

Market Monitor – Asia

Economic Growth in Asia Picks Up Modestly



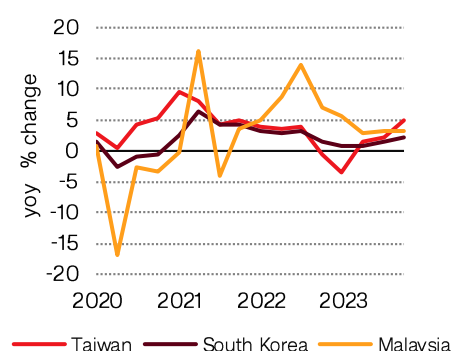
- Asian economies showed improving recovery momentum in Q4 2023.
- Inflationary pressures cooled throughout Asia, with central banks holding rates steady.
- In January 2024, Asian currencies depreciated against the USD amid diminishing hopes of a rate cut by the Fed in March 2024.

Improving recovery momentum is seen across Asian economies

South Korea's and Taiwan's economic growth held up in Q4 2023. Advanced estimates indicated that South Korea's economy grew by 2.2% on a year-on-year basis (YoY) and 0.6% on a quarter-on-quarter (QoQ) basis in Q4 2023. Growth was aided by steady private consumption, a larger contribution from net exports, and a rebound in facility investment, while construction and other private investments were in contraction. For the whole year in 2023, South Korea's economy grew by 1.4%, which showed a continued moderating trend since 2021 (2022: +2.6%; 2021: +4.3%). Taiwan's economy expanded by 5.1% YoY in Q4 2023, compared to 2.3% in Q3 2023. This was backed by a stronger contribution by net exports, which added 4.7 percentage points (ppts) to headline GDP growth, followed by private consumption (+2.6 ppts), while investment remained a drag with a subtraction of 2.3 ppts. In 2023, Taiwan's economy grew by 1.4% after growing by 2.6% in 2022.

ASEAN economies generally picked up pace in Q4 2023. Singapore's economy grew by 2.8% YoY in Q4 2023, up from 1.0% in Q3 2023. The manufacturing and construction sectors were the major drivers for a faster recovery. On an annual basis, Singapore's economy grew by 1.2% in 2023, down from the 3.6% seen in 2022. Preliminary reports suggested that Malaysia's economy grew by 3.4% YoY in Q4 2023, slightly higher than 3.3% in Q3 2023. In 2023, Malaysia's economy was estimated to expand by 3.8%, a slowdown from 8.7% in 2022. This was due to elevated interest rates and weakened global demand, leading to a slowdown in

GDP of Selected Asian Economies



Source: Bloomberg

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construction and stagnant manufacturing activity. Indonesia's economy grew by 5.0% YoY in Q4 2023, inching up from 4.9% in Q3 2023, with an annual growth rate of 5.1% in 2023, down from 5.3% in 2022. Growth was in line with expectations and can be credited to strong private consumption. The Philippines' economy experienced a solid growth of 5.6% YoY in Q4 2023, softening from 6.0% in Q3 2023. Additionally, the growth rate for 2023 was also 5.6%, short of the 7.6% pace in 2022. A healthy job market lifted domestic demand, which was a major contributor to growth.

Exports rebounded across many Asian economies

Exports from advanced Asian economies surged. Japan's exports reversed a 0.2% YoY drop in November to a 9.7% rise in December 2023. This came as exports to the Chinese Mainland and the US experienced a large bounce back in December 2023, with exports of semiconductor manufacturing equipment and automobiles taking the lead. Correspondingly, South Korea's exports rose for the fourth consecutive month by 18.0% YoY in January 2024 after rising 5.0% in December 2023. While the surge was partly due to a low base and more workdays than a year earlier, a major factor in the hike was a sharp rise in semiconductor shipments, especially to the Chinese Mainland. Similarly, Taiwan's exports rose by 11.8% YoY in December 2023, up from 3.8% in November. The external demand for semiconductors, a cornerstone of Taiwan's exports, bounced back during the end of 2023, which supported a recovery in Taiwan's exports.

ASEAN economies' export performance diverged. In December 2023, Malaysia's exports continued to weaken on a YoY basis, falling by 10.0% after a 6.1% drop in November. Indonesia's exports declined by 5.8% YoY in December 2023, narrower than an 8.6% fall the month before. Indonesia's export performance was pressured in 2023 due to falling prices of its main export commodities, such as coal, palm oil, and nickel. However, Thailand's exports rose 4.7% YoY in December 2023, a slight easing from 4.9% in November. The increase was mainly driven by a rise in the shipments of agro-industrial goods as well as automotive and electronic products. Vietnam's exports rose sharply by 42.0% YoY in January 2024, largely owing to low base effects.

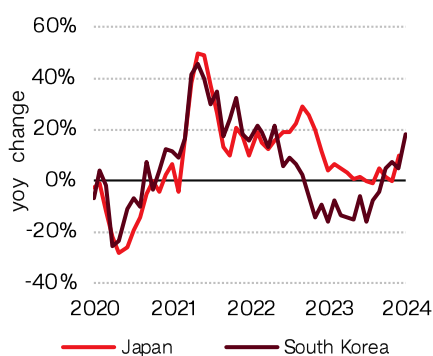
Inflationary pressures continue to ease across Asia

Inflation in advanced Asian economies eased further. Japan's headline CPI inflation softened to 2.6% YoY in December 2023, down from 2.8% in November. Inflation in Japan has been trending downward since April 2023, with the recent softening being attributable to a slowdown in food price gains. Japan's core CPI inflation, which excludes fresh foods, also moderated, from 2.5% YoY to 2.3% in December 2023. South Korea's headline CPI inflation eased from 3.2% YoY in December 2023 to 2.8% in January 2024, on the back of lower global oil prices. Its core CPI inflation also slid from 2.8% to 2.5% in January 2024. Furthermore, Taiwan's headline CPI inflation edged down from 2.9% YoY in November to 2.7% in December 2023, while its core CPI inflation hovered at around 2.4%.

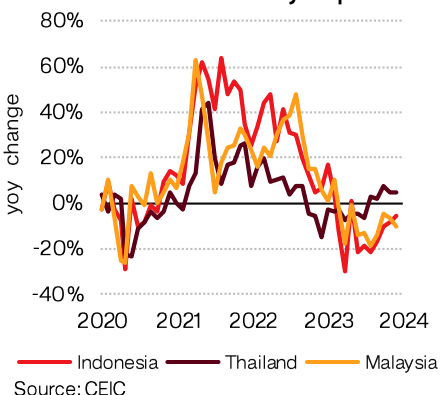
Inflation in most ASEAN economies continued to trend downward. In December 2023, Malaysia's headline CPI inflation stayed at 1.5% YoY, while its core CPI inflation inched down from 2.0% in November to 1.9% in December 2023.

February 2024

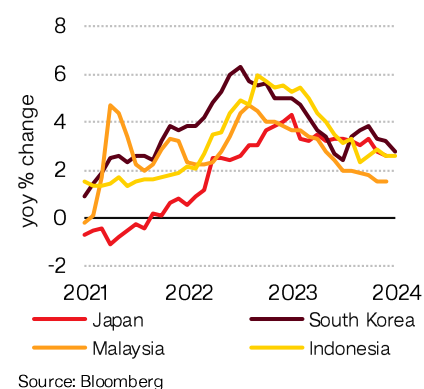
Japan and South Korea Exports



Selected ASEAN Economy Exports



CPI of Selected Asian Economies



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Indonesia's headline and core CPI inflation slowed from 2.9% YoY and 1.9% in November to 2.6% and 1.8% in December 2023, respectively. Thailand's headline CPI inflation remained negative at -1.1% YoY in January 2024, down from -0.8% in December 2023. Negative inflation in Thailand is widely regarded as temporary, driven by energy subsidies. Vietnam's headline and core CPI inflation slowed to 3.4% YoY and 2.7% in January 2024, from 3.6% and 3.0% in December 2023, respectively.

Asian central banks held their interest rates unchanged. In January 2024, the Bank of Japan (BoJ) decided to keep its monetary easing unchanged. However, the BoJ showed a hawkish tilt by stating that the likelihood of hitting its inflation target has continued to rise gradually. With the annual wage negotiations likely to confirm a continued uptrend in wage growth by Q1 2024, it is increasingly possible for the BoJ to exit its negative interest rate policy in the next couple of meetings. Similarly, the Bank of Korea (BoK) held its base rate unchanged at 3.5%. The Bank pointed out that inflation remained elevated and will assess domestic and external conditions before altering its restrictive policy stance. In ASEAN, the central banks of Indonesia and Malaysia both kept their benchmark interest rates unchanged during their latest meetings.

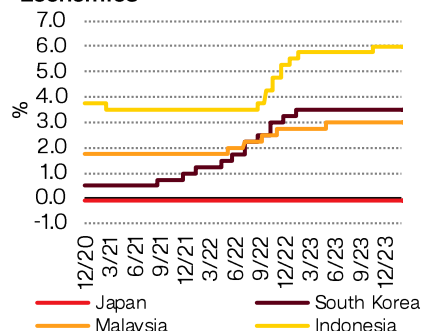
Asian currencies depreciated while their equity markets diverged

Asian currencies depreciated against the USD in January 2024 as the prospects of a rate cut by the Fed in March 2024 dwindled. The Fed's latest meeting revealed that it was unlikely to cut rates in the upcoming March meeting, as more evidence of slowing inflation will be needed. Asian currencies such as the Singapore dollar, the Malaysian Ringgit, the Korean Won, the Japanese Yen, etc. all depreciated against the USD by a range of 1.5% to 4.0% in January 2024, compared to the end of December.

Asian equity markets showed divergent performance in January 2024. The benchmark equity indices of Japan, Malaysia, and the Philippines all rose month-on-month (MoM) by 8.4%, 4.0%, and 3.0% by end-January 2024, respectively, compared to end-December 2023. Nevertheless, Indonesia and Taiwan's benchmark indices fell moderately by 0.9% and 0.2% MoM, with South Korea, Singapore, and Thailand benchmark indices all experiencing wider MoM losses of 6.0%, 2.7%, and 3.6% by end-January, compared to end-December.

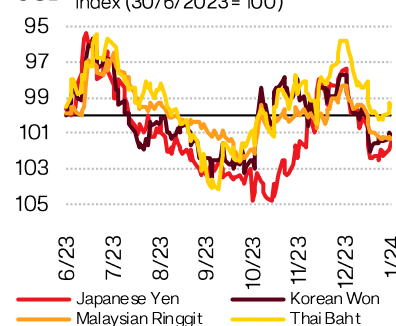
February 2024

Policy Rates in Selected Asian Economies



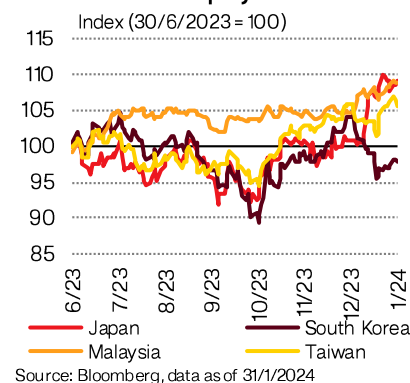
Source: Bloomberg

Selected Asian Currencies against USD



Source: Bloomberg, data as of 31/1/2024

Selected Asian Equity Indices



Source: Bloomberg, data as of 31/1/2024

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