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Economic Letter from Asia: Just Chipping In

HAVER ANALYTICS

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

Written by [Tian Yong Woon](#)

This week, we continue to monitor developments stemming from US trade actions across Asia. China's latest monthly data reflects encouraging resilience, even as initial impacts from recent steep US tariffs become visible (chart 1). Notably, despite heightened US restrictions on chip exports, China's semiconductor imports from the US remain robust (chart 2), highlighting the careful balance US producers are maintaining between complying with regulatory constraints and preserving valuable commercial relationships. Meanwhile, in India, trade discussions with the US have remained prominent, showing early signs of meaningful progress. Economists continue to highlight India's strong growth potential for the year (chart 3). However, a potential tension has surfaced around Apple's shift of iPhone production to India—a trend already evident in rising Indian exports (chart 4)—with US President Trump openly criticizing the move and reaffirming his commitment to boosting domestic manufacturing. In Japan, economic indicators were already signalling weakness prior to the introduction of the US “Liberation Day” tariffs (chart 5). Further anxiety stems from the risk of stalled US-Japan trade negotiations, which could potentially trigger renewed tariff hikes, exacerbating Japan's already faltering trade performance (chart 6).

Latest Chinese data releases

China released its usual batch of monthly data today, offering a mixed set of results. While not uniformly strong, the figures showed no clear signs of the significant drag on growth that might have been expected from the initial impact of US tariffs. Industrial production outperformed expectations, rising 6.1% y/y in April (see

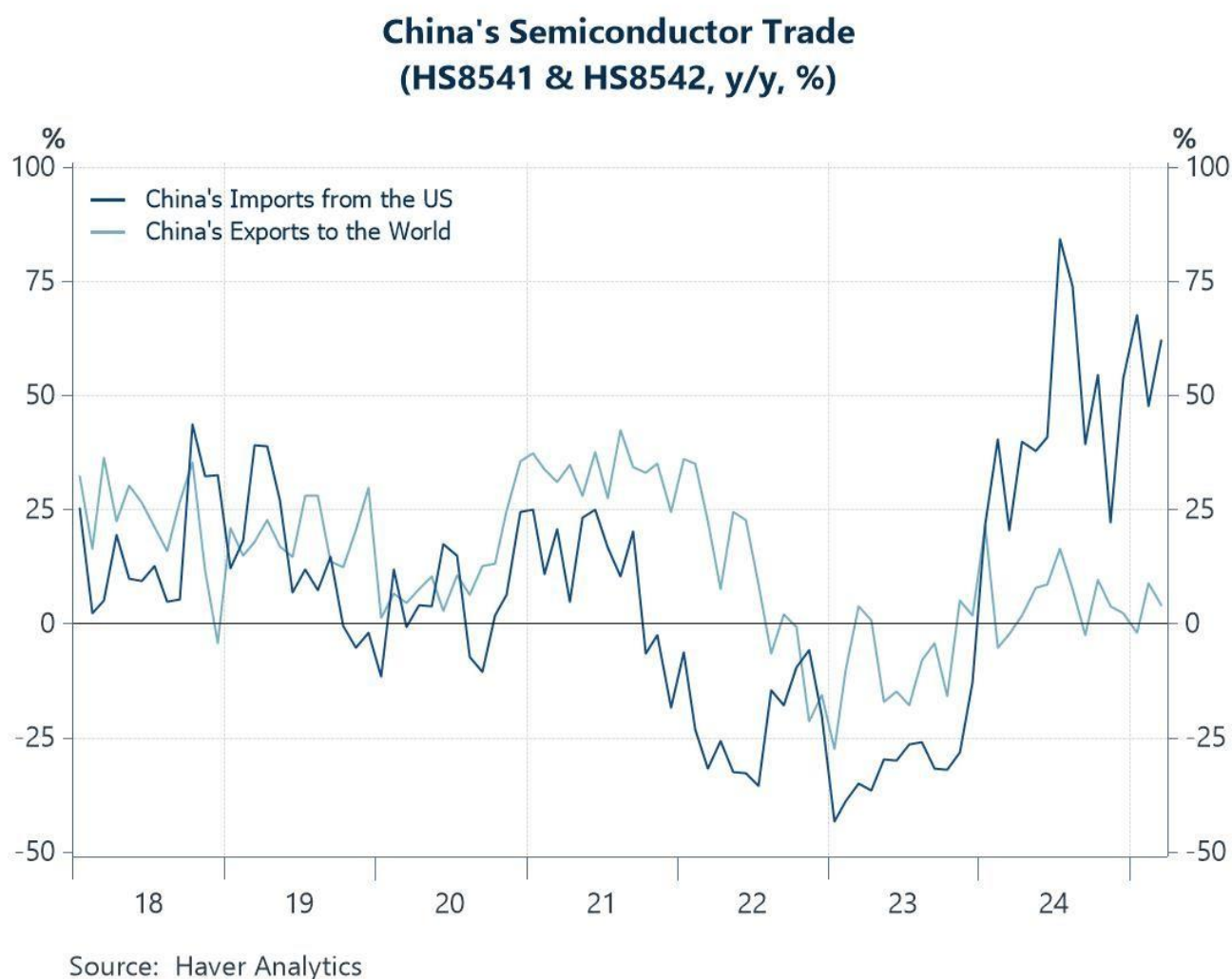
chart 1). In contrast, retail sales and fixed asset investment growth came in below forecasts but remained in positive territory. Meanwhile, the unemployment rate edged lower, while house prices continued to decline. Overall, April's data suggests a degree of resilience in China's economy, despite the 145% US tariffs that took effect earlier in the month. With a 90-day pause on further tariff escalation currently in place, there may be some short-term relief—provided no new adverse developments emerge.

Chart 1: China's GDP growth and monthly indicators



Turning to more specific developments in China, chart 2 shows a surprising trend. Despite headlines about increased US scrutiny of semiconductor exports, China's imports of semiconductor products have continued to surge. These imports have maintained strong double-digit growth in recent months. This resilience stems from the fact that US restrictions primarily target high-end and AI-specific chips, while lower-end semiconductor products remain largely unaffected. In response, some US producers have adjusted their product lines to stay within regulatory boundaries while maintaining business ties with China. For instance, Nvidia is reportedly developing a downgraded version of its H20 AI chip—now requiring a license to be exported to China—to comply with the latest rules. At the same time, where US firms like Nvidia are losing ground, domestic players such as Huawei are stepping in to fill the gap.

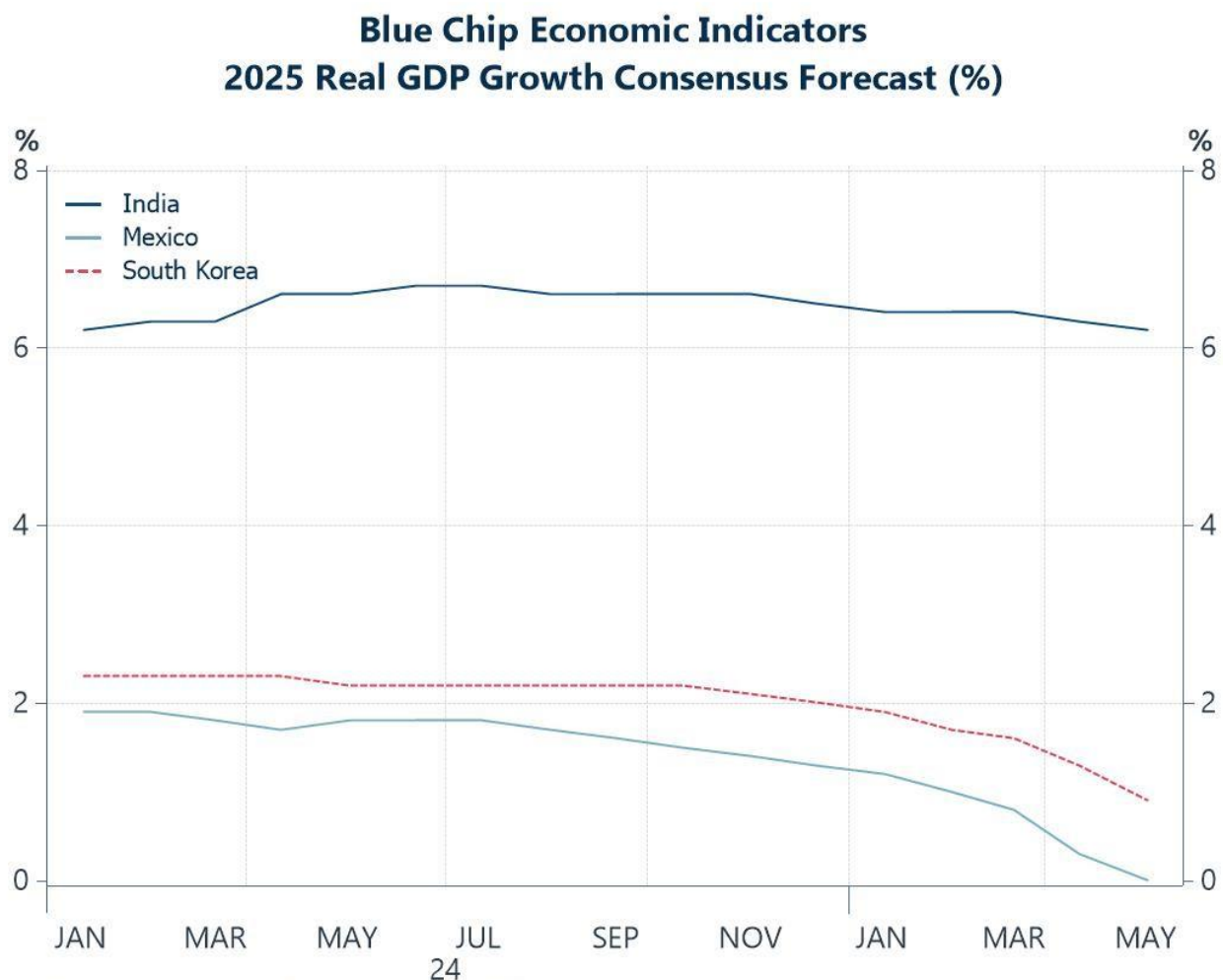
Chart 2: China's semiconductor trade



India's trade and geopolitical developments

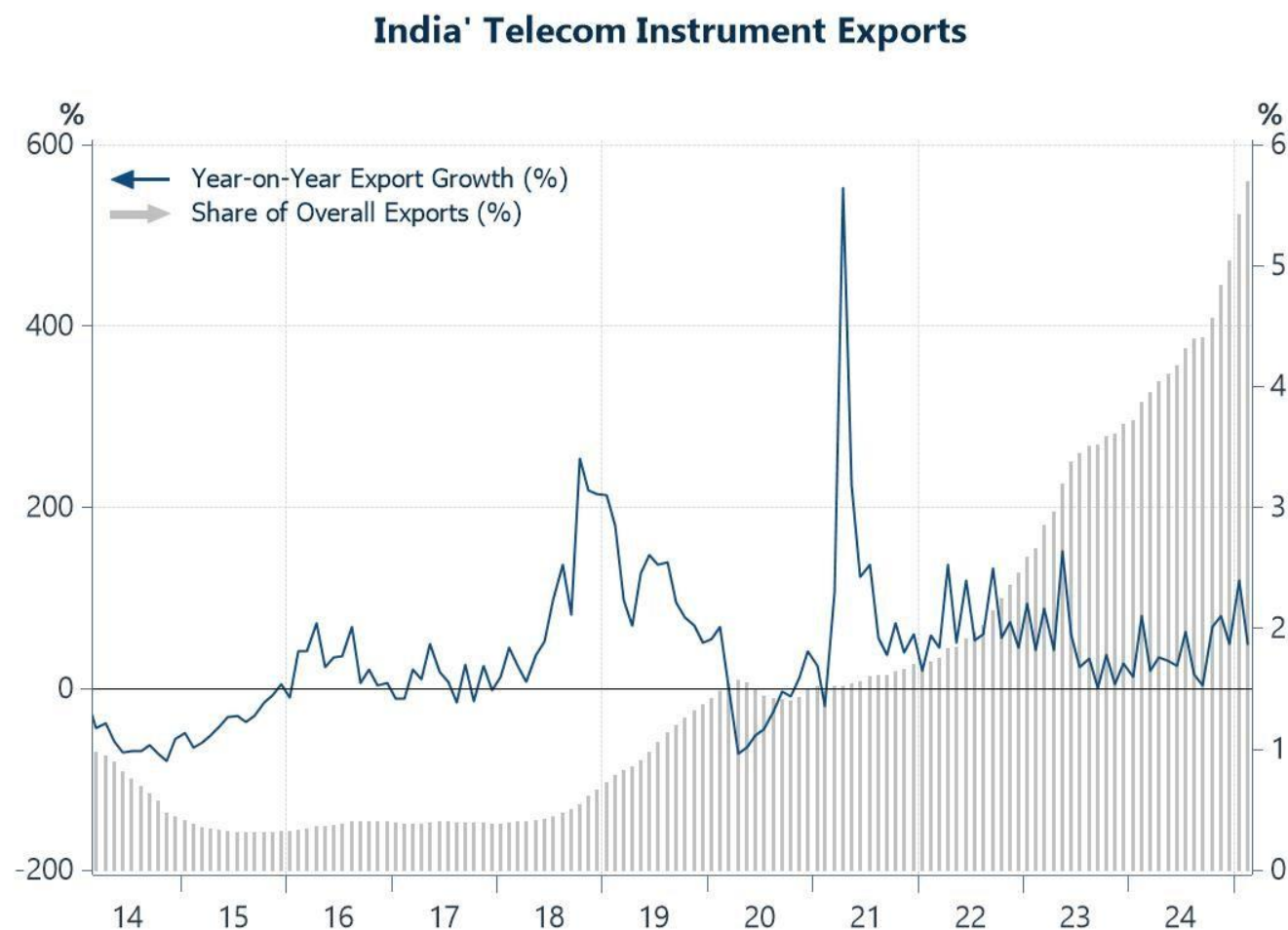
Adding to recent optimism are claims by US President Trump that India has offered a trade deal involving zero tariffs on US goods. India, however, has pushed back on this assertion, clarifying that trade negotiations are still ongoing. While a zero-tariff agreement—if confirmed—might appear to signal a major shift for India, a country long known for its high tariff and non-tariff barriers, the true impact will depend heavily on the details and conditions attached. Another source of relief came from the recent India-Pakistan ceasefire, following a period of tense military exchanges. The pause has temporarily defused a key geopolitical flashpoint, reducing regional risk—for now. Even before these developments, India continued to enjoy strong sentiment among Blue Chip survey panellists. It remains projected to post the fastest real GDP growth among major economies, with 2025 growth forecasts holding above 6% (see chart 3). Importantly, India has also seen among the fewest growth downgrades in response to US tariff actions—especially when compared with economies like South Korea and the US.

Chart 3: Blue Chip Economic Indicators consensus growth forecast



Another potential flashpoint in US-India trade discussions has emerged around Apple's previously announced plans to shift production from China to India. The move comes amid heightened US scrutiny of China and concerns over potential tariff costs—though much of these are currently on hold due to the ongoing tariff pause. President Trump has voiced dissatisfaction with Apple's decision, preferring that the company build up its manufacturing presence within the US instead. How this dynamic will influence US-India trade talks—either directly or indirectly—remains to be seen. That said, India's growing role in export-oriented manufacturing, particularly in the smartphone and telecommunications sector, is already evident. As shown in chart 4, exports of telecommunication equipment have surged in recent years, along with India's share of global shipments in this category.

Chart 4: India's telecom instrument exports

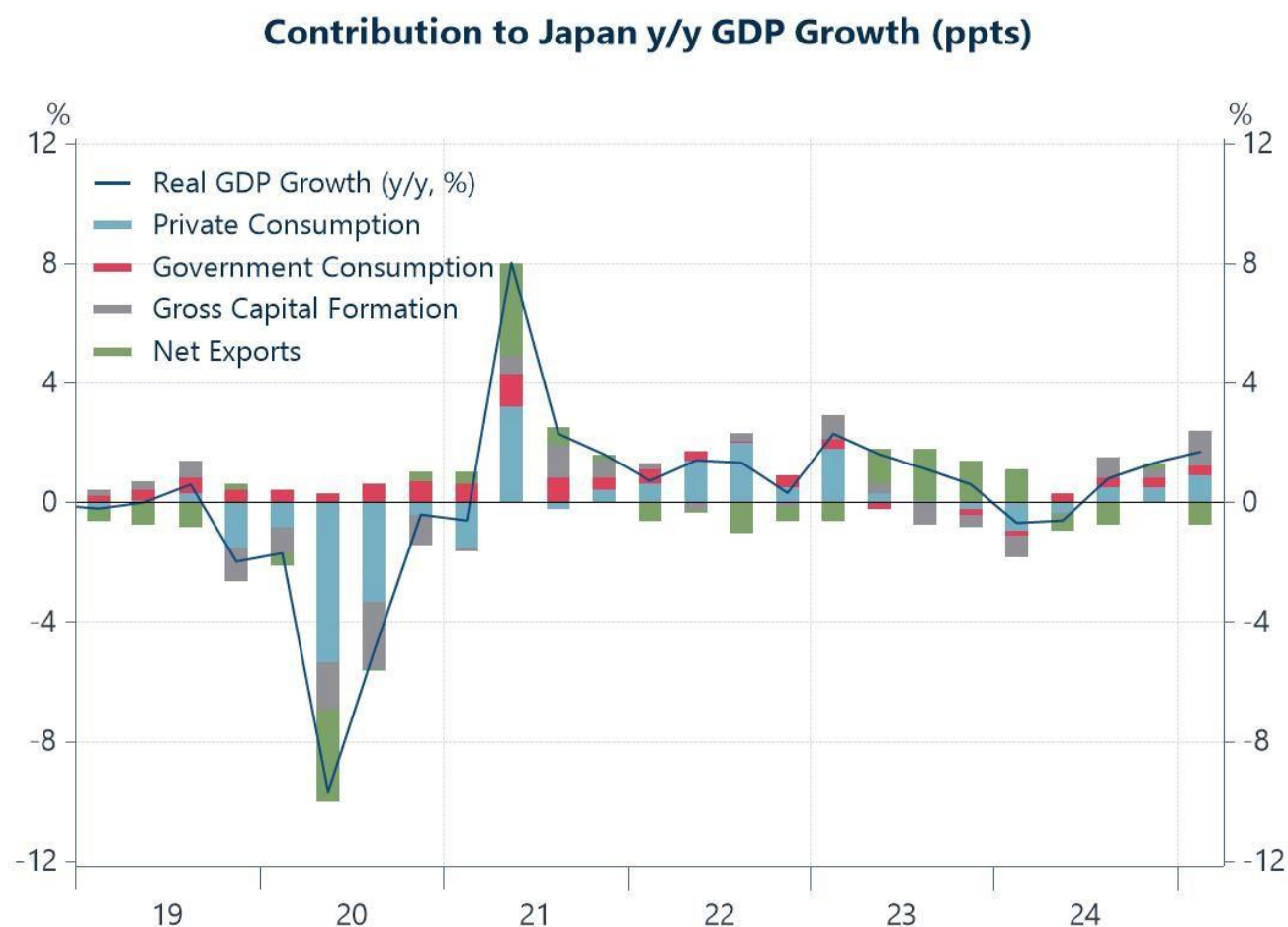


Source: Ministry of Commerce and Industry/Haver Analytics

Japan's Q1 performance

Turning briefly to Japan, the economy recently released its Q1 GDP figures, which came in below expectations—highlighting underlying weakness even before the full impact of steep US tariffs took hold. Interestingly, year-on-year growth in Q1 was supported more by private consumption, while net exports were a drag on overall performance. More concerning, however, is the quarter-on-quarter contraction—the first in a year—which was also deeper than economists had anticipated. The weak print is likely to prompt further reconsideration of the Bank of Japan's (BoJ) policy path. While the BoJ has signalled its intent to normalise policy, the latest data may tilt the balance toward a more cautious and gradual approach in the near term.

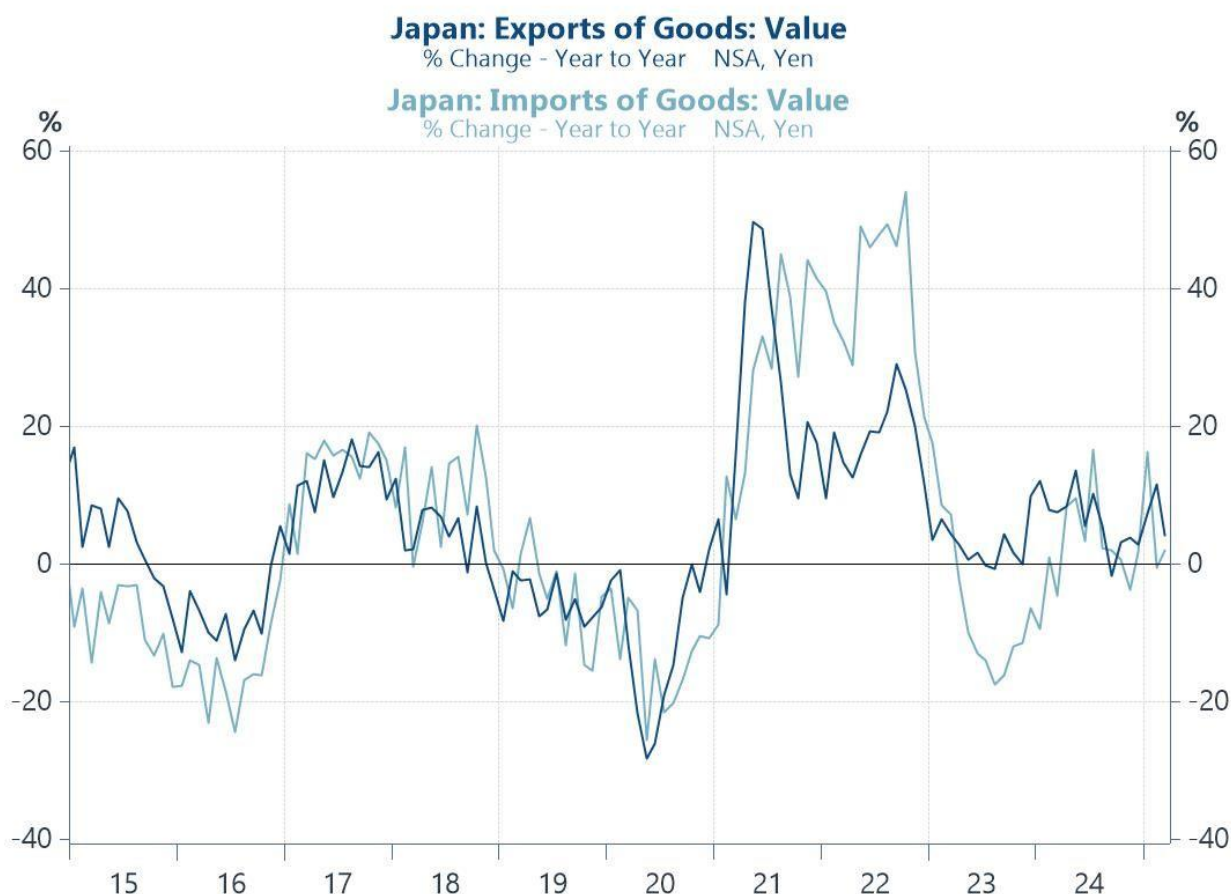
Chart 5: Japan GDP growth drivers



Source: Cabinet Office of Japan/Haver Analytics

Delving deeper into Japan’s trade landscape, US-Japan trade talks remain a key focus for investors. However, progress appears to be lagging behind US negotiations with the UK and China, which have already produced actionable steps. Also, US-India talks appear to be progressing at a brisk pace, further highlighting the relative sluggishness of the US-Japan dialogue. If the structure of earlier US trade agreements is any indication, a full elimination of tariffs in a US-Japan deal seems unlikely—running counter to Japan Prime Minister Ishiba’s stated desire for such an outcome. Meanwhile, the clock is ticking. The 90-day reprieve on the US’ so-called “Liberation Day” tariffs is drawing to a close. Without meaningful progress, and with Japan’s trade performance still subdued (see chart 6), a reversion to higher US tariffs could add further pressure to Japan’s already fragile export outlook.

Chart 6: Japan trade growth



Source: Ministry of Finance/Japan Tariff Association/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.

Series info:

Chart 1: China's GDP growth and monthly indicators

Series 1: $\text{yrr}\%(\text{N924TRS@EMERGEPR})$

N924TRS@EMERGEPR [China: Retail Sales (NSA, 100 Mil.Yuan)]

Series 2: N924GDXY@EMERGEPR

N924GDXY@EMERGEPR [China: Real Industrial Value Added (NSA, Y/Y %Chg)]

Series 3: N924NGPY@EMERGEPR

N924NGPY@EMERGEPR [China: Real GDP: Year-to-Year Percent Change (%)]

Chart 2: China's semiconductor trade

Series 1: $\text{yrr}\%(\text{dytd}((\text{I1118541@CNTRADE} + \text{I1118542@CNTRADE})))$

I1118541@CNTRADE [China Imports From US: Semiconductor Devices; Light-Emit Diodes Etc(YTD,Ths.USD)]

I1118542@CNTRADE [China Imp From US: Electronic Integrated Circuit & Microassemblies(YTD,Ths.USD)]

Series 2: $\text{yrr}\%(\text{dytd}((\text{E0018542@CNTRADE} + \text{E0018541@CNTRADE})))$

E0018542@CNTRADE [China: Exports of Electronic Integrated Circuit & Microassemblies(YTD, Ths. USD)]

E0018541@CNTRADE [China: Exports of Semiconductor Devices; Light-Emit Diodes Etc (YTD, Ths. USD)]

Chart 3: Blue Chip Economic Indicators consensus growth forecast

Series 1: AIND25@BLUECHIP

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

Series 2: AMXD25@BLUECHIP

AMXD25@BLUECHIP [BCEI: Change in Real GDP: Mexico: Consensus: 2025 Forecast (%)]

Series 3: AKRD25@BLUECHIP

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

Chart 4: India's telecom instrument exports

Series 1: $\text{yrr}\%(\text{N534IX76@EMERGEPR})$

N534IX76@EMERGEPR [India: Export: Telecom Instruments (NSA, Mil.USD)]

Series 2: $(\text{movt}(\text{N534IX76@EMERGEPR},12) \% \text{movt}(\text{N534IXD@EMERGEPR},12))$

N534IX76@EMERGEPR [India: Export: Telecom Instruments (NSA, Mil.USD)]

N534IXD@EMERGEPR [India: Merchandise Exports, f.o.b. (NSA, Mil.US\$)]

Chart 5: Japan GDP growth drivers

Series 1: JNNPGPC@JAPAN

JNNPGPC@JAPAN [Japan: Real Gross Domestic Product (NSA, Y/Y % Chg)]

Series 2: JNNCCT@JAPAN

JNNCCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Private Consumption (NSA, % Pts)]

Series 3: JNNCGCT@JAPAN

JNNCGCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Government Consumption (NSA, % Pts)]

Series 4: $((\text{JNNPGPC@JAPAN} - \text{JNNXNCT@JAPAN}) - \text{JNNCGCT@JAPAN}) - \text{JNNCCT@JAPAN}$

JNNPGPC@JAPAN [Japan: Real Gross Domestic Product (NSA, Y/Y % Chg)]

JNNXNCT@JAPAN [Japan: Contrib to Chgs in Real GDP: Net Exports of Goods & Services (NSA, % Pts)]

JNNCGCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Government Consumption (NSA, % Pts)]

JNNCCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Private Consumption (NSA, % Pts)]

Series 5: JNNXNCT@JAPAN

JNNXNCT@JAPAN [Japan: Contrib to Chgs in Real GDP: Net Exports of Goods & Services (NSA, % Pts)]

Chart 6: Japan trade growth

Series 1: $\text{yryr\%}(\text{VEATTTL@JAPAN})$

VEATTTL@JAPAN [Japan: Exports of Goods: Value (NSA, Bil.Yen)]

Series 2: $\text{yryr\%}(\text{VIATTTL@JAPAN})$

VIATTTL@JAPAN [Japan: Imports of Goods: Value (NSA, Bil.Yen)]

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