

Asia week ahead: Entering another exciting month

Trade, manufacturing, and inflation releases dominate next week's Asian economic calendar, but the trade war will continue to dominate headlines. With several other important events lined up, we are in for another exciting month



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Get ready for an exciting September

The trade war will persist as a major overhang on global and Asian markets. The consultation period for further US tariffs on China ends next week (5 September) after which Washington could impose duties on another \$200 billion worth of Chinese goods. China has pledged \$60 billion of

retaliatory tariffs on US products.

We believe the markets are pretty much priced for this oncoming trade risk and are unlikely to be jolted by it. Hopefully, a stable start to the new month will also bring more clarity on a host of other important economic issues in developed markets; the Fed's tightening cycle, the ECB tapering timeframe, and the Brexit deal. And if that's not enough, the contagion risks from emerging economies continue to linger with Argentina and Turkey remaining on edge, so we'll be in for a month full of excitement and elevated market volatility.

On the data front, next week in Asia is packed with trade, manufacturing and inflation releases from across the region. There is little on the policy front except for a Malaysian central bank (BNM) meeting which will likely be a non-event, though ugly inflation data from the Philippines will keep the central bank there (BSP) on its toes.

➔ Export performance still not too bad

August trade releases from Korea and Taiwan, the first for the month from the region, will be closely watched for the trade war impact. The focus will also be on the manufacturing purchasing manager indexes (PMIs) from around the region, particularly the new export orders component.

Our house forecasts for export growth - 11% year-on-year for Korea and 5% for Taiwan - imply positive month-on-month gains for two consecutive months, indicating there has been no impact yet from escalating trade tensions. Already-released data showing a 15% year-on-year surge in Korean exports in the first 20 days of August confirms this point.

Semiconductors continue to be the main driver of Korean exports but tariff-hit steel exports are also holding up. It looks like the shift in trade away from the US to other countries has already started, judging by the recent surge in Korea's and Japan's steel exports to India.

➔ Philippines inflation monster rears its head higher

There's a slew of August inflation data from the region next week but figures from the Philippines' will be the most important. We see inflation surging past the 6% mark for the first time in over a decade from 5.7% in July, consistent with the consensus centred on 6%. Bad inflation data will keep the central bank (BSP) on its toes, even as the currency (PHP) has stabilised from a Turkish-led downturn in early August.

High inflation and twin-deficits (trade and government) have kept the PHP under intense weakening pressure this year, with a 6.6% year-to-date depreciation. The question is, will the BSP overlook the inflation data and wait for the recent 100 basis point rate hike to take effect. The current economic backdrop suggests the BSP policy tightening has further room to run. The next BSP meeting is on 28 September. We expect the BSP to pause at this meeting but hike again in the final quarter of the year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 1 September					
South Korea	0000	Aug Exports (YoY%)	11.2	-	6.2
	0000	Aug Imports (YoY%)	12.3	-	16.2
	0000	Aug Trade balance (US\$m)	6826	-	6912
Monday 3 September					
China	0245	Aug Caixin Manufacturing PMI	50.7	50.6	50.8
India	0600	Aug Nikkei Manufacturing PMI	52.8	-	52.3
Indonesia	0500	Aug CPI Core (YoY%)	-	-	2.87
	0500	Aug CPI (YoY%)	3.3	-	3.18
Singapore	1400	Aug Purchasing Managers Index	52.5	-	52.3
Taiwan	0130	Aug Nikkei Manufacturing PMI	53	-	53.1
Thailand	0400	Aug CPI (YoY%)	1.3	-	1.46
	0400	Aug CPI Core (YoY%)	0.8	-	0.79
Thailand	0030	Aug Nikkei Manufacturing PMI	50.2	-	50.1
South Korea	0130	Aug Nikkei Manufacturing PMI	48.8	-	48.3
Malaysia	30	Aug Nikkei Manufacturing PMI	48.5	-	49.7
Tuesday 4 September					
South Korea	0000	2Q F GDP (QoQ/YoY%)	0.7/2.9	-/-	0.7/2.9
	0000	Aug CPI (MoM/YoY%)	-1.1	-/-	0.2/1.5
	0700	Aug CPI core (YoY%)	0.9	-	1.1
Wednesday 5 September					
India	0600	Aug Nikkei Services PMI	53.2	-	54.2
	-	2Q Current Account Balance (Q) (US\$bn)	-	-17	-13.047
Hong Kong	0130	Aug Nikkei PMI	-	-	48.2
Malaysia	0500	Jul Trade Balance (RM bn)	4.1	-	6.05
	0500	Jul Imports (YoY%)	0	-	14.91
	0500	Jul Exports (YoY%)	-5	-	7.63
	0800	Overnight Policy Rate	3.25	-	3.25
Philippines	0200	Aug CPI (YoY%)	6.1	-	5.7
Taiwan	0800	Aug Forex Reserves (US\$bn)	458	-	458.5
	0900	Aug CPI (YoY%)	1.5	-	1.75
	0900	Aug WPI (YoY%)	2.5	-	7.02
Thursday 6 September					
Malaysia	0800	Aug 30 Forex Reserves - Month End (US\$bn)	-	-	104.2
South Korea	0700	Jul Current A/c Balance (US\$m)	7150	-	7377
Friday 7 September					
China	-	Aug Forex Reserves (US\$bn)	3121	-	3117.95
Hong Kong	-	Aug Forex Reserves (US\$bn)	-	-	431.9
Malaysia	0500	Jul Industrial Production (YoY%)	0.5	-	1.1
Philippines	-	Aug Forex Reserves (US\$bn)	-	-	76721.7
Taiwan	0900	Aug Exports (YoY%)	5.1	-	4.7
	0900	Aug Imports (YoY%)	22.2	-	20.5
	0900	Aug Trade balance (US\$bn)	2.25	-	2.24

Source: ING, Bloomberg