

# Chart of the Week: Divergent China/US/EU dataflow

Economics/Strategy/Rates/FX

Group Research

August 13, 2019

**Samuel Tse**

Economist

[samueltse@dbs.com](mailto:samueltse@dbs.com)

Please direct distribution queries to  
Violet Lee +65 68785281

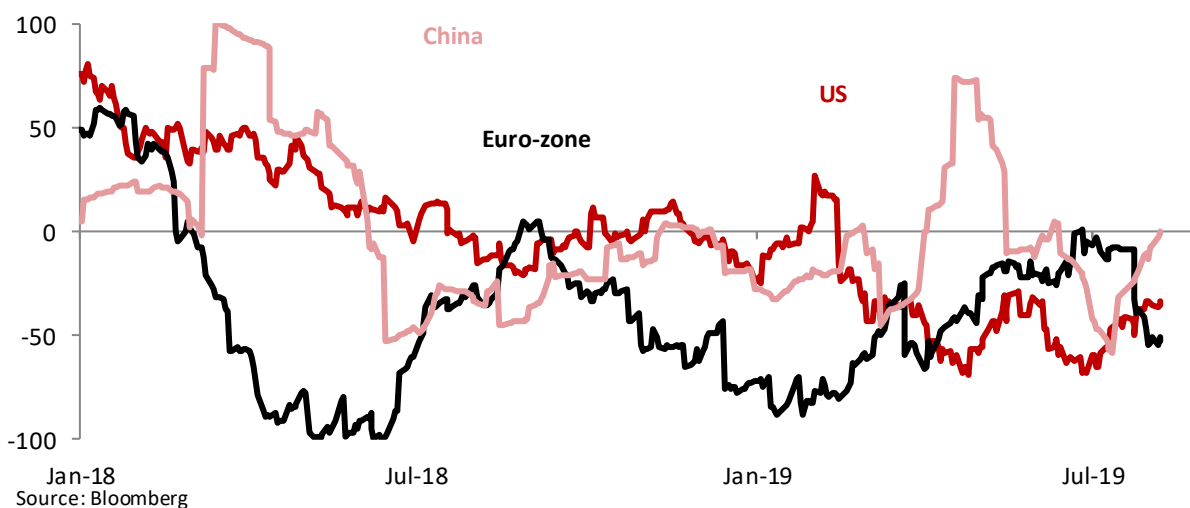
**Key Events:**

- *China's domestic demand is expected to ease further. Retail sales and industrial production are projected to slow to 8.7% and 6.0% in July from 9.8% and 6.3% in June respectively.*
- *India's CPI inflation is seen at 3.0% YoY, a shade lower than June.*
- *Malaysia's 2Q19 GDP growth might witness a modest pick-up to 4.8% YoY, from 4.5% previously.*

## Chart of the Week: Divergent China/US/EU dataflow

Before the early August re-escalation of trade wars, China and US data were improving, while data from EU were particularly weak. Fiscal stimulus and monetary support have kept China's growth momentum from weakening further, while US data over the past two months showed resiliency in housing and consumption. Investment has been weak across the board, however. The concern is that with asset markets selling off and no end in sight of trade wars, the data will turn soft in a broader range of indicators.

Economic Surprise Indices



Source: Bloomberg, DBS; Note: Indices measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases have been worse than expected.

Event	Consensus	DBS	Previous
<b>Aug 13 (Tue)</b>			
US: CPI (Jul)	1.7% y/y	1.7% y/y	1.6% y/y
India: CPI (Jul)	3.1% y/y	3.0% y/y	3.18% y/y
India: Trade balance (Jul)	-USD15bn	-USD15bn	-USD 15.3bn
<b>Aug 14 (Wed)</b>			
China: Industrial production (Jul)	6.0% y/y	6.0% y/y	6.3% y/y
China: retail sales (Jul)	8.6% y/y	8.7% y/y	9.8% y/y
China: Fixed asset investment (Jul)	5.8% y/y ytd	5.9% y/y ytd	5.8% y/y ytd
<b>Aug 15 (Thu)</b>			
US: industrial production (Jul)	0.1% m/m sa	-0.2% m/m sa	0.0% m/m sa
Indonesia: Trade balance (Jul)	-USD420mn	USD102mn	USD196mn
-- exports	-10.5% y/y	-12.1% y/y	-8.98% y/y
-- imports	-17.2% y/y	-22.3% y/y	2.80% y/y
<b>Aug 16 (Fri)</b>			
Singapore: NODX (Jul)	-15.2% y/y	-18.7% y/y	-17.3% y/y
Malaysia: CPI	1.5% y/y	1.5% y/y	1.5% y/y
Malaysia: GDP (2Q)	4.6% y/y	4.8% y/y	4.5% y/y

**China:** Domestic demand is expected to ease further in July as suggested by the contracting NBS Manufacturing PMI (49.9). Retail sales growth should have softened to 8.7% YOY in June from 9.8% in June due to a weakening labour market. Industrial production, likewise, is expected to fall to 6.0% from 6.3% amid a moderating global demand and trade tensions with the US. On the contrary, fixed asset investment growth is forecasted to edge up to 5.9% from 5.8% on the back of accommodative monetary policy and fiscal support.

**India:** Price pressures were likely contained in July, with CPI inflation expected to rise 3.0% YoY a shade lower than June. High-frequency data on staples and food products is mixed, with few pockets higher due to heavy yet irregular rainfall hit supplies of perishables, while that of cereals and foodgrains eased. Oil prices have pulled back due to tougher global demand outlook, keeping a lid on communication and transport costs. This month, the RBI's monetary policy committee (MPC) voted to lower the Repo rate by 35bp to 5.4% vs consensus at 25bps cut. Weak growth, policy rate cuts and (assumption) of a normal monsoon are expected to see inflation at sub-target levels for next four quarters underscoring their dovish bias. Separately, July's trade deficit is expected to stay high, above USD15bn for a fourth consecutive month.

**Indonesia:** Trade deficit widened to -USD322mn (until Jun19) from same period last year at -USD199bn. Exports growth has turned negative (on average -8.6% YoY from 9.9% in 1H18). Imports have eased as well, but not enough to compensate for export slowdown. In fact, trade deficit reached -USD2.3bn in Apr19, but has since turned positive. In terms of volume, exports growth, 3mma, is still higher than imports. Hence the widening divergence is due to deteriorating terms-of-trade. Oil and gas (O&G) balance (3 months moving sum) have been relatively better than the non-O&G balance. Current account deficit widened to 3.04% of GDP in 2Q19 from 2.6% in 1Q19, just as financial flows weakened to 2.5% of GDP from 3.7%. We expect Jul19 trade balance to remain slightly positive at USD102mn vs USD196mn in Jun19, with exports contracting -12.1% YoY and imports at -22.3% YoY.

**Malaysia:** Second quarter GDP growth and July CPI inflation are on tap this week. Growth in the second quarter is expected to see a modest pick-up to 4.8% YoY, from 4.5% previously. The main drag will likely be net exports. Like in many emerging Asian economies, export and industrial output growth have dipped in recent months. This can be attributed to the trade tension between the US and China, and a broad-based slowdown in global demand. Malaysia will be no exception.

However, the silver lining is that domestic growth should hold up. Investment could see some improvement as infrastructure projects are now back in the pipeline. Import growth for capital goods has picked up, which may suggest impetus on some of the developmental projects. Separately, consumption growth could improve as the GST refunds by the government are underway, which offsets challenging labour market conditions. The pre-emptive rate cut by Bank Negara may also help to support spending and investment.

Meanwhile, CPI inflation should remain steady at 1.5% YoY. As effects from the post-election policy changes, including the zero rating of the GST, subsidies for petrol and removal of toll charges fade from June onwards, inflation should revert to a normalised path. Inflation will likely remain range bound between 1.5-2.0% in the coming months.

**Singapore:** Non-oil domestic export figures for Jul19 will likely continue to disappoint. The headline number is expected to register a decline of 18.7% YoY, down from 17.3% previously. The renewed hostilities between the US and China on the trade front will likely be manifested on the trade data. Global demand for electronics has also remained weak, which will continue to weigh down on export outlook. PMIs of key markets have unanimously been trending lower whereas shipment of semiconductors and billing for semiconductor equipment have also continue to contract. External economic conditions have been exceptionally challenging and there is no respite in sight for exporters.

## Group Research

### Economics & Strategy Team

**Taimur Baig, Ph.D.**

Chief Economist - G3 &amp; Asia

+65 6878-9548 [taimurbaig@db.com](mailto:taimurbaig@db.com)**Chang Wei Liang**

Strategist

+65 6878-2072 [weiliangchang@db.com](mailto:weiliangchang@db.com)**Nathan Chow**

Strategist - China &amp; Hong Kong

+852 3668-5693 [nathanchow@db.com](mailto:nathanchow@db.com)**Masyita Crystallin, Ph.D.**

Economist – Indonesia &amp; Philippines

+62 21-2988-4003 [masyita@db.com](mailto:masyita@db.com)**Joanne Goh**

Regional equity strategist

+65 6878-5233 [joannegohsc@db.com](mailto:joannegohsc@db.com)**Eugene Leow**

Rates Strategist - G3 &amp; Asia

+65 6878-2842 [eugeneleow@db.com](mailto:eugeneleow@db.com)**Chris Leung**

Economist - China &amp; Hong Kong

+852 3668-5694 [chrisleung@db.com](mailto:chrisleung@db.com)**Ma Tieying, CFA**

Economist - Japan, South Korea, &amp; Taiwan

+65 6878-2408 [matieying@db.com](mailto:matieying@db.com)**Radhika Rao**

Economist – Eurozone, India, &amp; Thailand

+65 6878-5282 [radhikarao@db.com](mailto:radhikarao@db.com)**Irvin Seah**

Economist - Singapore, Malaysia, &amp; Vietnam

+65 6878-6727 [irvinseah@db.com](mailto:irvinseah@db.com)**Samuel Tse**

Economist - China &amp; Hong Kong

+852 3668-5694 [samueltse@db.com](mailto:samueltse@db.com)**Duncan Tan**

FX and Rates Strategist - Asean

+65 6878-2140 [duncantan@db.com](mailto:duncantan@db.com)**Philip Wee**

FX Strategist - G3 &amp; Asia

+65 6878-4033 [philipwee@db.com](mailto:philipwee@db.com)

**Sources:** Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations).

**Disclaimer:**

The information herein is published by DBS Bank Ltd and PT Bank DBS Indonesia (collectively, the "DBS Group"). It is based on information obtained from sources believed to be reliable, but the Group does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation & the particular needs of any specific addressee. The information herein is published for the information of addressees only & is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Group, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Group or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Group & its associates, their directors, officers and/or employees may have positions or other interests in, & may effect transactions in securities mentioned herein & may also perform or seek to perform broking, investment banking & other banking or financial services for these companies. The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Sources for all charts & tables are CEIC & Bloomberg unless otherwise specified.

DBS Bank Ltd., 12 Marina Blvd, Marina Bay Financial Center Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E. PT Bank DBS Indonesia, DBS Bank Tower, 33<sup>rd</sup> floor, Ciputra World 1, Jalan Prof. Dr. Satrio Kav 3-5, Jakarta, 12940, Indonesia. Tel: 62-21-2988-4000. Company Registration No. 09.03.1.64.96422.