

## Asia week ahead: PMI data, inflation readings and a central bank meeting

Next week's data calendar kicks off with Purchasing Managers' Index reports from the region, followed by inflation reports and a central bank meeting



Inflation in Indonesia will likely pick up this year

### Reserve Bank of Australia meets to discuss policy

The Reserve Bank of Australia (RBA) will meet on 1 February 2022. This was always going to be an interesting meeting as it has been flagged as the moment for when a decision on the RBA's asset purchase scheme would be taken. At the December meeting, the RBA was still clinging to its dovish message, although it had ditched date references and was clearly in the process of walking back from its original "nothing until 2024" pledge. Now the prospect of a change in policy rests on other central banks (pretty obvious which way that is going, with the Federal Reserve likely to hike interest rates in March), the unemployment rate (dropped to 4.2% in December from 4.6% in November) inflation (has risen to 3.5%, well above the top of the RBA's 2-3% target range), and the performance of the bond market (10Y yields have risen to just below 2% now).

The only missing part of the puzzle is wages growth. The RBA can probably still cling to its position on rates while this last element remains unclear, though the writing must surely be on the wall for the asset purchase scheme? The wages puzzle may be solved on 23 February when the 4Q21

wage price index is released. Once this breaks 3.0%, we think the RBA will need to consider raising rates. That could come as soon as 2Q22.

## **Inflation reports from Indonesia and Philippines**

Inflation readings will also be out next week from Indonesia and the Philippines. Both Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) have stayed dovish throughout 2021 citing the need to support their respective domestic economies. Below-target inflation in Indonesia and a supply-side driven price surge in the Philippines may have justified the dovish tilt last year but 2022 may be a different story.

Indonesia's inflation will likely pick up this year, with base effects and surging global crude oil prices likely to play a factor. In the Philippines, we expect price pressures to extend into 2022 given persistent struggles to quell African Swine Fever (ASF) coupled with likely higher food prices due to crop damage from a recent super-typhoon. Improving growth dynamics for both Indonesia and the Philippines also suggest that some demand-side pressure will begin to build in 2022. Inflation dynamics coupled with a hawkish Fed could convince erstwhile dovish central banks to consider policy normalisation sooner rather than later.

## **The rest of the field**

The coming week features data reports out from Japan and Purchasing Managers' Index (PMI) manufacturing numbers at the start of the week. Manufacturing reports could show the initial impact of the Omicron variant. Elsewhere, South Korea will release inflation numbers and preliminary trade figures while Indonesia will report 4Q21 GDP.

## **Asia Economic Calendar**

Country	Time	Data/event	ING Survey	Prev.
<b>Sunday 30 January</b>				
Japan	2350	Dec Industrial O/P Prelim (MoM%/YoY%)	1.6/3.1	7.0/3.5
	2350	Dec Retail Sales (YoY%)	3.3	1.9
<b>Monday 31 January</b>				
Japan	0500	Dec Housing Starts (YoY%)	6.5	3.7
	2330	Dec Unemployment Rate	2.8	2.8
South Korea	2200	Feb BOK Manufacturing BSI	92	89.0
<b>Tuesday 1 February</b>				
Japan	0030	Jan Jibun Bank Manufacturing PMI	54.2	54.6
	2350	Jan Monetary Base - JPY tr	673	659.4
Australia	0330	Feb RBA Cash Rate	0.1	0.1
India	-	Jan Fiscal Deficit Flash - Bln INR	-	6956.1
Indonesia	0400	Jan Inflation (YoY%)	2.1	1.87
	0400	Jan Inflation (MoM%/YoY%)	0.48	0.57/1.56
South Korea	0000	Jan Export Growth Prelim	22.4	18.3
	0000	Jan Import Growth Prelim	42.3	37.1
	0000	Jan Trade Balance Prelim	-4.4	-0.45
<b>Wednesday 2 February</b>				
Indonesia	0030	Jan IHS Markit PMI	53.7	53.5
Philippines	0030	Jan Manufacturing PMI SA	50.9	51.8
<b>Thursday 3 February</b>				
Japan	0030	Jan Services PMI	47.6	52.1
Australia	0030	Dec Trade Balance (A\$bn)	9350	9423
India	0500	Jan IHS Markit Services PMI	53	55.5
India	0500	Jan IHS Markit Manufacturing PMI	54.6	55.5
Indonesia	-	Q4 GDP (QoQ%/YoY%)	5.1	1.55/3.51
Singapore	1300	Jan Manufacturing PMI	-	50.7
South Korea	0030	Jan IHS Markit Mfg PMI	51.2	51.9
	2300	Jan CPI Growth (MoM%/YoY%)	0.3/3.8	0.2/3.7
<b>Friday 4 February</b>				
Philippines	0100	Jan CPI (MoM%/YoY%)	3.9	0.3/3.6
	0100	Jan Core CPI (YoY%)	3.2	3.0
Singapore	0500	Dec Retail Sales (MoM%/YoY%)	6.1	2.5/1.9

Source: Refinitiv, ING, \*GMT

## Author

### Nicholas Mapa

Senior Economist, Philippines

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