

Good MornING Asia - 7 September 2018

A data-packed week ahead in China and India, but the trade war and crisis in emerging economies are likely to persist as key drivers for Asian markets

In this bundle



China | India

Asia week ahead: China and India dominate

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➔ China: Economic activity apart from exports likely to show some strength

China's August data flow begins with trade data over the weekend. Judging by the PMI new export orders component, which was below 50 for the third straight month in August, some weakness in actual shipments looks to be in order. However, Korea's trade data for August shows that Asian exports have so far been resilient to the trade war. Although China is on the frontline in the trade war, the impact of the first \$50 billion of tariffs is expected to be small. Our forecast of 7% year-on-

year August export growth implies only a negligible month-on-month fall.

The other Chinese data – inflation, retail sales, fixed asset investment, industrial production, and money and bank lending – will be closely monitored for evidence of domestic policy stimulus kicking in to offset the trade drag. A higher manufacturing PMI in August is a hopeful sign of this, and it also supports our view of slightly better industrial production growth of 6.2% YoY compared to 6.0% in July.

➔ India: Inflation genie in the bottle, but not for too long

We expect India's consumer price inflation in August to be steady at July's 4.2% level. The favourable base-year effects in food and transport components have kept a lid on CPI inflation for now. But we can't relax just yet. A meteorological prediction of sub-normal rainfall this monsoon season raises the spectre of higher food inflation. This comes amid an administrative hike in minimum support prices for farm products. And with a steadily depreciating rupee boosting imported inflation, mainly through a surging oil import bill, it won't be long before inflation rears its head. We aren't ruling out a more aggressive RBI policy move at the next meeting in early October.

Also look out for India's trade data for August and the balance of payments data for 1Q FY19 (April-June 2018). We expect the continuous widening of the current account deficit as a tailwind for a higher USD/INR rate, which we see grinding towards the 74-75 area over the next six months.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 8 September					
China	-	Aug Exports (YoY%)	7	10	12.2
	-	Aug Trade Balance (US\$bn)	18.7	31	28.05
	-	Aug Imports (YoY%)	11.6	18.5	27.3
Monday 10 September					
China	0230	Aug PPI (YoY%)	4	4	4.6
	0230	Aug CPI (YoY%)	2.1	2.1	2.1
	-	Aug Money supply (M2) (YoY%)	8.3	8.6	8.5
	-	Aug Financial institution loans (Yuan bn)	1850	-	1450
Tuesday 11 September					
Philippines	0200	Jul Exports (YoY%)	-3.2	-	-0.1
	0200	Jul Imports (YoY%)	21.9	-	24.2
	0200	Jul Trade balance (US\$mn)	-3060	-	-3350
Wednesday 12 September					
India	1300	Aug CPI (YoY%)	4.2	-	4.17
	1300	Jul Industrial Production (YoY%)	6.7	-	7
	-	Aug Trade deficit (US\$bn)	-17	-	-18020
	-	Aug Exports (YoY%)	9	-	14.32
	-	Aug Imports (YoY%)	21	-	28.81
Singapore	0600	Jul Retail Sales Value (MoM/YoY%)	-/-	-/-	1.2/2
South Korea	0000	Aug Unemployment Rate (% SA)	3.8	-	3.8
Thursday 13 September					
India	-	2Q Current account balance (US\$bn)	-16.7	-	-13
Friday 14 September					
China	0300	Aug Retail Sales (YoY%)	8.9	8.9	8.8
	0300	Aug Industrial Production (YoY%)	6.2	6.1	6
	0300	Aug Fixed asset investment (YTD, YoY%)	6	5.7	5.5
India	0730	Aug WPI (YoY%)	4.7	-	5.09

Source: ING, Bloomberg

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