

Market Monitor – Asia

Exports Stabilised with Softening Inflation across Asia



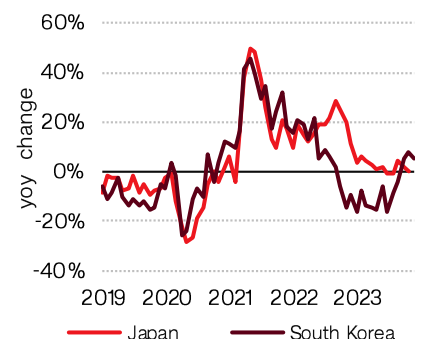
- Exports of Asian economies generally stabilised towards the year-end.
- Inflation cooled further across most Asian economies. Along with the Fed's recent dovish pivot, this provides an optimistic outlook for rate cuts in 2024.
- In December 2023, Asian currencies appreciated against the US dollar, and most Asian equity markets saw positive returns.

Exports across Asia generally stabilised near the end of 2023

Exports in advanced Asian economies held up. Japan's exports fell by 0.2% year-on-year (YoY) in November 2023, after a rise of 1.6% in October. That said, Japan's exports showed a growth of 8.9% YoY in the first 10 days of December. Meanwhile, South Korea's exports continued to grow, up by 5.1% YoY in December, following a growth of 7.7% in November. This marked the third monthly expansion in a row, along with a gradual recovery trend for the semiconductor sector. Additionally, Taiwan's exports returned to positive growth, with a 3.8% YoY expansion in November, up from a contraction of 4.5% in October. Taiwan's export orders also increased by 1.0% YoY in November, signaling that a recovery in global demand is likely underway.

Pressure on ASEAN economies' exports eased further. Vietnam's exports rose further to 13.1% YoY in December 2023, up from 6.7% in November. Stronger exports led to a pickup in Vietnam's manufacturing output and lifted its GDP growth to 6.7% YoY in Q4 2023, up from 5.5% in Q3 2023. Singapore's non-oil domestic exports grew by 1.0% YoY in November, ending 14 consecutive months of contractions since October 2022. While the uptick was mainly driven by a low base in 2022, Singapore's manufacturing Purchasing Managers' Index has gradually improved in Q4 2023. In addition, Thailand's exports softened from

Japan and South Korea Exports



Source: CEIC

Economic Research

8.0% YoY growth in October to 4.9% in November, serving as the fifth consecutive month of expansion. Malaysia and Indonesia's exports continued to show signs of stabilization, albeit remaining in contraction, with their latest readings down by 5.9% YoY and 8.6% in November, respectively.

Inflation cooled across Asian economies

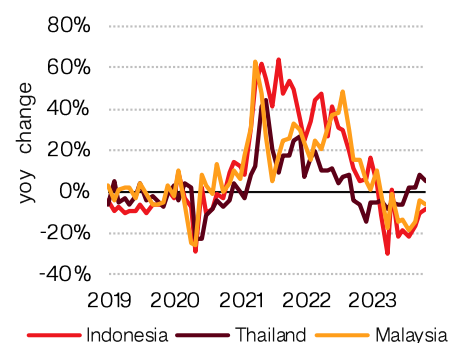
Inflation in advanced Asian economies has softened. Japan's CPI inflation slowed to 2.8% YoY in November 2023 from 3.3% in October. Moreover, core CPI inflation, which excludes fresh foods, dropped to a 16-month low at 2.5% YoY in November from 2.9% in October. Slower inflation reflected declining electricity and gas prices and easing price gains in goods. South Korea's headline and core CPI inflation eased slightly from 3.3% YoY in November to 3.2% in December and from 2.9% to 2.8%, respectively. In addition, Taiwan's headline and core CPI inflation in November came down slightly by 0.1 percentage point to 2.9% and 2.4% YoY, respectively, in comparison to October's figures.

Inflation in ASEAN economies has broadly decelerated. In December 2023, Indonesia's CPI inflation dipped to 2.6% YoY from 2.9% in November. Vietnam's CPI inflation went up slightly from 3.5% YoY in November to 3.6% in December, but its core CPI inflation eased from 3.2% to 3.0%. In the meantime, Malaysia's CPI inflation cooled from 1.8% YoY in October to 1.5% in November. Singapore's CPI inflation decelerated in November to 3.6% YoY, down from 4.7% in October. Elsewhere, Thailand's CPI continued to decrease on a YoY basis, falling by 0.4% in November after a decrease of 0.3% in October. This was partially attributed to lower diesel prices that stemmed from the Thai government's energy policies.

Asian central banks decided to hold their interest rates unchanged. In December 2023, the Bank of Japan (BoJ) maintained its monetary policy tools unchanged, which was widely anticipated. But the BoJ did not offer any hint of changing its monetary stance in its post-meeting statement, which led to higher volatility for the Japanese Yen, as expectations for the BoJ to exit its negative interest rate policy have surged recently. Meanwhile, the central banks of Taiwan, Indonesia and the Philippines held their monetary meetings in December and kept their interest rates unchanged. Outside Asia, the US Federal Reserve revealed larger rate cuts in 2024 than its previously projected estimates, marking a notable dovish pivot. Together with a softening inflation trend in Asia, a less hawkish Fed's monetary stance offers an optimistic outlook for Asian central banks to begin cutting rates in 2024.

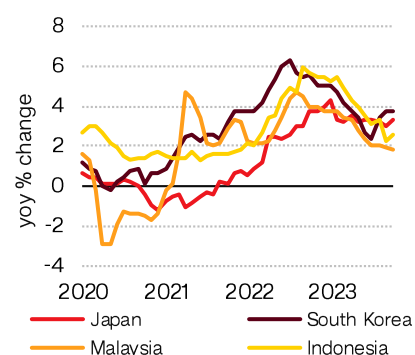
January 2024

Selected ASEAN Economy Exports



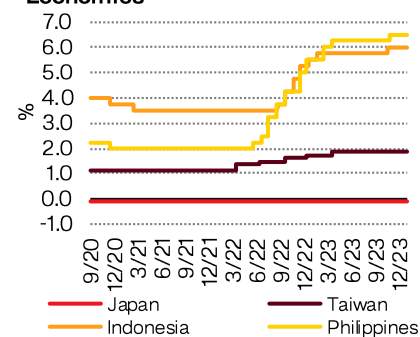
Source: CEIC

CPI of Selected Asian Economies



Source: Bloomberg

Policy Rates in Selected Asian Economies



Source: Bloomberg

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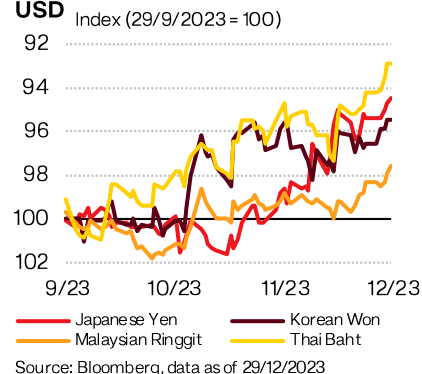
In December 2023, Asian currencies appreciated against the US dollar, and most Asian equity markets saw positive returns

Asian currencies appreciated against the US dollar in December 2023 as global financial conditions loosened. The Fed's dovish pivot sent US treasury yields lower, leading to a weakening US Dollar (USD). The Korean Won and the Philippine Peso remained relatively steady against the USD, both appreciating by 0.2% in December compared to end-November. Moreover, the Malaysian Ringgit, Singapore Dollar, and Taiwanese Dollar appreciated by a range of 1.3%-1.8%. Meanwhile, the Thai Baht and the Japanese Yen appreciated substantially more by 3.1% and 5.1%, respectively.

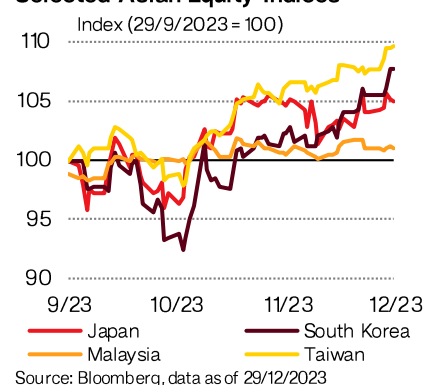
Most Asian equity markets saw positive returns in December 2023, except for the Nikkei. Similar to the foreign exchange markets, risk-on sentiment amid rising expectations of rate cuts also fuelled most Asian equity markets. Benchmark indices in South Korea, Indonesia, Singapore, Thailand, and Taiwan finished the year strong, growing by a range of 2.6%-5.4% in December, compared to end-November. Other indices, such as in Malaysia and Japan, held largely unchanged compared to end-November, with Malaysia's growing by 0.1% and Japan's falling by 0.1%. Despite this, the Nikkei 225 (Japan's benchmark index) outperformed most other Asian indices, climbing by over 28% in 2023.

January 2024

Selected Asian Currencies against USD



Selected Asian Equity Indices



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