

Market Monitor – Asia

Inflation picked up across Asia



- Export growth moderated in February due to seasonal impacts.
- Inflation picked up across Asia. The Bank of Japan and Taiwan's central bank raised their interest rates.
- Asian currencies generally depreciated against the US dollar in March.

Vietnam's economy grew steadily in Q1 2024

Vietnam's economy reported solid growth in Q1 2024 on the back of strong exports. Vietnam's economy expanded by 5.66% year-on-year (YoY) in Q1 2024, slower than a 6.72% expansion in Q4 2023. Recently, Vietnam's solid economic performance has been boosted by a resurgence in exports, thanks to buoyant shipments of electronic products like cellphones and a rebound in the tourism sector. In Q1 2024, exports grew rapidly by 18.0% YoY, after decreasing by 2.5% in the previous quarter. Consumption and investment remained steady, growing by 4.93% YoY and 4.69%, respectively. Vietnam's government set a GDP growth target of 6.0-6.5% for 2024, which appears to be within reach if the global economy continues its recovery momentum.

Export growth moderated in February due to seasonal impacts

The export growth of advanced Asian economies moderated in February. Japan's exports rose by 7.8% YoY in February, growing for the third consecutive month after posting growth of 11.9% the month before. The uptick was primarily led by heightened exports to the US and Europe. Strong outbound shipments were seen among products like automobiles, semiconductors, machinery and chemicals. South Korea's exports continued to expand in March, up by 3.1% YoY, which was also slower than the 4.8% growth in February. An ongoing boom in artificial intelligence remains a major driver for South Korea's semiconductor exports, which surged by 35.7% YoY in March. Exports of displays and computers also increased sharply, up by 16.2% and 24.5% YoY, respectively, indicating rising

GDP of Selected Asian Economies



Source: Bloomberg

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demand for technological products. In Taiwan, exports also grew in February, although at a muted pace of 1.3% YoY, compared to 18.1% in January. The slowdown was mainly caused by the distortion during the Chinese New Year holidays in February. Taking the first two months of 2024 together, Taiwan's exports were up by 9.7% YoY.

ASEAN economies' exports were mixed in February. Throughout ASEAN, trade was affected by the Chinese New Year holidays, which usually cause temporary workplace closures and shipping delays. Singapore's non-oil domestic exports dropped by 0.1% YoY in February, after rising by 16.6% in January. Malaysia's exports reversed a YoY increase of 8.7% in January to a 0.8% contraction in February. Indonesia's exports continued to shrink with a 9.4% YoY decline in February, wider than an 8.2% decline in January. Meanwhile, Thailand's exports experienced a YoY growth of 3.6% in February, down from 10.0% growth in the previous month. Vietnam's advanced data suggested trade should recover after the festive impacts faded, as its exports increased by 14.2% YoY in March, following a 5.0% decline in February.

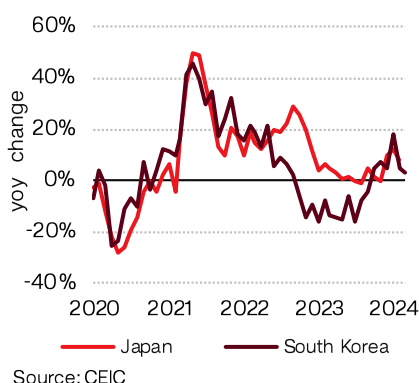
Inflation picked up across Asia

Inflation in advanced Asian economies crept up in February. Japan's headline CPI inflation accelerated for the first time in four months to 2.8% YoY in February from 2.2% in January. Similarly, Japan's core CPI inflation (which excludes fresh foods) also rose to 2.8% YoY in February, climbing up from 2.0% in January. This was largely due to base effects stemming from the energy subsidies rolled out last year. Inflation in South Korea remained largely unchanged, as its headline CPI inflation grew by 3.1% YoY in March, the same pace as in February, with volatile agricultural prices cited as reasons for inflationary pressures. Meanwhile, South Korea's core CPI inflation (which excludes food and energy) softened from 2.5% YoY in February to 2.4% in March. Taiwan's headline CPI inflation spiked to 3.1% YoY in February from 1.8% in January. While the jump was partially caused by seasonal impacts, the readings were stronger than market expectations and came in at a 19-month high. Taiwan's core CPI (excluding fruits, vegetables, and energy) inflation also surged by 2.9% YoY from 1.7%, owing to a rise in nursing and personal care services inflation.

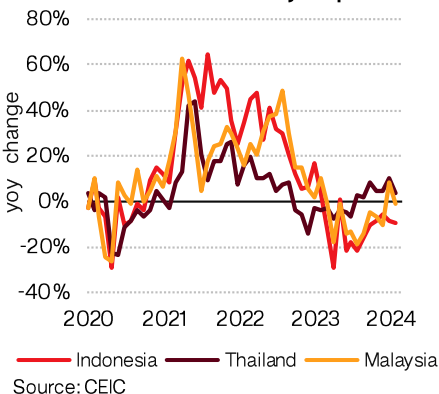
Inflation generally picked up across ASEAN economies. Singapore's headline CPI inflation rose to 3.4% YoY in February from 2.9% in January. Its core inflation (which excludes accommodation and private transport) also rose to 3.6% YoY from 3.1%. Malaysia's headline CPI inflation ticked up slightly from 1.5% YoY in January to 1.8% in February, while core CPI inflation remained unchanged at 1.8%. Indonesia's headline and core CPI inflation both gained pace to 3.0% and 1.8% YoY, from 2.8% and 1.7%, respectively, with inflationary pressures from stronger demand during Ramadan. Vietnam's headline CPI inflation stayed flat at 4.0% YoY in March, while its core CPI inflation moderated to 2.8% YoY in March from 3.0% in February.

April 2024

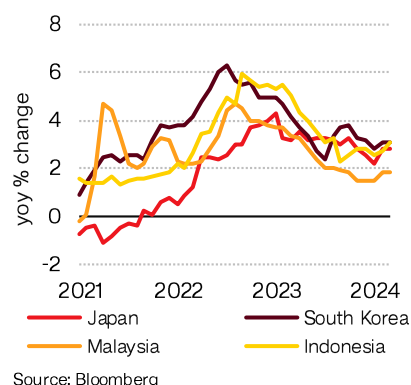
Japan and South Korea Exports



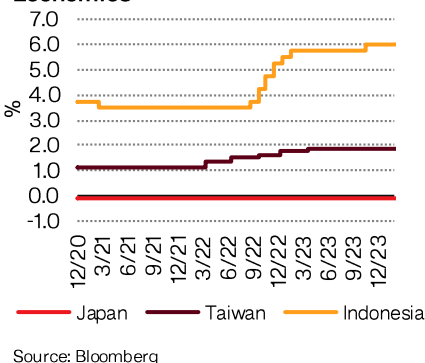
Selected ASEAN Economy Exports



CPI of Selected Asian Economies



Policy Rates in Selected Asian Economies



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Some advanced Asian economies raised interest rates in March. The Bank of Japan (BoJ) exited its long-lasting negative interest rate policy and raised its interest rate for the first time since 2007 from -0.1% to a range of 0-0.1%, as the 2% inflation target was considered achievable in a sustainable and stable manner. Besides, the BOJ ended its yield curve control policy and discontinued purchases of ETFs and J-REITs while continuing its government bond purchases. Despite the rate rise, the BOJ's Governor Kazuo Ueda stressed that Japan's financial conditions will remain accommodative. Meanwhile, Taiwan's central bank raised its benchmark interest rate from 1.875% to 2% during its March meeting. The central bank considered that a rate hike was necessary in order to further curb inflationary pressures and sustain price stability, especially against the backdrop of the proposed electricity rate hike in April 2024. Elsewhere, Bank Indonesia (BI) kept its benchmark interest rate steady at 6.00%, so as to support its currency and pre-emptively contain inflation within its target range.

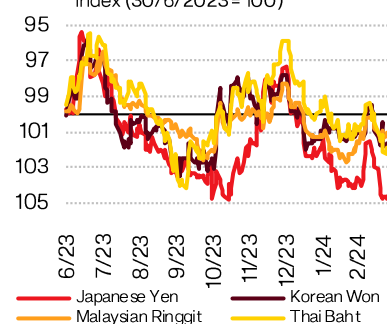
Currencies generally edged lower in March, while equity markets diverged

Most Asian currencies depreciated against the US dollar (USD) in March. By end-March, currencies such as the Singapore Dollar, the Japanese Yen, the Korean Won, the Thai Baht, etc. depreciated against the USD by a range of 0.3% to 1.4% month-on-month (MoM). Despite the BoJ's exit from its negative interest rate policy, the Japanese yen continued to wither amid rising expectations of a disparity in monetary policies from other advanced economies. On the other hand, the Malaysian ringgit appreciated by 0.4% MoM against the USD during the month.

Equity markets in advanced Asian economies posted strong gains in March, while other Asian markets were soft. Equity markets in Singapore, Japan, South Korea, and Taiwan posted strong MoM gains ranging from 2.6% to 7.0% by end-March compared to end-February. Alternatively, equity markets in Indonesia, the Philippines, and Malaysia posted MoM losses ranging from 0.4% to 1.0% by end-March.

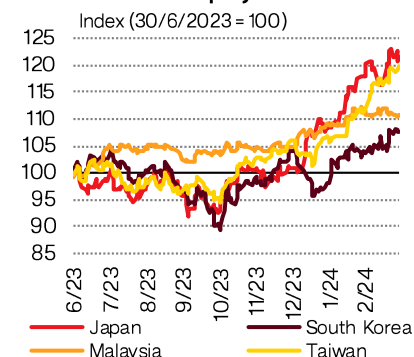
April 2024

Selected Asian Currencies against USD
Index (30/6/2023 = 100)



Source: Bloomberg, data as of 29/3/2024

Selected Asian Equity Indices
Index (30/6/2023 = 100)



Source: Bloomberg, data as of 29/3/2024

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