30 August 2016

Essential Asia

National Australia Bank

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How deep is your love (for yield)

Talking Points

- **We are cognizant that the near term gyrations in Fed hike expectations for December this year could be de-stabilizing for Asian FX movements. However, further out, markets are expected to re-assess and potentially re-price the Fed's tightening stance.**
- **Portfolio flows data showed the return of foreign investors since June and the momentum may persist for a while longer, making any USD strength in the near term vulnerable.**
- **We revise some of our Asian currencies forecasts, primarily removing some of the initial USD bullish tone in the short term.**

Recent Reports

- 22 August 2016 – Chinese Economic Update
- 16 August 2016 – Economy Watch: India Monetary Policy
- 11 August 2016 – Trump, Tax and Australia

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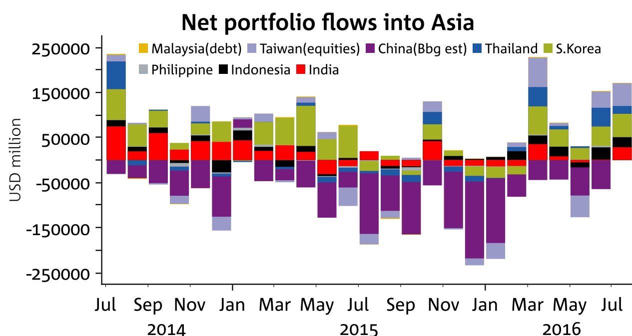
Trade recommendations

Entry Date	Currency pair	Recommendation	Opening level	Target	Stop
May 26	MYR/INR 6M NDF	Short	16.88 (spot ref 16.50)	15.20 (spot)	17.20 (spot)
Jul 25/ Aug24(rolled)	CNH/SGD 1M FWD	Long	0.2031 (spot ref. 0.2033)	0.2094 (spot ref.)	0.2000 (spot ref.)

Chart of the month



Source: National Australia Bank, Bloomberg, Macrobond

Asia Policy Rates

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Korea	1.50	1.25	1.00	1.00	1.00	1.00	1.00	1.00
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Malaysia	3.25	3.25	3.00	2.75	2.75	2.75	2.75	3.00
India	6.75	6.50	6.50	6.25	6.25	6.25	6.50	6.75
Indonesia	6.75	6.50	6.50	6.25	6.25	6.25	6.25	6.25
China	4.35	4.35	4.35	4.35	4.10	4.10	4.10	4.10

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Re-assess, Re-price, Re-allocate

- **We are cognizant that the near term gyrations in Fed hike expectations for September and December this year could be destabilising for Asian FX movements. However, further out, markets are expected to re-assess and potentially re-price the Fed's tightening stance.**
- **Portfolio flows data showed the return of foreign investors since June and should the momentum persists, it may limit significant upside in USD/Asian FX strength.**
- **We revise some of our Asian currencies forecasts, primarily removing some of the initial USD bullish tone.**

Risk appetite for Asian assets has revived strength in selected Asian currencies in July and August. The MSCI Asia ex Japan index rose 8.2% in those two months, while Asian currencies reflected by the ADXY index initially rose as much as 1.2% before tapering to a modest 0.3%. Essentially, the KRW and TWD were the top performers in July and August, but the overall strength of the ADXY was restrained by the slide in IDR, SGD and CNY, as these three currencies account for about 53% of the whole index.

Portfolio flows data showed the return of foreign investors since June and the momentum may persist for a while longer, making any USD strength in the near term vulnerable. Even China has started to see some inflows despite growth and other concerns. According to market estimates, a net $604 million has flowed into China via the Renminbi Qualified Foreign Institutional Investors (RQFII) program in the first seven months, versus an outflow of $4.1 billion last year. Inflows into stocks have dominated this year at about $880 million.

Accordingly, we revised our near term Asian FX forecasts to reflect some of the appetite for risk assets as well as reduced concerns over Brexit.

Differentiation in Asian FX movements may be thematic

Price actions post Jackson Hole was a stark contrast to July's FOMC. Recall that USD weakness extended post-FOMC, even though a stand pat stance was widely expected and the statement reflected a slightly more favourable environment for hiking rates. This time, the USD's rebound was initially tentative post Yellen's speech during Jackson Hole, but looked more meaningful right after Fischer's hawkish comments. Going ahead, while the latest development may underpin the broad USD's strength, we will not rule out some differentiation in Asian FX movements. Domestic positives as well as high yields will likely support the IDR and INR, while commodities prices may influence the MYR to a greater extent. The KRW and TWD may be tracking the JPY. The CNY on the other hand, may be allowed to unwind some of the recent weakness which was likely a precautionary measure post Brexit.

How much fiscal space does Asia have?

Korea has been ahead of the curve with expansionary fiscal policies after Brexit, with its KRW11tn additional budget. The Bank of Korea then found it opportune to cast some doubt over the effectiveness of more monetary loosening and instead suggested structural reforms.

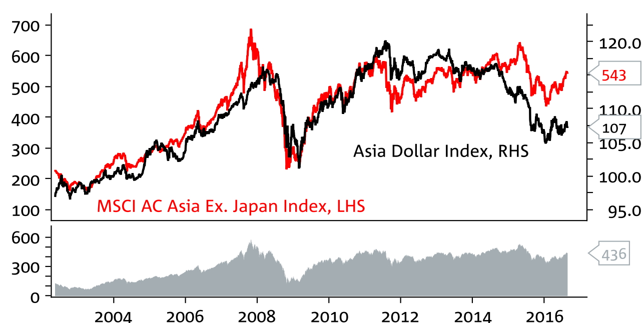
Elsewhere, the call for a proactive fiscal policy has gotten louder in China. The Chinese authorities have begun to manage expectations of a bigger budget deficit of up to 5% from the current target of 3%, as the effectiveness of future policy easing may be limited. A three-year plan to reduce costs borne by corporates was mapped out this month by the State Council, taking the commitment up a visible notch.

Based on the IMF's estimates on 2016 and 2017 sovereign financing needs, Korea and Indonesia are relatively better positioned for fiscal policy expansion. India and Malaysia will have the highest financing needs in 2017 given large maturing debt. India is expected to remain on the fiscal consolidation path through capital spending restraint and asset sales as well as GST implementation.

In China, the government has recently taken steps to mitigate the fiscal risks stemming from off-budget local borrowing by reducing the use of finance vehicles and converting existing liabilities into municipal bonds with more favourable term and rate conditions.

The IMF has suggested that countries with fiscal space should do more to bolster growth, particularly where risks of low growth and low inflation have materialized. The focus should be on fiscal measures that boost both short- and medium-term growth and policy actions that support the implementation of structural reforms.
To preserve debt sustainability and anchor expectations, any fiscal relaxation should be accompanied by a medium-term fiscal plan.

Chart 1: Further room for money to follow risk



Source: National Australia Bank, Macrobond

Chart 2: Asia's Fiscal Landscape

% of GDP	2016 Maturing Debt	2016 Budget Deficit	2016 Total Financing Need	2017 Maturing Debt	2017 Budget Deficit	2017 Total Financing Need
India	4.1	7.0	11.1	4.2	6.7	10.9
Indonesia	1.8	2.7	4.5	1.9	2.8	4.7
Korea	2.7	-0.3	2.4	3.5	-0.5	3.0
Malaysia	6.5	3.3	9.9	7.8	2.9	10.7
Philippines	6.7	0.6	7.4	6.6	0.8	7.5
Thailand	6.0	0.4	6.3	5.9	0.5	6.4

Source: National Australia Bank, IMF

China Spotlight: Policy finetuning

- **China remains sensitised to macro developments in major developed economies, but in the near term the CNY may get some reprieve.**
- **The gap between CNY and USD index has not narrowed meaningfully, leaving ample room for CNY appreciation should risk appetite pick up or concerns over global contagion tapers off.**
- **Growth risks domestically are understandably a deterrent to a recovery in investment appetite, though there are increasing signs of a government rescue.**

Downside risks to growth has not abated but has finally triggered some actions from the central government. The calls for growth supportive fiscal measures have gone on for a while and we have been saying that after the slew of monetary easing, the central bank has been seeking complementary measures from the government.

The breakdown of China's trade data shows continued softness, but not exactly a cataclysm. In fact, hardly any signs of Brexit impact yet. Exports to U.S. (18.6% of total) slipped 2% yoy but a huge improvement from -10% last month, exports to the European Union (16% of total) fell 3.2% , slightly better than -3.6% in June. Exports to UK (2.7% of total) fell 2.7% vs -8.8% in June. Demand for oil, copper, coal, natural gas all fell visibly in July.

China's slowdown and structural headwinds to Asia

China's slowdown and its impact on Asia have from time to time come up on investors' radar. In our latest China in Charts report, we assessed the sensitivities and vulnerabilities to China's growth risks from trade and investments perspectives. We concluded that the north Asian economies of Korea and Taiwan are more dependent on Chinese import demand but Singapore and Malaysia are also fairly dependent. More on this topic in the latest China Economic Update by our China Economist Gerard Burg.

Define, refine, carry out

There is increasing consensus that China will hold off rate cuts in the near term. A researcher at the State Council said that the key issue with the economy is not monetary policy as M2 is growing normally. That is true, but what is increasingly concerning is M1 growth rising phenomenally. It appears that the preference for cash holdings has been rising steadily and this could be individuals or corporates lying in wait for better investment opportunities, or being increasingly cautious over China's growth risks. On the other hand, it could also mean that property developers may be receiving more down payments for property purchases.

Back to the fiscal front, the State Council issued a statement that China aims to cut corporate costs and raise profitability in 3 years. Specifically, the annual tax revenue will decrease by more than CNY500bn. The costs for utilities and logistics for industrial companies will be lowered and credit support to smaller companies will be increased. Debt-to-equity agreements among companies will be encouraged and more importantly, banks will be supported in replenishing capital and writing off bad loans in a timely manner. Companies with good credit record will be encouraged to sell bonds overseas. The policy measures are not entirely new but an added signal of commitment to define, refine and carry out private sector reforms in a meaningful way.

There was some volatility in the interbank liquidity conditions after the PBoC extended liquidity injections beyond the 7-day repo tenor. Long term bond yields has spiked higher consequently. Overall, the central bank is probably trying to fine tune interbank liquidity management and prevent the combination of leverage and hunt for yield from creating a bubble in the domestic bond market.

FX reforms one year on and forecast revisions

The one year anniversary of China's reform to its FX fixing mechanism came and went uneventfully. We have, in our Asia Dashboard report (811- CNY refoms a year on, 5 August), highlighted that the authorities would do well to provide more clarity on just what the FX policy regime is. The pre-Brexit management of the CFETS RMB Index had appeared to be fairly closely linked to the DXY. June 2016 appeared to bring the prospect of Brexit-linked contagion and a temporary suspension of that relationship. It still remains unclear what the authorities are planning to do about the gap that had opened up in June.
Other forthcoming FX reforms include allowing some local banks to trade in offshore yuan market.

Along with the revisions in selected G10 currencies reflecting a flatter USD trend ahead, we have also made adjustments to near term USD/CNY forecasts. We nudged our end Q3 forecast to 6.55 from 6.73 and end Q4 to 6.7 from 6.8.

Chart 1: Vulnerabilities to China from Trade

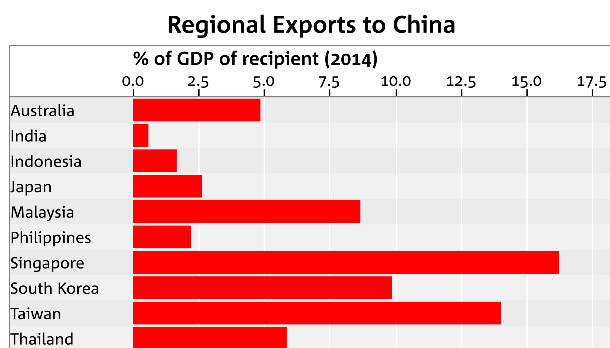
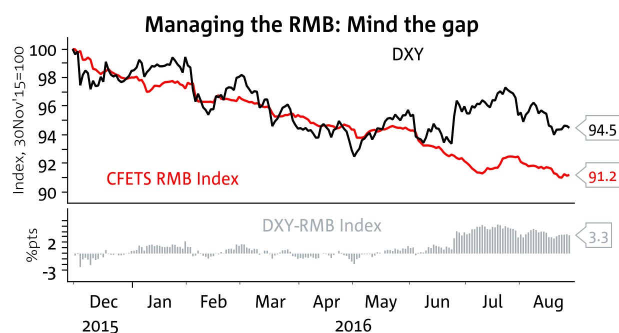


Chart 2: 3% point divergence in RMB Index– DXY index



Korea Spotlight: In favour, in debt

- **The return of foreign portfolio flows has benefitted Korean financial markets. The continued strength in the JPY also provided the KRW room for appreciation in September.**
- **There are four more policy meetings for the rest of the year so the BoK has some room for pause before deciding whether to ease again.**
- **Household debt situation is an ongoing concern and measures planned seen as paving the way for more monetary easing.**
- **KRW strength looks overdone fundamentally, but may sustain as long as risk appetite persists.**

Korean financial markets have benefitted from portfolio inflows, with its yield curve having bull flattened and 3Y KTB yield testing 1.2% a few times in the past two months. The KRW is the second best performing Asian currency, having appreciated nearly 5% thus far this year. Clearly, yield hunters find Korea attractive as its bond market is more developed with a ripe secondary market. The government's recent stimulus announcement and also Korea's room for fiscal expansion may underpin expectations of more supply, especially in the longer end, but healthy appetite will limit curve steepening ahead.

The concerns at home paves the way for more easing

In its bid to address rising household debt issues, the government announced some measures targeted at housing supply and loan structures. This came immediately after the nation's 2Q household debt including credit purchases rose to a record KRW1,257tn as of end-2Q. This has occurred despite mitigating measures such as an increase in the scale of fixed-rate and amortising loans, moving away from riskier floating-rate, interest only loans. The authorities have also placed curbs on 'high-risk' lending, such as restricting interest only loans to those with lower incomes relative to property values.

Hence, the BoK and government are considering other measures such as capping collateral values on loans to individuals and tighter screening of loans guaranteed by the Korean Housing and Urban guarantee corporation (HUG). The HUG provides housing completion guarantees to construction firms, and issues individuals with warranties on housing loans.

Other measures include managing supply of housing on lands offered by Korea Land & Housing Corporation, to encourage banks to provide stricter loan screening including income check for borrowers of so-called collective loans for newly built apartments. In addition, the government will encourage borrowers for jeonse rentals to take on amortized loans. The jeonse rental system works in the way that instead of paying monthly rent, a renter will make a lump-sum deposit on a rental space, at anywhere from 50% to 80% of the market value.

In our view, these measures could suggest that the BoK may be looking to ease policy rates further. In the event of rising rate cut expectations, local bond market may be supported in the short run before concerns over increasing supply comes on the radar. 3Y KTB has fallen to as low as 1.2%, lower than the policy rate at 1.25%. It's now trading around 1.24%. There are four more policy meetings for the rest of the year and given downside risks to growth, NAB Economics is forecasting one more 25bp cut in the base rate to 1%, perhaps as early as September.

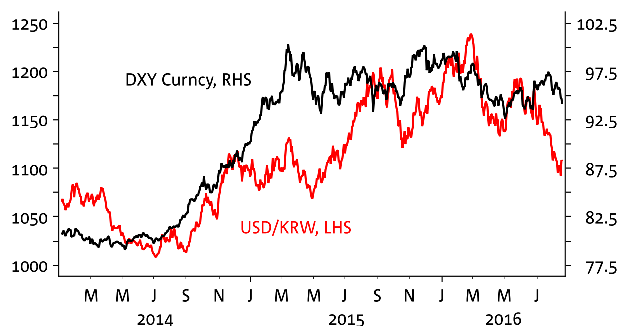
Portfolio flows rebalance will stabilise KRW strength

USD/KRW has stayed below key support levels and the 50-day moving average at 1132.8. With the recent strength outstripping fundamentals, portfolio inflows may still provide some buffer against significant USD/KRW upside in the near term.

On the other hand, the stronger won has also led to rising appetite for overseas investments to boost returns. For instance, the Government Employees Pension Service is looking at properties in the U.S. after investing in buildings in Australia and Belgium. Understandably, as GEPS seeks to increase overseas investments to 20% of total assets this year, from 16%, and to 30% in five years. Further out, a rebalancing of the portfolio flows may stabilise USD/KRW at higher levels, but more modest than we initially envisaged.

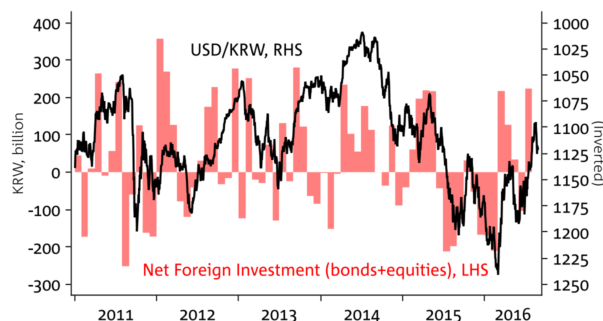
We reflect this view with our USD/KRW forecast revision, bringing USD/KRW to 1100 for end September and 1150 for end 2016, down from 1190 and 1220 respectively.

Chart 1: KRW strength outpacing fundamentals



Source: National Australia Bank, Macrobond

Chart 2: KRW largely driven by portfolio flows



Source: National Australia Bank, Macrobond

India Spotlight: A vote for continuity at the RBI

- **The choice of Urjit Patel as the new RBI governor should calm investor fears about the RBI independence and its ability to fight inflation.**
- **The GST bill has finally been passed and it further burnishes the government's reform credentials and should yield efficiency and fiscal gains over time.**
- **The way is now clear for investors to pursue Indian financial assets on the back of attractive yields and strong economic growth.**

The attractiveness of India's financial markets had, for the last few months, been tarnished by the simmering feud between the popular elected government and the equally popular central bank governor. The choice of its new governor is likely to ease fears over the threat to central bank independence and the commitment to keep inflation in check.

The market had assumed that the argument was over the Reserve Bank of India's independence and its insistence on retaining a relatively hawkish stance. It now appears that it was the previous governor's social activism that irked the government. The new governor, Dr. Urjit Patel, has a reputation as a hawk from his time as deputy governor. He is seen as eminently qualified and representative of a continuation of the existing policy priorities.

The passage of the Goods and Services Tax (GST) also helps to concretize the government's image of being committed to policy discipline and reforms. Although there are still some kinks to be worked out, it seems on track for full implementation by the time of the next budget in April 2017.

Economic growth positive but slowing

The appointment of Urjit Patel as the new Reserve Bank of India governor is likely to ease fears that the government is less concerned about central bank independence than it should be. Outgoing governor Raghuram Rajan had suggested that differences with the BJP government of Nahrendra Modi had been at the heart of his decision to return to academia but it seems the source of friction might have been his social commentary rather than differences on monetary policy. Rajan had previously criticised businesses and politicians he perceived as dishonest, and also speaking out against religious intolerance.

All of these alienated him from the ruling political class as well as the base of the right-leaning ruling BJP. Patel is seen as amongst the most hawkish of the choices available and hails from the RBI itself so his appointment is likely to be seen as being supportive for RBI independence and the fight against inflation.

Policy discipline image intact

Whether or not Patel's hawkishness actually manifests remains to be seen but for now this is likely to be supportive for the INR and government bonds, as it provides reassurance about the government's commitment to fiscal discipline. Although the relative hawkishness might be less encouraging for the stock market in the near term, increasing risk appetite should see Indian equities benefit strongly over the months ahead.

GST finally arrives

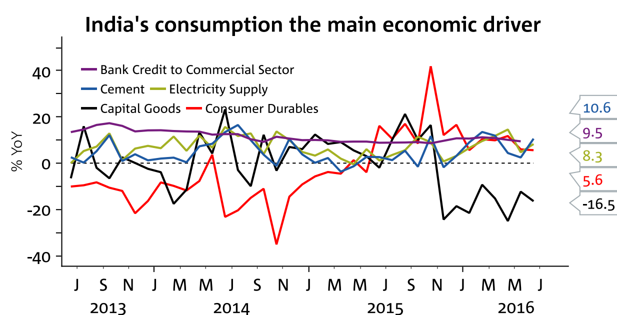
On that note on reforms, the Modi government has finally managed to pass legislation introducing the GST. This was a long time coming and was only made possible by the elections in May which swung the representation in the Rajya Sabha, the upper house of India's legislature, towards the government.

The uniform GST will simplify the tax code, which will boost domestic trade and increase the federal government's tax revenues. The GST is on track for implementation in the April 2017 so the benefits in the near term are more in terms of sentiment and investor confidence.

Indian assets should start to attract inflows

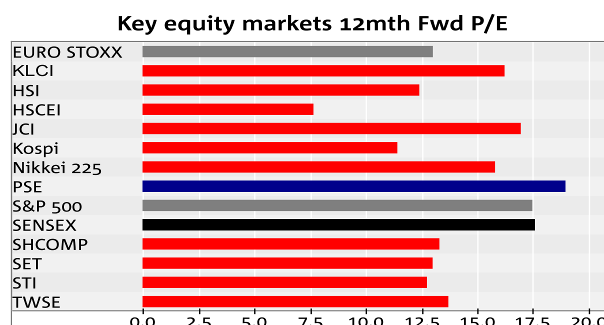
With the major event risk of the succession at the RBI now over, the attractiveness of Indian financial assets can now come to the fore more strongly. Indian government bonds offer attractive yields against a backdrop of a steady, if not improving fiscal situation, while equities should benefit from strong economic growth. Although the valuation is a little rich, the strong fundamentals make it fairly justified, especially since . The INR therefore has a good chance of being one of the outperformers over the next few quarters.

Chart 1: Activity improves but investment still a concern



Source: National Australia Bank, Macrobond

Chart 2: India's equity valuation high but justified



Source: National Australia Bank, Bloomberg, Macrobond

Singapore Spotlight: Holding the middle ground

- **Q2 GDP comes in fairly weak but there are signs that this was due to Brexit and so likely temporary.**
- **MAS maintains that the current policy stance remains appropriate even if global economic risks remain.**
- **Despite the USD/SGD remaining fairly stable, the S$NEER has weakened visibly.**

Even as the broader FX market surges and ebbs, the USD/SGD has remained fairly well anchored in the 1.34-1.35 range for most of the last three months. The S$NEER meanwhile has ranged in the stronger half of the policy band but nowhere near close to the ceiling of the band.

The downward revision of Q2 GDP growth from +0.8% qoq saar to +0.3% (2.2% yoy to 2.1%), followed by a lowering of the official projection of 1%-3% growth to 1%-2% for 2016, will likely have increased speculation that the chance of the Monetary Authority of Singapore (MAS) shifting the monetary policy stance in favour of an easing bias at its October meeting is now significantly higher.

We would, however, concur with more with the MAS' own statement that the current monetary policy stance is appropriate and will likely remain so for the rest of the year and quite easily till April 2017. Unless there is a sudden spike in the likelihood of severe Brexit contagion, the MAS appears on track to keep the current policy stance unchanged past October 2016.

Q2 GDP – Brexit breaks it

The downward revision in overall GDP growth in Q2 was entirely due to a downward revision in Services from +0.5% qoq saar in the Advance Estimate (which is based on the first 2 months of the quarter) to -0.6% qoq saar. At 68% of total GDP, the swing was enough to lower the overall growth substantially. A more detailed breakdown is not available for the Advance Estimate but it's fair to assume that the large swing was due to the impact of market disruptions stemming from Brexit fears. Finance & Insurance (12% of total GDP) fell 2.9% qoq sa in Q2 compared to just a 0.1% qoq sa fall in Services overall.

Meanwhile, both Manufacturing and Construction were revised up to +1% and +5.3% qoq saar, with the latter largely likely boosted by the ongoing fiscal spending on transport infrastructure.

With fiscal policy in fairly expansionary mode and the post-Brexit recovery in risk appetite for Asian bonds and equities, financial services could well rebound and boost the Q3 growth rate meaningfully.

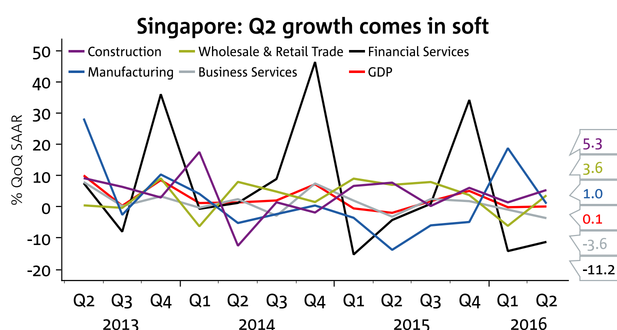
Inflation poses an impediment

Although the headline CPI continues to remain in deflation, MAS' Core Inflation measure continues to edge higher on a YoY basis and has hovered around 1% yoy for three consecutive months now. The deflationary parts of the CPI are clearly those heavily administered – housing and private automobiles. While inflation does not provide the central bank with much reason to push the S$NEER either way, the trajectory of the core inflation measure is likely to give the MAS pause should it be tempted to move monetary policy in the easing direction.

S$NEER retreats back to the middle of the band

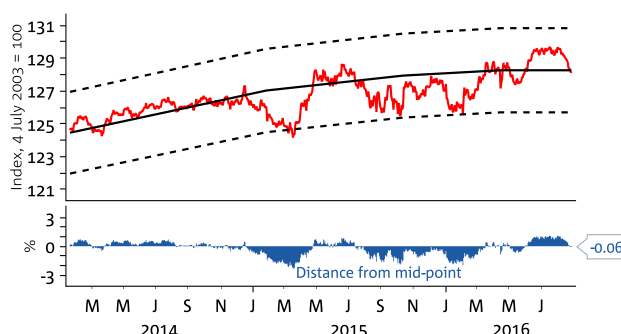
Over June and July, the S$NEER had gone as high as around 1.3% above the mid-point but since the turn of the month, this has been whittled down to around -0.2% below the mid-point. The move back to around the mid-point likely increases the comfort level of the MAS. There is room for a further move lower in the S$NEER in coming weeks, but it will be contingent on further disappointment in macro data. In the meantime, the S$NEER trading around current levels will be reasonably reflecting the current policy stance.

Chart 1: Brexit fears hit financial services



Source: National Australia Bank, Macrobond

Chart 2: S$NEER winds down its vigour



Source: National Australia Bank, Bloomberg, Macrobond

Selected Indicators

Table 1: NAB Asian FX Forecasts (second rows contain previous targets)

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18
USD/CNY	6.55	6.70	6.70	6.68	6.65	6.65	6.65	6.63
	6.73	6.80	6.78	6.76	6.74	6.73	6.72	6.70
USD/IDR	13000	13300	13400	13400	13400	13300	13200	13150
	13600	13700	13700	13600	13500	13300	13200	13150
USD/INR	66.0	66.5	66.2	65.5	64.5	63.5	62.5	62.0
	67.0	67.0	66.0	65.0	64.0	63.0	62.0	62.0
USD/KRW	1100	1150	1180	1180	1180	1150	1100	1100
	1190	1220	1200	1200	1180	1150	1100	1100
USD/MYR	4.00	4.15	4.30	4.40	4.38	4.35	4.30	4.30
	4.15	4.30	4.40	4.40	4.38	4.35	4.30	4.30
USD/PHP	46.0	46.5	46.5	46.4	46.2	46.0	46.0	45.5
	47.0	47.2	47.0	46.6	46.2	46.0	46.0	45.5
USD/SGD	1.355	1.380	1.380	1.375	1.375	1.370	1.365	1.360
	1.390	1.400	1.390	1.380	1.375	1.370	1.365	1.360
USD/THB	34.5	35.0	35.0	35.5	36.0	36.5	37.0	36.5
	36.5	37.0	37.0	37.5	37.5	37.5	37.0	37.0
USD/TWD	31.5	32.0	32.2	32.5	32.5	32.5	32.0	32.0
	33.2	33.5	33.5	33.2	33.0	32.7	32.5	32.2

	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18
AUD/CNY	5.04	5.03	4.89	4.81	4.66	4.66	4.59	4.51
	4.85	4.76	4.68	4.66	4.65	4.71	4.77	4.82
AUD/IDR	10010	9975	9782	9648	9380	9310	9108	8942
	9792	9590	9453	9384	9315	9310	9372	9468
AUD/INR	50.8	49.9	48.3	47.2	45.2	44.5	43.1	42.2
	48.2	46.9	45.5	44.9	44.2	44.1	44.0	44.6
AUD/KRW	847	863	861	850	826	805	759	748
	857	854	828	828	814	805	781	792
AUD/MYR	3.08	3.11	3.14	3.17	3.07	3.05	2.97	2.92
	2.99	3.01	3.04	3.04	3.02	3.05	3.05	3.10
AUD/PHP	35.4	34.9	33.9	33.4	32.3	32.2	31.7	30.9
	33.8	33.0	32.4	32.2	31.9	32.2	32.7	32.8
AUD/SGD	1.04	1.04	1.01	0.99	0.96	0.96	0.94	0.92
	1.00	0.98	0.96	0.95	0.95	0.96	0.97	0.98
AUD/THB	26.6	26.3	25.6	25.6	25.2	25.6	25.5	24.8
	26.3	25.9	25.5	25.9	25.9	26.3	26.3	26.6
AUD/TWD	24.3	24.0	23.5	23.4	22.8	22.8	22.1	21.8
	23.9	23.5	23.1	22.9	22.8	22.9	23.1	23.2

Table 2: NAB Key FX Forecasts

		Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Australian Dollar	AUD/USD	0.77	0.75	0.73	0.72	0.70	0.70	0.69	0.68
New Zealand Dollar	NZD/USD	0.72	0.70	0.68	0.68	0.67	0.67	0.68	0.68
Japanese yen	USD/JPY	102	105	103	103	102	101	100	99
Euro	EUR/USD	1.13	1.12	1.10	1.09	1.07	1.06	1.06	1.07
British Pound	GBP/USD	1.29	1.26	1.22	1.20	1.17	1.16	1.16	1.16
Swiss Franc	USD/CHF	0.96	0.96	0.97	0.98	1.01	1.02	1.03	1.03
Canadian Dollar	USD/CAD	1.27	1.29	1.33	1.35	1.37	1.37	1.38	1.38
Chinese New Yuan	USD/CNY	6.55	6.70	6.70	6.68	6.65	6.65	6.65	6.63

Table 3: NAB Asia Macro Forecasts

	2013	2014	2015	2016	2017
Hong Kong	3.1	2.7	2.5	1.4	1.4
Indonesia	5.6	5.0	4.8	4.9	4.9
Singapore	4.6	3.3	2.0	2.7	2.7
Taiwan	2.2	3.9	0.7	0.3	0.3
Thailand	2.7	0.8	2.8	3.7	3.7
Malaysia	4.7	6.0	5.0	4.3	4.3
S Korea	2.9	3.3	2.6	2.7	2.7
Philippines	7.1	6.2	5.9	6.0	6.0
Total	**4.2**	**4.1**	**3.5**	**3.5**	**3.5**
China	7.7	7.3	6.9	6.7	6.5
India	6.3	7.0	7.2	7.7	7.7

Table 4: NAB Key Macro Forecasts

Country/region	2011	2012	2013	2014	2015	2016	2017
United States	1.6	2.2	1.7	2.4	2.6	1.5	2.1
Japan	-0.4	1.7	1.4	-0.1	0.6	0.5	0.6
Euro-zone	1.6	-0.8	-0.3	0.9	1.6	1.4	1.1
United Kingdom	1.5	1.3	1.9	3.1	2.2	1.6	0.6
Emerging Asia	4.4	4.6	4.2	4.1	3.5	3.6	3.6
Latin America	4.5	2.3	2.5	0.4	-0.6	-0.9	0.9
China	9.5	7.7	7.7	7.3	6.9	6.6	6.5
Canada	3.1	1.7	2.2	2.5	1.1	1.4	1.9
Australia	2.7	3.5	2.0	2.7	2.5	2.9	2.9
New Zealand	1.8	2.4	2.4	3.7	2.5	2.9	2.9
India	7.9	5.9	6.4	7.0	7.2	7.7	7.7
Africa	5.4	4.4	5.2	5.1	3.3	1.6	3.0
Eastern Europe	5.4	1.4	2.9	2.8	3.5	3.1	2.8
Middle East	3.9	4.8	2.4	2.8	2.3	2.3	1.8
Other advanced	3.3	2.0	2.2	2.8	2.5	2.4	2.5
World	**4.43**	**3.47**	**3.33**	**3.34**	**2.99**	**2.76**	**3.02**

Source all tables: National Australia Bank

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