this prediction assuming a “U.S.-China trade deal mitigating the downside risks to global economic and trade growth.”

Some economists expect their economies to recover in the second half of this year on the back of softer monetary policies, both in the U.S. and in Asian countries. Manu Bhaskaran of Centennial Asia in Singapore comments: “We expect nascent stabilization in 2Q19 and the economy to regain its footing from 3Q19 onward with easier monetary conditions helping to undergird global growth.” Vincent Loo Yeong Hong of RHB Research reports that the “global central bank's…pausing of rate hikes and monetary easing will likely result in recovery in 2H19.”

Economists are taking an interest in weather conditions, especially in India and the Philippines. Punit Srivastava of Daiwa Capital Markets India remarks that "there exists some uncertainty on the monsoon front in 2019, after U.S. weather agencies forecasted a 60% chance of El Nino this year."

## 2. Inflation Rates

| | 2018 | 2019 | | | | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| India | 2.6 | 2.5 | 2.9 | 3.3 | 3.7 | 3.5 | 4.0 | 4.3 | 4.6 |
| Indonesia | 3.2 | 2.9 | 3.2 | 3.5 | 3.6 | 3.2 | 3.4 | 3.6 | 3.5 |
| Malaysia | 0.3 | 0.2 | 1.1 | 2.1 | 2.0 | 1.0 | 1.4 | 2.1 | 2.4 |
| Philippines | 5.9 | 3.9 | 3.5 | 2.7 | 2.8 | 5.2 | 3.2 | 3.2 | 3.0 |
| Singapore | 0.5 | 0.5 | 0.7 | 0.7 | 1.0 | 0.4 | 0.8 | 1.2 | 1.5 |
| Thailand | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 | 0.9 | 1.1 | 1.4 |

Year-on-year, in percent; forecasts for 2019 onward except India; India's figures for fiscal year, which starts in April; Source: JCER/Nikkei Consensus Survey, Haver Analytics.

### Inflation to Calm in the Philippines; Rate to Rise in India

The inflation rate rose to 5.2% in the Philippines in 2018, above the upper limit of the country's inflation target of 4%. A weaker peso, rising food prices, and the influence of tax reforms drove the rise. The rate is expected to moderate to the 3% level in 2019. Inflation "is expected to slow down and come back to pre-2018 levels," states Carlo Asuncion of Union Bank of the Philippines.

The outlook for the Indian inflation rate for fiscal 2019/20 was revised downward by 0.4 points to 4.0%. "The current disinflationary trend in the economy is likely to continue for at least a few months more," says Tirthankar Patnaik of National Stock Exchange of India. Still, inflation risk persists in the economy, with forecast figures on the rise toward fiscal 2021/22.

## 3. Unemployment Rates

| | 2018 | 2019 | | | | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| Indonesia | - | 5.0 | 5.0 | 5.1 | 5.0 | 5.3 | 5.0 | 5.0 | 5.1 |
| Malaysia | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.3 | 3.4 | 3.4 | 3.2 |
| Philippines | 5.1 | 5.2 | 5.2 | 5.2 | 5.1 | 5.3 | 5.2 | 5.0 | 4.8 |
| Singapore | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 |
| Thailand | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.0 | 1.0 | 1.1 |

Year-on-year, in percent; forecasts for 2019 onward.
Source: JCER/Nikkei Consensus Survey, Haver Analytics.

### Stable as Economies Grow

Forecasts indicate that the unemployment rates in five ASEAN economies will remain stable or decline toward 2021. Economists focus on the quality of employment and structural changes within labor markets as Wisnu Wardana of Bank Danamon in Indonesia warns of the Indonesian market: "In 2021, most hard infrastructure projects are expected to be completed, and thus construction workers may have to find other means of employment."

### 4. Exchange Rates (end of the period)

(Domestic Currency / US$)

| | 2018 | 2019 | | | | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| India | 69.8 | 70.4 | 71.0 | 71.3 | 71.1 | 69.8 | 71.2 | 70.5 | 72.3 |
| Indonesia | 14481 | 14176 | 14315 | 14372 | 14387 | 14481 | 14394 | 14180 | 14432 |
| Malaysia | 4.14 | 4.08 | 4.08 | 4.08 | 4.08 | 4.14 | 4.08 | 3.96 | 3.83 |
| Philippines | 52.7 | 52.4 | 53.0 | 53.4 | 53.5 | 52.7 | 53.4 | 53.1 | 54.7 |
| Singapore | 1.36 | 1.35 | 1.36 | 1.35 | 1.35 | 1.36 | 1.35 | 1.33 | 1.39 |
| Thailand | 32.5 | 31.9 | 32.2 | 32.0 | 32.1 | 32.5 | 32.2 | 31.4 | 31.6 |

Forecast for end of periods for 2019 onward; Some respondents gave year-end forecasts only.
Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

**Depreciation Pressure to Soften but Persist on Rupee, Rupiah and Peso**

The Indian rupee, Indonesian rupiah and Philippine peso received strong depreciation pressure in 2018. Economists predict less stress in 2019, however, as the U.S. softens its monetary policy. “The rupiah exchange rate against the USD is relatively stable because of the Fed's dovish [stance],” comments Dendi Ramdani of Bank Mandiri on the Indonesian rupiah. Uncertainty nevertheless persists in the financial markets. Joshi of CRISIL says of the Indian rupee: “Given India is a current-account-deficit country, the rupee is vulnerable to volatility from oil prices, tariff wars, and monetary policy surprises from advanced countries.”

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

| | 2018 | 2019 | | | | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | | | | |
| India | 6.50 | 6.25 | 5.83 | 5.75 | 5.75 | 6.50 | 5.81 | 5.88 | 6.00 |
| Indonesia | 6.00 | 6.00 | 6.00 | 5.97 | 5.94 | 6.00 | 5.94 | 5.75 | 5.80 |
| Malaysia | 3.25 | 3.25 | 3.22 | 3.17 | 3.17 | 3.25 | 3.17 | 3.11 | 3.25 |
| Philippines | 4.75 | 4.75 | 4.69 | 4.53 | 4.38 | 4.75 | 4.39 | 4.17 | 3.67 |
| Singapore | 1.89 | 1.98 | 1.99 | 2.01 | 2.03 | 1.89 | 2.03 | 2.10 | 2.35 |
| Thailand | 1.75 | 1.75 | 1.75 | 1.75 | 1.78 | 1.75 | 1.81 | 2.04 | 2.58 |

Three-month SIBOR for Singapore; policy interest rates for other countries; forecasts for 2019 onward.
Some respondents provided year-end forecasts only.
Source: JCER/Nikkei Consensus Survey, Haver Analytics, Bloomberg

**Projections Lowered as U.S. Eases Policy**

Reflecting a shift in U.S. monetary policy to a more dovish stance, interest rate projections were lowered from the previous survey in all Asian countries but Thailand. Rate hikes were foreseen in India and Indonesia three months ago, but economists in these countries now expect the rate to be cut or maintained in 2019. “Policy rates are expected to be responsive to a weak inflation outlook, with another cut expected,” comments Tirthankar Patnaik of National Stock Exchange of India.

Thai Central Bank raised its policy rate by 0.25% to 1.75% in late December of 2018, aiming in part to realize the normalization of financial policy. Some economists expect another rate hike in 2019. “They may raise the rate to curb speculative demand on housing as well as for unrated bonds,” explains Amonthep Chawla of CIMB Thai Bank.

## ■ Risk

### Changes in Anticipated Risks for Asian Economies in the Coming 12 Months

| Country | Mar. 2019 Risk | Score | Dec. 2018 Risk | Score | Sept. 2018 Risk | Score |
|---|---|---|---|---|---|---|
| Indonesia | 1. U.S.-China tensions ★ | 54 | 1. U.S. monetary policy ☆ | 56 | 1. Currency depreciation ☆ | 70 |
| | 2. Capital outflows ☆ | 36 | 2. Protectionism ★ | 52 | 2. U.S. monetary policy ☆ | 47 |
| | 3. China slowdown | 30 | 3. Capital outflows ☆ | 36 | 3. Capital outflows☆ | 43 |
| Malaysia | 1. U.S.-China tensions ★ | 73 | 1. Fall in commodity prices ☆ | 64 | 1. Protectionism ★ | 56 |
| | 2. China Slowdown | 53 | 2. Protectionism ★ | 40 | 2. China slowdown | 41 |
| | 3. Fiscal restriction | 30 | 3. Financial turmoil from Trump policies ★ | 36 | 3. Financial turmoil from Trump policies ★ | 35 |
| Philippines | 1. U.S.-China tensions ★ | 40 | 1. Currency depreciation ☆ | 51 | 1. Inflation | 67 |
| | 2. FY 2019 budget delay | 33 | 2. Protectionism ★ | 40 | 2. Currency depreciation ☆ | 51 |
| | 3. Infrastructure | 27 | 3. Infrastructure | 37 | 3. Capital outflows ☆ | 31 |
| Singapore | 1. U.S.-China tensions ★ | 100 | 1. Protectionism /U.S.-China relations★ | 65 | 1. Protectionism ★ | 100 |
| | 2. China slowdown | 80 | 2. China slowdown | 40 | 2. China slowdown | 60 |
| | 3. U.S. Slowdown | 20 | 3. Political instability | 25 | 3. Financial turmoil ☆ | 20 |
| | 3. Financial turmoil ☆ | 20 | | | | |
| | 3. Reform prospects decline | 20 | | | | |
| Thailand | 1. U.S.-China tensions ★ | 83 | 1. Protectionism ★ | 83 | 1. Protectionism ★ | 84 |
| | 2. Political instability | 63 | 2. Political instability | 40 | 2. Political instability | 35 |
| | 3. China slowdown | 43 | 3. China slowdown | 34 | 3. Financial turmoil from Trump policies ★ | 26 |
| India | 1. Political instability | 76 | 1. Rise in commodity prices ☆ | 47 | 1. Currency depreciation ☆ | 60 |
| | 2. Rise in commodity prices ☆ | 28 | 2. Protectionism ★ | 33 | 2. Inflation | 50 |
| | 3. Infrastructure | 24 | 3. Currency depreciation ☆ | 30 | 3. Rise in commodity prices ☆ | 40 |

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**

Risks in the table are described in simplified expressions. "U.S.-China tensions" is employed to indicate "Slowdown or decrease in trade triggered by U.S.-China tensions surrounding trade and/or high-tech issues"; "Currency depreciation" for "Domestic currency depreciates"; "Inflation" for "Inflation accelerates/asset bubble"; "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"; 'Financial turmoil" or "Financial turmoil (unanticipated events)" for "Financial turmoil triggered by unanticipated events outside of the U.S."; "China slowdown" for "Chinese economy slowdown"; "Infrastructure" for "Infrastructure issues hinder economic activity"

### U.S.-China Tensions: Top Risk Across ASEAN5

As U.S.-China tensions spread from trade to high-tech issues, the survey altered the wording of one risk item from "Rise of protectionism/slowdown or decrease in world trade" to "Slowdown or decrease in trade triggered by U.S.-China tensions over trade and/or high-tech issues." This risk was ranked most important in all five ASEAN countries. "Trade war is still a major risk, as to date the agreement is still unclear and unpredictable," says Ramdani of Bank Mandiri in Indonesia. Bhaskaran of Centennial Asia in Singapore observes that "while U.S.-China trade tensions have notably eased since last year, a lot can still go wrong." He continues: "Should trade talks fall through, the ensuing shock to confidence and spike in uncertainty over the global economy and the region would be strongly negative for the Singaporean economy."

Concerns over the "Chinese economy slowdown" were on the rise from the previous survey, marking the 2nd largest risk in Malaysia and Singapore and 3rd largest in Indonesia and Thailand. "Thai exports, both goods and services, rely quite heavily on the Chinese market. Therefore, a Chinese economic slowdown will have a significant effect on the Thai economy," explains Naris Sathapholdeja of TMB Bank in Thailand.

"Political instability" was the largest risk in India, 2nd largest in Thailand, and 4th largest in Indonesia. The general election has concluded in Thailand, but it may take time before a new government is formed. Amonthep Chawla of CIMB Thai Bank predicts that "the long process of forming a new government could deter confidence of investors," but adds that "once political risk diminishes, the Thai economy could grow moderately."

## ■Achievements and Challenges

All six countries face political turning points. Thailand held a general election in late March, and a new civilian government will be formed within months. India will hold a general election from April to May. Presidential and general elections are scheduled in Indonesia in April. The Philippines will have midterm elections in May, marking the mid-point of President Rodrigo Duterte's six-year term. The first year of Malaysian PM Mahathir bin Mohamad's administration will conclude in May. In Singapore, a change in leadership from the 15-year regime of PM Lee Hsein Loong is regarded as imminent.

**Evaluation and To-do List**

| | Achievements | Challenges |
|---|---|---|
| Indonesia | ･Infrastructure development | ･Developing manufacturing/exports<br>･Tax reforms |
| Malaysia | ･Increased transparency<br>･Control of inflation/fuel prices | ･Managing fiscal balance<br>･Political challenges/racial harmony |
| Philippines | ･Infrastructure<br>･Tax reforms | ･Business environment<br>･Fiscal reforms<br>･Infrastructure |
| Singapore | ･"Smart Nation" | ･Aging |
| Thailand | ･EEC<br>･Infrastructure<br>･Political stability | ･Political stability<br>･Fiscal reforms<br>･Continuing growth |
| India | ･Tax reforms | ･Job creation<br>･Regional reforms |

Answers were summarized by JCER into several categories. Indian economists chose items with "poor performance" instead of "challenge." Source: JCER/Nikkei Consensus Survey.

The survey asked for the achievements of current governments – in the first term in office for Indonesia, India, and Thailand, first half of the term for the Philippines, first year for Malaysia, and 15 years for Singapore – as well as the challenges the nations and new administrations face.

Infrastructure development is upheld as a notable achievement in Indonesia, the Philippines, and Thailand. Tax reform is cited as a positive for India's Modi administration. Increased transparency and administrative reforms within the government are seen as improvements made by PM Mahathir's government in its first year. Development of the "Smart Nation" initiative is considered one legacy of PM Lee Hsein Loong's government.

Challenges vary. Economists in many countries cited needed reforms in the fields of tax and fiscal policy, regional development, and labor markets. (See the comments in pages 11-12 and the country reports for details.)

## ■ Calendar

**U.S.-China Disputes, FED Policy, Elections**

U.S.-China tensions made headlines throughout the January-March period. The U.S. filed criminal charges against Huawei. U.S. President Trump announced a delay in imposing additional tariffs on imports from China in February. Trade talks, including ministerial meetings, continue between the two nations at various levels.

In his March 20 conference, U.S. Fed Governor Jerome Powell implied that the U.S. would not raise rates in 2019. The Fed also demonstrated signs of further easing. The Reserve Bank of India cut the policy rate in February for the first time since August 2017.

China's growth rate declined to 6.6% in 2018, the lowest figure in 28 years. It set a target of 6-6.5% for 2019 in the National People's Congress in March. Brexit has continually paralyzed U.K. politics.

**News Related to Asian Economies from January to March; Upcoming Events**

| | |
|---|---|
| (2018) | |
| Dec. 19 | Fed raises FF rate by 0.25 points. New target 2.25-2.5%. |
| (2019) | |
| Jan. 21 | China's 2018 growth rate announced at 6.6%, lowest since 1990 |
| Jan. 22 | Dyson announces move of its HQs from U.K. to Singapore |
| Jan. 28 | U.S. files criminal charges against Huawei |
| Jan. 30 | Fed keeps its policy rate unchanged (target 2.25-2.5%) |
| Feb. 7 | Indian central bank cuts policy rate by 0.25 points to 6.25%; 1st decrease since Aug '17 |
| Feb. 8 | Thai Princess Ubolratana Rajakanya nominated as PM candidate; plan later shelved |
| Feb. 15 | U.S. President Trump declares a national emergency to build border wall |
| Feb. 18 | Singapore announces FY 2019 budget draft; expenditure increases by 8.6% |
| Feb. 22 | Interim chief assigned to newly-formed autonomous region in Mindanao, Philippines |
| Feb. 24 | U.S. announces delay on additional tariffs on Chinese imports |
| Feb. 27 | U.S.-N. Korea summit held in Vietnam |
| Mar. 5 | China holds National People's Congress, sets 2019 growth target of 6-6.5% |
| Mar. 7 | ECB announces rate hikes unlikely in 2019; to provide loans under TLTRO 3 scheme |
| Mar. 17 | Philippines withdraws from International Criminal Court |
| Mar. 20 | Fed signals no rate hikes in 2019; decides to end asset reduction in September |
| Mar. 24 | General election in Thailand |
| Mar. 24 | Summary of the Mueller report released; Pres. Trump's collusion with Russia unproven |
| Mar. 25 | MRT starts operation in Jakarta |
| Apr. 4 | Indian central bank cuts policy rate by 0.25 points to 6.0% |
| Apr. 11 | General election starts in India (total of 7 voting phases until May 19) |
| Apr. 12 | Scheduled day of U.K.'s leave from EU; no-deal Brexit may occur |
| Apr. 17 | Presidential and general elections in Indonesia |
| Apr. 30 | Japanese emperor steps down; new emperor ascends the throne May 1st |
| Apr. 30 | Fed to hold FOMC (through May 1) |
| May 4 | Coronation ceremony of Thai King Vajiralongkorn to take place (through May 6) |
| May 9 | Deadline to announce final result of Thai election, including proportional seats |
| May 13 | Midterm elections in the Philippines |

| | |
|---|---|
| May 23 | Result of Indian general election to be announced |
| May 23 | European Parliament election (through May 26) |
| June 4 | 30 years since Tiananmen Square protests |
| June 18 | Fed to hold FOMC (through June 19) |
| June 28 | G20 summit in Osaka (through June 29) |

## ■ Comments

### ➢ Overview, Growth, Risk

| Country | Comment |
|---|---|
| Indonesia | "Growth [will be] slightly lower in 2019 [than] the previous year due to slowing trade (exports & imports) and investment. Meanwhile, government spending and private consumption [are] relatively strong." (Juniman, Maybank Indonesia) |
| | "if direct and indirect impact of global slowdown result in less money flow coming in, then domestic consumption may slow down as well." (Wisnu Wardana, Bank Danamon) |
| Malaysia | "By the looks of how global situation is panning out, 2019 is not expected to perform any better." (Wan Suhaimie bin Wan Mohd Saidie, Kenanga Investment Bank) |
| | "…the slowdown in global GDP and ongoing headwinds such as the trade war, Brexit, China slowdown … will weigh down Malaysia's GDP growth as an open economy." (Manokaran Mottain, Alliance Bank) |
| Philippines | "GDP growth will likely slow in 1H 2019 owing to budget delay effect on government spending and slowing capital formation due to elevated borrowing costs. Consumption will support however due to slowing inflation trend." (Nicholas Mapa, ING Bank Philippines) |
| | "Unemployment … to increase slightly as first graduates of K12 program will try to enter the workforce." (Alvin Ang, Ateneo de Manila University) |
| | "Huge balance of trade deficits won't improve much because of the build-build-build program for infrastructures." (Victor Abola, University of Asia and the Pacific) |
| | "One of the pressing issues is the Philippine government borrowing money from other countries especially China to fund the various infrastructure projects. The relatively high interest rate on the loan from China can [affect] negatively the domestic economy." (Mitzie Conchada, De La Salle University) |
| Singapore | "The growth rate will gradually decline due to the slowing of exports, but supported by the increase in personal consumption." (Yuma Tsuchiya, MUFG Bank) |
| | "The key risks facing the Singapore economy at this point come from drawing out of the disagreement between China and the U.S. as well as the signs of weakening economic activity in both countries." (Randolph Tan, SUSS) |
| Thailand | "We retain our cautious optimism regarding the domestic growth outlook, projecting above-trend expansion for the Thai economy in 2019, albeit at a softening pace." (Thammarat Kittisiripat, KT ZMICO Securities) |
| India | "The El Nino effect is another source of concern for agriculture with its potential impact on the summer monsoon." (Shekhar Shah, NCAER) |

### ➢ Markets, Prices

| Country | Comment |
|---|---|
| Indonesia | "The relatively stable inflation rate [is projected] in 2019 [as] the government continues to keep food prices." (Juniman, Maybank Indonesia) |
| Malaysia | "Bank Negara to retain rates unchanged in 2019, but may cut rates should global central banks shift their stance to monetary easing." (Vincent Loo Yeong Hong, RHB Research Institute) |
| Philippines | "The peso will be more stable this year with the U.S. dollar and the U.S. economy seeing more stable movement. The domestic economy will also contribute to a more stable peso." (Mitzie Conchada, De La Salle University) |
| | "The peso is still seen to be weaker on the back of higher imports; however, improving global sentiment on EM currencies and market expectations of a pause on Fed rate hikes this year could mean the peso may end up stronger than expected." (Pauline Revillas, Metrobank) |
| Singapore | "We continue to expect rising interest rates, though at a slower pace than before." (Manu Bhaskaran, Centennial Asia) |
| Thailand | "Given a surprise dovish turn at the MPC meeting on March 20, a May rate hike is unlikely." (Somprawin Manprasert, Bank of Ayudhya) |
| India | "The upside risk to inflation in FY20 could be high." (Punit Srivastava, Daiwa Capital Markets India) |

### ➢ Achievements and Challenges

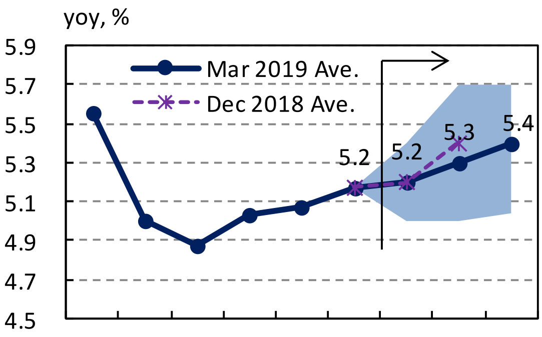
| Country | Comment |
|---|---|
| Indonesia | "The main challenge is to continue reform by opening more the economy." (Umar Juoro, Habibie Center) |
| | "Next stage of development after hard infrastructure is export-oriented industrialization and promoting corporate investment." (Wisnu Wardana, Bank Danamon) |
| Malaysia | "The new government is facing three key challenges which is to strengthen racial harmony, managing fiscal balance and to fulfill the rest of its election promises." (Wan Suhaimie bin Wan Mohd Saidie, Kenanga Investment Bank) |
| | "The immediate challenge is to lower the Government's debt &liabilities and rebuild on fiscal." (Suhaimi Ilias, Maybank Investment Bank) |
| Philippines | "The issue is a weaker bureaucracy as seen by issues … such as rice crisis [and] water crisis." (Alvin Ang, Ateneo de Manila University) |
| | "Slowing FDI shows that some investors continue to sour on the Philippines given negative perception of the country on President's EJK and exit from ICC." "PHL pivot to China may have repercussions as it alienates traditional allies such as Japan and U.S." (Nicholas Mapa, ING Bank Philippines) |
| | "Further fiscal reforms that will support infrastructure and socio-economic development are crucial challenges for the Duterte government as varying interests and stakes have to be balanced." (Carlo Asuncion, Union Bank of the Philippines) |
| | "The first [challenge] is making sure that the policies implemented will be sustainable in the future, especially economic policies such as the Train Law and the upcoming Trabaho Law (tax reform for investors)." (Mitzie Conchada, De La Salle University) |

| | |
|---|---|
| Singapore | “The Smart Nation directive is a step in the right direction.” “Contradictions in housing policy remain unresolved.” “Profound changes in labor market [is necessary] as digitalization and automation continue their inexorable march, job creation may be increasingly be accounted for by the lower-paid, lower-skill type.” “As a mature economy, Singapore is finding new growth engines and opportunities increasingly scant. Rapidly intensifying competition between aspiring hubs in the region also adds to worries.” (Manu Bhaskaran, Centennial Asia) |
| | “The performance of the economy since the global financial crisis provides reason for cautious optimism.” “By being so heavily connected to the global economy, Singapore is also more exposed to any fallout should things go wrong.” (Randolph Tan, SUSS) |
| | “Further economic development requires constant response to aging and new technologies.” (Yuma Tsuchiya, MUFG Bank) |
| Thailand | “EEC scheme is one of the current government flagship policy as it set out direction for the Thai economy in the next 20 years.” “However, the EEC scheme is a long term plan which requires continuity of its implementation.” (Nattaporn Triratanasirikul, Kasikorn Research Center) |
| | “Main problems are labor shortage, aging population, lack of skilled workforce, complicating regulations and uneven growth. My main concern of the Thai economy is on the uneven growth that low-income households may not benefit much from this round of recovery.” (Amonthep Chawla, CIMB Thai Bank) |
| India | “Introduction of GST from July 2017 was one of the biggest reforms in the indirect taxation regime, and one of the biggest victories of the Modi Government.” “India’s ranking in the World Bank’s ease of doing business improved from 142 in 2015 to 77 in 2019.” “The Modi government was quick to board the technology bandwagon.” “The rural economy has been riddled with challenges including slower agricultural growth, poor farm price realization, slowdown in construction activity, and sluggish rural wage growth.” “While the Modi government has taken some steps to generate employment, these are far from adequate.” “Despite numerous facilitations and reforms, the Modi government has not been able to decisively push the investment cycle.” (Dharmakirti Joshi, CRISIL) |
| | “GST and the ISB are major achievements.” “Job creation has been a major challenge, and the data are unclear on this.” (Shekhar Shah, NACER) |

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.

## 5% Growth Persists; Pressure on IDR to Ease

Economists see the economy holding steady with a growth rate of around 5% in 2019. Depreciation pressure on the rupiah, which mounted in 2018, is expected to soften in 2019. Policy rate hikes are expected to pause as the Fed announced a dovish policy stance early this year. Maybank Indonesia' Juniman expects a slight slowdown in growth from 2018 "due to slowing trade and investment," but predicts that government spending and private consumption growth will remain "relatively strong."

## 1. Growth Prospects

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

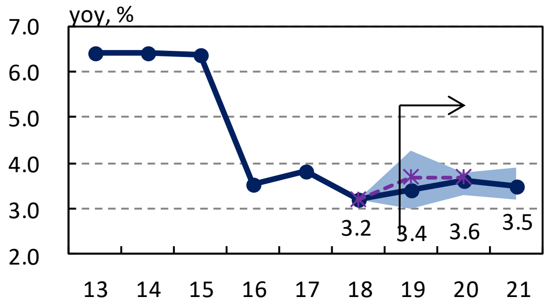
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 5.2 | | | |
| 2019 | Jan.-Mar. | 5.1 | (▲0.1) | 5.2 | 5.0 |
| | Apr.-Jun. | 5.0 | (▲0.2) | 5.3 | 4.5 |
| | Jul.-Sep. | 5.2 | (▲0.1) | 5.4 | 5.0 |
| | Oct.-Dec. | 5.3 | | 5.7 | 5.0 |
| 2018 | | 5.2 | | | |
| 2019 | | 5.2 | (+0.0) | 5.4 | 5.0 |
| 2020 | | 5.3 | (▲0.1) | 5.7 | 5.0 |
| 2021 | | 5.4 | | 5.7 | 5.0 |

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

## Recovery Expected After Elections

Most economists forecast a rise in the growth rate after Q3 with the presidential and general elections concluding in April. Umar Juoro of the Habibie Center comments that "investment and consumption [should] grow" after the elections. On the direct impact of election spending, Wisnu Wardana of Bank Danamon finds that "spending may be milder than five years ago" as people are now more influenced by social media than traditional mass media.

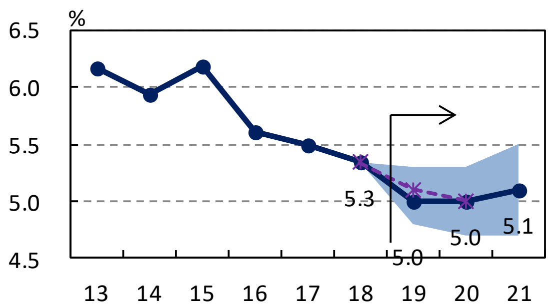
## 2. Inflation




## Rate to Remain Stable

All eight answers predicted that the inflation rate will stay within Bank Indonesia' target range (3.5±1%) in 2019. Bank Mandiri's Dendi Ramdani remarks that "inflation pressure in 2019 is lower than expected because oil prices are relatively low." Maybank's Juniman projects a "relatively stable inflation rate [as] the government continues to [stabilize] food prices."

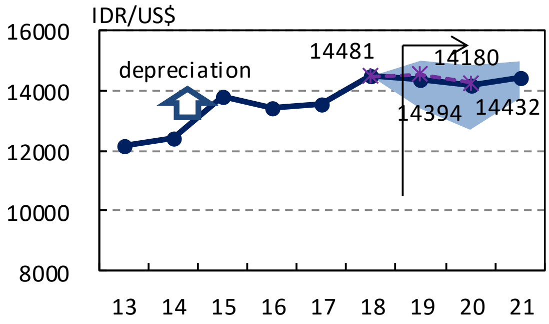
## 3. Unemployment




## Rate to Fall to 5% in 2019

The average outlook expects unemployment to decline to 5% in 2019, down 0.3 points from the previous year. In addition to economic growth, "acceleration of infrastructure projects will also absorb a lot of labor," says Juniman of Maybank. In the longer term, new problems may emerge. Bank Danamon's Wardana warns: "In 2021, most hard infrastructure projects are expected to be completed and thus construction workers may have to find other means of employment."

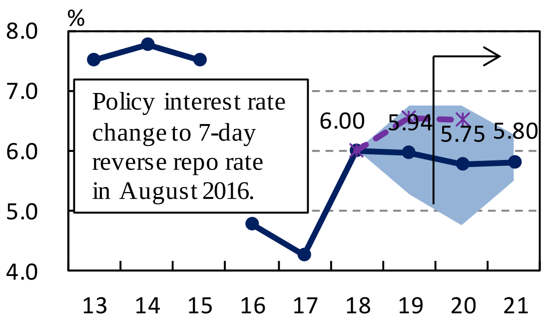
**4. Exchange Rate** (end of the period)




## Depreciation Stress to Soften, but Persist

The average response expects slight appreciation of the IDR against the USD in 2019. "The rupiah exchange rate against USD is relatively stable because of the Fed's dovish [stance]," says Ramdani of Bank Mandiri. But pressure for a weaker rupiah may not disappear. "The weakening of the rupiah was due to the impact of global uncertainty and twin deficits in Indonesia," points out Juniman of Maybank.

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




## Views Encompass Cuts, Maintenance, Hikes

The average forecast was revised downward from the previous survey, reflecting the Fed's policy shift to a dovish stance. But views differ by economist. Umar Juoro of Habibie Center foresees a cut of 0.25% in 2019, with the Fed unlikely to increase interest rates amidst Indonesia's low inflation and stable "current account deficit at the level of around 2.5% of GDP." Maybank Indonesia's Juniman predicts that "BI maintains the policy rate at 6.00% in 2019 to manage the impact of global uncertainty."

**6. Risks**

| Rank | Risk | Score |
|---|---|---|
| 1 | Slowdown in trade triggered by U.S.-China tensions | 54 |
| 2 | Capital outflows/foreign investment slowdown | 36 |
| 3 | Chinese economy slowdown | 30 |
| 4 | Political instability | 24 |
| 5 | Domestic currency appreciates | 20 |

## U.S.-China Tensions Become Top Risk

"U.S. monetary policy" was the biggest risk cited in the previous survey in December 2018, as further rate hikes had been expected toward 2019. This time, "slowdown in trade triggered by U.S.-China tensions" ranked highest. "Trade war is still a major risk," as the possibility of agreement "is still unclear and unpredictable," says Ramdani of Bank Mandiri." On capital outflows, Bank Danamon's Wardana finds that "if the direct and indirect impact of global slowdown results in less money flow coming in, then domestic consumption may slow down."

**7. Challenges following Presidential Election**

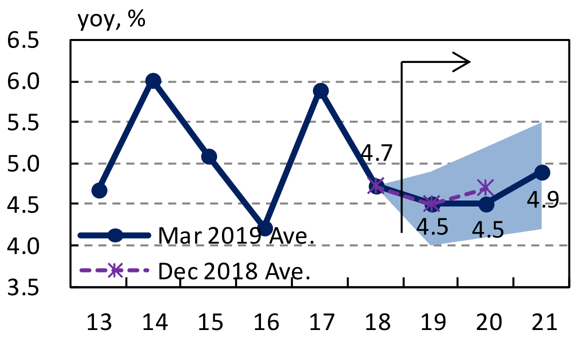
| Challenges after the Election |
|---|
| ・Supporting exports /reducing current account deficit |
| ・Fiscal consolidation /tax reforms |
| ・Social policis (poverty reduction, health development, etc.) |
| ・Accelerating industrialization |

## Challenges: Reduction of CAD, Tax Reform

The survey asked economists about challenges for the next administration, which will be formed after the presidential election in April. Several economists cited reduction of the current deficit coupled with measures to support the export sector. Several raised the issue of tax reform. Poverty reduction and other social issues are also seen as big challenges. Many economists see President Joko Widodo's re-election as likely.

# Malaysia

## Highlights




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

### External Slowdown to Ease Growth in 2019

Economists expect GDP growth to slow to 4.5% in 2019, down 0.2 points from 2018. “The slowdown in global GDP and ongoing headwinds such as the trade war, Brexit, and China slowdown will weigh down Malaysia’s GDP growth,” explains Alliance Bank’s Manokaran Mottain. AmBank Group’s Anthony Dass points out that “contribution from exports is poised to soften in tandem with the global economic outlook, but growth will be supported by domestic activities.”

## 1. Growth Prospects

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

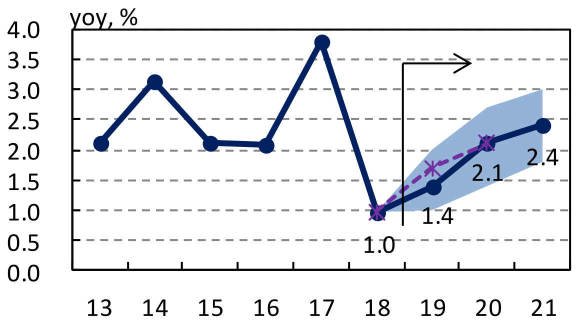
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 4.7 | | | |
| 2019 | Jan.-Mar. | 4.5 | (+0.1) | 5.2 | 4.2 |
| | Apr.-Jun. | 4.5 | (+0.0) | 5.0 | 4.0 |
| | Jul.-Sep. | 4.5 | (▲0.1) | 5.0 | 3.6 |
| | Oct.-Dec. | 4.5 | | 5.0 | 3.8 |
| 2018 | | 4.7 | | | |
| 2019 | | 4.5 | (+0.0) | 4.9 | 4.0 |
| 2020 | | 4.5 | (▲0.2) | 5.2 | 4.1 |
| 2021 | | 4.9 | | 5.5 | 4.2 |

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

### Growth Prospects for 2019 Remain Weak

GDP growth expanded in 2018 to 4.7% in Q4 from 4.4% in Q3. However, “[due to] the global situation, economic expansion will subside going forward,” says Kenanga Investment Bank’s Wan Suhaimie. RHB Research Institute’s Vincent Loo Yeong Hong suggests that “global central banks’ subsequent pausing of rate hikes and monetary easing will likely result in recovery in 2H19.”

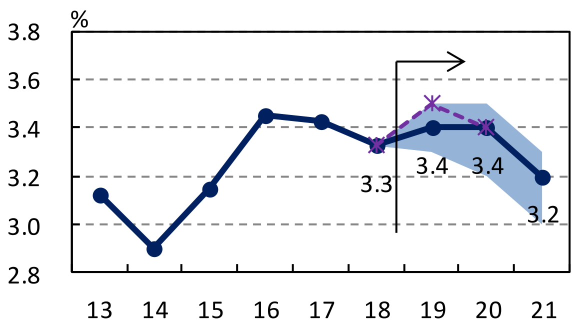
## 2. Inflation




### Inflation Expectations Remain Modest

Headline inflation forecasts for 2019 were revised downward from the previous survey to 1.4%. Maybank’s Suhaimi Ilias expects “the return of positive monthly inflation rates by mid-2019 on factors such as the broader SST coverage and the imposition of Sugar Tax, etc.” Alliance Bank’s Manokaran Mottain states: “CPI will likely normalize toward the end of the year as the impact of SST becomes more prominent and petrol prices average higher.”

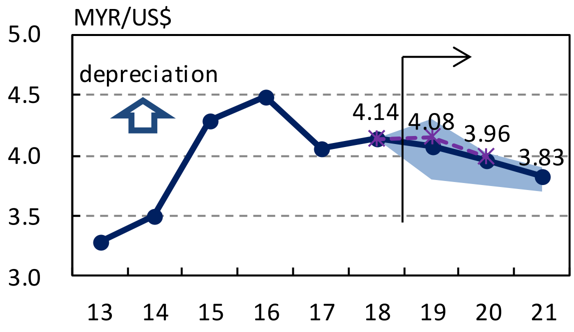
## 3. Unemployment




### Stable Unemployment Rate Trend Continues

Economists forecast the unemployment rate to remain stable through 2021 at 3.2~3.4%. Kenanga IB’s Wan Suhaimie is concerned that “slower growth momentum in 2019 could weigh on job creation.” According to AmBank Group’s Anthony Dass, “a key challenge to the labor market is the high youth unemployment rate, currently hovering between 10~12%.”

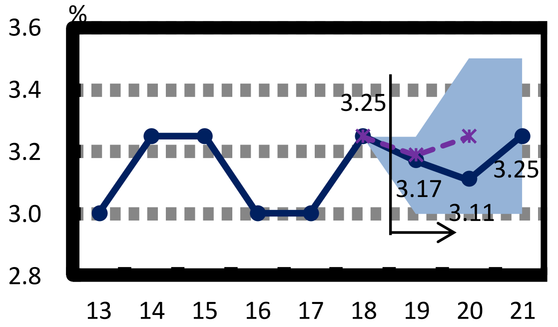
**4. Exchange Rate** (end of the period)




### MYR to Appreciate as Fed Pauses Rate Hikes

MYR is expected to strengthen against the USD, approaching 1USD=3.83MYR in 2021. The currency will appreciate on the back of "the U.S. Fed pausing on the hike added with yields having inverted...and slower growth [in the U.S.]," explains AmBank Group's Anthony Dass. Maybank's Suhaimi Ilias warns that "domestic policy uncertainty risk may still somewhat weigh on the MYR despite solid fundamentals."

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




### OPR Retained, but Rate Cut Possible in 2019

Economists expect the OPR to hold in 2019, but RHB Research Institute's Vincent Loo Yeong Hong remarks that "Bank Negara...may cut rates should global central banks shift their stance to monetary easing." "A rate cut decision by BNM would [also] hinge on how sharp the deceleration of Malaysia's growth trajectory would be going forward," adds Kenanga IB's Wan Suhaimie.

**6. Risks**

| Rank | Risk | Score |
|---|---|---|
| 1 | Slowdown in trade triggered by U.S.-China tensions | 73 |
| 2 | Chinese economy slowdown | 53 |
| 3 | Fiscal austerity drags on growth | 30 |
| 4 | Domestic currency depreciates | 17 |
| 5 | Rising unemployment | 13 |

### U.S.-China Tensions Considered Top Risk

"Slowdown in trade triggered by U.S.-China tensions" was labeled the top risk to Malaysia's economy. AmBank Group's Anthony Dass insists that "as an open economy, trade plays an important role, [and] therefore ongoing external headwinds are expected to weigh on potential growth."

**7. Challenges in the Second Year of PM Mahathir's Administration**

| Achievements |
|---|
| Government administration reform |
| Increased transparency |
| Tackling corruption |
| Fiscal reforms |
| Reduced inflationary pressure |

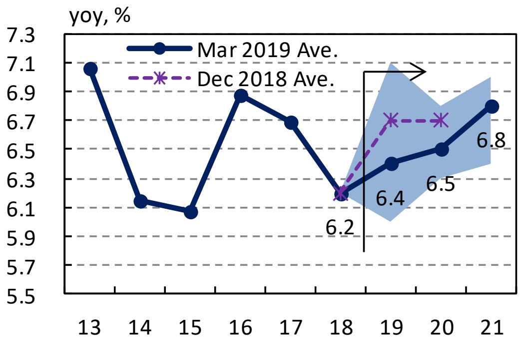
| Challenges |
|---|
| Managing fiscal balance / government debt |
| Political challenges |
| Economic direction / strategy |
| Fulfilling election promises |
| Sustain public support / strengthen racial harmony |

### Longer-term Structural Reforms Crucial

Kenanga IB's Wan Suhaimie cites "lower inflation" and "stable domestic fuel prices" as achievements of the new administration, attained through the removal of GST and reintroduction of fuel subsidies. "While near-term issues (e.g. fiscal reforms, tacking corruption) are seen to be actively managed...the challenges mostly lie in the longer-term structural issues (e.g. economic direction/ strategy) of the economy," says RHB Research Institute's Vincent Loo Yeong Hong. AmBank Group's Anthony Dass believes such structural reforms are needed to "set the path for the economy to achieve sustainable inclusive growth toward high-income status."

# Philippines

## ➢ Highlights




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

### Budget Delay Lowers Outlooks

Many economists lowered their growth projections due to the delayed execution of the National Budget for FY2019, which starts in January. Conflicts in congress over the budget plan are to blame. The delay could negatively impact the government's infrastructure development, which has been a key growth driver for the Philippines. On the other hand, many respondents predict monetary indicators, including inflation, interest, and exchange rates, to be stable and supportive of a gradual rise in growth toward 2021.

## 1. Growth Prospects

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

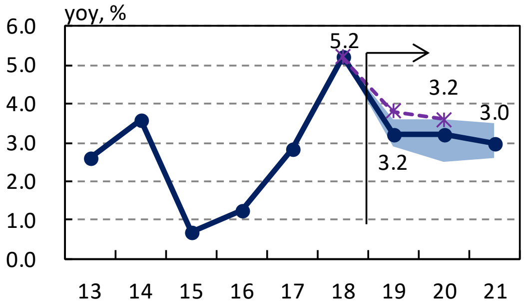
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 6.3 | | | |
| 2019 | Jan.-Mar. | 6.1 | (▲0.3) | 6.5 | 5.8 |
| | Apr.-Jun. | 6.3 | (▲0.4) | 6.7 | 5.8 |
| | Jul.-Sep. | 6.3 | (▲0.2) | 6.8 | 5.9 |
| | Oct.-Dec. | 6.5 | | 7.3 | 5.9 |
| 2018 | | 6.2 | | | |
| 2019 | | 6.4 | (▲0.3) | 7.1 | 6.0 |
| 2020 | | 6.5 | (▲0.2) | 6.8 | 6.3 |
| 2021 | | 6.8 | | 7.0 | 6.4 |

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

### Robust Consumption to Support Growth

Economists expect the growth rate to "pick up by the second half [of 2019] as the budget issue is ironed out," says Carlo Asuncion of Union Bank of the Philippines. In addition, robust consumption is predicted to support growth "due to slowing inflation trends," remarks ING Bank's Nicholas Mapa. The growth rate in 2019 as a whole will be 6.4%, up 0.2 points from 2018, and acceleration is expected to continue toward 2021.

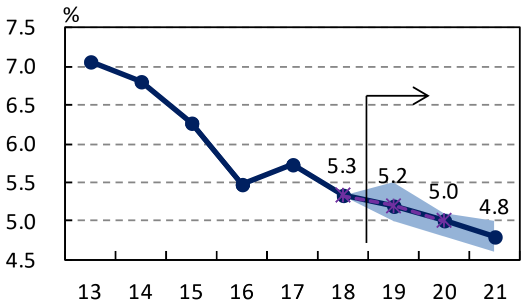
## 2. Inflation




### Prices Even Out as Food and Oil Moderate

After the high inflation that caused a slowdown of the Philippine economy in 2018, more and more economists are confident of a subsidence in price levels. "Food prices have stabilized or fallen, while crude oil prices remain below last year's levels", explains Victor Abola of University of Asia and the Pacific. 3% level inflation, which marks the middle of BSP's target range of 2% to 4%, should continue toward 2021.

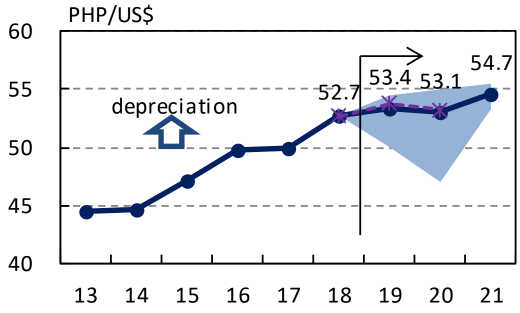
## 3. Unemployment




### Downward Trend Continues, 4% Level in Sight

Job creation on the back of brisk economic conditions (with growth continually over 6%) contributes to the downward trend in unemployment. Some respondents expect the rate to fall below 5% after 2020. On the other hand, Alvin Ang of Ateneo de Manila University points out that unemployment will "increase slightly as the first graduates of k-12 programs try to enter the workforce."

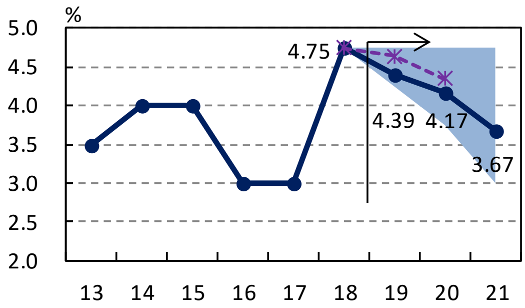
### 4. Exchange Rate (end of the period)




### Huge Trade Deficits to Force Depreciation

The PHP will depreciate for 2021 in the face of a "huge balance of trade deficits, [which] won't improve much because of the build-build-build program for infrastructure," remarks Victor Abola. The rate is expected to break through the 54 PHP/USD level in 2021. But sharp depreciation is not expected in the near future. Metrobank's Pauline Revillas says: "Improving global sentiment on EM [Emerging] currencies and market expectations of a pause on Fed rate hikes this year could mean the peso may end up stronger than expected."

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




### Rate Cut Predicted on Mild Inflation

With the inflation rate stabilized, nearly all economists predict that BSP will cut the policy rate at least once in 2019 following the aggressive hike from 3.00% to 4.75% in 2018. Nicholas Mapa finds that a "dovish central bank cements this outlook." Some economists even predict that BSP will cut reserve requirement in 2019. Rate cut trends are expected to continue following 2020, coupled with a stable inflation outlook.

### 6. Risks

| Rank | Risk | Score |
|---|---|---|
| 1 | Slowdown in trade triggered by U.S.-China tensions | 40 |
| 2 | Delay in the passage of National Budget | 33 |
| 3 | Infrastructure issues hinder economic activity | 27 |
| 4 | Financial turmoil (events outside of the U.S.) | 23 |
| 5 | Capital outflows/foreign investment slowdown | 20 |

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

### U.S.-China Tensions Burden Growth

Economists ranked a slowdown in trade triggered by U.S.-China tensions as the top risk. Jonathan Ravelas of BDO Unibank predicts robust economic conditions for the Philippines, but also asserts that U.S.-China tensions can "pose downside risks to the Philippines' GDP." The budget delay problem, which directly impacts GDP growth, came in second. Concerns for PHP depreciation, seen as the top risk in the previous survey in December 2018, receded in this survey.

### 7. Challenges after the Midterm Election

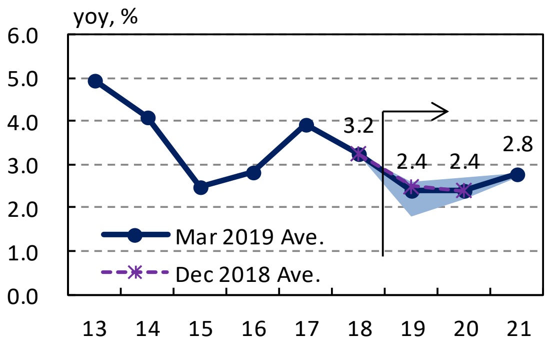
| Achievements |
|---|
| ・Tax reforms |
| ・Government's infrastructure program |
| **Challenges** |
| ・Business environment |
| ・More fiscal reform (including tax) |
| ・More inflastructure development |

### More Infra Building and Fiscal Reform Needed

Many respondents highlighted tax reform and the government's "Build Build Build" infrastructure program as achievements over the first term of President Duterte's regime. As for challenges, Carlo Asuncion says that "future fiscal reforms that will support infrastructure and socio-economic development are crucial." Some economists argue that the government needs focus on improving ease of business and attracting more FDI.

# Singapore

## Highlights




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

### Growth to Slow in 2019 on Weak Exports

Growth is expected to moderate in 2019 as global demand slows. The growth rate could fall to the 2% level from the 3.2% achieved in 2018. "The growth rate will gradually decline due to slowing of exports," says Yuma Tsuchiya of MUFJ Bank. Still, he adds, "the increase in personal consumption" would support growth. Overseas factors, especially U.S.-China tensions and further slowdown of the Chinese economy, remain major concerns.

## 1. Growth Prospects

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

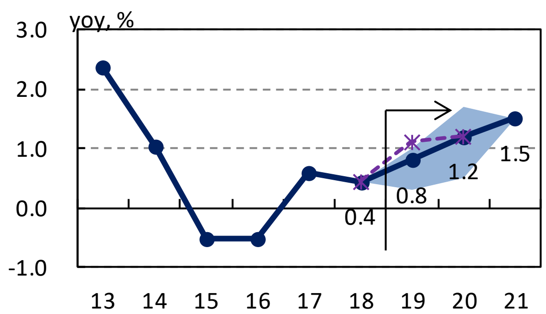
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 1.9 | | | |
| 2019 | Jan.-Mar. | 1.7 | (▲0.6) | 2.2 | 1.3 |
| | Apr.-Jun. | 2.1 | (▲0.1) | 2.6 | 1.6 |
| | Jul.-Sep. | 2.6 | (+0.1) | 3.1 | 1.8 |
| | Oct.-Dec. | 3.0 | | 3.6 | 2.3 |
| 2018 | | 3.2 | | | |
| 2019 | | 2.4 | (▲0.1) | 2.6 | 1.8 |
| 2020 | | 2.4 | (+0.0) | 2.7 | 2.2 |
| 2021 | | 2.8 | | 2.8 | 2.7 |

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

### Expectation for Recovery in 2H 2019

Though growth may remain moderate in 2019, economists expect some recovery in the second half. Manu Bhaskaran of Centennial Asia expects "the economy to regain its footing from 3Q19 onward with easier monetary conditions helping to undergird global growth." Randolph Tan of Singapore University of Social Sciences predicts that "growth is expected to strengthen slightly during the latter part of the year."

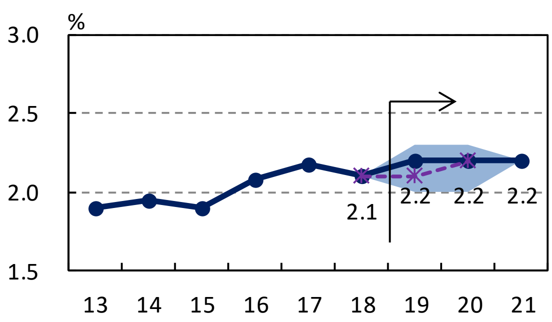
## 2. Inflation




### Gradual Increase to Continue

The average view sees a gradual increase in CPI in 2019. "We expect inflation to remain mild, with low energy costs dampening increases in electricity and gas prices," says Tan of SUSS. MUFG's Tsuchiya focuses on the energy sector, saying: "The opening of the power market and the reversal of energy prices might affect service prices."

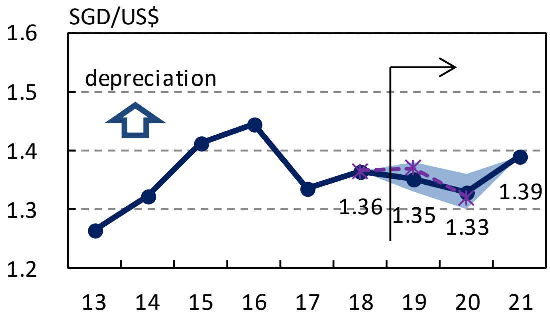
## 3. Unemployment




### Rate to Stay Around 2% toward 2020

Economists see the unemployment rate hovering around 2% toward 2020. Bhaskaran of Centennial Asia foresees that the "labor market conditions are likely to remain robust in 2019, with labor demand driven by the recovery in construction and modern services." SUSS's Tan focuses on increases in both unemployment and job vacancy in the second half of 2018, finding that "labor market mismatches continue to pose a challenge."

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

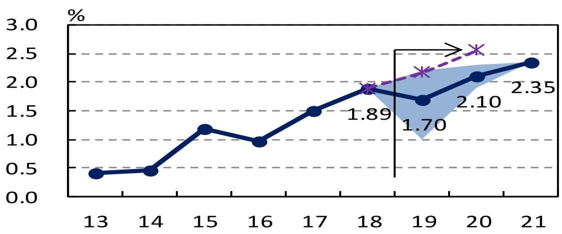



## No Policy Change Predicted in April

Singapore manages its monetary policy through foreign exchange rates rather than interest rates. Economists see that the Monetary Authority of Singapore (MAS) will not change its policy in next April's meeting. Views differ for October's meeting. The average forecast sees slight appreciation for the SGD against the USD in 2019. But many uncertainties, including the outcome of U.S.-China trade war, remain for the future developments.

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

**<u>Graph to be revised. 2019 figure 2.03</u>**




## Rate to Rise at Slower Pace

As Singapore does not have a policy interest rate, the survey requests forecasts of the SGD Sibor 3-month rate. Economists expect the pace of rate increase will be slower than the predictions in the previous survey as the U.S. monetary policy turned dovish. "We continue to expect rising interest rates, though at a slower pace than before," says Centennial's Bhaskaran.

## 6. Risks

| Rank | Risk | Score |
|---|---|---|
| 1 | Slowdown in trade triggered by U.S.-China tensions | 100 |
| 2 | Chinese economy slowdown | 80 |
| 3 | Financial turmoil (events outside of the U.S.) | 20 |
| 3 | U.S. economy slowdown | 20 |
| 3 | Economic reform prospects decline | 20 |

## Trade Tensions, China Economy: Concerns

"Slowdown in trade triggered by U.S.-China tensions" and "Chinese economy slowdown" are the two biggest concerns. "While US-China trade tensions have notably eased since last year, a lot can still go wrong," observes Bhaskaran of Centennial. The influence would be "strongly negative" if the trade talks fall through, he adds. MUFG's Tsuchiya also find risks in the financial turmoil triggered by unanticipated events, including unexpected developments of Brexit.

## 7. Challenges for the Economy

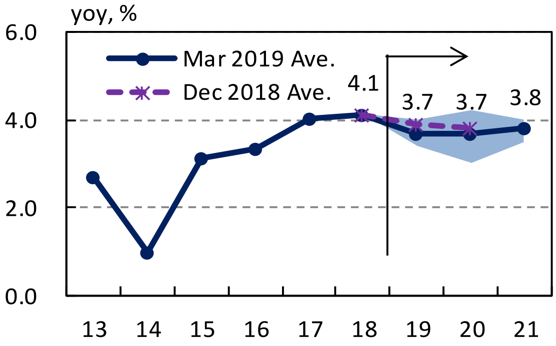
| Achievements |
|---|
| Smart nation / Strategic vision |
| Rising national income |
| Continuing fiscal discipline |
| Ability to attract HQs of world-class firms |
| Good labor market performance |
| **Challenges** |
| Aging population / Rising aspirations of new generation |
| New opportunities for growth / Innovation |
| Education that meets the needs of the economy |
| Labor market reforms |

## Aging, Competitiveness in Waiting List

Asked the achievements made by the Lee Hsien Loong's administration in the last 15 years, economists pointed out the policies to build "smart nation" as well as continued economic growth. As for the challenges which the nation faces, answers included the policies to deal with aging and the initiatives to increase the nation's competitiveness. "By being so heavily connected to the global economy, Singapore is also more exposed to any fallout should things go wrong," says Tan of SUSS.

# Thailand

## ➢ Highlights




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

### Growth to Decelerate as Exports Slow

Thailand's economic growth rate will slow in 2019. The average forecast is 3.7%, 0.2 points down from the December survey. Bank of Ayudhya's Somprawin Manprassert says: "In 1H19, we expect Thai economic growth to slow down on weaker exports, given the more visible impact of a global economic slowdown and the negative impact of U.S.-China trade protectionism." "However, in 2H19, a clearer policy direction led by the upcoming general election and continuous government measures would substantially boost domestic consumption and investment," he adds.

## 1. Growth Prospects

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

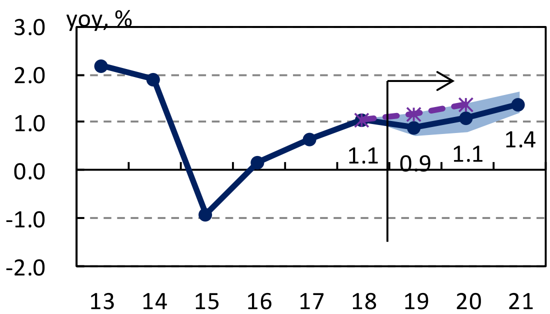
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 3.7 | | | |
| | Jan.-Mar. | 3.3 | (▲0.2) | 3.6 | 3.0 |
| 2019 | Apr.-Jun. | 3.4 | (▲0.2) | 3.7 | 3.1 |
| | Jul.-Sep. | 4.1 | (+0.0) | 4.5 | 3.8 |
| | Oct.-Dec. | 3.9 | | 4.4 | 3.4 |
| 2018 | | 4.1 | | | |
| 2019 | | 3.7 | (▲0.2) | 4.0 | 3.4 |
| 2020 | | 3.7 | (▲0.1) | 4.2 | 3.0 |
| 2021 | | 3.8 | | 4.0 | 3.5 |

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

### Recovery Expected after New Govt. Formation

According to TMB Bank's Naris Sathapholdeja, "the main supporting factors are tourism and private consumption, although these are not as robust as in the previous year." Regarding investment, he finds that "this year's election could give the private sector confidence in the continuation of public investment and government policies." He further notes that "investment is expected to accelerate after the new government is formed and policies are announced, which will be around the third quarter of 2019."

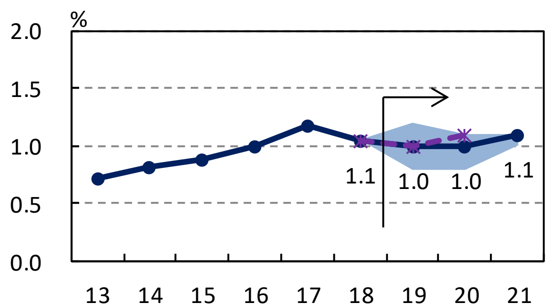
## 2. Inflation




### CPI to Rise Slowly toward 2020

The projected inflation rate will rise gradually toward 2020, "as demand-pull inflationary pressure offsets lower energy prices," says Bank of Ayudhya's Somprawin. KT ZMICO's Thammarat Kittisiripat sees inflation still hovering "around the lower bound of the central bank's inflation target, with [moderate] downside risks especially due to volatile oil prices."

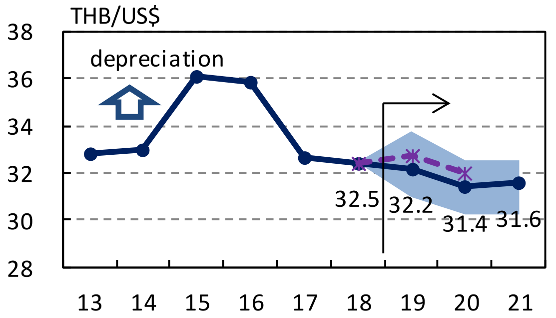
## 3. Unemployment




### Figure to Hover Around 1.0%

The unemployment rate will hover around 1.0% toward 2020. "Continued economic growth helped support the employment situation. We expect unemployment to lower to 1.0%, with an increase of employment in the agricultural sector," says Kasikornbank's Nattaporn Triratanasirikul.

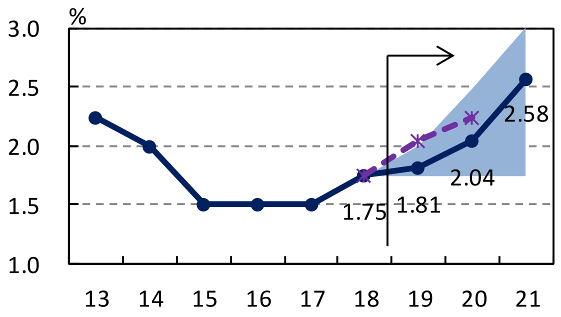
## 4. **Exchange Rate** (end of the period)




## Baht Appreciation Expected Toward 2020

Economists' average exchange rate forecast has appreciated over the 1USD=32 baht level toward 2020. Bank of Ayudhya's Somprawin thinks "the baht is expected to appreciate against USD due to the trend of a weaker USD against major currencies as the U.S. is [approaching the] end of monetary policy normalization earlier than the market expectation." On the other hand, KT ZMICO's Thammarat thinks "uncertainties in external factors, in particular U.S. trade-related policies and an emerging market economies crisis, remains a key factor supporting high volatilities in the Thai baht."

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




## Many See No Rate Changes in 2019

Seven economists out of nine predict no interest rate hikes in 2019. "We expect no change of policy rate in 2019 due to the softening of the Thai economy compared to 2018, global monetary policy easing, and low inflationary pressure," says TMB Bank's Naris. CIMB Thai Bank's Amonthep Chawla expects rate hikes in 2019 Oct-Dec, saying: "the Bank of Thailand appeared to be concerned about financial stability, particularly about higher mortgage NPL and high household debt."

## 6. Risks

| Rank | Risk | Score |
|---|---|---|
| 1 | Slowdown in trade triggered by U.S.-China tensions | 83 |
| 2 | Political instability | 63 |
| 3 | Chinese economy slowdown | 43 |
| 4 | Financial turmoil (events outside of the U.S.) | 27 |
| 5 | Financial turmoil (Trump policies) | 13 |

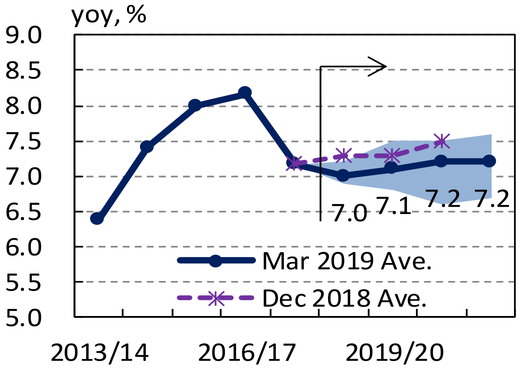
## U.S.-China Tensions the Largest Risk

"Slowdown in trade triggered by U.S.-China tensions" was the largest risk identified. "Chinese economy slowdown" ranked third. Kasikornbank's Nattaporn points out that "China is the biggest Thai export market in terms of share value at 12%, while one-third of total tourist arrivals are Chinese." With the general election on March 24, the military junta concludes five years of rule. "Political instability" scored higher than in the previous survey.

Regarding the junta's achievements, many point out "the Eastern Economic Corridor," "Infrastructure projects," and "political stability." Nattaporn weighs in again: "The EEC scheme is one of the current government flagship policies as it set out the direction for the Thai economy in the next 20 years. The EEC scheme is a long term plan which requires continuity of its implementation." CIMB Thai Bank's Amonthep writes: "My main concern for the Thai economy is of uneven growth…low-income households may not benefit much from this round of recovery."

# India

## ➢ Highlights




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

### Outlook Weakens as Uncertainty Grows

The average projected growth rate for 2019/20 was 7.1%, revised down by 0.2 points from the previous survey. Nearly half of respondents pinned the rate at less than 7%. A stable inflation rate, signs of recovery in domestic investment and consumption, and pro-growth policies are positive factors. Meanwhile, uncertainty in the political arena with a general election scheduled from April to May, global economic slowdown, and troubled banking sector are concerns. The uncertainty of the summer monsoon is also a big risk.

## 1. Growth Prospects

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

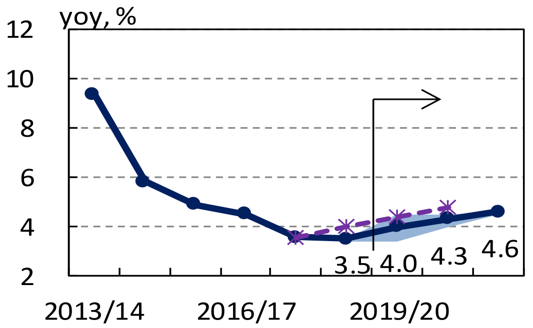
| | | Average | | Max. | Min. |
|---|---|---|---|---|---|
| 2018 | Oct.-Dec. | 6.6 | | | |
| | Jan.-Mar. | 6.5 | (▲0.3) | 7.2 | 6.1 |
| 2019 | Apr.-Jun. | 6.6 | (▲0.3) | 7.2 | 6.2 |
| | Jul.-Sep. | 7.1 | (▲0.3) | 7.5 | 6.7 |
| | Oct.-Dec. | 7.4 | | 7.6 | 7.2 |
| 2017/18 | | 7.2 | | | |
| 2018/19 | | 7.0 | (▲0.3) | 7.2 | 6.9 |
| 2019/20 | | 7.1 | (▲0.2) | 7.5 | 6.8 |
| 2020/21 | | 7.2 | | 7.5 | 6.6 |

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

### Election Could Affect Economy

Economists see India's general election from April to May as having serious potential implications for the economy. Dharmakirti Joshi of CRISIL says that "private sector investments should start looking up once the electoral uncertainty is out of the way." On the monsoon, another important variable, Punit Srivastava of Daiwa Capital Markets says: "There is uncertainty [regarding] the monsoon in 2019, with U.S. weather agencies forecasting a 60% chance of El Nino this year."

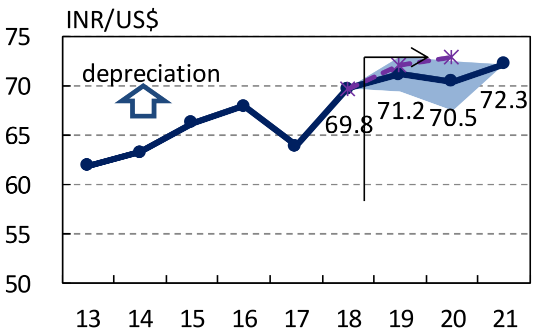
## 2. Inflation




### Rate Revised Down; Risk to Persist

The average forecast for 2019/20 was revised down by 0.4 points to 4.0%. Still, economists see upside risks remaining. Sonal Varma of Nomura says that "food inflation is under control, but will inch up." Srivastava of Daiwa warns: "Core inflation remained high, and averaged around 5.9% so far. The upside risk to inflation in 2019/20 could be high."

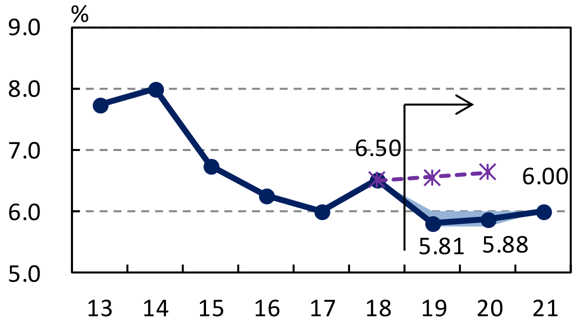
## 3. Exchange Rate (end of calendar year)




### Moderate Rupee Depreciation Expected

Most economists see slight depreciation of the rupee toward the end of 2019. Joshi of CRICIL remarks that "India is a current account deficit country, [so] the rupee is vulnerable to volatility from oil prices." Tirthankar Patnaik of NSE expects the rate to stay almost flat. Currency, he finds, will "continue to illustrate a strengthening bias over the rest of the year."

### 4. Policy Interest Rate (RBI Repo Rate) (end of calendar year)




### Another Rate Cut Likely in 2019

RBI cut its policy rate by 0.25% to 6.25% in January. All respondents forecast another repo rate cut by RBI in 2019. Varma of Nomura sees a rate cut to 5.75%, citing "inflation to undershoot RBI projections, growth slowdown to reduce core inflation, and a global policy environment that has turned benign." Patnaik of NSE shares this view. "Another rate cut is expected … depending on a gradually rising inflation outlook," he says.

### 5. Risks

| Rank | Risk | Score |
|---|---|---|
| 1 | Political instability | 76 |
| 2 | Rise in commodity prices | 28 |
| 3 | Infrastructure issues hinder economic activity | 24 |
| 4 | Repercussions of U.S. monetary policy | 20 |
| 4 | Monsoon risk | 20 |
| 6 | Domestic currency depreciates | 16 |
| 6 | Disinflation/deflation | 16 |
| 6 | Slowdown in trade triggered by U.S.-China tensions | 16 |

### Uncertainty in the General Election

With the victory of PM Narendra Modi's ruling party uncertain in the coming general election, economists named "political instability" as the biggest risk. Joshi of CRICIL warns that "if the election yields a fractured mandate and derails/delays the process of reforms, the implications for investment and growth could be adverse."

"Rise in commodity prices" is still a major concern. On the infrastructure front, Shekar Shah of NCAER stresses "a need to restructure the role of public-private partnerships to improve performance of PPP and attract institutional funds to India."

### 6. Evaluating 5 Years of Modinomics

| Positive achievement |
|---|
| ･Tax reforms; Introduction of GST |
| ･Bankruptcy and Insolvency Code |
| ･Controlling inflation and rupee depreciation |
| ･Improvement in the World Bank's Ease of Doing Business ranking |
| ･Direct benefit transfers |
| ･Digital penetration |
| ･Low corruption |
| **Poor achievement** |
| ･Policies for rural distress |
| ･Job creation |
| ･Push for manufacturing; "Make in India" intiative |
| ･"Clean India" intiative |
| ･Promotion on Private investment |
| ･Reviving domestic savings |

### Rural and Employment Policies: Poor

The survey asked for an evaluation of PM Modi's first term (since 2014) policies. Economists gave high marks to policies including tax reforms, but saw rural and employment policies as lacking.

Srivastava of Daiwa evaluates low inflation and a stable currency as "two big achievements." Joshi of CRISIL sees tax reforms and the improvement of the global rank in ease of doing business as positives.

Meanwhile, Joshi points out that "the rural economy has been riddled with challenges including slower agriculture growth [and] poor farm price realization." On job creation, he says that "some steps to generate employment by the Modi government are far from adequate." Shah of NCAER sees that "the agriculture sector needs serious structural reforms and better operation of markets rather than larger subsidies."

■**List of survey respondents**

| | | |
|---|---|---|
| **Indonesia** | | |
| Maybank Indonesia | Chief Economist | Juniman |
| Bank Mandiri | Head of Industry and Regional Research Department | Dendi Ramdani |
| The Habibie Center | Senior Fellow | Umar Juoro |
| Bank Danamon Indonesia | Economist | Wisnu Wardana |
| **Malaysia** | | |
| Maybank Investment Bank | Group Chief Economist | Suhaimi Ilias |
| RHB Research Institute | Senior Manager | Vincent Loo Yeong Hong |
| Kenanga Investment Bank | Head, Economic Research | Wan Suhaimie bin Wan Mohd Saidie |
| AmBank Research | Chief Economist | Anthony Dass |
| Alliance Bank | Chief Economist | Manokaran Mottain |
| **Philippines** | | |
| Ateneo de Manila University | Director, Ateneo Center for Economic Research and Development | Alvin Ang |
| BDO Unibank Inc. | FVP-Chief Market Strategist | Jonathan Ravelas |
| Metrobank | Research Analyst | Pauline Revillas |
| ING Bank Philippines | Senior Economist | Nicholas Mapa |
| University of Asia and the Pacific | Senior Economist | Victor Abola |
| Union Bank of the Philippines | Chief Economist | Carlo Asuncion |
| De La Salle University | Associate Professor, 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** | | |
| Siam Commercial Bank Economic Intelligence Center | Assistant Vice President | Panundorn Aruneeniramarn |
| Kasikorn Research Center | Assistance Managing Director | 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 | Head of Research Office | Amonthep Chawla |
| TMB Bank PCL | Team Head, TMB Analytics | Naris Sathapholdeja |
| **India** | | |
| Daiwa Capital Markets India | Head of Research | Punit Srivastava |
| CRISIL | Chief Economist | Dharmakirti Joshi |
| Nomura India | India Chief Economist | Sonal Varma |
| National Stock Exchange of India | Chief Economist | Tirthankar Patnaik |
| National Council of Applied Economic Research (NCAER) | Director-General | Shekhar Shah |
| **For Multiple Countries** | | |
| Nomura Singapore | Senior Economist | Euben Paracuelles |
| Barclays Bank | Director, Regional Economist | Rahul Bajoria |
| CIMB Group | Group Chief Economist | Donald Hanna |
| HSBC | | |

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Project leaders

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Kenji Yuasa, Lead Economist, JCER

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