

## Asia week ahead: Early hints of 3Q21 performance

July activity indicators will provide a glimpse into the third quarter performance for Asian economies while the Covid-19 pandemic continues to weigh on the recovery in some of them



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### ➔ More 2Q GDP reports

Japan and Thailand are the next Asian economies to unveil their 2Q21 report cards next week. Resurgent Covid-19 cases and tighter restrictions to break the infection chain have probably stalled the recovery in both these economies in the last quarter.

Having contracted by 1% quarter-on-quarter in 1Q21, Japan is on the verge of falling into

recession (ING 2Q forecast 0%). The same applies to the Thai economy, which at 0.2% QoQ barely grew in 1Q and likely contracted as much as -2.7% QoQ in 2Q. Despite this, low base effects swung their year-on-year growth rates back into positive territory after more than a year of negative readings.

We don't think the markets will pay much attention to this backdated GDP data. Instead, the focus will be on the evolving growth trajectory, which is going to be severely impacted by the ongoing pandemic. Rising political risks evident from the latest anti-government protests could be an added drag on the Thai economy for the rest of the year.

## ➔ Where is growth headed in 3Q?

The calendar is also packed with July economic releases from around the region. These will shed light on the path of GDP growth in the current quarter.

China reports the remainder of its July activity data, namely industrial production, retail sales and fixed asset investment. This data should capture the impact of devastating floods in the central Chinese province of Zhengzhou (also referred to as Henan). We expect a more pronounced impact on retail sales than manufacturing activity as the latter remains supported by strong export demand. Meanwhile, the government's orders to businesses to turn investment plans into concrete action should speed up fixed-asset investment growth.

Taiwan's export orders data for July will be scrutinised for clues about the potential course of the global semiconductor cycle, which has been running at full speed recently. Chip shortages and higher prices may have weighed on Taiwan's semiconductor exports this year. Even so, an all-time high of \$23.5 billion of electronics exports in July suggests that orders remain strong, though there is probably a price effect embedded in this figure, and volumes are likely flatter.

Singapore's July non-oil domestic exports (NODX) data could reflect the latest upgrade of the government's 2021 GDP growth outlook to 6%-7% from 4%-6%. Singapore has been a beneficiary of the global semiconductor upswing. And judging by the strong July exports from Korea and Taiwan, NODX likely remained strong last month; our forecast is 1.8% month-on-month and 14.0% year-on-year growth.

Australia's July jobs report probably won't have too much bearing on Reserve Bank of Australia (RBA) monetary policy expectations. The central bank is still set to slightly reduce its current bond purchase programme when it expires in September ([see our latest note on this](#)). We expect a further dip in the jobless rate to 4.8% from 4.9% in June.

[Australia: No change to monetary policy stance](#)

## ➔ What does this mean for policy?

As well as the RBA, we also have the central banks of China and Indonesia reviewing their policy settings next week. As growth continues to take a hit from the pandemic and transitory inflation spikes have now passed, easy policy stances remain the norm for central banks in much of Asia. The People's Bank of China has validated this with a 50 basis-point cut in banks' Reserve Requirement Ratio (RRR) in July ([more on that here](#)). That said, we anticipate no change to the PBoC's 1-year or 5-year Prime Lending Rates next week.

Bank Indonesia may cite the recently released 2Q GDP report of over 7% YoY growth as an argument to leave interest rates on hold as the authorities continue to pursue currency stability. It remains to be seen whether this growth momentum continues ahead. We are sceptical ([read more here](#)).

[China: Broad-based RRR cut sends bad signal](#)

[Indonesia: 2Q GDP surprises on the upside but momentum not likely to last](#)

## Asia Economic Calendar

| Country                    | Time | Data/event                             | ING      | Survey | Prev.    |
|----------------------------|------|--|----------|--------|----------|
| <b>Monday 16 August</b>    |      |  |          |        |          |
| Japan                      | 0050 | Q2 GDP (QoQ%)                          | 0        | 0.2    | -1.0     |
| China                      | 0300 | Jul Industrial Output (YoY%)           | 8.2      |        | 8.3      |
|                            | 300  | Jul Fixed Asset Investments (YTD YoY%) | 12.8     |        | 12.6     |
| India                      | 0300 | Jul Retail Sales (YoY%)                | 12.12    |        | 12.1     |
|                            | 0730 | Jul WPI Inflation (YoY%)               | 11.5     | 11.3   | 12.07    |
|                            | 1230 | Jul Trade Deficit Govt - USD           | 11.1     | 11.2   | 11.23    |
|                            | 1230 | Jul Imports - USD                      | 59       |        | 46.4     |
|                            | 1230 | Jul Exports - USD                      | 48       |        | 35.2     |
| Indonesia                  | 0500 | Jul Consumer Confidence Index          | -        |        | 107.4    |
| Thailand                   | 0330 | Q2 GDP Growth (QoQ%/YoY%)              | -2.7/4.7 |        | 0.2/-2.6 |
| <b>Tuesday 17 August</b>   |      |  |          |        |          |
| Singapore                  | 0130 | Non-oil domestic exports (MoM/YoY%)    | 1.8/14.0 |        | 6.0/15.9 |
| <b>Wednesday 18 August</b> |      |  |          |        |          |
| Japan                      | 0050 | Jul Exports (YoY%)                     | 50.7     |        | 48.6     |
|                            | 0050 | Jul Imports (YoY%)                     | 34.1     |        | 32.7     |
|                            | 0050 | Adj Jul Trade Balance Total - Yen      | 780      |        | -90.2    |
| Indonesia                  | 0500 | Jul Trade Balance (Bln of \$)          | 1.76     |        | 1.32     |
|                            | 0500 | Jul Exports Growth (YoY%)              | 29.9     |        | 54.5     |
|                            | 0500 | Jul Imports Growth (YoY%)              | 53.6     |        | 60.1     |
| <b>Thursday 19 August</b>  |      |  |          |        |          |
| Australia                  | 0230 | Jul Unemployment Rate                  | 4.8      |        | 4.9      |
| Indonesia                  | 0800 | Aug 7-Day Reverse Repo                 | 3.5      |        | 3.5      |
| <b>Friday 20 August</b>    |      |  |          |        |          |
| Japan                      | 0030 | Jul CPI (MoM%)                         | 0.1      |        | 0.2      |
| China                      | 0230 | Aug Loan Prime Rate 1Y                 | 3.85     |        | 3.85     |
|                            | 0230 | Aug Loan Prime Rate 5Y                 | 4.65     |        | 4.65     |
| Taiwan                     | -    | Export orders                          | 26.7     |        | 31.1     |

Source: Refinitiv, ING, \*GMT

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