Weekly Research Views (WRV)

Global Markets Research & Strategy

6th February 2024

Weekly Macro Update

Key Global Data for this week:

5th February	6th February	7th February	8th February	9th February
- **TH** CPI YoY - **SI** Retail Sales YoY - **AU** Trade Balance - **ID** GDP YoY	- **AU** RBA Cash Rate Target - **TA** CPI YoY - **PH** CPI YoY 2018=100 - **UK** S&P Global UK Construction PMI	- **TH** BoT Benchmark Interest Rate - **NZ** Unemployment Rate - **US** MBA Mortgage Applications - **US** Trade Balance	- **CH** CPI YoY - **IN** RBI Repurchase Rate - **JN** BoP Current Account Balance - **CH** PPI YoY	- **CH** Money Supply M2 YoY - **TH** Foreign Reserves - **GE** CPI EU Harmonized YoY - **JN** Money Stock M2 YoY

Summary of Macro Views:

Global	• **Global:** Central Banks • **Global:** Central Bank Watch • **Global:** IMF Outlook Presents Soft Landing in Sight • **Global:** US Labour Market Still Tight • **Global:** South Korea IP and Exports Sees Modest Gains • **Global:** Eurozone Avoids Recession; Inflation Nudges Downwards • **Global:** A Look at Global Manufacturing PMIs
Asia	• **SG:** Labour Market and Business Expectations • **SG:** Positive on Employment and Manufacturing Sentiment • **SG:** December Retail Sales Declined but should Stabilize in 2024 • **CN**: Fiscal Room • **CN**: Towards Stabilisation in Manufacturing • **HK:** 2023 Full Year Real GDP Growth at 3.2% • **HK:** Stay Cautious to the Negative Income Effect • **MO:** Solid Growth in Gaming Revenue in January

Asia	• **ASEAN:** Tourism Stepped Up in 2023; More to Come in 2024 • **ID:** Steady Inflation at the Start of 2024 • **ID:** Uneven Growth Pick Up in 4Q23 • **PH:** Weak End to 2023 • **TH:** BOT To Stay on Hold Despite Negative CPI • **TH:** Mixed December Activity
Asset Class	• **Oil:** Prices Lower Despite Geopolitical Tensions • **ESG:** New Sustainable Finance Body in Singapore • **FX & Rates:** Resilient

Source: Bloomberg, OCBC

Global: Central Banks

Forecast – Key Rates

Reserve Bank of Australia (RBA)	Bank of Thailand (BoT)	Reserve Bank of India (RBI)
Tuesday, 6th February	**Wednesday, 7th February**	**Thursday, 8th February**

House Views

Cash Rate	*Benchmark Interest Rate*	*Repurchase Rate*
Likely *hold at 4.35%*	**Likely *hold at 2.50%***	**Likely *hold at 6.50%***

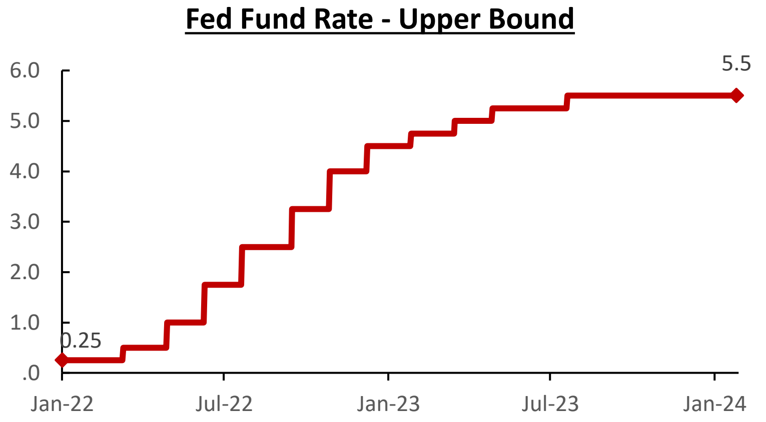
Source: Bloomberg, OCBC.

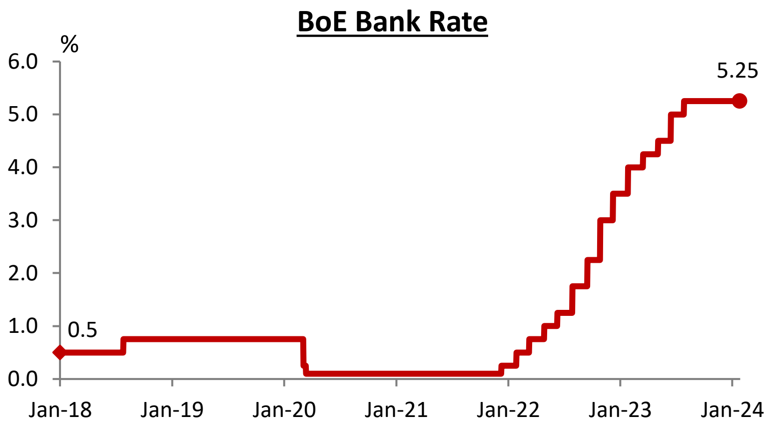
Global: Central Bank Watch

- The FOMC voted unanimously to keep the Fed funds rate target range unchanged at 5.25-5.50%; the Committee will also continue with the current pace of QT. There is an explicit pivot in the statement, in that "the Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent". In the December statement, it stated "in determining the extent of any additional policy firming that may be appropriate to return inflation to 2 percent over time…" Hence, the decision to be made has changed from judging whether "additional policy firming" is needed to judging when is appropriate "to reduce the target range". Our base-case remains for a total of 100bps of rate cuts this year, with the easing cycle likely starting in Q2.
- The BoE outcome was a mixed bag, and the key takeaway is that there is a pivot in the monetary stance but the hurdle for a rate cut to materialise near-term is high. We review the three aspects of the BoE outcome that we watched:

1. Split of vote. The BoE kept its Bank Rate unchanged by a "6-3" vote – two members preferred a 25bp hike and one preferred a 25bp cut, making it a 2-6-1 three-way split as we have flagged but two members voting for a hike was slightly more hawkish than expected
2. The MPC Statement. Regarding the outlook for monetary policy, the MPC statement indeed dropped the sentence of "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures" and replaced it with "the Committee will keep under review for how long Bank Rate should be maintained at its current level"
3. Inflation outlook. The BoE now expects inflation to reach the 2% target earlier – "temporarily to the 2% target in 2024 Q2", instead of "by the end of 2025". However, inflation is expected to rebound in Q3 and Q4 with inflation forecasts being revised upward for 2025 and 2026 as well.

We maintain our base-case of 75bps of cuts this year with the easing cycle likely starting around mid-2024 or later





Source: Bloomberg, OCBC.

Global: IMF Outlook Presents Soft Landing in Sight

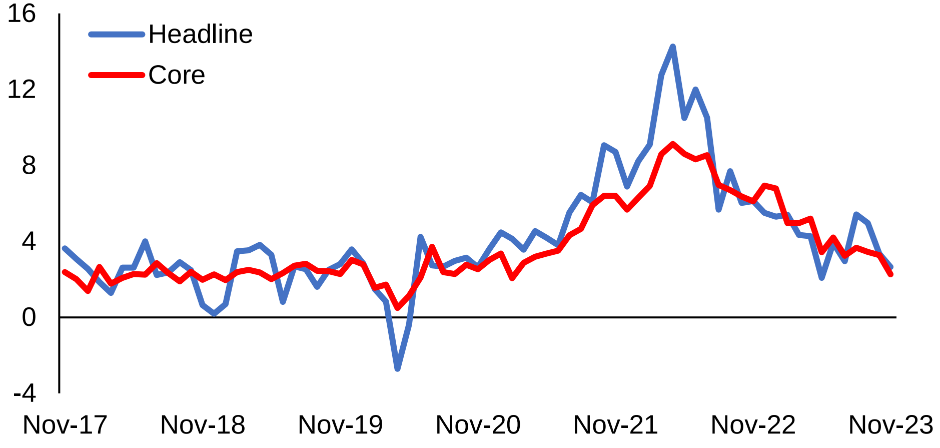
- The IMF highlighted that a global soft landing is in sight as the likelihood of a hard landing recedes. It upgraded the global growth forecast while revising the lower global inflation trajectory in its January 2024 World Economic Outlook update.
- Global GDP is expected to grow by 3.1% in 2024 (0.2pp higher from Oct-23 WEO) before accelerate to 3.2% in 2025, on account of greater-than-expected resilience in the US, (some) emerging markets, and fiscal support in China. However, it remains below the historical (2000-2019) average of 3.8% due to restrictive monetary policies, reduced fiscal support, and low productivity growth.
- Global headline inflation is expected to decrease to 5.8% in 2024 and 4.4% in 2025 from an estimated 6.8% in 2023, with the 2025 forecast revised 0.2pp lower. Recent monthly readings show inflation falling faster-than-expected, approaching pre-pandemic levels for both headline and underlying (core) inflation, thanks to favourable global supply developments.

Real GDP Growth (% YoY) of Selected Economies/Regions	Actual	Estimate	Projections		Difference from October 2023 WEO Projections*	
	2022	2023	2024	2025	2024	2025
World Output	**3.5**	**3.1**	**3.1**	**3.2**	**0.2**	**0.0**
Advanced Economies	**2.6**	**1.6**	**1.5**	**1.8**	**0.1**	**0.0**
United States	1.9	2.5	2.1	1.7	0.6	–0.1
Euro Area	3.4	0.5	0.9	1.7	–0.3	–0.1
Japan	1.0	1.9	0.9	0.8	–0.1	0.2
Emerging Market and Developing Economies	**4.1**	**4.1**	**4.1**	**4.2**	**0.1**	**0.1**
China	3.0	5.2	4.6	4.1	0.4	0.0
India**	7.2	6.7	6.5	6.5	0.2	0.2
ASEAN-5***	5.5	4.2	4.7	4.4	0.2	–0.1

Note: *Difference based on rounded figures for the current and October 2023 WEO forecasts. Countries for which forecasts have been updated relative to October 2023 WEO forecasts account for approximately 90 percent of world GDP measured at purchasing-power-parity weights. ** For India, data and projections are presented on a fiscal year (FY) basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.7 percent in 2024 and 6.8 percent in 2025 based on calendar year. ***Indonesia, Malaysia, Philippines, Singapore, and Thailand. Source: IMF.

Global Inflation

(Month-over-month annualised percent change, seasonally adjusted)

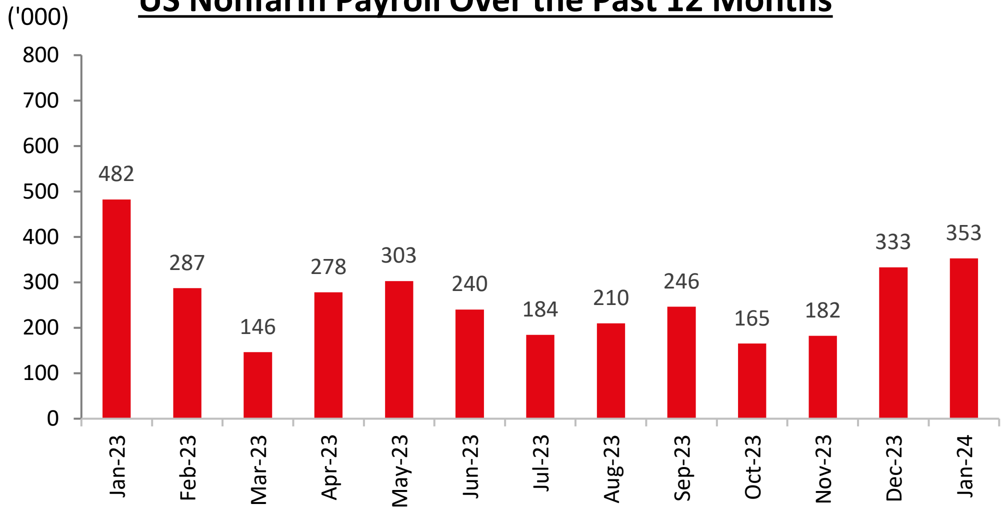


Source: IMF, OCBC.

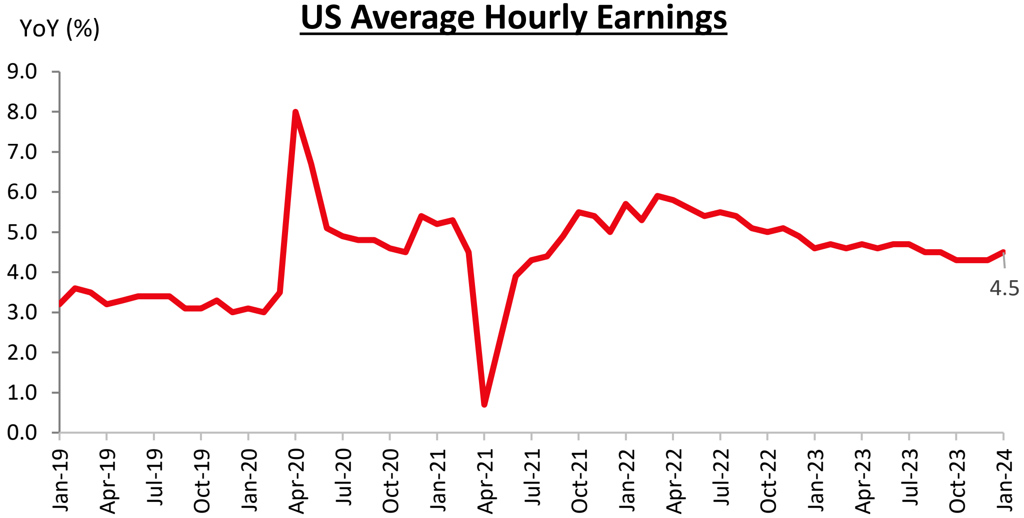
Global: US Labour Market Still Tight

- US jobs data is still coming in hotter than expected. January nonfarm payrolls surprised at 353k (consensus forecast 170k) with the past two months data also revised up by a whopping 126k. The unemployment rate was unchanged at 3.7% while the average hourly earnings accelerated to 0.6% MoM (4.5% YoY).
- Nonetheless, we posit that signs of weakness have begun to sprout. The U-6 measure of unemployment which includes discouraged workers and those holding part-time jobs edged higher to 7.2% (Dec: 7.1). Average weekly working hours remains on a downtrend, falling to 34.1h, from 34.3h in December with retail trade notably seeing a decline to 29.1 hours. This is the lowest data print since 2006, implying that employers chose to reduce hours instead of laying off staff. The BLS household survey also indicated that employment fell 31k. Last week, ADP employment fell sharply, employment for ISM services remains below 50 while employment cost index also fell. Observing seasonality trends, NFP for Jan 2023 also saw a bumper reading of +482k before seeing downward revisions in subsequent months.

US Nonfarm Payroll Over the Past 12 Months



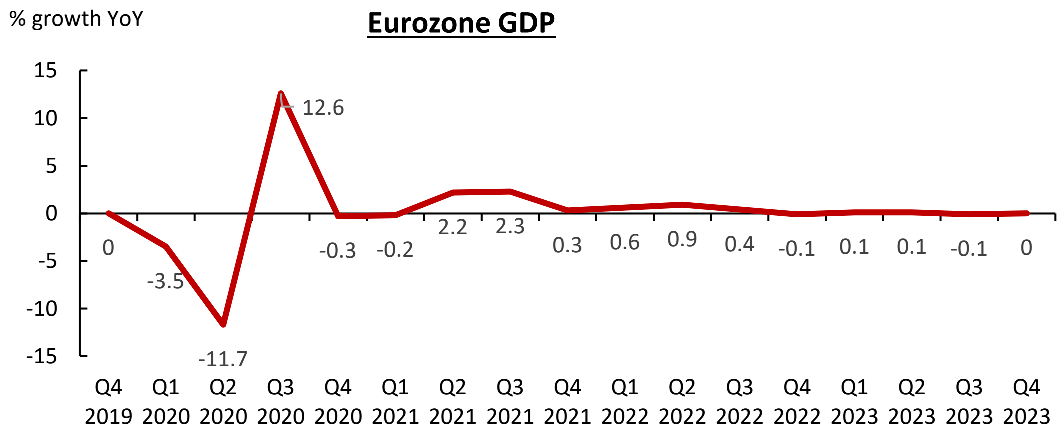
US Average Hourly Earnings

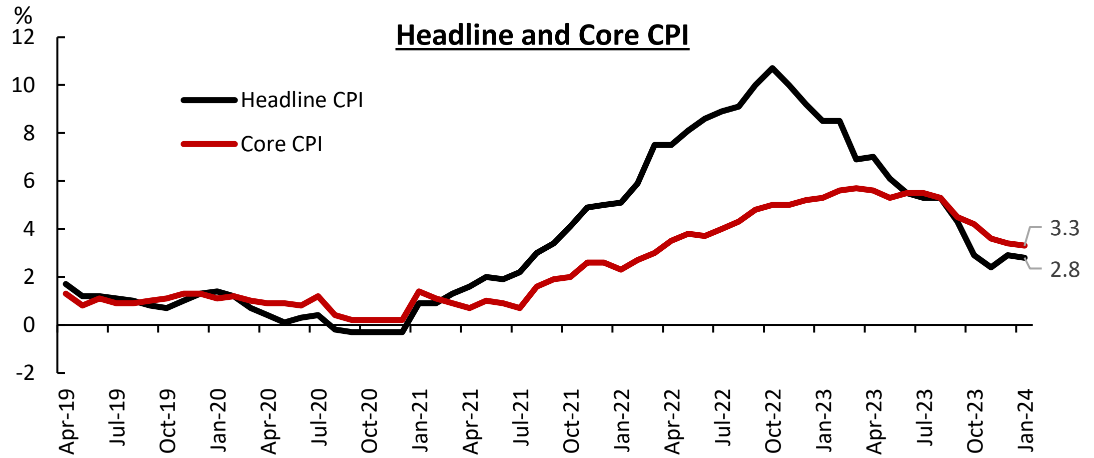


Source: BLS, OCBC.

Global: Eurozone Avoids Recession; Inflation Nudges Downwards

- Advance estimates for 4Q23 show the bloc narrowly avoiding a recession with GDP staying flat at 0.0% QoQ following a contraction of 0.1% in Nov (Consensus: -0.1%). France saw a 0.9% QoQ expansion to counter the -0.3% decline in Germany, while Italy, Spain and Austria grinded out gains of 0.2%, 0.6% and 0.2% respectively.
- On prices, headline inflation slowed to 2.8% YoY in January (Dec: 2.9%, consensus: 2.7%), driven by energy disinflation which printed -6.3% YoY against -6.7% prior. Price rises for food, alcohol and tobacco also slowed to 5.7% YoY from 6.1% in December. Core inflation eased further to 3.3% YoY from 3.4% in December. Services inflation remained steady at 4.0% YoY and price rises for non-energy industrial goods fell to 2.0% YoY against 2.5% prior.
- The slowdown in energy disinflation and still sticky services inflation will give reason for hawks in the Governing Council to push back against a pre-summer cut. Markets will watch how the removal of subsides by governments across the region may impact energy bills, and if upside risks from rising shipping costs from tensions in the Middle East materialise. We maintain our view for the ECB to begin its easing cycle in June, cumulating to 75 bps of cuts for 2024.

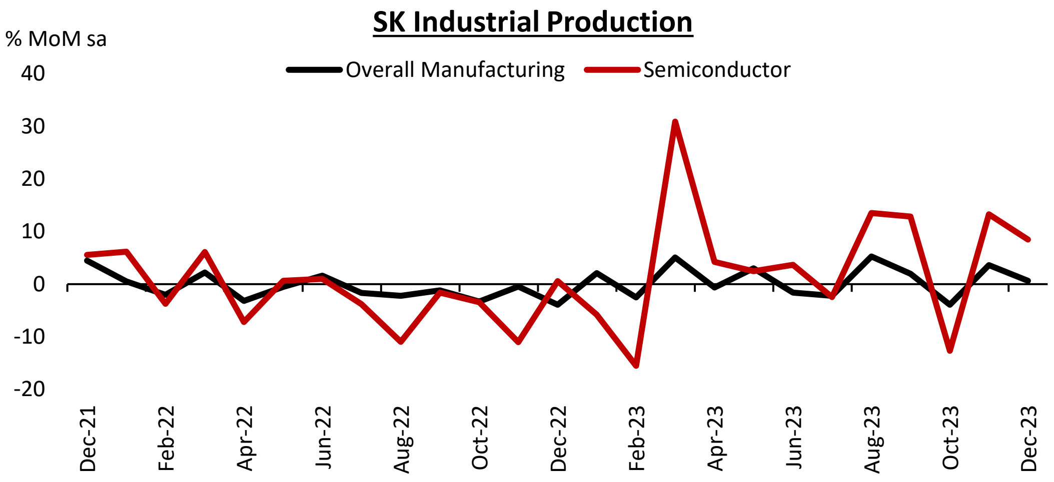


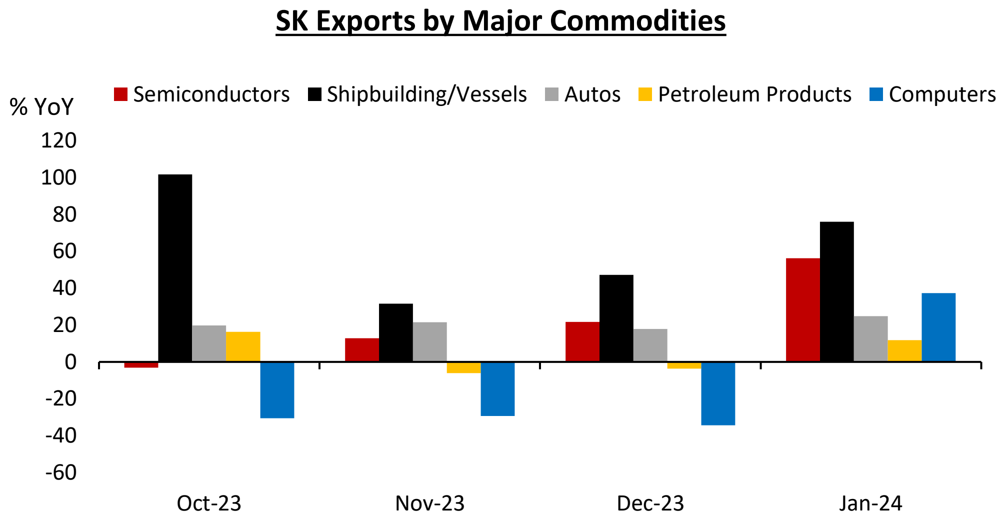


Source: Eurostat, OCBC.

Global: South Korea IP and Exports Sees Gains

- December industrial production grew 0.6% MoM sa following a 3.6% expansion in November, surprising to the upside consensus expectations of 0.1%. Gains in semiconductor output cushioned the decline in IP for December, having increased 8.5% MoM sa following strong growth of 13.2% prior. Automobile output saw gains of 4.7% MoM sa as well while a drop was seen in communications and broadcasting equipment which fell 34.7% MoM sa.
- Meanwhile, exports grew 18.0% YoY in January (Dec: 5.0%) to USD54.7bn, buttressed by solid expansions in semiconductor shipments by 56.2% YoY (Dec: 21.7%), auto exports at 24.8% YoY (Dec: 17.9%) and shipbuilding exports at 76% YoY (Dec: 47.2%). Notably, exports of computers reversed its decline in December by rising 37.2% YoY from -34.5%.
- Looking ahead, last week's hard data is constructive for 1Q24 growth, and we view robustness in semiconductor exports and IP to be indicative of a potential bottoming out of the electronics downcycle.



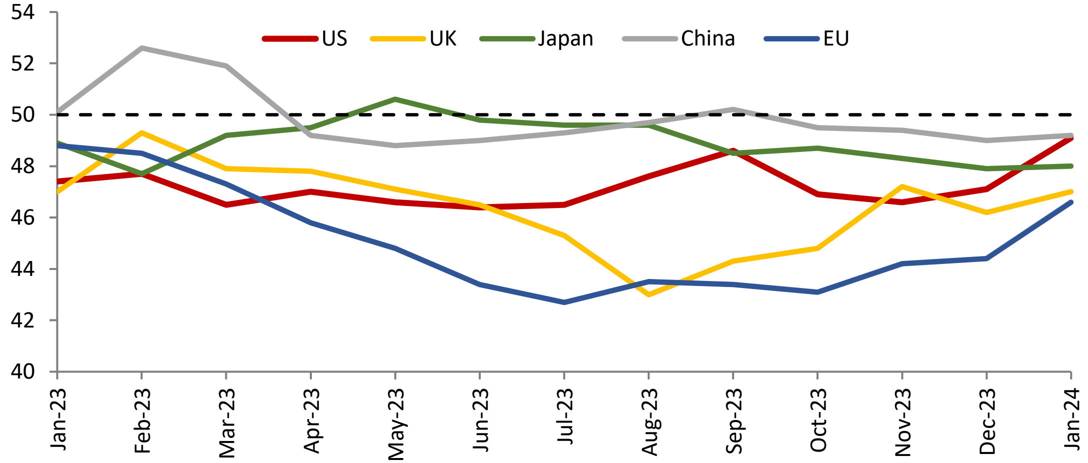


Source: Statistics Korea, OCBC.

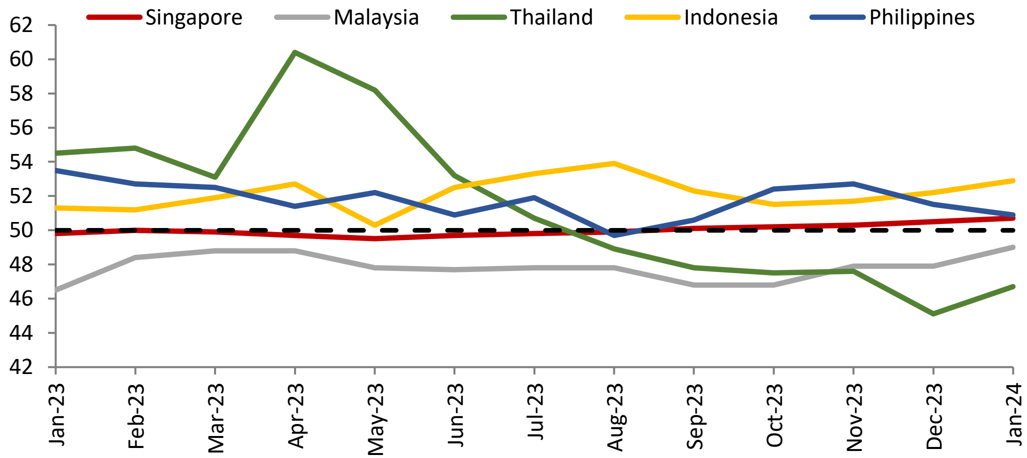
Global: A Look at Global Manufacturing PMIs

- January manufacturing PMI readings painted a picture of a sector still in recovery mode as contractions slowed in some major economies and bright spots were found within ASEAN.
- Improvements were observed in the US ISM (Jan: 49.1 vs. Dec: 47.1), Eurozone PMI (Jan: 46.6 vs. Dec: 44.4) and UK PMI (Jan: 47.0 vs. Dec: 46.2), while official PMI for China and Jibun Bank Japan PMI was steady at 49.2 and 48.0.
- Similar improvements were seen in Malaysia and Thailand, albeit still in contraction, while the Philippines remained in expansion. Faster expansion was seen in Indonesia and Singapore. Collectively, the ASEAN manufacturing PMI rose to 50.3 in January, marking the first expansion in five months. The renewed improvement in operating conditions was due to increased output amid a further reduction in backlogs. Looking ahead, ASEAN manufacturers express optimism in the 12-month outlook for output, but overall sentiment remains below historical averages.

Global Manufacturing PMI



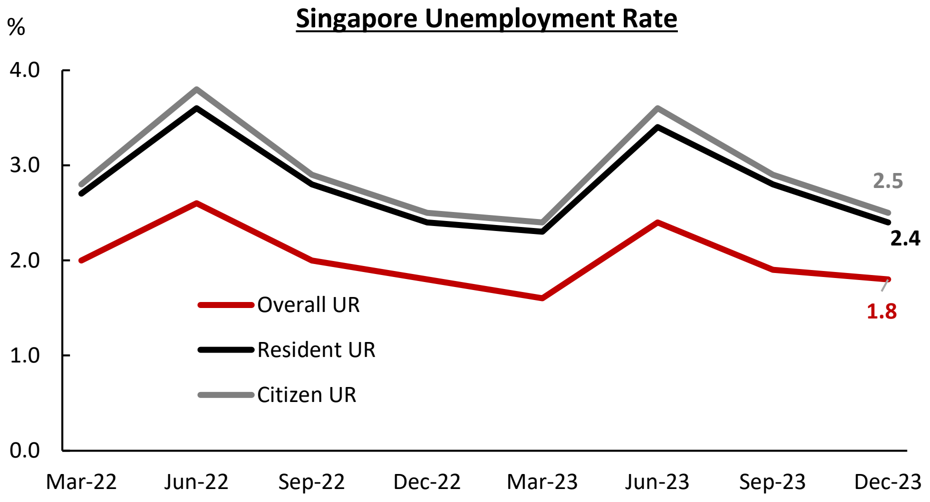
ASEAN Manufacturing PMI

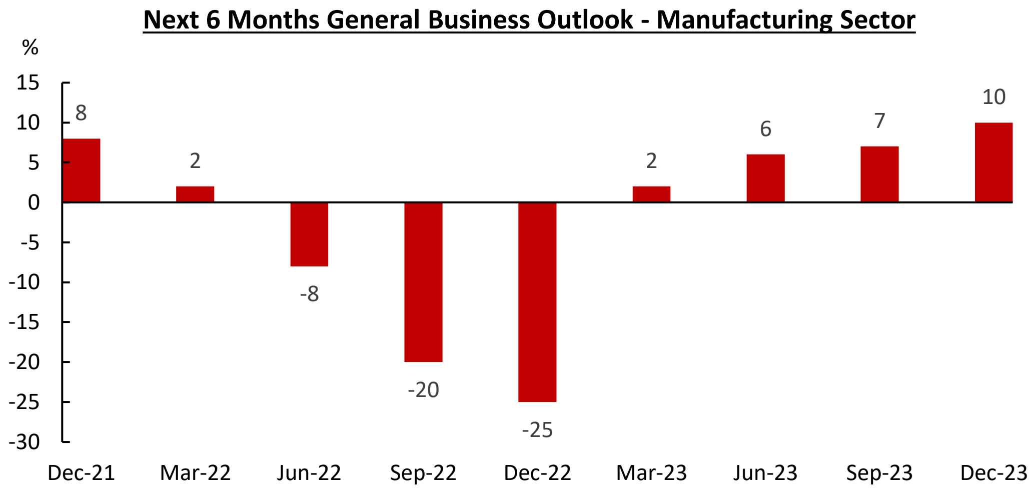


Source: S&P Global, Bloomberg, OCBC.

SG: Positive on Employment and Manufacturing Sentiment

- Labour market advance estimates by MoM reported that employment grew for the 9th straight quarter by 8.4k in 4Q23 and retrenchments eased to 3.2k (3Q: 4.1k), keeping the overall unemployment rates steady at 2.0% (resident: 2.8% and citizens: 2.9%). The proportion of firms looking to hire and increase wages in the next three months also rose to 47.7% and 32.6% respectively, after declining for two consecutive quarters to 42.8% and 18.0% in 3Q23, suggesting that any cooling in the domestic labour market is likely to remain contained.
- The EDB's Business Expectations report for January showed manufacturing firms turning positive, with a net 10% anticipating a better 6 months ahead for January – June 2024, led by the electronics sector amid hopes of a recovery in global demand, followed by the transport engineering (supported by the strong MRO activities). For the services firms, only a net 5% expect a more favourable business outlook for 1H24, which is down from +9% three months ago – while most accommodation, retail trade, finance & insurance are still bullish, the converse is true for transportation & storage (possibly attributable to geopolitical tensions in the Red Sea since water transport firms are turning reduced market demand), F&B (once the festive season concludes) and professional services (potentially the consulting, accounting, law and marketing firms are seeing a moderation in demand).



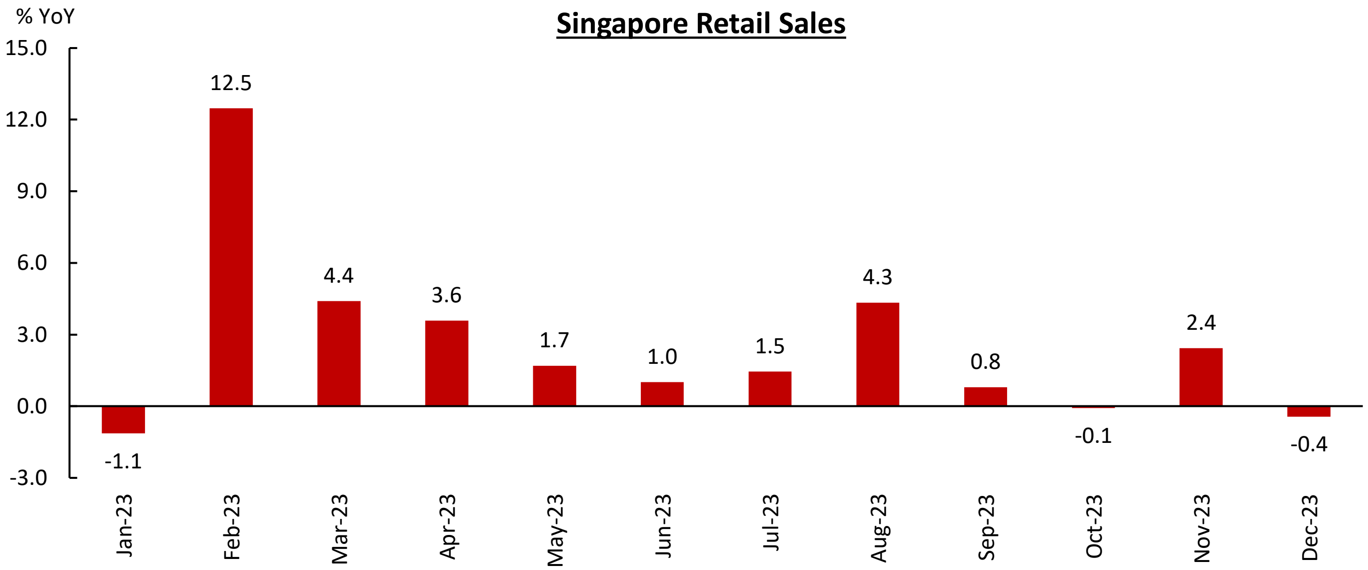


OCBC

Source: MoM, EDB, OCBC.

SG: December Retail Sales Declined but should Stabilize in 2024

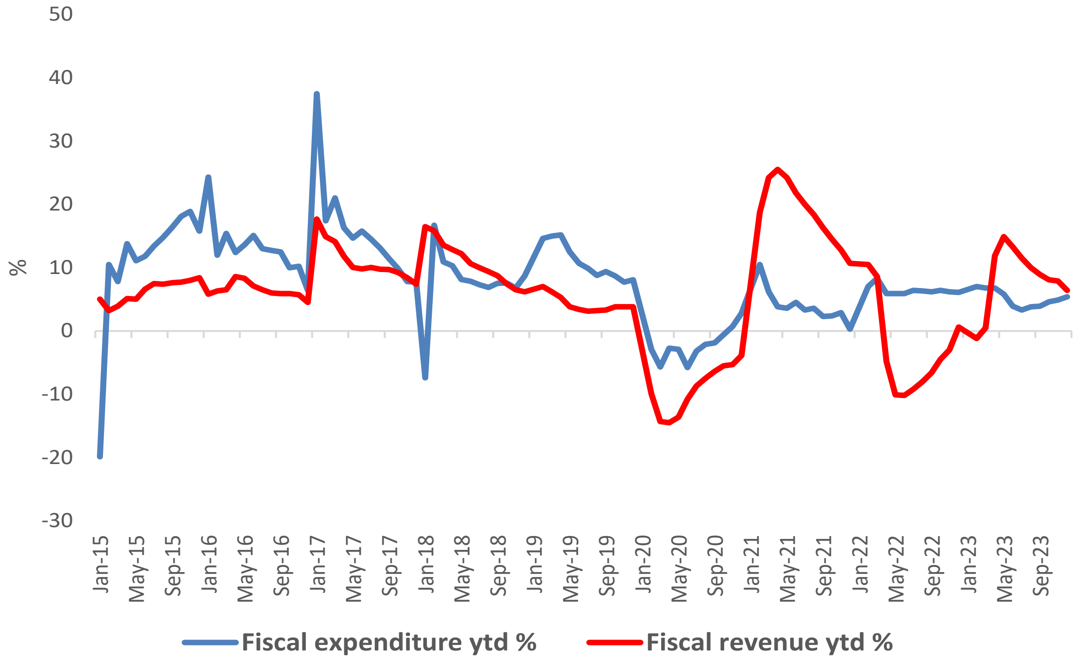
- December retail sales declined by 0.4% YoY (-1.5% MoM sa), better than our forecast of -4.7% YoY and consensus forecast of -3.1% YoY. The declines were broad-based, spanning recreational goods, optical goods & books, furniture & household equipment, mini marts & convenience stores, department stores, petrol services stations etc. In contrast, motor vehicle sales soared 23.8% YoY (11.3% MoM sa) as COE premiums moderated in December (vis-à-vis the record highs seen in mid-October) due to the increase in COE quota, whilst sales of food & alcohol and computer & telecom equipment increased 4.4% YoY (-1.3% MoM sa) and 1.9% YoY (-1.0% MoM sa) respectively. The data prints are suggestive that persistent inflation is taking a toll, and while domestic private consumption is still strong, there are tentative signs of local consumers turning more selective about their expenditure patterns.
- For 2024, retail sales may improve modestly to 3-4% YoY if the domestic labour market does not cool too much, thus providing some support to private consumption, and should visitor arrivals and tourism receipts improve. Note the STB forecasts international visitor arrivals and tourism receipts at 15-16 million and S$26-27.5b respectively for 2024, up from 2023's estimated 13.6 million and S$24.5-26bn.

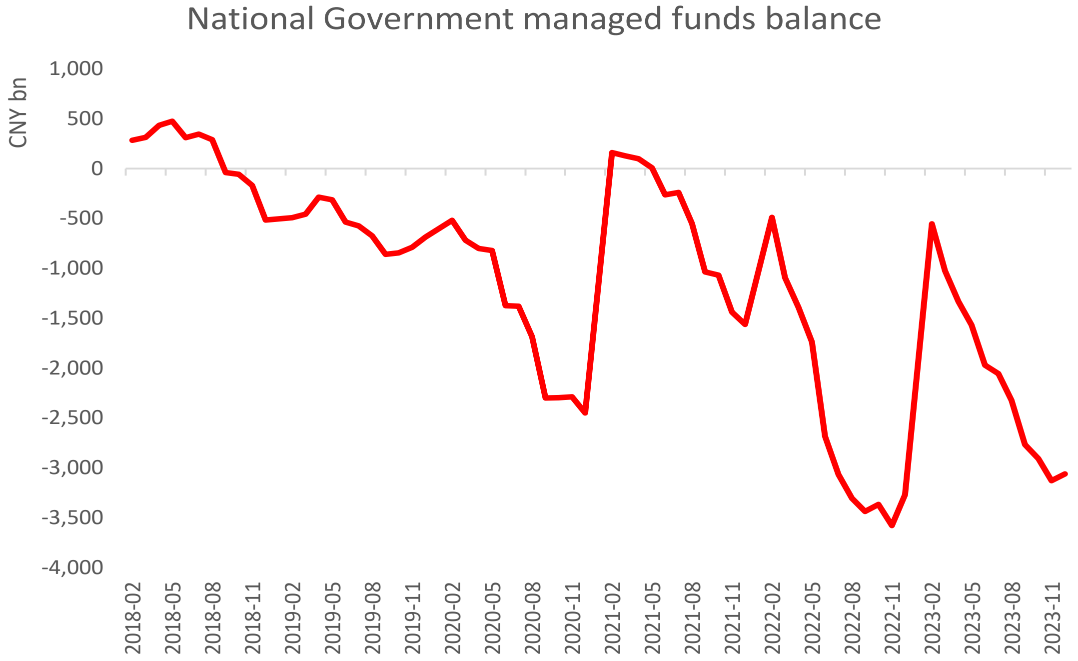


Source: Singstat, OCBC.

China: Fiscal Room

- Fiscal revenue registered a solid 6.4% YoY growth while fiscal expenditures also increased by 5.4% YoY in 2023. The deficit of 5.779 trillion yuan aligns closely with the initial target of 5.783 trillion yuan. This indicates that a substantial portion of the trillions of yuan issued in government bonds in the fourth quarter of 2023 remains unspent, likely to be carried over into the fiscal year 2024. Overall, the available surplus and unspent funds from government bond issuance provide a financial cushion, paving the way for more proactive fiscal policy.



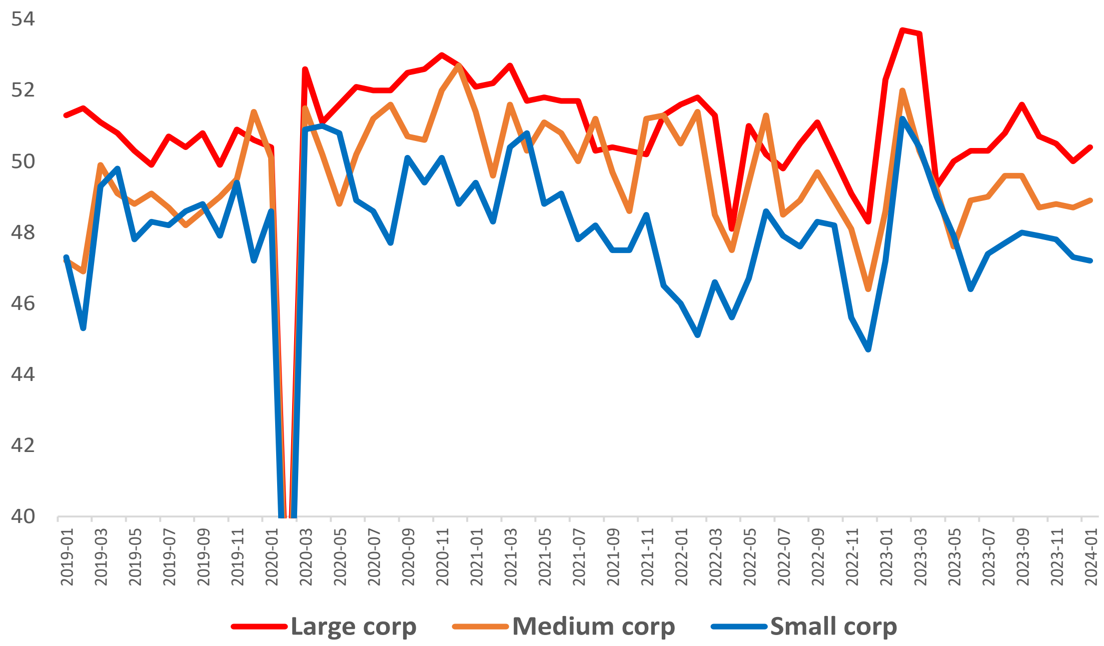


Source: Wind, CEIC, OCBC

China: Towards Stabilisation in Manufacturing

- Manufacturing Purchasing Managers' Index (PMI) exhibited a modest rebound, rising by 0.2 to reach 49.2. This sequential improvement of 0.2 surpassed the typical seasonal pattern where January PMI tends to dip lower than December PMI. The positive shift in manufacturing PMI aligns with high-frequency data for January, indicating a trend towards stabilization in the manufacturing sector.

- The recovery in production remains robust, outpacing demand.



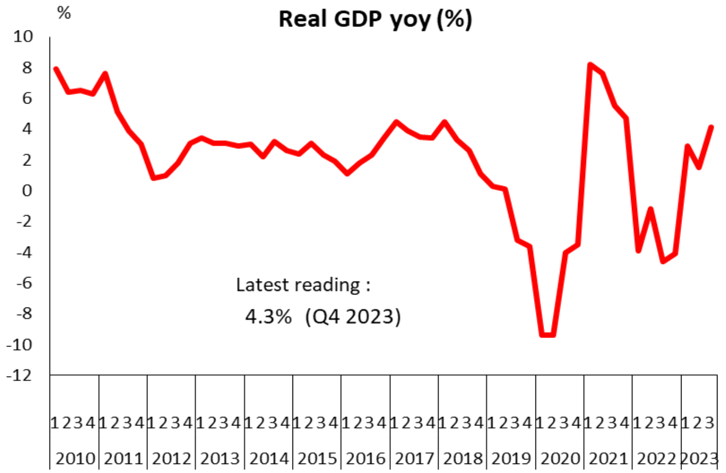
Source: Wind, CEIC, OCBC.

HK: 2023 Full Year Real GDP Growth at 3.2%

- According to advance estimate, real GDP growth accelerated to 4.3% YoY in the fourth quarter of 2023, up from that of 4.1% in the third quarter, albeit still below market estimates. On a seasonally adjusted basis, real GDP rose by 0.5% QoQ and momentum remained relatively weak. For 2023 as a whole, Hong Kong's real GDP grew by 3.2% YoY, matching our estimate.

- Exports of services and private consumption continued to be the growth driver, though the latter continued to lose momentum. Exports of services continued to grow at a brisk pace of 22.1% YoY in 4Q (3Q: +23.2% YoY), while that of private consumption expenditure expanded by a much slower pace of 3.5% YoY (3Q: +6.2% YoY). During the quarter, overall investment also rebounded sharply, in tandem with the economic recovery. The gross domestic fixed capital formation rose by 15.7% YoY during the period (3Q: +21.8% YoY).

- Meanwhile, major drags on growth stemmed from the sluggish merchandise exports, though it reverted to growth of 2.8% YoY (3Q: -8.7% YoY), due to a low base. On the other hand, on the back of scaled back stimulus package, government consumption expenditure dropped by 5.2% YoY (3Q: -4.0% YoY).



YoY Change (%)	2022	2023	1Q	2Q	3Q	4Q
GDP	-3.7	**3.2**	*2.9*	*1.5*	*4.1*	***4.3***
Private consumption expenditure	-2.2	**7.4**	*12.7*	*7.8*	*6.2*	***3.5***
Government consumption expenditure	8.0	**-4.3**	*1.3*	*-9.7*	*-4.0*	***-5.2***
Gross domestic fixed capital formation	-7.4	**10.6**	*8.6*	*-1.9*	*21.8*	***15.7***
Exports of services	-0.5	**21.2**	*16.6*	*23.0*	*23.2*	***22.1***

OCBC

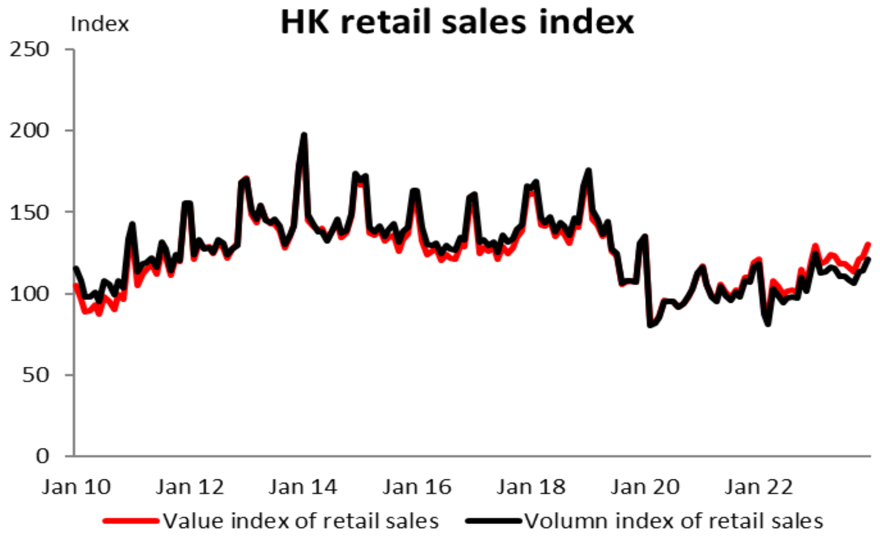
Source: HK Census and Statistics Department, OCBC

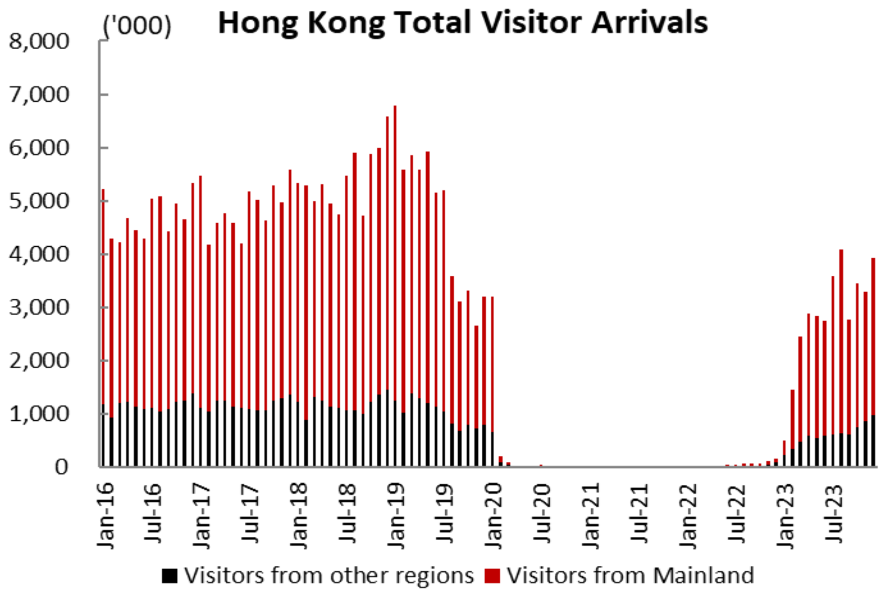
HK: Stay Cautious to the Negative Income Effect

- In December 2023, total retail sales missed the market estimate, rising by 7.8% YoY and 4.8% YoY in value and volume terms respectively. For 2023 as a whole, total retail sales went up sharply by 16.2% YoY and 12.4% YoY respectively in value and volume terms, amid solid recovery in inbound tourism.

- On sequential terms, total value and volume of retail sales rose by 6.3% and 6.5% respectively in December, thanks to the Christmas and New Year holidays during the month. Breakdown by component, sales value rose sequentially across the board, except for “consumer durable goods” (-13.5% YoY), “fuels” (-2.5% mom), and “department stores” (-1.6% mom).

- We expect consumption sentiment in the near-term to be dented by the negative wealth effect resulting from corrections in local equity and housing market, though the sustained recovery of inbound tourism should more than offset the drag on retail sales.



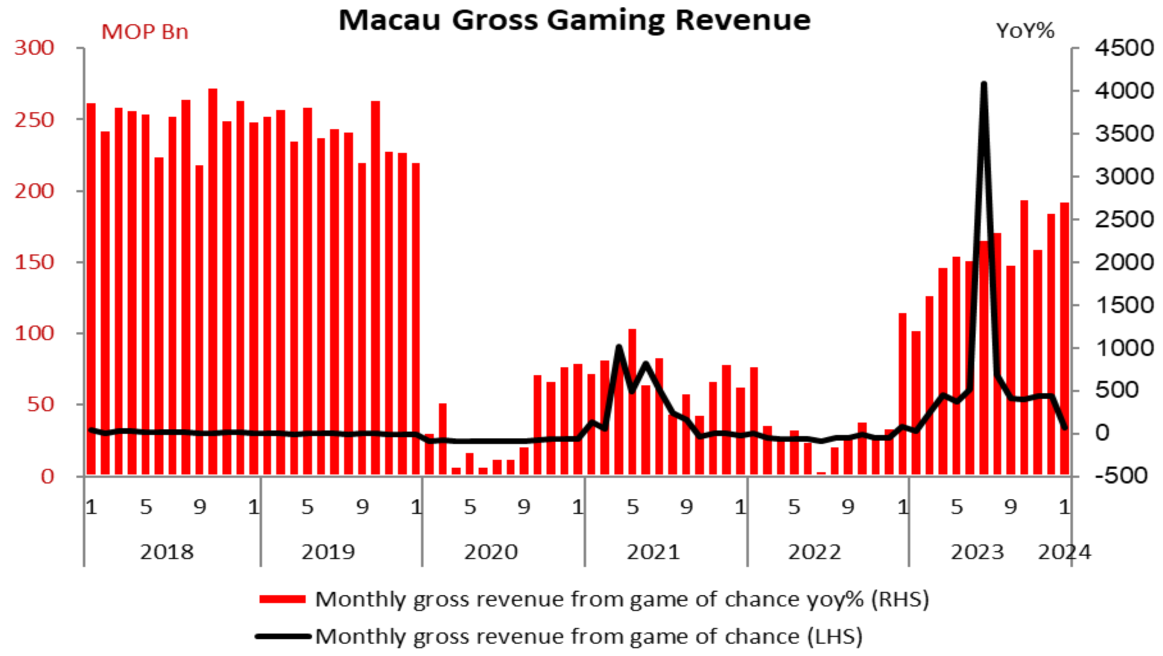


Source: HK Census and Statistics Department, OCBC

MO: Solid Growth in Gaming Revenue in January

- Casino gross gaming revenue continued to record solid growth in January 2024. The gross gaming revenue grew by 4.1% MoM to and 67.0% YoY to MOP19.34bn in January, the second highest monthly tally since the pandemic. Comparing with the same period in 2019, the gross gaming revenue in January was down 22.5%, partly due to the Chinese New Year holiday falling in February instead of January this year.

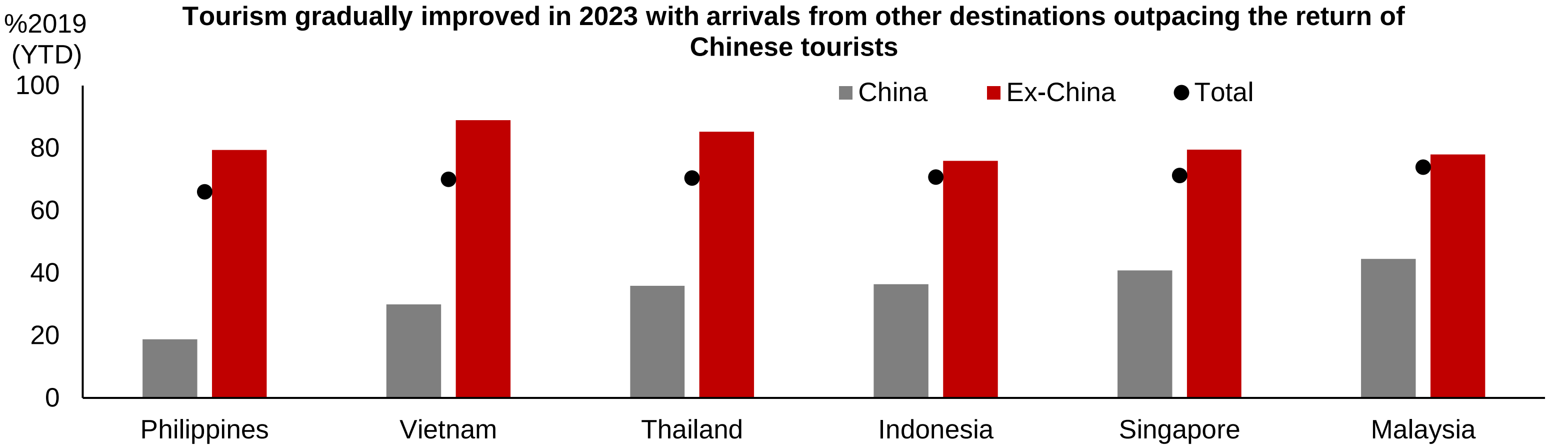
- Further recovery in inbound tourism sector should continue to underpin growth (increase in visitor arrivals more than offsetting the decline in per capita spending). The economy is likely to return to the pre-Covid level in 2024, given the current trajectory. Nonetheless, the full year growth is likely to decline, given the less favourable base effect. We tip the real GDP growth rate at 16% in 2024.



Source: DSEC, OCBC

ASEAN: Tourism Stepped Up in 2023; More to Come in 2024

- While tourism picked up significantly in 2023, the trends were mixed across the ASEAN-6 region in terms of tourist arrivals. Tourist arrivals from China were still well below pre-pandemic levels but were higher for Malaysia and Singapore. While tourist arrivals ex-China were strongest in Vietnam, Thailand, the Philippines, and Singapore.
- The details for each country make for an interesting picture. Tourist arrivals into the Philippines was the lowest, 66% of 2019 levels, with arrivals from China at only 19% of 2019 levels. But tourist arrivals outside of China (ex-China) were a respectable 79.5% of 2019 levels. For Vietnam, tourist arrivals from China were low at 30% of 2019 levels. However, tourist arrivals from other countries were solid at 89% of 2019 levels, and the highest in the ASEAN-6 region.
- By contrast, for Indonesia and Malaysia (data available only until November 2023), ex-China tourist arrivals were much lower at ~76-78% of 2019 levels. Tourist arrivals from China were, however, better than most regional peers for Indonesia and Malaysia at 36.5% and 44.5%, respectively. For Singapore, tourist arrivals from China reached ~41% of 2019 levels last year, while ex-China, arrivals were lower at 79.5%. For Thailand, the picture was more balanced. Chinese tourists accounted for ~36% of total tourists while ex-China tourists were 85% of 2019 levels.



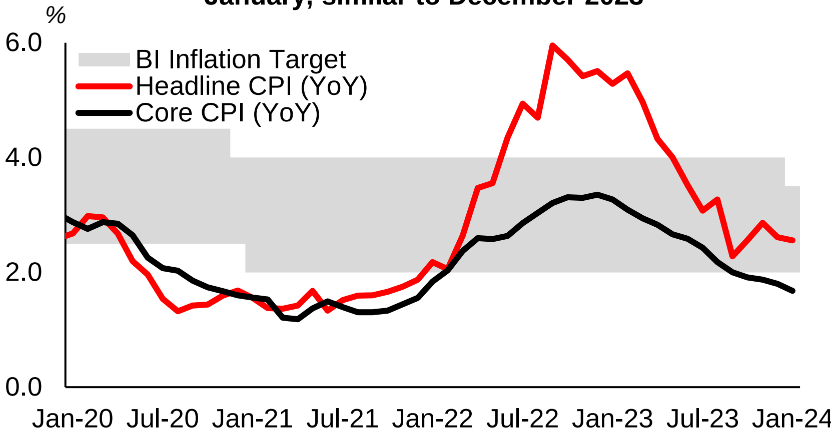
Source: CEIC; OCBC. Data for Indonesia and Malaysia are until November 2023; full year 2023 for the Philippines, Singapore, Thailand and Vietnam.

OCBC

Indonesia: Steady Inflation at the Start of 2024

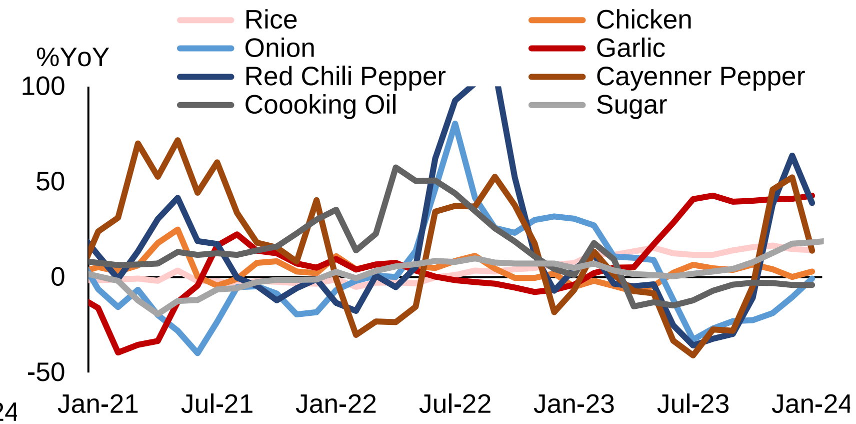
- The headline CPI remained unchanged at 2.6% YoY in January, similar to December 2023, and in line with our forecast. Core inflation eased slightly to 1.7% YoY in January from 1.8% in December.
- The main drivers of January CPI were lower 'food,' 'transportation,' and 'personal care' inflation. Specifically, food inflation eased to 5.8% YoY in January from 6.2% in December, although a closer look indicates that price pressure for key staples remains high. Meanwhile, transportation inflation eased to 1.1% YoY in January from 1.3% in December, reflecting modestly lower retail fuel prices.
- Looking ahead, we maintain our average 2024 headline CPI forecast of 3.1% YoY (2023: 3.7%). Further evidence of easing inflation, with IDR depreciation pressures becoming more manageable, will allow BI to lower its policy rate by a cumulative 125bp starting 2Q24 - mirroring our timeline for rate cuts from the US Federal Reserve.

Headline CPI remained unchanged at 2.6% YoY in January, similar to December 2023



Source: Statistics Indonesia (BPS), Bank Indonesia, CEIC, OCBC.

Staples such as rice, garlic, chili, and sugar price remains elevated



Source: Bank Indonesia, OCBC.

Components	New Weight	Old weight
Food, Beverage and Tobacco (FBT)	27.9	25.0
Clothing and Footwear (CF)	4.9	5.4
Housing, Water, Electricity & Other Fuel (HWEF)	15.5	20.4
Household Equipment & Routine Maintenance (HHE)	5.0	6.0
Health	3.2	2.6
Transportation	12.6	12.4
Information, Comm & Financial Service (ICFS)	9.1	5.8
Recreation, Sports, and Culture (RSC)	1.8	2.1
Education	5.7	5.6
Food and Beverage Provision/Restaurant	10.1	8.7
Personal Care and Other Services (PCS)	6.3	5.9

Note: The new weights are OCBC's calculation based on the provided annual inflation rate and percentage point contribution. Source: BPS, CEIC, OCBC.

Source: BPS, CEIC, OCBC.

Indonesia: Uneven Growth Pick Up in 4Q23

- GDP growth picked up to 5.0% YoY in 4Q23 versus 4.9% in 3Q23, largely in line with expectations. For full-year 2023, GDP growth eased to 5.1% versus 5.3% in 2022.
- The improvement in 4Q23 GDP growth was uneven and led mainly by government spending and 'non-profit institution' spending. Both are closely link to election related expenditures and may remain supported into 1Q24. That said, the bigger contributors to GDP growth namely household consumption and investment spending slowed noticeably. On the external front, goods export and import growth picked up with imports rising more than export.
- Notwithstanding, the pickup in headline 4Q23 GDP growth, the details show that core sectors and demand drivers are slowing. We remain comfortable with our view for GDP growth to ease to 4.8% YoY in 2024. 2023 GDP growth was within BI's expectations of 4.5-5.3% and as such will not trigger any immediate policy actions from BI. However, slower economic momentum into this year and expectations for the US Federal Reserve to lower its policy rate will allow BI room to ease monetary policy. Our forecast is for BI to cut by a cumulative 125bp starting in 2Q24, provided IDR depreciation risks remain contained.

% YoY	1Q23	2Q23	3Q23	4Q23
Headline GDP Growth	**5.0**	**5.2**	**4.9**	**5.0**
Demand Side				
Household Spending	4.5	5.2	5.1	4.5
Investment (GCFC)	2.1	4.6	5.8	5.0
Government Spending	3.4	10.6	-3.7	2.8
Exports	12.2	-3.0	-4.3	1.6
Imports	3.8	-3.1	-6.2	-0.1
Supply Side				
Agriculture, Forestry and Fisheries	0.4	2.0	1.5	1.1
Mining & Quarrying	4.9	5.0	7.0	7.5
Manufacturing Industry	4.4	4.9	5.2	4.1
Electricity & Gas Supply	2.7	3.1	5.1	8.7
Construction	0.3	5.2	6.4	7.7
Wholesales and Retail Trade, Repairs	4.9	5.3	5.1	4.1
Transportation & Storage	15.9	15.3	14.7	10.3
Accommodation & Food Beverages Activity	11.6	9.8	10.9	7.9
Information & Communication	7.1	8.0	8.5	6.7
Financial & Insurance Activity	4.5	2.9	5.2	6.6
Business Services	6.4	9.6	9.4	7.6
Public Admin, Defense & Social Security	2.1	8.1	-6.2	1.6

Source: Statistics Indonesia (BPS), CEIC, OCBC

OCBC

Source: BPS, CEIC, OCBC.

Philippines: Weak End to 2023

- GDP growth moderated to 5.6% YoY in 4Q23 compared to an upwardly revised 6.0% in 3Q23 (Consensus: 5.2%; OCBC 5.9%). On a seasonally adjusted basis, growth moderated to 2.1% QoQ SA versus an upwardly revised 3.8% in 3Q23. For 2023, GDP growth slowed to 5.6% YoY versus 7.6% YoY in 2022, below the government's target of 6-7%.
- On the domestic demand front, the weakness came from government underspending (-1.8% YoY in 4Q23 versus 6.7% in 3Q23) even as private consumption (5.3% YoY in 4Q23 versus 5.1% in 3Q23) and investment spending (10.2% YoY in 4Q23 versus 8.1% in 3Q23) remained resilient. On the external front, export growth worsened to -2.6% YoY versus 2.6% in 3Q23 while import growth picked up to 2.9% versus -1.1% in 3Q23. As a result, net exports shaved off 1.7pp from GDP growth after contributing 1.3pp in 3Q23.
- Looking ahead, we maintain our 2024 GDP growth forecast of 6.0% YoY, again below the government's more optimistic 6.5-7.5% forecast range. Growth in 2024 will be supported by a bottoming in the electronics exports downcycle and stabilising private consumption.

%YoY, unless stated	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Real GDP growth	8.0	7.5	7.7	7.1	6.4	4.3	6.0	5.6
Demand-side								
Household Final Consumption Expenditure	10.0	8.5	8.0	7.0	6.4	5.5	5.1	5.3
Government Final Consumption Expenditure	3.5	10.9	0.7	3.3	6.2	-7.1	6.7	-1.8
Gross Fixed Capital Formation	10.9	12.5	9.6	6.0	10.9	4.0	8.1	10.2
Exports of Goods and Services	10.6	4.9	13.6	14.6	1.0	4.4	2.6	-2.6
Goods	5.9	-2.0	4.8	10.6	-14.9	-0.9	-2.3	-11.6
Services	16.8	13.8	33.2	22.0	20.2	10.4	11.4	12.3
Imports of Goods and Services	16.2	14.5	18.5	7.0	4.7	0.2	-1.1	2.9
Goods	12.6	11.7	12.1	-1.6	0.5	-5.0	-8.0	-2.6
Services	36.1	33.8	57.6	49.8	23.6	31.3	28.6	21.0
Supply-side								
Agriculture, Forestry & Fishing	0.2	0.2	2.1	-0.3	2.2	0.2	0.9	1.4
Manufacturing	9.4	2.3	3.9	3.9	1.9	1.1	1.8	0.6
Construction	13.1	18.7	11.4	6.2	11.1	3.6	14.2	8.5
Services	8.4	9.2	9.3	9.8	8.4	6.1	6.8	7.4

Source: CEIC, OCBC

OCBC

Source: Philippines Statistics Authority, CEIC, OCBC.

Thailand: BOT To Stay On Hold Despite Negative CPI prints

- Headline inflation fell more-than-expected to -1.1% YoY in January from -0.8% in December 2023 (Consensus: -0.9%; OCBC: -0.8%). Meanwhile, core inflation eased moderately to 0.5% YoY in January from 0.6% in December 2023.
- The decline was broad-based across all key categories including food and transportation. Given the government's measures to subsidise fuel and electricity tariffs, lower excise duties for alcoholic beverages etc., headline inflation could remain in negative territory in 1Q24. This puts downside risk to our average 2024 headline CPI forecast at 2.0% YoY (2023: 1.2%).
- Importantly, four consecutive months of negative headline inflation has increased the pressure on the BOT to lower its policy rate. Indeed, Deputy PM Phumtham Wechayachai, stated that the economy remains in a "crisis", as reported by Bloomberg. For now, we do not believe that the Monetary Policy Committee (MPC) of the BOT will share this view. Much of the negative contribution to headline inflation has been on account of the government's policies to reduce retail electricity, fuel and key food item prices.
- As such, we maintain our baseline for the BOT to keep its policy rate unchanged at 2.50% at its 7 February meeting, and for the rest of the year.

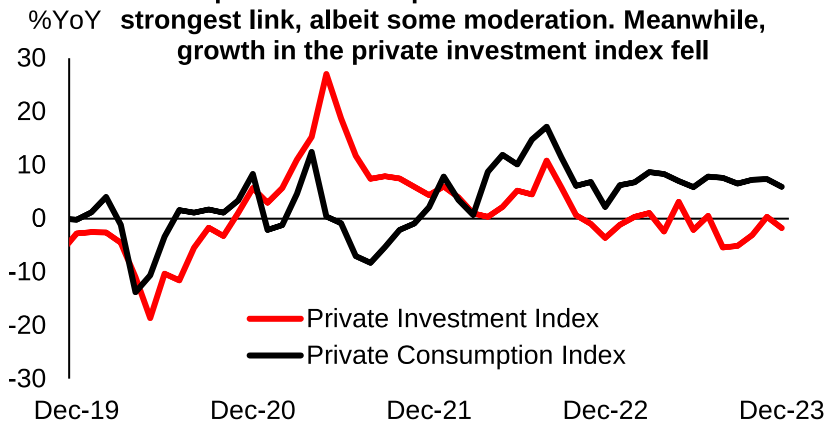
Drivers of inflation, %YoY	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Headline CPI	**0.2**	**0.4**	**0.9**	**0.3**	**-0.3**	**-0.4**	**-0.8**	**-1.1**
Food & Non Alcoholic Beverages	3.4	1.5	0.7	-0.1	-0.6	0.2	-0.6	-1.1
Apparel & Footwears	0.5	0.3	0.3	0.3	0.1	0.0	0.0	-0.1
Housing & Furnishing	2.0	1.9	1.8	-0.7	-0.7	-0.8	-0.7	-0.7
Medical & Personal Care	1.8	1.8	1.4	1.2	1.3	0.9	0.9	0.9
Transport & Communication	-6.9	-3.3	0.3	1.7	0.0	-1.8	-2.2	-2.5
Recreation, Reading, Education and Religion	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6
Tobacco & Alcoholic Beverages	0.6	0.6	0.5	0.6	1.1	1.0	1.0	0.9
Core Consumer Price Index	**1.3**	**0.9**	**0.8**	**0.6**	**0.7**	**0.6**	**0.6**	**0.5**
Source: Ministry of Commerce, CEIC, OCBC								

Source: Ministry of Commerce, CEIC, OCBC.

Thailand: Mixed December Activity

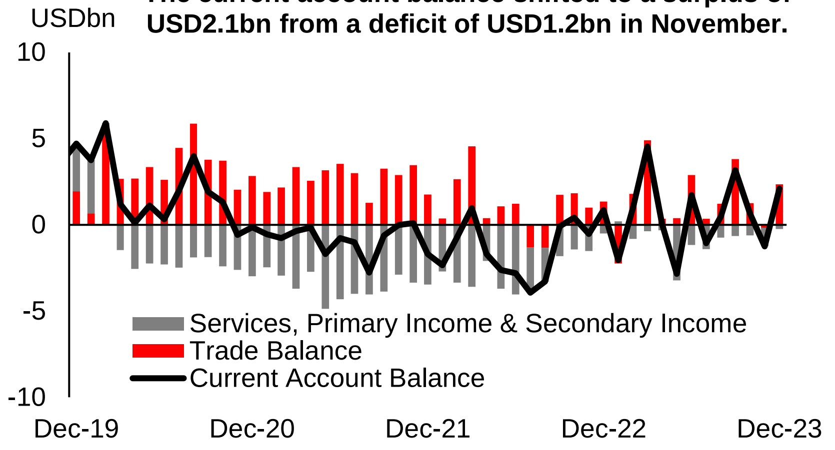
- December activity data was mixed. On the domestic front, private consumption remained the strongest link, albeit with growth in the private consumption index moderating to 5.9% YoY in December (versus November: 7.3%). Growth in the private investment index fell to -1.8% YoY in December after rising +0.4% in November. Meanwhile, government expenditures contracted by 2.0% YoY (November: -4.0%), taking the 1Q average in FY2024 to -3.4% YoY versus +1.0% in 1Q FY2023. This reflects lower capex and delays in the disbursement of the 2024 fiscal budget.
- On the external front, export growth remained resilient at 3.0% YoY versus 3.9% in November. Manufacturing exports (3.9% YoY versus 4.2% in November) was the main driver offsetting the decline in ‘agriculture’ (-10% YoY versus 12.5%) and ‘machinery & equipment’ (-10.7% YoY versus 2.7%) exports. By contrast, import growth weakened sharply to -1.7% YoY versus +9.5% in November. The decline was broad-based and by end-use, imports of ‘consumer goods’, ‘raw material & intermediate”, and ‘capital’ declined in December. As a result, the trade balance flipped into a surplus of USD2.3bn from a deficit of USD0.2bn in November.
- The latest activity data suggests that 4Q23 GDP growth is tracking 2.1% YoY versus 1.5% in 3Q24. This is broadly consistent with our 2023 GDP growth forecast of 2.0%. For 2024, we maintain our GDP forecast of 2.8% YoY supported by government measures to boost consumption spending.

The private consumption index remained the strongest link, albeit some moderation. Meanwhile, growth in the private investment index fell



Source: CEIC, OCBC

The current account balance shifted to a surplus of USD2.1bn from a deficit of USD1.2bn in November.



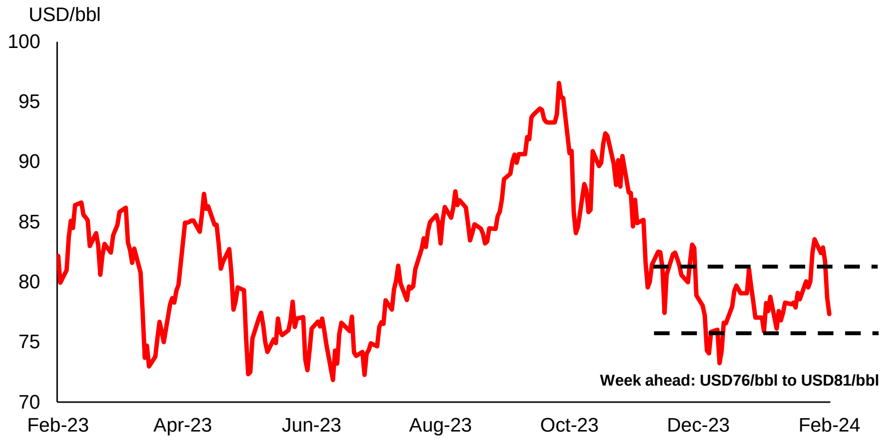
Source: CEIC, OCBC

Source: Bank of Thailand, CEIC, OCBC.

Commodities

Crude Oil: Prices Lower Despite Geopolitical Tensions

- Following two consecutive weeks of upward momentum, WTI and Brent declined ~7.4% to close last week lower at USD72.3/bbl and USD77.3/bbl respectively. This is despite continued tensions in the Middle East and elevated geopolitical tensions as Red Sea routes remain diverted and Houthi rebel attacks continue. Aggressive rhetoric from the US also stepped up in response to a drone strike in Jordan that killed and injured US soldiers. The US conducted retaliatory strikes in Iraq and Syria against Iran-linked groups and intends to launch further strikes. The US also continued its campaign against Yemen's Houthi rebels.
- But to offset these tensions, there were reports of a progress on an Israel-Hamas ceasefire. With the US Federal Reserve noncommittal on the timings of rate cuts, markets now expect rate will remain unchanged in 1Q24 removing any upside to oil prices from loosening monetary policy conditions. In addition, there is sense that supply conditions remain ample. Although the OPEC+ alliance did not make changes to its output policies at its meeting on 2 February, it is said to consider whether to extend the voluntary oil production cuts in place for 1Q24 into 2Q24 at its March meeting.
- For the week ahead, we expect Brent oil prices to trade to remain under modest downward pressure and expect a trading range of USD76-80/bbl. The Energy Information Administration (EIA) will publish its February Short-term Energy Outlook on 6 February. We will closely watch the agency's projection of the global supply-demand dynamics. Key economic data prints from US (i.e., ISM Services) and China (i.e., PPI and CPI) will provide further direction to oil markets this week.



Source: Bloomberg, OCBC

Source: Bloomberg, Reuters, OCBC.

ESG

ESG: New Sustainable Finance Body in Singapore

- The MAS launched the Singapore Sustainable Finance Association (SSFA) on 24 Jan to develop the sustainable finance ecosystem and best practices in Singapore. The SSFA has formalised its governance structure and laid out the year's work plan, including the workstreams on five key areas:

    1. Carbon markets
    2. Transition finance
    3. Blended finance
    4. Natural capital and biodiversity
    5. Taxonomy

- This builds on the work done by the Green Finance Industry Taskforce (GFIT) such as the Singapore-Asia Taxonomy for Sustainable Finance. The SSFA will be cochaired by BlackRock's country head of Singapore and regional head of Southeast Asia; and the CEO of HSBC Singapore in its first term, with the executive committee comprising the Chief Sustainability Officer at the MAS and the Director of the Association of Banks in Singapore (ABS). Other members include the Chief Sustainability Officers of OCBC, DBS and UOB.
- The industry can expect more sustainable finance courses to be made available in the near future, as the SSFA can contribute to talent upskilling and capacity building initiatives. The industry can also expect greater streamlining of carbon market practices, and greater clarity on climate-related and nature-related disclosures and regulations. This can help to mitigate greenwashing risks in the industry and bring greater confidence in the market for investments in green and transition activities.

OCBC

Source: CNA, The Edge Singapore

FX & Rates

FX & Rates: Resilient

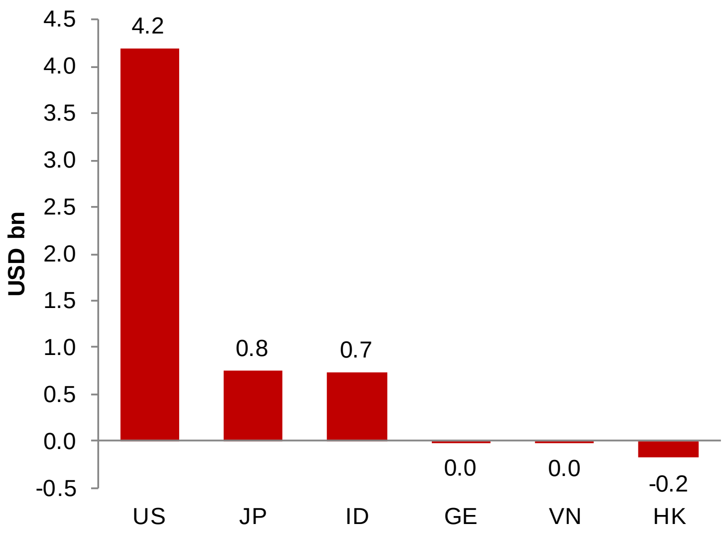
- USTs were sold off upon the prints of solid payrolls and firmer hourly earnings. After recent adjustments, market pricings of Fed rate cuts have got nearer our base-case. Focus this week are the auctions of USD54bn of 3Y and USD42bn of 10Y coupon bonds on Wednesday and Thursday, which represent upsizes of USD2bn and USD5bn respectively. We watch if the 10Y bond will test the next support level of 4.10%.
- USD bulls continue to charge, owing to blockbuster NFP report last Fri. We noted some contradictory signals in the labour market report that is worth monitoring further. But for now, USD may trade supported in the interim owing to strong US data as well as Powell's recent interview on CBS' 60 Minutes about the danger of moving too soon on rate cuts. This week, there is little tier-1 data. Focus will be on senior loan officer opinion survey and Fedspeaks on 13 separate occasions.

Asset Flows

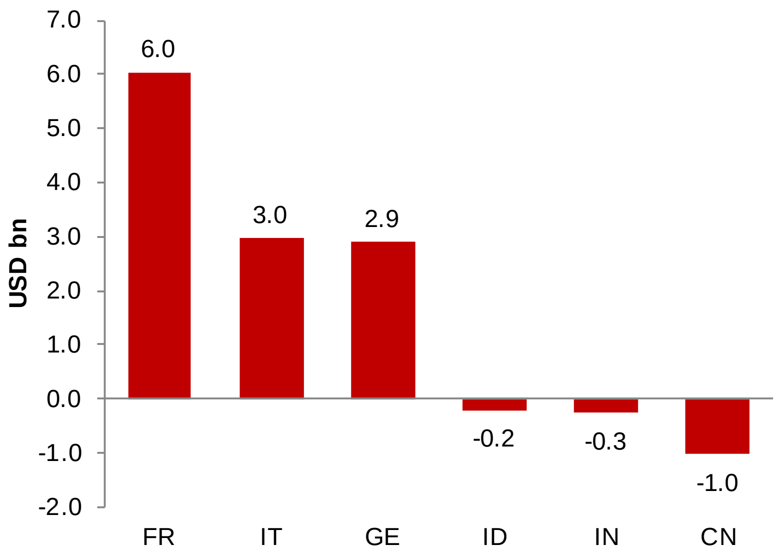
Global Equity & Bond Flows

- Global equity markets saw net inflows of $20.1bn for the week ending 31 January, an increase from the inflows of $17.7bn last week.
- Global bond markets reported net inflows of $5.8bn, a decrease from last week's inflows of $14.2bn.

Equity top gainers & losers



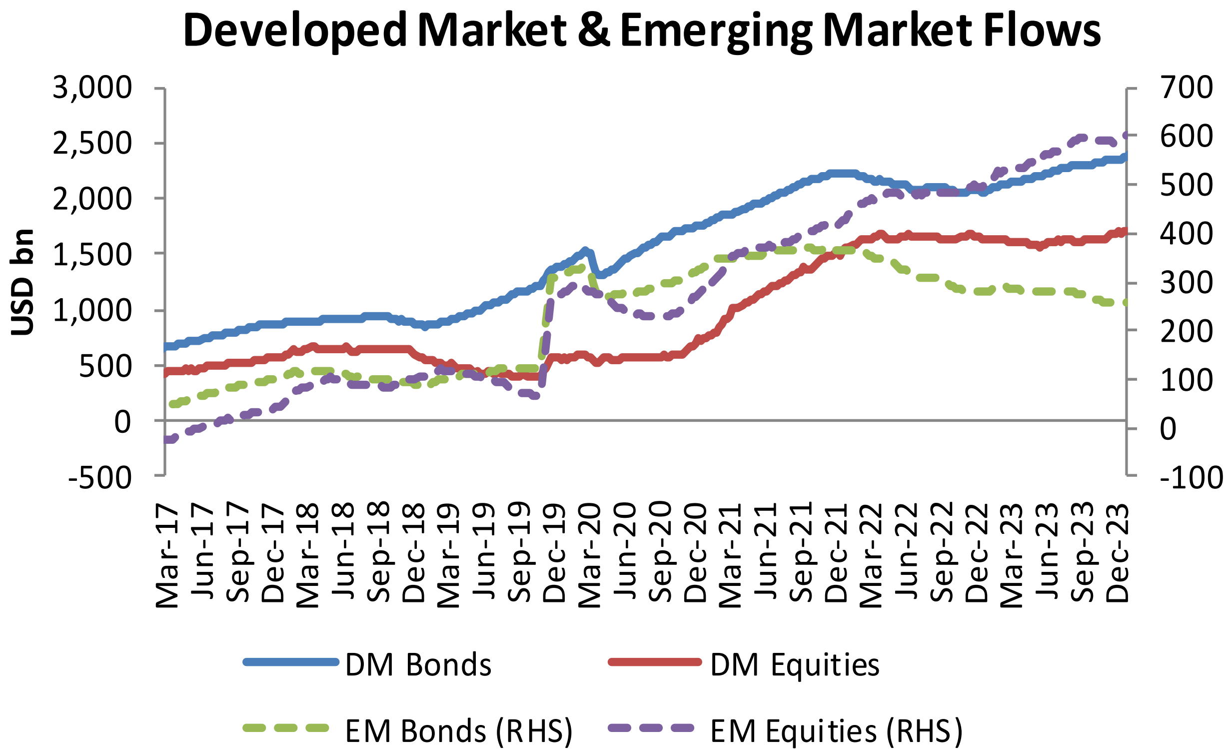
Bonds top gainers & losers



Source: OCBC, EPFR

DM & EM Flows

- Developed Market Equities ($13.0bn) and Emerging Market Equities ($7.0bn) saw inflows.
- Developed Market Bond ($5.5bn) saw inflows and Emerging Market Bond ($216.61mn) also saw inflows.



Source: OCBC, EPFR

Thank you

Global Markets Research & Strategy

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau Economist
herberthtwong@ocbcwh.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com

OCBC