

# Asia week ahead: Regional inflation and trade data in focus ahead of China's Golden Week

It's Golden Week in China, but there is plenty of action elsewhere, including Japan's Tankan survey and South Korea's data dump as well as inflation data in Southeast Asia



## Japan: Tankan survey and industrial production

We think the Tankan survey will be the highlight of the week in Japan. We expect the service-led recovery to continue thanks to strong wage growth and cooling inflation. Manufacturing should also make some progress as auto production returns to normal, and IT demand is likely to grow. We expect industrial production to remain flat after a big jump in July. Toyota's production has only gradually normalised since September, dragging down overall production. Labour market conditions will probably remain tight due to labour shortages. The Bank of Japan is likely to downplay the weak IP results, but if the Tankan survey describes positive business sentiment, it should support the BoJ's policy normalisation as early as December.

## South Korea: Data dump in the week ahead

Consumer inflation is expected to cool to 1.8% year-on-year in September, mostly due to last year's high base. On a monthly basis, we believe there are still some upside pressures, such as rising fresh food prices due to severe weather conditions, coupled with the early arrival of Chuseok holidays and public service fee hikes. However, falling global oil prices and the KRW appreciation should have offset some of this upside pressure.

For September trade, due to unfavourable calendar day effects, export growth is likely to decelerate to 8.0% YoY from 11.2% in August. But working day-adjusted exports should record a solid double-digit rise thanks to strong global chip demand. Sluggish domestic demand is likely to weigh on industrial production. Auto production should decline due to ongoing labour strikes and production line maintenance jobs.

## China and Taiwan: PMI data moving into Golden Week holiday

China will enter its Golden Week holiday next week, and we will monitor whether the strong recovery of domestic tourism can continue as the "eat drink and play" theme has been a lone bright spot in an otherwise soft environment for consumption. Before the festivities begin, China publishes both the official and Caixin PMI data on Monday morning. We are looking for a slight recovery of the official manufacturing PMI to 49.3 from 49.1.

Taiwan also releases its PMI data on the coming Tuesday. Data has been softening slightly in the last two months after peaking in June, but has remained in expansion for the last five months after a 22-month streak of contraction. We expect the resilient trade data to support the PMI remaining in expansion in September.

## Indonesia and Philippines: September CPI

Indonesia's inflation was steady in August at 2.1%. The September rate may come in slightly lower thanks to lower crude energy prices. Core inflation remains at around 2.0%, and poses no constraint on Bank Indonesia's future consideration of monetary easing, which has also been made easier by recent IDR appreciation. We anticipate some easing at the next rate-setting meeting.

The Philippines' small decline in rice prices in September and lower transport fuel prices will have been offset by increases in fruit and veg and some other prices. That should leave the CPI index up 0.7% month-on-month, though that will still allow the inflation rate to decline from 3.3% YoY to 2.9% YoY. That should provide Bankgo Sentral ng Pilipinas (BSP) with an excuse for another 25bp of rate cuts at its next meeting on 17 October.

## India: Fiscal deficit data

Data for India's August fiscal deficit is due in the coming week. So far this fiscal year, the deficit has averaged considerably less in absolute terms than it did over the same period last year. Combined with solid economic growth, that leaves the deficit well on track for the government's 4.9% deficit to GDP target for the year, with some chance of beating it. Last year's August deficit was INR6.4tr, but even if this is exceeded, the cumulative outperformance this fiscal year means that the deficit target is still likely to remain achievable.

India's core industries output for August is also due. Output has been growing steadily at around a 6% YoY pace and will likely come in close to that in August, perhaps a little lower.

## Key events in Asia next week

| Country                    | Time (GMT+8) | Data/event                                 | ING      | Prev.    |
|----------------------------|--------------|--|----------|----------|
| <b>Monday 30 September</b> |              |  |          |          |
| Japan                      | 0750         | Aug Retail Sales (YoY%)                    | 3        | 2.6      |
|                            | 0750         | Aug Industrial Output (MoM%/YoY%)          | 0/0      | 3.1/2.9  |
| South Korea                | 0700         | Aug Industrial Output (MoM%/YoY%)          | -0.5/2.0 | -3.6/5.5 |
| China                      | 0930         | Sep NBS Manufacturing PMI                  | 49.3     | 49.1     |
|                            | 0945         | Sep Caixin Manufacturing PMI Final         | -        | 50.4     |
|                            | 0945         | Sep Caixin Services PMI                    | -        | 51.6     |
| India                      | 2000         | Q2 Current Account Balance (USD bn)        | -        | 5.7      |
|                            |              | Aug Eight Infrastructure Industries (YoY%) | 5.9      | 6.1      |
|                            |              | Aug Fiscal Deficit (INR tr)                | -        | 2.8      |
| <b>Tuesday 1 October</b>   |              |  |          |          |
| Japan                      | 0730         | Aug Unemployment Rate                      | 2.6      | 2.7      |
|                            | 0750         | Tankan Large Manufacturing Outlook         | 15       | 14       |
|                            | 0750         | Tankan Large Non-Manufacturing Outlook     | 35       | 33       |
|                            | 0830         | Sep Jibun Manufacturing PMI Final          | 49.6     | 49.8     |
|                            | 1300         | Sep Consumer Confidence                    | -        | 36.7     |
| India                      | 1300         | Sep HSBC Manufacturing PMI Final           | -        | 57.7     |
| South Korea                | 0800         | Sep Exports (YoY%)                         | 7        | 11.4     |
|                            | 0800         | Sep Imports (YoY%)                         | 5.9      | 6        |
| Indonesia                  | 1200         | Sep CPI (YoY%)                             | 2.00     | 2.12     |
| <b>Wednesday 2 October</b> |              |  |          |          |
| Japan                      | 0750         | Q3 Tankan Large Manufacturers Index        | -        | 13       |
| South Korea                | 0700         | Sep CPI (MoM%/YoY%)                        | 0.3/1.8  | 0.4/2.0  |
|                            | 0830         | Sep S&P Global Manufacturing PMI           | 51.5     | 51.9     |
| <b>Thursday 3 October</b>  |              |  |          |          |
| Japan                      | 0830         | Sep Jibun Services PMI Final               | 53.9     | 53.7     |
|                            | 0830         | Sep Jibun Composite PMI Final              | 52.5     | 52.5     |
| <b>Friday 4 October</b>    |              |  |          |          |
| India                      | 1300         | Sep HSBC Services PMI Final                | -        | 60.6     |
| Philippines                | 0900         | Sep CPI (YoY%)                             | 2.9      | 3.3      |

Source: Refinitiv, ING

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