

*Market Monitor – Asia***US tariff measures dampened Asian growth prospects**

- Escalating US tariff measures heightened global recession risks, with notable downward pressures on Asian economies.
- The Bank of Japan held its policy rate unchanged in March, citing US trade policy uncertainties as key policy considerations.
- Indonesia's stocks temporarily suspended trading in March.

**Latest US tariff measures dampened Asian growth prospects**

**A sweeping US tariff plan announced in early April clouded growth prospects for Asia.** On 2<sup>nd</sup> April, the US announced significant tariff hikes on all its trading partners. Singapore will be the least hit, facing a baseline rate of 10%, effective on 5<sup>th</sup> April. However, a number of key Asian economies will be levied with significant higher reciprocal tariffs, effective on 9<sup>th</sup> April, including Japan (24%), South Korea (26%), Taiwan (32%), Indonesia (32%), Thailand (37%), the Philippines (18%), Malaysia (24%), and Vietnam (46%). Overall, Asia appears to be among the regions hit hardest by the US tariff plan, especially when compared to the European Union (20%) and most South American economies (10%). Rising US tariff measures are not only damaging export performance by imposing additional headwinds on already slowing external trade but are also creating disruptions to global supply chains. This could lead to a persistent contraction in global trade, contributing to rising risks of a global recession.

**The prospects of resolving the trade conflicts remain highly uncertain.** In response to the new tariffs, media outlets reported that almost 70 economies have reached out to the US government to request trade talks. Specifically in Asia, Japan, South Korea, Taiwan and ASEAN economies appear inclined to seek a solution through negotiation. In the meantime, Asian economies are expected to work more closely to enhance regional trades and explore trade opportunities outside the US so as to mitigate the negative impacts from the US tariffs.

## Economic Research

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**Earthquakes brought sudden shocks to Myanmar and Thailand.** In late March, a massive earthquake struck Myanmar and parts of Thailand. Safety concerns over potential aftershocks and high-rise buildings would affect tourism, real estate, and banking sectors in Thailand. That said, potential economic stimulus by the Thai government and reconstruction efforts should cushion the economy from these one-off shocks.

**Asian manufacturing activity showed signs of weakening prior to the US tariff plan.** In March, the manufacturing purchasing managers' indices (PMI) for Japan, South Korea and Taiwan all declined and recorded shrinking activity. Japan's manufacturing PMI fell to a one-year low of 48.4 in March, down from 49.0 in February. South Korea's PMI declined from 49.9 in February to 49.1 in March. Taiwan's manufacturing PMI dipped into contractionary territory of 49.8 in March, ending an 11-month expansion. Meanwhile, the broader ASEAN manufacturing PMI remained in expansion but decelerated slightly from 51.5 in February to 50.8 in March.

### Apart from Japan, inflation across Asia was largely benign

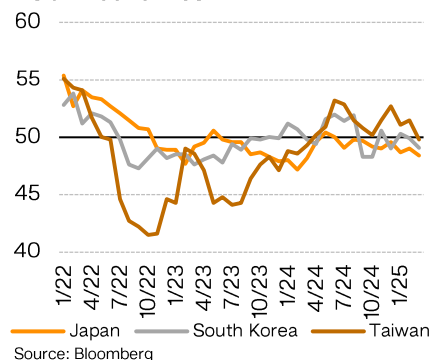
**Japan continued to experience relatively high inflation.** Japan's headline inflation remained elevated at 3.7% year-on-year (YoY) in February, down from 4.0% in January. Its core-core inflation (excluding fresh food & energy) increased to 2.6% YoY in February, reaching an 11-month high amid strong wage growth. In contrast, South Korea's and Taiwan's latest CPI inflation were modest, coming in slightly above 2% YoY, while inflation across ASEAN generally showed signs of moderation in February.

**Major Asian central banks held their policy rates unchanged in March.** The Bank of Japan (BoJ) kept its policy rate at 0.5% in March, noting moderate improvements in the domestic economy, rising underlying inflation and stronger-than-expected wage negotiations. However, the BoJ also underscored the risks associated with uncertainties in US trade policy under the Trump administration. Similarly, central banks in Indonesia, Malaysia and Taiwan emphasised downside risks faced by their economies and decided to hold rates steady.

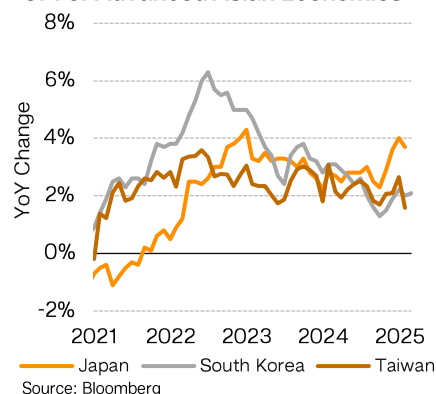
### Indonesia's stocks were temporarily suspended from trading in March

**Indonesia's financial market has undergone significant volatility and was once halted in March.** During the month, risk-off sentiment emerged rapidly following a series of events: calls by President Prabowo Subianto for expansionary fiscal policy that could push the deficit-to-GDP ratio near the 3% legal limit; rumours regarding the potential resignation of Finance minister (Sri Mulyani) known for her sound fiscal discipline; and growing market concerns over the impacts of escalating US tariff measures on Indonesia's exports. These factors drove a significant decline in Indonesia's stock market in mid-March, which even led to a temporary trading suspension. The Indonesian rupiah also depreciated close to its lowest level since the Asian Financial Crisis. The currency eventually stabilised towards the end of March, following an intervention by Bank Indonesia.

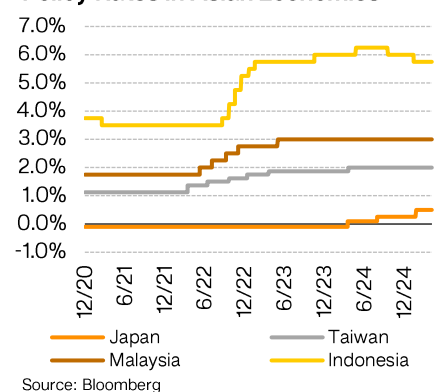
**Manufacturing PMI of Advanced Asian Economies**



**CPI of Advanced Asian Economies**



**Policy Rates in Asian Economies**



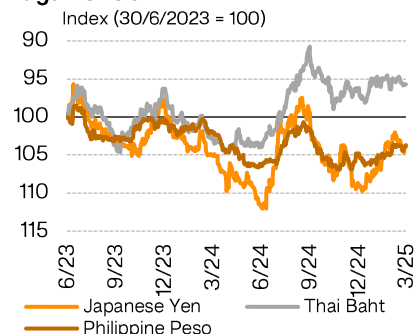
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**Most Asian currencies appreciated against the US dollar in March.** Concerns over the US economic outlook, along with rising easing expectations by the Fed, induced a weakening dollar, providing some upward momentum for Asian currencies such as the Japanese yen, the Philippine peso and the Thai baht, which all appreciated against the US dollar by a range of 0.4% to 1.3% in March.

**Asian stock markets were mixed in March.** Notably, Thailand, Japan and Taiwan's equity markets recorded declines of 3.8%, 4.1% and 10.2% in March, respectively, likely reflecting investor concerns over potential impacts of escalating US tariffs. On the other hand, Singapore's and the Philippines' stock markets posted gains of 2.0% and 3.0%, respectively, in March.

### Exchange Rate of Asian Currencies against USD



Source: Bloomberg, data as of 31/3/2025

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