



Economic Letter from Asia

A HAVER ANALYTICS® publication

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Written by [Tian Yong Woon](#)

Year in Review

In this week's letter, we look back at and review some of the key trends that have shaped the outlook for Asia this year. While growth picked up in several parts of the region earlier in the year, signs of a slowdown have emerged as we head toward year-end (Chart 1). Disinflationary trends have continued in many economies, welcome news for central banks across the region. However, the growth and inflation landscape remains uneven. Economies like Japan and India have experienced slower growth, while others such as Singapore, Taiwan, Malaysia, and Vietnam have seen improvements, in part driven by strong demand for electronics and semiconductors (Chart 2).

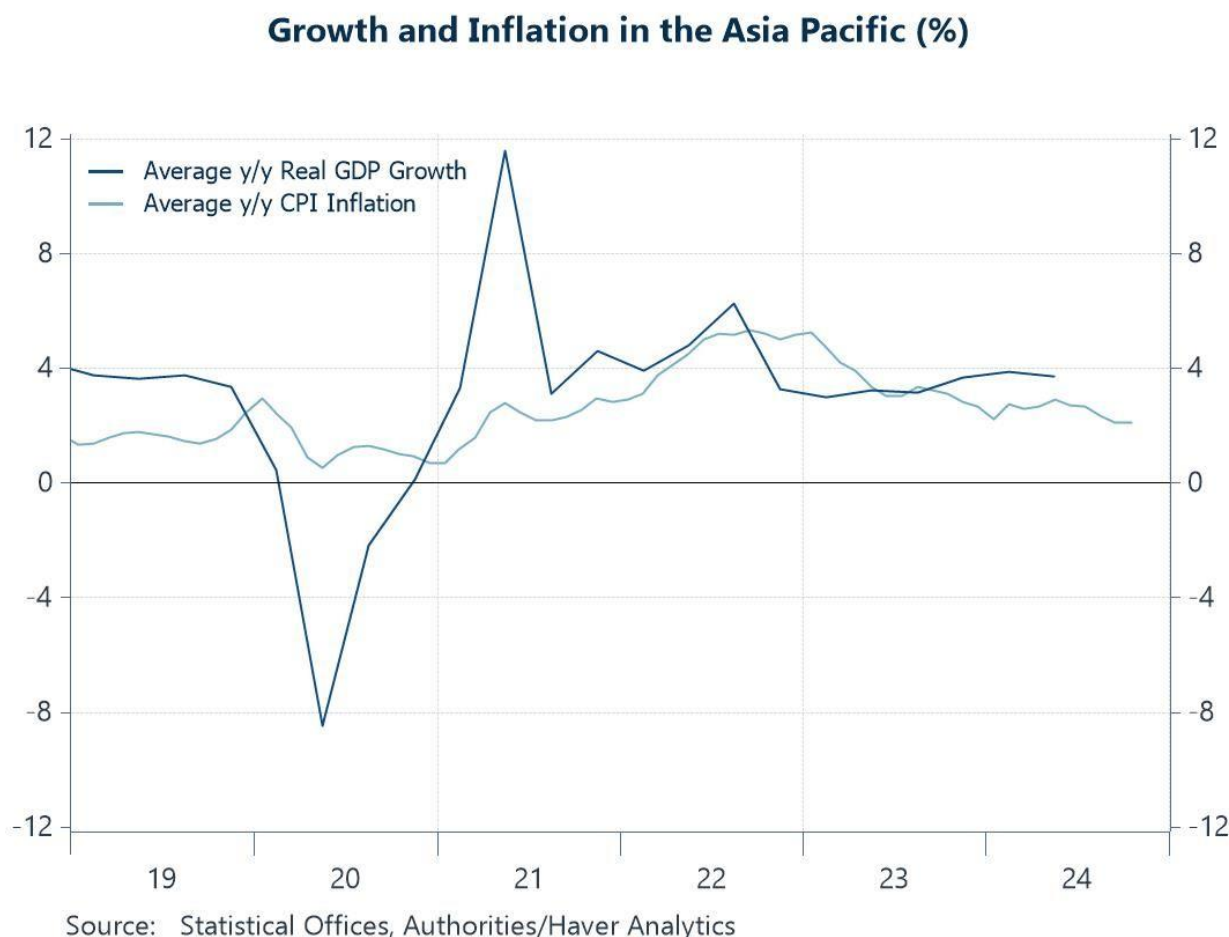
On monetary policy, the anticipated regional alignment with the Fed's easing cycle has not fully materialized. Instead, many central banks in Asia have opted to keep policy rates higher for longer, thanks to the influence of various domestic factors (Chart 3). Touching on semiconductors, key players like Taiwan and South Korea have reaped significant benefits from the AI-driven surge in demand, while China's pre-emptive purchases of semiconductor equipment have finally started to taper off (Chart 4). Turning to financial markets, Asian equities largely tracked their US counterparts through early October. However, market expectations were disappointed by China's underwhelming stimulus plans, triggering sell-offs across regional markets, while US equities maintained a broader upward trend (Chart 5).

Lastly, in the political arena, both India and Japan saw their incumbent governments retain power, although with notable losses in parliamentary seats, raising some concerns over future economic policy direction (Chart 6). And as we head into December, uncertainty remains—particularly following President-elect Trump’s recent victory in November. We will continue to explore these developments and their potential impact for 2025 in next week’s publication.

Growth and inflation

Asia-Pacific economies had plenty to celebrate this year, as growth strengthened on average while inflation remained well-behaved in many economies. As shown in Chart 1, GDP growth rates rose from the lows of 2023, averaging just under 4% y/y in both Q1 and Q2. That said, while growth momentum persisted in some economies during Q3, it slowed further in many others. Meanwhile, the region experienced further disinflation, with average CPI inflation falling from a peak of 2.9% y/y in May to just 2% in October—a level at which many central banks would likely feel comfortable. However, a deeper dive into economy-specific nuances reveals disparities in the relationship between growth and inflation across the region's economies—an issue we will explore in the next section.

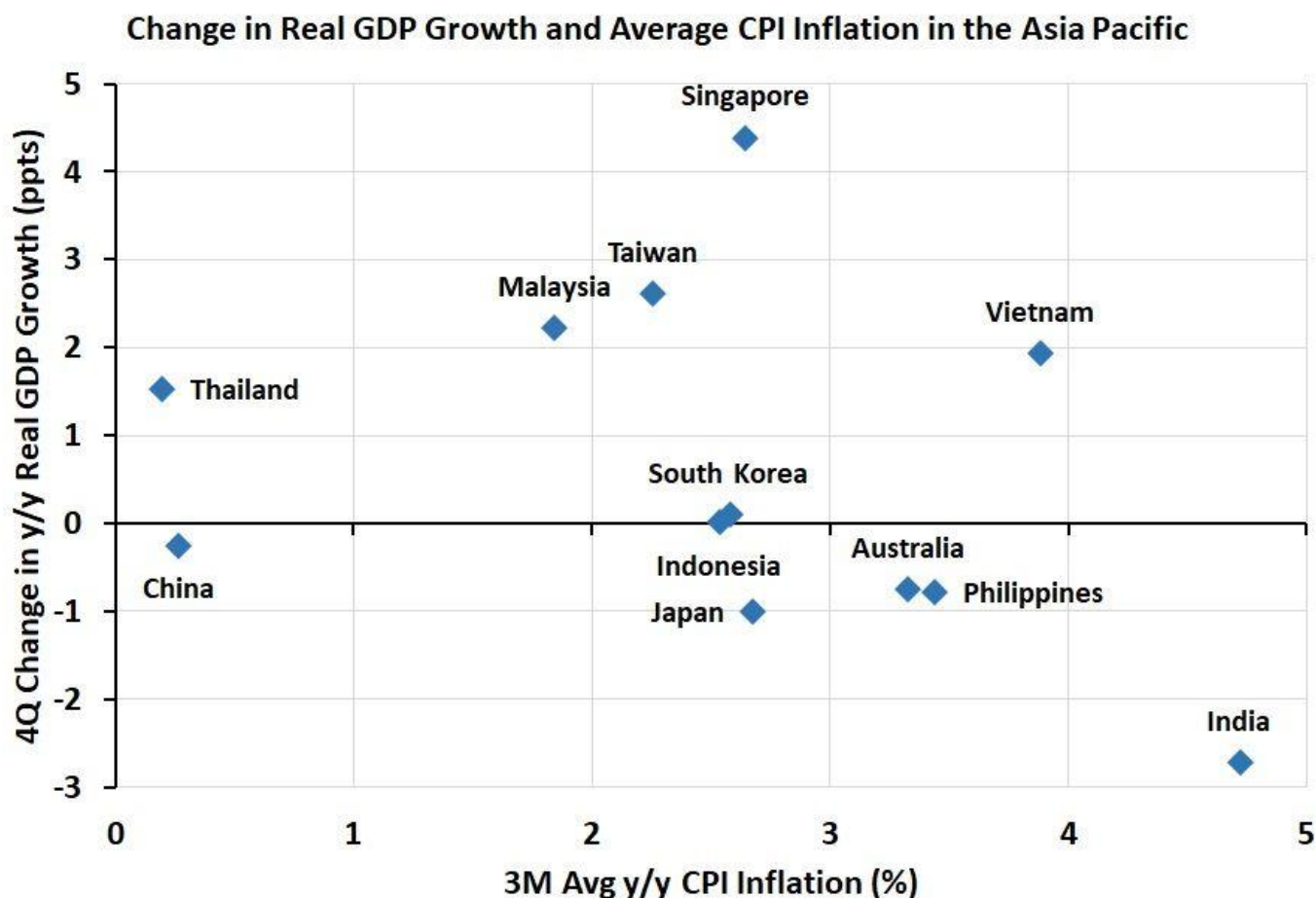
Chart 1: Growth and inflation in the Asia Pacific



A closer look at economy-specific developments, as shown in Chart 2, reveals a divergent picture of growth and inflation across Asia-Pacific economies. Starting with growth, economies like Singapore, Taiwan, Malaysia, and Vietnam have seen their growth momentum strengthen in recent quarters. In contrast, economies such as India and Japan have experienced a slowdown in real GDP growth. Singapore’s growth exceeded expectations in Q3, driven by strong demand for electronics and

semiconductor-related products—a trend also observed in Taiwan, Malaysia, and Vietnam. As for the slower-growing economies, not all is bleak. India’s Q3 slowdown may have been partly influenced by its ongoing elections. However, Japan continues to face challenges in generating growth drivers. On inflation, the picture is similarly nuanced across the region. While economies like China and Thailand are experiencing relatively low inflation, others, including India and Vietnam, are still grappling with relatively high consumer price increases.

Chart 2: Change in real GDP growth and average CPI inflation in the Asia Pacific



Source: Statistical Offices, Authorities, Haver Analytics

Monetary Policy

Turning to monetary policy, we have yet to see a widespread shift toward monetary easing in Asia-Pacific economies, despite the Fed beginning its own easing cycle. As a result, the region's average policy rate has only declined slightly, in contrast to the Fed's more significant rate cuts (Chart 3). This runs counter to expectations heading into the year, when many economists anticipated rate cuts in Asia in tandem with the Fed. However, country-specific factors—such as high household debt, rapid property price inflation, and sticky inflation—have led to a "tighter-for-longer" stance rather than rate cuts. Nonetheless, rate cuts have already been implemented in Indonesia, the Philippines, New Zealand, South Korea, and Thailand. Looking ahead, as discussed in our previous publications, Asian central banks may have less scope to ease, especially since the US Fed may not need to cut rates as aggressively as once expected, due to the reflationary impact from some of Trump's proposed fiscal measures.

Chart 3: Policy rates in the Asia Pacific

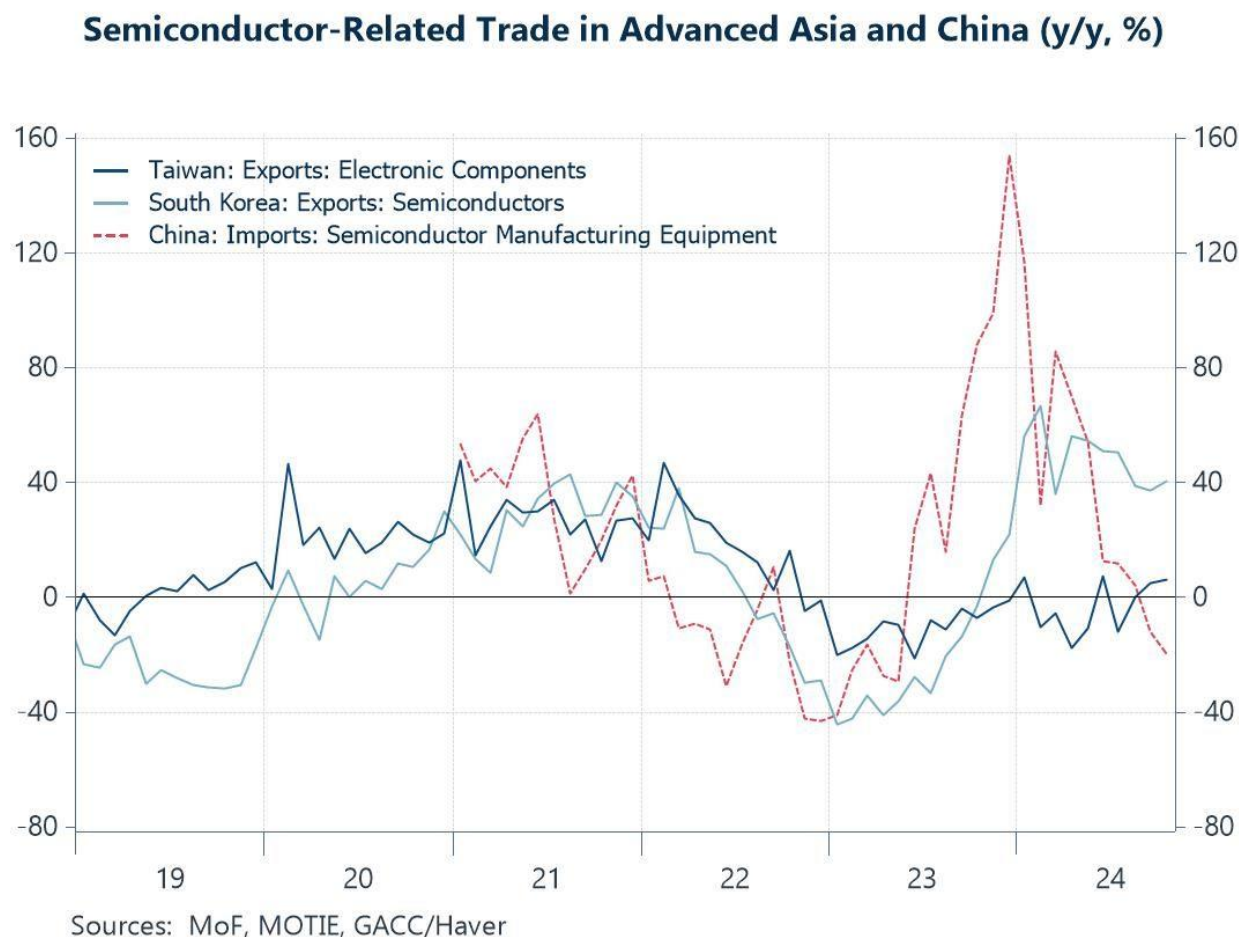


Source: BOJ, RBNZ, RBA, BI, SBV, BoT, CBC, BSP, BNM, BoK, RBI, PBoC, FRB/Haver Analytics

Semiconductors and AI

Next, we take a closer look at the substantial dividends reaped by certain Asian economies from the AI-driven semiconductor boom. Taiwan and South Korea are among the biggest beneficiaries of this year's surge in AI demand, as both are key players in the semiconductor industry. South Korea, for instance, continues to see export growth in semiconductors in the high double digits, though the pace has slowed recently (Chart 4). In contrast, Taiwan has experienced a pickup in growth in recent months. On the import side, China's growth in semiconductor manufacturing equipment imports peaked at 153% y/y in December 2023. This surge was likely driven by concerns over US semiconductor-related controls at that time. However, import growth has slowed considerably this year, and even entered contractionary territory in September.

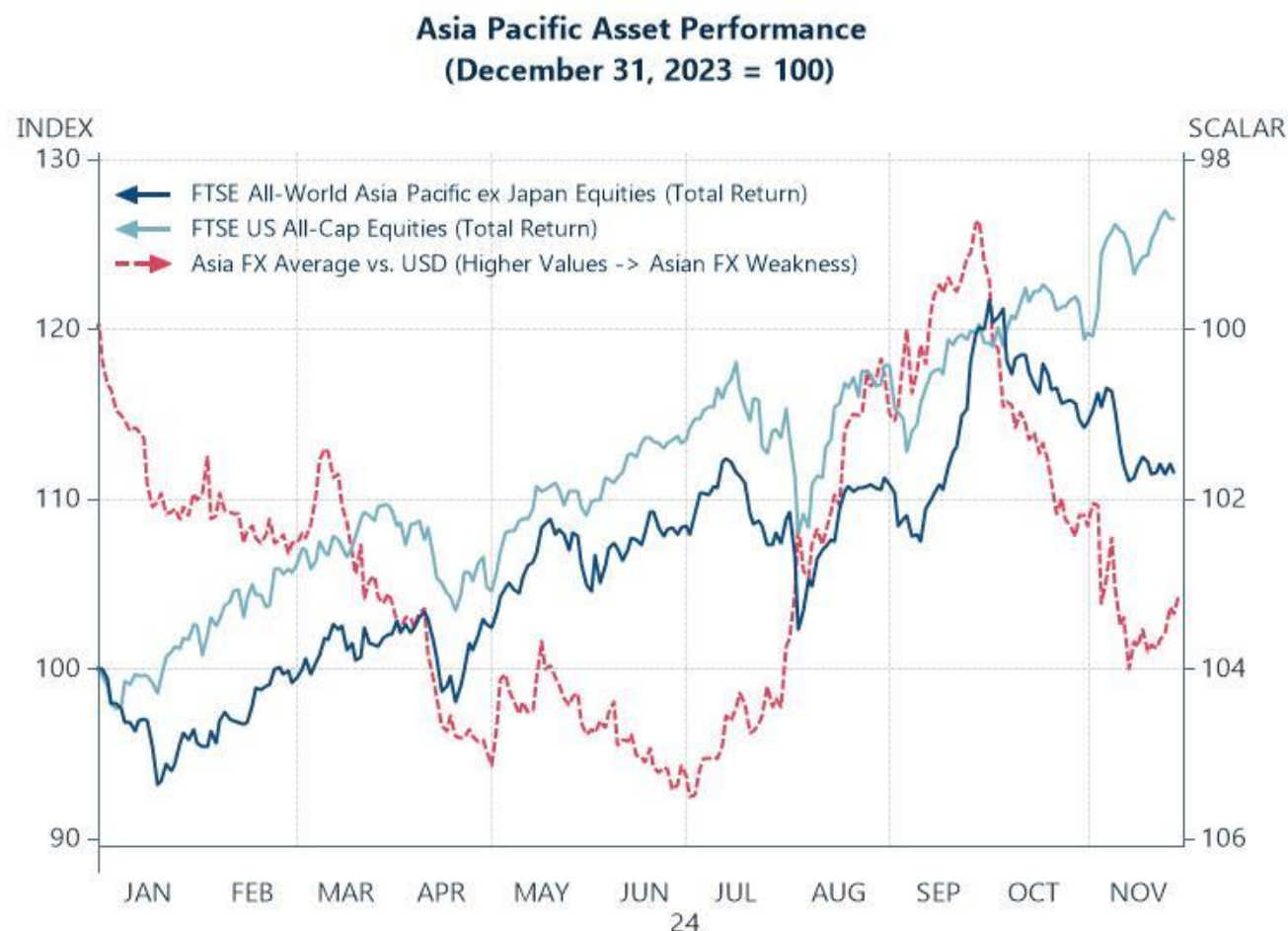
Chart 4: Semiconductor-related trade in advanced Asia and China



Financial markets

Turning to financial market developments, Chart 5 shows that while regional equities posted solid total returns earlier this year, their performance was disrupted in October. This downturn was partly driven by Chinese equities, which suffered significant declines after market expectations for stimulus from Chinese authorities fell short. Meanwhile, US equities continued to perform strongly, taking a substantial lead over their Asian counterparts. On the currency front, Asia-Pacific currencies have had a volatile ride against the US dollar. On average, however, they have experienced net depreciation, with the Malaysian ringgit being the only exception, posting a clear net appreciation so far this year. Recent drivers of dollar strength, and thus Asian currency weakness, include expectations of a higher Fed terminal rate in its current easing cycle.

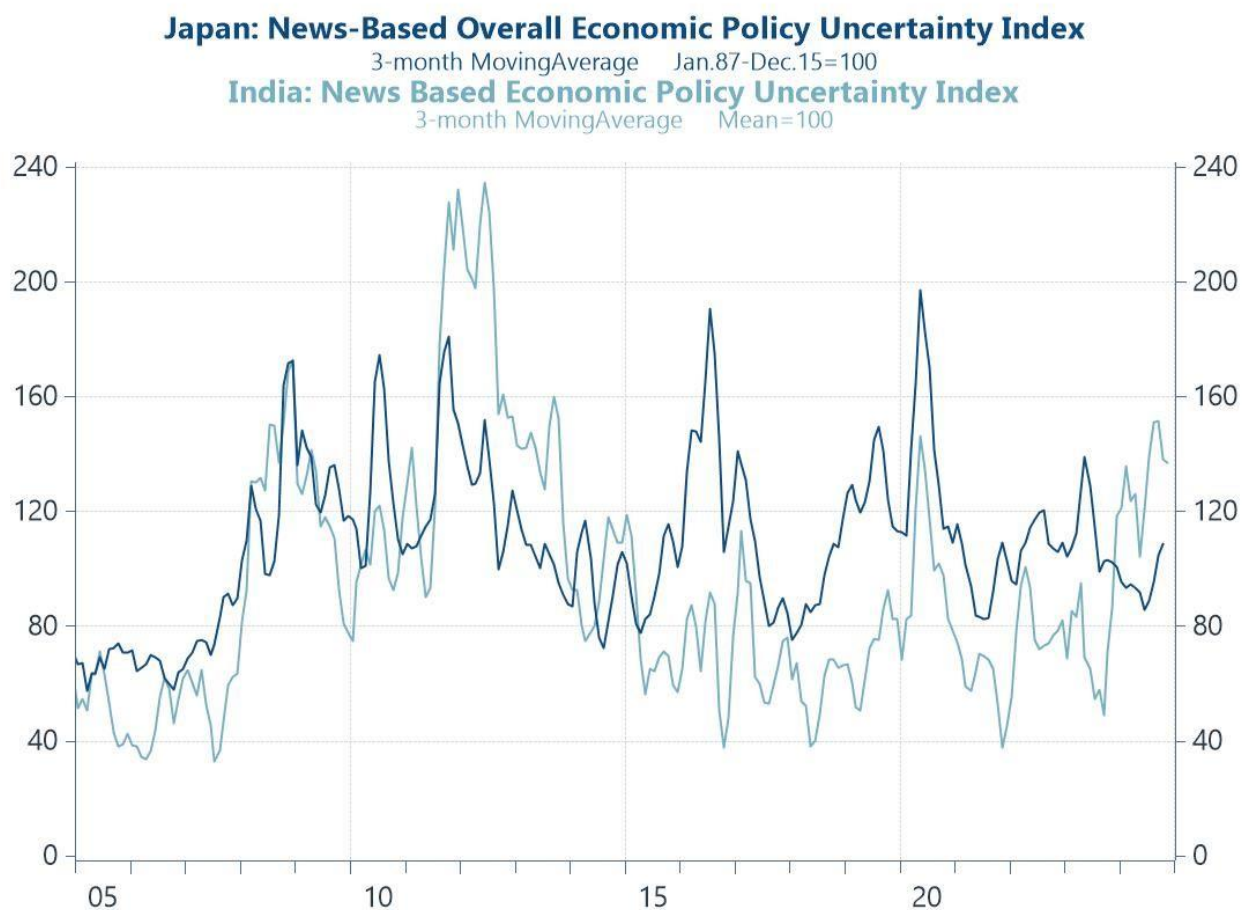
Chart 5: Asset performance in the Asia Pacific



Political developments

Lastly, we review the key political developments in Asia this year, of which there were many. First, India held its general elections in the first half of the year, where Prime Minister Modi retained his position. However, his party, the BJP, lost its parliamentary majority, leading to a sense of policy uncertainty (Chart 6). A similar situation unfolded in Japan, where Prime Minister Ishiba's party, the LDP, also lost its parliamentary majority in the October elections. Elsewhere, Indonesia held its general elections, and new President Prabowo was sworn in earlier in October, with observers closely watching his ambitious spending plans. In Thailand, a leadership change occurred when former Prime Minister Srettha was removed from office for constitutional violations. Despite this, key policy initiatives, such as the massive digital wallet scheme, continued under the leadership of current Prime Minister Paetongtarn.

Chart 6: Economic policy uncertainty in India and Japan



Source: PolicyUncertainty.com/Haver Analytics

About the author



Haver Analytics is pleased to bring [Tian Yong Woon's](#) commentaries on the state of the global economy to its clients.

Tian Yong joined Haver Analytics as an Economist in 2023. Previously, Tian Yong worked as an Economist with Deutsche Bank, covering Emerging Asian economies while also writing on thematic issues within the broader Asia region. Prior to his work with Deutsche Bank, he worked as an Economic Analyst with the International Monetary Fund, where he contributed to Article IV consultations with Singapore and Malaysia, and to the regular surveillance of financial stability issues in the Asia Pacific region. Tian Yong holds a Master of Science in Quantitative Finance from the Singapore Management University, and a Bachelor of Science in Banking and Finance from the University of London.

Data featured in this commentary:

Chart 1: Growth and Inflation in the Asia Pacific (%)

Series 1: (((((((((((((yryr%(N196NGPC@G10) + yryr%(N193NGPC@G10)) + yryr%(N578NGPC@EMERGEPR

N196NGPC@G10 [New Zealand: Gross Domestic Product (NSA, Mil.Chn.Q2:09-Q1:10.NZ\$)]

N193NGPC@G10 [Australia: Gross Domestic Product (NSA, Mil.Chn.FY 2022.A\$)]

N578NGPC@EMERGEPR [Thailand: Gross Domestic Product (NSA, Mil.Ch.02.Baht)]

N158NGPC@G10 [Japan: Gross Domestic Product (NSA, Bil.Chn.2015.Yen)]

N582NGPC@EMERGEPR [Vietnam: Real Gross Domestic Product (NSA, Bil.2010.VND)]

N528NGPC@EMERGEPR [Taiwan: Gross Domestic Product (NSA, Mil.Chn.2021.NT\$)]

N576NGPC@EMERGEPR [Singapore: Gross Domestic

Series 2: (((((((((((((yryr%(N158PC@G10) + yryr%(M193PC@G10)) + yryr%(N582PC@EMERGEPR)) + yr

N158PC@G10 [Japan: Consumer Price Index (NSA, 2020=100)]

M193PC@G10 [Australia: Consumer Price Index (NSA, Sep-17=100)]

N582PC@EMERGEPR [Vietnam: Consumer Price Index (NSA, 2019=100)]

N578PC@EMERGEPR [Thailand: CPI: All Commodities (NSA, 2019=100)]

N528PC@EMERGEPR [Taiwan: CPI: All Items (NSA, 2021=100)]

N576PC@EMERGEPR [Singapore: CPI: All Items (NSA, 2019=100)]

N566PC@EMERGEPR [Philippines: CPI: All Items (NSA, 2018=100)]

N548PC@EMERGEPR [Malaysia: CPI: All Groups (NSA, 2010=100)]

N542PC

Chart 2: Change in Real GDP Growth and Average CPI Inflation in the Asia Pacific

Series 1: N924FING@EMERGEPR

N924FING@EMERGEPR [China: Local Gov Bond Issuances: New General Bonds (NSA, 100 Mil.Yuan)]

Series 2: N924FINS@EMERGEPR

N924FINS@EMERGEPR [China: Local Gov Bond Issuances: New Special Bonds (NSA, 100 Mil.Yuan)]

Series 3: N924FIWG@EMERGEPR

N924FIWG@EMERGEPR [China: Local Gov Bond Issuances: Refinancing General Bonds (NSA, 100 Mil.Yuan)]

Series 4: N924FIWS@EMERGEPR

N924FIWS@EMERGEPR [China: Local Gov Bond Issuances: Refinancing Special Bonds (NSA, 100 Mil.Yuan)]

Chart 3: Policy Rates in the Asia Pacific

Series 1: (((((((((((((JPNRTARE@JAPAN + NZNROCR@ANZ) + AUEROOCR@ANZ) + N536RTAR@EMERGEPR) +

JPNRTARE@JAPAN [Japan: Monetary Policy Rate [Spliced Series] (EOP, % p.a.)]

NZNROCR@ANZ [New Zealand: Official Cash Rate (EOP, %)]

AUEROOCR@ANZ [Australia: Official Cash Rate (EOP, %)]

N536RTAR@EMERGEPR [Indonesia: 7 Day Reverse Repo Rate (EOP, %)]

N582RD@EMERGEPR [Vietnam: Discount Rate (% EOP)]

N578RTAR@EMERGEPR [Thailand: One-Day Repurchase Rate (% EOP)]

N528RD@EMERGEPR [Taiwan: Central Bank of China Rediscount Rate (EOP, % per annum)]

N566RV@EMERGEPR [Philippines: Reverse Repo Rate: Ov

Series 2: FFEDTARE@USECON

FFEDTARE@USECON [Federal Open Market Committee: Fed Funds Target Rate (EOP, %)]

Chart 4: Semiconductor – Related Trade in Advanced Asia and China (y/y %)

Series 1: `yryr%(N528IXEC@EMERGEPR)`

N528IXEC@EMERGEPR [Taiwan: Exports: Electronic Components (NSA, Mil.USD)]

Series 2: `yryr%(N542IXSC@EMERGEPR)`

N542IXSC@EMERGEPR [South Korea: Exports: Semiconductors (NSA, Thous.US\$)]

Series 3: `yryr%(N924IN3P@EMERGEPR)`

N924IN3P@EMERGEPR [China: Imports: Semiconductor Manufacturing Equipment (NSA, Mil.USD)]

Chart 5: Asia Pacific Asset Performance

Series 1: `index(S500ACR@INTDAILY,20231231=100)`

S500ACR@INTDAILY [FTSE All-World Asia Pacific ex Japan Stock Price Index Total Return(Index)]

Series 2: `index(S111ACR@INTDAILY,20231231=100)`

S111ACR@INTDAILY [FTSE US All-Cap Stock Price Index Total Return(Index)]

Series 3: `(((((index(XUSJPSB@INTDAILY,20231231=100) + index(XUSTHSB@INTDAILY,20231231`

XUSJPSB@INTDAILY [JPY Per USD Spot Mid Exchange Rate at 7 AM ET (JPY/USD)]

XUSTHSB@INTDAILY [THB Per USD Spot Mid Exchange Rate at 7 AM ET (THB/USD)]

XUSTWSB@INTDAILY [TWD Per USD Spot Mid Exchange Rate at 7 AM ET (TWD/USD)]

XUSKRSB@INTDAILY [KRW Per USD Spot Mid Exchange Rate at 7 AM ET (KRW/USD)]

XUSMYSB@INTDAILY [MYR Per USD Spot Mid Exchange Rate at 7 AM ET (MYR/USD)]

XUSIDSB@INTDAILY [IDR Per USD Spot Mid Exchange Rate at 7 AM ET (IDR/USD)]

XUSVNSB@INTDAILY [VND Per USD Spot Mid Exchange

Chart 6: Economic policy uncertainty in India and Japan

Series 1: `movv(N158VIUC@ESG,3)`

N158VIUC@ESG [Japan: News-Based Overall Economic Policy Uncertainty Index (Jan.87-Dec.15=100)]

Series 2: `movv(N534VIUC@ESG,3)`

N534VIUC@ESG [India: News Based Economic Policy Uncertainty Index (Mean=100)]

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