

Asia week ahead: Central bank policy dominates

Three Asian central banks hold their policy meetings. And, there is a flood of activity data from around the region. All this will make it an exciting week for markets



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➔ Central bank policy-making

Central banks in Japan, Taiwan and Indonesia meet next week. All are expected to leave policies on hold. Yet, there will be some interest here. Especially so in the Bank of Japan's meeting, which is the first since Prime Minister Shinzo Abe's resignation in late August, the event that might have fuelled speculation about even easier BoJ policy to soften the Covid-19 blow to the economy. ING's

Japan watcher, Rob Carnell, however, cautions against it ([here is why](#)). The markets will also be watching Japan's August CPI inflation and trade figures next week, none of which is going to make much sense from the BoJ policy perspective.

For the central bank with the longest history of unorthodox policies, doing yet more of the same seems a particularly pointless exercise. – Rob Carnell on BoJ policy

The interest in Bank Indonesia's policy stems from the steady downward grind in CPI inflation, which at 1.3% year-on-year in August was the lowest in the last two decades (since April 2000). Will this move BI for the fifth rate cut this year? ING's Indonesia expert, Nicholas Mapa, doesn't think so amidst intensifying currency depreciation due to debt monetisation worries ([here is more](#)). Coming ahead of the BI meeting, August trade data should continue to reflect downside pressure on growth.

What about Taiwan's Central Bank of the Republic of China (CBC) policy? CBI's has been one of the steadiest monetary policy in Asia. It didn't change from mid-2016 until the Covid-19 outbreak at the start of this year. And, with just one 25bp rate cut in March this year, the easing cycle is done, in our view. Our Greater China Economist, Iris Pang, doesn't expect another move, in either direction, over our forecasting horizon until end-2022.

[Abe resigns as Japan's PM](#)

[Indonesian inflation cools further but focus shifts to central bank charter changes](#)

➔ And, busy data schedule

China's remaining activity data for August, including industrial production, retail sales, fixed asset investment, and home sales will be in focus. Iris Pang doesn't see growth for these differing much from the July pace.

August CPI inflation will be the highlight of India's data calendar. The Covid-19 supply shock to food prices and administrative hikes in fuel prices drove inflation above the central bank's (Reserve Bank of India) 6% policy limit in April, which is where it has been since, including the 6.9% recorded in July. We expect no let-up in price pressure in August. Our forecast for August is 7.1%. Also, look out for India's August trade figures for what these say about growth.

Singapore's non-oil domestic exports for August is an interesting release too. Pharmaceutical exports, the key support to NODX earlier this year, has lost its vigour in recent months, but a pick-up in electronics exports kept the headline NODX growth in positive territory. We expect pretty much the same in August, though with a more moderate NODX growth than July's 6.0% YoY.

Down under, Australia's jobs report for August and New Zealand's 2Q20 GDP will be the ones to watch. The worsened Covid-19 outbreak in the state of Victoria underpins our house forecast of a sharp slowdown in Australia's employment growth, which is also the consensus view. Our forecast for New Zealand GDP is a 7% quarter-on-quarter fall.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 September					
China	0230	Aug New home prices (YoY%)	4.8	-	4.8
India	0730	Aug WPI (YoY%)	-0.2	-0.27	-0.58
	1300	Aug CPI (YoY%)	7.1	6.86	6.93
Tuesday 15 September					
China	0300	Aug Industrial Production (YoY%)	5.0	5.2	4.8
	0300	Aug Retail Sales (YoY%)	-0.6	0.0	-1.1
	0300	Aug Fixed asset investment (YTD, YoY%)	-1.4	-0.4	-1.6
India	-	Aug Trade deficit (US\$bn)	-7.6	-6.8	-4.83
	-	Aug Exports (YoY%)	-8.0	-	-10.2
	-	Aug Imports (YoY%)	-21.0	-	-28.4
Indonesia	0500	Aug Trade balance (US\$mn)	2185	-	3263
	0500	Aug Exports (YoY%)	-10.2	-	-9.9
	0500	Aug Imports (YoY%)	-25.3	-	-32.55
Philippines	-	Jul OCW remittances (YoY%)	-5.7	-	7.7
Thursday 17 September					
Indonesia	0820	BI policy decision (7-day reverse repo, %)	4.0	-	4.0
Singapore	0130	Aug Non-oil domestic exports (MoM/YoY%)	0.5/1.5	-/-	1.2/6.0
Taiwan	-	Benchmark Interest Rate	1.125	-	1.125

Source: ING, Bloomberg, *GMT