

Asia Morning Bites

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



Asia Morning Bites

Source: shutterstock

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 – Makhlof, 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)

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@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.