

Good MornING Asia - 30 August 2019

An olive branch from China, but this trade war is far from over. We don't think China is about to acquiesce without the US removing a lot of existing tariffs and holding off from new ones, and the US needs a big concession from China on IP and openness, or it too will appear weak.

In this bundle



Trade: All is well (give it a few weeks)

An olive branch from China, but this trade war is far from over. We don't think China is about to acquiesce without the US removing a lot of existing...



Asia week ahead

Asia week ahead: Are we at the end of it?

The Asian economic calendar is packed with the usual start-of-the-month releases on trade, manufacturing, and inflation. But the trade war will remain the...



South Korea

Korean 2020 budget

South Korea's budget for 2020 includes an increase in government spending of 9.3%.

Opinion | 30 August 2019

Trade: All is well (give it a few weeks)

An olive branch from China, but this trade war is far from over. We don't think China is about to acquiesce without the US removing a lot of existing tariffs and holding off from new ones, and the US needs a big concession from China on IP and openness, or it too will appear weak.



Take the good news while it lasts

Markets opened with a positive hue this morning in response to China's offering to delay the introduction of new tariffs on the US in retaliation to the US' latest round of tariffs. President Trump told Fox News yesterday that talks with China on trade will occur today, though there are no more details.

Amidst signs that the US may be slowing faster than expected in 2Q19, could it be that US President Trump is about to look for a way to restore calm to markets by finding some sort of deal

or truce with China?

Personally, I doubt it. For a number of reasons. Here are a few off the top of my head:

1. President Trump most likely believes that the US is weathering the trade war better than China - that is a moot point, but it doesn't matter what I think.
2. US public opinion would not welcome a weak trade deal with China as much as they would not welcome a slowing economy. This is a trade-off.
3. The decision to call off a trade war is as much a decision for China as it is for the US, and the sort of deal that China needs to get - reversal of existing tariffs, curtailment of new tariffs, better treatment for Huawei and other tech companies, is exactly the sort of deal that the US cannot deliver without appearing to cave in.

I won't go on.

So yes, markets are happy today as a goldfish is with a new rock in the tank to swim around, and around, and around.

I'd be gearing up for the next down-leg personally.

And Iris agrees..

Don't just take my word for it, here's what our Greater China Economist, Iris Pang thinks on the subject: "China's Ministry of Commerce said that to continue to have trade talks there must be necessary conditions for both sides. For China, this means the US would need to cancel the planned tariff increases.

I believe the market has interpreted recent developments too positively. It will be very difficult for President Trump to back down so quickly. It is also completely uncertain if there will be meaningful trade talks in September. Even if there are, both sides may just reaffirm to the other side their pre-conditions for further talks. And for both, this is likely to be that the other side first needs to make concessions. This implies no progress".

India GDP to buck weakening trend

India's GDP figure for the April-June quarter (1Q FY2019-20) today should testify to the elevated concern over growth evident from the massive stimulus the authorities have unleashed this year. However, the consensus of just a tenth of a percent dip in growth (5.7% from 5.8% in 4Q FY2018-19) doesn't quite come across as really worrisome. Nor do firmer exports and manufacturing growth suggest any real growth slowdown. Yes, there have been some pockets of weakness evident from slowing car sales and bank lending, though this largely reflects policy lags (pointed out by an RBI policymaker in the latest policy minutes) with less than 40% of the rate cuts so far being transmitted to the banking system.

We believe growth, in fact, improved in the reporting period to 6.0% making the additional RBI easing by 35bp rate cut earlier this month unnecessary. If so, we would reconsider our view of an additional 50bp of RBI rate cuts in the rest of the year, which isn't really a conviction call, but merely reflects the fact that the central bank is under pressure from the government to do more. (From Prakash Sakpal)

BoK - to hold today

We don't expect the BoK to follow up their July rate cut decision with another at today's meeting.

1. The KRW at 1209 is already very weak
2. The BoK will not want to front-run the US Fed
3. Following yesterday's budget there is less need to use monetary policy
4. Production data today hint that the electronics cycle is troughing - better news for growth.

The final point is good news not just for Korea. We also see evidence of an electronics cycle trough in data from Singapore, which may just side-step a feared recession as a result. So there is some genuine good news out there. I just don't think you should over-do it.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
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

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

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

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Asia week ahead: Are we at the end of it?

The Asian economic calendar is packed with the usual start-of-the-month releases on trade, manufacturing, and inflation. But the trade war will remain the running theme for markets



Source: Shutterstock

➔ Are we at the end of it? Not yet...

First of all, let's hope for no more escalation of the US-China trade rhetoric over the coming weekend even as a portion of new US tariffs on Chinese products takes effect on Sunday, 1 September. On a positive note, China's Commerce Ministry has just ruled out an immediate retaliation to last weekend's US tariff increase.

China has ample means for retaliation but thinks the question that should be discussed now is about removing the new tariffs to

prevent escalation. - Ministry of Commerce spokesman Gao Feng

Absent additional trade bashing, the focus should return to where we are in terms of the real impact so far. China's purchasing managers index (PMI) and Korea's export growth, the first August releases from the region due over the coming weekend, may provide some insight. While we anticipate no departure from the recent trend of weak exports depressing manufacturing, at least the trend doesn't seem to have got any worse either. Nor has it bottomed.

The recent escalation of the tariff war provides no hopes of a near-term trade deal. As such, we are in for a long stretch of slow growth and increasingly challenging policy environment, as some central bankers have warned.

RBA policy meeting – a non-event

The Reserve Bank of Australia's Governor Philip Lowe has recently pointed to policy challenges as "political shocks are turning into economic shocks" and argued about government stimulus as more impactful than cutting interest rates, which risks pushing up asset prices.

This suggests the RBA meeting next week will likely pass as a non-event, while Australia's GDP growth has continued to slow (2Q GDP data is due next week). We, in line with consensus, expect no change to the 1.0% RBA policy rate, and a slowdown in GDP growth to 1.5% year-on-year from 1.8% in 1Q. However, continued negative capex growth in 2Q imparts a downside risk to our growth view. That said, we expect the RBA policy pause to continue until the end of the year.

More good news for BSP's easing, not for BI's

Meanwhile, the August inflation releases in Indonesia and the Philippines will inform on central bank policy paths in these countries. The consensus view of a sharp fall in inflation below 2% (to 1.8% from 2.4% in July – the lowest in three years) would delight the Bangko Sentral ng Pilipinas (Philippines central bank) looking to cut rates further.

In Indonesia, we see inflation ticking up in August (to 3.5% from 3.2%), supporting our view of no more rate cuts from Bank Indonesia for the rest of the year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 31 August					
China	0200	Aug Manufacturing PMI	49.5	49.6	49.7
	0200	Aug Non-manufacturing PMI	53.1	53.7	53.7
Sunday 1 September					
South Korea	0100	Aug Trade balance (US\$mn)	-	2420	2403
	0100	Aug Exports (YoY%)	-	-12.5	-11.0
	0100	Aug Imports (YoY%)	-	-4.5	-2.7
Monday 2 September					
China	0245	Aug Caixin Manufacturing PMI	49.7	49.8	49.9
India	0600	Aug Nikkei Manufacturing PMI	-	-	52.5
Indonesia	-	Aug CPI (YoY%)	3.5	3.47	3.32
	-	Aug CPI core (YoY%)	-	3.17	3.18
Taiwan	0130	Aug Nikkei Manufacturing PMI	48.5	-	48.1
Thailand	0500	Aug CPI (YoY%)	0.8	-	1.0
	0500	Aug Core-CPI (YoY%)	0.4	-	0.4
South Korea	0130	Aug Nikkei Manufacturing PMI	-	-	47.3
Tuesday 3 September					
Singapore	1400	Aug Purchasing Managers Index	-	-	49.8
South Korea	0000	2Q F GDP (QoQ/YoY%)	-/-	-/2.1	1.1/2.1
	0000	Aug CPI (MoM/YoY%)	-/-	-/-	-0.3/0.6
Wednesday 4 September					
India	0600	Aug Nikkei Services PMI	-	-	53.8
Hong Kong	0130	Aug Nikkei PMI	-	-	43.8
Malaysia	0500	Jul Exports (YoY%)	-5.0	-	-3.1
	0500	Jul Imports (YoY%)	-4.0	-	-9.2
	0500	Jul Trade balance (RM bn)	7.1	-	10.3
Thursday 5 September					
India	-	2Q Current account balance (Q) (US\$bn)	-	-	-4.6
Philippines	0200	Aug CPI (YoY%)	-	-	2.4
Friday 6 September					
Hong Kong	-	Aug Forex Reserves (US\$bn)	-	-	448.5
Malaysia	0800	Aug Forex reserves- Month end (US\$bn)	-	-	103.1
Philippines	-	Aug Forex reserves (US\$bn)	-	-	85175.76
Taiwan	0900	Aug CPI (YoY%)	0.9	-	0.4
	0900	Aug WPI (YoY%)	0.5	-	-3.4

Source: ING, Bloomberg, *GMT

[Click here to download a printer-friendly version of this table](#)

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi
Economic research trainee
kinga.havasi@ing.com

Marten van Garderen
Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

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

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

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

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Korean 2020 budget

South Korea's budget for 2020 includes an increase in government spending of 9.3%.



Source: Shutterstock

9.3% Increase in government spending
A net boost of about 2.2% GDP

"As expansionary as possible"

Finance Minister, Hong Nam-ki, has described the 2020 budget as being "as expansionary as possible". Perhaps a more literal translation would be "as expansionary as feasible", since clearly, more could have been done.

But the 9.3% increase in government spending is impressive, and even though this is whittled down in its effectiveness by some revenue increases from tax measures, that still leaves a net expansion of government spending of some KRW42tr, or about 2.2% of GDP.

As far as fiscal thrust goes, I'd have to say that this is pretty good, though critics point to Korea's debt-to-GDP ratio, which is now forecast to rise to 39.8% and argue that with such an enviably low debt ratio, the government should have done more.

This is probably not the final story

Such criticisms are somewhat harsh, in our view. Korea is facing what is undoubtedly one of the most negative cyclical backdrops for some time - a combination of a global technology slump in demand (volumes) and prices, exacerbated by the global downturn in trade, amplified regionally by the US-China trade and technology war.

The local spat between Japan and South Korea over war-time events doesn't help and is ill-timed, and the lingering economic weakness in both economies is no doubt a catalyst fueling this argument. It is hard to see a circuit-breaker to this barring outside intervention (the US?).

In any case, some more positive signs of a bottoming in the electronics cycle are becoming evident, and if so, further fiscal stimulus may not be necessary. If, however, this turns out to be a false dawn, then indeed, more will be needed. Today's budget does not preclude a further stimulus package later, and a supplementary budget can be forthcoming if necessary once the situation is more clear.

Budget detail

From what we can gather from newswire headlines, until a more detailed breakdown appears on the Finance Ministry website, the current budget aims to increase South Korean self-reliance in materials/parts, which sounds like a response to the loss of Japanese "whitelisting", and could be viewed as a deadweight loss of the ongoing argument.

But spending on automated "smart factories" sounds like a positive supply-side measure, though begs the side-question of how it helps to boost employment and wages..?

As for the debt-to-GDP ratio, such a low ratio is a rare asset these days, and should not be rashly traded away for a few years of debt-fuelled and unsustainable growth. South Korea is wise to tread with some caution. This won't be the only year when the Finance Ministry is asked to pull a rabbit out of a hat, so it makes sense to tread carefully with this finite resource.

Bank of Korea probably on hold

The Bank of Korea decides whether to follow up the July 25bp rate cut tomorrow with a further cut. We don't think they will. For one thing, this budget measure does some of their stimulus work for them. But mainly, we suspect they will want to see which way the Fed moves in September before committing to a further cut. We expect one further 25bp rate cut from the BoK in 4Q19.

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi
Economic research trainee
kinga.havasi@ing.com

Marten van Garderen
Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

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

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

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

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.