

Asia-Pacific is not just China

While the China macro story of ongoing transition is a headwind to the rest of Asia, there is more to the region's economic health than this. We see some glimmers of stronger export and production activity together with a more benign inflation backdrop and recovering domestic demand



Aerial view of a roll on/roll off ship, used for imports and exports of wheeled cargo across the globe

Exports are looking better

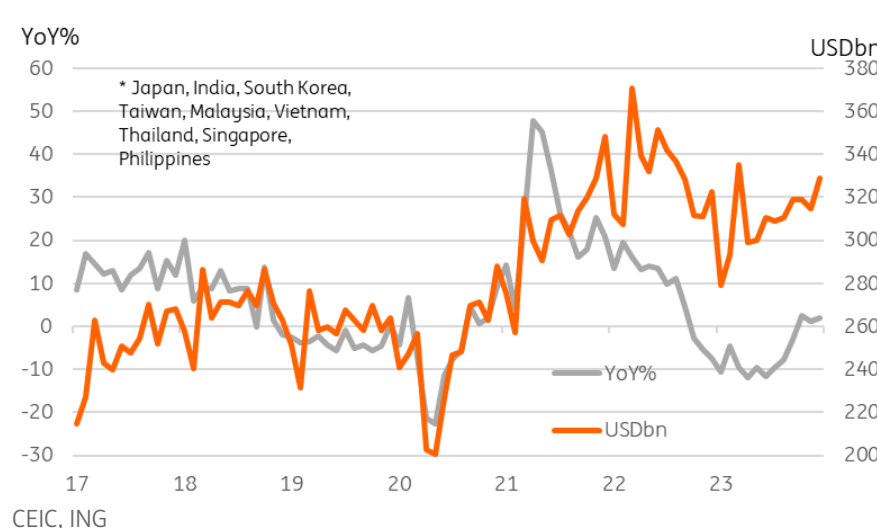
Most Asian economies are very open to trade, and so a global slowdown ought to be bad news. Since Mainland China is typically the single biggest trade partner for Asian economies (India being an exception, which is one of the reasons why it outperformed the region as a whole in 2023), this ought to add a further dampener to export and consequently growth outlooks.

The reality of the situation though is that after a very weak 2022 and 2023, the export figures are beginning to turn higher.

In the chart that follows, we show aggregate exports for non-China Asia in terms of the year-on-year growth rate. But because there has been so much volatility in recent years which can dominate such growth figures, we also show this in USD terms, which helps to put the numbers into a better perspective.

The year-on-year figures have improved and are hovering around zero after registering declines in all of 2023. But as the USD series shows, there has been some solid improvement. The trough in exports has evidently now passed, and while this looks more like a grind higher rather than a solid bounce, the direction is helpful.

Asian exports



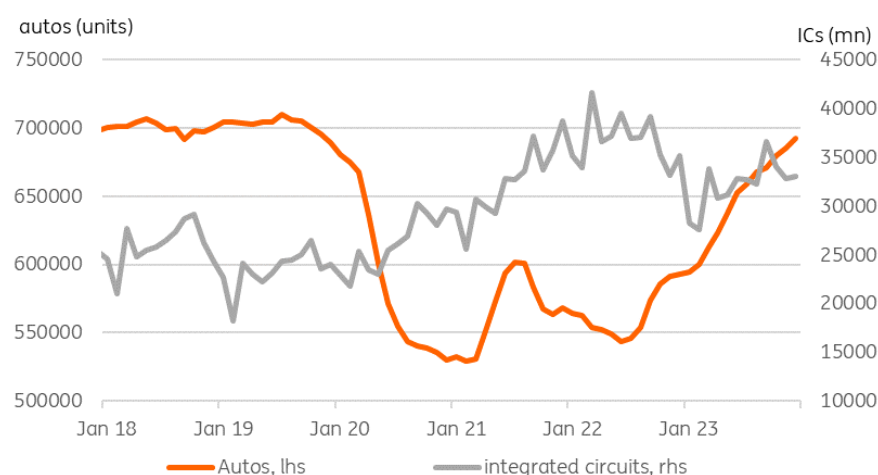
Chips and autos help progress along

Broken down by major export end destinations, it shows that imports to both the US and China are doing better. The same cannot be said for Europe. And this broadly fits our picture of the health of the rest of the world (see our other notes).

Underlying this improvement in the export performance for much of the region are two particular sectors which seem to be outperforming. The first of these is the semiconductor industry. This is particularly clear at the high end of the market and less pronounced for what we might term 'legacy' chips. As a result, the export growth rates for both South Korea and Taiwan are running much stronger than for the region as a whole, with Japan also seeing some outperformance. Notwithstanding the particular health of the industry leaders in this sector, a return to positive semiconductor demand should bode well for both exports and production figures across most of the region.

The other sector that is helping this regional improvement is autos. Whether this is still a pent-up replacement cycle following the pandemic or a feature of the growing demand for electric vehicles is not clear. It is also possible that this is also providing some support for the semiconductor industry, considering how full modern cars are of semiconductors these days. Again, South Korea and Japan benefit particularly from this, but so do other auto manufacturing sites such as Thailand.

Exports of autos* and integrated circuits**



CEIC, ING *Autos: Korea, Japan, Thailand **ICs: JPN, MAL, KOR, TAI, THA

We are not complacent about the Red Sea risks

This export recovery is not without any risks, though. The Red Sea conflict is causing the shipping costs for the region to rise significantly. The Financial Times recently published an article about why [it's OK to be complacent about the Red Sea conflict](#). We don't agree. At least not for Asia. The costs for re-routing container ships from Asia around the Cape of Good Hope rather than taking the shorter route through the Red Sea will add 10-14 days to the transit time of ships from Asia to Europe. And this is estimated to cost the shipping lines 20-25% more. For those wishing to charter a container from Shanghai to Rotterdam, the cost has risen three to four times from its 2023 lows. Other sea routes are also showing much higher container day rates as ships stay at sea longer and their availability diminishes. This may make some exports unprofitable and squeeze the margins of others, as well as likely pushing up the end costs for importers and consumers in the destination countries.

Moreover, this is still very early days. The increase may currently look small compared to the supply chain disruptions of the pandemic, but this is not to say that the current situation is where it ends. It may be, in which case the situation is likely to be manageable. But the situation is extremely fluid, so taking the current backdrop as an accurate indication of where this ends up seems ill-conceived.

Better inflation data – this is helping growth too

One final positive feature of the region is the much more benign inflation backdrop. There is perhaps no better example of this in the Asia-Pacific region than Australia, where consumer price inflation has fallen from a high of 8.4% in December last year, to just 3.4% in December 2023. This is just 0.4 percentage points above the top of the Reserve Bank of Australia's target rate for inflation. This certainly helps the growth outlook as real wage growth is now improving again. And where available, we can see the positive impact of this in an upturn in service sector PMIs.

That said, base effects have been doing a lot of the work in bringing inflation rates down. And we may well see some upward drift again in inflation over the first half of 2024, which is likely to prevent any of the central banks in the region from moving ahead of any potential Fed cuts.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com