

## WITH FY24 BUDGET, INDIA SHOWS SIGNS OF SHIFT IN GROWTH STRATEGY

- The Modi administration's latest budget will have a mildly contractionary stance for the economy. This is broadly appropriate to balance consolidation and growth concerns.
- The boost in public capital spending is welcome given the growing demands on India's infrastructure, although questions remain on the pacing and quality of investments.
- Consolidation is largely helped by a reduction in expected subsidy spending, as the price shocks of the previous year dissipate and selected schemes are revisited.
- The budget also shows signs of subtle shifts in the government's economic and political strategy as it aims to boost both India's growth and Modi's electoral prospects.

## CHINA: THE GROWTH REBOUND WILL BE RESTRAINED

- We disagree with the rush to aggressively upgrade growth forecasts for China and continue to expect economic growth this year to be around 4.5%.
- The drag from the property sector and diminished space for policy support will restrain the strength of the economic rebound.
- Nevertheless, China's rebound, however partial, will have positive effects on other economies via outbound tourism, commodity tailwinds, and looser financial conditions.

## REGIONAL UPDATES

- US-China ties will not be derailed for long by the bizarre incident of the Chinese surveillance balloon intruding into American air space.
- Hong Kong faces a full year of GDP contractions amidst trade and investment woes.
- Taiwan's export orders continue to face difficulties, but 2022 was a good year overall.
- South Korea faces a record trade deficit induced by plummeting exports, while also experiencing a setback in disinflation due to high energy prices.
- The ongoing controversy over the Adani Group raises broader questions about the government's economic strategy and India's corporate and regulatory governance.
- Thailand: a recovery underpinned by robust turnarounds in tourism and consumer spending is underway. Inflation risks are, however, rising.

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