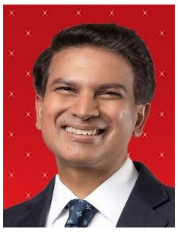
Economics & Strategy Research

Macro Insights Weekly

Growth momentum in Asia

Economics/Strategy/Rates/FX/Credit

April 1, 2025



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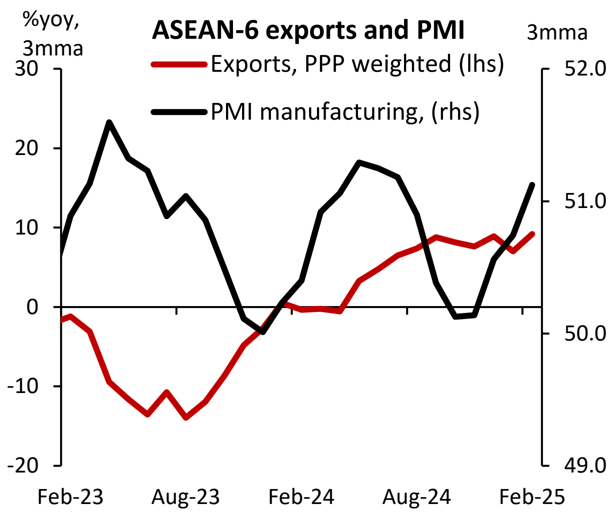
- *Trade-related headlines out of the US are negative, but Asian exporters are still largely constructive about the outlook. 1Q25 Nowcast also look promising for the region.*
- *China is tracking 5% growth in 1Q, with credit and asset markets picking up.*
- *India, after a soft patch in 2024, is showing a mild uptick in growth momentum in 1Q.*
- *Singapore had a strong 2024, and 1Q is looking good too, tracking 4%+ growth.*
- *Trade war is very likely to exacerbate and hurt the region.*
- *But it is good to face the downside with the prevailing solid momentum.*

Key data release and events this week:

- *Resilient Vietnamese economic growth of 7.5% YoY is anticipated in 1Q25.*
- *South Korea exports are expected to show moderate growth driven by front-loading.*

Chart of the Week: Asean exports holding up

Trade headlines may be full of negative news from the US, but Asean-6 economies continue to see their exports engine humming, with February exports printing the strongest growth (+9.2%yoy) since late-2022. Exports to the US grew strongly, rising by 15 to 35%yoy. Purchasing managers' survey readings are promising too, with no sign of trade war inflicted damage to confidence. This stands in contrast to major exporters like China or South Korea, where exports growth has slowed. Further intensification of trade war may hurt, but Asean's exporters are off to a sound start.

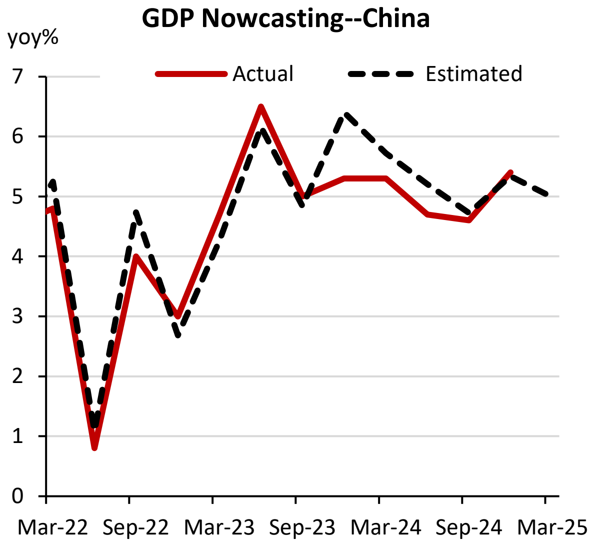


Source: CEIC, DBS.

Commentary: Growth momentum in Asia

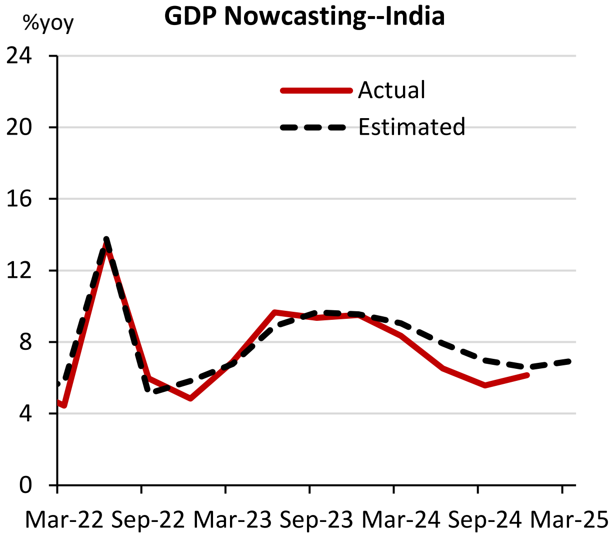
Jarred by trade war noise, how are Asia's export-oriented economies holding up? To answer this, we use our real GDP nowcast, which tracks high frequency, economy-relevant data to estimate current economic momentum. Our models track China, India, and Singapore, each with their distinct economic drivers and current state of affairs. The variables that we track on a monthly basis include industrial production, trade, PMI, bank credit, retail sales, public spending, freight traffic, auto sales, hotel occupancy, and residential transactions.

China: China ended 2024 with a modest upside to its growth momentum, and 1Q25 looks quite good for now. Our model is tracking around 5% growth for the quarter, with purchasing managers and exporters not yet troubled by worsening trade war. Liquidity conditions are improving, asset prices are buoyant, and headline grabbing news on new tech applications and products are energising the economic environment to some extent.



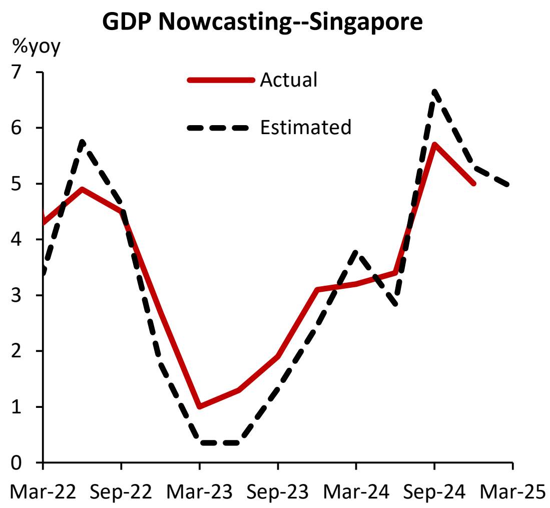
Source, CEIC, DBS

India: 2024 was characterised by a soft patch, with both the economy and financial markets taking a breather from breakneck post-pandemic growth. While India's exposure the US is non-trivial, underlying domestic momentum is more critical. We see a mild uptick in 1Q25, led by production and sales.



Source: CEIC, DBS

Singapore: After a strong 2024 (4.4%yoy), Singapore looks poised to stay on course for 4%+ growth in 1Q25. Trade tensions are worrisome, but strong tourism, travel, events, exports, sales, and industrial production continue to characterise Singapore's economy. As tariffs begin to hit, at least the strength on the domestic sets up a resilient foundation.



Source: CEIC, DBS

Taimur Baig

Tactical trade ideas

Trade	Entry	Exit	Rationale	Returns
Running				
FX				
Short AUD/SGD	Entry 0.8530 (Feb 17), TP: 0.82, SL: 0.8630		AUD is a more vulnerable currency than SGD from Trump's tariffs.	+1.7%
Rates				
Long 10Y CGB	Entry: 1.79% (Feb 24), TP: 1.50%, SL: 2.05%		CGB yields have rebounded on stronger demand for RMB assets and improving data prints. Yet, a sustained recovery will require further easing.	-10bps
Rec 2Y SORA-SOFR basis	Entry: -5bps (Feb 25), TP: -17bps, SL: 2bps		Toppy as carry positions get stretched.	+2bps

Note: Performance for Rates ideas are expressed in running basis points and percentage terms.

Key forecasts for the week

Event	DBS	Previous
Apr 1 (Tue)		
South Korea: exports (Mar)	6.8% y/y	1.0% y/y
- imports	2.5% y/y	0.2% y/y
- trade balance	USD6.9bn	USD4.3bn
US: ISM manufacturing (Mar)	49.9	50.3
Apr 2 (Wed)		
South Korea: CPI (Mar)	2.0% y/y	2.0% y/y
Apr 4 (Fri)		
Thailand: CPI (Mar)	1.0% y/y	1.1% y/y
Philippines: CPI (Mar)	2.1% y/y	2.1% y/y
US: change in non-farm payrolls (Mar)	150k	151k
Apr 6 (Sun)		
Vietnam: GDP (1Q)	7.5% y/y	7.6% y/y
- exports (Mar)	10.0% y/y	25.7% y/y
- imports	16.0% y/y	40.0% y/y
- trade balance	USD1.0bn	-USD1.6bn
- retail sales YoY YTD (Mar)	9.4% y/y	9.4% y/y
- CPI (Mar)	3.0% y/y	2.9% y/y

Forthcoming data releases

South Korea: Trade and inflation data for March are set to be released this week. Exports are expected to show moderate single-digit growth, driven by the front-loading of shipments in anticipation of US tariff increases. A slowdown is anticipated starting in April. South Korea is vulnerable to the 25% automobile tariffs announced by the US government last week. Passenger cars are the top product imported by the US from South Korea. Exports of passenger cars to the US account for approximately 2% of South Korea's GDP. Furthermore, South Korea may become a target for reciprocal tariffs from the Trump administration, which are expected to be announced this week. CPI inflation is expected to remain stable at 2.0% YoY in March, supported by low oil prices and weak domestic demand. While housing prices in Seoul have recently rebounded on a weekly basis in March, this has yet to translate into gains in housing rentals. Export slowdown, weak domestic demand, and benign inflation continue to support the case for further easing by the Bank of Korea.

Thailand: We expect headline inflation of 1.0% YoY in March 2025, stable compared to 1.1% YoY in February 2025. This rate remained aligned with the lower bound of the Bank of Thailand (BOT)'s 1-3% target range. The central bank appears unconcerned about the current inflation figures, viewing them as contained and helpful in alleviating the cost of living. We foresee the BOT prioritising downside growth risks, particularly those from increasingly protectionist trade policies. We have assessed that Thailand is highly vulnerable to US reciprocal tariffs that are set to be announced in early-April 2025.

Vietnam: We anticipate resilient Vietnamese economic growth of 7.5% YoY in 1Q25, compared to 7.6% YoY in 4Q24. The economic expansion was mainly driven by continued strength in the export-oriented industrial sector, amid the frontloading of shipments in anticipation of escalating US-led trade tensions, solid services expansion, and robust public investment. Despite this near-term resilience, we expect challenges in the coming quarters. We believe that Vietnam faces considerable risk of being targeted by US tariffs (*see 'ASEAN-6: Tariff-ic times ahead' for detailed analysis*), and its highly trade dependent economy is vulnerable to a global economic and trade slowdown.

Economics Team

Recent publications

Chartbook: Asia's exposure to US tariffs

ASEAN-6: Tariff-ic times ahead

Kopi Time E150: Piyush Gupta on the present and future of banking

FX: Bracing for Liberation Day

US-led recession fears should see investors seeking safety in the greenback and US bonds. US President Donald Trump warned that reciprocal tariffs would hit all countries on April 2, or "Liberation Day." Trump added that he "couldn't care less" if his 25% tariff on autos leads US automakers to raise prices. Many Developed Market countries have threatened retaliation, increasing the odds of a global trade war that would hurt world economic growth.

The Atlanta Fed GDPNow model predicted that US GDP growth would contract by 2.8% QoQ saar in 1Q25, driven primarily by a surge in US imports to beat Trump's tariffs. While the model saw US consumer and government spending weakening, it expected domestic demand growth to remain positive. **Unless this Friday's US monthly jobs disappoint significantly, Fed officials see Trump's tariffs posing a greater risk to inflation than growth**, advocating holding rates steady for an extended period. Instead, the Fed will, starting in April, reduce the monthly redemption cap on US Treasuries to USD5 bn from USD 25bn to provide additional liquidity and support to the financial system during this period of heightened uncertainty.

Against this background, the **risk has increased for USD/JPY to stay above instead of below 150**. The JPY's strength this quarter from the Bank of Japan rate hike expectations has given way to Prime Minister Shigeru Ishiba's worries about Trump's auto tariff having a "very big" impact on Japan's economy. The US is Japan's largest export market, and its autos and auto parts account for a third of its exports to the US.

Commodity currencies – AUD, NZD, and CAD – **should keep underperforming as they did over the past week** ahead of Trump's reciprocal tariffs. Canada has taken a notable assertive stance in responding to US tariffs under the leadership of new Prime Minister Mark Carney. The Reserve Bank of Australia is expected to pause today after February's rate cut. However, it may pave the way for a cut at the May 20 meeting after Australia's national elections on May 3. The Reserve Bank of New Zealand is anticipated to lower rates at its April 9 meeting; the next 25 bps cut to 3.50% will bring the cumulative easing since August 2024 to 200 bps. Despite the surprise rebound in GDP growth to 0.7% QoQ sa in 4Q24, the RBNZ has emphasized continued monetary support to ensure sustained economic recovery.

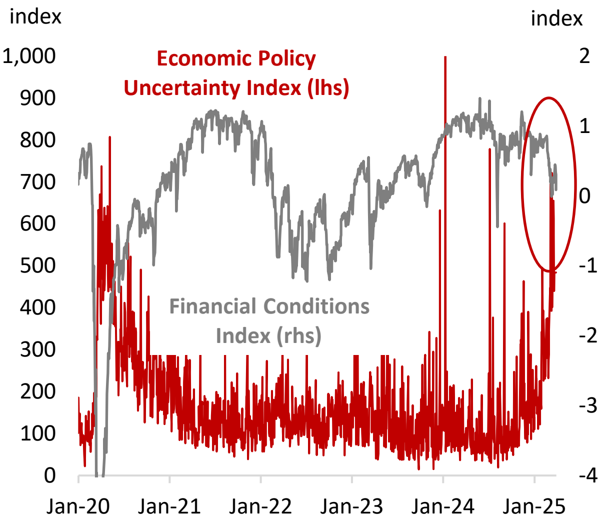
Currencies such as the KRW, TWD, and SGD have underperformed their Asian peers in the past week because of their heavy reliance on international trade. After failing to break below the support around 1430, USD/KRW returned near its 16-year high of 1478.60 at the end of 2024. South Korea is exposed to Trump's tariffs on autos and steel. USD/TWD hit a 9-year high of 33.198 at the end of 1Q25. Taiwan has been identified among the "Dirty 15" countries with significant trade surpluses with the US; its significant semiconductor industry will unlikely be spared from US tariffs despite investments in US facilities. USD/SGD has risen towards 1.3450 in the past fortnight. It failed to break below the 1.33 support level this month after CPI and core inflation fell below their official forecast ranges for this year.

Philip Wee

USD Rates: Engineered stagflation / volatility

Asset prices are shifting to reflect heightened uncertainties ahead of Liberation Day on 2 April when Trump is widely expected to announced sweeping tariffs. An interesting parallel can be drawn to the period in 2022 / 2023 where the Fed was the source of engineered volatility, worsening financial conditions in the process. The big difference back then was that interest rates were at rock-bottom levels. Against a backdrop soaring inflation and economic resilience, US Treasuries were not quite able to reprise their role as a haven asset. This time, Trump's policies are generating volatility. Uncertainties would likely weigh on economic growth as sentiment weakens. Soft data is already weakening, and it may be a matter of time before hard data starts to moderate. Against this backdrop, **US yields have been falling alongside US equities over the past week as confidence in USD assets start to crumble**. **Interestingly, the USD has not been particularly strong despite risk aversion** (diverging from the traditional reactions in stocks and treasuries.

Financial Conditions vs Economic Uncertainty



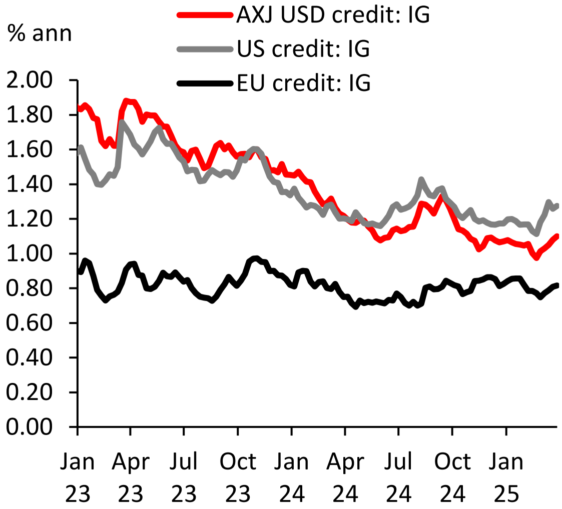
Source: Bloomberg, DBS

Expectations of stagflation-lite / a cooling off in the US economy would likely weigh on yields in the near term. Note that yields are much more elevated than where they were in 2022 and we suspect that USTs will rally as sentiment worsens. We suspect that the curve shifts would be a matter of sequencing. The 2Y/10Y segment of the curve has steepened significantly as investors focused on the point that the Fed may well look through transitory (perceived to be the case for now) that would be generated by tariffs. However, there is a risk that labour market data would not weaken sufficiently quickly (NFP is due this Friday) to trigger curve steepening. Instead, **curve flattening is more likely in the near term as haven bids concentrate on the longer tenors.**

Eugene Leow

Credit: US credit underperformance amid trade risks

IG credit spreads: US vs EU vs Asia ex-Japan



Source: Bloomberg, DBS

US assets have underperformed against both European and Asian assets year-to-date, with markets having misgivings over Trump's erratic tariff flip-flops that have introdued uncertainty into US corporate supply chains and operating costs. US credit spreads have widened more than that of Asia and Europe on a year-to-date basis across both IG and HY credit.

We maintain our view that 2025 will see a tempering of exuberance in credit (see DBS 2025 Outlook: Defying the Trend), with US credit spreads being more prone to widening pressures given their slim buffers and expensive valuations. Trade uncertainty, and a Fed that is cautious of tariff-driven inflation pressures, are credit-negatives that are unlikely to dissipate anytime soon without coherence in US tariff policy. In Asia, the unusually low EM risk premium is also normalizing, most pointedly for Indonesia, but also for India. Risk sentiment in credit could soften further without policy relief.

Chang Wei Liang

Growth, Inflation, Policy Rates & FX forecasts

	GDP growth, % YoY						CPI inflation, % YoY, ave					
	2021	2022	2023	2024f	2025f	2026f	2021	2022	2023	2024f	2025f	2026f
China	8.1	3.0	5.2	5.0	5.0	4.5	0.9	2.2	0.2	0.6	1.0	1.5
Hong Kong SAR	6.3	-3.5	3.3	2.5	2.5	2.5	1.6	1.9	2.0	1.5	1.5	1.5
India	10.3	7.2	8.8	6.7	6.5	6.5	5.1	6.7	5.7	4.9	4.1	4.0
*India (FY basis)**	*9.7*	*7.6*	*9.2*	*6.5*	*6.4*	*6.4*	*5.5*	*6.7*	*5.4*	*4.8*	*4.2*	*4.0*
Indonesia	3.7	5.3	5.1	5.0	5.0	5.0	1.6	4.2	3.7	2.3	2.0	2.0
Malaysia	3.3	8.9	3.6	5.1	4.8	4.6	2.5	3.4	2.5	1.8	2.8	2.3
Philippines	5.7	7.6	5.6	5.6	5.8	5.6	3.9	5.8	6.0	3.2	2.6	2.4
Singapore	9.8	4.1	1.8	4.4	2.8	2.5	2.3	6.1	4.8	2.4	1.3	1.7
South Korea	4.6	2.7	1.4	2.0	1.7	2.2	2.5	5.1	3.6	2.3	2.0	2.0
Taiwan	6.7	2.7	1.1	4.6	3.0	2.4	2.0	2.9	2.5	2.2	1.9	1.7
Thailand	1.6	2.6	2.0	2.5	2.6	2.4	1.2	6.1	1.2	0.4	1.2	1.5
Vietnam	2.6	8.0	5.0	7.1	6.8	6.6	1.8	3.2	3.3	3.6	3.5	3.3
Eurozone	5.3	3.5	0.5	0.7	1.0	1.2	2.6	8.4	5.5	2.3	2.2	2.0
Japan	2.7	0.9	1.5	0.1	0.9	0.6	-0.3	2.5	3.3	2.7	2.7	1.8
United States	6.1	2.5	2.9	2.8	2.0	2.0	4.7	8.0	4.1	3.0	2.9	2.5

*2020 represents Fiscal 21; ending Mar 21

Policy interest rates, eop

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
China*	3.10	2.95	2.80	2.80	2.80	2.55	2.55	2.55
India	6.25	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Indonesia	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Philippines	5.75	5.75	5.25	5.25	5.25	5.25	5.25	5.25
Singapore**	2.88	2.88	2.73	2.63	2.63	2.63	2.63	2.63
South Korea	2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Taiwan	2.00	2.00	2.00	2.00	2.00	2.00	1.875	1.875
Thailand	2.00	2.00	1.75	1.75	1.75	1.50	1.50	1.50
Vietnam***	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Eurozone^	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Japan	0.50	0.50	0.75	0.75	0.75	1.00	1.00	1.00
United States	4.50	4.50	4.25	4.00	4.00	4.00	4.00	4.00

* 1-yr Loan Prime Rate; ** 3M SORA OIS ; *** refinancing rate; ^ deposit facility rate

Exchange rates, eop

Ccy pair	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
USD/CNY	7.26	7.26	7.34	7.32	7.29	7.27	7.25	7.22	7.20
USD/HKD	7.78	7.77	7.80	7.79	7.79	7.79	7.78	7.78	7.77
USD/INR	84.0	87.5	88.3	88.3	88.2	88.2	88.1	88.1	88.0
USD/IDR	15910	16450	16500	16430	16370	16300	16230	16170	16100
USD/MYR	4.48	4.45	4.52	4.49	4.47	4.44	4.41	4.39	4.36
USD/PHP	59.1	57.6	59.0	58.9	58.8	58.7	58.5	58.4	58.3
USD/SGD	1.35	1.34	1.37	1.36	1.36	1.35	1.34	1.34	1.33
USD/KRW	1405	1460	1480	1475	1470	1460	1455	1450	1445
USD/THB	34.7	34.1	35.0	34.8	34.5	34.3	34.1	33.8	33.6
USD/VND	25460	25520	25650	25620	25600	25570	25540	25510	25480
AUD/USD	0.65	0.62	0.60	0.61	0.61	0.62	0.62	0.62	0.63
EUR/USD	1.04	1.08	1.04	1.05	1.06	1.07	1.08	1.09	1.10
USD/JPY	155	148	151	149	148	146	144	143	141
GBP/USD	1.25	1.28	1.23	1.24	1.25	1.26	1.28	1.29	1.30

Interest rate forecasts

		2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US	3M SOFR OIS	4.38	4.38	4.13	3.88	3.88	3.88	3.88	3.88
	2Y	4.25	4.20	4.15	3.90	3.90	4.00	4.10	4.10
	10Y	4.30	4.20	4.20	4.50	4.60	4.70	4.75	4.80
	10Y-2Y	5	0	5	60	70	70	65	70
Japan	3M TIBOR	0.65	0.65	0.90	0.90	1.00	1.15	1.15	1.15
	2Y	0.70	0.80	0.90	0.95	1.00	1.10	1.10	1.10
	10Y	1.15	1.25	1.35	1.50	1.60	1.60	1.70	1.70
	10Y-2Y	45	45	45	55	60	50	60	60
Eurozone	3M EURIBOR	2.70	2.20	2.20	2.20	2.20	2.20	2.20	2.20
	2Y	2.20	2.15	2.15	2.15	2.15	2.20	2.30	2.40
	10Y	2.70	2.80	2.90	3.00	3.10	3.20	3.25	3.25
	10Y-2Y	50	65	75	85	95	100	95	85
Indonesia	3M JIBOR	6.35	6.10	6.10	6.10	6.10	6.10	6.10	6.10
	2Y	6.35	6.15	6.20	6.20	6.20	6.25	6.25	6.25
	10Y	6.55	6.45	6.45	6.45	6.45	6.55	6.55	6.55
	10Y-2Y	20	30	25	25	25	30	30	30
Malaysia	3M KLIBOR	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	3Y	3.45	3.40	3.40	3.40	3.45	3.45	3.45	3.45
	10Y	3.85	3.80	3.85	3.90	3.95	4.00	4.00	4.00
	10Y-3Y	40	40	45	50	50	55	55	55
Philippines	3M NDF implied yield	5.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00
	2Y	5.75	5.50	5.50	5.55	5.60	5.60	5.60	5.60
	10Y	6.00	5.80	5.80	5.85	5.90	5.90	5.90	5.90
	10Y-2Y	25	30	30	30	30	30	30	30
Singapore	3M SORA OIS	2.88	2.88	2.73	2.63	2.63	2.63	2.63	2.63
	2Y	2.95	2.90	2.85	2.70	2.70	2.80	2.90	2.90
	10Y	2.90	2.80	2.80	3.10	3.10	3.20	3.25	3.25
	10Y-2Y	-5	-10	-5	40	40	40	35	35
Thailand	3M BIBOR	2.15	2.15	1.90	1.90	1.90	1.65	1.65	1.65
	2Y	1.85	1.65	1.55	1.55	1.35	1.25	1.25	1.25
	10Y	2.10	1.95	1.90	1.90	1.75	1.70	1.70	1.70
	10Y-2Y	25	30	35	35	40	45	45	45
China	1Y LPR	3.10	2.95	2.80	2.80	2.80	2.55	2.55	2.55
	2Y	1.35	1.25	1.10	1.10	1.05	1.00	1.00	1.00
	10Y	1.70	1.65	1.50	1.50	1.45	1.40	1.40	1.40
	10Y-2Y	35	40	40	40	40	40	40	40
Hong Kong, SAR	3M HIBOR	3.80	3.80	3.60	3.40	3.40	3.40	3.40	3.40
	2Y*	3.75	3.75	3.75	3.55	3.50	3.60	3.70	3.70
	10Y*	3.60	3.55	3.60	3.95	4.00	4.10	4.15	4.20
	10Y-2Y	-15	-20	-15	40	50	50	45	50
Korea	3M CD	2.85	2.60	2.60	2.60	2.60	2.60	2.60	2.60
	3Y	2.50	2.40	2.40	2.50	2.55	2.60	2.60	2.60
	10Y	2.80	2.70	2.70	2.85	2.90	2.95	2.95	3.00
	10Y-3Y	30	30	30	35	35	35	35	40
India	3M MIBOR	7.00	6.65	6.65	6.65	6.65	6.65	6.65	6.65
	2Y	6.35	6.00	6.00	6.00	6.05	6.10	6.10	6.10
	10Y	6.55	6.45	6.50	6.55	6.60	6.65	6.65	6.65
	10Y-2Y	20	45	50	55	55	55	55	55

%, eop, govt bond yield for 2Y and 10Y, spread bps, *HKD swaps

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Sources: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations)

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