Asia week ahead: Weak trade and FX, high inflation

Inflation data crowds the calendar with Korea, Taiwan, Indonesia, Thailand and Philippines reporting CPI for June. As an all-out trade war looms, it'll be a challenging period ahead for Asian central banks to strike the growth-inflation balance

Trade war is upon us

The threat of an all-out trade war will continue to dominate the headlines before the US implements $34 billion of tariffs on Chinese goods on 6 July. China has vowed to retaliate on an equal scale and intensity. The stakes are high but so are the hopes that the two countries will come to terms in averting the war in a last-minute deal.

Meanwhile, the tensions will weigh on trade from the rest of Asia. Korea's trade data for June will be a testimony of this. The 4.8% year-on-year fall in Korean exports in the first 20 days of June was alarming, a sign of already weakening export momentum. The weak trade sentiment is further reflected in the Korean won as Asia's worst currency with 4.1% month-to-date depreciation.

2.3% YoY

Korean export growth in June

ING forecast: down from 13.5% in May

Currency weakness is inflationary

Inflation data crowds the calendar next week as Korea, Taiwan, Indonesia, Philippines, and Thailand report CPI for June. The usual focus here is on Indonesia and the Philippines, Asia's high inflation economies.

We anticipate some inflation relief in Indonesia, with our forecast slowdown below 3% year on year for the first time in two years on the lower transport component. The risk to this view stems from the seasonal food price spike during the Muslim holy month of Ramadan. In the Philippines, 4.6% YoY inflation in May was the highest since 2011. We expect a further rise to 4.7% in June.

Inflation in other reporting countries is benign so far. But the risk of trade-related currency weakness fuelling inflation in the future is on the rise. The Asian central banks will have a challenging time in striking a growth-inflation balance in the event of an all-out trade war.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 29 June			
India	1200	May Fiscal deficit (INR crore)	-	-	151967
Indonesia	-	Jun 29 BI policy decision (7-day rev repo, %)	-	5	4.75
South Korea	0000	May Industrial production (MoM/YoY%)	2.0/1.9	0.15/0.9	3.35/0.9
		Saturday 30 June			
China	0200	Jun Non-manufacturing PMI	55	54.8	54.9
	0200	Jun Manufacturing PMI	52.3	51.7	51.9
		Sunday 1 July			
South Korea	0100	Jun Exports (YoY%)	2.3	1.4	13.5
	0100	Jun Imports (YoY%)	12.6	12.5	12.6
	0100	Jun Trade balance (US$mn)	6806	6350	6554
		Monday 2 July			
China	0245	Jun Caixin Manufacturing PMI	51.1	51.1	51.1
India	0600	Jun Nikkei Manufacturing PMI	50.5	-	51.2
Indonesia	0500	Jun CPI core (YoY%)	-	-	2.75
	0500	Jun CPI (YoY%)	2.85	-	3.23
Singapore	1400	Jun Purchasing Managers Index	52.4	-	52.7
Taiwan	0130	Jun Nikkei Manufacturing PMI	53.8	-	53.4
Thailand	0400	Jun CPI (YoY%)	1.5	-	1.49
	0400	Jun Core-CPI (YoY%)	0.9	-	0.8
	0830	Jun Nikkei manufacturing PMI	50.1	-	51.1
South Korea	0130	Jun Nikkei Manufacturing PMI	48.7	-	48.9
		Tuesday 3 July			
Hong Kong	0930	May Retail sales value (YoY%)	12.1	-	12.3
	0930	May Retail sales volume (YoY%)	-	-	11.1
South Korea	0000	Jun CPI (MoM/YoY%)	-/1.7	0/1.7	0.1/1.5
		Wednesday 4 July			
India	0600	Jun Nikkei Services PMI	-	-	49.6
Korea	2300	May Current A/c Balance (US$m)	1750		1768.2
		Thursday 5 July			
Hong Kong	0130	Jun Nikkei PMI	-	-	47.8
Malaysia	0500	May Trade balance (RM bn)	6.4	-	13.07
	0500	May Imports (YoY%)	-5.2	-	9.14
	0500	May Exports (YoY%)	-3.8	-	14.04
Philippines	0200	Jun CPI (YoY%)	4.7	-	4.6
Taiwan	0900	Jun CPI (YoY%)	1	-	1.64
	0900	Jun WPI (YoY%)	6	-	5.61
		Friday 6 July			
Hong Kong	-	Jun Forex Reserves (US$bn)	430	-	432.1
Malaysia	0800	Jun 29 Forex reserves- Month end (US$bn)	-	-	107.9
Philippines	-	Jun Forex reserves (US$bn)	-	-	79202.4

Source: ING, Bloomberg

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