

## Asia week ahead: Indian budget steals focus

The trade and purchasing manager indexes (PMIs) from across Asia may reveal that 2019 isn't off to a good start for regional economies, arguing for continued policy stimulus. India's FY2019-20 budget will be a closely-watched event as the Modi government aims to boost economic growth in its bid for re-election



Source: Shutterstock

### ➔ Indian government unveils an election budget

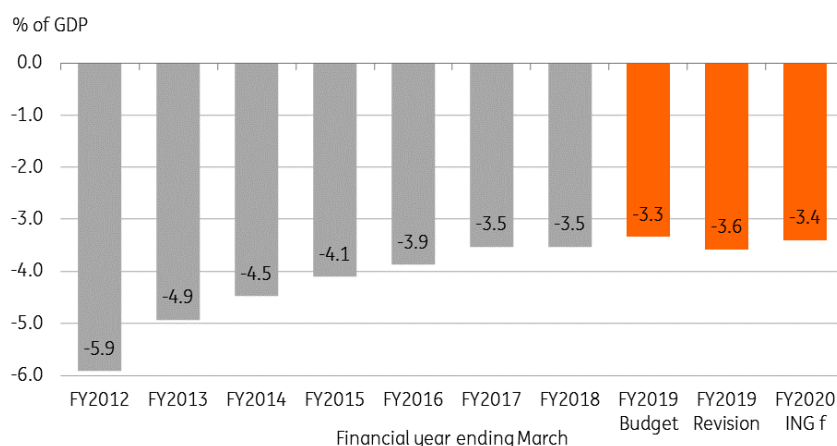
India's interim finance minister Piyush Goyal presents the FY2019-20 budget to the parliament on Friday, 1 February (Arun Jaitley is reportedly on medical leave). Growth will outweigh fiscal

discipline as the Modi administration pushes its way for a second term in the general election scheduled for May this year.

As such, after an overshoot of the deficit in the last financial year and more likely again in the current year, hopes of any fiscal consolidation taking place in the next financial year are largely misplaced. We see the revised budget for current FY2018-19 producing a deficit equivalent to 3.6% of GDP, well above the government's initial projection of 3.3% (consensus 3.5%). Our deficit forecast for the next financial year is 3.4%.

Persistently weak public finances will keep local government bonds and the Indian rupee under weakening pressure.

## India: Fiscal deficit - derailed consolidation



Source: CEIC, ING

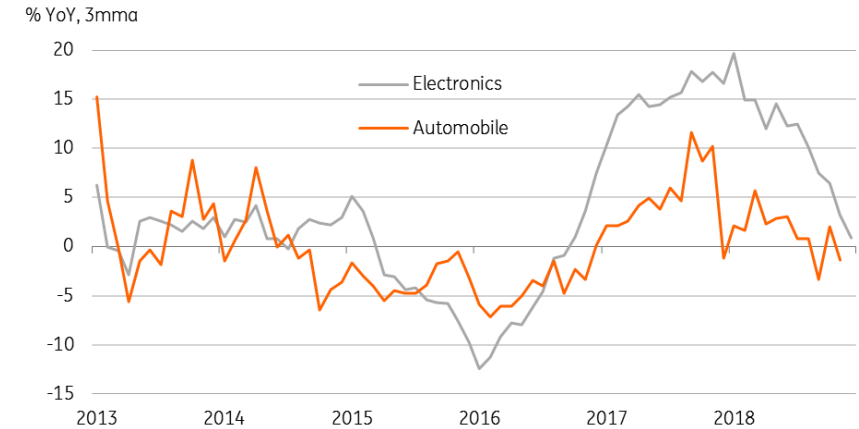
## ➔ Export weakness weighs on manufacturing

The trade and PMI releases from the rest of the region will likely reinforce the export-led slowdown in manufacturing coming into 2019 - not a good start to the year.

China's PMI will be closely watched. The manufacturing index fell below 50 in December for the first time since mid-2016, indicating contraction in activity, while services continued to grow. We aren't anticipating any bounce in activity in January, though the front-loading for the Lunar New Year holiday, which falls in the first week February, leaves scope for an upside surprise. Moreover, China's industrial profits data paints a clearer picture. Profits ended 2018 with negative growth and 2019 has seen a weak start as well.

Korea's trade for January, the first trade data from the region and probably from the world, is expected to show the deepening of export weakness as the downturn in global electronics and the automobile sector and a slowdown in China dampened export demand.

## Asia: Electronics and automom



Source: Bloomberg, CEIC, ING

## Asia Economic Calendar

| Country                     | Time* | Data/event                             | ING     | Survey | Prev.    |
|-----------------------------|-------|----------------------------------------|---------|--------|----------|
| <b>Monday 28 January</b>    |       |                                        |         |        |          |
| China                       | 0130  | Dec Industrial Profits (YTD, YoY%)     | -3.0    | -      | -1.8     |
| Hong Kong                   | 0815  | Dec Exports (YoY%)                     | -1.8    | -      | -0.8     |
|                             |       | Dec Imports (YoY%)                     | -5.0    | -      | 0.5      |
|                             |       | Dec Trade Balance (HK\$ bn)            | -45.0   | -      | -45.0    |
| <b>Tuesday 29 January</b>   |       |                                        |         |        |          |
| South Korea                 | 2100  | Feb BoK Business Survey Index, mfg     | 69.5    | -      | 71.0     |
|                             | 2100  | Feb BoK Business Survey Index, non-mfg | 71.0    | -      | 72.0     |
| <b>Wednesday 30 January</b> |       |                                        |         |        |          |
| Hong Kong                   | 0830  | Dec Retail Sales Value (YoY%)          | 3.4     | -      | 1.4      |
|                             | -     | Dec Retail Sales Volume (YoY%)         | 3.2     | -      | 1.2      |
| Malaysia                    | 0900  | Dec Trade Balance (RM bn)              | 5.7     | -      | 7.6      |
|                             | 0900  | Dec Exports (YoY%)                     | 5.8     | -      | 1.6      |
|                             | 0900  | Dec Imports (YoY%)                     | 8.7     | -      | 5.0      |
| Thailand                    | -     | Dec Manufacturing Index (YoY%)         | -1.0    | -      | 1.0      |
| South Korea                 | 2300  | Dec Industrial Production (MoM/YoY%)   | -2/-1.5 | -/-    | -1.7/0.1 |
| <b>Thursday 31 January</b>  |       |                                        |         |        |          |
| China                       | 0100  | Jan Non-manufacturing PMI              | 53.0    | -      | 53.8     |
|                             | 0100  | Jan Manufacturing PMI                  | 49.0    | -      | 49.4     |
| India                       | 1100  | Dec Fiscal Deficit (INR crore)         | -       | -      | 68042.0  |
|                             | 1200  | 2018 GDP Annual (YoY%)                 | -       | -      | 7.2      |
| Singapore                   | 0230  | 4Q Jobless Rate (Q) (% , SA)           | 2.2     | -      | 2.1      |
| Taiwan                      | 0800  | 4Q P GDP (YoY%)                        | 1.6     | -      | 2.3      |
|                             | 0800  | Central Bank December Minutes          |         |        |          |
| South Korea                 | 2300  | Jan CPI (MoM/YoY%)                     | 0.4/1.3 | -/-    | -0.3/1.3 |
| <b>Friday 1 February</b>    |       |                                        |         |        |          |
| China                       | 0145  | Jan Caixin Manufacturing PMI           | -       | -      | 49.7     |
| India                       | 0500  | Jan Nikkei Manufacturing PMI           | 52.5    | -      | 53.2     |
|                             | -     | FY 2019-20 Budget (Deficit, % of GDP)  | -3.4    | -      | -3.6     |
| Indonesia                   | -     | Jan CPI Core (YoY%)                    | -       | -      | 3.1      |
|                             | -     | Jan CPI (YoY%)                         | 3.0     | -      | 3.1      |
| Taiwan                      | 0030  | Jan Nikkei Manufacturing PMI           | -       | -      | 47.7     |
| Thailand                    | 0030  | Jan Nikkei Manufacturing PMI           | 49.5    | -      | 50.3     |
|                             | 0400  | Jan CPI (YoY%)                         | 0.3     | -      | 0.4      |
|                             | 0400  | Jan CPI Core (YoY%)                    | 0.7     | -      | 0.7      |
| South Korea                 | 0000  | Jan Imports (YoY%)                     | -8.0    | -      | 0.9      |
|                             | 0000  | Jan Trade Balance (US\$mn)             | 4683.0  | -      | 4342.0   |
|                             | 0000  | Jan Exports (YoY%)                     | -5.0    | -      | -1.2     |
|                             | 0030  | Jan Nikkei Manufacturing PMI           | 48.8    | -      | 49.8     |

Source: ING, Bloomberg, \*GMT

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