

Market Monitor – Asia

Asian economies continued to recover in Q2



- Survey data indicated that Asian economic momentum largely held up in Q2. Vietnam's economic growth accelerated in Q2, led by stronger consumption and resilient investment.
- Asian export performance held steady in June.
- Asian currencies weakened amid expectations of a delayed rate cut by the US Fed.

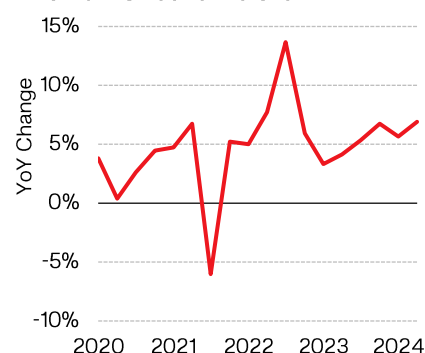
Asian growth momentum largely held up

Survey data indicated a further recovery in Asia in Q2. Asian economies' PMIs were largely stable from Q1 to Q2, suggesting a continuation of recovery in Q2. Among Asian economies, Vietnam was the first to report its GDP readings, which posted a strong year-on-year (YoY) growth of 6.93% in Q2 2024, up from 5.87% in Q1. Across its major industries, both the manufacturing and services sectors accelerated to 10.0% and 7.1% growth in Q2, respectively. These reflected the boost from solid exports and household consumption performance. Overall, Vietnam's economy expanded by 6.42% YoY in 1H 2024. That said, Vietnam's General Statistics Office stated that achieving the growth target of 6.0%-6.5% in 2024 remained a big challenge amid external risks and uncertainties.

Asian export performance held steady in June

Exports in advanced Asian economies continued to grow. South Korea's exports grew by 5.1% YoY in June, slowing from 11.5% in May. The decline was attributed to calendar effects, as there were fewer working days in June (21.5 days) compared to 23 days last year. Nevertheless, South Korea's chip exports remained robust, with a YoY growth of 50.9% in June (+54.5% in May). Japan's exports surged further, up by 13.5% YoY in May. A weak Japanese yen (JPY) and strong external demand were the major drivers for Japanese products. Taiwan's exports were steady, up by 3.5% in May, moderating slightly from 4.3% in April.

Vietnam's Economic Growth



Source: Bloomberg

ASEAN economies' exports continued to recover. Vietnam's exports maintained double-digit growth for the fourth consecutive month, up by 10.5% YoY in June (+13.9% in May). Malaysia's exports grew by 7.3% YoY in May (+9.1% in April), above market expectations. Thailand and Indonesia's exports saw faster growth, from 6.8% YoY in April to 7.2% in May and from 1.7% to 2.9%, respectively. Singapore's non-oil domestic exports took a step closer to growth, merely contracting by 0.1% YoY in May from a decline of 9.6% in April. In June, ASEAN's manufacturing PMI stayed unchanged at 51.7 with a further rise in new orders and output, pointing to sustainable and steady trade and manufacturing growth among ASEAN economies ahead.

Largely stable inflationary pressure among Asian economies

Japan and Taiwan's inflation edged higher, while South Korea's inflation cooled

Japan's headline and core CPI inflation picked up from 2.5% YoY in April to 2.8% in May and from 2.2% to 2.5%, respectively, slightly below market expectations. The uptick was due to higher taxes on renewable energy. Another measure known as core-core CPI inflation, which excludes food and energy components, eased from 2.4% YoY in April to 2.1% in May. Taiwan's headline CPI inflation also accelerated slightly from 1.9% YoY in April to 2.2% in May due to certain one-off factors like adverse weather and upward adjustments for medical care and electricity prices. Underlying inflation pressure in Taiwan remained modest, as core inflation stayed unchanged at 1.8% YoY in May. South Korea's headline CPI inflation slowed more-than-expected from 2.7% YoY to 2.4% in June, while its core inflation remained stable at 2.2% YoY in June.

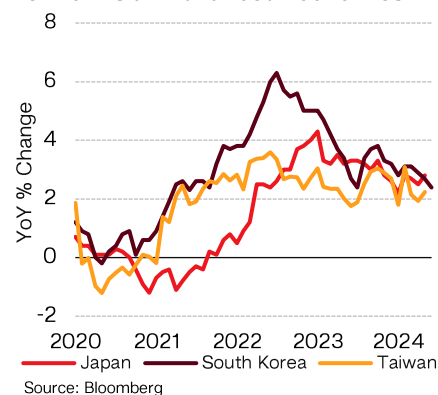
Inflation in ASEAN economies diverged with an overall easing trend. Singapore's headline inflation was 3.1% YoY in May, up from 2.7% in April, while its core inflation was flat at 3.1% YoY in May. Thailand's CPI inflation accelerated from 0.2% YoY in April to 1.5% in May, returning to its central bank's inflation target of 1.0%-3.0%. The uptick reflected the lower base of comparison under the government's electricity subsidies last year. But Thailand's core CPI inflation was still soft, at 0.4% YoY in May. Malaysia and the Philippines also recorded slightly faster headline inflation, at 2.0% YoY and 3.9% in May, respectively. On the contrary, Indonesia's and Vietnam's headline inflation eased from 2.8% to 2.5% in June and from 4.4% to 4.3%, respectively, both below market expectations.

Central banks in Asia kept rates unchanged. The Bank of Japan (BoJ) announced to hold its short-term policy rate target unchanged in a range of 0%-0.1% in June, though it revealed the intention to announce the reduction of future bond purchases in the July meeting. Besides, BoJ Governor Ueda hinted at a potential rate hike in July. Despite this guidance, investors continued to see rate differentials between the US dollar and the JPY stay wide, pressuring the JPY exchange rate. Other central banks in Asia, including, Bank Indonesia, Bank of Thailand and Bangko Sentral ng Philipinas also held monetary meetings in June and decided to keep their policy rates unchanged.

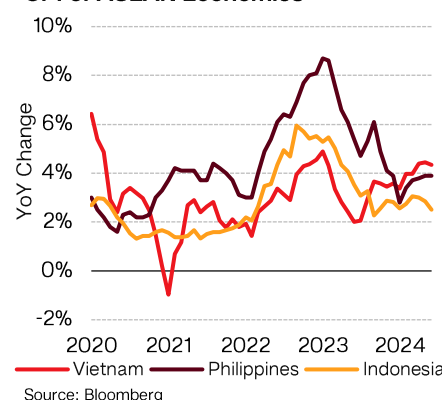
Solid US dollar restrained performance of Asian currencies

Asian currencies faced downward pressure. The median rate cut forecasts for 2024 were revised lower from 3 cuts to 1 cut by the FOMC members in its June

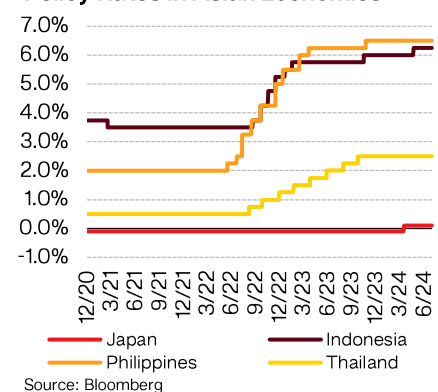
CPI of Asian Advanced Economies



CPI of ASEAN Economies



Policy Rates in Asian Economies



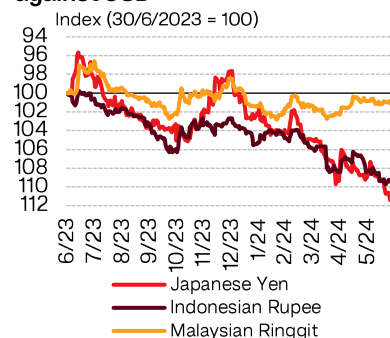
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monetary meeting, reinforcing expectations for a “higher-for-longer” environment. The continuous strength of the US dollar has put pressure on Asian currencies. The Indonesian rupee, Singaporean dollar, and Malaysian ringgit depreciated against the US dollar in a range of 0.2%-0.8%. Meanwhile, the BoJ also delayed its decision on the reduction of bond purchases to July. The JPY took the lead by declining 2.2% in June, heightening market speculation about any potential intervention.

Asian stock markets diverged in June. Equity markets in Taiwan and South Korea rose by 8.8% and 6.1% by end-June, largely driven by the strong performance of technology companies, while other Asian markets like Malaysia, the Philippines and Singapore were muted in June, recording a slight decrease of around 0.1% - 0.4%.

July 2024

Exchange Rate of Asian Currencies against USD



Source: Bloomberg, data as of 30/6/2024

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