

China, India and the rise of Asia in the global economy

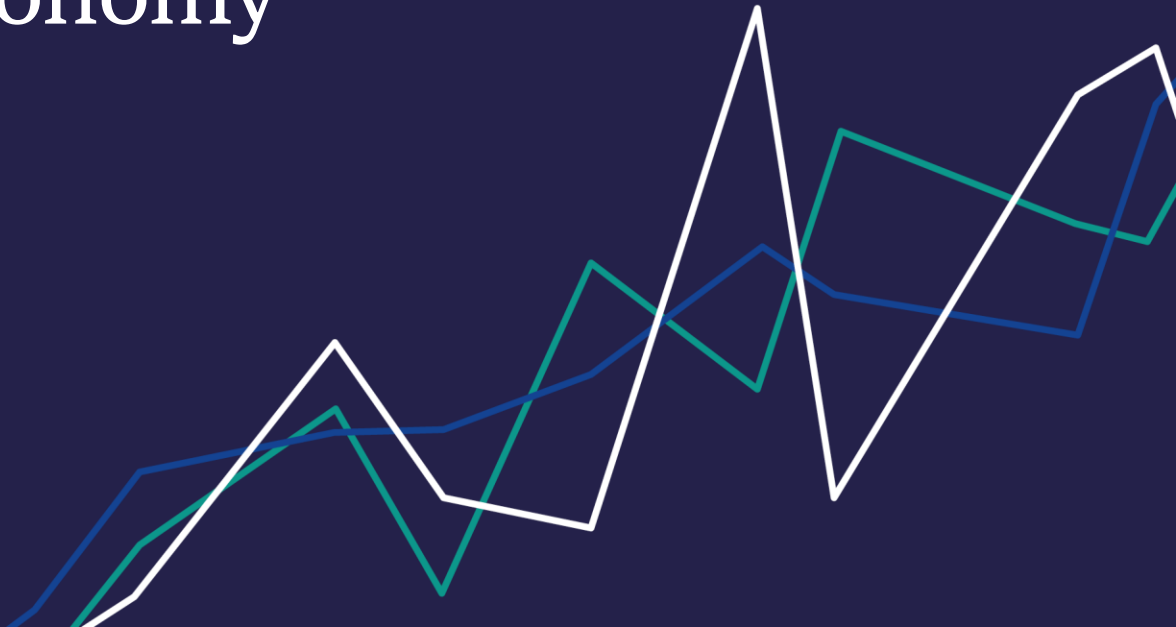
24th September

Mark Williams, Chief Asia Economist

Shilan Shah, Deputy Chief Asia Economist

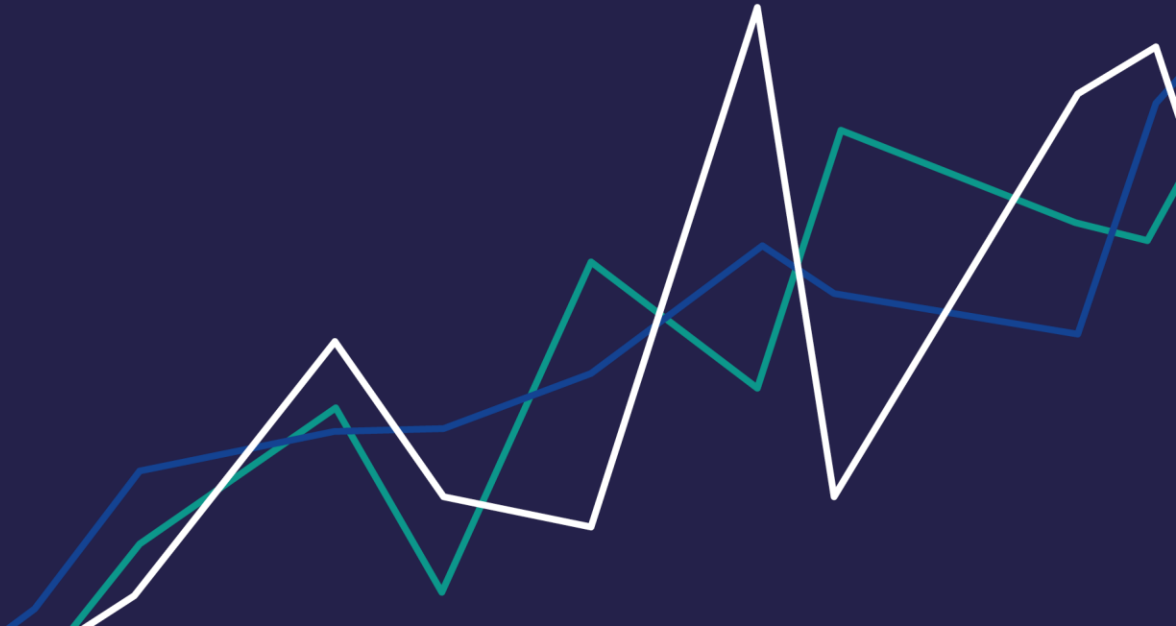
Gareth Leather, Senior Asia Economist

Leah Fahy, China Economist



China: the US election and beyond

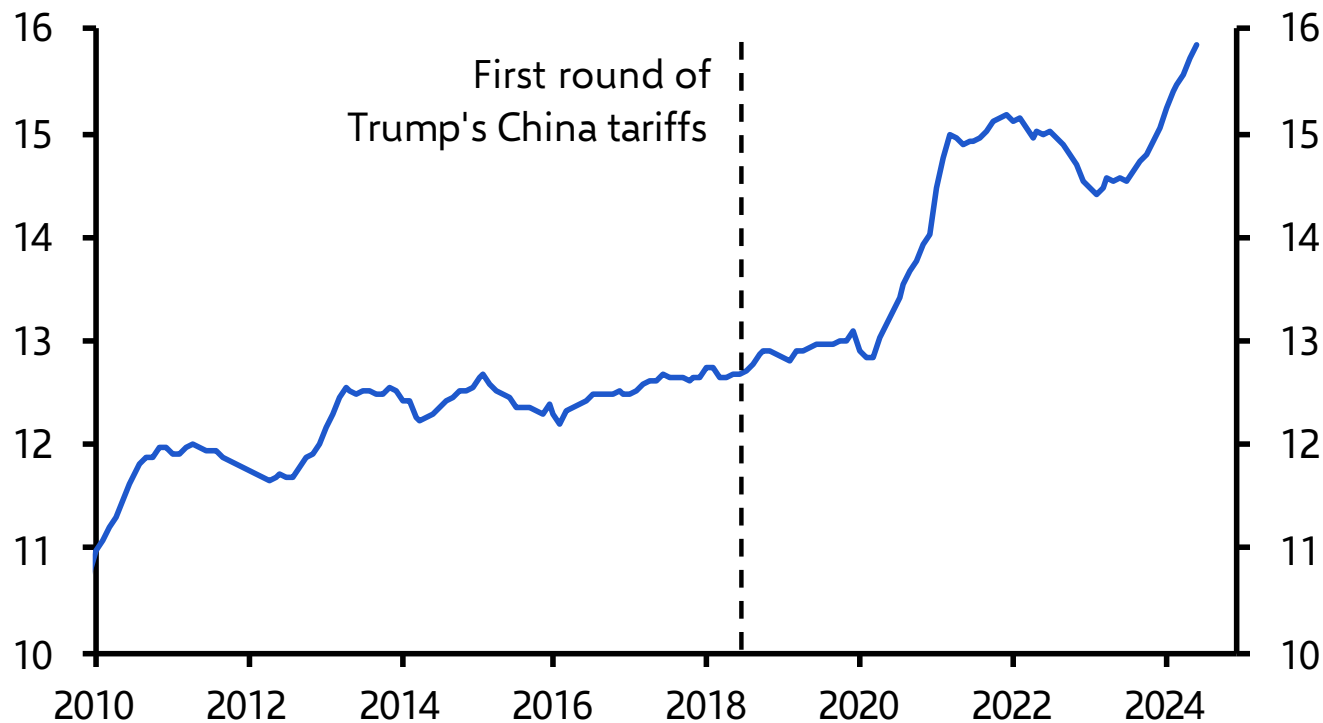
Leah Fahy



Agenda

- The near-term outlook
- The key differences for China between a Trump and Harris presidency
- Our latest thinking on China's long-term growth

China Good Exports (% of world total, 12m sum)



Sources: LSEG, Capital Economics

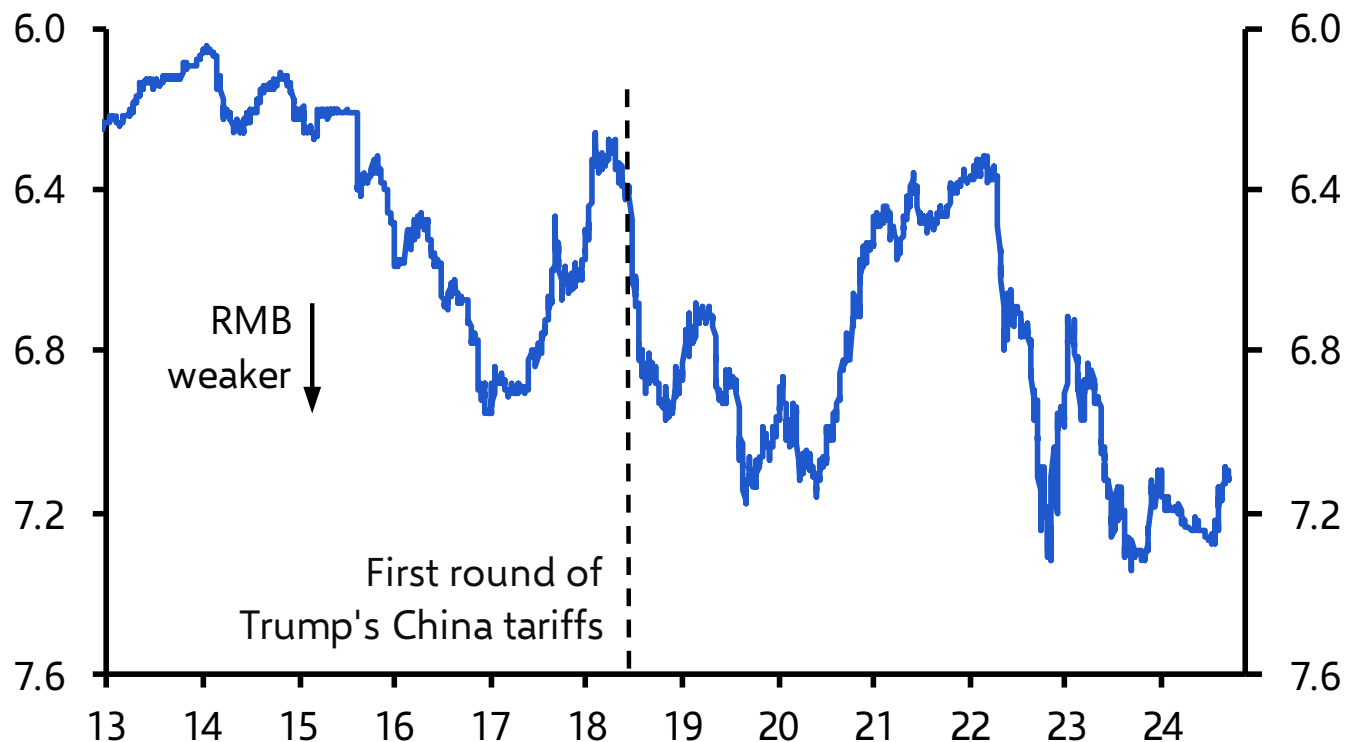
Long-run Outlook: Reasons to be Downbeat

- Construction activity to fall by a further 40%
- Mounting demographic headwinds
- Slowing productivity growth
- Growing trade barriers to weigh on export growth

Impacts of a Trump vs Harris Administration

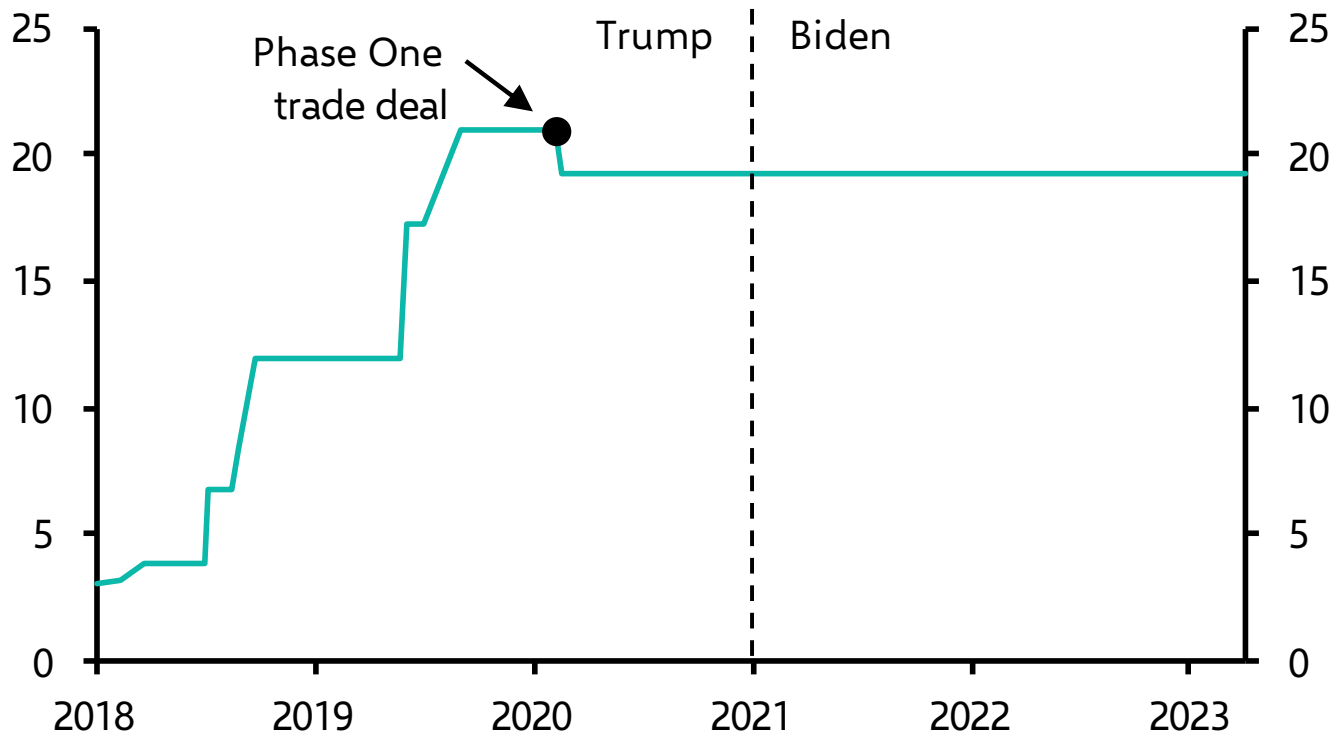
	Trump Presidency	Harris Presidency
Instruments of Choice	Tariff escalation	Export controls
Approach to Global Institutions	Destabilising	Work within global system
Impact of Policies	Immediate threat, but unilateralist approach will dampen impact	Multilateral approach will amplify impact

Renminbi Exchange Rate (RMB/USD, inverted)



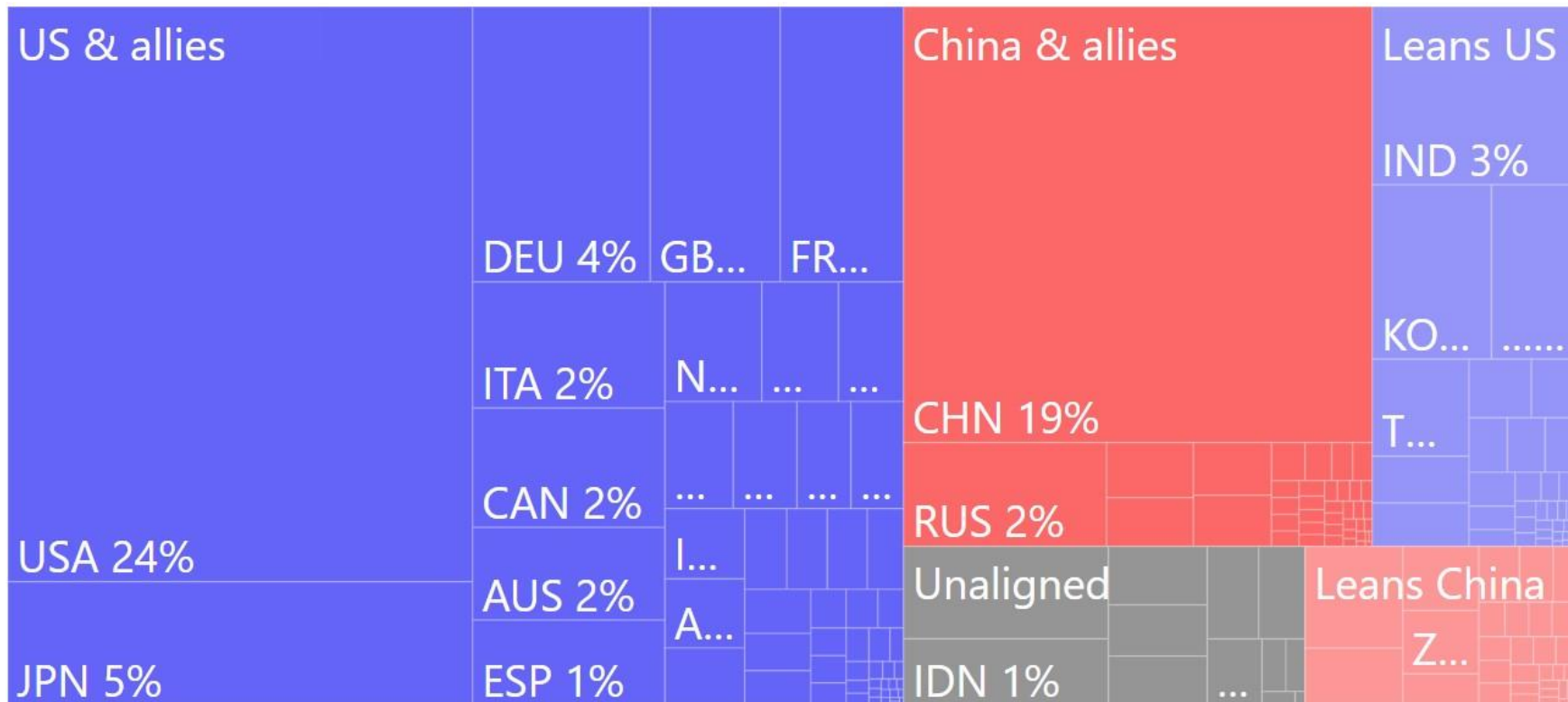
Sources: LSEG, Capital Economics

Average Tariff on US Goods Imports from China (% , 2017 weights)



Sources: Peterson Institute, Chad P. Brown, 2023, Capital Economics

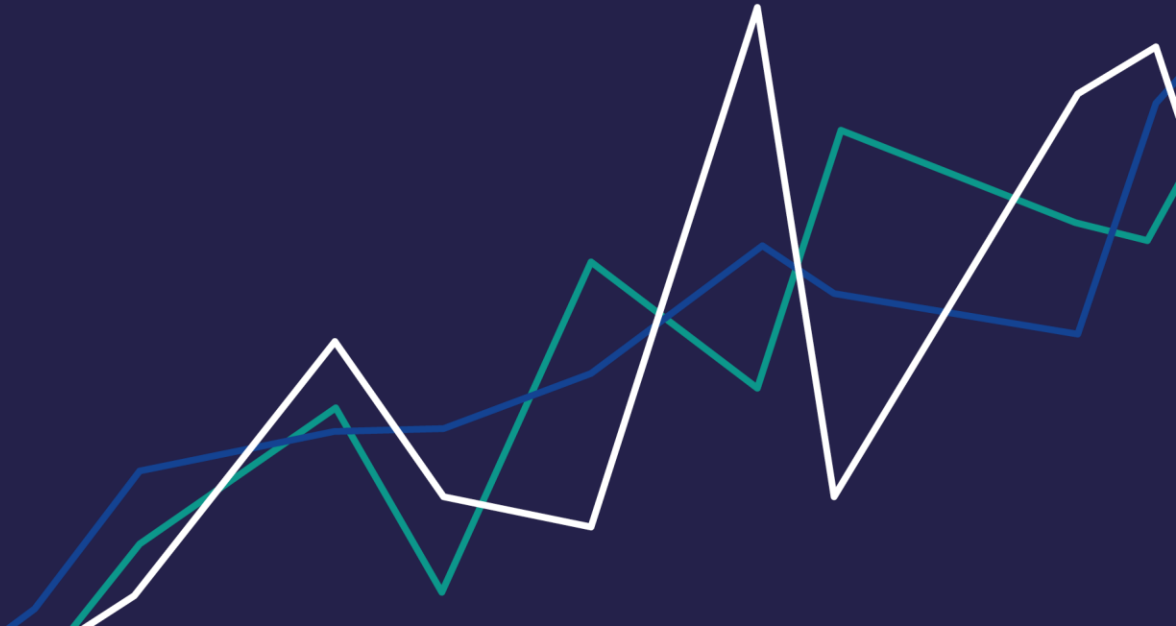
Share of Global GDP (market exchange rates, 2022)



Sources: World Bank, Capital Economics

India: an era of optimism

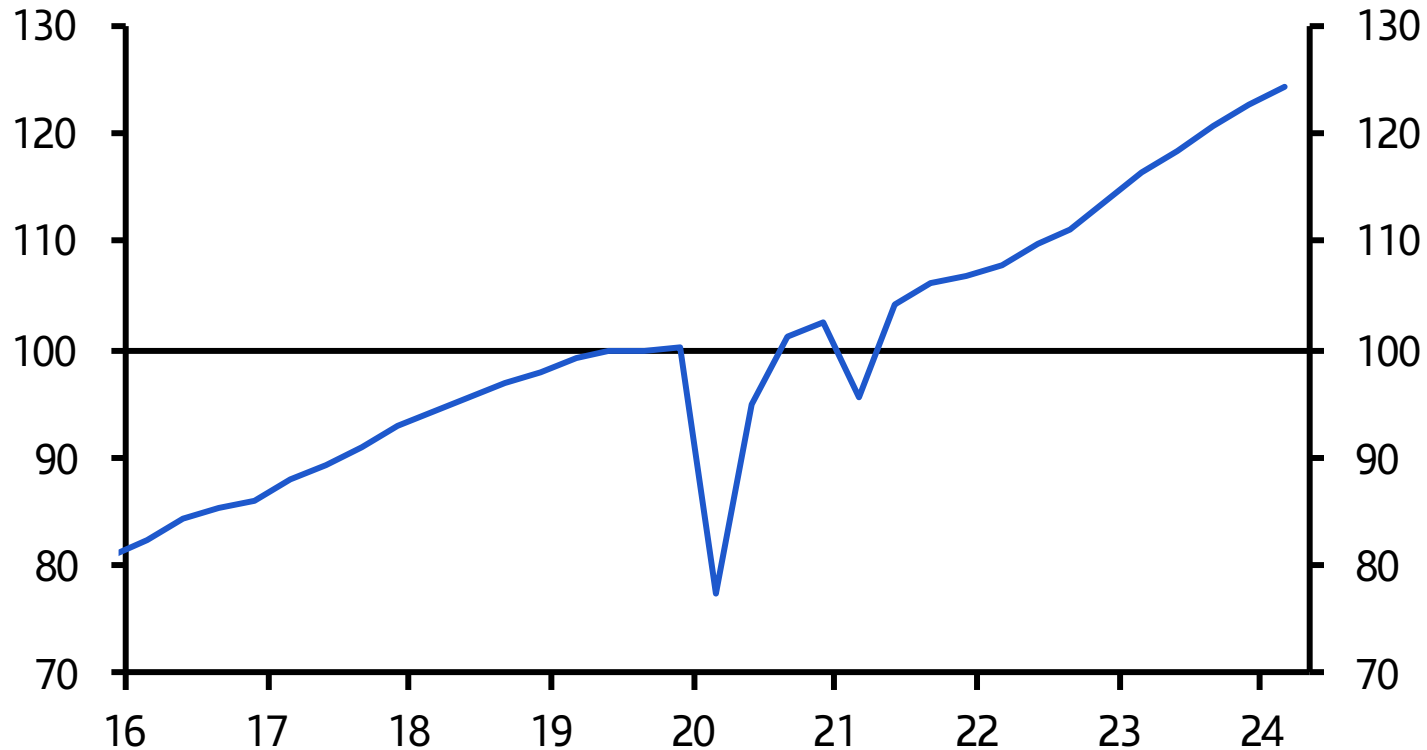
Shilan Shah



Agenda

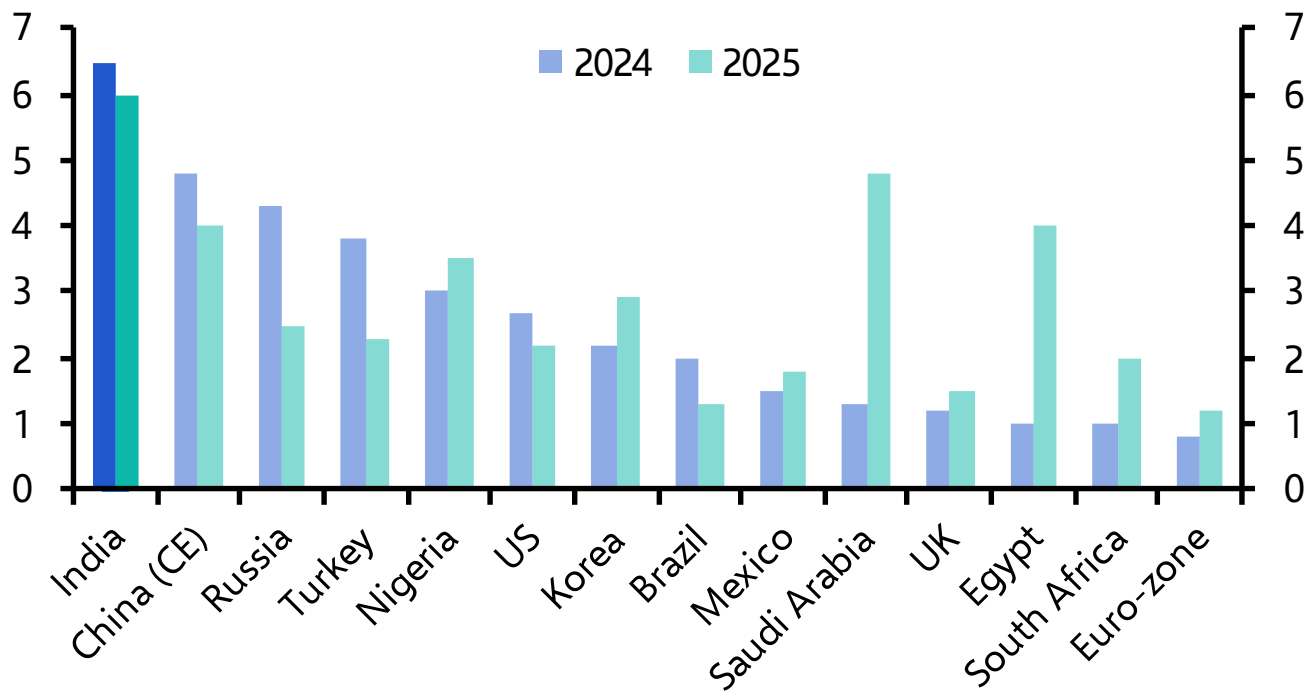
- Near-term outlook
- Reasons for optimism over the long term
- India's economy in a fracturing world

India Real GDP (Q4 2019 = 100)



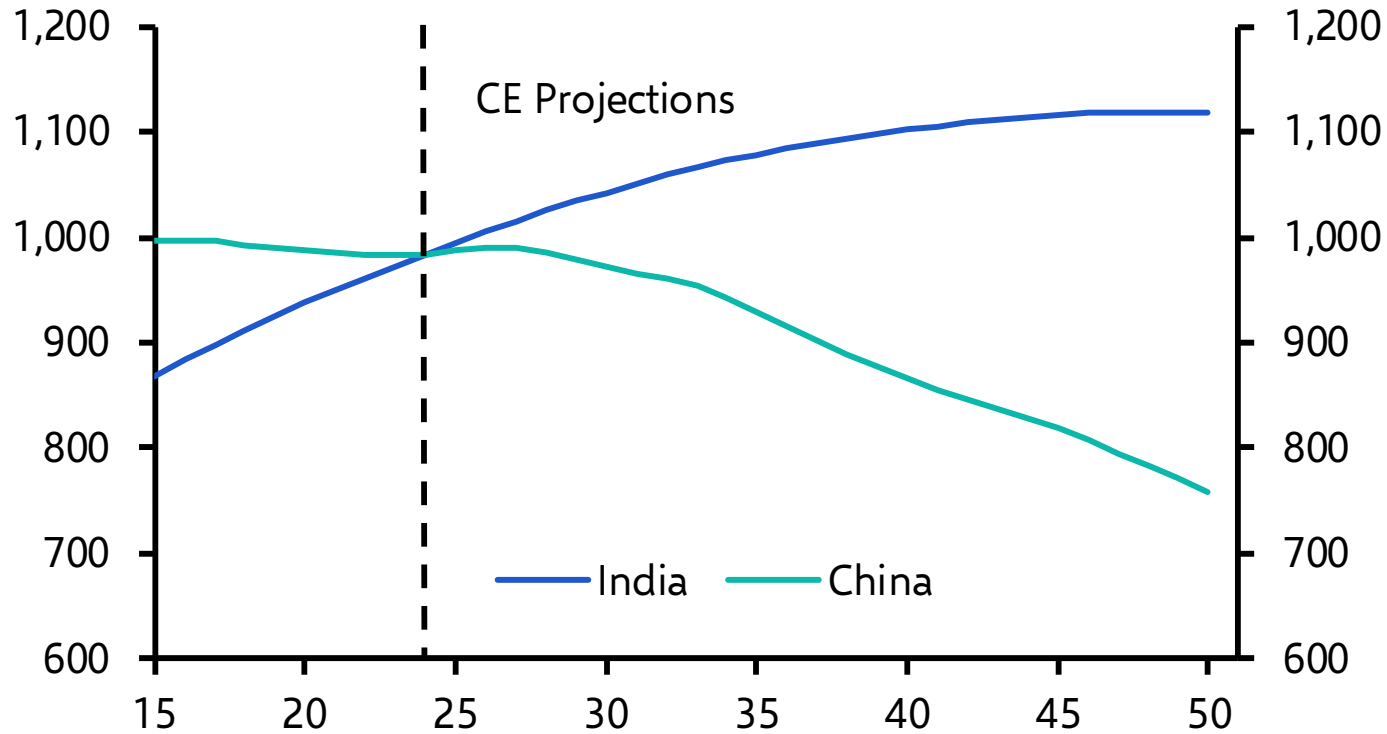
Sources: CEIC, Capital Economics

Annual GDP Growth (CE Forecasts, %)



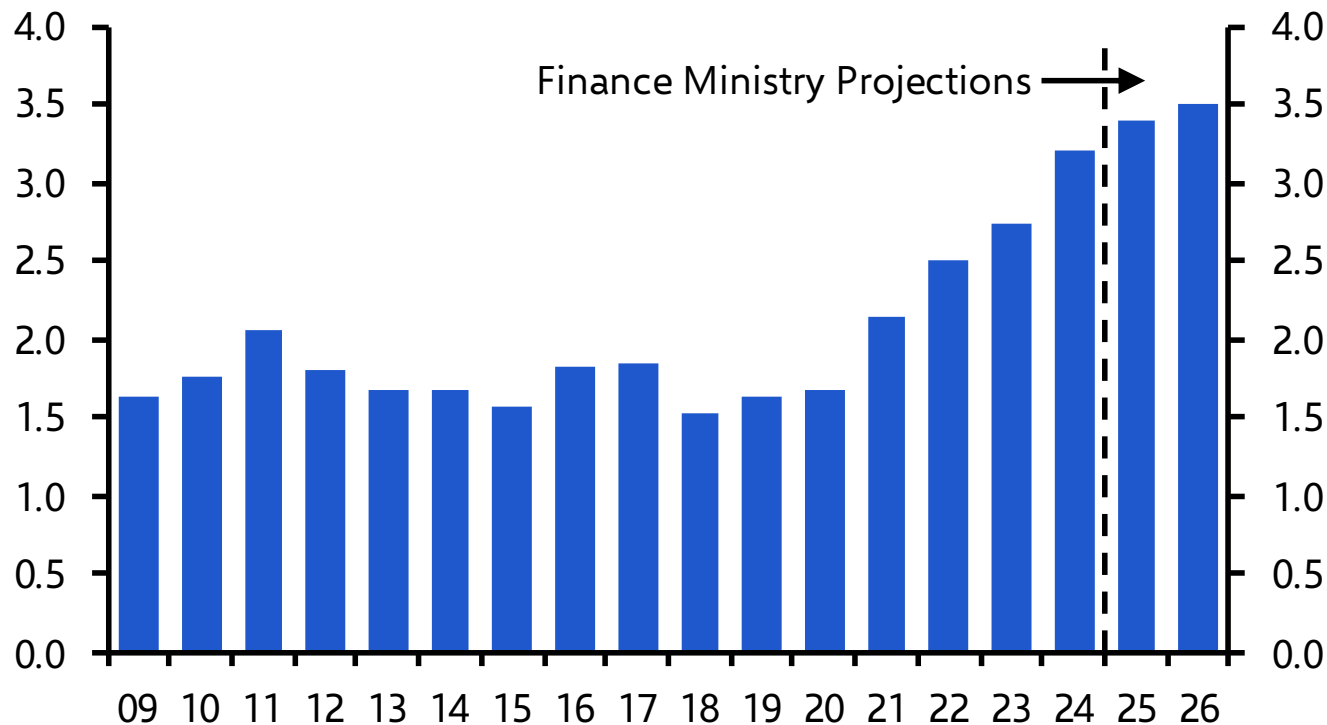
Sources: CEIC, Capital Economics

Working-Age Population (Millions)



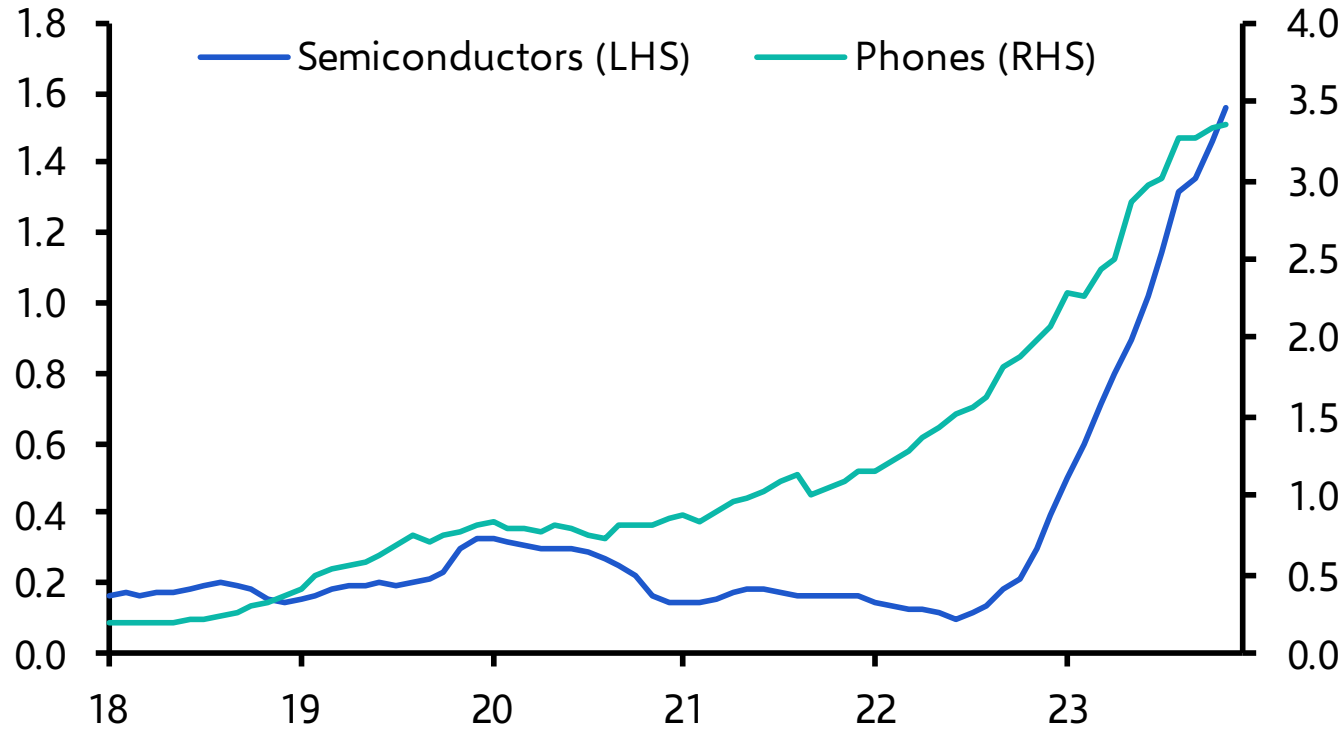
Sources: UN, Capital Economics

India Government Capital Expenditure (% of GDP)



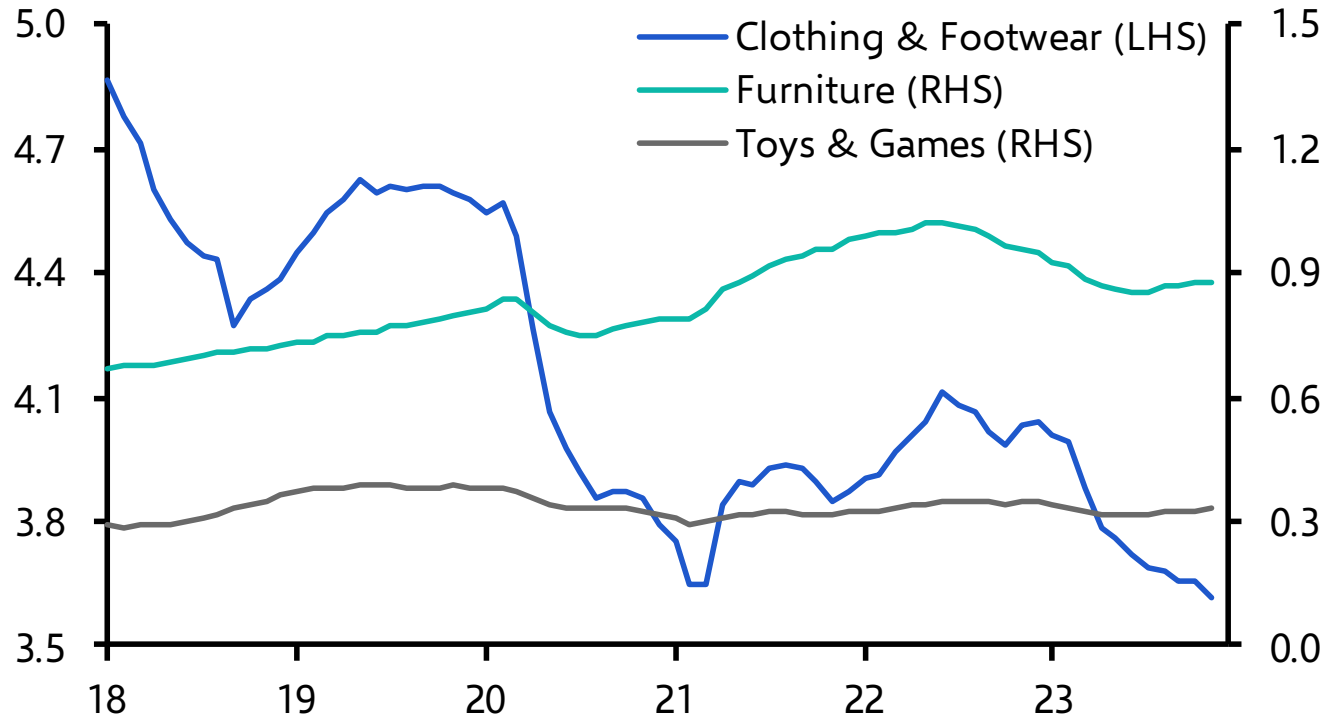
Sources: CEIC, Capital Economics

India's Share of Global Exports (% , 12m Average)



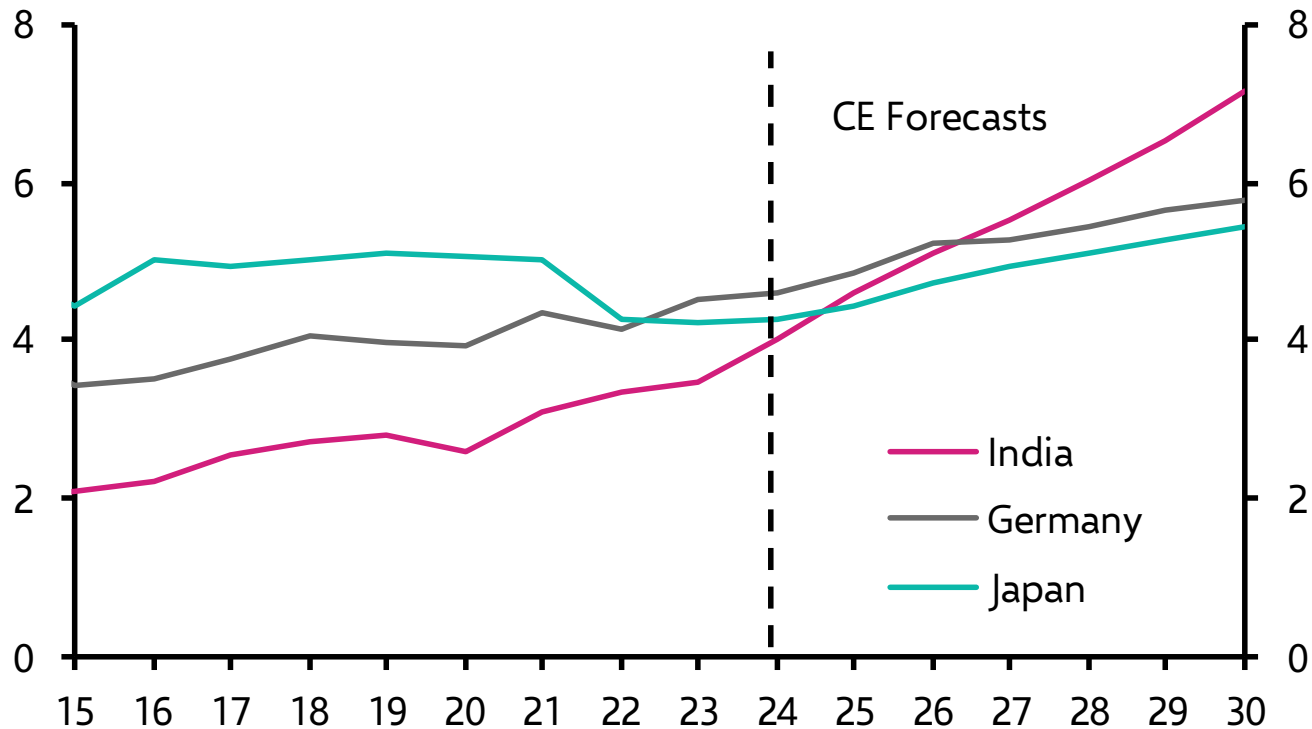
Sources: UN Comtrade, Capital Economics

India's Share of Global Exports (% , 12m Average)



Sources: UN Comtrade, Capital Economics

Nominal GDP (US\$ Trillions)



Sources: CEIC, Capital Economics

Risks and opportunities in South East Asia

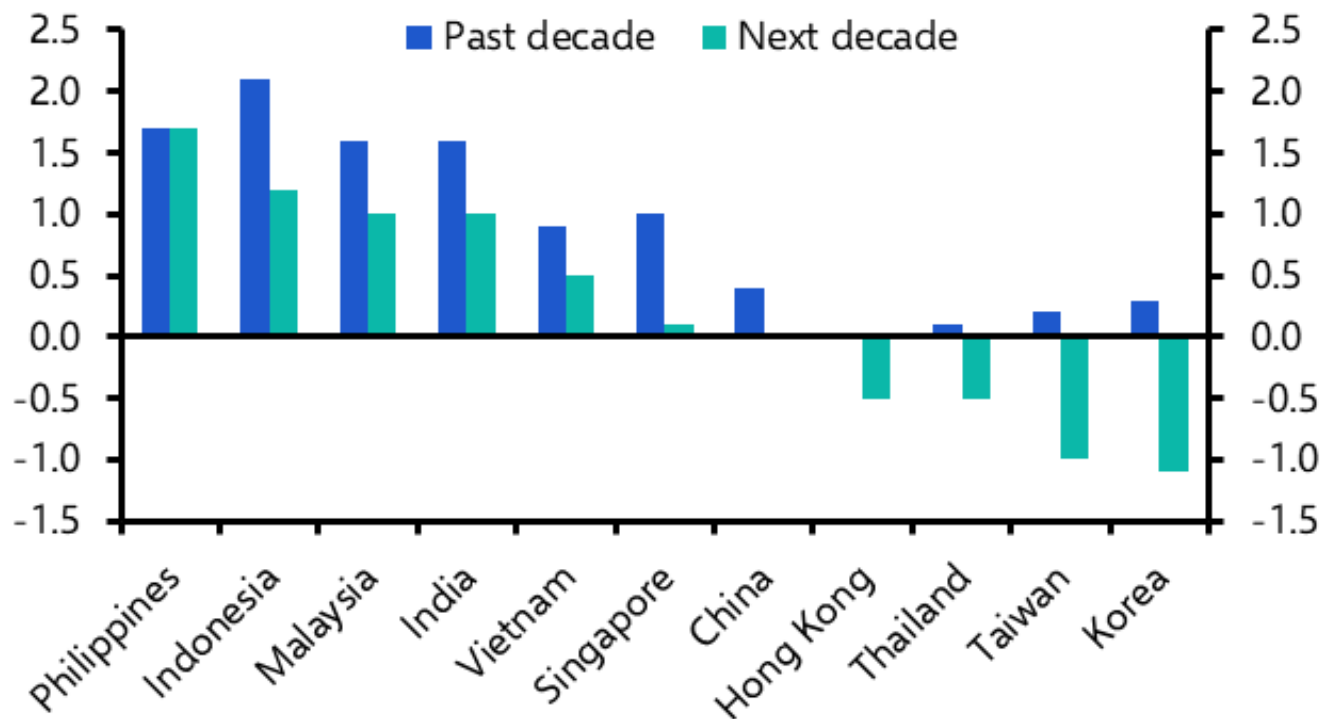
Gareth Leather



Agenda

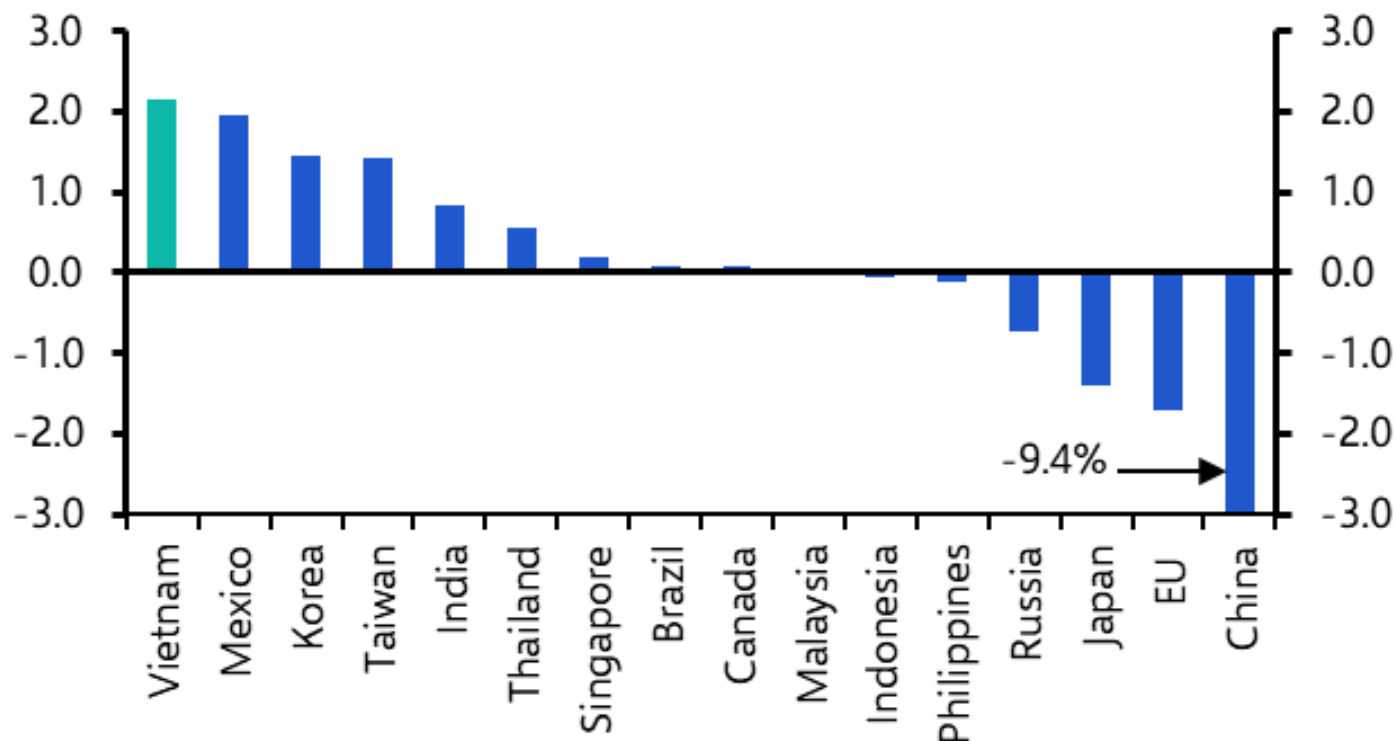
- Demographics – still positive in South East Asia
- Vietnam – the boost from China-US decoupling
- Indonesia – encouraging progress on reform
- Asia's rise up the global rankings

Labour Force (% annual average change)



Sources: UN, Capital Economics

Share of US Imports by Source (% change since Jan. 2018)

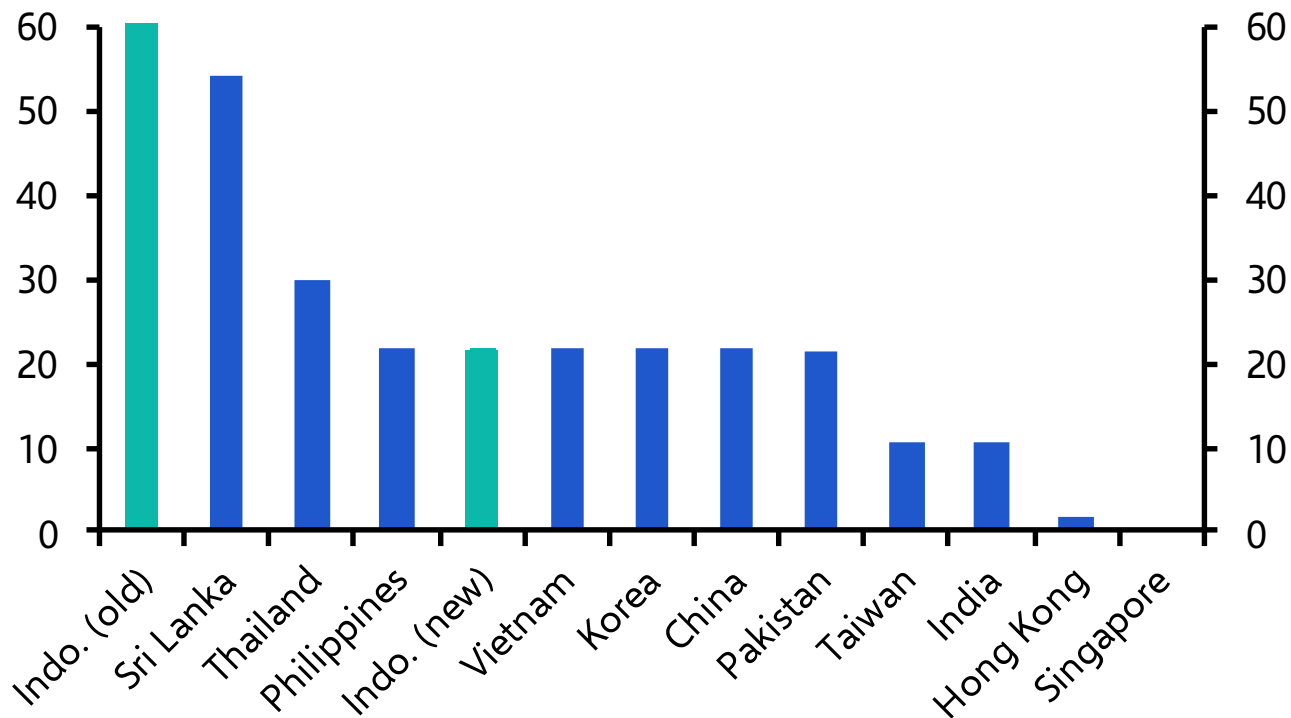


Sources: LSEG, Capital Economics

Vietnam's Appeal

- Location – near supply chains of southern China
- Reform-minded government
- Improving business environment & infrastructure
- The “next China”

Severance Pay for Dismissing an Employee (weeks)



Sources: World Bank, Capital Economics

Ranked by 2040 Nominal GDP at Market Exchange Rates

Rank in 2023	Rank in 2040	Change		Country	Average Real GDP (% y/y) 2024-2040
1	1	→	0	US	2.5
2	2	→	0	China	1.7
5	3	↑	2	India	5.7
4	4	→	0	Japan	0.5
16	10	↑	6	Indonesia	5.0
33	21	↑	12	Vietnam	6.1
13	15	↓	-2	South Korea	0.8
30	25	↑	5	Philippines	4.7
21	27	↓	-6	Taiwan	3.0
34	32	↑	2	Malaysia	3.7
27	31	↓	-4	Thailand	2.5
42	37	↑	5	Pakistan	4.0
29	39	↓	-10	Singapore	2.1
38	45	↓	-7	Hong Kong	1.3

Source: Capital Economics

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Macro Forecasts

	GDP (% y/y)		Inflation (%)		Policy Rates (%)	
	2024	2025	2024	2025	2024	2025
China*	4.8	4.0	0.5	0.5	1.60	1.40
Japan	-0.2	0.8	2.6	1.8	0.50	0.50
South Korea	2.0	2.0	2.4	1.5	3.00	2.00
Taiwan	4.5	3.0	2.1	2.0	2.00	2.00
India	6.5	6.0	4.2	3.8	6.25	5.50
Pakistan	2.5	3.0	13.7	7.0	16.00	14.00
Indonesia	5.0	5.0	2.5	2.5	5.50	5.00
Malaysia	5.3	5.0	2.1	2.5	3.00	3.00
Philippines	5.1	5.5	3.3	3.0	5.75	4.75
Thailand	2.4	3.0	0.6	2.0	2.00	1.75
Vietnam	6.2	6.5	3.6	3.0	4.00	4.00

**GDP is our China Activity Proxy measure. Policy rate refers to 7-Day Reverse Repo Rate*

Source: Capital Economics

Market Forecasts (end-year)

	Currency		Stock Market		10-Year Government Bond Yield (%)	
	2024	2025	2024	2025	2024	2025
China	7.10	7.00	3,120	3,370	2.20	2.00
Japan	145	135	2,850	3,000	1.00	1.00
South Korea	1,350	1,250	2,640	3,140	2.75	2.75
Taiwan	31.0	29.0	22,700	26,300	1.50	1.50
India	83.0	82.0	91,500	98,500	6.75	6.75
Pakistan	275	260	84,650	98,400	-	-
Indonesia	15,300	15,000	7,600	8,400	6.50	6.25
Malaysia	4.50	4.30	1,670	1,800	3.75	3.75
Philippines	56.0	54.0	7,500	8,550	6.00	5.75
Thailand	35.0	32.0	1,470	1,560	2.50	2.50
Vietnam	24,500	23,000	1,320	1,530	-	-

Source: Capital Economics

EUROPE – LONDON

Capital Economics Ltd

5th Floor, 100 Victoria Street
Cardinal Place
London
SW1E 5JL

Telephone: +44 (0)20 7823 5000

Capital Economics Ltd. is registered in England,
Registration No. 2484735. VAT No. GB 198 2919 50.

NORTH AMERICA – TORONTO

Capital Economics (N.A.) Ltd

Suite 600, 77 Bloor Street West
Toronto, ON
M5S 1M2

Telephone: +1 416 413 0428

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NORTH AMERICA – NEW YORK

Capital Economics (USA) Inc

C/O Capital Economics (N.A.) Ltd
77 Bloor Street West, Suite 600
Toronto, ON
M5S 1M2

Telephone: +1 416 413 0428

Capital Economics (USA) Inc. is registered in the State of Delaware,
1209 Orange Street, Wilmington, New Castle, Delaware 19801,
Registration No. 150368300

ASIA – SINGAPORE

Capital Economics (Asia) Pte. Ltd

Collyer Quay Centre
#26-03, 16 Collyer Quay
Singapore 049318

Telephone: +65 6595 5190

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Subscription enquiries: sales@capitaleconomics.com • **Consultancy:** commissioned.projects@capitaleconomics.com

Recruitment enquiries: business@capitaleconomics.com • **General enquiries:** support@capitaleconomics.com

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