

Week Ahead Asia-Pacific Economic Preview

- Release of IHS Markit flash PMI surveys for US, Europe and Japan
- BOJ and BoT set monetary policy
- Japan's trade and inflation numbers
- Taiwan's export orders and trade data from Thailand, Indonesia and Singapore
- Special focus on the impact of Chinese tourism

IHS Markit flash PMI surveys will provide early insights into the performance of major economies at the end of the third quarter, in a week that also sees trade and price data published across the Asia-Pacific region.

Other highlights for Asia include unemployment data for Hong Kong and New Zealand's second quarter GDP numbers. Meanwhile, central banks in Japan and Thailand will meet to set monetary policy.

Our special focus this week looks at the impact of rising Chinese tourism on the rest of Asia.

Trade performance across Asia

August [PMI surveys](#) showed manufacturing output across Asia rising modestly, with the performance of the sector likely dampened by shrinking export orders and weaker global economic growth. As such, official export figures released this week across the region, including Japan, Taiwan, Thailand, Indonesia and Singapore, will be closely monitored for evidence of slowing trade.

Taiwan's export orders, widely regarded as a barometer of regional trade performance, could provide important clues as to export demand in coming months, especially for electronic goods.

Inflation trends

Markets will also be eyeing the extent to which the rise in global commodity prices, particularly oil, as well as the stronger US dollar, have pushed up input costs for many countries in recent months and been passed through to consumer inflation. Next week sees several Asian economies (Japan, Malaysia and Hong Kong) releasing inflation data.

Malaysia will likely see subdued annual growth in inflation as the abolition of the GST in June continues to hold price pressures back.

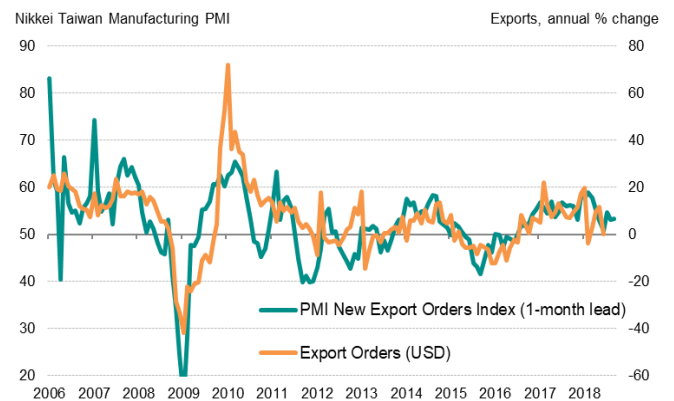
Asia PMI indicators

Asia PMI Index, 50 = no change on prior month



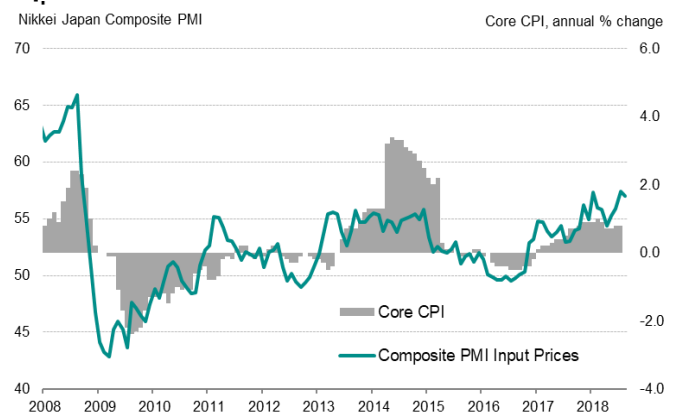
Source: IHS Markit.

Taiwan PMI and export orders



Sources: IHS Markit, Nikkei, DGBAS

Japan PMI and core inflation



Sources: IHS Markit, Nikkei, MIAC

In a week which sees the Bank of Japan meet to set monetary policy, analysts will be watching Japan's inflation data keenly for clues of future monetary policy. The consensus is for mild annual growth of 0.9% in core inflation, the central bank's preferred price gauge.

Japan & Thailand decide monetary policy

Markets will be looking for guidance on monetary policy at the Bank of Japan, though no change is expected after the central bank tweaked policy in July. Rates on government bonds are now allowed to trade in a wider band as the government seeks to scale back its vast asset purchase programme, though the BOJ also helped drive the yield down through additional purchases and reiterated that interest rates are unlikely to rise for "quite some time". The BOJ is expected to voice particular concern about global trade issues amid signs of slowing export demand, with the latest PMI surveys indicating that [export sales have faltered](#). The flash Nikkei Japan Manufacturing PMI will therefore be eyed for an updated view into manufacturing and trade performance in September.

The Bank of Thailand also meets to set monetary policy. The consensus view leans towards an unchanged policy decision. While the central bank's next move is expected to be a rate hike, there remains no immediate impetus for policy tightening. Governor Veerathai Santiprabhob recently said that the BOT is under no pressure to raise interest rates compared to several other emerging economies, given the country's strong FX buffers and a relatively solid currency. That said, the policy statement will be scoured for clues to see if there are more committee members favouring a rate hike following a non-unanimous decision in the previous two meetings.

US and Eurozone flash PMI surveys

Elsewhere, September flash PMI surveys from IHS Markit will provide important signals for economic trends in the [US](#) and [eurozone](#) at the end of the third quarter. Prior data had indicated robust growth for both economies, indicative of third quarter annualised growth of just under 3% and 2% respectively. However, the surveys had also picked up signs of softer manufacturing trends, linked in part to weaker export sales, starting to feed through to worsening service sector growth.

Monday 17 September

Singapore non-oil exports (Aug)
Indonesia trade (Aug)
Italy trade balance (Jul)
Euro area inflation (final, Aug)
US NY Empire State manufacturing index (Sep)

Tuesday 18 September

RBA meeting minutes
Australia house price index (Q2)
Hong Kong unemployment rate (Aug)
US NAHB housing market index (Sep)

Wednesday 19 September

Argentina GDP (Q2)
Japan trade (Aug)
BOJ monetary policy meeting
Malaysia inflation (Aug)
Thailand interest rate decision
UK inflation (Aug)
Euro area construction output (Jul)
US building permits and housing starts (Aug)
US current account (Q2)
Russia jobless rate, real wage growth and retail sales (Aug)

Thursday 20 September

Brazil interest rate decision and business confidence (Sep)
New Zealand GDP (Q2)
Australia RBA bulletin report
Taiwan export orders (Aug)
Turkey consumer confidence (Sep)
Hong Kong inflation (Aug)
UK retail sales (Aug)
Euro area consumer confidence (flash, Sep)
US existing home sales (Aug)

Friday 21 September

IHS Markit flash PMI surveys for US, Eurozone, Germany, France and Japan (Sep)
Japan inflation (Aug)
Thailand trade (Aug)
France GDP (final, Q2)

Special Focus

The Economic Impact of China's Tourism Boom in the Asia-Pacific

By Rajiv Biswas, Asia-Pacific Chief Economist, IHS Markit

Rapidly rising household incomes means that China already accounts for the largest share of international tourism spending, with expenditure forecast to double over the next decade. In our special focus we look at the recent growth of China's tourism as well as some of the challenges and opportunities this represents for other Asia-Pacific countries.

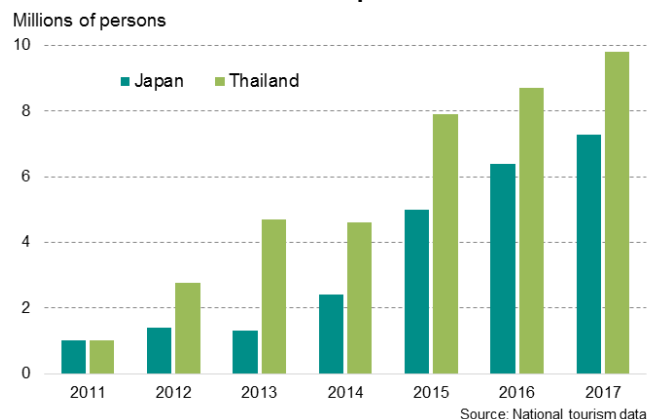
Overview

Rapid GDP growth in China over the past decade has resulted in Chinese annual per capita GDP rising from USD 2,650 in 2007 to USD 8,670 by 2017. This has pushed China into the ranks of the world's upper-middle income countries, creating a rapidly growing middle class that is driving consumer spending across a wide range of goods and services. Some of China's largest cities have reached per capita income levels that are considerably higher, with per capita GDP for Beijing estimated at US 20,356 in 2017.

The rapid growth in household incomes over the past decade has driven a surge in Chinese tourism travel abroad, with many Asian countries benefiting from very strong growth in Chinese tourism visitor numbers. Total Chinese international tourism visits globally were estimated to have reached 143 million visitor trips in 2017, according to UN World Tourism Organization figures, rising by a multiple of 14 times compared with the 10 million Chinese international visitor trips recorded in 2000.

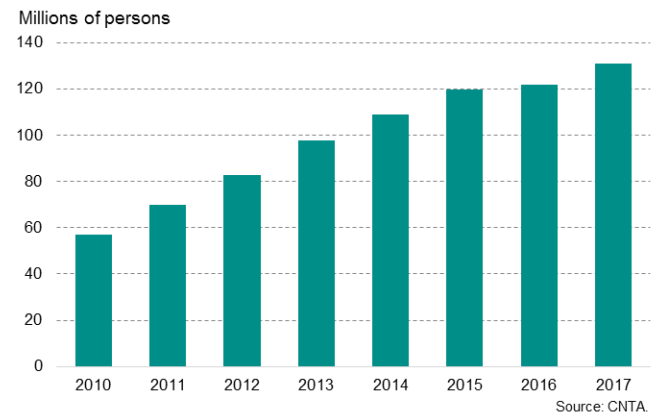
Meanwhile, international tourism expenditure by Chinese tourists was estimated to have reached USD 260 billion in 2017, making China by far the largest outbound international tourism market in the world.

Chinese Tourism Visitors in Japan and Thailand



China's international tourism boom is having a significant economic impact on the rest of the APAC region, driving rapid growth in the tourism economies of many nations, including Thailand and Japan.

Chinese Outbound Tourism



Lost in Thailand

China's tourism boom in Thailand gained considerable momentum after the release of a Chinese comedy movie called 'Lost in Thailand' in 2012. Chinese tourism visits to Thailand rose from around 1.7 million visits in 2011 to 9.8 million in 2017, increasing four-fold within 6 years and reaching a 27.7% share of all international tourism arrivals in Thailand last year.

With total international tourism spending having reached an estimated USD 56 billion in 2017, tourism has become a key segment of the overall Thai economy. Given total Thai GDP in 2017 was USD 455 billion, this highlights the important role of international tourism in the overall economy. The contribution of Chinese tourism in Thailand during 2017 was estimated at USD 16 billion, representing some 28.6% of total spending by international tourists in Thailand.

Chinese Tourism Surge in Japan

Prior to 2012, Japan's international tourism economy was relatively small when measured as a share of GDP. However, rapid growth of Chinese tourist visits have helped to push total international visitor numbers up from 6.8 million in 2009 to 28.7 million in 2017. Of these, the total number of Chinese tourist visitors to Japan rose from 1 million in 2009 to 7.36 million in 2017. In 2017, total Chinese tourism was up 15% year-on-year, accounting for around 25.6% of total international visitors.

Total international tourism spending in Japan meanwhile rose to USD 40 billion in 2017, of which

spending by Chinese tourists accounted for around one-third of the total.

Surging international tourism visits during the past five years has put considerable pressure on existing hotel room capacity, especially in Tokyo. This has resulted in significant expansion plans by the hotel industry in the lead-up to the Tokyo Olympics in 2020. An estimated 17,000 additional hotel rooms are in the construction pipeline in Tokyo and the surrounding metropolitan area, as hotel groups struggle to cope with the rapid growth of international tourism and anticipate a spike in tourism demand for the 2020 Olympics.

Chinese Tourism in South Korea

The rapid growth in outbound Chinese tourism has also had a large impact on the South Korean economy, with China accounting for around 46.8% of total international tourists visiting South Korea in 2016. The growth in Chinese tourism visits to South Korea in calendar 2016 was 34.8%, generating a significant boost to tourism expenditure in South Korea.

However, due to escalating political tensions between China and South Korea over the latter's decision to install the US THAAD missile defense system in 2017, Chinese tourist visits to South Korea have since slumped, dropping 48% in 2017 compared to 2016, with a severe negative impact on the South Korean tourism industry. The episode serves to highlight the potential risks of excessive dependence on a single source country for a large share of total tourism industry revenue, creating vulnerability to such political tensions or any severe economic shock that reduces consumer demand for holiday travel.

Chinese Tourists Down Under

Chinese tourists have also become a key growth driver for Australia's tourism industry, with total Chinese tourism spending growing by 14% year-on-year in 2017 to reach USD 8.2 billion. This accounted for around 26.5% of total international tourism spending in Australia in 2017. An estimated 1.33 million Chinese tourists visited Australia in 2017, with the Australian government aiming to lift Chinese tourism visits to 3.9 million per year by fiscal 2026-27.

Future Impact of Chinese Tourism in APAC

With Chinese per capita GDP forecast to continue to rise significantly over the next decade, from USD 9,700 in 2018 to USD 22,000 by 2028, the Chinese tourism boom in the Asia-Pacific looks set to continue over the

long term. With only 10% of the Chinese population estimated to currently have passports, rapidly rising household incomes are likely to drive strong growth in demand for international travel, particularly to short-haul destinations within the Asia-Pacific region.

This will underpin rapid growth in the Asia-Pacific tourism industry, which will also be boosted by rapidly rising household incomes in ASEAN countries and India.

Key industry sectors that will benefit from this rapid growth in regional tourism will be the Asia-Pacific commercial aviation industry, the hotel industry and a range of other tourism-related service industries.

For Asia-Pacific governments, strategic long-term planning to cope with such rapid tourism growth will be a key policy priority. This will be vital, in order to prevent infrastructure bottlenecks in critical tourism infrastructure such as airport passenger capacity and airline connections to key markets, as well as to ensure that the hotel construction pipeline is creating sufficient new capacity to cope with rapidly growing tourism flows.

For further information:

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