

Asia week ahead: Prepare for slower growth

Weak exports, weak manufacturing, and therefore slow GDP growth. This was the storyline across Asia in the last quarter and likely to prevail for the rest of the year



The key Asian economic releases next week are Korea's GDP for the second quarter and June manufacturing data from Singapore and Taiwan, all informing about Asia's growth outlook in the tariff era. Weak exports, weak manufacturing, and therefore slow GDP growth was the economic story across Asia in the last quarter. And it's likely to remain the theme for the rest of the year.

Weak exports and manufacturing, and slower GDP growth

In its quarterly Economic Outlook report released earlier this month, the Korean central bank (Bank

of Korea) cut its GDP outlook for 2018 to 2.9% growth from 3.0% previously. This is the result of the slowdown already underway in the country's exports and manufacturing. Export growth of 3.4% year-on-year in 2Q slowed from 9.9% in 1Q. And industrial production growth has been flat in recent months. We expect 2Q GDP growth of 2.6%, down from 2.8% in the previous quarter.

2.6% ING forecast for Korea's 2Q GDP growth

With the trade war risk intensifying, GDP growth is poised to slow for the rest of the year. We are reviewing our full-year 2018 growth forecast of 2.8% for a downgrade. While this could make a case for Bank of Korea (BoK) policy easing, there is little policy space for such a move, which is also unlikely as higher tariffs and a weak Korean currency exert upward inflationary pressure. We expect the next move in the BoK policy rate to be higher, not this year though.

In Singapore, the advance estimate of GDP in 2Q revealed a slowdown in growth to 3.8% from 4.3% in the previous quarter. This estimate is typically based on data for the first two months in the quarter. Manufacturing drives GDP growth and the June data next week (26 July) is a good guide for revisions to the advance estimate. Unexpectedly weak non-oil domestic export growth in June (1.1% YoY, down from 15.5% in May) signals weak manufacturing. If realized, our forecast of 2.4% manufacturing growth in June, down from 11% in May, will mean a downgrade of 2Q GDP growth to 3.6%.

2.4% ING forecast for Singapore's manufacturing in June

The heavy dependence on exports makes Singapore's economy more vulnerable to the global trade war. While we are looking to downgrade our growth forecast for this year from 3.2%, it will take a big slump in the economy for the central bank (MAS) to reverse the April policy tightening. And that's not what we are anticipating at the moment.

For Taiwan, it's the same economic story as in Korea or Singapore -- weak exports, weak manufacturing, and therefore weak GDP growth.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 20 July					
Malaysia	0800	Jul 13 Forex reserves- Month end (US\$bn)	-	-	104.7
Taiwan	0900	Jun Export Orders (YoY%)	8	8	11.68
Thailand	-	Jun Exports (Cust est, YoY%)	7	9.5	11.4
	-	Jun Imports (Cust est, YoY%)	19	15	11.7
Monday 23 July					
Philippines	-	Jun Budget balance (PHP bn)	-	-	-32.9
Singapore	0600	Jun CPI (YoY%)	0.6	-	0.4
	0600	Jun CPI Core (YoY%)	1.6	-	1.5
Taiwan	0900	Jun Industrial Production (YoY%)	4	5.8	7.05
Hong Kong	0415	Jun Composite CPI (%YoY)	2.2	-	2.1
Tuesday 24 July					
Taiwan	0920	Jun Money supply (M2) (YoY%)	3.8	-	3.73
South Korea	2200	Jul BOK Consumer Sentiment Index	106.3	-	105.5
Thursday 26 July					
Hong Kong	0930	Jun Exports (YoY%)	7.9	-	15.9
	0930	Jun Imports (YoY%)	8.5	-	16.5
	0930	Jun Trade balance (HK\$ bn)	-54.3	-	-43.2
Singapore	0600	Jun Industrial Production (MoM, SA/YoY%)	-0.7/2.4	-/-	0.4/11.1
South Korea	0000	2Q P GDP (QoQ/YoY%)	0.5/2.6	-/-	1/2.8
Friday 27 July					
China	0230	Jun Industrial Profits (YTD, YoY%)	18	-	21.1
Singapore	0330	2Q Jobless Rate (Q) (% SA)	2	-	2

Source: ING, Bloomberg

Author

Olivia Grace

Editor

olivia.grace@ing.com

Julian Geib

Junior Economist, Global Trade

julian.geib@ing.de

Zoltán Homolya

Economic research trainee

zoltan.homolya@ing.com

Amrita Naik Nimbalkar

Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Senior Economist, Healthcare & Technology

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Coco Zhang

ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Deputy Global Head of Editorial and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporate Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com