

Asia week ahead: PMI data from China and India

Next week we'll get PMI data from China and India plus several data reports from Korea



India's budget deficit and PMI data release

India is set to release the fiscal deficit figures for December. The deficit numbers for the second half of 2022 were significantly higher than the 6.4% budget deficit target. If the rise in deficit does not slow over the coming three months, we expect a deficit of about INR930bn for December 2022 and last year's 6.7% deficit is likely to be exceeded.

Additionally, the January PMI data for India is to be released. Recent trends have been positive for both the manufacturing and service sectors, though given the tough external backdrop, a small statistical pullback may be due.

China PMI and Taiwan industrial production data expected

China will release PMI data for December next week and manufacturing PMI should remain in

contraction while non-manufacturing PMI should recover slightly. A similar pattern should be expected for the Caixin PMI report.

Also reported in the coming days will be Taiwan export orders and industrial production. Both indicators should record even deeper contractions in December as external demand weakened.

Flurry of data from South Korea

As weak fourth-quarter GDP suggested, we believe that industrial production should continue to drop in December. Meanwhile, exports are expected to decline for a fourth consecutive month. Sluggish exports of semiconductors and petrochemicals should be the main reason for the decline.

Meanwhile, the Bank of Korea will be keenly watching inflation, which is expected to slow to 4.9% YoY in January (vs 5.0% in December). Gasoline and electricity fee hikes will result in a sharp rise in prices on a month-on-month basis but the base effect should anchor the year-on-year headline number. Finally, the manufacturing PMI will likely decline from the previous month, staying below the 50 threshold for the seventh month in a row.

Japan reports unemployment and industrial activity

Japan will release its jobless rate and December industrial production next week. Japan's jobless rate is expected to remain unchanged at 2.5%. Services hiring is expected to increase with a strong pickup in the hospitality and travel industry offsetting a decline in manufacturing. December industrial production should drop sharply based on weak business surveys and export data, which adds more downside risk to 4Q22 GDP.

BI to monitor core inflation for cues on monetary policy

Price pressures in Indonesia have abated somewhat as evidenced by the decline in headline inflation from the peak of 6%YoY last year. We could see a further deceleration in headline inflation to 5.4%YoY, although core inflation remains elevated at 3.4%YoY.

Bank Indonesia (BI) Governor Perry Warjiyo warned that inflation could stay elevated in 2023 and this could weigh on the growth momentum. We believe BI will be monitoring core inflation on top of the performance of the IDR for cues on monetary policy this year.

Singapore retail sales likely to moderate

Retail sales in Singapore are expected to moderate further to 4.9%YoY from 6.2%YoY given elevated prices and slowing economic activity. We expect the trend of contraction for supermarkets and convenience store sales to continue while sales at department stores and recreational goods are expected to stay positive.

Meanwhile, the increase in the goods and services taxes to 8% this year should be another reason for retail sales to slow further in the coming months.

Key events in Asia next week

Country	Time	Data/event	ING Survey	Prev.
Monday 30 January				
Japan	2330	Dec Unemployment Rate	2.5	2.5
	2350	Dec Industrial O/P Prelim (MoM%/YoY%)	-1.3/1.0	0.2/2.6
South Korea	2300	Dec Industrial Output (YoY%)	-7.0	-3.7
	2300	Dec Industrial Output Growth	-0.8	0.4
Tuesday 31 January				
China	0130	Jan NBS Manufacturing PMI	-	47
	0130	Jan NBS Non-Manufacturing PMI	-	41.6
Singapore	0230	Q4 Unemployment Rate Prelim SA	2.1	2
Taiwan	0820	Dec Money Supply - M2 (YoY%)	-	7.37
Wednesday 1 February				
Japan	0030	Jan Jibun Bank Manufacturing PMI	48.9	48.9
China	0145	Jan Caixin Mfg PMI Final	-	49
India	0500	Jan IHS S&P Global Manufacturing PMI	-	57.8
Indonesia	0030	Jan IHS S&P Global PMI	50.8	50.9
	0400	Jan Core Inflation (YoY%)	3.4	3.36
	0400	Jan Inflation (MoM%/YoY%)	-/5.4	0.66/5.51
Philippines	0030	Jan Manufacturing PMI SA	52.5	53.1
Taiwan	0030	Jan IHS S&P Global Manufacturing PMI	-	44.6
	0800	Dec Industrial Output (YoY%)	-	-4.93
South Korea	0000	Jan Import/Export Growth Prelim	-2.5/-8.0	-2.5/-9.6
	0030	Jan IHS S&P Global Manufacturing PMI	48	48.2
	2300	Jan CPI Growth (MoM%/YoY%)	0.5/4.9	0.2/5
Thursday 2 February				
Singapore	1300	Jan Manufacturing PMI	49.5	49.7
Friday 3 February				
Japan	0030	Jan Services PMI	52.4	52.4
China	0145	Jan Caixin Services PMI	-	48
India	0500	Jan IHS S&P Global Services PMI	-	58.5
Singapore	0500	Dec Retail Sales (MoM%/YoY%)	-/4.9	-3.7/6.2
Taiwan	0820	Jan Foreign Exchange Reserve	-	554.932

Source: Refinitiv, ING

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss

arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.