has been disappointing, with Singaporeans by and large choosing to keep family size small. We think that the Chinese authorities will also find that once set in practice, the culture and social attitude in keeping family size small is very difficult to reverse. Opening up to more immigration could reduce the headwind to aging, but that comes with its own set of political sensitivities and social implications. We reckon that most aging societies in Asia will have to accept the phenomenon and deal with recalibrating public finance, social safety net, and the service sector to take this into account.

Not all economies in Asia are facing down the barrel of inexorable aging. **India, Indonesia, and the Philippines, with 1.5bn people among them, should have favorable demographics dynamic for decades to come. This could create the potential of redistribution of growth, with the aging economies passing on the mantle of high growth to the relatively young ones. With the right investment policies, the latter economies could become that hub of regional manufacturing and demand. These economies also look set to maintain comfortable growth and interest rate differential to keep debt sustainable. All three are blessed with large populations and a favorable domestic demand dynamic that could generate satisfactory growth.**

Having a young population is no guarantee of high growth though. **Not only do the governments need to put in place the requisite infrastructure and employment opportunities for the emerging workforce, they also need to ensure social stability that can often be challenged if population grows too fast.**

Trade stagnation

Asia's success as a region owes much to its dynamic export sector. **Over the past five decades, starting with Japan, followed by the Tiger economies, and then by China, Asian producers have supplied the bulk of manufactured goods consumed globally. A cost-competitive and educated workforce, business-friendly policies, and efficient infrastructure have combined to give global leadership to Asia.** But maintaining global market share and manufacturing leadership is one thing, continuing to grow with trade is turning out to be an altogether different challenge. **Even as US growth has picked up, Europe has bottomed, and consumers worldwide have been benefitting from low energy prices (akin to a tax cut), Asia's exporters have had a torrid year.**

So far this year, all key Asian emerging market economies have reported negative exports growth. **Whether they are commodity or electronics exporters, large or small economies, those that rely on China versus those that rely on G2 demand, the underperformance is across-the-board.** Given the sharp drop in global commodity prices and the slowdown in China's investment cycle, it is easy to understand why commodity exporters like Indonesia and Malaysia will likely report such poor exports earnings. But the weakness among electronics producers seems counterintuitive. **Surveys of purchasing managers in the US and EU show a much better environment presently for new orders than they have been in the past, say in 2013. Still, Asian exports are substantially weaker. Indeed, the tight historical relationship between Asian exports and lagged values of US and EU PMI has broken down over the past few years. Indeed, this breakdown in relationship can be seen not just with aggregate data, but with country-by-county analysis. The G2 cycle should have been much more supportive of Asian exports than has been the case.**

Our conjecture is that the recent bout of poor trade data reflects structural factors that will hold back exports (and export related investment) for years to come. **The recovery in the US and EU is atypical, characterized by poor wage growth, low quality jobs, and greater service sector orientation than the past. Also, the aging dynamic in both regions is changing the pattern of consumption (and imports) profoundly. Furthermore, contrary to press reports**

Figure 3: Deutsche Bank forecasts

(% yoy, unless stated)		2015F	2016F	2017F
China	GDP	7.0	6.7	6.7
	CPI	1.4	1.8	1.8
	CA bal., % GDP	3.3	2.8	2.5
	Fiscal bal., % GDP	-3.2	-3.5	-3.5
Hong Kong	GDP	2.5	3.0	4.0
	CPI	3.1	4.4	3.8
	CA bal., % GDP	0.6	2.0	2.4
	Fiscal bal., % GDP	2.4	1.3	1.8
India	GDP	7.3	7.5	7.8
	CPI	4.9	5.4	5.0
	CA bal., % GDP	-1.3	-1.6	-2.0
	Fiscal bal., % GDP	-3.9	-3.8	-3.7
Indonesia	GDP	4.5	4.5	5.0
	CPI	6.4	4.8	5.2
	CA bal., % GDP	-2.2	-2.0	-1.8
	Fiscal bal., % GDP	-2.3	-2.3	-2.2
Malaysia	GDP	4.6	4.2	5.0
	CPI	2.0	2.7	2.6
	CA bal., % GDP	2.5	3.0	3.3
	Fiscal bal., % GDP	-3.2	-3.1	-2.9
Philippines	GDP	6.0	6.0	5.8
	CPI	1.4	3.0	3.1
	CA bal., % GDP	2.6	1.1	1.2
	Fiscal bal., % GDP	-1.5	-1.6	-1.8
Singapore	GDP	2.5	2.5	2.5
	CPI	-0.4	1.2	1.8
	CA bal., % GDP	20.2	19.4	17.8
	Fiscal bal., % GDP	2.6	3.3	3.1
Korea	GDP	2.6	2.8	3.0
	CPI	0.7	1.6	2.1
	CA bal., % GDP	8.9	7.3	7.2
	Fiscal bal., % GDP	-0.3	-0.2	0.1
Sri Lanka	GDP	5.5	6.0	7.0
	CPI	1.0	4.5	5.0
	CA bal., % GDP	-1.6	-1.4	-1.5
	Fiscal bal., % GDP	-6.0	-6.0	-5.5
Taiwan	GDP	1.0	2.4	2.7
	CPI	-0.3	1.1	1.6
	CA bal., % GDP	15.6	14.0	12.7
	Fiscal bal. % GDP	-1.6	-1.8	-1.7
Thailand	GDP	2.5	2.5	2.5
	CPI	-0.9	0.9	1.7
	CA bal., % GDP	3.8	2.7	2.9
	Fiscal bal., % GDP	-2.0	-2.1	-2.2
Vietnam	GDP	6.5	6.7	7.0
	CPI	0.8	5.0	5.8
	CA bal., % GDP	-1.6	-2.9	-3.1
	Fiscal bal. % GDP	-5.7	-5.0	-5.0

Source: Deutsche Bank Research