

Asia Morning Bites

China manufacturing hits a 12-month high, the non-manufacturing Tankan survey from Japan advances smartly, and Korea trade gains on strong chip exports



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Global Macro and Markets

- **Global Markets:** Major markets are closed for the Easter holidays.
- **G-7 Macro:** US headline PCE inflation rose 0.3% month-on-month (seasonally adjusted) in February (vs 0.5% in January, 0.4% market consensus). Both headline and core inflation growth moderated in February, confirming that the disinflationary trend is intact. Federal Reserve Chair Jerome Powell commented that the inflation data was pretty much in line with the Fed's expectations and added that the Fed is in no rush to cut interest rates and would wait to see if inflation is on track to 2%.
- **China:** The NBS published the March PMI data over the weekend, which surprised on the upside by hitting a 12-month high of 50.8, beating market forecasts handily. Encouragingly, the strength came from a rebound of new orders (53.0), which included new export orders (51.3). This was the first expansion of new orders since September 2023, and the first expansion of new export orders since March 2023. On the flip side, the employment subindex edged up to 48.1 to match a 9-month high, but remained in contraction for the 13th consecutive month. By firm size, large firms continued to outperform, but medium and small firms also returned to expansion for the first time since March 2023. After earlier

industrial production and industrial profits data, the PMI data gave another signal that China's manufacturing sector may have bottomed out, and should be welcome news for markets.

- **Japan:** The Tankan survey showed that business sentiment for the non-manufacturing sector improved. The manufacturing outlook slid slightly, but we think that the recent production interruptions by automakers have probably hurt business sentiment. More important is that non-manufacturing sentiment improved more than expected. We continue to believe that today's result supports our view that domestic growth is picking up after three quarters of contraction. We expect the BoJ's normalisation to accelerate in 2H24 on the back of a recovery in consumption and investment.
- **South Korea:** Exports rose 3.1% year-on-year in March (vs 4.8% in February, 4.2% market consensus). Although exports missed the market consensus, we believe the strong export momentum continued as exports rose for six months despite unfavourable calendar effects in March. Chip exports increased 35.7%, a fifth month of growth, and other IT products such as displays and computer products also rose 16.2% and 24.5%, respectively. Of concern is a second monthly decline in car exports (-5%), but we will see if this is due to fewer working days. In a separate report, the manufacturing PMI dropped to 49.8 in March from 50.7 in February, with output and new orders falling. Despite the recent strong recovery in semiconductors, the PMI has been stuck around the neutral level. As export data has shown, this might mean the manufacturing recovery is quite narrowly concentrated in semiconductors.

What to look out for: PMIs, Japan Tankan, Korea trade

- China Caixin manufacturing PMI (1 April)
- Indonesia CPI, manufacturing PMI (1 April)
- Japan Tankan business sentiment, manufacturing PMI (1 April)
- South Korea trade, manufacturing PMI (1 April)
- US construction spending, ISM manufacturing (1 April)
- Eurozone S&P Global Manufacturing PMI (2 April)
- South Korea CPI (2 April)
- US factory orders, light vehicle sales, JOLTS job openings (2 April)
- Eurozone CPI, unemployment (3 April)
- US ISM Services (3 April)
- Eurozone S&P Global Services PMI, PPI (4 April)
- US initial jobless claims, trade (4 April)
- Eurozone retail sales (5 April)
- India rate decision (5 April)
- Philippines CPI (5 April)
- Singapore retail sales (5 April)
- US unemployment, nonfarm payrolls (5 April)

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