

Week Ahead Economic Preview

US and China inflation data, UK November GDP and BoK meeting

5 January 2024

Inflation updates will be in abundance next week, including from both the US and mainland China, while UK's November GDP figures will also be highlights. Meanwhile, the Bank of Korea will be the first APAC central bank to convene in 2024. Other data worth watching include industrial production figures from various economies while trade data out of both Germany and mainland China will be keenly anticipated.

Investors stepped into 2024 with some caution at the start of the year, fueled largely by uncertainty over the pace of and timing of potential policy pivots. Next week's S&P Global Investment Manager Index will therefore help shed light on any changes in investor sentiment after the turn of the year. This comes after US equity investors' risk appetite rose to a two-year high in December, with respondents of the IMI survey widely seeing gains for the S&P 500 index by end 2024.

In the data docket will also be US CPI figures for December, due Thursday. PMI prices data, with its leading-indicator properties for inflation, have hinted at some stickiness for US inflation at around current levels (see box). Amid expectations for the Fed to lower rates on the back of progress in the fight against inflation, the upcoming CPI reading will be important to help guide expectations. Also watch out for US trade and producer price data.

In the UK, November GDP data will be released on Friday. According to early indications from the UK PMI, output rose in the final two months of the year, allaying recession worries after GDP fell 0.3% in October. UK recruitment survey data will also be released on Monday, shedding light on labour market and wage conditions amid mounting pressure on the Bank of England to lower rates.

Eurozone recession worries have meanwhile mounted, putting the focus on updates to industrial production in Germany, France and Italy and unemployment across the single currency area.

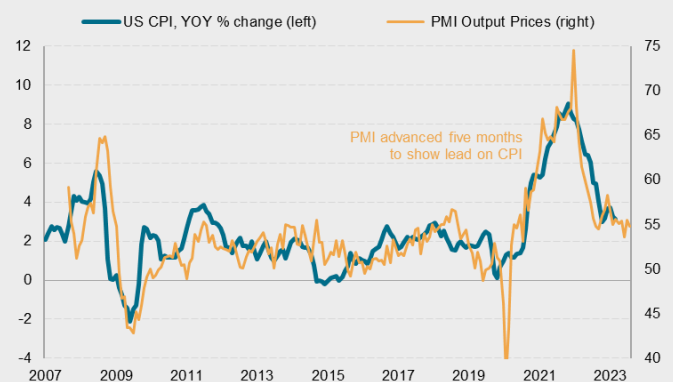
Finally, the Bank of Korea will be convening on Thursday, January 11. No changes to monetary policy are expected, but the market will likewise be watching for signs of the central bank pivoting towards a rate cut.

US inflation cooling faster than expected

US inflation cooled faster than anticipated late last year. The core measure of personal consumption expenditures (PCE) price inflation showed prices fell 0.1% in November, taking the annual rate of increase below 3%. The core rate, of which 2% is targeted by the FOMC, fell to 3.2%, its lowest since March 2021.

Markets will be watching for whether this good news will be repeated in the coming week, which sees further inflation insights from the consumer price index (CPI). Annual CPI inflation cooled in November to 3.1% with a core rate stuck at 4%. Further progress lower is not a sure thing, especially as forward-looking survey data hint at some stickiness above the 2% level in the coming months.

US inflation



Data compiled January 5, 2024.
PMI covers manufacturing only pre-2009 but manufacturing & services thereafter.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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The key area of stubborn price pressures remains the service sector, according to the PMI, where wage growth has led to companies further boosting their prices in December in order to maintain margins. Weak demand in manufacturing meanwhile appears to be providing a further disinflationary force on inflation, albeit to a lesser degree than in the summer (see our latest manufacturing PMI note [here](#)).

Coming months will be crucial in assessing how these factors play out, as well as how geopolitical issues could affect supply chains. However, in the meantime the Fed has indicated that it is now shifting to a position where, with core PCE already lower than it had anticipated, its policy stance is looking too restrictive. Hence early 2024 rate cuts are looking more likely, with markets now pricing in a 98% chance of the first cut having happened by May 2024.

Key diary events

Monday 8 Jan

Germany Trade (Nov)
Switzerland Inflation (Dec)
Eurozone Economic Sentiment (Dec)
Eurozone Retail Sales (Nov)
United States Consumer Inflation Expectations (Dec)
United Kingdom KPMG/REC Report on Jobs* (Dec)
Global Metal Users and Electronics PMI* (Dec)

Tuesday 9 Jan

Japan Household Spending (Nov)
Japan Tokyo CPI (Dec)
Australia Building Permits (Nov, prelim)
Switzerland Unemployment (Dec)
Germany Industrial Production (Nov)
France Balance of Trade (Nov)
Taiwan Trade (Dec)
Italy Unemployment Rate (Nov)
Eurozone Unemployment Rate (Nov)
Mexico Inflation (Dec)
Canada Trade (Nov)
United States Trade (Nov)
S&P Global Investment Manager Index* (Jan)

Wednesday 10 Jan

South Korea Unemployment (Dec)
China (Mainland) M2, New Yuan Loans, Loan Growth (Dec)
Philippines Trade (Nov)
Turkey Industrial Production (Nov)
France Industrial Production (Nov)
Italy Retail Sales (Nov)

Thursday 11 Jan

Australia Trade (Nov)
South Korea BoK Interest Rate Decision
Malaysia Industrial Production (Nov)
Italy Industrial Production (Nov)
South Africa Manufacturing Production (Nov)
Brazil Inflation (Dec)
Mexico Industrial Production (Nov)
United States CPI (Dec)
United States Initial Jobless Claims
United States Monthly Budget Statement (Dec)

Friday 12 Jan

Japan Current Account (Nov)
China (Mainland) CPI, PPI (Dec)
United Kingdom monthly GDP, incl. Manufacturing, Services and Construction Output (Nov)
France Inflation (Dec, final)
India Industrial Production (Nov)
United States PPI (Dec)

Saturday 13 Jan

China (Mainland) Trade (Dec)
Taiwan Presidential Elections

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

What to watch

Americas: US CPI and Canada trade data

Following the Fed minutes release from the December 2023 Federal Open Market Committee (FOMC) meeting, where rate cuts were hinted for 2024, and the December payrolls update, the attention turns to December's CPI update on Thursday. According to consensus, both the headline and core CPI readings are expected to tick up slightly from November. This is in line with PMI prices data, [where some stickiness in US CPI are to be expected around current levels](#) based on leading indications. US PPI numbers will follow on Friday.

Separately, trade data from Canada will also be due in the week on Tuesday. Latest December [S&P Global Canada Manufacturing PMI](#) data showed that new export orders declined to the greatest degree for three-and-a-half years.

EMEA: UK output data, Germany trade and industrial production figures

In the UK, November's monthly GDP output data will be unveiled on Friday, including detailed manufacturing, services and construction sector activity figures. November PMI data indicated an overall expansion of UK private sector output, albeit led by the service sector. Meanwhile [more up-to-date PMI data also showed UK economy ending 2023 on a more positive note](#). Also watch for an early labour market update via the KPMG / REC report on jobs, due on Monday and closely monitored by the Bank of England.

In the eurozone, Germany's trade and industrial production figures for November are expected in the week, with the [HCOB Germany Manufacturing PMI](#) having previously precluded further weakness in the goods producing sector, though export orders fell at a slower rate in November.

APAC: BoK meeting, mainland China inflation, trade

In APAC, the Bank of Korea kicks start the year with the first monetary policy meeting in the region, though no changes are expected. Some recognition of the risks of prolonged monetary tightening had been signalled by BoK Governor Rhee at the start of the year, however, and the meeting rhetoric will be keenly watched.

Inflation and trade figures from mainland China will also be due in the week with [muted inflation conditions signalled for the manufacturing sector according to the Caixin PMI](#). Goods export orders have also declined at a slower rate, according to the PMI data.

Special reports:

Global factory job losses gather pace as demand weakness persists at close of 2023 | Chris Williamson | [page 4](#)

APAC economic outlook for 2024 remains bright | Rajiv Biswas | [page 7](#)

Recent PMI and economic analysis from S&P Global

Global	Global factory job losses gather pace as demand weakness persists at close of 2023	2-Jan	Chris Williamson
	Flash PMIs point to widening growth divergences as 2023 draws to a close	18-Dec	Chris Williamson
	Monthly PMI Bulletin: December 2023	14-Dec	Jingyi Pan
	Deterioration of global trade conditions ease in November	7-Dec	Jingyi Pan
	Global PMI data hint at further cooling of inflation in the months ahead	7-Dec	Chris Williamson
	Worldwide employment stalls as businesses report further weakness of demand	6-Dec	Chris Williamson
	Global factory job losses continue as demand downturn persists in November	1-Dec	Chris Williamson
EMEA	Flash PMI points to UK economy ending 2023 on a more positive note	15-Dec	Chris Williamson
	Recession indicated as eurozone flash PMI signals deepening decline in December	15-Dec	Chris Williamson
Americas	US factories end 2023 on soft note amid signs of excess operating capacity	2-Jan	Chris Williamson
Asia-Pacific	Philippines economy shows robust growth into the new year	22-Dec	Rajiv Biswas
	APAC manufacturing sector rebounds in late 2023	18-Dec	Rajiv Biswas

S&P Global Market Intelligence highlights

Shifting Sands: Economic Trends Impacting Global Economies in 2023-4



We study history to learn lessons from the past, helping us better understand the current environment and assess the likely future. Read this detailed review of some of the key signals from the Purchasing Managers' Index™ (PMI®) business survey data in 2023. With global and region-specific coverage and insights giving you an indication of what these trends mean for the global economy as we head into 2024.

[Click here to access our research and analysis](#)

PMI Insights: A look at the Americas



The economists see quite a subdued picture in Canada from their latest survey results. Firms are concerned about high interest rates and how they may squeeze clients' budgets. The newly launched PMI for the Canadian service sector, which covers private sector services accounting for about half of the country's GDP, offers additional insights into business activity, new orders, employment and more.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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Special Focus

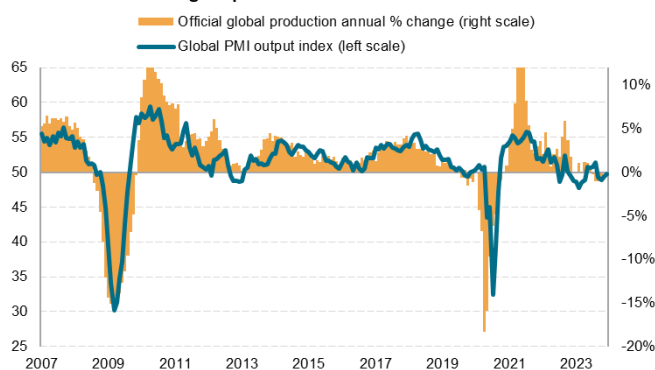
Global Factory Job Losses Gather Pace as Demand Weakness Persists at Close of 2023

Global manufacturing remained firmly in the doldrums in December, according to the latest [JPMorgan Global Manufacturing Purchasing Managers' Index™ \(PMI®\)](#) compiled by S&P Global. The headline PMI – a composite index based on five survey variables – registered 49.0, down from 49.3 in November to signal a further modest deterioration in the business situation.

With new orders continuing to decline, producers continue to rely on back orders to prevent a steeper rate of output decline, but the further marked depletion of these backlogs of work poses downside risks to output in coming months. Firms have consequently stepped up the rates at which they are cutting both staffing levels and input buying, preparing for lower production requirements in 2024.

In this environment, demand-pull price pressures remain disinflationary, though there are some concerns going into 2024 that supply chain disruptions could worsen, adding some upward price pressure to traded goods.

Global manufacturing output



Data compiled January 2024 using PMI data updated to December 2023. PMI (Purchasing Managers' Index) value of 50 = no change on prior month, advanced three months. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

Global factory output continues to edge lower at end of 2023

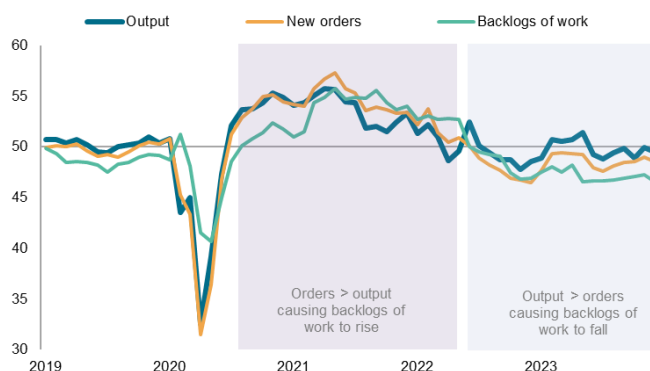
Global manufacturing output fell for a seventh month running in December, according to the latest PMI surveys compiled by S&P Global and sponsored by JP Morgan. Although the

rate of decline remained only very modest, factory output has only risen globally in just four of the past 17 months, reflecting a post-pandemic shift in spending from goods to services and subdued demand amid higher prices and increased interest rates. New orders for goods have now fallen continually over the past one and a half years.

Importantly, new orders continued to fall at a faster rate than output during December, the latter supported once again by producers fulfilling backlogs of work. Whereas the mid-2020 to early-2022 pandemic period saw supply shortages limiting firms' scope to deal with sharply rising inflows of orders, the past year and a half has seen factories rely on these unfulfilled orders to help sustain production volumes in the face of falling demand.

Backlogs of work have consequently now fallen for 18 successive months, the rate of decline accelerating in December to a pace not exceeded since mid-2009 if the early pandemic lockdowns are excluded.

Global manufacturing PMI output and order books



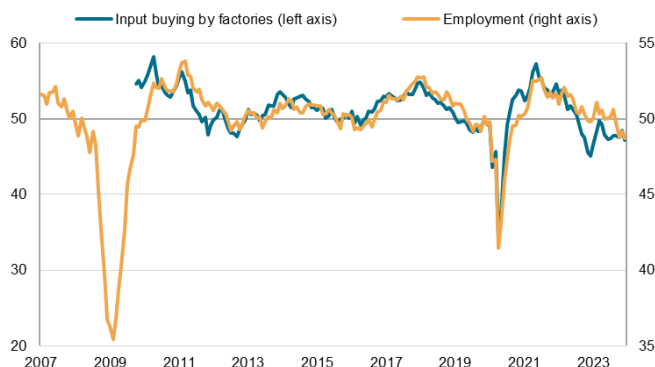
Data compiled January 2024 using PMI data updated to December 2023. PMI (Purchasing Managers' Index) 50 = no change on prior month. Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence. © 2024 S&P Global.

Factories cut costs via job losses and reduced purchasing

The concern is that, after one and a half years of decline, backlogs of work are becoming increasingly depleted; a deterioration which tends to be associated with factories downsizing. Such a trend appears to be developing. Factory employment fell globally for a fourth month in a row in December, with job losses running at their joint-highest since September 2009 if early pandemic months are excluded.

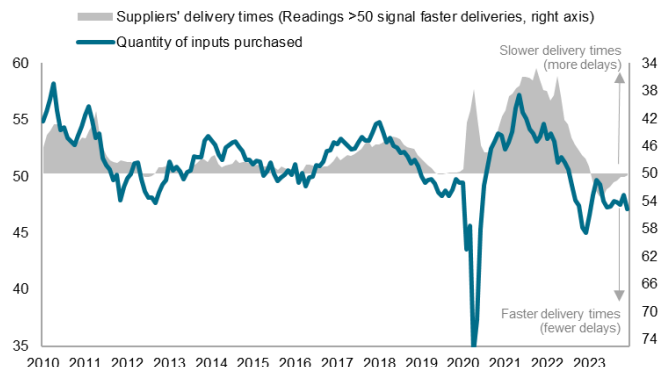
Similarly, input buying by factories fell in December, dropping sharply and at an increased rate compared to November, representing a continuation of the sustained period of steep decline in purchasing witnessed since August 2022.

Global manufacturing PMI purchasing activity and employment



Data compiled January 2024 including PMI data to December 2023.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI with J.P. Morgan.
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Global manufacturing input buying and supply delays



Data compiled January 2024 using PMI data updated to December 2023.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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Falling global trade

The drop in purchasing activity fed through to another drop in global trade flows. New export orders for goods fell globally for a twenty-second straight month in December, continuing to deteriorate at a steep rate by historical standards.

Global goods exports



Data compiled January 2024, PMI data updated to December 2023, CPB trade data to September 2023.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, CPB trade data via S&P Global Market Intelligence.
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These bottlenecks likely reflect growing incidences of shipping disruptions, notably the throttling of passage through the Panama Canal since the summer due to low water levels, potentially combined with the redirection of trade through the Suez Canal. Tensions around the Israel-Gaza war have disrupted shipping in the Red Sea, with Yemen-based Houthi militant group attacks diverting a rising proportion of global container vessels from the Suez Canal to a lengthier route around the Cape of Good Hope.

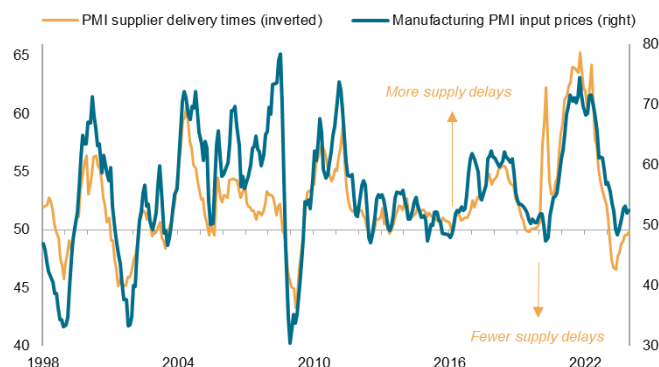
Price concerns

Any further deterioration in supply chains could be a concern in relation to inflation. Historically, any material lengthening of supplier delivery times tends to be associated with higher prices – in effect, generating a situation where demand exceeds supply. With the disinflationary impact of goods prices having played a major role in bringing global inflation down over the course of the past year, any renewed rise in prices could complicate central bank efforts to bring inflation down to target.

Improvement in supplier lead times stalls

The downturn in input buying by manufacturers over the past year and a half has been a commensurate easing of workloads at suppliers. Supply chain pressures have consequently eased, having spiked to unprecedented levels during the pandemic, with faster delivery times having been reported since February. However, the improvement in delivery times in December was only marginal, indicating that some supply bottlenecks are offsetting the impact of falling demand for inputs.

Global manufacturing supply conditions and prices

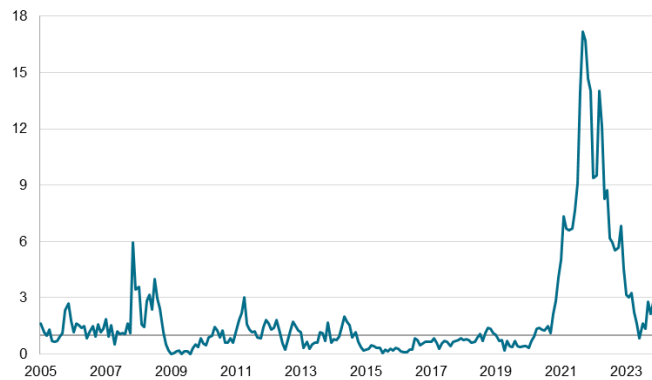


Data compiled January 2024 with PMI to December 2023.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.
Sources: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.
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Higher shipping costs

These shipping concerns are in fact already feeding through to some upward price pressures. Comments tracked in PMI survey responses reveal that the number of companies worldwide reporting that they have raised their selling prices due to increased shipping costs is running at over three times the long-run average. Although far from the peak price pressures from shipping seen during the pandemic, this represents the highest upward trend since 2008.

S&P Global PMI: shipping costs as a cause of higher factory selling prices



Data compiled January 2024 including PMI data to December 2023. Axis scale 1 = long term average.
Source: S&P Global PMI.
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Special Focus

APAC Economic Outlook for 2024 Remains Bright

After rapid expansion in 2023, the Asia-Pacific (APAC) region is expected to be the fastest growing region of the world economy in 2024, underpinned by resilient domestic demand in East Asia and India. Some improvement in East Asian exports will also support economic expansion, helped by a recovery in electronics exports and continued strong growth in exports of new electric vehicles (EVs) from key Asian auto manufacturing hubs.

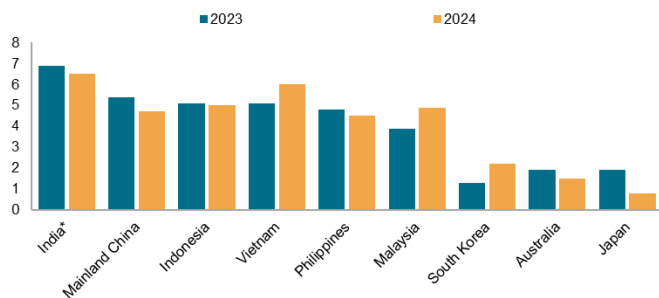
The APAC tourism industry, which is an important part of the economy for a significant number of nations in the region, is expected to continue to recover during 2024, as international tourism flows normalize to pre-pandemic levels in many countries.

APAC GDP growth expected to remain strong

Economic growth in the APAC region strengthened in 2023, reaching an estimated pace of 4.5% year-over-year (y/y), significantly higher compared with GDP growth of 3.3% in 2022. An important factor supporting the upturn in growth momentum during 2023 was improving growth in mainland China following the winding down of COVID-19 restrictions since late 2022. An upturn in growth in Japan and continued rapid economic expansion in India also helped to underpin the APAC region's robust economic growth in 2023.

APAC GDP growth forecast for 2024

Annual % change



*India: fiscal years
Source: S&P Global Market Intelligence.
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The APAC economic outlook for 2024 is for continued rapid economic expansion, helped by resilient domestic demand in a number of large Asian emerging markets, including mainland China, India, Indonesia, Malaysia and Philippines. Strong foreign direct investment inflows are expected to continue into India and some ASEAN nations, as

multinationals continue to diversify their manufacturing supply chains.

Some upturn in merchandise exports is expected during 2024, after a significant downturn in exports of goods in many Asian industrial nations during 2023, notably due to declining exports of electronics products.

Economic recovery continuing in mainland China

Economic recovery is expected to continue in mainland China for a second year, albeit the pace of economic expansion is expected to be moderate somewhat. Private consumption is expected to be a key driver of economic growth in 2024. The pace of growth of retail sales of consumer goods showed significant improvement during the second half of 2023, with retail sales in November rising by 10.1% y/y, compared with a growth rate of only 2.5% y/y in July. For the first 11 months of 2023, retail sales of consumer goods rose by 7.2% y/y.

The headline seasonally adjusted Caixin General Manufacturing Purchasing Managers' Index (PMI) increased from 50.7 in November to 50.8 in December, to signal a marginal positive expansion in manufacturing conditions. Supporting the positive survey reading for November was a quicker rise in overall new orders received by Chinese goods producers in December, reflecting strong demand for consumer goods. However, new export orders continued to fall slightly, marking the sixth consecutive month of contraction in export orders, although the rate of decline moderated.

China General Manufacturing PMI

PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)
60



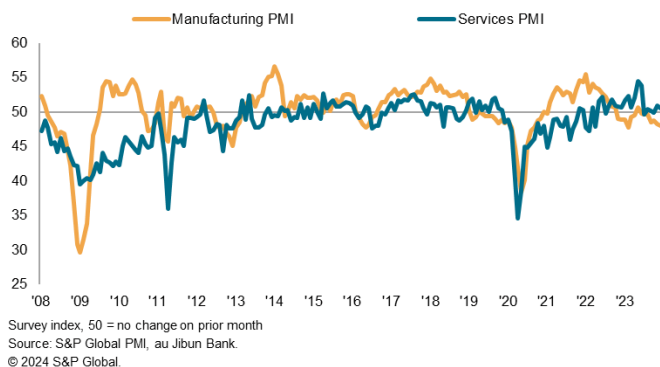
Source: Caixin, S&P Global Market Intelligence
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Japan's economy boosted by service sector

Japan's GDP growth strengthened in 2023, helped by improving private consumption after COVID-19 pandemic restrictions were gradually removed.

The au Jibun Bank Flash Japan Services Business Activity Index picked up from 50.8 in November to 52.0 in December, to signal continuing expansionary conditions at a pace that was the quickest since September. In contrast, business conditions in the manufacturing sector continued to show moderate contraction according to the headline au Jibun Bank Japan PMI, which edged lower to 47.9 in December from 48.3 in November. Manufacturing companies reported a sharp decline in new orders, which in turn led to a slightly quicker reduction in factory output.

Japan manufacturing and services PMI



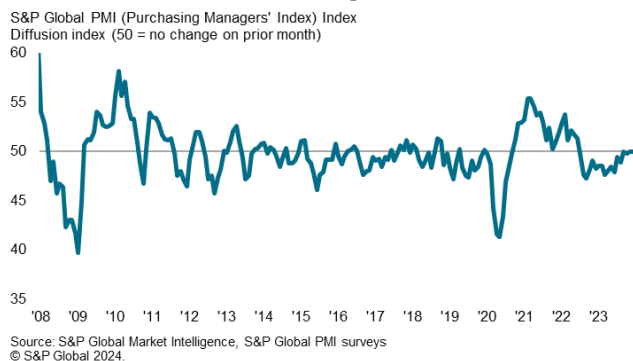
South Korean exports rebound

South Korea's Ministry of Trade, Industry and Energy (MOTIE) announced that South Korea's exports for the month of December grew by 5.1% y/y in value terms, following a rise of 7.8% y/y in November. This marks a sharp turnaround after significant contractions recorded for exports earlier during 2023.

A key factor supporting the rebound has been an upturn in semiconductors exports, which ended 15 successive months of contraction in November, posting growth of 12.9% y/y, helped by a recovery in prices for memory chips. Semiconductors exports posted even stronger growth in December, growing by 21.8% y/y. Exports of displays rose by 10.9% y/y in December, reflecting strong demand for smartphone panels. South Korean exports were also boosted by strong growth of 17.9% y/y in the export value of autos, helped by buoyant growth in exports of electric vehicles.

Reflecting the upturn in South Korean manufacturing exports, the seasonally adjusted S&P Global South Korea Manufacturing PMI was at 49.9 in December, similar to the figure of 50.0 in November, continuing to signal close to neutral operating conditions in South Korea's manufacturing sector. The November reading ended a 16-month sequence of decline.

S&P Global South Korea Manufacturing PMI



Taiwan's exports continue to recover

Taiwan's exports grew by 3.8% y/y in November, after having shown sharp declines throughout the first half of 2023 before gradually improving during the second half.

An important driver for the improvement was a 74% y/y rise in exports of information, communication and audio-video products. Key growth markets were the US, with exports to the US rising by 33% y/y in November, while exports to ASEAN rose by 13.8% y/y. However, exports to mainland China and Hong Kong SAR fell by 6.3% y/y. For the first eleven months of 2023, exports to mainland China and Hong Kong SAR fell by 19.1% y/y.

Despite the upturn in exports, the S&P Global Taiwan Manufacturing PMI declined in December to a reading of 47.1 from 48.3 in November. The index still signalled moderate contractionary business conditions for the nineteenth successive month, although the pace of reduction has moderated since March 2023.

S&P Global Taiwan Manufacturing PMI



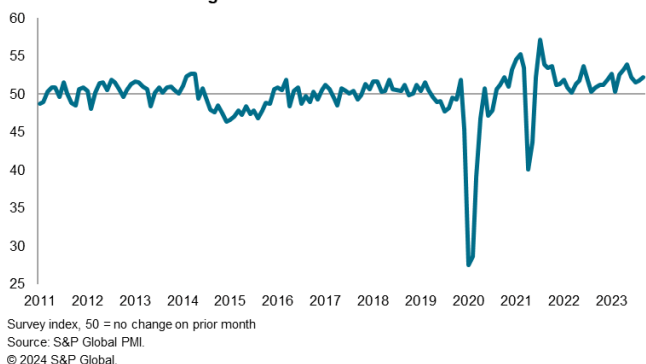
ASEAN outlook

Indonesia's GDP growth rate in 2023 is estimated at around 5%, with a similar pace of economic growth forecast for 2024. Private consumption is a key driver of economic growth, accounting for around 53% of total GDP and growing

at a pace of 5.1% y/y in the third quarter of 2023. The outlook for 2024 is for continued robust growth in private consumption and fixed investment. During 2023, foreign direct investment inflows remained strong, buoyed by large investment inflows into the base metals sector, notably new nickel smelter projects, as well as into downstream projects for manufacturing of electric vehicle batteries for which nickel is an important input.

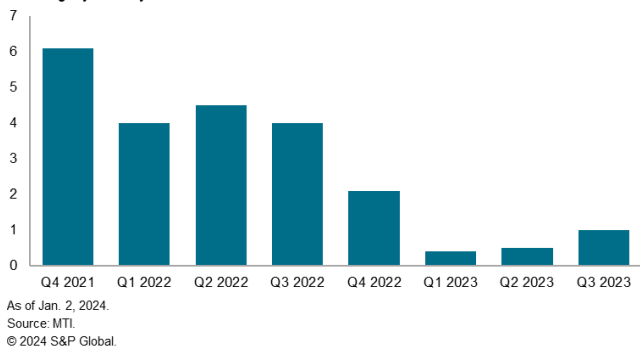
The headline seasonally adjusted S&P Global Indonesia Manufacturing PMI rose to 52.2 in December, up from 51.7 in November, to signal that manufacturing sector conditions continued to improve and at the fastest rate since September. This extended the current period of manufacturing sector expansion to 28 months.

Indonesia Manufacturing PMI



Singapore's GDP growth rate improved to a pace of 2.8% y/y in the fourth quarter of 2023 according to the advance estimate of GDP from the Ministry of Trade and Industry (MTI). This compared with GDP growth of 1.0% y/y in the third quarter of 2023. For calendar 2023, GDP growth was 1.2%, significantly slower than the growth rate of 3.6% recorded in 2022, when the economy rebounded strongly after the COVID-19 pandemic.

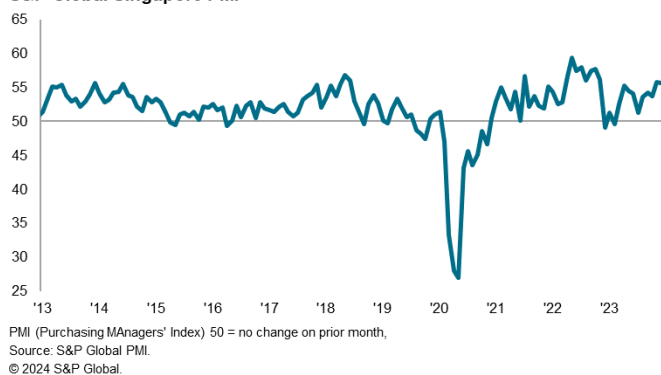
Singapore real GDP growth
% change, year-on-year



The headline seasonally adjusted S&P Global Singapore PMI posted 55.7 in December, edging lower from 55.8 in November. The latest reading signalled a tenth consecutive monthly expansion of Singapore's private sector economy

and signalled continued strong business conditions. Incoming new business continued to rise at the end of 2023, growing at the fastest pace in seven months on the back of better underlying demand conditions.

S&P Global Singapore PMI

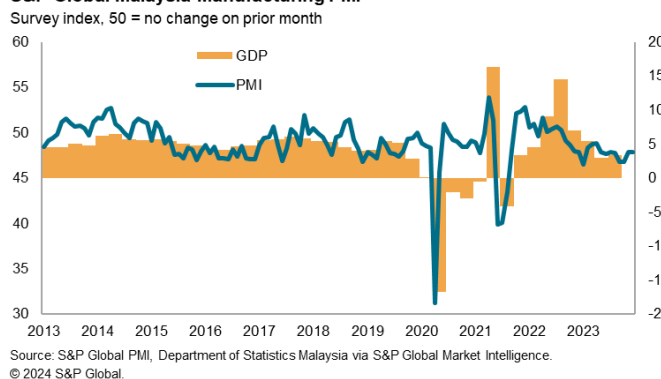


Malaysia's economy showed resilient economic expansion in 2023 at an estimated rate of around 4%, albeit the pace of growth moderated after the buoyant 8.7% GDP growth rate recorded in 2022.

Malaysian GDP growth improved to a pace of 3.3% y/y in the third quarter of 2023, compared with growth of 2.9% y/y in the second quarter of 2023. When measured on a quarter-on-quarter (q/q) basis, the pace of growth strengthened to 2.6% q/q, compared with 1.5% q/q in the second quarter of 2023 and just 0.9% q/q in the first quarter of 2023.

The seasonally adjusted S&P Global Malaysia Manufacturing PMI was unchanged at 47.9 in December, indicating that business conditions remained challenging for manufacturing firms. Demand conditions in international markets remained contractionary, with new export orders falling for the eighth month in a row, but at the softest rate since May.

S&P Global Malaysia Manufacturing PMI



Philippines economic growth remained strong in 2023, with GDP growth improving to a pace of 5.9% y/y in the third quarter of 2023, compared with GDP growth of 4.3% y/y in the second quarter of 2023. The outlook for 2024 is for

continued rapid economic growth, helped by expected gradual easing of monetary policy during the course of 2024.

The headline S&P Global Philippines Manufacturing PMI was at 51.5 in December 2023, continuing to indicate expansionary conditions in the manufacturing sector, albeit moderating from November's nine-month high of 52.7.

Philippines Manufacturing PMI

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



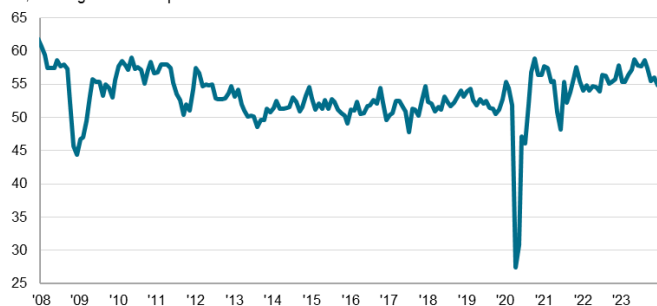
Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Indian economy shows buoyant expansion

In India, GDP growth remained buoyant in the July-September quarter of 2023, at 7.6% y/y, after growth of 7.8% y/y in the April-June quarter. Industrial output has shown strong growth during 2023, with the latest industrial production data showing an 11.7% y/y rise in October. Manufacturing output rose by 10.4% y/y in October, boosted by a 22.6% y/y rise in output of capital goods. Production of infrastructure/construction goods also showed rapid growth in October, rising by 11.3% y/y, while output of consumer durables rose by 15.9% y/y.

India Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI, HSBC.
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Despite falling from 56.0 in November to 54.9 in December, the seasonally adjusted HSBC India Manufacturing PMI, compiled by S&P Global, continued to indicate strong expansion in the Indian manufacturing sector, remaining well above the neutral mark of 50. New orders placed with Indian manufacturers continued to show positive demand conditions in December, albeit moderating from the previous month.

APAC medium-term economic outlook

The medium-term outlook is for continued resilient expansion in the APAC region, with robust domestic demand and in many Asian emerging economies, including mainland China, India, Indonesia, Philippines and Vietnam supporting economic growth momentum.

The positive medium-term outlook for the APAC economy is supported by a number of factors.

Continued strong expansion in domestic consumer markets in large APAC economies, notably mainland China, India and Indonesia, will be an important factor supporting further growth in intra-APAC trade in raw materials, intermediate goods and final manufactured products. Sustained firm economic growth is driving rapid growth in per capita GDP in many of Asia's largest emerging markets, helping to boost demand for a wide range of goods and services in Asian consumer markets.

An important medium-term strength for many APAC industrial economies is their global competitiveness in the electronics manufacturing supply chain. Electronics production is an important part of the manufacturing export sector for many Asian economies, including South Korea, mainland China, Japan, Malaysia, Singapore, Philippines, Taiwan, Thailand and Vietnam. India also rapidly building up its electronics manufacturing sector. Furthermore, the electronics supply chain is highly integrated across different economies in East Asia.

The medium-term outlook for Asian electronics manufacturing is supported by many key growth drivers. This includes continued 5G rollout over the next five years, which will continue to support demand for 5G mobile phones, as well as demand growth for electronics products that integrate artificial intelligence capabilities. Demand for industrial electronics is also expected to grow rapidly over the medium term, helped by Industry 4.0, as industrial automation and the Internet of Things boosts rapidly growth in demand for industrial electronics.

APAC auto manufacturing hubs are also benefiting from the global transition to electric vehicles (EV), which is driving demand for EV exports produced in mainland China, Japan and South Korea. In early 2023, Hyundai started assembly of Ioniq 5 EVs at its new Hyundai Motor Group Innovation Center in Singapore. Indonesia has also benefited from strong foreign direct investment flows from multinationals to build new nickel smelters and electric vehicle battery plants.

With international tourism travel recovering strongly following the COVID-19 pandemic, the tourism industry is expected to be another important growth driver for APAC exports over the medium-term. Over the medium-term outlook,

international tourism flows to the APAC region are expected to show strong growth, helped by rapidly rising household incomes in large Asian economies, notably mainland China, India and Indonesia.

The rapid growth of APAC exports is also expected to be strengthened by the APAC regional trade liberalization architecture. This includes the large Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) multilateral trade agreements as well as the growing network of major bilateral FTAs involving APAC economies.

Overall, the medium-term economic outlook for the APAC region remains positive. APAC is already the largest region of the global economy measured in terms of size of nominal GDP, with emerging Asia expected to continue to grow rapidly over the decade ahead.

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