

Week Ahead Asia-Pacific Economic Preview

- China, Taiwan and Philippines trade data
- Singapore reports Q1 GDP and monetary policy
- Japan machinery orders
- Special report focuses on the headwinds facing the APAC export sector

The release of trade data across several Asian economies, as well as the European Central Bank monetary policy meeting, will be the main highlights of the coming week. Singapore's advanced release of first quarter GDP and monetary policy meeting will also gather interest.

In Asia, other key data highlights include Japan's machinery orders, South Korea's jobless rate, plus inflation figures for China, India and Taiwan and industrial production in Malaysia. India will meanwhile kickstart its five-week voting period on 11 April.

Elsewhere, the minutes to the March FOMC meeting will be released, alongside US data such as inflation and factory orders.

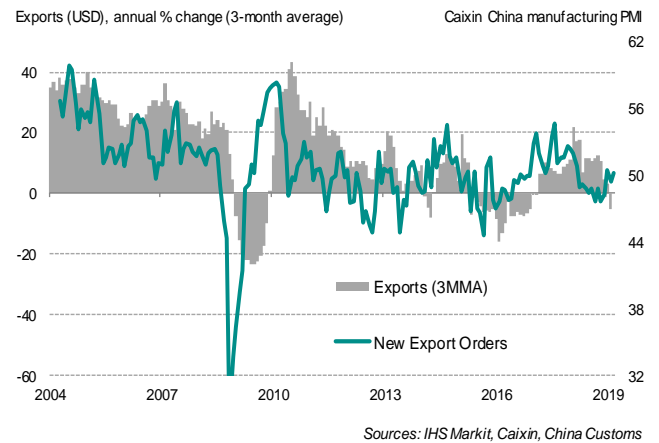
This week's special report looks at the various headwinds facing the Asia-Pacific region's exporters, and the factors affecting the outlook.

Trade

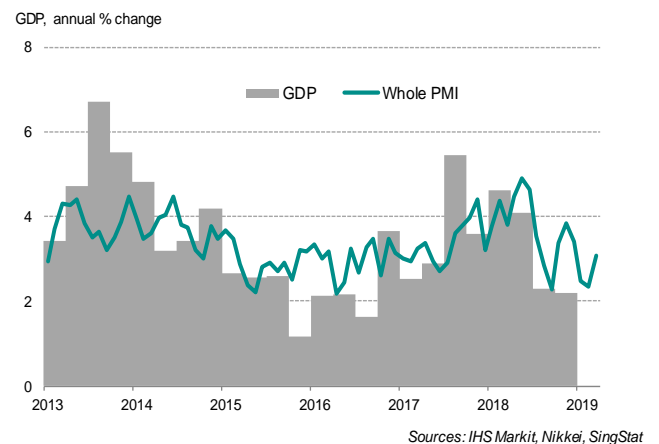
With a further deterioration in global trade conditions evident in data, analysts will be monitoring forthcoming official data to assess the extent of any further slowdown. China, Taiwan and the Philippines will publish updated trade figures, but China's statistics will be in particular focus, given US-China trade frictions and the importance of China as a key destination market for many regional economies. Latest [Caixin PMI surveys](#) indicated stronger production growth, partially supported by a slight rise in export sales, which augurs well for official export numbers.

As a widely-regarded barometer of regional trade activity, Taiwan's trade figures will also be closely watched, where the export downturn is expected to continue at the end of the first quarter, as indicated by [March PMI data](#).

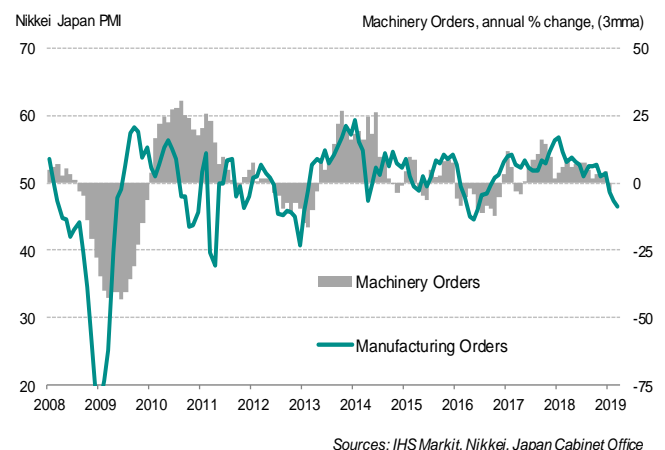
China exports



Singapore PMI-implied GDP growth rate



Japan PMI and machinery orders



Singapore

In Singapore, the advanced estimate of first quarter GDP will be released. Recent Nikkei PMI surveys suggest a further slowdown of growth momentum may be on the cards, with an average reading of 50.6 in the calendar quarter, down from 53.0 in the fourth quarter. On the same day, the Monetary Authority of Singapore will announce its monetary policy decision following its biannual meeting, where a pause in the central bank's normalisation process is expected.

Japan

Japan watchers will keenly await updated data on machinery orders for insights into capital spending plans, which were reportedly affected by the ongoing US-China trade war. Latest [Nikkei PMI surveys](#) already indicated softer growth momentum in which a deteriorating export picture is a primary contributor to the manufacturing downturn.

ECB and FOMC policy stances under scrutiny

Elsewhere, the ECB's Governing Council meets to determine monetary policy for the single currency block and the minutes are published from the latest FOMC meeting in the US. Both will come under scrutiny after both central banks have adopted more dovish stances so far this year. Questions will be asked as to the perceived depth and length of current soft patches in the economies, with first quarter GDP growth widely expected to have slowed in both the US and Eurozone. The release of euro area industrial production data for February will also give updated guidance on first quarter growth trends.

Other key data releases include UK monthly GDP and its key components in February, as well as US inflation and factory orders.

Key diary events

Monday 8 April

Japan current account (Feb) and consumer confidence (Mar)
Taiwan trade (Mar)
Germany trade and current account (Feb)
US factory orders (Feb)

Tuesday 9 April

Taiwan inflation and wholesale prices (Mar)
Brazil retail sales (Feb)
US JOLTs job opening (Feb)

Wednesday 10 April

South Korea jobless rate (Mar)
Japan machinery orders (Feb)
Australia consumer confidence (Apr)
UK monthly GDP, industrial production, construction output (Feb)
UK Halifax house price index: regional breakdown
ECB monetary policy meeting
US inflation (Mar), wholesale inventories (Feb)

Thursday 11 April

FOMC minutes (19-20 Mar)
Philippines trade (Feb)
Australia home loans (Feb)
China inflation (Mar)
Malaysia industrial production (Feb)
Germany and France inflation (final, Mar)
US PPI (Mar)
India general elections begin (11 Apr–19 May)

Friday 12 April

Singapore GDP (adv, Q1)
RBA financial stability review
China trade and FDI (Mar)
India industrial production (Feb), inflation (Mar)
Spain inflation (final, Mar)
Euro area industrial production (Feb)
US export and import prices (Mar)
US Michigan consumer surveys (Apr)

ASIA Special Focus

APAC Exports Face Strong Headwinds in 2019

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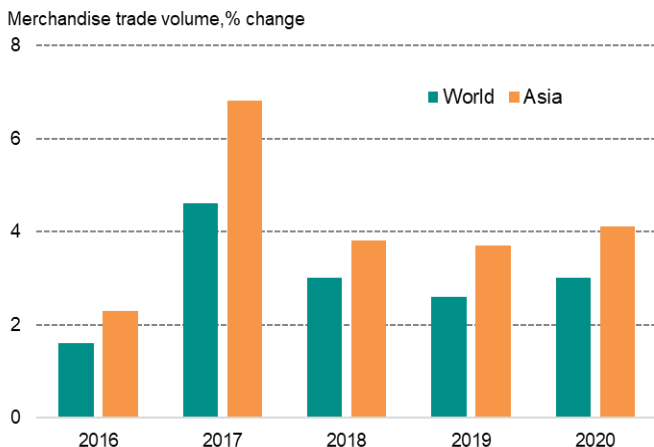
The Asia-Pacific region is facing rising headwinds to its export sector from a range of factors. These include moderating Chinese economic growth, the transmission effects of the US-China trade war, the Eurozone economic slowdown, as well as the sharp downturn in global electronics sector new orders. However, if a US-China trade deal can be concluded soon, and punitive bilateral tariff measures withdrawn, this will provide a positive boost to global trade flows. .

WTO and IHS Markit project weak outlook for world trade in 2019

The World Trade Organisation has forecast a weak pace of growth for world trade in its latest assessment of the global trade outlook. The WTO projects that growth in world trade volumes will moderate to a pace of 2.6% year-on-year in 2019, compared with trade growth of 4.6% in 2017 and 3.0% in 2018.

These estimates for world trade growth are broadly similar to IHS Markit's World Trade Service, which estimates that global seaborne trade volumes grew by 4.1% in 2017 and 3.0% in 2018, and will grow by 2.8% in 2019.

APAC Trade Growth, 2016-2020



Source: WTO.

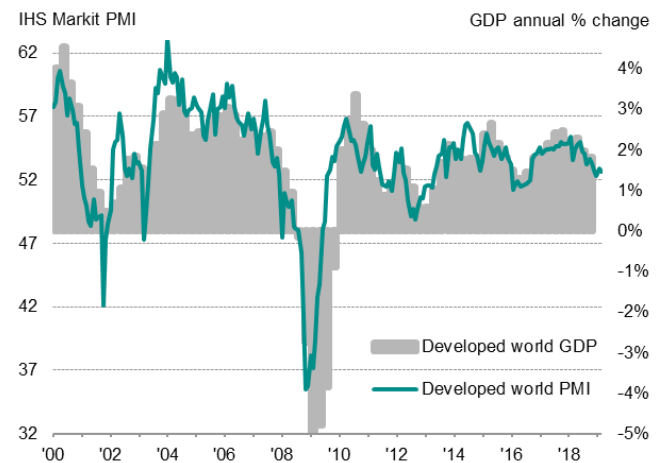
Moderating Growth Momentum in Advanced Economies

A key factor driving the slowdown in world trade growth during late 2018 and early 2019 has been moderating growth momentum in some of world's largest economies, notably the US, EU and Japan.

In the US, fourth-quarter GDP growth was revised down by 0.4 percentage point to 2.2% in the government's third estimate of fourth quarter 2018 GDP, still signalling healthy expansion but a notable downshift from growth averaging 3.8% over the middle two quarters of 2018. In the Eurozone, IHS Markit forecasts that GDP growth will ease from 1.8% in 2018 to a pace of just 1.2% in 2019. Japanese economic growth has already been on a slow track for a protracted period due to the impact of demographic ageing and very high government debt levels, with GDP growth expected to be around 0.5% in 2019.

Furthermore, the overall pace of developed world growth sank to the second-slowest since September 2016 in March, according to IHS Markit's PMI surveys.

IHS Markit Developed World PMI and GDP



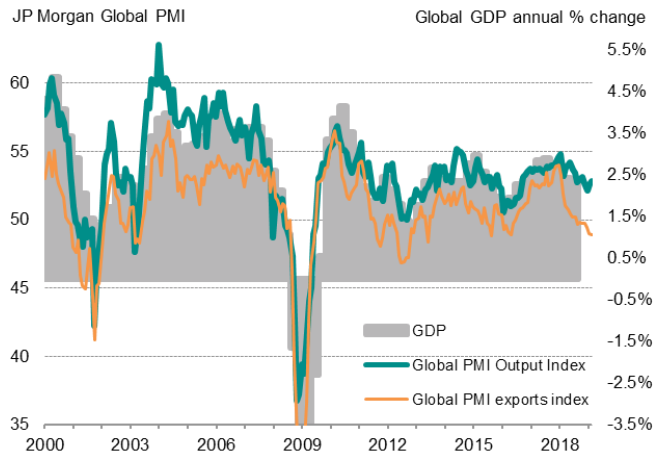
Source: IHS Markit.

The slowdown has been led by manufacturing. The latest readings from the IHS Markit manufacturing sector purchasing managers' surveys for the US, Eurozone and Japan point to weakening conditions in recent months. In March, the IHS Markit US Manufacturing PMI dropped to its lowest since June 2017. Meanwhile, the IHS Markit Eurozone Manufacturing PMI for March fell to its lowest since April 2013, with export orders down at the sharpest rate since August 2012.

In Japan, the headline Nikkei Japan Manufacturing PMI produced by IHS Markit continued to signal contraction in March, having fallen sharply in recent months. The Japanese manufacturing sector has been

impacted by China's economic slowdown, with total Japanese exports to China during January and February 2019 down by 6.3% year-on-year, with significant weakness in exports of autos and semiconductors equipment.

Global PMI Export Orders



Source: IHS Markit.

Asian PMI Export Orders



Source: IHS Markit, Caixin, Nikkei.

APAC electronics exports slowdown

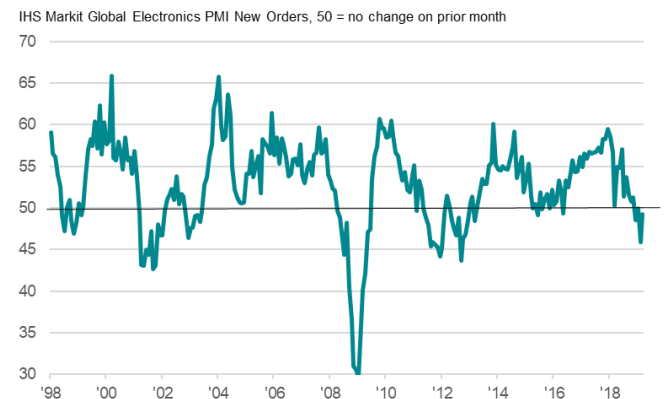
Electronics exports account for a significant share of the manufacturing exports of many East Asian economies, including South Korea, Taiwan, Japan, China, Malaysia, Singapore, Thailand, Philippines and Vietnam. Consequently, the slowdown in the global electronics industry has been an important factor contributing to the weakness of APAC exports during early 2019.

The South Korean economy is particularly vulnerable to the electronics sector, due to its importance as a share of overall industrial production as well as total exports. Trade data for March 2019 released by the South Korean Ministry of Trade, Industry and Energy showed that total exports fell by 8.2 per cent year-on-

year, hit by a 16.6 per cent year-on-year decline in exports of semiconductors, which were impacted by stagnating global sales of smartphones, notably in mainland China.

Chinese exports for the months of January and February (combined to allow for the seasonal impact of the Lunar New Year festival) were down 4.6% year-on-year. Meanwhile Taiwanese exports for the January-February period were down 4.1% year-on-year, with exports of electronics parts down 3.2% year-on-year.

IHS Markit Global Electronics PMI New Orders



Source: IHS Markit.

Positive medium-term outlook for APAC trade

Despite the cloudy near-term outlook for APAC exports, the medium-term outlook remains favourable. With the APAC region forecast by IHS Markit to contribute around 52% of the increase in world GDP over the next decade, strong intra-regional trade growth among APAC markets is projected over long-term. This will be underpinned by the continued rapid growth of large APAC consumer markets, notably China and India. China has already become the world's second largest economy and India is estimated to become the world's fifth largest economy this year.

Due to the sustained strong growth projected for major ASEAN economies over the next decade, led by Indonesia, rapidly growing ASEAN trade flows are also forecast to be an important contributor to regional trade growth.

Improved regional connectivity through massive investment planned for transport infrastructure such as ports, airports, highways and ports, will also help to catalyse APAC trade flows. For example, improving airport infrastructure will help to accelerate the growth of intra-regional tourism flows, boosting overall exports of trade in services.

Regional initiatives for trade liberalisation, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP), will continue to support regional trade growth, together with new bilateral free trade agreements such as the EU-Japan Economic Partnership Agreement, which has entered into force this year, and the EU-Vietnam FTA, which is expected to be implemented soon.

Meanwhile, in the near-term, signs of positive progress in bilateral negotiations between the US and China have also increased hopes that a US-China trade deal could be concluded soon, which may end the US-China trade war. If this transpires, and results in the removal of the punitive tariff measures that have been imposed by both nations on bilateral trade flows, this could provide a positive boost to bilateral trade flows in the near-term, with wider positive transmission effects to the Asian manufacturing supply chain providing intermediate goods and raw materials to China's manufacturing sector.

However, other hurdles to world trade remain on the horizon. The US Commerce Department submitted its Section 232 investigation findings into US auto imports on February 17th. Based on the findings of this report, the US Administration could determine that tariffs be applied to imported autos and parts, which remains a significant risk for European, Japanese and South Korean auto industries.

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