

## Asia week ahead - China, India dominate

China's December data dump begins, culminating with the release of 4Q and full-year 2017 GDP in the following week. India releases all-important inflation data



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### China's December data dump begins

Next week in Asia kicks off with the release of China's foreign exchange reserves data for December. We know from the 1.6% appreciation of Chinese Yuan against the US dollar in December, on a par with 2017's Asian top-performer the Korean Won, that capital was flowing into China in the last month. We expect this to be associated with higher reserves.

ING forecasts a US\$12bn month-on-month rise in reserves to US\$3,131tr in December. This puts the full-year reserves increase at US\$120bn, snapping two years of outflows of US\$513bn in 2015 and US\$320bn in 2016. In a weak USD environment we believe the People's Bank of China (PBoC), the central bank, will be happy to ride the trend of a gradual CNY appreciation and attract net capital inflows into the country.

# 6.7% **ING forecast of China GDP growth in 2018**

## Consumer-led expansion in the Chinese economy

The other Chinese economic data – inflation, trade and monetary data over the course of next week, and industrial, production, fixed asset investment, retail sales and GDP in the week after next – will condition expectations of Chinese macro policy in 2018. We expect GDP to grow by 6.7% in 2018, with consumption continuing to be the key driver of growth and investment as a supporting pillar.

## Expectations of China's macro policy in 2018

ING's Greater China economist, Iris Pang, views China's economic policy in 2018 as being geared toward stability and growth. The PBoC has signalled a tightening monetary policy bias in December with a 5bp hike in policy rate. The quantum of December rate hike indicates that the PBoC isn't inclined to match the US Fed in tightening. ING forecasts three baby-step, 5bp each, PBoC rate hikes in 2018.

[China: Stability and Growth - the new year resolutions](#)

[China: 5bp increase in policy rates - why bother?](#)

## India's inflation may surpass the RBI forecast

In India, consumer price inflation is creeping higher and with a low base effect in the food CPI component it is poised to exceed the Reserve Bank of India's (RBI) 4.3-4.7% forecast for the second half of fiscal year 2017-18 (ends in March 2018). Our forecast for December is 5.1% year-on-year.

# 5.1% **ING forecast for India's CPI inflation in December**

## Risks to Indian inflation

The likelihood of inflation remaining within the RBI's forecast range depends on seasonal cooling of food prices in the Rabi (Spring) crop harvest months of January to March. However, the upside risk stems from a rising global oil price working its way through domestic fuel prices, which is likely to keep CPI inflation sticky downward.

## Expectations of RBI policy in 2018

However, Indian growth continues to be slow, leaving the RBI in limbo on monetary policy in the near-term. The return of the Indian rupee to an appreciation trend after a selloff from September through November reduces pressure on the RBI to raise interest rates, in our view. We reiterate our forecast of no change in RBI policy in 2018.