

Asia Week Ahead: Inflation readings and a central bank decision

Inflation is in the spotlight in Asia next week while the Bank of Korea considers another rate hike



The week ahead

In the coming week, several regional economies will report their inflation figures while the Bank of Korea meets to discuss policy. On top of prices and central bank decisions, we also get trade data from China and the Philippines.

Inflation readings from India and China

India's September inflation numbers are likely to be lifted by higher food prices, in particular, tomatoes, which jumped to almost INR44/kg in September from INR35/kg in August. That will help push food prices up by about 1.7% from the previous month and take the headline inflation rate to 7.8% year-on-year from its current rate of 7.0%. There is some seasonality at work in these price increases, and the effects of this price spike on inflation will likely dissipate quickly, taking inflation back to the low 7s by the following month, enabling the Reserve Bank of India to adopt a more

gradual tightening path at its December meeting.

Meanwhile, China's inflation should see a slight pick-up to 2.7%YoY in September (2.5%YoY previous) as the economy gradually recovers.

Bank of Korea to hike another 50bp

The Bank of Korea (BoK) holds a meeting next Wednesday to discuss policy. We expect the BoK to raise interest rates by 50bp, given the faster-than-expected rate hike by the Fed coupled with persistently high domestic inflation.

China and Philippine trade reports

The coming week also features trade data from China. External demand for China's exports has been weaker due to elevated global inflation and therefore we should only expect mild growth for both exports and imports.

In the Philippines, recent trends in trade activity will likely continue. Exports will likely manage only a modest gain while imports are expected to post another month of double-digit gains. The trade deficit should test historic lows once again and put pressure on the Philippine peso in the near term.

Japan and India's industrial data

Industrial production data is also on the data calendar although India's industrial production data for August is a bit lagged. In Japan, machinery orders data will be released and we expect a continuous recovery thanks to manufacturers catching up with previously unmet existing vehicle orders and the economic reopening.

Other important data reports: China loan data and Singapore's GDP

China will release loan data next week that should show another strong month of loan growth which is unusual towards the end of the year. The strong performance is likely due to more lending to SMEs and the agricultural sector. We do not expect any change for the 1Y Medium Term Lending Facility rate (currently at 2.75%). The central bank has stated several times that the current interest rate level is about the neutral level.

Lastly, growth in Singapore may settle at 3.0% YoY with quarter-on-quarter growth almost flat. Retail sales have held up decently in the quarter as have non-oil domestic exports.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 8 October					
China	0245	Sep Caixin Services PMI	53		55
Monday 10 October					
China		- Sep M2 Money Supply (YoY)	12.1		12.2
Indonesia	0400	Sep Consumer Confidence Index	-		124.7
Tuesday 11 October					
Japan	0050	Current Account Balance (JPY bn)	-		229.0
Philippines	0200	Aug Exports (YoY%)	2.1		-4.2
	0200	Aug Imports (YoY%)	25.6		21.5
	0200	Aug Trade Balance	-5948		-5927
Wednesday 12 October					
Japan	0050	Core Machine Orders (MoM%)	1.0		5.3
India	1300	Sep CPI Inflation (YoY%)	7.8		7.0
	1300	Aug Industrial Output (YoY%)	2.2		2.4
South Korea	0200	Oct Bank of Korea Base Rate	3.0		2.5
Thursday 13 October					
China		- 1Y Medium Lending Facility rate (%)	2.75		2.75
Friday 14 October					
China	0230	Sep CPI (YoY%)	2.7		2.5
	0400	Sep Imports/Exports	3.3/4.0		0.3/7.1
	0400	Sep Trade Balance	74.1		79.4
India	0730	Sep WPI Inflation (YoY%)	11.7		12.4
	1230	Sep Imports/Exports (USD bn)	717/438		710/438
South Korea	0000	Sep Unemployment Rate	2.7		2.5
Singapore	0100	Q3 GDP Flash (QoQ%/YoY%)	0.1/0.3		-1.0/4.4

Source: Refinitiv, ING

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