

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



Asia Morning Bites

Source: shutterstock

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)

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.