

Market Monitor – Asia

Asian economies expanded towards the end of 2024



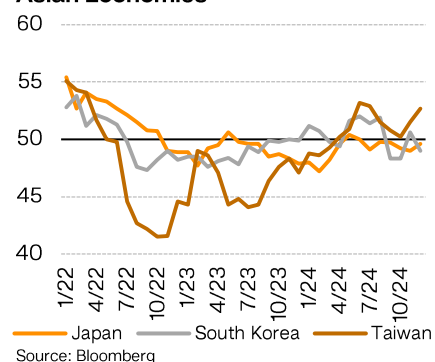
- Asia's economic recovery was sustained in Q4 2024, with the manufacturing sector generally remaining in expansion.
- The Bank of Japan stayed put in December 2024, while the Bangko Sentral ng Philipinas cut rates.
- Asian currencies faced renewed pressures amid the Fed's hawkish pivot.

Asia's economic recovery was sustained in Q4

Asian manufacturing activity held up. Most Asian economies reported improving manufacturing purchasing managers' indices (PMI). Japan's manufacturing PMI increased from 49.0 in November to 49.6 in December 2024, supported by narrower declines in production and new orders and a rebound in employment. South Korea's manufacturing PMI fell into contraction at 49.0 in December from 50.6 in November. Downbeat moods possibly stemmed from concerns over domestic economic conditions as well as escalating trade policy uncertainties. That said, external demand should remain supportive in the near term, as shown by an uptick in South Korea's export growth in December at 6.6% year-on-year (YoY), up from November's 1.4%. At the same time, Taiwan's manufacturing PMI advanced further to a 5-month high of 52.7 in December. ASEAN manufacturing activity maintained a steady growth pace, with its manufacturing PMI at 50.7 in December, compared to 50.8 in November.

Vietnam's economic growth accelerated in 2024. As the year of 2024 came to an end, Vietnam released its GDP readings, with growth rising to 7.1%, up from 5.1% in 2023. In Q4 2024, economic growth reached 7.6% YoY, up from 7.4% from the preceding quarter. Its strong growth in 2024 was powered by strong exports and robust foreign direct investment, which rose by 14.3% and 9.4%, respectively. For 2025, the official growth target set by its parliament is 6.5-7.0%.

Manufacturing PMI of Advanced Asian Economies



Inflation in Asia remained moderate

Inflation in advanced Asian economies ticked up slightly. Japan's headline and core inflation (excluding fresh food) picked up to 2.9% YoY and 2.7% in November 2024, respectively, both up from 2.3% in October. The rise was mainly due to the end of temporary energy subsidies. Its core-core CPI inflation (excluding fresh food & energy) was steady at 2.4% YoY in November, compared to 2.3% in October. Rising labour costs in Japan are anticipated to allow inflation to durably meet the Bank of Japan (BoJ)'s 2% target. South Korea's headline CPI inflation increased 1.9% YoY in December, up from 1.5% in November, boosted by faster price gains in food & non-alcoholic beverages. Underlying inflation remained in check, with its core CPI edging down from 1.9% YoY to 1.8%. In addition, Taiwan's headline and core CPI inflation increased from 1.7% YoY and 1.6% in October to 2.1% and 1.7% in November.

Inflation in ASEAN economies remained steady. Indonesia's headline and core inflation stayed flat at 1.6% YoY and 2.3% in December 2024, respectively. Thailand's headline inflation increased to 1.0% YoY in November, with its core inflation holding steady for the third straight month at 0.8%. Singapore's inflation accelerated slightly to 1.6% YoY in November, while its core inflation slowed to 1.9%. Malaysia's headline and core inflation were both little changed at 1.8% YoY in November. Headline and core CPI Inflation in the Philippines ticked up slightly to 2.5% YoY in November. Vietnam's headline and core CPI inflation both increased to 2.9% YoY in December. Overall, inflation in ASEAN stayed largely within target.

The BoJ stayed put in December, while the BSP cut rates

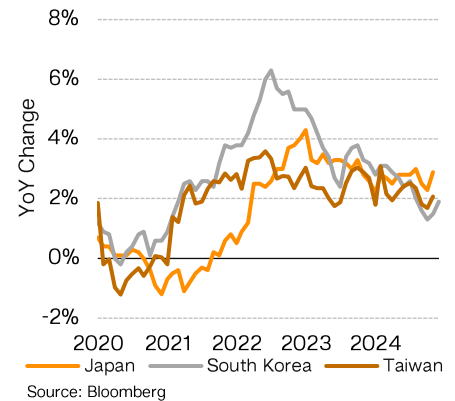
The BoJ stayed put, while Bangko Sentral ng Philipinas (BSP) cut rates. The BoJ held its policy rate unchanged at 0.25% in December 2024 by an 8-1 vote. The meeting's Summary of Opinions revealed that there was a debate on the next rate-hike timing, with some members calling for a near-term policy rate hike. Looking ahead to 2025, the BoJ is expected to raise rates further, albeit at a measured pace. On the other hand, the BSP cut its policy rate by 0.25% to 5.75% in December. Moderating inflation towards target, along with the start of the Fed's rate-cutting cycle, supported the BSP to gradually ease its monetary policy. Meanwhile, the central banks of Indonesia, Thailand and Taiwan kept their policy rates unchanged in December.

Stronger US dollar continued to pressure Asian currencies

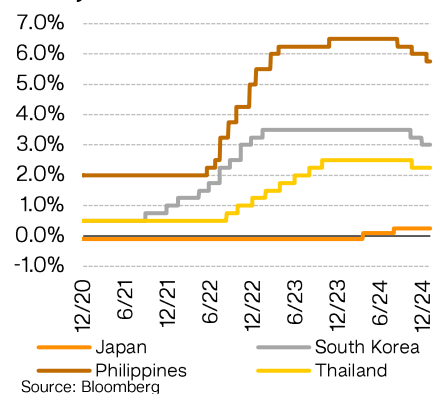
Most Asian currencies depreciated against the US dollar in December 2024. Despite a 0.25% rate cut in December, the US Federal Reserve signalled slower rate cuts in 2025. This hawkish pivot sent US treasury yields and the US dollar sharply higher. The Japanese yen, Korean won and Indonesian rupee depreciated against the US dollar by around 1.6% to 5.1% in December.

Asia stock markets were mixed in December 2024. Equity markets in Japan and Taiwan rebounded by 4.4% and 3.5% in December, while South Korea's market fell by 2.3% amid persistent political turmoil. Among the ASEAN markets, Singapore and Malaysia's equity markets outperformed others in December.

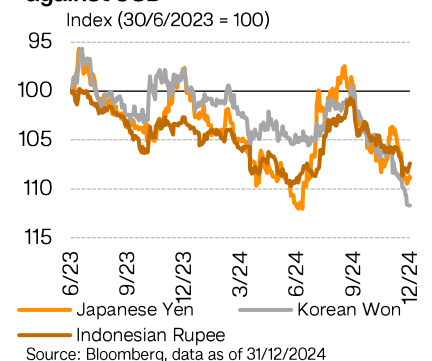
CPI of Advanced Asian Economies



Policy Rates in Asian Economies



Exchange Rate of Asian Currencies against USD



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