

Asian factories feel pinch from trade conflict

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South Korea, Japan see export orders contract

TOKYO: Manufacturing activity in major Asian economies took a hit from weak export orders in August, a sign firms are starting to feel the pinch from intensifying trade friction between the United States and China that many fear could derail global growth.

Surveys of purchasing managers released yesterday showed persistent pressure on key exporting destinations China, Japan and South Korea.

In China, its vast manufacturing sector grew at the slowest pace in more than a year in August, with export orders shrinking for a fifth month.

Export orders also shrank in Japan and South Korea, suggesting that increasing protectionism and concerns of slower Chinese demand are weighing on Asia's export-reliant economies.

Separate data showed Japanese corporate capital expenditure jumped in the second quarter by the most since 2006, though some analysts warn that global trade tensions may cloud the outlook.

"The tit-for-tat tariff retaliation hurts China's economy far more than that of the United States. And when you look at Asia's economic prospects, much depends on whether China could avoid a sharp slowdown in growth," said Yoshiki Shinke, chief economist at Dai-ichi Life Research Institute in Japan.

US President Donald Trump's relentless "America First" trade push has hurt confidence in many countries and hammered Asian stocks, as investors fret about the hit to global supply chains.

The fear is that the escalating tariff conflict will freeze business investment and trade in a blow to global growth.

Trump has said he is ready to implement new tariffs as soon as a public comment period on the plan ends on Thursday, which would be a major escalation after Washington already applied tariffs on US\$50bil of exports from China.



China factor: Workers on an SUV production line at the Beijing Automotive Group Co in Beijing. In China, its vast manufacturing sector grew at the slowest pace in more than a year in August, with export orders shrinking for a fifth month. — AFP

In Germany there are signs the global trade tensions are having a more noticeable impact with industrial orders figures for July expected to show only a small rise, after falling by the most in nearly a year-and-a-half in June.

While the US economy remains on a solid footing thanks to huge tax cuts by Trump, some analysts say growth has now peaked.

A Reuters poll last month forecast growth in the world's biggest economy will slow steadily in coming quarters, with analysts

expecting Trump's trade war to inflict damage. Another poll showed a similarly cautious outlook for euro zone growth over the remainder of this year and in 2019.

China's Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 50.6 in August from July's 50.8, matching economists' forecasts.

While the index remained above the 50-point mark that separates growth from contraction for the 15th consecutive month, it was the weakest since June 2017. — Reuters