

# 2024 World Economic Outlook

*(Translated from the original Japanese version released at the end of December 2023 (slightly updated))*

**Marubeni**

**Marubeni Research Institute**

1/25/2024

# Major Countries/Main Points

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## World Real GDP Growth Rate

**While there will be a slowdown, major deterioration will be avoided - Situation in which the world economy lacks a driving force.**

Year (vs. previous year)	2021	2022	2023	2024	2025
	Actual	Estimate	Forecast	Forecast	Forecast
World	6.3	3.4	3.0	2.9	2.8
Advanced Economies	5.6	2.6	1.6	1.4	1.3
US	5.8	1.9	2.5	1.6	1.4
Euro Zone	5.8	3.5	0.8	0.9	1.0
UK	7.5	4.1	0.1	0.5	0.5
Japan calendar year	2.6	1.0	2.0	0.9	1.3
fiscal year	2.8	1.5	1.6	1.0	1.2
Newly Emerging Economies	6.8	4.0	4.0	4.0	<b>3.9</b>
China	8.4	3.0	5.6	4.5	4.2
India	8.9	6.7	7.0	6.0	6.4
ASEAN-5	3.9	5.4	4.2	4.5	4.5
Middle East/Africa	7.3	0.8	1.8n	1.9	<b>1.9</b>
Latin America	7.2	4.1	2.3	2.3	0.6
Middle East/Central Asia	4.4	6.2	1.3	3.4	3.7
Sub-Saharan Africa	4.7	4.0	3.3	3.9	4.1
Quarterly (vs same quarter previous year)	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
U.S.	1.8	1.0	0.8	0.7	1.0
Germany	0.2	0.4	0.6	0.8	1.0
Japan	0.4	0.8	1.2	1.5	1.2
China	5.0	4.0	4.5	5.0	5.0

ASEAN 5: Inonesia, Malaysia, Philippines, Singapore, Thailand

Sources: IMF, Marubeni Research Institute

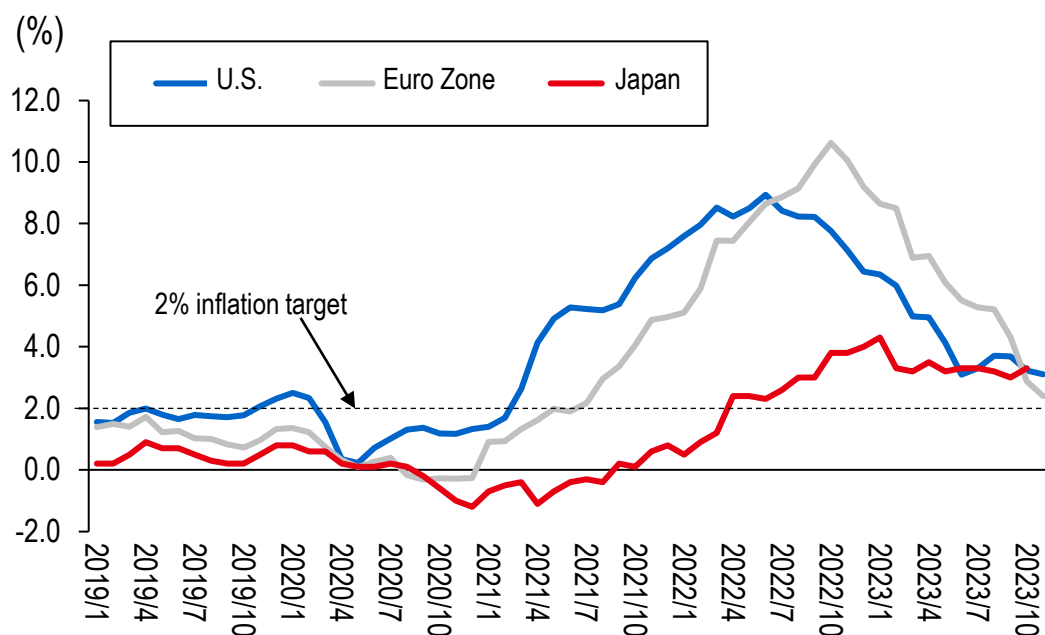
- The world's real GDP growth rate in 2024 is expected to come in at +2.9%. Although there will be a slowdown mainly in advanced economies through the first half of the year, a significant economic downturn will be avoided. Demand in the U.S. unexpectedly swung upward in 2023, however, it should be restrained in 2024 due to the existing tight monetary policy,
- Inflation in major developed economies will continue to trend lower next year. However, the decline in underlying inflation relative to the composite index will lag, and it will take time for prices to stabilize at the Inflation policy target of 2%.
- The U.S. policy interest rate (currently 5.25%-5.50%) will begin to be cut from mid-2024 but is expected to remain at the mid 4% level until the end of 2024 as suggested by the Federal Reserve (FRB). One risk factor is if the market's view diverges from this by expecting rates to fall below 4% during the same period. The restrained monetary climate should continue with rate cuts becoming more modest compared to the pace of decline in inflation.
- In China, the recovery in consumption and investment is slowing as housing market corrections continue. In Japan, the focus will be on the momentum toward wage hikes and tighter monetary policy revisions. In Europe, soaring prices have run their course, however, a recovery in personal consumption will likely be weak.
- The global economic growth forecast for 2025 is 2.8%. Low growth will continue in the developed countries, while emerging and developing economies have yet to find a new driving force in the world economy to help propel their economies.

## 2024 Main Points

### Timing of monetary policy shifts depends on inflation - Improvement in service prices essential for further decline in inflation

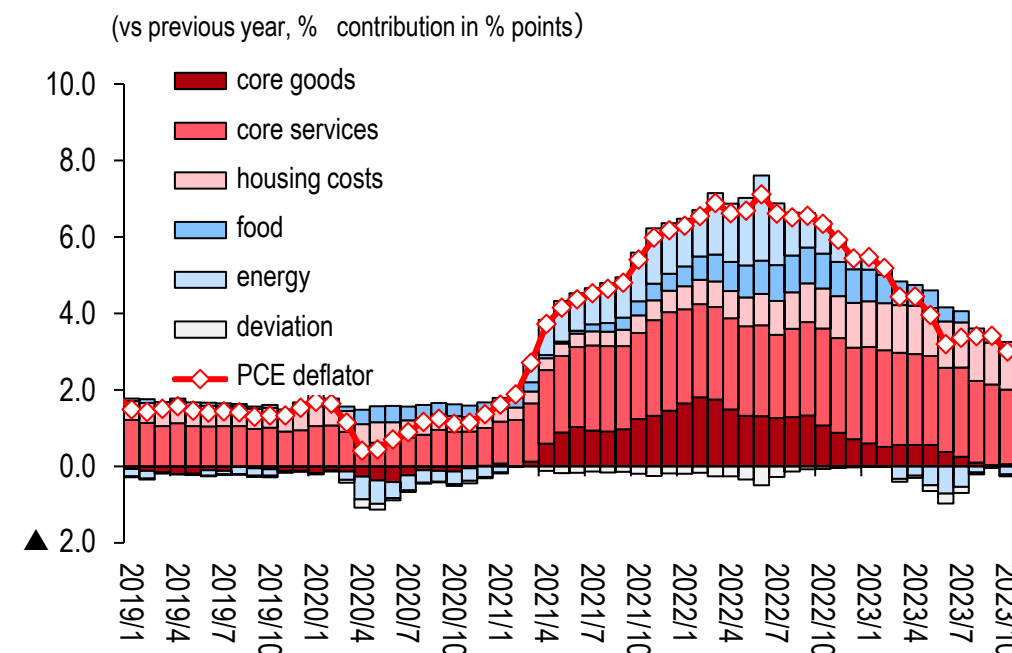
- Inflation in Europe and the U.S. rose sharply in 2021 before peaking in mid-2022 and then steadily declining in 2023. However, the rate still remains higher than the 2% inflation target of the central banks. If there is confidence though that the inflation will continue to fall toward the 2% target in 2024, monetary policy changes will likely take place.
- The decline inflation so far has been mainly due to a subsiding in goods, food and energy prices. However, for inflation to further fall it is essential that service prices (particularly core services excluding housing costs) improve.

#### ▽ Consumer Price Index Trends (CPI)



Source: Marubeni Research Institute from each country's data

#### ▽ Composition of U.S. Personal Consumption Expenditure Deflator



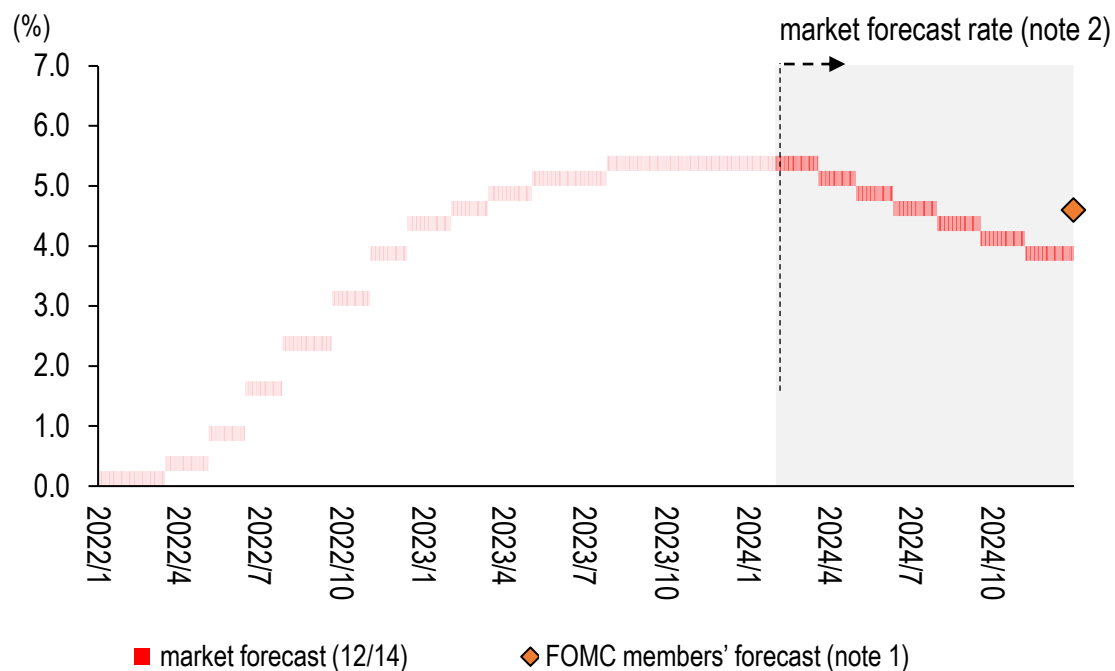
Source: Marubeni Research Institute from U.S. Commerce Department data

# U.S. Monetary Policy Outlook

## 3 interest rate cuts expected in 2024

- The guidance range for the U.S. policy interest rate (FF rate) at the end of 2023 was 5.25% - 5.50%. However, the Federal Open Market Committee members predict interest rates will start falling in 2024 eventually reaching 4.6% by the end of the year.
- On the other hand, the financial market sees a scenario where interest rates cuts begin in the 1st half of 2024 and fall below 4% by the end of 2024, representing a divergent view from that of the FOMC members.

### ▽ U.S. Policy Interest (FF Interest Rate)



Note 1: FOMC members' median FF interest rate forecast at the end of 2024 (as of the December 2023 meeting).

Note 2: Policy interest rate expectations factored into the FF rate futures market

Source: Marubeni Research Institute based on FRB, CME Group data

### ▽ FOMC Members' Economic and Price Outlook (December)

(unit: %)

	2023	2024	2025	2026	Long-term
<b>Real GDP Growth Rate</b>	<b>2.6</b> (2.1)	<b>1.4</b> (1.5)	<b>1.8</b> (1.8)	<b>1.9</b> (1.8)	<b>1.8</b> (1.8)
<b>Unemployment Rate</b>	<b>3.8</b> (3.8)	<b>4.1</b> (4.1)	<b>4.1</b> (4.1)	<b>4.1</b> (4.0)	<b>4.1</b> (4.0)
<b>PCE Price Index Inflation Rate</b>	<b>2.8</b> (3.3)	<b>2.4</b> (2.5)	<b>2.1</b> (2.2)	<b>2.0</b> (2.0)	<b>2.0</b> (2.0)
<b>Core PCE Price Index Inflation Rate</b>	<b>3.2</b> (3.7)	<b>2.4</b> (2.6)	<b>2.2</b> (2.3)	<b>2.0</b> (2.0)	— —
<b>FF Policy Interest Rate Level</b>	<b>5.4</b> (5.6)	<b>4.6</b> (5.1)	<b>3.6</b> (3.9)	<b>2.9</b> (2.9)	<b>2.5</b> (2.5)

Note: Bold figures in the table are the members' median predictions. The figures in parentheses are the previous year's forecast. The real GDP growth rate and price inflation rate for the October-December period is versus the previous year, while the unemployment rate is the average for the same period.

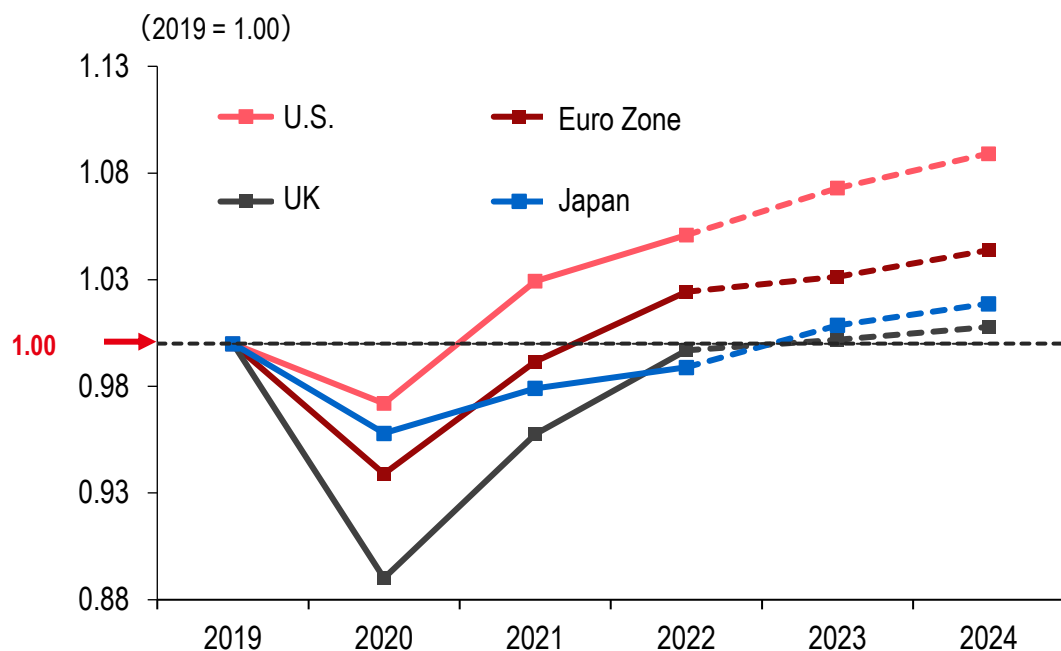
Source: Marubeni Corporation based in FRB data

# Looking Back at 2023

## Marked upturn in the U.S. economy

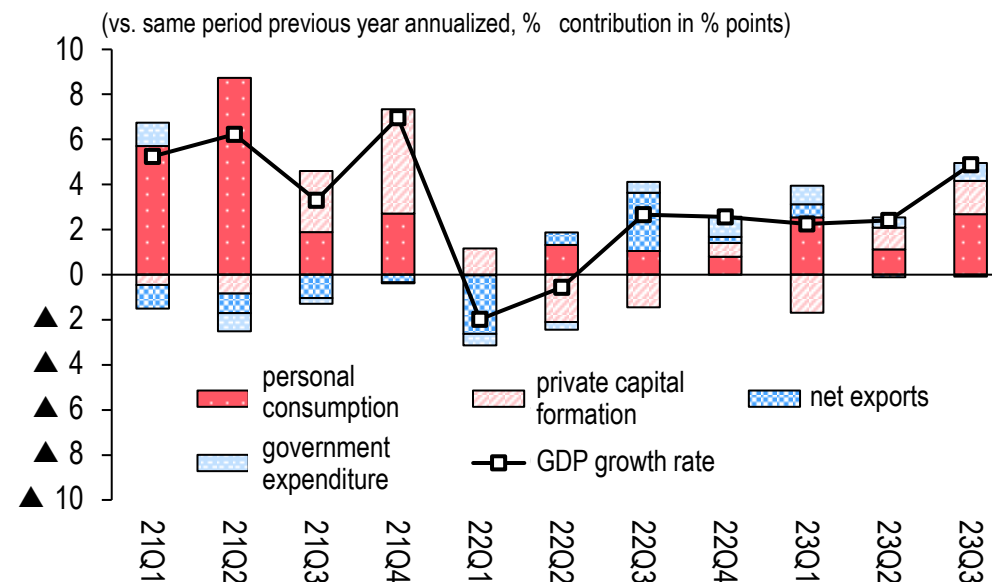
- **U.S economy's resilience stands out:** The U.S. economy outperformed the other major industrialized countries during the recovery period from the Covid crisis. In 2023, as the economic slowdown intensified in many developed countries the United States maintained a growth trajectory that exceeded its potential growth rate (US Congressional Budget Office estimate: approximately 1.8%).
- **Domestic demand strong:** Looking at demand by item, we can see that domestic demand, led by personal consumption which accounts for about two-thirds of GDP, drove the U.S. economy in 2023 which performed better than expected.

### ▽ Real GDP Recovers to Pre-Covid Levels (2019)



Source: Marubeni Research Institute from IMF data

### ▽ Real GDP Growth Rate (by demand item)



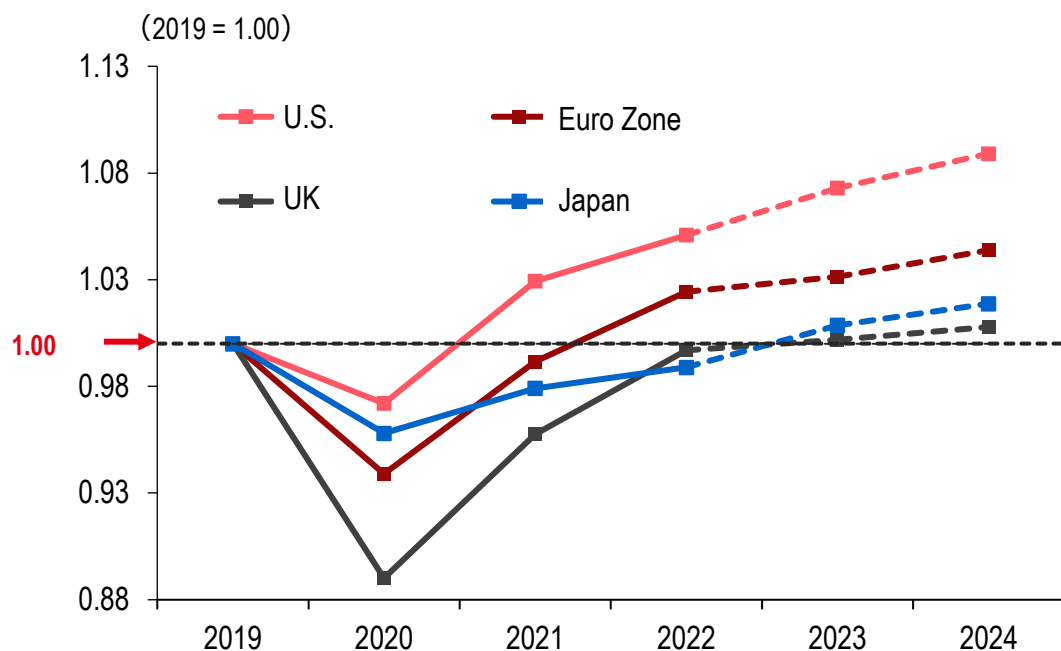
Source: Marubeni Research Institute from U.S. Commerce Department data

# Looking Back at 2023

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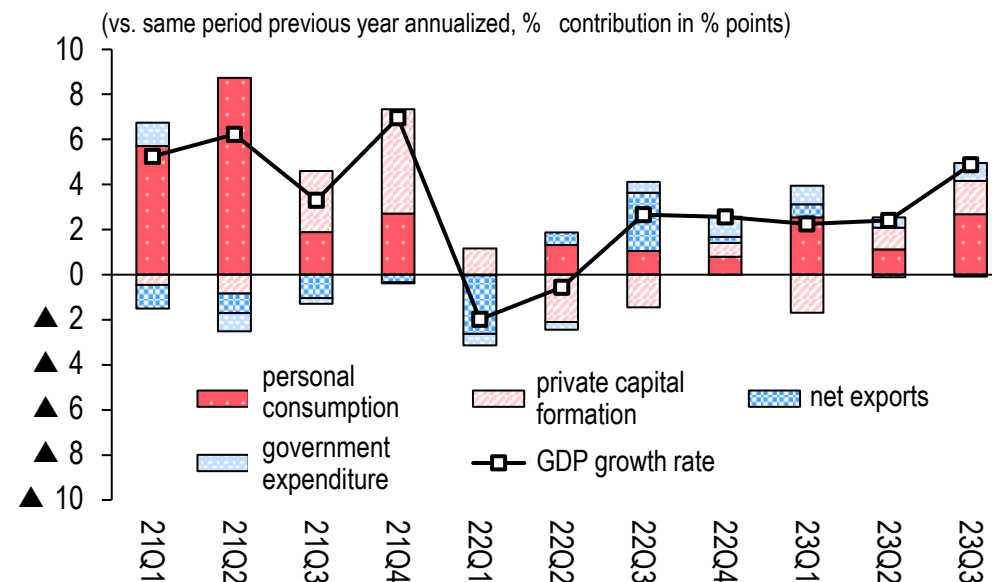
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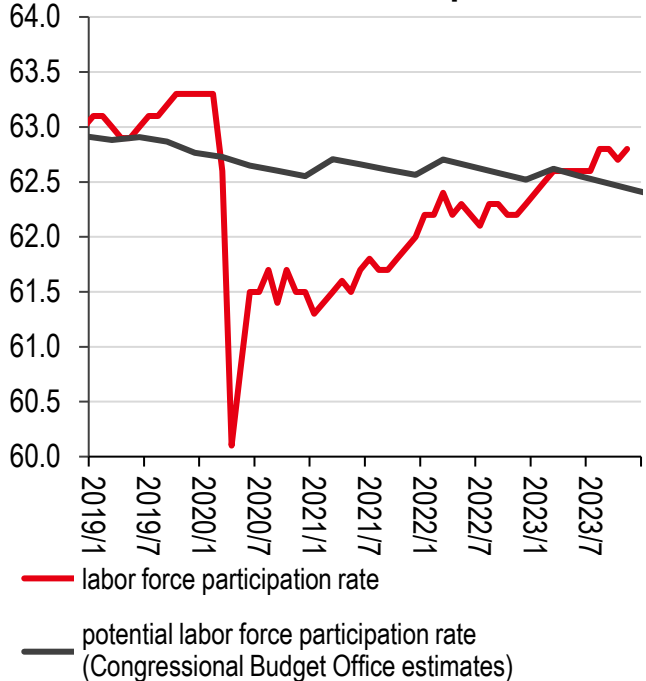
Source: Marubeni Research Institute from U.S. Commerce Department data

# Supply Side Restoration

Impacts of supply side shocks caused by the Covid crisis beginning to dissipate.

- **Labor supply recovery:** The labor force participation rate, which declined at the beginning of the Covid pandemic, has since recovered rapidly and is currently exceeding estimates based on demographic trends and other factors.
- **Supply chain recovery:** The disruptions in the supply chain that led to longer lead times in the procurement of goods, including raw materials, and inflationary pressures has largely been resolved.
- **Supply side inflationary pressures drop off:** Compared to the peak in mid-2022, the degree of contribution from supply factors to the inflation rate is shrinking.

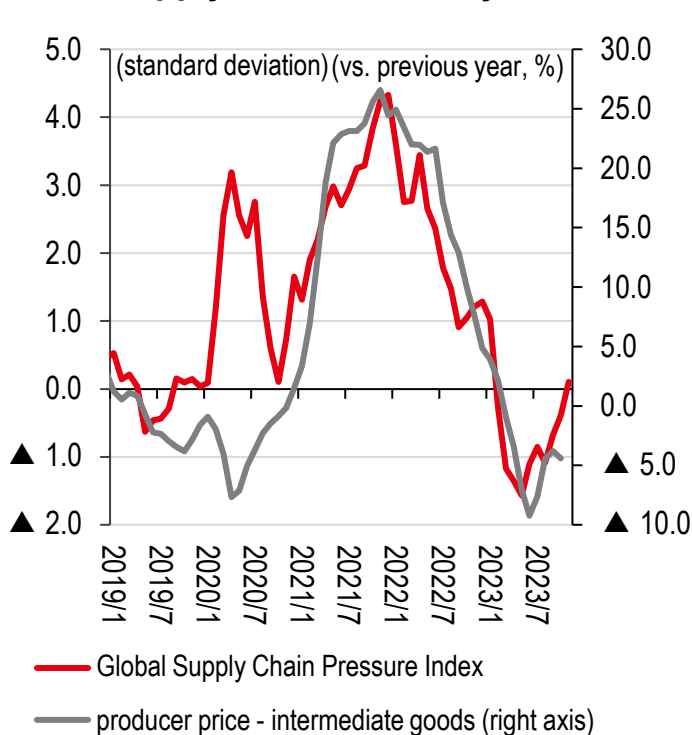
▽ Labor Force Participation Rate



Note: Labor force participation rate = (number of employed + unemployment rate/working age population)

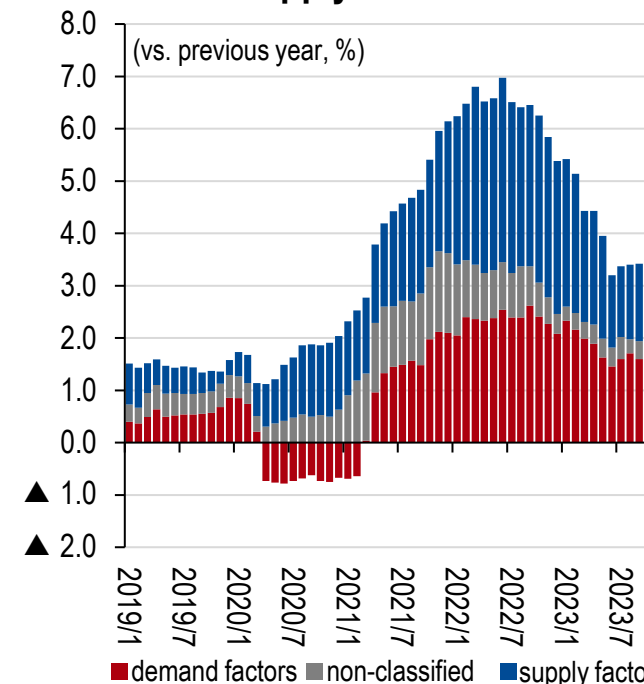
Source: Marubeni Research Institute from U.S. Commerce Department and Congressional Budget Office data

▽ Supply Chain Recovery Status



Source: Marubeni Research Institute from U.S. Commerce Department and NY FRB data

▽ PCE Deflator Contribution from Supply/Demand Factors



Note: For each component of the PCE deflator, an increase in quantity or price is classified as demand-driven inflation and a fall in quantity or price is classified as supply-driven inflation.

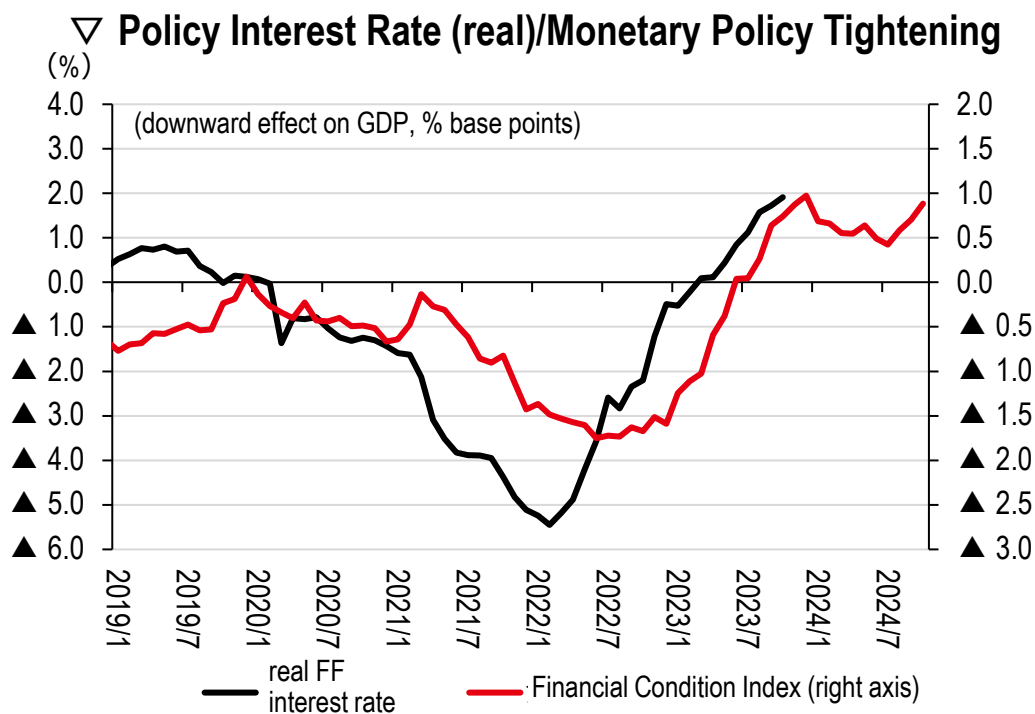
Source: Marubeni Research Institute from San Francisco FRB data



# Extent of Monetary Tightening and Time Lag

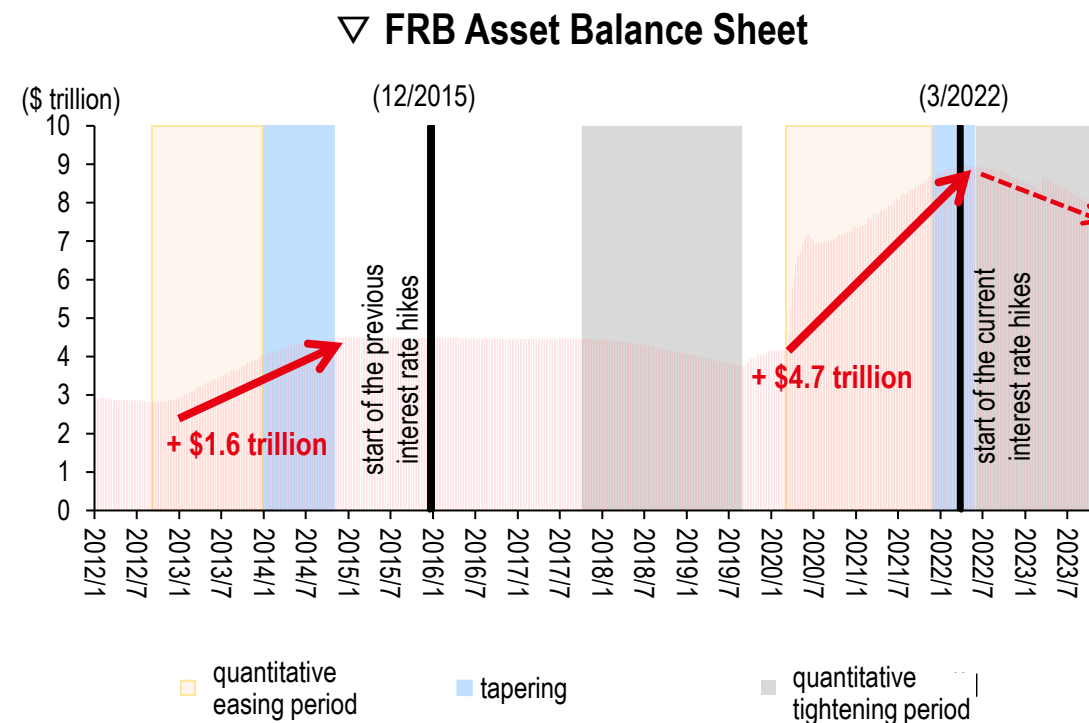
**The cumulative effects of monetary tightening were not fully realized until 2023 and are expected to strengthen into 2024**

- **Monetary policy time lag:** It is well-known that there is a time lag of several months to several years before the effects of monetary policy spill over into the real economy. According to the Financial Condition Index published by the Fed, the effects of tightening became apparent toward the end of 2023 and downward pressure on the economy is expected to linger to a certain extent into 2024.
- **Quantitative tightening:** Along with police interest rate maneuvers, the Fed also implemented quantitative tightening (QT) reducing its holdings of government bonds and mortgage-backed securities. Although the Fed’s holdings rose temporarily due to capital injections related to the U.S. bank bankruptcy fiasco in March of 2023, the recent tightening continues.



Note: Real FF interest rate = median induced FF interest rate target – increase in the year-on-year core PCE deflator rate

Source: Marubeni Research Institute from Federal Reserve Board Of Governors data

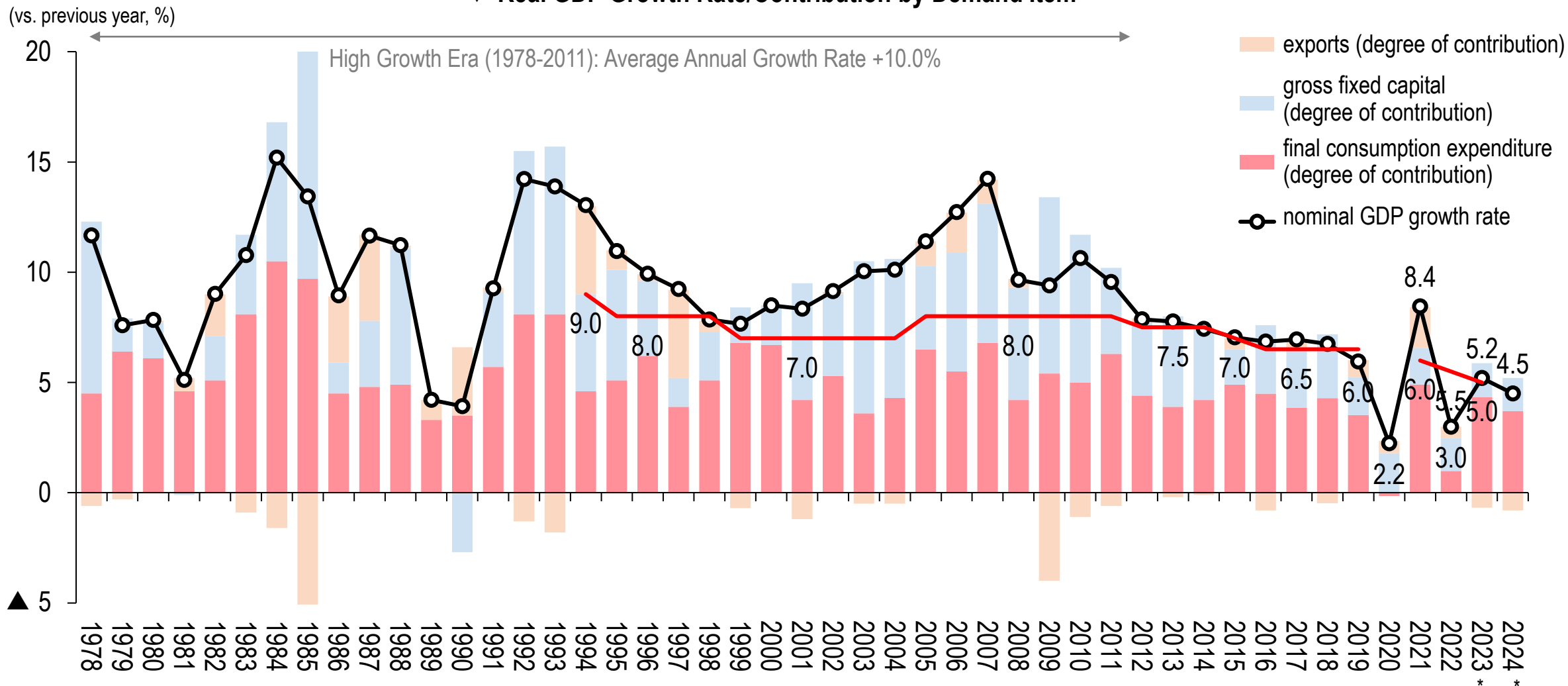


Source: Marubeni Research Institute from FRB, IMF data

# China's Economic Outlook

**2024 growth rate likely to remain around 4% - Consumption uncertain due to declines in housing investment/exports**

▽ Real GDP Growth Rate/Contribution by Demand Item

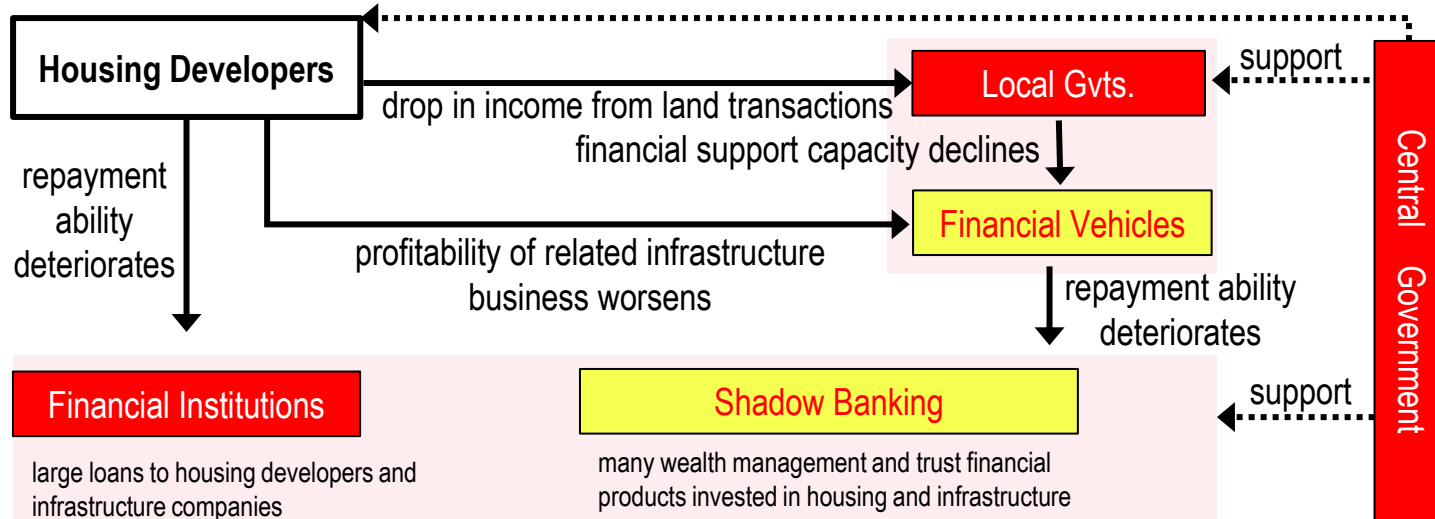


Source: Marubeni Research Institute based on China's National Bureau of Statistics data (2023 - 2024 Marubeni Research Institute's estimate and forecast)

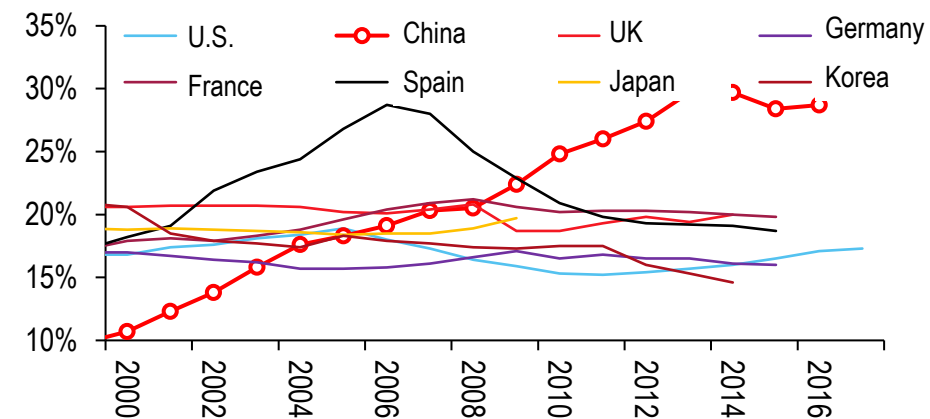
## China: Economic/Financial Instability Risks Stemming from Housing Market Adjustments

Housing market shrinking as some developers' conditions deteriorate - Urbanization mid to long-term supporting factor

### ▽ Housing Crisis Ripple Effect Routes



### ▽ Real Estate Activity as a % of GDP



Source: Rogoff and Yang (includes spillover effects from construction investment and investment in equipment and materials)

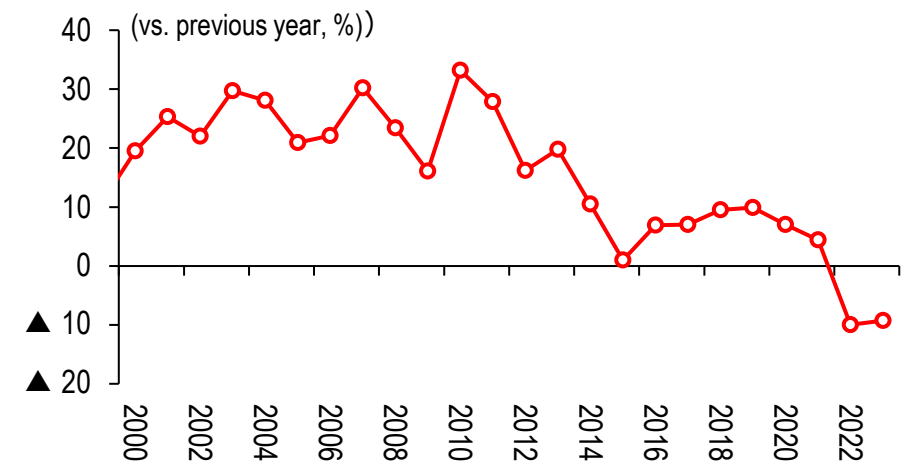
### Political/Economic/Social Unease      Financial Instability      Sovereign Risk

### ▽ Real Estate Sector's Economic/Financial/Fiscal Impact

	real estate-related activity	financial institutions real-estate sector loan balance	trust investment in real-estate/infrastructure sectors	local government-related debt (IMF estimates)		
				financial vehicles	other	total
trillion yuan	30	53	9	34	39	73
GDP ratio, %	25%	44%	7%	28%	32%	60%
figures as of	2022	Sept. end 2023	June end 2023	2022 end		

Sources: China's Bureau of National Statistics, People's Bank of China, China Trustee Association, IMF "2022 Annual Review of China's Economy"

### ▽ Real Estate Investment

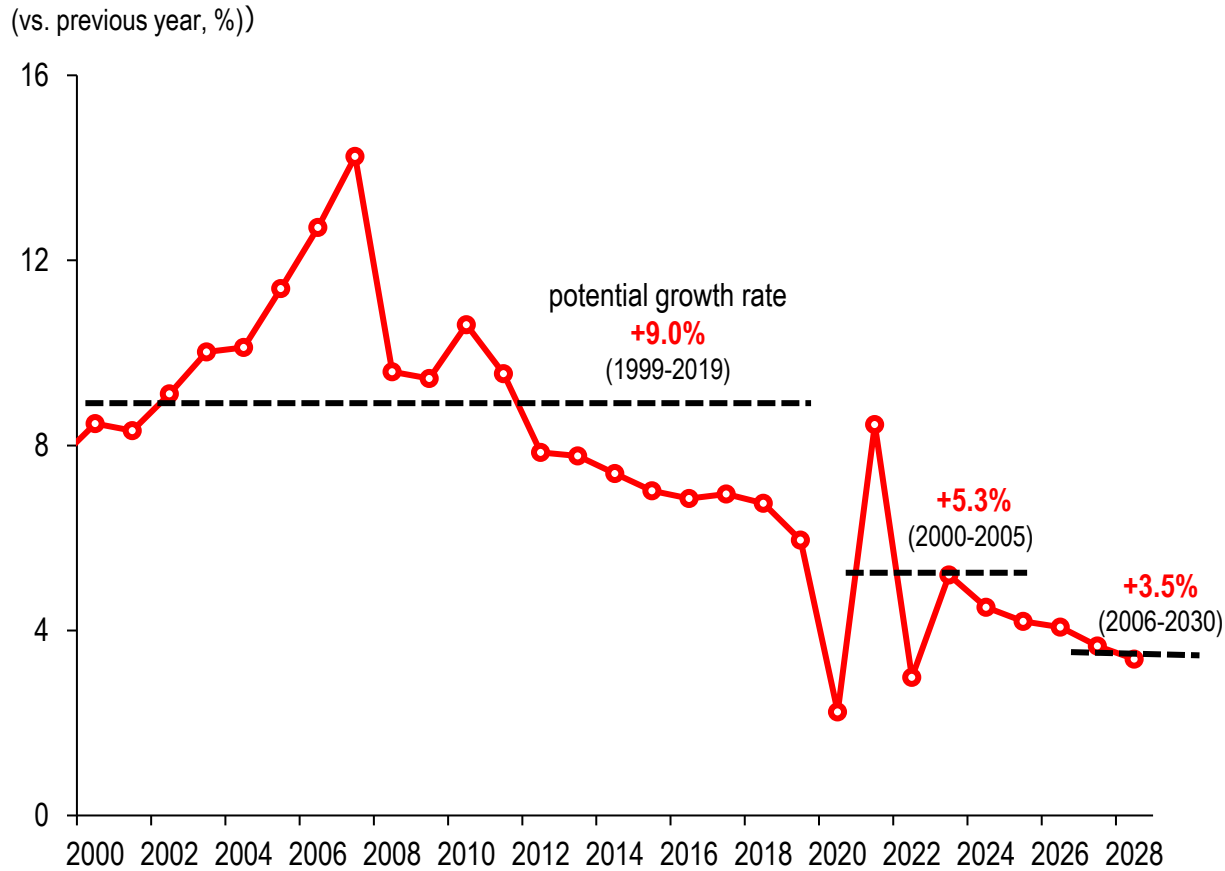


Source: China's Bureau of National Statistics

# China: Mid-Term Economic Outlook

**Growth continues to slow - Housing market corrections/population decline/geo-economic risk will weigh heavily in the mid-term**

## ▽ Real GDP Growth Rate



Note: Potential growth rate: ADB estimate (12/2022)

Sources: IMF "World Economic Outlook 10/2023" Marubeni Research Institute for 2023 - 2025

## ▽ Downside Risk Factors

<b>Housing market corrections</b>	<ul style="list-style-type: none"> <li>From 2022 onward, we have been seeing the most difficult phase in the housing market since the privatization of housing in the late 1990s. Due to developers' deteriorating business conditions caused by bubble suppression measures, properties facing construction delays have expanded, especially in regional cities. Concerns over completion delays may also induce people to refrain from purchases.</li> </ul>
<b>Policy buffers narrow</b>	<ul style="list-style-type: none"> <li>Although it is possible for the central government to provide a certain degree of monetary and fiscal policy support to address the economic slowdown and financial instability caused by stagnation in the housing sector, <b>high local government debt</b> and the expansion of shadow banking are hindering policy options.</li> </ul>
<b>Geo-economic risk heightens</b>	<ul style="list-style-type: none"> <li>Productivity decline: <b>Decrease</b> in imports of advanced technology and <b>foreign investment in China</b></li> <li>Stagnant exports: renewable energy/electric vehicle-related, etc.</li> </ul>
<b>Potential growth rate falls</b>	<ul style="list-style-type: none"> <li>The potential growth rate is declining due to production factor constraints (<b>drop in the working-age population</b>, slackening capital stock growth) and the falloff in productivity growth.</li> </ul>

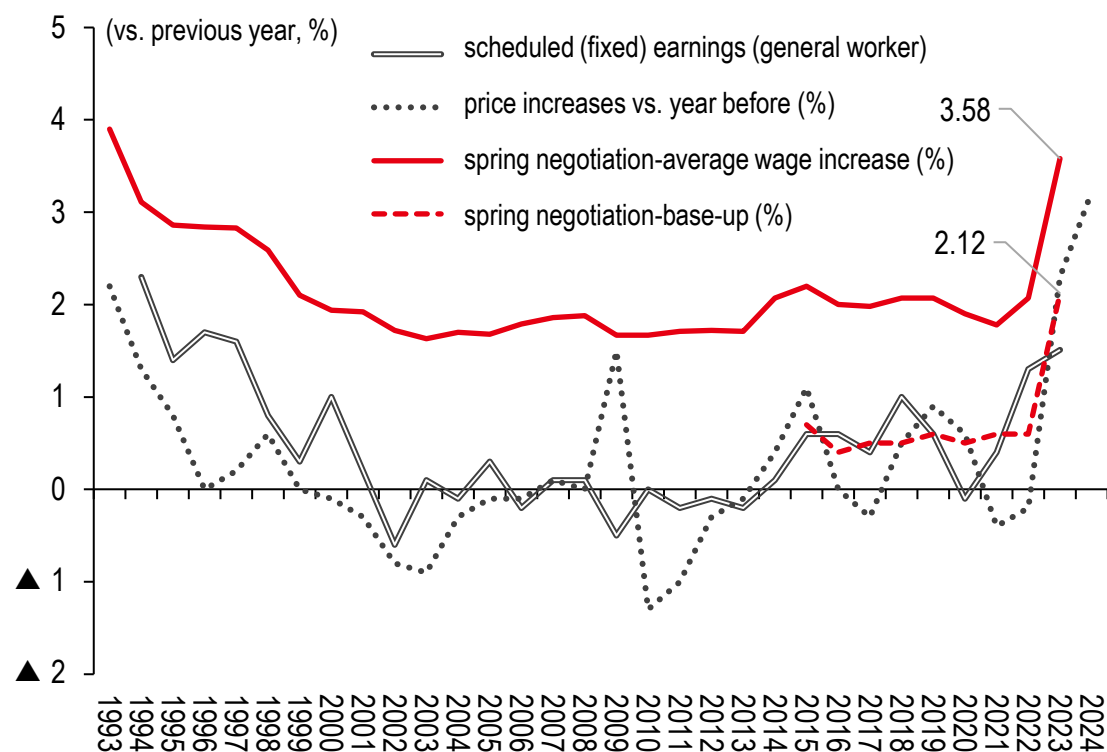
Source: Marubeni Research Institute

# Japan: Key is Direction Wages Take

**With persistently high prices and strong corporate profits, higher wage hikes for a second consecutive year realistic**

- The 2024 annual spring wage negotiations (offensive) are expected to result in high wage increases for the second consecutive year due to continued high inflation and strong corporate profits. The negative real wage rate is expected to narrow due to a rise in nominal wages and decline in the inflation rate in 2024. Attention will be focused on a possible virtuous cycle between wages and prices.

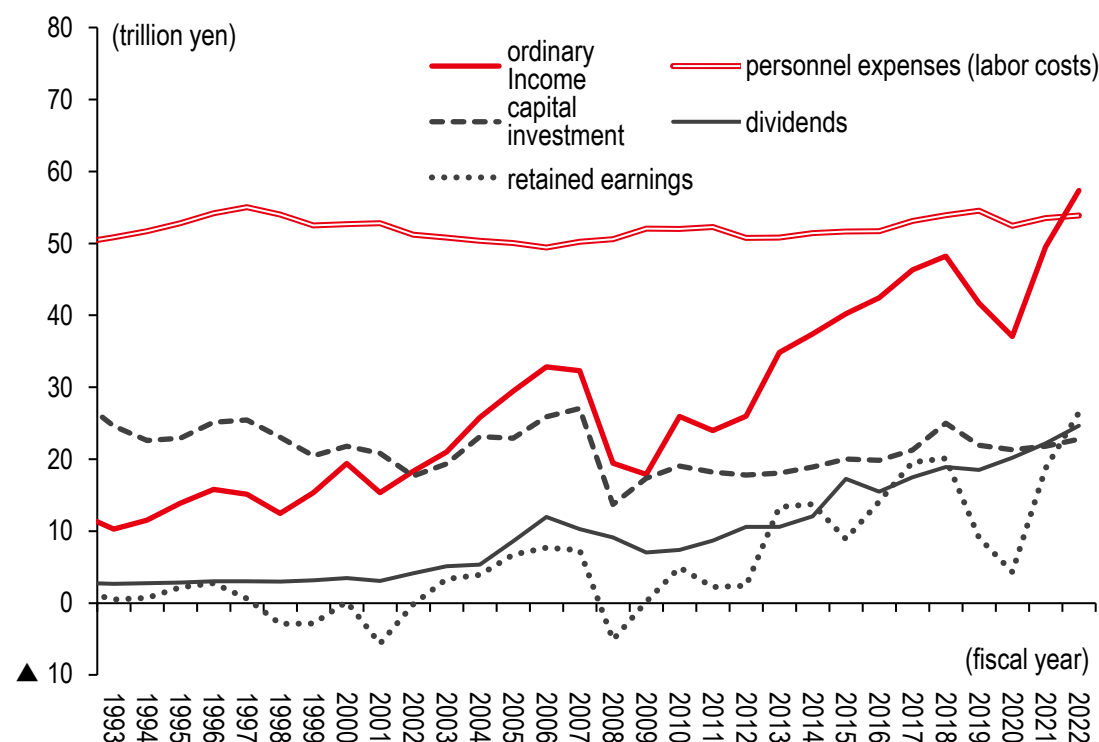
## ▽ Average Spring Negotiation Wage Increases for Labor



Note: The previous year's price increase is the year-on-year change in the core index excluding the impact of the consumption tax hike. 2023 is the average value from January to October.

Source: Marubeni Research Institute from Japan's Ministry of Internal Affairs and Communications and Ministry of Health, Labor and Welfare data

## ▽ Ordinary Corporate Income/Personnel Expenses



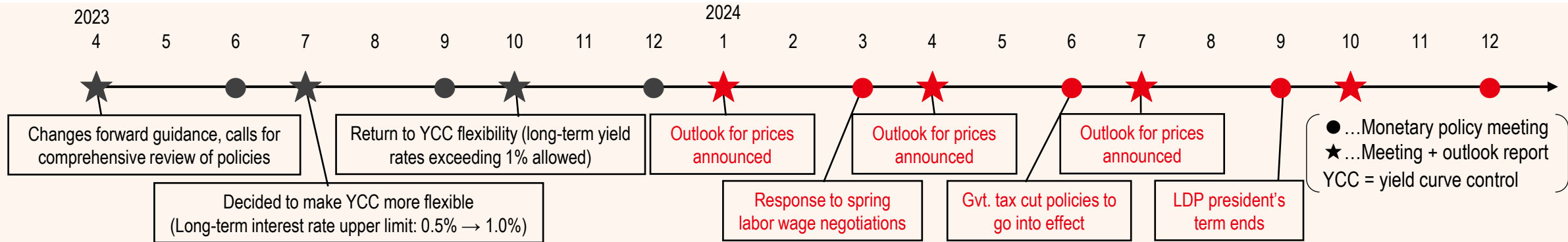
Note: All industries (excluding finance and insurance), corporations with capital of 1 billion yen or more. Capital investment includes software.

Source: Marubeni Research Institute from Japan's Ministry of Finance data

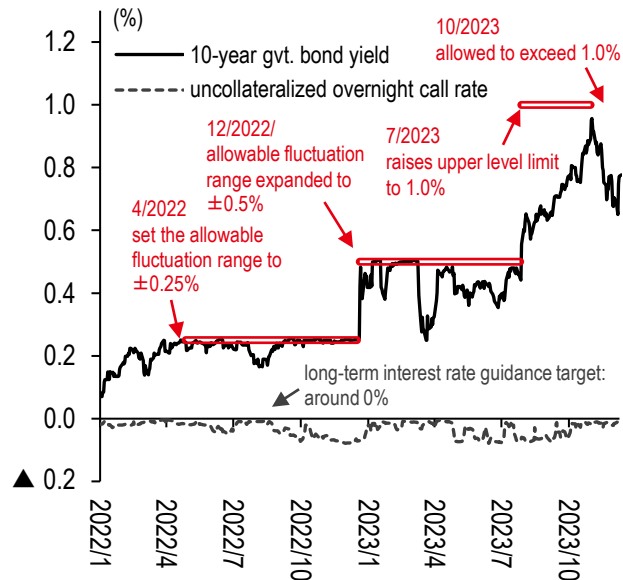
## Japan: Monetary Policy

### YCC policy revision under BOJ's Ueda gradually progressing, negative interest rates should be lifted in 1st half of 2024

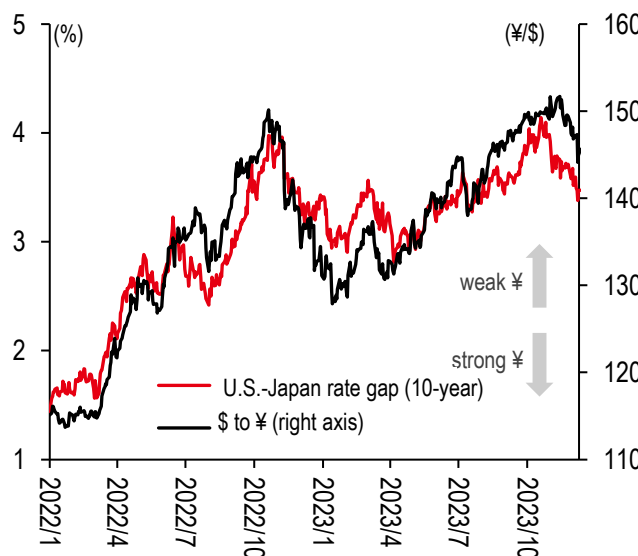
• In determining policy, the BOJ takes into account the macro supply/demand environment, sustained wage growth, underlying inflation, trends in overseas economies, economic side effects and other factors. So, the current question is will it revise its current policy when the next outlook for prices (inflation) is officially announced again?



#### ▽ Interest Rate

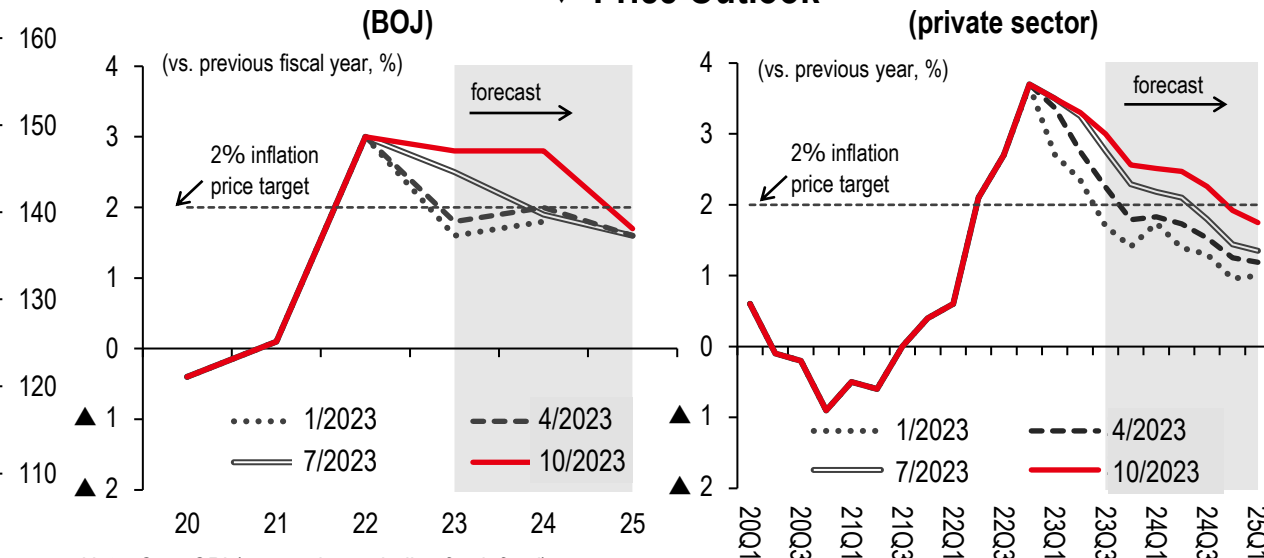


#### ▽ Exchange Rate



Source: Marubeni Research Institute from LSEG data

#### ▽ Price Outlook



Note: Core CPI (composite excluding fresh food)

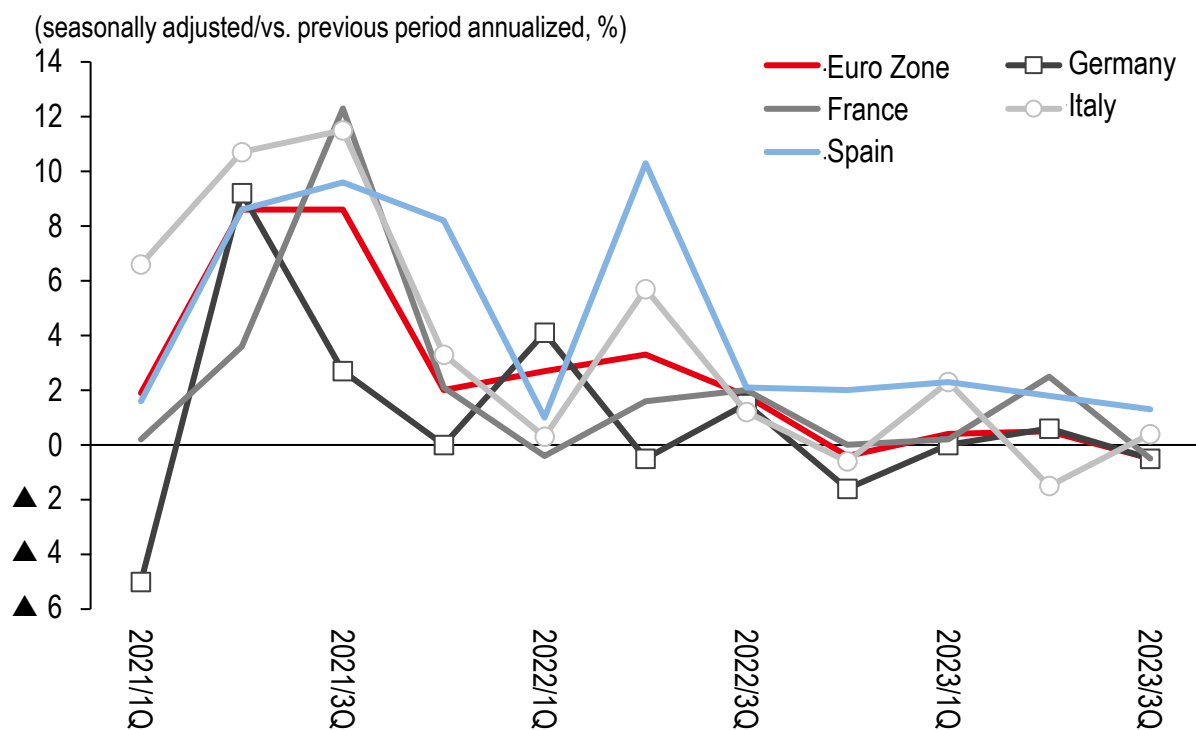
Source: Marubeni Research Institute from Bank of Japan, Japan Center for Economic Research data

## Europe: Economic Trends

### Germany's personal consumption a concern in 2024 among other issues

- In general, the Euro Zone has been under performing. Looking at real GDP growth by country, Germany's, in particular, has been sluggish acting as a drag on the Euro Zone economy as a whole.
- Personal consumption in the southern European countries of France, Italy, and Spain has almost recovered to pre-Covid levels, but personal consumption in Germany, which has the largest economy, has remained relatively stagnant. The key is whether real wages will rise due to a decline in inflation and an increase in nominal wages.

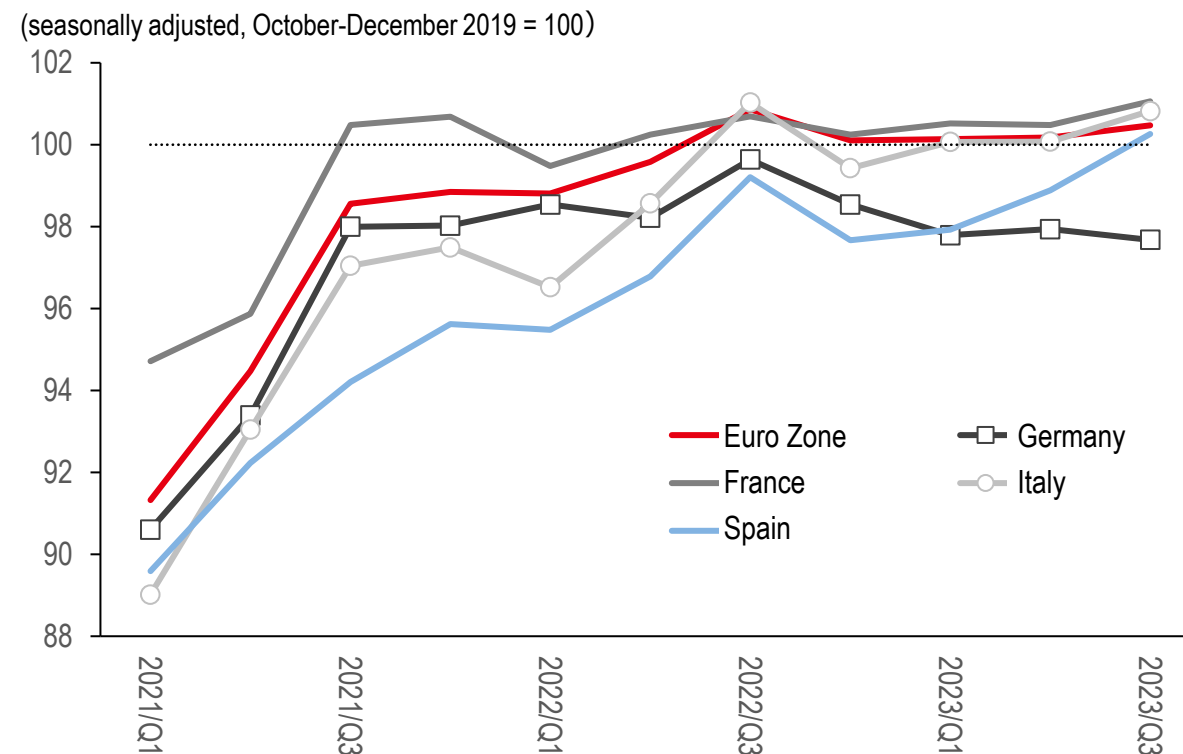
▽ Real GDP Growth Rate



Note: Most recent period is July-September 2023

Source: Marubeni Research Institute from Eurostat data

▽ Personal Consumption



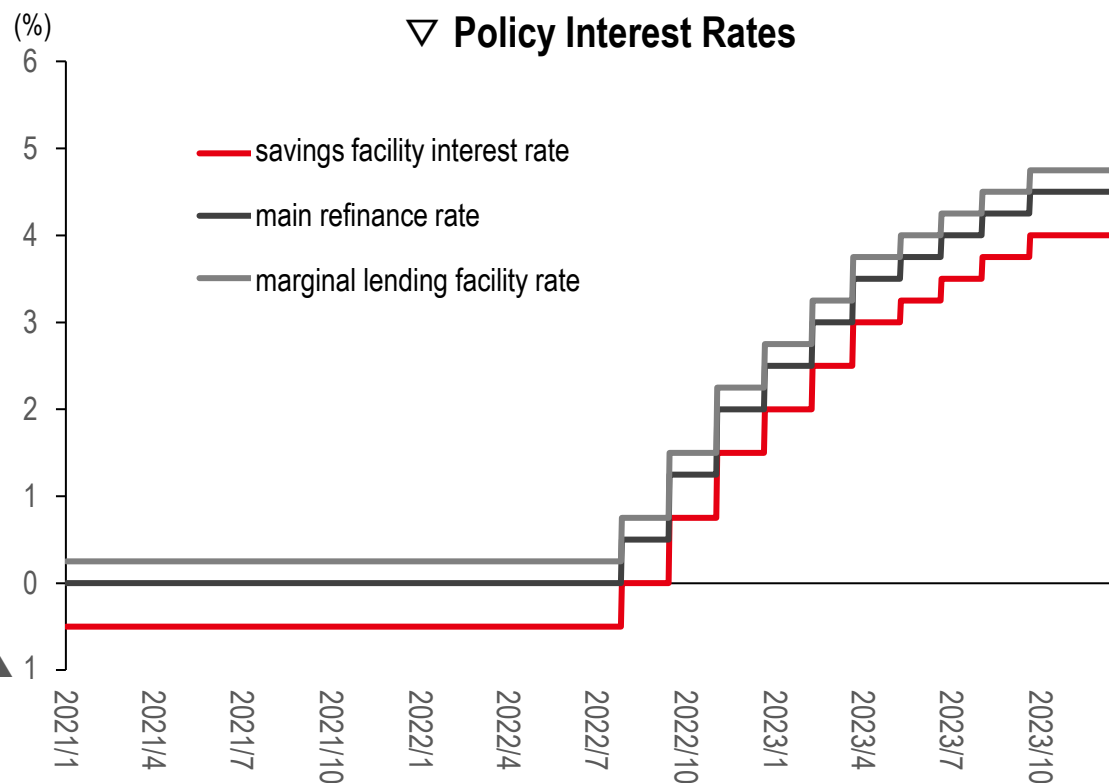
Note: Most recent period is July-September 2023

Source: Marubeni Research Institute from Eurostat data

# Europe: Monetary Policy Outlook

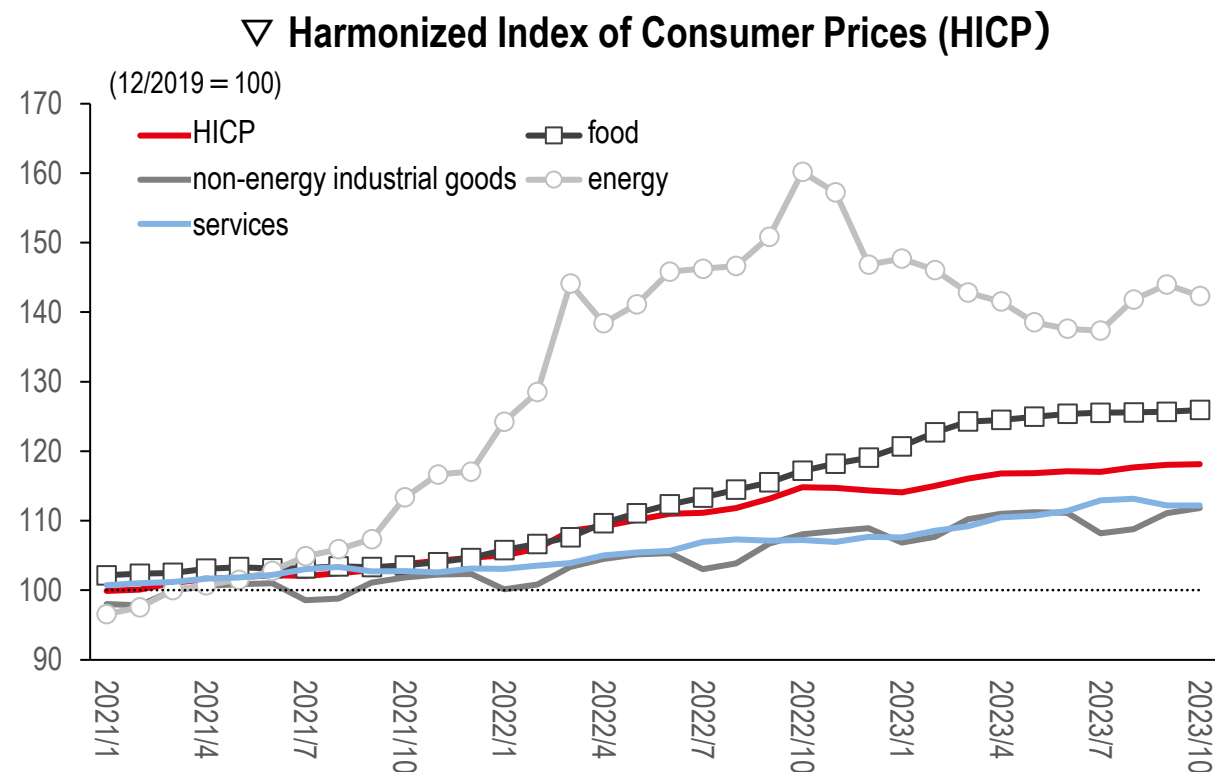
## Expectations strong toward lower interest rates in 2024

- The European Central Bank (ECB) kept its policy interest rate unchanged for the second consecutive meeting. With interest rates having been raised rapidly from the second half of 2022, there is plenty of room for interest rate cuts.
- The rate of increase in the index of consumer prices (HICP) has been heading downward. As background to this, energy prices began to decline from December 2022 among other factors, and although it is possible that the rate of increase could temporarily head upward again, if there is a noticeable downward trend in inflation amid a sluggish economy an interest rate cut is likely to be implemented.



Note: Most recent data as of 12/11/2023

Source: Marubeni Research Institute from European Central Bank data



Note: Most recent data as of 10/2023

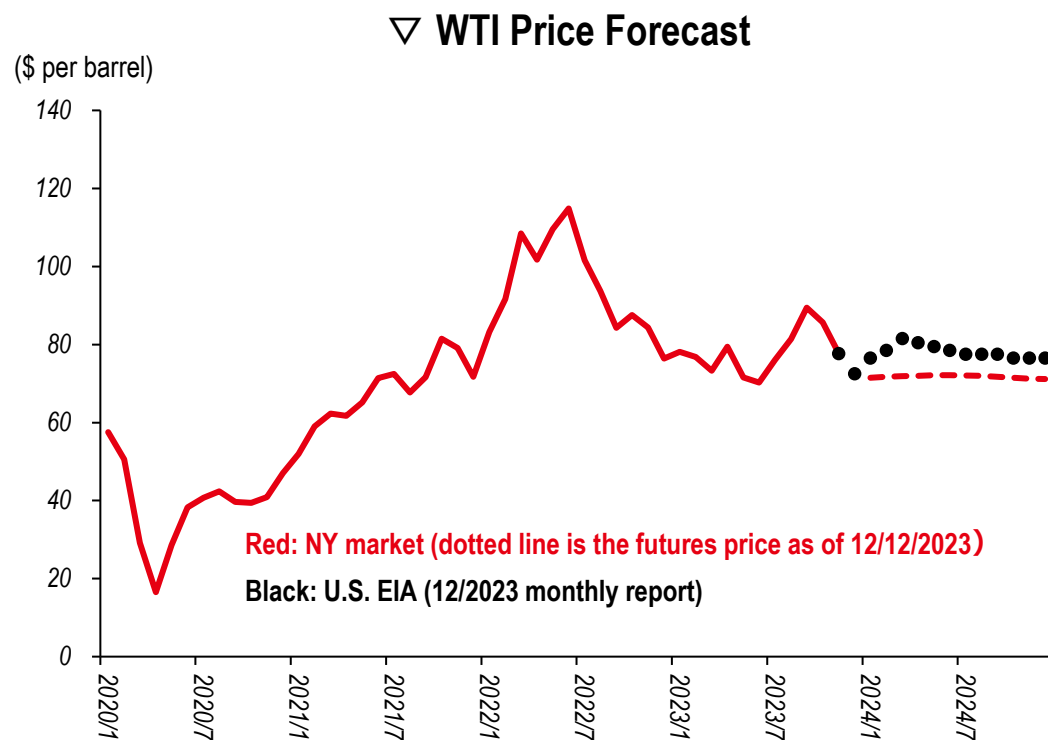
Source: Marubeni Research Institute from Eurostat data



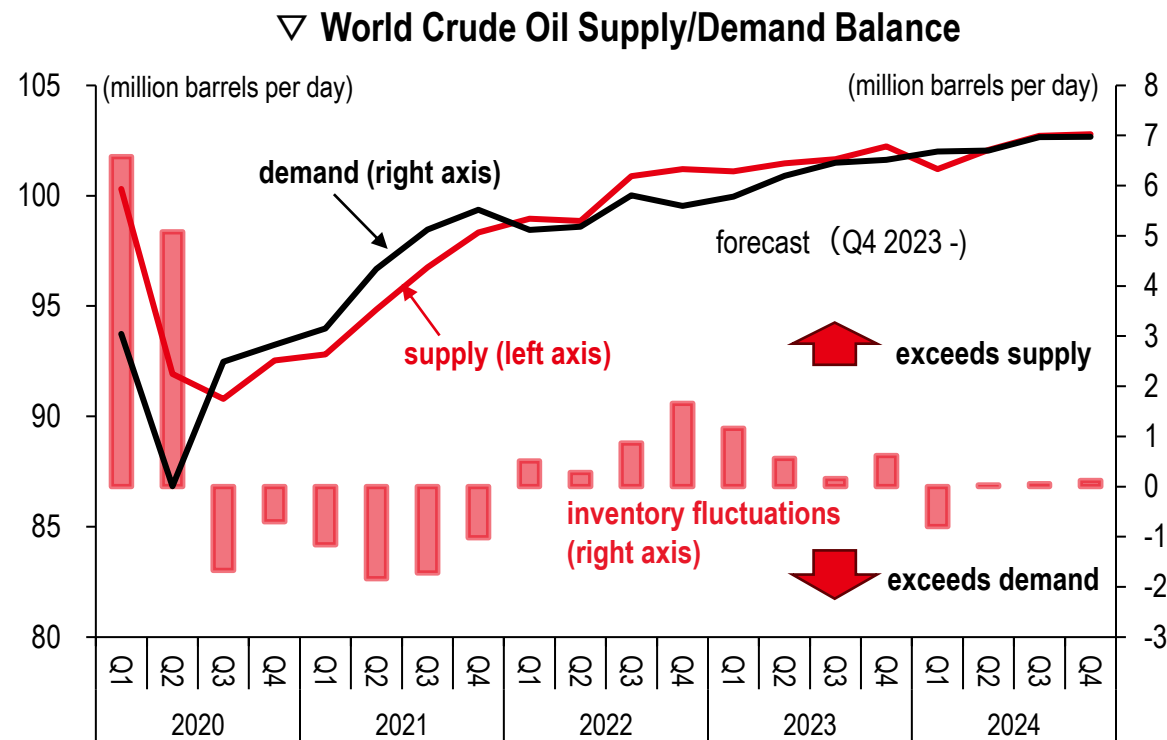
# Commodity Market Outlook: Crude Oil

## Oil prices steady due to OPEC Plus coordinated production cuts and other factors

- Although oil demand is expected to be sluggish due to a global economic slowdown and production increases in non-OPEC countries such as the U.S., due to the coordinated production cuts by OPEC Plus, supply will still exceed demand somewhat in the 1st quarter of 2024 but will roughly be balanced from the 2nd quarter onwards.
- Uncertainty over the situation in the Middle East and Russia as well as concern regarding a slowdown in upstream decarbonization-related investment should keep oil prices firm.



Sources: Refinitiv, U.S. Energy Information Administration (EIA)

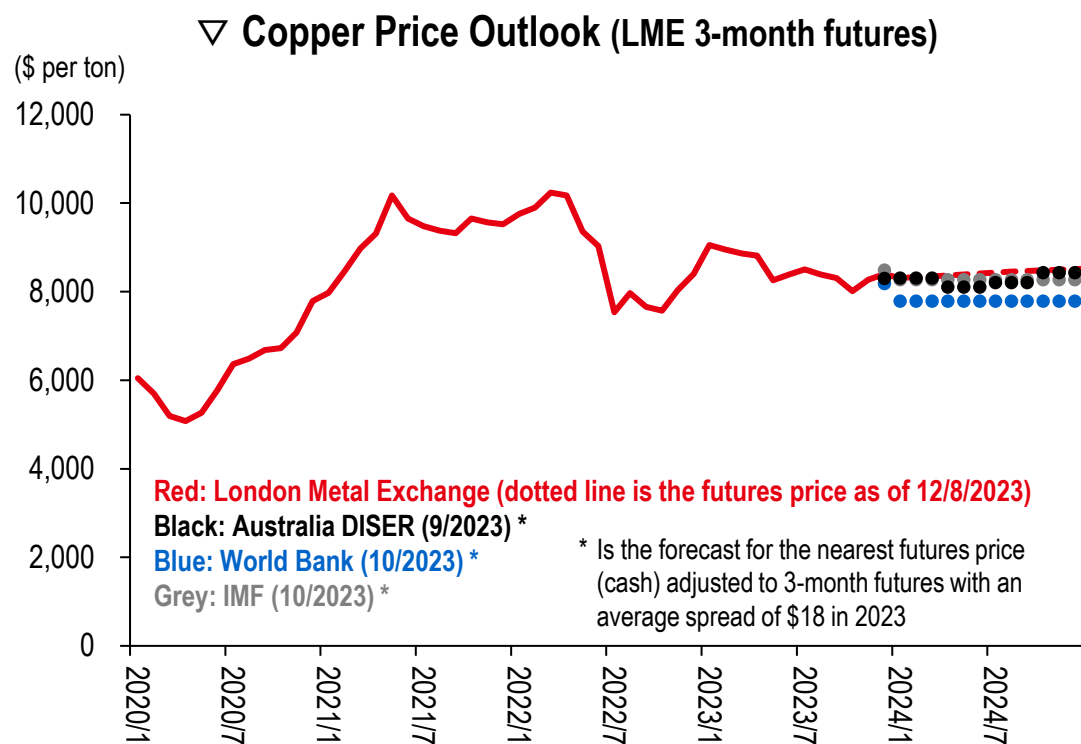


Source: EIA "Short-Term Outlook December 2023"

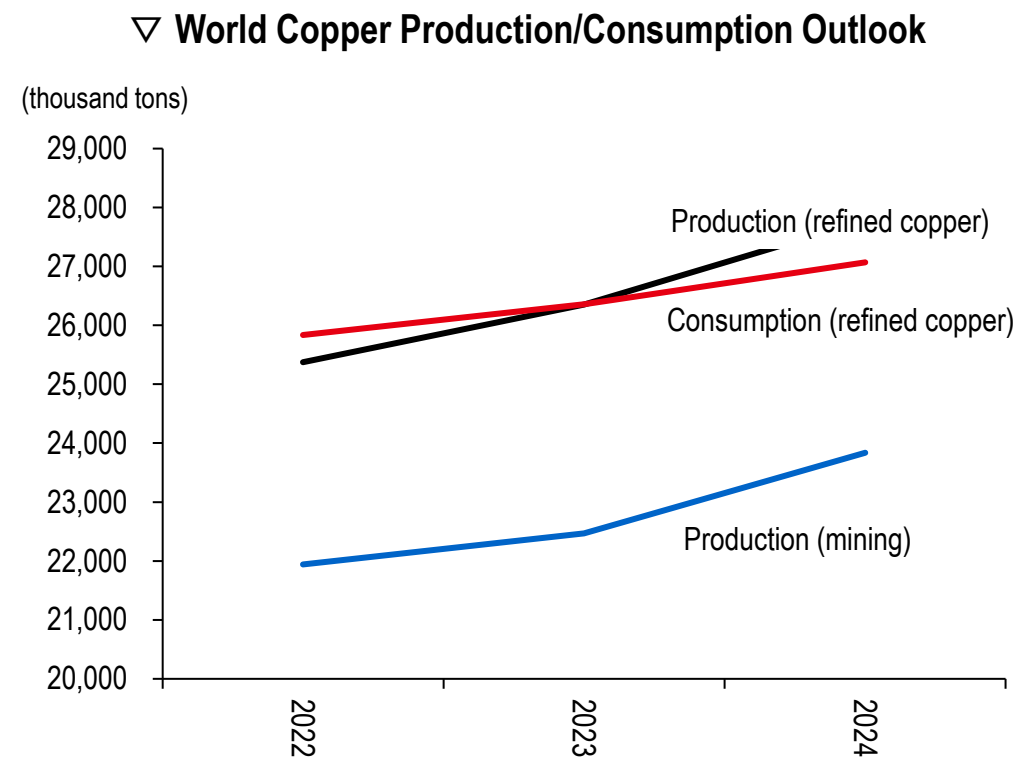
# Commodity Market Outlook: Copper

**Oversupply expected due to increased production, but price downside to be limited owing to energy transition demand, etc.**

- Supply for refined copper currently exceeds demand. Demand may be shored up by demand related to the energy transition, however, the slowdown in the global economy could put a damper on this. On the other hand, production is expected to increase significantly in mines in Chile, DR Congo, and other countries with the supply of refined copper also expected to grow at an accelerated pace due to the construction and expansion of copper smelters in Indonesia and other countries.
- The downside to prices should be limited though due to energy transition demand, increased costs to reduce environmental impacts during production, and concerns about reduced production due to lower copper ore quality.



Sources: Refinitiv, IMF, World Bank, Australia Department of Industry, Science, Energy and Resources (DISER)



Source: International Copper Study Group (ICSG) "Copper Market Forecast 2023, 2024, October 2023"

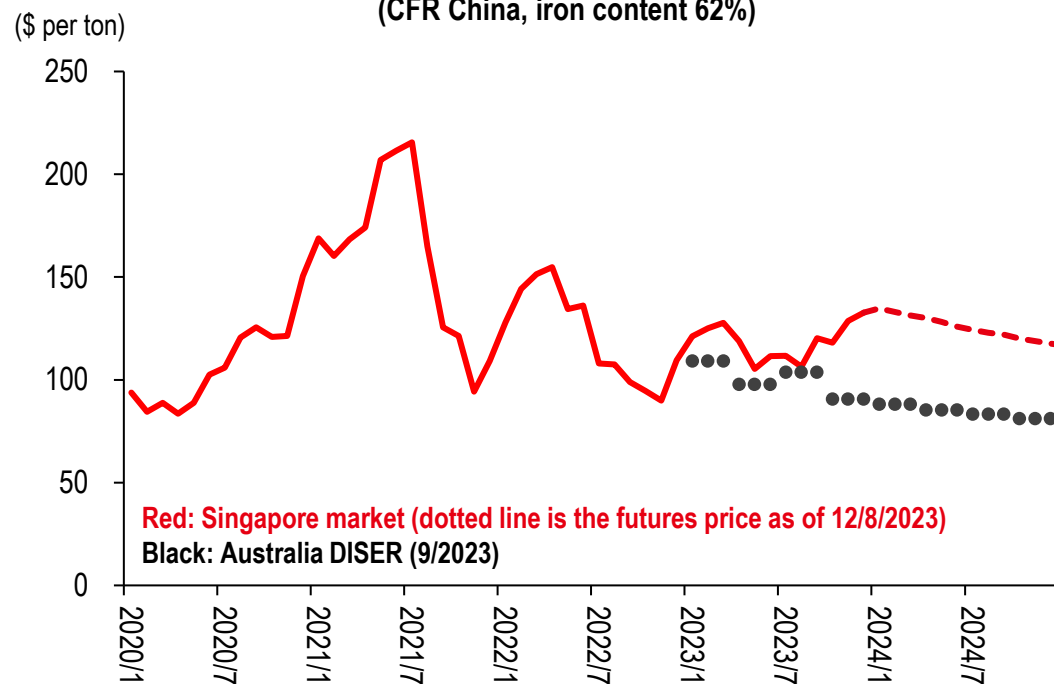
## Commodity Market Outlook: Iron Ore/Coking Coal

**Global steel demand sluggish, especially in China, which is experiencing a housing recession.**

- In terms of iron ore, while production is expected to increase in Brazil and Australia, demand is likely to be sluggish, particularly in China, with an overall weak outlook globally.
- Demand for coking coal should remain soft as stagnant demand in China and measures to curb crude steel production exert downward price pressure. However, strong demand in India may be somewhat of a supporting factor.
- The main upside factors are supply concerns due to the El Niño phenomenon, improved Australia-China relations, and stronger economic stimulus measures in China.

### ▽ Iron Ore Price Outlook

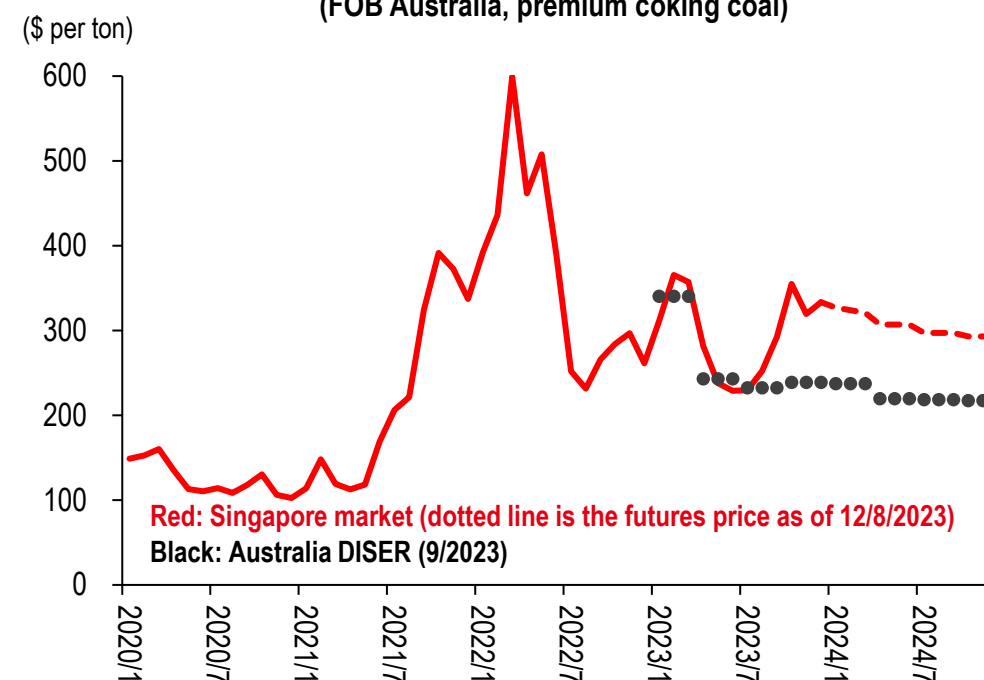
(CFR China, iron content 62%)



Sources: Refinitiv, Australia Department of Industry, Science, Energy and Resources (DISER)

### ▽ Coking Coal Price Outlook

(FOB Australia, premium coking coal)



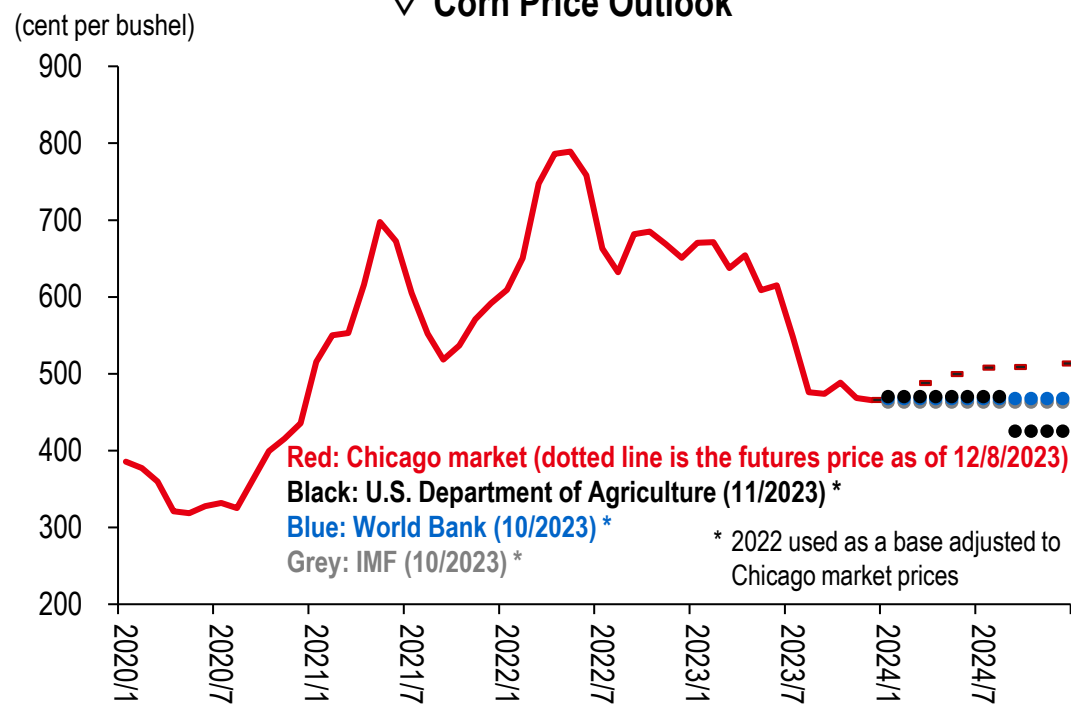
Sources: Refinitiv, Australia Department of Industry, Science, Energy and Resources (DISER)

# Commodity Market Outlook: Corn/Soybeans

## Downward pressure on prices as supply expected to rise

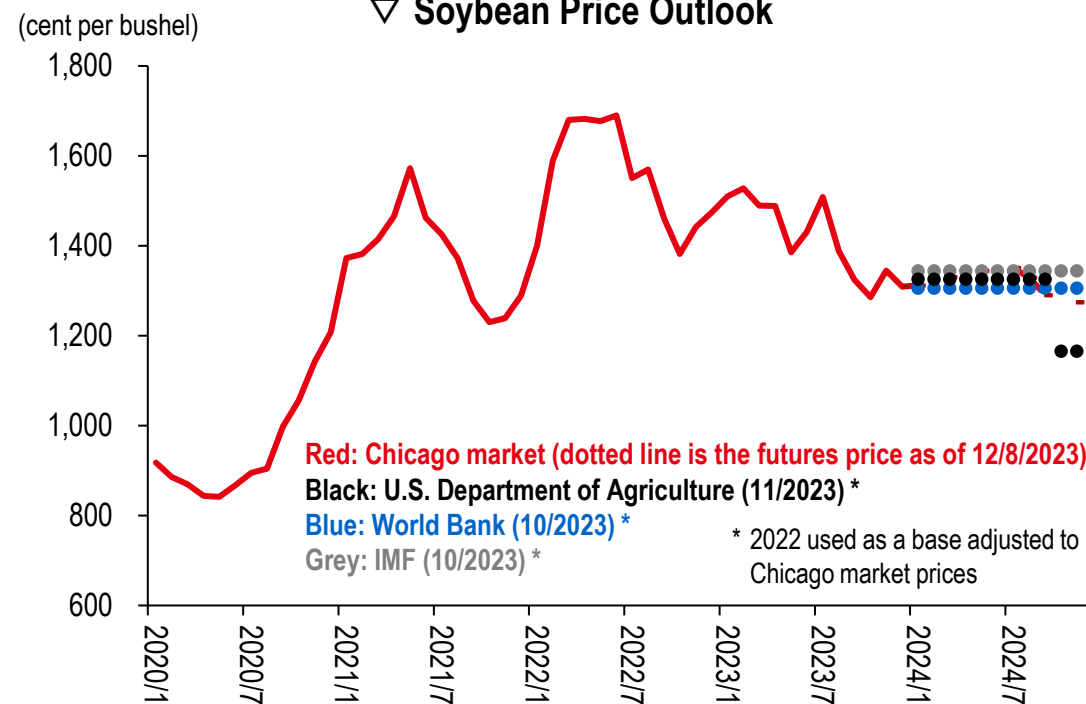
- Corn production is expected to increase globally, and U.S. ending inventories are expected to further rise. Also, steady crude oil prices should support ethanol demand and thus firm corn prices.
- Soybean prices will continue to be supported for the time being by the low end-of-season inventories in the U.S. but may begin to decline after the US harvest and due to increased production in South America and expanded cultivation area in North America.
- The main factors that may cause price fluctuations are the current weather in Brazil and weather in the U.S. from early spring onward. Other considerations include the corn production situation in Ukraine and U.S.-China relations in terms of soybeans.

▽ Corn Price Outlook



Sources: Refinitiv, IMF, World Bank, U.S. Department of Agriculture

▽ Soybean Price Outlook

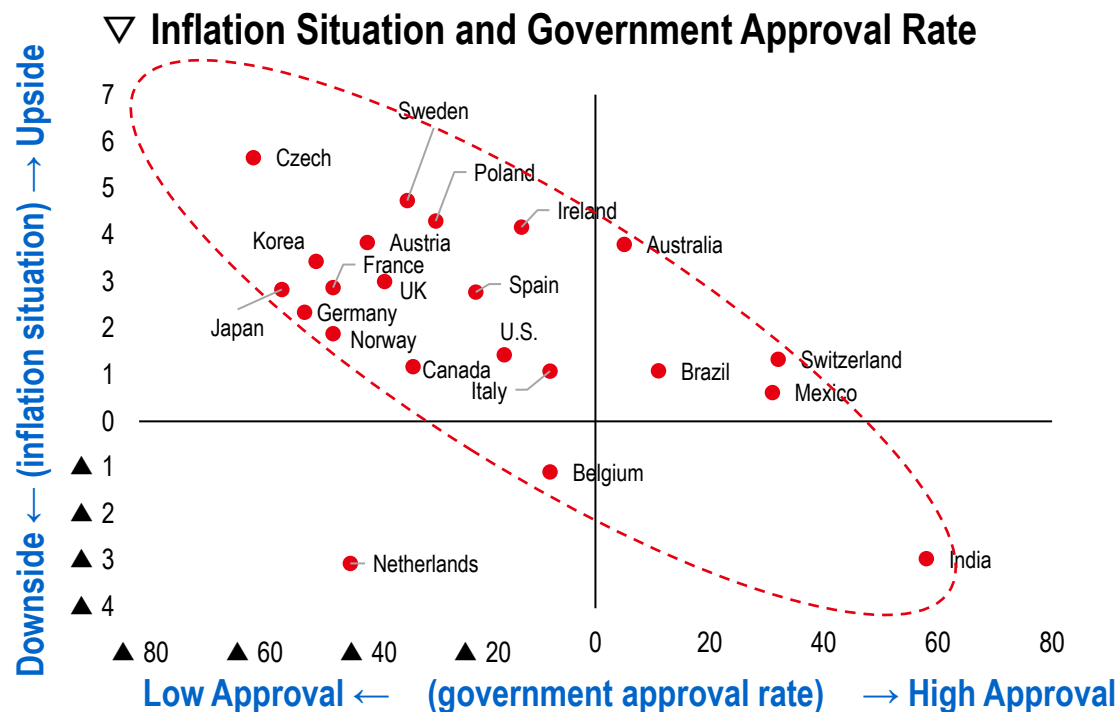


Sources: Refinitiv, IMF, World Bank, U.S. Department of Agriculture

# Inflation and Government Approval Rates

## Risk of dissatisfaction over high prices may lead to political instability

- Prolonged price increases in many countries are putting pressure on consumer lifestyles leading to growing dissatisfaction with the government. In countries where inflation rates are higher than normal (2019 average), government approval ratings tend to be low. The longer the effects of inflation linger, the greater the risk of political instability.
- As frustration over coronavirus countermeasures and inflation intensified in major countries, right-wing parties have been able to take advantage of ruling parties' poor performances in key elections which is leading to destabilization on an international basis. Japan has been one of the exceptions as the ruling Liberal Democratic Party won a landslide victory in the House of Councilors election in July 2022. Still, rising prices have worsened since the election weighing on support for the government



※ The "Inflation situation" is the difference between the latest 10/23 and that of more normalized times (2019 average) (YoY, %) (India 9/23, Australia 3Q/23). The "government approval situation" is the approval rate of a survey taken on 11/23 and the difference with the disapproval rate.

Source: Marubeni Research Institute from OECD, Morning Consult data

## ▽ Major Country Political Trends

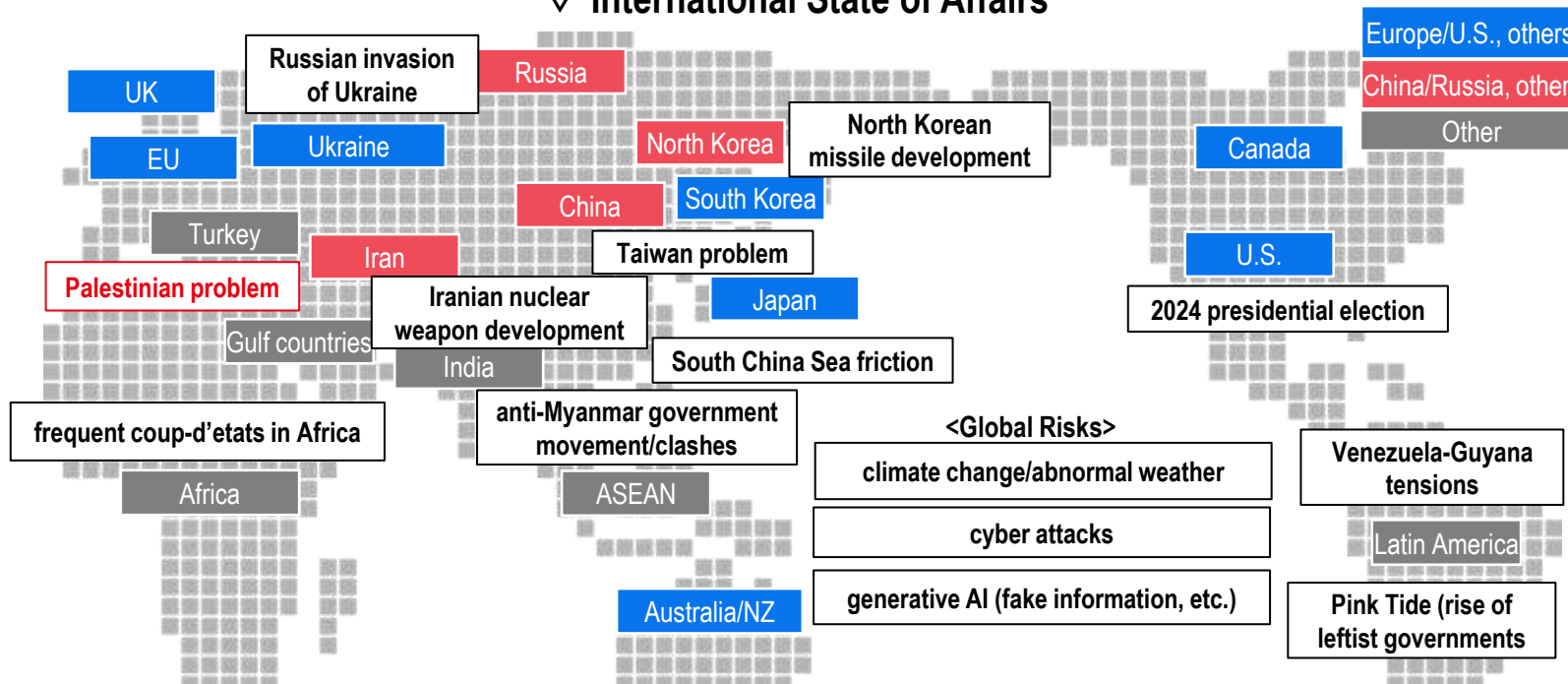
Country	Recent Elections	Situation
U.S.	11/22 (mid-term)	Although the <b>Republican Party took over the House</b> , the <b>Democrats did well</b> there, and also kept the Senate.
Japan	7/22 (Upper House)	<b>Ruling LDP won in landslide</b> . Takes majority of single seat constituencies.
UK	5/23 (local assembly)	<b>Ruling conservatives suffer crushing defeat</b> . Loses 1,000 seats in 230 local governments.
Germany	11/23 (Bavaria-Hesse State Parliament)	<b>The coalition parties (PM Sholz) are in the doldrums</b> (the conservative CSU, CDU parties strong). Right-wing AfD gains.
France	9/23 (senate)	<b>Opposition center-right to right-wing Republicans and others keep majority</b> . Far rightwing RN (led by La Pen) wins 3 seats.
Italy	9/22 (general)	<b>A right-wing coalition including the opposition far-right FDI (PM Meloni) win</b> .
Spain	7/23 (general)	<b>Opposition center-right National Party becomes the largest party in the House</b> . Far-right VOX loses seats.
Australia	5/22 (general)	<b>Opposition Labor Party (PM Albanese) wins</b> .
Korea	10/23 (Seoul district mayor)	<b>Opposition Democratic Party won a landslide</b> . (Ruling party defeated.)
Argentina	11/23 (presidential)	<b>Opposition right-wing libertarian Representative Milie wins</b> .
Brazil	10/22 (presidential)	<b>Opposition left-wing party former President Lula wins</b> .

Source: Marubeni Research Institute from various news reports

# International Situation's Increasing Complexity

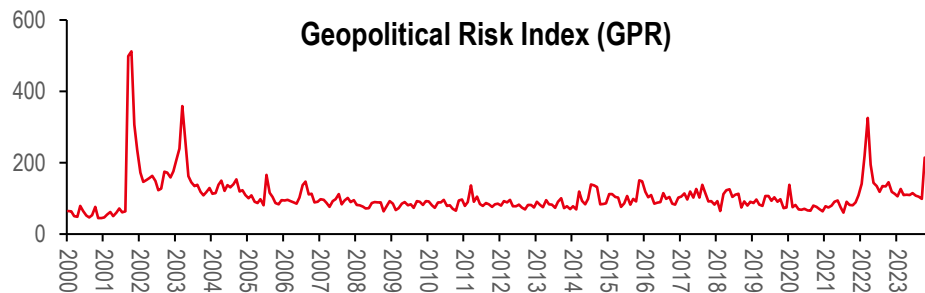
In addition to U.S.-China friction and Russia's invasion of Ukraine, Middle East instability fanning new flames

## ▽ International State of Affairs



## ▽ 2023 Geopolitical Events

- Feb. Major earthquake in Turkey/Syria
- Shooting down of Chinese aerial balloon
- 1 year mark of Russia's invasion of Ukraine
- March Iran/Saudia Arabia normalization of diplomatic relations
- April Military conflict in Sudan
- May G7 Summit (Hiroshima, Japan)
- June Wagner militia (Prigozhin) rebellion in Russia
- NATO Summit (Spain)
- July Coup d'etat in Niger
- BRICS Summit (South Africa)
- Coup d'etat in Gabon
- Sept. Major earthquake in Morocco
- G20 Summit (India)
- Azerbaijan takes over Nagorno-Karabakh
- Oct.  **Hamas attacks Israel**
- Nov. APEC Summit (U.S.)
- Milei wins Argentina's presidential election



⌘ Geopolitical Risk Index (GPR)  
 An index that assesses geopolitical risk (covering war, terrorism, etc.) based on text analysis of 10 major Western newspapers (1985-) (1985-2019 average = 100).

Source: Marubeni Research Institute based on various media reports including [Economic Policy Uncertainty](#)

## 2024 Main Political/Economic Event Schedule

### Series of important elections in major countries/regions including U.S. presidential election

#### ▽ Region/Country

Date	Region	Event
1/7	Asia	Bangladesh general election
1/13	Asia	Taiwan presidential election
1/15	North America	Iowa Republican Party caucus (U.S. presidential election primaries begin)
late January	Asia	Ordinary session of the Diet (Japan) (150 days)
2/8	Asia	Pakistan general election
2/10-17	Asia	China's New Year holidays
2/14	Asia	Indonesia presidential/parliamentary elections
3/5	North America	Super Tuesday (U.S. presidential election: Numerous primaries/caucuses take place)
3/10	Europe/CIS	Portugal general election
3/17	Europe/CIS	Russia presidential election
March	Asia	National People's Congress (NPC) (China)
April	Asia	Korea general election
April or May	Asia	India general election
5/12	Europe/CIS	Lithuania presidential election (10/13 parliamentary elections)
around May	Africa	South Africa general election
6/2	Latin America	Mexico presidential election
6/6~9	Europe/CIS	Europe parliamentary election
6/9	Europe/CIS	Belgium federal election
7/26-8/12	Europe/CIS	33rd Summer Olympics, 17th Paralympics (Paris, France)
July or August	North America	Republican/Democrat national conventions (party candidate nominations for president)
9/30	Europe/CIS	North Atlantic Treaty Organization (NATO) Secretary-General's term expires
9/30	Asia	LDP presidential term expires (Japan)
September	Asia	Sri Lanka presidential election
10/31	Europe/CIS	European Union (EU) - European Commission presidential term expires
11/5	North America	U.S. presidential/congressional elections
11/30	Europe/CIS	EU - European Council presidential term expires
around November	Europe/CIS	Romania presidential election
around December	Asia	China Central Economic Work Conference
to be decided	Latin America	Venezuela presidential election (scheduled for late 2024)
to be decided	Europe/CIS	UK general election (current term expires in January 2025)
to be decided	Europe/CIS	Ukraine presidential election (yet to be decided)

#### ▽ International Conferences/Summits, etc.

Date	Region	Event
1/15-19	World	World Economic Forum Annual Meeting (Davos, Switzerland)
February	World	Munich Security Conference (Germany)
3/21-22	Europe/CIS	EU Council Meeting (Brussels, Belgium)
3/26-29	Asia	Boao Forum for Asia Annual Meeting (China)
April	World	IMF/World Bank Spring Meeting (Washington D.C., U.S.)
5/14-16	Europe/CIS	EBRD Annual Meeting and Business Forum (Yerevan, Armenia)
5/27-31	Africa	Annual African Development Bank (ADB) Meeting (Kenya)
6/27-28	Europe/CIS	EU Council Meeting (Brussels, Belgium)
June	World	G7 Summit (Italy)
late June	World	European Central Bank (ECB) Forum (Sintra, Portugal)
around June	Asia	Shangri-la Dialogue (Singapore)
7/9-11	World	North Atlantic Treaty Organization (NATO) Summit (Washington D.C., U.S.)
late August	World	Jackson Hole Economic Policy Symposium (U.S.)
9/10-13	Europe/CIS	Eastern Economic Forum (Russia)
9/25-26	Asia	Asian Infrastructure Investment Bank (AIIB) Annual Meeting (Uzbekistan)
9/30	World	IMF Managing Director's term expires
September	World	79th Session of the UN General Assembly (New York, U.S.)
October	World	BRICS Summit (Kazan, Russia)
October	World	IMF/World Bank Fall Meeting
October	Europe/CIS	EU Council Meeting (Brussels, Belgium)
around October	China	Future Investment Initiative Conference, "Davos in the Desert" (Saudi Arabia)
11/18-19	World	G20 Summit (Brazil)
November	World	Asia-Pacific Economic Cooperation (APEC) Summit (Peru)
November	World	COP 29 Meeting (on climate change) (Azerbaijan)
around November	Middle East	Manama Dialogue (Bahrain)
December	Europe/CIS	EU Council Meeting (Brussels, Belgium)
to be decided	Asia	Shanghai Cooperation Organization (SCO) Summit
to be decided	World	International Labor Organization's (ILO) Conference (Geneva, Switzerland)

Note: Dates/schedules are provisional as of November 30, 2023

Source: Marubeni Research Institute based on various media reports

# Reference Material/Other Countries/Regions

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# Business Confidence (Major Countries/Euro Zone)

## Survey of business confidence in major countries/Euro Zone suggests a weak economic recovery, especially in manufacturing

- China's Purchasing Managers Index (PMI) for manufacturing fell below 50 again in October. The U.S. and Japan also appear to lack momentum, particularly in manufacturing. In the Euro Zone the decline seems even more serious. Business confidence in emerging Asian countries is also fragile, weighed down by high interest rates and a slowdown of the Chinese economy. On the other hand, India has maintained a high level of business confidence.

### ▽ Major Country/Euro Zone PMI Heat Map

		2022		2023										
		11	12	1	2	3	4	5	6	7	8	9	10	11
U.S.	composite	46.4	45.0	46.8	50.1	52.3	53.4	54.3	53.2	52.0	50.2	50.2	50.7	50.7
Euro Zone	composite	47.8	49.3	50.3	52.0	53.7	54.1	52.8	49.9	48.6	46.7	47.2	46.5	47.6
China	manufacturing	48.0	47.0	50.1	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4
Japan	composite	48.9	49.7	50.7	51.1	52.9	52.9	54.3	52.1	52.2	52.6	52.1	50.5	49.6
Korea	manufacturing	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0
Indonesia	manufacturing	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7
Vietnam	manufacturing	47.4	46.4	47.4	51.2	47.7	46.7	45.3	46.2	48.7	50.5	49.7	49.6	47.3
Philippines	manufacturing	52.7	53.1	53.5	52.7	52.5	51.4	52.2	50.9	51.9	49.7	50.6	52.4	52.7
Thailand	manufacturing	51.1	52.5	54.5	54.8	53.1	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6
Malaysia	manufacturing	47.9	47.8	46.5	48.4	48.8	48.8	47.8	47.7	47.8	47.8	46.8	46.8	47.9
Singapore	manufacturing	49.8	49.7	49.8	50.0	49.9	49.7	49.5	49.7	49.8	49.9	50.1	50.2	50.3
Australia	composite	48.0	47.5	48.5	50.6	48.5	53.0	51.6	50.1	48.2	48.0	51.5	47.6	46.2
India	composite	56.7	59.4	57.5	59.0	58.4	61.6	61.6	59.4	61.9	60.9	61.0	58.4	57.4
Turkey	manufacturing	45.7	48.1	50.1	50.1	50.9	51.5	51.5	51.5	49.9	49.0	49.6	48.4	47.2
Egypt	composite	45.4	47.2	45.5	46.9	46.7	47.3	47.8	49.1	49.2	49.2	48.7	47.9	48.4
South Africa	composite	50.6	50.2	48.7	50.5	49.7	49.6	47.9	48.7	48.2	51.0	49.9	48.9	50.0
Brazil	Composite	49.8	49.1	49.9	49.7	50.7	51.8	52.3	51.5	49.6	50.6	49.0	50.3	50.7
Mexico	manufact	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5

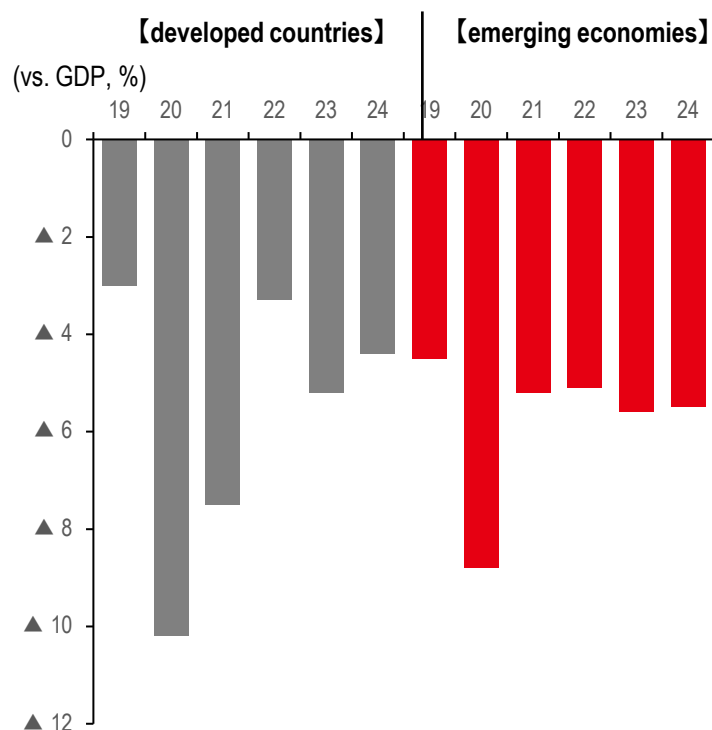
Source: Marubeni Research Institute from LSEG, China's Bureau of National Statistics, S&P data (greater than 50 indicates economic expansion, less than 50 indicates contraction)

# Government Debt Continues to Grow

## Countries have varying degrees of commitment to rebuilding finances from the fiscal deterioration caused by the Covid crisis

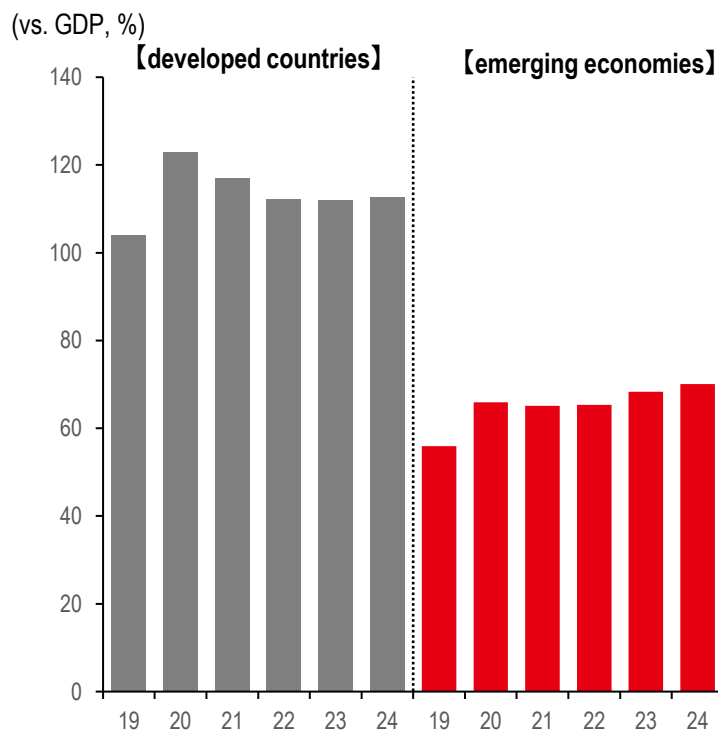
- Government debt levels reached record highs in response to the Covid crisis. In addition to economic stimulus measures that continued even after the Covid pandemic subsided, spending is expected to continue to expand in response to climate change and the expansion of industrial policy.
- Although government debt to GDP ratios have been on the decline in many countries, the extent of fiscal reconstruction differs among countries.

### ▽ Fiscal Balance



Source: Marubeni Research Institute from IMF "Fiscal Monitor" (10/2023) data

### ▽ Government Debt Balance



Source: Marubeni Research Institute from IMF "Fiscal Monitor" (10/2023) data

### ▽ Government Debt as a % of GDP

	2019	2020	2023
U.S.	108.7	135.5↑	122.2↓
Canada	90.2	118.9↑	105.1↓
Germany	58.9	68.0↑	67.2↓
France	97.4	114.7↑	111.4↓
Italy	134.1	154.9↑	140.3↓
UK	84.5	105.6↑	106.3↑
Japan	236.4	258.7↑	258.2↓
China	60.4	70.1↑	82.4↑
Indonesia	30.6	39.7↑	39.1↓
India	75.0	88.5↑	83.2↓
Middle East/North Africa	43.9	55.4↑	42.5↓
Latin America	68.3	77.3↑	68.6↓

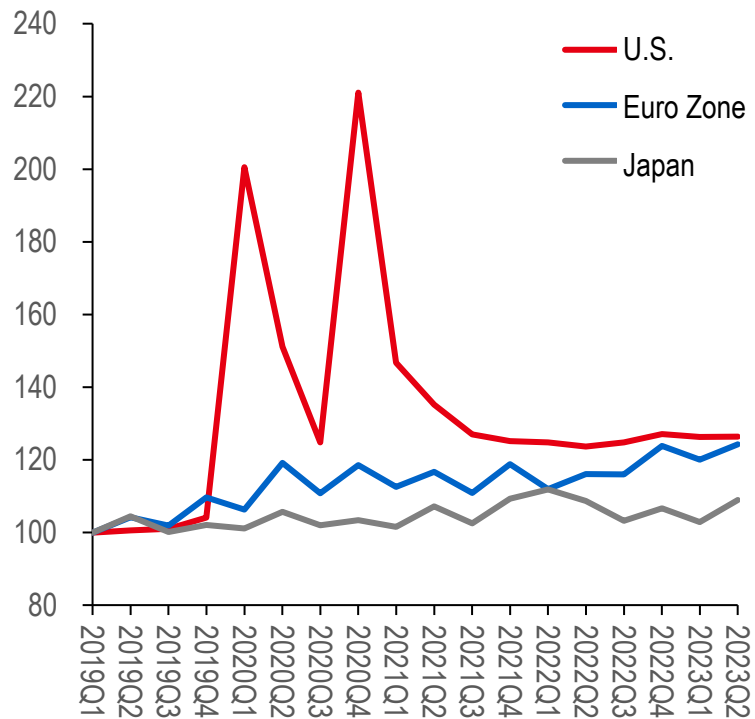
Source: Marubeni Research Institute from IMF "Fiscal Monitor" (10/2023) data

# Household and Corporate Balance Sheets Improving

## Government transferred money to households and businesses as benefits due to the Covid pandemic

- During the coronavirus pandemic, the government implemented extensive economic policies (handouts) resulting in increased income transfers from the government to households.
- Consequently, household savings grew in 2020-2021 in the first half of the Covid crisis. On the other hand, this began to reverse after 2022 as the economy began to normalize.
- Companies increased savings (cash and deposits) due to government's generous support measures.

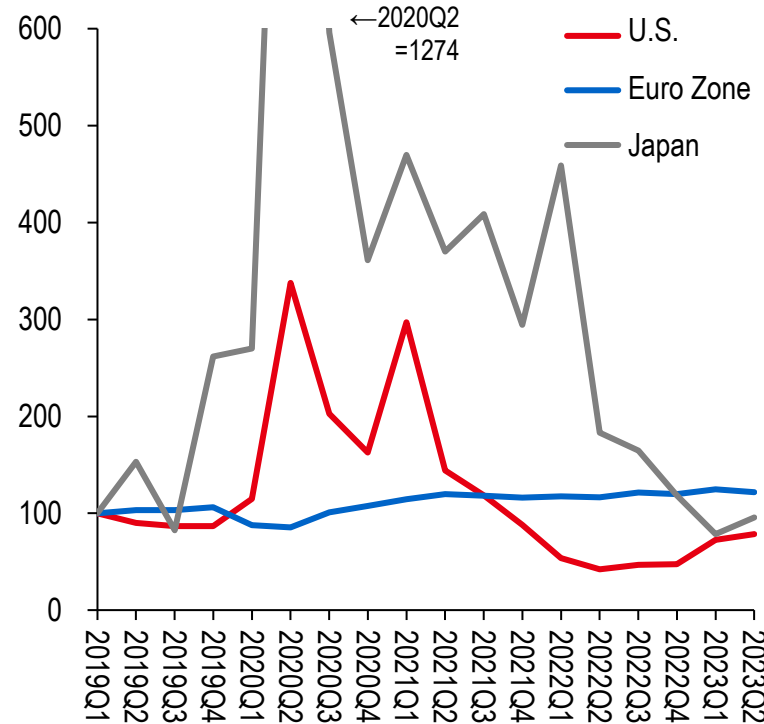
### ▽ Government Income Transfers to Households



(Q1 2019=100)

Source: Marubeni Research Institute from FRED, ECB, Japan Cabinet Office data

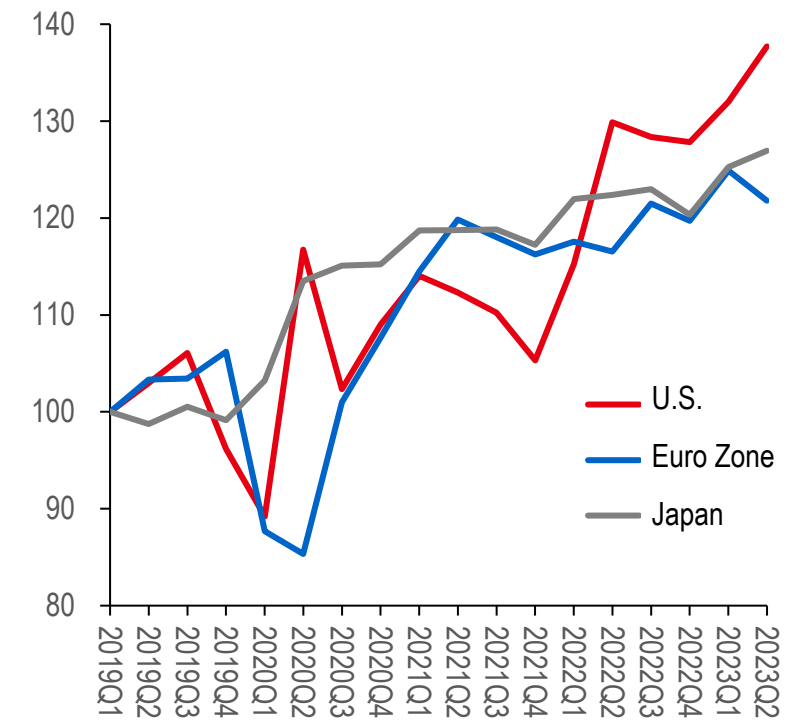
### ▽ Household Savings



(Q1 2019 =100, seasonally adjusted)

Source: Marubeni Research Institute from CEIC, ECB, BOJ data

### ▽ Company Savings



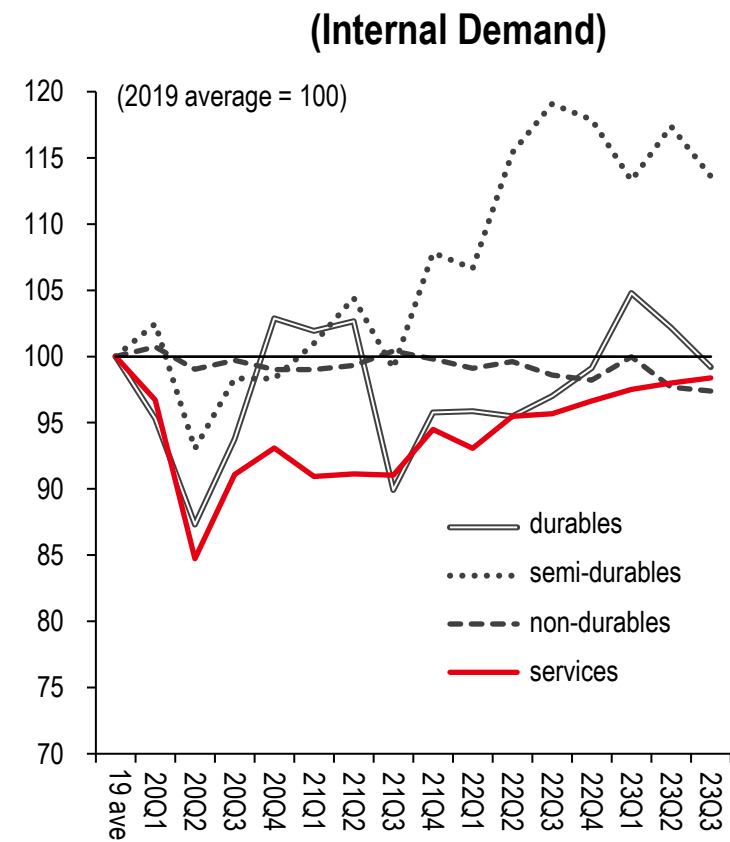
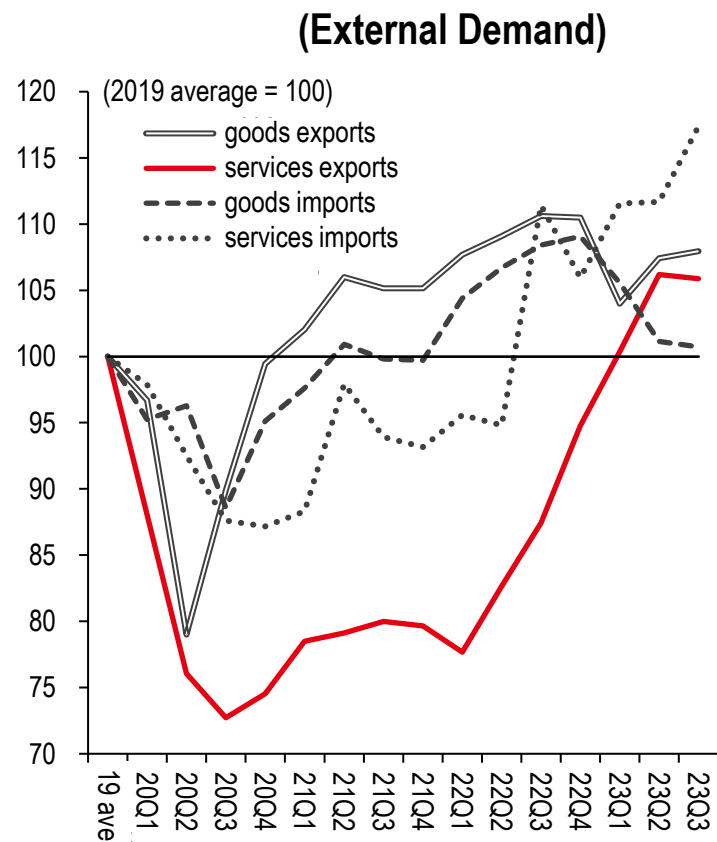
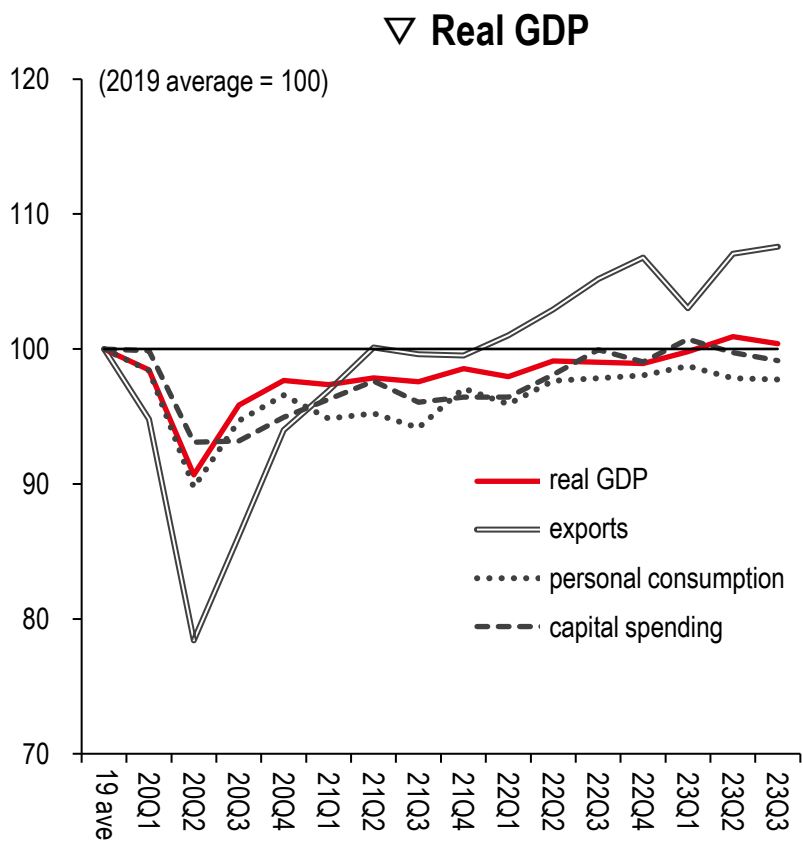
(Q1 2019=100, seasonally adjusted)

Source: Marubeni Research Institute from FRED, ECB, BOJ data

# Recent Situation: Looking Back at 2023

## Japan's economy has recovered to pre-Covid levels, though consumption of services has stalled

• A moderate recovery in Japan that has been driven by pent-up demand as the impact of Covid eased (Covid downgraded to class 5). Also, highest wage increases in 30 years against the backdrop of high prices (inflation). While external demand has been hampered by a slowdown in overseas economies, the easing of semiconductor shortages and retraction of border entry restrictions are providing a tailwind for the economy. Services consumption is still recovering though.



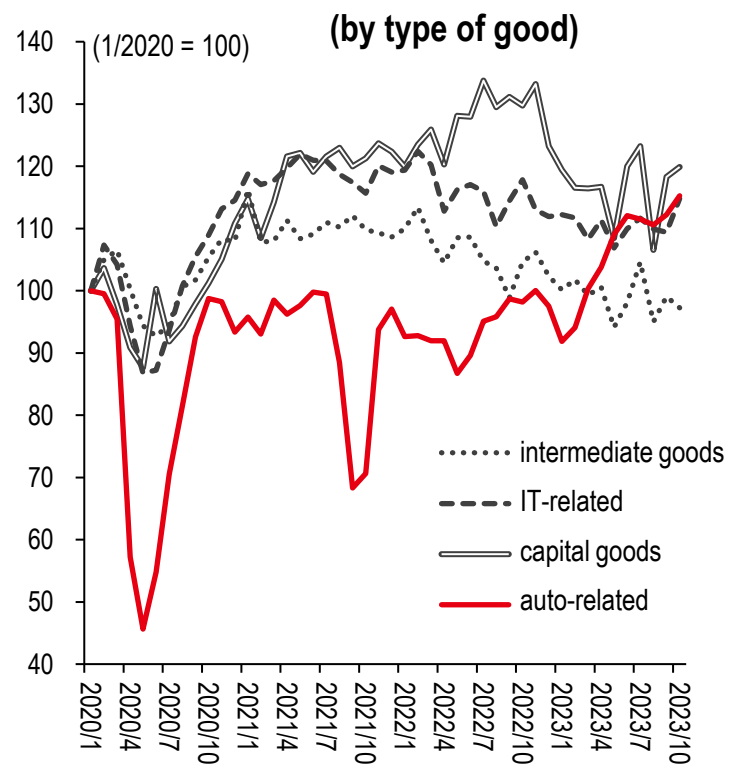
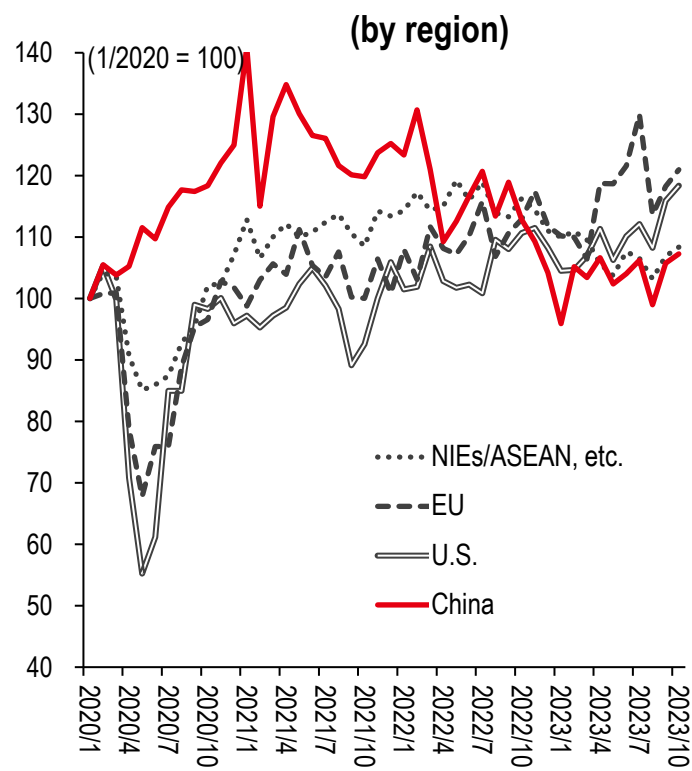
Source: Marubeni Research Institute from Japan Cabinet Office data

# Outlook: Exports

## Semiconductor shortage reductions/inbound tourism recovery peak, exports hindered by overseas economy slowdown

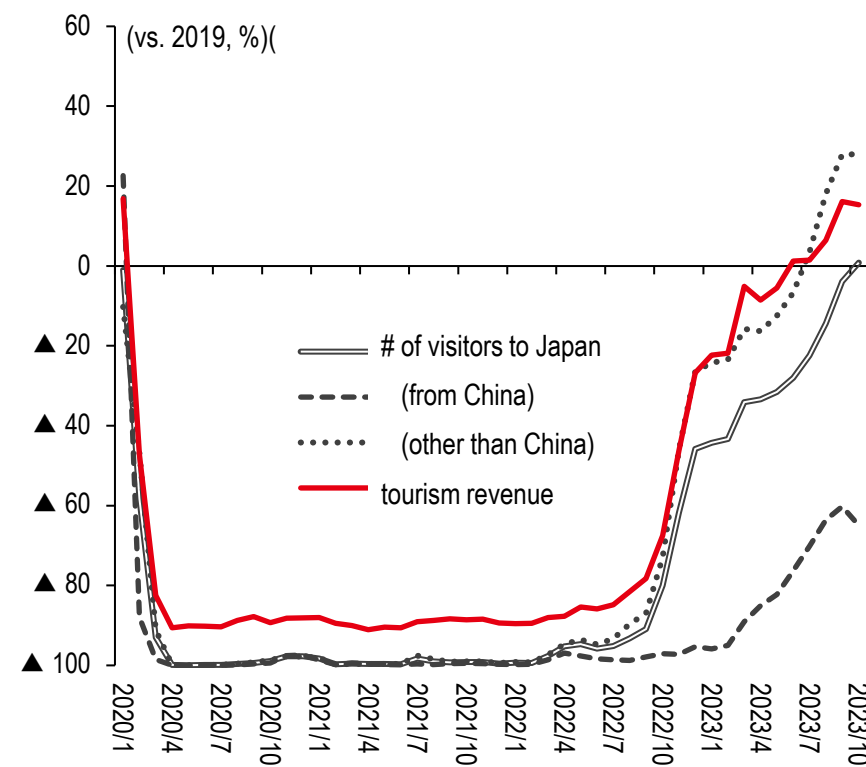
- Japan's economy is expected to slow in the first half of the year owing to decelerating overseas economies and as such temporary favorable factors as the mitigation of semiconductor shortages and recovery in inbound tourism fade. There is still room though for a recovery in the number of Chinese visitors to Japan but note that it may not return to pre-Covid levels due to the China's economic stagnation and adverse reaction to the release of treated water from some of Japan's nuclear power plants.

### ▽ Real Exports



Source: Marubeni Research Institute from BOJ data

### ▽ Service Exports (inbound tourism)

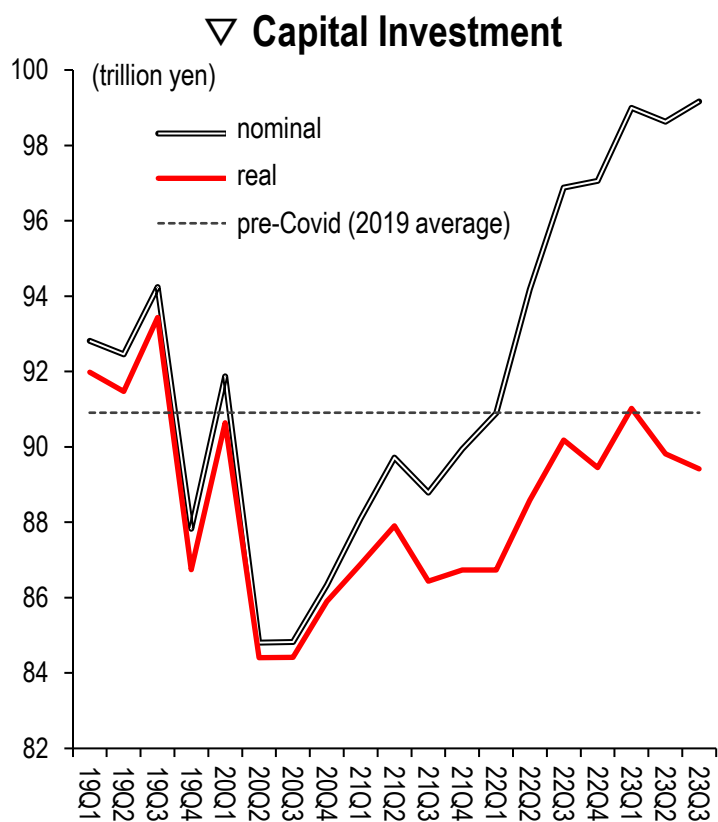


Source: Marubeni Research Institute from Japan National Tourist Bureau, BOJ data

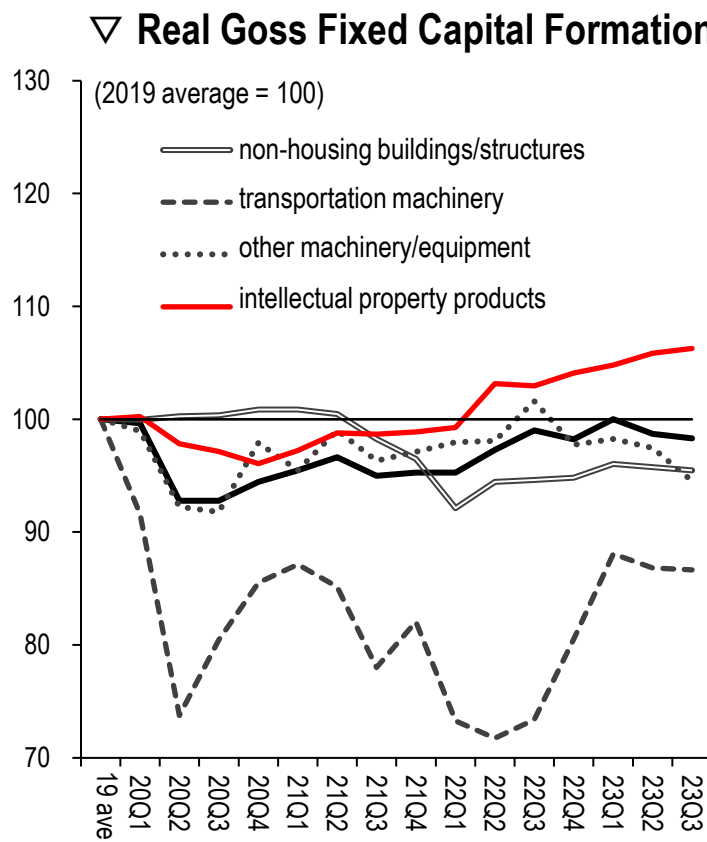
# Outlook: Capital Investment

## On the back of robust corporate profits, private sector appetite for capital spending strong

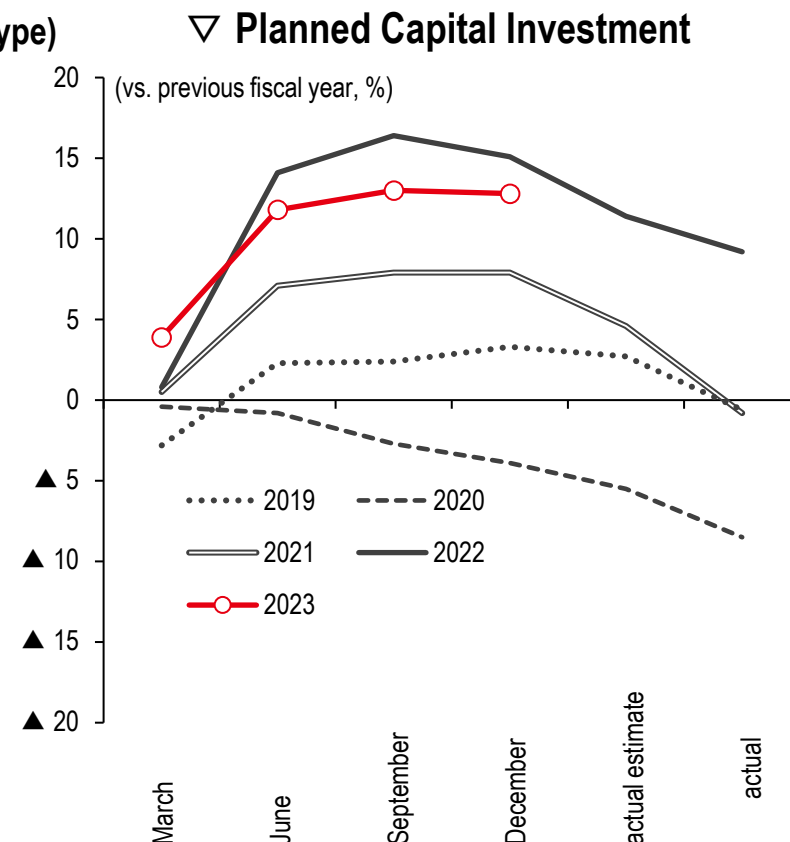
- Real capital investment, which had been put off during the Covid crisis, has recovered to pre-Covid levels. Despite sluggish overseas economies acting as a drag on Japan's economy, investment to replace aging equipment, labor-saving spending in response to labor shortages, and investment related to decarbonization and digitalization is expected to continue. With healthy corporate earnings as a backdrop, companies' inclination to invest remains high for the second consecutive year.



Source: Marubeni Research Institute from Japan Cabinet Office data



Source: Marubeni Research Institute from Japan Cabinet Office data

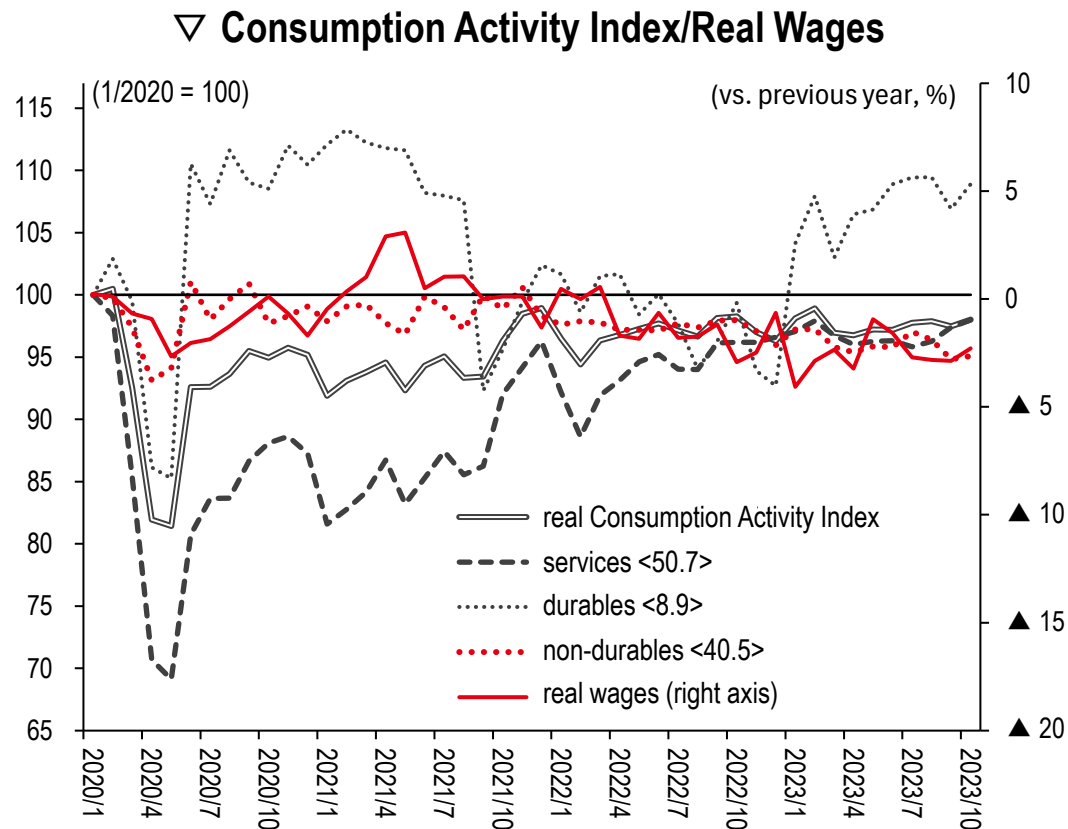


Source: Marubeni Research Institute from BOJ data

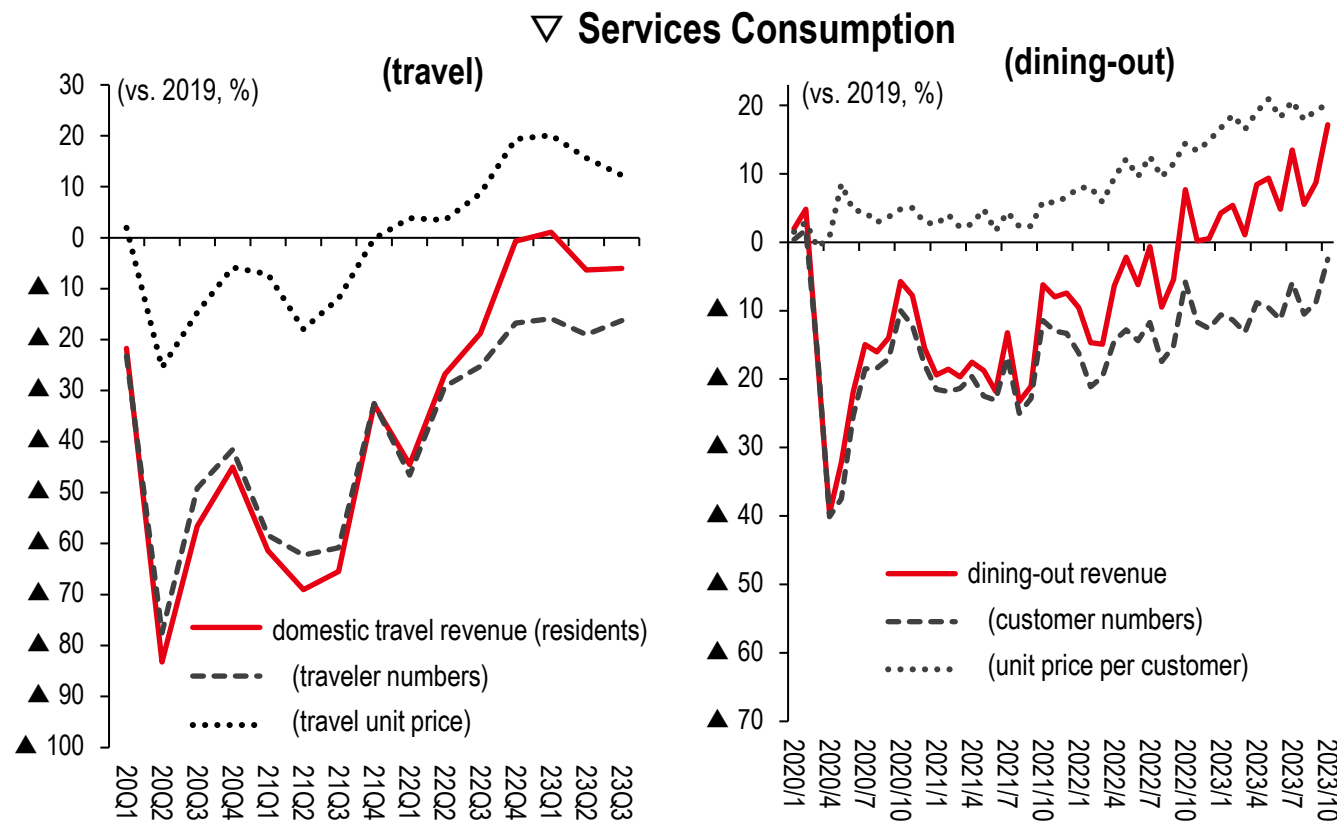
# Outlook: Personal Consumption

**Although high prices are weighing consumption down, with ample room for it, services consumption should gradually recover**

- Due to high prices and stagnant real wages, consumption of non-durable products like food are weak. Consumption in the automobile and service sectors has been trending upward ever since the semiconductor shortage and the impact of Covid eased. A moderate recovery in personal consumption is expected driven by services consumption, which still has room to rebound based on the lower than normal number of customers.



Source: Marubeni Research Institute from BOJ, Japan Ministry of Health Labor and Welfare data



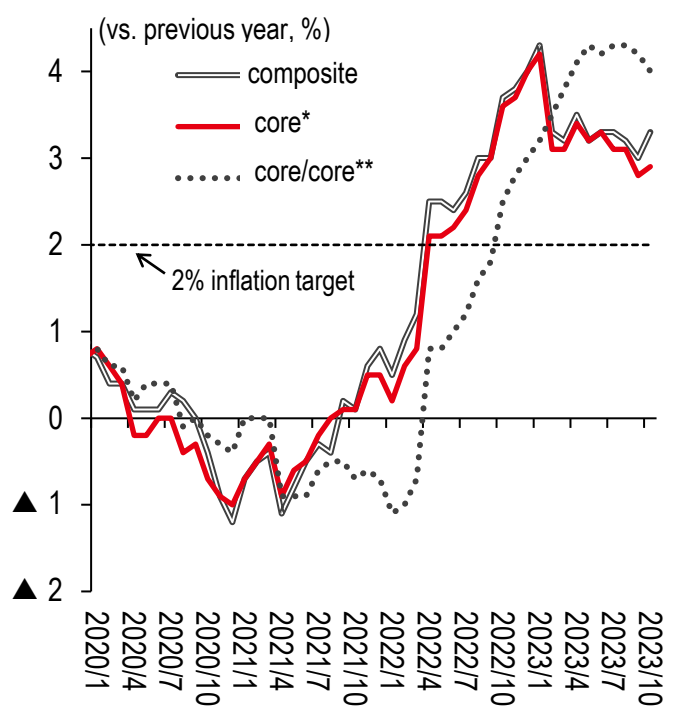
Source: Marubeni Research Institute from Japan Tourism Agency, Food Service Association data

# Outlook: Prices

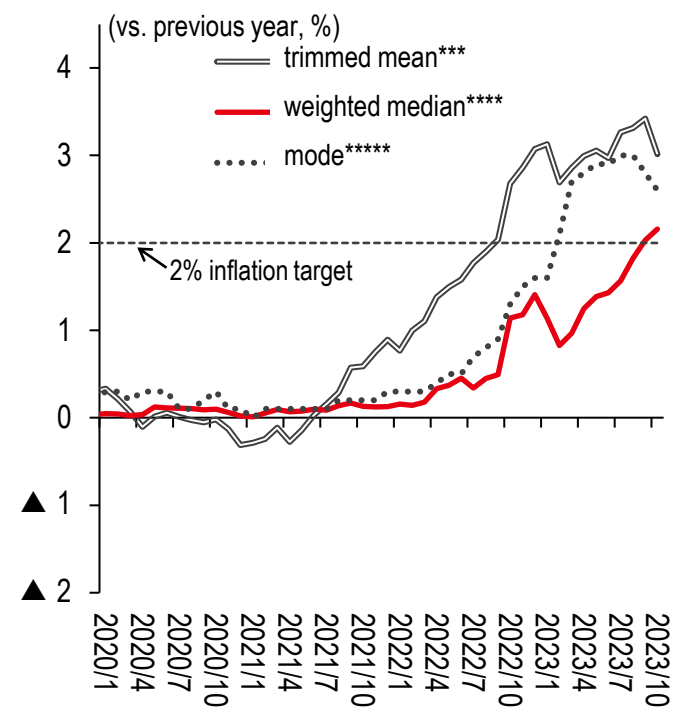
## Prices remain high due to higher costs being passed down - Focus will be on raw material prices/labor costs and price shifting

- As import prices declined the rate of increase in consumer prices was expected to slow, but as costs passed down through the supply chain persisted longer than expected, overall prices (inflation) remained high averaging around 3%. Looking ahead, goods prices are expected to decline on the back of falling import prices, while service prices are expected to rise moderately if wages also continue to rise.

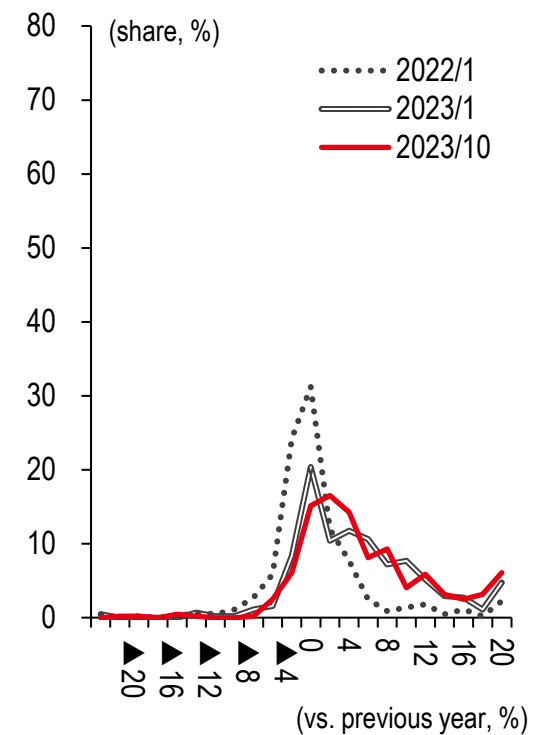
### ▽ Consumer Price Index



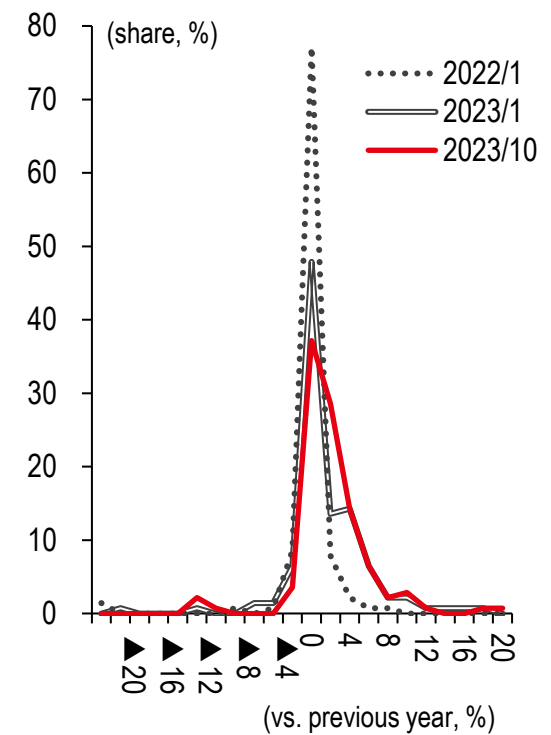
### ▽ Underlying Inflation Measures



### ▽ Distribution of Goods



### ▽ Distribution of Services



Note: \*Core is the composite (overall) excluding fresh food. \*\*Core/core is the composite excluding fresh food and energy.  
 \*\*\*Trimmed mean is obtained by excluding the upper and lower ends (here, the 10 percent ends) of the price change distribution adjusted for the item's weight in the CPI  
 \*\*\*\*Weighted median is the weighted average of the inflation rates of the items at around the 50th percentile point of the distribution.  
 \*\*\*\*\*Mode is the inflation rate with the highest density in the distribution.

Note: Shows the distribution percentage in the rate of increase for each good and service in the consumer price index (the horizontal axis is divided into 2% increments from the displayed value, and the number of items within that range is counted)  
 Source: Marubeni Research Institute from Japan Ministry of Internal Affairs and Communications data

Source: Marubeni Research Institute from Japan Ministry of Internal Affairs and Communications data

Source: Marubeni Research Institute from BOJ data

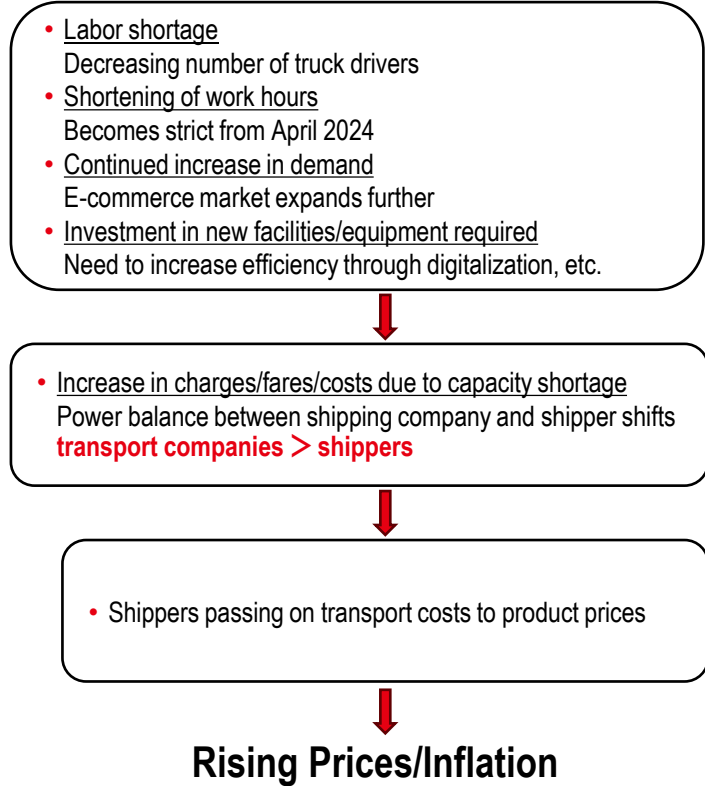


# 2024 Logistics Issues

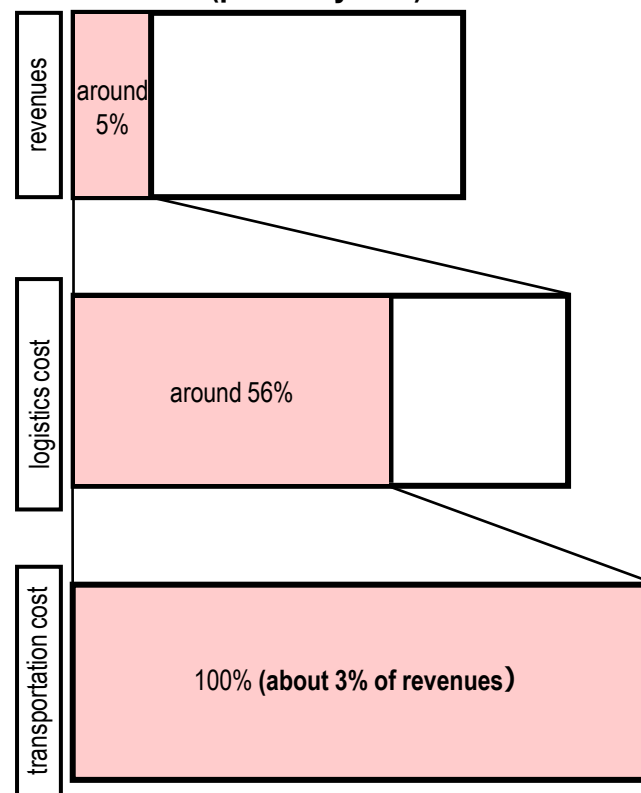
## Longer transport lead times and driver shortages result in a reduction in transport capacity

- From April 2024, the Work Style Reform Act will be applied to the transportation industry. Transportation lead times will be longer due to regulations that cap overtime work, etc.
- Coupled with driver shortages and ensuing decrease in transportation capacity, transportation fares/costs are rising. Increased transport costs are passed on to product prices.
- Transportation logistics standardization, cooperation between transport companies/shippers (joint transport, relay transport, warehouse IoT, etc.) active use of autonomous driving, etc. will become important.

### ▽ Rising Prices = Reduced Transport Capacity

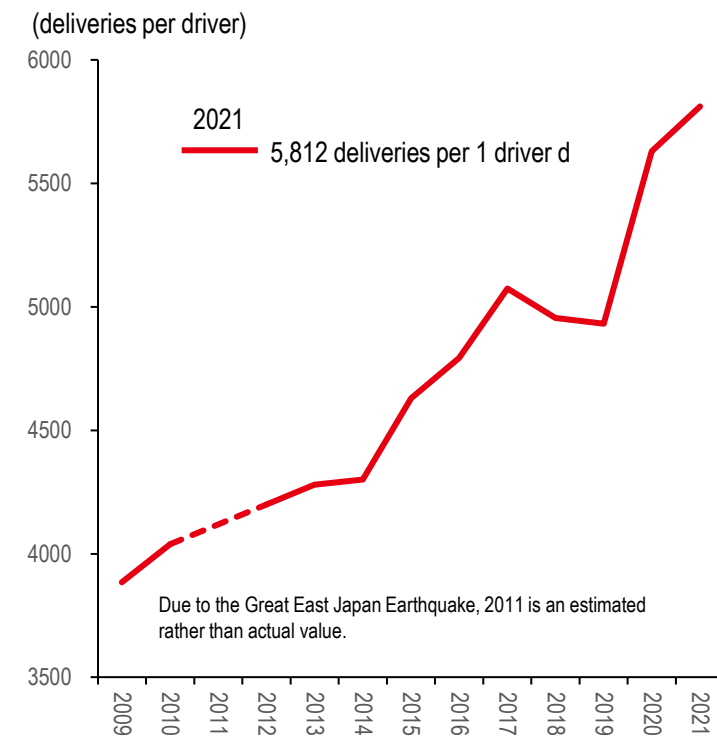


### ▽ Logistics Cost/Transportation Cost Correlation (past 27 years)



Source: Marubeni Research Institute from Japan Institute of Logistics Systems data

### ▽ Number of Home Deliveries per Truck Driver



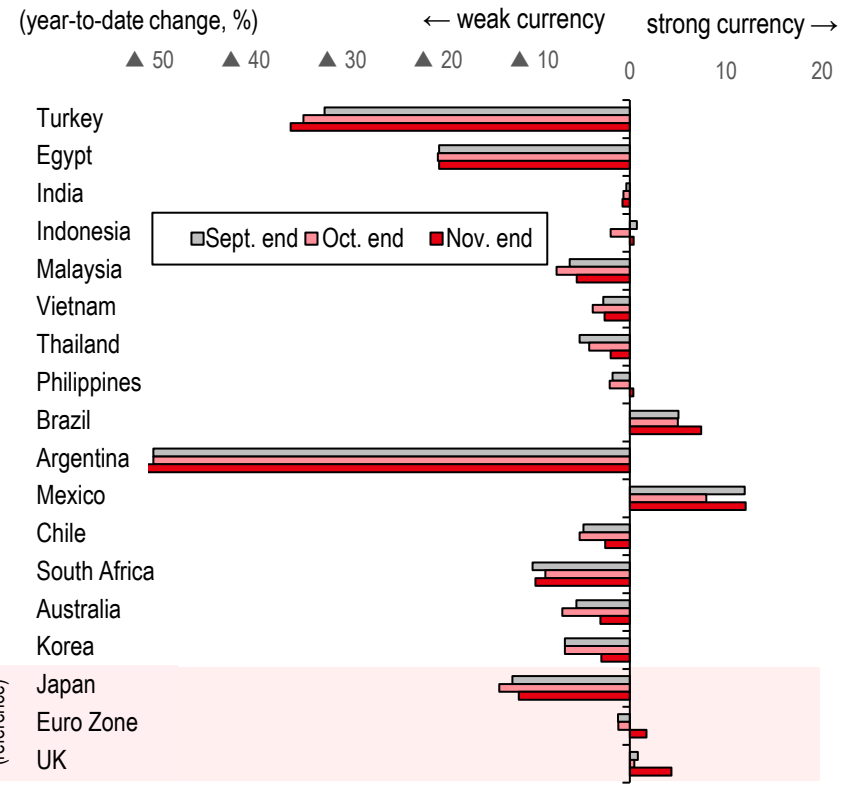
Source: Marubeni Research Institute from Japan Ministry of Internal Affairs and Communications, Ministry of Land, Infrastructure, Transport and Tourism data

# Emerging Economies (Exchange Rates/Prices/Policy Interest Rates)

## Emerging Asian economies cautious over interest rate cuts amid persistent inflation fears and currency depreciation pressures

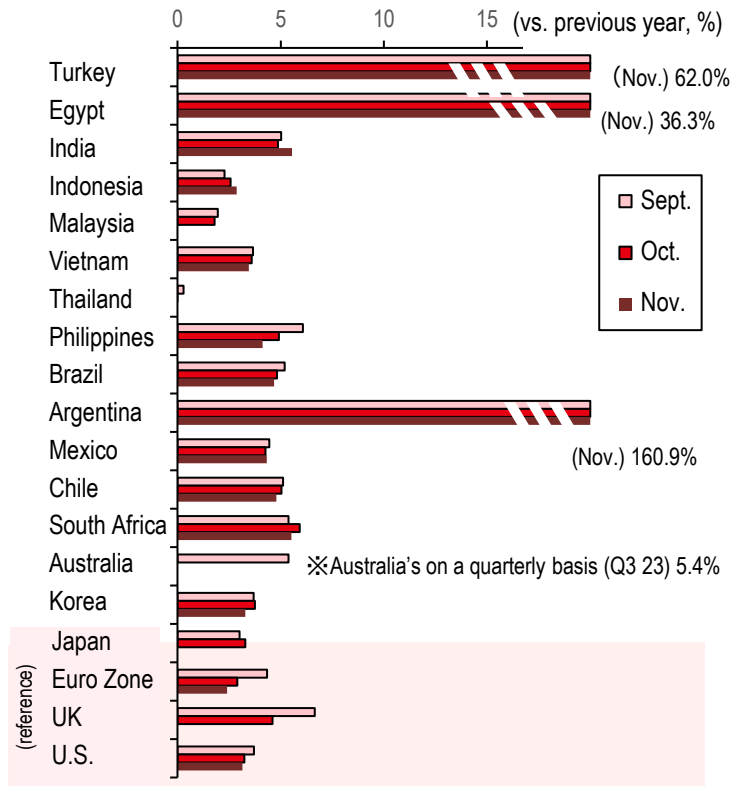
• The dollar has remained firm against the backdrop of a strong US economy with dogged depreciation pressure on currencies of emerging countries. Inflation has subsided in many countries, but financial authorities remain wary of imported inflation risks due to high energy and food prices and currency depreciation. There are signs of a coordinated rate cut in Latin America where interest rates were raised early on, however, emerging Asian economies generally remain cautious about lowering rates.

### ▽ Exchange Rate (vs. \$)



Source: Marubeni Research Institute from LSEG data

### ▽ Consumer Price Index (CPI)



Source: Marubeni Research Institute from CEIC data, various media reports

### ▽ Policy Interest rate

Country	Interest Rate	Recent Trends, Central Bank Policies, etc.
Turkey	42.50%	(12/21) 2.50% <b>rate hike</b> (next hike on 1/25 to be narrower)
Egypt	19.75%**	(12/21) <b>left unchanged</b> (3 consecutive meetings, next on 2/1)
India	6.50%	(12/8) <b>left unchanged</b> (5 consecutive meetings, next on 2/8)
Indonesia	6.00%	(12/21) <b>left unchanged</b> (2 consecutive meetings, next in Feb.)
Malaysia	3.00%	(11/2) <b>left unchanged</b> (3 consecutive meetings, next on 1/24)
Vietnam	5.00%*	(6/16) 0.50% <b>rate cut</b> (4 rate cuts in 2023)
Thailand	2.50%	(11/29) <b>left unchanged</b> (rate hike at previous meeting, next on 2/7)
Philippines	6.50%	(12/14) <b>left unchanged</b> (2 consecutive meetings, next in Feb.)
Brazil	11.75%	(12/13) 0.50% <b>rate cut</b> 4 consecutive meetings, next on 1/31)
Argentina	133.00%	(10/12) 15.00% <b>rate hike</b> (Nov. inflation rate was 160.9%)
Mexico	11.25%	(12/14) <b>left unchanged</b> (6 consecutive meetings, next in Feb.)
Cjhile	8.25%	(12/19) 0.75% <b>rate cut</b> (rate cuts to be expanded, next in Jan.)
South Africa	8.25%	(11/23) <b>left unchanged</b> (3 consecutive meetings)
Australia	4.35%	(12/5) <b>left unchanged</b> (rate hike at previous meeting, next on 2/6)
Korea	3.50%	(11/30) <b>left unchanged</b> (7 consecutive meetings, next on 1/14)

\* refinance rate, \*\* savings rate

Source: Marubeni Research Institute from CEIC data, various media reports

## General View of Main ASEAN Countries

### Although inflation has subsided, currencies remain weak - Despite economic slowdown, mood cautious on monetary easing

- Although economies have generally slowed and inflation has eased due to sluggish external demand and a high interest rate climate, currencies have remained in a low range against the dollar, and financial authorities in each country are generally maintaining a cautious stance on monetary easing.

#### ▽ Main ASEAN Countries' Economies/Exchange Rates/Prices/Interest Rates

	GDP Growth Rates (Q3 2023, vs. previous year)	Average Growth Rates (2015-2019)	Inflation Rates (Nov., vs. previous year)	Inflation Targets	Currency (Nov., year-to-date vs. \$)	Policy Interest Rate (as of 12/2020)	Policy Interest Rate Floor (lowest value since 2022)
Indonesia	+4.9% (▲0.1%pt)	+5.0%	+2.9% (within range)	1.5~3.5%	▲1.98%	6.00% (+2.50%pt)	3.50%
Thailand	+1.5% (▲1.9%pt)	+3.4%	▲0.4% (lower)	1.0~3.0%	▲4.23%	2.50% (+2.00%pt)	0.50%
Philippines	+5.9% (▲0.7%pt)	+6.6%	+4.1% (higher)	2.0~4.0%	▲2.10%	6.50% (+4.50%pt)	2.00%
Malaysia	+3.3% (▲1.6%pt)	+4.9%	+1.8% (lower)	2.0~3.0%	▲7.60%	3.00% (+1.25%pt)	1.75%
Vietnam	+5.3% (▲1.8%pt)	+7.1%	+3.4% (lower)	4.5%	▲3.87%	5.00% (+1.00%pt)	4.00% ※rate cut 3/2023
Singapore	+1.1% (▲2.1%pt)	+3.2%	+4.7% (higher)	2.0%弱	▲2.07%	-	-

Note: The red GDP figures above in parentheses are the difference between the 2023 growth rate and average growth rate from 2015-2019. Inflation rates are compared with the inflation targets and policy interest rates are compared with the lowest interest rates since 2022. Malaysia and Singapore inflation rates are as of October. The Monetary Authority of Singapore (MAS) has not set an explicit inflation target but has indicated that it would prefer a core inflation rate of just under 2.0%.

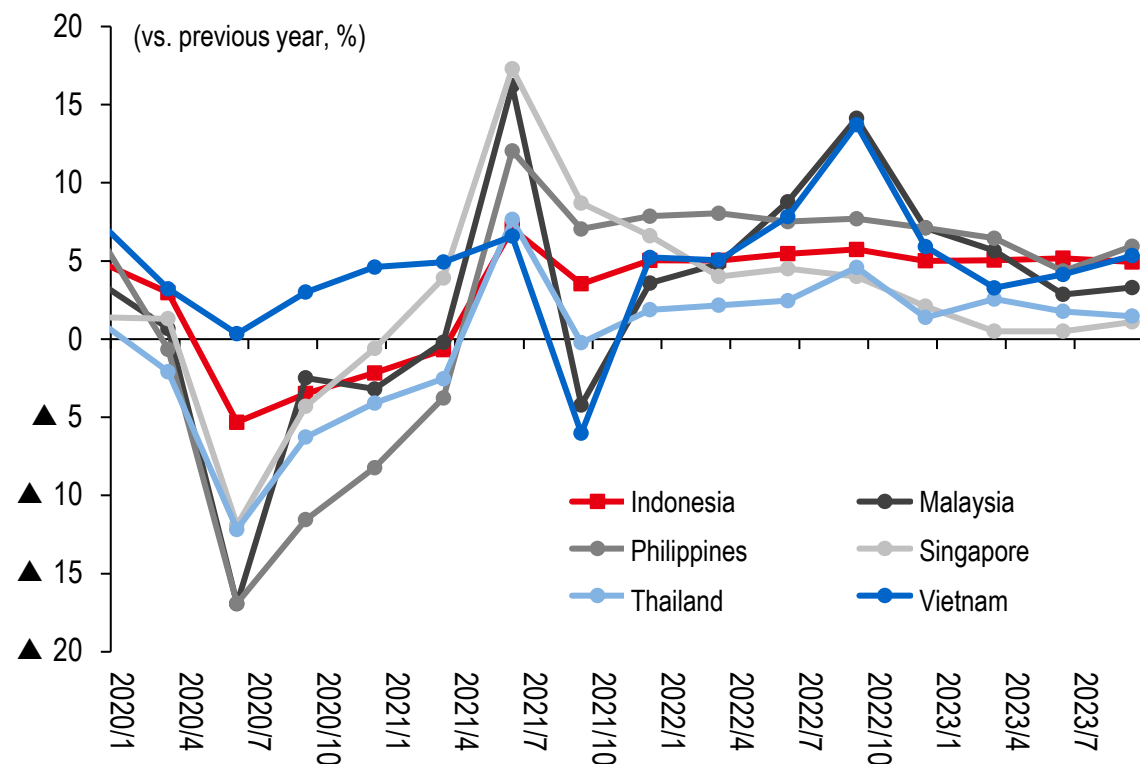
Source: Marubeni Research Institute from LSEG, CEIC, IMF, each country's central bank data

# GDP/Prices (Inflation)

## While domestic demand remains strong, a drop-off in external demand acts as a drag on an economic recovery

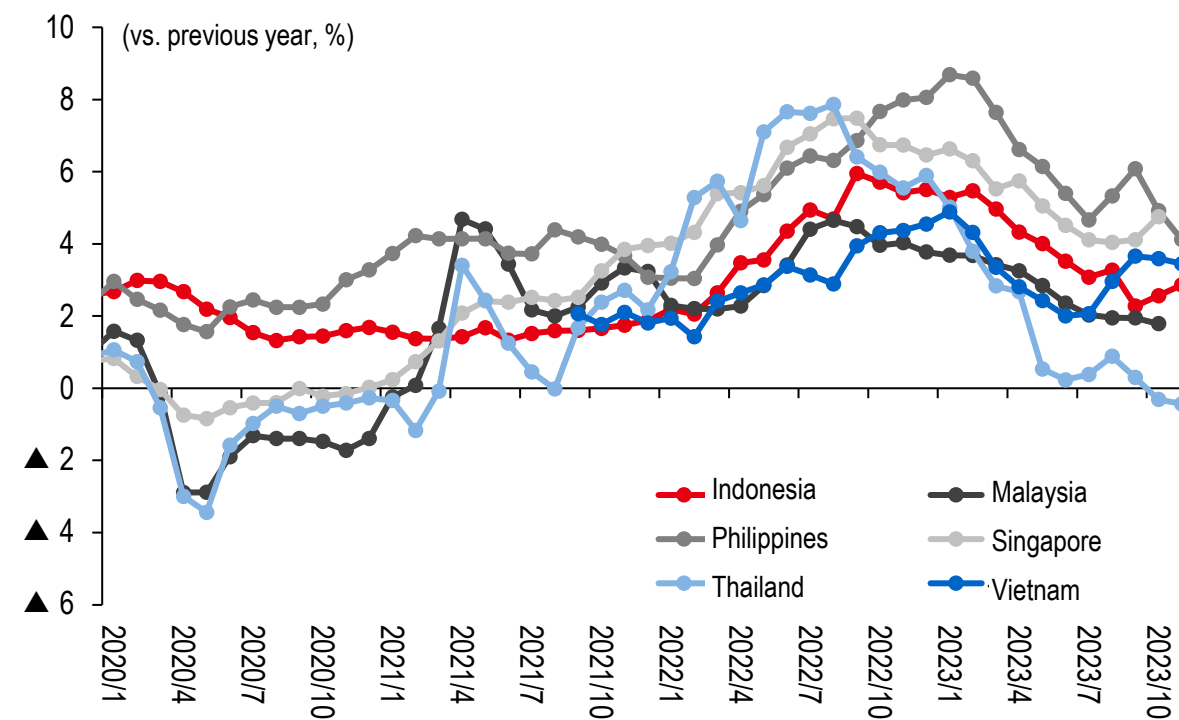
- In 2023, ASEAN economies will be driven by domestic demand spurred by services consumption and a recovery in foreign tourists due to the removal of entry restrictions stemming from the Covid pandemic. However, exports will continue to be sluggish due to a slowdown in the global economy centered on China. High interest rates and inflation also weigh on broader economic activity.
- In 2024, domestic demand will continue to expand steadily due to such factors such as easing inflation. Exports are expected to remain somewhat firm despite China's slump.

▽ Real GDP Growth Rate



Source: Marubeni Research Institute from CEIC data

▽ Consumer Price Index (CPI)



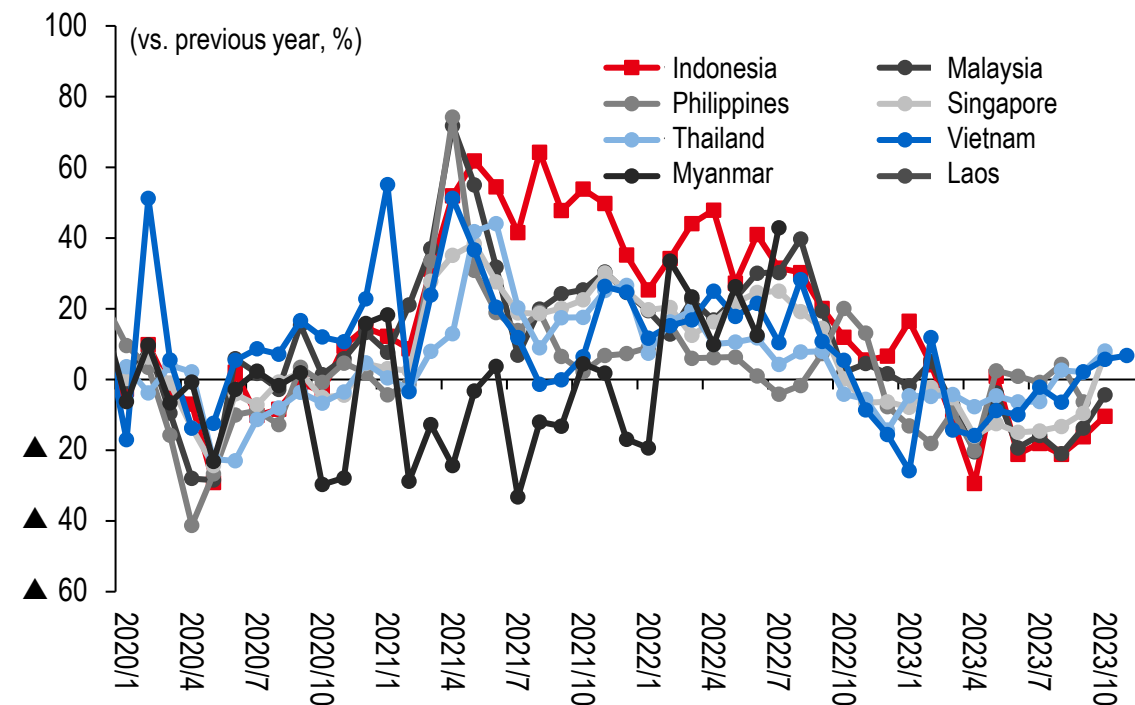
Source: Marubeni Research Institute from CEIC data

# Exports

## Exports have been generally weak, but may firm up in 2024 with signs of a recovery, especially in electrical/electronic products

- Net exports have been negative compared to the previous year due to China's economic slowdown but there are signs of a gradual recovery with exports likely to pick up in the 2nd half of 2024.
- While the sluggish Chinese economy will continue to hinder exports somewhat, exports as a whole are expected to be firm in 2024, with a pickup in electrical and electronics-related product exports as capital investment expands and the semiconductor cycle picks up. In particular, Malaysia should see a recovery in 2024 centered on its mainstay semiconductor-related industries.

### ▽ Exports (\$ base)

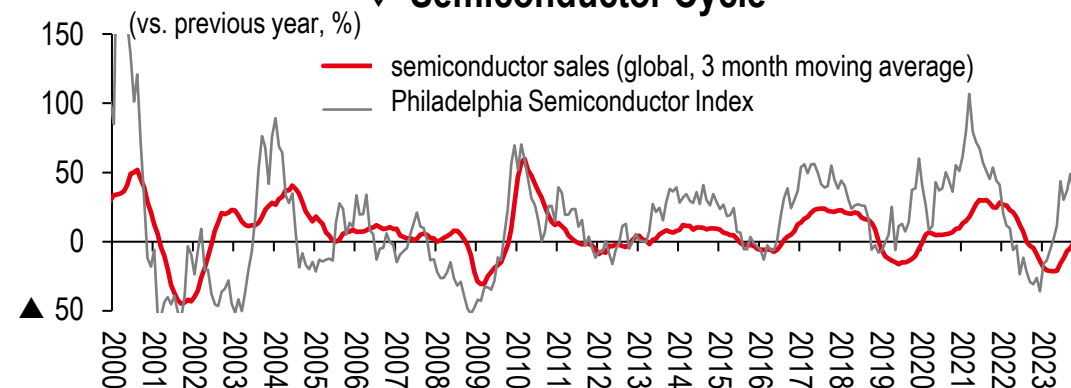


Source: Marubeni Research Institute from CEIC data

### ▽ Local Government/Research Organization Perceptions

Gvt./Research Body	Outlook
Singapore Monetary Authority (MAS)	The slowdown in Singapore's economy reached a turning point in Q3 of 2023 and should show gradual improvement through the 2nd half of 2024. The background to this is that <u>the global tech industry is on a recovery path</u> and interest rates are starting to fall worldwide.
Malaysia - MIDF Research	Exports began to <u>recover</u> in Q4 2023 <u>led by electrical and electronic products such as semiconductors</u> . 2024 should see economic growth of 4.5% YoY <u>buoyed by the continued upsurge in the semiconductor market</u> and increased demand in China.

### ▽ Semiconductor Cycle



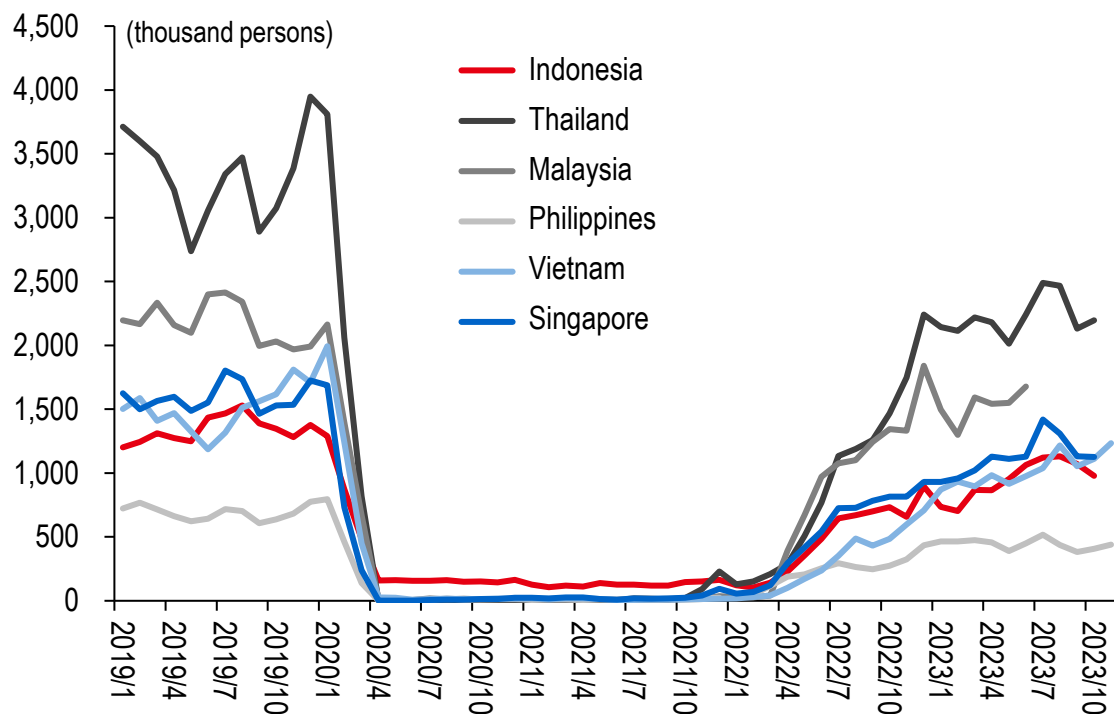
Source: Marubeni Research Institute from LSEG data

# Tourism

## Although the pace of return in tourists is slowing a bit, the overall increase is expected to continue in 2024

- The number of tourists continues to recover but the pace is gradually slowing. Some analysts attribute the sharp decline to a plummet in the number of Chinese tourists due to a deteriorating image of Southeast Asia being depicted on social networking sites and in movies.
- On the other hand, the general trend of an overall increase in the number of tourists is expected to continue in 2024. In addition to the expansion of airline routes in the region, tourism is also rising due the relaxation of related-regulations such as the easing of visa requirements for Chinese, Indian, and Russian tourists in Thailand, the largest tourist destination in the region.

### ▽ Foreign Tourist Numbers



Source: Marubeni Research Institute from CEIC data

### ▽ Expanding Routes to SE Asia (air routes + 1 train route)

- Singapore**
  - Singapore Airlines resumed operations on five routes to China from November 2023. The airline plans to connect 22 cities in China and operate 150 weekly flights by the end of the year
- Thailand**
  - Thailand's LCC Really Cool Airlines plans to start operations between Thailand and Japan, Hong Kong, Singapore, and Shanghai from Q2 2024.
  - Thailand's P80 Air plans to start operations to second-tier cities in China from Q4 2024.
  - Thailand's Landarch Airlines plans to launch short-haul routes connecting southern cities in April 2024.
- Vietnam**
  - Vietjet Air, a major LCC, is opening 11 new international routes to Australia, Indonesia, and India starting from Q2 2023.
- Malaysia**
  - Malaysia Airlines opens new international flights to three Indian cities (Amritsar, Thiruvananthapuram, Ahmedabad) in Q4 2023.
- Indonesia**
  - Starting December 2023, four airlines from China, India, and the UAE (Xiamen Airlines, Vistara Airlines, Indigo Airlines, and Etihad Airways) opened new routes to Bali's Ngurah Rai International Airport.
- Laos**
  - From November 2023, tourist trains from Beijing to Vientiane, Laos will began operating.

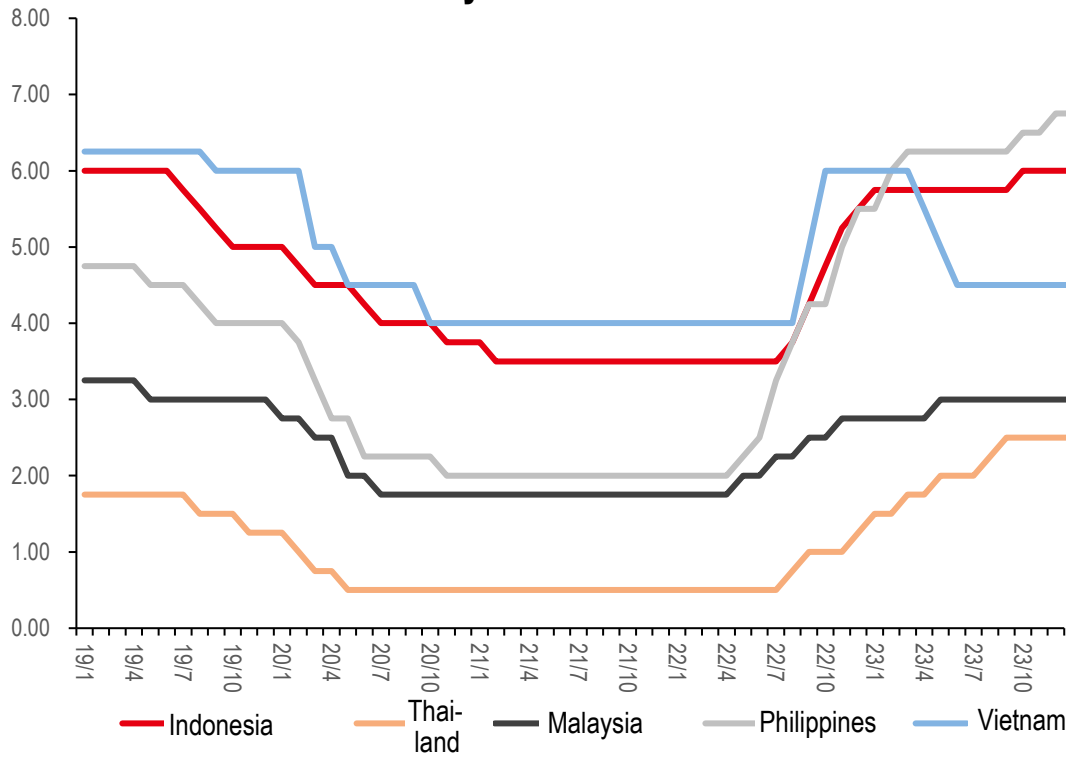
Source: Marubeni Research Institute from carious media reports

# Monetary Policy

## Despite subsiding inflation, caution on interest rate cuts reigns amid concerns over persistent currency depreciation pressures

- Inflation has leveled off in many of the major ASEAN countries, however fears over currency depreciation persist as the US maintains high interest rates, so in general these countries are taking a cautious stance on lowering interest rates. The exception is Vietnam where interest rates were cut in the 1st half of 2023 to stimulate the economy.
- Looking ahead, until the U.S. moves to cut interest rates (assumed to be mid-2024 or later), there is little likelihood of a shift to monetary easing in ASEAN countries.

▽ Policy Interest Rates



Source: Marubeni Research Institute from CEIC data

▽ Central Bank Movements in Each Country

Country	Recent Rate Responses	Future Outlook/Points of Interest
Indonesia	Oct. <b>rate hike</b> Nov./Dec. <b>left unchanged</b>	Rate hike in October due to weak rupiah and soaring food prices. Current interest rate level seems appropriate.
Thailand	Nov. <b>left unchanged</b> (1st time in 1 year and 5 months)	Current interest rate determined reasonable given slowing economy and inflation rate falling below the target rate.
Malaysia	Nov. <b>left unchanged</b>	Although the ringgit depreciated in October for the first time since the Asian financial crisis, the central bank recognized the strong macroeconomic situation.
Philippines	Oct. emergency <b>rate hike</b> Nov./Dec. <b>left unchanged</b>	An emergency interest rate hike was carried out in October. Although the perception is that high prices have eased, caution over inflation remains strong.
Vietnam	2023 <b>cut rate</b> 4 times	In response to a slowing economy due to sluggish exports interest rates were cut 4 times in 2023 with speculation of further cuts.

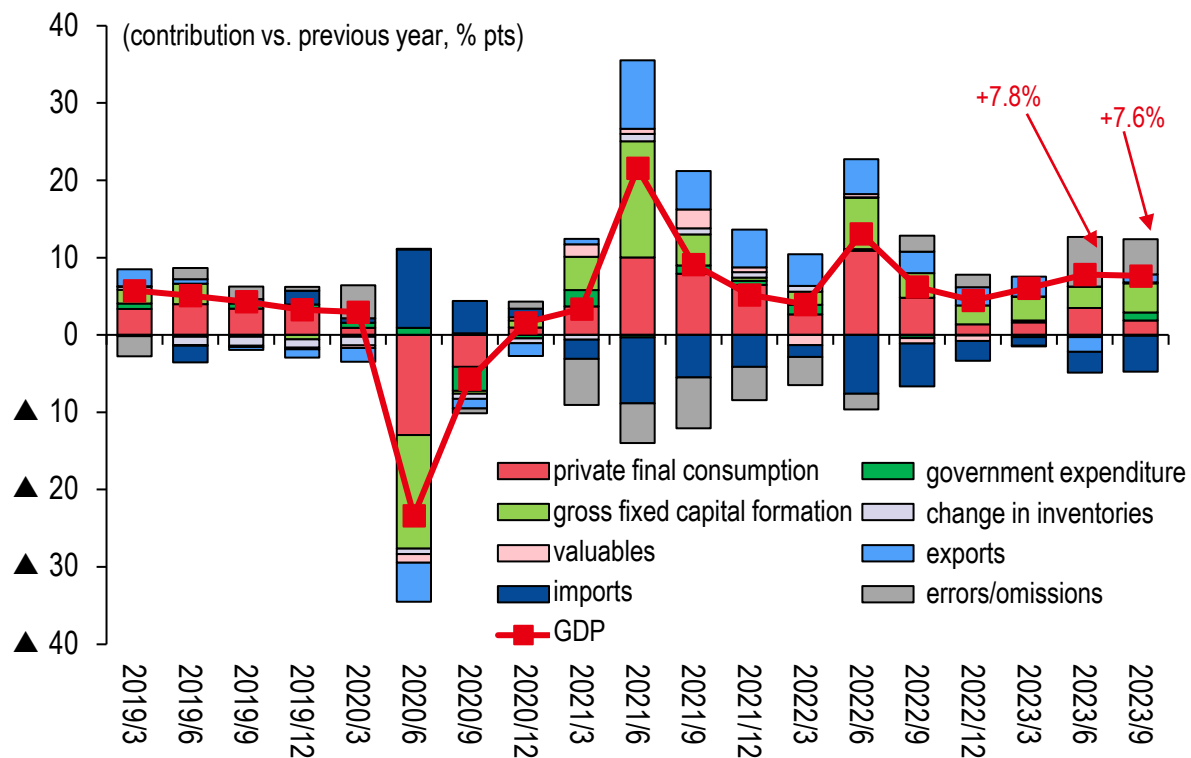
Source: Marubeni Research Institute based on information/data from each central bank

# GDP, Prices

## Slow external demand/soaring food price concerns but economy strong, led by personal consumption/infrastructure investment

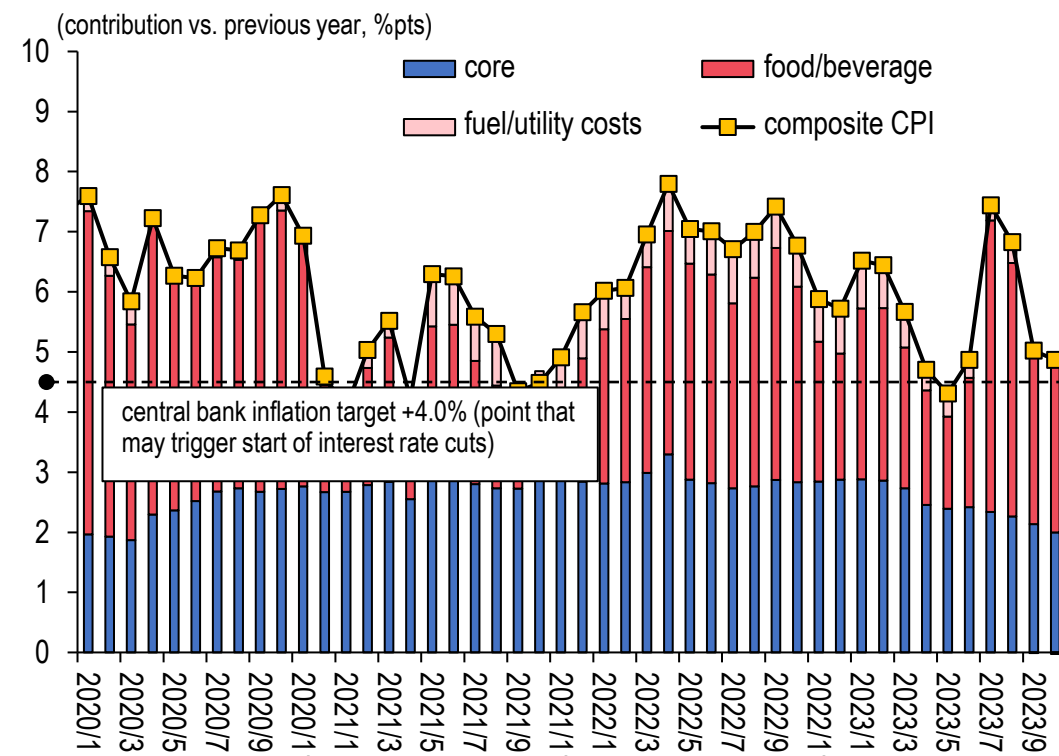
- Indian economy expanding steadily centered on consumer spending and infrastructure-related investment. Sluggish external demand weighs a bit heavily, but the impact is relatively small compared to other emerging countries
- The economy is expected to maintain strong growth in 2024 due to the government's infrastructure development support measures.
- The consumer price index (CPI) in October was up +4.9% year-on-year (+5.0% in September), having moved closer to the central bank's inflation target of +4.0% which would signal the possible start of interest rate cuts.

▽ Real GDP Growth Rate



Source: Marubeni Research Institute from CEIC data

▽ Consumer Price Index (CPI)



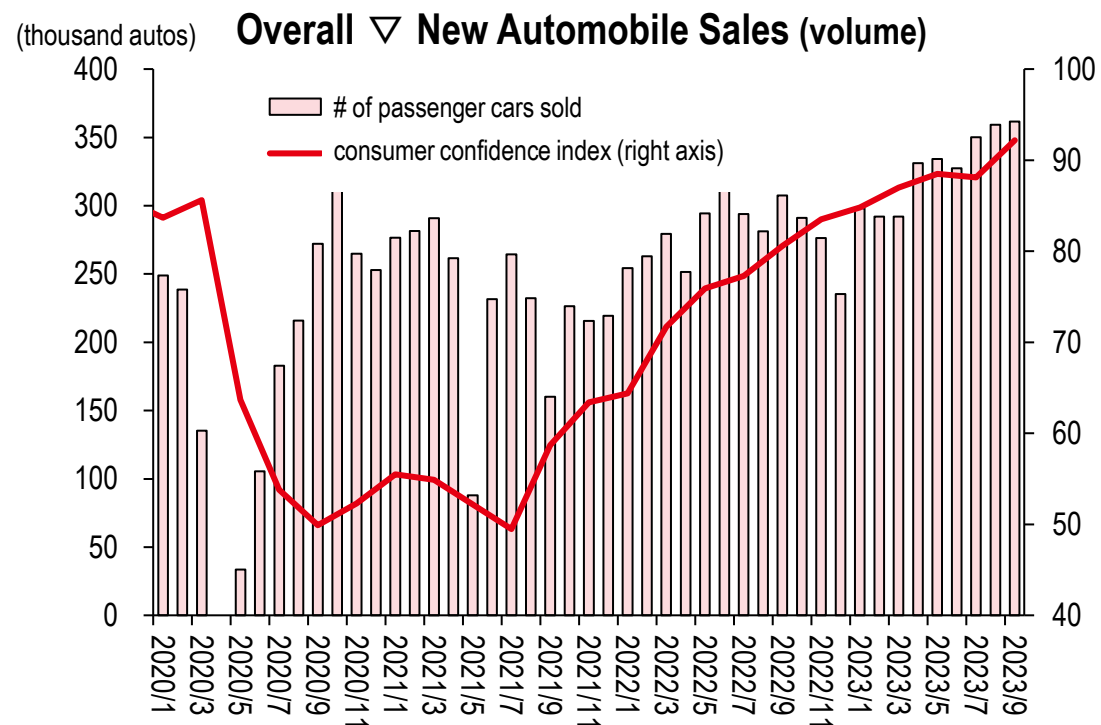
Source: Marubeni Research Institute from CEIC data



# Consumption/Production

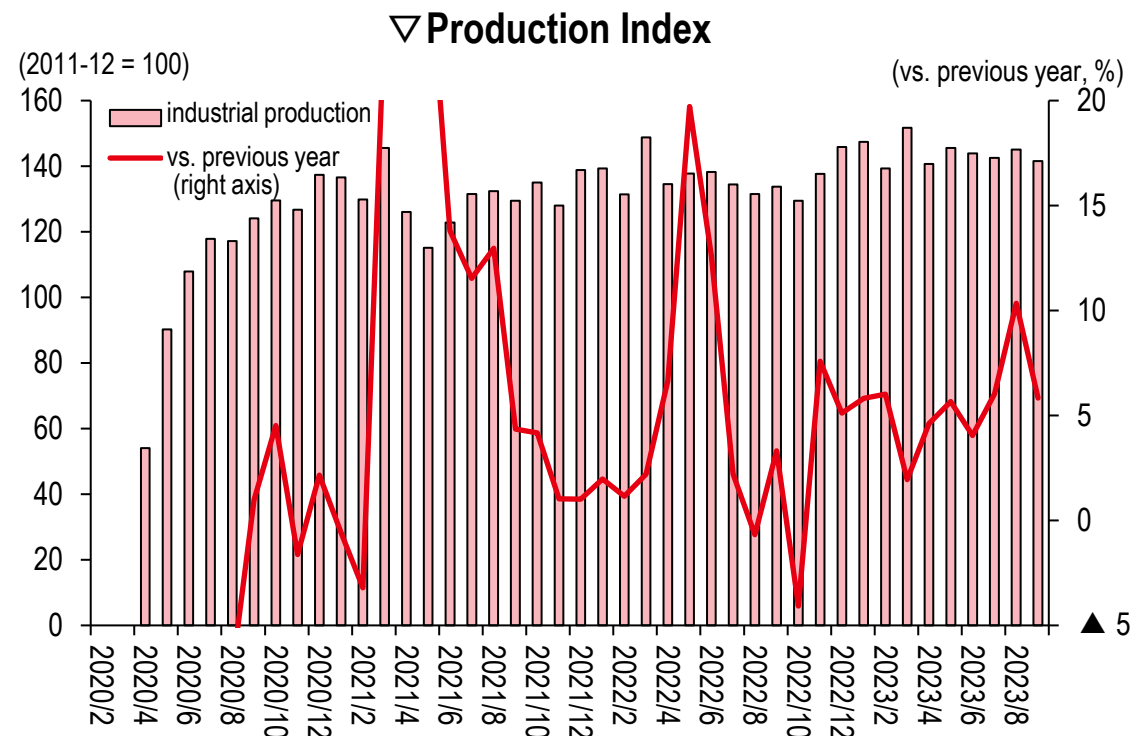
## Personal consumption and infrastructure-related investment strong

- Domestically, new car sales are increasing at a much faster pace than the same periods the year before. However, companies are planning to raise prices from the beginning of 2024, which may have a negative impact on consumer sentiment. Thus, there will likely be a surge in last minute demand (December) before prices go up.
- Industrial production slowed in the manufacturing and electric power sectors in September of 2023 due to the impact of heavy rains but is expected to continue expanding on the back of strong domestic demand and plant facilities expansion.



Note: The consumer confidence index is based on a Reserve Bank of India (RBI) survey (released bimonthly)

Source: Marubeni Research Institute from CEIC data



Source: Marubeni Research Institute from CEIC data

# Monetary Policy

## While the economy is strong, a cautious stance on interest rate cuts prevails over inflation and currency depreciation fears

- At the December meeting it was decided to keep the policy interest rate unchanged for the 5th consecutive meeting. As the economy is strong there is little need for stimulus measures but the outlook for inflation remains uncertain. Inflation is expected to linger just above the central bank's target (+4.0% year-on-year) during fiscal 2023.
- Under central bank policy as described above we expect interest rate cuts to start after mid-2024 following the general election (scheduled for April-May) and likely U.S. moves to cut interest rates.

### ▽ Monetary Policy Meeting Consensus/Contents (12 6-8)

#### ➤ General Outlook

- **Economy:** Domestic economic activity robust with GDP for the July-September period strong driven by investment and government spending.
- **Prices:** October's CPI stabilized at +4.9% vs. the previous year but risks remain for food prices, etc.
- **Production:** Rabi (dry season agriculture)\* planting is 2/3 complete. Manufacturing healthy due to easing cost pressures
- **Consumption:** Booming mainly in urban areas. Rural areas also showing signs of recovery.
- **Investment:** Accelerating due to government spending and corporate (business) optimism.

#### ➤ Policy Decisions

- **Policy interest rate (repo rate) left unchanged at 6.50%.** The Standing Deposit Facility (SDF) corridor floor rate remains unchanged at 6.25%; The Marginal Standing Deposit Facility (MSF) corridor ceiling rate and bank rate remain unchanged at 6.75%.
- The central bank decided to scale back its easing measures so that the inflation rate gradually approaches the central bank's target while giving consideration to economic growth.

#### ➤ Points of Concern

- Prolonged geopolitical turmoil, instability in global financial markets, and widening geographic and economic fragmentation are potential risks to this outlook.

\* Indian agriculture is broadly divided into the kharif (southwest monsoon season) wet season and the rabi (wheat, rapeseed, etc.) dry season.

Source: Marubeni Research Institute from Reserve Bank of India information/data

### ▽ India Central Bank's Outlook (12/6-8)

	4-6 (actua)	7-9 (actual)	10-12	1-3	Fiscal 2023	Fiscal 2024
<b>Real GDP Growth Rate</b>	+7.8%	+7.6%	+6.5%	+6.0%	+7.0%	-
	(+7.8%)	(+6.5%)	(+6.0%)	(+5.7%)	(+6.5%)	-
<b>CPI (vs. previous year, %)</b>	+4.6%	+6.2%	+5.6%	+5.2%	+5.4%	-
	(+4.6%)	(+6.2%)	(+5.7%)	(+5.2%)	(+5.4%)	-
<b>Policy Interest Rate (end of period)</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.00%
<b>Rupee (end of period, vs. \$)</b>	82.09	83.03	83.30	83.15	83.15	-

Note: Figures in parentheses are the previous forecast (10/2023).

Note: Policy interest and rupee rates are LSEG's consensus (survey date: 12/6/2023)

Source: Marubeni Research Institute from Reserve Bank of India, LSEG data

# Asia Emerging Economy Debt Risk: An Overview

## Worries over worsening debt in Laos, Myanmar, Bangladesh and others

- The prolonged global high interest rate environment is expected to continue to exert near-term pressure on emerging economy finances. There is increased wariness of potential default risks in fiscally fragile countries.
- In July of 2023 Sri Lanka, Bangladesh and Pakistan agreed to IMF bailouts.

### ▽ Overview of Debt Risks in Emerging Asian Economies (red: high risk)

	Real GDP Growth Rate (%)	Current Account Balance (vs GDP %)	Fiscal Balance (vs GDP %)	Government Debt (vs GDP %)	External Debt (vs GDP %)	Foreign Res. (% short-term foreign debt)	Foreign Cur. Res. (months of imports)	Change in External Res. (year-to-date %)	Inflation Rate (vs previous year %)	Currency (year-to-date change %)	Political Stability (World Bank)	5-year CDS Guarantee Rate	S&P	Moody's	Fitch
	2023	2023	2023	2023	23Q2	2022	2022	23Q3	2023	23Q3	2023	23Q3			
Indonesia	5.0	▲0.3	▲2.2	39.0	29.4	2.1	2.0	▲1.7	3.6	▲2.0	▲0.4	99.0	BBB	Baa2	BBB
Malaysia	4.0	2.7	▲4.7	66.9	60.3	0.8	1.6	▲3.9	2.9	▲7.6	0.1	65.3	A-	A3	BBB+
Philippines	5.3	▲3.0	▲4.8	57.6	27.1	3.9	2.5	2.0	5.8	▲2.0	▲0.7	90.6	BBB+	Baa2	BBB
Thailand	2.7	▲0.2	▲2.9	61.4	37.7	2.2	2.6	▲2.3	1.5	▲4.4	▲0.4	68.2	BBB+	Baa1	BBB+
Vietnam	4.7	0.2	▲1.3	34.0	31.4	1.3	0.9		3.4	▲3.9	▲0.0	142.4	BB+	Ba3	BB
Laos	4.0	▲2.6	▲3.4	121.7	120.7				28.1	▲16.1	0.8			Caa3	CCC-
Cambodia	5.6	▲11.0	▲4.5	35.3	64.7				2.0	▲0.3	▲0.0			B2	
Myanmar	2.6	▲1.6	▲4.5	57.5	18.6				14.2	0.0	▲2.2				
India	6.3	▲1.8	▲8.8	81.9	16.4	2.4	2.6	4.7	5.5	▲0.6	▲0.6	82.9	BBB-	Baa3	BBB-
Pakistan	▲0.5	▲0.7	▲8.1	76.6	38.3	0.7	0.7	28.9	29.2	▲19.6	▲1.9		CCC+	Caa3	CCC
Bangladesh	6.0	▲0.7	▲4.5	39.4	20.5			▲17.0	9.0	▲3.7	▲1.1		BB-	B1	BB-
Sri Lanka	▲7.8	▲1.0	▲10.2	115.5	75.6		0.4	94.2	45.2	10.8	▲0.8		SD	Ca	RD

Note: Sri Lanka as of 2022 calendar year (defaulted on external debt in May 2022 and began debt restructuring negotiations). Political stability is rated on a scale of -2.5 to +2.5 (the lower the rating, the more unstable). 2023 data are estimates. Ratings in the red are below investment grade (i.e., junk bond grade).

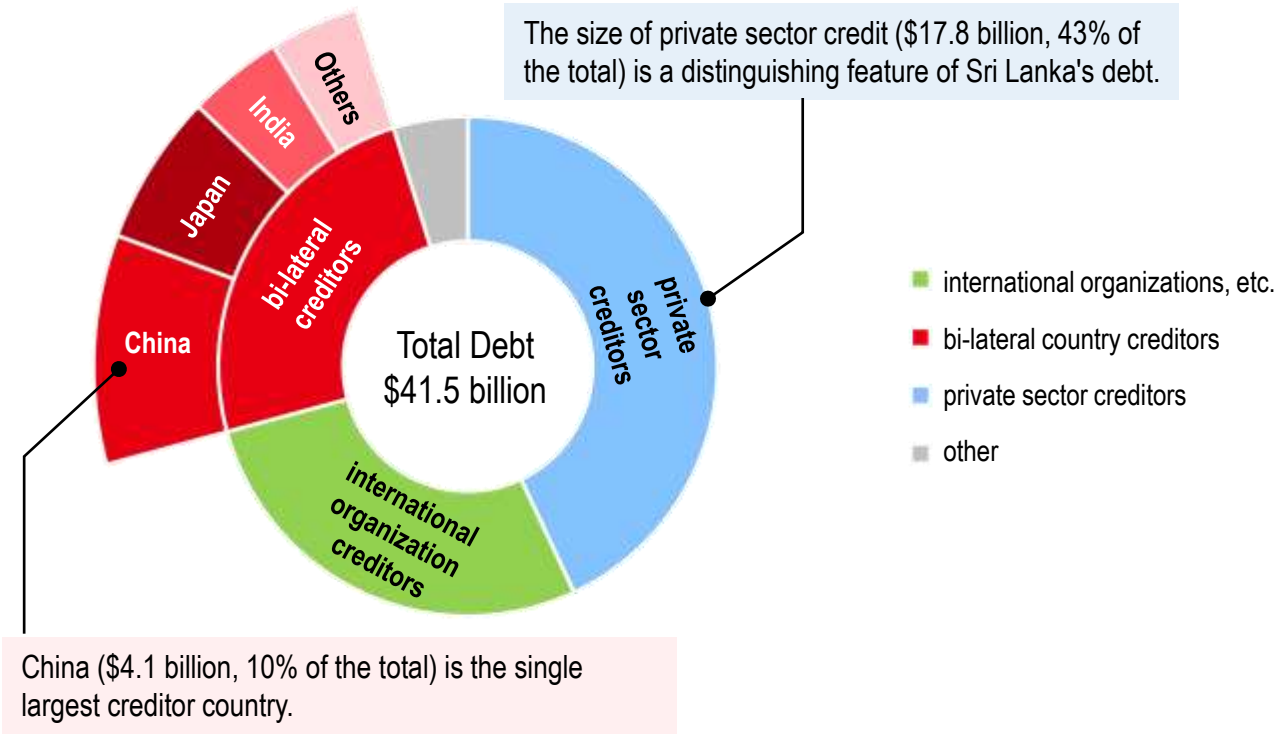
Source: Marubeni Research Institute from World Bank, BIS, IMF, CEIC, LSEG data

# Asia Emerging Economy Debt Risk: Sri Lanka

## Defaulted in May 2022, agreement reached after creditor meetings with Japan, India, others + debt restructuring talks with China

- Sri Lanka defaulted on its external debt in May 2022. Debt restructuring negotiations with Japan and other creditor nations as well as China were largely agreed upon by November 2023.
- IMF support began in March 2023. In October, an agreement in principle on debt restructuring was reached with China, the country's largest creditor, and the IMF's executive board approved a second loan in December.

### ▽ Sri Lanka's External Debt Balance (by creditor)



Source: Marubeni Research Institute from Sri Lankan government information/data, various media reports

### ▽ Debt Restructuring Negotiation Outcomes

4/2022	Sri Lanka announces temporary suspension of external debt repayments. Requests support from IMF's support program.
5	Sri Lanka officially defaults due to inability to pay back external debt.
9	IMF reaches working-level agreement on support for Sri Lanka.
2/2023	First meeting of the Global Sovereign Debt Roundtable (GSDR).
3	IMF's executive board approves approximately \$3 billion in assistance to Sri Lanka (initial amount of \$330 million).
4	Japan, other countries announce establishment of a Sri Lanka creditor conference (committee)
5	1st Sri Lanka creditor conference (online).
7	Sri Lankan parliament approves domestic debt restructuring plan.
9	IMF/Sri Lanka fail to reach agreement on first review of Sri Lankan aid
10/11	Sri Lanka creditor conference (Morocco)
10/12	Sri Lanka reaches general agreement with Export-Import Bank of China on debt settlement.
10/19	IMF reaches working level agreement on initial review of support for Sri Lanka.
11/29	The creditor conference reached a basic agreement with Sri Lanka on debt restructuring (The treasurer, Mr. Kanda, "We understand the focus is on debt rescheduling under the same terms as China").
12/12	IMF executive board approves \$330 million loan to Sri Lanka

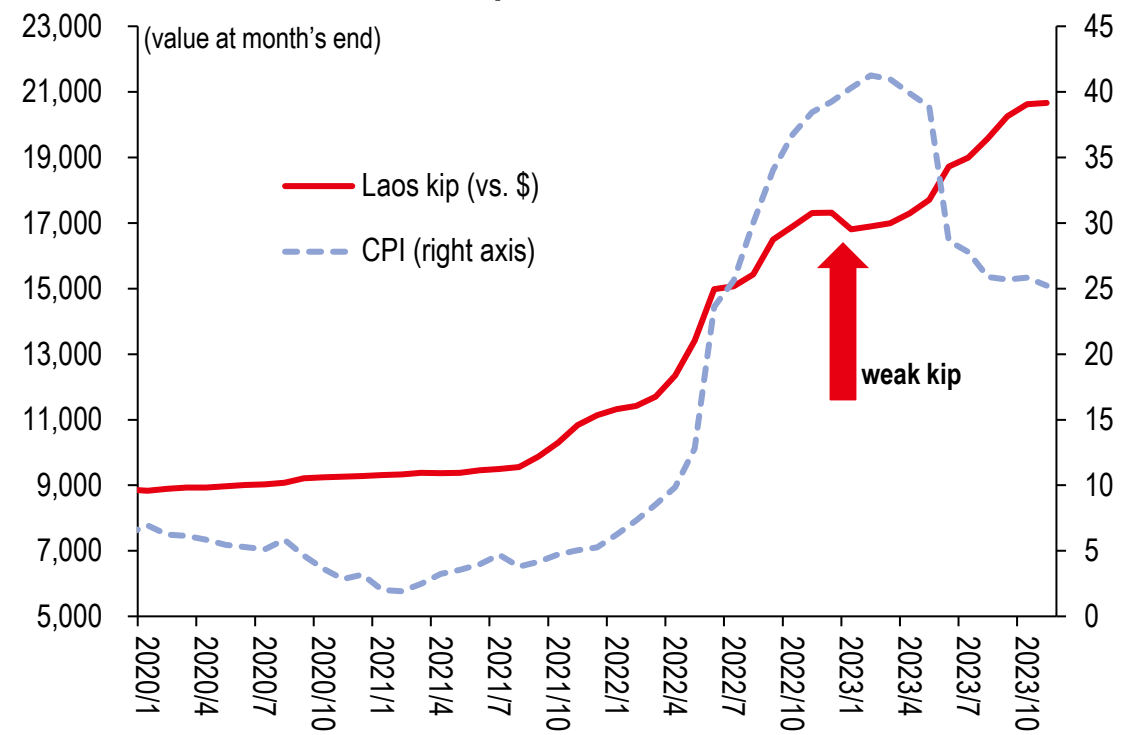
Source: Marubeni Research Institute from various media reports

# Asia Emerging Economy Debt Risk: Laos

## Debt rise and currency depreciation at critical levels

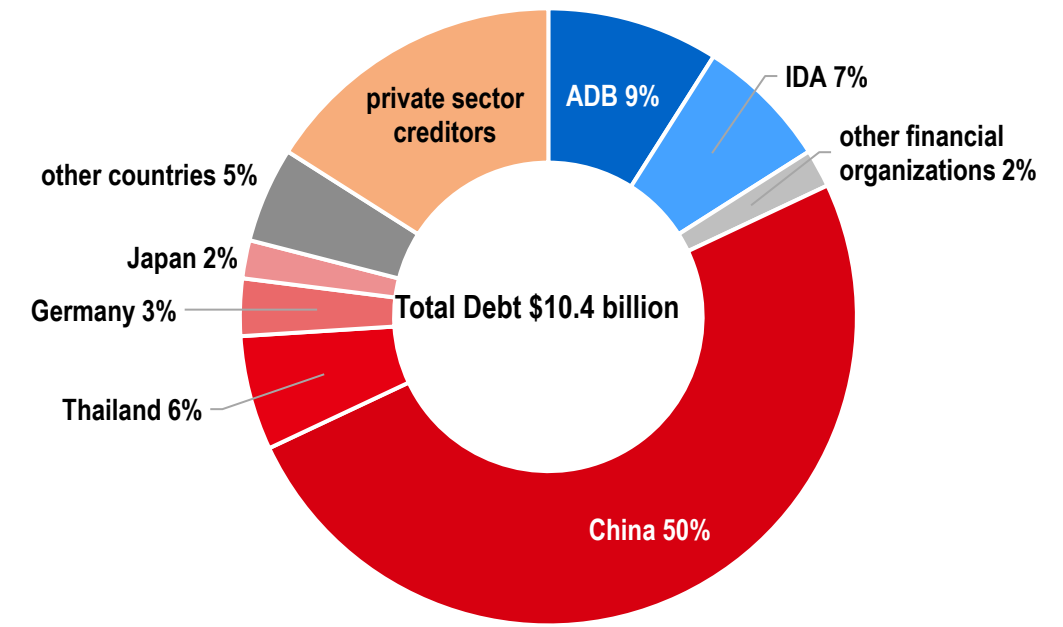
- In Laos, public finances have worsened due to substantial outlays on coronavirus pandemic measures and infrastructure development. Growing debt and depreciating currency are at crisis levels.
- The government continues efforts to stabilize the currency, curb inflation in food and other goods, and deal with external debt. Has instructed businesses to seek payment through banks to obtain foreign currency. In addition, the excise tax on some luxury goods has been raised as an import restriction to curb foreign currency outflows. The number of people leaving Laos to work overseas is rising due to the weak currency with the labor shortage appearing to be worsening. There are also strong concern in other countries over a potential “debt trap” caused by increased borrowing from China.

▽ Laos Kip Market Rate (vs. \$)



Source: Marubeni Research Institute from LSEG data

▽ Government's External Debt (as of 2021 end)



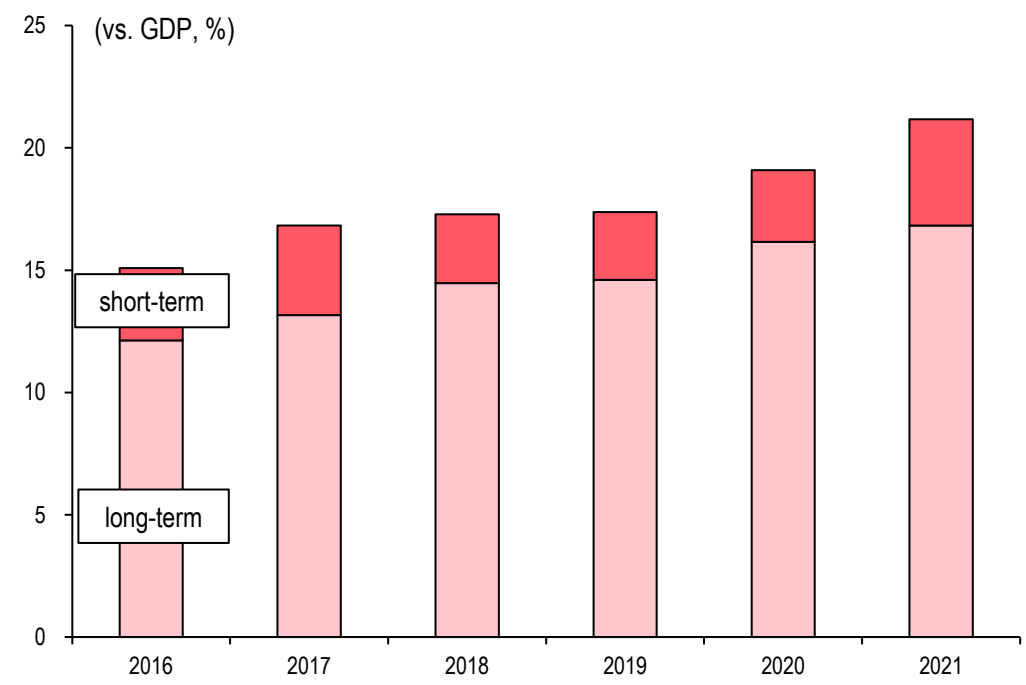
Source: Marubeni Research Institute from World Bank data

# Asia Emerging Economy Debt Risk: Bangladesh

## Foreign exchange reserves continue to decline despite the start of IMF financial relief

• Bangladesh maintained steady economic growth despite the Covid pandemic, but following Russia’s invasion of Ukraine in 2022, soaring energy and food prices led to increased payments for imports and a widening current account deficit. In July of 2022, it requested a \$4.5 billion loan from the IMF to improve its international balance of payments and combat climate change. Financing began in 2023, and an agreement was reached at the administrative level on the first review in October 2023. However, foreign exchange reserves continue to decline along side currency devaluation pressure due to global monetary tightening with reserves still remaining below the level set by the IMF as a lending condition.

### External Debt

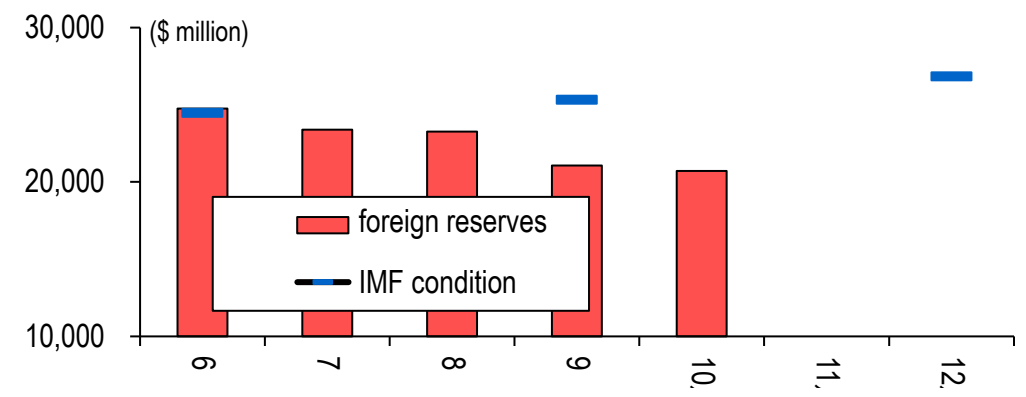


Source: Marubeni Research Institute from Bangladesh central bank data, various media reports

### IMF Loan Negotiation Outcomes

2022	7/26	Bangladesh asks for a \$4.5 billion loan from the IMF.
	11/9	IMF reaches working-level agreement on \$4.5 billion loan to Bangladesh.
2023	1/30	IMF executive board approves \$4.7 billion loan to Bangladesh.
	July	Bangladesh central bank begins disclosing foreign reserves based on IMF standards.
	12/12	IMF executive board completes first review of Bangladesh loans and approves additional financing of \$4.7 billion.

### Foreign Currency Reserves (IMF standards, (2023)



Source: Marubeni Research Institute from World Bank information/data

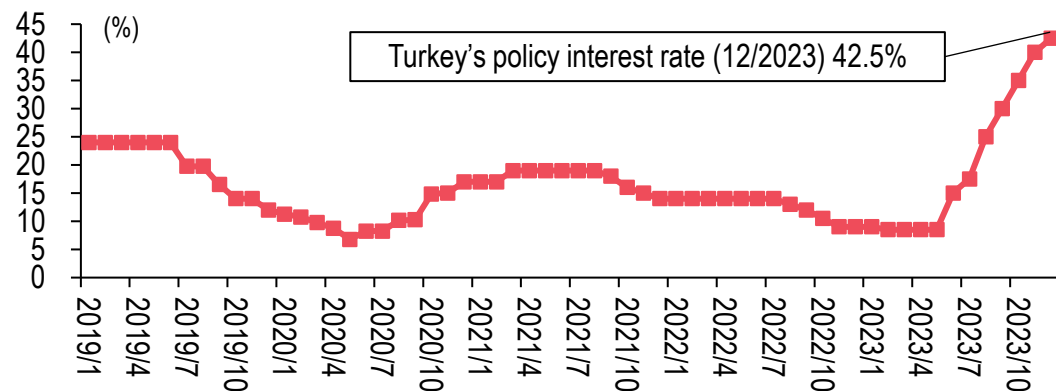
# Middle East: Turkey's Monetary Policy/Inflation Trends

## Rapid interest rate hikes under new central bank governor

- Under new central bank governor Erkan, the country changed its conventional easing policy and implemented rapid interest rate hikes of more than 30 percentage points in 2023 to curb inflation.
- The consumer price index (CPI) in November was +62.0% year-on-year, still far above the policy interest rate, and the real interest rate remained negative. With local elections in March 2024, including in Istanbul, and a growing feeling the economy will slow, there are concerns that President Erdoğan will try to intervene in monetary policy.

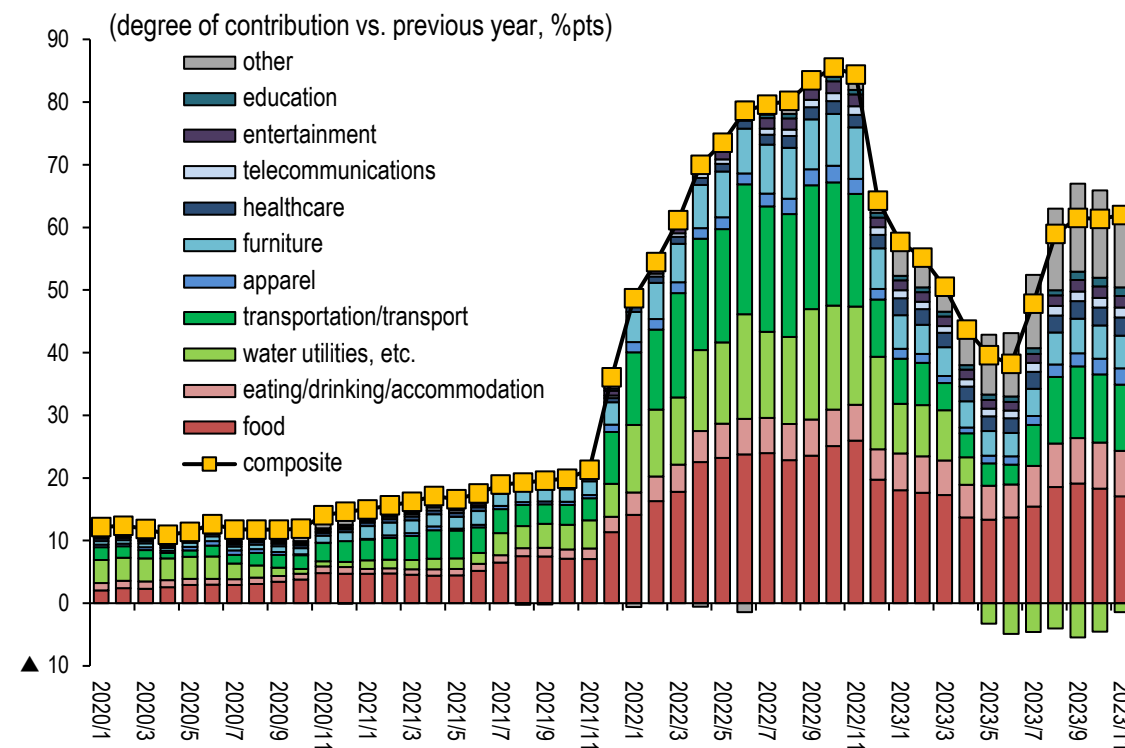
### Recent Direction of Turkey's Monetary Policy

5/28	Erdogan wins presidential run-off
6/9	Hafize Gaye Erkan appointed central bank governor
6/22	Turkey's central bank raises policy interest rate by 6.5% points (8.5% → 15.0%, interest rate hikes begin)
July	Raised the value-added (VAT) and other tax rates
11/23	Turkey's central bank hikes the policy interest rate 5% points (35.0% → 40.0%)
12/21	Turkey's central bank raises the policy interest rate by 2.5% points (40.0% → 42.5%)



Source: Marubeni Research Institute from Turkey's central bank data, various media reports

### Consumer Price Index (CPI)



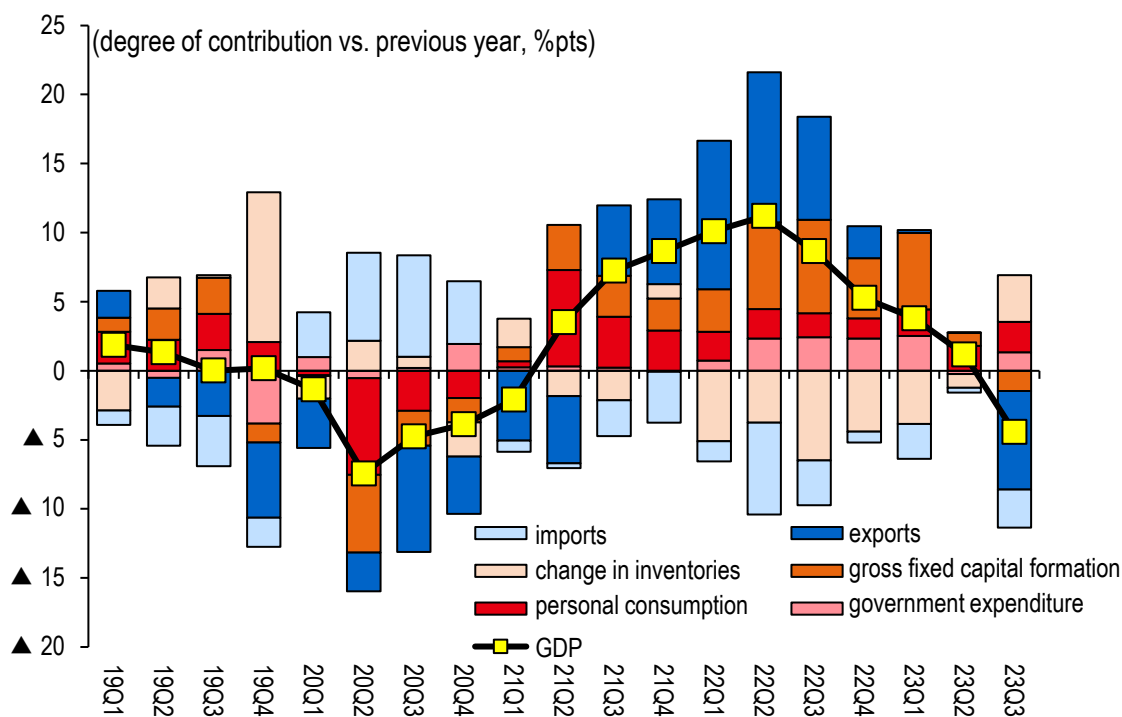
Source: Marubeni Research Institute from CEIC data

# Middle East: Saudi Arabia's Economy and Voluntary Oil Production Cuts

## Negative economic growth due to falling crude oil prices and additional voluntary production cuts

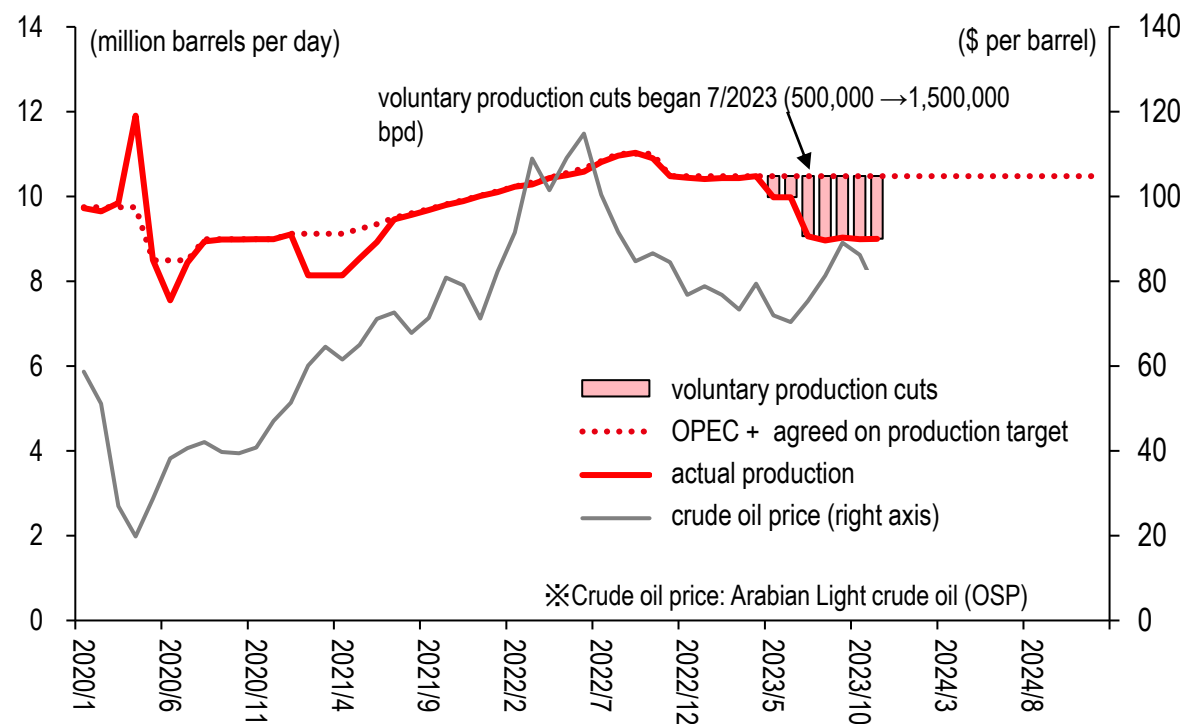
- Real GDP for the July-September period of 2023 was -4.4% versus the previous year, the first time in 10 quarters the economy has seen negative growth. A decline in oil exports as a result of extended voluntary production cuts weighed heavily on the economy. By industry, oil sector growth was down 17% from the previous year, while the non-oil sector was up 3.5%.
- On November 30th Saudi Arabia announced it would extend its voluntary production cuts of 1.5 million barrels per day (began July 1, 2023) until the end of March 2024 from the original schedule to the end of December 2023. Although oil prices are expected to be supported by production cuts, the oil sector in the country's economy is expected to continue its decline.

▽ Real GDP



Source: Marubeni Research Institute from CEIC data

▽ Saudia Arabia's Crude Oil Production



Source: Marubeni Research Institute from JOGMEC data



# Middle East: Israeli/Palestinian Situation

The situation in the Middle East rapidly deteriorated after Hamas attacked Israel in October 2023

## ▽ Israeli/Palestinian Relations

1947	United Nations General Assembly adopts resolution to partition Palestine (UN Resolution 181 (II))
1948	Founding of Israel (1st Middle East war)
1956	Suez Crisis (2nd Middle East war)
1967	6-Day War (3rd Middle East war), Security Council Resolution 242
1973	Yom Kippur War (4th Middle East war)
1978	Camp David Accords (Egypt-Israel peace treaty the following year)
1982	Israel invades Lebanon (also known as the Lebanon War or the 5th Middle East war)
1987	1st Intifada (anti-Israel uprising)
1993	Oslo Accords (interim Palestinian autonomy agreement in Gaza and the West Bank)
1995	Oslo Accords II (establishment of the interim Palestinian Authority) Israeli Prime Minister Rabin assassinated (by young Jewish right-wing man opposed to peace)
2000	Camp David Meeting (no agreement reached), 2nd Intifada occurs
2005	Israeli troops/settlers withdraw from the Gaza Strip (but strengthen blockade of the area)
2006	Hamas wins majority in the Palestinian Legislative Council, forms coalition with Fatah
2007	Hamas breaks with Fatah and takes control of Gaza by force (effectively controlling the area)
2014	(6) Hamas and Fatah form interim unity government (but dissolved in 2015) (7) Israel invades Gaza (highest casualties since 1973)
2020	(1) US Trump administration announces Middle East peace plan "Peace to Prosperity" (8) Abraham Accords (normalization of diplomatic relations between the UAE, others, and Israel)
2021	(5) Large-scale fighting breaks out between Hamas and Israeli forces in Gaza Strip
2022	(8) Palestine Islamic Jihad (PIJ) battles with Israeli forces (Hamas does not participate in fighting) (12) Establishment of the Netanyahu government in cooperation with far-right parties
2023	(6) Israeli military launches large-scale attack on Hamas/PIJ in the West Bank (9) Expectations grow for normalization of diplomatic relations between Israel/Saudi Arabia (10/7) Hamas launches large-scale attack on Israel (10/27) Israeli army begins full-scale ground operations in Gaza Strip (11/15) UN Security Council adopts draft resolution on Gaza Strip (humanitarian pauses/aid)

Source: Marubeni Research Institute from various media reports

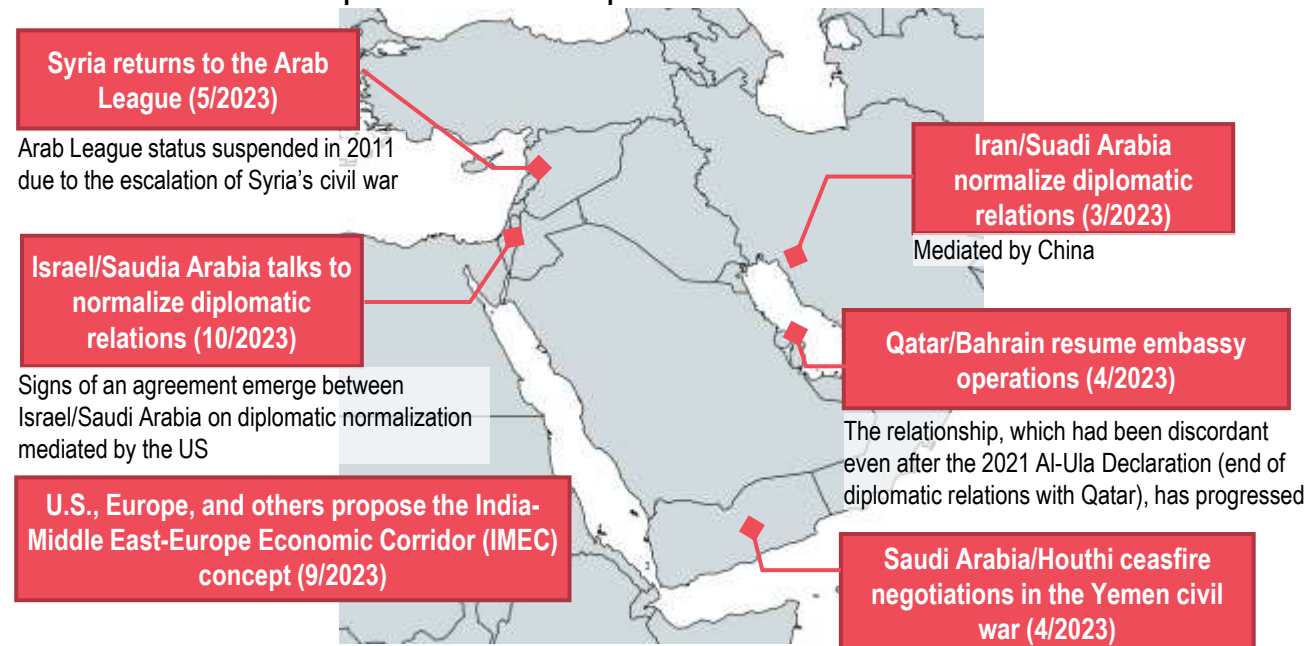
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## ▽ Impact on the Middle East Region

Deterioration of the Israeli-Palestinian situation has a major impact on the entire Middle East region:

- ① **Israeli-Arab relations worsening:** Moves such as the 2020 Abraham Accords and recent negotiations to normalize relations between Israel and Saudi Arabia will be stalled or reversed (Bahrain has already decided to pull its ambassador to Israel and suspend economic exchanges).
- ② **Israel (U.S.)-Iran tensions escalating:** U.S. wary of full-scale intervention by Iran, which supports Hamas, has strengthened deterrence posture around the Middle East (e.g., dispatching two aircraft carrier strike groups).
- ③ **Increased activity of armed forces/groups in the region:** Hezbollah, Houthis, and other "Axis of Resistance" forces have become more active in using force against Israel/U.S. forces. Also, seizures of cargo ships and attacks by drones in surrounding waters.

<Movements to ease tensions/promote economic cooperation in the Middle East before Hamas raid on Israel>



Source: Marubeni Research Institute from various media reports

# Marubeni

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