

## Asia week ahead: Central bank policymakers get busy

Asian central banks will be taking cues from the US Federal Reserve in a week packed with monetary policy meetings, while economic activity data should underscore the shifting balance of risks towards growth from inflation. Featuring next week are the central banks of China, Taiwan, Japan, Indonesia, and the Philippines



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### ➔ Busy policy week but nothing really happening

Five Asian central banks will review their monetary policy settings in light of the latest economic developments. But none are expected to alter their current accommodative policy stances given

that the Covid-19 Delta variant continues to threaten the economic recovery ahead.

In China, weak activity growth in August may nudge the People's Bank of China towards easing, though we don't anticipate any easing via cuts to the Loan Prime Rate next week. The PBoC's preferred tool for easing seems to be the reserve requirement ratio (RRR) as reflected by a surprising 50bp broad-based RRR cut in July. We believe the doors are open for further 50bp of RRR cuts - most likely in October ([here](#) is more on this by Iris Pang).

Just like the mainland, Taiwan's economy is also reeling under the adverse effects of Covid-19 as well as chip shortages. However, the Central Bank of the Republic of China (Taiwan) left policy rates unchanged through the worst of the economic weakness last year and is expected to give it a miss this time, too.

There is nothing noteworthy about the Bank of Japan policy meeting as the central bank persists with its ongoing struggle to achieve its 2% inflation target. The CPI inflation figures for August won't alter this state of affairs as the negative inflation streak since last October stretched into another month.

In Southeast Asia, central banks in Indonesia and the Philippines are also expected to leave their rate policies on hold. Bank Indonesia's Governor, Perry Warjiyo, recently indicated a sustained "pro-growth" policy stance over the rest of this year as inflation has been below the central bank's 2-4% policy target (1.6% YoY in August). In the Philippines, Bangko Sentral ng Pilipinas Governor, Benjamin Diokno, has also vowed to retain accommodative policy settings as the latest Covid-19 wave and multiple lockdowns have been weakening the economy. Even so, the odds of additional BSP easing are very slim given the current unfriendly inflation backdrop - inflation pushed above the BSP's 2-4% policy target to 4.9% YoY in August (read Nicky Mapa's latest [Indonesia](#) and [Philippines](#) notes for more).

The Reserve Bank of Australia's policy minutes of the September meeting are probably the least dull central bank event of the bunch, given that the resurgent pandemic forced the RBA to embrace flexibility on its asset purchase programme. Moreover, the dismal Australian August labour report just released warns against any imminent unwinding (read Rob Carnell's recent pieces on the [RBA policy](#) and [jobs data](#)).

[Covid, chips shortages and government policies hit China's economy](#)

[Indonesia's central bank remains on hold for the sixth consecutive time](#)

[Food price spike pushes Philippine headline inflation above target](#)

[RBA embraces flexibility](#)

[Lockdowns hit Australia's employment](#)

## ➔ As risks shift back towards growth from inflation

Inflation, manufacturing and trade releases dominate the data pipeline next week. These should reinforce the balance of economic risks shifting back towards growth from inflation.

As well as Japan, Singapore and Malaysia will both report their inflation rates for August and are

both likely to see inflation continuing to slow from recent highs.

Korea's trade figures for the first 20 days of September and advanced manufacturing and services PMIs from Japan and Australia will shed light on how 3Q21 is finishing up for growth. A key question for the Korean data is whether the year-to-date semiconductor export surge is running out of steam. This is because continuing global chip shortages have been pushing the limits on production capacity.

We may also get more evidence of this from Singapore's August manufacturing data, which may show semiconductor output falling further after a 0.4% YoY drop in July.

## Asia Economic Calendar

| Country                       | Time | Data/event                           | ING Survey | Prev.     |
|-------------------------------|------|--------------------------------------|------------|-----------|
| <b>Tuesday 21 September</b>   |      |                                      |            |           |
| Indonesia                     | 0800 | Sep 7-Day Reverse Repo               | 3.50       | 3.50      |
| <b>Wednesday 22 September</b> |      |                                      |            |           |
| Japan                         | -    | JP BOJ Rate Decision                 | -          | -0.10     |
| Australia                     | 0000 | Sep Manufacturing PMI Flash          | -          | 52.0      |
|                               | 0000 | Sep Services PMI Flash               | -          | 42.9      |
| China                         | 0230 | Sep Loan Prime Rate 1Y               | 3.9        | 3.85      |
|                               | 0230 | Sep Loan Prime Rate 5Y               | 4.7        | 4.65      |
| Philippines                   | -    | Aug Budget Balance                   | -          | -121.0    |
| Taiwan                        | 0900 | Aug Unemployment rate (%)            | 4.3        | 4.4       |
| <b>Thursday 23 September</b>  |      |                                      |            |           |
| Japan                         | 0030 | Aug CPI (MoM%) NSA                   | -          | 0.2       |
|                               | 0030 | Aug CPI NSA                          | -          | 99.7      |
| Philippines                   | 0900 | Policy Interest Rate                 | 2.00       | 2.00      |
| Singapore                     | 0600 | Aug Core CPI (YoY%)                  | 1.0        | 1.0       |
|                               | 0600 | Aug CPI (YoY%)                       | 2.3        | 2.5       |
| Taiwan                        | 0900 | Q3 Discount Rate                     | 1.125      | 1.125     |
| Thailand                      | 0430 | Aug Exports (YoY%)                   | 14.0       | 20.3      |
|                               | 0430 | Aug Import (YoY%)                    | 41.0       | 45.9      |
|                               | 0430 | Aug Trade balance (\$mn)             | 893.0      | 183.0     |
| <b>Friday 24 September</b>    |      |                                      |            |           |
| Malaysia                      | 0500 | Aug CPI (YoY%)                       | 2.2        | 2.2       |
| Singapore                     | 0600 | Aug Manufacturing Output (MoM%/YoY%) | 3.8/9.3    | -2.6/16.3 |

Source: Refinitiv, ING, \*GMT

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