

## Batten down the hatches

Natural disasters are not the time to be finessing GDP forecasts



### After hitting the Philippines, Typhoon Mangkhut glances Hong Kong and moves on to China

With reports putting the death toll in the Philippines at 64, and substantial collateral damage to agriculture as well as infrastructure, the people of Hong Kong were lucky that they did not get a full-on impact. Despite reports of a significant mess and likely clear-up operation, and flooding in Macau, there are no reports of any fatalities, as the typhoon moves on to mainland China.

The most recent Typhoon of a similar scale, was in 2003, Typhoon Haiyan, which wreaked \$15.5bn damage on the Philippine archipelago. We would imagine something similar from Typhoon Mangkhut. Preventative measures seem to have averted more casualties in the Philippines and elsewhere, despite meteorological reports of sustained wind speeds in excess of 165mph and gusts of around 200mph.

Moreover, if it is possible to find silver linings in any of this, the clear up operations of natural disasters always lend GDP growth a boost, and the devastation in terms of balance sheet destruction of the economy tends to be short-lived.

Data from the region will be utterly messed up too over the coming months - it will not be easy to say anything sensible about activity or prices until the impacts of the typhoon have dissipated,

and that could be months. This applies to China and Hong Kong, as well as the Philippines.

## More tariffs will make the USD stronger

Reports that US President Trump wants to push forward with the \$200bn of tariffs on China, even as US officials meet their trade opposites in Beijing to discuss a potential way forward, have pushed the dollar a little stronger today. Other reports have the Chinese saying they will skip the talks if the tariffs go ahead. All this is a bit conflicting, and we are not clear whether to make too much of this at the moment.

It would seem odd to be pushing ahead with a full \$200bn of tariffs (and at what rate, all at 25%?) after the lengthy public consultation and reflection period. Our resting view had been, "no news was good news" since the longer the deliberation, the less clear the case would seem for the full-monty and the greater the case for a more targeted set of tariffs. But then that pre-supposed the President's reaction to the findings of the consultation, which is something we could not second-guess.

We will just have to wait and see on this, but there is a lot at stake, not least further USD strengthening, and EM appetite, which is likely to wane further depending on the detail of any announcement on this set of tariffs, plus any Chinese reaction.

## Asia Day ahead

Singapore's Non-oil domestic exports staged a small bounce, as we expected in August after their July dip. The year on year growth rate fell back to 5.0%, a bit less than the 7% we had penciled in, but better than the 3.9% consensus view. Resilience in the Pharmaceutical sector, some steady production from petrochemicals, and a modest month on month rise in electronics helped lift the headline. The good news for Singapore is that net exports appear to have no discernible downtrend (or uptrend for that matter), merely whipping around in a 0-20% range, with a trend of about 7%YoY. The headline has been narrowly supported in recent month's though, so we are nervous that if this support fails in coming months, we could be looking at something much weaker.

Indonesian trade figures for August will help shed light on the state of Indonesia's external deficit, with consensus expectations looking for a narrowing in the deficit to -\$607m from -\$2030m in July. Still, the volatility of these figures is simply enormous, and we are not sure what we will be able to make of these figures even once we know them with certainty.

And this from Prakash Sakpal on India:

The Indian rupee gained some more ground on Friday ahead of the announcement of currency-supportive measures by the finance ministry late in the day. The new measures included relaxation of regulation of foreign borrowing of up to \$50mn by manufacturing companies for a year as against the current minimum of three years; scrapping of withholding tax on masala (INR-denominated) bonds; and a possible easing of the current 20% limit on foreign ownership of corporate bonds. It's hard to imagine these measures becoming immediately effective in curbing the currency depreciation pressure as the external payments situation remains on a deteriorating path.

While more measures are expected, the consensus is building up for more aggressive RBI rate hikes either at the upcoming meeting in early October or even before that. According to

Bloomberg, the odds of a 50bp hike in October and again in the December meetings far outweigh the odds of 25bp moves. The recent downturn in inflation complicates the RBI policy decision. We aren't completely discounting double-barrel rate hikes, while the latest print of 8.2% GDP growth in 1Q FY19 may well underpin an aggressive policy tightening. But we aren't rushing to change our view of two more 25bp hikes at the October and December meetings respectively, and a USD/INR rate of 73.5 by end-2018.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.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 <http://www.ing.com>.