

Market Monitor – Asia

Exports Remained in Contraction but Signs of Stabilization Were Seen



- Exports remained in contraction in Asian economies, but some started to see signs of stabilization.
- Inflation was largely steady in Asia, with most Asian central banks holding their rates unchanged.
- Asian currencies were under pressure amid the Fed’s hawkish forward guidance.

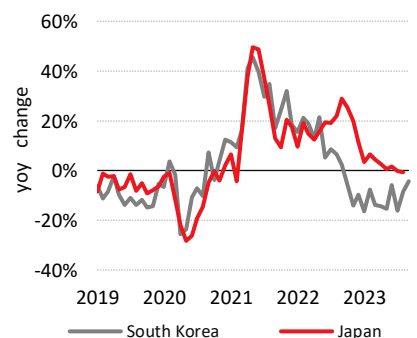
**Asian exports contracted further, but the pace of declines began to moderate**

**Major advanced Asian economies’ exports stabilized.** Japan’s exports remained steady but fell for a second consecutive month, 0.8% year-on-year (YoY) in August, a slight decline from a 0.3% fall in July. During the month, Japan posted a trade deficit of JPY 937 billion. Provisional export data for the first 10 days of September showed an increase of 3.1% YoY. Taiwan’s exports improved from a 10.4% YoY contraction in July to a 7.3% decline in August. While Taiwan’s exports recorded a 12<sup>th</sup> consecutive month of decline in August, it was the smallest and first single-digit drop since October 2022. South Korea also reported improvements in exports, which fell by 4.4% YoY in September, following an 8.3% decline in August. This improvement was fueled by the improved performance of semiconductor exports, which fell 13.6% YoY, the mildest in 12 months, and the 9.3% YoY rise in automobile exports in September. South Korea’s Finance Minister noted that it is possible for exports to turn positive YoY growth in October, driven by bouncing demand for technology exports.

**Most ASEAN economies’ exports continued to be under pressure, apart from Thailand.**

Singapore’s non-oil exports went down by 20.1% YoY in August, after a 20.3% contraction in July. Due to continued weak external demand, Singapore’s key exports, such as machinery and pharmaceuticals, kept falling drastically. Malaysia’s exports worsened, with its YoY contraction widening from 18.6% in August to 13.0% in July. Among its major export products, manufactured goods, mining goods and agriculture goods dropped by

Japan and South Korea Exports



Source: CEIC

## Economic Research

October 2023

17.7% YoY, 23.1% and 19.8% in August, respectively. On the contrary, Thailand's exports rebounded to a growth of 2.6% YoY in August, following a 6.2% decline in July, putting an end to 10 straight months of YoY decline. It was mainly boosted by a rise in integrated circuit and automobile exports of 40% YoY and 24%, respectively.

### Most Asian Central Banks continued to keep rates steady

**Inflation in advanced Asian economies was little changed.** Japan's headline consumer price index (CPI) inflation eased slightly to 3.2% YoY in August, down from 3.3% in July. That being said, Japan's core inflation (excluding fresh food) was unchanged from July at 3.1% YoY in August, indicating that inflationary pressure persisted. Japan's Prime Minister Kishida revealed that a new economic stimulus package will be rolled out in October to support households amid elevated inflation. Taiwan's CPI went up by 2.5% YoY in August, up from 1.88% YoY in July, mainly due to higher fuel and food prices. However, Taiwan's core CPI inflation (excluding food and energy) cooled slightly to 2.6% YoY in August, from 2.7% in July. South Korea's CPI gained 3.7% YoY in September, moderately up from 3.4% in August, and rose 0.6% month on month (MoM). South Korea's central bank stated that they believed inflation would stabilise around 3% towards the end of 2023. Furthermore, South Korea's core CPI inflation in September, which excludes volatile food and energy prices, increased by 3.3% YoY, which was relatively unchanged from August.

**In most ASEAN economies, inflation moderated.** In August, Singapore's CPI increased by 4.0 % YoY, which was down from 4.1% in July. Its core CPI inflation (excluding private transportation and accommodation) eased to 3.4% YoY in August, down from 3.8% in July. The easing was largely due to smaller increases in the prices of services, food, retail and other goods. Malaysia's CPI inflation remained unchanged at 2.0% YoY in August, caused by slower price growth in services like restaurants & hotels and food & non-alcoholic beverages. Thailand's CPI in August was up by 0.9% YoY, up from 0.4% in July. Meanwhile, Indonesia's CPI rose by 2.3% YoY in September, a decline from 3.3% YoY in August, which was near the lower bound of Bank Indonesia's target range of 2-4%.

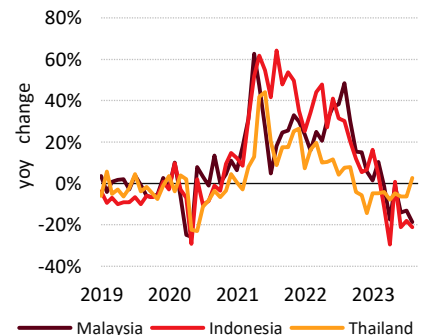
### The Bank of Japan (BoJ) kept its monetary easing amid "extremely high uncertainties."

At the September monetary policy meeting, the BoJ decided to hold the short-term interest rate at -0.1% and other monetary policy tools unchanged. The BoJ cited high uncertainties concerning the economy and financial markets as a reason to continue patiently with its monetary easing. Moreover, wage growth was also mentioned as one of the conditions to determine monetary normalization. The central bank of Taiwan also held its key discount rate at 1.875% during its September meeting.

### Most major ASEAN central banks held rates steady, except the Bank of Thailand.

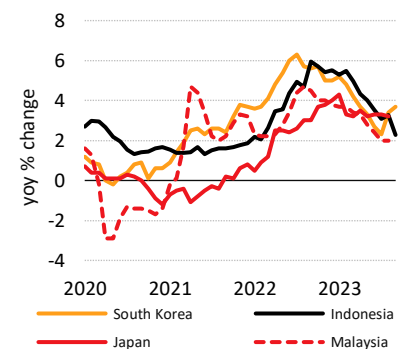
Bank Indonesia (BI) held the BI 7-day reverse repo rate fixed at 5.75% during its September meeting, the 8<sup>th</sup> consecutive hold. The decision to hold rates fixed came amid an easing inflation trend in Indonesia. Meanwhile, Bank Negara Malaysia (BNM) opted to maintain the overnight policy rate at 3.0% in their September meeting. Owing to slower external demand and a decline in the production of commodities, the BNM turned more supportive to lift the economy. During its September meeting, the central bank of the Philippines, the Bangko Sentral ng Pilipinas (BSP), decided to keep its reverse repurchase

### Selected ASEAN Economy Exports



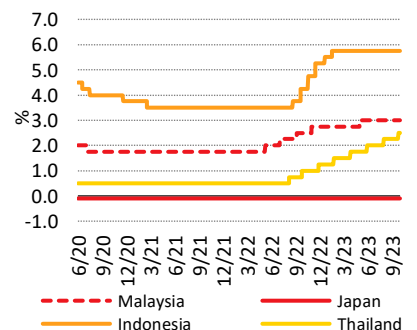
Source: CEIC

### CPI of Selected Asian



Source: Bloomberg

### Policy Rates in Selected Asian Economies



Source: Bloomberg

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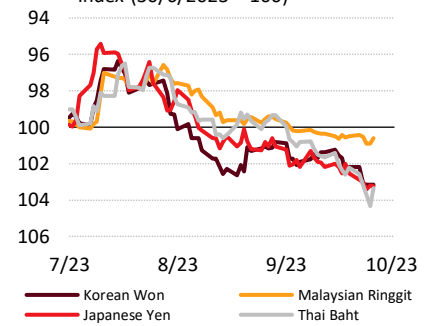
rate at 6.25%. While noting potential upside risks to the inflation outlook, the BSP views the current monetary setting as appropriate and stands ready to tighten if there is a sudden shift in inflation expectations. In contrast, the Bank of Thailand (BOT) unexpectedly raised rates by 25 basis points (bps) to 2.5% in September, a 10 year high. The BOT deemed the hike necessary to support long-term and sustainable growth given the expected rise in inflationary pressure ahead.

### Asian currencies were under pressure amid the Fed’s hawkish forward guidance

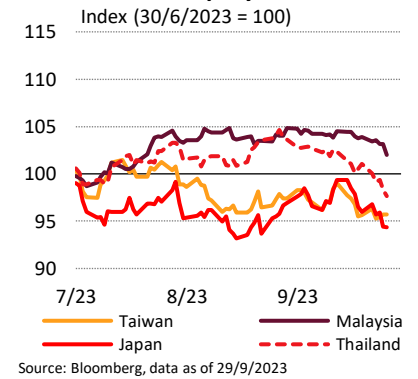
**Most major Asian currencies depreciated against the US dollar in September, as high interest rates and an uncertain economic outlook led to risk-off sentiment.** While most central banks across the globe held rates unchanged in September, the Fed maintained a hawkish stance on keeping interest rates higher-for-longer, which heightened the uncertainty about the global economic outlook. Rising treasury yields also led to increased rate differentials between US and Asian interest rates. During the month of September, most Asian currencies, such as the Japanese Yen, Singapore Dollar, Thai Baht, and Korean Won, all depreciated against the US Dollar in a range from 1.1% to 3.9% compared to the end of August, while the Philippine Peso remained relatively stable.

**Equity markets in Asia generally declined in September.** The benchmark equity indices of major Asian equity markets (such as Japan, South Korea, Malaysia, Taiwan, and Thailand) all recorded drops ranging from 1.7% to 6% MoM by the end of September, compared to the end of August. Meanwhile, the benchmark indices of Indonesia and Singapore registered milder drops of 0.2% and 0.5% MoM, respectively, at the end of September, compared to end-August. On the contrary, the Philippine equity index registered a 2.4% MoM increase compared to end-August.

### Selected Asian Currencies against USD



### Selected Asian Equity Indices



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