

## Asia week ahead: Big policy week in India

India takes the spotlight next week with its FY21-22 budget and the central bank meeting shaping expectations of the economy's recovery. Sustained easier policies remain the order of the day, not just in India but elsewhere too



Source: Shutterstock

### ➔ India: Not the right time for policy reversal just yet

Next week, India unveils its FY21- FY22 budget on 1 February.

With close to 10% GDP contraction sharply denting revenue and record stimulus spending, the fiscal deficit is going to be through the roof in the current fiscal year (new fiscal year starts on 1 April). Our forecast for the deficit is 7.1% of GDP, which is twice the initial target of the government at 3.5% for the year (and up from 4.6% in the previous year). The risk to this forecast is tilted to the

upside.

---

*The government may strive for some fiscal consolidation without losing sight on the policy objective of supporting recovery.*

---

This may call for some fiscal consolidation in FY21-22, of course without losing sight of the main policy objective of supporting recovery and, at the same time, boosting investor confidence and thus keeping sovereign downgrade risk at bay. It's a balancing act.

There has been news of possible hike on import duties, which aside from raising more revenue also serves the government's 'Make in India' drive. There may be some spending curbs in the pipeline too. We anticipate the deficit being programmed to fall below 6% of GDP. Yet, we don't think it's time for fiscal consolidation given that the headwind to the economy from Covid-19 pandemic is likely to remain strong.

---

*The key question for the RBI meeting is whether the central bank see through the recent dip in inflation and leave policy on hold?*

---

The Reserve Bank of India also meets on 5 February. The return of inflation to the RBI's 2-6% policy target zone in December, after a year of remaining above-target, could tip the central bank to resume its easing cycle. However, any such move could prove to be premature, especially as the inflation risk isn't yet fully eliminated.

The banking system remains flushed with liquidity, which is potentially inflationary. Nor do we think it's the right time to unwind policy accommodation just yet.

## Rest of Asia: Data-packed calendar

China's official purchasing manager indices due over the weekend and the Caixin counterpart due out on early Monday will set the tone for Asian markets.

The January data may reflect some front-loading activity ahead of the Lunar New Year holiday in mid-February. Likewise, Korea's trade figures for January, which will be the first to provide a glimpse of regional exports coming into the new year. We see electronics remaining to be the main exports driver as the global semiconductor cycle is in the full swing.

---

*The January data may bear out some front-loading of activity ahead of the Lunar New Year holiday in mid-February.*

---

Among January CPI inflation data next week, Indonesia and the Philippines should stand out, given that inflation in both countries has started to tick up in recent months and likely remained on the

upward path in January, closing the door on more rate cuts. Other countries to release CPI figures are Korea, Taiwan and Thailand and all are extremely low or close to negative inflation. Hong Kong and Singapore also sit in this group as their retail sales data should show.

The Australian and Thai central bank are also due to meet next week and both are expected to stay on hold. The ultra-low policy rates at 0.10% and 0.5% respectively are here to stay throughout 2021.

## Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
<b>Sunday 31 January</b>				
China	0100	Jan NBS Non-Manufacturing PMI	53.0	55.7
	0100	Jan NBS Manufacturing PMI	51.5	51.9
	0100	Jan Composite PMI	-	55.1
<b>Monday 1 February</b>				
China	0145	Jan Caixin Mfg PMI Final	52.5	53.0
India	0500	Jan IHS Markit Mfg PMI	-	56.4
		- FY2021-22 Budget	-	-
Indonesia	0030	Jan IHS Markit PMI	-	51.3
		- Jan Inflation (YoY%)	1.8	1.7
Philippines	0030	Jan Manufacturing PMI SA	49.8	49.2
Taiwan	0030	Jan IHS Markit Mfg PMI	59.4	59.4
Thailand	0030	Jan Manufacturing PMI SA	-	50.8
South Korea	0000	Jan Export Growth Prelim	-	12.6
	0000	Jan Import Growth Prelim	-	2.2
	0000	Jan Trade Balance Prelim	-	6.77
	0030	Jan IHS Markit Manufacturing PMI	-	52.9
	2300	Jan CPI Growth (MoM/YoY%)	-	0.2/0.5
<b>Tuesday 2 February</b>				
Hong Kong	0830	Dec Retail Sales (YoY%)	-8.1	-4.0
	0830	Dec Retail Sale Volume (YoY%)	-9.0	-4.7
Singapore	1300	Jan Manufacturing PMI	-	50.5
<b>Wednesday 3 February</b>				
China	0145	Jan Caixin Services PMI	-	56.3
India	0500	Jan IHS Markit Services PMI	-	52.3
Thailand	0705	1-Day Repo Rate	-	0.5
<b>Thursday 4 February</b>				
Thailand	0300	Jan Consumer Confidence Idx	-	50.1
South Korea	2300	Dec Current Account Balance NSA	-	8.97
<b>Friday 5 February</b>				
India	0615	Cash Reserve Ratio	3.00	3.00
	0615	Repo Rate	4.00	4.00
	0615	Reverse Repo Rate	3.35	3.35
Indonesia	0400	Q4 GDP (QoQ/YoY%)	-	5.05/-3.49
Philippines	0100	Jan CPI (YoY%)	3.8	0.9/3.5
		- Jan Forex Reserves USD	110.2	109.8
Singapore	0500	Dec Retail Sales (MoM/YoY%)	-1.9/-3.8	7.3/-1.9
Taiwan	0800	Jan CPI (YoY%)	0.0	0.1
	0800	Jan WPI (YoY%)	-5.0	-5.1
	0820	Jan Foreign Exchange Reserve	535	529.9
Thailand	0330	Jan CPI (YoY%)	-0.4	-0.27
	0330	Jan CPI Core (YoY%)	0.2	0.19

Source: ING, Refinitiv, \*GMT

## Author

### **Alissa Lefebvre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### **Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### **Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### **Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

### **Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

### **David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

### **Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

### **Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

### **Michiel Tukker**

Senior European Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

### **Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania  
[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**  
Sector Strategist, Financials  
[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**  
Senior Sector Strategist, Real Estate  
[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**  
Research Assistant, Energy Transition  
[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**  
Sector Economist, TMT & Healthcare  
[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**  
Sector Economist  
[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**  
Sector Strategist, Financials  
[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**  
Commodities Strategist  
[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

#### ING Analysts

**James Wilson**  
EM Sovereign Strategist  
[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**  
Digital Editor  
[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**  
EMEA FX & FI Strategist  
[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**  
Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research

[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**

Senior Sector Strategist, TMT

[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**

Senior Economist, Services and Leisure

[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**

Sector Strategist, Financials

[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**

Junior Economist

[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**

Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**

Senior Editor and Supervisory Analyst

[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**

Senior High Yield Credit Strategist

[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**

Head of European Rates Strategy

[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst

[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist

[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy

[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporates Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist

+31(0)611172684

[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands

[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**

Senior Economist, Poland

[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**

Senior Economist, Italy, Greece

[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**

Chief Economist and Global Head of Research

[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**



Senior Macro Economist  
[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**  
Head of Global IFRS9 ME Scenarios  
[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**  
Head of Financials Sector Strategy  
[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**  
Head of Commodities Strategy  
[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**  
Chief Economist, Poland  
[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**  
Senior Economist, Belgium, Luxembourg  
[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**  
Senior Economist, Hungary  
[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**  
Senior Economist, Germany, Global Trade  
[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**  
Senior Data Analyst, Netherlands  
[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**  
Chief Economist, Romania  
+40 31 406 8990  
[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**  
Chief Economist, Turkey  
[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**  
Chief Economist, Greater China  
[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research  
+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**

Asia Chief Economist

+65 6232-6020

**Martin van Vliet**

Senior Interest Rate Strategist

+31 20 563 8801

[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

Global Head of Markets and Regional Head of Research for UK & CEE

[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)