

Market Monitor – Asia

Asian Economies Showed Stabilising Growth Momentum



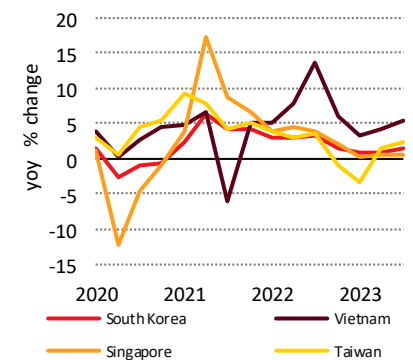
- Early economic data indicated stabilising growth momentum for Asian economies in Q3.
- Inflationary trends across Asia remained mixed. A few Asian economies tightened their monetary policy further as the Bank of Japan (BoJ) increased flexibility on its yield curve control policy and several ASEAN central banks raised rates.
- Asian equity markets were generally down in October, while most currencies continued to be under pressure.

Most Asian economies saw stabilising growth momentum in Q3 2023

Asian advanced economies generally saw improving momentum. In Q3 2023, South Korean GDP grew by 0.6% quarter-on-quarter (QoQ), the same pace as in Q2. On a year-on-year (YoY) basis, South Korea’s economy grew by 1.4% in Q3, up from a growth of 0.9% in Q2. Improvements were observed across major expenditure components in Q3. Meanwhile, Taiwan’s GDP expanded by 2.3% YoY in Q3, up from 1.4% in Q2. The acceleration was driven by strong private consumption, which offset the drag from contracting exports.

Several ASEAN economies also reported stabilising growth. Singapore’s economy grew moderately by 0.7% YoY in Q3, slightly up from 0.5% in Q2. On a QoQ basis, Singapore’s GDP expanded by 1.0% in Q3, up from 0.1% in Q2. The stronger QoQ growth was fueled by an uptick in tourism and a recovery in the manufacturing sector. The latter turned to a positive 0.2% QoQ growth in Q3 from a contraction of 1.5% in Q2. Malaysia’s GDP growth accelerated to 3.3% YoY in Q3, up from 2.9% in Q2. This reflected faster growth in retail trade and tourism as well as a rebound in the agricultural sector. Vietnam’s economy continued to improve with a growth of 5.3% YoY in Q3, following a 4.1% growth in Q2. Faster growth was propelled by stronger industrial production, which picked up from 2.1% YoY growth in Q2 to 5.2% in Q3. Indonesia’s economy decelerated slightly to a growth of 4.9% YoY in Q3, compared to a 5.2% growth in Q2. The slowdown is attributable to a slump in exports, weakened household consumption, and tight monetary policy.

GDP of Selected Asian Economies



Asian export performance showed initial signs of improvement. Most advanced Asian economies reported positive YoY growth in exports. South Korea’s exports rose by 5.1% YoY in October, after 13 consecutive months of decline. Improving exports of cars and semiconductors was the major boost. Japan’s exports also recovered from a 0.8% YoY decrease in August to a 4.3% increase in September, the first rise in three months. The rebound in exports was primarily driven by an increase in the exports of cars. Similarly, Taiwan’s exports recovered to a growth of 3.4% YoY in September, up from a 7.3% decline in August, following 12 consecutive months of decline. This reflected improving demand for major Taiwanese exports, such as semiconductors and information, communication, & technology products.

Meanwhile, most ASEAN economies reported a decline in exports, albeit at a reduced scale. Singapore’s non-oil domestic exports dropped by 13.2% in September, up from a 22.5% decline in August. Malaysia’s exports contracted in September by 13.7% YoY, up from an 18.7% decline in August. On the other hand, Thailand’s exports recorded a second straight month of YoY growth at 2.1% in September, after a 2.6% growth in August. Meanwhile, Vietnam’s exports continued an upward trend, registering an increase of 5.9% YoY in October, following an increase of 2.1% in September.

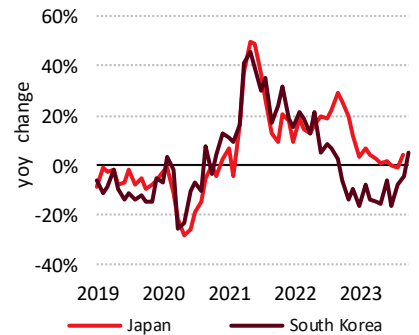
While Asian inflationary trends remained mixed, a few Asian central banks tightened monetary policies further

Advanced Asian economies reported higher headline but softer core inflation. South Korea’s consumer price index (CPI) advanced at a faster pace, at 3.8% YoY in October, up from 3.7% in September. That said, South Korea’s core CPI inflation moderated to 3.2% YoY in October, down from 3.3% in September. Japan’s CPI inflation eased slightly from an increase of 3.2% YoY in August to 3.0% in September, a 13-month low. Furthermore, Japan’s core CPI inflation, which excludes fresh food, also eased to 2.8% YoY in September, down from 3.1% in August. On the contrary, Taiwan’s CPI inflation rose from 2.5% in August to 2.9% YoY in September, an 8-month high. It was led by higher food prices due to the agricultural losses caused by a typhoon. Taiwan’s core CPI inflation remained steady at 2.5% YoY in September.

Inflation in ASEAN economies saw mixed performance. In September, Singapore’s CPI increased by 4.1% YoY, up marginally from the 4.0% increase in August. The bump was due to quickened growth in communication and transport prices. Thailand’s CPI was up 0.3% YoY in September, slowing from a 0.9% growth in August. Thailand’s core CPI inflation also slowed slightly, from 0.8% YoY in August to 0.6% in September. Malaysia’s CPI inflation was down slightly to 1.9% YoY in September, with its core inflation remaining flat at 2.5% YoY. Moreover, Indonesia’s CPI experienced an uptick to a rise of 2.6% YoY in October, compared to a 2.3% increase in September. This was largely driven by a climb in food prices caused by severe weather conditions, especially rice.

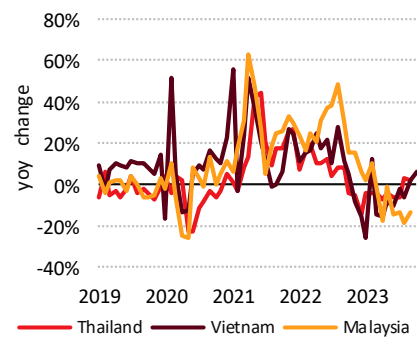
The Bank of Japan modified its monetary pools, paving the way for further normalisation. While holding its short-term interest rate unchanged at -0.1%, the Bank of Japan (BoJ) modified its Yield Curve Control (YCC) monetary policy again by re-defining the upper bound of 1.0% for the 10-year Japanese Government bond (JGB) yields as a reference, which means that the 1.0% target level is no longer a rigid cap and the BoJ is

Japan and South Korea Exports



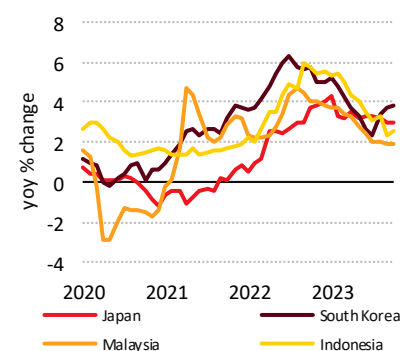
Source: CEIC

Selected ASEAN Economy Exports



Source: CEIC

CPI of Selected Asian Economies



Source: Bloomberg

not forced to buy JGB when the cap is hit. This signals that the BoJ is taking a significant step to end its YCC policy in the near future. Meanwhile, the Bank of Korea (BoK) maintained the base rate at 3.5% at their October meeting and highlighted the need to monitor the development of inflation and household debts before deciding to change rates.

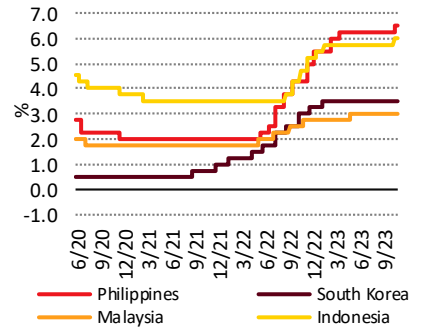
A few ASEAN central banks raised rates at their most recent meeting. Bank Indonesia (BI) raised the BI 7-day reverse repo rate by 25 basis points (bps) to 6.0% at its October meeting. The move was perceived as an effort to stabilise the Indonesian Rupiah against increased global uncertainty, particularly tighter financial conditions amid a hawkish US Fed. Meanwhile, the central bank of the Philippines, the Bangko Sentral ng Pilipinas (BSP), decided to raise its reverse repurchase rate by 25 bps from 6.25% to 6.5%. This was aimed at preventing a rise in supply-side price pressures, which would destabilise inflation expectations. In Malaysia, Bank Negara Malaysia decided to keep its overnight policy rate unchanged at 3.0%.

Most Asian currencies depreciated as the US Dollar's strength persisted

Major Asian currencies depreciated against the US dollar. As of the end of October, currencies such as the Singapore Dollar, Philippine Peso, Taiwanese Dollar, and Korean Won weakened marginally against the US Dollar by a range of 0.1% to 0.5% compared to the previous month, whereas the Indonesian Rupiah, Japanese Yen and Malaysian Ringgit depreciated more, down by 2.7%, 1.5% and 1.4%, respectively, against the US Dollar. It is worth mentioning that the Japanese Yen exceeded the 150 level against the US Dollar at the end of October, a level that could trigger the Japanese Government to intervene. On the contrary, the Thai Baht appreciated 1.3% against the US Dollar in October.

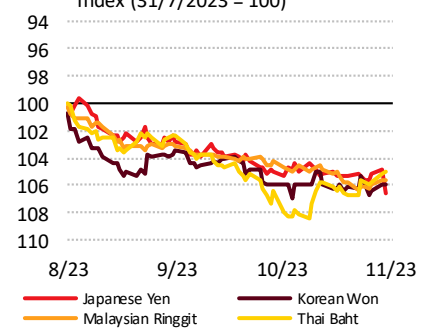
Most equity markets in Asia declined in October, except for Malaysia. The benchmark equity indices of Japan, South Korea, Singapore, Indonesia, Taiwan, and Thailand all experienced month-on-month (MoM) losses ranging from 2.2% to 7.6% compared to the end of September. In contrast, Malaysia's benchmark equity index rose 1.3% MoM compared to end-September, which would be associated with rising market optimism in Malaysia's 2024 Budget.

Policy Rates in Selected Asian Economies



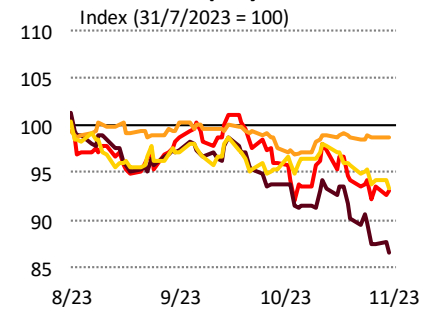
Source: Bloomberg

Selected Asian Currencies against USD



Source: Bloomberg, data as of 31/10/2023

Selected Asian Equity Indices



Source: Bloomberg, data as of 31/10/2023

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