

Market Monitor – Asia

Mixed Performance in Asian Economies



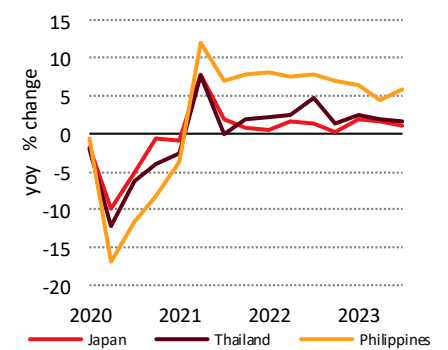
- Asian economies showed mixed performance in Q3.
- Asian exports stabilised recently, probably reflecting a low comparison base and gradually improved external demand.
- Inflationary pressure remained steady in Asia. And a less hawkish Fed allowed Asian central banks to hold rates unchanged.

Asian economies showed mixed performance in Q3

**Japan’s economy unexpectedly lost steam.** In Q3, Japan’s economy fell short of market consensus, with year-on-year (YoY) growth of 1.2%, down from 1.7% in Q2. On a quarter-to-quarter (QoQ) basis, Japan’s GDP fell by 0.5% in Q3, down from a growth of 1.1% in Q2. The slowdown was mainly caused by waning demand, both domestically and abroad. Private non-residential investment fell by 0.6% QoQ in Q3, after a 1% contraction in Q2. Meanwhile, exports of goods and services slowed from a QoQ growth of 3.9% in Q2 to 0.5% in Q3. Against this backdrop, Japan’s cabinet approved a JPY 13.2 trillion extra budget on tax cuts, inflation relief programs, and support for enterprises, etc.

**ASEAN economies economic performance was mixed but largely stabilised.** Recently, Thailand and the Philippines reported their Q3 growth results. For Thailand, economic growth was below market expectations, with its YoY growth slowing slightly from 1.8% in Q2 to 1.5% in Q3. The slowdown mainly reflected a drop in public spending and weakened export performance. For the Philippines, the economy posted stronger growth at 5.9% YoY in Q3, up from 4.3% in Q2. The acceleration was supported by heightened government spending as well as a rebound in the services sector. As other ASEAN members have already released their Q3 economic performances, we have a clearer picture of the macroeconomic landscape in ASEAN. Overall, growth momentum in the region stabilised in Q3 after a notable deceleration in Q2. In particular, Singapore, Malaysia, Vietnam and the Philippines all posted faster growth during the quarter. Looking ahead to 2024, the stabilisation of exports, solid domestic demand, and the loosening of monetary policy can lead to continued economic growth in Asia.

GDP of Selected Asian Economies



Source: Bloomberg

**Exports in advanced Asian economies generally rose.** South Korea's exports rose again with a 7.8% YoY rise in November, a bump from the 5.1% increase in October. This was the second straight month of expansion in exports, after over a year of declines. The recovery was mainly powered by a rebound in demand for semiconductors, a key export for South Korea. Japan's exports rose for the second consecutive month, up by 1.6% YoY in October after a 4.3% increase in September. The rise was led by an increase in exports to the US and the EU, mostly automobile shipments, which offset the reduction in exports to other Asian economies. Meanwhile, Taiwan's exports fell from a YoY increase of 3.4% in September to a 4.5% drop in October, partly due to a higher base in 2022.

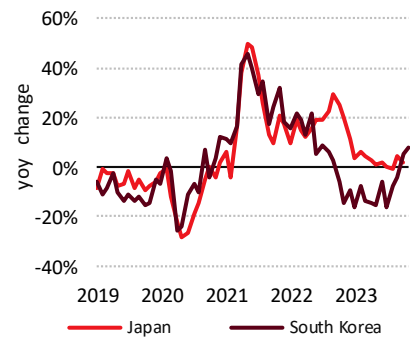
**ASEAN economies export performance continued to stabilize.** Singapore's non-oil domestic exports declined by 3.4% YoY in October, up from a 13.2% drop in September. Indonesia's exports fell by 10.4% YoY in October, up from a 16.2% drop in September. Malaysia's exports decreased by 4.4% YoY in October, up from a 13.8% drop in September. On the other hand, Thailand's exports rose by 8.0% YoY in October, up from 2.1% in September. The rise was driven by elevated shipments of agricultural products and industrial goods. Vietnam also posted faster export growth in November, at 6.7% YoY up from 5.9% in October. Overall, the improving growth seen in ASEAN's exports probably reflected improved external demand.

**Asian central banks held rates unchanged as inflation pressure eased**

**Inflation in most advanced Asian economies edged higher.** Japan's CPI inflation climbed by 3.3% YoY in October, a faster rate than the 3.0% growth in September. Moreover, Japan's core CPI inflation, which excludes fresh foods, rose 2.9% YoY in October, a slight uptick from a 2.8% increase in September. Additionally, Taiwan's CPI inflation was up 3.0% YoY in October, which was a slight bump from a 2.9% rise in September. This was caused by the rise in food prices due to agricultural damage from typhoons. Accordingly, Taiwan's core CPI inflation (which excludes fruit, vegetable, and energy prices) remained stable at 2.5%. On the contrary, South Korea's inflation cooled slightly, with its CPI inflation decelerating from 3.8% YoY in October to 3.3% in November. South Korea's core CPI inflation also slowed from 3.2% to 3.0%.

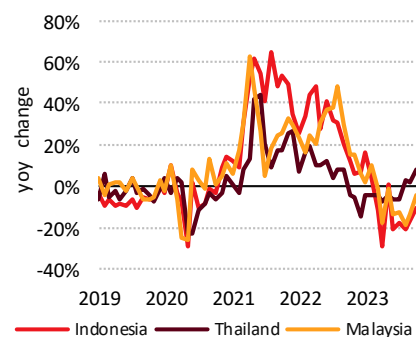
**ASEAN economies still recorded diverging inflation figures.** Indonesia and Vietnam reported their inflation figures for November, with their CPI growing steadily at 2.9% YoY and 3.5%, respectively. Singapore's inflation increased, with its CPI and core CPI accelerating to 4.7% YoY and 3.3% in October, up from 4.1% and 3.0% in September, respectively. Malaysia's headline CPI inflation moderated to 1.8% YoY in October, marginally down from 1.9% in September. This was attributed to a higher base last year and a slower growth in food prices. Thailand's CPI inflation dropped 0.3% YoY in October, in contrast to a 0.3% increase in September. It was due to the drop in energy and goods prices following government support measures. In regards to core CPI inflation, both Malaysia and Thailand posted similar YoY figures in October as they did in September. Price growth in the Philippines remained elevated, with CPI and core CPI inflation at 4.9% YoY and 5.3% in October, respectively.

Japan and South Korea Exports



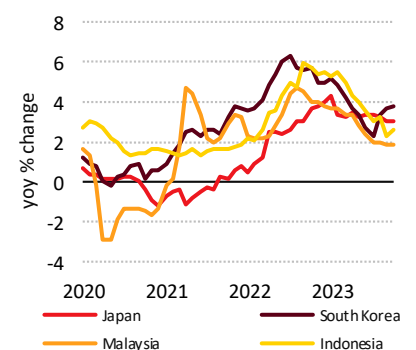
Source: CEIC

Selected ASEAN Economy Exports



Source: CEIC

CPI of Selected Asian Economies



Source: Bloomberg

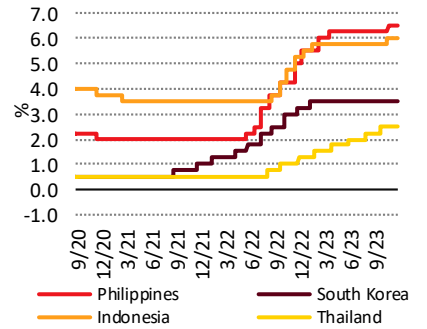
**Asian central banks held rates unchanged.** As global financial markets increasingly priced in that the Fed has reached the peak of the rate hike cycle, the US dollar turned into a somewhat softening trend, reducing the tightening pressure faced by Asian central banks. In November, the Bank of Korea, Bank Indonesia, the Bangko Sentral Ng Pilipinas and the Bank of Thailand held monetary policy unchanged. Compared to the advanced economies in North America and Europe, inflation pressure in Asia is relatively moderate. With easing expectations for further tightening by the Fed, Asian economies are likely to see some room for rate cuts in 2024.

**Most Asian currencies appreciated as tightening fears eased**

**Major Asian currencies appreciated against the US dollar in November.** During the month, rising expectations that the Fed is done with their rate hikes, coupled with a drop in US treasury yields, have contributed to a rally of Asian currencies against the US dollar. In November, currencies such as the Japanese Yen, the Malaysian Ringgit, the Korean Won, the Thai Baht, etc., all appreciated against the USD by a range of 2.1% to 4.7% compared to end-October.

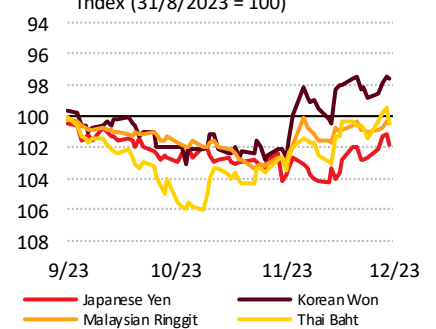
**Most Asian equity markets rose in November after a downturn in the previous month.** In November, the Japanese, Taiwan, and Korean benchmark indices bounced back immensely with 8.5%, 9.0%, and 11.3% MoM (month-on-month) gains, respectively, compared to end-October, while other Asian benchmark indices in Malaysia, Indonesia, and the Philippines recorded MoM gains ranging from 0.7% to 4.9%. On the other hand, Thailand’s benchmark index recorded a slight MoM decline of 0.1%.

**Policy Rates in Selected Asian Economies**



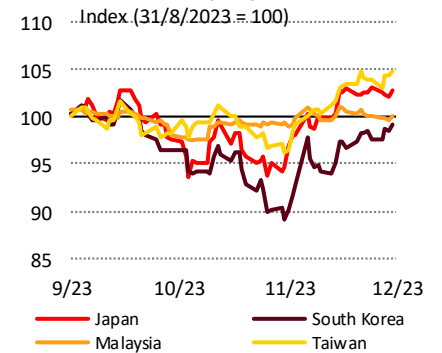
Source: Bloomberg

**Selected Asian Currencies against USD**



Source: Bloomberg, data as of 30/11/2023

**Selected Asian Equity Indices**



Source: Bloomberg, data as of 30/11/2023

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