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Dollar strength has peaked, but this is not the end of it
Indonesia Budget 2023 offers a credible path to consolidation

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Dollar strength has peaked, but this is not the end of it

Tracing the trajectory of the Dollar requires an understanding of where the US economy is in the current cycle, the inflation trajectory and the Fed's plans for tightening.

- **A US recession is not our baseline scenario**, going by the bevy of bottom-up indicators which paint a rosy picture of consumer spending, factory orders and labour market conditions.
- **Peak inflation is finally in sight, but watch for services inflation.** There has been a handoff in goods inflation toward that of services, particularly shelter, which is more inertial and sticky. New leases are already up 25% since Feb 20, while average rents are up just 10%, suggesting a reckoning on the cards for shelter inflation with a lag.
- **The Fed is staring down markets** as senior Fed officials have reiterated that rate cuts next year are not on the table, despite market expectations to the contrary. In any case, the Fed is not done tightening just yet as we expect another 75bps hike in September, with rates ending the year at around 3.75%-4%, followed by an extended pause thereafter.
- **In sum, the Dollar has peaked, but the descent will be anything but orderly.**

Indonesia Budget 2023 offers a credible path to consolidation

- **There were no surprises in President Jokowi's budget speech**, as the administration sought to spell out a credible fiscal consolidation pathway as the 3% fiscal cap kicks in from 2023.
- **The fiscal stance is deeply negative**, amid the belt-tightening efforts alongside the robust tax mop-up. Macroeconomic assumptions and revenue projections appear credible.
- **The modest improvement in revenue metrics belies the buoyant mop-up in tax revenues**, as we reckon the revenue projections are a tad too conservative. More likely than not, the fiscal deficit should end up around 3.5% of GDP this year, if the recovery remains on track.
- **President Jokowi paid lip service to several reforms**, such as human capital deepening and infrastructure development in his budget speech without any follow-up action.
- **To us, this hints at the possibility that the authorities intend to consolidate the gains** from recent reforms now that the administration is more than halfway through its second term.

What has changed recently:

- **A slow drip-drip of developments is increasing tensions among the big powers in Asia.** Relations between China on one side and the US, Europe, Japan, India and South Korea are worsening. That keeps the tinder dry on the ground and raises risk of escalating frictions.
- **In India, the BJP's dominance is being challenged**: Its ally, the JD(U) party in Bihar, the third most populous state, has defected, heralding a broader political re-alignment that could complicate the BJP's efforts to secure a third term in office.
- **China is at a policy turning point**, with signs that the authorities are likely to shift away from incremental measures to more aggressive ones to steady the fragile economy.
- **Thailand could deliver an upside surprise** as tourist arrivals grew faster than expected.
- **Singapore's Prime Minister gave his annual state of the nation address**: The key takeaway was that the government is doubling down on its global city strategy.

Dollar strength has peaked, but this is not the end of it

Risky assets have taken a battering this year as bouts of risk aversion, triggered by the expeditious tightening effort by central banks, gripped markets. In particular, sizzling hot inflation in the US has spurred the Federal Reserve to raise rates by 75bps in back-to-back meetings in June and July, culminating in tightening financial conditions. A corollary of the rate hikes is a strong Dollar, with Asian currencies bearing the brunt of the risk-off sentiment. Our view is that the Dollar peaked in mid-July, but will remain elevated as we move into 2023 and then descend in a disorderly fashion.

A US recession is not our baseline scenario

The so-called "Dollar Smile" re-asserted itself as the US outperformance triggered runaway inflation, forcing an about-turn by the Fed with an aggressive tightening effort in 2022. Tracing the trajectory of the Dollar will, therefore, require an understanding of where the US economy is in the current cycle, the inflation trajectory and the Fed's plans for tightening. The recent trove of data points suggest the US economy is not about to fall into a recession. If anything, the labour market may be too hot and that can be too much of a good thing:

- **US retail sales were flat in July** and, at face value, seemed to have decelerated from June's downwardly-revised 0.8% growth (see Chart 1). Excluding autos and gas, retail sales expanded 0.7% m/m, which is in line with the recent trend. Consumer demand remains robust, as the drag on retail sales were a result of lower oil prices at the pumps.

- **The upward surprise acceleration in non-farm payroll growth in July to 528,000** from June's 398,000 caused markets to temper expectations of a recession. These were the highest employment gains since February 2022 and left the unemployment rate 0.1 percentage points lower at another post-pandemic low of 3.5%. With the labour force participation rate down to 62.1%, wages will probably have to rise faster in order to persuade workers to re-join the labour force.

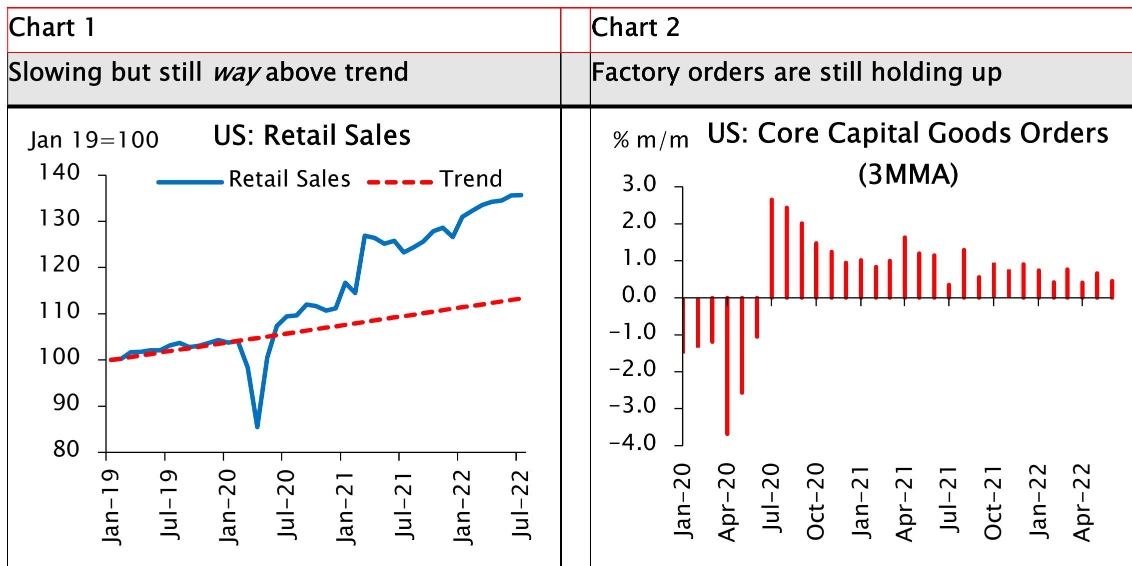
- **US factory orders rose 2% m/m in June**, firming from May's upwardly-revised 1.8% expansion. Core capital goods orders also quickened in June (+0.7%) from May (+0.5%) (see Chart 2). The flipside of the sanguine orders book is that inventories could exact a bigger drag on headline GDP growth, as it did in 2Q22, particularly if firms are sponging up goods that consumers are not buying in the current high-inflation climate. Or, firms have to mark down their products, which then weighs on their margins and corporate earnings. The inventory-to-sales ratio are creeping up (2Q22: 1.2) but remain significantly lower vis-à-vis pre-pandemic levels (1.5).

- **Reconciling the tight labour market and the consecutive decline in GDP is poor productivity growth**, which declined at an annualized rate of 4.6% in 2Q22 (1Q22: -7.4%), according to preliminary estimates. Unit labour costs climbed sharply, rising 10.8% on an annualized basis

after a 12.7% increase in 1Q22. This data yields poor auguries for price stability, because it implies the economy cannot continue sustaining the employee compensation growth without the commensurate pass-through into prices.

The bottom line then, is that a recession in the US (in the formal sense) is not on the cards, at least through 2H22. The final estimate for GDP growth should be revised upwards, albeit with a significant lag (e.g. final estimates for 2Q22 GDP will be released around September, by then markets would have moved on to the next GDP print). Furthermore, the extremely taut labour market implies a recession remains a remote prospect, barring an exogenous shock.

Chart 1	Chart 2
Slowing but still *way* above trend	Factory orders are still holding up



Source: CEIC

Peak inflation is (finally) in sight, but watch for services inflation, which is more sticky

Whereas growth is moderating and decelerating after last year's blockbuster performance, this is coinciding with the lagged upturn in inflation, particularly in services which is significantly more inertial and sticky vis-à-vis goods inflation. Notwithstanding the recent downtrend in inflation, elevated services inflation alongside a taut labour market will continue propping up the overall CPI print moving forward.

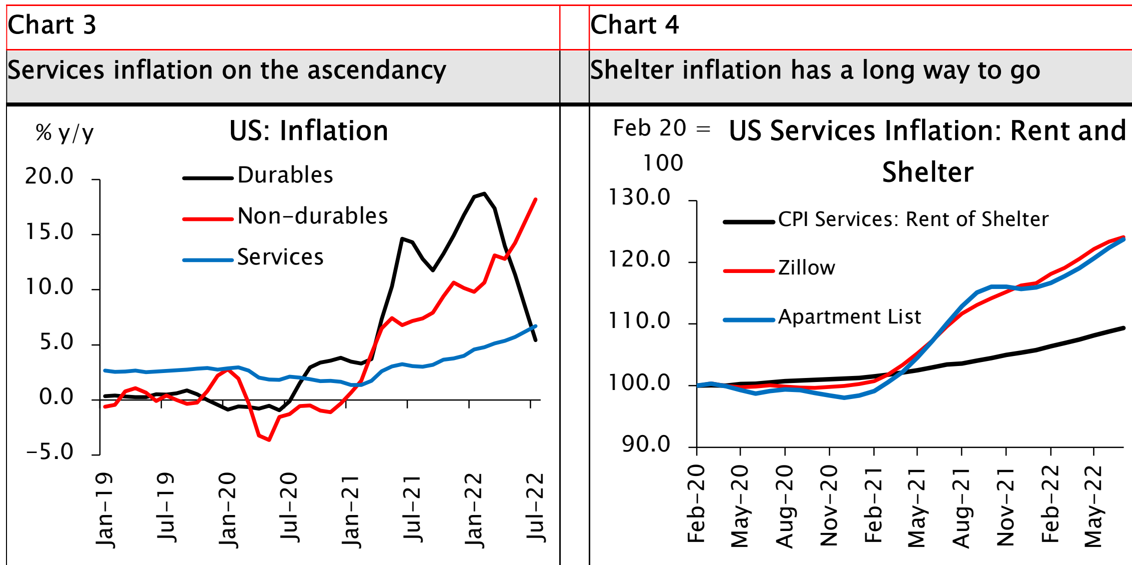
- **Markets begun calling for peak rates** following the moderation in July's CPI inflation, although we think it is premature to do so. While the m/m change was negligible, this boils down to the decline in global oil prices that fed into lower gas prices (-4.6%) in July.

- **Importantly, there has been a handoff in goods inflation** toward that of services inflation, which is up 5.6% y/y in July, compared to headline (+8.5%) or core CPI (+5.9%) (see Chart 3). Durable (+7.9%) and non-durable (+14.3%) goods inflation continue to ease from their recent peaks, with the latter falling a marked 0.8% m/m sa amid falling gas prices.

- **Within CPI services, watch for rent and shelter inflation** which has a long way to go before any moderation is in sight. While the monthly rate of change has eased in recent months – the Zillow rent index is up 0.6% in July (June: +1.0%) while the Apartment List Rent Estimate is also up a sizeable 1.1% (June: +1.4%) – the lagged impact on services inflation strongly suggests shelter and housing will continue to exert upward pressure on CPI and PCE inflation moving forward (see Chart 4). Put in another way, new leases are up 25% since the outbreak of the pandemic, whereas average leases, tracked by the aggregated CPI measure, is up just 10%. As leases get renegotiated, heftier rents will continue dragging the CPI measure up.

- **Complicating matters is the growing evidence of an inertial wage-price dynamic**. According to the Employment Cost Index (ECI), compensation to workers jumped 5.0% y/y in 2Q22, the fastest in decades, mirroring the sharp upturn in services inflation because of the higher pass-through of wages to prices (see Chart 5).

- **Consumer inflation expectations were a mixed bag**, going by the University of Michigan Consumer Survey. The 1-year inflation expectation rate slipped to a 6-month low in August (5.0%) yet the expectation for 5-year inflation rate has barely budged at around 3% since 3Q21.



Source: CEIC, Zillow, Apartment List.

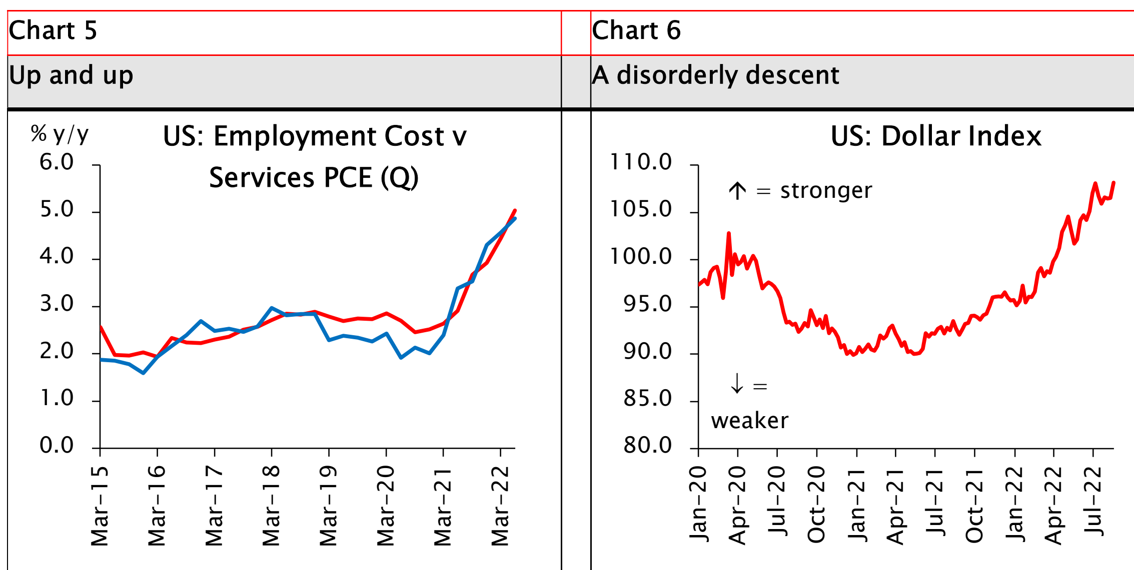
The Fed is staring down markets…

At the time of writing, the dollar, going by the DXY index measured against a basket of 6 other currencies, has strengthened again, bringing it to touching distance of the peak in mid-July (see Chart 6). This comes as markets are re-pricing the magnitude and trajectory of future rate hikes by the Fed. Despite the softer CPI print two weeks ago, Fed officials appear to be staring down markets, which are anticipating a swift course correction by the FOMC with rate cuts in 2H23 after rates peak at Mar 23.

- St. Louis Fed President James Bullard has called for another 75bps hike in September as he favours a more muscular approach in policy tightening to end the year at 3.75%-4%. He dismissed suggestions that rates will come down in 2023, warning of the ramifications for central bank credibility if the so-called "Fed Put" is perceived to be re-asserting itself.

- San Francisco Fed President Mary Daly, who is more cautious and dovish vis-à-vis Bullard, prefers a smaller hike of 50bps in September and sees terminal rates "a little bit above" 3%. But she also ruled out rate cuts in 2023 and endorsed a "raise-and-hold" strategy so as not to heap excessive volatility on markets and confidence.

- Meanwhile, Kansas City Fed President Esther George stressed that the Fed will continue tapping the brakes on the economy till the central bank is "completely convinced" that inflation is on a sustained downward trajectory, adding to the chorus of calls for rates to coming inching up.



Source: CEIC

...and it is not done tightening yet

Given that the US economy remains in rude health, expect the Federal Reserve to push through with more tightening till it sees material evidence of a sustained slowdown in inflation well below current levels that are in excess of 8% on an annual basis.

- As of 17 Aug 22, the Atlanta Fed Nowcast pegs growth at 1.6% (seasonally adjusted annual rate), down from 2.5% in the week before. Note that most indicators that go into the nowcast only have observations for July, so the nowcast will exhibit more volatility and undergo more revisions as more observations become available moving forward.

- The next FOMC meeting on 21st September will coincide with the release of the Summary of Economic Projections (SEP), wherein the Fed will outline its forecasts for growth, inflation, the unemployment rate and interest rates. This will provide a window into the Fed's reaction function and the trade-offs they are countenancing, in terms of a higher unemployment rate to cool the economy and demand pressures.

- At the heart of the issue is whether the Fed will tighten rates by 75bps to err on the side of caution, particularly as the labour market hot, sticky services inflation creep up further and an inertial wage-price dynamics kick in. The Fed could go for a 50bps hike as inflation has peaked and the Fed is a step closer toward achieving a soft landing without having to throw the economy into a massive tailspin. While we are in the camp of the former, it is worth noting that the Fed will still have several more data points on CPI, PCE, jobs and compensation reports to parse through prior to the September FOMC meeting.

- All eyes now turn to the Jackson Hole summit where Fed Chair Jerome Powell will speak on 26 Aug 22 for the symposium's headline act. This will also coincide with the release of the July PCE print, which should mirror the CPI print's downtrend amid softer gas prices.

To sum it up, we expect rates to peak at 3.75%-4.0% by December's FOMC meeting, followed by an extended pause thereafter. The US economy is unlikely to crack in the face of expeditious tightening by the Fed, although some labour market weakness is in order to de-link nominal wage and CPI growth.

Where does that leave Asian currencies?

Given that the Fed is poised to continue with its monetary tightening, we do not expect a material drop-off in the Dollar against Asian currencies, particularly as Asian central banks will not tighten as aggressively as the Fed. Besides, rates are rising from zero in the US, which is not the case in Asia because inflationary pressures are always more pronounced in developing markets in an environment characterised by higher growth and inflation. A comparison of the relevant currency metrics is listed in Table 1:

The metrics are chosen based on several factors:

- Macroeconomic fundamentals via inflation differentials vis-à-vis the trading partners as well as real policy rates as a proxy for the real rate of financial return. In a sense, both measures are also an approximation of the respective central banks' inflation-fighting credibility with the proliferation of the inflation-targeting regime in recent years.

- Currency valuation through the Real Effective Exchange Rate and the correlation to the CNY. A higher REER implies a loss of export competitiveness and vice versa. As for the Yuan, China's zero-Covid policy is expected to persist, and a high correlation to the Yuan would be a drag on currencies that track the Middle Kingdom's economic trajectory.

- The last bucket consists of financial stability, particularly on reserve adequacy in covering for imports and short-term external debt, as well as the Current Account balance to ascertain the extent of inflows from external trade.

Table 1: Assessing relative currency resilience

	Inflation differentials (%)	Real Policy Rates (%)	REER (% change from 10y-avg)	Reserves (no of months)	Reserves (% of STE debt)	Correlation to CNY	4QMA CA (% of GDP)	Z-Score, the higher the better
India	2.3	-1.8	4.9	6.5	3.1	-0.5	-1.1	-1.0
Indonesia	-0.3	-1.4	0.8	6.1	2.3	-0.6	0.8	0.2
Malaysia	**-1.1**	**-1.4**	**-9.8**	**4.0**	**0.8**	**-0.7**	**2.5**	**0.7**
Philippines	1.3	-2.7	4.6	6.6	5.2	-0.7	-2.9	-0.5
Singapore	2.4	-	0.8	7.0	-	-0.9	19.4	-0.7
Korea	**1.6**	**-4.1**	**-4.9**	**6.8**	**2.3**	**-0.4**	**4.5**	**0.6**
Taiwan	**-0.2**	**-2.2**	**6.6**	**15.4**	**2.7**	**-0.4**	**14.6**	**5.2**
Thailand	2.6	-7.1	0.1	6.9	2.2	-0.8	-3.4	-5.5
Vietnam	**-2.3**	**-0.6**	**-**	**3.6**	**-**	**-**	**-2.5**	**1.0**

Source: Centennial Asia Advisors, CEIC. STE = Short-term external debt.

- **Taiwan is the outsized performer**, thanks to the stratospheric current account surplus and material reserve accumulation which negates the REER appreciation. Next in line are **Malaysia**, **Korea** and **Vietnam**, although computation of the z-score for the latter is plagued by the dearth of data. In Malaysia, the solid macroeconomic fundamentals stemming from low inflation and an already-weak Ringgit has bolstered the case for Ringgit appreciation moving forward. As for Korea, a relatively low correlation to the CNY (on a 5-year basis) and a lower Real Effective Exchange Rate (REER) is supportive of the Won.

- **Middling in the pack is Indonesia, the Philippines and Singapore**. Low inflation differentials and relatively high real rates offset the modest import coverage and a current account surplus at the margins in Indonesia. For the Philippines, a sizeable current account deficit and low real rates are a bane for the Peso while Singapore would have outperformed, if not for the high inflation print and significant correlation to the Yuan.

- **India and Thailand are at the bottom of the rankings** mainly because of the poor fundamentals. Inflation differentials vis-à-vis their trading partners are a concern in both India and Thailand, and real rates are in the red as a result. The current account deficit – a rarity for Thailand pre-pandemic – adds to the currency woes in both economies.

3 scenarios for Asian currencies

We outline 3 broad scenarios for Asian currencies moving forward.

Scenario 1: Global recession spurs flight to safety; Dollar takes off on haven demand (15% probability)

A global recession because of an exogenous shock, say from a material escalation in hostilities in the Russia-Ukraine war or an accidental clash between the US and China over Taiwan, is precipitated by a sharp increase in energy prices. Oil prices balloon to, say, USD150 per barrel over night, triggering another round of cost-push inflation that easily tips oil importing economies into a recession. In this scenario, haven demand for safe currencies take off, with the Dollar set to be the main beneficiary. Asian currencies, perceived to be of a riskier profile, thanks no less to the proximity to China, will take a battering across-the-board without any differentiation between emerging and developed Asia. We tag a 10% probability to this scenario which is a tail event in the grand scheme of things.

Scenario 2: US economy slows further, and with it, inflation (60% probability)

Under our baseline scenario, the US economy continues to decelerate and may fall into a shallow technical recession but the economic vigour remains intact. Inflation, which has shown signs of peaking, extends its gradual descent moving forward, although it ends 2022 at around 4%-5%, which well exceeds the Fed's inflation target. The downtrend in inflation allows the Fed to keep rates unchanged at the turn of the year as we see terminal rates in the region of 3.75%-4%. Without any further upside to rates in the US, the Dollar will come under pressure as risk-on sentiment revives and confidence improves.

As markets price in the prospect of peak rates in the US, the Dollar is unlikely to surpass the previous peak in mid-July even though it came really close to doing so last week. Nevertheless, with Asian central banks on the move in 2H22 and into 1H23, Asian currencies should start clawing back some of the losses moving forward. The pace of appreciation will hinge on how far Asian central banks allow the uptrend to continue, alongside any replenishing of FX buffers by central banks who burnt through sizeable reserves to staunch the outflows in 1H22.

Scenario 3: A soft landing as inflation eases sharply without a recession (25% probability)

This is the goldilocks scenario that markets were eagerly hoping for earlier in 2022, where US inflation tails off sharply and allow the Fed to put a stop to further rate hikes, say, after September's move. In turn, this would buoy markets and riskier assets will benefit from lower discount rates. This scenario is unlikely, although there is a non-zero possibility that services inflation could tail off sharply in early-2023 which would accelerate the timeline for Fed rate cuts next year. This would set the stage for a sustained rally in riskier assets, such as emerging market and Asian currencies.

Indonesia Budget 2023 offers a credible path to consolidation

Budget 2023 is of outsized importance in Indonesia because the constitutionally-mandated 3% fiscal deficit cap comes back into force from next year. There were no surprises in President Jokowi's budget speech, as the administration sought to follow through on the reform agenda that has been invigorated by the passage of the labour reforms. The revenue and macroeconomic assumptions appear credible for the most part, no thanks to an economy on solid footing, aided by a rebound in full swing alongside supportive commodity prices.

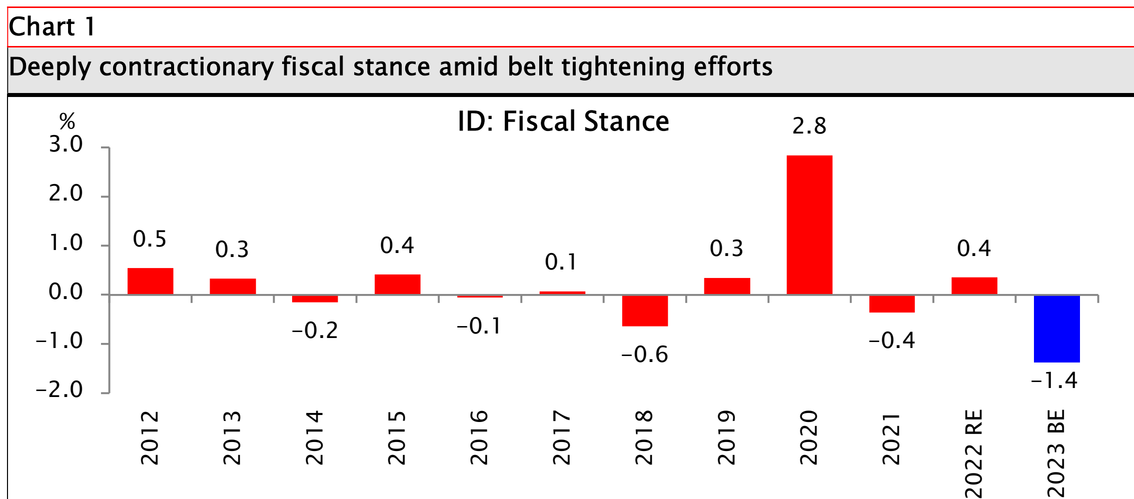
The Fiscal Impulse is deeply negative, and for good reason

The cyclically adjusted fiscal impulse of Budget 2023 is deeply contractionary (-1.4% of nominal GDP) (see Chart 1), considering the belt tightening efforts by the authorities. Coupled with the robust tax uptake, and the fiscal deficit is expected to come down sharply to 2.85% of GDP in 2023, from 4.5% in 2022 under the revised estimates.

Adding to the growing pile of evidence of fiscal rectitude is the fact that the budget balance is still in surplus as of July, which is remarkable and reflects a valiant effort at spending rationalisation by the finance ministry. Therefore, we hew to our projections for a smaller fiscal deficit of around 3.5% of GDP, given the really conservative revenue projections.

Chart 1

Deeply contractionary fiscal stance amid belt tightening efforts



Source: Centennial Asia Advisors, Government of Indonesia, CEIC. RE = Revised Estimate, BE = Budget Estimate

Macroeconomic assumptions are credible as the recovery takes hold

The macroeconomic assumptions that feed into the revenue projections are reasonable, which is a boon for the growing credibility of policymakers. <u>In fact, tax revenues have typically undershot government estimates every year in the past decade</u> - save for 2021 when the reverse was true amid the easing of Covid-19 restrictions - as rosy revenue projections allow the authorities to

spend big on infrastructure and social assistance. This looks increasingly like a thing of the past under the stewardship of finance minister Sri Mulyani and President Jokowi.

- **GDP growth for 2023 is pegged at 5.3%, which is in line with our above-consensus forecast of 5.5%.** Despite the bourgeoning talk of a recession in the G3 economies, domestic demand in Indonesia continues to chug along. Besides, there is a lot that is going right for the Indonesian economy, from the structural transformation plans in downstream processing of nickel, the improving business environment from labour market reforms to the tailwind from hefty thermal coal prices. Growth for 2022 is seen at 5.1%-5.4%, although we think it is more likely to end up at mid-point of the range following 1H22's spirited performance (+5.23%).

- **The authorities reckoned inflation to end 2022 in the region of 4.0%-4.8%** before easing to 3.3% in 2023, although much hinges on the fate of fuel price subsidies moving forward. Our econometric analysis points to end-2022 inflation at the higher end of the forecast range (4.9%) and for inflation to average 4.1% this year. In any case, the inflation forecasts are reasonable; furthermore, a corollary of an inflation overshoot would push up revenue collections via tax creep, albeit at the expense of BI's hard-earned credibility.

- **At USD90 per barrel, there will not be any breather for elevated oil prices in 2023**, compared to expectations of USD100 per barrel for 2022. All else being equal, higher oil prices is a bane for Indonesia as a net oil importer via a negative terms of trade shock. But the intensifying hunt for alternatives, led by a energy-starved Europe, into other hydrocarbons such as thermal coal and natural gas has naturally found a beneficiary in the form of Indonesia. In turn, this has cushioned the hit from the ballooning energy subsidy bill and allowed the authorities to defer on raising fuel prices

- **The authorities expect the Rupiah to hold steady in 2023 (IDR14,750/USD),** whereas we are slightly more optimistic on the Rupiah's prospects as markets come to terms with the Fed's rate hikes for the rest of 2022. Conversely, this could also reflect BI slowing the pace of appreciation to rebuild the FX buffers across time. Note that the central bank has reiterated time and again that the Rupiah is undervalued, though it stopped short of specifying a fair value for the domestic currency.

Modest improvement in revenue metrics…

The Jokowi government followed through with the 1% VAT hike in April 2022 which, coupled with the tailwind from commodity prices, is expected to gin up revenue collections in 2022. It also helps that the post-Covid recovery is well underway, which helps to shore up revenues via taxation as a form of automatic stabilisers.

- **Total revenues are set to jump 7.8% y/y to IDR2.44qd in 2023**, led by the enduring pick-up in tax revenues (+13.1%) to IDR2.02qd. This offsets the slowdown in non-tax revenues (-

11.5%), which falls to a non-negligible IDR426bn, as commodity prices are likely to ease from stratospheric levels but remain elevated going forward.

- **The tax-to-GDP ratio is expected to hold steady at 9.6% in 2023**, as the growth in tax revenues is just a touch higher than nominal GDP growth (+12.4%) (see Charts 2 and 3). As growth normalises post-Covid, nominal GDP is more likely to revert to trend growth in tandem with tax revenues.

- **The interest payment to revenue ratio (i.e. debt service charge) remains elevated at 18.1%,** which is within touching distance of the ceiling prescribed by the IMF (19%) for purposes of fiscal prudence. This is a reflection of both elevated borrowing costs, against the backdrop of a hawkish Fed, and a narrow tax base, as we allude to next.

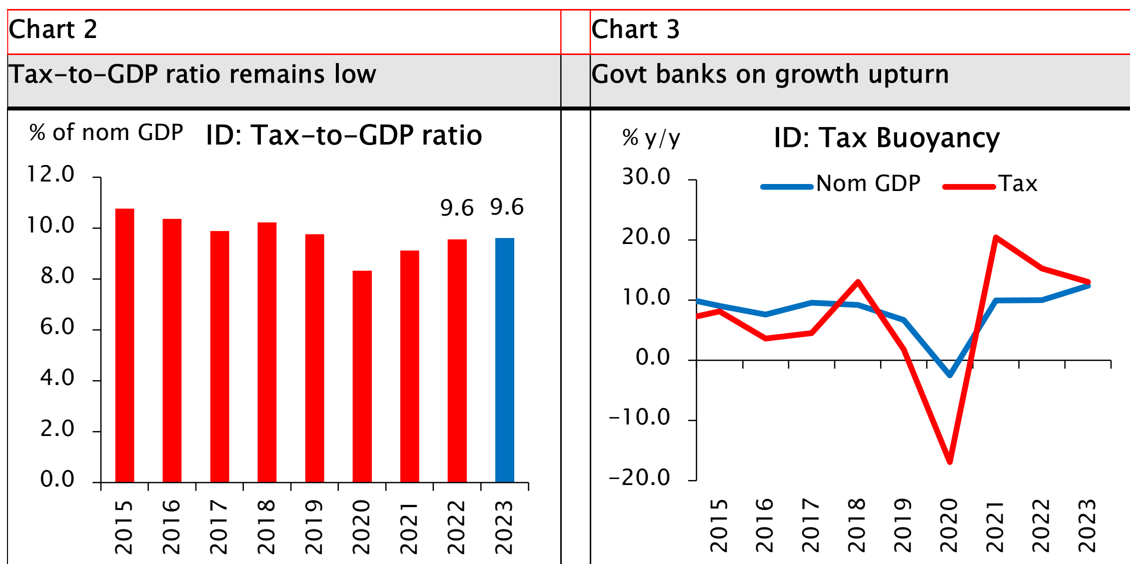


Chart 2: Tax-to-GDP ratio remains low

Chart 3: Govt banks on growth upturn

Source: Centennial Asia Advisors, Government of Indonesia, CEIC. Figures for 2022 and 2023 refer to revised and budget estimates, respectively.

But, there are two issues worth pointing out in the revenue estimates.

- **First, the projections for the tax revenues are a tad too conservative**, mainly because of the buoyant recovery. As of Jul 22, tax revenues stand at 68.0% of revised estimates, which is significantly higher than the 5-year average (52.2%). In fact, a linear extrapolation of the revenue collections suggests the full-year tax take (IDR2.14qd) could even top the revised estimates by close to 20% (and exceed the 2023 tax figures, for that matter). While there is some uncertainty in the estimates, we think the authorities are playing it safe with the revenue projections (too safe, in fact) lest it falls short of target and necessitate brutal spending cuts in 2023 to remain on the specified fiscal consolidation pathway.

- **With the tax take below 10% of GDP, more can still be done to broaden the tax base**, in terms of lowering the threshold for VAT and improving tax administration. Note that if tax revenues

do surprise on the upside, as we expect, it is likely to nudge the tax-to-GDP ratio upwards by several basis points. In his budget speech, President Jokowi acknowledged the importance of fiscal reforms but government officials have not hinted at further follow-up action on the heels of the April VAT hike or the second tranche of tax amnesty which was implemented earlier in the year. This is also true for other reforms on human capital deepening and infrastructure development, hinting at the possibility that the authorities intend to consolidate the gains from recent structural reforms now that the Jokowi administration is more than halfway through its second term.

...but spending efficiency takes a hit

Cutbacks to expenditures were pertinent to bring the fiscal deficit below 3% of GDP for 2023. That aside, spending efficacy has deteriorated as political concerns became more salient with the increase in inflation and oil prices, necessitating a diversion in spending toward energy subsidies. That said, there are silver linings within the spending allocations.

- **Modest spending cuts were on the table (-2.1%),** bringing total spending to IDR3.04tr in 2023 from IDR3.11tr in 2022. In particular, central government spending (-3.1%) bore the brunt of the spending cuts, while regional transfers (+0.9%) and capex (+0.0%) saw modest increases. Interest payment is set to jump 8.8% y/y to IDR441.4tr, as the dearer debt stock and rising yields translate into greater debt repayment costs.

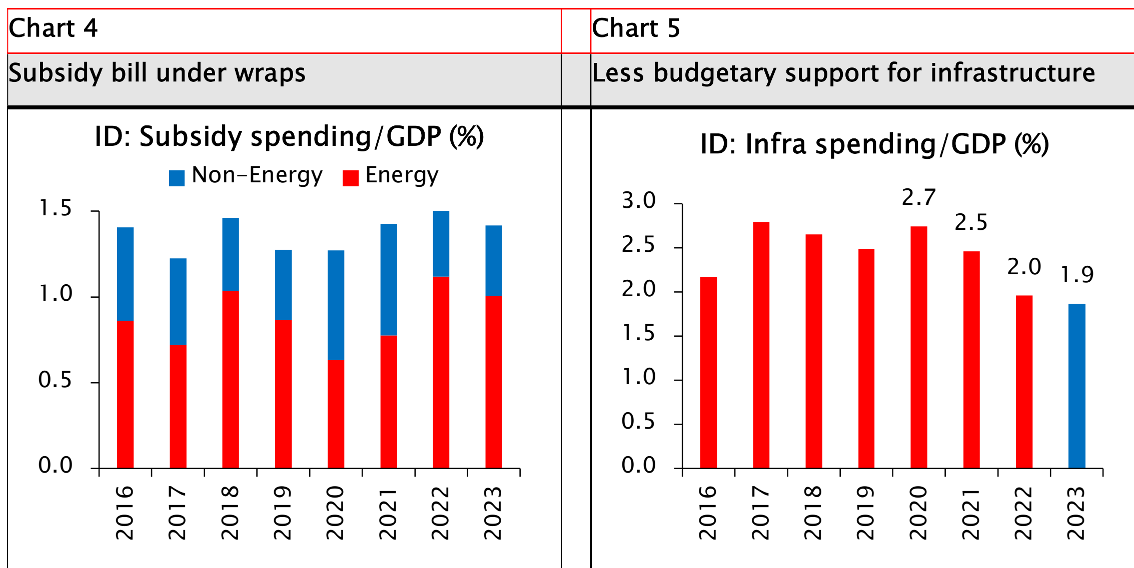
- **The quality of spending is clearly down**, evinced by the rising subsidy bill as a share of total expenditures (2023e: 9.8%). The economic upturn has ensured that total subsidy spending as a share of GDP remains broadly unchanged at 1.4% (see Chart 4). Conversely capital spending as a share of total spending (2023e: 6.5%) barely budged and is still at a multi-year low.

- **While much was made of the government's tripling of the energy subsidy bill to IDR502tr** in 2022, the truth is that most of the increase is coming by way of compensation (IDR294tr) to such SOEs as PLN and Pertamina, which typically transpires a year later. On the other hand, *actual* subsidy spending will barely budge, at IDR211tr and IDR209tr in 2023 and 2022, respectively.

- **There were conflicting signals over the fate of energy subsidies**. In his budget speech, President Jokowi had assured public finances can shoulder the burden of keeping retail fuel prices unchanged whereas Parliament's budget commission has insisted that there will not be another expansion in fuel subsidy spending, as consumption of the subsidised fuel (Jul 22: 73% of target) is well on track to exceed the full-year allocation. This was echoed by the ministers in the economics portfolio (e.g. energy minister Arifin Tasrif and coordinating minister Airlangga Hartarto) who hinted at an increase in retail fuel prices as the current situation becomes increasingly untenable for public coffers. We do expect Pertamina to raise

prices of the subsidised fuel ("Pertalite") in due course, although salient cost-of-living pressures imply any increase will be modest in magnitude.

- **Infrastructure spending was not spared as well** to meet the fiscal deficit target amid competing spending pressures. Spending on public works projects will decline a smidgen to 1.9% of GDP in 2023 – the lowest on record under President Jokowi (see Chart 5). It is telling that President Jokowi ordered ministers to focus on finishing projects in 2023, as opposed to breaking ground on new ones as the President approaches the home stretch of his second term. This mirrors an earlier move to trim the list of national strategic project to 200, from 208. That said, IDR24tr has been earmarked for the capital relocation project, a legacy that President Jokowi will be eager to safeguard even as he vacates office in Oct 24.



Source: Centennial Asia Advisors, Government of Indonesia, CEIC. The subsidy bill excludes planned compensation to SOEs which are often deferred for years and can take the form of transfers in kind.
Figures for 2022 and 2023 refer to revised and budget estimates, respectively.

Bottom line: Jokowi administration opts to play it safe

In essence, Budget 2023 offers a credible roadmap toward fiscal consolidation in bringing the fiscal deficit below the legally-mandated cap of 3%. The authorities opt to play it safe with the conservative revenue estimates for this year and the next. Spending efficiency has come down, mainly because of the political pressures for higher fuel subsidies. But the positives still outweigh the negatives, as President Jokowi sought to consolidate the gains from his reform agenda that comprised infrastructure development, labour market reform and downstream refining, among other things.

Table 1: Draft Budget 2023 (APBN 2023) and Revised Budget 2022 (IDR qd)

	2020 Actuals	2021 Actuals	2022 Revised Budget	2023 Draft Budget	% y/y*
Govt revenue and grant (1)	1.65	2.01	2.27	2.44	7.8%
(of which)					
Tax revenue (2)	1.29	1.55	1.78	2.02	13.1%
Non-Tax revenue	0.34	0.46	0.48	0.43	-11.5%
Grant, *in IDR tr*	18.83	5.01	0.58	0.41	-29.4%
Total Expenditure (3)	2.60	2.79	3.11	3.04	-2.1%
(of which)					
Central Government Expenditure	1.83	2.00	2.30	2.23	-3.1%
Transfers and village funds	0.76	0.79	0.80	0.81	0.9%
Interest Payment (4)	0.31	0.34	0.41	0.44	8.8%
Subsidy Disbursement (5)	0.20	0.24	0.28	0.30	4.8%
Capital Expenditure (6)	0.19	0.24	0.20	0.20	0.0%
Govt Contribution to National Savings	-1.14	-1.01	-1.04	-1.06	1.9%
Budget Surplus(+)/Deficit(-)	(-) 0.95	(-) 0.78	(-) 0.84	(-) 0.60	*
as % of GDP	6.14%	4.57%	4.50%	2.85%	-1.65pp
Macroeconomic Assumptions					
GDP Growth	5.3%	5.0%	5.25%	5.3%	
Oil Price (USD/barrel)	63	45	100	90	
Exchange Rate (IDR/USD)	14,400	14,600	14,700	14,750	
Inflation	3.1%	3.0%	4.4%	3.3%	

Source: Government of Indonesia. The subsidy bill excludes planned compensation to SOEs which are often deferred for years and can take the form of transfers in kind.
Figures for 2022 and 2023 refer to revised and budget estimates, respectively.

Table 2: Selected fiscal metrics (%)

	2020 Actuals	2021 Actuals	2022 Revised Budget	2023 Draft Budget
Fiscal Impulse	2.8	-0.4	0.4	-1.4
Tax-to-total revenue ratio (2/1)	78.0	77.0	65.5	82.5
Tax-to-GDP ratio	8.3	9.1	9.6	9.6
Interest Payment-to-revenue ratio (4/1)	19.1	17.1	17.9	18.1
Quality of spending, of which				
Subsidy/Total Expenditure (5)/(3)	7.6	8.7	9.1	9.8
Capex/Total Expenditure (6)/(3)	7.4	8.6	6.4	6.5

Source: Centennial Asia Advisors, Government of Indonesia, CEIC. The subsidy bill excludes planned compensation to SOEs which are often deferred for years and can take the form of transfers in kind.
Figures for 2022 and 2023 refer to revised and budget estimates, respectively.

Key Drivers of Asian Economies

Variable	Development/Assessment
Geo-politics and Asia	
Big power tensions in Asia are accumulating	1. **The Taiwan issue is becoming a test of wills between China on one side and the US and its allies on the other.** ▪ The US and Taiwan are to begin formal negotiations early in the autumn on a bilateral trade initiative, the US-Taiwan Initiative on 21st Century Trade. The talks will focus on 11 areas, including expanding trade in agriculture and digital industries, raising labour and environmental standards, and enhancing trade between small and medium-size businesses. The joint statement by the US and Taiwan referred to the need to combat market distortions caused by state-owned enterprises, a clear hit at China. But it is the possibility of a significant upgrade to US-Taiwan economic relations that will upset China more – at a time when its strategy is to emasculate Taiwan by pressing other countries to gradually reduce their economic ties with Taiwan. ▪ Yet another US politician, this time the Indiana Governor is visiting Taiwan. He will be followed by another US congressional delegation which will arrive in the coming weekend. A group of Japanese parliamentarians is also visiting Taiwan this week. In addition, several delegations from Europe and Canada are also planning to visit the island. We think China is bound to respond against those visits in some way, which would aggravate relations between China and the West. 2. **Japan is stepping up its defence capability, with China in mind.** ▪ Japanese media has reported plans by Japan to build an arsenal of more than 1,000 long-range missiles which will have to range to hit targets in Chinese coastal areas as well as in North Korea. The same reports note that Japan is seeking to upgrade the capability of its domestically produced Type 12 surface-to-ship missile which also has the range to hit targets in China. ▪ In addition, Japan is raising its international military profile. This year, Japanese troops participated in Exercise Garuda Shield, an annual exercise between the US and Indonesian militaries. During the exercise, Japanese troops conducted an airborne training exercise in Indonesia. 3. **China's relations with India remain troubled** ▪ India has quietly rebuffed China's polite insistence that India issue a clear statement reiterating its commitment to the One China policy, following the visit to Taiwan of US House Speaker Nancy Pelosi. India's response simply noted that "India's relevant policies are well known and consistent and they do not require reiteration,…" India has pointedly refused to publicly state its adherence to the One China policy since 2010. This followed China's issuance of special visas to Indian residents of Jammu & Kashmir which appeared to weaken China's recognition of those territories as part of India. India was further miffed when China issued statements on Indian-controlled Arunachal Pradesh which China insists is part of Tibet.

Variable	Development/Assessment
	▪ India has also been troubled by the visit of a Chinese naval vessel to Sri Lanka. The Indians suspect the vessel to be a spy ship. The Sri Lankan government deferred the naval visit for a week to placate India but India remains concerned about possible Chinese intelligence activities close to its territory. **4. China-South Korean ties also at risk** ▪ While South Korean President Yoon appeared to be placating China by not formally receiving US House Speaker Pelosi when she visited Seoul, Yoon is making clear that in the key area of defence his administration is prepared to risk a clash with Beijing. ▪ When Chinese Foreign Minister Wang Yi met his South Korean counterpart on 9th August, Wang reminded the South Koreans of former South Korean President Moon's three no's policy – no additional Thaad deployments, no participation in a US-led missile-defense network and no involvement in a three-way alliance with the US and Japan. Yoon has made clear that he will follow through with an expanded Thaad deployment and is committed to growing strategic ties with the US while improving ties with Japan. US and South Korean troops are involved in large-scale military exercises this week and Yoon has said that the US-South Korea partnership now "goes far beyond a security alliance, which now encompasses economic security." US, South Korean and Japanese forces also participated in a joint ballistic missile defence exercise in early August. This was the first such trilateral exercise since 2017 – after South Korean-Japanese relations plunged during Moon's presidency. ▪ South Korea's approach is significantly rooted in its growing concerns about North Korea. The two Koreas have been engaged in heated exchanges of late. North Korean leader Kim Jong Un's influential sister, Kim Yo Jong, has lashed out at South Korea's leaders. In July, South Korea's new military chief General Kim Seung-kyum basically warned North Korea that the South could target the North Korean leadership in the event of hostilities. For Yoon, protecting South Korea from North Korea's strengthening nuclear and missile capacity is more important than placating China. **Assessment: A slow but worrying drip-drip of accumulating tensions in the region** ▪ In short, there is a trend of persistent developments, apart from headline-grabbing events such as the Pelosi visit, which increase suspicions and tensions among the big powers in the region. All of these have one thing in common – a response to concerns over China's rise and its alleged assertiveness. ▪ The problem is that these developments keep the tinder dry on the ground, making it more likely that a provocation of some kind or even an accidental clash escalates quickly into a major confrontation. ▪ This makes it all the more urgent that the powers involved establish a framework to discuss security issues, one that can swiftly be brought into operation to contain tensions which might arise from time to time. Negotiating such a framework was probably one reason to hold the summit meeting between

Variable	Development/Assessment
	Presidents Xi and Biden in November. It would thus be a positive for regional stability if the rumours that the summit might go ahead after all despite the frictions caused by the Pelosi visit.
India: BJP's dominance now under threat	▪ **The ruling BJP party was dislodged in Bihar,** the third populous state in India, after it was out-manoeuvred by the JD(U). The JD(U) made amends with the RJD and, together with the smaller parties in the state, formed the state government accounting for 164 out of 243 seats in the state assembly, leaving the BJP as the sole opposition party. Incumbent chief minister Nitish Kumar stayed put, with RJD leader Tejashwi Yadav serving as deputy chief minister. ▪ **The shenanigans in Bihar followed a similar playbook in Maharashtra**, where the BJP had enticed several state assemblymen to defect from the ruling Shiv Sena party to usher a change in government. What spurred the JD(U)'s opening salvo was probably the fear of being marginalised by the dominant BJP, like what happened to the Shiv Sena party as both parties eyed the same Hindu-Nationalist segment of the electorate, although in Bihar, fault lines along the lines of caste and reservations are more salient. ▪ **The intensifying anti-corruption probe into the opposition** likely factored into the JD(U)'s calculations to make the first move, particularly as the space for navigation was closing gradually with the BJP's seemingly unchecked dominance in the face of a weak Congress party that remains a shadow of its former self. In recent weeks, the prominent Gandhi family from the Congress party has been hauled in for questioning by the Enforcement Directorate (ED) over allegations of money laundering while the secretary-general of the Trinamool Congress party in West Bengal, who ranks third in the party hierarchy, was ensnared in an education scam. More recently, the Central Bureau of Investigation is looking into the Delhi state administration's issuance of licenses for alcohol sales amid allegations of kickbacks and improprieties. The ruling AAP in Delhi has dismissed the probe as a politically-motivated witch hunt by the BJP to discredit the political upstart as it faces off against the ruling BJP in the Gujarat state elections due end-2022. **Assessment: Nothing less than a setback of the BJP** ▪ The JD(U)'s defection stems from the BJP's political dominance, and events in Maharashtra likely triggered a domino of events as allies of the BJP increasingly look over their shoulder out of fear of being targeted in an anti-corruption probe and risk being marginalised by the ruling party. There are three broad implications. ▪ First, the BJP's repeated attempt to poach opposition lawmakers will worry regional allies of the Saffron party, which does the party no favours. Prior to the defection, the JD(U) was the largest component party in the BJP-led NDA coalition after the BJP itself. The bulk of the NDA's parliamentary and state assembly arithmetic is increasingly dominated by the BJP itself. The saffron party may find

Variable	Development/Assessment
	it increasingly difficult to reach out and form alliances with smaller parties that are wary of a tie-up. While this may not influence the status quo in the near-term, the 2024 general elections may turn out very differently as the odds of pre-election talks and alliances are snuffed out. ▪ Second, the paucity of allies and friends will only complicate the BJP's outreach strategy. Well aware of the limits of the Hindutva campaign and border conflict with China and Pakistan, the BJP is increasingly relying on caste combinations to shake up its political outreach and strategy. As a party that is perceived to cater to the upper-caste, affluent voters, the BJP is hugely reliant on its allies to win over low—caste voters from disadvantaged background. In a nutshell, the JD(U)'s defection renders an encore of the BJP's sweep of Bihar significantly harder and more onerous come 2024. ▪ Third, the BJP's machinations may even force opposition parties to set aside their own rivalries to present a united front against the dominant ruling party. The JD(U) and RJD's reconciliation is a case in point, given that both parties used to be on opposite sides of the aisles. Opposition parties may be unified by a common desire to keep the BJP in check, lowering the hurdle for avoiding multi-cornered contests that typically favours the larger parties in a first-past-the-post system. Moving forward, there is likely to be growing calls for a coordinated campaign at the national level to counter the BJP's dominance in the political landscape ahead of the 2024 elections.
Asian economies	
China: could policy and the economy be at an inflexion point?	Stimulus efforts could soon be stepped up substantially. There are several reasons to expect a shift in policy thinking in favour of more aggressive stimulus. ▪ First, policy makers would not have anticipated the heatwave now affecting a large swathe of the country. This has compromised hydro-electrical power generation and could therefore slow the fragile economy even more. Sichuan province, China's most populous and an important manufacturing centre, has been hard hit and companies there have been forced to cut back on production. Other provinces have also begun rationing power. The national weather authorities are forecasting continued dry weather and thus no early end to the damage to the economy inflicted by the weather. ▪ Second, recent monetary data show that broad money is growing faster than total credit extended, a clear sign of a liquidity trap where credit demand has weakened: With monetary stimulus alone probably not enough to steady the economy, it is clear that a new approach is indicated. ▪ Third, covid infections continue to proliferate even in the face of rigorous control measures. Although the authorities have tried to calibrate control measures to minimize the damage to the economy, the impact on consumer and business

Variable	Development/Assessment
	psychology is becoming more pronounced – as seen in the weakest level of consumer confidence ever recorded and the weak demand for credit. ▪ Fourth, it is also becoming evident that the deflation of the real estate sector is spilling over into a negative wealth effect and into financial stresses that previous measures have not been able to contain. Hence the recent step-up in policy support. ▪ Now that the annual leadership retreat at Beidaihe has ended, there are signs that the top leadership may have decided to step up stimulus efforts. Following the leadership conclave, Prime Minister Li Keqiang called a meeting of leaders of economically important provinces. He urged them to "…keep up the momentum of recovery, heighten the sense of urgency…" ▪ Apart from today's cut in the one-year loan prime rate and the five year lending rate, the authorities had also announced late last week that special loans will be offered through policy banks to ensure stalled property projects are delivered to buyers. The government has also announced that it will mobilise large funds to reverse the decline in the property sector. ▪ But, the question is whether more policy support will be sufficient to turn the economy around. Given the liquidity trap and the low confidence level, small cuts in lending rates and promises of more liquidity will not suffice. What is needed are bolder measures which will help turn confidence around such as direct cash transfers to households and an accelerated infrastructure programme. The latter is likely but the authorities still appear reluctant to commit to the former.
Thailand: Resilient growth despite high inflation	2Q22 GDP print reveals steady growth resilient to high inflation: ▪ **Real GDP grew 2.5% y/y in 2Q22**, up slightly from 2.3% y/y in 1Q22. The sequential growth momentum was weaker at +0.7% q/q sa in 2Q22, down from +1.2% q/q sa in 1Q22. On a seasonally adjusted basis, real GDP remains 1.1% below pre-pandemic levels (4Q19). ▪ **By expenditure, private consumption and services exports led growth**. Private consumption grew 6.9% y/y (1Q22: +3.5% y/y) while services exports boomed at 54.3% y/y (1Q22: +32.5% y/y). Private investment grew at a steady pace of 2.3% y/y (1Q22: +2.9% y/y). Government spending contributed less to growth, as government consumption grew 2.4% y/y (1Q22: +7.2% y/y) and government investment contracted by -9.0% y/y (1Q22: -4.7% y/y). While services exports boomed, the external sector resulted in an overall drag on growth as total imports outweighed exports in 2Q22. Total net exports contributed -0.2% to 2Q22 real GDP growth. Individually, total exports 8.3% y/y (1Q22: +12.2% y/y) while total imports grew 9.0% y/y (1Q22: +6.0% y/y). ▪ **By industry, services, and agriculture outperformed manufacturing**. While the services sectors grew 4.6% (1Q22: +2.9% y/y) and the agricultural sector grew 4.4% (1Q22: +4.7% y/y) in 2Q22, the manufacturing sector contracted by 0.5% y/y (1Q22: +2.0% y/y) in 2Q22. Growth in the services sector was supported by

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	wholesale & retail trade (3.1% y/y), transport & storage (5.3% y/y), accommodation & food services (44.9% y/y), and information & communications (6.2% y/y). However, the construction sector contracted by 4.5% in 2Q22 (1Q22: -5.5% y/y), rendering the construction and manufacturing sectors key drags on 2Q22 growth. **Assessment: Growth set to be resilient but downside risks persist** ▪ **The tourism sector is a clear driver of growth**: supporting exponential growth in services exports as well as growth in the wholesale & retail trade, transport & storage, and accommodation & food services sectors. Thailand could deliver an upside surprise in 2022 as tourist arrivals have been stronger than expected – the Fiscal Policy Office recently upgraded its tourist arrival forecast from 6.5 million visitors to 8 million visitors in 2022. ▪ **Private consumption has surprised on the upside**: inflation in the Thai economy has been sharper than economies in the region, easing slightly from a 14-year high to +7.6% y/y in Jul 22. However, private consumption has been not only been resilient but led growth in 2Q22 at +6.9% y/y. Three factors underpin the resilience in consumer spending. Labour market conditions have continued to improve, nominal farm income growth has been strong, and consumer confidence has begun to improve. The unemployment rate declined further to 1.4% sa in 2Q22. Nominal farm incomes grew +18.4% y/y in Jun 22, while the consumer confidence index rose for the second consecutive month in Jul 22 to 42.4 points (Jun 22: 41.6 points). ▪ **Exports continue to be robust**: in real terms, services exports grew 54.3% y/y and merchandise exports grew 4.6% in 2Q22, the latter encompassing growth in both agricultural and manufactured exports. However, manufacturing production points to an impending slowdown in export growth. The Office of National Economic and Social Development Council (NESDC) attributed the contraction of manufacturing production in 2Q22 to weakening external demand. We note, however, that the NESDC's assessment is in contrast to positive PMI figures. The Jul 22 PMI survey showed that new orders for Thai exports continued to expand. The strengthening of the THB will also be a drag on exports. We expect further appreciation of the THB because the current account deficit will narrow further (on account of tourism receipts and falling oil prices), the USD is getting closer to a peak, and we expect two additional 25 bps rate hikes from the Bank of Thailand (BOT) in 2022. ▪ **Infrastructure-led investment (GFCF) has been surprisingly weak**: infrastructure-led GFCF is typically reflected in "public investment in construction (not including state-owned enterprises)" and "other private investment in construction". Both measures declined substantially in 2Q22 and in fact extended declines from the previous quarter. The former contracted by 12.5% y/y in 2Q22 (1Q22: -2.1% y/y) while the latter plunged by 40.9% in 2Q22 (1Q22: -37.6% y/y). We had expected strong infrastructure GFCF in 2022 because of the slew of government

Variable	Development/Assessment
	infrastructure projects that were supposed to be in the pipeline. At the start of the year, the Ministry of Transport alluded to the construction of 40 mega-infrastructure projects in 2022 that included new railways, roads, deep seaports, a high-speed railway between Thailand and China, and projects in the Eastern Economic Corridor. Disbursements for these projects do not seem to be taking place in both the public and private sectors. ▪ Overall, tourism growth and strong domestic demand underpin a positive growth outlook but downside risks persist in the form of weakening external demand and persistent high inflation. The BOT noted that 'inflation is still subject to upside risks' in its latest monetary policy meeting.
Singapore: **doubling down on the global city growth strategy**	For many Singaporeans, the highlight of Prime Minister Lee Hsien Loong's 2022 National Day Rally speech was the government's commitment to repeal a law that criminalised gay sex. This marked a major change for what is still a highly conservative society. However, from an economic perspective, the key takeaway for us was the renewed emphasis on the global city strategy for Singapore's further growth. ▪ Lee urged Singaporeans to prepare for a highly challenging global environment, marked by big power rivalries and higher inflation than in the past. ▪ Lee elaborated on plans to build up Singapore's port and airport, which would help cement Singapore's key role as a regional and global transportation hub. New details were given on how Changi Airport's planned Terminal 5 would be redesigned to take account of recent developments. He also highlighted the development of the mega-port at Tuas, explaining how it would be the world's largest fully automated port. ▪ He also revealed that the ministries of manpower and trade & industry together with their affiliated economic agencies will soon outline new initiatives to attract and retain top talent from around the world. ▪ This is an important step forward. The government has adopted a highly cautious policy on immigration since 2011 when Lee's ruling People's Action Party suffered a small electoral setback partly because of the backlash to the large-scale immigration of the decade before. Many companies in Singapore have been complaining about the difficulty of securing employment passes for foreign staff. If the new policy will ease the inward flow of talent, it would help reduce the constraint that companies have encountered which have deterred some global corporations from expanding in Singapore. ▪ The difference from the previous period of high immigration is likely to be the care the government will take to ensure that indigenous Singaporeans are protected from the downsides of being a global city, such as housing affordability and the cost of living. Referring to rising inflation, Lee assured

Variable	Development/Assessment
	Singaporeans that measures would be put in place to help lower income households overcome these challenges. **Assessment: steady-as-she-goes approach to economic management to continue** ▪ The global city strategy is not new, it represents a doubling down on an already reasonably successful strategy. The approach seems to be to learn from previous policy errors and to refine strategies such as importation of foreign talent so that they are politically acceptable. ▪ Continuity and conservatism marked other dimensions of policy. Even though the International Monetary Fund, in its latest Article IV report on Singapore, suggested that "…a slower pace of fiscal surplus accumulation may be warranted and would also help external rebalancing…" Lee announced that the proposed to percentage point hike in GST rates would go ahead, in two phases starting next January. This is despite the rise in inflation and the risk that such a move could cause inflation expectations to spike up. The government is not moving away from what many consider to be excessive fiscal conservatism any time soon. ▪ The same approach is seen in how Lee believes Singapore should adjust to a more challenging environment. In response to the challenge of higher inflation, for example, the solution Lee offered was to "make ourselves more productive and competitive", which will require Singapore to "press on with economic upgrading and restructuring". Two concerns emerge from the economic management approach Lee has outlined. ▪ The first is whether more changes are needed to tackle Singapore's challenges. Although he did not mention them, Singapore's relatively weak productivity and innovation performance needs to be addressed, otherwise it will not be able to maintain its competitiveness or offer its citizens rising living standards. ▪ The second is the lack of action to tackle a couple of emerging problems. One concerns public housing where the potential decline in the value of the 99-year leasehold properties may affect a growing number of Singaporeans whose savings are almost all tied up in the value of their homes. Another challenge which will become more pressing with time is the issue of retirement adequacy, and whether the single-pillared system with the Central Provident Fund at its core will suffice to finance the retirement needs of a more affluent and more demanding population.

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	Year	Growth (%)	Inflation (%)	Current Account (% of GDP)	Policy rate (%)	Currency (vs USD)
China	2021	8.1	0.9	2.8	2.95	6.36
	2022	3.2	1.9	2.2	2.75	7.10
	2023	5.4	2.0	1.4	2.75	6.60
India	FY22	8.7	5.3	-1.0	4.00	74.5
	FY23	7.0	6.3	-3.2	5.75	79.0
	FY24	6.8	5.8	-2.8	5.00	77.0
Indonesia	2021	3.7	1.6	0.3	3.50	14,300
	2022	5.3	3.8	-0.2	4.00	14,750
	2023	5.5	3.3	-1.5	4.50	14,500
Korea	2021	4.0	2.5	5.0	1.00	1,188
	2022	2.5	5.0	3.9	2.75	1,300
	2023	2.0	3.5	3.5	2.25	1,200
Taiwan	2021	6.1	2.0	15.0	1.125	27.5
	2022	4.0	3.0	15.3	1.75	29.9
	2023	3.0	2.0	15.3	2.25	30.5
Hong Kong	2021	6.4	1.6	5.9	-	7.80
	2022	0.5	4.0	5.0	-	7.80
	2023	3.5	3.0	0.7	-	7.80
Singapore	2021	7.6	2.3	18.1	-	1.40
	2022	4.0	5.5	17.5	-	1.38
	2023	3.5	1.9	17.5	-	1.35
Malaysia	2021	3.1	2.5	3.5	1.75	4.18
	2022	6.0	3.0	3.9	2.75	4.40
	2023	5.6	2.5	3.8	3.25	4.25
Philippines	2021	5.6	4.4	-1.8	2.00	50.9
	2022	6.8	5.0	-3.0	4.25	55.0
	2023	6.5	4.0	-2.8	4.00	53.0
Thailand	2021	1.6	1.2	-2.2	0.50	33.3
	2022	3.5	6.0	0.5	0.75	35.2
	2023	4.5	2.5	4.2	1.25	34.3
Vietnam	2021	3.0	2.5	-1.1	4.00	23,300
	2022	6.5	4.0	1.5	4.00	23,200
	2023	6.0	3.0	2.0	4.00	22,500

Source: Centennial Asia Advisors. Forecasts for India are on the basis of the fiscal year ending March. Figures in parentheses refer to previous forecast. Figures in red indicate a downgrade; green signal an upgrade.

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