

## Asia week ahead: Growth, inflation or a bit of both?

Industrial production and inflation data from around Asia next week will shed light on the growth-inflation dynamic in the region. The economic risks around the world may be slowly shifting from growth to inflation, though we are yet to see such a shift in Asia as the pandemic continues to hit some economies



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### ➔ Inflation remains low for now

Record policy stimulus last year together with recovering domestic spending and rising global oil prices are contributing to worries about rising inflation ahead. For Asia, such worries are premature

given that, aside from a couple of economies like India and the Philippines, inflation around the region continues to be benign. We aren't ruling out imminent inflation risks stemming from the low base effects, however.

Of the three countries to release February inflation figures next week, Hong Kong SAR is expected to show some moderation, Malaysia should go deeper into negative territory and Singapore will likely accelerate following year-on-year January readings of 1.9%, -0.2% and -0.2%, respectively.

## ➔ But price pressure is building

A common thread in most inflation data lately is the transmission of rising global oil prices into domestic fuel and transport prices and a further broadening out to other inflation components.

Both Malaysia and Singapore are standouts for the administrative fuel price hikes. However, the dampening effects of the Covid-19 movement restrictions in Malaysia on consumer spending have outweighed higher fuel prices and this pushed headline inflation deeper into negative territory in February. In Singapore, a 21% hike in petrol duty in the FY2021 Budget worked towards boosting both the headline and core inflation in the last month.

We see both economies experiencing rising inflation in the months ahead, with Malaysia's far outpacing Singapore's on the back of more pronounced base effects.

## ➔ Exports power manufacturing

A raft of February trade and industrial production (IP) releases will inform on GDP growth in the current quarter. Industrial production growth typically tracks real GDP growth closely.

The exports recovery is deep-rooted in Singapore and Taiwan and this is powering their manufacturing higher. This is what underlies our house view of double-digit IP growth for both. Taiwan's export orders data will be a leading indicator for where this is headed in the months ahead.

On the other spectrum is Thailand, where exports continue to be sluggish and manufacturing continues to extend an almost two-year-long decline.

## ➔ What do central banks make of it?

The combination of low inflation and firming growth argue for stable central bank policies pretty much everywhere in Asia. We don't anticipate any policy actions at two central bank meetings next week in the Philippines and Thailand.

Even so, there will be a great deal of interest in the Bangko Sentral ng Pilipinas' meeting as inflation has exceeded the BSP's 4% policy limit in recent months, while the raging Covid-19 spread is taking a toll on economic growth. We believe this central bank will see through inflation and instead focus on growth. In the process, we see the BSP leaving the interest rate policy on hold throughout 2021.

## Key events in Asia

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 22 March</b>					
China	0130 Mar	Loan Prime Rate 1Y	3.85		3.85
	0130 Mar	Loan Prime Rate 5Y	4.65		4.65
Hong Kong	0900 Feb	CPI (YoY%) NSA	1.7		0.1
Taiwan	0800 Feb	Export orders (YoY%)	10.3		49.3
	0800 Feb	Unemployment rate (%)	3.8		3.8
Thailand	0330 Feb	Exports (YoY%)	1.6		0.4
	0330 Feb	Imports (YoY%)	18.5		-5.2
	0330 Feb	Trade balance (US\$mn)	1452.0		-202.0
<b>Tuesday 23 March</b>					
Singapore	0500 Feb	Core CPI (YoY%)	0.4		-0.2
	0500 Feb	CPI (YoY%)	0.6		0.2
Taiwan	0800 Feb	Industrial Output (YoY%)	19.9		18.8
<b>Wednesday 24 March</b>					
Malaysia	0400 Feb	CPI (YoY%)	-0.7		-0.2
Taiwan	0820 Feb	Money Supply - M2 (YoY%)	8.8		8.8
Thailand	0705	BoT 1-Day Repo Rate	0.5		0.5
<b>Thursday 25 March</b>					
Hong Kong	0900 Feb	Imports (YoY%)	58.0		37.7
	0900 Feb	Exports (YoY%)	43.8		44.0
	0900 Feb	Trade balance (HK\$bn)	-21.3		-25.2
Philippines	0800	Policy Interest Rate	2.00		2.00
Thailand	-	Feb Manufacturing Prod (YoY%)	-1.8		-2.8
South Korea	2100 Mar	BoK Consumer Sentiment Index	-		97.4
<b>Friday 26 March</b>					
Singapore	0500 Feb	Manufacturing Output (MoM/YoY%)	-3.3/13.6		4.6/8.6

Source: Refinitiv, ING