

Asia week ahead: PMI reports to show impact of China restrictions

Regional PMI readings and inflation reports will be the highlight for the coming week



Regional PMIs

Both official manufacturing and non-manufacturing PMIs for China should be in deeper contraction in October as the number of Covid cases increased, affecting both factory and retail activities. This should also be reflected in the Caixin manufacturing PMI numbers which could show a bigger contraction, as smaller factories are more adversely affected given the challenging logistical situation.

Meanwhile, PMI indices for both South Korea and Taiwan should edge lower due to stalling demand for semiconductors from the US, Europe and China.

Inflation from Australia, Indonesia and South Korea

Next week we have Australia's October CPI inflation. Inflation data has typically only been released

quarterly so this provides us with much more insight into the evolution of prices and provides much more timely updates than we have been used to. Floods in parts of Australia will have put up fresh food prices and rising gasoline prices should also lift the month-on-month price level increase to almost a full percentage point, which would lift the inflation rate to 7.8%YoY. That ought to be close to the peak for inflation, though there are still higher gasoline prices in November to factor in, and there could still be a little further to go before peak inflation is reached.

Inflation in Indonesia will likely pick up further, with core inflation likely accelerating to 3.5% year-on-year while headline inflation should settle at 5.9% YoY. Elevated price pressures have kept Bank Indonesia busy lately with the central bank recently tightening by 50bp. We expect inflation to inch higher in the coming months which could ensure that BI will stay hawkish going into 2023.

Meanwhile, inflation in Korea is expected to decelerate quite sharply to 5.1% YoY, mainly due to base effects. Fresh food and gasoline prices stabilised during the month while pipeline prices suggest a further deceleration in the coming months.

Growth numbers from India

India releases 3Q22 GDP data next week. The 2Q figure was buoyed by base effects and came in at 13.51%, which although admittedly very high, was a disappointment, and led us to downgrade our GDP forecasts. We have 6.3% YoY pencilled in for the third quarter, as well as for the full calendar year 2023. Deficit data for October is also due, and will likely show that a modest improvement in India's debt to GDP in 2022/23 remains on track. Something in the region of INR40,000 crore would be in line with recent deficit trends.

Other key data releases

In Korea, November exports will likely be disappointing as suggested by preliminary data reports. We expect a contraction of 10.5% YoY in November as semiconductor exports and exports to China remain sluggish. Slowing export activity should translate to industrial production contracting for a fourth straight month. Semiconductor and steel production will likely be a drag, but auto production should rebound.

In Japan, the jobless rate may edge up to 2.7% (vs 2.6% in September), but overall labour market conditions remain healthy. However, given the disappointing 3Q GDP report, September industrial production is expected to drop 1.0% MoM, seasonally adjusted, with weak external demand pressuring manufacturing activity.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 28 November					
Japan	2330	Oct Unemployment Rate	2.7		2.6
	2350	Oct Retail Sales (YoY%)	-		4.5
Tuesday 29 November					
Japan	2350	Oct Industrial O/P Prelim (MoM%/YoY%)	-1.0/6.2		-1.7/9.6
Taiwan	0830	Q3 GDP Final (YoY%)	4.1		4.1
South Korea	2300	Oct Industrial Output (YoY%)	0.2		0.8
	2300	Oct Industrial Output Growth	-0.5		-1.8
Wednesday 30 November					
China	0130	Nov NBS Manufacturing PMI	48.7		49.2
	0130	Nov NBS Non-Manufacturing PMI	48.0		48.7
India	1200	Q2 GDP Quarterly (YoY%)	-		13.5
South Korea	2300	Q3 GDP Growth (QoQ%/YoY%)	0.3/3.1		0.3/3.1
Thursday 1 December					
Japan	0030	Nov Jibun Bank Manufacturing PMI	49.4		49.4
China	0145	Nov Caixin Manufacturing PMI Final	48.4		49.2
India	0500	Nov IHS S&P Global Manufacturing PMI	-		55.3
Indonesia	0030	Nov IHS S&P Global PMI	-		51.8
	0400	Nov Core Inflation (YoY%)	3.5		3.31
	0400	Nov Inflation (MoM%/YoY%)	-0.15/5.9		-0.11/5.7
Philippines	0030	Nov Manufacturing PMI SA	-		52.6
Taiwan	0030	Nov IHS S&P Global Manufacturing PMI	40.2		41.5
South Korea	0000	Nov Import/Export Growth Prelim	2.5/-10.5		9.9/-5.7
	0000	Nov Trade Balance Prelim	-5		-6.7
	0030	Nov IHS S&P Global Manufacturing PMI	47.5		48.2
	2300	Nov CPI Growth (MoM%/YoY%)	0.1/5.1		0.3/5.7
Friday 2 December					
Singapore	1300	Nov Manufacturing PMI	-		49.7

Source: Refinitiv, ING

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@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 www.ing.com.