

Asia week ahead: Central bank decisions plus RBA minutes to close out 2023

As we approach the end of the year, activity in Asia will be relatively light, so we are previewing all data until year-end. The last few highlights of 2023 include rate decisions from China, Japan and Indonesia, while Korea will release its survey on Business Sentiment



China LPR expected to remain on hold amidst pressure on the CNY

China will decide on its benchmark lending rate, the 5Y LPR. With the CNY still under depreciation pressure, there is little chance that the LPR will be reduced on this occasion. Were we to see some broader based USD weakness, then this might return as a possibility. Until then, rates will remain unchanged.

RBA minutes likely to keep options open

The Reserve Bank of Australia's minutes of the "no change" December policy meeting could push

back at the market's view that rates have definitely peaked. While peaked rates is also our view, we still believe that there is some upside risk of a further hike in the first quarter of next year – a view supported by recent strong labour data. The minutes will probably go large on “uncertainty” and “risks” to leave the door open to whatever materialises.

Taiwan export orders could claw back to positive year-on-year growth

Taiwan will release its November export and industrial production in the next two weeks. Export orders may claw their way back to a positive year-on-year rate in November, after registering a -4.6% YoY rate in October. The semiconductor cycle is showing further signs of recovery, which will help. We are expecting export orders to grow at 4.2% YoY. Industrial output will follow suit and grow at 1.0% YoY.

BoJ expected to tone down hawkishness as inflation cools

The Bank of Japan is due to meet for the last time this year. We expect the BoJ to maintain all its major policy settings, though the overall tone about future policy at the press conference and statement could start to soften.

Consumer inflation will drop substantially thanks to the government's energy subsidy programs, and inflation is likely to decelerate to 2.7% YoY in November from 3.3% in October.

Industrial production activity will slide modestly, despite stronger output in the IT sector. The production interruptions of several major car makers will be the main driver of the decline.

Korea surveys to show mixed sentiment

South Korea will release multiple survey results in the last week of the year. The survey outcomes are expected to signal a slowdown for domestic growth. Consumer sentiment could dampen further with the recent tightening of mortgages and weak property market condition. Manufacturing sentiment will likely improve due to the turnaround of the semiconductor cycle, but non-manufacturing sentiment could slide.

We expect industrial production to rebound modestly as indicated by upbeat data for manufacturing, supported by gains in automobile and semiconductor industries. Inflation will likely stabilise further in December. Gasoline prices should decline further but will be partially offset by price rises in services and manufactured food prices.

Bank Indonesia likely to pause

Bank Indonesia is expected to keep policy rates untouched at 6% at its meeting next week. BI Governor Perry Warjiyo indicated that inflation may accelerate next year and that policy rates may need to remain at current levels to ensure price stability.

On the other hand, BI may prefer to refrain from hiking rates further next week with an eye to supporting growth momentum. GDP growth recently slipped below market expectations so the central bank may want to resort to other tools to support the IDR before it considers raising rates again.

Singapore inflation to dip but remain relatively elevated

November inflation could dip to 4% YoY in Singapore, down from the previous month due to favorable base effects.

Despite the slowdown, inflation remains elevated ahead of the scheduled implementation of the Goods and Services Tax (GST) early next year. We expect core inflation on the other hand to hover about 3.2% YoY.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Tuesday 19 December					
Japan	2350	Nov Exports (YoY%)	-	2.1	1.6
	2350	Nov Imports (YoY%)	-	-8.4	-12.5
	2350	Nov Trade Balance Total Yen	-		-662.5
		- JP BOJ Rate Decision	-		-0.1
Wednesday 20 December					
China	0115	Dec Loan Prime Rate 1Y	3.45	3.45	3.45
	0115	Dec Loan Prime Rate 5Y	4.2	4.2	4.2
Taiwan	0400	Nov Export Orders (YoY%)	4.6		-4.2
Thursday 21 December					
Japan	2330	Nov CPI (MoM%) NSA	-		0.9
	2330	Nov CPI NSA	-		107.1
Australia	0030	Nov Reserve Assets Total	95000		94568
Indonesia	0700	Dec 7-Day Reverse Repo	6	6	6
Friday 22 December					
Taiwan	0800	Nov Unemployment rate (%)	3.4		3.41
Monday 25 December					
Japan	0500	Oct Leading Indicator Revised	-		-0.6
	2330	Nov Unemployment Rate	-		2.5
Indonesia	0400	Nov M2 Money Supply (YoY%)	-		3.4
Taiwan	0800	Nov Industrial Output (YoY%)	1		-2.32
	0820	Nov Money Supply - M2 (YoY%)	5.1		5.7
Tuesday 26 December					
Singapore	0500	Nov Core CPI (YoY%)	3.2		3.3
	0500	Nov CPI (YoY%)	4		4.7
	0500	Nov CPI (MoM%) NSA	0.25		0.2
	0500	Nov Manufacturing Output (MoM%/YoY%)	-6.8/5.5	/	9.8/7.4
South Korea	2100	Dec BoK Consumer Sentiment Index	-		97.2
Wednesday 27 December					
Japan	0500	Nov Housing Starts (YoY%)	-		-6.3
	2350	Nov Industrial O/P Prelim (MoM%/YoY%)	-/-	/	/
	2350	Nov Retail Sales (YoY%)	-		4.2
South Korea	2100	Jan BOK Manufacturing BSI	-		72
	2300	Nov Industrial Output (YoY%)	-		1.1
	2300	Nov Industrial Output Growth	-		-3.5
Thursday 28 December					
Philippines	-	Nov Budget Balance	-		-34.4
South Korea	2300	Dec CPI Growth (MoM%/YoY%)	-/-	/	-0.6/3.3
Friday 29 December					
India	1100	Q3 C/A Bal. \$	-9.5		-9.2

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