

Asia week ahead – Central bank jawboning

GDP, central bank policy meetings and trade releases dominate the Asian economic calendar next week



6.7%

China GDP growth in 2017/18

ING forecast

Some moderation in China GDP growth in 4Q17

China will release 4Q17 GDP data next week, and this will probably be the highlight of the week.

Consistent with consensus, we forecast a modest slowdown in growth to 6.7% year-on-year from 6.8% in the previous quarter, yielding the full-year growth of 6.7%.

Even though Premier Li has hinted at a growth of 6.9%, we believe that is a bit too strong given

that the overcapacity reduction will have weighed down production. However, this does not change the fundamentals of the Chinese economy. Consumption was the biggest growth driver, and investment was the second growth pillar in 2017, and those will be the state of affairs we expect to prevail in 2018.

On the industry side, manufacturing should be skewed towards serving more services and technology-related sectors. We expect 6.7% GDP growth in 2018.

Bank of Korea jawboning

Two of the Asian central banks – the Bank of Korea (BoK) and Bank Indonesia (BI) – hold their monetary policy meetings next week. While the consensus of no change in the rate policy by these central banks makes these almost non-events, we may get some clues on what to expect for the rest of the year.

The BoK has started the year in defensive mode, jawboning against KRW strength and threatening to respond sternly to one-sided FX moves.

Such threats are likely to be hollow, given the ongoing trade negotiations with the US and the fact that economic data continues to run strongly, and some KRW strength can be laid at the feet of the BoK and their late November rate hike.

However, it does suggest that any further monetary policy tightening, though probably already warranted, may not happen until 2Q18.

3 - 5% Bank Indonesia inflation target

On-hold Bank Indonesia in 2018

In Indonesia, acceleration of consumer price inflation in December may be behind the consensus of no change to BI policy.

However, we place BI among those Asian central banks unlikely to alter their policy setting in 2018. Inflation returned to BI's 3-5% target zone in the second half of 2017, which is where we see it staying in 2018. Without any policy impetus, the IDR will likely to remain Asian underperformer this year.

Moderation of Asian export strength

Among other things, trade data crowd the Asian economic calendar, with releases of December figures from India, Indonesia and Singapore.

2017 ended on a strong note for Asian exports with the fastest annual growth in more than half a decade. With the high base effect and global growth close to the peak prospects of sustained strong Asian export, further growth in 2018 appear dim. Our baseline is that export growth settles in mid-to-high single-digits in 2018.

Singapore's non-oil domestic exports data will be a stand-out in the forthcoming trade releases. A sharp slowdown in the island's manufacturing in the fourth quarter of 2017 is a sign of moderation of export strength kicking in.

Hence our below-consensus 7.9% YoY NODX growth forecast for December compared to consensus of 9.4%. Looking forward, export performance in the first couple of months this year will be critical for our view of the Monetary Authority of Singapore moving to tightening stance in April.

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