

Asia Week Ahead: Looking out for more Delta impact

With Jackson Hole out of the way, investor focus has shifted back to economic data and specifically how much dent the Delta variant has made on China and its implications for global growth and recovery



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US jobs numbers have received their fair share of attention this week, but we may need to increasingly watch how Delta outbreaks impact China as this will have repercussions on global supply chains.

China's trade data highlight for the week

China's trade report should be the highlight next week in Asia, alongside trade numbers from Taiwan and the Philippines.

Iris Pang expects base effects to lift China's imports and exports to double-digit gains but thinks that trade activity may have slowed on a month-on-month basis due to Covid-19 related work

stoppages in key logistics hubs. These supply chain disruptions may fade by mid-September or October, but we expect the backlog could affect the US Thanksgiving shopping season.

Meanwhile, Taiwan's exports are also expected to post strong growth, given the global shortage of semiconductors. Finally, Philippine trade data will also be bolstered by base effects, but we will be focused on the overall trade balance with the widening deficit is likely to push the overall current account balance back into the red.

Regional inflation data likely to be mixed

Regional inflation reports are also scheduled for release this week, with consumer price pressures in China expected to fade in the near term after implementing strict social distancing guidelines.

The bigger story could be producer prices which may start to dip as coal prices normalise after some mines were recently reopened. Meanwhile, Philippine inflation is expected to accelerate to 4.3% despite much of the economy being closed due to partial lockdown measures. This increase will result from more expensive crude oil and a weaker PHP feeding through to domestic inflation.

Despite this renewed breach of the central bank inflation target, we don't expect any adjustments to be made by the central bank in the near term.

Central banks on hold

Lastly, both the Reserve Bank of Australia (RBA) and Bank Negara Malaysia (BNM) meet to discuss policy next week, and both are expected to keep rates unchanged.

Rob Carnell writes that "There is some market chatter about whether the RBA might pause its taper (due to go from AUD5bn per week to AUD4bn), but I suspect not. We can't expect the RBA to change monetary policy every time there is a new Covid-19 outbreak, and the taper is very slight anyway. If need be, the AUD4bn rate can be extended beyond the current November date. No change to yield curve control or cash rate should be expected either".

Meanwhile, BNM will likely pause, according to Prakash Sakpal, who writes the meeting "...will be yet another boring policy pondering by this central bank after over a year of pause. The statement should reinforce persisting downside growth risks; the central bank last month cut its 2021 GDP view sharply to a 3% to 4% range from 6% to 7.5% earlier. The return of political stability under PM Ismail Sabri Yaakob may pave the way for more fiscal stimulus. This, together with the recent outperformance of the Malaysian ringgit (MYR), will allow the BNM to leave the overnight rate at the record low level of 1.75% currently.

We consider BNM among the last Asian central banks to tighten, though not until after 2022".

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 September					
Japan	0030	Jul All Household Spending (YoY%)	3.4		-5.1
	0030	Jul All Household Spending (MoM%)	1.5		-3.2
Taiwan	0920	Aug Foreign Exchange Reserve	543.3		543.08
Thailand		- Aug CPI Headline Inflation	0.5		0.45
		- Aug CPI Core Inflation (YoY%)	0.2		0.14
South Korea	0000	Jul Current Account Bal	6.2		8.9
Tuesday 7 September					
Australia	0530	Sep RBA Cash Rate	0.1		0.1
China		- Aug Exports	20.68		19.3
		- Aug Imports	26.99		28.1
		- Aug Trade Balance	55.5		56.6
		- Aug FX Reserves (Monthly)	3.234		3.236
Philippines	0200	Aug CPI (MoM%/YoY%)	0.16/4.3		0.4/4
	0200	Aug Core CPI (YoY%)	3.1		2.9
		- Aug Forex Reserves USD	-		106.55
Wednesday 8 September					
Japan	0050	Aug M2 Money Supply (YoY%)	5.1		5.2
Thursday 9 September					
China	0230	Aug CPI (YoY%)	1.2		1
Malaysia	0800	O/N Policy Rate	1.75		1.75
Indonesia	0500	Jul Retail Sales Index (YoY)	-		2.5
Philippines	0200	Jul Exports (YoY%)	11.6		17.6
	0200	Jul Imports (YoY%)	21.4		34.2
	0200	Jul Trade Balance	-3020		-2826
Friday 10 September					
China		- Aggregate Finance (yuan bn)	3500		1056.6
		- New yuan loan (yuan bn)	1295		1080
		- Aug M2 Money Supply (YoY)	8.5		8.3
India	1230	Q2 C/A Bal. \$	-2		-8.1
	1300	Jul Industrial Output (YoY%)	9.2		13.6
Malaysia	0500	Jul Industrial Output (YoY%)	-2.8		1.4

Source: Refinitiv, ING, *GMT

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