

## Asia week ahead: growth and inflation reports from major economies

Next week's Asia calendar features GDP data from India and Australia, inflation from Australia, Japan and Indonesia, Singapore's retail sales and PMI data from Korea, Japan, China and Taiwan



Source: Shutterstock

### India's economy not slowing anytime soon

High-frequency activity indicators for the fourth quarter showed little sign of slowing in India, and as a result, we are looking for the year-on-year growth rate to come in at 4.0% or even higher. Substantial base effects make the interpretation of a single quarter's data virtually impossible. But a figure of 4.0% in the fourth quarter will deliver a growth rate of 6.7% for India for the calendar year of 2022 and put it on course to achieve around 6.3% for the fiscal year that ends in March 2023.

We anticipate another year of growth in the region of 6% in 2023 following a supportive budget which contains a big increase in capital investment in infrastructure.

## **Inflation to remain resilient in Australia**

The end of 2022 was characterised by extensive flooding in some parts of Australia, and we would not be surprised to see this have some impact on the 4Q22 GDP numbers that are due on 1 March. Tighter monetary policy will likely exert a slight drag on the economy, especially from the more interest-sensitive parts of the economy, such as housing. We anticipate GDP growth of 0.5% quarter-on-quarter (2.5% year-on-year), which will still deliver a respectable 3.6% growth rate for the full year 2022.

Australia also releases January CPI inflation data. The December figures provided a rude shock to those who thought that inflation had peaked, with the unprecedented 27% month-on-month increase in holiday prices the culmination of the economic re-opening colliding with seasonal holidays. We do anticipate some unwinding of that result, though there is likely to be plenty of residual strength in other parts of the CPI result to limit the decline in the inflation rate from 8.4% to 8.2%YoY (0.3%MoM).

## **Trade, PMI, and industrial production data from Korea**

In Korea, we expect exports to deepen their contraction further in February mainly due to the sharp decline in semiconductor exports. Meanwhile, manufacturing PMI is expected to rise marginally on the back of the optimism surrounding China's reopening, but remain below 50. Given sluggish exports in January, we expect January's industrial production to decline but retail sales could rebound as severe weather may have boosted weather-related consumption. So, a weak start to the quarter will likely weigh on first quarter GDP, which could translate into a contraction.

## **PMI, jobless rate and Tokyo CPI from Japan**

With a relatively late reopening of the economy, Japan should continue to recover on the back of the government support programme. Thus, we believe that service PMI and hiring are expected to improve. However, January's cold wave probably had a negative impact on manufacturing activity and consumption, thus we foresee a decline in the January industrial production numbers. Meanwhile, Tokyo CPI inflation is expected to come down quite sharply to a 3% level from the recent peak of 4.4% due to the government energy subsidy programme and base effects.

## **China PMI data to be released next week**

In China, we expect manufacturing activity to pick up in February as factories resumed work after the long holiday. Services PMI however could dip to just above 50 after the spike in spending related to the holiday which was likely offset by an increase in financial and real estate services.

## **Upcoming Taiwan manufacturing PMI**

In the coming week, Taiwan is set to release manufacturing PMI. We expect the numbers to move higher from 44.3 to 47.0 in February after the Chinese New Year. Export orders for semiconductors, however, were still in contraction, which is not a good sign for the prospects of manufacturing activity.

## Indonesia's core inflation to stay flat in February

Headline inflation in Indonesia could tick higher to 5.4%YoY but the core inflation reading is expected to remain flat in February. Bank Indonesia (BI) cited slowing inflation as one of the main reasons for pausing at its most recent policy meeting. Price pressures have eased somewhat but BI might refrain from cutting policy rates until we see a more pronounced slide in core inflation.

## Singapore retail sales to slip in January?

Retail sales in Singapore are expected to post a modest contraction in January after a surprise gain in December 2022. The implementation of the latest round of goods and services tax may have had a negative impact, although solid department store sales may have provided a boost to overall retail sales.

## Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 27 February</b>					
Japan	2350	Jan Industrial O/P Prelim (MoM%/YoY%)			0.3/3.8
<b>Tuesday 28 February</b>					
Japan	0500	Jan Housing Starts (YoY%)	-		-1.7
Australia	0030	Q4 Current Account Balance SA	-		-2.3
India	1200	Q3 GDP Quarterly (YoY%)	-		6.3
Philippines	-	Dec Budget Balance	-		-123.9
<b>Wednesday 1 March</b>					
Japan	0030	Feb Jibun Bank Manufacturing PMI	47.4		47.4
	2350	Feb Monetary Base (YoY%)	-		-3.77
Australia	0030	Q4 Real GDP (QoQ%/YoY%)	-/-		0.6/5.9
China	0130	Feb NBS Manufacturing PMI	50.5		50.1
	0130	Feb NBS Non-Manufacturing PMI	51.0		54.4
	0145	Feb Caixin Manufacturing PMI Final	51.0		49.2
India	0500	Feb IHS S&P Global Manufacturing PMI	-		55.4
Indonesia	0030	Feb IHS S&P Global PMI	-		51.3
	0400	Feb Core Inflation (YoY%)	3.30		3.27
	0400	Feb Inflation (MoM%/YoY%)	0.1/5.4		0.34/5.28
Philippines	0030	Feb Manufacturing PMI SA	-		53.5
Taiwan	0030	Feb IHS S&P Global Manufacturing PMI	47.0		44.3
South Korea	0000	Feb Import/Export Growth Prelim	-		-2.8/-16.6
	2300	Jan Industrial Output (YoY%)	-		-7.3
	2300	Jan Industrial Output Growth	-		-2.9
<b>Thursday 2 March</b>					
Japan	2330	Jan Unemployment Rate	2.4		2.5
Singapore	1300	Feb Manufacturing PMI	-		49.8
South Korea	0030	Feb IHS S&P Global Manufacturing PMI	48.3		48.5
<b>Friday 3 March</b>					
Japan	0030	Feb Services PMI	53.6		53.6
China	0145	Feb Caixin Services PMI	50.5		52.9
India	0500	Feb IHS S&P Global Services PMI	-		57.2
Singapore	0500	Jan Retail Sales (MoM%/YoY%)	-10.0/-0.5		1.3/7.4
Taiwan	0820	Feb Foreign Exchange Reserve	487		557.143

Source: Refinitiv, ING

## Authors

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@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>.