

## Asia week ahead: Will July data testify to trade war impact?

Korea's July trade data and central bank policy meetings in Japan and India will be the highlights next week



### Some relief on the trade front, but not a whole lot

A raft of economic data for July will come as the first test of the trade war that kicked off earlier this month.

While the 'soft' data on manufacturing purchasing managers' indexes (PMIs) may show the impact on sentiment, the hard data on trade should provide some sense of the actual hit. This keeps Korean trade data for July, the first for the month from Asia and probably the world, in the spotlight.

We expect a small annual decline of 2.6% in Korean exports - the second consecutive negative print.

**-2.6%** ING forecast  
Korean export growth in July

However, the trade data will also be weighed against the latest positive signs of more free trade across the Atlantic, which should limit the negative impact for markets of any bad trade report.

The US-EU deal to lift all bilateral trade tariffs may be a hopeful sign of a potentially positive end to the global trade war. But the hopes may be misplaced as the next stage of US tariffs on \$16 billion of Chinese exports looms large and this will, in all likelihood, face an equal amount of retaliation from China. As such, the trade risk is here to stay in the driving seat for the market.

## Central bank policy dilemma

Central banks in Japan and India will be in the spotlight for their monetary policy decisions.

Until recent reports about the Japanese central bank possibly tweaking policy, there was little to no market interest in the upcoming Bank of Japan policy decision on 31 July. The two possible tweaking options are:

- 1) Adjusting or abandoning the 2% inflation target, as might have been heralded by the BoJ when it dropped the reference to an inflation target in its April policy statement, and
- 2) Adjusting the pace of asset purchases, which too have undershot the target.

We don't think the first of this is on the table but the second might be. Here is what our Chief Economist Asia-Pacific, Rob Carnell, thinks about the [BoJ policy confusion](#).

We think the policy confusion for the Indian central bank might stem from recent developments of re-acceleration in the country's consumer price inflation above 5% in June and some stabilisation of the Indian rupee exchange rate in July. While we observed from the high-frequency data that GDP growth slowed down in the last quarter, we believe inflation and currency stability remain a strong argument for the RBI to remain on the tightening path. We forecast it will hike rates next week and again in October.

[Read why we're now looking for two rate hikes in India this year](#)

## Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Friday 27 July</b>					
China	0230	Jun Industrial Profits (YTD, YoY%)	18	-	21.1
Singapore	0330	2Q Jobless rate (Q) (% , SA)	2	2	2
<b>Monday 30 July</b>					
South Korea	2200	Aug BOK Business Survey Index, mfg	79	-	80
	2200	Aug BOK Business Survey Index, non-mfg	81	-	80
<b>Tuesday 31 July</b>					
China	0200	Jul Non-manufacturing PMI	55	-	55
	0200	Jul Manufacturing PMI	51.3	-	51.5
India	1200	Jun Fiscal Deficit (INR crore)	-	-	193526
Taiwan	0900	2Q P GDP (YoY%)	2.8	2.83	3.02
Thailand	0430	Jun Manufacturing Index (YoY%)	3	-	3.2
South Korea	0000	Jun Industrial Production (MoM/YoY%)	-1.3/0.7	-/-	1.15/0.9
<b>Wednesday 1 August</b>					
China	0245	Jul Caixin Manufacturing PMI	50.5	-	51
India	0600	Jul Nikkei Manufacturing PMI	51.5	-	53.1
	1000	Aug 1 RBI Policy Decision (Repo Rate, %)	6.5	-	6.25
Hong Kong	0930	Jun Retail Sales Value (YoY%)	13.4	-	12.9
	0930	Jun Retail Sales Volume (YoY%)	12.5	-	11.6
Indonesia	0500	Jul CPI core (YoY%)	-	-	2.72
	0500	Jul CPI (YoY%)	3.2	-	3.12
Taiwan	0130	Jul Nikkei Manufacturing PMI	-	-	54.5
Thailand	0030	Jul Nikkei manufacturing PMI	50.5	-	50.2
	0400	Jul CPI (YoY%)	1.4	-	1.38
	0400	Jul CPI Core (YoY%)	0.8	-	0.83
South Korea	0000	Jul CPI (MoM/YoY%)	-/-1.7	-/-	-0.2/1.5
	0100	Jul Exports (YoY%)	-2.6	-	-0.1
	0100	Jul Imports (YoY%)	-1.3	-	10.7
	0100	Jul Trade balance (US\$m)	3214	-	6240
	0130	Jul Nikkei Manufacturing PMI	49.5	-	49.8
Malaysia	0030	Jul Nikkei manufacturing PMI	48.5	-	49.5
<b>Thursday 2 August</b>					
Singapore	1400	Jul Purchasing Managers Index	52.3	-	52.5
Korea	2300	Jun Current A/c Balance (US\$m)	6180	-	8680.6
<b>Friday 3 August</b>					
India	0600	Jul Nikkei Services PMI	50.5	-	52.6
Hong Kong	0130	Jul Nikkei PMI	-	-	47.7
Malaysia	0500	Jun Trade balance (RM bn)	9.9	-	8.12
	0500	Jun Imports (YoY%)	13	-	0.13
	0500	Jun Exports (YoY%)	15	-	3.39

Source: ING, Bloomberg