Asia week ahead: potential rate hike from Bank Indonesia

China loan rates are unlikely to be adjusted next week. Expect a rate hike from Bank Indonesia

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China prime rate not expected to change

China's loan prime rate is one of the highlights for next week. We expect rates for both the 1Y and 5Y rates to remain unchanged at 3.65% and 4.30%, respectively. Credit costs have not come down and this may be one of the concerns that prevent banks from cutting rates. However, there is still a small chance that banks could lower the 5Y loan prime rate to share the government's policy trend of supporting the economy.

Inflation reports out from Japan and Singapore

Japan's CPI inflation will be reported next week and is expected to rise even further, reaching 3.9% year-on-year in November. Utilities should be the main reason for the rise, suggested by last week's Tokyo CPI inflation data. However, despite the recent accelerating inflation, the Bank of

Japan is unlikely to change its easing stance and will not give any hint of any policy tweaks in the near future. As a result, another uneventful BoJ meeting is expected next week.

Meanwhile, Singapore's inflation will likely dip for another month but stay quite elevated at 6.5%YoY. Meanwhile, core inflation could remain flat at 5.1%YoY which will keep the Monetary Authority of Singapore on guard, although we do not see an immediate need for additional central bank action ahead of its planned meeting in April 2023.

Taiwan trade data

Also set for release next week is Taiwan export orders. Orders should continue to contract due to slower growth in the US and Europe amid a still-uncertain growth pick-up in China.

BI to hike rates to help support IDR

Lastly, Bank Indonesia will likely hike by 25bp. BI will need to sustain rate hikes but softer-than-expected headline inflation could mean that the central bank also slows the pace of its tightening. BI may also need to hike rates to support the rupiah which has faced some pressure after the recent strong support provided by sterling export growth appears to be fading fast.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 12 December			
India	1130	Q3 C/A Balance (USD bn)	-	-35.5	-23.9
	1130	Q3 Balance Payments (USD bn)	-	-27.8	4.6
	-	Nov Fiscal Deficit (USD bn)	-	25.88	
	-	Nov Imports/Exports (USD bn)	-		
		Tuesday 20 December			
Japan	-	BOJ Rate Decision	-0.1		-0.1
China	0115	Dec Loan Prime Rate 1Y/5Y	65/4.3		3.65/4.3
Taiwan	800	Dec Export orders (YoY%)	-6.26		-6.27
		Thursday 22 December			
	2330	Nov CPI (YoY%)	3.9		3.8
Indonesia	-	Dec 7-Day Reverse Repo	-		5.25
Taiwan	0800	Nov Unemployment rate (%)	3.65		3.64
		Friday 23 December			
Indonesia	0300	Nov M2 Money Supply (YoY%)	-		9.8
Singapore	0500	Nov Core CPI (YoY%)	-		5.1
	0500	Nov CPI (YoY%)	-		6.7
	0500	Nov CPI (MoM%) NSA	-		-0.4
	0500	Nov Manufacturing Output (MoM%/YoY%)	-/-		0.9/-0.8
Taiwan	0800	Nov Industrial Output (YoY%)	-3.85		-3.56
	0820	Nov Money Supply - M2 (YoY%)	7.2		7.32

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

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