

Asia week ahead: Policy meetings from China and Indonesia

Next week's data calendar features rate hike decisions from China and Indonesia, trade and price data from Japan, plus GDP from China



Source: Shutterstock

Upcoming economic and price activity from Japan

Japan will release several data points next week and we think that the trend of weak manufacturing against a strong services sector should continue. Fresh PMI data for manufacturing will likely show the sector staying in contraction while services PMI could continue to gain modestly on the back of a better tourism and leisure outlook.

Meanwhile, March exports are expected to fall again mainly due to weak China and electronics exports. CPI inflation is expected to slow to 3.1% year-on-year in March due to base effects, but based on a monthly comparison, we believe service prices will post a modest gain.

Upcoming GDP data from China

China will release its GDP report for the first quarter and activity data for March. We expect GDP growth at 3.8%YoY, with consumption and infrastructure investment as the major drivers. Strong loan growth in March should support faster infrastructure investments. Retail sales should continue to recover. However industrial production will be affected by weak external demand.

We will be monitoring how quickly infrastructure investment grows amid strong loan growth. We will also look at the details of retail sales to find clues on consumption recovery, whether it is broad-based and how fast it can grow in the coming months.

PBoC expected to cut policy rates

The People's Bank of China (PBoC) will decide whether to change the 1Y Medium Lending Facility policy rate. The central bank should have most of the information it needs to make this decision even without the GDP data. A cut of 10bp is possible if the data is not as good as the government expects. Banks will follow the central bank's decision to decide on whether to cut the Loan Prime Rate. We expect that if there is a cut of 10bp by the PBoC then banks will cut the 1Y and 5Y Loan Prime rates by 5bp and 15bp, respectively.

Bank Indonesia to keep rates unchanged

Bank Indonesia will likely keep rates untouched at 5.75% given softening inflation and a relatively stable currency. Inflation has moderated and was last reported at 5% year-over-year while the Indonesian rupiah (IDR) is one of the best-performing currencies in the region for the month. These two factors should give the central bank enough room to maintain its current policy stance at its meeting next week. A sustained slowdown of inflation coupled with a strong IDR could even open the door for possible easing by Bank Indonesia in the coming months.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 April					
India		- Mar Fiscal Deficit (USD bn)	-	18.3	
		- Mar Imports/Exports (USD bn)	-		-
Indonesia	0500	Feb Retail Sales Index (YoY)	-		-0.6
Friday 14 April					
India	1230	FX Reserves (USD bn)	-		578.45
Monday 17 April					
Indonesia	0500	Mar Trade Balance (USD bn)	-		5.48
	0500	Mar Imports/Exports Growth (YoY%)	-5.2/10.3		-4.32/4.51
China	-	1Y Medium Lending Facility rate	2.75		2.75
Tuesday 18 April					
China	0300	Mar Industrial Output (YoY%)	2.5		2.4
	0300	Mar Retail Sales (YoY%)	5.0		3.5
	0300	Mar Fixed Assets Investments (YTD YoY%)	5.7		5.5
	0300	Q1 GDP (YoY%)	4.5		2.9
Indonesia	0800	Apr 7-Day Reverse Repo	5.75		5.75
Wednesday 19 April					
Japan	0050	Mar Imports/Exports YoY%	6.5/-1.9		8.3/6.5
	0050	Mar Trade Balance Total Yen	-1200		-897.7
Thursday 20 April					
Australia	2300	Apr Manufacturing PMI Flash	-		49.1
	2300	Apr Services PMI Flash	-		48.6
	2300	Apr Composite PMI Flash	-		48.5
China	0215	Apr Loan Prime Rate 1Y/5Y	3.65/4.3		3.65/4.3
Friday 21 April					
Japan	0030	Mar CPI (YoY%)	3.1		3.3
	0130	Apr Composite PMI Flash	52		52.9
	-	- Apr Manufacturing PMI Flash	48.5		49.2
	-	- Apr Services PMI Flash	55.2		55.0
Indonesia	0400	Mar M2 Money Supply (YoY%)	-		7.9

Source: Refinitiv, ING

Authors

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 <http://www.ing.com>.