

Asia week ahead: The slow-burn continues

The global trade war is slowly taking its toll on Asian economies. Even if it's not evident from Chinese data just yet, the slow-burn continues in the background for this front-line economy. The same goes for the rest of Asia, though we note some interesting exceptions



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➔ China: Mixed message from June data

Like the broad consensus, we forecast the June activity data from China will contain mixed messages. While the trade war continues to weigh on exports and manufacturing, monetary indicators testify the fiscal stimulus is doing its best to counter the export-led slowdown.

Despite being a few points below 50, China's unchanged manufacturing PMI in June was quite a bad start to the June data releases. Clearly, trade and new lending will be the focal points next week, while industrial production, fixed asset investment, and retail sales releases – all feeding into the GDP release – aren't due for another two weeks.

For now, markets should take comfort that China's GDP growth remains firmly within the target of 6% - 6.5% for 2019. Anything above the lower end of this target range will be a bonus.

[Watch: China to double fiscal stimulus](#)

➔ Singapore: Second quarter report card arrives

Singapore's advance GDP estimate for 2Q19 is expected next week; no confirmed date, but most likely to be released on 12 July. The advance estimate is typically based on data for the first two months of the quarter. Indeed, export weakness intensified with double-digit year-on-year declines in non-oil domestic exports in April and May. This export weakness transmitted into weak GDP via manufacturing. The manufacturing PMI remained in contractionary territory in June, suggesting that the drag continued into the third month.

The trade and tech war and global tech slump are hanging over the entire region, and we think waiting until the next Singapore central bank meeting in October to downscale the SGD appreciation path might be too long a wait – ING Asia Chief Economist, Rob Carnell

Singapore central bank's managing director, Ravi Menon, flagged 2Q GDP growth coming in weaker than 1Q, hinting at the possibility of an intra-meeting policy adjustment to support growth. If true, will our forecast of 0.8% YoY (-0.2% QoQ annualized) 2Q GDP growth be enough to trigger central bank easing before October? It could quite well possibly be.

➔ Malaysia: Firmer growth, steady policy

Malaysia's central bank reviews its monetary policy next week. But having cut rates by 25 basis points in May, we don't think it's time for another cut to the 3.0% overnight policy rate just yet. We aren't alone - the consensus also agrees with us. The economy doesn't need any more easing, given the firmer activity growth in recent months, which in fact, indicates an unusual acceleration of [GDP growth in 2Q19](#).

With close to zero inflation keeping the real (policy) interest rate high relative to most other Asian economies, there is plenty of space for easing if the economy does pivot in an undesirable direction. For now, we believe the central bank will assess the economic risks as fairly balanced between growth and inflation and save that policy space for the future.

Our baseline view is that growth remains firm and monetary policy will remain stable for the rest of the year.

[Malaysia's exports beat expectations, again](#)

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 July					
China	-	Jun Forex Reserves (US\$bn)	3106	3111	3101
Monday 8 July					
Taiwan	0900	Jun Exports (YoY%)	3.4	-	-4.8
	0900	Jun Imports (YoY%)	0.8	-	-5.9
	0900	Jun Trade balance (US\$bn)	6.0	-	4.49
Tuesday 9 July					
China	-	Jun Money supply (M2) (YoY%)	8.5	8.6	8.5
	-	Jun Aggregate finance (Yuan bn)	1900	1895.0	1395.2
	-	Jun Financial institution loans (Yuan bn)	1615	1725.0	1180
Malaysia	0800	Overnight Policy Rate	3.00	-	3.00
Wednesday 10 July					
China	0230	Jun CPI (YoY%)	2.7	2.7	2.7
	0230	Jun PPI (YoY%)	-0.5	0.3	0.6
Philippines	0200	May Exports (YoY%)	-1	-	0.4
	0200	May Imports (YoY%)	-0.2	-	-1.9
	0200	May Trade balance (US\$mn)	-3137.3	-	-3499
South Korea	0000	Jun Unemployment rate (% SA)	4.2	-	4.0
Friday 12 July					
China	-	Jun Trade Balance (US\$bn)	62.7	45.0	41.7
	-	Jun Exports (YoY%)	4.3	-1.3	1.1
	-	Jun Imports (YoY%)	-7.5	-3.5	-8.5
India	1300	Jun CPI (YoY%)	3.2	-	3.1
	1300	May Industrial production (YoY%)	2.7	-	3.4
Malaysia	0500	May Industrial production (YoY%)	3.5	-	4.0
Singapore	-	2Q GDP - advance (%QoQ ann/ YoY)	-0.2/0.8	-	3.8/1.2
	0600	May Retail sales value (MoM SA/YoY%)	-0.8/-1.9	-/-	0.5/-1.8

Source: ING, Bloomberg, *GMT