

PANTHEON CHINA+ DATA WRAP 21 FEB 25

In one line: Japan's consumer inflation boosted by food inflation; Korea's WDA-exports drop during the holiday, despite auto shipment surge

- Japan: National CPI rose 4.0% y/y in January, after climbing 3.6% in December. Consensus was 4.0%.**
- Flash manufacturing PMI edged up to 48.9 in February from 48.7**

in January. Bloomberg reports no market consensus.

-- Flash services PMI inched up to 53.1 in February from 53.0 in January. Bloomberg reports no consensus.

- Korea: 20-day exports surged 16.0% y/y in February, after falling 5.1% in January. Bloomberg reports no consensus

Japan's headline consumer inflation gains steam on heated food inflation

Headline national consumer inflation jumped 0.4pp to 4.0% y/y in January, the highest in two years, largely on the back of surging food inflation. The contribution of food inflation to headline inflation y/y surged 0.3pp to 2.0pp in January. The contribution of energy inflation gained 0.1pp to 0.8pp, while that of core goods rose 0.1pp to 0.5pp and that of services fell 0.2pp to 0.1pp.

Overall food inflation accelerated 1.4pp to 7.8% y/y in January, led

by a 71% jump in rice inflation. The government has announced it will release 210K tonnes of emergency rice reserves in response, but has shown little inclination to reform the rice cultivation policy which leaves 40% of rice paddies unused as a way to protect small-scale farmers. Vegetable & seaweed inflation gained 5.8pp to 25.5% y/y in January, likely reflecting seasonal factors. The number of food items with planned price hikes in January rose 1.8% y/y to 1,656, according to Teikoku

Databank. The research consultant expects a larger-scale increases of food prices in early spring compared with last year, on the back of early JPY depreciation and higher labour costs.

The slowing in services inflation is mainly due to recreational services inflation dropping 3.0pp to 2.2% y/y in January. This is probably due to base effects in overseas package tour inflation which rocketed last year, and which mainly reflects JPY depreciation rather than wages or other domestic

costs. The BoJ is likely to ignore this statistical quirk given that inflation for other services, except education, is mainly steady or rising.

The government intends to restart the subsidy scheme for household energy bills this month, feeding through into the February data. The BoJ is likely to focus on rice inflation, which it cited in upgrading its 2025 inflation outlook earlier this month, the impact of JPY weakness feeding through into core goods inflation and the spring wage

talks between unions and employers.

Core inflation excluding fresh food nudged up 0.1pp to 3.2% y/y, while core core inflation excluding fresh food and energy rose 0.1pp to 2.5% y/y. The BoJ will probably barrel along with two more 25bp rate hikes this year, and is keeping close watch on the ongoing spring union-employer wage talks, but the risks are to the downside given sluggish growth, trade protectionism risks and the likelihood that SME wage inflation will less

impressive than the 5%+ likely at large firms.

Japan's flash manufacturing PMI shows activity spluttering

The headline manufacturing index gained 0.1 points to a still-dull 48.9 in January, thanks to improvements in domestic demand and output. The output index rose 0.6 points to 48.6, while overall new orders bounced 1.0 point to 48.0 and new exports orders rose 0.2 points to 49.0.

Cost pressures are intensifying, while sales inflation is relatively steady. The input price index increased 1.3 points to 61.9 in January, and the output price index slipped 0.2 points to 54.2.

Firms' sentiment ebbed, with the future output index dropping 2.6 points to 56.2 in January, below the long-term average, 57.8.

Manufacturers are worried about labour shortages, entrenched inflation and the sluggish domestic market.

The employment index slid below 50

again, dipping 1.1 point to 49.5, after two straight months above 50.

Flash services index points to vibrant services activity

The headline services activity index continued to outshine manufacturing activity at 53.1 in January, up 0.1 point from the previous month. New export orders gained 0.6 points to 52.7, but overall new business index dipped 0.5 points to a still-robust 52.6.

The input price index slid 1.0 point to a still-red hot 59.0. The output price index dipped 0.5 points to 54.6, indicating continued moderate services inflation.

Service firms' sentiment is also fading, with the future activity index dropping 3.3 points to 54.7 in February, the lowest in four years and below the long-term average, 55.3. They are still hiring though, with the employment index at 51.5, albeit sliding 1.1 points from the previous month.

Korean working-day exports fell due to holiday effects; surging auto exports points to front-loading

Headline export growth jumped to 16.0% y/y in the first 20 days of February, after dropping 5.1% last month, but this is distorted by more working days this February compared with last year. Working-day adjusted 20-day exports declined 2.7% in February, after rising 7.7% in January, reflecting Lunar New Year effects hitting the China-centred electronics

industrial sector, even after adjusting for the number of working days.

By major market, exports were broadly sagging with only alternative manufacturing hubs to China like Taiwan and Singapore holding up, reflecting the creation of non-China supply chains in response to US tariff risks. WDA-shipments to China slumped 5.4%, after rising 1.7% and exports to the EU sank 10.1%, after climbing 2.8%. Exports to the US declined at 3.5%, similar to the

previous month, while shipments to Hong Kong slumped 21.5% and those to Japan dived 16.2%. Taiwan bucked the trend with a 50.2% jump in exports, while growth also held up to Singapore, 19.5%, India, 11.6%, and Vietnam, 10.5%. The strength of trade to these Asian manufacturing centres likely reflects firms setting up new supply chains that exclude China in order to sell to the US.

By product, auto trade surged while semiconductor trade cooled

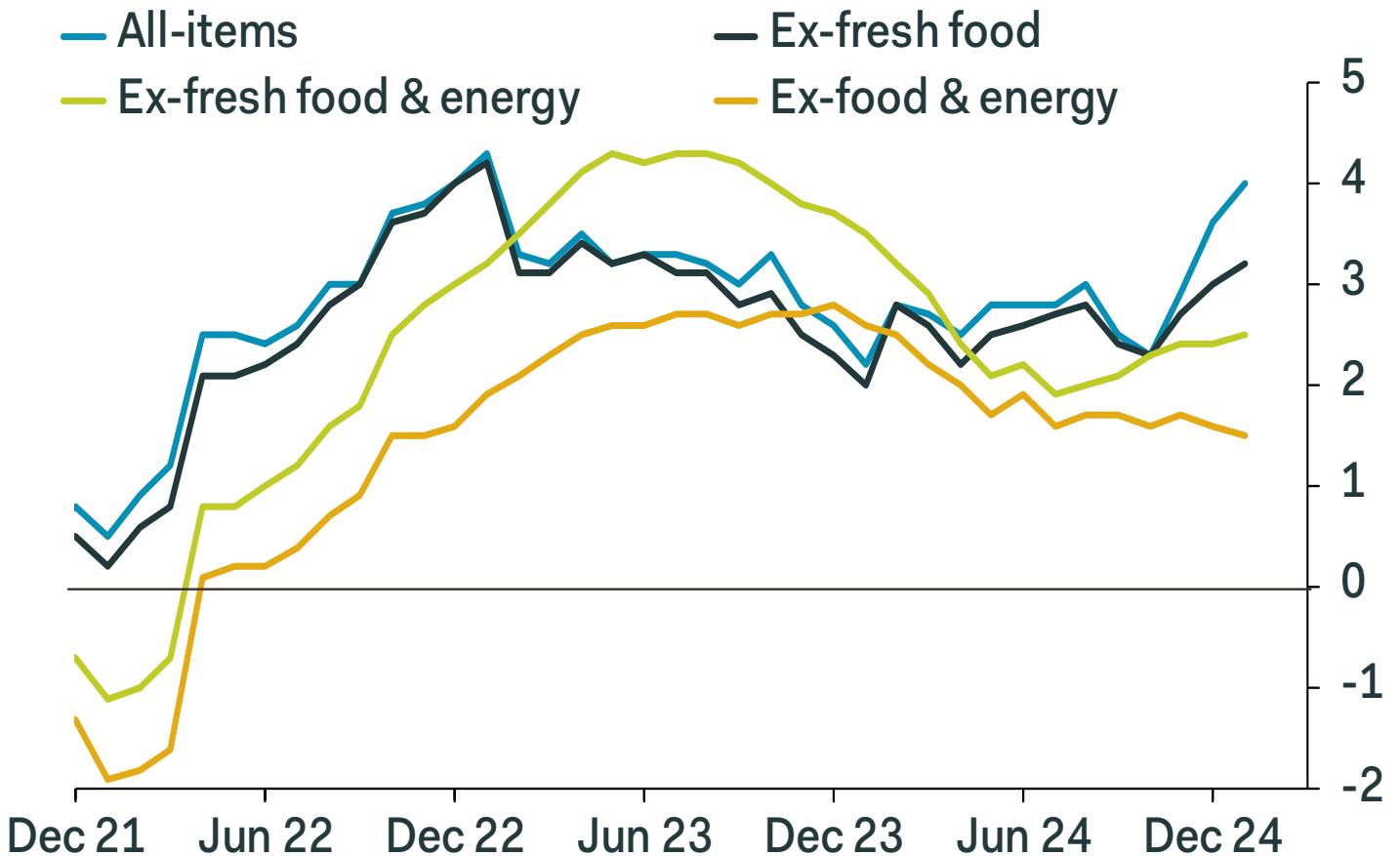
dramatically. WDA-auto exports vaulted 16.9% y/y in January, after dipping 0.9% in December and the first rise in four months. By contrast semiconductor shipment growth crashed to just 1.7% in January, the lowest since October 2023, after soaring 27.3% in December.

Korean exporters are likely front loading auto exports ahead of likely US tariff hikes, meaning that shipments should slow again if and when the auto tariffs are increased.

The sharp slowdown in semiconductor trade is likely due to Lunar New Year holiday effects, meaning many factories in China and Korea are still closed for much of the month. Chip exports are likely to resume rapid growth, despite geopolitical risks and technology risks posed by DeepSeek's breakthrough in developing generative AI models using less computing power. The rebound of Nvidia's share price from the DeepSeek shock in late January suggests that leading US AI firms are

sticking to their R&D strategies based on purchasing vast amounts of high-end AI chips.

National CPI inflation, y/y%

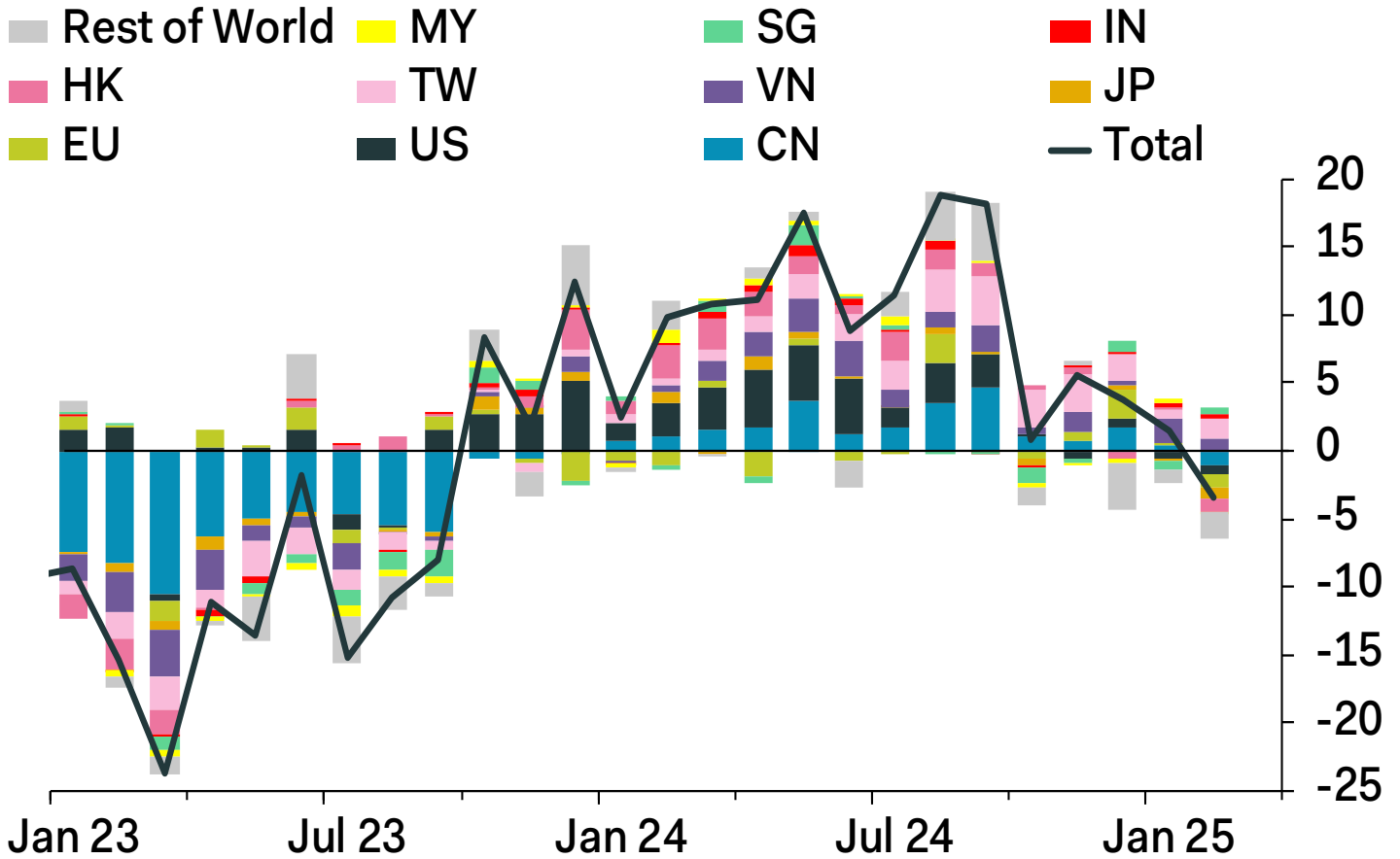


Japan Manufacturing PMI	Jan-25	Feb-25	Flash (Latest Month)
Headline	48.7	48.9	48.9
Output	47.3	48.6	48.6
New Orders	47.6	48.0	48.0
New Export Orders	49.7	49.0	49.0
Employment	50.6	49.5	49.5
Suppliers' Delivery Time	49.6	49.5	49.5
Stocks of Purchases	48.6	48.7	48.7
Quantity of Purchases	46.6	46.7	46.7
Stocks of Finished Goods	49.8	48.7	48.7
Backlog of Work	45.3	46.3	46.3
Input Prices	60.6	61.9	61.9
Output Prices	54.0	54.2	54.2
Future Output Index	58.8	56.2	56.2

Japan Services PMI	Jan-25	Feb-25	Flash (Latest Month)
Business Activity	53.0	53.1	53.1
Incoming New Business	53.1	52.6	52.6
New Export Orders	52.1	52.7	52.7
Employment	52.7	51.5	51.5
Backlogs of Work	49.7	49.8	49.8
Input Prices	60.0	59.0	59.0
Output Prices	55.1	54.6	54.6
Future Business Expectation	58.0	54.7	54.7

Legend	
Darker Green	PMI>50 and rising
Light Green	PMI>50 and falling
Darker Red	PMI<50 and falling
Light Red	PMI<50 and rising
White	No Change

Korea 20 day exports (WDA), contribution to annual growth pp.



Korea 20 day exports (WDA), contribution to annual growth pp.

