

## Asia week ahead: BoJ back in the spotlight

Stable third-quarter GDP growth of some economies is a promising sign that the growth cycle is close to its trough. And so is the central bank easing cycle with some exceptions like the Bank of Japan



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### ➔ Will Bank of Japan ease policy?

The pressure is on for the Bank of Japan to provide more policy accommodation for the economy at its meeting next week on 31 October. The BoJ's policy decision hinges on its view of the economic risks against a worsening global backdrop.

The word on the street is that the central bank would downgrade both growth and inflation forecast, currently 0.7% and 1.0% (core inflation), in the quarterly outlook report to be released alongside the policy decision. However, such downgrades in the past haven't necessarily come as a push for easing. That could as well be the case this time, as speculation is rife that the BoJ is saving its meagre ammunition for a worse economic future.

How worse would you like it to be? The consumption tax hike this month comes as an added whammy to the economy beaten by weak domestic demand and shrinking exports, while the tax hike is unlikely to make much difference to inflation running way below the BoJ's policy target. Governor Kuroda has signalled that the stimulus is coming. We anticipate a 10bp BoJ rate cut to -0.20% in the current quarter as there is one more BoJ meeting left in the year.

## ➔ Where is growth headed in the fourth quarter...

October purchasing manager index (PMI) and external trade figures will provide a sense of direction Asian economies are likely to take in the fourth quarter of the year.

As always, China's manufacturing PMI remains under close scrutiny. There have been conflicting signals from the recent figures -- the official PMI pointing to contraction and unofficial, Caixin PMI, showing expansion of manufacturing activity. Yet, a rebound in industrial production growth in September from a nearly two-decade low in August is positive. We can expect pretty much the same message from the October data. Our [house-view](#) is that China's GDP growth in 4Q stays at the same rate as seen in the third-quarter around 6%.

Korea's October export figure will be another important one to look out for. A 20% year-on-year fall in exports in the first 20 days of October isn't a good sign. Electronics exports have been a weak link, and even more now given the widening trade rift with Japan over sourcing key raw materials. However, despite steep export declines, a steady 2% GDP growth in 3Q suggests growth is close to its low-point in the cycle.

## ➔ ... and has it really bottomed now?

Like Korea, Singapore's growth also held steady (read - virtually flat) in 3Q – supporting the view that the Asian growth downturn has probably bottomed. Adding to the evidence will be more third-quarter GDP figures next week as Hong Kong and Taiwan report their data.

Indeed, the protests since June have hit Hong Kong's economy hard. A record 23% plunge in retail sales in August (September data is due next week) speaks volumes about the significant dent to consumer spending. The low base year effect may save the day, though the risk to our forecast of 0.5% YoY GDP growth in 3Q is tilted to the downside.

Taiwan's economy likely benefitted from new smartphone launches in the last quarter. Alas, the September activity data wasn't quite supportive of this view, imparting a downside risk to the consensus of a slight pick-up in GDP growth to 2.5% in 3Q from 2.4% in 2Q (ING forecast 2.0%).

Elsewhere, September manufacturing data from Thailand will help us to fine-tune our 3Q GDP growth forecast, currently at 2.3% or the same pace as in the previous quarter.

## Asia Economic Calendar

| Country                     | Time | Data/event                               | ING   | Survey | Prev.      |
|-----------------------------|------|--|-------|--------|------------|
| <b>Sunday 27 October</b>    |      |  |       |        |            |
| China                       | 0130 | Sep Industrial profits (YTD, YoY%)       | -1.4  | -      | -2.0       |
| <b>Monday 28 October</b>    |      |  |       |        |            |
| South Korea                 | 2100 | Nov BOK Business Survey Index, mfg       | -     | -      | 73.0       |
|                             | 2100 | Nov BOK Business Survey Index, non-mfg   | -     | -      | 74.0       |
| <b>Wednesday 30 October</b> |      |  |       |        |            |
| Thailand                    | -    | Sep Manufacturing index (YoY%)           | -2.7  | -      | -4.4       |
| South Korea                 | 2300 | Sep Industrial production (SA MoM /YoY%) | -/-   | -/-    | -1.4/-2.95 |
| <b>Thursday 31 October</b>  |      |  |       |        |            |
| China                       | 0100 | Oct Manufacturing PMI                    | 49.8  | -      | 49.8       |
|                             | 0100 | Oct Non-manufacturing PMI                | 53.5  | -      | 53.7       |
| India                       | -    | Sep Fiscal deficit (INR crore)           | -     | -      | 6235       |
| Hong Kong                   | 0830 | 3Q A GDP (YoY%)                          | 0.5   | -      | 0.5        |
| Taiwan                      | 0800 | 3Q P GDP (YoY%)                          | -     | -      | 2.4        |
| Thailand                    | -    | Sep Current account balance (US\$bn)     | 2.9   | -      | 4.0        |
| South Korea                 | 2300 | Oct CPI (MoM/YoY%)                       | -/-   | -/-    | 0.4/-0.4   |
| <b>Friday 1 November</b>    |      |  |       |        |            |
| China                       | 0145 | Oct Caixin Manufacturing PMI             | 51.4  | -      | 51.4       |
| India                       | 0500 | Oct Nikkei Manufacturing PMI             | 51.8  | -      | 51.4       |
| Hong Kong                   | 0830 | Sep Retail sales value (YoY%)            | -35.0 | -      | -23.0      |
|                             | 0830 | Sep Retail sales volume (YoY%)           | -35.0 | -      | -25.3      |
| Indonesia                   | -    | Oct CPI (YoY%)                           | 3.2   | -      | 3.4        |
|                             | -    | Oct CPI core (YoY%)                      | -     | -      | 3.3        |
| Malaysia                    | 0030 | Oct Nikkei Manufacturing PMI             | 47.7  | -      | 47.9       |
| Philippines                 | 0030 | Oct Nikkei Manufacturing PMI             | 51.5  | -      | 51.8       |
| Taiwan                      | 0030 | Oct Nikkei Manufacturing PMI             | 50.0  | -      | 50.0       |
| Thailand                    | 0030 | Oct Nikkei Manufacturing PMI             | 49.9  | -      | 50.6       |
|                             | 0400 | Oct CPI (YoY%)                           | 0.3   | -      | 0.3        |
|                             | 0400 | Oct Core-CPI (YoY%)                      | 0.4   | -      | 0.4        |
| South Korea                 | 0000 | Oct Trade balance (US\$m)                | -     | -      | 5982.0     |
|                             | 0000 | Oct Exports (YoY%)                       | -     | -      | -11.7      |
|                             | 0000 | Oct Imports (YoY%)                       | -     | -      | -5.6       |
|                             | 0030 | Oct Nikkei Manufacturing PMI             | -     | -      | 48.0       |

Source: ING, Bloomberg, \*GMT

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