

## Asia week ahead: Trade threat? Not yet

The evidence of any impact of a trade war on Asia's GDP growth has been scant so far, while firmer exports support expectations of even stronger growth



### ➔ No evidence of trade hit to Asia's growth so far

We think the global trade war has displaced geopolitics as the main risk to Asia's GDP growth coming into 2018. Evidence of any impact of a trade war on growth at least in the first quarter of the year has been scant, though the war was only triggered in early March when President Trump announced hefty tariffs on steel and aluminium.

China and Singapore's GDP growth came in on the stronger side in the first quarter. We expect GDP releases from Korea and Taiwan next week to reinforce the message, with firmer exports growth leading us to forecast firmer GDP growth for both economies.

**3.2%** ING forecast of Korea's 1Q GDP growth  
Up from 2.8% in 4Q17

### ➔ Re-acceleration of Korea GDP growth

Korea's export growth accelerated to 10.3% year-on-year in 1Q18 from 8.6% in the previous quarter. Add to this positive consumer and investor sentiment from reduced North Korea tensions, and we could have GDP growth re-accelerating above the Bank of Korea's 3.0% forecast for the first half of this year. Our forecast is 3.2% growth in 1Q18.

However, in its latest quarterly Economic Outlook report the BoK scaled back its growth forecast for the first half from 3.2% to 3.0%, citing a still weak labour market, which has weighed on private consumption as well as the moderate growth of investment in the IT sector. We will wait for more evidence to this effect to reconsider our forecast of a 3Q18 BoK rate hike, while we also see upside risk to our forecast of USD/KRW ending the year at 1,000 (spot 1,059). These risks could be more pronounced in the event of a full-fledged trade war, not our baseline though.

### ➔ Taiwan is at greater risk from a trade war

In Taiwan, 10.6% YoY export growth in 1Q18 was little changed from the previous quarter, supporting our forecast of steady GDP growth in 1Q18 at the 3.3% pace of 4Q17, which was the fastest pace in almost three years.

Taiwan's GDP growth averaged 2.2% in the six years through 2016. Last year's growth spurt was the function of strong global demand rather than strong domestic demand. This lopsided state of the economy exposes it to potential trade weakness from restrictive policies elsewhere in the world. And there is nothing that domestic policy could do about it. We expect the Taiwan central bank (the Central Bank of China) to keep monetary policy on hold for an extended duration.

**4.3%** Singapore 1Q GDP growth  
Advance estimate, at risk of downward revision

### ➔ Exports and manufacturing de-coupling in Singapore

Singapore's industrial production for March will indicate the direction of revision to 4.3% 1Q18 GDP growth as part of the advance estimate. In the face of disappointing exports in March the risk is tilted toward a downward GDP revision. The real non-oil domestic export growth slowed sharply to 4% YoY in 1Q18 from 14% in 4Q17. In contrast, real manufacturing GDP growth more than doubled to 10%, boosting total GDP growth to 4.3% from 3.6% over the same quarters.

A steady expansion path for the economy this year and upward pressure on core inflation resulting from an improving labour market were the driving forces behind the recent central bank (Monetary Authority of Singapore) policy change to a "modest and gradual" appreciation of the

Singapore dollar nominal trade-weighted index. However, the decoupling of exports and manufacturing raises questions about where all that increased output is going, and whether the MAS was a bit too early to begin tightening.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 20 April</b>					
China	1700	PBOC's Yi to Attend Closed-door Lunch at Forum in Washington			
Malaysia	0800	Apr 13 Forex reserves- Month end (US\$bn)	-	-	107.8
Taiwan	0900	Mar Export orders (YoY%)	6.8	0.25	-3.85
<b>Monday 23 April</b>					
Singapore	0600	Mar CPI (YoY%)	0.6	-	0.5
	0600	Mar CPI core (YoY%)	1.6	-	1.7
Taiwan	0900	Mar Industrial production (YoY%)	3	-	-1.93
Thailand	-	Mar Exports (Cust est, YoY%)	6	5.9	10.3
	-	Mar Imports (Cust est, YoY%)	11	11.2	16
Hong Kong	0930	Mar Composite CPI (YoY)	2.2	-	3.1
<b>Tuesday 24 April</b>					
Philippines	-	Mar Budget balance (PHP bn)	-	-	-61.7
Taiwan	0920	Mar Money supply (M2) (YoY%)	3.6	-	3.78
South Korea	2200	Apr BOK Consumer Sentiment Index	107.5	-	108.1
<b>Thursday 26 April</b>					
Singapore	0600	Mar Industrial production (MoM/YoY%)	-2.9/4.9	-/-	-0.5/8.9
South Korea	0000	1Q P GDP (QoQ/YoY%)	1.4/3.2	-/-	-0.2/2.8
	2200	May BOK Business Survey Index, mfg	79.7	-	78
	2200	May BOK Business Survey Index, non-mfg	80.5	-	80
Hong Kong	0930	Mar Exports (YoY%)	3	-	1.7
	0930	Mar Imports (YoY%)	5	-	-3.2
	0930	Mar Trade balance (HK\$ bn)	-63.9	-	-42.7
<b>Friday 27 April</b>					
China	0230	Mar Industrial profits (YTD, YoY%)	18	-	10.8
Singapore	0330	1Q Jobless rate (Q) (%), SA	2.1	-	2.1
Taiwan	0930	1Q P GDP (YoY%)	3.3	-	3.28
Thailand	-	Mar Manufacturing index (YoY%)	-	-	4.7

Source: ING, Bloomberg