

## Asia Week Ahead: Weak won may comfort Korean central bank

We have scaled back our Bank of Korea policy forecast from two rate hikes this year to only one in the third quarter



### South Korean data deluge

A Bloomberg headline this week that “[S. Korea's Household Debt Hits Record \\$1.3 Trillion in 2017](#)” punches monetary policy hawks ahead of the Bank of Korea (BoK) monetary policy meeting on Tuesday, February 27. The article cited an 8% rise in household debt in the last year led by surging mortgage debt. The pace of debt growth has slowed from 11.6% in 2016 but it's still too rapid for an economy growing at only 3%. The article also cited the risk of rising debt defaults as interest rates go up. High household debt has prominently appeared as a risk in BoK policy statements.

The BoK started raising policy interest rates in November 2017, in what now looks like it will be a very slow tightening cycle. The pressure on further tightening has ebbed since, thanks to a sharp slowdown in GDP growth in the final quarter of 2017 (to 3% from 3.8%) and inflation has also begun to drift well below the target rate. A slew of Korean activity data, including forward-looking

consumer and business confidence indexes and hard data on exports and industrial production, will inform on the current state of the economy. The recent global market rout could dent confidence indicators while the Lunar New Year holiday will distort real activity data.

## Bank of Korea rate decision

Moreover, the recent market turbulence should have laid to rest the BoK's concern over the Korean won (KRW). The selloff once again exposed the KRW's "VIX currency" status, e.g. appreciating more than most other Asian currencies during 'risk-on' market sentiment and depreciating more than most during 'risk off'. While markets do not expect the BoK to change their policy at the forthcoming meeting, they will pore through the statement for signs of future policy moves. We have scaled back our BoK policy forecast for this year from two 25bp rate hikes to only one in the third quarter of the year.

## Singapore PMI

Singapore's industrial production for January and manufacturing PMI for February will help show how GDP growth is shaping up in 2018. The 13% year-on-year growth in non-oil domestic exports (NODX) in January was an upside surprise but electronics shipments growth, the mainstay of Singapore's exports, remained in negative territory. We expect NODX growth to return to the mid-single digit range this year. The April central bank decision remains a very tough call, and we are still somewhat uncomfortable with our long-standing tightening forecast. But following the recent stimulative budget announcement, some very modest offsetting tightening by the Monetary Authority Of Singapore seems more probable than it did.

## Hong Kong Budget

Hong Kong's Budget for 2018 is due on February 28. Just as in Singapore, a significant fiscal surplus leading to a payback to households will not come as a complete surprise. Innovation is the buzzword in both Hong Kong and Singapore with greater policy initiatives.

## Indian GDP

India also reports GDP data for the October-December quarter. The majority of Asian economies posted a year-on-year growth slowdown in the last quarter of 2017, thanks mostly to a high base a year ago. India's growth, however, benefits from low base effects. Consistent also with the run of high-frequency data over the period, we anticipate a slight acceleration in growth to 6.5% YoY in the October-December quarter from 6.3% the previous quarter. But it will take a big upside growth surprise to put some lift in the Indian rupee, Asia's worst performer this month.

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Saturday 24 February</b>					
China	0130	China January Property Prices			
<b>Monday 26 February</b>					
Philippines	-	Dec Budget balance (PHP bn)	-	-	-8.623
Singapore	0500	Jan Industrial production (MoM/YoY%)	-/-	2.7/7.8	-2/-3.9
South Korea	2100	Feb BOK Consumer Sentiment Index	111.7	-	109.9
<b>Tuesday 27 February</b>					
Taiwan	0820	Jan Money supply (M2) (YoY%)	-	-	3.6
Thailand	-	Jan Manufacturing index (YoY%)	2.6	-	2.3
Hong Kong	0815	Jan Exports (YoY%)	-	-	6
	0815	Jan Imports (YoY%)	-	-	9
	0815	Jan Trade balance (HK\$ bn)	-	-	-59.9
South Korea	-	7-Day Repo Rate	1.5	-	1.5
	2100	Mar BOK Business Survey Index, mfg	74.7	-	77
	2100	Mar BOK Business Survey Index, non-mfg	78.9	-	78
<b>Wednesday 28 February</b>					
China	0100	Feb Non-manufacturing PMI	-	-	55.3
	0100	Feb Manufacturing PMI	-	-	51.3
India	0500	Feb Nikkei Manufacturing PMI	-	-	52.4
	1100	Jan Fiscal deficit (INR crore)	-	-	8844
	1200	2018 GDP annual (YoY%)	6.5	-	7.1
	1200	4Q GDP (Q) (YoY%)	6.5	-	6.3
Hong Kong	0815	4Q17 GDP (MoM/YoY%)	-/3.3	-/-	0.5/3.6
	-	FY2018 Budget			
Malaysia	0400	Jan CPI (YoY%)	2.7	-	3.5
<b>Thursday 1 March</b>					
China	0145	Feb Caixin Manufacturing PMI	-	-	51.5
Indonesia	0400	Feb CPI core (YoY%)	-	-	2.69
	0400	Feb CPI (YoY%)	3.4	-	3.25
Taiwan	0030	Feb Nikkei Manufacturing PMI	-	-	56.9
	0800	Jan Export orders (YoY%)	30	-	17.54
South Korea	0000	Feb Exports (YoY%)	-2	-	22.2
	0000	Feb Trade balance (US\$mn)	1775	-	3721
	0000	Feb Imports (YoY%)	12	-	20.9
	2300	Jan Industrial production (MoM/YoY% SA)	-0.2/4.4	-/-	-0.5/-6
	-	Independence Day holiday			
<b>Friday 2 March</b>					
Singapore	1300	Feb Purchasing Managers Index	-	-	53.1
Thailand	0300	Feb CPI (YoY%)	0.8	-	0.68
	0300	Feb Core-CPI (YoY%)	0.6	-	0.58
South Korea	0030	Feb Nikkei Manufacturing PMI	50.3	-	50.7
Hong Kong	0815	Jan Retail sales value (YoY%)	-	-	5.8
	0815	Jan Retail sales volume (YoY%)	-	-	4.3

Source: Bloomberg, ING

### Author

#### Alissa Lefebre

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

#### Deepali Bhargava

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

**Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

**Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT  
[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**  
Senior Economist, Services and Leisure  
[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**  
Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Senior Editor and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**  
Senior High Yield Credit Strategist  
[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**  
Global Head of Sector Research  
[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare  
[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**  
FX Strategist  
[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**  
Senior Sector Economist, Transport and Logistics  
[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**  
Sector Economist  
[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**  
Chief Economist, CIS  
[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**  
Senior Economist, Philippines  
[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**  
Senior Credit Analyst  
[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**  
Consumer Economist  
[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**  
Senior Sector Economist, Energy  
[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**  
Head of Corporates Sector Strategy  
[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**  
Senior Economist, France and Switzerland  
[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**  
Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**

Senior Macro Economist

[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**

Head of Global IFRS9 ME Scenarios

[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)



**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist  
+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist  
+31 20 563 8801  
[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Robert Carnell**

Regional Head of Research, Asia-Pacific  
[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

**Karol Pogorzelski**

Senior Economist, Poland  
[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro  
[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist  
+44 20 7767 6405  
[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content  
+44 (0) 207 767 5331  
[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands  
[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone  
[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist  
[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)