



Asia - a key driver of growth

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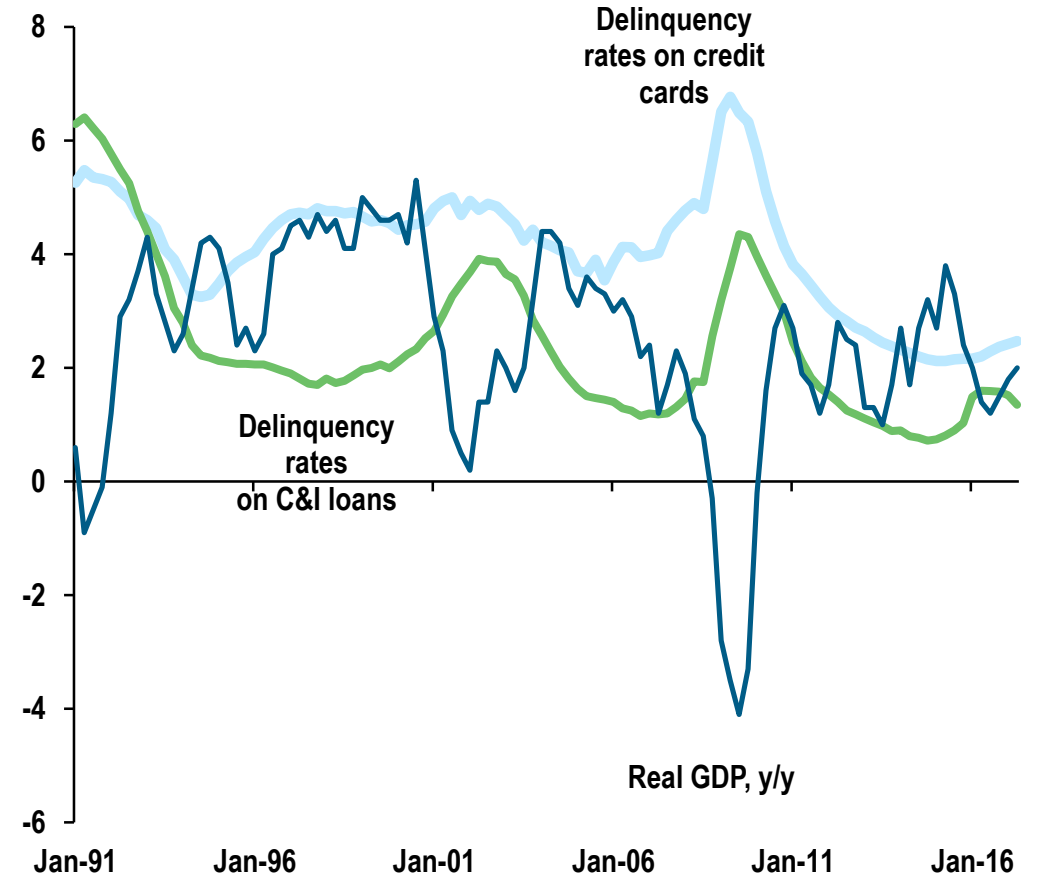
US – Sustained momentum

US macroeconomic forecasts

	2017	2018	2019
GDP growth (real % y/y)	2.1	1.9	1.5
Core PCE (% annual average)	1.6	1.8	1.9
Fed funds target rate (%)*	1.50	2.00	2.00
10Y UST yield (%)*	2.40	2.25	-
Current account balance (% GDP)	-2.0	-2.0	-2.3
Fiscal balance (% GDP)	-3.3	-3.5	-3.6

*end-period forecast. FFTR: upper-end of expected range;
Source: Standard Chartered Research

Consumer and commercial credit still healthy

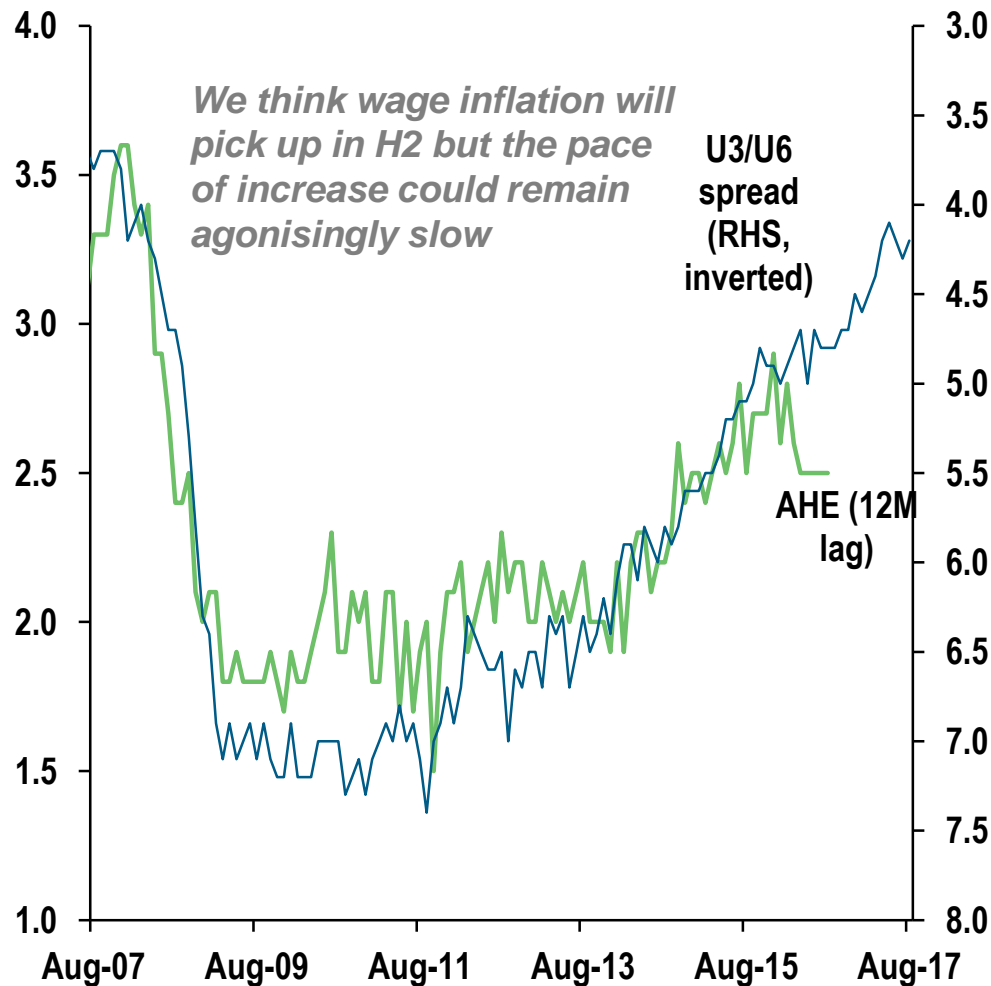


Source: Federal Reserve Bank of St Louis

US – Wage growth not yet picking up despite falling jobless rate

Wage inflation has diverged from unemployment

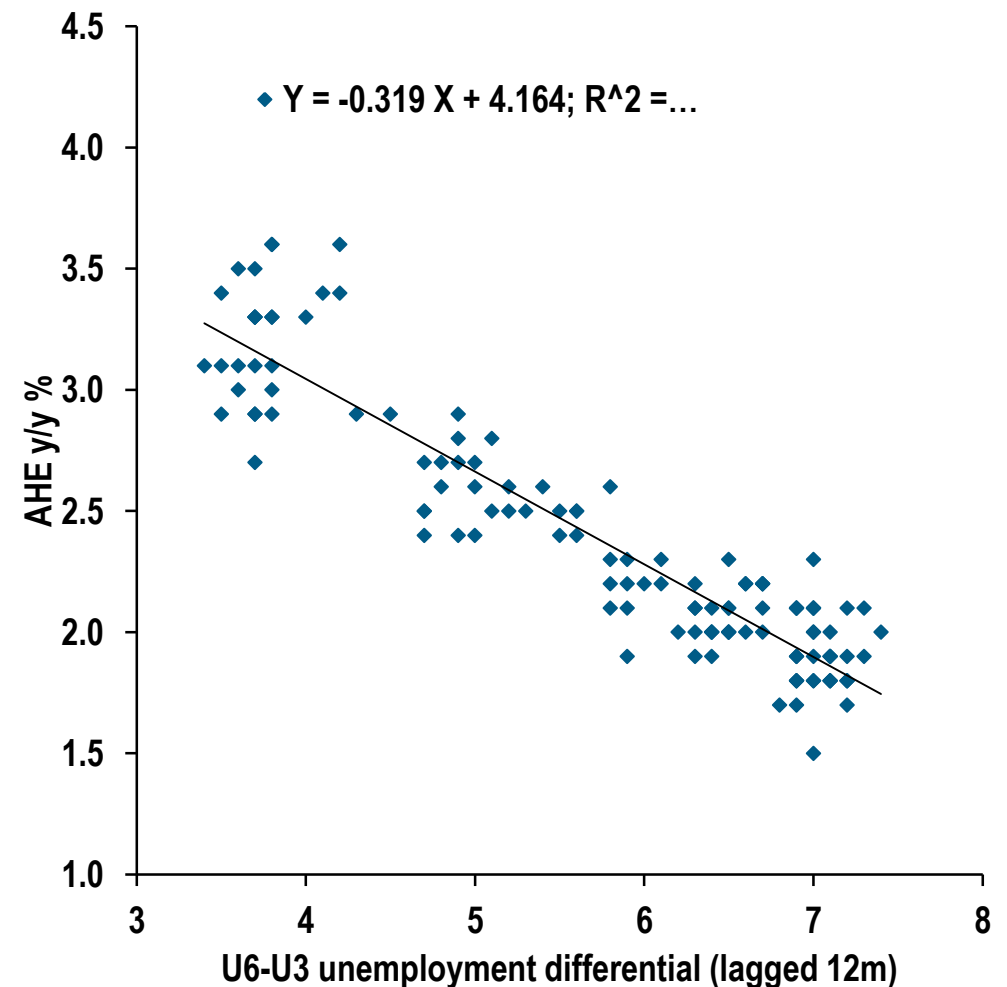
LHS: Average hourly earnings, % y/y, RHS: U6-U3 rate differential



Source: Bloomberg, Standard Chartered Research

Wage pressures lag tightening labour markets

Average hourly earnings, % y/y vs U6-U3 differential (lagged 12m)



Euro area – Riding high

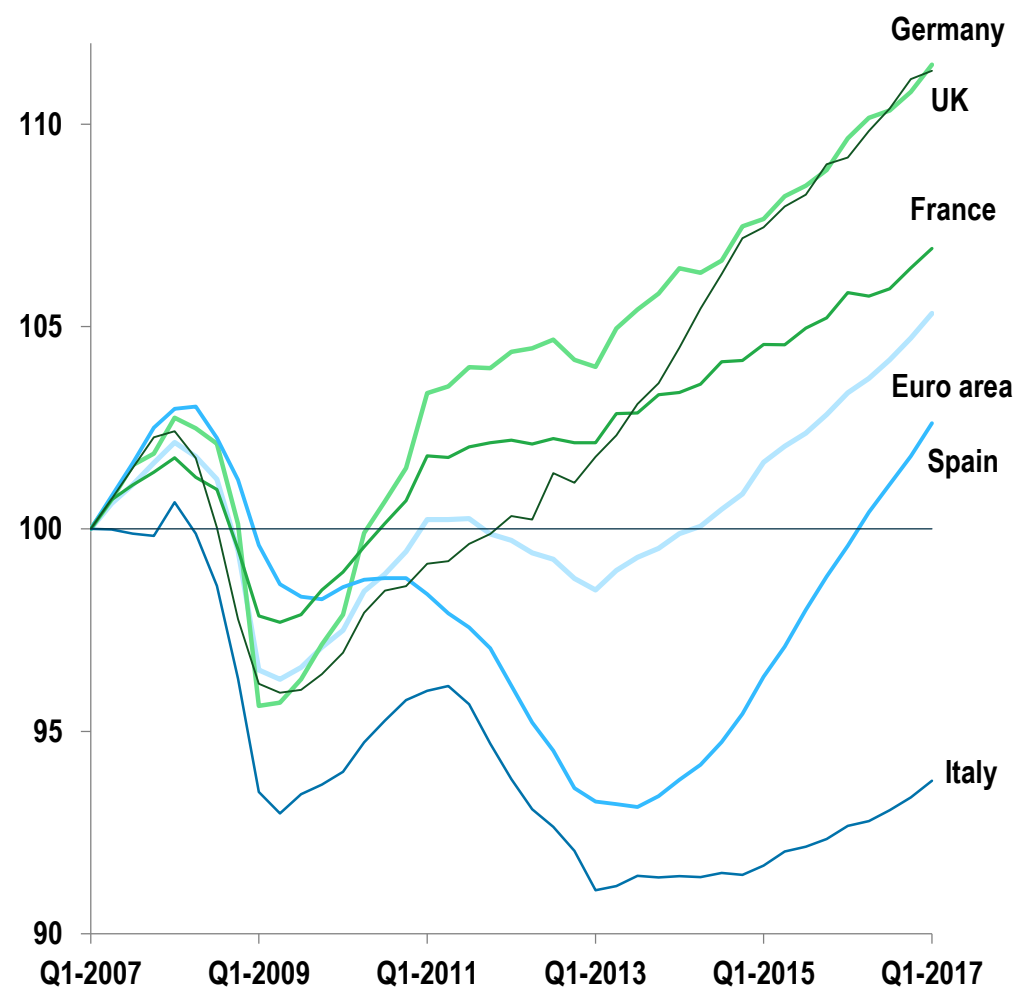
Euro area macroeconomic forecasts

	2017	2018	2019
GDP growth (real % y/y)	2.2	2.0	1.8
CPI (% annual average)	1.5	1.3	1.6
Policy rate (%)*	0.00	0.00	0.20
EUR-USD*	1.22	1.27	1.22
Current account balance (% GDP)	3.0	2.7	2.4
Fiscal balance (% GDP)	-1.3	-1.2	-1.0

*end-period; Source: Standard Chartered Research

Moderate but uneven growth continues

Real GDP, Q1-2007=100

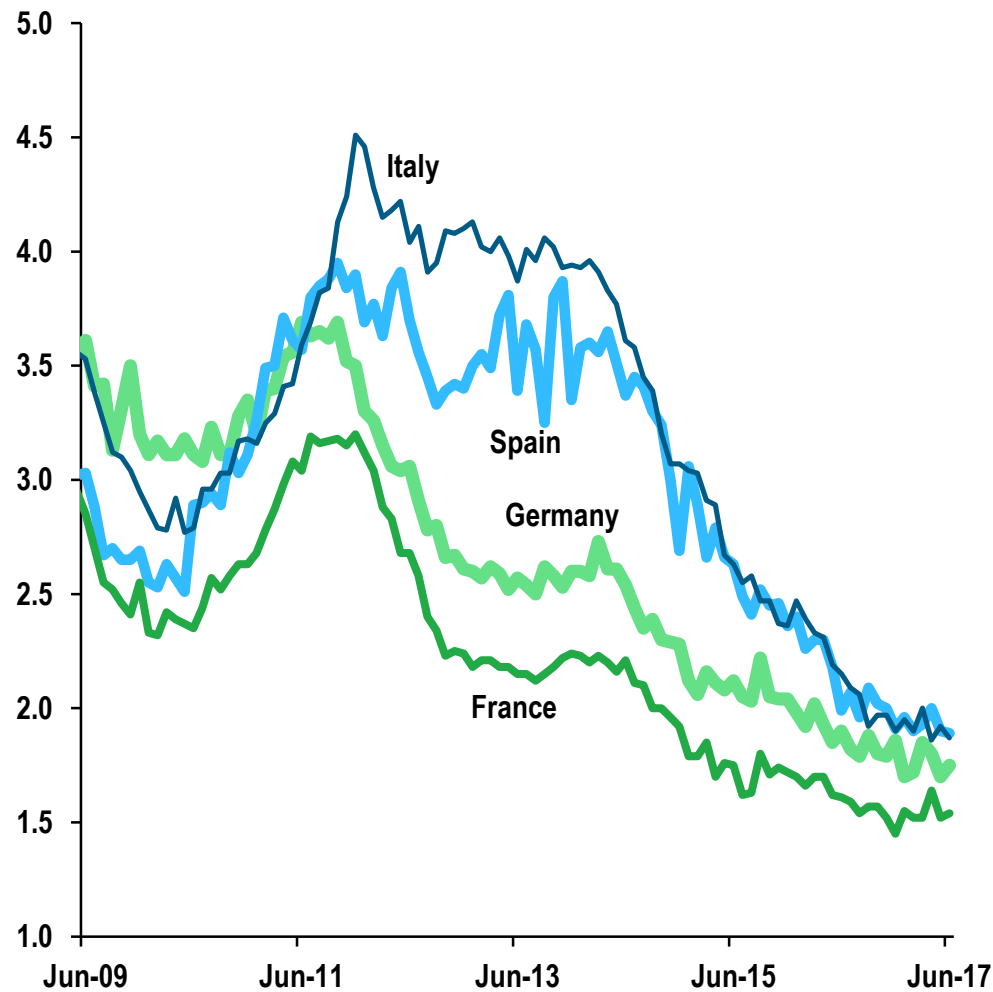


Source: European Commission, Standard Chartered Research

Underlying credit momentum is improving but still soft

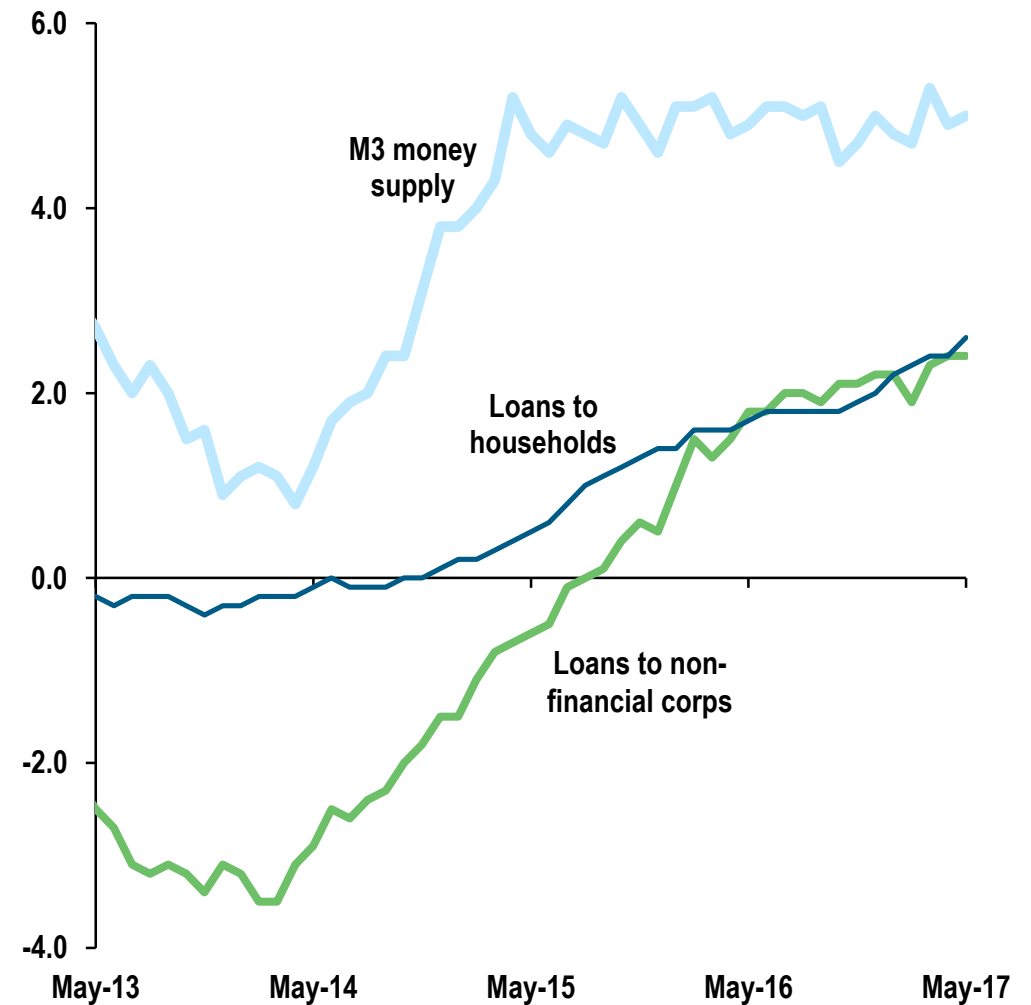
Fragmentation has fading

Interest rates on loans to non-financial corporations, % (average maturity)



Credit is growing, slowly

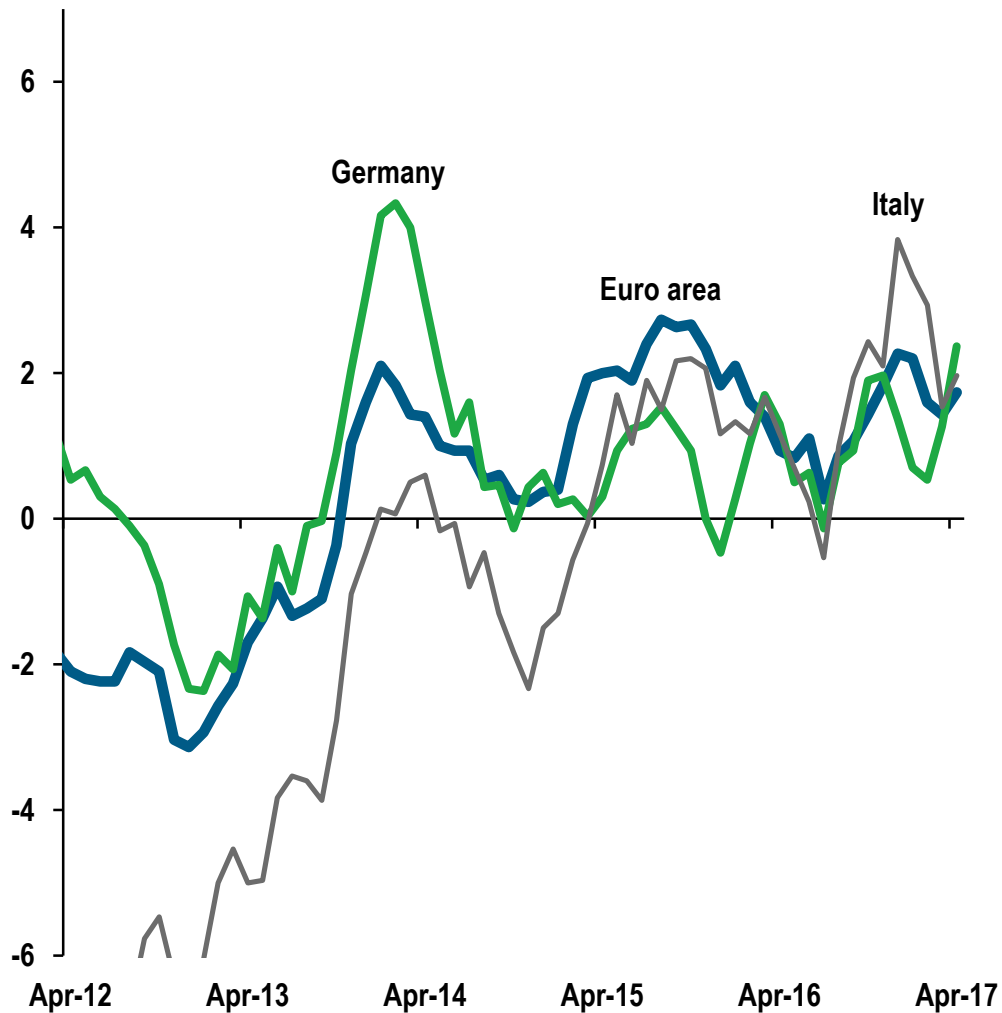
Money supply and loans, % y/y



Euro-area industrial production picking up, consumption steady

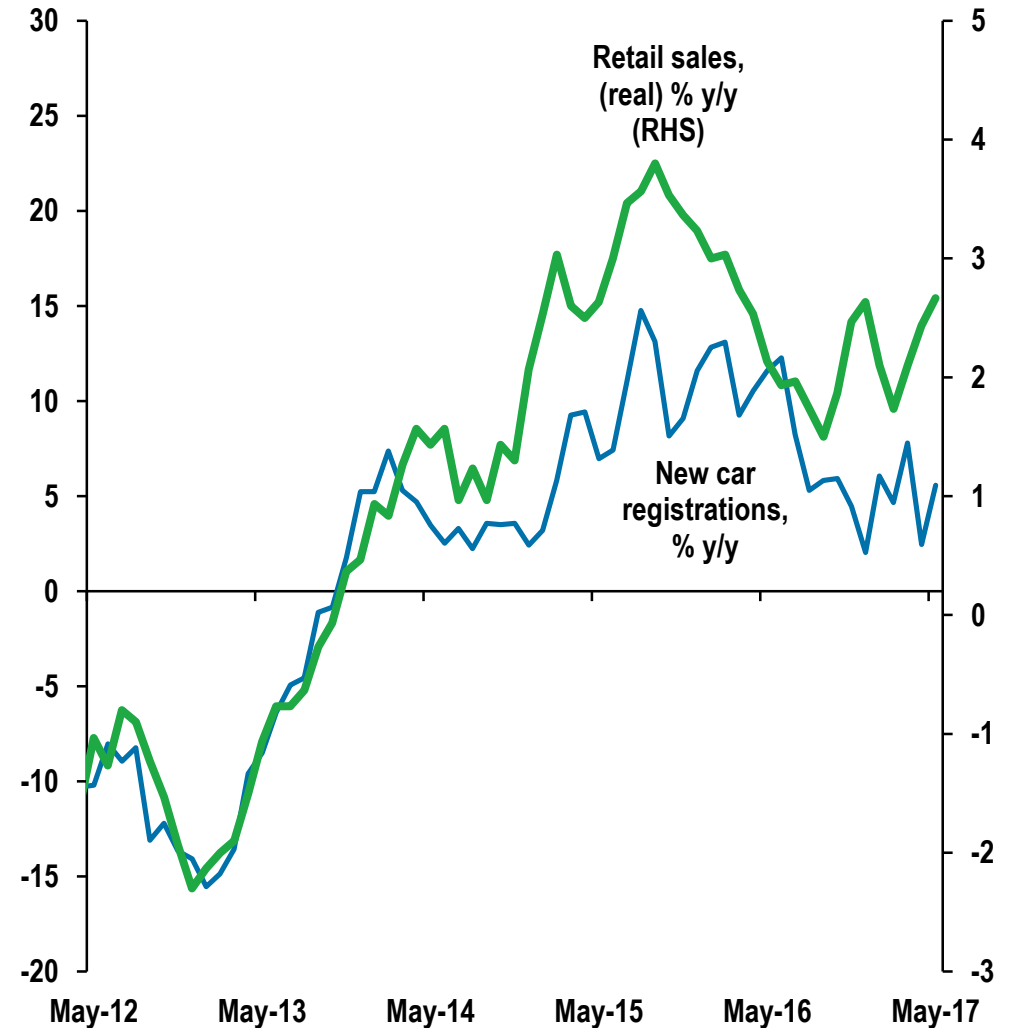
Industrial production in periphery has picked up

Industrial production, % y/y



Euro area consumer spending remains steady

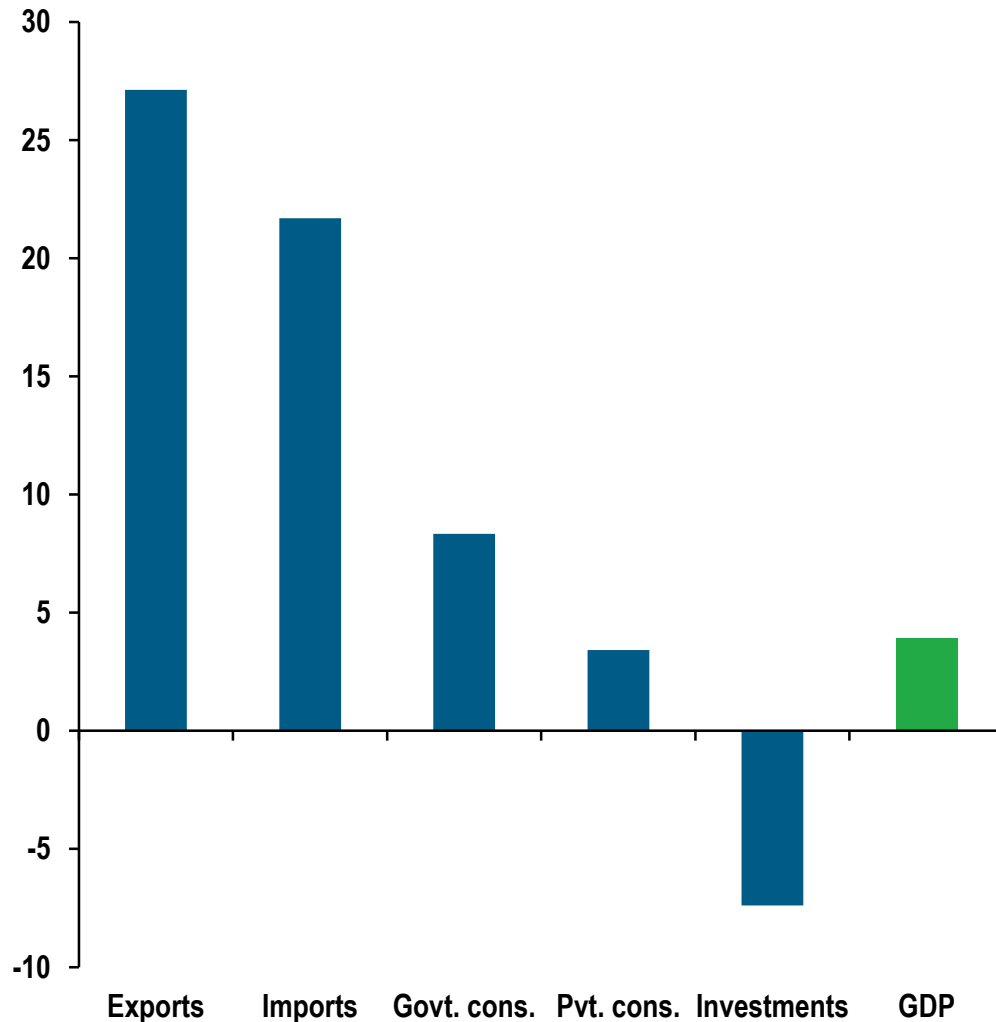
Retail sales (real) and new car registrations, % y/y



Euro area – Investment recovery still has a long way to go

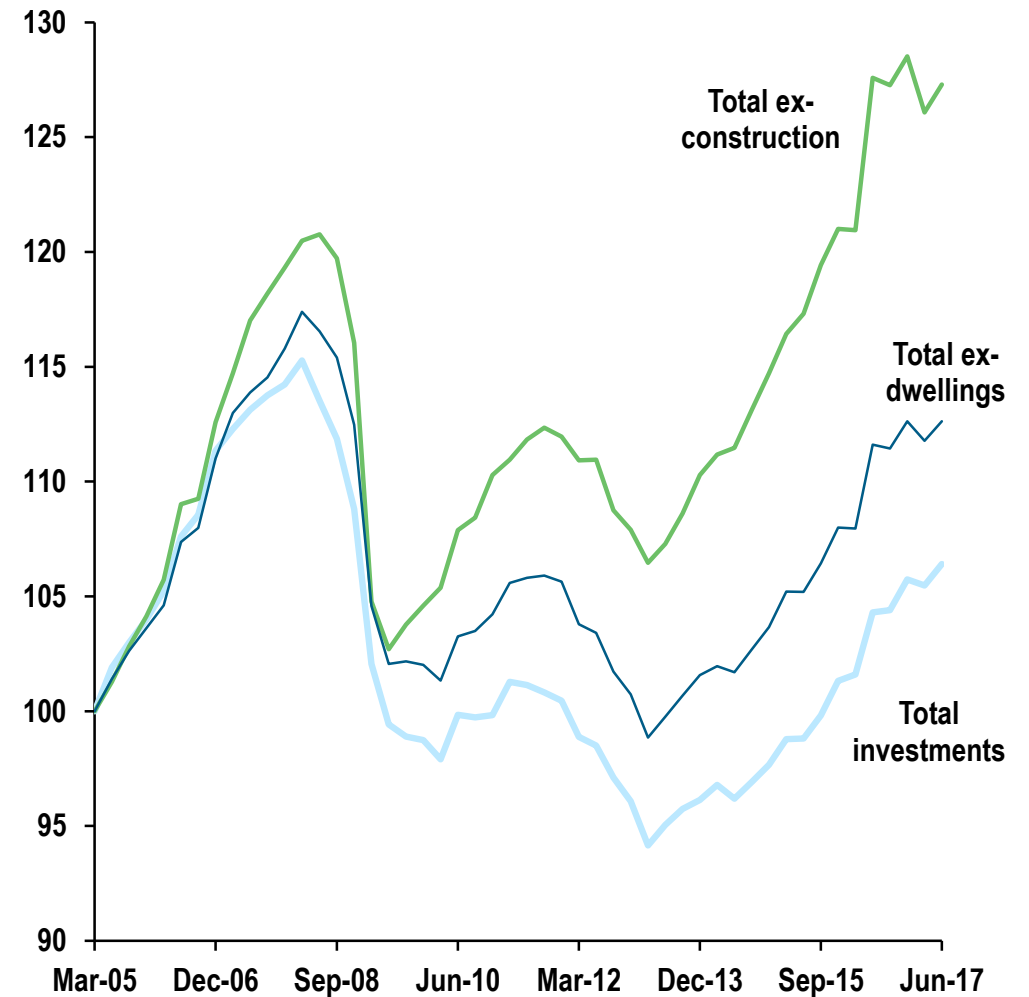
Investment down, exports up since the crisis

GDP volumes, % change from H1-2008 to H2-2017



Investment is now picking up steadily

Investment, total and ex-dwellings, Q1-2005 = 100 (construction is about half of total fixed investment)



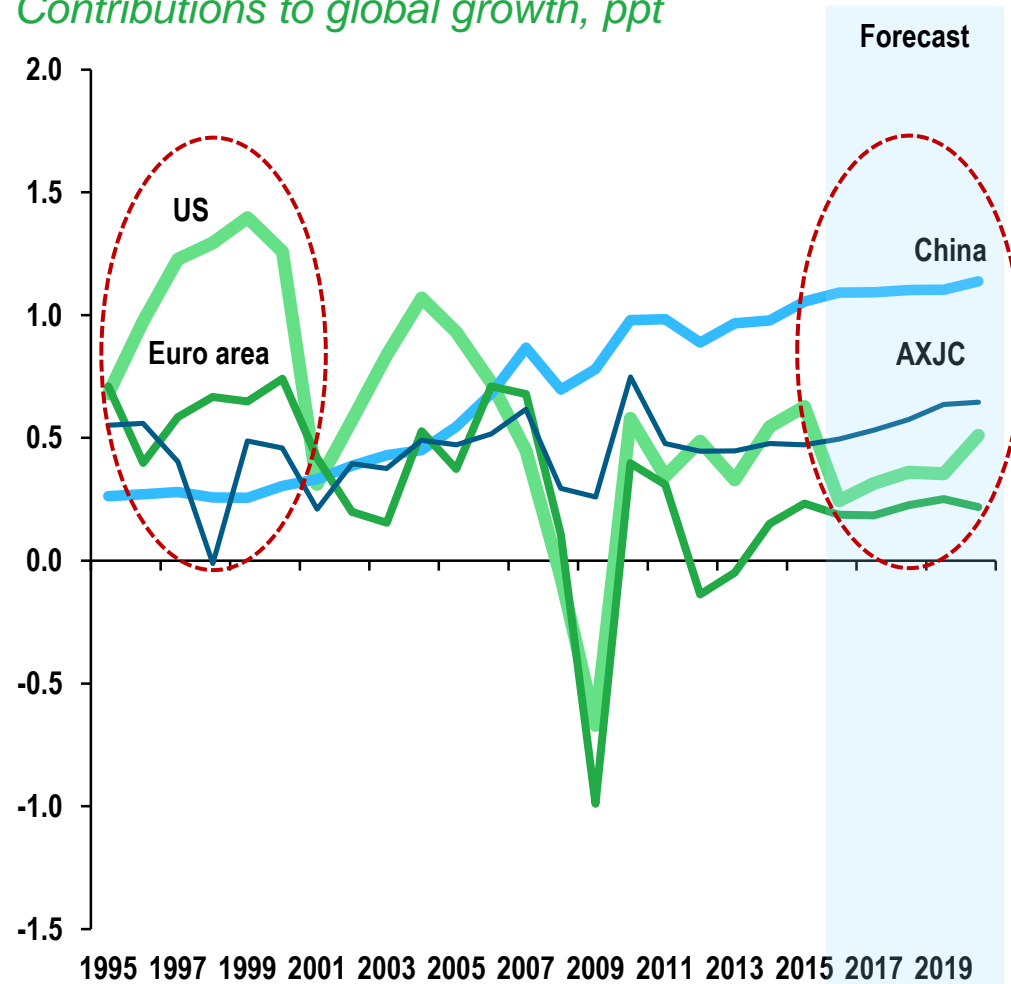


Asia – the best economic neighborhood

Asia – The biggest contributor to global growth

China and AXJC will likely contribute c.60% of global growth in 2017

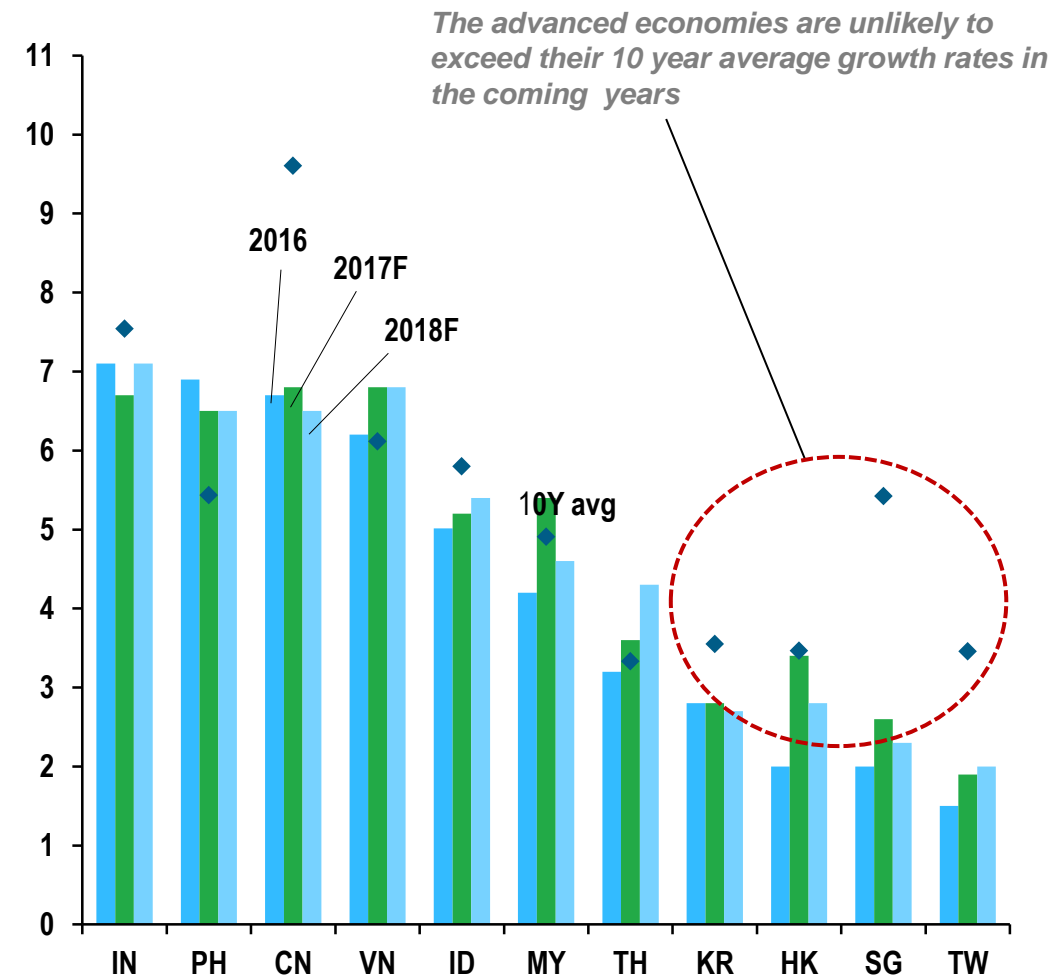
Contributions to global growth, ppt



Source: IMF, Standard Chartered Research

Mixed growth outlook for Asia

GDP growth, %



Source: Standard Chartered Research

Asia – Strong exports but less positive domestic spill-over than usual

Manufacturing, exports supported positive growth momentum in Q2; monetary conditions were mostly not supportive

Selection of our preferred economic indicators for the economies around the region

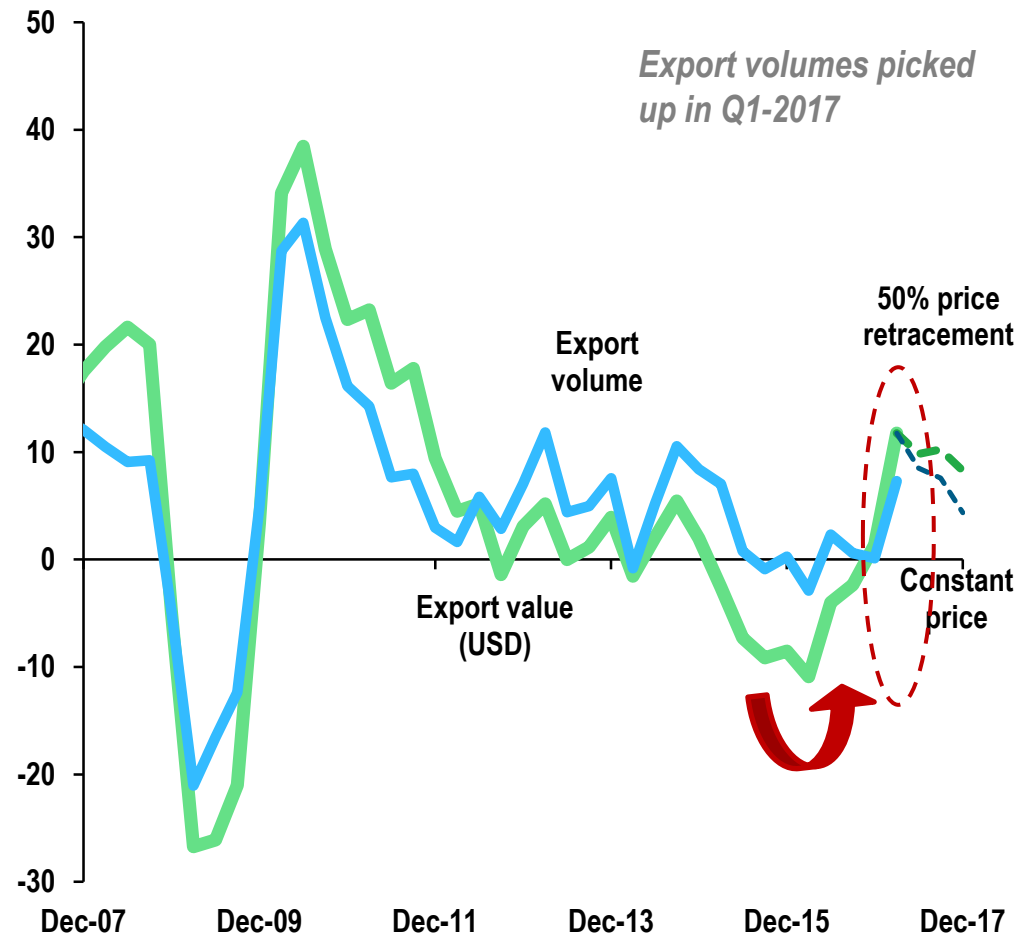
	Indicator	CN	IN	ID	KR	MY	PH	TH	TW	VN	HK	SG	AU	JP	NZ
Economy	GDP* (% y/y)	6.9↑	6.1↓	5.0	2.9	5.6↑	6.4↓	3.3	2.6↑	5.7	4.3↑	2.7↑	1.7↓	1.3	2.5↓
	GDP tracker*	↑	↓	↑	↔	↑	↑	↓	↔	↓	↑	↑	↓	↑	↔
	Credit growth (% y/y, 3mma)	11.0	5.4↓	9.0↑	5.5↓	5.8↑	18.5↑	3.0↓	4.1↑		10.8↑	6.2↑	5.4↓	3.0↑	6.3↓
	MCI tracker#	↔	↑	↑	↓	↑	↔	↓	↔		↑	↓	↑	↓	
	Stock market performance (% y/y 3mma)	7.2	16.8↑	17.3↑	12.4↑	5.1↑	4.5	11.0↓	15.8↑	22.5	18.7↑	12.9↑	11.5	14.0↑	6.7↓
Domestic	Manufacturing PMI (3mma)	51.4↓	52.2↑	50.8↑	49.0	49.6↑	53.8	49.9	54.6↓	53.4	50.5↑	51.0↑		52.7↑	
	Industrial production (% y/y, 3mma)	6.9	3.5	5.7↑	2.5↓	4.4	9.4↓	-0.9↓	1.5↓	6.7	0.2↑	8.9↓	-0.7↓	4.6↑	
	Retail sales (% y/y, 3mma)	10.8↑		4.3↓	4.4	10.1↑		5.1↑	-2.1↓	9.7	-0.9↑	0.7	2.7↓	1.8↑	6.7↑
	Inflation (% y/y, 3mma)	1.2↓	3.0↓	4.0↑	2.0↑	4.7↑	3.3↑	0.4↓	0.3↓	4.0↓	0.8↓	0.6↑	2.1↑	0.3	2.2↑
	Property-market index (% y/y, 3mma)	24.1↓	8.3↑	1.6↓	1.2↓	5.6↓	0.3↓	-1.0↓			19.6↑	-2.8↑	7.7↑	3.6↑	9.1↓
External	Exports (% y/y 3mma)	16.9↑	15.4↑	20.6↑	13.6↑	23.7↑	21.5↑	7.4↑	3.0↓	24.7↑	9.2	4.7↓	30.4	10.9↑	8.9↑
	Exports broadness index (destination)	↓	↓	↔	↓	↓	↓	↓	↑	↑	↓	↔	↓	↓	↓
	Tourist arrivals (% y/y 3mma)		17.1↑	13.7↓	-24.5↓	-0.5↓	8.7	4.4↑	-5.4	34.3↑	4.5↑	4.2↑	6.4↓	18.3↑	9.3

↓ Slower ↑ Faster Fast Neutral Slow

Cell colours (medium-term performance): Metrics growing 'fast' compared to their 3-year average are coloured green; those growing 'slow' versus the 3-year average are red. Our threshold for 'fast' and 'slow' is the 3-year average +/- 0.5 standard deviations. Arrows (near-term performance): Metrics growing faster than their 6mma are identified with an upward arrow (↑); those growing slower than the 6mma are marked with a downward arrow (↓); thresholds for 'faster' (↑) and 'slower' (↓) are 6mma +/- 0.5 standard deviations. *Thresholds for cell colours for GDP and the GDP tracker are 3-year average +/- 0.5 standard deviations, and for arrows are 4-quarter average +/- 0.5 standard deviations. Vietnam's GDP growth tracker is YTD, as reported. We show Q2 GDP growth data here, as it is already available. ^The Exports Broadness Index by destination indicates how 'broad' or 'narrow' exports are by destination of exports. If a few destinations account for a large share of exports, it is 'narrow'. If exports are well diversified by destination, it is 'broad'. 'Broad' is indicated by a green cell and 'Narrow' by a red cell. The more diversified the exports, the better. Arrows indicate near term-performance versus the 6mma – for example, if exports are currently broad, but are getting narrower, it is indicated by a ↓ in a green cell. If exports are currently narrow (highly concentrated on a few destinations), but are getting broader, it is indicated by a ↑ in a red cell. #The Monetary Conditions Index (MCI) indicates the 'tightness' or 'looseness' of monetary conditions. 'Tighter' is growth-negative, 'looser' is growth-positive. An upward arrow (↑) indicates loosening, and a downward arrow (↓) indicates tightening. All indicators use the most recent publicly available data at the time of publication. Source: Bloomberg, CEIC, Standard Chartered Research

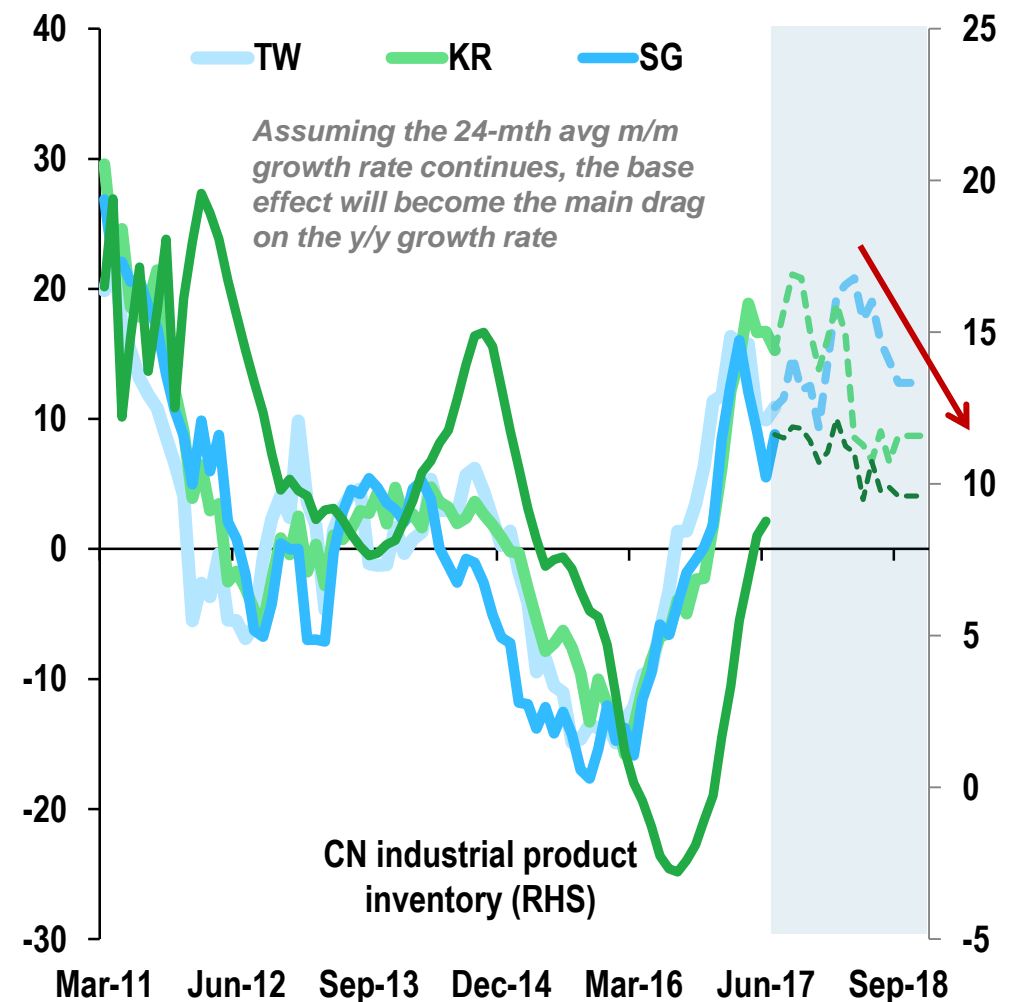
Asia – External sector to be less supportive later in 2017

Asia's nominal exports likely peaked in H1-2017 (% y/y)



Note: We include Australia, Japan, China, Hong Kong, South Korea, Singapore, Taiwan, Malaysia and Thailand in Asia's composite exports; see On the Ground, 'Asia exports – reasons for optimism'; Source: WTO, Standard Chartered Research

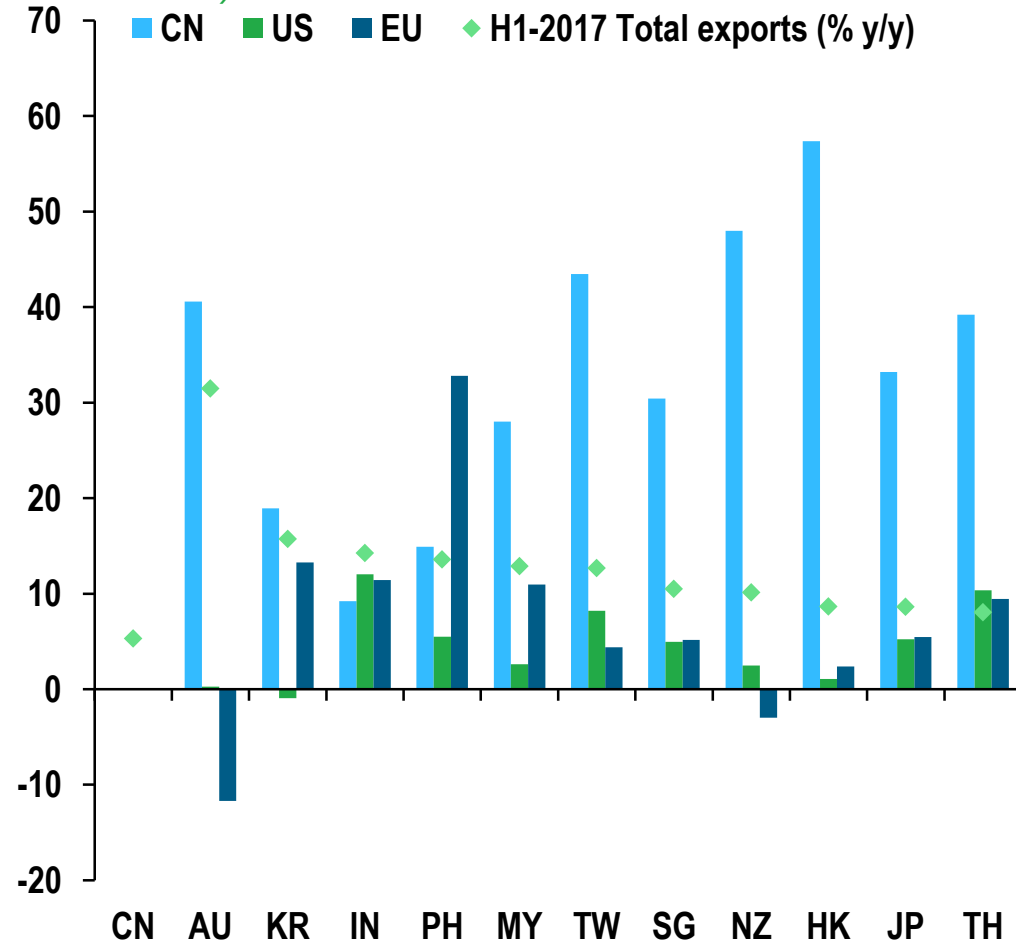
Export growth easing as China's inventory building cycle peaks (% y/y, 3mma)



*We forecast export growth until 2018 using the average 24-month m/m growth Source: CEIC, Standard Chartered Research

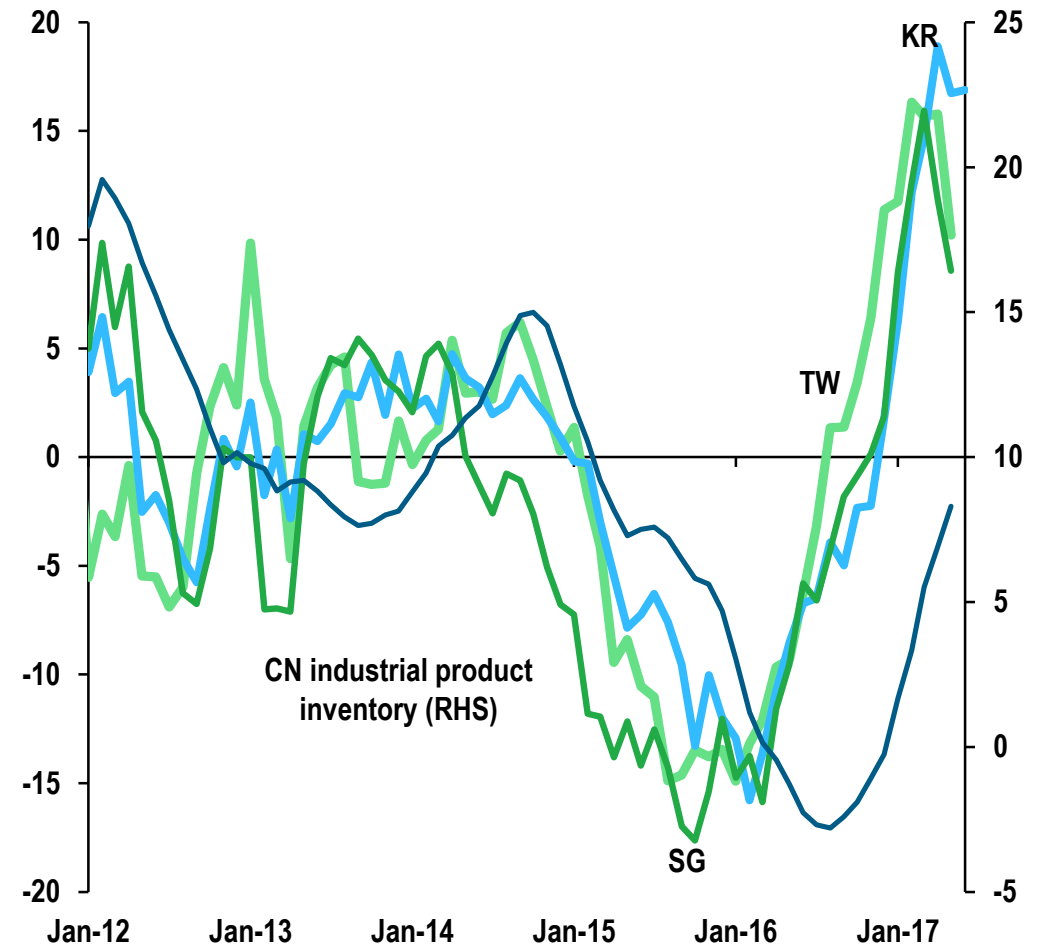
Asia – Temporary boosts to growth fade

China has been the main driver of exports
 (% of total increase in 6M-2017 total exports by destination)



Source: CEIC, Standard Chartered Research

Export growth is easing as China's inventory building cycle peaks
 (% y/y 3mma)

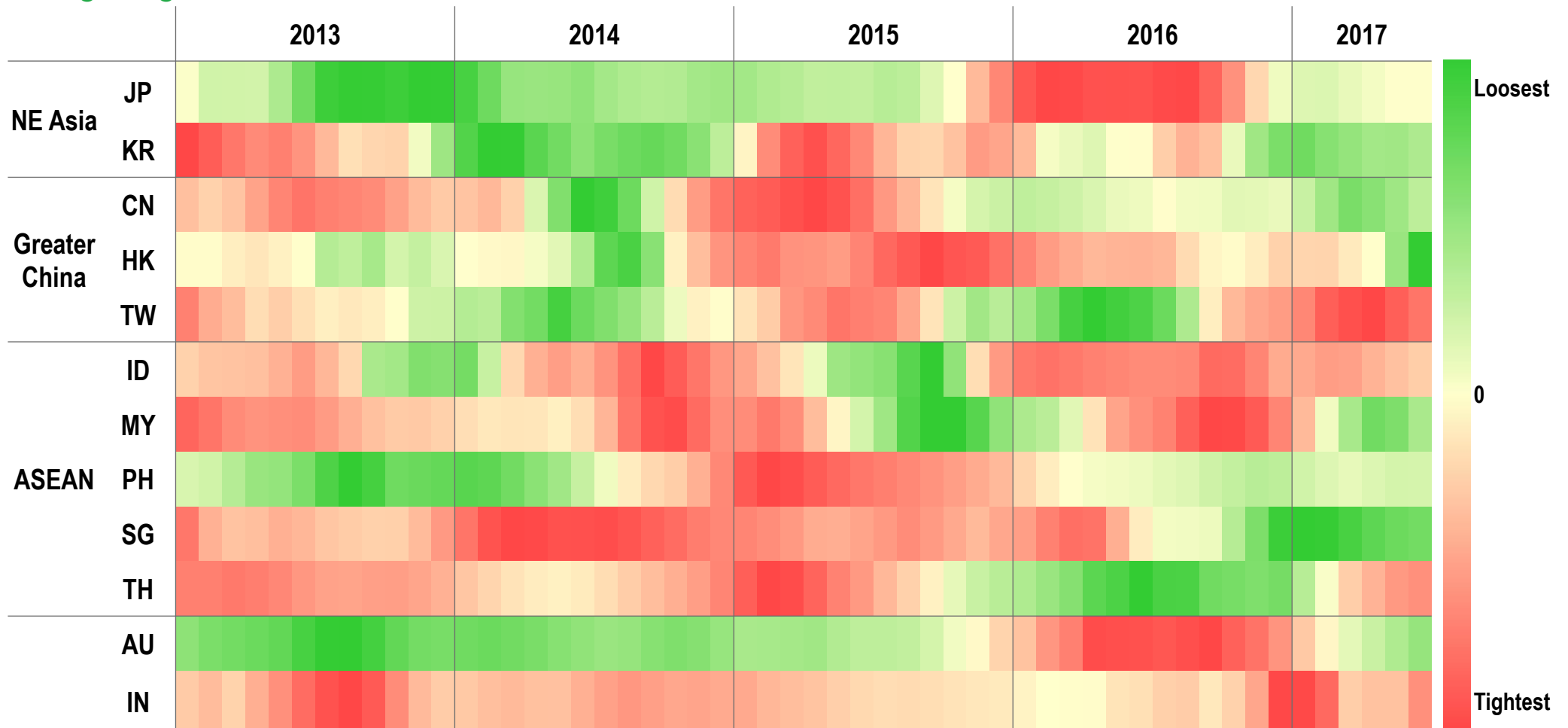


Source: CEIC, Standard Chartered Research

Monetary conditions: tightest in Taiwan, loosest in SG, MY

Monetary conditions were tight in India, Indonesia, Thailand, Taiwan, but loose in Singapore and Malaysia

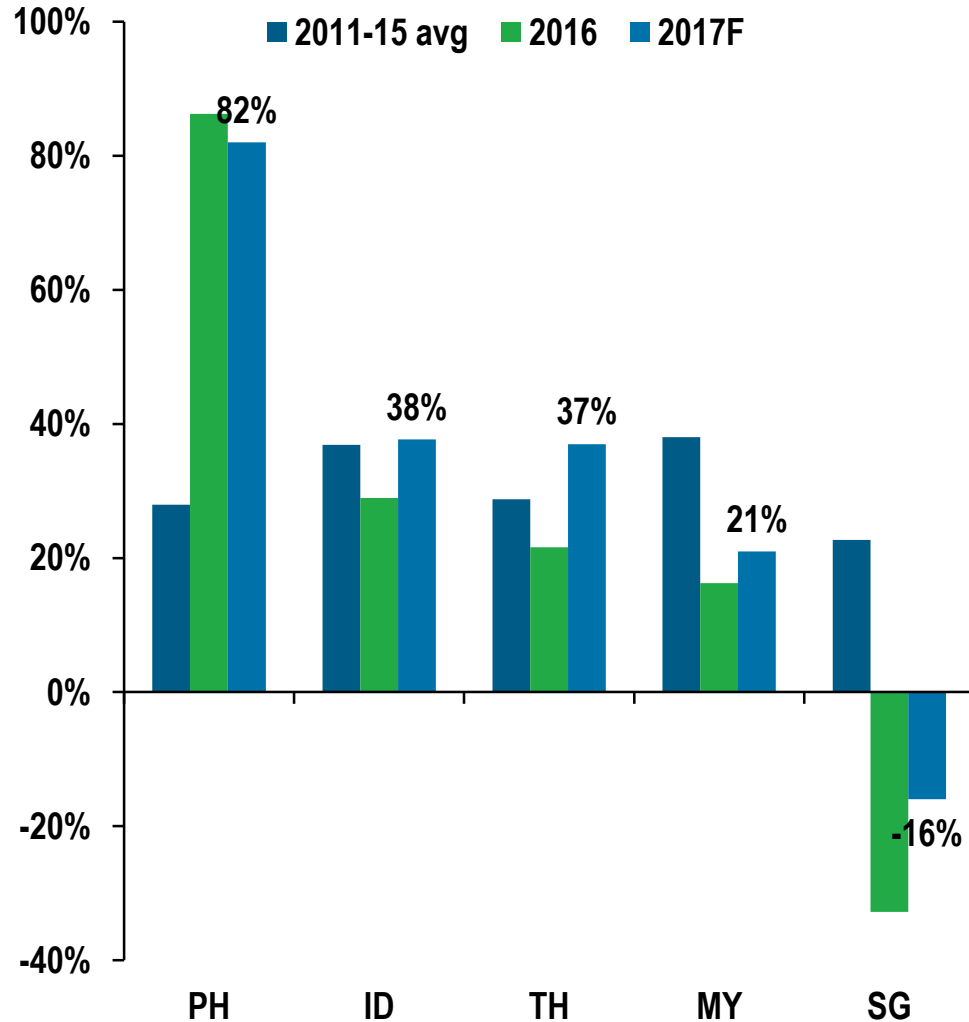
Shades of green (red) indicate looser (tighter) conditions than in the past three years; darker shades show a stronger signal



ASEAN – Infrastructure is the buzz word

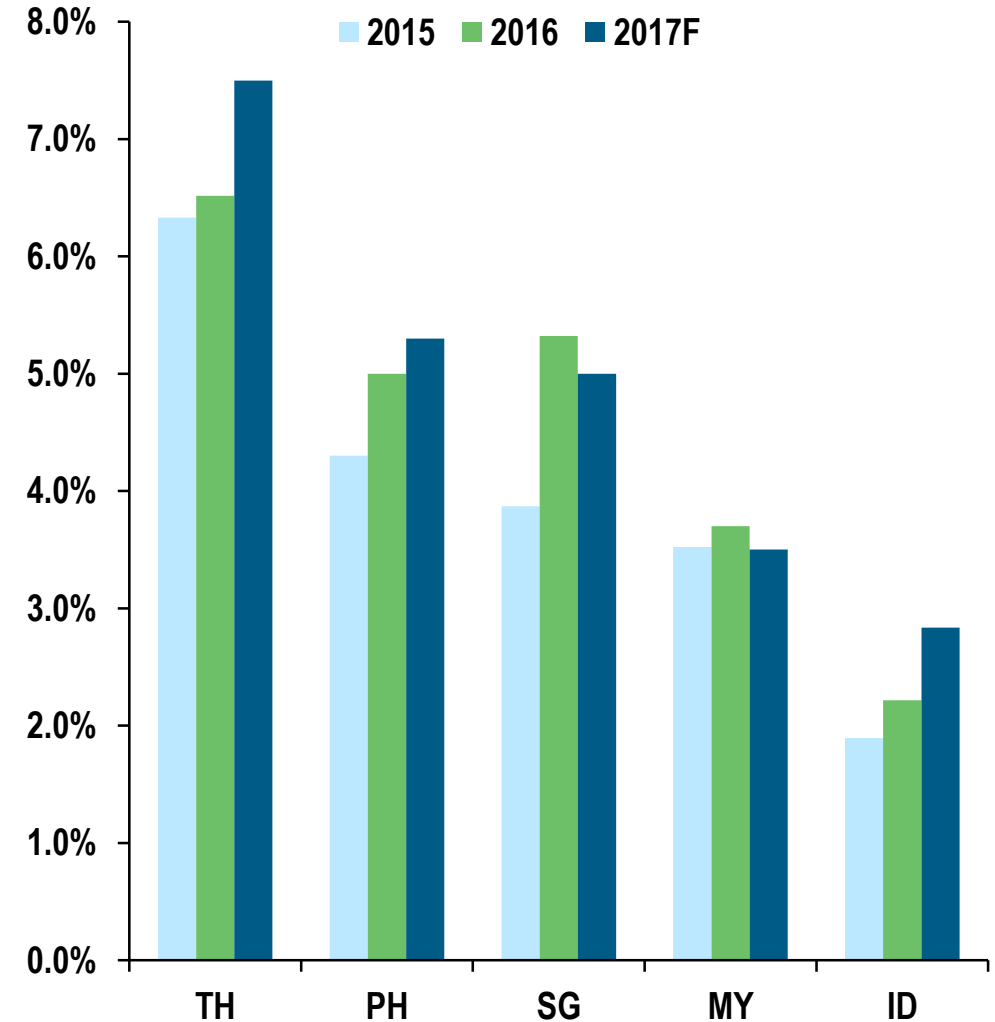
Investments remain key

Investment as % of GDP



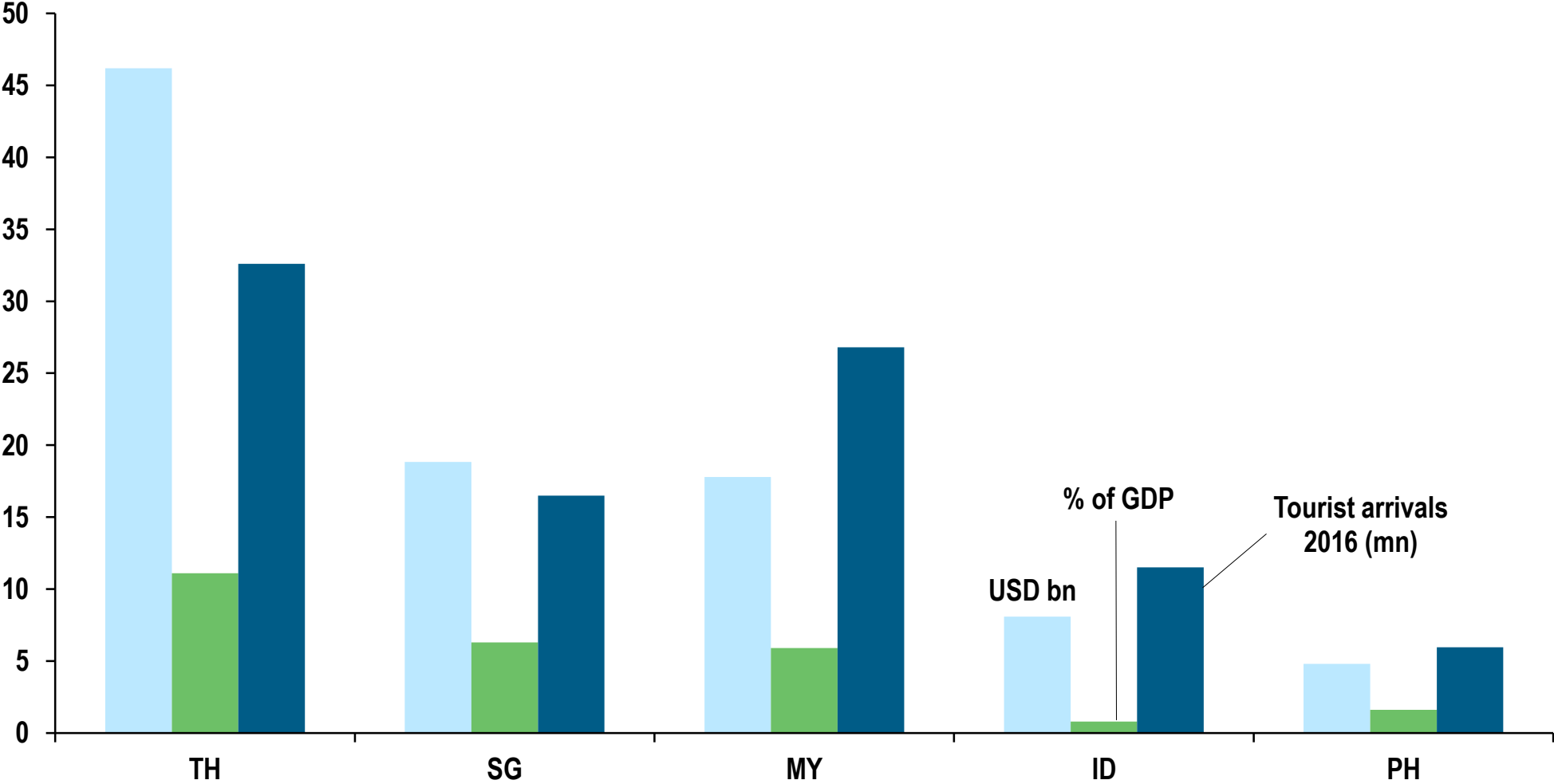
Infrastructure is a primary focus

Capex/infrastructure spend as % of GDP



ASEAN – Thailand tops the tourism list in ASEAN

Tourist spending in ASEAN-5 brings in about USD 90bn per year
Data derived from balance-of-payments accounts; 4Q sum, as of Q1-2017



Asia – Malaysia has more stress in the household sector than Korea

Leverage heatmap – Malaysian and Korean households are also stretched

		CN#	IN#	ID	KR	MY	PH	TW	TH	HK	SG	AU	JP
Economy	Total credit/GDP	242%↑	138%↓	68%	235%	240%	92%	137%	188%	299%	261%	243%	410%
	Credit-GDP gap (5Y avg, bps)*	734↑	103	514↑	115↑	274↓	205↑	-137↓	292↓	470↓	215↓	391↑	33↓
Private non-financial	Total borrowings/GDP	182%↑	70%↓	40%↓	196%	183%	56%	100%	162%	299%	162%	206%	164%↓
	Credit-GDP gap (5Y avg, bps)*	708↑↑	85↑	718	75↑↑	326↑↑	669↓	-150↓	315↑↑	476↑↑	432↑↑	289↑↑	-134↓
	DSR	17%↓	11%↓	5%↓	20%↓	14%↓			14%↓	26%↓	15%↓		
- Corporates	Business borrowings/GDP	137%↑	56%↓	23%↓	106%↓	93%↓	48%	58%	81%	233%	88%	83%	98%↓
	Credit growth less LT average (ppt)	6.7	6.7	9.4	-2.9	5.3			3.1	7.2	7.5		
- Household	Household borrowing/GDP	45%	14%	17%	90%	90%	8%	42%↓	80%↓	66%↓	75%	123%	66%
	Credit-HH income gap (1Y avg, ppt)	10.7↑	8.4↑↑	-0.7↓	5.7↑	-2.2↓	14.7↑	-0.8	0.3↓	4.2↓	-1.0↓	8.1↑↑	1.3
	Borrowing/Household income	67%↑	26%↑	28%↑	153%↑	191%↑	19%↑	62%↑	135%↑	92%↑	147%↑	187%↑	115%↑
	Debt service ratio	7%	4%	5%	16%	22%↓	3%	6%	15%	8%	14%↓	20%↑↑	11%↓
Government	Government debt/GDP	60%↓	68%↓	28%	39%	57%	36%↓	37%	31%↓			37%	246%
	Int. payments/govt revenue	2%	15%	11%	5%	14%	14%	3%	5%			4%	6%
External debt	External debt/GDP	5%↓	16%↓	32%↓	15%↓	47%↓	19%↓	33%↓	23%↓	76%↓	79%↓	47%	44%↑
	Total ext. debt (incl. fin. sector)/GDP	13%↓	23%↓	36%↓	28%↓	72%↓	27%↓	34%↓	36%↓	408%↓	427%↓	117%	71%↑
	FCY share of total external debt	60%	75%	83%	71%	58%	97%		72%	93%		26%	35%
	External debt/FX reserves	0.2x↑	1.0x	2.7x↑	0.6x↓	1.5x↑	0.7x↓	0.4x	0.5x	0.7x↓	1.0x	13.2x↓	1.8x↑↑
	M2/FX reserves	7.0x↑↑	5.3x	3.3x	5.5x	4.2x	2.1x	2.9x	3.0x	4.2x↓	1.6x	32.0x↑	7.6x
	Short-term (<1Y) share of external debt	52%↑	24%	8%↓	16%↓	18%↓	5%	92%	31%	31%↓	68%↓	3%	65%↓
	Private sector share of external debt	66%↑	71%↓	46%↓	54%	55%↓	41%↓	99%	72%↓	99%	100%↓	62%↓	40%↓
	Moody's' External Vulnerability Indicator	18.9	74.3	56.6	45.1	119.9	30.2	39.9	45.2				

Colours indicate leverage and potential stress	Low	Moderate/sustainable	High
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Arrows indicate change from June 2015: ↑ Moderate increase ↑↑ Fast increase ↓ Decrease

* Difference between 5Y CAGR of credit growth and 5Y CAGR of nominal GDP growth; a difference of more than 5ppt (500bps) is our threshold for a red flag

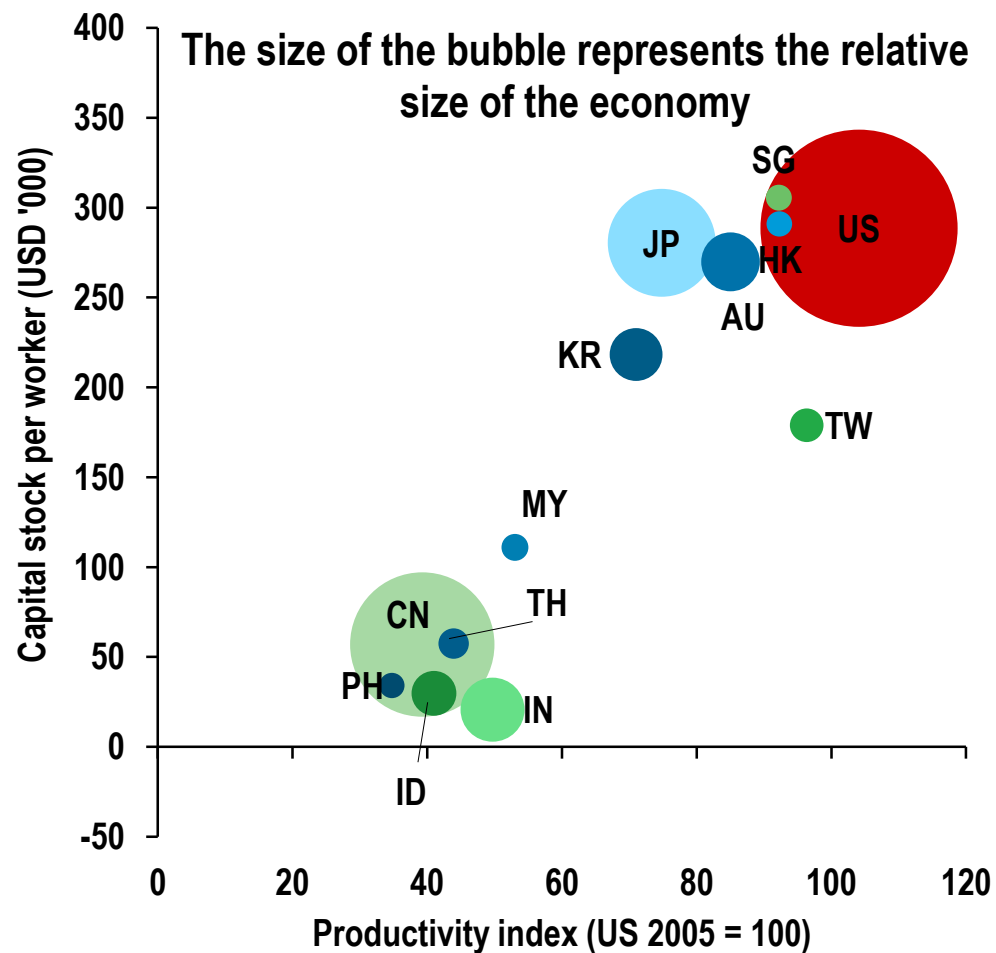
China and India data is as of December 2016; all other numbers as of June 2016

Source: Bloomberg, BIS, IMF, Standard Chartered Research

ASEAN and China – Long-term potential

Plenty more room for investment in ASEAN and China

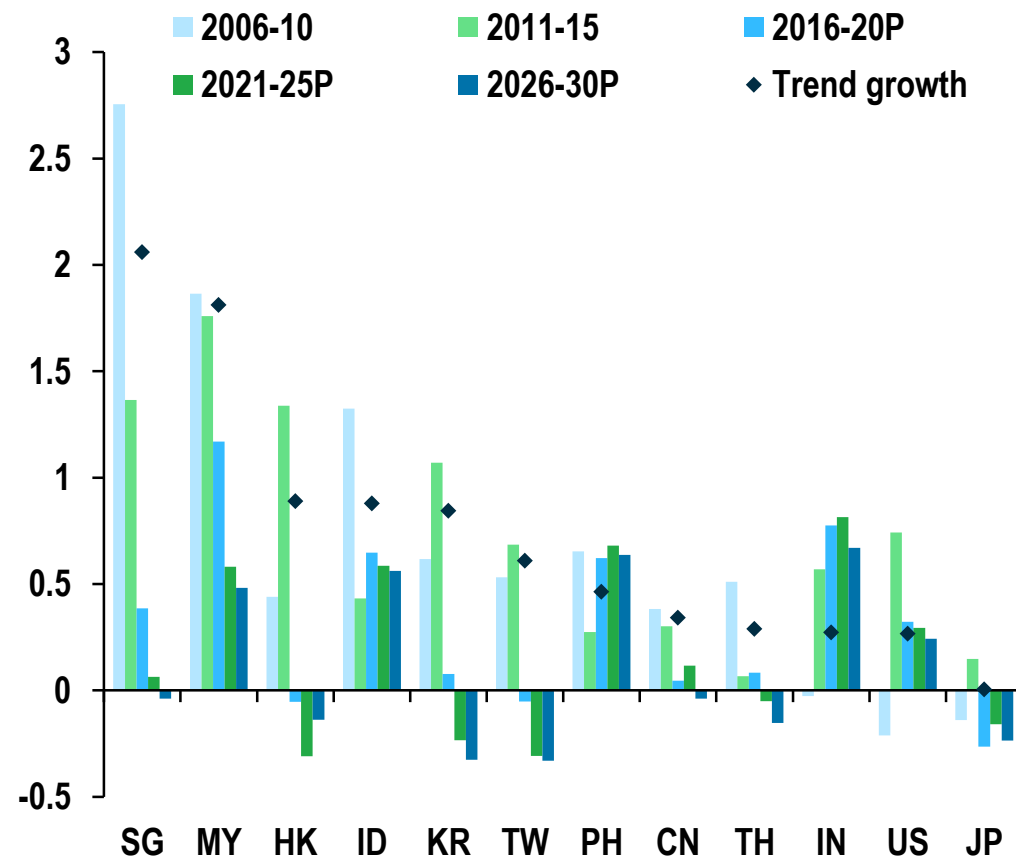
Economy size (bubble area)



Source: IMF, Penn World Tables, Standard Chartered Research

ASEAN benefits from still-positive labour force contributions to growth

Labour contributions to GDP growth, ppt



Note: We use UN working-age population data for our projections for 2016-40, while actual numbers on employed personnel for 2001-15 are from Penn World Tables. The key assumption here is that labour growth is equal to working-age population growth;
Source: UN, Penn World Tables, CEIC, Standard Chartered Research

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