

## Asia week ahead: Fine-tuning 2Q GDP growth estimates

June activity releases will help us to fine-tune 2Q19 growth estimate for Asian economies. With downside growth risks persisting and inflation remaining low, the need for greater policy support will keep regional central banks on their toes



Source: Shutterstock

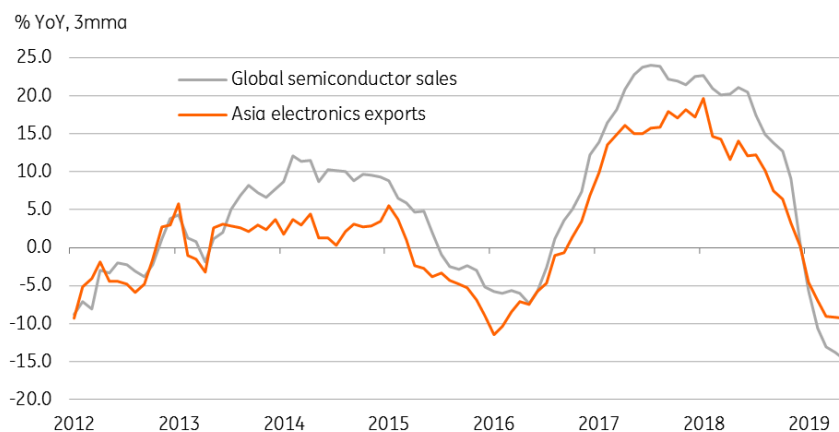
### Intensified export-led slowdown

June trade and manufacturing figures are highlights of the Asian economic calendar for next week. Trade figures, and within that exports matter for manufacturing growth, which in turn drive GDP growth. We have seen accelerated export weakness coming through some Asian

countries with electronic heavy-weights Korea and Singapore leading the pack.

A slightly positive turnaround in Taiwan's exports was a hopeful sign of recovery, though hopes are misplaced with the trade tensions between the US and China, and now between Japan and Korea, remaining elevated. As such, the balance of risk is tilted towards further export and manufacturing weakness across the region. Look out for trade data from Hong Kong and Thailand, and Taiwan's export order figures next week.

## Asia: At the forefront of the global tech slump



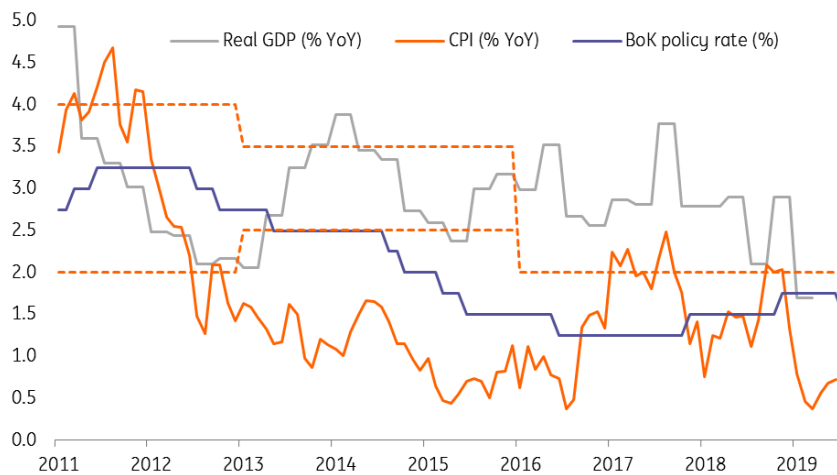
Source: Bloomberg, CEIC, ING

### ➔ More downside growth risk

Taiwan also reports industrial production figures for June. The average industrial production growth for three months will help us to assess the risk to our 1.4% GDP growth forecast for 2Q19 (data due on 31 July). Likewise, Singapore's industrial production growth for June will indicate the likely direction of revision to 0.1% year-on-year GDP growth released as part of the advance estimate earlier this month (final estimate due in mid-August).

Korea's preliminary GDP data for 2Q19 will test our view that sharp export declines recently have pushed the economy close to a recession. [The Bank of Korea's 25bp policy rate cut](#) today probably heralds a worse growth figure. GDP shrank by 0.4% quarter-on-quarter (seasonally adjusted) in 1Q19. Another such negative print will confirm a (technical) recession. The trade rift with Japan dampens the export outlook, so, a couple more BoK rate cuts by the end of the year won't be an unreasonable view.

## Korea: Growth, inflation, and central bank policy rate



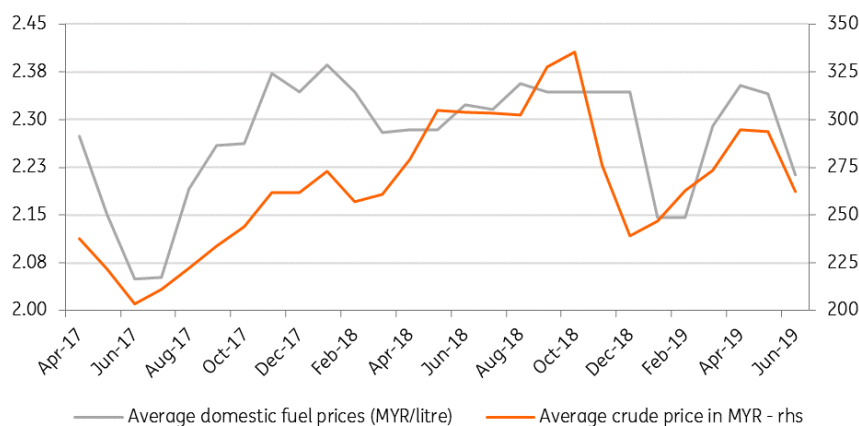
Dotted lines are BoK's inflation target, shifted from a range to point target in 2016.  
 Source: Bloomberg, CEIC, ING

### ➔ And subdued inflation

Lately, inflation releases have been largely uninteresting drivers for the markets. We don't think next week's CPI data for June due in Hong Kong, Singapore, and Malaysia will be any different.

Yet, there is likely to be some interest in Malaysia's CPI as the Goods and Services Tax (GST) elimination in June 2018 moved out of the base comparison and likely caused a spike in the year-over-year inflation rate from the near-zero level it had been in the first five months of 2019. On the flip-side, we believe low global crude oil prices drove domestic fuel prices lower and this prevented a sharp rise in headline inflation. Our forecast is 1.1% YoY, up from 0.2% in May. That said, we see average annual inflation in 2019 staying close to the low end of Malaysia's central bank 0.7-1.7% forecast range.

## Malaysia: Falling fuel prices keep CPI inflation low



Source: Bloomberg, CEIC, ING

## Asia Economic Calendar

| Country                  | Time | Data/event                                | ING      | Survey | Prev.     |
|--------------------------|------|---|----------|--------|-----------|
| <b>Monday 22 July</b>    |      |   |          |        |           |
| Hong Kong                | 0915 | Jun Composite CPI (YoY%)                  | 3.0      |        | 2.8       |
| Malaysia                 | 0800 | Jul 15 Forex reserves- Month end (US\$bn) | -        | -      | 102.7     |
| Philippines              | -    | Jun Budget balance (PHP bn)               | -72.6    | -      | 2.6       |
| Taiwan                   | 0900 | Jun Export orders (YoY%)                  | -        | -      | -5.8      |
|                          | 0900 | Unemployment rate (%)                     | 3.76     |        | 3.8       |
| Thailand                 | -    | Jun Exports (customs estimates, YoY%)     | -8.5     | -      | -5.8      |
|                          | -    | Jun Imports (customs estimates, YoY%)     | -4.5     | -      | -0.6      |
|                          | -    | Jun Trade balance (\$m)                   | 831      | -      | 182       |
| <b>Tuesday 23 July</b>   |      |   |          |        |           |
| Singapore                | 0600 | Jun CPI (YoY%)                            | 0.7      | -      | 0.9       |
|                          | 0600 | Jun CPI core (YoY%)                       | 1.2      | -      | 1.3       |
| Taiwan                   | 0900 | Jun Industrial production (YoY%)          | -1.0     | -      | -3.1      |
| <b>Wednesday 24 July</b> |      |   |          |        |           |
| Malaysia                 | 0500 | Jun CPI (YoY%)                            | 1.1      | -      | 0.2       |
| Taiwan                   | 0920 | Jun Money supply (M2) (YoY%)              | 3.5      | -      | 3.4       |
| <b>Thursday 25 July</b>  |      |   |          |        |           |
| South Korea              | 0000 | 2Q P GDP (QoQ/YoY%)                       | 0.0/2.1  | -/-    | -0.4/1.7  |
|                          | -    | Jul BOK Consumer Sentiment Index          | 97.2     |        | 97.5      |
| Hong Kong                | 0915 | Jun Exports (YoY%)                        | -2.7     |        | -2.4      |
|                          | 0915 | Jun Imports (YoY%)                        | -3.0     |        | -4.3      |
|                          | 0915 | Jun Trade balance (HK\$ bn)               | -51.7    |        | -34.7     |
|                          | 2200 | Jul BOK Consumer Sentiment Index          | -        | -      | 97.5      |
| <b>Friday 26 July</b>    |      |   |          |        |           |
| Singapore                | 0330 | 2Q Jobless rate (Q) (%), SA)              | 2.3      | -      | 2.2       |
|                          | -    | Jun Industrial production (MoM/YoY%)      | 4.2/-2.1 | -/-    | -0.7/-2.4 |

Source: ING, Bloomberg, \*GMT