



# Looking Ahead: Reviving Vitality Amid Uncertainty in Asia

**Talent retention is meant to be a general mandate all the time. *By Comptify Analytics***

**B**y mid of 2017, the Federal Reserve has raised interest rates for a couple of times, indicating the central bank's confidence in the U.S. economic recovery along with the improving employment situation. The confidence in the U.S. market brightens the expectation of 2018 global performance. The Euro area also sees shared recovery among its members, bringing with it more jobs and opportunities. Hence, the world's growth is forecasted to be 3.5%, which is 0.2% higher than that in 2017. The inflation rate is estimated to go up by 0.3% to

3% while global unemployment rate will remain stable at 5.8%.

With signs of recovery in globalized world becoming more visible, Asia is counted as one of the driving forces of GDP growth – The three key indicators of economy, i.e. GDP, inflation and unemployment, are heading towards positive direction. Asia's GDP growth is projected to be 5.7%, whereas inflation rate and unemployment rate are 2.8% and 4.3% respectively. With relatively solid growth in most of the countries in the region, benign price rises and

employment market, the Comptify Analytics panel sees rooms for wage expansions in general, based on its projection models. The level of pay increase will be based on the economic performance of each country. The followings feature snapshots for spotlighted markets in Asia.

### Hong Kong: Staying on the Tide

Starting from Hong Kong, the pace of growth maintains, with the growth rate forecasted at around 2.3% (may revise upwards). Inflation rate will increase by 0.2% to 2.3% and unemployment rate will remain the same at 3.3%. Being well-known for the high property prices in terms of square footage, prices continued climbing in June for the 15<sup>th</sup> straight month to a record. The hike is seemingly stressing the imperative of the city's government and Monetary Authority to deflate the bubble. The potential, but not necessary, downturn of housing market could undermine growth in Hong Kong and harm the labour market via unemployment.

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### The active participation in “One Belt One Road” plan is beneficial to Hong Kong

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While the local housing market is clouded with uncertainty, several large-scaled infrastructures are approaching to the final stage in 2018. For instance, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rails Line, the Hong Kong-Zhuhai-Macao Bridge. These infrastructures are believed to boost the local tourism industry as well as

the retail sector, with support of various promoting Hong Kong campaigns driven by the government.

Meanwhile, the active participation in “One Belt One Road” plan is also beneficial to Hong Kong, leveraging its status as China's most prominent cosmopolitan city. Hong Kong continues to be a modern financial hub combining world-class infrastructures, well-regulated markets and Western-style legal institutions with precise understanding of Chinese culture and business practices. Talents in various sectors such as finance, accounting, legal, engineering, management and architecture could be showcased in the future economic activities in the Belt and Road region. With the steady economic growth and relatively positive market factors, panellists see the wage expansions to be 4.2% in 2018.

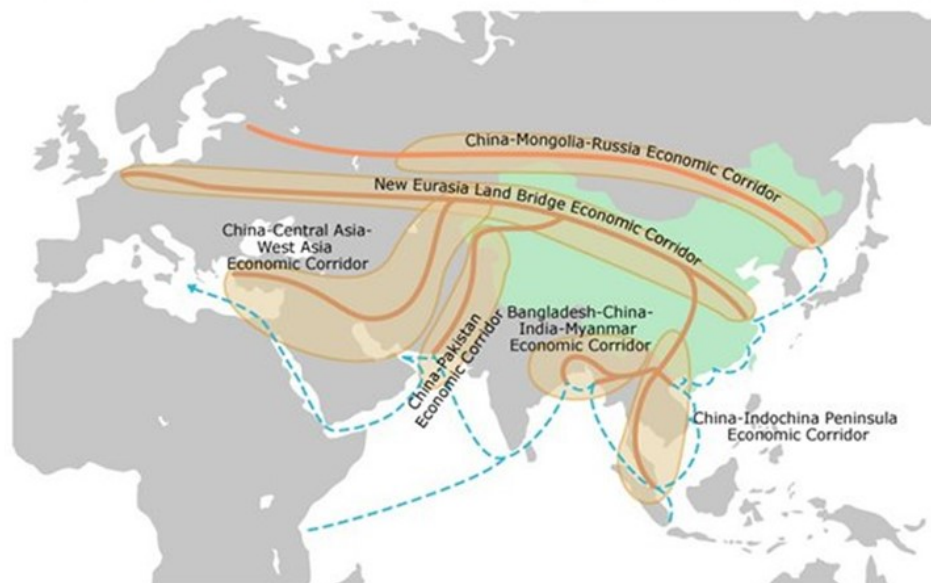
- \* **GDP Growth: 2.3% (2018)**
- \* **Inflation: 2.1% (2018)**
- \* **Unemployment: 3.3% (2018)**
- \* **Pay Increase: 4.2% (2018)**

### China: A Big Leader for Regional Growth

China gradually moderated the growth pace, turning it into a steady tempo. Expecting to maintain growth at 6.1%, 0.4% down from 2017, whereas inflation and unemployment are projected to be 2.5% and 4.3% respectively. China's economic growth stays within a healthy range of 6% to 7%, backing up by several sectors. Under the stabilizing economy and improved policy control, China's retail sales will hold up continuously, mainly driven by the rapidly developing online retail sales sector. With reference to the retail sector report published by the Min-



## The Belt and Road Initiative: Six Economic Corridors Spanning Asia, Europe and Africa



Source: HKTDC

istry of Commerce, the total value of online retail sales will grow by about 25%, surpassing the traditional retail segments.

While the retail sector remains buoyant, China's property market shows a cooling sign after surging for months. The sideways or mild declining trend would probably last through the first half of 2018. Fortunately, the economy is resilient. According to the Thirteenth Five-Year Plan, the following waves of growth and investment will be driven by information technology, high-end equipment manufacturing and biotechnology. These strategic emerging industries have seen robust growth in 2017, with output expected to account for approximately 10% of GDP by end of the year.

Furthermore, the "One Belt One Road" initiative aims to form an economic bloc by linking the fate of China with countries in Asia, the Middle East and beyond. Based on the momentum in the country's economic performance and better policy, Chi-

na's average pay could target to rise by 6.3%.

- \* **GDP Growth:** 6.1% (2018)
- \* **Inflation:** 2.5% (2018)
- \* **Unemployment:** 4.3% (2018)
- \* **Pay Increase:** 6.3% (2018)

### Singapore: Potential Upswing Ahead?

For another dominating Asia hub, Singapore, the Ministry of Trade and Industry stated in May that the full-year GDP is likely to come in higher than 2%, "barring the materialization of downwards risks". The economy is modestly rebounding from the previous sluggish growth, mainly on the back of an acceleration in manufacturing activity, led by strong performance in the electronic clusters. The booming of trade-related segments outperformed the other sectors.

Due to the weakness in private building investment and activities, the construction sector shrank

slightly. The transport engineering segment remains weighed down by sluggish oil prices. However, there are still pockets of optimism and stimulations around, including the completion of Changi Airport Terminal 4 as well as the chairmanship of ASEAN in 2018. The new terminal's success will contribute to an improved outlook for the domestic tourism and business convenience in long run.

In fact, the ASEAN members boast of being some of the world's fastest expanding economies, like the Philippines and Vietnam. The region would nurture the world's fifth largest economy by 2020, predicted by the World Economic Forum. With a combined population of over 620 million and an economy of \$2.6 trillion, the investment potential is huge. During Singapore's term of chairmanship, it intends to pursue a set of tangible and meaningful economic deliverables. For example, burgeoning digital economy to enable scalable business expansion, connecting within the region and with the outside world. Therefore, 4.2% could be considered as a benchmark increase for Singapore's pay in 2018.

- \* **GDP Growth: 2.5% (2018)**
- \* **Inflation: 1.7% (2018)**
- \* **Unemployment: 2.3% (2018)**
- \* **Pay Increase: 4.2% (2018)**

### Japan: Recovering from Lost Decades?

While the Southeast Asia is on an emerging trajectory, the world's third biggest economy – Japan remains struggling. Growth is still projected to slow down in 2018, estimated at 0.8%, 0.4% declined from the previous year. Inflation will remain the same at 0.8%; and unemployment rate will slightly drop by 0.1% to 2.9%. The economic policy – “Abenomics”, raised by the Prime Minister of Japan, aims to spark the economy by adopting the “three arrows”, namely monetary easing, fiscal stimulus and structural reforms. However, the former two arrows were less effective than expected.

Due to the shrivelling of approval ratings of Abe, the move of controversial structural reforms through political process seems to be even more complicated. Various key reforms raised by the third arrow are







still in a deadlock, such as changes in the labour market to increase wages and social security incentives to boost female participation in the workforce.

Nevertheless, exports are projected to have risen for a seventh straight month in June, including that a recent revival in global demand and a pickup in capital spending in preparation for the 2020 Olympic Games may continue to support a moderate economic improvement in Japan. Along with the Olympic Games, vast amount of constructions will be carried out. The plan calls for the building of Olympic Village, three new roads – The Tokyo Outer Loop, the Tokyo Metropolitan Expressway Central Loop, and the National Capital Regional Central Loop. Hopefully, the event would foster expansion in various industries and stimulate higher GDP growth. Thus, 2018 pay increase for Japan is projected to be 2.0%.

- \* **GDP Growth:** 0.8% (2018)
- \* **Inflation:** 0.8% (2018)
- \* **Unemployment:** 3.0% (2018)
- \* **Pay Increase:** 2.0% (2018)

### India: Reforming for Brighter Future

India remains the fastest growing economy among all major countries in 2018, according to the research published by World Bank. Its fundamentals are strong: agricultural and exports sectors continue performing well, driving the GDP growth. Growth of India is forecasted to pick up to 7.7% in 2018. Inflation climbs up to 5.1% and unemployment is around 4.1%.

India's economy is dependent on the demonetization effect and tax reform momentum. In order to

counter black money hoarding and counterfeiting, India's government announced the withdrawal of Rs500 and Rs1000, which scrapped approximately 86% of currency in circulation by value. With much of India's economic activity still cash-based, that produced a chilling effect on business. The suspension slowed down in household spending and corporate investment. It might potentially hinder the economic performance in 2018.

### India remains the fastest growing economy among all major countries

On the other hand, the implementation of new tax system – Goods and Services Tax (GST) in July 2017 is likely upsetting the local economy because of the major change in money supply chain. However, GST is aimed to yield substantial growth dividends from higher efficiencies, and raise more revenues in the long term. It would facilitate the ease of doing business, bolster investor sentiment and attract more foreign investments in the coming years. Therefore, India's wage expansion is forecasted at 10.1% in 2018.

- \* **GDP Growth:** 7.7% (2018)
- \* **Inflation:** 5.1% (2018)
- \* **Unemployment:** 4.1% (2018)
- \* **Pay Increase:** 10.1% (2018)

### South Korea: Booming Online Sales

South Korea is expected to demonstrate a steady pace in growth in 2018, which is the same as the previous year at 2.7%. Inflation rate is



projected at 1.9% and unemployment rate at 3.6%. It is currently having Asia's third largest E-Commerce market, as well as one of the most progressive online retail market both in Asia and worldwide. Since South Korea is equipped with well-established Internet infrastructure and the highest Internet penetration rate in the region, E-Commerce sales already made up nearly 20% of total retail sales in 2016, with reference to the "South Korea B2C E-Commerce Market 2017".

Together with the thriving retail sector, South Korea's exports topped expectations in July, as strong global demand continues to underpin the nation's economy. In the meantime, its tourism badly is hit by China's travel ban. The Korea Tourism Organisation predicted a drop of about 27% of foreign tourists. It is likely that the tourism industry could enter a long-term depression if the trend persists.

Furthermore, the underlying corruption culture may jeopardize the long-term growth prospect for South Korea. For instance, the country's former President Park was charged in corruption probe. The corruption vibe of Korea would harm local busi-

nesses' reputation, inhibit foreign investors' interest and reduce the foreign capital flow into South Korea. Considering a basket of factors, 2018 South Korea's pay is forecasted to be 4.8%.

- \* **GDP Growth:** 2.7% (2018)
- \* **Inflation:** 1.9% (2018)
- \* **Unemployment:** 3.6% (2018)
- \* **Pay Increase:** 4.8% (2018)

Although the protracted period of weak global has impacted employment, wages and household welfare in earlier 2010s, led to a slowdown in household consumption growth, nations are keen on creating plenty of opportunities during the recovery phase for more frequent economic and trade activities among continents and countries, enabling a progressive economic growth and employment.

Corporations are advised to stay cautious with uncertainty abounds in a potentially good year, to name a few, geopolitical conflicts, the rise of protectionism and terrorism among traditional risk factors like capital flow and economic cycles. However, we should bear in mind that talent retention is meant to be a general mandate all the time. ■

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