

Market Monitor – Asia

Most Asian economies posted solid growth in 2024

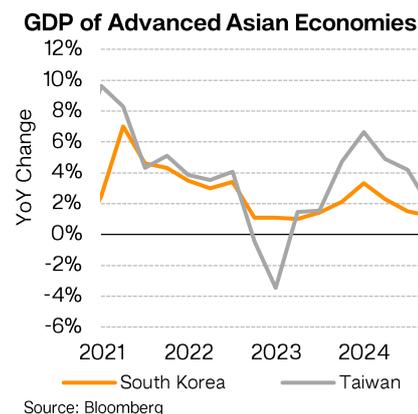


- South Korea, Taiwan, Singapore and Malaysia posted further growth in 2024, albeit with varied paces in the last quarter.
- The Bank of Japan raised rates and revised up its inflation forecast, while Bank Indonesia unexpectedly eased.
- Asian currencies stabilised after months of depreciation.

South Korea's economy softened in Q4 2024, while other Asian economies grew solidly

South Korea's economy has been partly clouded by political uncertainty. South Korea's GDP expanded by 2.0% in 2024, improving from 1.4% in 2023, but its quarterly readings revealed a clear slowdown in momentum, partly dragged by recent political turmoil in December 2024. In Q4 2024, South Korea's GDP grew by 1.2% year-on-year (YoY), down from 3.3%, 2.3% and 1.5% from Q1 to Q3 2024, respectively. Specifically, private consumption and exports of goods & services slowed from 1.4% YoY and 6.8% in Q3 to 1.2% and 3.1% in Q4, respectively. Gross fixed capital formation even fell by 1.1% YoY in Q4, the third consecutive quarterly decline. In January, exports dropped by 10.3% YoY, the first contraction following a 15-month uptrend. While the annual comparison was likely distorted by the differing timing of Chinese New Year in 2024 and 2025, there are rising concerns over the strength of external demand, particularly since the Trump administration has already implemented its tariff measures. Going forward, political instability and trade protectionist measures are set to result in a highly uncertain outlook for South Korea's economy. In mid-January, the Bank of Korea (BoK) released its updated forecast, expecting slower GDP growth between 1.6% and 1.7% in 2025.

Taiwan's economic growth hit a 3-year high in 2024. Taiwan's GDP growth reached 4.3% in 2024, compared to 1.1% in 2023. The turnaround was largely driven by a marked rebound in capital formation, which surged by 12.1% in 2024 after a 10.1% decline the previous year and contributed 3.0 percentage points



(ppts) to headline GDP growth. Meanwhile, quarterly readings indicated softer growth of 1.8% YoY in Q4, compared to 4.2% in Q3. This slowdown reflected both high-base effects as well as a much faster growth in imports than exports. While Taiwan's economy also faces headwinds from US tariffs, a further expansion of the global AI cycle should support a steady outlook in 2025.

Singapore and Malaysia posted solid GDP growth in 2024. Singapore's GDP growth accelerated from 1.1% in 2023 to 4.0% in 2024, the strongest pace since 2021. This strong performance was primarily driven by a vigorous rebound in the manufacturing sector and a faster-growing services industry. GDP growth in Q4 moderated but remained solid at 4.3% YoY, compared to 5.4% in the previous quarter. Malaysia's economic growth also improved significantly, rising from 3.6% in 2023 to 5.1% in 2024, buoyed by strong domestic demand and a recovering external sector. On the industry side, Malaysia's services sector maintained solid growth at 5.3% in 2024, while the manufacturing sector notably accelerated from 0.7% in 2023 to 4.2% in 2024. In Q4, economic momentum remained steady with GDP growth at 4.8%, compared to 5.3% in Q3.

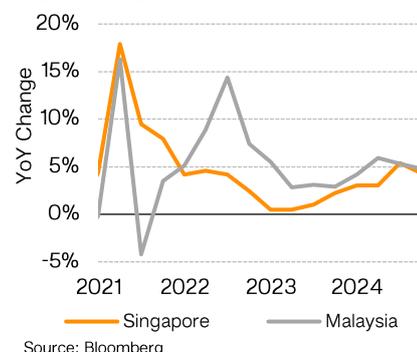
US trade policy uncertainty casts a shadow over Asia's export outlook. In his first month of office, US President Trump imposed an additional 10% tariff on all Chinese imports from 4th February and mentioned the EU as the next target, while keeping the proposed tariffs on Canada and Mexico on hold for 30 days until 4th March following preliminary negotiations. These developments indicate a clear move towards rising trade barriers, which are expected to increase the cost of trade, disrupt global supply chains, and ultimately impede Asia's export performance. Going forward, Asian economies would need to rely more heavily on domestic investment and consumption to sustain their recovery.

Japan's inflation accelerated while price gains in other Asian economies remained in check

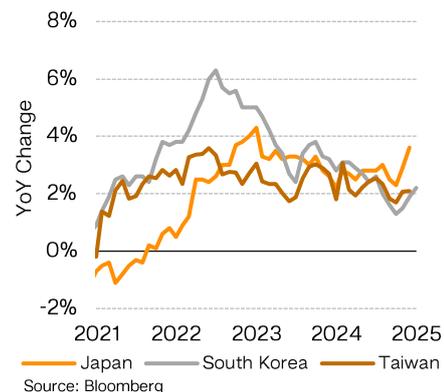
Japan's inflation accelerated, while inflation in South Korea and Taiwan stayed stable. Japan's headline and core inflation (excluding fresh food) surged further to 3.6% YoY and 3.0% in December 2024, up from 2.9% and 2.7% in November, respectively. Its core-core CPI inflation (excluding fresh food & energy) stayed unchanged at 2.4% YoY in December, reflecting that underlying inflationary pressure was still in check. South Korea's headline and core inflation remained stable at 2.2% YoY and 1.9% in January 2025, up from 1.9% and 1.8% in December 2024, respectively. Taiwan's headline and core inflation rates were unchanged at 2.1% YoY and 1.7% in December 2024, respectively.

ASEAN's inflation was mixed. Indonesia's headline inflation decelerated from 1.6% YoY in December 2024 to 0.8% in January 2025, due to the implementation of electricity discounts. Indonesia's underlying inflation remained steady, with its core inflation at 2.4% YoY in January 2025, up from 2.3% the previous month. Thailand's headline inflation increased to 1.2% YoY in December from 1.0% in November, with core inflation remaining steady at 0.8%. Singapore's inflation stayed at 1.6% YoY in December, while its core inflation moderated to 1.8%. Malaysia's headline and core inflation slowed slightly to 1.7% YoY and 1.6% in December. The Philippines' headline inflation stayed at 2.9% YoY in January 2025, while its core inflation eased to 2.6%. Meanwhile, both Vietnam's headline and core inflation edged up to 2.9% YoY in December.

Economic Growth of Emerging Asian Economies



CPI of Advanced Asian Economies



CPI of ASEAN Economies



The BoJ raised rates, while Bank Indonesia unexpectedly eased
The Bank of Japan (BoJ) raised rates in January, while Bank Indonesia cut rates.

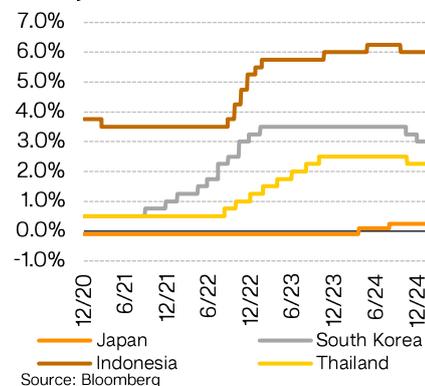
In January 2025, the BoJ raised its policy rate by 25 basis points (bps) to 0.5%, the highest since 2008. The BoJ also revised up its core inflation forecast for fiscal 2025 from 2.0% to 2.5%, signalling growing confidence in durably reaching the inflation target. In particular, recent wage growth trends are providing tailwinds for inflation. Futures market pricing showed that the BoJ is poised to hike rates in the next 12 months. By contrast, Bank Indonesia reduced its policy rate by 25 bps to 5.75% in January and stated that there is scope for further monetary easing to support economic growth. Meanwhile, central banks in Malaysia and South Korea held their policy rates unchanged in January.

Asian currencies stabilised after months of depreciation
Most Asian currencies posted modest gains against the US dollar in January 2025.

The US dollar exchange rate was in a range-bound in January, as various factors, including inflation, growth outlook, trade policy uncertainty, central banks' decisions as well as global AI developments, induced significant influences on market sentiment. Specifically, the BoJ's rate hike provided support to the Japanese yen, which gained 1.3% against the US dollar in January, while other Asian currencies such as the Korean won, Singapore dollar, and Malaysian ringgit experienced modest gains of 1.2%, 0.7% and 0.3%, respectively.

Asian equity markets recorded mixed performance in January 2025.

South Korea's equity market rebounded by 4.9% in January, as global investors began to increase allocation following two months of consolidation. Taiwan's market extended moderate gains of 2.1% in January. Meanwhile, Japan's market ended the month with a small decline of 0.8% in January, and several ASEAN markets, including those in Malaysia, Thailand and the Philippines, suffered larger declines ranging from 5.2% to 10.2%, reflecting growing concerns over the unfolding global trade tensions.

Policy Rates in Asian Economies

Exchange Rate of Asian Currencies against USD


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