

Asia week ahead: Central banks to take cues from GDP

Central bank policy meetings and 4Q18 GDP reports dominate next week's Asian economic calendar. Asian central banks will tread a cautious path but will mostly leave policies on hold this year



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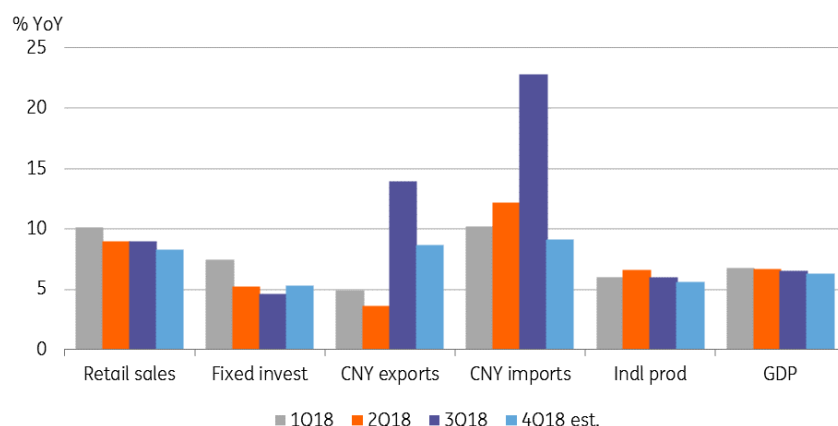
➔ Downside risk to China's growth

The week begins with China's 4Q18 GDP and December data on retail sales, fixed asset investment, and industrial production. The consensus estimate of 6.4% year-on-year GDP growth is barely a slowdown from 6.5% in the previous quarter despite all the hue and cry that weighed down global markets in the last quarter. However, a sharp deceleration in manufacturing and retail sales as well

as in trade growth, and falling industrial profits signal a downside risk to the consensus GDP estimate. Our house forecast is 6.3%.

Net trade seemed to have offset some of the slack in domestic spending. Although export growth slowed in the last quarter, import growth slowed by more than exports and the trade surplus widened from a year ago. Net trade subtracted from GDP growth in the first three quarters of 2018 but contributed to it in the final quarter.

China: What's driving GDP growth?



Source: Bloomberg, CEIC, ING

➔ Asia's GDP growth ends 2018 on weaker note

Korea and the Philippines also report GDP for 4Q18. As with China, we think consensus growth estimates -- 2.8% for Korea and 6.4% for the Philippines -- are subject to asymmetric downside risk (ING forecasts 2.1% and 5.9% respectively).

Singapore's industrial production figures for December will indicate the direction of revision to the advance release of 4Q GDP estimate of 2.2%. It will certainly be downward given disappointing non-oil domestic exports in December. Likewise, Taiwan's December IP data will help to fine-tune estimates of GDP growth in the last quarter.

➔ More reasons for central banks to stay on hold in 2019

A weak end to one year makes it arithmetically harder for the following year to score well, underpinning our view that most Asian central banks will leave policies on hold this year, if not ease.

Central banks in Japan, Korea, and Malaysia meet next week. All are expected to remain on hold. Our interest lies in the Bank of Korea's policy as the central bank also releases its quarterly Economic Outlook on the same day (24 January). In its October report, the BoK forecast 2.7% GDP growth for 2019, the same as its estimate for 2018. The 2018 growth forecast is unlikely to be met and the pace for 2019 looks to be far off in view of the global slowdown in the tech sector. As such, a downgrade to the BoK's growth outlook for the current year shouldn't come as surprise to anyone. However, we don't think this will move the central bank to reverse the December rate hike just yet.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 21 January					
China	0200	Dec Retail Sales (YoY%)	8.0	8.2	8.1
	0200	Dec Industrial Production (YoY%)	5.4	5.3	5.4
	0200	Dec Fixed Asset Investment (YTD, YoY%)	6.1	6.0	5.9
	0200	4Q GDP (QoQ, SA/YoY%)	-/6.3	1.5/6.4	1.6/6.5
Taiwan	0800	Dec Export Orders (YoY%)	-2.0	-	-2.1
Thailand	-	Dec Exports (Cust est, YoY%)	2.5	-	-1.0
	-	Dec Imports (Cust est, YoY%)	8.0	-	14.7
	-	Dec Trade Balance (US\$m)	-1322.0	-	-1180
South Korea	2100	Dec PPI (MoM/YoY%)	-0.2	-/-	-0.7/1.6
	2300	4Q P GDP (QoQ/YoY%)	0.0	-/-	0.6/2.0
Tuesday 22 January					
Hong Kong	0815	Dec Composite CPI (%YoY)	2.6	-	2.6
Malaysia	0700	Forex Reserves, Month-end (US\$bn)	-	-	101.4
Wednesday 23 January					
Malaysia	0400	Dec CPI (YoY%)	0.3	-	0.2
Singapore	0500	Dec CPI (YoY%)	-0.3	-	0.3
	0500	Dec CPI Core (YoY%)	1.7	-	1.7
Taiwan	0800	Dec Industrial Production (YoY%)	-2.0	-	2.1
Thursday 24 January					
Malaysia	0700	Overnight Policy Rate	3.25	-	3.25
Philippines	0200	4Q GDP (QoQ, SA/YoY%)	-/5.9	-/-	1.4/6.1
Taiwan	0820	Dec Money Supply (M2) (YoY%)	3.2	-	3.1
South Korea	2100	BoK Consumer Sentiment Index	96.4	-	97.2
	-	7-Day Repo Rate	1.75	-	1.75
Friday 25 January					
Singapore	0500	Dec Industrial Production (MoM/YoY%)	6.1/-5.9	-/-	2.8/7.6

Source: ING, Bloomberg

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com