

## Asia week ahead: Some shoots on second-half outlook

A raft of July economic indicators will provide a sense of where Asian economies are headed in the second half of 2019, while report cards for the second quarter performance continue to stream in



Source: Shutterstock

### ➔ PMI data dominates

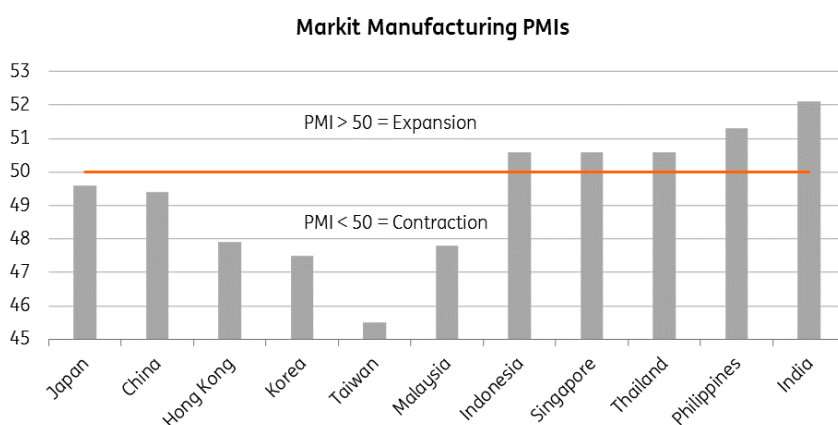
Around this time of the month, markets typically focus on purchasing managers index for the manufacturing and service sectors. Within these, China's PMI always steals the limelight but has been doing even more so since the onset of the trade war. However, we don't think the upcoming Chinese PMI data will be telling us anything different from recent releases.

While the trade war continues to hurt exports and manufacturing, services activity is holding up well. Even if this gulf widens further, it will be increasingly difficult for the services sectors to remain afloat without eventually being dragged lower without support from exports and manufacturing.

On the other spectrum is India, where manufacturing activity is firmly on the growth trajectory reflected by the recent PMI well above the 50 threshold, however, service activity has been in the contracting territory with the PMI in June coming in at 49.6. This isn't a good mix for the economy with services accounting for over 50% of GDP.

And there is this north-south divide as well – manufacturing PMIs for the majority of the south still in the expansionary zone, while in the north it seems to be contracting. But not all is bad in sub-50 countries. Malaysia stands out here. Despite weak PMI, Malaysia's manufacturing sector is holding up relatively well on the back of the electronics-led export outperformance as is expected to be reinforced by June trade figures out next week.

## Asian manufacturing PMI - Not everything gray is bad



Source: Bloomberg, ING

### ➔ But hard data matters more

Having said all of the above, PMIs are still sentiment-driven soft economic indicators. Hard activity data matters more. Korea's trade figures for July will be setting up expectations for trade and manufacturing performance for the rest of the region.

Despite the deep export slump, [Korea dodged recession](#) with a pick-up in second-quarter GDP growth. Yet, we don't see July trade figures calming nerves, especially with trade tensions with Japan clouding the prospects further. We expect a continued double-digit export decline in July, while weak domestic demand depresses imports and sustains wide trade surplus.

Hong Kong and Taiwan are next in line to report GDP data for 2Q19. Like Korea, the electronics slump has been hurting Taiwan quite a bit. Even if [Taiwan's exports posted positive growth in June](#), our Chinese economist warns against celebrating just yet. Indeed, she was right because subsequent export orders data for the month was still bad. As such, the consensus of 1.8% growth in Taiwan's GDP is at risk of a downside surprise (ING forecast 1.4%).

Undoubtedly, Hong Kong's economy has been hit hard by anti-government protests since late March, which could dent growth further below the 0.6% rate in 1Q19, which in itself was the

slowest in a decade since the 2009 global financial crisis.

[South Korean economy dodges recession](#)

[Taiwan: Export growth positive but too soon to celebrate](#)

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 27 July</b>					
China	0230	Jun Industrial profits (YTD, YoY%)	-1.9	-	1.1
<b>Monday 29 July</b>					
South Korea	2200	Aug BOK Business Survey Index, mfg	73.8	-	75.0
	2200	Aug BOK Business Survey Index, non-mfg	73.0	-	74.0
<b>Tuesday 30 July</b>					
Thailand	-	Jun Manufacturing index (YoY%)	-3.5	-	-4.0
<b>Wednesday 31 July</b>					
China	0200	Jul Manufacturing PMI	49.5	49.7	49.4
	0200	Jul Non-manufacturing PMI	53.7	54	54.2
India	-	Jun Fiscal deficit (INR crore)	-	-	209109
Taiwan	0900	2Q P GDP (YoY%)	1.4	-	1.7
South Korea	0000	Jun Industrial production (MoM/YoY%)	1.0/-1.4	-/-	-1.7/-0.2
Hong Kong	0915	2Q GDP (% YoY)	1.4		0.6
Thailand	0830	Jun Current account balance (US\$bn)	4.9		-0.4
<b>Thursday 1 August</b>					
China	0245	Jul Caixin Manufacturing PMI	49.5	49.8	49.4
India	0600	Jul Nikkei Manufacturing PMI	50.9	-	52.1
Indonesia	-	Jul CPI (YoY%)	3.3	-	3.3
	-	Jul Core CPI (YoY%)	-	-	3.3
Taiwan	0130	Jul Nikkei Manufacturing PMI	45	-	45.5
Thailand	0500	Jul CPI (YoY%)	0.8	-	0.9
	0500	Jul Core CPI (YoY%)	0.5	-	0.5
South Korea	0000	Jul CPI (YoY%)	0.8	-/-	0.7
	0100	Jul Exports (YoY%)	-12.0	-	-13.5
	0100	Jul Imports (YoY%)	-8.0	-	-11.1
	0100	Jul Trade balance (US\$m)	4249	-	3995
	0130	Jul Nikkei Manufacturing PMI	-	-	47.5
Hong Kong	0930	Jun Retail sales value (%YoY)	-1.6		-1.3
	0930	Jun Retail sales volume (%YoY)	-2.0		-1.7
Malaysia	0130	Jul Markit manufacturing PMI	48.5		47.8
Thailand	0130	Jul Markit manufacturing PMI	50.1		50.6
<b>Friday 2 August</b>					
Malaysia	0500	Jun Exports (YoY%)	0.0	-	2.5
	0500	Jun Imports (YoY%)	-3.0	-	1.4
	0500	Jun Trade balance (RM bn)	8.2	-	9.1
Singapore	1400	Jul Purchasing Managers Index	49.5	-	49.6

Source: ING, Bloomberg, \*GMT