

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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10

Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.