

Asia week ahead: China trade figures, the RBI decision and regional inflation

The coming week features China's trade report, growth figures from Australia, India's central bank meeting and regional inflation readings



China's trade data to reflect weakness in the economy

China will release its trade numbers as well as the Caixin Service sector PMI next week. The official PMIs released recently were weaker than expected. That weakness is likely to be reflected in the trade data, too. Exports are likely to edge up a little due to seasonal factors but will remain negative on a year-on-year basis at -3.9%. For imports, these are likely to be affected by weak demand due to the end of the holiday period, and growth should be modest at 0.9% YoY.

China's official service sector PMI indicated that growth of service activity has slowed. We expect the Caixin Service PMI to remain at 50.3.

Australia third-quarter GDP growth to moderate and RBA to hold rates steady

For the Reserve Bank of Australia, following the recently much lower-than-expected inflation figures for October, there is surely no chance that the RBA will increase rates again following its November 25bp hike in the cash rate target. While we have probably already seen peak rates in Australia, there is still a chance of a final rate hike at the end of first quarter of 2024, when base effects could make it hard for inflation to continue to decline unless the monthly run rate moderates a lot by then.

After the 0.4% quarter-on-quarter growth in the second quarter, we think Australia's growth will moderate to 0.3% in the third quarter, which is consistent with a 1.2% YoY growth rate but a little stronger than the consensus view. Net exports will probably be a drag on growth in this quarter, though that may be partly offset by a higher inventory build.

Private investment will likely post a modest growth rate, and construction has also been quite good. Meanwhile, consumer spending – which has been slowing quite consistently – may be a little stronger than expected following some positive retail sales for the third quarter.

Reserve Bank of India to keep repo rates the same for now

There is very little chance that the Reserve Bank of India will alter its policy repo rate from the current rate of 6.5% at its forthcoming meeting, and that is even though India's inflation rate has surprised on the downside recently.

Much of the downswing owes to erratic food price movements, and there is a good chance that the inflation rate edges back into the upper end of the RBI's 2-6% range over the coming months.

South Korean data set to show faster inflation and GDP

November CPI inflation and third-quarter GDP revision data will be released next week. Consumer inflation is likely to accelerate further to about 4% YoY. Gasoline prices are expected to drop substantially but likely be offset by rising prices of fresh and manufactured foods.

Third-quarter GDP (0.6% QoQ sa) is not expected to be revised from the updated results.

Philippine CPI to edge lower

Stabilising prices for the all-important staple of rice should help bring headline inflation down to 4.4% YoY (from 4.9%). Declining gasoline and diesel prices should also help inflation edge closer to the central bank's 2-4% inflation target band.

This could give the previously hawkish BSP Governor some reason to consider extending his current pause, although his comments from last week suggest that Governor Remolona is open to tightening further should inflation flare up again.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Saturday 2 December					
Singapore	1300	Nov Manufacturing PMI	50.5		50.2
Sunday 3 December					
Japan	2350	Nov Monetary Base (YoY%)	-		9.49
Monday 4 December					
South Korea	2300	Nov CPI Growth (MoM%/YoY%)	0.0/4.0	-0.1/3.7	0.3/3.8
	2300	Q3 GDP Growth (QoQ%/YoY%)	0.6/1.4	/	0.6/1.4
Tuesday 5 December					
Japan	0030	Nov Services PMI	51.7		51.7
Australia	0030	Q3 Current Account Balance SA	8.5		7.7
	0330	Dec RBA Cash Rate	4.35	4.35	4.35
China	0145	Nov Caixin Services PMI	50.3	50.7	50.4
India	0500	Nov IHS S&P Global Services PMI	58		58.4
Philippines	0100	Nov CPI (MoM%/YoY%)	0.4/4.4	/	-0.2/4.9
	0100	Nov Core CPI (YoY%)	5		5.3
Singapore	0500	Oct Retail Sales (MoM%/YoY%)	-1.2/-3.5	/	-1.6/0.6
Taiwan	0820	Nov Foreign Exchange Reserve	560.29		561.079
Wednesday 6 December					
Australia	0030	Q3 Real GDP (QoQ%/YoY%)	0.3/1.2	0.2/0.16	0.4/2.1
Taiwan	0800	Nov CPI (YoY% NSA)	2.9		3.05
Thursday 7 December					
Japan	2330	Oct All Household Spending (YoY%)	-		-2.8
	2330	Oct All Household Spending (MoM%)	-		0.3
	2350	Q3 GDP Revised (QoQ% ann)	-2.1		-2.1
	2350	Q3 GDP Revised (QoQ%)	-0.5		-0.5
Australia	0030	Oct Trade Balance (A\$bn)	7000		6786
China	0300	Nov Exports	-3.9		-6.4
	0300	Nov Imports	0.9		3
	0300	Nov Trade Balance	52.1		56.53
		: Nov FX Reserves (Monthly)	3.127		3.101
Indonesia	0400	Nov Forex Reserves	-		133.1
Philippines		: Nov Forex Reserves USD	-		101.1
Singapore	0900	Nov Foreign Reserves USD	-		338.2
South Korea	2300	Oct Current Account Balance NSA	6		5.42
Friday 8 December					
India	0430	0 Repo Rate	-	6.5	6.5
	0430	0 Reverse Repo Rate	-		3.35
	0430	0 Cash Reserve Ratio	-	4.5	4.5
Indonesia	0300	Nov Consumer Confidence Index	-		124.3
Taiwan	0800	Nov Imports	-4.2		-12.3
	0800	Nov Exports	-11.7		-4.5
	0800	Nov Trade Balance	6.75		5.77

Source: Refinitiv, ING

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