



DEVELOPED ASIA PACIFIC: JAPAN CONTRACTS; AUSTRALIA LOSES MOMENTUM

KEY TAKEAWAY

Japan: Notwithstanding the blip in growth, the government of Japan sounded optimistic about the overall growth prospects for the economy, citing positive trends in consumer spending, and a rise in exports and capital investment by firms.

Australia: The economy managed to maintain its decades-long growth streak in the fourth quarter of 2017. GDP expanded a meager 0.4% during the period as bad weather hit exports but was offset by robust government spending and a rebound in household consumption.

Japan, the largest of the economies under our coverage in the Developed Asia region, contracted in the first quarter of 2018. Notwithstanding the blip, the government of Japan appears optimistic about the growth prospects for the economy, citing positive trends in consumer spending, and a rise in exports and capital investment by firms.

Though the resources-driven economy of Australia managed to maintain its growth streak during the review period, exports were hit by bad weather. The International Monetary Fund (IMF) expects New Zealand's economy to expand 3% in the short term, buoyed by the government's massive housing construction scheme and increased spending on social services. Singapore Prime Minister Lee Hsien Loong said given the healthy global economic outlook, the island-nation would grow between 1.5% to 3.5% in 2018. However, Mr. Lee acknowledged that growing trade tensions remain a concern. The trade-reliant economy of Hong Kong expanded at a faster-than-expected pace in the first quarter of 2018, driven by healthy private consumption and robust exports.

JAPAN: BLIP IN GROWTH AFTER LONG EXPANSION STREAK

After growing for eight quarters in a row, the world's third-largest economy lost momentum during the first quarter of 2018. The Asian economy shrank an annualized 0.6% in the first three months of the year due to weak household spending and slowing business investment. Japan's economy had expanded 0.6% in the fourth quarter of 2017. Still, analysts are hopeful that a robust global economy will trigger a rebound in the economy in the second quarter.

Notwithstanding the blip in growth, the government of Japan sounded optimistic about the overall growth prospects for the economy, citing positive trends in consumer spending, and a rise in exports and capital investment by firms. Japan's economic growth for the fourth quarter was also revised upward. On the downside, the Bank of Japan has made only minimal progress in achieving its inflation target of 2%.

Prime Minister Shinzo Abe said he would stick to the planned hike in sales taxes next year. Sales taxes are slated to go up to 10% from the current rate of 8% in October 2019. Mr. Abe also ruled out a snap general election, saying his government's immediate priority is to implement policies announced last year. On the foreign policy front, Mr. Abe said he would visit China in 2018 in an effort to improve bilateral ties with its Asian neighbor.

AUSTRALIA: GROWTH SLOWS AS EXPORTS HIT

The resource exports-driven economy managed to maintain its decades-long growth streak in the fourth quarter of 2017. GDP expanded a meager 0.4% during the period as bad weather hit exports but was offset by robust government spending and a rebound in household consumption, according

KEY TAKEAWAY

New Zealand: The International Monetary Fund expects the economy to expand 3% in the short term. However, the organization also pointed out that though soaring home prices have cooled, household debt remains high.

Singapore: Singapore looks set to clock modest growth for the year 2018. Though the government expects growth between 1.5% to 3.5% during the year, growing trade tensions remain a concern for the export-reliant economy.

to a Reuters news report. On an annual basis, the economy expanded only 2.4%, compared to a 2.9% growth in the third quarter.

The Reserve Bank of Australia has maintained a cautious stance on increasing interest rates and kept the rate unchanged at 1.50%. The bank is hopeful of a rebound in exports though it admitted that consumer spending is yet to gather pace as households are reeling under mounting debt. January retail sales data, the latest available, showed only a tepid 0.1% rise in sales.

Looking ahead, Reserve Bank of Australia Governor Philip Lowe expressed confidence that domestic economic growth would pick up pace, thanks to a strong labor market and synchronized global growth. However, Mr. Lowe said U.S. President Donald Trump's recent imposition of trade tariffs would be detrimental to global trade and the exports-driven economy.

NEW ZEALAND: IMF OPTIMISTIC ABOUT SHORT-TERM PROSPECTS

The International Monetary Fund (IMF) expects the South Pacific economy to expand 3% in the short term, helped by the government's massive housing construction scheme and increased spending on social services. However, the Washington-based organization also sounded a note of caution on the country's housing market, a *Reuters* report said. Though soaring home prices have cooled, household debt remains high, Thomas Helbling, the IMF's Australia and New Zealand Mission Chief said. The central bank, which has imposed curbs on lending, also proposes to ban foreigners from buying homes to prevent overheating in the market.

Reuters reported that the new government under the leadership of Jacinda Ardern has decided to increase the quantum of foreign aid to ramp up the country's presence in the Pacific and to counter the growing influence of China. New Zealand would contribute an additional \$498.9 million to its regular foreign aid corpus to wean neighboring countries off China's orbit, the report added. New Zealand and its ally Australia have held sway over the Pacific region for long before China made its presence felt.

SINGAPORE: ECONOMY SEEN TO CLOCK MODERATE GROWTH

Singapore looks set to clock modest growth for the year 2018. For the year 2017, the economy had grown a healthy 3.6%, thanks to strong exports. **Prime Minister Lee Hsien Loong commented that given the robust global economic outlook, the island-nation would grow between 1.5% to 3.5% during the year.** However, Mr. Lee acknowledged that growing trade tensions remain a concern, *Reuters* reported. Healthy global trade is crucial for the export-reliant economy of Singapore.

Semiconductor manufacturing has given a boost to Singapore's economy in recent years with production increasing a whopping 48% in 2017. However, the industry's Singapore Semiconductor Industry Association expects output growth to be moderate in 2018 as the global demand for mobile devices softens. The electronics segment, which includes semiconductor manufacturing, contributes more than 25% of the city-state's manufacturing GDP, a *Reuters* news report pointed out.

HONG KONG: GROWTH IN THE FAST LANE

Hong Kong's economy recorded a remarkable performance in the first quarter of 2018. The economy expanded an annual 4.7% during the period, the fastest rate of growth in seven years, driven by healthy private consumption and robust exports. On a quarter-on-quarter basis, the economy expanded 2.2% from the fourth quarter of 2017. Private consumption, which accounts for two-thirds of the city's GDP, increased an annual 8.6% in the first quarter, while exports grew 5.2% on a year-on-year basis.

Buoyed by the first-quarter numbers and the economy's strong showing in 2017, the Hong Kong government expects GDP growth to be in the range of 3% to 4% in 2018. Financial Secretary Paul Chan said the open economy would benefit from the overall uptick in the global economy. Mr. Chan

KEY TAKEAWAY

Hong Kong: The economy expanded an annual 4.7% during the first quarter of 2018, driven by healthy private consumption and robust exports. Private consumption, which accounts for two-thirds of the city's GDP, increased an annual 8.6% during the period, while exports grew 5.2% on a year-on-year basis.

added that headline inflation is expected to increase to 2.2% in 2018, up from 1.5% in 2017 due to local cost pressures, according to a *MarketWatch* report. The Asian Development Bank (ADB) has forecast economic growth of 3.2% in 2018 and 3% for 2019, *Xinhuanet.com* said in a news report.

This publication is for informational purposes only. This publication is not intended to provide tax, legal, insurance or other investment advice. Unless otherwise specified, you are solely responsible for determining whether any investment, security or other product or service is appropriate for you based on your personal investment objectives and financial situation. You should consult an attorney or tax professional regarding your specific legal or tax situation. The information contained in this publication does not, in any way, constitute investment advice and should not be considered a recommendation to buy or sell any security discussed herein. It should not be assumed that any investment will be profitable or will equal the performance of any security mentioned herein. Thomas White International, Ltd, may, from time to time, have a position or interest in, or may buy, sell or otherwise transact in, or with respect to, a particular security, issuer or market on our own behalf or on behalf of a client account.

FORWARD LOOKING STATEMENTS

Certain statements made in this publication may be forward looking. Actual future results or occurrences may differ significantly from those anticipated in any forward looking statements due to numerous factors. Thomas White International, Ltd. undertakes no responsibility to update publicly or revise any forward looking statements.