Mizuho Economic Outlook & Analysis

2018 Economic Outlook for Major Emerging Market (EM) Countries

December 18, 2017

Mizuho Research Institute
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The economy will remain stable due to strong consumption despite continuing restraints on new investment by deleveraging and adjustment of excess production capacity.

- China is likely to push ahead with its structural reforms toward the end of 2018, the year that marks “the 40th anniversary of reform and opening-up,” given the Xi Jinping administration’s consolidation of power through the National Congress of the Communist Party of China.
- Even so, the economic slowdown is expected to be mild, supported by strong consumption as well as a slightly slower-but-still high level of infrastructure investment.

Although real estate investment is beginning to slow down due to measures to control speculation, household housing demand remains firm, requiring close attention on the risk of renewed speculation going forward.
South Korea: growth rate expected to dip due to slower rise of IT-related exports

- In 2018, South Korea’s rate of GDP growth is expected to fall slightly from 2017.
  - While exports are likely to stay at a high level after the sharp expansion in 2017 reflecting the improvement of the IT cycle, export growth is expected to decline modestly.
  - The full-fledged implementation of housing loan restrictions from 2018 is also expected to have an impact.

- The policies of the Moon Jae-in administration require close attention.
  - Under the Moon administration’s measures to improve the employment and income environment, the social welfare budget will likely be boosted to underpin employment in the low-income bracket.
  - On the other hand, tax hikes upon high income-earners and large companies are under consideration in a bid to fund such measures. Such moves may lead to the stagnation of corporate activities.

![Real GDP growth rate](chart)

<table>
<thead>
<tr>
<th>Major Employment and Income Environment Improvement Measures by the Moon administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase employment in the public sector (Plans to employ 810,000 people by the end of his tenure in 2022)</td>
</tr>
<tr>
<td>• Use tax breaks to promote an expansion of employment of young people by small-sized firms and the drive to turn non-regular workers into regular employees</td>
</tr>
<tr>
<td>• Increase the minimum wage (2017: Hourly wage 6,470 won → 2020: 10,000 won) (Grant subsidies to small and medium-sized businesses)</td>
</tr>
<tr>
<td>• Boost medical insurance and the pension system</td>
</tr>
</tbody>
</table>

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on the Bank of Korea
Taiwan: despite a slight slowdown, the growth rate should still follow firm footing

- In 2018, the rate of Taiwan’s economic growth is forecast to slow slightly from 2017, but it is still expected to hold firm.
  - Private-sector capital investment is expected to weaken, as the introduction of cutting-edge equipment by semiconductor manufacturers is likely to pause in 2018.
  - On the other hand, the gradual expansion of exports, backed by robust demand for IT products and services, as well as increased infrastructure investment, are expected to provide underlying support for the economy.

- Shifts in the labor market require close monitoring.
  - Salaries in the public sector are set to be raised by 3% in 2018. Close attention should be paid to the extent to which this will induce wage increases in the private sector.

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan

[ Real GDP growth rate ]

[ Trends of nominal and real wages ]

Note: 1. For 2017, the average for January-August 2017 compared with the average for January August 2016
2. The real wage in 2018 was computed based on the Consumer Price Index (CPI) forecasts by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan.
Source: Made by MHRI based on Directorate General of Budget, Accounting and Statistics, Executive Yuan, Taiwan, and CEIC Data
Hong Kong: the economy is expected to slow down due to fading impact of the wealth effect

In 2018, the real GDP growth rate is expected to slow down from 2017 due to the fading impact of factors that pushed up growth in the previous year.

- Given the fading impact of the wealth effect reflecting the rise of interest rates in Hong Kong accompanying US interest rate hikes, the economy will be subject to downward pressures stemming from the slowdown of investment and personal consumption.
- On the other hand, expansionary fiscal policy should provide some support for the economy, with the Hong Kong government’s plan to introduce tax breaks in corporate taxes in 2018.

Given curbs upon soaring housing prices, the housing market will likely shift into a moderate adjustment in 2018.

- Even though housing prices rose a strong +17.5% y-o-y in the Jul-Sep quarter of 2017), the rise was still slower than +21.1% y-o-y in the Apr-Jun quarter, marking a slowdown for first time in five quarters.
- The impact of the measures introduced in May 2017 to curb housing speculation are gradually emerging, leading to forecasts of a moderate adjustment of prices going forward.

[ Real GDP growth rate ]

[ Trends of real estate prices ]

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Census and Statistics Department, Hong Kong.
Singapore: the rate of GDP growth is forecast to slow down

- In 2018, the rate of real GDP growth is expected to slow down.
  - The slower growth forecast stems from an expected slowdown of exports and restraints on public investment. However, private-sector demand is should provide underlying support for the economy.

- Real estate prices are showing signs of bottoming out reflecting the recovery of economic conditions.
  - Housing prices and office prices took an upturn in September after falling for 15 consecutive quarters and eight consecutive quarters, respectively.
  - The focus of attention is whether real estate prices will rise across the board, including commercial facilities and plants/warehouses.

![Real GDP growth rate graph](image1)

![Real estate prices graph](image2)

Source: Made by MHRI based on the Singapore Department of Statistics

Source: Made by MHRI based on the Urban Redevelopment Authority of Singapore
In 2018, real GDP growth rate is forecast to accelerate marginally by 0.1% pt from the previous year.

- Investment by the private sector is expected to rise moderately, given forecasts of the rises of commodity prices and the positive impact of the government’s measures to improve the investment environment.
- Public investment and government spending are anticipated to expand during the second half of 2018 ahead of the parliamentary and presidential elections in 2019, viewed enjoying favorably, given the success of President Joko Widodo’s (2014 ~ ) measures to improve the investment environment.
- However, Indonesia still ranks low relative to its neighbors in the Ease of Doing Business Index, leaving room for improvement.

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Statistics Indonesia (BPS)
Thailand: the growth rate will slow due to fading impact of special factors; household debt reduction should serve as restraints upon personal consumption

- In 2017, the Thai economy recovered from the fall in the previous year due to natural disasters and demise of King Bhumibol. In 2018, Thailand’s growth rate is forecast to slow down due to the fading impact of these special factors.

- Looking forward, the reduction of household debt should serve as downward pressures upon personal consumption.
  - The ratio of household debt to GDP rose to levels matching developed market (DM) economies. Given that households already have little room to borrow more and that the Bank of Thailand has started to reign in loans in a bid to curb household debt, households will likely start to reduce household debt.
    
    ———— The economy will shift from a debt-driven consumption phase to a debt-repayment phase by restraining consumption.

![Real GDP growth rate](chart1)

![Household debt and bad debt ratio](chart2)

**Note:** GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on the National Economic and Social Development Board (NESDB) of Thailand

Source: Made by MHRI based on the Bank of Thailand, BIS
In 2018, the GDP growth rate is forecast to remain firm despite the slowdown from 2017.
- Even though the pace of increase in semiconductor exports is likely to slow down, personal consumption should underpin the economy due to the improvement of employment conditions.

The expiration of the term of office of House of Representatives members in May 2018 will lead to the general elections.
- Under the single-seat constituency system, the odds are high that the ruling coalition will win the elections, as opposition parties are split and in disarray.

Source: Made by MHRI based on Japan External Trade Organization (JETRO), 13th General Election in Malaysia: Overview and Summary (May 2013)
The Philippines: the economy will continue to expand on the back of infrastructure development

- In 2018, real GDP growth is forecast to accelerate by a mild 0.2% pt.
  - Infrastructure development will shift into full-fledged implementation phase in 2018. This should also fuel expectations, leading to a gradual rise of private-sector investment.
  - A stable inflow of remittances from overseas Filipino workers (OFWs) is anticipated against the backdrop of the recovery of DM economies.
- President Rodrigo Duterte is looking forward to a significant expansion of infrastructure development by 2022, the final year of his term in office. Keep a close eye the course of tax reform to secure resources for funding the plan.

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Philippine Statistics Authority

Source: Made by MHRI based on releases by the government of the Philippines
Vietnam: despite prospects of high growth, keep a close eye upon the slowdown of infrastructure investment

- Vietnam is expected to maintain a high rate of economic growth in 2018, backed by the gradual recovery of the global economy.
  - With the global economy remaining on expansion (albeit moderate) track, and the effectuation of the free trade agreement (FTA) with the European Union (EU) also providing underlying support, Vietnam is expected to see firm exports and steady inward direct investment.

- Growing public debt may prove to be a drag on infrastructure investment.
  - The ratio of public debt to nominal GDP rose to 63.7% in 2016, approaching the government-set public debt ceiling of 65%. If public debt keeps growing at the current pace, it is likely to reach the ceiling in 2018. In order to rein in public debt, the government announced the suspension of new government-backed borrowings, which are essential for infrastructure investment.
  - Whether the government can act to restore fiscal health through tax reform and reform of state-owned enterprises requires close monitoring.

[ Real GDP growth rate ]

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on General Statistics Office of Vietnam

[ Trends of public debt ]

Source: Made by MHRI based on Ministry of Finance, Vietnam
Myanmar: the rate of GDP growth is forecast to pick up

- In 2018, the rate of Myanmar’s economic growth is forecast to accelerate.
  - The economy should gradually pick up, as the fall of agricultural output caused by unseasonable weather conditions, the principal factor behind the slower growth in FY2016, is being mitigated.
- The focal point is how to settle the Rohingya problem in Rakhine State, which is the target of severe international outcry.
  - After the Myanmar government forces launched a cleanup operation against the Muslim Rohingya people, over 600,000 displaced people fled to neighboring Bangladesh as refugees.
  - Even though State Counsellor Aung San Suu Kyi expressed her intention to accept the return of these refugees, the Buddhists, an overwhelming majority in Myanmar, may not back her plan.

![Real GDP growth rate graph](image)

*Note: GDP growth rates for 2017 and 2018 are forecasts by IMF.*

*Source: Made by MHRI based on Central Statistical Organization, Myanmar*
Cambodia: the rate of GDP growth is expected to slow

- In 2018, Cambodia’s economic growth rate is expected to slow down. The GDP growth rate is following a gradual decline along with the rise of labor costs.

- While the next general elections are scheduled on July 29, 2018, the Supreme Court of Cambodia issued an order on November 16, 2017 to dissolve the Cambodian National Rescue Party, the country’s largest opposition party.
  - Given a sense of crisis following major advances by the Cambodian National Rescue Party in the local elections, the ruling Cambodian People’s Party revised the law on political parties in July 2017, making it possible to dissolve a party whose leaders are deemed to be criminals. Subsequently, in September 2017, the government arrested the top leader of the Cambodian National Rescue Party on charges of treason. This was followed by the Supreme Court’s order for the party’s dissolution in November.
  - The US immediately requested the Cambodian government to retract the court order against the main opposition party. The incident is likely to exacerbate the rift between Cambodia and the countries of Europe and the US.

![Real GDP growth rate](image1)

![No. of National Assembly seats won in the 2013 election](image2)

Note: GDP growth rates for 2017 and 2018 are forecasts by IMF.
Source: Made by MHRI based on National Institute of Statistics, Cambodia, and IMF
India: growth expected to revert to 7% given the fading impact of temporary factors

- Economic growth slowed in 2017 due to the impact of the abolishment of high-denomination bank notes at the end of the previous year. In 2018, the economy should follow a consumer spending-led recovery, given the fading impact of the temporary factor.
  - However, private-sector investment is likely to remain stagnant given a sense of overcapacity with a low capacity operation rate and a cautious lending stance among banks stemming from nonperforming loans.

- The Ease of Doing Business Index, which represents the investment environment, rose sharply in 2017 and is expected to continue rising in 2018.
  - Reflecting reform efforts by the Narendra Modi administration, there were considerable improvements in the scores for tax payment, fund procurement and bankruptcy resolution in the assessments as of June 2017.
  - The Goods and Services Tax (GST) was introduced in July 2017. If further improvements in the tax system are confirmed, the Ease of Doing Business Index for India is expected to rise again in 2018.

![Real GDP growth rate](graph1)

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**Note:** Growth rates for 2017 and 2018 are forecasts by the European Commission.

**Source:** Made by MHRI based on Indian Ministry of Statistics and Programme Implementation

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![Ease of Doing Business Index](graph2)

**Source:** Made by MHRI based on World Bank Ease of Doing Business Index
Turkey: GDP growth is forecast to slow down due to inflation; keep a close eye upon capital outflows

- In 2018, the rate of economic growth is forecast to decline due to the impact of inflation.
  - Following the attempted coup in July 2016, the Turkish economy picked up and the GDP growth rate is estimated to reach 5% in 2017.
  - However, inflation is rising above 10% due to the weaker Turkish lira. The rate of economic growth is expected to slow down, dragged down mainly by personal consumption.

- Given economic imbalances and geopolitical risks, concerns regarding capital outflows persist.
  - The Turkish economy remains subject to vulnerabilities, including its huge current account deficit and heavy reliance on short-term debt. It is necessary to keep a close eye upon the deterioration of fiscal discipline.
  - Geopolitical risks also run high, such as the conflict with the armed Kurdish forces and the deterioration of relations with the US and Germany.

Note: GDP growth rates for 2017 and 2018 are forecasts by IMF.
Source: Made by MHRI based on IMF

Note: Core CPI is the overall consumer price index, excluding energy, food, beverages, tobacco, and gold.
Source: Made by MHRI based on Turkish Statistical Institute
Even though the Russian economy is forecast to maintain positive growth reflecting monetary easing, the pace of economic recovery is likely to be sluggish.

- Following the attainment of the inflation target (4.0% y-o-y or lower at the end of 2017), Russia is expected to cut interest rates more aggressively.
- Even so, the pace of its economic recovery is likely to be sluggish given the slower rise of crude oil prices, the continuation of fiscal austerity measures, and prolonged sanctions by the countries of Europe and the US.

Russia’s presidential election is scheduled on March 18, 2018.

- Close attention should be paid to the economic policy of President Vladimir Putin, who is expected to be re-elected, the rebuilding of relations with the countries of Europe and the US, and the future course of Japan-Russia relations.

**Russia: despite ongoing positive growth, the pace of recovery is expected to be moderate**

![Real GDP growth rate](image1)

![Public support for President Vladimir Putin](image2)

*Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.*
*Source: Made by MHRI based on Federal State Statistics Service of Russia*

*Source: Made by MHRI based on Levada Center*
Economic conditions are expected to remain firm, led by personal consumption. The European Commission forecasts an economic growth rate of +3.8% for 2018.

- Even though personal consumption should remain strong reflecting factors such as the rise of wages, personal consumption is expected to slow slightly due to the rise of inflation.
- On the other hand, investment is expected to accelerate, as public investment (such as the development of transportation infrastructure), financed by EU funds, shifts into full swing.

The statutory retirement age was lowered in October 2017, from the age of 67 for both men and women to 65 for men and 60 for women.

- The lowering of the retirement age at a time when the population is aging may aggravate the decline of the labor force participation rate and decline of the labor force population.
The Czech economy should continue to grow steadily, driven mainly by domestic demand. The European Commission forecasts that the economy will grow +3.0% in 2018.

- Given the rise of wages and public investment financed by EU funds, both personal consumption and investment are forecast to remain strong.
- While exports are likely to remain steady, net exports are forecast to weaken as a result of the increase of capital goods imports.

The possibility of populist and anti-EU policies being introduced following the birth of the right-wing government requires close monitoring.

- In the Chamber of Deputies (lower house) election in October 2017, the center-right ANO 2011 won 78 seats in the 200-member legislature and came out as the leading party.
Against a backdrop of the continuation of expansionary fiscal policy, Hungary’s GDP growth rate in 2018 is expected to remain largely flat from 2017.

- Reflecting the minimum wage hike and corporate tax reduction, both personal consumption and investment should continue to rise.

Hungary’s expansionary fiscal policy is expected to remain in place in 2018.

- Based on the tripartite (government-labor-management) “six-year wage agreement” of November 2016, the social contribution tax borne by employers was cut from 27% to 22% in January 2017 and is set to be reduced further from 22% to 20 in January 2018, while the minimum wage is set to be raised by +15% in 2017 and +8% in 2018.

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**Hungary: growth is expected to flatten out amid the continuation of expansionary fiscal policy**

- [Real GDP growth rate](#)
  - Growth rates for 2017 and 2018 are forecasts by the European Commission.
  - Source: Made by MHRI based on Hungarian Central Statistical Office and the European Commission

- [Trends of Average Monthly Wage](#)
  - Source: Made by MHRI based on Hungarian Central Statistical Office
Mexico: NAFTA renegotiations and uncertainties regarding the presidential election are restraints upon growth

- In 2018, Mexico’s GDP growth rate will likely remain more or less flat due to the deterioration of relations with the US and concerns regarding a possible change of government to a leftist administration.
  - In the event the North American Free Trade Agreement (NAFTA) is terminated, downside risks to the economy will intensify due to the contraction of trade and investment and financial market turmoil.
- Candidate Andres Manuel Lopez Obrador, head of the leftist National Regeneration Movement (MORENA) party, is leading ahead of the July 2018 presidential election, raising the possibility that structural reforms will be pushed back.
  - Though MORENA rules out any extreme policy shift, governance by an emerging leftist government remains an unknown quantity, possibly giving rise to greater uncertainty over investment.

The extent of potential policy shift should depend largely on the number of seats MORENA wins in parliamentary elections and the coalition makeup. The governing PRI is leading in parliamentary elections.

Note: GDP growth rates for 2016 and 2017 are forecasts by MHRI.
Source: Made by MHRI based on Instituto Nacional de Estadística y Geografía (INEGI)
Brazil: despite forecasts of the acceleration of growth, domestic politics remain a risk factor

- In 2018, the pace of economic growth is expected to follow a mild consumption-driven acceleration due to an accommodative monetary policy stance.
  - Given the historical-low policy interest rate due to the cool-down of inflation, and the improvement of employment and income conditions, personal consumption has become the main driver of growth.
- Leftist and extreme right candidates are leading ahead of the presidential election in October 2018, flashing a yellow light of caution toward the continuation of the Temer administration’s structural reform agenda.
  - While the structural reforms may be rolled back if former President Lula, the current favorite, wins, he may not be able to run in the presidential race if he is found guilty of corruption.
  ——— Congressman Bolsonaro, second favorite, is a far-right politician with a military background. A victory for Bolsonaro may raise uncertainty over policy management.

[ Real GDP growth rate ]

<table>
<thead>
<tr>
<th>Year (CY)</th>
<th>GDP Growth Rate (%)</th>
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<tbody>
<tr>
<td>2013</td>
<td>3.0</td>
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<tr>
<td>2014</td>
<td>0.5</td>
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<tr>
<td>2015</td>
<td>-3.5</td>
</tr>
<tr>
<td>2016</td>
<td>-3.5</td>
</tr>
<tr>
<td>2017</td>
<td>1.0</td>
</tr>
<tr>
<td>2018</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Instituto Brasileiro de Geografia e Estatistica (IBGE)

[ Public support in 2018 presidential election ]

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
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</thead>
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<tr>
<td>Ex-President Lula (PT)</td>
<td>35</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>Congressman Bolsonaro (PEN)</td>
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<td>16</td>
<td>19</td>
</tr>
<tr>
<td>Ex-Environmental Min. Silva (REDE)</td>
<td>13</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Sao Paulo Gov. Alckmin (PSDB)</td>
<td>8</td>
<td>8</td>
<td>9</td>
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<td>Ex-Congressman Gomes (PDT)</td>
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<td></td>
<td>5</td>
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<tr>
<td>Ex-Sao Paulo Mayor Haddad (PT)</td>
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<td>9</td>
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</table>

Note: 1. The response rate to the question: “Who would you vote for if the presidential election was held today.”
3. Excluding “no response” and “unknown.”
Source: Made by MHRI based on Datafolha (the survey conducted during September 27-28, 2017)
Chile: the rise of copper prices and monetary easing should serve to accelerate growth; focus of attention on the new administration’s policy management

- The pace of economic growth is forecast to accelerate due to the rise in price of copper, which accounts for approximately 50% of the country’s exports, and the impact of monetary easing.
  - The economic slowdown in 2017 stemmed from the impact of the miners’ strikes. In 2018, attention should also be paid upon the impact of the rise of US infrastructure investment upon copper prices.

- Former Chilean President Sebastian Pinera, the center-right opposition candidate, won the first round of the presidential election (November 19th). However, since his victory was not convincing enough, Pinera faces Senator Alejandro Guillier, the candidate of the current governing coalition, in the runoff vote (December 17th).
  - If former President Pinera wins a comeback reelection, there are expectations toward a business-friendly shift in policy.
    — Mr. Pinera plans to promote tax reform, including corporate tax rate cuts, and take steps to accelerate economic growth.

Note: GDP growth rates for 2017 and 2018 are forecasts by IMF.
Source: Made by MHRI based on the Central Bank of Chile and IMF

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### [Real GDP growth rate]

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth Rate (%)</th>
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<tbody>
<tr>
<td>2013</td>
<td>1.9</td>
</tr>
<tr>
<td>2014</td>
<td>2.3</td>
</tr>
<tr>
<td>2015</td>
<td>1.6</td>
</tr>
<tr>
<td>2016</td>
<td>1.4</td>
</tr>
<tr>
<td>2017</td>
<td>2.5</td>
</tr>
<tr>
<td>2018</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Made by MHRI based on the Central Bank of Chile and IMF

### [Presidential candidates ad main campaign pledges]

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Ex-President Pinera</th>
<th>Senator Guillier</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affiliation</strong></td>
<td>Center-right opposition coalition Chile Vamos</td>
<td>Center-left governing coalition Nueva Mayoría</td>
</tr>
<tr>
<td><strong>Share of the vote in the first round</strong></td>
<td>36.6%</td>
<td>22.7%</td>
</tr>
<tr>
<td><strong>Main pledges</strong></td>
<td>GDP growth 2.6% in 2018⇒3.5% in 2022</td>
<td>Increased public investment focusing on infrastructure and housing</td>
</tr>
<tr>
<td></td>
<td>Tax reform (Corporate tax rate cut)</td>
<td>Higher investment in the areas of renewable energy, mineral resources</td>
</tr>
<tr>
<td></td>
<td>Pension reform (Higher benefits, higher burdens on business owners)</td>
<td>Pension reform (Higher benefits, higher burdens on business owners)</td>
</tr>
<tr>
<td></td>
<td>Ban on consecutive reelection of president ⇒ Allow one consecutive reelection only</td>
<td>Creation of the post of prime minister</td>
</tr>
<tr>
<td></td>
<td>Extension of the presidential term of office (4 years⇒6 years)</td>
<td>Enhancement of bargaining power of trade unions</td>
</tr>
</tbody>
</table>

Source: Made by MHRI based on various press reports
Argentina: growth is expected to remain in positive territory; the Macri administration embarking on the second phase of structural reforms

- Argentina is expected to maintain positive economic growth in 2018 due to the rise of personal consumption and capital investment, the two main pillars of domestic demand.
  - The rise of imports accompanying the expansion of domestic demand will push up the ratio of the current account deficit to GDP to the 4%-level. External vulnerabilities requires close attention (S&P named Argentina as one of the “Fragile Five” countries).
- In the October 2017 midterm legislative elections, the governing coalition substantially increased the number of seats. The Mauricio Macri administration is set to embark on the second phase of structural reforms.
  - The Macri administration plans to push ahead with tax reform, centering on the corporate tax rate cut from 35% to 25% by 2021, and improvement of the investment environment by easing labor regulations.

Argentina is drawing keener international attention as it will serve as the chair of the G20 Summit in 2018. President Macri is seeking to gain as many achievements as possible, having his sights set on reelection in the 2019 presidential election.

[ Real GDP growth rate ]

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase</th>
<th>Forecast</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>-2.5</td>
<td>2.4</td>
<td>2.6</td>
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<tr>
<td>2014</td>
<td>2.5</td>
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<tr>
<td>2015</td>
<td>-2.2</td>
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<td>2016</td>
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<td>2.5</td>
<td>2.5</td>
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<tr>
<td>2017</td>
<td>2.4</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

[ Results of mid-term legislative elections ]

<table>
<thead>
<tr>
<th>Electoral Union</th>
<th>Senate [Up for reelection 24/72]</th>
<th>Chamber of Deputies [Up for reelection 127/257]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Post-election</td>
<td>Increase/Decrease</td>
</tr>
<tr>
<td>Cambiemos (Governing party)</td>
<td>24</td>
<td>9</td>
</tr>
<tr>
<td>Unidad Ciudadana (Kirchner faction and small alliance parties)</td>
<td>10</td>
<td>-8</td>
</tr>
<tr>
<td>Partido Judicialista (Peronist party)</td>
<td>23</td>
<td>-3</td>
</tr>
<tr>
<td>Massismo y aliados</td>
<td>23</td>
<td>-1</td>
</tr>
<tr>
<td>Izquierda</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>72</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: GDP growth rates for 2017 and 2018 are forecasts by IMF. Source: Made by MHRI based on National Institute of Statistics and Censuses (INDEC), and IMF.
South Africa: low growth likely to continue, with political uncertainty hampering the recovery of investment

- In 2018, South Africa’s economic growth is forecast to remain a weak 1%.
  - Personal consumption, gross fixed capital formation, and government consumption will likely remain stagnant, keeping domestic demand lackluster.
  - The unemployment rate in the most recent quarter of Jul-Sep quarter of 2017 stood at 27.7%, the worst on record.

- Ongoing political uncertainty is hampering the recovery of inward direct investment → recovery of gross fixed capital formation.
  - Investors’ concerns are rising toward President Zuma’s corruption-prone governance. Saddled with huge current account deficits, South Africa depends on foreign capital for funding domestic investment. Even so, inward direct investment has been falling on the back of political uncertainty.

Note: GDP growth rates for 2017 and 2018 are forecasts by IMF.
Source: Made by MHRI based on IMF

Source: Made by MHRI based on Statistics South Africa
Saudi Arabia: The Saudi economy should follow a gradual recovery path in 2018; direction of reforms requires close attention

- The IMF forecasts that the Saudi economy will grow +1.1% in 2018 (+0.1% in 2017).
  - The odds are high that GDP growth will rise again in 2018, as the negative impact of the oil sector accompanying the OPEC’s coordinated output cuts wears off.
  - From 2018 onward, forecasts of the rise of crude oil prices will also underpin the Saudi economy.
- The direction of ‘Vision 2030’, Saudi Arabia’s structural reform program, is drawing keen attention.
  - In particular, the future course of the listing of state-owned oil company Saudi Aramco is gathering attention. The planned listing is one of the measures aimed at turning Saudi Arabia into an investment-led nation.
  - If realized, the listing of Saudi Aramco, with its corporate value estimated at 1-2 trillion USD, will become the largest on record.

**[Real GDP growth rate]**

**[Large-scale IPOs in the past]**

Note: Forecasts by IMF
Source: Made by MHRI based on IMF

Note: The value of Saudi Aramco’s listing is estimated on the assumed listing of 5% of the total number of outstanding shares based on the corporate value of 1 trillion USD
Source: Made by MHRI based on various press reports
United Arab Emirates (UAE): 2018 growth is forecast to rise, supported by the Dubai economy

- The IMF forecasts that the economy will grow +3.4% in 2018 (+1.3% in 2017).
  - Expectations toward new projects ahead of the Dubai EXPO 2020 are bolstering the economy.
  - Economic diversification, led by the Emirate of Dubai, is underpinning the economy.
- The direction of OPEC production cuts and the compliance rate requires close monitoring.
  - Looking at the compliance rate of OPEC output cut since 2017, the UAE ranks among the lower members at around 50%.
  - If the OPEC output cut remains in force beyond 2018 and the UAE comes under strong pressure to comply with the cutback, the oil sector will push down GDP growth.

[ Real GDP growth rate ]

[ Compliance with output cuts by OPEC Members ]

Note: Forecasts by IMF
Source: Made by MHRI based on IMF

Note: The average for January-September 2017
Source: Made by MHRI based on IEA
Australia: GDP growth rate is forecast to rise; focus upon whether the improvement of corporate earnings will lead to the rise of capital investment

- The Australian economy is forecast to grow sharply, given the fading impact of the natural disasters.
  - Given the fading impact of natural disasters which served to hamper economic growth in 2017, Australia’s exports are predicted to pick up due to the progress of natural resource projects.
- Focus upon whether the recovery of corporate earnings will lead to the rise of capital investment.
  - Given the recovery of commodity prices, corporate earnings are improving significantly, led by the mining sector. Keep a close eye upon whether capital investment, which suffered year-on-year drops for three successive years, will take an upturn.

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Note: GDP growth rates for 2017 and 2018 are forecasts by MHRI.
Source: Made by MHRI based on Australian Bureau of Statistics
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