

A photograph of two individuals, a man and a woman, standing in a courtyard in front of a traditional Chinese building. The man on the left is wearing a purple and gold patterned robe with a red skirt. The woman on the right is wearing a red and gold patterned robe with a red skirt. The building behind them has ornate wooden pillars and a tiled roof with decorative carvings. The scene is brightly lit, suggesting daytime.

3 February 2025

Economic Letter from Asia: A New (Lunar) Year

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Link to online article: <https://haverproducts.com/economic-letter-from-asia/>

Written by [Tian Yong Woon](#)

This week, we examine the actions taken by the new US administration in the context of Asia. US President Trump is now following through on policies he raised during his electoral campaign, imposing 25% tariffs on Canada and Mexico, and 10% tariffs on China—countries with which the US has the largest trade deficits (chart 1). These measures have already sparked retaliatory actions. As a result, investor concerns about global growth are starting to materialize. Many of our Blue Chip panelists, for instance, having already downgraded their growth forecasts for Asia due to the risks posed by these US actions (chart 2).

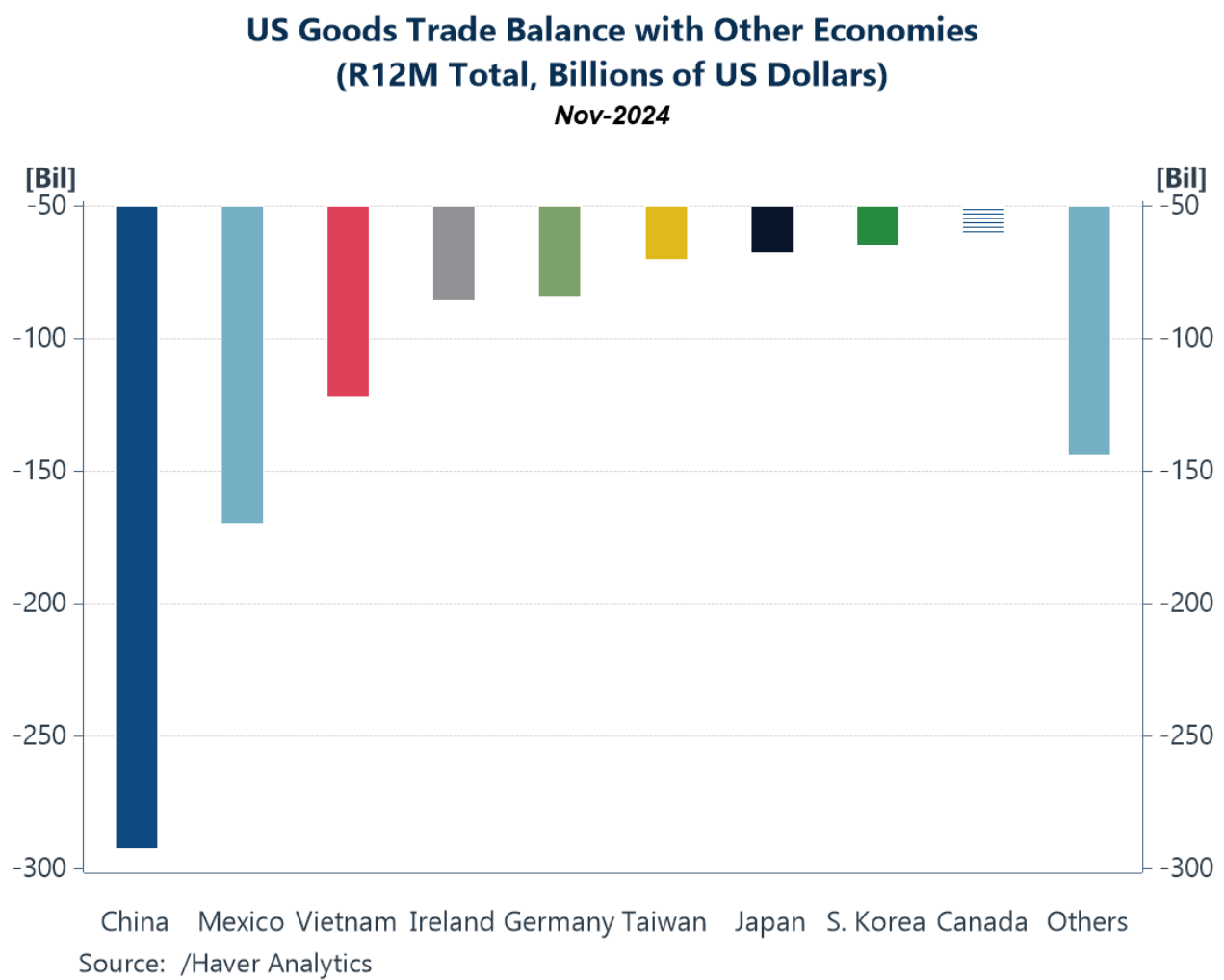
We also explore growing US-China competition in the AI sector, with recent steep market sell-offs (chart 3) following the revelations about China's DeepSeek AI model. A key factor driving China's AI ambitions is the availability of AI chips, which faced the possibility of tighter export controls ahead of Trump's return to office. This likely prompted China to stockpile supplies in anticipation (chart 4) and accelerated its pursuit of semiconductor self-sufficiency.

Finally, we turn to the Lunar New Year, the Year of the Wood Snake, and examine tourism trends both within China and outbound. Investors and officials alike are closely monitoring Chinese travel patterns—both domestic (chart 5) and international (chart 6)—as a key indicator of consumer health. However, country-specific developments, such as recent abduction scares in Thailand, are threatening to impact Chinese tourism receipts.

US trade actions so far

A trade war may have now begun. US President Donald Trump has followed through on his earlier threats, imposing tariffs on imports from Canada, Mexico, and China. Specifically, Trump announced a 25% tariff on Canadian and Mexican imports, and a 10% tariff on Chinese goods. In response, Canadian Prime Minister Trudeau has introduced retaliatory tariffs of 25% on US imports worth approximately \$105 billion. Meanwhile, Mexico and China have vowed to take countermeasures, with China filing proceedings with the World Trade Organization. One of Trump’s key justifications for these actions is to reduce the US’s substantial trade deficit, which is primarily driven by imports from these aforementioned countries, as shown in chart 1.

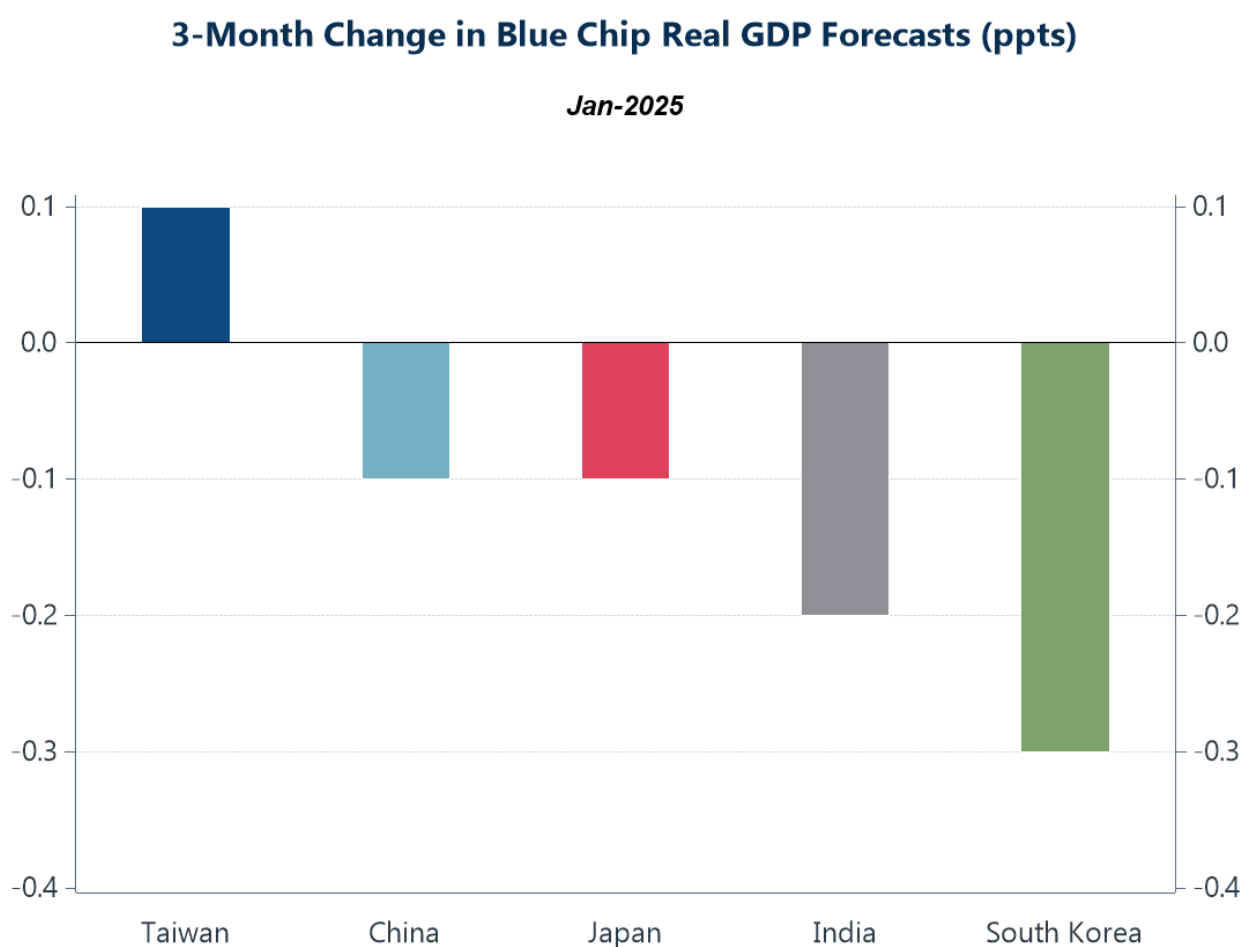
Chart 1: US goods trade balance with others



Given these early developments in Trump’s second presidential term, investor concerns appear to be materializing, as he begins implementing the tariffs he previously threatened. Fears of Trump eventually

following through with his tariff threats have led several Blue Chip survey panellists to revise their GDP forecasts downward. As a result, growth projections for several Asian economies in 2025 have been lowered, as shown in chart 2. That said, it remains uncertain whether Trump will fully pursue his tariff threats, which could have even greater growth-dampening effects if he does. For instance, Trump had previously proposed tariffs of up to 60% on imports from China but has so far only implemented a 10% rate. Additionally, he had discussed imposing 20% tariffs on all other foreign imports, but has yet to implement them. On the flip side, Trump’s initial actions could spark bilateral trade negotiations, potentially leading to the easing or removal of these tariffs over time.

Chart 2: 3-month change in Blue Chip real GDP forecasts



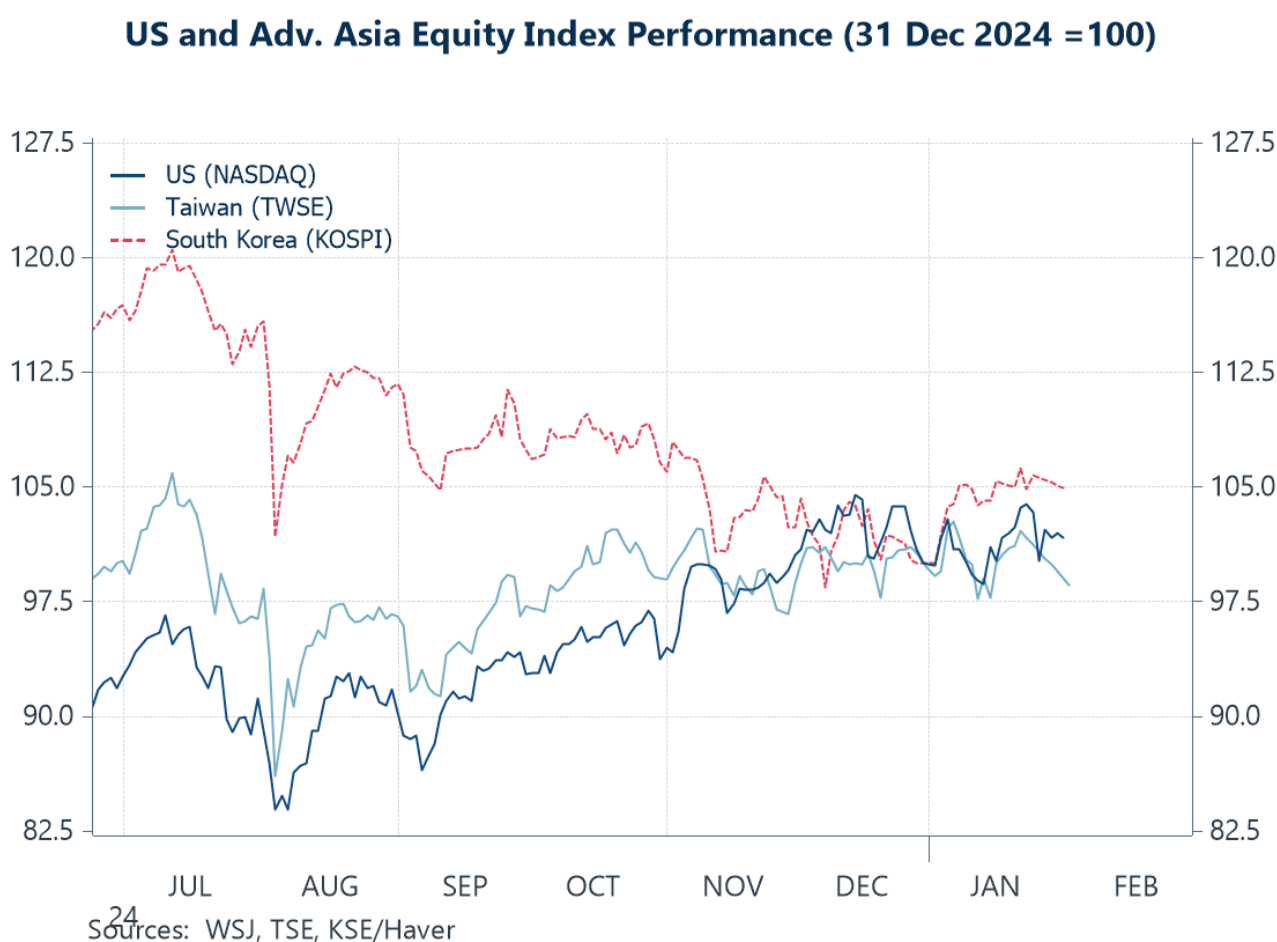
Source: Wolters Kluwer/Haver Analytics

AI chills and chips

The ongoing competition between the US and China has been underscored by recent market attention on China-based AI company DeepSeek. The company’s open-sourced R1 AI model is said to rival the performance of proprietary US models like OpenAI’s O1, its premium model, but at a fraction of the cost.

This revelation has led to a repricing in financial markets, with key AI stocks such as Nvidia and tech-heavy indices (chart 3) seeing sharp sell-offs as investors reassess the earnings potential of these companies. US President Trump called the DeepSeek development a “wake-up call” for US tech companies. However, the announcement has been met with scepticism from several US entities. OpenAI has accused DeepSeek of using methods like distillation—piggybacking on pre-trained models such as OpenAI’s—to achieve similar results. Meanwhile, the US Department of Commerce is investigating whether DeepSeek used restricted Nvidia chips to achieve its performance.

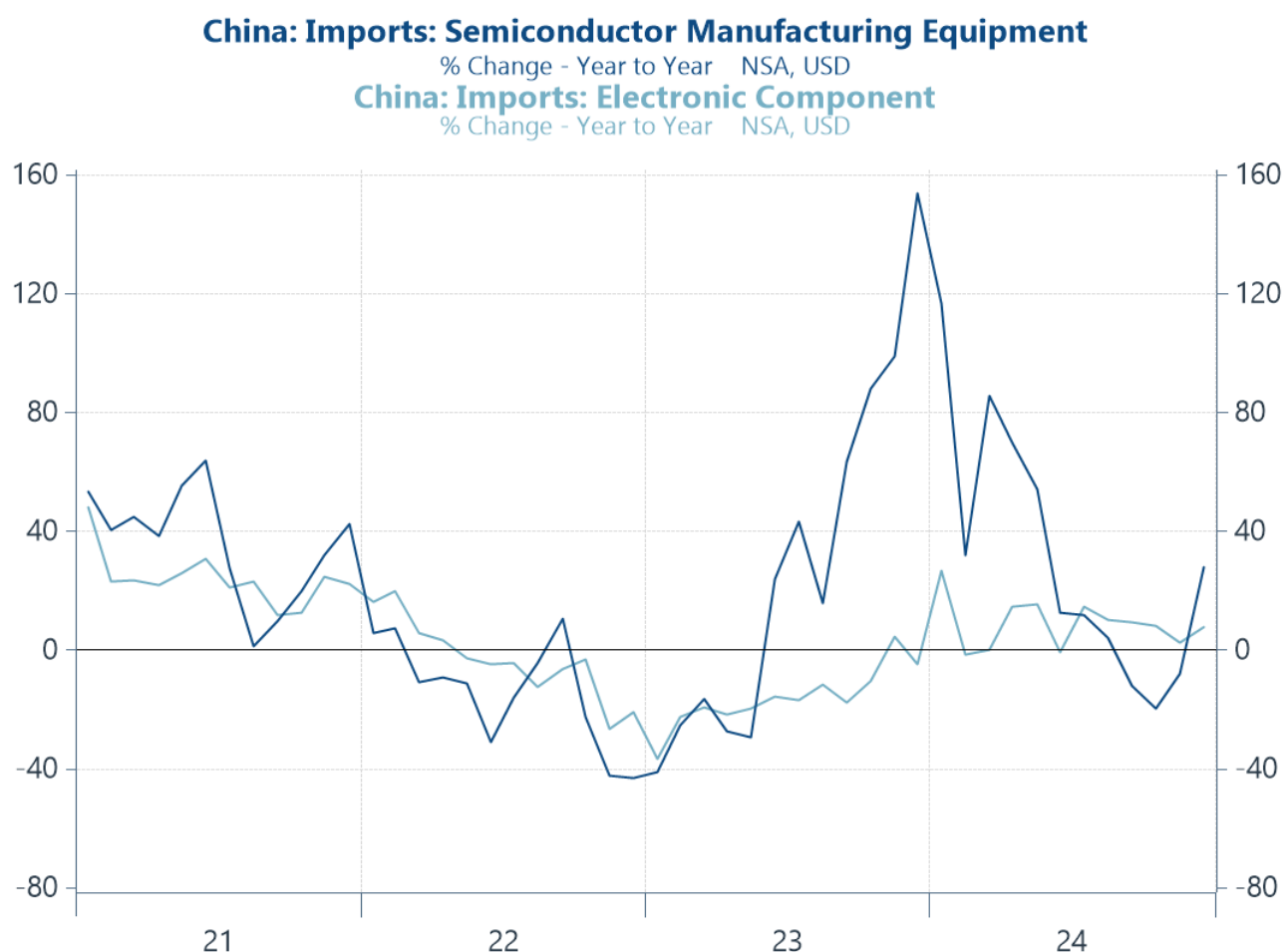
Chart 3: US and Advanced Asia equity index performance



However, looking more closely at the chip sector, official data shows that China has been stockpiling semiconductor-related products. This is likely in anticipation of Trump’s return to the US presidency and the trade measures that could follow, including potentially stricter export controls. As shown in chart 4, China’s imports of chip making equipment surged in December, just one month before Trump’s return to office, while semiconductor imports continued to show positive growth. More broadly, China may soon feel less pain from

export controls, as these tightening measures have ironically pushed the country toward semiconductor self-sufficiency. Efforts to quantify China's self-sufficiency have revealed significant advancements in recent years. With that said, China is still far from achieving full self-sufficiency.

Chart 4: China semiconductor imports



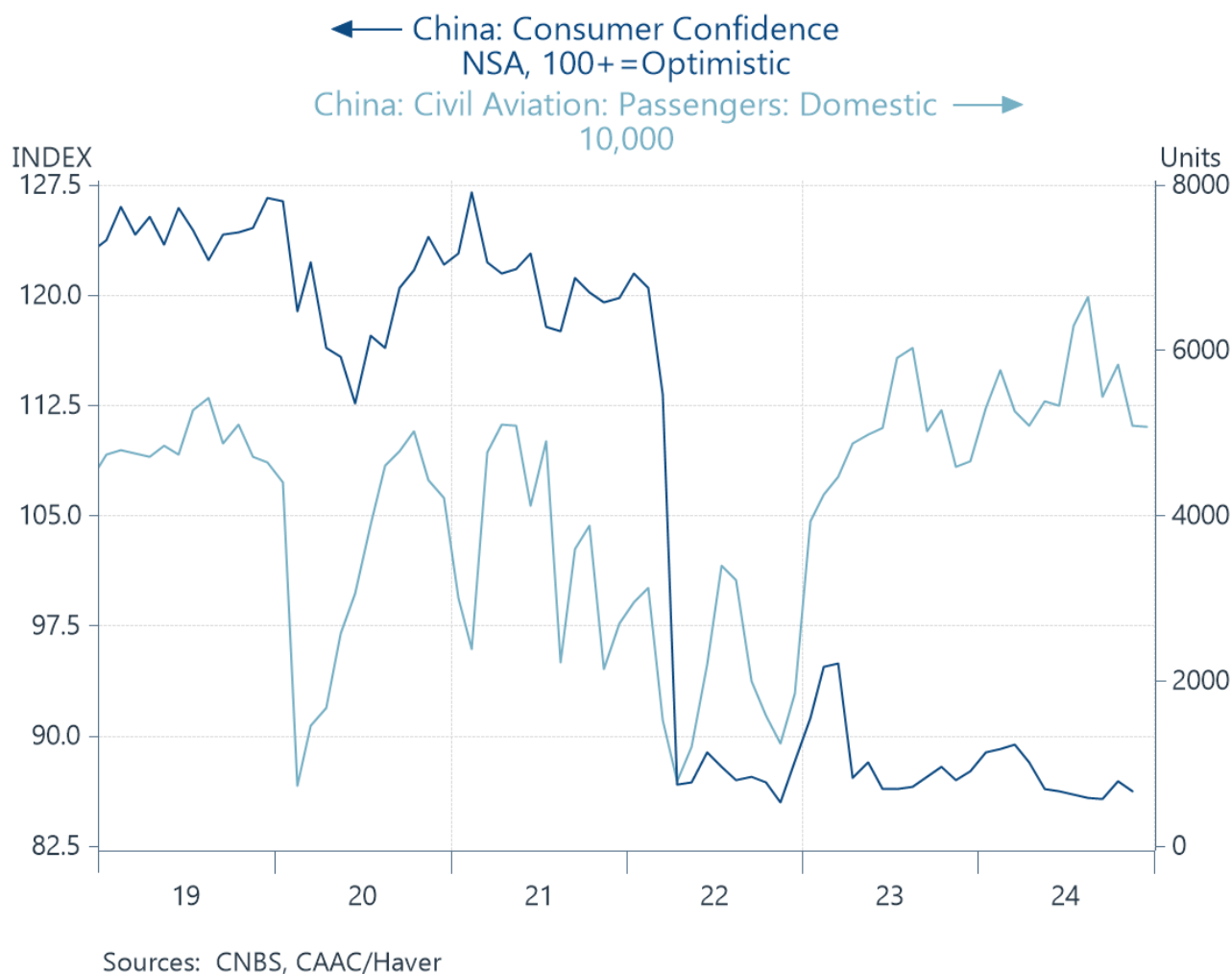
Source: General Administration of Customs, China/Haver Analytics

Post-Lunar New Year developments

Beyond US-related actions, investors are likely to closely monitor China's tourism performance during this year's Lunar New Year holidays. Travel and spending patterns are often viewed as a key indicator of consumer health in China. Despite this, China's consumer sentiment remains a concern for investors, with persistently

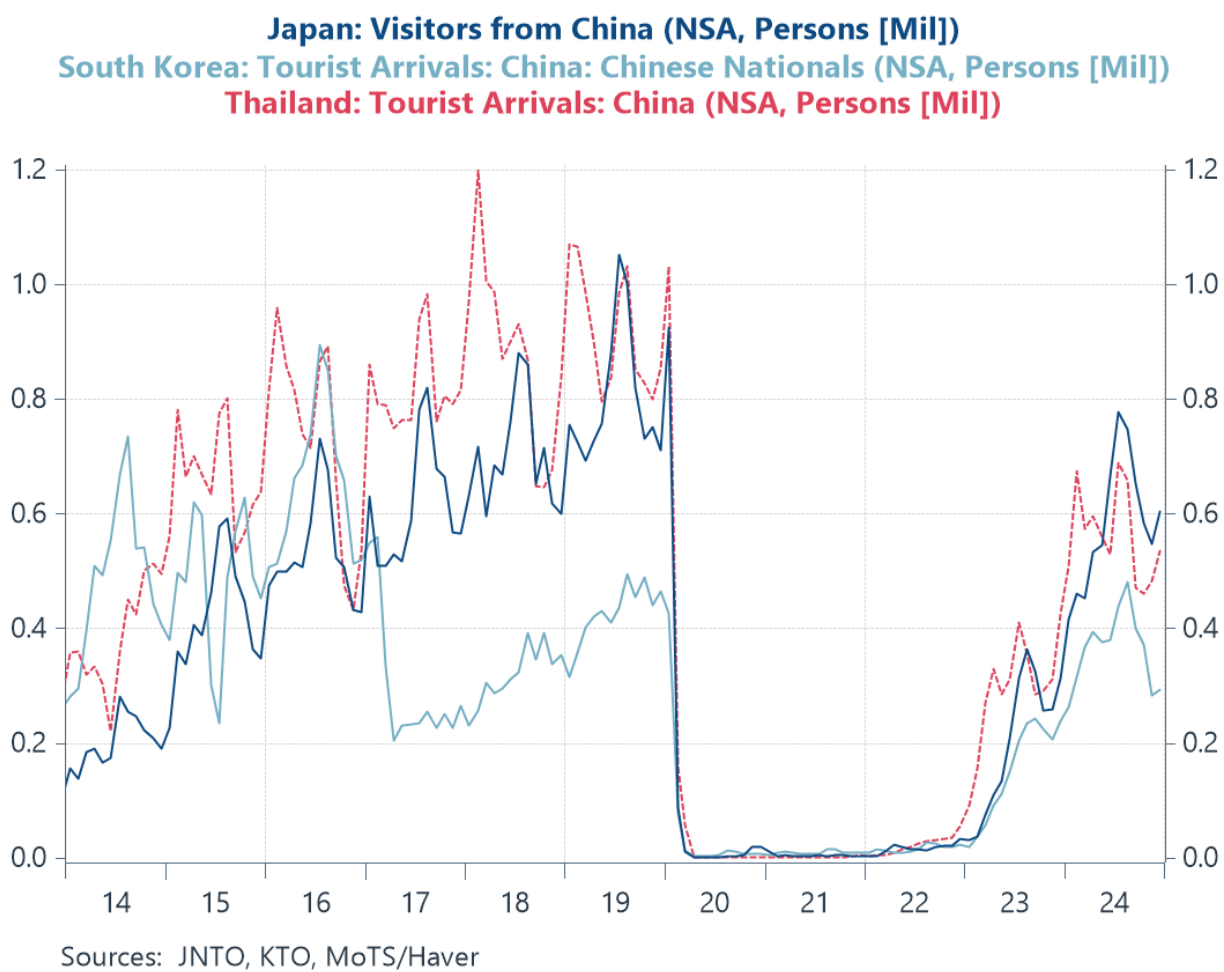
weak sentiment readings (chart 5) amid ongoing struggles in the property market. However, the outlook for domestic tourism seems optimistic, with Chinese officials projecting 9 billion domestic trips during the 40-day period this year, up from 8.4 billion last year.

Chart 5: China consumer confidence and domestic air travellers



The impact of Chinese tourist spending is often felt by neighbouring countries such as Japan, South Korea, and Thailand, with considerable anticipation surrounding outbound tourism (chart 6) during the festive season. However, in tourism-dependent destinations like Thailand, recent concerns among Chinese tourists—triggered by abduction scares—could dampen the expected influx of Chinese visitors. For context, in the lead-up to this Lunar New Year, a Chinese actor and two Chinese women were reported missing in Thailand, only to be found later in a border town known for illicit activities. This incident led to a wave of cancellations from Chinese tourists, who accounted for the majority of Thailand's visitors last year.

Chart 6: China outbound tourism



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: US goods trade balance with others

Series 1: `movt(TMBCMA@USECON,12)`

TMBCMA@USECON [Trade Balance: China (Mainland): Customs Value (NSA, Mil.\$)]

Series 2: `movt(TMBCME@USECON,12)`

TMBCME@USECON [Trade Balance: Mexico: Customs Value (NSA, Mil.\$)]

Series 3: `movt(TMBCVNM@USECON,12)`

TMBCVNM@USECON [Trade Balance: Vietnam: Customs Value (NSA, Mil.\$)]

Series 4: `movt(TMBCIRL@USECON,12)`

TMBCIRL@USECON [Trade Balance: Ireland: Customs Value (NSA, Mil.\$)]

Series 5: `movt(TMBCGE@USECON,12)`

TMBCGE@USECON [Trade Balance: Germany: Customs Value (NSA, Mil.\$)]

Series 6: `movt(TMBCCTW@USECON,12)`

TMBCCTW@USECON [Trade Balance: Taiwan: Customs Value (NSA, Mil.\$)]

Series 7: `movt(TMBCJP@USECON,12)`

TMBCJP@USECON [Trade Balance: Japan: Customs Value (NSA, Mil.\$)]

Series 8: `movt(TMBCKO@USECON,12)`

TMBCKO@USECON [Trade Balance: Republic of Korea: Customs Value (NSA, Mil.\$)]

Series 9: `movt(TMBCCAN@USECON,12)`

TMBCCAN@USECON [Trade Balance: Canada: Customs Value (NSA, Mil.\$)]

Series 10: `movt(((((((TMBCN@USECON - TMBCIRL@USECON) - TMBCVNM@USECON) - TMBCCTW@USECON) -`

TMBCN@USECON [Trade Balance, Customs Value (NSA, Mil.\$)]

TMBCIRL@USECON [Trade Balance: Ireland: Customs Value (NSA, Mil.\$)]

TMBCVNM@USECON [Trade Balance: Vietnam: Customs Value (NSA, Mil.\$)]

TMBCCTW@USECON [Trade Balance: Taiwan: Customs Value (NSA, Mil.\$)]

TMBCKO@USECON [Trade Balance: Republic of Korea: Customs Value (NSA, Mil.\$)]

TMBCJP@USECON [Trade Balance: Japan: Customs Value (NSA, Mil.\$)]

TMBCMA@USECON [Trade Balance: China (Mainland): Customs Value (NSA, Mil.\$)]

TMBCGE@USECON [T

Chart 2: 3-month change in Blue Chip real GDP forecasts

Series 1: diff(ATWD25@BLUECHIP,3)

ATWD25@BLUECHIP [BCEI: Change in Real GDP: Taiwan: Consensus: 2025 Forecast (%)]

Series 2: diff(ACND25@BLUECHIP,3)

ACND25@BLUECHIP [BCEI: Change in Real GDP: China: Consensus: 2025 Forecast (%)]

Series 3: diff(AJPD25@BLUECHIP,3)

AJPD25@BLUECHIP [BCEI: Change in Real GDP: Japan: Consensus: 2025 Forecast (%)]

Series 4: diff(AIND25@BLUECHIP,3)

AIND25@BLUECHIP [BCEI: Change in Real GDP: India: Consensus: 2025 Forecast (%)]

Series 5: diff(AKRD25@BLUECHIP,3)

AKRD25@BLUECHIP [BCEI: Change in Real GDP: South Korea: Consensus: 2025 Forecast (%)]

Chart 3: US and Advanced Asia equity index performance

Series 1: index(S111NQC@INTDAILY,20241231=100)

S111NQC@INTDAILY [Stock Price Index: NASDAQ Composite (Feb-05-71=100)]

Series 2: index(S528TWN@INTDAILY,20241231=100)

S528TWN@INTDAILY [Taiwan Stock Exchange Capitalization Weighted Index (1966=100)]

Series 3: index(S542CEX@INTDAILY,20241231=100)

S542CEX@INTDAILY [Korea: Stock Price Index: KOSPI (Jan-4-80=100)]

Chart 4: China semiconductor imports

Series 1: yyr%(N924IN3P@EMERGEPR)

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

Series 2: yyr%(N924IN5G@EMERGEPR)

N924IN5G@EMERGEPR [China: Imports: Electronic Component (NSA, Mil.USD)]

Chart 5: China consumer confidence and domestic air travellers

Series 1: N924VCC@EMERGEPR

N924VCC@EMERGEPR [China: Consumer Confidence (NSA, 100+=Optimistic)]

Series 2: CNNTATPD@TRANSPRT

CNNTATPD@TRANSPRT [China: Civil Aviation: Passengers: Domestic (10,000)]

Chart 6: China outbound tourism

Series 1: JPNVACN@JAPAN

JPNVACN@JAPAN [Japan: Visitors from China (NSA, Persons)]

Series 2: N542TAC1@EMERGEPR

N542TAC1@EMERGEPR [South Korea: Tourist Arrivals: China: Chinese Nationals (NSA, Persons)]

Series 3: N578TACN@EMERGEPR

N578TACN@EMERGEPR [Thailand: Tourist Arrivals: China (NSA, Persons)]

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