

## Asia week ahead: First test of US protectionism

Korea's trade data is the first test of increased US trade protectionism. Improving growth may lead India's central bank to step up the anti-inflation rhetoric, while inflation in the region except the Philippines continues to be benign



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# 10%

Korea's total export growth

YoY in Jan-Feb 2018

### First test of US trade protectionism

Korea's trade data for March released over the weekend was the first test of the impact of

increasing US protectionist policies on Asian exports. Data has yet to capture the full impact; 6.1% year-on-year export growth in March was slightly below consensus yet a pick up from 3.9% in the previous month.

Korea is the world's fourth-largest steel exporter, and one of Asia's biggest and the US is its top destination with 12.5% of total steel exported in 2017. However, tensions have eased with talks of the free-trade deal between two countries.

Korea's total exports grew by a respectable 10.3% year-on-year in the first quarter of 2018, led by a sustained strong growth in semiconductor exports by 46% and strong demand from China and Europe. Absent a significant tariff shock trade should continue to be the key driver of Korea's GDP growth this year.

6% RBI policy rate

## More hawkish Indian central bank

The Reserve Bank of India's monetary policy announcement on Thursday (April 5), is another standout event of the week with the broad consensus forecast of no change to the policy throughout 2018.

The most significant development since the last RBI meeting in early February is evidence of economic growth gathering pace and seasonally low food prices dragging inflation lower, both arguing for the RBI maintaining a neutral policy stance at the upcoming meeting. However, we don't expect policymakers to let their guard down against future inflation risks stemming from the higher cost of food, housing and fuel, a wider fiscal deficit, and a weak currency. On the contrary, with growth now back in the 7 - 8% potential range (7.2% in 3Q FY18), which is where it's widely expected to stay throughout FY2019, the odds of the RBI tightening policy have increased.

If not an outright tightening, we anticipate more members of the RBI's six-member policy committee favouring a tightening at this meeting. In the last few meetings, only one member voted for a 25bp rate hike, while the rest including Governor Patel, opted for a continued neutral stance. We recently abandoned our view of an on-hold policy this year to a forecast of two rate hikes in the second and fourth quarters of FY19.

Expect no respite from the sell-off in Indian government bonds or the Rupee in the near term.

4.7% Consensus forecast of Philippines inflation  
In March

## A raft of inflation data

Inflation data is set to dominate the calendar for the rest of Asia.

Korea, Indonesia, Philippines and Thailand will release CPI inflation for March. Inflation isn't a problem in Korea, Thailand or Indonesia, but Philippines' inflation has spiked above the policy target of 2-4% in recent months and is likely to remain above that target in March too. ING and consensus forecast is 4.7%.

Philippines central bank (BSP) has been resisting policy tightening because it expects inflation to return to the target zone within the next 12 months and given that policy changes kick in 12-18 months later, any tightening now would be ineffective in curbing inflation right away.

ING's Philippines economist, Joey Cuyegkeng expects inflation to peak within the next three to six months and expects the BSP to keep policy on hold throughout 2018.

## Next week's Asia calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 30 March</b>					
South Korea	0000	Feb Industrial production (MoM/YoY%)	-0.5	-/-	0.98/4.59
<b>Saturday 31 March</b>					
China	0200	Mar Non-manufacturing PMI	54.5	-	54.4
	0200	Mar Manufacturing PMI	51.5	-	50.3
<b>Sunday 1 April</b>					
South Korea	0100	Mar Exports (YoY%)	7.0	-	4.0
	0100	Mar Trade balance (US\$mn)	2750	-	3311
	0100	Mar Imports (YoY%)	6.8	-	14.8
<b>Monday 2 April</b>					
China	0245	Mar Caixin Manufacturing PMI	51.8	-	51.6
India	0600	Mar Nikkei Manufacturing PMI	52.5	-	52.1
Indonesia	0500	Mar CPI core (YoY%)	-	-	2.58
	0500	Mar CPI (YoY%)	3.3	-	3.18
Singapore	1400	Mar Purchasing Managers Index	52.6	-	52.7
Taiwan	0130	Mar Nikkei Manufacturing PMI	56.5	-	56
Thailand	0400	Mar CPI (YoY%)	0.9	-	0.42
	0400	Mar Core-CPI (YoY%)	0.7	-	0.63
South Korea	0130	Mar Nikkei Manufacturing PMI	50.6	-	50.3
<b>Tuesday 3 April</b>					
South Korea	0000	Mar CPI (MoM/YoY%)	0.8/1.4	-/-	0.8/1.4
Hong Kong	0815	Feb Retail sales value (YoY%)	8.0		4.1
	0815	Feb Retail sales volume (YoY%)	5.0		2.2
<b>Wednesday 4 April</b>					
India	0600	Mar Nikkei Services PMI	-	-	47.8
Korea	2300	Feb Current A/C Balance (US\$mn)	1.8/0.2		2680.4
<b>Thursday 5 April</b>					
India	1000	Apr 5 RBI policy decision (repo rate, %)	6.0	-	6.0
Malaysia	0500	Feb Trade balance (RM bn)	7.5	-	9.71
	0500	Feb Imports (YoY%)	11	-	11.63
	0500	Feb Exports (YoY%)	8.0	-	17.92
Philippines	0200	Mar CPI (YoY%)	4.7	-	4.5
<b>Friday 6 April</b>					
Philippines	-	Mar Forex reserves (US\$bn)	-	-	80431.59
Singapore	-	1Q A GDP (Q) (YoY%)	-	-	3.6
	-	1Q A GDP (QoQ Annualised %)	-	-	2.1

Source: Bloomberg, ING