31 October 2016

Essential Asia

National Australia Bank

In this issue

Awaiting emerging patterns

Talking Points

- **Momentum in the ongoing recovery of the broad USD could lead to emerging patterns for emerging Asian currencies.**
- **A Clinton victory looks to be in the bag, which will mean largely status quo for international markets and a gradually firmer USD in 2017. In the meantime, market volatilities are likely to prevail.**
- **At the same time, China's commitment to maintaining a stable CNY with no significant depreciation is being tested.**

Recent Reports

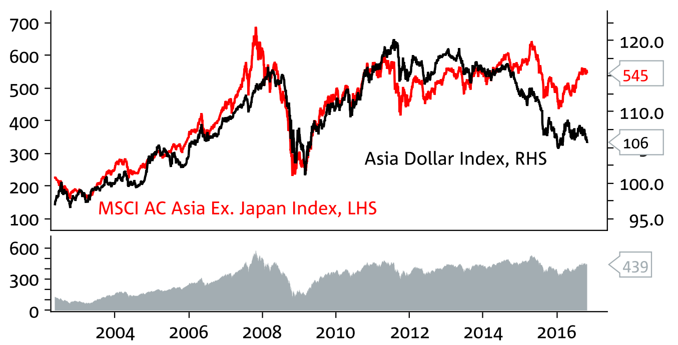
- 22 October 2016 – China Economic Update
- 19 October 2016 – China's economy at a glance
- 14 October 2016 – Asia Dashboard: Thailand

Please request a copy from nab.markets.research@nab.com.au

Key Asian FX Forecasts updates

		Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18
New	USD/CNY	6.79	6.79	6.76	6.71	6.70	6.65	6.60	6.55
Old		6.70	6.70	6.68	6.65	6.65	6.65	6.63	6.60
New	USD/KRW	1180	1220	1250	1220	1200	1200	1180	1150
Old		1150	1180	1180	1180	1150	1100	1100	1100
New	USD/INR	66.5	66.2	65.8	65.5	65.2	65.0	64.8	64.6
Old		66.5	66.2	65.5	64.5	63.5	62.5	62.0	61.0
New	USD/SGD	1.395	1.405	1.405	1.400	1.400	1.385	1.370	1.350
Old		1.380	1.380	1.375	1.375	1.370	1.365	1.360	1.360

Chart of the month



Source: National Australia Bank, 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	1.25	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	6.25	6.25	6.25	6.25	6.50	6.75
Indonesia	5.50	5.25	5.00	4.75	4.75	4.75	4.75	4.75
China	4.35	4.35	4.35	4.35	4.10	4.10	4.10	4.10

Authors:

Christy Tan, Head of Markets Strategy/Research, Asia

Julian Wee, Senior Markets Strategist, Asia

Awaiting emerging patterns

- **The momentum in the ongoing recovery of the broad USD could lead to emerging patterns for emerging Asian currencies.**
- **A Clinton victory looks to be in the bag, which will mean largely status quo for international markets and a gradually firmer USD in 2017. In the meantime, market volatilities are likely to prevail.**
- **At the same time, China's commitment to maintaining a stable CNY with no significant depreciation is being tested.**

October proved to be action-packed for a short working month. The USD index rose over 3.4% thus far in October, showing visible signs of a pick-up in momentum. The Golden Week in China (1-9 October) and the Columbus Day in the US and Health-sports Day in Japan on 10 October paved the way for some thin trading sessions. After that, the main support for the greenback, apart from the flash crash in GBP, was growing Fed hike expectations. We believe that the US elections related factors driving the USD's will stay thematic in coming weeks, and barring a crash in Fed hike expectations for December, until the end of the year.

Emerging patterns for emerging Asia's currencies?

We revisited and reassessed our currency forecasts for Asia, in light of a base case scenario of a Clinton victory as well as the lesser probability scenario of a Trump victory, in which event will constitute a shock to financial markets. As mentioned in the last Essential Asia, the US is undoubtedly still the biggest and dominant influence on world markets especially during times of stress and represents a "global push" (according to the BIS's latest report). We also took into consideration China's rising role as a regional "pull" for Asian financial markets. We decided that a reassessment of USD/CNY forecasts is a good place to start.

Our end 2016 USD/CNY forecast at 6.70 has been overshot, and we believe that the Chinese authorities are extending its cautious policy stance with its daily management of the RMB index, consequently leading to further widening of the "precautionary" gap between the RMB index and the USD index. At this juncture, it remains unclear whether or not the gap will stay permanently wide, but we are leaning towards some relaxation of the precautionary stance, led by a Clinton victory as well as continued gradual Fed hike path in 2017, once the December Fed hike is out of the way.

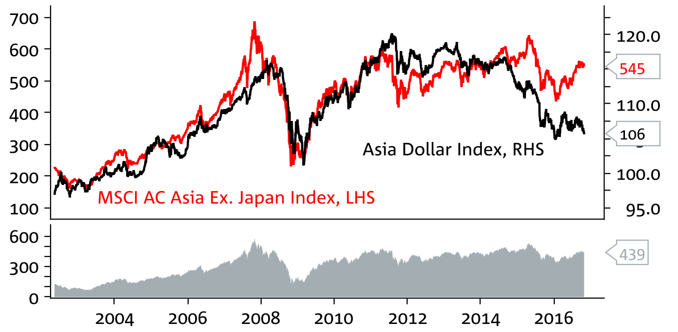
Thailand and Philippines grabbing some attention

The death of Thai King Bhumibol Adulyadej and the uncertainties surrounding succession issues will likely weigh on THB assets in the medium term (see Asia Dashboard: Thailand – New king, old worries). While Crown Prince Maha Vajiralongkorn has been reaffirmed as successor, even if we do get a smooth path to the coronation, there will be many questions over how the new king sees his role and place. One of the key concerns will be on whether or not ex-PM Thaksin will be granted a royal pardon. Our forecast revision for USD/THB reflects the latest development on the political front and the risk of impasse ahead.

Philippines President Duterte has been grabbing attention as well, with his recent visit to the China and meetings with Chinese President Xi, Premier Li and other leaders. Accompanying him on the trip was 400 business delegates. The meetings suggest more commitment towards establishing stronger ties between China and the Philippines, as the Chinese foreign ministry announced that the two countries signed numerous bilateral cooperation documents, and added that China "is willing to actively take part in the building of the Philippine railways, city rail transport, highways, ports and other infrastructure which will benefit the local people," among other things.

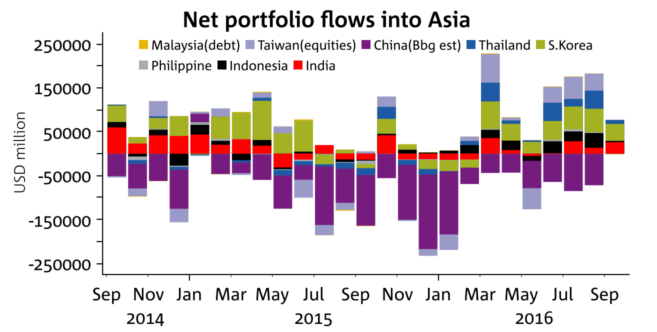
However, President Duterte created some political waves with his comments during a forum at the Great Hall of the People, attended by Chinese Vice Premier Zhang. He was quoted by international media as suggesting that the Philippines has severed its ties with the US, but realigned himself with the ideological flow of China and suggested he will visit Russia to establish closer ties. Political swings on this front warrant a closer watch going ahead as it might just be a ticking time bomb for Philippines financial markets and we grow increasingly cautious about the PHP, as can be seen in our FX forecasts.

Chart 1: Further room for money to follow risk



Source: National Australia Bank, Macrobond

Chart 2: Reduced inflows into other non-China markets



Source: National Australia Bank, Bloomberg, Macrobond

China Spotlight: Choreographing stability

- **"Stable with improvement, stable with higher quality" is the growth theme this year, affirmed by 6.7% yoy GDP growth for Q1 16-Q3 16.**
- **This entails choreographing a policy mix entailing loose fiscal, loose to neutral monetary regime.**
- **We expect the policy dance to be a mixture of stable to higher RMB index, narrow CNY/CNH gap and a more market oriented USD/CNY. Accordingly, we revise the USD/CNY forecasts upward, partly taking greater reference from the RMB index and.**

Despite being out of "harm's way" defined as the events of September FOMC, BoJ and October SDR entry, USD/CNY and USD/CNH continued to climb higher in October. The trigger was USD/CNY fix above 6.70 immediately after the Golden Week holidays. The pressure for higher USD/CNY has been suppressed by the Chinese authorities and September FX reserves data provided another testament of rising capital outflows, and accordingly greater efforts at intervention. We are more sanguine about capital outflows in that we do not think it will destabilise China's financial sector. A key anchor for this view is macro and currency stability and this is probably the Chinese authorities' key policy focus, in ensuring a stable macro environment that is improving and quality over quantity.

The rise and ebb of flows

There are those outflows that are captured by official data; and then there are those that are not. Various estimates of capital outflows vary massively, but essentially market estimates of non-official, non-trade related outflows suggest scope for more outflows related upward pressure on USD/CNY and USD/CNH ahead. Seasonal USD strength in January and February, potentially as banks build up USD holdings in anticipation of holiday spending overseas, could also underpin USD/CNY strength in 1Q17. USD/CNY rises an average of 43bp in January and 23bp in February based on 5-year average movements.

Potentially countering these outflows is the rising foreign appetite for Chinese government bonds, underpinned by the PBoC's relaxation of rules on foreigners' access to the China Interbank Bond Market (CIBM). Based on PBoC data, global funds held CNY764bn of onshore bonds – government and corporate – at the end of June. That is a measly 1.4% of a CNY53.8tn market and efforts by the Chinese authorities to deepen and improve the quality of corporate issuers will attract more interest going forward. Shanghai Stock Exchange recently halted the approval of bond sales by property related companies.

The X-factor in RMB

USD/CNY and USD/CNH appreciated about 1% in October, while the RMB index rose 0.5%. As USD and HKD account for a total of 32.95% of the total trade weighted index (based on NAB estimates), it suggests that the RMB has appreciated around 49bp versus the non-USD components in October. The biggest losers against the CNY in October are GBP, JPY and EUR, accounting for nearly 40% of the RMB basket.

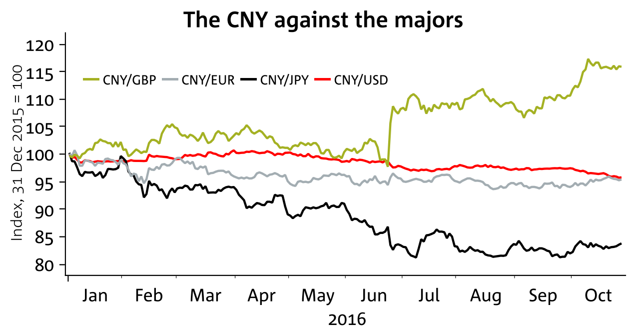
Meanwhile, AUD/CNY has broken above the upper end of the recent (July-September) trading range of 5.0 and 5.1 and the move is looking more convincing. The cross is allowed to trade within +/-3% band intraday vs +/-2% for USD/CNY.

Along with the firmer USD environment, is the rising onus to maintain a stable RMB index. The normalisation of the gap between the RMB index and the USD index has been delayed but unlikely to be stalled permanently. Once the major risk events are past – US elections and market adjustment to the next Fed hike – we believe that the PBoC will revert to its pre-Jun2016 regime of anchoring the RMB Index to the DXY.

Consequently, we are more bullish on the CNY than most market estimates for 2017. We have assumed that the majority of the burden of keeping the RMB Index fairly in line with the DXY will fall on the non-USD portion of the basket, within reasonable limits of course. The current USD/CNY trajectory therefore is the residual burden of keeping the RMB Index on the stable to higher path. Barring a worsening of the domestic macro conditions or debt or external shocks, we expect gap (DXY-RMB) reduction to commence some time in 2Q next year. That provides the backdrop for us to have the revised USD/CNY forecasts depict the climb in USD/CNY peaking around 1Q17.

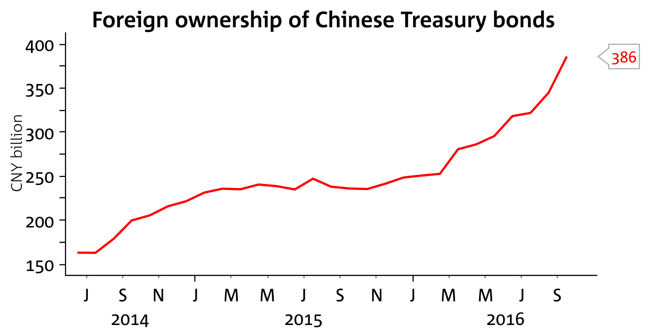
In addition to managing the RMB index, the Chinese authorities may again resort to tightening interbank liquidity. Currently, the overnight CNH or CNH Hibor has tapered from September's high of 25% to below 2.0% but could be biased higher in coming weeks.

Chart 1: CNY may appreciate against non-USD majors



Source: National Australia Bank, Macrobond

Chart 2: Rising foreign investment appetite in CIBM



Source: National Australia Bank, Macrobond

Korea Spotlight: “Samsung”, different tune

- **Labour strikes at Hyundai and troubles with Samsung Electronics present new risks to Korea’s growth prospects in H2 16 and potentially early 2017.**
- **The KRW’s strength may falter ahead, and it may underperform the regional currencies in coming weeks, but overall risk assessment for 2017 appears neutral for KRW at this juncture.**

Korea’s financial markets continued to display some stress signals in October, with the USD/KRW bottoming out from 1100 and then rising to a high of 1143.71 during the month. The 3Y KTB yields initially rose to 1.38%, after bottoming out at 1.26% at the start of October and then rose further to 1.41% at time of writing. Apart from the external risks from US elections and the Fed’s FOMC decision in December, domestic drag factors like labour strikes at Hyundai and troubles in Samsung Electronics are having a negative impact on the financial markets.

USD3bn question

According to local media quoting Korean authorities, Samsung expects the Note7 issue to translate to a USD3 billion hit to its operating profit over the next two quarters. The Korean government expects the recent strikes at Hyundai, the country's largest carmaker, to pose an even bigger risk. It was estimated that half of the decline in Korea’s August industrial output was due to the strikes which started in the summer. While these have since ended, the full impact on Q3 growth has not fully manifested yet. Most of the growth contribution in Q3 GDP, which rose 0.7% qoq, 2.7% yoy, was construction investment, fully offsetting the 0.6% point shave from net exports. While the government's growth forecast of 2.8% will likely be met this year, this is again a downward revision from 2.9% previously and the unemployment situation warrants a greater attention going ahead.

Neutral risk environment for the KRW ahead

We tend to agree with the Bank of Korea in its overall assessment of Korea’s growth as well as inflation path. The Bank of Korea, in its latest Economic Outlook report, cited both upside and downside risks to growth and inflation that resulted a neutral outlook overall. Upside risks to growth include global growth and trade recovery as well as continued robust growth in construction investments locally. Downside risks to growth include further slowdown in global growth and a hike in Fed funds rate, Brexit risks as well as contraction in domestic sentiment due to the ongoing corporate restructuring.

Inflation risks are also quite balanced, but tilted to the upside if the recovery in oil prices persists. On the other hand, the downside risks to the 1.9% forecast in 2017, from 1.0% this year, include slowdown in growth globally and in China, and other sources of growth threats.

Table 1: Overview of Korea Economic Outlook

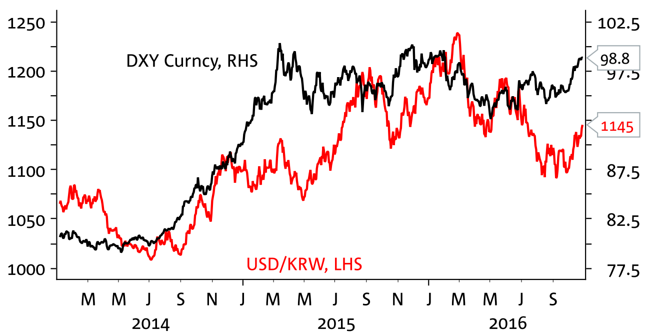
(year-on-year, percent, thousand persons, billion dollars)

	2015	2016			2017e		
	year	H1	H2 e	year e	H1	H2	year
GDP	2.6	3.0	2.5	2.7	2.5	3.0	2.8
Changes in number of persons employed	340	290	300	290	290	310	300
Headline consumer price inflation	0.7	0.9	1.1	1.0	1.9	1.9	1.9
Current Account	105.9	49. 9	47.1	97.0	38.0	42.0	80.0

Source: Bank of Korea

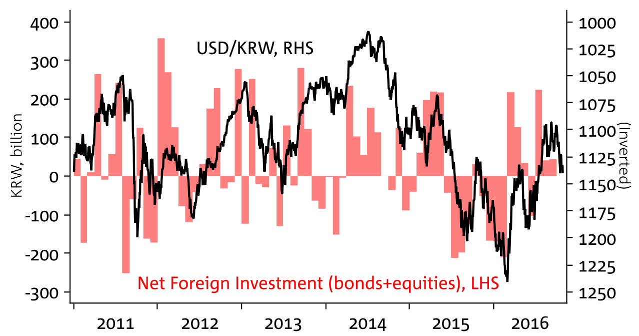
The overall growth and inflation assessments provide a rather neutral policy environment for the Korean won. However, near term volatility may persist until the uncertainties surrounding the US elections and Fed funds decision and policy path. Accordingly, we have maintained our end 2016 USD/KRW forecast at 1150 and revised the Q1 2017 forecast upward slightly to 1200 from 1180. Barring other shocks, we expect USD/KRW strength to peak before the first half of 2017 and probably stabilise around 1180 for most of 2017.

Chart 1: KRW strength losing power



Source: National Australia Bank, Macrobond

Chart 2: KRW largely driven by portfolio flows



Source: National Australia Bank, Macrobond

India Spotlight: Fragile no longer?

- **The RBI's monetary policy meeting under its new format yielded a surprise rate cut and some fairly balanced rhetoric.**
- **Inflation took a dive on the back of a plunge in food inflation; the RBI expects this will gradually reverse.**
- **The growth outlook remains rather rosy for India and the rather benign outlook for inflation bodes well for both Indian financial assets and the INR.**

As we approach the US elections and thereafter a likely US rate hike in December, it remains to be seen whether India has done enough to be considered no longer one of the Fragile Five. Chances are, India has cleared the bar, and the punishment of Asia's only other current account deficit economy is quite unlikely.

On the contrary, India might be one of the earlier beneficiaries when the dust from the prospective December US Fed hike settles. India's strong growth suggests that its stock market is not richly valued relative to regional peers. The fiscal situation also bodes well for bonds, as does the likelihood of further interest rate cuts. These should see India attract a good amount of earlier portfolio flows pursuing higher returns in Emerging Markets (EM).

The Reserve Bank of India (RBI) currently possesses the wherewithal to continue its policy of keeping the USD/INR in a rather tight range. FX reserves as of September stood at USD 346 billion, equivalent to 12 months of FX reserves.

Monetary policy committee debuts with a surprise

The new Monetary Policy Committee (MPC) delivered a surprisingly unanimous vote to cut the policy repo rate by 25bps to 6.25%, leaving the reverse repo rate at 5.75% and the Marginal Standing Facility rate at 6.75%. The MPC stated that this is consistent with an accommodative monetary policy stance in pursuance of a CPI inflation target of 5% by Q1 2017 and a medium target of 4%+/-2%.

The surprise decision to cut rates was probably prompted in large part by early indications of a sharp dip in the September inflation number, which eventually came in at 4.3% yoy from 5.1% for August. The fall was largely due to an even sharper fall in food inflation. The RBI expects food inflation to remain soft but noted imminent cost-push pressures from hikes in the minimum wage and housing allowances in the 7th pay commission. The central bank still sees headline inflation coming in around the 5% target in Q1 2017.

Fiscal spending maintains growth support

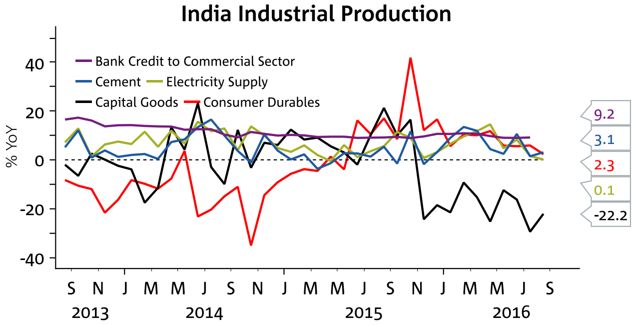
While investment remains weak in India, consumption remains quite robust on the back of a fairly good monsoon season. Public investment in transport infrastructure and utilities should support construction and the pro-consumer measures should keep household consumption chugging along.

One caveat though is that tax revenue appears to be falling short so the momentum of public spending might slow. The April-August fiscal deficit has already hit 76.4% of the FY16/17 target so there might be reduction in the fiscal impulse one way or another in the remaining months of the fiscal year. The RBI might then be called upon to provide more stimulus should inflation start to flag.

Fragile no longer

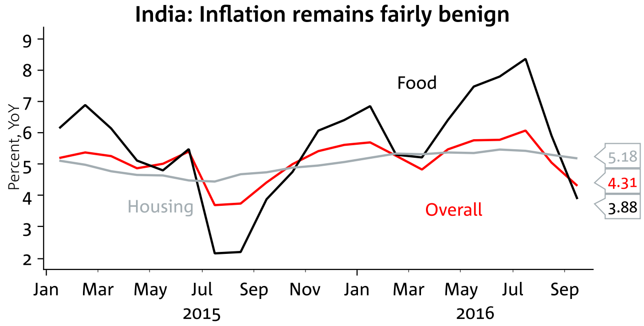
For the next few months though, the market is likely to suspend judgement on the fiscal situation given that the government managed to stay under 4% of GDP in FY15/16. The main focus will likely be the carry on the INR, the growth rate, and the very narrow current account deficit of 1% of GDP. The removal of fuel subsidies in India also reduces India's vulnerability to any uptick in the price of oil. Chances are, India will not be considered vulnerable to outflows related to US rate hike and Indian assets will be quite sought after, after the dust from a December hike settles.

Chart 1: Sentiment remains very strong



Source: National Australia Bank, Macrobond

Chart 2: Inflation dip driven by food



Source: National Australia Bank, Macrobond

Singapore Spotlight: Bracing for uncertain times

- **MAS' October Monetary Policy statement suggests that the central bank is somewhat resigned to the limits to how much it can ameliorate the slowdown.**
- **The broad USD trend is likely to be the main driver for the probable upward USD/SGD in the next few months on the back of continued adjustments to the US Fed.**
- **Any number of external shocks over the next few months, should they be severe enough, could still prompt the MAS to do an intermeeting move.**

Like many other central banks in the region, the Monetary Authority of Singapore (MAS) had to balance the concerns about slowing growth against a strong-USD backdrop and possible risk events that could exacerbate the USD strength against Emerging Market currencies. This uneasy balance should persist at least until Q1 2017 and the MAS will probably try to hold tight as far as possible given that there are still potential risks in 2017 in the form of French and German elections.

Although Q3 2016's GDP growth was pretty dismal, MAS statement seemed to suggest that the central bank was expecting slow growth in H2 2016 and through 2017. MAS did warn that the neutral policy would be "needed for an extended period to ensure medium-term price stability". MAS' reticence is not difficult to understand.

No overreaction needed

Q3 2016's rather sharp -4.1% qoq saar advance estimate growth rate gave the market a bit of sticker shock but MAS' rather sanguine take on it is quite appropriate. The main driver for the Q3 number was a -17% qoq saar change in manufacturing. The number is corroborated by a -23% and -13.7% qoq saar change in non-oil domestic exports (NODX) and the industrial production index (IPI) in Q3.

Unlike in the past though, such a precipitous fall in NODX and a shrinkage in manufacturing is no longer a clarion call for monetary policy action. The economy has shifted its reliance away from manufacturing and now leans a lot more on the less price-sensitive services sectors. Although services did also contract 1.9% qoq saar, MAS clarified that there was some spillover from the manufacturing and trade slowdown onto transport & storage services, especially sea transport services.

Meanwhile, MAS also added that emerging slack in the labor market will weigh on the retail trade and real estate segments. Although the overall unemployment rate remained stable in Q3 at 2.2% and the resident unemployment rate slid slightly to 2.9% from 3.0% in Q2, the job vacancies to unemployed persons ratio slid to 0.93 in Q2 from 1.12 at the end of 2015. The main cause for this has been a sharp fall in vacancies from above 60,000 as recently as Q3 2015 to hover just above 50,000. Nevertheless, the unemployment rate remains very low and the authorities estimate that the output gap is only slightly negative.

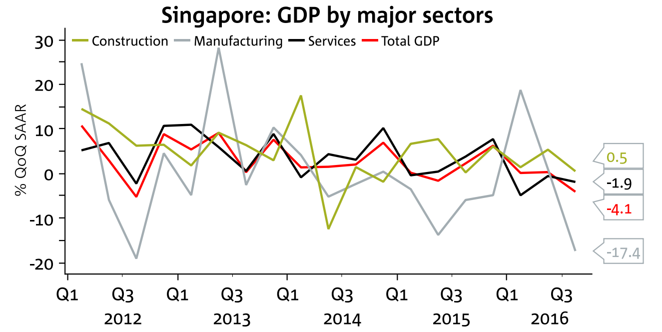
Inflation another consideration

While headline CPI continues to remain in deflation, the MAS Core Inflation measure is still fairly robust. Headline deflation has been rising steadily but as of September was at -0.1% yoy. Core inflation meanwhile has been hovering just below +1% yoy; although still below the MAS' medium term target of +2% yoy. The robustness of core inflation though is potentially another reason for MAS to remain somewhat circumspect about easing policy.

Room to react

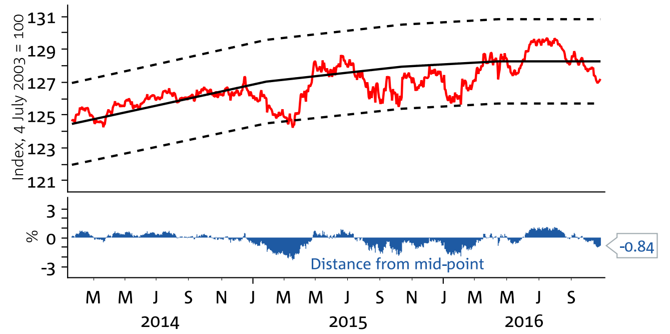
With the decision to keep the zero percent appreciation, the S$NEER remains around the middle of the lower half of the policy band. This is probably about right given where the economy is at, while still leaving enough room on either side for the S$NEER to respond to most external shocks. MAS too retains the ability to react to external shocks with more robust moves like a re-centering or band widening if the situation demands it.

Chart 1: A "manufactured" decline



Source: National Australia Bank, Macrobond

Chart 2: S$NEER hovers in the lower half



Source: National Australia Bank, Bloomberg, Macrobond

Selected Indicators

Table 1: NAB Asian FX Forecasts

		Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18		Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18
New	USD/CNY	6.79	6.79	6.76	6.71	6.70	6.65	6.60	6.55	AUD/CNY	5.09	4.95	4.87	4.69	4.69	4.59	4.49	4.45
Old		6.70	6.70	6.68	6.65	6.65	6.65	6.63	6.60		4.69	4.62	4.61	4.59	4.66	4.72	4.77	4.88
New	USD/IDR	13300	13400	13400	13400	13300	13200	13150	13100	AUD/IDR	9975	9782	9648	9380	9310	9108	8942	8908
Old		13300	13400	13400	13400	13300	13200	13150	13100		9310	9246	9246	9246	9310	9372	9468	9694
New	USD/INR	66.5	66.2	65.8	65.5	65.2	65.0	64.8	64.6	AUD/INR	49.9	48.3	47.4	45.9	45.6	44.9	44.1	43.9
Old		66.5	66.2	65.5	64.5	63.5	62.5	62.0	61.0		46.6	45.7	45.2	44.5	44.5	44.4	44.6	45.1
New	USD/KRW	1180	1220	1250	1220	1200	1200	1180	1150	AUD/KRW	885	891	900	854	840	828	802	782
Old		1150	1180	1180	1180	1150	1100	1100	1100		805	814	814	814	805	781	792	814
New	USD/MYR	4.20	4.30	4.35	4.35	4.38	4.40	4.40	4.35	AUD/MYR	3.15	3.14	3.13	3.05	3.07	3.04	2.99	2.96
Old		4.15	4.30	4.40	4.38	4.35	4.30	4.30	4.30		2.91	2.97	3.04	3.02	3.05	3.05	3.10	3.18
New	USD/PHP	48.0	47.5	47.0	46.5	46.2	46.0	45.8	45.5	AUD/PHP	36.0	34.7	33.8	32.6	32.3	31.7	31.1	30.9
Old		46.5	46.5	46.4	46.2	46.0	46.0	45.5	45.5		32.6	32.1	32.0	31.9	32.2	32.7	32.8	33.7
New	USD/SGD	1.395	1.405	1.405	1.400	1.400	1.385	1.370	1.350	AUD/SGD	1.05	1.03	1.01	0.98	0.98	0.96	0.93	0.92
Old		1.380	1.380	1.375	1.375	1.370	1.365	1.360	1.360		0.97	0.95	0.95	0.95	0.96	0.97	0.98	1.01
New	USD/THB	35.0	35.0	35.5	36.0	36.5	37.0	36.5	36.5	AUD/THB	26.3	25.6	25.6	25.2	25.6	25.5	24.8	24.8
Old		35.0	35.0	35.5	36.0	36.5	37.0	36.5	36.5		24.5	24.2	24.5	24.8	25.6	26.3	26.3	27.0
New	USD/TWD	32.0	32.2	32.5	32.5	32.5	32.0	32.0	31.5	AUD/TWD	24.0	23.5	23.4	22.8	22.8	22.1	21.8	21.4
Old		32.0	32.2	32.5	32.5	32.5	32.0	32.0	31.5		22.4	22.2	22.4	22.4	22.8	22.7	23.0	23.3

Table 2: NAB Key FX Forecasts

		Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Australian Dollar	AUD/USD	0.75	0.73	0.72	0.70	0.70	0.69	0.68	0.68
New Zealand Dollar	NZD/USD	0.72	0.70	0.68	0.67	0.67	0.68	0.68	0.69
Japanese yen	USD/JPY	102	103	103	102	101	100	99	97
Euro	EUR/USD	1.12	1.10	1.09	1.07	1.06	1.06	1.07	1.08
British Pound	GBP/USD	1.26	1.22	1.20	1.17	1.16	1.16	1.16	1.18
Swiss Franc	USD/CHF	0.96	0.97	0.98	1.01	1.02	1.03	1.03	1.03
Canadian Dollar	USD/CAD	1.29	1.33	1.35	1.37	1.37	1.38	1.38	1.38
Chinese New Yuan	USD/CNY	6.70	6.70	6.68	6.65	6.65	6.65	6.63	6.60

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

Contact Details

FX Strategy, Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350
christy.tan@nabasia.com

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055
julian.wee@nabasia.com

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notices