Mizuho: Forecasts at a Glance

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MIZUHO

GDP

GDP Growth Forecasts (% YoY)

Country	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2022 (FY22/23)	2023 (FY23/24)	2024 (FY24/25)	2025 (FY25/26)
Australia	5.8	2.3	2.4	2.0	2.1	1.5	1.5	1.5	1.7	2.0	2.1	2.2	3.7	2.0	1.7	2.2
China	3.9	2.9	4.5	6.3	4.9	5.2	5.3	3.7	4.8	4.8	4.7	4.8	3.0	5.2	4.5	4.3
India	6.2	4.5	6.2	8.2	8.1	8.4	6.9	7.0	6.2	6.4	5.9	5.6	6.7 (7.2)	7.2 (7.4)	6.6 (6.4)	5.8 (5.7)
Indonesia	5.7	5.0	5.0	5.2	4.9	5.0	5.1	4.9	5.0	5.2	4.9	5.0	5.3	5.0	5.0	5.1
Malaysia	14.2	7.0	5.6	2.9	3.3	3.0	3.9	3.8	3.3	4.5	4.5	4.8	8.7	3.7	4.0	4.6
Philippines	7.7	7.1	6.4	4.3	5.9	5.6	5.9	5.6	5.3	5.2	5.4	6.2	7.6	5.6	5.3	6.0
Singapore	4.0	2.1	0.5	0.5	1.0	2.2	2.7	2.3	2.0	2.2	2.3	2.4	3.7	1.1	2.3	2.3
Korea	3.1	1.4	0.9	0.9	1.4	2.2	3.4	2.9	3.2	3.4	2.9	2.8	2.6	1.4	3.2	2.7
Taiwan	3.6	-0.4	-2.9	1.4	2.2	4.9	6.5	4.4	3.4	2.9	3.0	2.8	2.5	1.4	4.3	2.9
Thailand	4.6	1.4	2.7	1.8	1.5	1.7	1.2	2.1	2.5	3.7	4.0	3.6	2.6	1.9	2.3	3.8
Vietnam	14.4	5.9	3.3	4.1	5.3	6.7	5.7	5.5	5.0	5.1	5.2	5.5	8.0	5.1	5.3	5.4

Growth:

As 2024 begins in earnest, **'soft landing' hopes remain high** even as markets re-calibrate their rate cut expectations, *fuelled by an ardent belief surrounding the eventuality of "immaculate dis-inflation"*. That this is **despite being shrouded in heightened uncertainty** on the *timing* and *depth* of cuts to be expected is one thing. **But trouble is, completely averting a global downturn**, constituting a not-so-soft landing, looks like **a rather high bar**.

Point being, **global growth remains liable for a bumpy ride and air-pockets** given a conspiracy of;

i) lagged policy tightening (and a post-Volcker record at that!);
ii) moderation in post-pandemic services consumption surge as excess savings are depleted;
iii) lingering geo-political risks and;
iv) higher risks of "crowding out" (amid government spending, including military);

Moreover, **global economic prospects are highly uneven** – *both across sectors and geographies.* For one, the macro narrative of **US exceptionalism** *seemingly unfettered by policy tightening* is **in sharp contrast to China's precarious policy backstop**; as Beijing's **belated stimulus**, *hobbled by conflicted objectives,* **falls short of restoring confidence** (that is in woefully short supply). Meanwhile **US Presidential elections may amplify rather than supplant geo-political** (US-China as well as Russia/Gaza conflict) **risks**.

In Europe and UK, **remnant hawkish flex** is **at odds with recessionary risks** amplified by geo-political vulnerabilities. And that spells accentuated odds of global policy mistake a priori and heightened volatility from uncertainty and/or "competitive pivot" ex-post (on catch down rate cuts). Across global commerce, the **AI-boost provides a stronger basis of semiconductor rebound**, that may lift manufacturing generally. ***But*** this is **from a very low base**. And **in narrow terms** that is **unlikely to overturn headwinds elsewhere**.

The upshot is that Fed-led global central bankers' ***abilities to achieve a "soft landing" are overstated*** as exceptionally **lagged impact from credit tightening underappreciated**; especially as **fizzling post-pandemic consumer boost may be under-accounted for**. Meanwhile **geo-political** and **fiscal risks loom large** in a world grappling with the dangers of fragmentation that necessarily loses gains from comparative advantages.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

Inflation

Inflation Forecast (%YoY)

Country	2022		2023				2024				2025		2022	2023	2024	2025
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	(FY22/23)	(FY23/24)	(FY24/25)	(FY25/26)
Australia	7.3	7.8	7.0	6.0	5.4	4.1	3.6	3.3	3.1	3.2	3.1	3.0	6.6	5.6	3.3	3.1
China	2.7	1.8	1.3	0.1	-0.1	-0.3	0.0	0.5	0.9	2.4	2.5	1.9	2.0	0.2	1.0	1.6
India	7.0	6.1	6.2	4.6	6.4	5.4	5.0	5.5	3.9	6.0	6.3	6.0	6.7 (6.7)	5.6 (5.3)	5.0 (5.4)	5.8 (5.6)
Indonesia	5.2	5.6	5.2	4.0	2.9	2.7	2.8	3.1	3.2	2.9	3.0	3.1	4.2	3.7	3.1	3.0
Malaysia	4.5	3.9	3.6	2.8	2.0	1.6	1.7	1.9	2.0	2.3	2.3	2.2	3.4	2.5	2.0	2.0
Philippines	6.5	7.9	8.3	6.0	5.4	4.3	3.3	4.1	3.5	3.2	2.8	3.0	5.8	6.0	3.5	2.8
Singapore	7.3	6.6	6.1	5.1	4.1	4.0	3.0	3.5	3.2	3.5	3.2	2.9	6.1	4.8	3.3	3.3
Korea	5.9	5.2	4.6	3.3	3.1	3.4	3.0	3.6	3.3	3.0	3.1	2.8	5.1	3.6	3.2	3.0
Taiwan	2.9	2.6	2.6	2.0	2.5	2.9	2.3	2.7	2.5	2.3	2.0	1.9	3.0	2.5	2.5	2.0
Thailand	7.3	5.8	3.9	1.1	0.5	-0.5	-0.8	0.3	0.5	0.9	1.7	1.6	6.1	1.3	0.2	1.6
Vietnam	3.3	4.4	4.2	2.4	2.9	3.5	3.8	4.0	3.4	3.3	3.8	3.6	3.2	3.3	3.6	3.6

Inflation:

The **silver lining** is that **dis-inflation** dynamics, *if sustained,* appear to be **on track to reach global central bank targets, and/or within comfort threshold in the next 12-18 months**. Crucially, and **exceptionally high peak inflation well behind** us; with headline peaking in 2022 and the sticky core relenting in 2023.

But the danger is that it goes relatively unnoticed that the **outlook on inflation risks is obscured**; with visibility far lower than backward-looking inflation trajectory would suggest. Point being, *neither* the risk of *volatile inflation dynamics, with potential for '70s-style resurgence, nor much sharper than expected dis-inflation* may be confidently ruled out. And being lulled into premature comfort about dis-inflation that amplifies susceptibility **to pitfalls of central bank policy being caught lamentably wrong-footed**.

The key points to note are that **cyclically, two-way inflation risks are accentuated**. On one hand, in the very near-term, *sudden geo-political flares* could unleash *convulsions of cost shocks* via **energy prices/shipping costs**. Especially if a wider spill-over from Gaza to Iran/Lebanon/Red Sea/Straits of Hormuz collide with other aspects of supply side shocks – including **food**. Yet on the other, heading further out into 2024, *adverse demand shocks* from sudden, lagged downturn may set off *dis-inflationary, if not deflationary price forces.*

Interestingly, consequent **inflation risks have the propensity to play out unevenly** across economies. US notably being better buffered against energy shocks given its record crude output, while Europe bears the brunt. **EM Asia's inflation also rendered stickier and more volatile** given generally higher energy and food imports/exposures amid follow-through tourism-induced services inflation pick-up. In addition, **inflation risks/outcomes within EM Asia** are also set to be **far more differentiated**; given as currency impact amid "twin deficit" risks and capacity for fiscal buffer vary considerably across Asian economies.

Insofar that this volatile and variable inflation risk has implications on abrupt shifts in real spreads and associated capital outflow/currency stability risks that feedback into imported inflation, this means that there is a certain **risk premium associated with second-guessing and/or leap-frogging the Fed on rate cuts**.

Looking ahead, **geo-political risks add a structural element of inflation** from *supply-chain fragmentation* (if not fracture), over and above security costs entailing *inefficiencies from hoarding* strategic stockpiles as well as circumventing sanctions/restrictions. And so, beyond near-term dis-inflation, the **more durable question is about underlying inflation trends** and **sustainable/viable central bank inflation targets**.

Central Bank Forecasts

Central Bank Policy Outlook

Country	Central Bank	2022		2023				2024				2025	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
US	**Fed**	**3.00-3.25%**	**4.25-4.50%**	**4.75-5.00%**	**5.00-5.25%**	**5.25-5.50%**	**5.25-5.50%**	**5.25-5.50%**	**5.25-5.50%**	**4.75-5.00%**	**4.00-4.25%**	**3.25-3.50%**	**3.00-3.25%**
Australia	**RBA**	2.35%	3.10%	3.60%	4.10%	4.35%	4.35%	4.35%	4.35%	4.00%	3.75%	3.50%	3.25%
China	**PBoC**	3.65%	3.65%	3.65%	3.55%	3.45%	3.45%	3.45%	3.20%	3.20%	3.20%	3.20%	3.20%
India	**RBI**	5.90%	6.25%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.00%	5.50%	5.25%	5.00%
Indonesia	**BI^**	4.25%	5.50%	5.75%	5.75%	5.75%	6.00%	6.00%	6.25%	6.00%	5.50%	5.25%	5.00%
Malaysia	**BNM**	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Philippines	**BSP**	4.25%	5.50%	6.25%	6.25%	6.25%	6.50%	6.50%	6.50%	6.25%	6.00%	5.75%	5.50%
Singapore	**MAS***	Off-Cycle Re-centring Higher to Prevailing S$NEER	Re-centring Higher to Prevailing S$NEER (S: 2.0%)	Status Quo		Status Quo		S: 2% M: Hold W: Hold	S: 2% M: Hold W: Hold	S: 1% M: Hold W: Hold	S: 0.5% M: Hold W: Hold	S: 0.5% M: Hold W: Hold	S: 1% M: Hold W: Hold
Korea	**BoK**	2.50%	3.25%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%
Taiwan	**CBC**	1.625%	1.750%	1.875%	1.875%	1.875%	1.875%	2.000%	2.000%	2.000%	1.875%	1.875%	1.875%
Thailand	**BoT**	1.00%	1.25%	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%	2.00%	2.00%
Vietnam	**SBV**	5.00%	6.00%	5.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

,* The MAS conducts monetary policy via FX. Specifically it adopts a trade-weighted SGD appreciation at "modest and gradual" (estimated to be 2% per annum) pace as default. Starting 2024, the MAS will conduct quaterly meetings (Jan, Apr, Jul, Oct) from bi-annual meetings.
S: Slope (expressed as per annum % appreciation), M: Mid-Point, W: Width of S$NEER
^ BI shifted to the 7 Day repurchase rate as the benchmark rate in August 2016. This by default constituted 125 bps reduction from the last policy rate

- **EM Asia Central Banks**: Ironically, the Fed beginning to consider rate cuts may still entail precarious policy calculus. Mainly as scope for associated cuts may not coincide (timing) or correspond (in terms of depth) with the Fed. Specifically, shifting inflation differentials and risks of USD strength (from "risk off" and/or "competitive pivot") are critical determinants limiting front-running. For now patience precedes cautious paring of rates later in 2024.

- **Australia (RBA)**: More balanced risks suggest a default hold though services stickiness accentuates "for longer".

- **China (PBoC)**: Tensions between addressing deflation risks (amid wider deflationary dynamics from confidence deficit) and ensuring currency stability limit the extent of monetary policy easing. Measured rate cuts (10-30bp) and another 50bp of RRR (after Feb's 50bp cut). CNY backstop taking precedence, so fiscal levers to boost.

- **India (RBI)**: Inflation pullback creates space for reluctant RBI hawks to hold off on further hikes. But on the other hand, inherent inflation volatility and surge in unsecured credit uptake could also dampen rate cuts.

- **Indonesia (BI)**: IDR stability risks would keep BI on the toes watching out for USD strength on geopolitical flares or stalling dis-inflation. Resilient growth provides policy space for BI to refrain from haste in cutting rates.

- **Malaysia (BNM)**: Prolonged hold amid supportive growth and managed inflation. Lower cumulative hikes (relative to Fed and regional peers) in this cycle should set a higher bar for cuts.

- **Philippines (BSP)**: Persistent upside risks to inflation that could continue into Q3, coupled with an uninspired PHP raising fears of cost-push threat via the import channel, mean risk of another hike cannot be discounted. Trigger would likely be the de-anchoring of inflation expectations on uncontrolled upward spiral in prices.

- **Singapore (MAS)**: Current policy restriction to be retained as sticky inflation narrowly edges out non-negligible growth risks. A bout of late-2023 USD weakness increases imported inflation buffer. And so, any policy move in late-2024 more likely to be easing (albeit calibrated via slope) in response to adverse growth shocks.

- **South Korea (BOK)**: BoK hikes are done given well-anchored dis-inflation dynamics. Measured cuts in 2024 likely to be determined by the interaction between semiconductor recovery and wider external demand shocks.

- **Taiwan (CBC)**: Growth risks have held back hikes while inflation risks imply cuts are a high bar with lower beta.

- **Thailand (BOT)**: Absent fresh inflationary shocks, the BoT's next move (albeit committed to an interim hold), will be to cut. Degree and pace of cuts though may be calibrated; as impact of 2024 fiscal transfers are assessed.

- **Vietnam (SBV)**: Macro-/VND-stability risks amid stretched fiscal position suggest interim restraint on further cuts.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts

FX Forecasts	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25
USD/CNY	7.17 - 7.58 (7.38)	7.00 - 7.43 (7.18)	6.98 - 7.58 (7.26)	6.94 - 7.45 (7.16)	6.91 - 7.30 (7.08)
USD/INR	82.8 - 86.1 (84.5)	80.5 - 85.5 (82.8)	79.7 - 86.9 (84.0)	78.4 - 84.9 (82.2)	78.0 - 83.7 (80.9)
USD/KRW	1260 - 1410 (1343)	1180 - 1360 (1280)	1230 - 1400 (1330)	1220 - 1350 (1280)	1200 - 1350 (1250)
USD/SGD	1.349 - 1.393 (1.365)	1.295 - 1.377 (1.346)	1.322 - 1.407 (1.365)	1.299 - 1.373 (1.335)	1.294 - 1.353 (1.330)
USD/TWD	30.8 - 32.9 (32.2)	30.6 - 33.1 (31.5)	29.9 - 32.8 (31.8)	30.3 - 32.9 (31.3)	29.7 - 31.9 (30.6)
USD/IDR	15630 - 16770 (16000)	15420 - 16360 (15780)	15390 - 16550 (15900)	15250 - 16330 (15600)	15210 - 16020 (15400)
USD/MYR	4.69 - 4.89 (4.75)	4.56 - 4.91 (4.68)	4.53 - 4.86 (4.76)	4.46 - 4.88 (4.65)	4.41 - 4.86 (4.60)
USD/PHP	55.2 - 58.3 (56.7)	53.8 - 58.0 (56.0)	54.3 - 57.7 (56.8)	53.2 - 57.6 (55.9)	52.5 - 56.7 (54.6)
USD/THB	34.8 - 37.4 (36.3)	34.3 - 37.2 (35.4)	34.2 - 37.6 (36.2)	34.0 - 37.2 (35.0)	33.5 - 35.9 (34.5)
USD/VND	24400 - 25600 (25200)	24300 - 25200 (24800)	25100 - 25700 (25200)	24800 - 25300 (24900)	24500 - 25100 (24700)
AUD/USD	0.610 - 0.687 (0.645)	0.625 - 0.690 (0.662)	0.625 - 0.689 (0.652)	0.643 - 0.698 (0.673)	0.639 - 0.720 (0.686)

Note: For FX forecasts, level in parentheses pertains to period end forecasts; and the period's range precedes this.

- AUD: The RBA's is further away from live hikes than rate cuts alongside consumption cracks amid wobbly China recovery via commodity headwinds suggest downside risks amid volatility; until enduring early 2025 rebound.

- CNY: Feet-dipping on stimulus and property backstop continues to impose underlying pressures for capital flight. So absent aggressive PBoC support, CNY risks tip to the downside. Absent a bazooka to fire up confidence, CNY may be on a bumpy path; with policy intervention interrupting depreciation bias until weak USD trend overtakes.

- INR: The paradox of a rupee under-performance despite bullish equities amid growth out-run is hard to ignore, but not hard to ascribe. "Twin deficit", fading Russian oil advantage and stretched credit are conspicuous offenders.

- IDR: C/A slip back into deficit amid softer commodities and fiscal risks on new government initiatives, underlines IDR under-performance risks (vs. AXJ). Diminished real yield advantage also means less durable IDR rallies.

- MYR: Slowly improving sentiments on the Chinese economy would have less a dampening effect on the MYR. With electronics cycle turnaround more forthcoming, any sell-off in MYR could be more restrained.

- PHP: Despite outperformance in tourism receipts and improving external sectors, huge imports drag on C/A and "twin deficit" vulnerabilities persist. Durable USD and UST yield retreat await for respite.

- SGD: Mostly exhausted intra-band S$NEER strength and sustained downside risks in the CNH limit scope for near-term relative SGD out-performance; while wider USD trend drives USD/SGD directionality ahead.

- KRW: Real estate credit risks, linked banking spillover induce downside risks in the absence of overriding USD pullback. Entrenched upturn in AI-driven chips to turn KRW around durably later in 2024.

- TWD: Even as elections risks pass, chips turnaround with solid C/A surplus and net creditor position will merely backstop, not induce bullish rallies until late 2024/early 2025. Cautious upside later if geo-politics remain calm.

- THB: Tourism tailwinds are being dented by upsized fiscal worries which may not see clarity until Q3-2024. Various fiscal measures appear to dent investor sentiment and push back THB recovery.

- VND: Financial stability risks and inflation-fiscal trade-off mean that VND remain vulnerable.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts Addendum: Broad-based FX Dynamics

Q2 2024: **Calibrating Fed Pivot Bets & Goldilocks**

Where earlier we had anticipated pronounced recession risks precipitating from lagged policy tightening to hit in Q1, we have now **pushed out the worst of US recession risks out to mid-/late-2024**. *Nonetheless,* measured *softening in US data* coinciding with *conspicuous absence hawkish references to more hikes by Fed speakers* for could prompt **softening in the Greenback**. In fact, this iteration **of USD pullback that is accompanied by "risk on"** as **"pivot" bets** start seeping into the Fed calculus; especially *as a* **"Goldilocks" balance** *of diminished 'US exceptionalism' premium* baked into the USD; but without compromising soft-landing hopes!

It is worth noting that the notion of a controlled landing, rather than an unavoidable crash, may help with a **"Goldilocks"-like scenario**; in which, relief from bets on/signs of Fed pivot are not overwhelmed by acute demand for precautionary/haven demand for USD.

But to be clear, **two-way FX volatile will remain a feature**. This could be either on account of;

i) *Fed push-back that unwinds overdone "pivot" bets* with controlled "risk off" on straight pivot unwind, or;

ii) *"competitive pivot"*, recognizing the odds of ECB/BoE (and other Major central bank) catch down with Fed pivot; which results in USD pick-up (at the expense or EUR or other Majors).

In essence this recognizes the tensions between aggressive USD shorts and relative US exceptionalism. But that said, the wider Fed pivot relief could lend some traction for EM Asia FX in Q2.

Q3 2024: **Recession Risks!**

Although, that support could be brutally reversed into (either side of) mid-2024 as **recession risks from lagged policy tightening hits** more jarringly via credit channels; and potentially via financial shocks. This marks the **critical distinction between**;

i) **Fed pivot amid a soft-landing** *engineered by "immaculate dis-inflation"* that **spurs "risk on"** and;

ii) **Un-Goldilocks** outcome of sharp(er) **rate cuts because of mounting hard-landing risks**; in which case, **"risk off"** is triggered, and *USD-UST yield correlations flip to negative.*

The reflex here will be for the refuge of the Greenback regardless of expectations for the Fed to cut rates aggressively. Simply because safety takes precedence over meagre returns. Especially as recession risks cast a long shadow on exports-dependent, economies hobbled further by stagflation-type headwinds crimping domestic buffer. This could further dim economic outlook, hence support for FX via growth-based returns allure. Depending on the degree of financial shocks involved, the flight to safety can vary across EM Asia FX. Higher inflation, debt exposures and "twin deficit risks may be amplified.

What's more, a sharp appreciation in the JPY, in accordance with "risk off" triggers also means that the funding currency squeeze accentuates downside pressures in EM Asia FX. Interrupted FDI inflows, exacerbated by capital flight underscore the risks of disorderly correction in AXJ, which may not be adequately offset by higher FX reserves.

And so, we expect AXJ on the whole to slip back further amid recession risks; albeit prone to two-way volatility and differentiated outcomes. Modest recovery off extreme sell-off levels in EM Asia FX as aggressive Fed rates cuts starts to coincide with worst-case recession/markets outcome later into Q3 is reasonable; with Fed pulling stops on QE-type stimulus being a decisive turnaround factor for AXJ (mainly on USD slide).

Q4 2024: **Elections Risks**

As the US elections comes into view, the possibility of a second Trump Presidency (Trump 2.0) is an undeniable force. In fact, the ground swell warns that only the legal system, not political opposition (be it Republican nominations or Democrat challenge), that stands in the way of Trump 2.0; and all the heightened uncertainty that comes with a Trump Presidency.

It appears that Trump 2.0 will likely;

i) be USD positive, albeit mainly from the deleterious impact on EUR, CNH (and along with that wider AXJ) alongside the likes of MXN amid an escalation in trade conflict with China
(weakening CNH and other trade-driven currencies, including most AXJ) and pullout from Ukraine funding that accentuates European vulnerabilities, thereby weakening EUR;

ii) pose impediments to bond market rallies despite the case for falling yields amid Fed rate cuts
coming into view, as the drop in yields may be impeded/checked by tax cut extension and/or MAGAdriven infrastructure boost, and;

iii) catalyze more emphatic term premium sooner as issuances a conspiracy of widening deficit/debt funded by longer-term issuances, desire for policy easing (once he is President), and longer-term structural inflation impact from global trade assaults inflict higher term premium.

Q1-Q2 2025: **Chasing Rainbows**

Getting over election volatility, heading into early 2025 is when the narrative of sustained EM Asia FX gains currency (no pun intended). This will be mostly premised on dovish Fed and bottoming global economy conspiring to lift optimism and a flood back into "growth" bets that favour EM assets. And to be sure, the rain need not be decisively over for forward-looking markets to chase rainbows. Just signs of bottoming may be seized upon.

What's worth mentioning though is that CNH remains a key factor in determining relative levels. Crucially, given lingering economic and geo-political drag, the ability of CNH to regain ground could set the relative marker for various EM Asia FX. This could be an evolving equilibrium with regards to CNH.

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