Asia week ahead: China GDP report to set the tone next week

China's GDP report, trade numbers and Australia's labour report are all set to be published next week

China's job market has started to stabilise

China GDP

When China releases its activity and GDP data on Monday, we expect to see a slight uptrend in retail sales and fixed asset investments, as the job market has started to stabilise and the government has encouraged the start of infrastructure investments managed by local governments. GDP growth in the fourth quarter of 2021 will be down compared to the previous quarter, due to defaults in real estate companies and some base effect.

Trade data

Indonesia's export sector continues to benefit from strong demand for resources, while imports are likely to sustain their recent surge with the economy gradually reopening post-Delta-related lockdowns. The overall trade balance is expected to stay in a healthy surplus and keep the current account in positive territory. This should help support the Indonesian rupiah in the near term with the fate of the currency likely tied more to financial market flows. Japan will also release trade data, and we expect to see a slowdown in the rate of export growth, while imports remain firm. This could lead to a worsening of the trade deficit. That won't help the Japanese yen, which has been very soft in recent months.

Labour reports

Australia's December labour report follows on from the strong gains on reopening seen in November. Most of the jobs lost during the last lockdown look to have been restored, though there may be some shift from part-time to full-time workers, and a rising participation rate may result in a modestly higher unemployment rate before it begins to decline again over 2022. Until wages and inflation data are released, this should not have too much impact on expectations for the Reserve Bank of Australia's policy this year.

Central bank policy

Bank Indonesia holds its first meeting of the year and we do not expect any changes in terms of policy from Governor Perry Warjiyo. We will be on the lookout for any change to his overall position for the year, after Warjiyo recently indicated he would be open to shifting to a "pro-stability" stance in 2022. The coming year will likely see inflation return to target, with both supply-side and demand-pull factors coming into play.

Rest of the field

China will announce its one-year and five-year Loan Prime Rates. The December cut of 5 basis points did not bring about stronger loan growth. The People's Bank of China may want to wait and see if the transmission mechanism works after the Chinese New Year. We expect further easing by March around the Two Sessions meeting.

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com