

Asia week ahead: Gauging India's bounce back

The focus next week in Asia will be the extent of India's bounce back in the third quarter, as the data in October underscores the renewed threat to the region from the second wave of the pandemic



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➔ India – 3Q report card arrives

In Asia, India has been the worst-affected country by Covid-19 and the national lockdown in the second quarter dented GDP by -25% quarter-on-quarter and -24% year-on-year. The subsequent reopening of the economy resulted in some recovery, as observed elsewhere in the region.

On average other Asian economies clawed back almost two-thirds of their Covid-induced GDP fall

suffered during the first two quarters of the year in the third quarter. On the same scale, India should see about 16% QoQ GDP surge in 3Q, though that still corresponds to about -12.0% YoY fall. This aligns with high-frequency data, especially the monthly industrial production showing a sharp narrowing of the year-on-year contraction, from -36% in 2Q to -6% in 3Q. Industrial production growth closely tracks real GDP growth.

Even so, the depth of the 2Q slump also suggests that bounce back might not be as vigorous as in other less affected regional economies, as India continued to be an epicentre of the pandemic with close to 9 million infections at the time of writing. This imparts downside risk to our 3Q GDP view.

➔ Rest of Asia – October data dominates

Taiwan and Singapore will report revised GDP figures for 3Q. We anticipate a moderate contraction in Singapore's growth numbers to -5.4% YoY than -7.0% initial estimate, resulting from strong September manufacturing growth. Taiwan's GDP growth is unlikely to differ much from the 3.3% first reading, leaving it among the few Asian countries (China and Vietnam) with positive GDP growth in the last quarter.

Undoubtedly, the second wave of the pandemic threatens the recovery of Asian economies in the current quarter. A slew of October trade and manufacturing releases from Taiwan, Singapore and Thailand should underscore the downside growth risk. The consumer and business confidence indicators from Korea will be under scrutiny for the same reason, as the Bank of Korea looks poised to leave the policy on hold. The BoK meets next Thursday, 26 November.

China's industrial profits data for October should shed light on the investment recovery coming into the final quarter of the year. The question is whether the double-digit profits growth was sustained for another month after the sharp slowdown in September to 10% YoY from 19% in the preceding two months.

Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 23 November				
Singapore	0000 Q3 GDP Final (QoQ/YoY%)	44.9/-5.4	-	35.4/-7
	0500 Oct CPI (YoY%)	0.0		0.0
	0500 Oct Core CPI (YoY%)	0.0		-0.1
Taiwan	0900 Oct Unemployment rate (%)	-		3.8
	0500 Oct Industrial production (YoY%)	-		10.7
Thailand	0930 Oct Exports (YoY%)	-6.0	-	-3.9
	0930 Oct Imports (YoY%)	-17.0	-	-9.1
	0930 Oct Trade balance (USD bn)	2.7	-	2.2
Korea	2200 Nov BoK Consumer Sentiment Index	89.2		91.6
Tuesday 24 November				
Hong Kong	0930 Oct Exports (YoY%)	-	-	9.1
	0930 Oct Imports (YoY%)	-	-	3.4
	0930 Oct Trade balance (HKD bn)	-	-	-12.7
Philippines	- Oct Fiscal balance (PHP bn)	-58.8	-	-138.5
Taiwan	0900 Oct Money supply - M2 (YoY%)	-		7.2
Korea	2200 Nov BoK Business Survey Index, manuf.	78.0		76.0
Korea	2200 Nov BoK Business Survey Index, non-manuf.	71.0		69.0
Wednesday 25 November				
Malaysia	0400 Oct CPI (YoY%)	-1.4		-1.4
Thailand	0400 Oct Manufacturing Prod (YoY%)	-5.1		-2.8
Thursday 26 November				
Singapore	0500 Oct Manufacturing Output (MoM/YoY%)	-12.4/5.2	-	10.1/24.2
South Korea	0100 Nov Bank of Korea Base Rate	0.5		0.5
Friday 27 November				
China	0130 Oct Industrial profits (YoY%)	-	-	10.1
Taiwan	0900 Q3 GDP Final (YoY%)	-		3.3

Source: ING, Refinitiv, *GMT