Mizuho: Forecasts at a Glance

Economics & Strategy | Asia ex-Japan

October 2024

GDP

GDP Growth Forecasts (% YoY)

Country	2023		2024				2025				2023	2024	2025
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(FY23/24)	(FY24/25)	(FY25/26)
Australia	2.1	1.6	1.3	1.0	0.9	0.9	0.9	0.9	1.3	1.3	2.0	1.1	1.2
China	4.9	5.2	5.3	4.7	4.5	4.5	4.0	4.3	4.5	4.5	5.2	4.7	4.3
India	8.1	8.6	7.8	6.7	6.5	6.9	6.7	6.3	6.1	5.5	7.2 (7.4)	7.0 (6.7)	6.2 (5.9)
Indonesia	4.9	5.0	5.1	5.0	4.9	5.1	5.0	4.9	5.2	5.4	5.0	5.0	5.1
Malaysia	3.3	3.0	4.2	5.9	4.9	4.4	5.1	4.3	4.6	5.3	3.7	4.9	4.8
Philippines	5.9	5.6	5.7	6.3	6.1	5.8	5.7	6.8	5.6	5.4	5.6	6.0	5.9
Singapore	1.0	2.2	2.7	2.9	2.0	2.2	2.3	2.4	2.3	2.1	1.1	2.5	2.3
Korea	1.4	2.1	3.3	2.3	2.6	2.4	1.6	2.5	2.4	2.4	1.4	2.7	2.2
Taiwan	2.2	4.9	6.5	5.1	3.4	2.9	2.7	3.2	3.2	3.0	1.4	4.5	3.0
Thailand	1.5	1.7	1.6	2.3	2.3	4.0	3.2	2.8	2.9	2.0	1.9	2.6	2.7
Vietnam	5.3	6.7	5.7	6.9	6.5	5.5	5.2	5.3	5.4	5.5	5.1	6.2	5.4

Gathering Global Headwinds: The **moderation in global growth** is **more pronounced**, ***even if uneven***. Halting recovery in manufacturing and services over-indulgence being reined back in will inevitably diminish income multipliers. Bigger picture being, the **post-pandemic demand excesses**, already on the last legs, is **fizzling into oblivion**.

Stretched Demand & Whittled Buffers: Notably, with *incomes stretched* and *savings whittled* conspiring with *markedly higher costs.* What's more, depleted US household savings and chronic confidence deficit in China suggest a further slowdown in aggregate demand. This will be accompanied by **diminished pricing power** and **profitability**.

Lagged Tightening: Especially as the **lagged**, broad-based, **demand-dampening effects of global monetary policy tightening** comes homes to roost. Amongst which are signs of *emerging credit strains* and *softening jobs/wage gains* that threaten to crimp incremental demand.

Rate Cuts to Cushion, Not Circumvent: To be sure, **broader adoption of emphatic and urgent global monetary easing**, marked by outsized Fed rate cuts and big-bang PBoC stimulus (supplemented further by fiscal "big guns" being mobilized), is unequivocally **welcome relief**. ***But*** these late-stage rate cuts and wider easing will **merely dampen a landing** in the US/global economy, **not durably defy gravity**.

China's Compromised Multipliers: Even, and especially, for China. Admittedly, **unprecedented and unequivocal stimulus stance** is **encouraging**. In fact, at the very least, this is a *much-needed interim backstop.* And quite likely, even set to be an *appreciable cyclical boost.* **But** this **neither negates geo-political headwinds nor resolves structural impediments**. Crucially, **compromised growth** (consumption and real investment) **multipliers** suggest *diminished stimulus effects*. The resultant underlying *growth restraints* hampering positive global spillovers.

Elections & Geo-Politics Lift Uncertainty: Meanwhile, **US elections** (comprising risks of adverse trade, and attendant demand shocks) and mounting **geo-political agitations** further **threaten with stagflation-type dynamics**. That is, subdued growth outcomes for the corresponding price pressures. This not only plays out due to *potential cost-shocks* driven by supply disruptions (despite absence of demand provocations) but also *elevated uncertainty,* that tends to (quite unhelpfully) suppress existing demand.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

Inflation

Inflation Forecast (%YoY)

Country	2023		2024				2025				2023	2024	2025
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	(FY23/24)	(FY24/25)	(FY25/26)
Australia	5.4	4.1	3.6	3.8	3.3	3.1	2.9	2.8	3.1	3.0	5.6	3.5	3.0
China	-0.1	-0.3	0.0	0.3	0.7	1.4	1.8	1.5	1.4	1.2	0.2	0.6	1.5
India	6.4	5.4	5.0	4.9	4.2	5.7	5.4	5.8	4.2	4.5	5.6 (5.3)	4.9 (5.0)	5.0 (4.8)
Indonesia	2.9	2.7	2.8	2.8	2.2	2.8	3.1	3.3	3.2	3.1	3.7	2.6	3.2
Malaysia	2.0	1.6	1.7	1.9	2.1	2.3	2.3	2.1	1.9	1.8	2.5	2.0	2.1
Philippines	5.4	4.3	3.3	3.8	3.5	3.2	3.2	3.3	3.1	2.9	6.0	3.5	3.1
Singapore	4.1	4.0	3.0	2.7	2.6	2.7	2.9	2.9	2.7	2.6	4.8	3.0	2.8
Korea	3.1	3.4	3.0	2.7	2.6	2.4	2.5	2.3	2.5	2.3	3.6	2.7	2.4
Taiwan	2.5	2.9	2.3	2.2	2.5	2.3	2.0	1.9	2.0	1.8	2.5	2.3	1.9
Thailand	0.5	-0.5	-0.8	0.8	0.8	1.4	1.7	1.6	1.7	1.6	1.3	0.6	1.6
Vietnam	2.9	3.5	3.8	4.4	3.7	3.9	3.8	3.6	3.8	3.6	3.3	4.0	3.6

Dis-inflation Not Derailed: On a global scale, **dis-inflation is set to remain intact**. Although, to be sure, it *may not be unfettered or emphatic* given the *longer half-life* that services inflation tends to exhibit. Nonetheless, the **base case isn't for a resurgence of price pressures** to the point of derailing the on-going disinflation phase.

The Saudi Put: Going a long way in taming pipeline shocks is the **profound shift in Saudi's crude production strategy** - from *fairly aggressive price support* (implicit targeting $100/barrel) earlier *to reclaiming (lost) market share.* In the context of Libyan revived production, this may be **consistent with Oil softer by $3-8/bbl** (than otherwise) once wider OPEC dynamics are considered. And at the margin, this could translate into 0.2-0.3-%-pt reduction in inflation, all else equal.

Geopolitics an Inconvenient Uncertainty Factor: Admittedly, all else is hardly equal. Notably, *hard-to-time/quantify geopolitical risks* warn *of unexpected, abrupt cost shocks* to production or passage of energy and/or /supplies. The **volatile state of engagement between Israel and Iran proxies** admittedly **accentuates the risks of geopolitically-charged cost shocks**. But this is merely *inconvenient uncertainty to, not an unravelling of, dis-inflation.*

China Stimulus Won't Inflame: As policy curveballs go, **Beijing's stimulus blitz**, helmed by a huge dose of liquidity, is admittedly not without **some price impact**. Rallies in base metals speak to this, ***but reigniting global inflation is an exaggerated fear***. For one, fundamental lift in China demand may be *dampened by less frenzied execution* and lingering demand drag from *lagging confidence.* Crucially, **even if inflationary ripples were to emerge**, this is *prone to onshore "type-2" asset market inflation.* Which in fact **diverts price pressure away from consumption demand pull**.

Cyclically Price Pressures Abating: The **bigger picture** even after acknowledging inconvenient geo-political cost shock threats and China stimulus impact on price is one of **fading inflation** as *cyclical forces point to decelerating demand* for services amid *softening job market dynamics.* The combination of which squares with disinflationary dynamics.

Structural Inflation Could Go Higher: Further out the **conspiracy of** *geopolitics, green transition* and *liquidity* suggest that **structural inflation can turn higher**. Especially as mounting **geo-political antagonism** and the resultant de-globalization (in particular, fragmentation of production with a security-driven preference for "home bias" for key goods, in defiance of comparative advantages) overwhelm potential for disinflation from China's chronic overcapacity - which otherwise ought to push prices down.

But Non-Accelerating for Now: But **shifting sands** that point **to higher structural inflation further out** ***do not derail the current cyclical path of global dis-inflation***. Crucially, it will **satisfy the condition of non-accelerating inflation** that will **allow central banks to focus on softening job markets** (upside risks to unemployment). The upshot is that the conditions remain in place for global policy to progress more emphatically into easing mode.

Central Bank Forecasts

Central Bank Policy Outlook

Country	Central Bank	2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US	**Fed**	**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%**	**4.25-4.50%**	**3.50-3.75%**	**3.00-3.25%**	**2.50-2.75%**	**2.25-2.50%**
Australia	**RBA**	3.60%	4.10%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%	4.10%	3.90%	3.65%
China	**PBoC**	2.00%	1.90%	1.80%	1.80%	1.80%	1.80%	1.50%	1.40%	1.20%	1.00%	1.00%	1.00%
India	**RBI**	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.00%	5.50%	5.25%	5.00%	5.00%
Indonesia	**BI^**	5.75%	5.75%	5.75%	6.00%	6.00%	6.25%	6.00%	5.50%	5.00%	4.75%	4.75%	4.75%
Malaysia	**BNM**	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Philippines	**BSP**	6.25%	6.25%	6.25%	6.50%	6.50%	6.50%	6.25%	5.50%	5.00%	4.25%	3.75%	3.75%
Singapore	**MAS***	Status Quo		Status Quo		S: 2.0%	S: 2.0%	S: 2.0%	S: 2.0%	S: 2.0%	**S: 1.5%**	**S: 1.0%**	S: 1.0%
						M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold	M: Hold
						W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold	W: Hold
Korea	**BoK**	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.25%	3.00%	3.00%	3.00%	3.00%
Taiwan	**CBC**	1.875%	1.875%	1.875%	1.875%	2.000%	2.000%	2.000%	2.000%	2.000%	1.875%	1.750%	1.750%
Thailand	**BoT**	1.75%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.25%	2.00%	2.00%	2.00%
Vietnam	**SBV**	5.50%	4.50%	4.50%	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**: With the Fed initiating (or at leaast perceived to be) an emphatic rate cut cycle, and forward rates pricing in aggressive Fed cuts (with attendant USD weakness), EM Asia central banks have far more pronounced scope to ease policy. But for the most to a lesser degree than the Fed.

- **Australia (RBA)**: Cautious RBA easing to begin in late Q1 as sign of softer labour market may materialise though subborn inflationary pressures imply that decisions at each meeting remain highly contentious.

- **China (PBoC)**: The “bazooka” of rate cuts across a suite of interest rate tools, with complementary liquidity boost (from RRR cuts both planned and promised) are squarely aimed at nipping deflation risks in the bud. The challenge will be striking the delicate balance between “animal spirits” and speculative asset market bulls.

- **India (RBI)**: Encouragingly contained inflation and Fed rate cuts conspire to provide scope for the RBI to cut sooner and possibly more. Especially as FX reserve build-up mitigates risks to the rupee.

- **Indonesia (BI)**: Given IDR stability concerns, BI’s easing cycle would likely be staggered -- i.e. riding IDR strength and cutting, but pause when IDR faces some volatility. Growth ought to afford space for such an approach.

- **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)**: Looks set to cut at the fastest rate compared to regional peers as stance decidedly shifts dovish; but larger cumulative hikes in the hiking cycle (425bps) and cracks in domestic consumption provide both the room and reason to cut, while inflation ought to remain within the target range.

- **Singapore (MAS)**: The The prevailing policy remains adequate, if not ample even after considering a slower and bumpier dis-inflation. Barring unexpected adverse demand shocks, the next move (albeit not until 2025) is more likely calibrated easing. That is, a gentler slope, and not lowering of S$NEER mid-point

- **South Korea (BOK)**: Rate cut initiated in Q4 is a cautious start to careful calibration as home prices and debt remain concerning to the BoK.

- **Taiwan (CBC)**: Rate hold prolonged amid semiconductor upturn and escalating property prices.

- **Thailand (BOT)**: BoT Monetary policy committee stability aid rate hold in 2024. Degree and pace of cuts though may be calibrated in 2025 depending on underlying dis-inflation and fiscal policy implementation.

- **Vietnam (SBV)**: Continued rate hold anchors VND stability and supports economic growth.

Sources: Mizuho Estimates, CEIC, Bloomberg, National Sources

FX Forecasts

FX Forecasts	As at end Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25
USD/CNY	7.02	6.92 - 7.52 (7.20)	6.94 - 7.45 (7.16)	6.91 - 7.30 (7.08)	6.82 - 7.21 (7.03)	6.82 - 7.23 (7.05)
USD/INR	83.8	79.8 - 87.0 (84.1)	79.4 - 86.0 (83.3)	79.6 - 85.3 (82.5)	80.4 - 85.6 (82.8)	79.8 - 84.6 (81.8)
USD/KRW	1314	1230 - 1400 (1330)	1240 - 1370 (1300)	1230 - 1380 (1280)	1220 - 1320 (1270)	1230 - 1330 (1278)
USD/SGD	1.285	1.272 - 1.350 (1.320)	1.270 - 1.337 (1.305)	1.255 - 1.313 (1.290)	1.259 - 1.323 (1.284)	1.257 - 1.327 (1.288)
USD/TWD	31.7	30.2 - 33.1 (32.1)	30.3 - 32.9 (31.3)	29.9 - 32.1 (30.8)	29.5 - 31.7 (30.4)	29.7 - 31.8 (30.6)
USD/IDR	15140	14780 - 16030 (15400)	14840 - 15890 (15180)	14790 - 15580 (14980)	14130 - 15340 (14600)	14280 - 15490 (14750)
USD/MYR	4.12	3.96 - 4.27 (4.19)	3.91 - 4.28 (4.08)	3.85 - 4.25 (4.02)	3.78 - 4.09 (3.96)	3.85 - 4.10 (3.98)
USD/PHP	56.0	54.4 - 57.8 (56.9)	52.8 - 57.2 (55.5)	52.9 - 57.1 (55.0)	51.3 - 56.0 (53.9)	52.6 - 55.5 (54.3)
USD/THB	32.2	30.9 - 34.6 (33.6)	31.8 - 34.8 (33.4)	32.1 - 34.3 (33.0)	31.4 - 33.6 (32.3)	31.6 - 33.8 (32.5)
USD/VND	24568	24300 - 25200 (24700)	24400 - 24900 (24500)	24200 - 24800 (24400)	24000 - 24600 (24200)	24100 - 24700 (24300)
AUD/USD	0.691	0.657 - 0.703 (0.664)	0.656 - 0.698 (0.673)	0.652 - 0.720 (0.686)	0.675 - 0.724 (0.711)	0.683 - 0.729 (0.708)

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

- AUD: The durability of the China stimulus led rally will be re-examined in late Q4. In turn, AUD rally extension may be stretched. H2 recovery as China works out housing quirks though magnitude restrained by lagged RBA cuts.

- CNY: Sharp CNY rebound after the "big bang" stimulus comprising monetary and fiscal firepower mobilized speaks to growth optimism overtaking rate differential. But and PBoC preference for low-beta CNY to temper further CNY gains for now. And in-coming US election risks/geo-political risks to present air-pockets for CNY.

- INR: There appears to be some degree of preference for the RBI to temper inherent rupee volatility either way; by accumulating FX reserves on USD declines and resisting rupee selling pressures on USD and Oil rallies.

- IDR: Should be supported amid Fed's easing cycle insofar "risk-off" is not sparked off, as the scope for cuts by the Fed is arguably larger than BI; but fiscal risks with the incoming administration and wider current account deficit on little upside to commodity prices likely to still cast an overhang on the IDR.

- MYR: Remains in a good position for further outperformance on reduced political risk premium, semiconductor upcycle, supportive household consumption and positive fiscal developments. BNM's prolonged hold amid easing cycle by G4 and regional central banks and firmer CNH on China's recovery hopes ought to provide further support.

- PHP: Fast pace of cuts by BSP alongside persistence of "twin deficit" vulnerabilities (slow fiscal deficit consolidation and little improvement to trade balance) should mean little room for outperformance.

- SGD: With global rate cut policies and China "big bang" stimulus driven upside volatility in AXJ, SGD is more suited for middle-of-the-pack performance. Near-term MAS hold to underpin SGD on downside AXJ risks.

- KRW: While global backdrop aid KRW recovery, BoK cuts to restrain KRW recovery alongside softer semiconductor boost in H2 2025.

- TWD: CBC rate hold to allow moderate TWD recovery though cross straits tensions may see renewed focus should China's domestic economy see some early signs of stability in 2025.

- THB: 2025 is a period of volatile consolidation of gains as expectations of China led tourism spending will be examined alongside domestic vulnerability in NPLs and threatening fiscal trajectory.

- VND: Softer USD backdrop aid return to typical VND stability and recovery rather than outsized gains.

FX Forecasts Addendum: Broad-based FX Dynamics

Q4 2024: Elections & Geo-politics to Supplant Stimulus?

Pivot USD Tailwinds: A **strong phase of "pivot USD" weakness** that took hold in Q3 prompted by Fed pivot (Fed speak dovetailing with July NFP disappointment, dovish Jackson Hole and the outsized 50bp FOMC September cut) has **provided** (and may incrementally continue to supply) **tailwinds for AXJ rallies**.

Accentuated by China & CNY Bulls: This fillip for AXJ has been significantly accentuated by an outburst of CNH strength derived from Beijing "big bang" stimulus that sparked a frenzy for "all things China" in the asset market. And many of the AXJ, have presented a higher-beta iteration of CNH boost.

Giving Way to Elections Risks: But as US elections risks loom, accompanied by the propensity for USD to rebound (on trade-related risks and/or wider geo-political risks) is not an insignificant threat to extended AXJ rallies. Especially given the aggressive front-loaded nature of USD short corresponding to aggressive Fed cut bets.

As Conflicts Inflame: And escalation in Middle East conflict materially exacerbates the risk of flight to haven, which all augur for USD reclaiming ground against AXJ. This may also be expressed as materially higher JPY against AXJ crosses.

Q1 2025: Anti-Goldilocks

Hollow Political risk Relief: Admittedly, the turn of 2024 into 2025 may bring some relief from elevated political risk hangover from US elections. But this may ring hollow depending on the exact outcome and inclinations of the 47th President of the US. Fact is, US political risks will roll on.

As Goldilocks Unravels: Crucially, a confluence of lagged policy drag and mounting geopolitical risks may instead catalyze an unravelling of "Goldilocks". Arguably, this could be emphatic enough to come across as "Anti-Goldilocks" scenario of sharp demand pullback (even if an outright global recession is averted), and geo-political uncertainty. In this scenario, eve if outright USD strength is not emphatic, aggressive USD shorts will be hard to assert.

Q2 2025: Cautiously Mellowing USD & Risks

Mellowing Risks: Q2 seeing some reprieve (for AXJ) with the USD mellowing is premised on growth/geo-political fears subsiding meaningfully and the risk environment turns more supportive.

But Blurred Line, Not Distinct Inflection: But any clear distinction of the timeline and inflection may be challenged. Whereas the case for rate cuts to provide sufficient reprieve may be on either side of mid-2025, depending on the prevailing mix of economic, geopolitical and policy conditions.

Geo-political & China Risks Linger: Nonetheless, China-related geopolitical risks loom large even as US elections risks fade materially with no flares in conflict and some signs bottoming in global growth downside. All of these will conspire to prop up the USD, initially on haven reflex then on relative CNY and EUR soft spots given more acute economic vulnerabilities as well as geopolitical liabilities confronting China and Europe (compared to the US).

Abating in mid-2025: These pressures should however begin to abate as the Fed catches down with rate cuts into mid-2025 and the worst of global demand shocks are assuaged by a combination of policy (easing) response coupled with low manufacturing/exports/inventory base helping to find a bottom sooner.

Mellowing USD: The evolving conditions may be more suited for the USD to mellow more distinctly and durably. But the caveat is that China averts worse case economic and geopolitical outcomes and pressures on the CNY are stemmed sufficiently- in particular enlarged capital outflows are staunched. If so, EM Asia FX may be better placed to recover into H2.

Subject to CNY Stability: But for AXJ rebound to be unimpeded, CNY footing needs to be surer. Whereas sustained CNY downside may dampen the extent of AXJ rebound.

& Averting JPY Carry Unwind Shocks: 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.

Two-Way Volatility Not Written Off: And so, we expect AXJ on the whole will be prone to two-way volatility and differentiated outcomes; even as the USD mellows more distinctly.

H2 2025: Chasing Rainbows

Placated by Deep Fed Cuts: Getting over election volatility and looking past the initial global downturn risks in early-2025, which is placated by deeper than expected rate cuts and wider policy stimulus, is when the narrative of sustained EM Asia FX gains currency (no pun intended).

"Green Shoots": 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.

"CNH Conditionality Still Applies": 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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