

## Asia Morning Bites

Bank Indonesia surprised markets with a hike yesterday — First-quarter 2024 GDP from Korea beat estimates.



## Asia Morning Bites

Source: shutterstock

### Global Macro and Markets

- **Global Markets:** US Treasury yields didn't move much on Wednesday. 2Y yields drifted up slightly to 4.9279%, a rise of just 1.7 basis points from Tuesday. 10Y yields rose a little more (4.1bp) to 4.642%. EURUSD was also fairly steady and is currently just below the 1.07 mark. The AUD gained brief support from the slightly stronger-than-expected inflation reading for March but is currently still just below 65 cents. Cable was fairly steady, but the JPY has pushed up above 155. Ahead of Friday's Bank of Japan meeting, there will no doubt be more chatter about intervention. However, the speed of the decline in the JPY relative to other currencies is not particularly alarming at this point, and that is probably more important to the BoJ than any particular line in the sand. Asian FX had a mixed day on Wednesday. The KRW gained 0.65% and has dropped to 1369.40. The IDR also made gains on Wednesday, boosted by the surprise BI hike. Other currencies were fairly muted. US equities had a choppy day on Wednesday, but have ended up where they started. There was little change on the day for both the S&P 500 and NASDAQ. Chinese stocks had a more positive session. The Hang Seng index rose 2.21% and the CSI 300 gained 0.44%.
- **G-7 Macro:** US durable goods orders for March delivered no big surprises on Wednesday. There was a small downward revision to the previous month's data, but not enough to

move markets. Germany's Ifo survey was a little better than had been expected. There is more on today's calendar. The advance US GDP report for the first quarter of 2024 is published later. The consensus forecast is for a 2.5% growth rate (seasonally adjusted annualised rate), along with a 3% growth rate for consumer spending. Weekly jobless claims and home sales complete the calendar ahead of the big PCE inflation release tomorrow.

- **Indonesia:** Bank Indonesia unexpectedly hiked rates yesterday by 25bps to help support the IDR. BI Governor Warjiyo took on a more hawkish tone, dropping any hints for easing policy this year. We expect BI to remain on hold for an extended period with any potential cuts likely only taking place once pressure on the IDR fades.
- **South Korea:** Korea's real GDP accelerated sharply to 1.3%QoQ sa in 1Q24 (vs 0.6% 4Q23) beating the market consensus of 0.6% growth. Solid exports remained the main driver of growth, but the upside surprise came mainly from the recovery in domestic demand.

Export growth moderated slightly, rising by 0.9% in 1Q24 (vs 3.5% 4Q23) but import growth contracted 0.7%. Monthly trade data suggests that strong IT exports continued but that auto exports slowed in the first quarter, causing a moderation of export growth. Imports fell as capital goods imports (IT-related equipment) reduced. The contribution to growth from net exports declined slightly to 0.6pp from 1.0pp in 4Q23. The low level of inventories should support a rise in production and exports in the coming quarters, but imports are likely to rebound strongly on the back of higher commodity prices. Consequently, the contribution of net exports to growth is likely to decline a bit further in the current quarter.

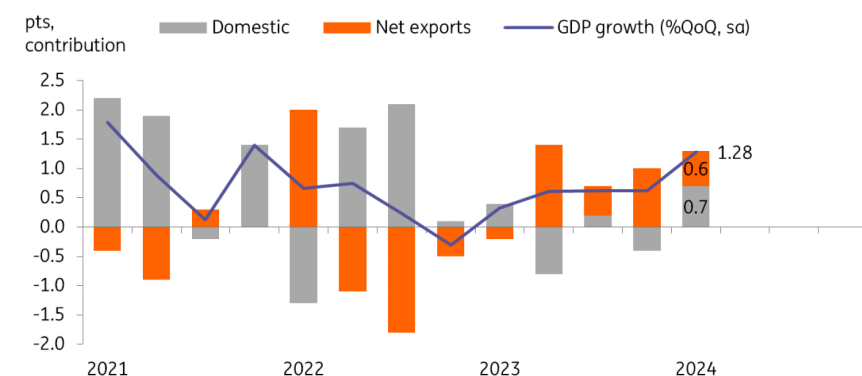
Turning to domestic growth, consumption (0.8%) and construction (2.7%) surprisingly showed solid growth. Concerning private consumption, monthly retail sales and service activity fell in the first two months of the year, so we think that strong household consumption abroad, rather than domestic consumption, was probably the main reason for the acceleration in private consumption and we are treating the strong private consumption data with caution.

For construction, we think the government's acceleration of infrastructure projects and completion of a major residential development probably led to the rebound of construction growth. We still think it is a temporary rebound and that the underlying trend of weak construction investment is will continue in the coming quarters.

Based on today's higher-than-expected 1Q24 GDP, we will revise up our annual GDP forecast (currently 1.7%) and we now expect annual GDP growth to exceed 2%. However, in terms of growth momentum, we expect quarterly GDP growth to slow in the coming quarters as higher commodity prices weigh on the trade balance while investment is likely to turn negative.

On the back of this solid growth report, the Bank of Korea's (BoK) main concern will remain inflation. Unless domestic growth conditions deteriorate significantly, the BoK's hawkish stance will continue longer than we thought. We still need to review April's inflation data and the policy stance of the two newly appointed monetary board members. But considering the current macro conditions, we think that the first-rate cut is likely to be postponed until 3Q24.

## South Korea 1Q GDP blew past consensus



Source: CEIC

## What to look out for: Hong Kong trade and leading indices from Japan

- Japan leading index and department store sales (25 April)
- Hong Kong trade (25 April)
- US initial jobless claims, GDP and personal consumption 1Q (25 April)
- Japan Tokyo CPI (26 April)
- Australia PPI (26 April)
- Singapore industrial production (26 April)
- US personal spending, Univ of Michigan sentiment and PCE core (26 April)

### Authors

#### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

#### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@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 <http://www.ing.com>.