

Asia Morning Bites

Korea's GDP surprises on the upside



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Global Macro and Markets

- **Global markets:** Monday was another extremely lacklustre day for stock markets. Both S&P 500 and NASDAQ floundered but ended little changed on the day, while Chinese stocks (Hang Seng and CSI 300) dropped more meaningfully. The drop in sentiment was also reflected in lower bond yields. 2Y US Treasury yields fell 9.3bp to 4.088%, while those on the 10Y bond fell 8.2bp to 3.49%. The moves were enough to take EURUSD back above 1.10, and it is currently 1.1052. Sterling also made gains, but the AUD and JPY have been making heavier weather of it, and are roughly unchanged from this time yesterday. With the exception of the KRW, which dropped 0.54% yesterday, and the PHP, which gained 0.42%, Asian FX didn't do much either yesterday. Many countries were out for the Hari Raya holidays.
- **G-7 macro:** Yesterday was virtually a non-day for macro releases. Today picks up the pace a little, with US new home sales, house prices and the Conference Board consumer confidence survey. Outside the US, we have a UK business confidence survey (CBI). It is still a fairly light day for data. There is nothing on the Fed calendar as we are now in the blackout period ahead of the 3 May FOMC meeting (2am 4 May SGT). No ECB speakers are scheduled. The Bank of England's Ben Broadbent gives a speech on Monetary policy ("Prices versus quantities") at NIESR.
- **South Korea:** 1Q23 GDP expanded by 0.3% QoQ (sa), which was more than expected (up

from -0.4% in 4Q22 and 0.2% market consensus) and avoided a technical recession. We had thought that private consumption and construction would be the main drivers of growth, while weak exports and investment would act as a drag. Upside surprises came from stronger-than-expected private consumption (0.5% vs -0.6% 4Q22) and exports (3.8% vs -4.6% 4Q22). The rebound in exports is quite surprising as customs exports data showed exports stayed in the contraction zone during the first quarter. The BoK said that strong exports of vehicles led the overall export growth despite sluggish chip exports.

- With today's better-than-expected 1Q23 GDP, we are going to revise our annual GDP forecasts (0.7% YoY). We expect growth to remain below potential for the rest of the year, mainly for two reasons. 1) Construction activity is highly likely to turn negative, considering the sharp decline in forward-looking construction data – such as construction orders, permits, unsold units etc. 2) Manufacturing activity is also expected to weaken in the near term – Chip makers will likely cut production more drastically to adjust inventories from this quarter and auto exports/production will be hit by both the U.S. demand slowdown and the U.S. IRA act. On the brighter side, China's reopening will have a positive impact on Korea's growth from 2H23 when China's construction cycle starts to improve more meaningfully and more Chinese tourists return to Korea.

What to look out for: Hong Kong trade

- Hong Kong trade (25 April)
- US new home sale and Conference Board consumer confidence (25 April)
- Australia inflation (26 April)
- New Zealand trade (26 April)
- Singapore industrial production (26 April)
- US durable goods orders (26 April)
- Thailand trade (26 April)
- South Korea business survey manufacturing and non-manufacturing (27 April)
- US GDP and initial jobless claims (27 April)
- South Korea industrial production (28 April)
- Japan labour market data (28 April)
- Australia PPI (28 April)
- Taiwan GDP (28 April)
- US personal spending (28 April)

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