

Article | 30 March 2023

ASIA WEEK AHEAD AUSTRALIA CHINA

Asia week ahead: Policy rate decisions from Australia and India

Next week's data calendar features policy rate decisions from Australia and India, inflation numbers from Korea, Indonesia and the Philippines plus activity data from China and Singapore



The end of rate hikes in Australia?

Following softer-than-expected inflation numbers for February, we believe the Reserve Bank of Australia (RBA) will leave the cash rate target unchanged at 3.6% next week. The RBA hinted at its most recent rate-setting meeting that it was looking at a possible pause in rates, and these inflation numbers provide the perfect excuse. We are reserving judgement on whether this marks the peak for cash rates in this cycle. Other data, including from the labour market, could swing this decision one way or the other. Markets are, however, currently betting that 3.6% marks the peak.

Inflationary pressures persist in India

We expect the Reserve Bank of India to hike rates a further 25bp at its April meeting, taking the

repo rate to 6.75% as inflation remains above the top of the upper target band (6%) and core rates of inflation also remain elevated. We do, however, think that this might be the last hike in this cycle as we expect inflation to drop sharply in March.

Upcoming trade and inflation data from Korea

March trade data will confirm that global semiconductor demand remains weak and China's reopening story has yet to boost Korea's exports. We expect the trade deficit to narrow in March due to a sharp decline in imports rather than a rebound in exports.

Meanwhile, consumer inflation is expected to slow further in March. Utilities and food prices should show a rise, yet mostly be offset by falling in oil prices. Since we expect the CPI to head to 3% in the coming months, we maintain a long-standing Bank of Korea (BoK) forecast that the BoK's hikes are done for this cycle.

Diverging pace of recovery for China's manufacturing and services sector

As Caixin's PMI survey respondents are smaller companies compared to the official PMI survey, we expect Caixin's manufacturing PMI to record a slower monthly growth as small exporters would be the first in the economy to suffer from weakness in US and Europe economies. However, Caixin services PMI respondents should enjoy more growth from retail sales than the respondents of the official PMI survey, which includes companies in the real estate sector.

China's foreign exchange reserves to provide insights on capital flows

China will announce foreign exchange reserves for March on 7 April. This data is important to gauge the direction of cross-border capital flows when US and Europe are at the core of the financial market turmoil. We expect a slight inflow into China in March as China is away from the sources of the turmoil and its economy is recovering.

Singapore retail sales to rebound on year-over-year basis

Singapore retail sales for the month of February could jump 20.7% from the previous year, benefiting from a favourable base. Sales however will likely be in contraction from the previous month as elevated inflation keeps a lid on economic activity. Soft retail sales alongside contracting industrial production and falling non-oil domestic exports point to a subdued GDP report for the first quarter.

Upcoming inflation data from Indonesia and Philippines

Price pressures remain evident in both Indonesia and the Philippines, although both economies should see the headline readings moderate as base effects filter through the data. Indonesia's headline inflation could slow further to 5.2% year-on-year (from 5.5% previously) although core inflation may likely be unchanged at 3.1%. With core inflation very close to the central bank's inflation target of 3%, Bank Indonesia Governor Perry Warjiyo has opted to keep rates untouched at two consecutive meetings.

Meanwhile, in the Philippines, headline inflation likely dipped to 8%YoY from 8.6% in the previous month. Slowing inflation in the Philippines could allow the Bangko Sentral ng Pilipinas to pause at its May policy meeting. Governor Felipe Medalla hinted that his most recent rate hike could be the last for this episode should inflation continue to trend lower.

Key events in Asia next week

Country	Time	Data/event	ING Survey	Prev.
Saturday 1 April				
Korea	0100	Mar Exports/Imports (YoY%)	-15.3/-7.5	-7.5/3.6
		Mar trade balance (USD mn)	-5000	-5300
Monday 3 April				
Japan	0130	Mar Jibun Bank Manufacturing PMI	48.6	48.6
	0050	Mar Monetary Base (YoY%)	-	-1.71
China	0245	Mar Caixin Manufacturing PMI Final	51	51.6
India	0600	Mar IHS S&P Global Manufacturing PMI	-	54.9
Indonesia	0130	Mar IHS S&P Global PMI	51.5	51.2
	0500	Mar Core Inflation (YoY%)	3.1	3.09
	0500	Mar Inflation (MoM%/YoY%)	0.22/5.2	0.16/5.47
Philippines	0130	Mar Manufacturing PMI SA	52.4	52.7
Singapore	1400	Mar Manufacturing PMI	50.2	50
South Korea	0130	Mar IHS S&P Global Manufacturing PMI	49	48.5
	0000	Mar CPI Growth (MoM%/YoY%)	0.2/4.3	0.3/4.8
Tuesday 4 April				
Australia	0530	Apr RBA Cash Rate	-	3.6
Wednesday 5 April				
Japan	0130	Mar Services PMI	54.2	54.2
India	0600	Mar IHS S&P Global Services PMI	-	58.5
Philippines	-	Mar Forex Reserves USD	-	99.3
	0200	Mar CPI (MoM%/YoY%)	-0.1/8.0	0/8.6
	0200	Mar Core CPI (YoY%)	7.6	7.8
Singapore	0600	Feb Retail Sales (MoM%/YoY%)	-6.4/20.7	-9.4/-0.8
Thursday 6 April				
Japan	0030	Feb All Household Spending (MoM%/YoY%)	-	2.7/-0.3
Australia	0130	Feb Trade Balance (AUD bn)	-	11688
China	0245	Mar Caixin Services PMI	55	55
India	0530	Repo Rate	-	6.5
	0530	Reverse Repo Rate	-	3.35
	0530	Cash Reserve Ratio	-	4.5
South Korea	0000	Feb Current Account Balance NSA	-	-4.52
Friday 7 April				
China	-	Mar FX Reserves (Monthly)	3.140	3.133
Indonesia	0500	Mar Forex Reserves	-	140.3
Singapore	1000	Mar Foreign Reserves (USD bn)	-	294.1

Source: Refinitiv, ING

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@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.