

## Asia Morning Bites

China's manufacturing PMI data strengthened - there is more PMI data due today. BoJ Governor Ueda hints at a December rate hike and Korean export growth moderated in November, but one-off effects are responsible for some of this



## Asia Morning Bites

### Global Macro and Markets

- **Global Markets:** Treasuries continued to rally on Friday, with 10-year yields dropping a further 9bps to 4.16%. 2-year yields fell 7bps to 4.15%. The proposed appointment of new US treasury secretary Bessent and expectations that actual tariff policy measures might be less onerous helped yields test the downside. G-10 currencies were mostly lower vs the dollar, and Asians were mixed, with IDR and PHP registering mild gains. Overall the JPY stood out last week, gaining 2.8% vs the dollar as BoJ Governor Ueda signalled more hikes. US equities continued to be strong on Friday with NASDAQ up 0.8%, and US equities ending November with 5.7% gains.
- **G7 Macro:** The US manufacturing ISM for November and S&P manufacturing PMI are due today. The PMI is expected to be higher at 47.5 vs 46.5 the prior month. The more important non-farm payrolls (NFP) release is due later this week. We are looking for headline payroll growth of 225,000, but since 109,000 of this is a technical rebound, it implies "true" payroll growth of just 116,000 (225k-109k). If that is correct, the Federal Reserve is likely to cut interest rates again in December, especially if the unemployment

rate ticks up to 4.2% as we expect.

- **Asia:** Manufacturing PMIs are due in Korea, and we expect a weaker print. India should leave rates unchanged given the recent pick-up in inflation. In Indonesia, November's CPI reading is expected to ease further to 1.5% YoY. However, the bar for Bank Indonesia to ease rates in December remains high given the recent weakness in the local currency.
- **China:** Over the weekend, China's National Bureau of Statistics published the official November PMI data. The manufacturing PMI rose to 50.3 from 50.1, in line with our forecast and beating consensus forecasts to reach a 7-month high. The breakdown showed encouraging signs for domestic activity with an uptick in both production and new orders. New export orders also saw a smaller contraction on the month but employment worsened slightly. The official manufacturing PMI has now accelerated for three straight months.

China's non-manufacturing PMI on the other hand disappointed, with the headline falling back to 50.0 after last month's uptick to 50.2. While managing to avoid falling into contraction for the first time since 2022, the latest data has been teetering on the edge in 2H24.

The Caixin PMI release is scheduled for this morning and markets will look to the release to see if the uptick in the official data is confirmed - markets are expecting an uptick to 50.6 from 50.3.

- **Japan:** Capital expenditure rose by a stronger-than-expected 8.1% YoY in 3Q24 (vs. 7.4% in 2Q24, 6.7% market consensus), so 3Q24 GDP (0.9% QoQ saar) is likely to be revised higher. However, it is worrisome to see current profits dropping -3.3% YoY with manufacturing down -15.1%. However, we suspect this is related to carmakers' production disruptions. Over the weekend, Governor Ueda's interview with a local newspaper boosted market expectations for a December rate hike.
- **South Korea:** Export growth moderated to 1.4% YoY in November from the previous month's 4.6% growth rate, missing the market consensus of 2.8%. We are seeing a slowdown in export momentum compared to earlier this year, but some one-off factors are weighing on November exports as well. Delays in shipments due to heavy snowfall in the last week of November and labour strikes in the auto sector were the main reasons behind the slowdown. Average daily exports rebounded 3.6% in November, after a -0.2% decline in October. The increase in exports was narrowly based as only 5 of the 11 major export items rose.

IT exports were particularly strong, with semiconductors and computers up by 30.8% and 122.3% each. Vessel exports also increased 70.8%, which will continue to be positive for a while, albeit with monthly volatility. Meanwhile, car exports and general machinery exports dropped by -13.6% and -18.9% respectively. Petroleum and petrochemical exports declined as global commodity prices fell. By destination, exports to China (-0.6%) and US (-5.1%) declined, while exports to ASEAN(0.4%) and EU(0.9%) rose.

Imports dropped -2.4% in November. Energy imports declined -10.8%. Gas imports rose 6.3% while crude oil imports dropped -16.8%. Non-energy imports rose 0.1%. Notably, semiconductors & related equipment imports rose 86%. Yet auto (-29.4%), telephones (-32.6%), and petroleum (-18.7%) declined. The trade surplus widened in November to 5.6 billion USD from 3.2 billion USD in October.

In the short term, exports are expected to reaccelerate as last month's one-off negative factors dissipate and exports of cars and oil are likely to pick up. In addition, the increase in imports of capital goods, especially semiconductors, will lead to a rebound in equipment investment in the coming quarter. Global trade conditions are quite uncertain going forward, but we expect exports to remain the main growth driver, at least until 1H25, partly boosted by frontloading ahead of any significant changes in trade policy.

- Korea's manufacturing PMI returned to above 50 for the first time in three months. It rose to 50.6 in November from 48.3 in October with output and new orders rising. This supports our short-term view of a recovery in exports.

## What to look out for: Australia retail sales, Indonesia CPI, China Caixin PMI, Japan capital spending

### December 2nd

Australia: November Melbourne institute inflation, October retail sales

China: November Caixin China manufacturing PMI

Indonesia: November CPI

Japan: 3Q capital spending

Singapore: November PMI, electronics sector index

### December 3rd

Australia: 3Q BoP current account balance

Japan: November monetary base

S Korea: November CPI

### December 4th

Australia: October GDP

S Korea: November foreign reserves

### December 5th

Australia: October imports, exports, trade balance

Philippines: November CPI

Singapore: October retail sales

S Korea: 3Q GDP

Taiwan: November CPI, PPI, foreign reserves

US: Fed releases Beige Book

### December 6th

Australia: November foreign reserves

Indonesia: November foreign reserves

India: December RBI repurchase rate, RBI cash reserve ratio, November foreign exchange reserves

Japan: October labour cash earnings, leading index CI, coincident index

Philippines: October unemployment rate, November foreign reserves

Singapore: November foreign reserves

S Korea: October BoP current account balance

US: December U. of Mich sentiment

China: November foreign reserves (November 7th)

## Author

### Deepali Bhargava

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

### Lynn Song

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto: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](http://www.ing.com).