

Asia Week Ahead: Inflation and interest rates in view

With the Federal Reserve taper fast approaching, the focus in Asia may shift to inflation and central bank meetings



Inflation the hot topic now?

Inflation has been grabbing headlines of late and next week's Asian calendar features reports from several economies. Japan, Korea, Taiwan, Thailand and the Philippines all report their latest readings on prices in coming days. The focus will likely be on Philippine inflation as cost side pressures have built up considerably to push inflation well past the official target range. Could persistent inflation be enough to trigger an early rate hike by the Banko Sentral ng Pilipinas (BSP) before year end? Perhaps not just yet but BSP will be hard pressed to keep accommodation for much longer.

GIR levels could be important after the Fed taper

The coming week also features data on foreign exchange reserves, which could be under more scrutiny in the coming months with the Fed taper looming. China will report gross international

reserves (GIR) levels. Our Greater China economist Iris Pang expects only a slight outflow in September. The slight dip in GIR would be consistent with a stable Chinese yuan and the likely modest participation of foreign investors in the onshore bond market. Philippines, Indonesia and Singapore also report GIR next week.

Two Reserve banks on deck

We also have two central bank meetings scheduled for the coming week. The Reserve Bank of India (RBI), and the Reserve Bank of Australia (RBA) and neither are expected to change policy rates. Our Head of Asia Research Rob Carnell believes that of the two, the RBI is probably closer to tightening, though the recent drift lower by CPI inflation in India has taken some of the pressure away for a hike. The RBI will be happy to leave rates low for as long as it can to help the economy recover now that Covid cases have subsided.

In the case of the RBA, with the US Fed creeping closer to formally signalling a 2022 liftoff, the RBA has been clear to distance itself from this slippage and is sticking firmly to its “nothing until 2024” message – a message financial markets have largely been ignoring.

External balances

Lastly, the external balance will also be in view this week, with trade balance figures from Australia and Taiwan, plus current account numbers from Korea and Japan. Strong demand for Australia’s energy exports plus some dampening effect in domestic demand from recent lockdowns should see the surplus at least holding at current high levels, with some upside possible. Taiwan’s exports and imports should sustain recent momentum with both outbound and inbound shipments expected to post double digit gains.

Asia Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|----------------------------|---|--------|-----------|----------|
| Monday 4 October | | | | |
| India | - Sep Fiscal Deficit - USD Prelim | - | | 13.81 |
| | - Sep Imports - USD Prelim | - | | 47.1 |
| | - Sep Exports - USD Prelim | - | | 33.3 |
| Singapore | 1400 Sep Manufacturing PMI | 50.8 | | 50.9 |
| South Korea | 0000 Sep CPI Growth (MoM%/YoY%) | -/- | 0.25/2.25 | 0.6/2.6 |
| Tuesday 5 October | | | | |
| Australia | 0130 Aug Trade Balance (A\$bn) | - | | 12117 |
| | 0430 Oct RBA Cash Rate | - | | 0.1 |
| India | 0600 Sep IHS Markit Services PMI | - | | 56.7 |
| Philippines | 0200 Sep CPI (MoM%/YoY%) | 0.3/5 | | 0.6/4.9 |
| Singapore | 0600 Aug Retail Sales (MoM%/YoY%) | -/- | | 0.8/0.2 |
| Taiwan | 0920 Sep Foreign Exchange Reserve | 543.0 | | 543.6 |
| Wednesday 6 October | | | | |
| New Zealand | 0200 Cash Rate | - | | 0.25 |
| Taiwan | 0900 Sep CPI (YoY%) | 2.4 | | 2.36 |
| South Korea | 0000 Aug Current Account Bal NSA | - | | 8.21 |
| Thursday 7 October | | | | |
| Japan | 0030 Aug All Household Spending (MoM%/YoY%) | - | | -0.9/0.7 |
| | 0050 Aug Current Account NSA | - | | 1910.8 |
| China | - Sep FX Reserves (Monthly, \$ bn) | 3230.0 | | 3232.1 |
| Indonesia | - Sep Forex Reserves | 144.4 | | 144.8 |
| Philippines | - Sep Forex Reserves USD | 107.7 | | 108.1 |
| Singapore | 1000 Sep Foreign Reserves USD | 409.6 | | 418.1 |
| Thailand | - Sep Consumer Confidence Idx | - | | 39.6 |
| Friday 8 October | | | | |
| China | 0245 Sep Caixin Services PMI | 48.0 | | 46.7 |
| India | 0530 Repo Rate | - | | 4.0 |
| | 0530 Reverse Repo Rate | - | | 3.35 |
| | 0530 Cash Reserve Ratio | - | | 4.0 |
| | 0530 Sep Imports | 53.0 | | 46.3 |
| Taiwan | 0900 Sep Exports | 25.9 | | 26.9 |
| | 0900 Sep Trade Balance | 3.0 | | 3.48 |

Source: Refinitiv, ING, *GMT

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