

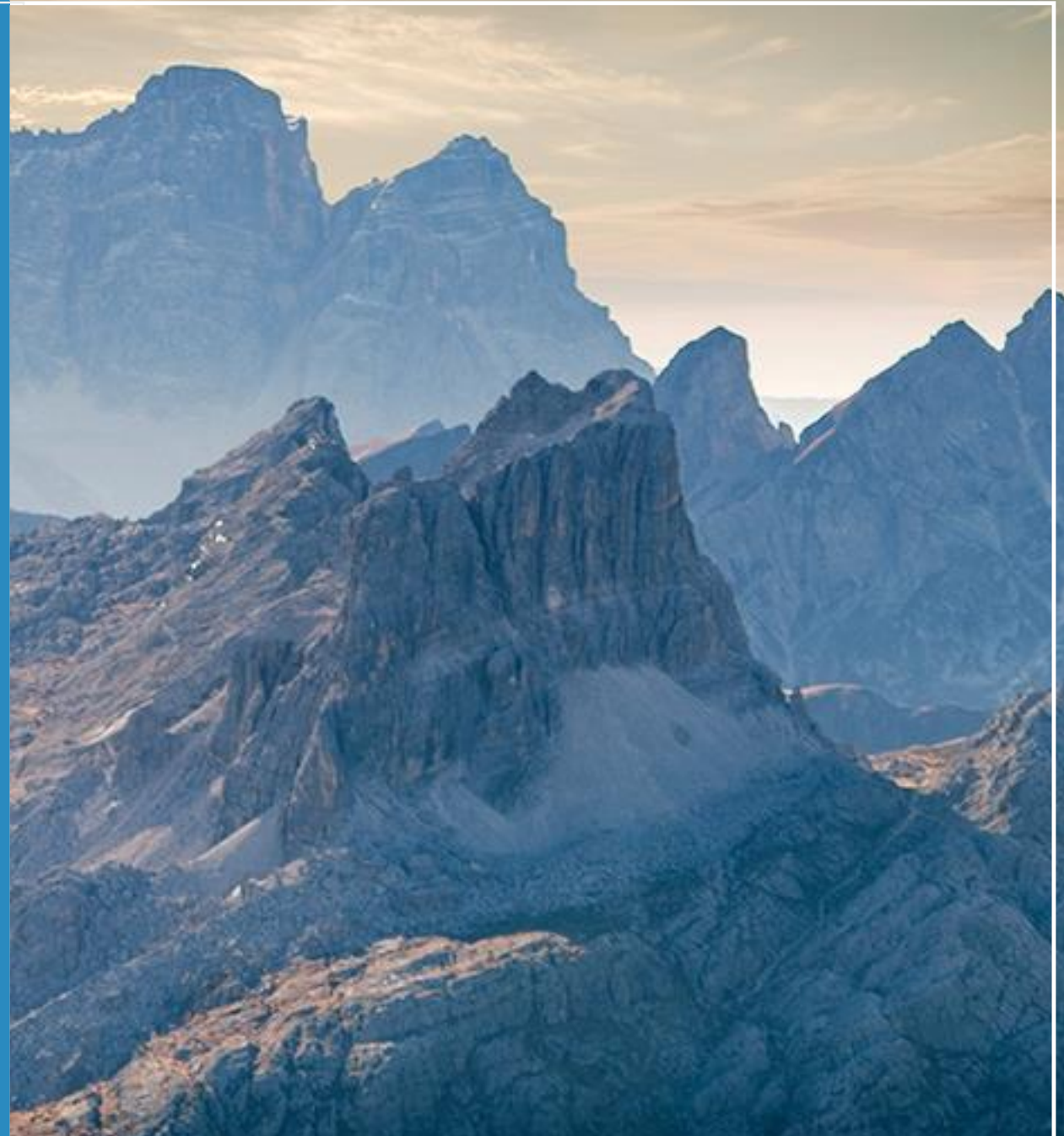


Asia Monthly Presentation 2023 Economic Growth Update

February 2023

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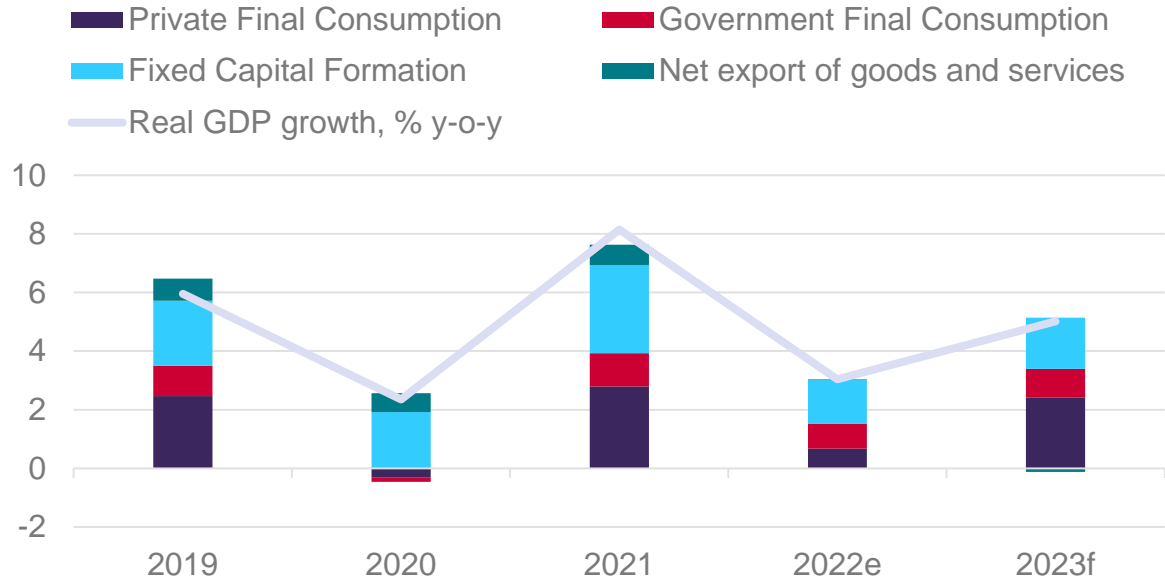
- North Asia: Two-Speed Economies
- South East Asia: Sharper Slowdown Ahead For Most
- South Asia: India's Growth Outlook Deteriorating While Pakistan Falls Into Recession



Mainland China: Growth To Rebound In 2023

Growth To Accelerate In 2023

China (Mainland) – Real GDP Growth By Component, pp

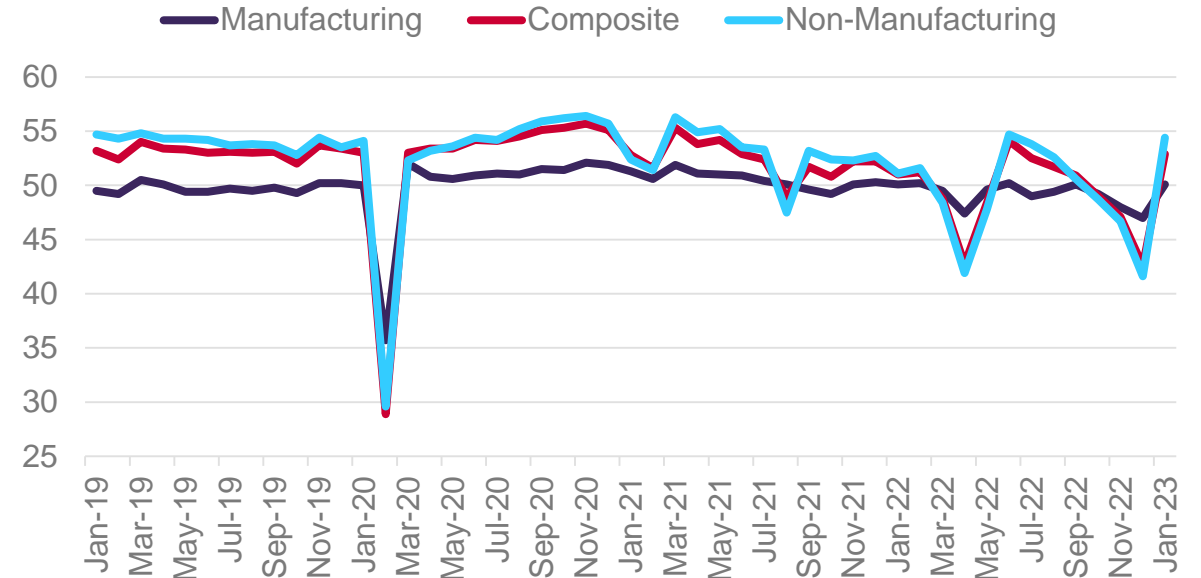


- We expect Mainland China’s real GDP growth to accelerate to 5.0% in 2023, from 3.0% in 2022.
- Beijing’s pivot from its zero-Covid policy in December 2022 caused a surge in infections, but there are signs that the Covid-19 situation is stabilising.

Source: NBS, Fitch Solutions

PMI Readings Have Improved

China (Mainland) – Purchasing Managers’ Index



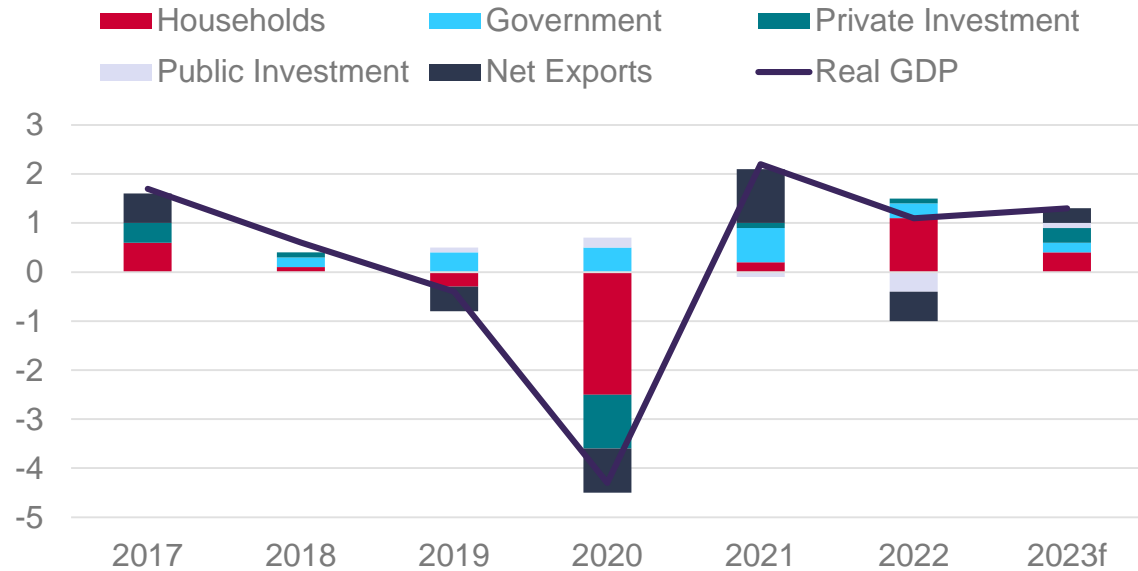
- Leading indicators such as purchasing managers’ indices (PMIs) and mobility have already picked up, which suggests that the economic recovery is under way.
- Strong policy support and a sustained normalisation of economic activity will lead to a strong growth recovery beyond Q123.

Source: NBS, Macrobond, Fitch Solutions

Japan: Slightly Stronger Growth Ahead

Growth To Pick Up In 2023

Japan – Real GDP, % chg y-o-y (2017-2023)

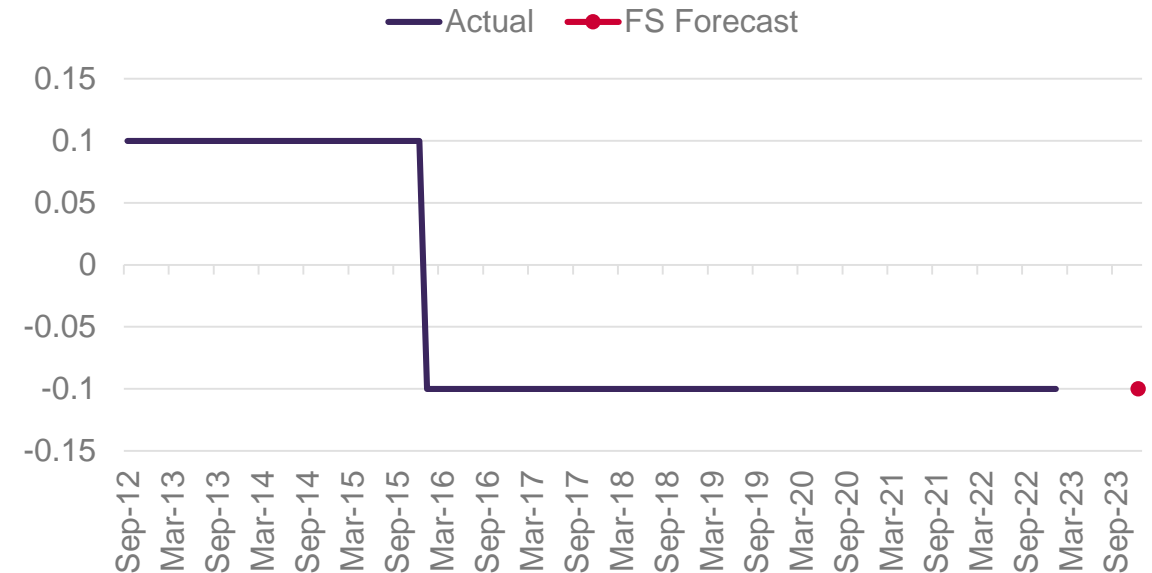


- We think that Japan will be one of the few developed economies to record a growth acceleration in 2023.
- We forecast real GDP growth to accelerate to 1.3% (revised from 1.5% previously) in 2023, from 1.1% in 2022.

f = Fitch Solutions Forecast. Source: Macrobond, Fitch Solutions

Policy Rate To Remain Low

Japan – Policy Rate, %



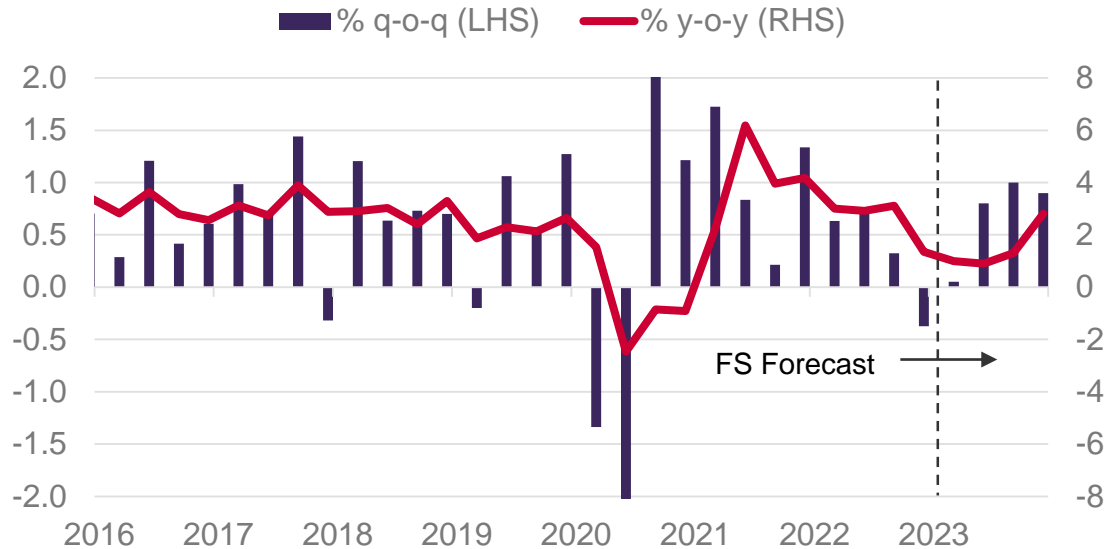
- We expect the Bank of Japan to maintain an accommodative stance despite above-target inflation in the near term.
- Fiscal policy will also prove supportive, with the government only aiming to narrow the fiscal deficit over the long run, without resorting to growth-stifling austerity.

Source: Bank of Japan, Fitch Solutions

South Korea: Under Significant Pressure

Clear Signs Of Economic Weakness

South Korea – Real GDP

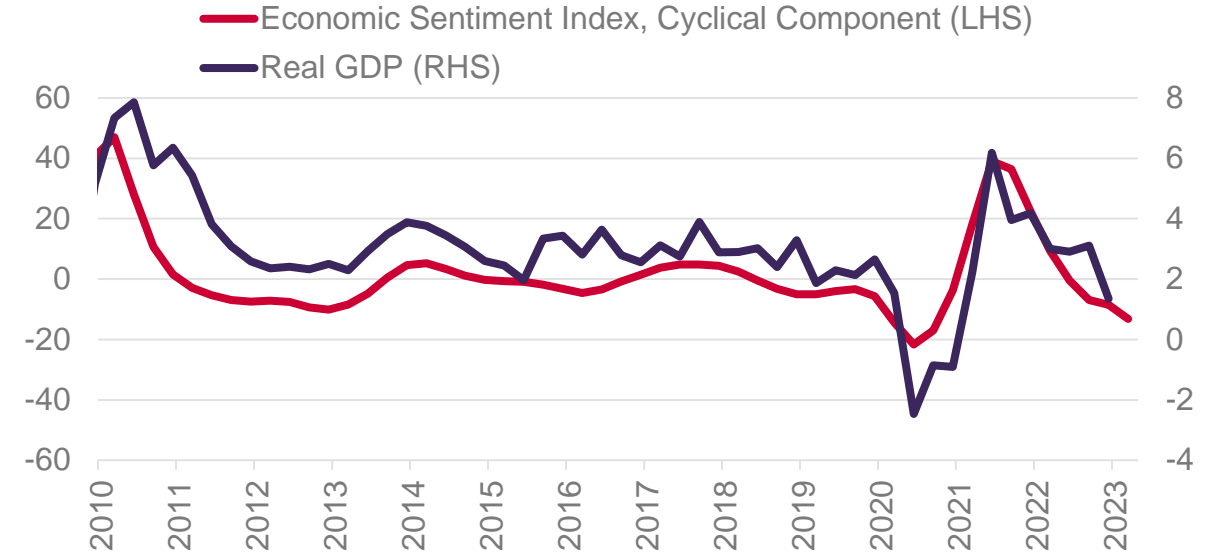


- The 0.4% q-o-q contraction in South Korea's seasonally adjusted Q422 real GDP was sharper than most expected and brought 2022 growth to 2.6%
- Timelier indicators suggest that the economy has remained under significant pressure so far in Q123.

Source: Macrobond, Fitch Solutions

Economy Set To Slow Sharply

South Korea – Economic Sentiment Index & Real GDP, % chg y-o-y



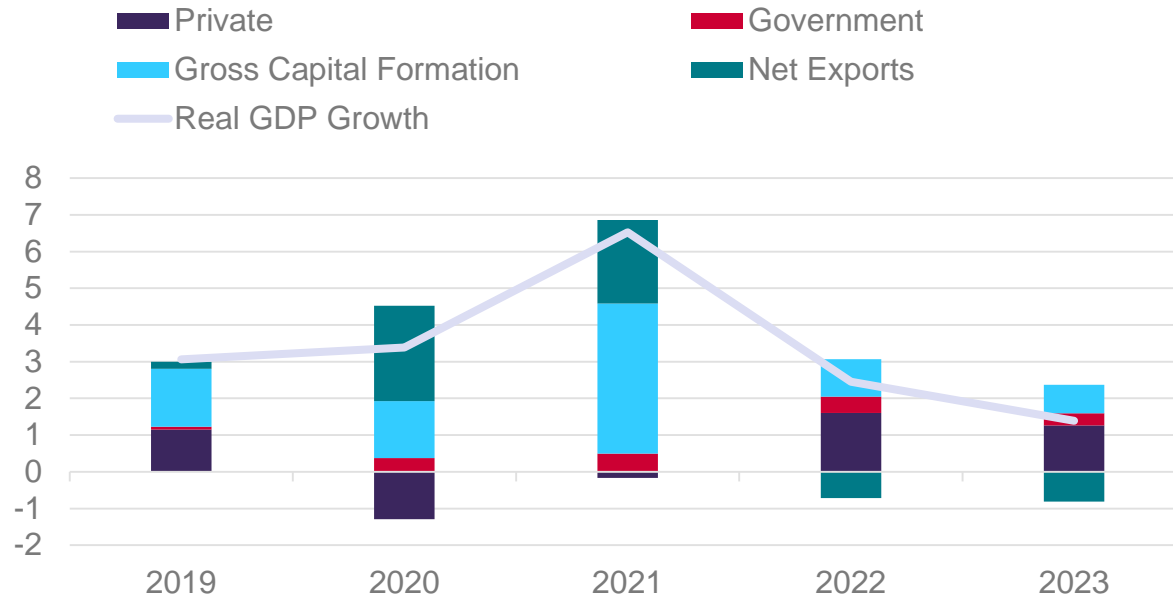
- We expect that weak global demand, high household debt levels and elevated interest rates amid fiscal tightening will significantly constrain the economy.
- Overall, we think that the economy will barely skirt a technical recession in Q123 and grow by just 1.5% across 2023 as a whole.

Source: Macrobond, Fitch Solutions

Taiwan, China: Growth Outlook Has Worsened

Growth To Slow Even More In 2023

Taiwan, China – Contribution To Real GDP Growth, pp (2019-2023)

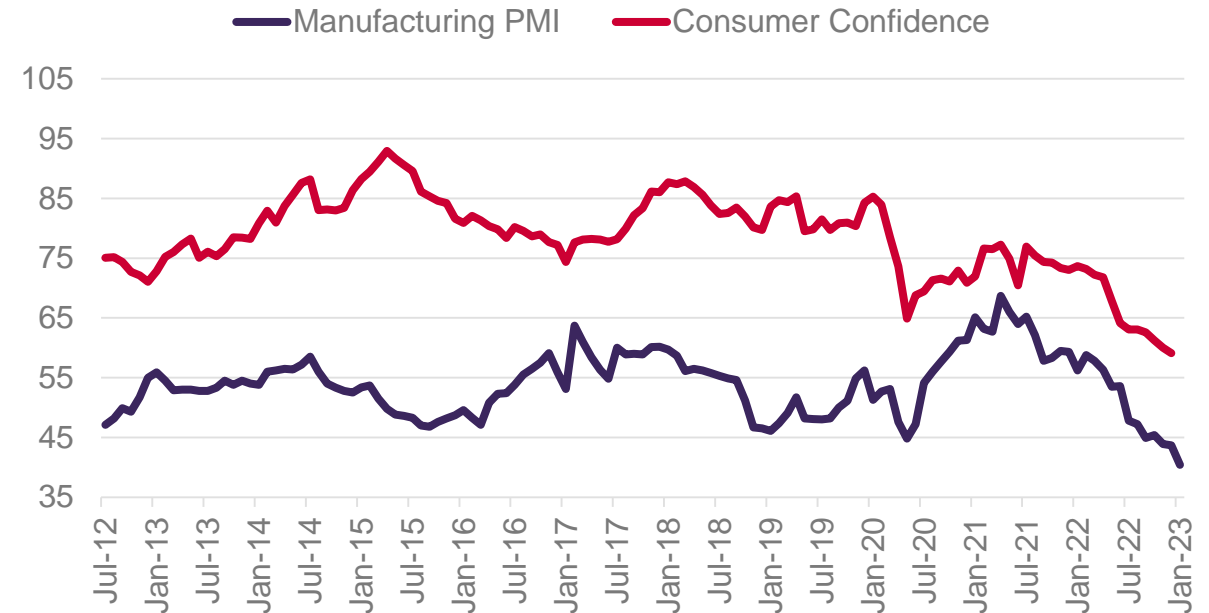


- We have lowered our 2023 real GDP growth forecast to 1.4%, from 2.6% previously, after the economy unexpectedly contracted by 0.9% y-o-y in Q422.
- Heightened geopolitical uncertainty, rising borrowing costs and the ongoing semiconductor slump will weigh on investment appetite.

Source: Local sources, Fitch Solutions

Consumer Confidence And PMI Lowest In A Decade

Taiwan, China – PMI & Consumer Confidence Index



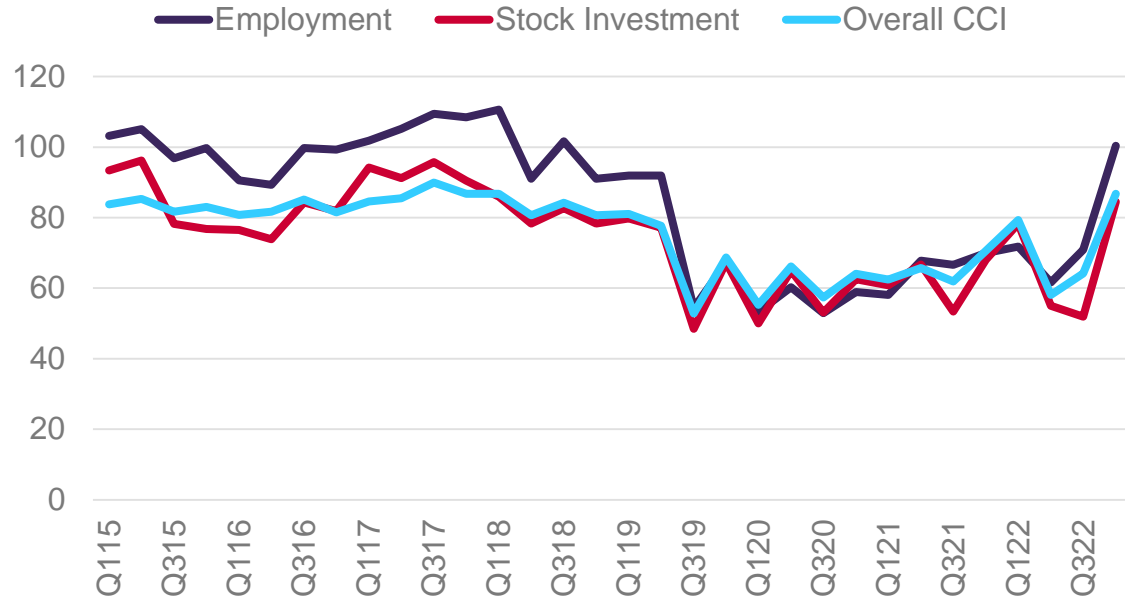
- Private consumption growth is likely to slow further due to tighter monetary conditions and weakening consumer confidence.
- Services exports will be somewhat supported by the reopening of the economy, but goods exports will contract due to softening external demand and supply chain disruptions caused by the Mainland China-US tech war.

Source: Macrobond, Fitch Solutions

Hong Kong, China: Growth To Rebound Sharply In 2023

Consumer Confidence At Its Highest Level Since 2018

Hong Kong, China – Consumer Confidence Index (Q117-Q422)

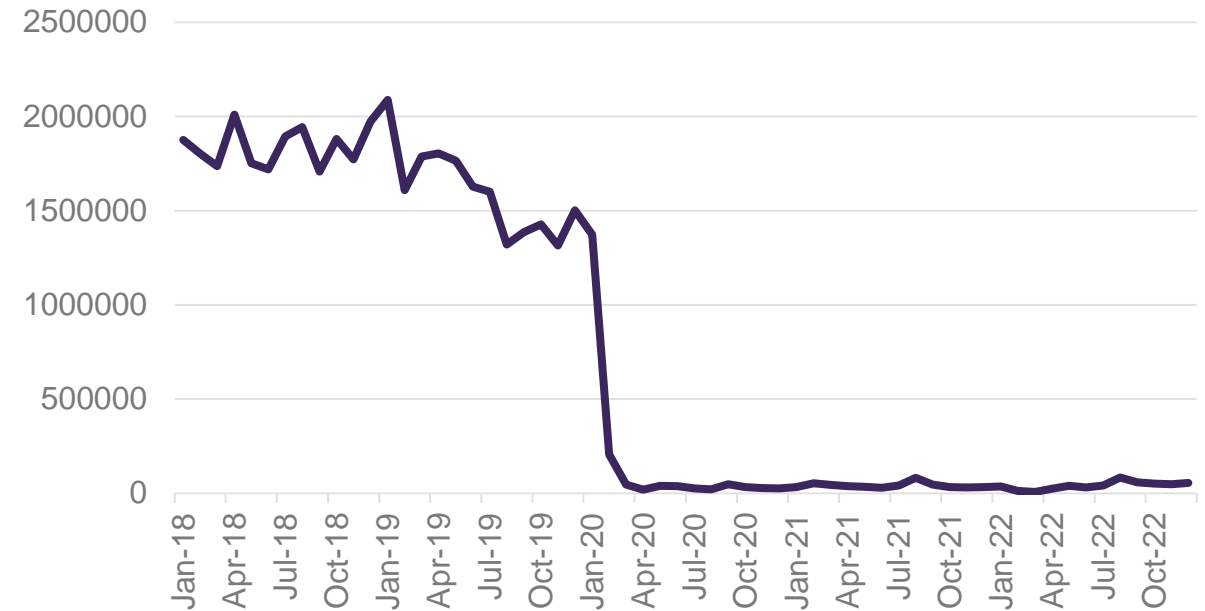


- We have raised our 2023 real GDP growth forecast for Hong Kong, China from 3.1% to 3.8%, after output contracted by a sharper-than-expected 3.5% in 2022
- Base effects will be more supportive of growth in 2023, assuming that the pandemic situation remains stable.

Source: Macrobond, Fitch Solutions

Still A Fraction Of Pre-Pandemic Levels

Hong Kong, China – Number Of Arrivals Through Shenzhen Bay Control Point



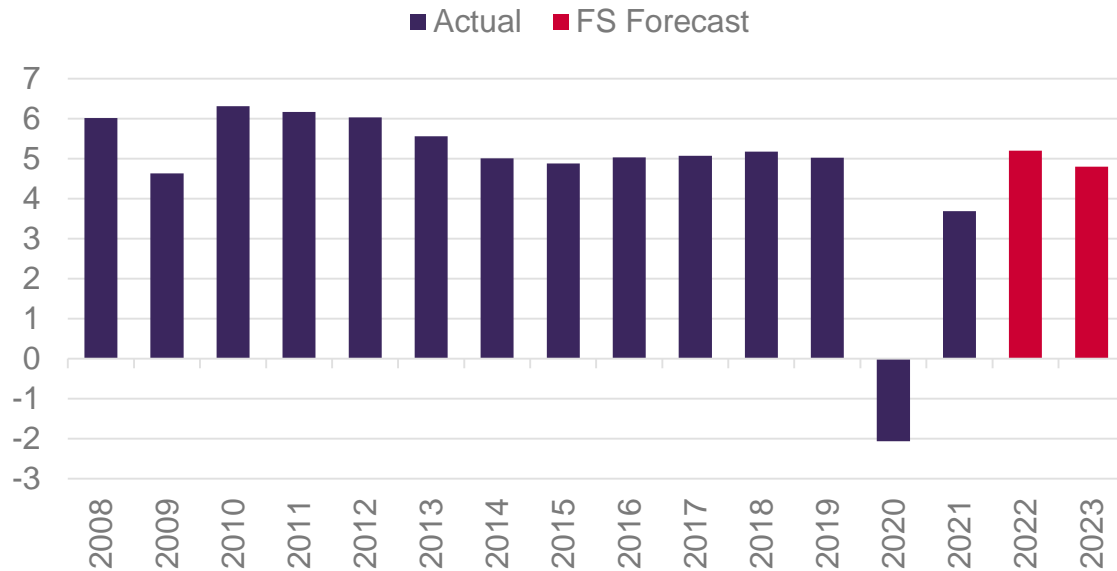
- Goods and services exports will also see a strong recovery, supported by an economic rebound in Mainland China and the reopening of borders.
- Investment will also benefit from the easing of Covid-19 restrictions, offsetting headwinds stemming from tighter monetary conditions.

Source: Macrobond, Fitch Solutions

Indonesia: Growth To Fall Slightly Below Trend

Slower Growth In 2023

Indonesia – Real GDP, % chg y-o-y (2008-2023)

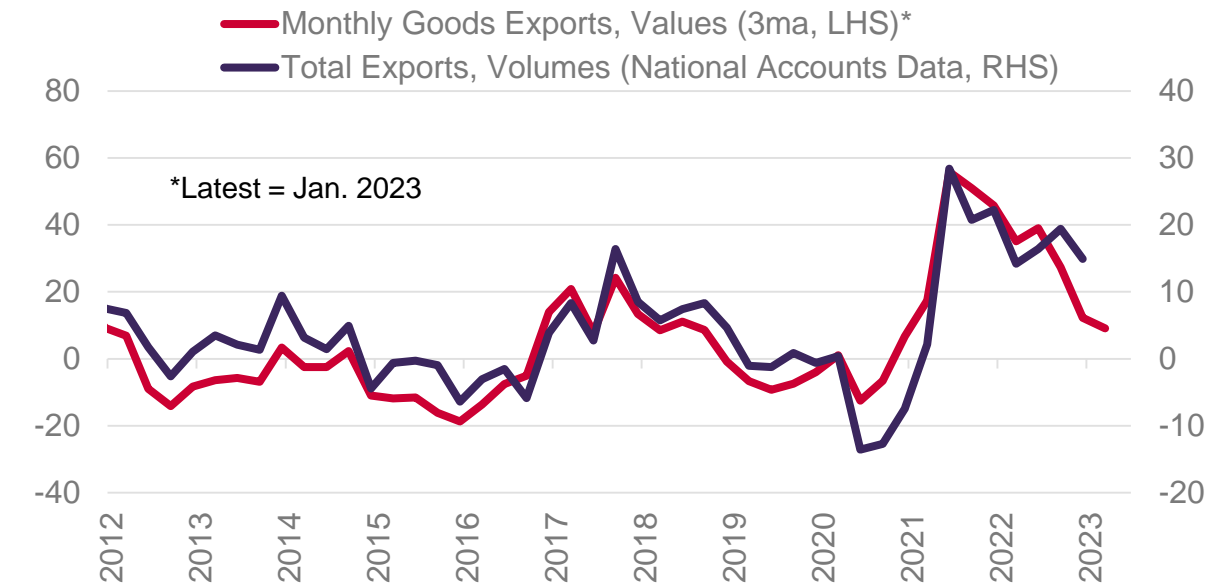


- Indonesian real GDP growth decelerated from 5.7% y-o-y in Q322 to 5.0% in Q422, and we expect the economy to slow further in 2023.
- Our central forecast is for economic growth to slow from 5.3% in 2022 to a below-trend rate of 4.8% in 2023.

Source: Macrobond, Fitch Solutions

Export Growth Well Past The Peak

Indonesia – Exports, % chg y-o-y (2012-2023)



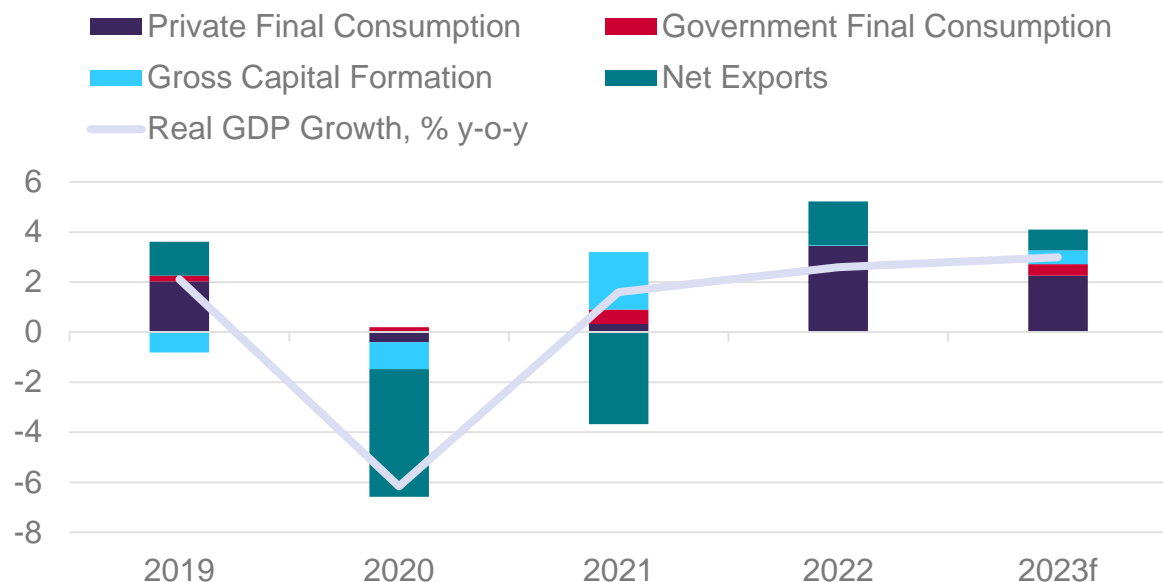
- The latest evidence suggests that export growth is well past the peak, and we expect a more substantial slowdown to take hold in 2023.
- In addition, lower prices of key commodities, elevated inflation and diminishing policy support are likely to hold the economy back.

Source: Macrobond, Fitch Solutions

Thailand: Economic Outlook To Improve More Modestly

Growth To Accelerate Slightly In 2023

Thailand – Real GDP Growth By Component, pp

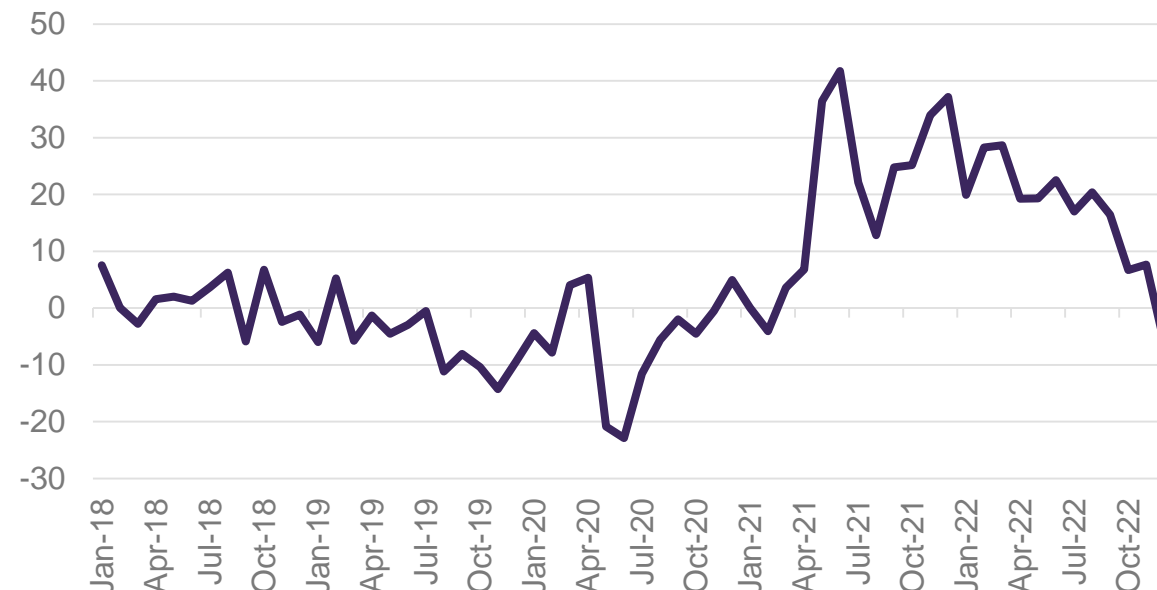


- Official data showed Thailand's economy expanding by 1.4% y-o-y in Q422, considerably slower than the 3.6% y-o-y growth seen in Q322.
- The slowdown in external demand appears to be more severe than we previously expected, prompting us to lower our 2023 real GDP growth forecast from 3.6% to 3.0%.

f = forecast. Source: Fitch Solutions

Weakness In Export Growth

Thailand – Export Growth, % y-o-y



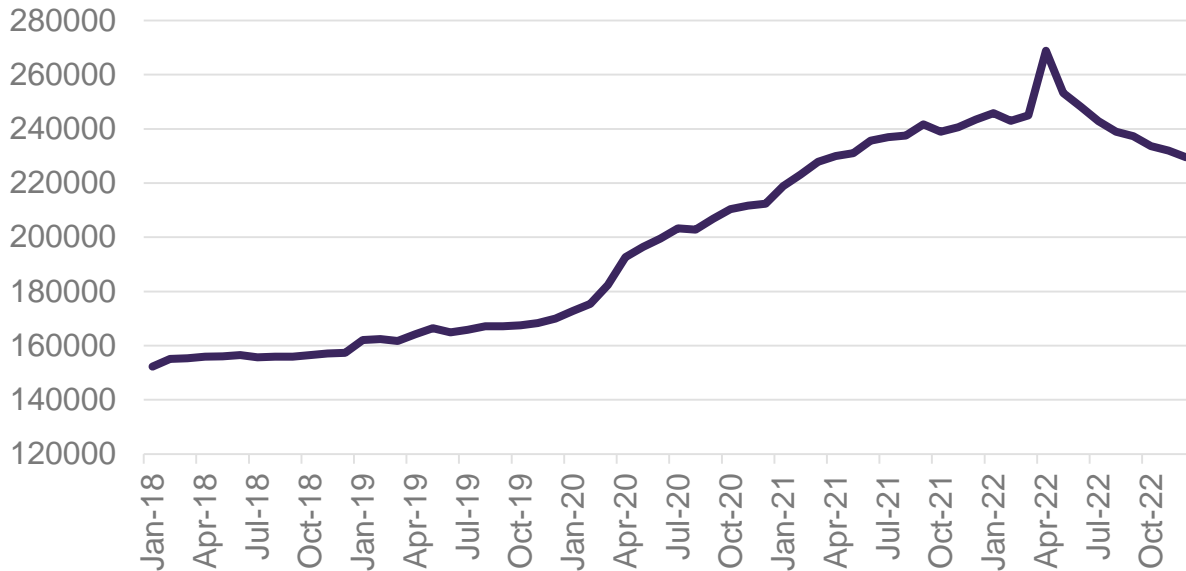
- We still expect that growth will accelerate over the coming quarters on the back of a sustained recovery in the tourism sector, election-related spending and China's reopening.
- However, tighter monetary conditions and external demand weakness will pose greater headwinds to growth.

Source: Macrobond, Fitch Solutions

Malaysia: Growth To Slow Sharply In 2023

Savings Have Been Unwinding Rapidly Since April 2022

Malaysia – Savings Deposits, MYRbn

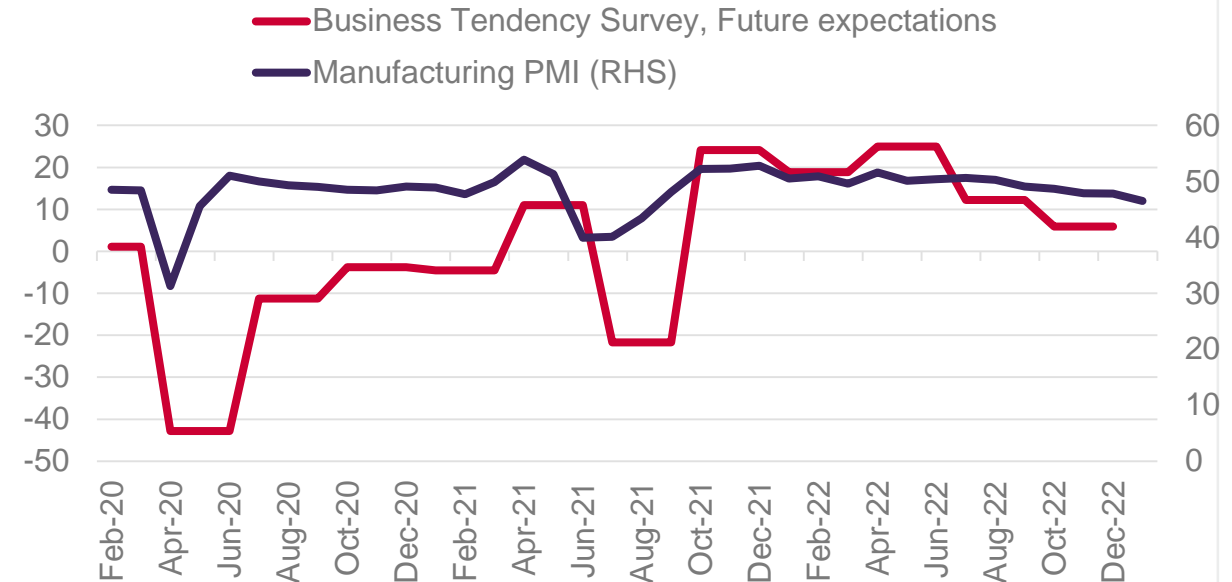


- We expect Malaysia's real GDP growth to slow sharply to 4.0% in 2023, from 8.7% in 2022.
- Base effects will turn unfavourable in 2023 after Malaysia posted its highest growth rate since 2000. Households and businesses have already drawn down on their savings considerably since April 2022.

Source: Macrobond, Fitch Solutions

Sentiment Becoming More Downbeat

Malaysia – Manufacturing PMI & Business Tendency Survey



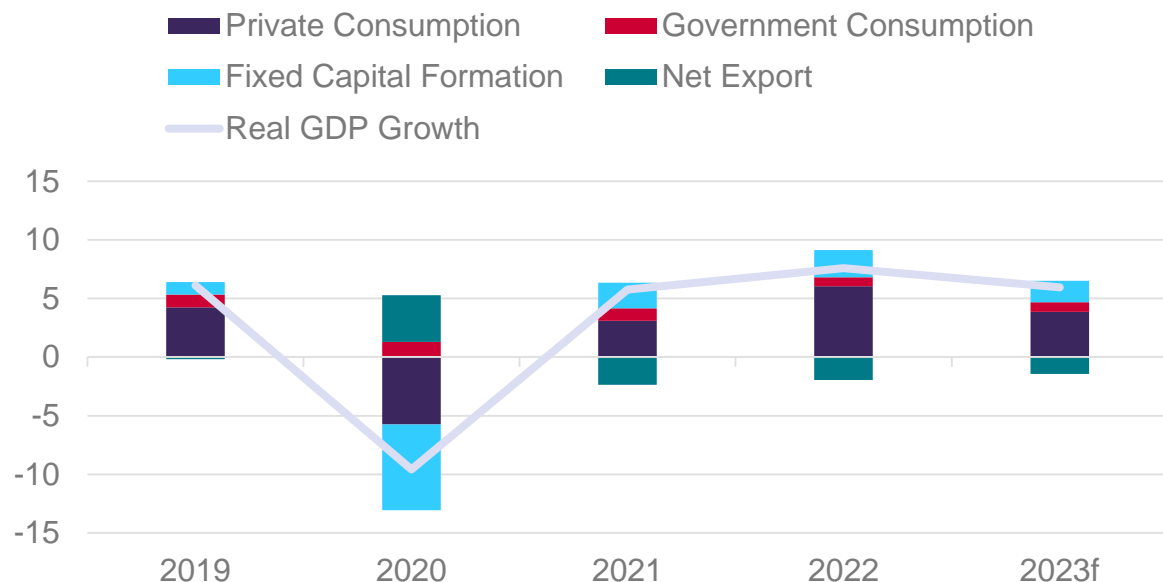
- Investment growth will also start to slow markedly due to rising borrowing costs both domestically and globally; sentiment is turning increasingly downbeat.
- Export growth will weaken as the reopening of China will be insufficient to offset the impact of weaker global demand.

Source: Macrobond, Fitch Solutions

Philippines: Growth To Slow To Below 6% Amid Mounting Headwinds

Growth To Slow In 2023

Philippines – Real GDP Growth By Component, pp

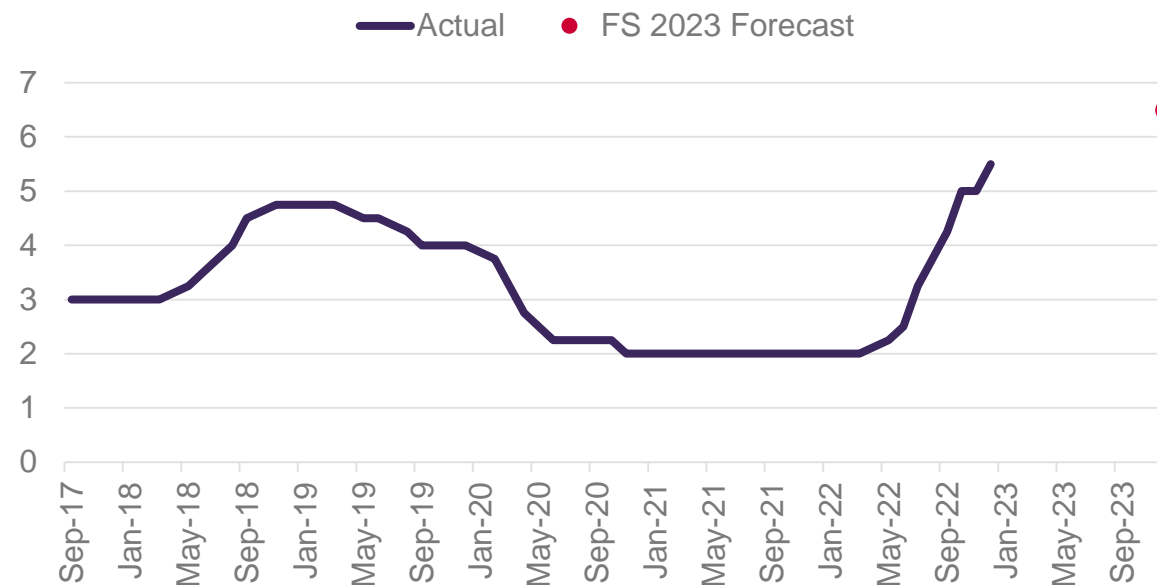


- Real GDP growth in the Philippines fell marginally from 7.6% y-o-y in Q322 to 7.2% y-o-y in Q422.
- We think that a more pronounced slowdown will take hold over the coming quarters and we forecast full-year real GDP growth to slow from 7.6% in 2022 to 5.9% in 2023.

f = Fitch Solutions forecast. Source: PSA, Fitch Solutions

More Rate Hikes On The Cards

Philippines – Policy Rate, %



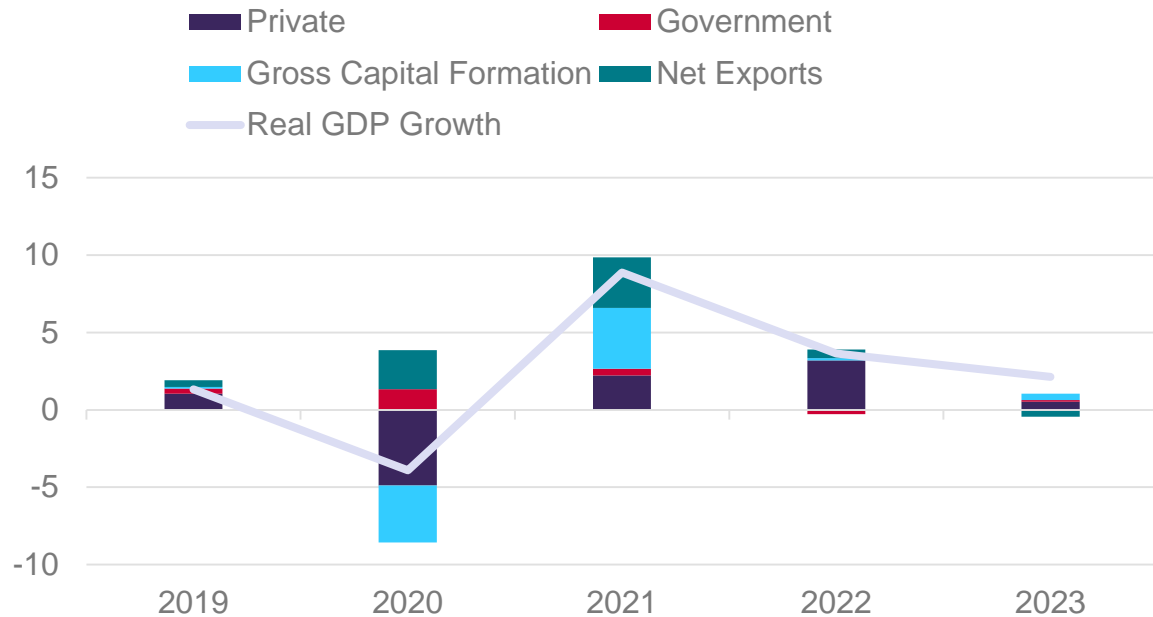
- A further weakening in global demand will exert a drag on exports, and the lagged impact of monetary tightening and high inflation will gradually feed through and weigh on domestic economic activity.
- We now expect that the policy rate will peak at 6.50%, from 6.00% previously, which increases downside risks to our growth forecast.

Source: BSP, Fitch Solutions

Singapore: Growth To Decelerate Further In 2023, With Downside Risks

Growth To Slow Across All Expenditure Components

Singapore – Contribution To Real GDP Growth, pp (2019-2023)

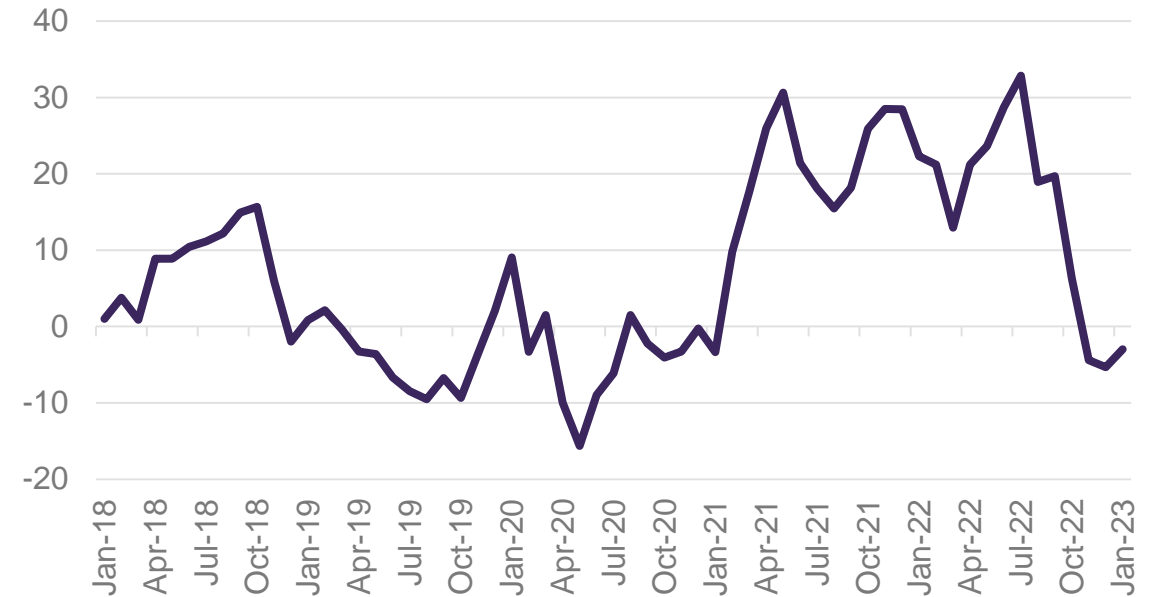


- The economy grew by 3.6% in 2022 (2.1% y-o-y in Q422), and we expect growth to slow to 2.1% in 2023.
- Singapore's export-oriented economy is extremely vulnerable to the global growth slowdown as exports account for over 180% of GDP. A strong nominal effective exchange rate will also weigh on export competitiveness.

Source: Singstat, Fitch Solutions

Exports In Contraction For Third Straight Month

Singapore – Exports, % chg y-o-y



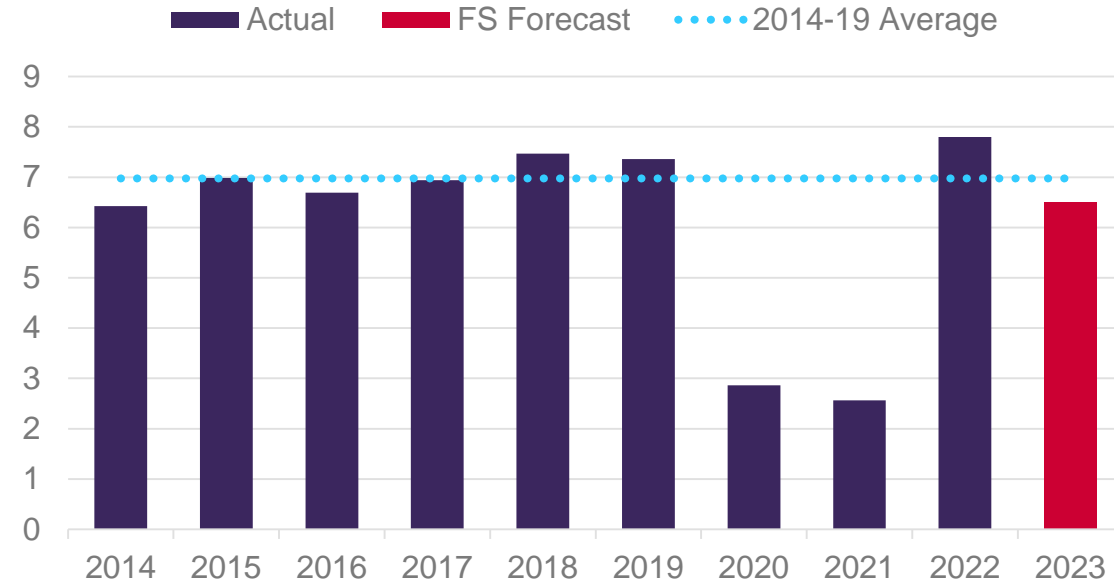
- Tighter monetary and fiscal conditions will also weigh on consumption and investment appetite.
- Risks to our forecast are to the downside with a potentially deeper recession in the US, US Federal Reserve overtightening or a bumpy recovery in China.

Source: Singstat, Fitch Solutions

Vietnam: Below-Trend Growth In 2023

Economic Strength To Fizzle Out

Vietnam – Real GDP, % chg y-o-y (2014-2023)

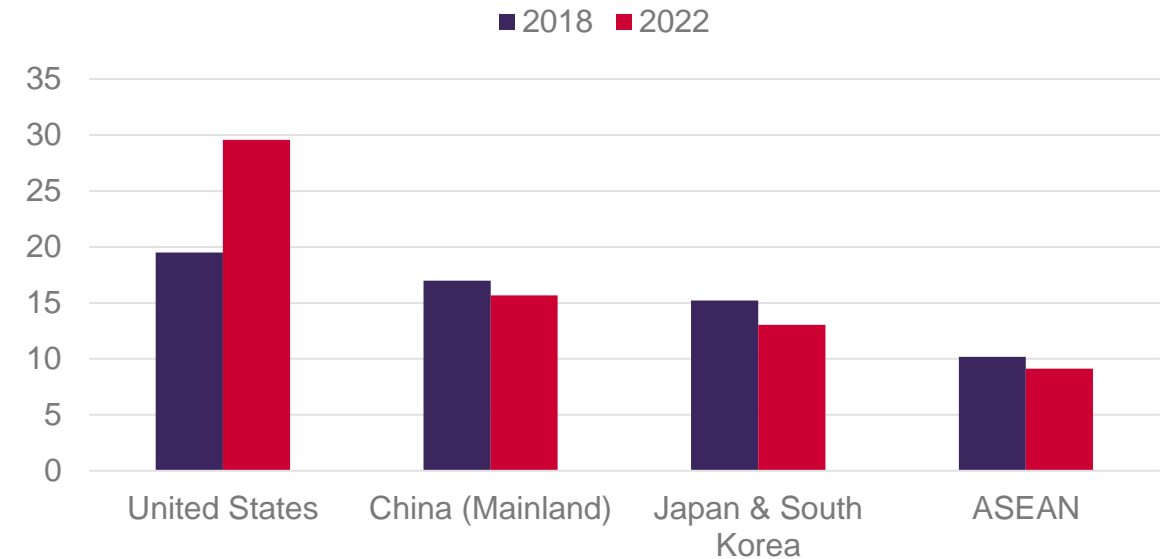


- Vietnam grew by an impressive 8.0% in 2022, but we expect growth to slow sharply to 6.5% in 2023, below the trend rate of around 7%.
- The tourism recovery is likely to gather pace, especially given China's recent decision to reopen.

Source: GSO Vietnam, Fitch Solutions

Increasingly Reliant On US Demand

Vietnam – Merchandise Exports By Destination, % of total



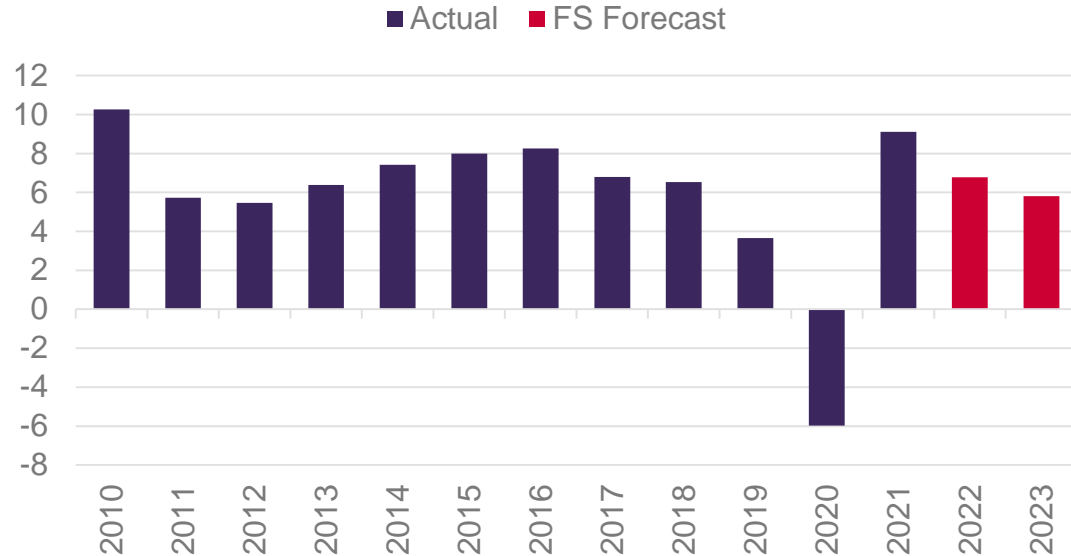
- Nevertheless, the tourism boost is unlikely to be enough to offset the impact of a further weakening in global demand more generally.
- A likely recession in the US, in particular, will remove a key source of external support for Vietnam.

Source: Macrobond, Fitch Solutions

India: Outlook Deteriorating

Set To Slow

India – Real GDP, % chg y-o-y (FY2010-FY2023*)

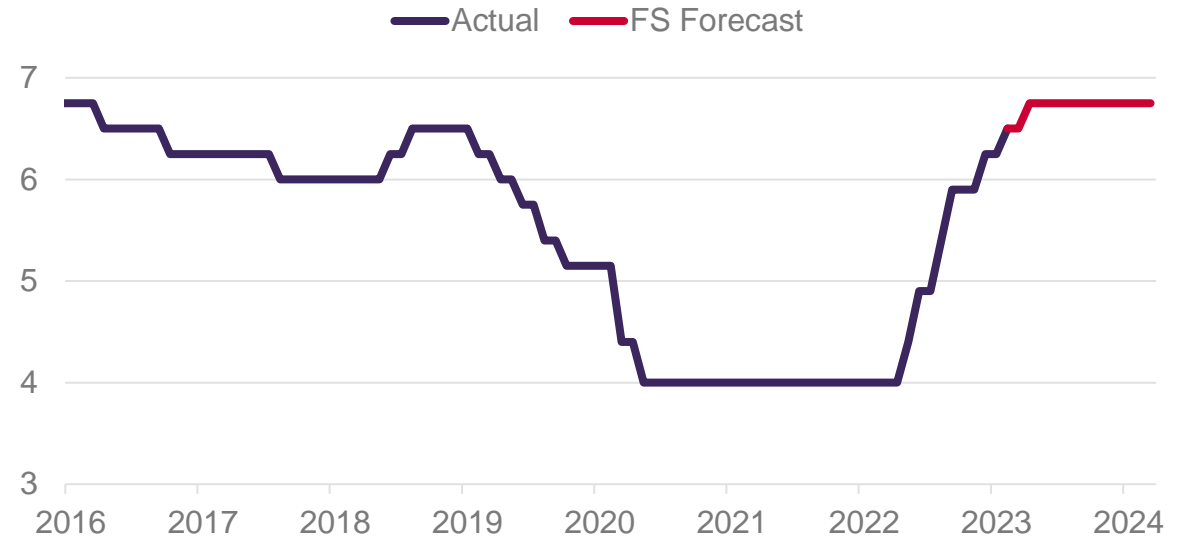


- India's real GDP growth slowed sharply from 6.3% y-o-y in Q322 to 4.4% in Q422, which was much weaker than we had anticipated.
- Consequently, we now forecast growth of 6.8% in FY2022 and 5.8% in FY2023, lowered from 7.3% and 6.5% previously.

*FY2023 = April 2023-March 2024. Source: Macrobond, Fitch Solutions

Aggressive Policy Rate Hikes To Take A Toll

India – Central Bank Policy Rate, %



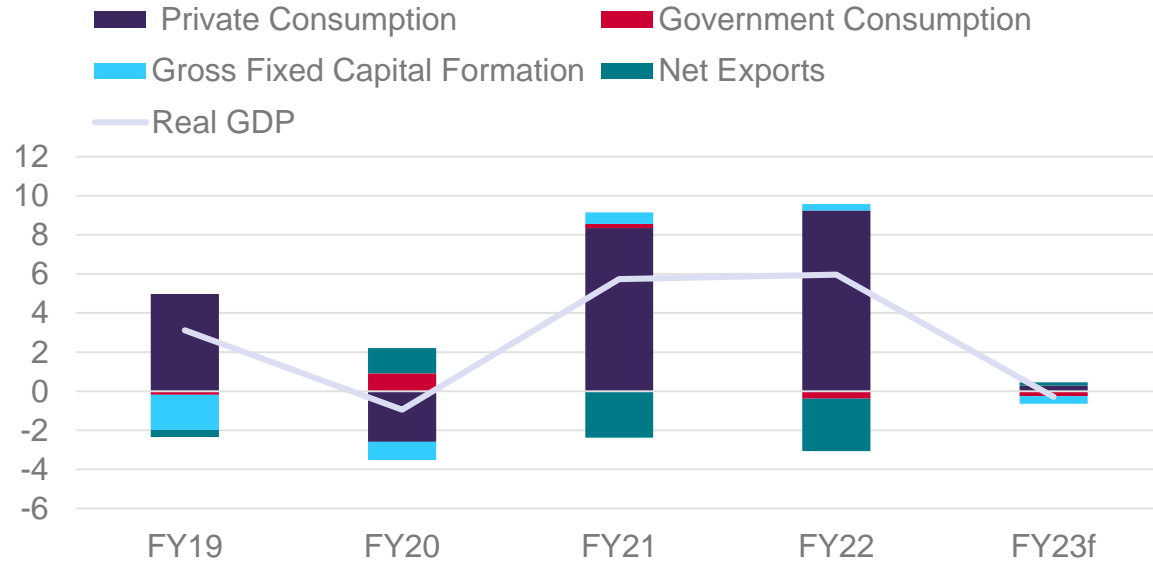
- Lacklustre global demand is likely to continue dragging on India's exports over the coming quarters.
- Domestically, the economy will remain held back by high inflation and aggressive monetary policy tightening.

Source: Macrobond, Fitch Solutions

Pakistan: Economy To Contract In FY2022/23

Pakistan To Fall Into Recession FY2022/23

Pakistan – Real GDP by Sector, pp contribution to growth



- We expect Pakistan's economy to contract by 0.3% in FY2022/23, marking a sharp deceleration from 6.0% in FY2021/22 as the ongoing balance of payments crisis will greatly disrupt output.
- The economy is facing several headwinds, chiefly its dwindling foreign reserves as disbursements from the IMF continue to be delayed.

f = Fitch Solutions forecast. Source: Pakistan Bureau of Statistics, Fitch Solutions

Production Has Weakened

Pakistan – Quantum Index Of Large-Scale Manufacturing, % chg y-o-y



- In addition to floods in mid-June 2022 which will have exacerbated the country's external imbalance, growth will be further weakened by high domestic inflation and the reversal of pro-cyclical policies.
- Large-scale manufacturing industries' output has been contracting on an annual basis since July 2022.

Source: SBP, Fitch Solutions



Fitch Solutions
Country Risk
Vs Consensus

Fitch Solutions Macro Research Vs Consensus

2023 Real GDP Growth

%

Market	Fitch Solutions	Bloomberg Consensus	Consensus Last Month
Australia	2.35	1.80	1.80
Bangladesh	6.47	6.45	6.45
China (Mainland)	5.05	5.15	5.10
Hong Kong, China	3.76	3.10	3.05
India	5.80	6.00	6.00
Indonesia	4.79	4.80	4.90
Japan	1.28	1.30	1.30
Macao, China	37.52	-	-
Malaysia	3.96	4.00	4.00
Myanmar	2.51	-	-
New Zealand	1.47	1.50	1.50
North Korea	1.00	-	-
Pakistan	-0.30	1.50	1.50
Philippines	5.94	5.50	5.50
Singapore	2.12	2.00	2.00
South Korea	1.48	1.50	1.50
Sri Lanka	2.99	3.00	3.00
Taiwan, China	1.41	2.10	2.10
Thailand	3.65	3.70	3.70
Vietnam	6.55	6.20	6.20

End-2023 Exchange Rate

Currency

Currency	Fitch Solutions	Bloomberg Consensus	Consensus Last Month
USD/AUD	0.76	0.73	0.73
BDT/USD	115.00	-	-
CNY/USD	7.00	6.62	6.62
HKD/USD	7.80	7.80	7.80
INR/USD	85.00	79.00	79.00
IDR/USD	16,500.00	14,900.00	14,875.00
JPY/USD	128.00	124.00	125.00
MOP/USD	7.99	-	-
MYR/USD	4.35	4.20	4.20
MMK/USD	2,376.00	-	-
USD/NZD	0.64	0.66	0.66
KPW/USD	143.00	-	-
PKR/USD	290.00	-	-
PHP/USD	57.50	54.00	54.00
SGD/USD	1.32	1.31	1.31
KRW/USD	1,150.00	1,207.50	1,215.00
LKR/USD	390.00	-	-
TWD/USD	29.50	29.55	29.60
THB/USD	30.50	32.00	32.15
VND/USD	23,700.00	23,125.00	23,125.00

Note: May include territories, special administrative regions, provinces and autonomous regions. Source: Bloomberg, Fitch Solutions. Last updated: February 16 2023

Fitch Solutions Macro Research Vs Consensus

2023 Average Inflation

Market	Fitch Solutions	Bloomberg Consensus	Consensus Last Month
Australia	4.80	5.20	5.20
Bangladesh	8.20	-	-
China (Mainland)	2.70	2.40	2.40
Hong Kong, China	2.25	2.30	2.30
India	5.10	5.00	5.00
Indonesia	4.50	4.00	4.00
Japan	1.80	2.00	2.00
Macao, China	2.00	-	-
Malaysia	2.90	3.05	3.05
Myanmar	18.00	-	-
New Zealand	5.04	5.20	5.20
North Korea	-	-	-
Pakistan	25.00	23.65	23.65
Philippines	5.40	5.30	4.50
Singapore	4.80	4.60	4.60
South Korea	3.45	3.35	3.35
Sri Lanka	27.00	22.50	22.50
Taiwan, China	1.80	1.90	1.90
Thailand	3.20	2.80	2.80
Vietnam	4.50	3.90	3.90

End-2023 Policy Interest Rate

Market	Fitch Solutions	Bloomberg Consensus	Consensus Last Month
Australia	3.85	3.60	3.60
Bangladesh	6.25	-	-
China (Mainland)	2.65	4.30	4.30
Hong Kong, China	5.25	-	-
India	6.75	5.90	5.90
Indonesia	6.00	5.75	5.75
Japan	-0.10	0.00	0.00
Macao, China	5.25	-	-
Malaysia	3.25	3.25	3.25
Myanmar	7.00	-	-
New Zealand	5.00	5.05	5.05
North Korea	-	-	-
Pakistan	18.00	15.40	15.40
Philippines	6.25	5.90	5.65
Singapore	-	-	-
South Korea	3.75	3.30	3.30
Sri Lanka	16.50	-	-
Taiwan, China	1.88	1.80	1.80
Thailand	2.00	1.95	1.95
Vietnam	7.00	6.70	6.70

Note: May include territories, special administrative regions, provinces and autonomous regions. Source: Bloomberg, Fitch Solutions. Last updated: February 16 2023

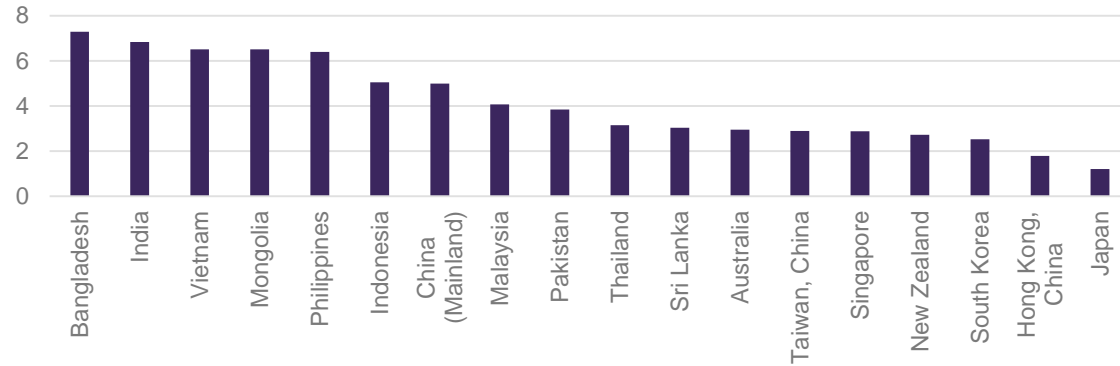


Data Pack

Data Pack

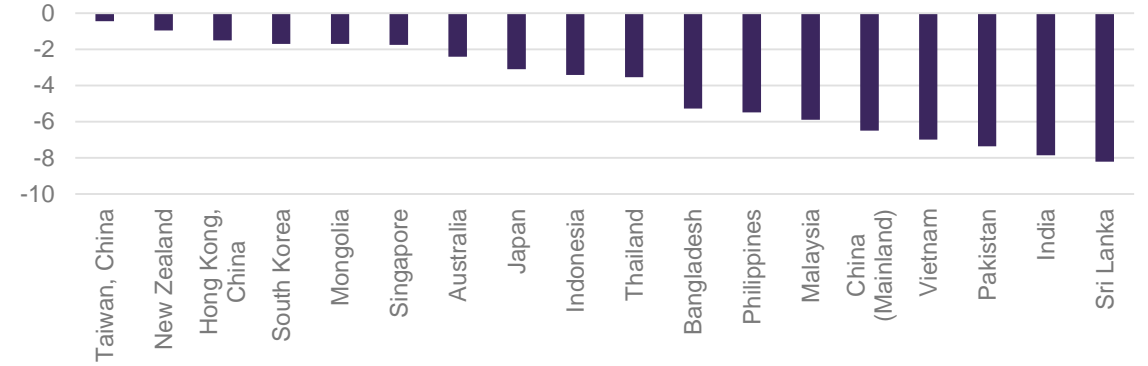
Growth Outlook

Average Real GDP Growth, % (2022-2026)



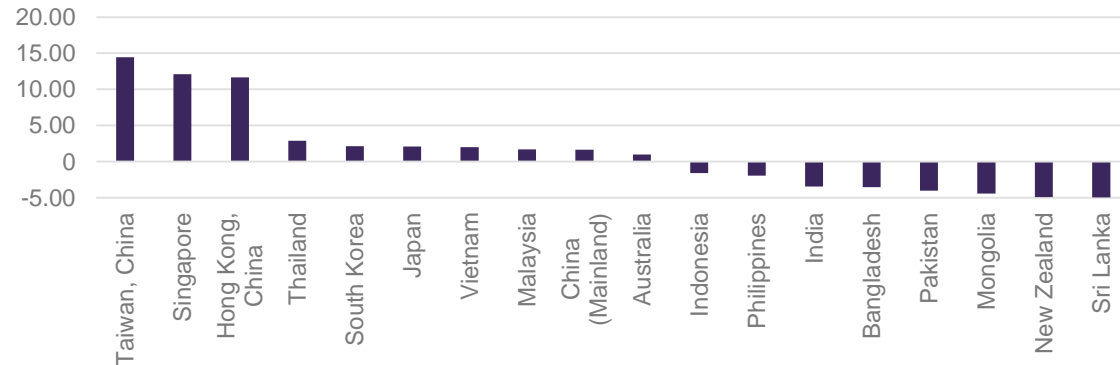
Fiscal Outlook

Average Budget Balance, % of GDP (2022-2026)



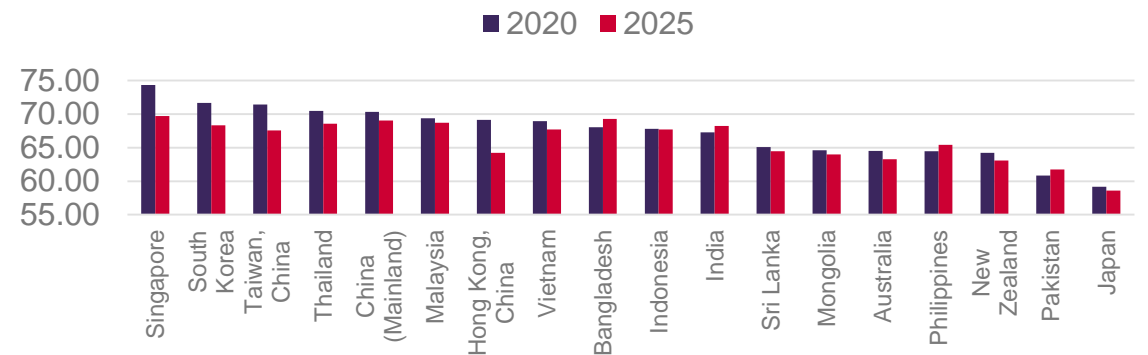
Current Account Outlook

Average Current Account Balance, % of GDP (2022-2026)



Demographic Outlook

Active Population, % of Total

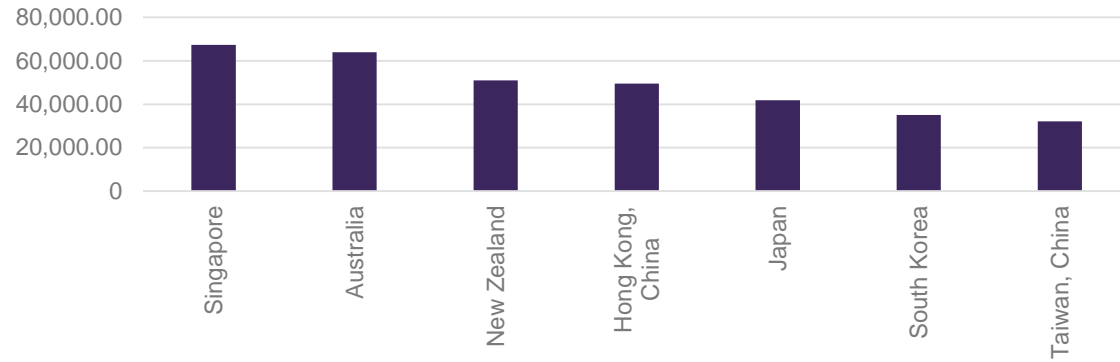


Note: May include territories, special administrative regions, provinces and autonomous regions. 2022-2026 = Fitch Solutions forecasts. Source: Local sources, Fitch Solutions

Data Pack

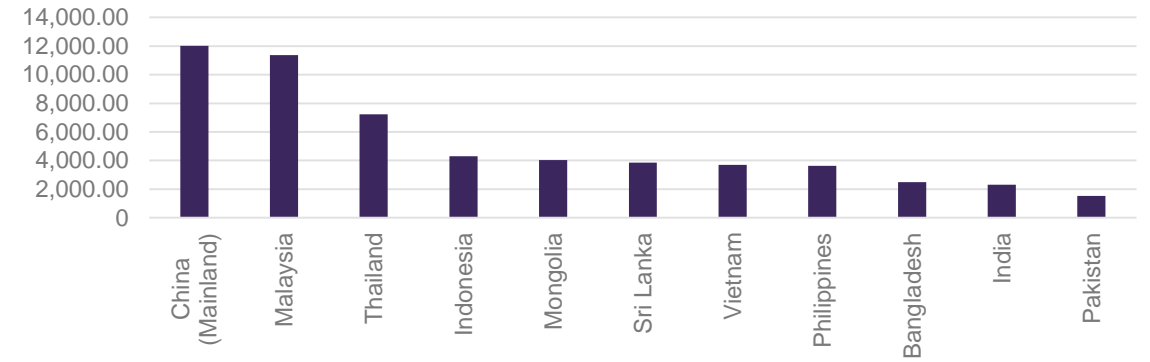
Per Capita GDP

GDP Per Capita, USD (2021)



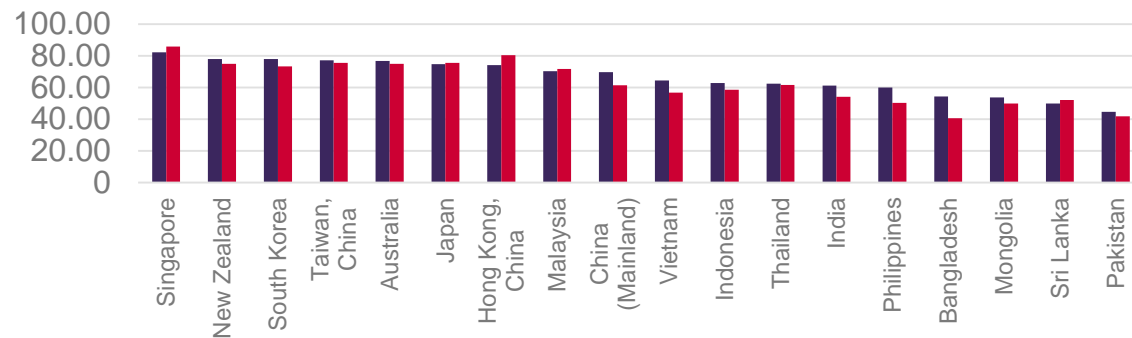
Per Capita GDP

GDP Per Capita, USD (2021)



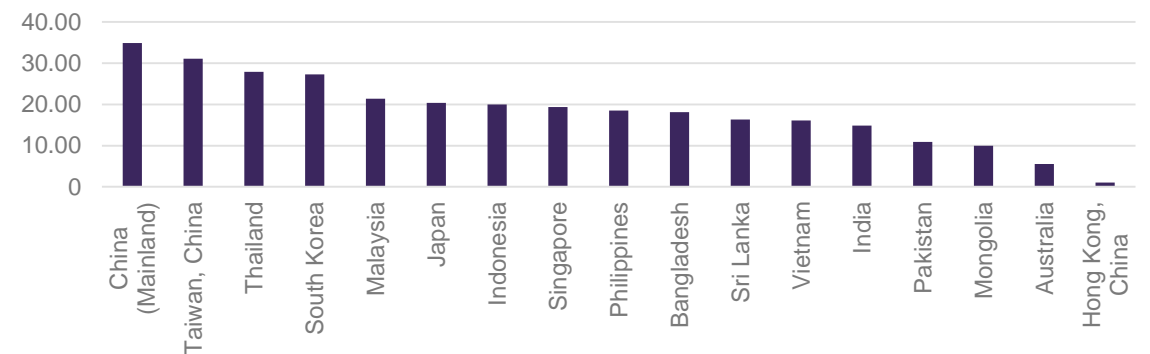
Fitch Solutions Risk Indices

■ Country Risk Score ■ Operational Risk Score



Manufacturing

Manufacturing, % of GDP (2019)



Note: May include territories, special administrative regions, provinces and autonomous regions. Source: Local sources, Fitch Solutions

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