

Asia Morning Bites

Korean GDP contracts in 4Q22. Philippine GDP due later, also US GDP



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Macro outlook

- **Global Markets:** US stocks opened sharply lower yesterday, but clawed their way back to end the session more or less flat on the day. Bond markets were, if anything, slightly more boring even than equities, with yields on 2Y US Treasuries edging down about 2bp to 4.125%, and yields on 10Y US treasuries fell only 1bp to 3.447%, though there was a little more volatility in the 10Y space, with trading in a 7bp range. In the absence of much excitement in other markets, EURUSD has traded above 1.09 for the first time since April 2022. This marks the 50% retracement from the June 2021 peak and makes subsequent moves more significant in terms of where we go next. ECB speakers yesterday – Makhlouf, Nagel and Vasle, all talked up the prospects of 50bp rate hikes at forthcoming meetings, which probably helped buoy the single currency. Other G-10 currencies are also trading stronger against the USD. The AUD is above 71 cents now, helped by yesterday's higher-than-expected inflation print ([see also here for what this means for the Reserve Bank of Australia's rate policy](#)) sterling is back above 1.24, and the JPY is back to 129.40. Other Asian FX are quite mixed, with the MYR and SGD making gains yesterday of more than 0.5%, but the PHP and IDR both losing ground against the USD.

- **G-7 Macro:** Yesterday was fairly light in terms of data releases in the G-7, though Germany's Ifo survey came in a bit higher. [Here's Carsten Brzeski's take on that](#). And the Bank of Canada raised rates 25bp as expected to 4.5%, [which looks like a peak according to James Knightley](#). Today, we get 4Q22 GDP for the US, which is expected to show a slowdown to a 2.6% annualized rate of growth, down from 3.2% in 3Q22. Our "ING f" forecast is actually a little lower than the consensus figure at 2.3%. December US durable goods orders are out later too – too choppy to make sense of this data series. US new home sales data for December are also released and will likely slow further, though this is a low turnover time of year, and seasonal anomalies are to be expected. The December US advanced goods trade balance rounds off the data for the day.
- **South Korea:** Real GDP dropped sharply as expected, posting a contraction of 0.4% QoQ (sa) in 4Q23 (vs +0.3% in 3Q22). For domestic components, private consumption dropped 0.4% with declines in both goods and service consumption. Construction and facility investment rose 0.7% and 2.3%, respectively. We think the impact of the cumulative interest rate increases has begun to slow down private consumption. As monthly activity data showed, construction and investment increased mainly due to the completion of pre-ordered projects, but we expect both to decline this quarter. For external components, exports and imports both fell significantly by 5.8% and 4.6% respectively. Sluggish exports of semiconductors and petrochemicals weighed on the total, and imports of crude oil and primary metal products also declined quite meaningfully. Both imports of crude oil and primary metals are mostly for re-export, suggesting that global demand conditions weakened sharply in the last quarter and this quarter as well.
- **Philippines:** The Philippines reports external trade and GDP numbers today. 4Q GDP growth is expected to expand 6.6%YoY - a slowdown from the 7.6% growth reported in the previous quarter. Robust household spending likely supported growth to close out 2022. Solid growth numbers should give the central bank space to push through with additional rate hikes in the first half of the year to slow multi-year high inflation.

What to look out for: US and Philippines GDP

- South Korea GDP (26 January)
- Philippines GDP (26 January)
- Singapore industrial production (26 January)
- Hong Kong trade (26 January)
- US GDP, personal consumption, core PCE, initial jobless claims (26 January)
- Japan Tokyo CPI inflation (27 January)

- Australia PPI inflation (27 January)
- US personal spending and University of Michigan sentiment (27 January)

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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