

Asia week ahead: India's GDP and China PMI readings plus regional trade and inflation numbers

Next week features several economies across the region reporting inflation and trade numbers. Meanwhile, China also reports its latest PMI readings and India releases GDP figures



China's PMI could remain in contraction territory

China's February PMI will be published next Friday. We expect the manufacturing PMI to remain broadly stable, dipping slightly from 49.2 to 49.1. The Lunar New Year effect could act as a drag on the February data as factories shut down for the break. This year's eight-day holiday is also a day longer than normal. The PMI will likely come in below the critical 50 threshold for the fifth consecutive month, but the non-manufacturing PMI on the other hand should paint a more favourable picture. A strong recovery in travel and tourism over the Lunar New Year period bodes well for services sectors, and we expect an uptick from 50.7 to 51.0.

Australia's inflation could tick higher

January's inflation data will probably unwind some of the December decline, as we are not expecting a repeat of the big drop in prices that followed the December 2022 price spike. That should take inflation from 3.4% year-on-year to 3.7%, with a chance that it comes in even higher. With the Reserve Bank of Australia (RBA) mulling the need for further possible rate hikes at their February meeting, the narrative on rates in Australia may shift from when and how much the RBA will start easing back to whether rates have peaked after all.

India's GDP growth to settle at 7.2%

Fourth quarter GDP data for 2023 will ease back from the 7.6% YoY rate in the third quarter, but should still deliver a respectable growth rate of around 7.2% YoY. That would also leave calendar 2023 GDP growth at 7.2%, the fastest growth rate of any major economy last year. Forward-looking indicators – together with another supportive Union budget for the coming calendar year – should maintain growth close to current levels in 2024.

Japan data deluge next week

Japan's consumer prices are expected to drop quite sharply in January due to a high base last year. By expenditure type, service prices should slow down, partially offset by higher fresh food prices.

Given upbeat January exports results, we expect January's industrial production to rise modestly. The production disruption caused by the earthquake should have some impact, but this will probably be offset by strong output growth in vehicles and semiconductors. Retail sales, however, are expected to deteriorate based on an early vehicle sales report.

Lastly, Japan's jobless rate is expected to remain unchanged at 2.4% in January, suggesting tight labour market conditions. We believe the upcoming data set will point to an economic recovery for the quarter.

Korea's trade data

Early February trade data suggests exports momentum is continuing in February. The Lunar New Year holiday will likely skew the headline exports figures, but the daily average exports are expected to rise solidly. Semiconductors should remain the main driver.

Taiwan's export's likely to sustain momentum

January's export orders will be published next Tuesday. For December, we observed a recovery of actual exports to 11.8% YoY, but export orders saw a surprisingly large drop, down -16.0% YoY in Dec. With strong January exports continuing at 18.1% YoY, we expect an uptick in the export orders in this month's data. The unemployment rate and industrial production data will also be published on Thursday, where we expect the moderate recovery trend to continue with a slight drop in unemployment and a recovery of IP.

Indonesia inflation likely to remain subdued

Price pressures in Indonesia are expected to remain manageable, with inflation likely to settle at roughly 2.6% YoY, up only by 0.2% from the previous month. Despite inflation staying relatively

stable, Bank Indonesia's recently lowered inflation target (1.5-3.5%) suggests it may need to remain cautious and hold policy rates at current levels for now.

Key events in Asia next week

| Country | Time (GMT+8) | Data/event | ING | Survey | Prev. |
|------------------------------|--------------|---------------------------------------|-----------|--------|-----------|
| Monday 26 February | | | | | |
| Japan | 2330 | Jan CPI (MoM%) | -0.2 | | -0.1 |
| | 2330 | Jan CPI (YoY%) | 1.8 | | 2.6 |
| Singapore | 0500 | Jan Manufacturing Output (MoM%/YoY%) | -/- | / | -1.7/-2.5 |
| Tuesday 27 February | | | | | |
| Taiwan | 0820 | Jan Money Supply - M2 (YoY%) | - | | 5.3 |
| Wednesday 28 February | | | | | |
| Japan | 0500 | Dec Leading Indicator Revised | - | | 1.9 |
| | 2350 | Jan Industrial O/P Prelim (MoM%/YoY%) | 0.5/6.0 | / | 1.4/-1.0 |
| | 2350 | Jan Retail Sales (YoY%) | -5 | | 2.1 |
| Australia | | Jan CPI (YoY%) | 3.7 | | 3.4 |
| Thursday 29 February | | | | | |
| Japan | 0500 | Jan Housing Starts (YoY%) | - | | -4 |
| | 2330 | Jan Unemployment Rate | 2.4 | | 2.4 |
| India | 1200 | Q3 GDP Quarterly (YoY%) | 7.2 | | 7.6 |
| Philippines | - | Dec Budget Balance | - | | -93.3 |
| Taiwan | 0800 | Jan Industrial Output (YoY%) | - | | -3.99 |
| | 0800 | Jan Unemployment rate (%) | - | | 3.4 |
| Friday 1 March | | | | | |
| Japan | 0030 | Feb Jibun Bank Manufacturing PMI | 47.2 | | 47.2 |
| China | 0130 | Feb NBS Manufacturing PMI | - | | 49.2 |
| | 0130 | Feb NBS Non-Manufacturing PMI | - | | 50.7 |
| | 0145 | Feb Caixin Manufacturing PMI Final | - | | 50.8 |
| Indonesia | 0030 | Feb IHS S&P Global PMI | - | | 52.9 |
| | 0400 | Feb core Inflation (YoY%) | 1.8 | | 1.68 |
| | 0400 | Feb Inflation (MoM%/YoY%) | 0.15/2.56 | / | 0.04/2.57 |
| Philippines | 0030 | Feb Manufacturing PMI | 51.2 | | 50.9 |
| Taiwan | 0030 | Feb IHS S&P Global Manufacturing PMI | - | | 48.8 |
| South Korea | 0000 | Feb Export Growth Prelim (YoY%) | -2 | | 18 |
| | 0000 | Feb Import Growth Prelim (YoY%) | -10 | | -7.9 |
| | 0000 | Feb Trade Balance Prelim (Bil, USD) | -1.5 | | 0.33 |

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@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>.