

## Asia week ahead: Recession fears looms

The upcoming week in Asia is likely to see concerns about an economic recession intensify. China's September data dump will tell us how the prolonged trade war is impacting the economy, while Singapore's central bank is likely to jump on the easing bandwagon too and the export-led economic slowdown means another rate cut from the Bank of Korea



Source: Shutterstock

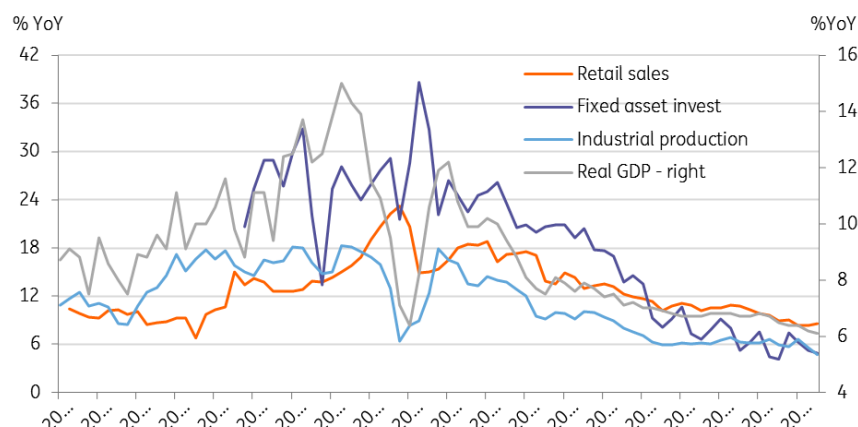
### ➔ China – steady grinding lower

The outcome of the trade talks will be one of the key drivers for global markets next week, while [delayed US tariff hikes](#) on \$250 billion of Chinese goods from the US also come into effect on 15 October. The situation continues to be tense and hopes of a breakthrough in the near term remain

slim as the US seems to be expanding the battlefield beyond trade and technology.

China's September data dump will tell us how all of this is impacting the economy. With such an adverse backdrop, GDP growth is poised to be on a steady downward slope in the third quarter and beyond. A nearly two-decade low industrial production growth, 4.4% in August, would be tantamount to a recession, although that's not reflected by the positive GDP growth as consensus forecasts 1.5% QoQ SA vs. 1.6% in 2Q. However, the consensus of just a small tick down in annual growth to 6.1% from 6.2% appears to be a tad optimistic.

## China: Trade war is taking toll on economy



Source: Bloomberg, CEIC, ING

Quarterly data. ING estimate for 3Q19.

## ➔ Singapore to start easing cycle

Singapore's advance GDP release for the third quarter arrives on 14 October and it will be accompanied by the central bank's semi-annual monetary policy statement.

*It will be another six months before the central bank is due to make a further adjustment, so underdoing it now will only condemn the economy to a longer period of inappropriately tight policy and slow growth. – ING Asia Chief Economist, Rob Carnell*

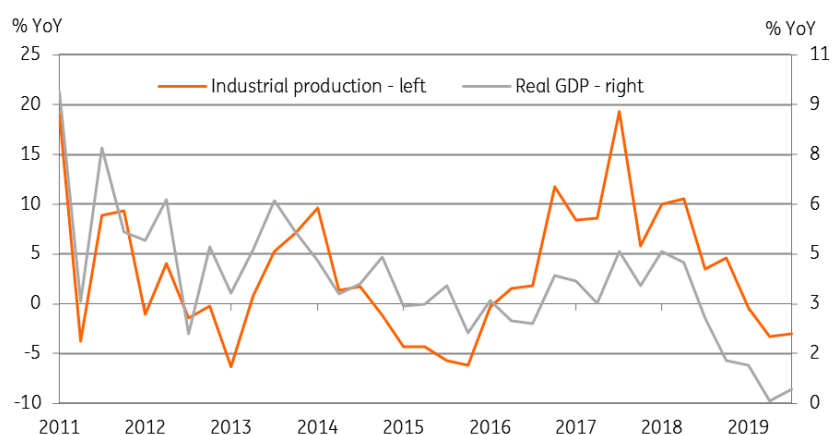
Has the economy bypassed a recession? The consensus median estimate of 1.2% annualised GDP bounce in 3Q from the previous quarter suggests so, though we are sceptical.

On the contrary, persistently weak exports and manufacturing data suggests another quarter of negative GDP growth (following -3.3% QoQ SAAR in 2Q) is more likely than not.

Indeed, the economy needs policy support and no doubt the central bank lagging behind its Asian and global peers, will join the easing cycle by cutting the slope of the policy band or even flattening it entirely, implying a zero percent SGD-NEER appreciation, from the current 'modest and gradual' appreciation path.

## Singapore production still falling

### Singapore: Manufacturing depresses GDP growth



Source: Bloomberg, CEIC, ING

Quarterly data. ING estimate for 3Q19.

## ➔ Korea –BoK needs to ease more

The Bank of Korea will meet next Wednesday, 16 October. The central bank started its easing cycle in July this year with a 25 basis point rate cut and the arguments for more cuts has only become stronger.

The export-led economic slowdown is deepening with the escalation of trade tensions with Japan depressing electronics manufacturing and exports. Extending a streak of double-digit declines to the fourth month, exports contracted by 12% year-on-year in September, with semiconductor persisting to be the weak spot with over 30% fall. While this will be translated into continued GDP growth slowdown, consumer price inflation has also moved into the negative territory in September for the first time ever.

We believe the economy is flirting with a recession and, if so, it makes sense the BoK acts sooner than later. The consensus is solidly supporting a 25 basis point rate cut in the current quarter. There are only two meetings to go before the end of the year. In our view, there are greater odds of a 25bp cut next week rather than at the November meeting.

# 1.25%

ING forecast of BoK policy rate

A 25bp cut next week

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 14 October</b>					
China	-	Sep Trade Balance (US\$bn)	-	34.8	34.8
	-	Sep Exports (YoY%)	-	-3.0	-1.0
	-	Sep Imports (YoY%)	-	-6.0	-5.6
India	0730	Sep WPI (YoY%)	1.0	0.8	1.1
	1300	Sep CPI (YoY%)	3.3	3.7	3.2
Singapore	0100	3Q A GDP (Q) (QoQ Ann/ YoY%)	-0.5/0.4	1.2/0.2	-3.3/0.1
	-	Singapore MAS Monetary Policy Statement			
<b>Tuesday 15 October</b>					
China	0230	Sep CPI (YoY%)	-	2.9	2.8
	0230	Sep PPI (YoY%)	-	-1.2	-0.8
India	-	Sep Imports (YoY%)	-9.5	-	-13.45
	-	Sep Exports (YoY%)	-5.0	-	-6.05
	-	Sep Trade deficit (US\$bn)	-12.3	-12.6	-13.4
Indonesia	0500	Sep Exports (YoY%)	-0.8	-	-10.0
	0500	Sep Imports (YoY%)	2.7	-	-15.6
	0500	Sep Trade balance (US\$mn)	-198.9	-	85.1
Philippines	-	Aug OCW remittances (YoY%)	3.2	-	7.5
<b>Wednesday 16 October</b>					
South Korea	0000	Sep Unemployment rate (% SA)	3.2	-	3.1
	0200	7-Day Repo Rate	1.25	-	1.50
<b>Thursday 17 October</b>					
Singapore	0130	Sep Non-oil domestic exports (MoM/YoY%)	-6.2/-10.5	-/-	6.7/-8.9
<b>Friday 18 October</b>					
China	0300	Sep Fixed asset investment (YTD, YoY%)	-	5.5	5.5
	0300	Sep Industrial Production (YoY%)	-	5.0	4.4
	0300	Sep Retail Sales (YoY%)	-	7.8	7.5
	0300	3Q GDP (Q) (QoQ SA/YoY%)	-/6.1	1.5/6.1	1.6/6.2

Source: ING, Bloomberg, \*GMT

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