

Navigating Risks & Opportunities

Julia Goh
Global Economics & Markets Research

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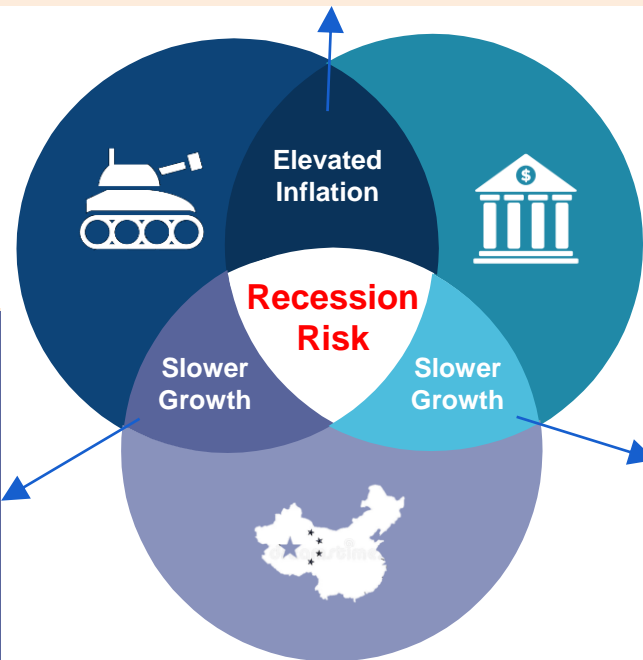


Snapshot Of Global Growth Outlook In 2022

- Military actions in Ukraine and broader sanctions against Russia will deepen supply shortages of key commodities and keep commodity prices elevated.
- Post-pandemic recovery and tighter labour market in the US continue to suggest broad-based price increase and wage-spiral effects.

Russia-Ukraine Conflict

- Prolonged and broader sanctions on Russia may worsen supply chain disruptions and trigger second order impact on the rest of the world.
- China's COVID lockdowns in key provinces will further dampen its growth outlook, add pressure on global supply chains, and take a toll on regional countries' economy via trade & investments.



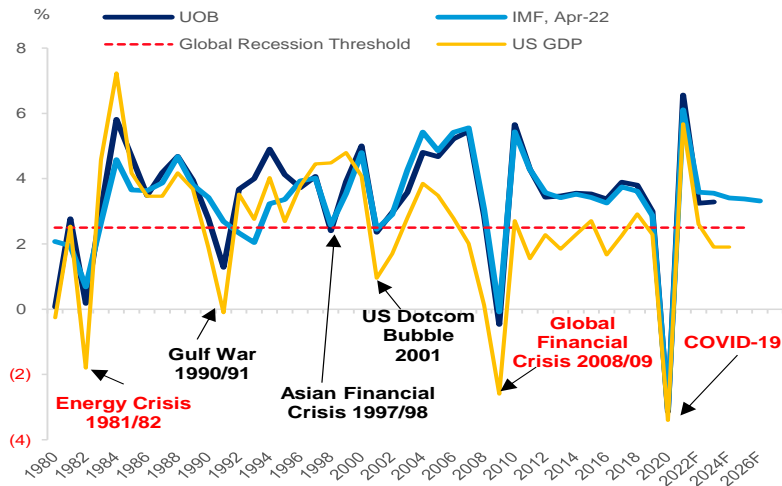
US Fed's Aggressive Tightening

- Inverted UST yield curve (if persists for at least 1-3 months) precedes a recession could be on the horizon.
- China's regulatory crackdown has taken a toll on both property and technology sectors, key drivers for economic growth.

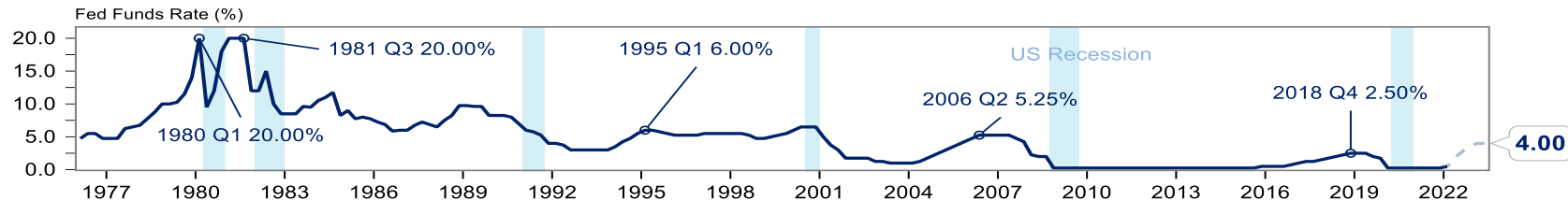
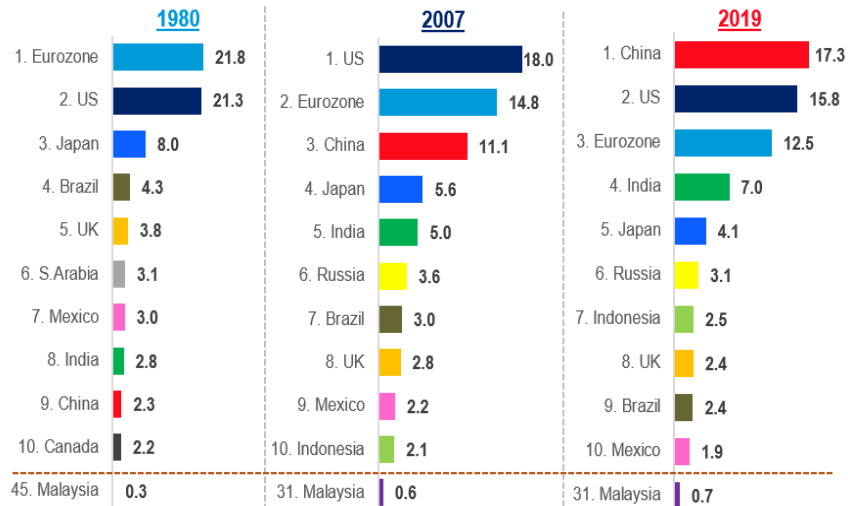
China's Zero COVID Policy & Regulatory Crackdown

History Does Not Repeat But It Rhymes

Global vs US GDP Growth Since 1980



Top 10 Largest Countries/Region In The World



UOB GDP Projections – Base Case



y/y% change	2021	2022F	2023F	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22F	3Q22F	4Q22F
China	8.1	4.1	5.5	18.3	7.9	4.9	4.0	4.8	1.0	4.9	5.7
Hong Kong	6.3	1.3	3.5	8.0	7.6	5.4	4.7	-4.0	2.2	2.9	4.0
India	8.3	6.9	6.6	2.5	20.1	8.4	5.4	4.1	14.0	6.3	4.5
Indonesia	3.7	4.8	5.0	-0.7	7.1	3.5	5.0	4.9	5.0	4.7	4.6
Japan	1.6	1.5	1.4	-1.7	7.3	1.2	0.4	0.4	0.6	2.4	2.3
Malaysia	3.1	5.5	4.8	-0.5	15.9	-4.5	3.6	5.0	5.8	6.0	5.2
Philippines	5.7	6.5	6.5	-3.8	12.1	7.0	7.8	8.3	6.3	6.4	5.2
Singapore	7.6	3.5	2.0	2.0	15.8	7.5	6.1	3.7	3.2	3.6	3.3
South Korea	4.1	2.7	2.6	2.2	6.2	4.0	4.2	3.0	2.7	2.9	2.3
Taiwan	6.6	3.6	3.5	9.2	7.8	4.4	5.3	3.1	3.3	4.2	3.9
Thailand	1.6	3.5	3.6	-2.4	7.7	-0.2	1.9	2.2	2.0	5.3	3.2
Vietnam	2.6	6.5	7.0	4.7	6.6	-6.0	5.2	5.0	6.0	7.6	7.2
Australia	4.9	4.0	2.9	1.3	9.7	4.1	4.4	3.3	3.5	6.1	3.0
Eurozone	5.4	2.6	2.3	-0.9	14.7	4.0	4.7	5.4	3.0	1.3	1.5
New Zealand	5.3	2.4	3.0	3.8	17.3	-1.6	1.7	0.4	1.1	5.2	3.0
United Kingdom	8.2	3.7	1.2	-5.0	24.6	6.9	6.6	8.7	2.9	2.1	1.2
United States (q/q SAAR)	5.7	2.0	1.5	6.3	6.7	2.3	6.9	-1.5	1.6	1.0	0.8

Note that India full-year growth are illustrated based on its fiscal calendar

Source: CEIC, UOB Global Economics & Markets Research Forecast

Base case – slower growth and higher inflation in major economies

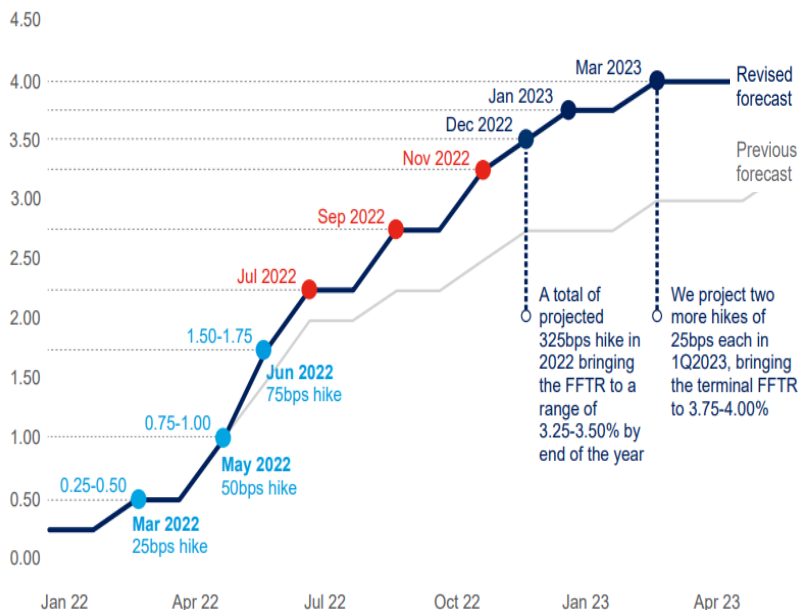
Fed Continues To Hike Aggressively

Fed To Hike Up To 3.75%-4.00% Range By Mar 2023

Fed Funds Rate (%)

Past meetings
Rate hiked

Projection - quantum & pace of rate hike
● 25bps ● 50bps



Global Policy Rate Forecasts For 2022-2023

Central Bank	(2022)	1Q22A	2Q22F	3Q22F	4Q22F	1H23F	2H23F
US Fed Funds Target	↑	0.50	1.75	2.75	3.50	4.00	4.00
EUR (Deposit Rate)	↑	-0.50	-0.50	0.25	0.25	0.50	0.75
EUR (Refinancing Rate)	↑	0.00	0.00	0.75	0.75	1.00	1.25
GBP (Repo Rate)	↑	0.75	1.25	1.75	2.25	2.25	2.25
AUD (Official Cash Rate)	↑	0.10	0.85	1.25	1.75	2.25	2.50
NZD OCR	↑	1.00	2.00	2.50	3.00	3.50	4.00
BOJ Policy Rate	↔	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
KRW Policy Rate	↑	1.25	1.75	2.25	2.50	2.50	2.50
CNY (1-Year Loan Prime Rate)	↓	3.70	3.70	3.55	3.55	3.65	3.85
HKD Base Rate	↑	0.75	2.00	3.00	3.75	4.25	4.25
TWD Official Discount Rate	↑	1.38	1.50	1.63	1.75	1.88	1.88
INR Repo Rate	↑	4.00	4.90	5.65	5.65	5.65	5.65
MYR Overnight Policy Rate	↑	1.75	2.00	2.50	2.50	3.00	3.00
IDR 7-Day Reverse Repo	↑	3.50	3.50	4.00	4.50	5.00	5.00
THB 1-Day Repo	↑	0.50	0.50	0.50	0.75	1.00	1.00
PHP Overnight Reverse Repo	↑	2.00	2.50	3.00	3.50	4.00	4.00
VDN Refinancing Rate	↔	4.00	4.00	4.00	4.00	4.25	4.50

USD Likely To Gain Further Support



CNY and MYR Moves In Sync

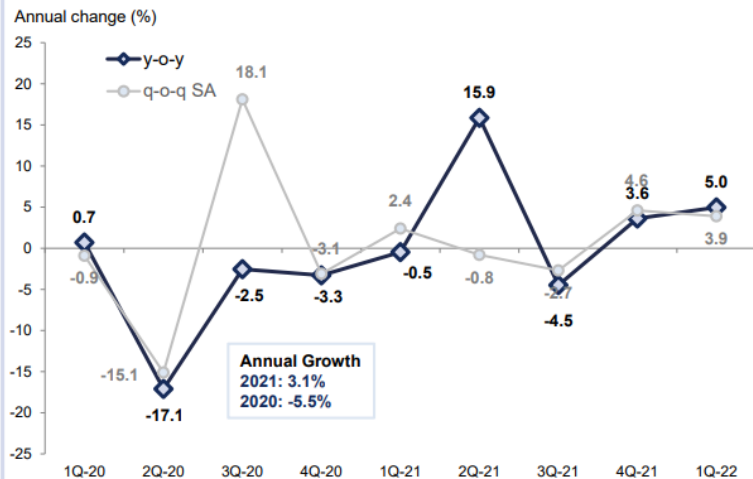


UOB's Latest FX Forecasts (As Of 16 Jun 2022)

FX	16 Jun 22	3Q22F	4Q22F	1Q23F	2Q23F
USD/JPY	133	134	135	136	136
EUR/USD	1.05	1.04	1.03	1.05	1.06
GBP/USD	1.23	1.25	1.26	1.28	1.30
AUD/USD	0.70	0.71	0.72	0.73	0.74
NZD/USD	0.63	0.65	0.66	0.67	0.68
DXY*	104.04	104.4	104.8	103.3	102.5
USD/CNY	6.70	6.80	6.85	6.90	6.90
USD/HKD	7.85	7.85	7.85	7.85	7.85
USD/TWD	29.73	30.0	30.2	30.4	30.5
USD/KRW	1,289	1,300	1,310	1,320	1,330
USD/PHP	53.44	54.0	54.5	55.0	55.0
USD/MYR	4.40	4.46	4.48	4.50	4.52
USD/IDR	14,768	15,000	15,100	15,100	15,200
USD/THB	35.15	35.4	35.8	36.2	36.2
USD/VND	23,200	23,400	23,500	23,550	23,600
USD/INR	78.08	79.0	80.0	80.5	81.0
USD/SGD	1.38	1.40	1.41	1.41	1.41
EUR/SGD	1.46	1.46	1.45	1.48	1.49
GBP/SGD	1.71	1.75	1.78	1.80	1.83
AUD/SGD	0.97	0.99	1.02	1.03	1.04
SGD/MYR	3.17	3.19	3.18	3.19	3.21
SGD/CNY	4.84	4.86	4.86	4.89	4.89
JPY/SGDx100	1.04	1.04	1.04	1.04	1.04

1Q22 Real GDP Growth Beats Estimates At 5.0%

Real GDP Growth



Monthly Real GDP Growth (%yoy)

Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
2.7	6.2	2.0	4.3	5.2	5.4



Expansion in domestic demand



Continued growth in external demand

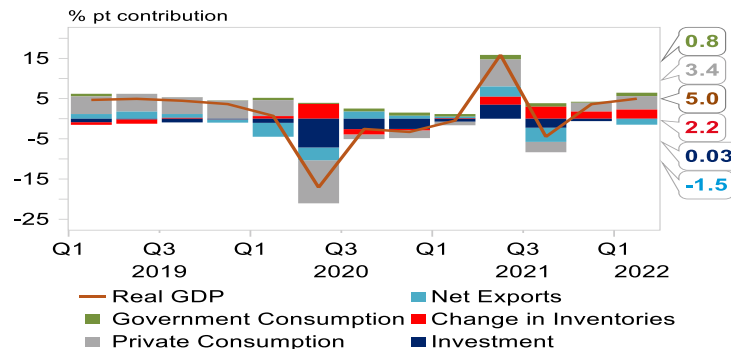


Recovery in the labour market

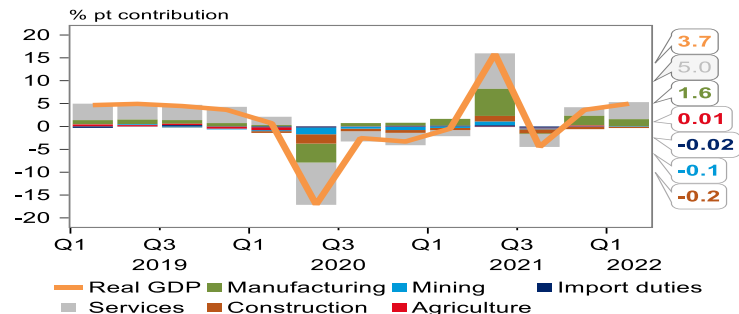


Continued policy support

Domestic Demand Saw Further Improvement

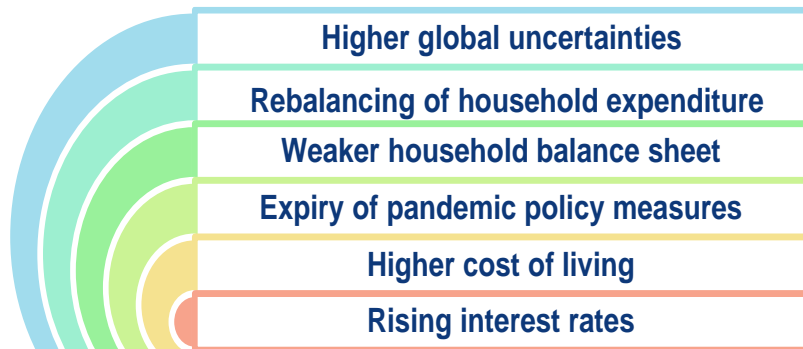


Services, Manufacturing Sectors Lifted Growth

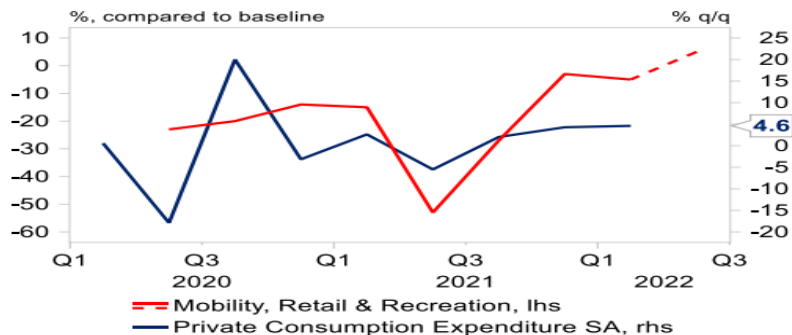


Private Consumption Faces Headwinds

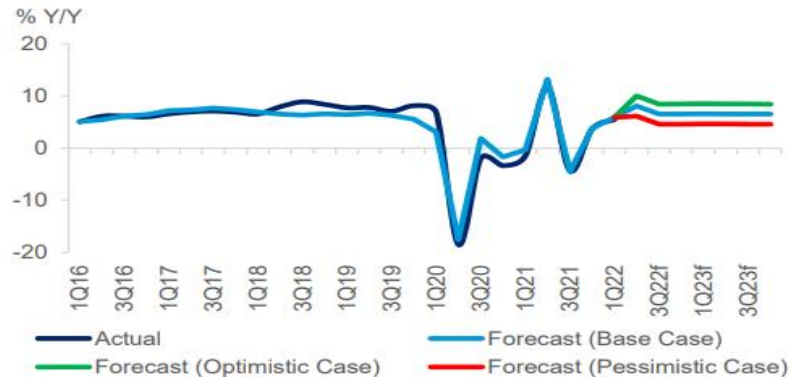
Potential Headwinds



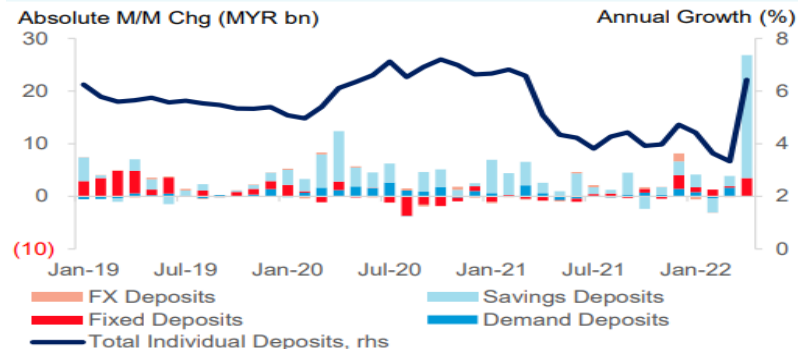
Reopening And Higher Mobility Lifts Spending



Private Consumption To Normalize To ~ 6.5%

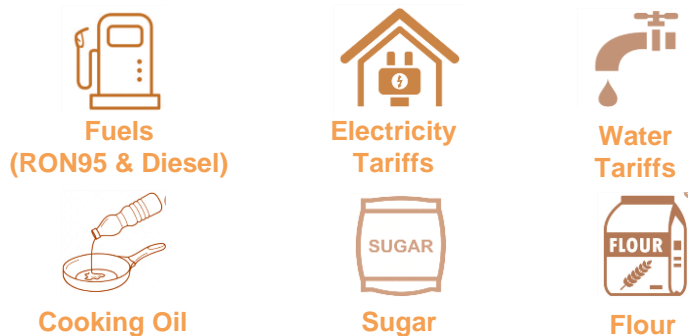


Excess Savings Drive Pent-Up Demand

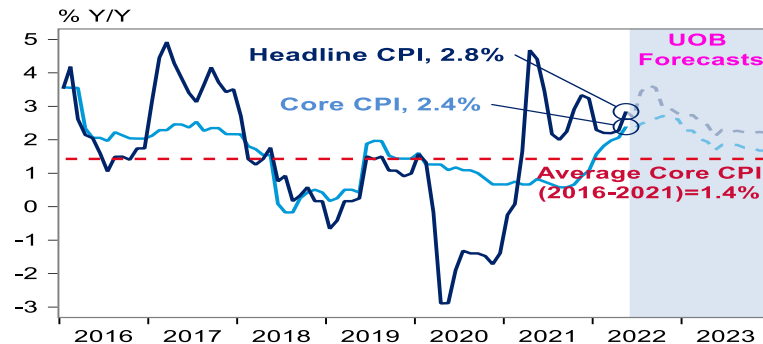


Emergence Of Second-Round Effects On Inflation

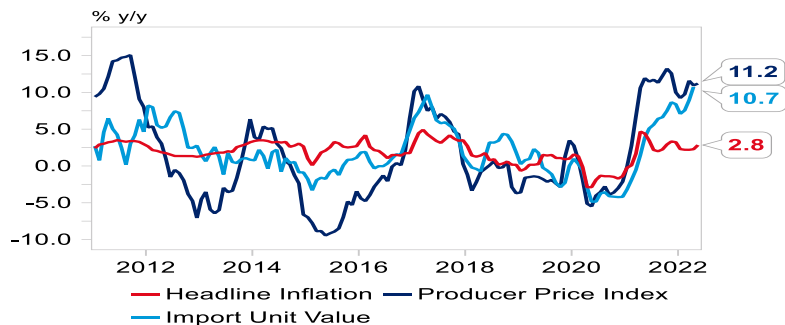
Possible Revisions In Price-Administered Items



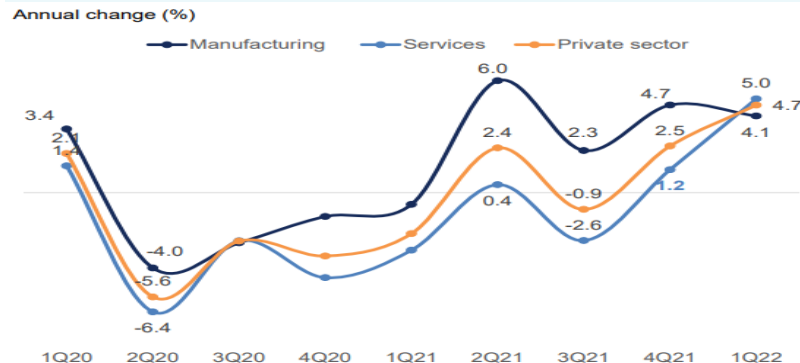
Core Inflation Moved Above Long-Term Trend



Pass-Through Of Cost Shocks To Consumer



Higher Wages Could Lift Demand Price Pressure



Our OPR Outlook – Rate Hikes In Jul and Sep

What Made Us Change Our OPR Call?



Fortify monetary buffers ahead of next crisis while domestic growth outlook remains intact with negative output gap closing faster than projected



Signs of emerging second-round effects on inflation and gradual cost pass-through to consumer prices



Fast narrowing interest rate gap with US will put more pressure on capital flows and MYR, further fueling imported inflation and raw material costs



Fast changing global landscape and recent events hasten the pace of recalibration

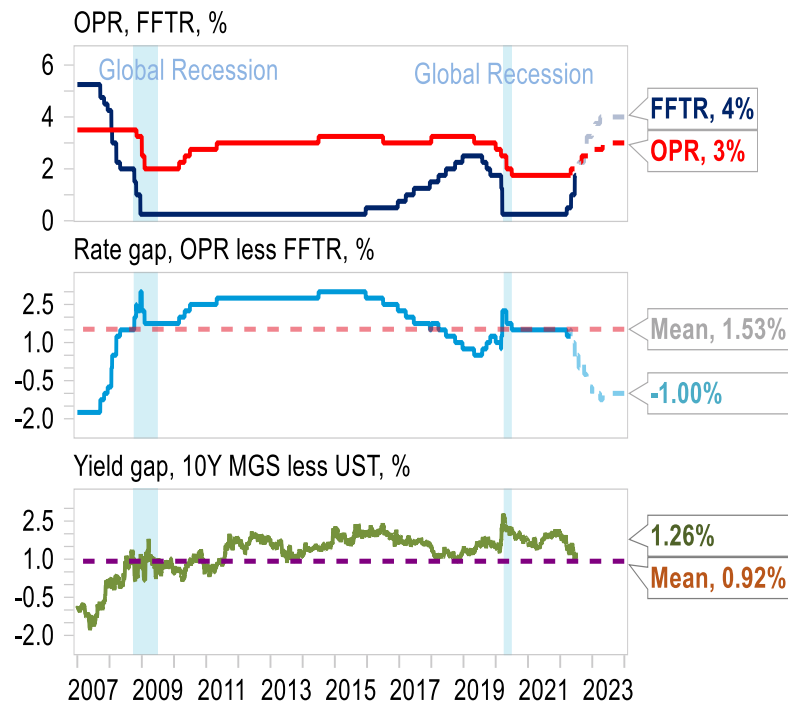


BNM's forward guidance: The removal of monetary accommodation will be "measured and gradual", which could refer to the quantum of rate adjustment



Monetary policy would still be accommodative even after projected hikes of 75bps for 2022, as it only reverses part of the 125bps of rate cuts during 2020

Possible Negative Interest Rate Gap With US



Sustainability & Digitalization Two Key Themes Ahead

Advancing Sustainability and Green Growth

Accelerate green growth and more climate conscious practices towards carbon neutrality

Key initiatives include:

- ▶ **Voluntary Carbon Market (VCM)** by Bursa Malaysia as a voluntary platform for carbon credit trading
- ▶ **Low Carbon Transition Facility** by BNM with a fund value of RM1 billion (matching fund arrangement with participating FIs) to help SMEs adopt sustainable and low-carbon practices
- ▶ **Exemption of duties and taxes on electric vehicles (EVs)** incl. import duty, excise duty, sales tax and road tax
- ▶ **Feasibility study on carbon pricing**, such as carbon tax and the Emission Trading Scheme
- ▶ **Adoption of green certification tools** during the construction and operation phases will be expanded to more government buildings and infrastructure projects (e.g., Sustainable INFRASTAR & Malaysia Green Highway Index)
- ▶ **Increase the use of biofuel** by expanding the B20 biodiesel programme and introducing the B30 biodiesel programme

Boosting Digitalisation and Advanced Technology

Enhance digital connectivity and adoption efforts

Key initiatives include:

- ▶ **Implementation of *Pelan Jalinan Digital Negara* (JENDELA)** to enable high quality digital infrastructure access
- ▶ **Enhancement of the SME Digitalization Grant Scheme** initiative (total funding of RM200 million)
- ▶ **Keluarga Malaysia Digital Economy Centres (PEDI)**: Transforming 600 Keluarga Malaysia Digital Economy Centres into One-Stop Centres to guide microentrepreneurs in using digital technology
- ▶ **Streamlining digital governance** via the National Digital Economy and 4IR Council, providing overall direction in planning, implementation and monitoring of digitalisation initiatives
- ▶ **Implementation of the National eCommerce Strategic Roadmap 2.0** to spur eCommerce activities and development of a national e-Invoicing framework to enable trade partners to seamlessly transact using digital mechanisms
- ▶ **Execution of the Malaysia Cyber Security Strategy (MCSS)** to spearhead efforts to manage cyber threats, forming a safe, secure and reliable digital ecosystem

Indo-Pacific Economic Framework For Prosperity

How did it come about?

October 2021

During the East Asia Summit, US President Biden made a proposal that: "The US will explore with partners the development of an Indo-Pacific economic framework that will define our shared objectives around trade facilitation, standards for the digital economy and technology, supply chain resiliency, decarbonisation and clean energy, infrastructure, worker standards, and other areas of shared interest."

23 May 2022

President Biden formally launched the Indo-Pacific Economic Framework for Prosperity (IPEF) during his five-day visit to South Korea and Japan. This is his first trip to Asia as US president.

What's in IPEF?

Unlike traditional trade agreements, the IPEF does not negotiate on tariffs and market access. The programme foresees integrating partners through agreed standards in four main pillars:



The digital economy



Supply chains resilience



Anti-corruption measures



Clean energy infrastructure

Who are the members?

The US-led pact with the initial 12 Indo-Pacific countries:



United States



Australia



Brunei



India



Indonesia



Japan



Malaysia



New Zealand



Philippines



Singapore



South Korea



Thailand



Vietnam

What's next for IPEF?

Following the announcement, the 13 IPEF members will start negotiations on each pillar.

The framework descriptions so far have been largely broad-based. There are few details as of now to judge how IPEF will eventually compare to other trade blocs like CPTPP or RCEP. The key will be when the members hold negotiation on the terms encompassing the pact - which will be one of the determining factors for the prospect of IPEF.

Major trade blocs in Asia

Economy	IPEF	CPTPP	RCEP
Australia	●	●	●
Brunei	●	●	●
Cambodia			●
Canada		●	
Chile		●	
China		Applied	●
India	●		
Indonesia	●		●
Japan	●	●	●
Laos			●
Malaysia	●	●	●
Mexico		●	
Myanmar			●
New Zealand	●	●	●
Peru		●	
Philippines	●		●
Singapore	●	●	●
South Korea	●		●
Taiwan		Applied	
Thailand	●		●
United States	●	Withdrew	
Vietnam	●	●	●

Member	13	11	15
Size (% of world GDP)	40%	13%	30%
Trade (% of world trade)	28%	15%	29%

CPTPP: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP: Regional Comprehensive Economic Partnership

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