

Asia week ahead: RBA and RBI decide on policy while regional players report inflation

Both the RBI and RBA meet next week to decide on policy, and both are expected to pause. China Caixin PMI will also be released alongside Indonesia GDP and regional inflation numbers



RBA likely to keep setting untouched

The Reserve Bank of Australia (RBA) meets on 6 February to consider monetary policy, and there is virtually no prospect of any change. Cash rate futures are now pricing in a more than 50% chance of easing by May, helped by recent inflation data. However, we think that the inflation picture is less impressive than it appears, and is largely base effect-driven, while monthly run-rates remain high.

We expect inflation to start heading higher over January and February, which may lead to some pull back – much like we have seen in the US. The RBA may use the opportunity to push back a bit

at market pricing, which could speed this adjustment along.

RBI also set to hold

We also have the first Reserve Bank of India (RBI) meeting of the year on 8 February. Inflation is back up at the higher end of the RBI's target (5.69% vs target of 4+/-2%) as food prices have risen again. This removes any incentive the RBI has for acting unilaterally to ease policy, rather than waiting for the US Fed to move before beginning to ease – as we suspect will be the case for most regional central banks, including the RBI.

Key data reports out from China

We will see the January Caixin services and composite PMIs to start the week, where if it follows the CFLP data, a small uptick can be expected. January foreign reserves data will be published on Thursday, where we will likely see a smaller fluctuation after two consecutive months of relatively large increases.

CPI and PPI inflation data will also be published on Friday. CPI inflation is expected to remain in negative territory for perhaps the final month, impacted by the Lunar New Year effect. High frequency data indicates that food prices edged down in sequential terms, but at a slower pace than the two previous months.

It is possible that the aggregate financing, loans and money supply data will be released as early as Friday, where we expect a spike in lending activity to start the year.

Inflation in Taiwan expected to trend lower

Taiwan's January CPI inflation and trade data will be released on Tuesday and Wednesday respectively. Taiwan's CPI has fluctuated in a relatively stable range of around 2-3% over the past year, and is expected to trend down slightly in 2024.

January's trade data will be watched closely to gauge the impact of a sharper-than-expected drop in export orders last month.

Indonesia GDP likely to settle at 5%

We expect fourth quarter GDP to settle at 5.0% year-on-year, supported by a healthy dose of household spending given improving retail sales figures reported in the last few months of 2023. Inflation remained subdued and at the lower end of the central bank's target, which likely fostered a good run of spending. We expect GDP to accelerate in the first quarter, however, as election-related spending helps bolster overall economic activity.

Philippine inflation to slow

January inflation is set for release next week. We expect inflation to settle at 2.9% YoY, within the inflation target of the Bangko Sentral ng Pilipinas (BSP) and also within its inflation forecast of 2.8% to 3.6% YoY. Favourable base effects and slower inflation for key agricultural products should help lower headline inflation. BSP Governor Eli Remolona will be monitoring price developments, although he did indicate that his preference is to keep rates higher for longer.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 5 February					
Japan	0030	Jan Services PMI	52.7		52.7
	2330	Dec All Household Spending (YoY%)	-		-2.9
	2330	Dec All Household Spending (MoM%)	-		-1
China	0145	Jan Caixin Services PMI	-		52.9
India	0500	Jan IHS S&P Global Services PMI	-		59
Indonesia		- Q4 GDP (YoY%)	5		4.94
		- Q4 GDP (QoQ%)	0.4		1.6
Singapore	0500	Dec Retail Sales (MoM%/YoY%)	-/-	/	0.5/2.5
Taiwan	0820	Jan Foreign Exchange Reserve	-		570.595
Tuesday 6 February					
Australia	0330	Feb RBA Cash Rate	4.35		4.35
Philippines	0100	Jan CPI (MoM%/YoY%)	0.5/2.9	/	0.2/3.9
	0100	Jan Core CPI (YoY%)	3.8		4.4
Taiwan	0800	Jan CPI (YoY% NSA)	-		2.71
South Korea	2300	Dec Current Account Balance NSA	5		4.06
Wednesday 7 February					
China	0800	Jan FX Reserves (Monthly)	-		3.238
Indonesia	0400	Jan Forex Reserves	-		146.4
Philippines		- Jan Forex Reserves USD	-		102.5
Singapore	0900	Jan Foreign Reserves USD	-		351
	0000	Q4 GDP Final (QoQ%/YoY%)	-/2.8	/	7/2.8
Taiwan	0800	Jan Imports	-		-6.5
	0800	Jan Exports	-		11.8
	0800	Jan Trade Balance	-		11.1
Thursday 8 February					
Japan	2350	Jan M2 Money Supply (YoY%)	-		12427762
China	0130	Jan CPI (YoY%)	-0.5		-0.3
	0130	Jan CPI (MoM%/YoY%)	-/-	/	0.1/9.7
India	0430	Repo Rate	6.5		6.5
	0430	Reverse Repo Rate	3.35		3.35
	0430	Cash Reserve Ratio	4.5		4.5

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@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.