

Masyita Crystallin
Economist
masyita@dbs.com



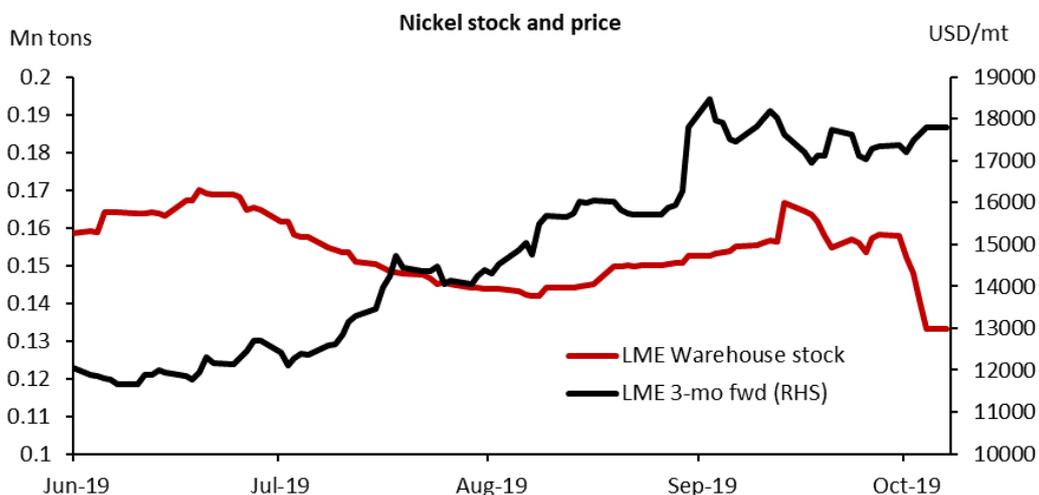
Please direct distribution queries to
Violet Lee +65 68785281
violetleeyh@dbs.com

Key Events:

- *Industrial production might improve slightly in Malaysia due to front-loading of orders ahead of a new round of tariffs. While India industrial production is likely to decline.*
- *Trade performance in the region varies. Philippines is likely to still register trade deficit on the back of imports acceleration as infrastructure projects starts ramping up.*
- *While Taiwan could outperform peers as investment repatriation and trade diversion might lift Taiwan onshore production.*

Chart of the Week: Impact of Indonesia's nickel ore export ban on world prices

Indonesian authorities have announced an export ban on nickel ore, effective January 1, 2020, two years earlier than expected. As the world's largest producer of nickel ore, Indonesia's nickel stock accounts for almost 25% of global supply. Since the announcement in end-Aug, nickel price soared by 18% through Sep 2nd, moderating somewhat thereafter. Inventories in warehouses as monitored by the London Metal Exchange (LME) have fallen by almost 16% since Sep 30th.



Event	Consensus	DBS	Previous
Oct 7 (Mon)			
Taiwan: exports (Sep)	0.8% y/y	-1.6% y/y	2.6% y/y
- imports	-3.7% y/y	-7.7% y/y	-2.7% y/y
- trade balance	USD 5.79bn	USD 5.83bn	USD5.98bn
Oct 10 (Thu)			
Philippines: exports (Aug)	1.3% y/y	4.1% y/y	3.5% y/y
- imports	-0.2%y/y	-2.1% y/y	-4.2% y/y
- trade balance	-USD3.64bn	-USD3.14bn	-USD3.39bn
US: CPI (Aug)	1.8% y/y	1.8% y/y	1.7% y/y
Oct 11 (Fri)			
Malaysia: industrial production (Aug)	2.3% y/y	1.8 % y/y	1.2% y/y
India: industrial production (Aug)	1.80%	-2.0% y/y	4.3% y/y

India: Following a firm print in July, we expect industrial production to decline 2% YoY in August, dragged by weaker electricity and manufacturing output. Core industries output had pointed to a broad-based deceleration in activity, particularly coal, steel and cement, which don't bode well for industrial and infrastructure output. These coupled with other high frequency data – car sales, PMIs, imports of capital goods etc. – reinforce a softening trend of growth in 3Q19. Cognizant of a weaker growth momentum, the central bank and the government have undertaken steps to boost growth, which will continue in 2020 as well.

Malaysia: Industrial production index for August is expected to register a marginal improvement to 1.8% YoY, up from 1.2% previously. While front-loading of orders ahead of a new round of tariffs may prompt possible upside surprise, the overall performance is still considered sub-par compared to the average 3% expansion year to date. PMIs in key markets have turned out mixed. Industrial output and export performance in neighboring market Singapore has been disappointing. Trade war between the US and China is still ongoing. While there has been some degree of trade diversion favoring Malaysia, the positive effects are limited to some specific clusters. In addition, latest August export contracted by 0.8% YoY, which further underscores the headwinds on the manufacturing sector. A more broad-based improvement in global outlook would be required to lift production output in a sustained manner. And that appears unlikely given the gloomy global economic landscape.

The Philippines: August trade numbers are due this week. Exports are expected to continue its x months expansion, by 4.1% YoY and imports contracting at -2.1% YoY resulting in a trade deficit of USD3.14bn from a deficit of USD3.39bn last month. Imports are likely to start accelerating on the back stronger growth in 2H19 and healthy pipeline of government-funded infrastructure projects. In addition, the house of representative has approved on second reading a resolution to extend 2019 budget validity to 2020 due to this year's budget impasse, which means more infrastructure projects could be executed in 2020, which could accelerate imports starting in 4Q19. Given below-expectation growth in 1H19, sluggish trade and weak inflation, we think BSP might have room for another policy rate cut in 4Q19 and 1Q20.

Taiwan: September trade figures are due today. Exports are expected to contract -1.6% YoY, down from the 2.8% in August, but still outperforming export orders by a wide margin (-8.3% in August). The divergence between export orders and exports has become notable in recent months, including

in the key electronics sector. Overseas demand conditions remained sluggish, in the context of global growth slowdown and the spreading of trade protectionism. But investment repatriation and trade diversion helped to lift onshore production and shipment activities. This suggests that Taiwan's GDP may outperform some of the other trade-dependent economies in the region in 2H19.

Group Research

Economics & Macro Strategy

Taimur Baig, Ph.D.

Chief Economist - G3 & Asia

+65 6878-9548 taimurbaig@dbs.com

Chang Wei Liang

Strategist

+65 6878-2072 weiliangchang@dbs.com

Ma Tieying, CFA

Economist - Japan, South Korea, & Taiwan

+65 6878-2408 matieying@dbs.com

Nathan Chow

Strategist - China & Hong Kong

+852 3668-5693 nathanchow@dbs.com

Radhika Rao

Economist – Eurozone, India, & Thailand

+65 6878-5282 radhikarao@dbs.com

Masyita Crystallin, Ph.D.

Economist – Indonesia & Philippines

+62 21-2988-4003 masyita@dbs.com

Irvin Seah

Economist - Singapore, Malaysia, & Vietnam

+65 6878-6727 irvinseah@dbs.com

Joanne Goh

Regional equity strategist

+65 6878-5233 joannegohsc@dbs.com

Samuel Tse

Economist - China & Hong Kong

+852 3668-5694 samueltse@dbs.com

Eugene Leow

Rates Strategist - G3 & Asia

+65 6878-2842 eugeneleow@dbs.com

Duncan Tan

FX and Rates Strategist - Asean

+65 6878-2140 duncantan@dbs.com

Chris Leung

Economist - China & Hong Kong

+852 3668-5694 chrisleung@dbs.com

Philip Wee

FX Strategist - G3 & Asia

+65 6878-4033 philipwee@dbs.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, 33rd 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.