

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

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com