

Asia week ahead: China data and central bank decisions in focus

Next week features several reports out of China, regional trade data, and central bank decisions



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China monthly activity data and PBoC in focus

Data reports from China, including industrial production, retail sales and fixed asset investment, are scheduled to be released on 15 December. Industrial production is expected to grow, but at a slower pace, while retail sales look likely to continue to contract. Sluggish property investment will also likely drag down fixed asset investment. The government recently announced the easing of Covid-19 measures, but consumption is not anticipated to pick up immediately. Meanwhile, we expect the People's Bank of China (PBoC) to keep its 1Y Medium-Term Lending Facility Rate at 2.75% as this week's Politburo meeting suggested that there would be no further general easing of monetary policy.

Central bank watch: keeping up with the Fed

The PBoC's likely inaction is the outlier in Asia next week, as other Asian central banks will probably follow the US Federal Reserve's policy direction, though the pace of rate hikes will vary from country to country as well as how much further tightening will occur next year.

We believe that Taiwan's central bank will deliver a 12.5bp increase on Thursday to partially keep pace with the Fed's hikes, and the after-meeting statement will be important to assess whether the central bank will hike further in the first quarter of next year or not.

Bangko Sentral ng Pilipinas (BSP) governor Felipe Medalla indicated that he would be on par with the Fed in terms of policy. With the market expecting a 50bp rise from the Federal Open Market Committee (FOMC), the BSP is also expected to hike by 50bp. Inflation remains elevated (8.0%YoY), so we expect the BSP to also retain its hawkish stance next year.

Meanwhile, the Bank of Korea (BoK) will release its November meeting minutes on Tuesday. The decision of a 25bp increase at the last meeting was unanimous, but it is still worth watching how board members have changed their views on inflation and terminal rates. We think that given tight liquidity conditions in credit markets and rapid deterioration in exports and manufacturing activity, an additional 25bp hike in February may be the final action for the BoK's current tightening cycle.

Trade data from Japan, Indonesia, and the Philippines

Next week we also get trade reports out from Japan, Indonesia and the Philippines.

Japan and Indonesia will likely post double-digit growth in both exports and imports. In the case of Japan, the trade deficit is expected to decrease as import growth decelerates sharply due to stable energy prices and the quite strong recent depreciation of the Japanese yen (before the latest moves). In Indonesia, the overall trade surplus may narrow with export growth moderating.

Meanwhile, the Philippines' exports could slip back into contraction, given the sector's reliance on electronics exports. This will probably result in the Philippine trade deficit remaining wide, which should put added pressure on the peso to close out the year.

Other data releases next week

Japan's Tankan Survey will suggest that business sentiment for manufacturing is worsening, while optimism about non-manufacturing is likely to lead Japan's economy next year.

In Australia, the labour market report for November will be worth a look. But with the Reserve Bank of Australia seemingly more concerned with over-tightening than under-tightening, it probably won't have too much impact on markets, though it could in time be a factor to consider at what stage the RBA can halt its 25bp per month tightening. Right now, we think this will come with the cash rate at 3.6% in the first quarter of next year, though there is a large degree of uncertainty attached to that forecast.

India's inflation data will be important for judging where the Reserve Bank of India (RBI) calls the peak for rates in this tightening cycle following the 35bp hike to the repo rate on 7 December (now stands at 6.25%). And we think we will continue to see inflation falling, with even some downside risk to the consensus 6.36% forecast (ING forecast for November: 6.2%; October inflation: 6.8%).

Lower food prices, especially vegetables, and stable energy/gasoline prices should see India's headline inflation index dropping to a level roughly in line with policy interest rates. It is an argument for the RBI to hike by only 25bp at its first 2023 meeting.

Korea's labour market report will hint at whether the current slump in manufacturing and exports is beginning to have a negative impact on the labour market. We expect some weakness in manufacturing and construction jobs, but for the unemployment rate to remain below 3%.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 December					
China		- Nov M2 Money Supply (YoY)	11.8		11.8
		- Aggregate Finance (CNY bn)	2300		907.9
		- New Yuan Loan (CNY bn)	1500		615.2
India	1200	Nov CPI Inflation (YoY%)	6.2		6.77
	1200	Oct Industrial Output (YoY%)	-0.2		3.1
	1130	Q3 C/A Balance (USD bn)	-39		-23.9
		- Nov Fiscal Deficit (USD bn)	-		
		- Nov Imports/Exports (USD bn)	-		
Singapore	0230	Q3 Unemployment Rate Final SA	-		2
Tuesday 13 December					
Japan	2350	Core Machine Orders (MoM%)			-4.6
		2350 Tankan Large Mfg Outlook	6		9
		2350 Tankan Large Non-Mfg Outlook	12		11
Philippines	0100	Oct Imports/Exports (YoY%)	-15.2/5/4		14.1/7
	0100	Oct Trade Balance	-4650		-4820
South Korea	2300	Nov Unemployment Rate	2.9		2.8
Wednesday 14 December					
Japan	2350	Nov Imports/Exports YoY	25/20		53.5/25.3
	2350	Nov Trade Balance Total (Yen bn)	-1585		-2162.3
India	0630	Nov WPI Inflation (YoY%)	-		8.39
Thursday 15 December					
Australia	0030	Nov Unemployment Rate	3.5		3.4
	0030	Nov Reserve Assets Total	-		84690
	2200	Dec Manufacturing PMI Flash	51		51.3
	2200	Dec Services PMI Flash	47.4		47.6
	2200	Dec Composite PMI Flash	-		48
China	0200	Nov Industrial Output (YoY%)	3.8	3.9	5
	0200	Nov Retail Sales (YoY%)	-3.35	-2.4	-0.5
	0200	Nov Fixed Assets Investments (YTD YoY%)	5.6		5.8
	0220	1Y Medium Lending Facility rate (%)	2.75		2.75
Indonesia	0400	Nov Trade Balance (USD bn)	5.4		5.67
	0400	Nov Exports Growth (YoY%)	14.2		12.3
	0400	Nov Imports Growth (YoY%)	17.8		17.44
Philippines	0700	Policy Interest Rate	5.5		5
Taiwan		- Q4 Discount Rate	1.75		1.625

Source: Refinitiv, ING

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

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