Asia Economic Weekly

What Fed's "higher for longer" mean for central banks in EM Asia?

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GEM Fixed Income Strategy & Economics
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"Known-unknowns" risks for Asian central banks

Central banks in the region are set to brace for "higher for longer" Fed fund rates in the coming quarters, a challenge to the region in both our baseline and bearish scenarios. In the base case where the US economy is sufficiently robust to withstand the policy headwind, the interest rate differential between EM Asia and the US will likely persist through 2024, creating pressure on FX & capital movement. In the bearish and unlikely scenario where the prolonged higher rate eventually triggers a hard landing in the US, the shock on real economy and spillover to financial markets could have significant ramifications across the region. How would central banks in the region respond to the "know unknowns" risks in the year ahead?

Domestic factors against further hikes amid hawkish Fed

Admittedly, responses from the central banks are likely to be unsynchronized, given the differences in domestic conditions and policy mandates. That said, with the stabilization in regional inflation and downside risks on growth, we do not expect further broad tightening in most parts of EM Asia. At the same time, we do not envisage the external pressure on FX and capital flow from a hawkish Fed would derail the policy setting in EM Asia, as central banks are now better prepared to mitigate the impact of higher US rate and stronger dollar. Taking a step back, we think the historical co-movements in Fed and Asia policy rates likely overstates the Fed's impact. We think it is the global shocks (which caused Fed to shift its policies) that led to Asian central banks to change their policy trajectories, not the Fed's decision.

The conditions for an earlier rate cut

In an unlikely scenario of a hard landing in the US, Asian economies could face a double whammy of contraction in US demand and the subsequent sharp reversal of risk appetite. On average, Singapore, Korea, Taiwan & Malaysia are highly linked with US, making them most prone to larger shocks. Their central banks should therefore have a higher tendency to ease monetary policy in this case.

Implications to monetary policy in EM Asia

In our base case of no recession in the US, we expect most central banks to stay on hold in rest of 2023, except RBI which could deliver a 25bp hike in Dec meeting on inflation risks. Going into 2024, we expect most central banks in Asia to be either on hold or cut in 2024. Specifically, we think the surprising hike by BI last week was a special case, rather than a harbinger for further tightening in the region.

\- *T.H. Ho, H. Qiao*

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EM Asia in Focus

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"Known-unknowns" risks for Asian central banks

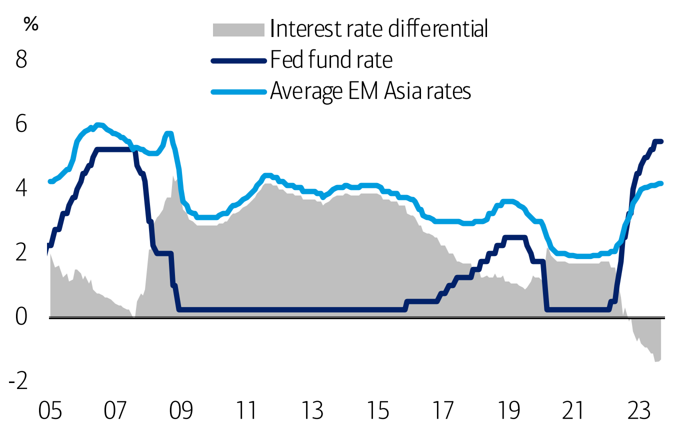
Central banks in the region are set to brace for "higher for longer" Fed fund rates in the coming quarters. Our US economic research team expects the Federal Reserve to deliver one more hike in December, bringing the Fed fund rate to a terminal level of 5.50-5.75%. We also expect policy pivot to be mild and late in 2024, implying the Fed rate will stay much above the neutral level through next year.

This will likely present a challenge to the region in both our baseline and bearish scenarios. In the base case where the US economy is sufficiently robust to withstand the policy headwind, the interest rate differential between EM Asia and the US will likely persist through 2024 (Exhibit 1), with continued pressure on FX and capital movement in Asia (Exhibit 2). The unexpected U-turn by Bank Indonesia last week was a manifestation of such pressure.

On the other hand, in the bearish and unlikely scenario where the prolonged higher rate eventually triggers a hard landing in the US, the shock on real economy and spillover to financial markets could have significant ramifications across the region.

How would central banks in the region respond to the "know unknowns" risks in the year ahead?

Exhibit 1: Policy rate differential with Fed Fund Rate
Policy rate differentials with the Fed at the narrowest range, and is expected to last for a long period of time...



Source: Haver, BofA Global Research

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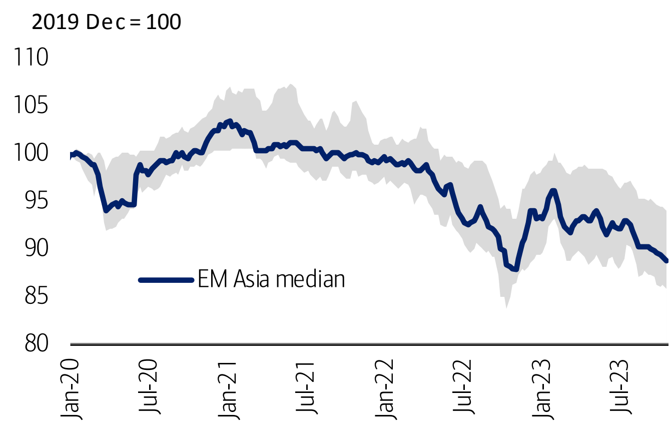
Exhibit 2: EM Asia FX against USD
...which has contributed to the renewed depreciation pressure in Asia FX



Source: Haver, BofA Global Research

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Domestic backdrop not to warrant further tightening...

Admittedly, responses from the central banks are likely to be unsynchronized, given the divergence of domestic conditions and differences in monetary policy mandates (Exhibit 3). Central banks with a stronger focus on FX stability and financial stability (e.g. Bank Indonesia, Bangko Sentral ng Pilipinas to Bank of Korea) tend to be more closely aligned with Fed policy, whereas central banks with more monetary autonomy (e.g. People's Bank of China, Reserve Bank of India, State Bank of Vietnam) and lighter focus on external factors (e.g. Monetary Authority of Singapore) tend to be less dependent on Fed cycles.

Exhibit 3: Key mandates of EM Asia central banks

Central banks have different priorities on growth, inflation and financial stability

Central Bank	Policy objective	Focus of monetary policy conduct	Inflation target
PBoC (China)	To maintain currency stability, promote economic growth and full employment, and achieve external balance	Credit extension and inter-bank market liquidity	Around 3%
CBC (Taiwan)	To promote financial stability, ensure sound banking operations, maintain stable internal/external value of the currency and foster economic development	Price and financial stability	Implicit target of 2%
BoK (Korea)	Dual mandate of price stability and financial stability	Medium-term price stability	2%
RBI (India)	To achieve the medium-term target for CPI inflation of 4% (band of +/- 2%), while supporting growth.	Price stability while keeping in mind the objective of growth	2-6%
BNM (Malaysia)	To promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy	Sustainable growth	-
BI (Indonesia)	To create and maintain rupiah stability	IDR stability	2-4%
BSP (The Philippines)	To maintain price stability conducive to a balanced and sustainable growth of the economy and employment	Inflation targeting	2-4%
MAS (Singapore)	To promote sustained non-inflationary economic growth, and a sound and progressive financial Centre.	Medium term price stability	De-facto target of 1.5-2.0% (Core CPI)
BoT (Thailand)	To promote a stable financial environment to achieve sustainable and inclusive economic development	Financial, growth, and price stability	2%
SBV (Vietnam)	To stabilize the value of the Vietnamese currency, ensuring safe and sound banking operations and the system of credit institutions, and contributing to socio-economic development under the socialist orientation	VND stability & inflation	4-4.5%

Source: Central banks, BofA Global Research

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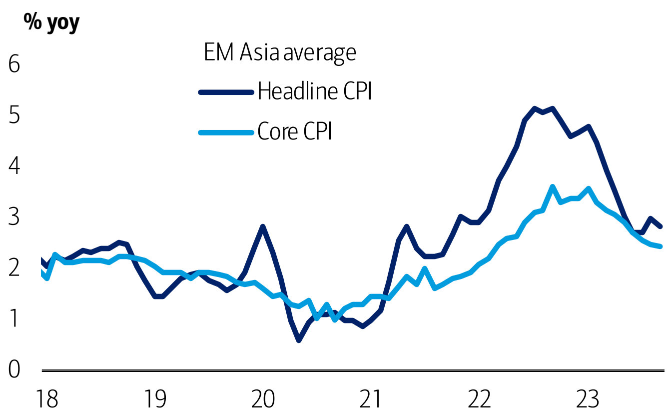
That said, we do not think the domestic growth and inflation nexus will warrant further broad tightening in most parts of EM Asia.

First of all, **inflation has generally stabilized**. On average, headline CPI inflation peaked at above 5% yoy in late 2022 and retreated to below 3% yoy in August (Exhibit 4), much lower than its EM peers, while core CPI inflation has been also trending downward. The majority of countries in EM Asia have already seen CPI inflation back or close to the target level (Exhibit 5).

Some worry about that inflation will soon rebound in Asia, given the upside risks to oil prices (due to the Israel-Hamas conflict) and food prices (due to stronger El-Nino effect). We believe these potential shocks could be buffered by existing administrative measures (such as price controls) and active policy responses (especially in ASEAN economies). Meanwhile, broadly stable trade-weighted currencies in Asia have also anchored import prices. That said, central banks are still closely monitoring inflation trajectories and latest developments on these geopolitical and climate events.

Exhibit 4: CPI inflation in EM Asia (as of Sep)
Inflation has normalized across the region



Source: Haver, BofA Global Research

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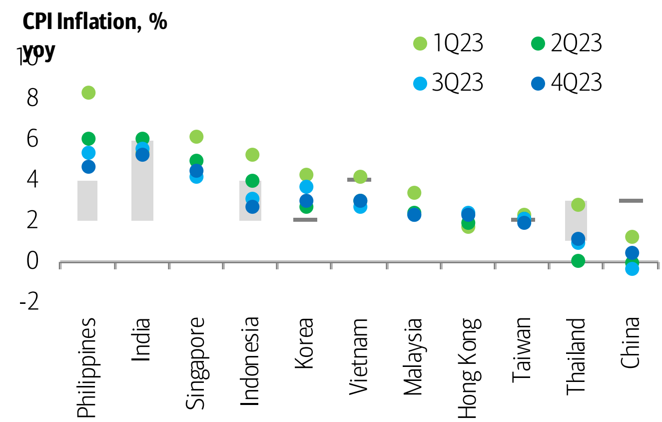
Exhibit 5: CPI inflation: Actual vs central bank target
We expect inflation will largely stay below or close to target by end-2023



Source: Haver, BofA Global Research estimates

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In addition, **downside risks on growth still persist**. While we expect broadly stable growth across the region in our base case, the current headwinds could stiffen:

1) The prospect of a recovery in China remains uncertain, which is hinged on the timeliness and intensity of policy support. Year-to-date, exports from EM Asia to China dropped more than 15% yoy, while outbound tourists from China remain well below 2019 levels. While 3Q23 GDP growth in China showed more signs of bottoming out, the overall support to the rest of Asia remains weak.

2) Credit conditions have been less conducive to growth due to financial condition tightening. Credit extension to private sector moderated and interest burdens rose across sectors (See Pulse check on household leverage in Asia amid rising debt burden for more details), jeopardizing nascent recovery in household consumption and business investment

3) Fiscal policy is likely to further consolidate in the rest of 2023 and 2024 after the massive spending during the COVID pandemic. On average, we expect a budget deficit of around 3% in 2023 and 2024, compared to around 5% in 2021.

…while hawkish Fed unlikely to alter policy paths

Policy tools and external buffers provide cushions for policymakers in Asia

Most central banks are therefore unlikely to tighten further, while the Fed is expected to keep the restrictive hawkish stance through 2024 in our base case. However, we do not envisage the external pressure on FX and capital flow to derail the policy setting in EM Asia.

Compared to previous Fed tightening cycles, Asian central banks are now better prepared to mitigate the impact of higher US rate and stronger dollar. They are now well equipped with various policy tools, including:

1) **FX intervention**: This is perhaps the most conventional way to ease currency depreciation pressure. Most directly, central banks sell dollar from FX reserves and buy local currency in spot market to balance the demand and supply. Meanwhile, there could be indirect approaches, such as the "countercyclical factors" set by the PBoC. Judging from the FX movement, we cannot rule it out that central banks in China, India and Philippines might have intervened in FX markets in recent weeks (Exhibit 6).

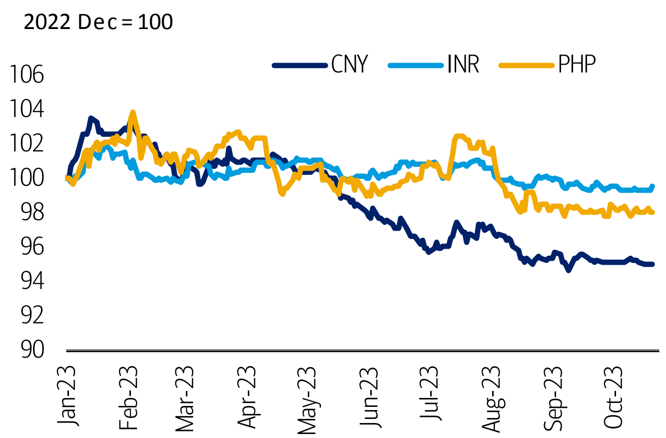
2) **Pseudo-tightening in interbank markets**: While outright rate-hikes are not expected, most central banks across ASEAN are becoming more tolerant of

pseudo-tightening in the form of higher interbank rates to ease FX pressure (See Asia FI & FX Strategy Viewpoint for more details). In Indonesia, Malaysia and Philippines, central banks have been using bills to tighten liquidity and drive interbank rates higher, hence the attractiveness of local currencies vis-à-vis the dollar.

3) **Other regulatory measures**: These include but are not limited to regulations on repatriation and conversion of export proceeds, minimum holding period of domestic securities, restrictions on outward investment. Essentially, they are designed to boost onshore liquidity as well as to keep short-term market volatility at bay. For example, since Aug 2023, Bank Indonesia has mandated natural resource exporters to retain 30% of their proceeds in onshore banks. Meanwhile, sovereign fund can also play a role here. For instance, the National Pension Service Fund in Korea increased the ratio of FX hedging late last year to decrease the market impact of the fund's dollar-buying activities. Malaysia's Employees Provident Fund (EPF) has also been encouraged by the Prime Minister to increase its domestic investment allocation from 64% in 2022 to 70% in 2023.

Exhibit 6: Selected EM Asia FX against USD

Movement of CNY, INR, PHP against USD have likely been managed in recent weeks



Source: Haver, BofA Global Research

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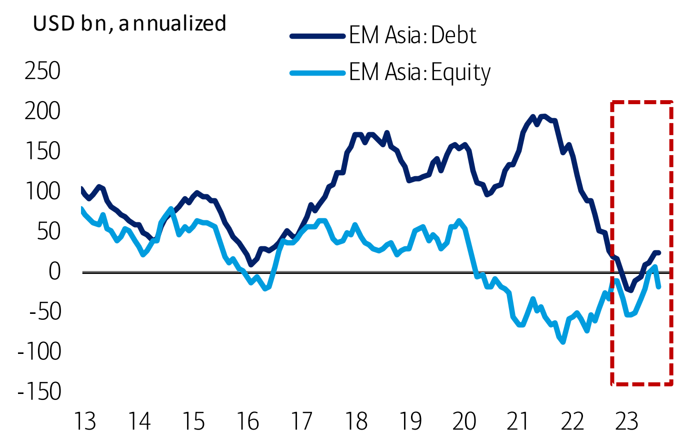
Exhibit 7: Net equity and debt inflow into EM Asia

Outflow pressure on Asia financial markets likely peaked in late 2022



Source: Haver, IIF, BofA Global Research

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In addition to policy tools, we believe the stronger external position in Asia economies can help mitigate the impact of strong dollar. Current account is set to improve in most economies in 2024 on the back of a regional trade cycle recovery (especially for tech exporters), providing stronger buffers to potential dollar drainage (See our latest report on regional trade). In addition, we observe increasing net inflow to equity and debt markets in EM Asia after strong outflow pressure in 2022 (Exhibit 7). Structural factors that support more capital inflow in the region (e.g. further index inclusion) which makes capital flow less sensitive to interest rate environment.

Co-movement in US/Asia rates overstate Fed's impact

Taking a step back, there is the perception that Fed cycles always lead EM Asia monetary policy cycles. But in our view, the historical co-movements in Fed and Asia policy rates likely overstates the Fed's impact. It is the global shocks (which caused Fed to shift its policies) that led to Asian central banks to change their policy trajectories, not the Fed's decision. For example, there were periods when US and Asia rates moved in tandem in response to the same global shocks (Exhibit 8):

1) **The global commodity super-cycle (2004-2008)**: From the trough in early 2002 to the peak of mid-2008, global energy and agriculture prices rose by

550% and 150% respectively, thanks to the rise in emerging markets and renewed investment demand in commodities in DMs. The broad-based surge in commodity prices pushed headline CPI higher across the world. Consequentially, the US and most Asia EM central banks kickstarted hiking cycle since 2004 in response to rising inflation pressure.

2) **The Global Financial Crisis (2008-2010)**: US first started cutting rate in Sep 2007 in response to the relatively localized crisis before it radiated to the financial markets worldwide. In fact, several central banks (China, Taiwan, Korea, India, Vietnam) were still in policy tightening mode before late 2008 as global prices have yet to peaked. As the crisis unfolded at a global scale in late 2008, most central banks joined the easing campaign in response to slump in growth and sentiment.

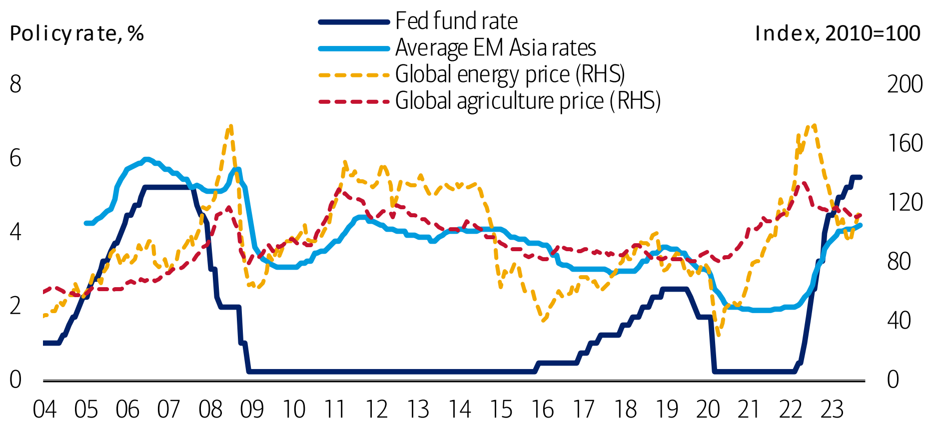
3) **The pandemic cuts and post-pandemic hikes (2020-2023)**: In response to the unprecedented shock to global mobility in early 2020s, literally all central banks and governments around the world rolled out massive easing measures to buttress growth. As commodity prices began to lift, labor markets got tight and shipping cost soared, US and Asia central banks once again moved in tandem to fight inflation pressure.

On the other hand, there were occasions where Fed and Asia central banks diverged (Fed tightening while Asia easing), largely owing to their different positions in business cycle, in our views:

4) **Global oil price plunge (2014-16)**: Between mid-2014 and early 2016, oil prices dropped by almost 70% from peak to trough, thanks to rising efficiency gains in U.S. shale oil, demand slowdown from major oil importers (China), supply glut reinforced by weakening demand prospects. Meanwhile, growth in Asia was fragile amid China growth slowdown and falling demand for overall imports. These triggered rate cuts around the region as headline inflation began to fall below target. After Fed tightened for the 1st time since GFC in Dec 2015, several central banks were still cutting policy rates for a period of time. While Indonesia and Philippines rates were sensitive to Fed rate, BI and BSP cut by a cumulative of 275bps and 100bps respectively in 2016, suggesting Fed and Asian central banks can diverge when they are at different stages in business cycles.

Exhibit 8: Historical movement in policy rates and commodity prices

The co-movement in US/Asia policy rates largely reflected their response to global shocks in our views



Source: Haver, World Bank, BofA Global Research

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The conditions for an earlier rate cut

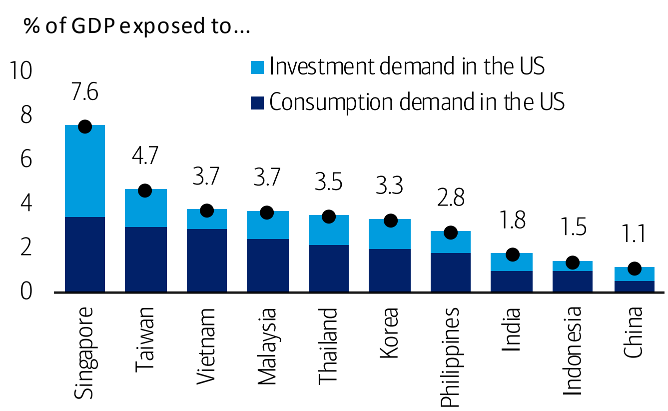
Our baseline scenario assumes the US economy could navigate through the restrictive Fed stance without a recession. Yet, the odds of a hard landing in the US are not negligible. Risks include potential correction in consumer spending as delinquencies surge and debt burden proves more painful than expected, while business investment could overshoot in both directions.

Should this worrying scenario materialize, Asian economies could face a double whammy of contraction in US demand and the subsequent sharp reversal of risk appetite. The impact on each economy will likely be hinged on their exposure to final demand from the US, sensitivity to global risk appetite and US Treasury yields, level of external debt and interest of burden, among an array of other factors. In this case, Fed will likely ease aggressively to buttress the economic slowdown and interest rate differential will likely be less of a concern, albeit Asia currencies could remain fragile.

On average, **Singapore, Korea, Taiwan & Malaysia** are highly linked with US both economically and financially (Exhibit 9 and Exhibit 10), making them most prone to larger shocks. Central banks in these economies should have a higher tendency to ease monetary policy in this case. Meanwhile, significant shares of output in **Vietnam** and **Philippines** are also tied to the final demand in the US, but the financial markets are less sensitive to that in the US[1]. At the other end of spectrum, **China, Indonesia & India** are relatively shielded from a hard landing in the US, making the central banks more independent of the growth shock.

Exhibit 9: Real linkage with the US

On average, 3.5% of GDP in Asia are exposed to US final demand, more for consumption than investment



Source: OECD TiVA (2019), BofA Global Research

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Exhibit 10: Financial linkage with the US (and global risk appetite)

Small open economies in Asia with more developed financial markets tend to closely financially linked to US

	Correlation between local 10Y yield and US 10Y yield	Correlation between local equity index and S&P 500	Correlation between local equity index and global risk appetite
Singapore	0.89	0.66	-0.38
Korea	0.66	0.74	-0.27
Taiwan	0.62	0.72	-0.31
Malaysia	0.76	0.54	-0.23
Philippines	0.73	0.50	-0.30
India	0.46	0.62	-0.37
Thailand	0.53	0.56	-0.29
Indonesia	0.30	0.47	-0.30
Vietnam	0.18	0.46	-0.31
China	0.21	0.31	-0.19

Source: Haver, BofA Global Research estimates

Note: Data starts from 2011 to latest data, on monthly basis. VIX is used as proxy for global risk appetite

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Implications to monetary policy in EM Asia

Rates to peak out in 2023 and to be lowered in 2Q24

In our base case, we do not expect that the Fed's "higher for longer" policy track would trigger a recession in the US, and therefore have no material impact on the relatively neutral monetary policy in Asia through 2024.

Specifically, in the rest of 2023, we expect most central banks to stay on hold, except **RBI** which could deliver a 25bp hike in Dec meeting. This is likely driven by domestic inflationary pressure rather than pressure from the Fed. **BSP** just raised policy rate in the off cycle meeting this week to tame inflation risks, frontloading an anticipated hike in Nov, in our view. **BI** has yet to close the door for further hikes (not our base case), but

[1] It could be argued that their financial markets are relatively less developed and do not play a pivotal role in the real economy.

we think it is intended as a strong signal of its commitment towards ensuring IDR stability.

In 2024, we expect most central banks in Asia to be either on hold or cut in 2024 (Exhibit 11). For the **BoK**, **BI & BSP**, we expect them to be more sensitive to Fed's rate and only start to ease since 2Q. In North Asia, we expect **PBoC** to remain accommodative to spur growth, whereas CBC to pause through 2024 on relatively optimistic growth forecast at a relatively low interest rate. For the other major ASEAN economies, we expect inflation to remain as a potential concern for central bankers. The **BoT** is expected to keep policy rate on hold amid upside inflation risks, due to fiscal stimulus measures from the new government and El-Nino effects. The **MAS** is likely to be comfortable with current policy settings, with is consistent with expectations of further disinflation and muted near-term growth prospects. We don't expect **BNM** to contemplate rate cuts in 2024, unless growth is seen falling decisively below 4%.

Exhibit 11: Quarterly change in policy rate (Actual and forecast)
We expect most central banks in Asia to be either on hold or cut in 2024

%, EOP	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	2023YE	2024YE
US	0.500	0.250	0.250	0.250	0.000	-0.250	-0.250	-0.250	5.625	4.875
Europe	1.00	0.50	0.50	0.00	0.00	-0.25	-0.25	-0.25	4.50	3.75
China	0.00	-0.10	-0.10	-0.05	0.00	0.00	0.00	0.00	3.40	3.40
Indonesia	0.25	0.00	0.00	0.25	0.00	-0.25	-0.25	-0.25	6.00	5.25
Korea	0.25	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	3.50	2.75
Malaysia	0.00	0.25	0.00	0.00	0.00	0.00	0.00	0.00	3.00	3.00
Philippines	0.75	0.00	0.00	0.25	0.00	-0.25	-0.50	-0.25	6.50	5.50
Taiwan	0.125	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.875	1.875
Thailand	0.50	0.25	0.50	0.00	0.00	0.00	0.00	0.00	2.50	2.50
Vietnam	0.00	-1.50	0.00	0.00	0.00	0.00	0.00	0.00	4.50	4.50

Source: Haver, BofA Global Research estimates

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The unexpected BI hike not a signal for further broad tightening in Asia

Undeniably, the surprising rate hike by Bank Indonesia last week could have somehow clouded the picture. Per the official communication, the decision was justified on the need to curb depreciation and prevent imported inflation amid rising global uncertainties, marking a sharp reversal from the relatively dovish tone from Sep meeting. Some market participants therefore saw this as a signal for potential hawkish tilt from rest of Asian central banks, casting doubts on the prospects for monetary easing in EM Asia in 1H24.

Nonetheless, we don't think it necessitates a change in our policy call for the rest of central banks. First, IDR depreciated most against USD among EM Asia peers in recent months, dropping around 8% from the highs in May. This partly explained the urgency for BI to turn hawkish suddenly. Second, BI adheres to its FX stability mandate more than its Asian peers (Exhibit 3), implying monetary policy is most sensitive to FX movement. Some central banks are even not mandated to maintain FX stability. Lastly, there could be political considerations to be more pre-emptive, given the general elections in Feb 2024. Taken together, we see the hike as a special case rather than a harbinger for further tightening in the region.

Data Preview

Exhibit 12: Week of 29 October to 4 November

Data calendar for next week with BofA estimates and Bloomberg consensus

	Local time	Country	Data/Event	BofAe	Cons.†	Previous	Comments
Sunday, October 29 to Tuesday, October 31 2023							
**		South Korea	Retail Sales (Sep, yoy)		--	3.3%	--
Monday, October 30, 2023							
**	11:30	Australia	Retail Sales (Sep, mom)	0.3%	0.2%	0.2%	We expect weak spending in September. Food retailing and cafes, restaurants and takeaway meals are expected to drive the increase. Yoy change will be 1.1%.
Tuesday, October 31, 2023							
**	8:00	South Korea	Industrial Production (Sep, yoy)		--	-0.5%	--
**	8:30	Japan	Jobless Rate (Sep)	2.7%	--	2.7%	We expect jobless rate to remain unchanged at 2.7% SA in September. Japan's jobless rate is approaching the record low of 2.2%, but we expect the recovery of labor market to continue as a whole given services industry accelerates the hiring activity due to the labor shortages.
***	8:50	Japan	Retail Sales (Sep, yoy)		6.1%	7.1%	--
**	8:50	Japan	Industrial Production P SA (Sep, mom)	3.0%		-0.1%	We expect IP to sharply rebound by +3.0% MoM SA in September, following total -1.8% MoM SA contraction in July-August. Auto production will continue to drive overall production recovery, while the recovery of IT-related goods will remain limited in September. However, over the medium-term, we see the gradual recovery of production as the inventory adjustment especially in IT-related sectors approaches the end.
***	9:30	China	Manufacturing PMI (Oct)	50.1	50.2	50.2	We expect the NBS manufacturing PMI to inch down but stay in expansionary zone (50.1) in Oct, vs. 50.2 in Sep. High-frequency indictors, such as the cement shipment ratio and rebar apparent consumption, suggest that industrial momentum likely continued to improve sequentially but only slightly in the month.
**	11:30	Australia	Private Sector Credit (Sep, yoy)	4.7%	--	5.1%	Slow-moving credit growth is expected to have increased slightly by 0.3%mom driven by housing investor lending. Annual growth will ease to 4.7% from 5.1%
*	13:00	New Zealand	ANZ Activity Outlook (Oct)		--	10.9	--
*	13:00	New Zealand	ANZ Business Confidence (Oct)		--	1.5	--
***	16:00	Taiwan	GDP A (3Q, yoy)	1.5%	--	1.4%	We expect 3Q GDP growth to hold up at 1.5% yoy (vs. 1.4% in 2Q) despite a higher year-ago base. The modest pick-up in exports and continued recovery in final consumption expenditure likely underpinned a sequential growth improvement in the quarter.
***	16:30	Hong Kong	GDP A (3Q, yoy)	5.1%	--	1.5%	We expect 3Q GDP growth to increase to 5.1% yoy on a low year-ago base and a potential sequential improvement in trade activities.
***		Japan	BOJ Policy Balance Rate	-0.10%	-0.10%	-0.10%	--
***		Japan	BOJ 10-Yr Yield Target	0.00%	--	0.00%	According to Bloomberg's BoJ policy survey (conducted 18-23 October), only 18% of BoJ watchers expect the BoJ to adjust or scrap Yield Curve Control (YCC) at next week's meeting, though 40% say they would not rule out the risk. Indeed, we had previously expected the BoJ's next move to be in Dec '23 - Apr '24 (base case Jan '24 MPM), when we looked for the central bank to end NIRP and remove YCC. However, we think changes in the external environment necessitate that the BoJ conduct another pre-emptive adjustment of yield curve control, in order to prevent the risk of another unwanted 1) re-acceleration in balance sheet expansion as it tries to contain the upward pressure in JGB yields; and 2) depreciation of the yen. In our base case, we now see better than even odds that the BoJ will adjust yield curve control (YCC) again at this meeting. Though the exact manner of the adjustment is uncertain, if the BoJ were to move next week, we expect the central bank to raise the rate for its unlimited daily fixed rate operations to 1.5%, from the current 1%. That said, we expect the BoJ to frame the adjustment as another precautionary move and underscore that it stands ready to contain the pace of rise in yields, perhaps even strengthening its bond market operations in the near term.
Wednesday, November 1, 2023							
**	9:00	South Korea	Exports (Oct, yoy)		--	-4.4%	--
***	10:45	New Zealand	Participation Rate (3Q)		--	72.4%	We expect a modest rise in participation that reflects the rise in international migration
***	10:45	New Zealand	Employment Change (3Q, qoq)	0.4%	--	1.0%	A modest rise in employment is expected as aggregate demand proved more resilient than expected due to strong population growth and public spending.
***	10:45	New Zealand	Unemployment Rate (3Q)		--	3.6%	Unemployment is set to increase due to higher participation as well as a slower pace of growth in employment.
**	11:00	Indonesia	CPI (Oct, yoy)	2.6%	--	2.3%	--
**	11:30	Australia	Building Approvals (Sep, mom)	-1.0%	--	7.0%	Building approvals -1%mom which implies a rise of 10.3k approvals overall.
Thursday, November 2, 2023							
**	8:00	South Korea	CPI (Oct, yoy)		--	3.7%	--
**	11:30	Australia	Trade Balance (Sep)	A$9.5b	--	A$10.3b	A$9.5bn on the back of a rise in both exports and imports. There was also a modest rise in commodity prices.

Exhibit 12: Week of 29 October to 4 November

Data calendar for next week with BofA estimates and Bloomberg consensus

	Local time	Country	Data/Event	BofAe	Cons.†	Previous	Comments
***	15:00	Malaysia	BNM Overnight Policy Rate	3.00%	3.00%	3.00%	We expect BNM to keep the OPR rate at 3%. Despite pressure on the MYR, hurdle for policy rate hike is high, and BNM will likely rely on other tools and window guidance to promote currency stability.
Friday, November 3, 2023							
**	11:30	Australia	Retail Sales Ex Inflation (3Q, qoq)		--	-0.5%	--
**	13:00	Singapore	Retail Sales Ex Auto (Sep, yoy)		--	3.7%	--
**	13:00	Singapore	Retail Sales (Sep, yoy)		--	4.0%	--

Notes: †Bloomberg consensus; * = level of importance; A = advanced; F = final; P = preliminary; sa = seasonally adjusted; saar = seasonally adjusted annualized rate; nsa = not seasonally adjusted; wda = working-day adjusted; n.a. = not available; mom = month-on-month; qoq = quarter-on-quarter; yoy = year-on-year, Central banks * denotes previous month

Source: BofA Global Research, Bloomberg

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Exhibit 13: Government bond auction calendar

Auction calendar for the week of 29 Oct to 04 Nov

	Country	Event	Comments
Tuesday,31 Oct			
	Indonesia	Indonesia to sell 5, 10-, 15-, 20- and 30-year govt bonds	
Friday, 04 Nov			
	India	India to sell INR 300bn worth of 2y,7y,14y and 40y govt bonds	

Source: BofA Global Research, Bloomberg, RBI, DMO Indonesia

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Macro Forecasts

Exhibit 14: Key Macroeconomic Indicators
BofA estimates for important indicators

26 October, 2023 — BofA Global Research Forecasts

GDP Growth (yoy)	2022 Actual	2023 F'cst	2024 F'cst
Asia	**3.8**	**4.5**	**4.3**
China	3.0	5.1	4.8
Hong Kong	(3.5)	4.7	3.0
India	6.8	6.3	5.5
Indonesia	5.3	5.0	5.3
Korea	2.6	1.4	2.2
Malaysia	8.7	4.0	4.4
Philippines	7.6	4.8	5.0
Singapore	3.6	1.0	2.1
Taiwan	2.5	0.9	3.2
Thailand	2.7	2.8	3.3
Vietnam	8.0	5.4	6.5
Australia	3.6	1.5	1.3
Japan	1.1	1.8	1.2

Note: FY22/23, FY23/24, FY24/25 for India

BofA Global Research Forecasts

Exchange rate (vs USD, eop)	Current	Dec-23 F'cst	Dec-24 F'cst
Asia	-	-	-
China	7.32	7.50	7.30
Hong Kong	7.83	7.83	7.78
India	83.28	84.00	86.00
Indonesia	15815	16000	16100
Korea	1357	1375	1320
Malaysia	4.77	4.90	4.80
Philippines	56.86	58.00	58.00
Singapore	1.37	1.38	1.29
Taiwan	32.34	32.70	32.60
Thailand	36.46	37.00	37.00
Vietnam	24560	24800	24800
Australia	0.63	0.64	0.71
Japan	149.84	153.00	142.00

CPI inflation (yoy, avg)	2022 Actual	2023 F'cst	2024 F'cst
Asia	**4.3**	**3.5**	**2.7**
China	2.0	0.4	1.8
Hong Kong	1.9	2.3	2.0
India	6.7	5.4	4.5
Indonesia	4.2	3.6	2.9
Korea	5.1	3.5	2.4
Malaysia	3.4	2.8	2.8
Philippines	5.8	6.1	3.5
Singapore	6.1	5.0	3.4
Taiwan	2.9	2.2	1.5
Thailand	6.1	1.6	1.7
Vietnam	3.2	3.2	2.9
Australia	6.6	5.7	3.2
Japan	2.5	3.2	3.1

Note: FY22/23, FY23/24, FY24/25 for India

Fiscal balance (% of GDP)	2022 Actual	2023 F'cst	2024 F'cst
Asia	-	-	-
China	-2.8	-3.0	-3.0
Hong Kong	-4.9	-1.8	0.3
India	-6.4	-5.8	-5.2
Indonesia	-2.4	-1.8	-2.3
Korea	-3.0	-0.6	-1.9
Malaysia	-5.6	-5.0	-4.3
Philippines	-7.3	-6.1	-5.3
Singapore	-0.3	-0.1	0.0
Taiwan	-1.0	-2.1	-1.7
Thailand	-5.4	-3.3	-3.7
Vietnam	-4.4	-4.4	-4.0
Australia	-	-	-
Japan	-	-	-

Note: FY22/23, FY23/24, FY24/25 for India

Policy rate (%, eop)	Current	2023 F'cst	2024 F'cst
Asia	-	-	-
China	3.45	3.40	3.40
Hong Kong	5.19	5.25	4.60
India	6.50	6.50	5.50
Indonesia	6.00	6.00	5.25
Korea	3.50	3.50	2.75
Malaysia	3.00	3.00	3.00
Philippines	6.25	6.50	5.50
Singapore	4.06	4.27	3.42
Taiwan	1.88	1.88	1.88
Thailand	2.50	2.50	2.50
Vietnam	4.50	4.50	4.50
Australia	4.10	4.35	4.35
Japan	-0.10	-0.10	0.05

Note: FY22/23, FY23/24, FY24/25 for India. 3M interbank rate forecast for Singapore

CA balance (% of GDP)	2022 Actual	2023 F'cst	2024 F'cst
Asia	-	-	-
China	2.2	1.8	1.4
Hong Kong	10.5	6.2	6.1
India	-2.4	-2.4	-
Indonesia	1.0	-0.3	-0.7
Korea	1.8	1.7	1.8
Malaysia	2.6	1.9	1.9
Philippines	-4.8	-3.4	-3.4
Singapore	19.3	16.3	16.7
Taiwan	13.3	12.2	12.8
Thailand	-3.3	0.9	2.7
Vietnam	-0.3	0.7	2.1
Australia	3.4	2.1	1.2
Japan	2.9	0.2	0.2

Note: FY22/23, FY23/24, FY24/25 for India

Source: BofA Global Research, Bloomberg

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