

*Market Monitor – Asia*

## Asian economies sustained steady growth in Q3



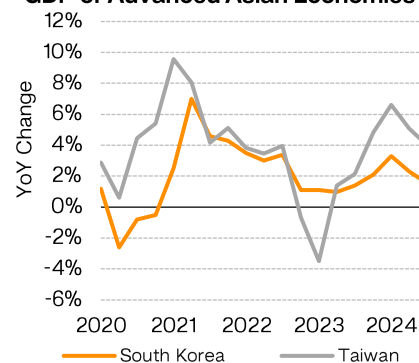
- Asian economies, such as South Korea, Taiwan, Singapore, Malaysia and Vietnam, posted steady growth in Q3. But manufacturing survey data showed signs of softening in early Q4, particularly in advanced Asian economies.
- More Asian central banks, like those in South Korea, Thailand & the Philippines, joined the rate cut cycle, while the Bank of Japan remained on hold.
- Asian currencies experienced corrections after a solid rally, amid cooling expectations for aggressive rate cuts by the US Federal Reserve.

### Asian economic growth held up in Q3

**South Korea's economy maintained its steady performance in Q3.** South Korea's economy grew by +0.1% quarter-on-quarter (QoQ) in Q3, after a 0.2% contraction in Q2. On a year-on-year (YoY) basis, GDP growth decelerated from 2.3% in Q2 to 1.5% in Q3. Exports of goods & services, the primary driver in 1H 2024, slowed from a 9.0% YoY growth in Q2 to 6.5% in Q3, reflecting a higher base of comparison and softening external demand. Gross fixed capital formation remained a drag, declining by 0.7% YoY in Q3 after a 0.9% decrease in Q2, as high borrowing costs weighed on construction investment. Domestic demand showed initial signs of recovery, with private consumption rising from 0.9% YoY in Q2 to 1.3% in Q3. However, the Bank of Korea (BoK) highlighted that South Korea's growth outlook is facing significant uncertainties, including a moderation in global technology trends and elevated geopolitical risks.

**Taiwan's economy recorded solid growth in Q3.** GDP expanded by 4.0% YoY in Q3, following a 5.1% growth in Q2, underpinned by solid domestic investment. Gross capital formation surged by 15.3% YoY in Q3, up from 14.8% in Q2, reflecting both supportive base effects and strong investment in emerging technologies. It contributed 3.7 percentage points (ppts) to headline YoY GDP growth in Q3. Net exports subtracted 1.2 ppts from headline growth, as rising equipment purchases

**GDP of Advanced Asian Economies**



Source: Bloomberg

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and travel activities led to faster import growth compared to exports. Private consumption slowed further from 2.8% YoY in Q2 to 1.9% in Q3, while government expenditure accelerated from 1.9% to 3.9%.

### Singapore, Malaysia and Vietnam extended robust growth momentum.

Singapore's economic growth accelerated to 4.1% YoY in Q3 from 2.9% in Q2. A sharp rebound in the manufacturing sector, which grew from a decline of 1.1% YoY in Q2 to an expansion of 7.5% in Q3, was the primary driver, particularly in the electronics industry. Growth momentum is expected to be sustained by demand for electronics products and the global easing cycle. Malaysia's economy held steady, with YoY growth of 5.3% in Q3 after 5.9% in Q2. The construction sector remained the outperformer, ticking up from 17.3% YoY growth in Q2 to 19.5% in Q3. The manufacturing sector also accelerated from 4.7% growth in Q2 to 5.7% in Q3. Vietnam's economy extended its rapid growth from 6.9% YoY in Q2 to 7.4% in Q3, the fastest since Q3 2022, driven by both the manufacturing and services sectors, which grew by 11.4% YoY and 7.5%, respectively. Overall, Vietnam's economy expanded by 6.8% in the first three quarters, reinforcing confidence in attaining the growth target of 6.8%-7.0% in 2024.

### Early signs of softening appeared in the manufacturing sectors of advanced Asian economies.

In October, Japan's and South Korea's manufacturing purchasing managers' indices (PMI) remained in contraction territory, at 49.2 (down from 49.7 in September) and 48.3 (unchanged), respectively. Taiwan's manufacturing PMI stayed in expansionary territory but slowed from 50.8 in September to 50.2 in October. For these three economies, softening new orders were recorded amid weaker demand and rising uncertainties. Meanwhile, the ASEAN manufacturing PMI was unchanged at 50.5 in October, with modest expansion in production offsetting the downturn in new export orders. Overall, these PMI readings signalled moderating growth momentum for Asia's manufacturing sector ahead.

## Disinflation continued to make progress in Asia

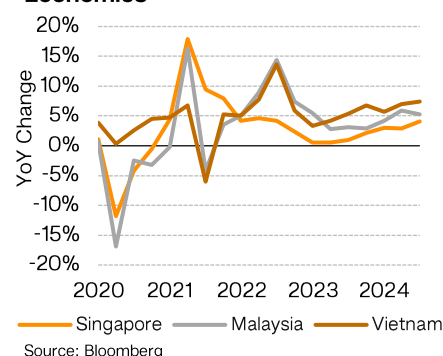
### Inflation in advanced Asian economies eased in September.

Japan's headline CPI inflation retreated to 2.5% YoY in September from 3.0% in August, marking the first slowdown since April 2024. Its core CPI inflation (excluding fresh food) declined from 2.8% YoY in August to 2.4% in September, mainly due to the temporary subsidies for utilities from August to October. However, the core-core CPI inflation (excluding fresh food & energy) edged up from 2.0% YoY in August to 2.1% in September, indicating stable underlying demand. South Korea's headline and core CPI inflation extended its slowdown from 1.6% and 2.0% YoY in September to 1.3% and 1.8% in October, with a further decline in transport prices (from -1.2% to -4.0%). Taiwan's headline inflation dropped below the 2.0% level, decreasing from 2.4% YoY in August to 1.8% in September, and was due to declining oil prices. Taiwan's underlying inflation pressure remained moderate, with its core inflation staying unchanged at 1.8% YoY in September.

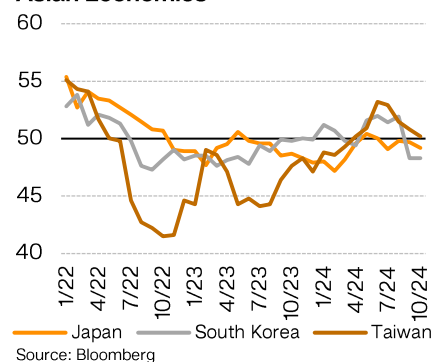
### Inflation in ASEAN economies was largely benign, with notable slowdowns observed in the Philippines and Vietnam.

Indonesia's headline inflation slowed from 1.8% YoY in September to 1.7% in October, while core inflation edged up from 2.1% to 2.2%. Thailand's inflation remained below the central bank's target range of 1%-3%, but both headline and core CPI inflation ticked up from 0.4% and 0.6%

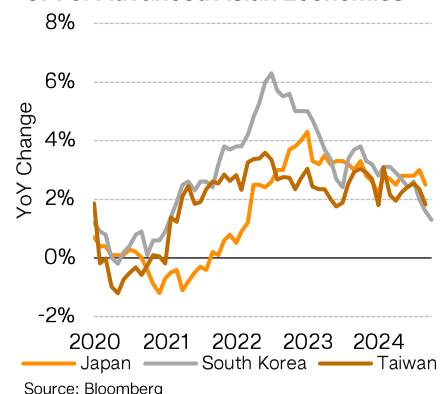
### Economic Growth of Emerging Asian Economies



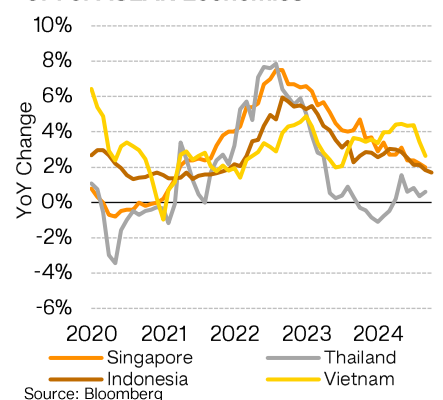
### Manufacturing PMI of Advanced Asian Economies



### CPI of Advanced Asian Economies



### CPI of ASEAN Economies



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YoY in August to 0.6% and 0.8% in September, respectively. Singapore's headline inflation eased to 2.0% YoY in September. However, its core inflation increased from 2.7% YoY to 2.8% in September, driven by retail & other goods inflation. In the Philippines, headline inflation decelerated from 3.3% YoY in August to 1.9% in September, while its core inflation edged down from 2.6% to 2.4%. In Vietnam, headline inflation also decreased from 3.5% YoY in August to 2.6% in September, while its core inflation remained unchanged at 2.5%.

### The BoJ remained on hold as more Asian central banks cut rates

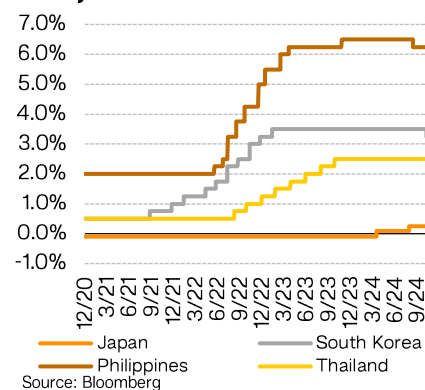
**The Bank of Japan (BoJ) held rates unchanged, while more Asian central banks joined the rate cut cycle.** The Bank of Japan (BoJ) maintained its policy rate at 0.25% in October. The BoJ Governor Ueda indicated that prices and wages were moving in line with forecasts, and downside risks surrounding the US and overseas economies were subsiding. The BoJ signalled that a further rise in the policy rate could occur if the outlook for inflation converges around 2%, economic growth stays above the potential rate and stable financial conditions are realised. Additionally, the BoK initiated its rate cut cycle by reducing its policy rate by 25 basis points (bps) to 3.25% in October, citing a clear trend of stabilisation in inflation. Further rate cuts remain possible, while the BoK will carefully balance considerations across inflation, growth and financial stability. Other Asian central banks, such as the Bank of Thailand and Bangko Sentral ng Pilipinas, also lowered their policy rates by 25 bps in October, while the Bank Indonesia held its policy rate unchanged.

### Asian currencies experienced corrections after a solid rally

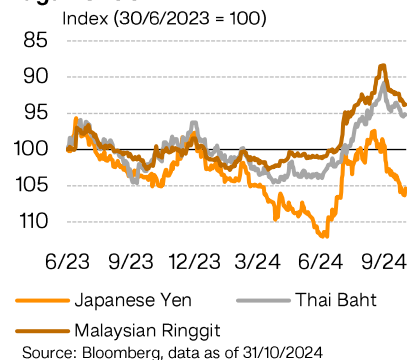
**Asian currencies depreciated against a strengthening US dollar.** A series of positive US economic data have tempered expectations for the size and speed of rate cuts by the US Federal Reserve, leading to a stronger US dollar. As a result, Asian currencies like the Japanese yen, Korean won, Thai baht and Malaysian ringgit depreciated against the US dollar by around 4.5% to 5.8% in October.

**Stock market performances in Asian economies were mixed in October.** Equity markets in South Korea, Malaysia and the Philippines recorded monthly declines ranging from 1.4% to 2.9% in October. Meanwhile, equity markets in Japan and Taiwan climbed by 3.1% and 2.7% in October, respectively.

Policy Rates in Asian Economies



Exchange Rate of Asian Currencies against USD



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