Asia ex-Japan - The week ahead

Three things most likely to hold investors' attention are China's PMI, India's GDP growth and the Bank of Korea policy meeting

Source: shutterstock

51.5 China manufacturing PMI

Consensus forecast for November

Increased uncertainty about China's growth story

Economic activity in China slowed coming into the final quarter of the year and manufacturing PMI will shed light on whether this was transitory. A selloff in the Chinese financial markets in November, more specifically a surge in short-term interbank interest rates and long-term sovereign bond yields alike, reflects increased investor anxiety on growth amid financial market deleveraging. This imparts a downside risk to the consensus of a slight dip in the manufacturing

PMI to 51.5 in November from 51.6 in October, but more so to the ING forecast of an unchanged index.

6.5%

India GDP growth

Consensus for 2QFY2017/18

India's GDP growth may have bottomed

India's GDP growth dipped to a 3-year low of 5.7% year-on-year in the first quarter of the fiscal year, 2017/18. The consensus of acceleration to 6.5% YoY in the second quarter is more of a function of a low base effect rather than improved economic activity. The hit to private consumption from demonetisation in late 2016 looks to have been exacerbated by the introduction of a Goods and Services Tax in July this year. This is the key data before the next Reserve Bank of India monetary policy meeting on December 4. GDP growth will likely remain below potential over the rest of the FY2017/18 and well into the next financial year. We also expect inflation to continue to grind upward due to rising global oil prices, the weaker rupee and the wider fiscal deficit. There will be little to no scope for increased fiscal or monetary policy accommodation to support growth in the near-term.

1.25%

The BoK policy rate

A split consensus on the Bank of Korea policy decision

In Korea, the Bloomberg consensus is almost evenly split on the BoK policy decision next week, with half the analysts calling for a 25bp hike in the policy rate to 1.50% and the other half forecasting no change. We are in the no change camp. A 4-year high GDP growth of 3.6% in 3Q (revised figures will be available next week) may have fuelled the tightening expectations However, a softer export growth and inflation numbers for October suggest the BoK will not risk rushing into tightening. A number of comments from BoK officials, including the Governor, have also downplayed market suggestions of a rate hike as soon as this month. We imagine that growth and inflation will be sufficiently strong to enable the BoK to tighten, but not until the 1Q18.