

## Asia week ahead: Inflation from China and India, a BSP pause and Australian unemployment

Next week features several data releases, and the main focus will be on activity data from China and Indian inflation. Meanwhile, Australia reports labour market data, Japan's Tankan survey is scheduled for release, and the BSP decides on policy



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### China's inflation to remain the negative territory

Next week will feature a data deluge from China. Chinese authorities have advised banks to tap their early 2024 loans and reallocate the lending to this quarter. We should see this taking effect and observe a bump in aggregate financing and new yuan loans. The People's Bank of China (PBoC) is adopting more credit policy adjustments instead of direct monetary easing to help provide a boost to the economy. Aggregate financing should stand somewhere near CNY 2750bn,

and new yuan loans should be at CNY 1400bn.

## China's activity data distorted by base effects

China's industrial production may be slowly recovering based on the latest Caixin PMI report, though the official PMIs were softer again this month. Any improvement is therefore likely to be quite modest. We are expecting industrial production to grow 5.8% YoY, but this will likely be helped along by favourable base effects.

For retail sales, although the Caixin service PMI showed some acceleration in activity, sales results from the 'Singles Days' festival across e-commerce platform showed slower growth. Despite this, favourable base effects could also help retail sales growth post double-digit YoY growth at 12%.

## India's inflation to rise again

After hitting a four-month low last month, India's inflation could edge up once again amid rising tomato and other vegetable prices. Base effects will push the index even higher as food price inflation slowed last November. Core inflation is also on the rise as India's demand for housing has grown in tandem with its strong GDP results as of late. As such, we believe that it is likely for the CPI number to come close to 6.0% YoY.

## Australia labour market expected to cool

Australia will release its November labour market data next week. Part-time employment may drop sharply as part-time staff employed for the Australian National Referendum will drop out of the employment count. The Electoral Commission estimated that up to 100,000 part-time jobs could have been created by the referendum, and many of these may drop out this month – though some may convert to full-time jobs.

The latest report from ANZ also showed a 4.6% MoM fall in job advertisements, the biggest drop since August 2021. This suggests that the labour market is cooling. The overall employment change is likely to be strongly negative. We expect the unemployment rate to edge up to 3.8% YoY.

## Japan to release Tankan and PMI survey result

Two business surveys, the Tankan and the PMI report, should give an indication of the outlook for Japan's manufacturing and non-manufacturing sectors next week. We are expecting the two reports to show a recovery in the services sector, while the manufacturing sector is likely to contract again. The strength in the services sector is likely due to upbeat tourism and private service activity, and we should see this trend continue.

Meanwhile, the IT cycle appears to be turning around, but concerns about growth prospects for developed markets could weigh on the manufacturers' sentiment. Core machinery orders are expected to rise modestly on the back of a recovery in the semiconductor cycle.

## BSP to keep rates untouched but signal potential rate hikes in 2024

Bangko Sentral ng Pilipinas will likely keep rates untouched at 6.5% for their last meeting of the

year. Inflation has slowed considerably from the peak of 6.1% YoY last September. Despite the sharp slowdown in inflation, BSP Governor Eli Remolona indicated that policy setting must remain “significantly tight” given elevated risks to the inflation outlook.

We expect another hawkish hold from the BSP next week, with Remolona signalling potential rate hikes in 2024 should inflation flare up again.

## Indonesia’s trade surplus likely flat from last month

Indonesia reports trade data next week and we expect another round of contraction for both exports and imports. Exports are likely to fall due to base effects and still subdued global demand. Imports could also stay subdued due to lower costs for imported energy items, although a pickup in capital machinery could keep the contraction shallow. The overall trade balance should stay in a surplus of roughly \$3.4bn, quite like the surplus reported in October.

A decent trade surplus would be supportive of the IDR which has experienced bouts of depreciation this year.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Saturday 9 December</b>					
China	0130	Nov CPI (YoY%)	-0.1	-0.2	-0.2
	0130	Nov CPI (MoM%)	-0.1	-0.1	-0.1
<b>Sunday 10 December</b>					
Japan	2350	Nov M2 Money Supply (YoY%)	-		12390845
<b>Monday 11 December</b>					
China		- Nov M2 Money Supply (YoY)	9.8	10.1	10.3
		- Nov FDI (YTD)	-		-9.4
		- Nov Aggregate Financing CNY	2750	2536	1845
		- Nov New Yuan Loans CNY	1400	1275	738.4
India		- Nov Trade Balance - USD bn	31.3		31.46
		- Nov Imports (YoY%)	12.6		12.3
		- Nov Exports (YoY%)	6.7		6.2
Indonesia	0400	Oct Retail Sales Index (YoY%)	4.5		1.5
Singapore	0230	Q3 Unemployment Rate Final SA	2		2
<b>Tuesday 12 December</b>					
Japan	2350	Tankan Large Mfg Outlook	8		10
		Tankan Large Non-Mfg Outlook	24		21
India	1200	Nov CPI Inflation (YoY%)	5.9	5.59	4.87
	1200	Oct Industrial Output (YoY%)	5.3		5.8
Philippines	0100	Oct Exports (YoY%)	-8.8		-6.3
	0100	Oct Imports (YoY%)	-16.2		-14.7
	0100	Oct Trade Balance	-3700		-3511
South Korea	2300	Nov Unemployment Rate	-		2.5
<b>Tuesday 13 December</b>					
Japan	2350	Oct Core Machine orders (MoM%)	0.5		1.4
<b>Thursday 14 December</b>					
Australia	0030	Nov Unemployment Rate	3.8		3.7
	0030	Nov Total Employment Change	-58		55
	0030	Nov Full Time Employment Change	-8		17
	0030	Nov Part Time Employment Change	-50		37.9
	2200	Dec Manufacturing PMI Flash	-		47.7
	2200	Dec Services PMI Flash	-		46
	2200	Dec Composite PMI Flash	-		46.2
India	0630	Nov WPI Inflation (YoY%)	-0.2		-0.52
Philippines	0700	1 Policy Interest Rate	6.5		6.5
Taiwan	0800	Q4 Discount Rate	1.875		1.875
<b>Friday 15 December</b>					
Japan	0030	Jibun Bank PMI Composite	49.3		49.6
		Jibun Bank PMI Mfg	48		48.3
		Jibun Bank PMI Services	51		50.8
China	0200	Nov Industrial Output (YoY%)	-5.8	5.6	4.6
	0200	Nov Retail Sales (YoY%)	-12	12.2	7.6
	200	Nov Fixed Assets Ex Rural YTD YoY	3	3	2.9
Indonesia	0400	Nov Trade Balance (Bln of \$)	3.4		3.48
	0400	Nov Exports Growth (YoY%)	-6.5		-10.43
	0400	Nov Imports Growth (YoY%)	-2.4		-2.42

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)

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